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東江
TK

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 2019

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 2019, together with the comparative figures for the corresponding period in 2018.

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 2019 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	
	2019	2018
Results and financial performances		
Results		
Revenue (HK dollar ’000)	**1,004,945**	1,025,665
Profit attributable to owners of the Company (HK dollar ’000)	**114,123**	140,432
Basic earnings per share (HK cents)	**13.7**	16.9
Proposed interim dividend per share (HK cents)	**5.0**	6.0
Gross profit margin	**27.5%**	31.5%
Net profit margin	**11.4%**	13.7%
Return on equity *(Note 1)*	**10.7%**	14.7%
Return on assets *(Note 2)*	**4.6%**	7.8%
Inventory turnover days *(Note 3)*	**91**	87
Trade receivable turnover days *(Note 4)*	**55**	52
Trade payable turnover days *(Note 5)*	**74**	73

	30 June	31 December
	2019	2018
Financial position		
Net current assets (HK dollar ’000)	**810,089**	766,529
Current ratio *(Note 6)*	**196.2%**	195.0%
Quick ratio *(Note 7)*	**150.2%**	152.4%
Gearing ratio *(Note 8)*	**52.2%**	31.8%
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 inventories divided by the cost of sales for the relevant period and 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 and 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 and 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 inventories 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 2019 and 31 December 2018 was HK$318,936,000 and HK$533,107,000 respectively.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**579,220**	516,190
Intangible assets	*9*	**11,200**	11,693
Prepayments for property, plant and equipment		**46,422**	38,160
Financial assets at fair value through profit or loss	*8*	**23,621**	23,621
Right-of-use assets	*3,9,15*	**178,537**	–
		839,000	589,664
Current assets			
Inventories	*10*	**387,402**	343,168
Trade and other receivables	*11*	**386,777**	355,318
Deposits for bank borrowings	*14(a)*	**115,588**	84,975
Restricted cash		**30,830**	36,553
Cash and cash equivalents		**731,772**	753,811
		1,652,369	1,573,825
Total assets		**2,491,369**	2,163,489
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		**22,994**	25,224
Retained earnings		**713,082**	715,615
Total equity		**1,070,695**	1,075,458

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
Liabilities			
Non-current liabilities			
Bank borrowings	*14*	**389,481**	235,014
Lease liabilities	*15*	**123,914**	–
Deferred income on government grants	*16*	**33,737**	23,793
Deferred income tax liabilities	*17*	**31,262**	21,928
		578,394	280,735
Current liabilities			
Trade and other payables	*13*	**391,902**	456,501
Contract liabilities		**203,400**	198,911
Income tax liabilities		**17,678**	44,666
Bank borrowings	*14*	**169,773**	107,218
Lease liabilities	*15*	**59,527**	–
		842,280	807,296
Total liabilities		**1,420,674**	1,088,031
Total equity and liabilities		**2,491,369**	2,163,489

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Note	**Six months ended 30 June** **2019** **(Unaudited)**	2018 (Unaudited)
Revenue	*7*	**1,004,945**	1,025,665
Cost of sales	*19*	**(728,575)**	(702,262)
Gross profit		**276,370**	323,403
Other income	*18*	**22,737**	12,022
Other losses – net	*18*	**(8,639)**	(15,492)
Selling expenses	*19*	**(35,798)**	(39,418)
Administrative expenses	*19*	**(117,640)**	(120,921)
Operating profit		**137,030**	159,594
Interest income	*20*	**10,814**	5,199
Interest expenses	*20*	**(10,908)**	(1,012)
Finance (cost)/income – net		**(94)**	4,187
Profit before income tax		**136,936**	163,781
Income tax expense	*21*	**(22,813)**	(23,349)
Profit for the period attributable to owners of the Company		**114,123**	140,432
Other comprehensive income			
Item that may be reclassified to profit and loss:			
Currency translation differences		**(2,230)**	2,595
Total comprehensive income for the period		**111,893**	143,027
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
– Basic	*22*	**13.7**	16.9
– Diluted	*22*	**13.7**	16.9

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Share capital	Share premium	Other reserves: Statutory reserves	Other reserves: Currency translation reserve	Retained earnings	Total
For the six months ended 30 June 2019 (unaudited)							
Balance at 1 January 2019 (audited)		**83,326**	**251,293**	**79,665**	**(54,441)**	**715,615**	**1,075,458**
Comprehensive income							
Profit for the period		–	–	–	–	114,123	114,123
Currency translation differences		–	–	–	(2,230)	–	(2,230)
Total comprehensive income		–	–	–	(2,230)	114,123	111,893
Contributions by and distributions to owners of the Company recognised directly in equity							
Dividends	*23*	–	–	–	–	(116,656)	(116,656)
Total contributions by and distributions to owners of the Company for the period		–	–	–	–	(116,656)	(116,656)
Balance at 30 June 2019 (unaudited)		83,326	251,293	79,665	(56,671)	713,082	1,070,695

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

	Share capital	Share premium	Other reserves: Statutory reserves	Other 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	–	–	–	–	(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 CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Note	**Six months ended 30 June 2019 (Unaudited)**	2018 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**112,426**	138,537
Interest received		**7,349**	1,697
Income tax paid		**(40,467)**	(9,410)
Net cash generated from operating activities		**79,308**	130,824
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(134,155)**	(127,322)
Receipt of government grants		**–**	4,087
Proceeds from disposal of property, plant and equipment		**2,408**	740
Purchase of financial assets at fair value through profit or loss		**(411,114)**	(308,201)
Proceeds from financial assets at fair value through profit or loss		**414,579**	288,147
Net cash used in investing activities		**(128,282)**	(142,549)
Cash flows from financing activities			
Proceeds from bank borrowings	*14*	**353,229**	87,590
Repayments of bank borrowings	*14*	**(136,207)**	(17,021)
Increase in deposits for bank borrowings		**(30,613)**	(94,828)
Interest paid		**(10,908)**	(1,012)
Principal elements of lease payments		**(28,751)**	–
Dividends paid	*23*	**(116,656)**	(99,991)
Net cash generated from/(used in) financing activities		**30,094**	(125,262)
Net decrease in cash and cash equivalents		**(18,880)**	(136,987)
Cash and cash equivalents at beginning of the period		**753,811**	540,815
Exchange (losses)/gains on cash and cash equivalents		**(3,159)**	2,637
Cash and cash equivalents at end of the period		**731,772**	406,465
Analysis of balances of cash and cash equivalents:			
Cash and cash on hand		**762,602**	427,767
Restricted cash		**(30,830)**	(21,302)
		731,772	406,465

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 2019, 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 28.69%, 17.85% and 17.22% 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 23 August 2019 and has not been audited.

2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2019 (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 2018 ("**2018 Financial Statements**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

3. ACCOUNTING POLICIES

3.1 New and amended standards adopted by the Group

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, 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 2019.

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

(a) Adjustments recognised on adoption of HKFRS 16

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

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	232,641
Discounted using the lessee's incremental borrowing rate of at the date of initial application	212,608
(Less): short-term leases recognised on a straight-line basis as expense	(422)
(Less): low-value leases recognised on a straight-line basis as expense	(39)
Lease liability recognised as at 1 January 2019	212,147
Of which are:	
Current lease liabilities	58,039
Non-current lease liabilities	154,108
	212,147

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
	HK$'000	*HK$'000*
Properties	**178,537**	212,147
Total right-of-use assets	**178,537**	212,147

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

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

The Group has identified that there was no impact on retained earnings on 1 January 2019.

(i) Impact on segment disclosures

Profit before income tax for the Period is decreased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Decreased in profit before income tax
	HK$'000
Mold fabrication	(1,261)
Plastic components manufacturing	(3,730)
	(4,991)

(ii) Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices and plants. Rental contracts are typically made for fixed periods of 3 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property and plant were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and interest expenses. The interest expenses is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.2 Impact of standards issued but not yet applied by the Group

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has now been deferred
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual Framework for Financial Reporting 2018		1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

The Group is in the process of making an assessment of the impact of these new and revised HKFRS upon initial application. So far the Group has identified no aspects of the new and revised standards and interpretations that are expected to have significant financial impact on the Group's performance and position.

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 2018 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 2018 Financial Statements.

There have been no changes in the risk management function since 31 December 2018 or in any risk management policies since 31 December 2018.

5.2 Liquidity risk

Compared to 31 December 2018, 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 in the second half of the year will be higher than that of the first half of the year. In the financial year ended 31 December 2018, 45% of revenue accumulated in the first half of the year, with 55% 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 21 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 10 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**	
	2019	2018	**2019**	2018	**2019**	2018
Revenue						
Segment revenue	**364,845**	366,191	**675,035**	685,808	**1,039,880**	1,051,999
Inter-segment revenue elimination	**(34,935)**	(26,334)	**–**	–	**(34,935)**	(26,334)
Revenue from external customers	**329,910**	339,857	**675,035**	685,808	**1,004,945**	1,025,665
Timing of revenue recognition						
At a point in time	**329,910**	339,857	**675,035**	685,808	**1,004,945**	1,025,665
Segment results	**109,946**	124,885	**166,424**	198,518	**276,370**	323,403
Other income and other losses – net					**14,098**	(3,470)
Selling expenses					**(35,798)**	(39,418)
Administration expenses					**(117,640)**	(120,921)
Finance (cost)/income – net					**(94)**	4,187
Profit before income tax					**136,936**	163,781

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

	30 June 2019	31 December 2018
PRC	**803,986**	557,426
Germany	**11,393**	8,617
	815,379	566,043

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019	31 December 2018
Unlisted equity investment	**23,621**	23,621

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2019:

	Unlisted equity investment
Balance as at 30 June 2019 and 31 December 2018	23,621

As at 30 June 2019, 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 RIGHT-OF-USE ASSETS

	Intangible assets	**Property, plant and equipment**	**Right-of-use assets**
Net book amount as at 1 January 2019	**11,693**	**516,190**	**212,147**
Additions	**1,735**	**124,160**	**45**
Disposals	**–**	**(212)**	**–**
Currency translation differences	**18**	**387**	**433**
Amortisation/depreciation	**(2,246)**	**(61,305)**	**(34,088)**
Net book amount as at 30 June 2019	**11,200**	**579,220**	**178,537**
Net book amount as at 1 January 2018	12,124	415,697	–
Additions	1,679	57,369	–
Disposals	–	(825)	–
Transfers	–	12,455	–
Currency translation differences	97	3,290	–
Amortisation/depreciation	(2,221)	(48,710)	–
Net book amount as at 30 June 2018	11,679	439,276	–

10. INVENTORIES

	30 June 2019	31 December 2018
Raw materials	**43,330**	28,648
Work in progress	**286,478**	248,300
Finished goods	**61,146**	68,661
	390,954	345,609
Less: allowance for impairment	**(3,552)**	(2,441)
	387,402	343,168

11. TRADE AND OTHER RECEIVABLES

	30 June 2019	31 December 2018
Trade receivables	**309,943**	308,719
Less: allowance for impairment	**(4,113)**	(6,250)
Trade receivables, net	**305,830**	302,469
Prepayments and deposits	**58,346**	27,827
Export tax refund receivables	**10,585**	10,568
Value-added tax recoverable	**5,174**	8,579
Advances to employees	**3,082**	4,510
Others	**3,760**	1,365
	386,777	355,318

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 2019	31 December 2018
Less than 3 months	**266,840**	284,170
More than 3 months but not exceeding 1 year	**42,012**	23,289
More than 1 year	**1,091**	1,260
	309,943	308,719

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

As at 30 June 2019, no trade receivables (31 December 2018: 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 2019 and 30 June 2019 and 1 January 2018 and 30 June 2018	833,260	83,326	251,293	334,619

13. TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
Trade payables *(a)*	**289,094**	307,774
Wages and staff welfare benefits payable	**79,668**	121,906
Accrual for expenses and other payables	**16,892**	19,245
Other taxes payable	**6,248**	7,576
	391,902	456,501

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

	30 June 2019	31 December 2018
Within 90 days	**246,139**	235,252
91 – 120 days	**25,894**	41,388
121 – 365 days	**14,895**	29,893
Over 365 days	**2,166**	1,241
	289,094	307,774

14. BORROWINGS

	30 June 2019	31 December 2018
Non-current		
Bank borrowings		
– unsecured	**450,153**	265,262
Less: current portion of non-current borrowings	**(60,672)**	(30,248)
	389,481	235,014
Current		
Short-term bank borrowings – secured *(a)*	**109,101**	76,970
Current portion of non-current borrowings	**60,672**	30,248
	169,773	107,218
Total borrowings	**559,254**	342,232

Movements in borrowings are as follows:

	Six months ended 30 June 2019	2018
Opening balance as at 1 January	**342,232**	97,915
Proceeds from borrowings	**353,229**	87,590
Repayments of borrowings	**(133,837)**	(17,021)
Currency translation differences	**(2,370)**	(950)
Closing balance as at 30 June	**559,254**	167,534

(a) As at 30 June 2019, bank borrowings amounting to HK$109,101,000 (31 December 2018: HK$76,970,000) were secured over the following:

	30 June 2019	31 December 2018
Bank deposits	**115,588**	84,975

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

	30 June 2019	31 December 2018
HK$	**450,153**	265,262
EUR	**109,101**	76,970
	559,254	342,232

15. LEASES

(a) Amounts recognised in the balance sheet

	At 30 June 2019
Right-of-use assets *(Note 9)*	
– Properties	**178,537**
Lease liabilities	
– Non current	**123,914**
– Current	**59,527**
	183,441

Additions to the right-of-use assets during the Period are HK$45,000.

(b) Amounts recognised in the statement of comprehensive income

	For the period ended 30 June 2019
Depreciation of right-of-use assets	**34,088**
Interest expenses	**4,866**
	38,954

16. 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	
	2019	2018
Opening balance as at 1 January	**23,793**	11,443
Receipt of grants	**12,922**	4,087
Recognised in the profit or loss	**(2,914)**	(1,700)
Currency translation differences	**(64)**	17
Closing balance as at 30 June	**33,737**	13,847

17. 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	
	2019	2018
Deferred income tax assets		
Opening balance as at 1 January	**5,338**	2,796
Recognised in the profit or loss	**1,308**	376
Currency translation differences	**(31)**	24
Closing balance as at 30 June	**6,615**	3,196

	Six months ended 30 June	
	2019	2018
Deferred income tax liabilities		
Opening balance as at 1 January	**27,266**	10,490
Recognised in the profit or loss	**11,001**	–
Currency translation differences	**(390)**	(4)
Closing balance as at 30 June	**37,877**	10,486

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 2019, deferred income tax assets and deferred income tax liabilities were offset to the extent of HK$6,615,000 (31 December 2018: HK$5,338,000).

18. OTHER INCOME AND OTHER LOSSES – NET

	Six months ended 30 June	
	2019	2018
Other income		
Sales of scrap and surplus materials	**7,544**	6,397
Government subsidies	**14,841**	5,499
Others	**352**	126
	22,737	12,022
Other losses – net		
Net foreign exchange losses	**(10,835)**	(15,407)
Gains/(losses) on disposal of property, plant and equipment	**2,196**	(85)
	(8,639)	(15,492)

19. EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
Changes in inventories of finished goods and work in progress	**(30,663)**	(49,554)
Raw materials and consumables used	**370,398**	372,051
Employee benefit expenses	**282,064**	283,869
Subcontracting expenses	**77,875**	93,705
Depreciation and amortisation	**63,551**	50,931
Depreciation of right-of-use assets	**34,088**	–
Water and electricity expenditures	**23,024**	18,830
Transportation and travelling expenses	**21,655**	24,132
Other taxes and levies	**5,913**	7,735
Commission expenses	**6,651**	3,958
Maintenance expenses	**4,984**	6,160
Advisory and legal service expenses	**3,308**	3,519
Advertising and promotion fees	**3,271**	2,738
Security and estate management expenses	**3,093**	2,792
Auditors' remuneration	**2,042**	2,385
Utilities and postage fees	**2,051**	2,124
Allowance/(reversal of allowance) for impairment of inventories	**1,111**	(1,090)
Customs declaration charge	**1,124**	1,225
Donations	**1,101**	1,389
Bank charges and handling fees	**756**	541
Operating lease payments	**360**	29,531
(Reversal of allowance)/allowance for impairment of receivables	**(2,137)**	175
Other expenses	**6,393**	5,455
	882,013	862,601

20. FINANCE (COST)/INCOME – NET

	Six months ended 30 June	
	2019	2018
Interest income:		
– Interest income on bank deposits	**7,349**	1,632
– Interest income from financial assets at fair value through profit or loss	**3,465**	3,567
	10,814	5,199
Interest expenses:		
– Bank borrowings	**(6,042)**	(1,012)
– Lease liabilities	**(4,866)**	–
	(10,908)	(1,012)
Finance (cost)/income – net	**(94)**	4,187

21. 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	
	2019	2018
Current income tax		
– Hong Kong profit tax	**8,952**	9,053
– PRC corporate income tax	**4,125**	14,431
– Income tax under-provided in previous years	**43**	241
Deferred income tax	**9,693**	(376)
	22,813	23,349

22. 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	
	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**114,123**	140,432
Weighted average number of ordinary shares issued (thousand)	**833,260**	833,260
Basic earnings per share (HK cents)	**13.7**	16.9

As at 30 June 2019 and 30 June 2018, the diluted earnings per share is the same as basic earnings per share due to the absence of dilutive ordinary shares.

23. DIVIDENDS

On 23 August 2019, the board of directors resolved to declare an interim dividend of HK5.0 cents per share (2018 interim: HK6.0 cents per share). This interim dividend, amounting to HK$41,663,000 (2018 interim: HK$49,995,600), has not been recognised as a liability in this Interim Financial Information.

Dividends in respect of the year ended 31 December 2018 of HK$0.14 per ordinary share, amounting to a total of approximately HK$116,656,000, were paid on 6 June 2019.

24. COMMITMENTS

(a) Capital commitments

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

	30 June 2019	31 December 2018
In respect of the acquisitions of plant and equipment, contracted but not provided for	**96,095**	86,925

(b) Operating commitments

The Group did not have any material operating commitments which haven't been recognised as financial assets and liabilities as at 30 June 2019.

25. RELATED-PARTY TRANSACTIONS

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	
	2019	2018
Addition of right-of-use assets	**45**	–
Interest expense on lease liabilities	**4,113**	–
Repayment of lease liabilities	**26,494**	–
Operating lease expenses paid	**104**	25,135
	30,711	25,135

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back in the first half of 2019, due to the heated trade war between China and the United States, which affected the global consumption atmosphere, and the trade policies against China that made some electronic supply chains being moved to Southeast Asia, both situations indirectly delayed the confirmation of orders by some key customers of the Group. For the first half of 2019, revenue of the Group amounted to HK$1,004.9 million (first half of 2018: HK$1,025.7 million), representing a decrease of 2.0% compared to the same period last year. According to the analysis of downstream industries, the mobile phones and wearable devices segment and the automobiles segment maintained a slight growth momentum, and the medical and health care segment remained stable, while the commercial telecommunications equipment segment and the smart home segment were on a downward trend.

	Six months ended 30 June					
Industry	**2019**		2018		**Change**	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Mobile phones and wearable devices	**241.2**	**24.0**	230.7	22.5	10.5	4.6
Automobiles	**205.3**	**20.4**	199.5	19.5	5.8	2.9
Commercial telecommunications equipment	**205.0**	**20.4**	212.3	20.7	–7.3	–3.4
Medical and health care	**136.3**	**13.6**	136.2	13.3	0.1	0.1
Smart home	**106.4**	**10.6**	109.9	10.7	–3.5	–3.2
Household electrical appliances	**47.9**	**4.8**	46.1	4.5	1.8	3.9
Digital devices	**19.5**	**1.9**	19.8	1.9	–0.3	–1.5
Others	**43.3**	**4.3**	71.2	6.9	–27.9	–39.2
	1,004.9	**100.0**	1,025.7	100.0	–20.8	–2.0

For the Period, gross profit of the Group was HK$276.4 million (first half of 2018: HK$323.4 million), representing a decrease of 14.5% compared to the same period last year, and the gross profit margin dropped by 4.0 percentage points to 27.5% (first half of 2018: 31.5%), which was mainly because the capacity of its plastic injection production expanded by 30% last year, however, orders were slowed down in the first half of 2019, that mass production of some products being postponed to the second half of the year, which resulted in a short-term gross margin drag for the first half of the year. The Group believes that after the production lines enter the stable mass production stage in the second half of the year, the production efficiency will be fully released and the profit margin will be improved.

Based on the above, the Group recorded a profit attributable to owners of the Company of HK$114.1 million (first half of 2018: HK$140.4 million), representing a year-on-year decrease of 18.7%. Net profit margin was 11.4% (first half of 2018: 13.7%), representing a year-on-year decrease of 2.3 percentage points. Basic earnings per share was HK13.7 cents (first half of 2018: HK16.9 cents).

The Group's trade receivable turnover days remained stable at around 55 days due to our effective credit policies. Meanwhile, such policies also enabled the Group to maintain net cash of HK$318.9 million (30 June 2018: HK$355.1 million). The sound financial position enables the Group to engage in merger and acquisition activities in a more active manner and to adopt other necessary measures so as to stimulate business development. Moreover, as at 30 June 2019, the Group's orders on hand amounted to HK$979.3 million, representing an increase of 6.0% as compared with HK$923.8 million as at 30 June 2018, and of 24.3% as compared with orders of HK$788.0 million as at of 31 December 2018.

Business Segment Analysis

Mold Fabrication Business

For the first half of 2019, revenue of the mold fabrication segment from external customers amounted to approximately HK$329.9 million, representing a slight decrease of approximately 2.9% when compared to approximately HK$339.9 million in the same period last year, and accounting for approximately 32.8% of the Group's total revenue.

The Group has production lines for ultra-large standard molds and high-precision molds. The major products of the Group's ultra-large standard molds are automobiles components. Its clients mainly include first-tier component suppliers who manufacture automobile components for renowned automobile brands in Europe, such as Mercedes-Benz, BMW and Volkswagen. The Group continues to focus on expert-level molding technology research and provide customers with high quality and cost-effective design solutions. For the Period, revenue of mold fabrication segment recorded a slight decrease, and gross profit margin declined by 3.4 percentage points to 33.3%, which was mainly due to the slightly dropped prices of new orders affected by the global economic sentiment, but the Group believed that gross profit of mold fabrication business was still within the ideal range.

Plastic Components Manufacturing Business

For the first half of 2019, revenue of the plastic components manufacturing segment amounted to approximately HK$675.0 million (first half of 2018: HK$685.8 million), representing a slight year-on-year decrease of 1.6% and accounting for approximately 67.2% of the Group's total revenue.

Revenue of mobile phones and wearable devices segment recorded a year-on-year growth of 4.6%, which was mainly due to the significant increase of orders for smartphone protective cases from a brand customer and for bluetooth headsets from a popular audio brand customer. The diversified customer base of the Group effectively offset the decrease in orders from a smartphone brand customer, balancing risk and maintaining stable sales increase.

Revenue of commercial telecommunications equipment segment recorded a year-on-year decrease of 3.4%, which was mainly due to the corresponding change to the Group's product mix to cope with the supply chain adjustment after a major customer was acquired, which resulted in decrease in sales.

Revenue of the smart home segment was also affected by the sluggish global consuming sentiment in the first half of 2019. During the Period, two leading smart home brands in North America, customers of the Group, strategically postponed the launches of their new products, therefore the orders originally in the first half of the year were delayed to the second half, causing a year-on-year decrease of 3.2% in the revenue of the smart home segment for the first half of 2019.

Last year, the Group expanded its production capacity by 30% to satisfy the need of new projects. However, the productions for several new projects were postponed to the second half of 2019 due to the repeated deterioration of the Sino-US trade war. In the first half of 2019, the utilization rate of plastic products machines decreased by 20.0 percentage points year on year to 48.6%, resulting in the gross profit margin decreasing by 4.2 percentage points from approximately 28.9% in the corresponding period of last year to 24.7%. However, the Group expected the production capacity utilization rate will significantly increase in the second half of 2019 with plentiful orders on hand, which will improve the gross profit margin as well.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2019 was approximately HK$1,004.9 million, representing a decrease of approximately HK$20.8 million or 2.0% as compared with the revenue of approximately HK$1,025.7 million for the corresponding period in 2018. Such decrease was mainly attributable to the intensified Sino-US trade war, which affected the global consumption climate, and the trade policy targeting China also led to the migration of some electronic supply chains to Southeast Asia, which indirectly delayed the confirmation of orders by some key customers of the Group.

Gross Profit

Gross profit for the first half of 2019 was approximately HK$276.4 million, representing a decrease of approximately HK$47.0 million or 14.5% as compared with the gross profit of approximately HK$323.4 million for the corresponding period in 2018. The gross profit margin was 27.5%, representing a decrease of 4.0 percentage points from 31.5% for the corresponding period of last year, which was mainly because the Group expanded its capacity of plastic production lines by approximately 30% last year and the production of some products was postponed to the second half of 2019 in respond to the slowdown of orders in the first half of the year, thereby temporarily affecting the gross profit margin of the first half of the year. The Group believes that after the new production lines enter into a stable stage of mass production in the second half of the year, its production efficiency will be fully released and profit margin will be improved.

Gross profit margin for mold fabrication segment for the first half of 2019 was 33.3%, down 3.4 percentage points from 36.7% for the corresponding period in 2018. The decrease in gross profit margin was primarily due to the slight decline in the price of new orders affected by the global economy. However, the Group believes that the gross profit of mold fabrication business remains within the ideal range.

Gross profit margin for plastic components manufacturing segment for the first half of 2019 was 24.7%, representing a decrease of 4.2 percentage points from 28.9% for the first half of 2018. The decrease in gross profit margin was primarily because the Group expanded its capacity to meet the demand for new projects last year, but many new projects were postponed to the second half of the year due to the repeated deterioration of the Sino-US trade war and the utilization rate of plastic products machines decreased year-on-year, thus resulting in the decrease in gross profit margin. However, the Group expected the production capacity utilization rate will significantly increase in the second half of 2019 with plentiful orders on hand, which will improve the gross profit margin as well.

Other Income

Other income for the first half of 2019 was approximately HK$22.7 million, representing an increase of approximately HK$10.7 million or 89.1% as compared with approximately HK$12.0 million for the corresponding period in 2018, which was mainly due to the increase in government grants to the Group during the Period.

Other Losses — Net

Other losses, net for the first half of 2019 was approximately HK$8.6 million, representing a decrease of approximately HK$6.9 million or 44.2% as compared with approximately HK$15.5 million for the corresponding period in 2018. The Group borrowed a Euro-denominated bank loan equivalent to the amount of the Group's existing orders from Europe to effectively hedge the effect of fluctuations of the Euro on the Group.

Selling Expenses

Selling expenses for the first half of 2019 was approximately HK$35.8 million (first half of 2018: HK$39.4 million), accounted for 3.6% (first half of 2018: 3.8%) of the sales, representing a decrease of approximately HK$3.6 million or 9.2% as compared with the corresponding period in 2018, and a decrease by 0.2 percentage point in terms of the percentage to sales, which was mainly due to the decrease in sales resulting a corresponding decrease in transportation expenses.

Administrative Expenses

Administrative expenses for the first half of 2019 was approximately HK$117.6 million (first half of 2018: HK$120.9 million), accounted for 11.7% (first half of 2018: 11.8%) of the sales, representing a decrease of approximately HK$3.3 million or 2.7% as compared with the corresponding period in 2018, and in terms of the percentage to sales a decrease by 0.1 percentage point. The decrease in the administrative expenses was mainly attributable to the decrease in employee bonus accrued resulting from the decrease in operating results during the Period.

Finance (Cost)/Income — Net

Net finance cost for the first half of 2019 was approximately HK$0.1 million, while net finance income for the corresponding period in 2018 was approximately HK$4.2 million, which was primarily due to the increase in interest expenses for the lease liabilities of approximately HK$4.9 million upon the adoption of HKFRS 16 "Leases" by the Group from 1 January 2019.

Income Tax Expense

Income tax expense for the first half of 2019 was approximately HK$22.8 million and the effective tax rate was 16.7%, which was higher than the effective tax rate of 14.3% for the corresponding period in 2018, which was mainly attributable to the increase in the PRC withholding income tax during the Period.

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the first half of 2019 was approximately HK$114.1 million, representing a decrease of approximately HK$26.3 million or 18.7% from approximately HK$140.4 million for the corresponding period in 2018.

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 of the Group 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 2018, 45% of revenue accumulated in the first half of the year, with 55% accumulating in the second half of the year.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

As at 30 June 2019, the Group had net current assets of approximately HK$810.1 million (31 December 2018: HK$766.5 million). The Group had total cash and bank balances of approximately HK$878.2 million (31 December 2018: HK$875.3 million), including cash and cash equivalents of approximately HK$731.8 million (31 December 2018: HK$753.8 million), deposits for bank borrowings of approximately HK$115.6 million (31 December 2018: HK$85.0 million) and restricted cash of approximately HK$30.8 million (31 December 2018: HK$36.5 million). The current ratio of the Group as at 30 June 2019 was approximately 196.2% (31 December 2018: 195.0%).

Total equity of the Group as at 30 June 2019 was approximately HK$1,070.7 million (31 December 2018: HK$1,075.5 million). The gearing ratio as at 30 June 2019 was approximately 52.2% (31 December 2018: 31.8%). Such increase was mainly attributable to the increase in bank borrowings of the Group during the Period.

DEBT MATURITY PROFILE

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Within 1 year	**169,773**	107,218
Between 1 and 2 years	**177,502**	99,103
Between 2 and 5 years	**211,979**	135,911
	559,254	342,232

An analysis of the Group's key liquidity ratios as at 30 June 2019 is as follows:

	Six months ended 30 June	
	2019	2018
Inventory turnover days *(Note 1)*	**91**	87
Trade receivable turnover days *(Note 2)*	**55**	52
Trade payable turnover days *(Note 3)*	**74**	73

	30 June 2019	31 December 2018
Current ratio *(Note 4)*	**196.2%**	195.0%

Notes:

1. Inventory turnover days is calculated based on the average balance of inventories divided by the cost of sales for the relevant period and 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 and 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 and 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 91 days, representing an increase of 4 days compared to that of the same period in last year, which was mainly attributable to the corresponding increase of inventories due to the increase of orders on hand.

TRADE RECEIVABLE TURNOVER DAYS

During the Period, the Group's trade receivable turnover days were 55 days, which was comparable to that of the same period in last year.

TRADE PAYABLE TURNOVER DAYS

During the Period, the Group's trade payable turnover days were 74 days, which was comparable to that of the same period in last year.

CURRENT RATIO

As at 30 June 2019, the Group's current ratio was 196.2%, which was comparable to that as at 31 December 2018.

PLEDGED ASSETS

Details of pledged assets as at 30 June 2019 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 up to 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 2019. All unutilised amounts are deposited in licensed banks in Hong Kong.

Use of proceeds

			Till 30 June 2019	
	% of total amount	**Net proceeds** *(HK$ million)*	**Utilised amounts** *(HK$ million)*	**Unutilised amounts** *(HK$ million)*
Establishing a new business unit specialising in ultra-large standard molds	19%	51.9*	51.9	–
Upgrading mold fabrication capabilities	14%	37.1*	37.1	–
Expanding Shenzhen plastic components manufacturing capacity	22%	59.4*	59.4	–
Expanding Suzhou plastic components manufacturing capacity	17%	44.5*	44.5	–
Strategic acquisitions of other mold fabricators	11%	29.5*	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 overallotment 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 2019, the Group had 4,278 full-time employees (31 December 2018: 3,564) and 944 workers dispatched to us from third party staffing companies (31 December 2018: 665).

The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent directors and employees. The Group believes 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 2019, the Group has not made material acquisitions or disposals of subsidiaries.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

PROSPECT

The uncertainty and volatility in the market continued to increase under the repeated escalation of the Sino-US trade war, trade disputes among countries, geopolitical risks and global economic slowdown. Although it is expected that our orders and business will remain stable for the second half of 2019 as certain brand customers have announced that new products will release in the second half of the year and the Group has started production of certain products, the management still adopts a pragmatic and prudent attitude towards the economic downside risks in the second half of the year, striving to maintain the steady business development throughout the year.

This year, the Group continues to adhere to the strategy of international expansion and domestic extension. In terms of domestic extension, the Group has successfully developed a domestic e-cigarette customer and actively approached other brand customers of high-tech consumer electronics for cooperation to extend the development in China market. In terms of international expansion strategy, the Group actively seeks for suitable injection molding plant resources in Southeast Asian countries. In addition to building its own plant, the Group is also open to the possibility of acquiring suitable plants in order to reduce the potential impact of trade disputes or geopolitical policy changes. The Group also considers looking for plant resources outside Shenzhen, China to further expand lower-cost capacity of plastic injection.

High-tech consumer electronics is still a major global trend and a competitive advantage of the Group. The Group remains cautiously optimistic about its long-term development. The capacity expansion of the Group just completed last year will help to grasp the opportunities brought about by the growth of customers. In order to cement the Group's position as the world's leading supplier of one-stop integrated plastic component manufacturing solutions, the Group will continue to track emerging products and focus on future industry trends, develop quality customers and new projects as well as tap further into the potential of existing customers to strive for a larger supply proportion. The Group will continue to invest in technology research and intelligent automation of production lines to maintain its advantages in the industry with technology and strength.

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. 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 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 2019.

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 2019.

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 2019.

DIVIDEND

On 23 August 2019, the Board resolved to declare an interim dividend of HK5.0 cents per share for the six months ended 30 June 2019, amounting to a total of HK$41,663,000. The interim dividend is expected to be paid on 27 September 2019 to all shareholders whose names appear on the register of members of the Company at the close of business on 13 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the aforesaid interim dividend, the register of members of the Company will be closed from 11 September 2019 to 13 September 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified for the 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 10 September 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 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, 23 August 2019

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.