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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)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the “Board”) of TK Group (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2014 HK\$'000	2013 HK\$'000
Revenue	4	1,338,920	1,197,852
Cost of sales	5	<u>(973,504)</u>	<u>(866,138)</u>
Gross profit		365,416	331,714
Other income		18,640	29,783
Other gains/(losses) — net		4,075	(705)
Selling expenses	5	(62,675)	(59,540)
Administrative expenses	5	<u>(134,074)</u>	<u>(126,058)</u>
Operating profit		191,382	175,194
Interest income		4,192	517
Finance expenses		<u>(5,122)</u>	<u>(6,478)</u>
Finance costs — net		<u>(930)</u>	<u>(5,961)</u>
Profit before income tax		190,452	169,233
Income tax expense	6	<u>(36,529)</u>	<u>(47,885)</u>
Profit for the year attributable to owners of the Company		153,923	121,348
Other comprehensive income			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation differences		<u>(1,806)</u>	<u>3,194</u>
Total comprehensive income for the year		<u>152,117</u>	<u>124,542</u>
Earnings per share for the year			
— basic and diluted (HK\$ per share)	7	<u>0.19</u>	<u>0.22</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December	
		2014	2013
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		306,495	167,492
Intangible assets		9,720	3,791
Deferred income tax assets		6	4,469
Prepayments for property, plant and equipment		18,391	33,199
Deposits for non-current bank borrowings		2,006	1,267
		<u>336,618</u>	<u>210,218</u>
Current assets			
Inventories		239,119	183,923
Trade and other receivables	9	295,171	228,728
Cash and cash equivalents		266,526	332,587
		<u>800,816</u>	<u>745,238</u>
Total assets		<u><u>1,137,434</u></u>	<u><u>955,456</u></u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	12	82,660	80,000
Share premium	12	237,902	208,143
Other reserves		46,100	30,713
Retained earnings			
— Proposed final dividend	8	41,330	14,879
— Others		118,733	36,531
		<u>526,725</u>	<u>370,266</u>
Total equity		<u><u>526,725</u></u>	<u><u>370,266</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	As at 31 December	
		2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Non-current bank borrowings	<i>11</i>	46,632	52,791
Deferred income tax liabilities		4,398	4,958
		51,030	57,749
Current liabilities			
Trade and other payables	<i>10</i>	443,993	379,125
Amounts due to related companies		—	1,192
Income tax liabilities		30,957	30,691
Short-term bank borrowings	<i>11</i>	58,433	48,726
Current portion of non-current bank borrowings	<i>11</i>	26,296	67,707
		559,679	527,441
Total liabilities		610,709	585,190
Total equity and liabilities		1,137,434	955,456
Net current assets		241,137	217,797
Total assets less current liabilities		577,755	428,015

NOTES:

1 CORPORATE INFORMATION

(a) *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"). As at 31 December 2014, 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, shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 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) **New and amended standards adopted by the Group**

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

Amendment to HKAS 32	Financial instruments: Presentation
Amendments to HKAS 36	Impairment of assets
Amendment to HKAS 39	Financial instruments: Recognition and measurement
HK(IFRIC) 21	Levies

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 segment information for the reportable segments is set out as below:

	Mold fabrication		Plastic components manufacturing		Total	
	2014	2013	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue						
Segment revenue	598,989	518,451	798,661	721,828	1,397,650	1,240,279
Inter-segment revenue elimination	(58,730)	(42,427)	—	—	(58,730)	(42,427)
Revenue from external customers	540,259	476,024	798,661	721,828	1,338,920	1,197,852
Segment results	185,392	186,143	180,024	145,571	365,416	331,714
Other income and other gains/ (losses) — net					22,715	29,078
Selling expenses					(62,675)	(59,540)
Administrative expenses					(134,074)	(126,058)
Financial costs — net					(930)	(5,961)
Profit before income tax					<u>190,452</u>	<u>169,233</u>
					2014	2013
					<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue						
Sales of goods					1,292,025	1,113,669
Mold modification income					<u>46,895</u>	<u>84,183</u>
Turnover					<u>1,338,920</u>	<u>1,197,852</u>

5 EXPENSES BY NATURE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Changes in inventories of finished goods and work in progress	(58,679)	(26,140)
Raw materials and consumables used	503,100	521,806
Employee benefit expenses (<i>Note</i>)	354,159	283,730
Subcontracting expenses	140,629	70,289
Depreciation and amortisation	51,939	52,222
Water and electricity expenditures	36,073	22,852
Transportation and travelling expenses	32,478	25,641
Operating lease payments	25,777	14,642
Other taxes and levies	7,875	11,703
Maintenance expenses	7,461	6,134
Allowance /(reversal of allowance) for impairment of inventories	8,172	(5,530)
Allowance for receivables	1,731	102
Research and development costs		
— Raw materials and consumables used	6,924	4,093
— Employee benefit expenses	25,014	23,380
Commission expenses	4,647	3,202
Auditors' remuneration		
— Audit services	3,427	3,154
Expenses related to initial public offering	—	16,345
Advisory and legal service expenses	2,880	2,649
Advertising and promotion fees	3,597	2,949
Utilities and postage fees	4,508	5,387
Security and estate management expenses	2,627	2,346
Bank charges and handling fees	847	1,873
Donations	370	1,000
Other expenses	4,697	7,907
	<u>1,170,253</u>	<u>1,051,736</u>
Total cost of sales, selling expenses and administrative expenses	<u>1,170,253</u>	<u>1,051,736</u>

Note:

Include directors' emoluments of approximately:

2014: HK\$18,038,000

2013: HK\$9,671,000

6 INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current income tax		
— PRC corporate income tax	36,774	43,035
— PRC corporate income tax over-provided in prior years	(3,850)	—
Deferred income tax	<u>3,605</u>	<u>4,850</u>
	<u><u>36,529</u></u>	<u><u>47,885</u></u>

(a) Cayman Islands income tax

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

(b) 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% (2013: 25%).

(c) 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 is applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil certain requirements under the tax treaty arrangements between the PRC and Hong Kong. PRC withholding income tax is provided on the profits generated from the PRC subsidiaries for the year.

(d) 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 (2013: nil).

7 EARNINGS PER SHARE

(a) Basic

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.

	2014	2013
Profit attributable to owners of the Company (HK\$'000)	<u>153,923</u>	<u>121,348</u>
Weighted average number of ordinary shares issued (thousands)	<u>825,577</u>	<u>555,154</u>
Basic earnings per share (HK\$)	<u>0.19</u>	<u>0.22</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 proceeds are share issues for no consideration which causes dilution to earnings per share. During the year, the outstanding share options do not have any dilutive impact. Therefore, the diluted earnings per share equals the basic earnings per share.

8 DIVIDENDS

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend	16,532	226,559
Proposed final dividend of HK\$0.05 (2013:HK\$0.018) per ordinary share	<u>41,330</u>	<u>14,879</u>
	<u>57,862</u>	<u>241,438</u>

A final dividend in respect of the year ended 31 December 2014 of HK\$0.05 per share, amounting to a total dividend of HK\$41,330,000, is to be proposed at the forthcoming annual general meeting of the Company ("AGM"). These financial statements do not reflect this dividend payable.

9 TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables (<i>Note</i>)	211,113	146,469
Less: allowance for impairment	<u>(5,505)</u>	<u>(3,774)</u>
Trade receivables, net	205,608	142,695
Bills receivable	6,252	6,163
Prepayments and deposits	38,354	47,718
Value-added tax recoverable	21,656	5,390
Advances to employees	2,609	3,519
Export tax refund receivables	16,337	18,992
Others	<u>4,355</u>	<u>4,251</u>
	<u>295,171</u>	<u>228,728</u>

Note:

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
USD	146,523	108,983
RMB	57,960	29,233
EUR	2,303	4,577
HK\$	<u>4,327</u>	<u>3,676</u>
	<u>211,113</u>	<u>146,469</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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Less than 3 months	202,996	142,882
More than 3 months but not exceeding 1 year	7,925	2,649
More than 1 year	<u>192</u>	<u>938</u>
	<u>211,113</u>	<u>146,469</u>

The fair values of trade and other receivables approximated their carrying amounts as at 31 December 2014 and 2013.

10 TRADE AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	179,433	153,711
Deposits received from customers	175,020	129,782
Wages and staff welfare benefits payable	57,938	47,250
Accrual for expenses and other payables	23,887	43,349
Other taxes payable	<u>7,715</u>	<u>5,033</u>
	<u>443,993</u>	<u>379,125</u>

The ageing analysis of trade payables are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0–90 days	170,258	143,183
91–120 days	7,893	8,076
121–365 days	844	2,170
Over 365 days	<u>438</u>	<u>282</u>
	<u>179,433</u>	<u>153,711</u>

The fair value of trade and other payables approximated their carrying amounts as at 31 December 2014 and 2013.

11 BORROWINGS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current		
Bank borrowings		
— secured	12,921	17,164
— unsecured	60,007	103,334
Less: current portion of non-current borrowings	<u>(26,296)</u>	<u>(67,707)</u>
	<u>46,632</u>	<u>52,791</u>
Current		
Bank overdrafts	914	4,822
Bank borrowings		
— unsecured	<u>57,519</u>	43,904
Total short-term bank borrowings	<u>58,433</u>	48,726
Current portion of non-current borrowings	<u>26,296</u>	67,707
	<u>84,729</u>	<u>116,433</u>
Total borrowings	<u>131,361</u>	<u>169,224</u>

12 SHARE CAPITAL AND SHARE PREMIUM

(a) Details of issued shares are analysed as follows:

	Number of shares <i>(thousands)</i>	Ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 28 March 2013 (Date of incorporation)	10	1	—	1
Issuance of shares for acquisition of a subsidiary	10	1	—	1
Issuance of shares in relation to capitalisation of indebtedness	70	7	—	7
Issuance of shares by initial public offering	200,000	20,000	230,000	250,000
Capitalisation issue	599,910	59,991	(59,991)	—
Share issuance costs	—	—	(6,268)	(6,268)
Share issuance costs transferred from capital reserve	—	—	(9,737)	(9,737)
2013 deemed distribution transferred from capital reserve	—	—	(174,522)	(174,522)
Transferred from capital reserve	—	—	228,661	228,661
At 31 December 2013	<u>800,000</u>	<u>80,000</u>	<u>208,143</u>	<u>288,143</u>
At 1 January 2014	800,000	80,000	208,143	288,143
Issuance of shares (c)	26,600	2,660	30,590	33,250
Share issuance costs (c)	—	—	(831)	(831)
At 31 December 2014	<u>826,600</u>	<u>82,660</u>	<u>237,902</u>	<u>320,562</u>

(b) Details of shares issued as at 31 December 2014 are as follows:

Shareholder	Number of shares	Share capital <i>HK\$</i>	Approximate equity interests as at 31 December 2014 <i>(%)</i>
Eastern Mix Company Limited	421,520,000	42,152,000	50.99
Lead Smart Development Limited	86,400,000	8,640,000	10.45
Cheer Union Development Ltd	53,760,000	5,376,000	6.50
Normal Times International Limited	51,840,000	5,184,000	6.27
Public shareholders	<u>213,080,000</u>	<u>21,308,000</u>	<u>25.79</u>
	<u>826,600,000</u>	<u>82,660,000</u>	<u>100.00</u>

- (c) In conjunction with the Company's listing on 20 December 2013, on 15 January 2014, China Merchants Securities (HK) Co., Limited exercised an over-allotment option. As a result, the Company issued 26,600,000 ordinary shares of HK\$0.1 each at the subscription price of HK\$1.25 per share. The difference between the gross proceeds of HK\$33,250,000 and the issued and fully-paid share capital of HK\$2,660,000, amounting to HK\$30,590,000, was credited to the share premium account. The related share issuance cost of HK\$831,000 was debited to the share premium account.

Eastern Mix Company Limited acquired 13,520,000 ordinary shares in the market during the year.

13 SHARE-BASED PAYMENTS

On 29 December 2014, options over 6,660,000 shares were granted to three directors of the Company at the exercise price of HK\$1.61 per share with no vesting condition. The exercise price of the granted options is equal to the closing market price of the shares on the date of the grant. The options are exercisable within three years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share option is forfeited, exercised or expired subsequent to the grant date.

Share options outstanding at the end of 2014 have the expiry date of 28 December 2017 and exercise price of HK\$1.61 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the year under review, the gross domestic product in the United States grew strongly with economic recovery and steadily declining unemployment rate. The economies in Japan, Russia and Eurozone were still gloomy, and there was increased downward pressure on Chinese economy in the short run, though the growth was in the expected target range. Despite the complicated international economic situation, the Group's total turnover recorded with a steady and healthy growth, amounting to HK\$1,338.9 million in 2014 (2013: HK\$1,197.9 million), representing a year-on-year increase of 11.8% (2013: 9.3%). The sales of the mobile phones and wearable devices industry, the household electrical appliances industry and the medical and health care industry recorded strong growth.

Industry	Year ended 31 December				Change	
	2014		2013		Amount	Growth
	<i>Share of total revenue</i>	<i>Share of total revenue</i>				
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>
Mobile phones and wearable devices	298.5	22.3	196.7	16.4	101.8	51.8
Household electrical appliances	234.6	17.5	132.0	11.0	102.6	77.7
Medical and health care	119.9	9.0	56.8	4.8	63.1	111.1
Commercial telecommunications equipment	202.7	15.1	159.1	13.3	43.6	27.4
Automobiles	228.6	17.1	280.1	23.4	-51.5	-18.4
Video game devices	56.5	4.2	34.1	2.8	22.4	65.7
Pachinko	10.3	0.8	97.9	8.2	-87.6	-89.5
Digital devices	79.2	5.9	86.4	7.2	-7.2	-8.3
Others	108.6	8.1	154.8	12.9	-46.2	-29.8
	<u>1,338.9</u>	<u>100.0</u>	<u>1,197.9</u>	<u>100.0</u>	<u>141.0</u>	<u>11.8</u>

The Group recorded a gross profit of approximately HK\$365.4 million (2013: HK\$331.7 million) with a gross profit margin of 27.3% (2013: 27.7%). The Group has completed expansion of its production capacity in the second half of the year, such as establishing a new business unit specialising in ultra-large standard molds, a highly automatic precision mold fabrication business unit, Longgang branch office and a new plant in Eastern China. Due to longer cycle of mold fabrication, it is difficult for the expanded mold production capacity to realise economic benefits (as reflected in the gross profit margin) in the short-run. However, such expansion of production capacity was based on the long-term

development of the Group and demand for new orders, thus we believe such expansion laid a solid foundation for future sales growth of the Group. Moreover, the Group's gross profit margin was partly affected by depreciation of the Euro during the year under review.

The Group recorded a profit for the year attributable to owners of HK\$153.9 million (2013: HK\$121.3 million), representing a year-on-year increase of 26.9%. The net profit margin was 11.5% (2013: 10.1%). Basic earnings per share was approximately HK\$0.19 (2013: HK\$0.22).

Business Segment Analysis

Mold fabrication business

For mold fabrication business, the Group's new business unit specialising in ultra-large standard molds commenced operation in the fourth quarter of the year for the manufacturing of instrument panels, bumpers and door panels for the automotive industry. We are confident that such expansion of production capacity can effectively meet the strong demand for large mold orders of the Group, laying a healthy foundation for the Group's future sales growth of large molds.

The new precision mold business unit for high-end consumer electronics also commenced operation in the fourth quarter of 2014. The business unit is a highly automatic flexible production line to cater for the growing demand of the Group's plastic injection business for high-end consumer electronics and tap into this fast-growing market trend.

The Group completed two strategic acquisitions during the year. The Group is committed to expand the global footprint of the Group's business. After considering the various acquisition alternatives, the Group identified the target market in Germany, and completed the acquisition of Selig & Böttcher GmbH & Co. KG ("S&B Company") on 1 September 2014. S&B Company has a strong history in operating distribution of tools and special machines for injection molding as well as mold fabrication, being strong fit to the existing business of the Group. Following completion of the acquisition, it is expected that the sales and marketing capabilities of the Group in the European region will be substantially enhanced through the sharing of synergies with S&B Company. The Group will be able to provide local on-the-ground after-sales services to current and potential German and European customers.

On 16 September 2014, the Group entered into a formal asset purchase agreement with Nypro Tool (Shenzhen) Co., Ltd in respect of an asset acquisition (the "Asset Purchase Agreement"). All of the applicable conditions specified in the Asset Purchase Agreement had been satisfied in accordance with the terms and conditions of the Asset Purchase Agreement and completion of the acquisition took place on 31 October 2014. The Group's Longgang branch office (medical and packaging business unit) commenced operation in the fourth quarter of 2014, and the acquisition enhanced the Group's technology and market competitiveness in the packaging and medical fields.

The turnover of the mold fabrication business division amounted to HK\$540.3 million, representing an increase of 13.5% when compared to approximately HK\$476.0 million last year, accounting for 40.4% 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 mobile phones and wearable devices industry, the medical and health care industry and the household electrical appliances industry.

Plastic components manufacturing business

For plastic components manufacturing business, the Group has successfully entered into cooperation with renowned brands in the wearable devices industry. The newly rented production plant in Suzhou commenced production in the year, and its production capacity of plastic components is expected to increase effectively, thereby promoting the business development of the Group in Eastern China.

The turnover of the plastic components manufacturing business amounted to approximately HK\$798.7 million (2013: HK\$721.8 million), representing a year-on-year increase of 10.7%. With the increased demand for high-precision plastic components and the transformation of the Group's highly automatic production strategy, the Group has made structural adjustments to its customers of plastic components by reducing sales to customers from the pachinko industry and boosting the development of the related products including mobile phones and wearable devices, medical and health care, and commercial telecommunications equipment.

As a vertically integrated one-stop plastics solutions service provider, the Group's mold fabrication business and plastic components manufacturing business can generate strong synergies and 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 to secure more orders for manufacturing plastic components.

Financial review

Revenue

Revenue for the year ended 31 December 2014 was HK\$1,338.9 million, representing an increase of HK\$141.0 million or 11.8%, from revenue of HK\$1,197.9 million in 2013.

The mold fabrication segment revenue in 2014 was HK\$540.3 million, representing an increase of HK\$64.3 million or 13.5%, from revenue of HK\$476.0 million in 2013. This increase was primarily due to the increase in sales to customers in the household electrical appliances industry, mobile phones and wearable devices industry and medical and health care industry, especially in the European and American markets where many orders from new customers were secured and orders from the existing customers had increased.

The plastic components manufacturing segment revenue in 2014 was HK\$798.7 million, representing an increase of HK\$76.9 million or 10.7%, from revenue of HK\$721.8 million in 2013. With the increased demand for high-precision plastic components and the transformation of the highly automatic production strategy, the Group has made structural adjustments to its customers of plastic components. During the year, the mobile phones and wearable devices industry, commercial telecommunications equipment, medical and health care industry recorded strong sales growth.

Gross profit

Gross profit for the year ended 31 December 2014 was HK\$365.4 million, representing an increase of HK\$33.7 million or 10.2%, from gross profit of HK\$331.7 million in 2013.

Segment gross profit margin for mold fabrication slightly dropped from 39.1% in 2013 to 34.3% in the current year, primarily as the Group completed a number of expansion of production capacity for mold fabrication in the second half of the year, such as establishing a new business unit specialising in ultra-large standard molds, a highly automatic precision mold fabrication business unit and Longgang branch office. Due to longer cycle of mold fabrication, it is difficult for the expansion of mold production capacity to realise economic benefits in the short run, which affected mold fabrication short-term gross profit margin to a certain extent. However, the expansion of production capacity was based on the long-term development of the Group and demand for new orders, thus we believe such expansion laid a solid foundation for future sales growth of the Group. Moreover, as the European market is one of the key markets for the mold fabrication segment, segment gross profit margin for mold fabrication was also partly affected by depreciation of Euro during the year.

Segment gross profit margin for plastic components manufacturing increased from 20.2% for the year ended 31 December 2013 to 22.5% for the year ended 31 December 2014. The increase in gross profit margin was primarily due to structural adjustment to the products which was in line with market demand, resulting in strong sales growth and effective use of production capacity in the second half of the year.

Other income

Other income for the year ended 31 December 2014 was HK\$18.6 million, representing a decrease of HK\$11.1 million or 37.4%, from other income of HK\$29.8 million in 2013. The decrease was primarily due to a decrease in the sales of scrap of approximately HK\$10.0 million from the last year.

Other gains/(losses) — net

Net other gains for the year ended 31 December 2014 was HK\$4.1 million, representing an increase of HK\$4.8 million, from net other losses of HK\$0.7 million in 2013, primarily due to the foreign exchange gain arising from exchange rate revaluation of prepayments for the mold fabrication segment.

Selling expenses

Selling expenses for the year ended 31 December 2014 was HK\$62.7 million, representing an increase of HK\$3.2 million or 5.4%, from selling expenses of HK\$59.5 million in 2013, primarily due to the increase in transportation expenses and sales commission which aligned with the growth in sales.

Administrative expenses

Administrative expenses for the year ended 31 December 2014 was HK\$134.1 million, representing an increase of HK\$8.0 million or 6.3%, from administrative expenses of HK\$126.1 million in 2013. The increase was primarily due to (1) the increase in labour costs; and (2) the provision of allowance for impairment of inventories and account receivables.

Finance expenses

Finance expenses for the year ended 31 December 2014 was HK\$5.1 million, representing a decrease of HK\$1.4 million or 21.5%, from finance expenses of HK\$6.5 million in 2013. The decrease was due to the decrease in bank borrowings during the year.

Income tax expense

Income tax expense for the year ended 31 December 2014 was HK\$36.5 million, the decrease of effective tax rate of 2014 was primarily due to the reversal of a HK\$3.9 million over-provision in last year by domestic companies according to the result of final tax settlement.

Profit for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company for the year ended 31 December 2014 was HK\$153.9 million, representing an increase of HK\$32.6 million or 26.9% from HK\$121.3 million in 2013.

Liquidity, financial resources and ratios

As at 31 December 2014, the Group had net current assets of approximately HK\$241.1 million (31 December 2013: HK\$217.8 million) and cash and cash equivalents of approximately HK\$266.5 million (31 December 2013: HK\$332.6 million). The current ratio of the Group as at 31 December 2014 was approximately 1.4 (31 December 2013: 1.4).

Total equity of the Group as at 31 December 2014 was approximately HK\$526.7 million (31 December 2013: HK\$370.3 million). The gearing ratio (which was calculated by dividing total loan amount by total equity amount of the Group) as at 31 December 2014 was approximately 24.9% (31 December 2013: 45.7%).

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

Debt maturity profile

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

	As at 31 December 2014 HK\$'000	As at 31 December 2013 HK\$'000
Within 1 year	84,729	116,433
Between 1 and 2 years	24,628	11,485
Between 2 and 5 years	22,004	41,306
	<u>131,361</u>	<u>169,224</u>

An analysis of the Group's key liquidity ratios as at 31 December 2014 is as follows:

	As at 31 December 2014	As at 31 December 2013
Inventory turnover days (<i>Note 1</i>)	79	70
Trade receivable turnover days (<i>Note 2</i>)	47	45
Trade payable turnover days (<i>Note 3</i>)	62	58
Current ratio (<i>Note 4</i>)	143.1%	141.3%

Notes:

1. Inventory turnover days is calculated based on the average balance of inventory (net of provision) divided by the cost of sales for the relevant year multiplied by 365 days.
2. Trade receivable turnover days is calculated based on the average trade receivables (net of allowance for impairment) divided by the revenue for the relevant year multiplied by 365 days.
3. Trade payable turnover days is calculated based on the average trade payables divided by cost of sales for the relevant year multiplied by 365 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 year, the Group expanded its production capacity of mold fabrication business to meet its long-term development and demand for new orders. Due to longer cycle of mold fabrication, work in progress as at 31 December 2014 increased significantly. Besides, to meet the increased demand in January 2015, plastic components manufacturing business stocked up with finished goods at the end of 2014. All these factors resulted in an increase in inventory turnover days to 79 days.

Trade receivable turnover days/Trade payable turnover days

During the year, the Group's trade receivable turnover days was 47 days, trade payable turnover days was 62 days, which were comparable to those for the year ended 31 December 2013.

The slightly increased trade receivable turnover days was primarily due to the significant increase of sales to certain large customers in the fourth quarter of 2014, whose credit term is in the range of 45 days to 90 days. Such sales are still within normal credit periods and were therefore unpaid at the end of 2014.

Current ratio

As at 31 December 2014, the Group's current ratio was 143.1%, which was at par with that of as at 31 December 2013.

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 financial officer, and overseen by the Group's chief executive officer. In accordance with our hedging needs and the 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 year ended 31 December 2014, the Group had not entered into any hedging agreement.

The Group's cash and bank balances were primarily denominated in HK dollar. Its operating cash inflows and outflows were primarily denominated in RMB, US dollar 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.

Use of proceeds from the Company's listing

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). The design and planning of production facilities as well as the installation and testing for major equipment such as computerized numerical control milling machines, electrical discharge machining machines and plastic injection molding machines take some time. It takes about two to three months from placing an order to installation and testing and to trial production, or even longer like six to nine months. For the year ended 31 December 2014, the Company had acquired or placed orders to acquire equipment for a total of HK\$169.4 million, and the capitalised amount recorded was approximately HK\$111.6 million. Use of proceeds and their progress are set out as follows:

- i. The standard mold fabrication segment has established a new business unit specialising in ultra-large standard molds. The production has commenced in the fourth quarter and payment of HK\$36.3 million was made for equipment during the year.
- ii. The precision mold fabrication segment established a new precision mold fabrication unit during the year for upgrading mold fabrication capabilities. The production has commenced in the fourth quarter and payment of HK\$23.7 million was made for equipment during the year. Other existing precision fabrication units and standard fabrication units also acquired some new equipment for production expansion during the year, with HK\$13.4 million paid for equipment during the year.
- iii. In order to improve production capability, Shenzhen plastic components manufacturing segment set up an advanced spray painting production line, relocated to new workshops and purchased equipment during the year, such as injection molding machines, robots, temperature control box and water temperature machine, with HK\$46.3 million paid for equipment during the year.
- iv. In order to meet the increasing need from the clients in Eastern China, during the year, the Group's Eastern China business leased a new plant with an area of approximately over 6,000 square meters which is located in the same industrial park, for expanding the Group's production lines and capacity. This newly leased plant in Suzhou has commenced production in the year, with HK\$4.6 million paid for capital expenditure during the year.

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 31 December 2014. All unutilised proceeds are placed with licensed banks in China or Hong Kong.

	% of total amount	Net proceeds (HK\$ million)	Utilised amounts in 2014 (HK\$ million)	Unutilised amounts in 2014 (HK\$ million)
Use of proceeds				
Establishing a new business unit specialising in ultra-large standard molds	19%	51.9*	36.3	15.6
Upgrading mold fabrication capabilities	14%	37.1*	37.1	—
Expanding Shenzhen plastic components manufacturing capacity	22%	59.4*	46.3	13.1
Expanding Suzhou plastic components manufacturing capacity	17%	44.5*	4.6	39.9
Strategic acquisitions of other mold fabricators	11%	29.5*	16.4	13.1
Research and development (“R&D”)	8%	21.5*	8.8	12.7
General working capital	9%	24.1*	—	24.1
	<u>100%</u>	<u>268.0*</u>	<u>149.5</u>	<u>118.5</u>

* On 15 January 2014, China Merchants Securities (HK) Co., Limited, the sponsor of the public offering, exercised an over-allotment option, pursuant to which the Company issued 26,660,000 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 prospectus of the Company dated 11 December 2013 (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 any suitable project 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. The source of funding would be primarily from the net proceeds from the listing, the Company’s own funds and bank borrowings.

Staff policy

As at 31 December 2014, the Group had 3,265 full-time employees (2013: 2,947) and had 681 dispatched workers dispatched to us from third party staffing companies (2013: 290).

The Group’s remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent directors and employees. The Group believes the remuneration packages are reasonable and competitive and in line with market trends. The Group has put in place a share option

scheme for its directors and employees in a bid to provide a competitive package for the Group's long term growth and development. The Group also provides appropriate training and development programmes to its employees to enhance the staff's work ability and personal effectiveness.

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

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

Material acquisitions and disposals

TK Mold (Hong Kong) Limited, a wholly-owned subsidiary of the Company, acquired 100% equity interest in TK Mold Germany GmbH (formerly known as Selig & Böttcher GmbH & Co. KG and its limited partnership) on 1 September 2014 with consideration of EUR250,000 (equivalent to HK\$2,554,000) from Mr. Wolfgang Böttcher, an independent third party. TK Mold Germany GmbH was mainly engaged in operating distribution of tools and special machines for injection molding as well as mold fabrication and providing local on-the-ground after-sales services to German and European customers.

As a result of the acquisition, the Group is expected to enhance its presence in German markets. Goodwill amounting to HK\$965,000 was recognised upon completion of the acquisition.

Contingent liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

Outlook

During the year, the Group completed a number of investments for mold fabrication. The new business unit specialising in ultra-large standard molds commenced operation in the fourth quarter for the manufacturing of instrument panels, bumpers and door panels for the automotive industry. We are confident that such expansion of production capacity could effectively meet the strong demand for increased large mold orders of the Group, laying a healthy foundation for the Group's future sales growth of large molds.

The new precision mold business unit for high-end consumer electronics also commenced operation in the fourth quarter of 2014. The business unit is a highly automatic flexible production line to cater for the growing demand of the Group's plastic injection business for high-end consumer electronics and tap into this fast-growing market trend.

In addition, the mold fabrication segment completed two strategic acquisitions during the year under review. For details of the two strategic acquisitions, please refer to the sub-section headed “Management Discussion and Analysis — Business Segment Analysis — Mold Fabrication Business” in this announcement above.

Such expansions lay a foundation for the future stable growth of the Group’s mold fabrication business. Looking ahead, the Group is expected to realise steady growth, and in particular, the mobile phones and wearable devices industry, the automotive industry and the medical industry are likely to record even-faster growth.

For plastic components manufacturing, with the increased demand for high-precision plastic components and the transformation of the Group’s highly automatic production strategy, the Group has made structural adjustments to its customers of plastic components by reducing sales to customers from the pachinko industry and boosting the development of mobile phones and wearable devices, medical and health care, and commercial telecommunications equipment. The Group has successfully entered into cooperation with renowned brands in the wearable devices industry. The newly rented production plant in Suzhou commenced production in the year, and its production capacity of plastic components is expected to increase effectively, thereby promoting the business development of the Group in Eastern China.

The Group will continue to provide efficient one-stop services to its customers to drive the steady growth of its businesses.

The Group is actively seeking investment opportunities which suit the scale of the Group and can generate synergies for strategic acquisition to facilitate the Group’s business expansion and expand overseas market.

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. In the course of application by 東江科技(深圳)有限公司 TK Technology (Shenzhen) Ltd (“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 the Shenzhen Municipality (深圳市規劃國土委) was 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. The Company has renewed the Pre-lease Agreements with effective period of 2.5 years until 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

CORPORATE GOVERNANCE CODE

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board is committed to strengthening the Group's corporate governance practices and ensuring transparency and accountability of the Company's operations.

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 had complied with all the code provisions as set out in the CG Code during the year ended 31 December 2014.

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

AUDIT COMMITTEE

The Audit Committee had reviewed with the management the audited consolidated financial statements, the accounting principles and practices adopted by the Group for the year ended 31 December 2014 and discussed the Group's auditing, internal control and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

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 code of conduct regarding directors' dealings in the Company's securities.

Having made specific enquiry to the directors, all directors had confirmed that they had complied with the Model Code for the year ended 31 December 2014.

DIVIDEND

The dividends paid in 2014 and 2013 were HK\$31,411,000 (HK\$0.038 per share) and HK\$226,559,000 respectively. The Board has recommended the payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2014 to the shareholders whose names appear on the register of members of the Company at the close of business on 10 June 2015. The proposed final dividend is subject to the approval of the shareholders at the forthcoming AGM. The final dividend, if approved, is expected to be paid on 30 June 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on 3 June 2015, the register of members of the Company will be closed from 1 June 2015 to 3 June 2015, 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 shareholders of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, 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 29 May 2015.

For determining the entitlement to the aforesaid proposed final dividend, the register of members of the Company will be closed from 10 June 2015 to 12 June 2015, 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 Company's branch share registrar in Hong Kong at the above address for registration not later than 4:30 p.m. on 9 June 2015.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2014 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 2014, containing all the information required by the Listing Rules, will be despatched to the registered 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, 20 March 2015

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