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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)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Tian Chang Group Holdings Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

**CONSOLIDATED INCOME STATEMENT**

*Year ended 31 December 2023*

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	4	697,514	1,143,941
Cost of goods sold		(561,600)	(883,868)
<b>Gross profit</b>		<b>135,914</b>	260,073
Other income	5	16,082	7,923
Other losses, net	6	(1,825)	(7,669)
Reversal of loss allowance on trade receivables		570	216
Selling and distribution costs		(4,604)	(5,795)
Administrative and other operating expenses		(114,780)	(130,714)
Finance costs	7	(5,436)	(7,208)
<b>Profit before tax</b>	7	<b>25,921</b>	116,826
Income tax expenses	8	(2,464)	(10,881)
<b>Profit for the year attributable to equity holders of the Company</b>		<b>23,457</b>	105,945
<b>Earnings per share attributable to equity holders of the Company (expressed in Hong Kong cents)</b>			
Basic	10	3.78	17.09
Diluted	10	3.75	16.99

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the year</b>	<b>23,457</b>	105,945
<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>(10,019)</u>	<u>(66,607)</u>
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>	<u><b>13,438</b></u>	<u>39,338</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>612,489</b>	664,999
Financial assets at fair value through profit or loss (“FVPL”)		<b>32,626</b>	31,633
Rental deposits		<b>309</b>	393
Deferred tax assets		<b>1,829</b>	3,999
		<u><b>647,253</b></u>	<u>701,024</u>
<b>Current assets</b>			
Inventories		<b>78,213</b>	128,542
Finance lease receivables		—	1,617
Trade and other receivables	<i>11</i>	<b>113,301</b>	237,368
Income tax recoverable		<b>3,024</b>	542
Restricted bank balances		—	7,152
Cash and cash equivalents		<b>132,590</b>	128,368
		<u><b>327,128</b></u>	<u>503,589</u>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>104,728</b>	252,383
Payables for construction in progress		<b>906</b>	9,020
Interest-bearing borrowings	<i>13</i>	<b>61,939</b>	121,491
Deferred income		<b>1,480</b>	1,455
Lease liabilities	<i>14</i>	<b>2,393</b>	2,027
Income tax payables		<b>2,240</b>	4,855
		<u><b>173,686</b></u>	<u>391,231</u>
<b>Net current assets</b>		<u><b>153,442</b></u>	<u>112,358</u>
<b>Total assets less current liabilities</b>		<u><b>800,695</b></u>	<u>813,382</u>
<b>Non-current liabilities</b>			
Payables for construction in progress		<b>2,190</b>	6,238
Interest-bearing borrowings	<i>13</i>	—	7,322
Deferred income		<b>8,594</b>	10,021
Lease liabilities	<i>14</i>	<b>1,425</b>	1,686
Deferred tax liabilities		<b>5,722</b>	6,389
		<u><b>17,931</b></u>	<u>31,656</u>
<b>NET ASSETS</b>		<u><b>782,764</b></u>	<u>781,726</u>
<b>Capital and reserves</b>			
Share capital		<b>62,000</b>	62,000
Reserves		<b>720,764</b>	719,726
<b>TOTAL EQUITY</b>		<u><b>782,764</b></u>	<u>781,726</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

## 1. GENERAL INFORMATION

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

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

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year as set out below.

### Adoption of new/revised HKFRSs

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

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

### Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

### **Amendments to HKAS 8: Definition of Accounting Estimates**

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

### **Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

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

### **Basis of measurement**

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for the financial assets at FVPL.

### **Future changes in HKFRSs**

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>[1]</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>[1]</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>[1]</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements <sup>[1]</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>[2]</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>[3]</sup>

<sup>[1]</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>[2]</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>[3]</sup> The effective date to be determined

The Directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidation financial statements.

## **3. SEGMENT INFORMATION**

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

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

- 1) E-cigarettes products segment: manufacturing and sales of e-cigarettes products.
- 2) Integrated plastic solutions segment: manufacturing and sales of moulds and plastic products.
- 3) Medical consumable products segment: manufacturing 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, reversal of loss allowance on trade receivables, write-off of property, plant and equipment, loss on disposal of property, plant and equipment and impairment losses on property, plant and equipment incurred by each segment without allocation of other income, other 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 HK\$'000</b>	<b>Integrated plastic solutions HK\$'000</b>	<b>Medical consumable products HK\$'000</b>	<b>Total HK\$'000</b>
<b><u>Year ended 31 December 2023</u></b>				
Segment revenue	<u>122,726</u>	<u>572,400</u>	<u>2,388</u>	<u>697,514</u>
Gross profit (loss)	<u>15,176</u>	<u>122,913</u>	<u>(2,175)</u>	<u>135,914</u>
Reversal of loss allowance on trade receivables	—	570	—	570
Write-off of property, plant and equipment	—	(191)	—	(191)
Loss on disposal of property, plant and equipment	—	(27)	—	(27)
Selling and distribution costs	—	(4,604)	—	(4,604)
Segment results	<u>15,176</u>	<u>118,661</u>	<u>(2,175)</u>	<u>131,662</u>
<i>Unallocated income and expenses</i>				
Other income				16,082
Other losses, net				(1,607)
Administrative and other operating expenses				(114,780)
Finance costs				(5,436)
Profit before tax				<u>25,921</u>
Income tax expenses				(2,464)
Profit for the year				<u>23,457</u>

	E-cigarettes products <i>HK\$'000</i>	Integrated plastic solutions <i>HK\$'000</i>	Medical consumable products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>Year ended 31 December 2022</u>				
Segment revenue	553,226	587,126	3,589	1,143,941
Gross profit	113,001	146,875	197	260,073
Reversal for loss allowance on trade receivables	—	216	—	216
Write-off of property, plant and equipment	—	(574)	—	(574)
Loss on disposal of property, plant and equipment	(413)	(6)	—	(419)
Selling and distribution costs	—	(5,774)	(21)	(5,795)
Segment results	112,588	140,737	176	253,501
<i>Unallocated income and expenses</i>				
Other income				7,923
Other losses, net				(6,676)
Administrative and other operating expenses				(130,714)
Finance costs				(7,208)
Profit before tax				116,826
Income tax expenses				(10,881)
Profit for the year				105,945

#### 4. REVENUE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<u>Revenue from contracts with customers within the scope of HKFRS 15</u>		
Sales of e-cigarettes products	122,726	553,226
Sales of moulds and plastic products	572,400	587,126
Sales of medical consumable products	2,388	3,589
	<b>697,514</b>	<b>1,143,941</b>

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

## 5. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	2,727	623
Finance lease interest income	206	305
Government grants ( <i>Note</i> )	1,761	2,509
Management service income	814	145
Rental and utilities recharge income	3,149	663
Sales of scrap materials	999	1,908
Sundry income	1,418	1,770
Gain from early termination of lease (as lessor)	5,008	—
	<u>16,082</u>	<u>7,923</u>

*Note:* Included in the amount is the amortisation of deferred government grant of approximately HK\$1,456,000 (2022: HK\$1,498,000) in relation to the acquisition of certain property, plant and equipment. In the opinion of the management of the Group, the remaining government grants recognised directly in profit or loss have no unfulfilled condition or contingency relating to the government grants.

## 6. OTHER LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exchange loss, net	(2,560)	(7,581)
Changes in fair value of financial assets at FVPL	953	905
Write-off of property, plant and equipment	(191)	(574)
Loss on disposal of property, plant and equipment	(27)	(419)
	<u>(1,825)</u>	<u>(7,669)</u>

## 7. PROFIT BEFORE TAX

This is stated after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Finance costs</b>		
Interest on interest-bearing borrowings	5,052	6,515
Interest on payables for construction in progress	205	557
Interest on lease liabilities	179	136
	<u>5,436</u>	<u>7,208</u>
<b>Staff costs, including directors' emoluments</b>		
Salaries, allowances and other benefits in kinds	136,628	163,721
Discretionary bonus	5,806	28,824
Contributions to defined contribution plans	9,410	13,434
	<u>151,844</u>	<u>205,979</u>
Total staff costs (charged to "cost of goods sold", "administrative and other operating expenses" and "inventories", as appropriate)	<u>151,844</u>	<u>205,979</u>
<b>Other items</b>		
Cost of inventories ( <i>Note</i> )	561,600	883,868
Auditors' remuneration	1,566	1,531
Depreciation (charged to "cost of goods sold" and "administrative and other operating expenses", as appropriate)	50,708	49,634
Write-down of inventories (charged to "cost of goods sold")	6,100	5,081
Short-term lease payments	—	526
Research and development expenses	29,491	32,957
	<u>29,491</u>	<u>32,957</u>

*Note:* During the year ended 31 December 2023, cost of inventories sold included approximate HK\$108,707,000 (2022: HK\$149,897,000) relating to the aggregate amount of certain staff costs, depreciation of property, plant and equipment, which were included in the respective amounts as disclosed above.

## 8. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current tax</b>		
Hong Kong Profits Tax		
Current year	102	4,530
Over provision in prior year	(657)	(55)
	<u>(555)</u>	<u>4,475</u>
PRC Enterprise Income Tax		
Current year	1,559	10,044
Over provision in prior year	(258)	(1,500)
	<u>1,301</u>	<u>8,544</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	598	2,185
Utilisation (Benefit) of tax losses recognised	1,120	(4,323)
	<u>1,718</u>	<u>(2,138)</u>
Total income tax expenses for the year	<u><u>2,464</u></u>	<u><u>10,881</u></u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax under these jurisdictions.

For the years ended 31 December 2023 and 2022, the assessable profits of a Hong Kong incorporated subsidiary of the Group (as elected by the management of the Group) is 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 “**standard tax rate**”). The Hong Kong Profits Tax of other Group’s entities which established in Hong Kong and Cayman Islands is calculated at the standard tax rate of 16.5% of their respective estimated assessable profits for the years ended 31 December 2023 and 2022.

The Group’s entities established in the PRC are subject to PRC Enterprise Income Tax (“**EIT**”) at a statutory rate of 25%, except for Huizhou Tian Chang Industrial Company Limited\* (惠州市天長實業有限公司), 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 years ended 31 December 2023 and 2022.

## 9. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend in respect of 2022 of HK2.0 cents per ordinary share (2021: HK2.0 cents)	<u>12,400</u>	<u>12,400</u>
Not recognised final dividend - Final dividend declared after the balance sheet date of HK1.5 cents per ordinary share (2022: HK2.0 cents) (Note)	<u>9,300</u>	<u>12,400</u>

*Note:* At a meeting held on 28 March 2024, the directors of the Company recommended the payment of a final dividend of HK1.5 cents (2022: HK2.0 cents) per ordinary share totalling HK\$9,300,000 (2022: HK\$12,400,000) for the year ended 31 December 2023. The proposed dividend for the year ended 31 December 2023 will be accounted for as an appropriation of reserves in the year ending 31 December 2024 if it is approved at the forthcoming annual general meeting. The proposed final dividend has not been recognised as dividend payables in the consolidated statement of financial position at 31 December 2023.

## 10. 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 years ended 31 December 2023 and 2022:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Earnings for the purpose of calculating basic and diluted earnings per share:</i>		
Profit for the year attributable to equity holders of the Company	<u>23,457</u>	<u>105,945</u>
	<i>'000</i>	<i>'000</i>
<i>Number of shares:</i>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	620,000	620,000
Effect of dilutive potential ordinary shares: – Share options of the Company	<u>6,184</u>	<u>3,459</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>626,184</u>	<u>623,459</u>
Basic earnings per share (HK cents)	<u>3.78</u>	<u>17.09</u>
Diluted earnings per share (HK cents)	<u>3.75</u>	<u>16.99</u>

*Note:* For the years ended 31 December 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.

## 11. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2023 <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Trade receivables</b>			
From third parties	<i>11(a)</i>	<b>107,788</b>	216,137
Loss allowance for expected credit losses		<b>(5,026)</b>	(5,626)
	<i>11(b)</i>	<b>102,762</b>	210,511
<b>Other receivables</b>			
Deposits		<b>432</b>	274
Prepayment for suppliers		<b>444</b>	3,017
Prepayment for insurance		<b>2,890</b>	2,948
Prepayment for utilities		<b>—</b>	3,522
Other receivables		<b>2,777</b>	2,188
Value-added tax recoverable		<b>2,704</b>	11,252
Prepaid expenses		<b>1,292</b>	3,656
		<b>10,539</b>	26,857
		<b>113,301</b>	237,368

### 11(a) Trade receivables from third parties

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

11(b) The ageing analysis of the trade receivables, net of loss allowance, by invoice date at the end of the reporting period is as follows:

	2023 <b>HK\$'000</b>	2022 <i>HK\$'000</i>
Within 30 days	<b>68,745</b>	119,001
31 to 60 days	<b>20,266</b>	53,494
61 to 90 days	<b>10,178</b>	28,377
Over 90 days	<b>3,573</b>	9,639
	<b>102,762</b>	210,511

## 12. TRADE AND OTHER PAYABLES

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Trade payables</b>			
To third parties	<i>12(a)</i>	<u><b>55,512</b></u>	<u>159,696</u>
<b>Other payables</b>			
Contract liabilities		<b>9,678</b>	18,101
Salaries and bonus payables		<b>17,962</b>	45,998
Accruals and other creditors		<u><b>21,576</b></u>	<u>28,588</u>
		<u><b>49,216</b></u>	<u>92,687</u>
		<u><b>104,728</b></u>	<u>252,383</u>

### 12(a) Trade payables

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

	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
Within 30 days	<b>19,723</b>	76,394
31 to 60 days	<b>23,403</b>	49,374
61 to 90 days	<b>7,925</b>	21,617
Over 90 days	<u><b>4,461</b></u>	<u>12,311</u>
	<u><b>55,512</b></u>	<u>159,696</u>

The normal credit term on trade payables is up to 90 days.

## 13. INTEREST-BEARING BORROWINGS

	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
Interest-bearing borrowings, secured	<u><b>61,939</b></u>	<u>128,813</u>

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
The carrying amounts of the interest-bearing borrowings that do not contain a repayable on demand clause are repayable:		
Within one year	222	12,011
In the second year	—	4,364
In the third to fifth year	—	2,958
	<u>222</u>	<u>19,333</u>
The carrying amounts of the interest-bearing borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	51,331	96,166
In the second year	8,436	7,622
In the third to fifth year	1,950	5,692
	<u>61,717</u>	<u>109,480</u>
	<b>61,939</b>	128,813
Less: Amounts due within one year shown under current liabilities	<u>(61,939)</u>	<u>(121,491)</u>
Amounts shown under non-current liabilities	<u>—</u>	<u>7,322</u>

The interest-bearing borrowings from banks and a financial institution are wholly repayable within five years since its inception. At 31 December 2023, the interest-bearing borrowings carried weighted average effective interest rate of approximately 3.91% (2022: 4.19%) per annum.

#### 14. LEASE LIABILITIES

	<b>Lease payments</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>Amounts payable:</b>		
Within one year	2,393	2,027
More than one year but within two years	903	1,587
More than two years but within five years	522	99
	<u>3,818</u>	<u>3,713</u>
Total lease liabilities	<b>3,818</b>	3,713
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(2,393)</u>	<u>(2,027)</u>
Amount shown under non-current liabilities	<u>1,425</u>	<u>1,686</u>

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discount rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

## 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 2023, the Group obtained the Authorised Economic Operator (“**AEO**”) Certificate issued by the China Customs.

During 2023, the macroeconomy and consumer confidence were inevitably affected by high inflation for necessities and high interest rates. It was an uneasy year for most of the businesses. Additionally, as disclosed in the Company’s public announcements dated 14 March 2022, 14 June 2023 and 12 January 2024, the exclusivity term between the major customer of e-cigarette products (“**Exclusivity**”) was removed. Therefore, the number of sales orders for e-cigarettes products was adversely affected. The Group recorded a decrease in both revenue and profit after tax during the year. Facing all these uncontrollable external factors and the volatility environment, throughout the year, the Group has integrated the team and invested in research and development projects to support the long-term development of the Group. A research and development centre was established in our Shenzhen office, primarily focusing on advancement of e-cigarette technology, including atomization technology, coils technology and other related technologies.

During the Year, the Group’s total revenue amounted to approximately HK\$697.5 million, representing a decrease of approximately 39.0% (2022: *HK\$1,143.9 million*). The Group recorded a gross profit of approximately HK\$135.9 million (2022: *HK\$260.1 million*) with a gross profit margin of approximately 19.5% (2022: 22.7%).

The Group recorded a profit for the Year attributable to equity holders of the Company of approximately HK\$23.5 million (2022: *HK\$105.9 million*). Basic earnings per share attributable to equity holders of the Company were approximately 3.78 HK cents (2022: *17.09 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, 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 license has been further extended 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. Apart from this, the Group also engages in the manufacturing and sales of medical devices products.

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 have attained 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 year ended 31 December 2023 was approximately HK\$697.5 million, representing a decrease of approximately HK\$446.4 million, or approximately 39.0%, from approximately HK\$1,143.9 million for the year ended 31 December 2022.

Revenue from the integrated plastic solutions segment for the year ended 31 December 2023 was approximately HK\$572.4 million, accounting for approximately 82.1% of our total revenue and representing a decrease of approximately HK\$14.7 million, or approximately 2.5%, from segment revenue of approximately HK\$587.1 million for the year ended 31 December 2022. This was primarily due to the decrease in orders from the Group's major customers during the year.

The e-cigarettes products segment revenue for the year ended 31 December 2023 was approximately HK\$122.7 million, accounting for approximately 17.6% of our total revenue and representing a decrease of approximately HK\$430.5 million, or approximately 77.8%, from segment revenue of approximately HK\$553.2 million for the year ended 31 December 2022. The decrease was resulted from the decrease in sales orders for e-cigarettes products following the removal of the Exclusivity.

The medical consumable products segment revenue for the year ended 31 December 2023 was approximately HK\$2.4 million, accounting for approximately 0.3% of our total revenue and representing a decrease of approximately HK\$1.2 million, or approximately 33.3%, from segment revenue of approximately HK\$3.6 million for the year ended 31 December 2022. The decrease was primarily due to the relieve of the mandatory mask-wearing requirements in Hong Kong during the year, which affected the number of orders for medical consumable products sold.

### Gross Profit

Gross profit for the year ended 31 December 2023 was approximately HK\$135.9 million (2022: HK\$260.1 million), representing a gross profit margin of 19.5% (2022: 22.7%).

Segment gross profit for integrated plastic solutions for 2023 was approximately HK\$122.9 million (2022: HK\$146.9 million), representing a gross profit margin of 21.5% (2022: 25.0%). The decrease in gross profit margin was resulted from the change of product mix of which the products are of lower profit margin.

Segment gross profit for e-cigarettes products for 2023 was approximately HK\$15.2 million (2022: HK\$113.0 million), representing a gross profit margin of 12.4% (2022: 20.4%). During the year, 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.

Segment gross loss for medical consumable products for 2023 was approximately HK\$2.2 million (2022: gross profit HK\$0.2 million), representing a gross loss margin of 91.7% (2022: gross profit margin 5.6%). During the year, the Group provided an allowance for inventories on slow-moving medical consumable products resulting a gross loss for medical consumable products.

## **Other Income**

Other income for the year ended 31 December 2023 was approximately HK\$16.1 million, representing an increase of approximately HK\$8.2 million, or approximately 103.8%, from approximately HK\$7.9 million for the same period in 2022. The increase was contributed by the rental income received from leasing the new factory premises to an independent third party during the year. However, due to the poor business environment, the tenant terminated the lease. Therefore, the Group received a termination fee from the tenant for the early termination. Apart from this, the increase also resulted from an uptick in bank interest income received.

## **Selling and Distribution Costs**

Selling and distribution costs for the year ended 31 December 2023 were approximately HK\$4.6 million, representing a decrease of approximately HK\$1.2 million, or approximately 20.7%, from approximately HK\$5.8 million for the year ended 31 December 2022. The decrease was primarily because of the decrease in sales volume during the year.

## **Administrative and Other Operating Expenses**

Administrative and other operating expenses for the year ended 31 December 2023 were approximately HK\$114.8 million, representing a decrease of approximately HK\$15.9 million, or approximately 12.2%, from approximately HK\$130.7 million for the year ended 31 December 2022. The decrease was resulted from a decrease in discretionary bonus paid to the Directors and senior management during the year.

## **Finance Costs**

Finance costs for the year ended 31 December 2023 were approximately HK\$5.4 million, representing a decrease of approximately HK\$1.8 million, or approximately 25.0%, from approximately HK\$7.2 million for the year ended 31 December 2022. The decrease was primarily attributable to the repayment of the secured bank borrowings during the year.

## **Income Tax Expenses**

Income tax expenses for the year ended 31 December 2023 were approximately HK\$2.5 million, representing a decrease of approximately HK\$8.4 million, or approximately 77.1%, from approximately HK\$10.9 million for the year ended 31 December 2022. Such decrease was attributable to the decrease in profit before tax.

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

As a result of the foregoing, profit for the year ended 31 December 2023 was approximately HK\$23.5 million, representing a decrease of approximately HK\$82.4 million, or approximately 77.8%, from approximately HK\$105.9 million for the year ended 31 December 2022.

## **FUTURE PLAN AND PROSPECTS**

The high inflation rate, high interest rate and risk of a downturn in the global economy will continue to cast uncertainties over the business environment and consumption confidence. In light of this challenging business environment, we will continue our efforts in prospecting new customers who are seeking high quality e-cigarettes and plastic products. In addition, with the assistance of the newly set up research and development centre, the Group will gradually expand into other segments to diversify our products range. In the meantime, the Group will strive to provide high quality products at a competitive 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 31 December 2023, the Group had bank balances and cash of approximately HK\$132.6 million (2022: HK\$128.4 million). Interest-bearing borrowings as at 31 December 2023 was approximately HK\$61.9 million (2022: HK\$128.8 million) with weighted average effective interest rate of approximately 3.91% per annum (2022: 4.19% per annum). The Group's gearing ratio as at 31 December 2023, calculated based on the total borrowings to the equity attributable to owners of the Company, was 8.8% (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 foreign currency forward contracts, if necessary. As at 31 December 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 year ended 31 December 2023, the Group has made no material acquisitions or disposals of subsidiaries and associated companies.

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group did not have any significant contingent liabilities.

## **CHARGE ON GROUP ASSETS**

As at 31 December 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\$374.7 million (2022: HK\$431.1 million) and key management insurance contracts with fair value of approximately HK\$32.6 million (2022: HK\$31.6 million) were pledged as security for bank facilities.

## SUBSEQUENT EVENT

No material events occurred subsequent to 31 December 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 936 employees as at 31 December 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 year ended 31 December 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	Options	Options	Exercisable
			as at 1 January 2023	lapsed during the year	outstanding at 31 December 2023	at 31 December 2023
<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
<b>Employees</b>	13 May 2020	0.355	17,850,000	(1,100,000)	16,750,000	16,750,000
<b>Others</b>	13 May 2020	0.355	3,920,000	(1,920,000)	2,000,000	2,000,000
			<u>35,790,000</u>	<u>(3,020,000)</u>	<u>32,770,000</u>	<u>32,770,000</u>

## **SIGNIFICANT INVESTMENTS HELD**

During the year ended 31 December 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 year ended 31 December 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 C1 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 year ended 31 December 2023, the Company has complied with the CG Code.

## AUDIT COMMITTEE

The Group has established an audit committee (the “**Audit Committee**”) on 8 February 2018 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board. Our audit committee consists of three members, being Mr. Ng Chi Wai, Mr. Hung Chun Leung and Mr. Chan Bing Kai. Mr. Ng Chi Wai currently serves as the chairman of our Audit Committee, who holds the appropriate professional qualification as required under rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed with the management the Group’s consolidated financial statements for the year ended 31 December 2023, the accounting principles and practices adopted and discussed auditing, internal control and financial reporting matters.

## SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, and related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group’s auditors, Mazars CPA Limited (“**Mazars**”), to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2023. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars in this announcement.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company’s securities.

Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the year ended 31 December 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 year ended 31 December 2023.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2023 (*2022: HK2.0 cents per share*) to the shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 18 June 2024. The proposed final dividend is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Thursday, 30 May 2024. The final dividend, if approved, is expected to be paid on Friday, 28 June 2024.

For determining the entitlement to the proposed final dividend of HK1.5 cents per share of the Company for the year ended 31 December 2023, the transfer books and register of members of the Company will be closed from Friday, 14 June 2024 to Tuesday, 18 June 2024, both days inclusive. During the above period, no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend, subject to passing of an ordinary resolution at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Thursday, 13 June 2024.

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

This annual results announcement of the Group for the year ended 31 December 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 annual report for the year ended 31 December 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 March 2024

*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.*