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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 2023**

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 2023, together with the comparative figures for the corresponding period in 2022, as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*Six months ended 30 June 2023*

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>400,901</b>	571,412
Cost of goods sold		<b>(320,927)</b>	(452,093)
<b>Gross profit</b>		<b>79,974</b>	119,319
Other income	4	<b>3,845</b>	4,180
Other gains and losses, net	5	<b>(977)</b>	(1,786)
Provision for loss allowance on trade receivables		<b>(114)</b>	(101)
Selling and distribution costs		<b>(2,413)</b>	(3,099)
Administrative and other operating expenses		<b>(54,955)</b>	(59,602)
Finance costs	6	<b>(3,123)</b>	(3,298)
<b>Profit before tax</b>	6	<b>22,237</b>	55,613
Income tax expenses	7	<b>(1,590)</b>	(7,026)
<b>Profit for the period, attributable to equity holders of the Company</b>		<b>20,647</b>	48,587
<b>Earnings per share attributable to equity holders of the Company (expressed in Hong Kong cents)</b>			
Basic	9	<b>3.33</b>	7.84
Diluted	9	<b>3.29</b>	7.79

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>20,647</b>	48,587
<b>Other comprehensive loss:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(25,087)</u>	<u>(36,902)</u>
<b>Total comprehensive (loss) income for the period, attributable to equity holders of the Company</b>	<b><u>(4,440)</u></b>	<b><u>11,685</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		625,002	664,999
Financial assets at fair value through profit or loss (“FVPL”)	10	32,266	31,633
Rental deposits		588	393
Deferred tax assets		3,889	3,999
		<u>661,745</u>	<u>701,024</u>
<b>Current assets</b>			
Inventories		112,684	128,542
Finance lease receivables	11	404	1,617
Trade and other receivables	12	139,660	237,368
Income tax recoverable		2,024	542
Restricted bank balance		–	7,152
Cash and cash equivalents		160,910	128,368
		<u>415,682</u>	<u>503,589</u>
<b>Current liabilities</b>			
Trade and other payables	13	167,157	252,383
Payables for construction in progress	14	5,555	9,020
Interest-bearing borrowings	15	107,612	121,491
Deferred income		1,419	1,455
Lease liabilities		2,617	2,027
Income tax payables		3,196	4,855
		<u>287,556</u>	<u>391,231</u>
<b>Net current assets</b>		<u>128,126</u>	<u>112,358</u>
<b>Total assets less current liabilities</b>		<u>789,871</u>	<u>813,382</u>
<b>Non-current liabilities</b>			
Payables for construction in progress	14	2,262	6,238
Interest-bearing borrowings	15	5,070	7,322
Deferred income		9,100	10,021
Lease liabilities		2,347	1,686
Deferred tax liabilities		6,206	6,389
		<u>24,985</u>	<u>31,656</u>
<b>NET ASSETS</b>		<u>764,886</u>	<u>781,726</u>
<b>Capital and reserves</b>			
Share capital		62,000	62,000
Reserves		702,886	719,726
<b>TOTAL EQUITY</b>		<u>764,886</u>	<u>781,726</u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2023

## 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 2023 (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 2022, 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 2022 (the “**2022 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 2022 Financial Statements, except for the adoption of the new/revised HKFRSs that are effective from the current period as set out below:

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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, provision for loss allowance on trade receivables, write-off of property, plant and equipment 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:

	E-cigarettes products (unaudited) HK\$’000	Integrated plastic solutions (unaudited) HK\$’000	Medical consumable products (unaudited) HK\$’000	Total (unaudited) HK\$’000
<b>Six months ended 30 June 2023 (unaudited)</b>				
Segment revenue	<u>81,868</u>	<u>318,622</u>	<u>411</u>	<u>400,901</u>
Gross profit	<u>10,016</u>	<u>69,939</u>	<u>19</u>	<u>79,974</u>
Provision for loss allowance on trade receivables	<u>–</u>	<u>(114)</u>	<u>–</u>	<u>(114)</u>
Write-off of property, plant and equipment	<u>–</u>	<u>(143)</u>	<u>–</u>	<u>(143)</u>
Loss on disposal of property, plant and equipment	<u>–</u>	<u>(27)</u>	<u>–</u>	<u>(27)</u>
Selling and distribution costs	<u>–</u>	<u>(2,413)</u>	<u>–</u>	<u>(2,413)</u>
Segment results	<u>10,016</u>	<u>67,242</u>	<u>19</u>	<u>77,277</u>
<i>Unallocated income and expenses</i>				
Other income				3,845
Other losses, net				(807)
Administrative and other operating expenses				(54,955)
Finance costs				(3,123)
Profit before tax				<u>22,237</u>
Income tax expenses				<u>(1,590)</u>
Profit for the period				<u>20,647</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>
<b>Six months ended 30 June 2022 (unaudited)</b>				
Segment revenue	305,714	262,264	3,434	571,412
Gross profit	57,384	61,740	195	119,319
Provision for loss allowance on trade receivables	–	(101)	–	(101)
Write-off of property, plant and equipment	–	(360)	–	(360)
Loss on disposal of property, plant and equipment	(427)	(7)	–	(434)
Selling and distribution costs	–	(3,099)	–	(3,099)
Segment results	56,957	58,173	195	115,325
<i>Unallocated income and expenses</i>				
Other income				4,180
Other 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				48,587

## 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 2023 (unaudited)</b>					
<b>Assets</b>					
Reportable segment assets	<u>27,898</u>	<u>459,779</u>	<u>16,566</u>	<u>573,184</u>	<u>1,077,427</u>
<b>Liabilities</b>					
Reportable segment liabilities	<u>10,926</u>	<u>116,309</u>	<u>–</u>	<u>185,306</u>	<u>312,541</u>
<b>Other information</b>					
Capital expenditure	<u>140</u>	<u>1,435</u>	<u>–</u>	<u>5,839</u>	<u>7,414</u>
Depreciation	<u>1,556</u>	<u>19,985</u>	<u>1,076</u>	<u>2,862</u>	<u>25,479</u>
Inventories written-off	<u>–</u>	<u>889</u>	<u>–</u>	<u>–</u>	<u>889</u>
Research and development expenses	<u>3,500</u>	<u>12,299</u>	<u>–</u>	<u>–</u>	<u>15,799</u>
<b>At 31 December 2022 (audited)</b>					
<b>Assets</b>					
Reportable segment assets	<u>64,026</u>	<u>554,377</u>	<u>17,730</u>	<u>568,480</u>	<u>1,204,613</u>
<b>Liabilities</b>					
Reportable segment liabilities	<u>77,619</u>	<u>100,178</u>	<u>–</u>	<u>245,090</u>	<u>422,887</u>
<b>Other information</b>					
Capital expenditure	<u>1,200</u>	<u>2,612</u>	<u>–</u>	<u>8,695</u>	<u>12,507</u>
Depreciation	<u>3,798</u>	<u>37,752</u>	<u>2,126</u>	<u>5,958</u>	<u>49,634</u>
Inventories written-off	<u>940</u>	<u>4,141</u>	<u>–</u>	<u>–</u>	<u>5,081</u>
Research and development expenses	<u>16,359</u>	<u>16,598</u>	<u>–</u>	<u>–</u>	<u>32,957</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 2023 (unaudited) <i>HK\$'000</i>	At 31 December 2022 (audited) <i>HK\$'000</i>
Hong Kong	7,752	6,132
The PRC	617,250	658,867
	<u>625,002</u>	<u>664,999</u>

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

	Six months ended 30 June	
	2023 (unaudited) <i>HK\$'000</i>	2022 (unaudited) <i>HK\$'000</i>
<b>Revenue from external customers</b>		
The United States of America	47,548	81,619
The PRC	118,185	125,090
The United Kingdom	11,205	15,863
Hong Kong	58,393	24,861
Netherlands	126,414	244,967
Japan	–	13,608
India	28,182	14,534
Germany	7,058	48,367
Others	3,916	2,503
	<u>400,901</u>	<u>571,412</u>

### **Information about major customers**

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group 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 2023</b>				
Customer A and its affiliated companies	77,428	–	–	77,428
Customer B and its affiliated companies	–	95,896	–	95,896
Customer C	–	56,302	–	56,302
	<u>77,428</u>	<u>152,198</u>	<u>–</u>	<u>229,626</u>
<b>Six months ended 30 June 2022</b>				
Customer A and its affiliated companies	305,262	1,091	–	306,353
Customer D and its affiliated companies	–	84,133	–	84,133
	<u>305,262</u>	<u>85,224</u>	<u>–</u>	<u>390,486</u>



### 3. REVENUE

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of e-cigarettes products	81,868	305,714
Sales of moulds and plastic products	318,622	262,264
Sales of medical consumable products	411	3,434
	<u>400,901</u>	<u>571,412</u>

The revenue from contracts with customers within the scope of HKFRS 15 is recognised at a point in time.

### 4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank interest income	1,430	264
Finance lease interest income	154	154
Government grants ( <i>Note</i> )	788	1,101
Rental and utilities recharge income	91	173
Sales of scrap materials	–	1,108
Sundry income	1,382	1,380
	<u>3,845</u>	<u>4,180</u>

*Note:* Included in the amount is the amortisation of deferred government grant of approximately HK\$732,000 (*six months ended 30 June 2022: HK\$773,000*) in relation to the acquisition of property, plant and equipment. In the opinion of the management of the Group, the remaining government grants have no unfulfilled condition or contingency relating to the government grants.

### 5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Exchange loss, net	(1,400)	(1,537)
Changes in fair value of financial assets at FVPL	593	545
Write-off of property, plant and equipment	(143)	(360)
Loss on disposal of property, plant and equipment	(27)	(434)
	<u>(977)</u>	<u>(1,786)</u>

## 6. PROFIT BEFORE TAX

This is stated after charging:

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
<b>Finance costs</b>		
Interest on interest-bearing borrowings	2,890	2,981
Interest on payables for construction in progress	142	221
Interest on lease liabilities	91	96
	<u>3,123</u>	<u>3,298</u>
<b>Staff costs, including directors' emoluments</b>		
Salaries, allowances and other benefits in kinds	70,532	85,331
Contributions to defined contribution plans	5,394	7,329
	<u>75,926</u>	<u>92,660</u>
Total staff costs (charged to "cost of goods sold", "administrative and other operating expenses" and "inventories", as appropriate)		
	<u>75,926</u>	<u>92,660</u>
<b>Other items</b>		
Cost of inventories	320,927	452,093
Depreciation (charged to "cost of goods sold" and "administrative and other operating expenses", as appropriate)	25,479	25,115
Write-down of inventories (charged to "cost of goods sold")	889	6,842
Research and development expenses	15,799	15,685
	<u>15,799</u>	<u>15,685</u>

## 7. TAXATION

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax		
Current period	–	5,433
PRC Enterprise Income Tax		
Current period	1,453	6,284
Over provision in prior year	(143)	(1,556)
	<u>1,310</u>	<u>10,161</u>
<b>Deferred tax</b>		
Changes in temporary differences	554	(1,845)
Benefit of tax losses recognised	(274)	(1,290)
	<u>280</u>	<u>(3,135)</u>
Total income tax expenses	<u>1,590</u>	<u>7,026</u>

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

For the six months ended 30 June 2023, Hong Kong Profits Tax has not been provided as the Group's entities established in Hong Kong and the Cayman Islands had no assessable profits.

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

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25%, except for Huizhou Tian Chang Industrial Company Limited (English translation of 惠州市天長實業有限公司 for identification purpose only), which was approved to be a "New and High Technology Enterprise" since December 2022 with a valid period of 3 years. The "New and High Technology Enterprise" is subject to a preferential rate of 15% during the valid period. The State Taxation Administration of the PRC announced in March 2021 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 Company consider the eligibility of the PRC subsidiaries and recognise the additional tax deduction for the six months ended 30 June 2023 and 2022.

## 8. DIVIDENDS

As approved by the shareholders' meeting held on 30 May 2023, the Company determined to pay a cash dividend for the year ended 31 December 2022 of HK2.0 cents for every ordinary share amounting to approximately HK\$12,400,000 (*31 December 2021: HK\$12,400,000*) out of retained earnings of the Company. The 2022 dividend had been distributed to the Company's shareholders on 27 June 2023.

The Board of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2023 (*six months ended 30 June 2022: Nil*).

## 9. EARNINGS PER SHARE

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>2023</b> <b>(unaudited)</b> <b>HK\$'000</b>	<b>2022</b> <b>(unaudited)</b> <b>HK\$'000</b>
<i>Earnings for the purpose of calculating basic and diluted earnings per share:</i>		
Profit for the period attributable to equity holders of the Company	<b>20,647</b>	48,587
	<b>'000</b>	'000
<i>Number of shares:</i>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>620,000</b>	620,000
Effect of dilutive potential ordinary shares:		
– Share options of the Company	<b>8,040</b>	3,485
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>628,040</b>	623,485
Basic earnings per share (HK cents)	<b>3.33</b>	7.84
Diluted earnings per share (HK cents)	<b>3.29</b>	7.79

*Note:* For the six months ended 30 June 2023 and 2022, 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 these share options was lower than the average market price of the Company's shares.

## 10. FINANCIAL ASSETS AT FVPL

	<b>At</b>	<b>At</b>
	<b>30 June</b> <b>2023</b> <b>(unaudited)</b> <b>HK\$'000</b>	<b>31 December</b> <b>2022</b> <b>(audited)</b> <b>HK\$'000</b>
Unlisted investments - key management insurance contracts	<b>32,266</b>	31,633

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 2022: ranging from 2% to 3.9% per annum) and are denominated in United States Dollar ("US\$").

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

	At <b>30 June</b> <b>2023</b> <b>(unaudited)</b> <b>HK\$'000</b>	At 31 December 2022 (audited) HK\$'000
At the beginning of the reporting period	31,633	30,454
Changes in fair value	593	905
Exchange realignments	40	274
At the end of the reporting period	<b>32,266</b>	<b>31,633</b>

The key management insurance contracts are pledged as collateral for the Group's interest-bearing borrowings amounting to approximately HK\$7,568,000 (31 December 2022: HK\$ 9,332,000).

## 11. FINANCE LEASE RECEIVABLES

The finance lease receivables are set out below:

	Lease payments		Present value of lease payments	
	At <b>30 June</b> <b>2023</b> <b>(unaudited)</b> <b>HK\$'000</b>	At 31 December 2022 (audited) HK\$'000	At <b>30 June</b> <b>2023</b> <b>(unaudited)</b> <b>HK\$'000</b>	At 31 December 2022 (audited) HK\$'000
Finance lease receivables comprise:				
Within one year	512	1,820	404	1,617
Less: unearned finance income	(108)	(203)	N/A	N/A
Present value of minimum lease payment receivables	<b>404</b>	1,617	<b>404</b>	1,617
Analysed as:				
Current	<b>404</b>	1,617	<b>404</b>	1,617

Interest rates implicit in the above finance lease is 4.03% per annum (31 December 2022: 4.03%). Finance lease receivables are denominated in US\$.

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 amount of approximately HK\$7,344,000 for an initial term of three years. The sum of lease payments is fixed and approximates to the carrying values of the leased assets.

During the six months ended 30 June 2023 and year ended 31 December 2022, the Group did not enter into any new finance lease agreement.

Finance lease receivables are secured over the machineries leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. At the end of the lease term of these finance leases, the lessee has the option to buy the machineries at nominal consideration. Termination options are included in these machineries leases. These terms are used to maximise operational flexibility in terms of managing contracts. The termination options held are exercisable by the Group and the lessee.

## 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
<b>Trade receivables</b>		
From third parties	128,694	216,137
Loss allowance	(5,591)	(5,626)
	<u>123,103</u>	<u>210,511</u>
<b>Other receivables</b>		
Deposits	412	274
Prepayment for suppliers	14	3,017
Prepayment for insurance	2,923	2,948
Prepayment for utilities	300	3,522
Other receivables	2,127	2,188
Value-added tax receivables	8,199	11,252
Prepaid expenses	2,582	3,656
	<u>16,557</u>	<u>26,857</u>
	<u><u>139,660</u></u>	<u><u>237,368</u></u>

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\$5,591,000 as at 30 June 2023 (31 December 2022: HK\$5,626,000).

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

The aging analysis of trade receivables, net of loss allowance, by invoice date at the end of the reporting period is as follows:

	At 30 June 2023 (unaudited) HK\$'000	At 31 December 2022 (audited) HK\$'000
Within 30 days	87,880	119,001
31 to 60 days	18,897	53,494
61 to 90 days	10,692	28,377
Over 90 days	5,634	9,639
	<u>123,103</u>	<u>210,511</u>

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 2023 (unaudited) <i>HK\$'000</i>	At 31 December 2022 (audited) <i>HK\$'000</i>
<b>Trade payables</b>		
To third parties ( <i>Note</i> )	<u>103,406</u>	<u>159,696</u>
<b>Other payables</b>		
Contract liabilities	23,829	18,101
Salaries and bonus payable	10,432	45,998
Accruals and other creditors	<u>29,490</u>	<u>28,588</u>
	<u>63,751</u>	<u>92,687</u>
	<u><u>167,157</u></u>	<u><u>252,383</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 2023 (unaudited) <i>HK\$'000</i>	At 31 December 2022 (audited) <i>HK\$'000</i>
Within 30 days	44,116	76,394
31 to 60 days	37,218	49,374
61 to 90 days	8,745	21,617
Over 90 days	<u>13,327</u>	<u>12,311</u>
	<u><u>103,406</u></u>	<u><u>159,696</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 amounts due are unsecured, interest-free and repayable from one to five years since its inception. The amounts are determined based on the present value of the total payable consideration discounted using the effective interest rate of 4.75% (31 December 2022: 4.75%) per annum.

#### **15. INTEREST-BEARING BORROWINGS**

The secured bank borrowings from banks are repayable within five years since its inception. At 30 June 2023, the secured bank borrowings carried weighted average effective interest rate of approximately 4.59% (31 December 2022: 4.19%) per annum.

At 30 June 2023, the interest-bearing borrowings are secured by:

- (i) certain buildings, machineries and equipment and right-of-use assets in respect of the prepaid land lease payments with aggregate net carrying amount of approximately HK\$399,160,000 (31 December 2022: HK\$431,125,000);
- (ii) key management insurance contracts with fair value of approximately HK\$32,266,000 (31 December 2022: HK\$31,633,000); and
- (iii) corporate guarantees provided by the Company (31 December 2022: corporate guarantees provided 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 2023, there were a series of challenges affecting the macroeconomy and consumer confidence, including the escalation of Russia-Ukraine war, the continuing of high inflation rate for necessities, the trend of rising interest rates and the fall of certain banks in the U.S. and Europe. In addition, as disclosed on the announcement dated 14 March 2022 and 14 June 2023, the exclusivity term between the major customer of e-cigarette products was removed (“**Exclusivity**”). Therefore, the number of sales orders for e-cigarettes products was affected. The Group recorded a decrease in both revenue and profit after tax during the six months ended 30 June 2023.

During the six months ended 30 June 2023, the Group’s total revenue amounted to approximately HK\$400.9 million, representing a decrease of approximately 29.8% compared to the same period last year (30 June 2022: HK\$571.4 million). The Group recorded a gross profit of approximately HK\$80.0 million (30 June 2022: HK\$119.3 million) with a gross profit margin of approximately 20.0% (30 June 2022: 20.9%).

The Group recorded a profit for the six months ended 30 June 2023 attributable to equity holders of the Company of approximately HK\$20.6 million (30 June 2022: HK\$48.6 million). Basic earnings per share attributable to equity holders of the Company were approximately 3.33 HK cents (30 June 2022: 7.84 HK cents).

#### **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, solar system and pool cleaners.

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

The Group manufactures e-cigarettes products as an original equipment manufacturer (“OEM”) and sells to overseas and the People’s Republic of China (the “PRC”). 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 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. In 2023, the Group has further extended the license for two years.

## **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 has also fulfilled the 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 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 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 2023 was approximately HK\$400.9 million, representing a decrease of approximately HK\$170.5 million, or approximately 29.8%, from approximately HK\$571.4 million for the same period in 2022.

The integrated plastic solutions segment revenue for the six months ended 30 June 2023 was approximately HK\$318.6 million, accounting for approximately 79.5% of our total revenue and representing an increase of approximately HK\$56.3 million, or approximately 21.5%, from segment revenue of approximately HK\$262.3 million for the same period in 2022. This was primarily because sales orders from the Group’s major customers increased during the period.

The e-cigarettes products segment revenue for the six months ended 30 June 2023 was approximately HK\$81.9 million, accounting for approximately 20.4% of our total revenue and representing a decrease of approximately HK\$223.8 million, or approximately 73.2%, from segment revenue of approximately HK\$305.7 million for the same period in 2022. This decrease was mainly due to the removal of the Exclusivity, orders for e-cigarettes products decreased during the period.

The medical consumable products segment revenue for the six months ended 30 June 2023 was approximately HK\$0.4 million, accounting for approximately 0.1% of our total revenue and representing a decrease of approximately HK\$3.0 million, or approximately 88.2%, from segment revenue of approximately HK\$3.4 million for the same period in 2022. The decrease was resulted from the cancellation of the mandatory mask-wearing requirements in Hong Kong during the period, which affected the number of orders for medical consumable products sold.

### **Gross Profit**

Gross profit for the six months ended 30 June 2023 was approximately HK\$80.0 million (*30 June 2022: HK\$119.3 million*), representing a gross profit margin of 20.0% (*30 June 2022: 20.9%*).

Gross profit for integrated plastic solutions for the six months ended 30 June 2023 was approximately HK\$69.9 million (*30 June 2022: HK\$61.7 million*), representing a gross profit margin of 21.9% (*30 June 2022: 23.5%*). The decrease in gross profit margin was primarily contributed by the change of product mix of which the products are of lower profit margin.

Gross profit for e-cigarettes products for the six months ended 30 June 2023 was approximately HK\$10.1 million (*30 June 2022: HK\$57.4 million*), representing a gross profit margin of 12.3% (*30 June 2022: 18.8%*). During the period, sales volume decreased. The fixed overhead per unit sold is thus higher and lowered the gross profit margin. In addition, there was a 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 2023 was approximately HK\$19,000 (*30 June 2022: HK\$195,000*), representing a gross profit margin of 4.8% (*30 June 2022: 5.7%*).

### **Other Income**

Other income for the six months ended 30 June 2023 were approximately HK\$3.8 million, which was similar to that for the six months ended 30 June 2022 of approximately HK\$4.2 million.

### **Selling and Distribution Costs**

Selling and distribution costs for the six months ended 30 June 2023 were approximately HK\$2.4 million, representing a decrease of approximately HK\$0.7 million or approximately 22.6% from that for the same period in 2022 of HK\$3.1 million. The decrease was primarily due to the decrease in sales volume during the period.

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

Administrative and other operating expenses for the six months ended 30 June 2023 were approximately HK\$55.0 million, representing a decrease of approximately HK\$4.6 million, or approximately 7.7%, from approximately HK\$59.6 million for the same period in 2022. The decrease was mainly resulted from a decrease in headcount.

## **Finance Costs**

Finance costs for the six months ended 30 June 2023 were approximately HK\$3.1 million, which was similar to that for the six months ended 30 June 2022 of HK\$3.3 million.

## **Income Tax Expenses**

Income tax expenses for the six months ended 30 June 2023 were approximately HK\$1.6 million, representing a decrease of approximately HK\$5.4 million or approximately 77.1% from that for the same period in 2022 of HK\$7.0 million. Such decrease was attributable to the approval of the “High and New Technology Enterprises” status for the PRC subsidiary since late 2022, which enjoys a preferential tax rate of 15%.

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

As a result of the foregoing, profit for the six months ended 30 June 2023 was approximately HK\$20.6 million, representing a decrease of approximately HK\$28.0 million, or approximately 57.6%, from approximately HK\$48.6 million for the same period in 2022.

## **FUTURE PLAN AND PROSPECTS**

Due to the rise in interest rate, complicated geopolitical crises and the increasing concerns about the global banking system, the risk of a downturn in the global economy is rising. Apart from this, the consumption confidence of consumers shows signs of uncertainty. In view of this challenging business environment, we will continue our effort in prospecting new customers who are sourcing for high quality e-cigarettes and plastic products. In addition, the Group will continue to expand our products range for all segments and provide high quality products at a lower cost. We believe this is the only sustainable way for competitiveness and success.

## **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 2023, the Group had cash and cash equivalents of approximately HK\$160.9 million (*31 December 2022: HK\$128.4 million*). Interest-bearing borrowings as at 30 June 2023 amounted to HK\$112.7 million (*31 December 2022: HK\$128.8 million*) with weighted average effective interest rate of approximately 4.59% per annum (*31 December 2022: 4.19% per annum*). The Group’s gearing ratio as at 30 June 2023, calculated based on the total borrowings to the equity attributable to owners of the Company, was 16.4% (*31 December 2022: 18.9%*).

## **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. During the six months ended 30 June 2023, 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 2023, the Group has made no material acquisitions or disposals of subsidiaries and associated companies.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group did not have any significant contingent liabilities.

## **CHARGE ON GROUP ASSETS**

As at 30 June 2023, certain buildings, machineries and equipment and right-of-use assets in respect of the prepaid land lease payments with aggregate net carrying amount of approximately HK\$399.2 million (*31 December 2022: HK\$431.1 million*) and key management insurance contracts with fair value of approximately HK\$32.3 million (*31 December 2022: HK\$31.6 million*) were pledged as security for bank facilities.

## **SUBSEQUENT EVENT**

No material events occurred subsequent to 30 June 2023 which may have a significant effect on the assets and liabilities or future operations of the Group.

## **EMPLOYEE AND REMUNERATION POLICY**

The Group has 1,069 employees as at 30 June 2023. 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 2023, the Company has the following share options granted to the eligible participants under the Option Scheme:

Grantees	Date of grant	Exercise price (HK\$)	Outstanding as at 1 January 2023	Options forfeited during the period	Options outstanding as at 30 June 2023	Exercisable as at 30 June 2023
<b>Directors, chief executives and substantial shareholder</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
<b>Employees and senior management</b>	13 May 2020	0.355	17,850,000	—	17,850,000	17,850,000
<b>Service providers</b>	13 May 2020	0.355	3,920,000	—	3,920,000	3,920,000
			35,790,000	—	35,790,000	35,790,000
			35,790,000	—	35,790,000	35,790,000

## SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2023, 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 2023.

## 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 2023, 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 2023, 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 2023. 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 2023.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (*30 June 2022: Nil*).

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

This interim results announcement of the Group for the six months ended 30 June 2023 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 2023, 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, 28 August 2023

*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.*