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

ANNUAL REPORT 2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hung Kwong Yee *(Chairman and Chief Executive Officer)*
Mr. Hong Guangdai
Mr. Hung Sui Tak

Independent Non-executive Directors

Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry
Mr. Lee Kwan Hung

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

Mr. Lee Kwan Hung *(Chairperson)*
Mr. Hung Kwong Yee
Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry

Nomination Committee

Mr. Hung Kwong Yee *(Chairperson)*
Mr. Chu Yat Pang Terry
Mr. Lam Cheung Chuen
Mr. Lee Kwan Hung

COMPANY SECRETARY

Mr. Tse Chung Shing, *ACCA*

AUTHORIZED REPRESENTATIVES

Mr. Hung Kwong Yee
Mr. Tse Chung Shing

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dongjiang Industrial Zone
Shuikou Town
Huizhou City
Guangdong Province
PRC

SHARE REGISTRARS

Principal Share Registrar

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

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG LEGAL ADVISOR

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

AUDITOR

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

PRINCIPAL BANKERS

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

STOCK CODE

1979

COMPANY'S CORPORATE WEBSITE

www.tenpao.com

INVESTOR RELATIONS CONTACT

www.tenpao.com/investor.html

FINANCIAL HIGHLIGHTS

		Year ended 31 December		
		2017	2016	Change
Revenue	HK$'000	**3,007,015**	2,583,404	16.4%
Operating profit	HK$'000	**206,828**	267,677	-22.7%
Profit for the year attributable to owners of the Company	HK$'000	**157,575**	194,069	-18.8%
Gross profit margin	%	**17.5**	20.5	-14.6%
Operating profit margin	%	**6.9**	10.4	-33.7%
Profit margin attributable to owners of the Company	%	**5.2**	7.5	-30.7%
Earnings per share				
– basic and diluted per share	HK cents	**15.8**	19.4	-18.6%
Dividend per share – interim	HK cents	**2.5**	2.0	
– final	HK cents	**2.5**	3.5	

		As at 31 December		
		2017	2016	Change
Gearing ratio	%	**31.7**	39.5	-19.7%
Current ratio	times	**1.24**	1.23	+0.8%
Average inventory turnover period	days	**52**	46	+13.0%
Average trade receivables turnover period	days	**87**	87	0%
Average trade payables turnover period	days	**107**	102	+4.9%

CHAIRMAN'S STATEMENT

To all shareholders,

On behalf of the Board (the "Board") of directors (the "Directors") of Ten Pao Group Holdings Limited ("Ten Pao" or the "Company", together with its subsidiaries, the "Group"), 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 the People's Republic of China (the "PRC" or "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.

Hung Kwong Yee
Chairman
22 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

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 materials 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 the Company's shareholders (the "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, the supply of wafer, the raw material for producing active and passive components, is relatively limited 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 offers competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

The emoluments of the Directors are decided by the Board based on the recommendation of the Remuneration Committee of the Company, having regards to the Group's operating results, experience and responsibilities of the Directors, as well as the prevailing market conditions.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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** HK$'million	**Actual utilisation up to 31 December 2017** HK$'million	**Balance as at 31 December 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
	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 (the "Prospectus").

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board consists of six Directors, of whom three are executive Directors and the remaining three are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Hung Kwong Yee (洪光椅先生) ("Chairman Hung"), aged 59, is the Chairman of the Board, an executive Director, the chief executive officer, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is responsible for the overall strategic planning and overseeing the general management of our Group. He was appointed as a Director in January 2015 and re-designated as the Chairman of the Board and an executive Director with effect from June 2015. He is also a director of certain subsidiaries of the Company. Chairman Hung is the elder brother of Mr. Hong Guangdai ("Mr. G.D. Hong"), an executive Director, and the father of Mr. Hung Sui Tak ("Mr. S.T. Hung"), another executive Director. Chairman Hung is the director and sole shareholder of Even Joy Holdings Limited, a substantial Shareholder, and the director of TinYing Investments Limited and TinYing Holdings Limited, substantial Shareholders.

Chairman Hung is the founder of our Group. He established his business under the trading name "Ten Pao Company (天寶公司)" in Hong Kong in December 1979 and established the production plant in Huizhou, Guangdong province in October 1988. Accordingly, he has accumulated more than 30 years of experience in the power supply industry. Chairman Hung has become a member of the Chinese People's Political Consultative Conference, Huizhou City (惠州市中國人民政治協商會議) in 2017. Chairman Hung holds several social titles including the vice chairman of the Federation of Hong Kong Industries of PRD Council Huizhou Branch (香港工業總會珠三角工業協會惠州分部), the president of the 7th council of the Huizhou City Huicheng District Foreign Investment Enterprise Association (惠州市惠城區外商投資企業協會), the vice president of the 6th council of the Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會), the chairman of Huizhou Ganghui Love Foundation (惠州市港惠愛心基金會), the director of the 38th term of the board of directors of Yan Oi Tong (仁愛堂), the vice chairman of Hong Kong Shine Tak Foundation (香港善德基金會), and the honorary life chairman of the Hong Kong Baptist University Foundation (香港浸會大學基金). Chairman Hung graduated from the High School of Yinglin Middle School of Jinjiang City, Fujian Province (福建省晉江市英林中學高中部) in the PRC in July 1976.

Mr. Hong Guangdai (洪光岱先生), aged 53, is an executive Director and the vice president of our Group. He is primarily responsible for the management and supervision of the operation and the risk control on environmental and safety issues of our Group. He was appointed as an executive Director with effect from June 2015. He is also a director of certain subsidiaries of the Company. Mr. G.D. Hong is the younger brother of Chairman Hung, the Chairman of the Board, an executive Director and the chief executive officer of the Company, and the uncle of Mr. S.T. Hung, another executive Director.

Mr. G.D. Hong has approximately 29 years of experience in the power supply industry. He joined our Group in October 1988 as a production manager responsible for production. Mr. G.D. Hong has been a member of the Standing Committee of the Huicheng District People's Congress (惠城區人民代表大會常務委員會) since 2006 and the vice executive director of the Shuikou Chamber of Commerce of the Huizhou City Haicheng District Federation of Industry and Commerce (惠州市惠城區工商業聯合會水口商會) since 2013. Mr. G.D. Hong is also the vice director of Huicheng District Association for the Promotion of Patriotism and Support for the Armed Forces (惠城區愛國擁軍促進會). Mr. G.D. Hong graduated from the High School of Yinglin Middle School of Jinjiang City, Fujian Province (福建省晉江市英林中學高中部) in the PRC in July 1979.

Mr. Hung Sui Tak (洪瑞德先生), aged 31, is an executive Director and the marketing director of our Group. He is primarily responsible for the overall product marketing strategy of our Group. He was appointed as a Director in January 2015 and re-designated as an executive Director with effect from June 2015. Mr. S.T. Hung is the son of Chairman Hung, the Chairman of the Board, an executive Director and the chief executive officer of the Company, and the nephew of Mr. G.D. Hong, another executive Director. He is also a director of TinYing Holdings Limited, a substantial Shareholder.

Mr. S.T. Hung has approximately 8 years of experience in the power supply industry. He joined our Group in July 2009 as a marketing assistant responsible for product marketing, brand promotion and exhibition arrangement. He worked as a research assistant in The Hong Kong Polytechnic University (the "PolyU") responsible for the cooperation project of our Group and the PolyU, namely, the Study of the Optimal Operation Conditions for the Production of Polyhydroxyalkanoates (biodegradable plastics) in Nitrogen Reduction Process, from 2009 to 2014, according to the Agreement on Teaching Company Scheme dated 19 October 2009 entered into between the PolyU and Ten Pao International Limited designed and conducted by the PolyU in support of industry and business principally aiming to produce the biodegradable and biocompatible plastic and reduce the cost of producing it. Mr. S.T. Hung was promoted as a marketing director of our Group in January 2015. Mr. S.T. Hung received a bachelor's degree in science with honours from the University of Birmingham in the United Kingdom in July 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Cheung Chuen (林長泉先生), aged 64, is an independent non-executive Director, who was appointed in November 2015, and responsible for overseeing the management of our Group independently. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Lam is a founder of Sun Tin Lun Garment Accessories (Huizhou) Co., Ltd. (新天倫服裝配料(惠州)有限公司), a garment accessories manufacturing company in the PRC, and Sun Tin Lun Apparel Accessories (Huizhou) Co., Ltd. (新天倫服裝輔料(惠州)有限公司), an apparel accessories manufacturing company in the PRC.

Mr. Lam completed his primary school education in the PRC in July 1966 and was conferred Honorary University Fellowship of Hong Kong Baptist University in September 2015. Mr. Lam has over 25 years of experience in the garment accessories manufacturing industry. Mr. Lam was a special committee member of the 11th session of and is a member of the 12th session of Huizhou City Committee of Guangdong Province of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員會). Mr. Lam holds a number of social titles including the president of the 6th council of Huizhou City Huicheng District Foreign Investment Enterprise Association (惠州市惠城區外商投資企業協會), the vice president of the 6th council of Huizhou City Foreign Investment Enterprise Association (惠州市外商投資企業協會), a chairman of the Huizhou Division of the Federation of Hong Kong Industries of Pearl River Delta Council (香港工業總會珠三角工業協會), the director of the Hong Kong Shine Tak Foundation (香港善德基金會), the permanent honorary chairman of the Hong Kong Baptist University Foundation (香港浸會大學基金) and the vice president of the Hong Kong Lin Commerce of Chamber (香港林氏總商會) (appointed in 2017). Mr. Lam is also the chairman of the board of directors and a non-executive director of Reach New Holdings Limited (stock code: 8471), a company listed on the Stock Exchange.

Mr. Chu Yat Pang Terry (朱逸鵬先生), aged 46, is an independent non-executive Director, who was appointed in November 2015, and responsible for overseeing the management of our Group independently. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. At present, Mr. Chu is a Managing Director of Halcyon Capital Limited which specializes in initial public offerings and corporate advisory in mergers and acquisitions. Mr. Chu possesses over 20 years of experience in corporate finance and auditing. Mr. Chu used to work for an international accounting firm and other corporate finance arms of listed financial institutions in Hong Kong. Mr. Chu graduated from the University of Western Ontario in Canada with a Bachelor of Arts degree in 1992 and from the University of Hull in the United Kingdom with a Master of Business Administration (Investment & Finance) degree in 1997. He also obtained a Diploma in Accounting from the School of Business and Economics of the Wilfrid Laurier University in Canada in 1993. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chu is also an independent non-executive director of Hong Kong Finance Group Limited (stock code: 1273) (the shares of which are listed in the Main Board of the Stock Exchange).

Mr. Lee Kwan Hung (李均雄先生), aged 52, is an independent non-executive Director, who was appointed in November 2015, and responsible for overseeing the management of our Group independently. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Lee has approximately 28 years of experience in legal services. Mr. Lee commenced working in Woo Kwan Lee & Lo, a law firm in Hong Kong, in 1989 and worked as a partner from 2001 to 2011. He worked in the Listing Division of the Stock Exchange, where he successively served as a manager and senior manager from 1992 to 1994. He joined Howse Williams Bowers, a law firm in Hong Kong, as a consultant in 2014. Mr. Lee received a bachelor's degree in laws (Honours) and a postgraduate certificate in laws from The University of Hong Kong in November 1988 and September 1989 respectively. He was admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997.

Mr. Lee has resigned as an independent non-executive director of Futong Technology Development Holdings Limited (stock code: 465), a company listed on the Stock Exchange, with effect from 18 November 2017. Currently, Mr. Lee is acting as an independent non-executive director of the following companies listed on the Stock Exchange:

Name of listed company	Stock code
Asia Cassava Resources Holdings Limited	841
China BlueChemical Ltd.	3983
China Goldjoy Group Limited	1282
Embry Holdings Limited	1388
FSE Engineering Holdings Limited	331
Landsea Green Properties Co., Ltd.	106
NetDragon Websoft Holdings Limited	777
Newton Resources Ltd	1231
Red Star Macalline Group Corporation Ltd.	1528
Tenfu (Cayman) Holdings Company Limited	6868

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business.

Mr. Tse Chung Shing (謝仲成先生), aged 47, is the vice president of our Group, the company secretary and chief financial officer of our Company. He is responsible for the financial reporting and investors' relationship matters of our Group. He joined our Group in December 2010 as a financial controller, and was appointed as the company secretary and chief financial officer of our Company with effect from June 2015 and November 2015, respectively. He was appointed as the vice president of our Group with effect from 21 December 2017. Mr. Tse has approximately 25 years of experience in auditing, accounting and corporate finance. Prior to joining our Group, he worked as a senior manager in the advisory assurance department in Ernst & Young, an international accounting firm, from 1992 to 2003. From 2004 to 2009, he worked as a financial controller in Fung Yue Electrical Machinery Co., Ltd. (豐裕電機工程有限公司), an automation equipment manufacturing company in Hong Kong. Mr. Tse received a bachelor's degree in accountancy (honours) from the City University of Hong Kong in November 1992. Mr. Tse has been a member of the Association of Chartered Certified Accountants since December 1997 and became a fellow member in December 2002.

Ms. Yang Bingbing (楊冰冰女士), aged 49, is the vice president and general manager of Business Unit 1[(2)] of our Group. She is responsible for the sales and manufacturing of Business Unit 1[(2)] of our Group. Ms. Yang joined our Group in August 2005 as a technical assistant to the chairman in the R&D center and was appointed as the general manager of Business Unit 1[(2)] of our Group with effect from April 2013, respectively. She was appointed as the vice president of our Group with effect from 21 December 2017. Ms. Yang has approximately 21 years of experience in design and manufacturing in the power supply industry. Prior to joining our Group, Ms. Yang worked as a manager of automatic instrumentation workshop in Anhui Anqing Nanfeng Household Chemicals Co., Ltd. (安徽安慶南風日化有限責任公司) (formerly known as Anqing City Synthetic Detergent Factory of Anhui Province (安徽省安慶市合成洗滌劑廠)), a detergent manufacturing factory in the PRC, from 1991 to 1996. From 1996 to 2004, she worked as a manager of R&D in Shenzhen Pan Tai Electronic Co., Ltd. (深圳品泰電子有限公司), a power supply product manufacturing company in the PRC. From 2004 to 2005, she worked as a manager of R&D in Leitong Technology Development Co., Ltd. (雷通科技發展有限公司), a power supply product manufacturing company in Hong Kong. Ms. Yang received a bachelor's degree in applied electronic technology from the East China University of Science and Technology (華東理工大學) (formerly known as East China College of Chemical Technology (華東化工學院)) in the PRC in July 1991.

Mr. Philip Yue (余德輝先生), aged 58, is the vice president and the chief strategy officer of our Group. Mr. Yue joined our Group and was appointed as the vice president and the chief strategy officer of our group with effect from 21 December 2017. He has approximately 35 years of experience in senior management role, with Greater China, Asia Pacific as well as Global responsibilities. Prior to joining Tenpao, from 1999 to 2008, Mr. Yue was Managing Director China and APAC vice president for Atos Origin, a leading European consulting and IT service company headquartered in France (Euronext: ATO). From 2008 to 2012, Mr. Yue served as Group vice president for Suntech Power Holdings Limited（尚德電力控股集團 (NYSE: STP), an integrated PV manufacturer, leading strategic value) chain integration and global supply chain functions. From 2013 to 2014, he served Sky solar Holdings Limited,（天華陽光控股集團）, a US listed (Nasdaq: skys), global renewable power asset developer, as Group vice president operations. From 2015 to 2017, Mr. Yue was director and partner of Quality Link Consultants (Shanghai) Limited (上海淩駿科技諮詢有限公司), a Shanghai based consulting and advisory firm providing advisory service on business strategies, M&A, organization development and performance improvement programs. Before moved to China in 1999, Mr. Yue was board member and CEO for several leading information technology companies in Hong Kong and Australia. Earlier in his career, Mr. Yue had served Citibank as vice president in Corporate Banking, based in Hong Kong. Mr. Yue received a bachelor of science degree from University of London in 1980 and a MBA from University of East Asia in 1986.

Mr. Xu Shuixue (徐水學先生), aged 51, is the vice president of manufacturing of our Group. He is responsible for the manufacturing operation, product material control procurement, engineering, quality control,etc. Mr. Xu joined our Group in July 2017 and was appointed as the vice president of Ten Pao Group with effect on 21 December 2017. He has approximately 24 years of experience in manufacturing and sales experience in the electronic industry. Prior to joining our Group, Mr. Xu worked as head of manufacturing and engineering department in Taiwan Lite-On Group (台灣光寶集團) from 1994 to 2001. From 2001 to 2009, he was the head of project management division in Flextronics Technology Co., LTD (偉創力電子科技(上海)有限公司) in Shanghai. From 2009 to 2011, he worked in Shenzhen 3 NOD Electronics Co., LTD (深圳三諾電子有限公司) as executive general manager and worked as the vice president in Huntkey Group (航嘉集團) from 2011 to 2017. Mr. Xu received a bachelor's degree in Electronic Engineering Department in Wuhan University (武漢大學) in the PRC in 1989.

Mr. Liao Xingchun (廖醒春先生), aged 48, is the vice president of our Group. He is responsible for the management of human resources, information technology, strategy and administration of our Group. He was appointed as the general manager of the human resources department and the vice president of our Group with effect from February 2014 and 21 December 2017, respectively. Mr. Liao joined our Group in February 2014 as the general manager of human resources department. Mr. Liao has approximately 21 years of experience in the human resources industry. Prior to joining our Group, Mr. Liao worked as an administrative manager in Dongguan Xinke Electronic Factory (東莞新科電子廠), an electronic product manufacturing factory in the PRC, from 1994 to 1996. From 1996 to 2000, he worked as a manager in human resources department of Dongguan Yeji Industrial Co., Ltd. (東莞業基工業有限公司), a clothing manufacturing company in the PRC. From 2000 to 2003, he worked as a manager of human resources in Tianda Pharmaceuticals (Zhuhai) Co., Ltd. (天大藥業（珠海）有限公司), a pharmaceutical manufacturing company in the PRC. From 2003 to 2010, Mr. Liao worked as a director of human resources in TK Group (Holdings) Limited (東江集團（控股）有限公司), a plastic injection and mold manufacturing company listed on the Stock Exchange (stock code: 2283). From 2010 to 2013, Mr. Liao worked as an administrative director of human resources in Huibei LPV Sports Co., Ltd. of Lining (Jingmen) Industrial Zone (李寧（荊門）工業園湖北動能體育用品有限公司), a sportswear manufacturing company in the PRC. Mr. Liao received a diploma in enterprise management from the Guangdong University of Finance & Economics (廣東財經大學) (formerly known as Guangdong College of Business (廣東商學院)) in the PRC in June 1992 and a master's degree in business administration from the Beijing Jiaotong University (北京交通大學) in the PRC in January 2009.

Mr. Li Hongxing (李紅星先生), aged 41, is the director of strategic procurement of our Group. He is responsible for the strategic procurement of our Group. He was appointed as the director of strategic procurement of our Group with effect from September 2012. Mr. Li joined our Group in September 2012 as the director of strategic procurement. Mr. Li has approximately 18 years of experience in the procurement industry. Prior to joining our Group, Mr. Li worked as a vice manager of supply chain in Fuhuajie Industrial (Shenzhen) Co., Ltd. of Foxconn Technology Group (富士康科技集團富華傑工業（深圳）有限公司), an electronic product manufacturing company in the PRC, from 1999 to 2011. From 2011 to 2012, he worked as an operation director responsible for procurement in Shenzhen Haoen Acoustics Co., Ltd. (深圳市豪恩聲學股份有限公司), an acoustic equipment manufacturing company in the PRC. From March 2012 to August 2012, Mr. Li worked as a director of supply chain center in Shenzhen Jasic Technology Co., Ltd. (深圳市佳士科技股份有限公司), a welder equipment manufacturing company listed on the Shenzhen Stock Exchange (stock code: 300193). Mr. Li received a diploma in industrial enterprise management from the Chengdu Electromechanical College (成都電子機械高等專科學校) in the PRC in July 1999 and a master's degree in business management from the University of Electronic Science and Technology (電子科技大學) in the PRC in June 2010.

Mr. Wang Xiu (王修先生), aged 43, is the general manager of the R&D department of our Group. He is responsible for the R&D of our Group. He was appointed as the general manager of the R&D department of our Group with effect from January 2016. Mr. Wang joined our Group in September 2002 as a head of the R&D department. Accordingly, he has approximately 15 years of experience in the development and management in the power supply industry. Mr. Wang received a bachelor's degree in applied electronics from the Nanchang Hankong University (南昌航空大學) (formerly known as Nanchang Hankong Industrial College (南昌航空工業學院)) in the PRC in July 1995.

Notes:

(1) Business Unit 2 is principally engaged in the manufacturing of switching power supply units for telecommunications devices for global accounts.

(2) Business Unit 1 is principally engaged in the manufacturing of smart chargers and controllers for power tools for industrial use.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

1.1 Reporting Scope

1.1.1 Through this Environmental, Social and Governance (ESG) Report, our Group wishes to communicate our management approaches and sustainability strategies with our stakeholders. We welcome all parties to provide valuable comment and feedback.

1.1.2 The reporting period follows the Group's financial year in 2017 (1 January 2017 to 31 December 2017), unless otherwise specified.

1.1.3 The scope of this report covers the Group's major business operations in its production factory in Huizhou City, Guangdong Province. In terms of the business operations outside mainland China, since the impact of the Hong Kong office operation is relatively minor to the overall environmental and social performance, hence it is not covered in the reporting period.

1.2 Reporting Standard

1.2.1 The report complies with the Environmental, Social and Governance Reporting Guide, Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange with reference to General Disclosures and Environmental KPI. Information regarding Corporate Governance is addressed in the annual report according to Appendix 14 of the Main Board Listing Rules.

1.2.2 The Group has referred multiple stakeholder engagement activities to define material aspects related to the Group's operations. The Group has appointed Allied Environmental Consultants Limited (AEC) in report preparation, contents of which have been based on collected information.

2 REPORTING THEME

2.1.1 "Building on our past successes" is the theme of this ESG report. In order to stay a step ahead in the industry, we need to continuously adopt the concept of sustainability, and regularly reviewing and defining our operations efficiency and company image. We have established and implemented various strategies in the manufacturing process such as map out the way to source sustainably, increase production efficiency, maintain product quality and reliability, optimize resource usage and minimize negative impact on environment. On human resources management, the Group has continued to promote the corporate culture of "Factory is Home" to empower our staff and attract talents. Finally, as a sustainable corporation, we aim to serve and bring positive impact to the community.

2.1.2 This ESG report highlights some environmental and social initiatives that the Group has implemented in its major business operations. While the report is only an indicator of our endeavors in enhancing transparency of our operations, we believe that as we engage in more stakeholder engagements in the future, we will be able to expand on ESG-related materiality aspects and improve upon environmental and social performance.

3 PRODUCT

3.1 Product quality and responsibility framework

3.1.1 As an industry-leading one-stop smart power supply solutions provider, our Group's responsibility is to produce high quality and safety compliant products that meet the expectations and satisfactions of every customer and family when using the Group's products. This principle is an important part of our sustainable development concept. All products are manufactured in line with ISO9001:2008 as a benchmark.

3.1.2 In addition, the Group has stressed on intellectual property rights, and has formulated its "intellectual property management system" in reference to the related laws and regulations. This policy has protected the Group's patent and trademark rights and has enabled the Group to legally enjoy the technical and trade secrets.

3.2 Supply chain management

3.2.1 In the reporting year, our Group has continued the rigorous supply chain management system in reference to ISO14001:2015 Environmental Management System and ISO9001:2008 Quality Management System to assess and screen potential and existing suppliers to ensure quality. The Group expected suppliers to provide high-quality materials and to be aware of the environmental and social impacts when manufacturing.

3.2.2 Ten Pao has quantitatively compared and controlled its suppliers' environmental and social performance starting from the selection stage. The assessment areas included material design, safety regulations, environmental performance, quality, punctuality and service. The products were scientifically examined and all suppliers were required to provide valid documents for contents verification. Our Group has also assigned employees to visit suppliers' factories to ensure the comprehensiveness and fairness of the evaluation.

3.2.3 Close cooperation with suppliers helped our Group develop sustainable production and bring in positive impact on the community. If the suppliers failed to meet our requirements, the Group would assist the suppliers with goodwill to improve their performance. After the suppliers have met requirements, we would then undertake sample inspections to further assure that the materials met the production requirements.

3.3 Quality Assurance

3.3.1 Our Group is committed to developing products that enhance customer satisfaction and build a long-term partnership with our customers.

3.3.2 Our quality control officers have regularly conducted rigorous testing to ensure all products fulfill the international safety regulations, standards and customer requirements prior to shipment. The Group routinely sanitized and dedusted the production facilities to ensure hygiene standard was met. Furthermore, a separate warehouse has been allocated for storing qualified products that have passed the quality test. Our products have been recognized by international safety organizations and obtained multiple patents awarded to protect its invention and design.

3.3.3 During the reporting period, our Group had operated in accordance with the applicable product responsibility requirements including customer health and safety, advertising, labeling, and protection of data privacy.

3.4 After sales support

3.4.1 Our Group highly prioritized customers satisfaction and product responsibility, treated each feedback has been careful evaluation, and acknowledged the importance of these feedbacks to our continuous improvement in service and product quality. In case of any anomaly or non-compliance with customer's requirements, the production would be temporarily suspended, followed by an immediate investigation, until the anomaly has been communicated and resolved with the customer.

3.4.2 Subsequently, any defective items will be kept as training materials to assist employees to identify disqualified items and avoid non-compliant production in the future.

4 ENVIRONMENT

4.1 Environmental Policy

4.1.1 Our Group's environmental objectives were to comply with regulations, prevent pollution, optimize resource usage, and protect the environment.

4.1.2 Guided by Environmental Management System ISO14001:2015, our Group has established systematic environmental management throughout all operations. Our Group's environmental policy committed to the following principles:

1) Pollution prevention and mitigation

2) Reduce energy consumption

3) Reduce water consumption

4) Reduce hazardous and non-hazardous waste production

5) Optimize use of resources

6) Reduce paper consumption

7) Increase production efficiency, reduce operating cost

4.1.3 The implementation of the above policies and objectives are achieved through the design of tailor-made environmental management manual for each aspect listed above, and the designation of department and personnel to monitor and control, implement mitigation strategies, and provide training for staff.

4.2 Energy consumption

4.2.1 Our Group's major energy supplied for equipment usage in the production line, lighting and air-conditioning in the factory and office premises. Energy was obtained in the form of electricity from the municipal utility supply, therefore proper management of electricity consumption would contribute to reduced operating costs.

4.2.2 In order to reduce electricity consumption, procedures and necessary actions have been set out in the respective electricity usage management manual. Some of the measures include:

1) Assessment for the replacement of energy-intensive equipment to more energy-efficient models

2) Daily maintenance procedures for the upkeep of equipment in order to prevent equipment malfunction rate

3) Monthly assessments of electricity consumption patterns to identify abnormality that required correction

4) Educational posters at on/off switches remind staff to reduce electricity consumption

4.2.3 Additionally, our Group has installed solar panels on the roof-top of the factory so as to compensate for the energy consumption. During the reporting period, the 1,268 MWh of electricity was generated from the solar panels in which carbon emission reduction is 745 tonnes CO_2, equivalent to about 32,384 trees planted.

Energy performance Table	2016 Total	**2017 Total**
Electricity consumed from electricity grid (MWh)	23,226	**30,166**
Electricity generated and consumed from solar panels (MWh)	1,251	**1,268**
Solar panels energy saving (%)	5.1%	**4.0%**
Total electricity consumed (MWh)	24,477	**31,434**
Energy intensity (MWh/M' revenue)	9.5	**10.5**

4.3 Air Emissions

4.3.1 Gaseous emissions such as benzene, tin, lead, particulate matters, and other chemical compounds were emitted during normal production periods that would pose environmental impact. In order to reduce the impact on the air quality of the environment, our Group has sought out solutions such as using low or non-toxicity design during the impregnation process in order to reduce exhaust gaseous pollutant emissions. Filter equipment has also been installed at the exhaust outlets to capture gaseous pollutants before entering into the atmosphere.

4.3.2 Regular gaseous emission monitoring was conducted at the exhaust outlets in order to meet regulatory requirements.

4.3.3 In addition, indirect greenhouse gas (GHG) emission is observed from the electricity consumption of our Group. Based on our Group's electricity consumption and applying the emission factor of regional electricity grid, the indirect GHG emission was calculated and highlighted below:

GHG emission performance Table	2016 Total	**2017 Total**
Scope 2: Indirect GHG Emissions from electricity (tonne CO_2)*	13,642	**17,718**
GHG intensity (tonne CO_2/million revenue)**	5.28	**5.89**

Note: * Emission factor based on 2016 China Regional Grid Baseline Emission Factor

** Direct emission was excluded from this calculation as it came from motor vehicle usage only, which is relatively insignificant

4.4 Water consumption

4.4.1 Water was used in the daily production processes and toiletry needs of staff members. As water comes solely from municipal utility provider, there were no particular issues with regards to sourcing water. In order to reduce the amount of fresh water usage, the Group has implemented a water usage management manual, measures such as:

1) Reasonably adjust partial water fixtures to control flow rates

2) Suitably reduce water use for irrigation purposes, taking into account seasonal variations, climate and precipitation trends

3) Regular monitor of water usage to detect any abnormality and prevent water leakage potential

4) Educational posters at faucets reminding staff to reduce water consumption

Water performance table	2016 Total	**2017 Total**
Water consumption (thousand m^3)	315	**295**
Water intensity (m^3/million revenue)	0.12	**0.10**
Reduction Percentage (%)	–	**19%**

4.4.2 Subsequently, a centralized wastewater treatment facility was provided on-site to treat wastewater generated from operations. Regular wastewater discharge has been conducted and the results found to be in compliance with regional wastewater discharge limits.

4.5 Waste

4.5.1 The Group emphasizes good waste management policies and procedures in order to ensure resources were effectively utilized and environmental impact reduced. Wastes are categorized and separated under 3 main categories: non-recyclable waste, recyclable waste, and hazardous waste. Staff members were required to complete an application form for disposal and have the forms approved by internal management such that all waste disposal were monitored and controlled.

4.5.2 During the reporting period, the records for recyclable non-hazardous waste and produced hazardous waste have been reported in the table below. The Group has endeavored to enhance its waste management system and incorporate records for all general refuse disposed.

Waste performance table	**2017 Total**
Total non-hazardous waste recycled (tonne)	**929**
Total hazardous wastes produced (tonne)	**3**

4.6 Optimize use of resources and production efficiency

4.6.1 The Group has adopted various measures to optimize the use of resource and to improve production efficiency, for example:

1) Reduce raw material consumption through reducing defective products, reduce losses during production process, and reduce inactive inventory

2) Reduce and recycle auxiliary materials

3) Minimize equipment malfunction

4) Adopt a paper-less operation. All internal meetings were organized via email and meetings materials were made available electronically to reduce unnecessary print-outs

5) Proper printer/copier usage minimize paper wastage

Paper consumption	2016 Total	**2017 Total**
Estimated paper used (tonne)	14.8	**14.4**
Reduction Percentage (%)	–	**2.8%**

Packaging material used	**2017 Total**
Estimated packaging material used (tonne)	**2,735**
Packaging material intensity (tonne/M' Revenue)	**0.91**

5 EMPLOYMENT

5.1 Factory Is Home

5.1.1 Ten Pao continued to incorporate the concept of "Factory is Home" in its corporate culture, and treat employees as the most valuable asset. Thus, the Group has acquired talents according to business needs and provide an appropriate working environment.

5.1.2 Our Group also cares about the employees' health and safety, and also safeguarding the rights for our employees in creating a harmonious and diversified workplace. We have organized a wide range of activities that aimed to create a concordant working atmosphere. These initiatives would promote a sense of belonging in the Ten Pao family.

5.2 Employment and labor standard

5.2.1 Continuing the sustainability concept, allocating talents has been the key to success. Our Group followed the principles of open recruitment, comprehensive assessment, selection of best-fit candidate to incorporate suitable talents to join the company. The Human Resources Department was responsible for coordinating the compensation process to insure fair remuneration and benefits. Its role also included ensuring the employment policy complied with relevant laws and regulations.

5.2.2 Our Group has adopted a zero-tolerance policy towards the recruitment of child labor and forced labor. The Human Resources Department ensured all applicants and employees had possession of valid identification documentations.

5.2.3 During the reporting period, our Group has complied with all applicable laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare.

5.3 Career development and training

5.3.1 Our Group regarded employees as valuable assets. Thus, our Group have offered extensive training programs and have cultivated employees' skills and talents to improve productivity, enabling the employees to grow and develop with the company simultaneously.

5.3.2 Located in Huizhou, "Ten Pao College" has nurtured over 200 employees through holding diversified training courses including English class and seminars, professional training in production operations, executive administration and electronic engineering. The trainings provided have strengthened employees' and the Group's skills and maintained our competitiveness within the industry.

5.4 Health and safety

5.4.1 Our Group regards the health and safety of employees as an important aspect. Apart from complying with relevant laws and regulations relating to occupational health and safety for a safe working environment, we have also assigned an internal control system to safeguard employees. Ten Pao has also scheduled officers to conduct inspections in the production plant on a regular basis to ensure employees operated in compliance with relevant regulations. In addition, our Group has also established relative operating procedures to emphasize on the importance of occupational health and safety to enhance the employees' safety awareness.

5.4.2 With regards to chemical substances used during the manufacturing process, the Group understood the potential risks associated with the application of those hazardous chemicals. Thus, all hazardous chemicals were strictly monitored and managed by appointed individuals in reference to "Hazardous Chemical Management Program" and "Hazardous Chemical Goods Transport, Storage and Usage Guidelines" to prevent chemical leakage and lower occupational health and safety risks.

5.4.3 In addition, we encouraged our employees to actively participate in activities to promoted work life balance and enrich staff communication.

5.4.4 In the reporting year, our Group has complied with all applicable laws and regulations relating to occupational health and safety.

6 ANTI-CORRUPTION

6.1.1 The Group has committed to high ethical standards and has established anti-corruption policy that strictly forbids any acts of bribery, extortion, fraud and money laundering activities. In this regard, the Group has set up a whistle-blowing mechanism. In case any related case was discovered, the Human Resources Department would conduct an investigation. If the case was confirmed, the Group would undertake disciplinary actions as necessary.

6.1.2 In this year, the Group's operation has complied with all relevant laws and regulations with regards to anti-corruption. There were no cases of corruption found.

7 COMMUNITY

7.1.1 Our Group values building diversity in the community. A group of 55 employee formed a volunteer team to act on the Group's behalf to serve the community. Ten Pao endeavored to continuously seek ways contribute to the society, actively participated in various social activities and fulfill our corporate responsibility.

7.1.2 As a member of Huizhou Association of Enterprises with Foreign Investment, our Group has regularly participated and organized community activities including football match. Besides promoting work-life balance and staff interaction, these activities have allowed the Group to build diplomatic relationship with other enterprises in the community.

7.1.3 Ten Pao dedicated efforts to support youth development. In order to encourage cultural exchange among students, the Group had invited a group of honor students to attend the aerospace technology conferences in Beijing and Xian and had participated in the Guangzhou Study Tour, organized by the Lions Club of Tuen Mun, to help young people broaden their vision. Our Group had further participated in various relevant educational events hold by Shine Tak Foundation including the Shine Tak Foundation youth development of Technology Care scheme 2017 – "I am an inventor", Understanding the Basic Law – A series of activities for Primary and Secondary Schools in Hong Kong and the Course on National Affairs for HK Charity group leader. These activities had encouraged youth development, promoted the understanding of Basic Law to next generations and raised the sense of patriotism.

7.1.4 Our Group also cares about the elderly community. We participated in the Elderly care and gathering program held by Lion Club of Tuen Mun, which was a festival organized to celebrate with over a thousand elders to show respect and care.

7.1.5 Ten Pao's mission is to use technology for the betterment of the society. During the year, we had enthusiastically involved in related charitable activities, including the Shine Tak Charity Hiking. This event was organized to raise fund for adolescents to apply "transliteration thinking" beyond the conventional learning in the R&D of assistive technologies for the special needs community, to make contribution to the society.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2017.

The Board considers that during the year ended 31 December 2017, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and the Shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Executive Committee (the "Executive Committee") and senior management of the Company are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board during the year ended 31 December 2017 and up to the date of this report is as follows:

Executive Directors:

Mr. Hung Kwong Yee	*(Chairman of the Board, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Mr. Hong Guangdai	
Mr. Hung Sui Tak	

Independent Non-executive Directors:

Mr. Lam Cheung Chuen	*(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*
Mr. Chu Yat Pang Terry	*(Chairman of the Audit Committee and Member of the Remuneration Committee and the Nomination Committee)*
Mr. Lee Kwan Hung	*(Chairman of the Remuneration Committee and Member of the Audit Committee and the Nomination Committee)*

Throughout the year ended 31 December 2017, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional division of the Group in accordance with his expertise. The independent non-executive Directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

Chairman Hung is the elder brother of Mr. G.D. Hong and the father of Mr. S.T. Hung. Save as disclosed above, the Directors have no financial, business, family or other material/relevant relationships with each other.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

Chairman Hung is currently acting as both 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.

A4. Appointment and Re-election of Directors

All Directors are appointed for a specific term. Each executive Director is engaged on a service contract for an initial term of 3 years, and will continue thereafter unless or until terminated by either party by giving to the other not less than 3 months' notice in writing. Each of the independent non-executive Directors is appointed for an initial term of 3 years, unless terminated by either party by giving to the other not less than 3 months' notice in writing.

According to the Articles of Association (the "Articles"), one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting (the "AGM") provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, any new Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of Shareholders after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

At the 2018 AGM, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung shall retire by rotation pursuant to the Articles provisions stated in the foregoing paragraph. Both retiring Directors, being eligible, will offer themselves for re-election at the 2018 AGM. The Board and the Nomination Committee recommended their re-appointment. The circular of the Company, sent together with this report, contains detailed information of these two Directors as required by the Listing Rules.

A5. Training and Continuing Development for Directors

Each newly appointed Director shall receive formal induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the year ended 31 December 2017, the Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

	Type of training/education	
	Attending training on regulatory development, directors' duties or other relevant topics	**Reading regulatory updates or corporate governance related materials or materials relevant to directors' duties**
Mr. Hung Kwong Yee	✓	✓
Mr. Hong Guangdai	✓	✓
Mr. Hung Sui Tak	✓	✓
Mr. Lam Cheung Chuen	✓	✓
Mr. Chu Yat Pang Terry	✓	✓
Mr. Lee Kwan Hung	✓	✓

A6. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended 31 December 2017 are set out below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors:					
Mr. Hung Kwong Yee	4/4	N/A	1/1	1/1	1/1
Mr. Hong Guangdai	4/4	N/A	N/A	N/A	1/1
Mr. Hung Sui Tak	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Lam Cheung Chuen	4/4	3/3	1/1	1/1	1/1
Mr. Chu Yat Pang Terry	4/4	3/3	1/1	1/1	1/1
Mr. Lee Kwan Hung	4/4	3/3	1/1	1/1	1/1

In addition, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2017.

A7. 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 its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's employees who are likely to possess inside information of the Company and/or its securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code throughout the year ended 31 December 2017. In addition, no incident of non-compliance of the Model Code by the relevant employees of the Group was noted during the year ended 31 December 2017.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

A8. Corporate Governance Functions

The Audit Committee is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the year under review, the Audit Committee has performed corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices; (ii) reviewed and monitored the training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewed and monitored the compliance of the Model Code; and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. BOARD COMMITTEES

The Board has established four Board committees, namely, the Executive Committee, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website and the Company's website (except for the terms of reference of the Executive Committee which are available to Shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Executive Committee

The Executive Committee comprises all the executive Directors with the Chairman of the Board, Chairman Hung, acting as the chairman. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B2. Remuneration Committee

The Remuneration Committee comprises a total of four members, being one executive Director, Chairman Hung, and three independent non-executive Directors, Mr. Lee Kwan Hung (chairman of the Committee), Mr. Lam Cheung Chuen and Mr. Chu Yat Pang Terry. Throughout the year ended 31 December 2017, the Company has met the Listing Rule requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 December 2017, the Remuneration Committee has held one meetings (the attendance records of each Committee member are set out in section A6 above), in which the Committee members have reviewed the existing remuneration policy and structure of the Company and the remuneration packages of Directors and senior management of the Company and made relevant recommendations to the Board.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management, other than the Directors, by band for the year ended 31 December 2017 is set out below:

Remuneration band (HK$)	Number of individuals
0-1,000,000	4
1,000,001-2,000,000	2
2,000,001-3,000,000	0
3,000,001-4,000,000	1
4,000,001-5,000,000	0

Details of the remuneration of each Director for the year ended 31 December 2017 are set out in note 38 to the financial statements contained in this report.

B3. Nomination Committee

The Nomination Committee comprises a total of four members, being the Chairman of the Board, Chairman Hung (chairman of the Committee), and three independent non-executive Directors, Mr. Chu Yat Pang Terry, Mr. Lam Cheung Chuen and Mr. Lee Kwan Hung. Throughout the year ended 31 December 2017, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors and having the Committee chaired by the Chairman of the Board.

The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify qualified and suitable individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with the code provision A.5.6 of the CG Code, a Board diversity policy was adopted by the Company on 22 August 2016, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

During the year ended 31 December 2017, the Nomination Committee has held one meeting (the attendance records of each Committee member are set out in section A6 above) in which the Committee members has (i) reviewed the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; (ii) recommended the re-appointment of the retiring Directors standing for re-election at the Company's AGM held on 26 May 2017; and (iii) assessed the independence of the existing independent non-executive Directors.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained and has not yet set any measurable objectives for implementing the Board diversity policy.

B4. Audit Committee

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the year ended 31 December 2017. The Audit Committee comprises all three independent non-executive Directors, with Mr. Chu Yat Pang Terry acting as the chairman of the Committee. Mr. Chu Yat Pang Terry possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; reviewing the Company's financial reporting system, internal control system and risk management systems and effectiveness of the internal audit function; and performing the Company's corporate governance functions.

During the year ended 31 December 2017, the Audit Committee has held three meetings (the attendance records of each Committee member are set out in section A6 above) and performed the following major works:

– Reviewed and discussed the annual financial statements, results announcement and annual report for the year ended 31 December 2016, the relevant audit findings of the Company's external auditor; and the recommendation of the re-appointment of the external auditor;

– Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2017 and the relevant review findings of the Company's external auditor;

– Reviewed the Group's continuing connected transactions for the year ended 31 December 2016 and the year ended 31 December 2017;

– Discussed the major internal audit issues for the year ended 31 December 2016;

– Reviewed the Group's financial reporting system and risk management and internal controls systems, and the existing internal audit function of the Company, and made relevant recommendation to the Board;

- Reviewed the compliance with and enforcement of the terms of the Deed of Non-competition by the controlling Shareholders; and

- Reviewed the arrangements for employees of the Group to raise concerns about possible improprieties in the Group's financial reporting, internal control or other matters and the investigation process on the reported cases.

The external auditor has attended the above three meetings and discussed with the Audit Committee members on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2017.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board reviews the effectiveness of the risk management and internal control systems as well as the internal audit department of the Company on an annual basis through the Audit Committee.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, finance, human resources and information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

The Company's internal audit department, assisted by the external professional firm engaged by the Company, is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

During the year ended 31 December 2017, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed a policy for handling and dissemination of inside information. The policy provides a general guide to the Company's Directors, officers and relevant employees in handling confidential information and monitoring information disclosure.

E. COMPANY SECRETARY

The company secretary is Mr. Tse Chung Shing, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Mr. Tse are set out in the section headed "Biographies of Directors and Senior Management" of this report. During the year ended 31 December 2017, Mr. Tse has taken not less than 15 hours of relevant professional training.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2017 is set out in the section headed "Independent Auditor's Report" in this report.

The fees paid/payable to PricewaterhouseCoopers, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 December 2017 are analysed below:

Type of services provided by the external auditor	**Approximate fees paid/payable HK$**
Audit services – audit fee for the year ended 31 December 2017	3,171,000
Non-audit services – corporate governance advisory	800,000
TOTAL:	3,971,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparent and timely disclosure of corporate information, which enables Shareholders and investors to make the best investment decision.

The Company maintains a website at www.tenpao.com as a communication platform with its Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors of the Company may send written enquiries or requests to the Company via the following contact details:

Attention:	Company Secretary
Address:	Rooms 610-612, 6th Floor, Kwong Sang Hong Centre, 151-153 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Email:	ir@tenpao.com
Tel:	(852) 2790 5566
Fax:	(852) 2342 0146

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. Board members and senior staff will be available to answer questions raised by the Shareholders at general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, if any.

H. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.tenpao.com) and the Stock Exchange after each Shareholders' meeting.

Pursuant to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

I. CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, the Company has not made any changes to the Articles. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles for further details of the rights of Shareholders.

J. DEED OF NON-COMPETITION

In respect of the compliance of the provisions of the Deed of Non-competition by the controlling Shareholders, please refer to the section headed "Non-competition Undertakings By Controlling Shareholders" in the Directors' Report of this report.

DIRECTORS' REPORT

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is the engaged in the sales and manufacturing of switching power supply units for consumer products and smart chargers and controllers for industrial use.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated financial statements on pages 64 to 70.

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 Shareholders. The proposed final dividend, subject to the approval of the Shareholders at the forthcoming AGM 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 appear on the register of members of the Company on Wednesday, 13 June 2018.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Information on the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" on pages 22 to 30 in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2017, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

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 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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five years ended 31 December 2017 are set out in the section headed "Five-year Financial Summary" on page 134 of this annual report.

SHARE CAPITAL

The Company issued new ordinary shares of the Company during the year ended 31 December 2017 upon exercise of share options by an employee of the Group. The reason for the issue of new ordinary shares of the Company is set out in the section headed "Share Option Scheme". Details of the movements in the share capital of the Company are set out in note 24 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and notes 24, 26 and 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the reserves of the Company available for distribution to Shareholders amounted to approximately HK$360,021,000 (2016: HK$426,983,000).

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2017 amounted to HK$3,394,000 (2016: HK$4,561,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group are set out in note 14 to the consolidated financial statements.

BORROWINGS

Details of borrowings are set out in note 27 to the consolidated financial statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2017.

EQUITY-LINKED AGREEMENTS

During the year, other than the share option scheme adopted by the Company on 23 November 2015 (the "Share Option Scheme") as set out in the section headed "Share Option Scheme" and note 25 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the employees, Directors and other participants have had or may have made to the Group. The Share Option Scheme will provide the participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the participants whose contributions are or will be beneficial to the long-term growth of the Group.

Qualified participants of the Share Option Scheme include: (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any Directors (including independent non-executive Directors) of the Company or any directors of the Company's subsidiaries; (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme is 99,544,000 shares of the Company, representing 9.95% of the total issued share capital of the Company as at the date of this annual report.

The total number of shares of the Company issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares of the Company in issue.

The offer of a grant of share options under the Share Option Scheme may be accepted within 30 days from the date of offer upon payment of a consideration of HK$1 by the grantee.

The Share Option Scheme will remain in force for a period of 10 years from 11 December 2015 (the "Listing Date"). The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted and accepted. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of share options under the Share Option Scheme is determined by the Board, but shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

Details of movement of the share options granted under the Share Option Scheme for the year ended 31 December 2017 are as follows:

Name or category of option holders	Date of grant *(Note 1)*	Exercise price per share	Exercise period	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year *(Note 2)*	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2017
				Number of share options					
Directors									
Chairman Hung	15/9/2016	HK$1.31	15/9/2016-14/9/2019	864,000	–	–	–	–	864,000
G.D. Hong	15/9/2016	HK$1.31	15/9/2016-14/9/2019	728,000	–	–	–	–	728,000
S.T. Hung	15/9/2016	HK$1.31	15/9/2016-14/9/2019	300,000	–	–	–	–	300,000
Lam Cheung Chuen	15/9/2016	HK$1.31	15/9/2016-14/9/2019	200,000	–	–	–	–	200,000
Chu Yat Pang Terry	15/9/2016	HK$1.31	15/9/2016-14/9/2019	200,000	–	–	–	–	200,000
Lee Kwan Hung	15/9/2016	HK$1.31	15/9/2016-14/9/2019	200,000	–	–	–	–	200,000
Sub-total				2,492,000	–	–	–	–	2,492,000
Employees of the Group in aggregate	15/9/2016	HK$1.31	15/9/2016-14/9/2019	16,856,000	–	456,000	248,000	–	16,152,000
Sub-total				16,856,000	–	456,000	248,000	–	16,152,000
Total				19,348,000	–	456,000	248,000	–	18,644,000

Notes:

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

2. The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised is HK$2.40 per share.

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

Apart from the Share Option Scheme which the Directors are entitled to participate in, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the percentage of the Group's turnover attributable to the Group's largest customers and the five largest customers in aggregate were 23.7% and 53.6% respectively (2016: 22.0% and 52.5% respectively).

During the year ended 31 December 2017, the percentage of the Group's purchases attributable to the Group's largest suppliers and the five largest suppliers in aggregate were 2.7% and 11.1% respectively (2016: 4.0% and 14.7% respectively).

During the year ended 31 December 2017, none of the Directors or any of their close associates or any Shareholders which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. Particulars of the retirement benefit schemes are set out in note 8 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report are:

Executive Directors

Mr. Hung Kwong Yee
Mr. Hong Guangdai
Mr. Hung Sui Tak

Independent Non-executive Directors

Mr. Lam Cheung Chuen
Mr. Chu Yat Pang Terry
Mr. Lee Kwan Hung

In the 2018 AGM, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung will retire as Directors in accordance with Article 108 of the Articles and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the 2018 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 35 "Related party transactions" to the consolidated financial statements, no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity or a controlling Shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2017 or at any time during the year ended 31 December 2017.

DIRECTORS' RIGHTS TO PURCHASE SHARE OR DEBENTURES

At no time during the year under review, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by mean of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such rights.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

Save for the continuing connected transactions as disclosed below, during the year ended 31 December 2017, the Group has not carried out any connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules.

Continuing connected transactions

The Group has entered into the following continuing connected transactions:

(1) Continuing connected transactions which are subject to the reporting and announcement requirements

(A) Leasing of properties from the associates of Chairman Hung

2015 Tenancy Agreements

2015 Sky Fortune Tenancy Agreement

Below sets out the summary of the terms of the 2015 Sky Fortune Tenancy Agreement:

Date	:	23 October 2015
Location	:	Room 610–11, 6/F, Kwong Sang Hong Centre, No.151–153 Hoi Bun Road, Kwun Tong
Lessor	:	Sky Fortune Enterprises Limited ("Sky Fortune")
Lessee	:	Ten Pao International Limited ("Ten Pao International")
Monthly rental	:	HK$40,000
Term	:	23 October 2015 to 31 December 2017
Usage	:	Office premises

The annual caps of rent payable by Ten Pao International to Sky Fortune for each of the years ended 31 December 2016 and 2017 were HK$480,000 and HK$480,000, respectively. The rental payable under the 2015 Sky Fortune Tenancy Agreement was payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates. The actual transaction amount under the 2015 Sky Fortune Tenancy Agreement during the years ended 31 December 2015, 2016 and 2017 were HK$352,000, HK$480,000 and HK$480,000, respectively.

Since approximately 96.67% and 3.33% of the issued share capital of Sky Fortune are held by Chairman Hung, an executive Director and a controlling Shareholder, and Ms. Yeh Chin Lian, the spouse of Chairman Hung, respectively, Sky Fortune is an associate of Chairman Hung and a connected person of our Company and the leasing of properties pursuant to the 2015 Sky Fortune Tenancy Agreement constitutes continuing connected transactions for our Company.

2015 Golden Ocean Tenancy Agreement
Below sets out the summary of the terms of the 2015 Golden Ocean Tenancy Agreement:

Date	:	23 October 2015
Location	:	Yongguang Industrial Zone, Xikeng Village, Huihuang Street Office, Huizhou City (惠州市惠環街道辦事處西坑村永光工業區)
Lessor	:	Huizhou Golden Ocean Magnet Wire Factory ("Golden Ocean")
Lessee	:	Huizhou Jinhu Industrial Development Co., Ltd. ("Jinhu Industrial")
Monthly rental	:	RMB138,000 (equivalent to approximately HK$175,018)
Term	:	Listing Date to 31 December 2017
Usage	:	Production facilities and staff quarters

The annual caps of rent payable by Jinhu Industrial to Golden Ocean for each of the years ended 31 December 2016 and 2017 were RMB1,656,000 (equivalent to approximately HK$2,100,217). The rental payable under the 2015 Golden Ocean Tenancy Agreement was payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates. The actual transaction amount under the 2015 Golden Ocean Tenancy Agreement during the years ended 31 December 2015, 2016 and 2017 were HK$1,822,000, HK$1,908,000 and HK$1,815,000, respectively.

Golden Ocean is a factory engaged in the operation of imported material processing. Golden Ocean operates in the form of the cooperative arrangement between Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司) and Huiyang City Chenjiang Industrial Development Limited* (惠陽市陳江工業發展公司), an independent third party, and is not a separate legal entity. Approximately 96.77% and 3.23% of the issued share capital of Golden Ocean Copper Manufacturer Co., Limited are held by Year Industries Limited and Grateful World International Limited, respectively. 100% of the issued share capital of Year Industries Limited is held by Ms. Yeh Chin Lian, the spouse of Chairman Hung, on trust for and on behalf of Chairman Hung, an executive Director and a controlling Shareholder, and Chairman Hung is able to control the exercise of voting power at general meetings and control the composition of board of directors of Golden Ocean Copper Manufacturer Co., Limited. Since Golden Ocean Copper Manufacturer Co., Limited is able to exert significant influence on Golden Ocean pursuant to the cooperative arrangement, Golden Ocean is an associate of Chairman Hung and a connected person of our Company and the leasing of properties pursuant to the 2015 Golden Ocean Tenancy Agreement constitutes continuing connected transactions for our Company.

2015 Tiannengyuan Charging Tenancy Agreement

Below sets out the summary of the terms of the 2015 Tiannengyuan Charging Tenancy Agreement:

Date	:	23 November 2015
Location	:	Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City (惠州市惠城區水口街道辦事處新民大湖園村木錦頭地段)
Lessor	:	Huizhou Tiannengyuan Charging Technology Co., Ltd. ("Tiannengyuan Charging")
Lessee	:	Ten Pao Electronic (Huizhou) Co., Ltd. ("Ten Pao Electronic (Huizhou)")
Monthly rental	:	RMB300,000 (equivalent to approximately HK$380,474)
Term	:	Completion date of the acquisition of the properties to 31 December 2017
Usage	:	Production facilities and staff quarters

The annual caps of rent payable by Ten Pao Electronic (Huizhou) to Tiannengyuan Charging for each of the years ended 31 December 2016 and 2017 were HK$5,022,258. The rental payable under the 2015 Tiannengyuan Charging Tenancy Agreement was payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates. The actual transaction amount under the 2015 Tiannengyuan Charging Tenancy Agreement during the years ended 31 December 2015, 2016 and 2017 were HK$373,000, HK$4,090,000 and HK$4,144,000, respectively.

As 100% of the issued share capital of Tiannengyuan Charging is held by Ten Power Charging Technology Limited and 100% of the issued share capital of Ten Power Charging Technology Limited is held by Ease Bright Holdings Limited, which is a company wholly-owned by Chairman Hung, an executive Director and a controlling Shareholder, Tiannengyuan Charging is an associate of Chairman Hung and a connected person of our Company and the leasing of properties pursuant to the 2015 Tiannengyuan Charging Tenancy Agreement constitutes continuing connected transactions for our Company.

2018 Tenancy Agreements

Since the 2015 Sky Fortune Tenancy Agreement, the 2015 Golden Ocean Tenancy Agreement and the 2015 Tiannengyuan Charging Tenancy Agreement (collectively, the "2015 Tenancy Agreements") had expired on 31 December 2017, the Directors considered that leasing the existing properties under the 2015 Tenancy Agreements would minimise the costs of relocation and prevent interruption of the Group's production. Therefore, the Group has entered into the following tenancy agreements, namely, the 2018 Sky Fortune Tenancy Agreement, the 2018 Golden Ocean Tenancy Agreement, the 2018 Tiannengyuan Charging Tenancy Agreement and the 2018 Golden Lake Tenancy Agreement (collectively, the "2018 Tenancy Agreements"):

2018 Sky Fortune Tenancy Agreement

Below sets out the summary of the terms of the 2018 Sky Fortune Tenancy Agreement:

Date	:	29 December 2017
Location	:	Room 610–11, 6/F, Kwong Sang Hong Centre, No. 151–153 Hoi Bun Road, Kwun Tong
Lessor	:	Sky Fortune
Lessee	:	Ten Pao International
Monthly rental	:	HK$45,000
Term	:	1 January 2018 to 31 December 2018
Usage	:	Office premises

The annual cap of rent payable by Ten Pao International to Sky Fortune for the year ending 31 December 2018 will not exceed HK$540,000. The rental payable under the 2018 Sky Fortune Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2018 Sky Fortune Tenancy Agreement, please refer to the paragraph headed "2015 Tenancy Agreements – 2015 Sky Fortune Tenancy Agreement" in this section.

2018 Golden Ocean Tenancy Agreement

Below sets out the summary of the terms of the 2018 Golden Ocean Tenancy Agreement:

Date	:	29 December 2017
Location	:	Yongguang Industrial Zone, Xikeng Village, Huihuang Street Office, Huizhou City (惠州市惠環街道辦事處西坑村永光工業區)
Lessor	:	Golden Ocean
Lessee	:	Jinhu Industrial
Monthly rental	:	RMB148,000 (equivalent to approximately HK$176,190)
Term	:	1 January 2018 to 31 December 2018
Usage	:	Production facilities and staff quarters

The annual cap of rent payable by Jinhu Industrial to Golden Ocean for the year ending 31 December 2018 will not exceed RMB1,776,000 (equivalent to approximately HK$2,114,275). The rental payable under the 2018 Golden Ocean Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2018 Golden Ocean Tenancy Agreement, please refer to the paragraph headed "2015 Tenancy Agreements – 2015 Golden Ocean Tenancy Agreement" in this section.

2018 Tiannengyuan Charging Tenancy Agreement

Below sets out the summary of the terms of the 2018 Tiannengyuan Charging Tenancy Agreement:

Date	:	29 December 2017
Location	:	Mujintou Zone, Xinmindahuyuan Village, Shuikou Street Office, Huicheng District, Huizhou City (惠州市惠城區水口街道辦事處新民大湖園村木錦頭地段)
Lessor	:	Tiannengyuan Charging
Lessee	:	Ten Pao Electronic (Huizhou)
Monthly rental	:	RMB300,000 (equivalent to approximately HK$357,141)
Term	:	1 January 2018 to 31 December 2018
Usage	:	Production facilities and staff quarters

The annual cap of rent payable by Ten Pao Electronic (Huizhou) to Tiannengyuan Charging for the year ending 31 December 2018 will not exceed RMB3,600,000 (equivalent to approximately HK$4,285,692). The rental payable under the 2018 Tiannengyuan Charging Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the 2018 Tiannengyuan Charging Tenancy Agreement, please refer to the paragraph headed "2015 Tenancy Agreements – 2015 Tiannengyuan Charging Tenancy Agreement" in this section.

2018 Golden Lake Tenancy Agreement

Below sets out the summary of the terms of the 2018 Golden Lake Tenancy Agreement:

Date	:	29 December 2017
Location	:	Room 805, 8/F, Kwong Sang Hong Centre, No. 151-153 Hoi Bun Road, Kwun Tong
Lessor	:	Golden Lake (HK) Co., Limited ("Golden Lake")
Lessee	:	Ten Pao International
Monthly rental	:	HK$15,000
Term	:	1 January 2018 to 31 December 2018
Usage	:	Office premises

The annual cap of rent payable by Ten Pao International to Golden Lake for the year ending 31 December 2018 will not exceed HK$180,000. The rental payable under the 2018 Golden Lake Tenancy Agreement is payable on a monthly basis and was determined after arm's length negotiations with reference to the prevailing market rates.

Since approximately 98% and 2% of the issued share capital of Golden Lake are held by Chairman Hung, an executive Director and a controlling Shareholder, and Ms. Yeh Chin Lian, the spouse of Chairman Hung, respectively, Golden Lake is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2018 Golden Lake Tenancy Agreement will constitute continuing connected transactions for the Company.

To aggregate the transactions of leasing of properties by our Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate rent payable to the associates of Chairman Hung as mentioned above by our Group for (1) the 2015 Tenancy Agreements was HK$2,547,000, HK$6,478,000 and HK$6,439,000 in the years ended 31 December 2015, 2016 and 2017 respectively; and (2) the 2018 Tenancy Agreements will not exceed HK$7,119,967 for the year ending 31 December 2018.

As one or more of the applicable ratios in respect of the annual caps (other than the profits ratio) are more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the 2015 Tenancy Agreements and the 2018 Tenancy Agreements in aggregate are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) Purchase of direct current ("DC") cables and copper wires from Huizhou Xinyang Cables Co., Limited* (惠州市鑫洋線材有限公司)

On 23 October 2015, our Company entered into a framework purchase agreement (the "Xinyang Cables Framework Purchase Agreement") with Huizhou Xinyang Cables Co., Limited ("Huizhou Xinyang"), pursuant to which Huizhou Xinyang agreed to supply DC cables and copper wires to our Group to be used in our products for domestic sales in the PRC for a term commencing from the Listing Date to 31 December 2017, and the term of which is renewed for the period between 1 January 2018 to 31 December 2020 (both days inclusive) under a separate framework purchase agreement entered into between the Company and Huizhou Xinyang on 29 December 2017 (the "2018 Huizhou Xinyang Framework Purchase Agreement").

The actual transaction amount under the Xinyang Cables Framework Purchase Agreement during the years ended 31 December 2015, 2016 and 2017 were HK$9,098,000, HK$8,386,000 and HK$5,157,000, respectively.

Having considered several factors such as, the expected demand for the Group's products for sales within the PRC and the projected demand of DC cables and copper wires that the Group would purchase from Huizhou Xinyang in the next three years, our Directors estimate that the maximum transaction amount under the 2018 Huizhou Xinyang Framework Purchase Agreement will not exceed HK$7,000,000, HK$7,000,000 and HK$7,000,000 for the three years ending 31 December 2018, 2019 and 2020, respectively.

Approximately 92.8% and 7.2% of the equity interest of Huizhou Xinyang is held by Mr. Xu Jianshe, brother-in-law of Chairman Hung, and an Independent Third Party, respectively. Since Mr. Xu Jianshe is the brother-in-law of Chairman Hung, an executive Director and a controlling Shareholder, Huizhou Xinyang is deemed as a connected person of our Company and the transactions pursuant to the Xinyang Cables Framework Purchase Agreement and the 2018 Huizhou Xinyang Framework Purchase Agreement constitute continuing connected transactions for our Company.

Since each of the applicable percentage ratios (other than the profits ratio) for both the Xinyang Cables Framework Purchase Agreement and the 2018 Huizhou Xinyang Framework Agreement are more than 0.1% but less than 5.0% on an annual basis, the transactions under the Xinyang Cables Framework Purchase Agreement and the 2018 Huizhou Xinyang Framework Agreement are subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

* For identification purpose only

(C) Purchase of DC cables and copper wires from Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司) ("Golden Ocean Copper")

On 29 December 2017, our Company entered into a framework purchase agreement with Golden Ocean Copper (the "2018 Golden Ocean Copper Framework Purchase Agreement"), pursuant to which, Golden Ocean Copper agreed to supply DC cables and copper wires to our Group to be used in our products for overseas sales outside the PRC from 1 January 2018 to 31 December 2020 (both days inclusive).

Having considered several factors such as, the expected demand for the Group's products for sales within the PRC and the projected demand of DC cables and copper wires that the Group would purchase from Golden Ocean Copper in the next three years, our Directors estimate that the maximum transaction amount under the 2018 Golden Ocean Copper Framework Purchase Agreement will not exceed HK$70,000,000, HK$70,000,000 and HK$70,000,000 for the three years ending 31 December 2018, 2019 and 2020, respectively.

Approximately 96.77% and 3.23% of the issued share capital of Golden Ocean Copper is held by Year Industries Limited and Grateful World International Limited, respectively. Since 100% of the issued share capital of Year Industries Limited is held by Ms. Yeh Chin Lian, the spouse of Chairman Hung, on trust for and on behalf of Chairman Hung, an executive Director and a controlling Shareholder and Chairman Hung is able to control the exercise of voting power at general meetings and control the composition of board of directors of Golden Ocean Copper, Golden Ocean Copper is a connected person of our Company and the transactions pursuant to the Golden Ocean Copper Framework Purchase Agreement constitute continuing connected transactions for our Company.

(2) Continuing connected transactions which are subject to the reporting, announcement, and shareholders' approval requirements

Purchase of DC cables and copper wires from Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司)

On 23 October 2015, our Company entered into a framework purchase agreement ("Golden Ocean Copper Framework Purchase Agreement") with Golden Ocean Copper, pursuant to which Golden Ocean Copper agreed to supply DC cables and copper wires to our Group to be used in our products for overseas sales outside the PRC for a term commencing from the Listing Date to 31 December 2017.

The actual transaction amount under the Golden Ocean Copper Framework Purchase Agreement during the years ended 31 December 2015, 2016 and 2017 were HK$73,889.000, HK$59,661,000 and HK$69,584,000, respectively.

For details of the connected relationships of the parties and the nature of the connected person's interest in relation to the Golden Ocean Copper Framework Purchase Agreement, please refer to the paragraph headed "(I) Continuing connected transactions which are subject to the reporting and announcement requirements – (C) Purchase of DC cables and copper wires from Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司) ("Golden Ocean Copper")" in this section.

Since each of the applicable percentage ratios (other than the profits ratio) for the Golden Ocean Framework Purchase Agreement is more than 5.0% on an annual basis, the transactions under the Golden Ocean Framework Purchase Agreement are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement and/or independent shareholders' approval requirements (where applicable) of the Listing Rules in respect of the continuing connected transactions as disclosed above for a period of two or three years (where applicable) subject to the aggregate value of each of these non-exempt continuing connected transactions for each financial year not exceeding the relevant annual caps amount set forth in the respective caps stated above.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms or better; and

c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 35 to the consolidated financial statements. Those related party transactions which constituted connected transactions/continuing connected transactions under the Listing Rules, which are set out in the paragraph headed "Connected Transactions and Continuing Connected Transactions" on pages 48 to 55, have complied with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

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

The Company has received confirmations from the Controlling Shareholders of their compliance with the terms of the Deed. The Controlling Shareholders declared that they fully complied with the Deed for the year ended 31 December 2017. The independent non-executive Directors have reviewed the confirmations from the Controlling Shareholders and concluded that the terms of the Deed were complied with and were effectively enforced during the year ended 31 December 2017.

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

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in ordinary shares of the Company

Name of Director	Capacity	*Note*	Number of ordinary shares interested	Approximate percentage* of the Company's issued share capital
Chairman Hung	Beneficial owner		2,800,000	0.28%
	Interest of a controlled corporation	1	338,012,000	33.78%
	Founder of a discretionary trust	2	300,000,000	29.99%
		Total	640,812,000	64.05%
Lam Cheung Chuen	Beneficial owner		1,000,000	0.10%

Notes:

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

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

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

Name of Director	Capacity	Number of underlying shares of the Company in respect of the share options granted *(Note)*	Approximate percentage* of underlying shares of the Company over the Company's issued share capital
Chairman Hung	Beneficial Owner	864,000	0.09%
G.D. Hong	Beneficial Owner	728,000	0.07%
S.T. Hung	Beneficial Owner	300,000	0.03%
Chu Yat Pang Terry	Beneficial Owner	200,000	0.02%
Lam Cheung Chuen	Beneficial Owner	200,000	0.02%
Lee Kwan Hung	Beneficial Owner	200,000	0.02%

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

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

* The percentage represents the number of ordinary shares/underlying shares of the Company interested divided by the number of the Company's issued shares as at 31 December 2017.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares of the Company

Name of Shareholder	Capacity	*Note*	Number of ordinary shares interested	Approximate percentage* of the Company's issued share capital
Even Joy Holdings Limited	Beneficial owner		338,012,000	33.78%
TinYing Investments Limited	Beneficial owner		300,000,000	29.99%
TinYing Holdings Limited	Interest in a controlled corporation	*1*	300,000,000	29.99%
Vistra Trust (BVI) Limited	Trustee of a discretionary trust	*1*	300,000,000	29.99%

Note:

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

* The percentage represents the number of ordinary shares of the Company interested divided by the number of the Company's issued shares as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, other than the Director and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, no person had interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year ended 31 December 2017 and up to the date of this report, there has been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2018 AGM. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the 2018 AGM.

On behalf of the Board
Hung Kwong Yee
Chairman & Chief Executive Officer

Hong Kong, 22 March 2018

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Ten Pao Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Ten Pao Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 133, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to the impairment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
Refer to Note 4.1(b) and Note 19 to the consolidated financial statements We focused on this area because the amount of the trade receivables balance is significant (HK$769.2 million as at 31 December 2017) and the ageing analysis on the trade receivables illustrates that the year-end trade receivables past due but not considered impaired has increased by HK$1.7 million or 21% comparing with last year. In addition, the assessment for impairment of trade receivables involves critical accounting estimates and judgments relating to the extent and duration that the amount will be recovered, which are affected by the repayment ability and sufficiency of operational cash flows of these customers.	In responding to this key audit matter, we performed the following procedures, (i) We understood, evaluated and tested credit control procedures of the trade receivables including the monthly management review of ageing, repayment and impairment assessment of trade receivables; (ii) For those items with impairment provision being made, we reviewed the impairment calculations, focusing on the estimated amount to be recovered and timing of the recovery with reference to the supporting documents, e.g. repayment schedules of trade receivables; (iii) We tested the accuracy of the ageing profile on trade receivables and focused on the receivables past due for which no impairment provision had been made. We challenged management as to the recoverability of these amounts, corroborating explanations with underlying documentation, e.g. trade receivables monthly statements, repayment schedules and correspondence with the Group; and (iv) We requested confirmations for major year end balances. Where confirmations had not been received or received with difference, we sought explanation from client and consider the possibility of bad debt. Based on the procedures performed and evidence obtained, we found accounting estimates and judgments in relation to the provision for impairment of trade receivables as at 31 December 2017 is supportable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael W.H. Chan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000
Revenue	5	**3,007,015**	2,583,404
Cost of sales	7	**(2,481,455)**	(2,054,676)
Gross profit		**525,560**	528,728
Other income	6	**10,360**	11,926
Other (losses)/gains – net	6	**(12,206)**	15,473
Selling expenses	7	**(121,279)**	(114,854)
Administrative expenses	7	**(195,607)**	(173,596)
Operating profit		**206,828**	267,677
Finance income	9	**269**	347
Finance expenses	9	**(6,173)**	(5,809)
Finance expenses – net		**(5,904)**	(5,462)
Profit before income tax		**200,924**	262,215
Income tax expense	10	**(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	11	**HK 15.8 cents**	HK 19.4 cents

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2017** **HK$'000**	2016 HK$'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

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2017** **HK$'000**	2016 HK$'000
ASSETS			
Non-current assets			
Land use rights	*12*	**10,547**	5,268
Property, plant and equipment	*13*	**400,863**	275,900
Investment properties	*14*	**5,700**	5,430
Intangible assets	*15*	**6,497**	5,035
Deferred income tax assets	*30*	**19,712**	17,250
Derivative financial instruments	*21*	**12**	–
Financial assets at fair value through profit or loss-non current	*22*	**2,901**	2,798
Prepayments for the purchase of property, plant and equipment		**4,774**	6,304
		451,006	317,985
Current assets			
Inventories	*18*	**399,824**	305,437
Trade and other receivables	*19*	**819,478**	681,196
Amounts due from related parties	*35(c)*	**1,192**	5,137
Cash and cash equivalents	*20*	**180,786**	205,173
Restricted bank deposits	*23*	**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	*24*	**10,005**	10,000
Share premium	*24*	**125,788**	125,064
Other reserves	*26*	**45,939**	(2,216)
Retained earnings		**410,617**	321,034
Total equity		**592,349**	453,882

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*27*	**67,900**	39,481
Deferred income tax liabilities	*30*	**53,589**	40,500
Derivative financial instruments	*21*	**–**	194
Deferred government grants	*28*	**9,909**	9,932
		131,398	90,107
Current liabilities			
Trade and other payables	*29*	**1,008,171**	809,087
Amounts due to related parties	*35(d)*	**15,567**	334
Dividend payable		**12**	–
Income tax liabilities		**12,309**	41,052
Short-term bank borrowings	*27*	**73,590**	96,398
Current portion of non-current bank borrowings	*27*	**46,314**	43,378
Derivative financial instruments	*21*	**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

The financial statements on pages 64 to 133 were approved by the Board of Directors on 22 March 2018 and were signed on its behalf.

Mr. Hung Kuong Yee
Director

Mr. Hong Guangdai
Director

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK$'000	Share Premium HK$'000	Other reserves: Statutory Reserves HK$'000	Other reserves: Capital Reserves HK$'000	Other reserves: Exchange reserves HK$'000	Other reserves: Share options HK$'000	Other reserves: Total HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2016	10,000	125,064	9,797	338	3,989	–	14,124	176,190	325,378
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	194,069	194,069
Other comprehensive income									
Currency translation difference	–	–	–	–	(31,165)	–	(31,165)	–	(31,165)
Total comprehensive income	–	–	–	–	(31,165)	–	(31,165)	194,069	162,904
Contributions by and distributions to owners of the Company recognised directly in equity									
Dividends	–	–	–	–	–	–	–	(40,000)	(40,000)
Share option scheme:									
– Value of employee services	–	–	–	–	–	5,600	5,600	–	5,600
Total contributions by and distributions to owners of the Company for the year	–	–	–	–	–	5,600	5,600	(40,000)	(34,400)
Transaction with owners									
Appropriation to statutory reserves	–	–	9,225	–	–	–	9,225	(9,225)	–
Transaction with owners, recognised directly in equity	–	–	9,225	–	–	–	9,225	(9,225)	–
Balance at 31 December 2016	10,000	125,064	19,022	338	(27,176)	5,600	(2,216)	321,034	453,882

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

	Share Capital HK$'000	Share Premium HK$'000	Other reserves: Statutory Reserves HK$'000	Other reserves: Capital Reserves HK$'000	Other reserves: Exchange reserves HK$'000	Other reserves: Share options HK$'000	Other reserves: Total HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2017	10,000	125,064	19,022	338	(27,176)	5,600	(2,216)	321,034	453,882
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	157,575	157,575
Other comprehensive income									
Currency translation difference	–	–	–	–	40,306	–	40,306	–	40,306
Total comprehensive income	–	–	–	–	40,306	–	40,306	157,575	197,881
Contributions by and distributions to owners of the company recognised directly in equity									
Dividends *(Note 31)*	–	–	–	–	–	–	–	(60,011)	(60,011)
Proceed from shares issued upon exercise of share options *(Note 24)*	5	592	–	–	–	–	–	–	597
Transfer to share premium upon exercise of share options *(Note 24)*	–	132	–	–	–	(132)	–	–	–
Total contributions by and distributions to owners of the Company for the year	5	724	–	–	–	(132)	(132)	(60,011)	(59,414)
Transaction with owners									
Appropriation to statutory reserves	–	–	7,981	–	–	–	7,981	(7,981)	–
Transaction with owners, recognised directly in equity	–	–	7,981	–	–	–	7,981	(7,981)	–
Balance at 31 December 2017	10,005	125,788	27,003	338	13,130	5,468	45,939	410,617	592,349

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2017	2016
	Note	**HK$'000**	HK$'000
Cash flows from operating activities			
Cash generated from operations	*32(a)*	**265,714**	219,628
Interest paid		**(6,245)**	(5,878)
Income tax paid		**(63,542)**	(50,278)
Net cash generated from operating activities		**195,927**	163,472
Cash flows from investing activities			
Purchase of property, plant and equipment		**(167,592)**	(77,238)
Purchase of intangible assets		**(1,854)**	(1,121)
Proceeds from disposal of property, plant and equipment	*32(b)*	**2,566**	3,750
Grants from government related to assets		**–**	1,820
Net cash used in investing activities		**(166,880)**	(72,789)
Cash flows from financing activities			
Proceeds from employee share option exercised	*24*	**597**	–
Proceeds from bank borrowings		**1,035,381**	926,237
Repayments of bank borrowings		**(1,027,156)**	(952,616)
Dividends paid		**(59,999)**	(40,000)
Increase in restricted bank deposits		**(8,092)**	(3,429)
Net cash used in financing activities		**(59,269)**	(69,808)
Net (decrease)/increase in cash and cash equivalents		**(30,222)**	20,875
Cash and cash equivalents at beginning of the year		**205,173**	187,458
Exchange gains/(losses) on cash and cash equivalents		**5,835**	(3,160)
Cash and cash equivalents at end of the year		**180,786**	205,173
Analysis of balance of cash and cash equivalents:			
Cash and cash on hand		**180,786**	205,173

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

These financial statements are presented in HK dollars, unless otherwise stated, and have been approved for issue by the Board of Directors of the Company on 22 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(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. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standards on 1 January 2018. The majority of the Group's debt instruments that are currently classified as financial assets at fair value through profit or loss ("FVPL") will satisfy the conditions for classification as at FVPL and hence there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designed at fair value through profits or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers. Based on the assessments undertaken to date, the Group expects no increase in loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosure about its financial instruments particularly in the year of the adoption of the new standards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) *New and amended standards not yet adopted (continued)*

HKFRS 15 Revenue from Contracts with Customers

Nature of change

The Hong Kong Institute of Certified Public Accountants has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and related literature.

The new standards is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified restrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standards on the Group's financial statements and has identified there will be no impact to the group.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) *New and amended standards not yet adopted (continued)*

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and financing leases is removed. Under the new standard, an asset (the right to use the leased item) and a financing liability to pay rentals are recognized. The only exceptions are short-term and low value leases.

Impacts

The standards will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$8,132,000. The Group estimates that majority of these relate to payments for short-term leases which will be recognized on a straight-line basis as an expense in profit or loss.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Renminbi ("RMB") is the functional currency of principal operating subsidiaries of the Group. These consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the presentation and functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2.7 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the consolidated statement of profit or loss over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected lives of the related assets.

2.9 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is property, plant and equipment on which construction work has not been completed and stated at cost. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Depreciation is not provided on construction in progress until the related asset is completed for intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Shorter of remaining term of the lease and estimated useful lives of assets
Plant and machineries	3-10 years
Furniture and fixtures	5 years
Electronic equipment	3-10 years
Motor vehicles	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statement of profit or loss as part of a valuation gain or loss in 'Other (losses)/gains – net'.

2.11 Intangible assets

Intangible assets represent patents, computer software and trademarks at historical costs.

Patents are amortised on a straight-line basis over useful lives of 10 years.

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 3 to 10 years on a straight-line basis.

Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 10 years.

2.12 Research and development expenditure

Research expenditures is recognised as an expense as incurred. Costs incurred on development projects relating to the design and testing of new and improved products are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows cash-generating units. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, these are classified as non-current assets including deposits for non-current bank borrowings. Loans and receivables comprise trade and other receivables, amounts due from related parties, restricted bank deposits and cash and bank balances.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial assets (Continued)

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within 'Other (losses)/gains – net' in the period in which they arise. Interest income on available-for-sale financial assets are recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.16 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event or events has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows excluding future credit losses that have not been incurred discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised such as an improvement in the debtor's credit rating, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

2.17 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if not, the gain or loss from fair value change is recognised immediately in the consolidated statement of profit or loss within 'Other (losses)/gains – net'.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads based on normal operating capacity. It excluded borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less or in the normal operating cycle if longer, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.20 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.21 Restricted bank deposits

Restricted bank deposits represent deposits held by the bank in a segregated account as security for borrowings from the bank. Such restricted bank deposits will be released when the Group repays the related bank borrowings.

2.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.23 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities is provided on temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The contributions are recognised as employee benefit expense when they are due.

Housing funds, medical insurance and other social insurances

Full-time employees of the Group's subsidiaries in the PRC participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the subsidiaries of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made.

2.28 Share-based payment

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2.29 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods in the PRC and overseas

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are expensed in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.31 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

3 FINANCIAL RISK MANAGEMENT

3.1 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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by senior management of the Group approved by the board of directors.

(a) Foreign exchange risk

The Group operates mainly in the PRC, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to HK$ and US dollar ("USD"). Exchange rate fluctuations and market trends have always been a concern of the Group. Foreign currency hedging of the Group has been managed by the Group's chief financial officer, and overseen by the Group's chief executive officer. In accordance with the hedging needs and the then foreign exchange situation, the Group's chief financial officer would gather and analyse information regarding various hedging instruments and determine stop-loss thresholds. The Group's chief financial officer would then obtain quotations from various banks as to the financial instrument and present such quotations to the Group's chief executive officer, who would then evaluate and make a decision as to whether to enter into a hedging agreement. Several hedging contracts have been entered into during the past years.

The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	2017 HK$'000	2016 HK$'000
Assets		
USD	390,677	319,761
HK$	102,129	144,823
Total	492,806	464,584
Liabilities		
HK$	329,937	273,703
USD	179,789	179,300
Total	509,726	453,003

If RMB had strengthened/weakened by 5% against the relevant foreign currencies, with all other variable held constant, the profit before income tax would increase/decrease as follows:

	2017 Increase/(decrease) in profit before income tax if exchanges rates change by		2016 Increase/(decrease) in profit before income tax if exchanges rates change by	
	+5% HK$'000	–5% HK$'000	+5% HK$'000	–5% HK$'000
HK$	11,390	(11,390)	6,444	(6,444)
USD	(10,544)	10,544	(7,023)	7,023

(b) Price risk

The Group is not exposed to equity securities price risk as it has no investment in equity securities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade and other receivables, amounts due from related parties and financial assets at fair value through profit or loss.

For cash and cash equivalents and restricted bank deposits, the management manages the credit risk by placing all the bank deposits in state-owned financial institutions or reputable banks which are all high-credit-quality financial institutions.

To manage the credit risk in respect of trade and other receivables, the Group performs ongoing credit evaluations of its debtors' financial condition and does not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains an allowance for doubtful accounts and actual losses incurred have been within management's expectations. In addition, in order to reduce the credit risks involved in export sales, the Group maintains a policy of short-term export credit insurance with the China Export and Credit Insurance Corporation (中國出口信用保險公司), an independent insurance company established in the PRC, which covers various credit risks such as customers' bankruptcy, inability to settle payment and refusal to accept our finished products and political risks.

As at 31 December 2017, the Group's credit risk was concentrated to the extent that its five largest customers accounted for 57% (2016: 58%) of the total trade receivables. The trade receivables which are past due are analysed in Note 19.

(d) Liquidity risk

The Group maintains 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest elements computed using contractual rates, or if floating based on rates at the year-end:

	On demand HK$'000	3 months or less HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
At 31 December 2016					
Bank borrowings	–	109,395	33,179	42,749	185,323
Trade and other payables (excluding non-financial liabilities)	–	654,885	–	–	654,885
Amounts due to related parties	334	–	–	–	334
Total	334	764,280	33,179	42,749	840,542

	On demand HK$'000	**3 months or less HK$'000**	**3 months to 1 year HK$'000**	**Over 1 year HK$'000**	**Total HK$'000**
At 31 December 2017					
Bank borrowings	**–**	**88,151**	**35,633**	**74,501**	**198,285**
Trade and other payables (excluding non-financial liabilities)	**–**	**851,706**	**–**	**–**	**851,706**
Amounts due to related parties	**15,567**	**–**	**–**	**–**	**15,567**
Total	**15,567**	**939,7857**	**35,633**	**74,501**	**1,065,558**

(e) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has entered into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk. If the interest rate for variable rate borrowings had been 1% higher/lower for the year ended 31 December 2017 with all other variables being held constant, the Group's profit before tax would have been lower/higher by HK$1,142,000 (2016: HK$829,000).

As at 31 December 2016 and 2017, changes in interest rates within an expected range had no material impact on the interest income of restricted bank deposits and cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing ratios at 31 December 2016 and 2017 was as follows:

	2017 **HK$'000**	2016 HK$'000
Total borrowings	**187,804**	179,257
Total equity	**592,349**	453,882
Gearing ratio	**32%**	39%

Gearing ratio has decreased to 32% as at 31 December 2017, which is mainly due to the net increase in equity during the year.

3.3 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2016 and 2017.

	As at 31 December 2016			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
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

	As at 31 December 2017			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Recurring fair value measurements				
Assets				
Derivative financial instruments	**–**	**12**	**–**	**12**
Financial assets at fair value through profit or loss-non current	**–**	**–**	**2,901**	**2,901**
Liabilities				
Derivative financial instruments	**–**	**5**	**–**	**5**

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(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.

(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 year.

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

Description	Fair value HK$'000	Valuation technique	Unobservable input	Assumption
Insurance for the Controlling Shareholder				
As at 31 December 2016	2,798	Discounted cash flow	Discount rate	3.55%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old
As at 31 December 2017	2,901	Discounted cash flow	Discount rate	3.65%
			Death benefit	80% of insurance fee
			Holding time	Hold before 99 years old

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes of the industry cycles of its products. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

(b) Impairment of receivables

The Group makes allowance for impairment of receivables based on an assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(c) Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying amount of inventories to their respective net realisable value. A considerable amount of judgments is required in determining such allowances. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

(d) Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various foreign exchange contracts that are not traded in active markets.

5 SEGMENT INFORMATION

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

(a) The following tables present information on revenue of the Group by geographical segment.

Revenue from external customers

	2017 HK$'000	2016 HK$'000
PRC (excluding HK)	**1,800,306**	1,569,906
Europe	**426,288**	324,759
Asia (excluding PRC)	**409,016**	393,921
America	**195,250**	173,261
Africa	**116,733**	90,183
Others	**59,422**	31,374
	3,007,015	2,583,404

The revenue information above is based on the customers' delivery address.

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

	2017 HK$'000	2016 HK$'000
PRC (excluding HK)	**402,632**	290,157
Hungary	**17,414**	–
HK	**8,114**	7,601
Others	**221**	179
	428,381	297,937

5 SEGMENT INFORMATION (CONTINUED)

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

	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 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 SEGMENT INFORMATION (CONTINUED)

(c) Information regarding the Group's revenue by nature:

	2017 HK$'000	2016 HK$'000
Revenue		
Sales of goods	**3,007,015**	2,583,404

(d) Information regarding the Group's revenue by nature:

Revenue of approximately HK$714,028,000 (2016: HK$573,453,000) are derived from a single external customer. These revenues are mainly attributable to the telecommunication segment (2016: telecommunication segment).

6 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 molds	**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 *(Note 14)*	**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 *(Note 32(b))*	**(36)**	(1,785)
Others	**(2,331)**	(3,092)
	(12,206)	15,473

7 EXPENSES BY NATURE

	2017 HK$'000	2016 HK$'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
(Reversal of allowance for)/allowance for impairment of inventory *(Note 18)*	**(477)**	9,987
Allowance for/(reversal of allowance for) impairment of trade receivables *(Note 19(c))*	**285**	(186)
Employee benefit expenses *(Note 8)*	**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 *(Note 8)*	**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

8 EMPLOYEE BENEFIT EXPENSE

	2017 HK$'000	2016 HK$'000
Wages and bonus	**432,947**	415,890
Pension costs – defined contribution plans (a)	**30,520**	25,793
Other social security costs	**23,986**	17,687
Share options granted to employees and directors	**–**	5,600
Others allowances and benefits	**25,801**	20,538
	513,254	485,508

(a) Retirement benefits obligation

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme, a defined contribution scheme managed by an independent trustee.

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries make contribution to the funds which are calculated as 10%-20% of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees for the year.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

The Group has no further payment obligations once the contributions have been paid.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 directors during the year ended 31 December 2017 (2016: 2), whose emoluments are reflected in the analysis presented in Note 38. The emoluments paid to the remaining 3 individuals during the year ended 31 December 2017 (2016: 3) are as follows:

	2017 HK$'000	2016 HK$'000
Wages, salaries, allowance and other benefits	**6,616**	8,722
Share options	**–**	474
Contributions to pension plans	**45**	32
	6,661	9,228

8 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments paid to the remaining individuals fell within the following bands:

	2017 HK$'000	2016 HK$'000
Emolument bands		
HK$250,001 – HK$1,000,000	–	–
HK$1,000,001 – HK$2,000,000	2	1
HK$2,000,001 – HK$3,000,000	–	1
HK$3,000,001 – HK$4,000,000	1	–
HK$4,000,001 – HK$5,000,000	–	1

9 FINANCE EXPENSES – NET

	2017 HK$'000	2016 HK$'000
Finance expenses:		
Interest on bank borrowings	(6,173)	(5,809)
Finance income:		
Interest income	269	347
Finance expenses – net	(5,904)	(5,462)

10 INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'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 *(Note 30)*	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%).

10 INCOME TAX EXPENSES (CONTINUED)

(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. ("Ten Pao Electronic (Huizhou)") was recognized 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 HK$'000	2016 HK$'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

10 INCOME TAX EXPENSES (CONTINUED)

(g) Taxation on the Group's profit (Continued)

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.

11 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 material dilutive impact. Therefore, the diluted earnings per share of the Company approximates the basic earnings per share.

12 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments for land which are held on leases in the PRC and freehold land in Hungary, the movement is analysed as follows:

	2017 **HK$'000**	2016 HK$'000
Opening net book amount	**5,268**	5,781
Exchange differences	**660**	(345)
Additions	**4,790**	–
Amortisation charges	**(171)**	(168)
Closing net book amount	**10,547**	5,268

	2017 **HK$'000**	2016 HK$'000
Cost	**13,737**	8,095
Accumulated amortisation	**(3,190)**	(2,827)
Net book amount	**10,547**	5,268

Additions during the year represented freehold land of the factory of Ten Pao Electronics Hungary Kft. located in Hungary.

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2017, the remaining lease periods of the Group's land use rights ranged from 19 to 35 years (2016: 20 to 36).

Amortisation was included in administrative expenses.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machineries HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Electronic equipment HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 2016								
Opening net book amount	83,046	135,351	2,637	3,170	29,435	23,363	2,593	279,595
Currency translation differences	(4,928)	(9,355)	(191)	(358)	(2,226)	(488)	(1,071)	(18,617)
Additions	–	37,622	502	697	10,031	27,626	1,814	78,292
Disposals	–	(1,082)	(1,200)	(14)	(3,239)	–	–	(5,535)
Addition from construction in progress	521	16,916	445	209	4,111	(45,057)	22,855	–
Transfer to intangible assets	–	–	–	–	–	(3,214)	–	(3,214)
Depreciation	(7,254)	(34,749)	(1,388)	(490)	(5,827)	–	(4,674)	(54,382)
Impairment charge	–	(103)	–	–	(136)	–	–	(239)
Closing net book amount	71,385	144,600	805	3,214	32,149	2,230	21,517	275,900
At 31 December 2016								
Cost	123,640	324,170	15,518	6,541	86,926	2,230	36,908	595,933
Accumulated depreciation	(52,255)	(179,170)	(14,713)	(3,327)	(54,561)	–	(15,391)	(319,417)
Impairment	–	(400)	–	–	(216)	–	–	(616)
Net book amount	71,385	144,600	805	3,214	32,149	2,230	21,517	275,900

	Buildings HK$'000	Plant and machineries HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Electronic equipment HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Total HK$'000
Year ended 31 December 2017								
Opening net book amount	71,385	144,600	805	3,214	32,149	2,230	21,517	275,900
Currency translation differences	5,325	10,657	205	189	3,906	1,288	2,299	23,869
Additions	–	37,340	210	2,908	24,175	99,781	1,623	166,037
Disposals *(Note 32(b))*	–	(72)	(143)	(194)	(2,193)	–	–	(2,602)
Addition from construction in progress	9,195	13,119	786	44	22,256	(72,197)	26,797	–
Transfer to intangible assets *(Note 15)*	–	–	–	–	–	(373)	–	(373)
Depreciation	(6,233)	(37,782)	(925)	(711)	(9,544)	–	(6,773)	(61,968)
Closing net book amount	79,672	167,862	938	5,450	70,749	30,729	45,463	400,863
At 31 December 2017								
Cost	142,122	388,959	16,626	8,987	134,609	30,729	68,938	790,970
Accumulated depreciation	(62,450)	(220,676)	(15,688)	(3,537)	(63,638)	–	(23,475)	(389,464)
Impairment	–	(421)	–	–	(222)	–	–	(643)
Net book amount	79,672	167,862	938	5,450	70,749	30,729	45,463	400,863

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charges were included in the following categories in the consolidated statement of profit or loss:

	2017 HK$'000	2016 HK$'000
Cost of sales	**36,405**	36,025
Selling expenses	**8,446**	5,089
Administration expenses	**17,117**	13,268
	61,968	54,382

Impairment charges were included in the following categories in the consolidated statement of profit or loss:

	2017 HK$'000	2016 HK$'000
Cost of sales	**–**	239
	–	239

As at 31 December 2017, the Group's bank borrowings were secured over property, plant and equipment with the carrying amounts of HK$14,517,000 (2016: 23,480,000) (Note 27(a)).

14 INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At fair value		
Opening balance at 1 January	**5,430**	5,560
Net gains/(losses) from fair value adjustment *(Note 6)*	**270**	(130)
Closing balance at 31 December	**5,700**	5,430

As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (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 2017. The revaluation gains or losses are included in 'Other (losses)/gains – net' in the consolidated statement of profit or loss. The following table analyses the investment properties carried at fair value, by valuation method.

	Office units – Hong Kong			
Description	**Quoted prices in active markets for identical assets Level 1** HK$'000	**Significant other observable inputs Level 2** HK$'000	**Significant unobservable inputs Level 3** HK$'000	**Total** HK$'000
Recurring fair value measurements method Investment properties:				
As at 31 December 2016	–	5,430	–	5,430
As at 31 December 2017	**–**	**5,700**	**–**	**5,700**

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

As at 31 December 2017, the Group's bank borrowings were secured over investment properties with the carrying amounts of HK$5,700,000 (2016: HK$5,430,000)(Note 27(a)).

15 INTANGIBLE ASSETS

	Patents HK$'000	Computer software HK$'000	Trademarks HK$'000	Total HK$'000
Year ended 31 December 2016				
Opening net book amount	134	1,946	45	2,125
Currency translation differences	(2)	(293)	–	(295)
Additions	–	1,121	–	1,121
Addition from construction in progress	–	3,214	–	3,214
Amortisation charge	(132)	(953)	(45)	(1,130)
Closing net book amount	–	5,035	–	5,035
At 31 December 2016				
Cost	2,012	18,340	363	20,715
Accumulated amortisation	(2,012)	(13,305)	(363)	(15,680)
Net book amount	–	5,035	–	5,035

	Patents HK$'000	**Computer software HK$'000**	**Trademarks HK$'000**	**Total HK$'000**
At 31 December 2017				
Opening net book amount	**–**	**5,035**	**–**	**5,035**
Currency translation differences	**–**	**407**	**–**	**407**
Additions	**–**	**1,854**	**–**	**1,854**
Addition from construction in progress *(Note 13)*	**–**	**373**	**–**	**373**
Amortisation charge	**–**	**(1,172)**	**–**	**(1,172)**
Closing net book amount	**–**	**6,497**	**–**	**6,497**
At 31 December 2017				
Cost	**2,153**	**21,329**	**389**	**23,871**
Accumulated amortisation	**(2,153)**	**(14,832)**	**(389)**	**(17,374)**
Net book amount	**–**	**6,497**	**–**	**6,497**

Amortisation was included in administrative expenses. No impairment charge was recognised during the year.

16 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2017, all of which are limited liability companies:

Company name	Place of incorporation	Registered/ Issued and paid-up capital	Equity interest held 2017	Principal activities/ Place of operation
Directly owned:				
Goldasia Group Limited	BVI	USD50,000/ USD1	100%	Investment holding/ Hong Kong ("HK")
Indirectly owned:				
Ten Pao Precision Electronics Company Limited	HK	HK$2,000,000/ HK$1,000,000	100%	Investment holding/HK
Ten Pao Industrial Company Limited	HK	HK$300,000/ HK$300,000	100%	Investment holding/HK
Ten Pao International Limited	HK	HK$5,000,000/ HK$4,000,000	100%	Investment holding and trading of power supply devices and raw materials/HK
Huizhou Jinhu Industrial Development Co., Ltd.	PRC	RMB2,280,000/ RMB2,280,000	100%	Manufacture and trading of power supply devices/ PRC
Ten Pao Electronic Co., Ltd.	Samoa	US$1,000,000/US$1	100%	Investment holding/PRC
Ten Pao Electronic (Huizhou)	PRC	HK$115,000,000/ HK$115,000,000	100%	Manufacture and trading of power supply devices/ PRC
Ten Pao International Co., Ltd.	South Korea	KRW50,000,000/ KRW50,000,000	100%	Representative office/South Korea
Hanzhong Jinhu Precision Parts Company Limited	PRC	HK$8,000,000/ HK$8,000,000	100%	Manufacture and trading of power supply devices/ PRC
Hanzhong Ten Pao Precision Parts Company Limited	PRC	HK$12,000,000/ HK$12,000,000	100%	Manufacture and trading of power supply devices/ PRC
Ten Pao Electronics Hungary Kft.*	Hungary	EUR€1,000,000/ EUR€1,000,000	100%	Manufacture and trading of power supply devices/ Hungary

* Incorporated during the year

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 HK$'000	2016 HK$'000
Assets as per balance sheet		
Loans and receivables:		
Trade and other receivables (excluding prepayments)	**809,651**	676,349
Amounts due from related parties	**1,192**	5,137
Restricted bank deposits	**27,479**	19,337
Cash and bank balances	**180,786**	205,173
Derivative financial instruments	**12**	–
Financial assets at fair value through profit or loss-non current	**2,901**	2,798
	1,021,971	908,794

	2017 HK$'000	2016 HK$'000
Liabilities as per balance sheet		
Liabilities measured at amortised cost:		
Trade payables (excluding non-financial liabilities)	**807,070**	629,071
Accruals for expenses and other payables	**36,640**	25,814
Amounts due to related parties	**15,567**	334
Bank borrowings	**187,804**	179,257
Derivative financial instruments	**5**	221
	1,047,086	834,697

18 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**159,023**	106,520
Work in progress	**58,318**	59,686
Finished goods	**205,825**	161,508
	423,166	327,714
Less: allowance for impairment	**(23,342)**	(22,277)
	399,824	305,437

The movements of allowance for impairment are analysed as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**22,277**	13,635
Currency translation difference	**1,542**	(1,345)
(Reversal of allowance for)/allowance for impairment of inventory	**(477)**	9,987
At 31 December	**23,342**	22,277

The cost of inventories included in cost of sales during the year ended 31 December 2017 was HK$2,468,423,000 (2016: HK$2,048,164,000).

19 TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'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 HK$'000	2016 HK$'000
RMB	**369,692**	327,654
USD	**313,837**	252,010
HK$	**84,919**	77,201
Others	**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 HK$'000	2016 HK$'000
Less than 3 months	**719,105**	626,048
More than 3 months but not exceeding 1 year	**50,048**	30,817
More than 1 year	**–**	–
	769,153	656,865

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.

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) (Continued)

As at 31 December 2017, trade receivables of HK$10,045,000 (2016: HK$8,317,000) were past due but not considered impaired. These related to a number of independent customers that have a good track records with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. The ageing analysis of these past due trade receivables is as follows:

	2017 HK$'000	2016 HK$'000
Less than 3 months	**7,284**	8,226
More than 3 months but not exceeding 1 year	**2,761**	91
	10,045	8,317

As at 31 December 2017, trade receivables of HK$571,000 (2016: HK$268,000) were impaired and covered by allowance.

	2017 HK$'000	2016 HK$'000
Less than 3 months	**571**	–
More than 3 months but not exceeding 1 year	**–**	268
More than 1 year	**–**	–
	571	268

(c) Allowance for impairment of trade receivables

The movements on the allowance for impairment of trade receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**268**	2,285
Allowance for/(reversal of allowance for) impairment	**285**	(186)
Amounts written off as uncollectible	**–**	(1,818)
Currency translation difference	**18**	(13)
At 31 December	**571**	268

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Allowance for impairment of trade receivables (Continued)

The carrying amounts of other receivables were primarily denominated in RMB and the fair values of trade and other receivables approximate their carrying amounts as at 31 December 2017.

As at 31 December 2017, the Group's maximum exposure to credit risk of trade and other receivables was the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables.

As at 31 December 2017, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK$359,904,000 (2016: HK$327,820,000) (Note 27(a)).

20 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**180,786**	205,173

The carrying amounts of cash and cash equivalents approximate to their fair values and represent maximum exposure to credit risk at each of the reporting dates.

Cash and cash equivalents are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
RMB	**78,012**	83,210
USD	**73,178**	64,800
HK$	**28,353**	57,066
Others	**1,243**	97
	180,786	205,173

Cash and cash equivalents including the following for the purpose of the statement of cash flows:

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	**180,786**	205,173

21 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK$'000	2016 HK$'000
Derivative financial Assets – Non-current	**12**	–
Derivative financial Liabilities – Current	**5**	27
Derivative financial Liabilities – Non-current	**–**	194
	5	221

	Amount HK$'000	**Notional amount** HK$'000
As at 31 December 2016		
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
As at 31 December 2017		
Derivative financial Liabilities – Current		
Types of contracts		
Interest rate swap contracts	**5**	**10,422**
Derivative financial Assets – Non-current		
Types of contracts		
Interest rate swap contracts	**12**	**15,243**

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

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

	2017 HK$'000	2016 HK$'000
Fair value of insurance contract for a member of key management	**2,901**	2,798

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'Other (losses)/gains – net' in the statement of profit or loss (Note 6).

The fair value of the insurance is based on the unobservable inputs (Note 3.3(c)).

As at 31 December 2017, the Group's bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK$2,901,000 (2016: HK$2,798,000) (Note 27(a)).

23 RESTRICTED BANK DEPOSITS

As at 31 December 2017, bank deposits amounting to HK$27,429,000 (2016: HK$19,337,000) are deposits held by the bank in a segregated account as security for borrowings from the bank (Note 27(a)).

As at 31 December 2017, the weighted average interest rates were 2.01% (2016: 0.88%).

24 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of Shares	Share capital HK$000	Share premium HK$000	Total HK$000
At 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 (i)	456,000	5	592	597
Transfer from other reserve upon exercise of share options (ii)	–	–	132	132
At 31 December 2017	**1,000,456,000**	**10,005**	**125,788**	**135,793**

(i) Employee share option scheme: options exercised during the year resulted in 456,000 shares being issued, with exercise proceeds of HK$597,000.

(ii) Upon exercise of share options, share options reserve amounting to HK$132,000 was transferred to share premium.

25 SHARE-BASED PAYMENTS

On 15 September 2016, options over 19,348,000 shares were granted to directors of the Company and eligible participants under the share option scheme adopted by the written resolutions of the shareholders of the Company on 23 November 2015 at the exercise price of HK$1.31 per ordinary share with no vesting condition. The exercise price of the granted options was equal to the market price of the shares on the date of the grant. The options are exercisable within three years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Exercise price in HKD per share option	**Number of share options (thousands)**	Exercise price in HKD per share option	Number of share options (thousands)
At 1 January	**1.31**	**19,348**	–	–
Granted	**–**	**–**	1.31	19,348
Forfeited	**–**	**–**	–	–
Exercised	**1.31**	**(456)**	–	–
Lapsed	**–**	**(248)**	–	–
At 31 December	**1.31**	**18,644**	1.31	19,348

The 456,000 granted options were exercised by the subject one grantee during the year. The related weighted average closing price of the shares immediately before the date on which the share options were exercised is HKD2.40 per share.

The 18,644,000 share options outstanding at the end of the year will be expired on 14 September 2019 at the exercise price of HK$1.31 per ordinary share.

26 OTHER RESERVES

Other reserves comprise statutory reserves, capital reserves, available-for-sale financial assets reserves and exchange reserves of the Group.

	Statutory reserves HK$'000	Capital reserve HK$'000	Exchange reserves HK$'000	Share-based compensation reserves HK$'000	Total HK$'000
At 1 January 2016	9,797	338	3,989	–	14,124
Transfer to statutory reserves	9,225	–	–	–	9,225
Currency translation differences	–	–	(31,165)	–	(31,165)
Share options scheme	–	–	–	5,600	5,600
At 31 December 2016	19,022	338	(27,176)	5,600	(2,216)

	Statutory reserves HK$'000	**Capital reserve HK$'000**	**Exchange reserves HK$'000**	**Share-based compensation reserves HK$'000**	**Total HK$'000**
At 1 January 2017	**19,022**	**338**	**(27,176)**	**5,600**	**(2,216)**
Transfer to statutory reserves	**7,981**	**–**	**–**	**–**	**7,981**
Currency translation differences	**–**	**–**	**40,306**	**–**	**40,306**
Share options scheme *(Note 25)*	**–**	**–**	**–**	**(132)**	**(132)**
At 31 December 2017	**27,003**	**338**	**13,130**	**5,468**	**45,939**

(a) Statutory reserves

In accordance with relevant laws and regulations of the PRC, the PRC subsidiaries of the Group are required to make appropriation of not less than 10% of its net income after taxes to reserves. Further appropriation is optional when the accumulated statutory reserve is 50% or more of its registered capital. The statutory reserves can be used to offset accumulated losses of the PRC subsidiaries upon the approval of their respective boards of directors.

27 BORROWINGS

	2017 HK$'000	2016 HK$'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

27 BORROWINGS (CONTINUED)

(a) As at 31 December 2017, bank borrowings amounting to HK$180,830,000 (2016: HK$165,328,000) are secured over the following assets:

	2017 HK$'000	2016 HK$'000
Restricted bank deposits *(Note 23)*	**27,429**	19,337
Financial assets at fair value through profit or loss-non current *(Note 22)*	**2,901**	2,798
Investment properties *(Note 14)*	**5,700**	5,430
Trade and other receivables *(Note 19(c))*	**359,904**	327,820
Property, plant and equipment *(Note 13)*	**14,517**	23,480
	410,451	378,865

(b) The carrying amounts of the borrowings at 31 December 2016 and 2017, respectively, are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	**126,589**	80,588
RMB	**35,889**	22,359
USD	**25,319**	76,224
Others	**7**	86
	187,804	179,257

(c) The exposure of the borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2017 HK$'000	2016 HK$'000
Borrowings at floating rates		
6 months or less	**30,390**	24,283
6–12 months	**15,924**	19,095
1–5 years	**67,900**	39,481
Borrowings at fixed rates	**73,590**	96,398
Total	**187,804**	179,257

27 BORROWINGS (CONTINUED)

(d) The borrowings are repayable as follows:

	2017 HK$'000	2016 HK$'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

(e) The effective interest rates at the balance sheet dates are as follows:

	2017	2016
Bank borrowings denominated in:		
HK$	**2.69%**	2.61%
USD	**2.98%**	3.16%
RMB	**4.71%**	4.76%

(f) The carrying amounts and fair value of non-current borrowings are as follows:

	2017 HK$'000	2016 HK$'000
Carrying amounts	**67,900**	39,481
Fair value (level 2)	**63,272**	36,692
Weighted average discount rate used for fair value (%)	**2.72%**	2.75%

28 DEFERRED GOVERNMENT GRANTS

	2017 HK$'000	2016 HK$'000
Opening net book amount	**9,932**	9,553
Receipt of grants	**–**	1,820
Credited to statement of profit or loss	**(699)**	(770)
Currency translation differences	**676**	(671)
Closing net book amount	**9,909**	9,932

For the year ended 31 December 2017, the amount represented the subsidy granted by a local government authority in the PRC relating to the construction of solar photovoltaic and the upgrading of equipment. This government grant is used for the construction of the roof photovoltaic power generation demonstration projects and high efficiency energy-saving power supply, which is deferred for amortisation as other gains on a straight-line basis over the useful lives of the related assets.

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

29 TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'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

29 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The Group's trade payables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
RMB	**476,524**	341,337
HK$	**187,879**	190,399
USD	**142,089**	97,308
Others	**578**	22
	807,070	629,071

The carrying amounts of accrued expenses and other payables were primarily denominated in RMB.

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

	2017 HK$'000	2016 HK$'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

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

30 DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities is as follows:

	2017 HK$'000	2016 HK$'000
Deferred income tax assets:		
– to be recovered after 12 months	**19,712**	17,250
Deferred income tax liabilities:		
– to be settled after 12 months	**(53,589)**	(40,500)

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

Deferred income tax assets	**Provisions** HK$'000	**Unrealized gross margin** HK$'000	**Total** HK$'000
As at 1 January 2016	19,477	884	20,361
Recognised in the profit or loss	(3,044)	1,022	(2,022)
Currency translation differences	(1,089)	–	(1,089)
As at 31 December 2016	15,344	1,906	17,250
As at 1 January 2017	**15,344**	**1,906**	**17,250**
Recognised in the profit or loss	**1,962**	**(654)**	**1,307**
Currency translation differences	**1,155**	**–**	**1,155**
As at 31 December 2017	**18,461**	**1,252**	**19,712**

Deferred income tax liabilities	**Withholding income tax** HK$'000
At 1 January 2016	28,080
Recognised in the profit or loss	14,918
Currency translation differences	(2,498)
At 31 December 2016	40,500
At 1 January 2017	**40,500**
Recognised in the profit or loss	**9,857**
Currency translation differences	**3,232**
At 31 December 2017	**53,589**

30 DEFERRED INCOME TAX (CONTINUED)

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 31 December 2017, the Group did not recognise deferred income tax asset of HK$378,000 (2016: HK$110,000) in respect of the tax losses amounting to HK$3,562,000 (2016: HK$535,000), as their recoverability is uncertain.

As of 31 December 2017, the Group had tax loss carryforwards of HK$6,368,000 (2016: HK$3,343,000) which can be carried forward to offset future taxable income. The net operating tax loss carryforwards, excluding HK Company and Korea Company, will begin to expire as follows:

	2017 HK$	2016 HK$
2021	**3,142,000**	2,827,000
2022	**3,226,000**	516,000
	6,368,000	3,343,000

31 DIVIDENDS

	2017 HK$'000	2016 HK$'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 on 25 May 2018.

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOW

(a) Reconciliation of profit before income tax to cash generated from operations:

	2017 HK$'000	2016 HK$'000
Profit before income tax	**200,924**	262,215
Adjustments for:		
Interest expenses (Note 9)	**6,173**	5,809
Depreciation of property, plant and equipment *(Note 13)*	**61,968**	54,382
Impairment of property, plant and equipment	**–**	239
Amortisation of land use right *(Note 12)*	**171**	168
Amortisation of intangible assets *(Note 15)*	**1,172**	1,130
Loss on disposal of property, plant and equipment *(Note 6)*	**36**	1,785
Fair value changes on derivative financial instruments *(Note 6)*	**(228)**	(6,878)
Fair value changes on financial assets at fair value through profit or loss *(Note 6)*	**(103)**	(88)
(Reversal of allowance for)/Allowance for impairment of inventory *(Note 18)*	**(477)**	9,987
(Reversal of allowance for)/Allowance for impairment of trade receivables *(Note 19)*	**(285)**	186
Fair value changes on Investment properties *(Note 14)*	**(270)**	130
Deferred government grant credited to profit and loss *(Note 28)*	**(699)**	(770)
Changes in working capital:		
Inventories	**(95,453)**	(98,063)
Trade and other receivables	**(123,844)**	(102,592)
Due from related parties	**3,945**	(5,137)
Trade and other payables	**197,451**	101,020
Due to related parties	**15,233**	(3,895)
Cash generated from operations	**265,714**	219,628

(b) In the consolidated statement of cash flow, proceeds from disposals of property, plant and equipment comprise:

	2017 HK$'000	2016 HK$'000
Net book amount		
Other disposals *(Note 13)*	**2,602**	5,535
	2,602	5,535
Loss on disposal *(Note 6)*	**(36)**	(1,785)
Proceeds from disposal	**2,566**	3,750

(c) Non-cash financing transactions

The Group had no non-cash financing transactions during the year (2016: Nil).

32 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

(d) Net liabilities reconciliation

This section sets out an analysis of net liabilities and the movements in net assets for each of the periods presented.

	2017	2016
Cash and cash equivalents	**180,786**	205,173
Borrowings – repayable within one year	**(119,904)**	(139,776)
Borrowings – repayable after one year	**(67,900)**	(39,481)
Net (liabilities)/assets	**(7,018)**	25,916
Cash	**180,786**	205,173
Gross debt – fixed interest rates	**(73,590)**	(96,398)
Gross debt – variable interest rates	**(114,214)**	(82,859)
Net (liabilities)/assets	**(7,018)**	25,916

	Other assets	Liabilities from financing activities		
Net assets	**Cash**	**Borrow due within 1 year**	**Borrow due after 1 year**	**Total**
As at 1 January 2016	187,458	(118,031)	(87,542)	(18,115)
Cash flows	20,875	(21,682)	48,061	47,254
Foreign exchange adjustments	(3,160)	(63)	–	(3,223)
As at 31 December 2016	205,173	(139,776)	(39,481)	25,916
Cash flows	(30,222)	20,194	(28,419)	(38,447)
Foreign exchange adjustments	5,835	(322)	–	5,513
As at 31 December 2017	**180,786**	**(119,904)**	**(67,900)**	**(7,018)**

33 CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities (2016: Nil).

34 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:

	2017 **HK$'000**	2016 HK$'000
Not later than one year	**8,075**	7,294
Later than one year and not later than five years	**57**	283
	8,132	7,577

(b) Capital commitments

	2017 **HK$'000**	2016 HK$'000
In respect of the acquisitions of plant and equipment, contracted but not provided for	**15,299**	12,468

35 RELATED PARTY TRANSACTIONS

(a) Names and relationship

The following companies and individuals were related parties of the Group that had transactions or balances with the Group during the year:

Name of the related party	Relationship with the Group
Tiandong Ten Pao Electric Company ("Tiandong Ten Pao")	An entity controlled by a relative of the Controlling Shareholder*
Huizhou Xinyang Cables Co., Limited ("Huizhou Xinyang")	An entity controlled by a relative of the Controlling Shareholder
Huizhou Golden Ocean Magnet Wire Factory ("Huizhou Golden Ocean")	An entity controlled by a relative of the Controlling Shareholder
Huizhou Hui He Printing Co., Ltd. ("Hui He Printing")	An entity controlled by the Controlling Shareholder**
Huizhou Tiannengyuan Charging Technology Co., Ltd. ("Tiannengyuan Charging")	An entity controlled by the Controlling Shareholder
Golden Ocean Copper Manufacture Company Limited	An entity controlled by the Controlling Shareholder
Huizhou Tiannengyuan Technology Co., Ltd. ("Tiannengyuan Technology")	An entity controlled by the Controlling Shareholder
Golden Lake (HK) Company Limited ("Golden Lake (HK)")	An entity controlled by the Controlling Shareholder
Sky Fortune Enterprise Limited ("Sky Fortune")	An entity controlled by the Controlling Shareholder
Huizhou LNG Photronics Tech. Co., Ltd	An entity controlled by the Controlling Shareholder
Chairman Hung	Controlling Shareholder

* Tiandong Ten Pao was sold to an independent third party in April 2016.

** For Hui He Printing, the trust arrangement between Xu Jinqing and Chairman Hung was cancelled on 31 December 2016, where Xu Jinqing became the beneficial owner of Huihe Printing and Huihe Printing is no longer a related party of the Group.

(b) Transactions with related parties during the year

(i) Purchases of goods and services

	2017 HK$'000	2016 HK$'000
Purchase of goods		
Golden Ocean Copper Manufacture Company Limited	**69,584**	59,661
Huizhou Xinyang	**5,157**	8,386
Hui He Printing	**–**	3,230
	74,741	71,277
Processing services		
Tiandong Ten Pao	**–**	3,408

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

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties during the year (Continued)

(ii) Operating lease expenses

	2017 HK$'000	2016 HK$'000
Tiannengyuan Charging	**4,144**	4,090
Huizhou Golden Ocean	**1,815**	1,908
Sky Fortune	**480**	480
Golden Lake (HK)	**–**	375
	6,439	6,853

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

(iii) Operating lease income

	2017 HK$'000	2016 HK$'000
Tiannengyuan Technology	**62**	131

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

(iv) Key management personnel compensation

The compensation paid or payable to key management personnel for employee services are shown below:

	2017 HK$'000	2016 HK$'000
Wages, salaries and bonuses	**26,055**	26,319
Share-based payment	**–**	1,621
Pension costs – defined contribution plans	**151**	136
	26,206	28,076

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances due from related parties

	2017		2016	
	HK$'000 Maximum balance outstanding during the year	HK$'000	HK$'000 Maximum balance outstanding during the year	HK$'000
Tiannengyuan Technology	**127**	**–**	189	39
Golden Ocean Copper Manufacture Company Limited	**17,796**	**–**	17,401	2,243
Tiannengyuan Charging	**2,390**	**1,077**	1,733	1,733
Huizhou Golden Ocean	**695**	**115**	130	130
Huizhou Xinyang	**2,950**	**–**	1,847	966
Golden Lake (HK)	**26**	**–**	172	26
	23,984	**1,192**	21,472	5,137

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 31 December 2017.

(d) Balances due to related parties

	2017 HK$'000	2016 HK$'000
Golden Ocean Copper Manufacture Company Limited	**13,215**	–
Huizhou Xinyang	**2,347**	–
Sky Fortune	**5**	–
Hui He Printing	**–**	334
	15,567	334

The balances due to related parties were mainly denominated in RMB. They were unsecured and interest-free. These balances were trading in nature and due within 3 months. Their fair values approximate their carrying amounts at each of the year end date.

36 SUBSEQUENT EVENTS

No significant events took place after 31 December 2017.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**383,279**	383,450
Due from subsidiaries		**–**	54,900
Current assets			
Cash and cash equivalents		**1,862**	932
Total assets		**385,141**	439,282
Equity and liabilities			
Equity attributable to owners of the company			
Share capital		**10,005**	10,000
Share premium	*(a)*	**489,188**	488,464
Share option reserve		**5,468**	5,600
Accumulated losses	*(a)*	**(134,635)**	(67,081)
Total equity		**370,026**	436,983
Liabilities			
Current liabilities			
Other payables		**15,115**	2,299
Total liabilities		**15,115**	2,299
Total equity and liabilities		**385,141**	439,282

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a)

Reserve movement of the Company

	Accumulated losses HK$'000	Share premium HK$'000
At 1 January 2017	(67,081)	488,464
Loss for the year	(7,543)	–
Dividend payment	(60,011)	–
Proceed from shares issued upon exercise of share options (i)	–	592
Transfer to share premium upon exercise of share options (i)	–	132
At 31 December 2017	(134,635)	489,188

	Accumulated losses HK$'000	Share premium HK$'000
At 1 January 2016	(25,334)	488,464
Loss for the year	(1,747)	–
Dividend payment	(40,000)	–
At 31 December 2016	(67,081)	488,464

(i) Upon exercise of share options, share options reserve amounting to HK$724,000 was transferred to share premium.

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2017:

Name of Directors	Fees HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Share options HK$'000	Total HK$'000
Executive Directors										
Mr. Hung Kwong Yee	–	5,140	3,600	–	–	–	18	–	–	8,758
Mr. Hong Guangdai	–	1,758	530	–	7	–	16	–	–	2,311
Mr. Hung Sui Tak	–	1,006	250	–	–	–	18	–	–	1,274
Mr. Lam Cheung Chuen	–	240	–	–	–	–	–	–	–	240
Mr. Chu Yat Pang Terry	–	240	–	–	–	–	–	–	–	240
Mr. Lee Kwan Hung	–	240	–	–	–	–	–	–	–	240
	–	8,624	4,380	–	7	–	52	–	–	13,063

Note:

(i) Mr. Hung Kwong Yee is also the chief executive officer.

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive is set out below (Continued):

For the year ended 31 December 2016:

Name of Directors	Fees	Salary	Discretionary bonus	Housing allowance	Estimated money value of other benefits	Remunerations paid or receivable in respect of accepting office as director	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Share options	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors										
Mr. Hung Kwong Yee*	–	4,700	5,000	–	–	–	18	–	250	9,968
Mr. Hong Guangdai	–	1,308	1,000	–	6	–	14	–	210	2,538
Mr. Hung Sui Tak	–	945	500	–	–	–	18	–	87	1,550
Mr. Lam Cheung Chuen	–	240	–	–	–	–	–	–	58	298
Mr. Chu Yat Pang Terry	–	240	–	–	–	–	–	–	58	298
Mr. Lee Kwan Hung	–	240	–	–	–	–	–	–	58	298
	–	7,673	6,500	–	6	–	50	–	721	14,950

* Mr. Hung Kwong Yee is also the chief executive officer.

(b) No directors' retirement benefits, directors' termination benefits, consideration provided to third parties for making available directors' services and loans, quasi-loans or other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors, subsisted at the end of the year or at any time during the year.

(c) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in Note 35, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the published audited financial statements and the Prospectus, is set out below.

	Year ended 31 December				
Results	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Revenue	1,690,564	1,930,514	2,255,954	2,583,404	**3,007,015**
Profit before income tax	83,890	88,560	151,422	262,215	**200,924**
Income tax expense	(28,194)	(33,843)	(23,821)	(68,146)	**(43,349)**
Profit for the year attributable to owners of the Company	55,696	54,717	127,601	194,069	**157,575**
Assets, Liabilities and Equity					
Total assets	958,368	1,169,578	1,326,303	1,534,265	**1,879,715**
Total liabilities	641,959	801,110	1,000,925	1,080,383	**1,287,366**
Total equity	316,409	368,468	325,378	453,882	**592,349**