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TK Group (Holdings) Limited

東江集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2283)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “**Board**”) of TK Group (Holdings) Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022, as follows:

FINANCIAL HIGHLIGHTS

| | 2023 | 2022 |
|--|------------------|-----------|
| Results and financial performances | | |
| Results | | |
| Revenue (HK\$'000) | 1,945,721 | 2,279,321 |
| Profit for the year (HK\$'000) | 204,191 | 226,909 |
| Basic earnings per share (HK\$) | 0.25 | 0.27 |
| Proposed final dividend per share (HK cents) | 7.5 | 8.6 |
| Proposed special dividend per share (HK cents) | 10.0 | N/A |
| | | |
| Gross profit margin | 26.4% | 23.7% |
| Net profit margin | 10.5% | 10.0% |
| Return on equity (<i>Note 1</i>) | 12.1% | 14.1% |
| Return on assets (<i>Note 2</i>) | 8.3% | 8.4% |
| Inventory turnover days (<i>Note 3</i>) | 102 | 98 |
| Trade receivable turnover days (<i>Note 4</i>) | 58 | 54 |
| Trade payable turnover days (<i>Note 5</i>) | 61 | 57 |
| | | |
| Financial position | | |
| Net current assets (HK\$'000) | 1,193,086 | 1,090,873 |
| Current ratio (<i>Note 6</i>) | 276.0% | 219.1% |
| Quick ratio (<i>Note 7</i>) | 222.9% | 176.3% |
| Gearing ratio (<i>Note 8</i>) | 1.5% | 21.6% |

Notes:

- (1) Return on equity ratio is calculated by dividing profit after tax by total equity and multiplying the resulting value by 100%.
- (2) Return on assets ratio is calculated by dividing profit after tax by total assets and multiplying the resulting value by 100%.
- (3) Inventory turnover days are calculated based on the average balance of inventories divided by the cost of sales for the relevant year multiplied by 365 days.
- (4) Trade receivable turnover days are calculated based on the average trade receivables divided by the revenue for the relevant year multiplied by 365 days.
- (5) Trade payable turnover days are calculated based on the average trade payables divided by the cost of sales for the relevant year multiplied by 365 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%.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | <i>Note</i> | Year ended 31 December | |
|--|-------------|-------------------------------|--------------------|
| | | 2023 | 2022 |
| | | HK\$'000 | HK\$'000 |
| Revenue | 4 | 1,945,721 | 2,279,321 |
| Cost of sales | | <u>(1,432,928)</u> | <u>(1,738,046)</u> |
| Gross profit | | 512,793 | 541,275 |
| Other income | | 45,244 | 44,613 |
| Other gains – net | | 6,227 | 9,515 |
| Selling expenses | | (57,375) | (67,019) |
| Administrative expenses | | (275,152) | (283,950) |
| Net reversal of impairment losses on financial assets | | <u>2,978</u> | <u>3,316</u> |
| Operating profit | | 234,715 | 247,750 |
| Interest income | | 22,796 | 23,393 |
| Interest expenses | | <u>(12,485)</u> | <u>(10,038)</u> |
| Finance income - net | | <u>10,311</u> | <u>13,355</u> |
| Share of results of associates | | <u>(8,032)</u> | <u>(2,347)</u> |
| Profit before income tax | | 236,994 | 258,758 |
| Income tax expense | 5 | <u>(32,803)</u> | <u>(31,849)</u> |
| Profit for the year | | <u>204,191</u> | <u>226,909</u> |
| Other comprehensive loss | | | |
| <i>Item that may be reclassified to profit and loss:</i> | | | |
| Currency translation differences | | <u>(29,427)</u> | <u>(146,325)</u> |
| Total comprehensive income for the year | | <u>174,764</u> | <u>80,584</u> |
| Earnings per share | | | |
| – Basic and diluted | 6 | <u>HK\$0.25</u> | <u>HK\$0.27</u> |

CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|---|------|-------------------|------------------|
| | | 2023 | 2022 |
| | Note | HK\$'000 | HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 411,804 | 485,972 |
| Right-of-use assets | | 92,201 | 112,316 |
| Intangible assets | | 15,053 | 19,483 |
| Financial assets at fair value through profit or loss | | 33,621 | 33,621 |
| Investments in associates | | 17,195 | 25,368 |
| Deferred tax assets | | 5,019 | 1,643 |
| Prepayments for property, plant and equipment | | 5,646 | 12,437 |
| | | <u>580,539</u> | <u>690,840</u> |
| Current assets | | | |
| Inventories | | 360,082 | 391,862 |
| Trade and other receivables | 8 | 352,814 | 343,227 |
| Deposits for bank borrowings | | – | 157,138 |
| Cash and cash equivalents | | 1,158,156 | 1,114,456 |
| | | <u>1,871,052</u> | <u>2,006,683</u> |
| Total assets | | <u>2,451,591</u> | <u>2,697,523</u> |
| EQUITY | | | |
| Share capital | 11 | 83,326 | 83,326 |
| Share premium | 11 | 251,293 | 251,293 |
| Shares held for employee share scheme | | (17,679) | (14,401) |
| Other reserves | | 52,263 | 69,506 |
| Retained earnings | | 1,315,974 | 1,215,871 |
| Total equity | | <u>1,685,177</u> | <u>1,605,595</u> |

| | | As at 31 December | |
|-------------------------------------|-------------|--------------------------|------------------|
| | | 2023 | 2022 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank borrowings | <i>10</i> | – | 60,543 |
| Lease liabilities | | 28,298 | 40,841 |
| Deferred income | | 36,750 | 43,412 |
| Deferred tax liabilities | | 23,400 | 31,322 |
| | | <u>88,448</u> | <u>176,118</u> |
| Current liabilities | | | |
| Trade and other payables | <i>9</i> | 335,196 | 348,601 |
| Contract liabilities | | 228,855 | 200,955 |
| Income tax liabilities | | 19,922 | 4,405 |
| Bank borrowings | <i>10</i> | 25,708 | 286,472 |
| Lease liabilities | | 68,285 | 75,377 |
| | | <u>677,966</u> | <u>915,810</u> |
| Total liabilities | | <u>766,414</u> | <u>1,091,928</u> |
| Total equity and liabilities | | <u>2,451,591</u> | <u>2,697,523</u> |

NOTES:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 28 March 2013 as an exempted company with limited liability. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company, an investment holding company, and its subsidiaries (collectively the "**Group**") are principally engaged in the manufacturing, sales, subcontracting, fabrication and modification of molds and plastic components in the People's Republic of China (the "**PRC**"). As at 31 December 2023, the ultimate shareholders of the Company are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu (collectively the "**Ultimate Shareholders**"), each holding an effective equity interest of 30.61%, 19.04% and 18.36% in the Company, respectively.

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

These consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 22 March 2024.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which is carried at fair value.

3. ACCOUNTING POLICIES

The Group has applied amended standards and annual improvements effective for the financial period beginning on 1 January 2023. The adoption of these amended standards and annual improvements does not have any significant impact on the consolidated financial statements of the Group.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. SEGMENT INFORMATION

Information of the reportable segments for the year is set out as below:

| | Mold fabrication | | Plastic components manufacturing | | Total | |
|-----------------------------------|------------------|-----------------|-------------------------------------|-----------------|------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | | | | | | |
| Segment revenue | 736,483 | 713,115 | 1,326,095 | 1,673,086 | 2,062,578 | 2,386,201 |
| Inter-segment revenue elimination | (116,857) | (106,880) | - | - | (116,857) | (106,880) |
| Revenue from external customers | 619,626 | 606,235 | 1,326,095 | 1,673,086 | 1,945,721 | 2,279,321 |
| Segment results and gross profit | 228,994 | 160,133 | 283,799 | 381,142 | 512,793 | 541,275 |

Refer to consolidated statement of comprehensive income for reconciliation of gross profit to profit for the year.

5. INCOME TAX EXPENSE

| | 2023 | 2022 |
|----------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current income tax | | |
| – Hong Kong profits tax | 12,449 | 12,523 |
| – PRC corporate income tax | 31,346 | 19,898 |
| | 43,795 | 32,421 |
| Deferred income tax | | |
| – Hong Kong profits tax | (1,762) | 691 |
| – PRC corporate income tax | (9,230) | (1,263) |
| | (10,992) | (572) |
| Income tax expense | 32,803 | 31,849 |

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

No provision for income tax in the British Virgin Islands (the “BVI”) has been made as the Group has no income assessable for income tax in BVI during the year (2022: Nil).

Under the current Hong Kong Inland Revenue Ordinance, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK\$2,000,000, and 16.5% on any part of assessable profits over HK\$2,000,000.

PRC corporate income tax (“CIT”) is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC. The applicable CIT rate is 25% (2022: 25%). Certain subsidiaries of the Group were recognised as “New and High Technology Enterprise” and enjoy a preferential CIT rate of 15%.

According to the CIT Law, a withholding income tax of 10% is levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. The immediate holding companies of certain PRC subsidiaries have obtained Hong Kong tax resident status, and a lower 5% withholding income tax rate is applied.

6. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year excluding shares held for employee share scheme.

| | 2023 | 2022 |
|---|----------------|----------------|
| Profit for the year (HK\$'000) | <u>204,191</u> | <u>226,909</u> |
| Weighted average number of ordinary shares issued (thousands) | <u>827,353</u> | <u>829,557</u> |
| Basic earnings per share (HK\$) | <u>0.25</u> | <u>0.27</u> |

(b) Diluted

Diluted earnings per share approximates basic earnings per share for the years ended 31 December 2023 and 2022 as the impact of dilutive potential shares is immaterial.

7. DIVIDENDS

| | 2023 | 2022 |
|---|-----------------------|----------------------|
| | HK\$'000 | HK\$'000 |
| Interim dividend paid of HK2.8 cents (2022 Interim: HK2.8 cents) per ordinary share | 23,331 | 23,331 |
| Proposed final dividend of HK7.5 cents (2022 Final: HK8.6 cents) per ordinary share | 62,495 | 71,660 |
| Proposed special dividend of HK10.0 cents (2022: Nil) per ordinary share | 83,326 | – |
| | <u>169,152</u> | <u>94,991</u> |

The dividends paid in 2023 and 2022 were HK\$94,991,000 (HK11.4 cents per share) and HK\$94,991,000 (HK11.4 cents per share) respectively. A final dividend and a special dividend in respect of the year ended 31 December 2023 of HK7.5 cents and HK10.0 cents per share, respectively, amounting to a total of HK\$62,494,500 and HK\$83,326,000, respectively, is to be approved at the forthcoming annual general meeting (“AGM”).

8. TRADE AND OTHER RECEIVABLES

| | 2023 | 2022 |
|--------------------------------|-----------------------|-----------------------|
| | HK\$'000 | HK\$'000 |
| Trade receivables (a) | 320,225 | 297,701 |
| Less: allowance for impairment | (4,289) | (9,668) |
| Trade receivables, net | 315,936 | 288,033 |
| Export tax refund receivables | 3,199 | 2,369 |
| Prepayments and deposits | 15,994 | 36,643 |
| Value-added tax recoverable | 12,422 | 9,822 |
| Advances to employees | 3,643 | 3,200 |
| Loans to an associate | – | 2,297 |
| Others | 1,620 | 863 |
| | <u>352,814</u> | <u>343,227</u> |

(a) **Trade receivables**

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

| | 2023 | 2022 |
|---|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Less than 3 months | 267,075 | 281,734 |
| More than 3 months but not exceeding 1 year | 52,327 | 15,539 |
| More than 1 year | 823 | 428 |
| | <u>320,225</u> | <u>297,701</u> |

9. TRADE AND OTHER PAYABLES

| | 2023 | 2022 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables (a) | 227,712 | 250,007 |
| Wages and staff welfare benefits payable | 88,257 | 73,223 |
| Accrual for expenses and other payables | 10,084 | 15,620 |
| Other taxes payable | 9,143 | 9,751 |
| | <u>335,196</u> | <u>348,601</u> |

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

| | 2023 | 2022 |
|---------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0–90 days | 177,935 | 194,821 |
| 91–120 days | 31,423 | 34,080 |
| 121–365 days | 10,577 | 16,200 |
| Over 365 days | 7,777 | 4,906 |
| | <u>227,712</u> | <u>250,007</u> |

10. BORROWINGS

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Non-current | | |
| Bank borrowings – unsecured | 25,708 | 149,327 |
| Less: current portion of non-current borrowings | (25,708) | (88,784) |
| | <u>–</u> | <u>60,543</u> |
| Current | | |
| Bank borrowings – secured | – | 116,060 |
| Bank borrowings – unsecured | – | 81,628 |
| Current portion of non-current borrowings | 25,708 | 88,784 |
| | <u>25,708</u> | <u>286,472</u> |
| Total borrowings | <u>25,708</u> | <u>347,015</u> |

11. SHARE CAPITAL AND SHARE PREMIUM

| | Number of ordinary shares thousands | Nominal value HK\$'000 | Share premium HK\$'000 | Total HK\$'000 |
|--|--|---------------------------------------|---------------------------------------|---------------------------|
| Authorised | | | | |
| As at 1 January 2022, 31 December 2022 and 31 December 2023 | <u>2,000,000</u> | <u>200,000</u> | | |
| Issued and fully paid | | | | |
| As at 1 January 2022, 31 December 2022 and 31 December 2023 | <u>833,260</u> | <u>83,326</u> | <u>251,293</u> | <u>334,619</u> |

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, the global epidemic restriction was lifted, but economic growth still faced multiple challenges. The conflict between Russia and Ukraine has not stopped, the Israeli-Palestinian war has deepened political conflicts along the border, and the Red Sea crisis has impacted the supply chain, making the overall recovery momentum weak. At the same time, under the impact of the uncertain geopolitical situation and shrinking energy supply, prices and living expenses were still at a high level. Major western economies continued to raise interest rates to curb inflation, resulting in sluggish end consumer demand. As a result, the consumer electronics industry faced high inventory pressure, which affected the pace of orders from European and American consumer electronics customers, thereby dragging down the Group's performance. Since reopening in 2023, the PRC government has timely launched economic stimulus policies to create a more favorable business environment. For the year ended 31 December 2023, the Group's total revenue amounted to HK\$1,945.7 million (2022: HK\$2,279.3 million), representing a year-on-year decrease of 14.6%. In particular, revenue from the plastic components manufacturing business decreased by 20.7% due to the cooling of overseas consumer demand, and revenue from the mold fabrication business increased by 2.2% due to the fact that the global supply chains have generally returned to normal.

Revenue Analyzed by Downstream Industries

| Industry | 2023 | | 2022 | | Change | |
|--|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| | HK\$ million | % | HK\$ million | % | HK\$ million | % |
| Mobile phones and wearable devices | 549.5 | 28.2 | 648.2 | 28.4 | -98.7 | -15.2 |
| Automobiles | 368.7 | 18.9 | 300.5 | 13.2 | 68.2 | 22.7 |
| Medical and personal health care | 349.7 | 18.0 | 426.5 | 18.7 | -76.8 | -18.0 |
| Electronic atomizers | 205.1 | 10.5 | 125.5 | 5.5 | 79.6 | 63.4 |
| Smart home | 190.0 | 9.8 | 330.6 | 14.5 | -140.6 | -42.5 |
| Commercial telecommunications equipment | 123.8 | 6.4 | 293.1 | 12.9 | -169.3 | -57.8 |
| Others | 158.9 | 8.2 | 154.9 | 6.8 | 4.0 | 2.6 |
| | 1,945.7 | 100.0 | 2,279.3 | 100.0 | -333.6 | -14.6 |

In the context of a weak economy and weakening demand, customers continued to digest the inventory accumulated after the epidemic, and new product production plans were delayed, forcing the Group to adjust its production schedule, thereby affecting production efficiency. In the past two years, despite the fluctuations in external market conditions, the Group has strengthened the comprehensive optimization and improvement of the production process and strived to improve efficiency and management effectiveness. The strategy for reducing costs and improving efficiency has shown results. During the year under review, the Group's gross profit only decreased by 5.3% to HK\$512.8 million (2022: HK\$541.3 million), and the gross profit margin increased by 2.7 percentage points to 26.4% (2022: 23.7%). The operations of the Group's silicone product production bases in Vietnam and Huizhou involved additional expenses, which temporarily affected profits. The Group recorded a profit for the year of HK\$204.2 million (2022: HK\$226.9 million), decreasing by 10.0% over the same period last year. Net profit margin increased by 0.5 percentage point to 10.5% (2022: 10.0%). Basic earnings per share was HK\$0.25 (2022: HK\$0.27), decreasing by 7.4% over the same period last year.

Logistics transportation has basically returned to normal operations in the first half of 2023. Although the Red Sea crisis in the second half of the year caused ships to take detours and lengthen sailing days, it had no direct impact on the Group. In 2023, the Group's inventory turnover days increased by 4 days to 102 days as compared to the same period last year and the trade receivable turnover days increased by 4 days to 58 days as compared to the same period last year. Faced with the uncertainties arising from geopolitical conflicts and macroeconomic turmoil, the Group has become more rigorous in its capital management. As of 31 December 2023, the Group continued to maintain a high level of net cash of HK\$1,132.4 million (31 December 2022: HK\$924.6 million), representing an increase of 22.5% as compared with that at 31 December 2022. The prudent financial strategies and capital reserves have enabled the Group to respond flexibly to changes in the challenging market environment. As at 31 December 2023, the Group had sales orders on hand amounting to HK\$830.6 million, which represented an increase of 2.0% as compared with HK\$814.2 million as at 31 December 2022.

BUSINESS SEGMENT ANALYSIS

Mold Fabrication Business

During the year under review, the revenue from external customers of the mold fabrication business amounted to approximately HK\$619.6 million, representing an increase of approximately 2.2% as compared with approximately HK\$606.2 million in the same period last year, and accounting for approximately 31.8% 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. The customers mainly include first-tier component suppliers who manufacture automobiles components for automobile brands in Europe, such as Mercedes-Benz, BMW and Volkswagen. High-precision molds production lines mainly produce high-precision molds with multi-cavity and efficiency, with the markets covering high-end consumer electronics, medical and personal health care industries such as smart home, mobile phones and wearable devices. The Group continues to focus on expert-level molding technology research and is committed to providing customers with high quality and cost-effective design solutions. In addition to developing external customers, the Group also cooperates with the downstream plastic components manufacturing business partners to provide more premium one-stop services for the customers.

In the past two years, the epidemic prevention and control measures and the shortage of semiconductors and spare parts have resulted in restriction on the automobile production, leading to an impact on the automobile mold industry. With the adjustment of the supply chain, the supply shortage of key components such as semiconductors has eased, and the automobile industry has recovered gradually. According to data released by the European Automobile Manufacturers' Association, new car sales in Europe in 2023 amounted to approximately 12.85 million units, representing a year-on-year increase of 13.7%. The Group's mold orders have also gradually recovered. Due to the long mold production cycle, segment revenue growth will gradually appear. The Group's implementation of Industry 4.0 in recent years has achieved fruitful results, greatly improving production efficiency and market competitiveness. The gross profit margin for the mold fabrication segment in 2023 increased by 10.6 percentage points to 37.0% (2022: 26.4%).

In view of the increasingly severe market competition, the Group has focused on the development of high-precision molds with multi-cavity and efficiency which have stringent quality requirements, striving to improve the precision of its products. Also, the Group has actively explored new customer base and new projects, especially in high-end customer fields such as medical, consumer electronics and packaging. While the government continues to promote the internal circular economy strategy to expand domestic demand, the Group focuses on developing domestic brand customers with international stronghold. The quality and technology of the Group's products have won a good market reputation. The Group will continue to offer more high-quality mold products and design solutions to help customers improve their production efficiency and ensure their product quality, so as to strengthen its leading position in the industry.

Plastic Components Manufacturing Business

During the year under review, the revenue from the plastic components manufacturing business segment amounted to approximately HK\$1,326.1 million (2022: HK\$1,673.1 million), representing a decrease of 20.7% as compared with the same period last year, and accounting for approximately 68.2% of the Group's total revenue.

The plastic injection molding business of the Group has served many international leading consumer electronics brands. In 2023, affected by various factors such as weak economy, high inflation, and high interest rates, people in Europe and America were more conservative in their consumption intentions. The consumer electronics and smart product markets have not yet recovered significantly after the overexpansion during the epidemic, and product demand was significantly sluggish during the year. In addition, brand customers, hampered by excessive channel inventory, had been destocking, adjusting product production and shipping plans, and suspending new product launches. The mobile phones and wearable devices and the smart home segments recorded a year-on-year decrease of 15.2% and 42.5% in revenue, respectively. The commercial telecommunications equipment segment recorded a year-on-year decrease of 57.8% in revenue due to large-scale product recalling by brand customers during the year, affecting overall product sales. The Group has endeavored to develop new products made with silicon, offering customers innovative product solutions, while stepped up its efforts to develop domestic customers. The Group has successfully co-operated with a leading domestic brand of bone conduction headphones and an internationally renowned brand of wearable cameras, and has successively delivered products, further diversifying the customers' portfolio.

In past few years, the Group had successfully acquired customers of renowned brands from domestic and overseas medical segment, covering consumables such as in vitro diagnostic devices, glucose monitors, and hemodialysis kits. Revenue from medical customers recorded growth during the year. However, under the dual pressure of high inflation and interest rates, the global consumer sentiment was sluggish. The Group's personal health care brand customers therefore reduced orders, which directly led to a year-on-year decline of 18.0% in revenue from the medical and personal health care segment. In the long run, the medical industry has a rigid demand. Coupled with an aging population and increasing awareness of personal health care, the industry will be relatively less affected by cycles. The Group will continue to develop customers in related industries and seize development opportunities from the medical and health care industry. In addition, the overseas e-cigarette market has promising development prospects and demand continues to increase. The Group's high-precision molds with multi-cavity and high-efficiency plastic injection molding technology have been recognised by overseas brand customers, and the revenue from the electronic atomizers segment increased by 63.4% year-on-year.

In 2023, the Group's plastic injection molding business order volume has been dragged down by the shrinking consumer market, and coupled with changes in product structure, the gross profit margin of the plastic components manufacturing segment decreased by 1.4 percentage points to 21.4% (2022: 22.8%). The Group expects that the global inflation situation will continue to improve in 2024, economic tightening policies will slow down, spending power will increase, higher volume of orders will be placed and the increase in the number of new projects will help improve the capacity utilization rate, allowing further growth in gross profit margin.

CUSTOMERS OF THE GROUP

As of 31 December 2023, sales of the Group were mainly export sales and our customers were mainly prestigious corporations and brands in Europe and America. Customers of the Group cover a wide range of industries, from automobile to household electrical appliances to mobile phones and wearable devices, smart home as well as medical and personal health care. As a key supplier of molds and plastics of high-end electronic products, the Group's orders are widely impacted by the launch time, popularity and life cycle of products of its downstream industry customers. However, being engaged in the molds and plastic injection industry for 40 years, the Group always sticks to the strategy of customer diversity in order to manage and minimize risks effectively. Currently, the Group has been widely recognised as a trustworthy business partner of various internationally known brands of consumer goods, including numbers of leading brands in many fast-growing industries such as smartphones, personal health care and smart home brand.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2023 was approximately HK\$1,945.7 million, representing a decrease of approximately HK\$333.6 million or 14.6% when compared with the revenue of approximately HK\$2,279.3 million in 2022.

In 2023, the revenue from external customers of the mold fabrication segment was approximately HK\$619.6 million, representing an increase of approximately HK\$13.4 million or 2.2% when compared with the revenue of approximately HK\$606.2 million in 2022. In the past two years, the epidemic prevention and control measures and the shortage of semiconductors and spare parts have resulted in restriction on the automobile production, leading to an impact on the automobile mold industry. With the adjustment of the supply chain, the supply shortage of key components such as semiconductors has eased, and the automobile industry has recovered gradually, and hence the mold orders of the Group have also gradually recovered.

In 2023, the revenue from external customers of the plastic components manufacturing segment was approximately HK\$1,326.1 million, representing a decrease of approximately HK\$347.0 million or 20.7% when compared with the revenue of approximately HK\$1,673.1 million in 2022. Being affected by various factors such as weak economy, high inflation, and high interest rates, people in Europe and America were more conservative in their consumption intentions. The consumer electronics and smart product markets have not yet recovered significantly after the overexpansion during the epidemic, and product demand was significantly sluggish during the year.

Gross Profit

Gross profit for the year ended 31 December 2023 was approximately HK\$512.8 million, representing a decrease of approximately HK\$28.5 million or 5.3% as compared with the gross profit of approximately HK\$541.3 million in 2022. Gross profit margin rose 2.7 percentage points to 26.4% (2022: 23.7%).

The gross profit margin for the mold fabrication segment rose 10.6 percentage points to 37.0% (2022: 26.4%) as compared to the same period last year, mainly due to the fact that the Group's implementation of Industry 4.0 in recent years has achieved fruitful results, greatly improving production efficiency and market competitiveness.

The gross profit margin for the plastic components manufacturing segment dropped 1.4 percentage points to 21.4% (2022: 22.8%), mainly due to the fact that the Group's plastic injection molding business orders have been dragged down by the shrinking consumer market, coupled with changes in product structure, resulting in a decrease in the gross profit margin for the plastic components manufacturing segment.

Other Income

Other income for the year ended 31 December 2023 was approximately HK\$45.2 million, representing an increase of approximately HK\$0.6 million or 1.4% when compared with that of approximately HK\$44.6 million in 2022.

Other gains – net

Other gains (net) for the year ended 31 December 2023 were approximately HK\$6.2 million, representing a decrease of approximately HK\$3.3 million or 34.6% when compared to the other gains (net) of approximately HK\$9.5 million in 2022. The decrease was mainly the net result of the drop in the net exchange gains by approximately HK\$11.3 million and no impairment loss of goodwill recorded during the year while an impairment loss of goodwill of approximately HK\$6.7 million was recognised in the same period last year.

Selling Expenses

Selling expenses for the year ended 31 December 2023 were approximately HK\$57.4 million (2022: HK\$67.0 million), accounting for approximately 2.9% (2022: 2.9%) of the total revenue of the Group, representing a decrease of approximately HK\$9.6 million or 14.4% as compared with 2022, which was mainly attributable to the decrease in transportation expenses resulting from the decrease in sales and the decrease in unit prices of sea and air transportation.

Administrative Expenses

Administrative expenses for the year ended 31 December 2023 were approximately HK\$275.2 million (2022: HK\$284.0 million), accounting for approximately 14.1% (2022: 12.5%) of the total revenue of the Group, representing a decrease of approximately HK\$8.8 million or 3.1% as compared with 2022, which was mainly attributable to the decrease in advisory service expenses and recruitment fees.

Finance Income – Net

Net finance income for the year ended 31 December 2023 was approximately HK\$10.3 million, representing a decrease of approximately HK\$3.1 million or 22.8% when compared with approximately HK\$13.4 million in 2022, which was mainly due to the increase in interest expenses.

Share of Results of Associates

Share of loss of associates for the year ended 31 December 2023 was approximately HK\$8.0 million (2022: HK\$2.3 million). The increase in share of loss of associates of approximately HK\$5.7 million was mainly due to the recognition of the impairment loss of an associate during the year.

Income Tax Expense

Income tax expense for the year ended 31 December 2023 was approximately HK\$32.8 million (2022: HK\$31.8 million) and the effective tax rate was 13.8% (2022: 12.3%).

Profit for the Year

Profit for the year ended 31 December 2023 was approximately HK\$204.2 million, representing a decrease of approximately HK\$22.7 million or 10.0% when compared with approximately HK\$226.9 million in 2022.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

As at 31 December 2023, the Group had net current assets of approximately HK\$1,193.1 million (31 December 2022: HK\$1,090.9 million). The Group had cash and cash equivalents of approximately HK\$1,158.2 million (31 December 2022: HK\$1,114.5 million). The current ratio of the Group was approximately 276.0% (31 December 2022: 219.1%).

Total equity of the Group as at 31 December 2023 was approximately HK\$1,685.2 million (31 December 2022: HK\$1,605.6 million). The gearing ratio as at 31 December 2023 was approximately 1.5% (31 December 2022: 21.6%). The decrease in the gearing ratio was mainly due to a decrease in bank borrowings.

DEBT MATURITY PROFILE

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

| | 2023 | 2022 |
|-----------------------|----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 1 year | 25,078 | 286,472 |
| Between 1 and 2 years | – | 60,543 |
| | <u>25,078</u> | <u>347,015</u> |

An analysis of the Group's key liquidity ratios as at 31 December 2023 is as follows:

| | 2023 | 2022 |
|--------------------------------|---------------|--------|
| Inventory turnover days | 102 | 98 |
| Trade receivable turnover days | 58 | 54 |
| Trade payable turnover days | 61 | 57 |
| Current ratio | 276.0% | 219.1% |

INVENTORY TURNOVER DAYS

For the year ended 31 December 2023, the Group's inventory turnover days were 102 days, representing an increase of 4 days when compared with that of 2022, which was mainly attributable to the increase in mold orders of the Group with long production cycles.

TRADE RECEIVABLE TURNOVER DAYS

For the year ended 31 December 2023, the Group's trade receivable turnover days were 58 days, representing an increase of 4 days when compared with that of 2022, which was mainly attributable to the increased sales to domestic customers of the Group with credit period ranging from 60 to 90 days.

TRADE PAYABLE TURNOVER DAYS

For the year ended 31 December 2023, the Group's trade payable turnover days were 61 days, representing an increase of 4 days when compared with that of 2022, which was mainly attributable to the extension in credit period granted by certain suppliers to the Group in view of its good reputation.

CURRENT RATIO

As at 31 December 2023, the Group's current ratio was 276.0%, representing an increase of 56.9 percentage points when compared with 219.1% as at 31 December 2022.

ASSETS PLEDGED

As at 31 December 2023, there were no assets pledged by the Group (31 December 2022: bank borrowings amounting to HK\$116,060,000 were secured by the bank deposits of HK\$157,138,000).

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operated in the PRC and was exposed to foreign currency risks arising from various currency exposures, mainly with respect to US dollar, Euro and HK dollar. Exchange rate fluctuations and market trends have always been a main concern of the Group. Foreign currency hedging of the Group has been managed by the Group's financial controller, 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 financial controller would collect and analyze information regarding various hedging instruments and determine hedging ratio, and the Group's chief executive officer 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 RMB, US dollar, Euro and HK dollar. Its operating cash inflows and outflows were primarily denominated in RMB, US dollar, Euro and HK dollar. The Group is closely monitoring the exchange rate movements and regularly reviewing 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, RMB and HK dollar, and the Group's major expenses are principally denominated in RMB. The Group has not entered into any agreement for RMB hedging purpose.

CAPITAL STRUCTURE

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

PLANS FOR MATERIAL CAPITAL INVESTMENTS

The Group will invest in capacity expansion and investment projects to capitalize the potential growth of the Group's business in the coming years in the manner set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company. Future funding source is mainly from internal resources.

STAFF POLICY

As at 31 December 2023, the Group had 3,225 full-time employees (31 December 2022: 3,313) and 128 workers dispatched to us from third party staffing companies (31 December 2022: 321).

The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent directors and employees. The Group believes the remuneration packages are reasonable and competitive and in line with market trends. The Group has put in place a share award scheme for its directors and employees in a bid to provide a competitive remuneration packages 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 employees' productivity.

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

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2023, the Group has made no material acquisitions or disposals of subsidiaries (2022: Nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (2022: Nil).

PROSPECTS

Data such as the U.S. gross domestic product (GDP) in 2023 shows that the U.S. economic momentum is still resilient. Inflation has fallen significantly, coupled with a solid job market and good consumption conditions, supporting the market's confidence in a soft landing of the U.S. economy. European countries have used tax cuts, loans, subsidies and other financial means to support companies and revive their economies. The PRC has also launched a number of revitalization plans to rebuild market confidence and stimulate consumer demand. The destocking of overseas consumer electronics products at the retail level has basically come to an end, and the life cycle of the products purchased by consumers during the epidemic has also concluded. In addition, the rapid development of artificial intelligence (AI) applications has driven the upgrading of consumer electronics products. Consumer electronics industry is expected to usher in a strong recovery. The Group's domestic businesses have also been growing steadily. In recent years, many PRC companies have successfully undergone overseas business expansion with stricter product quality requirements. The demand for high-precision plastic components and molds continues to grow, providing the Group with many opportunities. The Group is co-operating with brand owners in actively preparing to launch new products, and is cautiously optimistic about business development in 2024.

The Group strives for excellence and continues to promote the continuous improvement of plastic injection molding technology. The development of new products integrating silicone and traditional plastic injection molding technology provides more diversified product solutions and enriches the product portfolio. Liquid silicone products have a variety of properties, including the ability to remain flexible at low temperatures and withstand high temperatures for short periods. They have a variety of hardnesses and are suitable for the production of consumer electronics, medical equipment, optical products, sealing parts, leisure equipment and other products and can be used in various harsh scenarios. At the same time, the Group has also introduced the new technology Printing Direct Structure (PDS), a circuit printing technology that can be used in medical equipment, electronic products, sports equipment, clothing and other industries, with a wide range of applications, providing customers with low-cost, high compatibility and environmentally friendly production solutions to support the production requirements of the new generation of consumer products. Coupled with the original mature IML process, multi-color material application technology, high-precision molds with multi-cavity, high-efficiency plastic injection molding and automation technology, the Group is able to provide customers with a variety of high-quality products to help them gain competitive advantages in the consumer market.

Encouraged by policies, innovation and technology have developed rapidly in the PRC. Several industries have successfully cultivated the world's top companies that provide global market popular innovative products. These companies possess an international vision and prioritize quality above all. Leveraging its experience and strength, the Group collaborates with numerous innovative technology leaders in Silicon Valley. In the past few years, it has focused on developing leading customers in the domestic medical technology and innovative technology industries, fully leveraging its advantages in high-precision molds and successfully developing many high-quality domestic customers. Among them, the Group has successfully co-operated with a leading domestic brand of bone conduction headphones and an internationally renowned brand of wearable cameras, and has become their strategic supplier. The Group's silicone accessories enhance the comfort, lightweight design, and hearing protection of bone conduction headphones, making them highly favored in the market.

Being affected by geopolitical risks and trade disputes, global companies have been actively restructuring their supply chains. In line with customer trends, the Group successfully established an overseas production base in Vietnam. The Vietnam factory will focus on serving consumer electronics brand customers, providing customers with supply solutions outside of the PRC, and using this advantage to expand its customer base in Southeast Asia, Europe and America. The Group will gradually expand the production capacity of the Vietnam factory in accordance with market demand. The Group is exploring the layout of another production base in North America and is considering quickly establishing plastic injection molding production capacity through mergers and acquisitions or investments to provide North American customers with products and services with lower tariff costs, and at the same time to support the Group to further develop North American customers. In addition, in response to customer needs, the management is examining various feasibility of extending the product value chain to provide customers with one-stop service and convenience on the one hand, while deeply cultivate industries with advantages, expand business territory, and lay a more solid scale for long-term development.

Looking forward to 2024, uncertainties in economic growth remain. The monetary policies of major central banks in the America and Europe, geopolitical risks such as the Russia-Ukraine war, the Israeli-Palestinian conflict, and the Red Sea turmoil are all variables that affect global recovery. Facing the unpredictable economic situation, the Group will continue to implement its diversification strategy and develop new high-quality businesses. At the same time, it will optimize its internal organizational structure and adopt Industry 4.0 to optimize its production and operation structure to improve operating efficiency, further implement measures for reducing costs and improving efficiency, and persistently create value for customers and shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the purchase of 1,930,000 shares of the Company through its trustee on the open market for the purposes of the share award scheme of the Company, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

CORPORATE GOVERNANCE CODE

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

The Company has applied the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

In the opinion of the directors, the Company had complied with all the code provisions as set out in the CG Code during the year ended 31 December 2023.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed with the management the annual results, the accounting principles and practices adopted by the Group for the year ended 31 December 2023 and discussed the Group's auditing, risk management and internal control and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding directors' dealings in the Company's securities.

Having made specific enquiry to the directors of the Company, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

DIVIDEND

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

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;

- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

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

After considering the above-mentioned factors and taking into account the business, financial and cash flow position of the Group, the Board has recommended the payment of a final dividend of HK7.5 cents per share and a special dividend of HK10.0 cents per share for the year ended 31 December 2023 to the shareholders whose names appear on the register of members of the Company at the close of business on Friday, 7 June 2024, amounting to a total of HK\$62,494,500 and HK\$83,326,000, respectively. Together with the interim dividend of HK2.8 cents per share, the total dividend payout for the year ended 31 December 2023 was HK20.3 cents per share.

The proposed final dividend and special dividend is subject to the approval of the shareholders at the forthcoming AGM. The final dividend and special dividend, if approved, is expected to be paid on Thursday, 20 June 2024.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Friday, 31 May 2024, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2024.

For determining the entitlement to the aforesaid proposed final dividend and special dividend, the register of members of the Company will be closed from Thursday, 6 June 2024 to Friday, 7 June 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend and special dividend, unregistered holders of shares of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong at the above address for registration not later than 4:30 p.m. on Wednesday, 5 June 2024.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Company for the year ended 31 December 2023 is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.tkmold.com.

An annual report for the year ended 31 December 2023, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 22 March 2024

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