

Tongda (698 HK)

1H25 earnings recovery in-line; Positive on glass fiber casing upgrade and smart tech expansion ahead

Tongda's 1H25 net profit growth of 394% YoY is in-line with prior positive profit alert, mainly driven by lower finance costs and less R&D/depreciation expenses following business disposal in 1H24. We spoke to mgmt. post 1H25 results, and we expect earnings recovery will continue into 2H25E/2026, backed by 1) glass fiber casing upgrade and ASP hike, 2) Smart Tech's strong growth with client wins and Malaysia capacity ramp-up, and 3) networking biz's Vietnam plant expansion. We slightly adjusted our earnings forecasts to reflect 1H25 results and better operating leverage. Our new TP of HK\$0.135 is based on higher 7.2x FY25E P/E (vs 6.0x prior) for earnings turnaround and better order visibility into 2026. Trading at 6.2x/4.3x FY25/26E P/E, the stock is attractive. Reiterate BUY.

■ **1H25 in-line with profit alert; Smart Tech (household/sport goods) the bright spot.** Tongda's 1H25 net profit jumped 394% YoY to HK\$63mn, while revenue dropped 17% YoY to HK\$2.48bn after disposal of high-precision components biz in 1H24. If excluding this impact, 1H25 revenue would decline 0.5% YoY. By segment, household & sport goods segment climbed 14% YoY, while consumer electronics (casing, HA, networking) dropped 23% YoY. 1H25 net profit growth of 394% YoY is in line with profit alert, primarily driven by lower finance costs after loan repayment, and lower R&D/ depreciation expenses after business disposal.

■ **2026E Outlook: glass fiber casing upgrade, smart tech client wins and networking's Vietnam plant expansion.** Looking ahead, mgmt. guided 1) handset: flattish shipment but ASP hike on rising penetration of glass fiber casing (~5% in 2H25E, 30%+ in FY26E), driving double-digit sales growth in 2026; 2) smart tech: strong order with client wins (Decathlon, Ikea & Wagner) and Malaysia capacity ramp-up; 3) networking: Vietnam plant capacity expansion, WiFi 7 penetration and robotics' component shipment. In terms of tariff impact, mgmt. believes demand impact started to stabilize and customers' orders have been back on track since 2Q25.

■ **Reiterate BUY on earnings recovery into 2H25E and 2026.** We slightly adjusted our EPS estimates to factor in 1H25 results, better operating leverage and growth trajectory in 2026. Our new TP of HK\$0.135 is based on higher 7.2x FY25E P/E (vs 6.0x prior), 23% discount to 10-yr avg. P/E of 9.3x, for earnings turnaround and better order visibility into 2026. Trading at 6.2x/4.3x FY25/26E P/E, the stock is attractive in our view. Reiterate BUY.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (HK\$ mn)	6,522	5,590	5,436	6,205	6,843
YoY growth (%)	(18.2)	(14.3)	(2.7)	14.2	10.3
Net profit (HK\$ mn)	(1,229.7)	(3,942.2)	182.0	259.0	298.0
YoY growth (%)	na	na	na	42.3	15.0
EPS (Reported) (HK\$ cents)	(12.64)	(40.49)	1.87	2.66	3.06
YoY growth (%)	na	na	na	42.3	15.0
Consensus EPS (HK\$ cents)	na	na	1.90	2.60	3.00
P/E (x)	na	na	6.2	4.3	3.8
P/B (x)	0.2	0.4	0.4	0.3	0.3
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(16.8)	(79.6)	6.0	7.9	8.3
Net gearing (%)	25.5	4.8	13.9	(34.8)	(25.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$0.135
(Previous TP	HK\$0.123)
Up/Downside	17.1%
Current Price	HK\$0.12

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Stock Data

Mkt Cap (HK\$ mn)	1,117.7
Avg 3 mths t/o (HK\$ mn)	1.4
52w High/Low (HK\$)	0.15/0.07
Total Issued Shares (mn)	9719.0

Source: FactSet

Shareholding Structure

Landmark Worldwide Holdings Ltd	24.4%
Wang Ya Nan	7.8%

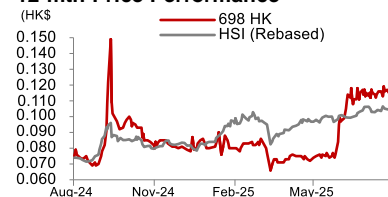
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.0%	-1.7%
3-mth	57.5%	42.0%
6-mth	42.0%	26.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

1. Tongda (698 HK) 1H25 preview: expect earnings turnaround on track – 28 Jul 2025 ([link](#))

Earnings Revision

Figure 1: Earnings revision

(HK\$ mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	5,436	6,205	6,843	5,923	6,593	7,212	-8%	-6%	-5%
Gross profit	815	999	1,126	957	1,138	1,266	-15%	-12%	-11%
Operating profit	108	186	226	90	172	209	20%	8%	8%
Net profit	182	259	298	182	257	295	0%	1%	1%
EPS (HK\$)	0.019	0.027	0.031	0.02	0.03	0.03	0%	1%	1%
Gross margin	15.0%	16.1%	16.5%	16.2%	17.3%	17.6%	-1.2 ppt	-1.2 ppt	-1.1 ppt
Operating margin	2.0%	3.0%	3.3%	1.5%	2.6%	2.9%	0.5 ppt	0.4 ppt	0.4 ppt
Net margin	3.3%	4.2%	4.4%	3.1%	3.9%	4.1%	0.3 ppt	0.3 ppt	0.3 ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBI estimates vs consensus

(HK\$ mn)	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY24E	FY25E	FY27E	FY25E	FY26E	FY27E
Revenue	5,436	6,205	6,843	5,923	6,593	7,212	-8%	-6%	-5%
Gross profit	815	999	1,126	957	1,138	1,266	-15%	-12%	-11%
Operating profit	108	186	226	-	-	-	-	-	-
Net profit	182	259	298	-	-	-	-	-	-
EPS (HK\$)	0.019	0.027	0.031	0.019	0.026	0.030	-2%	2%	2%
Gross margin	15.0%	16.1%	16.5%	16.2%	17.3%	17.6%	-1.2 ppt	-1.2 ppt	-1.1 ppt
Operating margin	2.0%	3.0%	3.3%	-	-	-	-	-	-
Net margin	3.3%	4.2%	4.4%	0.0%	0.0%	0.0%	3.3 ppt	4.2 ppt	4.4 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 3: Revenue breakdown

HK\$ mn	FY24	1H25	2H25E	FY25E	FY26E	FY27E
Consumer electronics	4,536	1,903	2,270	4,173	4,689	5,054
... YoY	-20%	-23%	10%	-8%	12%	8%
Handsets	3,366	1,340	1,751	3,091	3,468	3,675
... YoY	-31%	-24%	10%	-8%	12%	6%
Metal	325	252	315	567	540	540
... YoY	-7%	-3%	385%	74%	-5%	0%
Non-metal	2,541	1,088	1,436	2,524	2,928	3,135
... YoY	7%	7%	-6%	-1%	16%	7%
Apple	500	-	-	-	-	-
... YoY	-76%	0%	0%	0%	0%	0%
Electrical appliances	260	164	150	313	360	414
... YoY	0%	26%	15%	21%	15%	15%
Motors	310	166	138	304	349	401
... YoY	-	-17%	25%	-2%	15%	15%
Network	600	233	233	466	512	563
... YoY	-22%	-38%	5%	-22%	10%	10%
Household goods	1,054	580	683	1,263	1,516	1,789
... YoY	19%	14%	25%	20%	20%	18%
Total	5,590	2,483	2,953	5,436	6,205	6,843
... YoY	-14%	-17%	13%	-3%	14%	10%

Source: Company data, CMBIGM estimates

Figure 4: P&L forecast

HK\$ mn	1H24	2H24	FY24	1H25	2H25E	FY25E	FY26E	FY27E
Revenue	2,986	2,604	5,590	2,483	2,953	5,436	6,205	6,843
...YoY	5.4%	-29.5%	-14.3%	-16.8%	13.4%	-2.7%	14.2%	10.3%
Cost of sales	(2,361)	(3,557)	(5,918)	(2,120)	(2,502)	(4,621)	(5,206)	(5,717)
Gross profit	625	(953)	(328)	363	451	815	999	1,126
GPM (%)	20.9%	-36.6%	-5.9%	14.6%	15.3%	15.0%	16.1%	16.5%
...YoY	8.9%	317.6%	-194.8%	-41.8%	-147.4%	-348.4%	22.6%	12.7%
 Selling Exp	 (32)	 (34)	 (66)	 (25)	 (30)	 (55)	 (62)	 (72)
...% of rev	-1.1%	-1.3%	-1.2%	-1.0%	-1.0%	-1.0%	-1.0%	-1.1%
R&D	(372)	(208)	(580)	(120)	(148)	(268)	(310)	(342)
...% of rev	-12.5%	-8.0%	-10.4%	-4.9%	-5.0%	-4.9%	-5.0%	-5.0%
Operating profit	67	(3887)	(3820)	43	64	108	186	226
OPM (%)	2.3%	-149.3%	-68.3%	1.7%	2.2%	2.0%	3.0%	3.3%
...YoY	-10.7%	232.4%	249.2%	-35.5%	-101.7%	-102.8%	72.7%	21.1%
 Net profit	 13	 (3,955)	 (3,942)	 63	 119	 182	 259	 298
NPM (%)	0.4%	-151.9%	-70.5%	2.6%	4.0%	3.3%	4.2%	4.4%
...YoY	-33.7%	216.6%	220.6%	393.9%	-103.0%	-104.6%	42.3%	15.0%

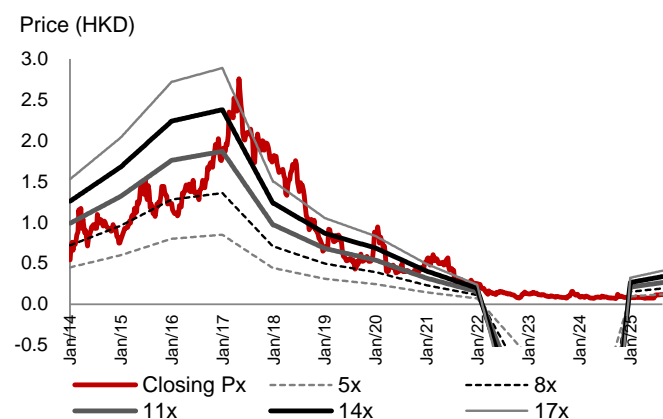
Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$0.135

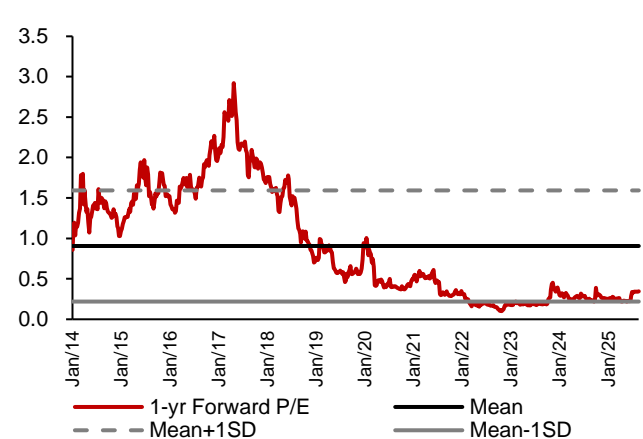
We slightly adjusted our FY25-27E EPS estimates, and our new TP of HK\$0.135 is based on higher 7.2x FY25E P/E, 23% discount to 10-yr avg. P/E of 9.3x, (vs 6.0x prior) for earnings turnaround and better order visibility into 2026. Maintain BUY. Trading at 6.2x/4.3x FY25/26E P/E, we think the stock is undervalued, given its 66.2% shareholding in A-share subsidiary, Tongda Smart Tech (mkt cap: HK\$3.3bn).

Figure 5: 12M forward P/E band



Source: Company data, CMBIGM estimates

Figure 6: 12M forward P/B band



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Revenue	7,972	6,522	5,590	5,436	6,205	6,843
Cost of goods sold	(6,742)	(6,176)	(5,918)	(4,621)	(5,206)	(5,717)
Gross profit	1,230	346	(328)	815	999	1,126
Operating expenses	(1,233)	(1,292)	(1,181)	(719)	(807)	(893)
Selling expense	(66)	(82)	(66)	(55)	(62)	(72)
Admin expense	(1,167)	(1,211)	(1,115)	(664)	(745)	(821)
SG&A expense	0	0	0	0	0	0
Others	(97)	(147)	(361)	12	(6)	(7)
Operating profit	302	(1,094)	(3,820)	108	186	226
EBITDA	1,962	552	(3,187)	765	858	687
Other income/expense	82	138	45	139	124	137
Others	(165)	(197)	(97)	(3)	36	36
Pre-tax profit	219	(1,153)	(3,871)	244	346	398
Income tax	(67)	(52)	(33)	(27)	(42)	(48)
Minority interest	14	25	38	35	46	53
Net profit	137	(1,230)	(3,942)	182	259	298
Adjusted net profit	137	(1,230)	(3,942)	182	259	298

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Current assets	7,993	8,034	4,438	3,832	6,532	6,076
Cash & equivalents	1,195	1,160	841	618	2,350	2,235
Account receivables	2,159	1,907	2,119	1,796	2,672	2,255
Inventories	2,351	1,267	714	652	745	821
Prepayment	653	623	144	144	144	144
Other current assets	2,829	4,237	1,462	1,239	2,971	2,856
Non-current assets	6,236	5,269	2,716	2,260	1,788	1,300
PP&E	5,598	4,552	2,003	1,546	1,074	587
Other non-current assets	638	717	713	713	713	713
Total assets	14,229	13,303	7,154	6,091	8,320	7,376
Current liabilities	5,444	5,073	3,661	2,348	4,227	2,881
Short-term borrowings	1,928	1,878	548	589	646	712
Account payables	2,531	1,837	2,525	1,172	2,993	1,581
Other current liabilities	(17,551)	(15,336)	(8,735)	(7,175)	(8,873)	(7,376)
Non-current liabilities	1,154	1,226	589	621	667	719
Long-term borrowings	1,051	1,065	432	465	510	562
Other non-current liabilities	103	161	156	156	156	156
Total liabilities	6,598	6,299	4,249	2,969	4,893	3,599
Share capital	97	97	97	97	97	97
Other reserves	7,466	6,585	2,508	2,690	2,949	3,247
Total shareholders equity	7,631	7,003	2,905	3,122	3,426	3,777
Minority interest	68	321	299	334	380	432
Total equity and liabilities	14,229	13,303	7,154	6,091	8,320	7,376

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Operating						
Profit before taxation	219	(1,153)	(3,871)	244	346	398
Depreciation & amortization	1,660	1,645	633	657	672	687
Change in working capital	279	643	1,030	(969)	852	(1,071)
Others	(1,415)	(1,128)	2,793	(38)	(50)	(78)
Net cash from operations	743	7	584	(106)	1,821	(64)
Investing						
Capital expenditure	(600)	(600)	(631)	(200)	(200)	(200)
Others	251	225	1,561	11	8	31
Net cash from investing	(349)	(375)	930	(189)	(192)	(169)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	(591)	(35)	(1,963)	73	103	118
Proceeds from share issues	0	0	0	0	0	0
Others	277	710	(107)	0	0	0
Net cash from financing	(314)	675	(2,070)	73	103	118
Net change in cash						
Cash at the beginning of the year	1,366	1,195	1,160	841	618	2,350
Exchange difference	(251)	(341)	236	0	0	0
Cash at the end of the year	1,195	1,160	841	618	2,350	2,235
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(15.5%)	(18.2%)	(14.3%)	(2.7%)	14.2%	10.3%
Gross profit	(18.2%)	(71.9%)	na	na	22.6%	12.7%
Operating profit	(2.0%)	na	na	na	72.7%	21.1%
EBITDA	423.2%	(71.9%)	na	na	12.3%	(19.9%)
Net profit	(39.8%)	na	na	na	42.3%	15.0%
Adj. net profit	(39.8%)	na	na	na	42.3%	15.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	15.4%	5.3%	(5.9%)	15.0%	16.1%	16.5%
Operating margin	3.8%	(16.8%)	(68.3%)	2.0%	3.0%	3.3%
EBITDA margin	24.6%	8.5%	(57.0%)	14.1%	13.8%	10.0%
Adj. net profit margin	1.7%	(18.9%)	(70.5%)	3.3%	4.2%	4.4%
Return on equity (ROE)	1.7%	(16.8%)	(79.6%)	6.0%	7.9%	8.3%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.2	0.3	0.0	0.1	(0.3)	(0.3)
Current ratio (x)	1.5	1.6	1.2	1.6	1.5	2.1
Receivable turnover days	125.4	113.8	131.4	131.4	131.4	131.4
Inventory turnover days	149.6	106.9	61.1	54.0	49.0	50.0
Payable turnover days	170.6	129.1	134.5	146.0	146.0	146.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	8.1	ns	ns	6.2	4.3	3.8
P/B	0.1	0.2	0.4	0.4	0.3	0.3
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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