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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1979)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Ten Pao Group Holdings Limited ("**Ten Pao**" or the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2016, together with comparative figures for the year ended 31 December 2015 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the year ended 31 December 2016 increased by 14.5% to HK$2,583.4 million.
- Gross profit for the year ended 31 December 2016 increased by 35.5% to HK$528.7 million. Gross profit margin increased by 3.2 percentage points to 20.5%.
- Profit before income tax for the year ended 31 December 2016 increased by 73.2% to HK$262.2 million.
- Profit attributable to owners of the Company for the year ended 31 December 2016 was HK$194.1 million, representing an increase of 52.1%.
- The Board recommended the payment of a final dividend of HK3.5 cents per ordinary share for the year ended 31 December 2016, which is subject to the approval of the Company's shareholders at the 2017 AGM.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table sets forth our consolidated statement of profit or loss for the years indicated:

		Year ended 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**2,583,404**	2,255,954
Cost of sales	*6*	**(2,054,676)**	(1,865,685)
Gross profit		**528,728**	390,269
Other income	*5*	**11,926**	19,782
Other gains – net	*5*	**15,473**	24,559
Selling expenses	*6*	**(114,854)**	(97,188)
Administrative expenses	*6*	**(173,596)**	(181,194)
Operating profit		**267,677**	156,228
Finance income		**347**	800
Finance expenses		**(5,809)**	(5,606)
Finance expenses – net		**(5,462)**	(4,806)
Profit before income tax		**262,215**	151,422
Income tax expense	*7*	**(68,146)**	(23,821)
Profit for the year attributable to owners of the Company		**194,069**	127,601
Earnings per share			
– basic and diluted per share	*8*	**HK19.4 cents**	HK16.7 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	Year ended 31 December 2016 HK$'000	2015 HK$'000
Profit for the year		**194,069**	127,601
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Currency translation differences		**(31,165)**	(27,825)
Change in value of available-for-sale financial assets		**–**	(41)
		(31,165)	(27,866)
Total comprehensive income for the year attributable to owners of the Company		**162,904**	99,735

CONSOLIDATED BALANCE SHEET

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

		As at 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**5,268**	5,781
Property, plant and equipment		**275,900**	279,595
Investment properties		**5,430**	5,560
Intangible assets		**5,035**	2,125
Deferred income tax assets		**17,250**	20,361
Financial assets at fair value through profit or loss-non current		**2,798**	2,710
Prepayments for the purchase of property, plant and equipment		**6,304**	5,489
		317,985	321,621
Current assets			
Inventories		**305,437**	216,015
Trade and other receivables	*10*	**681,196**	585,301
Amounts due from related parties		**5,137**	–
Cash and cash equivalents		**205,173**	187,458
Restricted bank deposits		**19,337**	15,908
		1,216,280	1,004,682
Total assets		**1,534,265**	1,326,303
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**10,000**	10,000
Share premium	*13*	**125,064**	125,064
Other reserves		**(2,216)**	14,124
Retained earnings		**321,034**	176,190
Total equity		**453,882**	325,378

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*12*	**39,481**	87,542
Deferred income tax liabilities		**40,500**	28,080
Derivative financial instruments		**194**	737
Deferred government grants		**9,932**	9,553
		90,107	125,912
Current liabilities			
Trade and other payables	*11*	**809,087**	706,267
Amounts due to related parties		**334**	4,229
Income tax liabilities		**41,052**	40,124
Short-term bank borrowings	*12*	**96,398**	69,731
Current portion of non-current bank borrowings	*12*	**43,378**	48,300
Derivative financial instruments		**27**	6,362
		990,276	875,013
Total liabilities		**1,080,383**	1,000,925
Total equity and liabilities		**1,534,265**	1,326,303

NOTES:

1. GENERAL INFORMATION

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

The Company, an investment holding company, and its subsidiaries (collectively, the "**Group**") are principally engaged in the developing, manufacturing and sales of electric charging products 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**").

2. BASIS OF PRESENTATION

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11

- Clarification of acceptable methods of depreciation and amortisation – Amendments to Hong Kong Accounting Standards ("**HKAS**") 16 and HKAS 38

- Annual improvements to HKFRSs 2012–2014 cycle, and

- Disclosure initiative – amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2016. They are relevant to the operations of the Group but have not been early adopted.

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and positions of the Group is expected when adopting International Financial Reporting Standards ("**IFRS**") 9 and IFRS 15. The directors also do not expect the adoption of IFRS 16 would result in significant impact on the Group's financial performance and positions except for the recognition of the right-of-use assets and corresponding lease liabilities arising from accounting for operating leases by the Company as a lessee.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. 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 seven reportable segments as follows: (i) telecommunication, (ii) media and entertainment, (iii) electronic cigarette, (iv) electrical home appliances, (v) lighting equipment, (vi) smart chargers and controllers and (vii) others.

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

	Telecommunication	Media and entertainment	Electronic cigarette	Electrical home appliances	Lighting	Smart chargers and controllers	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2016								
Revenue								
Revenue from external customers	**1,152,407**	**412,982**	**26,317**	**148,911**	**166,779**	**617,061**	**58,947**	**2,583,404**
Segment results	**172,855**	**111,830**	**9,342**	**34,073**	**36,965**	**147,186**	**16,477**	**528,728**
Other income								**11,926**
Other gains – net								**15,473**
Selling expenses								**(114,854)**
Administrative expenses								**(173,596)**
Finance expenses – net								**(5,462)**
Profit before income tax								**262,215**

	Telecommunication *HK$'000*	Media and entertainment *HK$'000*	Electronic cigarette *HK$'000*	Electrical home appliances *HK$'000*	Lighting *HK$'000*	Smart chargers and controllers *HK$'000*	Others *HK$'000*	Total *HK$'000*
31 December 2015								
Revenue								
Revenue from external customers	1,018,249	437,678	69,473	125,460	55,356	469,479	80,259	2,255,954
Segment results	120,340	93,197	17,405	26,862	14,947	99,870	17,648	390,269
Other income								19,782
Other gains – net								24,559
Selling expenses								(97,188)
Administrative expenses								(181,194)
Finance expenses – net								(4,806)
Profit before income tax								151,422

5. OTHER INCOME AND OTHER GAINS – NET

(a) Other income

	2016 *HK$'000*	2015 *HK$'000*
Sales of scrap materials	**3,220**	5,364
Sales of raw materials, samples and moulds	**4,520**	10,711
Inspection and certification fee income	**231**	477
Others	**3,955**	3,230
	11,926	19,782

(b) Other gains – net

	2016 *HK$'000*	2015 *HK$'000*
Loss on derivative financial instruments	**–**	(19,738)
Fair value changes on derivative financial instruments	**6,878**	27,663
Fair value changes on financial assets at fair value through profit or loss	**88**	86
Fair value changes on investment properties	**(130)**	260
Net foreign exchange gain	**7,976**	10,947
Government grants	**5,538**	1,249
Loss on disposal of property, plant and equipment	**(1,785)**	(532)
Gain on disposal of a subsidiary	**–**	6,962
Others	**(3,092)**	(2,338)
	15,473	24,559

6. EXPENSES BY NATURE

	2016	2015
	HK$'000	*HK$'000*
Changes in inventories of finished goods and work in progress	**76,452**	17,314
Raw materials and consumables used	**1,538,721**	1,413,899
Allowance for/(reversal of allowance for) impairment of inventory	**9,987**	(3,406)
(Reversal of allowance for)/allowance for impairment of trade receivables	**(186)**	2,285
Employee benefit expenses	**437,082**	436,317
Depreciation, amortisation and impairment charges	**49,324**	45,237
Water and electricity expense	**22,574**	19,981
Transportation and travelling expenses	**26,296**	22,649
Maintenance expenses	**18,453**	16,704
Consultancy fee	**16,214**	9,535
Entertainment expenses	**6,351**	7,068
Research and development expenses		
– Employee benefit expenses	**48,426**	47,574
– Depreciation and amortisation	**6,595**	3,737
– Raw materials, consumables used and others	**27,955**	22,071
Commission expenses	**5,475**	9,109
Certificate and detection fees	**12,189**	9,582
Business tax and surcharge	**6,512**	3,498
Other taxes and levies	**2,724**	1,996
Operating lease payments	**8,623**	9,308
Advertising expenses	**2,060**	1,477
Commercial insurance	**8,365**	7,766
Communication expenses	**1,895**	1,904
Bank charges	**2,063**	2,569
Auditors' remuneration		
– Audit services	**3,766**	3,436
– Non-audit services	**826**	1,126
Expenses related to initial public offering	**–**	26,832
Other expenses	**4,384**	4,499
Total cost of sales, selling expenses and administrative expenses	**2,343,126**	2,144,067

7. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
– PRC corporate income tax ("**CIT**")	**39,449**	29,669
– Hong Kong profits tax	**11,757**	11,882
Subtotal	**51,206**	41,551
Deferred income tax	**16,940**	(17,730)
	68,146	23,821

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

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

(c) PRC CIT

CIT is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits.

Pursuant to the PRC Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007 (the "**CIT Law**"), the CIT rate for domestic and foreign enterprises has been unified at 25%, effective from 1 January 2008.

Ten Pao Electronic (Huizhou) Co., Ltd. was recognised as "New and High Technology Enterprises" and enjoys a preferential CIT rate of 15% from 1 January 2016 to 10 October 2018. Its CIT rate for the year ended 31 December 2016 was 15% (2015: 25%).

(d) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

(e) British Virgin Islands ("BVI") and Samoa income tax

No provision for income tax in BVI and Samoa has been made as the Group has no income assessable to income tax in BVI and Samoa during the year (2015: Nil).

(f) Taxation on the Group's profit

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the main statutory tax rate applicable to profit of the Group as follows:

	2016	2015
	HK$'000	*HK$'000*
Profit before income tax	**262,215**	151,422
Tax calculated at applicable corporate income tax rate of 25%	**65,554**	37,855
Effect of differences in tax rates	**(5,919)**	(5,348)
Preferential tax treatment of CIT	**(11,205)**	–
Withholding tax	**14,918**	(11,261)
Re-measurement of deferred tax-change in the CIT tax rate	**6,488**	–
Tax losses for which no deferred income tax asset was recognised	**110**	990
Utilisation of tax losses previously not recognised	**(408)**	(1,523)
Expenses not deductible for taxation purposes	**3,130**	3,174
Accelerated research and development deductible expenses	**(4,509)**	–
Income not subject to tax	**(13)**	(66)
	68,146	23,821

The effective corporate income tax rate was 26% for the year (2015: 16%). The increase in the effective corporate income tax rate of 2016 compared to 2015 was primarily due to the increase in the profits of its subsidiaries in the PRC leading to the increase in withholding tax in 2016 less the reversal of withholding tax due to the dividend payments in 2015. Profits contribution from the Hong Kong subsidiaries increased during the year and were taxed at 16.5% income rate.

8. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2016	2015
Profit attributable to owners of the Company (HK$'000)	**194,069**	127,601
Weighted average number of shares issued (thousands)	**1,000,000**	763,699
Basic earnings per share (HK cents)	**19.4**	16.7

(b) Diluted earnings per share

Diluted earnings 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 earnings per share. During the year, the outstanding share options do not have any dilutive impact. Therefore, the diluted earnings per share of the Company equals the basic earnings per share.

9. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Interim dividend paid of HK2.0 cents per ordinary share (2015: Nil)	**20,000**	–
Proposed final dividend of HK3.5 cents per ordinary share (2015: HK2.0 cents)	**35,000**	20,000
	55,000	20,000

The dividends paid in 2016 and 2015 were HK$40,000,000 and HK$10,000,000 (special dividend paid to the Controlling Shareholder prior to the listing of the Company's shares on the Stock Exchange in 2015) respectively.

A final dividend in respect of the year ended 31 December 2016 of HK3.5 cents per ordinary share, amounting to HK$35 million, is to be proposed at the annual general meeting of the Company to be held on 26 May 2017.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**656,865**	563,194
Less: allowance for impairment	**(268)**	(2,285)
Trade receivables, net	**656,597**	560,909
Bills receivable	**641**	60
Prepayments	**4,847**	3,968
Deposits	**3,064**	3,784
Advances to employees	**5,879**	2,537
Value added tax allowance	**2,623**	2,146
Export rebates receivable	**597**	8,325
Others	**6,948**	3,572
	681,196	585,301

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

	2016	2015
	HK$'000	*HK$'000*
HK$	**77,201**	75,144
RMB	**327,654**	124,020
USD	**252,010**	364,030
	656,865	563,194

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

	2016	2015
	HK$'000	*HK$'000*
Less than 3 months	**626,048**	525,204
More than 3 months but not exceeding 1 year	**30,817**	35,809
More than 1 year	**–**	2,181
	656,865	563,194

11. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**629,071**	515,123
Advance	**4,501**	3,452
Wages and staff welfare benefits payable	**121,758**	111,387
Accrual for expenses and other payables	**25,814**	53,064
Other taxes payable	**27,943**	23,241
	809,087	706,267

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

	2016	2015
	HK$'000	*HK$'000*
Less than 3 months	**497,079**	452,053
More than 3 months but not exceeding 1 year	**129,237**	61,775
More than 1 year	**2,755**	1,295
	629,071	515,123

(b) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2016 and 2015.

12. BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Non-current		
Bank borrowings		
– secured (a)	**82,859**	131,442
– unsecured	**–**	4,400
Less: current portion of non-current borrowings	**(43,378)**	(48,300)
	39,481	87,542
Current		
Bank borrowings		
– secured (a)	**82,469**	46,694
– unsecured	**13,929**	23,037
Total short-term bank borrowings	**96,398**	69,731
Current portion of non-current borrowings	**43,378**	48,300
	139,776	118,031
Total borrowings	**179,257**	205,573

(a) As at 31 December 2016, bank borrowings amounting to HK$165.3 million (2015: HK$178.1 million) are secured over the following assets:

	2016	2015
	HK$'000	*HK$'000*
Restricted bank deposits	**19,337**	15,908
Financial assets at fair value through profit or loss-non current	**2,798**	2,710
Investment properties	**5,430**	5,560
Trade and other receivables	**327,820**	58,881
Property, plant and equipment	**23,480**	29,811
	378,865	112,870

13. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
At 27 January 2015 (date of incorporation)	1,000	–	–	–
Issuance of shares for acquisition of a subsidiary	500	–	–	–
Issuance of shares by initial public offering	250,000,000	2,500	135,000	137,500
Capitalisation issue	749,998,500	7,500	(7,500)	–
Share issuance costs	–	–	(16,886)	(16,886)
Novation of derivative financial instruments transferred from capital reserves	–	–	14,450	14,450
At 31 December 2015	1,000,000,000	10,000	125,064	135,064
At 1 January 2016 and 31 December 2016	1,000,000,000	10,000	125,064	135,064

CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the audited consolidated financial results of the Group for the year ended 31 December 2016.

Although an uncertain macro-economic environment has brought challenges to the market in 2016, as the leading one-stop smart power supply solutions provider, the Group has been able to capture business opportunities from the technological upgrade trend of telecommunication equipment industry, especially the smartphone category, as well as the electric power tools. This has been achieved by capitalising on the Group's strong research and development ("**R&D**") capability, complemented with a vertically integrated production model and a solid production and operation foundation built nearly four decades. During the year under review, both switching power supply units for consumer products and smart chargers and controllers for industrial use recorded notable revenue growth. Profit attributable to owners of the Company surged to a record high. Furthermore, Ten Pao has become a constituent stock in the MSCI Hong Kong Small Cap Index[1] since the end of 2016, which represents the market recognition of the Group.

The Group is one of the leaders amongst the peers in R&D. It not only can develop smart power supply related solutions based on the most current product needs of customers from different industries, but can also offer higher energy efficient and advanced solution proposals to customers, helping them to speed up new product development and upgrades, and to shorten release cycles in order to increase their market shares.

While the global smartphone market continues to grow, domestic smartphone brands have been able to acquire a bigger share of the market[2] of The People's Republic of China ("**China**" or the "**PRC**"), which has stimulated the demand for upgraded charging components and created a favourable business environment for the Group. During the year under review, the outstanding performance of the Group's innovative smart charging solutions consolidated its ties with existing customers of leading smartphone manufacturers in China, translated into satisfactory revenue growth from the telecommunication equipment segment.

As for segment revenue from smart chargers and controllers that are mainly applied to power tools for industrial use, the Group had foreseen that chargers for cordless built-in batteries would gradually replace traditional corded power tools, hence commenced research on the former a few years ago. Now, the Group has obtained sufficient data to provide smart power supply solutions with stable performance for different products and assist customers to launch their new products on the market in a timely manner. During the year under review, benefiting from accelerated market transformation, the Group made use of its strong R&D capability and effective solutions to fully assist customers in new product development and upgrades. Such efforts not only help to enhance the Group's ties with customers of leading famous international brands, but also effectively strengthen its reputation in the industry. Moreover,

1 MSCI Hong Kong Index
https://www.msci.com/eqb/gimi/stdindex/MSCI_Nov16_MicroPublicList.pdf

2 Top 3 Chinese Smartphone Vendors Grab Nearly Half of China's Market in 2016, says IDC
http://www.idc.com/getdoc.jsp?containerId=prAP42292517

the sales and engineering teams also actively expanded the customer mix. The efforts made over the years have bore fruit in the past year. The power tools segment obtained more sales orders from various leading customers in the industry, hence the growth of this segment exceeded the overall growth of the Group.

While focusing on the development of existing operations, the Group also seeks opportunities to diversify its business. Capitalising on the capability of its R&D team, the Group launched several new green energy saving projects during the year under review, including lighting power supply unit related products and charging piles for two-wheeled electric vehicles, which received favourable responses from the market. Society's increasing awareness of environmental protection and the importance that governments are attaching to ecological protection have created business opportunities for the Group. Ten Pao will fully support green initiatives and continue to implement innovative, harmonious, green, open and shared development concepts promoted by the government, as well as actively develop more advanced technologies that enable energy saving and enhancement of energy efficiency, which will ultimately reduce pollution and create a better living society.

To maintain its leading position in the market, the Group has actively developed new technologies; further enhanced equipment used in its testing laboratory; and enriched its product portfolio. In line with its development strategy, the Group has applied various measures to raise its production efficiency. With the implementation of the "Industrie 4.0" and "Made in China 2025" national strategic initiatives, the traditional manufacturing industry has started turning to smart production. With re-industrialisation also sweeping the world, the manufacturing industry in general is set for a step change. As part of its active effort to develop a modernised production model, the Group has forged a strategic partnership with the Hong Kong Productivity Council on "Smart Production" in a bid to increase automation, which is expected to begin bearing fruit in 2017. Moreover, the Group has devised a strategic plan for further overseas expansion. Its first overseas factory has been established in Hungary in early 2017, adjacent to the locations of its international customers. Operation of the factory is expected to commence in the second half of 2017, and thus will greatly shorten production and delivery cycles and enhance operational efficiency.

With Ten Pao's innovative R&D and efficient production capabilities and seasoned management team, the Group is confident in its ability to respond to ever-changing market trends, address the varying needs of customers, deliver products with higher value and maintain its leadership in the switching power industry.

On behalf of the Board and the management, I would like to extend my sincere gratitude to all our staff members for their hard work and contributions to the Group during the year. Moreover, I would also like to express my heartfelt appreciation for the support of all our shareholders, investors, customers and partners.

BUSINESS REVIEW

Overview

The Company is the leading one-stop provider of smart power supply solutions in the industry. With strong R&D capabilities, extensive expertise accumulated nearly four decades and a one-stop production model, the Group is able to provide advanced products that meet its customers and the market needs. Its strategy to keep pace with rapidly changing technologies supported its launch and development of technologically leading products, which combined with a diverse customer base, underpinned the Group's remarkable results and realised strong growth during the year under review.

For the year ended 31 December 2016, the Group's revenue increased by 14.5% to HK$2,583.4 million as compared with the preceding year, and was mainly attributable to a substantial increase in sales orders of smart chargers and controllers used for electric power tools and switching power supply units used for telecommunication equipment, as well as revenue derived from switching power supply units for lighting equipment. As a result, gross profit increased by 35.5% to HK$528.7 million for the year ended 31 December 2016, and gross profit margin increased by 3.2 percentage points to 20.5% for the year ended 31 December 2016. Profit before income tax also increased by 73.2% to HK$262.2 million for the year ended 31 December 2016 as compared with the preceding year. Profit attributable to owners of the Company soared by 52.1% to a record high of HK$194.1 million for the year ended 31 December 2016. Basic earnings per share was HK19.4 cents for the year ended 31 December 2016.

To reward the unwavering support of the Company's shareholders, the Board recommended the payment of a final dividend of HK3.5 cents per ordinary share for the year ended 31 December 2016. Together with an interim dividend of HK2.0 cents per ordinary share for the year ended 31 December 2016, annual dividend for the year ended 31 December 2016 amounted to HK5.5 cents per ordinary share (2015: HK2.0 cents per ordinary share), representing a dividend payout ratio of 28.3%.

Market and Business Review

The unstable global economic conditions and uncertain macroeconomic environment in 2016 presented challenges to the market. However, drawing on extensive operating experience and a thorough understanding of market trends, the Group was able to capture tremendous business opportunities arising from the increasing popularity of smart electronic products and advancement in power tool technologies. Combined with excellent product quality and a diverse customer base, the Group has seen a rise in revenue and profit despite the challenging operating environment.

The Group's two major business segments, namely, the switching power supply units for consumer products and smart chargers and controllers for industrial use, both recorded notable growth in revenue. Benefitting from an increase in customer orders, revenue from switching power supply units for consumer products for the year ended 31 December 2016 rose by 10.1% to HK$1,966.3 million when compared with the preceding year, accounting for 76.1% of total revenue. Gross profit for the year ended 31 December 2016 grew 31.4% year-on-year to HK$381.5 million and gross profit margin for the year ended 31 December 2016 increased by 3.1 percentage points to 19.4%. Revenue from smart chargers and controllers for power tools for the year ended 31 December 2016 increased by 31.4% to HK$617.1 million when compared with the preceding year, thus outperforming the Group's overall performance. For the year ended 31 December 2016, gross profit increased by 47.4% to HK$147.2 million, while gross profit margin rose by 2.6 percentage points to 23.9%.

The Group's switching power supply units are applied to consumer products across various industry sectors, including telecommunication equipment, media and entertainment equipment, electronic cigarette, electrical home appliances, lighting equipment and other products such as health care products. Most of the Group's products are incorporated into and/or applied to customers' end products under their own brands. Revenue from switching power supply units for telecommunication equipment, in particular smartphones, for the year ended 31 December 2016 was outstanding. The strong demand for ultra-fast chargers and the continuous increase in smartphone shipments in China[3] have led to the substantial growth in orders from a famous smartphone brand in China. Revenue surged by 13.2% year-on-year to HK$1,152.4 million for the year ended 31 December 2016, accounting for 44.6% of total revenue. As for the switching power supply units for electronic cigarettes, the Group changed its business strategy to include by producing the controller body instead of the chargers. While this segment remains at an investment stage, it is expected to deliver revenue contributions after the transition is completed in 2017.

The Group has actively developed smart chargers and controllers for power tools for industrial use in the past few years and its strategy to broaden its pool of power tool customers has also begun to bear fruit. The Group has secured new projects from existing customers and received large sales orders from certain recently developed customers during the year under review. The widespread recognition received from customers for its innovative smart charging technology has also led to a surge in sales orders and generated fresh profits for the Group.

Guided by the principle of supplying green power and backed by its innovative technologies, the Group has stepped up effort to develop innovative energy-saving power supply and new energy technologies, as well as provide highly effective solutions for the energy arena. During the year ended 31 December 2016, switching power supply for lighting equipment segment began to deliver results. The products received positive response from the market and were widely used in the PRC and Africa. Revenue from this segment amounted to HK$166.8 million for the year ended 31 December 2016, which represents remarkable growth when compared with HK$55.4 million reported in the preceding year.

As a move to demonstrate the Group's strong support for green initiatives, Ten Pao began actively developing a charging pile project for electric vehicles in 2016. Shipment of the first batch of charging piles for two-wheeled electric vehicles was completed in January 2017. Driven by the persistent and escalating demand for charging piles for two-wheeled electric vehicles, the Group expects such product to contribute considerable revenue in 2017.

[3] Worldwide Smartphone Shipments Up 1.0% Year over Year in Third Quarter Despite Samsung Galaxy Note 7 Recall, According to IDC
https://www.idc.com/getdoc.jsp?containerId=prUS41882816

As part of its strategic move to further expand its overseas market, the Group established its first overseas factory in Hungary in early 2017. Investment in this project will subsequently be conducted over several phases. With its close proximity to the Group's foreign customers, the factory will help enhance efficiency by greatly shortening production and delivery cycles. The factory is expected to commence production in the second half of 2017.

The power supply industry has entered into a new era with upgrading and transformation being vital to corporate development. With the implementation of the "Industrie 4.0" and "Made in China 2025" national strategic initiatives, automation and data exchange in manufacturing technologies become crucial for power supply industry players to seize opportunities. The Group strives to increase automation and implement a cyber-physical system. Towards this end, the Group has forged a strategic partnership with the Hong Kong Productivity Council on "Smart Production". The core of this reform project is based on automatic diagnosis, smart system design and production. Smart production will be achieved through the development of smart automatic equipment that will enhance the flexibility of automatic production lines and work places, achieve digitalisation of the production process and build a highly automated and efficient factory. Consequently, this will help saving production time and enhance production efficiency to a high extent. Investment in the project is expected to be a total of RMB200 million and will be carried out in several phases. The final configuration of the upgrade for 20 to 40 production lines would depend on market conditions and demand. The upgrade would reduce the Group's reliance on manpower and facilitate a swift response to the shifts in market demand.

Business Outlook

Looking ahead, the challenging global economy, slower economic growth in China, Brexit and the inauguration of a new president in the United States ("**US**") will continue to bring uncertainties to the industry. However, the steady demand for switching power supply units will continue to spur the growth of the industry as this product is indispensable to a majority of electrical products and has a major impact on our daily lives.

According to findings by International Data Corporation (IDC)[4], the estimated global shipment of smartphones for the five years ending 2020 will reach 1.71 billion. More users seeking smartphones with modern design and upgraded features will stimulate the demand for highly efficient switching power supply units, in particular, ultra-fast chargers. The Group will leverage its leading technological advantages, outstanding product quality and competitive pricing strategies to provide suitable solutions for its customers and facilitate their product upgrade. This is expected to generate more sales orders and sustain growth momentum in the second half of 2017.

As strong demand for wireless power tools has driven demand for cordless built-in batteries, the Group expects its smart power supply units will continue to serve as a growth driver. It will keep improving and upgrading the function of existing products, developing products with better efficiency and functionality, and providing one-stop service that addresses the needs of customers confronting rapid-changing market conditions.

[4] Worldwide Smartphone Forecast Update, 2016–2020: December 2016
https://www.idc.com/getdoc.jsp?containerId=US42060116

To further expand its product mix, the Group will keep abreast of the latest market developments and increase its investment in research on green energy. The performance of lighting equipment segment has achieved remarkable results in 2016 and has received tremendous demand in developing countries and the PRC, and is expected to have promising growth in the future.

In alignment with the green initiatives, the Group actively developed a charging pile project for electric vehicles in 2016. After the first batch of charging piles for two-wheeled electric vehicle was delivered in January 2017, the Group gradually received more sales orders and enquiries. This product is expected to generate promising income for the Group in 2017. The Group also plans to develop a variety of charging pile products for electric vehicles, including those for four-wheeled electric vehicles and golf carts in order to meet the market demand. This project is expected to transform into a new growth driver for the Group's operations in the future.

The Group continued to direct resources to increase production capacity and productivity. The construction of its first overseas factory in Hungary is proceeding smoothly, and production is set to commence in the second half of 2017. The factory will serve as a model for the Group when expanding its overseas markets. Ten Pao has been actively following the "Industrie 4.0" and "Made in China 2025" national strategic initiatives. The Group has forged a strategic partnership with the Hong Kong Productivity Council to launch "Smart Production" project in 2016. Once digitalisation of the production process is realised and highly automated and efficient factories are consecutively built, production efficiency will rise notably, leading to better results in 2018 and paving the way for sustainable business growth.

There are both opportunities and challenges in the market. The Group will adhere to its established business development strategy as well as leverage its first mover advantage in the industry, innovative R&D and production capabilities, extensive and solid customer base and outstanding brand to continue providing better and more diversified services for customers. It will strive to achieve sustainable growth, thus strengthen Ten Pao's leading presence in the switching power supply units industry and generate better returns for its shareholders.

FINANCIAL REVIEW

Revenue

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

The total revenue increased by 14.5% from HK$2,256.0 million for the year ended 31 December 2015 to HK$2,583.4 million for the year ended 31 December 2016. The increase was mainly attributable to the increase in the volume of products sold as a result of the increase in the demand from our customers.

Revenue by Product Segment

The following table sets forth the breakdown of our revenue by product segments for the year ended 31 December 2016 and the comparative figures.

	Year ended 31 December			
	2016		2015	
	HK$'000	***%***	*HK$'000*	*%*
Switching power supply units for consumer products				
Telecommunication	**1,152,407**	**44.6**	1,018,249	45.1
Media and entertainment	**412,982**	**16.0**	437,678	19.4
Electronic cigarette	**26,317**	**1.0**	69,473	3.1
Electrical home appliances	**148,911**	**5.8**	125,460	5.6
Lighting equipment	**166,779**	**6.4**	55,356	2.5
Others	**58,947**	**2.3**	80,259	3.5
Subtotal	**1,966,343**	**76.1**	1,786,475	79.2
Smart chargers and controllers for industrial use	**617,061**	**23.9**	469,479	20.8
Total revenue	**2,583,404**	**100.0**	2,255,954	100.0

During the year ended 31 December 2016, the sales of smart chargers and controllers for industrial use increased by 31.4% from HK$469.5 million for the year ended 31 December 2015 to HK$617.1 million for the year ended 31 December 2016 as a result of increasing demand from our existing customers and certain newly developed customers in recent years. Sales of switching power supply units for telecommunication equipment increased by 13.2% to HK$1,152.4 million mainly due to the increase in demand from one of the leading mobile phone manufacturers in the PRC. Sales of switching power supply units for electronic cigarette decreased during the year ended 31 December 2016 as our customers have no new product launched during the year. Sales of switching power supply units for lighting equipment increased by 201.3% to HK$166.8 million for the year ended 31 December 2016 as new orders were received from customers in the US and the PRC.

Revenue by Geographic Location

The following table sets out an analysis of the total revenue by geographic location, and is based on the destination to which we deliver our products to our customers, whereas the ultimate products produced by our customers are sold globally. As such, the delivery destination of our products may not be the same as the countries in which the relevant final products are sold.

	Year ended 31 December			
	2016		2015	
	HK$'000	***%***	*HK$'000*	*%*
PRC, excluding Hong Kong	**1,569,906**	**60.8**	1,230,561	54.5
US	**173,261**	**6.7**	351,346	15.6
Asia, excluding PRC	**393,921**	**15.2**	373,183	16.5
Europe	**324,759**	**12.6**	265,573	11.8
Africa	**90,183**	**3.5**	6,303	0.3
Others	**31,374**	**1.2**	28,988	1.3
Total revenue	**2,583,404**	**100.0**	2,255,954	100.0

Cost of Sales

Cost of sales primarily consists of cost of raw materials, direct labour costs and production overheads. Cost of raw materials mainly includes expenses relating to our purchases of raw materials such as plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, printed circuit board components, triodes, copper and aluminium materials, and resistors. Direct labour costs mainly comprise wages, pension costs and social security costs for those who are directly involved in the manufacturing of our products. Production overheads mainly comprise depreciation of plant and machinery, administrative staff costs relating to production, subcontracting expenses, utility expenses and other miscellaneous production costs.

Cost of sales increased by 10.1% during the year ended 31 December 2016, mainly attributable to the increase in business.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2016, the Group recorded a gross profit of HK$528.7 million, representing an increase of 35.5% from 2015.

The gross profit margin of the Group increased from 17.3% for the year ended 31 December 2015 to 20.5% for the year ended 31 December 2016. The increase in gross profit margin of the Group was primarily due to the continuous shift of our product mix towards higher margin products and the implementation of cost-saving plans to reduce our sourcing costs and standardise our product quality.

Other Income

Other income mainly consists of sales of scrap materials from our manufacturing process, sales of raw materials, samples and molds, inspection and certification fee income for obtaining standard certifications as requested by customers and others. The decrease in other income is mainly attributable to the smooth line of our production process which produced less scrap material for sales and increase in costs absorbed by the Group in relation to samples and moulds for new projects.

Other Gains – Net

Other gains – net mainly consists of fair value changes on derivative financial instruments, net foreign exchange gain due to our transactions denominated in foreign currencies, government grants for the construction project of rooftop solar photovoltaic installations and other approved technology projects, and loss on disposal of property, plant and equipment.

Selling Expenses

Selling and marketing expenses primarily consist of employee benefit expenses, transportation and travelling expenses, commission expenses to salespersons and agents, certificate and detection fees mainly for obtaining safety certifications, consultancy fee, entertainment fee, operating lease payments, advertising costs, commercial insurance for our trade receivables and others.

Selling and marketing expenses increased by 18.2% from HK$97.2 million for the year ended 31 December 2015 to HK$114.9 million for the year ended 31 December 2016. The increase was primarily attributable to the increase in the business of the Group and the exploitation of new customers.

Administrative Expenses

Administrative expenses primarily consist of employee benefit expenses for administrative staff, depreciation, amortisation and impairment charges, consultancy fee, transportation and travelling expenses, entertainment expenses, bank charges, R&D costs and others.

Administrative expenses decreased by 4.2% from HK$181.2 million for the year ended 31 December 2015 to HK$173.6 million for the year ended 31 December 2016. The decrease was primarily attributable to the decrease in professional fees of HK$26.8 million paid in relation to the initial public offering in 2015, offsetting by the increase in the R&D expenses from HK$73.4 million for the year ended 31 December 2015 to HK$83.0 million for the year ended 31 December 2016.

Finance Expenses – Net

Net finance expenses represent interest charges on our interest-bearing bank borrowing and interest income on our bank deposits. The Group had net finance expenses of HK$5.5 million and HK$4.8 million for the years ended 31 December 2016 and 2015, respectively.

Income Tax Expense

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

Income tax expense consists of current income tax and deferred income tax. Current income tax consists of the PRC enterprise income tax at a rate of 15% for a PRC subsidiary of the Company which was recognised as "New and High Technology Enterprises" and enjoys a preferential Corporate Income Tax rate and at a rate of 25% for the other PRC subsidiaries of the Company, respectively. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the Company's subsidiaries in Hong Kong. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Income tax expense increased from HK$23.8 million for the year ended 31 December 2015 to HK$68.1 million for the year ended 31 December 2016. The increase in income tax expense was primarily due to the increase in profit before income tax from HK$151.4 million for the year ended 31 December 2015 to HK$262.2 million for the year ended 31 December 2016 and the increase in withholding tax of the Company's subsidiaries in the PRC. Profits contribution from the Hong Kong subsidiaries of the Company increased during the year and were taxed at the rate of 16.5%. As of 31 December 2016, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing factors, total comprehensive income for the year attributable to owners of the Company increased by 63.3% to HK$162.9 million for the year ended 31 December 2016 from HK$99.7 million for the year ended 31 December 2015, having taken account of the fair value changes on derivative financial instrument which resulted in a gain of approximately HK$6.9 million.

ADJUSTED PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The table below sets out our profit attributable to owners of the Company excluding the effect of derivative financial instruments, net of income tax for the years ended 31 December 2016 and 2015.

	For the Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**194,069**	127,601
Adjusted for derivative financial instruments (net of income tax):		
Unrealised gain/(loss)		
Foreign exchange hedge purpose	**5,312**	23,428
Non-foreign exchange hedge purpose	**431**	(330)
Realised loss		
Foreign exchange hedge purpose	**–**	(16,481)
Profit attributable to owners of the Company excluding realised and unrealised gain/(loss) in derivative financial instruments, net of income tax	**188,326**	120,984

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of 31 December 2016, net current assets was HK$226.0 million as compared with HK$129.7 million of 31 December 2015. As of 31 December 2016, current ratio was 1.23 times (2015: 1.15 times) (current ratio is calculated by using the following formula: Current Assets/Current Liabilities). Gearing ratio was 39.5% (2015: 63.2%) (gearing ratio is calculated by using the following formula: Total Borrowings/Total Equity). The improvement was mainly attributable to the good performance of the Group which improves the liquidity during the year ended 31 December 2016.

Cash generated from operations was HK$219.6 million for the year ended 31 December 2016 (2015: HK$141.5 million) and the increase was mainly attributable to the increase in profit for the year attributable to owners of the Company during the year ended 31 December 2016.

Cash used in investing activities for the year ended 31 December 2016 was HK$72.8 million (2015: HK$148.6 million). During the year ended 31 December 2016, the Group slowed down the investment in purchases of property, plant and equipment as significant investment was made in the preceding year.

During the year ended 31 December 2016, net cash used in financing activities was HK$69.8 million (2015: net cash generated from financing activities was HK$163.8 million) for the repayment of bank borrowings and the payment of dividend of HK$40 million.

DEBT MATURITY PROFILE

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Within 1 year	**139,776**	118,031
Between 1 and 2 years	**20,395**	45,935
Between 2 and 5 years	**19,086**	41,607
	179,257	205,573

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

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

The Group generates a notable portion of revenue and receivables in USD and HK$, while our cost of sales is primarily denominated in RMB. For the year ended 31 December 2016, our revenue denominated in USD and HK$ amounted to approximately 67.3% of our total revenue.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies and to mitigate the impact on exchange rate fluctuations. During the year ended 31 December 2016, no new forward foreign exchange contracts had been entered into by the Group.

As a result of the depreciation of RMB against USD during the year, approximately HK$6.0 million of realised loss on derivative financial instruments outstanding at the beginning of the year had been recognised and was fully reimbursed by Mr. Hung Kwong Yee ("**Chairman Hung**"), the executive Director and chief executive officer of the Company, who made an indemnity in favour of the Group for all losses arising out of the settlements of the derivative financial instruments from the month of listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") until the expiry of all the derivative financial instruments.

A fair value gain on derivative financial instruments of approximately HK$6.9 million had been recognised for the year ended 31 December 2016, which represents the entire provision made at the beginning of the year and written back during the year as all the target redemption currency forward contracts outstanding as at 31 December 2015 were terminated on completion of the terms.

Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 31 December 2016, the Group has bank borrowings of HK$179.3 million (2015: HK$205.6 million) which is primarily denominated in HK$, 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 consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure credit terms are only granted to customers with an appropriate credit history, and credit evaluations on them were performed periodically, taking into account their financial position, past experience and other factors. For customers to whom no credit terms were offered, the Group generally requires them to pay deposits and/or advances prior to delivery of products. The Group typically does not require collaterals from customers. Provisions are made for the balances when they are past due and the management considers the default risk is high.

As at 31 December 2016, all of the bank balances, term deposits and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions. As at 31 December 2016 and 2015, the Group held bank balances, term deposits and restricted bank deposits totalling HK$224.5 million, and HK$203.4 million, respectively, with four major banks in the PRC and Hong Kong.

Liquidity Risk

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

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of approximately 6,000 full-time employees as of 31 December 2016. The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favourable working environment. The Group constantly invests in training across diverse operational functions and offer competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

CORPORATE GOVERNANCE PRACTICES

The Board and management are committed to 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 Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the CG Code throughout the year ended 31 December 2016 and up to the date of this announcement, with the exception of code provision A.2.1.

According to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this code provision because Chairman Hung performs both the roles of the chairman of the Board and the chief executive officer of the Company. Chairman Hung, the founder of the Group with the established market reputation in the power supply industry in the PRC, has extensive experience in its business operation and management in general. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. Under the leadership of Chairman Hung, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors 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 year ended 31 December 2016 and up to the date of this announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year ended 31 December 2016 and up to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK3.5 cents per ordinary share of the Company for the year ended 31 December 2016 (2015: HK2.0 cents) to the Company's shareholders. The proposed final dividend, subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Friday, 26 May 2017 (the "**2017 AGM**"), is expected to be paid on Monday, 26 June 2017 to all shareholders whose names appear on the register of members of the Company on Friday, 9 June 2017.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of the Stock Exchange on 11 December 2015. The net proceeds from the initial public offering amounted to approximately HK$120.6 million after deduction of related expenses.

As at 31 December 2016, the net proceeds had not been fully utilised and had been applied to the following uses:

Use of proceeds	**Actual net proceeds** *HK$'million*	**Actual utilisation up to 31 December 2016** *HK$'million*	**Balance as at 31 December 2016** *HK$'million*
For the expansion of scale of production of production bases in Huizhou	84.4	77.2	7.2
For the strengthening of sales and marketing efforts and expansion of customer base	12.1	6.0	6.1
For the strengthening of R&D capabilities	12.1	12.1	0.0
For general working capital and other general corporate purposes	12.0	12.0	0.0
	120.6	107.3	13.3

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017 (both days inclusive) for the purpose of determining the right to attend and vote at the 2017 AGM. In order to be qualified for attending and voting at the 2017 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 22 May 2017.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2017 AGM, the register of members of the Company will also be closed from Wednesday, 7 June 2017 to Friday, 9 June 2017 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2016. In order to be qualified for the proposed final dividend (subject to the approval of the shareholders of the Company at the 2017 AGM), unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 6 June 2017.

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 audited consolidated annual results of the Group for the year ended 31 December 2016 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.

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 year ended 31 December 2016.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's annual results for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's independent auditors, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong ("**PricewaterhouseCoopers**") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement of results.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tenpao.com). The annual report for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Ten Pao Group Holdings Limited
天寶集團控股有限公司
Hung Kwong Yee
Chairman & Chief Executive Officer

Hong Kong, 8 March 2017

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