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TEN PAO GROUP HOLDINGS LIMITED

天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1979)

ANNOUNCEMENT REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTION

BACKGROUND

Reference is made to the announcement of the Company dated 31 December 2020 in relation to, among other things, the continuing connected transaction contemplated under the 2021 Golden Ocean Copper Framework Purchase Agreement.

REVISION OF THE ANNUAL CAPS UNDER THE 2021 GOLDEN OCEAN COPPER FRAMEWORK PURCHASE AGREEMENT

In light of the surge in the Group's demand for the Materials to support the rapid growth of its business, on 6 May 2022, the Company and Golden Ocean Copper entered into the Supplemental Agreement to, among other things, revise the existing annual caps for the 2021 Golden Ocean Copper Framework Agreement to the Revised Annual Caps.

Based on the information currently available to the Board, the Board foresees that the existing annual caps for the two years ending 31 December 2022 and 31 December 2023 under the 2021 Golden Ocean Copper Framework Purchase Agreement may not be sufficient to meet the needs of the Group's business growth in the future. Therefore, the Board proposes to revise and increase the existing annual caps for the two years ending 31 December 2022 and 2023 of HK\$95,000,000 and HK\$95,000,000, respectively, to the Revised Annual Caps of HK\$200,000,000 and HK\$230,000,000, respectively.

LISTING RULE IMPLICATIONS

100% of the issued share capital of Golden Ocean Copper is held by Year Industries. As the entire issued share capital of Year Industries is held by Mrs. Hung who is the spouse of Chairman Hung, an executive Director and a Controlling Shareholder, Golden Ocean Copper is an associate of Chairman Hung and a connected person of the Company and the transactions contemplated under the 2021 Golden Ocean Copper Framework Purchase Agreement constituted continuing connected transactions for the Company.

Given that one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the Revised Annual Caps exceeds 5%, the transactions contemplated under the 2021 Golden Ocean Copper Framework Purchase Agreement (as amended by the Supplemental Agreement) and the Revised Annual Caps constitute non-exempt continuing connected transaction of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other matters, the Supplemental Agreement and the Revised Annual Caps.

A circular containing, among others, (i) further details of the 2021 Golden Ocean Copper Framework Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the Revised Annual Caps); (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iii) recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM, will be dispatched by the Company to the Shareholders in due course. As additional time is required to finalise certain information contained in the circular, the Company expects to dispatch the circular on or around 1 June 2022.

BACKGROUND

Reference is made to the announcement of the Company dated 31 December 2020 in relation to the continuing connected transaction contemplated under the 2021 Golden Ocean Copper Framework Purchase Agreement.

REVISION OF THE ANNUAL CAPS UNDER THE 2021 GOLDEN OCEAN COPPER FRAMEWORK PURCHASE AGREEMENT

On 31 December 2020, the Company and Golden Ocean Copper entered into the 2021 Golden Ocean Copper Framework Purchase Agreement.

In light of the surge in the Group's demand for the Materials to support the rapid growth of its business, on 6 May 2022, the Company and Golden Ocean Copper entered into the Supplemental Agreement to, among other things, revise the annual caps for the 2021 Golden Ocean Copper Framework Agreement to the Revised Annual Caps.

Based on the information currently available to the Board, the Board foresees that the existing annual caps for the two years ending 31 December 2022 and 31 December 2023 under the 2021 Golden Ocean Copper Framework Purchase Agreement may not be sufficient to meet the needs of the Group's business growth in the future. Therefore, the Board proposes to revise and increase the existing annual caps for the two years ending 31 December 2022 and 2023 of HK\$95,000,000 and HK\$95,000,000, respectively, to the Revised Annual Caps of HK\$200,000,000 and HK\$230,000,000, respectively.

As at the date of this announcement, the existing annual cap for the year ending 31 December 2022 of HK\$95,000,000 under the 2021 Golden Ocean Copper Framework Purchase Agreement has not been exceeded.

Save for the Revised Annual Caps, all other terms of the 2021 Golden Ocean Copper Framework Purchase Agreement will remain unchanged and in full force and effect.

Basis of the Revised Annual Caps

The Revised Annual Caps had been determined principally based on:

- (i) the historical transaction amount paid to Golden Ocean Copper under the 2021 Golden Ocean Copper Framework Purchase Agreement for the year ended 31 December 2021 in the amount of approximately HK\$92,170,000 as compared to the Group's revenue recorded for the year ended 31 December 2021 in the amount of approximately HK\$6.36 billion;
- (ii) the projected budget of costs for the two years ending 31 December 2022 and 2023 due to the surge in the demand of the Materials in light of the anticipated growth in the businesses of the Group, which is mainly attributable to (a) the significant growth in orders in the business segments of power supply units for consumer products and smart chargers and controllers for industrial power supply; (b) the

enhanced production capacity of Group as a result of its active expansion of production network and automation of its production systems, and (c) the Group's continued investment in the new energy industry, namely, the development in a series of new energy charging equipment and ancillary products, with an aim to build a new sustainable revenue channel for the Group; and

- (iii) the Group's additional demand for the Materials due to its decision to change from purchasing high frequency transformers, a common part used by the Group in its production, from Independent Third Parties to producing high frequency transformers by itself for better quality assurance, a more stable supply and more competitive cost. The Group has been purchasing high frequency transformers from Independent Third Parties previously and the purchase amount for the year ended 31 December 2021 was approximately HK\$190 million. As approximately 40% of the production costs of high frequency transformers is attributable to purchase of copper wires, it is expected that the Group would need to purchase copper wires from Golden Ocean Copper in the amount of approximately 40% of approximately HK\$190 million for its own production of high frequency transformers.

Basis of transactions under the 2021 Golden Ocean Copper Framework Purchase Agreement

The price for the Materials to be supplied by Golden Ocean Copper under the 2021 Golden Ocean Copper Framework Purchase Agreement will be determined with reference to the price at which comparable types of the Materials are sold by independent suppliers to the Group under normal commercial terms in the ordinary course of business and such price shall be no less favourable to the Group than is available from independent suppliers. In considering whether to purchase from Golden Ocean Copper, the Group will seek quotations from at least two Independent Third Parties offering the same or comparable products. The Group will purchase the Materials from Golden Ocean Copper if the price and quality of the products are comparable to or more favourable to the Group than those offered by Independent Third Parties for the same or comparable products.

Condition

The Supplemental Agreement shall take effect from the date of approval of the Supplemental Agreement and the Revised Annual Caps by the Independent Shareholders at the EGM.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS

The reasons for and benefits of entering into the 2021 Golden Ocean Copper Framework Purchase Agreement have been set out in the announcement of the Company dated 31 December 2020.

Taking account of the anticipated growth in the Group's business and its business decision to produce high frequency transformers on its own going forward, the demand for the purchase of the Materials will surge alongside with the Group's business growth. As the anticipated total transaction amount between the Company and Golden Ocean Copper under the 2021 Golden Ocean Copper Framework Purchase Agreement is expected to increase, the Directors expect that the maximum transaction amount of the 2021 Golden Ocean Copper Framework Purchase Agreement will exceed the existing annual caps for the two years ending 31 December 2022 and 2023 and therefore propose to further revise the annual caps for the continuing connected transaction contemplated thereunder.

DIRECTORS' CONFIRMATION

The Directors (other than the independent non-executive Directors who will express their opinion in a separate letter to be included in the circular to the Shareholders based on the recommendations from the Independent Financial Adviser) are of the view that the terms of the 2021 Golden Ocean Copper Framework Purchase Agreement (as amended by the Supplemental Agreement) and the Revised Annual Caps are fair and reasonable, the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Since Chairman Hung, an executive Director and a Controlling Shareholder, has material interests in the 2021 Golden Ocean Copper Framework Purchase Agreement, he has abstained from voting on the resolutions of the Board to approve the Supplemental Agreement and the Revised Annual Caps. Save for Chairman Hung, none of the other Directors has any material interest in the transaction contemplated under the Supplemental Agreement and none of the other Directors had abstained from voting on the resolutions approving the Supplemental Agreement and the Revised Annual Caps at the Board meeting.

INFORMATION ABOUT THE PARTIES

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

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

LISTING RULES IMPLICATIONS

100% of the issued share capital of Golden Ocean Copper is held by Year Industries. As the entire issued share capital of Year Industries is held by Mrs. Hung who is the spouse of Chairman Hung, an executive Director and a Controlling Shareholder, Golden Ocean Copper is an associate of Chairman Hung and a connected person of the Company and the transactions contemplated under the 2021 Golden Ocean Copper Framework Purchase Agreement constituted continuing connected transactions for the Company.

Given that one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) calculated with reference to the Revised Annual Caps exceeds 5%, the transactions contemplated under the 2021 Golden Ocean Copper Framework Purchase Agreement (as amended by the Supplemental Agreement) and the Revised Annual Caps constitute non-exempt continuing connected transaction of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee, including all of the independent non-executive Directors who have no material interest in the transaction contemplated under the Supplemental Agreement, to advise the Independent Shareholders on: (i) the fairness and reasonableness of the terms of the Supplemental Agreement (including the Revised Annual Caps) and the transaction contemplated thereunder; and (ii) how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser. In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Supplemental Agreement (including the Revised Annual Caps) and the transaction contemplated thereunder.

INTERNAL CONTROL MEASURES

The Directors will keep aware of the price of the Materials and ensure that the measures contained in the basis of transactions are properly implemented during the course of purchase transactions. The Company will also comply with the annual review requirements by the independent non-executive Directors and the auditor relating to the 2021 Golden Ocean Copper Framework Purchase Agreement (as amended by the Supplemental Agreement) pursuant to Rules 14A.55 to 14A.59 of the Listing Rules.

GENERAL INFORMATION

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other matters, the Supplemental Agreement and the Revised Annual Caps.

Chairman Hung and his associates are required to abstain from voting at the EGM in respect of the resolutions on the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) as a result of having material interest therein. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save as disclosed in this announcement, no other Shareholder is required to abstain from voting at the EGM.

A circular containing, among others, (i) further details of the 2021 Golden Ocean Copper Framework Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (including the Revised Annual Caps); (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iii) recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM, will be dispatched by the Company to the Shareholders in due course. As additional time is required to finalise certain information contained in the circular, the Company expects to dispatch the circular on or around 1 June 2022.

Save as disclosed above, all other information relating to the 2021 Golden Ocean Copper Framework Purchase Agreement set out in the announcement of the Company dated 31 December 2020 remain unchanged and shall continue to be valid for all purposes.

DEFINITIONS

“2021 Golden Ocean Copper Framework Purchase Agreement”	the framework purchase agreement dated 31 December 2020 entered into between the Company and Golden Ocean Copper pursuant to which Golden Ocean Copper agreed to supply the Materials to the Group, with the term expiring on 31 December 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chairman Hung”	Mr. Hung Kwong Yee (洪光椅), the chairman of the Board, an executive Director, the chief executive officer and a Controlling Shareholder
“Company”	Ten Pao Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 1979)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules

“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among others, the Supplemental Agreement and the Revised Annual Caps
“Golden Ocean Copper”	Golden Ocean Copper Manufacturer Co., Limited (鑫洋銅工業有限公司), a company incorporated under the laws of Hong Kong with limited liability on 11 May 2001 and 100% of its issued share capital is held by Year Industries
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors, which has been established for the purpose of advising the Independent Shareholders in respect of the Supplemental Agreement and the Revised Annual Caps
“Independent Financial Adviser”	an independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Agreement and the Revised Annual Caps
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting to approve the non-exempt continuing connected transaction relating to the Supplemental Agreement and the Revised Annual Caps
“Independent Third Party(ies)”	any entity or person who is not a connected person within the meaning ascribed hereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Materials”	DC cables and copper wires
“Mrs. Hung”	Ms. Yeh Chin Lian (葉金蓮), the spouse of Chairman Hung

“PRC”	the People’s Republic of China
“Revised Annual Caps”	the proposed increase of the annual caps under the 2021 Golden Ocean Copper Framework Purchase Agreement for the two years ending 31 December 2022 and 2023 to HK\$200,000,000 and HK\$230,000,000, respectively
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 6 May 2022 entered into between the Company and Golden Ocean Copper in relation to, among other things, the Revised Annual Caps
“Year Industries”	Year Industries Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 22 February 2001 and its entire issued share capital is held by Mrs. Hung
“%”	per cent.

By order of the Board
TEN PAO GROUP HOLDINGS LIMITED
Hung Kwong Yee
Chairman and Chief Executive Officer

Hong Kong, 6 May 2022

As at the date of this announcement, the executive directors of the Company are Mr. Hung Kwong Yee and Ms. Yang Bingbing; and the independent non-executive directors of the Company are Mr. Lam Cheung Chuen, Mr. Chu Yat Pang Terry and Mr. Lee Kwan Hung Eddie.