TEN PAO GROUP HOLDINGS LIMITED

天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1979)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of Ten Pao Group Holdings Limited ("**Ten Pao**" or the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2023, together with comparative figures for the six months ended 30 June 2022 or other dates/periods, as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the six months ended 30 June 2023 decreased by 22.0% to HK$2,339.4 million, as compared with the same period of last year.
- Gross profit for the six months ended 30 June 2023 decreased by 9.3% to HK$408.8 million. Gross profit margin increased by 2.5 percentage points to 17.5%, as compared with the same period of last year.
- Profit before income tax for the six months ended 30 June 2023 increased by 0.9% to HK$161.4 million, as compared with the same period of last year.
- Profit attributable to owners of the Company for the six months ended 30 June 2023 increased by 2.8% to HK$136.7 million, as compared with the same period of last year.
- The Board has resolved to distribute an interim dividend of HK2.8 cents per ordinary share for the six months ended 30 June 2023 (2022: HK2.8 cents per ordinary share).

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The review report of the independent auditor will be included in the interim report to be sent to the shareholders of the Company (the "**Shareholders**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in HK dollar thousands unless otherwise stated)

	Notes	**Six months ended 30 June**	
		2023	2022
		(Unaudited)	(Unaudited)
Revenue	*6*	**2,339,409**	2,997,808
Cost of sales	*8*	**(1,930,574)**	(2,546,982)
Gross profit		**408,835**	450,826
Other income	*7*	**11,936**	7,860
Other gains — net	*7*	**20,146**	31,868
Selling expenses	*8*	**(89,811)**	(110,806)
Administrative expenses	*8*	**(179,581)**	(215,203)
(Net impairment losses)/reversal of net impairment losses on financial assets		**(6,272)**	34
Operating profit		**165,253**	164,579
Finance income	*9*	**2,056**	971
Finance expenses	*9*	**(5,883)**	(5,495)
Finance expenses — net		**(3,827)**	(4,524)
Profit before income tax		**161,426**	160,055
Income tax expenses	*10*	**(24,967)**	(27,576)
Profit for the period attributable to:			
Owners of the Company		**136,712**	133,034
Non-controlling interests		**(253)**	(555)
		136,459	132,479
Earnings per share for the period			
— basic and diluted per share	*11*	**HK$0.13**	HK$0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit for the period	**136,459**	132,479
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(52,529)**	(75,080)
Changes in the fair value of equity investments at fair value through other comprehensive income	**(5,998)**	(6,060)
	(58,527)	(81,140)
Total comprehensive income for the period attributable to:		
Owners of the Company	**78,185**	51,894
Non-controlling interests	**(253)**	(555)
	77,932	51,339

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

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)
ASSETS			
Non-current assets			
Land use rights		**4,664**	4,536
Property, plant and equipment	*13*	**1,020,160**	1,030,964
Right-of-use assets		**153,909**	164,777
Investment properties		**7,500**	7,400
Intangible assets		**9,809**	10,747
Deferred income tax assets		**63,048**	55,808
Derivative financial assets — non-current		**3,522**	6,468
Financial assets at fair value through other comprehensive income		**2,777**	10,149
Financial assets at fair value through profit or loss		**57,628**	58,413
Prepayments for the purchase of property, plant and equipment		**2,174**	4,862
		1,325,191	1,354,124
Current assets			
Inventories	*14*	**651,673**	906,377
Trade and other receivables	*15*	**1,356,104**	1,114,763
Amounts due from related parties		**594**	1,782
Derivative financial assets — current		**856**	1,406
Restricted bank deposits		**222,029**	170,578
Cash and cash equivalents		**111,003**	341,394
		2,342,259	2,536,300
Total assets		**3,667,450**	3,890,424
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*16*	**10,304**	10,304
Share premium	*16*	**162,426**	162,426
Other reserves		**27,119**	85,646
Retained earnings		**1,258,104**	1,155,395
		1,457,953	1,413,771
Non-controlling interests		**(912)**	(659)
Total equity		**1,457,041**	1,413,112

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

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*17*	**97,833**	202,884
Lease liabilities — non-current		**11,593**	16,916
Deferred income tax liabilities		**105,789**	102,242
Deferred government grants		**53,412**	56,921
		268,627	378,963
Current liabilities			
Trade and other payables	*18*	**1,516,018**	1,743,631
Contract liabilities		**45,783**	46,471
Amounts due to related parties		**27,882**	34,854
Dividend payable		**34,016**	13
Income tax liabilities		**35,595**	16,573
Lease liabilities — current		**9,448**	8,241
Short-term bank borrowings	*17*	**128,380**	59,123
Current portion of non-current bank borrowings	*17*	**144,660**	189,443
		1,941,782	2,098,349
Total liabilities		**2,210,409**	2,477,312
Total equity and liabilities		**3,667,450**	3,890,424

NOTES

(All amounts in HK dollar thousands unless otherwise stated)

1 GENERAL INFORMATION

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

The Company, an investment holding company, and its subsidiaries (collectively, the "**Group**") are principally engaged in the developing, manufacturing and sales of switching power supply units for consumer products and smart chargers and controllers for industrial use in the People's Republic of China (the "**PRC**"). The controlling shareholder of the Group is Mr. Hung Kwong Yee (洪光椅) ("**Chairman Hung**").

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

This interim financial information (the "**Interim Financial Information**") is presented in Hong Kong dollar ("**HK$**") thousands, unless otherwise stated.

This Interim Financial Information was approved for issue on 25 August 2023 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2023 (the "**Period**") has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants. This Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2022 (the "**2022 Financial Statements**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2022 Financial Statements, as described in those annual financial statements, except for the adoption of amendments to HKASs effective for the financial year beginning 1 January 2023.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. The Directors consider that application of these new standards, amendments and interpretation to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in this Interim Financial Information.

3 ACCOUNTING POLICIES (CONTINUED)

3.2 Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4 ESTIMATES

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

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with them.

There have been no changes in the risk management function since 31 December 2022 or in any risk management policies since 31 December 2022.

5.2 Liquidity risk

Prudent liquidity risk management implies 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.

6 SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive Directors. 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 six reportable segments as follows: (i) telecommunication, (ii) media and entertainment, (iii) electrical home appliances, (iv) smart chargers and controllers, (v) lighting and (vi) others.

Segment information for the interim condensed consolidated statement of profit or loss is set out below:

	Tele-communication	Media and entertainment	Electrical home appliances	Smart chargers and controllers	Lighting	Others	Total
Six months ended 30 June 2023 (unaudited)							
Revenue							
Revenue from external customers							
— At a point in time	**720,883**	**160,218**	**42,533**	**851,593**	**164,298**	**399,884**	**2,339,409**
Segment results	**118,358**	**19,516**	**8,176**	**184,670**	**29,229**	**48,886**	**408,835**
Other income							**11,936**
Other gains — net							**20,146**
Selling expenses							**(89,811)**
Administrative expenses							**(179,581)**
Net impairment losses on financial assets							**(6,272)**
Finance expenses — net							**(3,827)**
Profit before income tax							**161,426**

6 SEGMENT INFORMATION (CONTINUED)

	Tele-communication	Media and entertainment	Electrical home appliances	Smart chargers and controllers	Lighting	Others	Total
Six months ended 30 June 2022 (unaudited)							
Revenue							
Revenue from external customers							
— At a point in time	918,499	207,102	70,358	1,412,726	175,109	214,014	2,997,808
Segment results	99,338	20,828	12,070	272,934	22,061	23,595	450,826
Other income							7,860
Other gains — net							31,868
Selling expenses							(110,806)
Administrative expenses							(215,203)
Reversal of net impairment losses on financial assets							34
Finance expenses — net							(4,524)
Profit before income tax							160,055

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

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
PRC (excluding Hong Kong)	**1,061,259**	1,083,135
Hungary	**67,765**	68,298
Vietnam	**58,722**	68,071
Hong Kong	**10,410**	9,989
Others	**60**	15
	1,198,216	1,229,508

7 OTHER INCOME AND OTHER GAINS — NET

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Other income		
Sales of scrap materials	**1,919**	3,735
Sales of raw materials, sample and molds	**3,586**	1,112
Safety fee income	**3,250**	1,392
Rental income	**484**	803
Others	**2,697**	818
	11,936	7,860
Other gains — net		
Fair value changes on derivative financial instruments	**(3,496)**	8,366
Fair value changes on financial assets at fair value through profit or loss	**947**	31
Fair value changes on investment properties	**100**	—
Net foreign exchange gains	**21,913**	8,280
Government grants	**3,109**	10,567
Loss on disposal of property, plant and equipment	**(792)**	(457)
Others	**(1,635)**	5,081
	20,146	31,868

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Raw materials and consumables used (excluding research and development expenses)	**1,442,632**	1,997,347
Employee benefit expenses (excluding research and development expenses)	**266,793**	422,926
Changes in inventories of finished goods and work in progress	**171,829**	127,854
Depreciation, amortisation and impairment charges (excluding research and development expenses)	**94,475**	79,998
Research and development expenses		
— Employee benefit expenses	**59,410**	70,650
— Raw materials, consumables used and others	**15,773**	20,924
— Depreciation and amortisation	**8,849**	8,472
Operating lease expenses	**18,217**	12,886
Allowance for impairment of inventory	**16,673**	5,339
Auditors' remuneration	**1,621**	1,962
Other expenses	**103,694**	124,633
Total cost of sales, selling expenses and administrative expenses	**2,199,966**	2,872,991

9 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Finance income:		
Interest income	**2,056**	971
Finance expenses:		
Interest on bank borrowings	**(8,576)**	(6,905)
Interest on lease liabilities	**(303)**	(273)
	(8,879)	(7,178)
Amount capitalised	**2,996**	1,683
Finance expenses expensed	**(5,883)**	(5,495)
Finance expenses − net	**(3,827)**	(4,524)

10 INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	**11,198**	11,795
— Hong Kong profits tax	**14,931**	18,113
Subtotal	**26,129**	29,908
Deferred income tax	**(1,162)**	(2,332)
	24,967	27,576

Subsidiaries in Hong Kong are subject to 16.5% income tax rate before 2018. Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000,000, and 16.5% on any part of assessable profits over HK$2,000,000 (2022 interim: the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000,000, and 16.5% on any part of assessable profits over HK$2,000,000).

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

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

Ten Pao Electronic (Huizhou) Co., Ltd. and Dazhou Ten Pao Jin Hu Electronic Co., Ltd. are recognized as "New and High Technology Enterprises" and enjoy a preferential CIT rate of 15%. Their CIT rate for the Period was 15% (2022 interim: 15%).

11 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**136,712**	133,034
Weighted average number of shares issued (thousands)	**1,030,389**	1,000,456
Basic earnings per share (HK cents)	**13**	13

(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.

Diluted earnings per share presented is the same as basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 30 June 2023 and 2022.

12 DIVIDENDS

The Board resolved on 25 August 2023 to declare an interim dividend of HK2.8 cents per ordinary share for the Period (2022 interim: HK2.8 cents per ordinary share). This interim dividend, amounting to HK$28.9 million (2022 interim: HK$28.9 million), has not been recognised as a liability in this Interim Financial Information.

On 2 June 2023, a final dividend of HK3.3 cents per ordinary share in respect of the year ended 31 December 2022, amounting to HK$34,003,000, was approved by the then Shareholders.

13 PROPERTY, PLANT AND EQUIPMENT

Net book amount as at 31 December 2022	**1,030,964**
Additions	**117,510**
Disposals	**(4,400)**
Impairment charges	**(13,103)**
Currency translation differences	**(14,128)**
Depreciation	**(96,683)**
Net book amount as at 30 June 2023 (unaudited)	**1,020,160**
Net book amount as at 1 January 2022	1,074,459
Additions	208,654
Disposals	(11,972)
Impairment charges	(11,515)
Currency translation differences	(86,669)
Depreciation	(141,993)
Net book amount as at 31 December 2022 (audited)	1,030,964

14 INVENTORIES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Raw materials	**317,002**	385,214
Work in progress	**119,110**	141,040
Finished goods	**326,705**	476,604
	762,817	1,002,858
Less: allowance for impairment	**(111,144)**	(96,481)
	651,673	906,377

The movements of allowance for impairment are analysed as follows:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
At 1 January	**96,481**	91,328
Currency translation differences	**(2,010)**	(2,238)
Allowance for write-down, net	**16,673**	5,339
At 30 June	**111,144**	94,429

15 TRADE AND OTHER RECEIVABLES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Trade receivables	**1,254,791**	1,050,103
Less: allowance for impairment of trade receivables	**(11,197)**	(5,487)
Trade receivables, net	**1,243,594**	1,044,616
Export tax refund receivables	**20,824**	4,040
Prepayments	**17,687**	11,256
Deposits	**17,486**	16,111
Value added tax allowance	**13,143**	28,039
Employee welfare	**2,534**	2,632
Bills receivable	**1,250**	1,110
Advances to employees	**924**	781
Others	**38,662**	6,178
	1,356,104	1,114,763

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Less than 3 months	**1,113,348**	924,697
More than 3 months but not exceeding 1 year	**141,443**	125,406
	1,254,791	1,050,103

As at 30 June 2023, the carrying amounts of the receivables were approximate to their fair values.

As at 30 June 2023, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK$183,714,000 (31 December 2022: HK$141,768,000).

16 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*
As at 1 January 2023	**1,030,388,965**	**10,304**	**162,426**	**172,730**
At 30 June 2023	**1,030,388,965**	**10,304**	**162,426**	**172,730**
As at 1 January 2022	1,000,456,000	10,005	125,788	135,793
Scrip dividend	29,932,965	299	36,638	36,937
At 31 December 2022	1,030,388,965	10,304	162,426	172,730

17 BORROWINGS

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Non-current		
Bank borrowings		
— secured (a)	**100,461**	197,390
— unsecured	**142,032**	194,937
Less: current portion of non-current borrowings	**(144,660)**	(189,443)
	97,833	202,884
Current		
Bank borrowings		
— secured (a)	**63,194**	59,066
— unsecured	**65,186**	57
Total short-term bank borrowings	**128,380**	59,123
Current portion of non-current borrowings	**144,660**	189,443
	273,040	248,566
Total borrowings	**370,873**	451,450

Movement in borrowings is as follows:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Opening balance as at 1 January	**451,450**	578,921
Proceeds from borrowings	**116,495**	755,523
Repayments of borrowings	**(192,698)**	(707,304)
Currency translation differences	**(4,374)**	(1,359)
Closing balance as at 30 June	**370,873**	625,781

17 BORROWINGS (CONTINUED)

(a) As at 30 June 2023, bank borrowings amounting to HK$163,655,000 (31 December 2022: HK$256,456,000) were secured over the following assets:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Restricted bank deposits	**222,029**	170,578
Financial assets at fair value through profit or loss — non current	**3,309**	3,270
Investment properties	**7,500**	7,400
Trade and other receivables	**183,714**	141,768
	416,552	323,016

18 TRADE AND OTHER PAYABLES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Trade payables	**985,309**	1,176,206
Wages and staff welfare benefits payable	**256,406**	277,735
Notes payable	**230,935**	232,683
Accrual for expenses and other payables	**40,887**	49,979
Other taxes payable	**2,481**	7,028
	1,516,018	1,743,631

The ageing analysis of trade payables is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Less than 3 months	**523,368**	905,796
More than 3 months but not exceeding 1 year	**452,243**	257,171
More than 1 year	**9,698**	13,239
	985,309	1,176,206

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group, being an industry-leading provider of smart power supply solutions, has earned a strong reputation in the industry for its innovative, high-quality, and diversified products. Its recent accomplishment of winning the Global Premium Supplier Award from a Global 500 customer highlights the recognition accorded to the quality of its power supply products. In addition, the Group has been putting considerable effort into new energy product development in recent years, and has set up close business partnerships with a number of well-known enterprises in the industry, aiming to achieve win-win results.

In the first half of 2023, global consumer confidence has not yet recovered due to rising geopolitical tensions, as well as the effect of US inflation and interest rate hikes. In the face of uncertain factors in the external market, the Group continued to expand its global production capacity in an orderly manner, promote intelligent manufacturing, and optimise its operational structure. As a result, its factories were able to quickly and flexibly allocate production and raw material resources, which helped improve cost efficiency. To capture the rapidly growing market opportunity for the new energy business, the Group continued to invest in the research and development of new power supply products with higher efficiency and power output. During the Period, the new energy business recorded substantial growth, which helped enhance competitiveness of the Group.

With the ongoing global energy transformation, the policy support of the Chinese government for the new energy industry, and the rising demand for green travel products by the public after the resumption of normal operations, the Group's new energy business has reached record highs. This has helped partially offset the impact of the declining performance of the power supply business. For the Period, the Group's revenue decreased by 22.0% year-on-year to HK$2,339.4 million. However, thanks to the optimisation of business structure, global production capacity planning, the continuous and efficient promotion of intelligent and digital reforms in production and operation, and the favorable US dollar-yuan exchange rate which has helped alleviate cost pressures, gross profit for the Period decreased by 9.3% year-on-year to HK$408.8 million, and gross profit margin for the Period increased from 15% in the same period last year to 17.5%. Profit before taxation for the Period amounted to HK$161.4 million and profit attributable to owners of the Company increased by 2.8% year-on-year to HK$136.7 million. Basic earnings per share for the Period remained the same as HK13 cents compared with the same period in 2022.

In appreciation of the long-term support of the Shareholders, the Board has decided to distribute an interim dividend of HK2.8 cents per ordinary share for the Period (2022: HK2.8 cents per ordinary share).

Market and Business Review

New Energy Business Achieved Satisfactory Revenue Growth, Becoming a Key Business Growth Driver

The new energy industry is experiencing robust global development, showcasing the full spectrum of business advantages within related sectors. In September 2022, the Ministry of Finance and the Ministry of Industry and Information Technology of the PRC issued policies to encourage the public to purchase new energy vehicles. Such policies include and are not limited to the exemption of vehicle purchase tax and introduction of preferential subsidies. These have enabled China's new energy vehicle sector to progress towards a new stage of development in large scale production and globalization, driven by industrialization and marketisation. Meanwhile, the market demand for core charging modules of charging piles, automotive electronics, and various energy storage products continued to increase. Since 2018, the Group has focused on investing resources into the research and development of power supply products related to "green travel" for customers, and has consistently embraced independent innovation and research and development, ensuring the continued competitiveness of its products in the industry. The Group has prioritised the new energy business as a key focus of its development direction since 2022 and implemented new energy product strategies by focusing on three core areas: charging modules, energy storage, and automotive electronics applications. In order to meet market demand, the Group expanded the product planning of energy storage products from portable energy storage products (300W-5KW) to home-use energy storage systems (5KW-10KW). Digital chargers will be expanded from small power (84W) to medium-to-high power digital chargers (3.5KW) serialization, covering the different needs of new energy market segments such as outdoor power equipment and low-speed electric vehicles. In addition, the Group kept developing charging modules for charging piles with higher power than the current 30KW capacity and continued to strengthen its research and development capabilities and production capacity of charging modules. At present, revenue generated from the new energy business accounted for approximately 15% of the Group's overall business revenue, and this proportion is expected to continue increasing in the future.

In recent years, companies with unique potential have continued to emerge in the new energy sector. The Group has been targeting opportunities to establish strategic partnerships with such customers through equity investment, enabling the expansion of its business scope and co-development of new products, which could lead to emergent product development and business growth. Such strategic investments not only fostered closer ties between the Group and its customers, but also facilitated the Group's business expansion through investing in companies with promising growth prospects. Going forward, the Group remains committed to actively seeking investment opportunities that will foster mutually beneficial collaboration.

The Group's power supply business stands as the fundamental pillar for the Group, where its product demand is deeply intertwined with the performance of the consumer market. Over the Period, the global consumer market has yet to recover to its pre-pandemic level, which subsequently influenced the performance of the power supply business. The consumer power supply segment was relatively weak due to the slowdown in smartphone sales and generated a revenue of approximately HK$1,487.8 million, a year-on-year decrease of 6.1%, and accounted for 63.6% of the Group's total revenue. The division managed to secure a gross profit of approximately HK$224.2 million, with a gross profit margin of 15.1%. At the same time, its industrial power segment, specializing in smart chargers and controllers, encountered a drop in demand. This was due to customers reducing inventory levels to avoid obsolescence and to manage cashflow amidst global economic uncertainties and consumers' reluctance to spend in face of continually rising interest rates. This division recorded a revenue of HK$851.6 million and accounted for 36.4% of the Group's total revenue.

The Group's global production capacity is spread across China's Huizhou (Guangdong Province), China's Dazhou (Sichuan Province), Hungary, and Vietnam, with an additional production base in Mexico projected to commence operations in the fourth quarter of 2023. This diversified strategy not only perfects the Group's global business deployment but also mitigates the risk of reliance on a single production base. It allows the Group to leverage each region's unique geographical positioning, production costs, and procurement advantages, which helps optimise and consolidate supply chain management. Moreover, the Group's Huizhou production base has already undergone operational process transformation, and the Group plans to progressively roll this out to all other production bases. This strategic move will further enhance the effectiveness of its globalisation layout strategy.

Prospect

Looking ahead to the second half of 2023, the market anticipates ongoing uncertainties in the global economic environment, with the supply chain potentially continuing to face disruptions. According to a report by The Economist Intelligence Unit (EIU) of the United Kingdom, global economic growth is expected to maintain an annual growth rate of approximately 2.1%, with China's growth forecast to perform better than the global average. While China has implemented various policies to stimulate consumption, in the short term, it will take time for the economy to recover, and customers in industries such as consumer electronics are generally adopting a cautious approach. During this time span, the Group will continue to evaluate ways to optimise its global supply chain, allocate resources prudently, make necessary adjustments to its investment in the consumer power supply business, and allocate more resources to develop its new energy business.

With a steadfast commitment to a market-oriented approach, the Group will continuously adjust its business operations and product development flexibly to align with market trends. It will actively pursue diverse new energy products and bring innovative solutions to the market, including charging module for charging piles, portable energy storage products and home-use energy storage systems, catering to the increasing demand for high-power and high-capacity new energy products. The aim is to strengthen the Group's leading position in the new energy vehicle charging infrastructure market. As of now, the projected sales volume of the Group's portable energy storage products has exceeded the initial estimates, and the management foresees substantial growth in this area during the second half of the year. In the foreseeable future, the Group will envisage the new energy business evolving into a primary business segment.

In respect of the Group's power supply business strategy, the Group will further expand its product portfolio, diversify product types, and provide an array of product solutions tailored to the requirements of different customers and market segments. The Group is consistently optimising and upgrading its fast chargers technology, ensuring a seamless transition from low-power to high-power outputs, with a future expansion plan that includes an even higher power range. Additionally, a holistic development plan is being mapped out for electric vehicle charging to enhance product competitiveness.

Leveraging an extensive customer base in the electronics industry and a global production network, the Group has been promoting innovation in its electronics manufacturing solutions business and has successfully secured orders for intelligent controller manufacturing and solutions. A planned expansion of production into other overseas bases within 2023 is underway. Currently, the Group has established a presence for the intelligent controller business in Europe and plans to establish a production base for related businesses in Vietnam to satisfy existing customer demand, bolster global production capacity, and further drive the growth of the intelligent controller business.

Global production capacity serves as a core competitive advantage for the Group. The Group will actively look for more opportunities for cross-border collaboration and potential expansion of production capacity, and plans to extend the coverage of its intelligent manufacturing system to more production bases so as to improve on gross profit margins and product quality. This initiative aims to optimise the cost structure, reduce inventory levels, provide more precise control over logistics costs, and enhance product delivery capabilities. In line with business development and customer needs, future strategies will continue to focus on domestic and overseas production base deployment. The Ten Pao Intelligent Manufacturing Industrial Park in Huizhou (in Guangdong, China) is scheduled to commence production gradually in the third quarter of 2023.

Beyond organic growth, the Group is also actively considering different investment strategies to consolidate and expand its business, creating more strategic collaboration opportunities to broaden its customer base, enhance its competitive edge, and closely monitor market opportunities with the mission of maximising long-term Shareholder returns.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As at 30 June 2023, net current assets amounted to HK$400.5 million as compared with HK$438.0 million as at 31 December 2022. As of 30 June 2023, current ratio was 1.21 times (31 December 2022: 1.21 times) (current ratio is calculated by using the following formula: current assets/current liabilities).

Gearing ratio was 25.5% as at 30 June 2023 (31 December 2022: 31.9%) (gearing ratio is calculated by using the following formula: total borrowings/total equity). The decrease in the gearing ratio was mainly due to the net repayment of bank borrowings during the Period.

Net cash generated from operating activities was HK$21.7 million for the Period (net cash used in operating activities for the six months ended 30 June 2022: HK$10.3 million), which was mainly due to less income tax paid as compared with the same period of last year.

Net cash used in investing activities for the Period was HK$111.6 million (six months ended 30 June 2022: HK$78.2 million) as the Group has acquired more property, plant and equipment, amounting to HK$114.8 million (six months ended 30 June 2022: HK$100.0 million) and less government grants were received during the Period.

During the Period, net cash used in financing activities was HK$133.1 million (net cash generated from financing activities for the six months ended 30 June 2022: HK$28.0 million).

DEBT MATURITY PROFILE

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

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 year	**273,040**	248,566
Between 1 and 2 years	**65,833**	46,512
Between 2 and 5 years	**32,000**	156,372
	370,873	451,450

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

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

The Group generates a notable portion of revenue and receivables in USD and HK$, while our cost of sales is primarily denominated in RMB. For the Period, the Group's revenue denominated in USD and HK$ amounted to approximately 48.0% of its total revenue (six months ended 30 June 2022: 56.6%).

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it 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 Period, no forward foreign exchange contracts had been entered into by the Group as the Group did not consider there was any risk associated with exchange rate fluctuation that may adversely affect the results of 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 30 June 2023, the Group had bank borrowings of HK$370.9 million (31 December 2022: HK$451.5 million) which were primarily denominated in HK$, USD and RMB.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash included in the interim condensed consolidated balance sheet represented 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 the delivery of products. The Group typically does not require collaterals from customers. Provisions are made for the balances when they are past due and the management considers the default risk is high.

As at 30 June 2023, all of the bank balances, term deposits and restricted bank deposits of the Group were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any losses from non-performance by these banks and financial institutions. As at 30 June 2023 and 31 December 2022, the Group held cash and bank balances and restricted bank deposits totalling HK$333.0 million and HK$512.0 million, respectively, with four major banks in the PRC and Hong Kong.

Liquidity Risk

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

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

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 Period.

HUMAN RESOURCES

The Group employed a total of approximately 7,000 full-time employees as of 30 June 2023. The Group believes human resources are its valuable assets and maintains its solid commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and a favorable working environment to its employees. The Group constantly provides training with 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 total labour costs for the Period was HK$326.2 million, as compared to HK$493.6 million for the same period last year.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to abiding by the principles of good corporate governance with emphasis on transparency and accountability. The Board has established an audit committee (the "**Audit Committee**"), a nomination committee and a remuneration committee with defined terms of reference in accordance with the requirements set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as the code of conduct governing Directors' dealings in the Company's securities. Employees of the Group (the "**Relevant Employees**") who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code. Following specific enquiry, all the Directors have confirmed their compliance with the Model Code throughout the Period and up to the date of this announcement. In addition, no incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the Period and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved to distribute an interim dividend of HK2.8 cents per ordinary share for the Period (2022: HK2.8 cents per ordinary share) to the Shareholders. The interim dividend is expected to be paid on Friday, 27 October 2023 to all Shareholders whose names appear on the register of members of the Company on Friday, 13 October 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11 October 2023 to Friday, 13 October 2023, both days inclusive, for the purpose of determining the entitlement to the interim dividend for the Period. In order to be qualified for the said interim dividend, unregistered holders of shares of the Company should ensure all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 10 October 2023. The ex-dividend date will be Monday, 9 October 2023.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The Audit Committee has reviewed the Company's unaudited interim condensed consolidated financial statements for the Period in conjunction with the Company's management. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Group and considered them effective.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tenpao.com). The interim report for the Period containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Ten Pao Group Holdings Limited
Hung Kwong Yee
Chairman and Chief Executive Officer

Hong Kong, 25 August 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Hung Kwong Yee and Ms. Yang Bingbing; and three independent non-executive Directors, namely Mr. Lam Cheung Chuen, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung Eddie.