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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 2021**

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 2021, together with the comparative figures for the corresponding period in 2020, as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*Six months ended 30 June 2021*

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>471,334</b>	293,306
Cost of goods sold		<b>(367,976)</b>	(224,591)
<b>Gross profit</b>		<b>103,358</b>	68,715
Other income	4	<b>2,917</b>	2,385
Other gains and losses, net	5	<b>1,667</b>	(1,049)
Reversal of impairment losses recognised on trade receivables		<b>298</b>	–
Selling and distribution costs		<b>(3,529)</b>	(5,162)
Administrative and other operating expenses		<b>(54,908)</b>	(54,866)
Finance costs	6	<b>(4,273)</b>	(4,455)
<b>Profit before tax</b>	6	<b>45,530</b>	5,568
Income tax expenses	7	<b>(6,333)</b>	(12)
<b>Profit for the period, attributable to equity holders of the Company</b>		<b>39,197</b>	5,556
<b>Earnings per share attributable to equity holders of the Company</b>		<b>HK cents</b>	HK cents
Basic	9	<b>6.32</b>	0.90
Diluted	9	<b>6.28</b>	0.90

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>39,197</b>	5,556
<b>Other comprehensive income (loss):</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of foreign operations	<u>6,989</u>	<u>(11,496)</u>
<b>Total comprehensive income (loss) for the period, attributable to equity holders of the Company</b>	<b><u>46,186</u></b>	<b><u>(5,940)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		759,728	720,736
Financial assets at fair value through profit or loss	10	30,103	29,586
Finance lease receivables	11	2,829	4,042
Rental deposits		229	229
Deferred tax assets		1,884	1,256
		<u>794,773</u>	<u>755,849</u>
<b>Current assets</b>			
Finance lease receivables	11	2,425	2,425
Inventories		116,700	99,187
Trade and other receivables	12	216,642	188,828
Income tax recoverable		–	35
Bank balances and cash		63,897	116,966
		<u>399,664</u>	<u>407,441</u>
<b>Current liabilities</b>			
Trade and other payables	13	222,977	202,302
Income tax payables		3,574	17,989
Payables for construction in progress	14	39,059	24,609
Interest-bearing borrowings	15	182,491	193,259
Deferred income		1,512	1,064
Lease liabilities		14,175	16,891
		<u>463,788</u>	<u>456,114</u>
<b>Net current liabilities</b>		<u>(64,124)</u>	<u>(48,673)</u>
<b>Total assets less current liabilities</b>		<u>730,649</u>	<u>707,176</u>
<b>Non-current liabilities</b>			
Payables for construction in progress	14	–	1,992
Interest-bearing borrowings	15	27,959	36,739
Deferred income		12,641	9,222
Lease liabilities		4,575	10,534
Deferred tax liabilities		9,857	10,461
		<u>55,032</u>	<u>68,948</u>
<b>NET ASSETS</b>		<u>675,617</u>	<u>638,228</u>
<b>Capital and reserves</b>			
Share capital		62,000	62,000
Reserves		613,617	576,228
<b>TOTAL EQUITY</b>		<u>675,617</u>	<u>638,228</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*Six months ended 30 June 2021*

## 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 2021 (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 2020, 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 2020 (the “2020 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.

At 30 June 2021, the current liabilities of the Group exceeded its current assets by approximately HK\$64,124,000 (*31 December 2020: HK\$48,673,000*).

At 30 June 2021, the Group had unutilised banking facilities of approximately HK\$182,472,000 (*31 December 2020: HK\$209,568,000*).

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 Interim 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 Interim Financial Statements.

The accounting policies and methods of computation applied in the preparation of these Interim Financial Statements are consistent with those applied in preparing the 2020 Financial Statements, except for the adoption of the new/revised HKFRSs that are effective from the current period as set out below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7,  
HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions

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; and
- 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 and reversal of impairment losses recognised on trade receivables incurred by each segment without allocation of other income, other gains and losses, net, administrative and other operating expenses, finance costs and income tax expenses. This is the information reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

	<b>E-cigarettes products (unaudited) HK\$'000</b>	<b>Integrated plastic solutions (unaudited) HK\$'000</b>	<b>Medical consumable products (unaudited) HK\$'000</b>	<b>Total (unaudited) HK\$'000</b>
<b>Six months ended 30 June 2021 (unaudited)</b>				
Segment revenue	<u>280,339</u>	<u>189,805</u>	<u>1,190</u>	<u>471,334</u>
Gross profit	<u>56,617</u>	<u>46,677</u>	<u>64</u>	<u>103,358</u>
Reversal of impairment losses recognised on trade receivables	<u>-</u>	<u>298</u>	<u>-</u>	<u>298</u>
Selling and distribution costs	<u>-</u>	<u>(3,529)</u>	<u>-</u>	<u>(3,529)</u>
Segment results	<u>56,617</u>	<u>43,446</u>	<u>64</u>	<u>100,127</u>
<i>Unallocated income and expenses</i>				
Other income				2,917
Other gains and losses, net				1,667
Administrative and other operating expenses				(54,908)
Finance costs				(4,273)
Profit before tax				<u>45,530</u>
Income tax expenses				<u>(6,333)</u>
Profit for the period				<u>39,197</u>
<b>Six months ended 30 June 2020 (unaudited)</b>				
Segment revenue	<u>172,422</u>	<u>116,147</u>	<u>4,737</u>	<u>293,306</u>
Gross profit	<u>40,366</u>	<u>26,330</u>	<u>2,019</u>	<u>68,715</u>
Selling and distribution costs	<u>-</u>	<u>(3,648)</u>	<u>(1,514)</u>	<u>(5,162)</u>
Segment results	<u>40,366</u>	<u>22,682</u>	<u>505</u>	<u>63,553</u>
<i>Unallocated income and expenses</i>				
Other income				2,385
Other gains and losses, net				(1,049)
Administrative and other operating expenses				(54,866)
Finance costs				(4,455)
Profit before tax				<u>5,568</u>
Income tax expenses				<u>(12)</u>
Profit for the period				<u>5,556</u>

## 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 2021 (unaudited)</b>					
<b>Assets</b>					
Reportable segment assets	133,532	483,925	35,559	541,421	1,194,437
<b>Liabilities</b>					
Reportable segment liabilities	112,981	59,738	–	346,101	518,820
<b>Other information</b>					
Capital expenditure	190	1,411	–	55,006	56,607
Depreciation	2,007	19,357	1,101	3,488	25,953
Property, plant and equipment written off	–	377	–	–	377
Loss on disposal of property, plant and equipment	–	12	–	–	12
Inventories written off	–	1,831	–	–	1,831
Research and development expenses	7,252	4,910	–	–	12,162
<b>At 31 December 2020 (audited)</b>					
<b>Assets</b>					
Reportable segment assets	114,780	478,984	36,225	533,301	1,163,290
<b>Liabilities</b>					
Reportable segment liabilities	102,726	34,812	126	387,398	525,062
<b>Other information</b>					
Capital expenditure	7,791	40,595	23,863	43,931	116,180
Depreciation	3,623	36,872	1,166	5,450	47,111
Gain on transfer of property, plant and equipment to finance lease receivables	402	–	–	–	402
Property, plant and equipment written off	10	255	–	(100)	165
Inventories written off	–	1,152	–	–	1,152
Research and development expenses	11,530	7,457	1,567	–	20,554

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 and bills 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 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Hong Kong	2,651	4,256
The PRC	757,077	716,480
	<u>759,728</u>	<u>720,736</u>

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

	Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
<b>Revenue from external customers</b>		
The United States of America	60,945	68,070
The PRC	102,457	70,271
The United Kingdom	7,806	17,164
Hong Kong	22,175	10,688
The Netherlands	245,076	123,674
Japan	9,094	–
Germany	20,436	11
Others	3,345	3,428
	<u>471,334</u>	<u>293,306</u>

### Information about major customers

Details of the entities individually accounting for 10% or more of aggregate revenue of the Group during the six months ended 30 June 2021 and 2020 are as follows:

	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 2021</b>				
Customer A and its affiliated companies	280,339	149	–	280,488
Customer B and its affiliated companies	–	56,371	–	56,371
Customer C and its affiliated companies	–	50,482	–	50,482
	<u>280,339</u>	<u>107,002</u>	<u>–</u>	<u>387,341</u>
<b>Six months ended 30 June 2020</b>				
Customer A and its affiliated companies	172,422	3,499	–	175,921
Customer B and its affiliated companies	–	39,650	–	39,650
	<u>172,422</u>	<u>43,149</u>	<u>–</u>	<u>215,571</u>

### 3. REVENUE

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers within HKFRS 15</b>		
Sales of e-cigarettes products	280,339	172,422
Sales of moulds and plastic products	189,805	116,147
Sales of medical consumable products	1,190	4,737
	<u>471,334</u>	<u>293,306</u>

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

### 4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank interest income	320	185
Finance lease interest income	152	–
Government grants ( <i>Note</i> )	617	254
Rental and utilities recharge income	192	405
Sales of scrap materials	992	689
Sundry income	644	852
	<u>2,917</u>	<u>2,385</u>

*Note:* Included in the amount is the amortisation of government grant of HK\$617,000 (*six months ended 30 June 2020: HK\$75,000*) in relation to the acquisition of property, plant and equipment.

### 5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Exchange gain (loss), net	1,539	(1,470)
Fair value gain on financial assets at FVPL	517	421
Property, plant and equipment written off	(377)	–
Loss on disposal of property, plant and equipment	(12)	–
	<u>1,667</u>	<u>(1,049)</u>

## 6. PROFIT BEFORE TAX

This is stated after charging:

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Finance costs</b>		
Interest on interest-bearing borrowings	3,816	3,272
Interest on payables for construction in progress	218	389
Interest on lease liabilities	239	794
	<u>4,273</u>	<u>4,455</u>
<b>Staff costs, including directors' emoluments</b>		
Employee benefits expenses	73,795	48,085
Contributions to defined contribution retirement schemes	4,674	2,354
Share-based payment expenses	436	1,179
	<u>78,905</u>	<u>51,618</u>
<b>Other items</b>		
Cost of inventories	367,976	224,591
Depreciation (charged to "cost of goods sold" and "administrative and other operating expenses", as appropriate)	25,953	22,301
Inventories written off (charged to "cost of goods sold")	1,831	–
Share-based payment expenses to eligible participants other than employees	67	198
Research and development expenses	12,162	9,167
	<u>367,976</u>	<u>224,591</u>

## 7. TAXATION

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax		
Current year	4,431	2,362
PRC Enterprise Income Tax		
Current year	3,352	–
	<u>7,783</u>	<u>2,362</u>
<b>Deferred tax</b>		
Changes in temporary differences	(1,335)	(988)
Benefit of tax losses recognised	(115)	(1,362)
	<u>(1,450)</u>	<u>(2,350)</u>
Total income tax expenses	<u>6,333</u>	<u>12</u>

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

For the six months ended 30 June 2021 and 2020, 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 16.5% of their respective estimated assessable profits for the six months ended 30 June 2021 and 2020.

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 six months ended 30 June 2021 and 2020.

The State Taxation Administration of the PRC announced that enterprises engaging in research and development activities would be entitled to claim at maximum 200% of their research and development expenses as Super Deduction (*six months ended 30 June 2020: 175%*). The directors of the Group consider the eligibility of the PRC subsidiaries and recognise the additional tax deduction for the six months ended 30 June 2021 and 2020.

## 8. DIVIDENDS

As approved by the shareholders' meeting held on 28 May 2021, the Company determined to pay a cash dividend for the year ended 31 December 2020 of HK1.5 cents for every ordinary share amounting to approximately HK\$9,300,000 (*31 December 2019: HK\$9,300,000*) out of accumulated profits of the Company. The 2020 dividend had been distributed to the Company's shareholders on 28 June 2021.

The Board of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2021 (*six months ended 30 June 2020: Nil*).

## 9. EARNINGS PER SHARE

### Basic

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

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>(unaudited)</b> <b>HK\$'000</b>	<b>2020</b> <b>(unaudited)</b> <b>HK\$'000</b>
Profit for the period attributable to equity holders of the Company	<u>39,197</u>	<u>5,556</u>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>620,000</b>	620,000
Basic earnings per share (HK cents)	<u><b>6.32</b></u>	<u>0.90</u>

### Diluted

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

On 13 May 2020, the Company granted 37,840,000 share options to eligible participants resulting in dilutive potential ordinary shares. At 30 June 2021, all share options are vested and exercisable.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit for the period attributable to equity holders of the Company	<b>39,197</b>	5,556
	<b>'000</b>	'000
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 ( <i>Note</i> )	<b>4,259</b>	110
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>624,259</b>	620,110
Diluted earnings per share (HK cents)	<b>6.28</b>	0.90

*Note:* For the six months ended 30 June 2021, the computation of diluted earnings per share assumed the exercise of the first and second tranche of share options (*six months ended 30 June 2020: first tranche of share options*) granted by the Company because the exercise price of those share options was lower than the average market price of the Company's shares.

#### 10. FINANCIAL ASSETS AT FVPL

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
<b>At fair value</b>		
Unlisted investments - key management insurance contracts ( <i>Note</i> )	<b>30,103</b>	29,586

*Note:* The fair value of the key management insurance contracts is determined by reference to the respective surrender cash value of each insurance contract at the end of the reporting period, which is primarily based on the performance of the underlying investment portfolio together with the guaranteed minimum returns, ranging from 2% to 3.9% per annum (*31 December 2020: ranging from 2% to 3.9% per annum*).

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

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
At the beginning of the reporting period	<b>29,586</b>	28,419
Additions	–	732
Fair value changes recognised in profit or loss	<b>517</b>	435
At the end of the reporting period	<b>30,103</b>	29,586

The key management insurance contracts are pledged as collateral for the Group's interest-bearing borrowings amounting to approximately HK\$17,524,000 (*31 December 2020: HK\$15,848,000*).

## 11. FINANCE LEASE RECEIVABLES

The finance lease receivables are set out below:

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Finance lease receivables comprise:				
Within one year	2,730	2,730	2,425	2,425
In the second year	2,730	2,730	2,425	2,425
In the third year	455	1,820	404	1,617
Gross investment in the lease	5,915	7,280	5,254	6,467
Less: unearned finance income	(661)	(813)	–	–
Present value of minimum lease payment receivables	<u>5,254</u>	<u>6,467</u>	<u>5,254</u>	<u>6,467</u>
Analysed as:				
Current	2,425	2,425	2,425	2,425
Non-current	2,829	4,042	2,829	4,042
	<u>5,254</u>	<u>6,467</u>	<u>5,254</u>	<u>6,467</u>

Interest rates implicit in the above finance lease is 4.03% per annum (31 December 2020: 4.03%). Finance lease receivables are denominated in United State Dollar.

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

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

## 12. TRADE AND OTHER RECEIVABLES

	Notes	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
<b>Trade receivables</b>			
From third parties		170,378	151,227
Loss allowance		(5,633)	(5,893)
	12(a)	<u>164,745</u>	<u>145,334</u>
<b>Bills receivables</b>	12(b)	<u>3,492</u>	<u>2,502</u>
<b>Other receivables</b>			
Deposits		68	146
Prepayment for insurance		3,025	3,058
Prepayment for utilities		7,152	7,666
Other receivables		1,361	1,954
Value-added tax receivables		35,571	26,907
Prepaid expenses and other deposits		1,228	1,261
		<u>48,405</u>	<u>40,992</u>
		<u>216,642</u>	<u>188,828</u>

## 12(a) Trade receivables from third parties

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\$5,633,000 as at 30 June 2021 (31 December 2020: HK\$5,893,000).

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

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

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Within 30 days	149,124	119,363
31 to 60 days	10,643	10,063
61 to 90 days	1,097	7,379
91 to 180 days	3,820	8,330
Over 180 days	61	199
	<u>164,745</u>	<u>145,334</u>

At 30 June 2021, amount of approximately HK\$4,605,000 (31 December 2020: HK\$2,680,000) included in the trade receivables were in connection with factoring arrangements.

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

## 12(b) Bills receivables

The bills receivables are denominated in Renminbi, interest-free, guaranteed by banks in the PRC and have maturities of less than six months from the end of each reporting period.

## 13. TRADE AND OTHER PAYABLES

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
<b>Trade payables</b>		
To third parties (Note)	<u>165,289</u>	<u>130,062</u>
<b>Other payables</b>		
Contract liabilities	7,430	7,602
Salaries and bonus payable	22,257	39,765
Accruals and other creditors	28,001	24,873
	<u>57,688</u>	<u>72,240</u>
	<u>222,977</u>	<u>202,302</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 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Within 30 days	95,542	65,611
31 to 60 days	43,949	51,851
61 to 90 days	11,018	6,652
Over 90 days	14,780	5,948
	<u>165,289</u>	<u>130,062</u>

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

#### 14. PAYABLES FOR CONSTRUCTION IN PROGRESS

Payables for construction in progress represent the amounts payable to the constructors in respect of the construction of the production plants located in the PRC which the payment terms are unsecured, interest-free and repayable from one to four years since its inception. The amounts represent the present value of the invoiced amounts at effective interest rate of 4.75% at the end of the reporting period (31 December 2020: 4.75%).

#### 15. INTEREST-BEARING BORROWINGS

The secured bank borrowings from banks are repayable within seven years since its inception. At 30 June 2021, the secured bank borrowings carried weighted average effective interest rate of approximately 3.02% (31 December 2020: 3.34%) per annum.

At 30 June 2021, the interest-bearing borrowings are secured by:

- (i) buildings and certain right-of-use assets in respect of the prepaid land lease payments with aggregate net carrying amount of approximately HK\$277,516,000 (31 December 2020: HK\$277,297,000);
- (ii) key management insurance contracts with fair value of approximately HK\$30,103,000 (31 December 2020: HK\$29,586,000);
- (iii) trade receivables in connection with factoring arrangement of approximately HK\$4,605,000 (31 December 2020: HK\$2,680,000);
- (iv) certain machinery and equipment with aggregate net carrying amount of approximately HK\$64,277,000 (31 December 2020: HK\$67,337,000); and
- (v) corporate guarantees issued by the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group operates its business through three segments, namely integrated plastic solutions segment, electronic cigarette (the “**e-cigarettes**”) products segment and medical consumable products segment. The integrated plastic solutions segment engages in mould design and fabrication services as well as plastic component design and manufacturing services. The e-cigarettes products segment engages in the manufacturing and sales of e-cigarettes products under the brand names owned by a well-known tobacco group. 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.**”).

The global outbreak of novel coronavirus (“**COVID-19**”) pandemic brought challenges to the business environment during 2020, especially to the first half of 2020. During the first half of 2021, the COVID-19 pandemic was gradually brought under control and the business environment improved during the period. Hence, market demand for many consumer products rebounded and the Group recorded a growth in both revenue and profit after tax. The growth was contributed by the increase in sales of e-cigarette products and integrated plastic solutions.

During the six months ended 30 June 2021, the Group’s total revenue amounted to approximately HK\$471.3 million, representing an increase of approximately 60.7% compared to the same period last year (30 June 2020: HK\$293.3 million). The Group recorded a gross profit of approximately HK\$103.4 million (30 June 2020: HK\$68.7 million) with a gross profit margin of approximately 21.9% (30 June 2020: 23.4%).

The Group recorded a profit for the six months ended 30 June 2021 attributable to equity holders of the Company of approximately HK\$39.2 million (30 June 2020: HK\$5.6 million). Basic earnings per share attributable to equity holders of the Company were approximately 6.32 HK cents (30 June 2020: 0.90 HK cents).

### BUSINESS SEGMENT ANALYSIS

#### Integrated Plastic Solutions

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

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

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

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

## **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 People’s Republic of China (the “**PRC**”).

The procedure face masks have been tested and proved to be meeting up to the standard of ASTM F2100 Level 3 in the U.S. and the standard of EN14683 Type IIR in Europe. Apart from the procedure face masks, the Group also developed face masks with higher level of protection, such as particulate face masks – KN95 and FFP2. The particulate face masks – KN95, has passed the requirements of GB2626-2016 standard in the PRC and NIOSH N95 – Pre-Certification Test issued by the ICS Laboratories 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 respirator device, and certified with CE Mark (through Notified Body #0598) granted by the SGS.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the six months ended 30 June 2021 was approximately HK\$471.3 million, representing an increase of approximately HK\$178.0 million, or approximately 60.7%, from approximately HK\$293.3 million for the same period in 2020.

The integrated plastic solutions segment revenue for the six months ended 30 June 2021 was approximately HK\$189.8 million, accounting for approximately 40.3% of our total revenue and representing an increase of approximately HK\$73.7 million, or approximately 63.5%, from segment revenue of approximately HK\$116.1 million for the same period in 2020. This was primarily because the global economy has been recovering gradually and sales to the Group’s major customers increased during the period.

The e-cigarettes products segment revenue for the six months ended 30 June 2021 was approximately HK\$280.3 million, accounting for approximately 59.5% of our total revenue and representing an increase of approximately HK\$107.9 million, or approximately 62.6%, from segment revenue of approximately HK\$172.4 million for the same period in 2020. This increase was primarily contributed by the increase in orders for e-cigarettes products during the period.

The medical consumable products segment revenue for the six months ended 30 June 2021 was approximately HK\$1.2 million, accounting for approximately 0.2% of our total revenue and representing a decrease of approximately HK\$3.5 million, or approximately 74.5%, from segment revenue of approximately HK\$4.7 million for the same period in 2020. This decrease was resulted from the growing number of new competitors in the disposable face masks market, which adversely affected the unit price sold and market penetration of our products.

### **Gross Profit**

Gross profit for the six months ended 30 June 2021 was approximately HK\$103.4 million (*30 June 2020: HK\$68.7 million*), representing a gross profit margin of 21.9% (*30 June 2020: 23.4%*).

Gross profit for integrated plastic solutions for the six months ended 30 June 2021 was approximately HK\$46.7 million (*30 June 2020: HK\$26.3 million*), representing a gross profit margin of 24.6% (*30 June 2020: 22.7%*). The increase in gross profit margin was primarily contributed by the change of product mix of which the products are of higher profit margin.

Gross profit for e-cigarettes products for the six months ended 30 June 2021 was approximately HK\$56.6 million (*30 June 2020: HK\$40.4 million*), representing a gross profit margin of 20.2% (*30 June 2020: 23.4%*). This decrease was primarily due to the decrease in unit price sold.

Gross profit for medical consumable products for the six months ended 30 June 2021 was approximately HK\$64,000 (*30 June 2020: HK\$2.0 million*), representing a gross profit margin of 5.3% (*30 June 2020: 42.6%*). Under the keen competition of the disposable face masks market, the unit price sold and sales volume decreased during the period. The production fixed overhead per unit sold is thus higher and lowered the gross profit margin. In addition, for the sake of a reliable level of protection, the Group insists on producing high quality disposable face masks with high unit cost.

### **Other Income**

Other income for the six months ended 30 June 2021 was approximately HK\$2.9 million, representing an increase of approximately HK\$0.5 million, or approximately 20.8%, from approximately HK\$2.4 million for the same period in 2020. The increase was primarily due to an increase of government grant received during the period.

## **Selling and Distribution Costs**

Selling and distribution costs for the six months ended 30 June 2021 were approximately HK\$3.5 million, representing a decrease of approximately HK\$1.7 million or approximately 32.7% from that for the same period in 2020 of HK\$5.2 million. The decrease was primarily due to the decrease in transportation costs of medical consumable products during the period.

## **Administrative and Other Operating Expenses**

Administrative and other operating expenses for the six months ended 30 June 2021 were approximately HK\$54.9 million, which was similar to that for the six months ended 30 June 2020 of HK\$54.9 million.

## **Finance Costs**

Finance costs for the six months ended 30 June 2021 were approximately HK\$4.3 million, which was similar to that for the six months ended 30 June 2020 of HK\$4.5 million.

## **Income Tax Expenses**

Income tax expenses for the six months ended 30 June 2021 were approximately HK\$6.3 million, representing an increase of approximately HK\$6.3 million or approximately 52,400% from that for the same period in 2020 of HK\$12,000. Such increase was primarily due to a significant increase in profit before tax.

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

As a result of the foregoing, profit for the six months ended 30 June 2021 was approximately HK\$39.2 million, representing an increase of approximately HK\$33.6 million, or approximately 600%, from approximately HK\$5.6 million for the same period in 2020.

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

As the COVID-19 pandemic was under better control during the first half of 2021, our business has been recovering gradually. The Group will keep paying close attention to the development of the COVID-19 pandemic and evaluate its impact on the Group's financial position and operating results in order to make timely response and adjustments on our business strategies as appropriate going forward.

## **FUTURE PLAN AND PROSPECTS**

In spite of the temporary relief of the COVID-19 pandemic during the first half of 2021, it still casts doubt on the business environment in the near future and the demand for the Group's products may be affected if the COVID-19 pandemic rebounds. In view of the uncertainty in the global economy and business environment of the Group, the Group plans different measures including (but not limited to) leasing out the new factory premises, which is expected to be completed in August 2021, to independent third party.

Amidst the uncertainties of the COVID-19 pandemic, the Group will stay competitive in the market by diversifying our product portfolio through research and development and enhancing product quality.

## **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 2021, the Group had bank balances and cash of approximately HK\$63.9 million (*31 December 2020: HK\$117.0 million*). Interest-bearing borrowings as at 30 June 2021 amounted to HK\$210.5 million (*31 December 2020: HK\$230.0 million*) with weighted average effective interest rate of approximately 3.02% per annum (*31 December 2020: 3.34% per annum*). The Group's gearing ratio as at 30 June 2021, calculated based on the total borrowings to the equity attributable to owners of the Company, was 39.7% (*31 December 2020: 44.5%*). The Group recorded net current liabilities of approximately HK\$64.1 million as at 30 June 2021, which increased by approximately HK\$15.4 million as compared with that of approximately HK\$48.7 million as at 31 December 2020 due to the construction of new factory premises during the period.

## **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 2021, 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 six months ended 30 June 2021, the Group has made no material acquisitions or disposals of subsidiaries and associated companies.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group did not have any significant contingent liabilities.

## **CHARGE ON GROUP ASSETS**

As at 30 June 2021, buildings and right-of-use assets in respect of the prepaid land lease payments with aggregate net carrying amount of approximately HK\$277,516,000 (*31 December 2020: HK\$277,297,000*), key management insurance contracts with fair value of approximately HK\$30,103,000 (*31 December 2020: HK\$29,586,000*), trade receivables in connection with factoring arrangement of approximately HK\$4,605,000 (*31 December 2020: HK\$2,680,000*) and certain machinery and equipment with aggregate net carrying amount of approximately HK\$64,277,000 (*31 December 2020: HK\$67,337,000*) were pledged as security for bank facilities.

## **SUBSEQUENT EVENT**

No material events occurred subsequent to 30 June 2021 which may have a significant effect on the assets and liabilities or future operations of the Group.

## EMPLOYEE AND REMUNERATION POLICY

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

## SHARE OPTION SCHEME

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

For the six months ended 30 June 2021, the Company has the following share options granted to the eligible participants under the Option Scheme:

Grantees	Date of grant	Exercise price (HK\$)	Options outstanding at 1 January 2021	Options granted during the period	Options exercised during the period	Options cancelled/ lapsed/ forfeited during the period	Options outstanding at 30 June 2021	Exercisable at 30 June 2021
<b>Directors, chief executives and substantial shareholders</b>								
Chan Tsan Lam	13 May 2020	0.355	620,000	–	–	–	620,000	620,000
Chan Yin Yan	13 May 2020	0.355	6,200,000	–	–	–	6,200,000	6,200,000
Poon Po Han Lisa	13 May 2020	0.355	6,200,000	–	–	–	6,200,000	6,200,000
Hung Chun Leung	13 May 2020	0.355	500,000	–	–	–	500,000	500,000
Chan Bing Kai	13 May 2020	0.355	500,000	–	–	–	500,000	500,000
Cheng Chak	13 May 2020	0.355	620,000	–	–	–	620,000	620,000
<b>Employees and senior management</b>	13 May 2020	0.355	19,900,000	–	–	(300,000)	19,600,000	19,600,000
<b>Others</b>	13 May 2020	0.355	3,300,000	–	–	–	3,300,000	3,300,000
			<u>37,840,000</u>	<u>–</u>	<u>–</u>	<u>(300,000)</u>	<u>37,540,000</u>	<u>37,540,000</u>

## **SIGNIFICANT INVESTMENTS HELD**

During the six months ended 30 June 2021, the Group did not hold any significant investment in equity interest in any other company.

## **FUTURE PLANS 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 have not purchased, redeemed or sold any of its listed securities during the six months ended 30 June 2021.

## **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 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 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 2021, 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 2021, the accounting principles and practices adopted.

## **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 2021. 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 2021.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (*30 June 2020: Nil*).

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

This interim results announcement of the Group for the six months ended 30 June 2021 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 2021, 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, 26 August 2021

*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.*