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 2022

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 2022, together with comparative figures for the six months ended 30 June 2021 or other dates/periods, as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the six months ended 30 June 2022 decreased by 9.6% to HK$2,997.8 million, as compared with the same period of last year.
- Gross profit for the six months ended 30 June 2022 decreased by 20.6% to HK$450.8 million. Gross profit margin decreased by 2.1 percentage points to 15.0%, as compared with the same period of last year.
- Profit before income tax for the six months ended 30 June 2022 decreased by 35.6% to HK$160.1 million, as compared with the same period of last year.
- Profit attributable to owners of the Company for the six months ended 30 June 2022 decreased by 30.1% to HK$133.0 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 2022 (2021: HK5.7 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in HK dollar thousands unless otherwise stated)

		Six months ended 30 June	
	Notes	**2022**	2021
		(Unaudited)	(Unaudited)
Revenue	*6*	**2,997,808**	3,316,353
Cost of sales	*8*	**(2,546,982)**	(2,748,838)
Gross profit		**450,826**	567,515
Other income	*7*	**7,860**	8,858
Other gains/(losses) — net	*7*	**31,868**	(10,052)
Selling expenses	*8*	**(110,806)**	(126,704)
Administrative expenses	*8*	**(215,203)**	(188,727)
Reversal of net impairment losses on financial assets		**34**	504
Operating profit		**164,579**	251,394
Finance income	*9*	**971**	1,694
Finance expenses	*9*	**(5,495)**	(4,596)
Finance expenses — net		**(4,524)**	(2,902)
Profit before income tax		**160,055**	248,492
Income tax expenses	*10*	**(27,576)**	(53,535)
Profit for the period attributable to:			
Owners of the Company		**133,034**	190,195
Non-controlling interests		**(555)**	4,762
		132,479	194,957
Earnings per share for the period			
— basic and diluted per share	*11*	**HK$0.13**	HK$0.19

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit for the period	**132,479**	194,957
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(75,080)**	16,097
Changes in the fair value of equity investments at fair value through other comprehensive income	**(6,060)**	(4,091)
	(81,140)	12,006
Total comprehensive income for the period attributable to:		
Owners of the Company	**51,894**	202,201
Non-controlling interests	**(555)**	4,762
	51,339	206,963

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Notes	**30 June 2022 (Unaudited)**	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Land use rights		**4,474**	4,820
Property, plant and equipment	*13*	**1,068,496**	1,074,459
Right-of-use assets		**133,532**	142,697
Investment properties		**7,700**	7,700
Intangible assets		**11,671**	11,751
Deferred income tax assets		**48,654**	45,601
Derivative financial assets — non-current		**7,071**	554
Financial assets at fair value through other comprehensive income		**3,036**	9,541
Financial assets at fair value through profit or loss		**43,017**	44,794
Prepayments for the purchase of property, plant and equipment		**3,635**	20,557
		1,331,286	1,362,474
Current assets			
Inventories	*14*	**1,026,337**	1,150,120
Trade and other receivables	*15*	**1,523,624**	1,299,918
Amounts due from related parties		**2,426**	1,484
Derivative financial assets — current		**525**	—
Cash and cash equivalents		**220,274**	288,440
Restricted bank deposits		**72,778**	63,258
		2,845,964	2,803,220
Total assets		**4,177,250**	4,165,694
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*16*	**10,005**	10,005
Share premium	*16*	**125,788**	125,788
Other reserves		**128,951**	208,035
Retained earnings		**1,093,929**	951,801
		1,358,673	1,295,629
Equity attributable to owners of the Company			
Non-controlling interests		**(843)**	12,886
Total equity		**1,357,830**	1,308,515

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

	Notes	**30 June 2022 (Unaudited)**	31 December 2021 (Audited)
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*17*	**246,647**	237,787
Lease liabilities — non-current		**23,518**	23,743
Derivative financial instruments — non-current		**—**	1,339
Deferred income tax liabilities		**90,247**	91,688
Deferred government grants		**59,362**	46,324
		419,774	400,881
Current liabilities			
Trade and other payables	*18*	**1,924,246**	2,017,929
Contract liabilities		**21,435**	17,686
Amounts due to related parties		**49,441**	28,732
Dividend payable		**5,315**	9,257
Income tax liabilities		**15,062**	32,681
Lease liabilities — current		**4,959**	8,840
Derivative financial instruments — current		**54**	39
Short-term bank borrowings	*17*	**249,277**	239,523
Current portion of non-current bank borrowings	*17*	**129,857**	101,611
		2,399,646	2,456,298
Total liabilities		**2,819,420**	2,857,179
Total equity and liabilities		**4,177,250**	4,165,694

NOTES

(All amounts in HK dollar thousands unless otherwise stated)

1 GENERAL INFORMATION

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

The Company, an investment holding company, and its subsidiaries (collectively, the "**Group**") are principally engaged in the developing, manufacturing and sales of 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) (the "**Controlling Shareholder**" or "**Chairman Hung**").

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

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

This Interim Financial Information was approved for issue on 26 August 2022 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2022 (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 2021 (the "**2021 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 2021 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 2022.

3.1 New and amended standards adopted by the Group

A number of new or amended standards including amendments to HKAS 16, amendments to HKFRS 3, amendments to HKAS 37, annual improvements and amendments to Accounting Guideline 5 (revised) 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 2022 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 2021 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 2021 or in any risk management policies since 31 December 2021.

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 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**

6 SEGMENT INFORMATION (CONTINUED)

	Tele-communication	Media and entertainment	Electrical home appliances	Smart chargers and controllers	Lighting	Others	Total
Six months ended 30 June 2021 (unaudited)							
Revenue							
Revenue from external customers							
— At a point in time	1,367,648	218,350	73,246	1,303,648	235,766	117,695	3,316,353
Segment results	224,773	29,693	15,208	239,958	37,882	20,001	567,515
Other income							8,858
Other losses — net							(10,052)
Selling expenses							(126,704)
Administrative expenses							(188,727)
Reversal of net impairment losses on financial assets							504
Finance expenses — net							(2,902)
Profit before income tax							248,492

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

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
PRC (excluding Hong Kong)	**1,083,135**	832,058
Hungary	**68,298**	74,280
Vietnam	**68,071**	50,755
Hong Kong	**9,989**	19,874
Others	**15**	6
	1,229,508	976,973

7 OTHER INCOME AND OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Other income		
Sales of scrap materials	**3,735**	3,419
Sales of raw materials, sample and molds	**1,112**	2,347
Safety fee income	**1,392**	1,001
Rental income	**803**	854
Others	**818**	1,237
	7,860	8,858
Other gains/(losses) — net		
Fair value changes on derivative financial instruments	**8,366**	3,188
Fair value changes on financial assets at fair value through profit or loss	**(1,777)**	33
Fair value changes on investment properties	**—**	600
Net foreign exchange gains/(losses)	**8,280**	(18,676)
Government grants	**10,567**	4,073
Loss on disposal of property, plant and equipment	**(457)**	(445)
Others	**6,889**	1,175
	31,868	(10,052)

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Raw materials and consumables used	**1,997,347**	2,307,278
Employee benefit expenses	**422,926**	387,468
Changes in inventories of finished goods and work in progress	**127,854**	37,243
Depreciation, amortisation and impairment charges	**79,998**	49,748
Research and development expenses		
— Employee benefit expenses	**70,650**	62,605
— Raw materials, consumables used and others	**20,924**	30,754
— Depreciation and amortisation	**8,472**	8,842
Transportation and travelling expenses	**32,418**	33,740
Water and electricity expenses	**25,000**	20,131
Maintenance expenses	**21,619**	21,784
Commission expenses	**15,882**	17,903
Operating lease payments	**12,886**	10,128
Consultancy fee	**11,912**	6,737
Business tax and surcharge	**7,192**	6,515
Certificate and detection fees	**6,247**	9,014
Commercial insurance	**5,620**	6,162
Other taxes and levies	**4,439**	3,813
Advertising costs	**3,353**	2,812
Auditors' remuneration	**1,962**	2,524
Communication expenses	**1,791**	1,191
Entertainment expenses	**1,681**	2,342
Bank charges	**898**	888
(Reversal of allowance)/allowance for impairment of inventory	**(16,071)**	28,757
Other expenses	**7,991**	5,890
Total cost of sales, selling expenses and administrative expenses	**2,872,991**	3,064,269

9 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Finance income:		
Interest income	**971**	1,694
Finance expenses:		
Interest on bank borrowings	**(6,905)**	(4,222)
Interest on lease liabilities	**(273)**	(374)
	(7,178)	(4,596)
Amount capitalised	**1,683**	—
Finance expenses expensed	**(5,495)**	(4,596)
Finance expenses − net	**(4,524)**	(2,902)

10 INCOME TAX EXPENSES

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	**11,795**	37,127
— Hong Kong profits tax	**18,113**	20,750
Subtotal	**29,908**	57,877
Deferred income tax	**(2,332)**	(4,342)
	27,576	53,535

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 (2021 interim: 8.25%).

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. was set up as a foreign investment manufacturing enterprise in the PRC. Ten Pao Electronic (Huizhou) Co., Ltd. was recognised as "New and High Technology Enterprises" and thus enjoys a preferential CIT rate of 15%. Its CIT rate for the Period was 15% (2021 interim: 15%).

Ten Pao Electronic (Huizhou) Co., Ltd. and Dazhou Ten Pao Jin Hu Electronic Co., Ltd. are recognized as "New and High Technology Enterprises" and enjoys a preferential CIT rate of 15% for the Period (2021 interim: 25%).

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	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**133,034**	190,195
Weighted average number of shares issued (thousands)	**1,000,456**	1,000,456
Basic earnings per share (HK cents)	**13**	19

(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 2022 and 2021.

12 DIVIDENDS

The Board resolved on 26 August 2022 to declare an interim dividend of HK2.8 cents per ordinary share for the six months ended 30 June 2022 (2021 interim: HK5.7 cents per share). This interim dividend, amounting to HK$28.9 million (2021 interim: HK$57.0 million), has not been recognised as a liability in this Interim Financial Information.

On 17 June 2022, a final dividend for the year ended 31 December 2021 by way of cash with an option to elect to receive wholly or partly an allotment and issue of scrip shares in lieu of cash payment, equivalent to HK5.6 cents per ordinary share, was approved by the then shareholders of the Company.

13 PROPERTY, PLANT AND EQUIPMENT

Net book amount as at 31 December 2021	**1,074,459**
Additions	**133,119**
Disposals	**(6,145)**
Impairment charges	**(6,881)**
Currency translation differences	**(50,086)**
Depreciation	**(75,970)**
Net book amount as at 30 June 2022 (unaudited)	**1,068,496**
Net book amount as at 1 January 2021	585,214
Additions	593,821
Disposals	(3,359)
Impairment charges	(3,011)
Currency translation differences	17,742
Depreciation	(115,948)
Net book amount as at 31 December 2021 (audited)	1,074,459

14 INVENTORIES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Raw materials	**480,472**	473,300
Work in progress	**299,446**	285,521
Finished goods	**340,848**	482,627
	1,120,766	1,241,448
Less: allowance for impairment	**(94,429)**	(91,328)
	1,026,337	1,150,120

The movements of allowance for impairment are analysed as follows:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
At 1 January	**91,328**	48,429
Currency translation differences	**(2,238)**	497
Allowance for write-down, net	**5,339**	28,757
At 30 June	**94,429**	77,683

14 INVENTORIES (CONTINUED)

The Group reversed HK$6,126,000 of previous inventory write-down during the current reporting period (30 June 2021: HK$3,999,000), as the Group sold the relevant goods that had been written down to independent customers at prices above net realisable value. The amount reversed has been included in 'cost of sales' in the consolidated statement of profit or loss.

15 TRADE AND OTHER RECEIVABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade receivables	**1,444,282**	1,226,404
Less: allowance for impairment of trade receivables	**(4,132)**	(4,277)
Trade receivables, net	**1,440,150**	1,222,127
Bills receivable	**687**	438
Prepayments	**14,969**	11,413
Deposits	**15,564**	15,435
Advances to employees	**1,043**	794
Value added tax allowance	**33,138**	24,682
Employee welfare	**6,144**	5,956
Export tax refund receivables	**6,711**	12,036
Others	**5,218**	7,037
	1,523,624	1,299,918

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 2022 (Unaudited)	31 December 2021 (Audited)
Less than 3 months	**1,355,605**	1,148,323
More than 3 months but not exceeding 1 year	**88,677**	78,081
	1,444,282	1,226,404

As at 30 June 2022, the carrying amounts of the receivables were approximate to their fair values.

As at 30 June 2022, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK$300,723,000 (31 December 2021: HK$399,347,000).

16 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares *(thousands)*	**Share capital** *(HK$'000)*	**Share premium** *(HK$'000)*
As at 1 January 2022, 30 June 2022, 1 January 2021 and 31 December 2021	1,000,456	10,005	125,788

17 BORROWINGS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Non-current		
Bank borrowings		
— secured (a)	**214,926**	167,469
— unsecured	**161,578**	171,929
Less: current portion of non-current borrowings	**(129,857)**	(101,611)
	246,647	237,787
Current		
Bank borrowings		
— secured (a)	**157,064**	153,999
— unsecured	**92,213**	85,524
Total short-term bank borrowings	**249,277**	239,523
Current portion of non-current borrowings	**129,857**	101,611
	379,134	341,134
Total borrowings	**625,781**	578,921

Movement in borrowings is as follows:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Opening balance as at 1 January	**578,921**	309,277
Proceeds from borrowings	**755,523**	1,058,039
Repayments of borrowings	**(707,304)**	(944,163)
Currency translation differences	**(1,359)**	4,207
Closing balance as at 30 June	**625,781**	427,360

17 BORROWINGS (CONTINUED)

(a) As at 30 June 2022, bank borrowings amounting to HK$371,990,000 (31 December 2021: HK$321,468,000) are secured over the following assets, the remaining borrowings are credit loan:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Restricted bank deposits	**13,139**	63,258
Financial assets at fair value through profit or loss — non current	**3,261**	3,209
Investment properties	**7,700**	7,700
Trade and other receivables	**300,723**	399,347
	324,823	473,514

18 TRADE AND OTHER PAYABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade payables	**1,398,559**	1,506,740
Notes payable (a)	**185,292**	135,240
Wages and staff welfare benefits payable	**260,928**	271,721
Accrual for expenses and other payables	**69,865**	96,050
Other taxes payables	**9,602**	8,178
	1,924,246	2,017,929

The ageing analysis of trade payables is as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Less than 3 months	**1,036,171**	1,407,958
More than 3 months but not exceeding 1 year	**361,678**	98,737
More than 1 year	**710**	45
	1,398,559	1,506,740

(a) Notes payable amounting to HK$167,163,000 (31 December 2021: Nil) are secured by the restricted bank deposits of HK$59,639,000 (31 December 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group, being an industry-leading provider of smart power supply solutions, has been developing power supply products for more than 40 years, earning the trust of prestigious domestic and international brands through continuous innovation and high-quality, diversified products and establishing itself as their reliable business partner.

The first half of 2022 was rife with turmoil due to market fluctuations caused by the global pandemic, rising inflation and interest rate hikes. Geopolitical tensions were also high during the Period, with the conflict between Russia and Ukraine since the end of this February making the international situation even more unpredictable. These unfavourable factors adversely affected supply chain operations and, together with rising raw material prices, increased hardship for the conduct of business. Amidst this everchanging domestic and international environment, Ten Pao's management team responded proactively. The Group continued to extend its new energy product lines; expand its international, diversified customer layout; optimise its global production capacity planning and improve the automation efficiency of its manufacturing bases. At the same time, the Group consolidated its strategic inventory, doing its utmost to reduce the operating pressure caused by raw material shortages and inflation and increased flexibility for production and shipments.

Earlier in the year, Ten Pao's product delivery had been delayed by the resurgence of the COVID-19 pandemic in mainland China and the Spring Festival holiday as both affected the overall supply chain and the related logistics services. With the pandemic receding and with excellent recuperating capability demonstrated by Ten Pao's flexible management model, the impact caused by the recent market downturn was minimised, and the Group's business had begun a steady recovery. Nevertheless, the new wave of COVID-19 outbreak and the conflict between Russia and Ukraine have unavoidably impacted the Group's clients and suppliers. As a result, for the six months ended 30 June 2022, revenue decreased by 9.6% to HK$2,997.8 million while profit before taxation for the Period amounted to HK$160.1 million and profit attributable to owners of the Company decreased by 30.1% to HK$133.0 million, as compared with the same period in 2021. Basic earnings per share for the Period decreased from HK19 cents to HK13 cents, as compared with the same period in 2021.

The Board has decided to distribute an interim dividend of HK2.8 cents per ordinary share for the six months ended 30 June 2022 (2021: HK5.7 cents per ordinary share) in order to repay the long-term support of the Company's shareholders.

Market and Business Review

Pressing Ahead with the New Energy Vehicle Charging Business, Moving in Line Gradually with International Brands, and Targeting Products at Commercial and Civilian Markets

One of the Group's key development directions is the new energy industry. Globally, many countries have seen a higher prevalence of new energy vehicles after they set clear carbon neutrality targets, which has stimulated greater market demand for charging products of new energy vehicles. The future growth potential of the industry is significant. In mainland China, driven by supportive policies such as vehicle purchase tax exemption and subsidies, the market penetration rate of new energy vehicles has steadily increased. With the whole industry on the cusp of rapid development, society's demand for charging piles and various power components will continue to increase in tandem and the Group will be able to continually benefit from the trend.

The Group took the lead early and set up a new energy research and development centre in Sichuan in recent years to develop high-end charging equipment and to provide the market with products of greater technological advantage. The core components of the new energy vehicle charging piles developed by the Group (30KW charging modules) have been approved by major charging equipment manufacturers and have attracted a considerable number of orders. At present, these products are being mass produced at the Group's Dazhou base in Sichuan with production capacity growing rapidly. On the basis of this initiative, the Group is actively researching and developing more new-energy-related charging modules such as fast charging modules and multi-charging modules so as to lay a foundation for the Group to lead market trends and to expand its customer base. On the one hand, the Group is preparing its production capacity to fulfil potential new energy product orders, investing in the research and development and production of more charging pile core components with different functions and different power output. On the other hand, the Group is also actively expanding into more customer markets. At present, the Group is establishing contact with leading electric vehicle charging enterprises and actively seeking orders so that it may expand its business coverage in the blue ocean market of new energy.

In addition to charging modules, the Group attaches particular importance to the consumption and application of various charging and power storage technologies and has invested significant resources in developing this market. In recent years, the Group has taken the lead in becoming one of the first companies to design and produce portable electric vehicle chargers and portable power stations for new energy vehicles. The Group's self-developed portable electric vehicle chargers and portable power stations for new energy vehicles have been approved by the international energy giant Shell for a retail launch with Shell's trademark in North American market. The products have been on sale on major American websites and the sales volume is gradually rising.

In automotive electronics, the Group has jointly developed a series of products with a famous leading US automotive power products company, including smart chargers for automotive batteries, emergency power supplies and lithium battery packs, all of which are sold on major websites in the United States and Europe. In addition, the Group has cooperated with another internationally renowned brand to launch a large-capacity portable power station for outdoor use. The demand for portable energy storage devices has increased as today's young people remain committed to outdoor concerts, outdoor movie screenings, glamping and other such activities. With the lifting of travel restrictions in North America, more consumers are expected to favour these charging and energy storage products and automotive electronic products that will improve the quality and efficiency of outdoor travel. This new series of products will become another growth driver for the Group.

Enhancing Risk Resilience through Flexible Management and Delivering a Significant Rebound in Second Quarter

During the first half of the year, the industry faced pressure on multiple fronts. Labour mobility was affected by the COVID-19 pandemic in mainland China with the Spring Festival holiday adding further complexities. Geopolitical conflicts resulted in fluctuations in raw material supplies and prices. Such unfavourable factors impacted clients' business operation and the resultant decrease in order volume significantly affected the Group's operating results in the first quarter. Nonetheless, as Ten Pao has always attached great importance to supply chain internationalisation and diversification, the Group was able to consolidate supply chain management by adjusting production plans, purchasing batches in a timely manner and flexibly allocating raw materials in multiple locations. In addition, the Group has been maintaining excellent communication with its clients for years, which helped to improve order predictability. These two advantages directly elevated Ten Pao's risk resilience, leading to significant rebound in business performance in the second quarter and delivering overall stable results for the first half of the year.

For the six months ended 30 June 2022, the Group's overall power supply business remained stable. The Group possesses a strong customer portfolio as industrial power supply products are mainly sold to major international brands with stable shipment volume. In addition, the Group's flexible supply chain management and international production capacity layout have reinforced the risk resilience of the business. After the short-term impact from January to April, the Group's industrial power supply products recorded significant growth in demand and shipment volume in May and June. Segment revenue in the first half of the year was HK$1,412.7 million, an increase of 8.4% as compared with the same period in 2021, accounting for 47.1% of the Group's total revenue. With scientific order scheduling and a series of measures to stabilize the supply and price of raw materials, it is expected that business of this segment will gradually improve and contribute towards revenue stability of the Group in the second half of the year.

Performance of the segment of power supply units for consumer products was relatively weak due to the slowdown in smartphone sales. On the one hand, the increase in demand for smart phone products in mainland China in 2021 due to the release of demand supressed by the initial outbreak of the pandemic created a higher base value of comparison for the year. On the other hand, the Group's shipment performance was dragged by declined smartphone shipment volume and chip supply problems due to the pandemic's impact in the first half of this year. The revenue of the consumer goods' power supply segment was HK$1,585.1 million, a decrease of 21.2% as compared with the same period in 2021, accounting for 52.9% of the Group's total revenue. Gross profit of this segment was approximately HK$177.9 million. International market research institutions believe that the decline in the smartphone market is short-term in nature and will recover steadily in the future, thereby helping to drive rapid recovery of the Group's consumer power supply business.

The Group has actively promoted intelligent production upgrading and further improved its existing global production layout. Currently, the Group has production bases in Guangdong's Huizhou, Sichuan's Dazhou, Hungary and Vietnam. Production lines are now being installed in the Ten Pao Intelligent Manufacturing Industrial Park constructed in Huizhou, Guangdong. The Group will closely follow the market environment to plan its production schedule and provide more production capacity when appropriate. The Group is also providing customers with stable services and flexible tariff arrangements through solutions such as capacity allocation, supply chain planning and intelligent upgrades, further reducing potential risks of the Group in a single region.

Prospect

Given the still complex and uncertain global situation, the overall business environment of the second half of 2022 is quite challenging. The Group will exercise prudence while allocating resources and employ a careful and flexible management model to continually reinforce its traditional business such that growth and stability is maintained. On the other hand, adhering to the spirit of carrying forward the past and forging ahead, the Group will maintain vitality in operational production and R&D innovation, and press ahead successfully with the new energy business to create a major growth driver. In the future, we will continue to seize opportunities to accelerate our pace of research, development and production of automotive power supplies, electronic manufacturing solutions, digital production reforms, new client expansions and strive to develop the breadth and depth of our business.

The development of new energy vehicles in the past few years has been unstoppable. The market expects this rapid growth trend to continue in the second half of this year. The rise of new car manufacturers in the mainland offering a diversity of choice in terms of car models and prices, coupled with the high oil prices brought about by geopolitical conflicts and the support of various tax policies are expected to further boost demand for new energy vehicles in mainland China. The Group is determined to develop its new energy business as a growth driver and is actively investing more resources in research, development and market expansion to seize the market share of new energy vehicle charging facilities.

As mentioned, the core components of the Group's new energy vehicle charging piles have been quickly recognised upon market launch. The orders have been encouraging and it is expected this growth will continue going forward. The Group is currently planning to increase the production lines for 40KW charging modules and is actively developing higher-power new energy vehicle charging devices, automotive electronics and other high-end components and products for the purpose of providing time-saving, energy-saving, safe and cost-effective charging facilities in the market. Additionally, the Group will establish an offline sales network in North America on the basis of the existing online sales. Through collaboration with petrol stations and major home appliance retailers, the Group aims to breakthrough to physical retail, bringing its portable electric vehicle chargers and portable power stations for new energy vehicles to more consumers. The Group also hopes to gradually expand its consumer market and enhance its brand image by cooperating with more international brands in order to lay the foundation for the comprehensive development of the new energy business in the future.

In addition to the new energy business, the Group is also developing electronic manufacturing solutions other than power supply, charging and storage. Leveraging its large customer base, technology, and experience accumulated in the electronics industry as well as its global production network, the Group has successfully obtained orders for professional key module solutions. The Group plans to expand its production site from its mainland factory to its Vietnam base for trial production within this year. The Group will endeavour to develop a more diversified professional module business for customers, become a one-stop supplier of high-end electronic manufacturing solutions and further enhance the Group's importance in the customer value chain. This business segment not only strengthens the Group's customer base but also helps the Group to target a wider market and a more diverse clientele, enabling the Group to fully utilise its production capacity and generate additional revenue.

The Group's international production capacity distribution is strategically forward-looking. In addition to its core factory in Guangdong's Huizhou, the Group also has factories in Sichuan's Dazhou, Hungary, and Vietnam and may also establish production bases in other regions in the future. The globalisation of production capacity helps the Group offer more production bases and better customised services to end-customers in different regions. It also strengthens the Group's supplier network, enhances its raw material procurement capabilities and supply chain management. The flexible allocation of manufacturing capacity can reduce operating pressure caused by macro uncertainties such as the challenging bilateral economic relations between China and the United States, and the Russia-Ukraine conflict. All these enable the Group to provide customers with a more secure one-stop manufacturing solutions and back the Group in furthering its global market coverage.

To increase the manufacturing efficiency of existing business such as the industrial power supply products segment, the Group continues to implement intelligent and digital reforms with efficiency through a dedicated intelligent technology transformation department. Plans to extend the reforms to other production bases are in motion to reduce labour costs, minimize the cost pressure on the Group's manufacturing process brought by seasonal personnel turnover and enhance the control of product quality. Amidst global uncertainties, these reforms will enable the Group to maintain its competitive advantage, develop steadily and create better return for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As at 30 June 2022, net current assets amounted to HK$446.3 million as compared with HK$346.9 million as at 31 December 2021. As of 30 June 2022, current ratio was 1.19 times (31 December 2021: 1.14 times) (current ratio is calculated by using the following formula: current assets/current liabilities).

Gearing ratio was 46.1% as at 30 June 2022 (31 December 2021: 44.2%) (gearing ratio is calculated by using the following formula: total borrowings/total equity) as the Group had employed additional bank financing during the six months ended 30 June 2022 to finance the credit given to certain customers.

Net cash used in operating activities was HK$10.3 million for the six months ended 30 June 2022 (net cash used in operating activities for the six months ended 30 June 2021: HK$184.1 million), which was mainly due to the decrease of turnover by 9.6% as compared with the same period of last year and the extension of credit to customers during the period.

Net cash used in investing activities for the six months ended 30 June 2022 was HK$78.2 million (six months ended 30 June 2021: HK$244.0 million) as the Group has acquired less property, plant and equipment, amounting to HK$100.0 million (six months ended 30 June 2021: HK$253.7 million).

During the six months ended 30 June 2022, net cash generated from financing activities was HK$28.0 million (six months ended 30 June 2021: HK$119.2 million).

DEBT MATURITY PROFILE

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

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 year	**379,134**	341,134
Between 1 and 2 years	**104,337**	183,630
Between 2 and 5 years	**142,310**	54,157
	625,781	578,921

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$, while our cost of sales is primarily denominated in RMB. For the six months ended 30 June 2022, the Group's revenue denominated in USD and HK$ amounted to approximately 56.6% of its total revenue (six months ended 30 June 2021: 52.0%).

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 six months ended 30 June 2022, 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 2022, the Group had bank borrowings of HK$625.8 million (31 December 2021: HK$578.9 million) which were primarily denominated in HK$, 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 2022, 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 2022 and 31 December 2021, the Group held cash and bank balances and restricted bank deposits totalling HK$293.1 million and HK$351.7 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 2022, the Group did not have any significant contingent liabilities (31 December 2021: 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 six months ended 30 June 2022.

HUMAN RESOURCES

The Group employed a total of approximately 8,000 full-time employees as of 30 June 2022. 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 six months ended 30 June 2022 was HK$493.6 million, as compared to HK$450.1 million for the same period last year.

CORPORATE GOVERNANCE PRACTICES

The Board and the management are committed to abiding by the principles of good corporate governance with emphasis on transparency and accountability. The Board has established an audit committee (the "**Audit Committee**"), a nomination committee and a remuneration committee with defined terms of reference in accordance with the requirements set out in the 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 six months ended 30 June 2022 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 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 and, hence, is in the best interests of the Group. 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 six months ended 30 June 2022 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 six months ended 30 June 2022 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 six months ended 30 June 2022 (2021: HK5.7 cents per ordinary share) to the Company's shareholders. The interim dividend is expected to be paid on 25 October 2022 to all shareholders whose names appear on the register of members of the Company on 7 October 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 October 2022 (Wednesday) to 7 October 2022 (Friday), both days inclusive, for the purpose of determining the entitlement to the interim dividend for the six months ended 30 June 2022. 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 3 October 2022 (Monday). The ex-dividend date will be 30 September 2022 (Friday).

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 six months ended 30 June 2022 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 six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 August 2022

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.