

# TK Group (2283 HK)

## 1H25 in-line; Positive on client wins and product pipeline in AI glasses/360-cam/automobile

We spoke to TK Group's mgmt. post 1H25 results, and we reiterate our positive view on TK's client wins (Meta, Insta360, Xiaomi), product pipeline (AI glasses, 360-cam, auto) and recent technology partnership (TactoTek). 1H25 revenue/net profit growth of 4.3%/8.8% YoY is largely in-line with our/Bloomberg consensus estimates, mainly driven by strong higher-margin mold fabrication business (+30% YoY), better GPM and improved operating efficiency. For 2025, mgmt. remained positive on stable sales growth with improving GPM thanks to solid order backlog, new project ramp-up and Vietnam capacity expansion. We adjust our earnings estimates to factor in 1H25 results and higher expenses for R&D and consulting fees. Our new TP of HK\$3.04 is based on rollover 8.05x FY26E P/E, largely in-line with the 8-year avg. P/E (vs prior 8.2x FY25E P/E). Trading at 7.1x/5.5x FY25/26E P/E with 6.4% yield and net cash of HK\$1,067mn, we think the stock is attractive. Reiterate BUY.

■ **1H25 in-line; solid growth from auto/medical segments.** TK's 1H25 revenue growth of 4.3% YoY was mainly driven by mold fabrication revenue growth of 30% YoY offsetting plastic components decline of 5% YoY. By segment: 1) **Mobile & wearable (Meta, Bose, insta360, Xiaomi):** 4% YoY decline and recent order wins in 360-cam and AI glasses; 2) **Automobile:** 30% YoY growth; 3) **Medical and personal healthcare (Philips, IVD):** 15% YoY growth with sales mix of 15.6% driven by order recovery; 4) **Smart home (Amazon, Google):** 1% YoY decline on overseas demand uncertainties; 5) **Electronic atomizers:** 19% YoY decline on tightened policy; 6) **Communications (POLY):** 45% YoY decline due to pullback from customer procurement cycle. 1H25 GPM increased by 0.5ppts YoY to 25.3% due to higher-margin mold fabrication business. Overall, net profit grew 8.8% YoY thanks to solid sales, GPM expansion, cost control and lower effective tax rate.

■ **2H25E outlook: client wins (Meta, Insta360, Xiaomi), product pipeline (AI glasses, 360-cam), TactoTek partnership, capacity expansion.** For 2025E, mgmt. guided stable GPM on stronger mold fabrication biz. For CE market, mgmt. expects stable order demand into 2H25E thanks to 1) China high-end manufacturing and policy stimulus, and 2) AI upgrade on XR/TWS/smart home. For Capex, mgmt. guided FY26-27E capex of HK\$150-200mn (vs. past HK\$100-150mn) on Vietnam capacity expansion and technology upgrade, as TK will adopt "China+Vietnam" strategy to meet customer demand. As for tariff impact, mgmt. expects to maintain bargaining power through its high-end high precision products, while overseas clients indicated a slower pace on product development and production capacity relocation (e.g. Vietnam).

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (HK\$ mn)	1,946	2,358	2,595	2,922	3,331
YoY growth (%)	(14.6)	21.2	10.0	12.6	14.0
Net profit (HK\$ mn)	204.2	261.9	277.8	312.7	385.2
YoY growth (%)	(10.0)	28.2	6.1	12.6	23.2
EPS (Reported) (HK\$)	0.25	0.32	0.33	0.38	0.46
YoY growth (%)	(9.8)	28.2	5.9	12.6	23.2
Consensus EPS (HK\$)	na	na	0.43	0.51	0.51
P/E (x)	10.6	8.2	7.8	6.9	5.6
P/B (x)	1.3	1.3	1.2	1.1	1.1
Yield (%)	7.8	8.8	9.0	10.1	12.5
ROE (%)	12.4	15.4	15.8	17.0	19.8

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$3.04
(Previous TP	HK\$2.78)
Up/Downside	16.3%
Current Price	HK\$2.61

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### Stock Data

Mkt Cap (HK\$ mn)	2,174.9
Avg 3 mths t/o (HK\$ mn)	3.0
52w High/Low (HK\$)	2.65/1.62
Total Issued Shares (mn)	833.3

Source: FactSet

### Shareholding Structure

Eastern Mix Co Ltd	44.2%
Li Pui Leung	10.7%

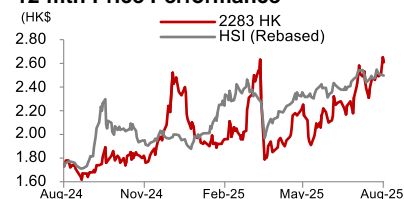
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	8.8%	8.3%
3-mth	16.0%	10.1%
6-mth	33.8%	25.2%

Source: FactSet

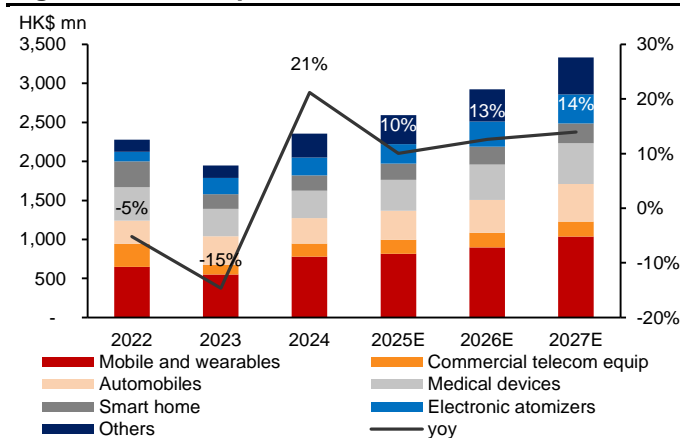
### 12-mth Price Performance



Source: FactSet

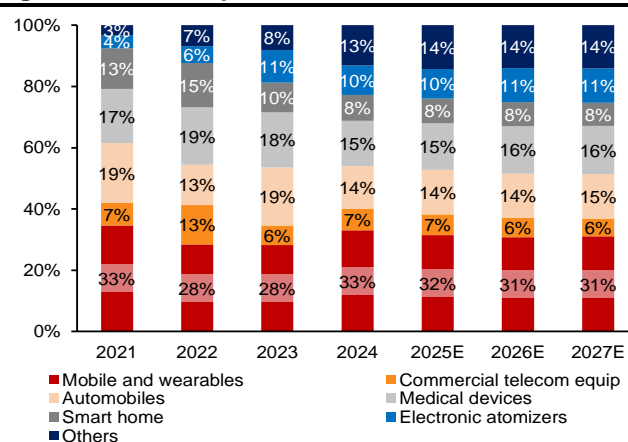
## Focus Charts

Figure 1: TK Group revenue trend



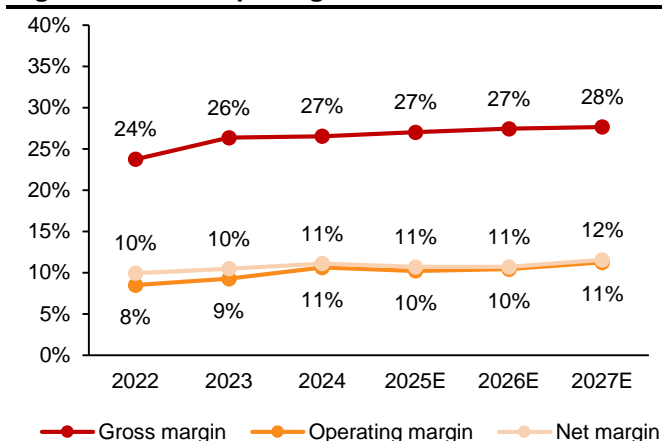
Source: Company data, CMBIGM estimates

Figure 2: TK Group revenue mix



Source: Company data, CMBIGM estimates

Figure 3: TK Group margin trend



Source: Company data, CMBIGM estimates

Figure 4: 1H25 top six customers details

#	Company name	Industry	Product category
1	A leading healthcare product brand	Medical and personal health care	Mold and plastic products
2	Chinese leading acoustics CE brand	Mobile phones and wearable devices	Mold and plastic products
3	A leading wireless headset brand	Mobile phones and wearable devices	Mold and plastic products
4	A leading smoking cessation products solution provider	Electronic atomizers	Mold and plastic products
5	POLY	Communications equipment	Mold and plastic products
6	A leading smart home brand	Smart Home	Mold and plastic products

Source: Company data, CMBIGM

## 1H25 Results Review

**Figure 5: TK Group revenue breakdown**

HK\$ mn	FY24E	1H25	2H25E	FY25E	FY26E	FY27E
Mobile phones and wearable	779	314	504	818	900	1035
...YoY	42%	-4%	11%	5%	10%	15%
Medical and personal healthcare	350	164	232	396	455	523
...YoY	0%	15%	12%	13%	15%	15%
Commercial telecom equipment	168	49	127	176	185	194
...YoY	35%	-45%	64%	5%	5%	5%
Automobiles	326	187	188	375	420	483
...YoY	-11%	30%	3%	15%	12%	15%
Smart home	199	99	110	209	230	253
...YoY	5%	-1%	11%	5%	10%	10%
Electronic atomizers	227	78	172	249	324	373
...YoY	10%	-19%	31%	10%	30%	15%
Others	310	160	212	372	409	470
...YoY	47%	16%	16%	16%	15%	15%
<b>Total</b>	<b>2,358</b>	<b>1,050</b>	<b>1,544</b>	<b>2,595</b>	<b>2,922</b>	<b>3,331</b>
...YoY	21%	4%	14%	10%	13%	14%

Source: Company data, CMBIGM estimates

**Figure 6: P&L forecast**

HK\$ mn	FY24E	1H25	2H25E	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>2,358</b>	<b>1,050</b>	<b>1,544</b>	<b>2,595</b>	<b>2,922</b>	<b>3,331</b>
...YoY	21.2%	4.3%	14.3%	10.0%	12.6%	14.0%
Cost of sales	(1,732)	(785)	(1,109)	(1,894)	(2,121)	(2,410)
<b>Gross profit</b>	<b>626</b>	<b>265</b>	<b>436</b>	<b>701</b>	<b>802</b>	<b>921</b>
GPM (%)	26.5%	25.3%	28.2%	27.0%	27.4%	27.7%
...YoY	22.0%	6.1%	15.9%	12.0%	14.4%	14.9%
SG&A	(375)	(186)	(250)	(436)	(497)	(546)
...% of rev	15.9%	17.7%	16.2%	16.8%	17.0%	16.4%
<b>Operating profit</b>	<b>250</b>	<b>80</b>	<b>185</b>	<b>265</b>	<b>305</b>	<b>375</b>
OPM (%)	10.6%	7.6%	12.0%	10.2%	10.4%	11.3%
...YoY	38.9%	-0.5%	8.8%	5.9%	15.0%	22.9%
<b>Net profit</b>	<b>262</b>	<b>87</b>	<b>191</b>	<b>278</b>	<b>313</b>	<b>385</b>
NPM (%)	11.1%	8.3%	12.4%	10.7%	10.7%	11.6%
...YoY	28.2%	8.8%	4.9%	6.1%	12.6%	23.2%

Source: Company data, CMBIGM estimates

## Earnings Revision

**Figure 7: Earnings revision**

(HK\$ mn)	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	2,595	2,922	3,331	2,625	3,029	3,397	-1%	-4%	-2%
Gross profit	701	802	921	714	839	944	-2%	-4%	-2%
Operating profit	265	305	375	297	358	407	-11%	-15%	-8%
Net profit	278	313	385	294	377	426	-6%	-17%	-9%
EPS (HK\$)	0.33	0.38	0.46	0.36	0.46	0.51	-6%	-17%	-10%
Gross margin	27.0%	27.4%	27.7%	27.2%	27.7%	27.8%	-0.2 ppt	-0.3 ppt	-0.1 ppt
Operating margin	10.2%	10.4%	11.3%	11.3%	11.8%	12.0%	-1.1 ppt	-1.4 ppt	-0.7 ppt
Net Margin	10.7%	10.7%	11.6%	11.2%	12.4%	12.5%	-0.5 ppt	-1.7 ppt	-1 ppt

Source: Company data, CMBIGM estimates

## Valuation

### Maintain BUY with new TP HK\$3.04

We revised down our FY25-26E EPS to factor in 1H25 results and R&D and consulting expenses. Our new TP of HK\$3.04 is based on rollover 8.05x FY26E P/E, largely in-line with 8-year avg. P/E (vs prior 8.2x FY25E P/E). Trading at 7.1x/5.5x FY25/26E P/E with 6.4% yield and net cash of HK\$1,067mn, we think the stock is attractive.

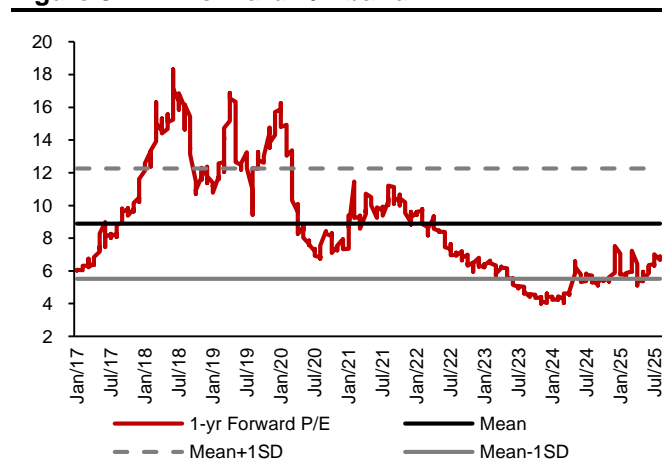
Upcoming catalysts include AI glasses updates, smart home product rollouts and overseas expansion progress. Major risks include slower recovery and weak macro environment.

**Figure 8: Peers' valuation**

Company	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
TK Group	2283 HK	Buy	278	2.61	3.06	17%	7.1	5.5	1.1	1.0	16.4	19.1
Tongda	698 HK	Buy	142	0.11	0.12	8%	6.0	4.4	0.4	0.3	5.9	7.4
BYDE	285 HK	Buy	10,733	37.22	43.22	16%	13.8	11.1	2.1	1.8	15.0	16.6
AAC Tech	2018 HK	Buy	6,574	43.72	60.55	38%	18.1	14.3	1.8	1.6	10.0	11.5
Q tech	1478 HK	Buy	2,281	14.98	14.50	-3%	21.3	17.7	2.8	2.5	13.1	13.9
FIT Hon Teng	6088 HK	Buy	4,593	4.92	4.96	1%	23.5	15.9	1.7	1.5	7.1	9.5
Cowell	1415 HK	NR	3,515	31.80	NA	NA	18.6	14.1	5.1	3.8	29.3	28.4
YOFC	6869 HK	NR	4,823	36.24	NA	NA	27.7	23.9	2.0	1.9	8.4	9.0
Average							17.8	14.1	2.2	1.9	13.0	15.8

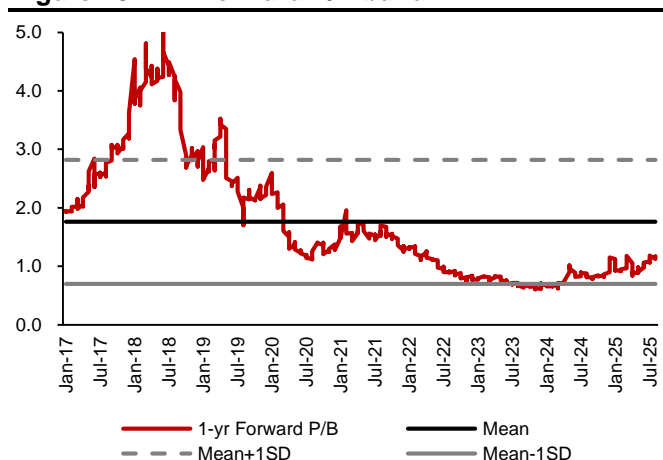
Source: Bloomberg, CMBIGM estimates; data as of 21 Aug 2025.

**Figure 9: 12M forward P/E band**



Source: Bloomberg, CMBIGM

**Figure 10: 12M forward P/B band**



Source: Bloomberg, CMBIGM

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
<b>Revenue</b>	<b>2,279</b>	<b>1,946</b>	<b>2,358</b>	<b>2,595</b>	<b>2,922</b>	<b>3,331</b>
Cost of goods sold	(1,738)	(1,433)	(1,732)	(1,894)	(2,121)	(2,410)
<b>Gross profit</b>	<b>541</b>	<b>513</b>	<b>626</b>	<b>701</b>	<b>802</b>	<b>921</b>
Selling expense	(67)	(57)	(71)	(73)	(88)	(100)
Admin expense	(281)	(275)	(304)	(363)	(409)	(446)
<b>Operating profit</b>	<b>194</b>	<b>180</b>	<b>250</b>	<b>265</b>	<b>305</b>	<b>375</b>
Other income	45	48	53	49	53	63
Other gains/(losses)	10	6	11	(3)	(9)	(3)
Share of (losses)/profits of associates/JV	(2)	(8)	1	0	0	0
Interest income	23	23	23	20	24	23
Interest expense	(10)	(12)	(5)	(5)	(5)	(5)
<b>Pre-tax profit</b>	<b>259</b>	<b>237</b>	<b>333</b>	<b>327</b>	<b>368</b>	<b>453</b>
Income tax	(32)	(33)	(71)	(49)	(55)	(68)
<b>Net profit</b>	<b>227</b>	<b>204</b>	<b>262</b>	<b>278</b>	<b>313</b>	<b>385</b>
Net dividends	95	169	190	194	219	270

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
<b>Current assets</b>	<b>2,007</b>	<b>1,871</b>	<b>2,039</b>	<b>2,250</b>	<b>2,438</b>	<b>2,665</b>
Cash & equivalents	1,114	1,158	1,009	1,242	1,209	1,407
Restricted cash	0	0	1	1	1	1
Account receivables	343	353	454	337	540	445
Inventories	392	360	420	514	532	657
Financial assets at FVTPL	0	0	0	0	0	0
Other current assets	157	0	155	155	155	155
<b>Non-current assets</b>	<b>691</b>	<b>581</b>	<b>538</b>	<b>484</b>	<b>433</b>	<b>388</b>
PP&E	486	412	356	301	251	206
Right-of-use assets	112	92	96	96	96	96
Deferred income tax	2	5	3	3	3	3
Investment in JVs & assos	25	17	18	18	18	18
Intangibles	132	107	106	106	106	106
Financial assets at FVTPL	34	34	44	44	44	44
Other non-current assets	(100)	(87)	(85)	(85)	(85)	(85)
<b>Total assets</b>	<b>2,698</b>	<b>2,452</b>	<b>2,577</b>	<b>2,733</b>	<b>2,871</b>	<b>3,053</b>
<b>Current liabilities</b>	<b>916</b>	<b>678</b>	<b>774</b>	<b>847</b>	<b>891</b>	<b>958</b>
Short-term borrowings	286	26	0	0	0	0
Account payables	349	335	436	474	511	569
Tax payable	4	20	19	54	61	70
Other current liabilities	0	0	0	0	0	0
Lease liabilities	75	68	70	70	70	70
Contract liabilities	201	229	249	249	249	249
<b>Non-current liabilities</b>	<b>176</b>	<b>88</b>	<b>91</b>	<b>91</b>	<b>91</b>	<b>91</b>
Long-term borrowings	61	0	0	0	0	0
Deferred income	43	37	32	32	32	32
Other non-current liabilities	72	52	60	60	60	60
<b>Total liabilities</b>	<b>1,092</b>	<b>766</b>	<b>865</b>	<b>939</b>	<b>982</b>	<b>1,049</b>
Share capital	83	83	83	83	83	83
Capital surplus	251	251	251	251	251	251
Retained earnings	1,216	1,316	1,391	1,475	1,569	1,684
Other reserves	70	52	(2)	(2)	(2)	(2)
<b>Total shareholders equity</b>	<b>1,606</b>	<b>1,685</b>	<b>1,711</b>	<b>1,795</b>	<b>1,888</b>	<b>2,004</b>
<b>Total equity and liabilities</b>	<b>2,698</b>	<b>2,452</b>	<b>2,577</b>	<b>2,733</b>	<b>2,871</b>	<b>3,053</b>

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (HK\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	259	237	333	327	368	453
Depreciation & amortization	227	215	194	158	167	178
Tax paid	(54)	(28)	(65)	(14)	(48)	(59)
Change in working capital	7	(3)	(70)	60	(184)	29
Others	(67)	24	(19)	5	5	5
<b>Net cash from operations</b>	<b>372</b>	<b>445</b>	<b>374</b>	<b>536</b>	<b>308</b>	<b>605</b>
<b>Investing</b>						
Capital expenditure	(144)	(69)	(89)	(104)	(117)	(133)
Acquisition of subsidiaries/ investments	(12)	0	0	0	0	0
Others	19	14	(143)	0	0	0
<b>Net cash from investing</b>	<b>(137)</b>	<b>(55)</b>	<b>(233)</b>	<b>(104)</b>	<b>(117)</b>	<b>(133)</b>
<b>Financing</b>						
Dividend paid	(95)	(95)	(179)	(194)	(219)	(270)
Net borrowings	32	(166)	(26)	0	0	0
Others	(79)	(89)	(71)	(5)	(5)	(5)
<b>Net cash from financing</b>	<b>(142)</b>	<b>(350)</b>	<b>(276)</b>	<b>(199)</b>	<b>(223)</b>	<b>(274)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,028	1,114	1,158	1,009	1,242	1,209
Exchange difference	(5)	3	(15)	0	0	0
<b>Cash at the end of the year</b>	<b>1,114</b>	<b>1,158</b>	<b>1,009</b>	<b>1,242</b>	<b>1,209</b>	<b>1,407</b>
<b>GROWTH</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Revenue	(5.2%)	(14.6%)	21.2%	10.0%	12.6%	14.0%
Gross profit	(4.9%)	(5.3%)	22.0%	12.0%	14.4%	14.9%
Operating profit	(20.3%)	(6.9%)	38.9%	5.9%	15.0%	22.9%
Net profit	(19.6%)	(10.0%)	28.2%	6.1%	12.6%	23.2%
<b>PROFITABILITY</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Gross profit margin	23.7%	26.4%	26.5%	27.0%	27.4%	27.6%
Operating margin	8.5%	9.3%	10.6%	10.2%	10.4%	11.2%
Return on equity (ROE)	14.1%	12.4%	15.4%	15.8%	17.0%	19.8%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	2.2	2.8	2.6	2.7	2.7	2.8
Receivable turnover days	51.8	56.6	55.4	48.0	48.0	48.0
Inventory turnover days	93.2	95.8	82.1	90.0	90.0	90.0
Payable turnover days	56.5	60.8	54.8	60.0	60.0	60.0
<b>VALUATION</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
P/E	9.5	10.6	8.2	7.8	6.9	5.6
P/E (diluted)	9.5	10.6	8.2	7.8	6.9	5.6
P/B	1.3	1.3	1.3	1.2	1.1	1.1
Div yield (%)	4.4	7.8	8.8	9.0	10.1	12.5

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

# Disclosures & Disclaimers

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## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

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