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**TIAN CHANG GROUP HOLDINGS LTD.**  
**天長集團控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 2182)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Tian Chang Group Holdings Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021, as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*Six months ended 30 June 2022*

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>571,412</b>	471,334
Cost of goods sold		<b>(452,093)</b>	(367,976)
<b>Gross profit</b>		<b>119,319</b>	103,358
Other income	4	<b>4,180</b>	2,917
Other gains and losses, net	5	<b>(1,786)</b>	1,667
(Impairment losses) Reversal of impairment losses recognised on trade receivables		<b>(101)</b>	298
Selling and distribution costs		<b>(3,099)</b>	(3,529)
Administrative and other operating expenses		<b>(59,602)</b>	(54,908)
Finance costs	6	<b>(3,298)</b>	(4,273)
<b>Profit before tax</b>	6	<b>55,613</b>	45,530
Income tax expenses	7	<b>(7,026)</b>	(6,333)
<b>Profit for the period, attributable to equity holders of the Company</b>		<b>48,587</b>	39,197
<b>Earnings per share attributable to equity holders of the Company</b>		<b>HK cents</b>	HK cents
Basic	9	<b>7.84</b>	6.32
Diluted	9	<b>7.79</b>	6.28

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>48,587</b>	39,197
<b>Other comprehensive (loss) income:</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of foreign operations	<u>(36,902)</u>	<u>6,989</u>
<b>Total comprehensive income for the period, attributable to equity holders of the Company</b>	<b><u>11,685</u></b>	<b><u>46,186</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		710,971	764,841
Financial assets at fair value through profit or loss ("FVPL")	10	31,273	30,454
Finance lease receivables	11	404	1,617
Rental deposits		175	77
Deferred tax assets		1,137	918
		<u>743,960</u>	<u>797,907</u>
<b>Current assets</b>			
Finance lease receivables	11	2,425	2,425
Inventories		126,386	171,883
Trade and other receivables	12	216,976	252,346
Income tax recoverable		684	27
Restricted bank balance		7,470	7,780
Bank balances and cash		93,376	114,667
		<u>447,317</u>	<u>549,128</u>
<b>Current liabilities</b>			
Trade and other payables	13	199,552	288,133
Income tax payables		9,574	9,937
Payables for construction in progress	14	9,602	20,168
Interest-bearing borrowings	15	178,748	216,003
Deferred income		1,519	1,561
Lease liabilities		5,362	10,638
		<u>404,357</u>	<u>546,440</u>
<b>Net current assets</b>		<u>42,960</u>	<u>2,688</u>
<b>Total assets less current liabilities</b>		<u>786,920</u>	<u>800,595</u>
<b>Non-current liabilities</b>			
Payables for construction in progress	14	6,361	7,309
Interest-bearing borrowings	15	11,086	19,278
Deferred income		11,225	12,276
Lease liabilities		1,074	342
Deferred tax liabilities		3,101	6,602
		<u>32,847</u>	<u>45,807</u>
<b>NET ASSETS</b>		<u>754,073</u>	<u>754,788</u>
<b>Capital and reserves</b>			
Share capital		62,000	62,000
Reserves		692,073	692,788
<b>TOTAL EQUITY</b>		<u>754,073</u>	<u>754,788</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2022

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Tian Chang Group Holdings Ltd. (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 26 April 2017 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 March 2018. The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Unit 6, 13/F, Block B, Hoi Luen Industrial Centre, 55 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The Company together with its subsidiaries (hereinafter collectively referred to as the “Group”) is principally engaged in manufacturing and sales of electronic cigarettes products (“e-cigarettes products”) and medical consumable products, and providing integrated plastic solutions in Hong Kong and the People’s Republic of China (the “PRC”).

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 (the “Interim Financial Statements”) have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2021, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standard (“HKASs”) and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2021 (the “2021 Financial Statements”).

The Interim Financial Statements have been prepared on the historical costs basis except for financial assets at fair value through profit or loss (“FVPL”) which are measured at fair value, and presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company, and rounded to the nearest thousands unless otherwise indicated.

The accounting policies and methods of computation applied in the preparation of these Interim Financial Statements are consistent with those applied in preparing the 2021 Financial Statements, except for the adoption of the new/revised HKFRSs that are effective from the current period as set out below:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The adoption of these new/revised HKFRSs did not result in material changes to the Group’s accounting policies and/or amounts reported for the current and prior periods.

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective. The management does not anticipate that the adoption of these new/revised HKFRSs in future periods will result in substantial changes to the Group’s accounting policies and material impact on the financial position, financial performance and cash flow of the Group.

## 2. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- 1) E-cigarettes products segment: manufacture and sales of e-cigarettes products.
- 2) Integrated plastic solutions segment: manufacture and sales of moulds and plastic products.
- 3) Medical consumable products segment: manufacture and sales of medical consumable products.

### Segment revenue and results

Segment revenue represents revenue derived from manufacturing and sales of e-cigarettes products, moulds and plastic products and medical consumable products.

Segment results represent the gross profit less selling and distribution costs, (impairment losses) reversal of impairment losses recognised on trade receivables, property, plant and equipment written off and loss on disposal of property, plant and equipment incurred by each segment without allocation of other income, other gains and losses, net, administrative and other operating expenses, finance costs and income tax expenses. This is the information reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The followings are analysis of the Group’s revenue and results by reportable and operating segments:

	<b>E-cigarettes products (unaudited) HK\$’000</b>	<b>Integrated plastic solutions (unaudited) HK\$’000</b>	<b>Medical consumable products (unaudited) HK\$’000</b>	<b>Total (unaudited) HK\$’000</b>
<b>Six months ended 30 June 2022 (unaudited)</b>				
Segment revenue	<u>305,714</u>	<u>262,264</u>	<u>3,434</u>	<u>571,412</u>
Gross profit	<u>57,384</u>	<u>61,740</u>	<u>195</u>	<u>119,319</u>
Impairment losses recognised on trade receivables	<u>–</u>	<u>(101)</u>	<u>–</u>	<u>(101)</u>
Property, plant and equipment written off	<u>–</u>	<u>(360)</u>	<u>–</u>	<u>(360)</u>
Loss on disposal of property, plant and equipment	<u>(427)</u>	<u>(7)</u>	<u>–</u>	<u>(434)</u>
Selling and distribution costs	<u>–</u>	<u>(3,099)</u>	<u>–</u>	<u>(3,099)</u>
Segment results	<u>56,957</u>	<u>58,173</u>	<u>195</u>	<u>115,325</u>
<i>Unallocated income and expenses</i>				
Other income				4,180
Other gains and losses, net				(992)
Administrative and other operating expenses				(59,602)
Finance costs				(3,298)
Profit before tax				55,613
Income tax expenses				(7,026)
Profit for the period				<u>48,587</u>

	<b>E-cigarettes products (unaudited) HK\$'000</b>	<b>Integrated plastic solutions (unaudited) HK\$'000</b>	<b>Medical consumable products (unaudited) HK\$'000</b>	<b>Total (unaudited) HK\$'000</b>
Six months ended 30 June 2021 (unaudited)				
Segment revenue	280,339	189,805	1,190	471,334
Gross profit	56,617	46,677	64	103,358
Reversal of impairment losses recognised on trade receivables	–	298	–	298
Property, plant and equipment written off	–	(377)	–	(377)
Loss on disposal of property, plant and equipment	–	(12)	–	(12)
Selling and distribution costs	–	(3,529)	–	(3,529)
Segment results	56,617	43,057	64	99,738
<i>Unallocated income and expenses</i>				
Other income				2,917
Other gains				2,056
Administrative and other operating expenses				(54,908)
Finance costs				(4,273)
Profit before tax				45,530
Income tax expenses				(6,333)
Profit for the period				39,197

## Segment assets and liabilities

	E-cigarettes products <i>HK\$'000</i>	Integrated plastic solutions <i>HK\$'000</i>	Medical consumable products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 30 June 2022 (unaudited)</b>					
<b>Assets</b>					
Reportable segment assets	<u>115,255</u>	<u>509,163</u>	<u>21,152</u>	<u>545,707</u>	<u>1,191,277</u>
<b>Liabilities</b>					
Reportable segment liabilities	<u>88,365</u>	<u>60,852</u>	<u>–</u>	<u>287,987</u>	<u>437,204</u>
<b>Other information</b>					
Capital expenditure	<u>418</u>	<u>2,267</u>	<u>–</u>	<u>–</u>	<u>2,685</u>
Depreciation	<u>2,241</u>	<u>19,632</u>	<u>1,056</u>	<u>2,186</u>	<u>25,115</u>
Inventories written-off	<u>975</u>	<u>5,867</u>	<u>–</u>	<u>–</u>	<u>6,842</u>
Research and development expenses	<u>8,551</u>	<u>7,134</u>	<u>–</u>	<u>–</u>	<u>15,685</u>
<b>At 31 December 2021 (audited)</b>					
<b>Assets</b>					
Reportable segment assets	<u>153,683</u>	<u>570,159</u>	<u>23,287</u>	<u>599,906</u>	<u>1,347,035</u>
<b>Liabilities</b>					
Reportable segment liabilities	<u>140,104</u>	<u>70,356</u>	<u>–</u>	<u>381,787</u>	<u>592,247</u>
<b>Other information</b>					
Capital expenditure	<u>2,058</u>	<u>17,448</u>	<u>–</u>	<u>61,416</u>	<u>80,922</u>
Depreciation	<u>4,388</u>	<u>38,399</u>	<u>2,121</u>	<u>6,107</u>	<u>51,015</u>
Inventories written-off	<u>–</u>	<u>3,421</u>	<u>3,907</u>	<u>–</u>	<u>7,328</u>
Research and development expenses	<u>17,620</u>	<u>13,000</u>	<u>246</u>	<u>–</u>	<u>30,866</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- segment assets include certain property, plant and equipment, finance lease receivables, inventories and trade receivables. Other assets are not allocated to operating segments as these assets are managed on a group basis; and
- segment liabilities include trade payables and contract liabilities. Other liabilities are not allocated to operating segments as these liabilities are managed on a group basis.

## Geographical information

The following table sets out information about the geographical location of the Group's property, plant and equipment ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the assets.

***Specified non-current assets***

	At 30 June 2022 (unaudited) <i>HK\$'000</i>	At 31 December 2021 (audited) <i>HK\$'000</i>
Hong Kong	2,472	1,722
The PRC	708,499	763,119
	<u>710,971</u>	<u>764,841</u>

Information about the Group's revenue from external customers is presented based on the location of customers.

	Six months ended 30 June	
	2022 (unaudited) <i>HK\$'000</i>	2021 (unaudited) <i>HK\$'000</i>
<b>Revenue from external customers</b>		
The United States of America	81,619	60,945
The PRC	125,090	102,457
The United Kingdom	15,863	7,806
Hong Kong	24,861	22,175
Netherlands	244,967	245,076
Japan	13,608	9,094
India	14,534	842
Germany	48,367	20,436
Others	2,503	2,503
	<u>571,412</u>	<u>471,334</u>

**Information about major customers**

Details of the entities individually accounting for 10% or more of aggregate revenue of the Group during the six months ended 30 June 2022 and 2021 are as follows:

	E-cigarettes products (unaudited) <i>HK\$'000</i>	Integrated plastic solutions (unaudited) <i>HK\$'000</i>	Medical consumable products (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
<b>Six months ended 30 June 2022</b>				
Customer A and its affiliated companies	305,262	1,091	–	306,353
Customer B and its affiliated companies	–	84,133	–	84,133
	<u>305,262</u>	<u>85,224</u>	<u>–</u>	<u>390,486</u>
<b>Six months ended 30 June 2021</b>				
Customer A and its affiliated companies	280,339	149	–	280,488
Customer B and its affiliated companies	–	56,371	–	56,371
Customer C and its affiliated companies	–	50,482	–	50,482
	<u>280,339</u>	<u>107,002</u>	<u>–</u>	<u>387,341</u>



### 3. REVENUE

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers within HKFRS 15</b>		
Sales of e-cigarettes products	305,714	280,339
Sales of moulds and plastic products	262,264	189,805
Sales of medical consumable products	3,434	1,190
	<u>571,412</u>	<u>471,334</u>

The revenue from contracts with customers is based on fixed price and recognised at a point in time.

#### Transaction price allocated to the remaining performance obligation for contract with customers

E-cigarettes products, moulds and plastic products and medical consumable products are delivered within a period of less than one year. In addition, the transaction price allocated to the unsatisfied contracts is insignificant and therefore is not disclosed as permitted in HKFRS 15.

### 4. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank interest income	264	320
Finance lease interest income	154	152
Government grants ( <i>Note</i> )	1,101	617
Rental and utilities recharge income	173	192
Sales of scrap materials	1,108	992
Sundry income	1,380	644
	<u>4,180</u>	<u>2,917</u>

*Note:* Included in the amount is the amortisation of government grant of HK\$773,000 (*six months ended 30 June 2021: HK\$617,000*) in relation to the acquisition of property, plant and equipment.

### 5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Exchange (loss) gain, net	(1,537)	1,539
Fair value gain on financial assets at FVPL	545	517
Property, plant and equipment written off	(360)	(377)
Loss on disposal of property, plant and equipment	(434)	(12)
	<u>(1,786)</u>	<u>1,667</u>

## 6. PROFIT BEFORE TAX

This is stated after charging:

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Finance costs</b>		
Interest on interest-bearing borrowings	2,981	3,816
Interest on payables for construction in progress	221	218
Interest on lease liabilities	96	239
	<u>3,298</u>	<u>4,273</u>
<b>Staff costs, including directors' emoluments</b>		
Employee benefits expenses	85,331	73,795
Contributions to defined contribution retirement schemes	7,329	4,674
Share-based payment expenses	–	436
	<u>92,660</u>	<u>78,905</u>
<b>Other items</b>		
Cost of inventories	452,093	367,976
Depreciation (charged to “cost of goods sold” and “administrative and other operating expenses”, as appropriate)	25,115	25,953
Inventories written-off (charged to “cost of goods sold”)	6,842	1,831
Share-based payment expenses to eligible participants other than employees	–	67
Research and development expenses	15,685	12,162
	<u>499,735</u>	<u>417,995</u>

## 7. TAXATION

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax		
Current period	5,433	4,431
PRC Enterprise Income Tax		
Current period	6,284	3,352
Over provision in prior year	(1,556)	–
	<u>10,161</u>	<u>7,783</u>
<b>Deferred tax</b>		
Changes in temporary differences	(1,845)	(1,335)
Benefit of tax losses recognised	(1,290)	(115)
	<u>(3,135)</u>	<u>(1,450)</u>
Total income tax expenses	<u>7,026</u>	<u>6,333</u>

The Group's entities established in the British Virgin Islands are exempted from income tax.

For the six months ended 30 June 2022 and 2021, the assessable profits of a Hong Kong incorporated subsidiary of the Group (as elected by the management of the Group) are subject to the two-tiered profits tax rates regime that the first HK\$2 million of assessable profits will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The Hong Kong Profits Tax of other Group's entities established in Hong Kong and the Cayman Islands are calculated at 16.5% of their respective estimated assessable profits for the six months ended 30 June 2022 and 2021.

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25% for the six months ended 30 June 2022 and 2021.

The State Taxation Administration of the PRC announced that enterprises engaging in research and development activities would be entitled to claim at maximum 200% of their research and development expenses as Super Deduction. The directors of the Group consider the eligibility of the PRC subsidiaries and recognise the additional tax deduction for the six months ended 30 June 2022 and 2021.

## 8. DIVIDENDS

As approved by the shareholders' meeting held on 30 May 2022, the Company determined to pay a cash dividend for the year ended 31 December 2021 of HK2.0 cents for every ordinary share amounting to approximately HK\$12,400,000 (*31 December 2020: HK\$9,300,000*) out of retained earnings of the Company. The 2021 dividend had been distributed to the Company's shareholders on 30 June 2022.

The Board of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2022 (*six months ended 30 June 2021: Nil*).

## 9. EARNINGS PER SHARE

### Basic

The calculation of the basic earnings per share is based on profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period:

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(unaudited)</b> <b>HK\$'000</b>	<b>2021</b> <b>(unaudited)</b> <b>HK\$'000</b>
Profit for the period attributable to equity holders of the Company	<u>48,587</u>	<u>39,197</u>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>620,000</b>	620,000
Basic earnings per share (HK cents)	<u><b>7.84</b></u>	<u>6.32</u>

## Diluted

The calculation of the diluted earnings per share is based on profit attributable to the equity holders of the Company and the adjusted weighted average number of ordinary shares assuming conversion of all potential dilutive ordinary shares.

On 13 May 2020, the Company granted 37,840,000 share options to eligible participants resulting in dilutive potential ordinary shares.

	Six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Profit for the period attributable to equity holders of the Company	<u>48,587</u>	<u>39,197</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	620,000	620,000
Effect of dilutive potential ordinary shares:		
– Share options of the Company ( <i>Note</i> )	<u>3,485</u>	<u>4,259</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	623,485	624,259
Diluted earnings per share (HK cents)	<u>7.79</u>	<u>6.28</u>

*Note:* For the six months ended 30 June 2022 and 2021, the computation of diluted earnings per share assumed the exercise of the first and second tranche of share options granted by the Company because the exercise price of those share options was lower than the average market price of the Company's shares.

## 10. FINANCIAL ASSETS AT FVPL

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
<b>At fair value</b>		
Unlisted investments - key management insurance contracts ( <i>Note</i> )	<u>31,273</u>	<u>30,454</u>

*Note:* The fair value of the key management insurance contracts is determined by reference to the respective surrender cash value of each insurance contract at the end of the reporting period, which is primarily based on the performance of the underlying investment portfolio together with the guaranteed minimum returns, ranging from 2% to 3.9% per annum (*31 December 2021: ranging from 2% to 3.9% per annum*).

The movement of the key management insurance contracts is analysed as follows:

	<b>At 30 June 2022 (unaudited) HK\$'000</b>	At 31 December 2021 (audited) HK\$'000
At the beginning of the reporting period	30,454	29,586
Fair value changes recognised in profit or loss	545	868
Exchange differences	274	–
	<u>31,273</u>	<u>30,454</u>
At the end of the reporting period	<u><b>31,273</b></u>	<u><b>30,454</b></u>

The key management insurance contracts are pledged as collateral for the Group's interest-bearing borrowings amounting to approximately HK\$21,021,000 (31 December 2021: HK\$20,537,000).

## 11. FINANCE LEASE RECEIVABLES

The finance lease receivables are set out below:

	<b>Lease payments</b>		<b>Present value of lease payments</b>	
	<b>At 30 June 2022 (unaudited) HK\$'000</b>	At 31 December 2021 (audited) HK\$'000	<b>At 30 June 2022 (unaudited) HK\$'000</b>	At 31 December 2021 (audited) HK\$'000
Finance lease receivables comprise:				
Within one year	2,730	2,730	2,425	2,425
In the second year	455	1,820	404	1,617
	<u>3,185</u>	<u>4,550</u>	<u>2,829</u>	<u>4,042</u>
Gross investment in the lease	3,185	4,550	2,829	4,042
Less: unearned finance income	(356)	(508)	N/A	N/A
	<u>2,829</u>	<u>4,042</u>	<u>2,829</u>	<u>4,042</u>
Present value of minimum lease payment receivables	<u><b>2,829</b></u>	<u><b>4,042</b></u>	<u><b>2,829</b></u>	<u><b>4,042</b></u>
Analysed as:				
Current	2,425	2,425	2,425	2,425
Non-current	404	1,617	404	1,617
	<u>2,829</u>	<u>4,042</u>	<u>2,829</u>	<u>4,042</u>

Interest rates implicit in the above finance lease is 4.03% per annum (31 December 2021: 4.03%). Finance lease receivables are denominated in United State Dollar.

During the year ended 31 December 2020, the Group entered into a lease agreement with a third party whereas the Group leased out its machineries with carrying values amounted to approximately HK\$7,344,000 for a term of three years. The sum of lease payments is fixed and approximates the carrying values of the leased assets.

During the six months ended 30 June 2022 and year ended 31 December 2021, the Group did not enter into any new finance lease agreement.

Finance lease receivables are secured over the plant and machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

## 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 (unaudited) <i>HK\$'000</i>	At 31 December 2021 (audited) <i>HK\$'000</i>
<b>Trade receivables</b>		
From third parties	195,322	218,452
Loss allowance	<u>(6,152)</u>	<u>(6,266)</u>
	<b>189,170</b>	<b>212,186</b>
<b>Other receivables</b>		
Deposits	113	212
Prepayment for insurance	2,982	2,993
Prepayment for utilities	3,522	4,546
Other receivables	4,728	4,980
Value-added tax receivables	13,641	26,081
Prepaid expenses and other deposits	<u>2,820</u>	<u>1,348</u>
	<b>27,806</b>	<b>40,160</b>
	<b>216,976</b>	<b>252,346</b>

The Group applies the simplified approach to provide the expected credit loss prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for trade receivables. The loss allowance is approximately HK\$6,152,000 as at 30 June 2022 (31 December 2021: HK\$6,266,000).

The Group grants credit period up to 90 days to its customers upon the issuance of invoices.

The aging of trade receivables, net of loss allowance, by invoice date is as follows:

	At 30 June 2022 (unaudited) <i>HK\$'000</i>	At 31 December 2021 (audited) <i>HK\$'000</i>
Within 30 days	134,724	147,904
31 to 60 days	27,300	40,253
61 to 90 days	20,350	16,368
Over 90 days	<u>6,796</u>	<u>7,661</u>
	<b>189,170</b>	<b>212,186</b>

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

### 13. TRADE AND OTHER PAYABLES

	At 30 June 2022 (unaudited) <i>HK\$'000</i>	At 31 December 2021 (audited) <i>HK\$'000</i>
<b>Trade payables</b>		
To third parties ( <i>Note</i> )	<u>138,300</u>	<u>200,684</u>
<b>Other payables</b>		
Contract liabilities	10,917	9,776
Salaries and bonus payable	17,699	50,847
Accruals and other creditors	<u>32,636</u>	<u>26,826</u>
	<u>61,252</u>	<u>87,449</u>
	<u><u>199,552</u></u>	<u><u>288,133</u></u>

*Note:* At the end of the reporting period, the aging analysis of the trade payables based on invoice date is as follows:

	At 30 June 2022 (unaudited) <i>HK\$'000</i>	At 31 December 2021 (audited) <i>HK\$'000</i>
Within 30 days	53,256	67,492
31 to 60 days	54,138	92,925
61 to 90 days	11,026	20,183
Over 90 days	<u>19,880</u>	<u>20,084</u>
	<u><u>138,300</u></u>	<u><u>200,684</u></u>

The credit period on trade payables is up to 90 days.

### 14. PAYABLES FOR CONSTRUCTION IN PROGRESS

Payables for construction in progress represent the amounts payable to the constructors in respect of the construction of the production plants located in the PRC which the payment terms are unsecured, interest-free and repayable from one to four years since its inception. The amounts represent the present value of the invoiced amounts at effective interest rate of 4.75% at the end of the reporting period (*31 December 2021: 4.75%*).

## 15. INTEREST-BEARING BORROWINGS

The secured bank borrowings from banks are repayable within seven years since its inception. At 30 June 2022, the secured bank borrowings carried weighted average effective interest rate of approximately 3.31% (31 December 2021: 2.73%) per annum.

At 30 June 2022, the interest-bearing borrowings are secured by:

- (i) buildings and right-of-use assets in respect of the prepaid land lease payments with aggregate net carrying amount of approximately HK\$406,630,000 (31 December 2021: HK\$279,435,000);
- (ii) key management insurance contracts with fair value of approximately HK\$31,273,000 (31 December 2021: HK\$30,454,000);
- (iii) certain machinery and equipment with aggregate net carrying amount of approximately HK\$51,562,000 (31 December 2021: HK\$61,513,000); and
- (iv) corporate guarantees issued by the Company.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group operates its business through three segments, namely integrated plastic solutions segment, electronic cigarette (the “**e-cigarettes**”) products segment and medical consumable products segment. The integrated plastic solutions segment engages in mould design and fabrication services as well as plastic component design and manufacturing services. The e-cigarettes products segment engages in the manufacturing and sales of e-cigarettes products. The Group’s medical consumable products segment engages in the manufacturing and sales of disposable face masks products under our own brand name of “**CAREWE**”. The Group distributes our products within the domestic market and to overseas markets, including Europe, Asia and the United States (the “**U.S.**”).

During the first half of 2022, the global economic growth was slowed down as a result of the rebound of novel coronavirus (“**COVID-19**”) pandemic and geopolitical crisis. In addition, the business environment was highly uncertain because the U.S. raised the interest rate to combat high inflation. Nonetheless, the Group still recorded a growth in both revenue and profit after tax. The growth was due to the increase in the sales of e-cigarette products and integrated plastic solutions.

During the six months ended 30 June 2022, the Group’s total revenue amounted to approximately HK\$571.4 million, representing an increase of approximately 21.2% compared to the same period last year (30 June 2021: HK\$471.3 million). The Group recorded a gross profit of approximately HK\$119.3 million (30 June 2021: HK\$103.4 million) with a gross profit margin of approximately 20.9% (30 June 2021: 21.9%).

The Group recorded a profit for the six months ended 30 June 2022 attributable to equity holders of the Company of approximately HK\$48.6 million (30 June 2021: HK\$39.2 million). Basic earnings per share attributable to equity holders of the Company were approximately 7.84 HK cents (30 June 2021: 6.32 HK cents).

### BUSINESS SEGMENT ANALYSIS

#### Integrated Plastic Solutions

Revenue from the integrated plastic solutions business division was mainly derived from (i) the design and fabrication of plastic injection moulds; and (ii) design and manufacturing of plastic components employing the plastic injection moulds fabricated internally or by our subcontractors.

The Group is able to specifically engineer and fabricate, with cavities plastic injection moulds, to shape the plastic components in accordance with the desired and customised design, features and specifications. The Group has the technical capabilities to fabricate moulds that meet the MT1 precision level as defined by the “National Standard of the People’s Republic of China GB/T14486- 2008-Dimensional Tolerances for Moulded Plastic Parts” (中華人民共和國國家標準GB/T14486-2008-塑料模塑件尺寸公差) which is the highest precision level under the national guidelines. By utilising the plastic injection process and applying the plastic injection moulds fabricated by the Group or, in limited cases, external subcontractors, the Group manufactures plastic components for office furniture, office electronic products, home appliances, communication products, automobiles and solar panel.

## **Manufacturing of e-cigarette products**

The Group manufactures e-cigarettes products as an original equipment manufacturer (“**OEM**”). Such e-cigarette products include disposable e-cigarettes, refillable e-cigarettes, battery rods, clearomisers, liquidpods and heated tobacco device. As disclosed on the announcement dated 14 March 2022, the restrictive clause for accepting the order from other customer in manufacturing the products which is similar or competing to the products manufacturing for the well-known tobacco group customer had been cancelled.

The Group has recently obtained the Tobacco Monopoly Production Enterprise License issued by the State Tobacco Monopoly Administration of the People’s Republic of China in respect of OEM with validity period from 28 June 2022 to 30 June 2023.

## **Manufacturing of medical consumable products**

The Group manufactures disposable face masks by utilising the cleanroom facilities in the Group’s production plant in Huizhou and acquiring disposable face mask production machines since 2020, as disclosed in the announcement of the Company dated 7 July 2020.

The cleanroom facility in Huizhou has been certified in compliance with the cleanroom standard of ISO14644-1:2015 Class 8, as recognised by the U.S. National Environmental Balancing Bureau. The manufacturing quality system, complemented by medical device sterilization controls, has fulfilled the international standard of EN ISO13485:2016 Medical Devices Quality Management Systems as certified by the Société Générale de Surveillance S.A. (“**SGS**”). In addition, the Group has been granted Medical Device Manufacturing Enterprise License (醫療器械生產許可證) on medical device production issued by the National Medical Products Administration in the People’s Republic of China (the “**PRC**”).

The procedure face masks have been tested and proved to be meeting up to the standard of ASTM F2100 Level 3 in the U.S. and the standard of EN14683 Type IIR in Europe. Apart from the procedure face masks, the Group also developed face masks with higher level of protection, such as particulate face masks – KN95 and FFP2. The particulate face masks – KN95, has passed the requirements of GB2626-2016 standard in the PRC and NIOSH N95 – Pre-Certification Test issued by the ICS Laboratories and Nelson Laboratories in the U.S. In addition, the particulate face masks – FFP2, has also passed the requirements of EN 149:2001+A1:2009 standard, credited as FFP2 NR protective respirator, and certified with CE Mark (through SGS Fimko Oy, Notified Body #0598) granted by the SGS. Furthermore, the Group has obtained the Section 510(k) premarket notification (“**PMN**”) clearance from the United States Food and Drug Administration (“**FDA**”) in August 2022 on our surgical particulate face masks – N95 and FFP2, indicating that our particulate face mask products are safe and effective to be used in medical and surgical situation. And they can be legally sold and marketed in the U.S.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the six months ended 30 June 2022 was approximately HK\$571.4 million, representing an increase of approximately HK\$100.1 million, or approximately 21.2%, from approximately HK\$471.3 million for the same period in 2021.

The integrated plastic solutions segment revenue for the six months ended 30 June 2022 was approximately HK\$262.3 million, accounting for approximately 45.9% of our total revenue and representing an increase of approximately HK\$72.5 million, or approximately 38.2%, from segment revenue of approximately HK\$189.8 million for the same period in 2021. This was primarily due to the increase in sales to the Group’s major customers and orders for new model plastic products during the period.

The e-cigarettes products segment revenue for the six months ended 30 June 2022 was approximately HK\$305.7 million, accounting for approximately 53.5% of our total revenue and representing an increase of approximately HK\$25.4 million, or approximately 9.1%, from segment revenue of approximately HK\$280.3 million for the same period in 2021. This increase was primarily because of the increase in orders for e-cigarettes products during the period.

The medical consumable products segment revenue for the six months ended 30 June 2022 was approximately HK\$3.4 million, accounting for approximately 0.6% of our total revenue and representing an increase of approximately HK\$2.2 million, or approximately 183.3%, from segment revenue of approximately HK\$1.2 million for the same period in 2021.

### **Gross Profit**

Gross profit for the six months ended 30 June 2022 was approximately HK\$119.3 million (*30 June 2021: HK\$103.4 million*), representing a gross profit margin of 20.9% (*30 June 2021: 21.9%*).

Gross profit for integrated plastic solutions for the six months ended 30 June 2022 was approximately HK\$61.7 million (*30 June 2021: HK\$46.7 million*), representing a gross profit margin of 23.5% (*30 June 2021: 24.6%*). The gross profit margin decreased because the Group has provided allowance for inventories on slow-moving materials for the period.

Gross profit for e-cigarettes products for the six months ended 30 June 2022 was approximately HK\$57.4 million (*30 June 2021: HK\$56.6 million*), representing a gross profit margin of 18.8% (*30 June 2021: 20.2%*). This decrease was primarily due to the decrease in unit price sold and the change of product mix of which the products are of lower profit margin.

Gross profit for medical consumable products for the six months ended 30 June 2022 was approximately HK\$195,000 (*30 June 2021: HK\$64,000 million*), representing a gross profit margin of 5.7% (*30 June 2021: 5.3%*).

### **Other Income**

Other income for the six months ended 30 June 2022 was approximately HK\$4.2 million, representing an increase of approximately HK\$1.3 million, or approximately 44.8%, from approximately HK\$2.9 million for the same period in 2021. The increase was due to an increase of government grant and sundry income received during the period.

### **Selling and Distribution Costs**

Selling and distribution costs for the six months ended 30 June 2022 were approximately HK\$3.1 million, which was similar to that for the six months ended 30 June 2021 of approximately HK\$3.5 million.

### **Administrative and Other Operating Expenses**

Administrative and other operating expenses for the six months ended 30 June 2022 were approximately HK\$59.6 million, representing an increase of approximately HK\$4.7 million, or approximately 8.6%, from approximately HK\$54.9 million for the same period in 2021. The increase was mainly resulted from an increase in headcount and pay raise for staff.

## **Finance Costs**

Finance costs for the six months ended 30 June 2022 were approximately HK\$3.3 million, which was similar to that for the six months ended 30 June 2021 of approximately HK\$4.3 million.

## **Income Tax Expenses**

Income tax expenses for the six months ended 30 June 2022 were approximately HK\$7.0 million, which was similar to that for the six months ended 30 June 2021 of approximately HK\$6.3 million.

## **Profit Attributable to Equity Holders of the Company**

As a result of the foregoing, profit for the six months ended 30 June 2022 was approximately HK\$48.6 million, representing an increase of approximately HK\$9.4 million, or approximately 24.0%, from approximately HK\$39.2 million for the same period in 2021.

## **THE IMPACT OF THE COVID-19**

The market demand was uncertain as there was another wave of COVID-19 pandemic during the first half of 2022. The Group will keep paying close attention to the development of the COVID-19 pandemic and evaluate its impact on the Group's financial position and operating results in order to make timely response and adjustments on our business strategies as appropriate going forward.

## **FUTURE PLAN AND PROSPECTS**

Under the complicated geopolitical situation, the rebound of COVID-19 pandemic and the uncertainties of the economic prospects resulted from the rising of interest rate, the demand for the Group's products may be affected. The Group will continue to stay competitive in the market by diversifying our product portfolio through research and development and enhancing product quality. Apart from this, the Group plans to lease out the newly built factory premises in Huizhou to independent third party.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers. As at 30 June 2022, the Group had bank balances and cash of approximately HK\$93.4 million (*31 December 2021: HK\$114.7 million*). Interest-bearing borrowings as at 30 June 2022 amounted to HK\$189.8 million (*31 December 2021: HK\$235.3 million*) with weighted average effective interest rate of approximately 3.31% per annum (*31 December 2021: 2.73% per annum*). The Group's gearing ratio as at 30 June 2022, calculated based on the total borrowings to the equity attributable to owners of the Company, was approximately 28.1% (*31 December 2021: 36.3%*).

## **FOREIGN EXCHANGE RISK**

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Hong Kong dollars, U.S. dollars and Renminbi. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency forward contracts, if necessary. As at 30 June 2022, the Group did not have any outstanding foreign currency forward contracts. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

For the six months ended 30 June 2022, the Group has made no material acquisitions or disposals of subsidiaries and associated companies.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group did not have any significant contingent liabilities.

## **CHARGE ON GROUP ASSETS**

As at 30 June 2022, buildings and right-of-use assets in respect of the prepaid land lease payments with aggregate net carrying amount of approximately HK\$406.6 million (*31 December 2021: HK\$279.4 million*), key management insurance contracts with fair value of approximately HK\$31.3 million (*31 December 2021: HK\$30.5 million*) and certain machinery and equipment with aggregate net carrying amount of approximately HK\$51.6 million (*31 December 2021: HK\$61.5 million*) were pledged as security for bank facilities.

## **SUBSEQUENT EVENT**

No material events occurred subsequent to 30 June 2022 which may have a significant effect on the assets and liabilities or future operations of the Group.

## **EMPLOYEE AND REMUNERATION POLICY**

The Group's remuneration policy is to compensate its employees based on their performance, qualifications and the Group's operational results. The total remuneration of employees includes basic salaries, performance bonus and share options. Directors and senior management of the Group receive compensation in the form of fees, salaries, allowances, discretionary bonus, share options, defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses its Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages (including incentive plans) of its Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of its Directors and senior management and the performance of the Group.

## **SHARE OPTION SCHEME**

On 28 May 2019, the Company adopted a share option scheme (the "**Option Scheme**") for the purpose of providing reward to selected participants for their contribution to the Group. Eligible participants of the Option Scheme include, without limitation, employees, executive directors, non-executive directors, shareholders, advisers and consultants.



For the six months ended 30 June 2022, the Company has the following share options granted to the eligible participants under the Option Scheme:

Grantees	Date of grant	Exercise price (HK\$)	Options outstanding at 1 January 2022	Options granted during the period	Options exercised during the period	Options cancelled/ lapsed/ forfeited during the period	Options outstanding at 30 June 2022	Exercisable at 30 June 2022
<b>Directors, chief executives and substantial shareholders</b>								
Chan Tsan Lam	13 May 2020	0.355	620,000	–	–	–	620,000	620,000
Chan Yin Yan	13 May 2020	0.355	6,200,000	–	–	–	6,200,000	6,200,000
Poon Po Han Lisa	13 May 2020	0.355	6,200,000	–	–	–	6,200,000	6,200,000
Hung Chun Leung	13 May 2020	0.355	500,000	–	–	–	500,000	500,000
Chan Bing Kai	13 May 2020	0.355	500,000	–	–	–	500,000	500,000
Cheng Chak	13 May 2020	0.355	620,000	–	–	–	620,000	620,000
<b>Employees and senior management</b>	13 May 2020	0.355	19,100,000	–	–	(1,000,000)	18,100,000	18,100,000
<b>Others</b>	13 May 2020	0.355	3,300,000	–	–	–	3,300,000	3,300,000
			<u>37,040,000</u>	<u>–</u>	<u>–</u>	<u>(1,000,000)</u>	<u>36,040,000</u>	<u>36,040,000</u>

## SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2022, the Group did not hold any significant investment in equity interest in any other company.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group has no plan to make material investments or increase its capital assets.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company and any of its subsidiaries have not purchased, redeemed or sold any of its listed securities during the six months ended 30 June 2022.

## CORPORATE GOVERNANCE MEASURES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) to ensure that the Company’s business activities and decision making processes are regulated in a proper and prudent manner.

Mr. Chan Tsan Lam (“Mr. Chan”) is the chairman of the Board and chief executive officer of the Company. Although this deviates from the practice under code provision C.2.1 of the CG Code, where it provides that the two positions should be held by two different individuals, as Mr. Chan has considerable experience in the enterprise operation and management of the Company, the Board believes that it is in the best interests of the Company and its shareholders as a whole to continue to have Mr. Chan as chairman of

the Board and as chief executive officer so that it can benefit from his experience and capability in leading the Board in the long-term development of the Company. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolise the decision-making of the Board. The Board considers that the balance of power between the Board and management can still be maintained under the current structure. The Board shall review its management structure from time to time to ensure appropriate action be taken should the need arise.

Save as disclosed above, during the six months ended 30 June 2022, the Company has complied with the CG Code.

## **AUDIT COMMITTEE**

Our audit committee consists of three members, being Mr. Ng Chi Wai, Mr. Hung Chun Leung and Mr. Chan Bing Kai. Mr. Ng Chi Wai currently serves as the chairman of our audit committee.

The audit committee has reviewed with the management the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022, the accounting principles and practices adopted, and has discussed auditing, financial reporting system, risk management and internal control systems matters.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2022. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the six months ended 30 June 2022.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (*30 June 2021: Nil*).

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement of the Group for the six months ended 30 June 2022 is available for viewing on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.hktcgroup.com](http://www.hktcgroup.com).

An interim report for the six months ended 30 June 2022, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board  
**TIAN CHANG GROUP HOLDINGS LTD.**  
**Chan Tsan Lam**  
*Chairman*

Hong Kong, 30 August 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Chan Tsan Lam, Ms. Poon Po Han Lisa and Ms. Chan Yin Yan, and the independent non-executive directors of the Company are Mr. Ng Chi Wai, Mr. Hung Chun Leung and Mr. Chan Bing Kai.*