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TEN PAO GROUP HOLDINGS LIMITED

天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1979)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the “**Board**”) of directors (the “**Directors**”) of Ten Pao Group Holdings Limited (“**Ten Pao**” or the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2017, together with comparative figures for the six months ended 30 June 2016 or other dates/periods, as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the six months ended 30 June 2017 increased by 20.5% to HK\$1,375.8 million.
- Gross profit for the six months ended 30 June 2017 increased by 21.4% to HK\$268.9 million. Gross profit margin increased by 0.1 percentage points to 19.5%.
- Profit before income tax for the six months ended 30 June 2017 increased by 8.3% to HK\$118.5 million. The comparative figure for the same period last year included a gain of HK\$6.5 million on fair value changes on derivative financial instruments.
- Profit attributable to owners of the Company for the six months ended 30 June 2017 increased by 22.2% to HK\$92.7 million.
- The Board has resolved to distribute an interim dividend of HK2.5 cents per ordinary share.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*(All amounts in HK dollar thousands unless otherwise stated)*

		Six months ended 30 June	
	<i>Notes</i>	2017	2016
		(Unaudited)	(Unaudited)
Revenue	7	1,375,788	1,142,032
Cost of sales	9	(1,106,853)	(920,417)
Gross profit		268,935	221,615
Other income	8	6,866	9,013
Other (losses)/gains – net	8	(6,776)	11,593
Selling expenses	9	(58,113)	(52,237)
Administrative expenses	9	(89,517)	(77,748)
Operating profit		121,395	112,236
Finance income	10	128	285
Finance expenses	10	(3,052)	(3,176)
Finance expenses – net		(2,924)	(2,891)
Profit before income tax		118,471	109,345
Income tax expense	11	(25,774)	(33,505)
Profit for the period attributable to owners of the Company		92,697	75,840
Earnings per share for the period			
– basic and diluted per share	12	HK\$0.09	HK\$0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit for the period	<u>92,697</u>	<u>75,840</u>
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Currency translation differences	<u>17,338</u>	<u>(8,136)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>110,035</u>	<u>67,704</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Notes</i>	30 June 2017 (Unaudited)	31 December 2016 (Audited)
ASSETS			
Non-current assets			
Land use rights	14	5,340	5,268
Property, plant and equipment	14	318,853	275,900
Investment properties	15	5,520	5,430
Intangible assets	14	5,013	5,035
Deferred income tax assets	25	16,470	17,250
Financial assets at fair value through profit or loss-non current	19	2,831	2,798
Prepayments for the purchase of property, plant and equipment		<u>13,522</u>	<u>6,304</u>
		<u>367,549</u>	<u>317,985</u>
Current assets			
Inventories	16	299,301	305,437
Trade and other receivables	17	691,796	681,196
Amounts due from related parties	27(b)	923	5,137
Cash and cash equivalents		205,900	205,173
Restricted bank deposits	20	19,390	19,337
Derivative financial instruments	18	<u>1</u>	<u>–</u>
		<u>1,217,311</u>	<u>1,216,280</u>
Total assets		<u>1,584,860</u>	<u>1,534,265</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	21	10,000	10,000
Share premium	21	125,064	125,064
Other reserves		15,122	(2,216)
Retained earnings		<u>378,731</u>	<u>321,034</u>
Total equity		<u>528,917</u>	<u>453,882</u>

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

	<i>Notes</i>	30 June 2017 (Unaudited)	31 December 2016 (Audited)
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	22	85,961	39,481
Deferred income tax liabilities	25	48,403	40,500
Derivative financial instruments	18	93	194
Deferred government grants	23	9,890	9,932
		<hr/>	<hr/>
		144,347	90,107
Current liabilities			
Trade and other payables	24	763,848	809,087
Amounts due to related parties	27(c)	16,639	334
Dividend payable		2	–
Income tax liabilities		8,047	41,052
Short-term bank borrowings	22	61,741	96,398
Current portion of non-current bank borrowings	22	61,271	43,378
Derivative financial instruments	18	48	27
		<hr/>	<hr/>
		911,596	990,276
Total liabilities		<hr/> 1,055,943 <hr/>	<hr/> 1,080,383 <hr/>
Total equity and liabilities		<hr/> 1,584,860 <hr/>	<hr/> 1,534,265 <hr/>

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

For the six months ended 30 June 2017 (unaudited)	Share capital	Share premium	Other reserves				Retained earnings	Total equity	
			Statutory reserves	Capital reserves	Exchange reserves	Share options			Total
Balance at 1 January 2017 (audited)	<u>10,000</u>	<u>125,064</u>	<u>19,022</u>	<u>338</u>	<u>(27,176)</u>	<u>5,600</u>	<u>(2,216)</u>	<u>321,034</u>	<u>453,882</u>
Comprehensive income									
Profit for the period	-	-	-	-	-	-	-	92,697	92,697
Other comprehensive income									
Currency translation difference	-	-	-	-	17,338	-	17,338	-	17,338
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,338</u>	<u>-</u>	<u>17,338</u>	<u>92,697</u>	<u>110,035</u>
Contributions by and distributions to owners of the Company recognised directly in equity									
Dividends (Note 13)	-	-	-	-	-	-	-	(35,000)	(35,000)
Total contributions by and distributions to owners of the Company for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>(35,000)</u>
Balance at 30 June 2017 (unaudited)	<u>10,000</u>	<u>125,064</u>	<u>19,022</u>	<u>338</u>	<u>(9,838)</u>	<u>5,600</u>	<u>15,122</u>	<u>378,731</u>	<u>528,917</u>

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

(All amounts in HK dollar thousands unless otherwise stated)

For the six months ended 30 June 2016 (unaudited)	Share capital	Share premium	Other reserves			Retained earnings	Total equity	
			Statutory reserves	Capital reserves	Exchange reserves			
Balance at 1 January 2016 (audited)	10,000	125,064	9,797	338	3,989	14,124	176,190	325,378
Comprehensive income								
Profit for the period	-	-	-	-	-	-	75,840	75,840
Other comprehensive income								
Currency translation difference	-	-	-	-	(8,136)	(8,136)	-	(8,136)
Total comprehensive income	-	-	-	-	(8,136)	(8,136)	75,840	67,704
Contributions by and distributions to owners of the Company recognised directly in equity								
Dividends	-	-	-	-	-	-	(20,000)	(20,000)
Total contributions by and distributions to owners of the Company for the period	-	-	-	-	-	-	(20,000)	(20,000)
Balance at 30 June 2016 (unaudited)	10,000	125,064	9,797	338	(4,147)	5,988	232,030	373,082

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Note</i>	Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Cash generated from operations		124,917	130,210
Interest paid		(2,983)	(3,210)
Income tax paid		(51,009)	(35,347)
		<hr/>	<hr/>
Net cash generated from operating activities		70,925	91,653
Cash flows from investing activities			
Purchase of property, plant and equipment		(66,201)	(38,291)
Purchase of intangible assets		(81)	(1,005)
Proceeds from disposal of property, plant and equipment		10	334
		<hr/>	<hr/>
Net cash used in investing activities		(66,272)	(38,962)
Cash flows from financing activities			
Proceeds from bank borrowings	22	567,679	438,759
Repayments of bank borrowings	22	(539,104)	(461,700)
Dividends paid	13	(34,998)	(19,998)
Repayments to related companies		–	(6,021)
Increase in restricted bank deposits		(53)	(6,545)
		<hr/>	<hr/>
Net cash used in financing activities		(6,476)	(55,505)
Net decrease in cash and cash equivalents		(1,823)	(2,814)
Cash and cash equivalents at beginning of the period		205,173	187,458
Exchange gains/(losses) on cash and cash equivalents		2,550	(973)
		<hr/>	<hr/>
Cash and cash equivalents at end of the period		205,900	183,671
		<hr/>	<hr/>
Analysis of balance of cash and cash equivalents:			
Cash and cash on hand		205,900	183,671
		<hr/>	<hr/>

NOTES

(All amounts in HK dollar thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

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

This Interim Financial Information was approved for issue on 11 August 2017 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2017 (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 2016 (“**2016 Financial Statements**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

- (a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group
- (b) Impact of standards issued but not yet applied by the Group

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2017. 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

3 ACCOUNTING POLICIES (CONTINUED)

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 HKFRS 9 and HKFRS 15. The directors also do not expect the adoption of HKFRS 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 Group as a lessee.

4 ESTIMATES

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2016 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 2016 Financial Statements.

There have been no changes in the risk management function since 31 December 2016 or in any risk management policies since 31 December 2016.

5.2 Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The Group exercises prudent liquidity risk management by maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

5.3 Fair value estimation

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

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

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 2017 and 31 December 2016.

	As at 30 June 2017 (unaudited)			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Derivative financial instruments	–	1	–	1
Financial assets at fair value through profit or loss-non current	–	–	2,831	2,831
Liabilities				
Derivative financial instruments	–	141	–	141
As at 31 December 2016 (audited)				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss-non current	–	–	2,798	2,798
Liabilities				
Derivative financial instruments	–	221	–	221

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (continued)

(c) Financial instruments in level 3

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

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

Description	Fair value	Valuation technique	Unobservable input	Assumption
Insurance for the Controlling Shareholder				
As at 30 June 2017 (unaudited)	2,831	Discounted cash flow	Discount rate	3.55%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old
As at 31 December 2016 (audited)	2,798	Discounted cash flow	Discount rate	3.55%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old

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

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

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

6 SEASONALITY

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

7 SEGMENT INFORMATION

The chief operating decision-makers have 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, (vi) smart chargers and controllers, and (vii) others.

Segment information for condensed consolidated statement of profit or loss is set out below.

	Tele- communication	Media and entertainment	Electronic cigarette	Electrical home appliances	Smart chargers and controllers	Lighting	Others	Total
Six months ended 30 June 2017								
(unaudited)								
Revenue								
Revenue from external customers	<u>530,587</u>	<u>263,955</u>	<u>13,969</u>	<u>84,230</u>	<u>352,489</u>	<u>90,068</u>	<u>40,490</u>	<u>1,375,788</u>
Segment results	<u>63,826</u>	<u>66,572</u>	<u>4,215</u>	<u>21,453</u>	<u>78,242</u>	<u>22,973</u>	<u>11,654</u>	<u>268,935</u>
Other income								6,866
Other losses – net								(6,776)
Selling expenses								(58,113)
Administrative expenses								(89,517)
Finance expenses – net								<u>(2,924)</u>
Profit before income tax								<u>118,471</u>
Six months ended 30 June 2016								
(unaudited)								
Revenue								
Revenue from external customers	<u>503,639</u>	<u>159,897</u>	<u>13,832</u>	<u>40,805</u>	<u>300,371</u>	<u>51,249</u>	<u>72,239</u>	<u>1,142,032</u>
Segment results	<u>67,857</u>	<u>40,918</u>	<u>4,804</u>	<u>9,412</u>	<u>70,181</u>	<u>10,568</u>	<u>17,875</u>	<u>221,615</u>
Other income								9,013
Other gains – net								11,593
Selling expenses								(52,237)
Administrative expenses								(77,748)
Finance expenses – net								<u>(2,891)</u>
Profit before income tax								<u>109,345</u>

7 SEGMENT INFORMATION (CONTINUED)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
PRC (excluding Hong Kong)	328,667	290,157
Hong Kong	8,437	7,601
Others	11,144	179
	<u>348,248</u>	<u>297,937</u>

8 OTHER INCOME AND OTHER GAINS – NET

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Other income		
Sales of scrap materials	1,447	1,972
Sales of raw materials, sample and molds	1,518	4,584
Others	3,901	2,457
	<u>6,866</u>	<u>9,013</u>
Other (losses)/gains – net		
Fair value changes on derivative financial instruments	81	6,479
Fair value changes on financial assets at fair value through profit or loss	33	42
Fair value changes on investment properties (<i>Note 15</i>)	90	(130)
Net foreign exchange (loss)/gain	(7,111)	4,914
Government grants	1,082	2,817
Loss on disposal of property, plant and equipment	(285)	(387)
Others	(666)	(2,142)
	<u>(6,776)</u>	<u>11,593</u>

9 EXPENSES BY NATURE

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Changes in inventories of finished goods and work in progress	(517)	4,429
Raw materials and consumables used	901,233	709,243
Allowance for impairment of inventory	439	2,183
(Reversal of allowance for)/allowance for impairment of trade receivables	(256)	1,533
Employee benefit expenses	199,767	201,977
Depreciation and amortisation	24,654	25,946
Water and electricity expenses	11,841	11,266
Transportation and travelling expenses	13,418	11,724
Maintenance expenses	12,697	8,004
Consultancy fee	9,649	5,009
Entertainment expenses	3,219	2,599
Research and development expenses		
– Employee benefit expenses	31,253	23,645
– Depreciation and amortisation	3,871	1,546
– Raw materials, consumables used and others	11,860	11,583
Commission expenses	4,473	1,773
Certificate and detection fees	3,811	6,318
Business tax and surcharge	3,673	2,839
Other taxes and levies	1,548	1,311
Operating lease payments	4,977	4,525
Advertising costs	625	1,432
Commercial insurance	4,311	4,285
Communication expenses	765	986
Bank charges	1,390	949
Auditors' remuneration	2,724	2,830
Other expenses	3,058	2,467
	<hr/>	<hr/>
Total cost of sales, selling expenses and administrative expenses	1,254,483	1,050,402

10 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Finance expenses:		
Interest on bank borrowings	(3,052)	(3,176)
Finance income:		
Interest income	128	285
	<hr/>	<hr/>
Net finance expenses	(2,924)	(2,891)

11 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Current income tax		
– PRC corporate income tax	11,931	15,268
– Hong Kong profits tax	6,073	6,506
Subtotal	18,004	21,774
Deferred income tax (Note 25)	7,770	11,731
	<u>25,774</u>	<u>33,505</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Period (2016 interim: 16.5%).

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

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

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

12 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to owners of the Company (HK\$’000)	92,697	75,840
Weighted average number of shares issued (thousands)	1,000,000	1,000,000
Basic earnings per share (HK cents)	9	8

(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 period, the outstanding share options do not have any material dilutive impact. Therefore, the diluted earnings per share of the Company approximates the basic earnings per share.

13 DIVIDENDS

On 11 August 2017, the board of directors resolved to declare an interim dividend of HK2.5 cents per ordinary share (2016 interim: HK2 cents per share). This interim dividend, amounting to HK\$25.0 million (2016 interim: HK\$20.0 million), has not been recognised as a liability in this Interim Financial Information.

On 26 May 2017, a final dividend of HK3.5 cents per ordinary share for the year ended 31 December 2016, absorbing an amount of HK\$35.0 million, was approved by all the then shareholders of the Company, and HK\$34,998,000 was paid on 26 June 2017.

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

	Land use rights	Property, plant and equipment	Intangible assets
Net book amount as at 1 January 2017	5,268	275,900	5,035
Additions	–	61,836	81
Disposals	–	(295)	–
Transfers	–	(278)	278
Currency translation differences	154	9,601	151
Depreciation/amortisation	(82)	(27,911)	(532)
	<u>5,340</u>	<u>318,853</u>	<u>5,013</u>
Net book amount as at 30 June 2017 (unaudited)	5,340	318,853	5,013
Net book amount as at 1 January 2016	5,781	279,595	2,125
Additions	–	78,292	1,121
Disposals	–	(5,535)	–
Transfers	–	(3,214)	3,214
Currency translation differences	(345)	(18,617)	(295)
Depreciation/amortisation	(168)	(54,382)	(1,130)
Impairment charge	–	(239)	–
	<u>5,268</u>	<u>275,900</u>	<u>5,035</u>
Net book amount as at 31 December 2016 (audited)	5,268	275,900	5,035

As at 30 June 2017, the Group's bank borrowings were secured over property, plant and equipment with the carrying amounts of HK\$15,487,000 (31 December 2016: HK\$23,480,000) (Note 22(a)).

15 INVESTMENT PROPERTIES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
At fair value		
At beginning of period	5,430	5,560
Net gains/(losses) from fair value adjustment	<u>90</u>	<u>(130)</u>
At end of period	<u>5,520</u>	<u>5,430</u>

As at 30 June 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (31 December 2016: Nil).

The valuation of the Group's investment properties was performed by the valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, to determine the fair value of the investment properties as at 31 December 2016 and 30 June 2017. The revaluation gains or losses are included in 'Other (losses)/gains – 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.

Description	Quoted prices in active markets for identical assets Level 1	Office units – Hong Kong		Total
		Significant other observable inputs Level 2	Significant unobservable inputs Level 3	
Recurring fair value measurements method				
Investment properties:				
As at 30 June 2017 (unaudited)	–	5,520	–	5,520
As at 31 December 2016 (audited)	–	5,430	–	5,430

There were no transfers between Level 1, 2, and 3 during the Period (31 December 2016: Nil).

As at 30 June 2017, the Group's bank borrowings were secured over investment properties with the carrying amounts of HK\$5,520,000 (31 December 2016: HK\$5,430,000) (Note 22(a)).

16 INVENTORIES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Raw materials	100,998	106,520
Work in progress	80,469	59,686
Finished goods	<u>141,242</u>	<u>161,508</u>
	322,709	327,714
Less: allowance for impairment	<u>(23,408)</u>	<u>(22,277)</u>
	<u>299,301</u>	<u>305,437</u>

17 TRADE AND OTHER RECEIVABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trade receivables	660,807	656,865
Less: allowance for impairment	(20)	(268)
	<hr/>	<hr/>
Trade receivables, net	660,787	656,597
Bills receivable	569	641
Prepayments	9,811	4,847
Deposits	1,851	3,064
Advances to employees	9,428	5,879
Value added tax allowance	2,099	2,623
Export rebates receivable	3,397	597
Others	3,854	6,948
	<hr/>	<hr/>
	691,796	681,196
	<hr/>	<hr/>

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Less than 3 months	622,403	626,048
More than 3 months but not exceeding 1 year	38,404	30,817
More than 1 year	–	–
	<hr/>	<hr/>
	660,807	656,865
	<hr/>	<hr/>

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

As at 30 June 2017, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK\$324,882,000 (31 December 2016: HK\$327,820,000) (Note 22(a)).

18 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Derivative financial assets – Current	1	–
Derivative financial liabilities – Current	48	27
Derivative financial liabilities – Non-current	93	194

	Amount	Notional amount
As at 30 June 2017 (unaudited)		
Derivative financial assets – Current		
Types of contracts		
Interest rate swap contracts	1	6,634
As at 30 June 2017 (unaudited)		
Derivative financial liabilities – Current		
Types of contracts		
Interest rate swap contracts	48	18,180
As at 30 June 2017 (unaudited)		
Derivative financial liabilities – Non-current		
Types of contracts		
Interest rate swap contracts	93	18,603
As at 31 December 2016 (audited)		
Derivative financial liabilities – Current		
Types of contracts		
Interest rate swap contracts	27	5,816
Derivative financial liabilities – Non-current		
Types of contracts		
Interest rate swap contracts	194	35,092

Changes in fair values of derivative financial instruments are recorded in ‘Other (losses)/gains – net’ in the interim condensed consolidated statement of profit or loss.

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Fair value of insurance contract for a member of key management	<u>2,831</u>	<u>2,798</u>

Changes in fair value of financial assets at fair value through profit or loss are recorded in ‘Other (losses)/ gains – 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 (Note 5.3(c)).

As at 30 June 2017, the Group’s bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK\$2,831,000 (31 December 2016: HK\$2,798,000) (Note 22(a)).

20 RESTRICTED BANK DEPOSITS

As at 30 June 2017, bank deposits amounting to HK\$19,390,000 (31 December 2016: HK\$19,337,000) are deposits held by the bank in a segregated account as security for borrowings from the bank (Note 22(a)).

As at 30 June 2017, the weighted average interest rate was 0.62% (31 December 2016: 0.88%).

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousands)	Share capital HK\$’000	Share premium HK\$’000
As at 30 June 2017 and 31 December 2016	<u>1,000,000</u>	<u>10,000</u>	<u>125,064</u>

Detailed movement of issued shares are analysed as follows:

	Number of shares (thousands)	Share capital HK\$’000	Share premium HK\$’000	Total HK\$’000
At 1 January 2016, 30 June 2016 (unaudited), 1 January 2017 and 30 June 2017 (unaudited)	<u>1,000,000</u>	<u>10,000</u>	<u>125,064</u>	<u>135,064</u>

22 BORROWINGS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Non-current		
Bank borrowings		
– secured (a)	147,232	82,859
Less: current portion of non-current borrowings	<u>(61,271)</u>	<u>(43,378)</u>
	85,961	39,481
Current		
Bank borrowings		
– secured (a)	49,656	82,469
– guaranteed	<u>12,085</u>	<u>13,929</u>
Total short-term bank borrowings	<u>61,741</u>	<u>96,398</u>
Current portion of non-current borrowings	<u>61,271</u>	<u>43,378</u>
	123,012	139,776
Total borrowings	208,973	179,257

Movement in borrowings is as follows:

	Six months ended 30 June	
	2017	2016
Opening balance as at 1 January	179,257	205,573
Proceeds from borrowings	567,679	438,759
Repayments of borrowings	(539,104)	(461,700)
Currency translation differences	<u>1,141</u>	<u>89</u>
Closing balance as at 30 June	208,973	182,721

- (a) As at 30 June 2017, bank borrowings amounting to HK\$196,888,000 (31 December 2016: HK\$165,328,000) are secured over the following assets:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Restricted bank deposits (<i>Note 20</i>)	19,390	19,337
Financial assets at fair value through profit or loss-non current (<i>Note 19</i>)	2,831	2,798
Investment properties (<i>Note 15</i>)	5,520	5,430
Trade and other receivables (<i>Note 17</i>)	324,882	327,820
Property, plant and equipment (<i>Note 14</i>)	<u>15,487</u>	<u>23,480</u>
	368,110	378,865

22 BORROWINGS (CONTINUED)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
HK\$	134,089	80,588
RMB	29,958	22,359
USD	44,877	76,224
WON	49	86
	208,973	179,257

23 DEFERRED GOVERNMENT GRANTS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Opening net book amount	9,932	9,553
Receipt of grants	–	1,820
Credited to statement of profit or loss	(340)	(770)
Currency translation differences	298	(671)
Closing net book amount	9,890	9,932

For the Period, the amount represented the subsidy granted by a local government authority in the PRC relating to the construction of solar photovoltaic. This government grant is used for the construction of the roof photovoltaic power generation demonstration projects, which is deferred for amortisation as other gains on a straight-line basis over the useful lives of the related assets.

The deferred government grants will be amortised to ‘Other (losses)/gains – net’ from the point at which the relevant assets are ready for use on a straight-line basis over the assets’ useful lives.

24 TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trade payables	604,920	629,071
Advance	4,708	4,501
Wages and staff welfare benefits payable	103,111	121,758
Accrual for expenses and other payables	31,584	25,814
Other taxes payable	19,525	27,943
	763,848	809,087

24 TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of trade payables is as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Less than 3 months	511,774	497,079
More than 3 months but not exceeding 1 year	88,241	129,237
More than 1 year	4,905	2,755
	<u>604,920</u>	<u>629,071</u>

25 DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Deferred income tax assets		
Opening balance as at 1 January	17,250	20,361
Recognised in the profit or loss	(1,242)	(6,408)
Currency translation differences	462	(289)
	<u>16,470</u>	<u>13,664</u>
Closing balance as at 30 June		
	<u>16,470</u>	<u>13,664</u>
Deferred income tax liabilities		
Opening balance as at 1 January	40,500	28,080
Recognised in the profit or loss	6,528	5,323
Currency translation differences	1,375	(635)
	<u>48,403</u>	<u>32,768</u>
Closing balance as at 30 June		
	<u>48,403</u>	<u>32,768</u>

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 2017, the Group did not recognise deferred income tax asset of HK\$160,000 (31 December 2016: HK\$110,000) in respect of the tax losses amounting to HK\$1,276,000 (31 December 2016: HK\$535,000), as their recoverability is uncertain.

25 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

As of 30 June 2017, the Group had tax loss carryforwards of HK\$3,415,000 (31 December 2016: HK\$3,343,000) which can be carried forward to offset future taxable income. The net operating tax loss carryforwards, excluding Hong Kong and overseas subsidiaries, will begin to expire as follows:

	30 June 2017 HK\$ (Unaudited)	31 December 2016 HK\$ (Audited)
2020	2,601,000	2,827,000
2021	516,000	516,000
2022	298,000	–
	<u>3,415,000</u>	<u>3,343,000</u>

26 COMMITMENTS

(a) Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements.

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Not later than one year	4,090	7,294
Later than one year and not later than five years	166	283
	<u>4,256</u>	<u>7,577</u>

(b) Capital commitments

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
In respect of the acquisitions of plant and equipment, contracted but not provided for	<u>21,620</u>	<u>12,468</u>

27 RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties during the Period

(i) Purchases of goods and services

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Purchase of goods		
Golden Ocean Copper Manufacturer Co., Limited	32,199	26,520
Huizhou Xinyang Cables Co., Limited	2,300	4,254
	34,499	30,774

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

(ii) Operating lease expenses

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Huizhou Tiannengyuan Charging Technology Co., Ltd.	1,936	2,491
Huizhou Golden Ocean Magnet Wire Factory	890	1,070
Sky Fortune Enterprise Limited	240	240
	3,066	3,801

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

(iii) Operating lease income

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Huizhou Tiannengyuan Technology Co., Ltd.	61	69

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

27 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances due from related parties

	30 June 2017		31 December 2016	
	<i>Maximum balance outstanding during the Period</i>		<i>Maximum balance outstanding during the year</i>	
	(Unaudited)		(Audited)	
Golden Ocean Copper Manufacturer Co., Limited	17,790	–	17,401	2,243
Huizhou Xinyang Cables Co., Limited	2,841	–	1,847	966
Huizhou Tiannengyuan Charging Technology Co., Ltd.	2,302	843	1,733	1,733
Huizhou Golden Ocean Magnet Wire Factory	670	1	130	130
Huizhou Tiannengyuan Technology Co., Ltd.	122	53	189	39
Golden Lake (HK) Company Limited	26	26	172	26
	<u>23,751</u>	<u>923</u>	<u>21,472</u>	<u>5,137</u>

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 2017.

(c) Balances due to related parties

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Golden Ocean Copper Manufacturer Co., Limited	14,570	–
Huizhou Xinyang Cables Co., Limited	2,064	–
Huizhou Hui He Printing Co., Ltd.	–	334
Sky Fortune Enterprise Limited	5	–
	<u>16,639</u>	<u>334</u>

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 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

As a leading one-stop smart power supply solutions provider in Hong Kong, the Group has close to four decades of extensive experience in the switching power supply unit industry and strong research and development (“R&D”) capability. It is also one of the few manufacturers who own a China National Accreditation Service for Conformity Assessment accredited testing laboratory in Guangdong province. That supplements its one-stop production model and has enabled the Group to stay abreast of rapid changes in the technology market and continue to develop technologically advanced products, making it the major supplier of leading and fast-growing international brands.

During the six months ended 30 June 2017, the global economic development and political conditions posed challenges to the industry. Nevertheless, armed with outstanding R&D technology and operational capability, as well as having extensive experience and expertise in manufacturing of switching power supply units, the Group pushed forward with development of its businesses as planned and achieved business growth that met its expectation. On the strong growth momentum continuing from 2016, the Group’s revenue for the six months ended 30 June 2017 increased by 20.5% to HK\$1,375.8 million as compared with the same period last year. Apart from the solid telecommunication equipment and the power tools businesses, the impressive growth of the media and entertainment equipment and electrical home appliances segments also contributed to the rise in revenue. Despite the rising in the costs of certain raw materials like packing materials, copper and plastic, and the tight supply of the semiconducting materials, the Group was able to maintain a stable gross profit margin of 19.5% due to the continuous implementation of cost control, design standardization and automation. Gross profit increased accordingly to HK\$268.9 million, representing a growth of 21.4% as compared with the same period last year. Profit before income tax increased by 8.3% to HK\$118.5 million. Profit attributable to owners of the Company rose by 22.2% to HK\$92.7 million. Basic earnings per share were HK9 cents.

To reward the Company’s shareholders for their unwavering support, the Board has resolved to distribute an interim dividend of HK2.5 cents per ordinary share for the six months ended 30 June 2017 (first half of 2016: HK2.0 cents per ordinary share).

Market and Business Review

With accurate market insights, an experienced management team, leading R&D in the industry as well as quality and diverse product and services, Ten Pao has been able to assure steady development of the smart chargers and controllers for power tools for industrial use and switching power supply units for consumer products segments.

The Group’s switching power supply units for consumer products are employed by various industry sectors, including telecommunication equipment, media and entertainment equipment, electronic cigarettes, 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 in customers’ own-brand end products. The revenue from switching power supply units for consumer products increased by 21.6% to HK\$1,023.3 million when compared with the same period last year, accounting for 74.4% of total revenue. Gross profit and gross profit

margin were HK\$190.7 million and 18.6% respectively. The smartphone category performed satisfactorily in terms of revenue, despite the slower growth of the market and less orders received from a traditional brand, with an increase in orders from a famous smartphone brand in China matching expectation. Revenue of the telecommunication segment continued to increase steadily by 5.4% to HK\$530.6 million when compared with the same period last year, accounting for 38.6% of total revenue. Both media and entertainment equipment and electrical home appliances segments recorded outstanding growth of 65.1% and 106.4% respectively, attributable to the overall increase in sales orders from both existing customers and new customers. Among which, the increase in sales orders from existing renowned clients who develop and sell audio equipment was particularly noteworthy. Besides, Ten Pao managed to extend various product lines of current clients in electrical home appliances which also contributed to the increase of sales orders during the period under review. This trend of higher business penetration across the product portfolio of existing clients further proved that Ten Pao has reaped from its excellent capabilities and services. The Group's business in switching power supply units for electronic cigarettes is undergoing strategic transformation to enable provision of one-stop solutions to customers. It is expanding from producing merely the chargers for electronic cigarettes to the entire electronic cigarettes, involving in production planning to product outlook design. At the same time, the Group has actively explored customers outside the United States. The transformation of the segment has begun to bear fruit and its revenue contribution is expected to surge in the future. As for lighting equipment, with raw material costs rising and some suppliers tight in inventory, lead time for product delivery lengthened. As a result, the revenue from sales orders for switching power supply units for lighting equipment in the first half of 2017 was not fully reflected but still able to achieve a growth of 75.7% to HK\$90.1 million when compared with the same period last year due to increase of orders from a famous lighting brand in Europe. The Group hopes that the supply chain and delivery lead time will return to normal in the second half of the year so that orders in the second half of the year will be delivered as scheduled, bracing steady revenue growth.

Regarding the business of smart chargers and controllers for power tools for industrial use, the Group has been active in developing the power tools segment in recent years and this segment continues to be the Group's growth driver. During the period under review, the charging power supply technology of cordless power tools with built-in batteries was widely embraced by existing customers and orders from them increased substantially. Furthermore, with new customers' appreciation of the Group's innovative power supply technology and at the Group's dedicated efforts to expand its power tool customer base and cooperate with market leading brands designing, developing and manufacturing products for them, the revenue of the segment grew by 17.4% to HK\$352.5 million, accounting for 25.6% of the Group's overall revenue. Gross profit rose by 11.5% to HK\$78.2 million relative to the same period last year, whereas gross profit margin was 22.2%.

Green industry is the rising star in the market and demand for electric vehicles is increasing. The Group launched the first batch of charging piles for two-wheeled electric vehicles at the beginning of the year and they were well received by customers. With the support of its professional R&D and engineering teams, the Group has been able to vigorously and quickly manufacture and deliver products to meet market demand. Heeding the rapidly developing industry, the Group will strategically and carefully select customers in order to capture opportunities in the electric vehicle market.

China is implementing strategic initiatives such as “Industrie 4.0” and “Made in China 2025”, and smart production is deemed critical for power supply industry players to grasp first opportunities. These underscore the Group’s strategic partnership with the Hong Kong Productivity Council on “Smart Production” and the partnership has achieved good progress. Through research on manufacturing smart automatic equipment and building of flexible automatic production lines and workshops, the Group aimed at achieving digitalization of production process and the building of a highly automated and efficient factory in the coming season. The Group expects to install and upgrade some of its production lines in the fourth quarter of 2017 and production efficiency will be expected to increase substantially in the coming few years, enabling it to reduce reliance on manpower, respond more promptly to market demand, and ultimately deliver products of higher value to customers.

To foster overseas expansion, the Group has made strategic deployment and set up its first overseas factory in Hungary, in close vicinity to where its international customers are. The factory will allow the Group to markedly shorten production and delivery cycles and enhance operational efficiency. Currently, the construction of factory is in good progress and it is expected to commence production in the forth quarter of 2017. The factory will be a new growth driver of the Group contributing to the Group’s business development in Europe.

Business Outlook

Looking forward, with switching power supply products having wide applications, constant advancement of related technologies and ever increasing demand on the functionality of switching power supply products, rigid demand for the products will persist and present rosy development prospects to the Group despite the continuous challenge in the rising raw materials costs and tight supply of semiconducting materials.

The business of all product segments will grow steadily, among which the telecommunication equipment and the power tools segments are expected to continue to be the Group’s growth drivers. The market has increasing demand for wireless charging power supply technology which the Group is poised to demonstrate its advantages and capture the growing opportunities in the market. The Group also plans to snatch a place in the supply chain of famous white goods home appliance manufacturers in China to help expanding its smart-home-use switching power supply unit and controller offerings. The Group will strive for a good balance in developing different businesses so that it may drive sustainable growth of its business overall.

While focusing on developing existing products, the Group has also been active in exploring new technologies and strengthening its R&D capability, with the aim of providing professional and comprehensive one-stop power supply solutions to customers that cover from product concept development to design and production. Apart from enhancing R&D of wireless charging technology for power tools, the Group also seeks to apply wireless charging technology in various areas. Besides, the Group plans to step up investment in developing charging pile products for electric vehicles, so as to pave the way for it to capture the fast-growing market. Ten Pao’s leading R&D capability can certainly assist customers in responding to the ever-changing market trends.

While pushing to enlarge market share and introduce innovative products, the Group will also increase capital investment in the second half of this year, and through strategic capacity expansion, explore and grasp growth opportunities and also enhance production efficiency and quality. In China, with the help of big data in production management, and the joint effort with the Hong Kong Productivity Council in production technology reform to increase automation of production lines and standardize production processes, the Group has not only boosted its production capacity but also maintained high quality standard for its products, thus strengthened its competitiveness. After the factory in Hungary starts its operation, the Group will further expand the European market and explore development opportunities in overseas markets, in the hope of driving overall business growth. The Group's high production efficiency, short delivery lead time and good quality products will brace its leadership in the power supply manufacturing industry.

Finally, after its thorough deliberation in the first half of 2017, the management of the Company has full confidence to confront difficult situations in the market that is full of challenges and opportunities. By capitalizing on its innovative R&D and production capabilities and the extensive operating experience of its management team, the Group aims to accurately grasp industry opportunities for enhancing operating and financial performance, thereby cement its leadership in the switching power supply unit industry and generate satisfactory returns for the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of 30 June 2017, net current assets was HK\$305.7 million as compared with HK\$226.0 million of 31 December 2016. As of 30 June 2017, current ratio was 1.34 times (31 December 2016: 1.23 times) (current ratio is calculated by using the following formula: current assets/current liabilities), which is mainly attributable to the payment of income tax and creditors with the operating cash flow generated during the six months ended 30 June 2017.

Gearing ratio remains steady at 39.5% (31 December 2016: 39.5%) (gearing ratio is calculated by using the following formula: total borrowings/total equity).

Cash generated from operating activities was HK\$70.9 million for the six months ended 30 June 2017 (2016: HK\$91.7 million) and the decrease was mainly attributable to the payment of income tax during the six months ended 30 June 2017.

Cash used in investing activities for the six months ended 30 June 2017 was HK\$66.3 million (2016: HK\$39.0 million) as the Group has acquired additional plant and machineries to cope with the increasing orders from customers.

During the six months ended 30 June 2017, net cash used in financing activities was HK\$6.5 million (2016: HK\$55.5 million).

DEBT MATURITY PROFILE

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 1 year	123,012	139,776
Between 1 and 2 years	36,472	20,395
Between 2 and 5 years	49,489	19,086
	208,973	179,257

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

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

The Group generates a notable portion of revenue and receivables in US\$ and HK\$, while our cost of sales is primarily denominated in RMB. For the six months ended 30 June 2017, our revenue denominated in US\$ and HK\$ amounted to approximately 71.5% of our total revenue.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies and to mitigate the impact on exchange rate fluctuations. During the six months ended 30 June 2017, no forward foreign exchange contracts had been entered into by the Group as the Group did not consider there is any risk associated with exchange rate fluctuation that may adversely affect the results of the Group. As at 30 June 2017, the Group had no outstanding forward contract.

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 2017, the Group had bank borrowings of HK\$209.0 million (31 December 2016: HK\$179.3 million) which was primarily denominated in RMB, HK\$ and US\$.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash included in the 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 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 30 June 2017, 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 2017 and 31 December 2016, the Group held bank balances, term deposits and restricted bank deposits totalling HK\$225.3 million and HK\$224.5 million, respectively, with the four major banks in the PRC and Hong Kong.

Liquidity Risk

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

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

HUMAN RESOURCES

The Group employed a total of approximately 6,000 full-time employees as of 30 June 2017. The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favorable working environment. The Group constantly invests in training across diverse operational functions and offers competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs. Total labour costs for the six months ended 30 June 2017 was HK\$231.0 million, as compared to HK\$225.6 million for the same period last year.

CORPORATE GOVERNANCE PRACTICES

The Board and management are committed to abiding by the principles of good corporate governance with emphasis on transparency and accountability. The Board has established an audit committee (the “**Audit Committee**”), a nomination committee and a remuneration committee with defined terms of reference in accordance with the requirements set out in the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017 and up to the date of this announcement, with the exception of code provision A.2.1.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. 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 2017 and up to the date of this announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the six months ended 30 June 2017 and up to the date of this announcement.

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 2017 (30 June 2016: HK2 cents per share) to the Company's shareholders. The interim dividend is expected to be paid on 30 October 2017 to all shareholders whose names appear on the register of members of the Company on 13 October 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 October 2017 (Wednesday) to 13 October 2017 (Friday), both days inclusive, for the purpose of determining the entitlement to the interim dividend for the six months ended 30 June 2017. 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 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 before 4:30 p.m. on 10 October 2017 (Tuesday).

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

As at 30 June 2017, the net proceeds had been fully utilised and applied to the following uses, which is consistent with the disclosure in the prospectus of the Company dated 30 November 2015:

Use of proceeds	Actual net proceeds HK\$'million	Actual utilisation up to 30 June 2017 HK\$'million	Balance as at 30 June 2017 HK\$'million
For the expansion of scale of production of production bases in Huizhou	84.4	84.4	0
For the strengthening of sales and marketing efforts and expansion of customer base	12.1	12.1	0
For the strengthening of R&D capabilities	12.1	12.1	0
For general working capital and other general corporate purposes	12.0	12.0	0
	<u>120.6</u>	<u>120.6</u>	<u>0</u>

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The Audit Committee has reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tenpao.com) and the interim report for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 11 August 2017

As at the date of this announcement, the executive Directors are Mr. Hung Kwong Yee, Mr. Hong Guangdai, 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.