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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 2021

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 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	5	1,117,688	787,394
Cost of goods sold		(863,830)	(593,697)
Gross profit		253,858	193,697
Other income	6	7,105	7,588
Other gains and losses	7	1,062	818
Impairment losses recognised on property, plant and equipment		(7,889)	–
Impairment losses recognised on trade receivables		(349)	(1,101)
Selling and distribution costs		(7,424)	(8,477)
Administrative and other operating expenses		(126,290)	(96,175)
Finance costs	8	(7,667)	(8,822)
Profit before tax	9	112,406	87,528
Income tax expense	10	(16,142)	(13,814)
Profit for the year		96,264	73,714
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic	12	15.53	11.89
Diluted	12	15.39	11.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	96,264	73,714
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>29,093</u>	<u>34,542</u>
Total comprehensive income for the year	<u>125,357</u>	<u>108,256</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		764,841	720,736
Financial assets at fair value through profit or loss (“FVTPL”)		30,454	29,586
Finance lease receivables	13	1,617	4,042
Rental deposits		77	229
Deferred tax assets		918	1,256
		<u>797,907</u>	<u>755,849</u>
Current assets			
Inventories		171,883	99,187
Finance lease receivables	13	2,425	2,425
Trade and other receivables	14	252,346	188,828
Income tax recoverable		27	35
Restricted bank balance	15	7,780	–
Bank balances and cash	15	114,667	116,966
		<u>549,128</u>	<u>407,441</u>
Current liabilities			
Trade and other payables	16	288,133	202,302
Payables for construction in progress		20,168	24,609
Interest-bearing borrowings	17	216,003	193,259
Deferred income		1,561	1,064
Lease liabilities	18	10,638	16,891
Income tax payables		9,937	17,989
		<u>546,440</u>	<u>456,114</u>
Net current assets/(liabilities)		<u>2,688</u>	<u>(48,673)</u>
Total assets less current liabilities		<u>800,595</u>	<u>707,176</u>
Non-current liabilities			
Payables for construction in progress		7,309	1,992
Interest-bearing borrowings	17	19,278	36,739
Deferred income		12,276	9,222
Lease liabilities	18	342	10,534
Deferred tax liabilities		6,602	10,461
		<u>45,807</u>	<u>68,948</u>
NET ASSETS		<u>754,788</u>	<u>638,228</u>
Capital and reserves			
Share capital		62,000	62,000
Reserves		692,788	576,228
TOTAL EQUITY		<u>754,788</u>	<u>638,228</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2021

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 Company is Mr. Chan Tsan Lam (the “**Ultimate Controlling Party**”), 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 are principally engaged in the 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**”).

Other than those subsidiaries established in the PRC whose functional currency is Renmenbi (“**RMB**”), the functional currency of the Company and its other subsidiaries is Hong Kong dollars (“**HK\$**”). The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of interest-bearing borrowings as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying *HKFRS 7 Financial Instruments: Disclosures* (“**HKFRS 7**”).

At 1 January 2021, the Group has several interest-bearing borrowings, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of interest-bearing borrowings are shown at their carrying amounts.

	United States Dollar (“US\$”) London Interbank Offered Rate <i>HK\$’000</i>	HK\$ Hong Kong Interbank Offered Rate <i>HK\$’000</i>
Financial liabilities		
Interest-bearing borrowings	42,133	97,770

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for interest-bearing borrowings measured at amortised cost.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance as both incremental costs and other cost necessary to sell inventories are insignificant.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax (to the extent that it is probable the taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. At 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities, which are subject to the amendments amounted to HK\$90,822,000 and HK\$10,980,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. SEGMENTS INFORMATION

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

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

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

Segment revenue and results

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

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

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

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

	E-cigarettes products <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 2021</u>				
Segment revenue	634,271	481,366	2,051	1,117,688
Gross profit/(loss)	137,416	120,245	(3,803)	253,858
Impairment losses recognised on trade receivables	–	(349)	–	(349)
Written off of property, plant and equipment	(20)	(422)	–	(442)
Loss on disposal of property, plant and equipment	–	(236)	–	(236)
Impairment losses recognised on property, plant and equipment	–	–	(7,889)	(7,889)
Selling and distribution costs	–	(7,424)	–	(7,424)
Segment results	137,396	111,814	(11,692)	237,518
<i>Unallocated income and expenses</i>				
Other income				7,105
Other gains				1,740
Administrative and other operating expenses				(126,290)
Finance costs				(7,667)
Profit before tax				112,406
Income tax expense				(16,142)
Profit for the year				96,264

	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 2020</u>				
Segment revenue	441,703	339,307	6,384	787,394
Gross profit	105,418	85,755	2,524	193,697
Impairment losses recognised on trade receivables	–	(1,101)	–	(1,101)
Gain on transfer of property, plant and equipment to finance lease receivables	402	–	–	402
Written off of property, plant and equipment	(10)	(255)	–	(265)
Selling and distribution costs	–	(6,582)	(1,895)	(8,477)
Segment results	105,810	77,817	629	184,256
<i>Unallocated income and expenses</i>				
Other income				7,588
Other gains and losses				681
Administrative and other operating expenses				(96,175)
Finance costs				(8,822)
Profit before tax				87,528
Income tax expense				(13,814)
Profit for the year				73,714

5. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<u>Revenue from contracts with customers within the scope of HKFRS 15:</u>		
Sales of e-cigarettes products	634,271	441,703
Sales of moulds and plastic products	481,366	339,307
Sales of medical consumable products	2,051	6,384
	<u>1,117,688</u>	<u>787,394</u>

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

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

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

6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	489	473
Finance lease interest income	305	102
Government grants (<i>Note</i>)	1,788	2,302
Management service income	150	145
Rental and utilities recharge income	729	964
Sales of scrap materials	2,481	1,690
Sundry income	1,163	1,912
	<u>7,105</u>	<u>7,588</u>

Note: Included in the amount is the amortisation of government grant of HK\$1,388,000 (2020: HK\$315,000) in relation to the acquisition of property, plant and equipment.

7. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Exchange gain/(loss), net	872	(1,050)
Fair value gains on financial assets at FVTPL (<i>Note</i>)	868	1,631
Written off of property, plant and equipment	(442)	(165)
Loss on disposal of property, plant and equipment	(236)	–
Gain on transfer of property, plant and equipment to finance lease receivables	–	402
	<u>1,062</u>	<u>818</u>

Note: During the year ended 31 December 2021, fair value gain recognised in profit or loss for unlisted investments - key management insurance contracts amounted to HK\$868,000 (2020: HK\$435,000).

During the year ended 31 December 2020, fair value gain recognised in profit or loss for derivatives not designated as hedging instruments - Cross Currency Swap amounted to HK\$1,196,000.

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on interest-bearing borrowings	6,864	6,976
Interest on payables for construction in progress	414	698
Interest on lease liabilities	389	1,148
	<u>7,667</u>	<u>8,822</u>

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Staff costs, including directors' emoluments		
Employee benefits expenses	159,142	104,679
Discretionary bonus	30,761	21,095
Contributions to defined contribution retirement schemes	14,055	5,715
Share-based payment expense	436	1,761
	<u>204,394</u>	<u>133,250</u>
Other items		
Cost of inventories	863,830	593,697
Auditor's remuneration	1,086	1,122
Depreciation (charged to "cost of goods sold" and "administrative and other operating expenses", as appropriate)	51,015	47,111
Write-down of inventories (charged to "cost of goods sold")	7,328	7,410
Short-term lease payments (charged to "administrative and other operating expenses")	114	49
Share-based payment expenses to eligible participants other than employees	67	286
Research and development expenses	30,866	20,554
	<u>884,102</u>	<u>700,035</u>

10. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	6,351	4,658
(Over)/under provision in prior year	(1,214)	1,256
PRC Enterprise Income Tax		
Current year	15,052	11,389
Under/(over) provision in prior year	1	(4,962)
	<u>20,190</u>	<u>12,341</u>
Deferred tax		
Changes in temporary differences	(5,145)	863
Utilisation of tax losses recognised	1,097	610
	<u>(4,048)</u>	<u>1,473</u>
Income tax expense for the year	<u>16,142</u>	<u>13,814</u>

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

For the years ended 31 December 2021 and 2020, 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 Hong Kong Profits Tax of other Hong Kong and Cayman Islands incorporated subsidiaries of the Group is calculated at the standard tax rate of 16.5% of their respective estimated assessable profits for the years ended 31 December 2021 and 2020.

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25% for the years ended 31 December 2021 and 2020.

11. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of 2020 of HK1.5 cents per ordinary share <i>(2019: HK1.5 cents)</i>	<u>9,300</u>	<u>9,300</u>
Not recognised final dividend - Final dividend declared after the balance sheet date of HK2.0 cents per ordinary share <i>(2020: HK1.5 cents) (Note)</i>	<u>12,400</u>	<u>9,300</u>

Note: At a meeting held on 29 March 2022, the Directors recommended the payment of a final dividend of HK2.0 cents *(2020: HK1.5 cents)* per ordinary share totalling HK\$12,400,000 *(2020: HK\$9,300,000)* for the year ended 31 December 2021. The proposed dividend for the year ended 31 December 2021 will be accounted for as an appropriation of reserves in the year ending 31 December 2022 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 as at 31 December 2021.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <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>96,264</u>	<u>73,714</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>5,405</u>	<u>396</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>625,405</u>	<u>620,396</u>
Basic earnings per share (HK cents)	<u>15.53</u>	<u>11.89</u>
Diluted earnings per share (HK cents)	<u>15.39</u>	<u>11.88</u>

For the years ended 31 December 2021 and 2020, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive shares arising from the vested share options granted by the Company. The computation of diluted earnings per share does not assume the exercise of the unvested share options granted by the Company because the adjusted exercise price of those share options was higher than the average market price of the Company's shares.

13. FINANCE LEASE RECEIVABLES

The finance lease receivables are set out below:

	Lease payments		Present value of lease payments	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance lease receivables comprise:				
Within one year	2,730	2,730	2,425	2,425
In the second year	1,820	2,730	1,617	2,425
In the third year	–	1,820	–	1,617
Gross investment in the lease	4,550	7,280	4,042	6,467
Less: unearned finance income	(508)	(813)	N/A	N/A
Present value of minimum lease payment receivables	<u>4,042</u>	<u>6,467</u>	<u>4,042</u>	<u>6,467</u>
Analysed as:				
Current	2,425	2,425	2,425	2,425
Non-current	1,617	4,042	1,617	4,042
	<u>4,042</u>	<u>6,467</u>	<u>4,042</u>	<u>6,467</u>

Interest rates implicit in the above finance lease is 4.03% per annum (2020: 4.03%). Finance lease receivables are denominated in US\$.

During the year ended 31 December 2020, the Group entered into a lease agreement with a third party whereas the Group leased out its machineries with carrying 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.

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

14. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables - contracts with customers			
From third parties	<i>14(a)</i>	218,452	151,227
Loss allowance for credit losses		(6,266)	(5,893)
		<u>212,186</u>	<u>145,334</u>
	<i>14(b)</i>	212,186	145,334
		<u>–</u>	<u>2,502</u>
Bills receivables			
		–	2,502
Other receivables			
Deposits		212	146
Prepayment for insurance		2,993	3,058
Prepayment for utilities		4,546	7,666
Other receivables		4,980	1,954
Value-added tax receivables		26,081	26,907
Prepaid expenses and other deposits		1,348	1,261
		<u>40,160</u>	<u>40,992</u>
		<u>252,346</u>	<u>188,828</u>

14(a) Trade receivables from third parties

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	147,904	119,363
31 to 60 days	40,253	10,063
61 to 90 days	16,368	7,379
91 to 180 days	7,661	8,330
Over 180 days	–	199
	<u>212,186</u>	<u>145,334</u>

15. RESTRICTED BANK BALANCE/BANK BALANCES AND CASH

Restricted bank balance

As at 31 December 2021, bank balance placed in savings account amounted to approximately HK\$7,780,000 (approximately RMB6,365,000) (2020: Nil) were restricted, which is equivalent to the amount owed to the contractor as there was a legal dispute between a contractor and its sub-contractor for the construction of factories completed in previous years. As a result of this legal dispute, the People's Government of Huizhou City issued an injunction order to the Group to withhold the amount owed to the contractor until the dispute has been resolved. The legal dispute is still ongoing at the date of issuance of these consolidated financial statements. The amount will be released by the order of the People's Government of Huizhou City. The restricted bank balance carry market interest rate at 0.3% (2020: Nil) per annum for the year.

Bank balances and cash

Bank balances carry interest at market rates which range from 0.00% to 0.385% (2020: 0.00% to 0.385%).

The carrying amounts of bank and cash balances are denominated in the following currencies:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$	27,396	17,000
US\$	49,392	75,957
RMB	37,740	24,009
Euro	139	–
	<u>114,667</u>	<u>116,966</u>

16. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables		
To third parties	<i>16(a)</i> <u>200,684</u>	<u>130,062</u>
Other payables		
Contract liabilities	9,776	7,602
Salaries and bonus payable	50,847	39,765
Accruals and other creditors	<u>26,826</u>	<u>24,873</u>
	<u>87,449</u>	<u>72,240</u>
	<u>288,133</u>	<u>202,302</u>

16(a) Trade payables

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	67,492	65,611
31 to 60 days	92,925	51,851
61 to 90 days	20,183	6,652
Over 90 days	20,084	5,948
	<u>200,684</u>	<u>130,062</u>

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

17. INTEREST-BEARING BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured borrowings:	<u>235,281</u>	<u>229,998</u>
The carrying amounts of the secured borrowings that do not contain a repayable on demand clause are repayable:		
Within one year	17,406	18,910
In the second year	12,096	17,324
In the third to fifth year	7,182	19,415
	<u>36,684</u>	<u>55,649</u>
The carrying amounts of the secured borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	173,794	145,596
In the second year	9,690	10,253
In the third to fifth year	15,113	18,500
	<u>198,597</u>	<u>174,349</u>
	235,281	229,998
Less: Amounts due within one year shown under current liabilities	<u>(216,003)</u>	<u>(193,259)</u>
Amounts shown under non-current liabilities	<u>19,278</u>	<u>36,739</u>

The secured borrowings from banks and a financial institution are wholly repayable within seven years since its inception. At 31 December 2021, the secured borrowings carried weighted average effective interest rate of approximately 2.73% (2020: 3.34 %) per annum.

18. LEASE LIABILITIES

At 31 December 2021, the weighted average discount rate applied on the calculation of present value of lease liabilities was 2.00% per annum (2020: 2.82%).

	Lease payments	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease liabilities payable		
within one year	10,638	16,891
within a period of more than one year but not exceeding two years	342	10,402
within a period of more than two years but not exceeding five years	–	132
Total lease liabilities	10,980	27,425
Less: Amount due for settlement with 12 months shown under current liabilities	(10,638)	(16,891)
Amount shown under non-current liabilities	342	10,534

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 discounts 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 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 in 2020. During 2021, the COVID-19 pandemic was gradually brought under control and the business environment improved during the year. As a result, 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 year, the Group’s total revenue amounted to approximately HK\$1,117.7 million, representing an increase of approximately 41.9% (2020: HK\$787.4 million). The Group recorded a gross profit of approximately HK\$253.9 million (2020: HK\$193.7 million) with a gross profit margin of approximately 22.7% (2020: 24.6%).

The Group recorded a profit for the year attributable to equity holders of the Company of approximately HK\$96.3 million (2020: HK\$73.7 million). Basic earnings per share attributable to equity holders of the Company were approximately 15.53 HK cents (2020: 11.89 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 system.

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, complemented by medical device sterilization controls, has fulfilled the international standard of EN ISO13485:2016 Medical Devices Quality Management Systems as certified by the Société Générale de Surveillance S.A. (“**SGS**”). In addition, the Group has been granted Medical Device Manufacturing Enterprise License (醫療器械生產許可證) on medical device production issued by the National Medical Products Administration in the People’s Republic of China (the “**PRC**”).

The procedure face masks have been tested and proved to be meeting up to the standard of ASTM F2100 Level 3 in the U.S. and the standard of EN14683 Type IIR in Europe. Apart from the procedure face masks, the Group also developed face masks with higher level of protection, such as particulate face masks – KN95 and FFP2. The particulate face masks – KN95, has passed the requirements of GB2626-2016 standard in the PRC and NIOSH N95 – Pre-Certification Test issued by the ICS Laboratories and Nelson Laboratories in the U.S. In addition, the particulate face masks – FFP2, has also passed the requirements of EN 149:2001+A1:2009 standard, credited as FFP2 NR protective respirator, and certified with CE Mark (through SGS Fimko Oy, Notified Body #0598) granted by the SGS.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2021 was approximately HK\$1,117.7 million, representing an increase of approximately HK\$330.3 million, or approximately 41.9%, from approximately HK\$787.4 million for the year ended 31 December 2020.

The integrated plastic solutions segment revenue for the year ended 31 December 2021 was approximately HK\$481.4 million, accounting for approximately 43.1% of our total revenue and representing an increase of approximately HK\$142.1 million, or approximately 41.9%, from segment revenue of approximately HK\$339.3 million for the year ended 31 December 2020. This was primarily due to the recovery of global economy and increase in orders from the Group’s major customers during the year.

The e-cigarettes products segment revenue for the year ended 31 December 2021 was approximately HK\$634.3 million, accounting for approximately 56.8% of our total revenue and representing an increase of approximately HK\$192.6 million, or approximately 43.6%, from segment revenue of approximately HK\$441.7 million for the year ended 31 December 2020. The increase was attributable to the increase in orders for e-cigarettes products during the year.

The medical consumable products segment revenue for the year ended 31 December 2021 was approximately HK\$2.0 million, accounting for approximately 0.1% of our total revenue and representing a decrease of approximately HK\$4.4 million, or approximately 68.8%, from segment revenue of approximately HK\$6.4 million for the year ended 31 December 2020. This decrease was resulted from the rising number of new competitors in the disposable face masks market, which adversely affected the unit price sold and market penetration of our products. Besides, due to the high transportation cost in 2021, orders from overseas customers decreased during the year.

Gross Profit

Gross profit for the year ended 31 December 2021 was approximately HK\$253.9 million (2020: HK\$193.7 million), representing a gross profit margin of 22.7% (2020: 24.6%).

Segment gross profit for integrated plastic solutions for 2021 was approximately HK\$120.3 million (2020: HK\$85.8 million), representing a gross profit margin of 25.0% (2020: 25.3%).

Segment gross profit for e-cigarettes products for 2021 was approximately HK\$137.4 million (2020: HK\$105.4 million), representing a gross profit margin of 21.7% (2020: 23.9%). This decrease was resulted from the decrease in unit price sold.

Segment gross loss for medical consumable products for 2021 was approximately HK\$3.8 million (2020: gross profit HK\$2.5 million), representing a gross loss margin of 190.0% (2020: gross profit margin 39.1%). Amidst the keen competition of the disposable face masks market, the unit price sold and sales volume decreased during the year. 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. Apart from these, the Group has provided an allowance for inventories on slow-moving medical consumable products for the year ended 31 December 2021, which resulted in a gross loss for medical consumable products.

Other Income

Other income for the year ended 31 December 2021 was approximately HK\$7.1 million, which was similar to that for the year ended 31 December 2020 of HK\$7.6 million.

Selling and Distribution Costs

Selling and distribution costs for the year ended 31 December 2021 were approximately HK\$7.4 million, representing a decrease of approximately HK\$1.1 million, or approximately 12.9%, from approximately HK\$8.5 million for the year ended 31 December 2020. The decrease was resulted from the decrease in transportation costs of medical consumable products during the year.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the year ended 31 December 2021 were approximately HK\$126.3 million, representing an increase of approximately HK\$30.1 million, or approximately 31.3%, from approximately HK\$96.2 million for the year ended 31 December 2020. The increase was due to an increase in headcount, the performance bonus to the directors and senior management and consultation fee expenses.

Finance Costs

Finance costs for the year ended 31 December 2021 were approximately HK\$7.7 million, which was similar to that for the year ended 31 December 2020 of HK\$8.8 million.

Income Tax Expenses

Income tax expenses for the year ended 31 December 2021 were approximately HK\$16.1 million, representing an increase of approximately HK\$2.3 million, or approximately 16.7%, from approximately HK\$13.8 million for the year ended 31 December 2020. Such increase was primarily due to the increase 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 2021 was approximately HK\$96.3 million, representing an increase of approximately HK\$22.6 million, or approximately 30.7%, from approximately HK\$73.7 million for the year ended 31 December 2020.

THE IMPACT OF THE COVID-19

As the COVID-19 pandemic was under better control during 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

Although there was a temporary relief of the COVID-19 pandemic during 2021, the COVID-19 pandemic was rebounded in late 2021. It still casts doubt on the global economy and business environment, which may affect the demand for the Group's products. In view of the uncertainty of the market, the Group plans different measures including (but not limited to) leasing out the new factory premises, which is expected to be completed in the first quarter of 2022, to independent third party.

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

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 2021, the Group had bank balances and cash of approximately HK\$114.7 million (2020: HK\$117.0 million). Interest-bearing borrowings as at 31 December 2021 was approximately HK\$235.3 million (2020: HK\$230.0 million) with weighted average effective interest rate of approximately 2.73% per annum (2020: 3.34% per annum). The Group's gearing ratio as at 31 December 2021, calculated based on the total borrowings to the equity attributable to owners of the Company, was 36.3% (2020: 44.5%).

FOREIGN EXCHANGE RISK

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Hong Kong dollars, U.S. dollars and Renminbi. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency forward contracts, if necessary. As at 31 December 2021, 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 2021, the Group has made no material acquisitions or disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

CHARGE ON GROUP ASSETS

As at 31 December 2021, buildings and right-of-use assets in respect of the prepaid land lease payments with aggregate net carrying amount of approximately HK\$279.4 million (2020: HK\$277.3 million), key management insurance contracts with fair value of approximately HK\$30.5 million (2020: HK\$29.6 million), trade receivables in connection with factoring arrangement of approximately HK\$4.7 million (2020: HK\$2.7 million) and certain machinery and equipment with aggregate net carrying amount of approximately HK\$61.5 million (2020: HK\$67.3 million) were pledged as security for bank facilities.

SUBSEQUENT EVENT

No material events occurred subsequent to 31 December 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 year ended 31 December 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 lapsed during the year	Options outstanding at 31 December 2021	Exercisable at 31 December 2021
Directors, chief executives and substantial shareholders						
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
Employees and senior management	13 May 2020	0.355	19,900,000	(800,000)	19,100,000	19,100,000
Others	13 May 2020	0.355	3,300,000	–	3,300,000	3,300,000
			<u>37,840,000</u>	<u>(800,000)</u>	<u>37,040,000</u>	<u>37,040,000</u>

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 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 year ended 31 December 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 year ended 31 December 2021, 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 C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. Ng Chi Wai, Mr. Hung Chun Leung and Mr. Chan Bing Kai. Mr. Ng Chi Wai currently serves as the chairman of our Audit Committee, 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 2021, the accounting principles and practices adopted and discussed auditing, internal control and financial reporting matters.

SCOPE OF WORK OF THE COMPANY’S AUDITOR

The figures in respect of the Company’s consolidated statement of financial position, consolidated income statement and other comprehensive income, and related notes thereto for the year ended 31 December 2021 as set out in the announcement have been agreed by the Company’s auditors, TANDEM (HK) CPA Limited (“**TANDEM**”), to the amounts set out in the Company’s audited consolidated financial statements for the year ended 31 December 2021. The work performed by TANDEM 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 TANDEM on the announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the year ended 31 December 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 year ended 31 December 2021.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK2.0 cents per share for the year ended 31 December 2021 (*2020: HK1.5 cents per share*) to the shareholders whose names appear on the register of members of the Company at the close of business on 17 June 2022. The proposed final dividend is subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 30 May 2022. The final dividend, if approved, is expected to be paid on 30 June 2022.

For determining the entitlement to the proposed final dividend of HK2.0 cents per share of the Company for the year ended 31 December 2021, the transfer books and register of members of the Company will be closed from Wednesday, 15 June 2022 to Friday, 17 June 2022, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Tuesday, 14 June 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2021 is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hktcgroup.com.

An annual report for the year ended 31 December 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, 29 March 2022

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