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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Ten Pao Group Holdings Limited (“**Ten Pao**” or the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2024, together with comparative figures for the six months ended 30 June 2023 or other dates/ periods, as follows:

FINANCIAL HIGHLIGHTS:

- Revenue for the six months ended 30 June 2024 increased by 5.6% to HK\$2,471.0 million, as compared with the same period of last year.
- Gross profit for the six months ended 30 June 2024 increased by 22.8% to HK\$501.9 million. Gross profit margin increased by 2.8 percentage points to 20.3%, as compared with the same period of last year.
- Profit before income tax for the six months ended 30 June 2024 increased by 28.2% to HK\$207.0 million, as compared with the same period of last year.
- Profit attributable to owners of the Company for the six months ended 30 June 2024 increased by 28.6% to HK\$175.8 million, as compared with the same period of last year.
- The Board has resolved to distribute an interim dividend of HK5.2 cents per ordinary share for the six months ended 30 June 2024 (2023: HK2.8 cents per ordinary share).

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information has been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The review report of the independent auditor will be included in the interim report to be sent to the shareholders of the Company (the “Shareholders”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in HK dollar thousands unless otherwise stated)

	Notes	Six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited)
Revenue	6	2,471,011	2,339,409
Cost of sales	8	(1,969,161)	(1,930,574)
Gross profit		501,850	408,835
Other income	7	10,508	11,936
Other gains — net	7	28,912	20,146
Selling expenses	8	(84,082)	(89,811)
Administrative expenses	8	(247,222)	(179,581)
Net impairment losses on financial assets		(9,855)	(6,272)
Operating profit		200,111	165,253
Finance income	9	9,035	2,056
Finance expenses	9	(2,122)	(5,883)
Finance income/(expenses) — net		6,913	(3,827)
Profit before income tax		207,024	161,426
Income tax expenses	10	(31,680)	(24,967)
Profit for the period attributable to:			
Owners of the Company		175,830	136,712
Non-controlling interests		(486)	(253)
		175,344	136,459
Earnings per share for the period			
— basic and diluted per share	11	HK\$0.17	HK\$0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Profit for the period	<u>175,344</u>	<u>136,459</u>
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(19,446)	(52,529)
Changes in the fair value of equity investments at fair value through other comprehensive income	<u>881</u>	<u>(5,998)</u>
	(18,565)	(58,527)
Total comprehensive income for the period attributable to:		
Owners of the Company	157,265	78,185
Non-controlling interests	<u>(486)</u>	<u>(253)</u>
	<u>156,779</u>	<u>77,932</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Notes</i>	30 June 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Non-current assets			
Land use rights		4,583	4,734
Property, plant and equipment	13	1,178,320	1,110,147
Right-of-use assets		183,614	191,690
Investment properties		6,600	7,100
Intangible assets		46,515	45,559
Deferred income tax assets		48,960	52,977
Derivative financial assets — non-current		—	455
Financial assets at fair value through other comprehensive income		9,965	8,994
Financial assets at fair value through profit or loss		78,707	75,907
Prepayments for the purchase of property, plant and equipment		9,340	8,706
		<u>1,566,604</u>	<u>1,506,269</u>
Current assets			
Inventories	14	783,018	727,329
Trade and other receivables	15	1,322,688	1,254,893
Amounts due from related parties		1,730	1,760
Derivative financial assets — current		736	1,269
Restricted bank deposits		310,963	677,556
Cash and cash equivalents		232,449	150,476
		<u>2,651,584</u>	<u>2,813,283</u>
Total assets		<u>4,218,188</u>	<u>4,319,552</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	16	10,304	10,304
Share premium	16	162,426	162,426
Other reserves		47,977	64,844
Retained earnings		1,489,650	1,417,501
		<u>1,710,357</u>	<u>1,655,075</u>
Non-controlling interests		<u>(4,307)</u>	<u>(3,821)</u>
Total equity		<u>1,706,050</u>	<u>1,651,254</u>

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

	<i>Notes</i>	30 June 2024 (Unaudited)	31 December 2023 (Audited)
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	17	—	2,569
Lease liabilities — non-current		42,147	46,390
Deferred income tax liabilities		110,398	111,938
Deferred government grants		34,032	36,778
		<u>186,577</u>	<u>197,675</u>
Current liabilities			
Trade and other payables	18	1,918,468	1,735,309
Contract liabilities		37,371	33,787
Amounts due to related parties		37,244	33,103
Dividend payable		103,694	13
Income tax liabilities		9,972	4,079
Lease liabilities — current		10,868	12,002
Short-term bank borrowings	17	162,235	553,632
Current portion of non-current bank borrowings	17	45,709	98,698
		<u>2,325,561</u>	<u>2,470,623</u>
Total liabilities		<u>2,512,138</u>	<u>2,668,298</u>
Total equity and liabilities		<u>4,218,188</u>	<u>4,319,552</u>

NOTES

(All amounts in HK dollar thousands unless otherwise stated)

1 GENERAL INFORMATION

Ten Pao Group Holdings Limited (天寶集團控股有限公司) (the “**Company**”) was incorporated in the Cayman Islands on 27 January 2015 as an exempted company with limited liability under the Companies 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 switching power supply units for consumer products and smart chargers and controllers for industrial use in the People’s Republic of China (the “**PRC**”). The controlling shareholder of the Group is Mr. Hung Kwong Yee (洪光椅) (“**Chairman Hung**”).

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

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

This Interim Financial Information was approved for issue on 23 August 2024 and has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2024 (the “**Period**”) has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants. This Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2023 (the “**2023 Financial Statements**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2023 Financial Statements, as described in those annual financial statements, except for the adoption of amendments to HKASs effective for the financial year beginning 1 January 2024.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. The Directors consider that application of these new standards, amendments and interpretation to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and on the disclosures set out in this Interim Financial Information.

3 ACCOUNTING POLICIES (CONTINUED)

3.2 Impact of standards issued but not yet applied by the Group

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

		Effective for accounting periods beginning on or after
Lack of Exchangeability	Amendments to HKAS 21	1 January 2025
Classification and Measurement of Financial Instruments	Amendment to HKFRS 9 and HKFRS 7	1 January 2026
Presentation and Disclosure in Financial Statements	HKFRS 18	1 January 2027
Subsidiaries without Public Accountability: Disclosures	HKFRS 19	1 January 2027
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendments to IFRS 10 and IAS 28	To be determined

4 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2023 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with them.

There have been no changes in the risk management function since 31 December 2023 or in any risk management policies since 31 December 2023.

5.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the Directors, the Group does not have any significant liquidity risk.

6 SEGMENT INFORMATION

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

Segment information for the interim condensed consolidated statement of profit or loss is set out below:

	Smart chargers and controllers	Tele- communication	New energy business	Media and entertainment	Lighting	Others	Total
Six months ended							
30 June 2024 (unaudited)							
Revenue							
Revenue from external customers							
— At a point in time	<u>989,123</u>	<u>639,117</u>	<u>420,911</u>	<u>168,547</u>	<u>146,748</u>	<u>106,565</u>	<u>2,471,011</u>
Segment results	<u>264,363</u>	<u>92,967</u>	<u>48,207</u>	<u>34,876</u>	<u>35,146</u>	<u>26,291</u>	<u>501,850</u>
Other income							10,508
Other gains — net							28,912
Selling expenses							(84,082)
Administrative expenses							(247,222)
Net impairment losses on financial assets							(9,855)
Finance income — net							<u>6,913</u>
Profit before income tax							<u>207,024</u>

6 SEGMENT INFORMATION (CONTINUED)

	Smart chargers and controllers	Tele- communication	New energy business	Media and entertainment	Lighting	Others	Total
Six months ended							
30 June 2023 (unaudited)							
Revenue							
Revenue from external customers							
— At a point in time	<u>851,593</u>	<u>720,883</u>	<u>364,314</u>	<u>160,218</u>	<u>164,298</u>	<u>78,103</u>	<u>2,339,409</u>
Segment results	<u>184,670</u>	<u>118,358</u>	<u>40,373</u>	<u>19,516</u>	<u>29,229</u>	<u>16,689</u>	408,835
Other income							11,936
Other gains — net							20,146
Selling expenses							(89,811)
Administrative expenses							(179,581)
Net impairment losses on financial assets							(6,272)
Finance expenses — net							<u>(3,827)</u>
Profit before income tax							<u>161,426</u>

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

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
PRC (excluding Hong Kong)	1,217,535	1,061,259
Vietnam	127,906	58,722
Hungary	61,999	67,765
United States	11,714	60
Hong Kong	9,818	10,410
	<u>1,428,972</u>	<u>1,198,216</u>

7 OTHER INCOME AND OTHER GAINS — NET

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Other income		
Sales of scrap materials	3,586	1,919
Products format change fee	2,444	—
Sales of raw materials, sample and molds	2,423	3,586
Safety fee income	707	3,250
Others	1,348	3,181
	<u>10,508</u>	<u>11,936</u>
Other gains — net		
Fair value changes on derivative financial instruments	(648)	(3,496)
Fair value changes on financial assets at fair value through profit or loss	2,419	947
Fair value changes on investment properties	(500)	100
Net foreign exchange gains	10,751	21,913
Government grants	17,929	3,109
Gain/(loss) on disposal of property, plant and equipment	187	(792)
Others	(1,226)	(1,635)
	<u>28,912</u>	<u>20,146</u>

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Raw materials and consumables used (excluding research and development expenses)	1,741,599	1,442,632
Employee benefit expenses (excluding research and development expenses)	326,802	266,793
Changes in inventories of finished goods and work in progress	(70,274)	171,829
Depreciation, amortisation and impairment charges (excluding research and development expenses)	89,538	94,475
Research and development expenses		
— Employee benefit expenses	68,902	59,410
— Raw materials, consumables used and others	15,873	15,773
— Depreciation and amortisation	8,642	8,849
Operating lease expenses	11,454	18,217
Allowance for impairment of inventory	2,607	16,673
Auditors' remuneration	1,618	1,621
Other expenses	103,704	103,694
	<u>2,300,465</u>	<u>2,199,966</u>
Total cost of sales, selling expenses and administrative expenses		

9 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Finance income:		
Interest income	9,035	2,056
Finance expenses:		
Interest on bank borrowings	(1,349)	(8,576)
Interest on lease liabilities	(773)	(303)
	<u>(2,122)</u>	<u>(8,879)</u>
Amount capitalised	<u>—</u>	<u>2,996</u>
Finance expenses expensed	<u>(2,122)</u>	<u>(5,883)</u>
Finance income/(expenses) — net	<u>6,913</u>	<u>(3,827)</u>

10 INCOME TAX EXPENSES

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Current income tax		
— PRC corporate income tax	15,573	11,198
— Hong Kong profits tax	12,078	14,931
	<u>27,651</u>	<u>26,129</u>
Subtotal	27,651	26,129
Deferred income tax	4,029	(1,162)
	<u>31,680</u>	<u>24,967</u>

Subsidiaries in Hong Kong are subject to 16.5% profits 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 (2023 interim: the subsidiaries in Hong Kong were 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).

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

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

Ten Pao Electronic (Huizhou) Co., Ltd. and Dazhou Ten Pao Jin Hu Electronic Co., Ltd. are recognized as “New and High Technology Enterprises” and enjoy a preferential CIT rate of 15%. Their CIT rate for the Period was 15% (2023 interim: 15%).

10 INCOME TAX EXPENSES (CONTINUED)

Shanxi Huifeng Electronic Technology Co., Ltd. and Huizhou Ten Pao Chuangneng Technology Co., Ltd. are recognized as “New and High Technology Enterprises” and enjoy a preferential CIT rate of 15%. Their CIT rate for the Period was 15% (2023 interim: 25%).

11 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	175,830	136,712
Weighted average number of shares issued (thousands)	1,030,389	1,030,389
Basic earnings per share (HK cents)	17	13

(b) Diluted earnings per share

As at 30 June 2024, the diluted earnings per share approximates basic earnings per share (30 June 2023: same).

12 DIVIDENDS

The Board resolved on 23 August 2024 to declare an interim dividend of HK5.2 cents per ordinary share of the Company for the six months ended 30 June 2024 (2023 interim: HK2.8 cents per ordinary share). This interim dividend, amounting to HK\$53.6 million (2023 interim: HK\$28.9 million), has not been recognised as a liability in this Interim Financial Information.

On 14 June 2024, a final dividend of HK9.6 cents per ordinary share of the Company in respect of the year ended 31 December 2023, amounting to HK\$98,917,000, was approved by the then Shareholders.

13 PROPERTY, PLANT AND EQUIPMENT

Net book amount as at 31 December 2023	1,110,147
Additions	190,106
Disposals	(9,719)
Impairment charges	(9,360)
Currency translation differences	(13,499)
Depreciation	(89,355)
	<hr/>
Net book amount as at 30 June 2024 (unaudited)	1,178,320
	<hr/>
Net book amount as at 1 January 2023	1,030,964
Additions	302,696
Disposals	(43,587)
Impairment charges	(13,015)
Currency translation differences	(14,005)
Depreciation	(152,906)
	<hr/>
Net book amount as at 31 December 2023 (audited)	1,110,147
	<hr/>

14 INVENTORIES

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Raw materials	314,100	326,558
Work in progress	153,112	119,531
Finished goods	426,432	389,739
	<hr/>	<hr/>
	893,644	835,828
Less: allowance for impairment	(110,626)	(108,499)
	<hr/>	<hr/>
	783,018	727,329
	<hr/>	<hr/>

The movements of allowance for impairment are analysed as follows:

	Six months ended 30 June 2024 (Unaudited)	2023 (Unaudited)
At 1 January	108,499	96,481
Currency translation differences	(480)	(2,010)
Allowance for write-down, net	2,607	16,673
	<hr/>	<hr/>
At 30 June	110,626	111,144
	<hr/>	<hr/>

15 TRADE AND OTHER RECEIVABLES

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Trade receivables	1,235,318	1,176,536
Less: allowance for impairment of trade receivables	<u>(6,884)</u>	<u>(5,844)</u>
Trade receivables, net	1,228,434	1,170,692
Prepayments	39,544	18,257
Value added tax allowance	16,783	16,788
Export tax refund receivables	14,931	17,611
Deposits	9,726	17,969
Employee welfare	3,048	2,671
Bills receivable	1,454	4,255
Advances to employees	808	814
Others	<u>7,960</u>	<u>5,836</u>
	<u>1,322,688</u>	<u>1,254,893</u>

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

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Less than 3 months	1,116,572	1,069,414
More than 3 months but not exceeding 1 year	117,894	102,701
More than 1 year	<u>852</u>	<u>4,421</u>
	<u>1,235,318</u>	<u>1,176,536</u>

As at 30 June 2024, the carrying amounts of the receivables were approximate to their fair values.

As at 30 June 2024, the Group's bank borrowings were secured over trade and other receivables with the carrying amounts of HK\$274,192,000 (31 December 2023: HK\$214,798,000).

16 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of Shares	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	1,030,388,965	10,304	162,426	172,730

17 BORROWINGS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Non-current		
Bank borrowings		
— secured (a)	45,709	50,984
— unsecured	—	50,283
Less: current portion of non-current borrowings	(45,709)	(98,698)
	—	2,569
Current		
Bank borrowings		
— secured (a)	162,235	538,768
— unsecured	—	14,864
Total short-term bank borrowings	162,235	553,632
Current portion of non-current borrowings	45,709	98,698
	207,944	652,330
Total borrowings	207,944	654,899

Movement in borrowings is as follows:

	Six months ended 30 June 2024 (Unaudited)	2023 (Unaudited)
Opening balance as at 1 January	654,899	451,450
Proceeds from borrowings	140,879	116,495
Repayments of borrowings	(584,370)	(192,698)
Currency translation differences	(3,464)	(4,374)
Closing balance as at 30 June	207,944	370,873

17 BORROWINGS (CONTINUED)

- (a) As at 30 June 2024, bank borrowings amounting to HK\$207,944,000 (31 December 2023: HK\$589,752,000) were secured over the following assets:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Restricted bank deposits	310,963	677,556
Trade and other receivables	274,192	214,798
Investment properties	6,600	7,100
Financial assets at fair value through profit or loss — non-current	—	3,395
	591,755	902,849

18 TRADE AND OTHER PAYABLES

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Trade payables	1,230,658	1,190,917
Wages and staff welfare benefits payable	307,666	309,891
Notes payable	286,548	174,269
Accrual for expenses and other payables	75,376	55,479
Payables in relation to share award scheme	11,728	—
Other taxes payable	6,492	4,753
	1,918,468	1,735,309

The ageing analysis of trade payables is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Less than 3 months	972,977	931,478
More than 3 months but not exceeding 1 year	243,871	251,222
More than 1 year	13,810	8,217
	1,230,658	1,190,917

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Ten Pao is a leading provider of diversified smart power supply solutions with over 45 years of experience in power manufacturing. The Group is committed to a customer-centric approach and develops high-quality, innovative products that have earned recognition from clients. During the six months ended 30 June 2024, its various segments also received awards from renowned partners, including “Excellent Partner” and “Excellent Quality” awards.

In the first half of 2024, despite a challenging external environment and intensified market competition, the Group, under the visionary leadership of its management, has made significant strides in expanding its global production footprint and advancing intelligent automation initiatives. Over the past few years, these efforts have yielded positive results, enabling the Group to effectively navigate geopolitical factors and supply chain pressures. Coupled with its research and development (“**R&D**”) capabilities and high quality products, the Group has maintained strong and long-standing partnerships with its customers, allowing it to stand out in a competitive market.

Over the Period, the Group’s revenue increased by 5.6% year-on-year to HK\$2,471.0 million, driven by strong performance in the new energy business and a significant improvement in inventory destocking by industrial power supply customers. The Group’s long-term commitment to promoting intelligent and digital transformation in its production and operations, coupled with a streamlined operational structure, has resulted in effective cost control. Prudent financial management has also maintained a healthy cash flow level. Gross profit for the Period increased by 22.8% year-on-year to HK\$501.9 million, while profit before taxation for the Period reached HK\$207.0 million. Profit attributable to owners of the Company increased by 28.6% year-on-year to HK\$175.8 million. Basic earnings per share for the Period increased to HK17 cents from HK13 cents in 2023.

The Group maintains a stable and consistent long-term dividend policy. The Board has decided to distribute an interim dividend of HK5.2 cents per ordinary share over the Period.

Market and Business Review

As China's economic recovery falls short of expectations, the market environment has become more challenging, with many companies resorting to price cuts to secure orders, thus intensifying competition. Despite the complex economic landscape, the Group has secured stable orders from long-term clients and attracted new customers. This has been driven by its strategic global production footprint, developed in response to evolving customer needs, and its focus on capitalizing on the "fuel-to-electric" trend with new product development. Furthermore, the Group's established strengths in production and R&D, coupled with early adoption of automation in its factories, have enhanced production efficiency. These factors, combined with effective cost control and a global production network, have maintained the Group's core competitiveness, ensuring stable gross profit margins. Despite supply chain challenges posed by the Red Sea shipping crisis, the Group's proactive inventory management of raw materials has enhanced supply chain flexibility and mitigated the impact of shipping disruptions on logistics costs. The flexibility to adjust production deployment across various manufacturing facilities has also helped to maintain transportation costs at a stable level.

The industrial power supply segment saw positive results from client inventory adjustments, and client order patterns reflected cautious optimism. This led to a 16.1% year-on-year increase in segment revenue, representing 40.0% of the Group's total revenue. To capitalize on market recovery opportunities and meet evolving customer needs, the Group intends to focus its R&D efforts on enhancing charging currents and speeds, while expanding its diverse portfolio of industrial power supply products. In addition, as China continues to invest resources in photovoltaic power generation, data centers, new energy vehicles and other industries, the power supply industry is poised to continue its rapid growth. The Group anticipates a steady and positive performance for this segment in the second half of the year.

Regarding the new energy business segment, the Group's new energy product strategy successfully capitalized on the energy transition trend. Energy storage products and automotive electronics witnessed strong sales growth, with revenue increasing by 15.5% year-on-year, accounting for 17.0% of the Group's revenue. In recent years, the global push for low-carbon and green energy has significantly accelerated the energy transition. Furthermore, China is actively promoting its "dual carbon" goals through various national policies. According to the "Energy Storage Industry Research White Paper 2024" released by the China Energy Storage Alliance, the global energy storage market continued its rapid growth in 2023, with power storage facilities newly put into operation reaching 52.0GW, a year-on-year increase of 69.5%. It is conservatively estimated that the cumulative capacity of new energy storage facilities will reach 168.7GW by 2028, with a compound annual growth rate (CAGR) of 37.4% from 2024 to 2028. Given the rising market demand for new energy products, especially for energy storage products, the Group will further expand the application of energy storage products and adopt a comprehensive planning strategy. With orders and enquiries for new energy products continuing to increase in recent months, the Group expects the new energy business to maintain strong growth momentum in the second half of the year. In regard to the consumer power supply segment, as the global economy has not yet recovered, consumer demand has also been affected, resulting in a slight year-on-year revenue decline of 5.6%. That said, the gradual recovery of the consumer market, a diversified product portfolio, and the launch of new products are all expected to support the segment's future development.

The Group has production bases in Huizhou (in Guangdong, China), Dazhou (in Sichuan, China), Hungary, Vietnam, and Mexico. The production lines for intelligent controllers have been extended to Vietnam and Mexico, equipped with automated equipment incorporating artificial intelligence elements. This highly efficient production model can serve as the best blueprint for replication at other overseas production bases. The production lines at Huizhou Intelligent Manufacturing Industrial Park are being relocated to the new factory as planned. The new factory covers an area of approximately 200,000 square meters, providing more space for automated production and intelligent manufacturing upgrades, laying the foundation for the Group's potential capacity expansion.

Prospect

In the second half of this year, the external environment remains complex and volatile due to the upcoming United States ("US") presidential election. The sluggish performance of China's consumption and real estate industries has put significant pressure on the country's economic outlook. The Group will remain cautiously optimistic, continue to streamline its operational structure, enhance automation efficiency at production bases, and further expand its international and diversified customer base as part of its globalization strategy.

Meanwhile, R&D and innovation remains a top priority for the Group. It will continue to focus on new product development and core product upgrades, striving to enrich and diversify its product portfolio to meet evolving customer needs. Last year, the European Parliament decided to ban the sale of gasoline and diesel cars after 2035, aiming for climate neutrality by 2050. Many countries are setting timelines for phasing out fossil fuel vehicles, and customers are increasingly interested in low-carbon and zero-carbon products. Going forward, the Group plans to launch more household-oriented products, such as the home energy storage inverter, which has already been launched in the European market. As new energy products become more popular, economies of scale will significantly reduce production costs and unit prices.

Furthermore, the European Union's plan to impose a tax on imported high-carbon products from 2026 has created a growing demand for clean energy solutions among the Group's clients. Currently, Ten Pao is independently developing more related products and collaborating with clients on joint development projects. The goal is to launch corresponding products in both industrial power supply and energy storage segments. The Group anticipates that China and the US will follow the European Union's lead in transitioning their energy consumption structures towards cleaner sources. As a result, the Group's industrial power products segment is accelerating the development of smart battery charger series and fully digital power supply products. These products can be applied to various scenarios in line with future market demands, including the charging of electric forklift, industrial robot, communication equipment, battery swapping cabinets, garden machineries, electric power tools and IoT logistics warehouse equipment.

The Group will also prioritize investments into strengthening non-power product lines and launching more customized products. The intelligent controller business has gradually secured orders for customized development from several clients. These customized products offer higher value compared to traditional OEM products. In the future, the Group will develop more high-tech, high value-added and high-precision intelligent controller products, and continue to provide customers with “intelligent, efficient, safe, reliable, and quick-response” product customization R&D and manufacturing services.

Over the years, the Group has accumulated a huge customer base within the industry. This, together with the manufacturing advantages of different regions within a global production network and reduced production costs, have enabled the Group to continue securing orders for manufacturing and providing solutions for intelligent controllers. The Group will continue to strengthen its domestic and overseas production base layout in response to customer demand and actively seek more strategic cooperation opportunities abroad. Backed by ample cash reserves, the Group will maintain prudent financial planning and is considering various investment strategies to expand its business. As the need arises, the Group will pursue appropriate investments or acquisitions to enhance its competitive advantage, create value for customers and employees, and strive for better returns for shareholders, ultimately becoming the mainstay of the global power supply industry.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As at 30 June 2024, net current assets amounted to HK\$326.0 million as compared with HK\$342.7 million as at 31 December 2023. As of 30 June 2024, current ratio was 1.14 times (31 December 2023: 1.14 times) (current ratio is calculated by using the following formula: current assets/current liabilities).

Gearing ratio was 12.2% as at 30 June 2024 (31 December 2023: 39.7%) (gearing ratio is calculated by using the following formula: total borrowings/total equity). The decrease in the gearing ratio was mainly due to the net repayment of bank borrowings during the Period.

Net cash generated from operating activities was HK\$332.9 million for the Period (six months ended 30 June 2023: HK\$21.7 million), which was mainly due to cash generated from operations of HK\$347.8 million. During the Period, no significant extended credit term was given to customers while extended credit term was granted by suppliers.

Net cash used in investing activities for the Period was HK\$183.9 million (six months ended 30 June 2023: HK\$111.6 million) as the Group has acquired more property, plant and equipment, amounting to HK\$190.7 million (six months ended 30 June 2023: HK\$114.8 million).

During the Period, net cash used in financing activities was HK\$66.9 million (six months ended 30 June 2023: HK\$133.1 million).

DEBT MATURITY PROFILE

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 1 year	207,944	652,330
Between 1 and 2 years	—	2,569
Between 2 and 5 years	—	—
	207,944	654,899

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

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

The Group generates a notable portion of revenue and receivables in USD and HK\$, while our cost of sales is primarily denominated in RMB. For the Period, the Group's revenue denominated in USD and HK\$ amounted to approximately 50.1% of its total revenue (six months ended 30 June 2023: 48.0%).

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies and to mitigate the impact on exchange rate fluctuations. During the Period, no forward foreign exchange contracts had been entered into by the Group as the Group did not consider there was any risk associated with exchange rate fluctuation that may adversely affect the results of the Group.

Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. As of 30 June 2024, the Group had bank borrowings of HK\$207.9 million (31 December 2023: HK\$654.9 million) which were primarily denominated in HK\$, USD and RMB.

Credit Risk

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

As at 30 June 2024, all of the bank balances, term deposits and restricted bank deposits of the Group were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any losses from non-performance by these banks and financial institutions. As at 30 June 2024 and 31 December 2023, the Group held cash and bank balances and restricted bank deposits totalling HK\$543.4 million and HK\$828.0 million, respectively, with four major banks in the PRC and Hong Kong.

Liquidity Risk

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

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

HUMAN RESOURCES

The Group employed a total of approximately 7,800 full-time employees as of 30 June 2024. The Group believes human resources are its valuable assets and maintains its solid commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and a favorable working environment to its employees. The Group constantly provides training with diverse operational functions and offers competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs. The total labour costs for the Period was HK\$395.7 million, as compared to HK\$326.2 million for the same period last year.

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 Period, 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 the Group’s business operation and management in general. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group’s business strategies, 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 four independent non-executive Directors on the Board offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 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, all the Directors have confirmed their compliance with the Model Code throughout the Period and up to the date of this announcement. In addition, no incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the Period and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved to distribute an interim dividend of HK5.2 cents per ordinary share for the Period (2023: HK2.8 cents per ordinary share) to the Shareholders. The interim dividend is expected to be paid on Friday, 25 October 2024 to all Shareholders whose names appear on the register of members of the Company on Thursday, 10 October 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 October 2024 to Thursday, 10 October 2024, both days inclusive, for the purpose of determining the entitlement to the interim dividend for the Period. In order to be qualified for the said interim dividend, unregistered holders of shares of the Company should ensure all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 7 October 2024. The ex-dividend date will be Friday, 4 October 2024.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee comprises all the four independent non-executive Directors, namely Mr. Chu Yat Pang Terry (chairman), Mr. Lam Cheung Chuen, Mr. Lee Kwan Hung Eddie and Dr. Lui Sun Wing.

The Audit Committee has reviewed the Company's unaudited interim condensed consolidated financial statements for the Period in conjunction with the Company's management. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Group and considered them effective.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tenpao.com). The interim report for the Period 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 and Chief Executive Officer

Hong Kong, 23 August 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 four independent non-executive Directors, namely Mr. Lam Cheung Chuen, Mr. Chu Yat Pang Terry, Mr. Lee Kwan Hung Eddie and Dr. Lui Sun Wing.