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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Tian Chang Group Holdings Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*4*	**1,251,074**	959,947
Cost of goods sold		**(937,715)**	(722,123)
Gross profit		**313,359**	237,824
Other income	*5*	**6,143**	5,410
Fair value gain (loss) on financial assets at FVPL	*6*	**847**	(272)
Selling and distribution costs		**(11,374)**	(12,457)
Administrative and other operating expenses		**(135,555)**	(107,794)
Finance costs	*6*	**(9,069)**	(12,027)
Listing expenses		**–**	(6,402)
Profit before tax	*6*	**164,351**	104,282
Income tax expenses	*7*	**(37,155)**	(28,527)
Profit for the year, attributable to equity holders of the Company		**127,196**	75,755
Earnings per share attributable to equity holders of the Company		***HK cents***	*HK cents*
Basic	*9*	**20.52**	12.80
Diluted	*9*	**20.52**	12.80

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**127,196**	75,755
Other comprehensive loss:		
Item that may be reclassified subsequently to profit or loss		
Exchange difference on consolidation	**(13,312)**	(4,831)
Total comprehensive income for the year, attributable to equity holders of the Company	**113,884**	70,924

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**2019** **HK$'000**	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**621,025**	484,833
Prepaid land lease payments		**–**	43,911
Financial assets at FVPL		**28,419**	26,841
Deferred tax assets		**1,238**	2,818
		650,682	558,403
Current assets			
Prepaid land lease payments		**–**	1,085
Inventories		**83,882**	85,928
Trade and other receivables	*10*	**153,365**	261,561
Income tax recoverable		**33**	3,358
Bank balances and cash		**85,567**	61,414
		322,847	413,346
Current liabilities			
Trade and other payables	*11*	**211,596**	252,854
Income tax payables		**2,603**	14,443
Payables for construction in progress		**35,642**	11,927
Interest-bearing borrowings	*12*	**103,177**	125,627
Obligations under finance leases	*13*	**–**	22,415
Lease liabilities	*14*	**22,737**	–
		375,755	427,266
Net current liabilities		**(52,908)**	(13,920)
Total assets less current liabilities		**597,774**	544,483
Non-current liabilities			
Payables for construction in progress		**12,280**	11,827
Interest-bearing borrowings	*12*	**–**	22,969
Obligations under finance leases	*13*	**–**	42,879
Lease liabilities	*14*	**39,754**	–
Deferred tax liabilities		**8,515**	15,567
		60,549	93,242
NET ASSETS		**537,225**	451,241
Capital and reserves			
Share capital		**62,000**	62,000
Reserves		**475,225**	389,241
TOTAL EQUITY		**537,225**	451,241

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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 ultimate controlling party of the Group is Mr. Chan Tsan Lam (the "**Ultimate Controlling Party**"). 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 Group is principally engaged in manufacturing and sales of electronic cigarettes products ("**e-cigarettes products**") and providing integrated plastic solutions in Hong Kong and in the People's Republic of China (the "**PRC**").

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange.

Going concern

At 31 December 2019, the current liabilities of the Group exceeded its current assets by approximately HK$52,908,000 *(2018: HK$13,920,000)*.

At 31 December 2019, the Group had unutilised banking facilities of approximately HK$237,517,000 *(2018: HK$172,623,000)*.

The management of the Company is of the opinion that, taking into account the confirmed credit commitments from financial institutions and internal financial resources of the Group, the Group has sufficient working capital for its present requirements. Hence, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

The Group has consistently applied all HKFRSs which are effective for the Group's financial year beginning on 1 January 2018 for the consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out below.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group.

Annual Improvements Project – 2015-2017 Cycle

– ***HKFRS 3: Previously held interest in a joint operation***

The amendments clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its entire previously held interest in the joint operation.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

– ***HKFRS 11: Previously held interest in a joint operation***

The amendments clarify that when an entity that participated in a joint operation which is a business obtains joint control of the joint operation, its previously held interest in the joint operation is not remeasured.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

– ***HKAS 12: Income tax consequences of payments on financial instruments classified as equity***

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

– ***HKAS 23: Borrowing costs eligible for capitalisation***

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of HK(IFRIC)-Int 23 does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 28: Investments in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using HKFRS 9.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 9: Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at FVPL if specified conditions are met.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA;

(c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA;

(d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA; and

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	HK$'000
Operating lease commitments at 31 December 2018	90
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(90)
Lease liabilities at 1 January 2019	–

As lessee – leases previously classified as finance leases

The Group measures the carrying amount of the right-of-use assets and lease liabilities at the DIA at the carrying amount of the lease assets and lease liabilities immediately before that date measured applying HKAS 17. The Group accounts for those leases applying HKFRS 16 from the DIA.

As lessee – presentation

At the DIA, except for those that meet the definition of investment properties, all other right-of-use assets were presented as "right-of-use assets" under property, plant and equipment on the consolidated statement of financial position. Besides, lease liabilities including those previously presented under "obligations under finance leases" were shown separately on the consolidated statement of financial position.

As a result, transfer was made at the DIA to reflect the changes in presentation:

	Classification and carrying amount under HKAS 17 *HK$'000*	**Reclassification on adoption of HKFRS 16** *HK$'000*	**Classification and carrying amount under HKFRS 16** *HK$'000*
Non-current assets			
Prepaid land lease payments	44,996	(44,996)	–
Property, plant and equipment (machinery and equipment under finance leases)	95,011	(95,011)	–
Right-of-use assets, presented in property, plant and equipment	–	140,007	140,007
	140,007	–	140,007

	Classification and carrying amount under HKAS 17 *HK$'000*	Reclassification on adoption of HKFRS 16 *HK$'000*	Classification and carrying amount under HKFRS 16 *HK$'000*
Current liabilities			
Obligation under finance leases *(Note 13)*	22,415	(22,415)	–
Lease liabilities	–	22,415	22,415
	22,415	–	22,415
Non-current liabilities			
Obligation under finance leases *(Note 13)*	42,879	(42,879)	–
Lease liabilities	–	42,879	42,879
	42,879	–	42,879

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for the financial assets at fair value through profit or loss ("FVPL"), which are measured at fair value as explained in the accounting policy as set out below.

Future changes in HKFRSs

At the date of authorising these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for current year, which the Group has not early adopted.

Amendments to HKASs 1 and 8	Definition of Material [1]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform [1]
Amendments to HKFRS 3	Definition of a Business [2]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] The effective date to be determined

The management of the Company does not anticipate that the application of these new/revised HKFRSs in future periods will have any material impact on the financial performance and financial position of the Group.

3. 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.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in the consolidated financial statements.

Segment revenue represents revenue derived from manufacturing and sales of e-cigarettes products and manufacture and sale of moulds and plastic products.

Segment results represent the gross profit less selling and distribution costs incurred by each segment without allocation of other income, fair value gain (loss) on financial assets at FVPL, administrative and other operating expenses, finance costs, listing expenses 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:

	E-cigarettes products	**Integrated plastic solutions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2019			
Segment revenue	**859,910**	**391,164**	**1,251,074**
Gross profit	**216,175**	**97,184**	**313,359**
Selling and distribution costs	**–**	**(11,374)**	**(11,374)**
Segment results	**216,175**	**85,810**	**301,985**
Unallocated income and expenses			
Other income			**6,143**
Fair value gain on financial assets at FVPL			**847**
Administrative and other operating expenses			**(135,555)**
Finance costs			**(9,069)**
Profit before tax			**164,351**
Income tax expenses			**(37,155)**
Profit for the year			**127,196**

	E-cigarettes products *HK$'000*	Integrated plastic solutions *HK$'000*	Total *HK$'000*
Year ended 31 December 2018			
Segment revenue	485,689	474,258	959,947
Gross profit	127,799	110,025	237,824
Selling and distribution costs	–	(12,457)	(12,457)
Segment results	127,799	97,568	225,367
Unallocated income and expenses			
Other income			5,410
Fair value loss on financial assets at FVPL			(272)
Administrative and other operating expenses			(107,794)
Finance costs			(12,027)
Listing expenses			(6,402)
Profit before tax			104,282
Income tax expenses			(28,527)
Profit for the year			75,755

4. REVENUE

	2019 ***HK$'000***	2018 *HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sales of e-cigarettes products	**859,910**	485,689
Sales of moulds and plastic products	**391,164**	474,258
	1,251,074	959,947

The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.

5. OTHER INCOME

	2019 ***HK$'000***	2018 *HK$'000*
Bank interest income	**791**	47
Exchange gain, net	**1,218**	834
Government grants	**17**	–
Management service income	**–**	90
Rental and utilities recharge income	**1,605**	2,156
Sales of scrap materials	**1,239**	1,242
Sundry income	**1,273**	1,041
	6,143	5,410

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	2019	2018
	HK$'000	*HK$'000*
Finance costs		
Interest on interest-bearing borrowings	**5,849**	9,779
Interest on bank overdrafts	**–**	20
Interest on payables for construction in progress	**894**	1,150
Finance charges on obligations under finance leases	**–**	1,078
Interest on lease liabilities	**2,326**	–
	9,069	12,027
Staff costs, including directors' emoluments		
Employee benefits expenses	**201,507**	174,155
Contributions to defined contribution retirement schemes	**13,770**	13,946
	215,277	188,101
Other items		
Cost of inventories	**937,715**	722,123
Amortisation of prepaid land lease payments (charged to "administrative and other operating expenses")	**–**	1,154
Auditor's remuneration	**1,333**	1,309
Depreciation (charged to "cost of goods sold" and "administrative and other operating expenses", as appropriate)	**38,560**	28,531
Fair value (gain) loss on financial assets at FVPL	**(847)**	272
Inventories written off	**1,525**	–
Loss on disposal of property, plant and equipment	**151**	4,155
Lease payments (charged to "cost of goods sold" and "administrative and other operating expenses", as appropriate)	**50**	1,422
Research and development expenses	**7,281**	5,350
Loss allowance of trade receivables	**–**	4,662

7. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**5,091**	163
PRC Enterprise Income Tax		
Current year	**37,667**	23,356
Over provision in prior year	**(556)**	–
	42,202	23,519
Deferred tax		
Changes in temporary differences	**(6,662)**	10,932
Utilisation (Benefit) of tax losses recognised	**1,615**	(5,924)
	(5,047)	5,008
Total income tax expenses for the year	**37,155**	28,527

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

For the years ended 31 December 2019 and 2018, 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 Hong Kong incorporated subsidiaries of the Group is calculated at the standard tax rate of 16.5% of their respective estimated assessable profits for the years ended 31 December 2019 and 2018.

The Group's entities established in the PRC are subject to Enterprise Income Tax of the PRC at a statutory rate of 25% for the years ended 31 December 2019 and 2018.

8. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
a. Final dividend in respect of 2018 of HK3.0 cents per ordinary share *(2017: HK$nil)*	**18,600**	–
b. Interim dividend in respect of 2019 of HK1.5 cents per ordinary share *(2018: HK$nil)*	**9,300**	–
	27,900	–
c. Not recognised final divided - Final dividend declared after the balance sheet date of HK1.5 cents per ordinary share *(2018: HK3.0 cents) (Note (i))*	**9,300**	18,600

Note i: The Directors recommended the payment of a final dividend of HK1.5 cents *(2018: HK3.0 cents)* per ordinary share totally approximately HK$9,300,000 *(2018: HK$18,600,000)* for the year ended 31 December 2019. The proposed dividend for the year ended 31 December 2019 will be accounted for as an appropriation of reserves in the year ending 31 December 2020 if it is approved at the forthcoming annual general meeting. The proposed final dividend has not been recognised as dividend payables in the consolidated statement of financial position.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Profit:		
Profit for the purpose of calculating basic earnings per share	**127,196**	75,755
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**620,000**	591,973

Diluted earnings per share is the same as basic earnings per share as there were no potential ordinary shares outstanding during years ended 31 December 2019 and 2018.

10. TRADE AND OTHER RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Trade receivables			
From third parties		**125,345**	230,007
Loss allowance	*10(a)*	**(4,568)**	(4,662)
	10(b)	**120,777**	225,345
Bills receivables		**2,655**	9,023
Other receivables			
Deposits		**391**	156
Prepayment for suppliers		**–**	2,248
Prepayment for insurance		**3,150**	3,197
Prepayment for utilities		**5,354**	5,831
Prepaid expenses, other deposits and other debtors		**21,038**	15,761
		29,933	27,193
		153,365	261,561

10(a) Loss allowance

At 31 December 2019, the loss allowance of approximately HK$4,568,000 (2018: HK$4,662,000) was mainly and specifically resulted from a customer against whom the Group was in a legal action to recover the trade debt due to the Group.

The Group applies the simplified approach to provide expected credit losses ("**ECL**") for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Trade receivables are assessed individually for impairment losses based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction at the end of the reporting period, including time value of money where appropriate.

Except for the loss allowance made, the Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and continuous business with the Group. The assessment is regularly reviewed by the management of the Group to ensure the relevant information about specific debtors is updated. There were no changes in the estimation techniques or significant assumptions on the assessment of loss allowance during the year ended 31 December 2019.

The movement in the loss allowance for trade receivables during the year is summarised below.

	2019 HK$'000	2018 HK$'000
At the beginning of the reporting period	**4,662**	–
Increase in allowance	**–**	4,662
Exchange realignments	**(94)**	–
At the end of the reporting period	**4,568**	4,662

10(b) The ageing of trade receivables, net of loss allowance, by invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**64,603**	175,600
31 to 60 days	**47,555**	40,657
61 to 90 days	**4,578**	6,586
91 to 180 days	**2,600**	1,419
Over 180 days	**1,441**	1,083
	120,777	225,345

11. TRADE AND OTHER PAYABLES

		2019	2018
	Note	***HK$'000***	*HK$'000*
Trade payables			
To third parties	*11(a)*	**118,323**	177,268
Other payables			
Contract liabilities		**10,767**	7,203
Deferred government grants		**565**	–
Salaries payable		**54,279**	43,016
Other accruals and other creditors		**27,662**	25,367
		93,273	75,586
		211,596	252,854

11(a) Trade payables

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**37,761**	69,902
31 to 60 days	**47,219**	87,333
61 to 90 days	**24,924**	10,706
Over 90 days	**8,419**	9,327
	118,323	177,268

12. INTEREST-BEARING BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Secured bank borrowings:		
Current portion	**103,177**	125,627
Non-current portion	**–**	22,969
	103,177	148,596

The secured bank borrowings are wholly repayable within seven years since its inception. At 31 December 2019, the secured bank borrowings carried weighted average effective interest rate of approximately 4.18% *(2018: 4.40%)* per annum.

13. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2018, the Group leased certain machinery and equipment under finance leases. The lease term is ranging from 36 to 48 months. At 31 December 2018, the weighted average effective interest rate of the obligations under finance leases of the Group was 3.39%.

	Minimum lease payments 2018	Present value of minimum lease payments 2018
	HK$'000	*HK$'000*
Amounts payable:		
Within one year	24,472	22,415
In the second to fifth years inclusive	45,133	42,879
	69,605	65,294
Future finance charges	(4,311)	
Present value of lease obligations	65,294	
Less: Amounts due for settlement within 12 months		(22,415)
Amounts due for settlement after 12 months		42,879

Upon the adoption of HKFRS 16 at 1 January 2019, the balances recognised under obligations under finance leases are reclassified as lease liabilities *(Note 2)*.

14. LEASES LIABILITIES

At 31 December 2019, the weighted average discount rate applied was 3.73% per annum. Commitments and present value of lease liabilities:

	Lease payments 2019 *HK$'000*	Present value of lease payments 2019 *HK$'000*
Amounts payable:		
Within one year	**24,863**	**22,737**
In the second to fifth years inclusive	**41,519**	**39,754**
	66,382	**62,491**
Less: future finance charges	**(3,891)**	**–**
Total lease liabilities	**62,491**	**62,491**

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2019, the Sino-US trade war heated up and Hong Kong experienced a half-year social unrest. It was an uneasy year for most of the local businesses and especially for those with manufacturing and trading activities in the US market such as the Group. Despite of this, the Group grasped the opportunity to work more closely with its business partners and through its competitive edge in the technical capabilities and quality control, the Group recorded a historically high revenue and net profit for the year ended 31 December 2019.

As a well-established provider of integrated plastic solutions in the People's Republic of China (the "**PRC**"), the Group operates business through two segments. The integrated plastic solutions segment is engaged in mould design and fabrication services as well as plastic component design and manufacturing services. The e-cigarettes products segment is engaged in the manufacturing and sales of e-cigarettes products under the brand names owned by a well known tobacco group. The Group distributes its products within the domestic market and to overseas markets, including Europe, Asia and the United States.

During the year, the Group's total revenue amounted to approximately HK$1,251.1 million, representing a year-on-year increase of approximately 30.3% *(2018: HK$959.9 million)*. The Group recorded a gross profit of approximately HK$313.4 million *(2018: HK$237.8 million)* with a gross profit margin of approximately 25.0% *(2018: 24.8%)*.

The Group recorded a profit for the year attributable to owners of the Company of approximately HK$127.2 million *(2018: HK$75.8 million)*. Basic earnings per share attributable to equity holders of the Company were approximately HK20.52 cents *(2018: HK12.80 cents)*.

Since the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in 2018, the Group has been continuously upgrading its production capacity through the addition of new machines for plastic injection and mould fabrication, as well as expansion of the factory premises. These new capacities provided space for production lines of new products and enabled the Group to increase productivity for current products. During the year ended 31 December 2019, the capital expenditure incurred by the Group amounted to approximately HK$149.0 million, including HK$85.2 million for the addition of new machines and HK$49.1 million for the construction of new factory premises.

Business Segment Analysis

Integrated Plastic Solutions

Revenue of 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 in 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 and automobiles.

Manufacturing of e-cigarette products

The Group manufactured e-cigarettes products as an original equipment manufacturer ("**OEM**"). Such e-cigarette products included disposable e-cigarettes, refillable e-cigarettes, battery rods, clearomisers, liquidpods and heated tobacco device.

Financial Review

Revenue

Revenue for the year ended 31 December 2019 was approximately HK$1,251.1 million, representing an increase of approximately HK$291.2 million, or approximately 30.3%, from approximately HK$959.9 million for the year ended 31 December 2018.

The integrated plastic solutions segment revenue for the year ended 31 December 2019 was approximately HK$391.2 million, accounting for approximately 31.3% of the total revenue and representing a decrease of approximately HK$83.1 million, or approximately 17.5%, from segment revenue of HK$474.3 million for the year ended 31 December 2018. This decrease was primarily due to the decrease in sales order of certain products.

The e-cigarettes products segment revenue for the year ended 31 December 2019 was approximately HK$859.9 million, accounting for approximately 68.7% of the total revenue and representing an increase of approximately HK$374.2 million, or approximately 77.0%, from approximately HK$485.7 million for the year ended 31 December 2018. The increase was primarily due to the orders for new model e-cigarettes devices.

Gross Profit

Gross profit for the year ended 31 December 2019 was approximately HK$313.4 million *(2018: HK$237.8 million)*, representing a gross profit margin of 25.0% *(2018: 24.8%)*.

Segment gross profit for integrated plastic solutions for 2019 was approximately HK$97.2 million *(2018: HK$110.0 million)*, representing a gross profit margin of 24.8% *(2018: 23.2%)*. The increase in gross profit margin was primarily contributed by the change of product mix in which the products with higher profit margin improved the overall gross profit margin.

Segment gross profit for e-cigarettes products for 2019 was approximately HK$216.2 million *(2018: HK$127.8 million)*, representing a gross profit margin of 25.1% *(2018: 26.3%)*. The decrease was primarily due to the launch of new model e-cigarettes which involve higher production costs and lower the gross profit margin.

Other Income

Other income for the year ended 31 December 2019 was approximately HK$6.1 million, representing an increase of approximately HK$0.7 million, or approximately 13.0%, from approximately HK$5.4 million for the year ended 31 December 2018. The increase was primarily due to an increase of bank interest income together with the exchange gain.

Selling and Distribution Costs

Selling and distribution costs for the year ended 31 December 2019 were approximately HK$11.4 million, which was similar to that for the year ended 31 December 2018 *(2018: HK$12.5 million)*.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the year ended 31 December 2019 were approximately HK$135.6 million, representing an increase of approximately HK$27.8 million, or approximately 25.8%, from approximately HK$107.8 million for the year ended 31 December 2018. The increase was primarily contributed by the increase in headcount to support the expanded operation of the Group, increase in pay scale to retain and recruit high profile personnel, the performance bonus to the directors and senior management and the increase in research and development expenses.

Listing Expenses

The Group did not have any listing expense for the year ended 31 December 2019, compared to HK$6.4 million recorded for the year ended 31 December 2018.

Finance Costs

Finance costs for the year ended 31 December 2019 were approximately HK$9.1 million, representing a decrease of approximately HK$2.9 million, or approximately 24.2%, from approximately HK$12.0 million for the year ended 31 December 2018. The decrease in finance cost was primary due to the repayment of the secured bank borrowings.

Income Tax Expense

Income tax expenses for the year ended 31 December 2019 was approximately HK$37.2 million, representing an increase of approximately HK$8.7 million, or approximately 30.5%, from approximately HK$28.5 million for the year ended 31 December 2018. The increase in income tax expense was primarily due to the increase in profit before tax.

Profit Attributable to Equity Holders of the Company

As a result of foregoing, profit for the year ended 31 December 2019 was approximately HK$127.2 million, representing an increase of approximately HK$51.4 million, or approximately 67.8%, from approximately HK$75.8 million for the year ended 31 December 2018.

Future Plan and Prospects

In 2020, the Board expects that the outbreak of COVID-19 will cause significant downturn in the global economy. It is also expected that the business activities will be slowed down due to the quarantine control in many countries. The demand for our clients' products may be affected due to uncertainty of market demand. The process of product development will be prolonged due to travel restriction between client and our production plants. We foresee that 2020 will be challenging and adopt a prudent business strategy.

In response to these uncertainties, we shall continue to search for new market opportunities and aim to diversify our product portfolio through our research and development. The new factory premises under construction will provide room for us to locate more new product production lines, innovate our design through new product development and achieve automated production with addition of highly automated machineries. We believe that all of these measures will provide solid foundation for us to be well-equipped for grasping the momentum of growth when the difficult time is over.

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 31 December 2019, the Group had cash and cash equivalents of approximately HK$85.6 million *(2018: HK$61.4 million)*. The interest-bearing borrowings as at 31 December 2019 was approximately HK$103.2 million *(2018: HK$148.6 million)* with interest rates weighted average effective interest rate of approximately 4.18% *(2018: 4.40%)* per annum. The Group's gearing ratio as at 31 December 2019, calculated based on the total borrowings to the equity attributable to owners of the Company, was 39.8% *(2018: 52.7%)*. The Group recorded net current liabilities of approximately HK$52.9 million as of 31 December 2019 *(31 December 2018: approximately HK$13.9 million)*. The net current liabilities as at 31 December 2019 increased by HK$39.0 million as compared with 31 December 2018 due to the effect from acquisition of new machines and construction of new factory premises during the year which expended part of the cash flows generated from operations.

FOREIGN EXCHANGE RISK

The monetary assets and liabilities and business transactions of the Group are mainly carried out and conducted in Hong Kong dollars, U.S. dollars and Renminbi. In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk for the year ended 31 December 2019. 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 hedge arrangement, if necessary. During the year ended 31 December 2019, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2019, the Group has made no material acquisitions or disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

USE OF PROCEEDS

The net proceeds of the Group raised from the initial public offering were approximately HK$77.6 million, after deducting the underwriting fees, commissions and other listing expenses. As at 31 December 2019, approximately HK$72.9 million of the net proceeds had been utilised and the unutilised net proceeds of approximately HK$4.7 million were placed in licensed banks in Hong Kong. During the second half of 2019, the Group had placed order to purchase an automated polyester fiber ("**PET**") manufacturing line as planned as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 14 February 2018. Set out below is a summary of the utilisation of net proceeds:

	Planned use of proceeds *HK$ million*	**Actual utilised amount as at 31 December 2019** *HK$ million*	**Unutilised amount as at 31 December 2019** *HK$ million*
For the leasehold improvement in phase II of the Group's new site in Huizhou	**3.0**	**3.0**	**–**
For equipment upgrade and capacity expansion and related investments	**69.8**	**65.1**	**4.7**
For working capital	**4.8**	**4.8**	**–**
Total	**77.6**	**72.9**	**4.7**

SUBSEQUENT EVENT

Since the 2020 Chinese New Year Holidays, the Group's operations located in Huizhou of Guangdong Province, the PRC (the "**Huizhou Operations**") were suspended as a result of the outbreak of COVID-19. The Huizhou Operations have resumed in operation on 13 February 2020, however due to the suspension or limited service of transportation facilities in certain areas in the PRC, certain workers were unable to return to the Huizhou Operations as planned, which resulted in a temporarily drop in the production capacity of the Huizhou Operations. It is expected by the management that the Huizhou Operations would and will have experienced delay in resuming their original production schedule and there will be late delivery of products in the coming few months.

At the date of this announcement, the Group is yet to be able to estimate the financial impact of these events. The Directors consider those events have no significant adverse impacts to the financial position and the going concern 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 and performance bonus. Directors and senior management of the Group receive compensation in the form of fees, salaries, allowances, discretionary bonus, 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.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2019, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement and the announcement of the Company dated 8 October 2019 regarding the construction of new factory premises in the remaining land area in Huizhou, 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 has not purchased, redeemed or sold any of its listed securities during the year ended 31 December 2019.

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 (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 A.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 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 monopolize 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 the structure from time to time to ensure appropriate action be taken should the need arise.

Save as disclosed above, during the year ended 31 December 2019, the Company has complied with the CG Code.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Group has established an audit committee (the "**Audit Committee**") on 8 February 2018 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

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 consolidated financial statements for the year ended 31 December 2019, the accounting principles and practices adopted and discussed auditing, internal control and financial reporting matters.

The figures in respect of the Company's consolidated statement of financial position, consolidated income statement and other comprehensive income, and related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's auditors, Mazars CPA Limited ("**Mazars**"), to the amounts set out in the Company's draft consolidated financial statements for the year ended 31 December 2019. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

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 year ended 31 December 2019. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the year ended 31 December 2019.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company at the close of business on 26 June 2020. The proposed final dividend is subject to the approval of the shareholders at the forthcoming annual general meeting. The final dividend, if approved, is expected to be paid on 10 July 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2019 is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hktcgroup.com.

An annual report for the year ended 31 December 2019, 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, 27 March 2020

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.