



Tongda Group (698 HK)

Anticipating a turnaround in FY25

- Positive profit alert- expecting FY25 NP of HK\$115m to HK\$125m, compared to a net loss of HK\$3.9bn in FY24
- Despite FY25 sales is expected to remain stable, the significant improvement in GPM fueled the bottom-line growth

Achieving profitability in FY25 – marking a pivotal period

Tongda just issued a positive profit alert, citing that the company anticipates a FY25 NP of HK\$115m to HK\$125m, marking a significant turnaround from the loss of HK\$3.9bn recorded in FY24. The significant improvement was primarily due to:-

- No significant one-off items recorded in FY25.** In FY24, Tongda recorded a one-off non-cash asset impairment provision of HK\$2.4bn, covering fixed assets, investments in associates, and receivables and loans due to a jointly controlled entity.
- Significant improvement in overall GPM.** While the company's sales remained stable in FY25, the overall GPM improved markedly, from a gross loss margin of 5.9% in FY24 to an expected GPM of about 15.5% to 16.5% in FY25. This significant GPM enhancement was driven by the reduction of depreciation expenses and enhanced inventory management. Following the impairment of fixed assets in FY24, depreciation expenses in FY25 are expected to drop significantly by about HK\$340m. In FY24, amid the industry intense competition and market volatility which slowed Tongda's inventory turnover, resulting in a provision of HK\$510m. However, last year the company proactively strengthened client relationships, applied stricter risk controls and optimized customer portfolio by filtering low-margin orders. These measures improved order quality and profit margins, thus reducing the expected inventory provision by HK\$500m YoY.
- Optimization of R&D costs and OPEX. In FY25.** Administrative expenses are expected to decline by about HK\$420-430m YoY. This was mainly due to the disposal of the high-precision components business in April 2024.

Following its successful restructuring, Tongda has strengthened its balance sheet, creating a solid foundation for sustainable growth. Despite the ongoing global economic challenges, its stable financial position will enable the company to seize new opportunities and drive the next phase of business expansion. The company will harness innovative technologies to expand into high-potential business areas and strengthen new product developments.

Figure 1 1H25 results highlight

Year ended Dec (HK\$m)	1H24	1H25	YoY change
Revenue	2,986.0	2,483.2	(16.8)
COGS	(2,361.2)	(2,119.8)	
Gross profit	624.8	363.4	(41.8)
Other income and gains	70.6	74.3	
Selling and distribution exp.	(32.2)	(25.3)	
General and admin exp.	(655.5)	(309.4)	
Net gain on disposal	146.4	0.0	
Others	(16.2)	14.6	
Finance costs	(75.0)	(25.4)	
Share of losses of associates	(5.9)	0.0	
Before tax profit	57.0	92.2	61.9
Tax	(20.7)	(8.7)	
MI	(23.5)	(20.2)	
Net profit	12.8	63.4	394.0

Source: Company data

NON-RATED

Last Price (HK\$)*	3.89
Target Price (HK\$)	N/A
Upside / (Downside)(%)	N/A
Previous rating	NON-RATED
Previous TP	N/A
Hang Seng Index*	26,559.95

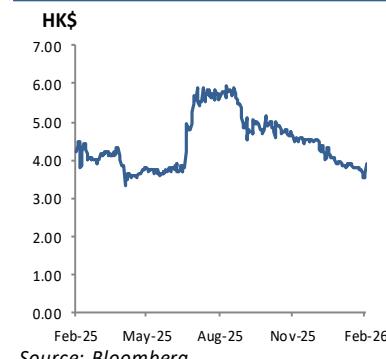
*Prices as of 6-Feb-26

Key Data

Ticker	698 HK
Market Cap (HK\$m)	757
3M avg daily T/O (HK\$m)	0.6
52-week High (HK\$)	6.50
52-week Low (HK\$)	3.15
Free Float (%)	64.9%
Shares O/S (m)	194.7

Performance	Absolute	Relative
1 month	0.0%	0.6%
3 months	-16.2%	-16.4%
6 months	-31.8%	-36.0%

Price Chart



Source: Bloomberg

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