

# Xtep (1368 HK)

## Solid cash position to yield attractive dividend

Cut TP to HK\$ 2.90 but maintain BUY due to attractive dividend yield of 7.5% in FY20E, based on a 10x FY20E P/E (down from 13x due to sector de-rating). We now revised our retail sales growth forecast to a 5% drop in FY20E (-16%/ +5% in 1H20E/ 2H20E), from 15% increase previously.

- FY19E net profit roughly inline.** FY19 net profit grew by 11% to RMB728mn, 5%/ 3% above CMBI/ BBG's est.. Noted that if we exclude exceptional items (including write back of receivable provisions, inventory provisions, gains from land sales for RMB 53mn and M&A expenses of RMB 100mn), adjusted net profit would go up by 14% YoY.
- Retail sales is much less negative in early Mar 2020.** Management cited that retail sales growth was robust (20%+ YoY) in first three weeks in Jan, but plummeted since then into Feb (similar to industry, with deepest daily decline was at ~80% YoY) and improved meaningfully in first two weeks in Mar (down by ~40% YoY). They expect retail sales to decline by 25-30% YoY in 1Q20E as a whole. Noted that, e-commerce performed comfortably well with 40%+ growth YTD, because the Company adapted well to the virus outbreak by leveraging various online platforms (such as wechat mini programs, encouraging all employees to promote products online, live streaming promotions by staffs at distributors' stores, etc.).
- Channel inventory surged and retail discounts widened.** Also cited by management, channel inventory level is now at 5-5.5 months (vs 4-4.5 normally) and retail discounts YTD is 35-45% off (vs 25-30% normally).
- Policies to support distributors.** To support the distributors, which are suffering from lack of cash flow in 1Q20E, Xtep decided to temporarily lengthen the credit period (from 120 days to 150 days), as well as allowing an one-off SKUs swaps (can delay 20% of 1Q20E SKUs shipment to 3Q20E, and cancel up to equal amount of orders in 3Q20E). Moreover, management estimated that over 80% of their retail stores had certain rental benefits provided by the landlords (both street level and shopping mall stores). All in all, we believe Xtep's distributors will be able to survive this coronavirus crisis.
- Maintain BUY but cut TP to HK\$ 2.90.** We cut our FY20E/21E EPS estimates by 22.3%/ 15.2%, to factor in 1) reduction and cancellation of trade fair sales, and 2) higher-than-expected finance costs. The counter is trading at 8x FY20E P/E, below its 5 years average of 12x. Our TP is based on 10x FY20E P/E and we maintain BUY due to its high dividend yield of 7.5%.

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	6,383	8,183	8,307	9,505	10,514
YoY growth (%)	24.8	28.2	1.5	14.4	10.6
Net income (RMB mn)	657	728	622	815	965
EPS (RMB)	0.295	0.302	0.250	0.327	0.387
YoY growth (%)	60.6	2.3	(17.2)	30.9	18.4
P/E (x)	6.8	6.6	8.0	6.1	5.2
P/B (x)	0.8	0.7	0.7	0.7	0.6
Yield (%)	8.8	8.8	7.5	9.8	11.6
ROE (%)	12.3	11.8	8.8	11.1	12.4
Net gearing (%)	Net cash				

Source: Company data, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$2.90
(Previous TP)	HK\$4.47
Up/Downside	+25.2%
Current Price	HK\$2.32

### China Sportswear Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	5,829
Avg 3 mths t/o (HK\$ mn)	23.40
52w High/Low (HK\$)	6.74/3.81
Total Issued Shares (mn)	2,512.4

Source: Bloomberg

#### Shareholding Structure

Mr Ding Shui Po & Family	53.89%
Templeton Investments	2.62%
Employee incentive scheme	4.01%
Free Float	39.48%

Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-34.1%	-18.6%
3-mth	-42.3%	-27.8%
6-mth	-47.7%	-37.3%
12-mth	-60.8%	-48.3%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

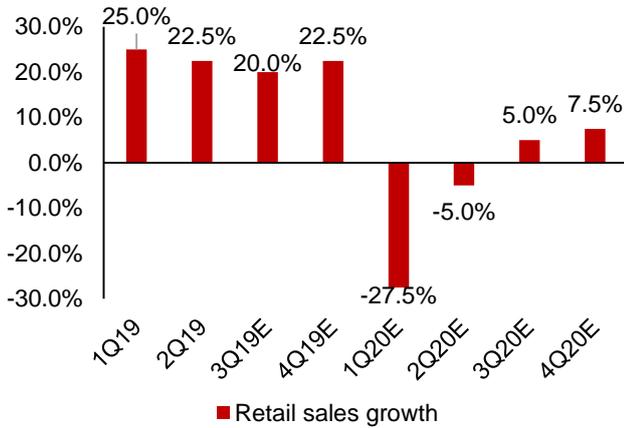
#### Auditor: Ernst & Young

#### Related Reports

- Xtep (1368 HK) – Good 4Q19 but likely a temporary drag in 1Q20 – 5 Feb 2020
- Xtep (1368 HK) – New brands require both time and investments – 22 Nov 2019
- Xtep (1368 HK) – For the greater good and a brighter future – 22 Aug 2019

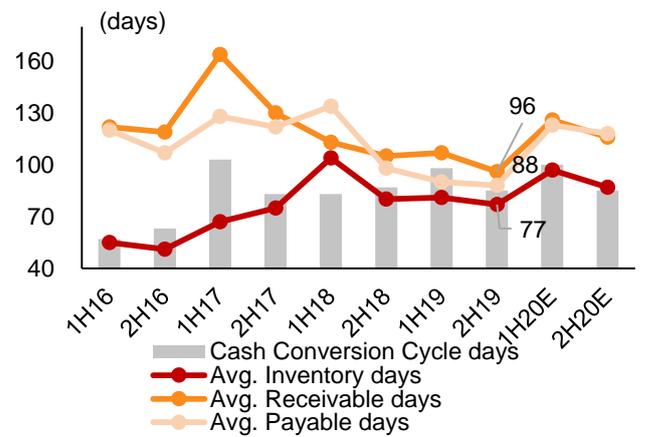
## Focus Charts

**Figure 1: Xtep's retail sales growth (CMBI est.)**



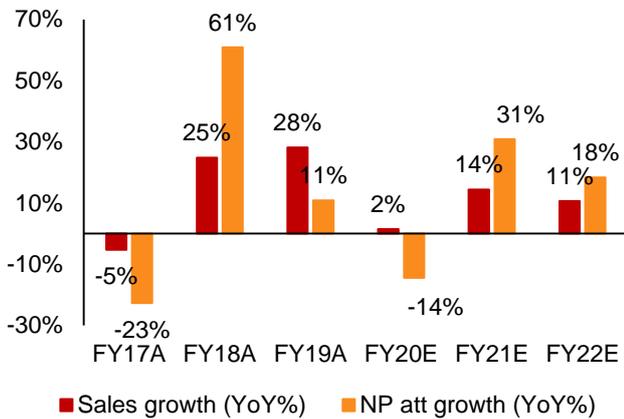
Source: Company data, CMBIS estimates

**Figure 2: Xtep's same store sales growth**



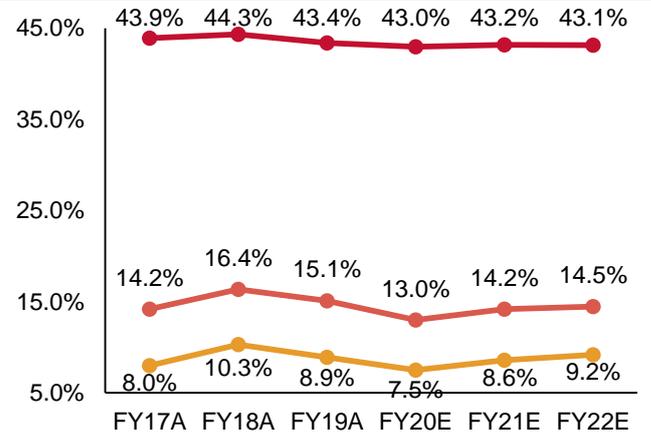
Source: Company data, CMBIS estimates

**Figure 3: Sales/ net profit growth**



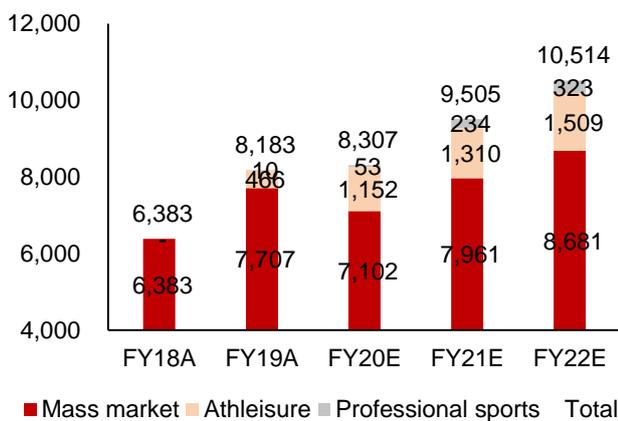
Source: Company data, CMBIS estimates

**Figure 4: GP/ OP/ NP margin**



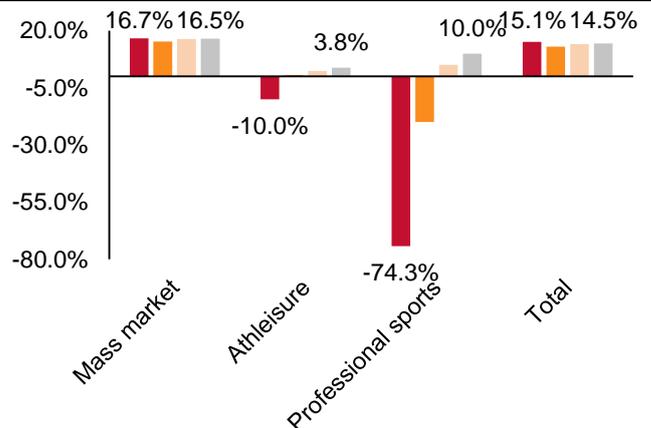
Source: Company data, CMBIS estimates

**Figure 5: Sales breakdown, by segment**



Source: Company data, CMBIS estimates

**Figure 6: OP margin, by segment**



Source: Company data, Tmall, CMBIS estimates

## Results Summary

Figure 7: Results preview – Half Year

Half yearly (RMB mn)	1H18	2H18	1H19	2H19	1H18 YoY	2H18 YoY	1H19 YoY	2H19 YoY	2H19E CMBI	Actual vs CMBI
<b>Revenue</b>	2,729	3,654	3,357	4,826	18%	30%	23%	32%	4,867	-1%
COGS	(1,536)	(2,019)	(1,860)	(2,773)					(2,744)	
<b>Gross profit</b>	1,193	1,635	1,497	2,053	17%	33%	25%	26%	2,123	-3%
<b>GP margins</b>	43.7%	44.7%	44.6%	42.5%					43.6%	
Other income & gains	143	53	138	170					73	135%
S & D expenses	(480)	(877)	(637)	(1,082)	25%	67%	33%	23%	(1,198)	-10%
<b>S &amp; D exp / sales</b>	-17.6%	-24.0%	-19.0%	-22.4%					-24.6%	
Admin expenses	(264)	(359)	(281)	(625)	7%	-31%	7%	74%	(582)	7%
<b>Admin exp / sales</b>	-9.7%	-9.8%	-8.4%	-13.0%					-12.0%	
Other opex	0	0	0	0					0	
<b>Operating profit (EBIT)</b>	592	452	717	517	24%	84%	21%	14%	415	24%
<b>OP margins</b>	21.7%	12.4%	21.4%	10.7%					8.5%	
Other items	0	0	0	0					0	
Net finance income	(41)	(27)	(36)	(75)					(51)	46%
<b>Net finance income / sales</b>	-1.5%	-0.7%	-1.1%	-1.5%					-1.0%	
Profit after financing costs	551	426	681	442					364	
Associated coms	0	0	0	(2)					0	
Jointly controlled coms	0	0	0	0					0	
<b>Pre-tax profit</b>	551	426	681	440	18%	109%	24%	3%	364	21%
Tax	(175)	(131)	(218)	(172)					(122)	
<b>Tax / sales</b>	-6.4%	-3.6%	-6.5%	-3.6%					-2.5%	
<b>Effective tax rate</b>	-31.8%	-30.8%	-32.0%	-39.0%					-33.4%	
Minority interests	0	13	(0)	4					11	
<b>Net profit att.</b>	375	281	463	265	21%	188%	23%	-6%	232	14%
<b>NP margins</b>	13.7%	7.7%	13.8%	5.5%					4.8%	

Source: Company data, CMBIS estimates

Figure 8: Results preview - Full Year

Full yearly (RMB mn)					FY18	FY19	FY20E	FY19E	Actual
	FY17	FY18	FY19	FY20E	YoY	YoY	YoY	CMBI	vs CMBI
<b>Revenue</b>	5,113	6,383	8,183	8,307	25%	28%	2%	8,224	-1%
COGS	(2,869)	(3,555)	(4,632)	(4,739)				(4,604)	
<b>Gross profit</b>	2,244	2,828	3,550	3,568	26%	26%	1%	3,620	-2%
<b>GP margins</b>	43.9%	44.3%	43.4%	43.0%				44.0%	
Other income & gains	158	196	308	200				210	46%
S & D expenses	(911)	(1,357)	(1,718)	(1,789)	49%	27%	4%	(1,835)	-6%
<b>S &amp; D exp / sales</b>	-17.8%	-21.3%	-21.0%	-21.5%				-22.3%	
Admin expenses	(767)	(622)	(906)	(901)	-19%	46%	-1%	(863)	5%
<b>Admin exp / sales</b>	-15.0%	-9.8%	-11.1%	-10.8%				-10.5%	
Other opex	0	0	0	0				0	
<b>Operating profit (EBIT)</b>	725	1,044	1,234	1,079	44%	18%	-13%	1,133	9%
<b>OP margins</b>	14.2%	16.4%	15.1%	13.0%				13.8%	
Other items	0	0	(2)	(18)				0	
Net finance income	(54)	(68)	(111)	(107)				(87)	27%
<b>Net finance income / sales</b>	-1.1%	-1.1%	-1.4%	-1.3%				-1.1%	
Profit after financing costs	671	976	1,121	953				1,045	
Associated coms	0	0	0	0				0	
Jointly controlled coms	0	0	0	0				0	
<b>Pre-tax profit</b>	671	976	1,121	953	46%	15%	-15%	1,045	7%
Tax	(224)	(306)	(390)	(324)				(340)	
<b>Tax / sales</b>	-4.4%	-4.8%	-4.8%	-3.9%				-4.1%	
<b>Effective tax rate</b>	-33.5%	-31.4%	-34.8%	-34.0%				-32.5%	
Minority interests	38	13	4	7				10	
<b>Net profit att.</b>	408	657	728	622	61%	11%	-14%	695	5%
<b>NP margins</b>	8.0%	10.3%	8.9%	7.5%				8.5%	

Source: Company data, CMBIS estimates

## Earnings revision

Figure 9: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	8,307	9,505	10,514	9,780	10,923	n/a	-15.1%	-13.0%	n/a
Gross profit	3,568	4,103	4,536	4,264	4,782	n/a	-16.3%	-14.2%	n/a
EBIT	1,079	1,346	1,521	1,277	1,488	n/a	-15.5%	-9.5%	n/a
Reported Net profit	620	798	910	798	942	n/a	-22.3%	-15.2%	n/a
Diluted EPS (RMB)	0.249	0.320	0.365	0.320	0.378	n/a	-22.3%	-15.2%	n/a
Gross margin	43.0%	43.2%	43.1%	43.6%	43.8%	n/a	-0.6ppt	-0.6ppt	n/a
EBIT margin	13.0%	14.2%	14.5%	13.1%	13.6%	n/a	-0.1ppt	0.5ppt	n/a
Net profit att. margin	7.5%	8.4%	8.7%	8.2%	8.6%	n/a	-0.7ppt	-0.2ppt	n/a

Source: Company data, CMBIS estimates

Figure 10: CMBI estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	8,307	9,505	10,514	9,695	11,043	n/a	-14.3%	-13.9%	n/a
Gross profit	3,568	4,103	4,536	4,220	4,844	n/a	-15.4%	-15.3%	n/a
EBIT	1,079	1,346	1,521	1,318	1,559	n/a	-18.1%	-13.6%	n/a
Net profit att.	620	798	910	878	1,047	n/a	-29.4%	-23.8%	n/a
Diluted EPS (RMB)	0.249	0.320	0.365	0.355	0.433	n/a	-29.9%	-25.9%	n/a
Gross margin	43.0%	43.2%	43.1%	43.5%	43.9%	n/a	-0.6ppt	-0.7ppt	n/a
EBIT margin	13.0%	14.2%	14.5%	13.6%	14.1%	n/a	-0.6ppt	0ppt	n/a
Net profit att. margin	7.5%	8.4%	8.7%	9.1%	9.5%	n/a	-1.6ppt	-1.1ppt	n/a

Source: Company data, CMBIS estimates

## Valuation

Figure 11: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
<b>H shares Sportswear</b>															
Xtep Intl*	1368 HK	BUY	2.90	2.32	25.2%	5,829	Dec-18	6.6	8.0	0.8	0.8	12.2	1.9	7.5	
Anta Sports	2020 HK	BUY	91.46	47.20	93.8%	127,532	Dec-18	20.9	16.8	5.9	4.8	28.6	0.8	1.8	
Li Ning	2331 HK	BUY	24.43	16.36	49.3%	40,156	Dec-18	24.9	22.5	5.0	4.2	20.9	0.6	1.3	
361 Degrees	1361 HK	NR	n/a	1.19	n/a	2,460	Dec-19	4.6	4.2	0.3	0.3	5.5	0.4	9.5	
Topsports	6110 HK	NR	n/a	7.32	n/a	45,393	Feb-19	15.7	13.4	4.5	3.4	76.8	0.0	3.6	
Pou Sheng	3813 HK	NR	n/a	1.42	n/a	7,606	Dec-18	8.4	9.1	0.9	0.8	9.6	0.3	2.1	
China DX	3818 HK	NR	n/a	0.65	n/a	3,826	Mar-19	5.7	5.9	0.3	0.3	n/a	0.0	12.7	
								<b>Avg.</b>	<b>12.4</b>	<b>11.4</b>	<b>2.5</b>	<b>2.1</b>	<b>25.6</b>	<b>0.6</b>	<b>5.5</b>
								<b>Med.</b>	<b>8.4</b>	<b>9.1</b>	<b>0.9</b>	<b>0.8</b>	<b>16.5</b>	<b>0.4</b>	<b>3.6</b>
<b>International Sportswear</b>															
Nike Inc	NKE US	NR	n/a	61.79	n/a	747,358	May-19	22.0	18.6	11.7	11.5	50.6	1.5	1.5	
Adidas	ADS GY	NR	n/a	166.92	n/a	282,491	Dec-19	18.2	14.8	4.4	3.8	30.0	2.5	2.4	
Puma	PUM GY	NR	n/a	42.14	n/a	53,670	Dec-19	20.7	16.7	3.0	2.7	14.7	1.1	1.4	
Under Armour	UAA US	NR	n/a	8.34	n/a	27,632	Dec-19	71.3	28.0	1.7	1.6	4.4	2.0	0.0	
Lululemon	LULU US	NR	n/a	133.61	n/a	135,213	Feb-19	27.3	23.3	9.2	7.3	37.1	1.2	0.0	
Skechers	SKX US	NR	n/a	17.50	n/a	21,327	Dec-19	7.1	6.1	1.0	0.9	15.9	0.7	0.0	
Vf Corp	VFC US	NR	n/a	53.72	n/a	164,679	Mar-20	16.5	14.7	4.6	4.3	29.1	1.9	3.5	
Columbia	COLM US	NR	n/a	53.17	n/a	27,837	Dec-19	11.4	10.3	1.7	1.4	18.8	7.5	2.0	
Wolverine	WWW US	NR	n/a	13.37	n/a	8,508	Dec-19	5.7	5.2	1.2	1.0	14.4	0.3	3.0	
Mizuno Corp	8022 JP	NR	n/a	1544.00	n/a	2,953	Mar-19	6.7	6.0	0.4	0.4	6.6	1.2	3.2	
Asics Corp	7936 JP	NR	n/a	787.00	n/a	10,751	Dec-19	18.6	13.0	0.9	0.8	4.5	0.9	3.6	
								<b>Avg.</b>	<b>20.5</b>	<b>14.2</b>	<b>3.6</b>	<b>3.3</b>	<b>20.5</b>	<b>1.9</b>	<b>1.9</b>
								<b>Med.</b>	<b>18.2</b>	<b>14.7</b>	<b>1.7</b>	<b>1.6</b>	<b>15.9</b>	<b>1.2</b>	<b>2.0</b>

Source: Bloomberg, CMBIS estimates, \* Period FY1 and FY2 for Xtep are referring to FY19 and FY20E as it had just issued its annual result

## Assumptions

Figure 12: Xtep's key assumptions

Major assumptions	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales by segment (RMB mn)</b>					
Shoes	3,925	4,653	4,653	5,242	5,749
Apparels	2,327	3,344	3,478	4,069	4,558
Accessories	131	185	176	194	207
Total	6,383	8,183	8,307	9,505	10,514
<b>Sales by segment growth (%)</b>					
Shoes	20.5%	18.6%	0.0%	12.7%	9.7%
Apparels	32.2%	43.7%	4.0%	17.0%	12.0%
Accessories	36.6%	41.0%	-5.0%	10.0%	7.0%
Total	24.8%	28.2%	1.5%	14.4%	10.6%
<b>Sales by segment (RMB mn)</b>					
Mass market	6,383	7,707	7,102	7,961	8,681
Athleisure	0	466	1,152	1,310	1,509
Professional sports	0	10	53	234	323
Total	6,383	8,183	8,307	9,505	10,514
<b>Sales by segment growth (YoY)</b>					
Mass market	24.8%	20.7%	-7.8%	12.1%	9.1%
Athleisure	n/a	n/a	147.3%	13.7%	15.2%
Professional sports	n/a	n/a	421.3%	345.4%	37.8%
Total	24.8%	28.2%	1.5%	14.4%	10.6%
<b>Sales network</b>					
Xtep	5,580	5,279	5,279	5,437	5,600
Xtep kids	450	850	850	893	982
Oversea stores	200	250	250	250	300
Total	6,230	6,379	6,379	6,580	6,882
GP margins	44.3%	43.4%	43.0%	43.2%	43.1%
<b>Opex breakdown</b>					
A&P / sales	15.2%	14.4%	14.1%	13.8%	13.4%
Staff costs/ sales	11.6%	11.0%	11.7%	11.2%	11.2%
R&D / sales	2.6%	2.4%	2.6%	2.6%	2.5%
D&A / sales	1.4%	1.7%	1.4%	1.3%	1.3%
Provisions (write backs) / sales	-0.8%	-0.9%	0.2%	0.0%	0.0%
Rental / sales	0.3%	0.1%	0.8%	1.0%	1.2%
Selling & distribution costs / sales	21.3%	21.0%	21.5%	21.3%	21.1%
Admin expenses / sales	9.8%	11.1%	10.8%	10.0%	9.7%
Total	31.0%	32.1%	32.4%	31.3%	30.8%
<b>OP margins</b>	<b>16.4%</b>	<b>15.1%</b>	<b>13.0%</b>	<b>14.2%</b>	<b>14.5%</b>
Effective tax rate	31.4%	34.8%	34.0%	33.0%	32.0%
<b>Net profit att. margins</b>	<b>10.3%</b>	<b>8.9%</b>	<b>7.5%</b>	<b>8.6%</b>	<b>9.2%</b>
<b>Net profit att. growth (%)</b>	<b>60.9%</b>	<b>10.8%</b>	<b>-14.5%</b>	<b>30.9%</b>	<b>18.4%</b>

Source: Company data, CMBIS estimates

## Financial Summary

Income statement						Cash flow summary					
YE Dec 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE Dec 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>6,383</b>	<b>8,183</b>	<b>8,307</b>	<b>9,505</b>	<b>10,514</b>	<b>EBIT</b>	<b>1,044</b>	<b>1,234</b>	<b>1,079</b>	<b>1,346</b>	<b>1,521</b>
Footwear	3,925	4,653	4,653	5,242	5,749	D & A	60	185	317	330	341
Apparel	2,327	3,344	3,478	4,069	4,558	Change in working capital	(513)	36	335	(296)	(247)
Accessories	131	185	176	194	207	Income tax paid	(309)	(334)	(324)	(406)	(459)
						Others	(128)	(343)	(106)	(116)	(151)
<b>Cost of goods sold</b>	<b>(3,555)</b>	<b>(4,632)</b>	<b>(4,739)</b>	<b>(5,403)</b>	<b>(5,977)</b>	<b>Net cash from operating</b>	<b>154</b>	<b>778</b>	<b>1,301</b>	<b>860</b>	<b>1,005</b>
<b>Gross profit</b>	<b>2,828</b>	<b>3,550</b>	<b>3,568</b>	<b>4,103</b>	<b>4,536</b>	Capex & investments	(72)	(97)	(208)	(143)	(158)
<b>Other income</b>	<b>196</b>	<b>308</b>	<b>200</b>	<b>215</b>	<b>222</b>	Associated companies	(1)	(35)	-	-	-
						Interest received	-	-	-	-	-
<b>Operating expenses</b>	<b>(1,980)</b>	<b>(2,625)</b>	<b>(2,690)</b>	<b>(2,971)</b>	<b>(3,237)</b>	Others	(208)	(1,913)	-	-	-
D & A	(8)	(141)	(267)	(272)	(276)	<b>Net cash from investing</b>	<b>(281)</b>	<b>(2,045)</b>	<b>(208)</b>	<b>(143)</b>	<b>(158)</b>
Staff costs	(738)	(901)	(970)	(1,060)	(1,177)	Equity raised	(31)	1,187	-	-	-
S & D costs (ex-staff, D&A)	(623)	(823)	(825)	(967)	(1,048)	Net change in bank loans	(10)	386	-	-	-
Admin exp. (ex-staff, D&A)	(611)	(760)	(628)	(672)	(736)	Dividend paid	(459)	(436)	(397)	(439)	(521)
Other operating expenses	-	-	-	-	-	Others	(11)	(98)	-	-	-
<b>EBIT</b>	<b>1,044</b>	<b>1,234</b>	<b>1,079</b>	<b>1,346</b>	<b>1,521</b>	<b>Net cash from financing</b>	<b>(511)</b>	<b>1,039</b>	<b>(397)</b>	<b>(439)</b>	<b>(521)</b>
Finance costs, net	(68)	(111)	(107)	(101)	(97)	<b>Net change in cash</b>	<b>(637)</b>	<b>(227)</b>	<b>697</b>	<b>278</b>	<b>326</b>
JVs & associates	-	(2)	(18)	(16)	10	Beginning cash balance	3,832	3,196	2,970	3,666	3,945
Exceptional	-	-	-	-	-	Exchange difference	1	1	-	-	-
<b>Pre-tax profit</b>	<b>976</b>	<b>1,121</b>	<b>953</b>	<b>1,229</b>	<b>1,433</b>	<b>Cash at the end of the year</b>	<b>3,196</b>	<b>2,970</b>	<b>3,666</b>	<b>3,944</b>	<b>4,271</b>
Income tax	(306)	(390)	(324)	(406)	(459)						
Less: Minority interests	13	4	7	9	10						
<b>Net profit</b>	<b>657</b>	<b>728</b>	<b>622</b>	<b>815</b>	<b>965</b>						

Balance sheet						Key ratios					
YE Dec 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE Dec 31	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>1,139</b>	<b>3,057</b>	<b>2,929</b>	<b>2,725</b>	<b>2,551</b>	<b>Sales mix (%)</b>					
Fixed asset	641	662	791	844	902	Footwear	61.5	56.9	56.0	55.2	54.7
Intangible assets & goodwill	105	1,738	1,499	1,258	1,017	Apparel	36.5	40.9	41.9	42.8	43.4
Prepaid lease payments	279	104	104	104	104	Accessories	2.1	2.3	2.1	2.0	2.0
Interest in joint ventures	114	197	179	162	172		-	-	-	-	-
Other non-current assets	-	356	356	356	356	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Current assets</b>	<b>8,060</b>	<b>9,266</b>	<b>9,675</b>	<b>10,596</b>	<b>11,467</b>	<b>P&amp;L ratios (%)</b>					
Cash and cash equivalents	3,196	2,970	3,666	3,945	4,271	Gross margin	44.3	43.4	43.0	43.2	43.1
Inventories	836	1,046	1,039	1,184	1,310	Operating margin	16.4	15.1	13.0	14.2	14.5
Trade and other receivables	2,115	2,910	2,617	2,995	3,313	Pre-tax margin	15.3	13.7	11.5	12.9	13.6
Prepayments	727	818	830	950	1,051	Net margin	10.3	8.9	7.5	8.4	8.7
Other current assets	1,186	1,522	1,522	1,522	1,522	Effective tax rate	31.4	34.7	33.4	32.6	32.2
<b>Current liabilities</b>	<b>3,278</b>	<b>3,671</b>	<b>3,719</b>	<b>4,066</b>	<b>4,363</b>	<b>Balance sheet ratios</b>					
Bank loans	1,483	1,086	1,086	1,086	1,086	Current ratio (x)	2.5	2.5	2.6	2.6	2.6
Trade payables	879	1,420	1,452	1,656	1,832	Quick ratio (x)	2.2	2.2	2.3	2.3	2.3
Accruals & other payables	861	981	996	1,139	1,260	Cash ratio (x)	1.0	0.8	1.0	1.0	1.0
Tax payables	54	115	115	115	115	Inventory turnover days	86	82	80	80	80
Others	1	69	69	69	69	Trade receivables days	121	130	115	115	115
<b>Non-current liabilities</b>	<b>590</b>	<b>1,691</b>	<b>1,691</b>	<b>1,691</b>	<b>1,691</b>	Trade payables days	90	112	112	112	112
Bank loans	461	1,269	1,269	1,269	1,269	Total debt / total equity ratio (%)	36	34	33	31	30
Deferred income	-	-	-	-	-	Net debt / equity ratio (%)	Net cash				
Deferred tax	107	280	280	280	280	<b>Returns (%)</b>					
Others	22	142	142	142	142	ROE	12.3	10.5	8.7	10.8	12.1
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>15</b>	<b>25</b>	ROA	7.1	5.9	4.9	6.1	6.9
<b>Total net assets</b>	<b>5,331</b>	<b>6,960</b>	<b>7,187</b>	<b>7,548</b>	<b>7,938</b>	<b>Per share</b>					
<b>Shareholders' equity</b>	<b>5,331</b>	<b>6,960</b>	<b>7,185</b>	<b>7,554</b>	<b>7,974</b>	EPS (RMB)	0.30	0.30	0.25	0.32	0.37
						DPS (RMB)	0.18	0.18	0.15	0.20	0.23
						BVPS (RMB)	2.40	2.79	2.88	3.03	3.20

Source: Company data, CMBIS estimates

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