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 2017

The board (the "**Board**") of directors (the "**Directors**") of Ten Pao Group Holdings Limited ("**Ten Pao**" or the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2017, together with comparative figures for the year ended 31 December 2016 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the year ended 31 December 2017 increased by 16.4% to HK$3,007.0 million.
- Gross profit for the year ended 31 December 2017 decreased by 0.6% to HK$525.6 million. Gross profit margin decreased by 3 percentage points to 17.5%.
- Profit before income tax for the year ended 31 December 2017 decreased by 23.4% to HK$200.9 million.
- Profit attributable to owners of the Company for the year ended 31 December 2017 was HK$157.6 million, representing a decrease of 18.8%.
- The Board recommended the payment of a final dividend of HK2.5 cents per ordinary share for the year ended 31 December 2017, which is subject to the approval of the Company's shareholders at the 2018 AGM.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Notes	**Year ended 31 December** **2017** ***HK$'000***	2016 *HK$'000*
REVENUE	*4*	**3,007,015**	2,583,404
Cost of sales	*6*	**(2,481,455)**	(2,054,676)
Gross profit		**525,560**	528,728
Other income	*5*	**10,360**	11,926
Other (losses)/gains – net	*5*	**(12,206)**	15,473
Selling expenses	*6*	**(121,279)**	(114,854)
Administrative expenses	*6*	**(195,607)**	(173,596)
Operating profit		**206,828**	267,677
Finance income		**269**	347
Finance expenses		**(6,173)**	(5,809)
Finance expenses – net		**(5,904)**	(5,462)
Profit before income tax		**200,924**	262,215
Income tax expense	*7*	**(43,349)**	(68,146)
Profit for the year attributable to owners of the Company		**157,575**	194,069
Earnings per share			
– basic and diluted per share	*8*	**HK15.8 cents**	HK19.4 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**157,575**	194,069
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Currency translation differences	**40,306**	(31,165)
	40,306	(31,165)
Total comprehensive income for the year attributable to owners of the Company	**197,881**	162,904

CONSOLIDATED BALANCE SHEET

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

	Notes	As at 31 December **2017** *HK$'000*	2016 *HK$'000*
ASSETS			
Non-current assets			
Land use rights		**10,547**	5,268
Property, plant and equipment		**400,863**	275,900
Investment properties		**5,700**	5,430
Intangible assets		**6,497**	5,035
Deferred income tax assets		**19,712**	17,250
Derivative financial instruments		**12**	–
Financial assets at fair value through profit or loss-non current		**2,901**	2,798
Prepayments for the purchase of property, plant and equipment		**4,774**	6,304
		451,006	317,985
Current assets			
Inventories		**399,824**	305,437
Trade and other receivables	*10*	**819,478**	681,196
Amounts due from related parties		**1,192**	5,137
Cash and cash equivalents		**180,786**	205,173
Restricted bank deposits		**27,429**	19,337
		1,428,709	1,216,280
Total assets		**1,879,715**	1,534,265
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**10,005**	10,000
Share premium	*13*	**125,788**	125,064
Other reserves		**45,939**	(2,216)
Retained earnings		**410,617**	321,034
Total equity		**592,349**	453,882

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*12*	**67,900**	39,481
Deferred income tax liabilities		**53,589**	40,500
Derivative financial instruments		**–**	194
Deferred government grants		**9,909**	9,932
		131,398	90,107
Current liabilities			
Trade and other payables	*11*	**1,008,171**	809,087
Amounts due to related parties		**15,567**	334
Dividend payable		**12**	–
Income tax liabilities		**12,309**	41,052
Short-term bank borrowings	*12*	**73,590**	96,398
Current portion of non-current bank borrowings	*12*	**46,314**	43,378
Derivative financial instruments		**5**	27
		1,155,968	990,276
Total liabilities		**1,287,366**	1,080,383
Total equity and liabilities		**1,879,715**	1,534,265

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**" or "**China**"). 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 ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3. CHANGES IN ACCOUNTING POLICY 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 2017:

HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealized losses
HKAS 7 (Amendments)	Disclosure for changes in liabilities arising from financing activities
Annual improvements project	Annual improvements 2014-2016 cycle

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 and amended standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group.

		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

4. 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 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 2017								
Revenue								
Revenue from external customers	1,250,029	443,253	40,022	220,233	212,284	782,841	58,353	3,007,015
Segment results	145,457	106,128	11,662	48,868	45,365	158,781	9,299	525,560
Other income								10,360
Other losses – net								(12,206)
Selling expenses								(121,279)
Administrative expenses								(195,607)
Finance expenses – net								(5,904)
Profit before income tax								200,924

	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 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

5. OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

(a) Other income

	2017 *HK$'000*	2016 *HK$'000*
Sales of scrap materials	**2,892**	3,220
Sales of raw materials, samples and moulds	**4,463**	4,520
Inspection and certification fee income	**–**	231
Others	**3,005**	3,955
	10,360	11,926

(b) Other (losses)/gains – net

	2017 *HK$'000*	2016 *HK$'000*
Fair value changes on derivative financial instruments	**228**	6,878
Fair value changes on financial assets at fair value through profit or loss	**103**	88
Fair value changes on investment properties	**270**	(130)
Net foreign exchange (loss)/gain	**(14,820)**	7,976
Government grants	**4,380**	5,538
Loss on disposal of property, plant and equipment	**(36)**	(1,785)
Others	**(2,331)**	(3,092)
	(12,206)	15,473

6. EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Changes in inventories of finished goods and work in progress	**(42,949)**	76,452
Raw materials and consumables used	**2,045,647**	1,538,721
Allowance for/(reversal of allowance for) impairment of inventory	**(477)**	9,987
(Reversal of allowance for)/allowance for impairment of trade receivables	**285**	(186)
Employee benefit expenses	**446,495**	437,082
Depreciation, amortisation and impairment charges	**55,041**	49,324
Water and electricity expense	**27,436**	22,574
Transportation and travelling expenses	**28,995**	26,296
Maintenance expenses	**30,232**	18,453
Consultancy fee	**20,913**	16,214
Entertainment expenses	**7,018**	6,351
Research and development expenses		
– Employee benefit expenses	**66,759**	48,426
– Depreciation and amortisation	**8,270**	6,595
– Raw materials, consumables used and others	**24,512**	27,955
Commission expenses	**10,246**	5,475
Certificate and detection fees	**8,471**	12,189
Business tax and surcharge	**13,032**	6,512
Other taxes and levies	**3,589**	2,724
Operating lease payments	**11,147**	8,623
Advertising expenses	**5,710**	2,060
Commercial insurance	**9,027**	8,365
Communication expenses	**1,730**	1,895
Bank charges	**2,728**	2,063
Auditors' remuneration		
– Audit services	**4,308**	3,766
– Non-audit services	**1,725**	826
Other expenses	**8,451**	4,384
Total cost of sales, selling expenses and administrative expenses	**2,798,341**	2,343,126

7. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
– PRC corporate income tax ("**CIT**")	**21,069**	39,449
– Hong Kong profits tax	**13,730**	11,757
Subtotal	**34,799**	51,206
Deferred income tax	**8,550**	16,940
	43,349	68,146

(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 (2016: 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 2017 was 15% (2016: 15%).

(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 (2016: Nil).

(f) Hungary income tax

No provision for income tax in Hungary has been made as the Group has no income assessable to income tax in Hungary during the year (2016: Nil).

(g) 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:

	2017	2016
	HK$'000	*HK$'000*
Profit before income tax	**200,924**	262,215
Tax calculated at applicable corporate income tax rate of 25%	**50,231**	65,554
Effect of differences in tax rates	**(5,903)**	(5,919)
Preferential tax treatment of CIT	**(8,643)**	(11,205)
Withholding tax	**9,857**	14,918
Re-measurement of deferred tax-change in the CIT tax rate	**–**	6,488
Tax losses for which no deferred income tax asset was recognised	**378**	110
Utilisation of tax losses previously not recognised	**(129)**	(408)
Expenses not deductible for taxation purposes	**3,049**	3,130
Accelerated research and development deductible expenses	**(5,419)**	(4,509)
Income not subject to tax	**(72)**	(13)
	43,349	68,146

The effective corporate income tax rate was 22% for the year (2016: 26%). The decrease in the effective corporate income tax rate of 2017 compared to 2016 was primarily due to the decrease in the profits of its subsidiaries in the PRC. Profits contribution from the Hong Kong subsidiaries increased during the year and were taxed at 16.5% income rate.

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.

	2017	2016
Profit attributable to owners of the Company (HK$'000)	**157,575**	194,069
Weighted average number of shares issued (thousands)	**1,000,114**	1,000,000
Basic earnings per share (HK cents)	**15.8**	19.4

(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

	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid of HK2.5 cents per ordinary share (2016: HK2.0 cents)	**25,011**	20,000
Proposed final dividend of HK2.5 cents per ordinary share (2016: HK3.5 cents)	**25,011**	35,000
	50,022	55,000

The dividends paid in 2017 and 2016 were HK$59,999,000 and HK$40,000,000 respectively.

A final dividend in respect of the year ended 31 December 2017 of HK2.5 cents per ordinary share, amounting to HK$25,011,000, is to be proposed at the annual general meeting of the Company to be held on 25 May 2018.

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**769,153**	656,865
Less: allowance for impairment	**(571)**	(268)
Trade receivables, net	**768,582**	656,597
Bills receivable	**7,028**	641
Prepayments	**9,827**	4,847
Deposits	**4,558**	3,064
Advances to employees	**6,177**	5,879
Value added tax allowance	**14,155**	2,623
Export rebates receivable	**–**	597
Others	**9,151**	6,948
	819,478	681,196

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

	2017	2016
	HK$'000	*HK$'000*
HK$	**84,919**	77,201
RMB	**369,692**	327,654
USD	**313,837**	252,010
EUR	**705**	–
	769,153	656,865

(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:

	2017	2016
	HK$'000	*HK$'000*
Less than 3 months	**719,105**	626,048
More than 3 months but not exceeding 1 year	**50,048**	30,817
	769,153	656,865

11. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**807,070**	629,071
Advance	**9,995**	4,501
Notes payable	**7,996**	–
Wages and staff welfare benefits payable	**127,795**	121,758
Accrual for expenses and other payables	**36,640**	25,814
Other taxes payable	**18,675**	27,943
	1,008,171	809,087

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

	2017	2016
	HK$'000	*HK$'000*
Less than 3 months	**619,779**	497,079
More than 3 months but not exceeding 1 year	**187,088**	129,237
More than 1 year	**203**	2,755
	807,070	629,071

(b) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2017 and 2016.

12. BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Non-current		
Bank borrowings		
– secured (a)	**114,214**	82,859
Less: current portion of non-current borrowings	**(46,314)**	(43,378)
	67,900	39,481
Current		
Bank borrowings		
– secured (a)	**66,616**	82,469
– unsecured	**6,974**	13,929
Total short-term bank borrowings	**73,590**	96,398
Current portion of non-current borrowings	**46,314**	43,378
	119,904	139,776
Total borrowings	**187,804**	179,257

(a) As at 31 December 2017, bank borrowings amounting to HK$180.8 million (2016: HK$165.3 million) are secured over the following assets:

	2017	2016
	HK$'000	*HK$'000*
Restricted bank deposits	**27,429**	19,337
Financial assets at fair value through profit or loss-non current	**2,901**	2,798
Investment properties	**5,700**	5,430
Trade and other receivables	**359,904**	327,820
Property, plant and equipment	**14,517**	23,480
	410,451	378,865

13. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	**Share capital**	**Share premium**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016 and 31 December 2016	1,000,000,000	10,000	125,064	135,064
Proceeds from shares issued upon exercise of share options	456,000	5	592	597
Transfer from other reserve upon exercise of share options	–	–	132	132
At 31 December 2017	1,000,456,000	10,005	125,788	135,793

CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the audited consolidated results of the Group for the year ended 31 December 2017.

In 2017, due to the rapid development of various industries including telecommunication network equipment, electric vehicles and consumer electronics, the demand for raw materials has increased significantly, causing raw material prices to soar and affecting the Group's profit margin. The Group applied its rich operating experience and strong research and development ("**R&D**") capabilities, together with production technologies upgrade and automation, to reduce the impact from the rising raw material costs on its business. During the year, the Group also extended its footprints to overseas by setting up its first overseas factory in Hungary to further enhance the development of its business. Although the global switching power supply unit industry experienced slower growth in 2017, our revenue was able to grow at a faster pace than the industry, reflecting the high level of acceptance of our products by our customers, and also our capability to continuously develop our business and grow our market share. Revenue of the Group increased by 16.4% to HK$3,007.0 million when compared with last year as the Group's two major business segments both recorded growth. Revenue from switching power supply units for consumer products rose by 13.1% to HK$2,224.2 million when compared with last year, while switching power supply units for smart chargers and controllers for industrial use rose 26.9% year-on-year to HK$782.8 million. In particular, power tools that are mainly for industrial use began to reap harvest during the year as the Group continued to expand its business with major customers and also started cooperation with new customers, driving the segment to grow better than the overall growth of the Group.

The "One Belt One Road" strategy has presented an opportunity for China to claim a more prominent position in the global value chain, and it is also one of Ten Pao's key business development strategies to seize this opportunity. The Group has aligned its business initiatives with the national policy by setting up a new factory in Hungary in October 2017. With much shorter production and delivery cycles, the deployment has enabled Ten Pao to respond to customers' needs swiftly and with great flexibility, thus winning more customers in Europe. Besides, with the realisation of such national initiatives as "Made in China 2025" and "Industrie 4.0", traditional manufacturers have begun to embark on the path of transformation to intelligent production. To keep up with the industrial development, Ten Pao has launched "Smart Production" with the Hong Kong Productivity Council ("**HKPC**") to help achieve digitalisation of production processes and to build a highly automated and efficient factory by introducing smart automated equipment, and setting up smart automated production lines and workshops. The Group's production efficiency is expected to increase substantially in the next few years, enabling it to provide flexible product solutions to meet the needs of different markets and customers.

Looking at 2018, the Group will closely monitor the development of the market and its business and deploy its strategies flexibly. This includes optimising product designs and technologies, standardising raw materials, pursuing corporate restructuring, scientific allocation of productivity, and optimisation of production automation, etc. At the same time, the Group will continue to invest more resources in R&D to offer our customers with more advanced technology solutions, including the improvement of efficiency of fast charging for smartphones, enhancing the high-power electric supply technology for products and the wireless charging technology for power tools, and the R&D of wireless transmission and Smart Home. We will also step up efforts to enrich our product mix to meet the ever-changing needs of the market. The Group will adhere to its established business strategies with the aims of enhancing efficiency and realising sustainable growth in the future.

On behalf of the Board and the management of the Company, I would like to extend my sincere gratitude to all staff members for their hard work and contribution to the Group during the year. Furthermore, I would also like to express my heartfelt appreciation to our shareholders, investors, customers and partners for their support. Ten Pao is determined to fortify its leadership in the switching power supply unit industry and deliver lucrative returns to its shareholders.

BUSINESS REVIEW

Overview

Ten Pao is an industry-leading one-stop smart power supply solutions provider, with nearly 40 years of experience in the switching power supply unit industry. It possesses strong R&D capabilities and a one-stop production model. Owing to such experience and capabilities, the Group has become a major solutions provider to many industry-leading and fast-growing international brands.

Despite a slowdown in the global switching power supply unit industry in 2017, the Group's revenue grew at a higher rate than that of the overall switching power supply unit market during the same period. Revenue increased by 16.4% to HK$3,007.0 million for the year ended 31 December 2017 when compared with last year. The Group continued to develop its business and enlarge its market share. The fast-growing electric vehicle industry and telecommunications sector led to a surge in demand for raw materials that pushed up the overall cost of electronics-related raw materials. In addition, the strict implementation of environmental protection regulations in China led to a rise in costs of certain raw materials, particularly the packaging materials and the plastics. Consequently, the Group's gross profit decreased by 0.6% to HK$525.6 million, with gross profit margin decreased by 3 percentage points to 17.5% when compared with last year. Profit before income tax decreased by 23.4% to HK$200.9 million and profit attributable to owners of the Company contracted by 18.8% to HK$157.6 million when compared with last year. Basic earnings per share was HK15.8 cents. Although the business performance was affected by external factors which were beyond the Group's control, Ten Pao was able to gain a larger share of the market for its products by continuously enhancing its core capabilities, including strengthening R&D and offering tailor-made products and one-stop power supply solutions to customers. The Group was also able to mitigate the impact of the increase in raw material and labour costs by upgrading production technologies and automation. All of these efforts demonstrated the Group's remarkable resilience and healthy operational system.

To reward shareholders for their unwavering support to the Group, the Board has recommended the payment of a final dividend of HK2.5 cents per ordinary share for the year ended 31 December 2017. Together with an interim dividend of HK2.5 cents per ordinary share for the year ended 31 December 2017 already paid, the annual dividend for the year ended 31 December 2017 amounted to HK5.0 cents per ordinary share (2016: HK5.5 cents per ordinary share), representing a dividend payout ratio of 31.7%.

Market and Business Review

During the past year, the demand for raw materials such as active components, passive components, printed circuit boards, packaging materials, and plastics increased significantly due to the rapid development of electric vehicles industry and telecommunication industry, leading to a shortage in supply in the raw materials. In addition, some manufacturers paid a premium to ensure stable material supply resulting in a significant increase in raw material prices. Such increases were especially noticeable towards the end of the third quarter of 2017. Nevertheless, the Group's rich operating experience and strong R&D capability mitigated the impact of the rise in raw material costs to its operation.

The Group's switching power supply units for consumer products are used in various industries, including telecommunication equipment, media and entertainment equipment, electronic cigarettes, electrical home appliances, lighting equipment and other products (such as healthcare products). Most of the Group's products are incorporated into and/or applied in customers' own-brand end products. During the year, revenue from this segment increased by 13.1% to HK$2,224.2 million when compared with the same period last year, accounting for 74.0% of total revenue. Gross profit decreased by 3.9% to HK$366.8 million, and gross profit margin dropped by 2.9 percentage points to 16.5% respectively. According to a research report issued by the China Academy of Information and Communications Technology (the "**CAICT Report**") on the features and technologies of smartphone products in China, the 4G smartphone replacement market has been gradually reaching the saturation point, and the emergence of waterproof, dustproof and shockproof low-end 2G cell phones has been gaining market share in this segment. Such development has consequently affected the sales of Ten Pao's switching power supply units for telecommunication equipment, especially smartphones. Nevertheless, the popularity of smartphones with full-screen display and the arrival of new technologies are accelerating the next wave in smartphone upgrades. Demand for components from smartphone suppliers has increased accordingly. However, wafer, the raw materials for producing active and passive components, has a relatively limited supply and the expansion for such production capacity required longer investment period. This has resulted in a lag in wafer supply and created additional cost pressure. The Group expects related demand to be met in the second half of 2018. In the meantime, the Group will focus on strengthening its R&D advantage, as well as expanding its production capacity in the first half of 2018, in order to further enhance its ability to seize future growth opportunities.

Over the past few years, the Group has been actively developing its smart chargers and controller products, which are mainly used for industrial power tools. It has also dedicated effort to expanding this segment's customer base, the fruits of which had been reflected recently. In addition to developing more business with core customers, the Group will also begin more in-depth cooperation with new customers. During the year, revenue of the segment grew by 26.9% to HK$782.8 million when compared with the same period last year, which is better than the overall revenue growth rate of the Group. Gross profit rose by 7.9% to HK$158.8 million and gross profit margin dropped by 3.6% percentage points to 20.3%, respectively.

The Group has also taken advantage of favourable national policies and expanded production capacity to match its expansion plan. The "One Belt and One Road" strategy has put China in a more prominent position in the global value chain. Opportunely, Ten Pao opened a new production facility in Hungary in October 2017, thereby enabling it to significantly shorten production and delivery cycles, which is conducive to winning more customers in Europe. With respect to smart production, which is believed to be crucial for power supply industry players to grasp opportunities, the Group has established a strategic partnership with the HKPC on "Smart Production" and has commenced related work. With the assistance of the HKPC's professional consultant team, the Group has built smart automatic production lines that possess greater flexibility; meaning that they can readily adjust production according to market and customers' needs. These automatic production lines are in the test and trial stage, and will undergo comprehensive evaluation by the Group. While such efforts continue, the Group will also consider introducing more Surface Mount Technology (SMT) production lines. Overall, the Group expects to draw up relevant plans this year to help further expand production capacity so as to quickly respond to market demand.

Business Outlook

Ten Pao will adjust its product development plans in 2018 to follow the pace of market developments and improve production efficiency closely.

The Group will also seek to achieve balanced development of its six major product segments. In respect of switching power supply units for consumer products, according to the CAICT report, another round of technological upgrades are expected for smartphones in China, prompted by demand for larger and higher resolution screens. The sales volume of telecommunication equipment has been flat since the last quarter of 2017 but the industry expects it to start climbing in the second quarter of 2018. The Group, armed with industry leading R&D capabilities, will be able to seize the opportunities that emerge and enlarge its share of the telecommunication market. With regard to power tools for industrial use, apart from gaining a larger share of business with existing customers, the Group will also strengthen ties with new customers and strive to earn their recognition.

The Group will also continue to invest in R&D, seek to enhance its product mix and offer customers more advanced technological solutions that are able to meet ever-changing market demand. The Group will continue to enhance its fast charging technologies for smartphone customers. The Group positioned high-power electric supply technologies for its products and wireless charging will be the key R&D direction, thus acting as catalyst for the development in this sector. While the Group will further explore the wireless transmission and Smart Home sectors, it is believed that their associated products can lead to safer homes and reduction in energy consumption, as well as possess significant growth potential since their flexibility and high-price performance ratio will make such products highly popular. The Group will continue to tailor products for customers, providing them with one-stop power supply solutions, and develop and produce more diverse products to meet customers' specific requirements.

With the Group's plant in Hungary having commenced operation in October 2017, its customer base will continue to grow. The Group will continue to expand its production base and further rally new customers for its power tool business in Europe. It is expected that the clientele of the business segment will grow notably in the near future.

Despite pressure on the manufacturing industry created from the gap between raw material supply and demand, Ten Pao remains optimistic about its future growth prospects. The Group will evaluate its current operations and development directions and adopt different adjustment and improvement measures, including internal restructuring, scientific deployment of productivity, draw up of new plans for factories to meet future production capacity requirements and optimisation of automated production. The Group will also continue to pursue automation and further improve its core technologies to lower raw material and labour costs, leading to the healthy and satisfactory growth of different business segments. R&D will also be a key development direction of the Group in its bid to upgrade the technologies in its products to a whole new level.

The Group will diligently follow its business development strategy to raise efficiency and strive to achieve sustainable growth, thereby defend Ten Pao's leadership in the switching power supply units industry and generate sustainable, healthy long-term 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 16.4% from HK$2,583.4 million for the year ended 31 December 2016 to HK$3,007.0 million for the year ended 31 December 2017. 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 2017 and the comparative figures.

	Year ended 31 December			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Switching power supply units for consumer products				
Telecommunication	**1,250,029**	**41.6**	1,152,407	44.6
Media and entertainment	**443,253**	**14.8**	412,982	16.0
Electronic cigarette	**40,022**	**1.3**	26,317	1.0
Electrical home appliances	**220,233**	**7.3**	148,911	5.8
Lighting equipment	**212,284**	**7.1**	166,779	6.4
Others	**58,353**	**1.9**	58,947	2.3
Subtotal	**2,224,174**	**74.0**	1,966,343	76.1
Smart chargers and controllers for industrial use	**782,841**	**26.0**	617,061	23.9
Total revenue	**3,007,015**	**100**	2,583,404	100.0

During the year ended 31 December 2017, the sales of smart chargers and controllers for industrial use increased by 26.9% from HK$617.1 million for the year ended 31 December 2016 to HK$782.8 million for the year ended 31 December 2017 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 8.5% to HK$1,250.0 million when compared with last year mainly due to the increase in demand from one of the leading mobile phone manufacturers in the PRC set off by the decrease in the demand from an international mobile phone manufacturer. Sales of switching power supply units for electronic cigarette increased during the year ended 31 December 2017 as new customers demand for new products launched during the year. Sales of switching power supply units for lighting equipment increased by 27.3% to HK$212.3 million for the year ended 31 December 2017 when compared with last year as new orders were received from customers in the United States (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			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
PRC, excluding Hong Kong	**1,800,306**	**59.9**	1,569,906	60.8
Europe	**426,288**	**14.2**	324,759	12.6
Asia, excluding PRC	**409,016**	**13.6**	393,921	15.2
US	**195,250**	**6.5**	173,261	6.7
Africa	**116,733**	**3.9**	90,183	3.5
Others	**59,422**	**1.9**	31,374	1.2
Total revenue	**3,007,015**	**100.0**	2,583,404	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 20.8% for the year ended 31 December 2017 when compared with last year, mainly attributable to the increase in business and the effect of the significant increase in the price of almost all kinds of raw materials.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2017, the Group recorded a gross profit of HK$525.6 million, representing a decrease of 0.6% from 2016.

The gross profit margin of the Group decreased from 20.5% for the year ended 31 December 2016 to 17.5% for the year ended 31 December 2017. The decrease in gross profit margin of the Group was primarily due to the significant increase in the price of raw materials.

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 (Losses)/Gains – Net

Other losses – net mainly consists of fair value changes on derivative financial instruments, net foreign exchange difference for transactions denominated in foreign currencies, government grants for approved technology projects, and loss on disposal of property, plant and equipment. Other losses – net recorded during the year ended 31 December 2017 primarily due to appreciation of Renminbi during the year ended 31 December 2017 which resulted in a significant exchange loss.

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 5.6% from HK$114.9 million for the year ended 31 December 2016 to HK$121.3 million for the year ended 31 December 2017. 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 increased by 12.7% from HK$173.6 million for the year ended 31 December 2016 to HK$195.6 million for the year ended 31 December 2017. The increase was primarily attributable to the increase in maintenance fee of HK$11.8 million principally for the maintenance of the existing production facilities and the repairing work for the factory premises. Also, the commission paid for new business secured during the year also increased by HK$4.8 million and additional business tax of HK$6.5 million was paid during the year as a result of the increase in sourcing of raw materials within the PRC and business tax was paid for the relevant VAT tax refund for export business.

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$5.9 million and HK$5.5 million for the years ended 31 December 2017 and 2016, 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 decreased from HK$68.1 million for the year ended 31 December 2016 to HK$43.3 million for the year ended 31 December 2017. The decrease in income tax expense was primarily due to the decrease in profit before income tax from HK$262.2 million for the year ended 31 December 2016 to HK$200.9 million for the year ended 31 December 2017 and the decrease 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 2017, 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 21.5% to HK$197.9 million for the year ended 31 December 2017 from HK$162.9 million for the year ended 31 December 2016, including currency translation gain as a result of the appreciation of Renminbi in 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy position. As of 31 December 2017, net current assets was HK$272.7 million as compared with HK$226.0 million of 31 December 2016. As of 31 December 2017, current ratio was 1.24 times (2016: 1.23 times) (current ratio is calculated by using the following formula: current assets/current liabilities). Gearing ratio was 31.7% (2016: 39.5%) (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 2017.

Cash generated from operations for the year ended 31 December 2017 was HK$265.7 million (2016: HK$219.6 million) and the increase was mainly attributable to the extension of credit from suppliers as a results of the increase in business during the year ended 31 December 2017.

Cash used in investing activities for the year ended 31 December 2017 was HK$166.9 million (2016: HK$72.8 million) and the increase was mainly attributable to the increase in the investment in property, plant and equipment for the expansion of the production capacity.

During the year ended 31 December 2017, net cash used in financing activities was HK$59.3 million (2016: HK$69.8 million) for the repayment of bank borrowings and the payment of dividend of HK$60.0 million.

DEBT MATURITY PROFILE

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

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Within 1 year	**119,904**	139,776
Between 1 and 2 years	**36,496**	20,395
Between 2 and 5 years	**31,404**	19,086
	187,804	179,257

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$, while our cost of sales is primarily denominated in RMB. For the year ended 31 December 2017, our revenue denominated in USD and HK$ amounted to approximately 64.4% 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 2017, no new forward foreign exchange contracts had been entered into by the Group.

Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 31 December 2017, the Group has bank borrowings of HK$187.8 million (2016: HK$179.3 million) which is primarily denominated in HK$, 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 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 loss from non-performance by these banks and financial institutions. As at 31 December 2017 and 2016, the Group held bank balances, term deposits and restricted bank deposits totalling HK$208.2 million, and HK$224.5 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 2017, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of approximately 6,500 full-time employees as of 31 December 2017 (2016: approximately 6,000). 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 the management of the Company 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 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 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 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 year ended 31 December 2017 and up to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK2.5 cents per ordinary share of the Company for the year ended 31 December 2017 (2016: HK3.5 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, 25 May 2018 (the "**2018 AGM**"), is expected to be paid on Thursday, 28 June 2018 to all shareholders whose names to be appeared on the register of members of the Company on Wednesday, 13 June 2018.

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 2017, the net proceeds had been fully utilised and had been applied to the following uses:

Use of proceeds	**Actual net proceeds**	**Actual utilisation up to 31 December 2017**	**Balance as at 31 December 2017**
	HK$'million	*HK$'million*	*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
	120.6	120.6	0

The proceeds have been applied according to 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 Monday, 21 May 2018 to Friday, 25 May 2018 (both days inclusive) for the purpose of determining the right to attend and vote at the 2018 AGM. In order to be qualified for attending and voting at the 2018 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 Friday, 18 May 2018.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2018 AGM, the register of members of the Company will also be closed from Monday, 11 June 2018 to Wednesday, 13 June 2018 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2017. In order to be qualified for the proposed final dividend (subject to the approval of the shareholders of the Company at the 2018 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 Friday, 8 June 2018.

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 financial results of the Group for the year ended 31 December 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.

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 2017.

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 2017 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 2017 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, 22 March 2018

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.