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TEN PAO GROUP HOLDINGS LIMITED

天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1979)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “**Board**”) of Ten Pao Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2016, together with comparative audited figures for the six months ended 30 June 2015 or other dates/periods, as follows:

Strong Growth in Revenue and Profitability:

- Revenue for the six months ended 30 June 2016 increased by 21.0% to HK\$1,142.0 million as compared to the same period last year, among which revenue generated from sale of smart chargers and controllers for industrial use increased by 39.5% to HK\$300.4 million as compared to the same period last year.
- Profit attributable to owners of the Company for the six months ended 30 June 2016 was HK\$75.8 million, representing an increase of 26.5% as compared to the same period last year. The adjusted profit attributable to owners of the Company excluding the effect of derivative financial instruments, net of income tax for the six months ended 30 June 2016 was HK\$70.4 million, representing an increase of 86.8% as compared to the same period last year.
- Gross profit for the six months ended 30 June 2016 increased by 49.3% to HK\$221.6 million as compared to the same period last year. Gross profit margin increased by 3.7 percentage points to 19.4% as compared to the same period last year.
- Profit before tax for the six months ended 30 June 2016 increased by 45.6% to HK\$109.3 million as compared to the same period last year. Basic earnings per share for the six months ended 30 June 2016 was HK8 cents.
- The Board has resolved to distribute an interim dividend of HK2 cents per share.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT*(All amounts in HK dollar thousands unless otherwise stated)*

		Six months ended 30 June	
	<i>Notes</i>	2016	2015
		(Unaudited)	(Audited)
Revenue	7	1,142,032	943,713
Cost of sales	9	(920,417)	(795,244)
Gross profit		221,615	148,469
Other income	8	9,013	2,737
Other gains – net	8	11,593	42,664
Selling expenses	9	(52,237)	(39,466)
Administrative expenses	9	(77,748)	(77,768)
Operating profit		112,236	76,636
Finance income	10	285	175
Finance costs	10	(3,176)	(1,705)
Finance expenses – net		(2,891)	(1,530)
Profit before income tax		109,345	75,106
Income tax expense	11	(33,505)	(15,136)
Profit for the period attributable to owners of the Company		75,840	59,970
Earnings per share for the period			
– basic and diluted per share	12	HK\$0.08	HK\$0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Profit for the period	<u>75,840</u>	<u>59,970</u>
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Currency translation differences	(8,136)	(544)
Change in value of available-for-sale financial assets	<u>–</u>	<u>(35)</u>
	<u>(8,136)</u>	<u>(579)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>67,704</u>	<u>59,391</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Notes</i>	30 June 2016 (Unaudited)	31 December 2015 (Audited)
ASSETS			
Non-current assets			
Land use rights	<i>14</i>	5,587	5,781
Property, plant and equipment	<i>14</i>	279,713	279,595
Investment properties	<i>15</i>	5,430	5,560
Intangible assets	<i>14</i>	4,879	2,125
Deferred income tax assets	<i>25</i>	13,664	20,361
Financial assets at fair value through profit or loss-non current	<i>19</i>	2,752	2,710
Prepayments for the purchase of property, plant and equipment		7,932	5,489
		319,957	321,621
Current assets			
Inventories	<i>16</i>	213,485	216,015
Trade and other receivables	<i>17</i>	510,972	585,301
Amounts due from related parties	<i>27(b)</i>	10,367	–
Cash and cash equivalents		183,671	187,458
Restricted bank deposits	<i>20</i>	22,453	15,908
		940,948	1,004,682
Total assets		1,260,905	1,326,303
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>21</i>	10,000	10,000
Share premium	<i>21</i>	125,064	125,064
Other reserves		5,988	14,124
Retained earnings		232,030	176,190
Total equity		373,082	325,378

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)*(All amounts in HK dollar thousands unless otherwise stated)*

	<i>Notes</i>	30 June 2016 (Unaudited)	31 December 2015 (Audited)
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	22	59,444	87,542
Deferred income tax liabilities	25	32,768	28,080
Derivative financial instruments	18	619	737
Deferred government grants	23	9,146	9,553
		<hr/>	<hr/>
		101,977	125,912
Current liabilities			
Trade and other payables	24	636,016	706,267
Amounts due to related parties	27(c)	–	4,229
Dividend payable		2	–
Income tax liabilities		26,551	40,124
Short-term bank borrowings	22	75,509	69,731
Current portion of non-current bank borrowings	22	47,768	48,300
Derivative financial instruments	18	–	6,362
		<hr/>	<hr/>
		785,846	875,013
Total liabilities		<hr/> 887,823 <hr/>	<hr/> 1,000,925 <hr/>
Total equity and liabilities		<hr/> 1,260,905 <hr/>	<hr/> 1,326,303 <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts in HK dollar thousands unless otherwise stated)

For the six months ended 30 June 2016 (unaudited)	Share capital	Share premium	Statutory reserves	Capital reserves	Other reserves		Retained earnings	Total equity
					Exchange reserves	Available- for-sale financial assets reserves		
Balance at 1 January 2016 (audited)	<u>10,000</u>	<u>125,064</u>	<u>9,797</u>	<u>338</u>	<u>3,989</u>	<u>-</u>	<u>14,124</u>	<u>325,378</u>
Comprehensive income								
Profit for the period	-	-	-	-	-	-	75,840	75,840
Other comprehensive income								
Currency translation difference	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,136)</u>	<u>-</u>	<u>(8,136)</u>	<u>(8,136)</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,136)</u>	<u>-</u>	<u>75,840</u>	<u>67,704</u>
Contributions by and distributions to owners of the Company recognised directly in equity								
Dividends (Note 13)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Total contributions by and distributions to owners of the Company for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Balance at 30 June 2016 (unaudited)	<u>10,000</u>	<u>125,064</u>	<u>9,797</u>	<u>338</u>	<u>(4,147)</u>	<u>-</u>	<u>5,988</u>	<u>373,082</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)**

(All amounts in HK dollar thousands unless otherwise stated)

For the six months ended 30 June 2015 (audited)	Share capital	Share premium	Statutory reserves	Capital reserves	Other reserves		Retained earnings	Total equity	
					Exchange reserves	Available- for-sale financial assets reserves			
Balance at 1 January 2015 (audited)	–	–	8,637	3,767	31,814	41	44,259	324,209	368,468
Comprehensive income									
Profit for the period	–	–	–	–	–	–	–	59,970	59,970
Other comprehensive income									
Currency translation difference	–	–	–	–	(544)	–	(544)	–	(544)
Change in value of available-for-sale financial assets	–	–	–	–	–	(35)	(35)	–	(35)
Total comprehensive income	–	–	–	–	(544)	(35)	(579)	59,970	59,391
Transaction with owners									
Deemed distribution	–	–	–	(3,429)	–	–	(3,429)	(72,777)	(76,206)
Deemed contribution	–	–	–	–	–	–	–	11,952	11,952
Transaction with owners, recognised directly in equity	–	–	–	(3,429)	–	–	(3,429)	(60,825)	(64,254)
Balance at 30 June 2015 (audited)	–	–	8,637	338	31,270	6	40,251	323,354	363,605

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		(Unaudited)	(Audited)
Cash flows from operating activities			
Cash generated from operations		130,210	55,793
Interest paid		(3,210)	(1,705)
Income tax paid		(35,347)	(36,804)
Net cash generated from operating activities		91,653	17,284
Cash flows from investing activities			
Purchase of property, plant and equipment		(38,291)	(78,659)
Purchase of intangible assets		(1,005)	–
Proceeds from disposal of property, plant and equipment		334	410
Net cash used in investing activities		(38,962)	(78,249)
Cash flows from financing activities			
Proceeds from bank borrowings	22	438,759	485,505
Repayments of bank borrowings	22	(461,700)	(352,147)
Dividends paid		(19,998)	–
Repayments to related companies		(6,021)	(50,547)
Increase in restricted bank deposits		(6,545)	(2,580)
Net cash (used in)/generated from financing activities		(55,505)	80,231
Net (decrease)/increase in cash and cash equivalents		(2,814)	19,266
Cash and cash equivalents at beginning of the period		187,458	85,256
Exchange (losses)/gains on cash and cash equivalents		(973)	20
Cash and cash equivalents at end of the period		183,671	104,542
Analysis of balance of cash and cash equivalents:			
Cash and cash on hand		183,671	104,542

NOTES

(All amounts in HK dollar thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

This interim financial information (“**Interim Financial Information**”) is presented in Hong Kong dollar (“**HK\$**”), unless otherwise stated.

This Interim Financial Information was approved for issue on 22 August 2016 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2016 (the “**Period**”) has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants. This Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2015 (“**2015 Financial Statements**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2015 Financial Statements, as described therein. Newly effective standards and interpretations and amendments to HKFRS effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the Period are accrued using the tax rate that would be applicable to expected total annual earnings.

4 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2015 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

5.1 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.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2015 Financial Statements.

There have been no changes in the risk management function since 31 December 2015 or in any risk management policies since 31 December 2015.

5.2 Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The Group exercises 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.

5.3 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2016 and 31 December 2015.

	As at 30 June 2016 (unaudited)			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss-non current	–	–	2,752	2,752
Liabilities				
Derivative financial instruments	–	619	–	619

5.3 Fair value estimation (continued)

	As at 31 December 2015 (audited)			Total
	Level 1	Level 2	Level 3	
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.

(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.

5.3 Fair value estimation (continued)

(c) Financial instruments in level 3

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

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

Description	Fair value	Valuation technique	Unobservable input	Assumption
Insurance for the Controlling Shareholder				
As at 30 June 2016 (unaudited)	2,752	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 (audited)	2,710	Discounted cash flow	Discount rate	3.9%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old

Fair value of financial assets and liabilities measured at amortised cost. There were no other changes in valuation technique during the Period.

The fair values of the following financial assets and liabilities approximate their respective carrying amounts:

- Bank borrowings
- Trade and other payables
- Trade and other receivables
- Amounts due from related parties
- Cash and cash equivalents
- Restricted cash
- Deposits for bank borrowings

6 SEASONALITY

The Group's sales volume has historically been affected by seasonality. As the Group's products are used by the Group's customers in their respective manufacturing processes, the demand for the Group's products fluctuates in accordance with fluctuations in the demand for their products. A significant portion of the Group's downstream industries have generally been in higher demand in the second half of each calendar year due to the seasonal purchase patterns of consumers such as Thanksgiving Day and Christmas holidays. As a result, the Group recorded higher revenue in the second half of the year than that of the first half of the year during each year.

7 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.

Segment information for condensed consolidated income statement.

	Tele- communication	Media and entertainment	Electronic cigarette	Electrical home appliances	Smart chargers and controllers	Others	Total
Six months ended 30 June 2016							
(unaudited)							
Revenue							
Revenue from external customers	<u>503,639</u>	<u>159,897</u>	<u>13,832</u>	<u>40,805</u>	<u>300,371</u>	<u>123,488</u>	<u>1,142,032</u>
Segment results	<u>67,857</u>	<u>40,918</u>	<u>4,804</u>	<u>9,412</u>	<u>70,181</u>	<u>28,443</u>	221,615
Other income							9,013
Other gains – net							11,593
Selling expenses							(52,237)
Administrative expenses							(77,748)
Finance expenses – net							<u>(2,891)</u>
Profit before income tax							<u>109,345</u>
Six months ended 30 June 2015							
(audited)							
Revenue							
Revenue from external customers	<u>341,484</u>	<u>201,577</u>	<u>58,963</u>	<u>60,700</u>	<u>215,365</u>	<u>65,624</u>	<u>943,713</u>
Segment results	<u>30,865</u>	<u>36,504</u>	<u>14,415</u>	<u>10,886</u>	<u>40,260</u>	<u>15,539</u>	148,469
Other income							2,737
Other gains – net							42,664
Selling expenses							(39,466)
Administrative expenses							(77,768)
Finance expenses – net							<u>(1,530)</u>
Profit before income tax							<u>75,106</u>

7 SEGMENT INFORMATION (CONTINUED)

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

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
PRC (excluding HK)	295,451	289,763
Hong Kong	7,798	8,273
Others	292	514
	<u>303,541</u>	<u>298,550</u>

8 OTHER INCOME AND OTHER GAINS – NET

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Other income		
Sales of scrap materials	1,972	2,243
Sales of raw materials, sample and molds	4,584	4,606
Inspection and certification fee income	–	268
Loss on derivative financial instruments	–	(5,658)
Others	2,457	1,278
	<u>9,013</u>	<u>2,737</u>
Other gains-net		
Fair value changes on derivative financial instruments	6,479	32,328
Fair value changes on financial assets at fair value through profit or loss	42	36
Fair value changes on investment properties (<i>Note 15</i>)	(130)	200
Net foreign exchange gain	4,914	6,122
Government grants	2,817	569
Loss on disposal of property, plant and equipment	(387)	(341)
Gain on disposal of a subsidiary	–	7,094
Others	(2,142)	(3,344)
	<u>11,593</u>	<u>42,664</u>

9 EXPENSES BY NATURE

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Changes in inventories of finished goods and work in progress	4,429	9,268
Raw materials and consumables used	709,243	589,598
Allowance for/(reversal of allowance for) impairment of inventory	2,183	(3,369)
Allowance for impairment of trade receivables	1,533	210
Employee benefit expenses	201,977	201,888
Depreciation and amortization	25,946	16,830
Water and electricity expenses	11,266	8,735
Transportation and travelling expenses	11,724	9,406
Maintenance expenses	8,004	7,809
Consultancy fee	5,009	5,408
Entertainment expenses	2,599	3,353
Research and development expenses		
– Employee benefit expenses	23,645	22,707
– Depreciation and amortisation	1,546	1,603
– Raw materials, consumables used and others	11,583	5,898
Commission expenses	1,773	2,333
Certificate and detection fees	6,318	3,689
Business tax and surcharge	2,839	1,982
Other taxes and levies	1,311	924
Operating lease payments	4,525	4,027
Advertising costs	1,432	944
Commercial insurance	4,285	3,639
Communication expenses	986	893
Bank charges	949	1,590
Auditors' remuneration	2,830	221
Expenses related to initial public offering	–	10,995
Other expenses	2,467	1,897
	<hr/>	<hr/>
Total cost of sales, selling expenses and administrative expenses	1,050,402	912,478

10 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Finance expenses:		
Interest on bank borrowings	(3,176)	(1,705)
Finance income:		
Interest income	285	175
	<hr/>	<hr/>
Net finance expenses	(2,891)	(1,530)

11 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Current income tax		
– PRC corporate income tax	15,268	9,689
– Hong Kong profits tax	6,506	8,157
	<hr/>	<hr/>
Subtotal	21,774	17,846
Deferred income tax (<i>Note 25</i>)	11,731	(2,710)
	<hr/>	<hr/>
	33,505	15,136
	<hr/>	<hr/>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Period (2015 interim: 16.5%).

PRC corporate income tax (“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 for domestic and foreign enterprises has been unified at 25%, effective from 1 January 2008.

Ten Pao Electronic (Huizhou) Co., Ltd. was set up as a foreign investment manufacturing enterprise in the PRC. Ten Pao Electronic (Huizhou) Co., Ltd. was recognized as “New and High Technology Enterprises” and thus enjoy a preferential CIT rate of 15% from 1 January 2016 to 10 October 2018. Its CIT rate for the Period was 15% (2015 interim: 25%).

12 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Profit attributable to owners of the Company (HK\$'000)	75,840	59,970
Weighted average number of shares issued (thousands)	1,000,000	750,000
Basic earnings per share (HK cents)	8	8

For the Period, diluted earnings per share were the same as basic earnings per share as there were no dilutive potential ordinary shares as at period end date.

13 DIVIDENDS

On 22 August 2016, the board of directors resolved to declare an interim dividend of HK2 cents per ordinary share (2015 interim: Nil). This interim dividend, amounting to HK\$20.0 million (2015 interim: Nil), has not been recognised as a liability in this Interim Financial Information.

On 31 May 2016, a final dividend of HK2 cents per ordinary share for the year ended 31 December 2015, absorbing an amount of HK\$20.0 million, was approved by all the then shareholders of the Company, and HK\$19,998,000 was paid on 28 June 2016.

14 LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Land use rights	Property, plant and equipment	Intangible Assets
Net book amount as at 1 January 2016	5,781	279,595	2,125
Additions	–	35,654	1,005
Disposals	–	(721)	–
Transfers	–	(2,394)	2,394
Currency translation differences	(109)	(5,575)	(84)
Depreciation/amortisation	(85)	(26,846)	(561)
Net book amount as at 30 June 2016 (unaudited)	5,587	279,713	4,879
Net book amount as at 1 January 2015	6,320	183,524	2,803
Additions	–	161,054	313
Disposals	–	(2,143)	–
Transfers	–	–	–
Currency translation differences	(348)	(14,906)	(142)
Depreciation/amortisation	(191)	(45,636)	(849)
Impairment charge	–	(2,298)	–
Net book amount as at 31 December 2015 (audited)	5,781	279,595	2,125

As at 30 June 2016, the Group's bank borrowings were secured over property, plant and equipment with the carrying amounts of HK\$29,842,000 (2015: HK\$29,811,000) (Note 22(a)).

15 INVESTMENT PROPERTIES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
At fair value		
At beginning of period	5,560	5,300
Net (losses)/gains from fair value adjustment	(130)	260
At end of period	5,430	5,560

As at 30 June 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (31 December 2015: Nil).

15 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 2015 and 30 June 2016. The revaluation gains or losses are included in 'Other gains – net' in the interim condensed consolidated income statements. The following table analyses the investment properties carried at fair value, by valuation method.

Description	Quoted prices in active markets for identical assets Level 1	Office units – Hong Kong		Total
		Significant other observable inputs Level 2	Significant unobservable inputs Level 3	
Recurring fair value measurements method				
Investment properties:				
As at 30 June 2016 (unaudited)	–	5,430	–	5,430
As at 31 December 2015 (audited)	–	5,560	–	5,560

There were no transfers between Level 1, 2, and 3 during the Period (31 December 2015: Nil).

As at 30 June 2016, the Group's bank borrowings were secured over investment properties with the carrying amounts of HK\$5,430,000 (31 December 2015: HK\$5,560,000) (Note 22(a)).

16 INVENTORIES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Raw materials	77,729	84,908
Work in progress	58,859	40,489
Finished goods	91,575	104,253
	<u>228,163</u>	<u>229,650</u>
Less: allowance for impairment	(14,678)	(13,635)
	<u>213,485</u>	<u>216,015</u>

17 TRADE AND OTHER RECEIVABLES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Trade receivables	488,968	563,194
Less: allowance for impairment	(2,789)	(2,285)
	<hr/>	<hr/>
Trade receivables, net	486,179	560,909
Bills receivable	502	60
Prepayments	1,840	3,968
Deposits	4,781	3,784
Advances to employees	5,484	2,537
Value added tax allowance	2,750	2,146
Export rebates receivable	182	8,325
Others	9,254	3,572
	<hr/>	<hr/>
	510,972	585,301
	<hr/>	<hr/>

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:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Less than 3 months	452,537	525,204
More than 3 months but not exceeding 1 year	36,185	35,809
More than 1 year	246	2,181
	<hr/>	<hr/>
	488,968	563,194
	<hr/>	<hr/>

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

As at 30 June 2016, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK\$88,556,000 (2015: HK\$58,881,000) (Note 22(a)).

18 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Derivative financial liabilities – Current	–	6,362
Derivative financial liabilities – Non-current	<u>619</u>	<u>737</u>
	Amount	Notional amount
As at 30 June 2016 (unaudited)		
Derivative financial liabilities – Non-current		
Types of contracts		
Interest rate swap contracts	<u>619</u>	97,566
As at 31 December 2015 (audited)		
Derivative financial liabilities – Current		
Types of contracts		
Structured currency forward contracts	2,759	58,132
Target redemption currency forward contracts	<u>3,603</u>	108,513
	<u>6,362</u>	
Derivative financial Liabilities – Non-current		
Types of contracts		
Interest rate swap contracts	<u>737</u>	97,468

Changes in fair values of derivative financial instruments are recorded in ‘Other gains – net’ in the consolidated income statements.

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

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Fair value of insurance contract for a member of key management	<u>2,752</u>	<u>2,710</u>

Changes in fair value of financial assets at fair value through profit or loss are recorded in ‘Other gains – net’ in the income statement (Note 8).

The fair value of the insurance is based on the unobservable inputs (Note 5.3(c)).

As at 30 June 2016, the Group’s bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK\$2,752,000 (31 December 2015: HK\$2,710,000) (Note 22(a)).

20 RESTRICTED BANK DEPOSITS

As at 30 June 2016, bank deposits amounting to HK\$19,339,000 (31 December 2015: HK\$15,908,000) are deposits held by the bank in a segregated account as security for borrowings from the bank (Note 22(a)). The remaining bank deposits amounting to HK\$3,114,000 are deposits held by the bank in a segregated account as security for notes payable (Note 24).

As at 30 June 2016, the weighted average interest rate was 0.78% (31 December 2015: 2.54%).

21 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:	Number of ordinary shares <i>(thousands)</i>	Share capital <i>(HK\$'000)</i>	Share premium <i>(HK\$'000)</i>
As at 30 June 2016 and 31 December 2015	<u>1,000,000</u>	<u>10,000</u>	<u>125,064</u>

Detailed movement of issued shares are analysed as follows:

	Number of shares <i>(thousands)</i>	Share capital <i>(HK\$'000)</i>	Share premium <i>(HK\$'000)</i>	Total <i>(HK\$'000)</i>
At 27 January 2015 (date of incorporation)	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 June 2015 (audited)	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 1 January 2016	<u>1,000,000</u>	<u>10,000</u>	<u>125,064</u>	<u>135,064</u>
At 30 June 2016 (unaudited)	<u>1,000,000</u>	<u>10,000</u>	<u>125,064</u>	<u>135,064</u>

22 BORROWINGS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Non-current		
Bank borrowings		
– secured (a)	107,212	131,442
– guaranteed	–	4,400
Less: current portion of non-current borrowings	(47,768)	(48,300)
	59,444	87,542
Current		
Bank borrowings		
– secured (a)	56,074	46,694
– guaranteed	19,435	23,037
Total short-term bank borrowings	75,509	69,731
Current portion of non-current borrowings	47,768	48,300
	123,277	118,031
Total borrowings	182,721	205,573

Movement in borrowings is as follows:

	Six months ended 30 June	
	2016	2015
Opening balance as at 1 January	205,573	102,897
Proceeds from borrowings	438,759	485,505
Repayments of borrowings	(461,700)	(352,147)
Currency translation differences	89	189
Closing balance as at 30 June	182,721	236,444

22 BORROWINGS (CONTINUED)

- (a) As at 30 June 2016, bank borrowings amounting to HK\$163,286,000 (31 December 2015: HK\$178,136,000) are secured over the following assets:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Restricted bank deposits (<i>Note 20</i>)	19,339	15,908
Financial assets at fair value through profit or loss-non current (<i>Note 19</i>)	2,752	2,710
Investment properties (<i>Note 15</i>)	5,430	5,560
Trade and other receivables (<i>Note 17</i>)	88,556	58,881
Property, plant and equipment (<i>Note 14</i>)	29,842	29,811
	145,919	112,870

- (b) The carrying amounts of the borrowings are denominated in the following currencies:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
HK\$	119,734	113,784
USD	62,857	91,625
WON	130	164
	182,721	205,573

23 DEFERRED GOVERNMENT GRANTS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Opening net book amount	9,553	7,264
Receipt of grants	–	3,292
Credited to income statement	(221)	(469)
Currency translation differences	(186)	(534)
Closing net book amount	9,146	9,553

For the Period, 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.

24 TRADE AND OTHER PAYABLES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Trade payables	461,543	515,123
Advance	5,374	3,452
Notes payables	10,381	–
Wages and staff welfare benefits payable	100,235	111,387
Accrual for expenses and other payables	34,479	53,064
Other taxes payable	24,004	23,241
	<u>636,016</u>	<u>706,267</u>

As at 30 June 2016, notes payables amounting to HK\$10,381,000 (2015: Nil) are secured over the restricted bank deposit of HK\$3,114,000 (Note 20).

The ageing analysis of trade payables is as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Less than 3 months	367,568	452,053
More than 3 months but not exceeding 1 year	93,001	61,775
More than 1 year	974	1,295
	<u>461,543</u>	<u>515,123</u>

25 DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
Deferred income tax assets		
Opening balance as at 1 January	20,361	14,972
Recognised in the profit or loss	(6,408)	2,203
Currency translation differences	(289)	11
	<u>13,664</u>	<u>17,186</u>
Closing balance as at 30 June		
	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
Deferred income tax liabilities		
Opening balance as at 1 January	28,080	41,310
Recognised in the profit or loss	5,323	(507)
Currency translation differences	(635)	14
	<u>32,768</u>	<u>40,817</u>
Closing balance as at 30 June		

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 30 June 2016, the Group did not recognise deferred income tax asset of HK\$47,000 (31 December 2015: HK\$990,000) in respect of the tax losses amounting to HK\$257,000 (31 December 2015: HK\$4,137,000), as their recoverability is uncertain.

As of 30 June 2016, the Group had tax loss carryforwards of HK\$4,202,000 (31 December 2015: HK\$3,908,000) which can be carried forward to offset future taxable income. The net operating tax loss carryforwards, excluding HK and Korean subsidiaries, will begin to expire as follows:

	30 June	31 December
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Audited)
2019	–	–
2020	3,908,000	3,908,000
2021	294,000	–
	<u>4,202,000</u>	<u>3,908,000</u>

26 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:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Not later than one year	7,338	7,524
Later than one year and not later than five years	<u>3,857</u>	<u>8,237</u>
	<u>11,195</u>	<u>15,761</u>

(b) Capital commitments

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
In respect of the acquisitions of plant and equipment, contracted but not provided for	<u>5,729</u>	<u>3,068</u>

27 RELATED PARTY TRANSACTIONS

In addition to the related party information and transactions disclosed above, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties.

(a) Transactions with related parties during the Period

(i) Sales of goods

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Huizhou LNG Photonics Tech. Co., Ltd.	–	2
Huizhou Tiannengyuan Technology Co., Ltd.	<u>–</u>	<u>151</u>
	<u>–</u>	<u>153</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

27 RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) *Purchases of goods and services*

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
Purchase of goods		
Golden Ocean Copper Manufacturer Co., Limited	26,520	35,882
Huizhou Xinyang Cables Co., Limited	4,254	3,863
Huizhou Hui He Printing Co., Ltd.	1,482	1,291
	<u>32,256</u>	<u>41,036</u>
Processing services		
Tiandong Ten Pao Electric Company Limited	3,408	3,779
	<u>3,408</u>	<u>3,779</u>

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

(iii) *Operating lease expenses*

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
Huizhou Golden Ocean Magnet Wire Factory	1,070	901
Golden Lake (HK) Co., Limited	–	464
Huizhou Tiannengyuan Charging Technology Co., Ltd.	2,491	–
Sky Fortune Enterprise Limited	240	144
	<u>3,801</u>	<u>1,509</u>

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

(iv) *Operating lease income*

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
Huizhou Tiannengyuan Technology Co., Ltd.	69	61
	<u>69</u>	<u>61</u>

The amount represents rental income for land and buildings for factory and office purposes in accordance with the lease agreements.

(v) *Deemed distribution and contribution*

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
Deemed distribution	–	76,206
Deemed contribution	–	11,952
	<u>–</u>	<u>88,158</u>

27 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances due from related parties

	30 June 2016		31 December 2015	
	<i>Maximum balance outstanding during the Period</i>		<i>Maximum balance outstanding during the year</i>	
	(Unaudited)		(Audited)	
Chairman Hung	45,136	6,021	207,492	–
Huizhou Tiannengyuan Technology Co., Ltd.	116	116	53,450	–
Golden Ocean Copper Manufacturer Co., Limited	17,401	4,230	21,196	–
	<u>62,653</u>	<u>10,367</u>	<u>282,138</u>	<u>–</u>

The balances due from Chairman Hung was denominated in HK\$ and represented compensation receivable from Chairman Hung for the loss on derivative financial instruments during the Period. Chairman Hung had indemnified the Group for all losses incurred from the month of listing until the expiry date of the outstanding derivative financial instrument of the Group. The balance was subsequently settled after 30 June 2016. The balances with Huizhou Tiannengyuan Technology Co., Ltd. and Golden Ocean Copper Manufacturer Co., Limited were mainly denominated in RMB, trading in nature, due within 3 months and repayable on demand. Their fair values approximate their carrying amounts at 30 June 2016.

(c) Balances due to related parties

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
Huizhou Xinyang Cables Co., Limited	–	3,396
Huizhou Hui He Printing Co., Ltd.	–	475
Huizhou Tiannengyuan Charging Technology Co., Ltd.	–	358
	<u>–</u>	<u>4,229</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Company is a one-stop manufacturer of switching power supply units in the PRC with more than 30 years of industry experience. The Group possesses strong research and development (“R&D”) capabilities, keeps abreast of changes in technology and market, and produces diversified products meeting the specification requirements of its 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.

With a strong research and operation foundation, together with extensive experience and professional knowledge in manufacturing switching power supply units, and solid relationships with our customers, the Group has achieved remarkably strong results during the period under review. For the six months ended 30 June 2016, the Group’s revenue increased by 21.0% to HK\$1,142.0 million as compared with the same period of preceding year, mainly attributable to the substantial increase in orders for the switching power supply units for consumer products and industrial products. As a result, gross profit and gross profit margin increased to HK\$221.6 million and 19.4% respectively, representing an increase of 49.3% and 3.7 percentage points respectively. Profit before tax also increased by 45.6% to HK\$109.3 million as compared with the same period of preceding year. Profit attributable to owners of the Company has soared by 26.5% to HK\$75.8 million. Basic earnings per share was HK8 cents.

In view of the satisfactory performance of the Group, the Board has resolved to distribute an interim dividend of HK2 cents per share (first half of 2015: Nil).

Market and Business Review

During the period under review, the uncertain macroeconomic environment presented challenges to the market. Nevertheless, the Company’s dedicated efforts in product innovation, technology upgrade, cost control and risk management cemented a firm foundation for the Group. Capitalizing on its extensive operational experience and outstanding product quality, the Group has grasped the ever-changing market trends and has taken advantage of the tremendous business opportunities arising from the increasing popularity of advanced electronic products. Consequently, the Group recorded a profit amidst the market adversity and achieved strong growth.

The Group’s switching power supply units are applied to consumer products across various industry sectors, including telecommunication equipment, media and entertainment equipment, electronic cigarettes, home electrical appliances, and other products such as LED lighting and health care products. Most of the Group’s products are incorporated into and/or applied to customers’ end products under their own brands. During the period under review, revenue from switching power supply units for consumer products increased by 15.6% to HK\$841.7 million when compared with the corresponding period last year. This was mainly attributable to the increase in sales of switching power supply units to various customers, especially that of mobile phone customers. Gross profit increased by 39.9% to HK\$151.4 million while gross profit margin increased by 3.1 percentage points to 18.0% as compared with the same period of preceding year.

On the other hand, the Group's smart chargers and controllers are mainly applied to power tools for industrial use. Revenue from this segment escalated by 39.5% to HK\$300.4 million when compared to the corresponding period last year and accounted for 26.3% of total revenue. This was mainly driven by the Group's investment in R&D for new technology in power supply which hastened the uptake of smart chargers among our customers, as they are of better energy efficiency and stability compared with linear adaptors. The advancement in the technology applied in controllers was well-recognised by our customers and resulted in a substantial increase in sales order when major customers launched a number of new projects during the Period. Gross profit rose by 74.3% to HK\$70.2 million while gross profit margin climbed by 4.7 percentage points to 23.4% as compared to the same period of preceding year.

Moreover, the power supply industry has entered a "new era" with upgrading and transformation being vital to corporate development. With the implementation of the national strategic initiative "Made in China 2025", and "Industrie 4.0", automation and data exchange in manufacturing technologies become crucial for power supply industry players to grasp opportunities. The Group strives to increase its proportion of automation level and implement cyber-physical system. Towards this end, the Company had forged a strategic partnership with the Hong Kong Productivity Council on "Smart Production" during the Period. The reform project is based on automatic diagnosis, smart system design and production as the core. This will be achieved through the development of smart automatic equipment, in order to enhance the flexibility of automatic production lines and work places, achieve digitalization of the production process and build a highly automated and efficient factory. Thus, it helps save production time and enhances production efficiency. The investment of the project is expected to amount to RMB200 million in several phases. The final configuration of the technology upgrade for 20 to 40 production lines would depend on market conditions and market demand, which will reduce reliance on manpower and facilitate a swift response to shifts in market demand.

Business Outlook

Looking ahead, despite the macroeconomic instability, the market for switching power supply units remains promising as they are indispensable to all daily electrical products due to their widespread application. Electronic products are constantly being developed, incorporating faster and safer charging methods. Additionally, our ongoing exploration of new customers in the electric power tools market in recent years also provided increasing opportunities for new projects cooperation and these products are expected to continue to be the driving force for the Group's development. The Group's continuous technological advancements, as well as its product development expertise, production capacity and one-stop customer services enable it to address the ever-changing market trend and customers' needs and preferences.

Along with the rapid advances in leading-edge technology, the continuous revamp of new electronic and technology products is stimulating the demand for a variety of highly efficient switching power supply units, while the demand for ultra-fast chargers which support different electric power voltages should further increase. Therefore, the Group remains optimistic about the development of the ultra-fast charger in the market. Wireless chargers applicable to various products are expected to be one of the driving forces in the next era. As electronic cigarettes are becoming more popular and leading tobacco producers are entering the market and setting up more points of sale, the demand for this product is expected to increase.

The Group's investment in R&D and related capability has driven its technological advancement to keep abreast of the changes in technology and the latest market updates, enabling it to cater for and adapt to the ever-changing market. During the period under review, the Group actively engaged in preparation for the creation of a charging pile for domestic electric vehicles with charging stations for two-wheeled electric vehicles and golf carts under development. The Group plans to expand the scope of R&D to include four-wheeled vehicles in order to capture the enormous opportunities arising from the increasing popularity of electric cars and subsequently to promote the development of green industry. The Group expects this project will become part of the growth driver in the future.

While boosting its market share, the Group aims to explore and seize growth opportunities through the strategic expansion of its capacity, as well as to increase the speed of production and enhance the quality of products. The Group has decided to establish its first overseas factory in Hungary and operation of the factory will be expected to commence in the second quarter of 2017. Its prime location in close proximity to the Group's foreign customers can effectively increase its operating efficiency. The Group will continue to enhance production efficiency in order to capture emerging opportunities from ongoing industrial growth, bringing success to its overall operations and achieving a win-win situation for partners and customers.

At the same time, the Company is ready to tap the business opportunities arising from increasing market demand and the development of smart production facilities and products under the national strategic initiative "Made in China 2025" together with "Industrie 4.0" as it extends the automation level of production and facilitates an upgrade of the manufacturing industry in general. With the automation technological reform rolled out, the Group expects its production efficiency, lead-time and product quality to improve notably, helping to enhance its leadership in the manufacturing of power supply industry and cement its market share. Besides, the Group plans to acquire new machinery and equipment to increase the automation level of production, further optimizing product quality and achieving economies of scale.

Last but not least, the Group will continue to explore potential merger and acquisition opportunities and expand its production capacity, with the aim of further enhancing its operational and financial performance. Leveraging on the Company's innovative R&D and production capacity and seasoned management team, the Group will continue to consolidate its leading position in the switching power supply unit industry with an aim of achieving sustainable growth and creating satisfactory returns for its shareholders.

ADJUSTED PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The table below sets out the adjusted profit attributable to owners of the Company excluding the effect of derivative financial instruments, net of income tax for the six months ended 30 June 2016 and 2015.

	For the six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Profit attributable to owners of the Company	75,840	59,970
Adjusted for derivative financial instruments (net of income tax):		
Unrealised gain/(loss)		
Foreign exchange hedge purpose	5,312	27,753
Non-foreign exchange hedge purpose	98	(759)
Realised gain/(loss)		
Foreign exchange hedge purpose	–	(4,724)
Non-foreign exchange hedge purpose	–	–
Profit attributable to owners of the Company excluding realised and unrealised gain/(loss) in derivative financial instruments, net of income tax	70,430	37,700

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of 30 June 2016, net current assets was HK\$155.1 million as compared with HK\$129.7 million of 31 December 2015. As of 30 June 2016, current ratio was 1.20 times (31 December 2015: 1.15 times) (current ratio is calculated by using the following formula: Current Assets/Current Liabilities), which is mainly attributable to the net effect of payment of dividend of HK\$20.0 million and net operating cash flow generated during the Period.

Cash generated from operations was HK\$91.7 million for the six months ended 30 June 2016 (2015: HK\$17.3 million) and the increase was mainly attributable to the increase in operating profit during the Period.

Cash used in investing activities for the six months ended 30 June 2016 was HK\$39.0 million (2015: HK\$78.2 million) as the Group did not have material acquisition of plant and machineries during the Period.

During the six months ended 30 June 2016, net cash used in financing activities was HK\$55.5 million (2015: net cash generated from financing activities of HK\$80.2 million).

DEBT MATURITY PROFILE

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 1 year	123,277	118,031
Between 1 and 2 years	35,311	45,935
Between 2 and 5 years	24,133	41,607
	<u>182,721</u>	<u>205,573</u>

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

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

The Group generates a notable portion of revenue and receivables in US\$ and HK\$, while our cost of sales is primarily denominated in RMB. For the six months ended 30 June 2016, our revenue denominated in US\$ and HK\$ amounted to approximately 70% 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 six months ended 30 June 2016, no new forward foreign exchange contracts had been entered into by the Group as the Group did not consider there is any risk associated with exchange rate fluctuation that may adversely affect the results of the Group. As at 30 June 2016, the Group had no outstanding forward contract.

During the six months ended 30 June 2016, the Group had recorded a realized loss of HK\$6.0 million on derivative financial instruments entered in prior years which were fully terminated during the Period. Such amount was recorded as compensation receivable due from Chairman Hung, the executive director and chief executive officer of the Group, who had 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 the Company's shares listed on the Stock Exchange until the expiry of all the derivative financial instruments. The amount was subsequently settled after the period end.

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 30 June 2016, the Group had bank borrowings of HK\$182.7 million (31 December 2015: HK\$205.6 million) which was primarily denominated in HK\$ and US\$.

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 30 June 2016, 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 losses from non-performance by these banks and financial institutions. As at 30 June 2016 and 31 December 2015, the Group held bank balances, term deposits and restricted bank deposits totalling HK\$206.1 million, and HK\$203.4 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 30 June 2016, the Group did not have any significant contingent liabilities.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

HUMAN RESOURCES

The Group employed a total of approximately 6,000 full-time employees as of 30 June 2016. 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. Total manpower costs for the six months ended 30 June 2016 were HK\$225.6 million, as compared to HK\$224.6 million for the same period last year.

CORPORATE GOVERNANCE PRACTICES

The Board and management are committed to abiding by the principles of good corporate governance with emphasis on transparency and accountability. The Board has established an audit committee (the “**Audit Committee**”), a nomination committee and a remuneration committee with defined terms of reference in accordance with the requirements set out in the 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 Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016 and up to the date of this announcement, with the exception of code provision A.2.1.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the directors of the Company. Employees of the Group (the “**Relevant Employees**”) who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code. Following specific enquiry, each of the Company’s directors has confirmed compliance with the Model Code throughout the six months ended 30 June 2016 and up to the date of this announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the six months ended 30 June 2016 and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved to distribute an interim dividend of HK2 cents per share for the six months ended 30 June 2016 (30 June 2015: Nil) to the Company’s shareholders. The interim dividend is expected to be paid on 25 October 2016 to all shareholders whose names appear on the register of members of the Company on 7 October 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 October 2016 (Wednesday) to 7 October 2016 (Friday), both days inclusive, during which period no share transfers can be registered. In order to be qualified for the interim dividend, unregistered holders of shares of the Company should ensure all transfer documents accompanied by the relevant share certificates are 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 4 October 2016 (Tuesday).

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.

As at 30 June 2016, the net proceeds had not been fully utilised and had been applied to the following uses:

Use of proceeds	Actual net proceeds HK\$'million	Actual utilisation up to 30 June 2016 HK\$'million	Balance as at 30 June 2016 HK\$'million
For the expansion of scale of production of production bases in Huizhou	84.4	35.7	48.7
For the strengthening of sales and marketing efforts and expansion of customer base	12.1	1.4	10.7
For the strengthening of R&D capabilities	12.1	6.0	6.1
For general working capital and other general corporate purposes	12.0	–	12.0
	<u>120.6</u>	<u>43.1</u>	<u>77.5</u>

The unutilised amount was deposited with licensed banks in Hong Kong. The Company currently has no intention to change the planned use of proceeds as disclosed in the prospectus of the Company dated 30 November 2015 (the "Prospectus").

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The Audit Committee has reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 in conjunction with the Company's external auditor. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considers the risk management and internal control systems to be effective and adequate.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

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

The Company has received confirmations from the Controlling Shareholders of their compliance with the terms of the Deed. The Controlling Shareholders declared that they fully complied with the Deed for the year ended 31 December 2015. The independent non-executive directors of the Company have reviewed the confirmations from the Controlling Shareholders and concluded that the terms of the Deed were complied with and were effectively enforced during the year ended 31 December 2015.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tenpao.com) and the interim report for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be despatched to the Company’s shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 22 August 2016

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