

What's Hot Today:

► Conant Optical (2276.HK) – 2023 Results inline, domestic growth curve just start

- Revenue +13%, driven by strong performance in China market
- Profitability increased, GPM/NPM increased 3.0/2.7pp to 37.4/18.6%
- Clear path of domestic expansion

2023 results inline. Shanghai Conant Optical (SCO) posted its 2023 results with revenue of RMB1,760mn (+13% YoY) and a net profit of RMB327mn (+32% YoY), inline with our expectations. In 2H23, SCO achieved a revenue of RMB928mn (+14% YoY) and a net profit of RMB168mn (+29% YoY). The company declared a final dividend of RMB 0.2 for a full-year payout of 26%.

Robust domestic sales drove revenue growth. In 2023, sales in China grew by 29% to RMB575mn (~33% of total sale). A strong 2H23 was noted where China's sales grew by 34% YoY to RMB329mn. The Mgt attributed the growth to 1) SCO's increased engagement in China; 2) strategic partnership with hospitals to open optical shops. In 2024, the Mgt emphasized that they will continue to expand its brand presence and enlarge its customer base. Breaking down by product type, SCO's standardized/customized lens achieved a sales of RMB1,404/354mn in 2023, respectively, for an increase of 13/17%, respectively. Backed by SCO's strong technical background, its customized lens was well recognized in developed countries. In 2023, SCO's sales to America and Europe both grew by 4%.

Profitability improved. In 2023, SCO achieved a GPM of 37.4% whereas NPM stood at 18.6%, an increase of 3.0/2.7pp YoY, respectively. It is believed that the margin expansion was due to 1) better product mix, 2) higher economies of scale, 3) USD appreciation. The Mgt also highlighted their investment in automation, which is expected to reduce labor cost and boost margins in the future.

Our view: It is believed that SCO is going to experience a high growth period driven by its domestic sales strategy. In addition, the enhancing automation and capacity are expected to further improve its production efficiency and hence, higher margins are expected. We maintain our fair value price at HK\$15.08. The valuation corresponds to about 13.7x FY24 P/E and 3.3% FY24E dividend yield

Risks: 1) slow-than-expected sales growth in China, 2) unexpected price hike in raw materials (Research Department)

China & HK Indices	CLOSE	1D	YTD
HSI	16,392	-1.4%	-3.8%
HSCEI	5,728	-1.7%	-0.7%
HSCCI	3,396	-1.9%	1.4%
CSI300	3,502	-1.2%	2.1%
Shanghai A	3,138	-1.3%	7.4%
Shanghai B	248	-1.0%	7.4%
Shenzhen A	1,781	-2.8%	-7.3%
Shenzhen B	1,080	-0.8%	-0.1%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	39,760	1.2%	5.5%
S&P 500	5,248	0.9%	10.0%
Nasdaq	16,399	0.5%	9.2%
NIKKEI Index	40,343	-1.0%	20.6%
FTSE Index	7,931	0.0%	2.6%
CAC Index	8,204	0.2%	8.8%
DA X Index	18,477	0.5%	10.3%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	2,194	0.7%	6.1%
STEEL (US\$/oz.)	2,169	1.5%	-2.5%
SILVER (US\$/oz.)	24	0.8%	3.1%
CRUDE OIL (US\$/bbl)	81	-9.5%	14.2%
COFFER (US\$/oz.)	8,849	-0.3%	3.4%
ALUMINIUM (US\$/oz.)	2,298	-1.2%	-3.6%
PLATINUM (US\$/oz)	899	-0.6%	-9.5%
ZINC (US\$/oz.)	2,437	-2.3%	-8.3%
WHEAT (US\$/bu)	547	0.7%	-12.7%
CORN (US\$/bu)	426	-1.3%	-11.7%
SUGAR (US\$/lb)	N/A	N/A	N/A
SOYBEAN (US\$/bu)	1,192	-0.5%	-8.7%
PVC (US\$/t)	N/A	N/A	13.3%
CRB	286	-0.8%	3.0%
BDI			-5.0%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.824	0.924	151.330	0.904	7.227
HKD	0.128		0.118	19.329	11.551	0.920
EUR	1.083	8.472		163.750	1.022	7.818
JPY	0.007	5.173	0.611		0.598	0.048
CHF	1.107	8.656	1.022	167.328		7.940
RMB	0.138	1.090	0.129	20.943	0.126	

Market Sentiment	CURRENT	5D
CDS Monitor - USD 5Y SR		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	12	-2.0%

Source: Bloomberg

Latest Research Reports		
Date	Company	Analyst
29/02/2024	Xinyi Solar (968.HK)	Research Department
29/02/2024	Xinyi Energy (3868.HK)	Research Department
26/02/2024	Conant Optical (2276.HK)	Research Department
05/01/2024	Aeon Credit (900 HK)	Ensley Liu
13/10/2023	Aeon Credit (900 HK)	Howard Wong
17/04/2023	Xtep International (1368 HK)	Eason Cui
14/04/2023	Perfect Medical (1830 HK)	Research Department
03/04/2023	Meidong Auto (1268 HK)	Eason Cui
31/03/2023	Prosperous Industrial (1731 HK)	Research Department
28/03/2023	Yongda (3669 HK)	Eason Cui
17/03/2023	361 Degrees (1361 HK)	Eason Cui
13/03/2023	DONGFANG ELECTRIC (1072 HK)	Eason Cui
01/03/2023	Xinyi Energy (3868 HK)	Eason Cui
28/02/2023	Xinyi Glass (868 HK)	Ken Li
13/02/2023	Auto monthly update	Eason Cui
10/02/2023	Yuexiu Property (123 HK)	Ken Li
18/01/2023	Yongda (3669 HK)	Eason Cui
17/01/2023	Xtep (1368 HK)	Eason Cui
04/01/2023	Auto monthly update	Eason Cui
02/12/2022	Perfect Medical (1830 HK)	Research Department
01/12/2022	XPeng (9868 HK)	Eason Cui

Fig 1: SCO's financial summary and forecast

RMB mn	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	1,561	1,760	2,134	2,431	2,663
<i>Growth</i>	15%	13%	21%	14%	10%
Gross profit	538	658	817	947	1,049
<i>Gross profit margin</i>	34.4%	37.4%	38.3%	38.9%	39.4%
Net profit	249	327	433	513	577
<i>Net profit margin</i>	15.9%	18.6%	20.3%	21.1%	21.7%
EPS (RMB)	0.58	0.77	1.01	1.20	1.35
P/E (x)	13.8	10.4	7.9	6.7	5.9

Source: Company report, Sunwah Kingsway Research

Fig 2: SCO's business breakdown

RMB mn	2021	2022	2023	YoY%	1H22	2H22	1H23	2H23	YoY%
Revenue	1,356	1,561	1,760	13%	747	815	831	928	14%
Standardised lenses	1,062	1,244	1,404	13%	602	642	657	747	16%
Customised lenses	281	303	354	17%	139	164	171	183	12%
Gross profit	460	538	658	22%	250	288	310	348	21%
Standardised lenses	306	366	445	22%	172	193	206	239	23%
Customised lenses	150	166	204	23%	76	90	102	101	12%
Gross profit margin	33.9%	34.4%	37.4%	3pp	33.5%	35.4%	37.3%	37.5%	2.2pp
Standardised lenses	28.8%	29.4%	31.7%	2.3pp	28.6%	30.2%	31.4%	32.0%	1.8pp
Customised lenses	53.2%	54.8%	57.6%	2.8pp	54.2%	55.3%	59.9%	55.4%	0.1pp
Operating profit	238	313	380	21%	151	163	192	188	16%
Net profit	184	249	327	32%	118	130	159	168	29%

Source: Company report, Sunwah Kingsway Research

Ratio & Valuation

	2021A	2022A	2023E	2024E	2025E
P/E (x)	13.6	13.8	10.4	7.9	6.7
P/S (x)	2.5	2.2	1.9	1.6	1.4
ROA	10.1%	13.9%	16.5%	17.7%	18.0%
ROE	19.6%	21.7%	23.4%	25.2%	24.5%
Dividend yield	1.1%	1.9%	2.5%	3.3%	3.9%
Total liabilities/assets	48%	36%	30%	30%	26%
Total debt/equity	93%	56%	42%	43%	36%
Net Cash (debt)/equity	-1%	-1%	-2%	9%	16%
Asset turnover (x)	0.7	0.9	0.9	0.9	0.9
Inventory days	166.6	190.2	174.0	174.0	174.0
Receivable days	57.2	58.7	58.7	58.7	58.7
Payable days	32.2	33.6	33.6	33.6	33.6
SG&A / sales	16.4%	14.4%	15.8%	14.8%	14.5%
Current ratio	8.6	8.1	6.7	8.5	10.0
Quick ratio	5.0	3.8	3.0	4.0	5.2

Growth & Margin (%)

	2021A	2022A	2023E	2024E	2025E
Total revenue growth	24.1%	15.1%	12.7%	21.3%	13.9%
Operating profit growth	17.5%	31.5%	21.3%	31.8%	18.8%
Net profit growth	42.9%	35.4%	31.6%	32.3%	18.5%
Gross margin	33.9%	34.4%	37.4%	38.3%	38.9%
Operating margin	17.6%	20.1%	21.6%	23.5%	24.5%
Net margin	13.5%	15.9%	18.6%	20.3%	21.1%

Operation Matrix

RMB mn	2021A	2022A	2023E	2024E	2025E
Revenue	1,356	1,561	1,760	2,134	2,431
- Standardized lenses	1,062	1,244	1,404	1,674	1,876
- Customized lenses	281	303	354	458	553
Gross margin	33.9%	34.4%	37.4%	38.3%	38.9%
- Standardized lenses	28.8%	29.4%	31.7%	32.2%	32.5%
- Customized lenses	53.2%	54.8%	57.6%	58.6%	59.1%

Cash Flow Statement

RMB mn	2021A	2022A	2023E	2024E	2025E
Cash flow from operations	58	185	415	295	469
Cash flow from investing	140	(159)	(101)	(157)	(146)
Cash flow from financing	189	(281)	(85)	(112)	(133)
Inc/(dec) in cash & equiv.	388	(255)	229	26	190
Cash & cash equiv. at BOP	202	590	336	565	590
Cash & cash equiv. at EOP	590	336	565	590	781

Income Statement

RMB mn	2021A	2022A	2023E	2024E	2025E
Total Revenue	1,356	1,561	1,760	2,134	2,431
Cost of goods sold	(896)	(1,023)	(1,102)	(1,317)	(1,484)
Gross profit	460	538	658	817	947
SG&A	(222)	(225)	(278)	(316)	(352)
Operating profit	238	313	380	501	595
Finance costs	(35)	(26)	(14)	(19)	(19)
Other income & gains	12	(6)	27	27	27
Profit before tax	215	282	393	509	603
Income tax expense	(32)	(33)	(66)	(76)	(90)
Profit for the year	184	249	327	433	513
Minority interest	-	-	-	-	-
Net profit	184	249	327	433	513
EPS (RMB)	0.590	0.580	0.770	1.014	1.201

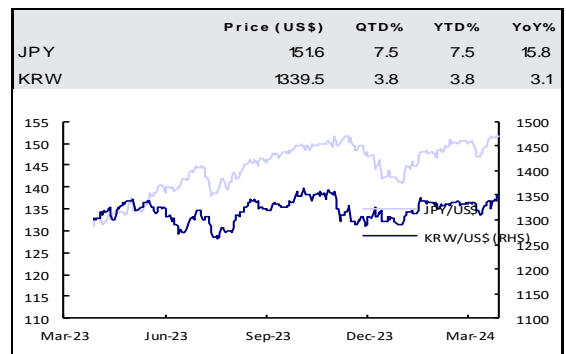
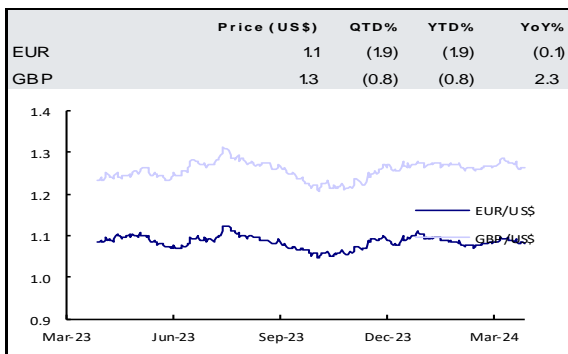
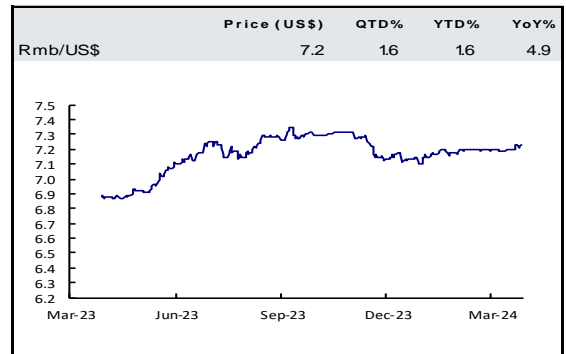
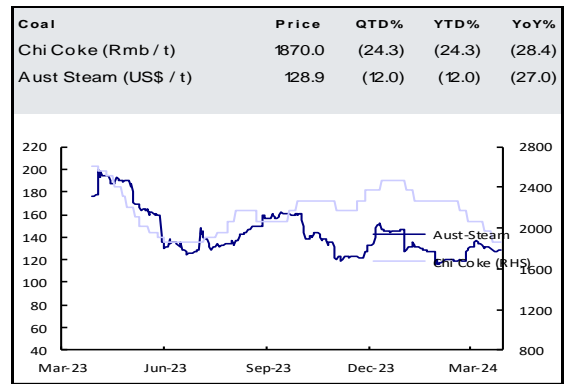
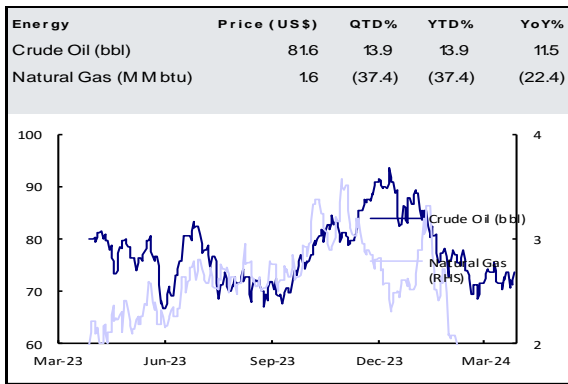
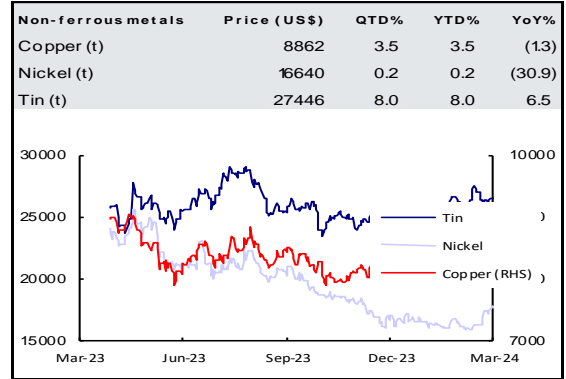
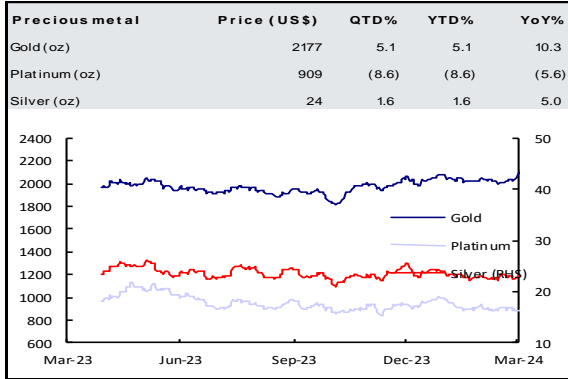
Balance Sheet

RMB mn	2021A	2022A	2023E	2024E	2025E
Cash	590	336	331	505	695
Receivables	213	251	292	343	391
Inventories	409	533	487	628	708
Other current assets	187	143	306	306	306
Total current assets	1,398	1,263	1,415	1,782	2,100
PP&E	333	403	455	550	627
Right-of-use assets	8	9	15	15	15
Other non-current assets	71	114	99	99	99
Total non-current assets	413	525	570	665	741
Total assets	1,811	1,789	1,984	2,447	2,841
Accounts payable	79	94	126	121	137
Short-term debt	79	94	126	121	137
Other current liabilities	285	172	95	172	172
Current liabilities	162	155	210	210	210
Long-term debt	312	180	110	180	180
Other long-term liabilities	36	41	48	48	48
Non-current liabilities	348	221	158	228	228
Total liabilities	874	643	589	732	747
Share capital	427	427	427	427	427
Reserves and other	511	719	968	1,288	1,668
Total Equity	937	1,146	1,395	1,715	2,094

Kingsway coverage list

Name	Ticker	Market Cap (HK\$m)	Price (HK\$)	1D (%)	Rec.	TP (HK\$)	Upside (%)	PER (X)*			Dividend FY2	Absolute performance			Latest update date
								Hist	FY1	FY2		5D%	1M%	3M%	
HANG SENG INDEX	HSI		16,392.84	(1.4)				8.6	8.0	7.5	4.7%	(0.9)	(0.9)	(3.8)	
HANG SENG CHINA ENT IND	HSCEI		5,728.13	(1.7)				7.8	7.3	6.8	4.5%	(1.3)	0.7	(0.6)	
CSI 300 INDEX	SHSZ300		3,502.79	(1.2)				13.0	13.0	9.9	3.0%	(2.3)	1.5	2.6	
FUYAO GLASS	3606 HK	116,446	38.95	(0.8)	LONG	41.50	6.5	16.7	14.6	12.4	4.4%	0.0	(0.1)	4.3	1-Sep-20
BEUR	3718 HK	1,761	0.50	0.0	LONG	1.80	263.6	5.7	4.5	3.5	7.5%	0.0	(4.8)	(2.9)	30-Mar-21
BINJIANG SERVICES	3316 HK	4,771	17.26	(0.2)	LONG	23.50	36.2	8.9	6.8	5.5	11.3%	2.1	1.1	7.9	N/A
BYDE	285 HK	64,667	28.70	1.2	NEUTRAL	17.60	(38.7)	14.8	11.5	9.0	1.9%	(2.9)	0.0	(19.5)	N/A
CHINA LILANG	1234 HK	5,868	4.90	1.7	LONG	5.32	8.6	10.2	9.0	8.0	8.4%	7.7	17.5	15.8	N/A
CHINASOFT INTL	354 HK	13,372	4.60	(1.9)	LONG	12.80	178.3	22.5	14.4	11.0	1.2%	(12.9)	(8.0)	(23.2)	27-Oct-20
CHINA TIAN LUN GAS	1600 HK	4,959	5.05	2.0	LONG	8.70	72.3	10.0	7.5	6.4	4.4%	4.8	17.7	28.5	26-Feb-20
DUIBA GROUP	1753 HK	307	0.29	(5.0)	LONG	5.55	1847.4	7.2	N/A**	N/A**	N/A**	(9.5)	3.6	1.8	N/A
EDVANTAGE GROUP	382 HK	2,683	2.35	(0.4)	LONG	4.50	91.5	3.9	3.3	3.0	9.1%	(11.7)	(11.3)	(5.2)	3-May-22
EVERGREEN PG	1962 HK	325	0.50	0.0	LONG	1.75	253.5	6.3	N/A**	N/A**	N/A**	2.1	(2.9)	(2.9)	26-Jan-21
HUAHONG SEMI	1347 HK	33,136	15.02	(2.2)	NEUTRAL	26.30	75.1	9.3	24.6	11.6	0.0%	(9.4)	(6.2)	(19.5)	29-Jul-21
KINGDEE INTL	268 HK	32,018	8.91	(0.2)	NEUTRAL	17.62	97.8	N/A**	N/A**	102.9	0.0%	(7.2)	8.3	(20.4)	20-Aug-20
MEIDONG AUTO	1268 HK	3,891	2.89	(0.3)	LONG	19.76	583.7	25.6	7.5	5.1	9.5%	(13.0)	(10.0)	(38.1)	3-Apr-23
MINGYUAN CLOUD	909 HK	4,700	2.42	(3.2)	NEUTRAL	28.00	1057.0	N/A**	N/A**	97.2	0.6%	(6.6)	8.5	(14.5)	N/A
PLOVER BAY TECH	1523 HK	2,619	2.38	0.4	LONG	1.70	(28.6)	11.9	10.1	8.9	1.2%	(2.1)	4.1	19.7	6-Aug-20
POU SHENG INTL	3813 HK	3,622	0.68	(1.4)	LONG	2.80	311.8	6.6	5.2	4.3	7.5%	(2.9)	15.3	0.0	16-Nov-20
Q TECH	1478 HK	3,518	2.97	(1.3)	NEUTRAL	4.97	67.3	39.4	11.9	8.2	0.9%	(8.9)	(3.9)	(31.6)	10-Aug-22
SUNNY OPTICAL	2382 HK	43,377	39.55	(4.8)	LONG	160.80	306.6	36.3	18.9	14.3	1.3%	(26.7)	(22.8)	(44.8)	17-Aug-22
TRYLY INTL	732 HK	2,402	0.76	(2.6)	LONG	2.80	268.4	9.1	N/A**	N/A**	N/A**	2.7	7.0	(2.6)	8-Apr-21
XINYI ENERGY	3868 HK	9,000	1.09	(0.9)	LONG	1.62	48.6	8.6	7.4	6.5	7.6%	(6.0)	(0.9)	(25.3)	29-Feb-24
XINYI GLASS	868 HK	33,865	8.02	(2.0)	LONG	18.60	131.9	6.2	5.8	5.9	8.5%	(8.3)	5.1	(8.2)	28-Feb-23
XINYI SOLAR	968 HK	53,361	5.99	0.7	LONG	7.20	20.2	12.7	10.2	8.0	5.8%	(6.8)	56.4	30.8	29-Feb-24
XTEP INTL	1368 HK	12,468	4.72	0.2	LONG	11.91	152.3	10.7	9.4	8.1	5.9%	(6.3)	9.8	5.1	17-Apr-23
YONGDA AUTO	3669 HK	3,971	2.06	(6.8)	LONG	6.73	226.7	6.4	4.3	3.5	12.2%	(20.5)	(12.3)	(30.4)	28-Mar-23
YUEXU PROPERTY	123 HK	16,987	4.22	(3.7)	LONG	13.00	208.1	4.4	4.0	3.7	11.0%	(6.8)	(20.4)	(31.2)	10-Feb-23
WEIMOB	2013 HK	5,282	1.89	(6.0)	LONG	14.40	661.9	N/A**	N/A**	34.9	0.0%	(13.3)	(8.3)	(34.1)	25-Nov-21

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Initial Jobless Claims	WoW		28-Mar-24
GDP	QoQ		28-Mar-24
Wholesale Inventories	MoM		29-Mar-24
Personal Income & Spending	MoM		29-Mar-24
ISM Manufacturing PMI	MoM		1-Apr-24
Durable Goods Orders	MoM		2-Apr-24
Factory Orders	MoM		2-Apr-24
Trade Balance	MoM		4-Apr-24
Employment Report	MoM		5-Apr-24
CPI	MoM		10-Apr-24
PPI	MoM		11-Apr-24
Business Inventories	MoM		15-Apr-24
Retail Sales	MoM		15-Apr-24
Housing Starts / Building Permits	MoM		16-Apr-24
Industrial Production	MoM		16-Apr-24
Existing Home Sales	MoM		18-Apr-24
New home Sales	MoM		23-Apr-24
Consumer Confidence	MoM		30-Apr-24
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		31-Mar-24
Foreign Exchange Reserves	QoQ		7-Apr-24
Money Supply - M2	MoM		9-Apr-24
PPI	MoM		11-Apr-24
CPI	MoM		11-Apr-24
Trade Balance	MoM		12-Apr-24
Retail Sales	MoM		16-Apr-24
Industrial Production	MoM		16-Apr-24
GDP	YoY		16-Apr-24

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		28-Mar-24
Retail Sales	MoM		3-Apr-24
PMI	MoM		5-Apr-24
Foreign Currency Reserve	MoM		9-Apr-24
Unemployment Rate	MoM		18-Apr-24
CPI	MoM		23-Apr-24
Trade Balance	MoM		25-Apr-24
GDP	QoQ		2-May-24
Producer Prices Index	QoQ		14-Jun-24
Industrial Production	QoQ		14-Jun-24
Composite Interest Rate	MoM		

Kingsway Research Team

Analyst

Howard Wong

Eason Cui

Ensley Liu

Email

Howard.wong@sunwahkingsway.com

Eason.cui@sunwahkingsway.com

Ensley.liu@sunwahkingsway.com

Phone No.

(852) 2283 7307

(852) 2283 7306

(852) 2283 7618

Disclaimer

This report is commissioned and compensated by Shanghai Conant Optical (2276 HK).

This document is not an offer to sell or the solicitation of an offer to buy or subscribe for any securities. The securities referred to in this document may not be eligible for sale in certain jurisdiction. Neither this document nor any portion hereof may be taken distributed or transmitted directly or indirectly into such jurisdiction nor to any residents thereof. Any failure to comply with this restriction may constitute a violation of the applicable laws and regulations and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. This document has been produced for private circulation and may not be copied, photocopied, duplicated, or redistributed without the prior written consent of Kingsway Financial Services Group Limited (“KFS”) and its affiliated companies (collectively, “Kingsway Group”).

This report is distributed in Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”) by KFS which is registered as a licensed corporation under the Securities and Futures Ordinance (Cap.571 of The Laws of Hong Kong) with the Securities and Futures Commission of Hong Kong (“SFC”) and its SFC CE number is ADF346.

The information contained in this report has been taken from sources believed to be reliable but no representation or warranty expressed or implied is made as to their accuracy or correctness. This report is published for the assistance of recipients but is not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient. It is not to be construed as an offer, invitation or solicitation to buy or sell any securities of the company or companies covered herein. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. All opinions and estimates reflect our judgment on the date of this report and are subject to change without notice.

KFS, including its parent, subsidiaries and/or affiliates, may act as lead or co-manager in an offering of the securities of any issuer discussed herein, may from time to time perform financial services or other advisory services for, or solicit financial services or other business from, any issuer.

Within the past year, KFS, including its parent, subsidiaries and/or affiliates, may have acted as market maker or traded on a principal basis in the financial instruments of any issuer discussed herein and may act as underwriter, placement agent, advisor or lender to such issuer.

KFS, including its parent, subsidiaries, affiliates, shareholders, officers, directors, and employees may have long or short positions in, and buy or sell, the securities, commodities or derivatives (including options) or any other financial instruments thereof, of any issuers.

An employee of KFS, including its parent, subsidiaries and/or affiliates, may act as director, or be represented on the boards of directors, of any such entities or issuers.

Copyright 2024 Kingsway Group. All rights reserved.

Head Office

Hong Kong
Kingsway Financial Services Group Limited
7/F, Tower One, Lippo Centre,
89 Queensway, Hong Kong
Tel: 852-2283-7000
Fax: 852-2877-2665

Affiliated & Overseas Offices

Guangdong
廣東新華滙富商業保理有限公司
2701, Dongshan Plaza,
69 Xianlie Middle Road, Yuexiu District
Guangzhou, 510095

Vietnam
Sunwah Kingsway Vietnam Services Limited
Representative Office
Sunwah Tower, Mezzanine Floor
115 Nguyen Hue
District 1
Ho Chi Minh City
Vietnam