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

GLOBAL OFFERING

Joint Sponsors

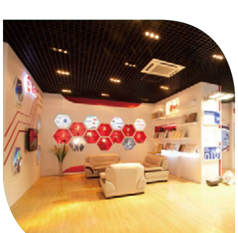
DBS

國信證券(香港) GUOSEN SECURITIES (HK)

Joint Global Coordinators and Joint Bookrunners

國信證券(香港) GUOSEN SECURITIES (HK)

DBS



IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	**:**	**250,000,000 Shares (subject to adjustment and the exercise of the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**25,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	**:**	**225,000,000 Shares (subject to adjustment and the exercise of the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$0.80 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1979**

Joint Sponsors

DBS

國信證券(香港)
GUOSEN SECURITIES (HK)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

國信證券(香港)
GUOSEN SECURITIES (HK)

DBS

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the United States, and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The Offer Shares are being offered and sold only outside of the United States in offshore transactions in reliance on Regulation S of the U.S. Securities Act.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 3 December 2015 and, in any event, not later than Wednesday, 9 December 2015. The Offer Price will be no more than HK$0.80 per Offer Share and is currently expected to be no less than HK$0.55 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Wednesday, 9 December 2015 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information contained in this prospectus, including the risk factors set forth in the section "Risk Factors".

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.tenpao.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. Please refer to the sections "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the section "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination".

30 November 2015

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times and on the websites of the Stock Exchange at ***www.hkexnews.hk*** *and our Company on* ***www.tenpao.com****.*

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2]	11:30 a.m. on Thursday, 3 December 2015
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Thursday, 3 December 2015
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, 3 December 2015
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, 3 December 2015
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 3 December 2015
Application lists of the Hong Kong Public Offering close	12:00 noon on Thursday, 3 December 2015
Expected Price Determination Date[5]	Thursday, 3 December 2015

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.tenpao.com** on[6]	Thursday, 10 December 2015

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.tenpao.com** (Please refer to the section "How to Apply for Hong Kong Offer Shares — 11. Publication of Results") from .... Thursday, 10 December 2015

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**[7] and our Company's website at **www.tenpao.com**[8] from .. Thursday, 10 December 2015

Results of allocations for the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function .... Thursday, 10 December 2015

Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on[6] .... Thursday, 10 December 2015

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques on[9] .... Thursday, 10 December 2015

Dealings in Shares on the Stock Exchange to commence on .... Friday, 11 December 2015

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 December 2015, the application lists will not open on that day. Please refer to the section "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists".

(4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS".

(5) The Price Determination Date is expected to be on or around Thursday, 3 December 2015 and, in any event, not later than Wednesday, 9 December 2015. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, 9 December 2015, the Global Offering will not proceed and will lapse.

(6) **Share certificates are expected to be issued on Thursday, 10 December 2015 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Friday, 11 December 2015. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely at their own risk.**

(7) The announcement will be available for viewing on the "Main Board – Allotment of Results" page on the Stock Exchange's website **www.hkexnews.hk** and our Company's website at **www.tenpao.com**.

(8) Neither the websites nor any of the information contained on the websites forms part of this prospectus.

(9) **HK eIPO White Form e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

You should read carefully the sections "Underwriting", "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and Share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Co-lead Managers, and the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Global Offering. Information contained in our website, located at ***www.tenpao.com****, does not form part of this prospectus.*

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Founded in 1979, we have over 30 years of experience in the power supply industry and are one of the major players in the manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use in the PRC. The switching power supply unit manufacturing industry in the PRC is highly competitive and fragmented. According to the Ipsos Report, we ranked 9th among switching power supply unit manufacturers and 7th among manufacturers whose principal business is the manufacturing of switching power supply units (i.e. manufacturers with more than 50% of revenue derived from the manufacturing of switching power supply units) in terms of sales revenue in the PRC in 2014.

We are principally engaged in the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use, with production bases located in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC, respectively. Our switching power supply units are applied to consumer products in various industry sectors, including (i) telecommunications equipment; (ii) media and entertainment equipment such as AV products and computers; (iii) electronic cigarettes; (iv) home electrical appliances; and (v) other products such as LED lighting and health care products; whereas our smart chargers and controllers are mainly applied to power tools for industrial use. Most of our products are incorporated into and/or applied to our customers' end products under their own brands. In addition, we manufacture switching power supply units for consumer products such as telephone adapters and USB chargers under our own "Ten Pao" brand.

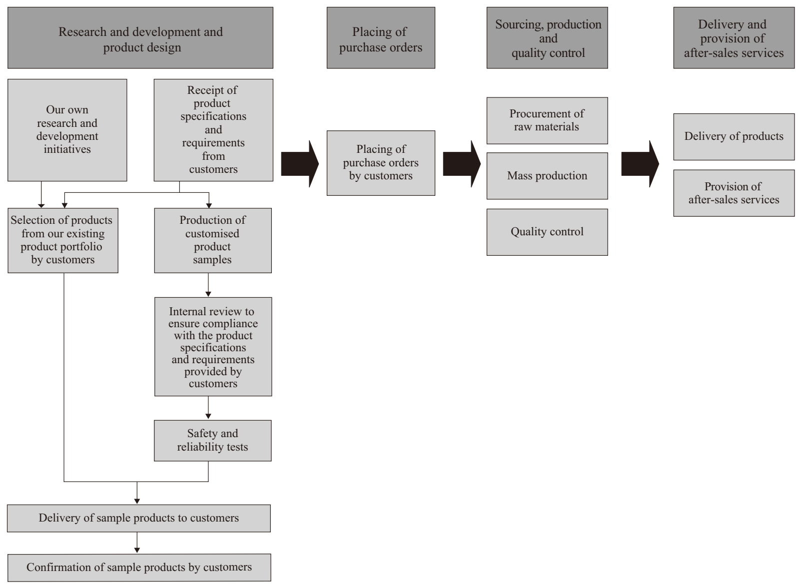
As the switching power supply unit manufacturing industry is characterised by rapid technological advancements and susceptible to changes in market trends and demands, our Group places great emphasis on research and development, focusing primarily on (i) the improvement and upgrade of existing products in terms of capability and functionality; (ii) the development of new products in anticipation of changes in the industry and market environment; and (iii) improvement and development of production technologies. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our research and development expenditure amounted to approximately HK$57.6 million, HK$57.6 million, HK$63.4 million and HK$30.2 million, respectively, representing approximately 4.0%, 3.4%, 3.3% and 3.2% of our total revenue, respectively.

We have adopted a stringent quality control system and the quality of our products has been well-recognised by the market and our customers. To strengthen our quality control capability, in 2004, we established our own testing laboratory in Huizhou, Guangdong province, the PRC. Our testing laboratory was awarded the CNAS laboratory accreditation certificate in 2008, which enables our Group to conduct safety and energy-efficiency testing on our products in our accredited scopes. The test reports issued by our CNAS-accredited laboratory are recognised by more than 80 accreditation bodies from approximately 70 countries, including the PRC, the United States and most countries in the European Union. The relevant certification bodies will, based on the results contained in the test reports, grant certifications on our products so that our products can be sold in or exported to certain countries which require the relevant certifications for the sale or import of the products. Our Directors believe that our ability to conduct safety and energy-efficiency testing by ourselves reduces the time to market of our products, which enhances our competitiveness in the switching power supply unit manufacturing industry.

During the Track Record Period, our products were sold within the PRC and were exported to over 10 countries and regions including the European Union, the United States and South Korea.

OUR BUSINESS MODEL

We derive our revenue mainly from the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use. The following diagram illustrates the business model of our operations:



Our customers will approach us with the specifications and requirements of the products they intend to purchase. We will formulate a product development plan and satisfy our customers' requests by (i) offering the most suitable products from our existing product portfolio and, if necessary, making adjustments or alterations to our existing products; or (ii) manufacturing customised products according to the specifications and requirements provided by our customers. Upon confirmation of purchase orders by our customers, we will procure raw materials and begin mass production. We will conduct performance checks on the finished products and arrange for delivery to our customers. In order to keep ourselves abreast of the evolving technological advancements and obtain the latest market information, our marketing department will conduct market research to analyse the industry situation and market environment from time to time. Our research and development department will, based on the market research findings, continuously update and expand our product portfolio. Please refer to the section "Business — Our Business Model" for further details.

OUR PRODUCTS

Our products are mainly categorised into (i) switching power supply units for consumer products; and (ii) smart chargers and controllers for industrial use. Our switching power supply units for consumer products include USB chargers, wireless chargers, adapters, open frame power supplies, and LED driver units and power supplies, which are applied to consumer products such as smartphones, audio systems, laptops, set-top boxes, home electrical appliances and electronic cigarettes. Our smart chargers and controllers for industrial use include wireless chargers, smart chargers and smart controllers, which are applied to power tools such as electric drills, electric saws and grinding machines. As at 30 June 2015, we offered more than 1,400 types of switching power supply units for consumer products and more than 300 types of smart chargers and controllers for industrial use.

Our products come in various dimensions and designs and have different input/output voltage ranges, output current ranges, maximum power and input terminals. Our diversified product portfolio allows us to cater for our customers' different requirements on product specifications and enables them to choose the most suitable products to be applied to their own products. Please refer to the section "Business — Our Products" for further details.

The following table sets out the breakdown of our revenue, sales volume and average selling price by product segment during the Track Record Period:

Products	For the year ended 31 December												For the six months ended 30 June							
	2012				2013				2014				2014				2015			
	Revenue	Percentage of total revenue	Sales volume	Average selling price	Revenue	Percentage of total revenue	Sales volume	Average selling price	Revenue	Percentage of total revenue	Sales volume	Average selling price	Revenue	Percentage of total revenue	Sales volume	Average selling price	Revenue	Percentage of total revenue	Sales volume	Average selling price
	HK$'000	*%*	*000 units*	*HK$*	*HK$'000*	*%*	*000 units*	*HK$*	*HK$'000*	*%*	*000 units*	*HK$*	*HK$'000* (unaudited)	*%*	*000 units*	*HK$*	*HK$'000*	*%*	*000 units*	*HK$*
Switching power supply units for consumer products	1,248,695	87.8	107,898	11.6	1,466,629	86.8	123,995	11.8	1,583,582	82.0	143,192	11.1	730,462	82.8	64,590	11.3	728,348	77.2	59,599	12.2
Smart chargers and controllers for industrial use	173,665	12.2	5,449	31.9	223,935	13.2	7,404	30.2	346,932	18.0	10,556	32.9	152,086	17.2	4,699	32.4	215,365	22.8	6,635	32.5
Total	1,422,360	100.0	113,347	12.5	1,690,564	100.0	131,399	12.9	1,930,514	100.0	153,748	12.6	882,548	100.0	69,289	12.7	943,713	100.0	66,234	14.2

Our Group primarily determines the prices of our products on a cost plus profit margin basis, taking into consideration factors such as the volume of purchase and the prices of comparable products in the market.

The following table sets out the gross profit and gross profit margin by product segment during the Track Record Period:

Products	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Switching power supply units for consumer products	170,765	13.7	228,047	15.5	256,132	16.2	109,029	14.9	108,209	14.9
Smart chargers and controllers for industrial use	32,206	18.5	38,674	17.3	76,268	22.0	29,986	19.7	40,260	18.7
Total	202,971	14.3	266,721	15.8	332,400	17.2	139,015	15.8	148,469	15.7

The following table sets forth a breakdown of our cost of sales by nature during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Raw materials	884,947	72.6	1,080,182	75.9	1,210,165	75.7	557,673	75.0	574,778	72.3
Direct labour	140,343	11.5	164,094	11.5	185,005	11.6	87,842	11.8	103,200	13.0
Production overheads	194,099	15.9	179,567	12.6	202,944	12.7	98,018	13.2	117,266	14.7
Total cost of sales	1,219,389	100.0	1,423,843	100.0	1,598,114	100.0	743,533	100.0	795,244	100.0

OUR PRODUCTION FACILITIES

As at the Latest Practicable Date, our Group had two production bases located in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC, respectively, and we operated more than 110 production lines. As at the Latest Practicable Date, our production base in Huizhou was principally engaged in the production of switching power supply units for consumer products and smart chargers and controllers for industrial use, whereas our production base in Hanzhong was principally engaged in the production of high-frequency transformers, one of the key components of switching power supply units for consumer products and smart chargers and controllers for industrial use. The high-frequency transformers produced by our production base in Hanzhong will be delivered to our production base in Huizhou and be applied to our products.

The following table sets out the designed production capacity and actual production volume of switching power supply units for consumer products and smart chargers and controllers for industrial use and the average utilisation rate of our production base in Huizhou during the Track Record Period:

	For the year ended			For the six months ended
	31 December 2012	31 December 2013	31 December 2014	30 June 2015
Designed production capacity *(units)*	152,934,095	158,164,685	173,285,343	87,064,769
Actual production volume *(units)*	109,251,817	125,419,944	151,815,121	61,197,318
Average utilisation rate *(%)*	71.4	79.3	87.6	70.3

The decrease in the average utilisation rate for the six months ended 30 June 2015 was due to (i) the fact that it takes time for us to achieve a comparable average utilisation rate after the installation of new automated machineries and equipment; (ii) re-arrangement of manufacturing activities of our production bases and re-location of some of the production lines used for the manufacturing of high-frequency transformers from our production base in Huizhou to our production base in Hanzhong; and (iii) seasonality effect whereby our sales volume during the period from January to June is generally lower than that of the period from July to December.

Please refer to the section "Business — Production Facilities" for further details of our production facilities and our production capacity.

OUR CUSTOMERS

Our major customers are principally internationally reputable brands, including Flextronics Group, Bosch Group, Stanley Black & Decker, Inc., TCL Group, and Oppo Group, who purchase and apply our Group's switching power supply units for consumer products and smart chargers and controllers for industrial use to their respective products and sell them to their respective clients under their own brand.

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our total revenue amounted to approximately HK$1,422.4 million, HK$1,690.6 million, HK$1,930.5 million and HK$943.7 million, respectively, while our Group's five largest customers accounted for approximately 45.2%, 49.1%, 52.6% and 46.6% of our total revenue, respectively. We have a broad clientele, with no single customer contributing more than 17.5% of our total revenue during the Track Record Period.

During the Track Record Period, the PRC was the largest market of our Group, accounting for approximately 63.7%, 58.2%, 65.5% and 51.7% of our turnover for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. During the Track Record Period, our Group also received purchase orders from various regions, including the European Union, the United States and South Korea. Some of our overseas customers which have establishments in the PRC would request us to deliver our products to their designated delivery points in the PRC and settle the invoice in foreign currencies including but not limited to U.S. dollars.

Please refer to the section "Business — Customers" for further details.

OUR SUPPLIERS

Our major suppliers are located in the PRC. We have stringent procedures in the selection of suppliers and generally procure our major raw materials from the suppliers in our list of approved suppliers. During the Track Record Period, in an attempt to lower our production cost, we also procured some of the raw materials that are extensively used in our production process by tendering. We periodically assess and review the performance of our suppliers.

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our five largest suppliers of raw materials accounted for approximately 20.2%, 16.8%, 14.3% and 13.0% of our total cost of sales, respectively, and our largest supplier accounted for approximately 8.5%, 6.2%, 5.9% and 4.5% of our total cost of sales, respectively. The raw materials purchased by our Group mainly include plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, PCB components, triodes, copper and aluminium materials, and resistors.

Please refer to the section "Business — Suppliers and Raw Materials" for further details.

OUR COMPETITIVE STRENGTHS

Please refer to the section "Business — Competitive Strengths" for further details.

OUR BUSINESS STRATEGIES

We intend to strengthen our position as one of the major switching power supply unit manufacturers in the PRC by implementing our business strategies as set out in the section "Business — Business Strategies".

SUMMARY HISTORICAL FINANCIAL INFORMATION

Our revenue increased from approximately HK$1,442.4 million to approximately HK$1,690.6 million and further to approximately HK$1,930.5 million for each of the three years ended 31 December 2012, 2013 and 2014. As a result of increased revenue and gross profit margin, our profit before tax also increased from approximately HK$77.5 million to approximately HK$83.9 million and further to approximately HK$88.6 million for the respective years. Despite the increase in revenue and profit before tax, our profit for the year decreased from approximately HK$63.9 million to approximately HK$55.7 million and further to approximately HK$54.7 million for each of the three years ended 31 December 2012, 2013 and 2014 due to: (i) realised gain before tax on derivative financial instruments for foreign exchange hedge purpose of approximately HK$1.0 million, HK$12.2 million and HK$7.1 million and unrealised gain or loss before tax on derivative financial instruments for foreign exchange hedge purpose of a gain of approximately HK$21.9 million, a gain of approximately HK$7.7 million and a loss of approximately HK$53.8 million for the respective years; and (ii) increased income tax expenses as a result of increased taxable income principally generated by our PRC subsidiaries from approximately HK$13.6 million to approximately HK$28.2 million and further to approximately HK$33.8 million for the respective years.

Our revenue increased from approximately HK$882.5 million for the six months ended 30 June 2014 to approximately HK$943.7 million for the six months ended 30 June 2015. Our gross profit margin remained stable at approximately 15.8% and 15.7% for the respective periods. Our profit for the periods increased from approximately HK$0.4 million for the six months ended 30 June 2014 to approximately HK$60.0 million for the six months ended 30

June 2015 mainly due to a fair value gain on derivative financial instruments of approximately HK$32.3 million for the six months ended 30 June 2015 as compared to a fair value loss on derivative financial instruments of approximately HK$55.1 million for the six months ended 30 June 2014.

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our effective tax rate was 17.6%, 33.6%, 38.2% and 20.2%, respectively. The increase in the effective tax rate in 2013 as compared to that in 2012 was primarily due to tax holiday and preferential tax rate available to our PRC subsidiaries but terminated in late 2012 and the increase in the accrual of withholding tax of retained earnings of our PRC subsidiaries. The increase in the effective corporate income tax rate in 2014 as compared to that in 2013 was primarily due to the increase in the accrual of withholding tax of retained earnings of our PRC subsidiaries. The effective tax rates in 2013 and 2014 were higher than the statutory rate of 25% primarily due to the accrual of withholding tax of retained earnings and expenses not deductible for taxation purpose of our PRC subsidiaries. The effective tax rate for the six months ended 30 June 2015 reduced to approximately 20.2% from approximately 38.2% for the year ended 31 December 2014, mainly due to the decrease in the accrual of withholding tax of the retained earnings of our PRC subsidiaries.

For details of the fluctuation in our financial results, please refer to the section "Financial Information – Results of Operations".

The following tables set forth the summary of our financial information during the Track Record Period and should be read in conjunction with our financial information included in the Accountant's Report, including the notes thereto, in Appendix I to this prospectus.

Selected information from our combined income statements

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	1,422,360	1,690,564	1,930,514	882,548	943,713
Gross profit	202,971	266,721	332,400	139,015	148,469
Profit before income tax	77,523	83,890	88,560	6,884	75,106
Profit for the year/period attributable to owners of our Company	63,915	55,696	54,717	361	59,970

Selected information from our combined balance sheets

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	596,195	745,067	942,136	977,627
Current liabilities	444,836	578,235	684,205	749,045
Net current assets	151,359	166,832	257,931	228,582
Non-current assets	208,356	213,301	227,442	289,692
Non-current liabilities	83,047	63,724	116,905	154,669
Net assets	276,668	316,409	368,468	363,605

Selected information from our combined cash flow statements

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from operating activities	29,444	72,403	138,226	92,143	17,284
Net cash used in investing activities	(39,572)	(38,666)	(49,474)	(19,459)	(78,249)
Net cash generated from/(used in) financing activities	7,012	(66,970)	(44,076)	(54,516)	80,231
Cash and cash equivalents at end of the year/period	73,509	40,599	85,256	58,714	104,542

Effect of derivative financial instruments

During the Track Record Period, a notable portion of our Group's revenue was derived from our export sales to the European Union and the United States and was primarily denominated in U.S. dollars, while our cost of sales was primarily denominated in Renminbi. In order to reduce the foreign exchange risk exposure of our Group, in particular the fluctuation in the currency exchange rate between U.S. dollars and Renminbi, we entered into certain foreign exchange hedge transactions during the Track Record Period.

We have included the profit attributable to owners of our Company excluding realised and unrealised gain or loss in derivative financial instruments during the Track Record Period. Such concept is not defined in the HKFRS and has material limitations as an analytical and demonstration tool as it does not include all items that may impact our net loss or income for the Track Record Period. Please refer to the section "Financial Information — Description of Certain Items in Combined Balance Sheets — Derivative financial instruments — Non-HKFRS measures" for further details of our profits attributable to owners of our Company excluding realised and unrealised gain or loss in derivative financial instruments during the Track Record Period.

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, we recognised realised gain or loss before tax on derivative financial instruments for foreign exchange hedge purpose of approximately a gain of HK$1.0 million, a gain of HK$12.2 million, a gain of HK$7.1 million and a loss of HK$5.7 million, respectively. As derivative financial instruments are required to be re-measured at their fair value at the end of each financial year/period, we recognised unrealised gain or loss before tax on derivative financial instruments for foreign exchange hedge purpose of a gain of approximately HK$21.9 million, a gain of approximately HK$7.7 million, a loss of approximately HK$53.8 million and a gain of HK$33.2 million, respectively. Such unrealised loss before tax in 2014 was mainly due to the unexpected depreciation of Renminbi against U.S. dollars in late 2014, which resulted in a significant decrease in the hypothetical market value of the derivative financial instruments as at 31 December 2014.

FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the dates or for the periods as indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
Gross profit margin (%)	14.3	15.8	17.2	15.8	15.7
Net profit margin (%)	4.5	3.3	2.8	0.0	6.4
Net profit margin excluding income/loss and fair value changes on derivative financial instruments, net of income tax (%)	2.1	2.4	4.9	5.2	4.0

Note: Please refer to the section "Financial Information — Key Financial Ratios" for information of calculation of these ratios.

For information relating to the breakdown of our gross profit margin by product segment during the Track Record Period, please refer to the section "Financial Information — Description of Selected Items in Combined Income Statements — Revenue". For more information on our Group's key financial ratios, including a discussion on the fluctuation of these financial ratios over the Track Record Period, please refer to the section "Financial Information — Key Financial Ratios".

For more information on our Group's net profit margin during the Track Record Period, please refer to the section "Financial Information — Review of Historical Results of Operations". Our net profit margin excluding income/loss and fair value changes on derivative financial instruments, net of income tax increased from approximately 2.1% for the year ended 31 December 2012 to approximately 2.4% for the year ended 31 December 2013, and further to approximately 4.9% for the year ended 31 December 2014. The increase was mainly attributable to our increased revenue and gross profit margin as a result of our organic growth from operation. The net profit margin excluding income/loss and fair value changes on derivative financial instruments, net of income tax then decreased to approximately 4.0% for the six months ended 30 June 2015 as compared to the same period in 2014, mainly as a result of increased expenses in relation to the Listing and increased employee benefit expenses in administrative and selling expenses.

RECENT DEVELOPMENTS

Subsequent to 30 June 2015 and up to the Latest Practicable Date, our Group had continued to focus on our business operations. Our Reporting Accountant has conducted a review on the financial information of our Group for the nine months ended 30 September 2015 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". For the three months ended 30 September 2015, our revenue and gross profit were approximately HK$662.0 million and HK$132.8 million, respectively, representing an increase of approximately 18.1% and 21.8% as compared to the same period in 2014, respectively. We believe that the improved gross profit margin for the three months ended 30 September 2015 as compared to other periods of the year was mainly attributable to (i) increased sales as a result of seasonal sales pattern due to a greater demand for consumer products before festivals and holiday seasons which was consistent with the past years; and (ii) relatively stable fixed overheads incurred during the period between July and September 2015 despite the increased sales. We anticipate that our financial results for the last quarter of 2015 as compared to the third quarter of 2015 may be slightly lower given (i) that sales may be at a lower level for the last quarter of 2015 as compared to the third quarter of 2015 which is consistent with our seasonal sales pattern; (ii) the relatively stable fixed overheads; and (iii) the impact of Listing expenses on our combined statement of profit or loss.

The installation of new automated machineries and equipment in our production base in Huizhou has increased our production capacity. For the three months ended 30 September 2015, with a designed production capacity of approximately 49.4 million units, our production base in Huizhou achieved an average utilisation rate of approximately 86.3%. The enhanced level of automation in our production process has strengthened our capabilities in producing highly standardised quality products and reduced our reliance on labour force. In order to cope with the increasing demand of our products, we will continue to enhance the level of automation in our production process, which will enable us to further increase our production capacity.

Our production base in Hanzhong has, since its commencement of operations in or around February 2015, provided us with a stable supply of high-frequency transformers for use in our production of switching power supply units for consumer products and smart chargers and controllers for industrial use. Our production base in Hanzhong operated a total of 11 production lines as at 30 September 2015. For the three months ended 30 September 2015, with a designed production capacity of approximately 9.4 million units of high-frequency transformers, our production base in Hanzhong achieved an average utilisation rate of approximately 74.9%. Our Directors believe that the stable supply of high-frequency transformers from our production base in Hanzhong has reduced our need to source high-frequency transformers from Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司), a connected person of our Company, thereby enhancing our operational flexibility and reducing our production cost. As our production base in Hanzhong only commenced the production of high-frequency transformers in the first half of 2015 and is still in its preliminary stage of operations, our transactions with Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) will continue until our Hanzhong production base scales up its production to achieve economies of scale and such transactions are expected to cease in 2017. As at 30 September 2015, we had paid approximately HK$11.9 million with our internal funds towards the development of our production base in Hanzhong. The remaining capital expenditure of approximately HK$8.1 million is expected to be paid by 30 June 2016 with our internal funds.

For the three months ended 30 September 2015, our Group experienced a realised loss in derivative financial instruments of an amount of approximately HK$9.4 million and an unrealised loss of an amount of approximately HK$8.7 million, respectively. Our Directors are of the view that the recent depreciation of Renminbi did not have a material adverse effect on our business and financial performance because of the following mitigating factors:

(i) the adverse effect of depreciation of Renminbi against U.S. dollars on our Group's hedge activities was partially offset by the fact that our Group's sales receipts denominated in U.S. dollars are of a higher value when such sales receipts are converted into Renminbi. Since we confirm the price of products with our customers when they place purchase orders and a credit period of 60 days from end of month is normally offered to our customers, if the depreciation of Renminbi against U.S. dollars is significant during that period of time, our Group will obtain a foreign exchange gain upon conversion of the sales receipts from U.S. dollars to Renminbi. Moreover, the amount of receivables denominated in U.S. dollars was in general higher than the amount of liabilities during the Track Record Period. In this regard, the depreciation of Renminbi against U.S. dollars has led us to record a gain from foreign exchange during the six months ended 30 June 2015 in an amount of approximately HK$6.1 million;

(ii) certain amount of our revenue was and will continue to be denominated in Renminbi which served and will serve as a natural hedge against and lessen our exposure to the foreign exchange rate fluctuation in Renminbi. For the six months ended 30 June 2015, our revenue denominated in Renminbi amounted to approximately HK$150.0 million, representing approximately 15.9% of our Group's revenue for the corresponding period;

(iii) our Directors believe that the depreciation of Renminbi against U.S. dollars is expected to boost the growth of export in the PRC to a certain extent, and it shall favour the growth of our exported revenue in the near future. In addition, the depreciation of Renminbi is considered to be favourable to PRC-based manufacturers including our Group with costs denominated in Renminbi while revenue is primarily denominated in U.S. dollars;

(iv) Chairman Hung, Even Joy, TinYing Holdings and TinYing Investments agreed to provide an indemnity in favour of our Group to indemnify all losses which may arise from or in connection with the six outstanding derivative financial instruments from the month of Listing until the expiry date of the last derivative financial instrument. Chairman Hung, one of our Controlling Shareholders, has provided immediate available cash fund proof to demonstrate that he has sufficient financial resources to honour such indemnity; and

(v) we will continue to negotiate with certain banks about the possibility of novating or terminating the six outstanding derivative financial instruments, the successful negotiation of which will eliminate or partially eliminate the adverse effect that such financial instruments may have on our financial performance.

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of approximately HK$6.2 million and HK$11.0 million, which was recognised as administrative expenses in our combined income statements for the year ended 31 December 2014 and the six months ended 30 June 2015, respectively and approximately HK$0.4 million was recorded as prepayment as at 30 June 2015 and will be deducted against equity subsequently. We expect to incur additional listing expenses (excluding underwriting commission of approximately HK$5.9 million, assuming mid-point of the proposed Offer Price range and before any exercise of the Over-allotment Option, to be paid to the Underwriters) of approximately HK$21.6 million, of which approximately HK$14.0 million is expected to be recognised as administrative expenses for the six months ending 31 December 2015 and approximately HK$7.6 million is expected to be recognised as a deduction against equity directly.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses paid and payable by us in connection thereto, are estimated to be approximately HK$124.9 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$0.68 per Share, being the mid-point of the proposed Offer Price range of HK$0.55 to HK$0.80 per Share. We intend to use such net proceeds as follows:

- approximately HK$87.4 million (or approximately 70% of our total estimated net proceeds) will be used for expanding the scale of production of our production bases in Huizhou, Guangdong province, the PRC, of which:

  (a) approximately HK$43.7 million (or approximately 35% of our total estimated net proceeds) will be used to purchase new machineries and equipment for the installation of new production lines, and such new machineries and equipment include: (i) approximately 10 units of SMT machines and 30 units of other machineries and equipment used in our SMT process; and (ii) approximately 15 units of other machineries and equipment used in our production process, such as soldering machines, laser engraving machines and testing machines;

  (b) approximately HK$31.2 million (or approximately 25% of our total estimated net proceeds) will be used to purchase new machineries and equipment to increase the level of automation in our production process, and such new machineries and equipment include: (i) approximately 40 units of automatic integrated machines, such as automatic dispensing and de-panelling integrated machines, automatic soldering and solder joint inspection integrated machines, automatic ultrasonic and packaging integrated machines, automatic assembly and laser engraving integrated machines, and performance testing integrated machines; and (ii) approximately 85 units of other automated machineries and equipment, such as manipulators, automatic insertion machines, automatic soldering machines, automatic wire bonding and dispensing machines and automatic de-panelling machines; and

  (c) approximately HK$12.5 million (or approximately 10% of our total estimated net proceeds) will be used to complete the re-arrangement of manufacturing activities of our production bases, including renovation works and production set-up in our production base in Huizhou after re-location of the manufacturing activities of high-frequency transformers from our production base in Huizhou to our production base in Hanzhong;

- approximately HK$12.5 million (or approximately 10% of our total estimated net proceeds) will be used for strengthening sales and marketing efforts and expanding our customer base in the PRC and internationally;

- approximately HK$12.5 million (or approximately 10% of our total estimated net proceeds) will be used for strengthening our research and development capabilities; and

- approximately HK$12.5 million (or approximately 10% of our total estimated net proceeds) will be used for general working capital and other general corporate purposes.

Please refer to the section “Future Plans and Use of Proceeds” for further details.

DIVIDEND POLICY

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. There is no expected payout ratio and our Board currently does not have any intention to declare dividend. Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

No dividend has been paid or declared by our Company since its incorporation up to and including the Latest Practicable Date. Notwithstanding the above, non-recurring dividend of approximately nil, HK$5.8 million, nil and nil were declared and paid from the internal resources of the companies now comprising our Group to the then shareholders for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. Prior to Listing, our Group declared dividends of approximately HK$210.9 million to the then shareholders, of which approximately HK$200.9 million was set off against the amount due from the related parties and approximately HK$10.0 million will be settled by internal resources of our Group before Listing.

Please refer to the section "Financial Information — Dividends and Dividend Policy" for further information.

OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on minimum indicative Offer Price of HK$0.55	**Based on maximum indicative Offer Price of HK$0.80**
Market capitalisation of our Shares(1)	HK$550 million	HK$800 million
Unaudited pro forma adjusted net tangible asset value per Share(2)	HK$0.47	HK$0.53

Notes:

(1) The calculation of market capitalisation is based on the 1,000,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalisation Issue.

(2) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after adjustments referred to in the section "Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and on the basis of 1,000,000,000 Shares in issue at the Offer Price immediately upon completion of the Global Offering.

RISK FACTORS

Please refer to the section "Risk Factors" for further details of the risks relating to our business and industry, the country in which we operate, and the Global Offering.

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Accountant's Report"	the accountant's report prepared by the Reporting Accountant set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them, that are used in connection with the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 23 November 2015 which will take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors"	our board of Directors
"Board Lot"	the board lot of 4,000 Shares in which the Shares are traded on the Stock Exchange from time to time
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the capitalisation of an amount of HK$7,499,985 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 749,998,500 Shares for allotment and issue to our Shareholders as resolved by our Shareholders on 23 November 2015
"Cayman Islands Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended and consolidated from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chairman"	the chairman of our Board
"Chairman Hung"	Mr. Hung Kwong Yee (洪光椅), the Chairman, an Executive Director, the chief executive officer, one of our Controlling Shareholders, the elder brother of Mr. G.D. Hong and the father of Mr. S.T. Hung
"China" or "PRC"	the People's Republic of China and, for the purpose of this prospectus only, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People's Republic of China
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Co-lead Managers"	Aristo Securities Limited and Convoy Investment Services Limited
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Ten Pao Group Holdings Limited (天寶集團控股有限公司), the holding company of our Group after the Reorganisation and the listing vehicle for the Listing, which is an exempted company with limited liability incorporated on 27 January 2015 in the Cayman Islands and the Shares of which are to be listed on the Main Board
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Chairman Hung, Even Joy, TinYing Holdings, TinYing Investments and Mr. S.T. Hung
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	Corporate Governance Code set out in Appendix 14 to the Listing Rules
"DBS Asia Capital Limited"	DBS Asia Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
"Declaration of Trust"	the declaration of trust dated 29 March 2004 and executed by Hong Bixin in favour of Chairman Hung, pursuant to which Hong Bixin held the entire issued share capital (i.e. one share of par value US$1.00 each) in Ten Pao Electronic on trust for and on behalf of Chairman Hung
"Deed of Indemnity"	the deed of indemnity dated 23 November 2015 executed by Chairman Hung, Even Joy, TinYing Holdings and TinYing Investments in favour of our Company, particulars of which are set out in the paragraph "Statutory and General Information — Other Information — 16. Estate duty, tax and other indemnity" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 23 November 2015 executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section "Relationship with our Controlling Shareholders — Non-competition Undertakings by Controlling Shareholders"
"Director(s)" or "our Directors"	director(s) of our Company
"Ease Bright"	Ease Bright Holdings Limited (怡明控股有限公司), a company incorporated under the laws of BVI with limited liability on 9 February 2015 and is wholly-owned by Chairman Hung
"EIT"	enterprise income tax (企業所得稅)
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)

"electronic application instruction(s)"	instruction(s) given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
"EU" or "European Union"	the European Union first established by the treaty made at Maastricht on 2 February 1992
"Euros" or "EUR"	the lawful currency adopted by 17 of the 27 member states of the European Union
"Even Joy"	Even Joy Holdings Limited (同悦控股有限公司), a company incorporated under the laws of BVI with limited liability on 12 January 2015, wholly-owned by Chairman Hung and is one of our Controlling Shareholders
"Executive Director(s)"	executive director(s) of our Company
"Family Trust"	The TinYing Trust, a discretionary trust established by Chairman Hung as settlor of which the Trustee acts as the trustee and the beneficiaries of which are Chairman Hung, certain of his family members and other persons who may be added or amended from time to time
"General Mandate"	the general unconditional mandate given to our Directors by the Shareholder relating to the issue of new Shares, as further described in the section "Statutory and General Information — 3. Resolutions in writing of the Shareholders passed on 23 November 2015" in Appendix IV to this prospectus
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Goldasia"	Goldasia Group Limited, a company incorporated under the laws of BVI with limited liability on 7 January 2005, and a direct wholly-owned subsidiary of our Company after completion of the Reorganisation
"GREEN application form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"Group", "we", "our", "our Group" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

"Guosen Securities (HK) Capital Company Limited"	Guosen Securities (HK) Capital Company Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
"HKAS"	Hong Kong Accounting Standards
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designated by our Company, as specified on the designated website (**www.hkeipo.hk**)
"HKFRSs"	Hong Kong Financial Reporting Standards, as issued by the HKICPA
"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Bixin"	Hong Bixin (洪碧心), the sister-in-law of Chairman Hung and the spouse of Mr. G.D. Hong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Register"	the branch register of members of our Shares maintained by the Hong Kong Branch Share Registrar in Hong Kong
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 25,000,000 Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering at the Offer Price, subject to any adjustment or reallocation as described in the section "Structure and Conditions of the Global Offering"

"Hong Kong Public Offering"	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in the section "Structure and Conditions of the Global Offering — Hong Kong Public Offering"
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters for the Hong Kong Public Offering as referred to in the section "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 27 November 2015 relating to the Hong Kong Public Offering entered into among our Company, our Executive Directors, TinYing Holdings, TinYing Investments, Even Joy, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement"
"Hui He Printing"	Huizhou Hui He Printing Co., Ltd.* (惠州匯和印刷有限公司), a company established under the laws of the PRC with limited liability on 5 May 2011 with 10% of its equity interest held by Huang Zhiping (黃志平), an Independent Third Party, and 90% of its equity interest held by Xu Jinqing, who was a director of Jinhu Industrial in the past 12 months, on trust for and on behalf of Chairman Hung after completion of the Reorganisation
"Huixiang Precision Parts"	Huixiang Precision Parts Company Limited (匯祥精密部件有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 November 2011 and a direct wholly-owned subsidiary of Ease Bright indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"Huixin Metal"	Huixin Metal Industrial Company Limited (匯鑫五金實業有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 November 2011 and a direct wholly-owned subsidiary of Ease Bright indirectly wholly-owned by Chairman Hung after completion of the Reorganisation

"Huizhou LNG Photronics"	Huizhou LNG Photronics Tech. Co., Ltd.* (惠州市天然光電科技有限公司), a company established under the laws of the PRC with limited liability on 7 September 2011 and wholly owned by Xu Jinqing, who was a director of Jinhu Industrial in the past 12 months, on trust for and on behalf of Chairman Hung after completion of the Reorganisation
"Huizhou Ten One"	Huizhou Ten One Photronics Co., Ltd.* (惠州天一光電有限公司), a WFOE established under the laws of the PRC with limited liability on 22 November 2011 and wholly-owned by Ten One, and indirectly wholly-owned by Chairman Hung after completion of the Reorganisation and in the process of deregistration
"Huizhou Tiannengyuan"	Huizhou Tiannengyuan Technology Co., Ltd.* (惠州天能源科技有限公司), a WFOE established under the laws of the PRC with limited liability on 18 November 2011 and wholly-owned by Ten Sources Solar, and indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"Huizhou Xiezhan"	Huizhou Xiezhan Industrial Area Development Co., Ltd.* (惠州協展工業園開發有限公司), a company established under the laws of the PRC with limited liability on 18 October 2010, and a wholly-owned subsidiary of Huizhou Fuhua Properties Co., Ltd.* (惠州富華置業有限公司), an Independent Third Party, after completion of the Reorganisation
"Independent Non-executive Director(s)"	independent non-executive director(s) of our Company
"Independent Third Party(ies)"	any entity or person who is not a connected person within the meaning ascribed thereto under the Listing Rules
"International Placing"	the conditional placing of the International Placing Shares for and on behalf of our Company outside the United States (including professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and the exercise of the Over-allotment Option as further described in the section "Structure and Conditions of the Global Offering"

"International Placing Shares"	the 225,000,000 Shares being initially offered by our Company for subscription under the International Placing subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option as further described in the section "Structure and Conditions of the Global Offering"
"International Underwriters"	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company, our Executive Directors, the Joint Global Coordinators and the International Underwriters relating to the International Placing
"Ipsos"	Ipsos Limited, an independent industry consultant commissioned by our Company to prepare the Ipsos Report
"Ipsos Report"	an independent research report dated 18 November 2015 commissioned by our Company and prepared by Ipsos for the purpose of the Listing
"Jinhu Industrial"	Huizhou Jinhu Industrial Development Co., Ltd.* (惠州市錦湖實業發展有限公司), a company established under the laws of PRC with limited liability on 28 May 1999 and wholly-owned by Ten Pao Electronic (Huizhou), and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation
"Jinhu Industrial Zhongkai Branch"	Huizhou Jinhu Industrial Development Co., Ltd. Zhongkai Branch* (惠州市錦湖實業發展有限公司仲愷分公司), a branch company established in Zhongkai High-tech Zone of Huizhou City by Jinhu Industrial on 12 June 2014
"Jinhu Precision Parts"	Hanzhong Jinhu Precision Parts Company Limited* (漢中市錦湖精密部件有限公司), a WFOE established under the laws of the PRC with limited liability on 26 January 2015 and directly wholly-owned by Ten Pao Precision Electronics, and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation

"Joint Global Coordinators", "Joint Bookrunners" or "Joint Lead Managers"	DBS Asia Capital Limited and Guosen Securities (HK) Capital Company Limited
"Joint Sponsors"	DBS Asia Capital Limited and Guosen Securities (HK) Capital Company Limited
"Korean Co"	Ten Pao International Co., Ltd.* (텐파오국제흥업주식회사), a company incorporated under the laws of South Korea on 9 July 2004 and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation
"KRW" or "WON"	South Korean Won, the lawful currency of South Korea
"Latest Practicable Date"	23 November 2015, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be 11 December 2015, on which our Shares are listed and from which dealings in our Shares are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Maximum Offer Price"	HK$0.80 (being the high end of the Offer Price range stated in this prospectus)
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, conditionally adopted on 23 November 2015 and as amended from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"Mr. G.D. Hong"	Mr. Hong Guangdai (洪光岱), an Executive Director, the younger brother of Chairman Hung and the uncle of Mr. S.T. Hung
"Mr. S.T. Hung"	Mr. Hung Sui Tak (洪瑞德), an Executive Director, the son of Chairman Hung, the nephew of Mr. G.D. Hong and one of our Controlling Shareholders
"Mrs. Hung"	Ms. Yeh Chin Lian (葉金蓮), the spouse of Chairman Hung, the mother of Mr. S.T. Hung and the sister-in-law of Mr. G.D. Hong
"Nomination Committee"	the nomination committee of our Board
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for pursuant to the Global Offering, as further described in the section "Structure and Conditions of the Global Offering — Price Determination of the Global Offering"
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators pursuant to the International Underwriters Agreement for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 37,500,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to, among other things, cover any over-allocation in the International Placing, if any, as further described in the section "Structure and Conditions of the Global Offering — International Placing — Over-allotment Option"
"Per cent." or "%"	percentage or per centum
"PRC GAAP"	accounting principles generally accepted in the PRC
"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them

"PRC Legal Advisers"	Jingtian & Gongcheng, a qualified PRC law firm as the PRC legal advisers to our Company for the application for Listing
"Price Determination Date"	the date, expected to be on or about 3 December 2015, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than 9 December 2015
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section "History, Development and Reorganisation — Reorganisation"
"Reporting Accountant"	PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company
"Repurchase Mandate"	the general unconditional mandate given to our Directors by the Shareholder relating to the repurchase of Shares, as further described in the section "Statutory and General Information — 3. Resolutions in writing of the Shareholders passed on 23 November 2015" in Appendix IV to this prospectus
"Risk Management Committee"	the risk management committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Shandong Tianen"	Shandong Tianen Combined Energy Co., Ltd.* (山東天恩綜合能源有限公司), a company established under the laws of the PRC with limited liability on 19 October 2013 and held as to 33.33% by Huizhou Tiannengyuan, 26.67% by Weifang Investment Holding Co., Limited* (濰坊市投資控股集團有限公司), an Independent Third Party, and 40% by Shandong Hulian Communication Co., Limited*, an Independent Third Party (山東互聯通信工程有限公司)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 23 November 2015 for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms of which is set forth in the section "Statutory and General Information — Other Information — 15. Share Option Scheme" in Appendix IV to this prospectus
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen Ten Pao Technics"	Shenzhen Ten Pao Weichuang Technics Development Ltd.* (深圳天寶偉創科技開發有限公司), a company established under the laws of the PRC with limited liability on 10 July 2013 and wholly owned by Zhong Yue (鍾躍), an Independent Third Party, after completion of the Reorganisation
"Shishi Tianyu"	Shishi Tianyu Electronic Technology Co., Ltd.* (石獅市天宇電子技術有限公司), a WFOE established under the laws of the PRC with limited liability on 17 January 1995 wholly-owned by Ten Pao Industrial and the deregistration of which was completed on 15 July 2015
"Sky Fortune"	Sky Fortune Enterprise Limited (天祥企業有限公司), a company incorporated under the laws of BVI with limited liability on 15 July 2009 and wholly-owned by Chairman Hung
"sq. ft."	square feet
"sq. m." or "m^2"	square metre
"Stabilising Manager"	Guosen Securities (HK) Capital Company Limited

"State Administration of Taxation" or "SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between Stabilising Manager and Even Joy, pursuant to which the Stabilising Manager may borrow up to 37,500,000 Shares from Even Joy to cover any over-allocation in the International Placing
"subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Ten One"	Ten One Holdings Limited (天一控股有限公司), a company incorporated under the laws of Hong Kong with limited liability on 17 March 2011 and a direct wholly-owned subsidiary of Ease Bright indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"Ten Pao Electronic"	Ten Pao Electronic Co., Ltd., a company incorporated under the laws of Samoa on 29 March 2004 and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation
"Ten Pao Electronic (Huizhou)"	Ten Pao Electronic (Huizhou) Co., Ltd.* (天寶電子(惠州)有限公司), a WFOE established under the laws of the PRC with limited liability on 28 August 2000 and wholly-owned by Ten Pao Electronic, and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation
"Ten Pao Electronic (Huizhou) Shuikou Branch"	Ten Pao Electronic (Huizhou) Co., Ltd. Shuikou Branch* (天寶電子(惠州)有限公司水口分公司), a branch company established in Shuikou Town of Huizhou City by Ten Pao Electronic (Huizhou) on 13 May 2015
"Ten Pao Industrial"	Ten Pao Industrial Company Limited (天寶電子有限公司), a company incorporated under the laws of Hong Kong with limited liability on 2 January 1987 and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation

"Ten Pao International"	Ten Pao International Limited (天寶國際興業有限公司), a company incorporated under the laws of Hong Kong with limited liability on 9 May 2001 and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation
"Ten Pao Precision Electronics"	Ten Pao Precision Electronics Company Limited (天寶精密電子有限公司) (formerly known as Sky Fortune Environmental Technology Limited 天祥環保科技有限公司), a company incorporated under the laws of Hong Kong with limited liability on 19 August 2009 and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation
"Ten Pao Precision Parts"	Hanzhong Ten Pao Precision Parts Company Limited* (漢中市天寶精密部件有限公司), a WFOE established under the laws of the PRC with limited liability on 26 January 2015 and directly wholly-owned by Ten Pao Precision Electronics, and an indirect wholly-owned subsidiary of our Company after completion of the Reorganisation
"Ten Power Charging"	Ten Power Charging Technology Limited (天源充電技術有限公司), a company incorporated under the laws of Hong Kong with limited liability on 7 March 2011 and a direct wholly-owned subsidiary of Ease Bright indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"Ten Sources Solar"	Ten Sources Solar Electricity Limited (天能逆變技術有限公司), a company incorporated under the laws of Hong Kong with limited liability on 5 March 2011 and a direct wholly-owned subsidiary of Ease Bright indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"Tianen Bus"	Weifang Tianen Bus Co., Ltd.* (濰坊天恩巴士有限公司), a company established under the laws of the PRC with limited liability on 26 March 2014 and a wholly-owned subsidiary of Shandong Tianen
"Tianen Jinshan"	Weifang Tianen Jinshan Combined Energy Co., Ltd.* (濰坊天恩金山綜合能源有限公司), a company established under the laws of the PRC with limited liability on 20 October 2014 and a wholly-owned subsidiary of Shandong Tianen

"Tianen Ronghui"	Weifang Tianen Ronghui Combined Energy Co., Ltd.* (濰坊天恩榮輝綜合能源有限公司), a company established under the laws of the PRC with limited liability on 20 October 2014 and a wholly-owned subsidiary of Shandong Tianen
"Tianen Taxi"	Weifang Tianen Taxi Co., Ltd.* (濰坊天恩出租車有限公司), a company established under the laws of the PRC with limited liability on 26 March 2014 and a wholly-owned subsidiary of Shandong Tianen
"Tiannengyuan Charging"	Huizhou Tiannengyuan Charging Technology Co., Ltd.* (惠州天能源充電技術有限公司), a WFOE established under the laws of the PRC with limited liability on 22 November 2011 and wholly-owned by Ten Power Charging, and indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"Tianxiang Power"	Huizhou Tianxiang Power Technology Co., Ltd.* (惠州天祥光電科技有限公司), a company established under the laws of the PRC with limited liability on 15 June 2011 and wholly-owned by Ten Pao Electronic (Huizhou), and the deregistration of which was completed on 30 September 2015
"Tianyi Environmental"	Guangdong Tianyi Environmental Technology Park Co., Ltd.* (廣東天一環保科技園有限公司), a WFOE established under the laws of the PRC with limited liability on 22 October 2013 and wholly-owned by Ten One, and indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"Tianyi Huixiang Precision Component"	Huizhou Tianyi Huixiang Precision Component Co., Ltd.* (惠州天一匯祥精密部件有限公司), a WFOE established under the laws of the PRC with limited liability on 22 October 2013 and wholly-owned by Huixiang Precision Parts, and indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"Tianyi Huixin Metal"	Huizhou Tianyi Huixin Metal Industrial Co., Ltd.* (惠州天一匯鑫五金實業有限公司), a WFOE established under the laws of the PRC with limited liability on 22 October 2013 and wholly-owned by Huixin Metal, and indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"TinYing Holdings"	TinYing Holdings Limited, a company incorporated under the laws of BVI with limited liability on 22 July 2015, wholly-owned by the Trustee, and one of our Controlling Shareholders

"TinYing Investments"	TinYing Investments Limited (天鷹投資有限公司), a company incorporated under the laws of BVI with limited liability on 11 June 2015, wholly-owned by TinYing Holdings, and one of our Controlling Shareholders
"TPGIL"	Ten Pao Group International Limited (天寶集團國際有限公司), a company incorporated under the laws of Hong Kong with limited liability on 25 May 2010 and a direct wholly-owned subsidiary of Ease Bright indirectly wholly-owned by Chairman Hung after completion of the Reorganisation
"Track Record Period"	the three financial years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015
"Trustee"	Vistra Trust (BVI) Limited, the trustee of the Family Trust, and an Independent Third Party
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars" or "USD" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"WFOE"	wholly foreign-owned enterprise within the meaning prescribed under the PRC laws
"Xu Jianshe"	Xu Jianshe (許建設), the brother-in-law of Chairman Hung and Mr. G.D. Hong
"Xu Jinqing"	Xu Jinqing (許金清), who was a director of Jinhu Industrial in the past 12 months

* *the English translations of PRC entities and Korean entity are for identification purposes only*

If there is any inconsistency of this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

In this prospectus:

1. *Unless expressly stated or otherwise required by the context, all data are as at the Latest Practicable Date.*

2. *Unless otherwise specified, all references to any shareholding in our Company assume no exercise of the Over-allotment Option.*

This glossary contains explanations of certain terms used in this prospectus that relate to our business and the industry in which we operate. These terms and their meanings may not always correspond to standard industry definitions or usage of these terms.

"AC"	alternating current, the flow of electric charge that periodically reverses or alternates direction
"adapter" or "adaptor"	a device that converts or adapts the attributes of an electrical device or system to those of an otherwise incompatible device or system. Some adapters modify power or signal attributes, while some adapt the physical form of an electrical connector to another
"AV"	audio-visual, a generic term referring to the audio and video components and capabilities in an equipment or a system
"CAGR"	compound annual growth rate
"capacitor"	one of the key electrical components in electronic devices, and is used to accumulate and store electric charge and generally consists of two conducting plates which is separated from each other by a dielectric, an insulating material
"charger"	a device that is used to re-charge a battery or a battery-powered equipment
"CNAS"	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會), the national accreditation body of the PRC unitarily responsible for the accreditation of certification bodies, laboratories and inspection bodies, which is established under the approval of and authorised by the Certification and Accreditation Administration of the PRC (中國國家認證認可監督管理委員會)
"DC"	direct current, the flow of electric charge in one direction
"diode"	generally refers to crystal diode, and is a semiconductor device with two terminals which allows electric current to flow in one direction
"ERP"	enterprise resource planning

"GFA"	gross floor area
"IC" or "integrated circuit"	a circuit that integrates many electric devices and is produced with semiconductor technology
"ISO"	International Organisation for Standardisation, a non-governmental organisation based in Geneva of Switzerland for assessing the quality systems of business organisations
"ISO 14001:2004"	the ISO requirements for an environmental management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and other requirements to which the organisation subscribes, and information about significant environmental aspects
"ISO 9001:2008"	the ISO requirements for a quality management system where an organisation needs to demonstrate its ability to consistently provide products that meet customer and applicable statutory and regulatory requirements and that aims to enhance customer satisfaction through the effective application of the system
"ISO/IEC 17025:2005"	the ISO general requirements for the competence to carry out tests and/or calibrations, i.e. requirements that testing and calibration laboratories have to meet if they wish to demonstrate that they operate with a management system, are technically competent, and are able to generate technically valid results
"IT"	information technology
"LED"	light-emitting diode, a semi-conductor light source that is used for lighting and illumination
"MRP"	material requirements planning
"PCB"	printed circuit board, a non-conductive board base on which electronic components are mounted through the application of SMT and are connected by conductive traces to form a working circuit or assembly

"power supply"	an electronic device that is used to supply electric energy to an electrical load, which is an electrical component or portion of a circuit that consumes electric power, by converting one form of electric energy to another. Some power supplies are discrete, stand-alone devices, whereas some are built into larger devices along with their electrical loads
"smart charger and controller"	charger that converts electric current to digital signals by quantisation and is able to respond to the conditions of a battery and modify its charging actions by real-time monitoring and controlling the temperature, voltage and current of the battery during charging, thus optimising the process of battery charging and the life of the battery
"SMT"	surface-mount technology, a soldering technology whereby electronic components are mounted or soldered directly on the surface of the PCB
"switching power supply unit"	power supply that incorporates a switching regulator to convert electric power efficiently by controlling the switch-on and switch-off time through the use of power electronics technology and can be categorised into switching power supply units for consumer products and smart chargers and controllers for industrial use. A switching power supply unit generally consists of IC and other components controlled by pulse width modulation (PWM) or pulse frequency modulation (PFM). Depending on the circuit topology, switching power supply units can allow for either AC or DC input and generate either AC or DC output voltage. In a standard AC to DC switching power supply unit design, the AC input will be rectified and smoothened by a capacitor before being processed by a switching regulator and a converter to produce a regulated DC output required by an electronic equipment
"transformer"	an electrical device that transforms electrical energy from one circuit to another by electromagnetic induction and changes the voltage, but not the frequency, of the electric current
"triode"	generally refers to semiconductor triode, and is a current-controlled semiconductor device with three terminals

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections "Summary and Highlights", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds". These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section "Risk Factors", which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the performance of global and the PRC financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the business opportunities that we may pursue;
- our dividend policy; and
- the amount and nature of, and potential for, future development of our business.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future occurrence of such events. Actual outcomes may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- our ability to achieve growth of existing businesses and expansion of operations through investments;
- our ability to integrate new businesses and create synergies;
- changes in the governmental policies, laws or regulations of the relevant jurisdictions in which we operate in;
- our ability to attract and retain customers;
- our ability to attract and retain qualified employees and key personnel;
- our ability to protect our brand, trademarks or other intellectual property rights;
- global and the PRC general economic, market and business conditions; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section "Risk Factors".

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding-Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of certain Chinese names, entities, departments, facilities, certificates, titles, laws, regulations and the like are unofficial translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi and KRW amounts into Hong Kong dollars. You should not construe these translations as representations that the Renminbi and KRW amounts could actually be, or have been, converted into Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB0.78849 to HK$1.00; and the translations of KRW amounts into Hong Kong dollars have been made at the rate of KRW142.32 to HK$1.00.

INFORMATION ABOUT THE GLOBAL OFFERING

Issuer	Ten Pao Group Holdings Limited
Global Offering	Global Offering of initially 250,000,000 Offer Shares (subject to adjustment and excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising (i) Hong Kong Public Offering of initially 25,000,000 Offer Shares (subject to adjustment) and (ii) International Placing of initially 225,000,000 Offer Shares (subject to adjustment and excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option)
Maximum Offer Price	HK$0.80
Over-allotment Option	Up to 37,500,000 additional Shares to be offered by our Company

Lock-up undertakings by our Controlling Shareholders	Please refer to the section "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by our Controlling Shareholders".
Board Lot	4,000 Shares
Dividend policy	We do not intend to determine any expected dividend payout ratio at this time. There is no assurance that in any given year a dividend will be proposed or declared. Please see the section "Financial Information — Dividends and Dividend Policy".
Voting rights	Each Share entitles its holder to one vote at our Shareholders' meeting. Please refer to "Summary of the Constitution of our Company and the Cayman Islands Companies Law" in Appendix III to this prospectus.
Stamp duty	Dealings in the Shares registered in our Hong Kong Branch Register will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.
Register of members	Our Company's principal register of members will be maintained by our principal share registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands. All of the Shares issued pursuant to the Global Offering will be registered on our Company's register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Application for the Listing on the Stock Exchange

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence on 11 December 2015. Except as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Branch Register in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Restrictions on offers and sale of the Offer Shares

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Shares to, confirm that he is aware of the restrictions on offers and sales of the Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

Fully underwritten

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. Further information regarding the Underwriters and the underwriting arrangements are set out in the section "Underwriting".

Price Determination Date

On or around 3 December 2015, and in any event, no later than 9 December 2015.

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before 9 December 2015, or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will not proceed and will lapse.

Admission to CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

Procedures for applying for Hong Kong Offer Shares

Please refer to the section "How to Apply for Hong Kong Offer Shares".

Conditions of the Global Offering

Please refer to the section "Structure and Conditions of the Global Offering — Conditions of the Global Offering".

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's operations are conducted in the PRC, the legal and regulatory environment of which may differ from that prevailing in other countries. Our business, financial condition and operating results could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Labour shortages and increase in labour cost may have an adverse effect on our business operations

Our business operates on a labour-intensive basis and, as at 30 June 2015, we had approximately 5,900 employees. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our labour cost amounted to approximately HK$226.1 million, HK$303.2 million, HK$323.1 million and HK$201.9 million, respectively, representing 18.5%, 21.3%, 20.2% and 25.4% of our total cost of sales, respectively. Please refer to the section "Financial Information — Key Factors Affecting Our Results of Operations — Supply of labour" for sensitivity analysis of the impact of hypothetical fluctuations in the cost of direct labour.

Our future growth and expansion will depend on our ability to retain our existing workforce, and to continue to employ a suitable workforce at a rate consistent with the growth of our business. There is no assurance that we will be able to continuously recruit staff in a timely and cost-efficient manner. If we experience a shortage of labour, we may not be able to maximise our production volume or fully utilise our production capacity, which may hinder our future business growth or delay our business expansion plans. Any labour shortage in the regions where we operate may force us to recruit from a wider geographical region and/or at a higher cost, which may have an adverse impact on our labour cost. Furthermore, there is no assurance that we will not experience any labour strike or dispute in the future. Any labour strike or dispute may materially and adversely affect our business operations.

Labour cost has increased significantly in the PRC in recent years and has changed our cost structure. Apart from inflation, the implementation of the Labour Contract Law of the PRC (中華人民共和國勞動合同法), which became effective on 1 January 2008 and was amended on 28 December 2012, has increased our labour cost in the PRC, which has in turn increased our production cost. Our Directors expect that our labour cost will continue to increase in the future. If labour cost in the PRC continues to increase and we are unable to pass such increase in cost to our customers in a timely manner or adopt appropriate or effective means to reduce our labour cost, our profitability and results of operations may be materially and adversely affected.

Failure to retain the services of our key personnel may adversely affect our results of operations

The success of our Group to date has largely been attributable to the contributions, commitment and experience of our management team and key employees, in particular their familiarity with our business operations and their experience and expertise in the switching power supply unit manufacturing industry. Our key management personnel have, on average, over 10 years of experience in the switching power supply unit manufacturing industry, which has enabled us to understand and attend to the needs of our customers, deliver quality products and develop sustainable business strategies. Our continued success is dependent on our ability to retain the services of members of our senior management and our key employees who possess the necessary experience and expertise in the switching power supply unit manufacturing industry. If there is any significant or material change to the composition of our key management team, we may not be able to recruit experienced or qualified personnel in a timely manner or at all, and may need to incur additional cost in recruitment and invest substantial resources in training our new staff members. In addition, if we lose our key management personnel or employees to our competitors, our competitiveness, business performance, results of operations as well as business prospects may be materially and adversely affected.

The derivative financial instruments entered into by our Group may materially and adversely affect our financial condition and results of operations

We generate a notable portion of our revenue and receivables in U.S. dollars, while our cost of sales is primarily denominated in Renminbi. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our revenue denominated in U.S. dollars and Hong Kong dollars amounted to approximately 60.4%, 66.9%, 60.5% and 67.2%, and 30.7%, 23.9%, 19.2% and 16.9% of our total revenue, respectively. In order to hedge the risks associated with the volatility in foreign exchange markets, in particular the fluctuation in the currency exchange rate between U.S. dollars and Renminbi, during the Track Record Period, we entered into certain derivative financial instruments for foreign exchange hedge purpose, including structured currency forward contracts and target redemption currency forward contracts. In addition, during the Track Record Period, we entered into interest rate swaps and commodity futures contracts.

As at the Latest Practicable Date, our Group had entered into six derivative financial instruments for foreign exchange hedge purpose with two licenced banks in Hong Kong. According to the accounting policies applicable to our Group, gain or loss on fair value changes in derivative financial instruments will be recognised in the combined income statement. Such treatment of gain or loss may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations. For further details, please refer to the section "Financial Information — Description of Certain Items in Combined Balance Sheets — Derivative financial instruments".

Fluctuations in the prices of raw materials may affect our cost of sales and adversely affect our business operations and profitability

The raw materials purchased by our Group mainly include plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, PCB components, triodes, copper and aluminium materials, and resistors. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the cost of raw materials amounted to approximately HK$884.9 million, HK$1,080.2 million, HK$1,210.2 million and HK$574.8 million, respectively, representing approximately 72.6%, 75.9%, 75.7% and 72.3% of our total cost of sales, respectively. The prices of our raw materials generally follow their respective price trends in the market and vary with industry conditions and market supply and demand. Please refer to the section "Financial Information — Key Factors Affecting Our Results of Operations — Raw materials" for sensitivity analysis of the impact of hypothetical fluctuations in the cost of raw materials.

Since we do not enter into long-term supply contracts with our suppliers, there is no assurance that our suppliers will not significantly increase the prices of raw materials in the future, in particular when the market prices of or the market demand for such raw materials increase. There is also no assurance that we will be able to pass the increase in the costs of raw materials to our customers in a timely manner or at all to avoid adverse impacts on our profit margins. For example, there may be a time lag between the time when the prices of raw materials increase and the time when we can pass a corresponding increase in the prices of our products. If we cannot pass the increase in the cost of raw materials to our customers in a timely manner or at all, our profitability, financial condition and results of operations may be materially and adversely affected.

Delay in the delivery of raw materials or defect in the raw materials supplied to us may materially and adversely affect our business operations

Supplies of raw materials are subject to a variety of factors that are beyond our control, including interruptions in the supplier's business operations, market supply and demand, industry conditions and overall economic conditions; whereas the quality of raw materials is dependent on the supplier's production capabilities, production facilities and quality control systems.

Our ability to complete a customer's purchase order on time is dependent on the timely delivery and the quality of raw materials. There is no assurance that our suppliers will be able to supply and deliver the required raw materials to us in a timely manner or that the raw materials they supply to us will not be defective or substandard. Any delay in the delivery of raw materials or any defect in the raw materials supplied to us may materially and adversely affect or delay our production schedule and, if we cannot secure raw materials of similar quality and at reasonable prices from alternative suppliers in a timely manner or at all, we may not be able to deliver our products to our customers on time. In such circumstances, we may lose customer loyalty and confidence. This may also harm our reputation and our results of operations and financial condition may be materially and adversely affected.

Unexpected disruptions to our production facilities or production process may materially and adversely affect our business operations

We operate with two production bases in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC, respectively. Our business operations are heavily dependent on the smooth operations of the production facilities in our production bases and any unexpected disruption to our production facilities as a result of machine down-time due to maintenance, machine breakdown or malfunction, or power failure at our production sites may cause a production halt or delay in our production process, which may affect our production schedule and prevent us from completing our customers' purchase orders on time. We may lose customer loyalty and confidence as a result. Furthermore, our production volume and the utilisation rates of our production facilities may be materially and adversely affected, which may result in a decline in our gross profit margin and profitability. We cannot assure you that there will be no machine breakdown or power failure at our production bases in the future, and if machine breakdown or power failure occurs, our business performance and results of operations may be materially and adversely affected.

In addition, our production process may be disrupted due to natural disasters such as typhoons, earthquakes and floods, political instability, riots or civil unrest and terrorist attacks, outbreak of infectious diseases such as Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), Influenza A (H5N1), Influenza A (H7N9) and Swine Flu (H1N1), or other events that are beyond our control. We may experience substantial loss as a result of disrupted production process and business operations, including loss of revenue. We may also need to incur additional cost to repair or replace any damaged machinery or equipment. In these circumstances, our results of operations and financial condition may be materially and adversely affected.

Loss of major customers may materially and adversely affect our business and results of operations

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the revenue contributed by our five largest customers amounted to approximately HK$642.9 million, HK$830.3 million, HK$1,015.9 million and HK$439.0 million, respectively, representing approximately 45.2%, 49.1%, 52.6% and 46.6% of our total revenue, respectively. Our revenue and sales volume are subject to factors beyond our control, such as the business performance, product quality and sales strategies of our customers, industry conditions and overall economic climate. We cannot assure you that our customers will continue to purchase from us at current levels or at all in the future. Any significant reduction in customers' purchase orders may materially and adversely affect our results of operations and financial condition.

We do not enter into long-term sale and purchase agreements with fixed quantity to be purchased from our customers and our sales are made on the basis of purchase orders placed by our customers from time to time. Since we do not have long-term purchase commitment from our customers and we are not their exclusive supplier, there is no assurance that our existing customers will continue to purchase our products at current levels in the future or that our customers will not purchase from other suppliers who offer lower prices or whom they perceive offer products of higher quality. In addition, some of our products are easily replaceable or substitutable by similar products produced by other manufacturers in the switching power supply unit manufacturing industry. If the prices of our products are not as competitive as those set by our competitors for comparable products or if the quality of our products does not meet our customers' expectations or requirements, our customers may not continue to place purchase orders with us and may begin to look for alternatives in the market. If our existing customers choose not to purchase our products or if they significantly decrease their purchase volume, our results of operations and financial performance may be materially and adversely affected and we may lose our market position in the switching power supply unit manufacturing industry in the PRC.

We may not be able to obtain adequate financing for our business in the future

Our business requires significant working capital for our daily production and operations. In addition, we require capital investment to purchase new production equipment and machineries to satisfy our production demands and support our business growth. During the Track Record Period, we relied on cash generated from our operations and bank borrowings to maintain our cash flow and finance our capital expenditure. As at 31 December 2012, 2013 and 2014 and 30 June 2015, our bank borrowings repayable within one year were approximately HK$55.1 million, HK$96.0 million, HK$75.1 million and HK$130.9 million, respectively. Our ability to raise additional capital will depend on our business performance, market conditions and overall economic climate. We are unable to assure you that we will be able to obtain bank borrowings and other external financing or resources on commercially acceptable terms or in a timely manner or at all in the future. If we are unable to obtain necessary financing or if we fail to obtain such financing on favourable terms due to factors beyond our control, we may be forced to curtail our expansion plans and our results of operations and financial condition may be materially and adversely affected.

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our finance cost was approximately HK$2.3 million, HK$2.6 million, HK$2.3 million and HK$1.7 million, respectively. If the interest rate follows a rising trend in the future, our finance cost will increase accordingly, which may have an adverse effect on our results of operations and financial condition.

The selling prices for some of our products are subject to downward pressure

Our gross profit margin is dependent on the selling prices of our products. In relation to certain products, their selling prices are subject to downward pressure due to intense competition in the switching power supply unit manufacturing industry in which we operate and the availability of and growing demand for more energy-saving, technologically advanced and sophisticated products in the market. The selling prices of our products may decline further if our competitors lower their prices as a result of lower cost base or in an attempt to gain market share. A decline in our gross profit margin may materially and adversely impact our financial condition and results of operations.

We are exposed to claims in respect of product liability which may affect our customers' loyalty and confidence

We face an inherent risk of product liability claims. Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法), products are required to meet certain quality requirements, and manufacturers and sellers are liable for any defect in their products. Pursuant to the Tort Liability Law of the PRC (中華人民共和國侵權責任法), where the defective products endangers personal or property safety, the victim shall be entitled to demand compensation from the manufacturer or seller. Furthermore, pursuant to the Law on Protection of Consumers' Rights and Interests of the PRC (中華人民共和國消費者權益保護法), the rights of consumers in respect of personal and property safety in purchasing and using commodities are protected and consumers whose legitimate rights and interests are infringed as a result of purchasing and using such commodities may demand compensation from the sellers and/or suppliers. Please refer to the section "Laws and Regulations" for further details.

A successful claim against our Group in respect of any defect in our products may result in not only substantial liability on and financial loss to our Group, but also negative publicity and a deterioration of our brand image. We cannot assure you that we will not experience claims in respect of our product quality in the future. Any such claim may have a material and adverse effect on our financial condition and results of operations.

We may be subject to liability in connection with industrial accidents at our production bases

We maintain two production bases in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC, respectively, which comprised approximately 5,900 employees as at 30 June 2015. We conduct a wide range of manufacturing and production activities in our production bases and industrial accidents may occur, which may result in a disruption of our production process and give rise to potential liabilities to our employees or third parties. Any of the foregoing events could have a material adverse effect on our financial condition and results of operations.

Our insurance coverage may not be sufficient to cover all risks involved in our business operations

Our operations are subject to hazards and risks typically associated with the manufacturing operations which may cause serious injury to person or damage to property. We carry insurance to protect ourselves from a range of contingencies including, among others, product liability, damage to property, plant and equipment, elevator liability and motor accidents. In addition, in order to reduce credit risks involved in our business operations, our 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), which covers various credit risks such as customers' bankruptcy, inability to settle payment and refusal to accept products.

There is no assurance that our current insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of loss or liability arising from defective products, damage to property or personal injury for which we may be held liable, or customers' bankruptcy or refusal to settle payment. Any event that is not insured and any loss or liability that exceeds the limit or is excluded from the scope of our existing insurance policies may materially and adversely affect our results of operations and financial condition.

We may not be able to adequately protect our intellectual property rights and may be exposed to third-party claims of infringement or misappropriation of intellectual property rights

We consider that our "Ten Pao" brand, the design of our products, our trademarks, patents and other intellectual property rights are crucial to our success. As at the Latest Practicable Date, our Group had more than 50 trademarks registered in the PRC and Hong Kong, and more than 80 patents registered in the PRC. We cannot assure you that the steps we have taken to protect and safeguard our intellectual property rights are adequate or that our intellectual property rights will not be infringed by any third party in the future. Any unauthorised use of our intellectual property rights may harm our brand image and reputation, which may have an adverse effect on our business performance and results of operations. We may resort to legal proceedings in order to protect and enforce our intellectual property rights and the legal fees and expenses involved in such proceedings can be substantial. Furthermore, the diversion of resources and our management's effort and attention in addressing such intellectual property claims may significantly affect our business performance and hinder our business development.

The success of our business also depends on our ability to operate without infringing on the intellectual property rights of third parties. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defence of intellectual property lawsuits, patent opposition proceedings and related legal and administrative proceedings can be costly and time consuming. An adverse judgment in any such proceedings may result in substantial liability on us and we may be subject to injunctions prohibiting the production or sale of our products. In addition, we may be required to re-design our products or obtain licences from third parties at a substantial cost. In these circumstances, our reputation, financial condition and results of operations may be materially and adversely affected.

Our products are subject to safety and energy-efficiency regulations and standards imposed by countries to which we export our products, and if we are unable to respond to changes in these regulations or standards in a timely manner, our export volume will decline and our results of operations may be materially and adversely affected

During the Track Record Period, our products were exported to various countries including the European Union, the United States and South Korea. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our revenue derived from our export sales was approximately HK$516.0 million, HK$706.0 million, HK$665.8 million and HK$455.5 million, respectively, representing approximately 36.3%, 41.8%, 34.5% and 48.3% of our total revenue, respectively.

Most of the countries to which we export our products have imposed certain safety and energy-efficiency regulations and standards on switching power supply units, which means that our products must comply with such standards and requirements before they can be sold in these countries. These safety and energy-efficiency regulations and standards are constantly evolving as a result of technological advancements and changes in industry conditions and standards. There is no assurance that the countries to which we export our products will not impose stricter or more stringent standards or requirements in the future. Any change or amendment to the safety and energy-efficiency standards and requirements applicable to switching power supply units may subject us to more onerous obligations and may require us to improve and upgrade our products by adjusting our production process, adopting new production technologies or purchasing new machineries and equipment. There is no assurance that we will be able to promptly respond to changes in these regulations or standards or that our products can meet or comply with the new regulations or standards in a timely manner. If our Group fails to improve or upgrade our products in accordance with the new standards or requirements in a timely manner, our export volume may substantially decrease, which may materially and adversely affect our results of operations and financial condition.

We may be subject to fines and penalties as a result of non-compliance with the PRC laws and regulations in relation to social insurance and housing provident fund contributions

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make social insurance contributions and housing provident fund contributions for their employees, and entities failing to make contributions may be ordered to settle the outstanding contributions within a prescribed time limit and subject to penalties or fines. During the Track Record Period, we were not in strict compliance with the requisite contribution requirements in relation to some of our PRC employees. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the amount of unpaid social insurance and housing provident fund contributions was approximately HK$5.7 million, HK$14.3 million, HK$18.0 million and HK$16.0 million, respectively, and provision has been made in respect of such unpaid amounts. For details of the non-compliance incidents and the remedial measures taken, please refer to the section "Business — Non-compliance Matters".

We cannot assure you that we will not be subject to penalties or fines imposed by the relevant PRC authorities or orders to rectify such incidents of non-compliance in the future. Furthermore, we cannot assure you that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. Any such penalties, orders or complaints may harm our brand image and reputation and may have an adverse effect on our financial condition and results of operations.

We are exposed to foreign exchange risks

Our major functional currency is Renminbi, while some of our business transactions, in particular our export sales, are denominated in U.S. dollars, Euros and Hong Kong dollars. We are exposed to foreign currency risks as a result of sales and purchases that are denominated in a currency other than Renminbi. Any significant change in the exchange rate between Renminbi and U.S. dollars, Euros and Hong Kong dollars may result in substantial loss for us and our financial condition and results of operations may be materially and adversely affected.

The amount of profit tax payable by us may, as a result of our transfer pricing arrangements, be subject to adjustment by competent PRC authority, which may adversely affect our profitability

During the Track Record Period, purchase orders in relation to export sales were primarily received by Ten Pao International, while the production of goods was undertaken by Ten Pao Electronic (Huizhou). When Ten Pao International received a purchase order for export sales, it would channel the purchase order to Ten Pao Electronic (Huizhou) for production. Ten Pao Electronic (Huizhou) would deliver the finished products to Ten Pao International for onward sales and export to overseas customers and Ten Pao International would pay Ten Pao Electronic (Huizhou) for the finished products.

Pursuant to the EIT Law and the Implementation Regulations for Special Tax Adjustments (Trial) (特別納稅調整實施辦法(試行)) ("**Implementation Regulations for Special Tax Adjustments**"), transactions in respect of the sale and purchase and transfer of products between enterprises under direct or indirect control by the same third party are regarded as affiliated party transactions and should comply with the arm's length principle (獨立交易原則). If the failure to comply with such principle reduces the amount of income or taxable income of the enterprise or its affiliated parties, the tax authority has the power to make an adjustment by reasonable methods. Pursuant to the EIT Law, when submitting its annual enterprise income tax return to the tax authority, an enterprise shall attach an annual report on affiliated transactions (if any) between itself and its affiliated parties. Pursuant to the Implementation Regulations for Special Tax Adjustments, enterprises shall prepare and preserve on a tax year basis the materials for the periods in which the affiliated transactions occurred (hereinafter referred to as "**current materials**"), and shall submit the same to the relevant tax authorities as required. Except as otherwise stipulated by the Implementation Regulations for Special Tax Adjustments, enterprises shall complete the preparation of current materials before 31 May of the year following the occurrence of the relevant affiliated transactions, and the current materials shall be submitted within 20 days of the relevant tax authorities' request.

During the Track Record Period, there were affiliated transactions between one of our PRC subsidiaries, Ten Pao Electronic (Huizhou), and another subsidiary of our Group, Ten Pao International. Each of the Shuikou branch of Huicheng District Local Taxation Bureau (惠城區地方稅務局水口稅務分局) and the Shuikou branch of Huicheng District State Taxation Bureau (惠城區國家稅務局水口稅務分局), being the competent authorities as advised by our PRC Legal Advisers, issued confirmation letters on 20 May 2015 and 21 May 2015, respectively, confirming that during the Track Record Period, Ten Pao Electronic (Huizhou) had complied with the relevant tax rules and regulations (including making filings and payments of local and state taxes in accordance with the relevant rules and regulations).

Notwithstanding the aforesaid, as advised by our PRC Legal Advisers, according to the relevant PRC tax laws and regulations, the tax authority has the power to re-assess the affiliated transactions for a maximum of three years as a general rule and for a maximum of 10 years under special cases. If Ten Pao Electronic (Huizhou) is deemed not to be in compliance with the transfer pricing rules, the tax authority has the power to order Ten Pao Electronic (Huizhou) to pay all outstanding tax and statutory interests. There is no assurance that the tax authority will not make adjustment to the amount of tax payable by our Group in respect of such affiliated transactions within the above time frame. Our Group may be required to change our transfer pricing practices, such as adjusting the amount payable by Ten Pao International to Ten Pao Electronic (Huizhou). In such event, our Group may be required to pay additional profit tax and our Group's profitability may be adversely affected.

The effective tax rate of our Group is subject to fluctuation

A substantial portion of our revenue during the Track Record Period was derived in the PRC, which was subject to EIT of 25%. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our effective tax rate was 17.6%, 33.6%, 38.2% and 20.2%, respectively. Our effective tax rate fluctuated during the Track Record Period because of (i) the accrual of withholding tax of retained earnings of our PRC subsidiaries; (ii) the expenses not deductible for taxation purpose of our PRC subsidiaries; (iii) the realised and unrealised gain or loss as a result of the derivative financial instruments; and (iv) the cessation of tax holiday and preferential tax treatment available to our PRC subsidiaries but terminated in 2012. There is no assurance that our effective tax rate will remain stable in the future. If our effective tax rate increases in the future, our results of operations and financial condition may be materially and adversely affected.

Our research and development may not be able to catch up with the evolving technological advancements

Our competitiveness is substantially dependent on our ability to (i) upgrade our existing products and develop new products in response to technological advancements and changes in customers' preferences and market demand; and (ii) enhance our production capabilities and efficiency. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the amount we incurred in research and development was approximately HK$57.6 million, HK$57.6 million, HK$63.4 million and HK$30.2 million, respectively, representing approximately 4.0%, 3.4%, 3.3% and 3.2% of our total revenue, respectively. There is no assurance that we will be able to invest the same amount of resources in research and development in the future. There is also no assurance that our future research and development efforts and projects will be successful or be completed within the expected time frame or budget, or that our newly developed products will achieve commercial success. Even if such products can be successfully commercialised, there is no guarantee that they will gain market acceptance or recognition. In addition, there is no assurance that our existing and/or potential competitors will not develop products which are similar or superior to our products and which may serve as substitutes for our products. Given the difficulty in assessing and projecting the time frame for developing new products and the market demand for these products, there is a substantial risk that we may have to discard products that are no longer commercially viable or making profit, despite the substantial time and resources we may have invested in the research and development of such products.

Our sales volume and revenue are subject to seasonality fluctuations

Our business performance is subject to the purchasing pattern of our end customers and the sales volume during the period from July to December is generally higher than that during the period from January to June. Our Directors believe that this is due to the fact that there is a greater demand for consumer products to which our products are applied before festivals and holiday seasons such as Christmas and Chinese New Year. Please refer to the section "Business – Seasonality" for further details.

Due to the seasonality of our business, the results of any period of a year are not necessarily indicative of the results that may be achieved for the full year. As such, comparison of sales and operating results between different periods within a financial year may not be meaningful and should not be relied upon as indicators of our performance. In addition, our operating results may vary from period to period and year to year.

We rely on third party logistics service providers to deliver our products, and their failure to provide timely and high quality logistics services to our customers may adversely affect our brand image and our financial condition

We rely on third party logistics service providers to deliver our products to our customers. Interruptions to the operations of the logistics service providers as a result of vehicle breakdown or labour strike may prevent the timely delivery of our products. In addition, inclement weather and natural disasters may result in a delay in delivery. There is no assurance that the logistics service providers will be able to deliver our products according to the delivery schedule or provide high quality services to our customers. If the logistics service providers fail to deliver our products to our customers on time or if our products are damaged in the course of delivery, our customers may refuse to accept our products and our reputation and brand image may suffer as a result. We may also be subject to penalties in the event of late delivery, which may materially and adversely affect our financial position.

If more stringent laws and regulations are imposed to regulate, restrict or ban the sale, distribution, importation or marketing of electronic cigarettes, the demand for switching power supply units that are applied to electronic cigarettes may decline, which may materially and adversely affect our business prospects and results of operations

In order to capture growth in emerging markets and broaden our sources of revenue, our Group began to manufacture chargers that are applied to electronic cigarettes in 2013. Our revenue derived from the sale of chargers for electronic cigarettes increased significantly from approximately HK$12.5 million, representing approximately 0.7% of our total revenue, in 2013 to approximately HK$107.9 million, representing approximately 5.6% of our total revenue, in 2014. Chargers for electronic cigarettes were one of our key business growth drivers during the Track Record Period.

However, because of the novelty of the technology and the possible health risks of consuming electronic cigarettes, laws and regulations have been imposed by different countries to regulate the sale, distribution, importation, manufacturing or marketing of electronic cigarettes. In addition, some countries have prohibited the sale, importation or distribution of electronic cigarettes. There is no assurance that the sale, distribution, importation, manufacturing or marketing of electronic cigarettes will not be subject to more stringent laws and regulations or a more extensive ban in the future. If more onerous laws and regulations are imposed to regulate, restrict or ban the sale, distribution, importation, manufacturing or marketing of electronic cigarettes, the demand for electronic cigarettes may decline substantially, which may in turn reduce the demand for switching power supply units that are applied thereto and may materially and adversely affect our business prospects, results of operations and financial condition.

There is no assurance that our business strategies and future plans will be successfully implemented

Our business strategies include (i) expanding our production capacity; (ii) strengthening our sales and marketing efforts and expanding our customer base in the PRC and internationally; (iii) strengthening our research and development capabilities; and (iv) pursuing strategic expansion opportunities overseas. For further details of our business strategies, please refer to the section “Business — Business Strategies”.

The successful implementation of our business strategies and future plans will depend on various factors, including but not limited to our ability to (i) retain our existing workforce and recruit new staff members at a rate that is consistent with our business growth; (ii) enhance our production efficiency; (iii) upgrade our existing products and develop new products that are able to gain market acceptance; (iv) explore new business opportunities; and (v) raise additional funds to support our business expansion. There is no assurance that we will be able to successfully implement our business strategies or future plans. Even if our business strategies or future plans are implemented, there is no assurance that they will increase our market share or enhance our market position. Our results of operations and financial position may be materially and adversely affected if our business strategies or future plans are not successfully implemented.

RISKS RELATING TO OUR INDUSTRY

We face significant competition and we may not be able to sustain our current market position

Due to the nature of our business and our products, we face significant and intense competition from many existing players in the switching power supply unit manufacturing industry and new entrants based in the PRC and other countries. We face competition in terms of pricing, product quality, product innovation, product diversity, research and development capabilities and cost efficiency. Our ability to compete also depends on factors beyond our control, including customer loyalty, price and quality of comparable products that are sold by our competitors, our competitors' responsiveness to changes in customers' preferences and market demand, and the ability of our competitors to attract and retain experienced and skilful employees. There is no assurance that we will be able to withstand fierce competition and sustain our market position in the face of keen competition. Our competitors may reduce our market share or weaken our market position by adopting more aggressive sales or pricing strategies or developing products that are able to gain wider market acceptance, which may materially and adversely affect our business performance and results of operations.

We are subject to risks associated with technological changes, and if our Group is unable to adapt and respond to changes in the market environment and customer preferences in a timely manner, our competitiveness may be weakened, which may materially and adversely affect our results of operations and financial condition

Switching power supply unit manufacturing industry is characterised by rapid technological changes and advancements. The success of our business is dependent on our ability to continuously respond to and anticipate technological advancements in the switching power supply unit manufacturing industry by upgrading our existing products and developing new products on a timely basis and in accordance with our customers' preferences and needs, and market demand.

In order to enhance our ability to anticipate and respond to technological changes and advancements, we may need to invest substantial resources in research and development and in obtaining the latest market information. We may also need to upgrade our existing machineries and equipment, purchase more sophisticated machineries and equipment or acquire new technologies in order to keep up with the evolving technological advancements and enhance our production capability. There is no assurance that we will be able to respond to changes and advancements in technology in a timely manner or at all and the failure to do so may weaken our competitiveness, reduce our market share and may materially and adversely affect our profitability and results of operations.

In addition, technological advancements and the introduction of new products that are more technologically sophisticated may reduce the price of and the demand for our less technologically-advanced products or may render such products outdated. Inventory of such products may become obsolete, which may materially and adversely affect our financial condition.

We are subject to extensive environmental, health and safety laws, regulations, government policies and industry standards, and compliance with these laws, regulations, policies and standards may be costly

Our business operations are subject to various environmental, health and safety laws, regulations, government policies and industry standards promulgated by the PRC Government, such as the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law of Water Pollution Prevention and Control of the PRC (中華人民共和國水污染防治法), the Law of Atmospheric Pollution Prevention and Control of the PRC (中華人民共和國大氣污染防治法), the Law of Environmental Noise Pollution Prevention and Control of the PRC (中華人民共和國環境噪聲污染防治法), the Law of Prevention and Control of

Environmental Pollution Caused by Solid Waste of the PRC (中華人民共和國固體廢物污染環境防治法) and the Work Safety Law of the PRC (中華人民共和國安全生產法). In addition, we are subject to various industry standards imposed by the relevant authorities in the PRC or of overseas jurisdictions in which we conduct our business and/on the products we produce.

The environmental, health and safety laws, regulations, government policies and industry standards applicable to our business operations and products are constantly evolving. We cannot predict when or how such laws, regulations, government policies or industry standards will be amended, nor the consequence or impact thereof. There is no assurance that the PRC Government or the relevant authorities in the PRC or of overseas jurisdictions will not impose additional or more stringent laws, regulations, government policies or industry standards in the future, which may subject us to more onerous duties and obligations. Any change or amendment to these laws, regulations, government policies or industry standards may require us to incur substantial financial or other resources to adjust our production process, introduce new preventive or remedial measures, purchase new pollution control equipment and update our compliance and monitoring systems in order to ensure compliance with such amended laws, regulations, government policies or industry standards. If we fail to adjust our production process, introduce new preventive or remedial measures, purchase new pollution control equipment or establish effective compliance and monitoring systems in a timely manner or at all, we may be subject to substantial penalties or heavy fines as a result of non-compliance and our business operations may be disrupted, thus materially and adversely affect our results of operations and financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our business operations may be materially and adversely affected by any change in the political, economic and social policies and conditions of the PRC

Our business and results of operations are subject to the political, economic and social policies and conditions of the PRC, as most of our revenue is derived from our operations in the PRC and our major assets are located in the PRC. Our ability to conduct and expand our business operations in the PRC depends on a number of factors that are beyond our control, including macro-economic and other market conditions and credit availability from lending institutions. In order to control inflation and promote economic growth, the PRC Government has introduced certain macro-economic policies, such as imposing commercial bank lending guidelines, which have the effect of restricting lending to certain industries. Some of these macro-economic policies and lending policies may limit our ability to obtain financing, thus reducing our ability to implement our expansion strategies according to our plan. There is no assurance that the PRC Government will not introduce more restrictive or onerous policies in the future. Any change in the political, economic and social policies and conditions of the PRC may bring uncertainty to our business operations and may materially and adversely affect our prospects and results of operations.

While the PRC Government has undergone various economic reforms in the last few decades, many of such reforms are of an experimental nature and are expected to be refined, adjusted and modified from time to time based on economic and social conditions. In addition, the scope, application and interpretation of the laws and regulations relating to such reforms may not be entirely clear. Such refinement, adjustment or modification may impact our business operations in ways that we cannot predict and any uncertainty in the scope, application and interpretation of the relevant laws and regulations may materially and adversely affect our results of operations and financial condition.

We rely on dividends payable by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us may materially and adversely affect our ability to conduct our business operations

We rely on dividends payable by our subsidiaries for our cash needs in our business operations, including payment of our operating expenses and payment of dividends to our Shareholders. The payment of dividends by our PRC subsidiaries is subject to regulatory restrictions and can only be made out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to its respective statutory reserves until the cumulative amount of such reserves reaches 50% of its respective registered capital unless the laws regarding foreign investment otherwise provide. Our PRC subsidiaries shall not distribute any profit until all losses from prior fiscal years have been offset and the statutory reserves of our PRC subsidiaries are not distributable as loans, advances or cash dividends. PRC withholding tax will also be imposed on dividends paid to non-PRC resident investors. In addition, if any of our PRC subsidiaries obtains external financing on its own behalf in the future, the instruments governing such external financing may restrict its ability to pay dividends or make other distributions to us. Any limitation on the ability of our PRC subsidiaries to pay dividends to us may disrupt our daily operations and limit our ability to expand our business, which may materially and adversely affect our business and results of operations.

The legal system in the PRC is not fully developed and has inherent uncertainties that could limit the legal protections available to our Shareholders

Our business and operations are primarily conducted in the PRC and our PRC subsidiaries are governed by PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC and may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but do not have binding precedential effect and have little weight as precedents. Accordingly, the outcome of dispute resolutions may not be consistent or predictable.

Although efforts have been made by the PRC Government to enhance protection of foreign investment in the PRC, the PRC has not yet developed a fully integrated legal system. Newly-enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and there is much uncertainty in their application, interpretation and enforcement. Furthermore, the PRC legal system is partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

The legal protection available to us under the PRC laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted, which may result in the diversion of our resources and management attention. In addition, the outcome of dispute resolutions may not be consistent or predictable and it may be difficult to enforce judgments and arbitration awards in the PRC.

In addition, the application, interpretation and enforcement of the PRC laws and regulations may be subject to the political condition and changes in social policies in the PRC. Different regulatory authorities may have different interpretation on certain laws and regulations and may adopt different approach in enforcing such laws and regulations. As a result, companies may be required to comply with the requirements or standards set by the relevant authorities from time to time or obtain approvals and complete filings in accordance with the interpretation and enforcement of such laws and regulations by the relevant authorities. Uncertainty in the application, interpretation and enforcement of the PRC laws and regulations may require us to incur additional cost and effort in complying with the requirements or standards imposed by the PRC regulatory authorities, which may materially and adversely affect our business, results of operations and financial condition.

Rules and regulations in the PRC on investment and loans by offshore holding companies to PRC subsidiaries may delay or prevent us from using the proceeds from the Global Offering to make additional capital contributions or loans to our PRC subsidiaries, which could harm our liquidity and our ability to expand our business

As an offshore holding company incorporated in the Cayman Islands, we may make additional capital contributions or loans to our PRC subsidiaries, including from the proceeds of the Global Offering. Any loan to our PRC subsidiaries is subject to PRC laws and regulations. For example, loans from us to our wholly-owned PRC subsidiaries, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches. We may also decide to finance our wholly-owned PRC subsidiaries by means of capital contributions. These capital contributions must be approved by MOFCOM or its local branches.

There is no assurance that, in relation to all future loans or capital contributions by us to our PRC subsidiaries, we will be able to complete all required government registrations or obtain all necessary approvals in a timely manner or at all. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds of the Global Offering may be affected, which may in turn materially and adversely affect our liquidity and our ability to fund and expand our business.

Pursuant to the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) ("**Circular 19**"), which was promulgated by SAFE on 30 March 2015 and became effective on 1 June 2015, foreign-invested enterprises shall be allowed to settle foreign exchange capital on a discretionary basis. Furthermore, where foreign-invested enterprises are engaged in equity investment in the PRC, they shall comply with the regulations on reinvestment in the PRC. While Circular 19 unlocks the restrictions on foreign exchange capital settlement, it is uncertain how the PRC authorities will interpret, apply and enforce Circular 19 and whether Circular 19 will be effective in unlocking the restrictions on foreign exchange capital settlement.

The PRC Government's control over currency conversion may affect the value of our Shares and limit our ability to utilise our cash effectively

A significant portion of our revenue is denominated in Renminbi. The PRC Government has imposed controls on the conversion between Renminbi and foreign currencies and, in certain cases, the remittance of foreign currencies into and out of the PRC. Pursuant to the existing PRC foreign exchange regulations, payments of current account items, such as dividend distributions and interest payments, can be made in foreign currencies without prior approval from SAFE, but subject to certain procedural requirements. However, approval from or registration with SAFE is required where Renminbi is to be converted into other foreign currencies and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. We cannot assure you that the PRC regulatory authorities will not impose restrictions on foreign exchange transactions for current account items in the future. Any shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or make other payments to their holding companies or our Company, or otherwise satisfy their obligations that are required to be settled in foreign currency.

If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since some of our future cash flow derived from our operations will be denominated in Renminbi, any existing and future restriction on currency exchange may limit our ability to purchase or obtain goods and services in countries outside of the PRC, or otherwise limit or impair our business activities that are conducted in foreign currencies.

It may be difficult to effect service of process in relation to disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC

Most of our management reside in the PRC and our major assets and a significant portion of the assets of our management are located in the PRC. There is no assurance that you will be able to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC.

Furthermore, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in most western countries. It may therefore be difficult or even impossible to enforce against us or our management who reside in the PRC any judgment obtained from non-PRC courts.

Our global income may be subject to PRC taxation

Pursuant to the EIT Law, which became effective on 1 January 2008, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered as "resident enterprises" and will generally be subject to a uniform EIT at a rate of 25% on their global income. Pursuant to the Enterprise Income Tax Implementation Regulations (中華人民共和國企業所得稅法實施條例) ("**EITIR**"), which also became effective on 1 January 2008, "de facto management bodies" is defined as bodies having material and overall management control over the business, personnel, accounts, properties and other aspects of an enterprise.

Currently, our business operations are substantially based in the PRC and are managed by members of our management team who are based in the PRC. In April 2009 and January 2014, the State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in the PRC. However, it is not entirely clear as to how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case. Depending on the interpretation, application and enforcement of the EIT Law and the EITIR by the PRC tax authorities, we may be treated as a PRC resident enterprise for EIT purposes, in which case, we may be subject to EIT at a rate of 25% on our worldwide income and our financial condition may be materially and adversely affected.

Dividends payable by us to our non-PRC Shareholders may be subject to PRC withholding tax under PRC tax laws

Pursuant to the EIT Law and the EITIR, the payment of dividends by a PRC resident enterprise to investors that are non-resident enterprises (including enterprises that do not have an establishment or place of business in the PRC and enterprises that have an establishment or place of business in the PRC but their income is not effectively connected with the establishment or place of business) is subject to PRC income tax at a rate of 10%, to the extent such dividends have their source in the PRC; whereas the payment of such dividends to non-resident individual Shareholders may be subject to PRC income tax at a rate of 20%.

It is uncertain whether we will be considered as a PRC resident enterprise. If we are regarded as a PRC resident enterprise, dividends payable by us with respect to our Shares, or any gain realised from the transfer of our Shares, may be treated as income derived from sources within the PRC and may be subject to PRC income tax, subject to the interpretation, application and enforcement of the EIT Law and the EITIR by the relevant tax authorities. If we are required under the EIT Law to withhold PRC income tax on dividends payable to our non-resident Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

Dividends payable by our PRC subsidiaries to our Hong Kong subsidiaries may not qualify for the reduced PRC withholding tax rate

Pursuant to the EIT Law and the EITIR, the payment of dividends by a PRC resident enterprise to investors that are non-resident enterprises is subject to PRC withholding tax at a rate of 10%. Under the China-HK Double Tax Arrangement between Hong Kong and the PRC, the withholding tax rate will be reduced to 5% if the PRC enterprise distributing dividends is owned as to 25% or more by a Hong Kong resident enterprise. However, according to the Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises Regarding Favourable Treatment Under Taxation Treaties (國家稅務總局關於印發《非居民享受稅收協定待遇管理辦法(試行)的通知》), which was issued by the State Administration of Taxation and became effective on 1 October 2009, the 5% reduced withholding tax rate will not automatically apply and approvals are required to be obtained from competent local tax authorities before an enterprise can enjoy any benefit or preferential treatment under the relevant taxation agreements or treaties. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the State Administration of Taxation on 20 February 2009, if the main purpose of a transaction or an arrangement is to obtain preferential tax treatment, the PRC tax authorities will have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that we will enjoy the 5% reduced withholding tax rate in relation to dividends payable by our PRC subsidiaries to our Hong Kong subsidiaries.

We face uncertainty with respect to our PRC tax obligations in relation to the transfers of equity interests in PRC resident enterprises during the Reorganisation

According to the Notice on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises Equity Transfer (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) ("**Circular 698**"), which was issued by the State Administration of Taxation on 10 December 2009 and became effective retrospectively on 1 January 2008, where a non-resident enterprise transfers its equity interest in a PRC resident enterprise to its related party, and the taxable income is reduced as a result of the transfer price not being in line with the principle of arm's-length transaction, the tax authorities will have the authority to adjust the amount of taxable income based on the reasonable method.

Pursuant to the Announcement of the State Administration of Taxation on Several Issues Concerning Enterprise Income Tax on Indirect Transfers of Properties by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) ("**Circular 7**"), which was promulgated by the State Administration of Taxation and became effective on 3 February 2015, where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing arrangements that are not for bona fide commercial purposes in order to avoid its obligation to pay EIT, such an indirect transfer shall, in accordance with the EIT Law, be recognised by the competent PRC tax authorities as a direct transfer of equity interests or other assets by the PRC resident enterprise.

According to Circular 7, the indirect transfer of PRC taxable property shall be regarded as having a bona fide commercial purpose if all the following conditions are met: (i) the parties to the transaction are in any of the following equity relationships: (a) the transferor holds, directly or indirectly, more than 80% of the transferee's equity; (b) the transferee holds, directly or indirectly, more than 80% of the transferor's equity; or (c) more than 80% of the equity of the transferee and the transferor is held, directly or indirectly, by the same party; (ii) the amount of EIT payable on any subsequent indirect equity transfer will not be less than that payable on the same or similar indirect equity transfer had the subject indirect equity transfer not taken place; and (iii) the transferee pays the entire amount of consideration with its own equity or equity of an enterprise with which it has a controlling shareholding relationship (excluding equity of a listed company). As Circular 7 was newly implemented and only became effective in February 2015, it is uncertain how the PRC tax authorities will interpret, apply and enforce Circular 698, Circular 7, the EIT Law and the relevant implementation regulations in relation to the transfers of shareholding interests during the Reorganisation. For more information on such equity transfers or transfers of other assets, please refer to the section "History, Development and Reorganisation". If we are ordered to pay a substantial amount of EIT in relation to the transfers of shareholding interests in Ten One, Ten Sources Solar, Ten Power Charging, Huixin Metal and Huixiang Precision Parts during the Reorganisation, with the amount of taxable income being adjusted by the relevant tax authorities, our financial condition may be materially and adversely affected.

RISKS RELATING TO OUR SHARES AND THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Global Offering, no public market for our Shares existed. Following completion of the Global Offering, the Stock Exchange will be the only market on which our Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. In addition, we cannot assure you that our Shares will trade in the public market at or above the Offer Price. The Offer Price for our Shares will be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and may not be indicative of the market price of our Shares following completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after completion of the Global Offering, the market price and liquidity of our Shares could be materially and adversely affected.

The price and trading volume of our Shares may be volatile, which could result in substantial losses to investors purchasing our Shares

The price and trading volume of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including the general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the business performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as fluctuations in our revenue, earnings and cash flow could cause the market price and trading volume of our Shares to change substantially and unexpectedly. Any of these factors may materially and adversely affect the price and trading volume of our Shares and investors in our Shares may, as a result, incur substantial loss.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the market price of our Offer Shares could be lower than the Offer Price

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be four business days after the Price Determination Date. Investors may not be able to sell or otherwise deal in our Offer Shares during that period. As a result, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that may occur between the Price Determination Date and the time when trading of our Offer Shares begins.

The interests of our Controlling Shareholders may conflict with the best interests of our Company or the other Shareholders

Immediately following completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be issued upon exercise of the

Over-allotment Option or Shares which may be issued upon exercise of any option which may be granted under the Share Option Scheme, our Controlling Shareholders will in aggregate beneficially own 75% of our issued Shares. Subject to the Articles of Association and all applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, business operations and corporate actions by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. The interests of our Controlling Shareholders may not always coincide or align with the best interests of our Company or the other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our Company or the other Shareholders, or if our Controlling Shareholders choose to cause our Company to pursue strategic objectives that conflict with the interests of our Company or the other Shareholders, you may be disadvantaged as a result.

The sale or availability for sale of substantial amount of our Shares may adversely affect the trading price of our Shares

The sale of substantial amount of our Shares in the public market after completion of the Global Offering, or the perception that such sales may occur, may adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares.

In addition, while the Shares owned by our Controlling Shareholders are subject to certain lock-up periods, there is no assurance that they will not dispose of these Shares following expiration of the lock-up periods, or any Shares that they may come to own in the future. We cannot predict what effect, if any, such significant future sales will have on the market price of our Shares.

There is no assurance if and when we will pay dividend in the future

Distribution of dividend will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividend and the amount of such dividends will depend on various factors, including but not limited to our business performance, financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP, the Articles of Association, other applicable laws and regulations of the PRC and the Cayman Islands, market conditions, our strategic plans and prospects of business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there is no assurance whether, when and in what manner we will pay dividend in the future.

Shareholders' interests in our Company may be diluted in the future

Our Company may issue additional Shares upon exercise of any option which may be granted under the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing

Shareholders, (i) the percentage ownership of existing Shareholders may be reduced and they may experience subsequent dilution and reduction in their earnings per share; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Information and statistics in this prospectus may come from various sources and may not be fully reliable

Some of the information and statistics in this prospectus are derived from various publicly available government official and other publications and obtained during communications with various governmental agencies or independent third parties that our Directors believe are reliable. However, our Directors cannot guarantee that the quality or reliability of such materials. Our Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting or reproducing such information and statistics. They do not believe that such information or statistics is false or misleading in any material aspect or that any material fact has been omitted that would render such information or statistics false or misleading. Such information or statistics has not been independently verified by our Group, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Co-lead Managers, the Underwriters, their respective directors or advisers or any other party involved in the Global Offering and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such information and statistics may be inaccurate or may not be comparable to official statistics. You should consider how much weight or importance such information or statistics carry and should not place undue reliance on them.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong

Our corporate affairs are governed by the Articles of Association, the Cayman Islands Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This may mean that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Islands Companies Law is set out in Appendix III to this prospectus.

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information contained in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information contained in any press article or other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Such press and media coverage may include information that does not appear in or is inconsistent with information contained in this prospectus. Our Directors would like to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and the disclosure of such information has not been authorised by us. Our Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the information included in this prospectus.

CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions which will constitute non-exempt continuing connected transactions of our Group under the Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with the announcement and/or independent shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further information on such non-exempt continuing connected transactions and the waivers are set forth in the section "Connected Transactions".

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Hung Kwong Yee (洪光椅)	Flat A, 51/F L' Automne Les Saisons Sai Wan Ho Hong Kong	Chinese
Mr. Hong Guangdai (洪光岱)	Room 9D, Block A, No. 88 Donghu 3rd Street Huicheng District Huizhou City Guangdong Province PRC	Chinese
Mr. Hung Sui Tak (洪瑞德)	Flat A, 51/F L' Automne Les Saisons Sai Wan Ho Hong Kong	Chinese
Independent Non-Executive Directors		
Mr. Lam Cheung Chuen (林長泉)	Flat A, 8/F, Block 15 The Cairnhill PH2 108 Route Twisk Tsuen Wan, New Territories Hong Kong	Chinese
Mr. Chu Yat Pang Terry (朱逸鵬)	TS-28A, House 28 Forest Hill, 31 Lo Fai Road Tai Po, New Territories Hong Kong	Chinese
Mr. Lee Kwan Hung (李均雄)	Flat D, 26/F, Tower 2 Ronsdale Garden, 25 Tai Hang Drive Jardine's Lookout Hong Kong	Chinese

Please see the section "Directors, Senior Management and Employees" for further information.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**DBS Asia Capital Limited** 17/F, The Center 99 Queen's Road Central Hong Kong **Guosen Securities (HK) Capital Company Limited** 42/F, Two International Finance Centre No. 8 Finance Street Central, Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**DBS Asia Capital Limited** 17/F, The Center 99 Queen's Road Central Hong Kong **Guosen Securities (HK) Capital Company Limited** 42/F, Two International Finance Centre No. 8 Finance Street Central, Hong Kong
Co-lead Managers	**Aristo Securities Limited** 21/F, Henry Centre 131 Wo Yi Hop Road Kwai Chung New Territories, Hong Kong **Convoy Investment Services Limited** 24C, @Convoy 169 Electric Road North Point, Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Mayer Brown JSM** 16th–19th Floors, Prince's Building 10 Chater Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 34th Floor, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing 100025 China

	As to Korean law: **Shin & Kim** 8th Floor, State Tower Namsan 100 Toegye-ro, Jung-gu Seoul 100-052 Korea
	As to Cayman Islands law: **Conyers Dill & Pearman** Cricket Square PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong law:* **Deacons** 5th Floor, Alexandra House 18 Chater Road Central, Hong Kong
	As to PRC law: **Global Law Office** 1501–1502 Tower 1 Excellence Century Center No.3 Fuhua Road Futian District Shenzhen 518048 China
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Independent Industry Consultant	**Ipsos Limited** 22/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Receiving Bank	**DBS Bank (Hong Kong) Limited** 16/F, The Center 99 Queen's Road Central Hong Kong

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	Room 610–12, 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 Zone Shuikou Town Huizhou City Guangdong Province PRC
Compliance Adviser	Guosen Securities (HK) Capital Company Limited
Company Secretary	Mr. Tse Chung Shing (謝仲成) *(ACCA)* Flat 704, Block 27 Heng Fa Chuen, Chai Wan Hong Kong
Authorised Representatives	Mr. Hung Kwong Yee (洪光椅) Flat A, 51/F L' Automne Les Saisons Sai Wan Ho Hong Kong Mr. Tse Chung Shing (謝仲成) *(ACCA)* Flat 704, Block 27 Heng Fa Chuen, Chai Wan Hong Kong
Audit Committee	Mr. Chu Yat Pang Terry (朱逸鵬) *(Chairperson)* Mr. Lam Cheung Chuen (林長泉) Mr. Lee Kwan Hung (李均雄)

Remuneration Committee	Mr. Lee Kwan Hung (李均雄) *(Chairperson)*
	Mr. Hung Kwong Yee (洪光椅)
	Mr. Lam Cheung Chuen (林長泉)
	Mr. Chu Yat Pang Terry (朱逸鵬)
Nomination Committee	Mr. Hung Kwong Yee (洪光椅) *(Chairperson)*
	Mr. Chu Yat Pang Terry (朱逸鵬)
	Mr. Lam Cheung Chuen (林長泉)
	Mr. Lee Kwan Hung (李均雄)
Risk Management Committee	Mr. Chu Yat Pang Terry (朱逸鵬) *(Chairperson)*
	Mr. Hung Kwong Yee (洪光椅)
	Mr. Lam Cheung Chuen (林長泉)
	Mr. Lee Kwan Hung (李均雄)
Hong Kong Branch Share Registrar and Transfer Office	**Tricor Investor Services Limited** Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Cayman Islands Share Registrar and Transfer Office	**Codan Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal Bankers	**DBS Bank (Hong Kong) Limited** 16/F, The Center 99 Queen's Road Central Hong Kong
	Bank of China (Hong Kong) Limited Room 701-706 Prudential Tower 21 Canton Road Tsim Sha Tsui Hong Kong

	Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
	Standard Chartered Bank Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
Company Website Address	**www.tenpao.com** *(The information contained on the website of our Company does not form part of this prospectus)*

The information in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Ipsos Report, a market research report prepared by Ipsos and commissioned by our Group. The information extracted from the Ipsos Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Group. We believe that the information is derived from appropriate sources and have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. However, the information has not been independently verified by us or any of our affiliates or advisers, nor by the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters or any of their respective affiliates, advisers, directors, officers or representatives or any other party involved in the Global Offering other than Ipsos with respect to the information contained in the Ipsos Report. No representation is given as to the accuracy, completeness or fairness of the Ipsos Report. Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have a material impact on the information in this section.

INTRODUCTION

We have commissioned Ipsos, an independent market research company, to analyse and report on the industry development, trends and competitive landscape of the switching power supply unit manufacturing industry in the PRC for the period from 2010 to 2018 at a fee of HK$492,800.

Ipsos is an independent market research company and is one of the largest research companies in the world, employing approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, analysis on market size, share and segmentation, distribution and value analysis, competitor tracking and corporate intelligence.

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (a) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (b) performing client consultation to obtain background information of our Company; and (c) conducting primary research by interviewing key stakeholders and industry experts, including associations and experts, switching power supply unit manufacturers, retailers and customers in the PRC. The information and statistics set forth in this section have been extracted from the Ipsos Report.

The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are used in the Ipsos Report:

- the supply and demand for products and services provided by switching power supply unit manufacturers in the global market are assumed to be stable and without shortage from 2015 to 2018 ("**Forecast Period**"); and

- there is no external shock, such as financial crisis or natural disasters, in the global market that may affect the demand and supply for the products and services provided by switching power supply unit manufacturers in the PRC over the Forecast Period.

The following parameters are considered in Ipsos' market sizing and forecast model:

- GDP and GDP growth rates in the PRC, the United States, South Korea and the European Union during the period from 2010 to 2018;

- annual household disposable income and average annual household consumption expenditure in the PRC, the United States, South Korea and the European Union during the period from 2010 to 2018;

- total and estimated sales value of switching power supply units manufactured in the PRC;

- total and estimated sales volume and sales value of telecommunications equipment, media and entertainment equipment and electronic cigarettes during the period from 2010 to 2018; and

- total and estimated sales value of electric power tools to which smart chargers and controllers are applied during the period from 2010 to 2018.

MARKET OVERVIEW OF SWITCHING POWER SUPPLY UNIT MANUFACTURING INDUSTRY IN THE PRC

Switching power supply unit manufacturing industry is one of the industry segments within the power supply manufacturing industry. Switching power supply unit manufacturers specialise in the manufacturing of electronic power supplies that incorporate switching regulators to transfer electrical power from a source to a load.

Demand for and applications of switching power supply units

Switching power supply units can be applied in two major segments: consumer products and smart chargers and controllers for industrial use. Due to their higher energy-efficiency, switching power supply units are widely used in many electronic products and equipment.

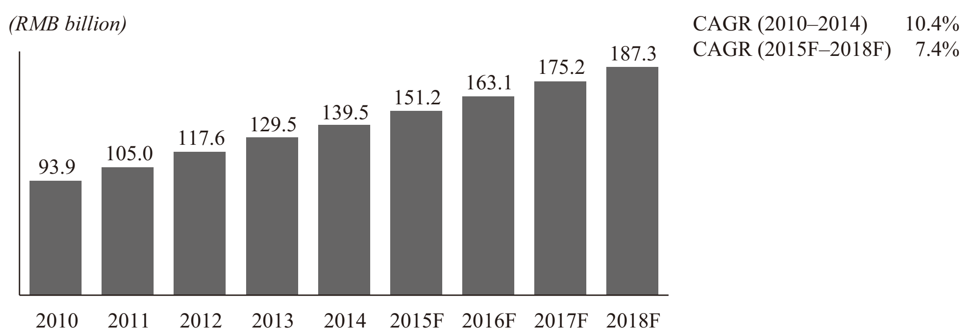
Switching power supply units for consumer products include chargers, adapters, LED drivers, personal computer power supplies and built-in switching power supply units and they are applied to consumer equipment such as mobile phones, personal computers, electronic cigarettes, home electronic appliances, LED lighting and other consumer electronics; whereas smart chargers and controllers for industrial use include external switching power supply units, built-in switching power supply units and inverters and they are applied to industrial electronic equipment such as automobile, construction equipment and medical equipment.

Target customers of switching power supply unit manufacturers and their countries of origin

In general, customers of switching power supply unit manufacturers can be categorised into retailers and manufacturers of consumer electronic products or industrial equipment. In 2013, about 60% of the switching power supply units manufactured in the PRC was for export. Hong Kong, the United States and Japan are the top three export destinations, accounting for approximately 30.5%, 15.6% and 5.3% of the export value, respectively.

Total sales value of switching power supply units manufactured in the PRC

The following chart sets forth the total sales value of switching power supply units manufactured in the PRC from 2010 to 2014 and the forecast total sales value during the Forecast Period:



Source: Ipsos Report

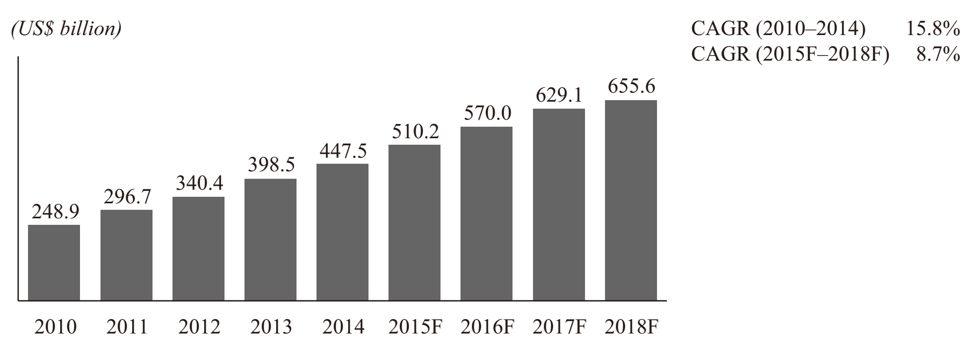
The total sales value of switching power supply units manufactured in the PRC experienced an increase during the period from 2010 to 2014, from approximately RMB93.9 billion in 2010 to approximately RMB139.5 billion in 2014, representing a CAGR of approximately 10.4%. The stable growth of the switching power supply unit manufacturing industry in the PRC was mainly attributable to the increasing demand for consumer electronic products over the same period. In particular, smartphones and tablets are the major products that bolstered the growth of switching power supply unit manufacturing industry in the PRC.

The total sales value of switching power supply units is expected to continue to increase during the Forecast Period, from approximately RMB151.2 billion in 2015 to approximately RMB187.3 billion in 2018, representing a CAGR of approximately 7.4%. The introduction of more innovative and advanced switching power supply units, such as ultra-fast chargers and wireless chargers, will cause the demand for switching power supply units in the PRC to increase, whereas technological innovation and product upgrade are expected to lead to an increase in the average price of switching power supply units. The increasing demand for switching power supply units, coupled with the rising unit price, will fuel the growth of the switching power supply unit manufacturing industry in the PRC.

OVERVIEW OF RELEVANT GLOBAL CONSUMER ELECTRONICS MARKET

Total sales value of telecommunications equipment sold globally

The following chart sets forth the total sales value of telecommunications equipment, i.e. instruments, devices or equipment designed for transmitting or receiving telephonic, electronic or radio communication, sold globally from 2010 to 2014 and the forecast total sales value during the Forecast Period:



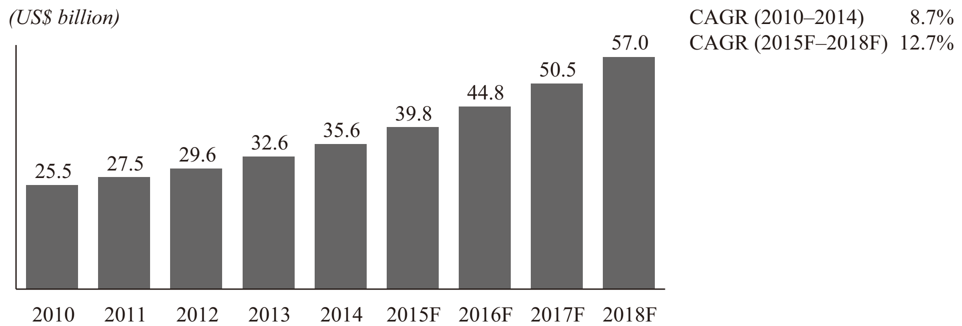
Source: Ipsos Report

The total global sales value of telecommunications equipment increased from approximately US$248.9 billion in 2010 to approximately US$447.5 billion in 2014, representing a CAGR of approximately 15.8%. Such an increase was mainly driven by the increase in the global demand for telecommunications devices, including smartphones. Strong growth rates are shown especially in developing countries, such as the PRC, India and countries in Africa, where telecommunications services are becoming more accessible.

The total global sales value of telecommunications equipment is expected to continue to increase from approximately US$510.2 billion in 2015 to approximately US$655.6 billion in 2018, representing a CAGR of approximately 8.7%. This is mainly due to faster upgrade cycle of smartphones and other telecommunications equipment and higher penetration rates of and ease of accessibility to telecommunications services in developing countries.

Total sales value of media and entertainment equipment sold globally

The following chart sets forth the total sales value of media and entertainment equipment sold globally from 2010 to 2014 and the forecast total sales value during the Forecast Period:



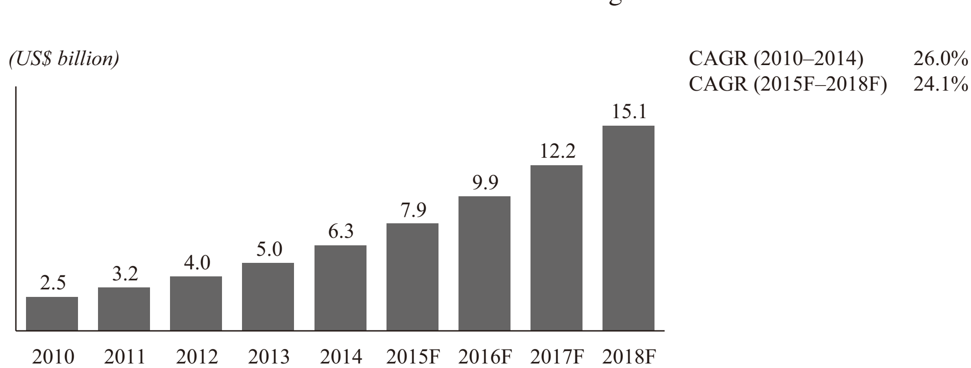
Source: Ipsos Report

The total global sales value of media and entertainment equipment increased from approximately US$25.5 billion in 2010 to approximately US$35.6 billion in 2014, representing a CAGR of approximately 8.7%. The growth in the media and entertainment equipment industry from 2010 to 2014 was driven by the increased sales of new technologies such as Blu-ray and set-top boxes and a resurge in the Home-Theatre-in-a-Box (HTiB) market.

The total global sales value of media and entertainment equipment is expected to increase from approximately US$39.8 billion in 2015 to approximately US$57.0 billion in 2018, representing a CAGR of approximately 12.7%. Consumers' acceptance of innovative technological development has been driving the market for home AV products and computer display units. In addition, consumers' desire for faster internet connectivity, internet-exclusive entertainment, high-speed data streaming, and deployment of complex equipment for storing music is likely to lead to further technological advancement in portable media and entertainment equipment from 2015 to 2018. The expected increase in the demand for media and entertainment equipment will cause the demand for switching power supply units to increase.

Total sales value of electronic cigarettes sold globally

The following chart sets forth the total sales value of electronic cigarettes sold globally from 2010 to 2014 and the forecast total sales value during the Forecast Period:



Source: Ipsos Report

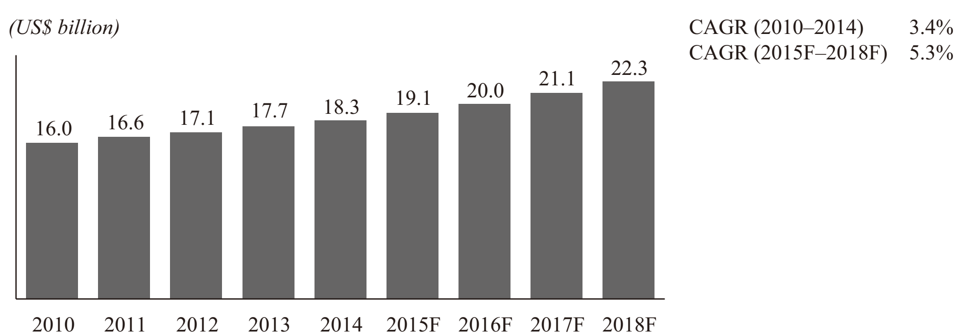
The total global sales value of electronic cigarettes increased from approximately US$2.5 billion in 2010 to approximately US$6.3 billion in 2014, representing a CAGR of approximately 26.0%. It is estimated that the total global sales value will continue to increase from approximately US$7.9 billion in 2015 to approximately US$15.1 billion in 2018, representing a CAGR of approximately 24.1%.

The increase in the total global sales value of electronic cigarette from 2010 to 2014 was mainly attributable to the conception that electronic cigarettes are an alternative to tobacco smoking and the relatively lower retail price of electronic cigarettes as compared to traditional cigarettes. With increasing popularity, electronic cigarettes are becoming more available in countries such as the United States, Europe and the PRC. The ease of availability, together with the increase in the number of distribution outlets as a result of entry of leading cigarette manufacturers into the market, is expected to increase the demand for electronic cigarettes in the future.

OVERVIEW OF GLOBAL POWER TOOLS MARKET

Total sales value of electric power tools sold globally

The following chart sets forth the total sales value of electric power tools sold globally from 2010 to 2014 and the forecast total sales value during the Forecast Period:



Source: Ipsos Report

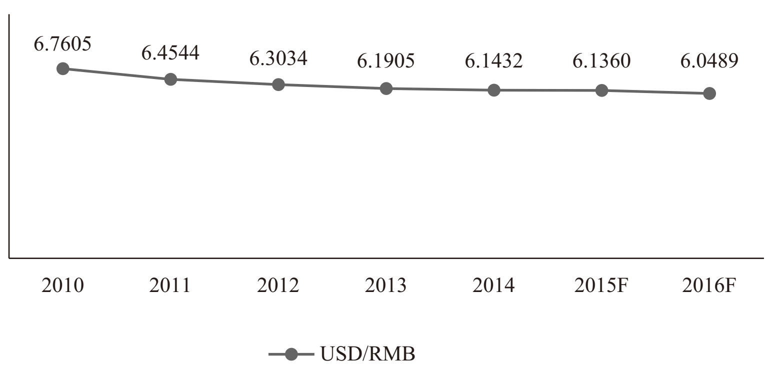
The total global sales value of electric power tools increased from approximately US$16.0 billion in 2010 to approximately US$18.3 billion in 2014, representing a CAGR of approximately 3.4%. This was mainly due to the increase in construction activities worldwide, in particular in the United States and Asia, where the positive economic outlook as well as the ease of availability of credit facilities boosted business spending and fixed asset investment, which increased the number of construction activities and the demand for electric power tools. The increase in the demand for electric power tools stimulated the demand for smart chargers and controllers for industrial use.

Due to converging technical advancement, cordless power tools are beginning to replace corded power tools and represent the fastest growing segment in the power tools market. Cordless power tools use various rechargeable battery chemistries as the source of energy, and sophisticated switching power supply units are applied to provide and control the power source. With increasing demand for cordless power tools, the demand for sophisticated switching power supply units that are applied to power tools, which are generally of a higher value, has been surging.

The increasing demand for cordless electric power tools due to thriving construction activities is expected to cause the total global sales value of electric power tools to further increase. It is estimated that the total global sales value of electric power tools will increase from approximately US$19.1 billion in 2015 to approximately US$22.3 billion in 2018, representing a CAGR of approximately 5.3%.

FOREIGN CURRENCY EXCHANGE RATE BETWEEN U.S. DOLLARS AND RENMINBI

The following chart shows the historical foreign currency exchange rate between U.S. dollars and Renminbi from 2010 to 2014 and the forecast exchange rate in 2015 and 2016:



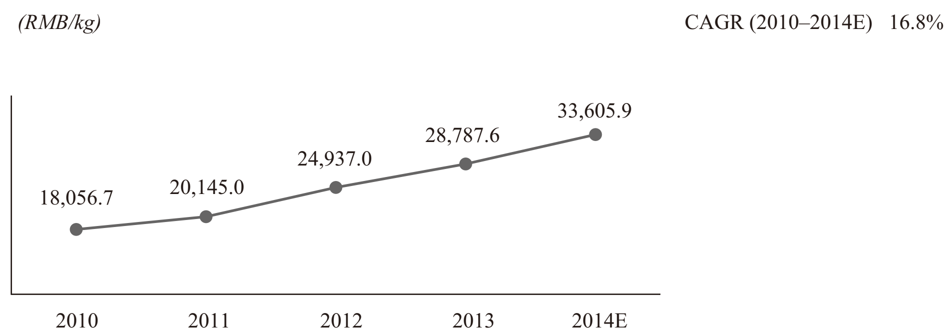
Source: Ipsos Report

As a result of rapid economic growth in the PRC and sluggish economic recovery in the United States, U.S. dollars recorded a depreciation against Renminbi from 2010 to 2014. It is expected that the economy of the PRC will continue to remain one of the powerhouses and that Renminbi will appreciate moderately against U.S. dollars in 2015 and 2016.

HISTORICAL AVERAGE PRICE OF KEY RAW MATERIALS OF SWITCHING POWER SUPPLY UNIT MANUFACTURING INDUSTRY IN THE PRC

Average price of IC chips (at manufacturer level) in the PRC from 2010 to 2014

The following chart shows the historical average price of IC chips (at manufacturer level) in the PRC from 2010 to 2014:

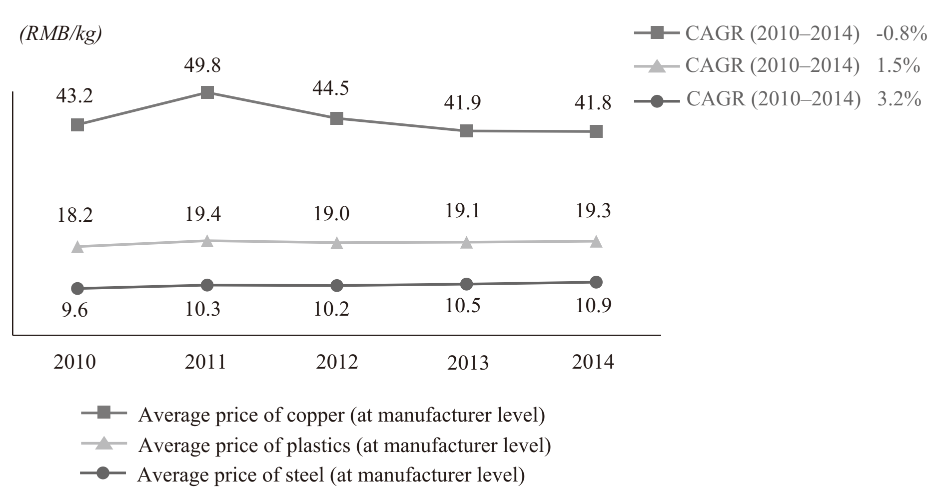


Source: Ipsos Report

The average price of IC chips (at manufacturer level) in the PRC increased from approximately RMB18,056.7/kg in 2010 to an estimated of approximately RMB33,605.9/kg in 2014, representing a CAGR of approximately 16.8%. The constant upgrade of the design of IC chips caused the manufacturers of IC chips to invest additional costs in research and development, which in turn led to an increase in the average unit price of IC chips.

Average price of copper, plastics and steel (at manufacturer level) in the PRC from 2010 to 2014

The following chart shows the historical average price of copper, plastics and steel (at manufacturer level) in the PRC from 2010 to 2014:



Source: Ipsos Report

The average price of copper (at manufacturer level) in the PRC decreased slightly from approximately RMB43.2/kg in 2010 to approximately RMB41.8/kg in 2014, representing a CAGR of approximately -0.8%. The price of copper reached a historical high in 2011 at approximately RMB49.8/kg and dropped subsequently as a result of the slowing down of manufacturing activities due to the debt crisis in the United States and the sluggish economic recovery.

The average price of plastics (at manufacturer level) in the PRC increased moderately from approximately RMB18.2/kg in 2010 to approximately RMB19.3/kg in 2014, representing a CAGR of approximately 1.5%. The increase in the price of oil from 2010 to 2014 caused the price of its related raw materials, including precursor ingredients for polymers (plastics), to increase accordingly.

The average price of steel (at manufacturer level) in the PRC was relatively stable, increasing from approximately RMB9.6/kg in 2010 to approximately RMB10.9/kg in 2014, representing a CAGR of approximately 3.2%. The relatively stable price trend of steel during the said period was attributable to the chronically over-supplied steel sector in the PRC.

COMPETITIVE LANDSCAPE OF SWITCHING POWER SUPPLY UNIT MANUFACTURING INDUSTRY IN THE PRC

According to the Ipsos Report, the switching power supply unit manufacturing industry in the PRC is fragmented and mature and the industry grew at a CAGR of approximately 10.4% from 2010 to 2014 and is expected to grow at a CAGR of approximately 7.4% from 2015 and 2018. In 2014, there were about 2,000 manufacturers that produce switching power supply units in the PRC, with most of them having low brand awareness. In 2014, the top 10 manufacturers of switching power supply units in the PRC only accounted for approximately 40.1% of the total industry revenue in the PRC.

The switching power supply unit manufacturing industry in the PRC is highly competitive. Each manufacturer starts with producing switching power supply units that are applicable in one to two market segments, and actively expands their business to new market segments. In addition, most of the manufacturers focus on low-end market and offer similar or even homogeneous products, resulting in intense price competition. In contrast, the other manufacturers who possess adequate capacity to produce high-end switching power supply units compete in technology innovation and brand awareness.

According to the Ipsos Report, our Company recorded revenue of approximately HK$1,930.5 million in the switching power supply unit manufacturing segment in 2014, accounting for approximately 1.1% of the total industry revenue in the PRC. According to the Ipsos Report, we ranked 9th among switching power supply unit manufacturers and 7th among manufacturers whose principal business is the manufacturing of switching power supply units in terms of sales revenue in the PRC in 2014.

The following table indicates the top 10 switching power supply unit manufacturers and the top 10 manufacturers whose principal business is the manufacturing of switching power supply units in the PRC in 2014:

Ranking among switching power supply unit manufacturers	Ranking among manufacturers whose principal business is the manufacturing of switching power supply units (note)	Company	Location of headquarters	Total revenue (HK$ million)	Revenue derived from switching power supply unit manufacturing segment (HK$ million)	Market share in the PRC (based on revenue derived from switching power supply unit manufacturing segment)
1	–	Company A	Taiwan	58,926.5	25,027.0	14.2%
2	–	Company B	Taiwan	48,707.3	17,047.8	9.7%
3	1	Company C	Taiwan	6,902.3	6,696.0	3.8%
4	2	Company D	Taiwan	5,086.9	5,086.9	2.9%
5	3	Company E	PRC	8,143.8	4,071.9	2.3%
6	4	Company F	Taiwan	6,182.6	3,400.4	1.9%
7	5	Company G	Taiwan	3,177.4	3,177.4	1.8%
8	6	Company H	Finland	5,910.4	2,955.2	1.7%
9	**7**	**Our Company**	**Hong Kong**	**1,930.5**	**1,930.5**	**1.1%**
10	8	Company I	Taiwan	1,415.9	1,297.8	0.7%
–	9	Company J	PRC	793.1	793.1	0.5%
–	10	Company K	Taiwan	660.3	660.3	0.4%
Others					103,947.0	59.0%
Total					176,091.3	100.0%

Note: "Manufacturers whose principal business is the manufacturing of switching power supply units" refers to manufacturers with more than 50% of revenue derived from the switching power supply unit manufacturing segment.

Source: Ipsos Report

Factors of competition

According to the Ipsos Report, manufacturers of switching power supply units in the PRC compete in the following aspects:

- ***Product quality:*** Given that most switching power supply unit manufacturers offer similar or even homogeneous products and services, products that are of high quality and are safe and reliable will help a manufacturer to distinguish itself from its competitors. A proven track record in providing high quality products will help a manufacturer to establish good reputation in the industry, enabling it to attract new customers as well as retain existing customers.

- ***Research and development capability:*** Manufacturers of switching power supply units with stronger research and development capability can better differentiate themselves from their competitors in the industry, which will enable them to maintain or expand their market share in the industry. With strong research and development capability, manufacturers will be able to offer products that meet the industry standards of different countries and with the most up-to-date design and functionality to their customers. They will also be able to expand their business to new markets in the future.

- ***Pricing:*** Switching power supply unit manufacturing industry in the PRC is fragmented and switching power supply unit manufacturers often offer similar or even homogeneous products and services. As a result, price competition among players in the industry is intense.

Competitive advantages of our Company

According to the Ipsos Report, our Company has the following competitive advantages:

- ***Establishment of our own testing laboratory:*** In 2004, we established a testing laboratory in our production base in Huizhou, Guangdong province, the PRC. Our testing laboratory passed the CNAS accreditation procedures and obtained an accreditation certificate in 2008, enabling us to conduct safety and energy-efficiency testing on our products. With our own testing laboratory, we no longer need to engage independent testing agencies to conduct safety and energy-efficiency testing on our products, which shortens the time for us to launch our products and reduces our operation costs, thereby enhancing our competitiveness in the industry.

- ***Increasing the degree of manufacturing automation:*** We have been enhancing the degree of automation in our production process by upgrading the machineries and equipment in our production bases. Advanced automated production lines enable us to reduce our reliance on labour, which will allow us to achieve a reasonable profit margin amid increasing labour cost in the PRC. In addition, automation improves our product quality by standardising the production process which requires a high level of machining precision.

Entry barriers to switching power supply unit manufacturing industry in the PRC

According to the Ipsos Report, the main entry barriers to the switching power supply unit manufacturing industry in the PRC include the following:

- ***Lack of research and development capability:*** Switching power supply unit manufacturers strive to be innovative by offering products with improved features and functionality. Manufacturers who have been in the industry for a while may, with their relatively stronger research and development team, have more resources and knowledge in developing new technologies and products. In contrast, new entrants may be lacking in research and development capability or may not have sufficient resources to engage in research and development on technology innovation or product upgrade.

- ***High demand for technical expertise and talents:*** New entrants may not have adequate resources to recruit top talents with a high level of technical expertise or experience.

Market drivers of switching power supply unit manufacturing industry in the PRC

- ***Safety standards and energy-efficiency requirements have been leading the development of the industry:*** With the ever stringent safety standards and energy-efficiency requirements for switching power supply units globally, manufacturers of switching power supply units are required to strengthen their research and development capability so as to produce switching power supply units that are able to meet such standards and requirements. In addition, demand for energy-efficient switching power supply units has been increasing due to global awareness of energy-efficiency and power saving in recent years. The increase in the demand for such switching power supply units will provide momentum to the industry development.

- ***Smart home devices are expected to bring new opportunities:*** Demand for smart home devices, such as Global Positioning System (GPS) tracking air conditioners and slow cookers that can be controlled by smartphones, is expected to grow considerably as a result of pursuit of a higher living standard and the revenue of smart home devices is estimated to reach a global market value of approximately US$71 billion in 2018, doubling its size as compared to 2013. Switching power supply units are one of the key components in smart home devices, delivering signals from a remote control to the power switch of such devices. The significant growth of the market of smart home devices will therefore stimulate the demand for switching power supply units and bring new opportunities to the switching power supply unit manufacturing industry.

Potential threats of switching power supply unit manufacturing industry in the PRC

According to the Ipsos Report, the major potential threats to the switching power supply unit manufacturing industry in the PRC include the following:

- ***Fragmented industry may impede industry growth and development:*** According to the China Power Supply Society, there are currently approximately 2,000 companies engaged in the manufacturing of switching power supply units in the PRC. However, none of them possesses sufficient operational scale or market share that enables it to affect the industry's direction. This phenomenon induces saturation of homogeneous products and intense price competition, especially among the low-end switching power supply unit manufacturers, thereby reducing profit margin as well as weakening manufacturers' willingness to allocate resources in research and development. This may impede the growth of the switching power supply unit manufacturing industry and switching power supply units may not be able to keep up with the latest technology in terms of design, capability and functionality.

- ***Low bargaining power with suppliers of IC chips:*** IC chips are one of the key components in switching power supply units. Due to years of experience and development, many European and U.S. companies have acquired the core technologies in designing and manufacturing IC chips. Companies with significant market share in the industry of IC chips have a huge competitive advantage over their Chinese counterparts. It is difficult for switching power supply unit manufacturers to effectively diversify upstream to the industry of IC chips. The fact that the cost and flexibility of production of IC chips are mostly controlled by the suppliers in Europe or the United States may pose a potential threat to the switching power supply unit manufacturing industry in the PRC.

LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY

Laws on Product Quality

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法), which was promulgated by the Standing Committee of the National People's Congress of the PRC (全國人民代表大會常務委員會) ("**SCNPC**") on 8 July 2000 and became effective on 1 September 2000, producers shall be liable for the quality of their products. Products shall meet the following quality requirements: (i) constituting no unreasonable threats to personal safety or safety of property, and conforming to the national standards or the sectoral standards for ensuring human health, personal safety and safety of property, where there are such standards; (ii) possessing the properties as required, except for those with directions stating their functional defects; and (iii) conforming to the product standards marked on the products or on the packages thereof, and to the quality conditions indicated by way of product directions, samples, etc.

Producers shall be liable for compensation for damages which are caused by the defects of their products. Producers which violate the Product Quality Law of the PRC may be subject to fines or be ordered to cease production of their unlawfully produced products, and their illegal earnings may be confiscated. Where a crime is constituted, the person in charge of the producers may be subject to criminal liabilities. In addition, the practice of authentication with respect to the quality system of enterprises and the system for product quality authentication have been established and applied in the PRC. An enterprise may, on a voluntary basis, apply for such authentications from an authentication body approved by the department for supervision over product quality under the State Council of the PRC or by a department authorised by the said department.

Laws on Tort Liability

Pursuant to the Tort Liability Law of the PRC (中華人民共和國侵權責任法), which was promulgated by SCNPC on 26 December 2009 and became effective on 1 July 2010, producers shall be liable for damages caused by the defects of their products. If the seller fails to identify the producer or the supplier of the defective products, the seller shall assume the tort liability. Where the defective product endangers personal or property safety, the victim shall be entitled to demand compensation from either the producer or the seller. In the event that the seller has paid compensation in relation to the defective products when, in fact, the producer should be responsible for the defects, the seller shall be entitled to claim indemnity from the producer. If the defect of the products is caused by the fault of a third party, such as a carrier or warehouseman, the producer or seller of the product that has paid the compensation shall be entitled to claim indemnity from the third party. Where any defect of a product is found after the product is put into circulation, the producer or seller shall take remedial measures including but not limited to issuing warnings and recalling in a timely manner. If any damage is caused due to the untimeliness or ineffectiveness of the remedial measure, the producer and seller shall bear tortious liability. Where a producer or seller knowingly continues to produce or sell defective products, and the defective products cause death or any serious damage to the health of another person, the victim shall be entitled to claim punitive compensation from the producer or the seller.

Laws on Consumer Protection

The Law on Protection of Consumers' Rights and Interests of the PRC (中華人民共和國消費者權益保護法) was promulgated by the SCNPC on 31 October 1993, became effective on 1 January 1994 and was amended on 27 August 2009 and 25 October 2013 (the latest revision became effective on 15 March 2014). Pursuant to the Law on Protection of Consumers' Rights and Interests of the PRC, the rights of consumers in respect of personal and property safety in purchasing and using commodities and/or in receiving services shall be protected. Consumers whose legitimate rights and interests are infringed upon purchasing and using commodities and/or in receiving services may demand compensation from the sellers and/or suppliers of such commodities or services. Consumers or other victims suffering from personal injuries or property damage resulting from defects of commodities may demand compensation from either the sellers or the manufacturers. If the liability is on the manufacturers, the sellers shall, after paying the compensation, have the right to recover the compensation from the manufacturers. If the liability is on the sellers, the manufacturers shall, after paying the compensation, have the right to recover the compensation from the sellers. Where a business operator violates the Law on Protection of Consumers' Rights and Interests of the PRC or other relevant laws or regulations, it may be subject to a fine, an order to cease production or a revocation of licences. Business operators that infringe the legitimate rights and interests of consumers by providing goods or services in violation of the Law on Protection of Consumers' Rights and Interests of the PRC shall be investigated for criminal liability in accordance with the law.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法), which was promulgated by SCNPC on 29 June 2002, became effective on 1 November 2002, and was subsequently amended on 27 August 2009 and 31 August 2014 (the latest revision became effective on 1 December 2014), production and operation entities must comply with the relevant work safety laws and regulations. They should establish relevant work safety rules, perfect the conditions for safe production, and ensure safety during production. Enterprises that do not meet the requirements for safe production are prohibited from engaging in production or other business activities. Production and operation entities with more than 100 employees shall establish a management department to enforce production safety in the production facilities, or appoint full-time personnel responsible for production safety. Where an enterprise fails to comply with the relevant work safety requirements, it may be subject to fines and be ordered to discontinue production. Where a crime is constituted, the person in charge of the enterprise may be subject to criminal liabilities.

LAWS AND REGULATIONS RELATING TO PROCESSING TRADE

Pursuant to the Tentative Measures for the Management of Examination and Approval of Processing Trade (加工貿易審批管理暫行辦法), which was promulgated by the Ministry of Foreign Trade and Economic Cooperation and became effective on 1 June 1999, the Measures of the Customs of the PRC for the Supervision and Administration of Processing Trade Goods (中華人民共和國海關加工貿易貨物監管辦法), which was promulgated by the General Administration of Customs (海關總署) ("**GAC**") and became effective on 12 March 2014, and the Announcement on Issues Concerning the Implementation of the Measures of the Customs of the PRC for the Supervision and Administration of Processing Trade Goods (關於

執行《中華人民共和國海關加工貿易貨物監管辦法》有關問題的公告), which was promulgated by GAC and became effective on 24 March 2014, "processing trade" refers to the processing of all or part of the materials and parts imported by an enterprise, upon which the finished goods are exported. Enterprises engaging in processing trade should submit a proposal to the competent department of foreign trade and economic cooperation for review and approval and should apply for the establishment of the manual of processing trade goods (加工貿易貨物手冊的設立) with the local customs department. The documents to be submitted include: (i) approval documents issued by the competent authority; (ii) the Certificate of Production Capacity of Processing Enterprise in Processing Trade (加工貿易加工企業生產能力證明) issued by the competent authority; (iii) contract concluded by the operating enterprise with a foreign party; and (iv) the Approval Certificate for Processing Trade (加工貿易業務批准證) issued by the customs department.

Pursuant to the Notice on Issues Concerning the Reformation of Processing Trade Approval in Guangdong Province (關於廣東省加工貿易審批改革有關工作的通知), which was promulgated by MOFCOM and GAC on 16 July 2013, and the Implementation on the Notice on Issues Concerning the Reformation of Processing Trade Approval in Guangdong Province (貫徹落實關於廣東省加工貿易審批改革有關工作的通知), which was promulgated by Guangdong Department of Foreign Trade and Economic (廣東省對外貿易經濟合作所) and Guangdong Sub-administration of GAC (中華人民共和國海關總署廣東分署) on 8 August 2013, the requirement of obtaining approval for processing trade is temporarily suspended in Guangdong province for a trial period of three years. Enterprises are only required to submit the Certificate of Production Capacity of Processing Enterprise in Processing Trade (加工貿易加工企業生產力證明) to the competent customs department for filing.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated by SCNPC on 26 December 1989 and amended on 24 April 2014 (the latest revision became effective on 1 January 2015), the Law of Water Pollution Prevention and Control of the PRC (中華人民共和國水污染防治法), which was promulgated by SCNPC on 11 May 1984 and amended on 15 May 1996 and 28 February 2008 (the latest revision became effective on 1 June 2008), the Law of Atmospheric Pollution Prevention and Control of the PRC (中華人民共和國大氣污染防治法), which was promulgated by SCNPC on 5 September 1987 and amended on 29 August 1995 and 29 April 2000 (the latest revision became effective on 1 September 2000), the Law of Environmental Noise Pollution Prevention and Control of the PRC (中華人民共和國環境噪聲污染防治法), which was promulgated by SCNPC on 29 October 1996 and became effective on 1 March 1997, and the Law of Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (中華人民共和國固體廢物污染環境防治法), which was promulgated by SCNPC on 30 October 1995 and amended on 29 December 2004, 29 June 2013 and 24 April 2015 (the latest revision became effective on 24 April 2015), enterprises that discharge pollutants, such as waste gas, waste water, waste residues and noise, shall take effective measures to control and avoid pollution and other damages caused by such pollutants, and shall pay pollutant discharge fees according to the relevant laws and regulations. Enterprises that are subject to pollutant discharge licence management are prohibited from discharging pollutants without a pollution discharge licence or from discharging pollutants in excess of the amount permitted by the pollutant discharge standards, and shall discharge pollutants according to the requirements of their pollutant discharge licence. The environmental protection facilities should be designed, built, constructed and used together with the principal part of the operational units. Where an enterprise fails to comply with the relevant environmental protection requirements, the competent authority may issue a warning to or impose a fine on the enterprise, or may order the enterprise to cease production. Where a crime is constituted, the person in charge of the enterprise may be subject to criminal liabilities.

Pursuant to the Administrative Regulations on the Collection and Use of Pollutant Discharge Fees (排污費徵收使用管理條例), which was promulgated by the State Council on 2 January 2003 and became effective on 1 July 2003, enterprises that directly discharge pollutants must pay pollutant discharge fees. Where an enterprise fails to pay the pollutant discharge fees, the environmental protection administrative department at or above the county level shall be entitled to order the enterprise to pay the fees within a prescribed time limit. If the enterprise fails to make payment within the prescribed time limit, it may be subject to a fine ranging from one to three times of the pollutant discharge fees payable, or be ordered to cease production.

Pursuant to the Law on Appraisal of Environment Impacts of the PRC (中華人民共和國環境影響評價法), which was promulgated on 28 October 2002 and became effective on 1 September 2003, on the basis of the extent of effects exerted on the environment by construction projects, a construction entity shall prepare a written report, a statement or a registration form on the environmental impacts of the construction projects. The report, statement or registration form shall be approved by the competent environmental protection administrative department. In the course of the construction project, the construction entity shall carry out the environmental protection measures as proposed by the competent environmental protection administration departments.

According to the Management Regulations of Environmental Protection of Construction Project (建設項目環境保護管理條例), which was promulgated by the State Council and became effective on 29 November 1998, the PRC has implemented a system for the evaluation of the environmental impacts of a construction project. A construction entity shall, upon or prior to the commencement of construction or, during the phase of feasibility study, submit a construction project environmental impact report, an environmental impact report form or an environmental impact registration form to the competent environmental protection administration department for approval. Furthermore, the construction entity shall, during a certain construction stage or upon completion of the construction project, file an application with the environmental protection administration department that examined and approved the said construction project for inspection and approval.

According to the Administration Regulations on Environmental Protection Acceptance of Construction Projects (建設項目竣工環境保護驗收管理辦法), which was promulgated by the State Environmental Protection Administration on 27 December 2001 and amended on 22 December 2010 (the latest revision became effective on 22 December 2010), upon completion of construction projects, the environmental protection administrative department shall assess whether the projects meet the requirements of the Administration Regulations on Environmental Protection Acceptance of Construction Projects. Upon completion of the principal parts of the construction projects, their supporting environmental protection facilities shall be simultaneously put into operation or use. During the process of pilot operation, the supporting environmental protection facilities shall be put into pilot operation simultaneously as well.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (中華人民共和國公司法), which was promulgated by the SCNPC on 29 December 1993 and came into effect on 1 July 1994. The Company Law of the PRC was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 (the latest revision became effective on 1 March 2014). The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of foreign invested companies are regulated by, in the case of wholly foreign-owned enterprises, the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated on 12 April 1986 by the National People's Congress ("**NPC**") and amended on 31 October 2000 by the SCNPC (the latest revision became effective on 31 October 2000), and the Regulations for the Implementation of the Wholly Foreign-owned Enterprises Law of the PRC (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990 by the Ministry of Foreign Trade and Economy and amended by the State Council on 12 April 2001 and 19 February 2014 (the latest revision became effective on 1 March 2014).

The Provisions on Guiding Foreign Investment Direction (指導外商投資方向規定), which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, categorise all foreign-invested projects into encouraged, permitted, restricted and prohibited projects. Foreign-invested projects that are categorised as encouraged, restricted, and prohibited are listed under the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄). Foreign-invested projects that are not categorised as encouraged, restricted, and prohibited are permitted foreign-invested projects. On 10 March 2015, the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) jointly promulgated the current Catalogue for the Guidance of Foreign Investment Industries, which became effective on 10 April 2015.

REGULATIONS ON FOREIGN EXCHANGE CONTROLS

The Foreign Exchange Administrative Regulations of the PRC (中華人民共和國外匯管理條例) ("**Foreign Exchange Regulations**"), which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008 (the latest revision became effective on 5 August 2008), forms an important legal basis for foreign exchange supervision in the PRC. Under the Foreign Exchange Regulations, RMB is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside the PRC unless the approval of the SAFE or its local counterparts is obtained in advance. SAFE approval is required for the retention or sale of foreign exchange income in the capital accounts to financial institutions engaged in the settlement and sale of foreign exchange except where such approval is not required under the relevant rules and regulations. Any foreign exchange payment from capital account shall, in accordance with provisions enacted by the foreign exchange administrative department of the State Council, be made out of the payer's own foreign exchange funds with valid documents, or be made with foreign exchange funds purchased from any financial institution engaged in the foreign exchange settlement and sales business. Where the foreign exchange payment requires the approval from the foreign exchange administrative authority, the payer must obtain such approval before making the payment.

Pursuant to the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) ("**Circular 19**"), which was promulgated on 30 March 2015 by the SAFE and became effective on 1 June 2015, foreign-invested enterprises in the PRC may, according to their business needs, settle with a bank the portion of foreign exchange capital in their capital account for which the local foreign exchange bureau has confirmed capital contribution rights and interests, and the portion allowed to be settled by a foreign-invested enterprise is tentatively 100%. Furthermore, where foreign-invested enterprises are engaging in equity investment in the PRC, they shall comply with the regulations on reinvestment within the territory of the PRC.

LAWS AND REGULATIONS RELATING TO REGISTRATION FOR IMPORT AND EXPORT OF GOODS

According to the Customs Law of the PRC (中華人民共和國海關法), which was promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013 (the latest revision became effective on 28 December 2013), unless otherwise provided for, the declaration of import or export of goods and the payment of duties may be made by the consignees or consigners themselves, and such formalities may also be completed by their entrusted customs brokers that are registered with the permission of the competent customs. The consignees and consigners for import or export of goods and the customs brokers engaged in customs declaration shall register with the competent customs in accordance with the laws. The declaration and payment of duties of inward and outward articles may be made by the owners of the articles themselves or by the persons they have entrusted with the work.

According to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法), promulgated by the SCNPC on 12 May 1994 and amended on 6 April 2004 (the latest revision became effective on 1 July 2004), foreign trade operators engaged in the import and export of goods or technology shall go through the record-filing registration formalities with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that do not need to go through the record-filing registration formalities as prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council. The specific measures for record-filing registration shall be formulated by the competent department of foreign trade under the State Council. Where a foreign trade operator fails to go through the record-filing registration formalities, the customs shall refuse to handle the formalities for declaration and clearance of goods imported or exported by the operator.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on 12 March 1984, which was amended on 4 September 1992, 25 August 2000, 27 December 2008 and became effective on 1 October 2009, there are three types of patents, which are invention patents, design patents and utility model patents. Invention patents are valid for twenty years, while design patents and utility model patents are valid for 10 years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights will be held liable to the patent owner for compensation and may be subject to fines and even criminal punishment. Upon the granting of an invention or a utility model patent, unless otherwise specified, no organisation or individual may exploit the patent without licensing from the patentee, i.e., they may not, for the purposes of production and business operation, produce, use, offer to sell, sell, or import the patented products, nor use the patented method to produce, use, offer to sell, sell or import products that are acquired directly through the patented method. Upon the granting of a design patent, no organisation or individual may exploit the patent without licensing from the patentee, i.e., they may not produce, offer to sell, sell or import the design patent products for the purposes of production and business operation. Where the infringement of patent is determined, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, pay damages etc.

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) promulgated by the SCNPC on 23 August 1982 and amended on 22 February 1993, 27 October 2001 and 30 August 2013 (the latest revision became effective on 1 May 2014) and the Implementing Regulations of the Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated by the State Council on 3 August 2002 and amended on 29 April 2014 (the latest revision became effective on 1 May 2014), a registered trademark means a trademark that has been approved by and registered with the trademark office, including goods marks, service marks, collective marks and certification marks. A registered trademark is valid for 10 years commencing on the date of registration approval. Any of the following acts shall be deemed an infringement upon the right to the exclusive use of a registered trademark, including (i) using a trademark which is identical with or similar to the registered trademark on the same or similar commodities without authorisation; (ii) selling the commodities that infringe upon the right to the exclusive use of a registered trademark; (iii) forging, manufacturing the marks of a registered trademark of others without authorisation, or selling the marks of a registered trademark forged or manufactured without authorisation; (iv) altering another party's registered trademark without authorisation and selling goods bearing such altered trademark; and (v) causing other damages to the right to the exclusive use of a registered trademark of another person.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated by the NPC on 16 March 2007 and became effective on 1 January 2008 and the Enterprise Income Tax Implementation Regulations of the PRC (中華人民共和國企業所得稅法實施條例) ("**EITIR**"), which was promulgated by the State Council on 6 December 2007 and became effective on 1 January

2008, the EIT of both domestic and foreign-invested enterprises is unified at 25%. Under the EIT Law, enterprises are classified as "resident enterprises" and "non-resident enterprises". Pursuant to the EIT Law and EITIR, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located in the PRC are considered as resident enterprises, and will generally be subject to EIT at the rate of 25% of their global income. The EITIR defines "de facto management bodies" as "establishments that carry out substantial and overall management and control over production and operations, personnel, accounting, and properties" of the enterprise. If an enterprise is considered as a PRC tax resident enterprise under the above definition, then its global income will be subject to EIT at the rate of 25%.

Value-added Tax

In accordance with the Provisional Regulations of the PRC Concerning Value-Added Tax (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on 13 December 1993 and last amended on 10 November 2008 (the latest revision became effective on 1 January 2009), and the Rules for Implementation of the Provisional Regulations of the PRC concerning Value-Added Tax (中華人民共和國增值稅暫行條例實施細則), which was promulgated by the Ministry of Finance of the PRC and the State Administration of Taxation on 18 December 2008, became effective on 1 January 2009 and was amended on 28 October 2011 (the latest revision became effective on 1 November 2011), value-added tax (增值稅) ("**VAT**") is imposed on any entity or individual engaging in the sale of goods, provision of processing, repair or replacement services, or importation of goods within the PRC.

Pursuant to the Circular on Printing and Issuing the Pilot Proposals for the Transformation from Business Tax to VAT (關於印發《營業稅改徵增值稅試點方案》的通知) ("**Pilot Proposals**"), which was promulgated by the Ministry of Finance of the PRC and the SAT and became effective on 16 November 2011, the transformation from business tax to VAT took effect on 1 January 2012 in businesses of pilot areas. Pursuant to the Pilot Proposals, two levels of low VAT rates of 11% and 6% are added to the current VAT rates which are 17% and 13% respectively. The tax rate for businesses such as the transportation business and the construction business is 11%, and the tax rate for certain other modern service businesses is 6%.

VAT Export Refund

According to the Administrative Measures for Tax Rebate (Exemption) of Exported Goods (Trial Implementation) (出口貨物退(免)稅管理辦法(試行)), which was promulgated by the SAT on 16 March 2005 and became effective on 1 May 2005, unless otherwise prescribed, upon declaration of export and financial accounting for sale, the VAT in relation to the goods exported by export agents can be rebated or exempted upon approval by competent tax authority.

Enterprise Income Tax on Indirect Transfer of Non-Resident Enterprises

Pursuant to the Circular of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Incomes from Equity Transfers of Non-Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) ("**Circular 698**"), which was promulgated by the SAT on 10 December 2009, and the

Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) ("**Circular 7**"), which was promulgated by the SAT and became effective on 3 February 2015, where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing arrangements that are not for bona fide commercial purposes to avoid its obligation to pay EIT, such an indirect transfer shall, in accordance with Article 47 of the EIT Law, be recognised by the competent PRC tax authorities as a direct transfer of equity interests or other assets by the PRC resident enterprise.

According to Circular 7, the indirect transfer of PRC taxable property shall be regarded as having a bona fide commercial purpose if all the following conditions are met: (i) the parties to the transaction are in any of the following equity relationships: (a) the transferor holds, directly or indirectly, more than 80% of the transferee's equity; (b) the transferee holds, directly or indirectly, more than 80% of the transferor's equity; or (c) more than 80% of the equity of the transferee and the transferor is held, directly or indirectly, by the same party; (ii) the amount of EIT payable on any subsequent indirect equity transfer will not be less than that payable on the same or similar indirect equity transfer had the subject indirect equity transfer not taken place; and (iii) the transferee pays the entire amount of consideration with its own equity or equity of an enterprise with which it has a controlling shareholding relationship (excluding equity of a listed company).

LAWS AND REGULATIONS RELATING TO LABOUR

Labour Contract Law

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) ("**Labour Contract Law**"), which was promulgated by the State Council on 29 June 2007, became effective on 1 January 2008 and was amended on 28 December 2012 (the latest revision became effective on 1 July 2013), requires every employer to enter into a written contract of employment with each of its employees. No employer may force its employees to work beyond the time limit and each employer must pay overtime compensation to its employees. The Labour Contract Law also requires that the wage of each employee be no less than the local standard on minimum wages. According to the Labour Law of the PRC (中華人民共和國勞動法), which was promulgated by SCNPC on 5 July 1994 and became effective on 1 January 1995, every employer must ensure work place safety and sanitation in accordance with the national regulations and provide relevant training to its employees.

Social Insurance and Housing Provident Funds

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated by the SCNPC on 28 October 2010 and became effective on 1 July 2011, the Interim Regulations concerning the Levy of Social Insurance (社會保險費徵繳暫行條例), which was promulgated by the State Council and became effective on 22 January 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法), which was promulgated and became effective on 19 March 1999, the Regulations on Occupational Injury Insurance (工傷保險條例), which was promulgated by the State Council on 27 April 2003, became effective on 1 January 2004 and was amended on 20 December 2010 (the latest revision became effective on 1 January 2011), the Interim

Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法), which was promulgated by the Ministry of Labour and Social Security on 14 December 1994 and became effective on 1 January 1995 and the Regulations concerning the Administration of Housing Provident Fund (住房公積金管理條例), which was promulgated by the State Council, became effective on 3 April 1999 and was amended on 24 March 2002 (the latest revision became effective on 24 March 2002), each employer in the PRC shall provide its employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance, as well as housing provident fund and other welfare plans. These payments are made to local administrative authorities, and an employer who fails to make contributions in a timely manner may be fined and be ordered to make up for the outstanding contributions.

COMPLIANCE WITH QUALITY AND SAFETY STANDARDS IN THE MAJOR JURISDICTIONS TO WHICH WE EXPORT OUR PRODUCTS

As to the quality and safety of our products, most of our customers would require us to supply our products in compliance with their specific quality and safety standards. In order to ensure that our products meet our customers' stringent requirements on product quality and safety, we obtain product quality certificates required by our customers where necessary. The table below shows a list of the standards implemented or specific requirements for (i) switching power supply units for consumer products; and (ii) smart chargers and controllers for industrial use in certain jurisdictions and we supply products satisfying these standards accordingly:

Jurisdictions	Standards	Authority and scope
US	DOE VI	DOE VI stands for the Energy Conservation Standards Level VI for External Power Supplies issued by the US Department of Energy (DOE), which applies to all direct and indirect operation external power supplies.
EU	CE	CE mark is a mandatory conformity marking for certain products sold within the European Economic Area (EEA). CE marking on a product is a manufacturer's declaration that the product complies with the essential requirements of the relevant European health, safety and environmental protection legislation, in practice by many of the CE mark Product Directives. The switching power supplies and travel chargers are required to comply with the Low Voltage Directive.

Jurisdictions	Standards	Authority and scope
Australia	SAA	SAA Approvals Pty Ltd is accredited by the Joint Accreditation Service of Australia and New Zealand (JAS-ANZ) as a third party certification body to issue of Certificates of Approval for declared and non-declared electrical equipment that has proven to comply with the safety requirements of the applicable Australian standards. Power supply or charger is within the Declared Electrical Products General List. The Electrical Product Safety Approval Certification issued by SAA Approvals Pty Ltd allows the import and sale of electrical equipment, accessories and appliances in Australia.
South Korea	KC	The KC (Korea Certification) mark signifies compliance with South Korea's product safety requirements for electrical and electronic equipment and components. The AC/DC adaptors exported to South Korea shall obtain the Electrical Appliances Safety Certificate in accordance with the Enforcement Rule of the Electrical Appliances Safety Control Act.
Singapore	PSB	It is compulsory for controlled electrical products, such as adaptors, to apply for the PSB (Productivity and Standards Board) certification in compliance with the Consumer Protection (Safety Requirements) Registration Scheme before entering Singapore for sale.
Taiwan	BSMI	Products specified by the Ministry of Economic Affairs (MOEA) of Taiwan, such as power supplies, must comply with inspection requirements before they are shipped from the manufacturing premises or imported to and placed on the market in Taiwan. Manufacturers or importers of these products must apply to the Bureau of Standard, Metrology and Inspection (BSMI) for inspection to obtain the Certificate of the Registration of Product Certification before shipment or importation.
Mexico	NOM	Electrical products, such as adaptors, exported into Mexico must meet the Norma Oficial Mexicana (NOM) (Official Mexican Standard) requirements, which are prepared by the Dirección General de Normas (DGN) (General Directorate of Standards) and obtain certification of NOM.

BUSINESS DEVELOPMENT

The history of our Group can be traced back to the year of 1979 when Chairman Hung established his business under the trading name "Ten Pao Company (天寶公司)" in Hong Kong with his own financial resources. At the early stage of our business, we manufactured simple power supply units.

In 1988, we established our production base in Huizhou, Guangdong province, the PRC. We began to manufacture power supplies such as transformers and adapters in the late 1990s. In order to cope with and respond to technological advancements and changes in market environment, in the early 2000s, we began to manufacture switching power supply units for consumer products such as chargers and adapters.

In 2004, in order to strengthen our quality control capability, our Group established a testing laboratory in Huizhou, Guangdong province, the PRC.

In 2007, we further diversified our product portfolio by manufacturing smart chargers and controllers for industrial use. This not only broadens our customer base, but also increases our sources of revenue, thereby enhancing our competitiveness in the switching power supply unit manufacturing industry.

In 2008, our testing laboratory was awarded the CNAS laboratory accreditation certificate, which enables us to conduct safety and energy-efficiency testing on our products in our accredited scopes. Without the need to engage third party laboratories to conduct product testing, the time to market of our products is significantly reduced.

In order to increase our production capacity, in 2015, our Group established a new production base in Hanzhong, Shaanxi province, the PRC. As at the Latest Practicable Date, our production base in Hanzhong was principally engaged in the manufacturing of high-frequency transformers, one of the key components of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Having been established in 1979, our Group has over 30 years of experience in the power supply industry. As at the Latest Practical Date, our Group operated more than 110 production lines in our production bases in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC, respectively. As at 30 June 2015, we manufactured more than 1,400 types of switching power supply units for consumer products and 300 types of smart chargers and controllers for industrial use.

The key milestones in the development of our business are set out:

Year	Event
1979	Business was established in Hong Kong under the trading name "Ten Pao Company (天寶公司)" and focused on the manufacturing of simple power supply units such as transformers.
1988	We established our production base in Huizhou, Guangdong province, the PRC.
Late 1990s	We began to manufacture power supplies such as transformers and adapters.
Early 2000s	We began to manufacture switching power supply units for consumer products such as chargers and adapters.
2004	We established a testing laboratory in Huizhou, Guangdong province, the PRC.
2007	We began to manufacture smart chargers and controllers for power tools for industrial use.
2008	Our testing laboratory was awarded the CNAS laboratory accreditation certificate.
2008	We began to manufacture LED driver units.
2011	We were awarded Guangdong Famous Trademark Certificate by Guangdong Province Administration for Industry and Commerce.
2015	We established our production base in Hanzhong, Shaanxi province, the PRC.

OUR COMPANY AND SUBSIDIARIES

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 January 2015 with an initial authorised share capital of HK$390,000 divided into 39,000,000 Shares of HK$0.01 each. It is the holding company of our subsidiaries and its principal business activity is investment holding. As at the Latest Practicable Date, our Company was held as to 60% and 40% by Even Joy and TinYing Investments, respectively.

As a result of the Reorganisation, our Company, through Goldasia, indirectly holds all the equity interests in our subsidiaries, which are principally engaged in the manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use in the PRC. Please refer to the paragraph “Reorganisation” in this section for further details about the Reorganisation.

Our subsidiary in BVI

Goldasia

Goldasia was incorporated under the laws of BVI with limited liability on 7 January 2005 and was authorised to issue a maximum of 50,000 shares of US$1.00 each. Goldasia is an investment holding company which holds all the equity interests in our subsidiaries, which are principally engaged in the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use in the PRC.

Following the completion of the Reorganisation, Goldasia became wholly-owned by our Company. Please refer to the paragraph “Reorganisation — Transfer of the entire issued share capital of Goldasia to our Company” in this section for further details.

Our subsidiaries in Hong Kong

Ten Pao Industrial

Ten Pao Industrial was incorporated in Hong Kong on 2 January 1987 as a limited liability company with an initial authorised share capital of HK$300,000 divided into 3,000 shares of HK$100 each. Ten Pao Industrial is principally engaged in the procurement of raw materials and components of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Following the completion of the Reorganisation, Ten Pao Industrial became wholly-owned by Goldasia. Please refer to the paragraph “Reorganisation — Transfer of 2,900 shares and 100 shares representing 96.67% and 3.33% in the issued share capital of Ten Pao Industrial held by Chairman Hung and Mrs. Hung, respectively, to Goldasia” in this section for further details.

Ten Pao International

Ten Pao International was incorporated in Hong Kong on 9 May 2001 as a limited liability company with an initial authorised share capital of HK$1,000,000 divided into 1,000,000 shares of HK$1.00 each. Ten Pao International is principally engaged in the sale of switching power supply units for consumer products and smart chargers and controllers for industrial use. As at the Latest Practicable Date, the authorised share capital of Ten Pao International had been increased from HK$1,000,000 divided into 1,000,000 shares of HK$1.00 each to HK$5,000,000 divided into 5,000,000 shares of HK$1.00 each.

Following the completion of the Reorganisation, Ten Pao International became wholly-owned by Goldasia. Please refer to the paragraph “Reorganisation — Transfer of 800,000 shares and 200,000 shares representing of 20% and 5% in the issued share capital of Ten Pao International held by Chairman Hung and Mrs. Hung, respectively, to Goldasia” in this section for further details.

Ten Pao Precision Electronics

Ten Pao Precision Electronics, which was formerly known as Sky Fortune Environmental Technology Limited, was incorporated in Hong Kong with limited liability on 19 August 2009 with an initial authorised share capital of HK$2,000,000 divided into 2,000,000 shares of HK$1.00 each. Ten Pao Precision Electronics is an investment holding company.

Following the completion of the Reorganisation, Ten Pao Precision Electronics became wholly-owned by Goldasia. Please refer to the paragraph "Reorganisation — Transfer of Ten Pao Precision Electronics to Goldasia" in this section for further details.

Our subsidiary in Samoa

Ten Pao Electronic was incorporated under the laws of Samoa on 29 March 2004 as a limited liability company with an authorised capital of US$1,000,000 divided into 1,000,000 shares of US$1.00 each. Ten Pao Electronic is an investment holding company.

Following the completion of the Reorganisation, Ten Pao Electronic became wholly-owned by Goldasia. Please refer to the paragraph "Reorganisation — Unwinding the trust arrangement by transfer of one share in the issued share capital of Ten Pao Electronic held by Hong Bixin to Goldasia" in this section for further details.

Our subsidiary in South Korea

Korean Co was incorporated under the laws of South Korea on 9 July 2004 with an initial registered capital of KRW50,000,000. Korean Co is a sales office of our Group in South Korea.

Our Korean Legal Advisers confirmed that KRW50,000,000, the current registered capital of Korean Co, had been fully paid up.

Following the completion of the Reorganisation, Korean Co became wholly-owned by Goldasia. Please refer to the paragraph "Reorganisation — Transfer of Korean Co to Goldasia" in this section for further details.

Our subsidiaries in the PRC

Jinhu Industrial

Jinhu Industrial was established in the PRC on 28 May 1999 as a limited liability company with an initial registered capital of RMB2,280,000. Jinhu Industrial is principally engaged in the sale of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Following completion of the Reorganisation, Jinhu Industrial became wholly-owned by Ten Pao Electronic (Huizhou). Please refer to the paragraph "Reorganisation — Unwinding the trust arrangement by transfer of 56.14% and 43.86% of the equity interest in Jinhu Industrial held by Xu Jianshe and Hong Bixin, respectively, to Ten Pao Electronic (Huizhou)" in this section for further details.

Our PRC Legal Advisers confirmed that RMB2,280,000, the current registered capital of Jinhu Industrial, had been fully paid up.

Jinhu Industrial established Jinhu Industrial Zhongkai Branch in Zhongkai High-tech Zone of Huizhou City on 12 June 2014. Jinhu Industrial Zhongkai Branch is principally engaged in the sale of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Jinhu Precision Parts

Jinhu Precision Parts was established in the PRC on 26 January 2015 as a WFOE with an initial registered capital of HK$8,000,000. Jinhu Precision Parts is principally engaged in manufacturing of high-frequency transformers.

Following the completion of the Reorganisation, Jinhu Precision Parts became wholly-owned by Ten Pao Precision Electronics. Please refer to the paragraph "Reorganisation — Establishment of Jinhu Precision Parts and Ten Pao Precision Parts by Ten Pao Precision Electronics" in this section for further details.

Our PRC Legal Advisers confirmed that HK$2,500,000, the first contribution of registered capital of Jinhu Precision Parts, had been fully paid up.

Ten Pao Electronic (Huizhou)

Ten Pao Electronic (Huizhou) was established in the PRC on 28 August 2000 as a WFOE with an initial registered capital of HK$13,000,000. Ten Pao Electronic (Huizhou) is principally engaged in manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use. Ten Pao Electronic (Huizhou) has been wholly-owned by Ten Pao Electronic since 25 October 2005. As at the Latest Practicable Date, the registered capital of Ten Pao Electric (Huizhou) had been increased to HK$115,000,000.

Our PRC Legal Advisers confirmed that HK$115,000,000, the current registered capital of Ten Pao Electronic (Huizhou), had been fully paid up.

Ten Pao Electronic (Huizhou) established Ten Pao Electronic (Huizhou) Shuikou Branch in Shuikou Town of Huizhou City on 13 May 2015. Ten Pao Electronic (Huizhou) Shuikou Branch is principally engaged in the manufacturing of hardware.

Ten Pao Precision Parts

Ten Pao Precision Parts was established in the PRC on 26 January 2015 as a WFOE with an initial registered capital of HK$12,000,000. Ten Pao Precision Parts is principally engaged in manufacturing of high-frequency transformers.

Following the completion of the Reorganisation, Ten Pao Precision Parts became wholly-owned by Ten Pao Precision Electronics. Please refer to the paragraph "Reorganisation — Establishment of Jinhu Precision Parts and Ten Pao Precision Parts by Ten Pao Precision Electronics" in this section for further details.

Our PRC Legal Advisers confirmed that HK$2,400,000, the first contribution of registered capital of Ten Pao Precision Parts, had been fully paid up.

Our subsidiaries deregistered and in the process of deregistration

Shishi Tianyu

Shishi Tianyu was established in the PRC on 17 January 1995 as a WFOE with an initial registered capital of HK$4,000,000. Shishi Tianyu has not commenced any business activities since its incorporation. Shishi Tianyu completed the process of deregistration on 15 July 2015.

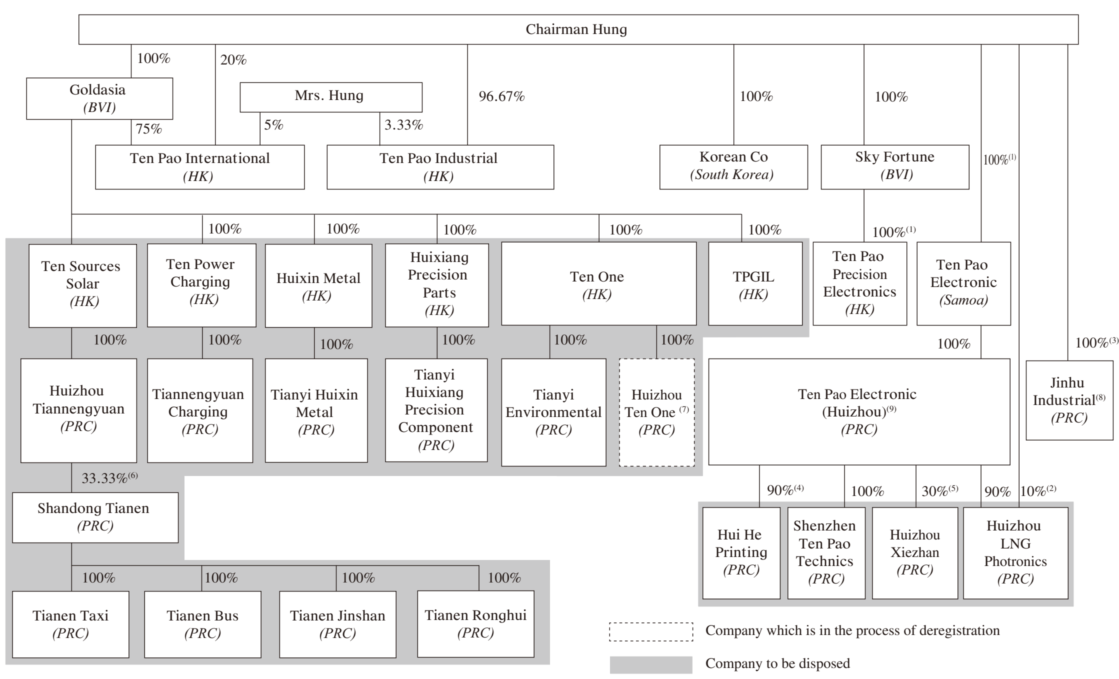
Tianxiang Power

Tianxiang Power was established in the PRC on 15 June 2011 as a limited liability company with an initial registered capital of RMB3,000,000. Tianxiang Power has not commenced any business activities since its incorporation. Tianxiang Power completed the process of deregistration on 30 September 2015.

As confirmed by our Directors, these companies had ceased their business operations and made no material profit contribution to our Group during the Track Record Period, our Directors therefore consider them not material to our business and apply to deregister them.

REORGANISATION

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



Notes:

1. Hong Bixin, the sister-in-law of Chairman Hung, holds 100% of the entire issued share capital of Ten Pao Electronic on trust for and on behalf of Chairman Hung.

2. Xu Jianshe, the brother-in-law of Chairman Hung, holds 10% of the equity interest in Huizhou LNG Photronics on trust for and on behalf of Chairman Hung.

3. Xu Jianshe and Hong Bixin holds 56.14% and 43.86%, respectively, of the equity interest in Jinhu Industrial on trust for and on behalf of Chairman Hung.

4. The remaining 10% of the equity interest in Hui He Printing was held by Huang Zhiping (黃志平), an Independent Third Party.

5. Among the remaining 70% equity interest, 5% equity interest was held by Huizhou Risheng Handbag Co., Limited (惠州日盛手袋有限公司), 5% equity interest was held by Huizhou Shangyun Sports Bag Co., Limited (惠州市上運體育袋製造廠有限公司), 30% equity interest was held by Huizhou Xintongfa Plastic Co., Limited (惠州市新同發塑膠原料製品有限公司) and 30% equity interest was held by Huizhou Tongfabao Weikong Technology Co., Limited (惠州同發寶微控科技有限公司). Save for its interest in Huizhou Xiezhan, each of Huizhou Risheng Handbag Co., Limited (惠州日盛手袋有限公司), Huizhou Shangyun Sports Bag Co., Limited (惠州市上運體育袋製造廠有限公司), Huizhou Xintongfa Plastic Co., Limited (惠州市新同發塑膠原料製品有限公司) and Huizhou Tongfabao Weikong Technology Co., Limited (惠州同發寶微控科技有限公司) is not connected to our Group.

6. Among the remaining 66.67% equity interest, 26.67% equity interest was held by Weifang Investment Holding Co., Limited (濰坊市投資控股集團有限公司) and 40% equity interest was held by Shandong Hulian Communication Co., Limited (山東互聯通信工程有限公司). Save for its interest in Shandong Tianen, each of Weifang Investment Holding Co., Limited (濰坊市投資控股集團有限公司) and Shandong Hulian Communication Co., Limited (山東互聯通信工程有限公司) is not connected to our Group.

7. Huizhou Ten One is currently under the process of deregistration. Our PRC Legal Advisers have advised that, as at the Latest Practicable Date, they were not aware of any material legal impediment on completion of the deregistration with the relevant PRC government authorities. To the best of the knowledge and information of our Directors after making reasonable enquiry, the deregistration process is expected to be completed in 2015.

8. Jinhu Industrial has a branch office, namely, Jinhu Industrial Zhongkai Branch.

9. Ten Pao Electronic (Huizhou) has a branch office, namely, Ten Pao Electronic (Huizhou) Shuikou Branch.

Incorporation of our Company

Our Company was incorporated as an exempted company under the laws of Cayman Islands with limited liability on 27 January 2015 with an initial authorised share capital of HK$390,000 divided into 39,000,000 Shares of HK$0.01 each. On the same day, one Share was subscribed at par value by Offshore Incorporations (Cayman) Limited, an Independent Third Party. The one Share was transferred by Offshore Incorporations (Cayman) Limited at par value to Even Joy as fully paid and 999 Shares of HK$0.01 each in our Company were allotted and issued to Even Joy as fully paid on the same day.

Transfer of Ten Pao Precision Electronics to Goldasia

On 25 November 2014, Sky Fortune transferred 1,000,000 ordinary shares of HK$1.00 each in Ten Pao Precision Electronics, representing the entire issued share capital of Ten Pao Precision Electronics, to Goldasia by an instrument of transfer and contract notes for a consideration of HK$1,000,000. The consideration was determined with reference to the nominal value of shares in Ten Pao Precision Electronics and was settled on 25 November 2014.

Immediately upon completion of the aforesaid step of the Reorganisation, Ten Pao Precision Electronics became a wholly-owned subsidiary of Goldasia.

Establishment of Jinhu Precision Parts and Ten Pao Precision Parts by Ten Pao Precision Electronics

On 26 January 2015, Jinhu Precision Parts was established as a WFOE under the laws of the PRC with a registered capital of HK$8,000,000 by Ten Pao Precision Electronics.

On 26 January 2015, Ten Pao Precision Parts was established as a WFOE under the laws of the PRC with a registered capital of HK$12,000,000 by Ten Pao Precision Electronics.

Unwinding the trust arrangement by transfer of one share in the issued share capital of Ten Pao Electronic held by Hong Bixin to Goldasia

Pursuant to the Declaration of Trust, Hong Bixin held the entire issued share capital (i.e. one share of par value US$1.00 each) in Ten Pao Electronic as a nominee on trust for and on behalf of Chairman Hung as the beneficial owner.

On 1 February 2015, Hong Bixin, at the instructions of Chairman Hung, transferred the entire issued share capital in Ten Pao Electronic to Goldasia for a nominal consideration of US$1.00. The consideration was settled on 1 February 2015.

Immediately upon completion of the aforesaid step of the Reorganisation, Ten Pao Electronic became a wholly-owned subsidiary of Goldasia.

Unwinding the trust arrangement by transfer of 56.14% and 43.86% of the equity interest in Jinhu Industrial held by Xu Jianshe and Hong Bixin, respectively, to Ten Pao Electronic (Huizhou)

Pursuant to the trust arrangement entered into among Chairman Hung, Xu Jianshe and Hong Bixin, Xu Jianshe and Hong Bixin held 56.14% and 43.86%, respectively, of the equity interest in Jinhu Industrial as nominees on trust for and on behalf of Chairman Hung as the beneficial owner.

On 23 March 2015, pursuant to an equity transfer agreement entered into among Xu Jianshe and Hong Bixin and Ten Pao Electronic (Huizhou), Xu Jianshe and Hong Bixin, at the instructions of Chairman Hung, transferred 56.14% and 43.86%, respectively, of the equity interest in Jinhu Industrial to Ten Pao Electronic (Huizhou) for a consideration of RMB11,990,000 and RMB9,420,000, respectively. Such consideration was determined with reference to the net assets value of Jinhu Industrial as at 31 December 2014 and settled on 23 March 2015. The transfer was registered by the competent PRC government authority on 22 April 2015. As advised by the PRC Legal Advisers, the above transfers complied with the applicable PRC laws and regulations and all necessary approvals from the relevant PRC authorities have been obtained.

Immediately upon completion of the aforesaid step of the Reorganisation, Jinhu Industrial became a wholly-owned subsidiary of Ten Pao Electronic (Huizhou).

Disposal of Huizhou LNG Photronics to Xu Jinqing

Pursuant to the trust arrangement entered into between Chairman Hung and Xu Jianshe, Xu Jianshe held 10% of the equity interest in Huizhou LNG Photronics, which is principally engaged in the manufacturing and sale of LED lightings, as nominee on trust for and on behalf of Chairman Hung as the beneficial owner.

For our Group to focus on core business of switching power supply units for consumer products and smart chargers and controllers for industrial use but not engaging in businesses not in line with the strategic direction and development plan of our Group, pursuant to an equity transfer agreement entered into among Ten Pao Electronic (Huizhou), Xu Jianshe and Xu Jinqing on 23 March 2015, Ten Pao Electronic (Huizhou) and Xu Jianshe, at the instructions of Chairman Hung, transferred 90% and 10%, respectively, of the equity interest in Huizhou LNG Photronics to Xu Jinqing, who was a director of Jinhu Industrial in the past 12 months, for a consideration of RMB7,210,000 and RMB800,000, respectively. Such consideration was determined with reference to the net assets value of Huizhou LNG Photronics as at 31 December 2014 and settled on 23 March 2015. Pursuant to a trust agreement entered into between Chairman Hung and Xu Jinqing on 20 April 2015, Xu Jinqing held 100% of the equity interest in Huizhou LNG Photronics as nominee on trust for and on behalf of Chairman Hung as the beneficial owner. The aforesaid transfers of the equity interest in Huizhou LNG Photronics to Xu Jinqing was registered by the competent PRC government authority on 20 April 2015. As advised by the PRC Legal Advisers, the above transfers complied with the applicable PRC laws and regulations and all necessary approvals from the relevant PRC authorities have been obtained.

Immediately upon completion of the aforesaid step of the Reorganisation, Huizhou LNG Photronics was held as to 100% by Xu Jinqing as nominee on trust for and on behalf of Chairman Hung as the beneficial owner and it was excluded from our Group.

Disposal of Hui He Printing to Xu Jinqing

Hui He Printing is principally engaged in the business of printing of tags and labels applied on the packaging and plastic cases of switching power supply units for consumer products and smart chargers and controllers for industrial use.

For our Group to focus on core business of switching power supply units for consumer products and smart chargers and controllers for industrial use but not engaging in businesses not in line with the strategic direction and development plan of our Group, pursuant to an equity transfer agreement entered into between Ten Pao Electronic (Huizhou) and Xu Jinqing on 23 March 2015, Ten Pao Electronic (Huizhou) transferred 90% of the equity interest in Hui He Printing to Xu Jinqing, who was a director of Jinhu Industrial in the past 12 months, for a consideration of RMB2,130,000. Such consideration was determined with reference to the net assets value of Hui He Printing as at 31 December 2014 and settled on 23 March 2015. Pursuant to a trust agreement entered into between Chairman Hung and Xu Jinqing on 22 April 2015, Xu Jinqing held 90% of the equity interest in Hui He Printing as nominee on trust for and on behalf of Chairman Hung as the beneficial owner. The aforesaid transfer of the equity interest in Hui He Printing to Xu Jinqing was registered by the competent PRC government authority on 22 April 2015. As advised by the PRC Legal Advisers, the above transfer complied with the applicable PRC laws and regulations and all necessary approvals from the relevant PRC authorities have been obtained.

Immediately upon completion of the aforesaid step of the Reorganisation, Hui He Printing was held as to 90% by Xu Jinqing as nominee on trust for and on behalf of Chairman

Hung as the beneficial owner and 10% by Huang Zhiping (黃志平), an Independent Third Party, and it was excluded from our Group.

Transfer of Korean Co to Goldasia

On 26 May 2015, Chairman Hung and Goldasia entered into a share purchase agreement, pursuant to which Chairman Hung transferred 5,000 shares in Korean Co, representing the entire issued share capital of Korean Co, to Goldasia for a consideration of KRW5,000. The consideration was determined with reference to the net assets value of Korean Co as at 31 December 2014 and was settled on 26 May 2015. As advised by Shin & Kim, the legal advisers to our Company as to South Korean law, the above transfer complied with the applicable South Korean laws and regulations and was properly and legally completed and settled.

Immediately upon completion of the aforesaid step of the Reorganisation, Korea Co became a wholly-owned subsidiary of Goldasia.

Disposal of TPGIL to Ease Bright

TPGIL has not commenced any business activities since its incorporation but was originally established for the purpose of investment holding.

For our Group to focus on core business of switching power supply units for consumer products and smart chargers and controllers for industrial use but not in businesses not in line with the strategic direction and development plan of our Group, on 2 June 2015, Goldasia transferred 10,000 shares in TPGIL, representing the entire issued share capital of TPGIL, to Ease Bright, which is a company wholly owned by Chairman Hung, by an instrument of transfer and contract notes for a consideration of HK$10,000. The consideration was determined with reference to the nominal value of shares in TPGIL and was settled on 2 June 2015.

Immediately upon completion of the aforesaid step of the Reorganisation, TPGIL became legally and wholly-owned by Ease Bright and TPGIL was excluded from our Group.

Disposal of Ten One to Ease Bright

Ten One is an investment holding company holding 100% of the equity interest in each of Tianyi Environmental and Huizhou Ten One. Tianyi Environmental has not commenced any business activities since its incorporation but was originally established for the purpose of property holding, while Huizhou Ten One is currently under the process of deregistration.

For our Group to focus on core business of switching power supply units for consumer products and smart chargers and controllers for industrial use but not in businesses not in line with the strategic direction and development plan of our Group, on 2 June 2015, Goldasia transferred 10,000 shares in Ten One, representing the entire issued share capital of Ten One, to Ease Bright, which is a company wholly owned by Chairman Hung, by an instrument of transfer and contract notes for a consideration of HK$10,000. The consideration was determined with reference to the nominal value of shares in Ten One and was settled on 2 June 2015.

Immediately upon completion of the aforesaid step of the Reorganisation, Ten One became legally and wholly-owned by Ease Bright, and Ten One, Huizhou Ten One and Tianyi Environmental were excluded from our Group.

Disposal of Ten Power Charging to Ease Bright

Ten Power Charging is an investment holding company holding 100% of the equity interest in Tiannengyuan Charging. Tiannengyuan Charging has not commenced any business activities since its incorporation but was originally established for the purpose of manufacturing and sale of electrical automobiles.

For our Group to focus on core business of switching power supply units for consumer products and smart chargers and controllers for industrial use but not engaging in businesses not in line with the strategic direction and development plan of our Group, on 2 June 2015, Goldasia transferred 10,000 shares in Ten Power Charging, representing the entire issued share capital of Ten Power Charging, to Ease Bright, which is a company wholly owned by Chairman Hung, by an instrument of transfer and contract notes for a consideration of HK$10,000. The consideration was determined with reference to the nominal value of shares in Ten Power Charging and was settled on 2 June 2015.

Immediately upon completion of the aforesaid step of the Reorganisation, Ten Power Charging became legally and wholly-owned by Ease Bright, and Ten Power Charging and Tiannengyuan Charging were excluded from our Group.

Disposal of Huixin Metal to Ease Bright

Huixin Metal is an investment holding company holding 100% of the equity interest in Tianyi Huixin Metal. Tianyi Huixin Metal has not commenced any business activities since its incorporation but was originally established for the purpose of manufacturing and sale of metal products.

For our Group to focus on core business of switching power supply units for consumer products and smart chargers and controllers for industrial use but not engaging in businesses not in line with the strategic direction and development plan of our Group, on 2 June 2015, Goldasia transferred 10,000 shares in Huixin Metal, representing the entire issued share capital of Huixin Metal, to Ease Bright, which is a company wholly owned by Chairman Hung, by an instrument of transfer and contract notes for a consideration of HK$10,000. The consideration was determined with reference to the nominal value of shares in Huixin Metal and was settled on 2 June 2015.

Immediately upon completion of the aforesaid step of the Reorganisation, Huixin Metal became legally and wholly-owned by Ease Bright, and Huixin Metal and Tianyi Huixin Metal were excluded from our Group.

Disposal of Huixiang Precision Parts to Ease Bright

Huixiang Precision Parts is an investment holding company holding 100% of the equity interest in Tianyi Huixiang Precision Component. Tianyi Huixiang Precision Component has not commenced any business activities since its incorporation but was originally established for the purpose of manufacturing and sale of plastic cases.

For our Group to focus on core business of switching power supply units for consumer products and smart chargers and controllers for industrial use but not engaging in businesses not in line with the strategic direction and development plan of our Group, on 2 June 2015, Goldasia transferred 10,000 shares in Huixiang Precision Parts, representing the entire issued share capital of Huixiang Precision Parts, to Ease Bright, which is a company wholly owned by Chairman Hung, by an instrument of transfer and contract notes for a consideration of HK$10,000. The consideration was determined with reference to the nominal value of shares in Huixiang Precision Parts and was settled on 2 June 2015.

Immediately upon completion of the aforesaid step of the Reorganisation, Huixiang Precision Parts became legally and wholly-owned by Ease Bright, and Huixiang Precision Parts and Tianyi Huixiang Precision Component were excluded from our Group.

Disposal of Ten Sources Solar to Ease Bright

Ten Sources Solar is an investment holding company holding 100% of the equity interest in Huizhou Tiannengyuan, which holds 33.33% of the equity interest in Shandong Tianen. Shandong Tianen in turn holds 100% of the equity interest in each of Tianen Taxi, Tianen Bus, Tianen Jinshan and Tianen Ronghui. Huizhou Tiannengyuan is principally engaged in the manufacturing and sale of photovoltaic inverter. Shandong Tianen is an investment holding company. Each of Tianen Taxi and Tianen Bus is principally engaged in the operation of electrical automobiles. Each of Tianen Jinshan and Tianen Ronghui has not commenced any business activities since its incorporation but was originally established for the construction and operation of photovoltaic power station.

For our Group to focus on core business of switching power supply units for consumer products and smart chargers and controllers for industrial use but not engaging in businesses not in line with the strategic direction and development plan of our Group, on 10 June 2015, Goldasia transferred 10,000 shares in Ten Sources Solar, representing the entire issued share capital of Ten Sources Solar, to Ease Bright, which is a company wholly owned by Chairman Hung, by an instrument of transfer and contract notes for a consideration of HK$10,000. The consideration was determined with reference to the nominal value of shares in Ten Sources Solar and was settled on 10 June 2015.

Immediately upon completion of the aforesaid step of the Reorganisation, Ten Sources Solar became legally and wholly-owned by Ease Bright, and Ten Sources Solar, Huizhou Tiannengyuan, Shandong Tianen, Tianen Taxi, Tianen Bus, Tianen Jinshan and Tianen Ronghui were excluded from our Group.

Disposal of Huizhou Xiezhan to Huizhou Fuhua Properties Co., Ltd.* (惠州富華置業有限公司)

Huizhou Xiezhan has not commenced any business activities since its incorporation but was originally established for the purpose of property holding.

For our Group to focus on core business of switching power supply units for consumer products and smart chargers and controllers for industrial use but not engaging in businesses not in line with the strategic direction and development plan of our Group, pursuant to an equity transfer agreement entered into between Ten Pao Electronic (Huizhou) and Huizhou

Fuhua Properties Co., Ltd.* (惠州富華置業有限公司) on 15 June 2015, Ten Pao Electronic (Huizhou) transferred 30% of the equity interest in Huizhou Xiezhan to Huizhou Fuhua Properties Co., Ltd.* (惠州富華置業有限公司), an Independent Third Party, for a consideration of RMB6,000,000. Such consideration was determined with reference to the net asset value of Huizhou Xiezhan as at 31 December 2014 and settled on 15 June 2015. The aforesaid transfer was registered by the competent PRC government authority on 19 June 2015. As advised by the PRC Legal Advisers, the above transfer complied with the applicable PRC laws and regulations and all necessary approvals from the relevant PRC authorities have been obtained.

Immediately upon completion of the aforesaid step of the Reorganisation, Ten Pao Electronic (Huizhou) ceased holding any interest in Huizhou Xiezhan and Huizhou Xiezhan was excluded from our Group.

Disposal of Shenzhen Ten Pao Technics to Zhong Yue (鍾躍)

Shenzhen Ten Pao Technics is principally engaged in the research and development of switching power supply units for consumer products and smart chargers and controllers for industrial use.

For our Group to simplify the structure and centralise our research of development in Huizhou, Guangdong province, pursuant to an equity transfer agreement entered into between Ten Pao Electronic (Huizhou) and Zhong Yue (鍾躍) on 1 June 2015, Ten Pao Electronic (Huizhou) transferred 100% of the equity interest in Shenzhen Ten Pao Technics to Zhong Yue (鍾躍), an Independent Third Party, for a consideration of RMB3,000,000. Such consideration was determined with reference to the net asset value of Shenzhen Ten Pao Technics 31 December 2014 and settled on 1 June 2015. The aforesaid transfer was registered by the competent PRC government authority on 19 June 2015. As advised by the PRC Legal Advisers, the above transfer complied with the applicable PRC laws and regulations and all necessary approvals from the relevant PRC authorities have been obtained.

Immediately upon completion of the aforesaid step of the Reorganisation, Shenzhen Ten Pao Technics was held as to 100% by Zhong Yue (鍾躍), an Independent Third Party, and Shenzhen Ten Pao Technics was excluded from our Group.

Transfer of 800,000 shares and 200,000 shares representing 20% and 5% in the issued share capital of Ten Pao International held by Chairman Hung and Mrs. Hung, respectively, to Goldasia

On 17 June 2015, Chairman Hung transferred 800,000 shares in Ten Pao International, representing 20% of the entire issued share capital of Ten Pao International, to Goldasia by an instrument of transfer and contract notes for a consideration of approximately HK$15,710,934.6. The consideration was determined with reference to the net asset value of Ten Pao International as at 31 March 2015 and was settled on 17 June 2015.

On 17 June 2015, Mrs. Hung transferred 200,000 shares in Ten Pao International, representing 5% of the entire issued share capital of Ten Pao International, to Goldasia by an instrument of transfer and contract notes for a consideration of approximately HK$3,927,733.7. The consideration was determined with reference to the net asset value of Ten Pao International as at 31 March 2015 and was settled on 17 June 2015.

Immediately upon completion of the aforesaid step of the Reorganisation, Ten Pao International became a wholly-owned subsidiary of Goldasia.

Transfer of 2,900 shares and 100 shares representing 96.67% and 3.33% in the issued share capital of Ten Pao Industrial held by Chairman Hung and Mrs. Hung, respectively, to Goldasia

On 19 June 2015, Chairman Hung transferred 2,900 shares in Ten Pao Industrial, representing 96.67% of the entire issued share capital of Ten Pao Industrial, to Goldasia by an instrument of transfer and contract notes for a consideration of approximately HK$29,174,240.4. The consideration was determined with reference to the net asset value of Ten Pao Industrial as at 31 March 2015 and was settled on 19 June 2015.

On 19 June 2015, Mrs. Hung transferred 100 shares in Ten Pao Industrial, representing 3.33% of the entire issued share capital of Ten Pao Industrial, to Goldasia by an instrument of transfer and contract notes for a consideration of approximately HK$1,006,008.3. The consideration was determined with reference to the net asset value of Ten Pao Industrial as at 31 March 2015 and was settled on 19 June 2015.

Immediately upon completion of the aforesaid step of the Reorganisation, Ten Pao Industrial became a wholly-owned subsidiary of Goldasia.

Establishment of the Family Trust

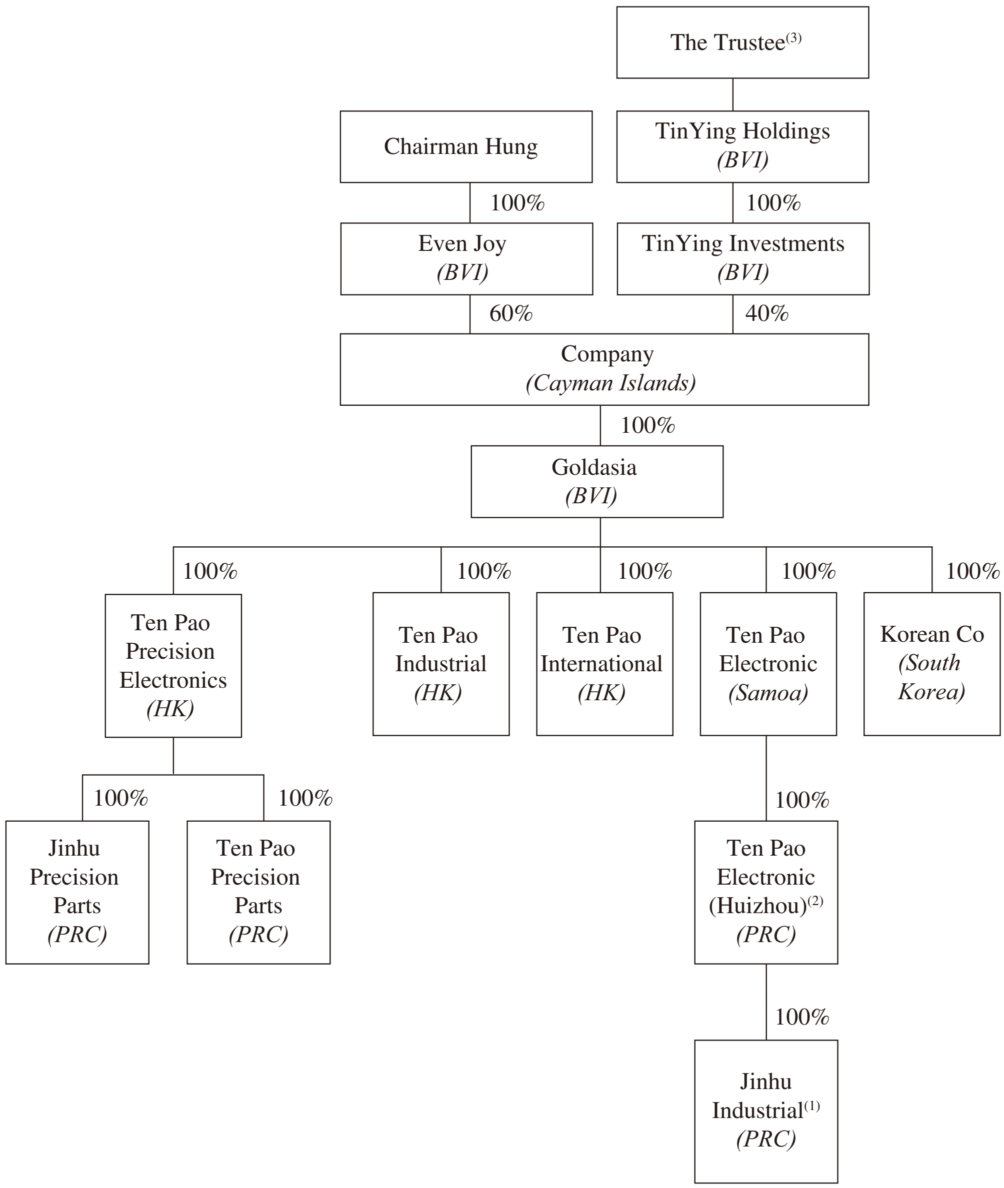
TinYing Investments was incorporated under the laws of BVI with limited liability on 11 June 2015 and was authorised to issue a maximum of 50,000 shares of US$1.00 each, of which 10 shares of US$1.00 each were being allotted and issued to Chairman Hung as fully paid on the same day. On 22 July 2015, Chairman Hung transferred 10 shares of US$1.00 each in TinYing Investments, representing the entire issued share capital of TinYing Investments, to TinYing Holdings in consideration of TinYing Holdings allotting and issuing 10 shares of US$1.00 each in TinYing Holdings to TinYing Investments. On 23 October, 100 Shares were transferred by Even Joy at par value to TinYing Investments as fully paid.

On 29 October 2015, Chairman Hung, as the settlor, established a family trust with the Trustee. On 29 October 2015, Chairman Hung transferred his entire interest in TinYing Holdings to the Trustee for nil consideration for the settlement of the Family Trust. The Trustee holds the entire interest in TinYing Holdings on trust for the benefit of Chairman Hung, certain of his family members and other persons who may be added or amended from time to time.

Transfer of the entire issued share capital of Goldasia to our Company

On 23 November 2015, Chairman Hung and our Company entered into a sale and purchase agreement, pursuant to which Chairman Hung transferred one share in Goldasia, representing the entire issued share capital of Goldasia, to our Company in consideration of our Company allotting and issuing 500 Shares to TinYing Investments at the instructions of Chairman Hung. Immediately upon completion of the aforesaid step, Goldasia became a wholly-owned subsidiary of our Company.

The following chart sets out the corporate and shareholding structure immediately before completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme):



Notes:

1. Jinhu Industrial has a branch office, namely, Jinhu Industrial Zhongkai Branch.

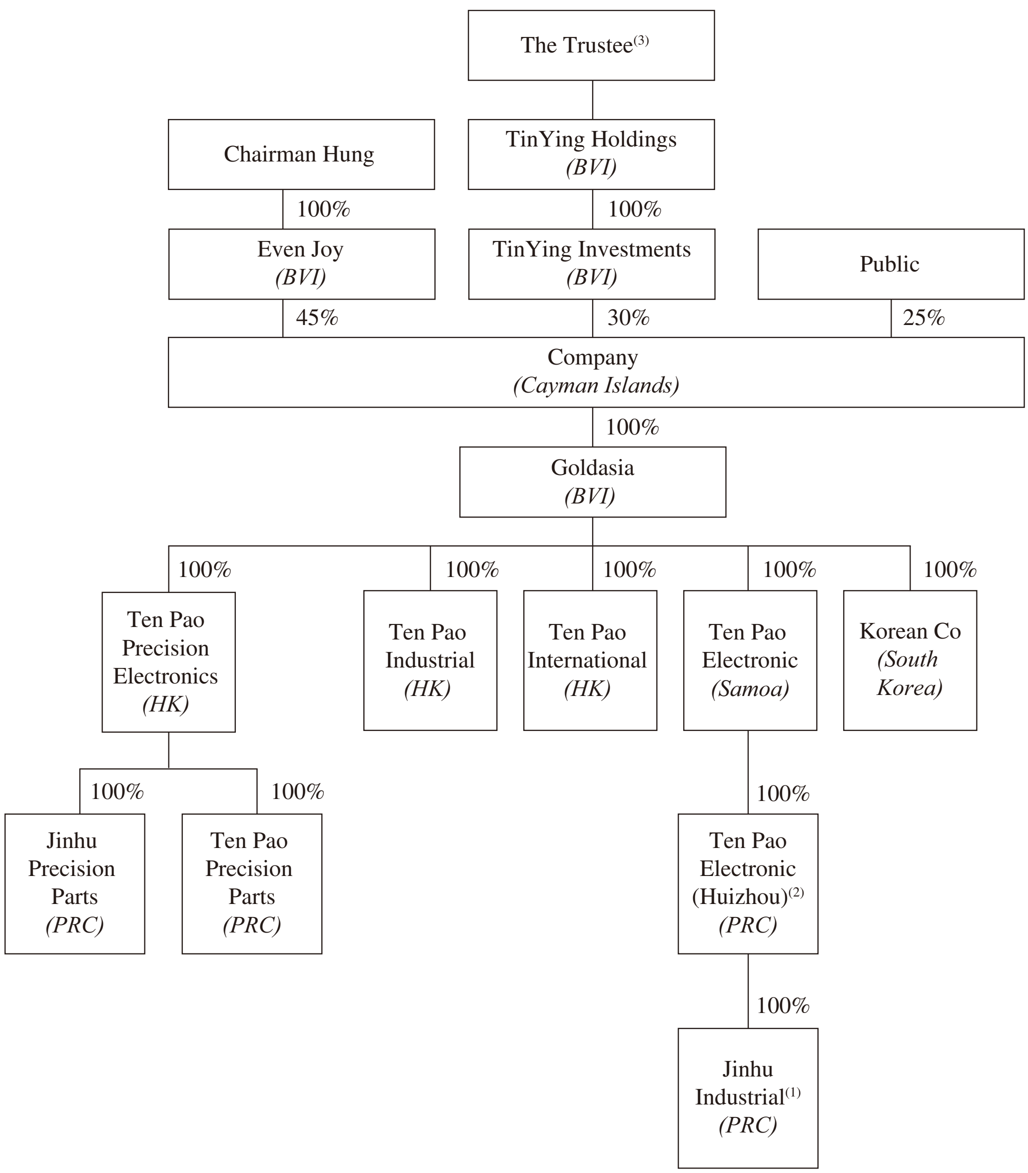
2. Ten Pao Electronic (Huizhou) has a branch office, namely, Ten Pao Electronic (Huizhou) Shuikou Branch.

3. The Family Trust is set up by Chairman Hung as settlor, with Vistra Trust (BVI) Limited acting as the Trustee, and the beneficiaries of which are Chairman Hung, certain of his family members and other persons who may be added or amended from time to time.

GLOBAL OFFERING AND CAPITALISATION ISSUE

Conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and apply such sum in paying up in full at nominal value 449,999,100 Shares and 299,999,400 Shares, representing a total of 749,998,500 Shares, for allotment and issue to the existing shareholders of our Company, namely Even Joy and TinYing Investments, respectively. Immediately after the Global Offering and Capitalisation Issue (without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), Even Joy, TinYing Investments and the public holders of Shares will hold 45%, 30% and 25%, respectively, of the enlarged issued share capital of our Company.

The following chart sets forth our shareholding structure immediately following completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme):



Notes:

1. Jinhu Industrial has a branch office, namely, Jinhu Industrial Zhongkai Branch.

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3. The Family Trust is set up by Chairman Hung as settlor, with Vistra Trust (BVI) Limited acting as the Trustee, and the beneficiaries of which are Chairman Hung, certain of his family members and other persons who may be added or amended from time to time.

PRC LEGAL COMPLIANCE

As Chairman Hung, being the controller of our PRC subsidiaries, is not a PRC domestic resident and does not habitually reside in the PRC due to reasons of economic interests, our PRC Legal Advisers advised that he is not required to carry out foreign exchange registrations pursuant to the Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知).

In addition, as advised by our PRC Legal Advisers, as (i) Chairman Hung is a Hong Kong resident and not a domestic natural person under the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) ("**M&A Rules**"), which was promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) and became effective on 22 June 2009; and (ii) all of the foreign-invested enterprises of our Group in the PRC were established by way of foreign direct investment instead of foreign merger and acquisition, the Reorganisation undergone by our Group in preparation for the Listing was not subject to the M&A Rules.

As confirmed by our Directors, the purpose of transfers of shareholding interests in Ten One, Ten Sources Solar, Ten Power Charging, Huixin Metal and Huixiang Precision Parts, which resulted in indirect offshore transfers of taxable properties in the PRC, was to streamline the main business of our Group. When such indirect transfers occurred, our PRC subsidiaries, namely Tiannengyuan Charging, Tianyi Huixin Metal, Tianyi Huixiang Precision Component, Tianyi Environmental and Huizhou Ten One, had neither carried out business nor generated income, and Huizhou Tiannengyuan was operating at a loss. In addition, the PRC companies directly or indirectly owned by Huizhou Tiannengyuan, namely Shandong Tianen, Tianen Taxi, Tianen Bus, Tianen Jinshan and Tianen Ronghui, had either not generated income or accumulated losses.

Our PRC Legal Advisers and our tax consultant advised that, as all of the above PRC enterprises were not in operation or were operating at a loss when the indirect transfers occurred, there was no resulting capital gain from such indirect transfers and hence no PRC income tax liability was incurred, irrespective of whether the indirect transfers of PRC taxable properties would be regarded as for bona fide commercial purposes. However, given that Circular 7 was only promulgated and became effective in February 2015 and there are no promulgation of further implementing rules, there remains uncertainty as to the interpretation and implementation of Circular 7. As such, our PRC Legal Advisers and our tax consultant advised that the likelihood of our Group being imposed an income tax under Circular 7 in respect of the above indirect transfers of PRC companies is relatively low.

BUSINESS OVERVIEW

We are one of the major players in the manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use in the PRC, with production bases located in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC. According to the Ipsos Report, we ranked 9th among switching power supply unit manufacturers and 7th among manufacturers whose principal business is the manufacturing of switching power supply units (i.e. manufacturers with more than 50% of revenue derived from the manufacturing of switching power supply units) in terms of sales revenue in the PRC in 2014. The switching power supply unit manufacturing industry in the PRC is highly competitive and fragmented. We manufacture a wide range of switching power supply units for consumer products and smart chargers and controllers for industrial use for some of the world-renowned manufacturers, including Flextronics Group, Bosch Group, Stanley Black & Decker, Inc., TCL Group, and Oppo Group. We also manufacture customised products for our customers according to their specifications and requirements.

Our switching power supply units are applied to consumer products in various industry sectors, including (i) telecommunications equipment; (ii) media and entertainment equipment such as AV products and computers; (iii) electronic cigarettes; (iv) home electrical appliances; and (v) other products such as LED lighting and health care products. In addition, we manufacture smart chargers and controllers that are mainly applied to power tools for industrial use. Most of our products are incorporated into and/or applied to our customers' end products under their own brands, with a small portion of our products, such as telephone adapters and USB chargers, being manufactured and sold under our own "Ten Pao" brand. Our Group's commitment and capabilities in research and development have allowed us to achieve technological enhancement and respond and adapt to changes in the ever-changing market environment, thus enabling us to continuously expand our product portfolio and explore new business opportunities. Please refer to the paragraph "Research and Development" in this section for further details relating to our Group's investment in research and development.

Our Group has over 30 years of experience in the power supply industry. Our history can be traced back to 1979 when Chairman Hung established his business under the trading name "Ten Pao Company (天寶公司)" in Hong Kong and began to manufacture simple power supply units such as transformers. In 1988, we established our production plant in Huizhou, Guangdong province, the PRC and began to manufacture power supplies such as transformers and adapters in the late 1990s. Owing to our ability to cope with changes in market demands and our continuous effort to satisfy our customers' needs in support of their business development, our operations and product portfolio continued to grow and expand. In 2008, our Group's testing laboratory satisfied the CNAS accreditation criteria for the competence of testing and calibration laboratories, which are identical to ISO/IEC 17025:2005, and was awarded the CNAS laboratory accreditation certificate, which has enabled our Group to conduct safety and energy-efficiency testing on our products in our accredited scopes. The test reports issued by our CNAS-accredited laboratory are recognised by more than 80 accreditation bodies from approximately 70 countries, including the PRC, the United States and most countries in the European Union. The relevant certification bodies will, based on the results contained in the test reports, grant certifications on our products so that our products can be sold in or exported to certain countries which require the relevant certifications for the sale or import of the products. Our testing laboratory is well-recognised by our customers and awards have been granted by them on the quality of our products. Our Directors believe that our ability to conduct safety and energy-efficiency testing by ourselves not only decreases our production cost and shortens the time to market of our products, both of which allow us to handle our customers' purchase orders in a more efficient and cost-effective manner, but also enhances our competitiveness in the switching power supply unit manufacturing industry. In response to the evolving market environment and with a view to expand our product portfolio, we began mass production of smart chargers and controllers that are applied to power tools for industrial use in 2007. Our Directors believe that this expansion strategy has broadened our customer base and sources of revenue. Please refer to the section "History, Development and Reorganisation" for further details relating to our Group's history and development.

While we are headquartered in Hong Kong, our production activities are carried out at our production bases in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC. As at the Latest Practicable Date, we operated more than 110 production lines at these production bases. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the designed production capacity of switching power supply units for consumer products and smart chargers and controllers for industrial use of our production base in Huizhou was approximately 152.9 million, 158.2 million, 173.3 million and 87.1 million units, with an average utilisation rate of approximately 71.4%, 79.3%, 87.6% and 70.3%, respectively, based on the assumptions as further elaborated in the paragraph "Production Facilities" in this section. In order to cope with the increasing demand of our products, we plan to increase our production capacity by (i) expanding the scale of production of our existing production bases; and (ii) increasing the level of automation in our production process. Please refer to the paragraph "Business Strategies" in this section for further details.

We manufacture a broad range of switching power supply units for consumer products and smart chargers and controllers for industrial use. Our products come in various dimensions and designs and have different input/output voltage ranges, output current ranges, maximum power and input terminals so that our customers can choose the most suitable products and apply them to their end products. With a diversified product portfolio, we have a broad clientele, with no single customer contributing more than 17.5% of our total revenue during the Track Record Period. The table below sets out our revenue by product segment and the approximate percentage contribution of each product segment to our total revenue during the Track Record Period:

	For the year ended 31 December						For the six months ended	
Product	**2012**		**2013**		**2014**		**30 June 2015**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Switching power supply units for consumer products	1,248,695	87.8	1,466,629	86.8	1,583,582	82.0	728,348	77.2
Smart chargers and controllers for industrial use	173,665	12.2	223,935	13.2	346,932	18.0	215,365	22.8
Total	1,422,360	100.0	1,690,564	100.0	1,930,514	100.0	943,713	100.0

During the Track Record Period, our products were sold within the PRC and were exported to over 10 countries and regions including the European Union, the United States and South Korea. We endeavour to further expand our customer base by exploring new sales platforms and approaching new customers in the PRC and worldwide.

We have a vertically integrated production model which extends from research and development, product design, procurement of raw materials, production, quality control, sales and delivery to provision of after-sales services. We have adopted a stringent quality control system covering our entire production process, from selection of suppliers, procurement of raw materials, production, quality and reliability assurance to maintenance of production equipment and machineries. In recognition of our quality management system, we have obtained certification to ISO 9001:2008. In addition, in 2008, our Group's testing laboratory satisfied the CNAS accreditation criteria for the competence of testing and calibration laboratories, which are identical to ISO/IEC 17025:2005, and was awarded the CNAS laboratory accreditation certificate, which has enabled our Group to conduct safety and energy-efficiency testing on our products in our accredited scopes.

COMPETITIVE STRENGTHS

Our Directors believe that we possess the following competitive strengths:

We are able to respond and adapt to technological advancements and changes in market environment

Switching power supply unit manufacturing industry is characterised by rapid technological advancements and susceptible to changes in market trends and demands. In order to keep ourselves abreast of the evolving technological advancements in both hardware and software and obtain up-to-date market information, our Group has invested in research and development, which has enabled us to respond and adapt to changes in the switching power supply unit manufacturing industry in a timely manner. This can be indicated by our Group offering a wide range of switching power supply units for consumer products and smart chargers and controllers for industrial use with different specifications and our ability to manufacture customised products according to the product specifications and requirements provided by our customers. Our Directors believe that our research and development effort and capabilities will enhance our competitiveness in the market and are beneficial to our continuous business growth and development.

Our Group has consistently allocated resources to technological innovation through research and development. We have our own research and development centre in Huizhou, Guangdong province, the PRC. As at 30 June 2015, our research and development department comprised more than 270 staff members focusing on developing new products and production technologies as well as improving existing products and production technologies.

In addition, our Group collaborates with different universities and institutions to conduct research and development projects. For further details of our research and development projects, please refer to the paragraph "Research and Development" in this section. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our research and development expenditure amounted to approximately HK$57.6 million, HK$57.6 million, HK$63.4 million and HK$30.2 million, respectively, representing approximately 4.0%, 3.4%, 3.3% and 3.2% of our total revenue, respectively.

Our research and development efforts have allowed us to accumulate significant expertise and knowledge in the switching power supply unit manufacturing industry, thus enabling us to anticipate changes in the ever-changing market environment, continuously expand our product portfolio, and explore and seize new business opportunities. We are able to improve our existing products and develop new products to cater for our customers' different preferences and requirements on product specifications, so that they can apply the most suitable switching power supply units for consumer products and smart chargers and controllers for industrial use to their end products. For instance, our chargers and adapters come in various dimensions, designs, input/output voltage ranges, output current ranges, maximum power and input terminals, so that they can be applied to different consumer products that are used in different jurisdictions; whereas our transformers installed in the integrated circuit have different sizes and levels of electric resistance so that they can be applied to various types of consumer products and power tools. In addition, in order to capture growth in emerging markets, we began to manufacture chargers that are installed in electronic cigarettes during the Track Record Period, which has further expanded our product portfolio and broadened sources of revenue.

Our Directors believe that our strong research and development capabilities, coupled with our experience and expertise in the switching power supply unit manufacturing industry, have allowed us to retain existing customers, attract new customers and remain competitive in the market, thus supporting our continuous business growth and development.

We have established stable relationships with customers which are reputable brands

Our major customers include internationally reputable brands, such as Flextronics Group, Bosch Group, Stanley Black & Decker, Inc., TCL Group, and Oppo Group, which we have successfully maintained good business relationships. Our Directors believe that our Group's ability to understand and respond to our customers' needs, accommodate their requests and deliver a broad range of quality products within a relatively short period of time has been of value to our customers. Some of our major customers may conduct audit on our production facilities, production process, quality assurance procedures and occupational safety to ensure that our products and production process are up to their standard. In addition, as our major customers are reputable and established corporations, our Directors believe that they are less susceptible to changes in the economy or market conditions, thus reducing our operational risks due to market volatility.

Our Directors believe that our established and long-standing relationships with our major customers are attributable to our consistent track record of quality products, production efficiency, industry experience and expertise and dedicated management teams.

We have a diversified product portfolio

We are able to offer a broad range of products to our customers to cater for their different requirements and preferences on product specifications. We also manufacture customised products for our customers according to their specifications and requirements. Our products are mainly categorised into two categories, namely: (i) switching power supply units for consumer products; and (ii) smart chargers and controllers for industrial use.

For further details regarding the composition of our product portfolio, please refer to the paragraph "Our Products" in this section. As at 30 June 2015, we offered more than 1,400 types of switching power supply units which can be applied to a wide range of consumer products, including (i) telecommunications equipment; (ii) media and entertainment equipment such as AV products and computers; (iii) electronic cigarettes; (iv) home electrical appliances; and (v) other products such as LED lighting and health care products. We also had more than 300 types of smart chargers and controllers that can be applied to different power tools for industrial use. Our Directors believe that our diversified product portfolio, coupled with the good quality of our products, is one of the key factors for our success.

Our diversified product portfolio has enabled us to serve as a one-stop manufacturer for various types of switching power supply units for consumer products and smart chargers and controllers for industrial use, which we believe has helped us to attract new customers, in particular the internationally famous brands which are engaging in multiple industry sectors, better meet the continuous evolving needs of our existing customers and reduce our customers' need to source switching power supply units from different manufacturers. We believe that our diversified product portfolio has allowed us to utilise our production capacity and given us the flexibility to cope with market changes, thereby broadening our customer base and sources of revenue.

We have adopted a stringent quality control system over our products

Our Directors believe that the quality and reliability of our products are vital in maintaining customer loyalty and upholding the reputation of our Group. To this end, we have adopted a stringent quality control system covering our entire production process, from selection of suppliers, procurement of raw materials, production, quality and reliability assurance to maintenance of production equipment and machineries. In order to enhance our efficiency and reliability on quality control, our Group has installed several sets of equipment for product testing. For further details of our quality control procedures, please refer to the paragraph "Quality Control" in this section. In addition, we have obtained certifications to ISO 9001:2008 and ISO 14001:2004 in recognition of our quality and environmental management systems.

To further strengthen our quality control capability and shorten the time to market of our products, we established our own testing laboratory in our production base in Huizhou in 2004. Our testing laboratory is equipped with advanced testing equipment and machineries and is able to conduct performance, reliability and safety tests on our products. In 2008, our Group's testing laboratory satisfied the CNAS accreditation criteria for the competence of testing and calibration laboratories, which are identical to ISO/IEC 17025:2005, and was awarded the CNAS laboratory accreditation certificate, which has enabled our Group to conduct safety and energy-efficiency testing on our products in our accredited scopes. The test reports issued by our CNAS-accredited laboratory are recognised by more than 80 accreditation bodies from approximately 70 countries, including the PRC, the United States and most countries in the European Union, and the relevant certification bodies will, based on the results contained in the test reports, grant certifications on our products. Our Directors believe that our ability to conduct safety and energy-efficiency testing by ourselves has strengthened our customers' confidence on the quality of our products and shortened their product development cycle, thereby enabling them to seize business opportunity and enhance their competitiveness. Our Directors believe that we are one of the few power supply manufacturers in Guangdong province having established a CNAS-accredited testing laboratory.

Owing to our stringent quality control system, we are able to consistently deliver to our customers quality products that meet their expectations. The quality of our products has been well-recognised by the market and our customers. Our Group was awarded Guangdong Province Top Brand Products* (廣東省名牌產品) by the Research Institute of Guangdong Outstanding Quality Brand* (廣東卓越質量品牌研究院) in both 2013 and 2014. In addition, our Group was awarded Best Supplier Award and Outstanding Quality Award by one of our major customers in 2011 and 2012, respectively. For further details of the major awards and accreditations received by our Group, please refer to the paragraph "Awards and Accreditations" in this section.

We have established a vertically integrated production model

We believe our success is also built on our vertically integrated production model which extends from research and development, product design, procurement of raw materials, production, quality control, sales and delivery to provision of after-sales services. We also produce key parts and components used in our switching power supply units for consumer products and smart chargers and controllers for industrial use such as transformers. We believe such a model has provided us with operational flexibility and enabled us to control and manage our product quality, production cost and delivery time.

Our Group maintains a close dialogue among our sales and marketing department, research and development department, production department and quality control department, which our Directors believe has allowed us to promptly and effectively resolve customers' queries and respond to changes in consumers' demand and preferences. Our Directors also believe that the close inter-departmental cooperation among our operational teams has allowed our Group to serve our customers promptly and directly and arouse their attention in our new products. The frequent communication between our Group and our customers has also enabled us to explore new business opportunities. Benefiting from our vertically integrated production model, we are able to adapt to changes in market demand and provide our customers with safe and reliable products.

We have an experienced and stable management team

We have an experienced and dedicated management team with extensive experience and in-depth knowledge in the switching power supply unit manufacturing industry. Members of our senior management who are responsible for the manufacturing activities have, on average, over 10 years of experience in the power supply industry, which has enabled us to understand and attend to the needs of our customers and deliver quality switching power supply unit products. In particular, Chairman Hung has over 30 years of experience in the power supply industry. Furthermore, the majority of members of our senior management team has been with us for more than five years. The combination of in-depth knowledge and experience in the power supply industry has enabled our Executive Directors and members of our senior management to develop sustainable business strategies, assess and manage risks and capture profitable market opportunities. We believe that the vision, stability and experience of our management team, together with their strong focus on customer needs, have contributed to the success of our business.

BUSINESS STRATEGIES

We aim to strengthen our position as one of the major switching power supply unit manufacturers in the PRC by enhancing our overall competitiveness and business growth in the switching power supply unit manufacturing industry and increasing our market share in the PRC. We intend to achieve our goals by implementing the following strategies:

Expanding our production capacity

According to the Ipsos Report, the total sales value of switching power supply units in the PRC increased from approximately RMB93.9 billion in 2010 to approximately RMB139.5 billion in 2014 at a CAGR of approximately 10.4%. It is estimated by Ipsos that the total sales value of switching power supply units in the PRC will further increase from approximately RMB151.2 billion in 2015 to approximately RMB187.3 billion in 2018 at a CAGR of approximately 7.4%. The expected increase in the demand for switching power supply units in the future provides incentive for switching power supply unit manufacturers to expand their production capacity. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the designed production capacity of switching power supply units for consumer products and smart chargers and controllers for industrial use of our production base in Huizhou, Guangdong province was approximately 152.9 million, 158.2 million, 173.3 million and 87.1 million units, respectively, with an average utilisation rate of approximately 71.4%, 79.3%, 87.6% and 70.3%, respectively.

In view of the growing demand of switching power supply units in the PRC in the forthcoming years, we plan to expand our production capacity by:

— ***expanding the scale of production of our existing production bases***

As at the Latest Practicable Date, we had two production bases located in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC, respectively. Our production base in Hanzhong was newly established in January 2015 and came into operation in or around February 2015. Our Group has strategically chosen to increase our production capacity by establishing a new production base in Hanzhong mainly because of the lower labour cost and the abundant labour supply in Shaanxi province. As at the Latest Practicable Date, our production base in Hanzhong operated a total of 11 production lines and was principally engaged in the production of high-frequency transformers, one of the key components used in the production of switching power supply units for consumer products and smart chargers and controllers for industrial use. Our production base in Hanzhong is expected to achieve an annual designed production capacity of approximately 37.8 million units of high-frequency transformers. Our total capital expenditure towards the development of our production base in Hanzhong is approximately HK$20.0 million, of which approximately HK$11.9 million had been paid with our internal funds as at 30 September 2015 and the remaining HK$8.1 million will also be paid with our internal funds. Subject to the operation results of our production base in Hanzhong and depending on the prevailing market conditions and our financial resources, we may further expand the scale and production capacity of our production base in Hanzhong in the future.

In order to better utilise our production base in Huizhou, which is of a larger scale and has a longer track record of producing more sophisticated products, subsequent to the establishment of our production base in Hanzhong, we re-located some of the production lines used for the manufacturing of high-frequency transformers, the production process of which is relatively more labour intensive and requires a relatively lower level of technological skills, from our production base in Huizhou to our production base in Hanzhong. Such re-location was substantially completed in early July 2015. The cost of re-location was negligible, as the production lines used for the production of high-frequency transformers are labour-intensive and involve few machineries and equipment. The production lines originally used for the production of high-frequency transformers in our production base in Huizhou will be re-arranged and re-designed to cater for the production of more sophisticated switching power supply units for consumer products and smart chargers and controllers for industrial use. Upon completion of all necessary renovation works and production set-up in our production base in Huizhou, which is expected to be in or around December 2015, the annual designed production capacity of our production base in Huizhou is expected to increase by approximately 14.4 million units of switching power supply units for consumer products and smart chargers and controllers for industrial use. After the re-location of certain production lines for the manufacturing of high-frequency transformers from our production base in Huizhou to our production base in Hanzhong, we have re-arranged the overall setting of our production base in Huizhou. The amount of capital expenditure for the re-arrangement (including renovation works and production set-up) will be approximately HK$34.3 million, of which approximately HK$21.3 million had been paid with our internal funds as at 30 June 2015 and approximately HK$13.0 million will be covered by the proceeds obtained from Listing; whereas the capital expenditure for the purchase of new machineries and equipment will be approximately HK$98.8 million, of which approximately HK$53.3 million had been paid with our internal funds as at 30 June 2015 and approximately HK$45.5 million will be covered by the proceeds obtained from Listing. Our Directors believe that the re-arrangement of manufacturing activities will enable us to utilise our resources more efficiently and bring more economies of scale to our operations.

In order to further increase our production capacity, in 2014, we established a new production plant by leasing one floor in a factory building in Huizhou. The production plant came into operation in or around September 2014 and, as at the Latest Practicable Date, was mainly used for the production of components of switching power supply units for consumer products and smart chargers and controllers for industrial use. To cope with the increasing demand for our products, we plan to expand the scale of production of the production plant by leasing three additional floors in the same factory building and production is expected to commence in the first half of 2016.

— ***increasing the level of automation in our production process and installing new automated equipment and machineries***

We also intend to increase the level of automation in our production lines by upgrading and enhancing our existing equipment and machineries and installing more automated production lines in our production plants, which our Directors believe will lower our production cost and increase our profit margins. For instance, our machineries and equipment can be used and applied in different production lines and the components of our new production lines can be easily assembled to fit in different production requirements of different categories of switching power supply units for consumer products and smart chargers and controllers for industrial use. Our Directors believe that a high level of automation in the production process will further increase our capabilities to produce highly standardised quality products, lower our labour cost and reduce our reliance on labour force.

Strengthening our sales and marketing efforts and expanding our customer base in the PRC and internationally

Our Directors believe that maintaining a close relationship with our customers and understanding their needs are crucial to our Group's continuous development. Hence, our sales and marketing department often communicates with our major customers to better understand their needs and requirements relating to product design, capability and functionality. We also attend both local and overseas industry exhibitions and trade fairs, such as Hong Kong Electronics Fair (Autumn Edition) (香港秋季電子產品展) and Guangzhou International Lighting Exhibition (廣州國際照明展覽會). We aim to keep our Group abreast of the latest market intelligence and gain insights on the latest market trend and development, which will allow us to better respond to our customers' requests, retain our existing customers and explore new market opportunities. Our participation in industry exhibitions and trade fairs also presents us with the opportunity to promote awareness of our brand name and showcase our product portfolio to potential customers.

In addition to domestic sales, we will continue to explore new business opportunities in the international market. We intend to expand the geographical coverage of our products and adopt a more proactive approach in overseas business by setting up more sales offices in countries such as the United States, India and Brazil, which show a fast growing demand for switching power supply units for consumer products and smart chargers and controllers for industrial use. These sales offices will enable us to enter into new markets and, by pursuing more proactive sales and marketing campaigns to overseas customers, strengthen our international sales network, enhance our overseas presence and enable us to develop a close business relationship with our overseas customers. In order to further broaden our sources of revenue, we also intend to employ more sales representatives to explore new market segments, such as health care products, in different geographical regions.

Strengthening our research and development capabilities

Switching power supply unit manufacturing industry is characterised by rapid technological advancements and susceptible to changes in market trends and demands. In order to keep ourselves up-to-date with the evolving technological advancements, respond to and anticipate changes in customers' preferences and market demands and maintain our competitiveness in the switching power supply unit manufacturing industry, we intend to strengthen our research and development capabilities by purchasing new testing and research equipment. In addition, we intend to recruit more research and development professionals and talents to participate in the research and development of (i) wireless chargers, ultra-fast chargers and other switching power supply units that are multi-functional, more environmentally friendly, with higher efficiency and of better performance; and (ii) LED products and technologies in an attempt to expand our business in the LED lighting sector.

Pursuing strategic expansion opportunities overseas

We plan to expand our business by pursuing strategic expansion opportunities overseas. In order to increase our production capacity and expand the geographic coverage of our products and our customers, we may consider to enhance our market presence in the international market by pursuing expansion opportunities in countries outside the PRC. Our Directors confirm that, as at the Latest Practicable Date, we had no specific or concrete overseas expansion plan.

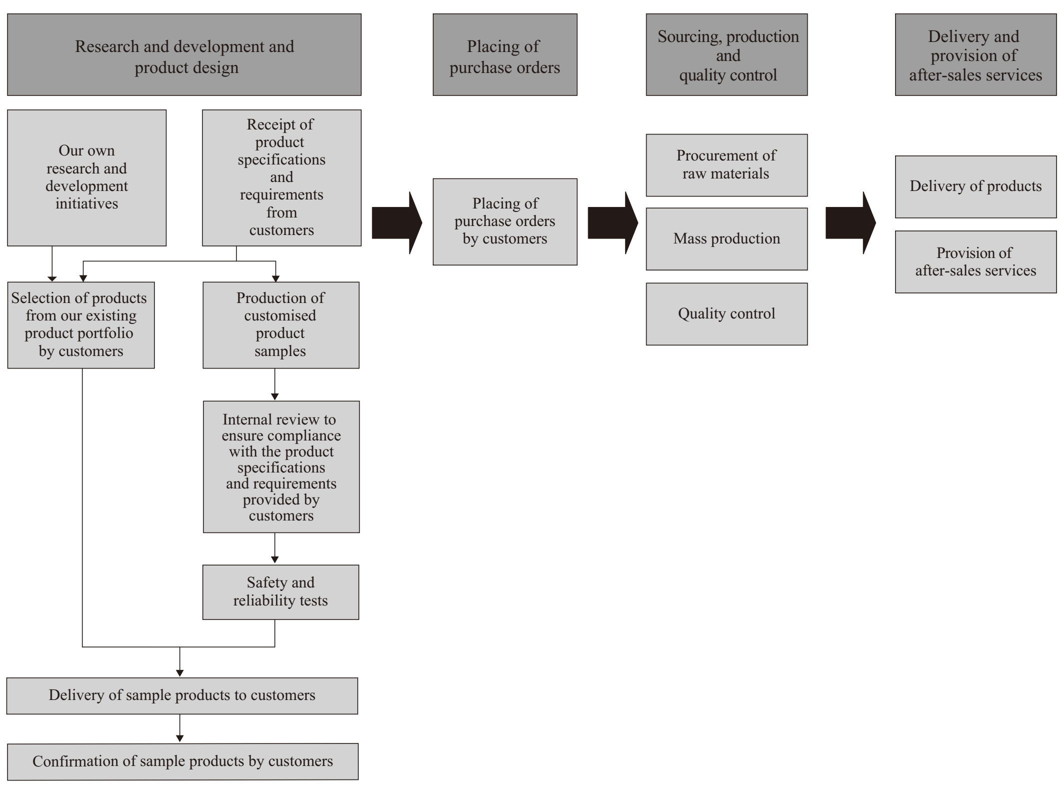
Use of proceeds from the Global Offering for our strategies

Please refer to the section "Future Plans and Use of Proceeds" for details of proceeds from the Global Offering that are expected to be used for certain future plans set out above. We will use our internal resources and banking facilities to implement the other strategies.

OUR BUSINESS MODEL

Our business principally focuses on the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use according to the specifications and requirements provided by our customers. We have also expanded our customer base by manufacturing and selling switching power supply units for consumer products, such as telephone adapters and USB chargers, under our own "Ten Pao" brand.

The following diagram illustrates the business model of our operations:



Research and development and product design

Our customers will approach our sales department with specifications and requirements of the switching power supply units for consumer products and smart chargers and controllers for industrial use that they intend to purchase. Our customers may select their desired products from our existing product portfolio, upon which we will send them some sample products for confirmation and approval. We may also satisfy our customers' requests by making adjustments, modifications or alterations to our existing products. If none of our existing products is able to satisfy our customers' requests or meet the product specifications or requirements provided by them, we will manufacture customised products for our customers. Our research and development department will, according to the product specifications and requirements provided by our customers, create new prototypes and our production department will produce sample products. We will internally review the sample products to make sure that they comply with our customers' requirements and conduct reliability and safety tests on them. Upon confirming that the sample products comply with the product specifications and requirements provided by our customers and are safe and reliable, we will send them to our customers for confirmation and approval. Our research and development department will make adjustments and alterations to the prototypes according to our customers' feedback.

In addition, in order to respond to and anticipate changes in the industry and the market environment, our marketing department will conduct market research to assess and analyse the industry and market environment from time to time. Our research and development department will, based on the findings in the market research report prepared by our marketing department, formulate a research and development plan to improve our existing products or develop new products. Our research and development department will create prototypes for the improved or new products and produce some sample products. We will then conduct reliability and safety tests on the sample products. Upon confirming that they are safe and reliable, the sample products will be added to our existing product portfolio and be available for our customers' selection. Our sales and marketing department will prepare marketing materials and promote our improved or new products to our customers.

Placing of purchase orders

Upon confirming and approving the sample products, our customers will place purchase orders with us. Our sales department will review and confirm the purchase orders.

Sourcing, production and quality control

Upon receipt of formal purchase orders from our customers, we will formulate production plans and schedules through ERP system. Our procurement department will procure the necessary raw materials from our suppliers and our production department will proceed with mass production based on the approved sample products and in accordance with the production plans and schedules. If we have sufficient inventory, we may fulfil our purchase orders with the existing finished goods in our warehouse. To ensure that our finished products comply with all applicable environmental standards and are safe and reliable, our quality control department will conduct outgoing quality control tests on our finished products on a sampling basis.

Delivery and provision of after-sales services

Once our finished products pass the outgoing quality control tests, we will arrange for delivery of products to our customers. We will provide after-sales services, such as product return and technical support, to our customers.

OUR PRODUCTS

We derive our revenue mainly from selling (i) switching power supply units for consumer products; and (ii) smart chargers and controllers for industrial use. Our switching power supply units are applied to consumer products in various industry sectors, including (i) telecommunications equipment; (ii) media and entertainment equipment such as AV products and computers; (iii) electronic cigarettes; (iv) home electrical appliances; and (v) other products such as LED lighting and health care products; whereas our smart chargers and controllers are applied to power tools for industrial use.

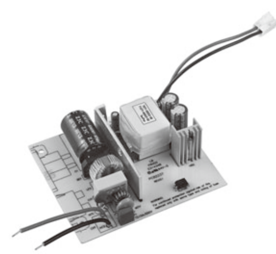
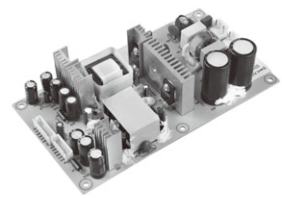
Switching power supply units for consumer products

Our switching power supply units for consumer products include chargers, adapters, open frame power supplies, and LED driver units and power supplies and they are applied to a wide variety of consumer products such as smartphones, cordless phones, computers, audio systems and electronic cigarettes. Our switching power supply units for consumer products come in various dimensions and designs and have different input/output voltage ranges, output current ranges, maximum power and input terminals, so that they can cater for the specific needs, requirements and preferences of our customers and be applied to a wide variety of consumer products that are used in different jurisdictions.

Information about the key switching power supply units for consumer products manufactured by our Group and the key end products together with their areas of application is set out below:

Products		Key end products and areas of application
USB chargers	   	– Telecommunications equipment such as smartphones – Media and entertainment equipment such as tablet computers, MP4 players and Global Positioning System (GPS)

Products		**Key end products and areas of application**
		– Electronic cigarettes
Wireless chargers		– Telecommunications equipment such as smartphones
Adapters		– Telecommunications equipment such as cordless phones and mobile phones
		– IT products such as laptops, printers and external hard drives – AV products such as audio systems
		– Home electrical appliances such as cordless vacuum cleaners, coffee machines and shavers
		– Health care products such as massage equipment and electric toothbrushes

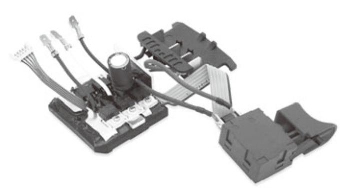
Products		Key end products and areas of application
Open frame power supplies	 	– AV products such as audio systems and set-top boxes – IT products such as routers
LED driver units and power supplies	 	– LED lighting systems

Smart chargers and controllers for industrial use

Our smart chargers and controllers are mainly applied to power tools for industrial use.

Information about the key smart chargers and controllers manufactured by our Group and the key end products together with their areas of application is set out below:

Products		Key end products and areas of application
Wireless chargers		Power tools such as electric drills, electric saws and grinding machines

Products		Key end products and areas of application
Smart chargers and controllers	  	— Power tools such as electric drills, electric saws and grinding machines

The table below sets out our revenue by product segment and the approximate percentage contribution of each product segment to our total revenue during the Track Record Period:

Products	For the year ended 31 December						For the six months ended 30 June 2015	
	2012		2013		2014			
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Switching power supply units for consumer products	1,248,695	87.8	1,466,629	86.8	1,583,582	82.0	728,348	77.2
Smart chargers and controllers for industrial use	173,665	12.2	223,935	13.2	346,932	18.0	215,365	22.8
Total	1,422,360	100.0	1,690,564	100.0	1,930,514	100.0	943,713	100.0

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the average selling price of switching power supply units for consumer products was approximately HK$11.6, HK$11.8, HK$11.1 and HK$12.2, respectively; whereas the average selling price of smart chargers and controllers for industrial use was approximately HK$31.9, HK$30.2, HK$32.9 and HK$32.5, respectively. The average selling price of our products remained relatively stable during the Track Record Period. Our Directors expect that the future average selling price of switching power supply units for consumer products and smart chargers and controllers for industrial use will continue to remain relatively stable.

SEASONALITY

Our total revenue during the Track Record Period was subject to the purchasing pattern of our end customers and our sales volume during the period from July to December was usually higher than that during the period from January to June. For each of the three years ended 31 December 2012, 2013 and 2014, the average revenue generated during the period from July to December was approximately 32.7%, 17.7% and 19.5%, respectively, higher than the revenue generated during the period from January to June. Our Directors believe that this was due to the fact that there was a greater demand for consumer products to which our products are applied before festivals and holiday seasons such as Christmas and Chinese New Year and such pattern is likely to continue in the foreseeable future.

PRODUCTION

Operation flow

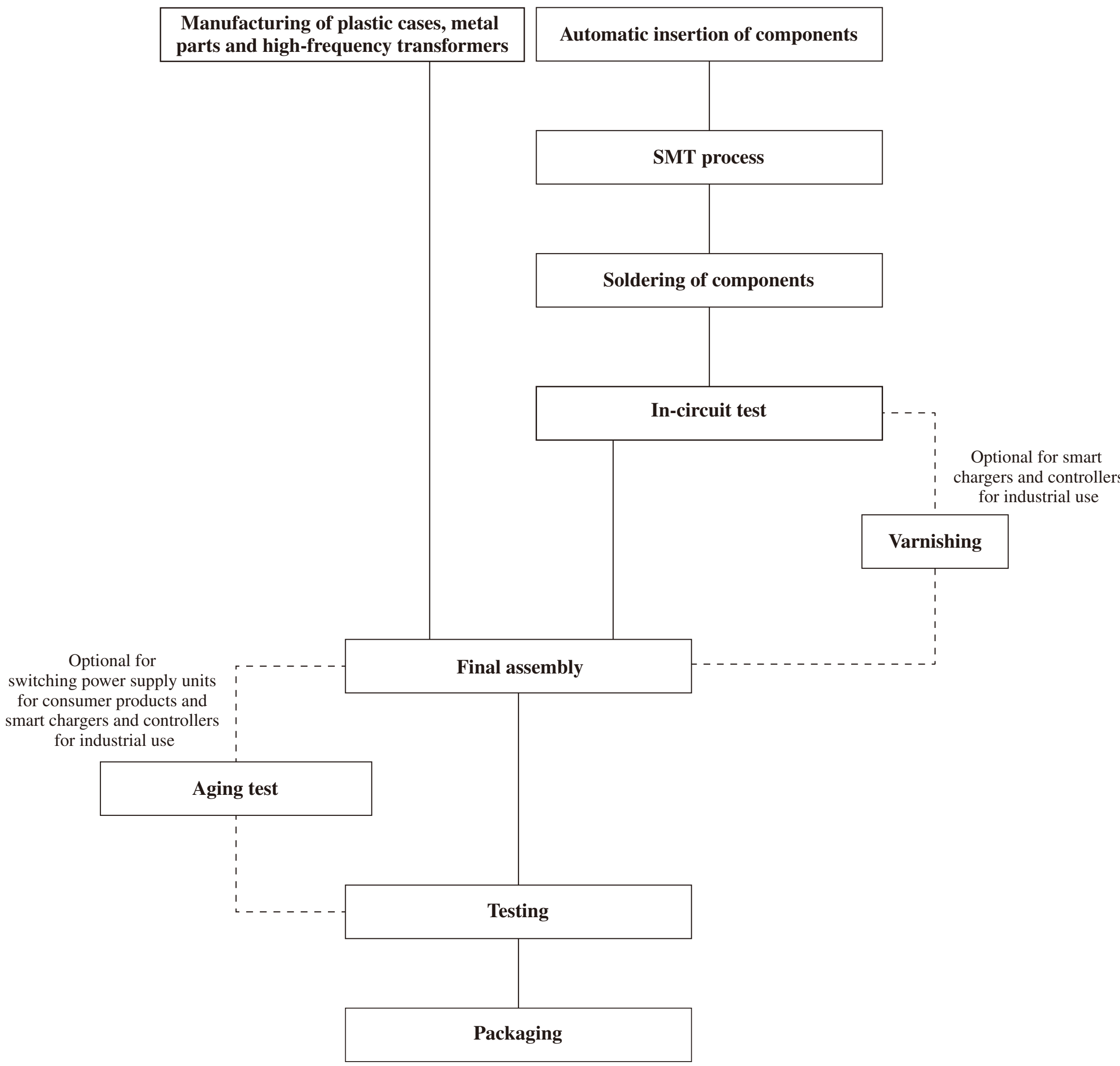
We adopt a standard operation flow for both switching power supply units for consumer products and smart chargers and controllers for industrial use. Our customers will first provide us with the specifications and requirements of the products they intend to purchase. We will then formulate a product development plan and satisfy our customers' requests by (i) offering the most suitable products from our existing product portfolio and, if necessary, making adjustments, modifications or alterations to our existing products based on the specifications and requirements provided by our customers; or (ii) manufacturing customised products according to the specifications and requirements provided by our customers. The operation flow is outlined below for illustration purpose:

	Steps	**Description**
1	Preliminary enquiry from customer	Customer approaches our sales department and provides us with the specifications and requirements of the products it intends to purchase
2	Formulation of a product development plan	Formulate a product development plan based on product specifications and requirements provided by customer
3	Production of sample products and performance of reliability and safety tests	Produce sample products according to product specifications and requirements provided by customer and conduct reliability and safety tests on the sample products
4	Confirmation and approval of sample products	Our sales department delivers the sample products to customer for confirmation and approval and our research and development department will fine-tune the sample products and make necessary adjustments and alterations based on customer's feedback

	Steps	Description
5	Placing of purchase order by customer	Customer places a purchase order with details such as product specifications, quantity and delivery time with our sales department
6	Formulation of production plans	Formulate production plans through ERP system and confirm the date of delivery with customer
7	Procurement of raw materials	Place purchase orders with suppliers for raw materials, based on output data from MRP system
8	Performance of incoming quality control inspection and delivery of raw materials to warehouse	Perform quality control inspection on and confirm the quality of the raw materials, deliver the raw materials to the warehouse and return all substandard raw materials to suppliers
9	Production and performance of in-process quality control tests	Mass production of products and perform in-process quality control tests during the production process
10	Performance of outgoing quality control tests and product delivery to warehouse	Perform quality control tests on the finished products, complete an outgoing quality control report and deliver the finished products to the warehouse
11	Product delivery to customer	Deliver the finished products to customer on the delivery date
12	Provision of after-sales services	Product return and technical support to customer in relation to the finished products

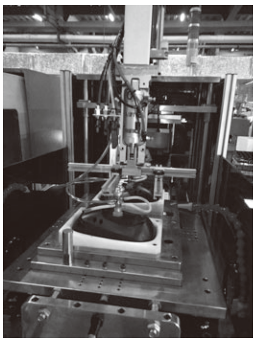
Production process

The following flowchart shows the major steps involved in the manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use:



Set forth below is a brief description of each major step involved in the manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use:

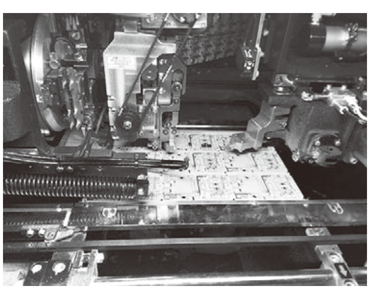
Manufacturing of plastic cases, metal parts and high-frequency transformers



- Manufacture plastic cases of switching power supply units for consumer products and smart chargers and controllers for industrial use by injection moulding machines

- Manufacture metal parts and high-frequency transformers, which are the key components of switching power supply units for consumer products and smart chargers and controllers for industrial use

Automatic insertion of components



- Insert parts and components onto PCB by automatic insertion machines

SMT process

- Fix surface mount device (SMD) components onto PCB by SMT machines

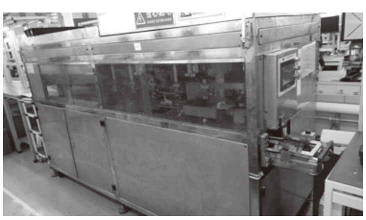
Soldering of components

- Solder parts and components onto PCB by soldering machines

In-circuit test

- Perform in-circuit test on the PCB assembly
- Test the electrical properties of the electrical components on PCB and the electrical connections between such components

Varnishing (optional for smart chargers and controllers for industrial use)

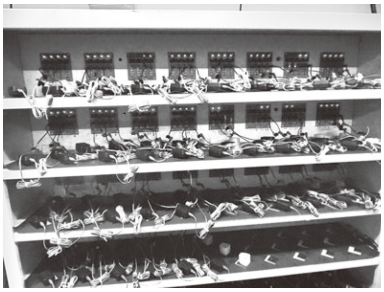


- Apply insulating oil on the PCB assembly

Final assembly

- Insert the top and bottom plastic cases
- Weld the plastic cases containing the PCB assembly

Aging test (optional for switching power supply units for consumer products and smart chargers and controllers for industrial use)



- Load and test the switching power supply unit for consumer products and smart charger and controller for industrial use for a few hours

Testing

- Conduct performance checks on the finished product

Packaging

- Pack the finished product

The production lead time for switching power supply units for consumer products and smart chargers and controllers for industrial use from the receipt of a purchase order to the completion of packaging generally ranges from two to four weeks. The actual production lead time will depend on a variety of factors, including the availability and delivery schedule of raw materials, the complexity of the product design and the manufacturing process, and the purchase volume. If we are required to produce a product according to the specifications and requirements provided by our customers, additional time is required for our research and development department to produce prototypes and sample products.

In order to enhance the cost effectiveness of our production, we subcontract certain parts of our production process, such as the manufacturing of plastic cases and transformers, to our subcontractors. We provide all necessary raw materials to our subcontractors, who will then process them according to our specifications and requirements and produce semi-finished products for our further use. We select our subcontractors based on the same criteria as we select our suppliers. Please refer to the paragraph "Suppliers and Raw Materials" in this section for further details. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our subcontracting expenses amounted to approximately HK$77.2 million, HK$58.0 million, HK$49.4 million and HK$21.1 million, respectively. Our Directors consider that by engaging subcontractors, our internal production resources are deployed more efficiently, which will enhance our production efficiency.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any incident of fatal accident, nor had we experienced any material adverse impact on our operating performance or financial condition due to any change in production plan, production delay or product defects which led to a delay in delivery or resulted in any liability or loss.

PRODUCTION FACILITIES

Production facilities

As at the Latest Practicable Date, our Group had two production bases located in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC, respectively, and we operated more than 110 production lines. The table below sets out information relating to our production bases:

Facilities	Location	Number of production lines	Principal usage
Production base in Huizhou, Guangdong province	Dongjiang Industrial Zone, Shuikou Town, Huicheng District, Huizhou	101	Production of switching power supply units for consumer products and smart chargers and controllers for industrial use
Production base in Hanzhong, Shaanxi province	Circular Economy Industrial Park, Ningqiang County, Hanzhong	11	Production of high-frequency transformers

As at the Latest Practicable Date, our production base in Hanzhong was principally engaged in the production of high-frequency transformers, one of the key components of switching power supply units for consumer products and smart chargers and controllers for industrial use. The high-frequency transformers produced by our production base in Hanzhong will be delivered to our production base in Huizhou and be applied to our products.

Production capacity

The following table sets out the designed production capacity and actual production volume of switching power supply units for consumer products and smart chargers and controllers for industrial use and the average utilisation rate of our production base in Huizhou during the Track Record Period:

	For the year ended			For the six months ended
	31 December 2012	**31 December 2013**	**31 December 2014**	**30 June 2015**
Designed production capacity *(units)*[1]	152,934,095	158,164,685	173,285,343	87,064,769
Actual production volume *(units)*	109,251,817	125,419,944	151,815,121	61,197,318
Average utilisation rate *(%)*[2]	71.4	79.3	87.6	70.3[3]

Notes:

(1) For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the designed production capacity of each production line is calculated by multiplying its maximum hourly production capacity by the number of hours in a day and the number of days in a calendar year or half year (as the case may be) that such production line is expected to operate. The above calculation is based on the production lines operating 20 hours per day (i.e. two shifts of 10 hours each) (including overtime) for a total of 303 days in 2012, 302 days in each of 2013 and 2014 and 181 days for the six months ended 30 June 2015, taking into account machine downtime for regular maintenance, public holidays, adjustment of production lines for manufacturing different products and rest time of our employees, which our Directors believe is the industry norm in the calculation of production capacity.

(2) The average utilisation rate is calculated by dividing the total production volume of a year or half year (as the case may be) by the designed production capacity of that year or half year (as the case may be).

(3) The decrease in the average utilisation rate for the six months ended 30 June 2015 was due to the following reasons: (i) the fact that it takes time for us to achieve a comparable average utilisation rate after the installation of new automated machineries and equipment; (ii) re-arrangement of manufacturing activities of our production bases and re-location of some of the production lines used for the manufacturing of high-frequency transformers from our production base in Huizhou to our production base in Hanzhong; and (iii) seasonality effect whereby our sales volume during the period from January to June is generally lower than that of the period from July to December. For the three months ended 30 September 2015, the average utilisation rate of our production base in Huizhou was approximately 86.3%.

The average utilisation rate of our production lines is affected by a number of factors such as the number of purchase orders received from our customers, the availability of raw materials, our production schedule and the types of products manufactured.

Major machineries and equipment

We utilise a number of machineries and equipment in the manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use. The table below sets out the details of our major machineries and equipment used in our production process as at the Latest Practicable Date:

Machineries/equipment	Usage	Approximate number of units
Injection moulding machine	Manufacturing of plastic cases	75
Stamping machine	Manufacturing of pins and metal shrapnel	25
Automatic insertion machine	Insertion of components onto PCB semi-finished products and metal shrapnel onto PCBs	25
SMT machine	Mounting of surface mount device (SMD) components onto PCB semi-finished products	30
Soldering machine	Soldering of components onto PCBs	35
Automated optical inspection equipment	Automated visual inspection of semi-finished and finished products	10
Laser engraving machine	Engraving on plastic cases	55

Our machineries and equipment used in our production process are owned by us and the major machineries and equipment are of an average age of approximately five years. From the experience of our Directors, the estimated useful life of the above machineries and equipment is 10 years or more. All machineries and equipment that are being used by our Group are functioning properly and there is no immediate need to replace or upgrade the same. Nevertheless, in order to increase the level of automation in our production process and enhance our production efficiency, we intend to install new automated machineries andequipment for use in our production process. Please refer to the paragraph "Business Strategies" in this section for further details.

Our machineries and equipment can be used and applied in different production lines for various product types and this gives us flexibility in our production process. We perform checks and carry out repair and maintenance works on our machineries and equipment. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant interruption in our business operations nor any prolonged suspension of our manufacturing operations arising from failure or breakdowns of machinery or equipment which significantly affected our Group's operations and financial position.

Expansion plan

In order to increase our production capacity and lower our production cost, our Group has strategically chosen to establish a new production base in Hanzhong, Shaanxi province, the PRC. Our production base in Hanzhong commenced production in or around February 2015. As at the Latest Practicable Date, we operated 11 production lines at our production base in Hanzhong, which was principally engaged in the production of high-frequency transformers, one of the key components of switching power supply units for consumer products and smart chargers and controllers for industrial use. Subsequent to the establishment of our production base in Hanzhong, we re-located part of our production process that is relatively more labour intensive and requires a relatively lower level of technological skills, such as the manufacturing of high-frequency transformers, from our production base in Huizhou to our production base in Hanzhong. Please refer to the paragraph "Business Strategies" in this section for further details.

Our Directors believe that establishing a new production base in Hanzhong and re-arranging the manufacturing activities of our production bases have allowed us to utilise our resources more effectively and take advantage of the lower labour cost and the abundant labour supply in Shaanxi province, thus lowering our production cost. Subject to the operation results of our production base in Hanzhong and depending on the prevailing market conditions and our financial resources, we may further expand the scale and production capacity of our production base in Hanzhong in the future. Our Directors confirm that, as at the Latest Practicable Date, we had no concrete plan to further expand the scale and production capacity of our production base in Hanzhong.

In addition, we intend to expand the production capacity of one of our production plants in Huizhou by leasing three additional floors in a factory building. Please refer to the paragraph "Business Strategies" in this section and the section "Connected Transactions" for further details.

QUALITY CONTROL

We believe that our commitment to quality, which has been consistently reflected in our production processes and our products, is one of our competitive strengths.

Our quality control department is responsible for maintaining and operating our quality control system and handling product complaints and returns. As at 30 June 2015, we had more than 360 quality control personnel. The head of our quality control department has more than eight years of experience in the electronics manufacturing industry and is familiar with the application of quality control management techniques and methods in switching power supply units.

Our Group has in place quality control policies and imposes quality control procedures throughout the entire production process and, in particular, on the selection and testing of raw materials, work in progress and finished goods. This helps to ensure that the quality of our products adheres to our customers' requirements and meets their expectations. In recognition of our quality management system, our Group has obtained certification to ISO 9001:2008. In addition, our Group has been awarded by our major customers for the quality of our products. During the Track Record Period and up to the Latest Practicable Date, our Group did not receive any material complaint relating to the quality of our products from our customers.

To further strengthen our quality control capability and shorten the time to market of our products, we established our own testing laboratory in our production plant in Huizhou, Guangdong province, the PRC in 2004. Our testing laboratory is equipped with advanced testing equipment and machineries and is able to perform reliability and safety tests. In 2008, our testing laboratory satisfied the CNAS accreditation criteria for the competence of testing and calibration laboratories, which are identical to ISO/IEC 17025:2005, and was awarded the CNAS laboratory accreditation certificate in relation to (i) safety testing on power supplies, transformers, chargers and class 2 power units; and (ii) energy-efficiency testing on external power supplies. Our CNAS accreditation enables us to conduct safety and energy-efficiency testing on our products in our accredited scopes and the test reports issued by our CNAS-accredited laboratory are recognised by more than 80 accreditation bodies from approximately 70 countries, including the PRC, the United States and most countries in the European Union. In order for our products to be sold in or exported to certain countries, we will send the test reports issued by our CNAS-accredited laboratory to the relevant certification bodies for certification and the certification bodies will, based on the results contained in the test reports, grant certifications on our products. Without the need to send our products to independent third party laboratories for testing, our Directors believe that the time to market of our products is significantly reduced, which allows us to handle our customers' purchase orders more efficiently and enhances our competitiveness in the industry.

Our Group's major quality control procedures are as follows:

Incoming quality control

In order to ensure that the quality of the incoming raw materials comply with our standards and requirements, we will test the appearance, performance, safety and reliability of the incoming raw materials based on our quality control standards on a sampling basis. Incoming quality control for each type of raw materials will normally be completed within two working days and a test result report will be issued by our quality control department. Raw materials that pass the quality control tests will be delivered to the warehouse for use in the production process. Substandard or defective raw materials will be returned to the suppliers. To effectively monitor the quality of our raw materials, we perform audit on the production and quality systems of our suppliers in aspects such as quality of raw materials, timeliness of delivery, research and development capability and technical support.

In-process quality control

Our production department will produce a prototype and arrange for mass production of products once the prototype has been approved. During the mass production stage, we will monitor and perform regular checks to ensure that the raw materials are used and applied correctly and the production process is in compliance with applicable requirements and standards. Any abnormality or irregularity in the production process will be identified and reported to the production department and corrective actions will be taken.

Outgoing quality control

Based on our outgoing quality control standards, we will conduct performance checks and safety and reliability tests on our finished products on a sampling basis. Products that pass the tests will be delivered to the warehouse for delivery to customers.

PRODUCT RETURN AND WARRANTY

Under our quality control system, our finished products are subject to sample checking and testing by our quality control department to ensure that they comply with the product specifications and requirements provided by our customers. In the event that we receive complaints from our customers about the quality of our products, we will obtain the relevant information from our customers and conduct an investigation. Our quality control department will be responsible for examining and analysing the defective products and completing a report stating the details of the complaint, particulars of the defects, reasons for such defects and details of any proposed corrective and precautionary measures to be taken by us. We will arrange for product return or replacement if our customer's complaint is determined to be valid and justifiable. Save and except for the aforementioned, we do not offer product return or warranty to our customers.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute arising from or in connection with the quality of our products. Our Directors consider that the number of returned products was insignificant and no provision for product return had to be made during the Track Record Period.

RESEARCH AND DEVELOPMENT

Switching power supply unit manufacturing industry is characterised by rapid technological advancements and susceptible to changes in market trends and demands. In order to keep ourselves abreast of the evolving technological advancements and obtain up-to-date market information, our Group has invested in research and development, which has enabled us to respond to and anticipate changes in the switching power supply unit manufacturing industry and the market environment in a timely manner and enhance our competitiveness. Our focus on research and development can be indicated by (i) the amount of resources we invest in research and development; (ii) our diversified product portfolio which is the result of our continuous research and development efforts; (iii) our research and development collaboration with different universities and institutions; and (iv) our research and development achievements and the number of patents we have obtained over the years.

Our research and development activities primarily focus on the development of new products to expand our product portfolio and the improvement of our existing products in terms of capabilities, functionalities and production cost. Our research and development department is led jointly by Mr. Zhu Changya, who has approximately 20 years of experience in research and development in the electronics industry, and Mr. Wang Xiu, who has approximately 13 years of experience in development and management in the power supply industry. Please refer to the section "Directors, Senior Management and Employees" for further details of the experience and qualifications of Mr. Zhu Changya and Mr. Wang Xiu. As at 30 June 2015, our research and development department consisted of more than 270 staff members, and our key research and development personnel had an average of approximately eight years of relevant experience, with most of them having received tertiary education or above.

In order to meet our customers' changing needs and preferences, efforts have been made by our research and development department to continuously improve and upgrade our existing products in terms of capability and functionality. During the Track Record Period, our research and development department successfully developed products with higher efficiency and of better performance, including power supplies, adapters and chargers that are applied to consumer electronic products, LED driver units that are applied to LED lighting products and smart chargers and controllers that are applied to power tools for industrial use.

To complement with our own research and development efforts, we have also entered into research and development collaboration agreements with different universities and institutions. During the Track Record Period, our major research and development projects include but are not limited to:

- development and application of new soft-switching pulse width modulation integrated circuit, a technology that can be applied on switching power supply units for consumer products and smart chargers and controllers for industrial use, with Sun Yat-sen University in Guangzhou, Guangdong province, the PRC;

- research, development and industrialisation of storage and network system for distributed solar generation, which is mainly used in AC/DC chargers, with Shenzhen Institutes of Advanced Technology of the Chinese Academy of Sciences in Shenzhen, Guangdong province, the PRC; and

- research, development and industrialisation of key technologies of high-concentration, high-brightness and high-power projective LED light source with a university in Guangzhou, Guangdong province, the PRC.

The collaboration agreements we entered into normally set out the respective responsibilities and duties of each party, the allocation of funds and the ownership of the intellectual property rights.

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our research and development expenditure was approximately HK$57.6 million, HK$57.6 million, HK$63.4 million and HK$30.2 million, respectively. We recognised such expenditure as expenses.

SALES AND MARKETING

We believe that establishing close relationships with our customers is crucial to the success of our business. Our sales and marketing department is responsible for the sales and promotion of our Group's products, following up with customers' purchase orders, formulating sales plans and policies, setting prices within the price range set out by our Group, providing after-sales services, managing client relationship, recovering outstanding payment from customers and compiling sales data. In order to promote sales and expand our customer base in South Korea, in 2004, we set up a sales office in South Korea, which is mainly responsible for liaison work, handling purchase orders and exploring new business opportunities in South Korea. As at 30 June 2015, our sales and marketing department consisted of more than 115 staff members.

In order to better understand and cater for our customers' changing needs and preferences, our sales and marketing department will conduct customer satisfaction survey with our customers on an annual basis. Our Directors believe that such feedback will enable our Group to continuously improve the quality of our products and services, which will strengthen our position and enhance our competitiveness in the switching power supply unit manufacturing industry in the PRC.

Geographic coverage

During the Track Record Period, our products were sold within the PRC (excluding Hong Kong) and exported to over 10 countries and regions around the world such as the European Union, the United States and South Korea. The table below sets out information about our revenue by geographical segment during the Track Record Period:

Countries and regions	For the year ended 31 December 2012		2013		2014		For the six months ended 30 June 2015	
	HK$'000	*Approximate %*	*HK$'000*	*Approximate %*	*HK$'000*	*Approximate %*	*HK$'000*	*Approximate %*
PRC (excluding HK)	906,340	63.7	984,543	58.2	1,264,744	65.5	488,258	51.7
Europe	126,930	8.9	175,158	10.4	223,491	11.6	116,953	12.4
Asia (excluding PRC)	199,411	14.0	281,869	16.7	211,478	11.0	136,223	14.4
USA	175,520	12.4	216,899	12.8	181,618	9.4	196,164	20.8
Others	14,159	1.0	32,095	1.9	49,183	2.5	6,115	0.7
Total	1,422,360	100.0	1,690,564	100.0	1,930,514	100.0	943,713	100.0

Marketing and promotion

Our Group leverages our relationship with existing customers for referrals of new customers. In addition, we approach potential customers by direct contact and e-marketing and advertise our products to potential customers through our online platform and by participating in industry exhibitions and trade fairs. During the Track Record Period, our Group participated in various industry exhibitions and trade fairs, including Hong Kong Electronics Fair (Autumn Edition) (香港秋季電子產品展) and Guangzhou International Lighting Exhibition (廣州國際照明展覽會). All the above serve to promote our brand as well as increase our potential customers' awareness of our Group and our products. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, we incurred approximately HK$2.7 million, HK$1.9 million, HK$3.0 million and HK$0.9 million, respectively, on sales and marketing, representing approximately 3.9%, 2.2%, 3.5% and 2.4% of our total selling expenses, respectively.

Pricing policy

Our Group primarily determines the price of our products on a cost plus profit margin basis. We also take into account various factors when fixing the price of our products, including but not limited to: (i) the credit period offered to our customers; (ii) the volume of purchase; and (iii) the price of comparable products in the market.

CUSTOMERS

Our Group has a broad clientele and our customers include domestic and overseas manufacturers engaging in the production of a wide range of products and equipment in various industry sectors, including (i) telecommunications equipment; (ii) media and entertainment equipment such as AV products and computers; (iii) electronic cigarettes; (iv) home electrical appliances; and (v) other products such as LED lighting and health care products. Our major customers are principally internationally reputable brands, including Flextronics Group, Bosch Group, Stanley Black & Decker, Inc., TCL Group, and Oppo Group, who purchase and apply our Group's switching power supply units for consumer products and smart chargers and controllers for industrial use to their respective products and sell them to their respective clients under their own brand.

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our Group's total revenue amounted to approximately HK$1,422.4 million, HK$1,690.6 million, HK$1,930.5 million and HK$943.7 million, respectively. During the Track Record Period, the PRC was the largest market of our Group, accounting for approximately 63.7%, 58.2%, 65.5% and 51.7% of our Group's turnover for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. During the Track Record Period, our Group also received purchase orders from various regions, including the European Union, the United States and South Korea. Some of our overseas customers which have establishments in the PRC would request us to deliver our products to their designated delivery points in the PRC and settle the invoice in foreign currencies including but not limited to U.S. dollars.

The table below sets out the details of our five largest customers during the Track Record Period:

Customer	Customer profile	Principal business activities	Credit period	Length of relationship as at Latest Practicable Date
Customer A	A group headquartered in Hong Kong and the shares of the parent company are listed on the Main Board, with operations in 11 countries and regions	Design, manufacture and distribution of telecommunication products	60 days from end of month	13 years
Bosch Group	A group headquartered in Germany and comprising approximately 440 subsidiaries and regional companies in 60 countries	Mobility solutions, industrial technology, consumer goods and energy and building technology	30 days	8 years

Customer	Customer profile	Principal business activities	Credit period	Length of relationship as at Latest Practicable Date
Huizhou TCL Mobile Communication Co., Limited and its related companies	A group headquartered in the PRC; part of TCL Communication Technology Holdings Limited, the shares of which are listed on the Main Board (Stock code: 2618), and part of TCL Corporation, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 100)	Manufacture and distribution of mobile handsets and provision of services	60 days from end of month	4 years
Customer B	A group headquartered in South Korea and the shares of the parent company are listed in the Korea Exchange; a 2014 Fortune 500 company	Manufacture and sale of consumer electronics, including smartphones and AV equipment	60 days from end of month	3 years
CCT Tech (HK) Limited and its related company	A group headquartered in Hong Kong and the shares of the parent company are listed on the Main Board, with more than 30 years of relevant industry experience	Sourcing of telecom products, raw materials and components	60 days from end of month	3 years
Flextronics Group	A group with its principal corporate office in Singapore and the shares of the parent company are listed on the NASDAQ Stock Market (NASDAQ: FLEX); a 2014 Fortune 500 company	Manufacture and sale of electronic equipment	90 days	2 years
Guangdong Oppo Mobile Communications Company Limited* (廣東歐珀移動通信有限公司) and its related companies	A global electronics and technology service provider with headquarters in the PRC	Manufacture and sale of smartphones and AV equipment	60 days from end of month	5 years
American Accessories International, L.L.C.	A company headquartered in the United States with an office in the PRC	Design, development, and manufacturing execution, including brand analysis, consumer research, graphic design, supply chain building and onsite production management	30 days	2 years

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our Group's five largest customers accounted for approximately 45.2%, 49.1%, 52.6% and 46.6% of our total revenue, respectively, while our Group's largest customer accounted for approximately 15.2%, 13.4%, 15.3% and 17.4% of our total revenue, respectively.

We generally enter into framework sale and purchase agreements with our customers. Such framework sale and purchase agreements are legally binding and normally include terms and conditions covering the following aspects:

(i) the quality standards and requirements that our products shall comply with;

(ii) the availability of after-sales services;

(iii) the time at which title and risk of our products will pass to our customers;

(iv) our liability in the event of late delivery, defective products or a breach of the framework agreement;

(v) confidentiality undertakings; and

(vi) termination of the framework agreement.

Our Directors confirmed that none of our Directors, their associates or Shareholders who own more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of our Group's five largest customers during the Track Record Period.

We generally commence procurement of raw materials and mass production upon receipt of purchase orders from our customers. Some of our major customers may provide us with a rolling forecast specifying their estimated demand for our products for a certain upcoming period, which enables us to plan our purchasing activities in advance.

Our Group generally offers a credit period ranging from 30 to 90 days from the end of month to our customers. For new customers, we generally require a deposit after confirmation of purchase orders. Most of our customers settle their payment in Renminbi and U.S. dollars and by way of telegraphic transfers and cheques. We assess and review the credit history and credit limit of our customers regularly.

SUPPLIERS AND RAW MATERIALS

The raw materials purchased by our Group mainly include plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, PCB components, triodes, copper and aluminium materials, and resistors. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the cost of raw materials amounted to approximately HK$884.9 million, HK$1,080.2 million, HK$1,210.2 million and HK$574.8 million, respectively, representing approximately 72.6%, 75.9%, 75.7% and 72.3% of our total cost of sales, respectively. The table below sets out the cost of each of our major raw materials and the approximate percentage contribution to the cost of raw materials during the Track Record Period:

Raw material	For the year ended 31 December 2012 HK$'000	%	2013 HK$'000	%	2014 HK$'000	%	For the six months ended 30 June 2015 HK$'000	%
Plastic parts	107,172	12.1	123,150	11.4	153,859	12.7	76,114	13.2
Integrated circuits	87,605	9.9	118,593	11.0	147,378	12.2	74,610	13.0
Cables	127,779	14.4	135,644	12.6	140,491	11.6	76,461	13.3
Metal parts	73,941	8.4	112,962	10.5	133,605	11.1	55,235	9.6
Transformers and inductors	71,222	8.0	85,819	7.9	121,363	10.0	58,589	10.2
Capacitors	90,997	10.3	118,978	11.0	107,601	8.9	51,822	9.0
Diodes	63,947	7.2	86,437	8.0	83,093	6.9	39,908	6.9
PCB components	47,546	5.4	71,029	6.6	79,185	6.6	38,346	6.7
Triodes	42,492	4.8	55,935	5.2	57,189	4.7	27,473	4.8
Copper and aluminium materials	50,022	5.7	41,313	3.8	31,883	2.6	13,939	2.4
Resistors	23,178	2.6	32,648	3.0	31,930	2.6	15,443	2.7
Others[1]	99,046	11.2	97,674	9.0	122,588	10.1	46,838	8.2
Total	884,947	100.0	1,080,182	100.0	1,210,165	100.0	574,778	100.0

Note:

(1) Others include insulation parts, chemical materials, packaging materials, and labels and tags.

Our major suppliers are located in the PRC. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our Group's five largest suppliers of raw materials accounted for approximately 20.2%, 16.8%, 14.3% and 13.0% of our total cost of sales, respectively, and our Group's largest supplier accounted for approximately 8.5%, 6.2%, 5.9% and 4.5% of our total cost of sales, respectively. The payments made to our suppliers are primarily in HK dollars, Renminbi and U.S. dollars and by way of telegraphic transfers and cheques. Our Group generally enjoys a credit period of 30 to 150 days. During the Track Record Period, our Group had not encountered any major difficulty in the procurement of raw materials from our suppliers. Our Directors do not foresee that our Group will encounter any difficulty in sourcing raw materials in the future. Save as disclosed in the section "Connected Transactions", our Directors confirmed that none of our Directors, their associates or Shareholders who own more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of our Group's five largest suppliers during the Track Record Period.

For sensitivity analysis in relation to the cost of raw materials, please refer to the section "Financial Information — Key Factors Affecting our Results of Operations — Raw materials".

Our Group has stringent procedures in the selection of suppliers. We maintain a list of approved suppliers that are generally located in the PRC and Hong Kong and they are selected based on the pricing, quality and specifications of raw materials, product compliance with safety and environmental standards, timeliness of delivery, production capability and services provided. Depending on the circumstances, we may also conduct audit on the quality and environmental management systems of our potential suppliers. We generally procure our major raw materials from the suppliers in our list of approved suppliers and, in order to reduce our dependence on any one supplier, we generally maintain more than one supplier for our major raw materials.

Furthermore, in an attempt to lower our production cost, during the Track Record Period, we procured some of the raw materials that are extensively used in our production process, such as diodes, by tendering. Our Group will select some of our existing suppliers based on their performance in the previous year, including the quality of their products and their timeliness of delivery, and send them an invitation for bidding. Interested suppliers are requested to send us their bid price, together with their design drawings and details relating to the payment terms. We will then select the most competitive suppliers and procure raw materials from them for a certain period.

To ensure the quality and timely delivery of raw materials, we assess and review our suppliers periodically and in aspects such as the quality of raw materials, timeliness of delivery, research and development capability and quality of technical support. In addition, we conduct quality and environmental system audit and process management audit on our major suppliers periodically.

We generally enter into framework sale and purchase agreements with our suppliers and place purchase orders with them from time to time. Such framework sale and purchase agreements are legally binding and normally include the following principal terms and conditions:

(i) *purchase order:* our Group shall notify the supplier of the type, specification, unit price, quantity and date of delivery of the raw materials in writing or by email and the supplier shall acknowledge receipt of the purchase order within 24 hours;

(ii) *price:* the price of the raw materials paid by our Group shall not be higher than the price paid by other customers of the supplier for the same or similar raw materials;

(iii) *quality and environmental assurance:* the raw materials delivered by the supplier must comply with our specifications and quality and environmental standards;

(iv) *quality control:* our Group shall perform quality control tests on the raw materials and categorise them into "passed" and "defective";

(v) *return of raw materials:* our Group shall be entitled to return to the supplier the defective raw materials that cannot be used for production;

(vi) *substandard raw materials:* in the event that the raw materials delivered by the supplier are substandard, are not in accordance with the product sample, or do not meet the specifications, standards or requirements set out by our Group, the supplier shall compensate our Group and indemnify us for all losses suffered;

(vii) *late delivery:* the supplier shall compensate our Group in the event of late delivery; and

(viii) *termination:* the framework sale and purchase agreement will be terminated if our Group receives major complaints from our customers as a result of the raw materials being substandard, the raw materials are returned to the supplier for three consecutive times because of the same defect, the supplier delivers counterfeit raw materials to our Group or the raw materials contain fatal or hidden defects.

Our Group generally procures raw materials upon receipt of purchase orders from our customers. For raw materials that are commonly used in our production process, we will place orders with our suppliers from time to time based on their inventory level maintained in our MRP system. We may also, upon our customers' requests, order raw materials from a particular supplier.

We closely monitor the prices of our major raw materials. Depending on the prices of the raw materials, we generally maintain approximately 15 days of raw materials inventory necessary for production so that we can have sufficient time to adjust our pricing and pass the increase in the costs of raw materials to our customers when necessary and as appropriate. We believe we are able to keep abreast of the latest price trend of our raw materials, which enables us to make better purchasing decisions.

INVENTORY

Our inventory mainly comprises raw materials, work in progress and finished products. Our Group has internal control policies in controlling and monitoring our inventory level and in storing our inventory.

To effectively monitor our inventory level and minimise obsolete inventory, the following procedures are adopted:

- all purchases of raw materials must be authorised and approved by the head of procurement and the general manager of each business unit;

- all incoming raw materials must be checked and verified against our purchase orders before acceptance;

- the inventory level of our raw materials, work in progress and finished products is closely monitored through the use of MRP system, an inventory management system for planning and managing purchasing activities and production schedules, complemented with our daily stock-in and stock-out records;

- we have standard procedures for the retrieval of inventory; and

- we generally conduct monthly and annual stocktakes.

In addition, in order to ensure the quality of our raw materials, work in progress and finished goods, we retrieve our inventory on a first-in-first-out basis and closely control and monitor the temperature and humidity inside our warehouses.

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our inventory amounted to approximately HK$139.3 million, HK$184.4 million, HK$213.3 million and HK$214.8 million, respectively, and our inventory turnover days were approximately 44, 41, 45 days and 48 days, respectively.

EMPLOYEES

As at 30 June 2015, our Group had approximately 5,900 employees. The following table provides a breakdown of our employees by function:

	HK	**PRC**	**Korea**	**Total number of employees**
Operations	1	657	–	658
Sales and marketing	5	109	3	117
Research and development	–	272	–	272
Quality control	–	364	–	364
Production	–	4,423	–	4,423
Procurement	–	53	–	53
Finance	2	67	–	69
Human resources	–	27	–	27
				5,983

The remuneration package of our employees includes basic salary and overtime payment. Our employees' basic salaries are generally determined based on their respective qualification, experience and work performance. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our total staff cost was approximately HK$260.7 million, HK$338.7 million, HK$362.5 million and HK$224.6 million, respectively.

We believe that our employees are our valuable assets. We are therefore committed to providing training to our employees so as to enhance their technical skills and knowledge, which our Directors believe will improve their work performance and efficiency. Our human resources department is responsible for organising seminars and training programs for our employees, which include specific and practical seminars and training courses on new knowledge and technology, and management training sessions for our management personnel. These internal seminars and training programs are held and presented by our employees or external professionals and speakers. All new employees are required to participate in a mandatory induction training program in which they will be introduced to our Group and our policies and receive training on basic safety measures and management systems. Employees who have been promoted or transferred to another department will also be required to attend training sessions in relation to their new positions and job duties. For employees engaging in harmful or dangerous duties or duties that require specific or professional skills, additional training relating to work safety and preventive measures will be provided so as to reduce risks of accidents. External seminars and training courses will also be available to our employees upon approval or recommendation by us.

We generally enter into individual labour contracts with each of our employees. In addition to the labour contract, each of our employees will sign a letter of undertaking of integrity (廉潔承諾書) and a consent letter of trade secret confidentiality (保守商業秘密同意書). During the Track Record Period, we also recruited some of our production workforce through employment agents. Pursuant to the relevant laws and agreements with employment agents, the employment agent is responsible for providing us with suitable workers, paying wages to the workers, and ensuring that the monthly and overall employee turnover shall not exceed a certain percentage level; whereas our Group is responsible for making monthly payments to the employment agent and providing staff quarters for the workers.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulty in the recruitment and retention of employees.

Save for the matters as disclosed in the paragraph "Non-compliance Matters" in this section, we have complied with the applicable labour laws and regulations in the PRC and Hong Kong. We make contributions to the social security scheme and housing provident fund for our employees in the PRC. As advised by our PRC Legal Advisers, we received confirmations from the relevant authorities confirming that we had not been penalised for any violation of the applicable labour laws in the PRC in all material respects during the Track Record Period.

MARKET AND COMPETITION

The switching power supply unit manufacturing industry in the PRC is mature and is highly competitive and fragmented, with more than 2,000 industry players in the PRC. According to the Ipsos Report, the top 10 switching power supply unit manufacturers in the PRC only accounted for approximately 40.1% of the total industry revenue in 2014 and the total sales value of switching power supply units in the PRC increased from approximately RMB93.9 billion in 2010 to approximately RMB139.5 billion in 2014 at a CAGR of approximately 10.4%.

According to the Ipsos Report, we are one of the major players in the manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use in the PRC with a market share of approximately 1.1%, based on revenue derived from the switching power supply unit manufacturing segment in 2014. According to the Ipsos Report, we ranked 9^{th} among switching power supply unit manufacturers and 7^{th} among manufacturers whose principal business is the manufacturing of switching power supply units (i.e. manufacturers with more than 50% of revenue derived from the manufacturing of switching power supply units) in terms of sales revenue in the PRC in 2014.

We compete with other switching power supply unit manufacturers in the PRC in aspects such as pricing, product quality and research and development capabilities. The main entry barriers into the switching power supply unit manufacturing industry in the PRC include research and development capabilities and recruitment of talents with a high level of technical expertise. Our Directors believe that our Group's competitive strengths, details of which are set out in the paragraph "Competitive Strengths" in this section, distinguish us from our counterparts and we are placed in a competitive position in the switching power supply unit manufacturing industry in the PRC.

Please refer to the section "Industry Overview" for further details of the switching power supply unit manufacturing industry in the PRC.

PROPERTIES

As at 30 June 2015, we owned 11 properties with a total GFA of approximately 77,406.5 sq.m. in Huizhou, Guangdong province, the PRC, and leased nine properties in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC, all of which were used as our production facilities, offices and staff quarters. As at 30 June 2015, we also owned two properties with a total GFA of approximately 2,551.0 sq.ft. in Hong Kong, one of which was leased to an Independent Third Party and the other was used as our office, and leased two properties with a total GFA of approximately 4,054.0 sq.ft. in Hong Kong, which were used as our office and staff quarters. As at 30 June 2015, we leased one property with a total GFA of approximately 80.3 sq.m. in South Korea as our sales office.

Owned properties

The following table sets out certain information in relation to our material owned properties in the PRC:

No.	City/province	Location	Approximate GFA *(sq.m.)*	Usage
1	Huizhou, Guangdong province	Dongjiang Industrial Zone, Shuikou Town, Huicheng District	22,529.1	Production facilities and offices
2	Huizhou, Guangdong province	Block A, No. 27, Xianghe Road, Shuikou Town, Huicheng District	9,459.4	Production facilities
3	Huizhou, Guangdong province	Block B, No. 27, Xianghe Road, Shuikou Town, Huicheng District	2,230.5	Production facilities
4	Huizhou, Guangdong province	Block B1, No. 27, Xianghe Road, Shuikou Town, Huicheng District	5,454.0	Production facilities

Leased properties

The following table sets out certain information in relation to our material leased properties in the PRC:

No.	City/province	Location	Approximate GFA *(sq.m.)*	Usage	Lessee	Annual rental *(RMB/year)*	Term of tenancy
1	Huizhou, Guangdong province	Mujintou Area, Xinmindahuyuan Village, Shuikou Town, Huicheng District	3,518.0	Production facilities and staff quarters	Ten Pao Electronic (Huizhou)	539,760 *(approximately HK$684,548.9)*	1 August 2014 – 31 July 2019
2	Huizhou, Guangdong province	Yongguang Xiaoqu, Huihuanxikeng Industrial Zone	7,594.0	Production facilities and staff quarters	Jinhu Industrial	455,640 *(approximately HK$577,864.0)*	1 June 2014 – 31 May 2019
3	Hanzhong, Shaanxi province	Circular Economy Industrial Park, Ningqiang County	2,400.0	Production facilities and office	Jinhu Precision Parts	90,000 *(approximately HK$114,142.2)*	1 January 2015 – 31 December 2017
4	Hanzhong, Shaanxi province	Circular Economy Industrial Park, Ningqiang County	2,400.0	Production facilities and office	Ten Pao Precision Parts	90,000 *(approximately HK$114,142.2)*	1 June 2015 – 31 May 2018

The following table sets out certain information in relation to our material leased property in Hong Kong:

Location	Approximate GFA *(sq.ft.)*	Usage	Lessee	Annual rental *(HKD/year)*	Term of tenancy
Kwong Sang Hong Centre, Nos. 151-153 Hoi Bun Road, Kwun Tong	2,486.0	Offices	Ten Pao International	384,000	1 April 2015 – 31 March 2017

The following table sets out certain information in relation to our leased property in South Korea:

Location	Approximate GFA *(sq.m.)*	Usage	Lessee	Annual rental *(KRW/year)*	Term of tenancy
Kumkang Venturetel Building #907, 1108, Bijan-dong, Dongan-gu, Anyang-si, Gyeonggi-do	80.3	Offices	Korean Co	29,040,000 *(approximately HK$204,047.2)*	2 January 2015 – 1 January 2017

INTELLECTUAL PROPERTY

We value our research and development efforts and achievements and therefore consider the protection of intellectual property rights crucial to the success of our business. As at the Latest Practicable Date, our Group had more than 80 patents, including invention patents, design patents and utility patents, and three software copyrights registered in the PRC. In addition, as at the Latest Practicable Date, our Group had filed application for registration of more than 15 patents in the PRC.

For further details of our material intellectual property rights, please refer to "Statutory and General Information — Further Information about the Business of our Company — 10. Intellectual property rights of our Group" in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, no material claim or dispute was brought against our Group in relation to any infringement of trademarks, patents or other intellectual property rights. Our Directors are not aware of any use by any third party of our logo or brand and believe that there has been no infringement of our intellectual property rights that would result in a significant potential impact to our business.

AWARDS AND ACCREDITATIONS

The following table sets out the key awards and accreditations received by our Group from our customers and the relevant PRC authorities and organisations:

Year	Award/accreditation	Issuing authority/organisation	Expiry date
2015	Market Development Excellence Award	The Hong Kong Chinese Importers' & Exporters' Association	–
2015	Credit Risk Management Rating AAA*(信用風險管理AAA級)	China Export and Credit Insurance Corporation – Guangdong Branch	–
2014	Laboratory Accreditation Certificate	CNAS	29 April 2017
2014	Guangdong Province Top Brand Products – High-frequency Switching DC Power Supplies* (廣東省名牌產品 – 高頻開關直流電源)	Research Institute of Guangdong Outstanding Quality Brand* (廣東卓越質量品牌研究院)	December 2017
2014	Award for the Advancement of Science and Technology* (科學技術進步獎)	People's Government of Huicheng District of Huizhou City	–
2014	Municipal-Level Enterprise Technology Center* (市級企業技術中心)	Huizhou Economic and Information Technology Bureau and Huizhou Public Finance	–

Year	Award/accreditation	Issuing authority/organisation	Expiry date
2013	Guangdong Province Top Brand Products – Laptop Chargers* (廣東省名牌產品 – 筆記本電腦電源適配器)	Research Institute of Guangdong Outstanding Quality Brand* (廣東卓越質量品牌研究院)	December 2016
2013	Certificate of Guangdong Innovative Enterprises	Guangdong Provincial Department of Science and Technology, Guangdong Provincial Development and Reform Committee* (廣東省發展和改革委員會), The Economic and Information Commission of Guangdong Province, Committee of Supervision and Administration of State-owned Assets of the People's Government of Guangdong Province* (廣東省人民政府國有資產監督管理委員會), Guangdong Intellectual Property Office, and Guangdong Provincial Federation of Trade Unions* (廣東省總工會)	November 2016
2013, 2012	Preferred Supplier of the Bosch Group	Robert Bosch GmbH	–
2012	Outstanding Quality Award	TCL Communication Technology Holding Ltd.	–

LICENCES AND PERMITS

For the material licences, permits and approvals we hold for carrying out our business and operations in the PRC, please refer to the section "Laws and Regulations". As advised by our PRC Legal Advisers, we had obtained all material requisite licences, permits and approvals that are material to our business and operations from the relevant governmental authorities during the Track Record Period and up to the Latest Practicable Date.

Our management reviews our business practices regularly to ensure our compliance with all licensing requirements and the successful renewal of our licences. To the best knowledge and belief of our Directors after making reasonable enquiries, as at the Latest Practicable Date, our Directors were not aware of any major legal impediment for the renewal of our licences, permits and approvals.

OCCUPATIONAL HEALTH AND SAFETY

Our Group is subject to the PRC occupational health and safety laws and regulations. Please refer to the section "Laws and Regulations" for a summary of the applicable occupational health and safety laws and regulations of the PRC.

Our Group is committed to providing a safe and healthy working environment for our employees. We believe that our Group has taken the necessary measures to protect our employees' safety at work. Our Group has in place operational safety guidelines and manuals, such as fire safety manual, production safety guideline, industrial accident handling manual and dangerous chemical management manual, to prevent occupational accidents and provide guidance in case of emergency situations. We have also taken further measures to ensure that our employees are well aware of our safety protocols and guidelines. For example, employees engaging in harmful or dangerous duties are required to attend training courses on workplace safety. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any material claim or incident in relation to safety issues or been involved in any accident causing death or serious injury in the course of our Group's business operations. As advised by our PRC Legal Advisers, our Group had not been subject to any material penalty imposed by the competent production safety authorities due to non-compliance with the relevant production safety laws and regulations during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL MATTERS

Our Group's business is subject to the relevant PRC national and local environmental laws and regulations, such as the Environmental Protection Law of the PRC (中華人民共和國環境保護法). These laws and regulations govern a broad range of environmental matters. Please refer to the section "Laws and Regulations" for a summary of the environmental protection laws and regulations of the PRC.

During the production process of our products, there are certain wastage generated including waste, noise and polluted air. Our Group has in place an environmental management system to manage and review emission of wastage. Our Group has standard procedures to manage, treat and reduce the pollution and wastage in accordance with national and local environmental laws and regulations. To ensure compliance with the latest environmental laws and regulations, our Group has published internal compliance manuals setting out our goals and policies in relation to environmental matters. Our Directors are of the view that the annual cost of compliance with the applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

We believe that we have adopted adequate measures to minimise wastage and pollution during our production process and such measures are in line with the industry practices and in accordance with the applicable environmental laws and regulations. As advised by our PRC Legal Advisers, we have complied with all applicable environmental laws and regulations of the PRC in all material respects, have not been subject to any material claim or penalty in relation to environmental protection and/or have not been involved in any environmental accident or fatality during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

In order to reduce credit risks involved in our business operations, our 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), which covers various credit risks such as buyers' bankruptcy, inability to settle payment and refusal to accept our finished products. Our Group also maintains insurance for product liability, property, plant and equipment, elevator liability, and motor vehicles.

In addition, our Group is subject to the PRC social insurance system and is required to make contributions for our PRC employees towards five categories of insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our Group paid an aggregate of approximately HK$9.4 million, HK$12.5 million, HK$17.4 million and HK$14.7 million, respectively, as insurance premium payment for our various insurance policies. During the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any insurance claim that was material to our Group.

Our Directors believe that our insurance coverage is sufficient and adequate and in line with the industry norm. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance practice.

LEGAL PROCEEDINGS

To the best knowledge of our Directors, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations.

NON-COMPLIANCE MATTERS

Save for certain incidents of non-compliance set out below, our Directors are not aware of any material non-compliance of our Group of the applicable laws and regulations during the Track Record Period and as at the Latest Practicable Date.

Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
Failure to make social insurance and housing provident fund contributions in full During the Track Record Period, we had not fully paid our contributions to the social insurance and housing provident fund for all of our employees.	During the Track Record Period, we had not fully paid our contributions to the social insurance and housing provident fund for all of our employees because: • turnover rate of our employees had been high and we were not able to attend to the account opening formalities in respect of the social insurance and housing provident fund in time before the departure of the employees concerned; • some of our employees did not want to participate in the social insurance and housing provident fund schemes as they do not want to bear their portion of contributions;	According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Regulations concerning the Administration of Housing Provident Fund (住房公積金管理條例), we are required to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and housing provident fund.	We have been in compliance with the relevant laws and regulations in relation to social insurance and housing provident fund contributions since June 2015. We have obtained the confirmations from Huicheng Branch of Huizhou Social Insurance Fund Administration (惠州市社會保險基金管理局惠城分局) and Huizhou Housing Provident Fund Administration (惠州市住房公積金管理中心) that we have not been penalised for violating the laws and regulations for social insurance and housing provident fund. As advised by our PRC Legal Advisers, Huicheng Branch of Huizhou Social Insurance Fund Administration (惠州市社會保險基金管理局惠城分局) and Huizhou Housing Provident Fund Administration (惠州市住房公積金管理中心) have the authority and are competent to make the aforesaid confirmations.

Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
	• free housing was provided to our employees so they had less incentive to register and contribute to their housing provident funds; and • our human resources department was not familiar with the relevant laws and regulations in respect of social insurance and housing provident fund contributions for our employees.	If an employer fails to pay its social insurance contributions in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法), the regulator may order it to pay the overdue amount within the prescribed time limit and impose a late charge of 0.05% per day. If the employer still fails to pay within the prescribed time limit, the regulator may impose a fine of 1-3 times of the overdue amount. If an employer fails to pay its housing provident fund contributions in accordance with the Regulations concerning the Administration of Housing Provident Fund (住房公積金管理條例), the regulator may order it to rectify the non-compliance incidents within the prescribed time limit, failing which the regulator may apply to the People's Court for compulsory enforcement.	Provisions have subsequently been made in respect of the unpaid amounts of contributions to the social insurance and housing provident fund during the Track Record Period as follows: • RMB4,608,988 (approximately HK$5,664,931) for the year ended 31 December 2012 • RMB11,439,071 (approximately HK$14,336,472) for the year ended 31 December 2013 • RMB14,227,915 (approximately HK$17,955,470) for the year ended 31 December 2014 • RMB12,667,277 (approximately HK$16,024,115) for the six months ended 30 June 2015

Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
		As (i) we had not received, as at the Latest Practicable Date, any request for making up the outstanding social insurance contributions or notice of imposition of fine as a result of non-payment of social insurance contributions from the regulator, and (ii) our PRC Legal Advisers have advised that the risk of us being required to pay administrative fine by the relevant governmental authorities for the unpaid social insurance contributions is low, the maximum amount of fine to be imposed by the regulator as a result of our failure to pay social insurance contributions during the Track Record Period should be limited to the late charge of 0.05% per day and is approximately HK$6,939,571.	As at the Latest Practicable Date, (i) we had not received any request, demand or order for making up the outstanding social insurance and housing provident fund contributions or notice of imposition of fine as a result of such non-compliance from the regulator or relevant governmental authorities; (ii) the relevant governmental authorities had confirmed that we did not fail to pay the social insurance and housing provident fund contributions; (iii) we had obtained confirmations from the relevant governmental authorities confirming that none of our Group companies established in the PRC had been fined for any outstanding contributions in respect of social insurance and housing provident fund; and (iv) our PRC Legal Advisers have advised that the risk of us being required to pay administrative fine by the relevant governmental authorities for the unpaid social insurance and housing provident fund contributions is low.

Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
			As a result, no provision has been made for the potential imposition of fine by the regulator for the failure to pay social insurance and housing provident fund contributions in full during the Track Record Period. Our Directors believe that sufficient provisions have been made in our financial statements in respect of the unpaid social insurance and housing provident fund contributions. Pursuant to the Deed of Indemnity, each of Chairman Hung, Even Joy, TinYing Holdings and TinYing Investments has undertaken to indemnify us in respect of any demand or order from the relevant government authorities for payment of the unpaid social insurance and housing provident fund contributions or any penalty imposed.

Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
			In the event that the regulator and/or relevant governmental authorities order us to pay the overdue social insurance contributions and/or housing provident fund contributions, we will comply with such order within the prescribed time limit. Going forward, the service contracts of all our employees will specify the requirements for all employees to cooperate with us in complying with the laws and regulations in relation to social insurance and housing provident fund contributions. To avoid recurrence of the past non-compliance incidents described herein, we have adopted certain additional internal control measures to improve our corporate governance and internal control. Please refer to paragraph "Internal Control" in this section for further details. Based on the fact that (i) the relevant government authorities were aware of the non-compliance incident; and (ii) we are now in full compliance with the relevant laws and regulations in relation to social insurance and housing provident fund contributions, our PRC Legal Advisers have advised that the risk of us receiving administrative penalty from the relevant governmental authorities for the unpaid social insurance and housing provident fund contributions is low.

Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
			Given that (i) sufficient provisions have been made in our financial statements in respect of the unpaid social insurance and housing provident fund contributions; (ii) each of Chairman Hung, Even Joy, TinYing Holdings and TinYing Investments has undertaken to indemnify us in respect of any demand from relevant government authorities for payment of unpaid social insurance and housing provident fund contributions or any penalty imposed; and (iii) our PRC Legal Advisers have advised that the risk of us receiving administrative penalty from the relevant government authorities for the unpaid social insurance and housing provident fund contributions is low, our Directors are of the view that the non-compliance with the laws and regulations relating to social insurance and housing provident fund contributions does not and will not have any material financial or operational impact on us.

INTERNAL CONTROL

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining our internal control system, covering areas such as corporate governance, operations, management, legal matters, finance and audit. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for the Listing, we engaged an internal control consultant to conduct an evaluation of our internal control system. Upon completion of the evaluation in early 2015, our internal control consultant identified a number of internal control deficiencies and weaknesses and provided us with suggestions and recommendations to improve and enhance our internal control system. We have taken corrective measures to address those deficiencies and weaknesses and implemented the suggestions and recommendations proposed by our internal control consultant.

To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the Listing Rules) after the Listing, and to avoid recurrence of the past non-compliance incidents disclosed in the paragraph "Non-compliance Matters" in this section, we have adopted the following additional internal control measures:

(1) our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;

(2) Mr. Tse Chung Shing, our chief financial officer, financial controller and company secretary, will be responsible for overseeing our internal control system in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory and financial reporting compliance, Mr. Tse will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. For further information about the experience of Mr. Tse, please refer to the section "Directors, Senior Management and Employees";

(3) we will appoint Guosen Securities (HK) Capital Company Limited as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the Listing Rules;

(4) we will provide training and updates on the legal and regulatory requirements applicable to our business operations to our Directors, members of senior management and relevant employees from time to time;

(5) with respect to our transfer pricing arrangements, we will (i) review our transfer pricing results from time to time; (ii) ensure timely completion of required transfer pricing compliance tasks including annual submission of disclosure forms and preparation of transfer pricing documentation; and (iii) provide updates on the laws and regulations relating to transfer pricing to our Directors, members of senior management and relevant employees;

(6) we have engaged a tax adviser who has subscribed to certain prescribed databases accredited by the relevant PRC tax authorities for conducting benchmarking study in relation to transfer pricing arrangements, performed a comparable search in consideration of different qualitative and quantitative factors from other independent companies which conducted transfer pricing arrangements in the PRC and established an arm's length profit range for reference. Based on our internal analysis of relevant documentation, the profit margins generated by our Group from cross-border intercompany transactions during the Track Record Period were within the industry profit margin ranges. Our transfer pricing activities were reviewed by our chief financial officer, general managers, finance managers and accountants, and we will compare the results from our transfer pricing activities with our target profit margin on a quarterly basis based on the above. Our finance staff will report to our chief financial officer for follow-up actions if there are any significant variances. To ensure timely completion of the transfer pricing tasks, our Group's tax adviser will assist us in preparing the PRC transfer pricing documentation and arranging internal meetings to discuss and review the necessary documents before submission to tax authorities;

(7) to ensure compliance with the relevant laws and regulations in relation to social insurance and housing provident fund contributions, (i) since June 2015, all new employment contracts have specified that our employees shall comply with the laws and regulations relating to social insurance and housing provident fund contributions; (ii) training materials have been circulated to the relevant personnel and administrative departments in our Group; (iii) our human resources department will obtain, on a monthly basis, a list of newly hired and resigned employees, maintain social insurance and housing provident fund data in the payroll calculation list, and update the information of our eligible employees on the social insurance and housing provident fund websites; (iv) payroll calculation sheets will be reviewed and approved by the payroll officer and general manager of our human resources department, focusing on the accuracy of payroll calculation and data relating to social insurance and housing provident fund contributions (including eligible range and payment amount); and (v) our payroll accountant will, on a monthly basis, check our compliance with social insurance and housing provident fund contributions;

(8) if necessary, we may consider appointing external tax advisers to advise us on matters relating to compliance with the applicable PRC laws and regulations in respect of transfer pricing arrangements;

(9) if necessary, we may consider appointing external PRC legal advisers to advise us on matters relating to compliance with the applicable PRC laws and regulations; and

(10) if necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

Our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to minimise risks of non-compliance and prevent future recurrence of the non-compliance incidents disclosed in the paragraph "Non-compliance Matters" in this section. Our Directors and the Joint Sponsors are of the view that the enhanced internal control measures adopted by us are adequate and effective. In addition, our Directors and the Joint Sponsors are of the view that the non-compliance incidents disclosed in the paragraph "Non-compliance Matters" in this section do not cast any doubt on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules, or our Company's suitability for listing under Rule 8.04 of the Listing Rules.

HEDGE

During the Track Record Period, a notable portion of our Group's revenue was derived from our export sales to the European Union and the United States and was primarily denominated in U.S. dollars, while our cost of sales was primarily denominated in Renminbi. Similar to many other manufacturing companies based in the PRC, in order to reduce the foreign exchange risk exposure of our Group, in particular the fluctuation in the currency exchange rate between U.S. dollars and Renminbi, we entered into certain foreign exchange hedge transactions during the Track Record Period. Please refer to the section "Financial Information — Description of Certain Items in Combined Balance Sheets — Derivative financial instruments" for details of the foreign exchange hedge transactions entered into by our Group during the Track Record Period and their effect on our financial performance.

Copper is one of the raw materials used in our production process. Please refer to the paragraph "Suppliers and Raw Materials" in this section for details of the costs of each of our major raw materials and its approximate percentage contribution to the costs of our raw materials during the Track Record Period. Since the price of copper might be volatile and susceptible to fluctuation, similar to many manufacturers which use copper as raw materials in the production process, we entered into commodity futures hedge transactions during the Track Record Period to reduce the risk exposure of our Group as a result of fluctuation in copper price. Please refer to the section "Financial Information — Description of Certain Items in Combined Balance Sheets — Derivative financial instruments" for details of the commodity futures contract transactions entered into by our Group during the Track Record Period and their effect on our financial performance. We do not intend to enter into any further commodity futures hedge transaction after Listing.

During the Track Record Period, we have entered into interest rate swap contracts with a licensed bank in Hong Kong which provided loans to our Group for the purpose of locking the interest rate that would be charged by the bank in respect of the loans at a specific level, irrespective of fluctuation in interest rate. We have compared the then prevailing market interest rates before entering into such interest rate swap contracts. Please refer to the section "Financial Information — Description of Certain Items in Combined Balance Sheets — Derivative financial instruments" for details of the interest rate swap transactions entered into by our Group during the Track Record Period. We do not intend to enter into any further interest rate swap transaction after Listing.

Foreign exchange hedge policy adopted by our Group during the Track Record Period

Our foreign exchange hedge activities were managed and overseen by a committee comprising Chairman Hung, our financial controller and the finance manager of our Hong Kong office ("**Committee**"). During the Track Record Period, the Committee assessed our hedge needs on a monthly basis, taking into account factors such as the foreign exchange rate movement, the estimated amount of sales receipts in U.S. dollars, the estimated amount of cost of sales in Renminbi, the then prevailing foreign exchange market condition and the recommendations from banks. The Committee would obtain relevant market information, analyse the pros and cons of various types of hedge instruments and determine the type, number, amount and stop-loss limit of the hedge instruments that our Group could consider to enter into. Our financial controller and/or our finance manager would obtain quotations from various banks and the Committee would consider the terms and conditions of each of such quotations and make a decision as to whether to enter into the relevant financial instruments. Our financial controller or our finance manager would negotiate with the relevant banks and we would execute the hedge agreements if we consider them to be beneficial to our business operations. Our finance department would prepare a summary report setting out the hedge agreements we had entered into, the expiry date of each of such agreements, the realised income or loss in that particular month and other relevant information. The Committee would, based on the summary report and taking into consideration the abovementioned factors, discuss and determine whether to engage in further hedge activities in the following month.

We believe that members of the Committee have sufficient experience in conducting foreign exchange hedge activities. Chairman Hung has been involved in the hedge activities of our Group for more than five years and is mainly responsible for assessing the prevailing foreign exchange market conditions and the needs of our Group to enter into foreign exchange hedge contracts. Our financial controller has been involved in the hedge activities of our Group since he joined us in December 2010 and is mainly responsible for assessing the prevailing foreign exchange market conditions and the needs of our Group to enter into foreign exchange hedge contracts, reviewing hedge agreements, and analysing the outcome of the hedge activities. The finance manager of our Hong Kong office, who is mainly responsible for overseeing the financial matters of our Hong Kong office, has been working in our Group for over 18 years and is familiar with our business operations and financial matters. She has been involved in the hedge activities of our Group for more than five years, and her involvement includes assessing the prevailing foreign exchange market conditions, reviewing hedge agreements, negotiating with banks in relation to the terms of the hedge agreements, and analysing the outcome of the hedge activities.

Our Directors confirmed that the foreign exchange hedge activities conducted by us during the Track Record Period were for hedge purpose and not for speculation. We ceased to enter into any new hedge transaction since September 2014 and we currently do not intend to enter into any hedge transaction.

Enhancement of our foreign exchange hedge policy

In order to better protect the interests of our Company and our Shareholders, our Board will enhance our foreign exchange hedge policy, whereby the Committee will assess our hedge needs by taking into consideration: (i) the then prevailing market conditions and exchange rate between Renminbi and U.S. dollars; (ii) the recent and expected trend of fluctuation of exchange rate between Renminbi and U.S. dollars over a certain prescribed period; (iii) the proportion of our revenue which will be denominated in U.S. dollars and our costs of sale which will be denominated in Renminbi; and (iv) the hedge ratio which is calculated by dividing the total hedge amount for all outstanding derivative financial instruments by the total amount of account receivables denominated in U.S. dollars and Hong

Kong dollars at a particular point in time. If, after taking into consideration the abovementioned factors and provided that the hedge ratio does not exceed the cap set by our Board (which is currently at 60%), the Committee considers it necessary and appropriate to enter into hedge transactions, we will, in compliance with the foreign exchange hedge policy adopted by our Group during the Track Record Period, enter into derivative financial instruments which our Group had previously entered into (i.e. structured currency forward contracts and target redemption currency forward contracts) with a maximum duration of 24 months.

In addition, the Risk Management Committee will be established prior to the Listing. The Risk Management Committee will be chaired by Mr. Chu Yat Pang Terry, our Independent Non-executive Director, and comprise our other Independent Non-executive Directors, namely Mr. Lam Cheung Chuen and Mr. Lee Kwan Hung, as well as our Executive Director, Mr. Hung Kwong Yee. The Risk Management Committee will meet twice a year to (i) review the Committee's decision on entering into hedge arrangements; (ii) review the effectiveness of our hedge policy; and (iii) provide recommendations to our Board on improving our hedge policy, where appropriate and if necessary. The Risk Management Committee may, at the costs of our Company, engage independent professional parties on foreign exchange hedge activities to provide recommendations to it.

Effectiveness of our foreign exchange hedge policy

Our Directors have taken into consideration the following factors in assessing the effectiveness of the foreign exchange hedge policy adopted by our Group:

(i) reviewed the foreign exchange hedge policy adopted by our Group during the Track Record Period ("**Original Policy**");

(ii) reviewed the summary reports prepared by our finance department relating to the details of the relevant financial instruments and discussed with the Committee factors that it would take into consideration when deciding whether to enter into a financial instrument;

(iii) discussed with our Company's internal control advisers ("**Internal Control Advisers**") and understood their recommendations on the Original Policy;

(iv) formulated the enhanced foreign exchange hedge policy ("**Enhanced Policy**") according to the Internal Control Advisers' recommendations; and

(v) engaged the Internal Control Advisers to perform a review over the Enhanced Policy to be adopted by our Company upon Listing.

Based on the above assessment, our Directors are of the view that the Original Policy and the Enhanced Policy are effective.

The Joint Sponsors have taken into consideration the following factors in assessing the effectiveness of the foreign exchange hedge policy adopted by our Group:

(i) reviewed the Original Policy and discussed it with our management;

(ii) conducted sample checks on the implementation of the Original Policy by (a) reviewing the quotations from various banks obtained by our financial controller and/or finance manager; (b) reviewing the minutes of the Committee in deciding whether to enter into the relevant financial instruments; (c) reviewing the summary reports prepared by the finance department relating to the details of the relevant financial instruments; and (d) discussing with the Committee factors that it would take into consideration when deciding whether to enter into a financial instrument;

(iii) reviewed various financial data including (a) our annual forecast relating to the cost of sales to be paid in Renminbi and revenue to be received in U.S. dollars; (b) our actual cost of sales paid in Renminbi and revenue received in U.S. dollars; (c) the settlement amount of Renminbi against U.S. dollars; and (d) the foreign exchange rate between Renminbi and U.S. dollars from the commencement to the end of each financial year during the Track Record Period;

(iv) discussed with our Directors their views on the effectiveness of the Original Policy and the Enhanced Policy;

(v) discussed with the Internal Control Advisers and understood their recommendations on the Original Policy;

(vi) reviewed the Enhanced Policy prepared by us and discussed with our management and the Internal Control Advisers the scope of the Enhanced Policy;

(vii) reviewed the scope of work performed by the Internal Control Advisers relating to the Original Policy and the Enhanced Policy; and

(viii) based on the review work performed by the Internal Control Advisers (including discussion with our management and reviewing the Original Policy, the Enhanced Policy and selected walk-through documents), the Internal Control Advisers did not have any further recommendations on the Enhanced Policy.

Based on the discussion and/or confirmation from our Directors and the Internal Control Advisers, and results of the above due diligence works, the Joint Sponsors are of the view that the Original Policy and the Enhanced Policy are effective.

Commodity futures hedge policy adopted by our Group during the Track Record Period

Our commodity futures hedge activities were also managed and overseen by the Committee. During the Track Record Period, the Committee reviewed the projected annual production plan and estimated the amount of copper that would be used as raw materials in that particular year. The Committee then assessed our hedge needs on a quarterly basis, taking into account factors such as copper price movement, the then prevailing copper price and market condition and recommendations from banks. The Committee would obtain relevant market information, analyse the pros and cons of various types of copper futures contracts and determine the type, number, amount and stop-loss limit of the copper futures contracts that our Group would consider to enter into. Our financial controller and/or our finance manager would obtain quotations from various banks and the Committee would consider the terms and conditions of each of such quotations and make a decision as to whether to enter into the relevant copper futures contracts. Our financial controller or our finance manager would then negotiate with the relevant banks and we would execute the copper futures contracts if we consider them to be beneficial to our business operations. Our finance department would prepare a summary report setting out the copper futures contracts we have entered into, the expiry date of each of such contracts, the realised income or loss in that particular period and other relevant information. The Committee would, based on the summary report and taking into consideration of the abovementioned factors, discuss and determine whether to engage in further copper hedge transactions in the following periods.

We believe that members of the Committee are experienced in conducting commodity futures hedge activities. Our Directors confirmed that the commodity futures hedge transactions conducted by us during the Track Record Period were for hedge purpose and not for speculation. We ceased to enter into any new copper futures contract since March 2014, given that the percentage contribution of copper to our costs of raw materials was relatively low (i.e. less than 6%) and the price of copper was at a decreasing trend during the Track Record Period.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), Chairman Hung, Even Joy, TinYing Holdings and TinYing Investments will be regarded as our Controlling Shareholders under the Listing Rules. In addition, as Mr. S.T. Hung is a director of TinYing Holdings, he will be deemed as one of our Controlling Shareholders. Please refer to the section "History, Development and Reorganisation" for further details of the shareholding structure among our Controlling Shareholders.

Apart from our business relating to the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use, Chairman Hung and Mr. G.D. Hong, our Executive Directors, are currently operating other businesses such as property holding, printing of tags and labels, operation of electrical automobiles, manufacturing and sales of DC cables, copper wires, LED lightings, photovoltaic inverter and processing of high-frequency transformers (the "**Excluded Businesses**"). Given the different nature of our business and the Excluded Businesses, in order to focus on business of switching power supply units for consumer products and smart chargers and controllers for industrial use, and in line with our strategic direction and development plan, the Excluded Businesses will not form part of our Group after Listing.

None of our Controlling Shareholders nor their respective associates has any interest in a business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. In addition, our Controlling Shareholders have given a non-competition undertaking in favour of our Company. For details, please refer to the paragraph "Non-Competition Undertakings by Controlling Shareholders" in this section below.

DELINEATION OF BUSINESS

Our Directors are of the view that there is a clear delineation between the Excluded Businesses and our business, as a result of which none of the Excluded Businesses would compete, or is expected to compete, directly or indirectly, with our core business. None of the companies which are excluded from our Group (the "**Excluded Group**") are engaged in any business relating to the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use that competes or may compete with us. The Excluded Businesses were not included into our Group as our Directors are of the view that such businesses neither form part of our core business nor are in line with our strategy to strengthen our market position in the switching power supply unit manufacturing industry in the PRC.

Our Group is principally engaged in the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use, whereas the Excluded Businesses comprise principally of property holding, printing of tags and labels, operation of electrical automobiles, manufacturing and sales of DC cables, copper wires, LED lightings, photovoltaic inverter and processing of high-frequency transformers. Given the different nature of our business and the Excluded Businesses, our Directors do not expect there to be any overlap or competition of the Excluded Businesses and our business after the Listing.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders entered into the Deed of Non-competition with our Company pursuant to which each of our Controlling Shareholders has, among other things, irrevocably and unconditionally undertaken with our Company that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall not and shall procure that its associates (other than members of our Group) and members of the Excluded Group not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its 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 our Group (the "**Restricted Businesses**").

For the above purpose, the "**Relevant Period**" means the period commencing from the date of the Deed of Non-competition and shall expire on the earlier of (i) the date on which our Controlling Shareholders (together with their respective associates), whether directly or indirectly, jointly or severally, cease to be our Controlling Shareholders; and (ii) the date on which the Shares cease to be listed on the Stock Exchange.

The aforesaid undertaking does not apply with respect to our Controlling Shareholders' holding of or being interested in, directly or indirectly, any shares in any company which conducts or is engaged in, directly or indirectly, any business in competition with or likely to be in competition with the existing business carried on by our Group, provided that:

(a) such shares are listed on a recognised stock exchange;

(b) the total number of such shares held by any of our Controlling Shareholders and/or their respective associates does not amount to more than 10% of the issued shares of that class of such company in question; and

(c) any Restricted Businesses conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets (individually or collectively with their respective associates) as shown in that company's latest audited accounts.

New business opportunity

Each of our Controlling Shareholders further undertakes, if any new business opportunity relating to the Restricted Business arises (the "**Business Opportunity**"):

(i) our Controlling Shareholders shall direct to our Company any such Business Opportunity by serving to our Company a written notice;

(ii) such written notice shall include all information and documents possessed by it or its associates in respect of the Business Opportunity to enable our Company to evaluate the merit of the Business Opportunity and all reasonable assistance as requested by our Company to enable our Group to secure the Business Opportunity; and

(iii) our Controlling Shareholders shall not pursue the Business Opportunity unless and until our Board resolves (with the supportive votes of a majority of Independent Non-executive Directors) that our Group shall not pursue such Business Opportunity or our Company does not proceed with the acquisition of the Business Opportunity within one month from the date of the written notice.

Upon receipt of the written notice from our Controlling Shareholders, our Group will consider whether it is in the interest of our Company and our Shareholders as a whole to pursue the Business Opportunity. For the avoidance of doubt, our Controlling Shareholders and their associates (other than our Group) will not be entitled to pursue the Business Opportunity unless the Business Opportunity is declined by our Group.

In addition, it is further provided in the Deed of Non-competition that if there is any disagreement between our Controlling Shareholders and our Company as to whether any Business Opportunity shall directly or indirectly compete or lead to competition with the Restricted Businesses, the matter shall be determined by our Independent Non-executive Directors whose decision shall be final and binding.

Option and right of first refusal

Our Controlling Shareholders have granted our Company an option, as part of the Deed of Non-competition, to acquire the whole or part of their interests in any Restricted Business held directly or indirectly by our Controlling Shareholders and the business arising from the Business Opportunity above not taken up or deemed to be not taken up by our Company at any time subject to the Exercise Conditions (as defined below) (the "**Option**"). The price at which the Option will be exercised shall be negotiated and agreed at arm's length between our Company and our Controlling Shareholders at the time of exercise. If our Controlling Shareholders and our Company fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price.

Our Controlling Shareholders have granted our Company a right of first refusal (the "**Right of First Refusal**"), as part of the Deed of Non-competition and subject to the Exercise Conditions (as defined below), in the event that any one of our Controlling Shareholders or any of their associates wishes to sell the whole or any part of its interest in any Restricted Businesses owned by it or the business arising from the Business Opportunity above not taken up or deemed to be not taken by our Company (the "**Opportunity for Sale**").

Each of our Controlling Shareholders shall serve our Company a written notice which include the terms and conditions of and the information and documents necessary in respect of the Opportunity for Sale to enable our Company to evaluate the merit of the Opportunity for Sale (the "**Transfer Notice**").

Subject to the Exercise Conditions (as defined below), our Company shall serve each of our Controlling Shareholders and where applicable any of its associates a written notice stating whether it will acquire the Opportunity for Sale on the terms and conditions set out in the Transfer Notice within one month thereof.

In the event that following the Exercise Conditions, our Company serves the written notice stating that our Group shall not acquire the Opportunity for Sale on the terms and conditions set out in the Transfer Notice or our Company does not proceed with the acquisition of the Opportunity for Sale within one month from the date of the Transfer Notice, each of our Controlling Shareholders or the relevant associates shall be entitled to transfer the Opportunity for Sale to third parties provided that the terms and conditions of the transfer shall be the same as or no more favourable than those set out in the Transfer Notice.

Decisions as to whether to exercise the Option or the Right of First Refusal shall be subject to our Independent Non-executive Directors and the independent Shareholders (if required) approving the acquisition. In addition, our Company should appoint an independent financial advisor to review the terms of the acquisition of the interests in any Restricted Business and provide a letter of advice to the independent board committee of our Company and the independent Shareholders (if required) (collectively, the "**Exercise Conditions**").

Indemnity

Each of our Controlling Shareholders jointly and severally undertakes to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Company or any other member of our Group arising out of or in connection with any breach of its undertakings and/or obligations under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach provided that the indemnity contained in the Deed of Non-competition shall be without prejudice to any other rights and remedies our Company is entitled to in relation to any such breach, including specific performance, and all such other things and remedies are hereby expressly reserved by our Company.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of the Shareholders:

(a) our Independent Non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-competition undertakings by our Controlling Shareholders;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our Independent Non-executive Directors and the enforcement of the Deed of Non-competition;

(c) our Company will disclose decisions on matters reviewed by our Independent Non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company;

(d) our Controlling Shareholders will provide confirmation on compliance pursuant to their undertaking under the Deed of Non-competition in the annual report of our Company;

(e) our Independent Non-executive Directors are empowered to engage professional advisors at our costs for advices on matters relating to any Business Opportunity or if and when they think necessary in the course of considering connected transactions or reviewing the compliance with the Deed of Non-competition;

(f) our Company will disclose in an announcement and its interim and annual reports on decision, with basis, of our Independent Non-executive Directors to pursue or decline the Business Opportunity;

(g) our Board will ensure that any material conflict or material potential conflict of interests involving our Controlling Shareholders will be reported to our Independent Non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities. The conflicted Directors shall be required to absent from participation in the board meetings on which resolutions with material potential conflicts of interest are discussed;

(h) our Company has appointed Guosen Securities (HK) Capital Company Limited as its compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and internal control; and

(i) our Company will observe any transaction that is proposed between our Group and its connected persons, and will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements of those rules.

The Joint Sponsors have reviewed the above corporate governance measures adopted by us. Based on the Joint Sponsors' best knowledge, information and belief, the above corporate governance measures, when adopted, will be adequate and effective from an operational point of view to minimise conflicts of interest between our Group and our Controlling Shareholders and as well as the Excluded Group.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective associates upon completion of the Global Offering:

Delineation of business and non-competition

None of our Controlling Shareholders nor their respective associates has any interest in a business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. In addition, our Controlling Shareholders have given a non-competition undertaking in favour of our Company. For details, please refer to the paragraph "Non-Competition Undertakings By Controlling Shareholders" in this section above.

Management independence

Our Board comprises three Executive Directors and three Independent Non-executive Directors. Our Independent Non-executive Directors will not participate in our daily operations. Each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit and in the best interest of our Company and must not allow any conflict between his duties as a Director and his personal interest. If there is any potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Director shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Chairman Hung is a director of our Company as well as a director of Even Joy, TinYing Holdings and TinYing Investments, which are our corporate Controlling Shareholders. Mr. S.T. Hung is a director of our Company as well as a director of TinYing Holdings, which is one of our corporate Controlling Shareholders. Since Even Joy, TinYing Holdings and TinYing Investments have no business other than holding their shareholding interests in our Company, our Directors do not consider that there is any issue in relation to management independence arising from the overlapping of directors between our Company and Even Joy, TinYing Holdings and TinYing Investments.

Having considered the above factors as well as the non-competition undertakings made by our Controlling Shareholders in favour of our Company as mentioned in the paragraph "Non-Competition Undertakings by Controlling Shareholders" above, our Directors are satisfied that they are able to perform their roles in our Company independently from our Controlling Shareholders and are of the view that they are capable of managing the business of our Company independently from our Controlling Shareholders after the Listing.

Operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Board has full rights to make all decisions on, and to carry out, its own business operations independently.

Our Group has different nature of business from the Excluded Group. Please refer to the paragraph "Delineation of Business" in this section for details of the principal businesses of our Group and the Excluded Group.

Our Company has its own management team, of which most members are independent of our Controlling Shareholders and the management team of the Excluded Group. Moreover, our Company (through its subsidiaries) holds all relevant licences necessary to carry on its businesses, and has sufficient capital, equipment and employees to operate its business independently from our Controlling Shareholders.

Our Group has independent access to sources of customers and suppliers, and the major customers and suppliers portfolio of our Group is different from the Excluded Group. Our Group has also established a set of internal control procedures which facilitate the effective operation of our Group's business. Our Controlling Shareholders had not shared any common facilities or resources during the Track Record Period and up to the Latest Practicable Date.

Although we have entered into certain transactions which will constitute continuing connected transactions upon Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. Please refer to the section "Connected Transactions" for details of the connected transactions that will continue upon Listing.

(a) Leasing of properties from the Excluded Group

We will continue to lease office premises, production facilities and staff quarters from the Excluded Group for the three years ending 31 December 2015, 2016 and 2017. Please refer to the section "Connected Transactions — Non-exempt Continuing Connected Transactions — (1) Continuing connected transactions which are subject to the reporting and announcement requirements — (A) Leasing of properties from the associates of Chairman Hung" for further details.

The aggregate amount of rent paid to the Excluded Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 amounted to approximately HK$1,100,000, HK$1,539,000, HK$1,851,000 and HK$1,045,000, respectively, representing approximately 0.1%, 0.1%, 0.1% and 0.1% of the total cost of sales of our Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively.

We estimate that the aggregate amount of rent to be paid to the Excluded Group for the three years ending 31 December 2015, 2016 and 2017 will not exceed HK$7,602,475, HK$7,602,475 and HK$7,602,475, respectively, representing approximately 0.4%, 0.4% and 0.4% of the forecasted cost of sales of our Group for the three years ending 31 December 2015, 2016 and 2017, respectively.

Given that (i) the rental payable under the tenancy agreements is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates; and (ii) the rental under tenancy agreements is fair and reasonable, and comparable to the prevailing market rents for similar properties in the vicinity as confirmed by an independent property valuer, we believe that it would be in our interest to continue leasing from the Excluded Group.

As we have independent access to other lessors, and the office premises, production facilities and staff quarters leased from the Excluded Group are generally and widely available in the market at comparable market prices, we do not consider that such leases from the Excluded Group are of such materiality which will affect our ability to conduct our business independently of the Excluded Group upon Listing.

(b) Purchase of tags and labels from Hui He Printing

We will continue to purchase from Hui He Printing tags and labels, which are applied on the packaging and plastic cases of our products, for the two years ending 31 December 2015 and 2016 as the production cost of tags and labels of Hui He Printing is generally lower than that of our Group in the short term given the larger scale and the longer operating history in tags and labels production of Hui He Printing as we have only commenced manufacturing tags and labels internally since January 2015. Further, we expect our Group will achieve cost efficiency over time and benefit from the economies of scale from our internal production of tags and labels. Beforehand, purchasing from Hui He Printing will provide flexibility to our operation in this transition period, hence we intend to cease purchasing from Hui He Printing and manufacture all tags and labels internally starting from 2017. Please refer to the section "Connected Transactions — Non-exempt Continuing Connected Transactions — (1) Continuing connected transactions which are subject to the reporting and announcement requirements — (B) Purchase of tags and labels from Hui He Printing" for further details.

Our purchases of tags and labels from Hui He Printing for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 amounted to approximately HK$9,233,000, HK$9,407,000, HK$14,107,000 and HK$1,291,000, respectively, representing approximately 0.8%, 0.7%, 0.9% and 0.2% of the total cost of sales of our Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively.

We estimate that the maximum amount of our purchases of tags and labels from Hui He Printing for the two years ending 31 December 2015 and 2016 will not exceed HK$4,500,000 and HK$4,500,000, respectively, representing approximately 0.3% and 0.3% of the forecasted cost of sales of our Group for the two years ending 31 December 2015 and 2016, respectively.

Given, among others, the competitive prices offered by Hui He Printing for its tags and labels, and the stable and reliable supply of the tags and labels provided by Hui He Printing, we believe that it would be in our interest to continue purchasing tags and labels from Hui He Printing and maintain a broader supplier and supplies base.

As we have independent access to other tags and labels suppliers, and the tags and labels supplied by Hui He Printing are generally and widely available in the market at comparable market prices, we do not consider that such purchases of tags and labels from Hui He Printing are of such materiality which will affect our ability to conduct our business independently of Hui He Printing upon Listing.

(c) Processing of high-frequency transformers by Tiandong Ten Pao Electric Company Limited (田東天寶電子有限責任公司)*

We will continue to receive processing services of high-frequency transformers, one of the key components used in the production of switching power supply units for consumer products and smart chargers and controllers for industrial use, from Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) for the two years ending 31 December 2015 and 2016. However, we intend to cease receiving processing services from Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司), whose only customer is our Group, and manufacture all high-frequency transformers internally starting from 2017. Please refer to the section "Connected Transactions — Non-exempt Continuing Connected Transactions — (1) Continuing connected transactions which are subject to the reporting and announcement requirements — (C) Processing of high-frequency transformers by Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司)" for further details.

Our purchases of high-frequency transformers processing services from Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 amounted to approximately HK$8,552,000, HK$7,767,000, HK$6,901,000 and HK$3,779,000, respectively, representing approximately 0.7%, 0.5%, 0.4% and 0.5% of the total cost of sales of our Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively.

We estimate that the maximum amount of our purchases of high-frequency transformers processing services from Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) for the two years ending 31 December 2015 and 2016 will not exceed HK$5,000,000 and HK$4,500,000, respectively, representing approximately 0.3% and 0.2% of the forecasted cost of sales of our Group for the two years ending 31 December 2015 and 2016, respectively.

Given, among others, the competitive prices offered by Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) for its processing services, and the stable and reliable supply of the high-frequency transformers processing services provided by Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司), we believe that it would be in our interest to continue receiving processing services provided by Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) and maintain a broader service supplier and supplies base.

Furthermore, our production base in Hanzhong only commenced the production of high-frequency transformers in the first half of 2015 and is still in its introductory stage. When our Hanzhong production base scales up its production of high-frequency transformers which enables us to further enjoy the benefit from economies of scale, we expect that our transactions with Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) will scale down gradually and we intend to cease having transactions with Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) in 2017 when our production base in Hanzhong is expected to become mature in order to reduce our Group's reliance on our Controlling Shareholders. We estimate a decrease of 10% in the maximum amount of processing service fee for the two years ending 31 December 2015 and 2016 as the expansion of the scale of our production base in Hanzhong will satisfy an increasing portion of our demand on high-frequency transformers, and hence reduce our possible reliance on Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司).

As (i) we have been producing high-frequency transformers at our production base in Hanzhong, whose production scale will increase gradually, (ii) we have independent access to other high-frequency transformers processing service providers, and (iii) the processing services provided by Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) are generally and widely available in the market at comparable market prices, we do not consider that the provision of processing services by Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) is of such materiality which will affect our ability to conduct our business independently of Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) upon Listing.

(d) Purchase of DC cables and copper wires from the Excluded Group

We will continue to purchase from the Excluded Group DC cables and copper wires used in our products, for the three years ending 31 December 2015, 2016 and 2017. Please refer to the sections "Connected Transactions — Non-exempt Continuing Connected Transactions — (1) Continuing connected transactions which are subject to the reporting and announcement requirements — (D) Purchase of DC cables and copper wires from Huizhou Xinyang Cables Co., Limited* (惠州市鑫洋線材有限公司)" and "Connected Transactions — Non-exempt Continuing Connected Transactions — (2) Continuing connected transactions which are subject to the reporting, announcement, and shareholders' approval requirements — Purchase of DC cables and copper wires from Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司)" for further details.

Our purchases of DC cables and copper wires from the Excluded Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 amounted to approximately HK$105,286,000, HK$96,382,000, HK$101,877,000 and HK$39,745,000, respectively, representing approximately 8.6%, 6.8%, 6.4% and 5.0% of the total cost of sales of our Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively.

We estimate that the maximum amount of our purchases of DC cables and copper wires from the Excluded Group for the three years ending 31 December 2015, 2016 and 2017 will not exceed HK$111,050,000, HK$121,040,000 and HK$131,940,000, respectively, representing approximately 6.3%, 6.3% and 6.2% of the forecasted cost of sales of our Group for the three years ending 31 December 2015, 2016 and 2017, respectively.

Given, among others, the competitive prices offered by the Excluded Group, and the stable and reliable supply of the DC cables and copper wires provided by the Excluded Group, we believe that it would be in our interest to continue purchasing DC cables and copper wires from the Excluded Group and maintain a broader supplier and supplies base. Our Group is a major customer of Huizhou Xinyang Cables Co., Limited* (惠州市鑫洋線材有限公司) and Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司), representing approximately 39% and 27% of the total sales of the aforesaid companies for the year ended 31 December 2014, respectively.

As we have independent access to other DC cables and copper wires suppliers, and the DC cables and copper wires supplied by the Excluded Group are generally and widely available in the market at comparable market prices, we do not consider that such purchases of DC cables and copper wires from the Excluded Group are of such materiality which will affect our ability to conduct our business independently of the Excluded Group upon Listing.

Summary of transactions

The following table sets out the amount of the above transactions and the respective percentage of total cost of sales during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	Transaction amount	Percentage of total cost of sales	Transaction amount	Percentage of total cost of sales	Transaction amount	Percentage of total cost of sales	Transaction amount	Percentage of total cost of sales
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Leasing of properties from the Excluded Group	1,100	0.1	1,539	0.1	1,851	0.1	1,045	0.1
Purchase of tags and labels from Hui He Printing	9,233	0.8	9,407	0.7	14,107	0.9	1,291	0.2
Processing of high-frequency transformers by Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司)	8,552	0.7	7,767	0.5	6,901	0.4	3,779	0.5
Purchase of DC cables and copper wires from the Excluded Group	105,286	8.6	96,382	6.8	101,877	6.4	39,745	5.0
Total	124,171	10.2	115,095	8.1	124,736	7.8	45,860	5.8

The following table sets out the estimated maximum amount of the above transactions and the respective percentage of forecasted cost of sales for the three years ending 31 December 2015, 2016 and 2017:

	For the year ending 31 December					
	2015		2016		2017	
	Estimated maximum transaction amount	Percentage of forecasted cost of sales	Estimated maximum transaction amount	Percentage of forecasted cost of sales	Estimated maximum transaction amount	Percentage of forecasted cost of sales
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Leasing of properties from the Excluded Group	7,602	0.4	7,602	0.4	7,602	0.4
Purchase of tags and labels from Hui He Printing	4,500	0.3	4,500	0.3	N/A	N/A
Processing of high-frequency transformers by Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司)	5,000	0.3	4,500	0.2	N/A	N/A
Purchase of DC cables and copper wires from the Excluded Group	111,050	6.3	121,040	6.3	131,940	6.2
Total	128,152	7.3	137,642	7.2	139,542	6.6

Note: We intend to cease purchasing from Hui He Printing and receiving processing services from Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) starting from 2017.

Save as those disclosed in the section "Connected Transactions", our Directors currently do not expect that following the Listing, there will be other connected transactions between our Company and our Controlling Shareholders and their respective associates. Our Directors confirm that we will fully comply with Chapter 14A of the Listing Rules if any other connected transaction arises in the future.

Financial independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and the ability to operate independently from our Controlling Shareholders from a financial perspective.

Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Having considered the above reasons, our Directors are of the view that our Group is capable of carrying on its business independently of our Controlling Shareholders (including any associate thereof) after the Listing.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Leasing of properties to Huizhou Tiannengyuan

Background

Huizhou Tiannengyuan entered into a tenancy agreement with Ten Pao Electronic (Huizhou) on 23 October 2015 ("**Huizhou Tiannengyuan Tenancy Agreement**"), pursuant to which Ten Pao Electronic (Huizhou) as lessor agreed to lease its owned properties in the PRC to Huizhou Tiannengyuan, subject to the terms and conditions of the Huizhou Tiannengyuan Tenancy Agreement.

Below sets out the summary of the terms of the Huizhou Tiannengyuan Tenancy Agreement:

Location	:	Dongjiang Industrial Zone, Shuikou Town, Huicheng District, Huizhou City (惠州市惠城區水口鎮東江工業區)
Lessor	:	Ten Pao Electronic (Huizhou)
Lessee	:	Huizhou Tiannengyuan
Monthly rental	:	RMB10,000 (equivalent to approximately HK$12,682)
Term	:	Listing Date to 31 December 2017
Usage	:	Production facilities

Historical transaction amounts

Ten Pao Electronic (Huizhou) started leasing the aforesaid properties to Huizhou Tiannengyuan in 2014 and the amount of rent for the year ended 31 December 2014 and the six months ended 30 June 2015 was HK$121,000 and HK$61,000, respectively.

Annual caps and basis

With reference to (i) the historical rent paid of HK$121,000 for the year ended 31 December 2014; (ii) the market rent; and (iii) the exchange rate movement of RMB and HKD during the lease term, the aggregate amount of rent receivable from Huizhou Tiannengyuan for each of the three years ending 31 December 2015, 2016 and 2017 will not exceed RMB120,000 (equivalent to approximately HK$152,190). The rental receivable under the Huizhou Tiannengyuan Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates. We have consulted an independent property valuer and confirm that the rental under the Huizhou Tiannengyuan Tenancy Agreement is fair and reasonable, and comparable to the prevailing market rents for similar properties in the vicinity.

Implications under the Listing Rules

Since the entire equity interest in Huizhou Tiannengyuan is held by Ten Sources Solar, which is indirectly wholly-owned by Chairman Hung, an Executive Director and a Controlling Shareholder, Huizhou Tiannengyuan will be a connected person of our Company upon Listing and the leasing of properties pursuant to the Huizhou Tiannengyuan Tenancy Agreement will constitute continuing connected transactions for our Company upon Listing.

Given that each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated under the Huizhou Tiannengyuan Tenancy Agreement, where applicable, calculated by reference to Rule 14.07 of the Listing Rules, is expected to be less than 5% and the annual consideration is less than HK$3 million, the transactions contemplated under the Huizhou Tiannengyuan Tenancy Agreement fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Confirmations of our Directors

Our Directors (including our Independent Non-executive Directors) consider that the Huizhou Tiannengyuan Tenancy Agreement had been entered into on arm's length basis and in the ordinary and usual course of business, and that the transactions contemplated under the Huizhou Tiannengyuan Tenancy Agreement and the annual caps are on normal commercial terms, fair and reasonable and in the interests of our Group and our Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

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

Background

Sky Fortune Enterprises Limited

Sky Fortune Enterprises Limited entered into a tenancy agreement with Ten Pao International on 23 October 2015 ("**Sky Fortune Tenancy Agreement**"), pursuant to which Sky Fortune Enterprises Limited as lessor agreed to lease its owned properties in Hong Kong to Ten Pao International, subject to the terms and conditions of the Sky Fortune Tenancy Agreement.

Below sets out the summary of the terms of the Sky Fortune Tenancy Agreement:

Location	:	Room 610-11, 6/F, Kwong Sang Hong Centre, No.151-153 Hoi Bun Road, Kwun Tong
Lessor	:	Sky Fortune Enterprises Limited
Lessee	:	Ten Pao International
Monthly rental	:	HK$40,000
Term	:	23 October 2015 to 31 December 2017
Usage	:	Office premises

Huizhou Golden Ocean Magnet Wire Factory

Huizhou Golden Ocean Magnet Wire Factory entered into a tenancy agreement with Jinhu Industrial on 23 October 2015 ("**Golden Ocean Tenancy Agreement**"), pursuant to which Huizhou Golden Ocean Magnet Wire Factory as lessor agreed to lease its owned properties in the PRC to Jinhu Industrial, subject to the terms and conditions of the Golden Ocean Tenancy Agreement.

Below sets out the summary of the terms of the Golden Ocean Tenancy Agreement:

Location	:	Yongguang Industrial Zone, Xikeng Village, Huihuang Street Office, Huizhou City (惠州市惠環街道辦事處西坑村永光工業區)
Lessor	:	Huizhou Golden Ocean Magnet Wire Factory
Lessee	:	Jinhu Industrial
Monthly rental	:	RMB138,000 (equivalent to approximately HK$175,018)
Term	:	Listing Date to 31 December 2017
Usage	:	Production facilities and staff quarters

Tiannengyuan Charging

Tiannengyuan Charging entered into a tenancy agreement with Ten Pao Electronic (Huizhou) on 23 November 2015 ("**Tiannengyuan Charging Tenancy Agreement**"), pursuant to which Tiannengyuan Charging as lessor agreed to lease its owned properties in the PRC to Ten Pao Electronic (Huizhou), subject to the terms and conditions of the Tiannengyuan Charging Tenancy Agreement and the completion of the acquisition of such properties by Tiannengyuan Charging by the end of 2015.

Below sets out the summary of the terms of the Tiannengyuan Charging Tenancy Agreement:

Location	:	Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City (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	:	Ten Pao Electronic (Huizhou)
Monthly rental	:	RMB300,000 (equivalent to approximately HK$380,474)
Term	:	Completion date of the acquisition of the properties to 31 December 2017
Usage	:	Production facilities and staff quarters

Historical transaction amounts

Sky Fortune Enterprises Limited

The aggregate amount of rent paid to Sky Fortune Enterprises Limited by Ten Pao Industrial for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 was HK$192,000, HK$192,000, HK$192,000 and HK$144,000, respectively.

Huizhou Golden Ocean Magnet Wire Factory

The aggregate amount of rent paid to Huizhou Golden Ocean Magnet Wire Factory by Jinhu Industrial for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 was HK$908,000, HK$1,347,000, HK$1,659,000 and HK$901,000, respectively.

Tiannengyuan Charging

Tiannengyuan Charging is expected to complete the acquisition of the aforesaid properties and commence leasing them to Ten Pao Electronic (Huizhou) by the end of 2015. There was no rent paid by Ten Pao Electronic (Huizhou) to Tiannengyuan Charging during the Track Record Period.

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 paid to the associates of Chairman Hung as mentioned above by the Group for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 was HK$1,100,000, HK$1,539,000, HK$1,851,000 and HK$1,045,000, respectively.

Annual caps and basis

Sky Fortune Enterprises Limited

With reference to (i) the historical rent paid of HK$192,000, HK$192,000 and HK$192,000 for the three years ended 31 December 2012, 2013 and 2014, respectively; and (ii) the market rent, our Directors have considered the aggregate amount of rent payable by Ten Pao International to Sky Fortune Enterprises Limited for each of the three years ending 31 December 2015, 2016 and 2017 will not exceed HK$480,000, HK$480,000 and HK$480,000, respectively. The rental payable under the Sky Fortune Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates. We have consulted an independent property valuer and confirm that the rental under the Sky Fortune Tenancy Agreement is fair and reasonable, and comparable to the prevailing market rents for similar properties in the vicinity.

Huizhou Golden Ocean Magnet Wire Factory

With reference to (i) the historical increase of rent of approximately 48.3% from HK$908,000 for the year ended 31 December 2012 to HK$1,347,000 for the year ended 31 December 2013, and the historical increase of rent of approximately 23.2% from HK$1,347,000 for the year ended 31 December 2013 to HK$1,659,000 for the year ended 31 December 2014; (ii) the market rent; and (iii) the exchange rate movement of RMB and HKD during the lease term, our Directors have considered the aggregate amount of rent payable by Jinhu Industrial to Huizhou Golden Ocean Magnet Wire Factory for each of the three years ending 31 December 2015, 2016 and 2017 will not exceed RMB1,656,000 (equivalent to approximately HK$2,100,217). The rental payable under the Golden Ocean Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates. We have consulted an independent property valuer and confirm that the rental under the Golden Ocean Tenancy Agreement is fair and reasonable, and comparable to the prevailing market rents for similar properties in the vicinity.

Tiannengyuan Charging

With reference to (i) the market rent; and (ii) the exchange rate movement of RMB and HKD during the lease term, the aggregate amount of rent payable by Ten Pao Electronic (Huizhou) to Tiannengyuan Charging for each of the three years ending 31 December 2015, 2016 and 2017 will not exceed RMB3,600,000 (equivalent to approximately HK$4,565,689), and in light of (ii) above, the proposed annual caps will not exceed HK$5,022,258. The rental payable under the Tiannengyuan Charging Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates. We have consulted an independent property valuer and confirm that the rental under the Tiannengyuan Charging Tenancy Agreement is fair and reasonable, and comparable to the prevailing market rents for similar properties in the vicinity.

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 rent payable to the associates of Chairman Hung as mentioned above by our Group for each of the three years ending 31 December 2015, 2016 and 2017 will not exceed HK$7,602,475, HK$7,602,475, and HK$7,602,475.

Implications under the Listing Rules

Sky Fortune Enterprises Limited

Since approximately 96.67% and 3.33% of the issued share capital of Sky Fortune Enterprises Limited are held by Chairman Hung, an Executive Director and a Controlling Shareholder, and Mrs. Hung, the spouse of Chairman Hung, respectively, Sky Fortune Enterprises Limited will be an associate of Chairman Hung and a connected person of our Company upon Listing and the leasing of properties pursuant to the Sky Fortune Tenancy Agreement will constitute continuing connected transactions for our Company upon Listing.

Huizhou Golden Ocean Magnet Wire Factory

Huizhou Golden Ocean Magnet Wire Factory is a factory engaged in the operation of imported material processing. As advised by our PRC Legal Advisers, Huizhou Golden Ocean Magnet Wire Factory operates in the form of the cooperative arrangement between Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司) and Huiyang City Chenjiang Industrial development Limited* (惠陽市陳江工業發展公司), an Independent Third Party, and is not a separate legal entity. Approximately 96.77% and 3.23% of the issued share capital of Golden Ocean Copper Manufacturer Co., Limited are held by Year Industries Limited and Grateful World International Limited, respectively. 100% of the issued share capital of Year

Industries Limited is held by Ms. Hong Li Fen, the sister 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 Manufacturer Co., Limited. Since Golden Ocean Copper Manufacturer Co., Limited is able to exert significant influence on Huizhou Golden Ocean Magnet Wire Factory pursuant to the cooperative arrangement, Huizhou Golden Ocean Magnet Wire Factory will be an associate of Chairman Hung and a connected person of our Company upon Listing and the leasing of properties pursuant to the Golden Ocean Tenancy Agreement from Huizhou Golden Ocean Magnet Wire Factory to Jinhu Industrial will constitute continuing connected transactions for our Company upon Listing.

Tiannengyuan Charging

As 100% of the issued share capital of Tiannengyuan Charging is held by Ten Power Charging and 100% of the issued share capital of Ten Power Charging is held by Ease Bright, which is a company wholly-owned by Chairman Hung, an Executive Director and a Controlling Shareholder, Tiannengyuan Charging will be an associate of Chairman Hung and a connected person of our Company upon Listing and the leasing of properties pursuant to the Tiannengyuan Charging Tenancy Agreement will constitute continuing connected transactions for our Company upon Listing.

As one or more of the applicable ratios in respect of the annual caps (other than the profits ratio) are more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Sky Fortune Tenancy Agreement, the Golden Ocean Tenancy Agreement and the Tiannengyuan Charging Tenancy Agreement 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 tags and labels from Hui He Printing

Background

On 23 October 2015, our Company entered into a framework purchase agreement ("**Hui He Printing Framework Purchase Agreement**") with Hui He Printing, pursuant to which Hui He Printing agreed to supply tags and labels, which are applied on the packaging and plastic cases of our products, to our Group for a term commencing from the Listing Date to 31 December 2016.

Historical transaction amounts

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the total purchases of tags and labels by our Group from Hui He Printing amounted to approximately HK$9,233,000, HK$9,407,000, HK$14,107,000 and HK$1,291,000, respectively. The increase in the transaction amount for the year ended 31 December 2014 as compared to that of 31 December

2012 was primarily attributable to the increase in the sales of our products, which led to the increase in our demand for tags and labels. The price for the tags and labels to be supplied by Hui He Printing under the Hui He Printing Framework Purchase Agreement will be determined with reference to the price at which comparable types of tags and labels that are sold by independent suppliers to our Group under normal commercial terms in the ordinary course of business and such price shall be no less favourable to our Group than is available from independent suppliers. In considering whether to purchase tags and labels from Hui He Printing, our Group will seek quotations from at least two Independent Third Parties offering the same or comparable products. Our Group will purchase tags and labels from Hui He Printing if the price and quality of the products are comparable to or more favourable to our Group than those offered by Independent Third Parties for the same or comparable products.

Annual caps and basis

Our Directors estimate that the maximum transaction amount under the Hui He Printing Framework Purchase Agreement will not exceed HK$4,500,000 and HK$4,500,000 for the two years ending 31 December 2015 and 2016, respectively. As we have commenced manufacturing tags and labels internally since January 2015, we intend to cease purchasing from Hui He Printing and manufacture all tags and labels internally starting from 2017. In this transition period, we have considered the organic growth of our business and such estimate of maximum transaction amount under the Hui He Printing Framework Purchase Agreement is based on (a) the expected demand for our products bearing tags and labels in the years ending 31 December 2015 and 2016; (b) the projected demand of our Group for the tags and labels manufactured by Hui He Printing for application on the packaging and plastic cases of our products in the years ending 31 December 2015 and 2016, and (c) the prevailing market prices of such tags and labels with similar specification or product quality in the PRC.

The total purchase of tags and labels by our Group from Hui He Printing for the six months ended 30 June 2015 is not proportionate to the maximum transaction amount for the year ending 31 December 2015 under the Hui He Printing Framework Purchase Agreement primarily due to seasonality effect as our sales volume during the period from July to December is usually higher than that during the period from January to June, details of which are set out in the paragraph “Seasonality” in the section “Business” in this prospectus.

The decrease of approximately 68.1% in the estimated transaction amount for the year ending 31 December 2015 as compared to the historical transaction amount for the year ended 31 December 2014 regarding the purchase of tags and labels from Hui He Printing is due to the fact that our Group has commenced manufacturing tags and labels internally since January 2015. The estimated maximum amount of purchases of tags and labels from Hui He Printing for the year ending 31 December 2016 will remain stable at HK$4,500,000 as compared to that for the year ending 31 December 2015 due to the organic growth from our business, which was offset by our internal production.

Implications under the Listing Rules

Hui He Printing is currently held as to 90% by Xu Jinqing, who was a director of Jinhu Industrial in the past 12 months, on trust for and on behalf of Chairman Hung and 10% by Huang Zhiping (黃志平), an Independent Third Party. Since Chairman Hung, an Executive Director and a Controlling Shareholder, is able to control the exercise of voting power at general meetings and control the composition of the board of directors of Hui He Printing, Hui He Printing will be a connected person of our Company upon Listing and the transactions pursuant to the Hui He Printing Framework Purchase Agreement will constitute continuing connected transactions for our Company upon Listing.

Our Group is capable of carrying on our business independently of Hui He Printing as we can procure tags and labels from Independent Third Parties. Our Group currently has independent access to suppliers of tags and labels and these products are widely available in the market at comparable market prices and quality. Our Directors believe that the purchases of tags and labels from Hui He Printing would benefit our Group for the following reasons:

(i) the purchases from Hui He Printing will be at competitive prices no less favourable than those that our Group can obtain from Independent Third Parties;

(ii) Hui He Printing is able to meet our product demands in a timely manner;

(iii) our Directors consider that it is crucial for our Group to maintain the stability and reliable source of supply and quality of tags and labels for our existing and future production needs. In view of our past purchasing experience with Hui He Printing, our Directors are of the view that, Hui He Printing can effectively fulfil our stable supply as well as product quality requirements; and

(iv) Hui He Printing has provided our Group with favourable terms such as flexible and timely delivery schedule of tags and labels purchased by our Group.

The Hui He Printing Framework Purchase Agreement is a framework agreement which provides the mechanism for the operation of the aforesaid connected transactions. It is envisaged that from time to time and as required, individual purchase orders may be required to be entered into between our Group and Hui He Printing. Each individual purchase order will set out the details, specifications and purchase price of tags and labels to be purchased by our Group from Hui He Printing. The individual purchase orders may only contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the Hui He Printing Framework Purchase Agreement. As the individual purchase orders are simply further elaborations on the purchases as contemplated by the Hui He Printing Framework Purchase Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Hui He Printing Framework Purchase Agreement is expected to be more than

0.1% but less than 5.0% on an annual basis, the transactions under the Hui He Printing Framework Purchase Agreement are subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) Processing of high-frequency transformers by Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司)

Background

On 23 October 2015, our Company entered into a framework processing agreement ("**Tiandong Ten Pao Framework Processing Agreement**") with Tiandong Ten Pao Electric Company Limited, pursuant to which Tiandong Ten Pao Electric Company Limited agreed to process high-frequency transformers, one of the key components used in the production of switching power supply units for consumer products and smart chargers and controllers for industrial use, for our Group for a term commencing from the Listing Date to 31 December 2016.

Historical transaction amounts

For the two years ended 31 December 2012 and 2013, our Group received processing services from Tiandong Ten Pao Electronic Factory* (田東天寶電子廠), which was a factory wholly-owned by Mr. G.D. Hong and was deregistered on 7 March 2014. In order to cope with our Group's business need, since January 2014, we received processing services from Tiandong Ten Pao Electric Company Limited, a company wholly-owned by Mr. G.D. Hong. For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the total processing service fees paid to Tiandong Ten Pao Electronic Factory* (田東天寶電子廠) and Tiandong Ten Pao Electric Company Limited amounted to approximately HK$8,552,000, HK$7,767,000, HK$6,901,000 and HK$3,779,000, respectively. The decrease in the transaction amount for the year ended 31 December 2014 as compared to that of 31 December 2012 was primarily attributable to the decrease in the quantity of high-frequency transformers processed. The processing service fee charged by Tiandong Ten Pao Electric Company Limited for processing high-frequency transformers under the Tiandong Ten Pao Framework Processing Agreement will be determined with reference to the processing service fee charged by independent suppliers providing comparable types of services to our Group under normal commercial terms in the ordinary course of business and such processing service fee shall be at the level no less favourable to our Group than that offered by independent suppliers. In considering whether to request processing services from Tiandong Ten Pao Electric Company Limited, our Group will seek quotations from at least two Independent Third Parties offering the same or comparable processing services. Our Group will request the high-frequency transformers processing services from Tiandong Ten Pao Electric Company Limited if the price and quality of the processing services are comparable to or more favourable to our Group than those offered by Independent Third Parties for the same or comparable processing services.

Annual caps and basis

Our Directors estimate that the maximum transaction amount under the Tiandong Ten Pao Framework Processing Agreement will not exceed HK$5,000,000 and HK$4,500,000 for the two years ending 31 December 2015 and 2016, respectively. As we have been producing high-frequency transformers at our production base in Hanzhong whose production scale will gradually increase and our Group is expected to enjoy the benefit from economies of scale as it scales up, we intend to cease receiving processing services from Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) and manufacture all high-frequency transformers internally starting from 2017. Such estimate of maximum transaction amount is based on (a) the expansion of the scale of our production in Hanzhong principally engaged in the production of high-frequency transformers; (b) the projected demand for the high-frequency transformers that our Group would require processing for switching power supply units for consumer products and smart chargers and controllers for industrial use for the years ending 31 December 2015 and 2016; and (c) the prevailing level of service fee for processing the high-frequency transformers.

The decrease of 10% in the estimated maximum amount of processing service fee to be paid to Tiandong Ten Pao Electric Company Limited for the two years ending 31 December 2015 and 2016 is due to the fact that the scale of our production in Hanzhong is expanding and such production base will satisfy an increasing portion of our demand for high-frequency transformers.

Implications under the Listing Rules

Since Tiandong Ten Pao Electric Company Limited is currently held as to 100% by Mr. G.D. Hong, an Executive Director, Tiandong Ten Pao Electric Company Limited is a connected person of our Company upon Listing and the transactions pursuant to the Tiandong Ten Pao Framework Processing Agreement will constitute continuing connected transactions for our Company upon Listing.

Our Group is capable of carrying on its business independently of Tiandong Ten Pao Electric Company Limited as it can easily access the high-frequency transformers processing services from Independent Third Parties. Our Group currently has independent access to suppliers and the high-frequency transformers processing services are generally and widely available in the market at comparable market prices and quality. Our Directors believe that the processing of high-frequency transformers from Tiandong Ten Pao Electric Company Limited would benefit our Group for the following reasons:

(i) the processing services provided by Tiandong Ten Pao Electric Company Limited will be at competitive prices no less favourable than those that our Group can obtain from Independent Third Parties;

(ii) Tiandong Ten Pao Electric Company Limited is able to meet our product demands in a timely manner;

(iii) our Directors consider that it is crucial for our Group to maintain the stability in supply and quality of the high-frequency transformers processing services for our existing and future production needs. In view of our past purchasing and processing experience with Tiandong Ten Pao

Electric Company Limited, our Directors are of the view that Tiandong Ten Pao Electric Company Limited can effectively fulfil our stable supply as well as product quality requirements; and

(iv) Tiandong Ten Pao Electric Company Limited has provided our Group with favourable terms such as flexible and timely delivery schedule of the high-frequency transformers requested to be processed by our Group.

The Tiandong Ten Pao Framework Processing Agreement is a framework agreement which provides the mechanism for the operation of the aforesaid connected transactions. It is envisaged that from time to time and as required, individual processing orders may be required to be entered into between our Group and Tiandong Ten Pao Electric Company Limited. Each individual processing order will set out the relevant high-frequency transformers requested by our Group to be processed by Tiandong Ten Pao Electric Company Limited, the processing price of the high-frequency transformers requested by our Group and any detailed specifications which may be relevant to those processing. The individual processing orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Tiandong Ten Pao Framework Processing Agreement. As the individual processing orders are simply further elaborations on the processing as contemplated by the Tiandong Ten Pao Framework Processing Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Tiandong Ten Pao Framework Processing Agreement is expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions under the Tiandong Ten Pao Framework Processing Agreement are subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

Background

On 23 October 2015, our Company entered into a framework purchase agreement (the "**Xinyang Cables Framework Purchase Agreement**") with Huizhou Xinyang Cables Co., Limited, pursuant to which Huizhou Xinyang Cables Co., Limited 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 the Listing Date to 31 December 2017.

Historical transaction amounts

For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the total purchases of DC cables and copper wires by our Group for domestic sales in the PRC from Huizhou Xinyang Cables Co., Limited amounted to approximately HK$2,096,000, HK$8,098,000, HK$8,374,000 and HK$3,863,000, respectively. The increase of approximately 286.4% in the transaction amount for the year ended 31 December 2013 as compared to that of 31 December 2012 was primarily attributable to the fact that Huizhou Xinyang Cables Co., Limited was established on 5 April 2012 and we only commenced purchasing from Huizhou Xinyang Cables Co., Limited since the second half of 2012, while the transaction amount for the year ended 2013 reflected the normal purchase based on our sales for the full year in 2013. The price for DC cables and copper wires to be supplied by Huizhou Xinyang Cables Co., Limited under the Xinyang Cables Framework Purchase Agreement will be determined with reference to the price at which comparable types of DC cables and copper wires that are sold by independent suppliers to our Group under normal commercial terms in the ordinary course of business and such price shall be no less favourable to our Group than is available from independent suppliers. In considering whether to purchase from Huizhou Xinyang Cables Co., Limited, our Group will seek quotations from at least two Independent Third Parties offering the same or comparable products. Our Group will purchase DC cables and copper wires from Huizhou Xinyang Cables Co., Limited if the price and quality of the products are comparable to or more favourable to our Group than those offered by Independent Third Parties for the same or comparable products.

Annual caps and basis

Our Directors estimate that the maximum transaction amount under the Xinyang Cables Framework Purchase Agreement will not exceed HK$9,130,000, HK$9,950,000 and HK$10,850,000 for the three years ending 31 December 2015, 2016 and 2017, respectively. Such estimate is based on (a) the expected demand for our products for domestic sales in the PRC for the three years ending 31 December 2015, 2016 and 2017, which is expected to increase in line with the Group's organic growth; (b) the projected demand of DC cables and copper wires that our Group would purchase from Huizhou Xinyang Cables Co., Limited to be used in our products for domestic sales in the PRC for the three years ending 31 December 2015, 2016 and 2017; (c) the estimated market prices of such DC cables and copper wires in the PRC market; and (d) the historical increase of purchase of approximately 286.4% from HK$2,096,000 for the year ended 31 December 2012 to HK$8,098,000 for the year ended 31 December 2013, and the historical increase of purchase of approximately 3.4% from HK$8,098,000 for the year ended 31 December 2013 to HK$8,374,000 for the year ended 31 December 2014.

The total purchase of DC cables and copper wires by our Group for domestic sales in the PRC from Huizhou Xinyang Cables Co., Limited for the six months ended 30 June 2015 is not proportionate to the maximum transaction amount for the year ending 31 December 2015 under the Xinyang Cables Framework Purchase Agreement primarily due to seasonality effect as our sales volume during the period from July to December is usually higher than that during the period from January to June, details of which are set out in the paragraph "Seasonality" in the section "Business" in this prospectus.

The increases of approximately 9% in the estimated maximum amount of purchases for the three years ending 31 December 2015, 2016 and 2017 are due to our Group's current and future requirements for ongoing production of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Implications under the Listing Rules

92.8% and 7.2% of the equity interest of Huizhou Xinyang Cables Co., Limited is held by Mr. Xu Jianshe, brother-in-law of Chairman Hung, and Ms. Wang Lihua (王利華), 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 Cables Co., Limited will be deemed as a connected person of our Company upon Listing and the transactions pursuant to the Xinyang Cables Framework Purchase Agreement will constitute continuing connected transactions for our Company upon Listing.

Our Group is capable of carrying on our business independently of Huizhou Xinyang Cables Co., Limited as we can easily procure the DC cables and copperwires supplied by Huizhou Xinyang Cables Co., Limited from Independent Third Parties. Our Group currently has independent access to suppliers and the DC cables and copper wires supplied by Huizhou Xinyang Cables Co., Limited are generally and widely available in the market in the PRC at comparable market prices and quality. Our Directors believe that the purchases of DC cables and copper wires from Huizhou Xinyang Cables Co., Limited would benefit our Group for the following reasons:

(i) the purchases from Huizhou Xinyang Cables Co., Limited will be at competitive prices no less favourable than those that our Group can obtain from Independent Third Parties;

(ii) Huizhou Xinyang Cables Co., Limited is able to meet our product demands in a timely manner;

(iii) our Directors consider that it is crucial for our Group to maintain the stability in supply and quality of the DC cables and copper wires for our existing and future production needs. In view of our past purchasing experience with Huizhou Xinyang Cables Co., Limited, our Directors are of the view that Huizhou Xinyang Cables Co., Limited can effectively fulfil our stable supply as well as product quality requirements; and

(iv) Huizhou Xinyang Cables Co., Limited has provided our Group more favourable terms such as flexible and timely delivery schedule of the DC cables and copper wires purchased by our Group.

The Xinyang Cables Framework Purchase Agreement is a framework agreement which provides the mechanism for the operation of the aforesaid connected transactions. It is envisaged that from time to time and as required, individual purchase orders may be required to be entered into between our Group and Huizhou Xinyang Cables Co., Limited. Each individual purchase order will set out the details, specifications and purchase price of DC cables and copper wires to be purchased by our Group from Huizhou Xinyang Cables Co., Limited. The individual purchase orders may only contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the Xinyang Cables Framework Purchase Agreement. As the individual purchase orders are simply further elaborations on the purchases as contemplated by the Xinyang Cables Framework Purchase Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Xinyang Cables Framework Purchase Agreement is expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions under the Xinyang Cables Framework Purchase Agreement are subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) Continuing connected transactions which are subject to the reporting, announcement, and shareholders' approval requirements

Purchase of DC cables and copper wires from Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司)

Background

On 23 October 2015, our Company entered into a framework purchase agreement ("**Golden Ocean Framework Purchase Agreement**") with Golden Ocean Copper Manufacturer Co., Limited, pursuant to which Golden Ocean Copper Manufacturer Co., Limited agreed to supply DC cables and copper wires to our Group to be used in our products for overseas sales outside the PRC for a term commencing from the Listing Date to 31 December 2017.

Historical transaction amounts

For the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the total purchases of DC cables and copper wires by our Group from Golden Ocean Copper Manufacturer Co., Limited for overseas sales outside the PRC amounted to approximately HK$103,190,000, HK$88,284,000, HK$93,503,000 and HK$35,882,000, respectively. The decrease of approximately 14.4% in the transaction amount for the year ended 31 December 2013 as compared to that of 31 December 2012 was primarily attributable to (a) the decrease in the prices of copper, being the major raw materials of producing DC cables and copper wires; (b) the decrease in our demand for copper wires due to the shift of the design of our power supply units with electric circuits which reduced the use of copper wires; and (c) the shift of the design pattern from chargers with DC cables to USB chargers without DC cables. The increase of approximately 5.9% in the transaction amount for the year ended 31 December 2014 as compared to that of 31 December 2013 was primarily attributable to (a) the growth of the sale of our products and thus the increase of our demand for DC cables and copper wires despite the growth of popularity of USB chargers; and (b) the increase in the size of our purchases of DC cables and copper wires from Golden Ocean Copper Manufacturer Co., Limited as we reduced the number of suppliers to ensure the quality of the products purchased. The price for the DC cables and copper wires to be supplied by Golden Ocean Copper Manufacturer Co., Limited under the Golden Ocean Framework Purchase Agreement will be determined with reference to the price at which comparable types of DC cables and copper wires that are sold by independent suppliers to our Group under normal commercial terms in the ordinary course of business and such price shall be no less favourable to our Group than is available from independent suppliers. In considering whether to purchase from Golden Ocean Copper Manufacturer Co., Limited, our Group will seek quotations from at least two Independent Third Parties offering the same or comparable products. Our Group will purchase the DC cables and copper wires from Golden Ocean Copper Manufacturer Co., Limited if the price and quality of the products are comparable to or more favourable to our Group than those offered by Independent Third Parties for the same or comparable products.

Annual caps and basis

Our Directors estimate that the maximum transaction amount under the Golden Ocean Framework Purchase Agreement will not exceed HK$101,920,000, HK$111,090,000 and HK$121,090,000 for the three years ending 31 December 2015, 2016 and 2017, respectively. Such estimate is based on (a) the expected demand for our products for overseas sales outside the PRC for the three years ending 31 December 2015, 2016 and 2017, which is expected to increase in line with the Group's organic growth; (b) the projected demand of the DC cables and copper wires that our Group would purchase from Golden Ocean Copper Manufacturer Co., Limited to be used in our products for overseas sales outside the PRC for the three years ending 31 December 2015, 2016 and 2017; (c) the estimated market prices of such DC cables and copper wires in the PRC market; and (d) the historical decrease of purchase of approximately 14.4% from HK$103,190,000 for the year ended 31 December 2012 to HK$88,284,000 for the year ended 31 December 2013, and the historical increase of purchase of approximately 5.9% from HK$88,284,000 for the year ended 31 December 2013 to HK$93,503,000 for the year ended 31 December 2014.

The total purchase of DC cables and copper wires by our Group for overseas sales outside the PRC from Golden Ocean Copper Manufacturer Co., Limited for the six months ended 30 June 2015 is not proportionate to the maximum transaction amount for the year ending 31 December 2015 under the Golden Ocean Framework Purchase Agreement primarily due to seasonality effect as our sales volume during the period from July to December is usually higher than that during the period from January to June, details of which are set out in the paragraph "Seasonality" in the section "Business" in this prospectus.

The increases of approximately 9% in the estimated maximum amount of purchases for the three years ending 31 December 2015, 2016 and 2017 are in consideration of (a) the price of cooper has been relatively low in the recent years and the price of cooper is expected to rise in the coming years; and (b) the growth of sales of our products and thus the increase of our demand for DC cables and copper wires.

Implications under the Listing Rules

Approximately 96.77% and 3.23% of the issued share capital of Golden Ocean Copper Manufacturer Co., Limited is held by Year Industries Limited and Grateful World

International Limited, respectively. Since 100% of the issued share capital of Year Industries Limited is held by Ms. Hong Li Fen, the sister 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 Manufacturer Co., Limited, Golden Ocean Copper Manufacturer Co., Limited will be a connected person of our Company upon Listing and the transactions pursuant to the Golden Ocean Framework Purchase Agreement will constitute continuing connected transactions for our Company upon Listing.

Our Group is capable of carrying on our business independently of Golden Ocean Copper Manufacturer Co., Limited as we can easily procure DC cables and copper wires supplied by Golden Ocean Copper Manufacturer Co., Limited from Independent Third Parties. Our Group currently has independent access to suppliers and DC cables and copper wires supplied by Golden Ocean Copper Manufacturer Co., Limited are generally and widely available in the market at comparable market prices and quality. Our Directors believe that the purchases of DC cables and copper wires from Golden Ocean Copper Manufacturer Co., Limited would benefit our Group for the following reasons:

(i) the purchases from Golden Ocean Copper Manufacturer Co., Limited will be at competitive prices no less favourable than those that our Group can obtain from Independent Third Parties;

(ii) Golden Ocean Copper Manufacturer Co., Limited is able to meet our product demands in a timely manner;

(iii) our Directors consider that it is crucial for our Group to maintain the stability in supply and quality of the DC cables and copper wires for our existing and future production needs. In view of our past purchasing experience with Golden Ocean Copper Manufacturer Co., Limited, our Directors are of the view that Golden Ocean Copper Manufacturer Co., Limited can effectively fulfil our stable supply as well as product quality requirements; and

(iv) Golden Ocean Copper Manufacturer Co., Limited has provided our Group with favourable terms such as flexible and timely delivery schedule of the DC cables and copper wires purchased by our Group.

The Golden Ocean Framework Purchase Agreement is a framework agreement which provides the mechanism for the operation of the aforesaid connected transactions. It is envisaged that from time to time and as required, individual purchase orders may be required to be entered into between our Group and Golden Ocean Copper Manufacturer Co., Limited. Each individual purchase order will set out the details, specifications and purchase price of the DC cables and copper wires to be purchased by our Group from Golden Ocean Copper Manufacturer Co., Limited. The individual purchase orders may only contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the Golden Ocean Framework Purchase Agreement. As the individual purchase orders are simply further elaborations on the purchases as contemplated by the Golden Ocean Framework Purchase Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Golden Ocean Framework Purchase Agreement is expected to be more than 5.0% on an annual basis, the transactions under the Golden Ocean Framework Purchase Agreement are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVERS

As the transactions described above in the paragraph "Non-Exempt Continuing Connected Transactions" in this section are and will continue to be entered into in the ordinary and usual course of business of our Group on a continuing or recurring basis, our Directors are of the view that strict compliance with the announcement, circular and independent shareholders' approval requirements (where applicable) would impose additional administrative costs and would at times be impracticable.

We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement and/or independent shareholders' approval requirements (where applicable) of the Listing Rules in respect of the continuing connected transactions as disclosed above in the paragraph "Non-Exempt Continuing Connected Transactions" in this section for a period of two or three years (where applicable) subject to the aggregate value of each of these non-exempt continuing connected transactions for each financial year not exceeding the relevant annual caps amount set forth in the respective caps stated above.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as at the Latest Practicable Date on continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM THE DIRECTORS

Our Directors, including the Independent Non-executive Directors, consider that all the continuing connected transactions as disclosed above in the paragraph "Non-Exempt Continuing Connected Transactions" in this section are conducted in the ordinary and usual course of our business, on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors, including the Independent Non-executive Directors, are also of the view that the annual caps of all of the non-exempt continuing connected transactions above are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the continuing connected transactions as disclosed above in the paragraph "Non-Exempt Continuing Connected Transactions" in this section and their respective annual caps are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interest of our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board comprises six Directors, including three Executive Directors and three Independent Non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The table below sets out certain information in respect of the members of our Board.

Name	Age	Time of joining our Group	Current position/title	Major duties and responsibilities	Date of appointment as Director
Mr. Hung Kwong Yee (洪光椅) (Elder brother of Mr. Hong Guangdai and father of Mr. Hung Sui Tak)	57	December 1979	Chairman, Executive Director and Chief Executive Officer	Responsible for the overall strategic planning and overseeing the general management of our Group	January 2015
Mr. Hong Guangdai (洪光岱) (Younger brother of Mr. Hung Kwong Yee and uncle of Mr. Hung Sui Tak)	51	October 1988	Executive Director and Vice President	Responsible for the management and supervision of the operation and the risk control on environmental and safety issues of our Group	June 2015
Mr. Hung Sui Tak (洪瑞德) (Son of Mr. Hung Kwong Yee and nephew of Mr. Hong Guangdai)	29	July 2009	Executive Director and Marketing Director	Responsible for the product marketing strategy of our Group	January 2015
Mr. Lam Cheung Chuen (林長泉)	61	November 2015	Independent Non-executive Director	Responsible for overseeing the management of our Group independently	November 2015
Mr. Chu Yat Pang Terry (朱逸鵬)	43	November 2015	Independent Non-executive Director	Responsible for overseeing the management of our Group independently	November 2015
Mr. Lee Kwan Hung (李均雄)	50	November 2015	Independent Non-executive Director	Responsible for overseeing the management of our Group independently	November 2015

Senior Management

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Age	Time of joining our Group	Current position/title	Major duties and responsibilities	Date of appointment for the current position
Mr. Tse Chung Shing (謝仲成)	45	December 2010	Financial Controller, Company Secretary and Chief Financial Officer	Responsible for the financial reporting and investors' relationship matters of our Group	December 2010 (Financial Controller), June 2015 (Company Secretary), November 2015 (Chief Financial Officer)
Mr. Zheng Jianxing (鄭建興)	55	January 2012	Senior Vice President and General Manager of Business Unit 2[(1)]	Responsible for the management of the sales and marketing center of our Group and the sales, manufacturing, research and development, quality control and procurement of Business Unit 2[(1)] of our Group	January 2012 (Senior Vice President), January 2014 (General Manager of Business Unit 2)
Ms. Yang Bingbing (楊冰冰)	47	August 2005	General Manager of Business Unit 1[(2)]	Responsible for the sales, manufacturing, research and development, quality control and procurement of Business Unit 1[(2)] of our Group	April 2013
Mr. Li Hongxing (李紅星)	39	September 2012	Director of Strategic Procurement	Responsible for the strategic procurement of our Group	September 2012
Mr. Zhu Changya (朱昌亞)	44	February 2009	General Manager of Research and Development Department	Responsible for the research and development of our Group	January 2011
Mr. Wang Xiu (王修)	41	September 2002	General Manager of the Standardisation Center	Responsible for the management of the Standardisation Center of our Group	February 2015
Mr. Liao Xingchun (廖醒春)	46	February 2014	General Manager of Human Resources Department	Responsible for the human resources management of our Group	February 2014

Name	Age	Time of joining our Group	Current position/title	Major duties and responsibilities	Date of appointment for the current position
Mr. Lam Ho Kit (林浩傑)	40	December 2004	Senior Financial Manager	Responsible for the review of annual business plan and annual budget plan, and asset management of our Group	June 2013
Mr. Hou Wensheng (侯文勝)	49	April 1990	General Manager of Business Unit 5[(3)]	Responsible for the sales, manufacturing, research and development, quality control and procurement of Business Unit 5[(3)] of our Group	January 2015

Notes:

(1) Business Unit 2 is principally engaged in the manufacturing of switching power supply units for telecommunications devices for global accounts.

(2) Business Unit 1 is principally engaged in the manufacturing of smart chargers and controllers for power tools for industrial use.

(3) Business Unit 5 is principally engaged in the manufacturing of high-frequency transformers.

EXECUTIVE DIRECTORS

Mr. Hung Kwong Yee (洪光椅先生), aged 57, is the Chairman, an Executive Director and the chief executive officer of our Group. He is responsible for the overall strategic planning and overseeing the general management of our Group. He was appointed as a Director in January 2015 and re-designated as the Chairman and an Executive Director with effect from June 2015. Chairman Hung is the elder brother of Mr. G.D. Hong, an Executive Director, and the father of Mr. S.T. Hung, another Executive Director. In addition, he is a director of Even Joy, TinYing Holdings and TinYing Investments, our Controlling Shareholders. Chairman Hung also serves as a director of Goldasia, Ten Pao Electronic, Korean Co, Ten Pao Precision Electronics, Ten Pao Industrial and Ten Pao International.

Chairman Hung is the founder of our 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 more than 30 years of experience in the power supply industry. Chairman Hung has been a member of Huicheng District Committee of the Chinese People's Political Consultative Conference, Huizhou City (惠州市惠城區中國人民政治協商會議) since 2006. Chairman Hung holds several social titles including the vice chairman of the Federation of Hong Kong Industries of PRD Council Huizhou Branch (香港工業總會珠三角工業協會惠州分部), the executive vice president of the 6th council 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 vice president of the 5th council of the Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會), the executive vice president of Huizhou Fujian Merchants Association (惠州市福建商會), the honorary chairman of the Hong Kong Baptist University Foundation (香港浸會大學基金) and a member of Lions Club of Tuen Mun (香港屯門獅子會). 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.

During the three years immediately preceding the date of this prospectus, Chairman Hung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Hong Guangdai (洪光岱先生), aged 51, is an Executive Director and the vice president of our Group. He is primarily responsible for the management and supervision of the operation and the risk control on environmental and safety issues of our Group. He was appointed as an Executive Director with effect from June 2015. Mr. G.D. Hong is the younger brother of Chairman Hung, our Chairman, an Executive Director and the chief executive officer of our Group, and the uncle of Mr. S.T. Hung, another Executive Director. In addition, Mr. G.D. Hong serves as a director of Ten Pao Precision Parts, Jinhu Precision Parts, Jinhu Industrial and Ten Pao Electronic (Huizhou).

Mr. G.D. Hong has approximately 27 years of experience in the power supply industry. He joined our Group in October 1988 as a production manager responsible for production. Mr. G.D. Hong has been a member of the Standing Committee of the Huicheng District People's Congress (惠城區人民代表大會常務委員會) since 2006 and the vice executive director of the Shuikou Chamber of Commerce of the Huizhou City Haicheng District Federation of Industry and Commerce (惠州市惠城區工商業聯合會水口商會) since 2013. Mr. G.D. Hong 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 1979.

During the three years immediately preceding the date of this prospectus, Mr. G.D. Hong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Hung Sui Tak (洪瑞德先生), aged 29, is an Executive Director and the marketing director of our Group. He is primarily responsible for the overall product marketing strategy of our Group. He was appointed as a Director in January 2015 and re-designated as an Executive Director with effect from June 2015. Mr. S.T. Hung is the son of Chairman Hung, our Chairman, an Executive Director and the chief executive officer of our Group, and the nephew of Mr. G.D. Hong, another Executive Director. In addition, he is a director of TinYing Holdings, one of our Controlling Shareholders.

Mr. S.T. Hung has approximately 6 years of experience in the power supply industry. He joined our Group in July 2009 as a marketing assistant responsible for product marketing, brand promotion and exhibition arrangement. He worked as a research assistant in the Hong Kong Polytechnic University (the "**PolyU**") responsible for the cooperation project of our Group and the PolyU, namely, the Study of the Optimal Operation Conditions for the Production of Polyhydroxyalkanoates (biodegradable plastics) in Nitrogen Reduction Process, from 2009 to 2014, according to the Agreement on Teaching Company Scheme dated 19 October 2009 entered into between the PolyU and Ten Pao International designed and conducted by the PolyU in support of industry and business principally aiming to produce the biodegradable and biocompatible plastic and reduce the cost of producing it. Mr. S.T. Hung was promoted as a marketing director of our Group in January 2015. Mr. S.T. Hung received a bachelor's degree in science with honours from the University of Birmingham in the United Kingdom in July 2008.

During the three years immediately preceding the date of this prospectus, Mr. S.T. Hung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Cheung Chuen (林長泉先生), aged 61, is an Independent Non-executive Director, who was appointed in November 2015, and responsible for overseeing the management of our Group independently. Mr. Lam has approximately 22 years of experience in the manufacturing industry. Mr. Lam has been a director of Suzhou Sun Tin Lun Garment Accessories Co., Ltd. (蘇州新天倫服飾有限公司), a garment accessories manufacturing company in the PRC, since 1993. He was then appointed as a director of Sun Tin (Hong Kong) Garment Accessories Co., Ltd. (新天倫(香港)服飾有限公司), a garment manufacturing company in Hong Kong, and Sun Tin Lun Keshi Painting Co., Ltd. (新天倫柯式印刷廠有限公司), a painting company in Hong Kong, in 1997. He has been a director of Sun Tin Lun Weaving (Huizhou) Co., Ltd. (新天倫織造(惠州)有限公司), a weaving company in the PRC, and Sun Tin Lun Garment Accessories (Huizhou) Co., Ltd. (新天倫服飾(惠州)有限公司), a garment accessories manufacturing company in the PRC, since 1999. He was also a director of Sun Tin Lun Holdings Ltd. (新天倫集團有限公司), an investment holding company in Hong Kong, in 2001. Mr. Lam has been the executive director and general manager of Huizhou Jiang Men Ren Food Co., Ltd. (惠州市獎門人糧油食品有限公司), a food manufacturing company in the PRC, since 2013.

Mr. Lam has been a member of the 7th council of the Standing Committee of Huicheng District Committee of the Chinese People's Political Consultative Conference, Huizhou City (惠州市惠城區中國人民政治協商會議常務委員會) since March 2015. Mr. Lam holds several social titles including the president of the 6th council 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 vice president of the 6th council of Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會), a standing committee member of the Federation of Hong Kong Industries of PRD Council (香港工業總會珠三角工業協會), the vice chairman of the Guangdong Huizhou City Federation of Returned Overseas Chinese (廣東省惠州市歸國華僑聯合會), the executive vice president of the Association of the Hong Kong and Macao Members of Huizhou City CPPCC (惠州政協歷屆港澳委員會聯誼會), the director of the Hong Kong Shine Tak Foundation (香港善德基金會), the permanent honorary chairman of Hong Kong Baptist University Foundation (香港浸會大學基金), Mr. Lam graduated from Huizhou No. 1 Primary School (惠州市第一小學) in the PRC in July 1966.

Mr. Chu Yat Pang Terry (朱逸鵬先生), aged 43, is an Independent Non-executive Director, who was appointed in November 2015, and responsible for overseeing the management of our Group independently. Mr. Chu has approximately 22 years of experience in auditing and corporate finance. Mr. Chu worked in the Department of Assurance and Advisory Business Services of Ernst & Young, an international accounting firm, from 1993 to 2000 when he left the firm as a manager. Mr. Chu then commenced his career in corporate finance in 2000 when he served as an executive in China Everbright Capital Limited, a corporate finance company being responsible for execution of corporate finance transactions. In 2001, Mr. Chu joined Haitong International Capital Limited, a corporate finance firm (being a subsidiary of Haitong International Securities Group Limited, a financial institution whose shares are listed on the Stock Exchange (Stock Code: 665)) until 2012 when he left that company as a managing director – corporate finance being responsible for managing and supervising the company's corporate finance advisory business. From 2013 to present, Mr. Chu is a managing director of Halcyon Capital Limited, a corporate finance firm, and a licensed representative of Halcyon Securities Limited, a securities firm in Hong Kong. Mr.

Chu has been the independent non-executive director of Hong Kong Finance Group Limited, a financing company whose shares are listed on the Stock Exchange (Stock Code: 1273).

Mr. Chu received a bachelor's degree in arts from the University of Western Ontario in Canada in June 1992 and a master's degree in business administration (investment & finance) from the University of Hull in the United Kingdom in June 1997. He also obtained a diploma in accounting from the School of Business and Economics of the Wilfrid Laurier University in Canada in October 1993. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lee Kwan Hung (李均雄先生), aged 50, is an Independent Non-executive Director, who was appointed in November 2015, and responsible for overseeing the management of our Group independently. Mr. Lee has approximately 26 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 Bowers, a law firm in Hong Kong, as a consultant in 2014.

Mr. Lee's current and past directorships in listed companies in the last three years are set out below:

Year	**Name of company**	**Position**
2005 to 2014	Yuexiu Reit Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (listed on the Stock Exchange (Stock Code: 405))	Independent non-executive director
2006 to Present	Embry Holdings Limited (listed on the Stock Exchange (Stock Code: 1388))	Independent non-executive director
2007 to Present	NetDragon Websoft Inc. (listed on the Stock Exchange (Stock Code: 777))	Independent non-executive director
2009 to Present	Asia Cassava Resources Holdings Limited (listed on the Stock Exchange (Stock Code: 841))	Independent non-executive director
2009 to Present	Futong Technology Development Holdings Limited (listed on the Stock Exchange (Stock Code: 465))	Independent non-executive director

Year	Name of company	Position
2010 to Present	Newton Resources Limited (listed on the Stock Exchange (Stock Code: 1231))	Independent non-executive director
2011 to Present	Walker Group Holdings Limited (listed on the Stock Exchange (Stock Code: 1386))	Independent non-executive director
2011 to Present	Tenfu (Cayman) Holdings Company Limited (listed on the Stock Exchange (Stock Code: 6868))	Independent non-executive director
2012 to 2014	Far East Holdings International Limited (listed on the Stock Exchange (Stock Code: 36))	Independent non-executive director
2012 to Present	China BlueChemical Limited* (中海石油化學股份有限公司) (listed on the Stock Exchange (Stock Code: 3983))	Independent non-executive director
2013 to Present	Landsea Green Properties Co., Ltd. (listed on the Stock Exchange (Stock Code: 106))	Independent non-executive director
February 2015 to Present	Red Star Macalline Group Corporation Ltd. (Listed on the Stock Exchange (Stock Code: 1528))	Independent non-executive director

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.

DIRECTORS' INTERESTS

Save as disclosed in this prospectus, each of our Directors: (i) did not hold any other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as at the Latest Practicable Date; (iii) did not hold any other directorships in any public companies in Hong Kong and overseas in the three years immediately preceding the date of this prospectus; and (iv) is not interested in any business apart from our Company's business, which competes or is likely to compete, either directly or indirectly, with our Company's business.

As at the Latest Practicable Date, save as disclosed in the paragraph "Statutory and General Information — Further Information about Directors and Shareholders — 12. Directors — (d) Interests and short positions of Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations" in Appendix IV to this prospectus, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Unless otherwise stated below, none of the members of our senior management has been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Tse Chung Shing (謝仲成先生), aged 45, is the financial controller 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, was appointed as the company secretary and chief financial officer of our Company with effect from June 2015 and November 2015, respectively. Mr. Tse has approximately 23 years of experience in auditing, accounting and corporate finance. Prior to joining our Group, he worked as a senior manager in the advisory assurance department in Ernst & Young, an international accounting firm, from 1992 to 2003. 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. Zheng Jianxing (鄭建興先生), aged 55, is the senior vice president of our Group and the general manager of Business Unit 2[(1)] of our Group. He is responsible for the management of the sales and marketing center of our Group and the sales, manufacturing, research and development, quality control and procurement of Business Unit 2[(1)] of our Group. He was appointed as the senior vice president of our Group with effect from January 2012 and the general manager of Business Unit 2[(1)] of our Group with effect from January 2014. Mr. Zheng joined our Group in January 2012 as the senior vice president responsible for the management of the sales and marketing center of our Group. Mr. Zheng has approximately 15 years of experience in manufacturing and sales in the power supply industry. Prior to joining our Group, Mr. Zheng worked as an executive director in PTS Electronic Components, a power supply product manufacturing company in Malaysia, from 2000 to 2002. From 2002 to 2003, he worked as a vice president of marketing and sales in Guppy Plastic (Nantong) Co., Ltd. (佳比塑膠製品(南通)有限公司), a plastic injection moulding and mold manufacturing company in the PRC providing products for power supply companies. From 2003 to 2011, he worked as a senior vice president of sales and marketing in Power System Technologies (Shenzhen) Company Ltd. (偉創力電源(深圳)有限公司), the PRC subsidiary of Flextronics International Ltd., a FORTUNE 500 electronic products manufacturing company. Mr. Zheng received a bachelor's degree in business administration from the Bulacan State University in the Philippines in June 2013 and a master's degree in business administration from the Tarlac State University in the Philippines in December 2013. He also received a post-graduate diploma in business engineering from the Institute of Business Engineering (商業工程學會) in Hong Kong in April 2012.

Ms. Yang Bingbing (楊冰冰女士), aged 47, is the general manager of Business Unit 1[(2)] of our Group. She is responsible for the sales, manufacturing, research and development, quality control and procurement of Business Unit 1[(2)] of our Group. She was appointed as the general manager of Business Unit 1[(2)] of our Group with effect from April 2013. Ms. Yang joined our Group in August 2005 as a technical assistant to the chairman in the research and development center. Ms. Yang has approximately 19 years of experience in design and manufacturing in the power supply industry. Prior to joining our 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 research and development 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 research and development 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.

Mr. Li Hongxing (李紅星先生), aged 39, is the director of strategic procurement of our Group. He is responsible for the strategic procurement of our Group. He was appointed as the director of strategic procurement of our Group with effect from September 2012. Mr. Li joined our Group in September 2012 as the director of strategic procurement. Mr. Li has approximately 16 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. Zhu Changya (朱昌亞先生), aged 44, is the general manager of the research and development department of our Group. He is responsible for the research and development of our Group. He was appointed as the general manager of the research and development department of our Group with effect from January 2011. Mr. Zhu joined our Group in February 2009 as the manager of research and development department. Mr. Zhu has approximately 20 years of experience in research and development in the electronics industry. Prior to joining our Group, Mr. Zhu worked as a manager of research and development in Yaxin Electronic Group (Dongguan) Co., Ltd (雅新電子集團(東莞)有限公司), an electronic component manufacturing company in the PRC, from 1995 to 2009. Mr. Zhu was awarded with the Huizhou Scientific Technology Progress Award (惠州市科學技術進步獎) in 2014. Mr. Zhu received a diploma in industrial enterprise administration from the Guizhou University (貴州大學) in the PRC in July 1994 and a master's degree in business administration, which were long distance learning courses, from the Columbia Southern University in the United States in April 2005. Mr. Zhu also finished the courses of doctor of business administration of Shanghai Jitaotong University (上海交通大學) in the PRC in April

2012 and has been studying in the program of doctor of business administration in the United Business Institutes in Belgium since May 2011. He has also been an external associate professor in Huizhou University (惠州學院) in the PRC since December 2010.

Mr. Zhu has been a senior electronic automation engineer certified by the Title Reform Leading Group of Heibei Province (河北省職稱改革領導小組辦公室) since December 2010, a senior energy audit appraiser certified by the Human Resources Service Centre of the Ministry of Industry and Information Technology (工業和資訊化部人才交流中心) since July 2012 and a photovoltaic power generation senior engineer certified by the American Certification Institute since January 2014.

Mr. Wang Xiu (王修先生), aged 41, is the general manager of the Standardisation Center of our Group. He is responsible for the management of the Standardisation Center of our Group. He was appointed as the general manager of the Standardisation Center of our Group with effect from February 2015. Mr. Wang joined our Group in September 2002 as a head of the research and development department. Accordingly, he has approximately 13 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 Hangkong 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.

Mr. Liao Xingchun (廖醒春先生), aged 46, is the general manager of the human resources department of our Group. He is responsible for the management of human resources of our Group. He was appointed as the general manager of the human resources department of our Group with effect from February 2014. Mr. Liao joined our Group in February 2014 as the general manager of human resources department. Mr. Liao has approximately 19 years of experience in the human resources industry. Prior to joining our Group, Mr. Liao worked as an administrative manager in Dongguan Xinke Electronic Factory (東莞新科電子廠), an electronic product manufacturing factory in the PRC, from 1994 to 1996. From 1996 to 2000, he worked as a manager in human resources department of Dongguan Yeji Industrial Co., Ltd. (東莞業基工業有限公司), a clothing manufacturing company in the PRC. From 2000 to 2003, he worked as a manager of human resources in Tianda Pharmaceuticals (Zhuhai) Co., Ltd. (天大藥業(珠海)有限公司), a pharmaceutical manufacturing company in the PRC. From 2003 to 2010, Mr. Liao worked as a director of human resources in TK Group (Holdings) Limited (東江集團(控股)有限公司), a plastic injection and mold manufacturing company listed on the Stock Exchange (Stock Code: 2283). From 2010 to 2013, Mr. Liao worked as an administrative director of human resources in Huibei LPV Sports Co., Ltd. of Lining (Jingmen) Industrial Zone (李寧(荊門)工業園湖北動能體育用品有限公司), a sportswear manufacturing company in the PRC. Mr. Liao received a diploma in enterprise management from the Guangdong University of Finance & Economics (廣東財經大學) (formerly known as Guangdong College of Business (廣東商學院)) in the PRC in June 1992 and a master's degree in business administration from the Beijing Jiaotong University (北京交通大學) in the PRC in January 2009.

Mr. Lam Ho Kit (林浩傑), aged 40, is the senior financial manager of our Group. He is responsible for the review of annual business plan and annual budget plan, and asset management of our Group. He was appointed as the senior financial manager with effect from June 2013. Mr. Lam joined our Group in December 2004 as an assistant to the president responsible for the assistance of financial affairs to the president and was promoted to serve as the audit general manager responsible for the auditing and finance from 2009 to 2011. He rejoined our Group as a senior financial manager in June 2013. Prior to that, he worked as the finance manager in Dongguan He Xun Fashion Design Ltd. (東莞合迅服裝設計有限公司), a fashion design company in the PRC, from 2012 to 2013. Mr. Lam has approximately 11 years of experience in auditing and finance. Mr. Lam received a bachelor's degree in business administration from the Lingnan University in Hong Kong in November 1999 and a master's degree in practicing accounting from the University of Monash in Australia in November 2003. Mr. Lam has been a certified public accountant of CPA Australia since June 2012.

Mr. Hou Wensheng (侯文勝), aged 49, is the general manager of Business Unit 5[(3)]. He is responsible for the sales, manufacturing, research and development, quality control and procurement of Business Unit 5[(3)] of our Group. He was appointed as the general manager of Business Unit 5[(3)] of our Group with effect from January 2015. Mr. Hou joined our Group in April 1990 as a product maintenance technician. Mr. Hou has approximately 25 years of experience in manufacturing of power supply industry. Mr. Hou received a diploma of business management, which were long distance learning courses, from the South China Normal University (華南師範大學) in the PRC in July 1997.

Notes:

(1) Business Unit 2 is principally engaged in the manufacturing of switching power supply units for telecommunications devices for global accounts.

(2) Business Unit 1 is principally engaged in the manufacturing of smart chargers and controllers for power tools for industrial use.

(3) Business Unit 5 is principally engaged in the manufacturing of high-frequency transformers.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established the Audit Committee with written terms of reference pursuant to Rule 3.22 of the Listing Rules and paragraph C3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, including Mr. Chu Yat Pang Terry, Mr. Lam Cheung Chuen and Mr. Lee Kwan Hung. Mr. Chu Yat Pang Terry currently serves as the chairman of the Audit Committee.

The duties of our Audit Committee include, without limitation, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring the integrity of our financial statements, our accounts, our annual report and our interim report, and reviewing significant financial reporting judgments contained therein; (c) reviewing our financial control, internal control and risk management systems; and (d) reviewing and considering reports made by the corporate guarantee committee of our Group.

Nomination Committee

We have established the Nomination Committee with written terms of reference pursuant to paragraph A5 of the Corporate Governance Code set out in Appendix 14 to the Listing

Rules. The Nomination Committee consists of four members, including Chairman Hung, Mr. Chu Yat Pang Terry, Mr. Lam Cheung Chuen and Mr. Lee Kwan Hung. Chairman Hung currently serves as the chairman of the Nomination Committee.

The duties of our Nomination Committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our Independent Non-Executive Directors; and (d) making recommendations to our Board on the appointment or re-appointment of our Directors and succession planning for our Directors, in particular our Chairman and the chief executive officer.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference pursuant to Rule 3.26 of the Listing Rules and paragraph B1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of four members, including Mr. Lee Kwan Hung, Chairman Hung, Mr. Lam Cheung Chuen and Mr. Chu Yat Pang Terry. Mr. Lee Kwan Hung currently serves as the chairman of the Remuneration Committee.

The duties of our Remuneration Committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to our Board on the remuneration packages of our Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (c) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the aggregate amount of salaries, other benefits and contributions to retirement schemes paid by us to our Directors was approximately HK$1.74 million, HK$1.77 million, HK$1.83 million and HK$0.88 million, respectively.

The aggregate amount of salaries, other benefits and contributions to retirement schemes paid by us to the five highest paid individuals of our Group (including our Directors) for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 was approximately HK$1.96 million, HK$4.14 million, HK$4.89 million and HK$3.29 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as inducement to join or upon joining our

Company, or as compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors waived any emolument.

Under the arrangements currently in force, we estimate the aggregate remuneration of our Directors payable in respect of the financial year ending 31 December 2015 to be approximately HK$3.01 million (excluding discretionary bonus).

Except as disclosed above, no other payments were paid, or were payable, by us to our Directors, or the five highest paid individuals during the Track Record Period.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please see "Statutory and General Information — Other Information — 15. Share Option Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Guosen Securities (HK) Capital Company Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser shall advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information of this prospectus; and

(iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or other issues set out in Rule 13.10 of the Listing Rules.

The term of the appointment of Guosen Securities (HK) Capital Company Limited shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

You should read this section in conjunction with our combined financial information, including the notes thereto, as set out in the Accountant's Report in Appendix I to this prospectus. The combined financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section "Risk Factors".

OVERVIEW

We are one of the major players in the manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use in the PRC, with production bases located in Huizhou, Guangdong province and Hanzhong, Shaanxi province, the PRC. According to the Ipsos Report, we ranked 9th among switching power supply unit manufacturers and 7th among manufacturers whose principal business is the manufacturing of switching power supply units (i.e. manufacturers with more than 50% of revenue derived from the manufacture of switching power supply units) in terms of sales revenue in the PRC in 2014. We manufacture a wide range of switching power supply units for consumer products and smart chargers and controllers for industrial use for some of the world-renowned manufacturers, including Flextronics Group, Bosch Group, Stanley Black & Decker, Inc., TCL Group, and Oppo Group. We also manufacture customised products for our customers according to their specifications and requirements.

Our switching power supply units are applied to consumer products in various industry sectors, including (i) telecommunications equipment; (ii) media and entertainment equipment such as AV products and computers; (iii) electronic cigarettes; (iv) home electrical appliances; and (v) other products such as LED lighting and health care products. In addition, we manufacture smart chargers and controllers that are mainly applied to power tools for industrial use. Most of our products are incorporated into and/or applied to our customers' end products under their own brands, with a small portion of our products, such as telephone adapters and USB chargers, being manufactured and sold under our own brand "Ten Pao". Our Group's commitment and capabilities in research and development have allowed us to achieve technological enhancement and respond and adapt to changes in the ever-changing market environment, thus enabling us to continuously expand our product portfolio and explore new business opportunities. Please refer to the section "Business — Research and Development" for further details relating to our Group's investment in research and development.

We manufacture a broad range of switching power supply units for consumer products and smart chargers and controllers for industrial use for our customers. Our products come in various dimensions and designs and have different input/output voltage ranges, output current ranges, maximum power and input terminals so that our customers can choose the most suitable products and apply them to their end products. With a diversified product portfolio, we have a broad clientele, with no single customer contributing more than 17.5% of our total revenue during the Track Record Period. The table below sets out our revenue by product categories and the approximate percentage contribution of each product segment to our total revenue during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
Product	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Switching power supply units for consumer products	1,248,695	87.8	1,466,629	86.8	1,583,582	82.0	730,462	82.8	728,348	77.2
Smart chargers and controllers for industrial use	173,665	12.2	223,935	13.2	346,932	18.0	152,086	17.2	215,365	22.8
Total	1,422,360	100.0	1,690,564	100.0	1,930,514	100.0	882,548	100.0	943,713	100.0

During the Track Record Period, our products were sold within the PRC and were exported to over 10 countries and regions including the European Union, the United States and South Korea. We endeavour to further expand our customer base by exploring new sales platforms and approaching new customers in the PRC and worldwide.

The table below sets out our selected financial information during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	1,422,360	1,690,564	1,930,514	882,548	943,713
Gross profit	202,971	266,721	332,400	139,015	148,469
Profit attributable to owners of our Company	63,915	55,696	54,717	361	59,970

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our total revenue was approximately HK$1,422.4 million, HK$1,690.6 million, HK$1,930.5 million and HK$943.7 million, respectively, while our net profit was approximately HK$63.9 million, HK$55.7 million, HK$54.7 million and HK$60.0 million, respectively. Our net profit decreased by approximately HK$1.0 million from approximately HK$55.7 million for the year ended 31 December 2013 to approximately HK$54.7 million for the year ended 31 December 2014, which was mainly attributable to the increase in revenue and gross profit generated from our operation which was offset by the negative fair value changes on derivative financial instruments of approximately HK$53.5 million recorded in 2014. Our net profit for the period increased from approximately HK$0.4 million for the six months ended 30 June 2014 to approximately HK$60.0 million for the six months ended 30 June 2015. Though our gross profit margin remained stable at approximately 15.8% and

15.7% for the respective periods, our net profit for the six months ended 30 June 2015 increased due to the fair value gain on derivative financial instruments of approximately HK$32.3 million for the six months ended 30 June 2015 as compared to a fair value loss on derivative financial instruments of approximately HK$55.1 million for the six months ended 30 June 2014. Thus, our net profit excluding the income/loss and fair value changes on derivative financial instruments (net of income tax) were approximately HK$30.2 million, HK$39.9 million, HK$94.8 million and HK$37.7 million for each of the three years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, respectively. Please refer to the paragraph headed "Description of Certain Items in Combined Balance Sheets — Derivative financial instruments" in this section for further information.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 27 January 2015 as an exempted company with limited liability under the Cayman Islands Companies Law. In preparation for the Listing, our Group underwent the Reorganisation. For further details of the Reorganisation, please refer to the section "History, Development and Reorganisation". As a result of the Reorganisation, our Company became the holding company of the companies now comprising our Group which were under the common control of our Controlling Shareholders before and after the Reorganisation.

The Reorganisation is merely a reorganisation of the business of manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use with no change in the management of such business and in the ultimate owners of such business. The combined income statements, the combined statements of comprehensive income, the combined statements of cash flow and the combined statements of changes in equity of our Group for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 and the combined balance sheets of the Group as at that dates have been prepared using the financial information of the companies engaged in the business of manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use which are under the same ownership of our Controlling Shareholders and now comprising our Group as if the current group structure had been in existence throughout and at the end of each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 with the exception of companies established or acquired within the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 which are included from their respective dates of establishment or acquisition. The combined balance sheets of our Group as at 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 have been prepared to present the assets and liabilities of the companies engaged in the business of manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use and now comprising our Group as at these dates, as if the current group structure had been in existence as at these dates. For the purpose of the Accountant's Report, the financial information of our Group has been prepared on a combined basis as prescribed by the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

For more information on the basis of preparation of the financial information included herein, please refer to Note 1.3 in Section II to the combined financial information included in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Market competition

We, as one of the major players in the switching power supply unit manufacturing industry in the PRC and accounted for approximately 1.1% of the market share in the switching power supply unit manufacturing industry in the PRC in 2014, are able to maintain an increasing gross margin through the benefits of economies of scale, lean management and stringent cost control despite increasing production costs in the PRC where our principal production activities are based in. The gross profit margins of our Group were approximately 14.3%, 15.8%, 17.2% and 15.7% for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively.

The switching power supply unit manufacturing industry in the PRC is highly competitive and fragmented and there is no dominant player in the industry. The major competition factors include product quality, research and development capability and pricing. Price competition occurs on a market-by-market basis and particularly in the low-end markets. Increasing labour and raw material costs, demand for switching power supply units of higher performance and quality standards, and stringent safety standards and energy efficiency requirements may have a significant impact on small-sized manufacturers. Enhancing our competitiveness will be a key factor to the success of our business expansion and improvement in our results of operations.

Composition of our sales

We have a diversified portfolio of switching power supply units for consumer products and smart chargers and controllers for industrial use. Our switching power supply units are applied to consumer products in various industry sectors, including (i) telecommunications equipment; (ii) media and entertainment equipment such as AV products and computers; (iii) electronic cigarettes; (iv) home electrical appliances; and (v) other products such as LED lighting and health care products; whereas our smart chargers and controllers are mainly applied to power tools for industrial use. Depending on their design, size, capability, functionality and application, our products have different cost bases and selling prices, and hence different gross profit margins. Moreover, products within the same product segment may generate different gross profit margins due to different versions, designs, functionalities and capabilities. Consequently, our gross profit margins are impacted by the composition of the products that make up our sales.

During the Track Record Period, the average gross profit margin of switching power supply units for consumer products and smart chargers and controllers for industrial use ranged from approximately 13.7% to 16.2% and 17.3% to 22.0%, respectively. Because of the different gross profit margin of each of our products, during the Track Record Period, our average gross profit margin by product segment ranged from approximately 9.0% to approximately 37.5%, while our overall gross profit margin ranged from approximately 14.3% to 17.2%. The fluctuation in our overall gross profit margin was principally attributable to the change in demand for products under each of our product segment, and hence the revenue derived from each product segment. Such a change in demand may be driven by a number of factors, including but not limited to customers' preferences, customer base, market conditions and industry environment. Our results of operations may vary significantly from period to period as a result of changes in the composition of our sales in the future.

For further details regarding the composition of our product portfolio, please refer to the section "Business — Our Products".

Production capacity and average utilisation rate

During the Track Record Period, we recorded continued growth in our business operation. Our business operation is subject to our production capacity, which is expected to affect our results of operations. We historically operated our production base in Huizhou at an average utilisation rate of approximately 71.4%, 79.3%, 87.6% and 70.3% for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. For more details regarding our production capacity and average utilisation rate during the Track Record Period, please refer to the section "Business — Production Facilities — Production capacity".

Our new production base in Hanzhong, Shaanxi province, the PRC commenced production in around February 2015. As at the Latest Practicable Date, we operated a total of 11 production lines in our production base in Hanzhong, which was principally engaged in the production of high-frequency transformers, one of the key components of switching power supply units for consumer products and smart chargers and controllers for industrial use. After the re-location of the manufacturing activities of high-frequency transformers from our production base in Huizhou to our production base in Hanzhong, the production lines originally used for the production of high-frequency transformers in our production base in Huizhou will be re-arranged and re-designed to cater for the production of more sophisticated switching power supply units for consumer products and smart chargers and controllers for industrial use. We believe that the successful expansion of our production capacity will increase our future sales volume, revenue and profits, thereby enabling us to increase our market share.

However, the expansion of production capacity will need to be complemented by an increase in our sales volume and production volume, which will in turn require corresponding expansion of our supporting infrastructure, further acquisition of automatic machinery, and broadening of our customer base. We must develop sufficient market share so as to maintain the high utilisation rate of our production facilities and make our expansion plans profitable. Our ability to expand our production facilities while maintaining a high utilisation rate will continue to be a key factor to our success.

Raw materials

Raw materials for our production are primarily plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, PCB components, triodes, copper and aluminium materials, and resistors. Cost of raw materials is one of the major components in our cost of sales. To effectively control the cost of raw materials and mitigate the effect of price fluctuation of raw materials on our profitability, we maintain a good relationship with a group of qualified suppliers. The price and availability of raw materials may vary from period to period due to factors such as consumer demand and market conditions. Although we have maintained long term relationships with our suppliers, we cannot completely avoid fluctuation in the prices of raw materials and are exposed to market risk of raw material price fluctuation. Any increase in our raw material costs would negatively impact our gross profit margin if we are unable to pass on the increased cost to our customers by increasing the selling price of our products.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of raw materials on our profit before income tax during the Track Record Period. Fluctuations in the cost of raw materials are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations	**+/-5%**	**+/-10%**	**+/-15%**
	HK$'000	*HK$'000*	*HK$'000*
Increase/decrease in cost of raw materials			
Year ended 31 December 2012	+/-44,247	+/-88,495	+/-132,742
Year ended 31 December 2013	+/-54,009	+/-108,018	+/-162,027
Year ended 31 December 2014	+/-60,508	+/-121,017	+/-181,525
Six months ended 30 June 2015	+/-28,739	+/-57,478	+/-86,217
Decrease/increase in profit before income tax			
Year ended 31 December 2012	-/+44,247	-/+88,495	-/+132,742
Year ended 31 December 2013	-/+54,009	-/+108,018	-/+162,027
Year ended 31 December 2014	-/+60,508	-/+121,017	-/+181,525
Six months ended 30 June 2015	-/+28,739	-/+57,478	-/+86,217

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our gross profit amounted to approximately HK$203.0 million, HK$266.7 million, HK$332.4 million and HK$148.5 million, respectively. For illustrative purpose, we would have recorded a breakeven in our gross profit if the cost of raw materials increased by approximately 22.9%, 24.7%, 27.5% and 25.8%, respectively, for the corresponding periods.

Supply of labour

Although some of our Group's production processes involve the use of machinery, most of them are not fully automated and require workers to operate. Direct labour costs of our Group were approximately HK$140.3 million, HK$164.1 million, HK$185.0 million and HK$103.2 million for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively, representing approximately 11.5%, 11.5%, 11.6% and 13.0% of our total cost of sales, respectively.

Competition for skilled labour in the PRC has been more intense in recent years. In addition, average labour cost in the PRC has been on an increasing trend due to higher cost of living and the implementation of the Labour Contract Law of the PRC (中華人民共和國勞動合同法). We cannot assure that we will be able to recruit and retain sufficient workforce in a timely manner or that our labour cost will remain stable in the future. For further details, please refer to the section "Risk Factors".

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of direct labour on our profit before income tax during the Track Record Period. Fluctuations in the cost of direct labour are assumed to be 5%, 10% and 15%.

Hypothetical fluctuations	**+/-5%**	**+/-10%**	**+/-15%**
	HK$'000	*HK$'000*	*HK$'000*
Increase/decrease in cost of direct labour			
Year ended 31 December 2012	+/-7,017	+/-14,034	+/-21,051
Year ended 31 December 2013	+/-8,205	+/-16,409	+/-24,614
Year ended 31 December 2014	+/-9,250	+/-18,501	+/-27,751
Six months ended 30 June 2015	+/-5,160	+/-10,320	+/-15,480
Decrease/increase in profit before income tax			
Year ended 31 December 2012	-/+7,017	-/+14,034	-/+21,051
Year ended 31 December 2013	-/+8,205	-/+16,409	-/+24,614
Year ended 31 December 2014	-/+9,250	-/+18,501	-/+27,751
Six months ended 30 June 2015	-/+5,160	-/+10,320	-/+15,480

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our gross profit amounted to approximately HK$203.0 million, HK$266.7 million, HK$332.4 million and HK$148.5 million, respectively. For illustrative purpose, we would have recorded a breakeven in our gross profit if the cost of direct labour increased by approximately 144.6%, 162.5%, 179.7% and 143.9%, respectively, for the corresponding periods.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to application of the accounting policies. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our Group's financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 4 in Section II to our combined financial statements included in Appendix I to this prospectus.

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 our Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within our Group.

Our Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to a sale have been resolved. Our Group bases our 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:

(i) Sale of goods in the PRC and overseas

Sale of goods is recognised when a member of our Group has delivered products to our customer, our customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Interest income

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

Inventories

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

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, our Group would evaluate the aging analysis of inventories and compare the carrying amount of inventories with their respective net realisable value. A considerable amount of judgment is required in determining such allowances. If there are circumstances which may cause the net realisable value of inventories to deteriorate, additional allowances may be required.

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 to be in one year or less (or in the normal operating cycle if longer), such trade and other receivables 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.

Impairment of receivables

Our Group makes allowance for impairment of receivables based on an assessment of the recoverability of trade and other receivables with reference to the extent that the amount will be recovered. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

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 in which construction work has not been completed and is stated at cost. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Depreciation is not recorded in relation to 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 our 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 combined income statement 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 less residual value 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.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) — net' in the combined income statement.

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 our Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the combined income statement 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 recorded as income on a straight-line basis over the expected lives of the related assets.

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 combined income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

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 our 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, our 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 profit or loss as part of a valuation gain or loss in 'other gains/(losses) — net'.

Intangible assets

Intangible assets represent the 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 three 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 licences over their estimated useful lives of 10 years.

Research and development expenditure

Research expenditure is recognised as an expense as incurred. Cost incurred on development projects (relating to the design and testing of new and improved products) is recognised as an intangible asset when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- our 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.

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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedge instrument, and if not, the gain or loss from fair value change is recognised in profit or loss within ‘other gains/(losses) — net’.

RESULTS OF OPERATIONS

The following table summarises the combined income statements data from the financial statements during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this prospectus:

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Revenue	1,422,360	100.0	1,690,564	100.0	1,930,514	100.0	882,548	100.0	943,713	100.0
Cost of sales	(1,219,389)	(85.7)	(1,423,843)	(84.2)	(1,598,114)	(82.8)	(743,533)	(84.2)	(795,244)	(84.3)
Gross profit	202,971	14.3	266,721	15.8	332,400	17.2	139,015	15.8	148,469	15.7
Other income	10,193	0.7	21,996	1.3	27,387	1.4	7,508	0.9	2,737	0.3
Other gains/(losses) — net	45,776	3.2	5,558	0.3	(56,141)	(2.9)	(53,673)	(6.2)	42,664	4.5
Selling expenses	(68,888)	(4.8)	(85,302)	(5.0)	(85,429)	(4.4)	(30,145)	(3.4)	(39,466)	(4.2)
Administrative expenses	(110,564)	(7.8)	(123,157)	(7.3)	(128,154)	(6.6)	(54,500)	(6.2)	(77,768)	(8.2)
Operating profit	79,488	5.6	85,816	5.1	90,063	4.7	8,205	0.9	76,636	8.1
Finance income	308	–	696	–	788	–	120	0.0	175	0.0
Finance expenses	(2,273)	(0.1)	(2,622)	(0.1)	(2,291)	(0.1)	(1,441)	(0.2)	(1,705)	(0.1)
Finance expenses — net	(1,965)	(0.1)	(1,926)	(0.1)	(1,503)	(0.1)	(1,321)	(0.2)	(1,530)	(0.1)
Profit before income tax	77,523	5.5	83,890	5.0	88,560	4.6	6,884	0.7	75,106	8.0
Income tax expense	(13,608)	(1.0)	(28,194)	(1.7)	(33,843)	(1.8)	(6,523)	(0.7)	(15,136)	(1.6)
Profit for the year/period attributable to owners of our Company	63,915	4.5	55,696	3.3	54,717	2.8	361	0.0	59,970	6.4

DESCRIPTION OF SELECTED ITEMS IN COMBINED INCOME STATEMENTS

Revenue

We generate revenue from the sale of switching power supply units for consumer products and smart chargers and controllers for industrial use during the Track Record Period. For each of the three years ended 31 December 2012, 2013 and 2014, our revenue amounted to approximately HK$1,442.4 million, HK$1,690.6 million and HK$1,930.5 million, respectively, representing a CAGR of 16.5% from 2012 to 2014. Our revenue amounted to approximately HK$943.7 million for the six months ended 30 June 2015.

The following table sets forth the breakdown of our revenue by product segment for the periods indicated:

	For the year ended 31 December											
	2012				2013				2014			
	Revenue	Percentage of total revenue	Sales volume	Average selling price	Revenue	Percentage of total revenue	Sales volume	Average selling price	Revenue	Percentage of total revenue	Sales volume	Average selling price
	HK$'000	*%*	*000 units*	*HK$*	*HK$'000*	*%*	*000 units*	*HK$*	*HK$'000*	*%*	*000 units*	*HK$*
Switching power supply units for consumer products												
Telecommunications equipment	681,940	47.9	74,866	9.1	878,673	52.0	91,109	9.6	888,536	46.0	96,334	9.2
Media and entertainment equipment	399,796	28.1	21,272	18.8	371,961	22.0	19,847	18.7	401,841	20.8	20,251	19.8
Electronic cigarettes	–	–	–	–	12,487	0.7	1,310	9.5	107,886	5.6	15,085	7.2
Home electrical appliances	91,776	6.5	7,476	12.3	107,715	6.4	7,762	13.9	96,930	5.0	6,933	14.0
Others	75,183	5.3	4,284	17.5	95,793	5.7	3,967	24.1	88,389	4.6	4,589	19.3
Subtotal	1,248,695	87.8	107,898	11.6	1,466,629	86.8	123,995	11.8	1,583,582	82.0	143,192	11.1
Smart chargers and controllers for industrial use	173,665	12.2	5,449	31.9	223,935	13.2	7,404	30.2	346,932	18.0	10,556	32.9
Total	1,422,360	100.0	113,347	12.5	1,690,564	100.0	131,399	12.9	1,930,514	100.0	153,748	12.6

	For the six months ended 30 June							
	2014				2015			
	Revenue	Percentage of total revenue	Sales volume	Average selling price	Revenue	Percentage of total revenue	Sales volume	Average selling price
	HK$'000 (unaudited)	*%*	*000 units*	*HK$*	*HK$'000*	*%*	*000 units*	*HK$*
Switching power supply units for consumer products								
Telecommunications equipment	380,127	43.1	40,907	9.3	341,484	36.2	36,992	9.2
Media and entertainment equipment	185,766	21.0	8,945	20.8	201,577	21.4	10,377	19.4
Electronic cigarettes	66,000	7.5	9,058	7.3	58,963	6.2	2,890	20.4
Home electrical appliances	49,614	5.6	3,400	14.6	60,700	6.4	4,253	14.3
Others	48,955	5.6	2,280	21.5	65,624	7.0	5,087	12.9
Subtotal	730,462	82.8	64,590	11.3	728,348	77.2	59,599	12.2
Smart chargers and controllers for industrial use	152,086	17.2	4,699	32.4	215,365	22.8	6,635	32.5
Total	882,548	100.0	69,289	12.7	943,713	100.0	66,234	14.2

Our switching power supply units are applied to a wide variety of consumer products in various industry sectors, including (i) telecommunications equipment; (ii) media and entertainment equipment such as AV products and computers; (iii) electronic cigarettes; (iv) home electrical appliances; and (v) other products such as LED lighting and health care products. Our smart chargers and controllers are mainly applied to power tools for industrial use.

The following table sets forth the breakdown of our revenue by delivery destination of our products for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
PRC (excluding HK)	906,340	63.7	984,543	58.2	1,264,744	65.5	515,990	58.5	488,258	51.7
USA	175,520	12.4	216,899	12.8	181,618	9.4	104,181	11.8	196,164	20.8
Asia (excluding PRC)	199,411	14.0	281,869	16.7	211,478	11.0	136,196	15.4	136,223	14.4
Europe	126,930	8.9	175,158	10.4	223,491	11.6	117,000	13.3	116,953	12.4
Others	14,159	1.0	32,095	1.9	49,183	2.5	9,181	1.0	6,115	0.7
Total	1,422,360	100.0	1,690,564	100.0	1,930,514	100.0	882,548	100.0	943,713	100.0

The revenue information above is based on the destination to which we deliver our products to our customers, whereas the ultimate products produced by our customers are sold globally. As such, the delivery destination of our products may not be the same as the countries in which the relevant final products are sold.

In relation to our overseas sales, we generally use FOB (free on board) terms and recognise our revenue once the goods have been exported and upon receipt of customs delivery notes.

Our Group's revenue was mainly generated from products delivered to the PRC (excluding Hong Kong) which accounted for approximately 63.7%, 58.2%, 65.5% and 51.7% for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively.

Cost of sales

Our cost of sales comprises mainly cost of raw materials, direct labour cost and production overheads. Cost of raw materials are our main cost of sales, accounted for approximately 72.6%, 75.9%, 75.7% and 72.3% of our total cost of sales for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively, which mainly included expenses relating to our purchases of raw materials including plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, PCB components, triodes, copper and aluminium materials, and resistors. Direct labour cost mainly comprises 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.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Raw materials	884,947	72.6	1,080,182	75.9	1,210,165	75.7	557,673	75.0	574,778	72.3
Direct labour	140,343	11.5	164,094	11.5	185,005	11.6	87,842	11.8	103,200	13.0
Production overheads	194,099	15.9	179,567	12.6	202,944	12.7	98,018	13.2	117,266	14.7
Total cost of sales	1,219,389	100.0	1,423,843	100.0	1,598,114	100.0	743,533	100.0	795,244	100.0

The following table sets out the breakdown of our cost of sales by product segment for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Switching power supply units for consumer products										
Telecommunications equipment	599,160	49.1	758,176	53.2	782,132	48.9	341,063	45.9	310,619	39.1
Media and entertainment equipment	348,253	28.6	314,221	22.1	333,158	20.8	159,631	21.5	165,073	20.8
Electronic cigarettes	–	–	8,396	0.6	67,476	4.2	43,272	5.8	44,548	5.6
Home electrical appliances	74,069	6.1	87,049	6.1	79,744	5.0	41,944	5.6	49,814	6.3
Others	56,448	4.6	70,740	5.0	64,940	4.2	35,523	4.8	50,085	6.2
Subtotal	1,077,930	88.4	1,238,582	87.0	1,327,450	83.1	621,433	83.6	620,139	78.0
Smart chargers and controllers for industrial use	141,459	11.6	185,261	13.0	270,664	16.9	122,100	16.4	175,105	22.0
Total	1,219,389	100.0	1,423,843	100.0	1,598,114	100.0	743,533	100.0	795,244	100.0

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by product segment for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Switching power supply units for consumer products										
Telecommunications equipment	82,780	12.1	120,497	13.7	106,404	12.0	39,064	10.3	30,865	9.0
Media and entertainment equipment	51,543	12.9	57,740	15.5	68,683	17.1	26,135	14.1	36,504	18.1
Electronic cigarettes	–	0.0	4,091	32.8	40,410	37.5	22,728	34.4	14,415	24.4
Home electrical appliances	17,707	19.3	20,666	19.2	17,186	17.7	7,670	15.5	10,886	17.9
Others	18,735	24.9	25,053	26.2	23,449	26.5	13,432	27.4	15,539	23.7
Subtotal	170,765	13.7	228,047	15.5	256,132	16.2	109,029	14.9	108,209	14.9
Smart chargers and controllers for industrial use	32,206	18.5	38,674	17.3	76,268	22.0	29,986	19.7	40,260	18.7
Total	202,971	14.3	266,721	15.8	332,400	17.2	139,015	15.8	148,469	15.7

For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our gross profit margins were 14.3%, 15.8%, 17.2% and 15.7%, respectively. Our gross profit margin increased for the three years ended 31 December 2014, which was mainly attributable to (i) the relatively high gross profit margin contributed by our newly launched products; (ii) the shift of our product mix towards higher margin products; and (iii) the implementation of cost-saving plans to reduce our sourcing costs and standardise our product quality. Our gross profit margin remained relatively stable at 15.8% and 15.7% for the six months ended 30 June 2014 and 2015, respectively.

During the Track Record Period, sales of our new products from different product segments usually generated higher gross profit margin as we were able to set a relatively higher selling price for the new products as compared to their costs. Sales of switching power supply units for electronic cigarettes, being one of our new products, began in the fourth quarter of 2013. Thus, the profit margin of our switching power supply units for electronic cigarettes was higher than that of other switching power supply units for consumer products and smart chargers and controllers for industrial use at approximately 32.8%, 37.5% and 24.4% for the year ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively.

The increase in gross profit margins for the three years ended 31 December 2014 was also attributable to the shift of product mix towards switching power supply units for electronic cigarettes. With the sales volume of switching power supply units for electronic cigarettes as a percentage of total sales volume increased from nil in the year ended 31 December 2012 to 1.0% in the year ended 31 December 2013, and further to 9.8% in the year ended 31 December 2014, our total gross profit margin during the three years ended 31 December 2014 increased.

The gross profit margin for the six months ended 30 June 2014 and 2015 remained relatively stable at approximately 15.8% and 15.7%, respectively. This was mainly attributable to the relatively stable gross profit margins of different product types from each segment, except for the decrease in gross profit margin of electronic cigarettes from approximately 34.4% for the six months ended 30 June 2014 to approximately 24.4% for the six months ended 30 June 2015. The decrease was mainly due to sales of new models which were produced by raw materials with higher costs for the six months ended 30 June 2015 compared to those for the six months ended 30 June 2014.

Other income

Other income mainly consists of sales of scrap materials from our manufacturing process, sales of raw materials, samples and molds, inspection and certification fee income for obtaining standard certifications as requested by customers, realised income/(loss) on derivative financial instruments for foreign exchange hedge purpose including structured currency forward contracts and target redemption currency forward contracts and others. Other income amounted to approximately HK$10.2 million, HK$22.0 million, and HK$27.4 million and HK$2.7 million for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively.

The following table sets forth a breakdown of our other income for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Sales of scrap materials	2,147	21.1	2,170	9.9	8,569	31.3	936	12.5	2,243	82.0
Sales of raw materials, samples and molds	71	0.7	3,575	16.2	9,738	35.6	5,118	68.1	4,606	168.2
Inspection and certification fee income	5,010	49.1	1,539	7.0	1,409	5.1	576	7.7	268	9.8
Income/(loss) on derivative financial instruments	895	8.8	12,377	56.3	5,521	20.2	553	7.4	(5,658)	(206.7)
Others	2,070	20.3	2,335	10.6	2,150	7.8	325	4.3	1,278	46.7
Total	10,193	100.0	21,996	100.0	27,387	100.0	7,508	100.0	2,737	100.0

Other gains/(losses) — net

Other gains/(losses) — net mainly consist of fair value changes on derivative financial instruments, fair value changes on financial assets at fair value through profit or loss, net foreign exchange gain/(losses) due to our transactions denominated in foreign currencies, government grants for the construction project of rooftop solar photovoltaic installations, loss on disposal of property, plant and equipment and gain on disposal of a subsidiary. Fair value changes on derivative financial instruments were recorded based on valuation reports issued by banks using commonly accepted methodology to calculate the fair value of derivative financial instruments at the valuation date. Specific valuation techniques used to value the derivative financial instruments include a number of factors. For details, please refer to Note 3.3 "Fair value estimation" of the Accountant's Report set out in Appendix I to this prospectus. We recorded a gain of approximately HK$45.8 million, a gain of approximately HK$5.6 million, a loss of approximately HK$56.1 million and a gain of approximately HK$42.7 million for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively.

The following table sets forth a breakdown of our other gains/(losses) — net for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Fair value changes on derivative financial instruments	39,474	86.2	6,600	118.8	(53,541)	95.4	(55,077)	102.6	32,328	75.8
Fair value changes on financial assets at fair value through profit or loss	(604)	(1.3)	84	1.5	88	(0.2)	36	(0.1)	36	0.1
Fair value changes on investment properties	1,800	3.9	330	5.9	150	(0.3)	100	(0.2)	200	0.5
Net foreign exchange gain/(losses)	1,613	3.5	(3,359)	(60.4)	(1,219)	2.2	921	(1.7)	6,122	14.3
Government grants	2,333	5.1	2,405	43.3	3,339	(5.9)	463	(0.8)	569	1.3
Loss on disposal of property, plant and equipment	(704)	(1.5)	(793)	(14.3)	(1,130)	2.0	(550)	1.0	(341)	(0.8)
Gains on disposal of a subsidiary	–	–	–	–	–	–	–	–	7,094	16.6
Others	1,864	4.1	291	5.2	(3,828)	6.8	434	(0.8)	(3,344)	(7.8)
Total	45,776	100.0	5,558	100.0	(56,141)	100.0	(53,673)	100.0	42,664	100.0

Selling expenses

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

The following table sets forth a breakdown of our selling expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
Selling expenses	**2012**		**2013**		**2014**		**2014**		**2015**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Employee benefit expenses	19,406	28.2	27,035	31.7	27,205	31.8	7,637	25.3	12,873	32.6
Transportation and travelling expenses	17,768	25.8	21,725	25.5	18,583	21.7	8,410	27.8	7,440	18.9
Commission expenses	6,847	9.9	8,010	9.4	8,448	9.9	1,349	4.5	2,333	5.9
Certificate and detection fees	3,412	5.0	5,240	6.1	5,947	7.0	1,621	5.4	3,210	8.1
Entertainment fee	3,034	4.4	3,616	4.2	5,176	6.1	1,267	4.2	1,329	3.4
Consultancy fee	3,978	5.8	3,779	4.4	3,551	4.2	2,638	8.8	3,223	8.2
Operating lease payments	1,875	2.7	2,802	3.3	1,700	2.0	699	2.3	1,067	2.7
Advertising costs	2,300	3.3	1,417	1.7	2,751	3.2	769	2.6	938	2.4
Commercial insurance	1,534	2.2	3,259	3.8	6,383	7.5	2,805	9.3	3,088	7.8
Others	8,734	12.7	8,419	9.9	5,685	6.6	2,950	9.8	3,965	10.0
	68,888	100.0	85,302	100.0	85,429	100.0	30,145	100.0	39,466	100.0

Our selling expenses amounted to approximately HK$68.9 million, HK$85.3 million, HK$85.4 million and HK$39.5 million for the each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. As a percentage of total revenue, our selling expenses accounted for approximately 4.8%, 5.0%, 4.4% and 4.2% during the respective periods, respectively.

Administrative expenses

Administrative expenses primarily comprise employee benefit expenses for administrative staff, depreciation, amortisation and impairment charges, consultancy fee, transportation and travelling expenses, entertainment expenses, bank charges, research and development costs and others.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

Administrative expenses	For the year ended 31 December 2012		2013		2014		For the six months ended 30 June 2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Employee benefit expenses	22,373	20.2	32,339	26.3	30,259	23.6	14,788	27.1	19,159	24.6
Depreciation, amortisation and impairment charges	4,259	3.9	5,343	4.3	6,702	5.2	4,169	7.6	4,269	5.5
Consultancy fee	3,887	3.5	6,438	5.2	2,794	2.2	2,136	4.0	2,185	2.9
Allowance for impairment of trade receivables	4,264	3.9	625	0.5	28	–	121	0.2	210	0.3
Transportation and travelling expenses	1,783	1.6	1,715	1.4	2,170	1.7	1,350	2.5	1,535	2.0
Entertainment expenses	3,407	3.1	3,952	3.2	4,611	3.6	930	1.7	1,924	2.5
Bank charges	1,676	1.5	1,661	1.3	2,082	1.6	857	1.6	1,590	2.0
Research and development costs	57,583	52.1	57,614	46.8	63,352	49.4	26,499	48.6	30,208	38.8
Expenses related to initial public offering	–	–	–	–	6,180	4.8	–	–	10,995	14.1
Others	11,332	10.2	13,470	11.0	9,976	7.9	3,650	6.7	5,693	7.3
	110,564	100.0	123,157	100.0	128,154	100.0	54,500	100.0	77,768	100.0

Administrative expenses amounted to approximately HK$110.6 million, HK$123.2 million, HK$128.2 million and HK$77.8 million for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. As a percentage of total revenue, our administrative expenses accounted for approximately 7.8%, 7.3%, 6.6% and 8.2% during the respective periods, respectively.

Finance expenses — net

Finance expenses — net comprise mainly interest charges on our interest-bearing bank borrowings and interest income on our bank deposits. Finance expenses — net amounted to approximately HK$2.0 million, HK$1.9 million, HK$1.5 million and HK$1.5 million for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. The following table sets forth a breakdown of our finance expenses-net for the periods indicated:

	For the year ended 31 December 2012		2013		2014		For the six months ended 30 June 2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Finance costs										
Interest on bank borrowing	2,273	115.7	2,622	136.1	2,291	152.4	1,441	109.1	1,705	111.4
Finance income										
Interest income	(308)	(15.7)	(696)	(36.1)	(788)	(52.4)	(120)	(9.1)	(175)	(11.4)
Finance expenses — net	1,965	100.0	1,926	100.0	1,503	100.0	1,321	100.0	1,530	100.0

Income tax expense

Income tax comprises expected current taxes payables by us (including our subsidiaries) on our taxable income, plus movements in deferred tax assets and liabilities. Please refer to Note 11 to the Accountant's Report included in Appendix I to this prospectus.

The corporate income tax rate applicable to our subsidiaries in the PRC during the Track Record Period was 25%, except for Ten Pao Electronic (Huizhou) for the year ended 31 December 2012, which enjoyed a lower EIT rate. Ten Pao Electronic (Huizhou) was set up as a foreign investment manufacturing enterprise in the PRC and the original EIT rate applicable to Ten Pao Electronic (Huizhou) was 15%. Pursuant to the EIT Law, the EIT rate increased from 15% to 25% in a five-year transitional period from 2008 to 2012. In addition, during the period from 2008 to 2012, Ten Pao Electronic (Huizhou) enjoyed preferential tax treatment of EIT exemption in the first two years after making profits and EIT reduction by half in the following three years. The EIT rate applicable to Ten Pao Electronic (Huizhou) for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 was 14.45%, 25%, 25% and 25%, respectively.

According to the EIT Law, since 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 dividends 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 if certain requirements under the China-HK Double Tax Arrangement between the PRC and Hong Kong are fulfilled.

The provision of Hong Kong profits tax during the Track Record Period was calculated at 16.5% of the estimated assessable profits of our subsidiaries in Hong Kong. We were not subject to any income tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. No provision for income tax in BVI and Samoa has been made as our Group has no income assessable for income tax in BVI and Samoa during the Track Record Period.

Our income tax expenses were approximately HK$13.6 million, HK$28.2 million, HK$33.8 million and HK$15.1 million for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively; whereas our effective tax rate for the same period was 17.6%, 33.6%, 38.2% and 20.2%, respectively.

The increase in the effective tax rate in 2013 as compared to that in 2012 was primarily due to tax holiday and preferential tax rate available to our subsidiaries in the PRC but terminated in late 2012 and the increase in the accrual of withholding tax of retained earnings of our subsidiaries in the PRC. The increase in the effective corporate income tax rate in 2014 as compared to that in 2013 was primarily due to the increase in the accrual of withholding tax of retained earnings of our subsidiaries in the PRC.

The effective tax rates in 2013 and 2014 were higher than the statutory rate of 25% primarily due to the accrual of withholding tax of retained earnings and expenses not deductible for taxation purpose of our subsidiaries in the PRC. According to the EIT 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 dividends out of profits earned after 1 January 2008. As the accrual of withholding tax was included in the income tax expenses of our Group as deferred income tax expenses, our effective tax rate increased during the Track Record Period.

Our expenses not deductible for taxation purpose mainly comprised cost adjustments, initial public offering expenses, entertainment, selling and marketing expenses, compensation to suppliers and other expenses which are disallowed under the EIT Law.

Our fair value changes on derivative financial instruments during the Track Record Period were accounted for as current income tax payables but not deferred tax liabilities.

HKAS 12 requires an entity to account for deferred tax using the balance sheet liability method, which focuses on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for reporting tax purposes under the prevailing tax laws.

There is no difference between the tax base and the carrying amount of the fair value change in the financial instruments of the Group which were used to hedge for trading purposes. The Hong Kong Inland Revenue Department allows taxpayers to follow the fair value accounting treatment in the financial statements for tax reporting purposes for which unrealised gain/(loss) to be taxable/(deductible) at the relevant fiscal year when incurred (**"Fair Value Tax Treatment"**).

Based on the Fair Value Tax Treatment above, our Group treated the unrealised fair value gain on the financial instruments (which should be an unrealised gain) as taxable following the accounting treatment. On the other hand, the unrealised loss arising from these financial instruments would be deductible if (i) the loss is proved to be permanent in nature at the year incurred; or (ii) our Group follows the Fair Value Tax Treatment consistently for tax reporting purposes.

As such, our Group's "current" income tax payables were based on the prudent accrual made by our Group as a result of adopting the Fair Value Tax Treatment for tax reporting purpose, but not arisen from temporary differences as defined in HKAS 12 "Income Taxes".

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Revenue

Our revenue increased by approximately HK$61.2 million or 6.9% to approximately HK$943.7 million for the six months ended 30 June 2015 from approximately HK$882.5 million for the six months ended 30 June 2014. The increase was primarily due to an increase in revenue from smart chargers and controllers for industrial use.

Revenue for switching power supply units for consumer products decreased by approximately HK$2.1 million or 0.3% to approximately HK$728.3 million for the six months ended 30 June 2015 from approximately HK$730.5 million for the six months ended 30 June 2014 mainly as a result of decrease in sales volume from approximately 64.6 million units to approximately 59.6 million units for the respective periods. The decrease was primarily due to (i) the decrease of approximately HK$38.6 million in sales of switching power supply units for telecommunications equipment due to decrease in sales of approximately HK$41.3 million to a customer engaged in sales of cell phones and its related products; and (ii) the decrease in sales of switching power supply units for electronic cigarettes of approximately HK$7.0 million as our customer reduced their purchase order to cater for their business needs which mainly contributed to the decrease in sales volume of approximately 6.2 million units. The decrease was partially offset by (i) the increase in sales of switching power supply units for media and entertainment equipment of approximately HK$15.8 million mainly due to the increase in demand for switching power supply units for audio products in the US market; and (ii) the increase in sales of switching power supply units for home electrical appliances of approximately HK$11.1 million mainly as a result of increase in demand due to the commencement of a new project from an existing customer which contributed increase in sales of approximately HK$8.8 million. Average selling price of switching power supply units for consumer products increased from approximately HK$11.3 per unit for the six months ended 30 June 2014 to approximately HK$12.2 per unit for the six months ended 30 June 2015. Such increase was mainly attributable to the increase in average selling price of our switching power supply units for electronic cigarettes due to the launch of two new models of portable switching power supply units with relatively higher selling prices.

Revenue for smart chargers and controllers increased by approximately HK$63.3 million or 41.6% to approximately HK$215.4 million for the six months ended 30 June 2015 from approximately HK$152.1 million for the six months ended 30 June 2014. The increase was primarily due to an increase in sales volume of approximately 1.9 million units that was mainly attributable to products launched in 2015 for several new projects from one of our major customers. Our average selling price remained relatively stable at HK$32.4 per unit and HK$32.5 per unit for the six months ended 30 June 2014 and 2015, respectively.

Revenue generated from products delivered to the PRC (excluding HK) decreased from approximately HK$516.0 million for the six months ended 30 June 2014 to approximately HK$488.3 million for the six months ended 30 June 2015, which was mainly due to the decrease in sales to customers in the PRC engaged in the sales of cell phones. Revenue generated from products delivered to the United States increased to approximately HK$196.2 million for the six months ended 30 June 2015 from approximately HK$104.2 million for the six months ended 30 June 2014, which was mainly due to the increase in sales to a customer engaged in the sales of media and entertainment equipment.

Cost of sales

Cost of sales increased by approximately HK$51.7 million or 7.0% to approximately HK$795.2 million for the six months ended 30 June 2015 from approximately HK$743.5 million for the six months ended 30 June 2014. The increase was mainly attributable to an increase in cost of raw materials, direct labour cost and production overheads of approximately HK$17.1 million, HK$15.4 million and HK$19.2 million, respectively, due to an increase in our sales volume, which was in line with our increased revenue and increase in minimum wage in the PRC.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately HK$9.5 million or 6.8% from approximately HK$139.0 million for the six months ended 30 June 2014 to approximately HK$148.5 million for the six months ended 30 June 2015. Our gross profit margin remained stable at approximately 15.8% and 15.7% for the six months ended 30 June 2014 and 2015, respectively, which was mainly due to increase in revenue and was offset by the increase in direct labour costs due to increase in minimum wage in the PRC and increased provision for social insurance welfare.

Other income

Other income decreased by approximately HK$4.8 million or 64.0% to approximately HK$2.7 million for the six months ended 30 June 2015 from approximately HK$7.5 million for the six months ended 30 June 2014. The decrease in other income was mainly due to a realised loss of approximately HK$5.7 million was recorded for the six months ended 30 June 2015 due to the appreciation of Renminbi against U.S. dollars in 2015 which was partially offset by an increase in the sales of scrap materials of approximately HK$1.3 million due to our enlarged production scale.

Other gains/(losses) — net

We recorded other net losses of approximately HK$53.7 million for the six months ended 30 June 2014 while other net gains of approximately HK$42.7 million for the six months ended 30 June 2015. The change was mainly due to the change from an unrealised loss of approximately HK$55.1 million to an unrealised gain of approximately HK$32.3 million in fair value changes on derivative financial instruments. During the Track Record Period, we entered into some structured currency forward contracts and target redemption currency forward contracts to reduce our exposure to the fluctuation in the currency exchange rate between U.S. dollars and Renminbi. The accounting fair valuation of such contracts would be based on valuation models, in which the spot and forward exchange rate between U.S. dollars and Renminbi would be the key parameters. As the notional amount of such contracts decreased at maturity as compared to as at 31 December 2014 and the relative stable exchange rate between Renminbi and U.S. dollars from March to May 2015, the fair value of our contracts as at 30 June 2015 increased as compared to the fair value as at 31 December 2014, resulting in unrealised fair value gain.

Selling expenses

Selling expenses increased from approximately HK$30.1 million for the six months ended 30 June 2014 to approximately HK$39.5 million for the six months ended 30 June 2015. The increase was mainly due to the increase in (i) employee benefit expenses of approximately HK$5.2 million mainly due to increase in provision for social insurance welfare and minimum wages in the PRC compared to the six months ended 30 June 2014; and (ii) certificate and detection fees of approximately HK$1.6 million as a result of new certificate and detection fees incurred for the testing and verification of certain LED products.

Administrative expenses

Administrative expenses increased by approximately HK$23.3 million or 42.8% to approximately HK$77.8 million for the six months ended 30 June 2015 from approximately HK$54.5 million for the six months ended 30 June 2014, which was mainly due to (i) incurred expenses related to the Listing of approximately HK$11.0 million; (ii) the increase in employee benefit expenses of approximately HK$4.4 million mainly as a result of the increase in provision for social insurance welfare and minimum wages in the PRC; and (iii) increase in research and development expenses of approximately HK$3.7 million as a result of more cost incurred in new projects.

Finance expenses — net

Finance expenses increased by approximately HK$0.2 million from approximately HK$1.3 million for the six months ended 30 June 2014 to approximately HK$1.5 million for the six months ended 30 June 2015, which was mainly due to increase in our average total borrowings.

Income tax expense

Income tax expense increased by approximately HK$8.6 million or 132.0% to HK$15.1 million for the six months ended 30 June 2015 from approximately HK$6.5 million for the six months ended 30 June 2014. Our effective tax rate decreased from approximately 94.8% for the six months ended 30 June 2014 to 20.2% for the six months ended 30 June 2015. The decrease was mainly due to the fair value gain on derivative financial instruments of approximately HK$32.3 million which increased our profit before tax for the six months ended 30 June 2015 compared to a fair value loss on derivative financial instrument which reduced the profit before tax of approximately HK$55.1 million for the six months ended 30 June 2014.

During the six months ended 30 June 2015, the amount of income tax paid was approximately HK$36.8 million. Out of the outstanding income tax payable of approximately HK$35.4 million as at 30 June 2014, approximately HK$11.1 million and HK$20.5 million were subsequently settled in the last six months of the year ended 31 December 2014 and the six months ended 30 June 2015, respectively. The remaining balances are expected to be paid in the second half of 2015.

Profit for the period

As a result of the foregoing, profit for the period increased by approximately HK$59.6 million to approximately HK$60.0 million for the six months ended 30 June 2015 from approximately HK$0.4 million for the six months ended 30 June 2014. Our net profit margin increased from approximately 0.0% for the six months ended 30 June 2014 to approximately 6.4% for the six months ended 30 June 2015, as a result of our increased revenue and a gain arising from fair value changes on derivative financial instruments compared to a loss for the six months ended 30 June 2014. Our net profit margin excluding the income/loss and fair value changes on derivative financial instruments, net of income tax would be decreased from approximately 5.2% for the six months ended 30 June 2014 to approximately 4.0% for the six months ended 30 June 2015.

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our revenue increased by approximately HK$240.0 million or 14.2% to approximately HK$1,930.5 million for the year ended 31 December 2014 from approximately HK$1,690.6 million for the year ended 31 December 2013. The increase was primarily due to an increase in revenue from both switching power supply units for consumer products and smart chargers and controllers for industrial use.

Revenue for switching power supply units for consumer products increased by approximately HK$117.0 million or 8.0% to approximately HK$1,583.6 million for the year ended 31 December 2014 from approximately HK$1,466.6 million for the year ended 31 December 2013 mainly as a result of increase in sales volume. The increase was primarily due to (i) an increase of approximately HK$95.4 million in the sales of switching power supply units for electronic cigarettes due to their launch since the fourth quarter of 2013, which contributed an increase in sales volume of approximately 13.8 million units; and (ii) an increase of approximately HK$29.9 million in the sales of switching power supply units for media and entertainment equipment due to increased purchase amount from our customers and a change of customers' demand for products with a relatively higher selling price. Average selling price of switching power supply units for consumer products decreased from approximately HK$11.8 for the year ended 31 December 2013 to approximately HK$11.1 for the year ended 31 December 2014. Such decrease was mainly attributable to the relatively lower average selling price of switching power supply units for electronic cigarettes as compared to that in the first year of launch.

Revenue for smart chargers and controllers increased by approximately HK$123.0 million or 54.9% to approximately HK$346.9 million for the year ended 31 December 2014 from approximately HK$223.9 million for the year ended 31 December 2013. The increase was primarily due to (i) an increase in sales volume of approximately 3.2 million units that was mainly attributable to products launched in 2013 for several new projects from one of our major customers; and (ii) an increase in the average selling price from approximately HK$30.2 in 2013 to approximately HK$32.9 in 2014 due to the newly launched products which were generally with a relatively higher selling price.

Revenue generated from products delivered to the PRC (excluding HK) increased from approximately HK$984.5 million for the year ended 31 December 2013 to approximately HK$1,264.7 million for the year ended 31 December 2014, which was mainly due to the increase in sales to customers in the PRC engaged in the sale of cell phones. Revenue generated from products delivered to Asia (excluding PRC) then decreased to approximately HK$211.5 million for the year ended 31 December 2014, which was mainly due to the decrease in sales to a Korean customer engaged in the sale of electrical appliances.

Cost of sales

Cost of sales increased by approximately HK$174.3 million or 12.2% to approximately HK$1,598.1 million for the year ended 31 December 2014 from approximately HK$1,423.8 million for the year ended 31 December 2013. The increase was mainly attributable to an increase in cost of raw materials, direct labour cost and production overheads of approximately HK$130.0 million, HK$20.9 million and HK$23.4 million, respectively, due to an increase in our sales volume, which was in line with our increased revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by approximately HK$65.7 million or 24.6% from approximately HK$266.7 million for the year ended 31 December 2013 to approximately HK$332.4 million for the year ended 31 December 2014. Our gross profit margin increased from approximately 15.8% for the year ended 31 December 2013 to approximately 17.2% for the year ended 31 December 2014, which was mainly due to (i) the higher gross profit margin of our newly launched products for smart chargers and controllers; and (ii) the shift of our product mix towards products with a higher profit margin, such as switching power supply units for electronic cigarettes.

Other income

Other income increased by approximately HK$5.4 million or 24.5% to approximately HK$27.4 million for the year ended 31 December 2014 from approximately HK$22.0 million for the year ended 31 December 2013. The increase in other income was mainly due to (i) an increase in the sales of scrap materials of approximately HK$6.4 million due to our enlarged production scale and (ii) increase in the sales of raw materials, samples and molds of approximately HK$6.2 million mainly due to increasing number of samples our Group prepared for and charged to our customers in the year 2014, which was partially offset by a decrease in income on derivative financial instruments of approximately HK$6.9 million due to a lesser extent of appreciation of Renminbi against U.S. dollars in late 2014 as compared to 2013.

Other gains/(losses) — net

We recorded other gain — net of approximately HK$5.6 million for the year ended 31 December 2013 while other loss — net of approximately HK$56.1 million for the year ended 31 December 2014. The change was mainly due to the change from a gain of approximately HK$6.6 million to a loss of approximately HK$53.5 million in fair value changes on derivative financial instruments. During the Track Record Period, we entered into some structured currency forward contracts and target redemption currency forward contracts to reduce our exposure to the fluctuation in the currency exchange rate between U.S. dollars and Renminbi. The accounting fair valuation of such contracts would be based on valuation models, in which the spot and forward exchange rate between U.S. dollars and Renminbi would be the key parameters. As at 31 December 2014, as affected by the short-term historical and expected appreciation of U.S. dollars against Renminbi, the fair value of such derivative financial instruments had decreased, resulting in unrealised fair value loss.

Selling expenses

Selling expenses remained relatively stable at approximately HK$85.3 million and HK$85.4 million for each of the years ended 31 December 2013 and 2014, respectively. The amounts remained relatively stable despite our increased revenue, mainly because an increase in employee benefit expenses, consultancy fee and commercial insurance driven by our increased revenue was offset by a decrease in transportation and travelling expenses and other costs as a result of our stringent cost control.

Administrative expenses

Administrative expenses increased by approximately HK$5.0 million or 4.1% to approximately HK$128.2 million for the year ended 31 December 2014 from approximately HK$123.2 million for the year ended 31 December 2013, which remained relatively stable.

Finance expenses — net

Finance expenses decreased by approximately HK$0.4 million from approximately HK$1.9 million for the year ended 31 December 2013 to approximately HK$1.5 million for the year ended 31 December 2014, which was mainly due to decrease in our average total borrowings.

Income tax expense

Income tax expense increased by approximately HK$5.6 million or 20.0% to HK$33.8 million for the year ended 31 December 2014 from approximately HK$28.2 million for the year ended 31 December 2013. Our effective tax rate increased from approximately 33.6% for the year ended 31 December 2013 to 38.2% for the year ended 31 December 2014. The increase was mainly due to (i) an increase in our taxable income; and (ii) an increase in deferred tax accrued to the retained earnings of our PRC subsidiaries.

During the year ended 31 December 2014, the amount of income tax paid was approximately HK$21.8 million. The amount of current income tax payable as at 31 December 2013 was HK$33.3 million, which included (i) the accrual of EIT under the relevant PRC laws and Hong Kong profits tax to be paid in the next calendar year of approximately HK$12.2 million which was settled in the year ended 31 December 2014; (ii) the accrual of additional EIT for certain PRC subsidiaries of our Group of approximately HK$13.5 million as additional EIT accrued by our Group's subsidiaries in Huizhou in the current year and settled in the year ended 31 December 2014 and the six months ended 30 June 2015. The management of our Group requested tax clearance certificates of our PRC subsidiaries from the relevant PRC tax bureaus in 2014. The tax bureaus made a further assessment and demanded additional EIT for the Group's PRC subsidiaries for the years ended 31 December 2012 and 2013. The subject PRC subsidiaries, namely Ten Pao Electronic (Huizhou) and Jinhu Industrial, obtained tax clearance certificates from the tax bureaus in May 2015 after settling the aforesaid additional EIT and the tax bureaus confirmed that the PRC subsidiaries had been in compliance with the applicable tax regulations with no outstanding tax disputes; and (iii) our Group's tax accruals arisen from the fair value changes from derivative financial instruments of approximately HK$7.6 million which was subsequently reversed due to fair value loss in the year ended 31 December 2014. Such payables were income tax payables but not deferred tax liabilities as there was no temporary difference between the tax base and the carrying amount of the fair value change in the financial instruments of our Group which were used to hedge for trading purposes in accordance to HKAS 12 Income Taxes. Details of the applicable accounting standards and its relevant application are set out in the paragraph "Description of Selected Items in Combined Income Statements — Income tax expense" in this section. Income tax payables were not arisen from temporary differences defined in HKAS 12 Income Taxes.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately HK$1.0 million or 1.8% to approximately HK$54.7 million for the year ended 31 December 2014 from approximately HK$55.7 million for the year ended 31 December 2013. Our net profit margin decreased from approximately 3.3% for the year ended 31 December 2013 to approximately 2.8% for the year ended 31 December 2014, despite our increased revenue and gross profit margin as a result of our organic growth from operation. The decrease was mainly driven by the non-recurring loss arising from fair value changes on derivative financial instruments compared to a gain for the year ended 31 December 2013. Thus, our net profit margin excluding the income/loss from and fair value changes on derivative financial instruments, net of income tax would be increased from approximately 2.4% for the year ended 31 December 2013 to approximately 4.9% for the year ended 31 December 2014.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased by approximately HK$268.2 million or 18.9% to approximately HK$1,690.6 million for the year ended 31 December 2013 from approximately HK$1,422.4 million for the year ended 31 December 2012. The increase was primarily due to an increase in revenue from both switching power supply units for consumer products and smart chargers and controllers.

Revenue for switching power supply units for consumer products increased by approximately HK$217.9 million or 17.5% to approximately HK$1,466.6 million for the year ended 31 December 2013 from approximately HK$1,248.7 million for the year ended 31 December 2012. The increase was primarily due to (i) an increase of approximately HK$196.7 million in the sales of switching power supply units for telecommunications equipment mainly due to increased orders from customers engaged in the business of cell phones; and (ii) increase in the sales of switching power supply units for electronic cigarettes of approximately HK$12.5 million for the fourth quarter of 2013. Sales volume and average selling price also increased as a result of the abovementioned factors. The increase was partially offset by a decrease of approximately HK$27.8 million in the sales of switching power supply units for media and entertainment equipment mainly due to decreased purchase volume from a Korean customer.

Revenue for smart chargers and controllers increased by approximately HK$50.3 million or 29.0% to approximately HK$223.9 million for the year ended 31 December 2013 from approximately HK$173.7 million for the year ended 31 December 2012. The increase was primarily due to an increase in sales volume of approximately 2.0 million units mainly attributable to increased purchase volume and a wider variety of products supplied to one of our major customers as we obtained more orders based on our long-term relationship, which was partially offset by a slight decrease in the average selling price from approximately HK$31.9 for the year ended 31 December 2012 to approximately HK$30.2 for the year ended 31 December 2013 due to gradual price cuts for aging products sold for the year ended 31 December 2013.

Revenue generated from products delivered to Asia (excluding PRC) increased from approximately HK$199.4 million for the year ended 31 December 2012 to approximately HK$281.9 million for the year ended 31 December 2013, which was mainly due to an increase in sales to a Korean customer engaged in the sale of telecommunications equipment.

Cost of sales

Cost of sales increased by approximately HK$204.5 million or 16.8% to approximately HK$1,423.8 million for the year ended 31 December 2013 from approximately HK$1,219.4 million for the year ended 31 December 2012. The increase was mainly the result of (i) an increase in cost of raw materials of approximately HK$195.2 million due to an increase in sales volume; and (ii) an increase in direct labour cost of approximately HK$23.8 million due to an increase in minimum wage, which was partially offset by a decrease in production overheads of approximately HK$14.5 million due to reduction in production lead time.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by approximately HK$63.8 million or 31.4% from approximately HK$203.0 million for the year ended 31 December 2012 to approximately HK$266.7 million for the year ended 31 December 2013. Our gross profit margin increased from approximately 14.3% for the year ended 31 December 2012 to approximately 15.8% for the year ended 31 December 2013, which was mainly due to (i) increased gross profit margin of switching power supply units for media and entertainment equipment because of a shift of our product mix with a higher profit margin; and (ii) implementation of cost-saving measures to reduce our sourcing costs and standardise our product quality.

Other income

Other income increased by approximately HK$11.8 million or 115.8% to approximately HK$22.0 million for the year ended 31 December 2013 from approximately HK$10.2 million for the year ended 31 December 2012. The increase in other income was mainly due to (i) increase in the sales of raw materials, samples and molds of approximately HK$3.5 million mainly due to increasing number of samples our Group prepared for and charged to our customers in the year 2013 while most of the samples our Group prepared were not charged to our customers in the year 2012 as one of our ancillary services; and (ii) an increase in income on derivative financial instruments of approximately HK$11.5 million because of structured currency forward contracts settled in 2013, which was partially offset by a decrease in inspection and certification fee income of approximately HK$3.5 million due to fee waived for sizable customers.

Other gains/(losses) — net

Other gains decreased by approximately HK$40.2 million from approximately HK$45.8 million for the year ended 31 December 2012 to approximately HK$5.6 million for the year ended 31 December 2013. The decrease was mainly due to (i) a decrease in fair value changes on derivative financial instruments of approximately HK$32.9 million because of the different foreign exchange rate expectations at year end, which affected the fair value of such derivative financial instruments; and (ii) the change of net foreign exchange from a gain to a loss in 2013 as a result of depreciation of U.S. dollars against Renminbi.

Selling expenses

Selling expenses increased by approximately HK$16.4 million or 23.8% to approximately HK$85.3 million for the year ended 31 December 2013 from approximately HK$68.9 million for the year ended 31 December 2012. The increase was primarily due to (i) an increase of approximately HK$7.6 million in employee benefit expenses due to headcount increment to cope with our increased sales revenue and increased average wages; and (ii) an increase of approximately HK$4.0 million in travelling and transportation expenses due to increased amount of products delivered to our customers.

Administrative expenses

Administrative expenses increased by approximately HK$12.6 million or 11.4% to approximately HK$123.2 million for the year ended 31 December 2013 from approximately HK$110.6 million for the year ended 31 December 2012. The increase was primarily due to an increase of approximately HK$10.0 million in employee benefit expenses due to increased headcount and average wage level.

Finance expenses-net

Finance expenses remained relatively stable at approximately HK$2.0 million for the year ended 31 December 2012 and approximately HK$1.9 million for the year ended 31 December 2013 as the average bank borrowing balance remained relatively stable.

Income tax expense

Income tax expense increased by approximately HK$14.6 million or 107.4% to approximately HK$28.2 million for the year ended 31 December 2013 from approximately HK$13.6 million for the year ended 31 December 2012, primarily reflecting an increase in our taxable income. Our effective tax rate was 17.6% in 2012 and 33.6% in 2013. Such increase was primarily due to the fact that Ten Pao Electronic (Huizhou) no longer enjoyed EIT reduction in the year ended 31 December 2013.

During the year ended 31 December 2013, the amount of income tax paid was approximately HK$8.3 million. The amount of current income tax payable as at 31 December 2012 was HK$14.7 million, which included (i) the accrual of EIT under the relevant PRC laws and Hong Kong profits tax to be paid in the next calendar year of approximately HK$3.2 million which was settled in the years ended 31 December 2013; (ii) the accrual of additional EIT for certain PRC subsidiaries of our Group of approximately HK$5.0 million as additional EIT accrued by our Group's subsidiaries in Huizhou in the current year and settled in the year ended 31 December 2014 and the six months ended 30 June 2015. The management of our Group requested tax clearance certificates of our PRC subsidiaries from the relevant PRC tax bureaus in 2014. The tax bureaus made a further assessment and demanded additional EIT for the Group's PRC subsidiaries for the years ended 31 December 2012 and 2013. The subject PRC subsidiaries, namely Ten Pao Electronic (Huizhou) and Jinhu Industrial, obtained tax clearance certificates from the tax bureaus in May 2015 after settling the aforesaid additional EIT and the tax bureaus confirmed that the PRC subsidiaries had been in compliance with the applicable tax regulations with no outstanding tax disputes; and (iii) our Group's tax accruals arisen from the fair value changes from derivative financial instruments of approximately

HK$6.5 million which was subsequently reversed due to fair value loss in the year ended 31 December 2014. Such payables were income tax payables but not deferred tax liabilities as there was no temporary difference between the tax base and the carrying amount of the fair value change in the financial instruments of our Group which were used to hedge for trading purposes in accordance to HKAS 12 Income Taxes. Details of the applicable accounting standards and their relevant application are set out in the paragraph "Description of Selected Items in Combined Income Statements — Income tax expense" in this section.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately HK$8.2 million or 12.9% to approximately HK$55.7 million for the year ended 31 December 2013 from approximately HK$63.9 million for the year ended 31 December 2012. Our net profit margin decreased from approximately 4.5% for the year ended 31 December 2012 to approximately 3.3% for the year ended 31 December 2013, despite our increased revenue and gross profit margin as a result of our organic growth from operation. The decrease was mainly driven by the decrease in the non-recurring gain arising from the fair value changes on derivative financial instruments compared to that for the year ended 31 December 2013. Thus, our net profit margin net of income/loss and fair value changes on derivative financial instruments, net of income tax would be increased from approximately 2.1% for the year ended 31 December 2012 to approximately 2.4% for the year ended 31 December 2013.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash is to pay for our purchases of raw materials for production, staff costs and purchase of equipment, and to fund our working capital and other operating expenses. We have historically financed our operations primarily through a combination of cash flow generated from our operating activities and bank borrowings. During the Track Record Period, we were able to repay our obligations under bank borrowings when they became due and did not experience any difficulty in rolling over our bank borrowings. We expect that there will not be any material change in the sources and uses of the cash of our Group upon completion of the Global Offering and in the future, except that we will have additional funds from the proceeds of the Global Offering for implementing our future plans as detailed in the section "Future Plans and Use of Proceeds".

Cash flow

The following table sets forth a summary of our cash flows information for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from operating activities	29,444	72,403	138,226	92,143	17,284
Net cash used in investing activities	(39,572)	(38,666)	(49,474)	(19,459)	(78,249)
Net cash generated from/(used in) financing activities	7,012	(66,970)	(44,076)	(54,516)	80,231
Net (decrease)/increase in cash and cash equivalents	(3,116)	(33,233)	44,676	18,168	19,266
Cash and cash equivalents at beginning of the year/period	76,628	73,509	40,599	40,599	85,256
Exchange (losses)/gains on cash and cash equivalents	(3)	323	(19)	(53)	20
Cash and cash equivalents at end of the year/period	73,509	40,599	85,256	58,714	104,542

Operating activities

During our Track Record Period, cash inflow from operating activities was principally customer payments derived from the sale of our products. Cash outflow from operating activities primarily comprises payment for raw material purchases, employee benefit expenses, taxes and other operating expenses. Our net cash flow generated from operating activities reflects our profit before tax, as adjusted for non-cash items, such as depreciation of our property, plant and equipment, the effects of changes in certain items in the combined balance sheet, such as inventories, trade and other receivables, and trade and other payables.

For the six months ended 30 June 2015, we had net cash generated from operating activities of approximately HK$17.3 million, primarily attributable to (i) profit before income tax of approximately HK$75.1 million, as adjusted to reflect non-cash item, which principally included depreciation of property, plant and equipment of approximately HK$17.9 million and fair value changes on derivative financial instruments of approximately HK$32.3 million; (ii) an increase of approximately HK$26.9 million in trade and other payables due to increased purchase of raw materials and provision for social insurance welfare; and (iii) an increase of approximately HK$1.8 million in inventories, which was partially offset by the increase in amounts due from related parties of approximately HK$32.7 million.

For the six months ended 30 June 2014, we had net cash generated from operating activities of approximately HK$92.1 million, primarily attributable to (i) profit before income tax of approximately HK$6.9 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of approximately HK$17.4 million and negative fair value changes on derivative financial instruments of approximately HK$55.1 million; (ii) an increase of approximately HK$25.7 million in amounts due to related parties; (iii) an increase of approximately HK$13.1 million in trade and other payables due to increased purchase of raw materials; and (iv) a decrease of approximately HK$10.1 million in inventories due to inventory management. The amount was partially offset by an increase of approximately HK$16.8 million in amounts due from related parties and an increase of approximately HK$14.1 million in trade and other receivables.

For the year ended 31 December 2014, we had net cash generated from operating activities of approximately HK$138.2 million, primarily attributable to (i) profit before income tax of HK$88.6 million, as adjusted to reflect non-cash item, which principally included depreciation of property, plant and equipment of approximately HK$33.6 million and negative fair value changes on derivative financial instruments of approximately HK$53.5 million; (ii) an increase of approximately HK$31.8 million in inventories due to increased demand for our products; (iii) an increase of approximately HK$44.4 million in trade and other receivables due to increased sales revenue; (iv) an increase of approximately HK$49.8 million in amounts due from related parties; and (v) an increase of approximately HK$94.9 million in trade and other payables due to increased purchase of raw materials and provision for social insurance welfare.

For the year ended 31 December 2013, we had net cash generated from operating activities of approximately HK$72.4 million, primarily attributable to (i) profit before income tax of approximately HK$83.9 million, as adjusted to reflect non-cash item, which principally included depreciation of property, plant and equipment of approximately HK$35.6 million; (ii) an increase of approximately HK$116.2 million in trade and other payables, primarily due to increased purchase of raw materials to meet the increased demands for our products; (iii) an increase of approximately HK$74.2 million in trade and other receivables primarily due to our business expansion; (iv) an increase of approximately HK$40.7 million in inventories primarily due to increased demand for our products; and (v) an increase of approximately HK$20.3 million in amounts due from related parties.

For the year ended 31 December 2012, we had net cash generated from operating activities of approximately HK$29.4 million, primarily attributable to (i) profit before income tax of approximately HK$77.5 million, as adjusted to reflect non-cash item, which principally included depreciation of property, plant and equipment of approximately HK$32.3 million and fair value changes on derivative financial instruments of approximately HK$39.5 million; (ii) an increase of approximately HK$39.6 million in amounts due from related parties; (iii) an increase of approximately HK$31.6 million in trade and other receivables primarily due to our business expansion; and (iv) an increase of approximately HK$18.1 million in trade and other payables, primarily due to increased purchase.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally proceeds from the disposal of property, plant and equipment and grants from government relating to assets. Our cash outflow used in investing activities was principally for the purchase of property, plant and equipment and intangible assets.

For the six months ended 30 June 2015, our Group had net cash used in investing activities of approximately HK$78.2 million primarily attributable to the purchase of property, plant and equipment of approximately HK$78.7 million for SMT equipment expansion for Huizhou production base and the establishment of our production base in Hanzhong, Shaanxi province, the PRC, which was partially offset by proceeds from the disposal of property, plant and equipment of approximately HK$0.4 million.

For the six months ended 30 June 2014, our Group had net cash used in investing activities of approximately HK$19.5 million primarily attributable to the purchase of property, plant and equipment of approximately HK$24.1 million mainly for plant and machineries for our production base in Huizhou, which was partially offset by proceeds from the disposal of property, plant and equipment of approximately HK$4.6 million.

For the year ended 31 December 2014, our Group had net cash used in investing activities of approximately HK$49.5 million primarily attributable to the purchase of property, plant and equipment of approximately HK$56.7 million for the establishment of our production base in Hanzhong, Shaanxi province, the PRC, which was partially offset by proceeds from the disposal of property, plant and equipment of approximately HK$8.1 million.

For the year ended 31 December 2013, our Group had net cash used in investing activities of approximately HK$38.7 million, which was primarily attributable to the purchase of property, plant and equipment of approximately HK$38.1 million for equipment replacement and production automation.

For the year ended 31 December 2012, our Group had net cash used in investing activities of approximately HK$39.6 million primarily attributable to the purchase of property, plant and equipment of approximately HK$44.3 million for equipment replacement and automation to enhance our productivity, which was partially offset by government grants relating to assets of approximately HK$7.6 million for the construction project of rooftop solar photovoltaic installations.

Financing activities

During the Track Record Period, our cash inflow from financing activities mainly consists of proceeds from bank borrowings. Our cash outflow used in financing activities mainly consists of repayment of borrowings, dividends paid to our Controlling Shareholders and deemed distribution to our Controlling Shareholders.

For the six months ended 30 June 2015, our Group had net cash from financing activities of approximately HK$80.2 million primarily attributable to the proceeds from bank borrowings of approximately HK$485.5 million. This was partially offset by repayments of bank borrowings of approximately HK$352.1 million.

For the six months ended 30 June 2014, our Group had net cash used in financing activities of approximately HK$54.5 million primarily attributable to repayments of bank borrowings of approximately HK$102.6 million. This was partially offset by proceeds from bank borrowings of approximately HK$77.8 million.

For the year ended 31 December 2014, our Group had net cash used in financing activities of approximately HK$44.1 million primarily attributable to repayments of bank borrowings of approximately HK$142.2 million. This was partially offset by proceeds from bank borrowings of approximately HK$128.6 million.

For the year ended 31 December 2013, our Group had net cash used in financing activities of approximately HK$67.0 million primarily attributable to (i) repayment of bank borrowings of approximately HK$288.1 million; (ii) dividends paid to our Controlling Shareholders of approximately HK$5.8 million; and (iii) deemed distribution to our Controlling Shareholders of approximately HK$25.4 million. This was partially offset by proceeds from bank borrowings of approximately HK$307.9 million.

For the year ended 31 December 2012, our Group had net cash generated from financing activities of approximately HK$7.0 million, primarily attributable to proceeds from bank borrowings of approximately HK$369.5 million, which was partially offset by repayment of bank borrowings of approximately HK$324.9 million.

Net current assets

We recorded net current assets of approximately HK$151.4 million, HK$166.8 million, HK$257.9 million, HK$228.6 million and HK$240.7 million as at 31 December 2012, 2013 and 2014, 30 June 2015 and 30 September 2015, respectively. The table below sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2012	**2013**	**2014**	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets					
Inventories	139,330	184,352	213,301	214,843	239,107
Trade and other receivables-current	311,726	400,996	444,219	437,296	613,771
Amount due from related parties	50,060	98,818	173,332	192,374	199,232
Available-for-sale financial assets-current	–	–	2,059	2,024	–
Derivative financial assets-current	2,776	1,102	1	–	–
Cash and cash equivalents	73,509	40,599	85,256	104,542	74,924
Restricted bank deposit	18,794	19,200	23,968	26,548	26,066
Total current assets	**596,195**	**745,067**	**942,136**	**977,627**	**1,153,100**

	As at 31 December			As at 30 June	As at 30 September
	2012	**2013**	**2014**	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current liabilities					
Trade and other payables	(297,415)	(411,864)	(509,694)	(544,302)	(674,680)
Amounts due to related parties	(74,637)	(36,404)	(46,305)	(32,727)	(37,186)
Current income tax liabilities	(14,704)	(33,315)	(44,427)	(25,469)	(39,574)
Borrowings-current	(55,107)	(96,034)	(75,148)	(130,913)	(150,997)
Derivative financial liabilities-current	(2,973)	(618)	(8,631)	(15,634)	(9,932)
Total current liabilities	(444,836)	(578,235)	(684,205)	(749,045)	(912,369)
Net current assets	**151,359**	**166,832**	**257,931**	**228,582**	**240,731**

Our Group's net current assets increased from approximately HK$151.4 million as at 31 December 2012 to approximately HK$166.8 million as at 31 December 2013. The increase was primarily due to (i) an increase in inventory of approximately HK$45.0 million due to the increase in finished goods to meet the increased demand for our products; (ii) an increase in trade and other receivables of approximately HK$89.3 million due to our business expansion; and (iii) an increase in the amount due from related parties of approximately HK$48.8 million. The increase in net current assets was partially offset by (i) an increase in trade and other payables of approximately HK$114.4 million due to increased purchase amount; and (ii) an increase in short-term bank borrowings of approximately HK$40.9 million.

Our Group's net current assets increased from approximately HK$166.8 million as at 31 December 2013 to approximately HK$257.9 million as at 31 December 2014. The increase was primarily due to (i) an increase in the amount due from related parties of approximately HK$74.5 million; (ii) an increase in trade and other receivables of approximately HK$43.2 million due to increased sales revenue; (iii) an increase in inventories of approximately HK$28.9 million due to increased demand for our products; and (iv) a decrease in short-term bank borrowings of approximately HK$20.9 million, which was partially offset by an increase in trade and other payables of approximately HK$97.8 million due to increased purchase amount to cope with our increased sales volume.

Our net current assets decreased from approximately HK$257.9 million as at 31 December 2014 to approximately HK$228.6 million as at 30 June 2015. Such decrease was primarily due to an increase in short-term borrowings of approximately HK$55.8 million for our future expansion.

Our net current assets then increased from approximately HK$228.6 million as at 30 June 2015 to approximately HK$240.7 million as at 30 September 2015. The increase was mainly due to increase in trade and other receivables of approximately HK$176.5 million due to increased revenue which was partially offset by the increase in trade and other payables of approximately HK$130.4 million and increase in short-term borrowings of approximately HK$20.1 million for our future expansion. Our amounts due from/to related parties will be settled upon Listing.

Working capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our operating cash inflow, banking facilities and other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

Save as disclosed in the paragraph "Liquidity and Capital Resources" in this section, our Directors are not aware of any other factor that may have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section "Future Plans and Use of Proceeds".

DESCRIPTION OF CERTAIN ITEMS IN COMBINED BALANCE SHEETS

Inventories

Our inventories consist of raw materials, work-in-progress and finished goods. Raw materials primarily consist of plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, PCB components, triodes, copper and aluminium materials, and resistors. Work-in-progress mainly comprises semi-finished products. Finished goods represent products ready to be sold. To minimise the risk of building up inventory, we review our inventory levels on a monthly basis. We believe that maintaining appropriate levels of inventories helps us deliver our products to meet the market demands in a timely manner without straining our liquidity. The value of our inventories accounted for approximately 23.4%, 24.7%, 22.6% and 22.0% of our total current assets as at 31 December 2012, 2013 and 2014 and as at 30 June 2015, respectively.

The following table sets forth a summary of our inventory balance as at the dates indicated:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	71,450	80,004	104,736	93,648
Work in progress	25,851	28,063	30,772	53,153
Finished goods	62,365	92,296	96,656	83,543
	159,666	200,363	232,164	230,344
Less: allowance for impairment	(20,336)	(16,011)	(18,863)	(15,501)
	139,330	184,352	213,301	214,843

Our balance of inventories increased by approximately HK$45.0 million or 32.3% from approximately HK$139.3 million as at 31 December 2012 to approximately HK$184.4 million as at 31 December 2013, which was mainly attributable to an increase in the number of our finished goods in order to meet the increased demands for our products as evidenced by our increased revenue. Our balance of inventories increased by approximately HK$28.9 million or 15.7% from approximately HK$184.4 million as at 31 December 2013 to approximately HK$213.3 million as at 31 December 2014 and further to approximately HK$214.8 million as at 30 June 2015, primarily as a result of an increase in the amount of raw materials we stored for production so as to meet the increased demands for our products.

We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in market value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. During the Track Record Period, an allowance for impairment of approximately HK$20.3 million, HK$16.0 million, HK$18.9 million and HK$15.5 million was recorded as at 31 December 2012, 2013 and 2014 and as at 30 June 2015, respectively.

The following table sets forth the turnover days of our inventories for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015
Average inventory turnover days(1)	44	41	45	48

(1) Average inventory turnover days for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 365/180 days.

Our average inventory turnover days decreased from approximately 44 days in 2012 to approximately 41 days in 2013, primarily due to a more efficient manufacturing process, which shortened the overall production time of our products. Our average inventory turnover days then increased to approximately 45 days in 2014 and further to 48 days for the six months ended 30 June 2015, primarily due to an increase in the amount of raw materials we stored for production so as to meet the increased demands for our products.

As at 30 September 2015, approximately HK$184.0 million or 79.9% of our inventories as at 30 June 2015 had been sold or utilised.

Trade and other receivables

The following table sets forth the components of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	311,742	404,098	432,110	401,575
Less: allowance for impairment	(11,576)	(12,078)	(2,067)	(2,278)
Trade receivables, net	300,166	392,020	430,043	399,297
Bills receivable	1,333	–	296	76
Prepayments	4,396	4,855	7,839	8,803
Deposit	759	1,796	1,549	3,040
Advances to employees	3,069	1,552	1,311	1,153
Value added tax allowance	–	–	–	13,169
Receivable from disposal of a subsidiary	–	–	–	3,804
Others	2,003	773	3,181	7,954
	311,726	400,996	444,219	437,296

(i) Trade and bills receivables

Our trade and bills receivables primarily relate to receivables for goods sold to our customers. Our trade and bills receivables increased from approximately HK$301.5 million as at 31 December 2012 to approximately HK$392.0 million as at 31 December 2013, which was mainly due to increased sales to reputable customers to whom we offer a relatively longer credit period. Our trade and bills receivables further increased to approximately HK$430.3 million as at 31 December 2014, which was mainly due to our increased revenue. Our trade and bills receivables then decreased to approximately HK$399.4 million as at 30 June 2015, which was mainly due to our enhanced control over our trade receivables.

Our Group's trading terms with our customers are mainly on credit, except for new customers. Before accepting any new customer, our Group will conduct internal credit assessment to assess the potential customer's credit quality and determine a credit limit for it. The credit period for our major customers is generally for a period of 30 to 90 days from the month end of the date of invoice. Our Group seeks to maintain strict control over our outstanding receivables to minimise our credit risk and our finance department monitors such risk. Overdue balances are reviewed regularly by our senior management. Since October 2012, we have purchased insurance for some of our trade receivables. Since August 2013, most of our trade receivables were covered by insurance. We typically do not require any collateral as security.

Our policy for impairment on trade receivables is based on an evaluation of the collectability and aging analysis of the receivables, which requires the use of judgment and estimates of our management. Allowances would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made allowances for the impairment of certain long overdue trade receivables. As at 31 December 2012, 2013, and 2014 and 30 June 2015, allowances for individually impaired trade receivables were approximately HK$11.6 million, HK$12.1 million, HK$2.1 million and HK$2.3 million, respectively.

The following table sets forth the aging analysis (based on dates of invoices) of our gross trade receivables, as at the dates indicated:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 3 months	234,704	356,800	402,694	383,851
More than 3 months but not exceeding 1 year	64,190	32,754	26,797	14,112
More than 1 year	12,848	14,544	2,619	3,612
	311,742	404,098	432,110	401,575

As at 31 December 2012, 2013 and 2014 and 30 June 2015, trade receivables of approximately HK$46.5 million, HK$31.2 million, HK$3.6 million and HK$4.2 million, respectively, were past due but not impaired. These trade receivables relate to a number of independent customers that have a good track record with our Group. Based on our past experience, our management believes that no impairment allowance is necessary in respect of these balances as there has been no significant change in the credit quality of such customers and the balances are still considered as fully recoverable.

As at 30 September 2015, approximately HK$382.2 million or 95.2% of our trade receivables outstanding as at 30 June 2015 was settled.

The table below sets forth a summary of average turnover days of trade receivables as at the dates indicated:

	For the year ended 31 December			For the six months ended 30 June
	2012	**2013**	**2014**	**2015**
Average turnover days of trade receivables[1]	78	80	80	81

(1) Average turnover days of trade receivables for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables including amount due from related parties with trade nature for the relevant period by revenue and multiplying by 365/180 days.

Our average turnover days of trade receivables slightly increased from approximately 78 days in 2012 to approximately 80 days in 2013 and in 2014 mainly due to increased sales to reputable clients to whom we offer a relatively longer credit period; and remained relatively stable at 81 days for the six months ended 30 June 2015.

(ii) Other receivables

Other receivables mainly comprise prepayments, value added tax allowance, receivables from disposal of a subsidiary, deposits, advances to employees and others. Our prepayments mainly comprise prepayments for purchase of raw materials. Deposits mainly comprised imports and customs deposits and rental deposits. Advances to employees mainly comprised advances for business travel expenses.

Other receivables decreased from approximately HK$10.2 million as at 31 December 2012 to approximately HK$9.0 million as at 31 December 2013, which was mainly due to an decrease of approximately HK$1.5 million in advances to employees because of increased travelling expenses incurred due to our expanded business. Other receivables increased slightly from approximately HK$9.0 million as at 31 December 2013 to approximately HK$13.9 million as at 31 December 2014, which was mainly attributable to (i) an increase in prepayments and other receivables of approximately HK$3.0 million due to increase in prepaid fee for production; and (ii) an increase in others of approximately HK$2.4 million due to increased inspection fee collected from our customers.

Our other receivables further increased by approximately HK$24.0 million to approximately HK$37.9 million as at 30 June 2015 mainly due to (i) increase in value added tax allowance of approximately HK$13.2 million as a result of increased purchase of property, plant and equipment; (ii) increase in prepayments of approximately HK$1.0 million in relation to expenses related to the Listing; and (iii) increase in receivables from the disposal of Shenzhen Ten Pao Technics for a consideration of HK$3.8 million, which is equivalents to RMB3.0 million during the six months ended 30 June 2015.

Available-for-sale financial assets

Our available-for-sale investment represents our purchase of a senior, unsecured and unsubordinated note issued by Hutchison Whampoa Limited as a pledge to secure our bank borrowings. This note was denominated in U.S. dollars, carried a fixed interest at 4.625% and matured on 11 September 2015. The available-for-sale investment amounted to approximately HK$2.2 million, HK$2.1 million, HK$2.1 million and HK$2.0 million as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively. Changes in the carrying amounts were primarily due to fair value change of the note and the foreign exchange rate movements. We currently do not intend to further invest in financial assets after the Listing.

Financial assets at fair value through profit or loss — non-current

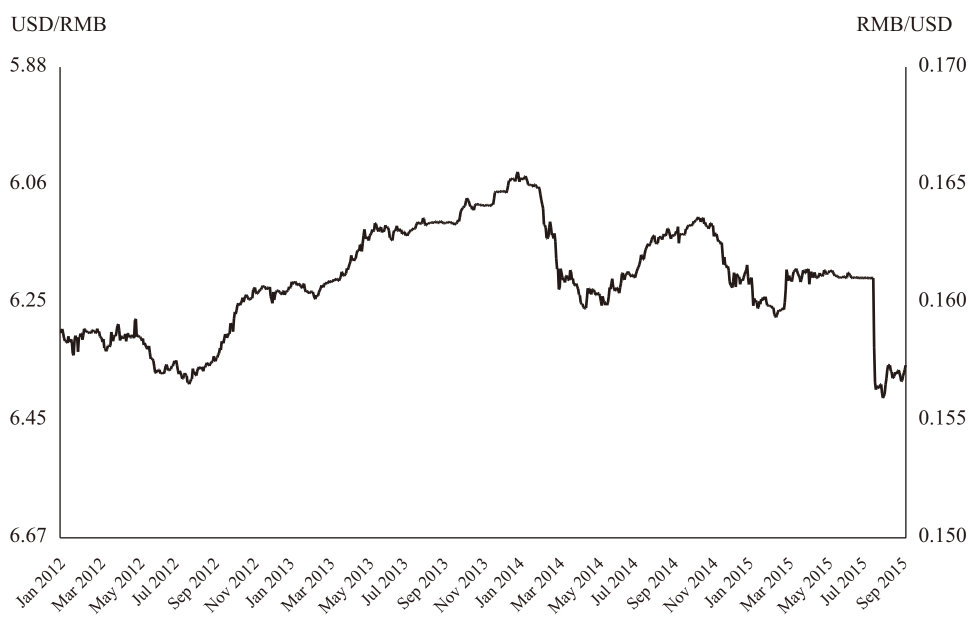
Our financial assets at fair value through profit or loss — non-current represents our purchase of life insurance for a key management with our Group as beneficiary as a pledge to secure our bank borrowings. The fair value of the insurance was recorded at approximately HK$2.5 million, HK$2.5 million, HK$2.6 million and HK$2.7 million as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively. We currently do not intend to further invest in financial assets after the Listing.

Derivative financial instruments

We generate a notable portion of our Group's revenue and receivables in U.S. dollars and Hong Kong dollars, while our cost of sales is primarily denominated in Renminbi. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our revenue denominated in U.S. dollars and Hong Kong dollars amounted to approximately 60.4%, 66.9%, 60.5%, 67.2%, and 30.7%, 23.9%, 19.2% and 16.9% of our total revenue, respectively. Renminbi has been on an appreciation trend against U.S. dollars since the early 2000s and recorded a cumulative appreciation of approximately 24% from 2000 to 2011. As Hong Kong dollars is linked with U.S. dollars, the appreciation of RMB against U.S dollars will have a similar effect on Hong Kong dollars. In order to hedge the expected appreciation of Renminbi against U.S. dollars, during the Track Record Period, we entered into certain foreign exchange hedge contracts, including structured currency forward contracts and target redemption currency forward contracts. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, we had entered into an aggregate of 24, 16, 12 and 8 structured currency forward contracts and target redemption currency forward contracts, respectively. The maturity period for most of such contracts ranged from 12 to 24 months.

In addition to derivative financial instruments for foreign exchange hedge purpose, during the Track Record Period, we entered into three commodity futures hedge transactions to reduce the risk exposure of our Group as a result of fluctuation in the copper price. We also entered into five interest rate swap contracts with a licensed bank in Hong Kong which provided loans to our Group for the purpose of locking the interest rate that would be charged by the bank in respect of the loans at a specific level, irrespective of fluctuation in interest rate.

Our realised gain from derivative financial instruments for foreign exchange hedge purpose in each of the three years ended 31 December 2012, 2013 and 2014 partially offset the increase in our cost of sales as a result of appreciation of Renminbi against U.S. dollars. While the exchange rate between U.S. dollars and Renminbi was generally in a rising trend in 2012 and 2013, it became volatile in 2014 and the six months ended 30 June 2015. Renminbi appreciated against U.S. dollars at a rate of approximately 1.0% and 2.8% in 2012 and 2013, respectively, while Renminbi depreciated against U.S. dollars at a rate of approximately 2.5% in 2014 as compared to 2013 and appreciated slightly at a rate of approximately 0.17% in June 2015 as compared to the commencement of 2015. Renminbi then depreciated against U.S. dollars at a rate of approximately 2.4% in September 2015 as compared to the end of June 2015. The table below sets out the exchange rate trend between U.S. dollars and Renminbi for the period between 1 January 2012 to 30 September 2015:



In view of the above exchange rate trend, the management decided to purchase fewer derivative financial instruments for foreign exchange hedge purpose in early 2014 and ceased to enter into the same from September 2014 onwards, which was in accordance with our hedge strategy.

As at the Latest Practicable Date, Ten Pao International had six outstanding derivative financial instruments for foreign exchange hedge purpose. The last derivative financial instrument for foreign exchange hedge purpose was entered into in September 2014, which was subsequently terminated in April 2015. Taking into account of our hedge policy, our Directors are of the view that the current foreign exchange hedge activities conducted by our Group are sufficient to hedge against the possible appreciation of Renminbi against U.S dollars due to (a) the experience of other Hong Kong listed companies which engaged in hedge activities or investment in derivative financial instruments; (b) the fact that we adopted and will continue to adopt a pricing policy whereby foreign exchange rate movement will be taken into consideration when we provide quotations to our customers; and (c) certain amount of our sales receipts was denominated and will continue to be denominated in Renminbi which served and will serve as a natural hedge against and lessen our exposure to the foreign exchange rate fluctuation in Renminbi. For each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, our cash receipts from sales denominated in Renminbi amounted to approximately HK$154.7 million, HK$168.4 million, HK$400.9 million and HK$196.5 million, respectively, representing approximately 10.9%, 10.0%, 20.8% and 20.8% of our total revenue, respectively. Based on the above, we currently do not intend to enter into any further foreign exchange hedge arrangement. However, we will continue to closely monitor the movement in the trend of fluctuation of exchange rate between U.S. dollars and Renminbi, and if there is any significant movement in the exchange rate which may have an adverse impact on our cash flows in the future, we may consider to enter into further foreign exchange hedge transactions in strict compliance with our hedge policy as stated in the section "Business – Hedge". Our Directors confirmed that the foreign exchange hedge activities conducted by us during the Track Record Period were for hedge purpose and not for speculation.

Realised gain/(loss) and unrealised gain/(loss) from derivative financial instruments during the Track Record Period

For each of the three years ended 31 December 2012, 2013 and 2014, largely contributed by the appreciation trend of Renminbi against U.S. dollars during the Track Record Period, we recognised realised gain before tax on derivative financial instruments for foreign exchange hedge purpose of approximately HK$1.0 million, HK$12.2 million and HK$7.1 million, respectively. However, due to the sudden change of trend of foreign exchange rate between Renminbi against U.S. dollars which resulted in depreciation of Renminbi against U.S. dollars for the six months ended 30 June 2015, we recognised realised loss before tax on derivative financial instruments for foreign exchange hedge purpose of approximately HK$5.7 million. As derivative financial instruments are required to be re-measured at their fair value at the end of each financial year or a specific period, for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, we recognised unrealised gain or loss before tax on derivative financial instruments for foreign exchange hedge purpose of a gain of approximately HK$21.9 million, a gain of approximately HK$7.7 million, a loss of approximately HK$53.8 million and a gain of approximately HK$33.2 million, respectively. Such unrealised loss before tax in 2014 was mainly due to the unexpected depreciation of Renminbi against U.S. dollars in late 2014, which resulted in a significant decrease in the hypothetical market value of the derivative financial instruments and the unrealised gain before tax for the six months ended 30 June 2015 was mainly due to the fact that, during that period, some contracts matured and the outstanding number of settlements in respect of the outstanding contracts reduced, thus our exposure to the future uncertainties in foreign exchange rate movement in relation to the outstanding contracts decreased, leading to an increase in fair value as at 30 June 2015 as compared to the previous period.

The fair value of derivative financial instruments purchased by our Group, which are not to be traded in an active market, is determined by using valuation techniques required by the HKFRS to give a rational and unbiased estimate of a hypothetical market value. Valuation report for each of the derivative financial instruments was issued by respective banks at each balance sheet date during the Track Record Period. Valuation techniques applied in deriving the fair value of such derivative financial instruments considered various parameters including available observable market data such as forward exchange rates, implied volatility surfaces and discount curves at each of the balance sheet dates, with the resulting value discounted back to its present value. However, changes in the fair value of derivative financial instruments will not cause actual cash inflow or outflow for any unrealised gain or loss on derivative financial instruments.

Non-HKFRS measures

We have included the profit attributable to owners of our Company excluding realised and unrealised gain or loss in derivative financial instruments during the Track Record Period. We derive the above by (i) subtracting/adding the unrealised gain or loss derived from derivative financial instruments (both for foreign exchange hedge purpose and non-foreign exchange hedge purpose); and (ii) subtracting/adding the realised gain or loss derived from derivative financial instruments (both for foreign exchange hedge purpose and non-foreign exchange hedge purpose).

The term “profit attributable to owners of our Company excluding realised and unrealised gain or loss in derivative financial instruments during the Track Record Period” is not defined under the HKFRS. The use of profit attributable to owners of our Company excluding realised and unrealised gain or loss in derivative financial instruments has material limitations as an analytical and demonstration tool as it does not include all items that may impact our net loss or income for the Track Record Period.

The table below sets out our profits attributable to owners of our Company excluding the effect of derivative financial instruments during the Track Record Period:

	For the Year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period attributable to owners of our Company	63,915	55,696	54,717	361	59,970
Adjusted for derivative financial instruments (net of income tax):					
Unrealised gain/(loss)					
Foreign exchange hedge purpose	18,297	6,447	(44,934)	(45,746)	27,753
Non-foreign exchange hedge purpose	14,664	(936)	227	(244)	(759)
Realised gain/(loss)					
Foreign exchange hedge purpose	868	10,169	5,945	1,411	(4,724)
Non-foreign exchange hedge purpose	(121)	166	(1,335)	(950)	–
Profit attributable to owners of our Company excluding realised and unrealised gain/ (loss) in derivative financial instruments, net of income tax	30,207	39,850	94,814	45,890	37,700

Certain information relating to outstanding derivative financial instruments for foreign exchange hedge purpose

As at the Latest Practicable Date, Ten Pao International had six outstanding derivative financial instruments for foreign exchange hedge purpose with two licenced banks in Hong Kong. The outstanding derivative financial instruments can be classified into two types, namely (i) structured currency forward contracts and (ii) target redemption currency forward contracts.

(i) Structured currency forward contract

A typical structured currency forward contract consists of a notional amount, a strike rate and a number of observation dates (usually 24), on which the expiry rate or fixing rate will be determined. Depending on the long or short position of the underlying asset, gain or loss on each observation date will be determined based on the notional amount, expiry rate, strike rate and other contractual terms.

The table below sets out the key terms of the outstanding structured currency forward contracts as at 30 June 2015, which were entered into between Ten Pao International and two licenced banks in Hong Kong:

Ref.	Bank	Contract date/ Trading date	Expiry date/ Last settlement date	Term [note]	Notional amount	Specific rate/ Strike rate
1.	Bank A	3 January 2014	31 December 2015	24 settlements, approximately once a month	USD2,300,000 or 4,600,000	6.20 and capped at 6.15 (RMB/ USD)
2.	Bank B	2 January 2014	30 March 2016	24 settlements, approximately once a month	USD1,500,000	Lower strike rate at 6.10; upper striker rate at 6.18 (RMB/ USD)
3.	Bank B	7 January 2014	4 May 2016	24 settlements, approximately once a month	USD2,000,000	7.71 (HKD/ USD)

Note: Final settlement date varies in accordance with the terms of the contract.

Pursuant to the novation agreement entered into among Bank A, Even Joy and Ten Pao International dated 23 September 2015, Bank A agreed to novate the rights and obligations of Ten Pao International under the structured currency forward contract dated 3 January 2014 to Even Joy with effect from and including 30 September 2015.

(ii) Target redemption currency forward contract

A typical target redemption currency forward contract consists of a notional amount, strike rate and target knock-out rate limit. The contract will also specify a number of observation dates (usually 24), on which the expiry rate or fixing rate will be determined. Depending on the long or short position of the underlying asset, gain or loss on each observation date will be determined based on the notional amount, expiry rate, strike rate and other contractual terms. Unlike a structured currency forward contract, if a knock-out event occurs, the contract will be terminated, and the subsequent scheduled transactions will be cancelled. Typical knock-out event refers to an event that target amount of accumulated gain is reached, or target number of fixed gain payment is reached. Otherwise, transactions will continue on each observation date until the knock-out event occurs or the date of expiry of the contract.

Target redemption currency forward contracts are a common type of derivative financial instruments offered by banks in Hong Kong and generally enjoy more favourable rates as compared to structured currency forward contracts. As a result, despite the fact that the accumulated gain under a target redemption currency forward contract is capped due to the knock-out feature, our Group decided to enter into certain target redemption currency forward contracts, in addition to structured currency forward contracts, to hedge our foreign currency exposure during the Track Record Period.

The table below sets out the key terms of the outstanding target redemption currency forward contracts as at 30 June 2015, which were entered into between Ten Pao International and two licenced banks in Hong Kong:

Ref.	Bank	Contract date/ Trading date	Expiry date/ Last settlement date	Term note	Notional amount	Specific rate/ Strike rate/ At-expiry knock-in rate ("EKI Rate")
4.	Bank C	10 March 2014	11 March 2016	24 settlements, approximately once a month	USD4,000,000	Strike rate 6.22 for the first 12 months, 6.13 subsequently EKI Rate 6.27 for the first 12 months, 6.20 subsequently
5.	Bank D	21 February 2014	25 February 2016	24 settlements, approximately once a month	USD500,000 or 1,000,000	Forward rate 6.15 for the first 12 months, 6.10 subsequently EKI Rate 6.21
6.	Bank D	21 February 2014	25 February 2016	24 settlements, approximately once a month	USD500,000 or 1,000,000	Forward rate 6.15 for the first 12 months, 6.10 subsequently EKI Rate 6.21
7.	Bank D	8 January 2014	11 January 2016	23 settlements, approximately once a month	USD500,000 or 1,000,000	Forward rate 6.10 EKI Rate 6.20
8.	Bank D	7 January 2014	11 January 2016	23 settlements, approximately once a month	USD500,000 or 1,000,000	Forward rate 6.10 EKI Rate 6.20

Note: Final settlement date varies in accordance with the terms of the contract.

Pursuant to the novation agreement entered into among Bank C, Sky Fortune and Ten Pao International dated 21 September 2015, Bank C agreed to novate the rights and obligations of Ten Pao International under the target redemption currency forward contract dated 10 March 2014 to Sky Fortune with effect from and including 21 September 2015.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the exchange rate of Renminbi against U.S dollars (assuming the exchange rate to be 6.0, 6.2, 6.4 and 6.6) on our profit and loss account for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015:

Scenario	6.0	6.2	6.4	6.6
	USD	*USD*	*USD*	*USD*
Increase/decrease in profit				
Year ended 31 December 2012	2,249,000	2,188,000	2,131,000	(2,959,000)
Year ended 31 December 2013	1,851,000	1,758,000	1,553,000	(7,673,000)
Year ended 31 December 2014	1,693,000	1,023,000	(6,106,000)	(17,551,000)
Six months ended 30 June 2015	749,000	256,000	(3,784,000)	(9,097,000)

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the exchange rate of Renminbi against U.S. dollars on our cash flows for the five months from November 2015 to March 2016 (i.e. the expiry date of the last derivative financial instrument). Fluctuations in exchange rate are assumed to be 6.0, 6.2, 6.4 and 6.6 of Renminbi against U.S. dollars.

Scenario	6.0	6.2	6.4	6.6
	Net settlement amount (USD)			
November 2015	33,333.33	–	(187,500.00)	(303,030.30)
December 2015	50,000.00	(48,387.10)	(328,125.00)	(530,303.03)
January 2016	33,333.33	–	(187,500.00)	(303,030.30)
February 2016	25,000.00	(24,193.55)	(164,062.50)	(265,151.52)
March 2016	16,666.67	(48,387.10)	(140,625.00)	(227,272.73)
Total	158,333.33	(120,967.74)	(1,007,812.50)	(1,628,787.88)

For the four months ended 31 October 2015, the unrealised fair value loss before tax on the above derivative financial instruments was approximately HK$5.4 million. For the four months ended 31 October 2015, realised loss before tax from the abovementioned derivative financial instruments was approximately HK$11.1 million.

Non-application of hedge accounting (HKAS 39)

According to HKAS 39, hedge relationships qualify for hedge accounting only if all of the following conditions are met: (i) at the inception of the hedge there is formal designation and documentation of the hedge relationship and the entity's risk management objective and strategy for undertaking the hedge; (ii) the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedge relationship; (iii) a forecast transaction that is the subject of a cash flow hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; (iv) the effectiveness of the hedge can be reliably measured, that is, the hedged item's fair value or cash flows that are attributable to the hedged risk and the hedged instrument's fair value can be reliably measured; and (v) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The criteria for hedge accounting as set out above are onerous and much of the burden and costs associated with hedge accounting arises from ascertaining the effectiveness of a hedge. As the use of hedge accounting is optional, after evaluating the relevant costs and benefits, our Directors decided not to apply hedge accounting in preparing our financial statements. Our Group did not prepare the formal designation and documentation for the hedge relationship required under condition (i) of HKAS 39 nor take all necessary steps to fulfil conditions (ii) to (v). As the other conditions (i.e. conditions (ii) to (v)) are based on the assessment and evaluation of the formal designation and documentation undertaking the hedge, the derivative financial instruments entered into by our Group did not therefore qualify for any of the conditions above. Since the derivative financial instruments (whether or not for foreign exchange hedge purpose) entered into by our Group during the Track Record Period did not qualify and were not designated as hedge instruments under HKAS 39, the change in the fair value of such derivative financial instruments at each financial year end is recognised as unrealised gain or loss in our income statements.

Proposed arrangements relating to the outstanding derivative financial instruments for foreign exchange hedge purpose

Notwithstanding that our Directors are of the view that the current outstanding derivative financial instruments entered into by us are sufficient to hedge against the possible appreciation of Renminbi against U.S. dollars, in order to minimise the risks to which our Group is exposed and ensure that our Shareholders will not suffer any loss in the event that Renminbi unexpectedly depreciates against U.S. dollars, we entered into two novation agreements with respective banks to novate the rights and obligations of our Group under the two derivative financial instruments to companies owned by Chairman Hung in September 2015. Please refer to the paragraphs "Certain information relating to outstanding derivative financial instruments — (i) Structured currency forward contracts" and "Certain information relating to outstanding derivative financial instruments — (ii) Target redemption currency forward contract" above for further information.

In addition, Chairman Hung, Even Joy, TinYing Holdings and TinYing Investments, agreed to provide an indemnity in favour of our Company (for itself and on behalf of its subsidiaries) to indemnify us for all losses from the month of Listing until the expiry date of the last derivative financial instrument which may arise from or in connection with the six outstanding derivative financial instruments as at the Latest Practicable Date. However, if income is realised or derived from such derivative financial instruments, we are entitled to keep such income as profit.

Certain information relating to derivative financial instruments for non-foreign exchange hedge purpose

(i) Commodity futures contract

During the Track Record Period, Ten Pao International had entered into three commodity futures contract for copper to hedge against fluctuation in copper price. The table below sets out the key terms of the said contracts entered into between Ten Pao International and a licensed bank in Hong Kong:

Ref.	Bank	Trading date	Termination date	Term	Total notional quantity	Fixed price	Target value/ target event
1.	Bank C	4 April 2012	9 May 2013	12 settlements, approximately once a month	1,200 metric tonnes	USD7,800 per metric tonne	USD1,000 per metric tonne
2.	Bank C	3 January 2013	7 August 2014	18 settlements, approximately once a month	1,800 metric tonnes	USD7,280 per metric tonne	7 target events
3.	Bank C	7 March 2014	10 April 2015	12 settlements, approximately once a month	1,200 metric tonnes	6,750 per metric tonne	USD500 per metric tonne

Notes:

(1) The termination date may be replaced by an early termination date when the target value or the number of target events is reached. Any scheduled transaction subsequent to the early termination date will be cancelled.

(2) Target event refers to the event that the price of copper is above the fixed price and will result in a cash inflow for the client for the particular settlement.

(3) Contract with reference number 3 was knocked out in August 2014.

As at the Latest Practicable Date, there was no outstanding commodity futures contract.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the copper price (assuming the copper price to be USD7,000, USD7,500, USD8,000 and USD8,500 per tonne) on our profit and loss account for each of the three years ended 31 December 2012, 2013 and 2014:

Scenario	**USD7,000 per tonne** *USD*	**USD7,500 per tonne** *USD*	**USD8,000 per tonne** *USD*	**USD8,500 per tonne** *USD*
Increase/decrease in profit				
Year ended 31 December 2012	(560,000)	(210,000)	100,000	100,000
Year ended 31 December 2013	(309,000)	(1,000)	145,000	145,000
Year ended 31 December 2014	50,000	65,000	65,000	80,000

Given that the percentage contribution of copper to the total cost of raw materials was at a decreasing trend during the Track Record Period, our Directors are of the view that it is not cost effective to adopt a hedge policy to regulate the hedge activities against fluctuation in copper price. As a result, we do not intend to enter into further futures commodity contract for copper after Listing. Our Directors confirmed that the futures commodity hedge activities conducted by us during the Track Record Period were for hedge purpose and not for speculation.

(ii) Interest rate swap contract

During the Track Record Period, we have entered into five interest rate swap contracts with a licensed bank in Hong Kong which provided loans to our Group and such contracts were all outstanding as at the Latest Practicable Date. The effect of entering into such interest rate swap contracts was to lock the interest rate at a specific level (i.e. 4.00% to 4.75% per annum) that would be charged by the bank for the respective loan agreements irrespective of fluctuation in the interest rate. The table below sets out the key terms of the said contracts entered into between Ten Pao International and the licensed bank:

Ref.	Bank	Trading date	Termination date	Term	Notional amount	Fixed rate
1.	Bank A	15 September 2014	11 September 2017	36 settlements, approximately once a month	the outstanding amount of loans and interests to be paid at the end of each settlement period	4.75% per annum
2.	Bank A	23 March 2015	2 March 2018	36 settlements, approximate once a month	the outstanding amount of loans and interests to be paid at the end of each settlement period	4.75% per annum
3.	Bank A	23 March 2015	16 March 2018	36 settlements, approximate once a month	the outstanding amount of loans and interests to be paid at the end of each settlement period	4.00% per annum
4.	Bank A	16 April 2015	13 April 2018	36 settlements, approximate once a month	the outstanding amount of loans and interests to be paid at the end of each settlement period	4.15% per annum
5.	Bank A	18 May 2015	14 May 2018	36 settlements, approximately once a month	the outstanding amount of loans and interests to be paid at the end of each settlement period	4.00% per annum

Our Directors confirmed that the entering into of the interest rate swap contracts during the Track Record Period was a commercial decision with the banks which granted loans and banking facilities to us. Given that we prefer to enter into loans and banking facilities with fixed interest rate with the banks, we do not intend to enter into further interest rate swap contracts after Listing. Our Directors confirmed that the interest rate hedge activities conducted by us during the Track Record Period were for hedge purpose and not for speculation.

Trade and other payables

The following table sets forth the components of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payable				
Trade payables	251,273	333,669	396,753	402,440
Advance from customers	745	2,746	3,060	1,214
Wages and staff welfare benefits payable	32,529	58,672	87,988	100,362
Accrual for expenses and other payables	11,385	9,332	15,259	39,728
Other taxes payable	1,483	7,445	6,634	558
	297,415	411,864	509,694	544,302

(i) Trade payables

Our trade payables primarily consist of payables for raw materials for production. Our trade payables increased from approximately HK$251.3 million as at 31 December 2012 to approximately HK$333.7 million as at 31 December 2013, and further increased to approximately HK$396.8 million as at 31 December 2014 and HK$402.4 million as at 30 June 2015 which was mainly due to an increase in the procurement of raw materials for our production activities which was in line with the overall growth of our business operations.

Our suppliers generally offer us trade credit periods from 30 to 150 days. The table below sets forth, as at the end of the reporting periods indicated, the aging analysis of our trade payables:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 3 months	238,133	281,806	331,379	286,925
More than 3 months but not exceeding 1 year	12,669	51,760	64,764	113,377
More than 1 year	471	103	610	2,138
	251,273	333,669	396,753	402,440

The following table sets out the average turnover days of trade payables for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015
Average turnover days of trade payables(1)	85	83	90	98

(1) Average turnover days of trade payables for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 is derived by dividing the arithmetic mean of the opening and closing balances of trade payables including amount due to related parties with trade nature for the relevant period by cost of sales and multiplying the resulting value by 365/180 days.

Average trade payables turnover days decreased from approximately 85 days in 2012 to approximately 83 days in 2013, and increased to approximately 90 days and 98 days in 2014 and the six months ended 30 June 2015, respectively, which was due to a longer credit period and higher credit limits offered by our suppliers based on our relationship.

As at 30 September 2015, approximately HK$325.8 million or 81.0% of trade payables outstanding as at 30 June 2015 had been fully settled.

(ii) Other payables

Other payables mainly include advances from customers, wages and staff welfare benefits payables, and accrual for expenses and other payables and other taxes payables. Other payables increased by approximately HK$32.1 million from approximately HK$46.1 million as at 31 December 2012 to approximately HK$78.2 million as at 31 December 2013, which was mainly attributable to (i) an increase in wages and staff welfare benefits payables of approximately HK$26.1 million due to increased headcounts, average wage level and provision for social insurance welfare; and (ii) an increase in other taxes payables of approximately HK$6.0 million because of increased VAT payables. Other payables increased by approximately HK$34.7 million from approximately HK$78.2 million as at 31 December 2013 to approximately HK$112.9 million as at 31 December 2014, which was mainly attributable to an increase in wages and staff welfare benefits of approximately HK$29.3 million due to provision for social insurance welfare.

Other payables further increased by approximately HK$28.9 million to approximately HK$141.9 million as at 30 June 2015, which was mainly attributable to (i) the increase in accrual for expenses and other payables of approximately HK$24.5 million mainly due to the accrued expenses in relation to the Listing; and (ii) the increase in wages and staff welfare benefits of approximately HK$12.4 million mainly due to increase in provision for social insurance welfare and minimum wages in the PRC.

Deferred government grants

As at 31 December 2012, 2013 and 2014 and 30 June 2015, we had a balance of deferred government grants of approximately HK$7.6 million, HK$7.8 million, HK$7.3 million and HK$7.1 million, respectively. This government grant is used for the construction project of rooftop solar photovoltaic installations in our production base in Huizhou, Guangdong Province, the PRC. We recorded this government grant as liabilities on our balance sheet upon its receipt in 2012, and amortised it to other gains when the relevant assets are ready for use since 2014 on a straight-line basis over the assets' useful lives.

Amounts due from/to related parties

As at 31 December 2012, 2013, 2014 and 30 June 2015, the amount due from related parties was approximately HK$50.1 million, HK$98.8 million, HK$173.3 million and HK$192.4 million, respectively. The balance with the related companies mainly represents funds advanced for their daily operation. The amounts are unsecured, non-interest bearing, repayable on demand and will be fully settled prior to Listing.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the amount due to related parties was approximately HK$74.6 million, HK$36.4 million, HK$46.3 million and HK$32.7 million, respectively. The balance with the related companies mainly represents trade payables for the purchase of goods and services from related companies on normal commercial terms and conditions. All the amounts will be fully settled prior to Listing.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
Gross profit margin (%)[(1)]	14.3	15.8	17.2	15.8	15.7
Net profit margin (%)[(2)]	4.5	3.3	2.8	0.0	6.4
Net profit margin excluding income/loss and fair value changes on derivative financial instruments, net of income tax (%)[(3)]	2.1	2.4	4.9	5.2	4.0
Return on equity (%)[(4)]	23.1	17.6	14.8	N/A	N/A
Return on total assets (%)[(5)]	7.9	5.8	4.7	N/A	N/A

	As at 31 December			As at 30 June
	2012	2013	2014	2015
Current ratio[(6)]	1.3	1.3	1.4	1.3
Gearing ratio (%)[(7)]	34.9	36.8	27.9	65.0
Net debt to equity ratio (%)[(8)]	1.6	17.9	(1.7)	29.0

Notes:

(1) Gross profit margin for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 were calculated based on gross profit divided by revenue for the respective years/periods and multiplied by 100%. Please see the paragraph "Review of Historical Results of Operations" in this section for more details.

(2) Net profit margin for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 were calculated based on profit for the year/period attributable to owners of our Company divided by revenue for the respective years/periods and multiplied by 100%. Please see the paragraph "Review of Historical Results of Operations" in this section for more details.

(3) Net profit margin excluding income/loss and fair value changes on derivative financial instruments, net of income tax for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 were calculated based on profit for the year/period attributable to owners of our Company excluding income/loss and fair value changes on derivative financial instruments divided by revenue for the respective years/periods and multiplied by 100%. Profit for the year/period attributable to owners of our Company excluding income/loss and fair value changes on derivative financial instruments was calculated by deducting income/loss and fair value changes on derivative financial instruments, net of income tax from profit for the year/period attributable to owners of our Company.

(4) Return on equity for each of the three years ended 31 December 2012, 2013 and 2014 were calculated based on profit for the year attributable to owners of our Company for the respective years divided by total equity attributable to our Shareholders of the respective years and multiplied by 100%.

(5) Return on total assets for each of the three years ended 31 December 2012, 2013 and 2014 were calculated based on profit for the year attributable to owners of our Company for the respective years divided by total assets of the respective years and multiplied by 100%.

(6) Current ratio as at 31 December 2012, 2013 and 2014 and 30 June 2015 were calculated based on total current assets as at the respective dates divided by total current liabilities as at the respective dates.

(7) Gearing ratio as at 31 December 2012, 2013 and 2014 and 30 June 2015 were calculated based on total debt as at the respective dates divided by equity attributable to our Shareholders as at the respective years/periods and multiplied by 100%.

(8) Net debt to equity ratios as at 31 December 2012, 2013 and 2014 and 30 June 2015 were calculated based on net debt (being total borrowings net of cash and cash equivalents and restricted bank deposits) as at the respective dates divided by equity attributable to our Shareholders as at the respective years/periods and multiplied by 100%. A negative amount represented a net cash position.

Net profit margin excluding income/loss and fair value changes on derivative financial instruments, net of income tax

Our net profit margin excluding income/loss and fair value changes on derivative financial instruments, net of income tax was approximately 2.1%, 2.4%, 4.9%, 5.2% and 4.0% for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively. The continuous increase in the three years ended 31 December 2012, 2013 and 2014 was mainly due to (i) an increase in gross profit margin, and (ii) a decrease of selling and administrative expenses as a percentage of revenue. The decrease for the six months ended 30 June 2015 compared to the six months ended 30 June 2014 was mainly due to the increase in expenses in relation to the Listing and increased employee benefit expenses in administrative and selling expenses.

Return on equity

Our return on equity decreased from approximately 23.1% for the year ended 31 December 2012 to approximately 17.6% for the year ended 31 December 2013, primarily due to (i) a decrease in profit for the year as a result of the decrease in the non-recurring gain arising from the fair value changes on derivative financial instruments; and (ii) an accumulation of equity. Our return on equity then decreased to approximately 14.8% for the year ended 31 December 2014, primarily due to an accumulation of equity and a decrease in profit for the year as a result of the loss attributable to the derivative financial instruments.

Return on total assets

Our return on total asset decreased from approximately 7.9% for the year ended 31 December 2012 to approximately 5.8% for the year ended 31 December 2013 and then decreased to approximately 4.7% for the year ended 31 December 2014, primarily due to an increase in total asset and a decrease in profit for the year as a result of the loss attributable to the derivative financial instruments.

Current ratio

Our current ratio was approximately 1.3, 1.3, 1.4 and 1.3 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively, which remained relatively stable during the Track Record Period.

Gearing ratio

Our gearing ratio increased from approximately 34.9% for the year ended 31 December 2012 to approximately 36.8% for the year ended 31 December 2013, primarily due to an increase in bank borrowings for our expanded business operations. Our gearing ratio then decreased to approximately 27.9% for the year ended 31 December 2014, primarily due to an accumulation of equity and a decrease in overall bank borrowings. Our gearing ratio increased to approximately 65.0% as at 30 June 2015 as we raised additional bank borrowings with an outstanding balance of approximately HK$236.4 million for our business expansion.

Net debt to equity ratio

Our net debt to equity ratio increased from approximately 1.6% as at 31 December 2012 to approximately 17.9% as at 31 December 2013. The increase was primarily due to an increase in overall bank borrowings and decrease in cash and cash equivalent balance in 2013. We recorded a net cash position as at 31 December 2014, which was primarily due to a decrease in overall bank borrowings and increase in cash and cash equivalents balance. Our net debt to equity ratio increased to approximately 29.0% as at 30 June 2015 as we raised additional bank borrowings with an outstanding balance of approximately HK$236.4 million for our business expansion.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

Our Group's capital expenditures have principally consisted of acquisition of machineries and equipment primarily used for our expansion of business operations. The following table sets forth our capital expenditures for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Additions to:				
Property, plant and equipment	44,565	36,277	55,262	88,239
Intangible assets	1,042	618	869	–
Total	45,607	36,895	56,131	88,239

For each of the three years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015, our Group incurred capital expenditures of approximately HK$45.6 million, HK$36.9 million, HK$56.1 million and HK$88.2 million, respectively. Between 30 June 2015 and the Latest Practicable Date, we did not incur any material capital expenditures.

For the year ending 31 December 2015, we estimate that our capital expenditures will amount to approximately HK$99.7 million primarily for addition of production lines and improvement of production automation.

Our Group's projected capital expenditures are subject to revision based on any future change in our business plan, market conditions, and economic and regulatory environment. Please refer to the section "Future Plans and Use of Proceeds" for further information.

Capital commitments

We had the following capital commitments, which were not provided for in our combined financial statements:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for:				
Acquisitions of plant and equipment	–	–	23,717	5,852

Operating lease commitments

As at the end of each of the reporting periods during the Track Record Period, our Group had commitments for future minimum lease payments in respect of our factories and offices under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	3,384	3,287	3,513	3,739
Later than one year and not later than five years	9,275	7,507	4,824	5,059
Later than 5 years	2,072	856	–	38
	14,731	11,650	8,337	8,836

We expect to fund our contractual commitments, capital expenditures and operating lease commitments principally through the net proceeds from the Global Offering, cash generated from our operating activities and proceeds from bank borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months from the date of this prospectus.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our Group's assets in land or buildings.

INDEBTEDNESS

Bank borrowings

The following table sets forth our borrowings as at 31 December 2012, 2013 and 2014, 30 June 2015 and 30 September 2015:

	As at 31 December			As at 30 June	As at 30 September
	2012	2013	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Non-current					
Bank borrowings					
– secured	59,550	38,933	49,170	162,931	153,287
– guaranteed	19,800	15,000	10,000	7,600	6,400
Less: current portion of non-current borrowing	(37,842)	(33,556)	(31,421)	(65,000)	(64,400)
	41,508	20,377	27,749	105,531	95,287
Current					
Bank borrowings					
– secured	13,587	53,022	38,612	63,618	66,641
– guaranteed	3,678	9,456	5,115	2,295	19,956
Total short-term bank borrowings	17,265	62,478	43,727	65,913	86,597
Current portion of non-current borrowings	37,842	33,556	31,421	65,000	64,400
	55,107	96,034	75,148	130,913	150,997
Total borrowings	96,615	116,411	102,897	236,444	246,284

The following table sets forth the repayment schedule of our borrowings as at 31 December 2012, 2013 and 2014, 30 June 2015 and 30 September 2015:

	As at 31 December			As at 30 June	As at 30 September
	2012	**2013**	**2014**	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Within 1 year	55,107	96,034	75,148	130,913	150,997
Between 1 and 2 years	21,153	8,977	16,853	50,097	49,161
Between 2 and 5 years	20,355	11,400	10,896	55,434	46,126
	96,615	116,411	102,897	236,444	246,284

The following tables sets forth our borrowings by denominated currencies as at 31 December 2012, 2013 and 2014, 30 June 2015 and 30 September 2015:

	As at 31 December			As at 30 June	As at 30 September
	2012	**2013**	**2014**	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
HK$	89,039	113,856	76,308	133,831	106,875
USD	7,576	2,555	26,589	102,400	139,230
WON	–	–	–	213	179
	96,615	116,411	102,897	236,444	246,284

The following table sets forth our effective interest rates as at 31 December 2012, 2013 and 2014, 30 June 2015 and 30 September 2015:

	As at 31 December			As at 30 June	As at 30 September
	2012	**2013**	**2014**	**2015**	**2015**
Bank borrowings denominated in:					
HK$	2.88%	2.27%	2.26%	2.86%	2.39%
USD	3.86%	3.83%	3.78%	3.46%	2.64%

We mainly used proceeds from our bank borrowings to finance our working capital requirement and capital expenditure and refinance our short-term borrowings. The bank borrowings of our Group were guaranteed by one of our Controlling Shareholders and his related companies and secured by certain assets of our Group. Guarantees by one of our Controlling Shareholders and his related companies will be released upon Listing.

At the close of business on 30 September 2015, being the latest practicable date for the purpose of the indebtedness statement, we had outstanding bank borrowings of approximately HK$246.3 million, which was guaranteed by one of our Controlling Shareholders and his related companies and secured by certain assets of our Group. Guarantees by one of our Controlling Shareholders and his related companies will be released upon Listing. As at the Latest Practicable Date, there was no material covenant relating to our outstanding debts. Our Directors confirm that there was no breach of any covenant under our bank borrowings during the Track Record Period and up to the Latest Practicable Date.

As at 30 September 2015, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of approximately HK$433.5 million, of which approximately HK$187.2 million was unutilised. We are not committed to draw down the unutilised amount.

During the Track Record Period, we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this prospectus, we did not have any plan for material external debt financing.

Contingent liabilities

As at 30 September 2015, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liability or guarantee.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, as at the Latest Practicable Date, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

TRANSACTIONS WITH RELATED PARTIES

For further details of related party transactions, please see Note 36 to the Accountant's Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms, and that all non-trade balances and guarantees with related parties will be settled and released before Listing. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period. After Listing, the related party transactions to be continued will be (i) purchase of goods from Golden Ocean Copper Manufacture Co., Limited and Hui He Printing; (ii) processing services from Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司); (iii) purchase of goods from Huizhou Xinyang Cables Co., Limited* (惠州市鑫洋線材有限公司); (iv) operating lease income from a related party; and (v) operating lease expenses to related parties; while the related party transactions to be discontinued will be (i) all sales of goods to related parties; (ii) processing services from Tiandong Ten Pao Electronic Factory* (田東天寶電子廠); and (iii) transfer of fixed assets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the ordinary course of our business operation, we are exposed to various market risks, including foreign exchange risk, price risk, credit risk, liquidity risk, and cash flow and fair value interest rate risk. Our risk management strategy aims to minimise the potential adverse effects of such risks on our financial performance.

Foreign exchange risk

While our Group operates in the PRC, a notable portion of our revenue is derived from our export sales to overseas countries. We are therefore exposed to risks associated with the volatility in foreign exchange markets, in particular fluctuation in the currency exchange rate of Hong Kong dollars and U.S. dollars against Renminbi.

In order to hedge the risks associated with the volatility in foreign exchange markets, in particular fluctuation in the currency exchange rate between U.S. dollars and Renminbi, we entered into certain foreign exchange hedge transactions during the Track Record Period. Our foreign exchange hedge activities are managed and overseen by a committee comprising Chairman Hung, our chief financial officer and the finance manager of our Hong Kong office. During the Track Record Period, our hedge needs were assessed on a monthly basis, taking into consideration the foreign exchange rate movement, the estimated amount of sales receipts in U.S. dollars, the estimated amount of cost of sales in Renminbi, the then prevailing foreign exchange market condition and the recommendations from banks. Please refer to the section "Business — Hedge" for further details.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations relating to foreign exchange controls. Please refer to the section "Laws and Regulations — Regulations on Foreign Exchange Controls" for further details.

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
HK$	121,963	99,106	133,340	213,822
USD	241,687	303,593	286,794	267,759
EUR	–	47	–	–
Total	363,650	402,746	420,134	481,581
Liabilities				
HK$	284,698	310,461	276,981	339,579
USD	26,235	30,717	86,628	157,580
EUR	1	2,983	643	151
Total	310,934	344,161	364,252	497,310

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

	For the year ended 31 December						For the six months ended 30 June 2015	
	2012		2013		2014			
	Increase/decrease on profit before income tax if exchanges rates change by		Increase/decrease on profit before income tax if exchanges rates change by		Increase/decrease on profit before income tax if exchanges rates change by		Increase/decrease on profit before income tax if exchanges rates change by	
	+5%	–5%	+5%	–5%	+5%	–5%	+5%	–5%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HK$	8,137	(8,137)	10,568	(10,568)	7,182	(7,182)	6,288	(6,288)
USD	(10,895)	10,895	(13,771)	13,771	(10,140)	10,140	(5,642)	5,642

Price risk

Our Group is exposed to raw material price risk. To effectively control the cost of raw materials, our Group has maintained a good relationship with a group of qualified suppliers. In addition, our Group has entered into commodity futures contracts to mitigate the effect of fluctuation in the prices of raw materials.

Credit risk

Our Group is exposed to credit risk in relation to our cash and cash equivalents, restricted bank deposits and trade and other receivables.

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

To manage credit risk in respect of trade and other receivables, our Group performs ongoing credit evaluations of our debtors' financial condition and does not require collateral from our debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, our Group maintains an allowance for doubtful accounts and the amount of actual losses incurred has been within our management's expectations.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, our Group had a concentration of credit risk, amounting to approximately 39%, 50%, 55% and 45% of our total trade receivables, respectively, which were due from our Group's five largest customers.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. Our Group's liquidity risk is further mitigated through the availability of financing through our own cash resources and the availability of banking facilities to meet our financial commitments. In the opinion of our Directors, our Group does not have any significant liquidity risk.

Cash flow and fair value interest rate risk

Our Group's interest rate risk arises from bank borrowings. Bank borrowings at variable rates expose our Group to cash flow interest rate risk, whereas bank borrowings at fixed rates expose our Group to fair value interest rate risk. Our Group has entered into fixed-to-floating interest rate swaps to hedge our fair value interest rate risk. Should interest rate for variable-rate borrowings had been 1% higher/lower for the three years ended 31 December 2012, 2013, 2014 and 30 June 2015, with all other variables held constant, our Group's profit before tax would have been lower/higher by HK$794,000, HK$539,000, HK$592,000 and HK$1,705,000, respectively.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, 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.

DIVIDENDS AND DIVIDEND POLICY

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. There is no expected payout ratio and our Board currently does not have any intention to declare dividend.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our PRC operating subsidiaries may also be subject to any restrictive covenant in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

No dividend has been paid or declared by our Company since its incorporation up to and including the Latest Practicable Date. Notwithstanding the above, non-recurring dividend of approximately nil, HK$5.8 million, nil and nil were declared and paid from the internal resources of the companies now comprising our Group to the then shareholders for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, respectively. Prior to Listing, our Group declared dividends of approximately HK$210.9 million to the then shareholders, of which approximately HK$200.9 million was set off against the amount due from the related parties and approximately HK$10.0 million will be settled by internal resources of our Group before Listing.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

As our Company was incorporated on 27 January 2015, our Company had no distributable reserves available for distribution to our Shareholders as at 31 December 2014.

LISTING EXPENSES

During the Track Record Period, we incurred Listing expenses of approximately HK$6.2 million and HK$11.0 million, which was recognised as administration expenses in our combined income statements for the year ended 31 December 2014 and the six months ended 30 June 2015, respectively and approximately HK$0.4 million was recorded as prepayment as at 30 June 2015 and will be deducted against equity subsequently. We expect to incur additional listing expenses (excluding underwriting commission of approximately HK$5.9 million, assuming mid-point of the proposed Offer Price range and before any exercise of the Over-allotment Option, to be paid to the Underwriters) of approximately HK$21.6 million, of which approximately HK$14.0 million is expected to be recognised as administrative expenses for the six months ending 31 December 2015 and approximately HK$7.6 million is expected to be recognised as a deduction in equity directly.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the Global Offering on our net tangible assets as at 30 June 2015 as if it had taken place on 30 June 2015, assuming the Over-allotment Option is not exercised. The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as at 30 June 2015 or any future date following the Global Offering. It is prepared based on our net assets as at 30 June 2015 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report in Appendix I to this prospectus.

	Audited combined net tangible assets of the Group attributable to the owners of our Company as at 30 June 2015	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company as at 30 June 2015**	**Unaudited pro forma adjusted net tangible assets per Share**
	(Note 1)	*(Note 2)*		*(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$0.55 per Share	361,247	110,672	471,919	0.47
Based on an Offer Price of HK$0.80 per Share	361,247	170,980	532,227	0.53

Notes:

(1) The audited combined net tangible assets attributable to the owners of our Company as at 30 June 2015 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the owners of our Company as at 30 June 2015 of HK$363,605,000 with an adjustment for the intangible assets as at 30 June 2015 of HK$2,358,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$0.55 and HK$0.80 per Share after deduction of the underwriting fees and other related expenses payable by us subsequent to 30 June 2015 and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 June 2015 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate to issue shares or the general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2015. In particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for dividends of HK$210.9 million declared by the Group subsequent to 30 June 2015. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible asset per Share would have been reduced to HK$0.26 and HK$0.32 based on the Offer Price of HK$0.55 per Share and HK$0.8 per Share respectively.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to 30 June 2015 and up to the Latest Practicable Date, our Group had continued to focus on our business operations. Our Reporting Accountant has conducted a review on the financial information of our Group for the nine months ended 30 September 2015 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". For the three months ended 30 September 2015, our revenue and gross profit were approximately HK$662.0 million and HK$132.8 million, respectively, representing an increase of approximately 18.1% and 21.8% as compared to the same period in 2014, respectively. We believe that the improved gross profit margin for the three months ended 30 September 2015 as compared to other periods of the year was mainly attributable to (i) increased sales as a result of seasonal sales pattern due to a greater demand for consumer products before festivals and holiday seasons which was consistent with the past years; and (ii) relatively stable fixed overheads incurred during the period between July and September 2015 despite the increased sales. We anticipate that our financial results for the last quarter of 2015 as compared to the third quarter of 2015 may be slightly lower given (i) that sales may be at a lower level for the last quarter of 2015 as compared to the third quarter of 2015 which is consistent with our seasonal sales pattern; (ii) the relatively stable fixed overheads; and (iii) the impact of Listing expenses on our combined statement of profit or loss.

The installation of new automated machineries and equipment in our production base in Huizhou has increased our production capacity. For the three months ended 30 September 2015, with a designed production capacity of approximately 49.4 million units, our production base in Huizhou achieved an average utilisation rate of approximately 86.3%. The enhanced level of automation in our production process has strengthened our capabilities in producing highly standardised quality products and reduced our reliance on labour force. In order to cope with the increasing demand of our products, we will continue to enhance the level of automation in our production process, which will enable us to increase our production capacity.

Our production base in Hanzhong has, since its commencement of operations in or around February 2015, provided us with a stable supply of high-frequency transformers for use in our production of switching power supply units for consumer products and smart chargers and controllers for industrial use. Our production base in Hanzhong operated a total of 11 production lines as at 30 September 2015. For the three months ended 30 September 2015, with a designed production capacity of approximately 9.4 million units of high-frequency transformers, our production base in Hanzhong achieved an average utilisation rate of approximately 74.9%. Our Directors believe that the stable supply of high-frequency transformers from our production base in Hanzhong has reduced our need to source high-frequency transformers from Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司), a connected person of our Company, thereby enhancing our operational flexibility and reducing our production cost. As our production base in Hanzhong only commenced the production of high-frequency transformers in the first half of 2015 and is still in its preliminary stage of operations, our transactions with Tiandong Ten Pao Electric Company Limited* (田東天寶電子有限責任公司) will continue until our Hanzhong production base scales up its production to achieve economies of scale and such transactions are expected to cease in 2017.

As at 30 September 2015, we had paid approximately HK$11.9 million with our internal funds towards the development of our production base in Hanzhong. The remaining capital expenditure of approximately HK$8.1 million is expected to be paid by 30 June 2016 with our internal funds.

For the three months ended 30 September 2015, our Group experienced a realised loss in derivative financial instruments of an amount of approximately HK$9.4 million and an unrealised loss of an amount of approximately HK$8.7 million, respectively. Our Directors are of the view that the recent depreciation of Renminbi did not have a material adverse effect on our business and financial performance because of the following mitigating factors:

(i) the adverse effect of depreciation of Renminbi against U.S. dollars on our Group's hedge activities was partially offset by the fact that our Group's sales receipts denominated in U.S. dollars are of a higher value when such sales receipts are converted into Renminbi. Since we confirm the price of products with our customers when they place purchase orders and a credit period of 60 days from end of month is normally offered to our customers, if the depreciation of Renminbi against U.S. dollars is significant during that period of time, our Group will obtain a foreign exchange gain upon conversion of the sales receipts from U.S. dollars to Renminbi. Moreover, the amount of receivables denominated in U.S. dollars was in general higher than the amount of liabilities during the Track Record Period. In this regard, the depreciation of Renminbi against U.S. dollars has led us to record a gain from foreign exchange during the six months ended 30 June 2015 in an amount of approximately HK$6.1 million;

(ii) certain amount of our revenue was and will continue to be denominated in Renminbi which served and will serve as a natural hedge against and lessen our exposure to the foreign exchange rate fluctuation in Renminbi. For the six months ended 30 June 2015, our revenue denominated in Renminbi amounted to approximately HK$150.0 million, representing approximately 15.9% of our Group's revenue for the corresponding period;

(iii) our Directors believe that the depreciation of Renminbi against U.S. dollars is expected to boost the growth of export in the PRC to a certain extent, and it shall favour the growth of our exported revenue in the near future. In addition, the depreciation of Renminbi is considered to be favourable to PRC-based manufacturers including our Group with costs denominated in Renminbi while revenue is primarily denominated in U.S. dollars;

(iv) Chairman Hung, Even Joy, TinYing Holdings and TinYing Investments agreed to provide an indemnity in favour of our Group to indemnify all losses which may arise from or in connection with the six outstanding derivative financial instruments as at the Latest Practicable Date, from the month of Listing until the expiry date of the last derivative financial instrument. Chairman Hung, one of our Controlling Shareholders, has provided immediate available cash fund proof to demonstrate that he has sufficient financial resources to honour such indemnity; and

(v) we will continue to negotiate with certain banks about the possibility of novating or terminating the six outstanding derivative financial instruments, the successful negotiation of which will eliminate or partially eliminate the adverse effect that such financial instruments may have on our financial performance.

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

FUTURE PLANS

Please see the section "Business — Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses paid and payable by us in connection thereto, are estimated to be approximately HK$124.9 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$0.68 per Share, being the mid-point of the proposed Offer Price range of HK$0.55 to HK$0.80 per Share. We intend to use such net proceeds as follows:

- approximately HK$87.4 million (or approximately 70% of our total estimated net proceeds) will be used for expanding the scale of production of our production bases in Huizhou, Guangdong province, the PRC, of which:

  (a) approximately HK$43.7 million (or approximately 35% of our total estimated net proceeds) will be used to purchase new machineries and equipment for the installation of new production lines, and such new machineries and equipment include: (i) approximately 10 units of SMT machines and 30 units of other machineries and equipment used in our SMT process; and (ii) approximately 15 units of other machineries and equipment used in our production process, such as soldering machines, laser engraving machines and testing machines;

  (b) approximately HK$31.2 million (or approximately 25% of our total estimated net proceeds) will be used to purchase new machineries and equipment to increase the level of automation in our production process, and such new machineries and equipment include: (i) approximately 40 units of automatic integrated machines, such as automatic dispensing and de-panelling integrated machines, automatic soldering and solder joint inspection integrated machines, automatic ultrasonic and packaging integrated machines, automatic assembly and laser engraving integrated machines, and performance testing integrated machines; and (ii) approximately 85 units of other automated machineries and equipment, such as manipulators, automatic insertion machines, automatic soldering machines, automatic wire bonding and dispensing machines and automatic de-panelling machines; and

  (c) approximately HK$12.5 million (or approximately 10% of our total estimated net proceeds) will be used to complete the re-arrangement of manufacturing activities of our production bases, including renovation works and production set-up in our production base in Huizhou after re-location of the manufacturing activities of high-frequency transformers from our production base in Huizhou to our production base in Hanzhong;

- approximately HK$12.5 million (or approximately 10% of our total estimated net proceeds) will be used for strengthening sales and marketing efforts and expanding our customer base in the PRC and internationally;

- approximately HK$12.5 million (or approximately 10% of our total estimated net proceeds) will be used for strengthening our research and development capabilities; and

- approximately HK$12.5 million (or approximately 10% of our total estimated net proceeds) will be used for general working capital and other general corporate purposes.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised, will increase to approximately HK$153.8 million or decrease to approximately HK$93.5 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$149.5 million, assuming an Offer Price of HK$0.68 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option, will increase to approximately HK$182.8 million or decrease to approximately HK$113.4 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

The application of the net proceeds as stated above are only current estimates and are subject to changes based on prevailing economic, market and business conditions. To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions.

So far as our Directors are aware, immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme) and the Capitalisation Issue, other than a Director or chief executive of our Company, the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

		As at the date of this prospectus		Immediately following completion of the Global Offering	
Name of Shareholder	**Capacity/nature of interest**	**Number of Shares or securities held[1]**	**Approximate percentage of shareholding**	**Number of Shares or securities held[1]**	**Approximate percentage of shareholding**
Chairman Hung[2]	Founder of a discretionary trust and interest in a controlled corporation	1,500	100%	750,000,000	75%
Even Joy	Beneficial owner	900	60%	450,000,000	45%
The Trustee[3]	Trustee of a discretionary trust	600	40%	300,000,000	30%
TinYing Holdings	Interest in a controlled corporation	600	40%	300,000,000	30%
TinYing Investments	Beneficial owner	600	40%	300,000,000	30%

Notes:

(1) All interests stated are long positions.

(2) Chairman Hung is the sole shareholder of Even Joy which holds 450,000,000 Shares. In addition, Chairman Hung is the founder of the Family Trust, which indirectly holds the entire issued share capital of TinYing Investments holding 300,000,000 Shares. By virtue of the SFO, Chairman Hung is deemed to be interested in the Shares in which Even Joy and TinYing Investments are interested.

(3) The 300,000,000 Shares are held by TinYing Investments. TinYing Investments is wholly owned by TinYing Holdings, which is in turn wholly owned by the Trustee acting as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Chairman Hung as settlor and Vistra Trust (BVI) Limited as trustee. 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, the Trustee is deemed to be interested in the Shares in which TinYing Investments is interested in.

Save as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme) and the Capitalisation Issue, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and any other member of our Group.

The authorised and issued share capital of our Company are as follows:

		HK$
Authorised share capital:		
2,000,000,000	Shares	20,000,000
		20,000,000

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately following completion of the Global Offering will be as follows:

		HK$	**Approximate percentage of issued share capital** (%)
Issued and to be issued, fully paid or credited as fully paid, upon completion of the Global Offering and the Capitalisation Issue:			
1,500	Shares in issue as at the date of this prospectus	15	0
749,998,500	Shares to be issued under the Capitalisation Issue	7,499,985	75.0
250,000,000	Shares to be issued under the Global Offering	2,500,000	25.0
1,000,000,000	Shares in total	10,000,000	100.0

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following completion of the Global Offering will be as follows:

			Approximate percentage of issued share capital
		HK$	*(%)*
Issued and to be issued, fully paid or credited as fully paid, upon completion of the Global Offering and the Capitalisation Issue:			
1,500	Shares in issue as at the date of this prospectus	15	0
749,998,500	Shares to be issued under the Capitalisation Issue	7,499,985	72.3
287,500,000	Shares to be issued under the Global Offering and the Over-allotment Option	2,875,000	27.7
1,037,500,000	Shares in total	10,375,000	100.0

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional.

The above table takes no account of (a) Shares which may be allotted and issued upon the exercise of any option granted or to be granted under the Share Option Scheme; or (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares as described below.

RANKING

The Offer Shares and the Shares that may be issued pursuant to exercise of the Over-allotment Option will rank pari passu in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 23 November 2015. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisors and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the terms of the Share Option

Scheme are summarised in "Statutory and General Information — Other Information — 15. Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the General Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted or to be granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this General Mandate will not be reduced by the allotment and issue of such Shares.

This General Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold our next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further details of the General Mandate, please see "Statutory and General Information — Information about our Company — 3. Resolutions in writing of the Shareholders passed on 23 November 2015" in Appendix IV to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Capitalisation Issue and the Global Offering (but excluding any Shares of our Company which may be issued pursuant to the Over-allotment Option).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in "Statutory and General Information — Information about our Company — 7. Securities repurchase mandate" in Appendix IV to this prospectus.

This Repurchase Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold our next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further information about this Repurchase Mandate, please see "Statutory and General Information — Information about our Company — 3. Resolutions in writing of the Shareholders passed on 23 November 2015" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) sub-divide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Law, reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution. For further details, please refer to "Summary of the Constitution of our Company and the Cayman Islands Companies Law — 2. Articles of Association — (c) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to "Summary of the Constitution of our Company and the Cayman Islands Companies Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

HONG KONG UNDERWRITERS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DBS Asia Capital Limited
Guosen Securities (HK) Capital Company Limited

Co-lead Managers

Aristo Securities Limited
Convoy Investment Services Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 27 November 2015. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, and not jointly, to apply to purchase or procure applications to purchase the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been entered into and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice in writing from the Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, if prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, Japan, Korea, Taiwan, Malaysia, Singapore, the United States, the United Kingdom, the European Union as a whole, Switzerland or where any member of our Group was incorporated (including the Cayman Islands and BVI) ("**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange, the Shanghai Stock Exchange and the Singapore Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign ("**Authority**")), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the Cayman Islands, BVI, the European Union as a whole, or any other jurisdiction where any member of our Group was incorporated, or any disruption in commercial banking or foreign exchange trading, procedures or matters in those places or jurisdictions; or

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (of any member thereof) on any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of U.S. dollars, Hong Kong dollars or Renminbi against any foreign currencies), or the implementation of any exchange control, in the Relevant Jurisdictions; or

(viii) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of our Group; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of our Company; or

(x) the Chairman or an Executive Director vacating his or her office; or

(xi) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than any breach thereof by any of the Hong Kong Underwriters or the International Underwriters); or

(xii) an Authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action or announcing an intention to investigate or take other action, against any Executive Director; or

(xiii) save as disclosed in this prospectus, the Application forms and the formal notice in agreed form to be issued in connection with the Hong Kong Public Offering pursuant to the Listing Rules, including all amendments or supplements thereto, a contravention by any member of our Group of the Listing Rules or applicable laws or regulations which is not disclosed or referred to therein; or

(xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering the Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xv) any material adverse change or development reasonably likely to involve a prospective material adverse change in or affecting the assets, liabilities, results of operations, financial position or performance of our Group taken as a whole of any of the risks set out in the section "Risk Factors"; or

(xvi) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xvii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xviii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or any other documents used in connection with the contemplated offer and sales of the Shares) pursuant to the Companies Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xix) any event, act or omission which gives or is likely to give rise to any material liability of any of the indemnifying parties pursuant to the indemnities set out in the Hong Kong Underwriting Agreement,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators:

(1) has or will have a material adverse change on the assets, liabilities, business, management, general affairs, prospects, shareholders' equity or financial condition or performance of our Group as a whole; or

(2) has or will have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(3) makes or will make it inadvisable or inexpedient or impracticable for the Global Offering to proceed; or

(4) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) it has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus or the Application Forms and/or in any notices, announcements or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in any of this prospectus or the Application Forms and/or any notices, announcements or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest in any material respect and is not based on reasonable assumptions in any material respect; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus or the Application Forms and/or in any notices, announcements or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(iv) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(v) any expert named in "Statutory and General Information — Other Information — 23. Qualifications of experts" in Appendix IV to this prospectus has withdrawn its consent to being named in any or to the issue of this prospectus or the Application Forms and/or in any notices, announcements, or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto).

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or any issue of shares or securities in circumstances prescribed by Rule 10.08 of the Listing Rules, we will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he/it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date ("**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) ("**Parent Shares**"); or

(b) during the period of six months commencing on the date on which the First Six-month Period expires ("**Second Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he/it will:

(a) if he/it pledges or charges any of the securities beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

(b) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors, and our Controlling Shareholders have agreed to procure that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and issue of Shares pursuant to the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date ("**First Half-year Period**"), we will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Half-year Period). We further agree that, in the event that we enter into the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transactions during the period of six months commencing on the date on which the First Half-year Period expires ("**Second Half-year Period**"), we will take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, our Controlling Shareholders have undertaken to each of us, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) he/it will not, at any time during the First Half-year Period:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified above is to be settled by delivery of Shares or such other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Half-year Period);

(b) he/it will not, during the Second Half-year Period, enter into any of the transactions specified in paragraph (a)(i), (ii), (iii) or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/it will cease to be a Controlling Shareholder; and

(c) until the expiry of the Second Half-year Period, in the event that he/it enters into any of the transactions specified in paragraph (a)(i), (ii), (iii) or offer to or agrees to or announce any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

For the avoidance of doubt, the above restrictions do not prevent our Controlling Shareholders from using the Shares beneficially owned by them as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Indemnity

We and our Controlling Shareholders have agreed to indemnify the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, subject to the terms of the Hong Kong Underwriting Agreement.

The International Placing

In connection with the International Placing, it is expected that we and our Executive Directors will enter into the International Underwriting Agreement with, among others, the Joint Global Coordinators, the International Underwriters and the Joint Sponsors. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally, and not jointly, agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) at any time from the date of the International Underwriting Agreement until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to offer up to an aggregate of 37,500,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Placing, if any.

Under the International Underwriting Agreement, we and our Controlling Shareholders will agree to indemnify the International Underwriters and the Joint Sponsors against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters, subject to the terms of the International Underwriting Agreement.

Underwriting commission and expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) will receive an underwriting commission equal to 3.5% on the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing). The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed between the Joint Global Coordinators and the Hong Kong Underwriters. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters).

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$0.68 per Share (being the mid-point of the indicative Offer Price range of HK$0.55 to HK$0.80 per Share), the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the listing of the existing Shares and the Global Offering to be borne by us are estimated to amount to approximately HK$45.1 million in aggregate (assuming an Offer Price of HK$0.68, being the mid-point of the indicative range of the Offer Price of HK$0.55 to HK$0.80).

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE JOINT SPONSORS

DBS Asia Capital Limited and Guosen Securities (HK) Capital Company Limited satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

ACTIVITIES BY SYNDICATE MEMBERS

Set out below is a variety of activities that the underwriters of the Hong Kong Public Offering and the International Placing, together referred to as "**Syndicate Members**", may each individually undertake, and which do not form part of the underwriting or the stabilising process. It should be noted that, when engaging in any of these activities, the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, none of the Underwriters (except for each of the Joint Global Coordinators, its affiliate(s) or any person(s) acting for it for the purpose of taking any stabilising action) will, and each of the Underwriters will procure that none of its respective affiliates and agents will, in connection with the distribution of the Offer Shares, effect, cause or authorise any other person to effect any transactions including but not limited to issuing options or derivatives on the underlying Shares (whether in the open market or otherwise and whether in Hong Kong or elsewhere) with a view to stabilising or maintaining the market price of any of the Shares at a level higher than that which might otherwise prevail in the open market or any action which is designed to or which constitutes or which might be expected to, cause or result in the stabilisation or manipulation, in violation of applicable laws, of the price of any security of our Company; and

(b) none of the Underwriters (other than each of the Joint Global Coordinators or its affiliate(s) or any other person(s) acting for it for the purpose of taking any stabilising action), will, during the period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, issue any warrant, option or derivative on the underlying Shares (whether in the open market or otherwise), except with the prior written consent of the Joint Global Coordinators.

The Syndicate Members and their affiliates are diversified financial institutions and may have relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares and entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All these activities may occur both during and after the end of the stabilising period described in the section "Structure and Conditions of the Global Offering". These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. DBS Asia Capital Limited and Guosen Securities (HK) Capital Company Limited are the Joint Sponsors for the listing of the Shares on the Stock Exchange and the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners of the Global Offering.

The Global Offering initially consists of:

(i) the Hong Kong Public Offering of 25,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in "Hong Kong Public Offering" in this section below; and

(ii) the International Placing of 225,000,000 Offer Shares by our Company (subject to adjustment and the exercise of the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing respectively may be subject to adjustment and, in the case of the International Placing only, the Over-allotment Option as set out in "International Placing — Over-allotment Option" in this section below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in the section "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective agreements in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Thursday, 3 December 2015 and in any event, not later than Wednesday, 9 December 2015.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, 9 December 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.tenpao.com** on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Thursday, 10 December 2015 but will only become valid certificates of title at 8:00 a.m. on Friday, 11 December 2015 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" has not been exercised. Investors who trade the Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 25,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 2.5% of our Company's issued share capital immediately after completion of the Global Offering and the Capitalisation Issue without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which have been or may be granted under the Share Option Scheme.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph "Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B with any odd board lots being allocated to pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in pool A and pool B will be 12,500,000 and 12,500,000 respectively. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 12,500,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Offer Shares (in the case of (i)), 100,000,000 Offer Shares (in the case of (ii)) and 125,000,000 Offer Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option) in each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate. In addition, in certain prescribed circumstances, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate International Placing Shares as they deem appropriate from the International Placing to the Hong Kong Public Offering to satisfy in whole or in part the excess valid application in the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed for, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Joint Global Coordinators deem appropriate.

Applications

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer

Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$0.80 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph "Price Determination of the Global Offering" below in this section, is less than the maximum price of HK$0.80 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 225,000,000 Shares (subject to adjustment and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme.

The International Placing is subject to the same conditions as stated in the paragraph "Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) that exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 37,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, among other things, over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Thursday, 3 December 2015, and in any event not later than Wednesday, 9 December 2015, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK$0.80 per Share and is expected to be not less than HK$0.55 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the

South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.tenpao.com** notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Thursday, 10 December 2015 in the manner set out in the section "How to Apply for Hong Kong Offer Shares — 11. Publication of Results".

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

Guosen Securities (HK) Capital Company Limited has been appointed by us as the stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchase of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the

Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 37,500,000 Shares in aggregate, which is 15% of the Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising action in Hong Kong during the stabilisation period.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for it, may have an adverse impact on the market price of the Shares;

- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over allocations by exercising the Over-allotment Option, which will be exercisable by the Stabilising Manager (on behalf of the International Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 11 December 2015, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 11 December 2015, and will be traded in board lots of 4,000. The stock code of the Shares is 1979.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any of our subsidiaries;
- a director or chief executive of our Company and/or any of our subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Placing Shares or have otherwise participated in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Monday, 30 November 2015 until 12:00 noon on Thursday, 3 December 2015 from:

(i) the following offices of the Underwriters:

DBS Asia Capital Limited	17/F, The Center, 99 Queen's Road Central, Hong Kong
Guosen Securities (HK) Capital Company Limited	42/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong
Aristo Securities Limited	21/F, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung New Territories, Hong Kong
Convoy Investment Services Limited	24C, @Convoy, 169 Electric Road North Point, Hong Kong

(ii) any of the branches of the receiving bank:

DBS Bank (Hong Kong) Limited

	Branch	Address
Hong Kong Island	Head Office	G/F, The Center 99 Queen's Road Central
	United Centre Branch	Shops 1015–1018, 1/F & Shops 2032–2034, 2/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Nathan Road Branch	G/F, Wofoo Commercial Building, 574–576 Nathan Road, Mongkok
	Hoi Yuen Road Branch	Unit 2, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	G/F, 1–5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shop 47 & 48, Level 1, Shatin Plaza, No. 21–27 Sha Tin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Monday, 30 November 2015 until 12:00 noon on Thursday, 3 December 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited — Ten Pao Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 30 November 2015	—	9:00 a.m. to 5:00 p.m.
Tuesday, 1 December 2015	—	9:00 a.m. to 5:00 p.m.
Wednesday, 2 December 2015	—	9:00 a.m. to 5:00 p.m.
Thursday, 3 December 2015	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 December 2015, the last application day or such later time as described in the paragraph "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Branch Share Registrar, the receiving bank, and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) (if the laws of any place outside Hong Kong apply to your application) agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the

Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number of such Shares allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as an agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO White Form

General

Individuals who meet the criteria set out in the paragraph "2. Who Can Apply" in this section may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 30 November 2015 until 11:30 a.m. on Thursday, 3 December 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 December 2015 or such later time in the paragraph "10. Effects of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number of such Shares allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as an agent;

- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Branch Share Registrar, receiving bank and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 30 November 2015	—	9:00 a.m. to 8:30 p.m.(1)
Tuesday, 1 December 2015	—	8:00 a.m. to 8:30 p.m.(1)
Wednesday, 2 December 2015	—	8:00 a.m. to 8:30 p.m.(1)
Thursday, 3 December 2015	—	8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 30 November 2015 until 12:00 noon on Thursday, 3 December 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 3 December 2015, the last application day or such later time as described in the paragraph "10. Effect of Bad Weather on the Opening of the Application Lists" below in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section in the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 3 December 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"*Unlisted company*" means a company with no equity securities listed on the Stock Exchange.

"*Statutory control*" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** or **YELLOW** Application Forms have tables showing the exact amount payable for our Shares.

You must pay the Maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for our Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the section "Structure and Conditions of the Global Offering — Price Determination of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 December 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 December 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing and the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 10 December 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Company's website at **www.tenpao.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.tenpao.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than Thursday, 10 December 2015;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 10 December 2015 to 12:00 midnight on Wednesday, 16 December 2015;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 December 2015 to Tuesday, 15 December 2015 (excluding Saturday and Sunday); and

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 December 2015 to Monday, 14 December 2015 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedures to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise our discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators believe that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price of HK$0.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the conditions set out in the section "Structure and Conditions of the Global Offering — Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 10 December 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the Maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the Maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Thursday, 10 December 2015. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 11 December 2015 provided that the Global Offering has become unconditional and the right of termination described in the section "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 December 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 10 December 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 10 December 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 10 December 2015, or in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

  Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph "11. Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 December 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 December 2015, or such other date as notified by our Company in the newspapers at the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 10 December 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 10 December 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph "11. Publication of Results" in this section on Thursday, 10 December 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 December 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 10 December 2015. Immediately following the credit of the Hong Kong Offer

Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 December 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

30 November 2015

The Directors
Ten Pao Group Holdings Limited

DBS Asia Capital Limited
Guosen Securities (HK) Capital Company Limited

Dear Sirs,

We report on the financial information of Ten Pao Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the combined balance sheets as at 31 December 2012, 2013 and 2014 and 30 June 2015, the balance sheet of the Company as at 30 June 2015, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 30 November 2015 (the "Prospectus") in connection with the initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation and changes in group structure" below, which was completed on 23 November 2015, the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRS. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1.3 of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that give a true and fair view in accordance with the basis of presentation set out in Note 1.3 of Section II below and in accordance with HKFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the state of affairs of the Company as at 30 June 2015 and of the combined state of affairs of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 and of the Group's combined results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the combined income statements, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2014 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 1.3 and the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as of 31 December 2012, 2013 and 2014 and 30 June 2015 and for each of the years ended 31 December 2012, 2013 and 2014 and each of the six months ended 30 June 2014 and 2015 (the "Financial Information"), presented on the basis set out in Note 1.3.

COMBINED INCOME STATEMENTS

		Year ended 31 December			Six months ended 30 June	
		2012	**2013**	**2014**	**2014**	**2015**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	*5*	1,422,360	1,690,564	1,930,514	882,548	943,713
Cost of sales	*7*	(1,219,389)	(1,423,843)	(1,598,114)	(743,533)	(795,244)
Gross profit		202,971	266,721	332,400	139,015	148,469
Other income	*6*	10,193	21,996	27,387	7,508	2,737
Other gains/(losses) – net	*6*	45,776	5,558	(56,141)	(53,673)	42,664
Selling expenses	*7*	(68,888)	(85,302)	(85,429)	(30,145)	(39,466)
Administrative expenses	*7*	(110,564)	(123,157)	(128,154)	(54,500)	(77,768)
Operating profit		79,488	85,816	90,063	8,205	76,636
Finance income	*10*	308	696	788	120	175
Finance costs	*10*	(2,273)	(2,622)	(2,291)	(1,441)	(1,705)
Finance expenses – net	*10*	(1,965)	(1,926)	(1,503)	(1,321)	(1,530)
Profit before income tax		77,523	83,890	88,560	6,884	75,106
Income tax expense	*11*	(13,608)	(28,194)	(33,843)	(6,523)	(15,136)
Profit for the year/period attributable to owners of the Company		63,915	55,696	54,717	361	59,970
Earnings per share for profit attributable to owners of the Company during the year/period – basic and diluted (HK$)	*12*	N/A	N/A	N/A	N/A	N/A
Dividends	*31*	–	5,750	–	–	–

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2012	**2013**	**2014**	**2014**	**2015**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Profit for the year/period		63,915	55,696	54,717	361	59,970
Items that may be reclassified subsequently to profit and loss						
Currency translation differences		404	15,252	(1,592)	(4,882)	(544)
Change in value of available-for-sale financial assets	*17*	46	(44)	(66)	(31)	(35)
Total comprehensive income for the year attributable to owners of the Company		64,365	70,904	53,059	(4,552)	59,391

COMBINED BALANCE SHEETS

		As at 31 December			As at 30 June
		2012	2013	2014	2015
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Land use rights	*13*	6,559	6,549	6,320	6,218
Property, plant and equipment	*14*	171,248	171,579	183,524	253,332
Investment properties	*15*	4,820	5,150	5,300	5,500
Intangible assets	*16*	5,251	3,852	2,803	2,358
Investment in an associate	*33*	7,399	7,632	7,606	–
Available-for-sale financial assets	*17*	2,169	2,125	–	–
Deferred income tax assets	*30*	7,104	9,929	14,972	17,186
Derivative financial instruments	*22*	1,354	3,949	–	–
Financial assets at fair value through profit or loss-non current	*23*	2,452	2,536	2,624	2,660
Prepayments for the purchase of property, plant and equipment		–	–	4,293	2,438
		208,356	213,301	227,442	289,692
Current assets					
Inventories	*19*	139,330	184,352	213,301	214,843
Trade and other receivables	*20*	311,726	400,996	444,219	437,296
Amounts due from related parties	*36(c)*	50,060	98,818	173,332	192,374
Available-for-sale financial assets	*17*	–	–	2,059	2,024
Derivative financial instruments	*22*	2,776	1,102	1	–
Cash and cash equivalents	*21*	73,509	40,599	85,256	104,542
Restricted bank deposits	*24*	18,794	19,200	23,968	26,548
		596,195	745,067	942,136	977,627
Total assets		804,551	958,368	1,169,578	1,267,319
EQUITY					
Capital and reserves attributable to owners of the Company					
Capital and capital reserves	*25(i)*	4,767	4,767	3,767	338
Other reserves	*26*	21,673	38,883	40,492	39,913
Retained earnings		250,228	272,759	324,209	323,354
Total equity		276,668	316,409	368,468	363,605

		As at 31 December			As at 30 June
		2012	2013	2014	2015
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Non-current liabilities					
Non-current bank borrowings	*27*	41,508	20,377	27,749	105,531
Deferred income tax liabilities	*30*	30,502	35,395	41,310	40,817
Derivative financial instruments	*22*	3,428	104	40,582	1,250
Deferred government grants	*28*	7,609	7,848	7,264	7,071
		83,047	63,724	116,905	154,669
Current liabilities					
Trade and other payables	*29*	297,415	411,864	509,694	544,302
Amounts due to related parties	*36(d)*	74,637	36,404	46,305	32,727
Income tax liabilities		14,704	33,315	44,427	25,469
Short-term bank borrowings	*27*	17,265	62,478	43,727	65,913
Current portion of non-current bank borrowings	*27*	37,842	33,556	31,421	65,000
Derivative financial instruments	*22*	2,973	618	8,631	15,634
		444,836	578,235	684,205	749,045
Total liabilities		527,883	641,959	801,110	903,714
Total equity and liabilities		804,551	958,368	1,169,578	1,267,319
Net current assets		151,359	166,832	257,931	228,582
Total assets less current liabilities		359,715	380,133	485,373	518,274

BALANCE SHEET — COMPANY
AS AT 30 JUNE 2015

	Note	*HK$'000*
ASSETS		
Current assets		
Prepayments	*37(a)*	376
Total assets		376
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	*25(ii)*	–
Accumulated losses		(10,995)
Total equity		(10,995)
LIABILITIES		
Current liabilities		
Other payables		7,098
Amounts due to related parties	*37(b)*	4,273
Total liabilities		11,371
Total equity and liabilities		376
Net current liabilities		(10,995)
Total assets less current liabilities		(10,995)

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Other reserves					
	Capital and capital reserves	Statutory reserves	Exchange reserves	Available-for-sale financial assets reserves	Total	Retained earnings	Total Equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2012	4,767	2,299	17,750	105	20,154	187,402	212,323
Comprehensive income							
Profit for the year	–	–	–	–	–	63,915	63,915
Other comprehensive income							
Currency translation difference	–	–	404	–	404	–	404
Change in value of available-for-sale financial assets *(Note 17)*	–	–	–	46	46	–	46
Total comprehensive income	–	–	404	46	450	63,915	64,365
Transaction with owners							
Deemed distribution *(Note 36(b)(vii))*	–	–	–	–	–	(20)	(20)
Appropriation to statutory reserves	–	1,069	–	–	1,069	(1,069)	–
Transaction with owners, recognised directly in equity	–	1,069	–	–	1,069	(1,089)	(20)
Balance at 31 December 2012	4,767	3,368	18,154	151	21,673	250,228	276,668
Balance at 1 January 2013	4,767	3,368	18,154	151	21,673	250,228	276,668
Comprehensive income							
Profit for the year	–	–	–	–	–	55,696	55,696
Other comprehensive income							
Currency translation difference	–	–	15,252	–	15,252	–	15,252
Change in value of available-for-sale financial assets *(Note 17)*	–	–	–	(44)	(44)	–	(44)
Total comprehensive income	–	–	15,252	(44)	15,208	55,696	70,904
Transaction with owners							
Dividends *(Note 31)*	–	–	–	–	–	(5,750)	(5,750)
Deemed distribution *(Note 36(b)(vii))*	–	–	–	–	–	(25,413)	(25,413)
Appropriation to statutory reserves	–	2,002	–	–	2,002	(2,002)	–
Transaction with owners, recognised directly in equity	–	2,002	–	–	2,002	(33,165)	(31,163)
Balance at 31 December 2013	4,767	5,370	33,406	107	38,883	272,759	316,409

	Capital and capital reserves	Other reserves				Retained earnings	Total Equity
		Statutory reserves	Exchange reserves	Available-for-sale financial assets reserves	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2014	4,767	5,370	33,406	107	38,883	272,759	316,409
Comprehensive income							
Profit for the year	–	–	–	–	–	54,717	54,717
Other comprehensive income							
Currency translation difference	–	–	(1,592)	–	(1,592)	–	(1,592)
Change in value of available-for-sale financial assets *(Note 17)*	–	–	–	(66)	(66)	–	(66)
Total comprehensive income	–	–	(1,592)	(66)	(1,658)	54,717	53,059
Transaction with owners							
Deemed distribution *(Note 36(b)(vii))*	(1,000)	–	–	–	–	–	(1,000)
Appropriation to statutory reserves	–	3,267	–	–	3,267	(3,267)	–
Transaction with owners, recognised directly in equity	(1,000)	3,267	–	–	3,267	(3,267)	(1,000)
Balance at 31 December 2014	3,767	8,637	31,814	41	40,492	324,209	368,468
For the six months ended 30 June 2015							
Balance at 1 January 2015	3,767	8,637	31,814	41	40,492	324,209	368,468
Comprehensive income							
Profit for the period	–	–	–	–	–	59,970	59,970
Other comprehensive income							
Currency translation difference	–	–	(544)	–	(544)	–	(544)
Change in value of available-for-sale financial assets *(Note 17)*	–	–	–	(35)	(35)	–	(35)
Total comprehensive income	–	–	(544)	(35)	(579)	59,970	59,391
Transaction with owners							
Deemed distribution *(Note 36(b)(vii))*	(3,429)	–	–	–	–	(72,777)	(76,206)
Deemed contribution *(Note 36(b)(vii))*	–	–	–	–	–	11,952	11,952
Transaction with owners, recognised directly in equity	(3,429)	–	–	–	–	(60,825)	(64,254)
Balance at 30 June 2015	338	8,637	31,270	6	39,913	323,354	363,605

	Capital and capital reserves	Other reserves: Statutory reserves	Other reserves: Exchange reserves	Other reserves: Available-for-sale financial assets reserves	Other reserves: Total	Retained earnings	Total Equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2014 (unaudited)							
Balance at 1 January 2014	4,767	5,370	33,406	107	38,883	272,759	316,409
Comprehensive income							
Profit for the period	–	–	–	–	–	361	361
Other comprehensive income							
Currency translation difference	–	–	(4,882)	–	(4,882)	–	(4,882)
Change in value of available-for-sale financial assets	–	–	–	(31)	(31)	–	(31)
Total comprehensive income	–	–	(4,882)	(31)	(4,913)	361	(4,552)
Transaction with owners, recognised directly in equity							
Appropriation to statutory reserves	–	1,439	–	–	1,439	(1,439)	–
Balance at 30 June 2014 (unaudited)	4,767	6,809	28,524	76	35,409	271,681	311,857

COMBINED STATEMENTS OF CASH FLOW

	Note	Year ended 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000	Six months ended 30 June 2014 HK$'000 (unaudited)	2015 HK$'000
Cash flows from operating activities						
Cash generated from operations	*32(a)*	36,269	83,316	162,289	100,541	55,793
Interest paid		(2,273)	(2,622)	(2,291)	(1,441)	(1,705)
Income tax paid		(4,552)	(8,291)	(21,772)	(6,957)	(36,804)
Net cash generated from operating activities		29,444	72,403	138,226	92,143	17,284
Cash flows from investing activities						
Purchase of property, plant and equipment		(44,320)	(38,064)	(56,656)	(24,098)	(78,659)
Purchase of intangible assets		(1,042)	(618)	(869)	–	–
Proceeds from disposal of property, plant and equipment	*32(b)*	1,287	16	8,051	4,639	410
Grants from government related to assets	*28*	7,559	–	–	–	–
Purchase of financial assets at fair value through profit or loss		(3,056)	–	–	–	–
Net cash used in investing activities		(39,572)	(38,666)	(49,474)	(19,459)	(78,249)
Cash flows from financing activities						
Proceeds from bank borrowings		369,477	307,898	128,617	77,808	485,505
Repayments of bank borrowings		(324,859)	(288,107)	(142,172)	(102,573)	(352,147)
Dividends paid to the Controlling Shareholder		–	(5,750)	–	–	–
Deemed distribution to the Controlling Shareholder	*36(b)(vii)*	(20)	(25,413)	–	–	–
Repayments to related companies		(27,622)	(55,192)	(25,753)	(29,866)	(50,547)
Repayments from related companies		2,390	–	–	–	–
(Increase)/decrease in restricted bank deposits		(12,354)	(406)	(4,768)	115	(2,580)
Net cash generated from /(used in) financing activities		7,012	(66,970)	(44,076)	(54,516)	80,231
Net (decrease)/increase in cash and cash equivalents		(3,116)	(33,233)	44,676	18,168	19,266
Cash and cash equivalents at beginning of the year/period		76,628	73,509	40,599	40,599	85,256
Exchange (losses)/gains on cash and cash equivalents		(3)	323	(19)	(53)	20
Cash and cash equivalents at end of the year/period		73,509	40,599	85,256	58,714	104,542
Analysis of balances of cash and cash equivalents:						
Cash and cash on hand		73,509	40,599	85,256	58,714	104,542

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND GROUP REORGANISATION

1.1 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 is 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" ("Listing Business"). The controlling shareholder of the Group is Mr. Hung Kwong Yee (洪光椅) ("Controlling Shareholder" or "Chairman Hung").

The financial information is presented in Hong Kong dollar HK$, unless otherwise stated.

1.2 Reorganisation and changes in group structure

The financial information covers each of the years ended 31 December 2012, 2013 and 2014 and each of the six months ended 30 June 2014 and 2015 ("the Relevant Periods") and the Listing Business was controlled by the Controlling Shareholder throughout and at the end of each of the Relevant Periods. Prior to the incorporation of the Company and the completion of the Reorganisation as described below, the Listing Business was mainly conducted through Goldasia Group Ltd ("Goldasia"), Ten Pao International Limited (天寶國際興業有限公司) ("Ten Pao International"), Ten Pao Industrial Company Limited (天寶電子有限公司) ("Ten Pao Industrial"), Ten Pao International Co. Ltd. ("Korean Company"), Huizhou Jinhu Industrial Development Co., Ltd (惠州市錦湖實業發展有限公司) ("Jinhu Industrial"), Ten Pao Precision Electronics Company Limited (天寶精密電子有限公司) ("Ten Pao Precision Electronics"), Ten Pao Electronic Co., Ltd ("Ten Pao Electronic") and its PRC subsidiaries, which were all directly or indirectly controlled by the Controlling Shareholder.

Apart from the Listing Business, certain subsidiaries and associate of Goldasia and Ten Pao Electronic were engaged in other dissimilar business - developing, manufacturing and sales of light-emitting diode lights, solar energy products and printing in the PRC (the "Excluded Business").

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent a reorganisation to transfer the Listing Business to the Company and dispose of the Excluded Business from Goldasia and Ten Pao Electronic (the "Reorganisation"), pursuant to which the Company became the holding company of certain companies engaged in the Listing Business now comprising the Group. The Reorganisation involved the following steps:

(1) On 25 November 2014, Sky Fortune Enterprise Limited, a company wholly-owned by Chairman Hung, transferred its 100% equity interest in Ten Pao Precision Electronics to Goldasia for a consideration of HK$1,000,000.

(2) On 12 January 2015, Even Joy Holdings Limited (同悦控股有限公司) ("Even Joy") was incorporated by Chairman Hung in the British Virgin Islands ("the BVI").

(3) On 26 January 2015, Hanzhong Jinhu Precision Parts Company Limited (漢中市錦湖精密部件有限公司)("Jinhu Precision Parts") and Hanzhong Ten Pao Precision Parts Company Limited (漢中市天寶精密部件有限公司)("Ten Pao Precision Parts") were established by Ten Pao Precision Electronics, with registered capital of HK$8,000,000 and HK$12,000,000, respectively.

(4) On 27 January 2015, the Company was incorporated in Cayman Islands with an initial authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each. On the same day, one share was subscribed at par value by Offshore Incorporations (Cayman) Limited, an independent third party. The one share was transferred by Offshore Incorporations (Cayman) Limited at par value to Even Joy as fully paid and 999 Shares of HK$0.01 each in the Company were allotted and issued to Even Joy as fully paid on the same day.

(5) On 1 February 2015, the entire issued shares in Ten Pao Electronic, held by Hong Bixin on behalf of Chairman Hung, were transferred to Goldasia for a nominal consideration of US$1.

(6) On 23 March 2015, the equity interests in Jinhu Industrial, being 56.14% and 43.86%, respectively, held by Xu Jianshe (許建設) and Hong Bixin (洪碧心) on behalf of Chairman Hung, were transferred to Ten Pao Electronic (Huizhou) Co., Ltd. (天寶電子(惠州)有限公司) ("Ten Pao Electronic (Huizhou)"), a wholly-owned subsidiary of Ten Pao Electronic, for considerations of RMB11,990,000 and RMB9,420,000, respectively.

(7) On 23 March 2015, Ten Pao Electronic (Huizhou) transferred all its 90% equity interests in Huizhou LNG Photronics Tech. Co., Ltd. (惠州市天然光電科技有限公司)("Huizhou LNG Photronics") and Huizhou Hui He Printing Co., Ltd. (惠州匯和印刷有限公司)("Hui He Printing") to Xu JinQing (許金清) who held the transferred equity interests on behalf of Chairman Hung, for considerations of RMB7,210,000 and RMB2,130,000, respectively. These companies are engaged in the Excluded Business.

(8) On 26 May 2015, Chairman Hung and Goldasia entered into a sale and purchase agreement, pursuant to which Chairman Hung transferred its 100% equity interest in Korean Company to Goldasia for a consideration of KRW 5,000.

(9) On 1 June 2015, Ten Pao Electronic (Huizhou) transferred its 100% equity interests in Shenzhen Ten Pao Weichuang Technics Development Ltd. (深圳天寶偉創科技開發有限公司) ("Shenzhen Ten Pao Technics") to Zhong Yue, an independent third party, for a consideration of RMB3,000,000.

(10) On 2 June 2015, Goldasia transferred the entire issued shares in its wholly-owned subsidiaries, namely Ten One Holdings Limited (天一控股有限公司) ("Ten One"), Ten Power Charging Technology Limited (天源充電技術有限公司) ("Ten Power Charging"), Huixin Metal Industrial Company Limited (匯鑫五金實業有限公司) ("Huixin Metal"), and Huixiang Precision Parts Company Limited (匯祥精密部件有限公司) ("Huixiang Precision Parts"), and Ten Pao Group International Limited (天寶集團國際有限公司) ("TPGIL") to Ease Bright Holdings Limited ("Ease Bright"), a BVI company wholly owned by Chairman Hung, for considerations of HK$10,000, HK$10,000, HK$10,000, HK$10,000 and HK$10,000, respectively.

(11) On 10 June 2015, Goldasia transferred the entire issued shares in its wholly-owned subsidiary namely Ten Sources Solar Electricity Limited (天能逆變技術有限公司) ("Ten Sources Solar") to East Bright for a consideration of HK$10,000.

(12) On 15 June 2015, Ten Pao Electronic (Huizhou) transferred 30% of its equity interest in Huizhou Xiezhan Industrial Area Development Co., Ltd. (惠州協展工業園開發有限公司) ("Huizhou Xiezhan") to Huizhou Fuhua Properties Co., Ltd., an independent third party, for a consideration of RMB6,000,000.

(13) On 17 June 2015, Chairman Hung and his wife, Mrs. Hung, together transferred their 25% issued shares in Ten Pao International to Goldasia for a consideration of HK$19,638,669 upon which, Ten Pao International became a wholly-owned subsidiaries of Goldasia.

(14) On 19 June 2015, Chairman Hung and his wife, Mrs. Hung, together transferred their 100% issued shares in Ten Pao Industrial to Goldasia for considerations of HK$30,180,248.

(15) On 23 November 2015, Chairman Hung and Goldasia entered into a share swap agreement, pursuant to which Chairman Hung transferred 1 share in Goldasia, representing the entire issued share capital of Goldasia, to the Company in consideration of the Company allotting and issuing to TinYing Investments 500 Shares. Immediately upon completion of the Reorganisation, Goldasia became a wholly-owned subsidiary of the Company, and the Company became the holding company of the companies comprising the Group.

Upon completion of the Reorganisation and as of the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name*	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Equity interest held As at 31 December 2012	2013	2014	As at 30 June 2015	Principal activities/ place of operation	Statutory auditors
Directly owned:								
Goldasia	BVI/7 January 2005	USD50,000/ USD1	100%	100%	100%	100%	Investment holding/ Hong Kong ("HK")	*(Note i)*
Indirectly owned:								
Ten Pao Precision Electronics	HK/19 August 2009	HK$2,000,000/ HK$1,000,000	100%	100%	100%	100%	Investment holding/HK	*(Note iv)*
Ten Pao Industrial	HK/2 January 1987	HK$300,000/ HK$300,000	100%	100%	100%	100%	Trading of raw materials/HK	*(Note ii)*
Ten Pao International	HK/9 May 2001	HK$5,000,000/ HK$4,000,000	100%	100%	100%	100%	Investment holding and trading of power supply devices/HK	*(Note ii)*
Jinhu Industrial	PRC/28 May 1999	RMB2,280,000/ RMB2,280,000	100%	100%	100%	100%	Manufacture and trading of power supply devices/PRC	*(Note iii)*
Ten Pao Electronic	Samoa/29 March 2004	US$1,000,000/ US$1	100%	100%	100%	100%	Investment holding/PRC	*(Note i)*
Ten Pao Electronic (Huizhou)	PRC/28 August 2000	HK$115,000,000/ HK$115,000,000	100%	100%	100%	100%	Manufacture and trading of power supply devices/PRC	*(Note iii)*
Shenzhen Ten Pao Technics	PRC/10 July 2013	RMB3,000,000/ RMB3,000,000	N/A	100%	100%	–	Research and development of power supply devices/PRC	*(Note v)*
Korean Company	South Korea/9 July 2004	KRW50,000,000/ KRW50,000,000	100%	100%	100%	100%	Trading of power supply devices/South Korea	*(Note i)*
Jinhu Precision Parts	PRC/26 January 2015	HK$8,000,000/ HK$2,500,000	N/A	N/A	N/A	100%	Manufacture and trading of power supply devices/PRC	*(Note iv)*
Ten Pao Precision Parts	PRC/26 January 2015	HK$12,000,000/ HK$2,400,000	N/A	N/A	N/A	100%	Manufacture and trading of power supply devices/PRC	*(Note iv)*

* The English names of certain subsidiaries and auditors referred to above were translated from their Chinese names on a best effort basis by management of the Company, as they do not have official English names.

Notes:

i No statutory audited financial statements have been prepared for these companies as there is no statutory requirement under their place of incorporation.

ii The statutory financial statements of these companies for the years ended 31 December 2012, 2013 and 2014 were audited by KC & Partners CPA Limited in HK.

iii The statutory financial statements of these companies for the years ended 31 December 2012, 2013 and 2014 were audited by Huizhou Rongde Accounting Firm in the PRC.

iv No audited financial statements have been prepared for these companies as these companies have not yet commenced business operation.

v The statutory financial statements of this company for the year ended 31 December 2014 was audited by Huizhou Rongde Accounting Firm in the PRC.

1.3 Basis of presentation

The Controlling Shareholder managed and controlled the Listing Business immediately before and after the Reorganisation. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company had not been involved in any other business prior to the Reorganisation and did not have a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and no change in the Controlling Shareholder as the ultimate owner of the Listing Business. The combined income statements, the combined statements of comprehensive income, the combined statements of cash flows and the combined statements of changes in equity of the Group for each of the years ended 31 December 2012, 2013 and 2014 and each of the six months ended 30 June 2014 and 2015 and the combined balance sheets of the Group as at that dates ("Combined Financial Information") have been prepared using the financial information of the companies engaged in the Listing Business which are under the same ownership of the Controlling Shareholder and now comprising the Group as if the current group structure had been in existence throughout and at the end of each of the Relevant Periods with the exception of companies established or acquired within the Relevant Periods which are included from their respective dates of establishment or acquisition. The combined balance sheets of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 have been prepared to present the assets and liabilities of the companies engaged in the Listing Business and the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. For the purpose of this report, the Combined Financial Information of the Group has been prepared on a combined basis as prescribed by Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

Prior to the completion of the reorganisation, apart from the Listing Business, certain subsidiaries under the common control of Chairman Hung also operated the Excluded Business. The financial information of the Excluded Business is not included in the Combined Financial Information, because: (i) such business had been operated and managed by separate management team from that of the Listing Business; (ii) such business was dissimilar from the Listing Business in terms of business risks and rewards, customer bases and content; and (iii) such business has been keeping separate books and records.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Combined Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Combined Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs"). The Combined Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of the Combined Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Combined Financial Information are disclosed in Note 4.

(a) New and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 July 2015 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11 (amendments)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendments)	Agriculture: bearer plants	1 January 2016
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (amendments)	Equity method in separate financial statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (amendments)	Investment entities: applying the consolidation exception	1 January 2016
HKAS 1 (amendments)	Disclosure initiative	1 January 2016
HKFRS 5 (amendments)	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7 (amendments)	Financial instruments: Disclosures	1 January 2016
HKAS 19 (amendments)	Employee benefits	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The Group did not early adopt any of these new or revised HKAS and HKFRSs, amendments to existing HKAS and HKFRS and interpretation. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

2.1 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

Except for the Reorganisation as described in Note 1.2 which is accounted for on the basis set out in Note 1.3, the Group applies the acquisition method to account for business combination. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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 combined financial statements of the investee's net assets including goodwill.

2.3 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.

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 income statement, 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 recognise 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 in the combined income statement.

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 combined income statement.

2.4 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, assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 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 combined financial statements are presented in Hong Kong dollar. These combined financial statements are presented in Hong Kong dollar, which is the presentation and functional currency of the Company.

(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 combined income statements within 'Other gains/(losses) – net'.

(c) Group companies

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

(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 income statement 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 exchange differences are recognised in other comprehensive income.

2.6 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 combined income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.7 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 combined income statement 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 combined income statement on a straight-line basis over the expected lives of the related assets.

2.8 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 combined income statement 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 2.12).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) – net' in the combined income statement.

2.9 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 income statement as part of a valuation gain or loss in 'Other gains/(losses) – net'.

2.10 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 amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 years.

2.11 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.

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.

2.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization 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.

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, these are classified as non-current assets including deposits for non-current bank borrowings. Loans and receivables comprise trade and other receivables, amounts due from related parties, restricted bank deposits and cash and bank balances.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

*2.13.2 **Recognition and measurement***

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other gains/(losses) – net' in the period in which they arise. Interest income on available-for-sale financial assets are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.14 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.

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event or events has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows excluding future credit losses that have not been incurred discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised such as an improvement in the debtor's credit rating, the reversal of the previously recognised impairment loss is recognised in the combined income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the combined income statement.

2.16 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 combined income statement within 'Other gains/(losses) – net'.

2.17 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 labour, 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.

2.18 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.

2.19 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less. In the combined balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.20 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.

2.21 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.

2.22 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.

2.23 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 income statement 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.

2.24 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.

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined income statement, 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.

(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 combined 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 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.

2.26 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.

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 labour 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.

2.27 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 the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; 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

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

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

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are expensed in the combined income statement on a straight-line basis over the period of the lease.

2.29 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 hedge 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 hedge needs and the then foreign exchange situation, the Group's chief financial officer would collect and analyse information regarding various hedge instruments and determine stop-loss thresholds. The Group's chief financial officer would then collect 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 the relevant hedge agreement. Several hedge contracts have been entered into during the Relevant Periods.

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:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
HK$	121,963	99,106	133,340	213,822
USD	241,687	303,593	286,794	267,759
Euros	–	47	–	–
Total	363,650	402,746	420,134	481,581
Liabilities				
HK$	284,698	310,461	276,981	339,579
USD	26,235	30,717	86,628	157,580
Euros	1	2,983	643	151
Total	310,934	344,161	364,252	497,310

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:

	Year ended 31 December						Six months ended 30 June	
	2012		2013		2014		2015	
	Increase/decrease in profit before income tax if exchanges rates change by		Increase/decrease in profit before income tax if exchanges rates change by		Increase/decrease in profit before income tax if exchanges rates change by		Increase/decrease in profit before income tax if exchanges rates change by	
	+5%	–5%	+5%	–5%	+5%	–5%	+5%	–5%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HK$	8,137	(8,137)	10,568	(10,568)	7,182	(7,182)	6,288	(6,288)
USD	(10,895)	10,895	(13,771)	13,771	(10,140)	10,140	(5,642)	5,642

(b) Price risk

The Group is exposed to raw material price risk. To effectively control raw material cost, the Group has maintained a good relationship with a group of qualified suppliers. Also, the Group has entered into commodity futures contracts to mitigate the effect of raw material price fluctuations.

(c) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade and other receivables, amounts due from related parties, available-for-sale financial assets and financial assets at fair value through profit or loss.

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 and amounts due from related parties, 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 credit risks involved in business operations, 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 2012, 2013 and 2014 and 30 June 2015 the Group's credit risk was concentrated to the extent that its five largest customers accounted for 39%, 50%, 55% and 45% respectively, of the total trade receivables. The trade receivables which are past due are analysed in Note 20.

(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 end dates during the Relevant Periods:

	On demand	3 months or less	3 months to 1 year	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012					
Bank borrowings	–	5,698	51,516	44,992	102,206
Trade and other payables (excluding non-financial liabilities)	–	262,658	–	–	262,658
Amounts due to related parties	74,637	–	–	–	74,637
Total	74,637	268,356	51,516	44,992	439,501

	On demand	3 months or less	3 months to 1 year	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013					
Bank borrowings	–	6,849	90,677	21,866	119,392
Trade and other payables (excluding non-financial liabilities)	–	343,001	–	–	343,001
Amounts due to related parties	36,404	–	–	–	36,404
Total	36,404	349,850	90,677	21,866	498,797

	On demand	3 months or less	3 months to 1 year	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014					
Bank borrowings	–	5,676	71,138	29,816	106,630
Trade and other payables (excluding non-financial liabilities)	–	412,012	–	–	412,012
Amounts due to related parties	46,305	–	–	–	46,305
Total	46,305	417,688	71,138	29,816	564,947
At 30 June 2015					
Bank borrowings	–	16,983	118,060	106,690	241,733
Trade and other payables (excluding non-financial liabilities)	–	442,168	–	–	442,168
Amount due to related parties	32,727	–	–	–	32,727
Total	32,727	459,151	118,060	106,690	716,628

(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 each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 with all other variables being held constant, the Group's profit before tax would have been lower/higher by HK$794,000, HK$539,000, HK$592,000 and HK$1,705,000 respectively.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, 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 adjust 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 2012, 2013 and 2014 and 30 June 2015 were as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total borrowings	96,615	116,411	102,897	236,444
Total equity	276,668	316,409	368,468	363,605
Gearing ratio	35%	37%	28%	65%

Gearing ratio has increased to 65% as at 30 June 2015, which is mainly due to the net increase in borrowings during the six months ended 30 June 2015.

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 categorised 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 2012, 2013 and 2014 and 30 June 2015.

	As at 31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Assets				
Available-for-sale financial assets	2,169	–	–	2,169
Derivative financial instruments	–	4,130	–	4,130
Financial assets at fair value through profit or loss-non current	–	–	2,452	2,452
Liabilities				
Derivative financial instruments	–	6,401	–	6,401

	As at 31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Assets				
Available-for-sale financial assets	2,125	–	–	2,125
Derivative financial instruments	–	5,051	–	5,051
Financial assets at fair value through profit or loss-non current	–	–	2,536	2,536
Liabilities				
Derivative financial instruments	–	722	–	722

	As at 31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Assets				
Available-for-sale financial assets	2,059	–	–	2,059
Derivative financial instruments	–	1	–	1
Financial assets at fair value through profit or loss-non current	–	–	2,624	2,624
Liabilities				
Derivative financial instruments	–	49,213	–	49,213

	As at 30 June 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Assets				
Available-for-sale financial assets	2,024	–	–	2,024
Financial assets at fair value through profit or loss-non current	–	–	2,660	2,660
Liabilities				
Derivative financial instruments	–	16,884	–	16,884

(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 structured foreign exchange contracts as explained below.

(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 Relevant Periods.

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

Description	Fair value	Valuation technique	Unobservable input	Assumption
	HK'000			
Insurance for the Controlling Shareholder				
As at 31 December 2012	2,452	Discounted cash flow	Discount rate	3.8%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old
As at 31 December 2013	2,536	Discounted cash flow	Discount rate	3.9%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old
As at 31 December 2014	2,624	Discounted cash flow	Discount rate	3.9%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old
As at 30 June 2015	2,660	Discounted cash flow	Discount rate	3.90%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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 receivables

The Group makes allowance for impairment of receivables based on an assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(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 judgement 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 foreign exchange contracts that are not traded in active markets.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Group. 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 has six reportable segments as follows: (i) telecommunication, (ii) media and entertainment, (iii) electronic cigarette, (iv) electrical home appliances, (v) smart chargers and controllers, and (vi) others.

(a) The following tables present information on revenue of the Group by geographical segments for the Relevant Periods.

Revenue from external customers

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
PRC (excluding HK)	906,340	984,543	1,264,744	515,990	488,258
Asia (excluding PRC)	199,411	281,869	211,478	136,196	136,223
America	175,520	216,899	181,618	104,181	196,164
Europe	126,930	175,158	223,491	117,000	116,953
Others	14,159	32,095	49,183	9,181	6,115
	1,422,360	1,690,564	1,930,514	882,548	943,713

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

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
PRC (excluding HK)	189,355	188,596	202,913	262,497
Hong Kong	5,466	5,776	6,639	6,804
Others	456	390	294	545
	195,277	194,762	209,846	269,846

(b) The segment information for the reportable segments are set out as below:

	Year ended 31 December 2012						
	Telecom-munication	**Media and entertainment**	**Electronic cigarette**	**Electrical home appliances**	**Smart chargers and controllers**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
Revenue from external customers	681,940	399,796	–	91,776	173,665	75,183	1,422,360
Segment results	82,780	51,543	–	17,707	32,206	18,735	202,971
Other income							10,193
Other gains/(losses) – net							45,776
Selling expenses							(68,888)
Administration expenses							(110,564)
Financial expenses – net							(1,965)
Profit before income tax							77,523

	As at 31 December 2013						
	Telecom-munication	Media and entertainment	Electronic cigarette	Electrical home appliances	Smart chargers and controllers	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
Revenue from external customers	878,673	371,961	12,487	107,715	223,935	95,793	1,690,564
Segment results	120,497	57,740	4,091	20,666	38,674	25,053	266,721
Other income							21,996
Other gains/(losses) – net							5,558
Selling expenses							(85,302)
Administration expenses							(123,157)
Financial expenses – net							(1,926)
Profit before income tax							83,890

	Year ended 31 December 2014						
	Telecom-munication	Media and entertainment	Electronic cigarette	Electrical home appliances	Smart chargers and controllers	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
Revenue from external customers	888,536	401,841	107,886	96,930	346,932	88,389	1,930,514
Segment results	106,404	68,683	40,410	17,186	76,268	23,449	332,400
Other income							27,387
Other gains/(losses) – net							(56,141)
Selling expenses							(85,429)
Administration expenses							(128,154)
Financial expenses – net							(1,503)
Profit before income tax							88,560

	Six months ended 30 June 2014 (unaudited)						
	Telecom-munication	Media and entertainment	Electronic cigarette	Electrical home appliances	Smart chargers and controllers	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
Revenue from external customers	380,127	185,766	66,000	49,614	152,086	48,955	882,548
Segment results	39,064	26,135	22,728	7,670	29,986	13,432	139,015
Other income							7,508
Other gains/(losses) – net							(53,673)
Selling expenses							(30,145)
Administration expenses							(54,500))
Financial expenses – net							(1,321)
Profit before income tax							6,884

	Six months ended 30 June 2015						
	Telecom-munication	Media and entertainment	Electronic cigarette	Electrical home appliances	Smart chargers and controllers	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
Revenue from external customers	341,484	201,577	58,963	60,700	215,365	65,624	943,713
Segment results	30,865	36,504	14,415	10,886	40,260	15,539	148,469
Other income							2,737
Other gains/(losses) – net							42,664
Selling expenses							(39,466)
Administration expenses							(77,768)
Financial expenses – net							(1,530)
Profit before income tax							75,106

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

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue					
Sales of goods	1,422,360	1,690,564	1,930,514	882,548	943,713

For the years ended 31 December 2012, 2013 and 2014 and each of the six months ended 30 June 2014 and 2015, approximately 32%, 43%, 40%, 39%, 35% respectively, of the Group's sales were made to the four major customers below.

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	135,120	187,244	295,906	136,718	164,592
Customer B	–	126,756	236,563	101,375	65,150
Customer C	216,052	227,219	219,308	95,148	102,902
Customer D	99,135	181,459	28,389	15,299	615
	450,307	722,678	780,166	348,540	333,259

6 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Other income					
Sales of scrap materials	2,147	2,170	8,569	936	2,243
Sales of raw materials, sample and molds	71	3,575	9,738	5,118	4,606
Inspection and certification fee income	5,010	1,539	1,409	576	268
Income/(loss) on derivative financial instruments	895	12,377	5,521	553	(5,658)
Others	2,070	2,335	2,150	325	1,278
	10,193	21,996	27,387	7,508	2,737
Other gains/(losses) – net					
Fair value changes on derivative financial instruments	39,474	6,600	(53,541)	(55,077)	32,328
Fair value changes on financial assets at fair value through profit or loss	(604)	84	88	36	36
Fair value changes on investment properties *(Note 15)*	1,800	330	150	100	200
Net foreign exchange gain/(losses)	1,613	(3,359)	(1,219)	921	6,122
Government grants	2,333	2,405	3,339	463	569
Loss on disposal of property, plant and equipment *(Note 32(b))*	(704)	(793)	(1,130)	(550)	(341)
Gain on disposal of subsidiary*	–	–	–	–	7,094
Others	1,864	291	(3,828)	434	(3,344)
	45,776	5,558	(56,141)	(53,673)	42,664

* The amount represented gain on disposal of Shenzhen Ten Pao Technics to an independent party for a consideration of RMB3,000,000 (Note 1.2 (9)).

7 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Changes in inventories of finished goods and work in progress	(3,049)	32,143	7,069	(28,624)	9,268
Raw materials and consumables used	970,554	1,083,646	1,254,642	612,237	589,598
Allowance for/(reversal of allowance impairment of inventory) *(Note 19)*	4,082	(4,891)	2,895	–	(3,369)
Allowance for impairment of trade receivables *(Note 20(c))*	4,264	625	28	121	210
Employee benefit expenses *(Note 8)*	226,062	301,292	320,956	150,829	201,888
Depreciation and amortization	31,843	35,123	32,712	17,012	16,830
Water and electricity expenses	18,934	19,863	17,695	7,847	8,735
Transportation and travelling expenses	20,093	23,864	21,385	9,892	9,406
Maintenance expenses	11,285	12,391	13,973	5,205	7,809
Consultancy fee	7,077	10,054	8,341	4,856	5,408
Entertainment expenses	7,856	7,942	8,401	2,256	3,353
Research and development expenses					
– Employee benefit expenses *(Note 8)*	34,667	37,378	41,524	16,357	22,707
– Depreciation and amortization	2,843	2,858	2,997	1,597	1,603
– Raw materials, consumables used and others	20,073	17,378	18,831	8,545	5,898
Commission expenses	6,847	8,084	8,528	1,349	2,333
Certificate and detection fees	7,147	8,835	10,276	2,376	3,689
Business tax and surcharge	3,120	10,640	6,972	2,857	1,982
Other taxes and levies	3,555	3,492	5,122	662	924
Operating lease payments	5,279	5,889	5,539	3,496	4,027
Advertising costs	2,675	1,875	2,991	843	944
Commercial insurance	1,776	3,574	7,047	3,392	3,639
Communication expenses	2,205	2,368	1,847	935	893
Bank charges	1,676	1,661	2,082	857	1,590
Auditors' remuneration	272	312	198	89	221
Expenses related to initial public offering	–	–	6,180	–	10,995
Other expenses	7,705	5,906	3,466	3,192	1,897
Total cost of sales, selling expenses and administrative expenses	1,398,841	1,632,302	1,811,697	828,178	912,478

8 EMPLOYEE BENEFIT EXPENSES INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Wages and bonus	234,438	299,326	316,976	145,470	185,972
Pension costs – defined contribution plans (a)	5,942	10,172	12,403	5,616	14,886
Other social security costs	8,480	14,965	17,687	8,273	12,635
Others allowances and benefits	11,869	14,207	15,414	7,827	11,102
	260,729	338,670	362,480	167,186	224,595

(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 contributes 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 Relevant Periods.

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.

9 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company during the Relevant Periods is set out below:

	Year ended 31 December 2012					
Name of Directors	Fees	Salary	Discretionary bonus	Other benefits	Employer's contribution to retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Mr. Hung Kwong Yee (洪光椅)	–	585	–	714	14	1,313
Mr. Hong Guangdai (洪光岱)	–	418	–	4	3	425
Mr. Hung Sui Tak (洪瑞德)	–	–	–	–	–	–
	–	1,003	–	718	17	1,738

Year ended 31 December 2013

Name of Directors	Fees	Salary	Discretionary bonus	Other benefits	Employer's contribution to retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Mr. Hung Kwong Yee (洪光椅)	–	605	–	714	15	1,334
Mr. Hong Guangdai (洪光岱)	–	426	–	5	7	438
Mr. Hung Sui Tak (洪瑞德)	–	–	–	–	–	–
	–	1,031	–	719	22	1,772

Year ended 31 December 2014

Name of Directors	Fees	Salary	Discretionary bonus	Other benefits	Employer's contribution to retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Mr. Hung Kwong Yee (洪光椅)	–	636	–	714	17	1,367
Mr. Hong Guangdai (洪光岱)	–	431	–	5	8	444
Mr. Hung Sui Tak (洪瑞德)	–	18	–	–	1	19
	–	1,085	–	719	26	1,830

Six months ended 30 June 2014 (unaudited)

Name of Directors	Fees	Salary	Discretionary bonus	Other benefits	Employer's contribution to retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Mr. Hung Kwong Yee (洪光椅)	–	289	–	357	8	654
Mr. Hong Guangdai (洪光岱)	–	216	–	3	4	223
Mr. Hung Sui Tak (洪瑞德)	–	–	–	–	–	–
	–	505	–	360	12	877

Six months ended 30 June 2015						
Name of Directors	**Fees**	**Salary**	**Discretionary bonus**	**Other benefits**	**Employer's contribution to retirement scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Mr. Hung Kwong Yee (洪光椅)	–	343	–	398	9	750
Mr. Hong Guangdai (洪光岱)	–	210	–	1	2	213
Mr. Hung Sui Tak (洪瑞德)	–	144	–	–	7	151
	–	697	–	399	18	1,114

Notes:

(i) Mr. Hung Kwong Yee and Mr. Hung Sui Tak were appointed as executive directors in January 2015.

(ii) Mr. Hong Guangdai was appointed as executive director in June 2015.

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

During the Relevant Periods, no directors waived or agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Relevant Periods include 2 directors during each of the years ended 31 December 2012 and 2013, 1 director during the year ended 31 December 2014 and 1 director during each of the six months ended 30 June 2014 and 30 June 2015 whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 3 individuals during the year ended 31 December 2012 and 2013, 4 individuals during the year ended 31 December 2014 and 4 individuals during each of the six months ended 30 June 2014 and 2015 during the Relevant Periods are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Wages, salaries, allowance and other benefits	1,941	4,098	4,824	2,391	3,263
Contributions to pension plans	20	42	61	29	26
	1,961	4,140	4,885	2,420	3,289

During the Relevant Periods, neither directors nor any of the five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(unaudited)	
Emolument bands					
HK$250,001–HK$1,000,000	3	2	2	3	3
HK$1,000,001–HK$2,000,000	–	–	1	1	1
HK$2,000,001–HK$3,000,000	–	1	1	–	–

10 FINANCE INCOME AND COSTS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Finance costs:					
Interest on bank borrowings	(2,273)	(2,622)	(2,291)	(1,441)	(1,705)
Finance income:					
Interest income	308	696	788	120	175
Net finance expenses	(1,965)	(1,926)	(1,503)	(1,321)	(1,530)

11 INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current income tax					
– PRC corporate income tax	6,121	15,868	25,273	9,071	9,689
– Hong Kong profits tax	10,404	11,034	7,611	–	8,157
Subtotal	16,525	26,902	32,884	9,071	17,846
Deferred income tax *(Note 30)*	(2,917)	1,292	959	(2,548)	(2,710)
	13,608	28,194	33,843	6,523	15,136

(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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Relevant Periods.

(c) PRC corporate income tax ("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 for domestic and foreign enterprises has been unified at 25%, effective from 1 January 2008.

Ten Pao Electronic (Huizhou) was set up as foreign investment manufacturing enterprises in the PRC and its original applicable CIT rate is 15%. Pursuant to CIT Law, the CIT rate is increased from 15% to 25% in a 5-year transitional period from 2008 to 2012 according to the applicable CIT Law. Also, it is enjoying preferential tax treatment of CIT exemption in the first 2 years after making profits and CIT reduction by half in the following 3 years. Its CIT rates for each of the years ended 31 December 2012, 2013 and 2014 and each of the six months ended 30 June 2014 and 2015 were 14.45%, 25%, 25%, 25% and 25% respectively.

(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) BVI and Samoa income tax

No provision for income tax in BVI and Samoa has been made as the Group has no income assessable for income tax in BVI and Samoa during the Relevant Periods.

(f) 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:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before income tax	77,523	83,890	88,560	6,884	75,106
Tax calculated at applicable corporate income tax rate of 25%	19,381	20,973	22,140	1,721	18,777
Effect of differences in tax rates	(4,718)	(2,373)	(681)	1,207	(4,100)
Tax holiday and preferential tax rates available to the Group companies	(2,466)	–	–	–	–
Withholding tax	1,969	3,876	6,010	1,474	(507)
Tax losses for which no deferred income tax asset was recognised	51	483	1,260	801	759
Utilisation of tax losses previously not recognised	–	–	–	–	(1,267)
Effect on deferred tax assets due to change in tax rates	(2,717)	–	–	–	–
Expenses not deductible for taxation purposes	2,440	5,405	5,119	1,337	1,509
Income not subject to tax	(332)	(170)	(5)	(17)	(35)
	13,608	28,194	33,843	6,523	15,136

For each of the years ended 31 December 2012, 2013 and 2014 and each of the six months ended 30 June 2014 and 2015, the effective corporate income tax rate was 18%, 34%, 38%, 95% and 20% respectively. The increase in the effective corporate income tax rate of 2013 compared to 2012 was primarily due to the tax holiday and preferential tax rated available to its subsidiaries in the PRC but terminated in 2012 and the increase in the accrual of withholding tax of its subsidiaries in the PRC. The increase in the effective corporate income tax rate of 2014 compared to 2013 was primarily due to the increase in the accrual of withholding tax of its subsidiaries in the PRC. The income tax rate applicable to a subsidiary in Hong Kong was lower than 25% and this difference in its tax rate has caused the Group's effective corporate income tax rate to be higher or lower for a particular financial period. For the first half of 2014, the Group's effective corporate income tax rate was higher as the Hong Kong subsidiary had a loss while the PRC subsidiaries' profits was generally taxed at higher rates. For the first half of 2015, the Group's effective corporate income tax rate was lower as the Hong Kong subsidiaries' profit was taxed at a lower rate while certain PRC subsidiaries had losses.

12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group Reorganisation and the preparation of the results for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 on a combined basis.

13 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 the movement is analysed as follows:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening net book amount	6,763	6,559	6,549	6,320
Exchange differences	(2)	196	(22)	2
Amortisation charges	(202)	(206)	(207)	(104)
Closing net book amount	6,559	6,549	6,320	6,218

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost	8,898	9,168	9,138	9,141
Accumulated amortisation	(2,339)	(2,619)	(2,818)	(2,923)
Net book amount	6,559	6,549	6,320	6,218

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the remaining lease periods of the Group's land use rights ranged from 24 to 40 years, 23 to 39 years, 22 to 38 years and 21.5 to 37.5 years, respectively.

Amortisation was included in administrative expense.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machineries	Furniture and fixtures	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012								
Cost	85,141	173,067	10,712	6,108	63,393	2,223	2,949	343,593
Accumulated depreciation	(30,017)	(101,295)	(9,165)	(4,113)	(37,035)	–	(1,001)	(182,626)
Net book amount	55,124	71,772	1,547	1,995	26,358	2,223	1,948	160,967
Year ended 31 December 2012								
Opening net book amount	55,124	71,772	1,547	1,995	26,358	2,223	1,948	160,967
Currency translation differences	(26)	(29)	–	1	(11)	55	6	(4)
Additions	204	14,460	5,001	363	2,732	17,460	4,345	44,565
Disposals *(Note 32(b))*	–	(1,205)	(591)	–	(195)	–	–	(1,991)
Transfer from construction in progress	772	–	–	–	–	(772)	–	–
Depreciation	(4,817)	(16,400)	(4,198)	(253)	(4,017)	–	(2,604)	(32,289)
Closing net book amount	51,257	68,598	1,759	2,106	24,867	18,966	3,695	171,248
At 31 December 2012								
Cost	86,091	186,293	15,122	6,472	65,919	18,966	7,300	386,163
Accumulated depreciation	(34,834)	(117,695)	(13,363)	(4,366)	(41,052)	–	(3,605)	(214,915)
Net book amount	51,257	68,598	1,759	2,106	24,867	18,966	3,695	171,248
Year ended 31 December 2013								
Opening net book amount	51,257	68,598	1,759	2,106	24,867	18,966	3,695	171,248
Currency translation differences	30	96	37	51	76	77	109	476
Additions	1,669	11,275	579	117	8,679	10,180	3,778	36,277
Disposals *(Note 32(b))*	–	(352)	(38)	(5)	(389)	–	(25)	(809)
Addition from construction in progress	–	4,163	–	–	–	(4,163)	–	–
Depreciation	(4,943)	(16,750)	(1,172)	(723)	(7,809)	–	(4,216)	(35,613)
Closing net book amount	48,013	67,030	1,165	1,546	25,424	25,060	3,341	171,579
At 31 December 2013								
Cost	87,790	201,475	15,700	6,635	74,285	25,060	11,162	422,107
Accumulated depreciation	(39,777)	(134,445)	(14,535)	(5,089)	(48,861)	–	(7,821)	(250,528)
Net book amount	48,013	67,030	1,165	1,546	25,424	25,060	3,341	171,579

	Buildings	Plant and machineries	Furniture and fixtures	Motor vehicles	Electronic equipment	Construction in progress	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014								
Opening net book amount	48,013	67,030	1,165	1,546	25,424	25,060	3,341	171,579
Currency translation differences	(74)	(193)	(5)	(8)	(107)	(132)	(16)	(535)
Additions	2,631	14,873	420	865	2,802	33,671	–	55,262
Disposals *(Note 32(b))*	(7)	(7,458)	(100)	(14)	(52)	–	–	(7,631)
Transfer *(Note 36(b))*	–	(80)	(4)	–	(1,466)	–	–	(1,550)
Addition from construction in progress	22,659	19,641	–	–	–	(44,047)	1,747	–
Depreciation	(5,195)	(19,224)	(628)	(644)	(5,418)	–	(2,492)	(33,601)
Closing net book amount	68,027	74,589	848	1,745	21,183	14,552	2,580	183,524
At 31 December 2014								
Cost	112,999	228,258	16,011	7,478	75,462	14,552	12,893	467,653
Accumulated depreciation	(44,972)	(153,669)	(15,163)	(5,733)	(54,279)	–	(10,313)	(284,129)
Net book amount	68,027	74,589	848	1,745	21,183	14,552	2,580	183,524
Six months ended 30 June 2015								
Opening net book amount	68,027	74,589	848	1,745	21,183	14,552	2,580	183,524
Currency translation differences	24	102	(5)	8	18	57	–	204
Additions	2,408	51,639	342	1,026	6,797	26,027	–	88,239
Disposals *(Note 32(b))*	–	(689)	(4)	–	(58)	–	–	(751)
Transfer from construction in progress	–	3,730	–	–	–	(4,766)	1,036	–
Depreciation	(3,138)	(10,436)	(247)	(172)	(2,754)	–	(1,137)	(17,884)
Closing net book amount	67,321	118,935	934	2,607	25,186	35,870	2,479	253,332
At 30 June 2015								
Cost	115,455	284,762	15,777	8,503	81,866	35,870	13,936	556,169
Accumulated depreciation	(48,134)	(165,827)	(14,843)	(5,896)	(56,680)	–	(11,457)	(302,837)
Net book amount	67,321	118,935	934	2,607	25,186	35,870	2,479	253,332

Depreciation charges were included in the following categories in the combined income statement:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cost of sales	24,452	26,285	23,550	12,090	11,951
Selling expenses	936	1,050	1,049	421	608
Administration expenses	6,901	8,278	9,002	4,906	5,325
	32,289	35,613	33,601	17,417	17,884

15 INVESTMENT PROPERTIES

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At fair value				
Opening balance at 1 January	3,020	4,820	5,150	5,300
Net gains from fair value adjustment *(Note 6)*	1,800	330	150	200
Closing balance at 31 December	4,820	5,150	5,300	5,500

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group had no unprovided contractual obligations for future repairs and maintenance.

The valuation of the Group's investment properties was performed by the valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, to determine the fair value of the investment properties as at 31 December 2012, 2013 and 2014 and 30 June 2015. The revaluation gains or losses are included in 'Other gains/(losses) – net' in the combined income statements. 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	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements method				
Investment properties:				
As at 31 December 2012	–	4,820	–	4,820
As at 31 December 2013	–	5,150	–	5,150
As at 31 December 2014	–	5,300	–	5,300
As at 30 June 2015	–	5,500	–	5,500

There were no transfers between Level 1, 2, and 3 during the Relevant Periods.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's bank borrowings were secured over investment properties with the carrying amounts of HK$4,820,000, HK$5,150,000, HK$5,300,000 and HK$5,500,000 respectively (Note 27(a)).

16 INTANGIBLE ASSETS

	Patents	Computer software	Trademarks	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012				
Cost	2,220	12,858	401	15,479
Accumulated amortisation	(359)	(8,678)	(33)	(9,070)
Net book amount	1,861	4,180	368	6,409
Year ended 31 December 2012				
Opening net book amount	1,861	4,180	368	6,409
Currency translation differences	(2)	(3)	–	(5)
Additions	–	1,042	–	1,042
Amortisation charge	(428)	(1,687)	(80)	(2,195)
Closing net book amount	1,431	3,532	288	5,251
At 31 December 2012				
Cost	2,220	13,900	401	16,521
Accumulated amortisation	(789)	(10,368)	(113)	(11,270)
Net book amount	1,431	3,532	288	5,251
Year ended 31 December 2013				
Opening net book amount	1,431	3,532	288	5,251
Currency translation differences	38	99	8	145
Additions	–	618	–	618
Amortisation charge	(438)	(1,641)	(83)	(2,162)
Closing net book amount	1,031	2,608	213	3,852
At 31 December 2013				
Cost	2,289	14,661	413	17,363
Accumulated amortisation	(1,258)	(12,053)	(200)	(13,511)
Net book amount	1,031	2,608	213	3,852
Year ended 31 December 2014				
Opening net book amount	1,031	2,608	213	3,852
Currency translation differences	(5)	(11)	(1)	(17)
Additions	–	869	–	869
Amortisation charge	(441)	(1,379)	(81)	(1,901)
Closing net book amount	585	2,087	131	2,803
At 31 December 2014				
Cost	2,282	15,789	412	18,483
Accumulated amortisation	(1,697)	(13,702)	(281)	(15,680)
Net book amount	585	2,087	131	2,803

	Patents	Computer software	Trademarks	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2015				
Opening net book amount	585	2,087	131	2,803
Amortisation charge	(221)	(183)	(41)	(445)
Closing net book amount	364	1,904	90	2,358
At 30 June 2015				
Cost	2,282	15,795	412	18,489
Accumulated amortisation	(1,918)	(13,891)	(322)	(16,131)
Net book amount	364	1,904	90	2,358

Amortisation was included in administrative expenses. No impairment charge was recognised during the Relevant Periods.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	2,123	2,169	2,125	2,059
Net gains/(losses) transferred to equity	46	(44)	(66)	(35)
At 31 December	2,169	2,125	2,059	2,024
Less: Non-current portion	2,169	2,125	–	–
Current Portion	–	–	2,059	2,024

Available-for-sale financial assets include the following:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed securities:				
– Senior unsecured, unsubordinated note with fixed interest of 4.625% and maturity date of 11 September 2015	2,169	2,125	2,059	2,024
Market value of listed securities	2,169	2,125	2,059	2,024

Available-for-sale financial assets are denominated in USD. None of these financial assets is either past due or impaired. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's bank borrowings were secured over available-for-sale financial assets with the carrying amounts of HK$2,169,000, HK$2,125,000, HK$2,059,000 and HK$2,024,000 respectively (Note 27(a)).

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets as per balance sheet				
Loans and receivables:				
Trade and other receivables (excluding prepayments)	307,330	396,141	436,380	428,493
Amounts due from related parties	50,060	98,818	174,332	192,374
Restricted bank deposits	18,794	19,200	23,968	26,548
Cash and bank balances	73,509	40,599	85,256	104,542
Available-for-sale financial assets	2,169	2,125	2,059	2,024
Financial assets at fair value through profit or loss:				
Insurance for the Controlling Shareholder	2,452	2,536	2,624	2,660
Derivative financial instruments	4,130	5,051	1	–
	458,444	564,470	724,620	756,641

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities as per balance sheet				
Liabilities measured at amortised cost:				
Trade payables (excluding non-financial liabilities)	251,273	333,669	396,753	402,440
Accruals for expenses and other payables	11,385	9,332	15,259	39,728
Amounts due to related parties	74,637	36,404	46,305	32,727
Bank borrowings	96,615	116,411	102,897	236,444
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	6,401	722	49,213	16,884
	440,311	496,538	610,427	728,223

19 INVENTORIES

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	71,450	80,004	104,736	93,648
Work in progress	25,851	28,063	30,772	53,153
Finished goods	62,365	92,296	96,656	83,543
	159,666	200,363	232,164	230,344
Less: allowance for impairment	(20,336)	(16,011)	(18,863)	(15,501)
	139,330	184,352	213,301	214,843

The movements of allowance for impairment are analysed as follows:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year/period	16,244	20,336	16,011	18,863
Currency translation difference	10	566	(43)	7
Allowance/(reversal of allowance) for impairment of inventory	4,082	(4,891)	2,895	(3,369)
At end of the year/period	20,336	16,011	18,863	15,501

The cost of inventories included in cost of sales during the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015 were HK$1,216,269,000, HK$1,413,203,000, HK$1,591,142,000 and HK$793,262,000, respectively.

The Group reversed a previous inventory write-down of HK$4,891,000 and HK$3,369,000 in 2013 and 2015, respectively, for the Group has sold all these goods in 2013 and 2015. The amount reversed has been included in "cost of sales" in the combined income statement.

20 TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	311,742	404,098	432,110	401,575
Less: allowance for impairment	(11,576)	(12,078)	(2,067)	(2,278)
Trade receivables, net	300,166	392,020	430,043	399,297
Bills receivable	1,333	–	296	76
Prepayments	4,396	4,855	7,839	8,803
Deposit	759	1,796	1,549	3,040
Advances to employees	3,069	1,552	1,311	1,153
Value added tax allowance	–	–	–	13,169
Receivable from disposal of a subsidiary*	–	–	–	3,804
Others	2,003	773	3,181	7,954
	311,726	400,996	444,219	437,296

* The amount represented receivable from an independent third party on the disposal of Shenzhen Ten Pao Technics (Note 1.2(9)).

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	91,230	84,845	81,492	85,645
RMB	33,272	51,873	102,126	83,014
USD	187,240	267,380	248,492	232,916
	311,742	404,098	432,110	401,575

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 3 months	234,704	356,800	402,694	383,851
More than 3 months but not exceeding 1 year	64,190	32,754	26,797	14,112
More than 1 year	12,848	14,544	2,619	3,612
	311,742	404,098	432,110	401,575

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.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, trade receivables of HK$46,468,000, HK$31,180,000, HK$3,600,000, and HK$4,199,000, respectively, were past due but not considered impaired. These related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. The ageing analysis of these past due trade receivables is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 3 months	9,656	21,079	2,842	2,663
More than 3 months but not exceeding 1 year	35,967	7,290	207	1,241
More than 1 year	845	2,811	551	295
	46,468	31,180	3,600	4,199

As at 31 December 2012, 2013 and 2014 and 30 June 2015, trade receivables of HK$11,576,000, HK$12,078,000, HK$2,067,000 and HK$2,278,000 were impaired and covered by allowance.

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 3 months	–	89	–	–
More than 3 months but not exceeding 1 year	1,514	267	–	–
More than 1 year	10,062	11,722	2,067	2,278
	11,576	12,078	2,067	2,278

(c) Allowance for impairment of trade receivables

The movements on the allowance for impairment of trade receivables are as follows:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	9,607	11,576	12,078	2,067
Allowance for impairment	4,264	625	28	210
Amounts written off as uncollectible	(2,295)	(123)	(10,038)	–
Currency translation difference	–	–	(1)	1
At end of the year	11,576	12,078	2,067	2,278

The carrying amounts of other receivables were primarily denominated in RMB and the fair values of trade and other receivables approximate their carrying amounts as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's maximum exposure to credit risk of trade and other receivables was the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK$35,513,000 HK$52,914,000, HK$56,514,000 and HK$58,881,000, respectively (Note 27(a)).

21 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	73,509	40,599	85,256	104,542

The carrying amounts of cash and cash equivalents approximate to their fair values and represent maximum exposure to credit risk at each of the reporting dates.

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	27,320	12,360	6,495	54,488
RMB	9,447	4,177	46,736	27,261
USD	36,332	23,062	30,915	21,564
KRW	410	1,000	1,110	1,229
	73,509	40,599	85,256	104,542

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	73,509	40,599	85,256	104,542

22 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial assets – Current	2,776	1,102	1	–
Derivative financial assets – Non-current	1,354	3,949	–	–
Derivative financial liabilities – Current	2,973	618	8,631	15,634
Derivative financial liabilities – Non-current	3,428	104	40,582	1,250

	Amount	Notional amount
	HK$'000	*HK$'000*
As at 31 December 2012		
Derivative financial Assets – Current		
Types of contracts		
Structured currency forward contracts	1,662	697,657
Target redemption currency forward contracts	52	139,531
Commodity futures contracts	1,062	NA
	2,776	
Derivative financial liabilities – Current		
Types of contracts		
Structured currency forward contracts	55	42,635
Target redemption currency forward contracts	2,414	825,561
Commodity futures contracts	504	NA
	2,973	
Derivative financial Assets – Non-current		
Types of contracts		
Structured currency forward contracts	1,354	669,751
Derivative financial Liabilities – Non-current		
Types of contracts		
Structured currency forward contracts	460	403,091
Target redemption currency forward contracts	2,919	337,201
Interest rate swap contracts	49	10,077
	3,428	
As at 31 December 2013		
Derivative financial Assets – Current		
Types of contracts		
Structured currency forward contracts	965	376,098
Target redemption currency forward contracts	137	139,583
	1,102	
Derivative financial liabilities – Current		
Types of contracts		
Structured currency forward contracts	6	15,509
Interest rate swap contracts	6	10,081
Commodity futures contracts	606	NA
	618	

	Amount	Notional amount
	HK$'000	*HK$'000*
As at 31 December 2013		
Derivative financial Assets – Non-current		
Types of contracts		
Structured currency forward contracts	3,548	711,872
Target redemption currency forward contracts	401	1,008,098
	3,949	
Derivative financial Liabilities – Non-current		
Types of contracts		
Structured currency forward contracts	104	69,791
As at 31 December 2014		
Derivative financial Assets – Current		
Types of contracts		
Structured currency forward foreign exchange contracts	1	46,540
Derivative financial liabilities – Current		
Types of contracts		
Structured currency forward contracts	8,631	487,119
Derivative financial Liabilities – Non-current		
Types of contracts		
Structured currency forward contracts	6,449	422,738
Target redemption currency forward contracts	33,792	1,892,626
Interest rate swap contracts	341	23,270
	40,582	
As at 30 June 2015		
Derivative financial liabilities – current		
Types of contracts		
Structured currency forward contracts	4,877	509,331
Target redemption currency forward contracts	10,757	511,657
	15,634	
Derivative financial liabilities – non-current		
Types of contracts		
Interest rate swap contracts	1,250	97,486

Changes in fair values of derivative financial instruments are recorded in 'Other gains/(losses) – net' in the combined income statements.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – NON CURRENT

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fair value of insurance for a key management	2,452	2,536	2,624	2,660

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

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

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK$2,452,000, HK$2,536,000, HK$2,624,000 and HK$2,660,000 respectively (Note 27(a)).

24 RESTRICTED BANK DEPOSITS

As at 31 December 2012, 2013 and 2014 and 30 June 2015, bank deposits amounting to the Group are HK$18,794,000, HK$19,200,000, HK$23,968,000 and HK$26,548,000 are deposits held by the bank in a segregated account as security for borrowings from the bank (Note 27(a)).

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the weighted average interest rates were 0.93%, 2.25%, 2.49%, and 2.42% respectively.

25 CAPITAL AND CAPITAL RESERVES

(i) Capital and capital reserves as at each balance sheet date represents the combined capital of the companies now comprising the Group after elimination of intercompany investment.

(ii) Share capital of the Company

The changes in the number of issued shares and share capital of the Company are as follows:

	Number of ordinary shares	Share capital
		HK$
Authorised:		
Ordinary share of HK$0.01 each; 27 January 2015 (Date of incorporation) and 30 June 2015	39,000,000	390,000
Issued and fully paid:		
At 27 January 2015 (Date of Incorporation) *(Note 1.2(4))*	1,000	10
Ordinary shares of HK$0.01 each at 30 June 2015	1,000	10

(a) The total authorised number of ordinary shares of the Company was 39,000,000 with a par value of HK$0.01 per share. Details of shares issued and fully paid as at 30 June 2015 are as follows:

Shareholder	Number of shares	Share capital	Equity interests as at 30 June 2015
		HK$	*(%)*
Even Joy	1,000	10	100.0

26 OTHER RESERVES

Other reserves comprise statutory reserves, available-for-sale financial assets reserves and exchange reserves of the Group.

(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.

27 Borrowings

	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Bank borrowings				
– secured (a)	59,550	38,933	49,170	162,931
– guaranteed (b)	19,800	15,000	10,000	7,600
Less: current portion of non-current borrowings	(37,842)	(33,556)	(31,421)	(65,000)
	41,508	20,377	27,749	105,531
Current				
Bank borrowings				
– secured (a)	13,587	53,022	38,612	63,618
– guaranteed (b)	3,678	9,456	5,115	2,295
Total short-term bank borrowings	17,265	62,478	43,727	65,913
Current portion of non-current borrowings	37,842	33,556	31,421	65,000
	55,107	96,034	75,148	130,913
Total borrowings	96,615	116,411	102,897	236,444

(a) Bank borrowings amounting to HK$73,137,000, HK$91,955,000, HK$87,782,000 and HK$226,549,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015 are secured over the following assets:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Restricted bank deposits *(Note 24)*	18,794	19,200	23,968	26,548
Available for sale financial assets *(Note 17)*	2,169	2,125	2,059	2,024
Financial assets at fair value through profit or loss-current *(Note 23)*	2,452	2,536	2,624	2,660
Investment properties *(Note 15)*	4,820	5,150	5,300	5,500
Trade and other receivables *(Note 20)*	35,513	52,914	56,514	58,881
	63,748	81,925	90,465	95,613

(b) Bank borrowings amounting to HK$23,478,000, HK$24,456,000, HK$15,115,000 and HK$9,895,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively are secured by the following:

(i) Joint and several guarantees given by the Controlling Shareholder; and

(ii) Corporate guarantees provided by certain related companies in which certain directors of the Group have beneficial interests.

(c) The carrying amounts of the borrowings at 31 December 2012, 2013 and 2014, and 30 June 2015 respectively are denominated in the following currencies:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	89,039	113,856	76,308	133,831
USD	7,576	2,555	26,589	102,400
WON	–	–	–	213
	96,615	116,411	102,897	236,444

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings at floating rates				
6 months or less	10,200	12,734	9,795	26,500
6–12 months	27,642	20,822	21,626	38,500
1–5 years	41,508	20,377	27,749	105,531
Borrowings at fixed rates	17,265	62,478	43,727	65,913
Total	96,615	116,411	102,897	236,444

(e) The borrowings are repayable as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	55,107	96,034	75,148	130,913
Between 1 and 2 years	21,153	8,977	16,853	50,097
Between 2 and 5 years	20,355	11,400	10,896	55,434
	96,615	116,411	102,897	236,444

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wholly repayable within five years	96,615	116,411	102,897	236,444

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
Bank borrowings denominated in:				
HK$	2.88%	2.27%	2.26%	2.86%
USD	3.86%	3.83%	3.78%	3.46%

28 DEFERRED GOVERNMENT GRANTS

	For the year ended 31 December			For six months ended 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening net book amount	–	7,609	7,848	7,264
Receipt of grants	7,559	–	–	–
Credited to income statement	–	–	(554)	(195)
Currency translation differences	50	239	(30)	2
Closing net book amount	7,609	7,848	7,264	7,071

For the year ended 31 December 2012, the amount represented the subsidy granted by a local government authority in the PRC relating to the construction of solar photovoltaic. This government grant is used for the construction of the roof photovoltaic power generation demonstration projects, which is deferred for amortization as other gains on a straight-line basis over the useful lives of the related assets.

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 assets' useful lives.

29 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	251,273	333,669	396,753	402,440
Advance	745	2,746	3,060	1,214
Wages and staff welfare benefits payable	32,529	58,672	87,988	100,362
Accrual for expenses and other payables	11,385	9,332	15,259	39,728
Other taxes payable	1,483	7,445	6,634	558
	297,415	411,864	509,694	544,302

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	149,543	184,745	173,467	169,441
RMB	83,796	120,289	167,003	178,916
USD	17,933	25,652	55,640	53,932
Euros	1	2,983	643	151
	251,273	333,669	396,753	402,440

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

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 3 months	238,133	281,806	331,379	286,925
More than 3 months but not exceeding 1 year	12,669	51,760	64,764	113,377
More than 1 year	471	103	610	2,138
	251,273	333,669	396,753	402,440

(c) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

30 DEFERRED INCOME TAX

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

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets:				
– to be recovered within 12 months	7,104	9,929	14,972	17,186
Deferred income tax liabilities:				
– to be recovered after more than 12 months	(30,502)	(35,395)	(41,310)	(40,817)

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

Deferred income tax assets	**Provisions**	**Unrealised gross margin**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2012	2,149	54	2,203
Recognised in the profit or loss	4,341	545	4,886
Currency translation differences	15	–	15
As at 31 December 2012	6,505	599	7,104
As at 1 January 2013	6,505	599	7,104
Recognised in the profit or loss	2,416	168	2,584
Currency translation differences	241	–	241
As at 31 December 2013	9,162	767	9,929
As at 1 January 2014	9,162	767	9,929
Recognised in the profit or loss	5,197	(146)	5,051
Currency translation differences	(8)	–	(8)
As at 31 December 2014	14,351	621	14,972
As at 1 January 2015	14,351	621	14,972
Recognised in the profit or loss	2,345	(142)	2,203
Currency translation differences	11	–	11
As at 30 June 2015	16,707	479	17,186

Deferred income tax liabilities	Withholding income tax
	HK$'000
As at 1 January 2012	28,533
Recognised in the profit or loss	1,969
Currency translation differences	–
As at 31 December 2012	30,502
As at 1 January 2013	30,502
Recognised in the profit or loss	3,876
Currency translation differences	1,017
As at 31 December 2013	35,395
As at 1 January 2014	35,395
Recognised in the profit or loss	6,010
Currency translation differences	(95)
As at 31 December 2014	41,310
As at 1 January 2015	41,310
Recognised in the profit or loss	(507)
Currency translation differences	14
As at 30 June 2015	40,817

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 2012, 2013 and 2014 and 30 June 2015, the Group did not recognise deferred income tax asset of HK$51,000, HK$483,000, HK$1,260,000 and HK$759,000 in respect of the tax losses amounting to HK$204,000, HK$1,932,000, HK$5,015,000 and HK$2,905,000 respectively, as their recoverability is uncertain.

As of 31 December 2012, 2013 and 2014 and 30 June 2015, the Group had tax loss carryforwards of HK$nil, HK$1,932,000 and HK$5,069,000, and HK$2,495,000 which can be carried forward to offset future taxable income. The net operating tax loss carryforwards, excluding HK Company and Korea Company, will begin to expire as follows:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
2018	–	1,932,000	1,932,000	–
2019	–	–	3,137,000	–
2020	–	–	–	2,495,000
	–	1,932,000	5,069,000	2,495,000

31 DIVIDENDS

Dividends during each of the years ended 31 December 2012, 2013 and 2014 and each of the six months ended 30 June 2014 and 2015 represented dividends declared by the companies now comprising the Group to the owners of the companies for each of the years ended 31 December 2012, 2013 and 2014 and each of the six months ended 30 June 2014 and 2015, after elimination of intra-group dividends.

On 24 November 2015, the Group declared dividends of approximately HK$210.9 million to the then shareholders, of which approximately HK$200.9 million was set off against the amount due from the related parties and HK$10 million will be settled by internal resources of the Group before Listing. The rate for dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

32 NOTES TO COMBINED STATEMENTS OF CASH FLOW

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

	Year ended 31 December			Six months ended June 30	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit before income tax	77,523	83,890	88,560	6,884	75,106
Adjustments for:					
Interest expense *(Note 10)*	2,273	2,622	2,291	1,441	1,705
Depreciation of property, plant and equipment *(Note 14)*	32,289	35,613	33,601	17,417	17,884
Amortization of land use right *(Note 13)*	202	206	207	104	104
Amortization of intangible assets *(Note 16)*	2,195	2,162	1,901	1,088	445
Loss on disposal of property, plant and equipment *(Note 6)*	704	793	1,130	550	341
Fair value changes on derivative financial instruments *(Note 6)*	(39,474)	(6,600)	53,541	55,077	(32,328)
Fair value changes on financial assets at fair value through profit or loss *(Note 6)*	604	(84)	(88)	(36)	(36)
Allowance/(reversal of allowance) for impairment of inventory *(Note 19)*	4,082	(4,891)	2,895	–	(3,369)
Allowance for impairment of trade receivables *(Note 20)*	4,264	625	28	121	210
Fair value changes on investment properties *(Note 15)*	(1,800)	(330)	(150)	(100)	(200)
Deferred government grant credited to profit and loss *(Note 28)*	–	–	(554)	–	(195)
Changes in working capital:					
Inventories	10,107	(40,697)	(31,802)	10,081	1,820
Trade and other receivables	(31,589)	(74,197)	(44,368)	(14,146)	6,142
Due from related parties	(39,553)	(20,309)	(49,761)	(16,792)	(32,749)
Trade and other payables	18,054	116,236	94,931	13,111	26,883
Due to related parties	(3,612)	(11,723)	9,927	25,741	(5,970)
Cash generated from operations	36,269	83,316	162,289	100,541	55,793

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

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net book amount					
Transfer *(Note 14)*	–	–	1,550	–	–
Other disposals *(Note 14)*	1,991	809	7,631	5,189	751
	1,991	809	9,181	5,189	751
Loss on disposal *(Note 6)*	(704)	(793)	(1,130)	(550)	(341)
Proceeds from disposal	1,287	16	8,051	4,639	410

(c) Non-cash financing transactions

The non-cash transactions mainly include the deemed distribution and contribution as described in Note 36(b)(vii).

33 INVESTMENT IN AN ASSOCIATE

Set out below is the associate of the Group as at 31 December 2012, 2013 and 2014. The associate as listed below has registered capital which are held directly by the Group; the country of incorporation or registration is also its principal place of business.

Nature of investment in associate as at 31 December 2012, 2013 and 2014:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Huizhou Xiezhan	PRC	30	Note1	Equity

Note 1: Huizhou Xiezhan has not commenced any business activity since its incorporation but was originally established for the purpose of property holding.

Huizhou Xiezhan is a private company.

There are no contingent liabilities relating to the Group's investment in the associate.

On 15 June 2015, the Group transferred 30% of its equity interest in Huizhou Xiezhan to an independent third party, for a consideration of RMB6,000,000 (Note 1.2 (12)).

Summarised financial information for the associate

Set out below are the summarised financial information for Huizhou Xiezhan which is accounted for using the equity method.

Summarised balance sheet

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Current			
Cash and cash equivalents	301	303	302
Other current assets (excluding cash)	24,361	25,136	25,050
Total current assets and net assets	24,662	25,439	25,352

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its investment in an associate is as follows:

Summarised financial information

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening net assets 1 January	24,983	24,662	25,439	25,352
Currency translation differences	(321)	777	(87)	8
Disposal	–	–	–	(25,360)
Closing net assets	24,662	25,439	25,352	–
Investment in an associate (30%) at carrying value	7,399	7,632	7,606	–

34 CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group had no significant contingent liabilities.

35 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:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	3,384	3,287	3,513	3,739
Later than one year and not later than five years	9,275	7,507	4,824	5,059
Later than 5 years	2,072	856	–	38
	14,731	11,650	8,337	8,836

(b) Capital commitments

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital commitments				
In respect of the acquisitions of plant and equipment, contracted but not provided for	–	–	23,717	5,852

36 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 Relevant Periods:

Name of the related party	Relationship with the Group
Tiandong Ten Pao Electric Company Limited (田東天寶電子有限責任公司) ("Tiandong Ten Pao")	An entity controlled by a relative of the Controlling Shareholder
Tiandong Ten Pao Electronic Factory (田東天寶電子廠) ("Tiandong Ten Pao Factory")	An entity controlled by a relative of the Controlling Shareholder
Huizhou Xinyang Cables Co., Limited (惠州市鑫洋線材有限公司) ("Huizhou Xinyang")	An entity controlled by a relative of the Controlling Shareholder
Huizhou Golden Ocean Magnet Wire Factory (惠州鑫洋漆包線廠) ("Huizhou Golden Ocean")	An entity controlled by a relative of the Controlling Shareholder
Ten Pao International Inc. (天寶美國辦)	An entity controlled by the Controlling Shareholder
Hui He Printing	An entity controlled by the Controlling Shareholder
Huizhou LNG Photronics	An entity controlled by the Controlling Shareholder
Huizhou Tiannengyuan Charging Technology Co., Ltd. (惠州天能源充電技術有限公司) ("Tiannengyuan Charging")	An entity controlled by the Controlling Shareholder
Huizhou Ten One Photronics Co., Ltd. (惠州天一光電有限公司)	An entity controlled by the Controlling Shareholder
Taiwan Ten Pao International Company (台灣天寶國際興業有限公司)	An entity controlled by the Controlling Shareholder
Golden Ocean Copper Manufacture Company Limited	An entity controlled by the Controlling Shareholder
Ocean Treasure Holdings Ltd (海富控股有限公司)	An entity controlled by the Controlling Shareholder
Ten One	An entity controlled by the Controlling Shareholder
Ten Power Charging	An entity controlled by the Controlling Shareholder
Huizhou Ma An Gang Ao Group (惠州馬安港澳工業園有限公司)	A subsidiary of the associate of the Group
Ten Sources Solar	An entity controlled by the Controlling Shareholder
Huixiang Precision Parts	An entity controlled by the Controlling Shareholder
Huixin Metal	An entity controlled by the Controlling Shareholder
Huizhou Tiannengyuan Technology Co., Ltd. (惠州天能源科技有限公司) ("Tiannengyuan Technology")	An entity controlled by the Controlling Shareholder
TPGIL	An entity controlled by the Controlling Shareholder
Golden Lake (HK) Co., Limited (錦湖(香港)有限公司) ("Golden Lake (HK))")	An entity controlled by the Controlling Shareholder

Name of the related party	Relationship with the Group
Sky Fortune Enterprises Limited ("Sky Fortune")	An entity controlled by the Controlling Shareholder
Huizhou Tianxiang Power Technology Co., Ltd ("Tianxiang Power Technology")	An entity controlled by the Controlling Shareholder
Ease Bright Holding Limited ("Ease Bright")	An entity controlled by the Controlling Shareholder
Xu Jianshe	A close family member of the Controlling Shareholder
Chairman Hung	Controlling Shareholder

(b) Transactions with related parties during the Relevant Periods

(i) Sales of goods

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Ten Pao International Inc.	22,069	35,267	26,696	12,396	14,038
Huizhou LNG Photronics	392	953	947	640	2
Tiannengyuan Technology	95	91	17	10	151
	22,556	36,311	27,660	13,046	14,191

Goods are sold based on the price lists in force and terms that would be available to third parties.

(ii) Purchases of goods and services

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Purchase of goods					
Golden Ocean Copper Manufacture Company Limited	103,190	88,284	93,503	49,051	35,882
Huizhou Xinyang	2,096	8,098	8,374	3,553	3,863
Hui He Printing	9,233	9,407	14,107	7,726	1,291
	114,519	105,789	115,984	60,330	41,036
Processing services					
Tiandong Ten Pao Factory	8,552	7,767	–	–	–
Tiandong Ten Pao	–	–	6,901	3,237	3,779
	8,552	7,767	6,901	3,237	3,779

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

(iii) Operating lease expenses

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Huizhou Golden Ocean	908	1,347	1,659	889	901
Golden Lake (HK)	714	714	714	357	464
Sky Fortune	192	192	192	96	144
	1,814	2,253	2,565	1,342	1,509

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

(iv) Operating lease income

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Tiannengyuan Technology	–	–	121	61	61

The amount represents rental income for land and buildings for factory and office purposes in accordance with the lease agreements.

(v) Transfer of fixed assets

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Tiannengyuan Technology	–	–	1,550	–	–

During the year ended 31 December 2014, certain fixed assets with a net book value of HK$1,550,000 were transferred to a company controlled by the Controlling Shareholder for a consideration of HK$1,550,000.

(vi) Key management personnel compensation

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

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Wages, salaries and bonuses	6,052	9,811	10,972	5,424	5,760
Pension costs – defined contribution plans	43	76	94	46	63
	6,095	9,887	11,066	5,470	5,823

(vii) Deemed Distribution and Contribution

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Deemed distribution *(Note (i))*	20	25,413	1,000	–	76,206
Deemed contribution *(Note (i))*	–	–	–	–	11,952

Note:

(i) The Combined Financial Information of the Group at the beginning of the Relevant Periods, 1 January 2012, includes the assets and liabilities of the Listing Business and excludes those of the Excluded Business as if the current group structure had been in existence throughout and at the end of each of the Relevant Periods except for the newly established or acquired companies as explained in Note 1.3. The resulting equity represents the net assets of the Listing Business only although certain entities within the Excluded Business actually remained in the Group until each of them was legally transferred out of the Group under the Reorganisation (Note 1.2).

During the year ended 31 December 2012 and 2013, the Group recognised deemed distributions of HK$20,000 and HK$25,413,000, respectively, to the Controlling Shareholder for additional capital contributions in cash to certain entities within the Excluded Business.

During the year ended 31 December 2014 and the six months ended 30 June 2015, the Group recognised deemed distributions of HK$1,000,000 and HK$76,206,000, respectively, to the Controlling Shareholder and the corresponding amounts payable to the Controlling Shareholder as considerations for the transfer into the Group of six companies that had already been included in the Combined Financial Information of the Group as if they were part of the current group structure from 1 January 2012.

During the six months ended 30 June 2015, the Group recognised deemed contributions of HK$11,952,000 from the Controlling Shareholder and the corresponding amount receivable from the Controlling Shareholder as considerations for the transfer out of the Group of eight companies that had already been excluded from the Combined Financial Information of the Group as if they were not part of the current group structure from 1 January 2012.

(c) Balances due from related parties

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Maximum balance outstanding during the year		*Maximum balance outstanding during the year*		*Maximum balance outstanding during the year*		*Maximum balance outstanding during the period*	
Chairman Hung	–	–	26,846	26,846	48,187	48,187	48,187	38,915
Tiannengyuan Technology	6	–	12,723	12,723	33,415	33,408	53,450	53,450
Ten Sources Solar	15,025	15,025	23,646	23,646	61,602	61,602	61,603	61,603
Huizhou LNG Photronics	10,335	10,200	30,959	8,538	12,037	11,836	14,032	13,850
Golden Ocean Copper Manufacturer Company Limited	8,420	–	8,064	6,000	6,000	64	64	–
Ocean Treasure Holdings Ltd	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Ten Pao International Inc.	15,944	15,944	15,944	10,893	10,893	4,155	11,117	11,107
Hui He Printing	–	–	–	–	1,567	265	336	336
Xu Jianshe	829	829	2,432	2,432	5,844	5,844	5,844	1,409
Tiannengyuan Charging	63	63	450	450	450	449	2,986	2,986
Huizhou Ten One Photronics Co., Ltd.	41	41	42	42	42	42	42	42
Ten One	25	25	35	35	35	35	35	35
Huixiang Precision Parts	11	11	31	31	31	31	31	31
Ten Power Charging	26	26	26	26	26	26	26	26
Huixin Metal	890	890	890	40	40	40	40	40
TPGIL	6	6	9	9	348	348	1,371	1,371
Taiwan Ten Pao International Company	–	–	107	107	107	–	–	–
Ease Bright	–	–	–	–	–	–	60	60
Sky Fortune	–	–	–	–	–	–	64	64
Huizhou Golden Ocean	–	–	–	–	–	–	131	49
	58,621	50,060	129,204	98,818	187,624	173,332	206,419	192,374

The balances due from related parties were mainly denominated in RMB. They were unsecured and interest-free. The balance with Ten Pao International Inc. was trading in nature and due within 3 months, all other balances with related parties were non-trading in nature and repayable on demand. Their fair values approximate their carrying amounts at each of the reporting dates.

(d) Balances due to related parties

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Golden Ocean Copper Manufacture Company Limited	29,135	18,038	28,361	26,012
Tiandong Ten Pao Factory	1,509	3,119	–	–
Tiandong Ten Pao	–	–	1,477	3,628
Huizhou Xinyang	2,103	3,343	3,919	3,087
Tianxiang Power Technology	3,699	3,816	3,803	–
Hui He Printing	4,026	456	1,139	–
Chairman Hung	26,743	–	–	–
Tiannengyuan Technology	23	–	–	–
Huizhou Ma An Gang Ao Group	7,399	7,632	7,606	–
	74,637	36,404	46,305	32,727

The balances due to related parties were mainly denominated in RMB. They were unsecured and interest-free. The balances with Golden Ocean Copper Manufacture Company Limited, Huizhou Xinyang, Tiandong Ten Pao, Tiandong Ten Pao Factory, and Hui He Printing were trading in nature and due within 3 months, all other balances with related parties were non-trading in nature and repayable on demand. Their fair values approximate their carrying amounts at each of the reporting dates.

37 NOTES TO THE BALANCE SHEET OF THE COMPANY

(a) Prepayments of the Company represented capitalisation of initial public offering costs.

(b) Amounts due to related parties

The amounts due to the related parties were denominated in HKD. They were unsecured, interest-free and repayable on demand. Their carrying amounts approximated their fair values at 30 June 2015.

38 SUBSEQUENT EVENTS

The following significant events took place after 30 June 2015:

(a) On 24 November 2015, the Group declared dividends of approximately HK$210.9 million to the then shareholders, of which approximately HK$200.9 million was set off against the amount due from the related parties and HK$10 million will be settled by internal resources of the Group before Listing.

(b) The Company's shareholders passed a written resolution on 23 November 2015 that:

(i) the authorised share capital of the Company was increased from HK$390,000 to HK$10,000,000 by the creation of an additional 961,000,000 shares of a par value of HK$0.01 each;

(ii) conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of a global offering, the directors were authorised to capitalise HK$7,499,985 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 749,998,500 shares for allotment and issue to the existing shareholders in proportion to their respective shareholdings.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2015 up to the date of this report. Save as the total dividends of approximately HK$210.9 million declared by the Group to the then shareholders on 24 November 2015, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2015.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following information does not form part of the accountant's report prepared by PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as at 30 June 2015 as if the Global Offering had taken place on 30 June 2015 assuming the over-allotment is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 June 2015 or at any future dates following the Global Offering. It is prepared based on the combined net assets of the Group as at 30 June 2015 as set out in the accountant's report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's report.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 June 2015	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company as at 30 June 2015**	**Unaudited pro forma adjusted net tangible assets per Share**
	(Note 1)	*(Note 2)*		*(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$0.55 per Share	361,247	110,672	471,919	0.47
Based on an Offer Price of HK$0.80 per Share	361,247	170,980	532,227	0.53

Notes:

(1) The audited combined net tangible assets attributable to the owners of the Company as at 30 June 2015 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the owners of the Company as at 30 June 2015 of HK$363,605,000 with an adjustment for the intangible assets as at 30 June 2015 of HK$2,358,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$0.55 and HK$0.80 per Share after deduction of the underwriting fees and other related expenses payable by us subsequent to 30 June 2015 and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 June 2015 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares or the general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2015. In particular, the unaudited pro forma adjusted net tangible assets have not been adjusted for dividends of HK$210.9 million declared by the Group subsequent to 30 June 2015. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible asset per Share would have been reduced to HK$0.26 and HK$0.32 based on the Offer Price of HK$0.55 per Share and HK$0.80 per Share respectively.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF TEN PAO GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ten Pao Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2015, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 November 2015, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in notes as set out on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2015 as if the proposed initial public offering had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 30 June 2015, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 November 2015

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 January 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 23 November 2015. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law; or

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the

Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 12 May 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 27 January 2015.

We were registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 30 July 2015 and our principal place of business in Hong Kong is at Room 610–12, 6th Floor, Kwong Sang Hong Centre, 151–153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. In compliance with the requirements of the Companies Ordinance, Chairman Hung and Mr. Tse Chung Shing have been appointed as our agents for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of Cayman Islands Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

(a) Increase in authorised share capital

(i) As at the date of incorporation of our Company on 27 January 2015, our authorised share capital was HK$390,000 divided into 39,000,000 Shares having a par value of HK$0.01 each.

(ii) On 23 November 2015, the authorised share capital of our Company was further increased to HK$20,000,000 by the creation of further 1,961,000,000 Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.

(iii) Immediately following completion of the Capitalisation Issue and the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options to be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option), the authorised share capital of our Company will be HK$20,000,000 divided into 2,000,000,000 Shares, of which 1,000,000,000 Shares will be issued, fully paid or credited as fully paid, and 1,000,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options to be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs "Information about our Company — 3. Resolutions in writing of the Shareholders passed on 23 November 2015" and "Information about our Company — 4. Group reorganisation" in this appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the Shareholders passed on 23 November 2015

Written resolutions were passed by the Shareholders on 23 November 2015 pursuant to which, among other matters:

(a) our Company approved and adopted the Memorandum with immediate effect;

(b) our Company approved and adopted the Articles conditional upon and with effect from the listing of the Shares on the Stock Exchange on the Listing Date;

(c) the authorised share capital of our Company was increased from HK$390,000 to HK$20,000,000 by the creation of further 1,961,000,000 Shares;

(d) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 15 of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK$7,499,985 standing to the credit of the share premium account of our

Company by applying such sum in paying up in full at par 749,998,500 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 23 November 2015 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank pari passu in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options which granted or to be granted under the Share Option Scheme, or under the Capitalisation Issue or the Global Offering or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Cayman Islands Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Cayman Islands Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

(e) our Company approved the form and substance of each of the service agreements made between the Executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our Independent Non-executive Directors with our Company.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. For more details regarding the Reorganisation, please refer to section "History, Development and Reorganisation".

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report set out in Appendix I to this prospectus.

Save as disclosed in the section "History, Development and Reorganisation", there are no changes in the registered capital of our Company's subsidiaries during the two years preceding the date of this prospectus.

6. Further information about our Group's existing PRC establishment

Our Group has interest in the registered capital of various PRC subsidiaries. A summary of the corporate information of such PRC subsidiaries as at the Latest Practicable Date is set out as follows:

(a) Jinhu Industrial[(1)]

Name of the enterprise:	惠州市錦湖實業發展有限公司 (Huizhou Jinhu Industrial Development Co., Ltd.)
Registered address:	Dongjiang Industrial Zone, Shuikou Town, Huicheng District, Huizhou City, PRC
Date of its establishment:	28 May 1999
Economic nature:	Wholly owned by WFOE
Registered owner:	Ten Pao Electronic (Huizhou)
Registered capital:	RMB2,280,000
Attributable interest to our Group:	100%
Term of operation:	28 May 1999 to 30 June 2022

(b) Jinhu Precision Parts

Name of the enterprise:	漢中市錦湖精密部件有限公司 (Hanzhong Jinhu Precision Parts Company Limited)
Registered address:	2/F, Plant No. 1, Recycle Economy Industrial Park, Ningqiang County, Hanzhong City, Shaanxi Province, PRC
Date of its establishment:	26 January 2015
Economic nature:	WFOE
Registered owner:	Ten Pao Precision Electronics
Registered capital:	HK$8,000,000
Attributable interest to our Group:	100%
Term of operation:	26 January 2015 to 25 January 2040

(c) Ten Pao Precision Parts

Name of the enterprise:	漢中市天寶精密部件有限公司 (Hanzhong Ten Pao Precision Parts Company Limited)
Registered address:	1/F, Plant No. 1, Recycle Economy Industrial Park, Ningqiang County, Hanzhong City, Shananxi Province, PRC
Date of its establishment:	26 January 2015
Economic nature:	WFOE
Registered owner:	Ten Pao Precision Electronics
Registered capital:	HK$12,000,000
Attributable interest to our Group:	100%
Term of operation:	26 January 2015 to 25 January 2040

(d) *Ten Pao Electronic (Huizhou)*[(2)]

Name of the enterprise:	天寶電子(惠州)有限公司 (Ten Pao Electronic (Huizhou) Co., Ltd.)
Registered address:	Dongjiang Industrial Zone, Shuikou Town, Huicheng District, Huizhou City, PRC
Date of its establishment:	28 August 2000
Economic nature:	WFOE
Registered owner:	Ten Pao Electronic
Registered capital:	HK$115,000,000
Attributable interest to our Group:	100%
Term of operation:	28 August 2000 to 27 August 2050

Notes:

(1) Jinhu Industrial established Jinhu Industrial Zhongkai Branch in Zhongkai High-tech Zone of Huizhou City on 12 June 2014.

(2) Ten Pao Electronic (Huizhou) established Ten Pao Electronic (Huizhou) Shuikou Branch in Shuikou Town of Huizhou City on 13 May 2015.

7. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by the Shareholders on 23 November 2015, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Cayman Islands Companies Law or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Cayman Islands Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the provisions of the Cayman Islands Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the provisions of the Cayman Islands Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Listing, would result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

8. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an instrument of transfer together with the relevant bought and sold notes dated 25 November 2014 signed by Sky Fortune and Goldasia, pursuant to which Sky Fortune transferred 1,000,000 ordinary shares in Ten Pao Precision Electronics to Goldasia for a consideration of HK$1,000,000;

(b) an equity transfer agreement dated 23 March 2015 entered into among, Xu Jianshe (許建設), Hong Bixin (洪碧心) and Ten Pao Electronic (Huizhou), pursuant to which Xu Jianshe (許建設) and Hong Bixin (洪碧心) transferred 56.14% and 43.86%, respectively, of the equity interest in Jinhu Industrial to Ten Pao Electronic (Huizhou) for a consideration of RMB11,990,000 and RMB9,420,000, respectively;

(c) an equity transfer agreement dated 23 March 2015 entered into between Ten Pao Electronic (Huizhou), Xu Jianshe (許建設) and Xu Jinqing (許金清), pursuant to which Ten Pao Electronic (Huizhou) and Xu Jianshe (許建設) transferred 90% and 10%, respectively, of the equity interest in Huizhou LNG Photronics to Xu Jinqing (許金清) for a consideration of RMB7,210,000 and RMB800,000, respectively;

(d) an equity transfer agreement dated 23 March 2015 entered into between Ten Pao Electronic (Huizhou) and Xu Jinqing (許金清), pursuant to which Ten Pao Electronic (Huizhou) transferred 90% of the equity interest in Hui He Printing to Xu Jinqing (許金清) for a consideration of RMB2,130,000;

(e) a share purchase agreement dated 26 May 2015 entered into between Chairman Hung and Goldasia, pursuant to which Chairman Hung transferred 5,000 shares in Korean Co to Goldasia for a consideration of KRW5,000;

(f) an equity transfer agreement dated 1 June 2015 entered into between Ten Pao Electronic (Huizhou) and Zhong Yue (鐘躍), pursuant to which Ten Pao Electronic (Huizhou) transferred 100% of the equity interest in Shenzhen Ten Pao Technics to Zhong Yue (鐘躍) for a consideration of RMB3,000,000;

(g) an instrument of transfer together with the relevant contract note both dated 2 June 2015 signed by Goldasia and Ease Bright, pursuant to which Goldasia transferred 10,000 shares in TPGIL to Ease Bright for a consideration of HK$10,000;

(h) an instrument of transfer together with the relevant contract note both dated 2 June 2015 signed by Goldasia and Ease Bright, pursuant to which Goldasia transferred 10,000 shares in Ten One to Ease Bright for a consideration of HK$10,000;

(i) an instrument of transfer together with the relevant contract note both dated 2 June 2015 signed by Goldasia and Ease Bright, pursuant to which Goldasia transferred 10,000 shares in Ten Power Charging to Ease Bright a consideration of HK10,000;

(j) an instrument of transfer together with the relevant contract note both dated 2 June 2015 signed by Goldasia and Ease Bright, pursuant to which Goldasia transferred 10,000 shares in Huixin Metal to Ease Bright for a consideration of HK$10,000;

(k) an instrument of transfer together with the relevant contract note both dated 2 June 2015 signed by Goldasia and Ease Bright, pursuant to which Goldasia transferred 10,000 shares in Huixiang Precision Parts to Ease Bright for a consideration of HK$10,000;

(l) an instrument of transfer together with the relevant contract note both dated 10 June 2015 signed by Goldasia and Ease Bright, pursuant to which Goldasia transferred 10,000 shares in Ten Sources Solar to Ease Bright for a consideration of HK$10,000;

(m) an equity transfer agreement dated 15 June 2015 entered into between Ten Pao Electronic (Huizhou) and Huizhou Fuhua Properties Co., Ltd.* (惠州富華置業有限公司), pursuant to which Ten Pao Electronic (Huizhou) transferred 30% of the equity interest in Huizhou Xiezhan to Huizhou Fuhua Properties Co., Ltd.* (惠州富華置業有限公司) for a consideration of RMB6,000,000;

(n) an instrument of transfer together with the relevant contract note both dated 17 June 2015 signed by Chairman Hung and Goldasia, pursuant to which Chairman Hung transferred 800,000 shares in Ten Pao International to Goldasia for a consideration of HK$15,710,934.644;

(o) an instrument of transfer together with the relevant contract note both dated 17 June 2015 signed by Mrs. Hung and Goldasia, pursuant to which Mrs. Hung transferred 200,000 shares in Ten Pao International to Goldasia for a consideration of HK$3,927,733.661;

(p) an instrument of transfer together with the relevant contract note both dated 19 June 2015 signed by Chairman Hung and Goldasia, pursuant to which Chairman Hung transferred 2,900 shares in Ten Pao Industrial to Goldasia for a consideration of HK$29,174,240.439;

(q) an instrument of transfer together with the relevant contract note both dated 19 June 2015 signed by Mrs. Hung and Goldasia, pursuant to which Mrs. Hung transferred 100 shares in Ten Pao Industrial to Goldasia for a consideration of HK$1,006,008.291;

(r) a sale and purchase agreement dated 23 November 2015 entered into between Chairman Hung and our Company, pursuant to which Chairman Hung transferred one share in Goldasia to our Company in consideration of our Company allotting and issuing 500 Shares to TinYing Investments;

(s) the Deed of Non-competition;

(t) the Deed of Indemnity; and

(u) the Hong Kong Underwriting Agreement.

9. Exemption from requirement of a property valuation report

For the purpose of Chapter 5 of the Listing Rules, as no single property interest that formed part of our non-property activities had a carrying amount of 15% or more of our total assets, this prospectus is not required to include any valuation report of our property interests.

Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our Group's assets in land or buildings.

10. Intellectual property rights of our Group

(a) Trade marks

As at the Latest Practicable Date, our Group has obtained all material intellectual property rights for its operations and is the registered proprietor and beneficial owner of the following material trademarks:

No.	Trademark	Place of Registration	Class	Registration Number	Duration of Validity	Registered Owner
1.		Hong Kong	7[1]	199607419	14 July 1995 to 14 July 2016	Ten Pao Industrial
2.		Hong Kong	9[2]	199607420	14 July 1995 to 14 July 2016	Ten Pao Industrial
3.	天 寶	Hong Kong	9[3], 11[4], 16[5], 35[6], 39[7], 40[8], 42[9]	301853190	9 March 2011 to 8 March 2021	Ten Pao International
4.		PRC	9[10]	868822	7 September 2006 to 6 September 2016	Ten Pao Electronic (Huizhou)
5.		PRC	9[11]	5396258	28 May 2009 to 27 May 2019	Ten Pao Electronic (Huizhou)
6.	TenPao	PRC	9[12]	9191215	14 May 2012 to 13 May 2022	Ten Pao Electronic (Huizhou)

Notes:

1. The specific goods covered under class 7 include adaptors.

2. The specific goods covered under class 9 include electricity transformers and adaptors.

3. The specific goods covered under class 9 include connectors (data processing equipment), loudspeakers, wire, inverter devices (electric), batteries, battery charger, transformer, signal light, electrical facsimile equipment, antenna.

4. The specific goods covered under class 11 include lights, torch, gas lamps, stove, refrigeration equipment and machinery, air filter equipment, hot air equipment, solar collectors, sewage purification equipment, warmer.

5. The specific goods covered under class 16 include paper, drawing paper, prints, posters, manual, stationery, painting instrument, painting materials, ribbon, teaching material (except apparatus).

6. The specific goods covered under class 35 include advertising, the display of goods on communications media for retail purpose, franchise business management, import and export agent, personnel recruiting, commercial premises relocation, invoicing, accounting, sponsorship search, business management assistance.

7. The specific goods covered under class 39 include transport, packaging, marine transport, car transport, air transport, car parking services, goods storage, courier services (letters and merchandise), sightseeing tourism, pipeline transport.

8. The specific goods covered under class 40 include customised material assembly (for others), metal processing, textiles chemical treating, stripping finishes, garment making, printing, decontamination of hazardous materials, air purification, water treating, energy production.

9. The specific goods covered under class 42 include technical research, mechanical research, biological research, materials testing, packaging design, interior design, costume design, computer software design, graphic arts design, art appraisal.

10. The specific goods covered under class 9 include power transformer, audio transformer and adaptor.

11. The specific goods covered under class 9 include transformer, rectifier, inverter (electrical), mutual inductor, solenoid coil, switching power supply and battery charger.

12. The specific goods covered under class 9 include fax machine, measure appliances, plating equipment, fire-fighting equipment.

(b) Patents

As at the Latest Practicable Date, our Group has obtained all material intellectual property rights for its operations and is the registered proprietor and beneficial owner of the following material patents:

No.	Type	Patent Description	Place of Registration	Patent No.	Duration of Validity	Registered Owner
1.	Invention	A synchronous rectifier circuit (一種同步整流電路)	PRC	ZL200810219468.4	26 November 2008 to 25 November 2028	Ten Pao Electronic (Huizhou)
2.	Invention	A current controlled phase shifting and energy-saving circuit (一種電流控制的移相節能電路)	PRC	ZL201010178254.4	18 May 2010 to 17 May 2030	Ten Pao Electronic (Huizhou)
3.	Invention	Adaptive driver circuit with active clamp switching tube (有源鉗位開關管的自適應驅動電路)	PRC	ZL200910205829.4	9 October 2009 to 8 October 2029	Ten Pao Electronic (Huizhou)
4.	Invention	Transformer applications with multi-slot flat coil (應用扁平線圈的多槽式變壓器)	PRC	ZL200910222085.7	11 November 2009 to 10 November 2029	Ten Pao Electronic (Huizhou)
5.	Invention	A controlled AC switch circuit (一種可控交流開關電路)	PRC	ZL201010285299.1	15 September 2010 to 14 September 2030	Ten Pao Electronic (Huizhou)
6.	Invention	AC rectifier circuit with PFC function (具有PFC功能的交流整流電路)	PRC	ZL201110114803.6	5 May 2011 to 4 May 2031	Ten Pao Electronic (Huizhou)

No.	Type	Patent Description	Place of Registration	Patent No.	Duration of Validity	Registered Owner
7.	Invention	A kind of interchangeable plug power supply (一種可換插頭電源供應器)	PRC	ZL201010229378.0	15 July 2010 to 14 July 2030	Ten Pao Electronic (Huizhou)
8.	Invention	A RCC switching power supply with an anti-self-excited flyback converter circuit (一種反激式自激變換電路RCC的開關電源)	PRC	ZL200810025921.8	18 January 2008 to 17 January 2028	Ten Pao Electronic (Huizhou)
9.	Invention	Power control circuit with two-way interleaving current AC rectifier (交流整流電源的雙向電流交錯控制電路)	PRC	ZL201110149196.7	3 June 2011 to 2 June 2031	Ten Pao Electronic (Huizhou)
10.	Invention	A two-way conversion system between solar energy and electric power (一種太陽能與電能雙向變換系統)	PRC	ZL201110150723.6	7 June 2011 to 6 June 2031	Ten Pao Electronic (Huizhou)
11.	Invention	Power supply circuit with automatic switching voltage (可自動轉換電壓的電源電路)	PRC	ZL200910192403.X	15 September 2009 to 14 September 2029	Ten Pao Electronic (Huizhou)
12.	Utility Model	A kind of power supply adapter structure with line switching (一種直插式開關電源適配器結構)	PRC	ZL200820045844.8	29 March 2008 to 28 March 2018	Ten Pao Electronic (Huizhou)
13.	Utility Model	A control circuit with active clamp and synchronous rectification function (一種帶有源箝位和同步整流功能的控制電路)	PRC	ZL200920051130.2	9 February 2009 to 8 February 2019	Ten Pao Electronic (Huizhou)
14.	Utility Model	Power adapter (電源適配器)	PRC	ZL200920263864.7	30 November 2009 to 29 November 2019	Ten Pao Electronic (Huizhou)
15.	Design	Plastic core of transformer (multi-tank) (變壓器膠芯(多槽式))	PRC	ZL200930076421.2	7 May 2009 to 6 May 2019	Ten Pao Electronic (Huizhou)

As at the Latest Practicable Date, our Group has applied for the following material patents:

No.	Type	Patent Description	Place of Application	Application No.	Date of Application	Applicant
1.	Invention	Intelligent digital LED driver controller and lighting control systems (智能型數字LED驅動控制器及照明監控系統)	PRC	ZL201210430136.7	1 November 2012	Ten Pao Electronic (Huizhou)
2.	Invention	A vehicle-mounted charging bidirectional converter and the inverter power supply system) (一種車載充電與逆變雙向變流電源系統)	PRC	ZL201410555540.6	20 October 2014	Ten Pao Electronic (Huizhou), Jinhu Industrial
3.	Invention	A radio transmitting charging device, receiving device and control method (一種無線充電發送裝置、接收裝置及控制方法)	PRC	ZL201410598503.3	31 October 2014	Ten Pao Electronic (Huizhou) , Jinhu Industrial
4.	Invention	A high efficiency wireless charger that can detect foreign matter (一種可檢測異物的高效率無線充電器)	PRC	ZL201410697241.6	26 November 2014	Ten Pao Electronic (Huizhou) , Jinhu Industrial
5.	Invention	A combined magnetic core with switching power supply and transformer (一種開關電源變壓器組合磁芯)	PRC	ZL201410656472.2	18 November 2014	Ten Pao Electronic (Huizhou)
6.	Invention	A power conversion device (一種電源轉換裝置)	PRC	ZL201410791320.3	19 December 2014	Ten Pao Electronic (Huizhou), Jinhu Industrial
7.	Invention	A wireless charging device (一種無線充電裝置)	PRC	ZL201410823973.5	26 December 2014	Ten Pao Electronic (Huizhou), Jinhu Industrial
8.	Invention	A control circuit of reducing power converter output ripple (一種降低電源變換器輸出紋波的控制電路)	PRC	ZL201310329723.1	1 August 2013	Ten Pao Electronic (Huizhou)

No.	Type	Patent Description	Place of Application	Application No.	Date of Application	Applicant
9.	Invention	Bidirectional switching circuit hybrid power supply system and control method (混合供電系統的雙向切換電路及其控制方法)	PRC	ZL201410008995.6	9 January 2014	Ten Pao Electronic (Huizhou)
10.	Invention	A self-driven circuit with unipolar PWM control and its inverter application (單極性PWM控制的自舉驅動電路及應用該電路的逆變器)	PRC	ZL201310663292.2	10 December 2013	Ten Pao Electronic (Huizhou)
11.	Invention	A digital control of power converters (一種數字控制的電源變換器)	PRC	ZL201410008993.7	9 January 2014	Ten Pao Electronic (Huizhou)
12.	Invention	A power converter (一種電源變換器)	PRC	ZL201410009003.1	9 January 2014	Ten Pao Electronic (Huizhou)
13.	Invention	A soft turn-off power converter (一種軟關斷電源變換器)	PRC	ZL201410070471.X	28 February 2014	Ten Pao Electronic (Huizhou), Jinhu Industrial
14.	Invention	A power converter (一種電源變換器)	PRC	ZL201410206132.X	16 May 2014	Ten Pao Electronic (Huizhou), Jinhu Industrial

(c) Domain Names

As at the Latest Practicable Date, our Group has the following material registered domain name:

Domain Name	Registration Day	Expiry Date	Registrant
www.tenpao.com	27 August 1999	27 August 2017	Ten Pao International

11. Connected transactions and related party transactions

Save as disclosed in the sections "Business", "Connected Transactions" and "Relationship with our Controlling Shareholders" and in note 36 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

12. Directors

(a) Disclosure of interests of our Directors

(i) Chairman Hung is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph 8 of this Appendix.

(ii) Save as disclosed in this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

Executive Directors

Each of the Executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other. Each of the Executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the Executive Directors payable under their service contracts are as follows:

Name	**Approximate annual salary** *(HK$)*
Chairman Hung	4,476,000
Mr. G.D. Hong	1,050,000
Mr. S.T. Hung	840,000

Independent Non-executive Directors

Each of the Independent Non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date. Either our Company or the Independent Non-executive Directors may give a three months' written notice to the other party for early termination of appointment. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the Independent Non-executive Directors is entitled to a director's fee of HK$240,000 per annum. Save for directors' fees, none of the Independent Non-executive Directors is expected to receive any other remuneration for holding their office as an Independent Non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were approximately HK$1.74 million, HK$1.77 million and HK$1.83 million and HK$0.88 million, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including the Independent Non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2015 are expected to be approximately HK$3.01 million.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015.

(d) Interests and short positions of Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations

Immediately following completion of and the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme, the interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities

Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Name of Director	Relevant company	Nature of interest	Number of shares in the relevant company[(1)]	Approximate percentage of interest
Chairman Hung	Our Company	Founder of a discretionary trust and interest in a controlled corporation[(2)]	750,000,000 (L)	75%

Notes:

1. The letter "L" denotes our Directors' long position in the shares of our Company or the relevant associated corporation.

2. Chairman Hung is the sole shareholder of Even Joy which holds 450,000,000 Shares. In addition, Chairman Hung is the founder of the Family Trust, which indirectly holds the entire issued share capital of TinYing Investments holding 300,000,000 Shares. By virtue of the SFO, Chairman Hung is deemed to be interested in the Shares in which Even Joy and TinYing Investments are interested.

13. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Global Offering (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the paragraph "Further Information about Directors and Shareholders — 12. Directors" above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/nature of interest	Number of Shares[(1)]	Approximate percentage of shareholding
Even Joy[(2)]	Beneficial owner	450,000,000 (L)	45%
The Trustee[(3)]	Trustee of a discretionary trust	300,000,000 (L)	30%

Name of Shareholder	Capacity/nature of interest	Number of Shares(1)	Approximate percentage of shareholding
TinYing Holdings	Interest in a controlled corporation	300,000,000 (L)	30%
TinYing Investments	Beneficial owner	300,000,000 (L)	30%

Notes:

(1) The letter "L" denotes a person's long position in our Shares.

(2) Even Joy is wholly owned by Chairman Hung. Therefore, Chairman Hung is deemed to be interested in Even Joy's interest in our Company by virtue of the SFO.

(3) TinYing Investments is wholly owned by TinYing Holdings, which is in turn wholly owned by the Trustee acting as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Chairman Hung as settlor and Vistra Trust (BVI) Limited as trustee. 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, The Trustee is deemed to be interested in the Shares in which TinYing Investments is interested.

14. Disclaimers

Save as disclosed in this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options to be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Capitalisation Issue and the Global Offering will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph 23 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in the paragraph 23 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 23 below:

(i) is interested legally or beneficially in any securities of any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

15. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 23 November 2015.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our 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 our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including Independent Non-executive Directors) of our Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to our 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 our Group, the assessment criteria of which are:

(aa) contribution to the development and performance of our Group;

(bb) quality of work performed for our Group;

(cc) initiative and commitment in performing his/her duties; and

(dd) length of service or contribution to our Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

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) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 100,000,000 Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option;

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

(ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates is required to be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the options). If the Board proposes to grant options to a Substantial Shareholder or any Independent Non-executive Director or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, such further grant of options will be subject to the approval of the Independent Non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules);

and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. 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 ten years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the shareholders of our Company (the "**Adoption Date**"). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

(i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company no later than two Business Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n) or (o);

(iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date upon which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;

(iii) passing of the necessary resolutions; and

(iv) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

16. Estate duty, tax and other indemnity

Each of Chairman Hung, Even Joy, TinYing Holdings and TinYing Investments (the "**Indemnifiers**") has entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries) (being the material contract (t) referred to in paragraph 8 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing;

(b) any tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;

(c) any liability which are suffered by our Group in connection with certain incidents of non-compliance with applicable laws and requirements during Track Record Period;

(d) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance or any other applicable laws, rules or regulations on or before the date on which the Global Offering becomes unconditional; and

(e) all losses from the month of Listing until the expiry date of the last derivative financial instrument which may arise from or in connection with the six outstanding derivative financial instruments entered into by our Group as at the Latest Practicable Date.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2015;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 July 2015 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in the prospectus; or

(c) to the extent that such taxation claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2015 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to us that it will indemnify and at all times keep us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

17. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

18. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US$2,800 and are payable by our Company.

19. Promoters

Our Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit had been paid, allotted or given within two years preceding the date of this prospectus, or proposed to be paid, allotted or given, to any promoter in connection with the Global Offering or the related transactions described in this prospectus.

20. Joint Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

21. Agency fees or commissions received

The Underwriters will receive a commission of 3.5% of the aggregate Offer Price in respect of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. The Joint Sponsors will also receive an aggregate sponsor fee of HK$8.0 million relating to the Global Offering.

22. Application for listing of Shares

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options to be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date, on the Stock Exchange.

All necessary arrangements have been made to enable the securities to be admitted into CCASS.

23. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
DBS Asia Capital Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
Guosen Securities (HK) Capital Company Limited	Licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO

Name	Qualification
Jingtian & Gongcheng	Legal advisers to our Company as to PRC law
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands law
Shin & Kim	Legal advisers to our Company as to South Korean law
PricewaterhouseCoopers	Certified Public Accountants

24. Consents of experts

Each of the Joint Sponsors, Jingtian & Gongcheng, Conyers Dill & Pearman, Shin & Kim and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

26. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares if they are executed and remain outside the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

27. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2015 (being the date to which the latest combined financial statements of our Group were made up);

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and

(d) our Group does not have any outstanding convertible debt securities or debentures.

28. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** application forms;

(b) the written consents referred to under the paragraph "Statutory and General Information — Other Information — 24. Consents of experts" in Appendix IV to this prospectus; and

(c) certified copies of the material contracts referred to in the paragraph "Statutory and General Information — Further Information about the Business of our Company — 8. Summary of material contracts" in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Mayer Brown JSM at 18th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the Accountant's Report from PricewaterhouseCoopers in respect of the historical financial information of our Group for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

(d) the combined audited financial statements of our Group for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015;

(e) the Cayman Islands Companies Law;

(f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands Companies Laws referred to in Appendix III to this prospectus;

(g) the legal opinions prepared by Jingtian & Gongcheng in respect of certain aspects of our Group;

(h) the legal opinions prepared by Shin & Kim in respect of certain aspects of our business;

(i) the material contracts referred to in the paragraph "Statutory and General Information — Further Information about the Business of our Company — 8. Summary of material contracts" in Appendix IV to this prospectus;

(j) the written consents referred to in the paragraph "Statutory and General Information — Other Information — 24. Consents of experts" in Appendix IV to this prospectus;

(k) the Share Option Scheme; and

(l) the service contracts and letter of appointments referred to in the paragraph "Statutory and General Information — Further Information about Directors and Shareholders — 12. Directors" in Appendix IV to this prospectus.

TEN PAO GROUP HOLDINGS LIMITED

天寶集團控股有限公司