

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



TK Group (Holdings) Limited

東江集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2283)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021, together with the comparative figures for the corresponding period in 2020.

REVIEW OF INTERIM FINANCIAL INFORMATION

The independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information of the Company for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

FINANCIAL HIGHLIGHTS

Six months ended 30 June

2021 2020

Results and financial performances

Results

Revenue (HK dollar '000)	1,020,829	729,393
Profit attributable to owners of the Company (HK dollar '000)	115,191	41,357
Basic earnings per share (HK cents)	13.9	5.0
Proposed interim dividend per share (HK cents)	5.4	2.0
Gross profit margin	23.7%	22.3%
Net profit margin	11.3%	5.7%
Return on equity (<i>Note 1</i>)	7.9%	3.7%
Return on assets (<i>Note 2</i>)	4.4%	1.8%
Inventory turnover days (<i>Note 3</i>)	119	137
Trade receivable turnover days (<i>Note 4</i>)	56	64
Trade payable turnover days (<i>Note 5</i>)	76	81

30 June 31 December
2021 2020

Financial position

Net current assets (HK dollar '000)	973,517	835,259
Current ratio (<i>Note 6</i>)	204.6%	182.5%
Quick ratio (<i>Note 7</i>)	145.4%	138.3%
Gearing ratio (<i>Note 8</i>)	20.1%	20.2%
Net gearing ratio (<i>Note 9</i>)	0%	0%

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%.
- (9) Net gearing ratio is calculated by dividing net borrowings (total borrowings net-off cash and pledged bank deposits) by total equity and multiplying the resulting value by 100%. Net gearing ratio was zero as net cash of the Company as at 30 June 2021 and 31 December 2020 was HK\$662,279,000 and HK\$786,885,000 respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Revenue	5	1,020,829	729,393
Cost of sales	7	(778,538)	(566,914)
Gross profit		242,291	162,479
Other income	6	27,208	19,704
Other gains - net	6	11,373	7,052
Selling expenses	7	(39,214)	(32,168)
Administrative expenses	7	(123,573)	(110,416)
Operating profit		118,085	46,651
Interest income	8	12,941	6,792
Interest expenses	8	(3,542)	(5,800)
Finance income – net		9,399	992
Share of profit/(loss) of an associate	12	1,950	(671)
Profit before income tax		129,434	46,972
Income tax expense	9	(14,243)	(5,615)
Profit for the period		115,191	41,357
Other comprehensive income			
<i>Item that may be reclassified to profit and loss:</i>			
Currency translation differences		22,044	(24,521)
Total comprehensive income for the period		137,235	16,836
Earnings per share attributable to owners of the Company (expressed in HK cents per share)			
– Basic and diluted	10	13.9	5.0

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
	<i>Note</i>	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	536,280	556,903
Right-of-use assets	<i>11</i>	57,027	83,438
Intangible assets	<i>11</i>	32,171	24,141
Deferred income tax assets	<i>19</i>	6,079	–
Financial assets at fair value through profit or loss		33,621	33,621
Investment in an associate	<i>12</i>	17,719	16,176
Prepayments for property, plant and equipment		19,042	10,083
		701,939	724,362
Current assets			
Inventories	<i>13</i>	550,522	447,095
Amount due from a related company		10,913	10,898
Trade and other receivables	<i>14</i>	385,651	320,836
Deposits for bank borrowings	<i>17(a)</i>	93,750	148,231
Restricted cash		301	443
Cash and cash equivalents		863,450	920,446
		1,904,587	1,847,949
Total assets		2,606,526	2,572,311

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
	<i>Note</i>	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	83,326	83,326
Share premium	15	251,293	251,293
Shares held for employee share scheme		(10,416)	(10,416)
Other reserves		149,107	126,026
Retained earnings		<u>992,856</u>	<u>944,326</u>
Total equity		<u>1,466,166</u>	<u>1,394,555</u>
Liabilities			
Non-current liabilities			
Bank borrowings	17	106,498	58,435
Lease liabilities		22,703	19,536
Deferred income on government grants	18	42,430	46,421
Deferred income tax liabilities	19	<u>37,659</u>	<u>40,674</u>
		<u>209,290</u>	<u>165,066</u>
Current liabilities			
Trade and other payables	16	416,656	456,370
Contract liabilities		269,899	245,955
Income tax liabilities		12,900	7,471
Bank borrowings	17	188,724	223,800
Lease liabilities		<u>42,891</u>	<u>79,094</u>
		<u>931,070</u>	<u>1,012,690</u>
Total liabilities		<u>1,140,360</u>	<u>1,177,756</u>
Total equity and liabilities		<u>2,606,526</u>	<u>2,572,311</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Cash flows from operating activities			
Cash generated from operations		40,420	184,189
Interest received		3,243	2,008
Income tax paid		(18,745)	(11,519)
Net cash generated from operating activities		24,918	174,678
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(54,192)	(44,177)
Payment for business combination		(11,862)	–
Proceeds from disposal of property, plant and equipment		1,816	921
Dividends from an associate	12	407	–
Additions of financial assets at fair value through profit or loss		(678,257)	(541,128)
Proceeds from disposal of financial assets at fair value through profit or loss		688,269	546,180
Net cash used in investing activities		(53,819)	(38,204)
Cash flows from financing activities			
Proceeds from bank borrowings	17	187,670	101,270
Repayments of bank borrowings	17	(171,866)	(31,523)
Decrease in deposits for bank borrowings		54,481	519
Interest paid		(3,542)	(5,800)
Principal elements of lease payments		(28,486)	(23,505)
Acquisition of shares under employee share scheme		–	(4,899)
Dividends paid	20	(66,661)	(74,993)
Net cash used in financing activities		(28,404)	(38,931)
Net (decrease)/increase in cash and cash equivalents		(57,305)	97,543
Cash and cash equivalents at beginning of the period		920,446	582,878
Exchange gains/(losses) on cash and cash equivalents		309	(1,969)
Cash and cash equivalents at end of the period		863,450	678,452

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 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 2021, 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 29.69%, 18.47% and 17.81% in the Company, respectively.

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

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

Interim financial information was approved for issue on 16 August 2021.

Interim financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2021 (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 2020 ("**2020 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

The following amended standard became applicable for the current reporting period and was adopted by the Group.

- Interest Rate Benchmark Reform — Phase 2 – Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting above amended standard. The above-mentioned standard does not have significant effect on the Group's financial statements.

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 30 June 2021 reporting 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. 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 2020 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 has 21 operating segments, out of which 10 operating segments relating to the mold business are aggregated into 'mold fabrication' operating segment as they have similar economic characteristics and satisfy all conditions and meet all the aggregation criteria in HKFRS 8; the remaining 11 operating segments relating to the plastic business are aggregated into 'plastic components manufacturing' operating segment as they have similar economic characteristics and satisfy all conditions and meet all the aggregation criteria in HKFRS 8. Accordingly, the executive directors consider the nature of the Group's business and determine that the Group has two reportable segments as follows: (i) mold fabrication and (ii) plastic components manufacturing.

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

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

Segment information for consolidated statement of comprehensive income

	Six months ended 30 June					
	Mold fabrication		Plastic components manufacturing		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
Segment revenue	421,602	296,979	655,281	457,821	1,076,883	754,800
Inter-segment revenue elimination	(56,054)	(25,407)	–	–	(56,054)	(25,407)
Revenue from external customers	<u>365,548</u>	<u>271,572</u>	<u>655,281</u>	<u>457,821</u>	<u>1,020,829</u>	<u>729,393</u>
Timing of revenue recognition						
At a point in time	<u>365,548</u>	<u>271,572</u>	<u>655,281</u>	<u>457,821</u>	<u>1,020,829</u>	<u>729,393</u>
Segment results	108,152	75,763	134,139	86,716	242,291	162,479
Other income					27,208	19,704
Other gains – net					11,373	7,052
Selling expenses					(39,214)	(32,168)
Administration expenses					(123,573)	(110,416)
Finance income – net					9,399	992
Share of profit/(loss) of an associate					1,950	(671)
Profit before income tax					<u>129,434</u>	<u>46,972</u>

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
PRC	634,389	663,357
Germany	<u>10,131</u>	<u>11,208</u>
	<u>644,520</u>	<u>674,565</u>

6. OTHER INCOME AND OTHER GAINS – NET

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Government grants	11,581	13,016
Sales of scrap and surplus materials	13,797	5,247
Others	1,830	1,441
	<u>27,208</u>	<u>19,704</u>
Other gains - net		
Rent concessions	9,152	5,327
Lease modification	1,429	–
Gains on disposal of property, plant and equipment	1,360	463
Net foreign exchange (losses)/gains	(568)	1,262
	<u>11,373</u>	<u>7,052</u>

7. EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in inventories of finished goods and work in progress	(76,622)	(49,118)
Raw materials and consumables used	405,956	267,979
Employee benefit expenses	292,753	233,565
Subcontracting expenses	101,253	71,862
Depreciation of property, plant and equipment and amortisation of intangible assets (<i>Note 11</i>)	76,175	71,048
Depreciation of right-of-use assets (<i>Note 11</i>)	33,442	32,552
Transportation and travelling expenses	31,856	23,564
Water and electricity expenditures	25,708	19,979
Maintenance expenses	8,220	3,858
Allowance for impairment of inventories	6,183	6,350
Other taxes and levies	5,530	5,623
Security and estate management expenses	3,550	3,560
Advisory and legal service expenses	3,154	3,511
Utilities and postage fees	2,878	1,662
Allowance/(reversal of allowance) for impairment of receivables	2,715	(1,501)
Commission expenses	2,622	1,894
Operating lease payments	4,277	1,148
Advertising and promotion fees	2,603	927
Auditors' remuneration	1,751	1,821
Customs declaration charge	1,081	763
Other expenses	6,240	8,451
	<u>941,325</u>	<u>709,498</u>

8. FINANCE INCOME – NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest income		
– Interest income on bank deposits	2,929	1,740
– Interest income from financial assets at fair value through profit or loss	10,012	5,052
	<u>12,941</u>	<u>6,792</u>
Interest expenses		
– Bank borrowings	(1,564)	(2,505)
– Lease liabilities	(1,978)	(3,295)
	<u>(3,542)</u>	<u>(5,800)</u>
Finance income – net	<u>9,399</u>	<u>992</u>

9. INCOME TAX EXPENSE

Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, 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.

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

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

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

The immediate holding companies of certain PRC subsidiaries have obtained Hong Kong tax resident status certificate, and therefore a lower 5% withholding income tax rate is applied.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	18,580	4,748
– PRC corporate income tax	5,594	3,274
Deferred income tax	(9,931)	(2,407)
	14,243	5,615

10. 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	
	2021	2020
Profit attributable to owners of the Company (HK\$'000)	115,191	41,357
Weighted average number of ordinary shares issued (thousands)	830,328	831,227
Basic earnings per share (HK cents)	13.9	5.0

Diluted earnings per share approximates basic earnings per share during the period ended 30 June 2021 and 2020.

11. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Intangible assets <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>	Right-of-use assets <i>HK\$'000</i>
Net book amount as at 1 January 2021	24,141	556,903	83,438
Additions	11,490	45,605	6,835
Lease modification	–	–	(804)
Disposals	–	(456)	–
Currency translation differences	263	6,680	1,000
Amortisation/depreciation	(3,723)	(72,452)	(33,442)
Net book amount as at 30 June 2021	32,171	536,280	57,027
Net book amount as at 1 January 2020	13,831	592,278	142,530
Additions	12,421	39,620	1,635
Disposals	(17)	(441)	–
Currency translation differences	(228)	(10,493)	(2,606)
Amortisation/depreciation	(3,035)	(68,013)	(32,552)
Net book amount as at 30 June 2020	22,972	552,951	109,007

12. INVESTMENT IN AN ASSOCIATE

The Group has 43.01% equity interest in Motlles i Matrius Fisas Navarro, S.L. which is a private company incorporated and operating in Spain. Its principal activities are the provision of mold modification services in Europe.

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the period	16,176	15,526
Profit/(loss) for the period	1,950	(671)
Dividends paid	(407)	–
At the end of the period	17,719	14,855

13. INVENTORIES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Raw materials	64,871	31,672
Work in progress	372,782	357,524
Finished goods	133,707	72,343
	571,360	461,539
Less: allowance for impairment	(20,838)	(14,444)
	550,522	447,095

14. TRADE AND OTHER RECEIVABLES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade receivables	345,803	283,834
Less: allowance for impairment	(13,980)	(11,258)
	331,823	272,576
Trade receivables, net	331,823	272,576
Prepayments and deposits	38,396	27,054
Export tax refund receivables	8,094	13,629
Advances to employees	3,689	3,550
Value-added tax recoverable	2,077	2,393
Others	1,572	1,634
	385,651	320,836

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 2021 HK\$'000	31 December 2020 HK\$'000
Less than 3 months	309,472	255,196
More than 3 months but not exceeding 1 year	35,420	27,804
More than 1 year	911	834
	345,803	283,834

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

15. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares <i>(thousands)</i>	Share capital <i>(HK\$'000)</i>	Share Premium <i>(HK\$'000)</i>	Total <i>(HK\$'000)</i>
As at 1 January 2021, 30 June 2021, 1 January 2020 and 30 June 2020	<u>833,260</u>	<u>83,326</u>	<u>251,293</u>	<u>334,619</u>

16. TRADE AND OTHER PAYABLES

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (a)	324,386	335,321
Wages and staff welfare benefits payable	70,556	97,849
Accrual for expenses and other payables	15,638	17,699
Other taxes payable	6,076	5,501
	<u>416,656</u>	<u>456,370</u>

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

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	268,802	261,677
91 - 120 days	38,424	49,783
121 - 365 days	12,417	19,951
Over 365 days	4,743	3,910
	<u>324,386</u>	<u>335,321</u>

17. BORROWINGS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current		
Bank borrowings		
– unsecured	216,937	158,475
Less: current portion of non-current borrowings	(110,439)	(100,040)
	<u>106,498</u>	<u>58,435</u>
Current		
Short-term bank borrowings – secured (a)	78,285	123,760
Current portion of non-current borrowings	110,439	100,040
	<u>188,724</u>	<u>223,800</u>
Total borrowings	<u>295,222</u>	<u>282,235</u>
Movements in borrowings are as follows:		
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Opening balance as at 1 January	282,235	241,960
Proceeds from borrowings	187,670	101,270
Repayments of borrowings	(171,866)	(31,523)
Currency translation differences	(2,817)	(889)
Closing balance as at 30 June	<u>295,222</u>	<u>310,818</u>

- (a) As at 30 June 2021, bank borrowings amounting to HK\$78,285,000 (31 December 2020: HK\$123,760,000) were secured over the following:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Bank deposits	<u>93,750</u>	<u>148,231</u>

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
EUR	78,285	123,760
USD	164,978	82,615
HK\$	<u>51,959</u>	<u>75,860</u>
	<u>295,222</u>	<u>282,235</u>

18. DEFERRED INCOME ON GOVERNMENT GRANTS

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Opening balance as at 1 January	46,421	36,442
Receipt of grants	1,210	9,806
Recognised in the profit or loss	(5,800)	(4,631)
Currency translation differences	<u>599</u>	<u>(707)</u>
Closing balance as at 30 June	<u>42,430</u>	<u>40,910</u>

20. DIVIDENDS

On 16 August 2021, the board of directors resolved to declare an interim dividend of HK5.4 cents per share (2020 interim: HK2.0 cents per share). This interim dividend, amounting to approximately HK\$44,996,000 (2020 interim: HK\$16,665,000), has not been recognised as a liability in this Interim Financial Information.

A final dividend in respect of the year ended 31 December 2020 of HK\$0.08 per ordinary share, amounting to a total of approximately HK\$66,661,000 was paid on 21 June 2021.

21. COMMITMENTS

(a) Capital commitments

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
In respect of the acquisitions of plant and equipment, contracted but not provided for	46,494	39,337

(b) Operating commitments

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Not later than one year		
– to related companies	2,799	4,178
– to third parties	899	1,967
	3,698	6,145

22. BUSINESS COMBINATION

The Group acquired the silicone business from Techco Silicone & Technology Co., Ltd. (“**Techco Silicone**”) on 31 March 2021 for a consideration of RMB12,000,000 (equivalent to approximately HK\$14,235,000). Techco Silicone was mainly engaged in a full range of liquid silicone rubber molds and product solutions from development, mold design and manufacturing as well as the production and assembly of silicone products. The Group acquired the business in order to expand the technology and production capacity of the Group in silicone mold and product solutions and thus further broaden the product mix and market of the Group.

The following table summarises the detailed purchase consideration and the fair value of identifiable assets acquired at the acquisition date as well as the goodwill recognised.

Purchase consideration	HK\$’000
Cash	11,862
Contingent consideration	2,373
	<hr/>
Total	14,235
	<hr/>

The assets recognised as a result of the acquisition are as follows:

	Fair value HK\$’000
Property, plant and equipment	4,793
Contractual customer relationship (included in intangible assets)	3,084
	<hr/>
Net identifiable assets acquired	7,877
Add: Goodwill	6,358
	<hr/>
	14,235
	<hr/>

The goodwill is attributable to the workforce and the profitability in trading the silica gel products and synergies expected to arise after the Group’s acquisition of the new business. It has been included in intangible assets. None of the goodwill is expected to be deductible for tax purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back in the first half of 2021, the global economy continued to recover amidst volatility. As the COVID-19 epidemic has been more or less under control, economies in Europe and the United States have gradually relaxed relevant control measures, which gradually restored economic activities and promoted the recovery in consumption. China has basically brought its production back to the pre-epidemic level. The Group's orders and production capacity have also recovered from the epidemic to a level close to that in 2019. In the first half of 2021, the Group's revenue was HK\$1,020.8 million (first half of 2020: HK\$729.4 million), representing a year-on-year increase of 40.0%. In terms of the downstream industries, the segments of mobile phones and wearable devices, automobiles, medical and health care, smart home and commercial telecommunications equipment recorded strong growth during the Period, while the new segment of electronic atomizers also performed well.

Revenue Analysed by Downstream Industries

Industry	Six months ended 30 June					
	2021		2020		Change	
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Mobile phones and wearable devices	279.8	27.4	212.9	29.2	66.9	31.4
Automobiles	245.2	24.0	162.8	22.3	82.4	50.6
Medical and health care	188.7	18.5	140.8	19.3	47.9	34.0
Smart home	120.0	11.8	71.7	9.8	48.3	67.4
Commercial telecommunications equipment	79.0	7.7	50.9	7.0	28.1	55.2
Electronic atomizers	33.8	3.3	10.7	1.5	23.1	215.9
Household electrical appliances	29.1	2.9	17.8	2.4	11.3	63.5
Digital devices	8.4	0.8	18.8	2.6	-10.4	-55.3
Others	36.8	3.6	43.0	5.9	-6.2	-14.4
	<u>1,020.8</u>	<u>100.0</u>	<u>729.4</u>	<u>100.0</u>	<u>291.4</u>	<u>40.0</u>

The global market has experienced a supply and demand imbalance and productivity in some countries has not yet fully recovered due to the epidemic, which benefited domestic exports for strong growth. During the Period, the Group's gross profit was HK\$242.3 million (first half of 2020: HK\$162.5 million), representing a year-on-year increase of 49.1%, and gross profit margin increased by 1.4 percentage points to 23.7% (first half of 2020: 22.3%) due to higher capacity utilization as compared to the same period last year as a result of sufficient orders. Upfront costs and expenditures for new products and fluctuations in the price of raw materials in the first half of 2021 have inevitably dragged down overall gross profit margin performance as compared to the same period in 2019. However, with eased fluctuations in the price of raw materials after May 2021 and enhanced production efficiency after the start-up period of new projects, the Group's gross profit margin is expected to be continuously improved in the second half of 2021.

During the Period, the Group recorded a profit attributable to owners of the Company of HK\$115.2 million (first half of 2020: HK\$41.4 million), a significant increase of 178.5% over the same period last year, and basically the same as the same period in 2019. Net profit margin was 11.3% (first half of 2020: 5.7%), representing a year-on-year increase of 5.6 percentage points. Basic earnings per share was HK13.9 cents (first half of 2020: HK5.0 cents).

After the epidemic was more or less brought under control, the global economy was speeding up on the path of recovery and gradually returning to the normalized development stage. The Group's trade receivable turnover days were 56 days, which approximated to that of the same period in 2019. International logistics problems have been alleviated, and the orders delayed last year have been shipped in the first half of the year. The inventory turnover days for the first half of 2021 were reduced to 119 days. In addition, strict operating policies have enabled the Group to maintain a sufficient net cash of HK\$662.3 million (30 June 2020: HK\$502.6 million), and steady cash flows have ensured the Group's flexibility to respond to a volatile environment. As at 30 June 2021, the Group's orders on hand amounted to HK\$1,065.0 million, representing an increase of 11.5% as compared with HK\$955.1 million as at 30 June 2020, presenting a bright business prospect.

Business Segment Analysis

Mold Fabrication Business

For the first half of 2021, revenue of the mold fabrication segment from external customers amounted to approximately HK\$365.5 million, representing an increase of approximately 34.6% when compared to approximately HK\$271.6 million in the same period last year, and accounting for approximately 35.8% of the Group's total revenue.

The Group has production lines for ultra-large standard molds and high-precision molds. The major products of the Group's ultra-large standard molds are automobiles components. Its clients mainly include first-tier component suppliers who manufacture automobile components for renowned automobile brands in Europe, such as Mercedes-Benz, BMW and Volkswagen. High-precision molds production lines mainly produce high-precision molds with multicavity and efficiency, covering the markets of high-end consumer electronics product and commercial telecommunications equipment such as smart home, mobile phones and wearable devices, medical and health care. 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 to provide customers with premium one-stop services and economic benefits.

During the Period, the revenue of the mold segment increased significantly compared to the same period of last year as a result of delivery of orders placed last year delayed to the first half of this year caused by international freight issues, and the gross profit margin of the mold fabrication segment increased by 1.7 percentage points to 29.6%. Since the Sino-US trade conflict, the Group has been under greater pressure of cutting prices. In addition, given the economic outlook affected by the epidemic, the Group adopted a more flexible pricing strategy for the mold segment. The cost of mold increased in the first half of the year, which also hindered the gross profit margin of this segment from recovering to the level of 2019. To cope with the intense market competition, the Group will keep striving to improve the process technology, and actively explore new customers and new projects for high-precision molds. While providing quality molds and designing solutions, the Group will also maximize production efficiency to improve gross profit margin. In addition to the export market, the internal circular economy offers unprecedented opportunities for the packaging and medical sectors, and the Group is actively exploring the domestic market for high-efficiency multi-cavity molds of the relevant industries.

Plastic Components Manufacturing Business

In the first half of 2021, as the vaccination rate in European and American countries has reached the level of lifting the anti-epidemic lockdown measures, the real economy recovered gradually, and benefiting therefrom, the Group continued to receive customers' orders for its most downstream consumer electronics. Revenue of the plastic components manufacturing segment amounted to approximately HK\$655.3 million (first half of 2020: HK\$457.8 million), representing a year-on-year increase of 43.1%, and accounting for approximately 64.2% of the Group's total revenue.

Revenue of the mobile phones and wearable devices segment recorded a year-on-year increase of 31.4%, representing an increase of 16.0% compared to the same period of 2019, which was attributable to a significant increase in orders from wireless headsets brand customers and a brand customer providing protective cases for smartphones. The Group is developing its domestic smartphone brand customers, Internet of Things and in-car customers step by step, to further diversify its customer portfolio and achieve sustainable growth.

Medical and personal health care segment has seen steady growth in demand, with an increase of 34.0% in revenue compared to the corresponding period of last year. During the Period, the Group obtained several new well-known brand customers engaging in medical treatment at home and abroad with business covering fields as vitro diagnosis, blood sugar monitoring and immunoassay. The Group will put the relevant plastic components into mass production successively in the second half of this year. As this segment is relatively unsusceptible to economic cycles and shows no obvious periodicity, the Group will focus on the development of this segment, and it is expected that the medical and personal care segment will continue to generate significant revenue.

The smart home segment recorded a significant year-on-year increase of 67.4% in revenue, representing an increase of 12.8% compared to the same period in 2019, which was attributable to the commissioning of new projects of the new leading smart home brand customer in North America during the Period. In the second half of the year, as a number of new products of the other two major brand customers are expected to realise mass production and the smart home development is still in a period of rapid growth, the Group has great confidence in the long-term development of this segment.

Revenue of the commercial telecommunications equipment segment recorded a year-on-year increase of 55.2%. Notwithstanding the stagnating market demand of our customers' traditional products, our customers have progressively implemented the strategy for transformation and gradually launched other commercial production lines, such as the commercial headset product launched in North America. Thanks to our long-standing and stable relationship with the customers, the Group remains as a major supplier of their new products. With a considerable amount of orders in the second half of the year, sales for the year are anticipated to rebound constantly.

E-cigarettes have emerged as an innovative electronic consumer product with growing popularity worldwide. E-cigarette is a new type of tobacco product with a relatively small impact on the environment and human health as compared to traditional cigarettes. It is comprised of a stick, an atomizer, a mouthpiece, a cartridge and a charger. China is the main production base for E-cigarettes in the world, accounting for 95% of the global production. According to iiMedia Research, the market size of E-cigarettes in China was RMB550 million in 2013 and has increased to RMB8.38 billion in 2020, with a Compound Annual Growth Rate (“CAGR”) of 72.5% in eight years, and is expected to exceed RMB10 billion in 2021. Since 2020, the Group has noted the huge development potential of E-cigarettes and therefore newly developed the electronic atomizers segment, successfully securing three domestic and overseas well-known brand customers last year. After more than a year's effort, the additional electronic atomizers segment has experienced a significant growth in revenue and contributed significantly to the Group, with the revenue increased by 215.9% from that of the corresponding period of last year. Electronic drug atomizers can also be used in medical devices to atomize drugs into micron-sized aerosols, allowing the drugs to enter the respiratory tract and lungs directly with breathing, and being used in the treatment of respiratory diseases such as asthma and cough. The Group will continue to explore more customers and applications to expand the development of this segment.

In the first half of 2021, the gross profit margin of plastic injection business increased by 1.6 percentage points to 20.5% from approximately 18.9% in the corresponding period of last year resulting from the lower idle rate of the machines. With a certain number of new projects entering the stable mass production stage in the second half of the year, coupled with sufficient orders in hand, the Group expects that the capacity utilization rate will record a significant increase and the gross profit margin will be improved accordingly.

FINANCIAL REVIEW

Revenue

Revenue for the first half of 2021 was approximately HK\$1,020.8 million, representing an increase of approximately HK\$291.4 million or 40.0% as compared with the revenue of approximately HK\$729.4 million for the corresponding period in 2020. During the first half of 2021, global economic activities were gradually back to normal and the recovery on the consumer side accelerated. The orders and production volumes of the Group also have recovered from the COVID-19 epidemic and reached closely to the level in 2019. In terms of the downstream industries, during the Period, the segments such as mobile phones and wearable devices, automobiles, medical and personal care, smart home and commercial telecommunications equipment of the Group recorded robust growth, and the new segment of electronic atomisers also performed well.

Gross Profit

Gross profit for the first half of 2021 was approximately HK\$242.3 million, representing an increase of approximately HK\$79.8 million or 49.1% as compared with the gross profit of approximately HK\$162.5 million for the corresponding period in 2020. The gross profit margin was 23.7%, representing an increase of 1.4 percentage points from 22.3% for the corresponding period of last year, which was mainly attributable to the full orders resulting in the higher capacity utilization than the corresponding period of last year.

Gross profit margin for mold fabrication segment for the first half of 2021 was 29.6%, up by 1.7 percentage points from 27.9% for the corresponding period in 2020. Revenue from the mold fabrication segment increased significantly as compared with the corresponding period of last year, mainly due to the delayed delivery of last year's orders until the first half of this year as a result of international shipping issues. Since the trade conflict between China and the United States, the pressure on the Group to reduce prices has continually intensified, together with the epidemic affecting the economic outlook, the Group has adopted more flexible pricing strategies in the mold segment, therefore the cost of mold increased in the first half of the year, but the gross profit margin in this segment has not yet recovered to the level in 2019.

Gross profit margin for plastic components manufacturing segment for the first half of 2021 was 20.5%, representing an increase of 1.6 percentage points from 18.9% for the first half of 2020. This was mainly due to a decrease in idle rate of machine resulting from the Group's full orders and capacity utilization during the Period. The Group expects that, as new projects will begin to maintain a steady mass production in the second half of this year, together with sufficient orders on hand, the capacity utilization will increase significantly and also the gross profit margin will further improved.

Other Income

Other income for the first half of 2021 was approximately HK\$27.2 million, representing an increase of approximately HK\$7.5 million or 38.1% from approximately HK\$19.7 million for the corresponding period in 2020, which was mainly due to the increase in sales revenue of scrap and surplus materials by the Group during the Period.

Other Gains – Net

Other gains, net for the first half of 2021 was approximately HK\$11.4 million, representing an increase of approximately HK\$4.3 million or 61.3% from approximately HK\$7.1 million for the corresponding period in 2020, which was mainly attributable to the increase in the rental concessions of approximately HK\$3.8 million as compared to the same period in last year.

Selling Expenses

Selling expenses for the first half of 2021 was approximately HK\$39.2 million (first half of 2020: HK\$32.2 million), accounted for 3.8% (first half of 2020: 4.4%) of the sales, representing an increase of approximately HK\$7.0 million or 21.9% as compared with the corresponding period in 2020, and a decrease of 0.6 percentage point in terms of the percentage to sales. The increase in the selling expenses was mainly attributable to the increase in transportation expenses resulting from the increase in sales and ocean freight unit price.

Administrative Expenses

Administrative expenses for the first half of 2021 was approximately HK\$123.6 million (first half of 2020: HK\$110.4 million), accounted for 12.1% (first half of 2020: 15.1%) of the sales, representing an increase of approximately HK\$13.2 million or 11.9% as compared with the corresponding period in 2020, and a decrease of 3.0 percentage points in terms of the percentage to sales. The increase in administrative expenses was mainly attributable to the increase of research and development expenses as compared with the corresponding period of previous year due to the investment in new projects development, such as smart home, electronic atomizer.

Finance Income – Net

Net finance income for the first half of 2021 was approximately HK\$9.4 million, representing an increase of approximately HK\$8.4 million from approximately HK\$1.0 million for the corresponding period in 2020, which was mainly due to the increase in interest income.

Share of Profit/(Loss) of an Associate

For the first half of 2021, share of profit of an associate was approximately HK\$2.0 million, while the share of loss of an associate in the corresponding period of 2020 was approximately HK\$0.7 million.

Income Tax Expense

Income tax expense for the first half of 2021 was approximately HK\$14.2 million (first half of 2020: HK\$5.6 million) and the effective tax rate was 11.0% (first half of 2020: 12.0%).

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the first half of 2021 was approximately HK\$115.2 million, representing an increase of approximately HK\$73.8 million or 178.5% from approximately HK\$41.4 million for the corresponding period in 2020.

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 financial year ended 31 December 2020, 36% of revenue accumulated in the first half of the year, with 64% accumulated in the second half of the year.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

As at 30 June 2021, the Group had net current assets of approximately HK\$973.5 million (31 December 2020: HK\$835.3 million). The Group had total cash and bank balances of approximately HK\$957.5 million (31 December 2020: HK\$1,069.1 million), including cash and cash equivalents of approximately HK\$863.5 million (31 December 2020: HK\$920.4 million) and restricted cash and deposits of approximately HK\$94.0 million (31 December 2020: HK\$148.7 million). The current ratio of the Group as at 30 June 2021 was approximately 204.6% (31 December 2020: 182.5%).

Total equity of the Group as at 30 June 2021 was approximately HK\$1,466.2 million (31 December 2020: HK\$1,394.6 million). The gearing ratio as at 30 June 2021 was approximately 20.1% (31 December 2020: 20.2%), which was approximate to that of 31 December 2020.

DEBT MATURITY PROFILE

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

	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	188,724	223,800
Between 1 and 2 years	106,498	48,360
Between 2 and 5 years	–	10,075
	<u>295,222</u>	<u>282,235</u>

An analysis of the Group's key liquidity ratios as at 30 June 2021 is as follows:

	Six months ended 30 June	
	2021	2020
Inventory turnover days (<i>Note 1</i>)	119	137
Trade receivable turnover days (<i>Note 2</i>)	56	64
Trade payable turnover days (<i>Note 3</i>)	76	81
	30 June 2021	31 December 2020
Current ratio (<i>Note 4</i>)	204.6%	182.5%

Notes:

1. Inventory turnover days are calculated based on the average balance of inventories divided by the cost of sales for the relevant period multiplied by 180 days.
2. Trade receivable turnover days are calculated based on the average trade receivables divided by the revenue for the relevant period multiplied by 180 days.
3. Trade payable turnover days are calculated based on the average trade payables divided by cost of sales for the relevant period multiplied by 180 days.
4. Current ratio is calculated by dividing current assets by current liabilities and multiplying the resulting value by 100%.

INVENTORY TURNOVER DAYS

During the Period, the Group's inventory turnover days were 119 days, representing a decrease of 18 days compared to that of the same period in last year, which was primarily attributable to the delay in orders delivery requested by some customers due to the impact of COVID-19. In the first half of the year, since global economic activities have gradually resumed and international logistics issues were eased, the orders delayed last year were gradually delivered in the first half of the year.

TRADE RECEIVABLE TURNOVER DAYS

During the Period, the Group's trade receivable turnover days were 56 days, representing a decrease of 8 days compared to that of the same period in last year, which was mainly attributable to production suspension in various regions due to the impact of COVID-19 for the same period in last year. In the first half of the year, the global economy recovery accelerated after the epidemic was brought under control, and gradually returned to a normal development state. The Group's trade receivable turnover days were also reverted to a level similar to the same period in 2019.

TRADE PAYABLE TURNOVER DAYS

During the Period, the Group's trade payable turnover days were 76 days, representing a decrease of 5 days compared to that of the same period in last year, which was primarily due to the impact of COVID-19 for the same period in last year. In the first half of the year, the global economy was gradually resumed after the epidemic was brought under control, and the Group's trade payable turnover days were also reverted to a level similar to the same period in 2019.

CURRENT RATIO

As at 30 June 2021, the Group's current ratio was 204.6%, representing an increase of 22.1 percentage points as compared with the current ratio of 182.5% as at 31 December 2020, which was primarily attributable to the increase in net current assets.

PLEDGED ASSETS

Details of pledged assets as at 30 June 2021 are set out in note 17(a) to the interim financial information.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operated in the PRC and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to 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 chief financial officer, and overseen by the Group's chief executive officer. In accordance with the Group's hedging needs and the then foreign exchange situation, the Group's chief financial officer would collect and analyze information regarding various hedging instruments and determine stop-loss thresholds. The Group's chief financial officer would then collect quotations from various banks as to the financial instrument and present such quotations to the Group's chief executive officer, who would then evaluate and make a decision as to whether to enter into the relevant hedging agreement. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Group's cash and bank balances were primarily denominated in US dollar, RMB, Euro and HK dollar. Its operating cash inflows and outflows were primarily denominated in RMB, US dollar, Euro and HK dollar. The Group will closely monitor the exchange rate movements and regularly review its gearing structure so as to mitigate the expected exchange rate risk.

RMB EXCHANGE RATE RISK

The Group's major revenue is principally denominated in US dollar, Euro, HK dollar and RMB, and the Group's major expenses are 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 Period, 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. Future funding source is mainly from internal resources.

STAFF POLICY

As at 30 June 2021, the Group had 3,902 full-time employees (31 December 2020: 3,443) and 624 workers dispatched to us from third party staffing companies (31 December 2020: 636).

The Group's remuneration policy aims to offer competitive remuneration packages to recruit, retain and motivate competent directors and employees. The Group believes the remuneration packages are reasonable and competitive and in line with market trends. The Group has put in place a share option scheme and 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 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 2021, the Group has made no material acquisitions or disposals of subsidiaries.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

PROSPECT

As the epidemic situation in Europe and the United States is subsiding, the global economy has continued to pick up. Looking forward into the next half of the year, the Group expects the economic growth to further accelerate, driving up consumer demand. The Group has been searching for targets of mergers and acquisitions without stopping. In the year, the Group will focus on the supply chain of downstream customers for identifying suitable targets, grasping the opportunity of business development and striving to open up new horizons for its business. In the last year, the Group formulated its first five-year development plan, in which setting the goal of doubling sales of high-precision molds and injection molding within five years. The management is confident of achieving the expected target as planned, because the record high amount of orders on hand and revenue from multiple segments far exceeding 2019 are enough to prove that the Group's five-year plan can be met. Moreover, with sufficient orders for plastic injection products and the technological advantage of the mold segment, we believe that the overall business has great growth potential in the future.

During the first half of 2021, the Group signed an asset acquisition agreement with Techco Silicone & Technology Co., Ltd. (“**Techco Silicone**”), pursuant to which, the Group will acquire all assets of Techco Silicone, including its design and production technology, intellectual property rights, scientific and technological team, production facilities, customer resources, etc. so as to elevate the Group’s technology and production capacity in silicone mold and product solutions and further enrich the Group’s current product portfolio and expand the market. Silicone products are widely used in optics, medical, infant products, automobile, electrical & electronics, household essentials etc. Given its advantages of high liquidity, upgraded water resistance, flexibility, aging resistance and stability, liquid silicone products can be made into various forms for different applications. Liquid silicone products are generally used in intelligent terminals, used as infant products, kitchen products and medical products that can directly contact food and the human body. As the application scope of liquid silicone products is broad, the future development prospects of the industry are promising. Despite the epidemic, the demand for silicone medical and health care products has significantly increased. According to industry reports, the global market size of liquid silicone products is expected to grow from US\$2 billion in 2018 to US\$2.8 billion by 2024, representing a CAGR of 4.62%. The Group believes that the acquisition will create synergies with its principal business, which promotes to expand its existing product portfolio and customer base, accelerate to penetrate the growing silicone market for the sake of its long-term development and solidifying its position as the world’s leading one-stop supplier of integrated injection molding solutions.

The 14th Five-Year Plan for 2020 introduces a strategy of “dual circulation”, regarding to that President Xi Jinping emphasized accelerating the construction of a new development pattern with the domestic big cycle as the main body and the domestic and international double cycles mutually promoting each other, and actively promoting this national development strategy at the opening ceremony of the seminar on the spirit of the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China in January. In line with the national strategy, the Group’s persistent strategy of internal extension and external expansion will further boost its domestic sales in the year, and has successfully expanded a number of domestic well-known brand customers in the first half of the year. The overseas injection molding plant set up by the Group in Vietnam is expected to achieve mass production this year and the production capacity of injection molding in Southeast Asia will complement customer demand, so as to making preparing efforts for new projects in the long run.

With the implementation of a full-scale vaccination, the global economic recovery trend is expected to be strong in the second half of the year. However, for Asian countries with emerging COVID-19 mutation and increasing numbers of cases, the epidemic remains a significant threat to their economic growth. The management continues to respond with prudence in face of the volatile economic situation. The Group always adheres to the diversity policy. In the second half of the year, the Group will continue to develop new customers and strive to provide brand customers with high-quality products. In addition, the Group will continue to improve the intelligent automation level of production lines and advance its technology research and development capabilities in order to maintain its leading position in the industry. The long-term stable cash flow and healthy financial situation provide a solid foundation for long-term business development. In light of this, the Group will overcome various difficulties and advance steadily in the volatile market.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed listed securities of the Company during the Period.

CORPORATE GOVERNANCE

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

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 Period.

DIVIDEND

On Monday, 16 August 2021, the Board resolved to declare an interim dividend of HK5.4 cents per share for the Period, amounting to a total of approximately HK\$44,996,000. The interim dividend is expected to be paid on Wednesday, 15 September 2021 to all shareholders whose names appear on the register of members of the Company at the close of business on Friday, 3 September 2021.

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 Wednesday, 1 September 2021 to Friday, 3 September 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified for the interim dividend, unregistered holders of shares of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the branch share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 31 August 2021.

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, 16 August 2021

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.