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TEN PAO GROUP HOLDINGS LIMITED

天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1979)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO RENEWAL OF THE 2015 TENANCY AGREEMENTS, ENTERING INTO A NEW TENANCY AGREEMENT AND RENEWAL OF THE 2015 FRAMEWORK PURCHASE AGREEMENTS

RENEWAL OF THE 2015 TENANCY AGREEMENTS AND ENTERING INTO A NEW TENANCY AGREEMENT

On 23 October 2015, prior to the listing of the Company on the Stock Exchange, (i) Sky Fortune and Ten Pao International (an indirect wholly-owned subsidiary of the Company) entered into the 2015 Sky Fortune Tenancy Agreement; (ii) Golden Ocean and Jinhu Industrial (an indirect wholly-owned subsidiary of the Company) entered into the 2015 Golden Ocean Tenancy Agreement; and (iii) Tiannengyuan Charging and Ten Pao Electronic (Huizhou) (an indirect wholly-owned subsidiary of the Company) entered into the 2015 Tiannengyuan Charging Tenancy Agreement.

As the 2015 Tenancy Agreements will expire on 31 December 2017, the Board announces that, on 29 December 2017, the respective Lessors and Lessees entered into 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, respectively, pursuant to which the Lessors agreed to lease their owned properties to the Lessees, subject to the terms and conditions of the respective 2018 Tenancy Agreements.

Implications under the Listing Rules

Sky Fortune

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 Mrs. Hung, respectively, Sky Fortune is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2018 Sky Fortune Tenancy Agreement will constitute continuing connected transactions for the Company.

Golden Ocean

Golden Ocean is a factory operated in the form of the cooperative arrangement between Golden Ocean Copper and Huiyang City Chenjiang Industrial Development Limited* (惠陽市陳江工業發展有限公司), 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 are held by Year Industries and Grateful World International Limited, respectively. The entire issued share capital of Year Industries is held by Mrs. 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. Since Golden Ocean Copper 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 the Company and the leasing of properties pursuant to the 2018 Golden Ocean Tenancy Agreement will constitute continuing connected transactions for the Company.

Tiannengyuan Charging

As 100% of the issued share capital of Tiannengyuan Charging is held by Ten Power Charging and 100% of the issued share capital of Ten Power Charging is held by Ease Bright, 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 the Company and the leasing of properties pursuant to the 2018 Tiannengyuan Charging Tenancy Agreement will constitute continuing connected transactions for the Company.

Golden Lake

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 Mrs. 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.

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 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.

RENEWAL OF THE 2015 FRAMEWORK PURCHASE AGREEMENTS

On 23 October 2015, prior to the listing of the Company on the Stock Exchange, (i) Golden Ocean Copper entered into the 2015 Golden Ocean Copper Framework Purchase Agreement; and (ii) Huizhou Xinyang entered into the 2015 Huizhou Xinyang Framework Purchase Agreement, with the Company.

As the 2015 Framework Purchase Agreements will expire on 31 December 2017, the Board further announces that, on 29 December 2017, the Company entered into the 2018 Golden Ocean Copper Framework Purchase Agreement with Golden Ocean Copper and the 2018 Huizhou Xinyang Framework Purchase Agreement with Huizhou Xinyang, respectively, pursuant to which Golden Ocean Copper and Huizhou Xinyang agreed to supply the Materials to the Group to be used in its products for sales outside and within the PRC.

Implications under the Listing Rules

Golden Ocean Copper

Approximately 96.77% and 3.23% of the issued share capital of Golden Ocean Copper are held by Year Industries and Grateful World International Limited, respectively. The entire issued share capital of Year Industries is held by Mrs. 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 an associate of Chairman Hung and a connected person of the Company and the transactions pursuant to the 2018 Golden Ocean Copper Framework Purchase Agreement will constitute continuing connected transactions for the Company.

Huizhou Xinyang

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

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 2018 Framework Purchase 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.

RENEWAL OF THE 2015 TENANCY AGREEMENTS AND ENTERING INTO A NEW TENANCY AGREEMENT

On 23 October 2015, prior to the listing of the Company on the Stock Exchange, (i) Sky Fortune and Ten Pao International (an indirect wholly-owned subsidiary of the Company) entered into the 2015 Sky Fortune Tenancy Agreement; (ii) Golden Ocean and Jinhu Industrial (an indirect wholly-owned subsidiary of the Company) entered into the 2015 Golden Ocean Tenancy Agreement; and (iii) Tiannengyuan Charging and Ten Pao Electronic (Huizhou) (an indirect wholly-owned subsidiary of the Company) entered into the 2015 Tiannengyuan Charging Tenancy Agreement.

As the 2015 Tenancy Agreements will expire on 31 December 2017, the Board announces that, on 29 December 2017, the respective Lessors and Lessees entered into 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, respectively, pursuant to which the Lessors agreed to lease their owned properties to the Lessees, subject to the terms and conditions of the respective 2018 Tenancy Agreements.

Since Chairman Hung, an executive Director and a Controlling Shareholder, has material interests in the 2018 Tenancy Agreements, he has abstained from voting on the resolutions of the Board to approve the 2018 Tenancy Agreements.

Principal terms of the 2018 Tenancy Agreements

The following sets out the principal terms of each of the 2018 Tenancy Agreements:–

(A) *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

Historical transaction amount

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
Existing annual caps	HK\$480,000	HK\$480,000	HK\$480,000
Historical amounts	HK\$352,000	HK\$480,000	HK\$480,000

Annual caps and basis

Arm's length negotiations between Sky Fortune and Ten Pao International with reference to (i) the historical rent paid of HK\$352,000, HK\$480,000 and HK\$480,000 for the three years ended 31 December 2015, 2016 and 2017, respectively; and (ii) the prevailing market rent with comparable properties. The aggregate amount 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. The Directors (including the independent non-executive Directors) confirmed that the rental is comparable to the prevailing market rents for similar properties in the vicinity and considered that the rental under the 2018 Sky Fortune Tenancy Agreement is fair and reasonable.

(B) 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

Historical transaction amount

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
Existing annual caps	HK\$2,100,217	HK\$2,100,217	HK\$2,100,217
Historical amounts	HK\$1,822,000	HK\$1,908,000	HK\$1,813,000

Annual caps and basis

Arm's length negotiations between Golden Ocean and Jinhui Industrial with reference to (i) the historical rent paid of approximately HK\$1,822,000, HK\$1,908,000 and HK\$1,813,000 for the three years ended 31 December 2015, 2016 and 2017, respectively; (ii) the prevailing market rent with comparable properties; and (iii) the exchange rate movement of RMB and HKD during the lease term. The aggregate amount of rent payable by Jinhui 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. The Directors (including the independent non-executive Directors) confirmed that the rental is comparable to the prevailing market rents for similar properties in the vicinity and considered that the rental under the 2018 Golden Ocean Tenancy Agreement is fair and reasonable.

(C) 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

Historical transaction amount

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
Existing annual caps	HK\$5,022,258	HK\$5,022,258	HK\$5,022,258
Historical amounts	HK\$373,000	HK\$4,090,000	HK\$3,944,000

Annual caps and basis

Arm's length negotiations between Tiannengyuan Charging and Ten Pao Electronics (Huizhou) with reference to (i) the historical rent paid of approximately HK\$373,000, HK\$4,090,000 and HK\$3,944,000 for the three years ended 31 December 2015, 2016 and 2017, respectively; (ii) the prevailing market rent with comparable properties; and (iii) the exchange rate movement of RMB and HKD during the lease term. The aggregate amount 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. The Directors (including the independent non-executive Directors) confirmed that the rental is comparable to the prevailing market rents for similar properties in the vicinity and considered that the rental under the 2018 Tiannengyuan Charging Tenancy Agreement is fair and reasonable.

(D) 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
Lessee:	Ten Pao International
Monthly rental:	HK\$15,000
Term:	1 January 2018 to 31 December 2018
Usage:	Office premises

Annual caps and basis

Arm's length negotiations between Golden Lake and Ten Pao International with reference to the prevailing market rent with comparable properties. The aggregate amount 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. The Directors (including the independent non-executive Directors) confirmed that the rental is comparable to the prevailing market rents for similar properties in the vicinity and considered that the rental under the 2018 Golden Lake Tenancy Agreement is fair and reasonable.

Aggregation of the historical transaction amounts and the annual caps

To aggregate the transactions of leasing of properties by the Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate amount of rent paid to the associates of Chairman Hung pursuant to the 2015 Tenancy Agreements by the Group for each of the three years ended 31 December 2015, 2016 and 2017 was HK\$2,547,000, HK\$6,478,000 and HK\$6,237,000, respectively.

To aggregate the transactions of leasing of properties by the Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate amount of rent payable to the associates of Chairman Hung pursuant to the 2018 Tenancy Agreements by the Group for the year ending 31 December 2018 will not exceed HK\$7,119,967.

Reasons for and benefits of entering into the 2018 Tenancy Agreements

The Directors (including the independent non-executive Directors) consider that it is beneficial to the Group to conduct the continuing connected transactions contemplated under the 2018 Tenancy Agreements given that they are in line with the Group's strategies to expand the scale of production by renting properties instead of building its own production plant in order to maintain a healthy liquidity position. Moreover, the leasing of existing properties under the 2018 Tenancy Agreements minimises the costs of relocation and prevents interruption of the Group's production.

In light of the above, the Directors (including the independent non-executive Directors) consider that the 2018 Tenancy Agreements and the respective proposed annual caps thereof have been entered into and arrived at (a) in the ordinary and usual course of the business of the Company; (b) on normal commercial terms; and (c) on terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Internal control measures

The 2018 Tenancy Agreements are entered into on an annual basis and the Directors will continue to keep aware of the recent development of the property rental market. In the event of any future material changes in the market, the Directors will take immediate steps to ensure the terms of the 2018 Tenancy Agreements are fair and reasonable. The Company will also comply with the annual review requirements by the independent non-executive Directors and the auditor relating to the 2018 Tenancy Agreements pursuant to Rules 14A.56 to 14A.59 of the Listing Rules.

Implications under the Listing Rules

Sky Fortune

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 Mrs. Hung, respectively, Sky Fortune is an associate of Chairman Hung and a connected person of the Company and the leasing of properties pursuant to the 2018 Sky Fortune Tenancy Agreement will constitute continuing connected transactions for the Company.

Golden Ocean

Golden Ocean is a factory operated in the form of the cooperative arrangement between Golden Ocean Copper and Huiyang City Chenjiang Industrial Development Limited* (惠陽市陳江工業發展有限公司), 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 are held by Year Industries and Grateful World International Limited, respectively. The entire issued share capital of Year Industries is held by Mrs. 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. Since Golden Ocean Copper 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 the Company and the leasing of properties pursuant to the 2018 Golden Ocean Tenancy Agreement will constitute continuing connected transactions for the Company.

Tiannengyuan Charging

As 100% of the issued share capital of Tiannengyuan Charging is held by Ten Power Charging and 100% of the issued share capital of Ten Power Charging is held by Ease Bright, 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 the Company and the leasing of properties pursuant to the 2018 Tiannengyuan Charging Tenancy Agreement will constitute continuing connected transactions for the Company.

Golden Lake

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 Mrs. 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.

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 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.

Information about the relevant parties

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

Sky Fortune is an investment holding company engaged in leasing of property for rental income purpose.

Ten Pao International is principally engaged in the sale of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Golden Ocean is a factory engaged in the operation of imported material processing.

Jinhu Industrial is principally engaged in the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Tiannengyuan Charging is an investment holding company engaged in leasing of property for rental income purpose.

Ten Pao Electronic (Huizhou) is principally engaged in the manufacturing and sale of switching power supply units for consumer products and smart chargers and controllers for industrial use.

Golden Lake is an investment holding company engaged in leasing of property for rental income purpose.

RENEWAL OF THE 2015 FRAMEWORK PURCHASE AGREEMENTS

On 23 October 2015, prior to the listing of the Company on the Stock Exchange, (i) Golden Ocean Copper entered into the 2015 Golden Ocean Copper Framework Purchase Agreement; and (ii) Huizhou Xinyang entered into the 2015 Huizhou Xinyang Framework Purchase Agreement, with the Company.

As the 2015 Framework Purchase Agreements will expire on 31 December 2017, the Board further announces that, on 29 December 2017, the Company entered into the 2018 Golden Ocean Copper Framework Purchase Agreement with Golden Ocean Copper and the 2018 Huizhou Xinyang Framework Purchase Agreement with Huizhou Xinyang, respectively, pursuant to which Golden Ocean Copper and Huizhou Xinyang agreed to supply the Materials to the Group to be used in its products for sales outside and within the PRC.

Since Chairman Hung, an executive Director and a Controlling Shareholder, has material interests in the 2018 Framework Purchase Agreements, he has abstained from voting on the resolutions of the Board to approve the 2018 Framework Purchase Agreements.

Principal terms of the 2018 Framework Purchase Agreements

The following sets out the principal terms of the 2018 Framework Purchase Agreements:–

(A) *2018 Golden Ocean Copper Framework Purchase Agreement*

Date:	29 December 2017
Parties:	The Company; and Golden Ocean Copper
Term:	From 1 January 2018 to 31 December 2020 (both days inclusive)
Nature of Transactions:	Purchase of the Materials
Basis of Transactions:	The price for the Materials to be supplied by Golden Ocean Copper under the 2018 Golden Ocean Copper Framework Purchase Agreement will be determined with reference to the price at which comparable types of the Materials that are sold by independent suppliers to the Group under normal commercial terms in the ordinary course of business and such price shall be no less favourable to the Group than is available from independent suppliers. In considering whether to purchase from Golden Ocean Copper, the Group will seek quotations from at least two Independent Third Parties offering the same or comparable products. The Group will purchase the Materials from Golden Ocean Copper if the price and quality of the products are comparable to or more favourable to the Group than those offered by Independent Third Parties for the same or comparable products

Historical transaction amounts

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
Existing annual caps	HK\$111,090,000	HK\$121,090,000	HK\$121,090,000
Historical amounts	HK\$73,889,000	HK\$59,661,000	HK\$63,913,000 (for 11 months ended 30 November 2017)

The Directors expect that the total transaction amount under the 2015 Golden Ocean Copper Framework Purchase Agreement will not exceed the annual cap for the year ended 31 December 2017.

Annual caps and basis

The 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. Such estimate is based on (a) the expected demand for the Group's products for sales outside the PRC for the three years ending 31 December 2018, 2019 and 2020; (b) the projected demand of the Materials that the Group would purchase from Golden Ocean Copper to be used in the Group's products for sales outside the PRC for the three years ending 31 December 2018, 2019 and 2020; (c) the technological advancement of several products manufactured by the Group which use less DC cables due to their wireless design and consume less copper wires as they have already been included in other raw materials used by the Group (e.g. IC chips); (d) the estimated market prices of the Materials in the PRC market; and (e) the historical decrease of purchase of approximately 20.98% from HK\$93,503,000 for the year ended 31 December 2014 to HK\$73,889,000 for the year ended 31 December 2015, the historical decrease of purchase of approximately 19.26% from HK\$73,889,000 for the year ended 31 December 2015 to HK\$59,661,000 for the year ended 31 December 2016.

(B) 2018 Huizhou Xinyang Framework Purchase Agreement

Date:	29 December 2017
Parties:	The Company; and Huizhou Xinyang
Term:	From 1 January 2018 to 31 December 2020 (both days inclusive)
Nature of Transactions:	Purchase of the Materials
Basis of Transactions:	The price for the Materials to be supplied by Huizhou Xinyang under the 2018 Huizhou Xinyang Framework Purchase Agreement will be determined with reference to the price at which comparable types of the Materials that are sold by independent suppliers to the Group under normal commercial terms in the ordinary course of business and such price shall be no less favourable to the Group than is available from independent suppliers. In considering whether to purchase from Huizhou Xinyang, the Group will seek quotations from at least two Independent Third Parties offering the same or comparable products. The Group will purchase the Materials from Huizhou Xinyang if the price and quality of the products are comparable to or more favourable to the Group than those offered by Independent Third Parties for the same or comparable products

Historical transaction amounts

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
Existing annual caps	HK\$9,130,000	HK\$9,950,000	HK\$10,850,000
Historical amounts	HK\$9,098,000	HK\$8,386,000	HK\$4,670,000 (for 11 months ended 30 November 2017)

The Directors expect that the total transaction amount under the 2015 Huizhou Xinyang Framework Purchase Agreement will not exceed the annual cap for the year ended 31 December 2017.

Annual caps and basis

The 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. Such estimate is based on (a) the expected demand for the Group's products for sales within the PRC for the three years ending 31 December 2018, 2019 and 2020; (b) the projected demand of the Materials that the Group would purchase from Huizhou Xinyang to be used in the Group's products for sales within the PRC for the three years ending 31 December 2018, 2019 and 2020; (c) the technological advancement of several products manufactured by the Group which use less DC cables due to their wireless design and consume less copper wires as they have already been included in other raw materials used by the Group (e.g. IC chips); (d) the estimated market prices of the Materials in the PRC market; and (e) the historical increase of purchase of approximately 8.65% from HK\$8,374,000 for the year ended 31 December 2014 to HK\$9,098,000 for the year ended 31 December 2015, the historical decrease of purchase of approximately 7.83% from HK\$9,098,000 for the year ended 31 December 2015 to HK\$8,386,000 for the year ended 31 December 2016.

Aggregation of the historical transaction amounts and the annual caps

To aggregate the transactions of purchasing the Materials by the Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate amount paid to the associates of Chairman Hung pursuant to the 2015 Framework Purchase Agreements by the Group for each of the two years ended 31 December 2015 and 2016, and the 11 months ended 30 November 2017 was HK\$82,987,000, and HK\$68,047,000 and HK\$68,583,000, respectively.

To aggregate the transactions of purchasing the Materials by the Group from the associates of Chairman Hung under Rules 14A.81 to 14A.83 of the Listing Rules, the aggregate amount payable to the associates of Chairman Hung pursuant to the 2018 Framework Purchase Agreements by the Group for each of the three years ending 31 December 2018, 2019 and 2020 will not exceed HK\$77,000,000, HK\$77,000,000 and HK\$77,000,000, respectively.

Reasons for and benefits of entering into the 2018 Framework Purchase Agreements

The Group is capable of carrying on its business independently of Golden Ocean Copper and Huizhou Xinyang as it can easily procure the Materials supplied by Golden Ocean Copper and Huizhou Xinyang from Independent Third Parties. The Group currently has independent access to suppliers and the Materials supplied by Golden Ocean Copper and Huizhou Xinyang are generally and widely available in the market at comparable market prices and quality. The Directors believe that the purchases of the Materials from Golden Ocean Copper and Huizhou Xinyang would benefit the Group for the following reasons:

- (i) the purchases from Golden Ocean Copper and Huizhou Xinyang will be at competitive prices no less favourable than those that the Group can obtain from Independent Third Parties;
- (ii) Golden Ocean Copper and Huizhou Xinyang is able to meet the Group's product demands in a timely manner;
- (iii) the Directors consider that it is crucial for the Group to maintain the stability in supply and quality of the Materials for its existing and future production needs. In view of the Group's past purchasing experience with Golden Ocean Copper and Huizhou Xinyang, the Directors are of the view that Golden Ocean Copper and Huizhou Xinyang can effectively fulfill the Group's stable supply as well as product quality requirements; and
- (iv) Golden Ocean Copper and Huizhou Xinyang have provided the Group with favourable terms such as flexible and timely delivery schedule of the Materials purchased by the Group.

The 2018 Framework Purchase Agreements are framework agreements which provide the mechanism for the operation of the aforesaid connected transactions. It is envisaged that from time to time and as required, individual purchase orders may be required to be entered into between the Group and Golden Ocean Copper and Huizhou Xinyang. Each individual purchase order will set out the details, specifications and purchase price of the Materials to be purchased by the Group from Golden Ocean Copper and Huizhou Xinyang. The individual purchase orders may only contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the 2018 Framework Purchase Agreements. As the individual purchase orders are simply further elaborations on the purchases as contemplated by the 2018 Framework Purchase Agreements, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

In light of the above, the Directors (including the independent non-executive Directors) consider that the 2018 Framework Purchase Agreements and the respective proposed annual caps thereof have been entered into and arrived at (a) in the ordinary and usual course of the business of the Company; (b) on normal commercial terms; and (c) on terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Internal control measures

The Directors will keep aware of the price of the Materials and to ensure that the measures contained in the basis of transactions are properly implemented during the course of purchase transactions. The Company will also comply with the annual review requirements by the independent non-executive Directors and the auditor relating to the 2018 Framework Purchase Agreements pursuant to Rules 14A.56 to 14A.59 of the Listing Rules.

Implications under the Listing Rules

Golden Ocean Copper

Approximately 96.77% and 3.23% of the issued share capital of Golden Ocean Copper are held by Year Industries and Grateful World International Limited, respectively. The entire issued share capital of Year Industries is held by Mrs. 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 an associate of Chairman Hung and a connected person of the Company and the transactions pursuant to the 2018 Golden Ocean Copper Framework Purchase Agreement will constitute continuing connected transactions for the Company.

Huizhou Xinyang

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

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 2018 Framework Purchase 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.

Information about the relevant parties

Please refer to the subsection headed "Information about the relevant parties" of the section "RENEWAL OF THE 2015 TENANCY AGREEMENTS AND ENTERING INTO A NEW TENANCY AGREEMENT" in this announcement relating to the Group and the Company.

Golden Ocean Cooper is principally engaged in the manufacture and sale of the Materials.

Huizhou Xinyang Cooper is principally engaged in the manufacture and sale of the Materials.

Definitions used in this announcement

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“2015 Framework Purchase Agreements”	the 2015 Golden Ocean Copper Framework Purchase Agreement and the 2015 Huizhou Xinyang Framework Purchase Agreement
“2015 Golden Ocean Copper Framework Purchase Agreement”	the framework purchase agreement dated 23 October 2015 entered into between the Company and Golden Ocean Copper pursuant to which Golden Ocean Copper agreed to supply the Materials to the Group to be used in the Group’s products for sales outside the PRC, with the term expiring on 31 December 2017
“2015 Golden Ocean Tenancy Agreement”	the tenancy agreement dated 23 October 2015 entered into between Golden Ocean and Jinhu Industrial for the lease of the properties under the 2018 Golden Ocean Tenancy Agreement for a monthly rental of RMB138,000 (equivalent to approximately HK\$175,018), with the term expiring on 31 December 2017
“2015 Huizhou Xinyang Framework Purchase Agreement”	the framework purchase agreement dated 23 October 2015 entered into between the Company and Huizhou Xinyang pursuant to which Huizhou Xinyang agreed to supply the Materials to the Group to be used in the Group’s products for sales within the PRC, with the term expiring on 31 December 2017
“2015 Sky Fortune Tenancy Agreement”	the tenancy agreement dated 23 October 2015 entered into between Sky Fortune and Ten Pao International for the lease of the properties under the 2018 Sky Fortune Tenancy Agreement for a monthly rental of HK\$40,000, with the term expiring on 31 December 2017
“2015 Tenancy Agreements”	the 2015 Sky Fortune Tenancy Agreement, the 2015 Golden Ocean Tenancy Agreement and the 2015 Tiannengyuan Charging Tenancy Agreement
“2015 Tiannengyuan Charging Tenancy Agreement”	the tenancy agreement dated 23 November 2015 entered into between Tiannengyuan Charging and Ten Pao Electronic (Huizhou) for the lease of the properties under the 2018 Tiannengyuan Charging Tenancy Agreement with a monthly rental of RMB300,000 (equivalent to approximately HK\$380,474), with the term expiring on 31 December 2017

“2018 Framework Purchase Agreements”	the 2018 Golden Ocean Copper Framework Purchase Agreement and the 2018 Huizhou Xinyang Framework Purchase Agreement
“2018 Golden Ocean Copper Framework Purchase Agreement”	the framework purchase agreement dated 29 December 2017 entered into between the Company and Golden Ocean Copper pursuant to which Golden Ocean Copper agreed to supply the Materials to the Group to be used in the Group’s products for sales outside the PRC, with the term expiring on 31 December 2020
“2018 Golden Lake Tenancy Agreement”	the tenancy agreement dated 29 December 2017 entered into between Golden Lake and Ten Pao International as referred to under the subsection headed “Principal terms of the 2018 Tenancy Agreements – (D) 2018 Golden Lake Tenancy Agreement” of the section headed “RENEWAL OF THE 2015 TENANCY AGREEMENTS AND ENTERING INTO A NEW TENANCY AGREEMENT” of this announcement
“2018 Golden Ocean Tenancy Agreement”	the tenancy agreement dated 29 December 2017 entered into between Golden Ocean and Jinhu Industrial as referred to under the subsection headed “Principal terms of the 2018 Tenancy Agreements – (B) 2018 Golden Ocean Tenancy Agreement” of the section headed “RENEWAL OF THE 2015 TENANCY AGREEMENTS AND ENTERING INTO A NEW TENANCY AGREEMENT” of this announcement
“2018 Huizhou Xinyang Framework Purchase Agreement”	the framework purchase agreement dated 29 December 2017 entered into between the Company and Huizhou Xinyang pursuant to which Huizhou Xinyang agreed to supply the Materials to the Group to be used in the Group’s products for sales within the PRC, with the term expiring on 31 December 2020
“2018 Sky Fortune Tenancy Agreement”	the tenancy agreement dated 29 December 2017 entered into between Sky Fortune and Ten Pao International as referred to under the subsection headed “Principal terms of the 2018 Tenancy Agreements – (A) 2018 Sky Fortune Tenancy Agreement” of the section headed “RENEWAL OF THE 2015 TENANCY AGREEMENTS AND ENTERING INTO A NEW TENANCY AGREEMENT” of this announcement
“2018 Tenancy Agreements”	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

“2018 Tiannengyuan Charging Tenancy Agreement”	the tenancy agreement dated 29 December 2017 entered into between Tiannengyuan Charging and Ten Pao Electronic (Huizhou) as referred to under the subsection headed “Principal terms of the 2018 Tenancy Agreements – (C) 2018 Tiannengyuan Charging Tenancy Agreement” of the section headed “RENEWAL OF THE 2015 TENANCY AGREEMENTS AND ENTERING INTO A NEW TENANCY AGREEMENT” of this announcement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Chairman Hung”	Mr. Hung Kwong Yee (洪光椅), the chairman of the Board, an executive Director, the chief executive officer and one of the Controlling Shareholders
“Company”	Ten Pao Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 1979)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Ease Bright”	Ease Bright Holdings Limited (怡明控股有限公司), a company incorporated under the laws of BVI with limited liability on 9 February 2015 and is wholly-owned by Chairman Hung
“Golden Lake”	Golden Lake (HK) Co., Limited (錦湖(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 23 May 2001 and 98.00% and 2.00% of the issued share capital are held by Chairman Hung and Mrs. Hung, respectively

“Golden Ocean”	Huizhou Golden Ocean Magnet Wire Factory, a factory engaged in the operation of imported material processing, which operates in the form of the cooperative arrangement between Golden Ocean Copper* and Huiyang City Chenjiang Industrial Development Limited* (惠陽市陳江工業發展有限公司), an Independent Third Party, and is not a separate legal entity
“Golden Ocean Copper”	Golden Ocean Copper Manufacturer Co., Limited* (鑫洋銅工業有限公司), a company incorporated under the laws of Hong Kong with limited liability on 11 May 2001 and 96.77% and 3.23% of the issued share capital are held by Years Industries and Grateful World International Limited, respectively
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency in Hong Kong
“Huizhou Xinyang”	Huizhou Xinyang Cables Co., Limited* (惠州市鑫洋線材有限公司), a company established under the laws of PRC with limited liability on 5 April 2012
“Independent Third Party”	any entity or person who is not a connected person within the meaning ascribed hereto under the Listing Rules
“Jinhu Industrial”	Huizhou Jinhu Industrial Development Co., Ltd.* (惠州市錦湖實業發展有限公司), a company established under the laws of PRC with limited liability on 28 May 1999 and an indirect wholly-owned subsidiary of the Company
“Lessees”	Ten Pao International, Jinhu Industrial and Ten Pao Electronic (Huizhou)
“Lessors”	Sky Fortune, Golden Ocean, Tiannengyuan Charging and Golden Lake
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Materials”	DC cables and copper wires
“Mr. Xu”	Mr. Xu Jianshe, brother-in-law of Chairman Hung
“Mrs. Hung”	Ms. Yeh Chin Lian (葉金蓮), the spouse of Chairman Hung

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholders”	holders of the Shares of the Company
“Sky Fortune”	Sky Fortune Enterprise Limited (天祥企業有限公司), a company incorporated under the laws of BVI with limited liability on 15 July 2009 and 96.67% and 3.33% of the issued share capital are held by Chairman Hung and Mrs. Hung, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Ten Pao Electronic (Huizhou)”	Ten Pao Electronic (Huizhou) Co., Ltd.* (天寶電子(惠州)有限公司), a WFOE established under the laws of the PRC with limited liability on 28 August 2000 and an indirect wholly-owned subsidiary of the Company
“Ten Pao International”	Ten Pao International Limited (天寶國際興業有限公司), company incorporated under the laws of Hong Kong with limited liability on 9 May 2001 and a direct wholly-owned subsidiary of Ease Bright, indirect wholly-owned subsidiary of the Company
“Ten Power Charging”	Ten Power Charging Technology Limited (天源充電技術有限公司), a company incorporated under the laws of Hong Kong with limited liability on 7 March 2011 and a direct wholly-owned subsidiary of Ease Bright and indirectly wholly-owned by Chairman Hung
“Tiannengyuan Charging”	Huizhou Tiannengyuan Charging Technology Co., Ltd.* (惠州天能源充電技術有限公司), a WFOE established under the laws of the PRC with limited liability on 22 November 2011 and wholly-owned by Ten Power Charging, and indirectly wholly-owned by Chairman Hung
“WFOE”	wholly foreign-owned enterprise with the meaning prescribed under the PRC laws

“Year Industries”

Year Industries Limited, a company incorporated under the laws of BVI with limited liability on 22 February 2001 and held its issued share capital wholly held by Mrs. Hung on trust for and on behalf of Chairman Hung

“%”

per cent

By order of the Board
TEN PAO GROUP HOLDINGS LIMITED
Hung Kwong Yee
Chairman

* *For identification purposes only*

For illustrative purpose, the exchange rate of RMB against HK\$ is RMB1.00 to HK\$1.19047

Hong Kong, 1 January 2018

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