



東江集團(控股)有限公司

TK GROUP (HOLDINGS) LIMITED

(Stock code: 2283)



2020
Interim Results

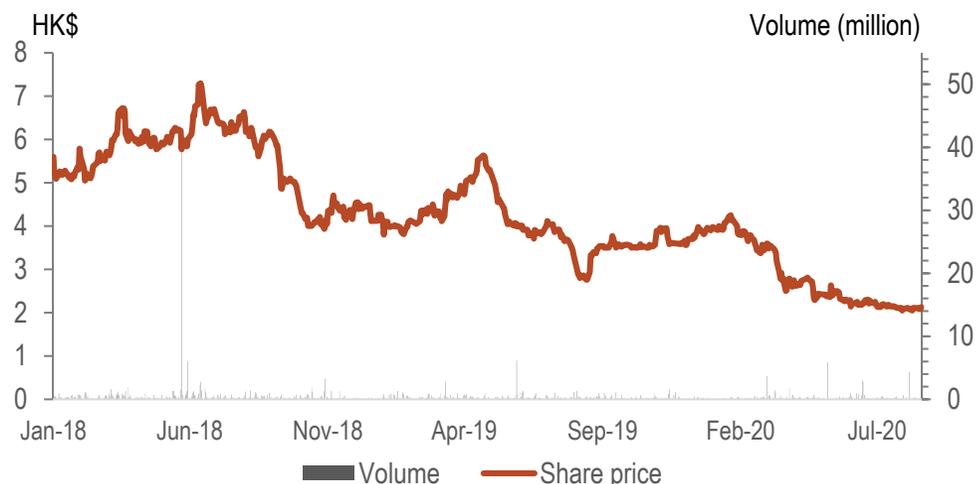
*The World's Leading
One-stop
Plastics Solutions Provider*



About TK Holdings **MSCI** Hong Kong Small Cap Index

Stock code	:	2283.HK
Listing date	:	December 2013
No. of issued share capital (as at 21 August 2020)	:	833,260,000 shares
Share price (as at 21 August 2020)	:	HK\$2.07
Market cap (as at 21 August 2020)	:	HK\$1.72 billion

Stock Price Performance



Results Highlights

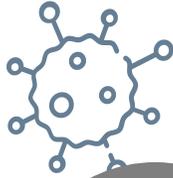
- In the first half of 2020, the COVID-19 outbreak has spread across the world. Lockdowns and various other preventive measures were gradually implemented to contain the epidemic in different regions, which affected the production of the Group, as well as the overall global consumption and economy. **The Group's consumer brand customers requested to delay the order delivery under such circumstances. For 1H2020, revenue of the Group decreased by 27.4% yoy**
- The Group's **orders on hand** amounted to HK\$955.1 million, representing a slight decrease of 2.5% as compared with HK\$979.3 million as at 30 June 2019, and **an increase of 8.1% as compared with orders of HK\$883.2 million as at 31 December 2019**
- A high technology company with **high dividend payout, payout ratio at 40.3%**

2020 Interim Results

HK\$'000	1H2020	yoy change
Revenue	729,393	↓27.4%
Net Profit	41,357	↓63.8%
Basic earnings per share (HK cents)	5.0	↓63.5%
Proposed interim dividend per share (HK cents)	2.0	↓60%
Half-year dividend payout ratio	40.3%	↑3.8p.p.
Gross profit margin	22.3%	↓5.2p.p.
Net profit margin	5.7%	↓5.7p.p.



Impact of Covid-19 Pandemic



Many cities in the PRC announced 'lockdown'

Jan

CNY Holiday extended to 10 February 2020

Feb

Pandemic spread in Europe; retail stores of various brands closed

Mar



City lockdown in Europe due to the pandemic

Apr



May



Jun

- Production resumption was delayed by a week to 10 February 2020
- Insufficient work resumption rate due to the travel restriction

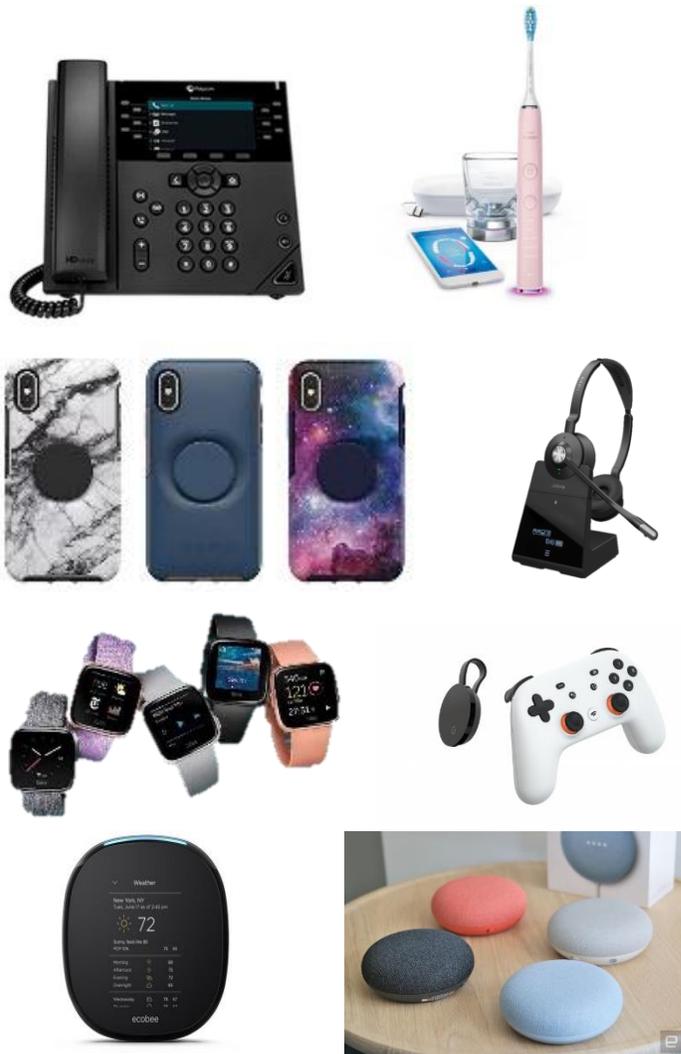
- Postponement of delivery to Q3 for most overseas orders at the request of customers
- Low capacity utilization as result

- Salaries of all EDs and senior management of reduced by 20% since 1 April 2020
- Various cost-saving measures were effectively implemented

- Various new product development suspended due to the pandemic
- Huge one-off expenses, for pandemic preventive measures of HK\$12.5 million

- **Revenue and orders rebounded gradually**

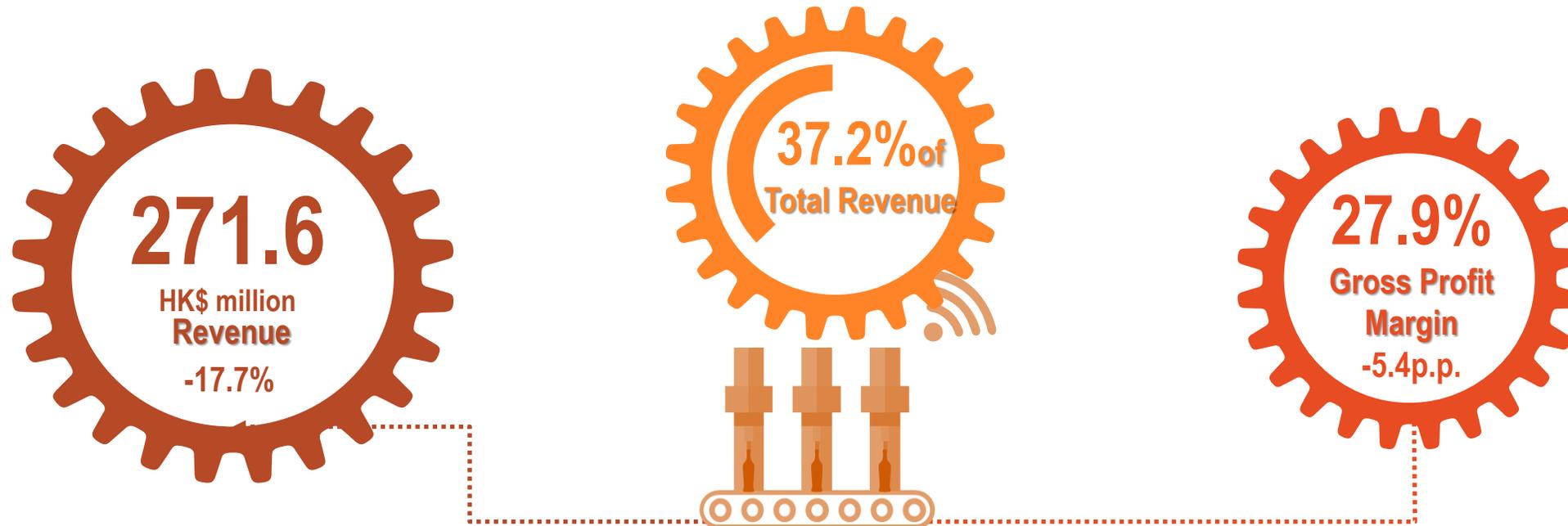




1H2020 top six customers

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

▶ The top six customers contributed **50.4%** of TK's revenue in 1H2020



- 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) Price pressure since the commencement of Sino-US trade war back in 2018
- 2) Impact of the epidemic is relatively small due to the long production time of mold products



Segment Review – Plastic Products



Segment revenue decreased due to the spread of the COVID-19 epidemic

Product sales and new product launch plans of downstream consumer electronics customers were dragged, including the medical and health care, mobile phones and wearable devices, smart home segments



Revenue of medical and health care segment recorded a yoy increase of 3.3%

- Stable market demand
- Expected to be less affected by the economic cycle, and its performance will remain stable and good



Projects on hand for 2H2020

Industry	Amount (HK\$'000)
Automobile	454,146
Medical and health care	184,381
Mobile phones and wearable devices	116,672
Others	72,765
Smart home	56,573
Commercial telecommunications equipment	35,491
Household electric appliance	24,954
Digital devices	10,130
Total	955,112

Projects on hand

as at 30 June 2020

Amounted to HK\$ 955.1 million

Dropped 2.5% compared with 30 June 2019
Rose 8.1% compared with 31 December 2019

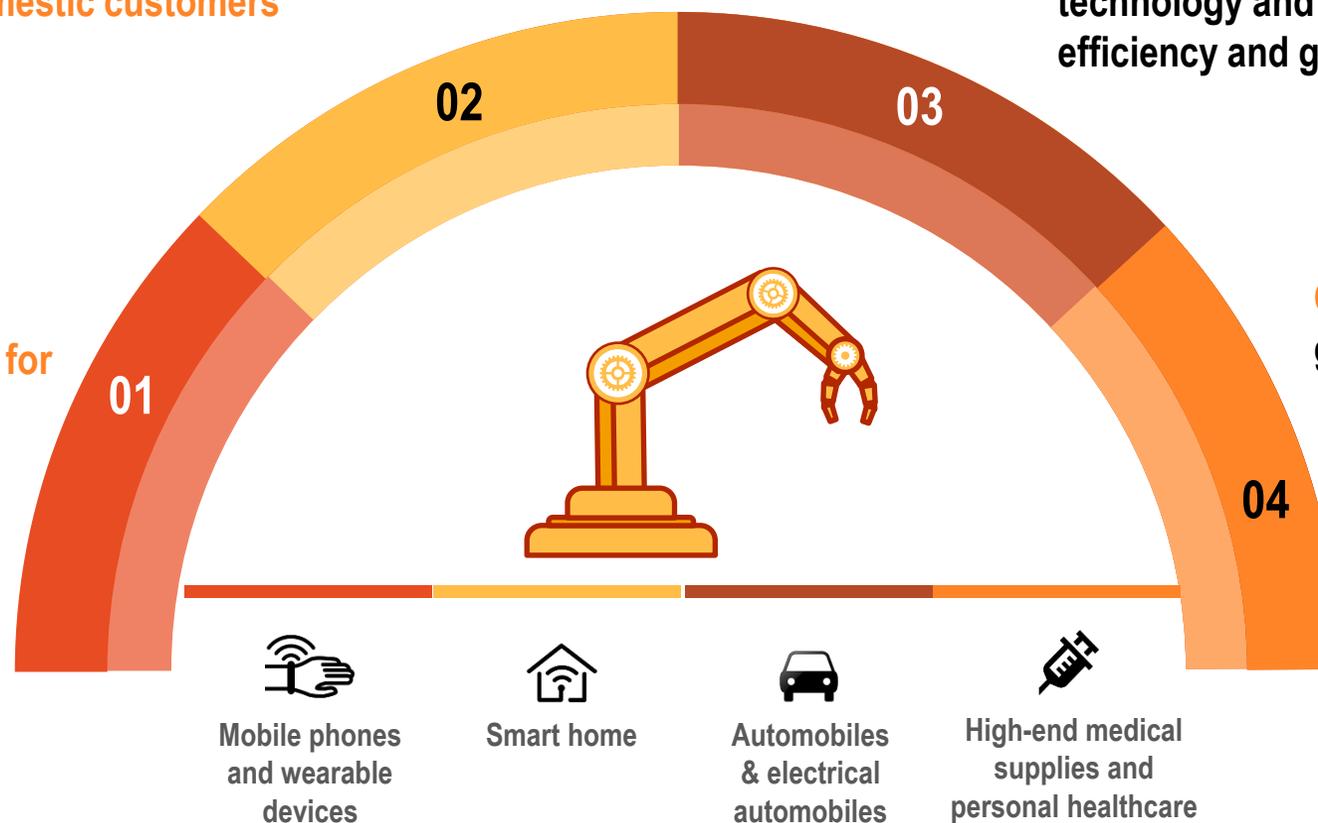


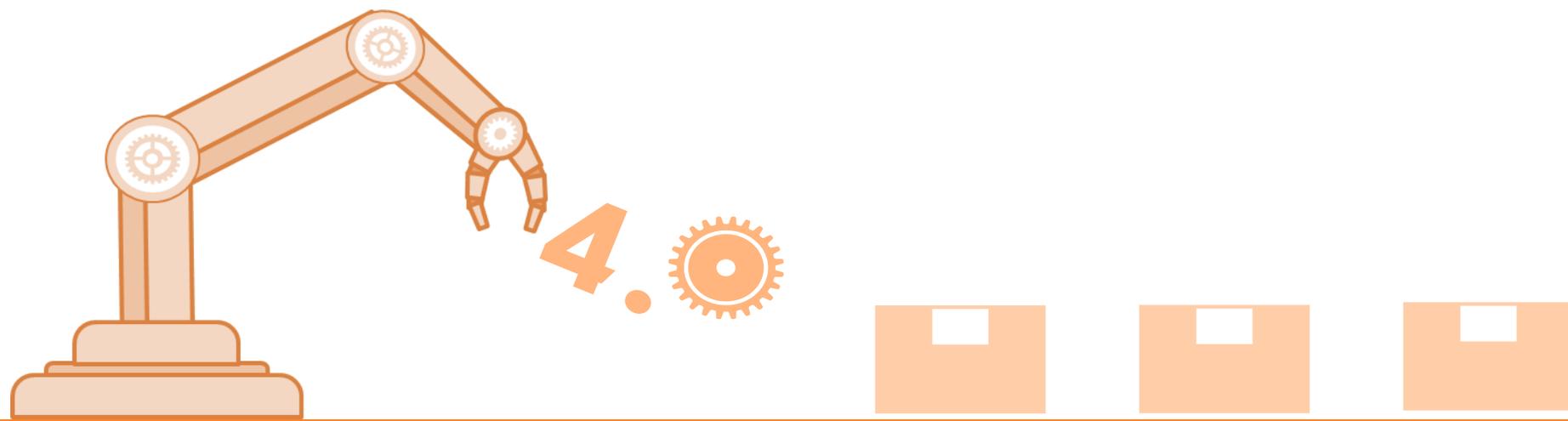
Ride on China's stimulus measures and
develop new domestic customers

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





2020 Interim Results



Key Financials

HK\$ '000	For the year ended 31 December		For the six months ended 30 June		Change
	2019	2019	2020		
Revenue	2,310,842	1,004,945	729,393	↓27.4%	
Gross profit	667,475	276,370	162,479	↓41.2%	
Operating profit	361,523	137,030	46,651	↓66.0%	
Profit attributable to owners of the Company	301,803	114,123	41,357	↓63.8%	
Basic earnings per share (HK cents)	36	13.7	5.0	↓63.5%	
Gross profit margin	28.9%	27.5%	22.3%	↓5.2p.p.	
Net profit margin	13.1%	11.4%	5.7%	↓5.7p.p.	
Dividend per share (HK cents)					
- Interim	5.0	5.0	2.0	↓60%	
- Final	9.0	--	--	--	
Dividend payout ratio	38.7%	36.5%	40.3%	↑3.8p.p.	

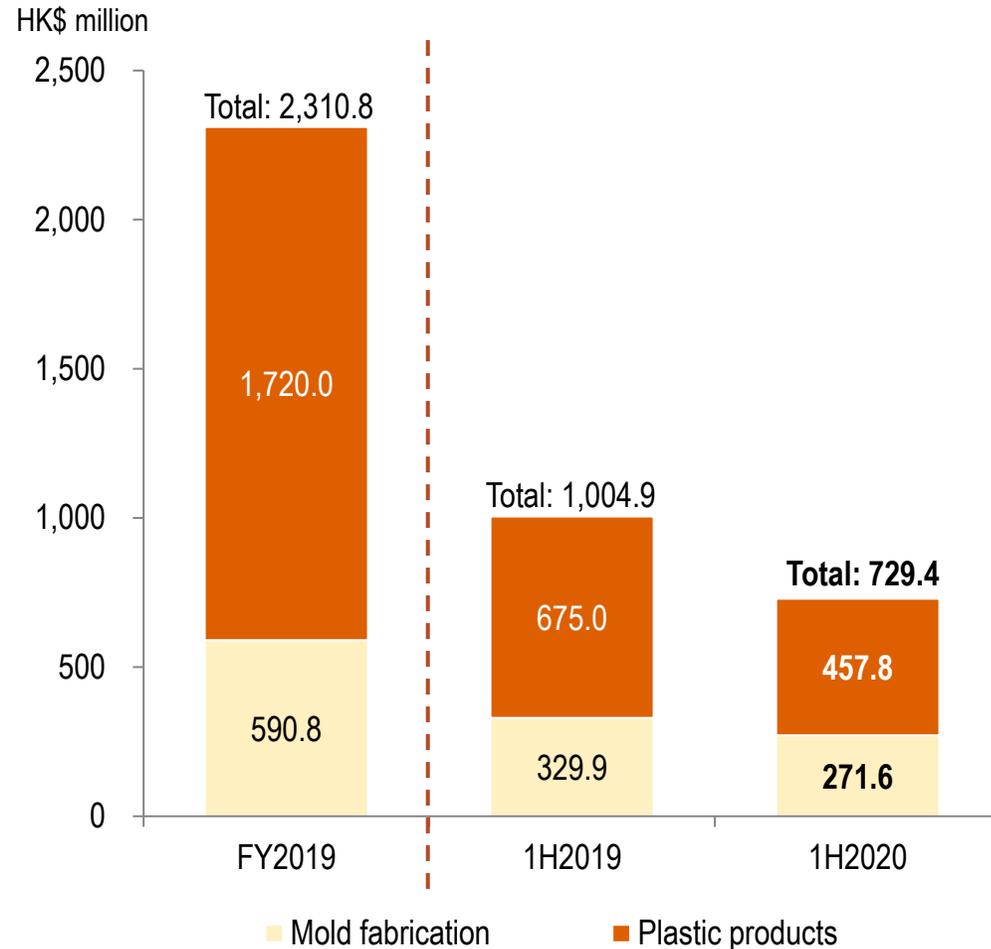
- Affected by the spread of Covid-19 across the world, city lockdowns in different regions affected the production of the Group, as well as the overall global consumption and economy

- During the severest period of the epidemic in the PRC from February to March, worker's return-to-work rate was very low due to traffic restriction
- Overseas brand customers delayed their delivery plans and suspended new orders, led to idle production capacity

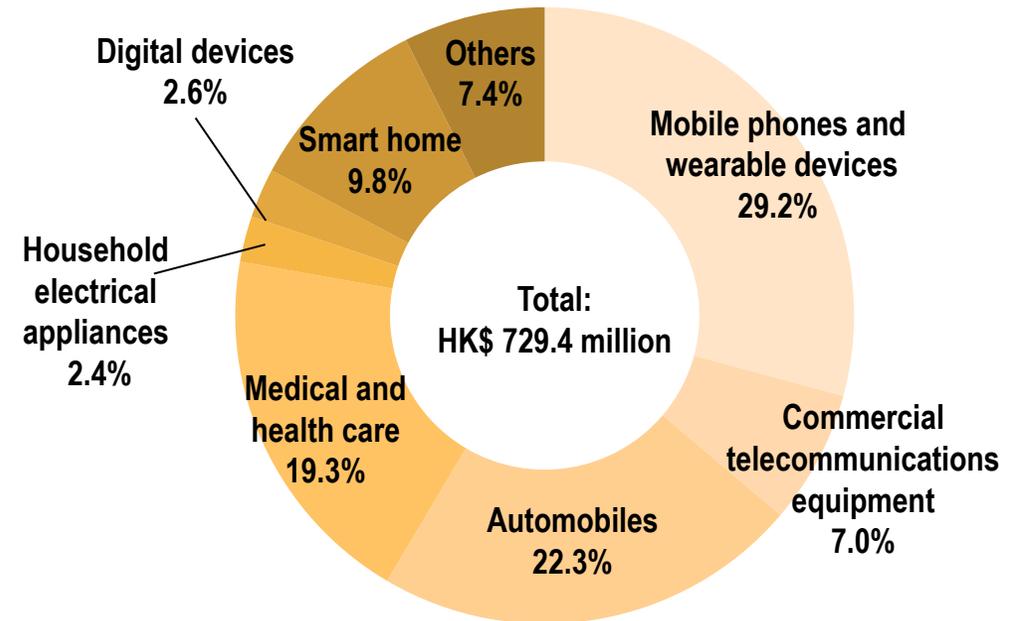
- Healthy financials support high dividend payout ratio
- Positioned as a high technology company with high dividend payout



Breakdown by business segment



Breakdown by downstream industry

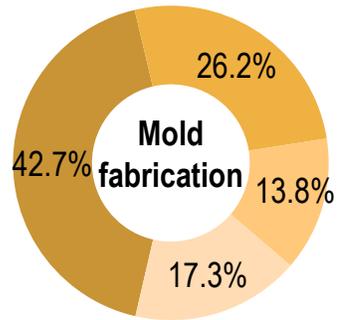


Segments	yoy change
Medical and health care	↑3.3%
Mobile phones and wearable devices	↓11.7%
Automobiles	↓20.7%
Smart home	↓32.6%

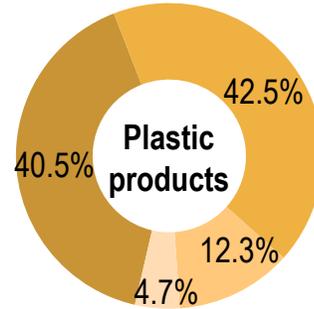


Gross Profit Analysis

Cost of sales



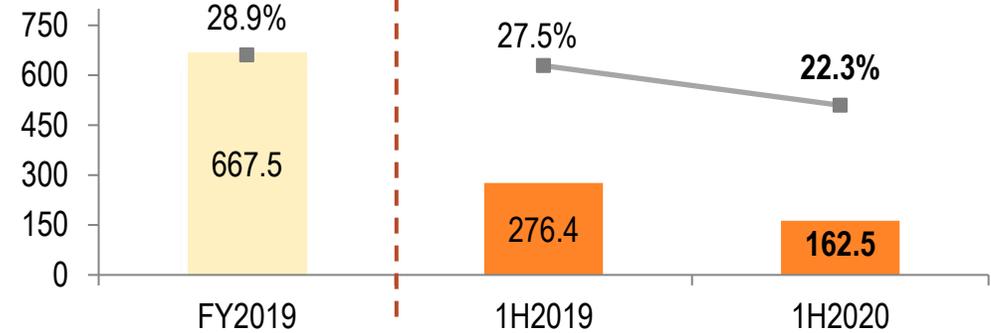
- Direct materials cost
- Direct labour cost



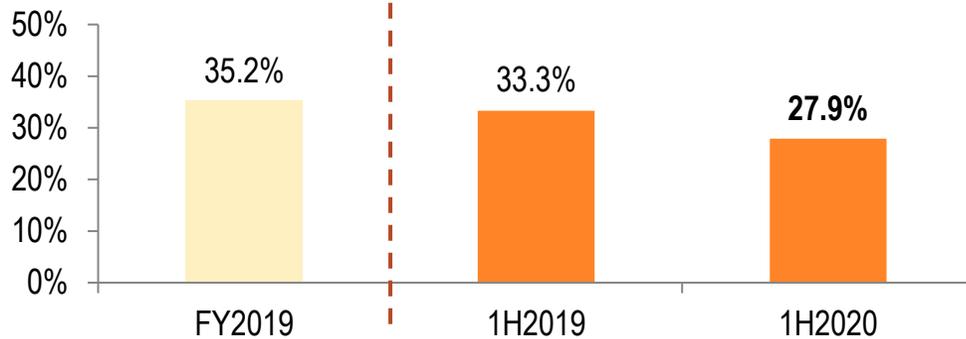
- Manufacturing overhead
- Subcontracting expenses

Gross profit & gross profit margin

HK\$ million

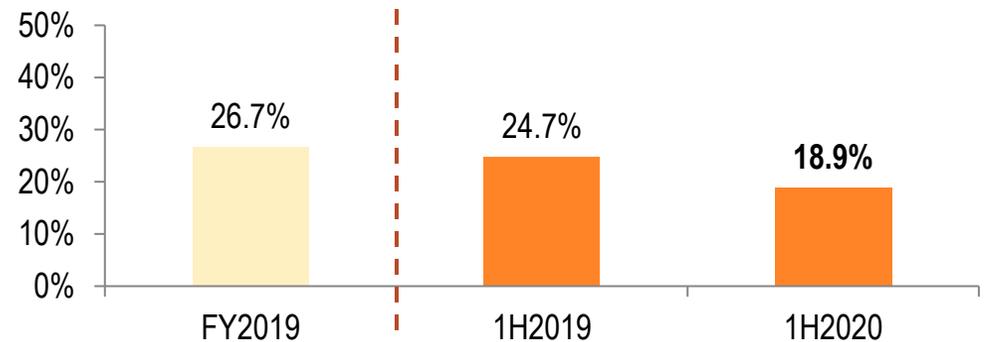


Gross profit margin – Mold fabrication



- Decrease in gross profit margin on new orders and the depreciation of Euro

Gross profit margin – Plastic products

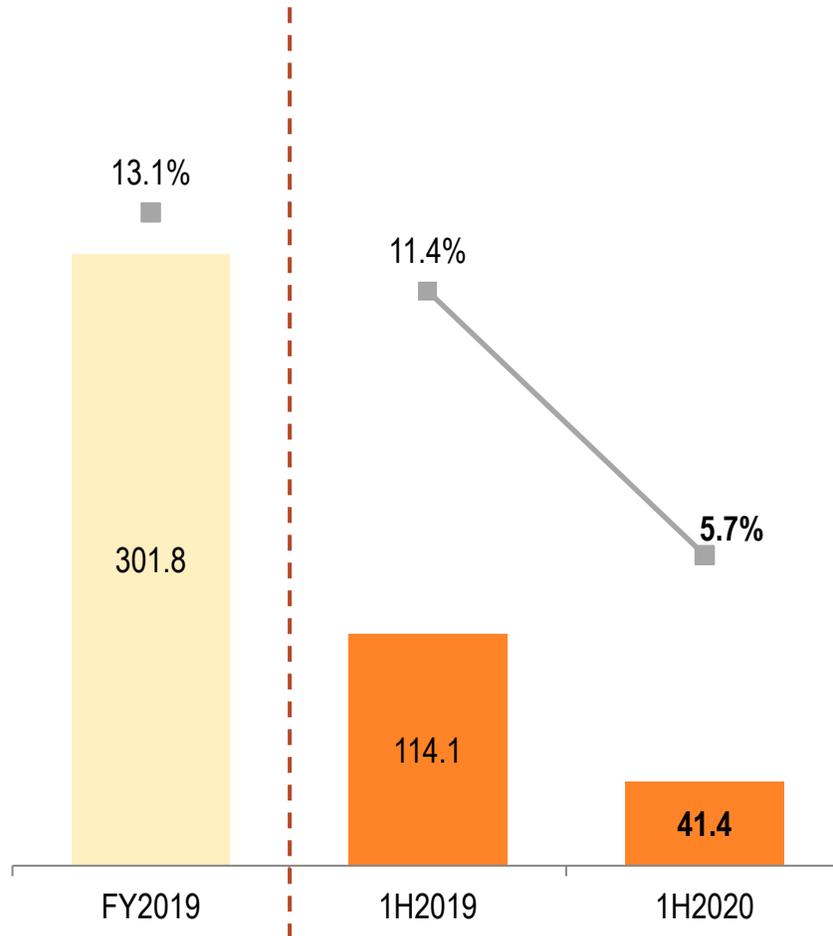


- Affected by Covid-19, machine idle time increased



Net profit & net profit margin

HK\$ million



Key expenses

HK\$ million	FY2019	1H2019	1H2020	Change
Selling expenses	80.7 (3.5% of revenue)	35.8 (3.6% of revenue)	32.2 (4.4% of revenue)	↓10.1%
Administrative expenses	269.6 (11.7% of revenue)	117.6 (11.7% of revenue)	110.4 (15.1% of revenue)	↓6.1%
Finance income / expenses - net*	1.4	0.1	-1.0	+ve to -ve
Income tax expense	58.7 (16.3% of profit before tax)	22.8 (16.7% of profit before tax)	5.6 (12.0% of profit before tax)	↓75.4%

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



Key Financial Indicators

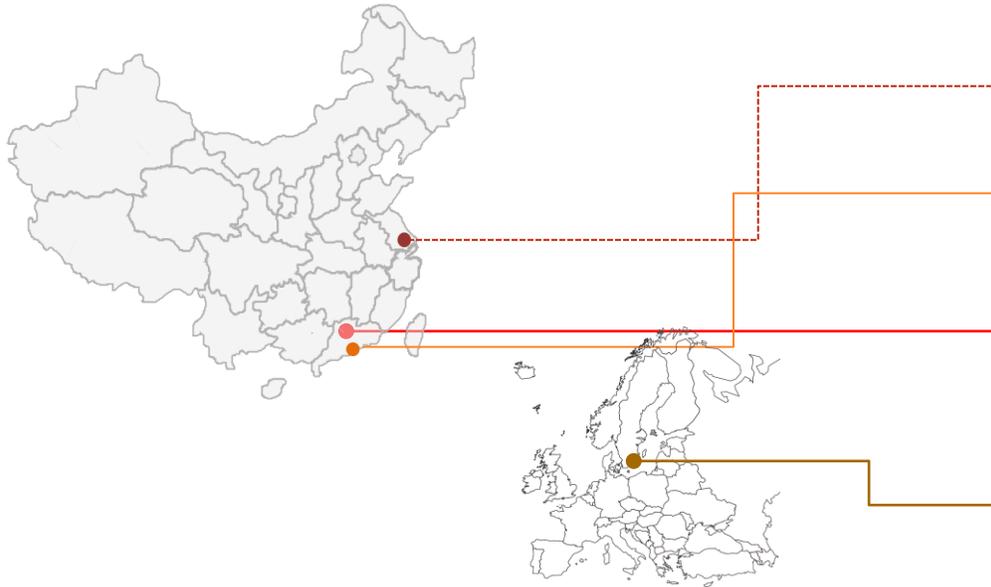
HK\$ '000	As at 31 December 2019	As at 30 June 2020	Change
Net current assets	619,628	640,682	↑3.4%
Cash and cash equivalents	735,110	813,407	↑10.7%
Current ratio	170.1%	173.8%	↑3.7p.p.
Quick ratio	125.2%	122.9%	↓2.3p.p.
Gearing ratio	20.3%	27.5%	↑7.2p.p.
Net gearing ratio[#]	0.0%	0.0%	--
Return on assets	13.0%	3.6%(annualized)	↓9.4p.p.
Return on equity	25.3%	7.4%(annualized)	↓17.9p.p.

Net gearing ratio = (Total borrowings – cash & deposits for bank borrowings) / Total equity x 100%
(Net cash as at 31 Dec 2019 and 30 June 2020 were HK\$ 493,150,000 and HK\$502,589,000 respectively, thus Net gearing ratio is 0%.)

For the six months ended 30 June	2019	2020	Change
Net cash generated from operating activities (HK\$'000)	79,308	174,678	↑120.3%
Inventory turnover days	91	137	↑46
Trade receivable turnover days	55	64	↑9
Trade payable turnover days	74	81	↑7



Production Base and Capacity



Production capacity by production base

Location	Suzhou, Jiangsu Province		G.F.A
Production base	TK Plastics Products	<i>High-tech enterprise</i>	12,582 sq.m.
Location	Shenzhen, Guangdong Province		G.F.A
Production base	▪ TK Mold	<i>High-tech enterprise</i>	34,483 sq.m.
	▪ TK Precision Plastics	<i>High-tech enterprise</i>	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	2019	1H2019	1H2020	Change
Utilisation rate	91.2%	86.4%	82.8%	↓3.6p.p.



Plastic products	2019	1H2019	1H2020	Change
Utilisation rate	56.3%	48.6%	30.4%	↓18.2p.p.

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



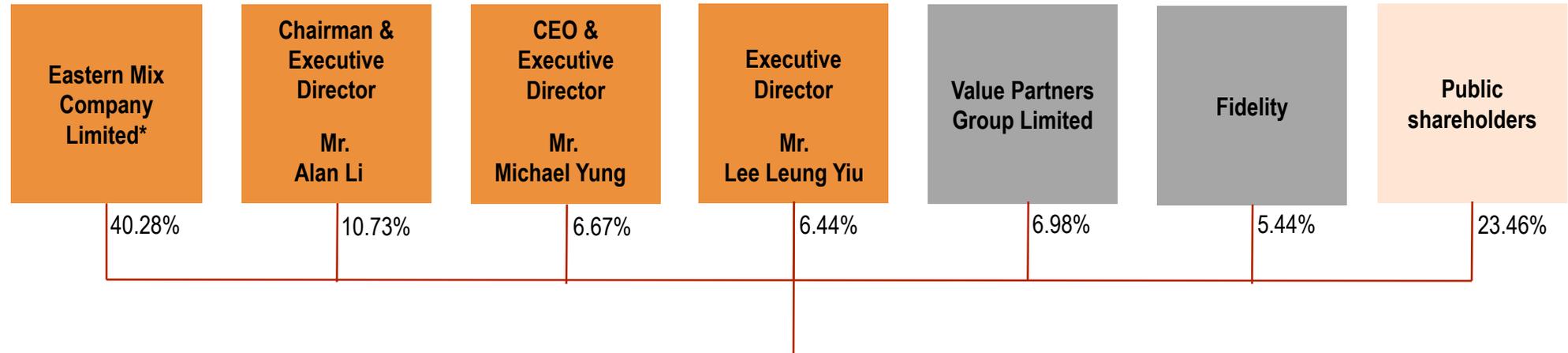
Calculation of Utilisation Rate

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

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



Shareholding Structure

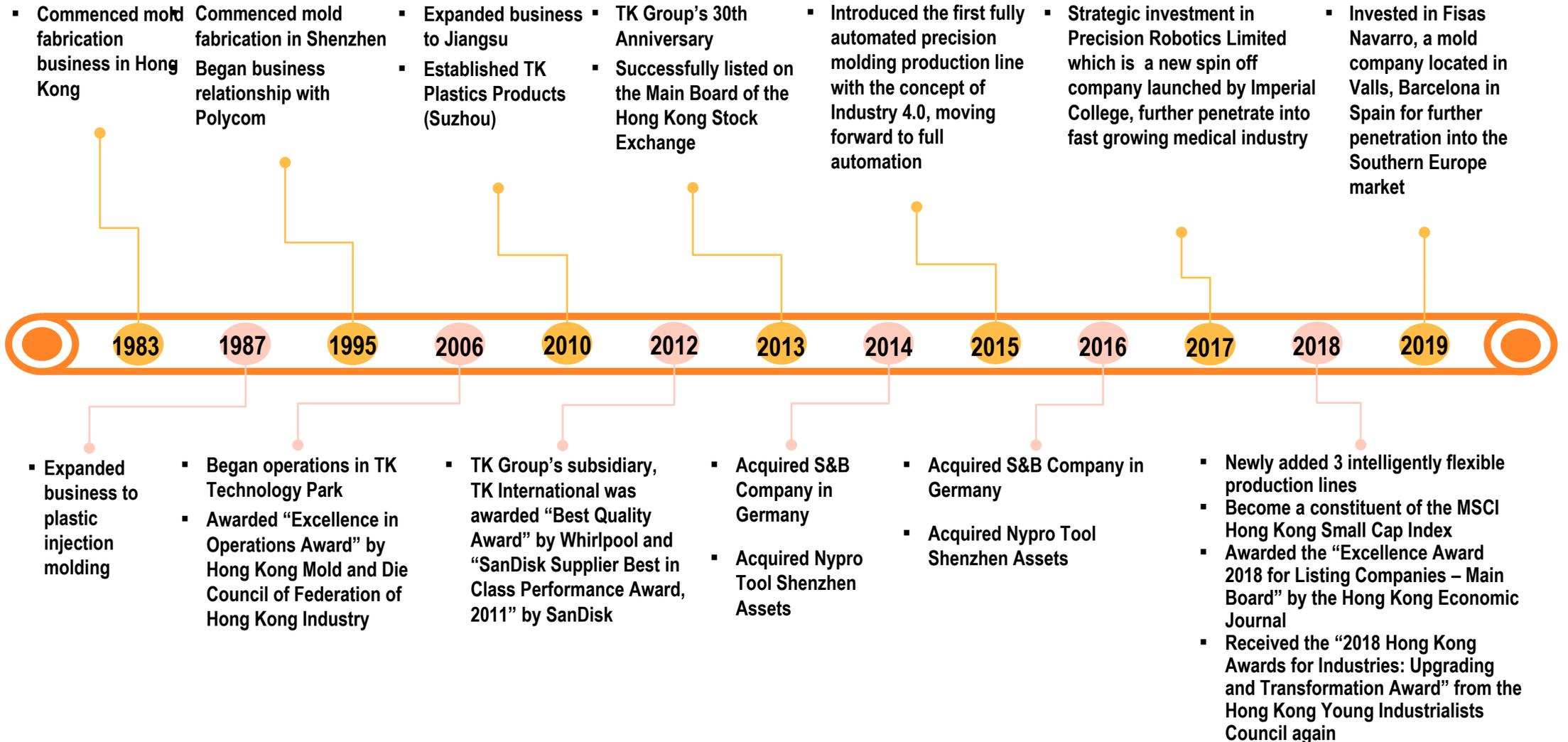


Number of issued shares (as of 21 August 2020): 833,260,000 shares

*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

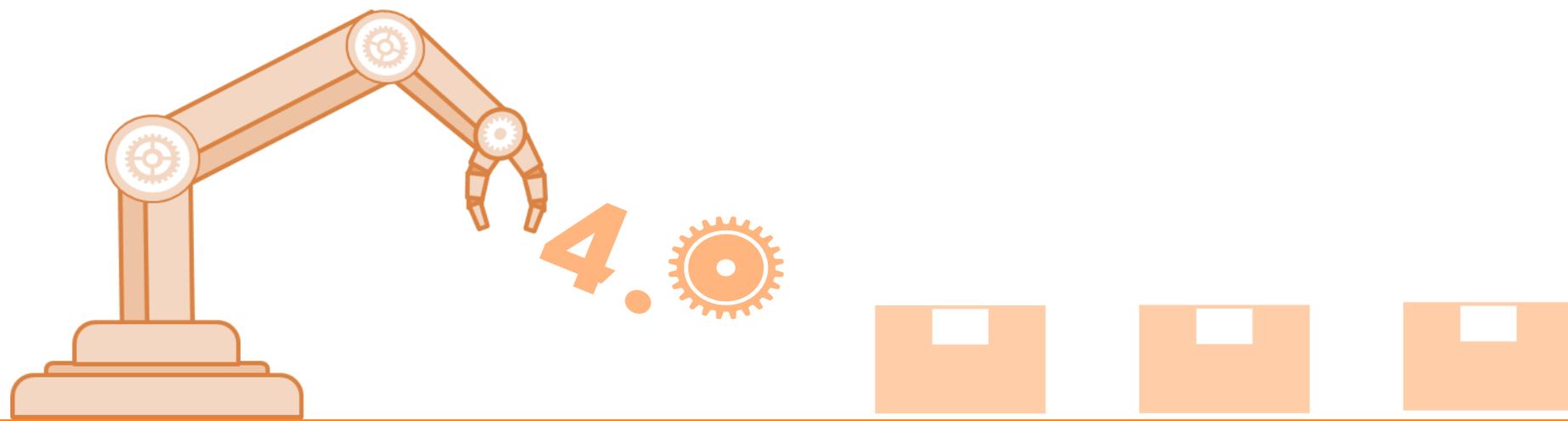


Corporate Milestones





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.

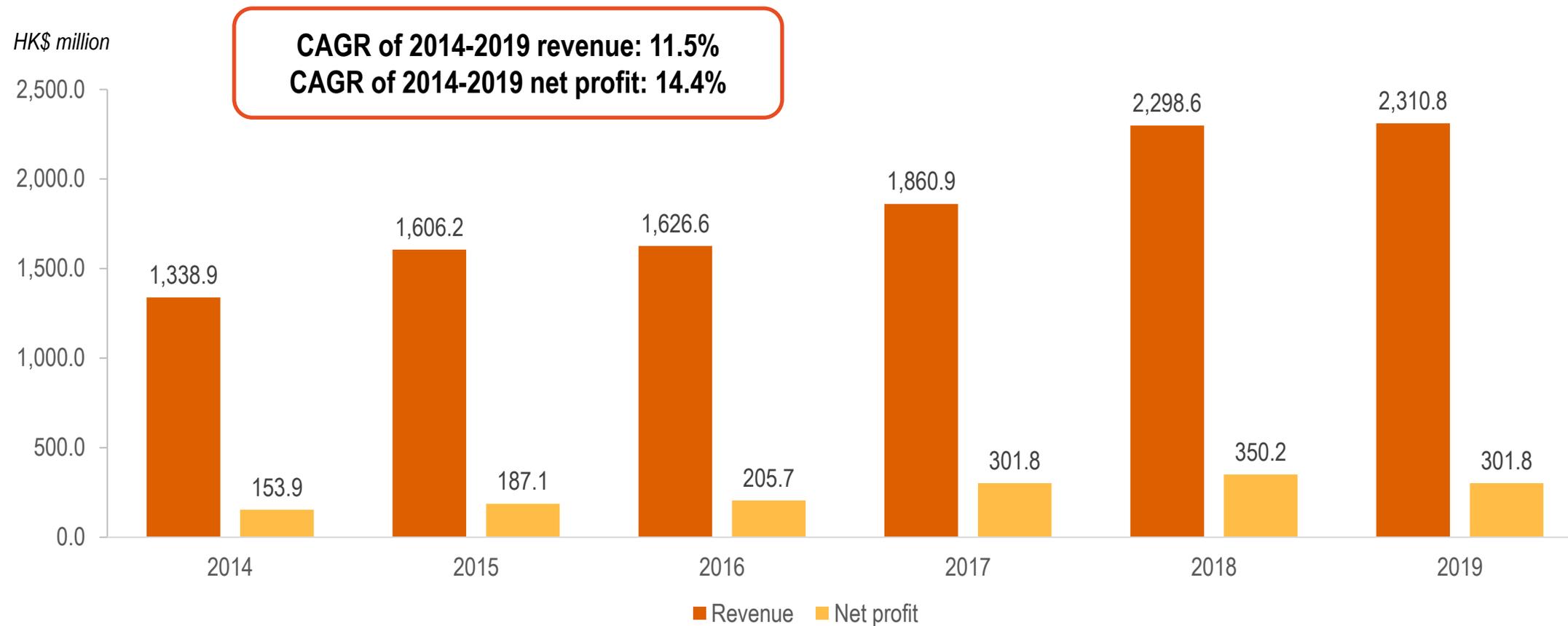


Appendix



Sustainable Growth and Fruitful Return

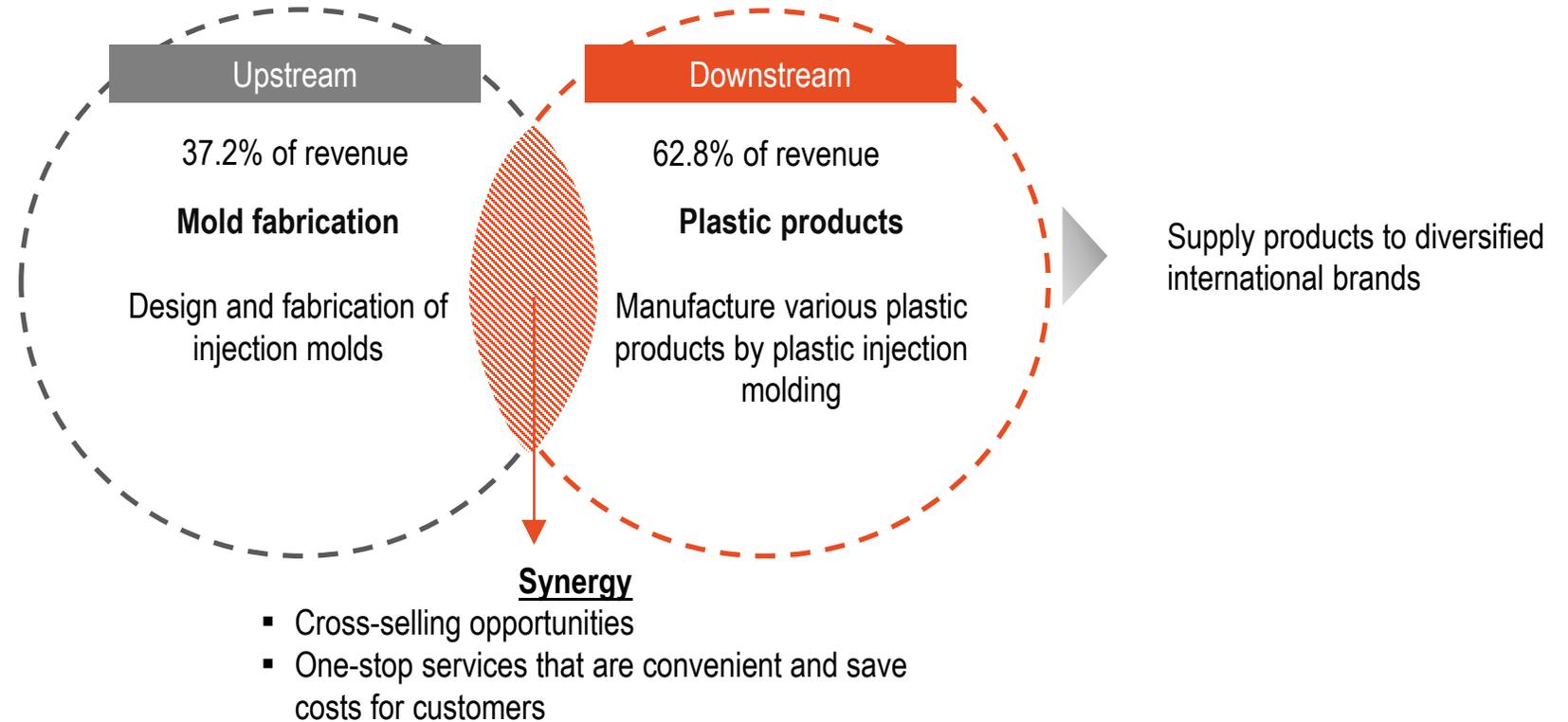
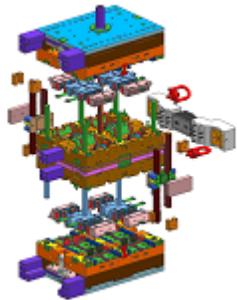
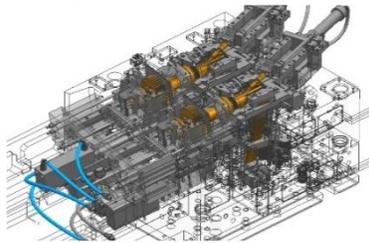
HK\$ '000	2015	2016	2017	2018	2019
Dividend payout ratio	44.2%	56.3%	46.9%	47.6%	38.7%





For the six months ended 30 June 2020

Leading One-stop Plastics Solutions Provider



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

Source: Ipsos



Smart home



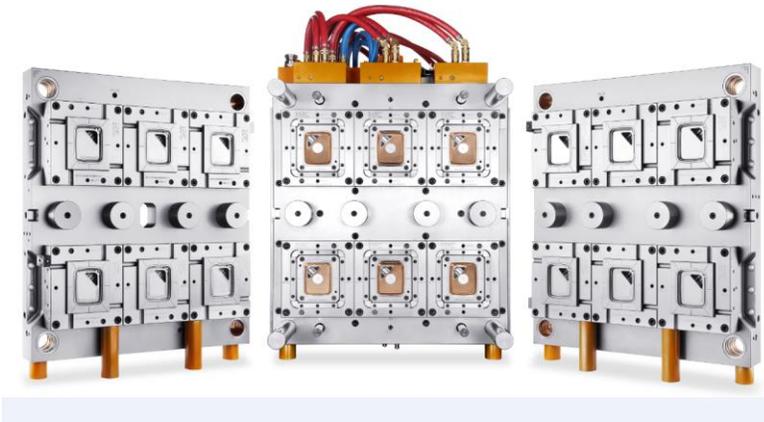
Mobile phones and wearable devices



Medical and health care



Automobiles Mold





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 1H2020 GP margin: 27.9%

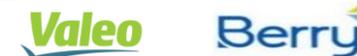
- 55 patents:
 - 5 invention patents
 - 3 software patents
 - 47 utility model patents
- Technological capabilities to comply with the stringent requirements of downstream customers:
 - Precision - Tooling-life
 - Reliability - Quality
- Meet the MT1 precision level as defined by the “National Standard 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 1H2020 GP margin: 18.9%

- 103 utility model patents
 - 1 invention patent
 - 102 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

HK\$ '000	For the year ended 31 December	For the six months ended 30 June	
	2019	2019	2020
Revenue	2,310,842	1,004,945	729,393
Cost of sales	(1,643,367)	(728,575)	(566,914)
Gross profit	667,475	276,370	162,479
Other income	50,147	22,737	19,704
Other gains / (losses) — net	(5,842)	(8,639)	7,052
Selling expenses	(80,690)	(35,798)	(32,168)
Administrative expenses	(269,567)	(117,640)	(110,416)
Operating profit	361,523	137,030	46,651
Interest income	20,220	10,814	6,792
Interest expenses	(21,615)	(10,908)	(5,800)
Share of net profit / (loss) of an associate accounted for using the equity method	371	--	(671)
Profit before income tax	360,499	136,936	46,972
Income tax expense	(58,696)	(22,813)	(5,615)
Profit for the period attributable to owners of the Company	301,803	114,123	41,357
Basic earnings per share (HK cents)	36	13.7	5.0
Dividends per share (HK cents)	14	5.0	2.0
Gross profit margin	28.9%	27.5%	22.3%
Net profit margin	13.1%	11.4%	5.7%



Consolidated Statement of Financial Position

<i>HK\$ '000</i>	As at 31 December 2019	As at 30 June 2020
Non-current assets	820,598	748,354
Investment in an associate	15,526	14,855
Property, plant and equipment	592,278	552,951
Intangible assets	13,831	22,972
Prepayments for property, plant and equipment	22,812	14,948
Right-of-use assets	142,530	109,007
Financial assets at fair value through profit or loss	33,621	33,621
Current assets	1,503,945	1,508,678
Inventories	397,041	441,959
Trade and other receivables	371,794	253,312
Deposits for bank borrowings	134,594	134,075
Restricted cashes	17,638	880
Cash and cash equivalents	582,878	678,452
Total assets	2,324,543	2,257,032
Non-current liabilities	248,761	259,621
Non-current bank borrowings	75,911	122,492
Deferred income on government grants	36,442	40,910
Deferred income tax liabilities	43,737	40,877
Lease liabilities	92,671	55,342
Current liabilities	884,317	867,996
Trade and other payables	411,751	307,918
Contract liabilities	226,663	284,717
Income tax liabilities	21,299	21,643
Bank borrowings	166,049	188,326
Lease liabilities	58,555	65,392
Total liabilities	1,133,078	1,127,617
Net current assets	619,628	640,682
Equity		
Share capital	83,326	83,326
Share premium	251,293	251,293
Shares held for employee share scheme	(5,517)	(10,416)
Other reserves	21,188	(2,327)
Retained earnings	841,175	807,539
Total equity	1,191,465	1,129,415



Thank You

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