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TK Group (Holdings) Limited

東江集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2283)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

RESULTS

The board of directors (the “**Board**”) of TK Group (Holdings) Limited (the “**Company**”) is pleased to present the consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2015, together with the comparative figures for the corresponding period in 2014:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2015	2014
Results and financial performance		
Revenue (HK dollar '000)	733,537	528,575
Profit attributable to owners of the Company (HK dollar '000)	71,196	53,086
Basic earnings per share (HK cents)	8.6	6.4
Proposed interim dividend per share (HK cents)	3.0	2.0
Gross profit margin	25.0%	25.6%
Net profit margin	9.7%	10.0%
Return on equity (<i>Note 1</i>)	12.9%	12.2%
Return on assets (<i>Note 2</i>)	5.4%	5.5%
Inventory turnover days (<i>Note 3</i>)	94	93
Trade receivable turnover days (<i>Note 4</i>)	50	44
Trade payable turnover days (<i>Note 5</i>)	65	61

30 June 31 December
2015 2014

Financial position

Net current assets (HK dollar '000)	294,424	241,137
Current ratio (<i>Note 6</i>)	143.3%	143.1%
Quick ratio (<i>Note 7</i>)	98.6%	100.4%
Gearing ratio (<i>Note 8</i>)	43.0%*	24.9%
Net gearing ratio (<i>Note 9</i>)	0%	0%

Notes:

- (1) Return on equity ratio is calculated by dividing profit after tax by total equity and multiplying the resulting value by 100%.
- (2) Return on assets ratio is calculated by dividing profit after tax by total assets and multiplying the resulting value by 100%.
- (3) Inventory turnover days is calculated based on the average balance of inventory divided by the cost of sales for the relevant period multiplied by 180 days.
- (4) Trade receivable turnover days is calculated based on the average trade receivables divided by the revenue for the relevant period multiplied by 180 days.

- (5) Trade payable turnover days is calculated based on the average trade payables divided by cost of sales for the relevant period multiplied by 180 days.
 - (6) Current ratio is calculated by dividing current assets by current liabilities and multiplying the resulting value by 100%.
 - (7) Quick ratio is calculated by dividing current assets less inventory by current liabilities and multiplying the resulting value by 100%.
 - (8) Gearing ratio is calculated by dividing total borrowings by total equity and multiplying the resulting value by 100%.
 - (9) Net gearing ratio is calculated by dividing net borrowings (total borrowings net-off cash) by total equity and multiplying the resulting value by 100%. Net gearing ratio was zero as net cash of the Company as at 30 June 2015 and 30 June 2014 was HK\$161,875,000 and HK\$135,165,000, respectively.
- * The increase of gearing ratio was due to the increase of total loan compared to the same period of last year. It included a Euro-denominated loan for hedging the Group's Euro sales collection risks, details please refer to Note 12 to the condensed consolidated interim financial information. Excluding the said loan, gearing ratio as at 30 June 2015 was 24.5%, which was comparable to that as at 30 June 2014.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Note</i>	30 June 2015 (Unaudited)	31 December 2014 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	301,778	306,495
Intangible assets	8	10,389	9,720
Deferred income tax assets	14	—	6
Prepayments for property, plant and equipment	8	30,326	18,391
Deposits for non-current bank borrowings	13	<u>—</u>	<u>2,006</u>
		<u>342,493</u>	<u>336,618</u>
Current assets			
Inventories	9	303,888	239,119
Trade and other receivables	10	272,690	295,171
Cash and cash equivalents		289,704	266,526
Pledged bank deposits	13	<u>108,750</u>	<u>—</u>
		<u>975,032</u>	<u>800,816</u>
Total assets		<u><u>1,317,525</u></u>	<u><u>1,137,434</u></u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	11	82,660	82,660
Share premium	11	237,902	237,902
Other reserves		39,740	46,100
Retained earnings			
— Proposed dividends	20	24,798	41,330
— Others		<u>165,131</u>	<u>118,733</u>
Total equity		<u><u>550,231</u></u>	<u><u>526,725</u></u>

	<i>Note</i>	30 June 2015 (Unaudited)	31 December 2014 (Audited)
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	<i>13</i>	79,696	46,632
Deferred income tax liabilities	<i>14</i>	<u>6,990</u>	<u>4,398</u>
		<u>86,686</u>	<u>51,030</u>
Current liabilities			
Trade and other payables	<i>12</i>	509,238	443,993
Income tax liabilities		14,487	30,957
Short-term bank borrowings	<i>13</i>	120,449	58,433
Current portion of non-current bank borrowings	<i>13</i>	<u>36,434</u>	<u>26,296</u>
		<u>680,608</u>	<u>559,679</u>
Total liabilities		<u>767,294</u>	<u>610,709</u>
Total equity and liabilities		<u>1,317,525</u>	<u>1,137,434</u>
Net current assets		<u>294,424</u>	<u>241,137</u>
Total assets less current liabilities		<u>636,917</u>	<u>577,755</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Note</i>	Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
Revenue	7	733,537	528,575
Cost of sales	16	(549,971)	(393,485)
Gross profit		183,566	135,090
Other income	15	8,247	7,256
Other gains — net	15	3	3,427
Selling expenses	16	(38,640)	(28,640)
Administrative expenses	16	(69,093)	(50,995)
Operating profit		84,083	66,138
Interest income	17	5,668	1,652
Finance expenses	17	(2,773)	(2,499)
Finance income/(costs) — net		2,895	(847)
Profit before income tax		86,978	65,291
Income tax expense	18	(15,782)	(12,205)
Profit for the period attributable to owners of the Company		71,196	53,086
Other comprehensive income			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation differences		(6,360)	(4,663)
Total comprehensive income for the period		64,836	48,423
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic	19	8.6	6.4
— Diluted	19	8.6	6.4

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Other reserves					Retained earnings	Total
		Share capital	Share premium	Statutory reserves	Exchange reserve	Share option reserve		
For the six months ended 30 June 2015								
(unaudited)								
Balance as at 1 January 2015 (audited)		82,660	237,902	21,777	20,989	3,334	160,063	526,725
Comprehensive income								
Profit for the period		—	—	—	—	—	71,196	71,196
Currency translation differences		—	—	—	(6,360)	—	—	(6,360)
Total comprehensive income		—	—	—	(6,360)	—	71,196	64,836
Contributions by and distributions to owners of the Company recognised directly in equity								
Dividends	20	—	—	—	—	—	(41,330)	(41,330)
Total contributions by and distributions to owners of the Company for the period		—	—	—	—	—	(41,330)	(41,330)
Balance as at 30 June 2015 (unaudited)		<u>82,660</u>	<u>237,902</u>	<u>21,777</u>	<u>14,629</u>	<u>3,334</u>	<u>189,929</u>	<u>550,231</u>

	<u>Other reserves</u>					
	Share capital	Share premium	Statutory reserves	Exchange reserve	Retained earnings	Total
For the six months ended 30 June 2014 (unaudited)						
Balance as at 1 January 2014 (audited)	80,000	208,143	7,918	22,795	51,410	370,266
Comprehensive income						
Profit for the period	—	—	—	—	53,086	53,086
Currency translation differences	—	—	—	(4,663)	—	(4,663)
Total comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,663)</u>	<u>53,086</u>	<u>48,423</u>
Contributions by and distributions to owners of the Company recognised directly in equity						
Share issuance	2,660	30,590	—	—	—	33,250
Share issuance costs	—	(831)	—	—	—	(831)
Dividends	—	—	—	—	(14,879)	(14,879)
Total contributions by and distributions to owners of the Company for the period	<u>2,660</u>	<u>29,759</u>	<u>—</u>	<u>—</u>	<u>(14,879)</u>	<u>17,540</u>
Transfer to statutory reserves	—	—	2,548	—	(2,548)	—
Balance as at 30 June 2014 (unaudited)	<u><u>82,660</u></u>	<u><u>237,902</u></u>	<u><u>10,466</u></u>	<u><u>18,132</u></u>	<u><u>87,069</u></u>	<u><u>436,229</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Note</i>	Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Cash generated from operations		139,322	79,826
Interest received		1,745	645
Income tax paid		<u>(29,614)</u>	<u>(27,178)</u>
Net cash generated from operating activities		<u>111,453</u>	<u>53,293</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(20,588)	(19,131)
Prepayment for property, plant and equipment		(25,178)	(48,564)
Purchase of intangible assets		—	(4,773)
Proceeds from disposal of property, plant and equipment		295	2,027
Purchase of available-for-sale financial assets		(185,000)	(35,000)
Proceeds from available-for-sale financial assets		<u>187,554</u>	<u>35,347</u>
Net cash used in investing activities		<u>(42,917)</u>	<u>(70,094)</u>
Cash flows from financing activities			
Proceeds from bank borrowings	13	263,373	68,761
Repayments of bank borrowings	13	(157,815)	(108,658)
Decrease/(Increase) in deposits for non-current bank borrowings		2,006	(739)
Increase in pledge of bank deposit		(108,750)	—
Interest paid		(2,859)	(2,465)
Proceeds from issuance of shares		—	33,250
Share issuance costs paid		—	(831)
Dividends paid	20	<u>(41,330)</u>	<u>—</u>
Net cash used in financing activities		<u>(45,375)</u>	<u>(10,682)</u>
Net increase/(decrease) in cash and cash equivalents		<u>23,161</u>	<u>(27,483)</u>
Cash and cash equivalents at beginning of the period		266,526	332,587
Exchange gain on cash and cash equivalents		<u>17</u>	<u>30</u>
Cash and cash equivalents at end of the period		<u>289,704</u>	<u>305,134</u>
Analysis of balances of cash and cash equivalents:			
Cash and cash on hand		289,704	309,999
Bank overdrafts	13	<u>—</u>	<u>(4,865)</u>
		<u>289,704</u>	<u>305,134</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 March 2013 as an exempted company with limited liability. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries (collectively the "**Group**") are principally engaged in the manufacturing, sales, subcontracting, fabrication and modification of molds and plastic components in the People's Republic of China (the "**PRC**"). As at 30 June 2015, the ultimate shareholders of the Group are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu (the "**Ultimate Shareholders**"), each holding an effective equity interest of 33.40%, 20.78% and 20.04% in the Company, respectively.

On 20 December 2013, the Company completed public offering and shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

This condensed consolidated interim financial information ("**Interim Financial Information**") is presented in Hong Kong dollar ("**HK\$**"), unless otherwise stated.

This Interim Financial Information was approved for issue on 13 August 2015 and has not been audited.

2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2015 (the "**Period**") has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2014 ("**2014 Financial Statements**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2014 Financial Statements, as described therein. Newly effective standards and interpretations and amendments to HKFRS effective for the financial year ending 31 December 2015 are not expected to have a material impact on the Group.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

4. ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2014 Financial Statements.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2014 Financial Statements.

There have been no changes in the risk management function since 31 December 2014 or in any risk management policies since 31 December 2014.

5.2 Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The Group exercises prudent liquidity risk management by maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

5.3 Fair value estimation

The Group has no financial asset or liability that is measured at fair value at 30 June 2015 and 31 December 2014.

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair values of the following financial assets and liabilities approximate their respective carrying amounts:

- Pledged bank deposits
- Bank borrowings
- Trade and other payables
- Trade and other receivables
- Cash and cash equivalents

6. SEASONALITY OF SALES

The Group's sales volume has historically been affected by seasonality. As the Group's products are used by the Group's customers in their respective manufacturing processes, the demand for the Group's products fluctuates in accordance with fluctuations in the demand for their products. A significant portion of the Group's downstream industries have generally been in higher demand in the second half of each calendar year due to the seasonal purchase patterns of consumers such as Thanksgiving Day and Christmas holidays. As a result, the Group recorded higher revenue in the second half of the year than that of the first half of the year during each year of the track record period.

However, as the medical and health care business which has no any seasonality has been increased greatly in the Period, together with the mass production of the wearable device customers in advance in the first half year, it is estimated that the effect of seasonality will be significantly reduced throughout the year.

7. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on the internal reports that are used to make strategic decisions. The executive directors considered the nature of the Group's business and determined that the Group has two reportable segments as follows: (i) mold fabrication and (ii) plastic components manufacturing.

The executive directors assess the performance of the operating segments based on their revenue and gross profit and do not assess the assets and liabilities of the operating segments.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions.

Segment information for consolidated statement of comprehensive income

	Six months ended 30 June					
	Mold fabrication		Plastic components manufacturing		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Segment revenue	268,308	252,308	489,361	298,404	757,669	550,712
Inter-segment revenue elimination	<u>(24,132)</u>	<u>(22,137)</u>	<u>—</u>	<u>—</u>	<u>(24,132)</u>	<u>(22,137)</u>
Revenue from external customers	244,176	230,171	489,361	298,404	733,537	528,575
Segment results	69,151	76,539	114,415	58,551	183,566	135,090
Other income and other gains — net					8,250	10,683
Selling expenses					(38,640)	(28,640)
Administration expenses					(69,093)	(50,995)
Financial income/(costs) — net					<u>2,895</u>	<u>(847)</u>
Profit before income tax					<u>86,978</u>	<u>65,291</u>

Non-current assets, other than financial instruments and deferred income tax assets, by country:

	30 June 2015	31 December 2014
PRC	338,476	333,171
Germany	<u>4,017</u>	<u>2,455</u>
	<u>342,493</u>	<u>335,626</u>

8. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	Intangible assets	Property, plant and equipment	Prepayments for property, plant and equipment
Net book amount as at 1 January 2015	9,720	306,495	18,391
Additions	—	20,169	25,178
Disposals	—	(1,262)	—
Transfers	2,144	10,843	(12,987)
Currency translation differences	(252)	(4,291)	(256)
Depreciation/amortisation	<u>(1,223)</u>	<u>(30,176)</u>	<u>—</u>
Net book amount as at 30 June 2015	<u>10,389</u>	<u>301,778</u>	<u>30,326</u>
Net book amount as at 1 January 2014	3,791	167,492	33,199
Additions	4,773	19,595	48,564
Disposals	—	(2,858)	—
Transfers	—	17,669	(17,669)
Currency translation differences	(35)	(1,575)	(388)
Depreciation/amortisation	<u>(1,709)</u>	<u>(26,066)</u>	<u>—</u>
Net book amount as at 30 June 2014	<u>6,820</u>	<u>174,257</u>	<u>63,706</u>

9. INVENTORIES

	30 June 2015	31 December 2014
Raw materials	29,894	31,744
Work in progress	258,906	180,132
Finished goods	33,201	40,150
	322,001	252,026
Less: allowance for impairment	(18,113)	(12,907)
	<u>303,888</u>	<u>239,119</u>

10. TRADE AND OTHER RECEIVABLES

	30 June 2015	31 December 2014
Trade receivables	198,799	211,113
Less: allowance for impairment	(4,583)	(5,505)
	194,216	205,608
Trade receivables, net	194,216	205,608
Bills receivable	1,969	6,252
Prepayments and deposits	33,205	38,354
Value-added tax recoverable	18,744	21,656
Advances to employees	2,722	2,609
Export tax refund receivables	18,961	16,337
Others	2,873	4,355
	<u>272,690</u>	<u>295,171</u>

The credit period granted to customers is generally between 30 and 90 days. The ageing analysis of the trade receivables from the date of sales is as follows:

	30 June 2015	31 December 2014
Less than 3 months	186,470	202,996
More than 3 months but not exceeding 1 year	11,680	7,925
More than 1 year	649	192
	<u>198,799</u>	<u>211,113</u>

The Group's sales are made to various customers. While there is concentration of credit risk within a few major customers, these customers are reputable with good track record.

11. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (thousands)	Share capital (HK\$'000)
Ordinary shares, issued and fully paid: As at 30 June 2015 and 1 January 2015	<u>826,600</u>	<u>82,660</u>
1 January 2014	800,000	80,000
Additions	<u>26,600</u>	<u>2,660</u>
30 June 2014	<u>826,600</u>	<u>82,660</u>

Movement in issued shares is as follows:

	Number of shares (thousands)	Ordinary shares (HK\$'000)	Share premium (HK\$'000)	Total (HK\$'000)
At 1 January 2014	800,000	80,000	208,143	288,143
Issuance of shares	26,600	2,660	30,590	33,250
Share issuance costs	<u>—</u>	<u>—</u>	<u>(831)</u>	<u>(831)</u>
At 30 June 2014	<u>826,600</u>	<u>82,660</u>	<u>237,902</u>	<u>320,562</u>
At 1 January 2015 and 30 June 2015	<u>826,600</u>	<u>82,660</u>	<u>237,902</u>	<u>320,562</u>

12. TRADE AND OTHER PAYABLES

	30 June 2015	31 December 2014
Trade payables (a)	217,139	179,433
Deposits received from customers	212,798	175,020
Wages and staff welfare benefits payable	53,847	57,938
Accrual for expenses and other payables	20,115	23,887
Other taxes payable	<u>5,339</u>	<u>7,715</u>
	<u>509,238</u>	<u>443,993</u>

(a) The ageing analysis of the trade payables is as follows:

	30 June 2015	31 December 2014
0–90 days	184,718	170,258
91–120 days	20,632	7,893
121–365 days	11,634	844
Over 365 days	155	438
	<u>217,139</u>	<u>179,433</u>

13. BORROWINGS

	30 June 2015	31 December 2014
Non-current		
Bank borrowings		
— secured (a)	—	12,921
— unsecured	116,130	60,007
Less: current portion of non-current borrowings	<u>(36,434)</u>	<u>(26,296)</u>
	<u>79,696</u>	<u>46,632</u>
Current		
Bank overdrafts	—	914
Bank borrowings		
— secured (a)	101,556	—
— unsecured	18,893	57,519
	<u>120,449</u>	<u>58,433</u>
Total short-term bank borrowings	<u>120,449</u>	<u>58,433</u>
Current portion of non-current borrowings	<u>36,434</u>	<u>26,296</u>
	<u>156,883</u>	<u>84,729</u>
Total borrowings	<u>236,579</u>	<u>131,361</u>

Movement in borrowings is as follows:

	Six months ended 30 June	
	2015	2014
Opening balance as at 1 January	131,361	169,224
Proceeds from borrowings	263,373	68,761
Repayments of borrowings	(157,815)	(108,658)
Currency translation differences	(340)	(85)
	<u> </u>	<u> </u>
Closing balance as at 30 June	<u>236,579</u>	<u>129,242</u>

(a) As at 30 June 2015, bank borrowings amounting to HK\$101,556,000 (31 December 2014: HK\$12,921,000) were secured over the following:

	30 June 2015	31 December 2014
Pledged bank deposits	108,750	—
Deposits for non-current borrowings	—	2,006
Plant and machinery	—	13,756
	<u> </u>	<u> </u>
	<u>108,750</u>	<u>15,762</u>

14. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The movements in deferred income tax assets and liabilities before offsetting are as follows:

	Six months ended 30 June	
	2015	2014
Deferred income tax assets		
Opening balance as at 1 January	4,873	4,469
Recognised in the profit or loss	186	254
Currency translation differences	38	(43)
	<u> </u>	<u> </u>
Closing balance as at 30 June	<u>5,097</u>	<u>4,680</u>

	Six months ended 30 June	
	2015	2014
Deferred income tax liabilities		
Opening balance as at 1 January	9,265	4,958
Recognised in the profit or loss	2,822	2,300
	<u> </u>	<u> </u>
Closing balance as at 30 June	<u>12,087</u>	<u>7,258</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same taxation authority and are in the same entity within the Group.

As at 30 June 2015, deferred income tax assets and deferred income tax liabilities were offset to the extent of HK\$5,097,000 (31 December 2014: HK\$4,867,000).

15. OTHER INCOME AND OTHER GAINS — NET**Six months ended 30 June****2015** **2014****Other income**

Sales of scrap and surplus materials	5,640	5,038
Others	2,607	2,218

	8,247	7,256
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Other gains — net

Net foreign exchange gain	970	3,198
(Losses)/gains on disposal of property, plant and equipment	(967)	229

	3	3,427
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16. EXPENSES BY NATURE**Six months ended 30 June****2015** **2014**

Changes in inventories of finished goods and work in progress	(71,825)	(28,334)
Raw materials and consumables used	300,279	193,244
Employee benefit expense	201,027	154,071
Depreciation and amortisation	31,399	27,775
Subcontracting expenses	87,766	54,445
Water and electricity expenses	23,912	14,848
Transportation and travelling expenses	18,095	13,818
Other taxes and levies	4,242	4,155
Maintenance expenses	5,020	2,986
Allowance for/(reversal of allowance for) impairment of inventories	5,328	(1,759)
(Reversal of allowance for)/allowance for receivables	(880)	15
Operating lease payments	14,307	11,128
Research and development costs		
— Raw materials and consumables used	2,044	1,205
— Employee benefit expenses	12,150	9,719
Commission expenses	8,796	5,288
Auditors' remuneration	1,918	1,742
Advisory and legal service expenses	2,648	(89)
Advertising and promotion fees	1,327	83
Utilities and postage fees	2,108	1,035
Bank charges and handling fees	581	360
Donations	34	79
Other expenses	7,428	7,306

	657,704	473,120
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17. FINANCE COSTS — NET

	Six months ended 30 June	
	2015	2014
Interest income:		
— Interest income on bank deposits	(3,114)	(1,305)
— Interest income on available-for-sale financial assets	<u>(2,554)</u>	<u>(347)</u>
	<u>(5,668)</u>	<u>(1,652)</u>
Finance expenses		
— Bank borrowings wholly repayable within 5 years	<u>2,773</u>	<u>2,499</u>
Finance (income)/costs — net	<u>(2,895)</u>	<u>847</u>

18. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the Period. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC corporate income tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the Period at a rate of 25% (2014 interim: 25%) applicable to the respective companies. During the Period, TK Mold (Shenzhen) Limited, a subsidiary of the Group, was recognised as a “New and High Technology Enterprise” by the PRC Government. Accordingly, it enjoyed a preferential enterprise income tax rate of 15% from 1 January 2014 to 31 December 2016.

	Six months ended 30 June	
	2015	2014
Current income tax		
— PRC corporate income tax	20,529	14,009
— Reversal of PRC corporate income tax over-provided	(7,383)	(3,850)
Deferred income tax	<u>2,636</u>	<u>2,046</u>
	<u>15,782</u>	<u>12,205</u>

19. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	71,196	53,086
Weighted average number of ordinary shares issued (thousand)	<u>826,600</u>	<u>824,531</u>
Basic earnings per share (HK cents)	<u>8.6</u>	<u>6.4</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market share price of the Company's shares) for the same amount of proceed are share issues for no consideration which causes dilution to earnings per share. During the Period, the outstanding share options do not have any material dilutive impact. Therefore, the diluted earnings per share of the Company approximates the basic earnings per share.

20. DIVIDENDS

On 13 August 2015, the board resolved to declare an interim dividend of HK3.0 cents per share (2014 interim: HK2.0 cents per share). This interim dividend, amounting to HK\$24,798,000 (2014 interim: HK\$16,532,000), has not been recognized as a liability in this interim financial information.

Dividends in respect of the year ended 31 December 2014 of HK5.0 cents per share, amounting to a total of HK\$41,330,000, were paid on 30 June 2015.

21. COMMITMENTS

(a) Capital commitments

The Group has the following capital expenditure committed but not yet incurred:

	30 June 2015	31 December 2014
In respect of the acquisitions of plant and equipment, contracted but not provided for	<u>38,614</u>	<u>33,016</u>

(b) Operating commitments

The Group leases premises under non-cancellable operating lease agreements. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2015	31 December 2014
Not later than 1 year		
— to related companies	18,358	23,849
— to third parties	<u>4,603</u>	<u>4,805</u>
	<u>22,961</u>	<u>28,654</u>
Later than 1 year and not later than 5 years		
— to related companies	—	3,307
— to third parties	<u>5,112</u>	<u>6,595</u>
	<u>5,112</u>	<u>9,902</u>

22. RELATED-PARTY TRANSACTIONS

In addition to the related party information and transactions disclosed above, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties.

	Six months ended 30 June	
	2015	2014
Operating lease expenses paid (a)	<u>11,476</u>	<u>7,609</u>

- (a) The amount represented rental expenses for land and buildings for factory and office purposes paid to companies controlled by Ultimate Shareholders, which were determined with reference to independent property valuation.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL INFORMATION

The independent auditor of the Company, Pricewaterhouse Coopers, has reviewed the unaudited interim financial information for the six months ended 30 June 2015 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

BUSINESS REVIEW

Being a leading provider of one-stop plastics solutions, the Group continued to strive to enhance automatic and streamlined production and increase investments in research and development and production automation. The mold fabrication business unit continued to develop in a more large-scale, precise and efficient direction. During the Period, the ultra-large mold fabrication business unit and precise flexible production business unit commenced stable operation, and are expected to start generating sales in the fourth quarter of 2015. The plastic components manufacturing focused on high-precision and automation development, and is expected to invest over HK\$20 million in such automatic equipment, like mechanical arms and robots, in 2015.

The Group continued to keep an eye on the market conditions, and riding on the philosophy of “Keeping our Customer Successful”, the Group proactively cultivated new customers and restructured its products efficiently in response to market changes. In spite of the complicated domestic and international economic environment and increased downward pressure on the Chinese economy, the Group adapted itself to the changes in the market and the development of the Age Of Big Health (「大健康時代」) by catering to the rapid development of wearable devices industry and by benefiting from strategic product restructuring in 2014, including exploitation and promotion of the development of related products in both mobile phones and wearable devices and medical and health care industries. The underlying strategic restructuring brought benefits to the Company during the current period. During the Period, the total turnover recorded strong growth driven by robust sales of the relevant plastic components.

During the Period, the turnover of the mobile phones and wearable devices industry, the medical and health care industry, the automobiles industry and the commercial telecommunications equipment industry recorded a strong growth. The Group’s total turnover amounted to HK\$733.5 million, representing an increase of 38.8% compared to the same period last year (first half of 2014: HK\$528.6 million).

Industry	Six months ended 30 June				Change	
	2015		2014			
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Mobile phones and wearable devices	176.4	24.0	112.2	21.2	64.2	57.2
Medical and health care	95.7	13.0	39.4	7.5	56.3	142.9
Commercial telecommunications equipment	168.4	23.0	87.2	16.5	81.2	93.1
Automobiles	118.2	16.1	83.3	15.8	34.9	41.9
Digital devices	41.5	5.7	39.9	7.5	1.6	4.0
Household electrical appliances	86.7	11.8	102.9	19.5	-16.2	-15.7
Video game devices	18.9	2.6	2.4	0.5	16.5	687.5
Others	27.7	3.8	61.3	11.5	-33.5	-54.6
	<u>733.5</u>	<u>100</u>	<u>528.6</u>	<u>100</u>	<u>205.0</u>	<u>38.8</u>

The Group recorded a gross profit of approximately HK\$183.6 million (first half of 2014: HK\$135.1 million) with a gross profit margin of 25.0% (first half of 2014: 25.6%). The Group's total gross profit margin maintained at the same level as the same period last year.

Profit for the period attributable to owners of the Company amounted to HK\$71.2 million (first half of 2014: HK\$53.1 million), representing an increase of 34.1% as compared to the same period last year. Net profit margin was 9.7% (first half of 2014: 10.0%). Basic earnings per share for the period was HK8.6 cents (first half of 2014: HK6.4 cents).

Business Segment Analysis

Mold Fabrication Business

The income of the mold fabrication business division was mainly derived from sales of performance molds and standard molds. The turnover of this business segment amounted to HK\$244.2 million, representing an increase of 6.3% when compared to HK\$230.2 million in the same period last year, and accounting for 33.3% of the Group's total turnover. Due to long cycle of mold fabrication, the expansion of production capacity in the fourth quarter of 2014 would not bring substantial sales growth in the short run, and the relevant business units are expected to start generating sales in the fourth quarter of 2015.

Plastic Components Business

The turnover of the plastic components business amounted to approximately HK\$489.4 million, representing an increase of 64.0% when compared to approximately HK\$298.4 million in the same period last year. The product restructuring in response to market conditions in 2014 and the automatic production strategy of the Group brought corresponding benefits during the current period. During the Period, sales in the mobile phones and wearable devices industry, the medical and health care industry and the commercial telecommunications equipment industry recorded strong growth.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2015 was HK\$733.5 million, representing an increase of HK\$205.0 million or 38.8%, from revenue of HK\$528.6 million for the same period in 2014. The increase was mainly attributable to the strong growth of the plastic components business, together with the stable growth of mold fabrication business, 6.3% upside when compared to the same period last year.

Gross Profit

Gross profit for the first half of 2015 was HK\$183.6 million, representing an increase of HK\$48.5 million or 35.9%, from gross profit of approximately HK\$135.1 million for the same period in 2014. The increase was mainly attributable to the strong growth of the plastic components manufacturing segment business and the increased gross profit margin resulting from the increase of equipment utilisation rate due to business growth.

Segment gross profit margin for mold fabrication for the first half of 2015 was 28.3%, representing a decrease of 5.0 percentage points from 33.3% for the same period in 2014. The decrease was primarily due to: 1) the Group completed production capacity expansion in the fourth quarter of 2014, such as establishing a new business unit specialising in ultra-large standard molds, a highly automatic precision mold fabrication business unit and Longgang branch office (positioned as packaging and medical business unit). Due to longer cycle of mold fabrication, it is difficult to realise economic benefits in the short run, which affected mold fabrication segment gross profit margin to a certain extent; and 2) as Europe is one of the key regions where the customers of the Company's mold fabrication segment are located, segment gross profit margin for mold fabrication was partly affected by depreciation of the Euro. In order to minimise the effect of fluctuations of the Euro on the Group, the Group borrowed a Euro-denominated loan from a bank equivalent to the amount of the Group's existing orders from Europe in April 2015 to effectively hedge the effect of fluctuations of the Euro on the Group.

Segment gross profit margin for plastic components manufacturing for the first half of 2015 was 23.4%, representing an increase of 3.8 percentage points from 19.6% for the first half of 2014. The increase in gross profit margin was primarily attributable to increase of equipment utilisation rate due to business growth driven by structural adjustment to the products, as well as enhanced efficiency resulting from automation investments.

Other Income

Other income for the first half of 2015 was HK\$8.2 million, representing an increase of HK\$0.9 million or 13.6%, from other income of HK\$7.3 million for the same period in 2014. The increase was primarily attributable to new government grants of HK\$1.3 million secured by the Group during the current period.

Other Gains/(Losses) — Net

Net other gains for the first half of 2015 was HK\$3,000, representing a decrease of HK\$3.4 million from net other gains of HK\$3.4 million for the same period of 2014. Gains for the first half of 2014 was mainly attributable to the conversion of sales proceeds received from clients in Europe upon the appreciation of the Euro, while such factor did not exist for the Period.

Selling Expenses

Selling expenses for the first half of 2015 was HK\$38.6 million, representing an increase of HK\$10.0 million, from selling expenses of HK\$28.6 million for the same period in 2014. The increase was primarily due to the increases of HK\$3.3 million and HK\$3.5 million in transportation expenses and sales commission, respectively, which aligned with the significant growth in sales.

Administrative Expenses

Administrative expenses for the first half of 2015 was HK\$69.1 million, representing an increase of HK\$18.1 million or 35.5%, from administrative expenses of HK\$51.0 million for the same period in 2014. The increase was primarily due to: 1) the increase in labour costs resulting from annual salary adjustment of about 6%–8% and the increase in management personnel of about 100 head counts resulting from capacity expansion; and 2) the increase of HK\$5.3 million of provision for impairment of inventories.

Finance Income/(Costs) — Net

Net finance income/(costs) for the first half of 2015 increased by HK\$3.7 million, primarily due to sufficient cash flows of the Group and interest income from bank deposits and purchase of principal guaranteed available-for-sale financial assets.

Income Tax Expense

Income tax expense for the first half of 2015 was HK\$15.8 million, and the effective tax rate was 18.1%, representing a decrease from 18.6% for the same period of 2014. The decrease was primarily due to the Group's principal mold fabrication company obtaining the National New and High Technology Enterprise certificate and enjoyed a preferential enterprise income tax rate of 15%.

Profit for the Period Attributable to Owners of the Company

Profit for the first half of 2015 attributable to owners of the Company was HK\$71.2 million, representing an increase of HK\$18.1 million or 34.1%, from HK\$53.1 million for the same period of 2014.

SEASONALITY

The Group's sales volume has historically been affected by seasonality. As the Group's products are used by the Group's customers in their respective manufacturing processes, the demand for the Group's products fluctuates in accordance with fluctuations in the demand for their products. A significant portion of the Group's downstream industries have generally been in higher demand in the second half of each calendar year due to the seasonal purchase patterns of consumers such as Thanksgiving Day and Christmas holidays. As a result, the Group recorded higher revenue in the second half of the year than that of the first half of the year during each year of the track record period.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

As at 30 June 2015, the Group had net current assets of approximately HK\$294.4 million (31 December 2014: HK\$241.1 million). The Group had cash and cash equivalents of approximately HK\$289.7 million (31 December 2014: HK\$266.5 million). The current ratio of the Group as at 30 June 2015 was approximately 143.3% (31 December 2014: 143.1%).

Total equity of the Group as at 30 June 2015 was approximately HK\$550.2 million (31 December 2014: HK\$526.7 million). The gearing ratio (which was calculated by dividing total loan amount by total equity amount of the Group) as at 30 June 2015 was approximately 43.0% (31 December 2014: 24.9%), such increase which was primarily due to the Group's borrowing of EUR11.7 million from bank for reducing the exchange risk of the Group's Euro-denominated sales proceeds receivable from its customers in Europe based on market exchange rate fluctuations of Euro during the Period. Excluding such loan, gearing ratio as at 30 June 2015 was 24.5%, which was comparable to that as at 30 June 2014.

It is a prudent decision to secure the Euro-denominated loan from banks to hedge Euro exchange rate risk after assessment of many foreign exchange hedging instruments by the management, which best matches the Company's business model.

DEBT MATURITY PROFILE

The maturity profile of the Group's borrowings is set out below:

	30 June 2015	31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	156,883	84,729
Between 1 and 2 years	31,648	24,628
Between 2 and 5 years	48,048	22,004
	236,579	131,361

An analysis of the Group's key liquidity ratios as at 30 June 2015 is as follows:

	Six months ended 30 June	
	2015	2014
Inventory turnover days (<i>Note 1</i>)	94	93
Trade receivable turnover days (<i>Note 2</i>)	50	44
Trade payable turnover days (<i>Note 3</i>)	65	61
	30 June	31 December
	2015	2014
Current ratio (<i>Note 4</i>)	143.3%	143.1%

Notes:

1. Inventory turnover days is calculated based on the average balance of inventory divided by the cost of sales for the relevant year multiplied by 180 days.
2. Trade receivable turnover days is calculated based on the average trade receivables divided by the revenue for the relevant year multiplied by 180 days.
3. Trade payable turnover days is calculated based on the average trade payables divided by cost of sales for the relevant year multiplied by 180 days.
4. Current ratio is calculated by dividing current assets by current liabilities and multiplying the resulting value by 100%.

INVENTORY TURNOVER DAYS

During the Period, the Group's inventory turnover days was 94 days, which was comparable to that of the same period ended 30 June 2014.

TRADE RECEIVABLE TURNOVER DAYS

During the Period, the Group's trade receivable turnover days was 50 days, representing an increase of 6 days as compared to the same period in 2014, which was primarily due to the significant increase of account receivables at end of the period driven by strong sales growth of the Group's plastic components segment during the period. Such account receivables were still within normal credit periods.

TRADE PAYABLE TURNOVER DAYS

During the Period, the Group's trade payable turnover days was 65 days, which was comparable to that of the same period as of 30 June 2014.

CURRENT RATIO

As at 30 June 2015, the Group's current ratio was 143.3%, which was comparable to that as at 30 June 2014.

PLEDGED ASSETS

Details of pledged assets as at 30 June 2015 are set out in Note 13(a) to the interim financial information.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operated in the PRC and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to the HK dollar, US dollar and Euro. Exchange rate fluctuations and market trends have always been of concern to the Group. Foreign currency hedging of the Group has been managed by our chief financial officer, and overseen by the Group's chief executive officer. In accordance with our hedging needs and the then foreign exchange situation, the Group's chief financial officer would collect and analyse information regarding various hedging instruments and determine stop-loss thresholds. The Group's chief financial officer would then collect quotations from various banks as to the financial instrument and present such quotations to the Group's chief executive officer, who would then evaluate and make a decision as to whether to enter into the relevant hedging agreement. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

For the period ended 30 June 2015, save as the Euro-denominated bank loan, the Group had not entered into any hedging agreement.

Euro substantially declined during the second half of 2014. As the European market is one of the key markets for the Group's mold fabrication segment, in order to hedge the risk of depreciation of the payments received from European customers, the Group's chief financial officer collected information on hedging instruments for analysis, having taken into account of the Group's business operations, the Group decided to adopt the Euro-denominated loan to hedge the risk of depreciation of the receivables from Euro-denominated orders in the future.

The Group's cash and bank balances were primarily denominated in RMB and HK dollar. Its operating cash inflows and outflows were primarily denominated in RMB, US dollar, Euro and HK dollar. The Group will closely monitor the exchange rate movements and regularly review its banking facilities so as to mitigate the expected exchange rate risk.

CAPITAL COMMITMENTS

Details of capital commitments as at 30 June 2015 are set out in Note 21(a) to the interim financial information.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Stock Exchange on 20 December 2013. Net proceeds from the initial public offering totalled approximately HK\$268.0 million (including the net proceeds from the exercise of the over-allotment option which took place on 15 January 2014). In the first half of 2015, a total of HK\$22.9 million had been applied to the Group's capacity expansion and research and development.

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 30 June 2015. All unutilised proceeds are placed with licensed banks in China and Hong Kong.

Use of proceeds

	% of total amount	Net proceeds (HK\$ million)	Utilised amounts as at 30 June 2015 (HK\$ million)	Unutilised amounts as at 30 June 2015 (HK\$ million)
Establishing a new business unit specialising in ultra-large standard molds	19%	51.9*	43.3	8.6
Upgrading mold fabrication capabilities	14%	37.1*	37.1	—
Expanding Shenzhen plastic components manufacturing capacity	22%	59.4*	59.4	—
Expanding Suzhou plastic components manufacturing capacity	17%	44.5*	5.9	38.6
Strategic acquisitions of other mold fabricators	11%	29.5*	16.4	13.1
Research and development	8%	21.5*	10.3	11.2
General working capital	9%	24.1*	—	24.1
	<u>100%</u>	<u>268.0*</u>	<u>172.4</u>	<u>95.6</u>

*Note: On 15 January 2014, China Merchants Securities (HK) Co., Limited, the sole global coordinator (on behalf of the international underwriters) of the global offering, partially exercised the over-allotment option, pursuant to which the Company issued 26,600,000 ordinary shares of HK\$0.1 each at the subscription price of HK\$1.25 per share. The allocation of the net proceeds of HK\$32.4 million was adjusted on a pro rata basis as set out in the section headed "Use of Proceeds" in the Company's Prospectus. As a result, the net aggregate proceeds was increased from HK\$235.6 million to HK\$268.0 million.

The use of proceeds shown above is in line with the intended use as set out in the Prospectus.

PLANS FOR MATERIAL CAPITAL INVESTMENTS

The Group plans to invest in capacity expansion and pursue suitable projects to capture the potential growth of the Group's business in the coming years in the manner set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Such source of funding would be primarily from the net proceeds from the listing and bank borrowings.

STAFF POLICY

As at 30 June 2015, the Group had 3,436 full-time employees (31 December 2014: 3,265) and had 854 dispatched workers dispatched to us from third party staffing companies (31 December 2014: 681).

The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent directors and employees. The Group believes the remuneration packages are reasonable and competitive and in line with market trends. The Group has put in place a share option scheme for its directors and employees in a bid to provide a competitive package for the Group's long term growth and development. The Group also provides appropriate training and development programmes to its employees to enhance the staff's work ability and personal effectiveness.

We have implemented training programmes for the employees to meet different job requirements. We believe that these initiatives have contributed to increased employee productivity.

As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance and housing funds.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2015, the Group has made no material acquisitions or disposals of subsidiaries.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities.

OUTLOOK

Strong sales growth in the first half of 2015 was mainly attributable to the Group's successful product restructuring of the plastic components segment.

In the second half of 2015, despite expected slower economic growth and intense competition in the industry, all business units of the Group will work closely together, and strive to develop new markets to enhance market share, as well as strengthen operation management and cost control, so as to maximise returns for the shareholders and investors.

Regarding the development of the mold fabrication business, the new business units specialising in ultra-large standard molds, automatic precision mold business unit and packaging and medical business unit commenced stable operation during the Period. Due to long cycle of mold fabrication, it is expected to start generating sales in the fourth quarter of 2015, and the mold fabrication business is expected to grow throughout the year.

As for the plastic components business, the product restructuring in response to market conditions in 2014 and the automatic production strategy of the Group brought corresponding benefits during the current period. During the Period, sales in the mobile phones and wearable devices industry, the medical and health care industry and the commercial telecommunications equipment industry recorded strong growth. In addition, the new plant in Eastern China commenced production in the fourth quarter of 2014. The Group believes the plastic components business will realise a steady growth in the year through such strategic structural adjustment and expansion of production capacity.

Developments as to defects to land title with respect to the Shenzhen Tangjia Plants

Reference is made to the Prospectus and the announcement of the Company dated 20 March 2014. Unless otherwise defined herein, capitalised terms used in this sub-section shall have the same meanings as those defined in the Prospectus. As the Bureau of Urban Planning and Land Commission of the Shenzhen Municipality (深圳市規劃國土委) is still examining policy proposals regarding the conversion of land use from high-technology project to commercial use by payment of land premium for submission for the approval of the municipal government, pursuant to the instructions of the Land Bureau, TK Technology (Shenzhen) Ltd (東江科技(深圳)有限公司) will submit the written application to convert the green-type property ownership certificate into the red-type property ownership certificate after the promulgation of the relevant policy.

As disclosed in the section headed “Business — Properties — Plans to Resolve Risks Related to Certain of Our Leased Properties” of the Prospectus, the Company has contingency arrangements in place and will adopt such measures when it is necessary. Such contingency arrangements include relocating to the Backup Plants by exercising the Company’s right to request the Backup Plants Landlord to enter into the formal lease agreement with the Company within 15 days from the Company’s notice to the Backup Plants Landlord for one or more of the Backup Plants pursuant to the Pre-lease Agreements. Towards the expiry of the Pre-lease Agreements, in the event that TK Technology (Shenzhen) has yet to convert the green-type property ownership certificate into red-type property ownership certificate, the Company shall seek to either renew the Pre-lease Agreements or engage another party for a similar arrangement. The Company has renewed the Pre-lease Agreements with effective period of 2.5 years until 31 December 2016.

RMB EXCHANGE RATE RISK

The Group’s major revenue is principally denominated in US dollar, Euro and HK dollar, and the Group’s major expenses are principally denominated in RMB. Therefore, the recent depreciation of RMB has a positive impact on the Company’s operations. The Group does not enter into any agreement for RMB hedging purpose.

DIVIDEND

On 13 August 2015, the Board resolved to declare an interim dividend of HK3.0 cents per share for the six months ended 30 June 2015, amounting to a total of approximately HK\$24,798,000. The interim dividend is expected to be paid on 18 September 2015 to all shareholders whose name appear on the register of members of the Company at the close of business on 9 September 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the aforesaid proposed interim dividend, the register of members of the Company will be closed from 7 September 2015 to 9 September 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed interim dividend, unregistered holders of shares of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the branch share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 4 September 2015.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed listed securities of the Company during the six months ended 30 June 2015.

CORPORATE GOVERNANCE

The Company believes that good corporate governance is important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The directors of the Company is of the view that the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2015.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Tsang Wah Kwong (Chairman), Dr. Chung Chi Ping Roy and Mr. Ho Kenneth Kai Chung.

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30 June 2015.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.tkmold.com.

The interim report will be dispatched to the shareholders of the Company and published on the above websites in due course.

On behalf of the Board
TK Group (Holdings) Limited
Li Pui Leung
Chairman

Hong Kong, 13 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael, Mr. Lee Leung Yiu and Mr. Cheung Fong Wa; and the independent non-executive directors of the Company are Dr. Chung Chi Ping Roy, Mr. Ho Kenneth Kai Chung and Mr. Tsang Wah Kwong.