



東江集團(控股)有限公司
TK GROUP (HOLDINGS) LIMITED

(Stock code: 2283)

2021 Annual Results

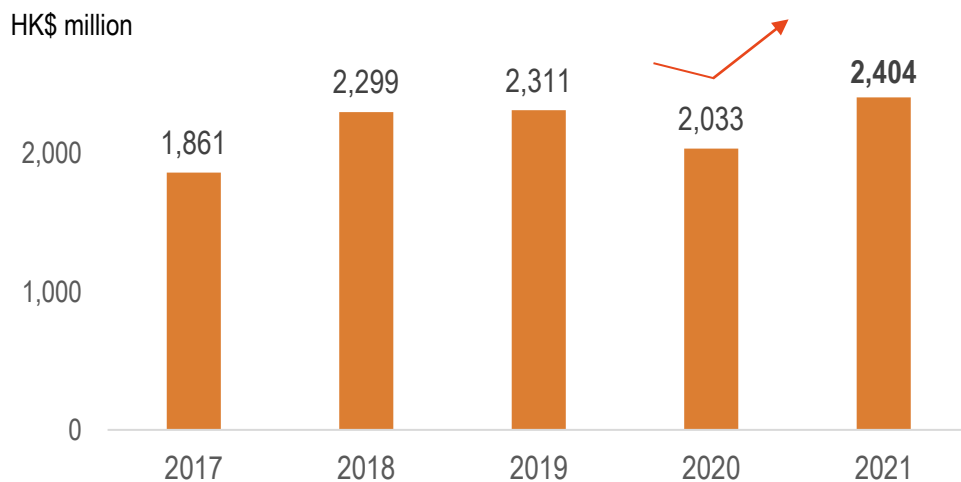
The background of the slide is a collage of industrial and technological images. On the right, a close-up of a metal drill bit is shown. In the center, a person's hands are seen interacting with a tablet computer that displays various data and charts. On the left, there is a bright, glowing orange and yellow light effect, possibly representing a welding or manufacturing process. The overall color scheme is dominated by warm tones of orange and yellow.

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

About TK Holdings

Stock code	: 2283.HK
Listing date	: December 2013
No. of issued share capital (as at 25 March 2022)	: 833,260,000 shares
Share price (as at 25 March 2022)	: HK\$ 2.28
Market cap (as at 25 March 2022)	: HK\$ 1.9 billion

5 Year Revenue Performance



Results Highlights

Global economy has been slowly recovering from the epidemic. In Europe and US, economic activities have been gradually restored and large-scale stimulus measures have been implemented to boost the economy and consumption. **The Group's revenue has recovered from the epidemic to a similar level of 2019**

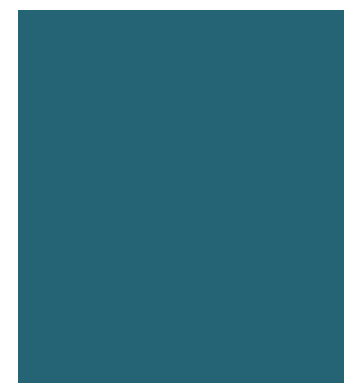
- **Robust growth** from downstream segments such as **mobile phones and wearable devices, commercial telecommunications equipment** and **smart home**. The new segment **electronic atomizers also delivered impressive results**
- **Orders on hand was HK\$918.3 m, slightly decreased by 0.7% yoy**
- A high technology company with **continuous dividend payout**, full-year payout ratio at 41.3%

2021 Annual Results

HK\$'000	2021	yoy change
Revenue	2,404,398	↑18.2%
Net Profit	282,383	↑34.7%
Basic earnings per share (HK cents)	34.0	↑36.0%
Proposed final dividend per share (HK cents)	8.6	↑7.5%
Full-year dividend payout ratio	41.3%	↑1.6 p.p.
Gross profit margin	23.7%	↓2.5p.p.
Net profit margin	11.7%	↑1.4p.p.



Business Review





01

Business rebounded to Pre-COVID-19 level



02

Supply chain disruption affected cost of sales and production schedule, **causing impact on gross profit and inventory**



03

Maintained diversified downstream customer base to ensure business stability



04

Seized opportunities to boost business, including smart home, electronic atomizers and medical and health care



05

Maintained growth momentum with more aggressive business approach and capital investments (incl. in regions outside Shenzhen) to pursue higher growth



2021 top six customers

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

▶ The top six customers contributed **50.2%** of TK's revenue in 2021

Projects on hand for 2022



Industry	Amount (HK\$ million)
Automobile	309.4
Medical and health care	192.6
Smart home	107.9
Mobile phones and wearable devices	104.8
Others	74.0
Commercial telecommunications equipment	71.0
Household electric appliance	25.2
Digital devices	24.1
Electronic atomizers	9.3
Total	918.3

Projects on hand as at **31 December 2021**

Amounted to **HK\$ 918.3 million**

▼ **0.7%** compared with 2020-year end



Dual Circulation Opportunity

Riding on China's stimulus measures & 'Internal Circulation' strategy to develop new domestic customers

M&A Opportunity & Further Investment

With a healthy financial position, continue to seek M&A opportunity & further investment in new technology and medical business

In the 1H2021, the Group acquired all assets of Dongguan Accor silica gel products Co., Ltd

Plastic Injection to Double Sales in 5 Years

Internal incentives scheme;
More aggressive pricing strategy



Continue Expansion

Set up an injection molding production base in Vietnam, will commence the second phase of production in the 2H2022;
Further expansion of the Huizhou production base

Diversify Customer Base

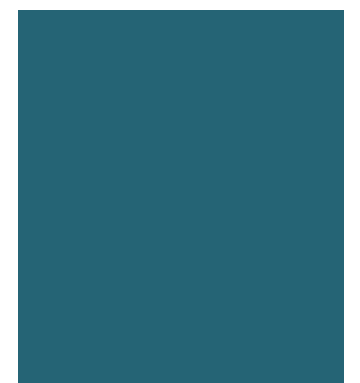
Further develop emerging sectors such as smart home, electronic atomizers, medical devices etc.

Precision Mold Business

More focus on precision mold on tooling business;
Seize the opportunities from domestic consumption upgrade



■ 2021 Annual Results



	For the year ended 31 December		
HK\$ '000	2020	2021	Change
Revenue	2,033,419	2,404,398	↑18.2%
Gross profit	532,633	569,167	↑6.9%
Operating profit	234,858	305,856	↑30.2%
Profit attributable to owners of the Company	209,687	282,383	↑34.7%
Basic earnings per share (HK cents)	25	34	↑36.0%
Gross profit margin	26.2%	23.7%	↓2.5p.p.
Net profit margin	10.3%	11.7%	↑1.4p.p.
Dividend per share (HK cents)			
- Interim	2.0	5.4	↑170.0%
- Final	8.0	8.6	↑7.5%
Dividend payout ratio	39.7%	41.3%	↑1.6 p.p.

▪ Global economy has been slowly recovering from the epidemic. In Europe and US, economic activities have been gradually restored and large-scale stimulus measures have been implemented to boost the economy and consumption. The Group's revenue has recovered from the epidemic to a similar level of 2019

▪ Effective control of the sales and administrative expenses, resulted in significant profit growth

▪ Healthy financials supports continuous dividend payout



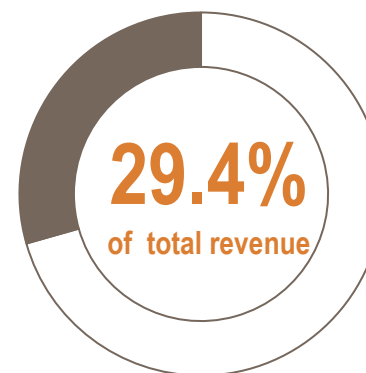
Segment revenue

706.0
HK\$ million

↑ **0.8%**

27.1%
Gross Profit Margin

↓ **0.3 p.p.**



Although global economy has gradually recovered, uncertainties such as **delayed impacts of the epidemic** led to **the continuous price pressure from customers** and fierce market competition

The Group will continue to **enhance its knowhow**, expand product portfolio, strengthen customer relations in order to provide high-quality mold and design solutions and **maintain competitive advantage**



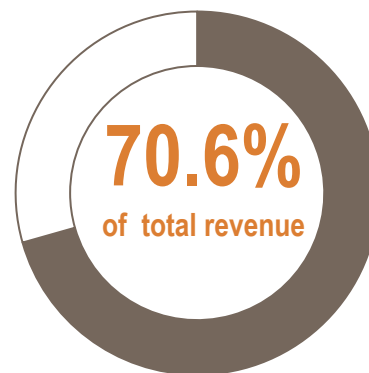
Segment revenue

1,698.4
HK\$ million

↑27.4%

22.2%
Gross Profit Margin

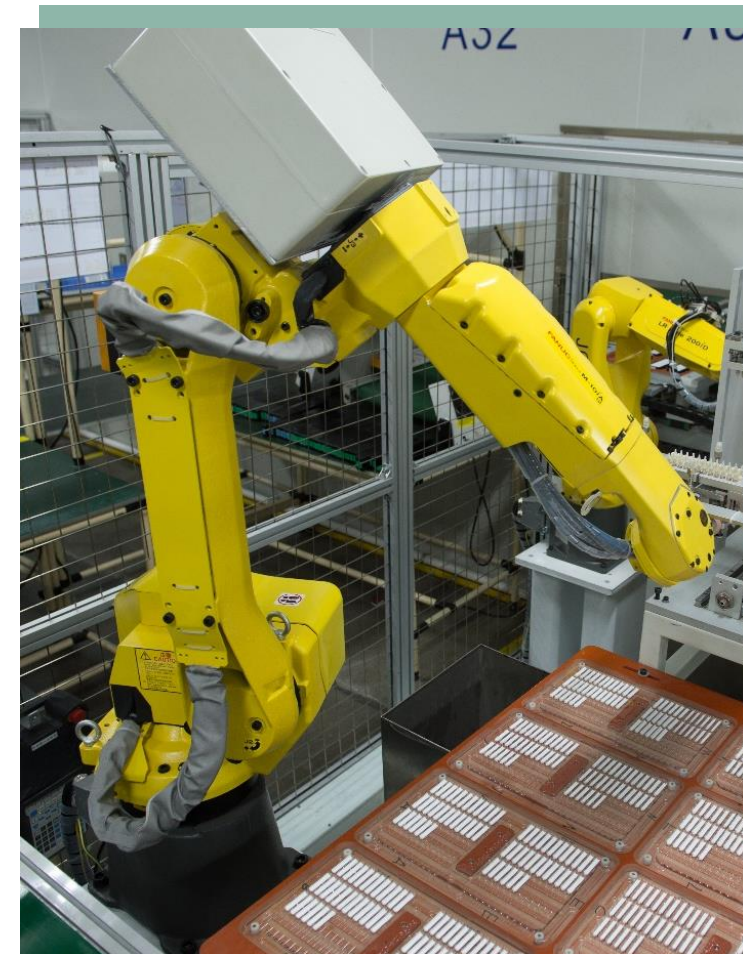
↓3.4 p.p.



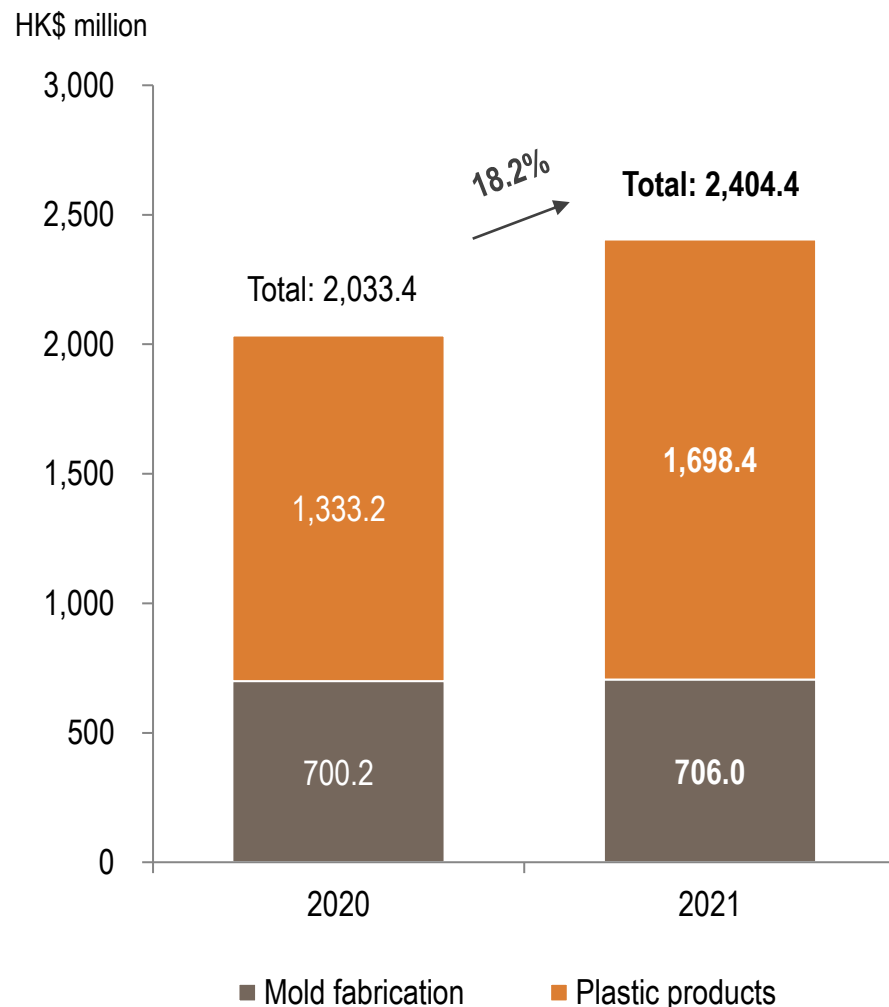
Proven **customer diversification strategy**. Various sectors of the segment have shown recovery

Raw materials price increased rapidly in a short period of time, it is difficult to fully transfer the cost to customers. Tight logistics, shortage of semiconductors and production schedule disruption also led to the **decline in production efficiency and utilization**

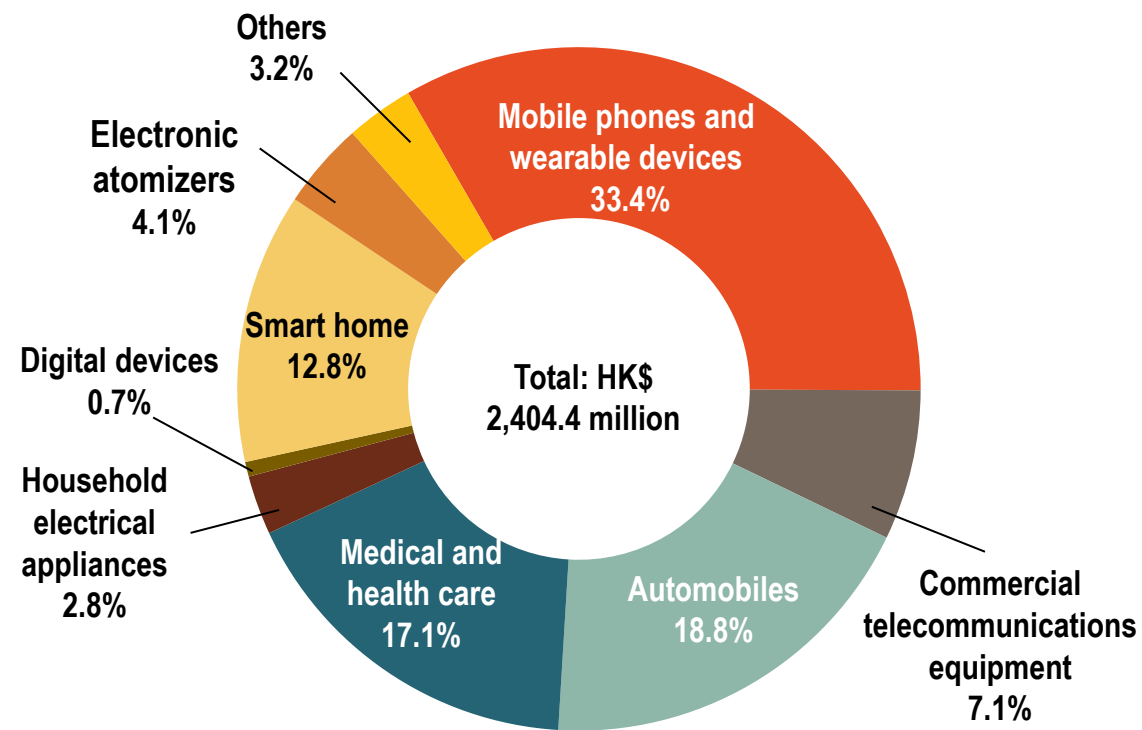
With the improvement of material supply, the easing of logistics difficulties, and a certain number of **new projects entering mass production stage**, the capacity utilization rate will increase, bringing the **gross profit margin to a healthy level**



Breakdown by business segment



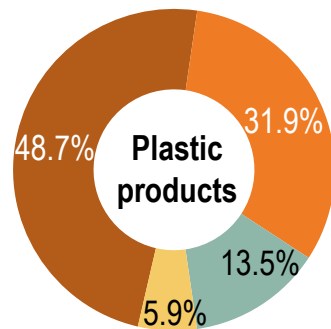
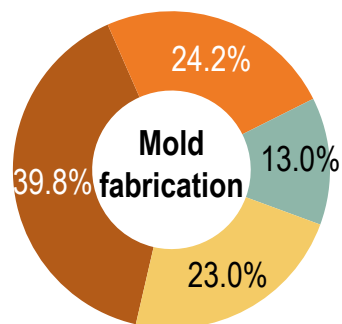
Breakdown by downstream industry



Downstream Segments	Change
Electronic atomizers	↑325.9%
Commercial telecommunications equipment	↑70.5%
Smart home	↑51.1%

Gross Profit Analysis

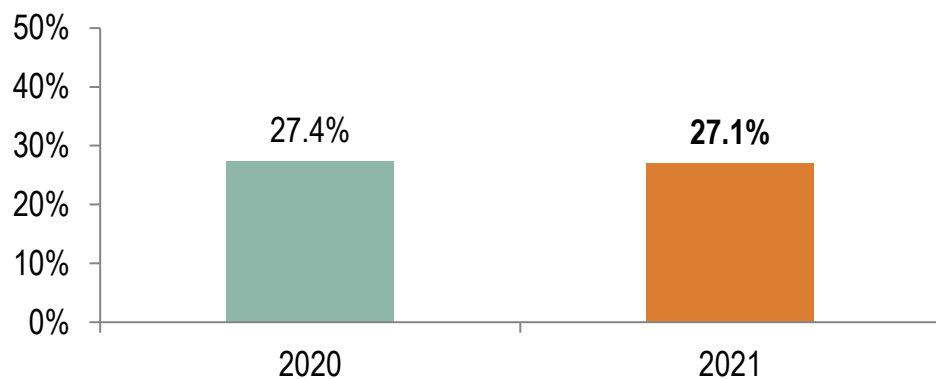
Cost of sales



Direct materials cost
Direct labour cost

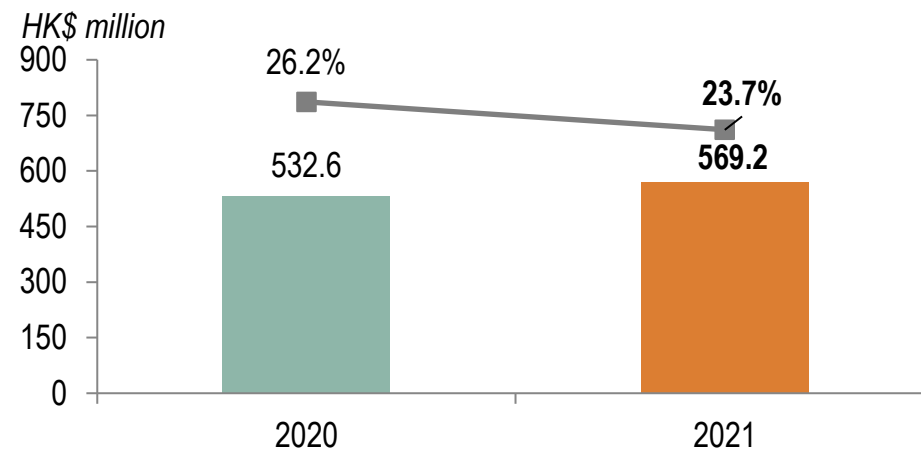
Manufacturing overhead
Subcontracting expenses

Gross profit margin – Mold fabrication

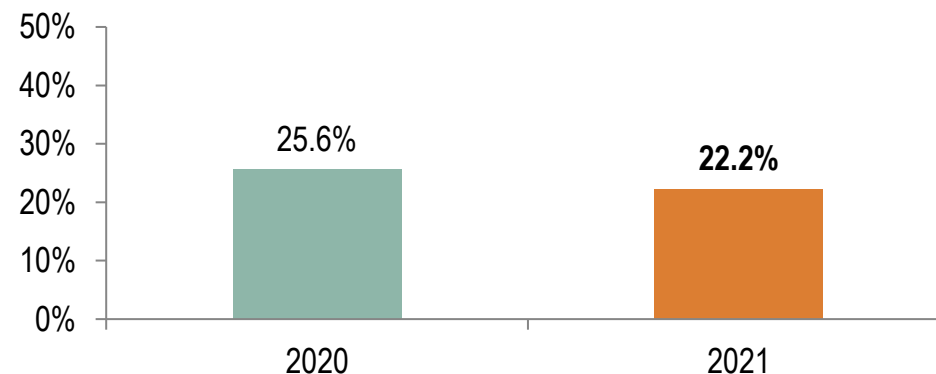


- Under the macro uncertainties such as the extended impacts of the epidemic, the price negotiation pressure from customers continued

Gross profit & gross profit margin



Gross profit margin – Plastic products

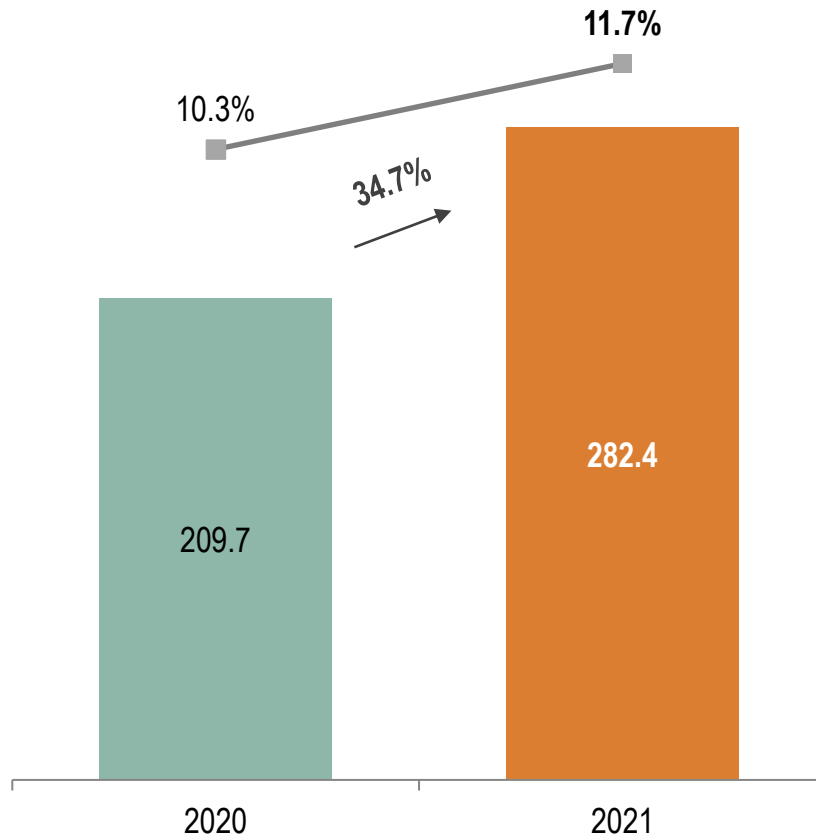


- The increased of raw material prices, shortage of semiconductors and the interruption of production schedules led to the decline in production efficiency



Net profit & net profit margin

HK\$ million



Key expenses

HK\$ million	2020	2021	Change
Selling expenses	71.1 (3.5% of revenue)	79.3 (3.3% of revenue)	↑11.4%
Administrative expenses	254.7 (12.5% of revenue)	247.0 (10.3% of revenue)	↓3.0%
Finance Income / (expenses) - net*	-5.0	-18.1	↑260.3%
Income tax expense	30.9 (12.8% of PBT)	42.1 (13.0% of PBT)	↑36.6%

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

Key Financial Indicators













HK\$ '000	As at 31 December 2020	As at 31 December 2021	Change
Net current assets	835,259	1,162,975	↑39.2%
Total cash and bank balances	1,069,120	1,203,236	↑12.5%
Current ratio	182.5%	220.7%	↑38.2p.p.
Quick ratio	138.3%	169.2%	↑30.9p.p.
Gearing ratio	20.2%	20.9%	↑0.7p.p.
Net gearing ratio [#]	0.0%	0.0%	--
Return on assets	8.2%	9.9%	↑1.7p.p.
Return on equity	15.0%	17.4%	↑2.4p.p.

Net gearing ratio = (Total borrowings – cash & deposits for bank borrowings) / Total equity x 100%
 (Net cash as at 31 Dec 2021 and 31 Dec 2020 were HK\$ 864,067,000 and HK\$ 786,885,000 respectively, thus Net gearing ratio is 0%.)

For the year ended 31 December	2020	2021	Change
Net cash generated from operating activities (HK\$'000)	518,110	363,411	↓29.9%
Inventory turnover days	105	98	↓7
Trade receivable turnover days	54	50	↓4
Trade payable turnover days	74	62	↓12

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	<ul style="list-style-type: none"> TK Mold <i>High-tech enterprise</i> 	36,177 sq.m.
		Production base	<ul style="list-style-type: none"> TK Precision Plastics <i>High-tech enterprise</i> 	92,457 sq.m.
		Location	Huizhou, Guangdong Province	G.F.A
		Production base	<ul style="list-style-type: none"> TK Precision Plastics <i>High-tech enterprise</i> TK Techco Silicone Rubber 	15,994 sq.m. 22,195 sq.m.
		Location	Dongguan, Guangdong Province	G.F.A
		Production base	<ul style="list-style-type: none"> TK Techco Silicone 	1,800 sq.m.
		Location	Vietnam	G.F.A
		Production base	<ul style="list-style-type: none"> TK Precision Technology 	693 sq.m.
		Location	Germany	G.F.A
		Production base	<ul style="list-style-type: none"> TK Mold 	1,203 sq.m.

Utilisation of Machines

Mold fabrication	2020	2021	Change
Utilisation rate	89.7%	91.0%	↑1.3p.p.

Plastic products	2020	2021	Change
Utilisation rate	41.0%	55.7%	↑14.7p.p.

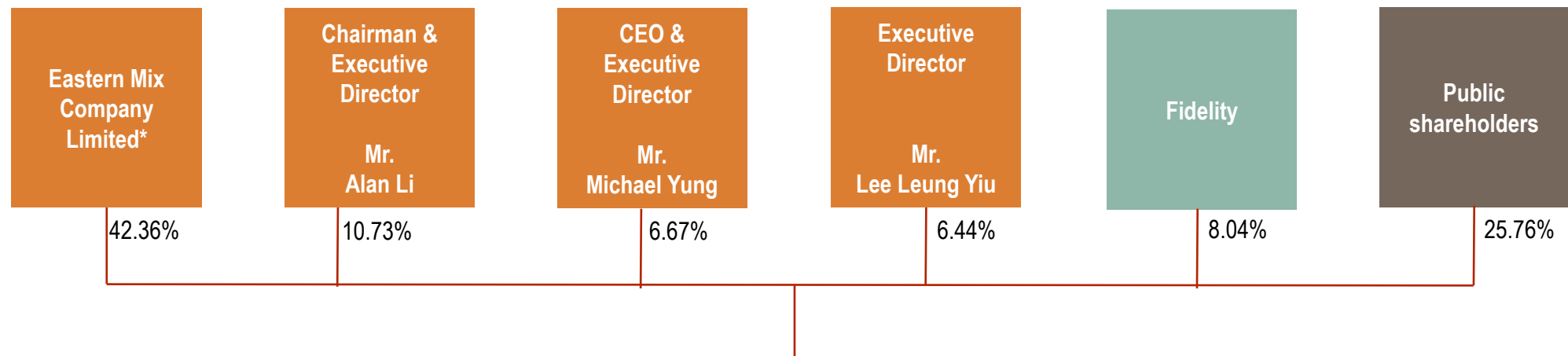


Calculation of Utilisation Rate

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

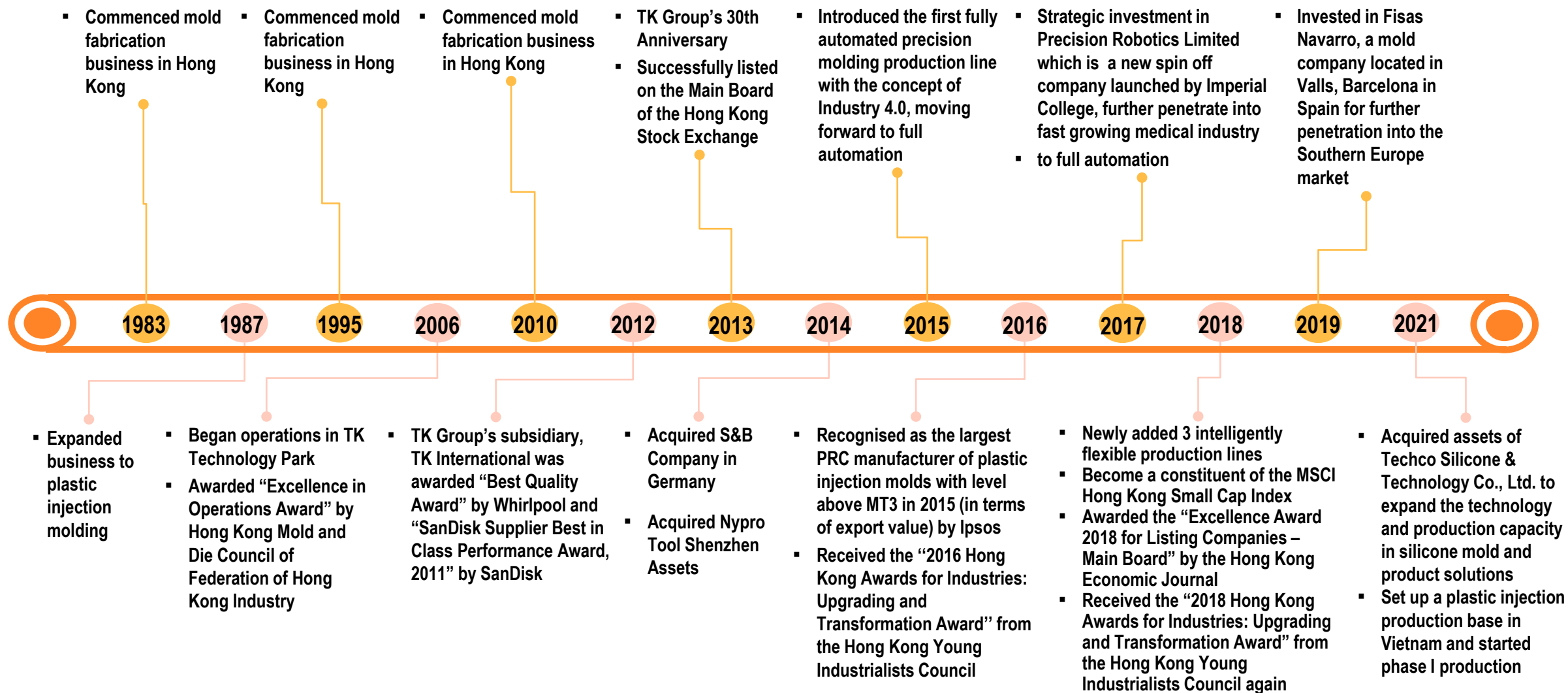
*Includes actual production time, molding time, adjustment time, testing time and sample making time etc.

Shareholding Structure







Number of issued shares (as of 25 March 2022): 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*





Name & title	Major responsibilities	Years of professional experience
 <p>Mr. Alan Li <i>Chairman & Executive Director</i></p>	<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
 <p>Mr. Michael Yung <i>CEO & Executive Director</i></p>	<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
 <p>Mr. Lee Leung Yiu <i>Executive Director</i></p>	<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
 <p>Mr. Franky Cheung <i>CFO & Executive Director</i></p>	<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.



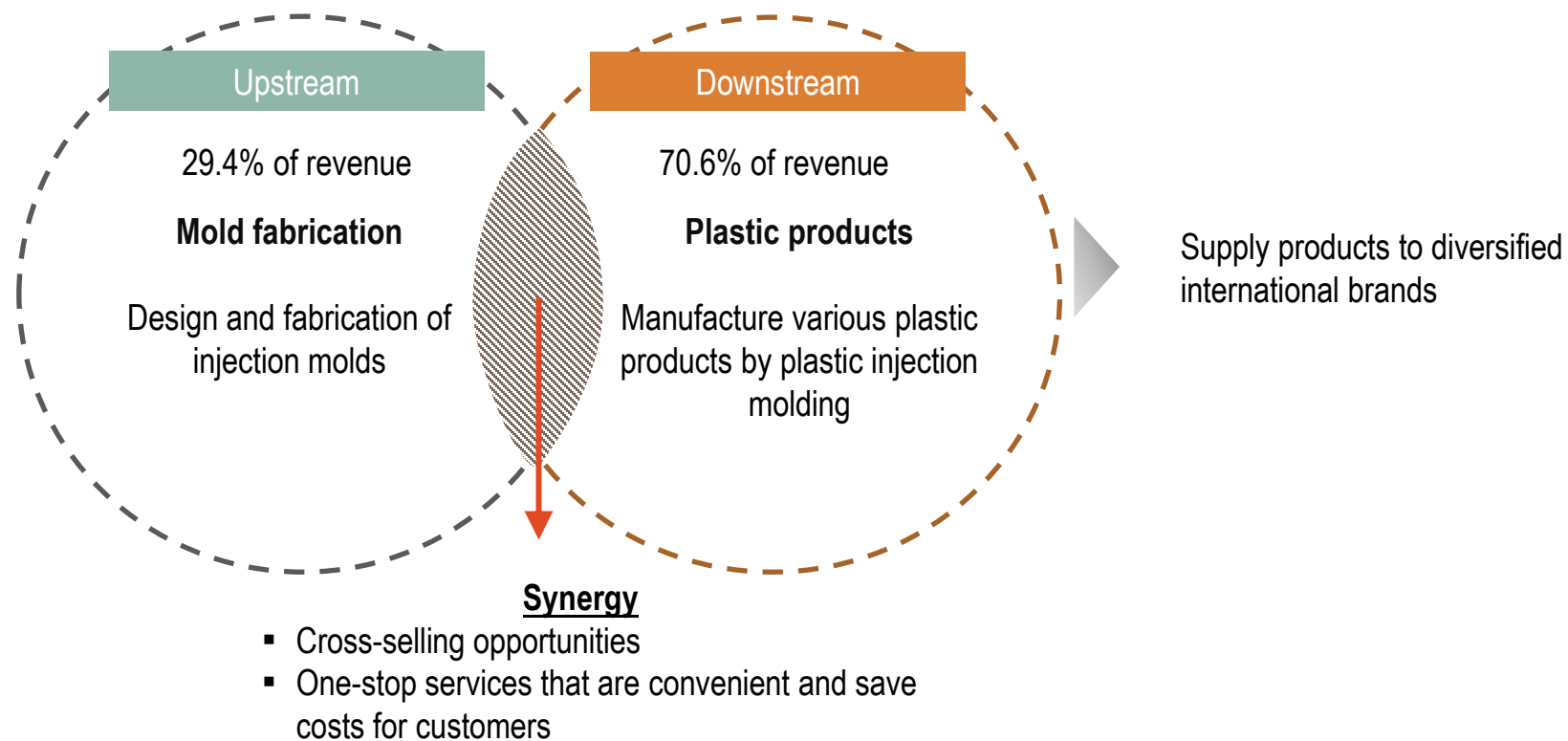
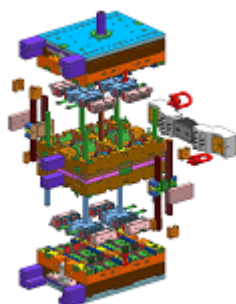
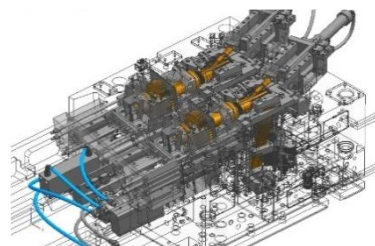
Appendix





For the year ended 31 December 2021

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



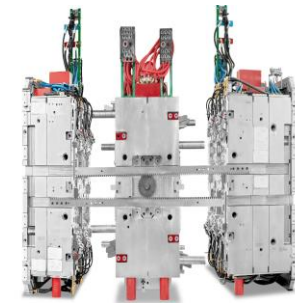
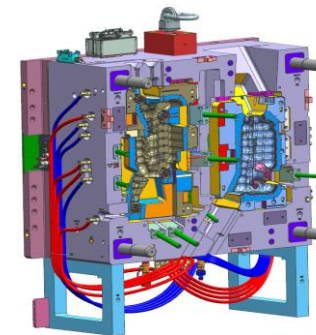
Mobile phones and wearable devices

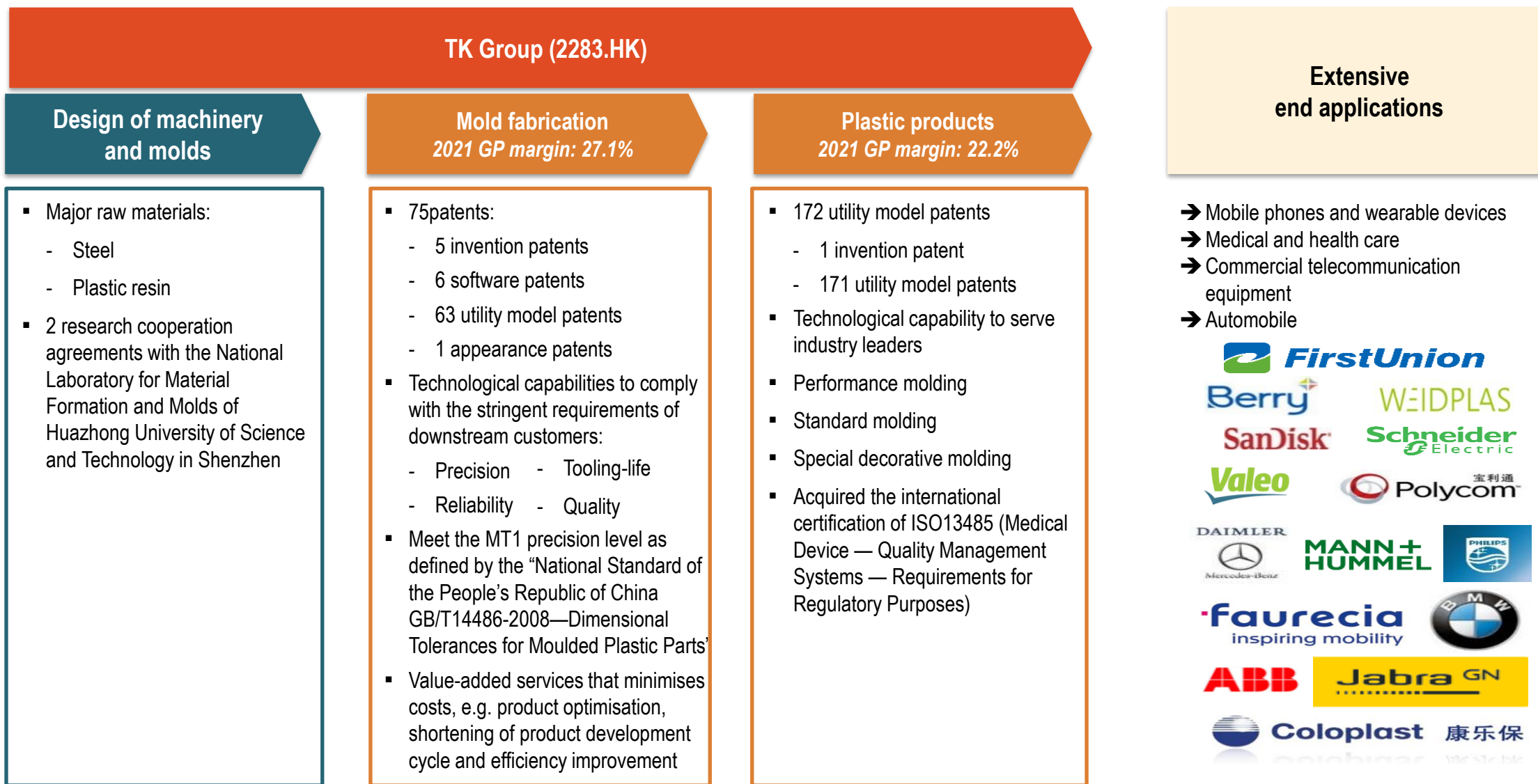


Medical and health care



Mobile phones and wearable devices





Consolidated Income Statement



HK\$ '000	For the year ended 31 December	
	2020	2021
Revenue	2,033,419	2,404,398
Cost of sales	(1,500,786)	(1,835,231)
Gross profit	532,633	569,167
Other income	58,835	51,869
Other gains / (losses) — net	(30,761)	11,076
Selling expenses	(71,130)	(79,252)
Administrative expenses	(254,719)	(247,004)
Operating profit	234,858	305,856
Interest income	15,025	24,513
Interest expenses	(9,991)	(6,376)
Share of profit of an associate	650	527
Profit before income tax	240,542	324,520
Income tax expense	(30,855)	(42,137)
Profit for the Year attributable to owners of the Company	209,687	282,383
Basic earnings per share (HK cents)	25	34
Dividends per share (HK cents)	10	14
Gross profit margin	26.2%	23.7%
Net profit margin	10.3%	11.7%

Consolidated Statement of Financial Position



HK\$ '000	As at 31 December 2020	As at 31 December 2021
Non-current assets	724,362	724,307
Property, plant and equipment	556,903	527,966
Right-of-use assets	83,438	101,601
Intangible assets	24,141	31,746
Deferred income tax assets	--	2,978
Financial assets at fair value through profit or loss	33,621	33,621
Investment in an associate	16,176	16,296
Prepayments for property, plant and equipment	10,083	10,099
Current assets	1,847,949	2,126,853
Inventories	447,095	495,644
Trade and other receivables	320,836	417,060
Amount due from a related company	10,898	10,913
Deposits for bank borrowings	148,231	174,437
Restricted cash	443	1,231
Cash and cash equivalents	920,446	1,027,568
Total assets	2,572,311	2,851,160
Non-current liabilities	165,066	265,363
Bank borrowings	58,435	144,940
Lease liabilities	19,536	23,432
Deferred income	46,421	61,316
Deferred income tax liabilities	40,674	35,675
Current liabilities	1,012,690	963,878
Trade and other payables	456,370	399,202
Contract liabilities	245,955	263,518
Income tax liabilities	7,471	25,894
Bank borrowings	223,800	194,229
Lease liabilities	79,094	81,035
Total liabilities	1,177,756	1,229,241
Net Current Assets	835,259	1,162,975
EQUITY		
Share capital	83,326	83,326
Share premium	251,293	251,293
Shares held for employee share scheme	(10,416)	(10,416)
Other reserves	126,026	201,232
Retained earnings	944,326	1,096,484
Total equity	1,394,555	1,621,919



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