

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



**TK Group (Holdings) Limited**

**東江集團(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2283)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

**RESULTS**

The board of directors (the “**Board**”) of TK Group (Holdings) Limited (the “**Company**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013:

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2014	2013
<b>Results</b>		
Revenue (HK dollar '000)	<b>528,575</b>	470,625
Profit attributable to owners of the Company (HK dollar '000)	<b>53,086</b>	38,816
Basic earnings per share (HK cents)	<b>6.4</b>	7.8
	<i>(Note 1)</i>	
Proposed dividend per share (HK cents)	<b>2.0</b>	N/A
<b>Financial performance and position</b>		
Net current assets (HK dollar '000)	<b>251,096</b>	27,985
Gross profit margin	<b>25.6%</b>	29.2%
Net profit margin	<b>10.0%</b>	8.2%
Current ratio <i>(Note 4)</i>	<b>154.4%</b>	104.3%
Quick ratio <i>(Note 5)</i>	<b>108.0%</b>	73.6%
Gearing ratio <i>(Note 6)</i>	<b>29.6%</b>	3.9%
	<i>(Note 2)</i>	
Return on equity <i>(Note 7)</i>	<b>12.2%</b>	19.8%
	<i>(Note 3)</i>	
Return on assets <i>(Note 8)</i>	<b>5.5%</b>	4.6%
Inventory turnover days <i>(Note 9)</i>	<b>91</b>	96
Average trade receivables turnover days <i>(Note 10)</i>	<b>43</b>	52
Trade payable turnover days <i>(Note 11)</i>	<b>61</b>	58

### Notes:

- (1) The decrease of earnings per share was due to the increase of weighted average number of ordinary shares compared to the same period of last year, details please refer to Note 18 to the condensed consolidated interim financial information.
- (2) The increase of gearing ratio was due to the increase of total loan compared to the same period of last year. As at 30 June 2013, the gearing ratio dropped to 3.9% as most of the loans were attached to our old Group Companies, which were deemed disposed.
- (3) The decrease of return on equity ratio was due to the increase of total equity compared to the same period of last year after the initial public offering pursuant to the Reorganisation.
- (4) Current ratio is calculated by dividing current assets by current liabilities and multiplying the resulting value by 100%.
- (5) Quick ratio is calculated by dividing current assets less inventory by current liabilities and multiplying the resulting value by 100%.

- (6) Gearing ratio is calculated by dividing total loan by total equity and multiplying the resulting value by 100%.
- (7) Return on equity ratio is calculated by dividing profit after tax by total equity and multiplying the resulting value by 100%.
- (8) Return on assets ratio is calculated by dividing profit after tax by total assets and multiplying the resulting value by 100%.
- (9) Inventory turnover days are calculated based on the average balance of inventory (net of provision) divided by the cost of sales for the relevant period multiplied by 180 days.
- (10) Average trade receivable turnover days are calculated based on the average trade receivables divided by the revenue for the relevant period multiplied by 180 days.
- (11) Trade payable turnover days are calculated based on the average trade payables divided by cost of sales for the relevant period multiplied by 180 days.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Note</i>	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>174,257</b>	167,492
Intangible assets	7	<b>6,820</b>	3,791
Deferred income tax assets	13	<b>4,680</b>	4,469
Prepayments for property, plant and equipment	7	<b>63,706</b>	33,199
Deposits for non-current bank borrowings		<b><u>2,006</u></b>	<u>1,267</u>
		<b><u>251,469</u></b>	<u>210,218</u>
<b>Current assets</b>			
Inventories	8	<b>214,192</b>	183,923
Trade and other receivables	9	<b>193,452</b>	228,728
Cash and cash equivalents		<b><u>305,134</u></b>	<u>332,587</u>
		<b><u>712,778</u></b>	<u>745,238</u>
<b>Total assets</b>		<b><u><u>964,247</u></u></b>	<u><u>955,456</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	10	<b>82,660</b>	80,000
Share premium	10	<b>237,902</b>	208,143
Other reserves		<b>28,598</b>	30,713
Retained earnings			
— Proposed dividends	19	<b>16,532</b>	14,879
— Others		<b><u>70,537</u></b>	<u>36,531</u>
<b>Total equity</b>		<b><u><u>436,229</u></u></b>	<u><u>370,266</u></u>

	<i>Note</i>	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current bank borrowings	<i>12</i>	<b>59,078</b>	52,791
Deferred income tax liabilities	<i>13</i>	<u>7,258</u>	<u>4,958</u>
		<u><b>66,336</b></u>	<u>57,749</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>362,967</b>	379,125
Amounts due to related companies		—	1,192
Dividend payable	<i>19</i>	<b>14,879</b>	—
Income tax liabilities		<b>13,672</b>	30,691
Short-term bank borrowings	<i>12</i>	<b>42,580</b>	48,726
Current portion of non-current bank borrowings	<i>12</i>	<u>27,584</u>	<u>67,707</u>
		<u><b>461,682</b></u>	<u>527,441</u>
<b>Total liabilities</b>		<u><b>528,018</b></u>	<u>585,190</u>
<b>Total equity and liabilities</b>		<u><b>964,247</b></u>	<u>955,456</u>
<b>Net current assets</b>		<u><b>251,096</b></u>	<u>217,797</u>
<b>Total assets less current liabilities</b>		<u><b>502,565</b></u>	<u>428,015</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

(All amounts in HK dollar thousands unless otherwise stated)

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2014</b>	2013
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Revenue</b>	6	<b>528,575</b>	470,625
Cost of sales	15	<u>(393,485)</u>	<u>(333,276)</u>
<b>Gross profit</b>		<b>135,090</b>	137,349
Other income	14	<b>9,137</b>	12,456
Other gains/(losses) — net	14	<b>3,198</b>	(344)
Selling expenses	15	<b>(28,640)</b>	(22,223)
Administrative expenses	15	<u><b>(50,995)</b></u>	<u>(70,447)</u>
<b>Operating profit</b>		<b>67,790</b>	56,791
Finance costs	16	<u><b>(2,499)</b></u>	<u>(2,797)</u>
<b>Profit before income tax</b>		<b>65,291</b>	53,994
Income tax expense	17	<u><b>(12,205)</b></u>	<u>(15,178)</u>
<b>Profit for the period attributable to owners of the Company</b>		<u><b>53,086</b></u>	<u>38,816</u>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation differences		<u><b>(4,663)</b></u>	<u>2,217</u>
<b>Total comprehensive income for the period</b>		<u><b>48,423</b></u>	<u>41,033</u>
<b>Earnings per share attributable to owners of the Company</b> (expressed in HK cents)			
— Basic	18	<u><b>6.4</b></u>	<u>7.8</u>
— Diluted	18	<u><b>6.4</b></u>	<u>7.8</u>
<b>Dividends</b>	19	<u><b>16,532</b></u>	<u>77,218</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

(All amounts in HK dollar thousands unless otherwise stated)

	Share capital	Share premium	Statutory reserves	Capital reserve	Exchange reserve	Retained earnings	Total
<b>For the six months ended 30 June 2013</b>							
<b>(audited)</b>							
Balance at 1 January 2013 (audited)	—	—	36,387	(1,599)	78,428	163,153	276,369
<b>Comprehensive income</b>							
Profit for the period	—	—	—	—	—	38,816	38,816
Currency translation differences	—	—	—	—	2,217	—	2,217
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,217</b>	<b>38,816</b>	<b>41,033</b>
<b>Contributions by and distributions to owners of the Company recognised directly in equity</b>							
Share issuance	2	—	—	—	—	—	2
2013 Deemed Distribution	—	—	(35,001)	(174,522)	(58,827)	—	(268,350)
Share issuance costs	—	—	—	(4,798)	—	—	(4,798)
Capitalisation of Indebtedness	—	—	—	228,661	—	—	228,661
Dividends	—	—	—	—	—	(77,218)	(77,218)
<b>Total contributions by and distributions to owners of the Company for the period</b>	<b>2</b>	<b>—</b>	<b>(35,001)</b>	<b>49,341</b>	<b>(58,827)</b>	<b>(77,218)</b>	<b>(121,703)</b>
<b>Balance at 30 June 2013 (audited)</b>	<b>2</b>	<b>—</b>	<b>1,386</b>	<b>47,742</b>	<b>21,818</b>	<b>124,751</b>	<b>195,699</b>

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

(All amounts in HK dollar thousands unless otherwise stated)

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations		79,826	78,659
Interest received		992	415
Income tax paid		<u>(27,178)</u>	<u>(34,957)</u>
<b>Net cash generated from operating activities</b>		<b><u>53,640</u></b>	<b><u>44,117</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(67,695)	(52,589)
Purchase of intangible assets		(4,773)	(236)
Proceeds from disposal of property, plant and equipment		2,027	2
Purchase of available-for-sale financial assets		—	(158,172)
Proceeds from available-for-sale financial assets		<u>—</u>	<u>164,006</u>
<b>Net cash used in investing activities</b>		<b><u>(70,441)</u></b>	<b><u>(46,989)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	13	68,761	102,561
Repayments of bank borrowings	13	(108,658)	(95,014)
Increase in deposits for non-current bank borrowings		(739)	—
Interest paid		(2,465)	(2,937)
Proceeds from issuance of shares	10	33,250	—
Share issuance costs paid	10	(831)	(2,046)
Advances from related companies		—	179,385
Payments for acquisition of equity interests and Listing Business in the Reorganisation		—	(23,094)
Dividends to Ultimate Shareholders		—	(77,218)
2013 Deemed Distribution to Ultimate Shareholders		<u>—</u>	<u>(83,904)</u>
<b>Net cash used in financing activities</b>		<b><u>(10,682)</u></b>	<b><u>(2,267)</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b><u>(27,483)</u></b>	<b><u>(5,139)</u></b>
Cash and cash equivalents at beginning of the period		332,587	90,179
Exchange gains/(losses) on cash and cash equivalents		<u>30</u>	<u>(1)</u>
<b>Cash and cash equivalents at end of the period</b>		<b><u>305,134</u></b>	<b><u>85,039</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2014*

*(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 together with 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 2014, the ultimate shareholders of the Group are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu (the "Ultimate Shareholders"), each holding an effective equity interest of 32.66%, 20.32% and 19.60% in the Company, respectively.

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

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

### Key events

Following the Public Offering on 20 December 2013, on 15 January 2014, China Merchants Securities (HK) Co., Limited, the Sponsor of the Public Offering, exercised an over-allotment option. As a result, the Company issued 26,600,000 ordinary shares (ordinary shares with a nominal value of HK\$0.10 each in our share capital) 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.

## 2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2014 (the "Period") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by Hong Kong Institute of Certified Public Accountants. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2013 (the "2013 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 2013 Financial Statements, as described therein. Newly effective standards and interpretations and amendments to HKFRS effective for the financial year ending 31 December 2014 did not have material impact on the Group.

Taxes on income in the interim periods 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 2013 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 2013 Financial Statements.

There have been no changes in the risk management department since year ended 31 December 2013 or in any risk management policies since the last year ended 31 December 2013.

##### 5.2 Liquidity risk

Compared to year ended 31 December 2013, there were no significant changes in the contractual undiscounted cash out flows for financial liabilities.

##### 5.3 Fair value estimation

As the same with last year ended 31 December 2013, the Group has no financial asset or liability that carried at fair value by the level of inputs to valuation techniques at 30 June 2014.

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

The fair value of borrowings is as follows:

	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
Non-current	<b>54,923</b>	50,201
Current	<b><u>70,164</u></b>	<u>116,433</u>
	<b><u><u>125,087</u></u></b>	<u><u>166,634</u></u>

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

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

## 6. SEGMENT INFORMATION

The Group assessed its operations to be organised in two main business segments:

- Mold fabrication; and
- Plastic components manufacturing.

The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

The segment revenue and results presented to the board of directors are as follows:

	<b>Six months ended 30 June 2014</b>		
	<b>Mold</b>	<b>Plastic</b>	
	<b>fabrication</b>	<b>components</b>	<b>Total</b>
		<b>manufacturing</b>	
<b>Revenue</b>			
External revenue	230,171	298,404	528,575
Inter-segment revenue	<u>22,137</u>	<u>—</u>	<u>22,137</u>
Segment revenue	252,308	298,404	550,712
Elimination			<u>(22,137)</u>
Revenue from external customers			528,575
Segment results	76,539	58,551	135,090
Other income and other gains/(losses) — net			12,335
Selling expenses			(28,640)
Administration expenses			(50,995)
Finance costs			<u>(2,499)</u>
<b>Profit before income tax (unaudited)</b>			<u><u>65,291</u></u>

## Six months ended 30 June 2013

	Mold fabrication	Plastic components manufacturing	Total
<b>Revenue</b>			
External revenue	174,947	295,678	470,625
Inter-segment revenue	<u>11,161</u>	<u>—</u>	<u>11,161</u>
Segment revenue	186,108	295,678	481,786
Elimination			<u>(11,161)</u>
Revenue from external customers			470,625
Segment results	71,407	65,942	137,349
Other income and other gains/(losses) — net			12,112
Selling expenses			(22,223)
Administration expenses			(70,447)
Finance costs			<u>(2,797)</u>
<b>Profit before income tax (audited)</b>			<u><u>53,994</u></u>

## 7. CAPITAL EXPENDITURE

	Intangible assets	Land use rights	Property, plant and equipment	Construction in progress	Prepayments for property, plant and equipment
<b>Six months ended 30 June 2014</b>					
<b>Net book amount as at 1 January</b>					
<b>2014</b>	3,791	—	167,492	—	33,199
Additions	4,773	—	19,595	—	48,564
Disposals	—	—	(2,858)	—	—
Transfers	—	—	17,669	—	(17,669)
Currency translation differences	(35)	—	(1,575)	—	(388)
Depreciation/amortisation	<u>(1,709)</u>	<u>—</u>	<u>(26,066)</u>	<u>—</u>	<u>—</u>
<b>Net book amount as at 30 June</b>					
<b>2014 (unaudited)</b>	<u><u>6,820</u></u>	<u><u>—</u></u>	<u><u>174,257</u></u>	<u><u>—</u></u>	<u><u>63,706</u></u>
<b>Six months ended 30 June 2013</b>					
<b>Net book amount as at 1 January</b>					
<b>2013</b>	4,164	24,792	201,752	51,961	3,796
Additions	175	—	7,698	16,429	10,187
Disposals	—	—	(2)	—	—
Transfers	—	—	7,267	(3,757)	(3,510)
2013 Deemed Distribution	—	(24,932)	(40,399)	(65,052)	—
Currency translation differences	61	442	3,124	419	134
Depreciation/amortisation	<u>(1,183)</u>	<u>(302)</u>	<u>(25,268)</u>	<u>—</u>	<u>—</u>
<b>Net book amount as at 30 June</b>					
<b>2013 (audited)</b>	<u><u>3,217</u></u>	<u><u>—</u></u>	<u><u>154,172</u></u>	<u><u>—</u></u>	<u><u>10,607</u></u>

Certain bank borrowings of the Group were secured over property, plant and equipment. Detailed information is disclosed in Note 12.

## 8. INVENTORIES

	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
Raw materials	<b>25,900</b>	25,763
Work in progress	<b>173,246</b>	148,006
Finished goods	<b>17,989</b>	14,895
	<b>217,135</b>	188,664
Less: allowance for impairment	<b>(2,943)</b>	(4,741)
	<b>214,192</b>	183,923

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
Trade receivables	<b>111,222</b>	146,469
Less: allowance for impairment	<b>(3,761)</b>	(3,774)
Trade receivables, net	<b>107,461</b>	142,695
Bills receivable	<b>1,461</b>	6,163
Prepayments and deposits	<b>59,647</b>	47,718
Value-added tax recoverable	<b>15,510</b>	5,390
Advances to employees	<b>1,130</b>	3,519
Export tax refund receivables	<b>5,317</b>	18,992
Interest receivables	<b>660</b>	—
Others	<b>2,266</b>	4,251
	<b>193,452</b>	228,728

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:

	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
Less than 3 months	<b>105,655</b>	142,882
More than 3 months but not exceeding 1 year	<b>5,513</b>	2,649
More than 1 year	<b>54</b>	938
	<b><u>111,222</u></b>	<u>146,469</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.

## 10. SHARE CAPITAL AND SHARE PREMIUM

	<b>30 June 2014 and 31 December 2013</b>	
	<b>Number of ordinary shares (thousands)</b>	<b>Share capital (HK\$'000)</b>
Authorised ordinary share of HK\$0.1 each	<u>2,000,000</u>	<u>200,000</u>

Detailed movements of issued shares are analysed as follows:

	<b>Number of shares (thousands)</b>	<b>Ordinary share</b>	<b>Share premium</b>	<b>Total</b>
<b>At 28 March 2013 (date of Incorporation)</b>	10	1	—	1
Issuance of shares	<u>10</u>	<u>1</u>	<u>—</u>	<u>1</u>
<b>At 30 June 2013 (audited)</b>	<b><u>20</u></b>	<b><u>2</u></b>	<b><u>—</u></b>	<b><u>2</u></b>
<b>At 1 January 2014</b>	<b>800,000</b>	<b>80,000</b>	<b>208,143</b>	<b>288,143</b>
Issuance of shares (b)	26,600	2,660	30,590	33,250
Share issuance costs (b)	<u>—</u>	<u>—</u>	<u>(831)</u>	<u>(831)</u>
<b>At 30 June 2014 (unaudited)</b>	<b><u>826,600</u></b>	<b><u>82,660</u></b>	<b><u>237,902</u></b>	<b><u>320,562</u></b>



(a) Details of shares issued as at 30 June 2014 are as follows:

Shareholder	Number of shares	Share capital HK\$	Equity interests as at 30 June 2014 (%)
Eastern Mix Company Limited	408,000,000	40,800,000	49.36
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>226,600,000</u>	<u>22,660,000</u>	<u>27.42</u>
	<u>826,600,000</u>	<u>82,660,000</u>	<u>100.00</u>

(b) In conjunction with the Public Offering on 20 December 2013, on 15 January 2014, China Merchants Securities (HK) Co., Limited, the sponsor of the Public Offering, 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.

## 11. TRADE AND OTHER PAYABLES

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Trade payables (a)	115,167	153,711
Deposits received from customers	182,051	129,782
Wages and staff welfare benefits payable	41,112	47,250
Accrual for expenses and other payables	23,199	43,349
Interest payable	53	19
Other taxes payable	<u>1,385</u>	<u>5,014</u>
	<u>362,967</u>	<u>379,125</u>

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

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
0–90 days	109,210	143,183
91–120 days	4,641	8,076
121–365 days	1,316	2,170
Over 365 days	<u>—</u>	<u>282</u>
	<u>115,167</u>	<u>153,711</u>

## 12. BORROWINGS

	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
<b>Non-current</b>		
Bank borrowings		
— secured (a)	15,060	17,164
— unsecured	71,602	103,334
Less: current portion of non-current borrowings	<u>(27,584)</u>	<u>(67,707)</u>
	<u><b>59,078</b></u>	<u>52,791</u>
<b>Current</b>		
Bank overdrafts	4,865	4,822
Bank borrowings		
— unsecured	<u>37,715</u>	<u>43,904</u>
Total short-term bank borrowings	<u>42,580</u>	<u>48,726</u>
Current portion of non-current borrowings	<u>27,584</u>	<u>67,707</u>
	<u><b>70,164</b></u>	<u>116,433</u>
<b>Total borrowings</b>	<u><b>129,242</b></u>	<u>169,224</u>

Interest expense on borrowings for the period was HK\$2,499,000 (2013 interim: HK\$2,797,000).

Movement in borrowings is analysed as follows:

	<b>2014 (Unaudited)</b>	2013 (Audited)
Opening balance as at 1 January	169,224	214,305
Proceeds from borrowings	68,761	102,561
Repayments of borrowings	(108,658)	(95,014)
Currency translation differences	(85)	(179)
2013 Deemed Distribution	<u>—</u>	<u>(214,147)</u>
Closing balance as at 30 June	<u><b>129,242</b></u>	<u>7,526</u>

- (a) Bank borrowings amounting to HK\$15,060,000 as at 30 June 2014 (31 December 2013: HK\$17,164,000) were secured over the following:

	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
Plant and machinery	<u><b>14,320</b></u>	<u>15,501</u>

- (b) The Group has the following undrawn banking facilities:

	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
Floating rate		
— Expiring within one year	<b>187,011</b>	116,756
Fixed rate		
— Expiring within one year	<u><b>10,000</b></u>	<u>75,000</u>
Total	<u><b>197,011</b></u>	<u>191,756</u>

### 13. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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.

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

	<b>2014 (Unaudited)</b>	2013 (Audited)
<b>Deferred income tax assets</b>		
Opening balance as at 1 January	<b>4,469</b>	6,705
Recognised in the profit or loss	<b>254</b>	(159)
2013 Deemed Distribution	—	(856)
Currency translation differences	<u><b>(43)</b></u>	<u>101</u>
Closing balance as at 30 June	<u><b>4,680</b></u>	<u>5,791</u>

	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Audited)
<b>Deferred income tax liabilities</b>		
Opening balance as at 1 January	<b>4,958</b>	18,490
Recognised in the profit or loss	<b>2,300</b>	538
2013 Deemed Distribution	<u>—</u>	<u>(16,868)</u>
Closing balance as at 30 June	<u><b>7,258</b></u>	<u>2,160</u>
 <b>14. OTHER INCOME AND OTHER GAINS/(LOSSES) — NET</b>		
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Audited)
<b>Other income</b>		
Sales of scrap and surplus materials	<b>5,038</b>	5,177
Interest income	<b>1,652</b>	415
Gain on disposal of property, plant and equipment	<b>229</b>	—
Income on derivative financial instruments	<b>—</b>	2,138
Others	<u><b>2,218</b></u>	<u>4,726</u>
	<u><b>9,137</b></u>	<u>12,456</u>
 <b>Other gains/(losses) — net</b>		
Net foreign exchange gain	<b>3,198</b>	1,128
Fair value changes on derivative financial instruments	<u>—</u>	<u>(1,472)</u>
	<u><b>3,198</b></u>	<u>(344)</u>

## 15. EXPENSES BY NATURE

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Audited)
Changes in inventories of finished goods and work in progress	(28,334)	(38,348)
Raw materials and consumables used	193,244	216,500
Employee benefit expense	154,071	117,115
Depreciation and amortisation	27,775	26,753
Subcontracting expenses	54,445	38,268
Water and electricity	14,848	9,497
Transportation and travelling expenses	13,818	10,664
Other taxes and levies	4,155	3,487
Maintenance expenses	2,986	3,099
(Reversal of allowance)/allowance for impairment of inventories	(1,759)	454
Allowance/(Reversal of allowance) for receivables	15	(541)
Operating lease payments	11,128	6,819
Research and development cost		
— Raw materials and consumables used	1,205	1,554
— Employee benefit expenses	9,719	9,264
Commission expenses	5,288	2,796
Auditors' remuneration	1,742	683
Expenses related to initial public offering	—	9,900
Advisory and legal service expenses (a)	(89)	2,359
Advertising and promotion fees	83	1,321
Utilities and postage fees	1,035	858
Security and estate management expenses	1,323	576
Bank charges and handling fees	360	561
Donations	79	—
Other expenses	5,983	2,307
	<u>473,120</u>	<u>425,946</u>

(a) The decrease was due to the reversal of HK\$2.0 million in advisory and legal service expenses over-provided.

## 16. FINANCE COSTS

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Audited)
Interest expenses		
— Bank borrowings wholly repayable within 5 years	<u>2,499</u>	<u>2,797</u>

## 17. INCOME TAX EXPENSE

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

The PRC corporate income tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the period at a rate of 25% (2013 interim: 25%) applicable to the respective companies.

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Audited)
Current income tax		
— PRC corporate income tax	14,009	14,481
— Reversal of PRC corporate income tax over-provided	(3,850)	—
Deferred income tax	<u>2,046</u>	<u>697</u>
	<u><b>12,205</b></u>	<u><b>15,178</b></u>

## 18. EARNINGS PER SHARE

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	
	2014 (Unaudited)	2013 (Audited, restated)
Profit attributable to equity holders of the Company (HK\$'000)	53,086	38,816
Weighted average number of ordinary shares issued (thousand)	<u>824,531</u>	<u>497,413*</u>
Basic earnings per share (HK cents)	<u><b>6.4</b></u>	<u><b>7.8*</b></u>

\* Following the Public Offering on 20 December 2013, the Company capitalised an amount of HK\$59,991,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 599,910,000 shares for allotment and issue to Eastern Mix Company Limited, Normal Times International Limited, Cheer Union Development Ltd and Lead Smart Development Limited in proportion to their respective shareholdings in the Company (“**Capitalisation Issue**”). The 599,910,000 ordinary shares of the Company issued on 20 December 2013 under the Capitalisation Issue have been adjusted retrospectively as if the proportionately higher numbers of shares had been issue since the relevant dates indicated.

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive ordinary shares at the period end.

## 19. DIVIDENDS

Dividend recognised as distribution during the period:

The final dividend in respect of the year ended 31 December 2013 of HK\$14,879,000 (HK1.8 cents per ordinary share) has been subsequently paid on 15 July 2014.

Interim dividend for the current period:

On 28 August 2014, the Board determined that an interim dividend of HK2.0 cents per ordinary share, amounting to approximately HK\$16,532,000 (2013 interim: interim dividend amounting to HK\$226,559,000 declared), should be paid to the shareholders of the Company whose names appear in the company's register of members on 19 September 2014.

## 20. COMMITMENTS

### (a) Capital commitments

Save as disclosed elsewhere in this Interim Financial Information, the Group has the following capital expenditure committed but not yet incurred:

	<b>30 June 2014 (Unaudited)</b>	31 December 2013 (Audited)
In respect of the acquisitions of plant and equipment, contracted but not provided for	<u><b>41,141</b></u>	<u>33,285</u>

### (b) Operating lease 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 2014 (Unaudited)</b>	31 December 2013 (Audited)
Not later than one year		
— to related companies	<b>19,852</b>	13,790
— to third parties	<u><b>3,424</b></u>	<u>3,203</u>
	<u><b>23,276</b></u>	<u>16,993</u>
Later than one year and not later than five years		
— to related companies	<b>12,821</b>	13,860
— to third parties	<u><b>6,715</b></u>	<u>—</u>
	<u><b>19,536</b></u>	<u>13,860</u>

## 21. RELATED-PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Audited)
Subcontracting expenses paid (i)	<u>—</u>	<u>1,081</u>
Operating lease expenses paid (ii)	<u>7,609</u>	<u>1,204</u>

- (i) The amount represented mold subcontracting services provided by operation unit of Jin Baoli Mold and Ironware of Gongming.
- (ii) The amount represented rental expenses for land and buildings for factory and office purposes paid to companies controlled by Ultimate Shareholders, which were determined with reference to independent property valuation.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

During the period, in Europe and America, the Group achieved business growth driven by the economic recovery in these regions. The Group's total revenue amounted to approximately HK\$528.6 million, representing an increase of approximately 12.3% compared to the same period last year (first half of 2013: HK\$470.6 million). The revenue of the mobile phones and wearable devices industry, the household electrical appliances industry, the medical devices industry and the commercial telecommunications equipment industry recorded a double-digit growth.

Industry	Six months ended 30 June				Change	
	2014		2013			
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Mobile phones and wearable devices	112.2	21.2	55.7	11.8	56.5	101%
Household electrical appliances	102.9	19.5	91.7	19.5	11.2	12%
Medical devices	39.4	7.5	11.2	2.4	28.2	252%
Commercial telecommunications equipment	87.2	16.5	79.1	16.8	8.1	10%
Automobiles	83.3	15.8	90.1	19.1	-6.8	-8%
Pachinko	6.5	1.2	33.1	7.0	-26.6	-80%
Video game devices	2.4	0.5	6.8	1.5	-4.4	-65%
Digital devices	39.9	7.5	79.8	17.0	-39.9	-50%
Others	54.8	10.3	23.1	4.9	31.7	138%
	<b>528.6</b>	<b>100</b>	<b>470.6</b>	<b>100</b>	<b>58.0</b>	<b>12%</b>

The Group recorded a gross profit of approximately HK\$135.1 million (first half of 2013: HK\$137.3 million) with a gross profit margin at approximately 25.6% (first half of 2013: 29.2%), which was partly attributable to the strategic product restructuring, strategic investment for market expansion and strategic pricing. The management believes that such proactive product restructuring and strategic pricing are in the interest of the Company's future development.

Profit for the period attributable to owners of the Company amounted to approximately HK\$53.1 million (first half of 2013: HK\$38.8 million), and net profit margin was approximately 10.0% (first half of 2013: 8.2%), representing an increase of approximately 36.8% as compared to the same period last year. Excluding the listing expenses of approximately HK\$9.9 million recognised as expenses in the first half of 2013, the adjusted net profit for the six months ended 30 June 2013 was approximately HK\$48.7 million. Excluding the said recognised expenses, the Group recorded an increase in the profit for the period attributable to the owners of the Company of approximately 9.0% in the current period compared to the same period last year. Basic earnings per share for the period was approximately HK6.4 cents.

## **Business Segment Analysis**

### ***Mold Fabrication Business***

The income of the mold fabrication business division was mainly derived from sales of performance molds and standard molds. The turnover of this business segment amounted to approximately HK\$230.2 million, representing an increase of approximately 31.5% when compared to approximately HK\$175.0 million in the same period last year, and accounting for approximately 43.5% of the Group's total revenue. 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 industry and the household electrical appliances industry.

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

The income of the plastic components business was largely in line with the same period last year, increased slightly by approximately 0.9% to approximately HK\$298.4 million (first half of 2013: HK\$295.7 million). 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 adjustment to its customers of plastic components by reducing sales to customers from the pachinko and game devices industry and boosting the development of the related products including mobile phones and wearable devices and commercial telecommunications equipment. During the period, the increase in orders from smart mobile phone customers has largely offset the decrease in orders from pachinko.

As a vertically integrated one-stop plastics solutions service provider, the Group's mold fabrication business and plastic components 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 six months ended 30 June 2014 was approximately HK\$528.6 million, representing an increase of approximately HK\$58.0 million or approximately 12.3%, from revenue of approximately HK\$470.6 million for the same period in 2013.

The mold fabrication segment revenue for the first half of 2014 was approximately HK\$230.2 million, representing an increase of approximately HK\$55.2 million or approximately 31.5%, from revenue of approximately HK\$186.1 million for the same period in 2013. This increase was primarily due to the increase in sales to customers in the automotive industry, mobile phones and wearable devices industry, medical devices industry and household electrical appliances industry, especially in the European and American market where many orders from new customers were secured and orders from the existing customers were increased.

The plastic components manufacturing segment revenue for the first half of 2014 was approximately HK\$298.4 million, which was largely in line with revenue of approximately HK\$295.7 million for the same period 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 adjustment to its customers of plastic components. During the period, the decrease in sales in the pachinko industry was offset by the increase in sales in the mobile phones and wearable devices industry, commercial telecommunications equipment and household electrical appliances industry.

### **Gross Profit**

Gross profit for the first half of 2014 was approximately HK\$135.1 million, representing a decrease of approximately HK\$2.2 million or approximately 1.6%, from gross profit of approximately HK\$137.3 million for the same period in 2013. The decrease was primarily due to the decrease in gross profit in plastic components manufacturing segment.

The mold fabrication segment recorded robust sales growth. Despite gross profit margin slightly dropped from approximately 38.4% in the first half of 2013 to approximately 30.3% in the current period, the overall gross profit increased by approximately HK\$5.1 million.

Segment gross profit margin for plastic components manufacturing dropped from approximately 22.3% in the first half of 2013 to approximately 19.6%. The decrease in gross profit margin was primarily due to the decrease of machine utilisation rate because of project delay.

### **Other Income**

Other income for the first half of 2014 was approximately HK\$9.1 million, representing a decrease of approximately HK\$3.4 million or approximately 27.2%, from other income of approximately HK\$12.5 million for the same period in 2013. The decrease was primarily due to gains of approximately HK\$2.1 million from hedging instruments recorded in the same period last year.

## **Other Gains/(Losses) Net**

The Group had net other gains of approximately HK\$3.2 million for the first half of 2014, representing an increase of approximately HK\$3.5 million from net other losses of approximately HK\$0.3 million for the same period of 2013. The increase was primarily due to the foreign exchange gain arising from the conversion of sales proceeds received from clients in Europe as Euro appreciated during the first half of 2014.

## **Selling Expenses**

Selling expenses for the first half of 2014 increased to approximately HK\$28.6 million from selling expenses of approximately HK\$22.2 million for the same period of 2013. The increase of approximately HK\$6.4 million was primarily due to the significant increases of approximately HK\$3.2 million and approximately HK\$2.5 million in transportation and travelling expenses and commission expenses respectively which aligned with the significant growth in sales of mold fabrication segment.

## **Administrative Expenses**

Administrative expenses for the first half of 2014 dropped to approximately HK\$51.0 million, representing a decrease of approximately HK\$19.5 million or approximately 27.6%, from approximately HK\$70.5 million for the same period of 2013. The decrease was primarily due to 1) the listing expenses of approximately HK\$9.9 million incurred in the same period of 2013, 2) the decrease of approximately HK\$1.2 million in advertising and promotion fees compared with the same period of 2013 and, 3) the reversal of approximately HK\$2.0 million in advisory and legal service expenses over-provided.

## **Finance Costs**

Finance costs for the first half of 2014 were approximately HK\$2.5 million, which was largely in-line with approximately HK\$2.8 million for the same period of 2013.

## **Income Tax Expense**

Income tax expense for the first half of 2014 was approximately HK\$12.2 million, representing a decrease of approximately HK\$3.0 million from approximately HK\$15.2 million for the same period of 2013. The decrease was primarily due to 1) the income tax of approximately HK\$3.0 million paid in respect of the Group's business restructuring during the first half of 2013, and 2) the reversal of approximately HK\$3.9 million over-provided last period by domestic companies according to the result of final tax settlement.

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

As a result of foregoing, profit for the first half of 2014 attributable to owners of the Company was approximately HK\$53.1 million, representing an increase of approximately HK\$14.3 million or approximately 36.9%, from approximately HK\$38.8 million for the same period of 2013. Excluding the listing expenses of approximately HK\$9.9 million recognised in the first half of 2013, the adjusted net profit for the six months ended 30 June 2013 was approximately HK\$48.7 million. Profit for the current period represented a growth of approximately 9.0% compared to the same period last year.

## **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 the Group's customers' products. A significant portion of the Group's downstream industries, namely mobile phone, video games and digital devices, have generally been in higher demand during the second half of each calendar year due to the seasonal purchase patterns of consumers affected by factors such as Thanksgiving Day and Christmas holidays. As a result, the Group recorded higher revenue in the second half of the year than that of the first half of the year in the past. Please refer to the sections headed "Risk Factors — Risks Relating to Our Business — Our sales may fluctuate and be affected by seasonality" and "Financial Information — Significant Factors Affecting Our Results of Operations and Financial Condition — Seasonality" in the Company's prospectus dated 11 December 2013 (the "**Prospectus**").

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2014, the Group had net current assets of approximately HK\$251.1 million (31 December 2013: HK\$217.8 million). The Group had cash and cash equivalents of approximately HK\$305.1 million (31 December 2013: HK\$332.6 million). The current ratio of the Group as at 30 June 2014 was approximately 1.5 (31 December 2013: 1.4). The Company grants a credit period of about 60 days to its suppliers, which is shorter than that of 90 days prevailing in industry. This reflects the creditworthiness of the Company and is helpful for us to purchase from suppliers at more favorable terms.

Total equity of the Group as at 30 June 2014 was approximately HK\$436.2 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 30 June 2014 was approximately 29.6% (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	
	30 June 2014 HK\$000	31 December 2013 HK\$000
Within 1 year	70,164	116,433
Between 1 and 2 years	24,705	11,485
Between 2 and 5 years	<u>34,373</u>	<u>41,306</u>
	<u>129,242</u>	<u>169,224</u>

## PLEDGED ASSETS

Details of pledged assets as at 30 June 2014 are set out in Note 12(a) to the condensed consolidated 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 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 our chief financial officer, and overseen by the Group's chief executive officer. In accordance with our hedging needs and the then foreign exchange situation, the Group's chief financial officer would collect and analyse information regarding various hedging instruments and determine stop-loss thresholds. The Group's chief financial officer would then collect quotations from various banks as to the financial instrument and present such quotations to the Group's chief executive officer, who would then evaluate and make a decision as to whether to enter into the relevant hedging agreement. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

For the six months ended 30 June 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 interest rate movements and regularly review its banking facilities so as to mitigate the expected interest rate risk.

## CAPITAL COMMITMENTS

Details of capital commitments as at 30 June 2014 are set out in Note 20(a) to the condensed consolidated interim financial information.

## USE OF PROCEEDS FROM THE PUBLIC OFFERING

The Company was listed on the Stock Exchange on 20 December 2013. Net proceeds from the Public Offering totalled approximately HK\$265.6 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 CNC milling machines, EDM 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. Therefore, as of the first half of 2014, the capitalised amount recorded was only approximately HK\$1.4 million, though the Company had acquired or placed orders to acquire equipment for a total of approximately HK\$115.5 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. It is expected that production will commence in the third quarter of 2014 and payment of approximately HK\$28.0 million was made for acquisition of equipments during the period. Most assets are still under testing.
- ii. The precision mold fabrication segment established a new precision mold fabrication unit during the period for upgrading mold fabrication capabilities. It is expected that production will commence in the third quarter of 2014 and payment of approximately HK\$17.1 million was made for equipments during the period. Most assets are still under testing. Other existing precision mold fabrication units and standard mold fabrication units also acquired some new equipments for production expansion during the period, with approximately HK\$9.2 million paid for equipments during the period.
- iii. In order to improve production capability, Shenzhen plastic components manufacturing segment set up an advanced spray painting production line, installed a new workshop and purchased 3 sets of plastic injection molding machines during the period, with approximately HK\$8.9 million paid for equipments during the period.
- iv. In order to meet the increasing need from the Group's clients in Eastern China, during the period, the Group's Eastern China business leased a new plant in Suzhou with an area of approximately 6,000 square meters which is located in the same industrial park, for expanding the Group's production lines and capabilities. This newly leased plant in Suzhou has been under preparation as at 30 June 2014 and will commence production in the third quarter of 2014.

The table below sets out the use of net proceeds from the Public Offering and the unutilised amounts as at 30 June 2014. All unutilised proceeds are placed with licensed banks in China and Hong Kong.

## Use of Proceeds

			Utilised amounts as at 30 June 2014 (HK\$ million)	Unutilised amounts as at 30 June 2014 (HK\$ million)
	% of total amount	Net proceeds (HK\$ million)		
Establishing a new business unit specialising in ultra-large standard molds	19%	51.9*	28.0	23.9
Upgrading mold fabrication capabilities	14%	37.1*	26.3	10.8
Expanding Shenzhen plastic components manufacturing capabilities	22%	59.4*	8.9	50.5
Expanding Suzhou plastic components manufacturing capabilities	17%	44.5*	0.6	43.9
Strategic acquisitions of other mold fabricators	11%	29.5*	—	29.5
Research and development (“R&D”)	8%	21.5*	—	21.5
General working capital	9%	24.1*	—	24.1
	<u>100%</u>	<u>268.0*</u>	<u>63.8</u>	<u>204.2</u>

\*Note: 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 26,600,000 ordinary shares of HK\$0.1 each at the subscription price of HK\$1.25 per share. The allocation of the net proceeds of approximately HK\$32.4 million will be utilised for the purposes on a pro rata basis as set out in the Prospectus. As a result, the net proceeds have increased from approximately HK\$235.6 million to approximately 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 Public Offering and bank borrowings.



## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the six months ended 30 June 2014, the Group has made no material acquisitions or disposals of subsidiaries.

## **CONTINGENT LIABILITIES**

As at 30 June 2014, the Group did not have any significant contingent liabilities.

## **OUTLOOK**

In view of the revival of exports in manufacturing enterprise, the market expects to see a faster growth of foreign trade during the second half of the year. The Management believes the Company will also be benefited from the U.S. and European economic recovery. The total production value of high-precision plastic injection molds and plastic components is expected to maintain its upward trend, which favours the Group's development prospects. Therefore, the management remains prudent yet optimistic about the prospects for future financial years.

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

Regarding the development of the mold fabrication business, the Group newly established a business unit in the period, specialising in ultra-large standard molds for the manufacture of instrument panels, bumpers and door panels for the automotive industry with the aim of meeting the huge demand of the automotive industry for these molds, which now is swamped with orders for the second half of 2014. Meanwhile, the Group established a performance mold business unit in order to cater for the growing demand of its plastic injection business for high-end consumer electronics and tap into this fast-growing market trend. Both of the new business units are estimated to commence operation in the third quarter and the mold fabrication business is expected to grow well throughout the year.

In Europe, North America and Mainland China, we actively seek other mold fabricators, who suit the scale of the Group and can generate synergies for potential acquisition to facilitate the Group's business expansion and enlarge its global market share.

As for the plastic injection molding business, in response to the rising market demand for high precision plastic components and its strategic shift to highly automatic production, the Group made a structural adjustment to the production capacity of plastic components and reduced the sales to pachinko industry manufacturers, while meeting the strong demands for mobile phones and wearable devices, commercial telecommunications equipment and others. The Company has successfully entered into cooperation with renowned brands in the wearable devices industry. Further, the Group rented a

new plant in the same industry park in East China with a gross floor area of approximately 6,000 square meters for the expansion of production line to enhance the production capacity so as to satisfy the rising demands of clients in East China in the Period. The newly leased plant in Suzhou will commence operation in the third quarter of 2014. The Group believes the plastic injection molding business will realise a steady growth in the year through such strategic structural adjustment and expansion of production capacity.

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

## **DIVIDEND**

The management managed to enhance the liquidity of the Company. Dividend rate for the period was 31.3%, higher than the minimum level of 30% as set out in the Company's dividend policy. On 28 August 2014, the Board resolved to declare an interim dividend of HK2.0 cents per share, amounting to a total of approximately HK\$16.5 million, for the six months ended 30 June 2014. The interim dividend is expected to be paid on 30 September 2014.

## **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 17 September 2014 to 19 September 2014, 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, should be 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 16 September 2014.

## **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 2014.

## **CORPORATE GOVERNANCE**

The Company believes that a good corporate governance is important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Board is of the view that the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2014.

## **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. During the period, the Audit Committee had held meetings to review the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including reviewing the unaudited condensed interim consolidated results and the interim report for the six months ended 30 June 2014.

## **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, 28 August 2014

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