

What's Hot Today:

- **China Education Group (839.HK-HK\$4.26) capacity expansion at the expense of higher costs.**

Solid topline growth but lower margin. CEG's 1H24 revenue up by 18.3% YoY to RMB3.3bn, in line with market expectations. It maintained a robust growth, with 9.0% YoY increase in both number of students and per-student revenue. By segment, the revenue in domestic market increased by 19.2% YoY, while the international segment dropped by 2% YoY. Gross profit grew by 15.4% YoY to RMB1.8bn. However, GPM continued to trend down, dropped by 1.4ppts to 56%, due to higher staff cost on campus expansion. Excluding the 40% unacquired minority interest of one school, the adjusted net profit stood at RMB1.1bn, up 10%.

Accelerated capacity expansion. Capex amounted to RMB2.0bn in 1H24, up 67% YoY, mainly for the construction of new buildings at existing campuses and the expansion in Shandong Province and Guangdong Province. On top of the previously budgeted RMB5bn for the period FY23 to FY25E, CEG plans to add another RMB3bn for expansion in Guangdong, upgrading Zhengzhou School and providing high-end international education facilities across all schools. As such, a further 25k new student capacity will be added to the 52k originally planned.

Stable dividend with ample cash reserves. An interim dividend of RMB18.77 cents per share was declared, up 14.6% YoY, for a payout ratio of about 45%. It had about RMB4.5bn net cash in hand as of 29 Feb 2024. Based on the solid organic growth and sound cash position, we believe CEG can maintain its payout ratio despite the CAPEX plans.

Our view: With continuous campus expansion and more high-end programs upgrade, CEG is expected to maintain robust organic growth with higher per student revenue and a solid capacity pipeline. However, the higher teacher salary and tax expenses could bring uncertainties to margins in the near term. The counter is trading at 7.2x FY24E P/E with a yield of 7.5%. (Ensley LIU)

China & HK Indices	CLOSE	1D	YTD
HSI	17,651	2.1%	3.5%
HSCEI	6,269	2.4%	8.7%
HSCCI	3,672	1.9%	9.6%
CSI300	3,584	1.5%	4.5%
Shanghai A	3,238	1.2%	9.0%
Shanghai B	252	1.9%	9.0%
Shenzhen A	1,807	1.8%	-6.0%
Shenzhen B	1,080	0.9%	-0.0%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	38,239	0.4%	1.5%
S&P 500	5,099	1.0%	6.9%
Nasdaq	15,927	2.0%	6.1%
NIKKEI Index	37,934	0.8%	13.4%
FTSE Index	8,139	0.8%	5.3%
CAC Index	8,088	0.9%	7.2%
DA-X Index	18,161	1.4%	8.4%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	2,337	0.2%	13.0%
STEEL (US\$/oz.)	2,082	0.5%	-6.4%
SILVER (US\$/oz.)	27	-0.8%	14.4%
CRUDE OIL (US\$/bbl)	83	0.3%	16.2%
COFFER (US\$/oz.)	9,965	2.0%	16.4%
ALUMINIUM (US\$/oz.)	2,569	-1.3%	7.8%
PLATINUM (US\$/oz)	917	-0.2%	-7.3%
ZINC (US\$/oz.)	2,844	1.4%	7.0%
WHEAT (US\$/bu)	603	0.2%	-3.9%
CORN (US\$/bu)	450	-0.4%	-8.8%
SUGAR (US\$/lb)	N/A	N/A	-5.4%
SOYBEAN (US\$/bu)	1,177	-0.2%	-10.2%
PVC (US\$/t)	N/A	N/A	N/A
CRB	296	-0.1%	12.5%
BDI		-3.0%	-17.8%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.835	0.935	154.830	0.912	7.245
HKD	0.128		0.119	19.762	11.639	0.925
EUR	1.070	8.384		165.710	1.025	7.755
JPY	0.006	5.060	0.604		0.589	0.047
CHF	1.097	8.592	1.025	169.789		7.945
RMB	0.138	1.081	0.129	21.359	0.126	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece		N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	15	-14.7%

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

Fig1: China Education Group financial summary (RMB million)

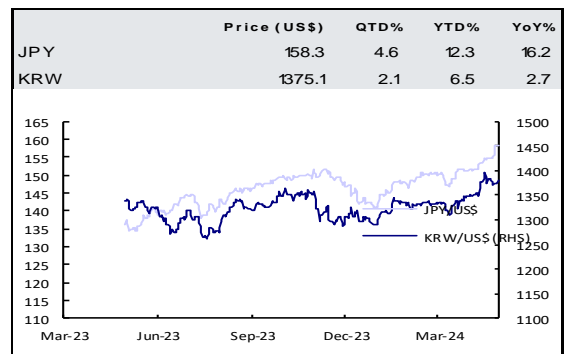
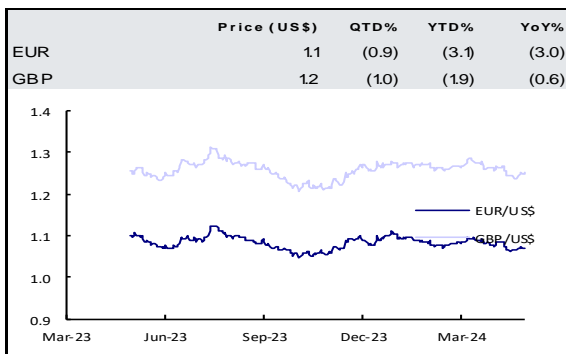
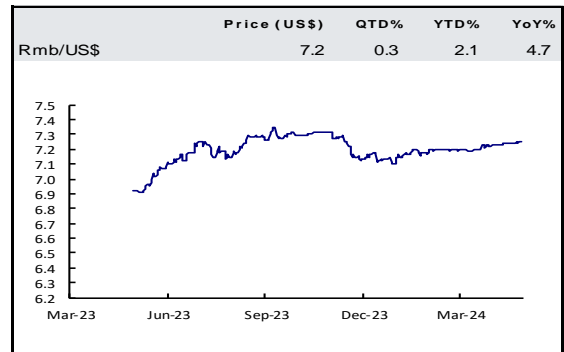
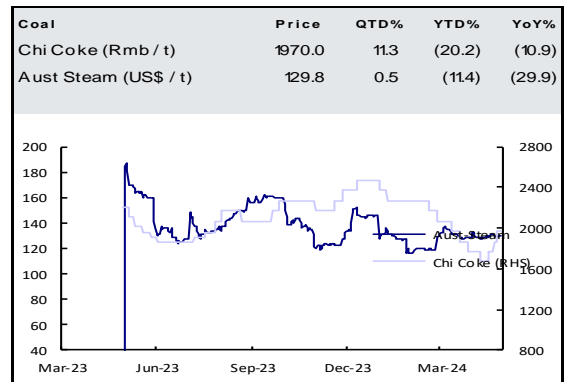
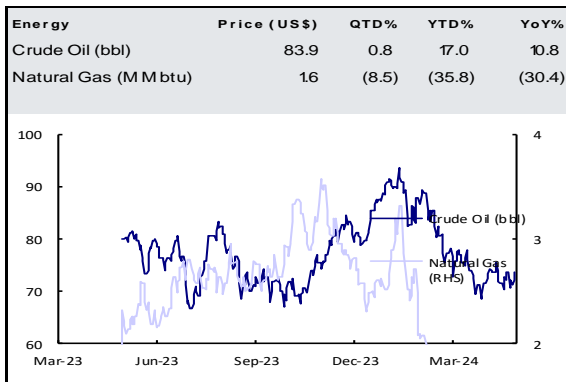
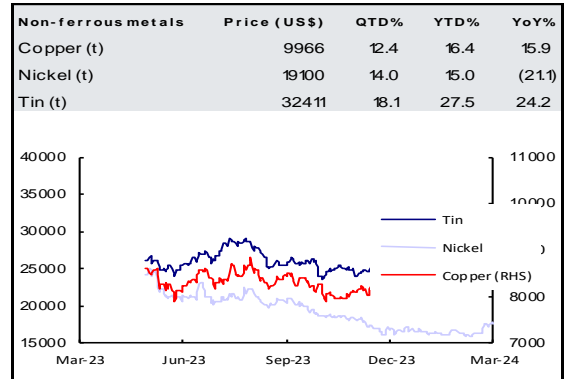
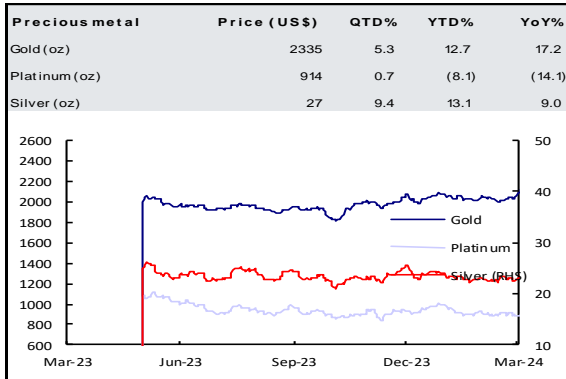
	1H22	2H22	1H23	2H23	1H24
Revenue	2,351	2,405	2,775	2,841	3,284
YoY	28.91%	29.40%	18.03%	18.13%	18.34%
Gross profit	1,394	1,360	1,593	1,571	1,839
YoY	29.30%	23.92%	14.28%	15.51%	15.44%
GPM	59.29%	56.55%	57.41%	55.30%	56.00%
Adjusted net profit	908	892	1,045	863	1,092
YoY	20.07%	5.03%	15.09%	-3.25%	4.50%
Adjusted NPM	38.62%	37.09%	37.66%	30.38%	33.25%

Source: Company data, Sunwah Kingsway Research

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		16,828.93	1.9				8.8	8.3	7.7	4.6%	3.6	2.0	5.8	
HANG SENG CHINA ENT IND	HSCEI		5,954.62	2.1				8.1	7.7	7.0	4.3%	3.7	3.4	11.2	
CSI 300 INDEX	SHSZ300		3,506.22	(0.7)				13.4	13.4	11.5	3.0%	(0.1)	(1.1)	7.0	
FUYAO GLASS	3606 HK	122,648	41.25	(0.5)	LONG	41.50	0.6	17.7	15.4	13.2	4.1%	(0.1)	7.6	16.5	1-Sep-20
BEUR	3718 HK	1,743	0.49	0.0	LONG	1.80	267.3	6.2	5.2	4.3	7.6%	1.0	(1.0)	(18.3)	30-Mar-21
BINJIANG SERVICES	3316 HK	4,494	16.26	(1.3)	LONG	23.50	44.5	8.4	6.8	5.5	10.2%	0.4	(2.9)	6.6	N/A
BYDE	285 HK	54,190	24.05	1.3	NEUTRAL	17.60	(26.8)	12.4	9.5	7.5	2.9%	(2.8)	(21.7)	(20.1)	N/A
CHINA LILANG	1234 HK	5,532	4.62	(2.3)	LONG	5.32	15.2	9.6	8.4	7.5	8.9%	(2.1)	(4.0)	15.2	N/A
CHINASOFT INTL	354 HK	12,764	4.47	1.4	LONG	12.80	186.4	16.0	11.7	9.2	2.1%	(0.2)	(9.9)	(12.9)	27-Oct-20
CHINA TIAN LUN GAS	1600 HK	4,821	4.91	0.4	LONG	8.70	77.2	9.2	7.9	7.1	4.3%	5.8	2.5	49.7	26-Feb-20
DUIBA GROUP	1753 HK	312	0.29	0.0	LONG	5.55	1813.8	9.3	N/A**	N/A**	N/A**	(1.7)	(3.3)	11.5	N/A
EDVANTAGE GROUP	382 HK	2,672	2.34	(1.3)	LONG	4.50	92.3	3.9	3.3	3.0	9.1%	0.4	(4.1)	(0.4)	3-May-22
EVERGREEN PG	1962 HK	308	0.47	(1.1)	LONG	1.75	272.3	6.0	N/A**	N/A**	N/A**	(1.1)	(7.8)	4.4	26-Jan-21
HUAHONG SEMI	1347 HK	31,444	14.28	(1.7)	NEUTRAL	26.30	84.2	8.8	23.1	10.9	0.0%	0.0	(9.5)	(14.8)	29-Jul-21
KINGDEE INTL	268 HK	27,133	7.55	0.9	NEUTRAL	17.62	133.4	N/A**	N/A**	86.2	0.0%	(4.4)	(19.7)	(20.2)	20-Aug-20
MEIDONG AUTO	1268 HK	3,514	2.61	2.8	LONG	19.76	657.1	23.1	7.9	5.3	8.5%	2.8	(13.9)	(24.6)	3-Apr-23
MINGYUAN CLOUD	909 HK	4,059	2.09	3.0	NEUTRAL	28.00	1239.7	N/A**	N/A**	N/A**	1.7%	(4.6)	(17.1)	(7.9)	N/A
PLOVER BAY TECH	1523 HK	2,928	2.66	2.3	LONG	1.70	(36.1)	13.3	11.3	10.0	1.1%	0.0	12.7	33.8	6-Aug-20
POU SHENG INTL	3813 HK	3,302	0.62	1.6	LONG	2.80	351.6	6.1	4.7	3.7	7.4%	1.6	(10.1)	0.0	16-Nov-20
Q TECH	1478 HK	3,708	3.13	0.3	NEUTRAL	4.97	58.8	41.6	12.5	8.5	0.7%	0.3	(3.1)	(4.3)	10-Aug-22
SUNNY OPTICAL	2382 HK	39,139	35.75	(2.5)	LONG	160.80	349.8	32.8	19.7	14.4	1.4%	(3.6)	(18.2)	(40.2)	17-Aug-22
TRYLY INTL	732 HK	2,497	0.79	0.0	LONG	2.80	254.4	9.5	N/A**	N/A**	N/A**	2.6	8.2	16.2	8-Apr-21
XINYI ENERGY	3868 HK	8,587	1.04	0.0	LONG	1.62	55.8	8.2	7.2	6.3	7.8%	0.0	(7.1)	(12.6)	29-Feb-24
XINYI GLASS	868 HK	33,289	7.88	0.3	LONG	18.60	136.0	6.1	5.9	5.9	8.6%	(1.9)	(5.9)	7.9	28-Feb-23
XINYI SOLAR	968 HK	45,975	5.16	(1.9)	LONG	7.20	39.5	11.0	8.8	6.9	6.8%	(7.9)	(18.2)	22.6	29-Feb-24
XTEP INTL	1368 HK	12,045	4.56	3.2	LONG	11.91	161.2	10.3	9.4	8.1	5.5%	4.8	(6.4)	11.5	17-Apr-23
YONGDA AUTO	3669 HK	3,701	1.92	(1.5)	LONG	6.73	250.5	6.0	4.6	3.8	11.6%	(0.5)	(22.6)	(16.9)	28-Mar-23
YUEXU PROPERTY	123 HK	15,578	3.87	(1.0)	LONG	13.00	235.9	4.0	3.9	3.6	10.7%	8.1	(13.4)	(17.7)	10-Feb-23
WEIMOB	2013 HK	3,381	1.21	7.1	LONG	14.40	1090.1	N/A**	N/A**	17.0	0.0%	(3.2)	(41.0)	(38.9)	25-Nov-21

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
New home Sales	MoM		23-Apr-24
Durable Goods Orders	MoM		24-Apr-24
Initial Jobless Claims	WoW		25-Apr-24
Wholesale Inventories	MoM		25-Apr-24
GDP	QoQ		25-Apr-24
Personal Income & Spending	MoM		26-Apr-24
Consumer Confidence	MoM		30-Apr-24
ISM Manufacturing PMI	MoM		1-May-24
Trade Balance	MoM		2-May-24
Factory Orders	MoM		2-May-24
Employment Report	MoM		3-May-24
PPI	MoM		14-May-24
Business Inventories	MoM		15-May-24
Retail Sales	MoM		15-May-24
CPI	MoM		15-May-24
Housing Starts / Building Permits	MoM		16-May-24
Industrial Production	MoM		16-May-24
Existing Home Sales	MoM		22-May-24
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		30-Apr-24
Foreign Exchange Reserves	QoQ		7-May-24
Money Supply - M2	MoM		9-May-24
Trade Balance	MoM		9-May-24
PPI	MoM		11-May-24
CPI	MoM		11-May-24
Retail Sales	MoM		17-May-24
Industrial Production	MoM		17-May-24
GDP	YoY		15-Jul-24

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Trade Balance	MoM		25-Apr-24
Money Supply - M2	MoM		30-Apr-24
GDP	QoQ		2-May-24
Retail Sales	MoM		3-May-24
PMI	MoM		6-May-24
Foreign Currency Reserve	MoM		7-May-24
Unemployment Rate	MoM		20-May-24
CPI	MoM		23-May-24
Producer Prices Index	QoQ		14-Jun-24
Industrial Production	QoQ		14-Jun-24
Composite Interest Rate	MoM		

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