

## New clients' order to drive growth

Rating	Maintain BUY	
Target price	HK\$3.85	From HK\$4.09
Current price	HK\$2.70	Upside:42.5%

### Expect FY21E GM miss on higher cost, power crunch impact minimal

We recently held a con-call with TK management to give us an update and FY22E business outlook. TK guided that revenue YTD was largely on track, while due to chip shortage, and higher logistics costs remain an overhang on GM Yoy, we expect TK FY21E GM would arrive below our forecast.

Regarding the impact of recent electricity rationing measures in China, TK shared with us the impact on their daily operation/ production was minimal, e.g. Shenzhen plant (account for 80% of their current production floor base) has been running at 6 days/week and a day off on Sundays. All in all, TK's current mold fabrication and plastics segment utilization stood at ~88-89%/63-64% in (vs. ~90%/~54% in 1H21). With increasing coal supply and power supply began to stabilize in Guangdong Province in November, we expect this would further benefit TK's utilization rate in 4Q21.

### FY22E main growth drivers: Smart home +consumer electronics + healthcare & medical devices

A re-cap that TK's order book came in at HK\$1,065mn (+11.5% Yoy) in 1H21, which was mainly contributed by automotive ,medical & healthcare, smartphone and wearables. Going into FY22E-23E, order ramp up from smart home clients, e-cigarettes as well as healthcare & medical devices would well support TK's revenue growth, while smartphones & wearables and automobiles would continue to play a part. TK is still optimistic towards its electronic atomizers, as it is not only being driven by e-cigarettes but also can be used in medical devices to atomize drugs into micron-sized aerosols. Revenue from electronic atomizers grew 216% to ~HK\$33mn in 1H21 (~3.2% of total revenue).

TK has been diversifying its client portfolio after having successfully tapping into renowned Chinese consumer electronics' customers including Xiaomi (wrist band, smart home), Huawei (smart watch) and Smoore (e-cigarettes), as well supplying both medium to small molding and plastic products to automobile customers in China. Though Chinese clients would have a longer AR turnover days (60-90 days) than company average (56 days in 1H21), we continue view it as a reasonable range.

### FY22E CAPEX for Vietnam plant and China capacity expansion

TK's FY22E CAPEX preliminary guidance at ~HK\$130mn (~ FY20 and FY21E CAPEX), in which ~60% would be allocated to **i) Vietnam plant Phase 2 setup after Phase 1 commenced operation in 3Q21, ii) plastic injection mold capacity expansion in Huzhou, while the remaining 40% would be used for existing facilities automation to enhance production efficiency.** Meanwhile, TK is still seeking for M&A opportunities that would bring synergy to the group. Given its leading position in the industry, we still believe TK would enjoy a stronger bargaining power when suitable target emerges.

## Company Update

24 November 2021

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### Trading Data

52-Week Range (HK\$)	3.98/2.40
3 Mth Avg Daily Vol (m)	0.22
No of Shares (m)	833.3
Market Cap (HK\$m)	2,249.8
Major Shareholders (%)	Li Pui Leung & Asso. (52.86%) Fidelity (6.03%) Value Partners (4.78%)
Auditors	PWC
Result Due	FY21E: Mar 2022

### Company description

TK Group Holdings Limited ("TK") is a one-stop total plastics solutions provider in PRC, who engaged in the design and fabrication of plastic injection molds and manufacturing of plastic components employing the plastic injection molds. Its customers are believed to include world renowned brands such as Apple, Google Jabra, Philips, Polycom and major German automobile brands. TK Group ranked the second in terms of revenue from fabricating plastic injection molds in the PRC in 2012.

### Price Chart



Sources: Bloomberg, CIRC

## Undemanding valuation on healthy financial position and solid fundamentals, Maintain BUY

We fine-tuned TK's FY21E-23E EPS by 10.2%/2.7%/0.4% based on lower GM assumptions, while leaving sales forecast largely unchanged. With TK's EPS to grow 24.4% CAGR in FY20-23E, it's FY22E 6.6x PE (~2 s.d. below its average PE since listed in end-2013, and ~60% discount to Hong Kong and international peers) looks undemanding to us. We arrive TK's new TP at HK\$3.85 which translates to FY22E 9.4x PE (unchanged 45% discount to peers due to dampened market sentiment for mid-small caps as well as thinner liquidity YTD vs. 2H20)

With CAPEX expected to stay relatively low in FY21E/22E (vs. FY18 and FY19), we expect TK's current ~40% payout ratio can be maintained in FY21E-22E, this translates into 4.6%/6.0% dividend yield in FY21E/22E. With ~HK\$663mn net cash on hand (~29% of total market cap) in 1H21, and expect stable cash flow ahead would provide a solid foundation for TK's long term development. In view of TK's strong financial position, we still regard TK as a defensive play in industrial universe, we reiterate TK's rating at BUY.

**Exhibit 1: TK 1H17-1H21 profit and loss summary**

Year to Dec (HK\$ mn)	1H17	2H17	1H18	2H18	1H19	2H19	1H20	2H20	1H21	YoY (%)	Remarks
Revenue	816	1,045	1,026	1,273	1,005	1,306	729	1,304	1,021	40.0%	mold fab: +35% Yoy, plastics components: +43% Yoy
Gross profit (reported)	263	364	323	401	276	391	162	370	242	49.1%	
<b>GM (%)</b>	<b>32.3%</b>	<b>34.8%</b>	<b>31.5%</b>	<b>31.5%</b>	<b>27.5%</b>	<b>29.9%</b>	<b>22.3%</b>	<b>28.4%</b>	<b>23.7%</b>		Driven by improved utilization rate in both segments, but still below 1H19 due to clients product delay
Other income	7.7	21	12.0	12.7	22.7	27.4	19.7	39	27.2	38.1%	
<b>(%)</b>	<b>0.9%</b>	<b>2.0%</b>	<b>1.2%</b>	<b>1.0%</b>	<b>2.3%</b>	<b>2.1%</b>	<b>2.7%</b>	<b>3.0%</b>	<b>2.7%</b>		
- interest income	2.8	4	5.2	4.8	10.8	9.4	6.8	8	12.9	90.5%	
<b>(%)</b>	<b>0.3%</b>	<b>0.4%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>1.1%</b>	<b>0.7%</b>	<b>0.9%</b>	<b>0.6%</b>	<b>1.3%</b>		
Other gains/(losses) -net	(8)	(3)	(15)	13	(9)	3	7	(38)	11	61.3%	
<b>(%)</b>	<b>-1.0%</b>	<b>-0.3%</b>	<b>-1.5%</b>	<b>1.0%</b>	<b>-0.9%</b>	<b>0.2%</b>	<b>1.0%</b>	<b>-2.9%</b>	<b>1.1%</b>		
Selling expenses	41	43	39	49	36	45	32	39	39	21.9%	
<b>(%)</b>	<b>5.1%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>3.6%</b>	<b>3.4%</b>	<b>4.4%</b>	<b>3.0%</b>	<b>3.8%</b>		
Admin expenses	93	122	121	137	118	152	110	144	124	11.9%	
<b>(%)</b>	<b>11.4%</b>	<b>11.7%</b>	<b>11.8%</b>	<b>10.7%</b>	<b>11.7%</b>	<b>11.6%</b>	<b>15.1%</b>	<b>11.1%</b>	<b>12.1%</b>		
EBITDA	170	262	202	302	201	180	118	263	194	65.0%	
<b>EBITDA (%)</b>	<b>20.9%</b>	<b>25.1%</b>	<b>19.7%</b>	<b>23.8%</b>	<b>20.0%</b>	<b>13.8%</b>	<b>16.1%</b>	<b>20.1%</b>	<b>19.0%</b>		
Depreciation & Amortization	42	46	42	61	64	71	71	74	76	7.2%	
<b>D&amp;A (%)</b>	<b>5.2%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>4.8%</b>	<b>6.3%</b>	<b>5.4%</b>	<b>9.7%</b>	<b>5.7%</b>	<b>7.5%</b>		
EBIT	128	217	160	241	137	224	47	188	118	153.1%	GM expansion and lower SG&A ratio
<b>EBIT (%)</b>	<b>15.7%</b>	<b>20.7%</b>	<b>15.6%</b>	<b>18.9%</b>	<b>13.6%</b>	<b>17.2%</b>	<b>6.4%</b>	<b>14.4%</b>	<b>11.6%</b>		
Net interest income (exp.)	2	3	4	3	(0)	(1)	1	4	9	847.5%	
<b>Net interest income (exp.)%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.4%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>0.9%</b>		
Associates	0	0	0	0	0	0	(1)	1	2		
Exceptionals/others	0	0	0	0	0	0	0	0	0		
<b>%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>		
Profit before tax	130	219	164	244	137	223	47	194	129	175.6%	
Tax expenses	(20)	(28)	(23)	(34)	(23)	(36)	(6)	(25)	(14)	153.7%	
<b>Tax rate (%)</b>	<b>-15.1%</b>	<b>-12.8%</b>	<b>-14.3%</b>	<b>-13.8%</b>	<b>-16.7%</b>	<b>-16.1%</b>	<b>-12.0%</b>	<b>-13.0%</b>	<b>-11.0%</b>		Lower effective tax rate
Minority interest	0	0	0	0	0	0	0	0	0		
<b>Net profit</b>	<b>111</b>	<b>191</b>	<b>140</b>	<b>210</b>	<b>114</b>	<b>187</b>	<b>41</b>	<b>168</b>	<b>115</b>	<b>178.5%</b>	
Outstanding shares (Mn)	827	827	833	833	833	833	831	833	830		
Basic EPS	0.134	0.231	0.169	0.252	0.137	0.224	0.050	0.202	0.139		
<b>Net margin (%)</b>	<b>13.5%</b>	<b>18.3%</b>	<b>13.7%</b>	<b>16.5%</b>	<b>11.4%</b>	<b>14.3%</b>	<b>5.7%</b>	<b>12.9%</b>	<b>11.3%</b>		
<b>Payout Ratio (%)</b>	<b>37.7%</b>	<b>43.2%</b>	<b>35.6%</b>	<b>55.5%</b>	<b>36.5%</b>	<b>40.1%</b>	<b>40.3%</b>	<b>38.4%</b>	<b>39.1%</b>		Payout ratio maintained stable at ~40%
Dividends	42	83	50	117	42	75	17	65	45		
DPS(HK\$ cents)	0.05	0.10	0.06	0.14	0.05	0.09	0.02	0.08	0.05	170.3%	

Source: Company data, CIRL

**Exhibit 2: We lower TK's FY21E/22E earnings forecast and introduce FY23E estimates**

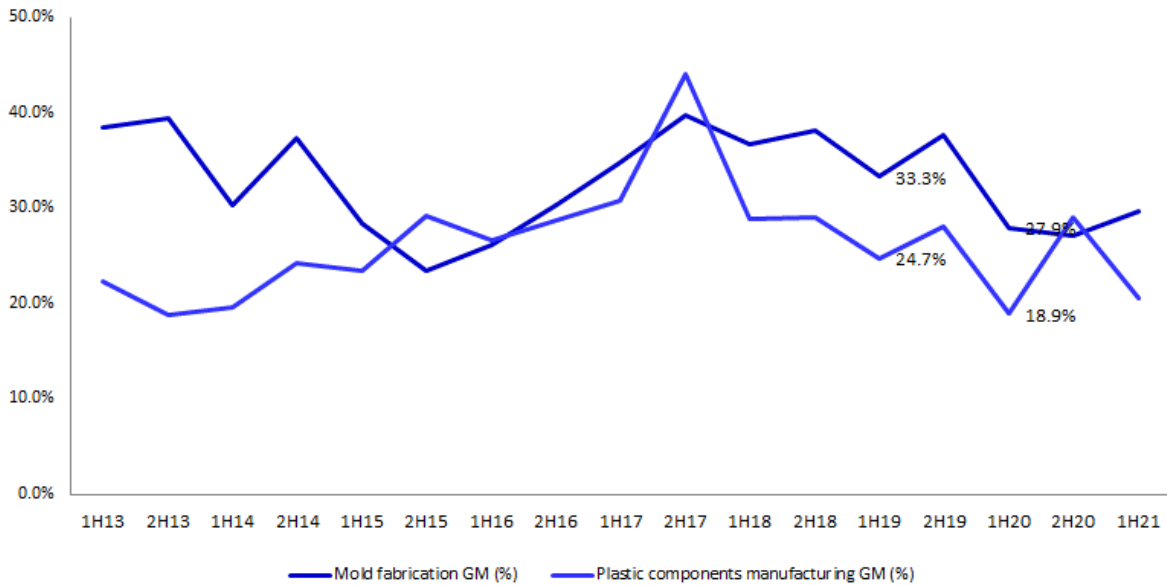
	FY21E (old)	FY21E (new)	Diff	FY22E (old)	FY22E(new)	Diff	FY23E(old)	FY23E(new)	Diff
Revenue	2,349	2,372	1.0%	2,694	2,720	1.0%	2,976	3,005	1.0%
GP	666	624	-6.2%	779	756	-2.9%	872	861	-1.3%
GPM	28.3%	26.3%	-200bps	28.9%	27.8%	-110bps	29.3%	28.6%	-70bps
Net Profit	291	261	-10.2%	349	340	-2.7%	402	403	0.4%
EPS	0.349	0.314	-10.2%	0.420	0.409	-2.7%	0.483	0.485	0.4%

Source: CIRL estimates

**Exhibit 3: Key assumptions**

Year to Dec (HK\$ mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Segment Revenue</b>					
Mold fabrication	591	700	785	876	964
Plastic components manufacturing	1,720	1,333	1,587	1,844	2,041
<b>Group</b>	<b>2,311</b>	<b>2,033</b>	<b>2,372</b>	<b>2,720</b>	<b>3,005</b>
<b>Segment Revenue Growth</b>					
Mold fabrication	-14.7%	18.5%	12.1%	11.6%	10.0%
Plastic components manufacturing	7.1%	-22.5%	19.0%	16.2%	10.7%
<b>Group</b>	<b>0.5%</b>	<b>-12.0%</b>	<b>16.6%</b>	<b>14.7%</b>	<b>10.5%</b>
<b>Segment Gross Margin</b>					
Mold fabrication	35.2%	27.4%	29.0%	29.5%	30.0%
Plastic components manufacturing	26.7%	25.6%	25.0%	27.0%	28.0%
<b>Group</b>	<b>28.9%</b>	<b>26.2%</b>	<b>26.3%</b>	<b>27.8%</b>	<b>28.6%</b>

Source: Company data, CIRL estimates

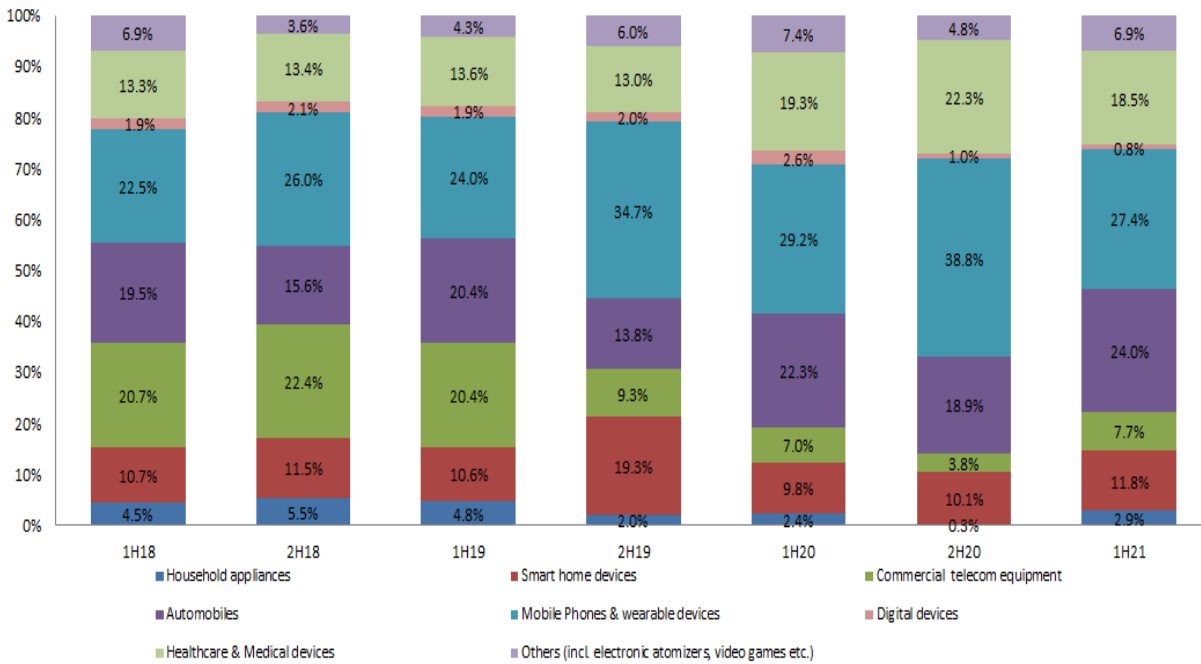
**Exhibit 4: Both segment's GM were still below 1H19**


Sources: Company data, CIRC

**Exhibit 5: Except digital devices, all others rebounded Yoy in 1H21 especially smart home devices**

Year to Dec (HK\$ Mn)	1H18	2H18	1H19	2H19	1H20	2H20	1H21
<b>Household appliances</b>	<b>46.1</b>	<b>69.5</b>	<b>47.9</b>	<b>25.5</b>	<b>17.8</b>	<b>4.2</b>	<b>29.1</b>
Growth (Yoy%)	41.0% <span style="color: green;">▲</span>	69.1%	3.9% <span style="color: green;">▲</span>	-63.3%	-62.8% <span style="color: green;">▲</span>	-83.5%	63.5%
<b>Smart home devices</b>	<b>109.9</b>	<b>146.4</b>	<b>106.4</b>	<b>252.3</b>	<b>71.7</b>	<b>131.4</b>	<b>120</b>
Growth (Yoy%)	145.3% <span style="color: green;">▲</span>	-11.5%	-3.2% <span style="color: green;">▲</span>	72.3%	-32.6% <span style="color: green;">▲</span>	-47.9%	67.4%
<b>Commercial telecom equipment</b>	<b>212.3</b>	<b>284.6</b>	<b>205</b>	<b>122.1</b>	<b>50.9</b>	<b>49.0</b>	<b>79</b>
Growth (Yoy%)	15.1% <span style="color: green;">▲</span>	62.7%	-3.4% <span style="color: green;">▲</span>	-57.1%	-75.2% <span style="color: green;">▲</span>	-59.9%	55.2%
<b>Automobiles</b>	<b>199.5</b>	<b>198.7</b>	<b>205.3</b>	<b>179.9</b>	<b>162.8</b>	<b>246.3</b>	<b>245.2</b>
Growth (Yoy%)	6.9% <span style="color: green;">▲</span>	-1.3%	2.9% <span style="color: green;">▲</span>	-9.5%	-20.7% <span style="color: green;">▲</span>	36.9%	50.6%
<b>Mobile Phones &amp; wearable devices</b>	<b>230.7</b>	<b>331.0</b>	<b>241.2</b>	<b>452.8</b>	<b>212.9</b>	<b>506.6</b>	<b>279.8</b>
Growth (Yoy%)	45.1%	57.5%	4.6%	36.8%	-11.7%	11.9%	31.4%
<b>Digital devices</b>	<b>19.8</b>	<b>26.5</b>	<b>19.5</b>	<b>25.7</b>	<b>18.8</b>	<b>13.1</b>	<b>8.4</b>
Growth (Yoy%)	-42.3% <span style="color: green;">▲</span>	-25.6%	-1.5% <span style="color: green;">▲</span>	-3.0%	-3.6% <span style="color: green;">▲</span>	-49.0%	-55.3%
<b>Healthcare &amp; Medical devices</b>	<b>136.2</b>	<b>170.0</b>	<b>136.3</b>	<b>169.5</b>	<b>140.8</b>	<b>290.5</b>	<b>188.7</b>
Growth (Yoy%)	10.6% <span style="color: green;">▲</span>	-2.0%	0.1% <span style="color: green;">▲</span>	-0.3%	3.3% <span style="color: green;">▲</span>	71.4%	34.0%
<b>Others (incl. electronic atomizers, video gam</b>	<b>71.2</b>	<b>46.2</b>	<b>43.3</b>	<b>78.1</b>	<b>53.7</b>	<b>62.9</b>	<b>70.6</b>
Growth (Yoy%)	38.8%	8.5%	-39.2%	69.0%	24.0%	-19.5%	31.5%
<b>Total revenue</b>	<b>1,025.7</b>	<b>1,272.9</b>	<b>1,004.9</b>	<b>1,305.9</b>	<b>729.4</b>	<b>1,304.0</b>	<b>1,020.8</b>
Growth (Yoy%)	25.7%	21.9%	-2.0%	2.6%	-27.4%	-0.1%	40.0%

Sources: Company data, CIRC

**Exhibit 6: Healthcare & medical devices contributed ~19% of 1H21 revenue**


Sources: Company data, CIRL

**Exhibit 7: Financial forecast**
**Income statement**

Year to Dec (HKD mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>2,311</b>	<b>2,033</b>	<b>2,372</b>	<b>2,720</b>	<b>3,005</b>
Gross profit (reported)	667	533	624	756	861
<b>EBITDA</b>	<b>569</b>	<b>386</b>	<b>462</b>	<b>562</b>	<b>651</b>
Depreciation	(207)	(151)	(179)	(192)	(210)
<b>EBIT</b>	<b>362</b>	<b>236</b>	<b>283</b>	<b>371</b>	<b>440</b>
Net interest income (exp.)	(1)	5	12	14	15
Associates	0	0	0	0	0
Exceptionals/others	0	0	0	0	0
<b>Profit before tax</b>	<b>360</b>	<b>241</b>	<b>295</b>	<b>384</b>	<b>455</b>
Tax expenses	(59)	(31)	(34)	(44)	(52)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>302</b>	<b>210</b>	<b>261</b>	<b>340</b>	<b>403</b>
Dividends	(117)	(83)	(104)	(135)	(160)

**Balance sheet**

Year to Dec (HKD mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash & equiv	735	1,069	1,018	1,130	1,411
Trade receivables	372	321	427	444	497
Other receivables	0	11	11	11	11
Inventories	397	447	524	589	643
Other current assets	0	0	0	0	0
Fixed assets	735	640	592	536	469
Intangible assets	14	24	34	45	55
Investment, associates etc	72	60	69	69	69
<b>Total assets</b>	<b>2,325</b>	<b>2,572</b>	<b>2,676</b>	<b>2,824</b>	<b>3,156</b>
Account payables	412	456	489	550	600
Other payables	0	0	0	0	0
Short-term debt	166	224	133	130	130
Other current liabs	307	333	336	224	263
Long-term debts	76	58	60	60	60
Deferred tax and others	44	41	41	41	41
Other long-term liabs	129	66	65	65	65
<b>Total liabilities</b>	<b>1,133</b>	<b>1,178</b>	<b>1,125</b>	<b>1,069</b>	<b>1,159</b>
Share capital	83	83	83	83	83
Reserves	1,108	1,311	1,468	1,672	1,914
<b>Shareholders' equity</b>	<b>1,191</b>	<b>1,395</b>	<b>1,551</b>	<b>1,755</b>	<b>1,997</b>
Minorities	0	0	0	0	0
<b>Total equity</b>	<b>1,191</b>	<b>1,395</b>	<b>1,551</b>	<b>1,755</b>	<b>1,997</b>
Net cash (debt)	493	787	825	940	1,221

**Cash flow**

Year to Dec (HKD mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Pre-tax profit	360	241	295	384	455
Taxes paid	(59)	(31)	(34)	(44)	(52)
Depreciation	207	151	179	192	210
Associates	0	0	0	0	0
CFO bef. WC change	509	361	440	532	613
Change in working cap	(115)	46	(150)	(22)	(57)
<b>Cashflow from operation</b>	<b>393</b>	<b>406</b>	<b>290</b>	<b>510</b>	<b>557</b>
CAPEX	(213)	(126)	(142)	(147)	(152)
<b>Free cash flow</b>	<b>181</b>	<b>280</b>	<b>148</b>	<b>363</b>	<b>404</b>
Dividends	(117)	(83)	(104)	(135)	(160)
Balance sheet adj.	(104)	97	(6)	(113)	37
Shares issued	0	0	0	0	0
Others	0	0	0	0	0
<b>Net cash flow</b>	<b>(40)</b>	<b>294</b>	<b>38</b>	<b>115</b>	<b>281</b>
Net cash (debt) start	533	493	787	825	940
Net cash (debt) at year-end	493	787	825	940	1,221

**Ratios**

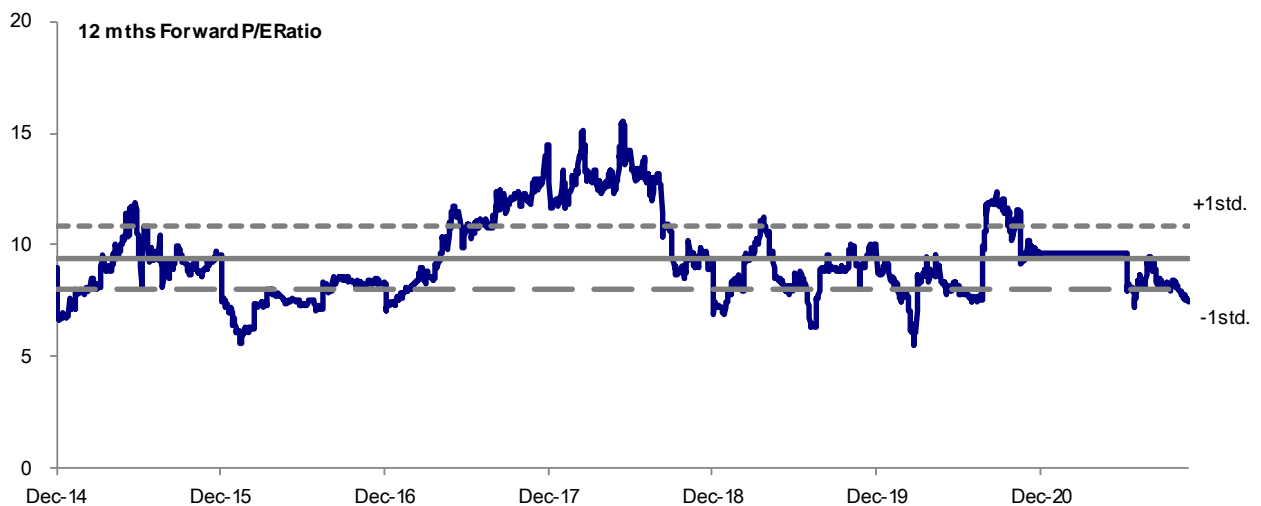
Year to Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Growth rate (%)</b>					
Revenue	0.5	(12.0)	16.6	14.7	10.5
EBITDA	12.0	(32.1)	19.6	21.7	15.7
EBIT	(9.7)	(34.9)	20.0	31.0	18.9
Net profit	(14.0)	(30.5)	24.3	30.4	18.6
Fully diluted EPS	-14.0%	-30.3%	24.3%	30.4%	18.6%
<b>Margins (%)</b>					
Gross margin (reported)	28.9	26.2	26.3	27.8	28.6
EBITDA	24.6	19.0	19.5	20.7	21.7
EBIT	15.7	11.6	11.9	13.6	14.7
Net margin	13.1	10.3	11.0	12.5	13.4
<b>Other ratios</b>					
ROE (%)	25.3	15.0	16.8	19.4	20.2
ROA (%)	13.0	8.2	9.7	12.0	12.8
Net gearing (%)	(41.4)	(56.4)	(53.2)	(53.6)	(61.2)
Interest coverage (x)	255.7	(46.8)	(23.8)	(27.2)	(29.3)
Receivables days	58.7	57.6	65.7	59.6	60.4
Payables days	91.4	111.0	102.2	102.2	102.2
Inventory days	88.2	108.7	109.5	109.5	109.5
Effective tax rate (%)	16.3	12.8	11.5	11.5	11.5

Source: Company data, CIRL estimates

**Exhibit 8: Peers' valuation comparison**

	Mkt Cap (HKD mn)	Price (HKD)	Share Price Movement (%)			PER (x)						P/B (x)					Yield (%)					
			1M	3M	YTD	FY18	FY19	FY20	FY21E	FY22E	FY23E	FY19	FY20	FY21E	FY22E	FY23E	FY19	FY20	FY21E	FY22E	FY23E	
<b>Precision mold peers</b>																						
MISUMI GROUP INC	9962 JP	96,643	339.92	4.7	15.3	48.3	53.0	56.7	74.8	74.7	37.2	33.7	6.6	6.4	6.0	5.4	4.8	0.4%	0.3%	0.3%	0.7%	0.7%
MELROSE INDUSTRI	MRO LN	73,593	16.83	0.7	(4.7)	(10.4)	-12.1	-126.2	95.6	44.9	18.5	12.2	0.9	1.0	1.1	1.1	1.2	3.4%	0.5%	1.1%	2.0%	2.8%
HAITIAN INTL	1882 HK	34,154	21.40	(10.6)	(26.2)	(18.1)	15.0	17.1	13.3	9.3	8.7	7.9	2.3	2.0	1.8	1.6	1.3	1.9%	7.3%	4.0%	4.5%	4.7%
L.K. TECHNOLOGY	558 HK	25,160	18.28	(6.8)	(11.0)	1,126.1	92.7	125.7	-	91.4	44.3	34.6	11.1	-	10.8	7.5	6.2	0.5%	0.0%	0.3%	0.3%	0.3%
SHENZHEN CHANG-A	300151 CH	23,252	46.27	5.7	26.5	38.4	354.8	339.9	-	-	-	-	23.7	-	-	-	-	0.0%	0.5%	0.0%	0.0%	0.0%
SKP RESOURCES BH	SKP MK	5,264	3.37	0.0	(0.5)	5.8	21.8	28.3	32.4	22.6	17.7	14.2	4.7	4.7	4.1	3.6	3.1	1.8%	1.3%	2.4%	3.0%	3.5%
NINGBO HELI TE-A	603917 CH	4,413	28.15	107.6	138.3	136.1	38.1	51.3	-	-	-	-	4.1	-	-	-	-	0.4%	0.8%	0.0%	0.0%	0.0%
TENMA CORP	7958 JP	4,307	170.16	(8.7)	(7.3)	23.1	29.2	26.1	-	-	-	-	0.8	-	-	-	-	3.3%	3.4%	0.0%	0.0%	0.0%
SHENZHEN SILVE-A	002786 CH	4,162	8.40	10.2	(9.3)	1.2	64.4	-10.7	-	-	-	-	3.2	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
EVA PRECISION	838 HK	3,668	2.10	183.8	130.8	233.3	43.8	70.0	-	-	-	-	1.4	-	-	-	-	0.4%	0.0%	0.0%	0.0%	0.0%
DONGGUAN CHITW-A	002855 CH	2,679	10.69	7.5	(5.6)	(15.6)	75.1	39.8	22.9	-	-	-	1.8	1.7	-	-	-	0.5%	0.9%	0.0%	0.0%	0.0%
TONGDA GROUP HLD	698 HK	2,673	0.28	10.0	(6.8)	(46.5)	3.5	4.9	6.1	4.8	4.4	3.8	0.3	0.3	0.3	0.3	0.3	3.4%	0.0%	3.6%	4.0%	4.7%
NN INC	NNBR US	1,741	40.45	4.2	(5.6)	(21.0)	-0.6	-4.6	-48.3	-1,037.1	22.1	11.1	0.6	2.9	-	-	-	4.1%	0.0%	0.0%	0.0%	0.0%
FU YU CORP LTD	FUYU SP	1,203	1.60	(1.8)	(4.0)	17.8	17.4	16.5	14.3	12.6	11.2	10.9	1.3	1.2	1.4	1.3	1.2	5.8%	4.8%	18.0%	6.4%	6.4%
SANKO GOSEI LTD	7888 JP	862	28.10	1.2	(5.0)	15.3	5.4	8.7	-	-	-	-	0.6	-	-	-	-	3.5%	2.3%	0.0%	0.0%	0.0%
JUBILIEE INDUSTR	JU SP	98	0.31	(6.9)	(1.8)	28.6	8.9	6.1	-	-	-	-	0.3	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Average</b>		<b>17,742</b>		<b>19.7</b>	<b>13.8</b>	<b>97.6</b>	<b>58.8</b>	<b>60.8</b>	<b>37.1</b>	<b>37.2</b>	<b>20.5</b>	<b>16.1</b>	<b>4.0</b>	<b>2.5</b>	<b>3.6</b>	<b>3.0</b>	<b>2.6</b>	<b>2.3%</b>	<b>2.2%</b>	<b>4.3%</b>	<b>3.0%</b>	<b>3.3%</b>
TK GROUP HOLDING	2283 HK	2,466	2.96	0.0	(9.2)	18.4	6.6	7.6	10.9	8.8	6.7	5.7	1.9	1.6	1.5	1.3	1.1	5.1%	3.6%	4.5%	5.9%	7.0%

Source: Bloomberg, CIRL (As of Nov 24 morning trading session)

**Exhibit 10: TK Group 12 month forward P/E Ratio**


Source: Bloomberg, CIRL

## Risk Factors

Downside risks include: 1) Longer than expected global economic recovery; 2) Escalating trade-war tensions; 3) Plastic production orders are short-term, contractor/customer may switch supplier; 4) Lack of choice in raw material supply; 5) Competition from overseas' players; 6) rapidly changing technology trends, customers no longer lead in their respective industry. 7) Secondary market liquidity risk; 8) Euro depreciation; 9) RMB appreciation

## Rating Policy

	Rating	Definition
<b>Stock Rating</b>	Buy	Outperform HSI by 15%
	Neutral	Between -15% ~ 15% of the HSI
	Sell	Underperform HSI by -15%
<b>Sector Rating</b>	Accumulate	Outperform HSI by 10%
	Neutral	Between -10% ~ 10% of the HSI
	Reduce	Underperform HSI by -10%

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## Analyst Certification

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