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

TK Group (Holdings) Limited
東江集團(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2283)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

RESULTS

The board of directors (the "**Board**") of TK Group (Holdings) Limited (the "**Company**") is pleased to present the consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017.

REVIEW OF FINANCIAL INFORMATION

The independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2018	2017
Results and financial performance		
Results		
Revenue (HK dollar '000)	**1,025,665**	816,268
Profit attributable to owners of the Company (HK dollar '000)	**140,432**	110,524
Basic earnings per share (HK cents)	**16.9**	13.4
Proposed interim dividend per share (HK cents)	**6.0**	5.0
Gross profit margin	**31.5%**	32.3%
Net profit margin	**13.7%**	13.5%
Return on equity *(Note 1)*	**14.7%**	14.8%
Return on assets *(Note 2)*	**7.8%**	8.0%
Inventory turnover days *(Note 3)*	**87**	90
Trade receivable turnover days *(Note 4)*	**52**	47
Trade payable turnover days *(Note 5)*	**73**	69

	30 June	31 December
	2018	2017
Financial position		
Net current assets (HK dollar '000)	**487,642**	560,251
Current ratio *(Note 6)*	**163.0%**	187.2%
Quick ratio *(Note 7)*	**115.4%**	139.6%
Gearing ratio *(Note 8)*	**17.6%**	10.7%
Net gearing ratio *(Note 9)*	**0%**	0%

Notes:

(1) Return on equity ratio is calculated by dividing profit after tax by total equity as at period ended and multiplying the resulting value by 100%.

(2) Return on assets ratio is calculated by dividing profit after tax by total assets as at period ended and multiplying the resulting value by 100%.

(3) Inventory turnover days is calculated based on the average balance of inventory divided by the cost of sales for the relevant period multiplied by 180 days.

(4) Trade receivable turnover days is calculated based on the average trade receivables divided by the revenue for the relevant period multiplied by 180 days.

(5) Trade payable turnover days is calculated based on the average trade payables divided by the cost of sales for the relevant period multiplied by 180 days.

(6) Current ratio is calculated by dividing current assets by current liabilities and multiplying the resulting value by 100%.

(7) Quick ratio is calculated by dividing current assets less inventory by current liabilities and multiplying the resulting value by 100%.

(8) Gearing ratio is calculated by dividing total borrowings by total equity and multiplying the resulting value by 100%.

(9) Net gearing ratio is calculated by dividing net borrowings (total borrowings net-off cash and pledged bank deposits) by total equity and multiplying the resulting value by 100%. Net gearing ratio was zero as net cash of the Company as at 30 June 2018 and 31 December 2017 was HK$355,061,000 and HK$452,312,000 respectively.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at **30 June 2018 (Unaudited)**	As at 31 December 2017 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**439,276**	415,697
Intangible assets	*9*	**11,679**	12,124
Prepayments for property, plant and equipment	*9*	**63,658**	7,793
Financial assets at fair value through profit or loss	*8*	**23,621**	—
		538,234	435,614
Current assets			
Inventories	*10*	**368,428**	305,468
Trade and other receivables	*11*	**370,680**	347,298
Deposits for bank borrowings	*14(a)*	**94,828**	—
Restricted cash		**21,302**	9,412
Cash and cash equivalents		**406,465**	540,815
		1,261,703	1,202,993
Total assets		**1,799,937**	1,638,607
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*12*	**83,326**	83,326
Share premium	*12*	**251,293**	251,293
Other reserves		**41,061**	38,466
Retained earnings		**578,874**	538,433
Total equity		**954,554**	911,518

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	**As at 30 June 2018 (Unaudited)**	As at 31 December 2017 (Audited)
Liabilities			
Non-current liabilities			
Bank borrowings	*14*	**50,185**	65,210
Deferred income on government grants	*15*	**13,847**	11,443
Deferred income tax liabilities	*16*	**7,290**	7,694
		71,322	84,347
Current liabilities			
Trade and other payables	*13*	**615,190**	582,589
Income tax liabilities		**41,522**	27,448
Bank borrowings	*14*	**117,349**	32,705
		774,061	642,742
Total liabilities		**845,383**	727,089
Total equity and liabilities		**1,799,937**	1,638,607

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Revenue	7	**1,025,665**	816,268
Cost of sales	18	**(702,262)**	(552,933)
Gross profit		**323,403**	263,335
Other income	17	**12,022**	7,698
Other losses — net	17	**(15,492)**	(8,246)
Selling expenses	18	**(39,418)**	(41,334)
Administrative expenses	18	**(120,921)**	(93,140)
Operating profit		**159,594**	128,313
Interest income	19	**5,199**	2,784
Finance expenses	19	**(1,012)**	(893)
Finance income — net		**4,187**	1,891
Profit before income tax		**163,781**	130,204
Income tax expense	20	**(23,349)**	(19,680)
Profit for the period attributable to owners of the Company		**140,432**	110,524
Other comprehensive income			
Item that may be reclassified to profit and loss:			
Currency translation differences		**2,595**	20,968
Total comprehensive income for the period		**143,027**	131,492
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic	21	**16.9**	13.4
— Diluted	21	**16.9**	13.4

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

				Other reserves			
	Note	Share capital	Share premium	Statutory reserves	Currency translation reserve	Retained earnings	Total
For the six months ended 30 June 2018 (unaudited)							
Balance at 1 January 2018 (audited)		**83,326**	**251,293**	**56,649**	**(18,183)**	**538,433**	**911,518**
Comprehensive income							
Profit for the period		—	—	—	—	140,432	140,432
Currency translation differences		—	—	—	2,595	—	2,595
Total comprehensive income		—	—	—	2,595	140,432	143,027
Contributions by and distributions to owners of the Company recognised directly in equity							
Dividends	*22*	—	—	—	—	(99,991)	(99,991)
Total contributions by and distributions to owners of the Company for the period		—	—	—	—	(99,991)	(99,991)
Balance at 30 June 2018 (unaudited)		**83,326**	**251,293**	**56,649**	**(15,588)**	**578,874**	**954,554**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

			Other reserves				
	Share capital	Share premium	Statutory reserves	Share option reserve	Currency translation reserve	Retained earnings	Total
For the six months ended 30 June 2017 (unaudited)							
Balance at 1 January 2017 (audited)	82,660	237,902	47,357	3,334	(56,458)	370,215	685,010
Comprehensive income							
Profit for the period	—	—	—	—	—	110,524	110,524
Currency translation differences	—	—	—	—	20,968	—	20,968
Total comprehensive income	—	—	—	—	20,968	110,524	131,492
Contributions by and distributions to owners of the Company recognised directly in equity							
Proceeds from shares issued upon exercise of share options	666	10,057	—	—	—	—	10,723
Transfer to share premium upon exercise of share options	—	3,334	—	(3,334)	—	—	—
Dividends	—	—	—	—	—	(82,660)	(82,660)
Total contributions by and distributions to owners of the Company for the period	666	13,391	—	(3,334)	—	(82,660)	(71,937)
Balance at 30 June 2017 (unaudited)	83,326	251,293	47,357	—	(35,490)	398,079	744,565

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Note	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**138,537**	158,813
Interest received		**1,697**	1,685
Income tax paid		**(9,410)**	(16,720)
Net cash generated from operating activities		**130,824**	143,778
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(59,048)**	(23,048)
Prepayments for property, plant and equipment	*9*	**(68,274)**	(25,332)
Receipt of government grants	*15*	**4,087**	7,036
Proceeds from disposal of property, plant and equipment		**740**	1,217
Addition of financial assets at fair value through profit or loss	*8*	**(23,621)**	—
Purchase of available-for-sale financial assets		**(284,580)**	(193,326)
Proceeds from available-for-sale financial assets		**288,147**	194,400
Net cash used in investing activities		**(142,549)**	(39,053)
Cash flows from financing activities			
Proceeds from shares issued upon exercise of share options		**—**	10,723
Proceeds from bank borrowings	*14*	**87,590**	10,000
Repayments of bank borrowings	*14*	**(17,021)**	(84,008)
(Increase)/decrease in pledge of bank deposit		**(94,828)**	18,634
Interest paid		**(1,012)**	(980)
Dividends paid	*22*	**(99,991)**	(82,660)
Net cash used in financing activities		**(125,262)**	(128,291)
Net decrease in cash and cash equivalents		**(136,987)**	(23,566)
Cash and cash equivalents at beginning of the period		**540,815**	381,310
Exchange gain on cash and cash equivalents		**2,637**	206
Cash and cash equivalents at end of the period		**406,465**	357,950

NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 March 2013 as an exempted company with limited liability. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries (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 30 June 2018, the ultimate shareholders of the Group are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu (the "**Ultimate Shareholders**"), each holding an effective equity interest of 28.63%, 17.82% and 17.18% in the Company, respectively.

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

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

This Interim Financial Information was approved for issue on 14 August 2018 and has not been audited.

2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2018 (the "**Period**") has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants. This Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2017 ("**2017 Financial Statements**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new or amendments to HKFRSs effective for the financial year beginning 1 January 2018.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and

- IFRS 15 Revenue from Contracts with Customers.

Amendments to HKFRSs effective for the financial year beginning 1 January 2018 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

The following new standard has been issued but is not effective for the financial year beginning 1 January 2018. It is relevant to the operations of the Group but has not been early adopted.

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and positions of the Group is expected when adopting HKFRS 16 except for the recognition of the right-of-use assets and corresponding lease liabilities arising from accounting for operating leases by the Group as a lessee.

4. ESTIMATES

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 Financial Statements.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2017 Financial Statements.

There have been no changes in the risk management function since 31 December 2017 or in any risk management policies since 31 December 2017.

5.2 Liquidity risk

Compared to 31 December 2017, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The Group exercises prudent liquidity risk management by maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by the levels of inputs to valuation techniques. The inputs to valuation techniques are categorised into three levels within a fair value hierarchy, as follows:

- Level 1 — Quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly that is, as prices or indirectly that is, derived from prices.
- Level 3 — Inputs for the asset or liability that are not based on observable market data that is, unobservable inputs.

The Group's financial assets at fair value through profit or loss are carried at fair value based on level 3 valuation method.

Other than the financial assets at fair value through profit or loss, the carrying amounts of the Group's other financial assets (including cash and cash equivalents, deposits for bank borrowings, trade and other receivables), trade and other payables and bank borrowings approximate their fair values.

6. SEASONALITY

The Group's sales volume has historically been affected by seasonality. As the Group's products are used by the Group's customers in their respective manufacturing processes, the demand for the Group's products fluctuates in accordance with fluctuations in the demand for their products. A significant portion of the Group's downstream industries has generally been in higher demand in the second half of each calendar year due to the seasonal purchase patterns of consumers such as Thanksgiving Day and Christmas holidays. As a result, it is expected that the revenue will be higher in the second half of the year than that of the first half of the year. In the financial year ended 31 December 2017, 44% of revenue accumulated in the first half of the year, with 56% accumulating in the second half of the year.

7. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on the internal reports that are used to make strategic decisions. During the Period, the Group has 19 operating segments, out of which 11 operating segments relating to the mold business are aggregated into 'mold fabrication' operating segment as they have similar economic characteristics and satisfy all conditions and meet all the aggregation criteria in HKFRS 8; the remaining 8 operating segments relating to the plastic business are aggregated into 'plastic components manufacturing' operating segment as they have similar economic characteristics and satisfy all conditions and meet all the aggregation criteria in HKFRS 8. Accordingly, the executive directors consider the nature of the Group's business and determine that the Group has two reportable segments as follows: (i) mold fabrication and (ii) plastic components manufacturing.

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

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions.

Segment information for consolidated statement of comprehensive income

	Six months ended 30 June					
	Mold fabrication		**Plastic components manufacturing**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
Revenue						
Segment revenue	**366,191**	333,464	**685,808**	510,170	**1,051,999**	843,634
Inter-segment revenue elimination	**(26,334)**	(27,366)	**—**	—	**(26,334)**	(27,366)
Revenue from external customers	**339,857**	306,098	**685,808**	510,170	**1,025,665**	816,268
Segment results	**124,885**	106,600	**198,518**	156,735	**323,403**	263,335
Other income and other losses — net					**(3,470)**	(548)
Selling expenses					**(39,418)**	(41,334)
Administration expenses					**(120,921)**	(93,140)
Financial income — net					**4,187**	1,891
Profit before income tax					**163,781**	130,204

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

	30 June 2018	31 December 2017
PRC	**505,474**	425,902
Germany	**9,139**	9,712
	514,613	435,614

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018	31 December 2017
United Kingdom unlisted equity investment	**23,621**	—

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2018:

	Unlisted equity investment
Opening balance as at 31 December 2017	—
Additions	23,621
Closing balance as at 30 June 2018	23,621

As at 30 June 2018, the management of the Group has assessed the fair value of financial assets at fair value through profit or loss and held the view of no significant changes between investment cost and fair value.

9. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	Intangible assets	**Property, plant and equipment**	**Prepayments for property, plant and equipment**
Net book amount as at 1 January 2018	**12,124**	**415,697**	**7,793**
Additions	**1,679**	**57,369**	**68,274**
Disposals	**—**	**(825)**	**—**
Transfers	**—**	**12,455**	**(12,455)**
Currency translation differences	**97**	**3,290**	**46**
Amortisation/depreciation	**(2,221)**	**(48,710)**	**—**
Net book amount as at 30 June 2018	**11,679**	**439,276**	**63,658**
Net book amount as at 1 January 2017	11,035	362,400	12,154
Additions	1,642	21,406	25,332
Disposals	—	(1,125)	—
Transfers	—	24,369	(24,369)
Currency translation differences	362	10,252	364
Amortisation/depreciation	(1,786)	(40,256)	—
Net book amount as at 30 June 2017	11,253	377,046	13,481

10. INVENTORIES

	30 June 2018	31 December 2017
Raw materials	**36,738**	24,363
Work in progress	**252,030**	220,474
Finished goods	**82,024**	64,026
	370,792	308,863
Less: allowance for impairment	**(2,364)**	(3,395)
	368,428	305,468

11. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
Trade receivables	**299,596**	297,978
Less: allowance for impairment	**(6,094)**	(5,922)
Trade receivables, net	**293,502**	292,056
Prepayments and deposits	**28,365**	19,363
Export tax refund receivables	**27,405**	20,968
Value-added tax recoverable	**14,799**	7,772
Advances to employees	**4,579**	4,521
Others	**2,030**	2,618
	370,680	347,298

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:

	30 June 2018	31 December 2017
Less than 3 months	**285,811**	285,685
More than 3 months but not exceeding 1 year	**13,419**	12,293
More than 1 year	**366**	—
	299,596	297,978

The Group's sales are made to various customers. While there is concentration of credit risk within a few major customers, these customers are reputable with good track record.

As at 30 June 2018, no trade receivables (31 December 2017: Nil) were past due date but not impaired.

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 2018 and 30 June 2018	**833,260**	**83,326**	**251,293**	**334,619**
Balance at 1 January 2017	826,600	82,660	237,902	320,562
Proceeds from shares issued upon exercise of share options	6,660	666	10,057	10,723
Transfer from other reserves upon exercise of share options	–	–	3,334	3,334
Balance at 30 June 2017	833,260	83,326	251,293	334,619

13. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
Trade payables (a)	**305,708**	264,104
Deposits received from customers	**194,760**	179,702
Wages and staff welfare benefits payable	**86,542**	103,816
Accrual for expenses and other payables	**21,414**	27,956
Other taxes payable	**6,766**	7,011
	615,190	582,589

(a) The ageing analysis of the trade payables from the date of goods received is as follows:

	30 June 2018	31 December 2017
Within 90 days	**271,682**	207,554
91 – 120 days	**24,777**	31,949
121 – 365 days	**5,810**	16,056
Over 365 days	**3,439**	8,545
	305,708	264,104

14. BORROWINGS

	30 June 2018	31 December 2017
Non-current		
Bank borrowings		
— unsecured	**80,239**	95,220
Less: current portion of non-current borrowings	**(30,054)**	(30,010)
	50,185	65,210
Current		
Bank borrowings		
— secured (a)	**86,640**	—
— unsecured	**655**	2,695
Total short-term bank borrowings	**87,295**	2,695
Current portion of non-current borrowings	**30,054**	30,010
	117,349	32,705
Total borrowings	**167,534**	97,915

Movements in borrowings are as follows:

	Six months ended 30 June	
	2018	2017
Opening balance as at 1 January	**97,915**	199,294
Proceeds from borrowings	**87,590**	10,000
Repayments of borrowings	**(17,021)**	(84,008)
Currency translation differences	**(950)**	5,038
Closing balance as at 30 June	**167,534**	130,324

(a) As at 30 June 2018, bank borrowings amounting to HK$86,640,000 (31 December 2017: Nil) were secured over the following:

	30 June 2018	31 December 2017
Bank deposits	**94,828**	—

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

	30 June 2018	31 December 2017
HK$	**80,894**	97,915
EUR	**86,640**	—
	167,534	97,915

15. DEFERRED INCOME ON GOVERNMENT GRANTS

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

	Six months ended 30 June	
	2018	2017
Opening balance as at 1 January	**11,443**	7,516
Receipt of grants	**4,087**	7,036
Recognised in the profit or loss	**(1,700)**	(2,384)
Currency translation differences	**17**	315
Closing balance as at 30 June	**13,847**	12,483

16. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	Six months ended 30 June	
	2018	2017
Deferred income tax assets		
Opening balance as at 1 January	**2,796**	3,532
Recognised in the profit or loss	**376**	795
Currency translation differences	**24**	121
Closing balance as at 30 June	**3,196**	4,448

	Six months ended 30 June	
	2018	2017
Deferred income tax liabilities		
Opening balance as at 1 January	**10,490**	10,716
Recognised in the profit or loss	**—**	(211)
Under provision in prior year	**—**	2,254
Payment during the period	**—**	(2,254)
Currency translation differences	**(4)**	—
Closing balance as at 30 June	**10,486**	10,505

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same taxation authority and are in the same entity within the Group.

As at 30 June 2018, deferred income tax assets and deferred income tax liabilities were offset to the extent of HK$3,196,000 (31 December 2017: HK$2,796,000).

17. OTHER INCOME AND OTHER LOSSES — NET

	Six months ended 30 June	
	2018	2017
Other income		
Sales of scrap and surplus materials	**6,397**	4,831
Government subsidies	**5,499**	2,599
Others	**126**	268
	12,022	7,698
Other losses — net		
Net foreign exchange losses	**(15,407)**	(8,338)
(Losses)/gains on disposal of property, plant and equipment	**(85)**	92
	(15,492)	(8,246)

18. EXPENSES BY NATURE

	Six months ended 30 June	
	2018	2017
Changes in inventories of finished goods and work in progress	**(49,554)**	(8,482)
Raw materials and consumables used	**372,051**	279,762
Employee benefit expenses	**283,869**	219,210
Subcontracting expenses	**93,705**	61,823
Depreciation and amortisation	**50,931**	42,042
Operating lease payments	**29,531**	20,444
Transportation and travelling expenses	**24,132**	21,295
Water and electricity expenditures	**18,830**	15,939
Other taxes and levies	**7,735**	8,705
Maintenance expenses	**6,160**	3,561
(Reversal of allowance)/allowance for impairment of inventories	**(1,090)**	1,854
Allowance/(reversal of allowance) for impairment of receivables	**175**	(584)
Commission expenses	**3,958**	7,109
Advisory and legal service expenses	**3,519**	2,054
Advertising and promotion fees	**2,738**	1,709
Auditors' remuneration	**2,385**	2,032
Utilities and postage fees	**2,124**	2,271
Security and estate management expenses	**2,792**	955
Donations	**1,389**	660
Customs declaration charge	**1,225**	990
Bank charges and handling fees	**541**	530
Other expenses	**5,455**	3,528
	862,601	687,407

19. FINANCE INCOME — NET

	Six months ended 30 June	
	2018	2017
Interest income:		
— Interest income on bank deposits	**1,632**	1,710
— Interest income on available-for-sale financial assets	**3,567**	1,074
	5,199	2,784
Finance expenses		
— Bank borrowings	**(1,012)**	(893)
Finance income — net	**4,187**	1,891

20. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Period.

Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC corporate income tax ("**CIT**") was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the Period at the rate of 15% and 25% applicable to the respective companies.

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 the 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 fulfill certain requirements under the tax treaty arrangements between the PRC and Hong Kong.

	Six months ended 30 June	
	2018	2017
Current income tax		
— Hong Kong profit tax	**9,053**	1,821
— PRC corporate income tax	**14,431**	16,727
— PRC corporate income tax under-provided/(over-provided) in prior year	**241**	(116)
Deferred income tax	**(376)**	1,248
	23,349	19,680

21. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**140,432**	110,524
Weighted average number of ordinary shares issued (thousand)	**833,260**	826,637
Basic earnings per share (HK cents)	**16.9**	13.4

As at 30 June 2018 and 30 June 2017, the diluted earnings per share is the same as basic earnings per share due to the absence of dilutive ordinary shares.

22. DIVIDENDS

On 14 August 2018, the board of directors resolved to declare an interim dividend of HK6.0 cents per share (2017 interim: HK5.0 cents per share). This interim dividend, amounting to HK$49,995,600 (2017 interim: HK$41,663,000), has not been recognised as a liability in this Interim Financial Information.

Dividends in respect of the year ended 31 December 2017 of HK12.0 cents per ordinary share, amounting to a total of approximately HK$99,991,000, were paid on 1 June 2018.

23. COMMITMENTS

(a) Capital commitments

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

	30 June 2018	31 December 2017
In respect of the acquisitions of plant and equipment, contracted but not provided for	**118,984**	48,752

(b) Operating commitments

The Group leases premises under non-cancellable operating lease agreements. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2018	31 December 2017
Not later than 1 year		
— to related companies	**25,671**	49,044
— to third parties	**3,538**	3,517
	29,209	52,561
Later than 1 year and not later than 5 years		
— to third parties	**3,559**	5,297
	32,768	57,858

24. RELATED-PARTY TRANSACTIONS

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

Transactions with related parties during the Period:

	Six months ended 30 June	
	2018	2017
Operating lease expenses paid *(a)*	**25,135**	18,282

(a) The amount represented rental expenses for land and buildings for factory and office purposes paid to companies controlled by Ultimate Shareholders, which were determined with reference to independent property valuation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back in the first half of 2018, the global economy recovered steadily and market demands expanded. The GDP of the PRC has increased by 6.8% year-on-year for the first half of the year, and consumption continued to increase. During the Period, according to the analysis of downstream industries, the three sectors (i.e. smart home, mobile phones and wearable devices and medical and health care) maintained strong growth momentum. For the first half of 2018, the revenue amounted to HK$1,025.7 million (first half of 2017: HK$816.3 million), representing an increase of 25.7% compared to the same period last year.

Leveraging on its advantages in industry expertise, including highly efficient precision molds and automated production, and market foresight, the Group enjoyed competitive cost advantage while meeting customers' needs of quality products. With the Group's strong engineering capabilities, it was committed to optimizing its production process, continuously reducing the proportion of labor and improving its production efficiency. The unremitting efforts of the team enabled the Group to achieve excellent results in the first half of the year.

For the Period under Review, the Group's gross profit increased to HK$323.4 million (first half of 2017: HK$263.3 million), representing an increase of 22.8%. The gross profit margin slightly decreased by 0.8 percentage point to 31.5% (first half of 2017: 32.3%). The Group increased its investment in automation, talents, research and development projects, etc. in response to the demands of new customers and new projects. However, due to the higher initial investment for new projects, the Group's gross profit margin was temporarily affected. The Group believes that after the new production lines enter into a stable stage of mass production, its production efficiency will be fully released and profit margin will be improved.

Based on the above, the Group recorded a profit attributable to owners of the Company of HK$140.4 million (first half of 2017: HK$110.5 million), representing a year-on-year increase of 27.1%. The net profit margin was 13.7% (first half of 2017: 13.5%), representing a year-on-year increase of 0.2 percentage point. The basic earnings per share was HK$16.9 cents (first half of 2017: HK$13.4 cents).

Furthermore, the Group's trade receivable turnover days remained stable at the level of around 52 days due to our effective credit policies. Meanwhile, such policies also enabled the Group to maintain net cash of HK$355.1 million as at 30 June 2018 (30 June 2017: HK$324.8 million). The sound financial position enables the Group to engage in merger and acquisition activities in a more active manner and to adopt necessary measures to promote the growth of the Group. Moreover, the Group has considerable amount of orders on hand. As at 30 June 2018, the Group's orders on hand amounted to HK$923.8 million, representing a significant increase of 20.9%, compared with HK$764.4 million as at 30 June 2017.

Industry	Six months ended 30 June				Change	
	2018		2017			
	HK$ million	***%***	*HK$ million*	*%*	*HK$ million*	*%*
Mobile phones and wearable devices	**230.7**	**22.5**	159.0	19.5	71.7	45.1
Commercial telecommunications equipment	**212.3**	**20.7**	184.4	22.6	27.9	15.1
Automobiles	**199.5**	**19.5**	186.6	22.9	12.9	6.9
Medical and health care	**136.2**	**13.3**	123.2	15.1	13.0	10.6
Smart home	**109.9**	**10.7**	44.8	5.5	65.1	145.3
Household electrical appliances	**46.1**	**4.5**	32.7	4.0	13.4	41.0
Digital devices	**19.8**	**1.9**	34.3	4.2	–14.5	–42.3
Others	**71.2**	**6.9**	51.3	6.2	19.9	38.8
	1,025.7	**100.0**	816.3	100.0	209.4	25.7

Business Segment Analysis

Mold Fabrication Business

For the first half of 2018, the revenue of the mold fabrication business division from external customers amounted to approximately HK$339.9 million, representing a stable increase of approximately 11.0% when compared to approximately HK$306.1 million in the same period last year, and accounting for approximately 33.1% of the Group's total revenue.

The major products of the Group's ultra-large standard molds are automobiles components. The Group's clients mainly include tier one component suppliers to European automobile brands such as Mercedes-Benz, BMW and Volkswagen. The Group continued to focus on expert-level molding technology research and provide customers with high quality and cost-effective design solutions which are well-trusted by its customers. As sales grew, utilization rate of production lines continuously increased and internal management improved, gross profit margin of the mold fabrication business division increased by 1.9 percentage points to 36.7% for the Period. Moreover, the Group is upgrading its molding plant and striving to enhance the intellectualization of it facilities, moving forward to Industry 4.0. The highly automated production lines will ensure the quality of high-precision molds and helped enhance production capacity. It will also lay a solid foundation for downstream plastic components manufacturing.

Plastic Components Manufacturing Business

For the first half of 2018, the revenue of the plastic components manufacturing business division from external customers amounted to approximately HK$685.8 million (first half of 2017: HK$510.2 million), representing a significant increase of 34.4% and accounting for approximately 66.9% of the Group's total revenue.

For the Period under Review, the smart home segment increased significantly by 145.3% as compared with last year. The industry was in the process of mergers and integration during the corresponding period of last year. The industry demand has gradually emerged since the second half of last year. The Group is currently the sole supplier of certain products of the two leading brands of smart home in North America. It maintains a good cooperative relationship with the brand customers, and has successively obtained orders for additional parts during the Period.

The revenue of mobile phones and wearable devices segment has recorded a year-on-year revenue growth of 45.1%, which was mainly due to the significant increase of orders for smartphone protective cases from a brand customer. The Group continued to enhance its competitiveness and achieve greater supply proportion with its leading capabilities in mold fabrication and automation technologies. In addition, orders from the smartphone brand customer have grown steadily. Benefiting from the surge in demand for high-tech wearable products, a popular audio brand customer has introduced several new wireless wearable device products, resulting in a significant increase in orders. The Group has been immersed in the field of high-tech wearable devices for a long time and has become the leading supplier in the industry and has been growing along with its customers.

For medical and health care products, the market demand is rising. The Group has been working closely on the customers' new product expansion plans, which have also led to a significant growth of the sector. The revenue of medical and health care segment recorded a year-on-year revenue growth of 10.6%.

During the Period, the Group's production capacity has reached an extremely high utilization, and a large amount of new equipment has been purchased to fulfil the increasing orders. Most of the production lines have commenced production, and the production process of some new products are pending to be gradually optimized to achieve a better production efficiency. This resulted in the decrease of 1.8 percentage points to 28.9% from approximately 30.7% in gross profit margin of its plastic components manufacturing business sector during the corresponding period of last year. The Group believes that upon the completion of the optimization of its new production lines, its efficiency will be fully released.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2018 was HK$1,025.7 million, representing an increase of HK$209.4 million or 25.7% as compared with the revenue of HK$816.3 million for the corresponding period in 2017. Such increase was mainly attributable to the three sectors (i.e. smart home, mobile phones and wearable devices and medical and health care) maintaining strong growth momentum during the period.

Gross Profit

Gross profit for the first half of 2018 was HK$323.4 million, representing an increase of HK$60.1 million or 22.8% as compared with the gross profit of HK$263.3 million for the corresponding period in 2017. The gross profit margin was 31.5%, representing a slight decrease of 0.8 percentage point from 32.3% for the corresponding period of last year, which was mainly due to the Group increasing its investment in automation, talents, research and development projects, etc. in response to the demands of new customers and new projects. However, due to the higher initial investment for new projects, the Group's gross profit margin was temporarily affected. The Group believes that after the new production lines enter into a stable stage of mass production, its production efficiency will be fully released and profit margin will be improved.

Segment gross profit margin for mold fabrication for the first half of 2018 was 36.7%, up 1.9 percentage points from 34.8% for the corresponding period in 2017. The increase in gross profit margin was primarily due to the increased amount of orders and the strict implementation on quality enhancement within the Group was also proved effective, hence the further increase in gross profit margin.

Segment gross profit margin for plastic components manufacturing for the first half of 2018 was 28.9%, representing a decrease of 1.8 percentage points from 30.7% for the first half of 2017. The decrease in gross profit margin was primarily attributable to the significant appreciation of RMB during the period as compared with the corresponding period last year and the capacity expansion of plastic components manufacturing segment, and the production process of some new products remained to be gradually optimized to better production efficiency, thus resulting in the slight decrease in gross profit margin of our plastic components manufacturing business sector by 1.8 percentage points during the period. The Group believes that upon the completion of the optimization of its new production line, its efficiency will be fully released.

Other Income

Other income for the first half of 2018 was HK$12.0 million, representing an increase of HK$4.3 million or 55.8% as compared with HK$7.7 million for the corresponding period in 2017, which was mainly due to the increase in government grants to the Group and sales revenue of scrap during the period.

Other Losses — Net

Other losses, net for the first half of 2018 was HK$15.5 million, representing an increase of HK$7.3 million or 89.0% as compared with HK$8.2 million for the corresponding period in 2017, which was mainly attributable to fluctuation of Renminbi exchange rate, resulting in a foreign exchange loss on sales orders proceeds denominated in US dollars settled in Renminbi. Furthermore, 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 during the period to effectively hedge the effect of fluctuations of the Euro on the Group.

Selling Expenses

Selling expenses for the first half of 2018 was HK$39.4 million (first half of 2017: HK$41.3 million), accounted for 3.8% (first half of 2017: 5.1%) of the sales, and representing a decrease of HK$1.9 million or 4.6% as compared with the corresponding period in 2017, and a decrease by 1.3 percentage points in terms of the percentage to sales, which was mainly due to the decrease in sales commission as compared to the corresponding period of last year.

Administrative Expenses

Administrative expenses for the first half of 2018 was HK$120.9 million (first half of 2017: HK$93.1 million), accounted for 11.8% (first half of 2017: 11.4%) of the sales, and representing an increase of HK$27.8 million or 29.9% as compared with the corresponding period in 2017, and in terms of the percentage to sales an increase by 0.4 percentage point. The increase in the administrative expenses was mainly attributable to: 1) the annual salary adjustment and the increase in employee salaries due to the recruitment of more senior management talents in response to new project development needs of the customers. In addition, the growth of the Group's results and the 35th anniversary of the Group's establishment also contributed to the raise in employee bonus and welfare expenses accrued; and 2) the increase in the research and development expenditure compared with the corresponding period in last year as a result of the continued development of new products with customers such as mobile phones and wearable devices, smart home brands.

Finance Income — Net

Net finance income for the first half of 2018 was HK$4.2 million, representing a surge of HK$2.3 million or 121.1% as compared with the net finance income of HK$1.9 million for the corresponding period in 2017, which was primarily due to the increased income earned by purchasing financial assets.

Income Tax Expense

Income tax expense for the first half of 2018 was HK$23.3 million, and the effective tax rate was 14.3%, which was lower than the effective tax rate of 15.1% for the corresponding period in 2017, which was mainly attributable to the decrease in the PRC withholding income tax.

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the first half of 2018 was HK$140.4 million, representing an increase of HK$29.9 million or 27.1% from HK$110.5 million for the corresponding period in 2017.

SEASONALITY

The Group's sales volume has historically been affected by seasonality. As the Group's products are used by the Group's customers in their respective manufacturing processes, the demand for the Group's products fluctuates as the demand for their products varies. A significant portion of the Group's products under its downstream business segments has generally been in higher demand in the second half of each calendar year, which is primarily due to the seasonal purchase patterns of consumers during festivals such as the Thanksgiving Day and Christmas holidays. As a result, it is expected that the revenue will be higher in the second half of the year than in the first half of the year. In the financial year ended 31 December 2017, 44% of revenue accumulated in the first half of the year, with 56% accumulating in the second half of the year.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

As at 30 June 2018, the Group had net current assets of approximately HK$487.6 million (31 December 2017: HK$560.3 million). The Group had total cash and bank balances of approximately HK$522.6 million (31 December 2017: HK$550.2 million), including cash and cash equivalents of approximately HK$406.5 million (31 December 2017: HK$540.8 million) and restricted cash and deposits of approximately HK$116.1 million (31 December 2017: HK$9.4 million).The current ratio of the Group as at 30 June 2018 was approximately 163.0% (31 December 2017: 187.2%).

Total equity of the Group as at 30 June 2018 was approximately HK$954.6 million (31 December 2017: HK$911.5 million). The gearing ratio as at 30 June 2018 was approximately 17.6% (31 December 2017: 10.7%). Such increase was mainly attributed to a bank loan of EUR9.5 million to reduce the exchange risks related to the sales proceeds denominated in Euro from the European customers in order to hedge the relevant risks during the Period.

DEBT MATURITY PROFILE

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Within 1 year	**117,349**	32,705
Between 1 and 2 years	**30,732**	30,430
Between 2 and 5 years	**19,453**	34,780
	167,534	97,915

An analysis of the Group's key liquidity ratios as at 30 June 2018 is as follows:

	Six months ended 30 June	
	2018	2017
Inventory turnover days *(Note 1)*	**87**	90
Trade receivable turnover days *(Note 2)*	**52**	47
Trade payable turnover days *(Note 3)*	**73**	69

	30 June 2018	31 December 2017
Current ratio *(Note 4)*	**163.0%**	187.2%

Notes:

1. Inventory turnover days is calculated based on the average balance of inventory divided by the cost of sales for the relevant period multiplied by 180 days.

2. Trade receivable turnover days is calculated based on the average trade receivables divided by the revenue for the relevant period multiplied by 180 days.

3. Trade payable turnover days is calculated based on the average trade payables divided by cost of sales for the relevant period multiplied by 180 days.

4. Current ratio is calculated by dividing current assets by current liabilities and multiplying the resulting value by 100%.

INVENTORY TURNOVER DAYS

During the Period, the Group's inventory turnover days were 87 days, which was comparable to that of the same period ended 30 June 2017.

TRADE RECEIVABLE TURNOVER DAYS

During the Period, the Group's trade receivable turnover days were 52 days, representing an increase of 5 days compared to that of the corresponding period in last year, which was mainly attributable to a significant increase in sales to certain major customers whose credit periods were granted between 45 and 90 days during the second quarter of 2018. The relevant sales are still within the normal credit periods.

TRADE PAYABLE TURNOVER DAYS

During the period, the Group's trade payable turnover days were 73 days, representing an increase of 4 days compared to that of the corresponding period in 2017, which was mainly due to certain mold processing and main material suppliers extending our billing period during the period given the sound reputation of the Group.

CURRENT RATIO

As at 30 June 2018, the Group's current ratio was 163.0%, representing a decrease of 24.2 percentage points from 187.2% as at 31 December 2017, which was mainly attributable to the decrease in net current assets of the Group during the period.

PLEDGED ASSETS

Details of pledged assets as at 30 June 2018 are set out in Note 14(a) to the interim financial information.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operates in the PRC and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to the HK dollar, US dollar, Euro and RMB. Exchange rate fluctuations and market trends have always been the main concerns 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 conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Group's cash and bank balances were primarily denominated in US dollar, RMB, Euro 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 mainly 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 Period, and the Company's capital included ordinary shares and other reserves.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Stock Exchange on 20 December 2013. Net proceeds from the initial public offering 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 and the unutilised amounts as at 30 June 2018. All unutilised amounts are deposited in licensed banks in PRC and Hong Kong.

Use of proceeds

	% of total amount	Net proceeds (HK$ million)	Till 30 June 2018 Utilised amounts (HK$ million)	Till 30 June 2018 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*	16.4	13.1
Research and development	8%	21.5*	21.5	—
General working capital	9%	24.1*	24.1	—
	100%	268.0*	254.9	13.1

**Note:* On 15 January 2014, China Merchants Securities (HK) Co., Limited, the sole global coordinator (on behalf of the international underwriters) of the global offering, partially exercised the over-allotment option, pursuant to which the Company issued 26,600,000 ordinary shares of HK$0.1 each at the subscription price of HK$1.25 per share. The allocation of the net proceeds of HK$32.4 million was adjusted on a pro rata basis as set out in the section headed "Use of Proceeds" in the Company's prospectus dated 11 December 2013 (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 plans to invest in capacity expansion and pursue suitable 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. Such source of funding would be primarily from the internal resources.

STAFF POLICY

As at 30 June 2018, the Group had 3,713 full-time employees (31 December 2017: 3,726) and 857 workers dispatched to us from third party staffing companies (31 December 2017: 520).

The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent directors and employees. The Group believes that the remuneration packages are reasonable, 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 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 the PRC regulations, the Group made 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 six months ended 30 June 2018, the Group has not made material acquisitions or disposals of subsidiaries.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities.

PROSPECT

With the outbreak of Sino-US trade war in the first half of 2018, market uncertainty and volatility rose. The Group believes that it is possible that the trade war will continuously affect the global economic situation in the next one to two years. However, generally speaking, the direct impact caused by the trade war on the Group is insignificant. The Group, which is also the preferred supplier for most of the customers, has always been adhering to the business philosophy of customer diversification, which effectively reduces geopolitical and policy risks. The Group's products that are directly exported to the US account for less than 10% of total sales. At this stage, the Group's customers are actively seeking solutions to reduce the possible impact caused by the tariff increment. The Group is also actively considering setting up factories outside the PRC, especially in Southeast Asian countries, to enjoy lower labor costs and tax concessions, and boost domestic sales to alleviate the impact of Sino-US trade wars at the same time.

In view of the good orders on hand for the second half of the year, as well as the potential new customers and new projects, the Group expects that the current production capacity will not be sufficient to meet the foreseeable increase in orders. Therefore, the Group has arranged short-term tenancy of plants outside Shenzhen to establish additional production lines. Meanwhile, the Group has been actively seeking merger and acquisition targets which have synergy with the Group's production capacity, customers and technologies to expand its business scale and maintain its growth momentum.

Currently, the Group is establishing a business office in North America. The establishment of business office will help the Group maintain close contact with the emerging technology industry customers in the US. As high-end electronic consumer goods continue to be sought after by the market, the Group will closely keep track of the emerging products and industry trends, develop quality customers and projects, and will continue to tap the potential of existing customers, thereby striving for greater supply proportion to strengthen the Group's leading position as a one-stop integrated plastics solutions provider. The Group will continue to solidify its advantages in the industry, and continuously invest in technology research and development and automation to strengthen itself. The Group is confident about the future and will face the economic fluctuations and challenges in the second half of the year with cautious optimism.

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. As the Bureau of Urban Planning and Land Commission of the Shenzhen Municipality (深圳市規劃國土委) is still examining policy proposals regarding the conversion of land use from high-technology project to commercial use by payment of land premium for submission for the approval of the municipal government, pursuant to the instructions of the Land Bureau, TK Technology (Shenzhen) Ltd. ("**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. The Company has renewed the Pre-lease Agreements until 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed listed securities of the Company during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Company believes that good corporate governance is important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The directors of the Company is of the view that the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Tsang Wah Kwong (Chairman), Dr. Chung Chi Ping Roy and Mr. Ho Kenneth Kai Chung.

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed, among other things, risk management, internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30 June 2018.

DIVIDEND

On 14 August 2018, the Board resolved to declare an interim dividend of HK6.0 cents per share for the six months ended 30 June 2018, amounting to a total of approximately HK$49,995,600. The interim dividend is expected to be paid on 13 September 2018 to all shareholders whose names appear on the register of members of the Company at the close of business on 4 September 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the aforesaid proposed interim dividend, the register of members of the Company will be closed from 31 August 2018 to 4 September 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed interim dividend, unregistered holders of shares of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on 30 August 2018.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.tkmold.com.

The interim report will be dispatched to the shareholders of the Company and published on the above websites in due course.

On behalf of the Board
TK Group (Holdings) Limited
Li Pui Leung
Chairman

Hong Kong, 14 August 2018

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.