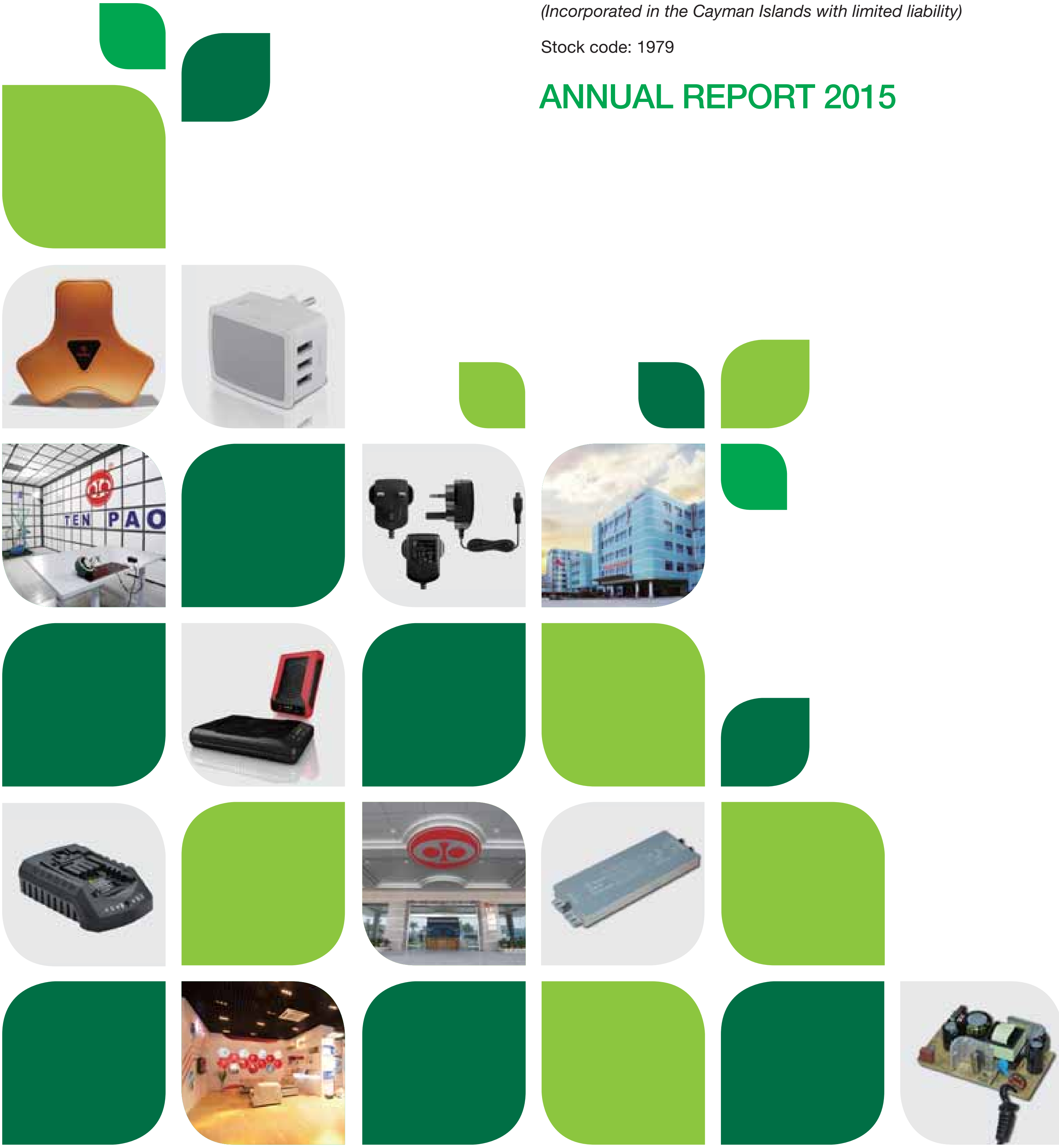
TEN PAO GROUP HOLDINGS LIMITED
天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1979

ANNUAL REPORT 2015



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hung Kwong Yee *(Chairman and Chief Executive Officer)*
Mr. Hong Guangdai
Mr. Hung Sui Tak

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Tse Chung Shing, *ACCA*

AUTHORIZED REPRESENTATIVES

Mr. Hung Kwong Yee
Mr. Tse Chung Shing

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dongjiang Industrial Zone
Shuikou Town
Huizhou City
Guangdong Province
PRC

SHARE REGISTRARS

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

HONG KONG LEGAL ADVISOR

Mayer Brown JSM
16-19/F, Prince's Building
10 Charter Road Central
Hong Kong

AUDITOR

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

COMPLIANCE ADVISOR

Guosen Securities (HK) Capital Company Limited
42/F, Two International Finance Centre
No.8 Finance Street
Central, Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

1979

COMPANY'S CORPORATE WEBSITE

www.tenpao.com

INVESTOR RELATIONS CONTACT

www.tenpao.com/investor.html

FINANCIAL HIGHLIGHTS

		Year ended 31 December		
		2015	2014	Change
Revenue	HK$'000	**2,255,954**	1,930,514	+16.9%
Operating profit	HK$'000	**156,228**	90,063	+73.5%
Profit for the year attributable to the owners of the Company	HK$'000	**127,601**	54,717	+133.2%
Gross profit margin	%	**17.3**	17.2	+0.6%
Operating profit margin	%	**6.9**	4.7	+46.8%
Profit margin attributable to owners of the Company	%	**5.7**	2.8	+103.6%
Earnings per share – basic and diluted per share	HK cents	**16.7**	7.3	+128.8%
Final dividend per share	HK cents	**2.0**	–	N/A

		As at 31 December		
		2015	2014	Change
Gearing ratio	%	**63.2**	27.9	+126.5%
Current ratio	times	**1.15**	1.38	-16.7%
Average inventory turnover period	days	**42**	45	-6.7%
Average trade receivables turnover period	days	**81**	80	+1.3%
Average trade payables turnover period	days	**93**	90	+3.3%

CHAIRMAN STATEMENT

On behalf of the Board of Directors ("Board"), I hereby present the audited consolidated results of Ten Pao Group Holdings Limited (the "Company") and its subsidiaries (together the "Group" or "we") 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 of Hong Kong Limited (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.

Hung Kwong Yee
Chairman
Hong Kong, 24 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

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 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	
	HK$'000	%	HK$'000	%
Switching power supply units for consumer products				
Telecommunications equipment	1,018,249	45.1	888,536	46.0
Media and entertainment equipment	437,678	19.4	401,841	20.8
Electronic cigarettes	69,473	3.1	107,886	5.6
Home electrical appliances	125,460	5.6	96,930	5.0
Others	135,615	6.0	88,389	4.6
Subtotal	1,786,475	79.2	1,583,582	82.0
Smart chargers and controllers for industrial use	469,479	20.8	346,932	18.0
Total revenue	2,255,954	100.0	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	
	HK$'000	**%**	HK$'000	%
PRC, excluding HK	**1,230,561**	**54.5**	1,264,744	65.5
USA	**351,346**	**15.6**	181,618	9.4
Asia, excluding PRC	**373,183**	**16.5**	211,478	11.0
Europe	**265,573**	**11.8**	223,491	11.6
Others	**35,291**	**1.6**	49,183	2.5
Total revenue	**2,255,954**	**100.0**	1,930,514	100.0

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 and a fair value gain recorded in the year ended 31 December 2015.

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.

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

BANK BORROWINGS

As at 31 December 2015, the Group's bank borrowings amounted to HK$205.6 million (31 December 2014: HK$102.9 million).

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

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

As at 31 December 2015, bank borrowings amounting to HK$178,136,000 (2014: HK$87,782,000) are secured over the following assets:

	2015 HK$'000	2014 HK$'000
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	29,811	–
	112,870	90,465

Bank borrowings amounting to HK$27,437,000 as at 31 December 2015 (2014: HK$15,115,000) 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 31 December 2015.

The carrying amounts of the borrowings are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK$	113,784	76,308
USD	91,625	26,589
WON	164	–
	205,573	102,897

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

	2015 HK$'000	2014 HK$'000
Borrowings at floating rates		
6 months or less	**20,400**	9,795
6–12 months	**27,900**	21,626
1–5 years	**87,542**	27,749
Borrowings at fixed rates	**69,731**	43,727
Total	**205,573**	102,897

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

	2015	2014
Bank borrowings denominated in:		
HK$	**2.44%**	2.26%
USD	**3.09%**	3.78%

GEARING RATIO

As at 31 December 2015, the Group's gearing ratio (as measured by total debt to total equity) was 63.2% (31 December 2014: 27.9%). Net debt to equity ratio (as measured by net debt to total equity) was 0.7% (31 December 2014: a net cash position of 1.7%). Net debt is calculated as total borrowing less cash, cash equivalents and restricted bank deposits.

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:

Ref.	Contract date/ Trading date	Expiry date/ Last settlement date	Term note	Notional amount	Specific rate/Strike rate/ At-expiry knock-in rate ("EKI Rate")
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 report, all the currency forward contracts outstanding as at 31 December 2015 were terminated on completion of the terms.

Mr. Hung Kwong Yee ("Chairman Hung" or "Mr. Hung"), 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. For the year under review, the employee benefit expenses of the Group was approximately HK$483.9 million (2014: approximately HK$362.5 million), representing an increase of 33.5%, mainly due to the increased head counts and average salary during the year 31 December 2015. The remuneration paid to the directors for the year ended 31 December 2015 was approximately HK$7.0 million (2014: HK$1.8 million).

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.

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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Except as disclosed in" History, Development and Reorganisation" in the Prospectus, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies for the year ended 31 December 2015.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

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

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.

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.

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.

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.

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.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Cheung Chuen (林長泉先生), aged 62, 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 Lun (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 44, is an Independent non-executive Director. At present, Mr. Chu is a Managing Director of Halcyon Capital Limited which specializes in initial public offerings and corporate advisory in mergers and acquisitions. Mr. Chu possesses over 20 years of experience in corporate finance and auditing. Mr. Chu used to work for an international accounting firm and other corporate finance arms of listed financial institutions in Hong Kong. Mr. Chu graduated from the University of Western Ontario in Canada with a Bachelor of Arts degree in 1992 and from the University of Hull in the United Kingdom with a Master of Business Administration (Investment & Finance) degree in 1997. He also obtained a Diploma in Accounting from the School of Business and Economics of the Wilfrid Laurier University in Canada in 1993. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chu is also an independent non-executive director of Hong Kong Finance Group Limited (Stock Code: 1273) (the shares of which are listed in the main board of the Stock Exchange).

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 31 March 2016	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
November 2015 to Present	China Goldjoy Group Limited (listed on the Stock Exchange (Stock Code: 1282))	Independent non-executive director
November 2015 to Present	FSE Engineering Holdings Limited (listed on the Stock Exchange (Stock Code: 331))	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.

SENIOR MANAGEMENT

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

Mr. Tse Chung Shing (謝仲成先生), aged 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. (深圳市佳士科技股份有限公司), a welder equipment manufacturing company listed on the Shenzhen Stock Exchange (Stock Code: 300193). Mr. Li received a diploma in industrial enterprise management from the Chengdu Electromechanical College (成都電子機械高等專科學校) in the PRC in July 1999 and a master's degree in business management from the University of Electronic Science and Technology (電子科技大學) in the PRC in June 2010.

Mr. 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 Hankong University (南昌航空大學) (formerly known as Nanchang Hankong Industrial College (南昌航空工業學院)) in the PRC in July 1995.

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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND 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 report, 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 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.

BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate the Group's overall long-term strategy, to supervise the performance of the management and to assess the results and achievement of the Group on an on-going basis. The Board confines itself to making decisions on major operational and financial matters as well as investments. In addition, the Board has also established three Board committees, namely the audit committee, the nomination committee and the remuneration committee, and has delegated to these Board committees various responsibilities set out in their respective terms of reference.

BOARD COMPOSITION

The Board comprises six Directors and it has a balance of skills and experience appropriate for the requirements of the Group's businesses. As at 31 December 2015, three of the Directors are executive Directors, namely, Mr. Hung Kwong Yee (Chairman and Chief Executive Officer), Mr. Hong Guangdai and Mr. Hung Sui Tak; and three of the Directors are independent non-executive Directors, namely, Mr. Lam Cheung Chuen, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung. The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. Mr. Hong Guangdai is the younger brother of Mr. Hung Kwong Yee and the uncle of Mr. Hung Sui Tak. Mr. Hung Sui Tak is the son of Mr. Hung Kwong Yee. Save as disclosed above, the Directors have no financial, business, family or other material/relevant relationships with each other.

Since the Listing Date, the Board at all times met the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors which represent at least one-third of the Board, and complied with the requirement that at least one of them has appropriate professional qualifications of accounting or related financial management expertise. Pursuant to Rule 3.13 of the Listing Rules, the Company has received written confirmation from each of the independent non-executive Directors of his independence from the Company. On this basis, the Company considers all independent non-executive Directors to be independent.

The Company has arranged for the Directors relevant insurance cover for indemnifying their legal liabilities arising from corporate activities.

BOARD PRACTICES

Since the Listing Date and up to 31 December 2015, no Board meetings were held. Subsequent to the end of 2015 and up to the date of this report, two Board meetings were held on 11 January and 24 March 2016 respectively to discuss the overall corporate strategies and approve the Group's final results for the year ended 31 December 2015 respectively. Going forward, the Board will hold at least four meetings each year at approximately quarterly intervals to discuss the Group's business development, operations and financial performance. Notice of at least 14 days was given to all Directors for all regular Board meetings and a formal agenda was addressed to the Directors together with the notice. All Directors were provided with adequate information which enabled them to make informed decisions on the matters discussed and considered at the Board meetings. The Directors can obtain independent professional advice at the Company's expense when required. Details of the attendance of the Directors to the Board meetings subsequent to the end of 2015 and up to the date of this report are as follows:

Name of Director	Number of Board meetings attended	Attendance rate
Executive Directors:		
Mr. Hung Kwong Yee	2	100%
Mr. Hong Guangdai	2	100%
Mr. Hung Sui Tak	2	100%
Independent Non-executive Directors:		
Mr. Lam Cheung Chuen	2	100%
Mr. Chu Yat Pang Terry	2	100%
Mr. Lee Kwan Hung	2	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Despite the requirements under code provision A.2.1 of the CG Code, both the roles of the chairman of the Board and the chief executive officer of the Company vest in Mr. Hung Kwong Yee. The Board is of the view this arrangement provides the Company with strong and consistent leadership. Please refer to the paragraph headed "Corporate Governance Principles and Practices" on page 27 above for more details.

CONTINUOUS PROFESSIONAL DEVELOPMENT

As part of the ongoing development of the Directors, they are encouraged to equip themselves with the latest developments of the Listing Rules and other applicable legal and regulatory requirements, industry knowledge and managerial skills in relation to the operation of the Group's business. During the year ended 31 December 2015, the Company arranged for the Directors, among other trainings, a seminar on the Listing Rules and the Companies Ordinance regarding the continuing obligations and duties of a company listed on the Stock Exchange and its directors, which was attended by all Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election. Each of the executive Directors has entered into a service contract with the Company for an initial term of three years. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years.

According to Article 108 of the Articles of Association of the Company, at each annual general meeting of the Company, one-third of the current Directors, or if there are not three or a multiple of three, then the number nearest to but not less than one-third, should retire from office by rotation at least once every three years. A retiring Director shall be eligible for re-election. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the first general meeting of the Company after his appointment and shall be subject to re-election at such meeting.

In the forthcoming annual general meeting of the Company, Mr. Hung Kwong Yee and Mr. Hung Sui Tak will retire as Directors in accordance with Article 108 of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

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 report.

COMMITTEES OF THE BOARD

Audit Committee

The audit committee was set up with written terms of reference with effect from 23 November 2015 in compliance with Rule 3.21 of the Listing Rules and of CG Code. It currently comprises three members, all of whom are independent non-executive Directors, namely, Mr. Chu Yat Pang Terry, Mr. Lam Cheung Chuen ad Mr. Lee Kwan Hung. The Chairman of the audit committee is Mr. Chu Yat Pang Terry who has appropriate professional qualifications.

The audit committee is established to, without limitation, assist the Board to provide an independent review and supervision of the Group's financial and accounting policies, to oversee the financial control, internal control and risk management systems of the Group, to oversee the audit process, and to perform other duties and responsibilities as delegated by the Board.

No audit committee meeting was held during the year ended 31 December 2015 as the Company was listed on the Stock Exchange on 11 December 2015.

Subsequent to the end of 2015 and up to the date of this report, the audit committee held two meetings with external auditors of the Company and performed:

- discussed with external auditors before the audit commenced, the nature of scope of the audit and the respective relevant issues;
- review of the annual results announcement and the annual report for the year ended 31 December 2015, with a recommendation to the Board for approval;
- review PricewaterhouseCoopers' report for the audit committee and the management representation letter for the year ended 31 December 2015, with a recommendation to the Board for the re-appointment of PricewaterhouseCoopers at the forthcoming annual general meeting; and
- review and approval of continuing connected transactions for the year ended 31 December 2015.

The attendance records of its members are set out as follows:

Name of Director	Number of meetings attended	Attendance rate
Mr. Chu Yat Pang Terry *(Chairman)*	2	100%
Mr. Lam Cheung Chuen	2	100%
Mr. Lee Kwan Hung	2	100%

Nomination Committee

The nomination committee was set up with written terms of reference with effect from 23 November 2015 in compliance with the CG Code. It comprises four members, including Mr. Hung Kwong Yee, Chairman of the Board, together with three independent non-executive Directors, namely, Mr. Chu Yat Pang Terry, Mr. Lam Cheung Chuen and Mr. Lee Kwan Hung. Mr. Hung Kwong Yee is the Chairman of the nomination committee.

The primary responsibilities of the nomination committee include (but without limitation), recommending to the Board on the appointment and re-appointment of Directors and succession planning for Directors, assessing the independency of independent non-executive directors and reviewing the structure, size and composition of the Board at least annually. The nomination committee meets at least once a year to review, and to recommend to the Board, the structure, size and composition (including the skills, knowledge and experience) of the Board and senior management of the Company.

No nomination committee meeting was held during the year ended 31 December 2015 as the Company was listed on the Stock Exchange on 11 December 2015.

Subsequent to the end of 2015, a nomination committee meeting was held to review and discuss the composition of the Board of the Company and to assess the independency of independent non-executive directors. The attendance records of its members are set out as follows:

Name of Director	Number of meetings attended	Attendance rate
Mr. Hung Kwong Yee *(Chairman)*	1	100%
Mr. Chu Yat Pang Terry	1	100%
Mr. Lam Cheung Chuen	1	100%
Mr. Lee Kwan Hung	1	100%

Remuneration Committee

The remuneration committee was set up with written terms of reference with effect from 23 November 2015 in compliance with Rule 3.21 of the Listing Rules and of the CG Code. It comprises four members, including Mr. Hung Kwong Yee, Chairman of the Board, together with three independent non-executive Directors, namely, Mr. Lee Kwan Hung, Mr. Lam Cheung Chuen and Mr. Chu Yat Pang Terry. Mr. Lee Kwan Hung is the Chairman of the remuneration committee.

The primary responsibilities of the remuneration committee include (but without limitation) making recommendations to the Board on the remuneration policy and structure for Directors and senior management's remuneration and on the establishment of a formal and transparent procedure for developing such policies.

Details of the amount of Directors' emoluments during the year ended 31 December 2015 are set out in note 39 to the consolidated financial statements in this annual report. The emolument policy of the Group has taken into account the relevant employees' merit, qualifications and competence, as well as market rates. The Directors' emoluments are determined with reference to the Company's operating results, individual performance and the prevailing market rates.

No remuneration committee meeting was held during the year ended 31 December 2015 as the Company was listed on the Stock Exchange on 11 December 2015.

Subsequent to the end of 2015, a remuneration committee meeting was held and the attendance records of its members are set out as follows:

Name of Director	Number of meetings attended	Attendance rate
Mr. Lee Kwan Hung *(Chairman)*	1	100%
Mr. Hung Kwong Yee	1	100%
Mr. Lam Cheung Chuen	1	100%
Mr. Chu Yat Pang Terry	1	100%

BOARD DIVERSITY POLICY

The Board seeks to achieve board diversity, with the assistance of the nomination committee, to appoint board member by making reference to various diversity factors, including but not limited to difference in skills, experience and background, geographical and industry experience, ethnicity and gender.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established. The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

DIRECTOR'S RESPONSIBILITY IN RESPECT OF FINANCIAL REPORTING

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs and results of the Group. In doing so, the Directors opted for suitable accounting policies and applied them consistently and used accounting estimates as appropriate in the circumstances. With the assistance of the accounting and finance staffs, the Directors ensured that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

COMPETING INTERESTS

During the period from the Listing Date to 31 December 2015, none of the Directors is considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPANY SECRETARY

Mr. Tse Chung Shing is the company secretary of the Company. All the Directors have access to the advice and services of the company secretary at any time in relation to their duties and operation of the Board. During the year ended 31 December 2015, Mr. Tse undertook not less than 15 hours of relevant professional training to update their skills and knowledge.

EXTERNAL AUDITOR

During the year ended 31 December 2015, the Group had engaged external auditor, PricewaterhouseCoopers, to provide the following services to the Group:

Service rendered	HKD'000
Audit services	
Audit fee for the year ended 31 December 2015	approximately 2,857
Non-audit services	
Corporate governance advisory	approximately 870
Total	approximately 3,727

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for safeguarding the shareholders' interest and the Group's assets as well as for achieving the business objectives of the Group. A comprehensive internal control system is established and implemented by the Group during the year ended 31 December 2015 to manage, rather than eliminate, the risks to which the Group is exposed in relation to its business operation.

The Board confirms that it has reviewed the effectiveness of the internal control system of the Group for the year ended 31 December 2015 and that it considers that the system is reasonably effective and adequate. The review covered all material controls including financial, operational and compliance controls and the risk management function, as well as the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff, and their training programmes and budget.

During the year ended 31 December 2015, the audit committee has also reviewed the procedures and effectiveness of the internal control system of the Group and the procedures by which the employees may report on any possible misconduct in financial reporting, internal control or other aspects of the Company.

SHAREHOLDERS' RIGHTS

The Company aims to establish fair and transparent procedures to enable all its shareholders an equal opportunity to exercise their rights in an informed manner and communicates efficiently with the Company. Under the Company's Articles of Association and the relevant policies and procedures of the Company, the shareholders of the Company enjoy, among others, the following rights:

1. Convene an extraordinary general meeting/put forward proposals:

Any shareholder(s) holding, at the date of deposit of the requisition, not less than 10% of the paid up capital of the Company may request the Board of Directors to convene an extraordinary general meeting. The requisition of the shareholder(s) concerned must clearly state the purposes and transaction of business of the meeting and must be deposited at the Hong Kong office of the Company at Room 610-12, 6th Floor, Kwong Sang Hong Centre, 151-153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong for the attention of the Board or the company secretary. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under Article 64 of the Company's Articles of Association once a valid requisition is received.

2. Propose a person for election as a Director:

As regards to the procedures for proposing a person for election as a Director, please refer to "Procedures for Shareholders to Propose a Person for Election as a Director" under the section headed "Corporate Governance" of the Company's website at www.tenpao.com*.

3. Put forth enquiries to the Company:

Specific enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's Hong Kong office at Room 610-12, 6th Floor, Kwong Sang Hong Centre, 151-153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

INVESTOR AND SHAREHOLDER RELATIONS

In order to develop and maintain a continuing and constructive relationship with the Company's shareholders, the Company has compiled a Shareholders Communication Policy and established various channels of communication with its shareholders, such as publication of interim and annual reports, press releases and announcements of the latest development of the Company in a timely manner. The shareholders are also encouraged to attend the Company's annual general meetings where the Chairman and members of different Board committees are available to answer shareholders' questions and exchange views with them.

Financial and other information relating to the Group has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tenpao.com).

CONSTITUTIONAL DOCUMENTS

Since the Listing Date and up to the date of this report, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Article of Association is available on both the websites of the Stock Exchange and the Company.

DIRECTORS' REPORT

The Board of Directors is pleased to present their first report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated financial statements on pages 49 to 55.

The Board has recommended the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31 December 2015, representing a total payment of approximately HK$20.0 million. The proposed final dividend payment is subject to approval by the shareholders of the Company at the forthcoming annual general meeting ("AGM") to be held on 31 May 2016. If approved by shareholders, the final dividend is expected to be paid on or about 28 June 2016 to the shareholders whose names appear on the register of members of the Company on 10 June 2016.

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).

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last four years ended 31 December 2015 are set out in the section headed "Four-year Financial Summary" on page 118 of this annual report as the published audited results of the Group are available only from the year ended 31 December 2012.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 25 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 25, 26 and 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the reserves of the Company available for distribution to shareholders amounted to approximately HK$463,130,000 (2014: HK$Nil).

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2015 amounted to HK$2,565,000 (2014: HK$1,942,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in Property, Plant and Equipment of the Group are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movement in investment properties of the Group are set out in note 14 to the consolidated financial statements.

BORROWINGS

Details of borrowings are set out in note 27 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company adopts a share option scheme (the "Share Option Scheme") to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group. As at 31 December 2015, no option had been granted or agreed to be granted under the Share Option Scheme. A summary of the terms of the Share Option Scheme is set out in the prospectus of the Company dated 30 November 2015 (the "Prospectus").

Apart from the Share Option Scheme which the Directors are entitled to participate in, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the percentage of the Group's turnover attributable to the Group's largest customers and the five largest customers in aggregate were 15.4% and 48.5% (2014: 15.3% and 52.6% respectively) respectively.

During the year ended 31 December 2015, the percentage of the Group's purchases attributable to the Group's largest suppliers and the five largest suppliers in aggregate were 4.4% and 14.1% (2014: 7.1% and 17.5% respectively) respectively.

During the year ended 31 December 2015, none of the Directors or any of their close associates or any shareholders which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFIT SCHEMES

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

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.

DIRECTORS

The Directors during the year ended 31 December 2015 and up to the date of this annual report are:

Executive Directors	Date of Appointment
Mr. Hung Kwong Yee	January 2015
Mr. Hong Guangdai	June 2015
Mr. Hung Sui Tak	January 2015
Independent Non-executive Directors	
Mr. Lam Cheung Chuen	November 2015
Mr. Chu Yat Pang Terry	November 2015
Mr. Lee Kwan Hung	November 2015

In the forthcoming annual general meeting of the Company, Mr. Hung Kwong Yee and Mr. Hung Sui Tak will retire as Directors in accordance with Article 108 of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 36 "Related party transactions" to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2015 or at any time during 2015 since the Listing Date.

DIRECTORS' RIGHTS TO PURCHASE SHARE OR DEBENTURES

At no time during the year under review, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors of the Company to acquire benefits by mean of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such rights.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

Save for the continuing connected transactions as disclosed below, during the year ended 31 December 2015, the Group has not carried out any connected transactions that are not, since the Listing Date, exempt from annual reporting requirement in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Continuing connected transactions

The Group has entered into the following continuing connected transactions:

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Huizhou Tiannengyuan Tenancy Agreement

Below sets out the summary of the terms of the Huizhou Tiannengyuan Tenancy Agreement:

Date	:	23 October 2015
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

The annual caps of rent receivable from Huizhou Tiannengyuan for each of the three years ending 31 December 2017 are 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. The actual transaction amount under the Huizhou Tiannengyuan Tenancy Agreement during the year ended 31 December 2015 was HK$132,000.

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 is a connected person of our Company and the leasing of properties pursuant to the Huizhou Tiannengyuan Tenancy Agreement constitutes continuing connected transactions for our Company.

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 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.

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

Sky Fortune Tenancy Agreement

Below sets out the summary of the terms of the Sky Fortune Tenancy Agreement:

Date	:	23 October 2015
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

The annual caps of rent payable by Ten Pao International to Sky Fortune Enterprises Limited for each of the three years ending 31 December 2017 are 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. The actual transaction amount under the Sky Fortune Tenancy Agreement during th year ended 31 December 2015 was HK$352,000.

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 is an associate of Chairman Hung and a connected person of our Company and the leasing of properties pursuant to the Sky Fortune Tenancy Agreement constitutes continuing connected transactions for our Company.

Golden Ocean Tenancy Agreement

Below sets out the summary of the terms of the Golden Ocean Tenancy Agreement:

Date	:	23 October 2015
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

The annual caps of rent payable by Jinhu Industrial to Huizhou Golden Ocean Magnet Wire Factory for each of the three years ending 31 December 2017 are 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. The actual transaction amount under the Golden Ocean Tenancy Agreement during the year ended 31 December 2015 was HK$1,822,000.

Huizhou Golden Ocean Magnet Wire Factory is a factory engaged in the operation of imported material processing. 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 is an associate of Chairman Hung and a connected person of our Company and the leasing of properties pursuant to the Golden Ocean Tenancy Agreement constitutes continuing connected transactions for our Company.

Tiannengyuan Charging Tenancy Agreement

Below sets out the summary of the terms of the Tiannengyuan Charging Tenancy Agreement:

Date	:	23 November 2015
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

The annual caps of rent payable by Ten Pao Electronic (Huizhou) to Tiannengyuan Charging for each of the three years ending 31 December 2017 are 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.

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 is an associate of Chairman Hung and a connected person of our Company and the leasing of properties pursuant to the Tiannengyuan Charging Tenancy Agreement constitutes continuing connected transactions for our Company.

To aggregate the transactions of leasing of properties by our Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate rent payable to the associates of Chairman Hung as mentioned above by our Group for each of the three years ending 31 December 2017 will not exceed HK$7,602,475, HK$7,602,475, and HK$7,602,475. The actual transaction amount under the Tiannengyuan Charging Tenancy Agreement during the year ended 31 December 2015 was HK$373,000.

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

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.

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. The actual transaction amount under the Hui He Printing Framework Purchase Agreement during the year ended 31 December 2015 was HK$2,533,000.

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 is a connected person of our Company and the transactions pursuant to the Hui He Printing Framework Purchase Agreement constitute continuing connected transactions for our Company.

Since each of the applicable percentage ratios (other than the profits ratio) for the Hui He Printing Framework Purchase Agreement is 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)

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.

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 2016, respectively. The actual transaction amount under the Tiandong Ten Pao Framework Processing Agreement during the year ended 31 December 2015 was HK$4,329,000.

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 and the transactions pursuant to the Tiandong Ten Pao Framework Processing Agreement constitute continuing connected transactions for our Company.

Since each of the applicable percentage ratios (other than the profits ratio) for the Tiandong Ten Pao Framework Processing Agreement is 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)

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.

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 2017, respectively. The actual transaction amount under the Xinyang Cables Framework Purchase Agreement during the year ended 31 December 2015 was HK$9,098,000.

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 is deemed as a connected person of our Company and the transactions pursuant to the Xinyang Cables Framework Purchase Agreement constitute continuing connected transactions for our Company.

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)

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.

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. The actual transaction amount under the Golden Ocean Framework Purchase Agreement during the year ended 31 December 2015 was HK$73,889,000.

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 is a connected person of our Company and the transactions pursuant to the Golden Ocean Framework Purchase Agreement constitute continuing connected transactions for our Company.

Since each of the applicable percentage ratios (other than the profits ratio) for the Golden Ocean Framework Purchase Agreement is 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.

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" 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.

the transactions contemplated thereunder were set out in the Prospectus.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms or better; and

c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

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

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 36 to the consolidated financial statements. Those related party transactions which constituted connected transactions/ continuing connected transactions under the Listing Rules, which are set out in the paragraph headed "Connected Transactions and Continuing Connected Transactions" on page 38, have complied with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2015, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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

As of 31 December 2015, save as disclosed, no Director, Supervisor or chief executive of the Company had interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Model Code of Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Long position in Shares

Name of the Directors and Chief Executive Officer	Capacity/Nature of interest	Number of Shares held	Percentage of total share capital
Mr. Hung Kwong Yee	Beneficial Owner	750,000,000	75%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the interests and short position of substantial shareholders (other than the Directors and chief executive officers) in the shares and the underlying shares of the Company which fall to be disclosured to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long Position in Shares

Name of Shareholder	Capacity/nature of interest	Number of Shares or securities held[2]	Approximate percentage of shareholding
Even Joy Holdings Limited ("Even Joy")[2]	Beneficial owner	450,000,000	45%
The Trustee[3]	Trustee of a discretionary trust	300,000,000	30%
TinYing Holdings Limited ("TinYing Holdings")	Interest in a controlled corporation	300,000,000	30%
TinYing Investments Limited ("TinYing Investments")	Beneficial owner	300,000,000	30%

Notes

(1) All interests stated are long positions.

(2) Mr. Hung Kwong Yee is the sole shareholder of Even Joy which holds 450,000,000 Shares. In addition, Mr. 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, Mr. 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 Mr. Hung as settlor and Vistra Trust (BVI) Limited as trustee. The beneficiaries of the Family Trust are Mr. 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 above, as at 31 December 2015, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, from 11 December 2015, the date on which the shares of the Company were listed on the Stock Exchange, up to the date of this report, there has been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 27 to 34 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Board of Directors is responsible for the preparation of accounts for each financial period, which gives a true and fair view of the state of affairs of the Group and of the results and cashflows for that period. In preparing these accounts for the year ended 31 December 2015, the Board of Directors has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and has prepared the accounts on a going concern basis. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Board of Directors is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held on 31 May 2016 (Tuesday). Notice of AGM will be published on the websites of the Company (www.tenpao.com) and the Stock Exchange (www.hkexnews.hk) and will be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules. No AGM was convened during the year ended 31 December 2015 as the Company was listed on 11 December 2015.

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

Hong Kong, 24 March 2016

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report
To the shareholders of Ten Pao Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ten Pao Group Holdings Limited (the "Company") and its subsidiaries set out on pages 49 to 117, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2016

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2015	2014
	Note	**HK$'000**	HK$'000
REVENUE	*5*	**2,255,954**	1,930,514
Cost of sales	*7*	**(1,865,685)**	(1,598,114)
Gross profit		**390,269**	332,400
Other income	*6*	**19,782**	21,866
Other gains/(losses)-net	*6*	**24,559**	(50,620)
Selling expenses	*7*	**(97,188)**	(85,429)
Administrative expenses	*7*	**(181,194)**	(128,154)
Operating profit		**156,228**	90,063
Finance income	*9*	**800**	788
Finance expenses	*9*	**(5,606)**	(2,291)
Finance expenses-net		**(4,806)**	(1,503)
Profit before income tax		**151,422**	88,560
Income tax expense	*10*	**(23,821)**	(33,843)
Profit for the year attributable to the owner of the Company		**127,601**	54,717
Earnings per share			
– basic and diluted per share	*11*	**HK16.7 cents**	HK7.3 cents

The notes on pages 56 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
Profit for the year		**127,601**	54,717
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit and loss			
Currency translation differences		**(27,825)**	(1,592)
Change in value of available-for-sale financial assets	*16*	**(41)**	(66)
		(27,866)	(1,658)
Total comprehensive income for the year attributable to owners of the Company		**99,735**	53,059

The notes on pages 56 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Land use rights	*12*	**5,781**	6,320
Property, plant and equipment	*13*	**279,595**	183,524
Investment properties	*14*	**5,560**	5,300
Intangible assets	*15*	**2,125**	2,803
Investment in an associate	*33*	**–**	7,606
Deferred income tax assets	*30*	**20,361**	14,972
Financial assets at fair value through profit or loss-non current	*23*	**2,710**	2,624
Prepayments for the purchase of property, plant and equipment		**5,489**	4,293
		321,621	227,442
Current assets			
Inventories	*19*	**216,015**	213,301
Trade and other receivables	*20*	**585,301**	444,219
Amounts due from related parties	*36(c)*	**–**	173,332
Available-for-sale financial assets	*16*	**–**	2,059
Derivative financial instruments	*22*	**–**	1
Cash and cash equivalents	*21*	**187,458**	85,256
Restricted bank deposits	*24*	**15,908**	23,968
		1,004,682	942,136
Total assets		**1,326,303**	1,169,578
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*25*	**10,000**	–
Share premium	*25*	**125,064**	–
Other reserves	*26*	**14,124**	44,259
Retained earnings		**176,190**	324,209
Total equity		**325,378**	368,468

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*27*	**87,542**	27,749
Deferred income tax liabilities	*30*	**28,080**	41,310
Derivative financial instruments	*22*	**737**	40,582
Deferred government grants	*28*	**9,553**	7,264
		125,912	116,905
Current liabilities			
Trade and other payables	*29*	**706,267**	509,694
Amounts due to related parties	*36(d)*	**4,229**	46,305
Income tax liabilities		**40,124**	44,427
Short-term bank borrowings	*27*	**69,731**	43,727
Current portion of non-current bank borrowings	*27*	**48,300**	31,421
Derivative financial instruments	*22*	**6,362**	8,631
		875,013	684,205
Total liabilities		**1,000,925**	801,110
Total equity and liabilities		**1,326,303**	1,169,578

The financial statements on pages 49 to 117 were approved by the Board of Directors on 24 March 2016 and were signed on its behalf.

Hung Kwong Yee
Director

Hong Guangdai
Director

The notes on pages 56 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Other reserves: Statutory reserves HK$'000	Other reserves: Capital reserves HK$'000	Other reserves: Exchange reserves HK$'000	Other reserves: Available-for-sale financial assets reserves HK$'000	Other reserves: Total HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2014	–	–	5,370	4,767	33,406	107	43,650	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	–	–	–	–	–	(66)	(66)	–	(66)
Total comprehensive income	–	–	–	–	(1,592)	(66)	(1,658)	54,717	53,059
Transaction with owners									
Deemed distribution	–	–	–	(1,000)	–	–	(1,000)	–	(1,000)
Appropriation to statutory reserves	–	–	3,267	–	–	–	3,267	(3,267)	–
Transaction with owners, recognised directly in equity	–	–	3,267	(1,000)	–	–	2,267	(3,267)	(1,000)
Balance at 31 December 2014	–	–	8,637	3,767	31,814	41	44,259	324,209	368,468

	Share capital HK$'000	Share premium HK$'000	Other reserves: Statutory reserves HK$'000	Other reserves: Capital reserves HK$'000	Other reserves: Exchange reserves HK$'000	Other reserves: Available-for-sale financial assets reserves HK$'000	Other reserves: Total HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2015	–	–	8,637	3,767	31,814	41	44,259	324,209	368,468
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	127,601	127,601
Other comprehensive income									
Currency translation difference	–	–	–	–	(27,825)	–	(27,825)	–	(27,825)
Change in value of available-for-sale financial assets *(Note 16)*	–	–	–	–	–	(41)	(41)	–	(41)
Total comprehensive income	–	–	–	–	(27,825)	(41)	(27,866)	127,601	99,735
Contributions by and distributions to owners of the Company recognised directly in equity									
Share issuance *(Note 25)*	2,500	135,000	–	–	–	–	–	–	137,500
Share issuance costs *(Note 25)*	–	(16,886)	–	–	–	–	–	–	(16,886)
Capitalisation Issue *(Note 25(b))*	7,500	(7,500)	–	–	–	–	–	–	–
Novation of derivative financial instruments transferred from capital reserves *(Note 26)*	–	14,450	–	–	–	–	–	–	14,450
Dividends *(Note 31)*	–	–	–	–	–	–	–	(213,553)	(213,553)
Total contributions by and distributions to owners of the Company for the year	10,000	125,064	–	–	–	–	–	(213,553)	(78,489)
Transaction with owners									
Deemed distribution *(Note 36 (b)(vii))*	–	–	–	(3,429)	–	–	(3,429)	(71,353)	(74,782)
Deemed contribution *(Note 36 (b)(vii))*	–	–	–	–	–	–	–	10,446	10,446
Appropriation to statutory reserves	–	–	1,160	–	–	–	1,160	(1,182)	–
Transaction with owners, recognised directly in equity	–	–	1,160	(3,429)	–	–	(2,269)	(62,067)	(64,336)
Balance at 31 December 2015	10,000	125,064	9,797	338	3,989	–	14,124	176,190	325,378

The notes on pages 56 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Cash generated from operations	*32(a)*	**141,488**	162,289
Interest received		**(5,606)**	(2,291)
Income tax paid		**(45,854)**	(21,772)
Net cash generated from operating activities		**90,028**	138,226
Cash flows from investing activities			
Purchase of property, plant and equipment		**(155,215)**	(56,656)
Purchase of intangible assets		**(313)**	(869)
Proceeds from disposal of property, plant and equipment	*32(b)*	**1,611**	8,051
Grants from government related to assets	*28*	**3,292**	–
Disposal of available-for-sale financial assets		**2,018**	–
Net cash used in investing activities		**(148,607)**	(49,474)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	*25*	**137,500**	–
Share issuance costs paid	*25*	**(16,886)**	–
Proceeds from bank borrowings		**882,674**	128,617
Repayments of bank borrowings		**(779,579)**	(142,172)
Dividends paid to the Controlling Shareholder		**(10,000)**	–
Repayments to related companies		**(57,976)**	(25,753)
Decrease/(Increase) in restricted bank deposits		**8,060**	(4,768)
Net cash generated from/(used in) financing activities		**163,793**	(44,076)
Net increase in cash and cash equivalents		**105,214**	44,676
Cash and cash equivalents at beginning of the year		**85,256**	40,599
Exchange losses on cash and cash equivalents		**(3,012)**	(19)
Cash and cash equivalents at end of the year		**187,458**	85,256
Analysis of balance of cash and cash equivalents:			
Cash and cash on hand		**187,458**	85,256

The notes on pages 56 to 117 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND GROUP REORGANISATION

1.1 General information and Group Reorganisation

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").

These financial statements are presented in HK dollars, unless otherwise stated, and have been approved for issue by the Board of Directors of the Company on 24 March 2016.

1.2 Reorganisation and changes in Group structure

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 disposed 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").

1 GENERAL INFORMATION AND GROUP REORGANISATION (Continued)

1.2 Reorganisation and changes in Group structure (Continued)

(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 the Cayman Islands with an initial authorized share capital of HK$390,000.00 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 (洪碧心) 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 KRW5,000.

(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.

1 GENERAL INFORMATION AND GROUP REORGANISATION (Continued)

1.2 Reorganisation and changes in Group structure (Continued)

(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 Limited 500 Shares. Immediately upon completion of the Reorganization, Goldasia became a wholly-owned subsidiary of the Company, and the Company became the holding company of the companies comprising the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy 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. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

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'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

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

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 and amended standards have been issued but are not effective for the financial year and have not been early adopted*

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Disclosure Initiative	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKAS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	1 January 2016
HKAS 10, HKAS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests In Joint Operation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKFRS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements Project	Annual Improvements 2014-2014 Cycle	1 January 2016

The Group did not early adopt any of these new amendments to existing standards. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

(c) *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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

2.3 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates

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

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 recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

2.5 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates the "functional currency". Renminbi "RMB" is the functional currency of principal operating subsidiaries of the Group. These consolidated financial statements are presented in Hong Kong dollar, 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 income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

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

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

(ii) income and expenses for each 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 currency translation differences are recognised in other comprehensive income.

2.7 Land use rights

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

2.8 Government grants

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

Government grants relating to costs are deferred and recognised in the consolidated 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 consolidated income statement on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated 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 2.13).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in the income statement.

2.10 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 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.

2.12 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.

2.13 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial assets

2.14.1 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.

2.14.2 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.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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 consolidated 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 consolidated 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 consolidated income statement.

2.17 Derivative financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct 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.

2.19 Trade and other receivables

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

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

2.20 Cash and cash equivalents

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

2.21 Restricted bank deposits

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

2.22 Share capital

Ordinary shares are classified as equity.

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

2.23 Trade payables

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

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

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Borrowing costs

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

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

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

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

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits

Pension obligations

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

Housing funds, medical insurance and other social insurances

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

2.28 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.

2.29 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 consolidated income statement on a straight-line basis over the period of the lease.

2.30 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by senior management of the Group approved by the board of directors.

(a) Foreign exchange risk

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

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:

	2015 HK$'000	2014 HK$'000
Assets		
HK$	**153,126**	133,340
USD	**424,567**	286,794
Total	**577,693**	420,134
Liabilities		
HK$	**355,945**	276,981
USD	**157,251**	86,628
Euros	**289**	643
Total	**513,485**	364,252

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

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

	2015 Increase/(decrease) in profit before income tax if exchange rates change by		2014 Increase/(decrease) in profit before income tax if exchange rates change by	
	+5% HK$'000	–5% HK$'000	+5% HK$'000	–5% HK$'000
HK$	**10,141**	**(10,141)**	7,182	(7,182)
USD	**(13,501)**	**13,501**	(10,140)	10,140

(b) Price risk

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

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

As at 31 December 2015 the Group's credit risk was concentrated to the extent that its five largest customers accounted for 53% (2014: 55%) of the total trade receivables. The trade receivables which are past due are analysed in Note 20.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk

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

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

	On demand HK$'000	3 months or less HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
At 31 December 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

	On demand HK$'000	**3 months or less HK$'000**	**3 months to 1 year HK$'000**	**Over 1 year HK$'000**	**Total HK$'000**
At 31 December 2015					
Bank borrowings	**–**	**116,946**	**41,110**	**92,814**	**250,870**
Trade and other payables (excluding non-financial liabilities)	**–**	**568,187**	**–**	**–**	**568,187**
Amounts due to related parties	**4,229**	**–**	**–**	**–**	**4,229**
Total	**4,229**	**685,133**	**41,110**	**92,814**	**823,286**

(e) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has entered into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk. If the interest rate for variable rate borrowings had been 1% higher/lower for the year ended 31 December 2015 with all other variables being held constant, the Group's profit before tax would have been lower/higher by HK$1,358,000 (2014: HK$592,000).

As at 31 December 2014 and 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 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

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

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

The gearing ratios at 31 December 2014 and 2015 was as follows:

	2015 HK$'000	2014 HK$'000
Total borrowings	**205,573**	102,897
Total equity	**325,378**	368,468
Gearing ratio	**63%**	28%

Gearing ratio has increased to 63% as at 31 December 2015, which is mainly due to the net increase in borrowings during the year.

3.3 Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2014 and 2015.

	As at 31 December 2014			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'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 31 December 2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss-non current	–	–	2,710	2,710
Liabilities				
Derivative financial instruments	–	7,099	–	7,099

(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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(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 HK$'000	Valuation technique	Unobservable input	Assumption
Insurance for the Controlling Shareholder				
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 31 December 2015	2,710	Discounted cash flow	Discount rate	3.9%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 judgement 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 judgement 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 judgement 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(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'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.

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

Revenue from external customers

	2015 HK$'000	2014 HK$'000
PRC (excluding HK)	1,230,561	1,264,744
Asia (excluding PRC)	373,183	211,478
America	351,346	181,618
Europe	265,573	223,491
Others	35,291	49,183
	2,255,954	1,930,514

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

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

	2015 HK$'000	2014 HK$'000
PRC (excluding HK)	289,763	202,913
Hong Kong	8,273	6,639
Others	514	294
	298,550	209,846

5 SEGMENT INFORMATION (Continued)

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

	Telecommunication HK$'000	Media and entertainment HK$'000	Electronic cigarette HK$'000	Electrical home appliances HK$'000	Smart chargers and controllers HK$'000	Others HK$'000	Total HK$'000
31 December 2015							
Revenue							
Revenue from external customers	**1,018,249**	**437,678**	**69,473**	**125,460**	**469,479**	**135,615**	**2,255,954**
Segment results	**120,340**	**93,197**	**17,405**	**26,862**	**99,870**	**32,595**	**390,269**
Other income							**19,782**
Other gains – net							**24,559**
Selling expenses							**(97,188)**
Administration expenses							**(181,194)**
Financial expenses – net							**(4,806)**
Profit before income tax							**151,422**

	Telecommunication HK$'000	Media and entertainment HK$'000	Electronic cigarette HK$'000	Electrical home appliances HK$'000	Smart chargers and controllers HK$'000	Others HK$'000	Total HK$'000
31 December 2014							
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							21,866
Other losses – net							(50,620)
Selling expenses							(85,429)
Administration expenses							(128,154)
Financial expenses – net							(1,503)
Profit before income tax							88,560

5 SEGMENT INFORMATION (Continued)

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

	2015 HK$'000	2014 HK$'000
Revenue		
Sales of goods	**2,255,954**	1,930,514

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

Revenue of approximately HK$346,720,000 (2014: HK$295,906,000) are derived from a single external customer. These revenues are attributable to the smart charges and controllers segment.

6 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	2015 HK$'000	2014 HK$'000
Other income		
Sales of scrap materials	**5,364**	8,569
Sales of raw materials, sample and molds	**10,711**	9,738
Inspection and certification fee income	**477**	1,409
Others	**3,230**	2,150
	19,782	21,866
Other gains/(losses) – net		
(Loss)/income on derivative financial instruments	**(19,738)**	5,521
Fair value changes on derivative financial instruments	**27,663**	(53,541)
Fair value changes on financial assets at fair value through profit or loss	**86**	88
Fair value changes on investment properties *(Note 14)*	**260**	150
Net foreign exchange gain/(losses)	**10,947**	(1,219)
Government grants	**1,249**	3,339
Loss on disposal of property, plant and equipment *(Note 32(b))*	**(532)**	(1,130)
Gain on disposal of a subsidiary*	**6,962**	–
Others	**(2,338)**	(3,828)
	24,559	(50,620)

* The amount represented gain on disposal of Shenzhen Ten Pao Technics to an independent third party for a consideration of RMB3,000,000 (Note 1.2(9)). The subsidiary disposed of had net liabilities amounting to RMB2,608,000 at the date of disposal.

7 EXPENSES BY NATURE

	2015 HK$'000	2014 HK$'000
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 *(Note 19)*	**(3,406)**	2,895
Allowance for impairment of trade receivables *(Note 20(c))*	**2,285**	28
Employee benefit expenses *(Note 8)*	**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 *(Note 8)*	**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
Total cost of sales, selling expenses and administrative expenses	**2,144,067**	1,811,697

8 EMPLOYEE BENEFIT EXPENSE

	2015 HK$'000	2014 HK$'000
Wages and bonus	**405,884**	316,976
Pension costs – defined contribution plans (a)	**26,206**	12,403
Other social security costs	**30,348**	17,687
Others allowances and benefits	**21,453**	15,414
	483,891	362,480

(a) Retirement benefits obligation

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 directors during the year ended 31 December 2015 (2014: 1), whose emoluments are reflected in the analysis presented in Note 39. The emoluments paid to the remaining 3 individuals during the year ended 31 December 2015 (2014: 4) are as follows:

	2015 HK$'000	2014 HK$'000
Wages, salaries, allowance and other benefits	**5,468**	4,824
Contributions to pension plans	**47**	61
	5,515	4,885

8 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals (Continued)

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

	2015 HK$'000	2014 HK$'000
Emolument bands		
HK$250,001 – HK$1,000,000	**1**	2
HK$1,000,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$4,000,000	**1**	–

9 FINANCE INCOME AND EXPENSES

	2015 HK$'000	2014 HK$'000
Finance expenses:		
Interest on bank borrowings	**(5,606)**	(2,291)
Finance income:		
Interest income	**800**	788
Net finance expenses	**(4,806)**	(1,503)

10 INCOME TAX EXPENSE

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

(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%).

10 INCOME TAX EXPENSE (Continued)

(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 rate 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:

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

10 INCOME TAX EXPENSE (Continued)

(f) Taxation on the Group's profit (Continued)

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.

11 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 (Note 1.2(4)) was treated as if it had been issued since 1 January 2014;

(b) the 500 ordinary shares of the Company issued during the Reorganisation (Note 1.2(15)) 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 (Note 25(b)) 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 (Note 25(a)(ii)) were issued on 11 December 2015;

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

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.

12 LAND USE RIGHTS

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

	2015 HK$'000	2014 HK$'000
Opening net book amount	**6,320**	6,549
Exchange differences	**(348)**	(22)
Amortisation charges	**(191)**	(207)
Closing net book amount	**5,781**	6,320

	2015 HK$'000	2014 HK$'000
Cost	**8,622**	9,138
Accumulated amortisation	**(2,841)**	(2,818)
Net book amount	**5,781**	6,320

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2015, the remaining lease periods of the Group's land use rights ranged from 21 to 37 years (2014: 22 to 38).

Amortisation was included in administrative expense.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machineries HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Electronic equipment HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 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	(7)	(7,458)	(100)	(14)	(52)	–	–	(7,631)
Transfer	–	(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

	Buildings HK$'000	Plant and machineries HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Electronic equipment HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 2015								
Opening net book amount	68,027	74,589	848	1,745	21,183	14,552	2,580	183,524
Currency translation differences	(4,729)	(6,880)	(81)	(76)	(1,740)	(1,243)	(157)	(14,906)
Additions	6,663	87,246	2,292	1,753	13,264	49,836	–	161,054
Disposals *(Note 32 (b))*	–	(1,657)	(21)	(8)	(457)	–	–	(2,143)
Addition from construction in progress	19,497	14,447	239	120	3,273	(39,782)	2,206	–
Depreciation	(6,412)	(30,230)	(640)	(364)	(5,954)	–	(2,036)	(45,636)
Impairment charge	–	(2,164)	–	–	(134)	–	–	(2,298)
Closing net book amount	83,046	135,351	2,637	3,170	29,435	23,363	2,593	279,595
At 31 December 2015								
Cost	131,514	314,200	17,131	8,780	85,726	23,363	14,258	594,972
Accumulated depreciation	(48,468)	(176,685)	(14,494)	(5,610)	(56,157)	–	(11,665)	(313,079)
Impairment	–	(2,164)	–	–	(134)	–	–	(2,298)
Net book amount	83,046	135,351	2,637	3,170	29,435	23,363	2,593	279,595

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charges were included in the following categories in the consolidated income statement:

	2015 HK$'000	2014 HK$'000
Cost of sales	**31,877**	23,550
Selling expenses	**2,432**	1,049
Administration expenses	**11,327**	9,002
	45,636	33,601

Impairment charges were included in the following categories in the consolidated income statement:

	2015 HK$'000	2014 HK$'000
Cost of sales	**2,257**	–
Selling expenses	**1**	–
Administration expenses	**40**	–
	2,298	–

As at 31 December 2015, the Group's bank borrowings were secured over property, plant and equipment with the carrying amounts of HK$29,811,000 (2014: Nil) (Note 27(a)).

14 INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
At fair value		
Opening balance at 1 January	**5,300**	5,150
Net gains from fair value adjustment *(Note 6)*	**260**	150
Closing balance at 31 December	**5,560**	5,300

As at 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: Nil).

14 INVESTMENT PROPERTIES (Continued)

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 2014 and 2015. The revaluation gains or losses are included in 'Other gains/(losses) – net' in the consolidated 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 2014	–	5,300	–	5,300
As at 31 December 2015	**–**	**5,560**	**–**	**5,560**

There were no transfers between Level 1, 2, and 3 during the year (2014: Nil).

As at 31 December 2015, the Group's bank borrowings were secured over investment properties with the carrying amounts of HK$5,560,000 (2014: HK$5,300,000) (Note 27(a)).

15 INTANGIBLE ASSETS

	Patents	Computer software	Trademarks	Total
	HK$'000	HK$'000	HK$'000	HK$'000
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

15 INTANGIBLE ASSETS (Continued)

	Patents HK$'000	Computer software HK$'000	Trademarks HK$'000	Total HK$'000
At 31 December 2015				
Opening net book amount	**585**	**2,087**	**131**	**2,803**
Currency translation differences	**(17)**	**(121)**	**(4)**	**(142)**
Additions	**–**	**313**	**–**	**313**
Amortisation charge	**(434)**	**(334)**	**(81)**	**(849)**
Closing net book amount	**134**	**1,945**	**46**	**2,125**
At 31 December 2015				
Cost	**2,149**	**15,169**	**388**	**17,706**
Accumulated amortisation	**(2,015)**	**(13,223)**	**(343)**	**(15,581)**
Net book amount	**134**	**1,946**	**45**	**2,125**

Amortisation was included in administrative expenses. No impairment charge was recognised during the year.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$'000	2014 HK$'000
At 1 January	**2,059**	2,125
Net losses transferred to equity	**(41)**	(66)
Disposal of available-for-sale financial assets	**(2,018)**	–
At 31 December	**–**	2,059

Available-for-sale financial assets include the following:

	2015 HK$'000	2014 HK$'000
Listed securities:		
– Senior unsecured, unsubordinated note with fixed interest of 4.625% and maturity date of 11 September 2015	**–**	2,059

17 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015, all of which are limited liability companies:

Company name	Place of incorporation	Registered/ Issued and paid-up capital	Equity interest held 2015	Principal activities/ Place of operation
Directly owned:				
Goldasia	BVI	US$50,000/US$1	100%	Investment holding/Hong Kong ("HK")
Indirectly owned:				
Ten Pao Precision Electronics	HK	HK$2,000,000/ HK$1,000,000	100%	Investment holding/HK
Ten Pao Industrial	HK	HK$300,000/ HK$300,000	100%	Trading of raw materials/HK
Ten Pao International	HK	HK$5,000,000/ HK$4,000,000	100%	Investment holding and trading of power supply devices/HK
Jinhu Industrial	PRC	RMB2,280,000/ RMB2,280,000	100%	Manufacture and trading of power supply devices/PRC
Ten Pao Electronic	Samoa	US$1,000,000/US$1	100%	Investment holding/PRC
Ten Pao Electronic (Huizhou)	PRC	HK$115,000,000/ HK$115,000,000	100%	Manufacture and trading of power supply devices/PRC
Korean Company	South Korea	KRW50,000,000/ KRW50,000,000	100%	Trading of power supply devices/South Korea
Jinhu Precision Parts	PRC	HK$8,000,000/ HK$8,000,000	100%	Manufacture and trading of power supply devices/PRC
Ten Pao Precision Parts	PRC	HK$12,000,000/ HK$3,900,000	100%	Manufacture and trading of power supply devices/PRC

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2015 HK$'000	2014 HK$'000
Assets as per balance sheet		
Loans and receivables:		
Trade and other receivables (excluding prepayments)	**581,333**	436,380
Amounts due from related parties	**–**	174,332
Restricted bank deposits	**15,908**	23,968
Cash and bank balances	**187,458**	85,256
Available-for-sale financial assets	**–**	2,059
Financial assets at fair value through profit or loss:		
Insurance for the Controlling Shareholder	**2,710**	2,624
Derivative financial instruments	**–**	1
	787,409	724,620

	2015 HK$'000	2014 HK$'000
Liabilities as per balance sheet		
Liabilities measured at amortised cost:		
Trade payables (excluding non-financial liabilities)	**515,123**	396,753
Accruals for expenses and other payables	**53,064**	15,259
Amounts due to related parties	**4,229**	46,305
Bank borrowings	**205,573**	102,897
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	**7,099**	49,213
	785,088	610,427

19 INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**84,908**	104,736
Work in progress	**40,489**	30,772
Finished goods	**104,253**	96,656
	229,650	232,164
Less: allowance for impairment	**(13,635)**	(18,863)
	216,015	213,301

The movements of allowance for impairment are analysed as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**18,863**	16,011
Currency translation difference	**(932)**	(43)
(Reversal of allowance for)/allowance for impairment of inventory	**(3,406)**	2,895
Written off	**(890)**	–
At 31 December	**13,635**	18,863

The cost of inventories included in cost of sales during the year ended 31 December 2015 was HK$1,862,187,000 (2014: HK$1,591,142,000).

The Group reversed a previous inventory write-down of HK$3,406,000 because the Group has sold all these goods in 2015. The amount reversed has been included in "cost of sales" in the consolidated income statement.

The Group wrote off an allowance for impairment of inventory of HK$890,000 during the year.

20 TRADE AND OTHER RECEIVABLES

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

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

	2015 HK$'000	2014 HK$'000
HK$	**75,144**	81,492
RMB	**124,020**	102,126
USD	**364,030**	248,492
	563,194	432,110

(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:

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

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.

20 TRADE AND OTHER RECEIVABLES (Continued)

(b) (Continued)

As at 31 December 2015, trade receivables of HK$3,178,000 (2014: HK$3,600,000) 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:

	2015 HK$'000	2014 HK$'000
Less than 3 months	2,763	2,842
More than 3 months but not exceeding 1 year	415	207
More than 1 year	–	551
	3,178	3,600

As at 31 December 2015, trade receivables of HK$2,285,000 (2014: HK$2,067,000) were impaired and covered by allowance.

	2015 HK$'000	2014 HK$'000
Less than 3 months	344	–
More than 3 months but not exceeding 1 year	492	–
More than 1 year	1,449	2,067
	2,285	2,067

(c) Allowance for impairment of trade receivables

The movements on the allowance for impairment of trade receivables are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	2,067	12,078
Allowance for impairment	2,285	28
Amounts written off as uncollectible	(2,061)	(10,038)
Currency translation difference	(6)	(1)
At 31 December	2,285	2,067

20 TRADE AND OTHER RECEIVABLES (Continued)

(c) Allowance for impairment of trade receivables (Continued)

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 2015.

As at 31 December 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 2015, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK$58,881,000 (2014: HK$56,514,000) (Note 27(a)).

21 CASH AND CASH EQUIVALENTS

	2015 **HK$'000**	2014 HK$'000
Cash and bank balances	**187,458**	85,256

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:

	2015 **HK$'000**	2014 HK$'000
HK$	**76,612**	6,495
RMB	**49,831**	46,736
USD	**60,255**	30,915
WON	**760**	1,110
	187,458	85,256

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

	2015 **HK$'000**	2014 HK$'000
Cash and cash equivalents	**187,458**	85,256

22 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK$'000	2014 HK$'000
Derivative financial assets – Current	**–**	1
Derivative financial liabilities – Current	**6,362**	8,631
Derivative financial liabilities – Non-current	**737**	40,582

	Amount HK$'000	Notional amount HK$'000
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 31 December 2015		
Derivative financial liabilities – Current		
Types of contracts		
Structured currency forward contracts	**2,759**	**58,132**
Target redemption currency forward contracts	**3,603**	**108,513**
	6,362	
Derivative financial Liabilities – Non-current		
Types of contracts		
Interest rate swap contracts	**737**	**97,468**

Changes in fair values of derivative financial instruments are recorded in 'Other gains/(losses) – net' in the consolidated income statements.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – NON CURRENT

	2015 HK$'000	2014 HK$'000
Fair value of insurance contract for a member of key management	**2,710**	2,624

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 2015, the Group's bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK$2,710,000 (2014: HK$2,624,000) (Note 27(a)).

24 RESTRICTED BANK DEPOSITS

As at 31 December 2015, bank deposits amounting to HK$15,908,000 (2014: HK$23,968,000) are deposits held by the bank in a segregated account as security for borrowings from the bank (Note 27(a)).

As at 31 December 2015, the weighted average interest rates were 2.54% (2014: 2.49%).

25 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital HK$'000	Share premium HK$'000	Total HK$'000
At 27 January 2015 (date of Incorporation)	1,000	–	–	–
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 *(Note 26)*	–	–	14,450	14,450
At 31 December 2015	1,000,000,000	10,000	125,064	135,064

25 SHARE CAPITAL AND SHARE PREMIUM (Continued)

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

	Number of shares	Share Capital HK$'000	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
At 31 December 2015	1,000,000,000	10,000	100

(a) (i) As described in Note 1.2(15), 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.

26 OTHER RESERVES

Other reserves comprise statutory reserves, capital reserves, available-for-sale financial assets reserves and exchange reserves of the Group.

	Statutory reserves HK$'000	Capital reserve HK$'000	Exchange reserves HK$'000	Available-for-sale financial assets reserves HK$'000	Total HK$'000
At 1 January 2014	5,370	4,767	33,406	107	43,650
Transfer to statutory reserves	3,267	–	–	–	3,267
Currency translation differences	–	–	(1,592)	–	(1,592)
Deemed distribution *(Note 36(b)(vii))*	–	(1,000)	–	–	(1,000)
Change in value of available-for-sale financial assets	–	–	–	(66)	(66)
At 31 December 2014	8,637	3,767	31,814	41	44,259

	Statutory reserves HK$'000	**Capital reserve HK$'000**	**Exchange reserves HK$'000**	**Available-for-sale financial assets reserves HK$'000**	**Total HK$'000**
At 1 January 2015	**8,637**	**3,767**	**31,814**	**41**	**44,259**
Transfer to statutory reserves	**1,160**	**–**	**–**	**–**	**1,160**
Currency translation differences	**–**	**–**	**(27,825)**	**–**	**(27,825)**
Deemed distribution	**–**	**(3,429)**	**–**	**–**	**(3,429)**
Novation of derivative financial instruments *(Note 36(b)(viii))*	**–**	**14,450**	**–**	**–**	**14,450**
Novation of derivative financial instruments transferred to share premium account *(Note 25)*	**–**	**(14,450)**	**–**	**–**	**(14,450)**
Change in value of available-for-sale financial assets *(Note 16)*	**–**	**–**	**–**	**(41)**	**(41)**
At 31 December 2015	**9,797**	**338**	**3,989**	**–**	**14,124**

(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

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

(a) As at 31 December 2015, bank borrowings amounting to HK$178,136,000 (2014: HK$87,782,000) are secured over the following assets:

	2015 HK$'000	2014 HK$'000
Restricted bank deposits *(Note 24)*	**15,908**	23,968
Available for sale financial assets	**–**	2,059
Financial assets at fair value through profit or loss-non current *(Note 23)*	**2,710**	2,624
Investment properties *(Note 14)*	**5,560**	5,300
Trade and other receivables *(Note 20(c))*	**58,881**	56,514
Property, plant and equipment *(Note 13)*	**29,811**	–
	112,870	90,465

27 BORROWINGS (Continued)

(b) Bank borrowings amounting to HK$27,437,000 as at 31 December 2015 (2014: HK$15,115,000) 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 31 December 2015.

(c) The carrying amounts of the borrowings at 31 December 2014 and 2015, respectively, are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK$	**113,784**	76,308
USD	**91,625**	26,589
WON	**164**	–
	205,573	102,897

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

	2015 HK$'000	2014 HK$'000
Borrowings at floating rates		
6 months or less	**20,400**	9,795
6–12 months	**27,900**	21,626
1–5 years	**87,542**	27,749
Borrowings at fixed rates	**69,731**	43,727
Total	**205,573**	102,897

27 BORROWINGS (Continued)

(e) The borrowings are repayable as follows:

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

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

	2015	2014
Bank borrowings denominated in:		
HK$	**2.44%**	2.26%
USD	**3.09%**	3.78%

28 DEFERRED GOVERNMENT GRANTS

	2015 HK$'000	2014 HK$'000
Opening net book amount	**7,264**	7,848
Receipt of grants	**3,292**	–
Credited to income statement	**(469)**	(554)
Currency translation differences	**(534)**	(30)
Closing net book amount	**9,553**	7,264

For the year ended 31 December 2015, 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 amortisation 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

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

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

	2015 HK$'000	2014 HK$'000
HK$	**222,290**	173,467
RMB	**232,616**	167,003
USD	**59,897**	55,640
Euros	**289**	643
CHF	**31**	–
	515,123	396,753

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

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

	2015 HK$'000	2014 HK$'000
Less than 3 months	**452,053**	331,379
More than 3 months but not exceeding 1 year	**61,775**	64,764
More than 1 year	**1,295**	610
	515,123	396,753

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

30 DEFERRED INCOME TAX

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

	2015 HK$'000	2014 HK$'000
Deferred income tax assets:		
– to be recovered after 12 months	**20,361**	14,972
Deferred income tax liabilities:		
– to be settled after 12 months	**(28,080)**	(41,310)

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

Deferred income tax assets	**Provisions** HK$'000	**Unrealised gross margin** HK$'000	**Total** HK$'000
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	**6,206**	**263**	**6,469**
Currency translation differences	**(1,080)**	**–**	**(1,080)**
As at 31 December 2015	**19,477**	**884**	**20,361**

Deferred income tax liabilities	**Withholding income tax** HK$'000
At 1 January 2014	35,395
Recognised in the profit or loss	6,010
Currency translation differences	(95)
At 31 December 2014	41,310
At 1 January 2015	**41,310**
Recognised in the profit or loss	**(11,261)**
Currency translation differences	**(1,969)**
At 31 December 2015	**28,080**

30 DEFERRED INCOME TAX (Continued)

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 2015, the Group did not recognise deferred income tax asset of HK$990,000 (2014: HK$1,260,000) in respect of the tax losses amounting to HK$4,137,000 (2014: HK$5,015,000), as their recoverability is uncertain.

As of 31 December 2015, the Group had tax loss carryforwards of HK$3,908,000 (2014: HK$5,069,000) 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:

	2015 HK$'000	2014 HK$'000
2018	**–**	1,932,000
2019	**–**	3,137,000
2020	**3,908,000**	–
	3,908,000	5,069,000

31 DIVIDENDS

	2015 HK$'000	2014 HK$'000
Proposed final dividends of HK$0.02 per ordinary share	**20,000**	–

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 HK$0.02 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.

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW

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

	2015 **HK$'000**	2014 HK$'000
Profit before income tax	**151,422**	88,560
Adjustments for:		
Interest expense *(Note 9)*	**5,606**	2,291
Depreciation of property, plant and equipment *(Note 13)*	**45,636**	33,601
Impairment of property, plant and equipment *(Note 13)*	**2,298**	–
Amortisation of land use right *(Note 12)*	**191**	207
Amortisation of intangible assets *(Note 15)*	**849**	1,901
Loss on disposal of property, plant and equipment *(Note 6)*	**532**	1,130
Fair value changes on derivative financial instruments *(Note 6)*	**(27,663)**	53,541
Fair value changes on financial assets at fair value through profit or loss *(Note 6)*	**(86)**	(88)
(Reversal of allowance)/allowance for impairment of inventory *(Note 19)*	**(3,406)**	2,895
Allowance for impairment of trade receivables *(Note 20)*	**2,285**	28
Fair value changes on Investment properties *(Note 14)*	**(260)**	(150)
Deferred government grant credited to profit and loss *(Note 28)*	**(469)**	(554)
Changes in working capital:		
Inventories	**1,624**	(31,802)
Trade and other receivables	**(155,114)**	(44,368)
Due from related parties	**(36,581)**	(49,761)
Trade and other payables	**189,538**	94,931
Due to related parties	**(34,914)**	9,927
Cash generated from operations	**141,488**	162,289

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

	2015 **HK$'000**	2014 HK$'000
Net book amount		
Transfer	**–**	1,550
Other disposals *(Note 13)*	**2,143**	7,631
	2,143	9,181
Loss on disposal *(Note 6)*	**(532)**	(1,130)
Proceeds from disposal	**1,611**	8,051

(c) Non-cash financing transactions

The principal of 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 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 2014:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Huizhou Xiezhan Industrial Area Development Co., Ltd. ("Huizhou Xiezhan")	PRC	30	*Note 1*	Equity

Note 1: Huizhou Xiezhan has not commenced any business activities since its incorporation but was originally established for the purpose of property holding.

Huizhou Xiezhan is a private company and there is no quoted market price available for its registered capital.

There are no contingent liabilities relating to the Group's interest in the associate.

On 15 June 2015, the Group transferred its entire 30% equity interest in Huizhou Xiezhan to an independent third party, for a consideration of RMB6,000,000.

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 2014 HK$'000
Current	
Cash and cash equivalents	302
Other current assets (excluding cash)	25,050
Total current assets and net assets	25,352

33 INVESTMENT IN AN ASSOCIATE (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its investment in an associate.

Summarised financial information

	2015 HK$'000	2014 HK$'000
Opening net assets 1 January	**25,352**	25,439
Currency translation differences	**8**	(87)
Disposal	**(25,360)**	–
Closing net assets	**–**	25,352
Investment in an associate (30%) at carrying value	**–**	7,606

34 CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no significant contingent liabilities (2014: Nil).

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:

	2015 HK$'000	2014 HK$'000
Not later than one year	**7,524**	3,513
Later than one year and not later than five years	**8,237**	4,824
	15,761	8,337

(b) Capital commitments

Capital commitments	2015 HK$'000	2014 HK$'000
In respect of the acquisitions of plant and equipment, contracted but not provided for	**3,068**	23,717

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 year:

Name of the related party	Relationship with the Group
Tiandong Ten Pao Electric Company (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
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 (惠州市鑫洋漆包線廠) ("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) Company Limited (錦湖(香港)有限公司) ("Golden Lake (HK)")	An entity controlled by the Controlling Shareholder
Sky Fortune Enterprise Limited ("Sky Fortune")	An entity controlled by the Controlling Shareholder
Huizhou Tianxiang Power Technology Co., Ltd	An entity controlled by the Controlling Shareholder
("Tianxiang Power Technology")	An entity controlled by the Controlling Shareholder
Xu Jianshe	A close family member of the Controlling Shareholder
Chairman Hung	Controlling Shareholder

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties during the year

(i) Sales of goods

	2015 HK$'000	2014 HK$'000
Ten Pao International Inc.	**14,038**	26,696
Huizhou LNG Photronics	**2**	947
Tiannengyuan Technology	**151**	17
	14,191	27,660

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

	2015 HK$'000	2014 HK$'000
Purchase of goods		
Golden Ocean Copper Manufacture Company Limited	**73,889**	93,503
Huizhou Xinyang	**9,098**	8,374
Hui He Printing	**2,533**	14,107
	85,520	115,984
Processing services		
Tiandong Ten Pao	**4,329**	6,901

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

36 RELATED PARTY TRANSACTIONS (Continued)

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

(iii) Operating lease expenses

	2015 **HK$'000**	2014 HK$'000
Huizhou Golden Ocean	**1,822**	1,659
Golden Lake (HK)	**836**	714
Tiannengyuan Charging	**373**	–
Sky Fortune	**352**	192
	3,383	2,565

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

(iv) Operating lease income

	2015 **HK$'000**	2014 HK$'000
Tiannengyuan Technology	**132**	121

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

	2015 **HK$'000**	2014 HK$'000
Tiannengyuan Technology	**–**	1,550

36 RELATED PARTY TRANSACTIONS (Continued)

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

(vi) Key management personnel compensation

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

	2015 HK$'000	2014 HK$'000
Wages, salaries and bonuses	15,803	10,972
Pension costs – defined contribution plans	127	94
	15,930	11,066

(vii) Deemed Distribution and Contribution

	2015 HK$'000	2014 HK$'000
Deemed distribution *(Note (i))*	74,782	1,000
Deemed contribution *(Note (i))*	10,446	–

(i) During the year ended 31 December 2015, the Group recognised deemed distributions of HK$74,782,000 (2014: HK$1,000,000) to the Controlling Shareholder as considerations for the transfer into the Group of its certain subsidiaries.

During the year ended 31 December 2015, the Group recognised deemed contributions of HK$10,446,000 from the Controlling Shareholder as considerations for the transfer out of the Group of its certain subsidiaries.

(viii) Novation of derivative financial instruments

In order to minimize the risks to which the Group is exposed to the derivative financial instruments for foreign exchange hedge purpose, the Group had novated the amount of HK$14,450,000 derivative financial instruments to entities controlled by Chairman Hung in September 2015.

36 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances due from related parties

	2015		2014	
	Maximum balance outstanding during the year HK$'000	HK$'000	Maximum balance outstanding during the year HK$'000	HK$'000
Chairman Hung	**207,492**	–	48,187	48,187
Tiannengyuan Technology	**53,450**	–	33,415	33,408
Ten Sources Solar	**61,603**	–	61,602	61,602
Huizhou LNG Photronics	**14,319**	–	12,037	11,836
Golden Ocean Copper Manufacturer Company Limited	**21,196**	–	6,000	64
Ocean Treasure Holdings Ltd	**7,000**	–	7,000	7,000
Ten Pao International Inc.	**11,117**	–	10,893	4,155
Hui He Printing	**2,621**	–	1,567	265
Xu Jianshe	**5,844**	–	5,844	5,844
Tiannengyuan Charging	**2,986**	–	450	449
Huizhou Ten One Photronics Co., Ltd.	**42**	–	42	42
Ten One	**35**	–	35	35
Huixiang Precision Parts	**31**	–	31	31
Ten Power Charging	**8,000**	–	26	26
Huixin Metal	**40**	–	40	40
TPGIL	**22,251**	–	348	348
Taiwan Ten Pao International Company	–	–	107	–
	418,027	–	187,624	173,332

The balances due from related parties were mainly denominated in RMB. They were unsecured, interest-free and repaid during the year.

36 RELATED PARTY TRANSACTIONS (Continued)

(d) Balances due to related parties

	2015 HK$'000	2014 HK$'000
Golden Ocean Copper Manufacture Company Limited	–	28,361
Tiandong Ten Pao	–	1,477
Huizhou Xinyang	**3,396**	3,919
Tianxiang Power Technology.	–	3,803
Hui He Printing	**475**	1,139
Tiannengyuan Charging	**358**	–
Huizhou Ma An Gang Ao Group	–	7,606
	4,229	46,305

The balances due to related parties were mainly denominated in RMB. They were unsecured and interest-free. The balances with Huizhou Xinyang, Tiannengyuan Charging 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 year end date.

37 SUBSEQUENT EVENTS

No significant events took place after 31 December 2015.

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2015 HK$'000	2014 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		377,850	–
Due from subsidiaries		63,247	–
Current assets			
Cash and cash equivalents		48,333	–
Total assets		489,430	–
Equity and liabilities			
Equity attributable to owners of the company			
Share capital		10,000	–
Share premium	*(Note (a))*	488,464	–
Accumulated losses	*(Note (a))*	(25,334)	–
Total equity		473,130	–
Liabilities			
Current liabilities			
Other payables		16,300	–
Total liabilities		16,300	–
Total equity and liabilities		489,430	–

The balance sheet of the Company was approved by the Board of Directors on 24 March 2016 and was signed on its behalf.

Hung Kwong Yee
Director

Hong Guangdai
Director

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a)

Reserve movement of the Company

	Accumulated losses HK$'000	Share premium HK$'000
At 27 January 2015 (Date of incorporation) *(Note 1.2(4))*	–	–
Loss for the year	(25,334)	–
Issuance of shares by initial public offering	–	135,000
Issue of shares for the acquisition of subsidiary from the Controlling Shareholder *(Note 25(a)(i))*	–	377,850
Capitalisation issue *(Note 25(b))*	–	(7,500)
Share issuance costs	–	(16,886)
At 31 December 2015	(25,334)	488,464

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2015:

	Year ended 31 December 2015								
Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
Executive Directors									
Mr. Hung Kwong Yee	–	1,268	3,000	836	–	–	18	–	5,122
Mr. Hong Guangdai	–	380	650	–	3	–	5	–	1,038
Mr. Hung Sui Tak	–	434	300	–	–		16	–	750
Mr. Lam Cheung Chuen	–	20	–	–	–	–	–	–	20
Mr. Chu Yat Pang Terry	–	20	–	–	–	–	–	–	20
Mr. Lee Kwan Hung	–	20	–	–	–	–	–	–	20
			–			–			
	–	2,142	3,950	836	3	–	39	–	6,970

39 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

For the year ended 31 December 2014 (Restated):

	Year ended 31 December 2014								
Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
Executive Directors									
Mr. Hung Kwong Yee	–	636	–	714	–	–	17	–	1,367
Mr. Hong Guangdai	–	431	–	–	5	–	8	–	444
Mr. Hung Sui Tak	–	18	–	–	–	–	1	–	19
	–	1,085	–	714	5	–	26	–	1,830

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.

(iv) Mr. Lam Cheung Chuen, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung were appointed as independent non-executive directors in November 2015.

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

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

Saved as disclosed in Note 36, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities of the Company for the last four financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 30 November 2015, is set out below.

	Year ended 31 December			
Results	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Revenue	1,422,360	1,690,564	1,930,514	**2,255,954**
Profit before income tax	77,523	83,890	88,560	**151,422**
Income tax expenses	(13,608)	(28,194)	(33,843)	**(23,821)**
Profit for the year attributable to the owner of the Company	63,915	55,696	54,717	**127,601**
Assets, Liabilities and Equity				
Total assets	804,551	958,368	1,169,578	**1,326,303**
Total liabilities	527,883	641,959	801,110	**1,000,925**
Total equity	276,668	316,409	368,468	**325,378**