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 2022

The board (the "**Board**") of directors (the "**Directors**") of Ten Pao Group Holdings Limited ("**Ten Pao**" or the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021 as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the year ended 31 December 2022 decreased by 13.9% to HK$5,481.4 million.
- Gross profit for the year ended 31 December 2022 decreased by 13.6% to HK$915.8 million. Gross profit margin remained the same at 16.7%.
- Profit before income tax for the year ended 31 December 2022 decreased by 23.0% to HK$351.8 million.
- Profit attributable to owners of the Company for the year ended 31 December 2022 decreased by 21.6% to HK$296.9 million.
- The Board recommended the payment of a final dividend of HK3.3 cents per ordinary share of the Company for the year ended 31 December 2022, which is subject to the approval of the Company's shareholders at the 2023 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	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**5,481,355**	6,362,670
Cost of sales	*6*	**(4,565,574)**	(5,302,350)
Gross profit		**915,781**	1,060,320
Other income	*5*	**18,794**	29,300
Other gains — net	*5*	**39,442**	8,084
Selling expenses	*6*	**(194,335)**	(220,188)
Administrative expenses	*6*	**(414,377)**	(414,233)
Net impairment losses on financial assets		**(1,034)**	(1,796)
Operating profit		**364,271**	461,487
Finance income		**2,067**	2,976
Finance expenses		**(14,560)**	(7,486)
Finance expenses — net		**(12,493)**	(4,510)
Profit before income tax		**351,778**	456,977
Income tax expense	*7*	**(55,247)**	(68,462)
Profit for the year		**296,531**	388,515
Profit for the year attributable to:			
Owners of the Company		**296,902**	378,616
Non-controlling interests		**(371)**	9,899
		296,531	388,515
Earnings per share			
— basic and diluted per share	*8*	**HK29.3 cents**	HK37.8 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	
	2022	2021
	HK$'000	*HK$'000*
Profit for the year	**296,531**	388,515
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(143,174)**	41,082
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	**1,204**	(4,164)
	(141,970)	36,918
Total comprehensive income for the year attributable to:		
Owners of the Company	**154,932**	415,534
Non-controlling interests	**(371)**	9,899
	154,561	425,433

CONSOLIDATED BALANCE SHEET

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

	Notes	As at 31 December 2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Land use rights		**4,536**	4,820
Property, plant and equipment		**1,030,964**	1,074,459
Right-of-use assets	*10*	**164,777**	142,697
Investment properties		**7,400**	7,700
Intangible assets		**10,747**	11,751
Deferred income tax assets		**55,808**	45,601
Financial assets at fair value through profit or loss	*16*	**58,413**	44,794
Financial assets at fair value through other comprehensive income	*15*	**10,149**	9,541
Derivative financial assets — non-current		**6,468**	554
Prepayments for the purchase of property, plant and equipment		**4,862**	20,557
		1,354,124	1,362,474
Current assets			
Inventories		**906,377**	1,150,120
Trade and other receivables	*11*	**1,114,763**	1,299,918
Amounts due from related parties		**1,782**	1,484
Derivative financial assets — current		**1,406**	—
Restricted bank deposits		**170,578**	63,258
Cash and cash equivalents		**341,394**	288,440
		2,536,300	2,803,220
Total assets		**3,890,424**	4,165,694
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**10,304**	10,005
Share premium	*14*	**162,426**	125,788
Other reserves		**85,646**	208,035
Retained earnings		**1,155,395**	951,801
		1,413,771	1,295,629
Non-controlling interests		**(659)**	12,886
Total equity		**1,413,112**	1,308,515

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*13*	**202,884**	237,787
Lease liabilities			
— non-current	*10*	**16,916**	23,743
Derivative financial instruments			
— non-current		**—**	1,339
Deferred income tax liabilities		**102,242**	91,688
Deferred government grants		**56,921**	46,324
		378,963	400,881
Current liabilities			
Trade and other payables	*12*	**1,743,631**	2,017,929
Contract liabilities		**46,471**	17,686
Amounts due to related parties		**34,854**	28,732
Dividend payable		**13**	9,257
Income tax liabilities		**16,573**	32,681
Derivative financial liabilities — current		**—**	39
Lease liabilities — current	*10*	**8,241**	8,840
Short-term bank borrowings	*13*	**59,123**	239,523
Current portion of non-current bank borrowings	*13*	**189,443**	101,611
		2,098,349	2,456,298
Total liabilities		**2,477,312**	2,857,179
Total equity and liabilities		**3,890,424**	4,165,694

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 Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (collectively, the "**Group**") are principally engaged in the developing, manufacturing and sales of 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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018–2020
- Reference to the Conceptual Framework — Amendments to HKFRS 3
- Covid-19 Related Rent Concessions beyond 30 June 2021 — Amendment to HKFRS 16 (March 2021) (the "**HKFRS 16 Amendment (March 2021)**")
- Amendments to AG 5 Merger Accounting for Common Control Combinations

The application of the new and amendments to HKFRSs in the current year 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
Insurance Contracts	Amendments to HKFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current	Amendments to HKAS 1	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
Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	HK Int 5 (2020)	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 2022 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 *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 2022							
Revenue							
Revenue from external customers							
— At a point in time	**1,578,658**	**413,495**	**107,574**	**347,248**	**2,328,400**	**705,980**	**5,481,355**
Segment results	**193,675**	**48,323**	**17,021**	**48,830**	**524,180**	**83,752**	**915,781**
Other income							**18,794**
Other gains — net							**39,442**
Selling expenses							**(194,335)**
Administrative expenses							**(414,377)**
Finance expenses — net							**(12,493)**
Net impairment losses on financial assets							**(1,034)**
Profit before income tax							**351,778**

	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 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

5. OTHER INCOME AND OTHER GAINS — NET

(a) Other income

	2022 *HK$'000*	2021 *HK$'000*
Sales of scrap materials	**8,442**	11,781
Sales of raw materials, samples and moulds	**2,181**	4,982
Inspection and certification fee income	**2,255**	1,506
Rental income	**2,128**	1,946
Overseas transportation income	**—**	4,538
Others	**3,788**	4,547
	18,794	29,300

(b) Other gains — net

	2022 *HK$'000*	2021 *HK$'000*
Fair value changes on derivative financial instruments	**8,698**	8,120
Fair value changes on financial assets at fair value through profit or loss	**(5,246)**	77
Fair value changes on investment properties	**(300)**	600
Net foreign exchange gain/(loss)	**12,521**	(27,889)
Government grants	**16,539**	18,078
Loss on disposal of property, plant and equipment	**(1,749)**	(945)
Compensation income from customers	**10,243**	9,192
Others	**(1,264)**	851
	39,442	8,084

6. EXPENSES BY NATURE

	2022	2021
	HK$'000	*HK$'000*
Raw materials and consumables used (excluding research and development expenses)	**3,823,136**	4,614,031
Employee benefit expenses (excluding research and development expenses)	**573,126**	731,242
Research and development expenses		
— Employee benefit expenses	**121,736**	141,908
— Raw materials, consumables used and others	**44,912**	67,313
— Depreciation and amortisation	**14,396**	11,507
Depreciation, amortisation and impairment charges (excluding research and development expenses)	**151,565**	119,378
Changes in inventories of finished goods and work in progress	**150,504**	(118,589)
Operating lease payments	**29,510**	32,303
Allowance for impairment of inventory	**9,276**	41,474
Auditors' remuneration		
— Audit services	**3,573**	3,924
— Non-audit services	**2,580**	1,671
Other expenses	**249,972**	290,609
Total cost of sales, selling expenses and administrative expenses	**5,174,286**	5,936,771

7. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax ("**CIT**")	**31,546**	36,268
— Hong Kong profits tax	**27,633**	36,942
Subtotal	**59,179**	73,210
Deferred income tax	**(3,932)**	(4,748)
	55,247	68,462

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act 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 2022 was 15% (2021: 15%).

(d) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding income tax of 10% has been 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.

Ten Pao Electronic (Samoa) Co., Ltd. has become a resident of Hong Kong under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" for the year ended 31 December 2022.

(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 (2021: Nil).

(f) Hungary corporate income tax

The corporate income tax rate in Hungary is 9% during the year (2021: 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:

	2022	2021
	HK$'000	*HK$'000*
Profit before income tax	**351,778**	456,977
Tax calculated at applicable corporate income tax rate of 25%	**87,945**	114,244
Effect of differences in tax rates	**(17,467)**	(17,720)
Preferential tax treatment of CIT	**(28,836)**	(21,819)
Withholding tax	**10,329**	3,620
Tax losses and deductible temporary difference for which no deferred income tax asset was recognised	**18,217**	8,362
Utilisation of tax losses previously not recognised	**(2,299)**	(3,855)
Expenses not deductible for taxation purposes	**4,607**	3,271
Accelerated research and development deductible expenses	**(15,623)**	(17,469)
Income not subject to tax	**(1,626)**	(172)
	55,247	68,462

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.

	2022	2021
Profit attributable to owners of the Company (HK$'000)	**296,902**	378,616
Weighted average number of shares issued (thousands)	**1,011,855**	1,000,456
Basic earnings per share (HK cents)	**29.3**	37.8

(b) Diluted earnings per share

For the years ended 31 December 2022 and 2021, 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

	2022	2021
	HK$'000	*HK$'000*
Interim dividend paid per ordinary share: HK2.8 cents (2021: HK5.7 cents)	**28,851**	57,026
Proposed final dividend per ordinary share: HK3.3 cents (2021: HK5.6 cents)	**34,003**	56,026
	62,854	113,052

A final dividend of HK5.6 cents per share (with a scrip dividend option) for the year ended 31 December 2021 was made on 15 August 2022 with the issuance of 29,932,965 shares (issue price per share: HK$1.234) of the Company to shareholders who opted scrip dividend by way of capitalisation of distributable reserves of the Company. A total amount of cash dividend of HK$47,940,000 was paid in 2022 (including the 2021 final dividend of HK$19,089,000 paid to those shareholders who had elected receipt of dividend in cash and the 2022 interim dividend of HK$28,851,000) (2021: HK$112,051,000).

A final dividend of HK3.3 cents per ordinary share, amounting to HK$34,003,000 in respect of the year ended 31 December 2022 is to be proposed at the annual general meeting of the Company to be held on 2 June 2023 (2021: The Board 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 per share).

10. LEASE

(a) Amounts recognised in the consolidated balance sheet

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

	31 December 2022	31 December 2021
	HK$'000	*HK$'000*
Right-of-use assets		
Land use rights	**139,054**	109,701
Buildings	**25,723**	32,996
	164,777	142,697
Lease liabilities		
Current	**8,241**	8,840
Non-current	**16,916**	23,743
	25,157	32,583

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2022, the remaining lease periods of the Group's land use rights ranged from 14 to 49 years (2021: 15 to 49). 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:

	2022	2021
	HK$'000	*HK$'000*
Depreciation and amortisation charge of right-of-use assets		
Land use rights	**2,240**	2,313
Buildings	**7,823**	7,582
	10,063	9,895
Interest expense	**440**	559
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	**29,510**	32,303

The total cash outflow for leases in 2022 was HK$10,004,000 (2021: HK$9,388,000).

11. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**1,050,103**	1,226,404
Less: allowance for impairment of trade receivables	**(5,487)**	(4,277)
Trade receivables, net	**1,044,616**	1,222,127
Value added tax allowance	**28,039**	24,682
Deposits	**16,111**	15,435
Prepayments	**11,256**	11,413
Employee welfare	**2,632**	5,956
Export tax refund receivables	**4,040**	12,036
Bills receivable	**1,110**	438
Advances to employees	**781**	794
Others	**6,178**	7,037
	1,114,763	1,299,918

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

	2022	2021
	HK$'000	*HK$'000*
USD	**609,262**	581,937
RMB	**366,899**	557,325
HK$	**73,942**	87,142
	1,050,103	1,226,404

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

	2022	2021
	HK$'000	*HK$'000*
Less than 3 months	**924,697**	1,148,323
More than 3 months but not exceeding 1 year	**125,406**	78,081
	1,050,103	1,226,404

12. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**1,176,206**	1,506,740
Notes payable	**232,683**	135,240
Wages and staff welfare benefits payable	**277,735**	271,721
Accrual for expenses and other payables	**49,979**	96,050
Other taxes payable	**7,028**	8,178
	1,743,631	2,017,929

(a) The aging analysis of trade payables based on invoices date is as follows:

	2022	2021
	HK$'000	*HK$'000*
Less than 3 months	**905,796**	1,407,958
More than 3 months but not exceeding 1 year	**257,171**	98,737
More than 1 year	**13,239**	45
	1,176,206	1,506,740

(b) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2022 and 2021.

13. BORROWINGS

	2022	2021
	HK$'000	*HK$'000*
Non-current		
Bank borrowings		
— secured (a)	**197,390**	167,469
— unsecured	**194,937**	171,929
Less: current portion of non-current borrowings	**(189,443)**	(101,611)
	202,884	237,787
Current		
Bank borrowings		
— secured (a)	**59,066**	153,999
— unsecured	**57**	85,524
Total short-term bank borrowings	**59,123**	239,523
Current portion of non-current borrowings	**189,443**	101,611
	248,566	341,134
Total borrowings	**451,450**	578,921

(a) As at 31 December 2022, bank borrowings amounting to HK$256.5 million (2021: HK$321.5 million) are secured over the following assets and the remaining borrowings are credit loans:

	2022	2021
	HK$'000	*HK$'000*
Restricted bank deposits	**170,578**	63,258
Financial assets at fair value through profit or loss	**3,270**	3,209
Investment properties	**7,400**	7,700
Trade and other receivables	**141,768**	399,347
	323,016	473,514

14. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of Shares	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
As at 1 January 2021, 31 December 2021	1,000,456,000	10,005	125,788	135,793
Scrip dividend	29,932,965	299	36,638	36,937
At 31 December 2022	1,030,388,965	10,304	162,426	172,730

A final dividend of HK5.6 cents per share (with a scrip dividend option) for the year ended 31 December 2021 was made on 15 August 2022 with the issuance of 29,932,965 shares (issue price per share: HK$1.234) of the Company to shareholders who opted scrip dividend by way of capitalisation of distributable reserves of the Company.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	2022 ***HK$'000***	2021 *HK$'000*
Non-current assets		
Unlisted securities		
GCteq Wireless (Shenzhen) Co., Ltd.	**9,981**	6,289
Qingdao Eolock Intelligent Technology Co., Ltd.	**168**	3,252
	10,149	9,541

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

	2022 ***HK$'000***	2021 *HK$'000*
At 1 January	**9,541**	12,487
Fair value change	**1,417**	(3,313)
Currency translation differences	**(809)**	367
At 31 December	**10,149**	9,541

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	HK$'000	*HK$'000*
Insurance contract for a member of key management	**3,270**	3,209
Investments in Huayuan Zhixin Semiconductor (Shenzhen) Co., Ltd.	**22,297**	17,123
Investments in Chengdu Emfuture Automation Engineering Co., Ltd.	**10,456**	24,462
Investments in Xi'an XY Power Technology Co., Ltd.	**22,390**	—
Total	**58,413**	44,794

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

As at 31 December 2022, the Group's bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK$3,270,000 (2021: HK$3,209,000).

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 2022 (the "**Year**").

Despite the rapid recovery from the COVID-19 pandemic in 2022, the global manufacturing industry remained affected by continuous geopolitical tensions and complex economic headwinds that impacted different regions. Activities along the supply chain, from raw material procurement, production, logistics and transportation to customers' demand were all affected. During the Year, Ten Pao swiftly and flexibly allocated its production and raw material resources towards global deployment and intelligent manufacturing, which led to an accelerated growth in its new energy business and the development of new power supply products with higher efficiency and power output. As a result, the Group's new energy business doubled its performance during the Year. Although the power supply business declined due to market conditions, Ten Pao maintained its commitment to quality and research and development (the "**R&D**"). The Group is confident that its power supply business will experience a quick rebound when pent-up demand is released.

The Group has systematically developed its global production capacity and actively promoted intelligent production upgrading. Production bases located in Huizhou (Guangdong Province), Dazhou (Sichuan Province), Hungary and Vietnam are able to effectively meet the needs of customers in various regions. The expansion of the Dazhou plant in Sichuan Province and the construction of the Huizhou Intelligent Manufacturing Industrial Park have elevated intelligent production and operation to a new level. Additionally, the Vietnam and Hungary plants have provided flexible production and supply to global customers, thereby reducing potential risks arising from reliance on a single geographic region. The Group will continue to strengthen the deployment of overseas production bases according to customer demand. The Group is currently considering the feasibility of establishing a production base in Mexico. Furthermore, the Group will study market trends and enhance its geographic advantages to further expand its customer base and strengthen its customer network. Meanwhile, it will focus on automated and intelligent production management to reduce labour costs, improve product quality and provide new opportunities for product customisation.

Ten Pao has consistently focused on independent R&D and manufacturing of diversified power supply equipment. The Group has capitalised on its extensive industry experience, solid customer base and forward-looking industry insight to identify product areas with growth potential. In response to market trends, the Group will prioritise the R&D and business development of high-power charging technologies. This includes charging module products for charging piles, portable energy storage systems and industrial power supply-related applications.

The Group's new energy business, initiated a few years ago, is expected to deliver improved performance. Most countries have been committed to developing new energy and electric vehicle businesses in the recent years, so the new energy market is poised for a new phase of growth and development driven by both policy and demand. This, in turn, will serve as a new growth driver for our overall performance. In response to market demand, the Group has reconstructed its supply chain management model; utilised big data digital technology to enhance management efficiency; strengthened R&D, production capacity and marketing capabilities; and formulated three new energy product application areas centering on charging modules, energy storage and automotive electronics as core product strategy. During the Year, revenue generated from the new energy business segment was satisfactory, and orders to be produced and delivered doubled.

With respect to charging modules for charging piles, the Group leveraged its existing 30KW charging module to develop a new 40KW version, representing a gradual shift towards products with higher power output. With respect to energy storage products, the Group has emerged as one of the pioneer companies to design and produce portable power stations. During the Year, it collaborated with several internationally renowned brands to launch large-capacity portable power stations for outdoor use. Given the surge in outdoor activities both domestically and abroad in light of the improvement of the COVID-19 pandemic, demand for these products is expected to continue rising. The Group also proactively pursued new customers in the automotive electronics field and developed a series of automotive electronics products.

In addition to expanding its business with internal resources, the Group entered into a cooperation agreement for business expansion and equity investment with an industry-leading customer engaged in medium to high-power charging module business during the Year. This collaboration aims to have both parties co-develop charging modules for charging piles, which does not only strengthen the partnership, but also provides the Group with an opportunity to invest in companies with growth potential. Going forward, the Group will continue to seek more potential strategic cooperation opportunities and replicate this model to enhance its competitive edge.

The Group's overall performance in the power supply business for the Year was also affected by unfavourable factors in the global consumer market. The segment of power supply units for consumer products, dominated by cell phone customers, generated revenue of HK$3,153.0 million, down 18.8% year-on-year due to the slowdown in smartphone sales, accounting for 57.5% of the Group's total revenue. Segment gross profit amounted to approximately HK$391.6 million. The segment of smart chargers and controllers for industrial power supply, which is highly risk-averse due to its well-established customer base, flexible supply chain management, and international production capacity layout, recorded a revenue of HK$2,328.4 million, representing a decrease of 6.2% year-on-year, and accounting for 42.5% of the Group's total revenue. Segment gross profit amounted to approximately HK$524.2 million, which helped mitigate the impact of the segment of power supply units for consumer products.

A flexible management model is essential for business success, allowing the team to capitalise on opportunities for accelerated growth and adapt seamlessly during difficult times. During the Year, the Group implemented a series of measures to reduce costs and increase efficiency. For example, the logistics system utilised big data analysis to flexibly deploy resources along the supply chain, resulting in remarkable outcomes. In the coming years, the Group will intensify efforts to standardise and localise materials, strengthen cooperation with strategic suppliers, accurately control the timing of raw material procurement, enhance bargaining power and build up a solid strategic inventory to reduce the cost pressure caused by raw material shortages and price fluctuations. While tight supply chains and volatile commodity prices are expected to continue, the Group will formulate timely measures to address market changes, and maintain financial stability, which in turn will provide stronger support for the sustainable development of its production capacity and new energy businesses.

Last but not least, on behalf of the Board, I would like to express my heartfelt gratitude to our shareholders (the "**Shareholders**"), investors, customers and business partners for their longstanding trust and support of Ten Pao. I would also like to express my sincere appreciation to all the staff for their contribution to Ten Pao's success. Going forward, Ten Pao will continue to forge ahead, actively develop its new energy business and strive to become the market-leading one-stop smart power supply solutions provider to create long-term and sustainable returns for Shareholders.

BUSINESS REVIEW

Overview

The Group is an industry-leading provider of smart power supply solutions. For more than 40 years, the Group has been conducting and developing power supply products and has won the trust of prestigious brands at home and abroad with its continuous innovation, and high-quality and diverse products. The Group is a reliable partner in the power supply industry, promoting its innovation and development.

In 2022, enterprises faced significant challenges, including the resurgent global pandemic, strict pandemic prevention and control measures in various Chinese cities, and ongoing international instability. Despite these headwinds, Ten Pao's management team responded proactively. On the one hand, we seized market opportunities to expand the Group's new energy business. On the other hand, we found ways to optimise the business by broadening the Group's international and diversified customer base, refining its global production layout, improving the digitalisation of its manufacturing bases, and maintaining strategic inventory supply. These measures ensured the stable development and smooth operation of the Group's core businesses.

Against the backdrop of the global commitment to carbon neutrality and energy transformation, new energy-related business is a key driver for future economic growth. The Group's new energy business achieved good results during the Year, which helped to cushion the adverse effects of various unfavourable external factors on the power supply business. For the year ended 31 December 2022, the Group's revenue decreased by 13.9% to HK$5,481.4 million. The Group's profit before tax for the Year amounted to HK$351.8 million and profit attributable to owners of the Company decreased by 21.6% to HK$296.9 million as compared with the same period in 2021.

Entering into 2023, the rapid pace of global recovery from the pandemic and the accelerated opening up of the mainland China have helped to unleash the pent-up demand. It is expected that the new round of economic recovery in China will be mainly driven by consumption, and the increasing customer enquiries and orders in recent months show a gradual pickup in the industry.

The Group continues to pursue a stable, long-term dividend policy, in appreciation of the ongoing support of the Shareholders. The Board has recommended the payment of a final dividend of HK3.3 cents per ordinary share for the year ended 31 December 2022 (2021: HK5.6 cents per ordinary share). Together with the interim dividend of HK2.8 cents per ordinary share for the six months ended 30 June 2022 already paid out (2021: HK5.7 cents per ordinary share), total dividend for the year ended 31 December 2022 will be HK6.1 cents per ordinary share, representing a yearly dividend payout ratio of 20.8%.

Market and Business Review

In recent years, countries around the world have been committed to promoting the business of new energy and electric vehicles, striving for "global carbon reduction". As a result, it is now a major trend to replace fuel vehicles with electric ones. Under the dual effects of policy and market conditions, China's new energy vehicle sector continued to grow dramatically in 2022, with production and sales increasing by 96.9% and 93.4% year-on-year to 7.058 million units and 6.887 million units, respectively, ranking the first in the world for eight consecutive years. China's new energy vehicles are gradually moving into a period of comprehensive market expansion, entering into a new stage of development and growth, and with it, continuing increase of market demand for charging piles and charging modules. Across the world, under the effects of the COVID-19 pandemic in the past two years, overseas charging pile infrastructure is seriously insufficient when compared to mainland China's complementary facilities. With the combined effect of opening up of overseas markets, the support of subsidy policies starting from 2021, and the beginning of exporting overseas by competitive domestic supply chains, the demand for charging piles in Europe and the U.S. is expected to see explosive growth from 2023.

The Group continued to actively pursue its new energy strategy in 2022. In response to market demand, the Group formulated three new energy applications as the core product strategy, centering on charging modules, energy storage and automotive electronics. The Group reconstructed its supply chain management model to use big data digital technology to enhance management efficiency and adjusted its human resource recruitment strategy as and when required, thus strengthening to varying degrees the R&D capabilities, production capacity, supply chain management and marketing capabilities for major products. The dedicated production line in the Sichuan plant is responsible for producing the charging modules of new energy vehicle charging piles (mainly 30KW charging modules) and increasing the production capacity for charging pile modules to meet the growing demand in the global market. Over the years, the Group has persisted in independent innovation and R&D, and its products have a strong competitive advantage in the industry. Currently, the Group is actively researching and developing higher-power new energy vehicle charging devices, automotive electronics, and other high-end modules and products. At the same time, the new business investment entered into during the Year is progressing well. An agreement has been reached for bilateral business expansion and equity investment with an industry-leading customer engaged in medium to high-power charging module business. This partnership is expected to enable the joint development of charging modules for charging piles in the coming years. During the Year, revenue generated from the new energy business segment was satisfactory, and orders to be produced and delivered doubled. This business is expected to achieve further growth in the future.

To increase popularity of green new energy among the public and in our lives, and create a brand-new convenient energy lifestyle, the Group took the lead during the Year to become one of the first enterprises to design and produce portable power stations, and cooperated with several internationally renowned brands to launch large-capacity portable power stations for outdoor use. With the boom of outdoor activities in the mainland, China will be a key consumer market for portable power stations; while in the international market, the U.S., with an outdoor travel rate of nearly 50%, is the world's largest market for portable power stations. It is expected that the continued growth of demand in these two large markets will fuel the growth of the energy storage business. In addition, the Group has deepened its partnership with a leading domestic multi-purpose energy storage device company and has launched portable storage devices of various power output for the overseas market.

During the Year, the Group also actively searched for new customers in the field of automotive electronics and produced a series of automotive electronics products. The development of the new energy business segment has contributed to greater diversification of the Group's customers and product mix, enhancing the risk resistance of the whole business.

The demand for power supply products is closely related to the performance of the consumer market. During the Year, the Group's overall performance in its power supply business was affected by a number of unfavourable factors in the global consumer market. The Group continued to sell power supply products to major handset customers. However, given the slowdown in smartphone sales, the segment of power supply units for consumer products recorded revenue of approximately HK$3,153.0 million, representing a decrease of 18.8% year-on-year and accounting for 57.5% of the Group's total revenue. Segment gross profit amounted to approximately HK$391.6 million, with segment gross profit margin at 12.4% (2021: 14.3%). The business segment of smart chargers and controllers for industrial power supply — which has high risk resilience due to its well-established customer base, flexible supply chain management and international production capacity layout — recorded revenue of HK$2,328.4 million, representing a decrease of 6.2% year-on-year and accounting for 42.5% of the Group's total revenue. Segment gross profit amounted to approximately HK$524.2 million, with segment gross profit margin at 22.5% (2021: 20.4%).

During the Year, the Group continued to improve its global production layout and actively promoted intelligent production upgrading. Currently, the Group has production bases in Huizhou (Guangdong Province), Dazhou (Sichuan Province), Hungary and Vietnam. The expansion of the Dazhou plant in Sichuan and the construction of the Huizhou Intelligent Manufacturing Industrial Park have brought its intelligent production and operation to a new level. The Group also continued to increase the production capacity of its Vietnam plant to meet customer demand. The Hungary plant performed steadily and continued to provide a flexible, supportive auxiliary manufacturing supply for the Group's European customers through the cross-country railway network connecting to Sichuan Province. The Group also provides customers with stable services and flexible tariff arrangements through solutions such as capacity allocation, supply chain planning and intelligent upgrades, which reduce potential risks arising from reliance on a single geographic region.

Prospect

Looking ahead to 2023, global economic growth is expected to remain sluggish due to geopolitical uncertainties. However, as the COVID-19 pandemic gradually subsides, the growth potential and resilience of China's economy are expected to remain unchanged, and the long-term positive fundamentals are likely to be maintained. The Group will continue to focus on market opportunities, proactively optimise its revenue structure, and implement its new energy product strategy, which is beginning to bear fruit. Additionally, the Group will further improve its existing global production layout to meet customer demand. R&D investment is also an area of great importance to the Group. In the future, the Group will prioritise high-power charging technology, including charging module products for charging piles, portable energy storage systems, and industrial power supply-related applications.

The use of new energy vehicles is a major trend in China's industrial development and a new driver of national domestic demand. The development of new energy industry in the past few years has been unstoppable. The Group is committed to developing its new energy business as a key source of growth, while also investing more resources in R&D and market expansion to gain a greater share of the new energy vehicle charging facility market. The Group is leveraging its competitive advantage in charging module products for charging piles by increasing overall production capacity, including a new 40KW charging module production line that is expected to further expand the market. With the resumption of normal travel and lifting of travel restrictions in China, green travel is expected to become a new trend, and it is expected that there will be increased demand for portable power stations and automotive electronics products.

In addition to the new energy business, the Group is leveraging its vast customer base accumulated in the electronics industry and its global production network to continue innovating in electronic manufacturing solutions. It is currently receiving orders for intelligent controller manufacturing and solutions and has plans to extend production to overseas production bases in 2023.

With a well-defined strategy for new energy products, the Group aims to enhance its presence in both domestic and international production bases in response to customer demand. Currently, the team is considering the feasibility of establishing a production base in Mexico. Furthermore, the Group will closely monitor market trends and intends to proactively pursue opportunities for overseas collaboration, with a flexible investment approach tailored to different regions around the world.

In terms of operations, the Group will accelerate its pace in the R&D of automotive power supplies, electronic manufacturing service solutions, digital production reforms and customer expansion. Through these initiatives, the Group is striving to take business development to a new level and to continuously implement intelligent production and operation in order to boost product gross profits. Automated and intelligent production management will further reduce labor costs, improve product quality, and present new opportunities for product customisation. Regarding the supply chain, the Group has implemented a range of measures to decrease costs and increase efficiency over the Year. Going forward, the Group will standardise and localise materials, carefully manage the timing of raw material procurement and enhance its bargaining power to prepare for possible fluctuations in raw material prices caused by external macro factors.

In the past, the Group has achieved excellent performance through the tireless efforts of its management team and the trust and support of its partners. Going forward, the Group will continue to identify new business opportunities and build a stronger competitive edge. With the accelerated improvement of the pandemic situation and the overall rebound of the tourism industry, the Group will focus on investing in the development of new energy industries such as automotive electronics and green mobility. It will work with potential customers to develop more intelligent charging equipment, including charging piles, intelligent battery swapping cabinets, portable energy storage inverters, and other power supply products. By expanding its product categories, the Group seeks to capture additional market opportunities and increase its overall revenue.

FINANCIAL REVIEW

Revenue

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

The total revenue decreased by 13.9% from HK$6,362.7 million for the year ended 31 December 2021 to HK$5,481.4 million for the year ended 31 December 2022. The decrease was mainly attributable to the decrease in the volume of products sold as a result of the decrease in the demand from our customers, particularly the demand from telecommunication segment which recorded a drop of 35.9% and the demand from lighting equipment segment which recorded a reduction of 35.0% during the year ended 31 December 2022. However, the new energy business, included in the "Others" segment, had received good responses from customers and mitigated the drop in the revenue by the above business.

Revenue by Product Segment

The following table sets forth the breakdown of our revenue by product segments for the year ended 31 December 2022 and the comparative figures for the year ended 31 December 2021.

	Year ended 31 December			
	2022		2021	
	HK$'000	*%*	*HK$'000*	*%*
Switching power supply units for consumer products				
Telecommunication	**1,578,658**	**28.8**	2,463,591	38.7
Media and entertainment	**413,495**	**7.5**	439,298	6.9
Electrical home appliances	**107,574**	**2.0**	139,446	2.2
Lighting equipment	**347,248**	**6.3**	534,552	8.4
Others	**705,980**	**12.9**	304,664	4.8
Subtotal	**3,152,955**	**57.5**	3,881,551	61.0
Smart chargers and controllers for industrial use	**2,328,400**	**42.5**	2,481,119	39.0
Total revenue	**5,481,355**	**100**	6,362,670	100

During the year ended 31 December 2022, the sales of switching power supply units for telecommunication equipment decreased by 35.9% from HK$2,463.6 million for the year ended 31 December 2021 to HK$1,578.7 million for the year ended 31 December 2022, mainly due to the decrease 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 decreased by 6.2% to HK$2,328.4 million for the year ended 31 December 2022 when compared with the year ended 31 December 2021, mainly due to the decline in orders from customers.

Revenue generated from the "Others" segment increased by 131.7%, mainly due to additional orders received from the customers of the new energy business.

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			
	2022		2021	
	HK$'000	***%***	*HK$'000*	*%*
PRC, excluding Hong Kong	**3,043,797**	**55.5**	3,829,046	60.2
Europe	**862,568**	**15.7**	855,229	13.4
Asia, excluding PRC	**763,426**	**13.9**	823,487	12.9
US	**496,356**	**9.1**	665,235	10.5
Africa	**140,711**	**2.6**	145,489	2.3
Others	**174,497**	**3.2**	44,184	0.7
Total revenue	**5,481,355**	**100**	6,362,670	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 decreased by 13.9% for the year ended 31 December 2022 as compared with the year ended 31 December 2021, which was consistent with the decrease in revenue by 13.9% for the Year.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2022, the Group recorded a gross profit of HK$915.8 million, representing a decrease of 13.6% from the year ended 31 December 2021.

The gross profit margin of the Group is 16.7% for the year ended 31 December 2022, which was consistent with the gross profit margin for the year ended 31 December 2021.

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 decrease in other income in the Year was mainly attributable to the decrease in the sales of scrap materials as a result of the decrease in the scale of production and also because no compensation income for overseas transport was received from the customers.

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. Other gains increased during the year ended 31 December 2022, which was primarily due to the net exchange gain of HK$12.5 million recorded during the Year as compared with the net exchange loss of HK$27.9 million recorded in the year ended 31 December 2021.

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 expenses, operating lease payments, advertising costs, commercial insurance for our trade receivables and others.

Selling and marketing expenses decreased by 11.7% from HK$220.2 million for the year ended 31 December 2021 to HK$194.3 million for the year ended 31 December 2022. The decrease was primarily attributable to the decrease in employee benefit expenses paid for the sales team, which was in line with the decrease in revenue.

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 slightly increased by 0.03% from HK$414.2 million for the year ended 31 December 2021 to HK$414.4 million for the year ended 31 December 2022.

Finance Expenses — Net

Net finance expenses represent interest charges on our interest-bearing bank borrowings and interest income on our bank deposits. The Group had net finance expenses of HK$12.5 million and HK$4.5 million for the years ended 31 December 2022 and 2021, respectively. The overall increase was attributable to the increase in interest expenses as a result of the rising interest rate during the Year. For the year ended 31 December 2022, interest expenses of HK$4.8 million was capitalised (2021: HK$2.6 million).

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$68.5 million for the year ended 31 December 2021 to HK$55.2 million for the year ended 31 December 2022. 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 2022, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

The increase in the effective corporate income tax rate was mainly due to the increase in the withholding tax of the Company's subsidiaries in the PRC.

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

Total comprehensive income for the year attributable to owners of the Company decreased by 62.7% to HK$154.9 million for the year ended 31 December 2022 from HK$415.5 million for the year ended 31 December 2021, including currency translation loss of HK$143.2 million as a result of the devaluation of RMB in 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy position. As of 31 December 2022, net current assets was HK$438.0 million as compared with HK$346.9 million at 31 December 2021. As of 31 December 2022, current ratio was 1.21 times (2021: 1.14 times) (current ratio is calculated by using the following formula: current assets/current liabilities). Gearing ratio was 32.0% (2021: 44.2%) (gearing ratio is calculated by using the following formula: total borrowings/total equity). The decrease in the gearing ratio was mainly attributable to the decrease of the average borrowings in 2022.

Cash generated from operations for the year ended 31 December 2022 was HK$595.9 million (2021: HK$245.2 million) and the increase was mainly attributable to the decrease in account receivables from customers and the decrease in inventories. Longer credit terms were also given by the suppliers during the year under review.

Cash used in investing activities for the year ended 31 December 2022 was HK$228.0 million (2021: HK$611.1 million).The decrease was primarily due to the substantial addition of investment in year 2021, aiming to increase production capacity and construct new factory premises, which was not applicable for the year under review.

During the year ended 31 December 2022, net cash used in financing activities was HK$300.4 million (2021: net cash generated: HK$220.4 million) as the Group repaid certain bank borrowings during the year ended 31 December 2022.

DEBT MATURITY PROFILE

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

	As at 31 December	
	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**248,566**	341,134
Between 1 and 2 years	**46,512**	183,630
Between 2 and 5 years	**156,372**	54,157
	451,450	578,921

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$, while our cost of sales is primarily denominated in RMB. For the year ended 31 December 2022, our revenue denominated in USD and HK$ amounted to approximately 54.8% 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 2022, 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 2022, the Group had bank borrowings of HK$451.5 million (2021: HK$578.9 million) which were primarily denominated in HK$ and USD.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, amounts due from related parties, 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 2022, 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 2022 and 2021, the Group held bank balances, term deposits and restricted bank deposits totalling HK$512.0 million, and HK$351.7 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 2022, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of approximately 7,300 full-time employees as of 31 December 2022 (2021: 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 2022, with the exception of code provision C.2.1.

According to code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this code provision because Chairman Hung performs both the roles of the chairman of the Board and the chief executive officer of the Company. Chairman Hung, the founder of the Group with the established market reputation in the switching power supply industry in the PRC, has extensive experience in 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.

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 2022 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 2022 and up to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK3.3 cents per ordinary share of the Company for the year ended 31 December 2022 (2021: HK5.6 cents per ordinary share) to the Shareholders whose names are to be appeared on the register of members of the Company on Tuesday, 20 June 2023. The proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Friday, 2 June 2023 (the "**2023 AGM**").

It is expected that the cheques for the proposed final dividend will be sent by ordinary mail to the Shareholders at their own risk on Wednesday, 5 July 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023 (both days inclusive) for the purpose of determining the right to attend and vote at the 2023 AGM. In order to be qualified for attending and voting at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 29 May 2023.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2023 AGM, the register of members of the Company will also be closed from Friday, 16 June 2023 to Tuesday, 20 June 2023 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2022. In order to be qualified for the proposed final dividend (subject to the approval of the Shareholders at the 2023 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 Thursday, 15 June 2023.

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 Eddie.

The Audit Committee has reviewed the audited consolidated financial results of the Group for the year ended 31 December 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 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 2022.

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 2022 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 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 23 March 2023

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