Morning Snapshot

SUNWAH KINGSWAY

新華滙富

Hong Kong & China Market Daily

28 March 2024

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)

			2	28 M	arch	2024
China & F	IK Indic	es		CLOSE	1D	YTD
HSCEI				16,392	-1.4%	-3.8%
HSCCI				5,728 3,396	-1.7% -1.9%	-0.7% 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% 9.2%
Nasdaq NIKKEI Index	,			16,399 40,343	0.5% -1.0%	20.6%
THICKET FIGE	`			40,040	1.070	20.070
FTSE Index				7,931	0.0%	2.6%
CAC Index				8,204	0.2%	8.8%
DAX Index				18,477	0.5%	10.3%
Commodi	ties			CLOSE	1D	YTD
GOLD		JS\$/oz.)		2,194	0.7%	6.1%
STEEL	(U	JS\$/oz.)		2,169	1.5%	-2.5%
SILVER		JS\$/oz.)		24	0.8%	3.1%
CRUDE OIL		IS\$/bbl)		81	-9.5%	14.2%
COPPER ALUMINIUM		JS\$/oz.) JS\$/oz.)		8,849 2,298	-0.3% -1.2%	3.4% -3.6%
PLATINUM		IS\$/02.)		2,298	-0.6%	-3.6% -9.5%
ZINC		JS\$/oz.)		2,437	-2.3%	-8.3%
WHEAT	(U	JS¢/bu)		547	0.7%	-12.7%
CORN	(U	JS¢/bu)		426	-1.3%	-11.7%
SUGAR	,	IS¢/lb)		N/A	N/A	
SOYBEAN		IS¢/bu)		1,192	-0.5%	-8.7%
PVC CRB	(U	JS\$/t.)		N/A 286	N/A -0.8%	13.3% 3.0%
BDI				200	0.070	-5.0%
Exchange		HKD	EI ID	IDV	CHE	DMD
	Rates USD	HKD 7.824	EUR 0.924	JPY 151.330	CHF 0,904	RMB 7,227
Exchange USD HKD		HKD 7.824	EUR 0.924 0.118	JPY 151.330 19.329	CHF 0.904 11.551	RMB 7.227 0.920
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18/01/2023 Yongda (3669 HK)

04/01/2023 Auto monthly update

02/12/2022 Perfect Medical (1830 HK)

17/01/2023 Xtep (1368 HK)

01/12/2022 XPeng (9868 HK)

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Research Department



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
Growth	15%	13%	21%	14%	10%
Gross profit	538	658	817	947	1,049
Gross profit margin	34.4%	37.4%	38.3%	38.9%	39.4%
Net profit	249	327	433	513	577
Net profit margin	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%	3рр	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						Income Statement					
	2021A	2022A	2023E	2024E	2025E	RMB mn	2021A	2022A	2023E	2024E	2025E
P/E (x)	13.6	13.8	10.4	7.9	6.7	Total Revenue	1,356	1,561	1,760	2,134	2,431
P/S (x)	2.5	2.2	1.9	1.6	1.4	Cost of goods sold	(896)	(1,023)	(1,102)	(1,317)	(1,484)
ROA	10.1%	13.9%	16.5%	17.7%	18.0%	Gross profit	460	538	658	817	947
ROE	19.6%	21.7%	23.4%	25.2%	24.5%	SG&A	(222)	(225)	(278)	(316)	(352)
Dividend yield	1.1%	1.9%	2.5%	3.3%	3.9%	Operating profit	238	313	380	501	595
Total liabilities/assets	48%	36%	30%	30%	26%	Finance costs	(35)	(26)	(14)	(19)	(19)
Total debt/equity	93%	56%	42%	43%	36%	Other income & gains	12	(6)	27	27	27
Net Cash (debt)/equity	-1%	-1%	-2%	9%	16%	Profit before tax	215	282	393	509	603
Asset turnover (x)	0.7	0.9	0.9	0.9	0.9	Income tax expense	(32)	(33)	(66)	(76)	(90)
Inventory days	166.6	190.2	174.0	174.0	174.0	Profit for the year	184	249	327	433	513
Receivable days	57.2	58.7	58.7	58.7	58.7	Minority interest	-	-	-	-	-
Payable days	32.2	33.6	33.6	33.6	33.6	Net profit	184	249	327	433	513
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	EPS (RMB)	0.590	0.580	0.770	1.014	1.201
Quick ratio	5.0	3.8	3.0	4.0	5.2						
						Balance Sheet					
Growth & Margin (%)						RMB mn	2021A	2022A	2023E	2024E	2025E
	2021A	2022A	2023E	2024E	2025E	Cash	590	336	331	505	695
Total revenue growth	24.1%	15.1%	12.7%	21.3%	13.9%	Receivables	213	251	292	343	391
Operating profit growth	17.5%	31.5%	21.3%	31.8%	18.8%	Inventories	409	533	487	628	708
Net profit growth	42.9%	35.4%	31.6%	32.3%	18.5%	Other current assets	187	143	306	306	306
Gross margin	33.9%	34.4%	37.4%	38.3%	38.9%	Total current assets	1,398	1,263	1,415	1,782	2,100
Operating margin	17.6%	20.1%	21.6%	23.5%	24.5%	PP&E	333	403	455	550	627
Net margin	13.5%	15.9%	18.6%	20.3%	21.1%	Right-of-use assets	8	9	15	15	15
						Other non-current assets	71	114	99	99	99
Operation Matrix						Total non-current assets	413	525	570	665	741
RMB mn	2021A	2022A	2023E	2024E	2025E	Total assets	1,811	1,789	1,984	2,447	2,841
Revenue	1,356	1,561	1,760	2,134	2,431						
- Standardized lenses	1,062	1,244	1,404	1,674	1,876	Accounts payable	79	94	126	121	137
- Customized lenses	281	303	354	458	553	Short-term debt	79	94	126	121	137
Gross margin	33.9%	34.4%	37.4%	38.3%	38.9%	Other current liabilities	285	172	95	172	172
- Standardized lenses	28.8%	29.4%	31.7%	32.2%	32.5%	Current liabilities	162	155	210	210	210
- Customized lenses	53.2%	54.8%	57.6%	58.6%	59.1%	Long-term debt	312	180	110	180	180
						Other long-term liabilities	36	41	48	48	48
Cash Flow Statement						Non-current liabilities	348	221	158	228	228
RMB mn	2021A	2022A	2023E	2024E	2025E	Total liabilities	874	643	589	732	747
Cash flow from operations	58	185	415	295	469						
Cash flow from investing	140	(159)	(101)	(157)	(146)	Share capital	427	427	427	427	427
Cash flow from financing	189	(281)	(85)	(112)	(133)	Reserves and other	511	719	968	1,288	1,668
Inc/(dec) in cash & equiv.	388	(255)	229	26	190	Total Equity	937	1,146	1,395	1,715	2,094
Cash & cash equiv. at BOP	202	590	336	565	590						
Cash & cash equiv. at EOP	590	336	565	590	781						

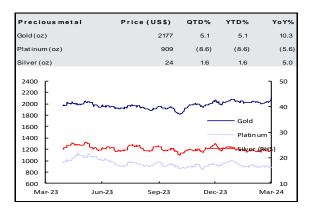


Kingsway coverage list

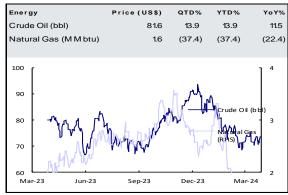
Nama	Ticker	Market Cap	Price (HK\$)	1D (%)	Rec.	TP (HK\$)	Unaida (%)		PER (X)*		Dividend	Abs	olute perfor	mance	Latest update
Name	licker	(HK\$'m)	Price (HK\$)	10 (%)	Rec.	IP (HK\$)	Upside (%)	Hist	FY1	FY2	FY2	5D%	1M%	3M%	date
HANG SENG INDEX	HSI		16,392.84	(1.4)	•			8.6	8.0	7.5	4.7%	(0.9)	(0.9)	(3.8)	
HANG SENG CHINA ENT IND: CSI 300 INDEX	SHSZ300		5,728.13 3,502.79	(1.7) (1.2)				7.8 13.0	7.3 13.0	6.8 9.9	4.5% 3.0%	(1.3) (2.3)	0.7 1.5	(0.6) 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 INT'L	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 INT'L	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 INT'L	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
YUEXIU 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

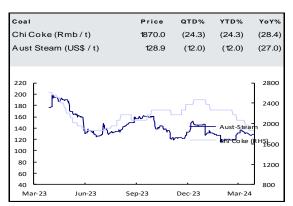


Market Watch - Major Commodities and Currencies

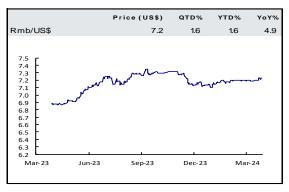


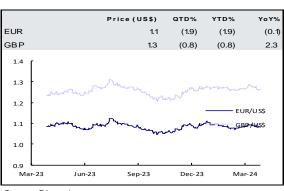
3.5	3.5	
0.0		(1.3)
0.2	0.2	(30.9
8.0	8.0	6.5
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	Tin Nickel Cop per	(RHS) )
	Dec-23	Dec-23 Ma













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
РМІ	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		

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Notice of interest disclosure filed by substantial sl Name of listed corporation	Name of substantial share holder	No. of shares bought/sold/involved	Average price per share
Activation Group Holdings Ltd.	LAU Kam Yiu	400,000(L)	HKD 1.3000
NN Energy Holdings Ltd.	ZHANG Yuying	10,000(L)	HKD 59.9000
ank of Jinzhou Co., Ltd H Shares	Chiu Yung	247,022,000(L)	HKD 1.3800
ank of Jinzhou Co., Ltd H Shares			
	Ng Ching Wah Li (Hong Kong) Limited	247,022,000(L)	HKD 1.3800
ank of Jinzhou Co., Ltd H Shares	, 0 0/	247,022,000(L)	HKD 1.3800
aw nrays Pharmaceutical (Holdings) Ltd.	Hung Yung Lai	76,000(L)	HKD 1.1600
aw nrays Pharmaceutical (Holdings) Ltd.	Li Kei Ling	76,000(L)	HKD 1.1600
NN Energy Holdings Ltd.	WANG Dongzhi	5,000(L)	HKD 60.5000
Grand Pharmaceutical Group Ltd.	Tang Weikun	100,000(L)	HKD 4.0740
orizon Construction Development Ltd.	何子明	40,000(L)	HKD 1.9800
luayi Tencent Entertainment Co. Ltd.	Exponential Fortune Group Limited	1,183,431,952(L)	HKD 0.1014
luayi Tencent Entertainment Co. Ltd.	Hony Capital Group, L.P.	1,183,431,952(L)	HKD 0.1014
luayi Tencent Entertainment Co. Ltd.	Hony Group Management Limited	1,183,431,952(L)	HKD 0.1014
luayi Tencent Entertainment Co. Ltd.	Hony Managing Partners Limited	1,183,431,952(L)	HKD 0.1014
luayi Tencent Entertainment Co. Ltd.	United Strength LS Limited		HKD 0.1014
		1,183,431,952(L)	
luayi Tencent Entertainment Co. Ltd.	United Strength Youthful Limited	1,183,431,952(L)	HKD 0.1014
luayi Tencent Entertainment Co. Ltd.	Zhao John Huan	1,183,431,952(L)	HKD 0.1014
lei Ah Entertainment Group Ltd.	Li Kuo Hsing	40,000(L)	HKD 0.1540
ino Land Co. Ltd.	Ng Chee Siong	14,000(L)	HKD 8.1214
Spring Real Estate Investment Trust	MURRAY Simon	54,000(L)	HKD 1.9760
Sunshine 100 China Holdings Ltd.	FAN XIAOCHONG	274,000(L)	HKD 0.0250
Sunshine 100 China Holdings Ltd.	FAN XIAOHUA	274,000(L)	HKD 0.0250
Sunshine 100 China Holdings Ltd.	YIXIAODI	274,000(L)	HKD 0.0250
Fasty Concepts Holding Ltd.	Everest Enterprise Company Limited	19,000,000(L)	HKD 0.2080
Tasty Concepts Holding Ltd.	Longson Enterprise Development Company Limited	19,000,000(L)	HKD 0.2080
īan Lun Gas Holdings Ltd.	Hantec Securities Company Limited	365,000(L)	HKD 4.8379
īan Lun Gas Holdings Ltd.	Hantec Securities Company Limited	365,000(L)	HKD 4.8379
īan Lun Gas Holdings Ltd.	Or Wai Sheun	365,000(L)	HKD 4.8379
esync Co., Ltd	CHEN Zhaojun	120,000(L)	HKD 5.2000
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Source: HKEx



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