

MANAGEMENT DISCUSSION AND ANALYSIS

Financial status

Result for the period

During the period ended 30 June 2003, the turnover of the Group amounted to HK\$176.7 million, representing a 49.7% increase from the same period last year. Net profit attributable to shareholders for the period was HK\$22.6 million, representing a 24.4% increase in comparing with the same period last year.

Liquidity and financial resources

At 30 June 2003, the Group had total assets of HK\$455.6 million (31 December 2002: HK\$390.6 million); net current assets of HK\$15.8 million (31 December 2002: HK\$21.4 million) and shareholders equity of HK\$202.0 million (31 December 2002: HK\$196.0 million).

The Group's cash and bank balances as at 30 June 2003 was maintained at about HK\$38.5 million (31 December 2002: HK\$37.3 million), out of which HK\$3.4 million has been pledged to bank to secure banking facilities granted.

As at 30 June 2003, the gearing ratio (total debt/total asset of the Group) was 0.54 (31 December 2002: 0.48).

Exchange rate exposure

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollar, Renminbi and US dollar. There is no significant fluctuation in the exchange rate in Hong Kong dollar and Renminbi. The Group believes that the risk of exposure to exchange rate is minimal.

Charges on Group assets

Certain of the Group's borrowings at 30 June 2003 were secured by bank deposits, leasehold land and buildings and investment properties situated in Hong Kong owned by the Group.

Employee

As at 30 June 2003, the total number of employees was 1,652 (31 December 2002: 1,638). The Group's remuneration policy is linked to efficiency and remained responsive to market trends. The employee's salary is determined based on the results of the assessments of their level of responsibilities, skills and strength.

Contingent liabilities and capital structure

As at 30 June 2003, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries and an associate which were utilised to the extent of HK\$7.0 million (31 December 2002: HK\$5.3 million).

Save as disclosed above neither the Group nor the Company had any significant contingent liabilities as at 30 June 2003.

All the Company's shares are ordinary shares. Other than the non-current portion of bank loans of HK\$6.5 million, the Group's borrowings includes secured and unsecured bank loans which are repayable within one year as at 30 June 2003.

BUSINESS REVIEW AND PROSPECTS

Business review

After the Middle-East war and the SARS infection, the Group can quickly recover with the support of the bulk orders from customers, starting from the month of May 2003. Overall performance of the Group has reached to a satisfactory level.

With the support of the prestige customers including Sony, Samsung and Coship, the result from the formal operation of the Shenzhen factory is promising.

There are two main growing products during the period the In-Mould Decoration (IMD) and aluminium products. The turnover of IMD has reached to 3 times of the last year's amount while for aluminium products, the growth is over 50% of the same period of last year. The first six largest customers for these products during the period include Utster, Haier, Amoisonic, Midea, Electrolux and Hitachi.

The optic fibre and digital fibre cable products have turned around from an operating loss to a mild profit position. Other operation units of the Group have demonstrated its strength and continue to provide stable return to the Group.

Prospects

After entered into WTO, China has attracted many foreign enterprises flooding their business development in China. The demand for electronic and electrical parts is expected to increase. Tongda Group has possessed “the top 100 corporation in national electronic and electrical parts industry” for 9 years continuously. With the professional experience and the outstanding R&D & sales teams, Tongda Group is full of confident in the coming year.

The main products of the Group include electric accessories, ironware parts and communication facilities products. Products of electric accessories like IMD, case & front panel of mobile phone, membrane touch switch (MTS), PVC panel, crystal trademark. For IMD and case & front panel of mobile phone, the production has reached to 5.22 million pieces for the period under review.

Products of ironware parts include LCD panel, mask guard, DVD cabinet, aluminous alloy product and cooler. The Group aims to enhance the moulding design on the bases of existing products and to improve the production skills.

Products of communication facilities include DECT, optical fiber cable, set top box, satellite TV receiver, modem, with the markets in Australia, Southeast Asia, and the Middle East regions. Meanwhile, the Group is going to develop the markets in Europe and the United States.

“Market-oriented, technology innovation, scientific management & efficiency wanted” are the philosophy of the Group. With the strong competitive power and market status, the electric accessories and ironware parts become one of the main revenue in the near future. Products of communication facilities products include digital TV receiver, network cabling and terminal devices. They would be the key products in the coming years and act as the landmark of the technology development.