

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

The board of directors (the “Board”) of TK Group (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	2013	2012
		HK\$'000	HK\$'000
Revenue	4	1,197,852	1,095,985
Cost of sales	5	<u>(866,138)</u>	<u>(724,287)</u>
Gross profit		331,714	371,698
Other income		30,300	17,538
Other gains/(losses) — net		(705)	6,446
Selling expenses	5	(59,540)	(55,505)
Administrative expenses	5	<u>(126,058)</u>	<u>(142,737)</u>
Operating profit		175,711	197,440
Finance costs		<u>(6,478)</u>	<u>(11,179)</u>
Profit before income tax		169,233	186,261
Income tax expense	6	<u>(47,885)</u>	<u>(51,068)</u>
Profit for the year attributable to owners of the Company		121,348	135,193
Other comprehensive income			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation differences		<u>3,194</u>	<u>(47)</u>
Total comprehensive income for the year		<u>124,542</u>	<u>135,146</u>
Earnings per share for the year			
— basic and diluted (HK\$ per share)	7	<u>0.22</u>	<u>0.27</u>
Dividends	8	<u>241,438</u>	<u>54,956</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2013	2012
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Land use rights		—	24,792
Property, plant and equipment		167,492	253,713
Intangible assets		3,791	4,164
Deferred income tax assets		4,469	5,892
Derivative financial instruments		—	745
Prepayments for the purchase of property, plant and equipment		33,199	3,796
Deposits for non-current bank borrowings		1,267	2,611
		<u>210,218</u>	<u>295,713</u>
Current assets			
Inventories		183,923	150,204
Trade and other receivables	9	228,728	200,689
Amount due from related companies		—	137,013
Available-for-sale financial assets		—	24,664
Derivative financial instruments		—	798
Cash and cash equivalents		332,587	94,084
Pledged bank deposits		—	47,712
		<u>745,238</u>	<u>655,164</u>
Total assets		<u>955,456</u>	<u>950,877</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	12	80,000	—
Share premium	12	208,143	—
Other reserves		30,713	113,216
Retained profits			
— Proposed final dividend	8	14,879	—
— Other		36,531	163,153
		<u>370,266</u>	<u>276,369</u>
Total equity		<u>370,266</u>	<u>276,369</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
	Note	2013	2012
		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	11	52,791	52,160
Deferred income tax liabilities		<u>4,958</u>	<u>17,677</u>
		<u>57,749</u>	<u>69,837</u>
Current liabilities			
Trade and other payables	10	379,125	341,802
Amounts due to related companies		1,192	40,654
Amounts due to Ultimate Shareholders		—	22,057
Income tax liabilities		30,691	38,013
Short-term bank borrowings	11	48,726	128,809
Current portion of non-current bank borrowings	11	<u>67,707</u>	<u>33,336</u>
		<u>527,441</u>	<u>604,671</u>
Total liabilities		<u>585,190</u>	<u>674,508</u>
Total equity and liabilities		<u>955,456</u>	<u>950,877</u>
Net current assets		<u>217,797</u>	<u>50,493</u>
Total assets less current liabilities		<u>428,015</u>	<u>346,206</u>

Notes:

1. CORPORATE INFORMATION

1.1 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. The Group is principally engaged in the manufacturing, sales, subcontracting, fabrication and modification of molds and plastic components in the People's Republic of China (the "PRC") (the "Listing Business"). As at 31 December 2013, the ultimate shareholders of the Group were Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu (the "Ultimate Shareholders"), each holding an effective equity interest of 33.75%, 21.00% and 20.25% in the Company, respectively.

On 20 December 2013, shares of the Company were listed (the "Listing") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

1.2 Reorganisation

In preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent a reorganisation (the "Reorganisation"), pursuant to which the Company became the holding company of certain companies/operations engaged in the Listing Business.

1.3 As at the completion date of the Reorganisation, assets and liabilities of certain subsidiaries not transferred to the Group pursuant to the Reorganisation were accounted for as a deemed distribution to Ultimate Shareholders (the "Deemed Distribution").

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments and available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) Change in accounting policy

“Consolidated income statement” and “Consolidated statement of comprehensive income”, which were presented separately in the consolidated financial statements for the year ended 31 December 2012, are combined into one “Consolidated statement of comprehensive income” for presentation in these consolidated financial statements. This change for simplicity and conciseness does not have any impact on the results, financial position and cash flows of the Company and the Group for the current and previous years.

(b) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the year:

HKAS 1 Amendments	Amendment to HKAS 1 <i>Financial statement presentation — Other comprehensive income</i>
HKFRS 7 Amendments	Amendment HKFRS 7 <i>Financial instruments: Disclosures — asset and liability offsetting</i>
HKFRS 10 Amendments	Amendment to HKFRS 10 <i>Consolidated financial statements</i>
HKFRS 11 Amendments	Amendment to HKFRS 11 <i>Joint arrangements — the rights and obligations of the parties to the arrangement rather than its legal form</i>
HKFRS 12	Amendment to HKFRS 12 <i>Disclosures of interests in other entities — disclosure requirements for all forms of interests in other entities</i>
HKFRS 13	Amendment to HKFRS 13 <i>Fair value measurement</i>

The adoption of the revised Hong Kong Accounting Standard (“HKAS”) and HKFRSs has had no significant financial effect on these financial statements.

4. 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.

The segment information for the reportable segments are set out as below:

	Mold fabrication		Plastic components manufacturing		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
External revenue	476,024	356,245	721,828	739,740	1,197,852	1,095,985
Inter-segment revenue	42,427	80,867	—	—	42,427	80,867
Segment revenue	518,451	437,112	721,828	739,740	1,240,279	1,176,852
Elimination					(42,427)	(80,867)
Revenue from external customers					1,197,852	1,095,985
Segment results	186,143	169,336	145,571	202,362	331,714	371,698
Other income and other gains/(losses) — net					29,595	23,984
Selling expenses					(59,540)	(55,505)
Administrative expenses					(126,058)	(142,737)
Finance costs					(6,478)	(11,179)
Profit before income tax					169,233	186,261

5. EXPENSES BY NATURE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Changes in inventories of finished goods and work in progress	(26,140)	(49,627)
Raw materials and consumables used	521,806	431,689
Employee benefit expenses (<i>Note a</i>)	283,730	262,903
Depreciation and amortisation	52,222	46,679
Subcontracting expenses	70,289	82,683
Water and electricity expenditures	22,852	22,192
Transportation and travelling expenses	25,641	21,109
Other taxes and levies	11,703	9,260
Maintenance expenses	6,134	11,038
(Reversal of allowance)/allowance for impairment of inventories	(5,530)	3,222
Allowance for receivables	102	829
Operating lease payments	14,642	7,912
Research and development costs		
— Raw materials and consumables used	4,093	4,747
— Employee benefit expenses	23,380	22,788
Commission expenses	3,202	19,916
Auditors' remuneration	3,154	1,586
Expenses related to initial public offering	16,345	3,141
Advisory and legal service expenses	2,649	4,159
Advertising and promotion fee	2,949	3,005
Utilities and postage fee	5,387	3,966
Security and estate management expenses	2,346	794
Bank charges and handling fees	1,873	1,047
Donations	1,000	—
Other expenses	7,907	7,491
	<u>7,907</u>	<u>7,491</u>
Total cost of sales, selling expenses and administrative expenses	<u>1,051,736</u>	<u>922,529</u>

Note:

(a) include directors' emoluments of approximately:

2013: HK\$9,671,000,
2012: HK\$11,965,000.

6. INCOME TAX EXPENSE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current income tax		
— PRC corporate income tax	43,035	40,613
Deferred income tax	<u>4,850</u>	<u>10,455</u>
	<u><u>47,885</u></u>	<u><u>51,068</u></u>

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year (2012: 16.5%).

(c) PRC corporate income tax (“CIT”)

CIT is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits. The applicable CIT rate is 25% (2012: 25%).

(d) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfill requirements under the tax treaty arrangements between the PRC and Hong Kong.

(e) BVI income tax

No provision for income tax in the British Virgin Islands (the “BVI”) has been made as the Group has no income assessable for income tax in BVI during the year (2012: nil).

(f) Taxation on the Group's profit

The taxation on the Group's profit before income tax differs from the theoretical amount that would have arisen using the main statutory tax rate applicable to profit of the Group due to the following:

	2013	2012
	HK\$'000	HK\$'000
Profit before income tax	<u>169,233</u>	<u>186,261</u>
Tax calculated at applicable CIT rate of 25%	42,308	46,565
Effects of:		
Income not subject to tax	(4,752)	(2,325)
Expenses not deductible for taxation purposes	3,214	1,629
Tax on the Reorganisation	3,001	—
Withholding income tax on profit to be distributed from the group companies in the PRC	4,114	7,203
Underprovision in prior years	—	735
Accelerated research and development deductible expenses	—	(1,347)
Utilisation of tax losses previously not recognised	—	(34)
Tax holiday and preferential tax rates available to the group companies	<u>—</u>	<u>(1,358)</u>
	<u>47,885</u>	<u>51,068</u>

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year. In determining the weighted average number of ordinary shares issued:

- (a) the 20,000 ordinary shares of the Company issued during the Reorganisation were treated as if they had been in issue since 1 January 2012;
- (b) out of the 70,000 ordinary shares of the Company issued on 25 October 2013 to Ultimate Shareholders in settlement of indebtedness to Ultimate Shareholders (the "Capitalisation of Indebtedness"), 15,474 ordinary shares were treated as if they were issued on 30 June 2013 (date of agreements for Capitalisation of Indebtedness) at fair value and 54,526 ordinary shares were treated as if they were bonus shares that had been in issue since 1 January 2012;
- (c) the 599,910,000 ordinary shares of the Company issued on 20 December 2013 under the Capitalisation Issue (Note 12(b)) have been adjusted retrospectively to the numbers of ordinary shares issued under (a) and (b) above as if the proportionately higher numbers of shares had been in issue since the relevant dates indicated; and

(d) the 200,000,000 ordinary shares in relation to the issue of shares to the public were issued on 20 December 2013.

	2013	2012
Profit attributable to owners of the Company (HK\$'000)	121,348	135,193
Weighted average number of ordinary shares issued ('000)	555,154	496,840
Basic earnings per share (HK\$)	<u>0.22</u>	<u>0.27</u>

Diluted earnings per share for the year was the same as basic earnings per share as the impact of over-allotment option at 31 December 2013 was negligible. There was no dilutive ordinary share for the year ended 31 December 2012.

8. DIVIDENDS

Interim dividends amounting to HK\$226,559,000 were paid to the shareholders during the year ended 31 December 2013 (2012: HK\$54,956,000) before the Listing. The rate for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement.

A final dividend in respect of the year ended 31 December 2013 of HK\$1.8 cents per share, amounting to HK\$14,878,800 in total, is to be proposed to the shareholders for approval at the annual general meeting of the Company to be held on 6 June 2014. These financial statements did not reflect this dividend payable as the dividend was proposed after 31 December 2013.

9. TRADE AND OTHER RECEIVABLES

	2013 HK\$'000	2012 HK\$'000
Trade receivables (<i>Note a</i>)	146,469	159,292
Less: allowance for impairment	<u>(3,774)</u>	<u>(3,672)</u>
Trade receivables, net	142,695	155,620
Bills receivable	6,163	—
Prepayments and deposits	47,718	15,048
Value-added tax recoverable	5,390	4,967
Advances to employees	3,519	3,077
Export tax refund receivables	18,992	18,184
Others	<u>4,251</u>	<u>3,793</u>
	<u>228,728</u>	<u>200,689</u>

Note:

(a) The carrying amounts of the trade receivables are denominated in the following currencies:

	2013	2012
	HK\$'000	HK\$'000
USD	108,983	125,960
RMB	29,233	18,980
EUR	4,577	10,598
HK\$	3,676	3,754
	<u>146,469</u>	<u>159,292</u>

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

	2013	2012
	HK\$'000	HK\$'000
Less than 3 months	142,882	158,346
More than 3 months but not exceeding 1 year	2,649	946
More than 1 year	938	—
	<u>146,469</u>	<u>159,292</u>

The fair values of trade and other receivables approximated their carrying amounts as at 31 December 2013 and 2012.

10. TRADE AND OTHER PAYABLES

	2013	2012
	HK\$'000	HK\$'000
Trade payables (<i>Note a</i>)	153,711	121,000
Deposits received from customers	129,782	118,207
Wages and staff welfare benefits payable	47,250	55,566
Accrual for expenses and other payables	43,349	44,268
Other taxes payable	5,033	2,761
	<u>379,125</u>	<u>341,802</u>

Note:

(a) The Group's trade payables are denominated in the following currencies:

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	119,856	97,479
USD	23,532	11,451
HK\$	8,915	11,023
EUR	1,408	1,047
	<u>153,711</u>	<u>121,000</u>

The ageing analysis of trade payables are as follows:

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 90 days	143,183	112,323
91 — 120 days	8,076	6,189
121 — 365 days	2,170	1,560
Over 365 days	282	928
	<u>153,711</u>	<u>121,000</u>

The fair values of trade and other payables approximated their carrying amounts as at 31 December 2013 and 2012.

11. BORROWINGS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current		
Bank borrowings		
— secured	17,164	71,164
— guaranteed	—	14,332
— unsecured	103,334	—
Less: current portion of non-current borrowings	<u>(67,707)</u>	<u>(33,336)</u>
	<u>52,791</u>	<u>52,160</u>
Current		
Bank overdrafts	4,822	3,905
Bank borrowings		
— secured	—	114,639
— guaranteed	—	10,265
— unsecured	<u>43,904</u>	<u>—</u>
Total short-term bank borrowings	<u>48,726</u>	<u>128,809</u>
Current portion of non-current borrowings	<u>67,707</u>	<u>33,336</u>
	<u>116,433</u>	<u>162,145</u>
Total borrowings	<u>169,224</u>	<u>214,305</u>

12. SHARE CAPITAL AND SHARE PREMIUM

Details of the authorised number of ordinary shares with a par value of HK\$0.1 per share of the Company are set out as follows:

	Authorised number of ordinary shares
As at 28 March 2013 (Date of incorporation)	3,800,000
Additions	<u>1,996,200,000</u>
As at 31 December 2013	<u>2,000,000,000</u>

Details of issued shares are analysed as follows:

	Number of shares <i>(thousands)</i>	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 28 March 2013 (Date of incorporation)	10	1	—	1
Issuance of shares for acquisition of a subsidiary (a)(i)	10	1	—	1
Issuance of shares in relation to the Capitalisation of Indebtedness (a)(ii)	70	7	—	7
Issuance of shares by Public Offering (a)(iii)	200,000	20,000	230,000	250,000
Capitalisation Issue (b)	599,910	59,991	(59,991)	—
Share issuance costs	—	—	(6,268)	(6,268)
Share issuance costs transferred from capital reserve	—	—	(9,737)	(9,737)
Deemed Distribution transferred from capital reserve (c)	—	—	(174,522)	(174,522)
Transferred from capital reserve (a)(ii)	—	—	228,661	228,661
As at 31 December 2013	<u>800,000</u>	<u>80,000</u>	<u>208,143</u>	<u>288,143</u>

Notes:

- (a) (i) On 17 April 2013, the Company acquired the entire equity interest in TK Industrial Holdings Limited from Ultimate Shareholders by crediting the existing 10,000 nil paid shares in issue as fully paid and issuing a total of 10,000 ordinary shares.
- (ii) On 30 June 2013, pursuant to various novation, assignment and capitalisation agreements entered into among others, the Company and Eastern Mix Company Limited (“Eastern Mix”), a company wholly-owned by Ultimate Shareholders, to settle the amounts due to related companies of HK\$129,950,000 arising from the equity transfers in the Reorganisation and debts due to various related companies with a total amount of HK\$98,711,000, Eastern Mix was assigned the rights of and the Company assumed the obligations of a total debt balance of HK\$228,661,000. The Company and Eastern Mix agreed that the Capitalisation of Indebtedness by issuing a total of 70,000 ordinary shares of the Company to the existing shareholders designated by Eastern Mix. The above-mentioned shares were issued on 25 October 2013. The amount was credited to the capital reserve account and has been subsequently transferred to the share premium account upon incorporation of the Company.
- (iii) On 20 December 2013, the Company issued 200,000,000 ordinary shares with par value of HK\$0.1 each in the Company at HK\$1.25 per share by way of public offering (the “Public Offering”). On the same date, the Company’s shares were listed on the Stock Exchange. The difference between the gross proceeds of HK\$250,000,000 and the issued and fully-paid share capital of HK\$20,000,000, amounting to HK\$230,000,000, was credited to the share premium account.
- (b) Following the Public Offering on 20 December 2013, the Company capitalised an amount of HK\$59,991,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 599,910,000 shares for allotment and issue to Eastern Mix, Lead Smart Development Limited, Cheer Union Development Limited and Normal Times International Limited in proportion to their respective shareholdings in the Company (the “Capitalisation Issue”).

- (c) The amount represents transfer of the outstanding balances of the Deemed Distribution from the capital reserve account to the share premium account during the year.
- (d) All shares issued rank pari passu with each other.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As a leading provider of one-stop total plastics solutions in China, the Group is primarily engaged in the design, fabrication and production of plastic injection molds and high-precision plastic components. Capitalising on its advanced manufacturing and research and development (“R&D”) capabilities, the Group provides one-stop professional services to a diverse range of internationally renowned companies, covering product design and optimisation, mold fabrication, plastic injection production, secondary processing services and final assembly, which facilitates cross-selling of its products and services.

During the year under review, the Group achieved business growth, driven by the steady recovery of the global economy and the increasing market demand for high-precision molds. During the year, the Group’s total turnover amounted to approximately HK\$1,197.9 million, representing a year-on-year increase of approximately 9.3% (2012: HK\$1,096.0 million). The Group recorded a gross profit of approximately HK\$331.7 million (2012: HK\$371.7 million) with a gross profit margin of approximately 27.7% (2012: 33.9%).

The Group recorded a profit for the year attributable to owners of the Company of approximately HK\$121.3 million (2012: HK\$135.2 million). The net profit margin was approximately 10.1% (2012: 12.3%). While the gross profit margin decreased by 6.2 percentage points, as the Group effectively controlled management costs, the net profit margin decreased by only 2.2 percentage points. Excluding the listing expense of approximately HK\$16.3 million recognised in 2013, adjusted net profit was approximately HK\$137.6 million, which was in-line with that of 2012. Basic earnings per share were approximately HK\$0.22 (2012: HK\$0.27).

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 approximately HK\$476.0 million, representing an increase of approximately 33.6% when compared to approximately HK\$356.2 million last year, accounting for approximately 39.7% of the Group’s total turnover. The growth was mainly attributable to increased orders from new customers and existing customers, particularly driven by the rising demand of customers from the automotive industry.

Molds are the foundation of any industrial process. The Group possesses technical capabilities and expertise in fabricating high-quality plastic injection molds which are applied to the manufacturing of plastic components for products across a wide range of industries, such as commercial telecommunications equipment, automobiles, household electrical appliances, video game devices, digital devices, mobile phones, pachinko and medical devices. The Group's high-precision molds are in compliance with the most precise criteria according to the related national standards in China and also meet overseas customers' increasingly stringent requirements. The trend of product personalisation has led to a greater variety of product designs, thereby boosting the demand for high-precision plastic injection molds. As overseas clients pay much closer attention to the precision, reliability, tooling-life and quality of the molds, the Group, through the expertise of an experienced R&D team, has continued to enhance the design and fabrication of molds it supplies and to improve its craftsmanship and production processes so as to meet the strict demands of the customers.

Plastic Components Manufacturing Business

The income of the plastic components manufacturing business decreased slightly by approximately 2.4% to approximately HK\$721.8 million (2012: HK\$739.7 million). The notable decrease in market demand for the consumer products of video game device has led to a decline in related orders. Nevertheless, as the Group has established a diversified and balanced customer base, the variation in orders placed by certain customers has not made a significant impact on the overall performance of this segment. The increase in orders from mobile phone customers has largely offset the decrease in orders for video game device customers.

Equipped with advanced production facilities and professional engineering technologies, the Group's plastic components business division is able to provide diverse product solutions to its customers. The plastic components manufactured by the Group are widely used in all industries in fast-growing markets, covering mobile accessories, video game devices, consumer electronics and medical devices. In recent years, there has been significant growth in consumers' demand for high quality and sophisticated consumer electronics products. Therefore, the Group can capitalise on its industry-leading technical capability to tap the enormous opportunities in the high-end consumer electronics market.

During the year, the Group had capital expenditure of approximately HK\$64.4 million. In early 2014, it has also rented a production plant in Suzhou, Jiangsu Province, China to expand the production capacity of plastic components. The rented plant is planned to commence operation in the second half of 2014 and will facilitate the Group's business development in Eastern China.

As a vertically integrated one-stop plastics solutions provider, the Group's mold fabrication business and plastic components business can leverage strong synergies and both businesses are complementary. Thus the Group can provide customised, cost effective and streamlined design and fabrication services to its customers, facilitate cross-selling of its businesses and enhance its technical expertise. The management believes that the reputation of the Group in mold fabrication can attract customers, which would help the Group to secure more orders for manufacturing plastic components.

Financial Review

Revenue

Revenue for the year ended 31 December 2013 was approximately HK\$1,197.9 million, representing an increase of approximately HK\$101.9 million, or approximately 9.3%, from revenue of approximately HK\$1,096.0 million for the year ended 31 December 2012.

The mold fabrication segment revenue for the year ended 31 December 2013 was approximately HK\$476.0 million, representing an increase of approximately HK\$119.8 million, or approximately 33.6%, from segment revenue of HK\$356.2 million for the year ended 31 December 2012. This increase was primarily due to an increase in sales to customers in the automotive industry of approximately HK\$161.8 million, or approximately 140.6% from approximately HK\$115.1 million in 2012 to approximately HK\$276.9 million in 2013.

The plastic components manufacturing segment revenue for the year ended 31 December 2013 was approximately HK\$721.8 million, representing a slight decrease of approximately HK\$17.9 million, or approximately 2.4%, from segment revenue of approximately HK\$739.7 million for the year ended 31 December 2012. There was a decrease in sales to customers in the video games industry of approximately HK\$114.9 million, or approximately 75.1%, from approximately HK\$152.9 million in 2012 to approximately HK\$38.0 million in 2013. However, such decrease was offset by the increase in sales to customers from mobile phone and Pachinko industries by approximately 40.5% and approximately 21.2% respectively.

Gross Profit

Gross profit for the year ended 31 December 2013 was approximately HK\$331.7 million, representing a decrease of approximately HK\$40.0 million, or approximately 10.8%, from gross profit of approximately HK\$371.7 million for the year ended 31 December 2012. The decrease was primarily due to the decrease in gross profit margin in plastic components manufacturing segment.

Segment gross profit margin for mold fabrication for 2013 was approximately 39.1% which dropped from approximately 47.5% for 2012. The decrease in gross profit margin was primarily due to a significant decrease in sales to customers, with high gross profit margin, in household electrical appliances industry.

Segment gross profit margin for plastic components manufacturing for 2013 was approximately 20.2%, compared to approximately 27.4% for 2012. The decrease in gross profit margin was primarily due to a significant decrease in sales to a key customer, with high gross profit margin, in the video games industry.

Other Income

Other income for the year ended 31 December 2013 was approximately HK\$30.3 million, an increase of approximately HK\$12.8 million, or approximately 73.1%, from other income of approximately HK\$17.5 million for the year ended 31 December 2012. The increase was primarily due to an increase in the sale of scrap and surplus materials resulting from change in product mix.

Other Gains/(Losses) — Net

The Group had a net loss for other gains/(losses) of approximately HK\$0.7 million for the year ended 31 December 2013, representing a decrease of approximately HK\$7.1 million, or approximately 110.9%, from a net gain of approximately HK\$6.4 million for the year ended 31 December 2012. The decrease was primarily due to (1) the decrease of net foreign exchange gain and (2) the fair value loss on derivative financial instruments which was consistent with the decrease in derivative financial instruments in 2013.

Selling Expenses

Selling expenses for the year ended 31 December 2013 were approximately HK\$59.5 million, representing an increase of approximately HK\$4.0 million, or approximately 7.2%, from selling expenses of approximately HK\$55.5 million for the year ended 31 December 2012. The increase was primarily due to the increase in transportation cost which aligned with the increase in revenue.

Administrative Expenses

Despite the listing expenses incurred in year 2013, administrative expenses for the year ended 31 December 2013 dropped to approximately HK\$126.1 million, representing a decrease of approximately HK\$16.6 million, or approximately 11.6%, from administrative expenses of approximately HK\$142.7 million for the year ended 31 December 2012. The decrease was primarily due to the decrease in (1) employee benefit expenses, (2) water, electricity and utility, (3) advisory and legal service expenses and (4) reversal of allowance for impairment of inventories.

Finance Costs

Finance costs for the year ended 31 December 2013 were approximately HK\$6.5 million, representing a decrease of approximately HK\$4.7 million, or approximately 42.0%, from finance costs of approximately HK\$11.2 million for the year ended 31 December 2012. The decrease was primarily due to the decrease in bank borrowings for 2013 as compared to 2012.

Income Tax Expense

Income tax expenses for the year ended 31 December 2013 was approximately HK\$47.9 million, representing a decrease of approximately HK\$3.2 million, or approximately 6.3%, from income tax expense of approximately HK\$51.1 million for the year ended 31 December 2012. The decrease was due to a decrease in the profit before income tax.

Profit Attributable to Owners of the Company

As a result of foregoing, profit for the year ended 31 December 2013 was approximately HK\$121.3 million, representing a decrease of approximately HK\$13.8 million, or approximately 10.2%, from approximately HK\$135.1 million for the year ended 31 December 2012. Had the listing expenses not been incurred during the year, the profit for the year ended 31 December 2013 is on the same level with the profit for the year ended 31 December 2012.

Future Plan and Prospects

In view of the gradual recovery of global consumer confidence, the management believes that the market has passed through the downturn and will slowly revive. The total production value of high-precision plastic injection molds and plastic components is expected to maintain its upward trend, which favours the Group's development prospects. Therefore, the Group remains prudent yet optimistic about its prospects for 2014.

Moving ahead, the Group is poised to capture the opportunities to expedite its growth by further increasing investments in production and R&D, enhancing the application and R&D of new technologies and new craftsmanship in a bid to provide high quality precision molds and plastic components.

Regarding the development of the mold fabrication business, the Group will establish a new business unit specialising in ultra-large standard molds for the manufacture of instrument panels, bumpers and door panels for the automotive industry with the aim of meeting the huge demand of the automotive industry for these molds. Meanwhile, the Group also plans to add a performance mold business unit in order to cater for the growing demand of its plastic injection business for high-end consumer electronics and tap into this fast-growing market trend.

In addition, in order to strategically expand our customer base, the Group will continue to cover more customers located in the United States, Japan and Europe and provide better services for our existing overseas customers. At the beginning of 2014, we have entered into a cooperative agreement with a sales representative from Germany to further extend the Group's business presence. We will also actively seek other mold fabricators who suit the scale of the Group and generate synergies for potential acquisition to facilitate the Group's business expansion and enlarge its market share globally. Moreover, the Group will continue to identify more projects with higher margins to drive business development.

As for the plastic injection molding business, the Group will optimise its production capacity in Eastern China. The newly rented production plant in Suzhou will commence production in the second half of this year, thereby boosting Suzhou plant's production capacity of plastic components by approximately 50%. With the upgraded production capability, we believe that the new plant will help enhance the flexibility of providing better services to our present Suzhou customers and other potential customers,

consequently bolstering the Group's competitiveness in Eastern China. At the same time, the Group will continue to expand the production capacity of the Shenzhen Tangjia plants so as to meet the demand of its new plastic components business.

Leveraging its core strength of providing one-stop services, the Group will further improve production efficiency and optimise its customer network to drive its business performance. The Group will continue to adhere to prudent finance management principles while monitoring and evaluating market trends and actively reinforcing our operational capability to achieve steady business growth.

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

Reference is made to the prospectus of the Company dated 11 December 2013 ("Prospectus") and the announcement of the Company dated 20 March 2014. Unless otherwise defined herein, capitalised terms used in this section shall have the same meanings as those defined in the Prospectus. In the course of application by TK Technology (Shenzhen) to convert the existing green-type property ownership certificate, TK Technology (Shenzhen) was informed by the Land Bureau that the Bureau of Urban Planning and Land Commission of Shenzhen Municipality (深圳市規劃國土委) is currently 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. Therefore TK Technology (Shenzhen) should submit the written application after the promulgation of the relevant policy.

According to the relevant laws and regulations of Shenzhen, leasing of the Shenzhen Tangjia Land must be approved by the Land Bureau and a land premium shall be paid, as TK Technology (Shenzhen) currently holds a green-type property ownership certificate. The Company's PRC legal advisers confirmed that the relevant laws and regulations of Shenzhen do not specify any penalty for leasing of the Shenzhen Tangjia Land for high-technology project purposes without obtaining prior approval and paying the land premium, such as confiscation of the land or the eviction of the tenant.

The Company has the contingency arrangements as disclosed in the Prospectus 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. For details of the contingency arrangements, please refer to the section headed "Business — Properties — Plans to Resolve Risks Related to Certain of Our Leased Properties" of the Prospectus.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had net current assets of approximately HK\$217.8 million (2012: HK\$50.5 million). The Group had cash and cash equivalents of approximately HK\$332.6 million (2012: HK\$94.1 million). The increase in cash and cash equivalents by the end of 2013 was mainly attributable to the net proceeds received from the Listing of approximately HK\$237.7 million. The current ratio of the Group as at 31 December 2013 was approximately 1.4 (2012: 1.1).

Total equity of the Group as at 31 December 2013 was approximately HK\$370.3 million (2012: HK\$276.4 million). The gearing ratio (which was calculated by dividing total loan amount by total equity amount of the Group) as at 31 December 2013 was approximately 45.7% (2012: 77.5%).

The Group has maintained adequate financial resources to fulfill its future commitments and make future investment for expansion.

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 HK dollar, US dollar, Euro and Renminbi (“RMB”). 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 finance officer, and overseen by our chief executive officer. In accordance with our hedging needs and the then foreign exchange situation, our chief financial officer would collect and analyse information regarding various hedging instruments and determine stop-loss thresholds. Then our chief financial officer would collect quotations from various banks as to the financial instrument and present such quotations to our 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.

Since the Listing and up to 31 December 2013, the Group had not entered into any hedging arrangements.

MATERIAL ACQUISITIONS AND DISPOSALS

Since the Listing and up to 31 December 2013, the Group has made no material acquisitions or disposals of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities.

STAFF POLICY

As at 31 December 2013, the Group had 2,947 full-time employees (2012: 3,222) and had 290 dispatched workers dispatched to us from third-party staffing companies (2012: 141).

We have implemented training programs for our 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchase, redeemed or sold any of the Company's listed securities during the period from the Listing to 31 December 2013.

CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the directors, the Company has complied with all the code provisions as set out in the CG Code to date.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the "Committee") comprises three independent non-executive directors. The primary duties of the Committee are to review and supervise the Group's financial reporting process and internal control systems.

As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget.

The Committee has reviewed with the management the annual results, the accounting principles and practices adopted by the Group for the year ended 31 December 2013 and discussed the Group's 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealing in the Company's securities.

Having made specific enquiry of the directors, all directors have confirmed that they have complied with the required standard set out in the Model Code since the Listing and up to 31 December 2013.

DIVIDEND

The Board has recommended the payment of a final dividend of HK\$1.8 cents per share for the year ended 31 December 2013 to shareholders whose names appear on the register of members of the Company as at the close of business on 17 June 2014. The proposed final dividend is subject to the approval of the shareholders at the annual general meeting of the Company which is scheduled to be held on 6 June 2014 (the “AGM”). The final dividend, if approved, is expected to be paid on 15 July 2014.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 31 March 2014, the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited (the “Branch Share Registrar”), will change its address from 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong to Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on 6 June 2014, the register of members of the Company will be closed from 4 June 2014 to 6 June 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong (which address will be changed to Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong with effect from 31 March 2014) for registration not later than 4:30 p.m. on 3 June 2014.

For determining the entitlement to the aforesaid proposed final dividend, the register of members of the Company will be closed from 13 June 2014 to 17 June 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed final 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 at the above address for registration not later than 4:30 p.m. on 12 June 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2013 is available for viewing on the website of the Stock Exchange at *www.hkexnews.hk* and on the website of the Company at *www.tkmold.com*.

An annual report for the year ended 31 December 2013, 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
TK Group (Holdings) Limited
Li Pui Leung
Chairman

Hong Kong, 25 March 2014

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.