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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 2015**

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 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	1,606,205	1,338,920
Cost of sales	5	<u>(1,187,331)</u>	<u>(973,504)</u>
Gross profit		418,874	365,416
Other income		22,237	18,640
Other (losses)/gains — net		(1,512)	4,075
Selling expenses	5	(82,676)	(62,675)
Administrative expenses	5	<u>(147,130)</u>	<u>(134,074)</u>
Operating profit		209,793	191,382
Interest income		9,721	4,192
Interest expenses		<u>(4,901)</u>	<u>(5,122)</u>
Finance income/(costs) — net		<u>4,820</u>	<u>(930)</u>
Profit before income tax		214,613	190,452
Income tax expense	6	<u>(27,525)</u>	<u>(36,529)</u>
Profit for the year attributable to owners of the Company		187,088	153,923
Other comprehensive income			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation differences		<u>(42,184)</u>	<u>(1,806)</u>
Total comprehensive income for the year		<u>144,904</u>	<u>152,117</u>
Earnings per share for the year			
— basic and diluted (HK\$ per share)	7	<u>0.23</u>	<u>0.19</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		344,151	306,495
Intangible assets		10,785	9,720
Deferred income tax assets		—	6
Prepayments for property, plant and equipment		20,970	18,391
Deposits for bank borrowings		—	<u>2,006</u>
		<u>375,906</u>	<u>336,618</u>
Current assets			
Inventories		254,402	239,119
Trade and other receivables	9	244,546	295,171
Deposits for bank borrowings		104,238	—
Restricted cash		1,176	—
Cash and cash equivalents		<u>319,951</u>	<u>266,526</u>
		<u>924,313</u>	<u>800,816</u>
Total assets		<u><u>1,300,219</u></u>	<u><u>1,137,434</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	82,660	82,660
Share premium		237,902	237,902
Other reserves		15,890	46,100
Retained earnings		<u>269,049</u>	<u>160,063</u>
Total equity		<u><u>605,501</u></u>	<u><u>526,725</u></u>

		As at 31 December	
		2015	2014
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	<i>11</i>	68,051	46,632
Deferred income tax liabilities		<u>6,766</u>	<u>4,398</u>
		<u>74,817</u>	<u>51,030</u>
Current liabilities			
Trade and other payables	<i>10</i>	471,980	443,993
Income tax liabilities		10,633	30,957
Bank borrowings	<i>11</i>	<u>137,288</u>	<u>84,729</u>
		<u>619,901</u>	<u>559,679</u>
Total liabilities		<u>694,718</u>	<u>610,709</u>
Total equity and liabilities		<u>1,300,219</u>	<u>1,137,434</u>

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 is an investment holding company and the Group is principally engaged in the manufacturing, sales, subcontracting, fabrication and modification of molds and plastic components in the People's Republic of China (the "PRC"). As at 31 December 2015, the ultimate shareholders of the Group are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu, each holding an effective equity interest of 33.40%, 20.78% and 20.04% in the Company, respectively.

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

2. BASIS OF PREPARATION

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

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

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans.

Amendments from annual improvements to HKFRSs–2010–2012 Cycle, on HKFRS 8, "Operating segments", HKAS 16, "Property, plant and equipment", HKAS 38, "Intangible assets" and HKAS 24, "Related party disclosures".

Amendments from annual improvements to HKFRSs–2011–2013 Cycle, on HKFRS 3, "Business combinations", HKFRS 13, "Fair value measurement" and HKAS 40, "Investment property".

The adoption of the improvements made in the 2010–2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

4. SEGMENT INFORMATION

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

	Mold fabrication		Plastic components manufacturing		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue						
Segment revenue	635,810	598,989	1,017,405	798,661	1,653,215	1,397,650
Inter-segment revenue elimination	(47,010)	(58,730)	—	—	(47,010)	(58,730)
Revenue from external customers	588,800	540,259	1,017,405	798,661	1,606,205	1,338,920
Segment results	149,789	185,392	269,085	180,024	418,874	365,416
Other income and other (losses)/gains — net					20,725	22,715
Selling expenses					(82,676)	(62,675)
Administration expenses					(147,130)	(134,074)
Financial income/(costs) — net					4,820	(930)
Profit before income tax					214,613	190,452
					2015	2014
					HK\$'000	HK\$'000
Revenue						
Sales of goods					1,549,746	1,292,025
Modification service income					56,459	46,895
Turnover					1,606,205	1,338,920

5. EXPENSES BY NATURE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Changes in inventories of finished goods and work in progress	(21,721)	(58,679)
Raw materials and consumables used	571,677	510,024
Employee benefit expenses	433,762	379,173
Subcontracting expenses	172,452	140,629
Depreciation and amortisation	64,360	51,939
Water and electricity expenditures	41,069	36,073
Transportation and travelling expenses	45,754	32,478
Operating lease payments	36,206	25,777
Other taxes and levies	10,704	7,875
Maintenance expenses	10,783	7,461
Allowance for impairment of inventories	1,880	8,172
(Reversal of)/allowance for receivables	(1,770)	1,731
Commission expenses	20,759	4,647
Auditors' remuneration		
— Audit services	3,835	3,427
— Non audit services	555	—
Advisory and legal service expenses	5,614	2,880
Advertising and promotion fees	4,075	3,597
Utilities and postage fees	4,462	4,508
Security and estate management expenses	1,308	2,627
Donations	2,060	370
Bank charges and handling fees	1,239	847
Other expenses	8,074	4,697
	<u>1,417,137</u>	<u>1,170,253</u>
Total cost of sales, selling expenses and administrative expenses		
Research and development expenses represented:		
— Raw materials and consumables used	9,335	6,924
— Employee benefit expenses	29,828	25,014
	<u>39,163</u>	<u>31,938</u>

6. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current income tax		
— PRC corporate income tax	31,128	36,774
— PRC corporate income tax over-provided in previous years	(7,286)	(3,850)
Deferred income tax	3,683	3,605
	<u>27,525</u>	<u>36,529</u>

(a) **Cayman Islands income tax**

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

(b) **PRC corporate income tax (“CIT”)**

CIT is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits. The applicable CIT rate is 25% (2014: 25%). TK Mold (Shenzhen) Limited and TK Precision Plastic (SZ) 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 2014 to 31 December 2016 and 1 January 2015 to 31 December 2017, respectively.

(c) **PRC withholding income tax**

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

(d) **BVI income tax**

No provision for income tax in the British Virgin Islands (the “BVI”) has been made as the Group has no income assessable for income tax in BVI during the year (2014: 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.

	2015	2014
Profit attributable to owners of the Company (HK\$'000)	<u>187,088</u>	<u>153,923</u>
Weighted average number of ordinary shares issued (thousands)	<u>826,600</u>	<u>825,577</u>
Basic earnings per share (HK\$)	<u>0.23</u>	<u>0.19</u>

(b) **Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market share price of the Company’s shares) for the same amount of proceed are share issues for no

consideration which causes dilution to earnings per share. During the year, the outstanding share options do not have any material dilutive impact. Therefore, the diluted earnings per share of the Company approximates the basic earnings per share.

8. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend paid of HK\$0.03 (2014 Interim: HK\$0.02) per ordinary share	24,798	16,532
Proposed final dividend of HK\$0.07 (2014: HK\$0.05) per ordinary share	<u>57,862</u>	<u>41,330</u>
	<u>82,660</u>	<u>57,862</u>

A final dividend in respect of the year end 31 December 2015 of HK\$0.07 per share, amounting to a total dividend of HK\$57,862,000, is to be proposed at the forthcoming annual general meeting of the Company (“AGM”).

9. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables (<i>Note</i>)	186,227	211,113
Less: allowance for impairment	<u>(3,735)</u>	<u>(5,505)</u>
Trade receivables, net	182,492	205,608
Bills receivable	94	6,252
Prepayments and deposits	27,867	38,354
Value-added tax recoverable	18,916	21,656
Export tax refund receivables	10,705	16,337
Advances to employees	2,801	2,609
Others	<u>1,671</u>	<u>4,355</u>
	<u>244,546</u>	<u>295,171</u>

Note:

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

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	140,220	146,523
RMB	36,043	57,960
EUR	5,822	2,303
HK\$	4,142	4,327
	<u>186,227</u>	<u>211,113</u>

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

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 3 months	182,170	202,996
More than 3 months but not exceeding 1 year	3,737	7,925
More than 1 year	320	192
	<u>186,227</u>	<u>211,113</u>

The fair values of trade and other receivables approximated their carrying amounts as at 31 December 2015 and 2014.

10. TRADE AND OTHER PAYABLES

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	230,769	179,433
Deposits received from customers	152,968	175,020
Wages and staff welfare benefits payable	62,035	57,938
Accrual for expenses and other payables	20,521	23,887
Other taxes payable	5,687	7,715
	<u>471,980</u>	<u>443,993</u>

The ageing analysis of trade payables is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–90 days	191,226	170,258
91–120 days	22,492	7,893
121–365 days	15,966	844
Over 365 days	<u>1,085</u>	<u>438</u>
	<u>230,769</u>	<u>179,433</u>

11. BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current		
Bank borrowings		
— secured	—	12,921
— unsecured	107,968	60,007
Less: current portion of non-current borrowings	<u>(39,917)</u>	<u>(26,296)</u>
	<u>68,051</u>	<u>46,632</u>
Current		
Bank overdrafts	—	914
Bank borrowings		
— secured (<i>Note</i>)	97,371	—
— unsecured	<u>—</u>	<u>57,519</u>
Total short-term bank borrowings	97,371	58,433
Current portion of non-current borrowings	<u>39,917</u>	<u>26,296</u>
	<u>137,288</u>	<u>84,729</u>
Total borrowings	<u>205,339</u>	<u>131,361</u>

Note: The Group's bank deposits amounting to US\$13,450,000 (or HK\$104,238,000) were pledged to secure bank loans of EUR11,578,000 (or HK\$97,371,000).

12. SHARE CAPITAL

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

	Number of ordinary shares (thousands)	Share capital (HK\$'000)
Ordinary shares, issued and fully paid:		
As at 31 December 2015 and 31 December 2014	<u>826,600</u>	<u>82,660</u>
1 January 2014	800,000	80,000
Additions	<u>26,600</u>	<u>2,660</u>
31 December 2014 and 31 December 2015	<u>826,600</u>	<u>82,660</u>

(b) Details of shares issued as at 31 December 2014 and 2015 are as follows:

Shareholder	Number of shares	Share capital (HK\$)	Equity interests as at 31 December 2015 (%)
Eastern Mix Company Limited	421,520,000	42,152,000	50.99
Lead Smart Development Limited	86,400,000	8,640,000	10.45
Cheer Union Development Ltd	53,760,000	5,376,000	6.50
Normal Times International Limited	51,840,000	5,184,000	6.27
Public shareholders	<u>213,080,000</u>	<u>21,308,000</u>	<u>25.79</u>
	<u>826,600,000</u>	<u>82,660,000</u>	<u>100.00</u>

(c) All shares issued rank *pari passu* with each other.

13. SHARE-BASED PAYMENTS

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

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

The 6,660,000 share options outstanding at the end of the year have the expiry date of 28 December 2017 and exercise price of HK\$1.61 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the overall mold and plastic injection industry faced challenges due to global economic slowdown and continuous economic downturn in China. However, the Group's turnover recorded a steady growth under the difficult business environment, amounting to HK\$1,606.2 million in 2015 (2014: HK\$1,338.9 million), representing a year-on-year increase of 20.0% (2014: 11.8%). The Group strived to consolidate and broaden its customer base and enhanced customers' confidence in the Group by high quality technology and products to successfully secure more orders from existing and new customers, driving the Group's four business segments, namely automobiles, medical and health care, commercial telecommunications equipment and mobile phones and wearable devices to record strong growth.

Industry	2015		2014		Change	
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Mobile phones and wearable devices	332.0	20.7	298.5	22.3	33.5	11.2
Commercial telecommunications equipment	311.2	19.4	202.7	15.1	108.5	53.5
Automobiles	302.4	18.8	228.6	17.1	73.8	32.3
Medical and health care	203.7	12.7	119.9	9.0	83.8	69.9
Household electrical appliances	138.9	8.6	204.3	15.3	-65.4	-32.0
Digital devices	110.1	6.9	79.2	5.9	30.9	39.0
Smart home	78.0	4.9	30.3	2.3	47.7	157.4
Others	129.9	8.0	175.4	13.0	-45.5	-25.9
	1,606.2	100.0	1,338.9	100.0	267.3	20.0

The Group recorded a gross profit of approximately HK\$418.9 million (2014: HK\$365.4 million) with a gross profit margin of 26.1% for the year (2014: 27.3%). During the year, for the improvement of production capacity and accuracy as well as reduction of production cost in an effective manner, the Group introduced a smart flexible production line with Industry 4.0 concept, enabling automatic production of precision mold, which also effectively controlled labour costs. During the year, the Group's employee benefit expenses accounted for 27.0% of the sales in 2015, down from 28.3% in 2014.

The Group recorded a profit attributable to owners for the year of HK\$187.1 million (2014: HK\$153.9 million), representing a year-on-year increase of 21.5%. The net profit margin was 11.6% (2014: 11.5%). Basic earnings per share was approximately HK\$0.23 (2014: HK\$0.19).

BUSINESS SEGMENT ANALYSIS

Mold Fabrication Business

The turnover of the mold fabrication business division from external customers amounted to approximately HK\$588.8 million in 2015, representing an increase of 9.0% when compared to approximately HK\$540.3 million in last year, and accounting for approximately 36.7% of the Group's total turnover. The overall revenue growth was attributable to increased orders from new and existing customers, particularly driven by the significant growth of automobiles and medical and health care.

The Group's production line of ultra-large standard molds commenced operation in the fourth quarter of 2014 in the manufacturing of plastic mold for instrument panels, bumpers and door panels, which brought revenue contribution to the Group and drove the automobiles business segment to increase by 32.3% to HK\$302.4 million. At the same time, the Group also secured a new internationally renowned American automobile brand customer during the year, being the first step to tap into high-end electromobile plastic mold market, laying a foundation for future expansion of high-end electromobile plastic mold market.

In addition to the production line of ultra-large standard molds, the Group also has a production line of precision molds, covering a number of high-end consumer electronics businesses, such as commercial telecommunications equipment, mobile phones and wearable devices, medical and health care. The smart flexible production line with Industry 4.0 concept introduced in early 2015 enabled the Group to deploy production lines rapidly and flexibly, and cooperate and make adjustment in a timely manner to meet its customers' need for research and development of new products.

In 2014, the Group completed the acquisitions of the assets of Nypro Tool (Shenzhen) Co., Ltd ("Shenzhen Nypro Tool"), a multinational tooling company, as well as Germany Selig & Böttcher GmbH & Co., KG ("S&B Company"), a mold manufacturer and distributor. During the year, the Group focused on the integration of the resources of both companies to optimise their production capacity, enhance the Group's production efficiency and technology level in the medical and health care and automobiles molds businesses, and broaden the Group's customer base in the two segments by incorporating their customer networks.

The Group successfully developed a major German automobile brand customer during the year through the newly acquired German subsidiary, being the first step to establish a direct business relationship with this major German automobile brand customer, laying a foundation for further expansion of automobile plastic mold market in the future.

Plastic Components Manufacturing Business

The turnover of the plastic components manufacturing business division from external customers amounted to approximately HK\$1,017.4 million in 2015 (2014: HK\$798.7 million), representing a year-on-year increase of 27.4%, and accounting for approximately 63.3% of the Group's total turnover. The Group has been committing to build a diversified customer network covering various industries

such as household electrical appliances, mobile phones and wearable devices, medical and health care, in order to protect the Group from downside risk in a single industry, while benefiting from rapid growth in specific industries, such as medical and health care, mobile phones and wearable devices.

During the year, the Group's business in Polycom, an international commercial telecommunications equipment brand, continued to record growth, driving this business segment to increase 53.5% year on year. Moreover, the Group also received new product orders from leading wearable devices and wearable sports camcorder brands, driving the mobile phones and wearable devices business segment to increase 11.2% year on year, representing a slower growth in the current year due to sharp increase of this segment recorded last year. The increasing demand for medical and health care products along with increased concern about health products by the general public led the newly expanded medical and health care business to record significant growth.

Being one of the world's leading providers of one-stop integrated plastics solutions, the Group always believes that only high-tech and high value-added suppliers could keep up with the pace of the times. To this end, the Group has invested over HK\$23 million to install robots in the plastic injection production lines these years, in order to implement highly automatic plastic injection production and provide customers with high-performance and high-quality plastic products. Given higher demand for accuracy of plastic injection in relation to medical products than other plastic products, the highly automatic plastic injection production line enables the Group to enhance the quality and production capacity of medical products it produces, and thereby, the Group was awarded the international certification of ISO13485 (Medical Device — Quality Management Systems — Requirements for Regulatory Purposes), a recognition of the Group for its advanced production technology with high quality. The Group's persistence of producing high-quality plastic products was also identified by internationally famous consumer brand customers, and was highly recognised and favoured among the emerging electronic enterprises in Silicon Valley, enabling the Group to become the most trusted partner of many high-growth industry leading brands.

OUR CLIENTS

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 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 diversify 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 smart mobiles, health care and wearable devices.

ENVIRONMENT, SOCIETY AND GOVERNANCE

The national environmental regulations become increasingly tougher. In response to environmental protection and compliance with national regulations, the Group has allocated resources in the environment management system and energy saving system of the production lines, with an aim to meet the national security and environmental standards. For sewage treatment, the Group's spraying waste water will be treated through a specialised waste water treatment system for recycling. The solid waste, dye, paint and waste liquor generated in the production process are treated by professionally certified third-party companies. In 2013, the Group's environment management system was certified with ISO 14001:2004 Standard by the Quality Assurance Centre. In addition, the Group also engages professional testing companies to give a test of waste water, waste gas and noise in Shenzhen plant on an annual basis. According to the test reports by professional third-party testing organisations in June 2015 and October 2015, the waste water, waste gas and noise discharged by the plant are within the reference emission limits. For energy saving, we continue to use energy saving technologies, and the existing plant lighting of mold business has been gradually replaced with lighting translucent tiles and light-emitting diode.

In addition to actively promote environmental protection, the Group takes an active role in many social charities and public welfare activities, such as Standard Chartered Hong Kong Marathon and Oxfam Trailwalker, which the Group has participated in for many years and actively encourages its employees to attend. As a promoter of Shenzhen International Marathon, Mr. Li Pui Leung, the Chairman of the Group, wishes to lead employees to attend the activity to boost their passion for sports and make sports popular among the society. In addition, in response to the call for the development of volunteers by the government of Shenzhen, the Tangjia Community, where the TK Technology Park is located, recruited members to join its volunteer team in March 2014. During 2014, there were more than 100 employees registered. The volunteer team organised by the Tangjia Community provides various service platforms, including the Guang Ming Street U Station service (光明大街U站服務), the Guangming vigilante service (光明義警隊), the 4:30 p.m. class service (社區四點半課堂輔導) as well as assistance and support to community activities. The Group is committed to lead its employees as a whole to give back to the society through kinds of public charity activities and sports promotion. Meanwhile, the Group always abide by the spirit of "from the society, to the society", and therefore established the Dongjiang Care Fund (東江人愛心基金) in 2010, aiming to help those employees in Dongjiang with special difficulties, with a total of donation amounting to HK\$339,000. The Company also offers donation to many other social associations and organizations. In 2015, the Group donated HK\$2.06 million in total, including supports to 23 social associations and organizations, such as the Federation of Hong Kong Shenzhen Association, the Boys' & Girls' Clubs Association of Hong Kong, the Junior Police Call in Kowloon City District, Young Artists Development Foundation, Special Olympics Hong Kong, Shenzhen Project Care Foundation, Charitable Foundation of Shenzhen Guangming New District as well as donations to 4 middle and primary schools, for the purpose of helping and addressing the needs of vulnerable groups.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2015 was HK\$1,606.2 million, representing an increase of HK\$267.3 million or 20.0%, from revenue of HK\$1,338.9 million in 2014, which was mainly attributable to the strong growth of the plastic components business.

The mold fabrication segment revenue from external customers in 2015 was HK\$588.8 million, representing an increase of HK\$48.5 million or 9.0%, from revenue of HK\$540.3 million in 2014. Due to longer cycle of mold fabrication, the expansion of production capacity in the fourth quarter of 2014 has not yet brought substantial sales growth in the short run, and the relevant business units started generating sales in the fourth quarter of the year. In addition, sales of household electrical appliances of the Company declined due to unsatisfactory market conditions of the household electrical appliances industry during the year.

The plastic components manufacturing segment revenue from external customers in 2015 was HK\$1,017.4 million, representing an increase of HK\$218.7 million or 27.4%, from revenue of HK\$798.7 million in 2014. With the increased demand for high-precision plastic components and the transformation of the highly automatic production strategy, the Group has made structural adjustments to its customers of plastic components. During the year, sales in the mobile phones and wearable devices industry, the medical and health care industry and the commercial telecommunications equipment industry recorded strong growth.

Gross Profit

Gross profit for the year ended 31 December 2015 was HK\$418.9 million, representing an increase of HK\$53.5 million or 14.6%, from gross profit of HK\$365.4 million in 2014. The increase was mainly attributable to the strong sales growth of the plastic components business and the increased gross profit margin for plastic components resulting from efficiency improvement.

Segment gross profit margin for mold fabrication dropped from 34.3% in 2014 to 25.4% in the current year, which was primarily due to: 1) the Group completed production capacity expansion in the fourth quarter of 2014, such as establishing a new business unit specialising in ultra-large standard molds, a highly automatic precision mold fabrication business unit and Longgang branch office (positioned as packaging and medical business unit). Due to longer cycle of mold fabrication, it is difficult to realise economic benefits in the short run, which affected mold fabrication segment gross profit margin to a certain extent; and 2) as Europe is one of the key regions where the customers of the mold fabrication segment are located, segment gross profit margin for mold fabrication was partly affected by depreciation of the Euro. In order to minimise the effect of fluctuations of the Euro on the Group, the Group borrowed a Euro-denominated bank loan equivalent to the amount of the Group's existing orders from Europe in April 2015 so that its Euro assets substantially approximate Euro liabilities, to effectively hedge the effect of fluctuations of the Euro on the Group. Furthermore, the transactions

concerning orders signed by the Group before the sharp depreciation of the Euro will be gradually completed in the first half of 2016, thus the impact of fluctuations of the Euro on the Group will be weakening in 2016.

Segment gross profit margin for plastic components manufacturing increased from 22.5% in 2014 to 26.4% in the current year. The increase in gross profit margin was primarily attributable to increase of equipment utilisation rate due to business growth driven by structural adjustment to the products, as well as enhanced efficiency resulting from automation investments.

Other Income

Other income for the year ended 31 December 2015 was HK\$22.2 million, representing an increase of HK\$3.6 million or 19.3% from HK\$18.6 million in 2014. The increase was primarily attributable to new government grants of HK\$5.4 million secured by the Group during the current year.

Other (Losses)/Gains — Net

Net other losses for the year ended 31 December 2015 was HK\$1.5 million, representing a decrease of HK\$5.6 million, from net other gains of HK\$4.1 million in 2014. In order to minimise the effect of fluctuations of the Euro on the Group, the Group borrowed a Euro-denominated bank loan equivalent to the amount of the Group's existing orders from Europe in April 2015 to effectively hedge the effect of fluctuations of the Euro on the Group, resulting in decreased exchange gain/loss.

Selling Expenses

Selling expenses for the year ended 31 December 2015 was HK\$82.7 million, representing an increase of HK\$20.0 million or 31.9%, from HK\$62.7 million in 2014, primarily due to the increase in sales commission and transportation expenses which aligned with the growth in sales.

Administrative Expenses

Administrative expenses for the year ended 31 December 2015 was HK\$147.1 million, representing an increase of HK\$13.0 million or 9.7% from HK\$134.1 million in 2014. The increase was primarily due to: (1) the increase in labour costs resulting from annual salary adjustment and the increase in management personnel resulting from capacity expansion; (2) the increase in operating lease payments as the Group moved to the new administrative office building during the year; and (3) the increase in advisory and legal service expenses as the Group increased enterprise management consulting investments during the year.

Finance Income/(Costs) — Net

Net finance income for the year ended 31 December 2015 was HK\$4.8 million, representing an increase of HK\$5.7 million, from net finance costs of HK\$0.9 million in 2014, primarily due to gains on purchase and disposal of available-for-sale financial assets.

Income Tax Expense

Income tax expense for the year ended 31 December 2015 was HK\$27.5 million, representing a decrease of HK\$9.0 million or 24.6% from HK\$36.5 million in 2014. The decrease was primarily due to both of the Group's principal mold fabrication company and Shenzhen principal plastic components company obtained the National New and High Technology Enterprise certificate during the year and enjoyed a preferential enterprise income tax rate of 15%.

Profit for the Year Attributable to Owners of the Company

Profit for the year attributable to owners of the Company for the year ended 31 December 2015 was HK\$187.1 million, representing an increase of HK\$33.2 million or 21.5% from HK\$153.9 million in 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a good financial position during the year. As at 31 December 2015, the Group had net current assets of approximately HK\$304.4 million (31 December 2014: HK\$241.1 million). The Group had cash and cash equivalents of approximately HK\$320.0 million (31 December 2014: HK\$266.5 million). The current ratio of the Group as at 31 December 2015 was approximately 1.5 (31 December 2014: 1.4).

Total equity of the Group as at 31 December 2015 was approximately HK\$605.5 million (31 December 2014: HK\$526.7 million). The gearing ratio (which was calculated by dividing total loan amount by total equity amount of the Group) as at 31 December 2015 was approximately 33.9% (31 December 2014: 24.9%). Such increase was primarily due to the Group's borrowing of EUR11.6 million from bank for reducing the exchange risk of the Group's Euro-denominated sales proceeds receivable from its customers in Europe during the year. Excluding such loan, gearing ratio as at 31 December 2015 was 17.8%, lower than that as at 31 December 2014, primarily due to decreased operating loan as a result of sufficient fund flows of the Group as well as the increased equity as a result of profits earned during the year.

DEBT MATURITY PROFILE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 year	137,288	84,729
Between 1 and 2 years	30,587	24,628
Between 2 and 5 years	<u>37,464</u>	<u>22,004</u>
	<u><u>205,339</u></u>	<u><u>131,361</u></u>

An analysis of the Group's key liquidity ratios as at 31 December 2015 is as follows:

	2015	2014
Inventory turnover days (<i>Note 1</i>)	80	83
Trade receivable turnover days (<i>Note 2</i>)	45	49
Trade payable turnover days (<i>Note 3</i>)	63	62
Current ratio (<i>Note 4</i>)	149.1%	143.1%

Notes:

1. Inventory turnover days is calculated based on the average balance of inventory divided by the cost of sales for the relevant year multiplied by 365 days.
2. Trade receivable turnover days is calculated based on the average trade receivables divided by the revenue for the relevant year multiplied by 365 days.
3. Trade payable turnover days is calculated based on the average trade payables divided by cost of sales for the relevant year multiplied by 365 days.
4. Current ratio is calculated by dividing current assets by current liabilities and multiplying the resulting value by 100%.

INVENTORY TURNOVER DAYS

During the year, the Group's inventory turnover days was 80 days, which was comparable to that in 2014.

TRADE RECEIVABLE TURNOVER DAYS

During the year, the Group's trade receivable turnover days was 45 days, representing a decrease of 4 days as compared to that in 2014, which was primarily due to the decrease in trade receivable balances as at 31 December 2015 as compared to that as at 31 December 2014 in spite of overall sales growth as the Group strengthened its credit control and collection management of accounts receivable.

TRADE PAYABLE TURNOVER DAYS

During the year, the Group's trade payable turnover days was 63 days, which was comparable to that in 2014.

CURRENT RATIO

As at 31 December 2015, the Group's current ratio was 149.1%, which was comparable to that as at 31 December 2014.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operated in the PRC and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to the HK dollar, US dollar, Euro and Renminbi (“RMB”). Exchange rate fluctuations and market trends have always been of concern to the Group. Foreign currency hedging of the Group has been managed by our chief financial officer, and overseen by the Group’s chief executive officer. In accordance with our hedging needs and the 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 year ended 31 December 2015, save as the Euro-denominated bank loan, the Group had not entered into any hedging agreement.

Euro substantially declined during the second half of 2014. As the European market is one of the key markets for the Group’s mold fabrication segment, in order to hedge the risk of depreciation of the payments received from European customers, the Group’s chief financial officer collected information on hedging instruments for analysis, having taken into account of the Group’s business operations, the Group decided to adopt the Euro-denominated loan to hedge the risk of depreciation of the receivables from Euro-denominated orders in the future.

The Group’s cash and bank balances were primarily denominated in RMB and US 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 the structure of its balance sheet 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 principally denominated in RMB. Therefore, the recent depreciation of RMB has a positive impact on the Group’s operations. The Group does not enter into any agreement for RMB hedging purpose. During the year, the Group adjusted its cash structure in due time due to significant devaluation of RMB, and cash and bank balances were primarily denominated in US dollar and RMB.

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 totalled approximately HK\$268.0 million (including the net proceeds from the exercise of the over-allotment option which took place on 15 January 2014). During the year, a total of HK\$72.4 million had been applied to the Group's capacity expansion, research and development and operation need.

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 31 December 2015. All unutilised proceeds are placed with licensed banks in China and Hong Kong.

Use of Proceeds

	% of total amount	Net proceeds (HK\$ million)	Utilised amounts 2015 (HK\$ million)	Unutilised amounts 2015 (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*	11.5	33.0
Strategic acquisitions of other mold fabricators	11%	29.5*	16.4	13.1
Research and development	8%	21.5*	21.5	—
General working capital	9%	24.1*	24.1	—
	<u>100%</u>	<u>268.0*</u>	<u>221.9</u>	<u>46.1</u>

* 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 of the Company dated 11 December 2013 (the "Prospectus"). As a result, the net aggregate proceeds was increased from HK\$235.6 million to HK\$268.0 million.

The use of proceeds shown above is in line with the intended use as set out in the Prospectus.

PLANS FOR MATERIAL CAPITAL INVESTMENTS

The Group plans to invest in capacity expansion and pursue suitable projects to capture the potential growth of the Group's business in the coming years in the manner set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Such source of funding would be primarily from the net proceeds from the listing, the Company's own funds and bank borrowings.

STAFF POLICY

As at 31 December 2015, the Group had 3,273 full-time employees (31 December 2014: 3,265) and had 594 dispatched workers dispatched to us from third party staffing companies (31 December 2014: 681).

The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent directors and employees. The Group believes the remuneration packages are reasonable and competitive and in line with market trends. The Group has put in place a share option scheme for its directors and employees in a bid to provide a competitive package for the Group's long term growth and development. The Group also provides appropriate training and development programmes to its employees to enhance the staff's work ability and personal effectiveness.

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2015, the Group has made no material acquisitions or disposals of subsidiaries.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

OUTLOOK

Against the backdrop of uncertain global economy, 2016 will be a challenging year. Weak global economy and volatile stock market increase uncertainty to the consumer market, which may adversely impact the demand for the Group's downstream high-end brands of consumer electronics and automobiles owing to negative consumer sentiment, hence indirectly affect the Group's orders for the coming year. Further, sustained economic slowdown in China, continuous rising in operating costs, together with foreign exchange fluctuation caused by currency policies in various countries cast shadow over exports and manufacturing industry. Certain smaller manufacturers in the industry face the risk of going bankrupt, which may lead to a vicious price competition. To maintain competitive strength and profitability, the Group will strengthen internal cost control so as to enhance its production efficiency.

Since operation of the first highly automatic precision mold and smart precision mold production line with Industry 4.0 concept commenced in early 2015, the production line has been more efficient and flexible to make full use of resources, which led to a reduction of production materials and

management expenses by 12% as well as an improvement of effective operating efficiency from 60% to 90%, reducing the overall manufacturing cycle of mold fabrication and enabling the Group to meet order requirements of its customer more rapidly.

In spite of domestic and international economic slowdown, the demands for high-end consumer electronics and medical and health care products had been increasing by benefiting from the development of the Age Of Big Health (大健康時代) globally, and the wearable devices and medical and health care business segments of the Group continued to record substantial growth. Moreover, after optimisation and consolidation of the two acquisitions in 2014 (including Shenzhen Nypro Tool and Germany S&B Company) in an orderly manner, the Group has successfully incorporated the production capacity and customer network of both companies by establishing a new customer base for high-end medical supplies and an internationally renowned German automobile brand, which will bring significant contributions to the Group in 2016. Together with a newly exploited American leading smart home brand, the four rapidly growing business segments of the Group will continue to be its growth drivers in 2016. In addition, the Group will continue to prudently seek overseas strategic acquisition opportunities and explore projects that have synergies with the existing businesses, especially focus on automobile mold manufacturing industry in North America, so as to enlarge the customer network and market share of the Group in the industry.

Developments as to Defects to Land Title with Respect to the Shenzhen Tangjia Plants

Reference is made to the Prospectus and the announcement of the Company dated 20 March 2014. Unless otherwise defined herein, capitalised terms used in this sub-section shall have the same meanings as those defined in the Prospectus. As the Bureau of Urban Planning and Land Commission of the Shenzhen Municipality (深圳市規劃國土委) is examining policy proposals regarding the conversion of land use from high-technology project to commercial use by payment of land premium for submission for the approval of the municipal government, pursuant to the instructions of the Land Bureau, TK Technology (Shenzhen) Ltd (“TK Technology (Shenzhen)”) will submit the written application to convert the green-type property ownership certificate into the red-type property ownership certificate after the promulgation of the relevant policy.

As disclosed in the section headed “Business — Properties — Plans to Resolve Risks Related to Certain of Our Leased Properties” of the Prospectus, the Company has contingency arrangements in place and will adopt such measures when it is necessary. Such contingency arrangements include relocating to the Backup Plants by exercising the Company’s right to request the Backup Plants Landlord to enter into the formal lease agreement with the Company within 15 days from the Company’s notice to the Backup Plants Landlord for one or more of the Backup Plants pursuant to the Pre-lease Agreements. Towards the expiry of the Pre-lease Agreements, in the event that TK Technology (Shenzhen) has yet to convert the green-type property ownership certificate into red-type property ownership certificate, the Company shall seek to either renew the Pre-lease Agreements or engage another party for a similar arrangement. For details of the contingency arrangements, please refer to the section headed “Business — Properties — Plans to Resolve Risks Related to Certain of Our Leased Properties” of the Prospectus. The Company has renewed the Pre-lease Agreements until 31 December 2016.

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 2015.

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 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the directors, the Company had complied with all the code provisions as set out in the CG Code during the year ended 31 December 2015.

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

AUDIT COMMITTEE

The Audit Committee comprises 3 members, namely, Mr. Tsang Wah Kwong (Chairman), Dr. Chung Chi Ping Roy and Mr. Ho Kenneth Kai Chung, 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 internal control system.

As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function to ensure the adequacy of resources, qualifications and experience of staff of the function, 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 2015 and discussed the Group's auditing, internal control and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong

Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ dealings in the Company’s securities.

Having made specific enquiry to the directors, all directors had confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2015.

DIVIDEND

The Board has recommended the payment of a final dividend of HK7.0 cents per share for the year ended 31 December 2015 to the shareholders whose names appear on the register of members of the Company at the close of business on 27 May 2016, amounting to a total of approximately HK\$57,862,000. 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 15 June 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on 18 May 2016, the register of members of the Company will be closed from 16 May 2016 to 18 May 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered shareholders of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 13 May 2016.

For determining the entitlement to the aforesaid proposed final dividend, the register of members of the Company will be closed from 26 May 2016 to 27 May 2016, 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 25 May 2016.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2015 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 2015, 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, 15 March 2016

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