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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 2016**

**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 2016, together with the comparative figures for the corresponding period in 2015:

## FINANCIAL HIGHLIGHTS

Six months ended 30 June  
2016 2015

### Results and financial performance

#### Results

Revenue (HK dollar '000)	721,328	733,537
Profit attributable to owners of the Company (HK dollar '000)	78,880	71,196
Basic earnings per share (HK cents)	9.5	8.6
Proposed interim dividend per share (HK cents)	4.0	3.0
Gross profit margin	26.4%	25.0%
Net profit margin	10.9%	9.7%
Return on equity (Note 1)	12.7%	12.9%
Return on assets (Note 2)	6.0%	5.4%
Inventory turnover days (Note 3)	93	94
Trade receivable turnover days (Note 4)	46	50
Trade payable turnover days (Note 5)	75	65
	30 June 2016	31 December 2015

#### Financial position

Net current assets (HK dollar '000)	304,636	304,412
Current ratio (Note 6)	148.4%	149.1%
Quick ratio (Note 7)	105.4%	108.1%
Gearing ratio (Note 8)	36.1%	33.9%
Net gearing ratio (Note 9)	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 the 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 and deposits for bank borrowings) 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 2016 and 31 December 2015 was HK\$198,563,000 and HK\$220,026,000, respectively.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

		As at	
	Note	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	357,915	344,151
Intangible assets	8	11,869	10,785
Prepayments for property, plant and equipment	8	9,988	20,970
		<u>379,772</u>	<u>375,906</u>
<b>Current assets</b>			
Inventories	9	270,477	254,402
Trade and other receivables	10	241,782	244,546
Deposits for bank borrowings	13	108,290	104,238
Restricted cash		—	1,176
Cash and cash equivalents		314,131	319,951
		<u>934,680</u>	<u>924,313</u>
<b>Total assets</b>		<u><b>1,314,452</b></u>	<u><b>1,300,219</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	82,660	82,660
Share premium	11	237,902	237,902
Other reserves		9,301	15,890
Retained earnings		290,067	269,049
<b>Total equity</b>		<u><b>619,930</b></u>	<u><b>605,501</b></u>

		As at	
	<i>Note</i>	<b>30 June 2016 (Unaudited)</b>	31 December 2015 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	<i>13</i>	<b>49,743</b>	68,051
Deferred income on government grants	<i>14</i>	<b>7,581</b>	—
Deferred income tax liabilities	<i>15</i>	<b>7,154</b>	6,766
		<u><b>64,478</b></u>	<u>74,817</u>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>448,953</b>	471,980
Income tax liabilities		<b>6,976</b>	10,633
Bank borrowings	<i>13</i>	<b>174,115</b>	137,288
		<u><b>630,044</b></u>	<u>619,901</u>
<b>Total liabilities</b>		<u><b>694,522</b></u>	<u>694,718</u>
<b>Total equity and liabilities</b>		<u><b>1,314,452</b></u>	<u>1,300,219</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*(All amounts in HK dollar thousands unless otherwise stated)*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	7	<b>721,328</b>	733,537
Cost of sales	17	<u>(530,827)</u>	<u>(549,971)</u>
<b>Gross profit</b>		<b>190,501</b>	183,566
Other income	16	<b>7,513</b>	8,247
Other gains — net	16	<b>3,405</b>	3
Selling expenses	17	<b>(34,282)</b>	(38,640)
Administrative expenses	17	<u>(78,704)</u>	<u>(69,093)</u>
<b>Operating profit</b>		<b>88,433</b>	84,083
Interest income	18	<b>2,521</b>	5,668
Finance expenses	18	<u>(1,563)</u>	<u>(2,773)</u>
Finance income — net		<u><b>958</b></u>	<u>2,895</u>
<b>Profit before income tax</b>		<b>89,391</b>	86,978
Income tax expense	19	<u>(10,511)</u>	<u>(15,782)</u>
<b>Profit for the period attributable to owners of the Company</b>		<u><b>78,880</b></u>	<u>71,196</u>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation differences		<u>(6,589)</u>	<u>(6,360)</u>
<b>Total comprehensive income for the period</b>		<u><b>72,291</b></u>	<u>64,836</u>
<b>Earnings per share attributable to equity holders of the Company</b> (expressed in HK cents per share)			
— Basic	20	<u><b>9.5</b></u>	<u>8.6</u>
— Diluted	20	<u><b>9.5</b></u>	<u>8.6</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(All amounts in HK dollar thousands unless otherwise stated)*

	Other reserves							
	Share	Share	Statutory	Share	Currency	Retained		
<i>Note</i>	capital	premium	reserves	option	translation	earnings	Total	
	reserve	reserve	reserve	reserve	reserve	reserve		
<b>For the six months ended 30 June 2016</b>								
<b>(unaudited)</b>								
Balance as at 1 January 2016 (audited)	82,660	237,902	33,751	3,334	(21,195)	269,049	605,501	
<b>Comprehensive income</b>								
Profit for the period	—	—	—	—	—	78,880	78,880	
Currency translation differences	—	—	—	—	(6,589)	—	(6,589)	
<b>Total comprehensive income</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,589)</u>	<u>78,880</u>	<u>72,291</u>	
<b>Contributions by and distributions to owners of the Company recognised directly in equity</b>								
Dividends	—	—	—	—	—	(57,862)	(57,862)	
<b>Total contributions by and distributions to owners of the Company for the period</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(57,862)</u>	<u>(57,862)</u>	
<b>Balance as at 30 June 2016 (unaudited)</b>	<u><u>82,660</u></u>	<u><u>237,902</u></u>	<u><u>33,751</u></u>	<u><u>3,334</u></u>	<u><u>(27,784)</u></u>	<u><u>290,067</u></u>	<u><u>619,930</u></u>	

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations		<b>82,832</b>	139,322
Interest received		<b>2,051</b>	1,745
Income tax paid		<b>(13,532)</b>	(29,614)
		<u><b>71,351</b></u>	<u>111,453</u>
<b>Net cash generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		<b>(29,729)</b>	(20,588)
Prepayments for property, plant and equipment	8	<b>(14,099)</b>	(25,178)
Receipt of government grants	14	<b>9,821</b>	—
Proceeds from disposal of property, plant and equipment		<b>2,492</b>	295
Purchase of available-for-sale financial assets		<b>(111,177)</b>	(185,000)
Proceeds from available-for-sale financial assets		<b>112,294</b>	187,554
		<u><b>(30,398)</b></u>	<u>(42,917)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	13	<b>122,280</b>	263,373
Repayments of bank borrowings	13	<b>(106,424)</b>	(157,815)
Decrease in deposits for bank borrowings		<b>(4,052)</b>	(106,744)
Interest paid		<b>(1,580)</b>	(2,859)
Dividends paid	21	<b>(57,862)</b>	(41,330)
		<u><b>(47,638)</b></u>	<u>(45,375)</u>
<b>Net cash used in financing activities</b>			
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		<u><b>(6,685)</b></u>	<u>23,161</u>
Cash and cash equivalents at beginning of the period		<b>319,951</b>	266,526
Exchange gain on cash and cash equivalents		<b>865</b>	17
		<u><b>314,131</b></u>	<u>289,704</u>
<b>Cash and cash equivalents at end of the period</b>			

## 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 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 2016, the ultimate shareholders of the Group are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu (collectively 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 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 12 August 2016 and has not been audited.

### 2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2016 (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. This Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2015 ("2015 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 2015 Financial Statements, as described therein. Newly effective standards and interpretations and amendments to HKFRS effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Taxes on income in the 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 2015 Financial Statements.

#### **5. FINANCIAL RISK MANAGEMENT**

##### **5.1 Financial risk factors**

The Group's activities expose it 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 2015 Financial Statements.

There have been no changes in the risk management function or in any risk management policies since 31 December 2015.

##### **5.2 Liquidity risk**

Compared to 31 December 2015, 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 2016 and 31 December 2015.

##### **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:

- Cash and cash equivalents
- Deposits for bank borrowings
- Trade and other receivables
- Trade and other payables
- Bank borrowings

## 6. 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 the Thanksgiving Day and Christmas holidays. As a result, it is expected that the Group recorded higher revenue in the second half of the year than that of the first half of 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. During the Period, the Group has 18 operating segments, out of which 11 operating segments relating to the mold business are aggregated into 'mold fabrication' operating segment as they have similar economic characteristics and satisfy all conditions and meet all the aggregation criteria in HKFRS 8; the remaining 7 operating segments relating to the plastic business are aggregated into 'plastic components manufacturing' operating segment as they have similar economic characteristics and satisfy all conditions and meet all the aggregation criteria in HKFRS 8. Accordingly, 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	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
Segment revenue	<b>310,306</b>	268,308	<b>431,081</b>	489,361	<b>741,387</b>	757,669
Inter-segment revenue elimination	<b>(20,059)</b>	(24,132)	—	—	<b>(20,059)</b>	(24,132)
Revenue from external customers	<b>290,247</b>	244,176	<b>431,081</b>	489,361	<b>721,328</b>	733,537
Segment results	<b>75,916</b>	69,151	<b>114,585</b>	114,415	<b>190,501</b>	183,566
Other income and other gains — net					<b>10,918</b>	8,250
Selling expenses					<b>(34,282)</b>	(38,640)
Administration expenses					<b>(78,704)</b>	(69,093)
Financial income — net					<b>958</b>	2,895
<b>Profit before income tax</b>					<b>89,391</b>	86,978

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

	<b>30 June 2016</b>	31 December 2015
PRC	<b>372,315</b>	368,790
Germany	<u>7,457</u>	<u>7,116</u>
	<u><b>379,772</b></u>	<u>375,906</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
<b>Net book amount as at 1 January 2016</b>	<b>10,785</b>	<b>344,151</b>	<b>20,970</b>
Additions	2,772	26,957	14,099
Disposals	—	(1,909)	—
Transfers	—	24,884	(24,884)
Currency translation differences	(22)	(2,337)	(197)
Amortisation/depreciation	<u>(1,666)</u>	<u>(33,831)</u>	<u>—</u>
<b>Net book amount as at 30 June 2016</b>	<u><b>11,869</b></u>	<u><b>357,915</b></u>	<u><b>9,988</b></u>
<b>Net book amount as at 1 January 2015</b>	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)
Amortisation/depreciation	<u>(1,223)</u>	<u>(30,176)</u>	<u>—</u>
<b>Net book amount as at 30 June 2015</b>	<u><b>10,389</b></u>	<u><b>301,778</b></u>	<u><b>30,326</b></u>

#### 9. INVENTORIES

	<b>30 June 2016</b>	31 December 2015
Raw materials	<b>18,758</b>	26,551
Work in progress	<b>221,339</b>	208,327
Finished goods	<u><b>42,216</b></u>	<u>33,676</u>
	<b>282,313</b>	268,554
Less: allowance for impairment	<u><b>(11,836)</b></u>	<u>(14,152)</u>
	<u><b>270,477</b></u>	<u>254,402</u>

## 10. TRADE AND OTHER RECEIVABLES

	<b>30 June 2016</b>	31 December 2015
Trade receivables	<b>178,661</b>	186,227
Less: allowance for impairment	<u><b>(3,361)</b></u>	<u>(3,735)</u>
Trade receivables, net	<b>175,300</b>	182,492
Bills receivable	<b>29</b>	94
Prepayments and deposits	<b>27,472</b>	27,867
Value-added tax recoverable	<b>21,970</b>	18,916
Export tax refund receivables	<b>13,798</b>	10,705
Advances to employees	<b>2,671</b>	2,801
Others	<u><b>542</b></u>	<u>1,671</u>
	<u><b>241,782</b></u>	<u>244,546</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:

	<b>30 June 2016</b>	31 December 2015
Less than 3 months	<b>169,386</b>	182,170
More than 3 months but not exceeding 1 year	<b>9,057</b>	3,737
More than 1 year	<u><b>218</b></u>	<u>320</u>
	<u><b>178,661</b></u>	<u>186,227</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

	<b>Number of shares (thousands)</b>	<b>Ordinary shares (HK\$'000)</b>	<b>Share premium (HK\$'000)</b>	<b>Total (HK\$'000)</b>
As at 30 June 2016 and 31 December 2015	<u>826,600</u>	<u>82,660</u>	<u>237,902</u>	<u>320,562</u>

## 12. TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
Trade payables (a)	210,450	230,769
Deposits received from customers	164,931	152,968
Wages and staff welfare benefits payable	53,196	62,035
Accrual for expenses and other payables	15,211	20,521
Other taxes payable	<u>5,165</u>	<u>5,687</u>
	<u><b>448,953</b></u>	<u><b>471,980</b></u>

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

	30 June 2016	31 December 2015
Within 90 days	160,623	191,226
91–120 days	26,901	22,492
121–365 days	14,427	15,966
Over 365 days	<u>8,499</u>	<u>1,085</u>
	<u><b>210,450</b></u>	<u><b>230,769</b></u>

## 13. BORROWINGS

	30 June 2016	31 December 2015
<b>Non-current</b>		
Bank borrowings		
— unsecured	75,184	107,968
Less: current portion of non-current borrowings	<u>(25,441)</u>	<u>(39,917)</u>
	<u><b>49,743</b></u>	<u><b>68,051</b></u>
<b>Current</b>		
Bank borrowings		
— secured (a)	108,674	97,371
— unsecured	<u>40,000</u>	<u>—</u>
Total short-term bank borrowings	<u><b>148,674</b></u>	<u><b>97,371</b></u>
Current portion of non-current borrowings	<u><b>25,441</b></u>	<u><b>39,917</b></u>
	<u><b>174,115</b></u>	<u><b>137,288</b></u>
<b>Total borrowings</b>	<u><b>223,858</b></u>	<u><b>205,339</b></u>

Movement in borrowings is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Opening balance as at 1 January	<b>205,339</b>	131,361
Proceeds from borrowings	<b>122,280</b>	263,373
Repayments of borrowings	<b>(106,424)</b>	(157,815)
Currency translation differences	<b>2,663</b>	(340)
	<u><b>223,858</b></u>	<u>236,579</u>
Closing balance as at 30 June	<u><b>223,858</b></u>	<u>236,579</u>

(a) As at 30 June 2016, bank borrowings amounting to HK\$108,674,000 (31 December 2015: HK\$97,371,000) were secured over the following:

	<b>30 June 2016</b>	31 December 2015
Bank deposits	<u><b>108,290</b></u>	<u>104,238</u>

(b) The carrying amounts of the borrowings are denominated in the following currencies:

	<b>30 June 2016</b>	31 December 2015
HK\$	<b>115,184</b>	107,968
EUR	<u><b>108,674</b></u>	<u>97,371</u>
	<u><b>223,858</b></u>	<u>205,339</u>

#### **14. DEFERRED INCOME ON GOVERNMENT GRANTS**

The amount represented various subsidies granted by and received from local government authorities in the PRC. The movements in deferred income on government grants are as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Opening balance as at 1 January	—	—
Receipt of grants	<b>9,821</b>	—
Recognised in the profit or loss	<b>(2,240)</b>	—
	<u><b>7,581</b></u>	<u>—</u>
Closing balance as at 30 June	<u><b>7,581</b></u>	<u>—</u>

## 15. 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	
	2016	2015
<b>Deferred income tax assets</b>		
Opening balance as at 1 January	4,036	4,873
Recognised in the profit or loss	(358)	186
Currency translation differences	(70)	38
	<u>3,608</u>	<u>5,097</u>
Closing balance as at 30 June	<u>3,608</u>	<u>5,097</u>
<b>Deferred income tax liabilities</b>		
Opening balance as at 1 January	10,802	9,265
Recognised in the profit or loss	(40)	2,822
	<u>10,762</u>	<u>12,087</u>
Closing balance as at 30 June	<u>10,762</u>	<u>12,087</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 2016, deferred income tax assets and deferred income tax liabilities were offset to the extent of HK\$3,608,000 (31 December 2015: HK\$4,036,000).

## 16. OTHER INCOME AND OTHER GAINS — NET

	Six months ended 30 June	
	2016	2015
<b>Other income</b>		
Sales of scrap and surplus materials	3,884	5,640
Government subsidies	2,504	1,398
Others	1,125	1,209
	<u>7,513</u>	<u>8,247</u>
<b>Other gains — net</b>		
Net foreign exchange gain	2,822	970
Gains/(losses) on disposal of property, plant and equipment	583	(967)
	<u>3,405</u>	<u>3</u>

## 17. EXPENSES BY NATURE

### Six months ended 30 June

2016 2015

Changes in inventories of finished goods and work in progress	(21,552)	(71,825)
Raw materials and consumables used	260,558	302,323
Employee benefit expenses	207,672	213,177
Subcontracting expenses	73,165	87,766
Depreciation and amortisation	35,497	31,399
Water and electricity expenditures	15,755	23,912
Transportation and travelling expenses	22,582	20,783
Operating lease payments	22,522	14,307
Other taxes and levies	7,017	4,242
Maintenance expenses	4,039	5,020
(Reversal of allowance)/allowance for impairment of inventories	(2,217)	5,328
Reversal of allowance for receivables	(219)	(880)
Commission expenses	3,034	8,796
Auditors' remuneration	2,223	1,918
Advisory and legal service expenses	3,530	2,648
Advertising and promotion fees	1,670	1,327
Utilities and postage fees	1,857	2,108
Custom declaration charges	1,228	1,235
Security and estate management expenses	828	596
Donations	802	34
Bank charges and handling fees	544	581
Other expenses	3,278	2,909
	<u>643,813</u>	<u>657,704</u>

## 18. FINANCE INCOME — NET

### Six months ended 30 June

2016 2015

Interest income:		
— Interest income on bank deposits	1,404	3,114
— Interest income on available-for-sale financial assets	1,117	2,554
	<u>2,521</u>	<u>5,668</u>
Finance expenses		
— Bank borrowings	(1,563)	(2,773)
Finance income — net	<u>958</u>	<u>2,895</u>

## 19. 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 was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the Period at the rates of 15% and 25% (2015 interim: 25%) applicable to the respective companies.

	Six months ended 30 June	
	2016	2015
Current income tax		
— PRC corporate income tax	11,118	20,529
— PRC corporate income tax over-provided in prior year	(925)	(7,383)
Deferred income tax	<u>318</u>	<u>2,636</u>
	<u>10,511</u>	<u>15,782</u>

## 20. 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	
	2016	2015
Profit attributable to equity holders of the Company (HK\$'000)	78,880	71,196
Weighted average number of ordinary shares issued (thousand)	<u>826,600</u>	<u>826,600</u>
Basic earnings per share (HK cents)	<u>9.5</u>	<u>8.6</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.

## 21. DIVIDENDS

On 12 August 2016, the Board resolved to declare an interim dividend of HK4.0 cents per share (2015 interim: HK3.0 cents per share). This interim dividend, amounting to HK\$33,064,000 (2015 interim: HK\$24,798,000), has not been recognised as a liability in this Interim Financial Information.

Dividends in respect of the year ended 31 December 2015 of HK7.0 cents per share, amounting to a total of HK\$57,862,000, were paid on 10 June 2016.

## 22. COMMITMENTS

### (a) Capital commitments

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

	<b>30 June 2016</b>	31 December 2015
In respect of the acquisitions of plant and equipment, contracted but not provided for	<u><b>48,394</b></u>	<u>47,517</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:

	<b>30 June 2016</b>	31 December 2015
Not later than 1 year		
— to related companies	<b>39,458</b>	38,461
— to third parties	<u><b>4,185</b></u>	<u>4,229</u>
	<u><b>43,643</b></u>	<u>42,690</u>
Later than 1 year and not later than 5 years		
— to related companies	<b>19,665</b>	38,236
— to third parties	<u><b>522</b></u>	<u>2,478</u>
	<u><b>20,187</b></u>	<u>40,714</u>
	<u><b>63,830</b></u>	<u>83,404</u>

### 23. 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.

Transactions with related parties during the Period:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
Operating lease expenses paid (a)	<u><b>19,845</b></u>	<u>11,476</u>

- (a) The amount represented rental expenses for land and buildings for factory and office purposes paid to companies controlled by the 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 2016 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

During the Period under review, the global and Chinese economic slowdown had, in particular, imposed certain pressure on the demands for high-end electronics consumer goods, leading directly to a decline of revenue of over 30% in the Group’s mobile phones and wearable devices division compared with the same period last year. However, because of the Group’s well-established philosophy of diversified customers and its development strategy of focusing on high-precision molds, only a slight decrease was recorded in the Group’s overall turnover during the Period, as a result of the rapid growth in automobiles molds market and smart home market during the Period. In the first half of 2016, the turnover amounted to HK\$721.3 million (first half of 2015: HK\$733.5 million), representing a decrease of 1.7% compared with the same period last year.

During the Period, the Group’s gross profit increased to HK\$190.5 million (first half of 2015: HK\$183.6 million), with gross profit margin increased to 26.4% (first half of 2015: 25.0%). During the Period, the Group continued its automation development, especially the smart flexible production lines with Industry 4.0 concept introduced in early 2015 that can deploy production lines more rapidly and flexibly, and cooperate and make adjustment in a timely manner, which enhanced production efficiency and therefore effectively controlled labour costs. In addition, the depreciation of Renminbi (“**RMB**”) during the Period helped ease part of the Group’s cost pressures, such as raw materials and wages.

The Group recorded a profit attributable to owners of the Company for the Period of HK\$78.9 million (first half of 2015: HK\$71.2 million), representing a year-on-year increase of 10.8%. The net profit margin for the Period was 10.9% (first half of 2015: 9.7%). Basic earnings per share for the Period was HK9.5 cents (first half of 2015: HK8.6 cents).

In addition, the Group’s trade receivables turnover days is only 46 days because of the effective credit policies, representing a notable improvement as compared to the 50 days for the same period last year. Meanwhile, it also results that the Group’s net cash is increased to HK\$198.6 million (HK\$161.9 million for the same period last year). The stable financial position has allowed the Group to take more positive acquisition activities and made it easier to address the impact of severe economic downturn.

Besides, the Group has considerable orders on hand. As at 30 June 2016, the Group's orders on hand was HK\$712.7 million, representing a year-on-year increase of 7.8%, compared with HK\$661.1 million for the same period last year.

Industry	Six months ended 30 June				Change	
	2016		2015		HK\$ million	%
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Commercial telecommunications equipment	155.7	21.6	168.4	23.0	-12.7	-7.5
Automobiles	156.1	21.6	118.2	16.1	37.9	32.1
Mobile phones and wearable devices	112.6	15.6	176.4	24.0	-63.8	-36.2
Medical and health care	97.4	13.5	95.7	13.0	1.7	1.8
Digital devices	40.7	5.6	41.5	5.7	-0.8	-1.9
Household electrical appliances	52.2	7.2	71.2	9.7	-19.0	-26.7
Smart home	49.7	6.9	15.5	2.1	34.2	220.6
Others	56.9	8.0	46.6	6.4	10.3	22.1
	<b>721.3</b>	<b>100</b>	<b>733.5</b>	<b>100</b>	<b>-12.2</b>	<b>-1.7</b>

## Business Segment Analysis

### *Mold Fabrication Business*

In the first half of 2016, the turnover of the mold fabrication business division from external customers amounted to approximately HK\$290.2 million, representing an increase of approximately 18.8% when compared to approximately HK\$244.2 million in the same period last year, and accounting for approximately 40.2% of the Group's total turnover. In the fourth quarter of 2014, the Group's production lines of ultra-large standard molds commenced operation in the manufacturing of plastic molds for instrument panels, bumpers and door panels. Due to longer cycle of mold fabrication, certain molds manufactured in 2015 were delivered in the first half of 2016. During the Period, gross profit margin of the mold fabrication business division was 26.2%, which failed to fully reflect the operational efficiency after enhancing the utilisation rate of production lines due to the delayed factor. The Group expects a gradually improved gross profit margin of this business division in the second half of 2016.

The Group strategically developed its automobiles molds business in Germany and successfully developed a major German automobile brand customer last year through the newly acquired German subsidiary, being the first step to establish a direct business relationship with the major German automobile brand customers. Driven by the business in Germany, an increase of 32.1% of the automobiles business was recorded in the first half of 2016.

In addition to the production line of ultra-large standard molds, the Group also has a production line of precision molds, covering a number of high-end consumer electronics businesses, such as commercial telecommunications equipment, mobile phones and wearable devices, medical and health care, together with a downstream plastic components manufacturing business, to provide one-stop solutions, which make our customers more convenience and economic benefits.

## ***Plastic Components Manufacturing Business***

In the first half of 2016, the turnover of the plastic components manufacturing business division from external customers amounted to approximately HK\$431.1 million (first half of 2015: HK\$489.3 million), representing a decrease of 11.9% compared with the same period last year, and accounting for approximately 59.8% of the Group's total turnover. During the Period, affected by the product cycle of mobile phone customers, a 36.2% decrease of revenue of this market segment was recorded compared with the same period last year. In addition, affected by the overall macroeconomy, the demand for commercial telecommunications equipment products also weakened, resulting in a decrease of its revenue of 7.5% compared with the same period last year. As the second half of a year is a traditional peak production season to meet consumers' demand for a number of festivals, it is expected to have more orders in the second half of the year than in the Period.

The Group's keen insight for the trends of consumer goods has been leading the Group to the forefront of technology development. Being highly recognised and favoured among the emerging electronic enterprises in Silicon Valley, the Group has established a first-mover advantage and successfully acquired a leading smart home brand customer to capture its rapid development, resulting in an increase of revenue of 220.6% in this market segment during the Period compared with the same period last year. This also enriched the Group's diversified customer network.

In order to provide customers with high-performance and high-quality plastic products, the Group is committed to implement highly automatic plastic injection production. During the Period, the Group's efforts in automation and product mix adjustment improved the gross profit margin for the plastic components manufacturing business division to 26.6% from approximately 23.4% in the same period last year.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the six months ended 30 June 2016 was HK\$721.3 million, representing a decrease of HK\$12.2 million or 1.7% from revenue of HK\$733.5 million for the same period in 2015. Revenue for the Period declined slightly compared with the same period last year, which was mainly attributable to: 1) a drop in demand for certain consumer goods under the influence of overall macroeconomy; and 2) the fact that the life cycle of new products launched by some clients will not start until the second half of the year. It is expected that revenue for the second half will increase as compared with the Period, since the second half of a year is a traditional peak production season to cope with the consumption demand arising from various festive seasons.

## **Gross Profit**

Gross profit for the first half of 2016 was HK\$190.5 million, representing an increase of HK\$6.9 million or 3.8% from gross profit of approximately HK\$183.6 million for the same period in 2015. The increase was mainly attributable to the enhanced production efficiency driven by continuous automation development and the increased gross profit margin resulting from reduced cost pressure due to depreciation of RMB.

Segment gross profit margin for mold fabrication for the first half of 2016 was 26.2%, representing a decrease of 2.1 percentage points from 28.3% for the same period in 2015. This was because the improved operation efficiency, after the enhancement of production lines' utilisation rate, was not fully reflected in the gross profit margin due to the lag factors brought forth by the long cycle of mold fabrication.

Segment gross profit margin for plastic components manufacturing for the first half of 2016 was 26.6%, representing an increase of 3.2 percentage points from 23.4% for the first half of 2015. The increase in gross profit margin was primarily attributable to structural adjustment of products. Besides, the automation investments has greatly enhanced efficiency.

## **Other Income**

Other income for the first half of 2016 was HK\$7.5 million, representing a decrease of HK\$0.7 million or 8.5% from other income of HK\$8.2 million for the same period in 2015. The decrease was primarily attributable to decrease in sales of scrap of HK\$1.8 million and increase in government grants of HK\$1.1 million during the Period.

## **Other Gains — Net**

Net other gains for the first half of 2016 was HK\$3.4 million, representing an increase of HK\$3.4 million from net other gains of HK\$3,000 for the same period in 2015. Gains for the first half of 2016 was mainly attributable to the conversion of sales proceeds received from clients in U.S. and Europe upon the appreciation of USD and Euro.

## **Selling Expenses**

Selling expenses for the first half of 2016 was HK\$34.3 million, representing a decrease of HK\$4.3 million or 11.1% from selling expenses of HK\$38.6 million for the same period in 2015. The decrease was primarily due to corresponding decrease in sales commission as a result of reduced sales.

## **Administrative Expenses**

Administrative expenses for the first half of 2016 was HK\$78.7 million, representing an increase of HK\$9.6 million or 13.9% from administrative expenses of HK\$69.1 million for the same period in 2015. The increase was primarily due to: 1) the increase in operating lease expenses of HK\$3.6 million for moving to a new office building during the Period; and 2) the increase in depreciation of HK\$3.5 million due to renovation of the new office building and acquisition of equipment during the Period.

## **Finance Income — Net**

Net finance income for the first half of 2016 decreased by HK\$1.9 million, primarily due to decreased interest income resulting from falling interest rate of bank deposits and principal guaranteed available-for-sale financial assets.

## **Income Tax Expense**

Income tax expense for the first half of 2016 was HK\$10.5 million, and the effective tax rate was 11.8%, representing a decrease from 18.1% for the same period in 2015. The decrease was primarily due to the Group's principal mold fabrication and plastic components companies in Shenzhen have obtained the National New and High Technology Enterprise certificate and at now subject to a preferential enterprise income tax rate of 15%.

## **Profit for the Period Attributable to Owners of the Company**

Profit for the first half of 2016 attributable to owners of the Company was HK\$78.9 million, representing an increase of HK\$7.7 million or 10.8% from HK\$71.2 million for the same period in 2015.

## **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 has generally been in higher demand in the second half of each calendar year primarily due to the seasonal purchase patterns of consumers such as the Thanksgiving Day and Christmas holidays. As a result, it is expected that the Group recorded higher revenue in the second half of the year than in the first half of the year.

## **LIQUIDITY, FINANCIAL RESOURCES AND RATIOS**

As at 30 June 2016, the Group had net current assets of approximately HK\$304.6 million (31 December 2015: HK\$304.4 million). The Group had cash and cash equivalents of approximately HK\$314.1 million (31 December 2015: HK\$320.0 million). The current ratio of the Group as at 30 June 2016 was approximately 148.4% (31 December 2015: 149.1%).

Total equity of the Group as at 30 June 2016 was approximately HK\$619.9 million (31 December 2015: HK\$605.5 million). The gearing ratio as at 30 June 2016 was approximately 36.1% (31 December 2015: 33.9%). Such increase was primarily due to the Group's borrowing of EUR1 million from bank for further 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.

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, in which the decision best matches the Company's business model.

## DEBT MATURITY PROFILE

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

	<b>30 June 2016</b>	31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	<b>174,115</b>	137,288
Between 1 and 2 years	<b>25,518</b>	30,587
Between 2 and 5 years	<b>24,225</b>	37,464
	<b><u>223,858</u></b>	<u>205,339</u>

An analysis of the Group's key liquidity ratios as at 30 June 2016 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
Inventory turnover days ( <i>Note 1</i> )	<b>93</b>	94
Trade receivable turnover days ( <i>Note 2</i> )	<b>46</b>	50
Trade payable turnover days ( <i>Note 3</i> )	<b>75</b>	65
	<b>30 June 2016</b>	31 December 2015
Current ratio ( <i>Note 4</i> )	<b>148.4%</b>	149.1%

*Notes:*

1. 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.

2. Trade receivable turnover days is calculated based on the average trade receivables divided by the revenue for the relevant period 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 period 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 93 days, which was comparable to that of the same period ended 30 June 2015.

### **TRADE RECEIVABLE TURNOVER DAYS**

During the Period, the Group's trade receivable turnover days was 46 days, representing a decrease of 4 days as compared to the same period in 2015. The decrease was primarily due to the Group's strengthened credit control and collection management of accounts receivable.

### **TRADE PAYABLE TURNOVER DAYS**

During the Period, the Group's trade payable turnover days was 75 days, representing an increase of 10 days as compared to the same period in 2015. The increase was mainly due to extended payment terms granted by certain plastic materials and transportation providers to the Group in view of the Group's good reputation during the Period.

### **CURRENT RATIO**

As at 30 June 2016, the Group's current ratio was 148.4%, which was comparable to that as at 31 December 2015.

### **PLEDGED ASSETS**

Details of pledged assets as at 30 June 2016 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, Euro and 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 the Group's chief financial officer, and overseen by the Group's chief executive officer. In accordance with the Group's 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 2016, save as the Euro-denominated bank loan, the Group had not entered into any hedging agreement.

Greater Euro depreciation was seen since 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 US dollar, 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.

#### **RMB EXCHANGE RATE RISK**

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

#### **CAPITAL STRUCTURE**

There was no change in the capital structure of the Company during the Period, and the Company's capital included ordinary shares and other reserves.

#### **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 2016, a total of HK\$3.9 million had been applied to the Group's capacity expansion.

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 30 June 2016. All unutilised proceeds are placed with licensed banks in China and Hong Kong.

## Use of proceeds

		Net	Utilised	Unutilised
	% of total	proceeds	amounts as	amounts as
	amount	(HK\$ million)	at 30 June	at 30 June
			2016	2016
			(HK\$ million)	(HK\$ million)
Establishing a new business unit specialising in ultra-large standard molds	19%	51.9*	51.9	—
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*	15.4	29.1
Strategic acquisitions of other mold fabricators	11%	29.5*	16.4	13.1
Research and development	8%	21.5*	21.5	—
General working capital	9%	24.1*	24.1	—
	<u>100%</u>	<u>268.0*</u>	<u>225.8</u>	<u>42.2</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 (the “**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 2016, the Group had 3,127 full-time employees (31 December 2015: 3,273) and had 414 dispatched workers dispatched to us from third party staffing companies (31 December 2015: 594).

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.

The Group has implemented training programmes for the employees to meet different job requirements. The Group believes that these initiatives have contributed to increased employee productivity.

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

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the six months ended 30 June 2016, the Group has made no material acquisitions or disposals of subsidiaries.

## **CONTINGENT LIABILITIES**

As at 30 June 2016, the Group did not have any significant contingent liabilities.

## **OUTLOOK**

There were no clear signs of recovery for the global economy in the first half of 2016. It is expected to remain challenging for the economy in the second half of 2016. However, it is expected that the Group will benefit from the introduction of new products to the market, since the Group expects that downstream high-end consumer electronics will still be sought after. Orders from new automobile brand customers are also expected to remain stable in the second half of the year and will be delivered as scheduled. During the year, the impact of rise in certain costs, such as wages, is offset by depreciation in RMB. Nevertheless, there will still be pressure of overall cost rising. A number of smaller manufacturers in the industry face the risk of closing down, which may lead to price competition. The Group will prudentially assess and respond to various potential risks, while implementing stringent internal control and keeping its financial position healthy, so as to further strengthen its competitiveness and respond promptly to changing market demands.

At the same time, the Group will improve operational efficiency and maintain the Group's profitability through enhancing its automatic production efficiency, optimizing its operating procedures, integration of internal resources and better cost control.

In addition, the Group will continue to prudently seek strategic acquisition opportunities and explore projects that have synergies with the existing businesses. In addition to overseas mold manufacturers, the Group will also focus on start-ups in the emerging industries, especially products that need precise plastic injection shells. Such strategic cooperation will effectively make use of the Group's mold plastic injection technology and experience to enhance the value of its partner's products, which is also beneficial to the business growth of the Group.

The Group believes that more new markets in different industries and regions will be explored with its extensive mold and plastic injection experience and mature technology. Enhanced market and customer diversity will help the Group in responding to sudden market changes and risks. The Group's management will drive excellence and continue to maintain a stable and good performance, enabling the Group to be one of the world's leading one-stop integrated plastics solutions providers.

### **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 until 31 December 2016.

### **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 2016.

## **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 to the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2016.

## **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, risk management, internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30 June 2016.

## **DIVIDEND**

On 12 August 2016, the Board resolved to declare an interim dividend of HK4.0 cents per share for the six months ended 30 June 2016, amounting to a total of approximately HK\$33,064,000. The interim dividend is expected to be paid on 15 September 2016 to all shareholders whose name appear on the register of members of the Company at the close of business on 2 September 2016.

## **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 31 August 2016 to 2 September 2016, 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 30 August 2016.

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

The interim results announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.tkmold.com](http://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, 12 August 2016

*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.*