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

2019 INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hung Kwong Yee
(Chairman and Chief Executive Officer)
Mr. Hung Sui Tak
Ms. Yang Bingbing
(appointed on 12 July 2019)

Independent Non-executive Directors

Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry
Mr. Lee Kwan Hung *(alias, Eddie Lee)*

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

Mr. Lee Kwan Hung *(alias, Eddie Lee)*
(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 *(alias, Eddie Lee)*

COMPANY SECRETARY

Mr. Tse Chung Shing, *ACCA*

AUTHORIZED REPRESENTATIVES

Mr. Hung Kwong Yee
Mr. Tse Chung Shing

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dongjiang Industrial Zone
Shuikou Town
Huizhou City
Guangdong Province
PRC

SHARE REGISTRARS

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

HONG KONG LEGAL ADVISOR

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

AUDITOR

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

PRINCIPAL BANKERS

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

STOCK CODE

1979

COMPANY'S CORPORATE WEBSITE

www.tenpao.com

INVESTOR RELATIONS CONTACT

www.tenpao.com/investor.html

FINANCIAL HIGHLIGHTS

		Six months ended 30 June		
		2019 (Unaudited)	2018 (Unaudited)	Change
Revenue	HK$'000	**1,834,665**	1,470,310	+24.8%
Operating profit/(loss)	HK$'000	**107,159**	(14,422)	+843.0%
Profit/(loss) for the period attributable to the owners of the Company	HK$'000	**81,093**	(11,562)	+801.4%
Gross profit margin	%	**16.6**	10.7	+5.9% point
Operating profit/(loss) margin	%	**5.8**	(1.0)	+6.8% point
Profit/(loss) margin attributable to owners of the Company	%	**4.4**	(0.8)	+5.2% point
Earnings/(losses) per share — basic and diluted per share	HK cents	**8**	(1)	
Interim dividend per share	HK cents	**2.5**	–	

		30 June 2019	31 December 2018	Change
Gearing ratio	%	**41.3**	35.6	+5.7% point
Current ratio	times	**1.20**	1.19	+0.8%
Average inventory turnover period	days	**57**	59	-3.4%
Average trade receivables turnover period	days	**72**	80	-10.0%
Average trade payables turnover period	days	**97**	107	-9.3%

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

As a leading provider of smart power supply solutions with ample years of experience in the switching power supply unit industry in Hong Kong, Ten Pao Group Holdings Limited ("Ten Pao" or the "Company", together with its subsidiaries, the "Group") has strived to develop a diversified mix of products leveraging its strong research and development ("R&D") capabilities and one-stop production model. Over the years, the Group has forged sound business ties with international brands from around the world, and has continued to expand and reinforce its customer base, while at the same time serve as a major supplier to leading and fast-growing domestic brands.

During the period under review, the management and staff of the Group have adopted flexible measures in response to the changes in the industry. The Group has broadened its source of income by increasing investments in R&D, creating more technological innovations, introducing new power supply devices and expanding its customer base. Furthermore, it has chosen a secure source of alternative materials at competitive prices, consolidated resources and uprated its automated equipment. Owing to successful cost control since the preceding year, the Group has achieved a turnaround and recorded satisfactory operating results. Overall revenue of the Group for the six months ended 30 June 2019 has increased significantly by 24.8% to HK$1,834.7 million when compared with the same period last year. Profit attributable to owners of the Company amounted to HK$81.1 million (2018: Loss attributable to owners of the Company HK$11.6 million). Gross profit rose to HK$305.1 million with the gross profit margin at 16.6%. Basic earnings per share were HK8 cents (2018: Basic loss per share of HK1 cent).

To reward shareholders for their unwavering support over the years, the board (the "Board") of directors (the "Directors") of the Company resolved to pay an interim dividend of HK2.5 cents per ordinary share for the six months ended 30 June 2019.

MARKET AND BUSINESS REVIEW

During the period under review, the imbalance in material supply has slightly eased. The prices of raw materials essential for consumer electronic products such as active components, passive components including multi-layer ceramic capacitors (MLCC), metals and plastics have gradually stabilized, thereby relieving material costs pressure on the electronics industry. Apart from benefiting from the positive influences of such external factors, the management has persistently implemented resource integration, strategically seized market opportunities, and reduced raw material and labor costs through the upgrade of production technologies and automation. Such measures have not only improved the Group's profit, but have also demonstrated the Group's remarkable resilience and healthy operational system.

The smart chargers and controllers for power tools segment has continued to perform satisfactorily during the period under review, with revenue totaling HK$749.0 million — an increase of 53.5% when compared with the six months ended 30 June 2018, which was better than the Group's overall revenue growth rate. This segment thus became the Group's principal growth driver during the period under review. Furthermore, gross profit and gross profit margin were HK$140.5 million and 18.8% respectively. The growth of this segment was mainly due to the adoption of a suitable operational approach. Capitalizing on an expanding base of quality customers and leveraging a flexible marketing strategy, the Group has been able to gain the trust and support from existing core customers. As ties with new customers with growth potential have also developed well, complemented by the Group's efforts to maintain close relations and prompt response to strong demand for bulk orders, the segment is set to continue recording satisfactory results.

The switching power supply units for consumer products segment also grew steadily, with revenue rising by 10.5% year-on-year to HK$1,085.7 million, thereby accounting for 59.2% of the Group's total revenue. Gross profit and gross profit margin were HK$164.6 million and 15.2% respectively. During the period under review, the output of smartphones for the first quarter of 2019 ("1Q 2019") declined, according to 1Q 2019 data on global sales volume of mobile phones from International Data Corporation[1]. This invariably affected the projected growth rate of the global smartphone market. The Group has begun cooperating closely with two of the five largest mobile phone manufacturers in the People's Republic of China (the "PRC"). Although revenue has not increased notably during the period under review, several projects have commenced and are expected to be delivered in the second half of 2019, and are anticipated to create momentum for driving the Group's results. When the premium market segment begins to develop new 5G wireless communication technologies for commercial applications in 2020, there will be strong demand for 5G smartphones from consumers, which in turn will increase the demand for supporting power supply system's upgrade, as well as for portable fast charging and flash charging product technologies, hence this will likely facilitate the development of related businesses. In addition, the Group's switching power supply units for consumer products are widely used in various industries, including telecommunications equipment, media and entertainment equipment, electrical home appliances, lighting equipment and other products (such as healthcare equipment). Most of its products are incorporated into and/or applied in customers' self-branded end products, of which lighting equipment are the top performers. The Group will therefore continue enhancing its core competitiveness and strive to maintain stable growth across all business segments going forward.

Over the past few years, Ten Pao has been continuously integrating its internal and external resources in a bid to optimize its domestic and intermarket layout in the PRC and overseas. During the period under review, it has continued planning for the construction and expansion of factories in different areas around the world so as to further strengthen its global business network. Faced with the relocation of production facilities by its customers, and in response to strong demand, the Group has accelerated the expansion of both its factories and production capacity. Construction work for phase two of the Group's Hungary factory has been completed, with Automatic Insertion (AI) and Surface Mount Technology (SMT) equipment already in operation. Meanwhile, construction work for phase three of its Hungary factory has been implemented gradually, which includes enlarging the floor area of the production base, increasing production

[1] https://www.idc.com/getdoc.jsp?containerId=prUS45042319

capacity and adding production lines, in order to expedite capacity expansion and construction. The factory will substantially boost the Group's production capacity to meet the increasing demand by European customers and orders from new customers, while at the same time providing flexible product solutions for different customers. In respect of the Group's production base, which is to be built in Dazhou City, Sichuan Province, the PRC, it is scheduled to commence operation in September 2019, and will serve smartphone manufacturers and other consumer electronics manufacturers in the peripheral regions. Ten Pao is also looking for partners in Southeast Asia, so as to subcontract the production of its products at their facilities. This is in response to the various needs of customers, and the possible ramifications from the recent trade disputes. The Group trusts that the new cooperation model will help it to conduct flexible, versatile and small-scale production, as well as to expand its customer base and market share in different regions.

With regard to cost control, the Group has spared no effort to ensure the stable supply of raw materials and to reduce its reliance on a single place or supplier. Ten Pao's localized raw material strategy, which has been implemented for many years, began to bear fruit. This has enabled the Group to stabilize its supply chain and respond to an imbalance between supply and demand that exists in the industry. In the long term, this will not only enhance customer recognition and trust in Ten Pao's product quality and delivery time, but will also be beneficial to the Group's business growth. Given that smart manufacturing is a key development trend in the industry, Ten Pao has been actively optimizing its automated production lines. During the period under review, the Group expanded existing automated production lines and developed unique specifically tailored automated production technologies, so as to maximize production efficiency at the lowest cost. The Group will also continue combining the merits of traditional production lines with the technologies found in new automated production lines, with the aim of advancing production technologies and raising efficiency, delivering consistently high-quality products while cutting labor costs.

BUSINESS OUTLOOK

The market anticipates the 5G smartphone segment will be matured in 2020, and that the upcoming wave of mobile phone replacements will drive consumer demand for upgraded charging components. To reinforce Ten Pao's leading position in the market, the Group will continue to allocate resources to develop technologies for the application of power supplies and power charging. This will allow the Group to provide its smartphone customers with ultra-fast charging, flash charging and even super ultra-fast charging related products, and thereby help them to expedite development and enhance the quality of their products. The Group is duly poised to seize market opportunities and to capitalize on the 5G era. It expects to begin engaging in more quality high-end mobile phone projects in the second half of 2019. It will also actively develop high-power electric supply technologies, and apply its power supply solutions in the industrial, medical and commercial sectors.

Another significant development pertains to the implementation of favorable environmental policies in the PRC in the recent years, as it strives to achieve sustainable development and protect the environment. Many provinces and cities in the PRC have actively promoted the concept of "green mobility", which involves, among other technologies, the application of power charging and charging devices in two-wheel electric vehicles. Although the "green mobility" concept is currently at an embryonic stage in the PRC, the market expects its related services and products will achieve long-term growth and possess tremendous potential in the future. The Group will therefore keep abreast of market trends, as well as meet the different needs of existing and potential customers — directing resources to develop "green mobility" products that achieve energy savings, safe, fast and convenient charging, and pollution reduction in the long term. Such efforts will allow the Group to align with national environmental policies, satisfy market demand and facilitate business growth.

Looking ahead, Ten Pao will leverage its solid foundation built over the past 40 years, continue to commit resources to diversify its product portfolio, and optimize its automated production lines and domestic and international business layout. Also, as has been its practice, the Group will adopt flexible strategies to meet customers' demands and to seize industry opportunities. In this way, it will be able to further enlarge its market share, consolidate its leading position in the switching power supply unit industry and enhance its profitability, leading to satisfactory returns for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of 30 June 2019, net current assets was HK$259.7 million as compared with HK$216.1 million of 31 December 2018. As of 30 June 2019, current ratio was 1.20 times (31 December 2018: 1.19 times) (current ratio is calculated by using the following formula: current assets/current liabilities).

Gearing ratio was 41.3% as at 30 June 2019 (31 December 2018: 35.6%) (gearing ratio is calculated by using the following formula: total borrowings/total equity) as the Group increased the level of borrowings to finance the credits given to customers following the increase in the turnover by HK$364.4 million during the period.

Net cash generated from operating activities was HK$14.6 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$60.9 million used in operating activities) mainly due to the improvement in the operating results during the period. The Group achieved an operating profit of HK$107.2 million for the six months ended 30 June 2019 (six months ended 30 June 2018: operating loss of HK$14.4 million).

Net cash used in investing activities for the six months ended 30 June 2019 was HK$44.6 million (six months ended 30 June 2018: HK$80.0 million) as the Group has acquired less property, plant and equipment of HK$42.9 million during the six months ended 30 June 2019 as compared with an addition of property, plant and equipment of HK$66.3 million in the same period of last year.

During the six months ended 30 June 2019, net cash generated from financing activities was HK$22.5 million (six months ended 30 June 2018: HK$131.2 million) as the net borrowings was HK$55.2 million for the six months ended 30 June 2019 as compared with HK$152.7 million for the six months ended 30 June 2018.

DEBT MATURITY PROFILE

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 1 year	**211,911**	147,907
Between 1 and 2 years	**35,022**	41,843
Between 2 and 5 years	**15,442**	17,847
	262,375	207,597

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

The Group operates mainly in the PRC, with a notable portion of its revenue derived from its export sales to overseas countries. The Group is exposed to foreign exchange risks, in particular fluctuations in currency exchange rates of Hong Kong dollar ("HK$") and United States dollar ("USD") against Renminbi ("RMB").

The Group generates a notable portion of revenue and receivables in USD and HK$, while the majority part of the raw materials are settled in the same currency with USD and HK$ to mitigate the impact on fluctuation in currency exchange rates, its manufacturing cost is primarily denominated in RMB. For the six months ended 30 June 2019, its revenue denominated in USD and HK$ amounted to approximately 67.9% of its total revenue (six months ended 30 June 2018: 65.3%).

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it 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 2019, no forward foreign exchange contracts had been entered into by the Group as the Group did not consider there was any risk associated with exchange rate fluctuation that may adversely affect the results of the Group.

Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 30 June 2019, the Group had bank borrowings of HK$262.4 million (31 December 2018: HK$207.6 million) which was primarily denominated in HK$, RMB and USD.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash included in the interim condensed 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 of their financial position, past experience and other factors. For customers to whom no credit terms were offered, the Group generally requires them to pay deposits and/or advances prior to the 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 2019, 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 2019 and 31 December 2018, the Group held cash and bank balances and restricted bank deposits totalling HK$204.3 million and HK$204.7 million, respectively, with four major banks in the PRC and Hong Kong.

Liquidity Risk

The liquidity position of the Group is monitored closely by its 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 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have plans for material investments or capital assets during the six months ended 30 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

HUMAN RESOURCES

The Group employed a total of approximately 6,500 full-time employees as of 30 June 2019. The Group believes that the human resources are its valuable assets and maintains its solid commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and a favorable working environment to its employees. The Group constantly provides training with diverse operational functions and offers competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs. The total labour costs for the six months ended 30 June 2019 was HK$291.2 million, as compared to HK$282.9 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2019 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 ("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. 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 Directors has confirmed compliance with the Model Code throughout the six months ended 30 June 2019 and up to the date of this report. 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 2019 and up to the date of this report.

INTERIM DIVIDEND

The Board has resolved to distribute an interim dividend of HK2.5 cents per ordinary share for the six months ended 30 June 2019 (30 June 2018: Nil) to the Company's shareholders. The interim dividend is expected to be paid on 28 October 2019 to all shareholders whose names appear on the register of members of the Company on 11 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 October 2019 (Wednesday) to 11 October 2019 (Friday), both days inclusive, for the purpose of determining the entitlement to the interim dividend for the six months ended 30 June 2019. In order to be qualified for the interim dividend, unregistered holders of shares of the Company should ensure all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 8 October 2019 (Tuesday).

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 2019.

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 interim condensed consolidated financial statements for the six months ended 30 June 2019 in conjunction with the Company's management. 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.

In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, for the six months ended 30 June 2019 and, up to the date of this report, there has been sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

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

As at 30 June 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in ordinary shares of the Company

Name of Directors	Capacity	*Note*	Number of ordinary shares interested	Approximate percentage* of the Company's issued share capital
Chairman Hung	Beneficial owner		13,052,000	1.30%
	Interest of a controlled corporation	*1*	338,012,000	33.78%
	Founder of a discretionary trust	*2*	300,000,000	29.99%
		Total	651,064,000	65.07%
Lam Cheung Chuen	Beneficial owner		1,000,000	0.10%

Notes:

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

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

(B) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of Directors	Capacity	Number of underlying shares of the Company in respect of the share options granted *(Note)*	Approximate percentage* of underlying shares of the Company over the Company's issued share capital
Chairman Hung	Beneficial owner	864,000	0.09%
Hung Sui Tak	Beneficial owner	300,000	0.03%
Chu Yat Pang Terry	Beneficial owner	200,000	0.02%
Lam Cheung Chuen	Beneficial owner	200,000	0.02%
Lee Kwan Hung	Beneficial owner	200,000	0.02%

Note: Details of the share options granted by the Company are set out in the section headed "Share Option Scheme" in this report.

* The percentage represents the number of ordinary shares/underlying shares of the Company interested divided by the number of the Company's issued shares as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares of the Company

Name of shareholders	Capacity	*Note*	Number of ordinary shares interested	Approximate percentage* of the Company's issued share capital
Even Joy Holdings Limited	Beneficial owner		338,012,000	33.78%
TinYing Investments Limited	Beneficial owner		300,000,000	29.99%
TinYing Holdings Limited	Interest in a controlled corporation	1	300,000,000	29.99%
Vistra Trust (BVI) Limited	Trustee of a discretionary trust	1	300,000,000	29.99%
Fidelity China Special Situations Plc	Beneficial owner		70,084,000	7.01%
FIL Limited	Interest of controlled corporations	2	70,428,000	7.04%
Pandanus Partners L.P.	Interest of controlled corporations	2	70,428,000	7.04%
Pandanus Associates Inc.	Interest of controlled corporations	2	70,428,000	7.04%

Notes:

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

2. According to the disclosure of interests notice filed by Pandanus Associates Inc. ("Pandanus") on 22 March 2019, these shares are held by FIL Investment Management (Hong Kong) Limited ("FIL HK"), a wholly-owned subsidiary of FIL Asia Holdings Pte Limited ("FIL Asia"), which is in turn wholly-owned by FIL Limited ("FIL"). FIL is 38.10% controlled by Pandanus Partners L.P. ("Pandanus L.P."), which is in turn wholly-owned by Pandanus. By virtue of the SFO, Pandanus, Pandanus L.P., FIL and FIL Asia are deemed to be interested in these shares held by FIL HK.

* The percentage represents the number of ordinary shares of the Company interested divided by the number of the Company's issued shares as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, other than the Director and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, no person had interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 23 November 2015 (the "Share Option Scheme"), which falls within the ambit of, and is subject to the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the employees, Directors and other participants have had or may have made to the Group. Details of movement of the share options granted under the Share Option Scheme for the six months ended 30 June 2019 are as follows:

				Number of share options				
Name or category of option holders	Date of grant *(Note 1)*	Exercise price per share	Exercise period	Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding as at 30 June 2019
Directors								
Chairman Hung	15/9/2016	HK$1.31	15/9/2016–14/9/2019	864,000	–	–	–	864,000
Hung Sui Tak	15/9/2016	HK$1.31	15/9/2016–14/9/2019	300,000	–	–	–	300,000
Lam Cheung Chuen	15/9/2016	HK$1.31	15/9/2016–14/9/2019	200,000	–	–	–	200,000
Chu Yat Pang Terry	15/9/2016	HK$1.31	15/9/2016–14/9/2019	200,000	–	–	–	200,000
Lee Kwan Hung	15/9/2016	HK$1.31	15/9/2016–14/9/2019	200,000	–	–	–	200,000
Sub-total				1,764,000	–	–	–	1,764,000
Former Director								
Hong Guangdai *(Note 2)*	15/9/2016	HK$1.31	15/9/2016–14/9/2019	728,000	–	–	–	728,000
Sub-total				728,000	–	–	–	728,000
Employees of the Group in aggregate	15/9/2016	HK$1.31	15/9/2016–14/9/2019	15,676,000	–	–	(124,000)	15,552,000
Sub-total				15,676,000	–	–	(124,000)	15,552,000
Total				18,168,000	–	–	(124,000)	18,044,000

Notes:

1. The share options granted were vested on the date of grant.

2. Mr. Hong Guangdai retired as an executive Director with effect from 25 May 2018.

3. The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Ten Pao Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 80, which comprises the interim condensed consolidated balance sheet of Ten Pao Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in HK dollar thousands unless otherwise stated)

		Six months ended 30 June	
	Notes	**2019 (Unaudited)**	2018 (Unaudited)
Revenue	*7*	**1,834,665**	1,470,310
Cost of sales	*9*	**(1,529,546)**	(1,312,410)
Gross profit		**305,119**	157,900
Other income	*8*	**6,705**	13,132
Other losses — net	*8*	**(5,912)**	(1,767)
Selling expenses	*9*	**(74,841)**	(65,252)
Administrative expenses	*9*	**(122,707)**	(118,435)
Net impairment losses on financial assets		**(1,205)**	—
Operating profit/(loss)		**107,159**	(14,422)
Finance income	*10*	**264**	210
Finance expenses	*10*	**(4,414)**	(3,465)
Finance expenses — net		**(4,150)**	(3,255)
Profit/(loss) before income tax		**103,009**	(17,677)
Income tax (expense)/credit	*11*	**(21,916)**	6,115
Profit/(loss) for the period attributable to owners of the Company		**81,093**	(11,562)
Earnings/(losses) per share for the period			
— basic and diluted per share	*12*	**HK$0.08**	HK$(0.01)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit/(Loss) for the period	**81,093**	(11,562)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(4,756)**	(6,779)
Total comprehensive income/(loss) for the period attributable to owners of the Company	**76,337**	(18,341)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Notes	**30 June 2019 (Unaudited)**	31 December 2018 (Audited)
ASSETS			
Non-current assets			
Land use rights	*14*	**4,851**	9,936
Property, plant and equipment	*14*	**412,221**	419,730
Right-of-use assets	*15*	**12,820**	—
Investment properties	*16*	**7,700**	6,400
Intangible assets	*14*	**7,534**	7,075
Deferred income tax assets	*27*	**21,157**	19,383
Financial assets at fair value through other comprehensive income	*20*	**17,051**	17,119
Derivative financial instruments — non-current		**—**	47
Financial assets at fair value through profit or loss	*21*	**3,017**	2,989
Prepayments for the purchase of property, plant and equipment		**17,595**	7,786
		503,946	490,465
Current assets			
Inventories	*17*	**475,165**	490,053
Trade and other receivables	*18*	**879,774**	668,505
Amounts due from related parties	*29(b)*	**1,342**	1,096
Derivative financial instruments — current	*19*	**6**	—
Cash and cash equivalents		**186,037**	193,797
Restricted bank deposits	*22*	**18,279**	10,871
		1,560,603	1,364,322
Total assets		**2,064,549**	1,854,787

(All amounts in HK dollar thousands unless otherwise stated)

	Notes	**30 June 2019 (Unaudited)**	31 December 2018 (Audited)
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*23*	**10,005**	10,005
Share premium	*23*	**125,788**	125,788
Other reserves		**15,610**	15,891
Retained earnings		**483,258**	431,651
Total equity		**634,661**	583,335
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*24*	**50,464**	59,690
Lease liabilities — non-current	*15*	**6,488**	—
Derivative financial instruments — non-current	*19*	**273**	—
Deferred income tax liabilities	*27*	**60,439**	54,128
Deferred government grants	*25*	**11,349**	9,390
		129,013	123,208

(All amounts in HK dollar thousands unless otherwise stated)

	Notes	**30 June 2019 (Unaudited)**	31 December 2018 (Audited)
Current liabilities			
Trade and other payables	*26*	**1,069,819**	971,788
Contract liabilities		**2,972**	4,181
Amounts due to related parties	*29(c)*	**5,219**	12,802
Dividend payable		**15**	12
Income tax liabilities		**9,574**	11,554
Lease liabilities — current	*15*	**1,365**	—
Short-term bank borrowings	*24*	**144,930**	92,516
Current portion of non-current bank borrowings	*24*	**66,981**	55,391
		1,300,875	1,148,244
Total liabilities		**1,429,888**	1,271,452
Total equity and liabilities		**2,064,549**	1,854,787

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

			Other reserves						
For the six months ended 30 June 2019 (unaudited)	Share capital	Share premium	Statutory reserves	Capital reserves	Exchange reserves	Share options	Total	Retained earnings	Total equity
Balance at 1 January 2019 (audited)	10,005	125,788	31,977	338	(21,892)	5,468	15,891	431,651	583,335
Comprehensive income									
Profit for the period	—	—	—	—	—	—	—	81,093	81,093
Other comprehensive income									
Currency translation difference	—	—	—	—	(4,756)	—	(4,756)	—	(4,756)
Total comprehensive loss	—	—	—	—	(4,756)	—	(4,756)	81,093	76,337
Contributions by and distributions to owners of the Company recognised directly in equity									
Dividends *(Note 13)*	—	—	—	—	—	—	—	(25,011)	(25,011)
Total contributions by and distributions to owners of the Company for the period	—	—	—	—	—	—	—	(25,011)	(25,011)
Transaction with owners									
Appropriation to statutory reserves	—	—	4,475	—	—	—	4,475	(4,475)	—
Balance at 30 June 2019 (unaudited)	10,005	125,788	36,452	338	(26,648)	5,468	15,610	483,258	634,661

(All amounts in HK dollar thousands unless otherwise stated)

			Other reserves						
For the six months ended 30 June 2018 (unaudited)	Share capital	Share premium	Statutory reserves	Capital reserves	Exchange reserves	Share options	Total	Retained earnings	Total equity
Balance at 1 January 2018 (audited)	10,005	125,788	27,003	338	13,130	5,468	45,939	410,617	592,349
Comprehensive income									
Loss for the period	—	—	—	—	—	—	—	(11,562)	(11,562)
Other comprehensive income									
Currency translation difference	—	—	—	—	(6,779)	—	(6,779)	—	(6,779)
Total comprehensive loss	—	—	—	—	(6,779)	—	(6,779)	(11,562)	(18,341)
Contributions by and distributions to owners of the Company recognised directly in equity									
Dividends	—	—	—	—	—	—	—	(25,011)	(25,011)
Total contributions by and distributions to owners of the Company for the period	—	—	—	—	—	—	—	(25,011)	(25,011)
Balance at 30 June 2018 (unaudited)	10,005	125,788	27,003	338	6,351	5,468	39,160	374,044	548,997

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Cash flows from operating activities			
Cash generated from/(used in) operations		**38,177**	(44,507)
Interest paid		**(4,493)**	(3,408)
Income tax paid		**(19,132)**	(12,982)
Net cash generated from/(used in) operating activities		**14,552**	(60,897)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(50,809)**	(72,398)
Purchase of intangible assets		**(1,738)**	(930)
Proceeds from disposal of property, plant and equipment		**5,470**	5,210
Addition of financial assets at fair value through other comprehensive income		**—**	(11,861)
Grants from government related to assets	*25*	**2,519**	—
Net cash used in investing activities		**(44,558)**	(79,979)
Cash flows from financing activities			
Proceeds from bank borrowings	*24*	**765,261**	699,765
Repayments of bank borrowings	*24*	**(710,106)**	(547,055)
Dividends paid	*13*	**(25,008)**	(25,008)
(Increase)/decrease in restricted bank deposits		**(7,408)**	3,510
Principal elements of lease payments		**(194)**	—
Net cash generated from financing activities		**22,545**	131,212

(All amounts in HK dollar thousands unless otherwise stated)

		Six months ended 30 June	
	Note	**2019 (Unaudited)**	2018 (Unaudited)
Net decrease in cash and cash equivalents		**(7,461)**	(9,664)
Cash and cash equivalents at beginning of the period		**193,797**	180,786
Exchange losses on cash and cash equivalents		**(299)**	(1,491)
Cash and cash equivalents at end of the period		**186,037**	169,631
Analysis of balance of cash and cash equivalents:			
Cash and cash on hand		**186,037**	169,631

NOTES TO THE INTERIM FINANCIAL INFORMATION

(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 switching power supply units for consumer products and smart chargers and controllers for industrial use 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 (the "Interim Financial Information") is presented in Hong Kong dollar ("HK$") thousands, unless otherwise stated.

This Interim Financial Information was approved for issue on 23 August 2019 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2019 (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 2018 (the "2018 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the adoption of amendments to HKFRSs effective for the financial year beginning 1 January 2019.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting these new or amended standards. The Group's assessment of the impact of these new or amended standards is set out below.

HKFRS 16 Leases

The Group has adopted HKFRS 16 on 1 January 2019, which results in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision under HKFRS 16, the Group has applied the simplified transition approach, and all right-of-use assets were measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses). Comparative figures for the 2018 financial year have not been restated.

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (continued)

HKFRS 16 Leases (continued)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	7,081
Discounted using the lessee's incremental borrowing rate of at the date of initial application	6,777
(Less): short-term leases recognised on a straight-line basis as expense	(6,777)
Lease liability recognised as at 1 January 2019	**—**

Under the simplified transition approach, the right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (continued)

HKFRS 16 Leases (continued)

The land use rights of prepaid operating lease payment for land which are held in the PRC are reclassified to right-of-use assets as of 30 June 2019 and 1 January 2019, respectively.

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- Land use rights — decreased by HK$5,047,000
- Right-of-use assets — increased by HK$5,047,000

(i) Adjustments recognised on adoption of HKFRS 16

Impact on segment disclosures and earnings per share

Profit before income tax, total assets and total liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in total liabilities. The following segment information were affected by the change in policy:

	HK$'000
Profit before income tax for the six months ended 30 June 2019	19
Total assets as at 30 June 2019	7,874
Total liabilities as at 30 June 2019	7,853

Earnings per share increased by 0.002 cent per share for the six months to 30 June 2019 as a result of the adoption of HKFRS 16.

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (continued)

HKFRS 16 Leases (continued)

(i) Adjustments recognised on adoption of HKFRS 16 (continued)

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying HKAS 17 and HK(IFRIC) Interpretation 4 Determining whether an Arrangement contains a Lease.

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (continued)

HKFRS 16 Leases (continued)

(ii) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 6 to 72 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance expense. The finance expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (continued)

HKFRS 16 Leases (continued)

(ii) The Group's leasing activities and how these are accounted for (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

(All amounts in HK dollar thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (continued)

HKFRS 16 Leases (continued)

(ii) The Group's leasing activities and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(b) New and amended standards not yet adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has now been deferred
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual Framework for Financial Reporting 2018		1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

3 ACCOUNTING POLICIES (CONTINUED)

(b) New and amended standards not yet adopted by the Group (continued)

The Group is in the process of making an assessment of the impact of these new and revised HKFRS upon initial application. So far the Group has identified no aspects of the new and revised standards and interpretations that are expected to have significant financial impact on the Group's performance and position.

4 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgments, 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 judgments 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 the 2018 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 2018 Financial Statements.

There have been no changes in the risk management function since 31 December 2018 or in any risk management policies since 31 December 2018.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk

Compared to the year ended 31 December 2018, 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 categorised into three levels within a fair value hierarchy, as follows:

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

(All amounts in HK dollar thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2019 and 31 December 2018.

	As at 30 June 2019 (unaudited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial instruments	—	6	—	6
Financial assets at fair value through other comprehensive income	—	—	17,051	17,051
Financial assets at fair value through profit or loss	—	—	3,017	3,017
Liabilities				
Derivative financial instruments	—	273	—	273

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

	As at 31 December 2018 (audited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial instruments	—	47	—	47
Financial assets at fair value through other comprehensive income	—	—	17,119	17,119
Financial assets at fair value through profit or loss	—	—	2,989	2,989

(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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

(c) Financial instruments in level 3

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 is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

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

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

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 2018	2,989	Discounted cash flow	Discount rate	3.65%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old
As at 30 June 2019	3,017	Discounted cash flow	Discount rate	3.65%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old
Unlisted equity investments				
As at 31 December 2018	17,119	Discounted cash flow	Net profit rate	5.9%–12.4%
			Discount rate	15.00%
As at 30 June 2019	17,051	Discounted cash flow	Net profit rate	5.9%–12.4%
			Discount rate	15.00%

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2019:

	Unlisted equity investments HK$'000	**Insurance for the Controlling Shareholder** HK$'000	**Total** HK$'000
Opening balance 31 December 2018 (audited)	17,119	2,989	20,108
Gains recognised in other loss — net	—	28	28
Currency translation differences	(68)	—	(68)
Closing balance 30 June 2019 (unaudited)	17,051	3,017	20,068

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

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

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

Description	Fair value at 30 Jun 2019 HK$'000	Fair value at 31 Dec 2018 HK$'000	Un-observable inputs*	Range of inputs (probability-weighted average) 2019	Range of inputs (probability-weighted average) 2018	Relationship of unobservable inputs to fair value
Unlisted equity investments	**17,051**	17,119	Discount rate for discounting estimated cash flows	**14%–16%**	14%–16%	Lower discount rate for discounting estimated cash flows (–1%) and higher net profit rate (+1%) would increase FV by HK$2,917,000;
			Net profit rate	**7.7%–9.7%**	7.7%–9.7%	Higher discount rate for discounting estimated cash flows (+1%) and lower net profit rate (–1%) would decrease FV by HK$2,585,000.

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

(ii) Valuation processes

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

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

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

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

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.

(All amounts in HK dollar thousands unless otherwise stated)

7 SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive Directors. The executive Directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on the internal reports that are used to make strategic decisions. The executive directors considered the nature of the Group's business and determined that the Group's electric charging products can be categorised into six reportable segments as follows: (i) telecommunication, (ii) media and entertainment, (iii) electrical home appliances, (iv) smart chargers and controllers, (v) lighting and (vi) others.

Segment information for the interim condensed consolidated statement of profit or loss is set out below:

	Tele-communication	Media and entertainment	Electrical home appliances	Smart chargers and controllers	Lighting	Others	Total
Six months ended 30 June 2019 (unaudited)							
Revenue							
Revenue from external customers	542,890	124,944	108,859	748,984	250,116	58,872	1,834,665
Segment results	63,142	23,606	15,810	140,499	47,689	14,373	305,119
Other income							6,705
Other losses — net							(5,912)
Selling expenses							(74,841)
Administrative expenses							(122,707)
Net impairment losses on financial assets							(1,205)
Finance expenses — net							(4,150)
Profit before income tax							103,009

(All amounts in HK dollar thousands unless otherwise stated)

7 SEGMENT INFORMATION (CONTINUED)

	Tele-communication	Media and entertainment	Electrical home appliances	Smart chargers and controllers	Lighting	Others	Total
Six months ended 30 June 2018 (unaudited)							
Revenue							
Revenue from external customers	550,897	162,854	82,777	487,905	88,685	97,192	1,470,310
Segment results	33,219	25,788	15,000	59,683	12,453	11,757	157,900
Other income							13,132
Other losses — net							(1,767)
Selling expenses							(65,252)
Administrative expenses							(118,435)
Finance expenses — net							(3,255)
Loss before income tax							(17,677)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
PRC (excluding Hong Kong)	**413,789**	406,633
Hungary	**34,715**	34,212
Hong Kong	**14,059**	9,924
Others	**158**	158
	462,721	450,927

(All amounts in HK dollar thousands unless otherwise stated)

8 OTHER INCOME AND OTHER LOSSES — NET

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Other income		
Sales of scrap materials	**1,069**	7,088
Sales of raw materials, sample and molds	**1,400**	1,744
Others	**4,236**	4,300
	6,705	13,132
Other losses — net		
Fair value changes on derivative financial instruments	**(313)**	66
Fair value changes on financial assets at fair value through profit or loss	**28**	46
Fair value changes on investment properties *(Note 16)*	**1,300**	450
Net foreign exchange loss	**(9,338)**	(4,689)
Government grants	**2,483**	4,040
Loss on disposal of property, plant and equipment	**(429)**	(544)
Others	**357**	(1,136)
	(5,912)	(1,767)

(All amounts in HK dollar thousands unless otherwise stated)

9 EXPENSES BY NATURE

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Changes in inventories of finished goods and work in progress	**29,316**	36,119
Raw materials and consumables used	**1,247,832**	1,032,130
Allowance for impairment of inventory	**5,754**	552
Allowance for impairment of trade receivables	**—**	3,366
Employee benefit expenses	**248,401**	243,543
Depreciation, amortisation and impairment charges	**40,096**	33,603
Water and electricity expenses	**14,875**	14,723
Transportation and travelling expenses	**16,790**	13,580
Maintenance expenses	**10,139**	9,996
Consultancy fee	**5,917**	6,767
Entertainment expenses	**2,132**	3,759
Research and development expenses		
— Employee benefit expenses	**42,755**	39,400
— Depreciation and amortisation	**3,968**	5,756
— Raw materials, consumables used and others	**13,078**	13,847
Commission expenses	**12,296**	10,268
Certificate and detection fees	**2,915**	2,714
Business tax and surcharge	**7,081**	3,723
Other taxes and levies	**1,964**	1,364
Operating lease payments	**6,727**	7,281
Advertising costs	**1,613**	570
Commercial insurance	**3,901**	3,617
Communication expenses	**1,424**	1,210
Bank charges	**1,961**	1,706
Auditors' remuneration	**2,681**	2,768
Other expenses	**3,478**	3,735
Total cost of sales, selling expenses and administrative expenses	**1,727,094**	1,496,097

(All amounts in HK dollar thousands unless otherwise stated)

9 EXPENSES BY NATURE (CONTINUED)

The impairment losses on financial assets represent allowance for impairment of trade receivables and are separately presented in the interim condensed consolidated statement of profit or loss according to the amendments made to HKAS 1 following the release of HKFRS 9.

10 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Finance expenses:		
Interest on bank borrowings	**(4,399)**	(3,465)
Interest on lease liabilities *(Note 15)*	**(15)**	—
	(4,414)	(3,465)
Finance income:		
Interest income	**264**	210
Net finance expenses	**(4,150)**	(3,255)

(All amounts in HK dollar thousands unless otherwise stated)

11 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Current income tax		
— PRC corporate income tax	**14,125**	—
— Hong Kong profits tax	**3,027**	2,487
Subtotal	**17,152**	2,487
Deferred income tax *(Note 27)*	**4,764**	(8,602)
	21,916	(6,115)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Period (2018 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 recognised as "New and High Technology Enterprises" and thus enjoys a preferential CIT rate of 15%. Its CIT rate for the Period was 15% (2018 interim: 15%).

12 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) for the Period by the weighted average number of ordinary shares in issue for the Period.

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit/(loss) attributable to owners of the Company (HK$'000)	**81,093**	(11,562)
Weighted average number of shares issued (thousands)	**1,000,456**	1,000,005
Basic earnings/(losses) per share (HK cents)	**8**	(1)

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has one category of dilutive potential ordinary shares: share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market share price of the Company's shares) for the same amount of proceed are share issues for no consideration which causes dilution to (losses)/earnings per share. During the Period, the outstanding share options do not have any material dilutive impact. Therefore, the diluted earnings/(losses) per share of the Company approximates the basic earnings/(losses) per share.

13 DIVIDENDS

The board of directors has resolved on 23 August 2019 to declare an interim dividend of HK2.5 cents per ordinary share for the six months ended 30 June 2019 (2018 interim: Nil). This interim dividend, amounting to HK$25.0 million (2018 interim: Nil), has not been recognised as a liability in this Interim Financial Information.

On 27 May 2019, a final dividend of HK1.5 cents per ordinary share and a special final dividend of HK1.0 cent per ordinary share for the year ended 31 December 2018, amounting to HK$25,011,000, was approved by all the then shareholders of the Company, and HK$25,008,000 was paid on 28 June 2019.

(All amounts in HK dollar thousands unless otherwise stated)

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 31 December 2018 as originally presented	**9,936**	**419,730**	**7,075**
Effects of the adoption of HKFRS 16 *(Note 3)*	**(5,047)**	**—**	**—**
Net book amount as at 1 January 2019	**4,889**	**419,730**	**7,075**
Additions	**—**	**42,851**	**1,736**
Disposals	**—**	**(5,898)**	**—**
Currency translation differences	**(38)**	**(1,844)**	**(17)**
Depreciation/amortisation	**—**	**(39,432)**	**(1,260)**
Impairment charge	**—**	**(3,186)**	**—**
Net book amount as at 30 June 2019 (unaudited)	**4,851**	**412,221**	**7,534**
Net book amount as at 1 January 2018	10,547	400,863	6,497
Additions	—	119,526	2,277
Disposals	—	(4,554)	—
Transfers	—	(284)	284
Currency translation differences	(448)	(17,228)	(345)
Depreciation/amortisation	(163)	(78,593)	(1,638)
Net book amount as at 31 December 2018 (audited)	9,936	419,730	7,075

As at 30 June 2019, the Group's interests in land use rights represent freehold land in Hungary.

15 LEASES

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see Note 16.

(a) Amounts recognised in the balance sheet

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Right-to-use assets		
Land use rights	**4,946**	—
Buildings	**7,874**	—
	12,820	—
Lease liabilities		
Current	**1,365**	—
Non-current	**6,488**	—
	7,853	—

The movement of right-of-use assets is analysed as follows:	
Opening net book amount as at 31 December 2018 (audited)	—
Effects of the adoption of HKFRS 16 *(Note 3)*	5,047
Opening net book amount as at 1 January 2019 as restated	5,047
Currency translation differences	(22)
Additions	8,062
Depreciation and amortisation	(267)
Closing net book amount as at 30 June 2019 (unaudited)	12,820

15 LEASES (CONTINUED)

(b) Amounts recognised in statement of profit and loss

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation charge of right-of-use assets		
Land use rights	**79**	—
Buildings	**188**	—
	267	—
Interest expense (included in finance expenses-net) *(Note 10)*	**15**	—
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	**6,727**	—

(All amounts in HK dollar thousands unless otherwise stated)

16 INVESTMENT PROPERTIES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
At fair value		
At beginning of period	**6,400**	5,700
Net gains from fair value adjustment	**1,300**	700
At end of period	**7,700**	6,400

As at 30 June 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (31 December 2018: Nil).

The valuation of the Group's investment properties was performed by the valuer, Dudley Surveyors Limited at 30 June 2019 and Jones Lang LaSalle Corporate Appraisal and Advisory Limited at 31 December 2018, to determine the fair value of the investment properties. The revaluation gains or losses are included in 'Other losses — net' in the interim condensed consolidated statement of profit or loss. The following table analyses the investment properties carried at fair value, by valuation method.

(All amounts in HK dollar thousands unless otherwise stated)

16 INVESTMENT PROPERTIES (CONTINUED)

	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**
Recurring fair value measurements method				
Investment properties:				
As at 30 June 2019 (unaudited)	—	7,700	—	7,700
As at 31 December 2018 (audited)	—	6,400	—	6,400

There were no transfers between Level 1, 2, and 3 during the Period (31 December 2018: Nil).

As at 30 June 2019, the Group's bank borrowings were secured over investment properties with the carrying amounts of HK$7,700,000 (31 December 2018: HK$6,400,000) (Note 24(a)).

(All amounts in HK dollar thousands unless otherwise stated)

17 INVENTORIES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Raw materials	**224,764**	204,802
Work in progress	**89,322**	61,766
Finished goods	**193,612**	250,484
	507,698	517,052
Less: allowance for impairment	**(32,533)**	(26,999)
	475,165	490,053

18 TRADE AND OTHER RECEIVABLES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade receivables	**839,837**	635,572
Less: allowance for impairment	**(16,330)**	(15,207)
Trade receivables, net	**823,507**	620,365
Bills receivable	**639**	132
Prepayments	**10,365**	17,588
Deposits	**10,171**	14,739
Advances to employees	**262**	301
Value added tax allowance	**22,794**	9,155
Others	**12,036**	6,225
	879,774	668,505

(All amounts in HK dollar thousands unless otherwise stated)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2019 (Unaudited)	31 December 2018 (Audited)
Less than 3 months	**802,379**	583,367
More than 3 months but not exceeding 1 year	**25,149**	39,896
More than 1 year	**12,309**	12,309
	839,837	635,572

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 2019, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK$318,811,000 (31 December 2018: HK$192,829,000) (Note 24(a)).

(All amounts in HK dollar thousands unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Derivative financial assets — Non-current	**—**	47
Derivative financial assets — Current	**6**	—
Derivative financial liabilities — Non-current	**273**	—

	Amount	**Notional amount**
As at 30 June 2019 (unaudited)		
Derivative financial assets — Current		
Types of contracts		
Interest rate swap contracts	**6**	**20,366**
Derivative financial liabilities — Non-current		
Types of contracts		
Interest rate swap contracts	**273**	**48,122**
As at 31 December 2018 (audited)		
Derivative financial assets — Non-current		
Types of contracts		
Interest rate swap contracts	47	20,366

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

(All amounts in HK dollar thousands unless otherwise stated)

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at FVOCI comprise the following individual investments:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Non-current assets		
Unlisted equity investments		
GCteq Wireless	**5,683**	5,706
EOLOCK Co.	**11,368**	11,413
	17,051	17,119

The following table presents the changes in FVOCI for the six months ended 30 June 2019 and 30 June 2018:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Opening balance as at 1 January	**17,119**	—
Additions	**—**	11,861
Currency translation differences	**(68)**	—
Closing balance as at 30 June	**17,051**	11,861

Information about the methods and assumptions used in determining fair value is provided in Note 5.3.

As at 30 June 2019, the management of the Group has assessed the fair value of financial assets at FVOCI and held the view of no significant changes between investment cost and fair value.

(All amounts in HK dollar thousands unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Fair value of insurance contract for a member of key management	**3,017**	2,989

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'Other losses — net' in the interim condensed consolidated statement of profit or loss (Note 8).

The fair value of the insurance is based on the unobservable inputs.

As at 30 June 2019, the Group's bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK$3,017,000 (31 December 2018: HK$2,989,000) (Note 24(a)).

22 RESTRICTED BANK DEPOSITS

As at 30 June 2019, bank deposits amounting to HK$9,684,000 (31 December 2018: HK$10,871,000) are deposits held by the bank in a segregated account as security for borrowings from the bank (Note 24(a)). The remaining bank deposits amounting to HK$8,595,000 are deposits held by the bank in a segregated accounts as security for notes payable (Note 26).

As at 30 June 2019, the weighted average interest rate was 1.84% (31 December 2018: 2.39%).

23 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares (thousands)	**Share capital** (HK$'000)	**Share premium** (HK$'000)
As at 30 June 2019 (unaudited) and 31 December 2018 (audited)	1,000,456	10,005	125,788

Detailed movement of issued shares are analysed as follows:

	Number of shares (thousands)	**Share capital** HK$'000	**Share premium** HK$'000	**Total** HK$'000
At 1 January 2018 (audited) and 30 June 2018 (unaudited)	1,000,456	10,005	125,788	135,793
At 1 January 2019 (audited) and 30 June 2019 (unaudited)	1,000,456	10,005	125,788	135,793

(All amounts in HK dollar thousands unless otherwise stated)

24 BORROWINGS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Non-current		
Bank borrowings		
— secured (a)	**117,445**	115,081
Less: current portion of non-current borrowings	**(66,981)**	(55,391)
	50,464	59,690
Current		
Bank borrowings		
— secured (a)	**129,253**	79,933
— unsecured	**15,677**	12,583
Total short-term bank borrowings	**144,930**	92,516
Current portion of non-current borrowings	**66,981**	55,391
	211,911	147,907
Total borrowings	**262,375**	207,597

(All amounts in HK dollar thousands unless otherwise stated)

24 BORROWINGS (CONTINUED)

Movement in borrowings is as follows:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Opening balance as at 1 January	**207,597**	187,804
Proceeds from borrowings	**765,261**	699,765
Repayments of borrowings	**(710,106)**	(547,055)
Currency translation differences	**(377)**	256
Closing balance as at 30 June	**262,375**	340,770

(a) As at 30 June 2019, bank borrowings amounting to HK$246,698,000 (31 December 2018: HK$195,014,000) are secured over the following assets:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Restricted bank deposits *(Note 22)*	**9,684**	10,871
Financial assets at fair value through profit or loss *(Note 21)*	**3,017**	2,989
Investment properties *(Note 16)*	**7,700**	6,400
Trade and other receivables *(Note 18)*	**318,811**	192,829
	339,212	213,089

(All amounts in HK dollar thousands unless otherwise stated)

24 BORROWINGS (CONTINUED)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
HK$	**165,869**	179,326
RMB	**62,663**	—
USD	**33,843**	28,271
	262,375	207,597

25 DEFERRED GOVERNMENT GRANTS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Opening net book amount	**9,390**	9,909
Receipt of grants	**2,519**	648
Credited to statement of profit or loss	**(452)**	(714)
Currency translation differences	**(108)**	(453)
Closing net book amount	**11,349**	9,390

For the Period, the amount represented the subsidies granted by the local government authority in the PRC relating to the construction and upgrading solar photovoltaic equipment and intelligent automated production line.

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

(All amounts in HK dollar thousands unless otherwise stated)

26 TRADE AND OTHER PAYABLES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade payables	**840,508**	792,672
Notes payable	**51,267**	1,248
Wages and staff welfare benefits payable	**130,124**	128,085
Accrual for expenses and other payables	**36,608**	36,657
Other taxes payable	**11,312**	13,126
	1,069,819	971,788

The ageing analysis of trade payables is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Less than 3 months	**634,658**	572,064
More than 3 months but not exceeding 1 year	**205,850**	220,605
More than 1 year	**—**	3
	840,508	792,672

(All amounts in HK dollar thousands unless otherwise stated)

27 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	
	2019 (Unaudited)	2018 (Unaudited)
Deferred income tax assets		
Opening balance as at 1 January	**19,383**	19,712
Recognised in the profit or loss	**1,892**	7,088
Currency translation differences	**(118)**	(403)
Closing balance as at 30 June	**21,157**	26,397

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Deferred income tax liabilities		
Opening balance as at 1 January	**54,128**	53,589
Recognised/(written back) in the profit or loss	**6,656**	(1,514)
Currency translation differences	**(345)**	(404)
Closing balance as at 30 June	**60,439**	51,671

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 2019, the Group did not recognise deferred income tax asset of HK$935,000 (31 December 2018: HK$3,424,000) in respect of the tax losses amounting to HK$4,719,000 (31 December 2018: HK$14,094,000), as their recoverability is uncertain.

(All amounts in HK dollar thousands unless otherwise stated)

27 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

As of 30 June 2019, the Group had tax loss carryforwards of HK$14,489,000 (31 December 2018: HK$15,601,000) which can be carried forward to offset future taxable income. The net operating tax loss carryforwards, including subsidiaries in the PRC and Hungary, will begin to expire as follows:

	30 June 2019 HK$ (Unaudited)	31 December 2018 HK$ (Audited)
2021	**3,023,000**	3,023,000
2022	**3,226,000**	3,226,000
2023	**3,757,000**	9,352,000
2024	**4,483,000**	—
	14,489,000	15,601,000

(All amounts in HK dollar thousands unless otherwise stated)

28 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 2019 (Unaudited)	31 December 2018 (Audited)
Not later than one year	**5,896**	7,026
Later than one year and not later than five years	**—**	55
	5,896	7,081

(b) Capital commitments

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
In respect of the acquisitions of plant and equipment, contracted but not provided for	**35,364**	11,397

(All amounts in HK dollar thousands unless otherwise stated)

29 RELATED PARTY TRANSACTIONS

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) Purchases of goods and services

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Purchase of goods		
Golden Ocean Copper Manufacturer Co., Limited	**29,399**	32,695
Huizhou Xinyang Cables Co., Limited	**28**	2,715
	29,427	35,410

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

(All amounts in HK dollar thousands unless otherwise stated)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties during the Period (continued)

(ii) Operating lease expenses

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Huizhou Golden Ocean Wire Co., Limited	**1,325**	—
Huizhou Tiannengyuan Charging Technology Co., Ltd.	**2,290**	2,216
Huizhou Golden Ocean Magnet Wire Factory	**—**	1,093
Sky Fortune Enterprise Limited	**312**	270
Golden Lake (HK) Company Limited	**132**	90
	4,059	3,669

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

(All amounts in HK dollar thousands unless otherwise stated)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances due from related parties

	30 June 2019		31 December 2018	
	Maximum balance outstanding during the Period	**(Unaudited)**	Maximum balance outstanding during the year	(Audited)
Huizhou Tiannengyuan Charging Technology Co., Ltd.	**1,194**	**1,194**	1,067	1,027
Huizhou Golden Ocean Magnet Wire Factory	**—**	**—**	424	29
Sky Fortune Enterprise Limited	**104**	**104**	90	10
Golden Lake (HK) Company Limited	**44**	**44**	30	30
	1,342	**1,342**	1,611	1,096

The balances due from related parties were mainly denominated in RMB. They were unsecured, interest-free, trading in nature and repayable on demand. Their fair values approximate their carrying amounts at 30 June 2019.

(All amounts in HK dollar thousands unless otherwise stated)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances due to related parties

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Huizhou Golden Ocean Wire Co., Limited	**337**	—
Golden Ocean Copper Manufacturer Co., Limited	**4,882**	11,659
Huizhou Xinyang Cables Co., Limited	**—**	1,143
	5,219	12,802

The balances due to related parties were mainly denominated in RMB. They were unsecured, interest-free, trading in nature and due within 3 months. The fair values approximate their carrying amounts at 30 June 2019.