Tongda Group

Driven by light guide plate and touch screen glass

Founded in 1988, Tongda Group (TDG) is the largest supplier of in-mould lamination (IML) plastic casings in the world with patented technology. IML is a surface decoration technology, offering scratching proof feature, and adopted in high-end consumer electronic products including mobile handset, home appliances and notebook computers. Currently, the company has five factories in China with manpower of 9,400 employees.

- The company has a decent track record. Top line rose at 16% CAGR between 2005 and 2010 while net profit at 10% and EPS at 3.5%, despite the financial crisis during the period. Revenue and net profit increased 30% and 97%, respectively, in FY12/10A to HK$2,348m and HK$201m.
- IML technology has been increasingly adopted, witnessed by the rapid growth of TDG's revenue from its electrical fittings segment, which surged from HK$592m in FY12/07A to HK$1,877m in FY12/10A
- Consumer electronics market remains prosperous, implying a favourable business environment for TDG. Both mobile handset and notebook computers are anticipated to grow at double digit. Particularly, TDG's key customers, like ZTE and Huawei, perform well, which certainly gives the company a push.
- The company managed to tap into LED TV light guide plate (LGP) business by setting up a 55:45 with Matsushita Shokai, a leading LGP supplier in Japan. Design capacity is 6m pieces in 2011. Operation has launched and actual output in Jan / Feb was 200,000-300,000 pieces/month. We estimate this new business will contribute TDG additional HK$175m revenue in FY12/11F with a gross margin at 33%.
- Another new product, touch screen glass (TSG), was introduced in 4Q 2010. Outlook looks promising given the rising demand for smartphone. The new business is anticipated to generate HK$263m turnover and HK$50m gross profit in FY12/11F.
- Overall, we are looking for HK$3,001m revenue for FY12/11F, up 28% YoY. Net profit, therefore, will increase 35% to HK$272m, translating into a fully diluted EPS of HK$0.056.
- Target price has been set at HK$0.565 based on a 10x FY12/11F forward P/E, which is at 15% premium on 8.7x historical mean. The premium is justified by the expected 14% two-year EPS CAGR growth after FY12/11F, implying the company is amid its upside business cycle. BUY.

Ticker	**0698 HK**
Rating	**BUY (initiating coverage)**
Price (HK$)	0.425
Target Price (HK$)	0.565 (+33%)
12m Price Range (HK$)	0.255-0.530
Market cap. (US$m)	254.8
Daily t/o (US$m)	1.3
Free float (%)	45.6

Financial summary

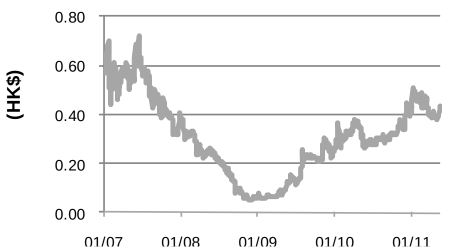
Year to Dec	09A	10A	11F	12F	13F
Turnover (HK$m)	1,800	2,348	3,001	3,437	3,901
Net Profit (HK$m)	102	201	272	312	350
EPS (HK$)	0.025	0.045	0.058	0.065	0.073
P/E (x)	16.9	9.4	7.4	6.6	5.8
P/B (x)	1.37	1.21	1.10	0.99	0.89
EV/EBITDA (x)	9.5	6.1	4.6	4.0	3.5
Yield (%)	2.0	2.6	4.6	5.3	6.0
ROE (%)	8.1	13.6	15.6	15.9	16.0
ROCE (%)	7.7	11.8	14.1	14.6	14.8
N. Gear. (%)	6.5	12.7	8.6	cash	cash

Source: SBI E2-Capital

	11F	12F	13F
Consensus EPS (HK$)	0.055	0.075	0.110
Previous earnings (HK$m)	-	-	-
Previous EPS (HK$)	-	-	-

Price performance

Year to Dec	1m	3m	12m
Relative to HSI (%)	10.8	(11.5)	24.1
Actual price changes (%)	9.0	(13.3)	46.6



Source: Bloomberg

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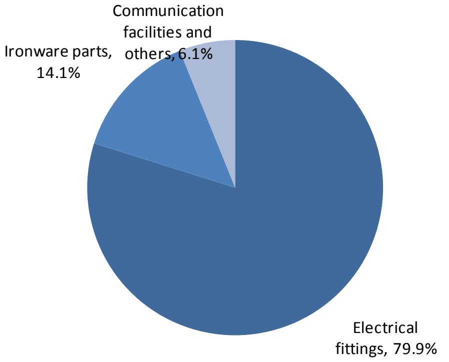
Please refer to important disclosures at the end of this report

Content

Business summary

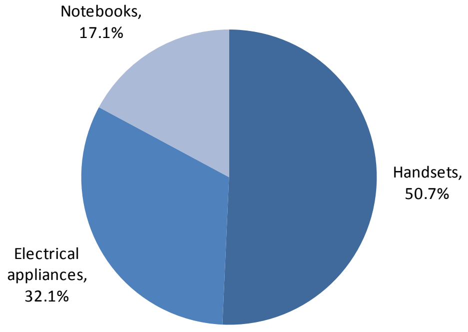
Consumer electronics focused. Established in 1988, TDG, with its patented IML technology, is one of the world leading suppliers of plastic casings for consumer electronic products such as mobile handset, electrical appliances and notebook computers, which accounted for 40%, 26% and 14%, respectively, of total revenue in FY12/10A. Other than plastic casings, which is known as electrical fittings segment, the company also produces ironware parts and communication facilities.

Chart 1. Revenue breakdown by segments FY12/10A



Source: Company data

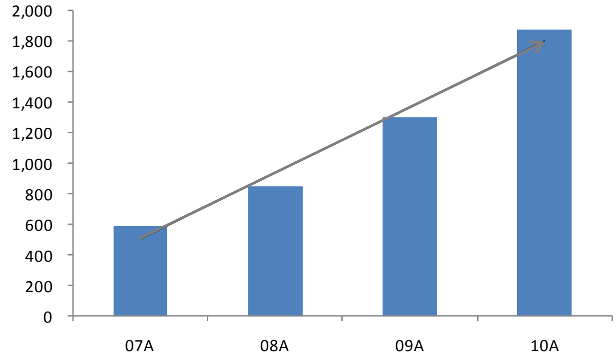
Chart 2. Electrical fittings segment sales breakdown FY12/10A



Source: Company data

Leading supplier of IML casings with patented technology. IML is an alternative surface decoration technology of prevailing in-mould decoration (IMD). Different from IMD, which simply prints designs onto a surface, IML covers the patterns with a protective layer so that it is much more scratch proof. Thus, it can be used to improve overall external appearance of a certain product, despite IML casing is slightly thicker and more expensive than IMD one. Demand for IML casings has been rising significantly in the past three years, witnessed by TDG's rapid sales growth (electrical fittings segment). The company developed and patented its own IML technology and has become the largest supplier of IML casings in the world. Taking notebook computer as an example, it is estimated that TDG supplies 50%+ of IML casings worldwide, which, in turn, account for ~10% of total notebook plastic casings consumed (IMD: ~80%; direct-injection: ~10%).

Chart 3. Sales growth of TDG's electrical fittings segment



Source: Company data

Foray into the LED display sector. In 2010, TDG, through its wholly-owned subsidiary, Tong Da Holdings, formed a 55:45 JV, Tongda Optical (TDO), with Matsushita Shokai. TDO, located in Xiamen, is engaged in production of LGP mainly for LED television. LGP is a transparent acrylic panel made from pure PMMA resin, on whose bottom face a dot matrix is printed or a line matrix is scratched. The light source is installed on its edges. LGP distributes light coming from the light source evenly over the whole upper face of the acrylic panel. It is a key component to maximize the uniformity of light, to make backlight slim and to reorient the line or dot light source to the plate light source. LGP is mainly used in LED-backlight modules, compared with light diffuser plate (LDP) used in cold cathode fluorescent lamp (CCFL) backlight module. Matsushita Shokai is a major LGP supplier in Japan with ~12% global LPG market share in 2009. It inputs necessary technology and industry connections into the JV. As its local partner, TDG provides extensive experiences in printing and laminating as well as local knowledge. Annual capacity of TDO is 1.5m pieces in 2010, which will enlarge to 6m this year. (Half of the capacity, at the beginning stage, will be employed for LDP, which will be adjusted gradually in accordance to the market demand)

Ride the touch screen trend. Other than LPG, TDG also introduced 3.5 inches (for handsets) and 7.0 inches (for mini-notebook computer) TSG in 4Q 2010 to cater for the explosive growth in demand for touch screen solution in consumer electronics. Since the company's clients include most of the major handset and notebook computer manufacturers, this new business ramp up quickly without any material marketing and promotion effort and resources.

Competitive strength

High technical obstacle, higher flexibility. IML is one of the surface decorative methods by laminating multiple layers of hard and transparent plastic film, decorative film with color and pattern, and plastic layer. Compared to conventional printing method such as IMD, surface decorated and processed by IML are more durable, as the first layer of transparent plastic film which covers and protects the printed layer prevents scrape and discoloration on the printed layer. High durability feature makes IML a perfect method to decorative casing for high-end consumer electronic products. Demanding technical requirements are barriers for most of the casing manufacturers to adopt IML. TDG developed IML technology itself with patents in various areas. It is now one of the largest suppliers of IML casings in the world. The self-developed technology grants the company also additional operation flexibility compared with others with technology sourced from third parties. For an instance, TDG can handle orders in small batches (e.g. 100 thousand pieces) when its peers may have minimum order quantity of over a million.

Diversified customer portfolio. TDG has a very broad customer base which covers most of the renowned consumer electronics brands and electrical appliance brands. For the notebook division, the company is one of the major suppliers of ASUS, Acer, Quanta Computer and Compal. Further, TDG has been received bulk orders from HP, Dell, Toshiba, Lenovo as well as NEC. For the handsets division, the company has developed close working relationship with Motorola, Samsung, Nokia and Sony Ericsson. It has developed strong presence among handsets producers in China such as ZTE, Huawei as well as Lenovo and has been securing stable orders. For electrical appliances division, major clients include Pansonic, Toshiba, Gree, Solectron, Midea, Hitachi and Sony.

Partner's assistance for LGP. The entry barrier of LGP production is high due to the sophisticated manufacturing processes, demanding quality control and high defective rate. Presently, there are only a few LGP manufacturers in China. Most demands are satisfied by import from Korea and Japan. Established in 1965 in Japan, Matsushita Shokai is engaged in the R&D and manufacturing of liquid crystal parts and surface luminous products, including plastic LGP, surface luminous products of limited angle as well as LCD windows and precision plastic processing products. In 2009, it had ~12% market share for LGP worldwide. Key customers include Sharp. Leveraging on the expertise of Matsushita Shokai, TDO was set up and commenced operation in 2010.

One-stop shop for fitting. Following the launching of LGP and TSG, TDG becomes a one-stop shop fittings provider for consumer electronics manufacturers and brand owners. It helps the company to strengthen its relationship with client, as it simplifies and shorten clients' supply chains. Further, crossing selling opportunity will emerge on TDG's broad client base and diversified product categories, in our view. The company's total solution of fittings for consumer electronics would help it to acquire new clients, and differentiate itself among its competitor. Extensive product categories will also diversify and expand its revenue stream.

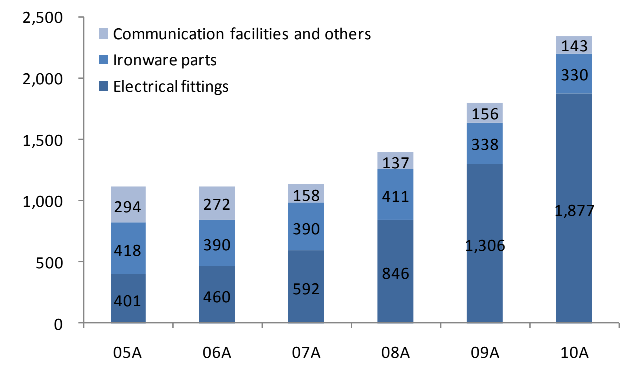
Chart 4. Customer network

Source: Company data

Historical financials

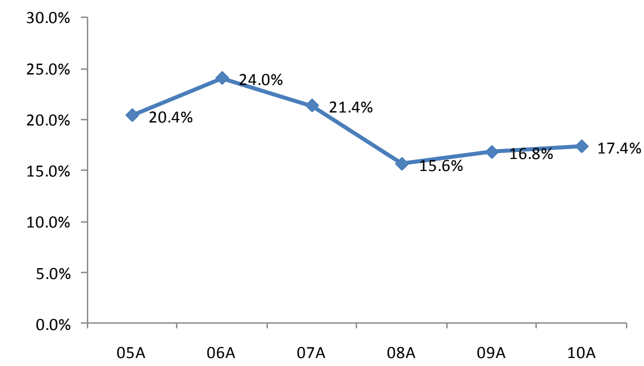
Growth accelerated since 2007. Revenue increased at five-year CAGR of 16% between 2005 and 2010. Notably, top line was relatively flat during the period from FY12/05A to FY12/07A. The growth then accelerated in FY12/08A after the company quit from fiber optic business in 2007 and increased its stake in Tongda (Xiamen) Technology, a major operating body for electrical fittings business, from 50% to 75% in 2008. CAGR growth was 27% between 2007 and 2010 (or 47% for electrical fittings segment alone), despite the financial crisis during the period.

Chart 5. Historical sales (HK$m)



Source: Company data

Chart 6. Historical gross margin

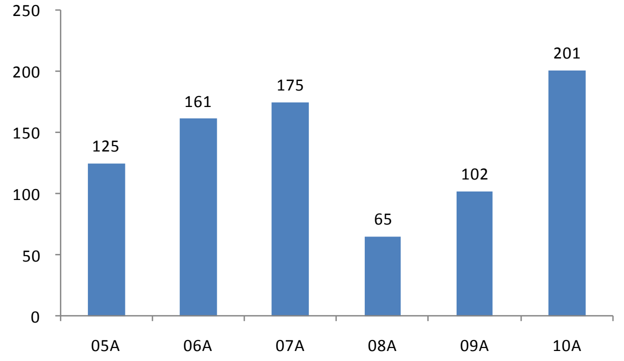


Source: Company data

Gross margin under recovery. According to the management, gross margins of each major product (all in electrical fittings segment), are largely comparable. Blended gross margin touched the bottom at 15.6% in FY12/08A due to the financial crisis. It then bottomed out gradually at 16.8% in FY12/09A and 17.4% in FY12/10A.

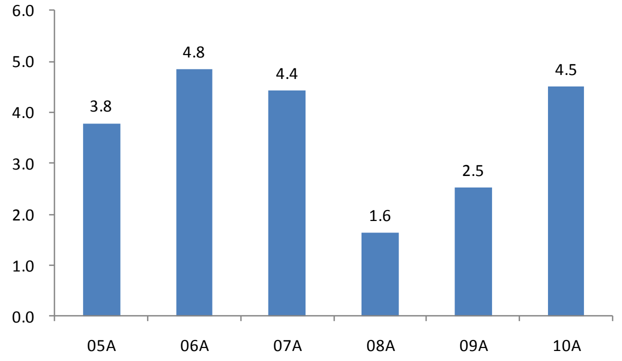
Decent earnings growth in the past five years. Net profit and EPS followed gross margin movement, bottoming in FY12/08A and picking up gradually thereafter. Between FY12/05A and FY12/10A, net profit grew at 10% CAGR while EPS 3.5% CAGR. Considering the financial crisis, we reckon such growth is decent.

Chart 8. Historical net profit (HK$m)



Source: Company data

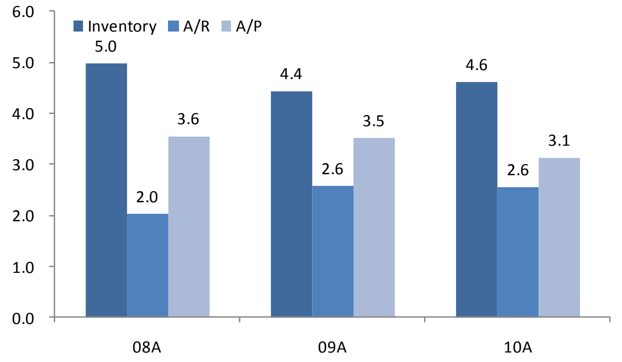
Chart 7. Historical basic EPS (HK$ cent)



Source: Company data

Steady working capital requirement. A/R increased from HK$631m in FY12/09A to HK$1,020m in FY12/10A due to sales expansion, which largely explained a decline in operating cash inflow from HK$298m last year to HK$90m in FY12/10A. As majority of the A/R (HK$906m) is within general three-month credit period, we reckon associated bad debt risk is low. Cash reserved (incl. cash balance, restricted cash and pledged cash) dropped by HK$18m to HK$228m. Other than working capital requirement, cash flew out for expanding capacity during the period. As turnover ratios of all working capital items remained relatively steady, we regard TDG's overall working capital management comfortable.

Chart 9. Working capital turnover



Source: Company data

Outlook

Growth drivers identified. We identified major growth drivers for TDG as following:

- Industry organic momentum – the company is surely a beneficiary of robust consumer electronics market, particularly mobile handset (smartphone) and LED TV. (Section: Industry Background)
- Capacity expansion of existing operations – the company's new notebook casing plants in Changshu and Shanghai commenced operation in 4Q 2010, which doubled TDG's production capacity for notebook casing.
- Ramp-up of new products – for LGP, TPO completed trial production in 4Q 2010. Mass production has commenced since the beginning of this year. Initially, most of the plant output will be supplied to AU Optronics (2409 TT). Designed capacity was 1.5m pieces for 2010 and 6m pieces for 2011. According to our early visit, the actual output in Jan/Feb was 200,000-300,000 pieces/month, which is expected to increase to 500,000 within the year. Production of TSG launched also in 4Q 2010. We expect it to generate HK$263m turnover this year.

Strong growth is expected for FY11F. We project the company's turnover will increase 28% in FY12/11F to HK$3,001m. Growth, thereafter, will moderate under our cautious assumptions on each business segment.

- Turnover of existing electrical fittings division is expected to increase by 12% to HK$2,090m mainly driven by capacity expansion and organic growth of handset and notebook division.
- LGP and TSG are estimated to contribute HK$175m and HK$263m revenue, respectively, backed by planned capacities and output. Notably, we understand, for LGP, half of the output will be charged in the form of processing fees (i.e. customers will be responsible for raw materials costs), suggesting high profit margin, despite smaller revenue contribution.
- Both ironware division and communication facilities division will remain steady. Thus, their contribution to the total revenue, proportion wise, will decrease from 14% and 6% to 11% and 5%, respectively.

Table 1. Sales assumptions

Year to Dec (HK$m)	09A	10A	11F	12F	13F
Revenue	1,800.3	2,348.3	3,001.5	3,437.3	3,901.1
Electrical fittings	1,305.7	1,874.7	2,090.3	2,360.0	2,642.6
Handset	630.3	950.7	1,045.8	1,202.7	1,383.1
Electrical appliance	445.1	602.5	626.5	676.7	730.8
Notebook computer	225.5	321.5	417.9	480.6	528.7
Ironware parts division	338.1	330.2	330.2	330.2	330.2
Communication facilities	156.5	143.4	143.4	143.4	143.4
LGP	-	-	175.0	209.9	272.8
TSG	-	-	262.6	393.9	512.1
Revenue growth (%)	29.2	30.4	27.8	14.5	13.5
Electrical fittings	54.4	43.6	11.5	12.9	12.0
Handset	-	50.8	10.0	15.0	15.0
Electrical appliance	-	35.4	4.0	8.0	8.0
Notebook computer	-	42.6	30.0	15.0	10.0
Ironware parts division	(17.7)	(2.4)	0.0	0.0	0.0
Communication facilities	13.8	(8.3)	0.0	0.0	0.0
LGP	-	-	-	19.9	30.0
TSG	-	-	-	50.0	30.0

Source: SBI E2-Capital

Margin expansion is likely. We expect the company's blended margin to enhance by 0.9 pcp to 18.3%, due to: 1) contribution from higher margin LGP business; 2) drop in contribution from lower margin ironware parts and communication facilities divisions. Operating margin, accordingly, will enlarge from 11.2% in FY12/10A to 12.1% in FY12/11F.

Table 2. Margin assumptions

Year to Dec (HK$m)	09A	10A	11F	12F	13F
Blended gross margin (%)	16.8	17.4	18.3	18.5	18.8
Electrical fittings	-	-	19.0	19.0	19.0
Handset	-	-	19.0	19.0	19.0
Electrical appliance	-	-	19.0	19.0	19.0
Notebook computer	-	-	19.0	19.0	19.0
Ironware parts division	-	-	9.0	9.0	9.0
Communication facilities	-	-	9.0	9.0	9.0
LGP	-	-	33.3	33.3	33.3
TSG	-	-	19.0	19.0	19.0

Source: SBI E2-Capital

Foreseeable earnings expansion. Accordingly, the company's net profit is projected at HK$272m for FY12/11F, up 35% YoY. Accompanying the moderating top line growth, net profit, then, will increase 15% in FY12/12F to HK$312m and 12% in FY12/13F to HK$350m.

Table 3. P&L

Year to Dec (HK$m)	09A	10A	11F	12F	13F
Revenue	1,800.3	2,348.3	3,001.5	3,437.3	3,901.1
COGS	(1,497.9)	(1,940.7)	(2,453.5)	(2,801.5)	(3,168.1)
Gross profit	302.4	407.6	548.0	635.8	732.9
Other income and gain, net	25.0	36.5	31.3	33.2	36.6
Selling and distribution costs	(49.0)	(53.1)	(66.4)	(76.0)	(86.3)
Administrative expenses	(108.1)	(122.8)	(141.3)	(161.8)	(183.6)
Other expenses, net	(18.6)	(6.0)	(9.0)	(10.3)	(11.7)
Operating profit	151.6	262.1	362.7	420.9	488.0
Finance costs	(16.7)	(20.3)	(19.0)	(21.0)	(21.5)
Share of profits and losses of associates	3.1	2.6	-	-	-
Share of profits and losses of a jointly-controlled entity	0.0	0.0	-	-	-
Profit before tax	138.1	244.5	343.7	399.9	466.5
Income tax expenses	(24.2)	(34.2)	(48.1)	(60.0)	(79.3)
Minority interests	(11.7)	(9.3)	(23.6)	(28.3)	(36.8)
Net profit	102.1	200.9	271.9	311.6	350.3
EPS – fully diluted (HK$)	0.025	0.043	0.056	0.065	0.073

Source: SBI E2-Capital

SBI E2-Capital

Valuation

Peers group at one-year forward 7.4x P/E. There is no direct comparable to TDG in the Hong Kong market. Instead, we employ a small group of EMS companies as a reference. The peers group is trading at 7.4x one-year forward P/E.

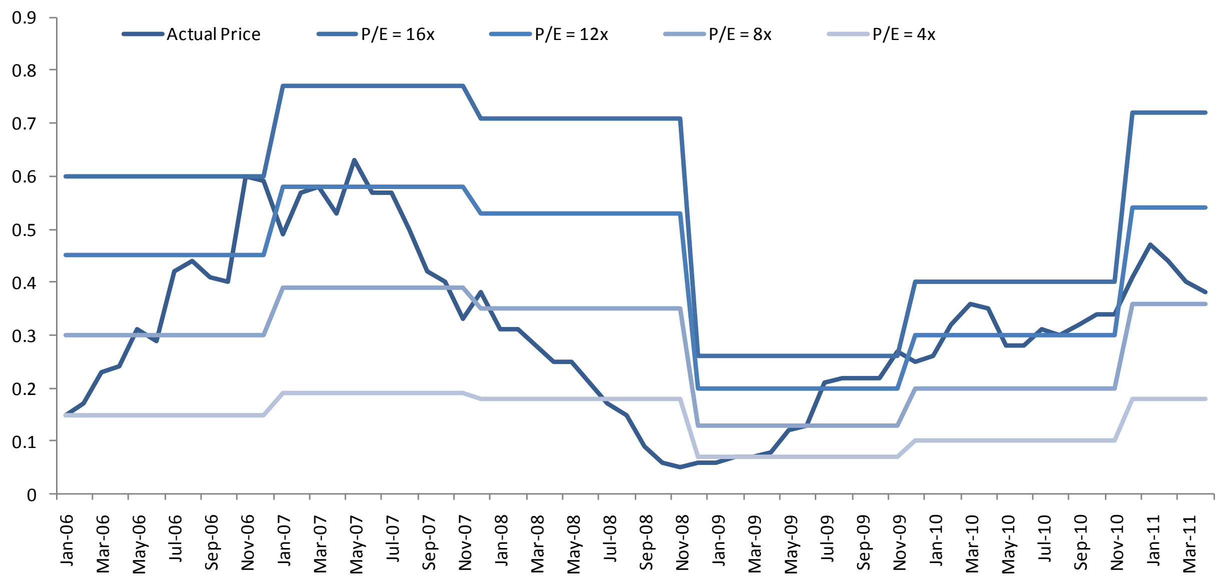
Table 4. Valuation reference

Company	Ticker	FY end	Market cap (US$m)	Historical PER (x)	1-year PER (x)	2-year PER (x)	P/BV (x)	ROE (%)
Great Wall Tech	74 HK	12/2010	548.2	5.5	n.a.	n.a.	0.8	14.2
TPV	903 HK	12/2010	1,317.3	7.6	7.5	7.0	0.7	10.3
Foxconn	2038 HK	12/2010	4,098.1	n.a.	n.a.	47.6	1.2	(6.1)
Ju Teng	3336 HK	12/2010	352.9	8.3	7.7	5.6	0.6	7.9
BYD Electronic	285 HK	12/2010	1,236.4	7.8	7.1	6.3	1.1	14.7
RMIH	1997 HK	12/2010	726.1	9.1	7.3	5.7	2.6	31.9
Average				7.7	7.4	14.4	1.2	12.2

Source: Bloomberg

Fair value ranged HK$0.276-0.705 based on historical average P/E. The counter's PE range was wide with lowest at 1.5x and highest at 17.6x from 2006 to present with average at 8.7x (standard deviation: 3.8), implying a price range of HK$0.276-0.705 (within one standard deviation of the mean).

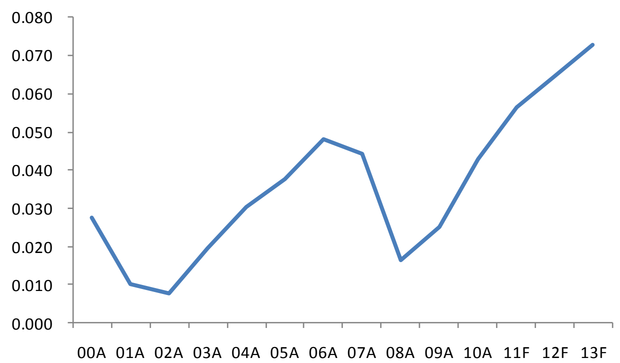
Chart 10. PE band



Source: Bloomberg

Target price at HK$0.565. In our estimates, TDG will maintain double-digit EPS growth after FY12/11F (two-year CAGR: 14%), implying the company has been stepping into the growth stage of a new round of business cycle. Thus, we chose a 10x one-year forward P/E to derive a target price at HK$0.565. The embedded P/E multiple is at 15% premium on the historical mean and contains a PEG ratio of 0.7 (based on FY12/11F-FY12/13F EPS CAGR growth).

Chart 11. Earnings cycle



Source: Company data, SBI E2-Capital

Risks

Risks. Existing operation bears market risk. Meanwhile, both LGP and TSG are new businesses, which may suffer additional execution uncertainty.

Industry background

IML casings

Friendly environment stays in general. Although growth from home appliance sector will probably moderate due to a higher comparison basis, both notebook PC and mobile handset are generally expected to retain double-digit growth in 2011, which constructs a basic foundation for us to be optimistic towards IML casings' performance this year.

Growth supported by customers' expansion. In particular for handset application, as a strategic partner of ZTE (0763 HK) and Huawei (the two names account for ~30% of the handset casing sales in FY12/10A), TDG definitely benefits from the latter two' supreme growth. ZTE and Huawei reported 77% and 80% mobile handset volume growth last year. Accordingly, we observed TDG's mobile handset-related revenue jumped 51% YoY to HK$951m. This year, the two customers targets on 33% and 40% growth, respectively. Thus, we can reasonably expect another strong year for TDG's handset sub-segment.

LED TV LGP

Organic momentum is strong. LGP is the major backlight component of LED TV. According to DisplaySearch, shipment of LED TV would increase from 35m units in 2010 to 185m+ units in 2015, representing a five-year CAGR of 38%. IMS Research (2010) also estimated that demand for LGP from flat TV industry will increase at a four-year CAGR of 28% between 2011 and 2015.

Benefit from local sourcing. As discussed, there are only a few LGP manufacturers in China currently. Demands for LPG are mainly satisfied by import from Korea and Japan. We reckon Chinese LCD panel producers will prefer local sourcing for logistic cost containment as well as lower defective rate arises from long haul transportation as long as a steady and quality supply can be secured. TDO may right fit in this need with its strategic location in Xiamen, adjacent to a number of LCD panel producers.

Handset TSG

Smart phone is the major driver. Touch screen is an essential part of smartphone. ~60% touch screen modules are used in smartphones while others in portable game devices, notebook computer and mini-note computer. Worldwide smartphone shipment surged 80% in 1Q 2011 to 55m units. It is forecasted by IDC to grow at 25% CAGR from 2010 through 2015.

Grow alongside with touch screen module. According to DisplaySearch, shipment of touch screen modules will increase at a six-year CAGR of 19% between 2009 and 2015, from 483m units to ~1.4b units. We expect TDG's TSG division to benefit from this strong growth.

P&L (HK$m)	09A	10A	11F	12F	13F
Year to Dec					
Turnover	1,800.3	2,348.3	3,001.5	3,437.3	3,901.1
% chg	*29.2*	*30.4*	*27.8*	*14.5*	*13.5*
Gross profit	302.4	407.6	548.0	635.8	732.9
EBITDA	231.2	359.6	473.1	543.2	622.7
Depre./amort.	(81.6)	(98.6)	(111.4)	(124.1)	(136.9)
EBIT	149.5	261.0	361.7	419.0	485.8
Net int. income/(exp.)	(14.6)	(19.1)	(18.1)	(19.1)	(19.4)
Exceptionals	-	-	-	-	-
Associates	3.1	2.6	0.0	0.0	0.0
Jointly-controlled entit.	-	-	-	-	-
Pre-tax profit	138.1	244.5	343.7	399.9	466.5
Tax	(24.2)	(34.2)	(48.1)	(60.0)	(79.3)
Minority interests	(11.7)	(9.3)	(23.6)	(28.3)	(36.8)
Net profit	102.1	200.9	271.9	311.6	350.3
% chg	*56.3*	*96.8*	*35.3*	*14.6*	*12.4*
Dividends	(37.4)	(49.1)	(95.2)	(109.1)	(122.6)
Retained earnings	64.7	151.8	176.8	202.5	227.7
EPS (HK$) - Basic	0.025	0.045	0.058	0.065	0.073
EPS (HK$) - F.D.	0.025	0.043	0.056	0.065	0.073
DPS (HK$)	0.009	0.011	0.020	0.023	0.025
No. sh.s o/s (m) - W.A.	4,051.0	4,465.1	4,713.6	4,822.3	4,822.3
No. sh.s o/s (m) - Y.E.	4,305.8	4,604.9	4,822.3	4,822.3	4,822.3
No. sh.s o/s (m) - F.D.	4,067.1	4,672.8	4,822.3	4,822.3	4,822.3
Margins (%)					
Gross	*16.8*	*17.4*	*18.3*	*18.5*	*18.8*
EBITDA	*12.8*	*15.3*	*15.8*	*15.8*	*16.0*
EBIT	*8.3*	*11.1*	*12.1*	*12.2*	*12.5*
Pre-tax	*7.7*	*10.4*	*11.5*	*11.6*	*12.0*
Net	*5.7*	*8.6*	*9.1*	*9.1*	*9.0*

Balance Sheet (HK$m)	09A	10A	11F	12F	13F
Year to Dec					
Fixed assets	853.3	988.0	1,028.0	1,055.2	1,069.7
Intangible assets	22.8	22.8	34.4	34.4	34.4
Other LT assets	157.4	167.0	154.0	152.6	151.2
Cash	246.1	228.0	201.7	422.5	493.5
Accounts receivable	630.6	1,019.7	1,190.4	1,266.8	1,518.7
Other receivables	75.5	112.7	135.0	154.6	175.4
Inventories	369.2	472.2	555.7	634.0	716.2
Due from related co.s	0.0	0.0	0.0	0.0	0.0
Other current assets	4.6	6.1	0.0	0.0	0.0
Total assets	2,359.5	3,016.5	3,299.2	3,720.2	4,159.3
Accounts payable	411.3	655.9	822.3	941.7	1,068.8
Other payable	81.1	92.1	89.7	100.0	110.0
Tax payable	112.2	124.4	48.1	60.0	79.3
Due to related co.s	10.7	2.1	2.1	2.1	2.1
ST debts	248.2	282.4	159.9	219.9	200.0
Other current liab.	-	-	-	-	-
LT debts	99.1	169.8	219.9	200.0	230.0
Other LT liabilities	16.0	27.4	27.4	27.4	27.4
Total liabilities	978.7	1,354.0	1,369.3	1,551.1	1,717.5
Share capital	43.1	46.0	48.2	48.2	48.2
Reserves	1,290.5	1,569.9	1,811.5	2,022.4	2,258.2
Shareholders' funds	1,333.5	1,616.0	1,859.7	2,070.6	2,306.4
Minority interest	47.3	46.5	70.2	98.5	135.3
Total	1,380.8	1,662.5	1,929.9	2,169.1	2,441.8
Capital employed	1,728.1	2,114.7	2,309.6	2,589.0	2,871.8
Net (debt)/cash	(101.3)	(224.1)	(178.0)	2.6	63.5

Cash Flow (HK$m)	09A	10A	11F	12F	13F
Year to Dec					
EBIT	149.5	261.0	361.7	419.0	485.8
Depre./amort.	81.6	98.6	111.4	124.1	136.9
Net int. paid	(14.6)	(19.1)	(18.1)	(19.1)	(19.4)
Tax paid	(21.9)	(20.6)	(124.4)	(48.1)	(60.0)
Dividends received	1.5	4.5	0.0	0.0	0.0
Gross cashflow	196.2	324.3	330.6	475.9	543.4
Chgs. in working cap.	44.0	(279.0)	(112.4)	(44.5)	(218.0)
Operating cashflow	240.2	45.3	218.2	431.4	325.4
Capex	(153.4)	(206.4)	(150.0)	(150.0)	(150.0)
Free cashflow	86.8	(161.1)	68.2	281.4	175.4
Dividends paid	(23.1)	(49.1)	(94.1)	(100.7)	(114.5)
Net distribution to MI	7.9	0.1	0.0	0.0	0.0
Investments	0.0	(8.1)	0.0	0.0	0.0
Disposals	0.2	20.6	0.0	0.0	0.0
New shares	1.1	79.7	72.0	0.0	0.0
Change in bank loans	(34.8)	104.8	(72.4)	40.2	10.1
Others	16.3	(5.0)	(0.0)	0.0	(0.0)
Net cashflow	54.4	(18.0)	(26.3)	220.8	71.0
Cash reserve - Beg.	191.6	246.1	228.0	201.7	422.5
Cash reserve - End.	246.1	228.0	201.7	422.5	493.5

Interim Results (HK$m)	08A	09A	10A
Six months to Jun			
Turnover	614.8	678.1	1,039.5
% chg	*30.0*	*10.3*	*53.3*
Profit from operations	63.8	65.1	106.1
Interest expenses	(13.7)	(9.7)	(8.3)
Associates	5.4	0.4	2.0
Jointly-controlled entit.			
Pre-tax profit	55.6	55.8	99.8
Tax	(7.9)	(10.6)	(16.0)
Minority interests	(2.3)	(4.2)	(2.4)
Net profit	45.3	41.0	81.4
% chg	*(47.9)*	*(9.6)*	*98.6*
EPS (HK$) - Basic	0.014	0.010	0.018
DPS (HK$)	-	0.010	0.018

Shareholding Structure	Shares o/s (m)	%
Mr. Wang Ya Nan	2,387.5	51.1
Others	2,288.3	48.9
Total	4,675.8	100.0

Background

Founded in 1988, Tongda Group is the largest supplier of in-mould lamination (IML) plastic casings in the world with patented technology. IML is a surface decoration technology, offering scratching proof feature, and adopted in high-end consumer electronic products including mobile handset, home appliances and notebook computers. Currently, the company has five factories in China with manpower of 9,400 employers.

Key Ratios	09A	10A	11F	12F	13F
Net gearing (%)	15.7	7.8	14.7	9.9	Cash
Net ROE (%)	5.5	8.1	13.6	15.6	15.9
EBIT ROCE (%)	6.8	9.0	13.6	16.4	17.1
Dividend payout (%)	36.7	36.6	24.4	35.0	35.0
Effective tax rate (%)	20.8	17.5	14.0	14.0	15.0
Net interest coverage (x)	4.3	10.3	13.7	20.0	21.9
A/R turnover (days)	157.2	124.8	128.3	134.4	130.5
A/P turnover (days)	81.4	82.1	100.4	110.0	114.9
Stock turnover (days)	94.9	82.3	79.1	76.5	77.5