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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

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 2024, together with the comparative figures for the corresponding period in 2023.

FINANCIAL HIGHLIGHTS

Six months ended 30 June

2024

2023

Results and financial performances

Results

Revenue (HK\$'000)	1,007,209	855,914
Profit for the period (HK\$'000)	79,742	54,699
Basic earnings per share (HK cents)	9.6	6.6
Proposed interim dividend per share (HK cents)	4.0	2.8

Gross profit margin	24.8%	23.3%
Net profit margin	7.9%	6.4%
Return on equity (<i>Note 1</i>)	5.1%	3.6%
Return on assets (<i>Note 2</i>)	3.2%	2.2%
Inventory turnover days (<i>Note 3</i>)	104	116
Trade receivable turnover days (<i>Note 4</i>)	66	61
Trade payable turnover days (<i>Note 5</i>)	71	70

30 June 31 December

2024

2023

Financial position

Net current assets (HK\$'000)	1,164,345	1,193,086
Current ratio (<i>Note 6</i>)	241.8%	276.0%
Quick ratio (<i>Note 7</i>)	186.1%	222.9%
Gearing ratio (<i>Note 8</i>)	N/A	1.5%

Notes:

- (1) Return on equity ratio is calculated by dividing profit after tax by total equity as at period end 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 end 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 period and multiplied by 180 days.
- (4) Trade receivable turnover days are 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 are 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%. The Group had fully repaid the bank borrowings during the period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	5	1,007,209	855,914
Cost of sales		<u>(757,191)</u>	<u>(656,186)</u>
Gross profit		250,018	199,728
Other income	6	19,518	13,343
Other gains – net	6	5,865	6,348
Selling expenses		(34,310)	(28,130)
Administrative expenses		(135,528)	(125,405)
Net (impairment)/reversal of impairment losses on financial assets		<u>(3,518)</u>	<u>2,093</u>
Operating profit		102,045	67,977
Interest income	7	10,795	11,718
Interest expenses	7	<u>(2,401)</u>	<u>(7,904)</u>
Finance income – net		<u>8,394</u>	<u>3,814</u>
Share of results of associates	10	<u>1,000</u>	<u>(8,663)</u>
Profit before income tax		111,439	63,128
Income tax expense	8	<u>(31,697)</u>	<u>(8,429)</u>
Profit for the period		<u>79,742</u>	<u>54,699</u>
Other comprehensive loss			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation differences		<u>(47,048)</u>	<u>(60,426)</u>
Total comprehensive income/(loss) for the period		<u>32,694</u>	<u>(5,727)</u>
Earnings per share attributable to owners of the Company (expressed in HK cents per share)			
– Basic and diluted	9	<u>9.6</u>	<u>6.6</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
	<i>Note</i>	30 June 2024 (Unaudited) <i>HK\$'000</i>	31 December 2023 (Audited) <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		370,746	411,804
Right-of-use assets		68,557	92,201
Intangible assets		12,146	15,053
Financial assets at fair value through profit or loss		33,621	33,621
Investments in associates	10	18,195	17,195
Deferred tax assets		4,231	5,019
Prepayments for property, plant and equipment		4,940	5,646
Loan to an associate	12(b)	2,915	–
		<u>515,351</u>	<u>580,539</u>
Current assets			
Inventories	11	457,268	360,082
Trade and other receivables	12	467,570	352,814
Cash and cash equivalents		1,060,484	1,158,156
		<u>1,985,322</u>	<u>1,871,052</u>
Total assets		<u>2,500,673</u>	<u>2,451,591</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
	<i>Note</i>	30 June 2024	31 December 2023
		(Unaudited)	(Audited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Share capital	<i>13</i>	83,326	83,326
Share premium	<i>13</i>	251,293	251,293
Shares held for employee share scheme		(13,103)	(17,679)
Other reserves		1,820	52,263
Retained earnings		1,249,895	1,315,974
		<u>1,573,231</u>	<u>1,685,177</u>
Total equity		1,573,231	1,685,177
LIABILITIES			
Non-current liabilities			
Lease liabilities		34,858	28,298
Deferred income		34,201	36,750
Deferred tax liabilities		37,406	23,400
		<u>106,465</u>	<u>88,448</u>
Current liabilities			
Trade and other payables	<i>14</i>	476,814	335,196
Contract liabilities		294,176	228,855
Income tax liabilities		11,576	19,922
Bank borrowings	<i>15</i>	–	25,708
Lease liabilities		38,411	68,285
		<u>820,977</u>	<u>677,966</u>
Total liabilities		927,442	766,414
Total equity and liabilities		2,500,673	2,451,591

NOTES TO THE INTERIM FINANCIAL INFORMATION

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. The 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 2024, the ultimate shareholders of the Group are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu, each holding an effective equity interest of 30.61%, 19.04% and 18.36% 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 dollars (**"HK\$"**), unless otherwise stated.

Interim Financial Information was approved for issue by the Board of Directors of the Company on 26 August 2024.

Interim Financial Information has not been audited, but reviewed by the audit committee of the Company (the **"Audit Committee"**).

2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2024 (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 2023 (**"2023 Financial Statements"**), which have been prepared in accordance with Hong Kong Financial Reporting Standards (**"HKFRS"**).

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new and amended standards as set out below.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. The Directors consider that application of these new standards, amendments and interpretation to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in this Interim Financial Information.

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

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

4. JUDGMENTS AND 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 the 2023 Financial Statements.

5. 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. The Group's operating segments are aggregated into a reportable segment when they have similar economic characteristics associated with the production process, distribution channel and type of customers, and satisfy all conditions and meet all the aggregation criteria in HKFRS 8. Accordingly, the executive directors considered the nature of the Group's business and determined that the Group has two reportable segments: (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.

(a) Information of the reportable segments for the Period is set out as below:

	Six months ended 30 June					
	Mold fabrication		Plastic components manufacturing		Total	
	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
Segment revenue	322,132	291,250	738,297	592,661	1,060,429	883,911
Inter-segment revenue elimination	(53,220)	(27,997)	–	–	(53,220)	(27,997)
Revenue from external customers	<u>268,912</u>	<u>263,253</u>	<u>738,297</u>	<u>592,661</u>	<u>1,007,209</u>	<u>855,914</u>
Segment results	<u>90,055</u>	<u>76,883</u>	<u>159,963</u>	<u>122,845</u>	<u>250,018</u>	<u>199,728</u>

Refer to the interim condensed consolidated statement of comprehensive income for the reconciliation of segment results (i.e. gross profit) to the profit for the Period.

(b) The Group's revenue is generated from contracts with customers and recognised at a point in time.

(c) Over 90% of the non-current assets other than financial instruments, investment in associates and deferred tax assets was located in the PRC.

6. OTHER INCOME AND OTHER GAINS – NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Other income		
Government grants	9,659	8,084
Sales of scrap and surplus materials	4,790	3,638
Storage fees	3,457	–
Others	1,612	1,621
	<u>19,518</u>	<u>13,343</u>
Other gains – net		
Net foreign exchange gains	3,669	4,340
Gains on disposal of property, plant and equipment	2,101	2,256
Others	95	(248)
	<u>5,865</u>	<u>6,348</u>

7. FINANCE INCOME – NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Interest income:		
– Bank deposits	8,467	10,959
– Financial assets at fair value through profit or loss	2,234	714
– Loan to an associate	94	45
	<u>10,795</u>	<u>11,718</u>
Finance income		
	<u>10,795</u>	<u>11,718</u>
Interest expenses:		
– Bank borrowings	(402)	(5,498)
– Lease liabilities	(1,999)	(2,406)
	<u>(2,401)</u>	<u>(7,904)</u>
Finance cost		
	<u>(2,401)</u>	<u>(7,904)</u>
Finance income – net		
	<u>8,394</u>	<u>3,814</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	3,743	3,339
– PRC corporate income tax	<u>12,655</u>	<u>10,038</u>
	<u>16,398</u>	<u>13,377</u>
Deferred income tax		
– Hong Kong profits tax	840	659
– PRC corporate income tax	(3,024)	(5,607)
– Withholding income tax	<u>17,483</u>	<u>–</u>
	<u>15,299</u>	<u>(4,948)</u>
Income tax expense	<u>31,697</u>	<u>8,429</u>

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 for the Period.

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%. 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.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
Profit for the period (HK\$'000)	79,742	54,699
Weighted average number of ordinary shares issued (thousands)	<u>827,529</u>	<u>827,964</u>
Basic earnings per share (HK cents)	<u>9.6</u>	<u>6.6</u>

Diluted earnings per share approximates basic earnings per share for the period ended 30 June 2024 and 2023 as the impact of dilutive potential shares is immaterial.

10. INVESTMENTS IN ASSOCIATES

As at 30 June 2024, the Group had 43.01% and 32% equity interests in Motlles i Matrius Fisas Navarro, S.L. (“**Motlles**”) and Shenzhen Sunmerry Technology Co., Ltd. (“**Shenzhen Sunmerry**”) respectively. The principal activities of Motlles and Shenzhen Sunmerry are provision of mold modification services in Europe and the manufacturing and sales of e-cigarettes in China, respectively.

The carrying amount of equity-accounted investments has changed as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
At the beginning of the period	17,195	25,368
Share of results		
– Share of operating profit	1,000	307
– Impairment loss	–	(8,970)
Currency translation differences	<u>–</u>	<u>(140)</u>
At the end of the period	<u>18,195</u>	<u>16,565</u>

The associates are private entities and no quoted prices are available.

11. INVENTORIES

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Raw materials		
– At cost	33,794	20,896
– At net realisable value	1,004	592
Work in progress		
– At cost	325,338	256,833
– At net realisable value	17,700	16,349
Finished goods		
– At cost	78,311	65,397
– At net realisable value	1,121	15
	<u>457,268</u>	<u>360,082</u>

The movements of allowance for write-down are analysed as follows:

	Six months ended 30 June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At the beginning of the period	30,855	19,154
Currency translation difference	(521)	(882)
(Reversal of allowance)/allowance for write-down, net	<u>(2,619)</u>	<u>15</u>
At the end of the period	<u>27,715</u>	<u>18,287</u>

12. TRADE AND OTHER RECEIVABLES

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Trade receivables (a)	423,304	320,225
Less: allowance for impairment	<u>(7,710)</u>	<u>(4,289)</u>
Trade receivables, net	415,594	315,936
Prepayments and deposits	30,001	15,994
Value-added tax recoverable	11,188	12,422
Advances to employees	4,458	3,643
Loan to an associate (b)	1,091	–
Export tax refund receivables	2,866	3,199
Others	2,372	1,620
	<u>467,570</u>	<u>352,814</u>

(a) Trade receivables

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 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Less than 3 months	390,278	267,075
More than 3 months but not exceeding 1 year	32,083	52,327
More than 1 year	943	823
	423,304	320,225

(b) Loan to an associate

	Six months ended 30 June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Beginning of the period	–	2,297
Additions	4,325	–
Repayment	(255)	–
Interest charged	94	45
Allowance for impairment	–	(2,306)
Currency translation differences	(158)	(36)
	4,006	–
	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Loan to an associate:		
– Non-current	2,915	–
– Current	1,091	–
	4,006	–

During the Period, the Group provided a loan to an associate amounting to HK\$4,325,000 (EUR 500,000). The total loan to an associate is unsecured, subject to interest rate of 5% per annum and repayable in 5 years.

13. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares <i>thousands</i>	Nominal value <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
Authorised				
As at 1 January 2024, 30 June 2024, 1 January 2023 and 30 June 2023	<u>2,000,000</u>	<u>200,000</u>		
Issued and fully paid				
As at 1 January 2024, 30 June 2024, 1 January 2023 and 30 June 2023	<u>833,260</u>	<u>83,326</u>	<u>251,293</u>	<u>334,619</u>

14. TRADE AND OTHER PAYABLES

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Trade payables (a)	371,783	227,712
Wages and staff welfare benefits payable	79,464	88,257
Accrual for expenses and other payables	13,518	10,084
Other taxes payable	12,049	9,143
	<u>476,814</u>	<u>335,196</u>

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

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Within 90 days	308,559	177,935
91 – 120 days	46,105	31,423
121 – 365 days	8,532	10,577
Over 365 days	8,587	7,777
	<u>371,783</u>	<u>227,712</u>

15. BORROWINGS

Bank borrowings were fully repaid during the Period.

(a) Movements in borrowings are as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Opening balance as at 1 January	25,708	347,015
Proceeds from borrowings	–	65,000
Repayments of borrowings	(25,700)	(240,308)
Currency translation differences	(8)	1,484
	<u> </u>	<u> </u>
Closing balance as at 30 June	<u> </u>	<u>173,191</u>

16. DIVIDENDS

On 26 August 2024, the board of directors resolved to declare an interim dividend of HK4.0 cents per share (2023 interim: HK2.8 cents per share). This interim dividend, amounting to HK\$33,330,400 (2023 interim: HK\$23,331,280), has not been recognised as a liability in this Interim Financial Information.

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 ordinary share, respectively, amounting to a total of HK\$62,494,500 and HK\$83,326,000, respectively were paid on 20 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2024, the global economy gradually improved, with the United States (“U.S.”) and European economics showing signs of recovery, while China achieved a positive growth for eight consecutive quarters. The inflationary pressure in major western countries has eased, consumer sentiment continues to rebound, the process of destocking for brand owners has basically completed, and orders from consumer electronics customers have surged with the cyclical upturn in the consumer electronics industry. In addition, the supply side showed signs of survival of the strong and disappearance of the weak after a round of industry consolidation, which empowered strong enterprises to seize a larger share of supply. During the first half of 2024, the revenue of the Group was HK\$1,007.2 million (the first half of 2023: HK\$855.9 million), representing an increase of 17.7% as compared to the same period last year. The mold fabrication business has witnessed a steady growth, while the plastic components manufacturing business saw a strong rebound. Of the downstream industries, mobile phones and wearable devices as well as the commercial telecommunications equipment segments had outstanding performance.

Revenue Analyzed by Downstream Industries

Industry	Six months ended 30 June				Change	
	2024		2023		HK\$ million	
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Mobile phones and wearable devices	326.2	32.4	215.7	25.2	110.5	51.2
Automobiles	143.7	14.3	162.2	19.0	-18.5	-11.4
Medical and personal health care	142.5	14.1	155.7	18.2	-13.2	-8.5
Smart home	99.9	9.9	92.4	10.8	7.5	8.1
Electronic atomizers	95.5	9.5	102.8	12.0	-7.3	-7.1
Commercial telecommunications equipment	90.0	8.9	62.4	7.3	27.6	44.2
Others	109.4	10.9	64.7	7.5	44.7	69.1
	1,007.2	100.0	855.9	100.0	151.3	17.7

During the first half of 2024, the capacity utilization rate significantly improved as compared to the same period last year due to sufficient orders, and the gross profit of the Group has increased by 25.2% to HK\$250.0 million (the first half of 2023: HK\$199.7 million) while the gross profit margin increased by 1.5 percentage points to 24.8% (the first half of 2023: 23.3%) as the Group continued to impose comprehensive optimization and improvement on production process and implement measures for reducing costs and improving efficiency. As new projects progress through the initial investment period, production efficiency will be further enhanced and performance of gross profit margin is expected to continue to improve in the second half of the year.

During the first half of 2024, the Group has imposed prudent control on administrative expenses, and the proportion of administrative expenses to total revenue decreased to 13.5% (the first half of 2023: 14.7%). Meanwhile, the Group repaid its bank loans in full and carries out adequate and sound financial management, with net financial income increased by 120.1% to HK\$8.4 million (the first half of 2023: HK\$3.8 million). Profit for the first half of 2024 increased significantly by 45.8% over the same period last year to HK\$79.7 million (the first half of 2023: HK\$54.7 million). Net profit margin has increased by 1.5 percentage points to 7.9% (the first half of 2023: 6.4%) and earnings per share was HK9.6 cents (the first half of 2023: HK6.6 cents), representing an increase of 45.5% as compared to the same period last year.

The Red Sea Crisis has clogged global logistics and stirred up challenges for detention of goods, but it did not have any direct impact on the Group. During the first half of 2024, inventory turnover days decreased by 12 days to 104 days and trade receivable turnover days increased by 5 days to 66 days. In order to cope with uncertainties arising from economic and geo-political situation, the Group has imposed prudent strategy on its capital management and maintained its net cash on a high level of HK\$1,060.5 million (30 June 2023: HK\$ 935.7 million), representing an increase of 13.3% as compared to the same period last year. With a sound cash flow, the Group is capable of facing various challenges with flexibility in the market environment. As at 30 June 2024, the Group had sales orders on hand of HK\$1,066.6 million, representing an increase of 24.3% as compared to HK\$858.1 million as at 30 June 2023, which reflected a positive business outlook.

Business Segment Analysis

Mold Fabrication Business

During the first half of 2024, the revenue from external customers of the mold fabrication business amounted to approximately HK\$268.9 million, representing an increase of approximately 2.1% as compared with approximately HK\$263.2 million in the same period last year, and accounting for approximately 26.7% 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 mobile phones and wearable devices, smart home. 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 its downstream plastic components manufacturing business to provide premium one-stop services for the customers.

The automobile industry has continued to recover. According to the data released by the European Automobile Manufacturers' Association, new car sales in European Union in June 2024 has increased by 4.3%, reaching another peak since July 2019. In addition, high-end consumer electronics, being represented by mobile phones and wearables as well as smart home, and personal health care industry rebounded, and brands redeployed new product launches and replenished inventory. The demand for molds of the Group has maintained a steady growth since its recovery in late 2023. Segment revenue growth will be gradual because of a long production cycle of molds. The Group's implementation of Industry 4.0 in recent years has achieved fruitful results, greatly improving production efficiency and market competitiveness. During the first half of 2024, the gross profit margin of the mold fabrication business segment increased by 4.3 percentage points to 33.5% (the first half of 2023: 29.2%).

In the face of the increasingly severe market competition, the Group has focused on the development of high-precision molds with multi-cavity and high 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. In response to the internal circular economy strategy proposed by the government, the Group focuses on developing domestic brand customers with international stronghold. The excellent quality and technology of the Group's molds have won a good market reputation and recognition. In the future, 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

In the first half of 2024, revenue of the plastic components manufacturing business segment amounted to approximately HK\$738.3 million (the first half of 2023: HK\$592.7 million), representing an increase of 24.6% as compared to the same period last year, and accounting for approximately 73.3% of the Group's total revenue.

Revenue from the mobile phones and wearable devices segment increased significantly by 51.2% as compared to the same period last year. This was attributable to the launch of new series of products by certain wireless headsets brand customers and smart bracelets brand customers as well as the replenishment of inventories in the market, which resulted in a significant increase in the number of orders received by the Group. In particular, certain new models of headsets and plug-in earphones have entered mass production with a considerable number of orders, and some of these customers have even entered the list of top ten customers of the Group for the first time, and the growth momentum is expected to continue.

Revenue from the commercial telecommunications equipment segment increased significantly by 44.2% as compared to the same period last year. In view of the fact that the brand customer had completed its product recalls last year, it resumed launching new products during the first half of 2024 with a positive market response. Benefiting from the long-term and stable relationship with its commercial telecommunications equipment brand customer, the Group remains as a major supplier to its customers with a stable outlook. The smart home segment also rose by 8.1% as compared to the same period last year, with demand remaining steady.

During the first half of 2024, revenue from the personal health care brand customer resumed growth and increased by 18.2% as compared to the same period last year. Revenue from the medical consumables brand customer for in-vitro diagnostics, blood glucose monitoring and hemodialysis increased significantly by 38.6% as compared to the same period last year. However, some of the medical consumables customers with smaller volumes experienced greater fluctuations in their orders, which led to an overall decrease in the revenue of the medical and personal health care segment by 8.5% as compared to the same period last year. The Group remains optimistic about the development of the medical and health care industry in the long run and will continue to explore well-known medical brand customers in both domestic and overseas markets. Although revenue from the electronic atomizers segment decreased by 7.1% as compared to the same period last year, it is expected to increase steadily based on customers' full year order demand.

In the first half of 2024, the Group's plastic injection molding business had a good order book and improved capacity utilization rate, which offset some of the pre-development investment in new products, and the gross profit margin of the plastic components manufacturing business increased by 1.0 percentage point to 21.7% (the first half of 2023: 20.7%). The Group expects global inflation to continue to improve and consumer sentiment is expected to pick up more significantly in the second half of the year. Coupled with more aggressive order demand from customers and a certain number of new projects entering the mass production stage, the gross profit margin is expected to continue to improve.

FINANCIAL REVIEW

Revenue

Revenue for the first half of 2024 was approximately HK\$1,007.2 million, representing an increase of approximately HK\$151.3 million or 17.7% when compared to that of approximately HK\$855.9 million in the same period of 2023. The mold fabrication business has witnessed a steady growth, while the plastic components manufacturing business saw a strong rebound. Of the downstream industries, mobile phones and wearable devices as well as the commercial telecommunications equipment segments had outstanding performance.

Gross Profit

Gross profit for the first half of 2024 was approximately HK\$250.0 million, representing an increase of approximately HK\$50.3 million or 25.2% when compared to that of HK\$199.7 million in the same period of 2023. Gross profit margin was approximately 24.8%, representing an increase of 1.5 percentage points from 23.3% in the same period of last year, which was mainly attributable to sufficient orders during the first half of 2024, the improvement in production efficiency when compared to the same period of last year, and the continuous and comprehensive improvement of production process by the Group through the implementation of cost reduction and efficiency improvement measures.

The gross profit margin for the mold fabrication segment in the first half of 2024 was 33.5%, representing an increase of 4.3 percentage points from 29.2% in the same period of 2023, which was mainly attributable 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 in the first half of 2024 was 21.7%, representing an increase of 1.0 percentage point from 20.7% in the same period of 2023, which was mainly due to the fact that the orders of the Group's plastic components manufacturing in the first half of 2024 were full, improving production efficiency and offsetting the preliminary development cost of certain new products.

Other Income

Other income for the first half of 2024 was approximately HK\$19.5 million, representing an increase of approximately HK\$6.2 million or 46.3% when compared to that of approximately HK\$13.3 million in the same period of 2023, which was mainly due to the increase of storage fees received from customers of the Group during the Period.

Other Gains – Net

Other gains (net) for the first half of 2024 were approximately HK\$5.9 million, representing a decrease of approximately HK\$0.4 million or 7.6% when compared to that of approximately HK\$6.3 million in the same period of 2023.

Selling Expenses

Selling expenses for the first half of 2024 were approximately HK\$34.3 million (the first half of 2023: HK\$28.1 million), representing 3.4% of the total revenue (the first half of 2023: 3.3%). Selling expenses has increased HK\$6.2 million or 22.0% when compared to the same period of 2023, which was mainly due to the increase of cost of transportation.

Administrative Expenses

Administrative expenses for the first half of 2024 were approximately HK\$135.5 million (the first half of 2023: HK\$125.4 million), representing 13.5% of the total revenue (the first half of 2023: 14.7%). Administrative expenses has increased HK\$10.1 million or 8.1% when compared to the same period of 2023, which was mainly due to the increase of employee expenses.

Finance Income – Net

Net finance income for the first half of 2024 was approximately HK\$8.4 million, representing an increase of approximately HK\$4.6 million or 120.1% from approximately HK\$3.8 million in the same period of 2023, which was mainly due to the fall of interest expenses as a result of full repayment of bank borrowings during the first half of 2024.

Share of Results of Associates

Share of profit of associates for the first half of 2024 was approximately HK\$1.0 million, and share of loss of associates for the same period of 2023 was approximately HK\$8.7 million. Such loss was mainly due to the recognition of an impairment loss regarding an associate of approximately HK\$9.0 million during the first half of 2023.

Income Tax Expense

Income tax expense for the first half of 2024 was approximately HK\$31.7 million (the first half of 2023: HK\$8.4 million), and the effective tax rate was 28.4% (the first half of 2023: 13.4%). Effective tax rate increased by 15.0 percentage points as compared with the corresponding period in 2023, which was mainly due to the provision of withholding income tax of approximately HK\$17.5 million during the first half of 2024.

Profit for the Period

Profit for the period for the first half of 2024 was approximately HK\$79.7 million, representing an increase of approximately HK\$25.0 million or 45.8% when compared to that of HK\$54.7 million in the same period of 2023.

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. During the year ended 31 December 2023, 44% of revenue was accumulated in the first half of the year, with 56% of revenue accumulated in the second half of the year.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

As at 30 June 2024, the Group had net current assets of approximately HK\$1,164.3 million (31 December 2023: HK\$1,193.1 million). The Group had cash and cash equivalents of approximately HK\$1,060.5 million (31 December 2023: HK\$1,158.2 million). The current ratio of the Group was approximately 241.8% (31 December 2023: 276.0%).

Total equity of the Group as at 30 June 2024 was approximately HK\$1,573.2 million (31 December 2023: HK\$1,685.2 million). The gearing ratio as at 30 June 2024 was not applicable (31 December 2023: 1.5%), mainly due to the bank borrowings being fully repaid during the Period.

DEBT MATURITY PROFILE

Bank borrowings were fully repaid during the six months ended 30 June 2024.

LIQUIDITY RATIOS

An analysis of the Group's key liquidity ratios as at 30 June 2024 is as follows:

	Six months ended 30 June	
	2024	2023
Inventory turnover days	104	116
Trade receivable turnover days	66	61
Trade payable turnover days	71	70
	30 June	31 December
	2024	2023
Current ratio	241.8%	276.0%

Inventory Turnover Days

During the six months ended 30 June 2024, the Group's inventory turnover days were 104 days, representing a decrease of 12 days compared to the same period in last year, which was mainly attributable to the significant increase in the plastic components manufacturing business with a shorter production cycle.

Trade Receivable Turnover Days

During the six months ended 30 June 2024, the Group's trade receivable turnover days were 66 days, representing an increase of 5 days compared to the same period in last year, which was mainly attributable to the increased sales to customers of the Group with credit period ranging from 60 to 90 days.

Trade Payable Turnover Days

During the six months ended 30 June 2024, the Group's trade payable turnover days were 71 days, representing an increase of 1 day compared to the same period in last year.

Current Ratio

As at 30 June 2024, the Group's current ratio was 241.8%, representing a decrease of 34.2 percentage points as compared with the current ratio of 276.0% as at 31 December 2023.

ASSETS PLEDGED

As at 30 June 2024, there were no assets pledged by the Group (31 December 2023: Nil).

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operates in the PRC and RMB and HK dollar are the functional currencies of principal subsidiaries of the Group. The Group is exposed to foreign currency risks arising from various currency exposures, mainly with respect to US dollar, Euro and RMB. 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 six months ended 30 June 2024, 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 30 June 2024, the Group had 3,515 full-time employees (31 December 2023: 3,225) and 257 workers dispatched to us from third-party staffing companies (31 December 2023: 128).

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 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 individual performance.

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2024, the Group has made no material acquisitions or disposals of subsidiaries (the first half of 2023: Nil).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

PROSPECTS

Looking ahead to the second half of 2024, global economic activities are stabilizing. According to the Global Economic Prospects Report released by the World Bank in early June 2024, the global Gross Domestic Product (GDP) growth rate for 2024 is expected to be revised upwards to 2.6%, reflecting that the global economy is in a steady state of growth. In particular, the World Bank's growth rate estimate for the United States was revised upwards by the largest margin, to 2.5% from the 1.6% forecast in January this year. This reflects the resilience of the U.S. economy in a high interest rate environment. The U.S. Consumer Price Index (CPI) also showed that inflation in the U.S. had cooled for the third consecutive month, with the U.S. Federal Reserve widely expected to cut interest rates, boosting consumer sentiment. Benefiting from rising exports and increased consumer spending, the European economy is gradually recovering. According to the European Commission's forecast, inflation in the Eurozone is expected to cool down sooner than previously expected, and the European Central Bank already initiated its first interest rate cut since 2019 in early June. In anticipation of the interest rate cut, the consumer electronics industry has seen a significant rebound since the beginning of this year. With the inventory level of the industry chain remaining healthy and AI technology empowering consumers to replace their products, the second half of the year will see the traditional peak season of consumption, and the end demand for consumer electronics products is expected to rebound significantly. Brand owners are actively preparing for the launch of new products, and the production capacity of the Group's mold and plastic injection molding business could be able to remain at full capacity in the third quarter. The management is cautiously optimistic about the business development.

With the clear trend of consumer electronics recovery, brand owners are placing more emphasis on product innovation and specification upgrades to drive market demand. The Group is committed to technological advancement and innovation and has continued to upgrade its plastic injection molding technology, with differentiated product solutions that incorporate silicone and traditional plastic injection molding technology, as well as Printing Direct Structure (PDS) technology, to provide domestic and overseas brand customers with a wider range of high-end enclosure products and to lead the consumer trend. The Group is particularly optimistic about the leading brands in innovative consumer electronics, medical and other fields in China, and hopes to leverage its years of experience and strength in serving leading technology leaders in the world to help its domestic customers tap into the international market.

The popularity of AI technology has brought new opportunities to the consumer electronics industry. Currently, AI technology is accelerating into the application era, and consumer electronics terminals such as mobile phones, Augmented Reality (AR) glasses, Artificial Intelligence Personal Computer (AIPC), and smart home will be the key areas for the implementation of AI technology, and brands are expected to launch a wave of new products. With the gradual improvement of the relevant technologies, application scenarios, ecological domains and industry chains, the overall market demand for consumer products is expected to expand gradually, and the Group is deepening its strategic cooperation with major consumer electronics brands.

Driven by diversification of geopolitical risks, global enterprises have been adjusting their supply chains. In response to the trend of customers' industrial restructuring, the Group has successfully established an offshore production base in Vietnam, and the production layout of "China + Vietnam" has helped the Group to adapt to the volatile political environment, thereby enhancing its risk management capability. The Vietnam plant focuses on serving consumer electronics brand customers by providing them with supply solutions outside the PRC, which puts the Group in a favorable position to explore markets in Southeast Asia, Europe and the U.S. and further enhances the Group's competitiveness. In addition, to resolve its production bottlenecks in the PRC, the Group not only flexibly allocates orders to the Vietnam plant for production, but also utilizes the productivity of its strategic partners in the PRC to enhance productivity in a timely and effective manner, ensuring operational flexibility to capture business opportunities.

In the face of uncertainties in the global political environment and trade policies, the business environment remains challenging. The Group is determined to strengthen its soft power to cope with the ever-changing macro situation. The Group has always advocated continuous industrial upgrading. This year, in response to the country's new quality productivity strategy, the Group has made use of technologies such as data platforms and AI to further enhance process control, ensure that the production process can be leaner and more efficient, and safeguard the stability of high-precision production. The Group has also stepped up its efforts to optimize the process by adopting technologies such as Industry 4.0, to enhance production efficiency and continue to push forward with cost reductions and efficiency gains. Under the high interest rate environment, the Group continues to ensure sufficient cash flow and exercise prudent financial management to add values to its cash assets. In the face of an economic cycle with both opportunities and challenges, the Group will seek to achieve long-term stable growth and development by expanding the scale of its business and expanding into new market areas based on the solid foundation of its advantaged businesses.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES 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 six months ended 30 June 2024.

EVENTS AFTER THE PERIOD

No major subsequent events affecting the Group have occurred since 30 June 2024 and up to the date of this announcement.

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 six months ended 30 June 2024.

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 Ms. Christine Wan Chong Leung.

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 2024.

DIVIDEND

On Monday, 26 August 2024, the Board resolved to declare an interim dividend of HK4.0 cents per share for the six months ended 30 June 2024, amounting to a total of HK\$33,330,400. The interim dividend is expected to be paid on Thursday, 26 September 2024 to all shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 11 September 2024.

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 Tuesday 10 September 2024 to Wednesday, 11 September 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 9 September 2024.

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, 26 August 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.