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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 2019

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 2019 together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**2,310,842**	2,298,609
Cost of sales	*5*	**(1,643,367)**	(1,574,191)
Gross profit		**667,475**	724,418
Other income		**50,147**	24,730
Other losses – net		**(5,842)**	(2,739)
Selling expenses	*5*	**(80,690)**	(88,341)
Administrative expenses	*5*	**(269,567)**	(257,733)
Operating profit		**361,523**	400,335
Interest income		**20,220**	9,965
Interest expenses		**(21,615)**	(3,166)
Finance (cost)/income – net		**(1,395)**	6,799
Share of net profit of an associate accounted for using the equity method		**371**	–
Profit before income tax		**360,499**	407,134
Income tax expense	*6*	**(58,696)**	(56,949)
Profit for the year attributable to owners of the Company		**301,803**	350,185
Other comprehensive income			
Item that may be reclassified to profit and loss:			
Currency translation differences		**(23,199)**	(36,258)
Total comprehensive income for the year		**278,604**	313,927
Earnings per share for the year			
– basic and diluted (HK$ per share)	*7*	**0.36**	0.42

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**592,278**	516,190
Intangible assets		**13,831**	11,693
Right-of-use assets	*14*	**142,530**	–
Financial assets at fair value through profit or loss		**33,621**	23,621
Investment in an associate		**15,526**	–
Prepayments for property, plant and equipment		**22,812**	38,160
		820,598	589,664
Current assets			
Inventories		**397,041**	343,168
Trade and other receivables	*9*	**371,794**	355,318
Deposits for bank borrowings		**134,594**	84,975
Restricted cash		**17,638**	36,553
Cash and cash equivalents		**582,878**	753,811
		1,503,945	1,573,825
Total assets		**2,324,543**	2,163,489
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**83,326**	83,326
Share premium	*12*	**251,293**	251,293
Shares held for employee share scheme	*13*	**(5,517)**	–
Other reserves		**21,188**	25,224
Retained earnings		**841,175**	715,615
Total equity		**1,191,465**	1,075,458
LIABILITIES			
Non-current liabilities			
Bank borrowings	*11*	**75,911**	235,014
Deferred income on government grants		**36,442**	23,793
Deferred income tax liabilities		**43,737**	21,928
Lease liabilities	*14*	**92,671**	–
		248,761	280,735
Current liabilities			
Trade and other payables	*10*	**411,751**	456,501
Contract liabilities		**226,663**	198,911
Income tax liabilities		**21,299**	44,666
Bank borrowings	*11*	**166,049**	107,218
Lease liabilities	*14*	**58,555**	–
		884,317	807,296
Total liabilities		**1,133,078**	1,088,031
Total equity and liabilities		**2,324,543**	2,163,489

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Cash flows from operating activities		
Cash generated from operations	**488,797**	512,174
Interest received	**14,951**	4,673
Income tax paid	**(59,948)**	(25,401)
Net cash generated from operating activities	**443,800**	491,446
Cash flows from investing activities		
Purchase of property, plant and equipment and construction in progress	**(206,197)**	(262,732)
Purchase of intangible assets	**(6,689)**	(4,359)
Proceeds from disposal of property, plant and equipment	**8,540**	1,812
Additions of investment in an associate	**(15,155)**	–
Additions of financial assets at fair value through profit or loss	**(596,808)**	(553,644)
Proceeds from financial assets at fair value through profit or loss	**592,063**	535,349
Net cash used in investing activities	**(224,246)**	(283,574)
Cash flows from financing activities		
Proceeds from bank borrowings	**369,489**	370,966
Repayments of bank borrowings	**(469,761)**	(126,649)
Increase in deposits for bank borrowings	**(49,619)**	(84,975)
Interest paid	**(12,745)**	(3,166)
Principal elements of lease payments	**(60,966)**	–
Acquisition of shares for employee share scheme	**(5,517)**	–
Dividends paid	**(158,319)**	(149,987)
Net cash (used in)/generated from financing activities	**(387,438)**	6,189
Net (decrease)/increase in cash and cash equivalents	**(167,884)**	214,061
Cash and cash equivalents at beginning of the year	**753,811**	540,815
Currency translation losses on cash and cash equivalents	**(3,049)**	(1,065)
Cash and cash equivalents at end of the year	**582,878**	753,811
Analysis of balances of cash and cash equivalents:		
Cash and cash on hand	**600,516**	790,364
Restricted cash	**(17,638)**	(36,553)
	582,878	753,811

NOTES:

1. CORPORATE 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, an investment holding company, and its subsidiaries (collectively the "**Group**") are principally engaged in the manufacturing, sales, subcontracting, fabrication and modification of molds and plastic components in the People's Republic of China (the "**PRC**"). As at 31 December 2019, 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 28.86%, 17.95% and 17.31% 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 all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss 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 judgments 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 Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 *Leases*
- *Prepayment Features with Negative Compensation – Amendments to HKFRS 9*
- *Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28*
- *Annual Improvements to HKFRS Standards 2015 – 2017 Cycle*
- *Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19*
- Interpretation 23 *Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 were 4.76%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) *Measurement of lease liabilities*

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**232,641**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**212,608**
(Less): short-term leases not recognised as a liability	**(422)**
(Less): low-value leases not recognised as a liability	**(39)**
Lease liability recognised as at 1 January 2019	**212,147**
Of which are:	
Current lease liabilities	**58,039**
Non-current lease liabilities	**154,108**
	212,147

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) *Adjustments recognised in the balance sheet on 1 January 2019*

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by HK$212,147,000
- lease liabilities – increase by HK$212,147,000

There was no impact on retained earnings on 1 January 2019.

(b) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective for the financial year beginning 1 January 2019 and not been early adopted by the Group as of the reporting period are as follows:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sales or contribution of assets between an investor and its associate or joint venture	The effctive date has now been deferred

The Group has already commenced an assessment of the impact of the new or revised standards that have been issued but either not yet effective for the financial period beginning 1 January 2019 or not been early adopted by the Group which are relevant to the Group's operation. The Group believes that the application of amendments to HKFRSs, amendments to HKASs and the new interpretations is unlikely to have a material impact on the Group's statement of financial position and performance as well as disclosure in the future.

4. SEGMENT INFORMATION

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

	Mold fabrication		**Plastic components manufacturing**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
Segment revenue	**743,804**	783,399	**1,720,056**	1,606,197	**2,463,860**	2,389,596
Inter-segment revenue elimination	**(153,018)**	(90,987)	**–**	–	**(153,018)**	(90,987)
Revenue from external customers	**590,786**	692,412	**1,720,056**	1,606,197	**2,310,842**	2,298,609
Timing of revenue recognition						
At a point in time	**590,786**	692,412	**1,720,056**	1,606,197	**2,310,842**	2,298,609
Segment results	**207,667**	258,748	**459,808**	465,670	**667,475**	724,418
Other income and other losses – net					**44,305**	21,991
Selling expenses					**(80,690)**	(88,341)
Administrative expenses					**(269,567)**	(257,733)
Finance (cost)/income – net					**(1,395)**	6,799
Share of net profit of an associate accounted for using the equity method					**371**	–
Profit before income tax					**360,499**	407,134

Information regarding the Group's revenue by nature:

	2019	2018
	HK$'000	*HK$'000*
Sales of goods	**2,251,875**	2,239,258
Modification service income	**58,967**	59,351
	2,310,842	2,298,609

5. EXPENSES BY NATURE

	2019	2018
	HK$'000	*HK$'000*
Changes in inventories of finished goods and work in progress	**(49,916)**	(32,461)
Raw materials and consumables used	**835,686**	820,698
Employee benefit expenses	**622,739**	585,866
Subcontracting expenses	**182,474**	191,257
Depreciation of property, plant and equipment and amortisation of intangible assets	**134,597**	103,322
Depreciation of right-of-use assets	**66,874**	–
Water and electricity expenditures	**52,856**	41,716
Transportation and travelling expenses	**48,303**	56,605
Commission expenses	**16,060**	8,491
Other taxes and levies	**13,280**	18,478
Advisory and legal service expenses	**11,369**	13,771
Maintenance expenses	**10,010**	13,641
Security and estate management expenses	**6,993**	6,601
Advertising and promotion fees	**6,329**	4,938
Allowance for/(reversal of allowance) impairment of inventories	**5,848**	(917)
(Reversal of allowance)/allowance for receivables	**(1,759)**	408
Utilities and postage fees	**4,084**	4,228
Donations	**3,849**	2,728
Auditors' remuneration		
– Audit services	**3,747**	4,581
– Non-audit services	**501**	575
Custom declaration charges	**2,503**	2,584
Recruitment expenses	**2,417**	3,285
Operating lease payments	**1,587**	58,075
Bank charges and handling fees	**1,476**	1,221
Other expenses	**11,717**	10,574
Total cost of sales, selling expenses and administrative expenses	**1,993,624**	1,920,265

Research and development expenses represented:

	2019	2018
	HK$'000	*HK$'000*
Raw materials and consumables used	**31,813**	27,437
Employee benefit expenses	**33,798**	27,162
	65,611	54,599

6. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**13,930**	10,579
– PRC corporate income tax	**21,730**	32,535
– Income tax under/(over)-provided in previous years	**921**	(495)
Total current tax expense	**36,581**	42,619
Deferred income tax		
Increase in deferred tax assets	**(12,515)**	(2,650)
Increase in deferred tax liabilities	**34,630**	16,980
Total deferred tax expense	**22,115**	14,330
Income tax expense	**58,696**	56,949

(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) Hong Kong profits tax

Subsidiaries in Hong Kong are subject to 16.5% income tax rate before 2018. Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000,000, and 16.5% on any part of assessable profits over HK$2,000,000. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

(c) PRC corporate income tax ("CIT")

CIT is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits. The applicable CIT rate is 25% (2018: 25%). TK Mold (Shenzhen) Limited, TK Precision Plastics (Shenzhen) Limited and TK Plastic Products (Suzhou) Limited, subsidiaries of the Group, were recognised as "New and High Technology Enterprise" and thus enjoy a preferential CIT rate of 15% from 1 January 2017 to 31 December 2019, 1 January 2018 to 31 December 2020 and 1 January 2019 to 31 December 2021 respectively.

(d) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding income tax rate 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.

(e) The British Virgin Islands (the "BVI") income tax

No provision for income tax in BVI has been made as the Group has no income assessable for income tax in BVI during the year (2018: 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 excluding shares held for employee share scheme.

	2019	2018
Profit attributable to owners of the Company (HK$'000)	**301,803**	350,185
Weighted average number of ordinary shares issued (thousands)	**832,972**	833,260
Basic earnings per share (HK$)	**0.36**	0.42

(b) Diluted

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive ordinary shares at the year ended 31 December 2019 (2018: Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive ordinary shares).

8. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.05 (2018 Interim: HK$0.06) per ordinary share	**41,663**	49,996
Proposed final dividend of HK$0.09 (2018: HK$0.14) per ordinary share	**74,993**	116,656
	116,656	166,652

The dividends paid in 2019 and 2018 were HK$158,319,000 (HK$0.19 per share) and HK$149,987,000 (HK$0.18 per share) respectively. A final dividend in respect of the year ended 31 December 2019 of HK$0.09 per share, amounting to a total of approximately HK$74,993,000, is to be proposed at the forthcoming annual general meeting ("**AGM**").

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(Note)*	**315,867**	308,719
Less: allowance for impairment	**(4,361)**	(6,250)
Trade receivables, net	**311,506**	302,469
Prepayments and deposits	**31,270**	27,827
Export tax refund receivables	**21,051**	10,568
Advances to employees	**4,037**	4,510
Value-added tax recoverable	**1,921**	8,579
Others	**2,009**	1,365
	371,794	355,318

Note:

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

	2019	2018
	HK$'000	*HK$'000*
USD	**221,181**	229,559
RMB	**78,782**	60,749
EUR	**12,006**	7,811
HKD	**3,898**	10,561
GBP	**–**	39
	315,867	308,719

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

	2019	2018
	HK$'000	*HK$'000*
Less than 3 months	**294,175**	284,170
More than 3 months but not exceeding 1 year	**21,692**	23,289
More than 1 year	**–**	1,260
	315,867	308,719

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 and with good track record.

10. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**273,906**	307,774
Wages and staff welfare benefits payable	**108,981**	121,906
Accrual for expenses and other payables	**22,449**	19,245
Other taxes payable	**6,415**	7,576
	411,751	456,501

The ageing analysis of trade payables based on the goods/services receipt date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–90 days	**206,165**	235,252
91–120 days	**42,799**	41,388
121–365 days	**20,801**	29,893
Over 365 days	**4,141**	1,241
	273,906	307,774

11. BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Non-current		
Bank borrowings – unsecured	**134,950**	265,262
Less: current portion of non-current borrowings	**(59,039)**	(30,248)
	75,911	235,014
Current		
Bank borrowings – secured *(Note)*	**107,010**	76,970
Current portion of non-current borrowings	**59,039**	30,248
	166,049	107,218
Total borrowings	**241,960**	342,232

Note:

As at 31 December 2019, bank borrowings amounting to HK$107,010,000 were secured by the bank deposits of HK$134,594,000 (31 December 2018: bank borrowings amounting to HK$76,970,000 were secured by bank deposits of HK$84,975,000).

12. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares *(thousands)*	**Share capital** *(HK$'000)*	**Share premium** *(HK$'000)*	**Total** *(HK$'000)*
As at 1 January 2019 and 31 December 2019 and 1 January 2018 and 31 December 2018	833,260	83,326	251,293	334,619

13. SHARES HELD FOR EMPLOYEE SHARE SCHEME

	2019	**2019**
	Shares	**Total consideration**
	(thousands)	***(HK$'000)***
Shares held for employee share scheme	**1,154**	**5,517**

The Group through its trustee, Bank of Communications Trustee Limited, acquired a total of 1,154,000 of the Company's shares during 2019. The total consideration paid to acquisition of these shares was HK$5,517,000, which has been presented as a deduction from equity attributable to owners of the Company. These shares are held by the trustee for the purpose of granting share award under the Company's employee share award scheme.

Details	**Number of shares** *(thousands)*	**Total consideration** *(HK$'000)*
Opening balance as at 1 January 2019	–	–
Acquisition of shares by the trustee	1,154	5,517
Balance as at 31 December 2019	1,154	5,517

14. LEASES

(a) Amounts recognised in the balance sheet

	31 December 2019 ***HK$'000***	1 January 2019 *HK$'000*
Right-of-use assets		
Properties	**142,530**	212,147
Lease liabilities		
Current	**58,555**	58,039
Non-current	**92,671**	154,108
	151,226	212,147

Additions to the right-of-use assets during the 2019 financial year were HK$45,000.

(b) Amounts recognised in the statement of comprehensive income

	2019 ***HK$'000***	2018 *HK$'000*
Depreciation charge of right-of-use assets – Properties	**66,874**	–
Interest expense (included in finance cost)	**8,870**	–
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**1,548**	–
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**39**	–

The total cash outflow for leases in 2019 was HK$71,423,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In retrospect to 2019, the business environment of the industry faced fierce competition amid the trade war between China and the United States. However, given that the Group has provided quality products and technical solutions to its customers as usual and under the flexible pricing strategy, in 2019, the Group's revenue for the year basically remained the same level and reached HK$2,310.8 million (2018: HK$2,298.6 million), representing a slight increase of 0.5% as compared to that of last year. The smart home segment and the mobile phones and wearable devices segment in the downstream industries maintained an upward trend.

Industry	**2019**		2018		**Change**	
	HK$ million	**%**	*HK$ million*	%	*HK$ million*	%
Mobile phones and wearable devices	**694.0**	**30.0**	561.7	24.4	132.3	23.6
Automobiles	**385.2**	**16.7**	398.2	17.3	–13.0	–3.3
Smart home	**358.7**	**15.5**	256.3	11.2	102.4	40.0
Commercial telecommunications equipment	**327.1**	**14.2**	496.9	21.6	–169.8	–34.2
Medical and health care	**305.8**	**13.2**	306.2	13.3	–0.4	–0.1
Household electrical appliances	**73.4**	**3.2**	115.6	5.0	–42.2	–36.5
Digital devices	**45.2**	**2.0**	46.3	2.0	–1.1	–2.4
Others	**121.4**	**5.2**	117.4	5.2	4.0	3.4
	2,310.8	**100.0**	2,298.6	100.0	12.2	0.5

During the year, being affected by the trade war, most of the enterprises remained prudent and the utilization rate of machines of the Group decreased as some customers delayed their production schedules. Gross profit of the Group decreased by 7.9% to HK$667.5 million (2018: HK$724.4 million), while gross profit margin dropped by 2.6 percentage points to 28.9% (2018: 31.5%).

In light of the above effects, profit attributable to owners of the Company for the year amounted to HK$301.8 million (2018: HK$350.2 million), representing a decrease of 13.8% as compared to that of last year. Net profit margin decreased by 2.1 percentage points to 13.1% (2018: 15.2%). Basic earnings per share was approximately HK$0.36 (2018: HK$0.42), representing a decrease of 14.3% as compared to that of last year.

Furthermore, the Group's trade receivable turnover days remained stable at around 49 days, which was attributable to our effective credit control policies. Meanwhile, such policies also enabled the Group to maintain net cash of HK$493.2 million (2018: HK$533.1 million). The sound financial position enables the Group to engage in merger and acquisition activities in a more active manner and to adopt other necessary measures so as to stimulate business growth. The Group has a considerable amount of orders on hand, as at 31 December 2019, amounting to HK$883.2 million, which represented an increase of 12.1% as compared with HK$788.0 million as at 31 December 2018. Such increase was mainly due to the delay of orders delivered during the year.

BUSINESS SEGMENT ANALYSIS

Mold Fabrication Business

During the year, the revenue of the mold fabrication segment from external customers amounted to approximately HK$590.8 million, representing a decrease of approximately 14.7% as compared with approximately HK$692.4 million in last year, and accounting for approximately 25.6% of the Group's total revenue.

The Group has production lines for ultra-large standard molds and high-precision molds. The major products of the Group's ultra-large standard molds, being large molds with complex structure, are automobiles components. The clients mainly include first-tier component suppliers who manufacture automobile components for renowned automobile brands in Europe, such as Mercedes-Benz, BMW and Volkswagen. High-precision molds production lines mainly produce high-precision molds with multi-cavity and efficiency, covering the markets of high-end consumer electronics product and commercial telecommunications equipment such as smart home, mobile phones and wearable devices, medical and health care. In addition to developing external customers, the Group also provides convenient one-stop services with high economic efficiency to our customers, coupled with the downstream plastic components manufacturing business.

During the year, the revenue of this segment decreased due to certain customers postponing the delivery date of products to 2020. Being impacted by the US-China trade war, the Group was also exposed to downward pressure on prices quoted to customers. Therefore, the gross profit margin for the year slightly decreased by 2.2 percentage points to 35.2% (2018: 37.4%). Despite a decrease in gross profit margin, the Group will still continuously improve process technology and strive to deliver molds and design solutions with high quality to customers, so as to help the Group enjoying a dominant advantage of quality and technology in the industry as for its plastic mold fabrication technique.

Plastic Components Manufacturing Business

Revenue from the plastic components manufacturing segment amounted to approximately HK$1,720.0 million (2018: HK$1,606.2 million), representing an increase of 7.1% over last year, and accounting for approximately 74.4% of the Group's total revenue.

The smart home segment sustained growth, up by 40.0% in revenue over last year, which was mainly attributable to an increase of the revenue from the whole segment driven by the launch of new products by a major customer of smart home segment in the second half of 2019. Meanwhile, the Group also successfully developed and delivered products to another leading smart home brand during the year. As the Group has obtained the new customer's recognition in its product quality, the new customer has confirmed to place more orders with the Group in 2020. The Group was deeply encouraged by the recognition of the leading brand customer and will continue to expand its exposure in the smart home market and work together with customers to develop new products.

The mobile phones and wearable devices segment achieved a year-on-year growth of 23.6% in revenue, with a growing diversity of customers. The orders from smartphone brand customers maintained steady during the year; orders for smartphone protective cases from a brand customer in the second half of the year recorded a significant increase to support the launch of new smartphones. In addition, the products from the popular audio brand customer were also welcomed by the public, driving orders to soar during the year.

Medical and health care segment remained stable over last year, with a leading health care brand customer maintaining a continuous growth momentum and recording a year-on-year increase of approximately 13.2% in revenue. The products of such customer were well received by the market, thus the Group will continuously cooperate with its team in the research and development of new products to meet the demand. Besides, the revenue from commercial telecommunications equipment segment decreased by 34.2% over last year, mainly due to the fact that the Group expected that the growth of world's leading brand customers will slow down but still continuously bring orders to the Group as their market have reached saturation to an extent. As economic cycle varies among different industries, the Group will actively maintain diversified customer portfolio to ensure the stableness of business.

With the excellent production technology and quality services, the Group has always been committed to serving foreign customers. However, in response to the impacts of the trade war, the Group actively expanded its domestic market in 2018, in order to generate more income sources and capture the development opportunities in the PRC. During the year, with thanks to its good reputation and track record in the industry, the Group was included into the supply chain of a domestic leading wearable devices brand to provide high-quality products and services. The Group also continuously negotiated business with other domestic leading brand of electronics consumer products, so as to expand the share in relevant market.

In addition, confronting the rising labor costs, the Group will continue to increase resource investment in intelligent and automated aspects and to improve the digitization of operating system with an aim to maintain the Group's competitiveness in the long term.

During the year, the gross profit margin of plastic business decreased to 26.7% (2018: 29.0%), which was mainly attributable to the increased idleness ratio of machines resulting from the delayed production of several projects in the first half of the year. However, the Group considered that gross profit margin was still at a healthy level as a whole. Along with the relevant projects carried out gradually, the utilization rate of machines has also been improved to a relatively high level.

OUR CLIENTS

As at 31 December 2019, sales of the Group are mainly export sales and our clients are mainly prestigious corporations and brands in Europe and America. Clients of the Group cover a wide range of industries, from automobile to household electrical appliances to mobile phones and wearable devices as well as medical and health care. As a key supplier of molds and plastics of high-end electronic products, the Group's orders are widely impacted by the launch time, popularity and life cycle of products of its downstream industry clients. However, being engaged in the molds and plastic injection industry for more than 30 years, the Group always sticks to the strategy of client diversity in order to manage and minimize risks efficiently. Currently, the Group has been widely recognized as a trustworthy business partner of various internationally known brands of consumer goods, including numbers of leading brands in many fast-growing industries such as smartphones, health care and wearable devices.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2019 was approximately HK$2,310.8 million, representing an increase of approximately HK$12.2 million or 0.5% when compared with the revenue of approximately HK$2,298.6 million in 2018.

In 2019, the revenue from external customers of the mold fabrication segment was approximately HK$590.8 million, representing a decrease of approximately HK$101.6 million or 14.7% when compared with revenue of approximately HK$692.4 million in 2018. The Group's major products of ultra-large standard molds are automobile components. The Group's clients mainly include first tier component suppliers which produce automobile components to European automobiles brands such as Mercedes-Benz, BMW and Volkswagen. During the year, the decrease in revenue was due to the fact that some customers delayed the date of product delivery to 2020.

In 2019, the revenue from external customers of the plastic components manufacturing segment was approximately HK$1,720.0 million, representing an increase of approximately HK$113.8 million or 7.1% when compared with the revenue of approximately HK$1,606.2 million in 2018, which was mainly attributable to the continuous upward trend in the segments of smart home and mobile phones and wearable devices in the downstream industries of the Group.

Gross Profit

Gross profit for the year ended 31 December 2019 was approximately HK$667.5 million, representing a decrease of approximately HK$56.9 million or 7.9% as compared with the gross profit of approximately HK$724.4 million in 2018. Gross profit margin dropped 2.6 percentage points to 28.9% (2018: 31.5%). The Group has commenced the capacity expansion in 2018, however, the utilization rate of machines decreased as some customers delayed the production of their projects. Furthermore, affected by the US-China trade war, gross profit margin of new mold fabrication orders received by the Group during the year have also declined.

The gross profit margin for the mold fabrication segment decreased from 37.4% in 2018 to 35.2% for the year. Mainly being impacted by the US-China trade war, the Group was also exposed to downward pressure on prices charged on customers, therefore the gross profit margin slightly decreased by 2.2 percentage points.

The gross profit margin for the plastic components manufacturing segment decreased from 29.0% in 2018 to 26.7% for the year, which was mainly attributable to the increased idleness ratio of machines resulting from the delayed production of several projects in the first half of the year. However, the Group considered that gross profit margin was still at a healthy level as a whole. Along with the relevant projects carried out gradually, the utilization rate of machines has also been improved to a relatively high level.

Other Income

Other income for the year ended 31 December 2019 was approximately HK$50.1 million, representing an increase of approximately HK$25.4 million or 102.8% when compared with approximately HK$24.7 million in 2018, which was mainly attributable to the increase in government grants income of the Group for the year.

Other Losses – Net

Other losses, net for the year ended 31 December 2019 was approximately HK$5.8 million, representing an increase of approximately HK$3.1 million when compared to the other losses, net of approximately HK$2.7 million in 2018. The increase in other losses was mainly attributable to the exchange loss arsing from the rate revaluation of the Group's assets denominated in US dollar due to the depreciation of US dollar against RMB at the end of the period. Besides, in order to minimise the effect of fluctuation of the Euro to the Group, the Group borrowed a Euro-denominated bank loan equivalent to the amount of the Group's existing orders from Europe to effectively hedge the effects of fluctuations of the exchange rates of Euro to the Group.

Selling Expenses

For the year ended 31 December 2019, the selling expenses were approximately HK$80.7 million (2018: HK$88.3 million) and the percentage to sales amounted to approximately 3.5% (2018: 3.8%), representing a decrease of approximately HK$7.6 million or 8.7% when compared to 2018, and the percentage to sales decreased by 0.3 percentage point. The decrease in selling expenses was mainly due to the decrease in transportation expenses brought by the decrease in sales of mold fabrication business and the air cargo.

Administrative Expenses

For the year ended 31 December 2019, the administrative expenses were approximately HK$269.6 million (2018: HK$257.7 million) and the percentage to sales amounted to 11.7% (2018: 11.2%), representing an increase of approximately HK$11.9 million or 4.6% when compared to 2018, and the percentage to sales increased by 0.5 percentage point. The increase in the administrative expenses was mainly attributable to the increase in research and development.

Finance (Cost)/Income – Net

Net finance cost for the year ended 31 December 2019 was approximately HK$1.4 million, as compared to the net finance income of approximately HK$6.8 million in 2018, which was primarily due to the increase in interest expenses for the lease liabilities of approximately HK$8.9 million upon the adoption of HKFRS 16 "Leases" by the Group from 1 January 2019.

Share of Net Profit of an Associate Accounted for Using the Equity Method

For the year ended 31 December 2019, share of net profit of an associate accounted for using the equity method was approximately HK$0.4 million, which represented the investment income received from the Group's investment in MOTLLES I MATRIUS FISAS NAVARRO S.L. for the year.

Income Tax Expense

Income tax expense for the year ended 31 December 2019 was approximately HK$58.7 million (2018: HK$56.9 million) and the effective tax rate was 16.3% (2018: 14.0%). Effective tax rate increased by 2.3 percentage points as compared to 2018, which was mainly attributable to the increase in PRC withholding income tax arising from funding dividends with profits of PRC subsidiaries.

Profit for the Year Attributable to Owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2019 was approximately HK$301.8 million, representing a decrease of approximately HK$48.4 million or 13.8% from approximately HK$350.2 million in 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a sound financial position during the year. As at 31 December 2019, the Group had net current assets of approximately HK$619.6 million (31 December 2018: HK$766.5 million). The Group had total cash and bank balances of approximately HK$735.1 million (31 December 2018: HK$875.3 million), including cash and cash equivalents of approximately HK$582.9 million (31 December 2018: HK$753.8 million) and restricted cash and deposits of approximately HK$152.2 million (31 December 2018: HK$121.5 million). The current ratio of the Group as at 31 December 2019 was approximately 170.1% (31 December 2018: 195.0%).

Total equity of the Group as at 31 December 2019 was approximately HK$1,191.5 million (31 December 2018: HK$1,075.5 million). The gearing ratio as at 31 December 2019 was approximately 20.3% (31 December 2018: 31.8%). Such decrease was mainly attributed to the decrease in operating loans and the increase in equity due to the profit recorded for the year.

DEBT MATURITY PROFILE

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**166,049**	107,218
Between 1 and 2 years	**75,911**	99,103
Between 2 and 5 years	**–**	135,911
	241,960	342,232

An analysis of the Group's key liquidity ratios as at 31 December 2019 is as follows:

	2019	2018
Inventory turnover days *(Note 1)*	**83**	76
Trade receivable turnover days *(Note 2)*	**49**	48
Trade payable turnover days *(Note 3)*	**65**	66
Current ratio *(Note 4)*	**170.1%**	195.0%

Notes:

1. Inventory turnover days are calculated based on the average balance of inventories divided by the cost of sales for the relevant year multiplied by 365 days.

2. Trade receivable turnover days are calculated based on the average trade receivables divided by the revenue for the relevant year multiplied by 365 days.

3. Trade payable turnover days are 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's inventory turnover days were 83 days, representing an increase of 7 days when compared with that of 2018, which was primarily attributable to the increased inventory to meet the increase in orders on hand.

TRADE RECEIVABLE TURNOVER DAYS

During the year, the Group's trade receivable turnover days were 49 days, which was approximate to that of 2018.

TRADE PAYABLE TURNOVER DAYS

During the year, the Group's trade payable turnover days were 65 days, which was approximate to that of 2018.

CURRENT RATIO

As at 31 December 2019, the Group's current ratio was 170.1%, representing a decrease of 24.9 percentage points when compared with that of 2018, which was primarily attributable to the decrease in the Group's net current assets.

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. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Exchange rate fluctuations and market trends have always been a main concern of the Group. Foreign currency hedging of the Group has been managed by the Group's chief financial officer, and overseen by the Group's chief executive officer. In accordance with the Group's hedging needs and the then foreign exchange situation, the Group's chief financial officer would collect and analyze 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 Group's cash and bank balances were primarily denominated in US dollar, RMB and HK dollar. Its operating cash inflows and outflows were primarily denominated in RMB, US dollar, Euro and HK dollar. The Group will closely monitor the exchange rate movements and regularly review its gearing structure so as to mitigate the expected exchange rate risk.

RMB EXCHANGE RATE RISK

The Group's major revenue is principally denominated in US dollar, Euro, HK dollar and RMB, and the Group's major expenses are denominated in RMB. The Group has not entered into any agreement for RMB hedging purpose.

CAPITAL STRUCTURE

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Stock Exchange on 20 December 2013. Net proceeds from the initial public offering totaled 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 table below sets out the use of net proceeds from the initial public offering. As of 31 December 2019, all proceeds have been utilised as the intended use set out in the Company's prospectus dated 11 December 2013 (the "**Prospectus**").

Use of proceeds

			Till 31 December 2019	
	% of total amount	**Net proceeds** *(HK$ million)*	**Utilised amounts** *(HK$ million)*	**Unutilised amounts** *(HK$ million)*
Establishing a new business unit specialising in ultra-large standard molds	19%	51.9*	51.9	–
Upgrading mold fabrication capabilities	14%	37.1*	37.1	–
Expanding Shenzhen plastic components manufacturing capacity	22%	59.4*	59.4	–
Expanding Suzhou plastic components manufacturing capacity	17%	44.5*	44.5	–
Strategic acquisitions of other mold fabricators	11%	29.5*	29.5	–
Research and development	8%	21.5*	21.5	–
General working capital	9%	24.1*	24.1	–
	100%	268.0*	268.0	–

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

STAFF POLICY

As at 31 December 2019, the Group had 4,072 full-time employees (31 December 2018: 3,564) and 632 workers dispatched to us from third party staffing companies (31 December 2018: 665).

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 and a share award 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 performance.

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

As required by PRC regulations, the Group makes contributions to mandatory social security funds for the benefits of its PRC employees which provide pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing funds.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, the Group has made no material acquisitions or disposals of subsidiaries.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

PROSPECTS

Looking forward to 2020, the PRC and the United States signed the phase I trade agreement. Though tariffs and boycott have not been fully revoked yet, the signal to ease reflected by the agreement that has been reached on certain tariff measures and trade-related policies. However, the outbreak of novel coronavirus pneumonia dealt the recovering global economy another major blow. As the PRC is the second largest economy and the largest exporter in the world, such outbreak and its containment measures, including blockading cities and delay in resumption of work, have not only cause impact on the manufacturing sector in the PRC, but also posed a threat to global commodity supply chains and even to global consumer demand. Recently, the epidemic has spread more rapidly to all countries in the world, including many major economies in Europe and the United States. Many regions have implemented epidemic prevention measures such as blockading cities, shutdown in work and suspension of flights. Physical stores of many consumer brands in Europe and the United States have been temporarily closed, severely damaging the global retail market and consumer confidence. It is expected that the epidemic will continue for a period of time, and many consumer electronics brands have postponed the release of new products and the development of new projects. As an upstream supplier, the Group is inevitably affected, and the order sales volume of European and American customers will be negatively affected to some extent. Given the above, the Group will adopt practicable and prudent approach towards to possible downward risks in economy in calm manner and timely adjust its strategies, the Group will continue to enhance its own competitiveness, striving to mitigate the shock brought by external environment.

At present, the epidemic situation in China is showing signs of easing. In order to revive the domestic economy, the central government has introduced a number of monetary and fiscal easing measures to stimulate domestic demand. The Group will strengthen the expansion of China's consumer product market, continue to actively seek cooperation with more high-tech consumer electronics products, medical products and other brands, and adhere to the strategy of customer diversification so as to stabilize risks caused by fluctuations in different sectors.

It is expected that the global epidemic situation will be difficult to become controlable in a short term. Additionally, as deglobalization of several countries brought about political and economic risks, various uncertainties will continue to affect the global trading and consumer sentiment, which will bring fluctuation and challenges to the macro-economy in 2020. To this end, the Board of Directors has decided to temporarily put aside the plan to build overseas factories and remained more prudent about all capital expenses, in order to retain capital strength and maintain financial stability. In addition, it maintains an efficient credit and trade receivables turnover policy, stabilizes cash flow and financial position, and prepares for long-term business development. At the same time, the Group also continues to improve the intelligent automation level and technological research and development of the existing production lines in order to maintain its competitiveness and profitability.

In the face of difficult business environment, the Group will forge ahead with optimism and actively try to enhance its competitiveness, maintain business and financial stability, and cautiously cope with the volatile and challenging economic environment in the coming year.

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, capitalized terms used in this sub-section shall have the same meanings as those defined in the Prospectus.

The Company has received a notice from TK Technology (Shenzhen) Ltd. ("**TK Technology (Shenzhen)**"), the landlord of the Shenzhen Tangjia Plants of the Company, that according to the approval issued by Guangming District Branch under Shenzhen Municipal Bureau of Planning and Natural Resources (深圳市規劃和自然資源局光明管理局) and Shenzhen Guangming District Industrial and Informatization Bureau (深圳市光明區工業和信息化局) to TK Technology (Shenzhen), TK Technology (Shenzhen) has obtained the permission to increase the existing plot ratio of the land to have more room for the industrial development. The land to be increased in the plot ratio has the same land parcel number with the land disclosed in the property ownership certificate of the Shenzhen Tangjia Plants of the Company. According to the approval, the Company's internal legal advisers analyse that, in order to promote the intensive and economical use of industrial land at high-tech zones, Guangming District Branch under Shenzhen Municipal Bureau of Planning and Natural Resources is not likely to impose 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. Given the above, the risks related to Shenzhen Tangjia Plants and the leased properties no longer exist, and the Company will continue its operation in the existing properties. As such, the Company's relevant contingency arrangements, including the pre-lease agreements entered into with the landlord of the backup plants will no longer be required, and the Company has also been expanding the existing capacity. The Company has rented factories with red-type property ownership certificate in Huizhou, Guangdong and Suzhou, Jiangsu so far to avoid the risks of leased properties.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

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

The Company has applied the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

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 2019.

AUDIT COMMITTEE

The Audit Committee comprises 3 members, namely, Mr. Tsang Wah Kwong (Chairman), Dr. Chung Chi Ping Roy and Miss Christine Wan Chong Leung. All are independent non-executive directors of the Company. The primary duties of the Committee are to review and supervise the Group's financial reporting process and risk management and internal control systems.

As part of the process of the annual review, the Committee and the Board have performed evaluation of the Group's accounting, internal audit and financial reporting functions, to ensure the adequacy of resources, qualifications and experience of staff for the functions, and the training programmes and budget.

The Committee has reviewed with the management the annual results, the accounting principles and practices adopted by the Group for the year ended 31 December 2019 and discussed the Group's auditing, risk management and 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 2019 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 confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2019.

DIVIDEND

It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth. The Board shall consider the following factors before declaring or recommending dividends:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the Company's Articles of Association. The Board will continually review the said dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

After considering the above-mentioned factors, the Board has recommended the payment of a final dividend of HK$0.09 per share for the year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 9 June 2020, amounting to a total of approximately HK$74,993,000. 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 Wednesday, 24 June 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Monday, 1 June 2020, the register of members of the Company will be closed from Wednesday, 27 May 2020 to Monday, 1 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 May 2020.

For determining the entitlement to the aforesaid proposed final dividend, the register of members of the Company will be closed from Friday, 5 June 2020 to Tuesday, 9 June 2020, 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 Thursday, 4 June 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Company for the year ended 31 December 2019 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 2019, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
TK Group (Holdings) Limited
Li Pui Leung
Chairman

Hong Kong, 27 March 2020

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, Ms. Christine Wan Chong Leung and Mr. Tsang Wah Kwong.