



東江集團(控股)有限公司

TK GROUP (HOLDINGS) LIMITED

(Stock code : 2283)

2019 Annual Results

A 3D rendering of a white plastic housing, likely for an electronic device. The housing is shown from a perspective view, revealing its internal structure. Inside, there are several components: a large orange-colored component on the left, a grey component in the center, and a black component on the right. A white plastic part is also visible in the center. The background is a warm orange color with faint white line art of a car wheel and a cityscape.

**The World's Leading
One-stop Plastics Solutions Provider**



Company Overview

About TK Holdings MSCI Hong Kong Small Cap Index

Stock code	: 2283.HK
Listing date	: December 2013
No. of issued share capital (as at 27 March 2020)	: 833,260,000 shares
Share price (as at 27 March 2020)	: HK\$2.79
Market cap (as at 27 March 2020)	: HK\$2.3 billion

Stock Price Performance



Results Highlights

- The industry faced great challenge amid the Sino-US trade war. The Group adopted flexible pricing strategy for its quality products. **In 2019, the Group's revenue basically remained at the same level as last year**
- Two of the downstream segments maintained stable growth
 - Smart home segment **grew by 40.0%**
 - Mobile phones and wearable devices segment **grew by 23.6%**
- Considerable orders secured on hand for 2020, **size increased by 12.1% yoy**
- A high technology company with **high dividend payout, payout ratio at 38.7%**

2019 Annual Results

HK\$'000	2019	yoy growth
Revenue	2,310,842	↑0.5%
Net Profit	301,803	↓13.8%
Basic earnings per share (HK cents)	36	↓14.3%
Proposed final dividend per share (HK cents)	9.0	↓35.7%
Full-year dividend payout ration (Including interim dividend: 5 HK cents)	38.7%	↓8.9p.p.
Gross profit margin	28.9%	↓2.6p.p.
Net profit margin	13.1%	↓2.1p.p.



Diversified Customer Network

2019 top six customers

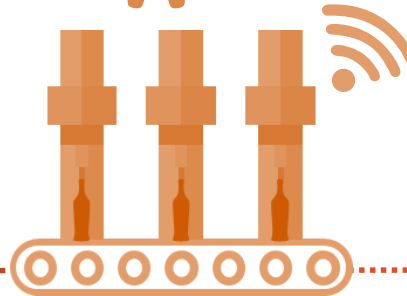


#	Company name	Industry	Product category
1	Polycom	Commercial telecommunications equipment	Mold and Plastic products
2	A leading health care product brand	Medical and health care	Mold and Plastic products
3	A leading smart phone brand	Mobile phones and wearable devices	Mold and Plastic products
4	A leading smart home product brand	Smart home	Mold and Plastic products
5	A leading smart phone accessory brand	Mobile phones and wearable devices	Mold and Plastic products
6	A leading audio equipment brand	Mobile phones and wearable devices	Mold and Plastic products

► The top six customers contributed **59.7%** of TK's revenue in 2019



Segment Review – Mold Fabrication



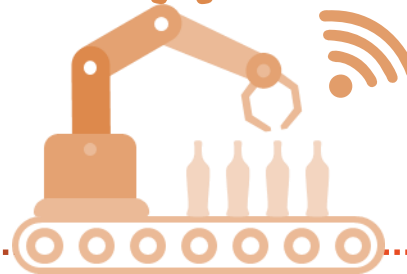
- Equipped with production lines for 1) ultra-large standard molds (large molds with complex structure) and 2) high-precision molds
- Will continuously improve process technology, enjoy a dominant advantage

Segment revenue decreased due to:

- 1) Certain customers postponing the delivery date of produces to 2020
- 2) Pricing pressure from customers



Segment Review – Plastic Products



Smart home segment grew by 40.0%

- Launch of new products by major customer in the second half of 2019
- Successfully developed and delivered products for another leading brand. More orders were confirmed for 2020

Mobile phones and wearable devices segment grew by 23.6%

- Was included into the supply chain of a domestic leading wearable devices brand during the year
- Diversified customers portfolio brought stable growth of orders



Projects on hand for 2020

Industry	Amount (HK\$'000)
Automobile	486,273
Mobile phones and wearable devices	98,386
Medical and health care	96,814
Others	88,303
Smart home	60,095
Household electric appliance	25,479
Commercial telecommunications equipment	16,711
Digital devices	11,133
Total	883,194

Projects on hand as at **31 December 2019**

Amounted to **HK\$ 883.2 million**

▲ **12.1%** compared with 2018 year end



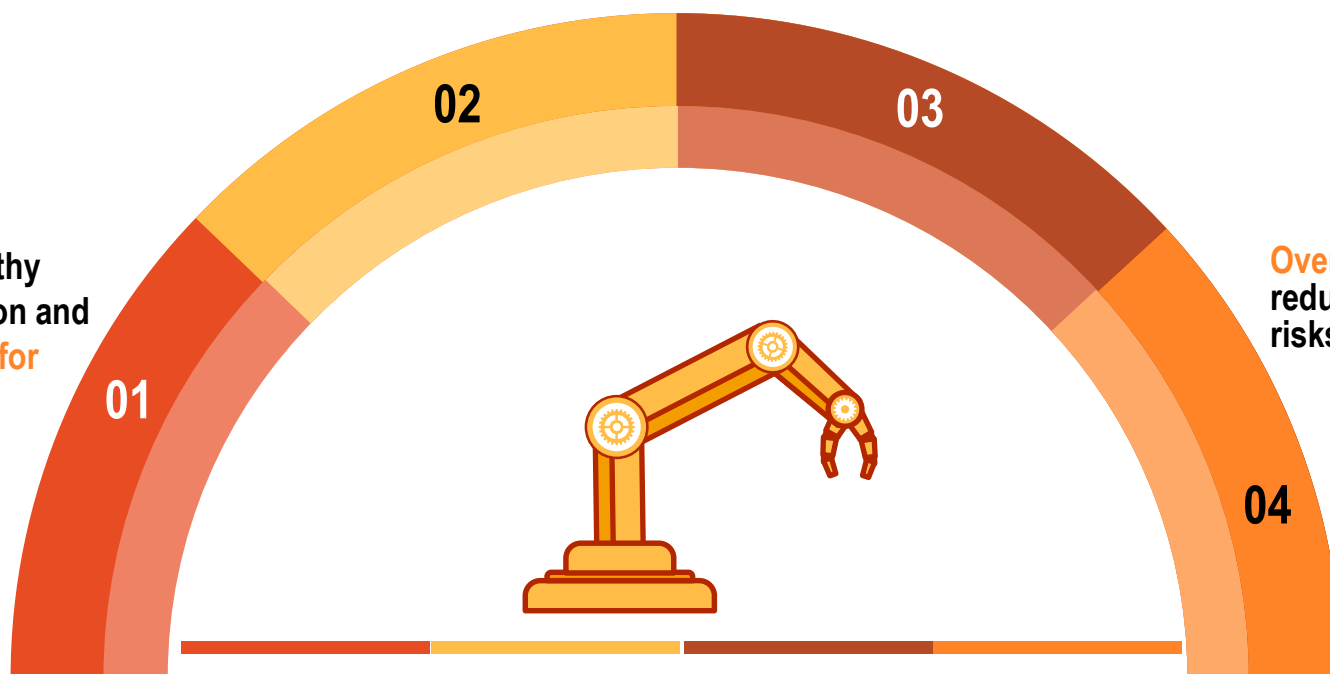
Development Strategies

Ride on China's stimulus measures
and develop new domestic
customers

Continuous enhancement in
intellectualization, technology and
design to enhance operating efficiency
and gross profit margin

Maintain a healthy
financial position and
**reserve capital for
future use**

Overseas expansion to
reduce geopolitical
risks in the long run

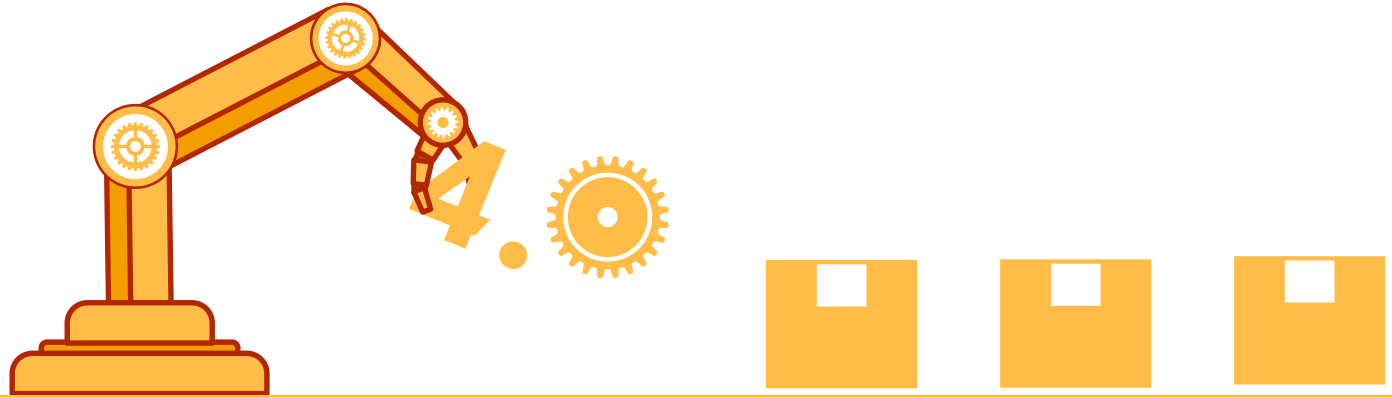


Mobile phones
and wearable
devices

Smart home

Automobiles
& electrical
automobiles

High-end medical
supplies and
personal healthcare



2019 Annual Results



Key Financials

For the year ended 31 December

HK\$ '000	2018	2019	Change
Revenue	2,298,609	2,310,842	↑0.5%
Gross profit	724,418	667,475	↓7.9%
Operating profit	400,335	361,523	↓9.7%
Profit attributable to owners of the Company	350,185	301,803	↓13.8%
Basic earnings per share (HK cents)	42	36	↓14.3%
Gross profit margin	31.5%	28.9%	↓2.6p.p.
Net profit margin	15.2%	13.1%	↓2.1p.p.
Dividend per share (HK cents)			
- Interim	6.0	5.0	↓16.7%
- Final	14.0	9.0	↓35.7%
Dividend payout ratio	47.6%	38.7%	↓8.9p.p.

- Affected by the Sino-US trade war, certain customers postponed new product launches

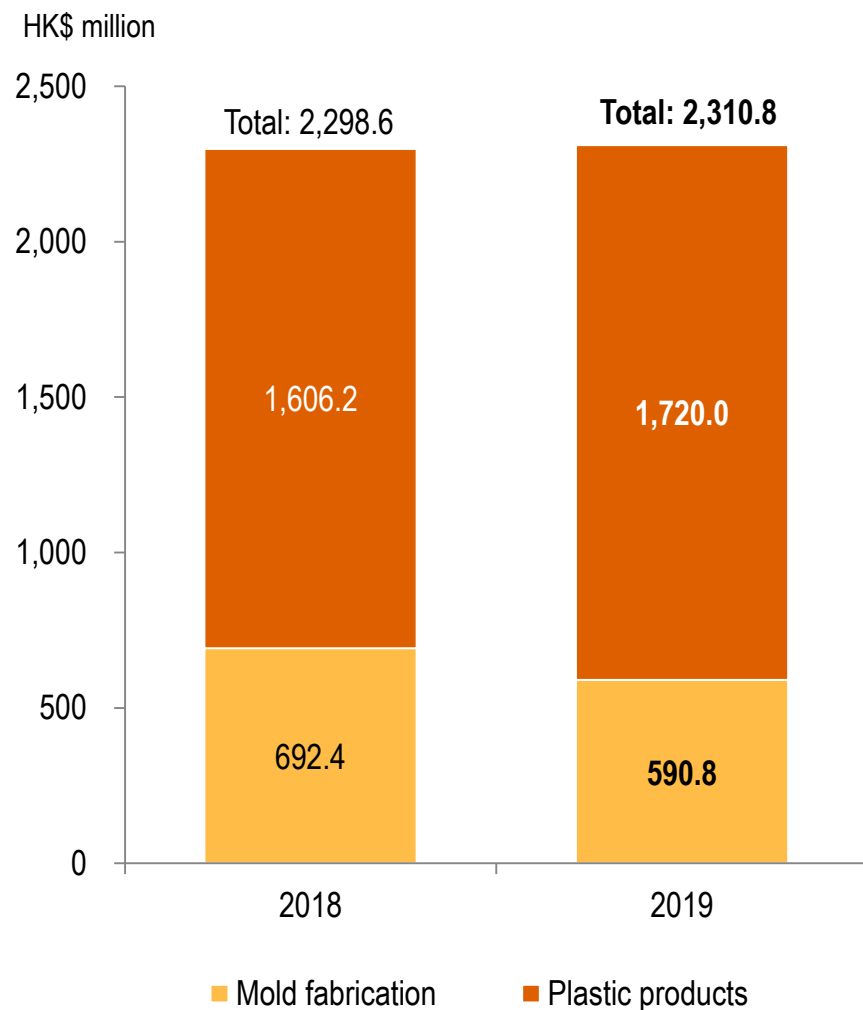
- Delay of projects decreased utilization of machines
- Gross profit margin of new mold fabrication orders declined

- Healthy financials support high dividend payout ratio
- Positioned as a high technology company with high dividend payout

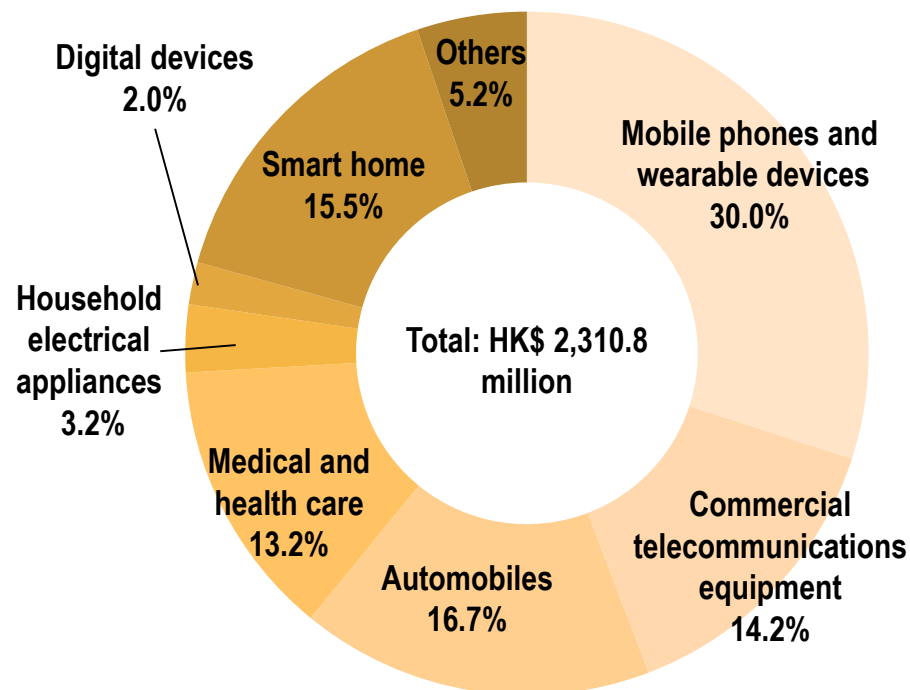


Revenue Analysis

Breakdown by business segment



Breakdown by downstream industry



High-growth segments

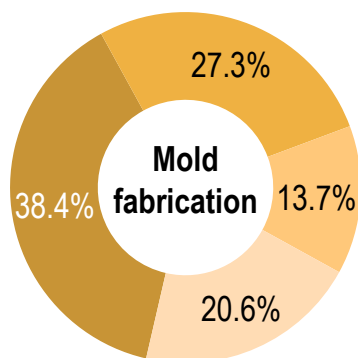
yoy growth

Smart home	↑40.0%
Mobile phones and wearable devices	↑23.6%

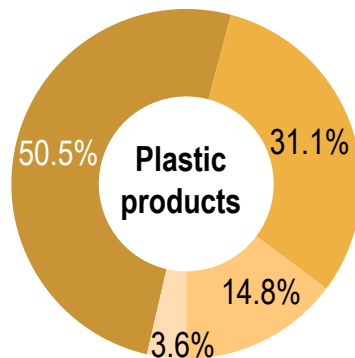


Gross Profit Analysis

Cost of sales



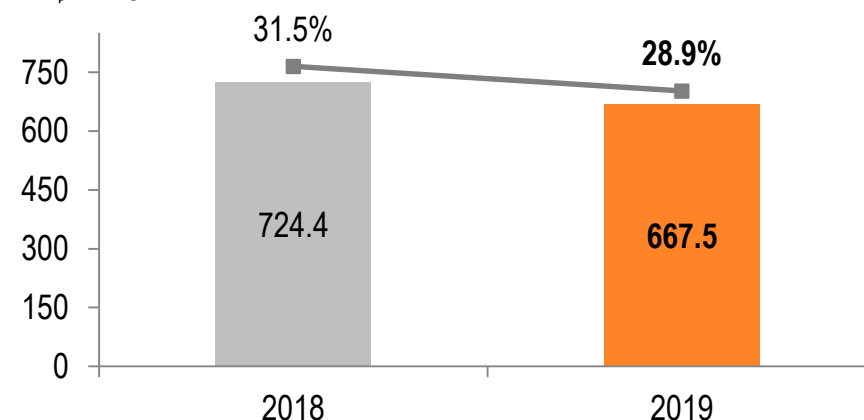
■ Direct materials cost
■ Direct labour cost



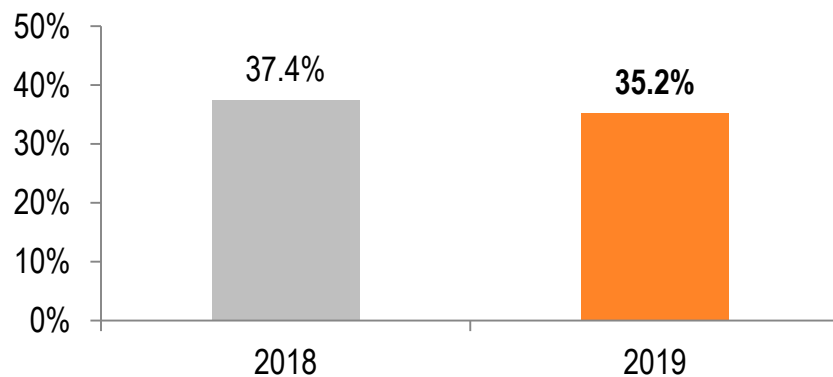
■ Manufacturing overhead
■ Subcontracting expenses

Gross profit & gross profit margin

HK\$ million

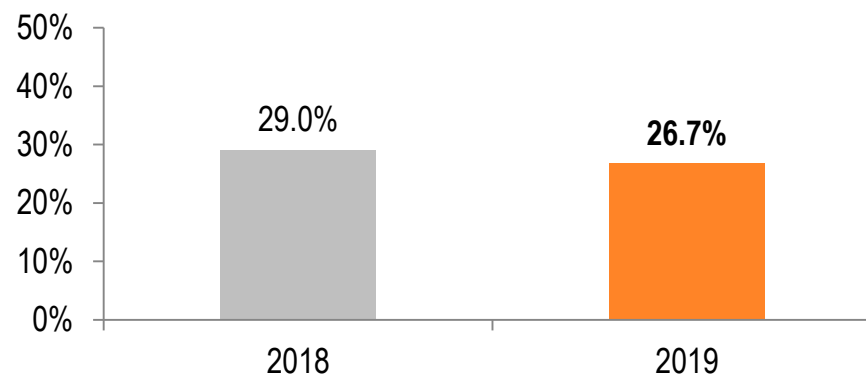


Gross profit margin – Mold fabrication



▪ Affected by the trade war, project price slightly decreased

Gross profit margin – Plastic products



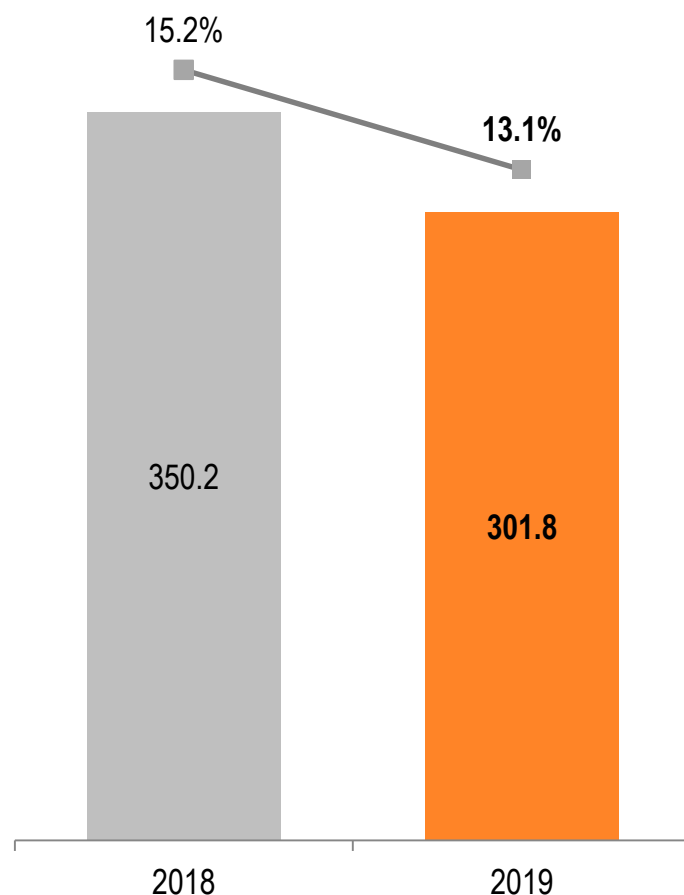
▪ Delayed of projects led to the increase of machine idle time



Net Profit Analysis

Net profit & net profit margin

HK\$ million



Key expenses

HK\$ million	2018	2019	Change
Selling expenses	88.3 (3.8% of revenue)	80.7 (3.5% of revenue)	↓8.7%
Administrative expenses	257.7 (11.2% of revenue)	269.6 (11.7% of revenue)	↑4.6%
Finance Income / expenses - net*	6.8	-1.4	+ to -
Income tax expense	56.9 (14.0% of profit before tax)	58.7 (16.3% of profit before tax)	↑3.1%

*Finance Income/ expenses -net = Interest income – Interest expenses



Key Financial Indicators

HK\$ '000	As at 31 December 2018	As at 31 December 2019	Change
Net current assets	766,529	619,628	↓19.2%
Cash and cash equivalents	875,339	735,110	↓16.0%
Current ratio	195.0%	170.1%	↓24.9p.p.
Quick ratio	152.4%	125.2%	↓27.2p.p.
Gearing ratio	31.8%	20.3%	↓11.5p.p.
Net gearing ratio [#]	0%	0%	--
Return on assets	16.2%	13.0%	↓3.2p.p.
Return on equity	32.6%	25.3%	↓7.3p.p.

Net gearing ratio = (Total borrowings – cash & deposits for bank borrowings) / Total equity x 100%

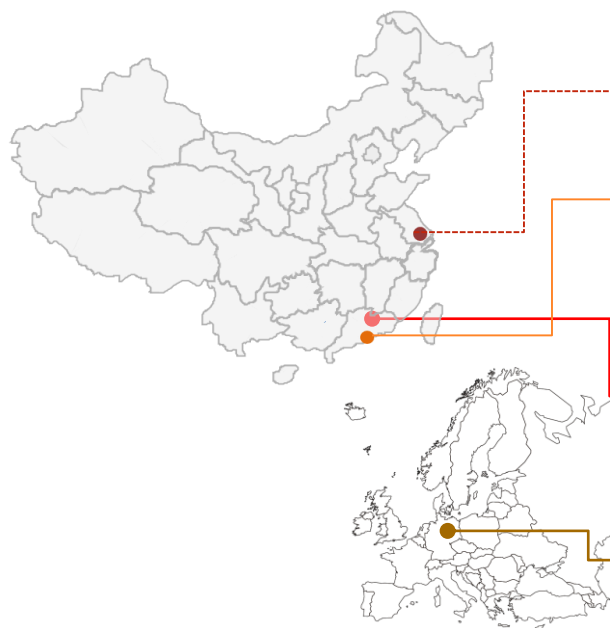
(Net cash as at 31 Dec 2018 and 31 Dec 2019 were HK\$ 533,107,000 and HK\$ 493,150,000 respectively, thus Net gearing ratio is 0%.)

For the year ended 31 December	2018	2019	Change
Net cash generated from operating activities (HK\$'000)	491,446	443,800	↓9.7%
Inventory turnover days	76	83	↑7
Trade receivable turnover days	48	49	↑1
Trade payable turnover days	66	65	↓1



Production Base and Capacity

Production capacity by production base



Location	Suzhou, Jiangsu Province		G.F.A
Production base	TK Plastics Products	High-tech enterprise	12,582 sq.m.
Location	Shenzhen, Guangdong Province		G.F.A
Production base	TK Mold	High-tech enterprise	33,130 sq.m.
	TK Precision Plastics	High-tech enterprise	87,233 sq.m.
Location	Huizhou, Guangdong Province		G.F.A
Production base	TK Precision Plastics		15,783 sq.m.
Location	Germany		G.F.A
Production base	TK Mold		1,203 sq.m.

Rented

Utilisation of Machines



Mold fabrication	2018	2019	Change
Utilisation rate	89.0%	91.2%	↑2.2p.p.



Plastic products	2018	2019	Change
Utilisation rate	62.4%	56.3%	↓6.1p.p.

▪ New projects didn't enter mass production during the period



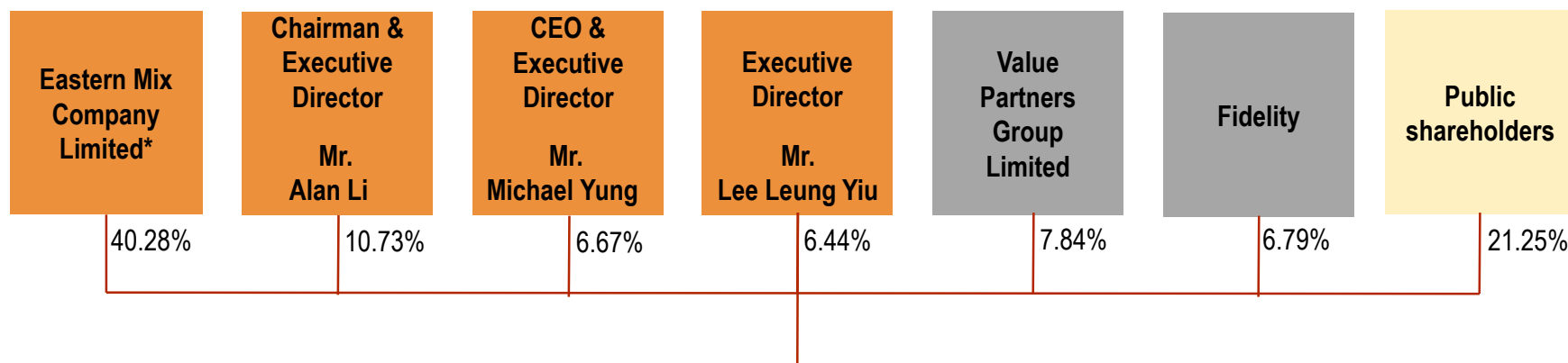
Calculation of Utilisation Rate

$$\text{Utilisation Rate} = \frac{\text{Actual hour worked}^*}{\text{Available hour}}$$

*Includes actual production time, molding time, adjustment time, testing time and sample making time etc.



Shareholding Structure

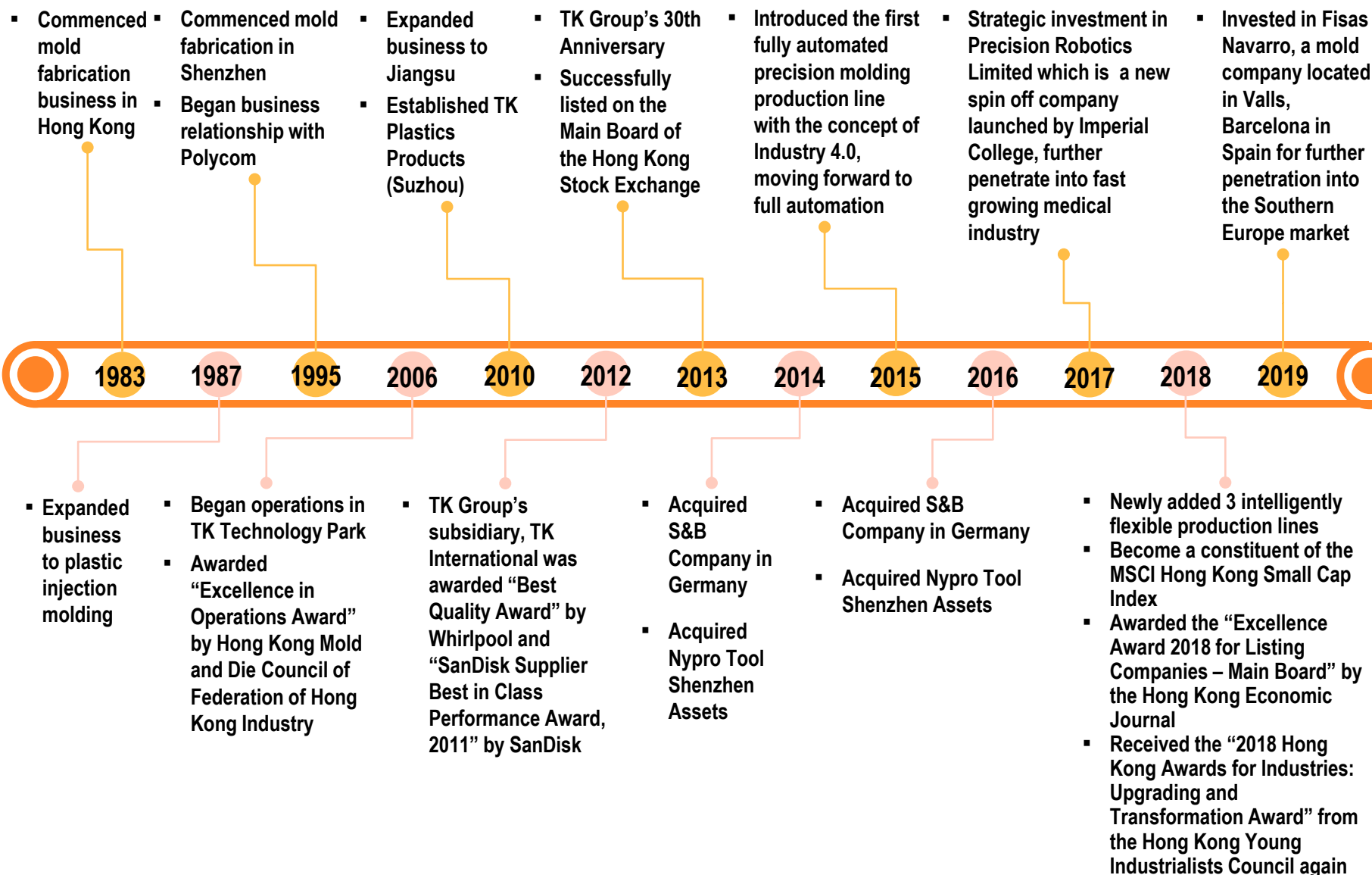


Number of issued shares (as of 27 March 2020): 833,260,000 shares

**Issued share capital of Eastern Mix Company Limited is held by Mr. Alan Li, Mr. Michael Yung and Mr. Lee Leung Yiu at the stake of 45.0%, 28.0% and 27.0% respectively*







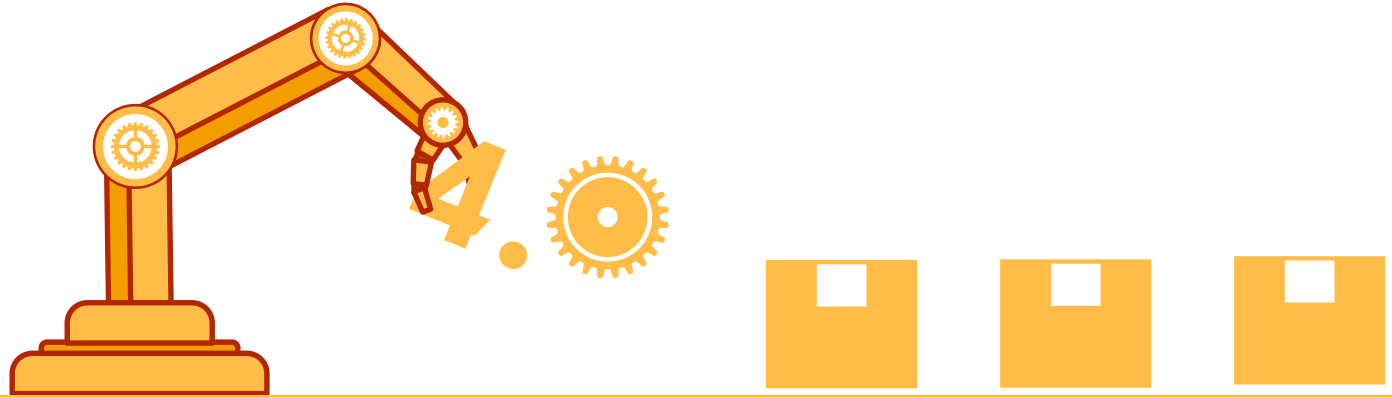
Corporate Milestones





Management Team

Name & title	Major responsibilities	Years of professional experience
 Mr. Alan Li <i>Chairman & Executive Director</i>	<ul style="list-style-type: none">▪ One of the founders of the Company▪ Responsible for overall management and strategic planning	<ul style="list-style-type: none">▪ More than 30 years of professional experience in plastic mold fabrication and plastic injection molding▪ Rich experience in business management in the manufacturing industry
 Mr. Michael Yung <i>CEO & Executive Director</i>	<ul style="list-style-type: none">▪ Responsible for business development and daily operations	<ul style="list-style-type: none">▪ About 30 years of experience in plastic mold fabrication and plastic injection molding
 Mr. Lee Leung Yiu <i>Executive Director</i>	<ul style="list-style-type: none">▪ One of the founders of the Company▪ Responsible for procurement	<ul style="list-style-type: none">▪ About 30 years of experience in plastic mold fabrication and plastic injection molding
 Mr. Franky Cheung <i>CFO & Executive Director</i>	<ul style="list-style-type: none">▪ Responsible for finance, taxation, audit and investment	<ul style="list-style-type: none">▪ About 30 years of experience in the field of auditing, accounting and corporate finance▪ Formerly worked at Deloitte Ross Tohmatsu, FORTUNE 500 manufacturing company, and manufacturing companies listed in Hong Kong and the U.S.



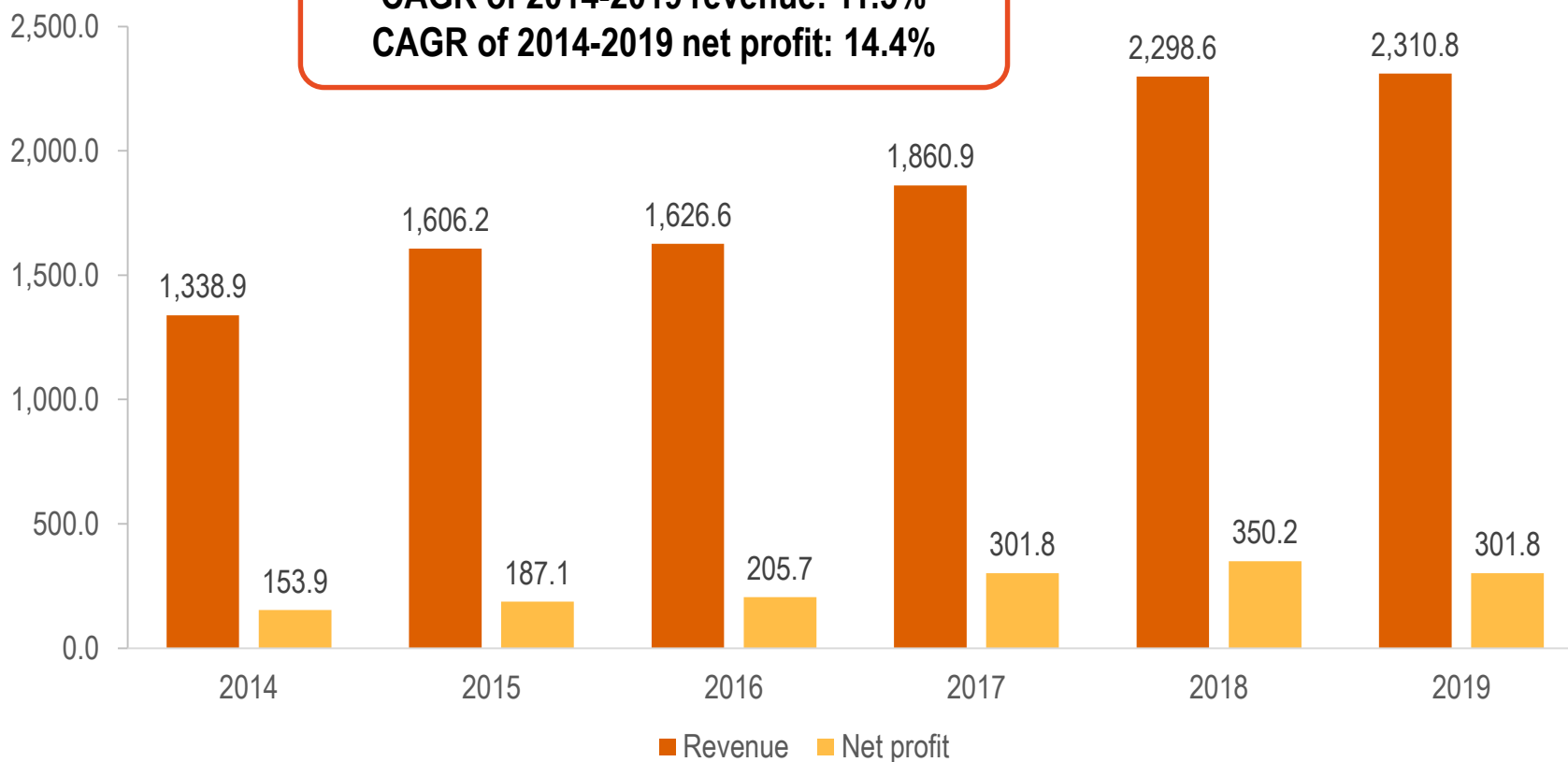
Appendix



Sustainable Growth and Fruitful Return

HK\$ '000	2014	2015	2016	2017	2018	2019
Dividend payout ratio	37.6%	44.2%	56.3%	46.9%	47.6%	38.7%

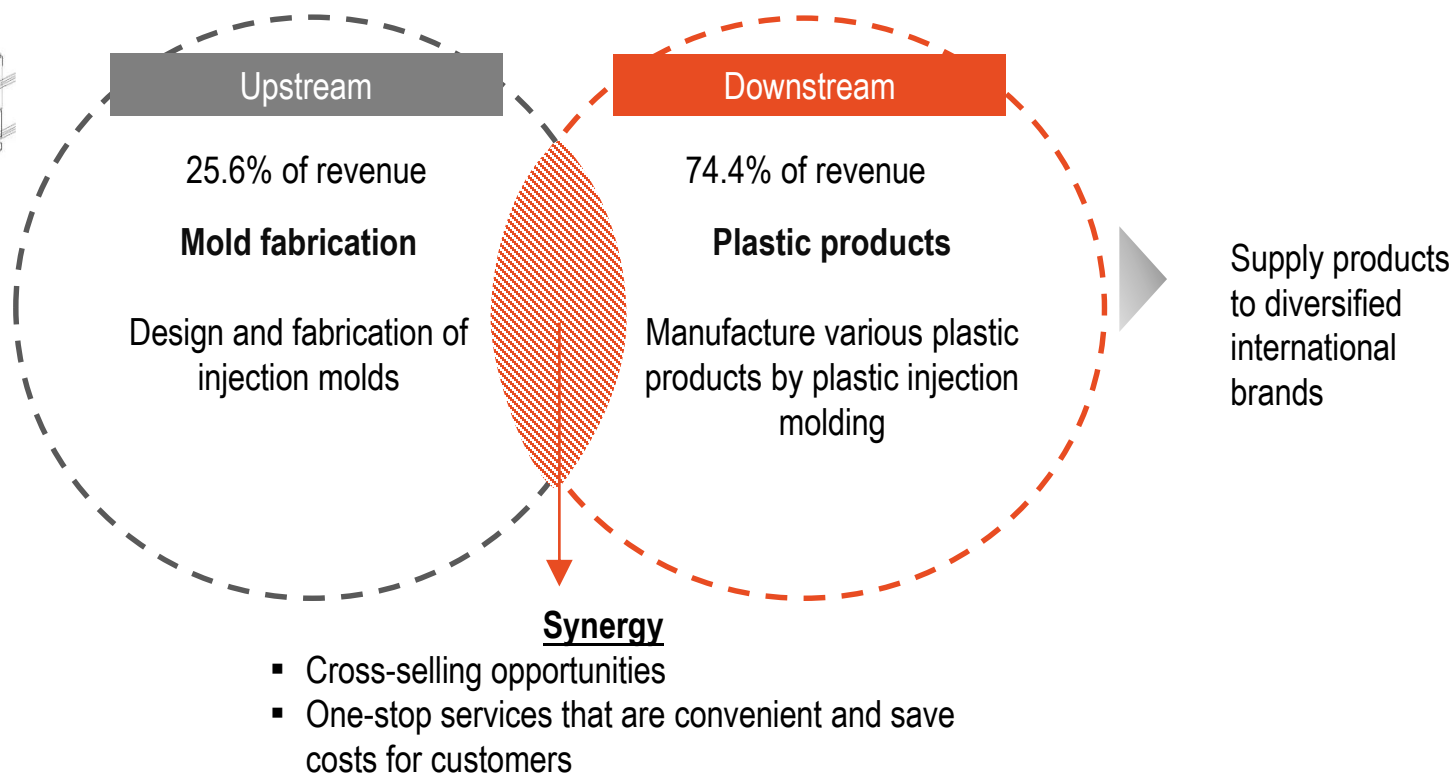
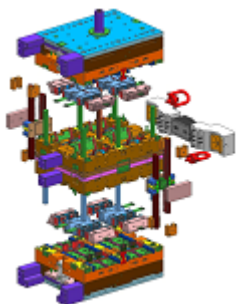
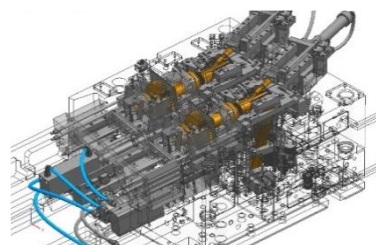
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For the year ended 31 December 2019

Leading One-stop Plastics Solutions Provider

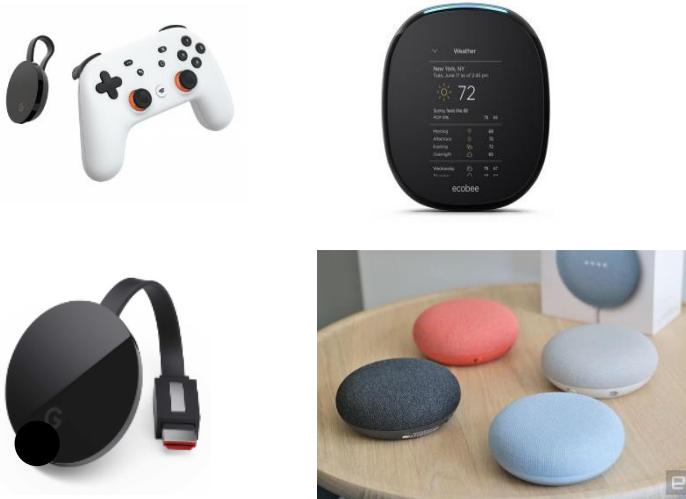


Provide customised, cost-effective and high-precision products and services to renowned multi-national companies



Fast-Growing Business Segments

Smart home



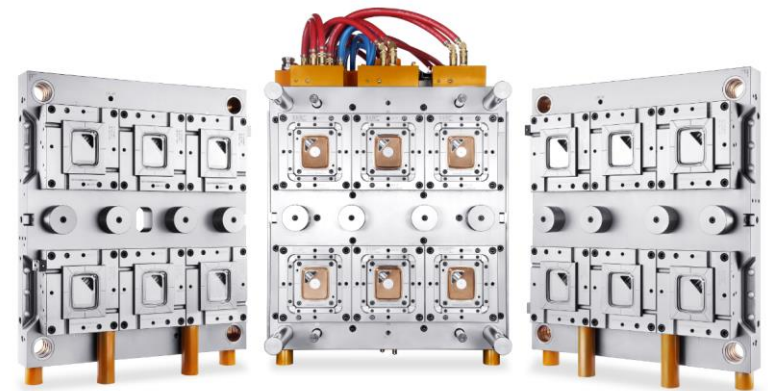
Mobile phones and wearable devices



Medical and health care



Automobiles Mold





Vertically Integrated Business Model

TK Group (2283.HK)

Design of machinery and molds

- Major raw materials:
 - Steel
 - Plastic resin
- 2 research cooperation agreements with the National Laboratory for Material Formation and Molds of Huazhong University of Science and Technology in Shenzhen

Mold fabrication 2019 GP margin: 35.2%

- 52 patents:
 - 5 invention patents
 - 3 software patents
 - 44 utility model patents
- Technological capabilities to comply with the stringent requirements of downstream customers:
 - Precision - Tooling-life
 - Reliability - Quality
- Meet the MT1 precision level as defined by the "National Standard of the People's Republic of China GB/T14486-2008—Dimensional Tolerances for Moulded Plastic Parts"
- Value-added services that minimises costs, e.g. product optimisation, shortening of product development cycle and efficiency improvement

Plastic products 2019 GP margin: 26.7%

- 95 utility model patents
 - 2 invention patent
 - 93 utility model patents
- Technological capability to serve industry leaders
- Performance molding
- Standard molding
- Special decorative molding
- Acquired the international certification of ISO13485 (Medical Device — Quality Management Systems — Requirements for Regulatory Purposes)

Extensive end applications

- ➔ Mobile phones and wearable devices
- ➔ Medical and health care
- ➔ Commercial telecommunication equipment
- ➔ Automobile





Consolidated Income Statement

For the year ended 31 December

HK\$ '000	2018	2019
Revenue	2,298,609	2,310,842
Cost of sales	(1,574,191)	(1,643,367)
Gross profit	724,418	667,475
Other income	24,730	50,147
Other losses — net	(2,739)	(5,842)
Selling expenses	(88,341)	(80,690)
Administrative expenses	(257,733)	(269,567)
Operating profit	400,335	361,523
Interest income	9,965	20,220
Interest expenses	(3,166)	(21,615)
Share of net profit of an associate accounted for using the equity method	--	371
Profit before income tax	407,134	360,499
Income tax expense	(56,949)	(58,696)
Profit for the period attributable to owners of the Company	350,185	301,803
Basic earnings per share (HK cents)	42	36
Dividends per share (HK cents)	20	14
Gross profit margin	31.5%	28.9%
Net profit margin	15.2%	13.1%



Consolidated Statement of Financial Position

TK 東江控股
TK HOLDINGS

HK\$ '000	As at 31 December 2018	As at 31 December 2019
Non-current assets	589,664	820,598
Investment in an associate	–	15,526
Property, plant and equipment	516,190	592,278
Intangible assets	11,693	13,831
Prepayments for property, plant and equipment	38,160	22,812
Right-of-use assets	–	142,530
Financial assets at fair value through profit or loss	23,621	33,621
Current assets	1,573,825	1,503,945
Inventories	343,168	397,041
Trade and other receivables	355,318	371,794
Deposits for bank borrowings	84,975	134,594
Restricted cashes	36,553	17,638
Cash and cash equivalents	753,811	582,878
Total assets	2,163,489	2,324,543
Non-current liabilities	280,735	248,761
Non-current bank borrowings	235,014	75,911
Lease liabilities	–	92,671
Deferred income on government grants	23,793	36,442
Deferred income tax liabilities	21,928	43,737
Current liabilities	807,296	884,317
Trade and other payables	456,501	411,751
Contract liabilities	198,911	226,663
Income tax liabilities	44,666	21,299
Bank borrowings	107,218	166,049
Lease liabilities	–	58,555
Total liabilities	1,088,031	1,133,078
Net current assets	766,529	619,628
Equity		
Share capital	83,326	83,326
Share premium	251,293	251,293
Shares held for employee share scheme	–	(5,517)
Other reserves	25,224	21,188
Retained earnings	715,615	841,175
Total equity	1,075,458	1,191,465



Thank You

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