TEN PAO GROUP HOLDINGS LIMITED
天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1979)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Ten Pao Group Holdings Limited ("**Ten Pao**" or the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2021, together with comparative figures for the year ended 31 December 2020 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the year ended 31 December 2021 increased by 41.8% to HK$6,362.7 million.
- Gross profit for the year ended 31 December 2021 increased by 28.2% to HK$1,060.3 million. Gross profit margin decreased by 1.7 percentage points to 16.7%.
- Profit before income tax for the year ended 31 December 2021 increased by 22.2% to HK$457.0 million.
- Profit attributable to owners of the Company for the year ended 31 December 2021 was HK$378.6 million, representing an increase of 31.0%.
- The Board recommended the payment of a final dividend of HK5.6 cents per ordinary share of the Company for the year ended 31 December 2021, with an option provided to the Company's shareholders to receive new and fully paid shares in lieu of cash, in whole or in part, under a scrip dividend scheme, which is subject to the approval of the Company's shareholders at the 2022 AGM.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		Year ended 31 December	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**6,362,670**	4,488,625
Cost of sales	*6*	**(5,302,350)**	(3,661,286)
Gross profit		**1,060,320**	827,339
Other income	*5*	**29,300**	13,569
Other gains/(losses) – net	*5*	**8,084**	(24,428)
Selling expenses	*6*	**(220,188)**	(155,675)
Administrative expenses	*6*	**(414,233)**	(278,977)
Net impairment losses on financial assets		**(1,796)**	(1,383)
Operating profit		**461,487**	380,445
Finance income		**2,976**	581
Finance expenses		**(7,486)**	(7,205)
Finance expenses – net		**(4,510)**	(6,624)
Profit before income tax		**456,977**	373,821
Income tax expense	*7*	**(68,462)**	(85,189)
Profit for the year		**388,515**	288,632
Profit for the year attributable to:			
Owners of the Company		**378,616**	289,057
Non-controlling interests		**9,899**	(425)
		388,515	288,632
Earnings per share			
– basic and diluted per share	*8*	**HK37.8 cents**	HK28.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Profit for the year	**388,515**	288,632
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**41,082**	80,118
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**(4,164)**	(4,508)
	36,918	75,610
Total comprehensive income for the year attributable to:		
Owners of the Company	**415,534**	364,667
Non-controlling interests	**9,899**	(425)
	425,433	364,242

CONSOLIDATED BALANCE SHEET

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

	Notes	As at 31 December 2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Land use rights		**4,820**	5,205
Property, plant and equipment		**1,074,459**	585,214
Right-of-use assets	*10*	**142,697**	116,611
Investment properties		**7,700**	7,100
Intangible assets		**11,751**	11,009
Deferred income tax assets		**45,601**	37,152
Derivative financial assets — non-current		**554**	—
Financial assets at fair value through profit or loss	*16*	**44,794**	3,131
Financial assets at fair value through other comprehensive income	*15*	**9,541**	12,487
Prepayments for the purchase of property, plant and equipment		**20,557**	31,210
		1,362,474	809,119
Current assets			
Inventories		**1,150,120**	1,039,894
Trade and other receivables	*11*	**1,299,918**	1,216,560
Amounts due from related parties		**1,484**	1,464
Cash and cash equivalents		**288,440**	426,573
Restricted bank deposits		**63,258**	138,855
		2,803,220	2,823,346
Total assets		**4,165,694**	3,632,465
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*14*	**10,005**	10,005
Share premium	*14*	**125,788**	125,788
Other reserves		**208,035**	120,701
Retained earnings		**951,801**	745,030
		1,295,629	1,001,524
Non-controlling interests		**12,886**	(718)
Total equity		**1,308,515**	1,000,806

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	As at 31 December **2021** *HK$'000*	2020 *HK$'000*
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*13*	**237,787**	86,109
Lease liabilities			
— non-current	*10*	**23,743**	6,027
Derivative financial instruments			
— non-current		**1,339**	8,945
Deferred income tax liabilities		**91,688**	88,031
Deferred government grants		**46,324**	44,191
		400,881	233,303
Current liabilities			
Trade and other payables	*12*	**2,017,929**	2,090,532
Contract liabilities		**17,686**	14,253
Amounts due to related parties		**28,732**	17,560
Dividend payable		**9,257**	12
Income tax liabilities		**32,681**	51,185
Derivative financial liabilities — current		**39**	—
Lease liabilities — current	*10*	**8,840**	1,646
Short-term bank borrowings	*13*	**239,523**	142,850
Current portion of non-current bank borrowings	*13*	**101,611**	80,318
		2,456,298	2,398,356
Total liabilities		**2,857,179**	2,631,659
Total equity and liabilities		**4,165,694**	3,632,465

NOTES:

1. GENERAL INFORMATION

Ten Pao Group Holdings Limited (天寶集團控股有限公司) (the "**Company**") was incorporated in the Cayman Islands on 27 January 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins 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 electric charging products in the People's Republic of China (the "**PRC**" or "**China**"). The controlling shareholder of the Group is Mr. Hung Kwong Yee (洪光椅) ("**Chairman Hung**").

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

2. BASIS OF PRESENTATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for the followings: certain financial assets and liabilities (including derivative instruments at fair value through profit or loss and equity investments at fair value through other comprehensive income) and investment property, which are carried at fair value.

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

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Covid-19 Related Rent Concessions — beyond 30 June 2021.
- Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39 and, HKFRS 7, HKFRS 4 and HKFRS 16

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

(ii) New standards and interpretations not yet adopted

		Effective for accounting periods beginning on or after
Merger Accounting for Common Control Combinations	Amendments to AG 5 (revised)	1 January 2022
Property, Plant and Equipment — Proceeds before Intended Use	Amendments to HKAS 16	1 January 2022
Onerous contracts — Costs of Fulfilling a Contract	Amendments to HKAS 37	1 January 2022
Annual improvements to HKFRS 2018 to 2020	Amendments to HKFRSs	1 January 2022
Reference to the Conceptual Framework	Amendments to HKFRS 3	1 January 2022
Classification of Liabilities as Current or Non-current	Amendments to HKAS 1	1 January 2023
Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	HK Int 5 (2020)	1 January 2023
Insurance Contracts	Amendments to HKFRS 17	1 January 2023
Disclosure of Accounting Policies	Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates	Amendments to HKAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Amendments to HKAS 12	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendments to HKAS 28 and HKFRS 10	To be determined

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. SEGMENT INFORMATION

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

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

	Telecommunication	Media and entertainment	Electrical home appliances	Lighting	Smart chargers and controllers	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2021							
Revenue							
Revenue from external customers							
— At a point in time	**2,463,591**	**439,298**	**139,446**	**534,552**	**2,481,119**	**304,664**	**6,362,670**
Segment results	**355,826**	**50,582**	**25,725**	**75,367**	**505,418**	**47,402**	**1,060,320**
Other income							**29,300**
Other gains – net							**8,084**
Selling expenses							**(220,188)**
Administrative expenses							**(414,233)**
Finance expenses – net							**(4,510)**
Net impairment losses on financial assets							**(1,796)**
Profit before income tax							**456,977**

	Telecommunication HK$'000	Media and entertainment HK$'000	Electrical home appliances HK$'000	Lighting HK$'000	Smart chargers and controllers HK$'000	Others HK$'000	Total HK$'000
31 December 2020							
Revenue							
Revenue from external customers							
— At a point in time	1,585,568	396,256	172,496	456,064	1,721,640	156,601	4,488,625
Segment results	212,188	76,992	41,847	87,764	376,457	32,091	827,339
Other income							13,569
Other losses – net							(24,428)
Selling expenses							(155,675)
Administrative expenses							(278,977)
Finance expenses – net							(6,624)
Net impairment losses on financial assets							(1,383)
Profit before income tax							373,821

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

(a) Other income

	2021	2020
	HK$'000	*HK$'000*
Sales of scrap materials	**11,781**	2,623
Sales of raw materials, samples and moulds	**4,982**	4,951
Inspection and certification fee income	**1,506**	1,772
Rental income	**1,946**	1,390
Overseas transportation income	**4,538**	684
Others	**4,547**	2,149
	29,300	13,569

(b) Other gains/(losses) – net

	2021	2020
	HK$'000	*HK$'000*
Fair value changes on derivative financial instruments	**8,120**	(8,792)
Fair value changes on financial assets at fair value through profit or loss	**77**	88
Fair value changes on investment properties	**600**	(400)
Net foreign exchange loss	**(27,889)**	(32,922)
Government grants	**18,078**	12,864
Loss on disposal of property, plant and equipment	**(945)**	(2,737)
Compensation income from customers	**9,192**	8,643
Others	**851**	(1,172)
	8,084	(24,428)

6. EXPENSES BY NATURE

	2021 *HK$'000*	2020 *HK$'000*
Changes in inventories of finished goods and work in progress	**(118,589)**	(255,913)
Raw materials and consumables used	**4,614,031**	3,336,482
Employee benefit expenses	**731,242**	560,599
Research and development expenses		
— Employee benefit expenses	**141,908**	93,074
— Raw materials, consumables used and others	**67,313**	33,108
— Depreciation and amortisation	**11,507**	10,718
Depreciation, amortisation and impairment charges	**119,378**	82,911
Transportation and travelling expenses	**67,864**	34,948
Water and electricity expense	**46,297**	34,091
Commission expenses	**34,745**	24,603
Maintenance expenses	**42,395**	21,627
Operating lease payments	**32,303**	20,742
Consultancy fee	**15,962**	14,308
Business tax and surcharge	**14,224**	14,109
Allowance for impairment of inventory	**41,474**	10,240
Commercial insurance	**11,780**	8,870
Certificate and detection fees	**21,738**	12,141
Auditors' remuneration		
— Audit services	**3,924**	3,393
— Non-audit services	**1,671**	2,223
Entertainment expenses	**5,052**	4,354
Other taxes and levies	**8,630**	6,143
Communication expenses	**2,845**	4,258
Bank charges	**2,915**	3,271
Advertising expenses	**5,865**	4,218
Other expenses	**10,297**	11,420
Total cost of sales, selling expenses and administrative expenses	**5,936,771**	4,095,938

7. INCOME TAX EXPENSE

	2021 *HK$'000*	2020 *HK$'000*
Current income tax		
— PRC corporate income tax ("**CIT**")	**36,268**	52,603
— Hong Kong profits tax	**36,942**	21,484
Subtotal	**73,210**	74,087
Deferred income tax	**(4,748)**	11,102
	68,462	85,189

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

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. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

(c) PRC CIT

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

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

Ten Pao Electronic (Huizhou) Co., Ltd. and Dazhou Ten Pao Jin Hu Electronic Co. Ltd. ("**Ten Pao Electronic (Dazhou)**") are recognised as "New and High Technology Enterprises" and enjoy a preferential CIT rate of 15%. Their CIT rate for the year ended 31 December 2021 was 15% (2020: 15% and 25%).

(d) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

(e) British Virgin Islands ("BVI") and Samoa income tax

No provision for income tax in BVI and Samoa has been made as the Group has no income assessable to income tax in BVI and Samoa during the year (2020: Nil).

(f) Hungary corporate income tax

The corporate income tax rate in Hungary is 9% during the year (2020: 9%).

(g) Taxation on the Group's profit

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the main statutory tax rate applicable to profit of the Group as follows:

	2021	2020
	HK$'000	*HK$'000*
Profit before income tax	**456,977**	373,821
Tax calculated at applicable corporate income tax rate of 25%	**114,244**	93,456
Effect of differences in tax rates	**(17,720)**	(9,528)
Preferential tax treatment of CIT	**(21,819)**	(13,878)
Withholding tax	**3,620**	23,070
Tax losses and deductible temporary difference for which no deferred income tax asset was recognised	**8,362**	2,650
Utilisation of tax losses previously not recognised	**(3,855)**	(4,281)
Expenses not deductible for taxation purposes	**3,271**	5,896
Accelerated research and development deductible expenses	**(17,469)**	(11,992)
Income not subject to tax	**(172)**	(204)
	68,462	85,189

The effective corporate income tax rate was 15% for the year (2020: 23%). The decrease in the effective corporate income tax rate of 2021 compared to 2020 was primarily due to the preferential tax policy enjoyed by the Company's subsidiaries in the PRC.

8. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2021	2020
Profit attributable to owners of the Company (HK$'000)	**378,616**	289,057
Weighted average number of shares issued (thousands)	**1,000,456**	1,000,456
Basic earnings per share (HK cents)	**37.8**	28.9

(b) Diluted earnings per share

For the years ended 31 December 2021 and 2020, diluted earnings per share were the same as basic earnings per share as there were no dilutive potential ordinary shares as at year end date.

9. DIVIDENDS

	2021 ***HK$'000***	2020 *HK$'000*
Interim dividend paid per ordinary share: HK5.7 cents (2020: HK3.0 cents)	**57,026**	30,013
Proposed final dividend per ordinary share: HK5.6 cents (2020: HK5.5 cents)	**56,026**	55,025
	113,052	85,038

The dividends paid in 2021 and 2020 were HK$112,051,000 and HK$58,026,000 respectively.

The Board has proposed the payment of 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 (2020: HK5.5 cents) per share to shareholders whose names appear on the register of members of the Company on 27 June 2022, which is subject to the approval by shareholders at the annual general meeting to be held on 17 June 2022.

10. LEASE

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2021	31 December 2020
	HK$'000	*HK$'000*
Right-of-use assets		
Land use rights	**109,701**	108,862
Buildings	**32,996**	7,749
	142,697	116,611
Lease liabilities		
Current	**8,840**	1,646
Non-current	**23,743**	6,027
	32,583	7,673

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2021, the remaining lease periods of the Group's land use rights ranged from 15 to 49 years (2020: 16 to 50). Amortisation was included in administrative expenses.

(b) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2021	2020
	HK$'000	*HK$'000*
Depreciation and amortisation charge of right-of-use assets		
Land use rights	**2,313**	1,821
Buildings	**7,582**	1,373
	9,895	3,194
Interest expense	**559**	27
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	**32,303**	20,742

The total cash outflow for leases in 2021 was HK$9,388,000 (2020: HK$1,444,000).

11. TRADE AND OTHER RECEIVABLES

	2021 *HK$'000*	2020 *HK$'000*
Trade receivables	**1,226,404**	1,141,969
Less: allowance for impairment	**(4,277)**	(3,536)
Trade receivables, net	**1,222,127**	1,138,433
Bills receivable	**438**	560
Prepayments	**11,413**	18,544
Deposits	**15,435**	15,034
Advances to employees	**794**	950
Value added tax allowance	**24,682**	14,053
Employee welfare	**5,956**	5,808
Export tax refund receivables	**12,036**	8,935
Others	**7,037**	14,243
	1,299,918	1,216,560

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

	2021 *HK$'000*	2020 *HK$'000*
USD	**581,937**	572,452
RMB	**557,325**	479,567
HK$	**87,142**	89,950
	1,226,404	1,141,969

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

	2021 *HK$'000*	2020 *HK$'000*
Less than 3 months	**1,148,323**	1,041,274
More than 3 months but not exceeding 1 year	**78,081**	100,695
	1,226,404	1,141,969

12. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**1,506,740**	1,715,975
Notes payable	**135,240**	111,153
Wages and staff welfare benefits payable	**271,721**	218,895
Accrual for expenses and other payables	**96,050**	34,976
Other taxes payable	**8,178**	9,533
	2,017,929	2,090,532

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

	2021	2020
	HK$'000	*HK$'000*
Less than 3 months	**1,407,958**	1,347,344
More than 3 months but not exceeding 1 year	**98,737**	361,704
More than 1 year	**45**	6,927
	1,506,740	1,715,975

(b) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2021 and 2020.

13. BORROWINGS

	2021	2020
	HK$'000	*HK$'000*
Non-current		
Bank borrowings		
— secured (a)	**167,469**	166,427
— unsecured	**171,929**	—
Less: current portion of non-current borrowings	**(101,611)**	(80,318)
	237,787	86,109
Current		
Bank borrowings		
— secured (a)	**153,999**	142,850
— unsecured	**85,524**	—
Total short-term bank borrowings	**239,523**	142,850
Current portion of non-current borrowings	**101,611**	80,318
	341,134	223,168
Total borrowings	**578,921**	309,277

(a) As at 31 December 2021, bank borrowings amounting to HK$321.5 million (2020: HK$309.3 million) are secured over the following assets and the remaining borrowings are credit loans:

	2021	2020
	HK$'000	*HK$'000*
Restricted bank deposits	**63,258**	138,855
Financial assets at fair value through profit or loss	**3,209**	3,131
Investment properties	**7,700**	7,100
Trade and other receivables	**399,347**	340,188
	473,514	489,274

14. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	**Share capital**	**Share premium**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2020, 31 December 2020 and 31 December 2021	1,000,456,000	10,005	125,788	135,793

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at fair value through other comprehensive income comprise the following individual investments:

	2021	2020
	HK$'000	*HK$'000*
Non-current assets		
Unlisted securities		
GCteq Wireless	**6,289**	6,110
EOLOCK Co.	**3,252**	6,377
	9,541	12,487

Movement of financial assets at fair value through other comprehensive income is analysed as follows:

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**12,487**	17,017
Fair value change	**(3,313)**	(5,303)
Currency translation differences	**367**	773
At 31 December	**9,541**	12,487

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK$'000	*HK$'000*
Fair value of insurance contract for a member of key management	**3,209**	3,131
Fair value of unlisted equity investments in Huayuan Zhixin Semiconductor (Shenzhen) Co., Ltd.	**17,123**	—
Fair value of unlisted equity investments in Chengdu Emfuture Automation Engineering Co., Ltd.	**24,462**	—
Total	**44,794**	3,131

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'Other gains/(losses) — net' in the statement of profit or loss (Note 5).

As at 31 December 2021, the Group's bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK$3,209,000 (2020: HK$3,131,000)

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2021 (the "**Year**").

During the Year, most of the world's economies were still affected by the COVID-19 pandemic and this, together with continuing geopolitical tensions, created complications and volatility in the domestic and external environments, resulting in constant challenges to business operation. However, Ten Pao's management team actively responded to these challenges, abiding by the business philosophy of "Consolidating the foundation and cultivating the vitality, and breaking through the self" (「固本培元，突破自我」). The Group continued to diversify its customer portfolio, and through the supplier network established over the past 40 years, attained greater flexibility in the sourcing of raw materials and supply chain management, thus alleviating the pressure of external challenges on its operations. At the same time, during the Year, the Group focused on optimising its global production capacity layout, enhancing automation of its production systems and digitalisation of its operations, as well as strengthening its geographical advantage to further explore customer sources and mitigate rising labour costs, resulting in record high revenue and profit for the Group.

During the Year, the power supply business continued to be the driving force for the Group's revenue growth. Revenue for the business segment of power supply units for consumer products rose by approximately 40.3% to HK$3,881.6 million, benefitting from increase in demand. The business segment of smart chargers and controllers for industrial power supply also achieved steady growth, with a revenue of HK$2,481.1 million. Outstanding performance of these business segments led to an increase in overall revenue of approximately 41.8% to HK$6,362.7 million. During the Year, in line with its mid to long-term development strategy, the Group continued to focus key resources on the new energy industry. The Group accelerated the cooperation between Ten Pao and an internationally renowned energy company, and officially launched the online and offline sales of a series of new energy charging and energy storage products. At the same time, Ten Pao actively acquired new customers, including a U.S. automotive portable battery jump starter company, and deepened its partnership with a leading domestic multi-purpose energy storage device company. The continued growth momentum of the power supply business, coupled with the strategic development of the new energy business, laid a solid foundation for the mid and long-term development of Ten Pao. In the future, the Group will continue to invest research and development resources in the application technology of various electronic products and promote technological innovation to develop more commercial applications, with a view to enriching Ten Pao's product portfolio and enhancing overall business profitability.

In terms of production capacity, with the increase in customer demand during the Year, the Group actively pushed ahead with the upgrading of intelligent production and further improved its existing international production layout. Ten Pao's Intelligent Manufacturing Industrial Park in Huizhou, the PRC officially concluded construction during the Year and is expected to be gradually put into operation in the second half of 2022. Meanwhile, the phase two expansion of the Dazhou plant in Sichuan, the PRC was also completed on schedule during the Year. It is expected that the upgrading of the domestic plants will establish a solid foundation for the Group to take on more orders in the future. In terms of overseas production capacity, the Group expanded its plant in Hungary and set up new production lines in its Vietnam plant during the Year, resulting in the continual globalisation of Ten Pao's production lines and alleviation of geopolitical risks.

Although the COVID-19 pandemic was relatively under control in China, which allowed the country to lead in recovery amongst global economies, the global supply chain was still deeply affected by the pandemic. This resulted in a tight supply of raw materials and soaring prices in the electronics industry, putting pressure on the Group's production during the Year. In view of this, Ten Pao endeavoured to strengthen the management of raw material supply, enhance communication with customers and suppliers, and build up a solid strategic inventory to reduce the cost pressure caused by raw material shortage and price fluctuations. Looking ahead to 2022, we expect the tense supply chain situation to continue for some time. The Group's management team will increase efforts to monitor the cost structure and formulate timely measures to cope with the unpredictability of the market, prioritising financial prudence to sufficiently support the Group's ongoing expansion in production capacity and new business segments. We are confident that despite the challenges in the road ahead, the Group will be able to leverage its resources and propel the business to new heights in the coming few years.

Lastly, on behalf of the Board, I would like to express my heartfelt gratitude to the management and all staff for their unremitting contributions to the Group. I would also like to take this opportunity to express my sincere thanks to all shareholders, investors, customers and partners for their long-term trust and support of Ten Pao. In the future, under China's "14th Five-Year Plan", Ten Pao will comply with national policy, closely follow the development trends of the times, and commit itself to realising the dual-directional goals of "Ensuring efficiency and increasing development" in the Group's business development plan while managing risks. At the same time, Ten Pao will strengthen its management and configuration, ensure the stability of the supply chain, reduce costs and enhance product quality. With a forward looking management team and the solid foundation of the Group for more than 40 years, Ten Pao will continue to forge ahead, actively develop the industry under the umbrella of the new energy industry, and take the vision of becoming the market-leading one-stop smart power supply solutions provider as its mission to create longer-term and sustainable returns for shareholders.

BUSINESS REVIEW

Overview

Ten Pao is a leading provider of smart power supply solutions. The Company has mastered cutting-edge technology, strategically built a global production network, and developed a rich and diversified product portfolio. Over the past 40 and more years, Ten Pao has become a close partner of many internationally renowned customers and has been driving innovation and development in the overall power supply industry.

Looking back on 2021, the Group's operations faced many challenges, including the continuing outbreaks of the COVID-19 pandemic, unstable material supply, and unprecedented chaos in the international supply chain. However, the management team of the Group rose to the challenge, deployed ahead of schedule and flexibly allocated resources, and maintained close communication with various stakeholders. These efforts helped Ten Pao to once again realise excellent results, setting new records for both revenue and profit. For the year ended 31 December 2021, the Group's revenue was HK$6,362.7 million, increasing by approximately 41.8% year-on-year compared to 2020, mainly attributable to the growth of the overall power supply business and continual increase of customer orders. In the meantime, Ten Pao strategically implemented cost control measures, including the price management of raw materials, the advantages of resources allocation with an international production layout, and the steady increase in scale and degree of automation throughout the whole operating process. As a result, gross profit of the Group amounted to HK$1,060.3 million, increasing by approximately 28.2% year-on-year compared to 2020. Earnings per share amounted to HK37.8 cents (2020: HK28.9 cents).

To reward the long-term support of the Company's shareholders, and to reinforce the Group's confidence in the long-term prospects of the business, the Board has recommended the payment of a final dividend of HK5.6 cents per ordinary share for the year ended 31 December 2021 (2020: HK5.5 cents per ordinary share), with an option provided to the Company's shareholders to receive new and fully paid shares in lieu of cash, in whole or in part, under a scrip dividend scheme. Together with the interim dividend of HK5.7 cents per ordinary share for the six months ended 30 June 2021 already paid out (2020: HK3.0 cents per ordinary share), total dividend for the year ended 31 December 2021 will be HK11.3 cents per ordinary share, representing a yearly dividend payout ratio of 29.9%.

Market and Business Review

During 2021, factors including the rebound of the pandemic in parts of mainland China, shortage of raw materials of electronic components, power rationing measures, and disruption of export shipments brought challenges to the electronic manufacturing industry. However, the Group's business strategies and planning were effective in alleviating the impacts of the above factors on the Group's operation. During the Year, the Group exercised utmost diligence in pandemic control and prevention. Faced with the unstable supply of raw materials, the Group focused efforts on supply chain management to reduce the pressure brought by the imbalance in supply and demand of raw materials and price fluctuations. At the same time, Ten Pao continued to expand its production capacity and scale of automation during the Year, alleviating rising labour cost pressure, enhancing product quality, and achieving higher cost efficiency in the business through greater economies of scale. Additionally, the Group continued to develop in-depth relationships with its customers, closely collaborating with them in product research and development to offer greater diversity in product offerings and capture market opportunities, which helped the Group to achieve satisfactory results despite the difficult business environment.

For the year ended 31 December 2021, the Group's overall power supply business exhibited continual improvement. Revenue for the business segment of power supply units for consumer products amounted to approximately HK$3,881.6 million, representing an increase of 40.3% year-on-year and accounting for 61.0% of the Group's total revenue. Segment gross profit amounted to approximately HK$554.9 million, with segment gross profit margin at 14.3% (2020: 16.3%). Revenue for the business segment of smart chargers and controllers for industrial power supply amounted to HK$2,481.1 million, representing an increase of 44.1% year-on-year and accounting for 39.0% of the Group's total revenue. Segment gross profit amounted to approximately HK$505.4 million, with segment gross profit margin at 20.4% (2020: 21.9%). Strong segment result was mainly attributable to the Group's effective response towards increased customer demand, made possible through the growth in production capacity resulting from active expansion of the Group's production network.

During the Year, the Group increased its investment in the new energy business segment. Following the granting of a license last year by an internationally renowned energy company for the use of its trademark on portable power stations and portable electric vehicle chargers and the marketing rights, the Group officially launched the online sales of these products in the second half of 2021. Likewise, the Group officially launched an offline sales network in North America in the fourth quarter of 2021 to expand market coverage. During the Year, the Group also actively developed new customers in the automotive electronics field, which included a U.S. market leader in portable vehicle battery jump starters, with the aim of developing a series of automotive electronics products. In addition, the Group deepened its partnership with a leading domestic multi-purpose energy storage device company and launched portable chargers of various power output for overseas market. The development of the new energy business segment has made the Group's customers and product mix more diversified, enhanced the risk resistance of the whole business, and effectively drove the revenue growth for the Year.

During the Year, the unstable supply of raw materials, sharp fluctuations in prices, disruptions in international shipping and power rationing in the mainland brought much adverse impact on the Group. However, some of the cost pressures were mitigated by the appropriate operations strategy of the Group's management. In terms of raw material supply management, the Group proactively promoted the exchange of supply and demand information between its customers and suppliers, such that the suppliers could adequately deal with customers' needs. This consensus, together with the Group's more precise procurement of raw materials and the establishment of a strategic inventory, ensured a relatively stable supply of raw materials and uninterrupted production. In the face of the power rationing problem in the mainland China, while the impact of power rationing measures on the production bases in the region where the Group is located was relatively minor, the factory in Guangdong adopted a flexible production schedule which enabled the Group to swiftly reduce the impact of the power rationing to the minimum. The above strategic cost control measures were effective in improving the predictability and stability of Ten Pao's business during the Year.

In order to consistently mitigate the impacts of geopolitical risks to the business, the Group continued to improve its global production layout during the Year. In mainland China, the Group completed the phase two expansion of the Dazhou plant in Sichuan as scheduled. The construction of the intelligent manufacturing base in Huizhou Industrial Park was also concluded during the Year, which marked a significant milestone for the Group's ongoing plan to develop intelligent production and operation. In terms of overseas production capacity, the Group continued to increase the production capacity of its Vietnam plant during the Year and fitted additional production lines to meet customer demand, providing business opportunities amidst uncertain geopolitics. The latest phase of expansion for the Hungary plant was also completed during the Year, and continued to provide flexible, supportive auxiliary manufacturing supply for the Group's European customers through the cross-country railway network connecting to Sichuan, the PRC. These measures helped the Group to achieve synergies across its overall production network and reduce the risks posed by a single region. In addition, the vast majority of the Group's customers are major international brands who have established good working relationships with designated material suppliers and logistic companies and who, therefore, have greater ability to ensure the stability of material supply and logistic services. This also helped the Group to alleviate the cost pressure brought by international logistics disruptions.

Prospect

Looking ahead to 2022, as the global COVID-19 pandemic situation continues to evolve and geopolitics continues to bring uncertainty, the Group anticipates that domestic and overseas markets would become increasingly complex. In this environment, Ten Pao will adopt a development strategy of "Consolidating the foundation and cultivating the vitality" (「固本培元」). The Group will accelerate in raising the production efficiency of its plants and improving the layout of its overseas production capacity, and put even greater efforts into raw material supply management and cost control to establish stronger resilience. Financially, the Group will remain attentive to its liquidity and cash levels, adopting prudent usage of capital resources to hedge against market uncertainty while propelling business expansion. Furthermore, the Group will continue to invest research and development resources in the application technology of various electronic products, explore more avenues of commercial application, and actively invest in the new energy industry to capture market opportunities and to promote the Group's all-round and long-term business development.

Environmental conservation issues continue to attract international attention, and many countries have launched policies aiming to reduce carbon emissions. For example, the Chinese government is actively striving to achieve carbon neutrality before 2060, and the European Union is striving to reduce net carbon emissions by 55% by 2030. As one of the largest sources of carbon emissions, the automotive industry is accelerating development towards electric and new energy vehicles with the active support of governments around the world. The U.S. announced in December 2021 their latest electric vehicle action plan, targeting to increase the market share of electric vehicles in the U.S. to 50% by 2030. China's National Development and Reform Commission, National Energy Commission, together with other departments also recently published the "Implementation Advice on Increasing Assurance of Charging Infrastructure Facilities and Services for Electric Vehicles", which emphasizes increasing the supply and efficiency of public charging facilities such as charging piles. Various countries have also introduced similar measures. Under this macro environment, the

Group anticipates that new energy and electric vehicles will become increasingly popular, and the scope of application will continue to expand to different types of vehicles. There is great potential for business opportunities in this market. In consideration of this, Ten Pao will continue to develop its new energy business segment, focusing efforts on the hub of new energy vehicle development, that is western China, to capture market opportunities. The Group will also speed up related business collaboration with internationally renowned energy companies, including implementing offline sales channels in North America to synergise with the online sales platform. At the same time, the Group will invest resources to develop new energy vehicle charging and energy storage related technologies, and explore more areas of application and new commercial products to improve sales results in such fields. In view of the constant fluctuations in the pandemic situation in North America recently, the Group will closely monitor the situation with its business partners. In terms of automotive electronics and green mobility, the Group will also continue to allocate resources to these new energy industries, and jointly develop with potential customers more intelligent charging equipment including charging piles, intelligent power exchange cabinets and portable energy storage inverters. According to a recent study published by Credit Swisse's China automotive industry research team, driven by the improvement in semiconductor supply, the demand for electric vehicles in China in 2022 is expected to increase, and market demand for electric vehicle charging systems is also expected to increase correspondingly. The Group is currently actively researching to expand the commercial application of charging piles to 4-wheeler electric vehicles to capture this market opportunity. This will enrich the product mix of Ten Pao and bring more diverse sources of revenue to the Group.

The Group will continue to optimise its global production capacity layout in line with customers' international development strategies and for the dispersal of geopolitical risks at the same time. In terms of domestic production capacity layout, currently the Huizhou and Dazhou plants in the PRC are close to customer industrial centres and have important strategic advantage. The Group will continue to use the plants in the two places as its main production bases, and will actively negotiate with regional governments to jointly explore the feasibility of further expanding the capacity scale in the local area. In terms of overseas production capacity, the Group will continue to speed up the pace of plant development in Vietnam. The Group is closely monitoring the local pandemic situation and will maintain close communication with the local team in the coming year to ensure that the expansion plan could proceed smoothly and safely. The Vietnam plant will help the long-term development of the Group, reduce the risks brought by Sino-U.S. economic and trade relations and provide customers with more secure one-stop manufacturing solutions. In terms of automated production and operation, building construction of the Group's Ten Pao Intelligent Manufacturing Industrial Park in Huizhou, the PRC has been completed and the plant is expected to be put into use gradually in the coming year, contributing more production capacity to Ten Pao and propelling its plan for intelligent production management and digital upgrading. In the future, the Group will continue to promote intelligent and digital reform through its dedicated intelligent technology transformation department, and extend such to other production bases as planned, thus alleviating the cost pressure on the Group's production process brought by labour costs and seasonal personnel migration, and enhancing the controllability of product quality.

Over the past 40 and more years. Ten Pao Group has relied on its professional knowledge and competitive advantage in the power supply industry, as well as disciplined and dedicated service, to achieve the encouraging results of today. Over the past two years, the uncertainties brought by the evolving pandemic have presented great challenges. Amidst these challenges, Ten Pao has been steadfast and tireless in maintaining the stability of its business, supporting its customers' needs to sail past difficult times and maximise profits. Stepping into 2022, the Group will bravely forge onward, pooling the efforts of all management and staff of Ten Pao to secure its market leading position and advantage, and strive to bring long-term and sustainable returns for its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue is derived from sales of switching power supply units for consumer products and sales of smart chargers and controllers for industrial use.

The total revenue increased by 41.8% from HK$4,488.6 million for the year ended 31 December 2020 to HK$6,362.7 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in the volume of products sold as a result of the increase in the demand from our customers, particularly the demand from telecommunication segment which achieved a growth of 55.4% and the demand from smart chargers and controllers segment which achieved a growth of 44.1% during the year ended 31 December 2021.

Revenue by Product Segment

The following table sets forth the breakdown of our revenue by product segments for the year ended 31 December 2021 and the comparative figures.

	Year ended 31 December			
	2021		2020	
	HK$'000	*%*	*HK$'000*	*%*
Switching power supply units for consumer products				
Telecommunication	**2,463,591**	**38.7**	1,585,568	35.3
Media and entertainment	**439,298**	**6.9**	396,256	8.8
Electrical home appliances	**139,446**	**2.2**	172,496	3.8
Lighting equipment	**534,552**	**8.4**	456,064	10.2
Others	**304,664**	**4.8**	156,601	3.5
Subtotal	**3,881,551**	**61.0**	2,766,985	61.6
Smart chargers and controllers for industrial use	**2,481,119**	**39.0**	1,721,640	38.4
Total revenue	**6,362,670**	**100**	4,488,625	100

During the year ended 31 December 2021, the sales of switching power supply units for telecommunication equipment increased by 55.4% from HK$1,585.6 million for the year ended 31 December 2020 to HK$2,463.6 million for the year ended 31 December 2021, mainly due to the increase in demand from the leading smartphone manufacturing clients in the PRC for the high-end fast-charging products of the Group. Sales of smart chargers and controllers increased by 44.1% to HK$2,481.1 million for the year ended 31 December 2021 when compared with year 2020, mainly due to additional orders from customers.

Revenue by Geographic Location

The following table sets out an analysis of the total revenue by geographic location, and is based on the destination to which we delivered our products to our customers, whereas the ultimate products produced by our customers were sold globally. As such, the delivery destination of our products might not be the same as the countries in which the relevant final products were sold.

	Year ended 31 December			
	2021		2020	
	HK$'000	*%*	*HK$'000*	*%*
PRC, excluding Hong Kong	**3,829,046**	**60.2**	2,615,248	58.2
Europe	**855,229**	**13.4**	575,345	12.8
Asia, excluding PRC	**823,487**	**12.9**	546,300	12.2
US	**665,235**	**10.5**	541,018	12.1
Africa	**145,489**	**2.3**	166,755	3.7
Others	**44,184**	**0.7**	43,959	1.0
Total revenue	**6,362,670**	**100**	4,488,625	100

Cost of Sales

Cost of sales primarily consists of cost of raw materials, direct labour costs and production overheads. Cost of raw materials mainly includes expenses relating to our purchases of raw materials such as plastic parts, integrated circuits, cables, metal parts, transformers and inductors, capacitors, diodes, printed circuit board components, triodes, copper and aluminium materials, and resistors. Direct labour costs mainly comprise wages, pension costs and social security costs for those who are directly involved in the manufacturing of our products. Production overheads mainly comprise depreciation of plant and machinery, administrative staff costs relating to production, subcontracting expenses, utility expenses and other miscellaneous production costs.

Cost of sales increased by 44.8% for the year ended 31 December 2021 as compared with 2020, which was consistent with the increase in revenue by 41.8% during the year.

Moreover, the increase in average wages in the PRC and costs of raw materials, particularly the semiconductor materials, imposed negative impact on the cost of sales.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2021, the Group recorded a gross profit of HK$1,060.3 million, representing an increase of 28.2% from the year ended 31 December 2020.

The gross profit margin of the Group decreased from 18.4% for the year ended 31 December 2020 to 16.7% for the year ended 31 December 2021. Such decrease was primarily due to the rising cost of raw materials and direct labour cost, and the additional depreciation of the newly acquired production equipments during the year under review.

Other Income

Other income mainly consists of sales of scrap materials from our manufacturing process, sales of raw materials, samples and moulds, inspection and certification fee income for obtaining standard certifications as requested by customers and others. The increase in other income is mainly attributable to the increase in the sales of scrap materials as a result of the increase in the scale of production and the compensation received from customers for the sharp increase in overseas transportation.

Other Gains — Net

Net other gains mainly consists of fair value changes on derivative financial instruments, net foreign exchange difference for transactions denominated in foreign currencies, government grants for approved technology projects, and loss on disposal of property, plant and equipment. Net other gains recorded during the year ended 31 December 2021 were primarily due to the gain in the fair value changes on derivative financial instruments and the additional government grants received.

Selling Expenses

Selling and marketing expenses primarily consist of employee benefit expenses, transportation and travelling expenses, commission expenses to salespersons and agents, certificate and detection fees mainly for obtaining safety certifications, consultancy fee, entertainment fee, operating lease payments, advertising costs, commercial insurance for our trade receivables and others.

Selling and marketing expenses increased by 41.4% from HK$155.7 million for the year ended 31 December 2020 to HK$220.2 million for the year ended 31 December 2021. The increase was primarily attributable to the increase in employee benefit expenses paid for the sales team and the increase in the transportation expenses for the shipments to the overseas.

Administrative Expenses

Administrative expenses primarily consist of employee benefit expenses for administrative staff, depreciation, amortisation and impairment charges, consultancy fee, transportation and travelling expenses, entertainment expenses, bank charges, research and development costs and others.

Administrative expenses increased by 48.5% from HK$279.0 million for the year ended 31 December 2020 to HK$414.2 million for the year ended 31 December 2021. The increase was primarily attributable to the increase in the employee benefit expenses, research and development expenses, operating lease payments and certificate and detection fees as a result of the increase in the business of the Group.

Finance Expenses — Net

Net finance expenses represent interest charges on our interest-bearing bank borrowing and interest income on our bank deposits. The Group had net finance expenses of HK$4.5 million and HK$6.6 million for the years ended 31 December 2021 and 2020, respectively. The overall decrease was the combined effect of increase in interest income as a result of the increase in average bank deposits during the year, and the increase in interest expenses as a result of the increase in average bank borrowings during the year under review. For the year ended 31 December 2021, interest expenses of HK$2.6 million was capitalised (2020: nil).

Income Tax Expense

Income tax expense represents income tax payable by the Group under relevant income tax rules and regulations where the Group operates.

Income tax expense consists of current income tax and deferred income tax. Current income tax consists of the PRC corporate income tax at a rate of 15% for two PRC subsidiaries of the Company which were recognised as "New and High Technology Enterprises" and enjoy a preferential corporate income tax rate and at a rate of 25% for the other PRC subsidiaries of the Company, respectively. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the Company's subsidiaries in Hong Kong. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Income tax expense decreased from HK$85.2 million for the year ended 31 December 2020 to HK$68.5 million for the year ended 31 December 2021. Profits contribution from the Hong Kong subsidiaries of the Company increased during the year under review and were taxed at the rate of 16.5%. As of 31 December 2021, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

The decrease in income tax expense is mainly due to the preferential tax rate for Ten Pao Electronic (Dazhou) during the year ended 31 December 2021.

TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Total comprehensive income for the year attributable to owners of the Company increased by 13.9% to HK$415.5 million for the year ended 31 December 2021 from HK$364.7 million for the year ended 31 December 2020, including currency translation gain of HK$41.1 million as a result of the appreciation of RMB in 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy position. As of 31 December 2021, net current assets was HK$346.9 million as compared with HK$425.0 million at 31 December 2020. As of 31 December 2021, current ratio was 1.14 times (2020: 1.18 times) (current ratio is calculated by using the following formula: current assets/current liabilities). Gearing ratio was 44.2% (2020: 30.9%) (gearing ratio is calculated by using the following formula: total borrowings/total equity). The increase in the gearing ratio was mainly attributable to the increase of the average borrowings in 2021 to finance the expansion of the business, particularly used in the working capital and the expansion in the production capacity.

Cash generated from operations for the year ended 31 December 2021 was HK$245.2 million (2020: HK$552.4 million) and the decrease was mainly attributable to the increase in account receivables from customers and the increase in inventories. Shorter credit terms were also given by the suppliers during the year under review.

Cash used in investing activities for the year ended 31 December 2021 was HK$611.1 million (2020: HK$251.5 million). During the year ended 31 December 2021, the Group made substantial investments in the addition of the plant and machineries to increase its production capacity. In addition, the construction of new factory premises in Huizhou, the PRC have a total investment of HK$316.5 million during the year.

During the year ended 31 December 2021, net cash generated from financing activities was HK$220.4 million (2020: net cash used HK$36.5 million) as the Group increased the level of borrowings to finance the expansion of business and the construction of new factory premises during the year ended 31 December 2021.

DEBT MATURITY PROFILE

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

	As at 31 December	
	2021	2020
	HK$'000	*HK$'000*
Within 1 year	**341,134**	223,168
Between 1 and 2 years	**183,630**	22,736
Between 2 and 5 years	**54,157**	63,373
	578,921	309,277

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

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

The Group generates a notable portion of revenue and receivables in USD and HK$, while our cost of sales is primarily denominated in RMB. For the year ended 31 December 2021, our revenue denominated in USD and HK$ amounted to approximately 59.8% of our total revenue.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies and to mitigate the impact on exchange rate fluctuations. During the year ended 31 December 2021, no new forward foreign exchange contracts had been entered into by the Group.

Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 31 December 2021, the Group had bank borrowings of HK$578.9 million (2020: HK$309.3 million) which were primarily denominated in HK$, RMB and USD.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure credit terms are only granted to customers with an appropriate credit history, and credit evaluations on them were performed periodically, taking into account their financial position, past experience and other factors. For customers to whom no credit terms were offered, the Group generally requires them to pay deposits and/or advances prior to delivery of products. The Group typically does not require collaterals from customers. Provisions are made for the balances when they are past due and the management considers the default risk is high.

As at 31 December 2021, all of the bank balances, term deposits and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions. As at 31 December 2021 and 2020, the Group held bank balances, term deposits and restricted bank deposits totalling HK$351.7 million, and HK$565.4 million, respectively, with four major banks in the PRC and Hong Kong.

Liquidity Risk

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

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of approximately 8,000 full-time employees as of 31 December 2021 (2020: approximately 8,000). The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favourable working environment. The Group constantly invests in training across diverse operational functions and offer competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

CORPORATE GOVERNANCE PRACTICES

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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the CG Code throughout the year ended 31 December 2021, with the exception of code provision A.2.1.

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

The CG Code and code provisions specified above refer to the CG Code and code provisions prior to their amendments effective on 1 January 2022.

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, each of the Directors has confirmed compliance with the Model Code throughout the year ended 31 December 2021 and up to the date of this announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year ended 31 December 2021 and up to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK5.6 cents (2020: HK5.5 cents) per ordinary share of the Company for the year ended 31 December 2021 to the Company's shareholders whose names are to be appeared on the register of members of the Company on Monday, 27 June 2022. The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Friday, 17 June 2022 (the "**2022 AGM**").

The proposed final dividend will be payable in cash, with an option provided to the Company's shareholders to receive new and fully paid shares in lieu of cash, in whole or in part, under the scrip dividend scheme (the "**Scrip Dividend Scheme**"). The new shares of the Company (the "**New Shares**") will, on issue, rank *pari passu* in all respects with the existing shares in issue on the date of the allotment and issue of the New Shares except that they shall not be entitled to the proposed final dividend for the year ended 31 December 2021. The circular containing details of the Scrip Dividend Scheme and the relevant election form is expected to be sent to shareholders in July 2022.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the forthcoming 2022 AGM and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares to be issued under the Scrip Dividend Scheme.

It is expected that the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be sent by ordinary mail to the Company's shareholders at their own risk on 15 August 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (both days inclusive) for the purpose of determining the right to attend and vote at the 2022 AGM. In order to be qualified for attending and voting at the 2022 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 13 June 2022.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2022 AGM, the register of members of the Company will also be closed from Thursday, 23 June 2022 to Monday, 27 June 2022 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2021. In order to be qualified for the proposed final dividend (subject to the approval of the shareholders of the Company at the 2022 AGM), unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. (Hong Kong time) on Wednesday, 22 June 2022.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The Audit Committee has reviewed the audited consolidated financial results of the Group for the year ended 31 December 2021 in conjunction with the Company's management. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considered the risk management and internal control systems to be effective and adequate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's annual results for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's independent auditors, PricewaterhouseCoopers, Certified Public Accountants of Hong Kong ("**PricewaterhouseCoopers**") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement of results.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tenpao.com). The annual report for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 18 March 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.