

# China Lilang (1234 HK)

## A prudent retail sales target and attractive yield

We think the miss in 2H20 result is likely one-off. Thanks to improving fundamentals and attractive yield, we maintain BUY and raised TP to HK\$ 6.76, based on 9x FY21E P/E (from 8x FY21E). Current valuation is highly attractive at 7x FY21E P/E (~1 s.d. below 3-year average of 8x) and 11% FY21E yield.

- 2H20 results missed, due to trade fair orders cut.** China Lilang's net profit decline by 31% YoY to RMB 557mn, missing CMBI/ BBG est. by 9%/ 16%. We believe the miss was attributable to: 1) reductions of 2020 Fall and Winter trade fair orders to facilitate channel destocking, 2) provisions of inventory buyback of RMB 390mn and also 3) beat in GP margin given more sales from the self-owned smart casual business. We are not worried by this miss as it is likely to be just one-off. Noted that DPS of HK\$ 44 cents was declared, which could be translated into 11%/ 12% FY21E/22E yield.
- Targeting 10%+ retail sale growth in FY21E, and we are more optimistic.** We are more optimistic on the retail sales growth in FY21E, thanks to :1) robust retail sales growth of 20-25% in YTD 2021, which accelerated from 10-15% in 4Q20, according to management (Sales in Jan-Feb/ Mar 2021 recovered to 90-95%/ 100% vs 2019 level), 2) strong growth momentum from E-commerce sales, after 120% growth in FY20 and 3) limited inventory pressure in the channel, especially after series of inventory buybacks and cut in trade fair orders. Noted that sell-through rate for 2020 Spring/ Summer/ Fall/ Winter seasons were healthy at 68%/ 75%/ 71%/ 75%.
- 56% of core brand store would switch to consignment model while online store would switch to self-owned.** Management decided to strengthen its retail operation efficiency by converting 56% of LILANZ core brand stores into consignment model since the 2021 SS season. We agreed that this would: 1) motivate distributors and store managers to improve product allotments in stores, 2) allowing more O2O inventory sharing, and 3) improve GP margin as wholesale discounts will be raised to 60% (from 59%), but with a greater inventory burden. The online store will also be converted to self-owned, which we think is positive, because: 1) higher profit to be consolidated and 2) it can enjoy better management, design and marketing support as well as better synergies with the group.
- Maintain BUY and lifted TP to HK\$ 6.76.** We maintain BUY but lifted TP to HK\$ 6.76, based on 9x FY21E P/E (from 8x FY21E). The counter is attractive at 7x FY21E P/E and 11% yield. We cut our FY21E/ 20E EPS estimates by 10%/ 6% to factor in 1) trade fair order cut, 2) one-off costs related to inventory buyback but 3) increase in wholesale prices.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	3,658	2,681	3,181	3,616	3,905
YoY growth (%)	15.5	(26.7)	18.7	13.7	8.0
Net income (RMB mn)	812	557	748	877	961
EPS (RMB)	0.759	0.553	0.751	0.879	0.962
YoY growth (%)	6.2	(27.1)	35.9	17.0	9.4
Consensus EPS (RMB)	n/a	n/a	0.583	0.710	0.787
P/E (x)	7.1	9.7	7.1	6.1	5.6
P/B (x)	1.6	1.5	1.4	1.3	1.2
Yield (%)	10.9	8.4	10.5	12.3	13.5
ROE (%)	22.5	15.3	19.1	21.0	21.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

Target Price **HK\$6.76**  
(Previous TP **HK\$5.89**)  
Up/Downside **+26.4%**  
Current Price **HK\$5.35**

### China Apparel Sector

**Walter Woo**

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### Stock Data

Mkt Cap (HK\$ mn)	6,407
Avg 3 mths t/o (HK\$ mn)	7.65
52w High/Low (HK\$)	5.95/ 4.05
Total Issued Shares (mn)	1,197.5

Source: Bloomberg

### Shareholding Structure

Mr Wang & Family	67.51%
Value Partners	4.98%
Free Float	27.51%

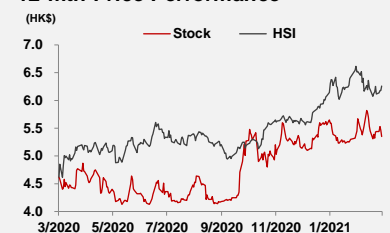
Source: Bloomberg, HKEx

### Share Performance

	Absolute	Relative
1-mth	-1.8%	2.1%
3-mth	4.1%	-6.2%
6-mth	28.0%	6.4%
12-mth	18.9%	-9.9%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

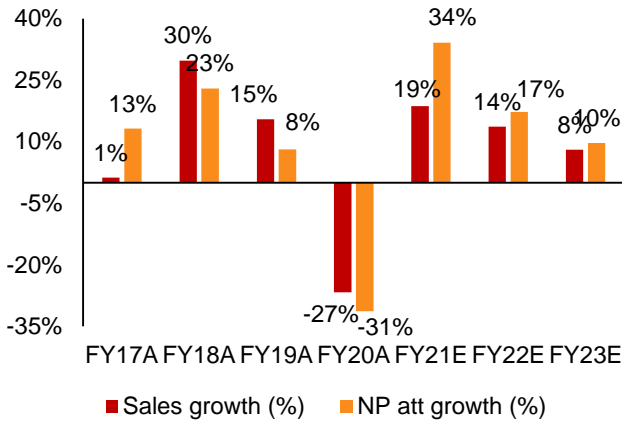
**Auditor: KPMG**

### Related Reports

- China Lilang (1234 HK, BUY) - Positive growth resumed and attractive yield - 20 Aug 2020
- China Lilang (1234 HK, BUY) - Virus impact inevitable but attractive yield - 20 Mar 2020
- China Lilang (1234 HK, BUY) - Challenging outlook but attractive valuation - 14 Aug 2019

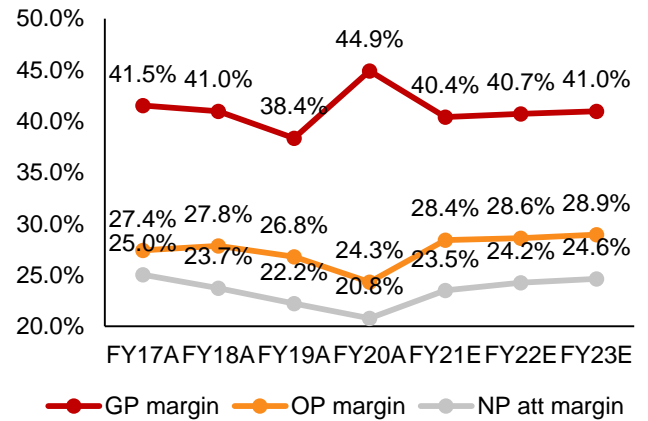
**Focus Charts**

**Figure 1: Sales/ net profit growth**



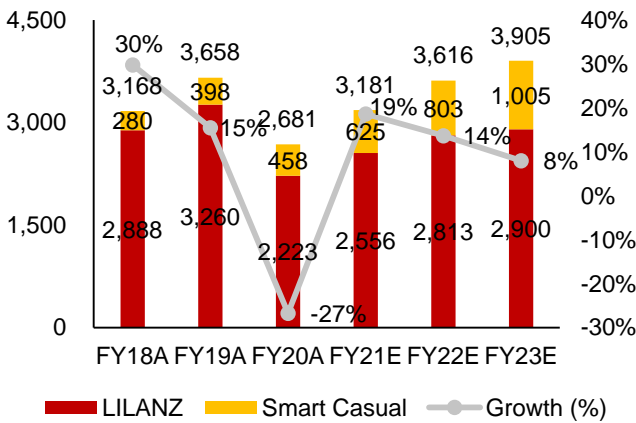
Source: Company data, CMBIS estimates

**Figure 2: GP/ OP/ NP margin**



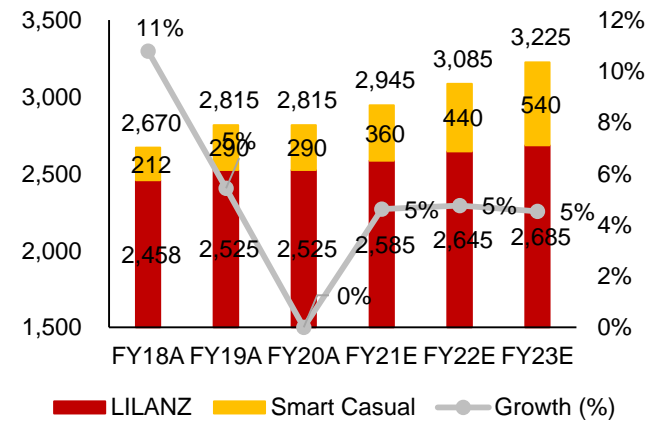
Source: Company data, CMBIS estimates

**Figure 3: Sales, by brand and growth**



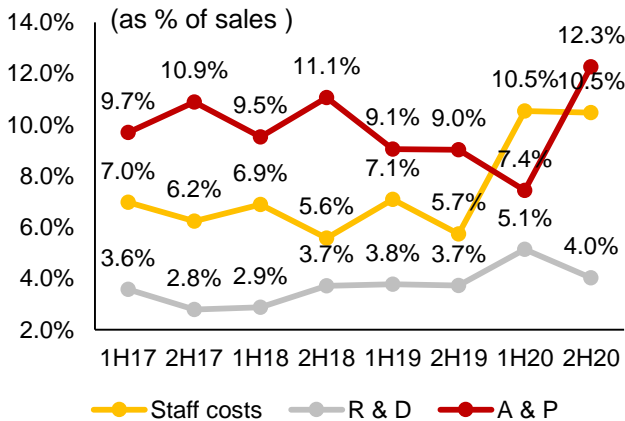
Source: Company data, CMBIS estimates

**Figure 4: Number of stores, by brand and growth**



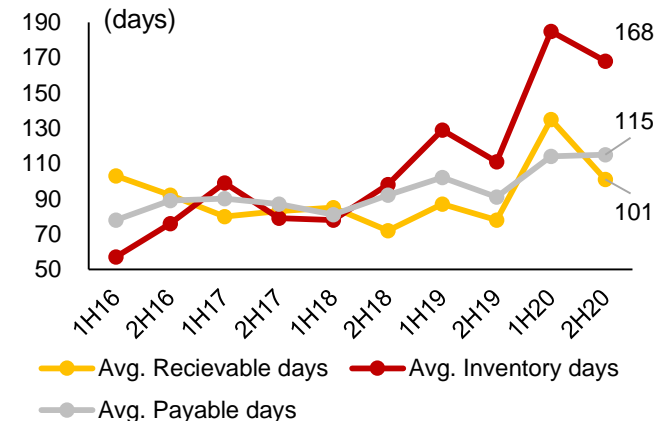
Source: Company data, CMBIS estimates

**Figure 5: Opex breakdown**



Source: Company data, CMBIS estimates

**Figure 6: Working capital condition**



Source: Company data, CMBIS estimates

## Earnings revision

Figure 7: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	3,181	3,616	3,905	3,418	3,658	n/a	-6.9%	-1.1%	n/a
Gross profit	1,286	1,473	1,600	1,287	1,407	n/a	-0.1%	4.7%	n/a
EBIT	904	1,034	1,130	939	990	n/a	-3.8%	4.5%	n/a
Net profit att.	748	877	961	796	846	n/a	-6.1%	3.6%	n/a
Diluted EPS (RMB)	0.623	0.730	0.798	0.663	0.703	n/a	-5.9%	3.8%	n/a
Gross margin	40.4%	40.7%	41.0%	37.6%	38.5%	n/a	2.8ppt	2.3ppt	n/a
EBIT margin	28.4%	28.6%	28.9%	27.5%	27.1%	n/a	0.9ppt	1.5ppt	n/a
Net profit att. margin	23.5%	24.2%	24.6%	23.3%	23.1%	n/a	0.2ppt	1.1ppt	n/a

Source: Company data, CMBIS estimates

Figure 8: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	3,181	3,616	3,905	3,755	4,144	n/a	-15.3%	-12.7%	n/a
Gross profit	1,286	1,473	1,600	1,507	1,678	n/a	-14.7%	-12.2%	n/a
EBIT	904	1,034	1,130	1,030	1,157	n/a	-12.2%	-10.6%	n/a
Net profit att.	748	877	961	864	972	n/a	-13.5%	-9.8%	n/a
Diluted EPS (RMB)	0.623	0.730	0.798	0.693	0.773	n/a	-10.0%	-5.7%	n/a
Gross margin	40.4%	40.7%	41.0%	40.1%	40.5%	n/a	0.3ppt	0.2ppt	n/a
EBIT margin	28.4%	28.6%	28.9%	27.4%	27.9%	n/a	1ppt	0.7ppt	n/a
Net profit att. margin	23.5%	24.2%	24.6%	23.0%	23.4%	n/a	0.5ppt	0.8ppt	n/a

Source: Company data, CMBIS estimates

## Results Summary

Figure 9: Results summary – Half Year

Half yearly (RMB mn)	1H19	2H19	1H20	2H20	1H19 YoY	2H19 YoY	1H20 YoY	2H20 YoY	2H20E CMBI	Actual vs CMBI
<b>Revenue</b>	<b>1,540</b>	<b>2,118</b>	<b>1,093</b>	<b>1,587</b>	<b>19%</b>	<b>13%</b>	<b>-29%</b>	<b>-25%</b>	<b>1,858</b>	<b>-15%</b>
COGS	(902)	(1,354)	(662)	(815)					(1,200)	
<b>Gross profit</b>	<b>638</b>	<b>765</b>	<b>431</b>	<b>773</b>	<b>18%</b>	<b>1%</b>	<b>-32%</b>	<b>1%</b>	<b>658</b>	<b>17%</b>
<b>GP margins</b>	<b>41.4%</b>	<b>36.1%</b>	<b>39.4%</b>	<b>48.7%</b>					<b>35.4%</b>	
Other income & gains	53	63	46	59					48	
S & D expenses	(173)	(237)	(111)	(381)	13%	-3%	-36%	61%	(193)	97%
<b>S &amp; D exp / sales</b>	<b>-11.2%</b>	<b>-11.2%</b>	<b>-10.2%</b>	<b>-24.0%</b>					<b>-10.4%</b>	
Admin expenses	(50)	(54)	(54)	(54)	7%	18%	9%	0%	(47)	15%
<b>Admin exp / sales</b>	<b>-3.3%</b>	<b>-2.5%</b>	<b>-5.0%</b>	<b>-3.4%</b>					<b>-2.5%</b>	
Other opex	-4	-22	-5	-52					-69	
<b>Operating profit (EBIT)</b>	<b>465</b>	<b>515</b>	<b>307</b>	<b>345</b>	<b>22%</b>	<b>3%</b>	<b>-34%</b>	<b>-33%</b>	<b>397</b>	<b>-13%</b>
<b>OP margins</b>	<b>30.2%</b>	<b>24.3%</b>	<b>28.1%</b>	<b>21.7%</b>					<b>21.4%</b>	
Other items	0	0	0	0					0	
Net finance income	28	16	20	24					21	11%
<b>Net finance income / sales</b>	<b>1.8%</b>	<b>0.7%</b>	<b>1.8%</b>	<b>1.5%</b>					<b>1.1%</b>	
Profit after financing costs	493	531	327	368					419	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
<b>Pre-tax profit</b>	<b>493</b>	<b>531</b>	<b>327</b>	<b>368</b>	<b>17%</b>	<b>1%</b>	<b>-34%</b>	<b>-31%</b>	<b>419</b>	<b>-12%</b>
Tax	(105)	(107)	(58)	(80)					(77)	4%
<b>Tax / sales</b>	<b>-6.8%</b>	<b>-5.1%</b>	<b>-5.3%</b>	<b>-5.0%</b>					<b>-4.1%</b>	
<b>Effective tax rate</b>	<b>-21.2%</b>	<b>-20.2%</b>	<b>-17.6%</b>	<b>-21.7%</b>					<b>-18.3%</b>	
Minority interests	0	0	0	0					0	
<b>Net profit att.</b>	<b>389</b>	<b>424</b>	<b>269</b>	<b>288</b>	<b>14%</b>	<b>3%</b>	<b>-31%</b>	<b>-32%</b>	<b>342</b>	<b>-16%</b>
<b>NP margins</b>	<b>25.2%</b>	<b>20.0%</b>	<b>24.6%</b>	<b>18.2%</b>					<b>18.4%</b>	

Source: Company data, CMBIS estimates

Figure 10: Result summary - Full Year

Full yearly (Rmb mn)	FY19	FY20	FY21E	FY19 YoY	FY20 YoY	FY21E YoY	FY20E CMBI	Actual vs CMBI
<b>Revenue</b>	<b>3,658</b>	<b>2,681</b>	<b>3,181</b>	<b>15%</b>	<b>-27%</b>	<b>19%</b>	<b>2,951</b>	<b>-9%</b>
COGS	(2,255)	(1,477)	(1,896)				(1,862)	
<b>Gross profit</b>	<b>1,403</b>	<b>1,204</b>	<b>1,286</b>	<b>8%</b>	<b>-14%</b>	<b>7%</b>	<b>1,089</b>	<b>11%</b>
<b>GP margins</b>	<b>38.4%</b>	<b>44.9%</b>	<b>40.4%</b>				<b>36.9%</b>	
Other income & gains	116	106	111				94	
S & D expenses	(410)	(492)	(332)	<b>3%</b>	<b>20%</b>	<b>-33%</b>	(304)	<b>62%</b>
<b>S &amp; D exp / sales</b>	<b>-11.2%</b>	<b>-18.3%</b>	<b>-10.4%</b>				<b>-10.3%</b>	
Admin expenses	(104)	(108)	(142)	<b>13%</b>	<b>4%</b>	<b>31%</b>	(101)	<b>7%</b>
<b>Admin exp / sales</b>	<b>-2.8%</b>	<b>-4.0%</b>	<b>-4.5%</b>				<b>-3.4%</b>	
Other opex	-26	-58	-19				-74	
<b>Operating profit (EBIT)</b>	<b>980</b>	<b>651</b>	<b>904</b>	<b>11%</b>	<b>-34%</b>	<b>39%</b>	<b>704</b>	<b>-7%</b>
<b>OP margins</b>	<b>26.8%</b>	<b>24.3%</b>	<b>28.4%</b>				<b>23.9%</b>	
Other items	0	0	0				0	
Net finance income	44	43	43				41	<b>6%</b>
<b>Net finance income / sales</b>	<b>1.2%</b>	<b>1.6%</b>	<b>1.3%</b>				<b>1.4%</b>	
Profit after financing costs	1,024	695	946				745	
Associated coms	0	0	0				0	
Jointly controlled coms	0	0	0				0	
<b>Pre-tax profit</b>	<b>1,024</b>	<b>695</b>	<b>946</b>	<b>8%</b>	<b>-32%</b>	<b>36%</b>	<b>745</b>	<b>-7%</b>
Tax	(212)	(138)	(199)				(134)	<b>3%</b>
<b>Tax / sales</b>	<b>-5.8%</b>	<b>-5.1%</b>	<b>-6.2%</b>				<b>-4.5%</b>	
<b>Effective tax rate</b>	<b>-20.7%</b>	<b>-19.8%</b>	<b>-21.0%</b>				<b>-18.0%</b>	
Minority interests	0	0	0				0	
<b>Net profit att.</b>	<b>812</b>	<b>557</b>	<b>748</b>	<b>8%</b>	<b>-31%</b>	<b>34%</b>	<b>611</b>	<b>-9%</b>
<b>NP margins</b>	<b>22.2%</b>	<b>20.8%</b>	<b>23.5%</b>				<b>20.7%</b>	

Source: Company data, CMBIS estimates

## Valuation

**Figure 11: Peers' valuation**

Company	Ticker	Rating	12m	Price	Up/	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE	3yrs	Yield	
			TP	(LC)	Down-			(HK\$mn)	End	FY1E	FY2E	FY1E	FY2E	(%)	PEG (x)
<b>H shares Apparel</b>															
China Lilang	1234 HK	BUY	6.76	5.35	26%	6,407	Dec-20	7.1	9.7	1.3	1.2	19.8	4.2	8.4	
Bosideng Int'l	3998 HK	BUY	4.23	3.60	18%	38,871	Mar-20	19.7	17.0	3.0	2.7	13.6	0.8	3.7	
Jnby Design	3306 HK	BUY	15.32	13.84	11%	7,180	Jun-20	12.1	10.8	3.6	3.4	22.9	0.5	6.0	
Cosmo Lady	2298 HK	NR	n/a	1.22	n/a	2,744	Dec-19	60.1	14.6	0.9	0.9	(46.7)	(0.4)	0.0	
Giordano	709 HK	NR	n/a	1.61	n/a	2,540	Dec-20	16.1	10.7	1.1	1.1	(4.4)	(0.1)	8.4	
Korador	3709 HK	NR	n/a	10.16	n/a	6,960	Dec-19	15.2	10.9	1.7	1.5	17.0	1.3	3.3	
I.T Ltd	999 HK	NR	n/a	2.78	n/a	3,324	Feb-20	n/a	n/a	n/a	n/a	(39.5)	0.0	n/a	
Esprit Holdings	330 HK	NR	n/a	0.84	n/a	1,585	Dec-20	n/a	n/a	n/a	n/a	n/a	0.0	n/a	
La Chapelle	6116 HK	NR	n/a	0.47	n/a	828	Dec-19	n/a	n/a	n/a	n/a	(136.3)	0.0	n/a	
Bauhaus Intl	483 HK	NR	n/a	0.55	n/a	202	Mar-20	n/a	n/a	n/a	n/a	(23.1)	0.0	n/a	
								<b>Avg.</b>	<b>21.7</b>	<b>12.3</b>	<b>1.9</b>	<b>1.8</b>	<b>(19.6)</b>	<b>0.6</b>	<b>5.0</b>
								<b>Med.</b>	<b>15.7</b>	<b>10.8</b>	<b>1.5</b>	<b>1.3</b>	<b>(4.4)</b>	<b>0.0</b>	<b>4.9</b>
<b>A-shares Apparel</b>															
Ningbo Peacebird	603877 CH	NR	n/a	41.50	n/a	23,606	Dec-19	28.0	21.8	5.2	4.7	19.7	1.0	2.1	
Joeone Co Ltd	601566 CH	NR	n/a	10.58	n/a	7,254	Dec-19	10.0	n/a	n/a	n/a	6.3	0.0	n/a	
Fujian Septwolves	002029 CH	NR	n/a	5.27	n/a	4,752	Dec-19	22.9	13.5	0.7	0.6	3.6	0.0	0.9	
Hla Corp Ltd	600398 CH	NR	n/a	7.19	n/a	37,057	Dec-19	14.7	10.4	2.1	1.9	14.3	2.4	3.3	
Jiangsu Hongdou	600400 CH	NR	n/a	3.29	n/a	9,944	Dec-19	47.0	38.7	1.9	1.9	3.9	3.5	n/a	
Lancy Co Ltd	002612 CH	NR	n/a	32.21	n/a	17,004	Dec-19	103.9	64.4	4.6	4.7	(1.6)	1.3	1.0	
Shenzhen Huijie	002763 CH	NR	n/a	7.17	n/a	3,519	Dec-19	n/a	n/a	n/a	n/a	7.1	0.0	n/a	
Ellassay Fashion	603808 CH	NR	n/a	14.21	n/a	5,638	Dec-19	10.9	13.7	2.1	1.9	18.9	2.2	n/a	
Bobaoon Co	002776 CH	NR	n/a	4.20	n/a	2,696	Dec-19	n/a	n/a	n/a	n/a	7.4	0.0	n/a	
								<b>Avg.</b>	<b>33.9</b>	<b>27.1</b>	<b>2.8</b>	<b>2.6</b>	<b>8.8</b>	<b>1.2</b>	<b>1.8</b>
								<b>Med.</b>	<b>22.9</b>	<b>17.7</b>	<b>2.1</b>	<b>1.9</b>	<b>7.1</b>	<b>1.0</b>	<b>1.6</b>
<b>International Apparel</b>															
Hugo Boss	BOSS GR	NR	n/a	36.25	n/a	23,628	Dec-20	37.3	18.6	2.9	2.6	(25.1)	(0.2)	2.5	
Ted Baker	TED LN	NR	n/a	129.00	n/a	2,573	Jan-20	n/a	n/a	1.5	1.7	(64.5)	0.0	0.0	
Next	NXT LN	NR	n/a	7938.00	n/a	114,010	Jan-20	36.2	18.7	16.2	10.8	106.9	9.6	0.5	
Hennes & Mauritz	HMB SS	NR	n/a	217.50	n/a	328,292	Nov-20	34.3	24.7	5.8	5.4	2.2	0.2	2.8	
Industria De Diseno	ITX SM	NR	n/a	28.88	n/a	833,353	Jan-21	27.7	24.0	5.8	5.5	7.5	0.5	3.2	
Ovs Spa	OVS IM	NR	n/a	1.38	n/a	2,907	Jan-20	n/a	23.1	0.7	0.7	(29.0)	0.0	0.0	
Pvh Corp	PVH US	NR	n/a	108.06	n/a	59,659	Feb-20	n/a	16.9	1.6	1.5	(21.5)	0.0	0.0	
Vf Corp	VFC US	NR	n/a	79.15	n/a	240,756	Mar-21	60.7	26.4	15.7	13.5	(4.3)	2.2	2.4	
Marks & Spencer	MKS LN	NR	n/a	156.80	n/a	33,140	Mar-20	56.0	12.7	0.9	0.9	(5.4)	0.4	0.0	
								<b>Avg.</b>	<b>42.0</b>	<b>20.7</b>	<b>5.7</b>	<b>4.7</b>	<b>(3.7)</b>	<b>1.4</b>	<b>1.3</b>
								<b>Med.</b>	<b>36.7</b>	<b>20.9</b>	<b>2.9</b>	<b>2.6</b>	<b>(5.4)</b>	<b>0.2</b>	<b>0.5</b>

Source: Bloomberg, CMBIS estimates, FY1E and FY2E for China lilang stayed as FY20E and FY21E for comparison

## Assumptions

Figure 12: China Lilang's key assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales by segment (RMB mn)</b>					
LILANZ	3,260	2,223	2,556	2,813	2,900
Smart Casual	398	458	625	803	1,005
Total	3,658	2,681	3,181	3,616	3,905
<b>Sales by segment growth (%)</b>					
LILANZ	12.9%	-31.8%	15.0%	10.1%	3.1%
Smart Casual	42.3%	15.0%	36.6%	28.3%	25.2%
Total	15.5%	-26.7%	18.7%	13.7%	8.0%
<b>Sales network by segment</b>					
LILANZ	2,525	2,525	2,585	2,645	2,685
Smart Casual	290	290	360	440	540
Total	2,815	2,815	2,945	3,085	3,225
<b>Sales network by segment growth (%)</b>					
LILANZ	2.7%	0.0%	2.4%	2.3%	1.5%
Smart Casual	36.8%	0.0%	24.1%	22.2%	22.7%
Total	5.4%	0.0%	4.6%	4.8%	4.5%
<b>Trade fair sales growth (%)</b>					
Spring Summer	23.0%	-40.0%	20.0%	13.0%	8.0%
Fall	21.0%	-10.0%	15.0%	11.5%	8.0%
Winter	11.5%	-5.0%	10.0%	16.5%	8.0%
GP margins by segment	38.4%	44.9%	40.4%	40.7%	41.0%
<b>Opex breakdown</b>					
Staff costs	1.3%	2.1%	1.9%	1.8%	1.8%
D & A	1.0%	1.1%	1.4%	1.3%	1.3%
R & D	3.7%	4.5%	3.6%	3.4%	3.4%
Provision ( write back )	0.0%	0.0%	0.0%	0.0%	0.0%
A & P	9.0%	10.3%	8.5%	8.8%	8.8%
Selling & distribution costs / sales	11.2%	18.3%	10.4%	10.7%	10.9%
Admin expenses / sales	2.8%	4.0%	4.5%	4.1%	3.9%
<b>OP margins</b>	<b>26.8%</b>	<b>24.3%</b>	<b>28.4%</b>	<b>28.6%</b>	<b>28.9%</b>
Effective tax rate	20.7%	19.8%	21.0%	19.0%	19.0%
<b>NP att. margins</b>	<b>22.2%</b>	<b>20.8%</b>	<b>23.5%</b>	<b>24.2%</b>	<b>24.6%</b>
<b>NP att. growth (%)</b>	<b>8.1%</b>	<b>-31.4%</b>	<b>34.2%</b>	<b>17.2%</b>	<b>9.6%</b>

Source: Company data, CMBIS estimates

## Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>3,658</b>	<b>2,681</b>	<b>3,181</b>	<b>3,616</b>	<b>3,905</b>	<b>EBIT</b>	<b>1,265</b>	<b>1,447</b>	<b>1,639</b>	<b>1,796</b>	<b>1,903</b>
LILANZ	3,260	2,223	2,556	2,813	2,900	D & A	32	31	146	150	137
L2	-	-	-	-	-	Change in working capital	(205)	175	(292)	102	(83)
Smart Casual	398	458	625	803	1,005	Income tax paid	(207)	(155)	(199)	(206)	(225)
						Others	(276)	(725)	(690)	(712)	(714)
<b>Cost of goods sold</b>	<b>(2,255)</b>	<b>(1,477)</b>	<b>(1,896)</b>	<b>(2,143)</b>	<b>(2,305)</b>	<b>Net cash from operating</b>	<b>609</b>	<b>773</b>	<b>604</b>	<b>1,131</b>	<b>1,018</b>
<b>Gross profit</b>	<b>1,403</b>	<b>1,204</b>	<b>1,286</b>	<b>1,473</b>	<b>1,600</b>	Capex & investments	(94)	(225)	(95)	(108)	(117)
<b>Other income</b>	<b>116</b>	<b>106</b>	<b>111</b>	<b>119</b>	<b>133</b>	Associated companies	-	-	-	-	-
						Interest received	52	45	-	-	-
<b>Operating expenses</b>	<b>(539)</b>	<b>(658)</b>	<b>(493)</b>	<b>(558)</b>	<b>(602)</b>	Others	(43)	(11)	-	-	-
D & A	(22)	(22)	(99)	(102)	(94)	<b>Net cash from investing</b>	<b>(85)</b>	<b>(191)</b>	<b>(95)</b>	<b>(108)</b>	<b>(117)</b>
Staff costs	(52)	(62)	(79)	(85)	(92)	Equity raised	-	-	-	-	-
S & D costs (ex-staff,	(377)	(452)	(281)	(331)	(366)	Net change in bank loans	-	-	-	-	-
Admin exp. (ex-staff,	(61)	(63)	(15)	(18)	(28)	Dividend paid	(612)	(521)	(495)	(600)	(683)
Other operating	(26)	(58)	(19)	(22)	(23)	Others	(5)	(69)	(2)	(2)	(2)
<b>EBIT</b>	<b>980</b>	<b>651</b>	<b>904</b>	<b>1,034</b>	<b>1,130</b>	<b>Net cash from financing</b>	<b>(617)</b>	<b>(590)</b>	<b>(497)</b>	<b>(602)</b>	<b>(686)</b>
Finance costs, net	44	43	43	48	56	<b>Net change in cash</b>	<b>(93)</b>	<b>(8)</b>	<b>11</b>	<b>420</b>	<b>215</b>
JVs & associates	-	-	-	-	-	Beginning cash balance	1,843	1,751	1,739	1,750	2,170
Exceptional	-	-	-	-	-	Exchange difference	1	(4)	-	-	-
<b>Pre-tax profit</b>	<b>1,024</b>	<b>695</b>	<b>946</b>	<b>1,082</b>	<b>1,187</b>	<b>Cash at the end of the year</b>	<b>1,751</b>	<b>1,739</b>	<b>1,750</b>	<b>2,170</b>	<b>2,385</b>
Income tax	(212)	(138)	(199)	(206)	(225)						
Less: Minority interests	0	0	0	0	0						
<b>Net profit</b>	<b>812</b>	<b>557</b>	<b>748</b>	<b>877</b>	<b>961</b>						

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>1,033</b>	<b>1,394</b>	<b>1,343</b>	<b>1,302</b>	<b>1,282</b>	<b>Sales mix (%)</b>					
Fixed asset	714	924	875	835	817	LILANZ	89.1	82.9	80.3	77.8	74.3
Intangible assets &	150	130	128	127	125	L2	-	-	-	-	-
Prepaid lease payments	8	3	3	3	3	Smart Casual	10.9	17.1	19.7	22.2	25.7
Interest in joint ventures	-	-	-	-	-	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Other non-current assets	160	337	337	337	337						
<b>Current assets</b>	<b>3,531</b>	<b>3,618</b>	<b>3,664</b>	<b>4,084</b>	<b>4,448</b>	<b>P&amp;L ratios (%)</b>					
Cash and cash equivalents	1,751	1,739	1,750	2,170	2,385	Gross margin	38.4	44.9	40.4	40.7	41.0
Inventories	689	667	779	822	884	Operating margin	26.8	24.3	28.4	28.6	28.9
Trade and other	1,082	1,210	1,133	1,090	1,177	Pre-tax margin	28.0	25.9	29.8	29.9	30.4
Prepayments	-	-	-	-	-	Net margin	22.2	20.8	23.5	24.2	24.6
Other current assets	9	2	2	2	2	Effective tax rate	20.7	19.8	21.0	19.0	19.0
<b>Current liabilities</b>	<b>935</b>	<b>1,288</b>	<b>1,031</b>	<b>1,133</b>	<b>1,199</b>	<b>Balance sheet ratios</b>					
Bank loans	27	37	37	37	37	Current ratio (x)	2.7	2.7	2.7	2.7	2.7
Trade payables	756	1,036	779	881	947	Quick ratio (x)	2.5	2.4	2.4	2.4	2.5
Accruals & other payables	-	-	-	-	-	Cash ratio (x)	1.9	1.4	1.7	1.9	2.0
Tax payables	152	152	152	152	152	Inventory turnover days	112	165	150	140	140
Others	1	62	62	62	62	Trade receivables days	108	165	130	110	110
						Trade payables days	122	256	150	150	150
<b>Non-current liabilities</b>	<b>22</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>70</b>	Total debt / total equity	1	3	3	2	2
Bank loans	-	-	-	-	-	Net debt / equity ratio (%)	Net	Net	Net	Net	Net
Deferred income	-	-	-	-	-	<b>Returns (%)</b>					
Deferred tax	22	8	8	8	8	ROE	22.5	15.3	19.1	21.0	21.5
Others	-	62	62	62	62	ROA	17.8	11.1	14.9	16.3	16.8
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Per share</b>					
<b>Total net assets</b>	<b>3,606</b>	<b>3,654</b>	<b>3,906</b>	<b>4,183</b>	<b>4,461</b>	EPS (RMB)	0.68	0.47	0.62	0.73	0.80
<b>Shareholders' equity</b>	<b>3,606</b>	<b>3,654</b>	<b>3,906</b>	<b>4,183</b>	<b>4,461</b>	DPS (RMB)	0.52	0.38	0.47	0.55	0.60
						BVPS (RMB)	3.01	3.05	3.25	3.48	3.70

Source: Company data, CMBIS estimates



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