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TIAN CHANG GROUP HOLDINGS LTD.
天長集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2182)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Tian Chang Group Holdings Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$' 000	HK\$' 000
Revenue	3	666,671	280,363
Cost of goods sold		<u>(504,355)</u>	<u>(216,122)</u>
Gross profit		162,316	64,241
Other income	4	3,765	2,962
Fair value gain (loss) on financial assets at FVPL		123	(236)
Selling and distribution costs		(6,351)	(7,136)
Administrative and other operating expenses		(66,997)	(40,345)
Finance costs	5	(4,893)	(5,345)
Listing expenses		<u>–</u>	<u>(6,402)</u>
Profit before tax	5	87,963	7,739
Income tax expenses	6	<u>(22,044)</u>	<u>(3,877)</u>
Profit for the period, attributable to equity holders of the Company		<u>65,919</u>	<u>3,862</u>
Earnings per share attributable to equity holders of the Company		HK cents	HK cents
Basic	8	<u>10.63</u>	<u>0.69</u>
Diluted	8	<u>10.63</u>	<u>0.69</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2019

	Six months ended 30 June	
	2019 (unaudited) <i>HK\$'000</i>	2018 (unaudited) <i>HK\$'000</i>
Profit for the period	65,919	3,862
Other comprehensive income (loss):		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	<u>1,212</u>	<u>(3,361)</u>
Total comprehensive income for the period, attributable to equity holders of the Company	<u>67,131</u>	<u>501</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	<i>Note</i>	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		559,473	484,833
Prepaid land lease payments		–	43,911
Financial assets at FVPL	9	27,695	26,841
Deferred tax assets		3,238	2,818
		<u>590,406</u>	<u>558,403</u>
Current assets			
Prepaid land lease payments		–	1,085
Inventories		81,193	85,928
Trade and other receivables	10	111,002	261,561
Income tax recoverable		34	3,358
Bank balances and cash		122,191	61,414
		<u>314,420</u>	<u>413,346</u>
Current liabilities			
Trade and other payables	11	190,171	252,854
Bank overdrafts		19	–
Dividend payable		18,600	–
Income tax payables		16,251	14,443
Payables for construction in progress	12	13,698	11,927
Interest-bearing borrowings	13	91,403	125,627
Obligations under finance leases		–	22,415
Lease liabilities		20,689	–
		<u>350,831</u>	<u>427,266</u>
Net current liabilities		<u>(36,411)</u>	<u>(13,920)</u>
Total assets less current liabilities		<u>553,995</u>	<u>544,483</u>
Non-current liabilities			
Payables for construction in progress	12	13,224	11,827
Interest-bearing borrowings	13	–	22,969
Obligations under finance leases		–	42,879
Lease liabilities		36,366	–
Deferred tax liabilities		4,633	15,567
		<u>54,223</u>	<u>93,242</u>
NET ASSETS		<u>499,772</u>	<u>451,241</u>
Capital and reserves			
Share capital	14	62,000	62,000
Reserves		437,772	389,241
TOTAL EQUITY		<u>499,772</u>	<u>451,241</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2019

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

The principal activity of the Company is investment holding. The Company together with its subsidiaries (hereinafter collectively referred to as the “Group”) is principally engaged in manufacturing and sales of electronic cigarettes products (“e-cigarettes products”) and providing integrated plastic solutions in Hong Kong and in the People’s Republic of China (the “PRC”).

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 (the “Interim Financial Statements”) have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2018, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standard (“HKAS”) and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2018 (the “2018 Financial Statements”).

The Interim Financial Statements have been prepared on the historical costs basis except for financial assets at fair value through profit or loss (“FVPL”) which are measured at fair value, and presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company, and rounded to the nearest thousands unless otherwise indicated.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2018 Financial Statements, except for the adoption of the new / revised HKFRSs that are relevant to the Group and effective from the current period as set out below:

Annual Improvements to HKFRSs	2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

2. SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

Segment results represent the gross profit less selling and distribution costs incurred by each segment without allocation of other income, fair value gain or loss on financial assets at FVPL, administrative and other operating expenses, finance costs, listing expenses and income tax expenses. This is the information reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

	E-cigarettes products (unaudited) HK\$’000	Integrated plastic solutions (unaudited) HK\$’000	Total (unaudited) HK\$’000
Six months ended 30 June 2019 (unaudited)			
Segment revenue	<u>467,453</u>	<u>199,218</u>	<u>666,671</u>
Gross profit	<u>119,190</u>	<u>43,126</u>	162,316
Selling and distribution costs	<u>–</u>	<u>(6,351)</u>	(6,351)
Segment results	<u>119,190</u>	<u>36,775</u>	155,965
<i>Unallocated income and expenses</i>			
Other income			3,765
Fair value gain on financial assets at FVPL			123
Administrative and other operating expenses			(66,997)
Finance costs			<u>(4,893)</u>
Profit before tax			87,963
Income tax expenses			<u>(22,044)</u>
Profit for the period			<u>65,919</u>

	E-cigarettes products (unaudited) HK\$'000	Integrated plastic solutions (unaudited) HK\$'000	Total (unaudited) HK\$'000
Six months ended 30 June 2018 (unaudited)			
Segment revenue	<u>97,235</u>	<u>183,128</u>	<u>280,363</u>
Gross profit	<u>29,017</u>	<u>35,224</u>	64,241
Selling and distribution costs	<u>–</u>	<u>(7,136)</u>	(7,136)
Segment results	<u>29,017</u>	<u>28,088</u>	57,105
<i>Unallocated income and expenses</i>			
Other income			2,962
Fair value loss on financial assets at FVPL			(236)
Administrative and other operating expenses			(40,345)
Finance costs			(5,345)
Listing expenses			<u>(6,402)</u>
Profit before tax			7,739
Income tax expenses			<u>(3,877)</u>
Profit for the period			<u>3,862</u>

Segment assets and liabilities

	E-cigarettes products <i>HK\$'000</i>	Integrated plastic solutions <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2019 (unaudited)				
Assets				
Reportable segment assets	<u>88,814</u>	<u>362,455</u>	<u>453,557</u>	<u>904,826</u>
Liabilities				
Reportable segment liabilities	<u>72,973</u>	<u>41,474</u>	<u>290,607</u>	<u>405,054</u>
Other information				
Capital expenditure	<u>1,526</u>	<u>15,517</u>	<u>25,791</u>	<u>42,834</u>
Depreciation	<u>1,888</u>	<u>14,526</u>	<u>1,694</u>	<u>18,108</u>
Loss on disposal of property, plant and equipment	<u>–</u>	<u>280</u>	<u>–</u>	<u>280</u>
At 31 December 2018 (audited)				
Assets				
Reportable segment assets	<u>149,368</u>	<u>446,836</u>	<u>375,545</u>	<u>971,749</u>
Liabilities				
Reportable segment liabilities	<u>82,515</u>	<u>94,754</u>	<u>343,239</u>	<u>520,508</u>
Other information				
Capital expenditure	<u>1,537</u>	<u>131,042</u>	<u>5,653</u>	<u>138,232</u>
Depreciation	<u>3,434</u>	<u>21,873</u>	<u>3,224</u>	<u>28,531</u>
Amortisation	<u>–</u>	<u>–</u>	<u>1,154</u>	<u>1,154</u>
Loss on disposal of property, plant and equipment	<u>3</u>	<u>3,595</u>	<u>557</u>	<u>4,155</u>
Loss allowance of trade receivables	<u>–</u>	<u>4,662</u>	<u>–</u>	<u>4,662</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- segment assets include certain property, plant and equipment, inventories and trade and bills receivables. Other assets are not allocated to operating segments as these assets are managed on a group basis; and
- segment liabilities include trade payables. Other liabilities are not allocated to operating segments as these liabilities are managed on a group basis.

Geographical information

The following table sets out information about the geographical location of the Group's property, plant and equipment and prepaid land lease payments ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the assets.

Specified non-current assets

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Hong Kong	3,834	3,085
The PRC	555,639	526,744
	<u>559,473</u>	<u>529,829</u>

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

	Six months ended 30 June	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue from external customers		
The United States of America	68,996	91,000
The PRC	138,143	99,723
The United Kingdom	435,769	46,315
Hong Kong	16,828	39,641
Others	6,935	3,684
	<u>666,671</u>	<u>280,363</u>

Information about major customers

Details of the entities individually accounting for 10% or more of aggregate revenue of the Group during the six months ended 30 June 2019 and 2018 are as follows:

	E-cigarettes products (unaudited) HK\$'000	Integrated plastic solutions (unaudited) HK\$'000	Total (unaudited) HK\$'000
Six months ended 30 June 2019			
Customer A and its affiliated companies	467,044	3,180	470,224
Customer D and its affiliated companies	–	84,099	84,099
	<u>467,044</u>	<u>87,279</u>	<u>554,323</u>
Six months ended 30 June 2018			
Customer A and its affiliated companies	97,145	461	97,606
Customer B and its affiliated companies	–	39,809	39,809
Customer C and its affiliated companies	–	53,750	53,750
	<u>97,145</u>	<u>94,020</u>	<u>191,165</u>

3. REVENUE

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers within HKFRS 15		
Sale of e-cigarettes products	467,453	97,235
Sale of moulds and plastic products	199,218	183,128
	<u>666,671</u>	<u>280,363</u>

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Bank interest income	348	35
Exchange gain, net	1,121	807
Management service income	–	90
Rental and utilities recharge income	879	916
Sales of scrap materials	610	485
Sundry income	807	629
	<u>3,765</u>	<u>2,962</u>

5. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Finance costs		
Interest on interest-bearing borrowings	3,358	4,983
Interest on bank overdrafts	–	20
Interest on payables for construction in progress	446	35
Finance charges on obligations under finance leases	–	307
Interest on lease liabilities	1,089	–
	<u>4,893</u>	<u>5,345</u>
Staff costs, including directors' emoluments		
Employee benefits expenses	91,258	60,237
Discretionary bonus	9,456	–
Contributions to defined contribution retirement schemes	10,033	5,174
	<u>110,747</u>	<u>65,411</u>
Other items		
Cost of inventories	504,355	216,122
Amortisation of prepaid land lease payments (charged to “administrative and other operating expenses”)	–	562
Depreciation (charged to “cost of goods sold” and “administrative and other operating expenses”, as appropriate)	18,108	15,938
Exchange gain, net	(1,121)	(807)
Loss on disposal of property, plant and equipment	280	–
Operating lease payments (charged to “cost of goods sold” and “administrative and other operating expenses”, as appropriate)	288	1,194
Research and development expenses	3,348	1,003
	<u>504,355</u>	<u>216,122</u>

6. TAXATION

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	5,099	243
PRC Enterprise Income Tax	28,485	6,576
	<u>33,584</u>	<u>6,819</u>
Deferred tax		
Changes in temporary differences	(11,326)	(234)
Benefit of tax losses recognised	(214)	(2,708)
	<u>(11,540)</u>	<u>(2,942)</u>
Total income tax expenses	<u>22,044</u>	<u>3,877</u>

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

For the six months ended 30 June 2019 and 2018, the assessable profits of a Hong Kong incorporated subsidiary of the Group (as elected by the management of the Group) are subject to the two-tiered profits tax rates regime that the first HK\$2 million of assessable profits will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The Hong Kong Profits Tax of other Hong Kong incorporated subsidiaries of the Group is calculated at 16.5% of their respective estimated assessable profits for the six months ended 30 June 2019 and 2018.

The Group's entities established in the PRC are subject to Enterprise Income Tax of the PRC at a statutory rate of 25% for the six months ended 30 June 2019 and 2018.

7. DIVIDENDS

At a meeting held on 29 August 2019, the directors of the Company resolved to declare of an interim dividend of HK1.5 cents (30 June 2018: HK\$nil) per ordinary share totally approximately HK\$9,300,000 (30 June 2018: HK\$nil). The proposed interim dividend has not been recognised as dividend payables in the Interim Financial Statements. The proposed dividend will be accounted for as an appropriation of reserves in the year ending 31 December 2019.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<i>Profit:</i>		
Profit for the purpose of calculating basic earnings per share	65,919	3,862
	'000	'000
<i>Number of shares:</i>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	620,000	563,000

Diluted earnings per share is the same as basic earnings per share as there were no potential ordinary shares outstanding during six months ended 30 June 2019 and 2018.

9. FINANCIAL ASSETS AT FVPL

	At 30	At 31
	June 2019	December 2018
	(unaudited)	(audited)
	HK\$'000	HK\$'000
At fair value		
Unlisted investments – key management insurance contracts	27,695	26,841

The fair value of the key management insurance contracts is determined by reference to the respective surrender cash value of each insurance contract at the end of the reporting period, which is primarily based on the performance of the underlying investment portfolio together with the guaranteed minimum returns, ranging from 2% to 4.8% per annum (31 December 2018: ranging from 2% to 4.8% per annum).

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

	At 30	At 31
	June 2019	December 2018
	(unaudited)	(audited)
	HK\$'000	HK\$'000
At the beginning of the reporting period	26,841	10,506
Additions	731	16,607
Fair value changes recognised in profit or loss	123	(272)
At the end of the reporting period	27,695	26,841

The key management insurance contracts are pledged as collateral for the Group's bank overdraft and interest-bearing borrowings amounting to approximately, in aggregate, HK\$19,303,000 (31 December 2018: HK\$24,396,000).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Trade receivables		
From third parties	80,946	230,007
Loss allowance	(4,662)	(4,662)
	76,284	225,345
Bills receivables	15,062	9,023
Other receivables		
Deposits	239	156
Prepayment for suppliers	–	2,248
Prepayment for insurance	3,197	3,197
Prepayment for utilities	6,182	5,831
Prepaid expenses, other deposits and other debtors	10,038	15,761
	19,656	27,193
	111,002	261,561

10(a) Trade receivables from third parties

The loss allowance of approximately HK\$4,662,000 as at 30 June 2019 and 31 December 2018 was mainly and specifically resulted from a customer against whom the Group was in a legal action to recover the trade debt due to the Group.

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

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

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Within 30 days	39,659	175,600
31 to 60 days	23,025	40,657
61 to 90 days	8,096	6,586
91 to 180 days	4,555	1,419
Over 180 days	949	1,083
	76,284	225,345

At 30 June 2019, amount of approximately HK\$3,588,000 (31 December 2018: HK\$83,000) included in the trade receivables were in connection with factoring arrangements.

10(b) Bills receivables

The bills receivables are interest-free, guaranteed by banks in the PRC and have maturities of less than six months.

11. TRADE AND OTHER PAYABLES

		At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
	<i>Note</i>		
Trade payables			
To third parties	11(a)	<u>114,447</u>	<u>177,268</u>
Other payables			
Contract liabilities (<i>Note</i>)		15,247	7,203
Salaries payable		32,039	43,016
Other accruals and other creditors		<u>28,438</u>	<u>25,367</u>
		<u>75,724</u>	<u>75,586</u>
		<u>190,171</u>	<u>252,854</u>

Note: The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities with customers within HKFRS 15 during the year are as follows:

	HK\$'000
At 1 January 2019	7,203
Recognised as revenue	(7,203)
Receipt in advance	<u>15,247</u>
At 30 June 2019	<u>15,247</u>

11(a) Trade payables

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

	At 30 June 2019 (unaudited) HK\$'000	At 31 December 2018 (audited) HK\$'000
Within 30 days	29,167	69,902
31 to 60 days	58,667	87,333
61 to 90 days	15,319	10,706
Over 90 days	<u>11,294</u>	<u>9,327</u>
	<u>114,447</u>	<u>177,268</u>

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

12. PAYABLES FOR CONSTRUCTION IN PROGRESS

Payables for construction in progress represent the amounts payable to the constructors in respect of the construction of the production plants located in the PRC which the payment terms are unsecured, interest-free and repayable from one to four years since its inception. The amounts represent the present value of the invoiced amounts at effective interest rate of 4.75% at the end of the reporting period (31 December 2018: 4.75% – 6.15%).

13. INTEREST-BEARING BORROWINGS

The secured bank borrowings are wholly repayable within five years since its inception. At 30 June 2019, the secured bank borrowings carried weighted average effective interest rate of approximately 3.85% (31 December 2018: 4.40%) per annum.

At 30 June 2019, the bank borrowings are secured by:

- (i) buildings and the right-of-use assets in respect of the prepaid land lease payments with aggregate net carrying amount of approximately HK\$280,497,000 (31 December 2018: HK\$280,895,000);
- (ii) key management insurance contracts with fair value of approximately HK\$27,695,000 (31 December 2018: HK\$26,841,000);
- (iii) trade receivables in connection with factoring arrangement of approximately HK\$3,588,000 (31 December 2018: HK\$83,000); and/or
- (iv) certain machinery and equipment with aggregate net carrying amount of approximately HK\$5,381,000 (31 December 2018: HK\$1,749,000).

14. SHARE CAPITAL

	At 30 June 2019 (unaudited)		At 31 December 2018 (audited)	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Authorised:				
<i>Ordinary shares of HK\$0.1 each</i>				
At the beginning of the reporting period	2,000,000	200,000	3,900	390
Increase on 8 February 2018	—	—	1,996,100	199,610
At the end of the reporting period	<u>2,000,000</u>	<u>200,000</u>	<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid:				
<i>Ordinary shares of HK\$0.1 each</i>				
At the beginning of the reporting period	620,000	62,000	3	—*
Issue of shares pursuant to the Capitalisation Issue	—	—	464,997	46,500
Issue of shares pursuant to Global Offering	—	—	155,000	15,500
At the end of the reporting period	<u>620,000</u>	<u>62,000</u>	<u>620,000</u>	<u>62,000</u>

* less than HK\$1,000

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the first half of 2019, the regional economy experienced risk of downturn as a result of the Sino-US trade war. The market demand of many consumer products was negatively impacted. Nonetheless, the Group still recorded remarkable growth in both revenue and profit after tax, which was mainly contributed by the increase in sales of e-cigarettes products. During the first half of 2019, the Group received orders for new e-cigarette products under the brand names owned by a well known tobacco group. It is expected that the sales of e-cigarettes products will have promising growth potential and the impact of new laws and regulations related to the consumption of e-cigarettes in various overseas countries will be limited.

The revenue for integrated plastic solutions segment also recorded a high single-digit growth as compared with the same period in 2018. The Group will seek continuous growth by matching our competitive strengths with products having good prospects. All of these require continuous development by further expanding our research and development team, upgrading the production lines by acquiring new high precision mould making machines and plastic injection machines and advancing to automated production process. The Group believes these are key components of the Group's future development.

During the six months ended 30 June 2019, the Group's total revenue amounted to approximately HK\$666.7 million, representing an increase of approximately 137.8% compared to the same period last year (30 June 2018: HK\$280.4 million). The Group recorded a gross profit of approximately HK\$162.3 million (30 June 2018: HK\$64.2 million) with a gross profit margin of approximately 24.3% (30 June 2018: 22.9%).

The Group recorded a profit for the six months ended 30 June 2019 attributable to equity holders of the Company of approximately HK\$65.9 million (30 June 2018: HK\$3.9 million). Basic earnings per share attributable to equity holders of the Company were approximately 10.63 HK cents (30 June 2018: 0.69 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 in the national guidelines. By utilising the plastic injection process and applying the plastic injection moulds fabricated by the Group or, in limited cases, external subcontractors, the Group manufactures plastic components for office furniture, office electronic products, home appliances, communication products and automobiles.

Manufacturing of e-cigarette products

The Group 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.

Financial Review

Revenue

Revenue for the six months ended 30 June 2019 was approximately HK\$666.7 million, representing an increase of approximately HK\$386.3 million, or approximately 137.8%, from approximately HK\$280.4 million for the same period in 2018.

The integrated plastic solutions segment revenue for the six months ended 30 June 2019 was approximately HK\$199.2 million, accounting for approximately 29.9% of our total revenue and representing an increase of approximately HK\$16.1 million, or approximately 8.8%, from segment revenue of approximately HK\$183.1 million for the same period in 2018. This increase was primarily due to an increase in sales to the Group’s major customers during the period.

The e-cigarettes products segment revenue for the six months ended 30 June 2019 was approximately HK\$467.5 million, accounting for approximately 70.1% of our total revenue and representing an increase of approximately HK\$370.2 million, or approximately 380.7%, from segment revenue of approximately HK\$97.2 million for the same period in 2018. This increase was primarily due to an increase in sales of new model e-cigarettes.

Gross Profit

Gross profit for the six months ended 30 June 2019 was approximately HK\$162.3 million (30 June 2018: HK\$64.2 million), representing a gross profit margin of 24.3% (30 June 2018: 22.9%).

Gross profit for integrated plastic solutions for the six months ended 30 June 2019 was approximately HK\$43.1 million (30 June 2018: HK\$35.2 million), representing a gross profit margin of 21.6% (30 June 2018: 19.2%). The increase in gross profit margin was primarily contributed by the orders for new products which improved the sales and the gross profit margin.

Gross profit for e-cigarettes products for the six months ended 30 June 2019 was approximately HK\$119.2 million (30 June 2018: 29.0 million), representing a gross profit margin of 25.5% (30 June 2018: 29.8%). This decrease was primarily due to the launch of new model e-cigarettes which had a lower gross profit margin.

Other Income

Other income for the six months ended 30 June 2019 was approximately HK\$3.8 million, representing an increase of approximately HK\$0.8 million, or approximately 27.1%, from approximately HK\$3.0 million for the same period in 2018. The increase was primarily due to, amongst others, an increase in bank interest income and exchange gain during the period.

Selling and Distribution Costs

Selling and distribution costs for the six months ended 30 June 2019 were approximately HK\$6.4 million, representing a decrease of approximately HK\$0.8 million or approximately 11.0% from that for the same period in 2018 of HK\$7.1 million. The decrease was primarily due to the saving of certain transportation expenses given the relocation of factories from Shenzhen to Huizhou has been completed in the last reporting period.

Administrative and Other Operating Expenses

Administrative and other operating expenses for the six months ended 30 June 2019 were approximately HK\$67.0 million, representing an increase of approximately HK\$26.7 million or approximately 66.1% from that for the same period in 2018 (30 June 2018: HK\$40.3 million). The increase was mainly due to an increase in headcount and pay raise for administrative staff.

Finance Costs

Finance costs for the six months ended 30 June 2019 were approximately HK\$4.9 million, which represents a decrease of approximately HK\$0.5 million or approximately 8.5% from that for the same period in 2018 (30 June 2018: HK\$5.3 million). The decrease was primarily due to a decrease of interest payment resulting from the repayment of interest-bearing borrowings during the period.

Income Tax Expense

Income tax expenses for the six months ended 30 June 2019 were approximately HK\$22.0 million, representing an increase of approximately HK\$18.2 million or approximately 468.6% from that for the same period in 2018 (30 June 2018: HK\$3.9 million). Such increase was primarily due to a significant increase in profit before tax.

Profit Attributable to Equity Holders of the Company

As a result of the foregoing, profit for the six months ended 30 June 2019 was approximately HK\$65.9 million, representing an increase of approximately HK\$62.1 million, or approximately 1,606.9%, from approximately HK\$3.9 million for the same period in 2018.

Future Plan and Prospects

Recent development of the Sino-US trade war has adversely affected the economy and resulted in increased uncertainty of market demand. The Group will closely monitor the market demand of its products and the macroeconomic condition. The Group believes that impact of the trade war may become more severe in the second half of 2019 and the foreseeable future will be full of challenges. To mitigate such risks, the Group's business strategy is to maintain a balanced and diversified customer base by offering integrated plastic solutions to customers from different industries. Through maintaining and utilising long-established relationships with a diverse range of internationally recognised and industry-leading players, it is expected that the Group will be able to explore new products and potential new customers for future business development.

To prepare for the continuous growth from orders of new products from existing customers, the Group plans to further expand its production capacity by addition of highly automated machineries and construction of new factory premises in the remaining land area in Huizhou during the second half of 2019. Construction is expected to commence in the third quarter of 2019. The new factory premises will have a total floor area of approximately 78,000 sq. metre, which comprises staff quarters and workshops for the Group's new automated production line.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers. As at 30 June 2019, the Group had cash and cash equivalents of approximately HK\$122.2 million (31 December 2018: HK\$61.4 million). The interest-bearing liabilities as at 30 June 2019 was HK\$175.4 million (31 December 2018: HK\$237.6 million) with interest rates ranging from approximately 2.53% to 4.95% per annum. The Group's gearing ratio as at 30 June 2019, calculated based on the total borrowings to the equity attributable to owners of the Company, was 35.1% (31 December 2018: 52.7%). The Group recorded net current liabilities of approximately HK\$36.4 million as at 30 June 2019, which increased by approximately HK\$22.5 million as compared with that of approximately HK\$13.9 million as at 31 December 2018. Such increase was mainly attributable to the final dividend payable for the year ended 31 December 2018 of HK\$18.6 million and the increase in payables for construction in progress.

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. In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk for the six months ended 30 June 2019. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the six months ended 30 June 2019, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2019, the Group has made no material acquisitions or disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

USE OF PROCEEDS

The net proceeds of the Group raised from the initial public offering were approximately HK\$77.6 million, after deducting the underwriting fees, commissions and other listing expenses. As at 30 June 2019, approximately HK\$71.4 million of the net proceeds had been utilised. As at 30 June 2019, the unutilised net proceeds of approximately HK\$6.2 million were placed in licensed banks in Hong Kong and are intended to be used in the manner as set out in the section of “Future Plans and Use of Proceeds” in the prospectus of the Company dated 14 February 2018, i.e. to purchase advanced equipment from reputable manufacturers in the PRC for an automated PET manufacturing line, during the second half of 2019. Set out below is a summary of the utilisation of net proceeds:

	Planned use of proceeds <i>HK\$ million</i>	Actual utilised amount as at 30 June 2019 <i>HK\$ million</i>	Unutilised amount as at 30 June 2019 <i>HK\$ million</i>
For the leasehold improvement in phase II of the Group’s new site in Huizhou	3.0	3.0	–
For equipment upgrade and capacity expansion and related investments	69.8	63.6	6.2
For working capital	4.8	4.8	–
Total	77.6	71.4	6.2

SUBSEQUENT EVENT

As at the date of this announcement, no subsequent events occurred after 30 June 2019 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 and performance bonus. Directors and senior management of the Group receive compensation in the form of fees, salaries, allowances, discretionary bonus, defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses its Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages (including incentive plans) of its Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of its Directors and senior management and the performance of the Group.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2019, 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 conduct material investments and capital assets other than the construction of new factory premises and addition of machineries as mentioned in the sections headed "Management Discussion and Analysis – Business Review" and "Future Plan and Prospects" in this announcement. The planned capital expenditure will primarily be funded by the Group's internal resources and bank borrowings.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company and any of its subsidiaries has not purchased, redeemed or sold any of its listed securities during the six months ended 30 June 2019.

CORPORATE GOVERNANCE MEASURES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange 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 monopolize the decision-making of the Board. The Board considers that the balance of power between the Board and management can still be maintained under the current structure. The Board shall review its management structure from time to time to ensure appropriate action be taken should the need arise.

Save as disclosed above, during the six months ended 30 June 2019, the Company has complied with the CG Code.

AUDIT COMMITTEE

Our audit committee consists of three members, being Mr. Ng Chi Wai, Mr. Hung Chun Leung and Mr. Chan Bing Kai. Mr. Ng Chi Wai currently serves as the chairman of our audit committee.

The audit committee has reviewed with the management the Group’s unaudited consolidated financial statements for the six months ended 30 June 2019, the accounting principles and practices adopted and discussed auditing, internal control and financial reporting matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2019. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the six months ended 30 June 2019.

INTERIM DIVIDEND

Interim Dividend

The Board has resolved to declare an interim dividend of HK1.5 cents per ordinary share for the six months ended 30 June 2019 payable to the shareholders whose names appear on the register of members of the Company at the close of business on 16 September 2019 (30 June 2018: \$nil). The interim dividend is expected to be paid on 26 September 2019.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 12 September 2019 to Monday, 16 September 2019, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited at Lever 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 11 September 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Group for the six months ended 30 June 2019 is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hkctgroup.com.

An interim report for the six months ended 30 June 2019, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
TIAN CHANG GROUP HOLDINGS LTD.
Chan Tsan Lam
Chairman

Hong Kong, 29 August 2019

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.