

IPO write-up

TK Group

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Stock Information

Stock code:	2283 HK
Issue size:	200m shares (all new shares)
Green shoe option:	15%
Public/Placement tranche:	10%/90%
Share issue price:	HKD1.10-1.40
Market cap after listing:	HKD880-1,120m
Use of proceeds (net):	HKD233.2m, 72% capacity expansion, 11% potential M&A, 8% R&D, 9% general working capital
Application list open	11th- 16th Dec 2013
Expected listing date:	20th Dec 2013
Book runners:	China Merchants Securities (HK)
Profit forecast:	N/A
Dividend policy:	No less than 30% payout ratio, starting FY14 (indicative only)
PER:	11-14x annualized 1H13A PER (prospectus)
Post IPO shareholders	Founders Mr. Li (61.80%), Mr. Yung (6.72%), Mr. Lee (6.48%)
Cornerstone investors	N/A

Company background

TK is a leading provider in the PRC of one-stop total plastics solutions primarily engaged in (i) the design and fabrication of plastic injection molds and (ii) the mechanical design and manufacturing of plastic components employing the plastic injection molds that it fabricates. According to Ipsos, an independent market research company, TK ranked second in the PRC in terms of revenue from fabricating plastic injection molds in 2012.

Selling points and strength

- 1) Established and growing customer base consisting of industry leaders from various industries.
- 2) Advanced technical expertise in the design and fabrication of plastic injection molds, enabling TK to rank second in the PRC in terms of revenue from fabricating plastic injection molds in 2012.
- 3) A vertically integrated one-stop total plastics solutions platform.

Some points of concern

- 1) A significant portion of recent revenue growth during the Track Record Period was attributable to orders from new customers with whom TK has not had a long history of business relationships, and any decrease or termination in sales to any one of them may have a material adverse effect on business, results of operations and financial condition.
- 2) TK derives a significant portion of revenue from a limited number of customers, and any decrease or termination in sales to any one of them may have a material adverse effect on business, results of operations and financial condition.
- 3) TK does not maintain long-term purchase contracts with customers, and any disruption or termination of business relationships with major customers or fluctuations in their demand for products may have a material adverse effect on business, results of operations, financial condition and prospects.

Financial Summary (Year ended Dec 31)

HKD'000	FY2010	FY2011	FY2012	1H13
Revenue	536,104	781,750	1,095,985	470,625
Gross profit	159,335	279,948	371,698	137,349
Gross profit margin (%)	29.7%	35.8%	33.9%	29.2%
Net profit	44,973	84,488	135,193	38,816
Gearing ratio (%)	92	124.4	77.5	3.9

Source: Company data, Maybank Kim Eng

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