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## TEN PAO GROUP HOLDINGS LIMITED

天寶集團控股有限公司

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

**(Stock code: 1979)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the “**Board**”) of Ten Pao Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**” or “**we**”) for the year ended 31 December 2015 (the “**Reporting Period**”), together with comparative figures for the year ended 31 December 2014 as follows:

#### **GROUP FINANCIAL HIGHLIGHTS:**

- Revenue for the year ended 31 December 2015 increased by 16.9% to HK\$2,256.0 million as compared to the year of 2014, among which revenue generated from sale of smart chargers and controllers for industrial use increased by 35.3% to HK\$469.5 million as compared to the year of 2014.
- Profit attributable to owners of the Company for the year ended 31 December 2015 was HK\$127.6 million, represent an increase of 133.2% as compared to the year of 2014. The adjusted profit attributable to owners of the Company excluding the effect of derivative financial instruments, net of income tax for the year ended 31 December 2015 was HK\$121.0 million, representing an increase of 27.6% as compared to the year of 2014. Please refer to the section headed “Adjusted profit attributable to owners of the Company” for details. Gross profit for the year ended 31 December 2015 increased by 17.4% to HK\$390.3 million as compared to the year of 2014. Basic earning per share for the year ended 31 December 2015 was HK16.7 cents, represent an increase of 128.8% as compared to the year ended 31 December 2014. The Board proposed to declare a final dividend of HK2 cents per share for the year ended 31 December 2015.

## CONSOLIDATED INCOME STATEMENT

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

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2015</b>	<b>2014</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>REVENUE</b>	4	<b>2,255,954</b>	1,930,514
Cost of sales	6	<b>(1,865,685)</b>	(1,598,114)
<b>Gross profit</b>		<b>390,269</b>	332,400
Other income	5	<b>19,782</b>	21,866
Other gains/(losses)-net	5	<b>24,559</b>	(50,620)
Selling expenses	6	<b>(97,188)</b>	(85,429)
Administrative expenses	6	<b>(181,194)</b>	(128,154)
<b>Operating profit</b>		<b>156,228</b>	90,063
Finance income		<b>800</b>	788
Finance expenses		<b>(5,606)</b>	(2,291)
Finance expenses-net		<b>(4,806)</b>	(1,503)
<b>Profit before income tax</b>		<b>151,422</b>	88,560
Income tax expense	7	<b>(23,821)</b>	(33,843)
<b>Profit for the year attributable to the owner of the Company</b>		<b>127,601</b>	54,717
Earnings per share			
– basic and diluted per share	8	<b>HK16.7 cents</b>	HK7.3 cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2015</b>	<b>2014</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Profit for the year</b>		<b><u>127,601</u></b>	<b><u>54,717</u></b>
<b>Other Comprehensive Income:</b>			
Items that may be reclassified subsequently to profit and loss			
Currency translation differences		<b>(27,825)</b>	<b>(1,592)</b>
Change in value of available-for-sale financial assets		<b><u>(41)</u></b>	<b><u>(66)</u></b>
		<b><u>(27,866)</u></b>	<b><u>(1,658)</u></b>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b><u>99,735</u></b>	<b><u>53,059</u></b>

## CONSOLIDATED BALANCE SHEET

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

		<b>As at 31 December</b>	
		<b>2015</b>	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		5,781	6,320
Property, plant and equipment		279,595	183,524
Investment properties		5,560	5,300
Intangible assets		2,125	2,803
Investment in an associate		–	7,606
Deferred income tax assets		20,361	14,972
Financial assets at fair value through profit or loss-non current		2,710	2,624
Prepayments for the purchase of property, plant and equipment		5,489	4,293
		<u>321,621</u>	<u>227,442</u>
<b>Current assets</b>			
Inventories		216,015	213,301
Trade and other receivables	10	585,301	444,219
Amounts due from related parties		–	173,332
Available-for-sale financial assets		–	2,059
Derivative financial instruments		–	1
Cash and cash equivalents		187,458	85,256
Restricted bank deposits		15,908	23,968
		<u>1,004,682</u>	<u>942,136</u>
<b>Total assets</b>		<u><b>1,326,303</b></u>	<u><b>1,169,578</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	13	10,000	–
Share premium	13	125,064	–
Other reserves		14,124	44,259
Retained earnings		176,190	324,209
<b>Total equity</b>		<u><b>325,378</b></u>	<u><b>368,468</b></u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current bank borrowings	12	87,542	27,749
Deferred income tax liabilities		28,080	41,310
Derivative financial instruments		737	40,582
Deferred government grants		9,553	7,264
		<u>125,912</u>	<u>116,905</u>
<b>Current liabilities</b>			
Trade and other payables	11	706,267	509,694
Amounts due to related parties		4,229	46,305
Income tax liabilities		40,124	44,427
Short-term bank borrowings	12	69,731	43,727
Current portion of non-current bank borrowings	12	48,300	31,421
Derivative financial instruments		6,362	8,631
		<u>875,013</u>	<u>684,205</u>
<b>Total liabilities</b>		<u>1,000,925</u>	<u>801,110</u>
<b>Total equity and liabilities</b>		<u>1,326,303</u>	<u>1,169,578</u>

## **NOTES:**

### **1. CORPORATE INFORMATION**

#### **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 Drives, P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands.

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

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

#### **1.2 REORGANISATION**

In preparation of the listing of the Company’s shares on the Stock Exchange, the Group underwent a reorganisation (the “Reorganisation”) to transfer the Listing Business to the Company and dispose of certain businesses not relating to the Listing Business, pursuant to which the Company became the holding company of the Group.

### **2. BASIS OF PRESENTATION**

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, derivative financial instruments, financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

### **3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

#### **(a) New and amended standards adopted by the Group**

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans.

Amendments from annual improvements to HKFRSs – 2010–2012 Cycle, on HKFRS 8, ‘Operating segments’, HKAS 16, ‘Property, plant and equipment’ and HKAS 38, ‘Intangible assets’ and HKAS 24, ‘Related party disclosures’.

Amendments from annual improvements to HKFRSs – 2011–2013 Cycle, on HKFRS 3, ‘Business combinations’, HKFRS 13, ‘Fair value measurement’ and HKAS 40, ‘Investment property’.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

**(b) New Hong Kong Companies Ordinance (Cap. 622)**

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

**4. 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’s electric charging products can be categorised into 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.

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

	Telecommunication <i>HK\$'000</i>	Media and entertainment <i>HK\$'000</i>	Electronic cigarette <i>HK\$'000</i>	Electrical home appliances <i>HK\$'000</i>	Smart chargers and control <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2015</b>							
<b>Revenue</b>							
Revenue from external customers	<u>1,018,249</u>	<u>437,678</u>	<u>69,473</u>	<u>125,460</u>	<u>469,479</u>	<u>135,615</u>	<u>2,255,954</u>
Segment results	<u>120,340</u>	<u>93,197</u>	<u>17,405</u>	<u>26,862</u>	<u>99,870</u>	<u>32,595</u>	<u>390,269</u>
Other income							19,782
Other gains – net							24,559
Selling expenses							(97,188)
Administration expenses							(181,194)
Financial expenses – net							<u>(4,806)</u>
<b>Profit before income tax</b>							<u><b>151,422</b></u>
<b>31 December 2014</b>							
<b>Revenue</b>							
Revenue from external customers	<u>888,536</u>	<u>401,841</u>	<u>107,886</u>	<u>96,930</u>	<u>346,932</u>	<u>88,389</u>	<u>1,930,514</u>
Segment results	<u>106,404</u>	<u>68,683</u>	<u>40,410</u>	<u>17,186</u>	<u>76,268</u>	<u>23,449</u>	<u>332,400</u>
Other income							21,866
Other losses – net							(50,620)
Selling expenses							(85,429)
Administration expenses							(128,154)
Financial expenses – net							<u>(1,503)</u>
<b>Profit before income tax</b>							<u><b>88,560</b></u>

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

**(a) Other income**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sales of scrap materials	<b>5,364</b>	8,569
Sales of raw materials, sample and molds	<b>10,711</b>	9,738
Inspection and certification fee income	<b>477</b>	1,409
Others	<b>3,230</b>	2,150
	<b>19,782</b>	21,866

**(b) Other gains/(losses) – net**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/income on derivative financial instruments	<b>(19,738)</b>	5,521
Fair value changes on derivative financial instruments	<b>27,663</b>	(53,541)
Fair value changes on financial assets at fair value through profit or loss	<b>86</b>	88
Fair value changes on investment properties	<b>260</b>	150
Net foreign exchange gain/(losses)	<b>10,947</b>	(1,219)
Government grants	<b>1,249</b>	3,339
Loss on disposal of property, plant and equipment	<b>(532)</b>	(1,130)
Gain on disposal of a subsidiary	<b>6,962</b>	–
Others	<b>(2,338)</b>	(3,828)
	<b>24,559</b>	(50,620)

## 6. EXPENSES BY NATURE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Changes in inventories of finished goods and work in progress	17,314	7,069
Raw materials and consumables used	1,413,899	1,254,642
(Reversal of allowance for)/allowance for impairment of inventory	(3,406)	2,895
Allowance for impairment of trade receivables	2,285	28
Employee benefit expenses	436,317	320,956
Depreciation, amortisation and impairment charges	45,237	32,712
Water and electricity expense	19,981	17,695
Transportation and travelling expenses	22,649	21,385
Maintenance expenses	16,704	13,973
Consultancy fee	9,535	8,341
Entertainment expenses	7,068	8,401
Research and development expenses		
– Employee benefit expenses	47,574	41,524
– Depreciation and amortisation	3,737	2,997
– Raw materials, consumables used and others	22,071	18,831
Commission expenses	9,109	8,528
Certificate and detection fees	9,582	10,276
Business tax and surcharge	3,498	6,972
Other taxes and levies	1,996	5,122
Operating lease payments	9,308	5,539
Advertising expenses	1,477	2,991
Commercial insurance	7,766	7,047
Communication expenses	1,904	1,847
Bank charges	2,569	2,082
Auditors' remuneration		
– Audit services	3,436	178
– Non-audit services	1,126	20
Expenses related to initial public offering	26,832	6,180
Other expenses	4,499	3,466
<b>Total cost of sales, selling expenses and administrative expenses</b>	<b>2,144,067</b>	<b>1,811,697</b>

## 7. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current income tax		
– PRC corporate income tax	29,669	25,273
– Hong Kong profits tax	11,882	7,611
	<hr/>	<hr/>
Subtotal	41,551	32,884
Deferred income tax	(17,730)	959
	<hr/>	<hr/>
	<b>23,821</b>	<b>33,843</b>

### (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 year (2014: 16.5%).

### (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%. 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 the year ended 31 December 2015 was 25% (2014: 25%).

### (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 to income tax in BVI and Samoa during the year (2014: Nil).

(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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before income tax	<b>151,422</b>	88,560
Tax calculated at applicable corporate income tax rate of 25%	<b>37,855</b>	22,140
Effect of differences in tax rates	<b>(5,348)</b>	(681)
Withholding tax	<b>(11,261)</b>	6,010
Tax losses for which no deferred income tax asset was recognised	<b>990</b>	1,260
Utilisation of tax losses previously not recognised	<b>(1,523)</b>	–
Expenses not deductible for taxation purposes	<b>3,174</b>	5,119
Income not subject to tax	<b>(66)</b>	(5)
	<b>23,821</b>	33,843

The effective corporate income tax rate was 16% for the year (2014: 38%). The decrease in the effective corporate income tax rate of 2015 compared to 2014 was primarily due to the payment of dividends and reversal of withholding tax of its subsidiaries in the PRC. Profits contribution from the Hong Kong subsidiaries increased during the year and were taxed at 16.5% income rate.

**8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

**Earnings per share**

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

- (a) the 1,000 ordinary shares of the Company issued and fully paid on 27 January 2015 was treated as if it had been issued since 1 January 2014;
- (b) the 500 ordinary shares of the Company issued during the Reorganisation was treated as if it had been in issue since 1 January 2014;
- (c) the 749,998,500 ordinary shares of the Company issued on 11 December 2015 under the Capitalisation Issue were treated as if they had been in issue since 1 January 2014; and

(d) the 250,000,000 ordinary shares offered to the public were issued on 11 December 2015;

	<b>2015</b>	2014
Profit attributable to owners of the Company (HK\$'000)	<b>127,601</b>	54,717
Weighted average number of shares issued (thousands)	<b>763,699</b>	750,000
Basic earnings per share (HK)	<b>16.7 cents</b>	7.3 cents

For the year ended 31 December 2014 and 2015, diluted earnings per share were the same as basic earnings per share as there were no dilutive potential ordinary shares as at year end date.

## 9. DIVIDENDS

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Proposed final dividends of HK2.0 cents per ordinary share	<b>20,000</b>	–

On 24 November 2015, the Group declared dividends of approximately RMB123.5 million (equivalent to HK\$153.4 million) and HK\$60.2 million to the then shareholders, of which approximately RMB123.5 million (equivalent to HK\$153.4 million) and HK\$50.2 million were set off against the amount due from the related parties and HK\$10 million was paid to the Controlling Shareholder by internal resources of the Group.

A final dividend in respect of the year ended 31 December 2015 of HK2.0 cents per share, amounting to a total dividend of HK\$20.0 million, is to be proposed at the annual general meeting on 31 May 2016.

## 10. TRADE AND OTHER RECEIVABLES

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>563,194</b>	432,110
Less: allowance for impairment	<b>(2,285)</b>	(2,067)
Trade receivables, net	<b>560,909</b>	430,043
Bills receivable	<b>60</b>	296
Prepayments	<b>3,968</b>	7,839
Deposits	<b>3,784</b>	1,549
Advances to employees	<b>2,537</b>	1,311
Value added tax allowance	<b>2,146</b>	–
Export rebates receivable	<b>8,325</b>	–
Others	<b>3,572</b>	3,181
	<b>585,301</b>	444,219

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
HK\$	<b>75,144</b>	81,492
RMB	<b>124,020</b>	102,126
USD	<b>364,030</b>	248,492
	<b><u>563,194</u></b>	<u>432,110</u>

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 3 months	<b>525,204</b>	402,694
More than 3 months but not exceeding 1 year	<b>35,809</b>	26,797
More than 1 year	<b>2,181</b>	2,619
	<b><u>563,194</u></b>	<u>432,110</u>

## 11. TRADE AND OTHER PAYABLES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	<b>515,123</b>	396,753
Advance	<b>3,452</b>	3,060
Wages and staff welfare benefits payable	<b>111,387</b>	87,988
Accrual for expenses and other payables	<b>53,064</b>	15,259
Other taxes payable	<b>23,241</b>	6,634
	<b><u>706,267</u></b>	<u>509,694</u>

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 3 months	<b>452,053</b>	331,379
More than 3 months but not exceeding 1 year	<b>61,775</b>	64,764
More than 1 year	<b>1,295</b>	610
	<b><u>515,123</u></b>	<u>396,753</u>

- (b) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2015 and 2014.

## 12. BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current</b>		
Bank borrowings		
– secured (a)	131,442	49,170
– guaranteed (b)	4,400	10,000
Less: current portion of non-current borrowings	<u>(48,300)</u>	<u>(31,421)</u>
	<b>87,542</b>	<b>27,749</b>
<b>Current</b>		
Bank borrowings		
– secured (a)	46,694	38,612
– guaranteed (b)	<u>23,037</u>	<u>5,115</u>
Total short-term bank borrowings	<b>69,731</b>	43,727
Current portion of non-current borrowings	<u>48,300</u>	<u>31,421</u>
	<b>118,031</b>	<b>75,148</b>
<b>Total borrowings</b>	<b>205,573</b>	<b>102,897</b>

- (a) As at 31 December 2015, bank borrowings amounting to HK\$178.1 million (2014: HK\$87.8 million) are secured over the following assets:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Restricted bank deposits	15,908	23,968
Available for sale financial assets	–	2,059
Financial assets at fair value through profit or loss-non current	2,710	2,624
Investment properties	5,560	5,300
Trade and other receivables	58,881	56,514
Property, plant and equipment	<u>29,811</u>	<u>–</u>
	<b>112,870</b>	<b>90,465</b>

- (b) Bank borrowings amounting to HK\$27.4 million as at 31 December 2015 (2014: HK\$15.1 million) are guaranteed 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.

The above guarantees were subsequently released after year end.

### 13. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 27 January 2015 (date of Incorporation)	1000	–	–	–
Issuance of shares for acquisition of a subsidiary (a)(i)	500	–	–	–
Issuance of shares by Public Offering (a)(ii)	250,000,000	2,500	135,000	137,500
Capitalisation issue (b)	749,998,500	7,500	(7,500)	–
Share issuance costs	–	–	(16,886)	(16,886)
Novation of derivative financial instruments transferred from capital reserves	–	–	14,450	14,450
	<u>1,000,000,000</u>	<u>10,000</u>	<u>125,064</u>	<u>135,064</u>
At 31 December 2015	<u>1,000,000,000</u>	<u>10,000</u>	<u>125,064</u>	<u>135,064</u>

Details of shares issued as at 31 December 2015 are as follows:

	Number of shares	Share Capital <i>HK\$'000</i>	Equity interests as at 31 December 2015 %
Even Joy Holdings Limited	450,000,000	4,500	45
TinYing Investments Limited	300,000,000	3,000	30
Public shareholders	250,000,000	2,500	25
	<u>1,000,000,000</u>	<u>10,000</u>	<u>100</u>
At 31 December 2015	<u>1,000,000,000</u>	<u>10,000</u>	<u>100</u>

- (a) (i) On 23 November 2015, the Company acquired the entire equity interest in Goldasia Group Limited from the Controlling Shareholder by issuing a total of 500 ordinary shares. The difference between the amount of net assets of Goldasia on the acquisition date and nominal value of the shares allotted amounting to HK\$377,850,000, was recorded to the share premium account of the Company.
- (ii) On 11 December 2015, the Company issued 250,000,000 ordinary shares with par value of HK\$0.01 each in the Company at HK\$0.55 per share by way of public offering (“Public Offering”). On the same date, the Company’s shares were listed on the Stock Exchange. The difference between the gross proceeds of HK\$137,500,000 and the issued and fully-paid share capital of HK\$2,500,000, amounting to HK\$135,000,000, was credited to the share premium account.
- (b) Following the Public Offering on 11 December 2015, the Company capitalised an amount of HK\$7,499,985 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 749,998,500 shares for allotment and issue to TinYing Investments Limited and Even Joy Holdings Limited in proportion to their respective shareholdings in the Company.

## **CHAIRMAN STATEMENT**

On behalf of the Board of the Company, I hereby present the audited consolidated results of the Group for the year ended 31 December 2015.

### **1. Performance**

For the year ended 31 December 2015, the Group recorded a revenue of HK\$2,256.0 million, representing an increase of 16.9% as compared to the preceding year; profit attributable to owners of the Company of HK\$127.6 million, representing an increase of 133.2% as compared to the preceding year; profit attributable to owners of the Company excluding the effect of derivative financial instruments, net of income tax of HK\$121.0 million, representing an increase of 27.6% as compared to the preceding year; and basic earnings per share of HK16.7 cents, representing an increase of 128.8% as compared to the preceding year. The Board has recommended the payment of a final dividend of HK2 cents per share.

### **2. Review of 2015**

The Company was successfully listed on the Stock Exchange on 11 December 2015, marking a new chapter in the business development of the Group. As one of the leading one-stop switching power supply unit manufacturer in China with more than 30 years of experience, the Group is capable of providing switching power supply units applicable to a wide range of sectors by leveraging its strong research and development capabilities and operational foundation. The Group's products have been well-received by customers around the world and thus it has developed into a major supplier for many leading international brands. Proceeds raised from the initial public offering help further boost the future business development of the Group.

During the year ended 31 December 2015, the uncertain economic environment posed challenges to the market. Nevertheless, the Company proactively responded to the changes in the international and domestic business environment. In particular, it focused on bolstering product innovation, technology upgrade, cost control and risk management. Capitalising on its solid operation experience and premium product quality, the Group grasped the opportunities arising from the revamp of electric power tools and advances in telecommunications equipments such as smartphones. Coupled with the rapid growth in the market demand for certain consumer products and power tools and thus the demand for our switching power supply units and smart charges and controllers, the Group's profit for the year attributable to the owner of the Company achieved a record high of HK\$127.6 million.

### **3. Outlook for year 2016**

Looking ahead to the year of 2016, despite the instability of the general economic environment, the market for switching power supply units will maintain steady growth as they are indispensable to the daily life of the general population due to their widespread application. Electronic products will be developed with faster and safer charging ability while the electric power tools and electronic cigarette markets will maintain their rapid growth momentum and are expected to continue as the driving force of the Group's development. The Group's continuous strong technology and product development expertise, production capacity and one-stop customer services will enable it to provide switching power supply units in response to the ever-changing market trends and customers' needs.

In spite of the segregated development of the switching power supply unit manufacturing industry, the integration of the industry is expected to accelerate in line with the increasing market demand for advanced energy-saving technologies and new products. Relying on the Company's advanced technology and one-stop production advantages, the management is confident that the Group can capitalise on the opportunities from industry integration to enhance its position as a major manufacturer of switching power supply units.

In addition to consolidating its existing markets in China and other regions, the Group will also endeavour to explore overseas expansion opportunities to develop other potential markets and expand its customer base in China and other countries.

In step with its business growth, the Company will expand the current scale of production, install new automated equipment and machinery and enhance the automation level of its production processes, so as to boost the Group's designed production capacity. Meanwhile, the Group will also continue to implement stringent cost control measures by strengthening its standardised production and optimising its production processes. These initiatives will enable the Group to improve efficiency, further reduce production costs and enhance its overall competitiveness.

### **4. Acknowledgement**

Finally, on behalf of the Board and the management, I would like to extend my sincere gratitude to all the staff for their hard work and contribution to the Group during the year 2015. Moreover, I would also like to express my appreciation for the support of all shareholders, investors, customers and partners. By leveraging its innovative research and development and production capacity as well as the extensive operational experience of its management team, the Group will continue to consolidate its leading position in the switching power supply unit industry with an aim to achieve sustainable growth and create remarkable returns for its shareholders.

## BUSINESS REVIEW

### 1. Overview

The year 2015 was an important year for the Group. The listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") not only represents a milestone in our development, it also provides the Group with an independent trading platform in the capital market, which has enhanced Ten Pao's brand awareness. The management is able to focus on exploration of development opportunities in the switching power supply units manufacturing industry.

As one of the leading one-stop manufacturer of switching power supply units in China with more than 30 years of industry experience, strong research and development capabilities and vertically integrated production model, the Company operates more than 110 production lines at two production bases in Huizhou, Guangdong province and Hanzhong, Shaanxi province, producing over 1,400 types of switching power supply units for consumer products and more than 300 types of smart chargers and controllers that can be applied to different power tools for industrial use. The testing laboratory of the Group is also one of the few laboratories with CNAS\* accreditation in Guangdong province, which facilitates us to keep abreast of the changes in technology market, and to develop and produce diversified products meeting the specification requirements of our customers' new products. Leveraging these advantages, the Group has developed a diversified customer base and maintained good business relationships with a number of internationally reputable brands, including Fortune Global 500 companies; professional electronic power tools manufacturers; mobile phone manufacturers and leading communication technology brands.

With the strong research and development capabilities, state-of-art technology, well-established production facilities and solid relationship with our customers, the Group achieved outstanding results in year 2015. For the year ended 31 December 2015, the Group's revenue increased by 16.9% to HK\$2,256.0 million as compared with the preceding year, mainly attributable to the increase in revenue from smart chargers and controllers for industrial use and the increase in export orders for the switching power supply units for consumer products. As a result, gross profit and gross profit margin increased to HK\$390.3 million and 17.3%, respectively. During the year 2015, the profit attributable to owners of the Company surged by 133.2% to a new record high of HK\$127.6 million, attributable to the increase in revenue and a gain of HK\$27.7 million from the changes in fair value of derivative financial instruments, which was partially offset by the recognition of non-recurring listing expenses of HK\$26.8 million in the financial year of 2015. Basic earnings per share amounted to HK16.7 cents.

In view of the performance of the Group, the Board has recommended a final dividend of HK2 cents per Share (2014: nil).

\* China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)

## **2 Market Review**

The Group's switching power supply units for consumer products are applied to consumer products across various industry sectors, including telecommunications equipment, media and entertainment equipment such as AV products and computers, electronic cigarettes, home electrical appliances, and other products such as LED lighting and health care products. Most of our products are incorporated into and/or applied to our customers' end products under their own brands. In recent years, the Group has been manufacturing switching power supply units for consumer products such as telephone adapters and USB chargers and directly supplying these products to the Chinese market under its own "Ten Pao" brand. During the year ended 31 December 2015, revenue from switching power supply units for consumer products increased by 12.8% to HK\$1,786.5 million when compared with the preceding year. This was mainly due to the increase in sales of switching power supply units for telecommunication equipment, accounting for 45.1% of total revenue due to the launching of quick charger for mobile phone during the year. Switching power supply units for media and entertainment equipment, accounting for 19.4% of total revenue, also increased as driven by the increase in demand for these units for audio products within the US market. Sales of switching power supply units for home electrical appliances, accounting for 5.6% of total revenue, increased during the year due to increase demand from customer. The decrease in switching power supply units for electronic cigarettes, accounting for 3.1% of total revenue as the customers have no new product launched during the year. Switching power supply units for other products increased during the year as the demand for LED Lighting segment increased during the year.

The Group's smart chargers and controllers are mainly applied to power tools for industrial use. Revenue increased by 35.3% to HK\$469.5 million when compared with the preceding year, which was mainly due to the increase in sales volume as major customers launched various new projects during the year. Gross profit increased by 30.9% to HK\$99.9 million, when compared with last year.

## **3. Subsequent events**

Subsequent to 31 December 2015, no material events have occurred.

#### 4. Outlook

Despite the fact that the economic growth in the PRC will continue to slow down, exchange rate of the Renminbi is still under downward pressure and domestic and global macro-economic conditions are subject to uncertainties, the management believes that the demand for switching power supply units will not be adversely affected by the above factors due to the wide range of applications as a necessity in daily life. Thus the prospects for our business are promising. The Group will continue to provide one-stop customer services with the advanced technology and professional expertise on product development and production capacity so as to strive to overcome the challenges and explore more business opportunities in the future.

Regarding the switching power supply unit manufacturing industry in China, according to the market research, the total sales value from 2015 to 2018 will continue to increase at a compound annual growth rate of approximately 7.4%. Market drivers of switching power supply unit manufacturing industry in China include higher requirements technology innovation and product specifications due to continuous development of new products as well as the safety standards and energy-efficiency requirements which have been always leading the development of the industry.

For different product markets, the continuous revamp of new electronic and technology products will stimulate the demand for advanced switching power supply units. In particular, demand for the ultra-fast chargers supporting different electric power will further increase. The application scope will also expand from smartphones to other smart devices, digital AV products and laptops. As the impact of the macroeconomic cycle on the power tools market is relatively small, the demand for wireless chargers will grow steadily. The emerging electronic cigarettes market also sees huge growth potential, with a compound annual growth rate from 2015 to 2018 reaching 24.1% according to the market research. As electronic cigarettes are becoming more popular and the leading tobacco producers are joining the market, the Group will strive to establish relationships with more partners in order to capture the opportunities from the growing demand for electronic cigarettes in the future. As a leading switching power supply unit manufacturer, the Group will make best effort to increase its share within different markets.

In order to increase the market share, the Group aims to standardise its production model. Beyond being a switching power supply unit manufacturer, the Group also targets to provide one-stop solutions to customers. The Group will make full use of its expertise to provide customised solutions based on customers' needs in order to shorten the lead time of their products while reducing the Group's production cost, thus achieving a win-win situation for both parties.

The Group will also actively develop smart production facilities and products to enhance the automated production level and facilitate the upgrade of the general manufacturing industry in response to “Made in China 2025” (《中國製造2025》), the national strategic plan for the manufacturing industry. Following the listing of the Company’s shares on the Stock Exchange, the Group plans to complete the expansion of production bases and development of production facilities in Huizhou, Guangdong province and Hanzhong, Shaanxi province in the year of 2016. This includes installation of new production lines in Huizhou in order to enhance the flexibility of our Group’s operation and lower the production cost to satisfy the increasing demand for products.

In addition, the Group plans to increase the proportion of automated production so as to further improve the capability of enhancing the product quality as well as expand the production capacity by an estimate of 20%. Other than the installation of the new production equipment at the production bases to enhance the automated production level, the Group has also cooperated with the Hong Kong Productivity Council since the end of 2015 to efficiently implement the automated production program. The Hong Kong Productivity Council is to evaluate the achievements of our Group and provide suggestions or guidelines for immediate rectification or improvement in the mid-to-long term as to formulate improvement plans to speed up the upgrade and transformation of technology and improve production efficiency.

Last but not least, we will actively seeking potential opportunities for mergers and acquisitions as well as expansion of production capacity in different markets, with an aim to improve the Group’s operation and financial performance.

## **FINANCIAL REVIEW**

### **Revenue**

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

The total revenue increased by 16.9% from HK\$1,930.5 million for the year ended 31 December 2014 to HK\$2,256.0 million for the year ended 31 December 2015. The increase was mainly attributable to the increase in the volume of products sold as a result of the increase in the demand from our customers.

## Revenue by product segment

The following table sets forth the breakdown of our revenue by product segment for the year ended 31 December 2015 and the comparative figures.

	Year ended 31 December			
	2015		2014	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Switching power supply units for consumer products				
Telecommunications equipment	<b>1,018,249</b>	<b>45.1</b>	888,536	46.0
Media and entertainment equipment	<b>437,678</b>	<b>19.4</b>	401,841	20.8
Electronic cigarettes	<b>69,473</b>	<b>3.1</b>	107,886	5.6
Home electrical appliances	<b>125,460</b>	<b>5.6</b>	96,930	5.0
Others	<b>135,615</b>	<b>6.0</b>	88,389	4.6
Subtotal	<b>1,786,475</b>	<b>79.2</b>	1,583,582	82.0
Smart chargers and controllers for industrial use	<b>469,479</b>	<b>20.8</b>	346,932	18.0
Total revenue	<b>2,255,954</b>	<b>100.0</b>	1,930,514	100.0

During the year ended 31 December 2015, the sales of smart chargers and controllers for industrial use increased by 35.3% from HK\$347.0 million for the year ended 31 December 2014 to HK\$469.5 million for the year ended 31 December 2015 as a result of our launching of new products and consolidation of our marketing effort in the prior years. Sales of switching power supply units for electronic cigarettes decreased during the year ended 31 December 2015 as our customers have no new product launched during the same period. Sales of other sector increased by 53.4% from HK\$88.4 million for the year ended 31 December 2014 to HK\$135.6 million for the year ended 31 December 2015 as the demand for our switching power supply unit for LED Lighting increased during the same period.

## Revenue by geographic location

The following table sets out an analysis of the total revenue by geographic region, and 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.

	Year ended 31 December			
	2015		2014	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
PRC, excluding HK	<b>1,230,561</b>	<b>54.5</b>	1,264,744	65.5
USA	<b>351,346</b>	<b>15.6</b>	181,618	9.4
Asia, excluding PRC	<b>373,183</b>	<b>16.5</b>	211,478	11.0
Europe	<b>265,573</b>	<b>11.8</b>	223,491	11.6
Others	<b>35,291</b>	<b>1.6</b>	49,183	2.5
Total revenue	<b><u>2,255,954</u></b>	<b><u>100.0</u></b>	<u>1,930,514</u>	<u>100.0</u>

## Cost of Sales

Cost of sales primarily consists of cost of raw materials, direct labour costs and production overheads. Cost of raw materials 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.

Cost of sales increased by 16.7% during the year ended 31 December 2015, mainly attributable to the increase in business.

## Gross Profit and Gross Profit Margin

During the year ended 31 December 2015, the Group recorded a gross profit of HK\$390.3 million, representing an increase of 17.4% from 2014.

The gross profit margin of the Group increased from 17.2% for the year ended 31 December 2014 to 17.3% for the year ended 31 December 2015. The slight increase in gross profit margin of the Group was primarily due to the continuous shift of our product mix towards higher margin products and the implementation of cost-saving plans to reduce our sourcing costs and standardize our product quality.

## **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 and others. The decrease in other income is mainly attributable to the smooth line of our production process which produced less scrap material for sales.

## **Other Gains/(Losses) – Net**

Other gains/(losses) – net mainly consists of realized income/(loss) on derivative financial instruments for foreign exchange hedge purpose including structured currency forward contracts and target redemption currency forward contracts, 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. Other gain recorded for the year mainly due to a fair value loss provision made in the year ended 31 December 2014.

## **Selling Expenses**

Selling and marketing expenses primarily consist of employee benefit expenses, 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.

Selling and marketing expenses increased by 13.8% from HK\$85.4 million for the year ended 31 December 2014 to HK\$97.2 million for the year ended 31 December 2015. The increase was primarily attributable to the increase in the business of the Group and the exploitation of new customers.

## **Administrative Expenses**

Administrative expenses primarily consist of employee benefit expenses for administrative staff, depreciation, amortization and impairment charges, consultancy fee, transportation and travelling expenses, entertainment expenses, bank charges, research and development costs and others.

Administrative expenses increased by 41.4% from HK\$128.2 million for the year ended 31 December 2014 to HK\$181.2 million for the year ended 31 December 2015. The increase was primarily attributable to the increase in employee benefit expenses and professional fees paid in relation to the initial public offering. During the year, the initial public offering resulted in an increase in administrative expenses of HK\$20.7 million.

## **Finance expenses – net**

Net finance expenses represents interest charges on our interest-bearing bank borrowing and interest income on our bank deposits. The Group had net finance expenses of HK\$4.8 million and HK\$1.5 million for the year ended 31 December 2015 and 2014, respectively.

## **Income Tax Expenses**

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

Income tax expense consists of current income tax and deferred income tax. Current income tax consists of PRC enterprise income tax at a rate of 25% that the PRC subsidiaries of the Group pay on their taxable income. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for our subsidiaries in Hong Kong. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Income tax expense decreased from HK\$33.8 million for the year ended 31 December 2014 to HK\$23.8 million for the year ended 31 December 2015. The decrease in income tax expense was primarily due to the payment of dividends and reversal of withholding tax of its subsidiaries in the PRC. Profits contribution from the Hong Kong subsidiaries increased during the year and were taxed at 16.5% income rate. As of 31 December 2015, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

## **PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

As a result of the foregoing factors, profit and total comprehensive income for the year attributable to the owners of the Company increased by 88.0% to HK\$99.7 million for the year ended 31 December 2015 from HK\$53.1 million for the year ended 31 December 2014, having taking into account of the non-recurring listing expenses charged to income statement of approximately HK\$26.8 million and unrealised and realised gain/(loss) in derivative financial instruments including structured currency forward contracts and target redemption currency forward contracts of net gain of approximately HK\$7.9 million.

## ADJUSTED PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The table below sets out our profits attributable to owners of our Company excluding the effect of derivative financial instruments, net of income tax for the year ended 31 December 2015 and 2014.

	<b>For the Year ended 31 December</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit attributable to owners of our Company</b>	<b>127,601</b>	54,717
<b>Adjusted for derivative financial instruments (net of income tax):</b>		
<b>Unrealised gain/(loss)</b>		
Foreign exchange hedge purpose	23,428	(44,934)
Non-foreign exchange hedge purpose	(330)	227
<b>Realised gain/(loss)</b>		
Foreign exchange hedge purpose	(16,481)	5,945
Non-foreign exchange hedge purpose	–	(1,335)
<b>Profit attributable to owners of our Company excluding realised and unrealised gain/ (loss) in derivative financial instruments, net of income tax</b>	<b>120,984</b>	94,814

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of 31 December 2015, net current assets was HK\$129.7 million as compared with HK\$257.9 million of 31 December 2014. As of 31 December 2015, current ratio was 1.15 times (2014: 1.38 times) (Current ratio is calculated by using the following formula: Current Assets/Current Liabilities), mainly attributable to the net effect of payment of a special dividend of HK\$213.6 million and gross proceeds of HK\$137.5 million from the initial public offering received during the year ended 31 December 2015.

Cash generated from operations was HK\$141.5 million for the year ended 31 December 2015 (2014: HK\$162.3 million) and the decrease was mainly attributable to the granting of credits to customers.

Cash used in investing activities for the year ended 31 December 2015 was HK\$148.6 million (2014: HK\$49.5 million). During the year ended 31 December 2015, the Group invested HK\$155.2 million on payments and deposits for purchases of property, plant and equipment for the construction of new production facilities.

During the year ended 31 December 2015, net cash generated from financing activities was HK\$163.8 million (2014: net cash used in financing activities HK\$44.1 million), mainly attributable to gross proceeds from the initial public offering of HK\$137.5 million and net bank borrowings to finance the construction of new production facilities.

## DEBT MATURITY PROFILE

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 year	<b>118,031</b>	75,148
Between 1 and 2 years	<b>45,935</b>	16,853
Between 2 and 5 years	<b>41,607</b>	10,896
	<b>205,573</b>	102,897

## FINANCIAL RISK MANAGEMENT

### Foreign Exchange Risk

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

The Group generates a notable portion of revenue and receivables in USD and HKD, while our cost of sales is primarily denominated in RMB. For the year ended 31 December 2015, our revenue denominated in USD and HKD amounted to approximately 81.1% of our total revenue.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies and to mitigate the impact on exchange rate fluctuations. During the year ended 31 December 2015, no new forward foreign exchange contracts had been entered into by the Group.

As at 31 December 2015, the Group has one outstanding structured currency forward contract and four target redemption currency forward contracts for hedge purpose between RMB against HKD. The table below set out the key terms of the outstanding contract entered into between the Group and two licenced banks in Hong Kong:

<b>Ref.</b>	<b>Contract date/ Trading date</b>	<b>Expiry date/ Last settlement date</b>	<b>Term <sup>note</sup></b>	<b>Notional amount</b>	<b>Specific rate/Strike rate/ At-expiry knock-in rate ("EKI Rate")</b>
1.	2 January 2014	30 March 2016	24 settlements, approximately once a month	USD1,500,000	Lower strike rate at 6.10/ upper strike rate at 6.18
2.	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
3.	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
4.	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
5.	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 settle date varies in accordance with the terms of the contract.

As a result of the depreciation of RMB against USD during the year, approximately HK\$19.7 million of realized loss on derivative financial instruments had been recognized for year ended 31 December 2015.

A fair value gain on derivative financial instruments of approximately HK\$27.7 million had been recognized for the year ended 31 December 2015 due to significant part of the settlements were made during the year and the remaining terms of contract decrease as of 31 December 2015.

At the date of this announcement, all the target redemption currency forward contracts outstanding as at 31 December 2015 were terminated on completion of the terms.

Mr. Hung Kwong Yee, the executive director and chief executive officer of the Group, has made an indemnity in favour of the Group for all losses arising out of the settlements of the derivative financial instruments from the month of listing on the Stock Exchange until the expiry of all the derivative financial instruments. Such settlement have resulted in a loss of HK\$1.8 million during the period of December 2015 and Mr. Hung Kwong Yee had reimbursed the Group for the loss incurred.

## **Cash Flow and Fair Value Interest Rate Risk**

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 31 December 2015, the Group has bank borrowings of HK\$205.6 million (2014: HK\$102.9 million) which is primarily denominated in HK\$ and USD.

## **Credit Risk**

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

As at 31 December 2015, all of the bank balances, term deposits and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions. As at 31 December 2015 and 2014, the Group held bank balances, term deposits and restricted bank deposits totalling HK\$203.4 million, and HK\$109.2 million, respectively, with the four major banks in the PRC and Hong Kong.

## **Liquidity Risk**

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

## **CONTINGENT LIABILITIES**

As at 31 December 2015, the Group did not have any significant contingent liabilities.

## HUMAN RESOURCES

The Group employed a total of approximately 6,000 full-time employees as of 31 December 2015. The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favorable working environment. The Group constantly invests in training across diverse operational functions and offer competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

## CORPORATE GOVERNANCE PRACTICES

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

The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the CG Code since 11 December 2015, the date on which the shares of the Company were listed on the Stock Exchange (the “**Listing Date**”) and up to the date of this announcement, with the exception of code provision A.2.1.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the directors of the Company. Relevant employees who are likely to possess unpublished inside information of the Group are also subject to compliance with the Model Code. Following specific enquiry, each of the Directors and the relevant employees has confirmed compliance with the Model Code since the Listing Date and up to the date of this announcement.

## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of HK2 cents per share for the year ended 31 December 2015 (2014: NIL) to the Shareholders. The final dividend, if approved, will be payable on or around 28 June 2016 and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the “**AGM**”).

## **USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING**

The Company’s ordinary shares were listed on the Main Board of the Stock Exchange on 11 December 2015. The net proceeds from the initial public offering amounted to approximately HK\$120.6 million after deduction of related expenses. During the year ended 31 December 2015, the Group did not utilize any of the net proceeds from initial public offering. The unutilised net proceeds were deposited in two licensed banks in Hong Kong at the year end.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 26 May 2016 (Thursday) to 31 May 2016 (Tuesday), both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM. In order to be eligible to attend and vote at the forthcoming AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on 25 May 2016 (Wednesday).

The record date for qualifying to receive the proposed final dividend is 10 June 2016 (Friday). In order to determine the right of Shareholders entitled to receive the proposed final dividend, which is subject to the approval by Shareholders in the forthcoming AGM, the register of members of the Company will be closed from 6 June 2016 (Monday) to 10 June 2016 (Friday), both days inclusive. All transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on 3 June 2016 (Friday).

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

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

The Audit Committee has reviewed the annual report and the audited consolidated annual results of the Group for the year ended 31 December 2015 in conjunction with the Company’s management. The Audit Committee has also reviewed the effectiveness of the internal control system of the Company and considers the internal control system to be effective and adequate.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2015.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS**

The figures in respect of the Group’s results for the year ended 31 December 2015 as set out in this preliminary announcement have been agreed by the Group’s independent auditors, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong (“PricewaterhouseCoopers”) to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement of results.

## **ANNUAL GENERAL MEETING**

The AGM for the year ended 31 December 2015 is scheduled to be held on 31 May 2016 (Tuesday). A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.tenpao.com>) and the annual report for the year ended 31 December 2015 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board of  
**Ten Pao Group Holdings Limited**  
**Hung Kwong Yee**  
*Chairman*

Hong Kong, 24 March 2016

*As at the date of this announcement, the executive directors of the Company are Mr. Hung Kwong Yee, Mr. Hong Guangdai, Mr. Hung Sui Tak; and the independent non-executive directors of the Company are Mr. Lam Cheung Chuen, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung.*