

1 Nov, 2022

## Clarity Medical | 01406.HK

A better timing is needed to reflect the value of the foreseeable expansion

STOCK RATING

**NR**

TARGET PRICE

**HK\$ -**

Clarity Medical (01406.HK) is a private healthcare institution specializing in ophthalmology, it provides comprehensive ophthalmic services with a focus on offering various refractive treatment services, and other eyes treatments such as standard cataract surgeries, laser procedures, PPV surgeries, consultation and examination services are also provided to the customers.

**Foreseeable expansion plan in Hong Kong:** Despite the sluggish growth in the past few years, new growth momentum will likely be brought by the new medical centers opening in the coming years. Clarity Medical (01406.HK) plans to i) expand the Mong Kok medical center by renting an additional floor in Wai Fung Plaza, ii) open a flagship clinic in Tsim Sha Tsui. We admit that the limited supply of qualified ophthalmologists may be an issue, but it is undeniable that an expansion will give the Group room to grow in the future.

**Potential opportunities available for Clarity Medical (01406.HK):** Clarity Medical (01406.HK) provides comprehensive ophthalmic services in Hong Kong, the provision of decent services allows the Group to cooperate with hospitals which are not specialized in the provision of ophthalmic services. We believe that similar cooperation between the Group and the hospitals benefits Clarity Medical (01406.HK) by i) broadening the customer base as the hospitals may be able to reach more diverse customers, and ii) enlarging its income source. Besides, we believe that the Group will step into the China market if the market is more favourable in the future because i) the potential of the China market is huge, and ii) the Group has prepared well for future development in China through a well-planned capital resources allocation and an introduction of related investors as well as the management.

**Valuation:** Clarity Medical (01406.HK) is trading at approximately 17.2x historical P/E for its operating business after adjustment. Its valuation is lower than the big players like Aier (300015.CH) and C-MER (03309.HK), but it is higher than the peers like Euroeyes (01846.HK) and Chaoju Eye Care (02219.HK). Besides, an acquisition carried out in early 2022 further limits the multiple expansion potential for ophthalmology services providers. From our point of view, the growth of the Group is foreseeable and achievable conditionally, but we are cautious about its valuation and hence the stock price because of the potential multiple contraction driven by i) the slumping stock market and ii) mean reversion.

## COMPANY REPORT

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### Clarity Medical (01406.HK)

**Stock Rating** **NR**
**Target Price** **HK\$ -**

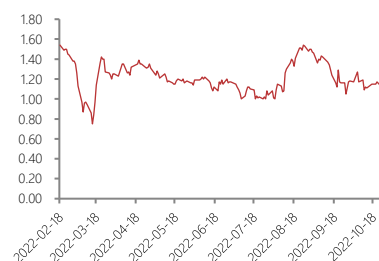
 Current Price **HK\$ 1.04**

 52-Week Range **HK\$ 0.70 – 1.61**

 Market cap. (HKD, bn) **HK\$ 0.5**

RMB, mn	2018/	2019/	2020/	2021/
	19 (A)	20 (A)	21 (A)	22 (A)
Revenue	206.6	218.4	222.4	225.2
Operating Profit	40.7	34.3	44.7	19.8
Operating Margin	19.7%	15.7%	20.1%	8.8%
Net Profit	30.0	26.4	35.8	13.5
ROE	-	32.7%	35.2%	8.0%

Performance	1 mth	3 mth	6 mth	1 year
Absolute	-11.9%	0.0%	-20.6%	-
Relative to HSI	2.9%	27.1%	9.7%	-



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## Business Overview

Clarity Medical (01406.HK) is a private healthcare institution specializing in ophthalmology, it provides comprehensive ophthalmic services with a focus on offering various refractive treatment services, and other eyes treatments such as standard cataract surgeries, laser procedures, PPV surgeries, consultation and examination services are also provided to the customers.

Exhibit: Revenue breakdown of Clarity Medical (01406.HK) (HKD, mn)

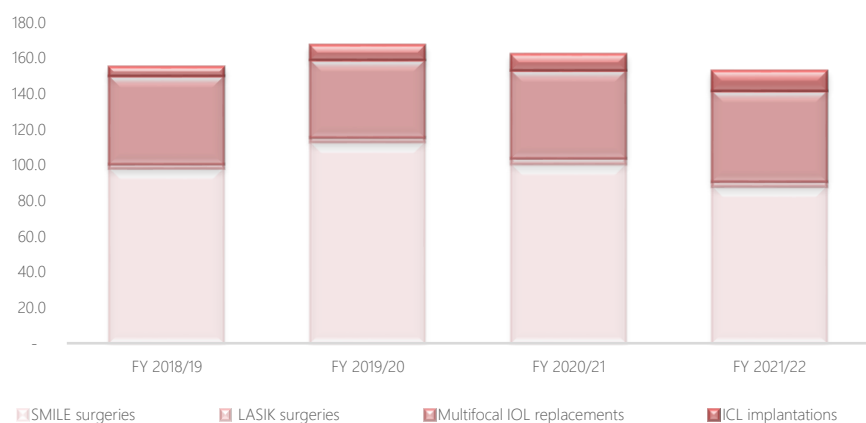


Source: Company data, West Bull Securities

## Refractive treatment services

Clarity Medical (01406.HK) provides a wide range of ophthalmic treatments at its Surgery Centers or in Private Hospitals, in which the refractive treatments correcting the refractive errors are the primary surgeries that the Group engaged in. The Group had conducted 5,234 refractive treatments in FY 2021/22, contributing HKD 152.6mn revenue to the Group.

Exhibit: Revenue of refractive treatment services breakdown by surgeries

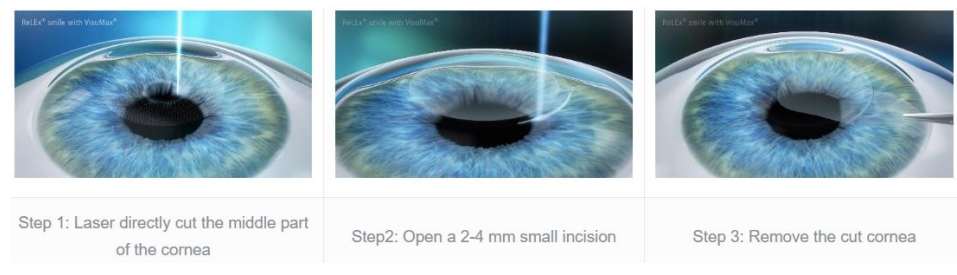


Source: Company data, West Bull Securities

■ SMILE Surgery

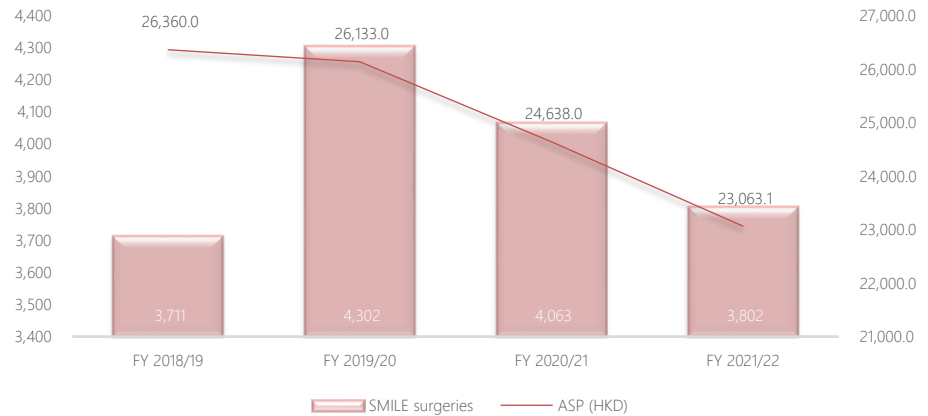
SMILE surgery is primarily adopted for correcting up to -10.0 diopters myopia and up to 5.0 diopters astigmatism. The laser directly incises the middle of the cornea by opening a small 2 - 4mm incision, the cut cornea will be removed and the changes of corneal curvature result in a correction of myopia and astigmatism. When compared to the traditional LASIK treatment, SMILE surgery i) minimizes the surgical impact on the corneal stability, ii) reduces the wound area by 80%, iii) minimizes the side effects like dry eye syndrome.

Exhibit: Simple procedures of SMILE Surgery



Source: Company data

Exhibit: Number and the ASP of SMILE surgeries conducted by Clarity Medical (01406.HK)



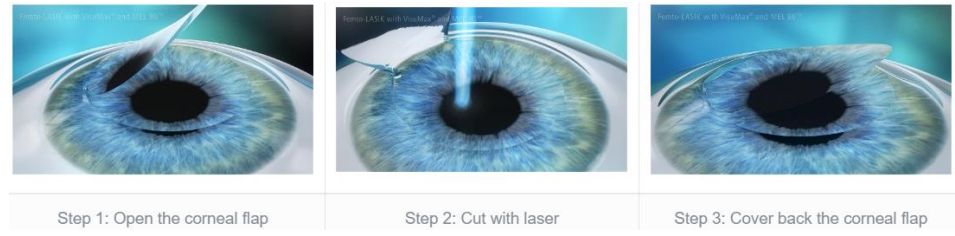
Source: Company data, West Bull Securities

Clarity Medical (01406.HK) generated approximately HKD 87.7mn revenue from the provision of SMILE surgeries in FY 2021/22, representing a YoY 12.4% decline when compared to the previous fiscal year. A retreat was primarily attributed to a YoY 6.4% decrease in the number of SMILE surgeries conducted and a YoY 6.4% decline in the ASP.

■ LASIK Surgery

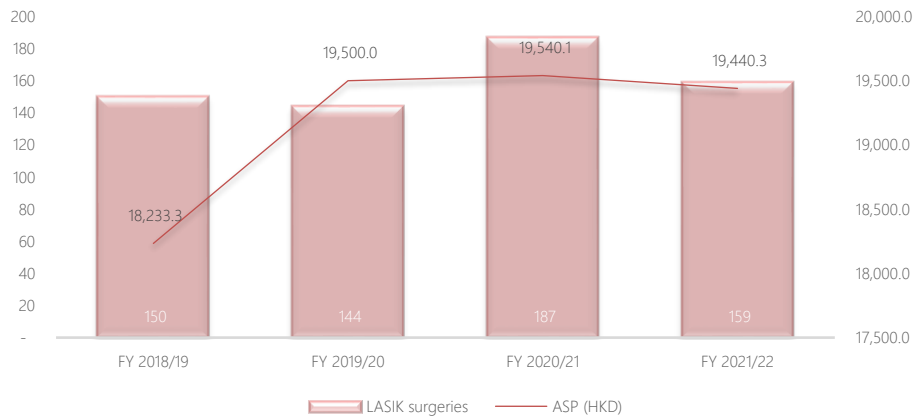
LASIK, Laser-Assisted in Situ Keratomileusis, surgery is to reshape the curvature of the cornea to correct the ability to refract light, thereby correcting vision and reducing dependence on glasses and contact lenses. A corneal flap is created by i) a surgical blade called a microkeratome, or ii) a femtosecond laser, and the flap will be opened and an excimer laser will then be used to ablate the lower corneal layer (corneal stroma) to achieve the required shape. Generally, LASIK surgery is primarily adopted for treating up to -14.0 diopters myopia, up to 6.0 diopters hyperopia and up to 6.0 diopters astigmatism, it is a surgery with more than 30 years of history.

Exhibit: Simple procedures of LASIK Surgery



Source: Company data

Exhibit: Number and the ASP of LASIK surgeries conducted by Clarity Medical (01406.HK)



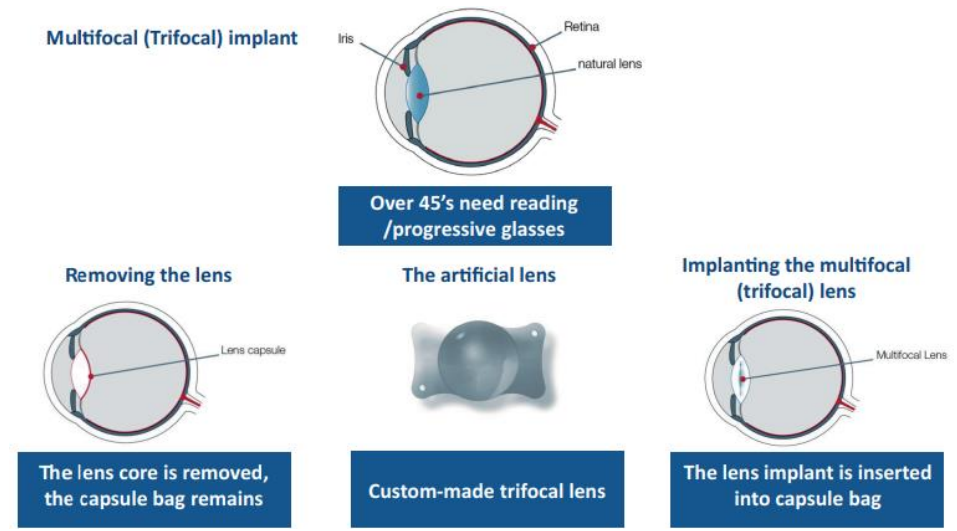
Source: Company data, West Bull Securities

The ASP of the LASIK surgeries conducted by Clarity Medical (01406.HK) remained flat in FY 2021/22, but a YoY 15.0% plunge in the number of surgeries conducted resulted in a YoY 15.4% decrease in the revenue derived from the LASIK surgeries.

■ Multifocal IOL Replacement Surgery

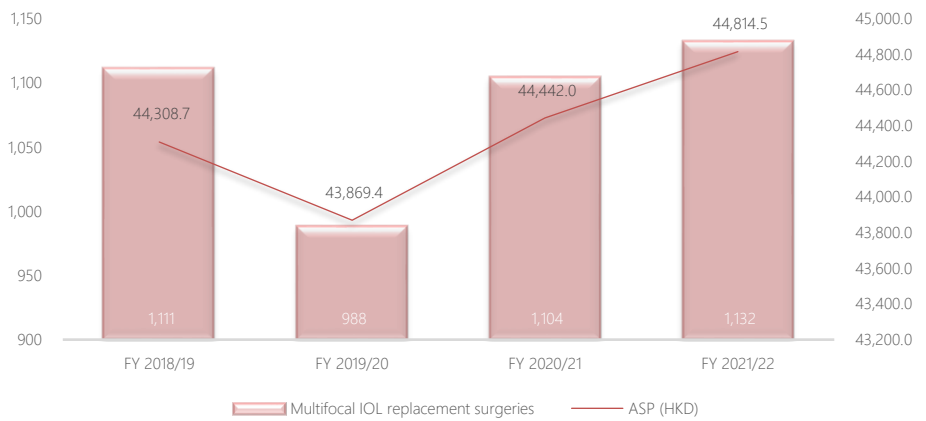
Multifocal IOL replacement surgery is a treatment that extracts and replaces the lens from the eyes with multifocal IOL, it is primarily adopted for the correction of cataract and other refractive errors.

Exhibit: Simple procedures of Multifocal IOL replacement surgery



Source: Prospectus of Euroeyes (01846.HK)

Exhibit: Number and the ASP of Multifocal IOL replacement surgeries conducted by Clarity Medical (01406.HK)



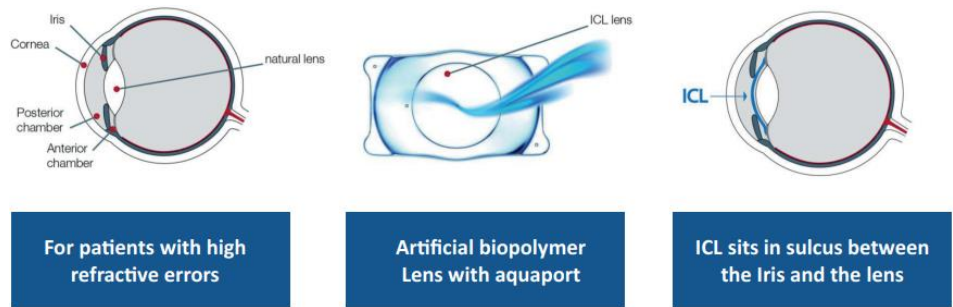
Source: Company data, West Bull Securities

Clarity Medical (01406.HK) recorded approximately HKD 50.7mn revenue from the provision of Multifocal IOL replacement surgeries in FY 2021/22, accounting for 33.2% of the revenue of refractive treatment services. The solid performance was primarily derived from a YoY 2.5% increment in the number of surgeries conducted and a YoY 0.8% increase in the ASP.

■ ICL Implantation Surgery

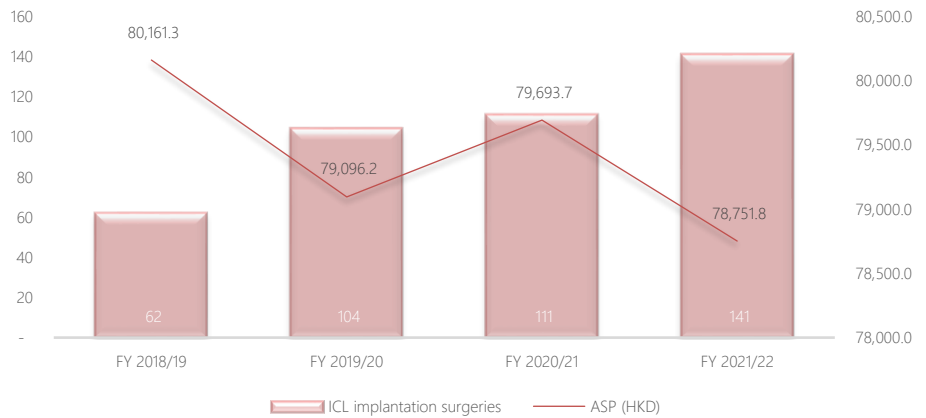
ICL, Implantable Contact Lens, implantation surgery is used to correct the vision of patients with severe myopia, hyperopia, and astigmatism, the ICL are surgically implanted between the iris and the natural lens. It is a non-invasive surgery that is suitable for clients who i) suffer from a high degree of myopia or hyperopia or deep astigmatism, ii) are unable to qualify for laser refractive surgery, iii) suffer from dry eyes, iv) have thin corneas.

Exhibit: Simple procedures of ICL implantation surgery



Source: Prospectus of Euroeyes (01846.HK)

Exhibit: Number and the ASP of ICL implantation surgeries conducted by Clarity Medical (01406.HK)



Source: Company data, West Bull Securities

ICL implantation surgery is the most expensive surgery when compared to other refractive surgeries provided by Clarity Medical (01406.HK), and 141 surgeries were conducted in FY 2021/22. However, an increment in the number of surgeries was partially offset by a plunge in the ASP, bringing the revenue generated from ICL implantation surgery to HKD 11.1mn in FY 2021/22, implying a YoY 25.5% increase when compared to FY 2020/21.

### Treatments for Other Eye Problems

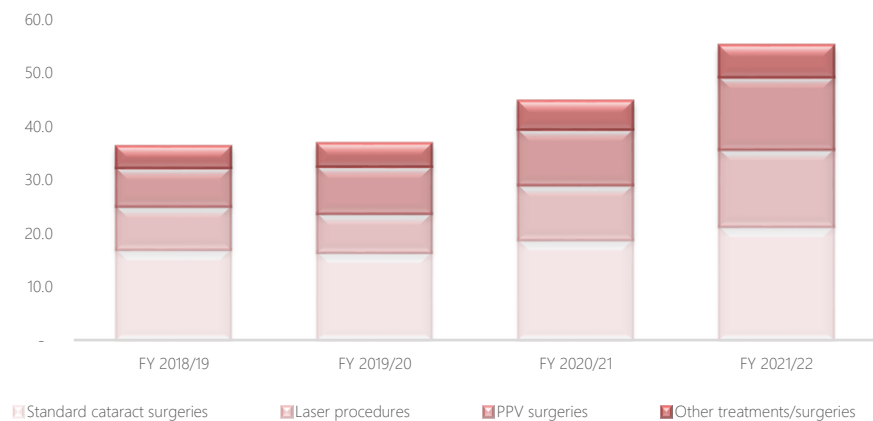
Clarity Medical (01406.HK) also provides treatments for other eye problems, including standard cataract surgeries, lasers procedure, PPV surgeries etc. The revenue of treatments for other eye problems in FY 2021/22 surged YoY 23.0% to HKD 55.1mn, accounting for approximately 24.4% of total revenue in FY 2021/22.

Exhibit: Treatments for other eyes problems provided by Clarity Medical (01406.HK)

Treatment Services	Related Eye Problems
Standard Cataract Surgeries	Cataract
Laser Procedure	Glaucoma, minor retinal tear, diabetic eye diseases and various retinal diseases
PPV Surgeries	Damaged blood vessels in the retina, infection inside the eyes, serious eye injuries, retinal detachment and macular pucker
Other Treatments/Surgeries	Macular degeneration, amblyopia, chalazion, pterygium, tear duct blockage, squint, dry eye and eyelid anomalies etc.

Source: Company data, West Bull Securities

Exhibit: Revenue breakdown of treatments for other eyes problems (HKD, mn)



Source: Company data, West Bull Securities

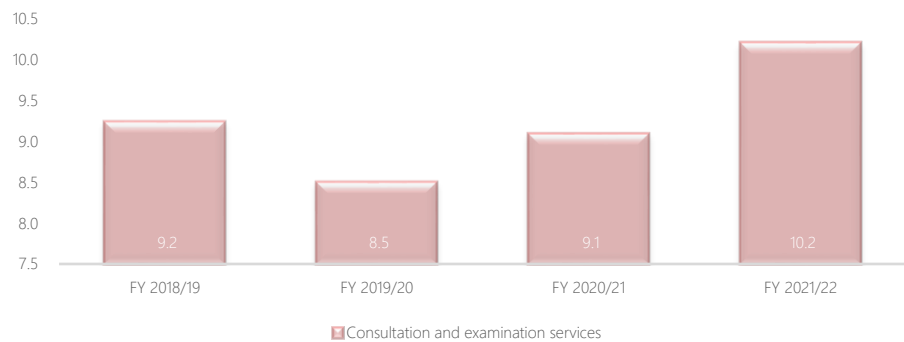
### Prescription Services & Consultation and Examination Services

#### ■ Consultation and examination services

The consultation and examination services provided by Clarity Medical (01406.HK) mainly include the assessments of eye conditions, such as visual acuity, refraction, anterior segment examination, fundal examination and intraocular pressure measurement. Medication may be prescribed and / or treatments may be recommended to the patients after the completion of consultation, examination and diagnosis.

A fee ranging from HKD 300 – HKD 8,000 is typically charged by the Group for each consultation and examination session, and the Group achieved a record high of HKD 10.2mn revenue from the provision of consultation and examination services.

Exhibit: Revenue recognized from consultation and examination services (HKD, mn)

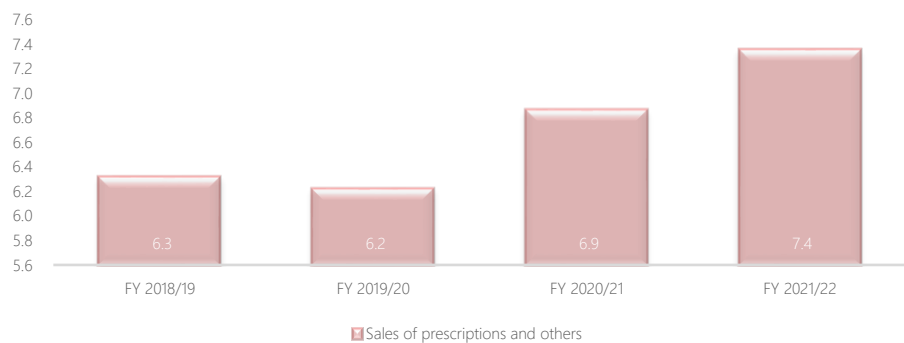


Source: Company data, West Bull Securities

#### ■ Prescription services

Medication is prescribed to patients following diagnosis after the consultation and examination or treatment services. Clarity Medical (01406.HK) realized HKD 7.4mn revenue from the provision of prescription services in FY 2021/22, representing a YoY 7.1% increment.

Exhibit: Revenue recognized from prescription services (HKD, mn)



Source: Company data, West Bull Securities

### Medical Centers & Private Hospital

The Medical Practitioners typically perform treatment services in the medical centers located at easily accessible locations, Central and Mong Kok, in Hong Kong. Both medical centers provide consultation or examination services, treatment services and prescription services, and they generate the majority of revenue for the Group.

Exhibit: Medical centers of Clarity Medical (01406.HK) (LHS: Mong Kok center; RHS: Central center)



Source: Company data

Besides, the Medical Practitioners also operate in operation theatres in the Private Hospital for patients i) whose procedures require general anaesthesia; and / or ii) who are children or in weak physical conditions.

### Employment agreements and consultancy agreements

Medical Practitioners are employed through employment agreements or consultancy agreements, Medical Practitioners who are directly employed under the relevant employment agreements are employees of the Group and the counterparts who are engaged under the relevant consultancy agreements through their service companies are employed by the respective service companies. In either engagement arrangement, the remuneration of the Medical Practitioners is recognized as consultancy fees under the financial statements.

Medical Practitioners are generally paid by the higher of i) a guaranteed monthly remuneration or ii) a share of revenue generated by the Medical Practitioners. The revenue for each surgery is shared with the Medical Practitioners on a fixed basis or a percentage basis, the amount depends on i) the type of surgery performed and ii) whether the clients are referred by the Medical Practitioners.

## Company Background

### ■ Business Development

Dr. Tse Wai Ip, founder and controlling shareholder of Clarity Medical (01406.HK), founded Saintford, the operating entity, in 2005 and commenced the ophthalmic business at the Central medical center which gross floor area was 1,230 sq.ft. Premium IOL was introduced and the gross floor area of the Central medical center was expanded to 2,460 sq.ft in 2006. The Mong Kok medical center with 3,981 sq.ft. commenced in operation in 2009 for business expansion, LASIK surgery, ICL implantation surgery, SMILE surgery were provided in the next several years. A few rounds of expansion for both centers were further completed in 2016 – 2019, bringing the gross floor area of Central medical center and Mong Kok medical center to over 16,000 sq.ft. in total. After years of development, Clarity Medical (01406.HK) currently provides comprehensive ophthalmic services, including SMILE surgeries, multifocal IOL replacements, ICL implantations and treatments for other eye problems to patients.

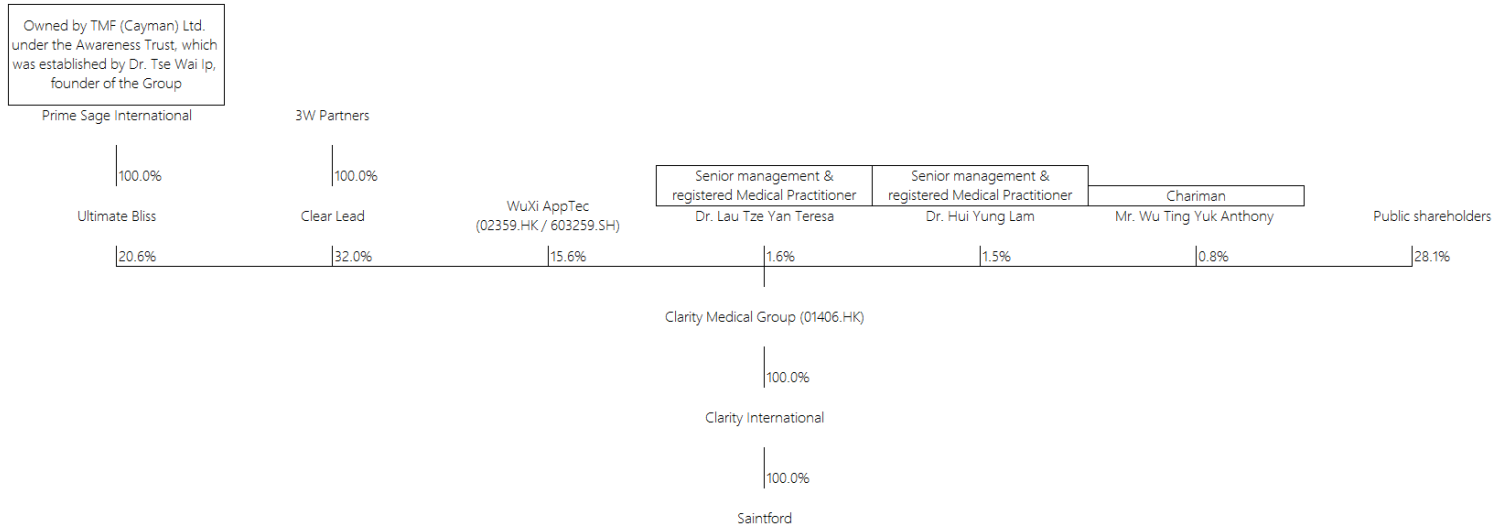
### ■ Introduction of new shareholders and financing activities

Exhibit: Financing activities before IPO

Year	Investor(s)	Description	% of shares acquired	Valuation
2015	Dr. Lau Tze Yan Teresa	Senior management of Clarity Medical (01406.HK)	1.667% of Logmax, the sole shareholder of Saintford in 2007	
2015	Dr. Hui Yung Lam	Senior management of Clarity Medical (01406.HK)	1.333% of Logmax, the sole shareholder of Saintford in 2007	
2016	3W Partners	Limited partnership interests of 3W Partners were owned by institutional investors, family offices and high-net-worth individuals	38.58% of Clarity Medical, holding company of Logmax	USD 36.3mn
2018	WuXi AppTec (02359.HK / 603256.SH)		20.83% of Clarity Medical	USD 48.0mn
2019	Mr. Wu Ting Yuk Anthony	Chairman and non-executive director of Clarity Medical (01406.HK)	Acquired 0.33% of Clarity Medical from 3W Partners	HKD 151.5mn
2020	3W Partners, WuXi AppTec (02359.HK / 603256.SH), Mr. Wu Ting Yuk Anthony	Rights issuance		HKD 182.2mn
2020	3W Partners, Mr. Wu Ting Yuk Anthony	Rights issuance		

Source: Company data, West Bull Securities

## Exhibit: Shareholding structure of Clarity Medical (01406.HK)



Source: Company data, West Bull Securities

## Exhibit: Use of proceeds

Use of net proceeds	% of net proceeds	Allocated net proceeds from IPO	Estimated time for utilization	Remaining amount
Establishing two new medical centers in Hong Kong	44.8%	HKD 81.5mn	2022 – 2023	HKD 81.5mn
Acquiring eye-related clinics, outpatient department or hospitals in the Greater Bay Area	30.5%	HKD 55.5mn	2022 – 2023	HKD 55.5mn
Setting up an eye-related clinic in China	14.7%	HKD 26.7mn	2022 – 2023	HKD 26.7mn
Working capital	10.0%	HKD 18.2mn	-	HKD 18.2mn
<b>Total</b>	<b>100.0%</b>	<b>HKD 181.9mn</b>	-	<b>HKD 181.9mn</b>

Source: Company data, West Bull Securities

## Investment Thesis

### Foreseeable expansion plan in Hong Kong

- Deferred expansion plan limited the growth of Clarity Medical (01406.HK)

Clarity Medical (01406.HK) provides its ophthalmic services in the Central and Mong Kok medical centers in Hong Kong, contributing the vast majority of revenue to the Group. However, the Group slowed down the expansion plan after an expansion in 2019 due to an outbreak of COVID-19, dragging the growth rate to low single digits in the past few years. Given an over ~85% utilization rate of Medical Practitioners, according to the prospectus of Clarity Medical (01406.HK), the potential growth for the Group is limited without further investment.

- A new expansion plan in Hong Kong

Despite the sluggish growth in the past few years, new growth momentum will likely be brought by the new medical centers opening in the coming years. Clarity Medical (01406.HK) plans to i) expand the Mong Kok medical center by renting an additional floor in Wai Fung Plaza with approximately 6,000 sq.ft GFA., ii) open a flagship clinic in Tsim Sha Tsui with around 14,000 sq.ft. GFA.

The expanded floor of the medical center in Wai Fung Plaza is designed with 5 consultation rooms and 3 surgery rooms, it is expected that the additional area will commence operation in early 2023, and the contribution to the Group will be more significant in FY 2023/24; the flagship clinic may open in 2024 2H, according to the latest schedule, and it is designed with 10 consultation rooms and 4 surgery rooms.

We admit that the limited supply of qualified ophthalmologists may be an issue for Clarity Medical (01406.HK), the Group may pick up slower than expected due to the scarcity of professionals, but it is also undeniable that an expansion of medical clinics will give Clarity Medical (01406.HK) room to grow in the future.

### Solid performance was delivered amid the pandemic

COVID-19 broke out in late 2019 and a series of policies containing the spread of the pandemic was carried out in the past few years in Hong Kong, deterring both visitors, especially mainland Chinese, and the local people from participating in almost all unnecessary activities in Hong Kong. However, Clarity Medical (01406.HK) was capable to deliver solid results during the market downturn, it reported a YoY 1.8% and YoY 1.3% increment in the topline of FY 2020/21 and FY 2021/22 respectively.

The Group conducted 5,234 refractive treatments in FY 2021/22, representing a YoY 4.2% decrease when compared to FY 2020/21, the retreat was primarily attributed to the defer and cancellation of the treatments during the severe pandemic. The popular treatments, SMILE and LASIK, were affected to a larger extent, and the number of treatments conducted fell by YoY 6.4% and YoY 15.0% respectively in FY 2021/22.

Although we did see an impact brought by the booming new COVID-19 cases and the social distancing measures in early 2022, it was a temporary setback because the number of cases logged peaked since 2022 Q2. Therefore, it can be expected that the Group can enjoy a recovery in FY 2022/23.

### Potential opportunities available for Clarity Medical (01406.HK)

#### ■ Cooperation with the hospitals in Hong Kong

Clarity Medical (01406.HK) provides comprehensive ophthalmic services in Hong Kong, and it ranked the 4<sup>th</sup> in 2020 in terms of revenue from ophthalmic healthcare services. Additionally, the Group is the leading player in providing SMILE surgery, the market share of the Group was approximately 38.0% in 2020, according to Frost & Sullivan.

The provision of decent services gives an opportunity for Clarity Medical (01406.HK) to cooperate with hospitals which are not specialized in the provision of ophthalmic services. For instance, Clarity Medical (01406.HK) entered into a non-binding agreement with Union Medical Center in Jun 2022. According to the MOU, the Group will assign Medical Practitioners to provide regular consultation sessions, non-refractive treatment services and subsequent care to Union Hospital or the clinics operated by Union Medical Center, and the Union Medical Center will refer the customers to the Group. We believe that similar cooperation between the Group and the hospitals benefits Clarity Medical (01406.HK) by i) broadening the customer base as the hospitals may be able to reach more diverse customers, and ii) enlarging its income source.

■ Potential exploration of China market

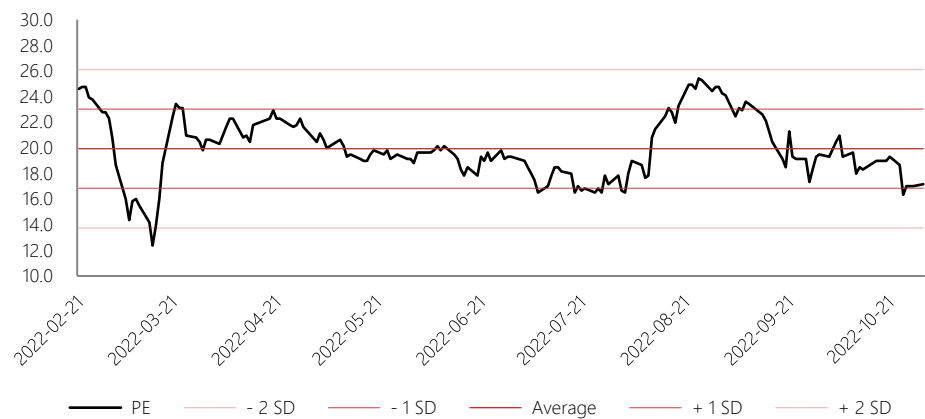
We appreciate the cautious attitude of the Group towards the exploration of China market, it is because China market remains challenging for a newcomer due to the intense competition as well as the policies against the pandemic, sustainability should be put in the priority for any kind of expansion. However, we believe that the Group will step into the China market if the market is more favourable in the future because i) the potential of the China market is huge, and ii) the Group has prepared well for future development in China through a well-planned capital resources allocation and an introduction of related investors as well as the management.

According to the prospectus, 30.5% of net proceeds, HKD 55.5mn, were allocated for the expansion in China through the acquisition of clinics, outpatient departments or hospitals. In addition, an exploration of China market will be supported by the pre-IPO investor, WuXi AppTec, and the existing chairman, Mr. Wu Ting Yuk Anthony. Mr. Wu had served as i) a member of the 12th and 13th Standing Committee of the Chinese People's Political Consultative Conference National Committee and the Task Force on Land Supply of Hong Kong SAR, ii) a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development, iii) the chairman of the Hospital Authority in Hong Kong for more than nine years, and he is also the existing principal advisor to the State Administration of Traditional Chinese Medicine of the People's Republic of China and a member of the Chinese Medicine Reform and Development Advisory Committee, his established network will undoubtedly a solid support for the Group.

## Valuation

Clarity Medical (01406.HK) is trading at approximately 17.2x historical P/E for its operating business after adjustment, which is below the average after listing on the HKEx. Although its valuation is much lower than the big players from China like Aier (300015.CH) and C-MER (03309.HK), it is still higher than the peers listed on the HKEx like Euroeyes (01846.HK) and Chaoju Eye Care (02219.HK).

Exhibit: Adjusted PE band of Clarity Medical (01406.HK)



Source: West Bull Securities

Besides, an acquisition carried out in early 2022 further limits the multiple expansion potential for ophthalmology services providers. Champion Eye, a local player in Hong Kong, was acquired by C-MER (03309.HK) at a consideration of HKD 56.0mn, implying a historical P/E of 6x – 8x.

We believe that valuation is an obstacle to the Group from reflecting the upside potential brought by the future expansion in a gloomy market. From our point of view, the growth of the Group is foreseeable and achievable conditionally, the topline as well as the EPS attributable to the shareholders will hike together with the expansion plan, but we are cautious about its valuation and hence the stock price because of the potential multiple contraction driven by i) the slumping stock market and ii) mean reversion.

## Peers comparison

		Mkt. Cap.	P/E	Fw. P/E	P/B	P/S	Revenue	GM	ROE
		(HKD, mn)	(%)	(%)	(%)	(%)	(HKD, mn)	(%)	(%)
01846.HK	Euroeyes	1,456.3	14.1	-	1.6	2.6	632.9	49.4	11.7
02219.HK	Chaoju Eye Care	2,016.7	10.0	8.7	0.9	1.8	1,202.6	45.0	12.8
03309.HK	C-MER Eye	4,018.6	169.3	40.6	2.2	2.6	1,112.6	32.2	1.5
300015.CH	Aier Eye	190,686.5	61.2	50.4	10.8	10.1	18,079.8	51.9	19.6
	<i>Average</i>	<i>701.8</i>	<i>49,544.5</i>	<i>63.7</i>	<i>33.2</i>	<i>3.9</i>	<i>4.3</i>	<i>5,257.0</i>	<i>44.6</i>
01406.HK	Clarity Medical	542.6	29.7	-	2.1	1.8	225.2	-	8.0

Source: Bloomberg, West Bull Securities

## Risk factors

- Tightening social distance policies are carried out to contain a new wave of pandemic
- Keen competition due to the new entrants and aggressive expansion from the China-funded peers
- Price and hence the profit margin are squeezed due to the aggressive pricing strategies carried out by the peers
- Supply shortage of the Medical Practitioners
- Slower-than-expected progress on the clinic's expansion
- Hiking operating expenses caused by an exploration of the China market

## Financial Statement

PnL					Balance Sheet				
(HKD, mn)	2018/19 (A)	2019/20 (A)	2020/21 (A)	2021/22 (A)	(HKD, mn)	2018/19 (A)	2019/20 (A)	2020/21 (A)	2021/22 (A)
Revenue	206.6	218.4	222.4	225.2	PPE	25.7	24.5	25.2	17.7
<i>YoY growth</i>		5.7%	1.8%	1.3%	Others	11.1	31.3	12.6	22.9
COGS	-	-	-	-	<b>Non-current assets</b>	<b>36.7</b>	<b>55.7</b>	<b>37.8</b>	<b>40.6</b>
<b>Gross profit</b>	<b>206.6</b>	<b>218.4</b>	<b>222.4</b>	<b>225.2</b>	Inventories	3.7	5.7	4.2	3.7
Other income	0.0	(0.0)	7.0	1.7	Trade receivables	1.3	0.8	1.9	1.1
Operating expenses	(165.9)	(184.1)	(184.6)	(207.1)	Cash & cash equivalents	34.6	65.6	64.9	241.3
<b>Operating profit</b>	<b>40.7</b>	<b>34.3</b>	<b>44.7</b>	<b>19.8</b>	Others	4.4	41.4	8.4	3.5
Finance expenses	(1.2)	(1.1)	(0.9)	(0.8)	<b>Current assets</b>	<b>44.0</b>	<b>113.6</b>	<b>79.4</b>	<b>249.6</b>
JV & Ass.	-	-	-	-	<b>Total assets</b>	<b>80.8</b>	<b>169.3</b>	<b>117.2</b>	<b>290.1</b>
<b>Profit before tax</b>	<b>39.5</b>	<b>33.2</b>	<b>43.8</b>	<b>19.0</b>	LT borrowings	-	-	-	-
Tax	(9.4)	(6.8)	(8.0)	(5.6)	Others	3.5	11.2	5.1	10.5
<b>Net profit</b>	<b>30.0</b>	<b>26.4</b>	<b>35.8</b>	<b>13.5</b>	<b>Non-current liabilities</b>	<b>3.5</b>	<b>11.2</b>	<b>5.1</b>	<b>10.5</b>
<i>YoY growth</i>		-12.2%	35.6%	-62.3%	Trade payables	4.4	7.9	8.4	5.9
					ST borrowings	7.5	3.8	-	-
					Others	26.8	23.6	23.1	18.3
					<b>Current liabilities</b>	<b>38.7</b>	<b>35.4</b>	<b>31.5</b>	<b>24.2</b>
					<b>Total liabilities</b>	<b>42.2</b>	<b>46.6</b>	<b>36.7</b>	<b>34.7</b>
					Non-controlling interests	-	-	-	-
					Controlling interests	38.5	122.7	80.5	255.4
					<b>Total equities</b>	<b>38.5</b>	<b>122.7</b>	<b>80.5</b>	<b>255.4</b>

**Cash Flow**

(HKD, mn)					Financial Ratio				
	2018/19 (A)	2019/20 (A)	2020/21 (A)	2021/22 (A)		2018/19 (A)	2019/20 (A)	2020/21 (A)	2021/22 (A)
Profit before tax	39.5	33.2	43.8	19.0	Operating margin	19.7%	15.7%	20.1%	8.8%
Finance expenses	1.2	1.1	0.9	0.8	Net profit margin	14.5%	12.1%	16.1%	6.0%
Finance income	-	-	-	(0.0)	Adj. EBITDA profit margin	30.4%	20.6%	27.4%	19.6%
D&A	6.5	6.8	8.4	7.7	Return on Equity	155.9%	32.7%	35.2%	8.0%
Others	4.8	5.9	14.4	2.8	Return on Asset	74.4%	21.1%	25.0%	6.6%
Change in working capital	8.3	(5.9)	3.8	(2.7)	Current ratio	113.8%	320.9%	251.6%	1031.5%
<b>CFO</b>	<b>60.3</b>	<b>41.1</b>	<b>71.4</b>	<b>27.6</b>	Quick ratio	104.3%	304.7%	238.3%	1016.1%
					Cash ratio	89.5%	185.5%	205.6%	997.1%
CAPEX	(6.2)	(5.6)	(9.2)	(0.2)	Debt-to-Equity ratio	19.5%	3.1%	0.0%	0.0%
Others	(41.5)	(39.0)	(34.4)	0.0	Net Debt-to-Equity ratio	-70.4%	-50.4%	-80.6%	-94.5%
<b>CFI</b>	<b>(47.7)</b>	<b>(44.7)</b>	<b>(43.5)</b>	<b>(0.2)</b>					
Shares issuance	-	55.0	-	205.5					
Net borrowings	(3.5)	(3.7)	(3.8)	-					
Dividend paid	-	-	-	-					
Others	-	-	(5.3)	(26.0)					
<b>CFF</b>	<b>17.5</b>	<b>(16.7)</b>	<b>(19.5)</b>	<b>(30.5)</b>					
	<b>13.9</b>	<b>34.6</b>	<b>(28.6)</b>	<b>149.0</b>					
<b>FCFE</b>									
<b>FCFF</b>	<b>50.5</b>	<b>31.8</b>	<b>58.3</b>	<b>27.3</b>					

Source: Company data, West Bull Securities

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