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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 OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023, together with comparative figures for the year ended 31 December 2022, as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the year ended 31 December 2023 decreased by 12.0% to HK$4,823.5 million.
- Gross profit for the year ended 31 December 2023 decreased by 0.9% to HK$907.2 million. Gross profit margin increased by 2.1 percentage points to 18.8%.
- Profit before income tax for the year ended 31 December 2023 increased by 10.3% to HK$387.9 million.
- Profit attributable to owners of the Company for the year ended 31 December 2023 increased by 10.8% to HK$328.9 million.
- The Board recommended the payment of a final dividend of HK9.6 cents per ordinary share of the Company for the year ended 31 December 2023, which is subject to the approval of the Company's shareholders at the 2024 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	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**4,823,452**	5,481,355
Cost of sales	*5*	**(3,916,252)**	(4,565,574)
Gross profit		**907,200**	915,781
Other income	*4*	**32,522**	18,794
Other gains — net	*4*	**49,372**	39,442
Selling expenses	*5*	**(180,831)**	(194,335)
Administrative expenses	*5*	**(416,389)**	(414,377)
Net impairment losses on financial assets		**(424)**	(1,034)
Operating profit		**391,450**	364,271
Finance income		**7,282**	2,067
Finance expenses		**(10,853)**	(14,560)
Finance expenses — net		**(3,571)**	(12,493)
Profit before income tax		**387,879**	351,778
Income tax expense	*6*	**(59,677)**	(55,247)
Profit for the year		**328,202**	296,531
Profit for the year attributable to:			
Owners of the Company		**328,856**	296,902
Non-controlling interests		**(654)**	(371)
		328,202	296,531
Earnings per share			
— basic and diluted per share	*7*	**HK31.9 cents**	HK29.3 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	
	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**328,202**	296,531
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(23,535)**	(143,174)
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	**(1,163)**	1,204
	(24,698)	(141,970)
Total comprehensive income for the year attributable to:		
Owners of the Company	**304,158**	154,932
Non-controlling interests	**(654)**	(371)
	303,504	154,561

CONSOLIDATED BALANCE SHEET

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

		As at 31 December	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Land use rights		**4,734**	4,536
Property, plant and equipment		**1,110,147**	1,030,964
Right-of-use assets	*9*	**191,690**	164,777
Investment properties		**7,100**	7,400
Intangible assets		**45,559**	10,747
Deferred income tax assets		**52,977**	55,808
Financial assets at fair value through profit or loss	*14*	**75,907**	58,413
Financial assets at fair value through other comprehensive income	*15*	**8,994**	10,149
Derivative financial assets — non-current		**455**	6,468
Prepayments for the purchase of property, plant and equipment		**8,706**	4,862
		1,506,269	1,354,124
Current assets			
Inventories		**727,329**	906,377
Trade and other receivables	*10*	**1,254,893**	1,114,763
Amounts due from related parties		**1,760**	1,782
Derivative financial assets — current		**1,269**	1,406
Restricted bank deposits		**677,556**	170,578
Cash and cash equivalents		**150,476**	341,394
		2,813,283	2,536,300
Total assets		**4,319,552**	3,890,424
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**10,304**	10,304
Share premium	*13*	**162,426**	162,426
Other reserves		**64,844**	85,646
Retained earnings		**1,417,501**	1,155,395
		1,655,075	1,413,771
Non-controlling interests		**(3,821)**	(659)
Total equity		**1,651,254**	1,413,112

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	As at 31 December **2023** ***HK$'000***	 2022 *HK$'000*
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	*12*	**2,569**	202,884
Lease liabilities			
— non-current	*9*	**46,390**	16,916
Deferred income tax liabilities		**111,938**	102,242
Deferred government grants		**36,778**	56,921
		197,675	378,963
Current liabilities			
Trade and other payables	*11*	**1,735,309**	1,743,631
Contract liabilities		**33,787**	46,471
Amounts due to related parties		**33,103**	34,854
Dividend payable		**13**	13
Income tax liabilities		**4,079**	16,573
Lease liabilities — current	*9*	**12,002**	8,241
Short-term bank borrowings	*12*	**553,632**	59,123
Current portion of non-current bank borrowings	*12*	**98,698**	189,443
		2,470,623	2,098,349
Total liabilities		**2,668,298**	2,477,312
Total equity and liabilities		**4,319,552**	3,890,424

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 PREPARATION

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance ("**HKCO**") (Cap. 622).

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the derivative financial instruments, the financial assets at fair value through profit or loss, the financial assets at fair value through other comprehensive income and investment properties, which are carried at fair value.

(iii) 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 2023:

- HKFRS 17 Insurance Contracts
- Definition of Accounting Estimates — amendments to HKAS 8
- International Tax Reform — Pillar Two Model Rules — amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — amendments to HKAS 12

- Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2

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.

(iv) New standards and interpretations not yet adopted

		Effective for accounting periods beginning on or after
Classification of Liabilities as Current or Non-current	Amendments to HKAS 1	1 January 2024
Non-current liabilities with covenants	Amendments to HKAS 1	1 January 2024
Lease Liability in a Sale and Leaseback	Amendments to HKAS 16	1 January 2024
Supplier finance arrangements	Amendments to HKAS 7 and HKFRS 7	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Lack of Exchangeability	Amendments to HKAS 21	1 January 2025
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 2023 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.

3. 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) lighting, (iv) smart chargers and controllers, (v) new energy business, and (vi) others.

In view of the increased scale and business importance of the development of new energy business, and to help investors better understand the Group's revenue structure and margin trends, a new segment named "new energy business" has been separated from "others" segment from 2023, both in the internal reports to the chief operating decision makers and in the consolidated financial statements of the Group. The new energy business segment primarily consists of products relating to (a) charging modules and energy storage of outdoor power equipment; and (b) automotive electronics applications. The comparative figures in the consolidated income statement and the notes have been restated to conform with the new presentation. The Board believes that the above changes in segment information better reflect current market trends, as well as resource allocation and future business development of the Group.

In light of the reduction in size of the Group's electrical home appliances business, the segment information previously presented under the "electrical home appliances" segment has been reclassified to the "others" segment from 2023 onwards, both in the internal reports to the chief operating decision makers and in the consolidated financial statements of the Group. The comparative figures have also been reclassified to conform to the new presentation. The Board believes that the above changes in segment information better reflect current market trends, as well as resource allocation and future business development of the Group.

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

	Telecommunication *HK$'000*	Media and entertainment *HK$'000*	Lighting *HK$'000*	Smart chargers and controllers *HK$'000*	New energy business *HK$'000*	Others *HK$'000*	Total *HK$'000*
31 December 2023							
Revenue							
Revenue from external customers							
— At a point in time	**1,545,000**	**362,038**	**316,111**	**1,667,829**	**763,525**	**168,949**	**4,823,452**
Segment results	**252,122**	**59,126**	**61,238**	**423,214**	**71,076**	**40,424**	**907,200**
Other income							**32,522**
Other gains — net							**49,372**
Selling expenses							**(180,831)**
Administrative expenses							**(416,389)**
Finance expenses — net							**(3,571)**
Net impairment losses on financial assets							**(424)**
Profit before income tax							**387,879**

	Telecommunication *HK$'000*	Media and entertainment *HK$'000*	Lighting *HK$'000*	Smart chargers and controllers *HK$'000*	New energy business *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	347,248	2,328,400	633,929	179,625	5,481,355
Segment results	193,675	48,323	48,830	524,180	69,752	31,021	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

4. OTHER INCOME AND OTHER GAINS — NET

(a) Other income

	2023 ***HK$'000***	2022 *HK$'000*
Sales of scrap materials	**13,085**	8,442
Sales of raw materials, samples and moulds	**7,304**	2,181
Inspection and certification fee income	**5,007**	2,255
Rental income	**3,114**	2,128
Others	**4,012**	3,788
	32,522	18,794

(b) Other gains — net

	2023 ***HK$'000***	2022 *HK$'000*
Fair value changes on derivative financial instruments	**(4,830)**	8,698
Fair value changes on financial assets at fair value through profit or loss	**7,105**	(5,246)
Fair value changes on investment properties	**(300)**	(300)
Net foreign exchange gains	**15,856**	12,521
Government grants	**25,117**	16,539
Gain/(loss) on disposal of property, plant and equipment	**1,819**	(1,749)
Compensation income from customers	**6,788**	10,243
Others	**(2,183)**	(1,264)
	49,372	39,442

5. EXPENSES BY NATURE

	2023 HK$'000	2022 HK$'000
Raw materials and consumables used (excluding research and development expenses)	**3,231,511**	3,823,136
Employee benefit expenses (excluding research and development expenses)	**557,944**	573,126
Research and development expenses		
— Employee benefit expenses	**123,993**	121,736
— Raw materials, consumables used and others	**34,661**	44,912
— Depreciation and amortisation	**16,508**	14,396
Depreciation, amortisation and impairment charges (excluding research and development expenses)	**165,290**	151,565
Changes in inventories of finished goods and work in progress	**108,374**	150,504
Operating lease payments	**32,817**	29,510
Allowance for impairment of inventory	**12,897**	9,276
Auditors' remuneration		
— Audit services	**2,889**	2,848
— Non-audit services	**2,193**	959
Other expenses	**224,395**	252,318
Total cost of sales, selling expenses and administrative expenses	**4,513,472**	5,174,286

6. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current income tax		
— PRC corporate income tax ("**CIT**")	**23,019**	31,546
— Hong Kong profits tax	**21,342**	27,633
Subtotal	**44,361**	59,179
Deferred income tax	**15,316**	(3,932)
	59,677	55,247

(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. 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 2023 was 15% (2022: 15%).

Shanxi Huifeng Electronic Technology Co., Ltd. is recognized as a "New and High Technology Enterprise" in 2023 and enjoys a preferential CIT rate of 15%. Its CIT rate for the year ended 31 December 2023 was 15% (2022: 25%).

(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 years ended 31 December 2023 and 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 (2022: Nil).

(f) Hungary corporate income tax

The corporate income tax rate in Hungary is 9% during the year (2022: 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:

	2023	2022
	HK$'000	*HK$'000*
Profit before income tax	**387,879**	351,778
Tax calculated at applicable corporate income tax rate of 25%	**96,970**	87,945
Effect of differences in tax rates	**(12,636)**	(17,467)
Preferential tax treatment of CIT	**(23,773)**	(28,836)
Withholding tax	**9,490**	10,329
Reversal of recognised deferred income tax assets	**7,417**	—
Tax losses and deductible temporary difference for which no deferred income tax asset was recognised	**10,213**	18,217
Utilisation of tax losses previously not recognised	**(6,834)**	(2,299)
Expenses not deductible for taxation purposes	**3,796**	4,607
Accelerated research and development deductible expenses	**(24,486)**	(15,623)
Income not subject to tax	**(480)**	(1,626)
	59,677	55,247

7. 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.

	2023	2022
Profit attributable to owners of the Company (HK$'000)	**328,856**	296,902
Weighted average number of shares issued (thousands)	**1,030,389**	1,011,855
Basic earnings per share (HK cents)	**31.9**	29.3

(b) Diluted earnings per share

For the years ended 31 December 2023 and 2022, 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.

8. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Interim dividend paid per ordinary share: HK2.8 cents (2022: HK2.8 cents)	**28,851**	28,851
Proposed final dividend per ordinary share: HK9.6 cents (2022: HK3.3 cents)	**98,917**	34,003
	127,768	62,854

A final dividend of HK3.3 cents per ordinary share for the year ended 31 December 2022 was approved by the shareholders of the Company at the annual general meeting on 2 June 2023. A total amount of cash dividend of HK$62,854,000 was paid in 2023 (including the 2022 final dividend of HK$34,003,000 and the 2023 interim dividend of HK$28,851,000) (2022: HK$47,940,000).

A final dividend of HK9.6 cents per ordinary share, amounting to HK$98,917,000 in respect of the year ended 31 December 2023 is to be proposed at the annual general meeting of the Company to be held on 14 June 2024 (2022: The Board proposed the payment of 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).

9. LEASE

(a) Amounts recognised in the consolidated balance sheet

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

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
Right-of-use assets		
Land use rights	**134,148**	139,054
Buildings	**57,542**	25,723
	191,690	164,777
Lease liabilities		
Current	**12,002**	8,241
Non-current	**46,390**	16,916
	58,392	25,157

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2023, the remaining lease periods of the Group's land use rights ranged from 13 to 48 years (2022: 14 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:

	2023	2022
	HK$'000	*HK$'000*
Depreciation and amortisation charge of right-of-use assets		
Land use rights	**2,949**	2,240
Buildings	**10,979**	7,823
	13,928	10,063
Interest expense	**1,158**	440
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	**32,817**	29,510

The total cash outflow for leases in 2023 was HK$9,538,000 (2022: HK$10,004,000).

10. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**1,176,536**	1,050,103
Less: allowance for impairment of trade receivables	**(5,844)**	(5,487)
Trade receivables, net	**1,170,692**	1,044,616
Value added tax allowance	**16,788**	28,039
Deposits	**17,969**	16,111
Prepayments	**18,257**	11,256
Employee welfare	**2,671**	2,632
Export tax refund receivables	**17,611**	4,040
Bills receivable	**4,255**	1,110
Advances to employees	**814**	781
Others	**5,836**	6,178
	1,254,893	1,114,763

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

	2023	2022
	HK$'000	*HK$'000*
RMB	**708,867**	609,262
USD	**442,953**	366,899
HK$	**24,716**	73,942
	1,176,536	1,050,103

(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:

	2023	2022
	HK$'000	*HK$'000*
Less than 3 months	**1,069,414**	924,697
More than 3 months but not exceeding 1 year	**102,701**	125,406
More than 1 year	**4,421**	—
	1,176,536	1,050,103

11. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**1,190,917**	1,176,206
Notes payable	**174,269**	232,683
Wages and staff welfare benefits payable	**309,891**	277,735
Accrual for expenses and other payables	**55,479**	49,979
Other taxes payable	**4,753**	7,028
	1,735,309	1,743,631

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

	2023	2022
	HK$'000	*HK$'000*
Less than 3 months	**931,478**	905,796
More than 3 months but not exceeding 1 year	**251,222**	257,171
More than 1 year	**8,217**	13,239
	1,190,917	1,176,206

(b) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2023 and 2022.

12. BORROWINGS

	2023	2022
	HK$'000	*HK$'000*
Non-current		
Bank borrowings		
— secured (b)	**50,984**	197,390
— unsecured	**50,283**	194,937
Less: current portion of non-current borrowings	**(98,698)**	(189,443)
	2,569	202,884
Current		
Bank borrowings		
— secured (b)	**538,768**	59,066
— unsecured	**14,864**	57
Total short-term bank borrowings	**553,632**	59,123
Current portion of non-current borrowings	**98,698**	189,443
	652,330	248,566
Total borrowings	**654,899**	451,450

(a) As at 31 December 2023, included in the short term bank borrowings are banks' acceptance bills payable of HK$507,614,000 which are secured by full deposits in the same banks and included in the restricted bank deposits.

(b) As at 31 December 2023, bank borrowings amounting to HK$589.8 million (2022: HK$256.5 million) are secured over the following assets and the remaining borrowings are credit loans:

	2023	2022
	HK$'000	*HK$'000*
Restricted bank deposits	**677,556**	170,578
Financial assets at fair value through profit or loss	**3,395**	3,270
Investment properties	**7,100**	7,400
Trade and other receivables	**214,798**	141,768
	902,849	323,016

13. 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 2022	1,000,456,000	10,005	125,788	135,793
Scrip dividend	29,932,965	299	36,638	36,937
At 31 December 2022, 1 January 2023 and 31 December 2023	1,030,388,965	10,304	162,426	172,730

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 ***HK$'000***	2022 *HK$'000*
Insurance contract for a member of key management	**3,395**	3,270
Investments in Huayuan Zhixin Semiconductor (Shenzhen) Co., Ltd.	**22,794**	22,297
Investments in Chengdu Emfuture Automation Engineering Co., Ltd.	**10,566**	10,456
Investments in Xi'an XY Power Technology Co., Ltd.	**28,026**	22,390
Investments in AA Power Inc	**7,815**	—
Investments in Shenzhen Yiweiwei Electronic Technology Co., Ltd.	**3,311**	—
Total	**75,907**	58,413

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 4).

As at 31 December 2023, the Group's bank borrowings were secured over financial assets at fair value through profit or loss with the carrying amounts of HK$3,395,000 (2022: HK$3,270,000).

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	2023	2022
	HK$'000	*HK$'000*
Non-current assets		
Unlisted securities		
GCteq Wireless (Shenzhen) Co., Ltd.	**8,994**	9,981
Qingdao Eolock Intelligent Technology Co., Ltd.	**—**	168
	8,994	10,149

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

	2023	2022
	HK$'000	*HK$'000*
At 1 January	**10,149**	9,541
Fair value change	**(1,011)**	1,417
Currency translation differences	**(144)**	(809)
At 31 December	**8,994**	10,149

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 2023 (the "**Year**").

The global economy and consumer market demand had yet to recover in 2023 due to the impact of high US interest rates, a weak global economy, and ongoing geopolitical tensions. Under the premise of prudent management, customers primarily focused on reducing inventory first, which inevitably affected upstream suppliers. Over the Year, the Group strengthened strategic inventory deployment and logistics supply chain management, upgraded the configuration of intelligent manufacturing automation equipment and streamlined operational structures to achieve long-term cost reduction and efficiency improvement goals. These measures freed up resources and accelerated the development of the new energy business. As a result, although the annual revenue decreased by 12.0% year-on-year to HK$4,823.5 million, the gross profit margin increased from 16.7% to 18.8%. The profit attributable to the owners of the Company increased by 10.8% compared to last year.

During the Year, the Group's financial planning continued to be prudent. Leveraging the advantages of varying interest rates in different regions and different currencies, and the financial products available, coupled with advice from banks, the Group was able to capture considerable returns which resulted in lower financial expenses in a high interest rate environment particularly using full deposits as security for issuing bank's acceptance bills. While maintaining sufficient cash, some loans were repaid in advance to reduce interest expenses. As of 31 December 2023, the Group's borrowings, excluding the bank's acceptance bills payable of HK$507.6 million which were secured by the same amount of full deposits in the same bank, amounted to HK$147.3 million, the lowest level in the past few years, which allowed the Group to maintain strong financial strength for flexible deployment at any time and make appropriate investments where required.

Over the Year, the development of the Group's new energy business has been promising. With the continuous growth and expansion of the business, the Group has expanded its new energy business into an independent segment during the Year. Under vigorous policy support and increasing public awareness of environmental protection, the new energy vehicle industry is becoming increasingly mature and the demand is growing. This has also driven the demand for core charging modules of charging piles, various energy storage products and automotive electronics. The Group has also formulated three new energy product application areas centering on charging modules, energy storage and automotive electronics as the core product strategy, which will result in a more efficient business development roadmap. Research and development ("**R&D**") is also more focused on power supply products with higher power and faster charging speed.

Both the consumer power supply segment and the industrial power supply segment were affected by the conservative and cautious consumption behavior of the market. However, with satisfactory progress in customer destocking during the Year, together with the Group's efforts in continually enriching product types, developing serialized product solutions to meet market needs and extending R&D and manufacturing to high-power fast charging equipment, we believe these segments will bring considerable and stable contributions to performance in the future.

R&D and innovation have always been the strategic focus of the Group, enabling us to have a diverse and comprehensive product portfolio that covers different power ranges, which gives us a clear advantage in the industry. To further consolidate our advantages, we will increase our investment in R&D overseas in the future.

The Group's global production capacity network continued to realise its advantages. Our production bases in Huizhou (in Guangdong, China), Dazhou (in Sichuan, China), Hungary and Vietnam allow the Group to respond to customer needs and conduct effective resources allocation and logistics management based on the geographical advantages, production costs and procurement advantages of each factory, reducing the risk of reliance on a single production base. It is precisely by relying on the advantages of these multiple geographical locations that Ten Pao could still ensure the supply of raw materials and the stability of product delivery even as the current Red Sea conflict continues to worsen and the impact on the global supply chain is becoming increasingly serious.

During the Year, the first phase of the Huizhou Intelligent Manufacturing Industrial Park has been completed and production equipment has been gradually moved to the new site. It is expected that the relocation will be completed in an orderly manner from 2024 to early 2025. The production plan for the Mexico factory is currently progressing as planned. In the future, we will invest more resources into the production equipment of intelligent controllers on overseas platforms. The production process will become more automated, and the products will become more sophisticated and professional. At the same time, the Group will continue to conduct R&D and optimise artificial intelligence ("**AI**") manufacturing technology and strengthen the application of AI-driven production lines, enhancing the digitalisation of production processes. Through continuous upgrading of digitalisation and AI manufacturing technology, the Group is advancing towards its goal of establishing state-of-the-art intelligent factories.

Even though the external macroeconomic situation remains unclear, the positive fundamentals of China's long-term economic growth remain unchanged, and the market generally predicts that consumer sentiment will improve. The Group will actively develop existing businesses and continue to explore new business opportunities. As our R&D and production footprint expand to more regions, the Group will also strengthen its sales network deployment to further enhance the advantages of a global presence, enabling us to seize opportunities as they arise.

Finally, on behalf of the Board, I would like to express my heartfelt thanks to our shareholders, investors, customers, and business partners for their trust and support of Ten Pao. I also wish to express my sincere appreciation to all the staff for their efforts and contributions, which have led to the continuous development of Ten Pao's business. In the future, Ten Pao will actively develop the new energy business, improve the power supply business, and explore a wider range of product types, aiming to become a leading one-stop intelligent power supply solution provider in the market, creating long-term and sustainable returns for our shareholders.

BUSINESS REVIEW

Overview

As an industry-leading provider of smart power supply solutions, Ten Pao has, over the years, been consistently providing value-added services to customers through its strong R&D capabilities, quality management team and diverse product portfolio. The Group is widely recognised in the industry for its product quality and service standards, earning the continued trust and recognition of its valued partners. During the Year, the Group won the title of "Best Supplier" from several partners and maintained lasting, friendly relationships with many customers. In addition, the Group has been continuously strengthening its business in the new energy sector in recent years, cooperating with a number of well-known companies in the industry and contributing to the development of the new energy business.

Looking back on 2023, the global economy and consumer market demand remained on a path to recovery, amidst various challenges including persistent hikes in US interest rates, a weak global economy, and growing risk-averse tendencies fueled by geopolitical unrest. For the year ended 31 December 2023, the Group's revenue experienced a year-on-year decline of 12.0%, amounting to HK$4,823.5 million. In the face of market volatility, the Group adopted a prudent financial strategy. In addition to maintaining a healthy cash flow, the Group also made appropriate investments based on business development needs to sustain a strong financial position. Operationally, the Group actively strengthened strategic inventory deployment and logistics supply chain management to ensure a stable supply of raw materials; and continued to invest in intelligent manufacturing automation equipment and streamline operational structures to improve production efficiency and reduce operating costs. Benefiting from the above measures, the gross profit margin increased from 16.7% to 18.8%, pre-tax profit was HK$387.9 million; and the profit attributable to the owners of the Company increased by 10.8% year-on-year to HK$328.9 million compared to last year.

The Group maintains a stable, long-term dividend policy. The Board has recommended the payment of a final dividend of HK9.6 cents per ordinary share for the year ended 31 December 2023 (2022: HK3.3 cents per ordinary share). Together with the interim dividend of HK2.8 cents per ordinary share for the six months ended 30 June 2023 already paid out (2022: HK2.8 cents per ordinary share), the total dividend for the year ended 31 December 2023 will be HK12.4 cents per ordinary share, representing a yearly dividend payout ratio of 38.9%.

Market and Business Review

Driven by vigorous policy support, China's new energy vehicle industry has become increasingly mature. According to data from the China Passenger Car Association, the monthly penetration rate of China's new energy passenger vehicles exceeded 40% for the first time in November 2023. The annual production and sales volume of new energy vehicles reached 9.587 million and 9.495 million respectively, representing a year-on-year growth of 35.8% and 37.9%, reaching a record high. The market demand for core charging modules of charging piles, automotive electronics and various types of energy storage products has also been driven up, with the number of orders continuing to increase throughout the Year. In response to market demand, the Group has established a three-pronged new energy product strategy centering on charging modules, energy storage, and automotive electronics applications, enabling a more efficient business development strategy.

The Group's R&D will continue to focus on improving charging currents, accelerating charging speed, diversifying power supply products and providing customers with professional electronic product OEM services. In response to market trends, the Group has expanded its product portfolio of energy storage products from portable power suppliers (300W-5KW) to home energy storage systems (5KW-10KW); intelligent charging products have also been extended from low power (84W) to medium and high power intelligent digital power supply (3.5KW) products, covering more niche areas including outdoor power equipment, new energy low-speed electric vehicles and other segments. Furthermore, the Group has also been focusing on the R&D of higher-power charging modules of charging piles. The revenue contribution from the new energy business continued to grow significantly, increasing by 20.4% year-on-year, accounting for 15.8% of total revenue, which helped offset the impact of the decline in revenue from the power supply business. Looking ahead to 2024, the Group anticipates stable and positive performance in its new energy business.

The demand for power supply products is closely intertwined with the performance of the consumer market. For the consumer power supply segment, performance remained flat due to the slowdown in smartphone sales, recording a revenue of HK$3,155.6 million. For the industrial power supply segment, customers actively destocking and conservative market demand forecasts resulted in cautious orders. Revenue of our smart chargers and controllers segment was HK$1,667.8 million for the year ended 31 December 2023, compared to HK$2,328.4 million of last year. In response to customer needs, the Group will launch new industrial power supply products that meet market demand, which is expected to benefit the revenue of industrial power supply in 2024. Furthermore, customers effectively reducing their inventory levels throughout the Year is expected to improve the Company's performance in 2024.

The Group has established a leading global production capacity network, with factories in Huizhou (in Guangdong, China), Dazhou (in Sichuan, China), Hungary and Vietnam. This reduces the risk of relying on a single production base and facilitates appropriate resources allocation in line with customer needs in accordance with the competitive advantage of each factory in geographical location, production costs and procurement ease. During the Year, the first phase of the Huizhou Intelligent Manufacturing Industrial Park has been completed, and production equipment has been gradually moved into the new factory, which will help improve production processes and efficiency. In addition, the Group has expanded its production capacity in Vietnam in view of the increasing orders from customers. Such move has also expedited the Group's business development in Southeast Asia.

The Group has always focused on product quality over the years, adhering to the business philosophy of "customer first, value-led", constantly innovating, and earning widespread recognition in the industry. During the Year, the Group won the "Global Supplier" award from a globally renowned top electric power tool brand, which commends partners with excellent quality and continuous innovation. The Group is the only supplier to win the award in the field of electronic component assembly. In addition, the Group also won the "Best Collaboration Award" and "Best Delivery Award" from two well-known mobile phone brand companies in China. As the only supplier to receive these accolades from both companies, it serves as a testament to the Group's acclaimed R&D efforts and the exceptional quality of its products.

Prospect

In view of the uncertain economic landscape in 2024, the Group will maintain a prudent attitude and adopt a robust management policy, continue to deepen and improve internal corporate reforms, enhance the benefits of automation at production bases, adjust cost structures and maintain financial stability.

R&D and innovation have always been strategic focuses of the Group, with the intention to achieve a large and diverse product portfolio. By covering products of different power levels, the Group could maintain a significant advantage in the industry. To further consolidate R&D strength, the Group will strengthen overseas R&D investment in the future. In terms of its production capacity network, the production lines of Huizhou Intelligent Manufacturing Industrial Park will be relocated in an orderly manner from 2024 to early 2025; the production plan of the Mexico factory will proceed as planned in response to customer needs; and the expansion of production capacity in Vietnam will accelerate the deployment of the Group in Southeast Asia while bringing performance contributions. On the other hand, in response to market demand, the Group will invest more resources into its product layout strategy on overseas platforms. In addition to the deployment of automated production equipment capable of mass production, the Group will also set up professional lean production lines that can flexibly handle high-precision manufacturing, along with the continuous research and increasing application of AI production lines, making production more digitalised. With the continuous upgrading of digital and AI manufacturing technology, the Group will continue to strive towards the goal of building intelligent factories. As the configuration of R&D and production continues to be upgraded, the Group will also strengthen the deployment of its global sales network, further perfecting its global coverage.

In terms of logistics configuration, in response to the escalating Red Sea situation, the Group has already started to stabilise strategic inventory, flexibly adjusted production deployment, and enhanced the capability of local material supply at each production base, effectively reducing the risk of supply chain disruption.

With the continuous growth and expansion of business, the Group expanded its new energy business into an independent segment in 2023. The new energy product strategy revolves around three core areas of charging modules, energy storage, and automotive electronic applications, and actively moves in the development direction of greater efficiency. At the beginning of 2024, a number of Chinese car companies were vying to release new energy models. Canalys, an independent analyst company, predicts that the global new energy vehicle market will grow by 27% to 17.5 million vehicles in 2024. The National Development and Reform Commission of the People's Republic of China announced earlier that it is actively expanding the consumption of new energy vehicles, strengthening promotion activities to bring new energy vehicles to rural areas, and accelerating the construction of a high quality charging infrastructure system to continuously optimise and improve the coverage of its charging network, thus providing strong support for the development of the new energy vehicle industry. The Group believes that the speed of construction of car charging piles in different cities in China will accelerate in the future, and the demand for more energy storage and automotive electronics-related peripheral equipment will also increase, which will be beneficial to the development of the three core areas of the new energy business.

Power supply customers have made satisfactory progress in destocking in 2023, which will help improve the performance of the segment in the new year. The Group will continue to enrich product types and provide serialised product solutions. Whether it is investment in industrial power supply or consumer power supply, the Group will move towards the direction of high-tech digital power supply. Considering the market demand for fast charging technology, the Group will extend efforts to the R&D and manufacturing of higher-power fast charging equipment and conduct a full range of overall planning for electric vehicle charging solutions that meet the needs of customers and segmented markets.

Over the years, under the leadership of the management team, the Group has steadily moved forward in the industry and maintained growth momentum. In addition to consolidating existing businesses, Ten Pao continues to explore new business opportunities to create a more comprehensive business strategy that better meets the needs of the Company and the market. Faced with numerous challenges from geopolitical turmoil and economic uncertainty, the Group remains determined to forge ahead, adhering to a steadily progressing business strategy and continuing to develop a more competitive intelligent and digital production model; at the same time optimising production bases and product portfolio to meet customer needs, and actively investing in R&D and sales to further strengthen its competitive advantage while leveraging the synergies brought by a global business network.

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 12.0% from HK$5,481.4 million for the year ended 31 December 2022 to HK$4,823.5 million for the year ended 31 December 2023. 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 smart chargers and controllers segment which recorded a drop of 28.4% during the year ended 31 December 2023. However, the new energy business 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 2023 and the comparative figures for the year ended 31 December 2022.

	Year ended 31 December			
	2023		2022	
	HK$'000	*%*	*HK$'000*	*%*
Switching power supply units for consumer products				
Telecommunication	**1,545,000**	**32.0**	1,578,658	28.8
Media and entertainment	**362,038**	**7.5**	413,495	7.5
Lighting	**316,111**	**6.6**	347,248	6.3
New energy business	**763,525**	**15.8**	633,929	11.6
Others	**168,949**	**3.5**	179,625	3.3
Subtotal	**3,155,623**	**65.4**	3,152,955	57.5
Smart chargers and controllers for industrial use	**1,667,829**	**34.6**	2,328,400	42.5
Total revenue	**4,823,452**	**100**	5,481,355	100

During the year ended 31 December 2023, the sales of switching power supply units for telecommunication equipment decreased by 2.1% from HK$1,578.7 million for the year ended 31 December 2022 to HK$1,545.0 million for the year ended 31 December 2023, due to the slowdown in the business of the smartphone manufacturing clients in the PRC. Revenue from new energy business increased by 20.4% during the year ended 31 December 2023 as compared with the year ended 31 December 2022. Sales of smart chargers and controllers decreased by 28.4% to HK$1,667.8 million for the year ended 31 December 2023 as compared with the year ended 31 December 2022, mainly due to customers strategy of continuing destocking and conservative market strategy.

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			
	2023		2022	
	HK$'000	*%*	*HK$'000*	*%*
PRC, excluding Hong Kong	**2,910,626**	**60.3**	3,043,797	55.5
Europe	**575,777**	**11.9**	862,568	15.7
Asia, excluding PRC	**695,637**	**14.4**	763,426	13.9
US	**309,805**	**6.4**	496,356	9.1
Africa	**149,505**	**3.2**	140,711	2.6
Others	**182,102**	**3.8**	174,497	3.2
Total revenue	**4,823,452**	**100**	5,481,355	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 14.2% for the year ended 31 December 2023 as compared with the year ended 31 December 2022, which was consistent with the decrease in revenue by 12.0% for the Year.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2023, the Group recorded a gross profit of HK$907.2 million, representing a decrease of 0.9% from the year ended 31 December 2022.

The gross profit margin of the Group increased from 16.7% for the year ended 31 December 2022 to 18.8% for the year ended 31 December 2023. Such increase was primarily due to the achievement of long-term cost reduction and efficiency improvement, including the rise in the level of automation, streamlining the operational structures and strengthening of the supply chain management.

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 in the Year was mainly attributable to the increase in the sales of scrap materials.

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 gain on disposal of property, plant and equipment. The increase of net other gains during the year ended 31 December 2023 was primarily due to the gain on fair value changes on financial assets at fair value through profit or loss and increase in government grants during the Year.

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 6.9% from HK$194.3 million for the year ended 31 December 2022 to HK$180.8 million for the year ended 31 December 2023. The decrease 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 increased by 0.5% from HK$414.4 million for the year ended 31 December 2022 to HK$416.4 million for the year ended 31 December 2023, which was mainly due to the increase in depreciation and amortisation charges for the newly set up production facility in both the PRC and overseas.

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$3.6 million and HK$12.5 million for the years ended 31 December 2023 and 2022, respectively. For the year ended 31 December 2023, interest expenses of HK$8.3 million was capitalised (2022: HK$4.8 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 three 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 increased from HK$55.2 million for the year ended 31 December 2022 to HK$59.7 million for the year ended 31 December 2023. 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 2023, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

The effective corporate income tax rate of the Group is 15.4% for the year ended 31 December 2023, which was approximately consistent with the effective corporate income tax rate for the year ended 31 December 2022.

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 96.3% to HK$304.2 million for the year ended 31 December 2023 from HK$154.9 million for the year ended 31 December 2022, including currency translation loss of HK$23.5 million as a result of the devaluation of RMB in 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy position. As of 31 December 2023, net current assets was HK$342.7 million as compared with HK$438.0 million at 31 December 2022. As of 31 December 2023, current ratio was 1.14 times (2022: 1.21 times) (current ratio is calculated by using the following formula: current assets/current liabilities). Gearing ratio was 39.6% (2022: 31.9%) (gearing ratio is calculated by using the following formula: total borrowings/total equity). The gearing ratio excluding the banks' acceptance bill payable which were secured by full deposits in the same bank was 8.9% for the year ended 31 December 2023.

Cash generated from operations for the year ended 31 December 2023 was HK$484.7 million (2022: HK$595.9 million) and the decrease was mainly in line with the decrease in revenue during the year under review.

Cash used in investing activities for the year ended 31 December 2023 was HK$295.0 million (2022: HK$228.0 million).The increase was primarily due to the substantial addition of plant and machineries and the construction of new factory premises.

During the year ended 31 December 2023, net cash used in financing activities was HK$377.3 million (2022: HK$300.4 million) as the Group continued to repay the bank borrowings during the year ended 31 December 2023.

DEBT MATURITY PROFILE

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

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**652,331**	248,566
Between 1 and 2 years	**2,568**	46,512
Between 2 and 5 years	**—**	156,372
	654,899	451,450

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$, while our cost of sales is primarily denominated in RMB. For the year ended 31 December 2023, our revenue denominated in USD and HK$ amounted to approximately 49.6% 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 2023, 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 2023, the Group had bank borrowings of HK$654.9 million (2022: HK$451.5 million) which were primarily denominated in HK$ and RMB.

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 2023, all of the bank balances 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 2023 and 2022, the Group held bank balances and restricted bank deposits totalling HK$828.0 million, and HK$512.0 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 2023, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

The Group employed a total of approximately 7,200 full-time employees as of 31 December 2023 (2022: approximately 7,300). 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 C1 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 2023, 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 C3 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 2023 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 2023 and up to the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK9.6 cents per ordinary share of the Company for the year ended 31 December 2023 (2022: HK3.3 cents per ordinary share) to the shareholders whose names are to be appeared on the register of members of the Company on Friday, 28 June 2024. The proposed final dividend is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 14 June 2024 (the "**2024 AGM**").

It is expected that the cheques for the proposed final dividend will be sent by ordinary mail to the shareholders of the Company at their own risk on Monday, 15 July 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024 (both days inclusive) for the purpose of determining the right to attend and vote at the 2024 AGM. In order to be qualified for attending and voting at the 2024 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 Friday, 7 June 2024.

Conditional on the passing of the resolution approving the declaration of the proposed final dividend at the 2024 AGM, the register of members of the Company will also be closed from Wednesday, 26 June 2024 to Friday, 28 June 2024 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2023. In order to be qualified for the proposed final dividend (subject to the approval of the shareholders at the 2024 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 Tuesday, 25 June 2024.

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 2023 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 2023.

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 2023 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.

SUBSEQUENT EVENT

On 28 February 2024, the Company announced (1) the proposed adoption of the share award scheme ("**Ten Pao Electronic (Huizhou) Share Award Scheme**") of Ten Pao Electronic (Huizhou) Co., Ltd. (天寶電子(惠州)有限公司) ("**Ten Pao Electronic (Huizhou)**"), an indirect wholly-owned subsidiary of the Company; and (2) the proposed conditional grant of award shares of Ten Pao Electronic (Huizhou) to (i) Ms. Yang Bingbing, the chief executive officer and a director of Ten Pao Electronic (Huizhou); and (ii) Mr. Hong Guangdai, a director of Ten Pao Electronic (Huizhou) (the "**Conditional Grant**"). The Ten Pao Electronic (Huizhou) Share Award Scheme and the Conditional Grant are subject to approval of the Company's shareholders. For details of the proposed adoption of the Ten Pao Electronic (Huizhou) Share Award Scheme and the Conditional Grant, please refer to the announcement of the Company dated 28 February 2024 and the circular of the Company dated 15 March 2024.

Save as disclosed above, no significant event affecting the Group has occurred subsequent to 31 December 2023 and up to the date of this announcement.

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 2023 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, 22 March 2024

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