

# TK Group (2283.HK) Plant Visit Summary

Hong Kong | Mold | Company report

We went for a plant visit to TK Group in Shenzhen on 19 April 2017.

The company locates beside Guangming Station, and the walking distance is about 12 minutes. First, second and third phase projects have been completed and the technology park includes mold fabrication workshops, plastic injection workshops, office building and dormitory buildings.



Source: Company, Phillip Securities (HK) Research

The customers of TK Group are from diversified industries. The following picture shows part of their products.



Source: Company, Phillip Securities (HK) Research

The company will invest in one more precision mold automated production line next year. It takes around two years for cost recovery. The production line can not only shorten the production time of the precision molds, but also improve the quality of precision molds and save labor costs. Now almost all of the plastic injection workshops are fully automated.

The following pictures shows the mold fabrication workshops and plastic injection workshops of the company.

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Source: Company, Phillip Securities (HK) Research

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Source: Company, Phillip Securities (HK) Research



Source: Company, Phillip Securities (HK) Research





Source: Company, Phillip Securities (HK) Research

The clients of TK Group are from different sectors and are diversified enough to spread the risk of one specific industry suffering the economic slowdown. In 2016 no segment accounts for more than 30% of the total revenue. The company doesn't want to rely too much on a single customer. Bargaining power and technical advantage are very important to TK Group.

The company has long relationships with its customers. It has cooperated with Polycom for over 25 years and TK Group contributes more than 90% to its global plastic injection and mold fabrication; it has cooperated with the automobile mold customer for over 15 years; it has cooperated with the mobile phone client since 2009; it has cooperated with the health care product brand since 2011; it has cooperated with the flash memory product brand since 2006.

The company's main competitive advantage is its technology, and the production efficiency is high. The basic technology of plastic injection is the molds. The requirements of the clients of the company are strict with harsh designs, requiring high technology and production efficiency, and TK Group can meet the customers' requirements.

The company is optimistic about 2017. The automobile segment, medical and health care segment, smart home segment and mobile phones and wearable devices segment are expected to have optimistic performance in FY2017. In 1Q the orders from its main customers health care product brand and smartphone brand were ideal. For the mold fabrication business, the company will gradually abandon the home appliances mold business and use the production capacity to do automobile mold business. The revenue from automobile mold business is optimistic this year and the GP margin may improve.

The company will serve the original customers well and develop new customers in the future. The market has potential. The company believes that smart home has development potential and may invest in this area. In addition, the company puts emphasis on automatic and intelligent production investment, and the GP margin is expected to improve in the future. In the meantime, the company will improve the production capacity for future development.

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-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
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