

Bosideng (3998 HK)

Brand upgrades and easing costs pressure

SUMMARY. BUY and raised TP to HK\$ 4.83, based on 26x FY21E P/E (rolled over from 20x FY20E). Despite the recent rally, we still find the Company's positives not fully priced in, boosted by its brand upgrades and softening costs pressure. Given CMBI est. of 22%/ 29% sales/ NP CAGR in FY19-22E, we think its valuation of 22x FY3/21E P/E, 1.0x PEG and 3.1% yield is still attractive.

- **1H20E result may be prudent.** We expect bosideng to deliver a 19%/ 22% YoY sales/ NP att. growth in 1H20E (ending Sep19). Drivers are 20%+/ high-teens/ negative HSD sales growth for down apparels/ OEM/ non-down apparels segments. Mild OP margin expansion to 10.5% (vs 10.3% in 1H19) is the result of 1ppt GP margin increase (better raw material costs) and 0.7 ppt increase in opex (as % of sales, due to greater A&P efforts in 1H20E).
- **But we are still confident on FY20E sales growth.** For FY3/20E, we are confident on brand upgrade initiatives such as: 1) Milan fashion show on Sep 2019, where the "starry" collection was released, designed by Italian famous painting artist - *Ottavio Fabbri*, had audiences like Hollywood superstar - *Nicole Kidman*, fashion blogger - *Chiara Ferragni*, Vogue Italia editor-in-chief - *Emanuele Farneti* and Supermodel - *Kendall Jenner* had her first Chinese brand runway walk, 2) launch of "Conquer the top/登峰" series on Oct 2019, which had equipped with state-of-the-art raw materials (e.g. North latitude 43° gold belt goose down, GORE-TEX fabric), functionality (e.g. RECCO Life Detector and FITGO TECH automatic lacing system) and designs, which is priced from RMB 5,800 to 11,800, 3) revamp of ~2,000 stores (vs 1,200 in FY19) and openings of 20 flagship stores (vs 4 in FY19), etc.
- **Margins should climb, due to favorable product mix and raw material price.** We expect GP margin to increase by 1.4 ppt to 54.5% in FY20E, thanks to: 1) 15-20% increase in ASP, led by more high-end products sales, 2) easing of goose and duck down prices (up by only ~6-7% and down by ~19-23% YoY in Oct 2019 respectively) and 3) favorable channel mix, where the higher margin E-commerce will grow at a faster rate (CMBI est. 60%). Just to note that our opex assumption (~ 40.7% of total sales) could still be conservative and factoring in zero operating leverage in FY20E. All in All, we are forecasting a 29%/ 40% YoY sales/ net profit growth in FY20E.
- **Maintain BUY and raised TP to HK\$ 4.83.** We also lifted our FY20E/21E NP estimates by 6%/10%/10%, to factor in 1) faster trade fair sales growth and 2) higher GP margin. We maintain BUY and raised TP to HK\$ 4.83, based on 26x FY21E P/E (rolled over from 20x FY3/20E, thanks to faster NP growth). The counter is attractive, at 22x FY3/21E P/E or 1.0x PEG.

Earnings Summary

(YE 31 Mar)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	8,881	10,383	13,432	16,186	18,626
YoY growth (%)	30.3	16.9	29.4	20.5	15.1
Net income (RMB mn)	615	981	1,370	1,749	2,094
EPS (RMB)	0.058	0.092	0.128	0.163	0.196
YoY growth (%)	52.3	43.8	39.6	27.6	19.7
P/E (x)	57.1	39.7	28.4	22.3	18.6
P/B (x)	3.7	3.9	3.7	3.4	3.2
Yield (%)	2.0	2.0	2.5	3.1	3.8
ROE (%)	6.6	10.1	13.6	16.2	18.1
Net gearing (%)	Net cash				

Source: Company data, CMBIS estimates

BUY (Maintain)

Target Price	HK\$4.83
(Previous TP)	HK\$2.74)
Current Price	HK\$4.14
Up/Downside	+16.7%

China Apparel Sector

Walter Woo

(852) 3761 6974

walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	44,768
Avg 3 mths t/o (HK\$ mn)	95.85
52w High/Low (HK\$)	4.23/1.15
Total Issued Shares (mn)	10,813.4

Source: Bloomberg

Shareholding Structure

Mr Gao Dekang & Family	71.62%
Employee incentive scheme	6.49%
Free Float	21.89%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	18.1%	13.8%
3-mth	55.8%	54.7%
6-mth	88.4%	109.1%
12-mth	246.2%	238.3%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

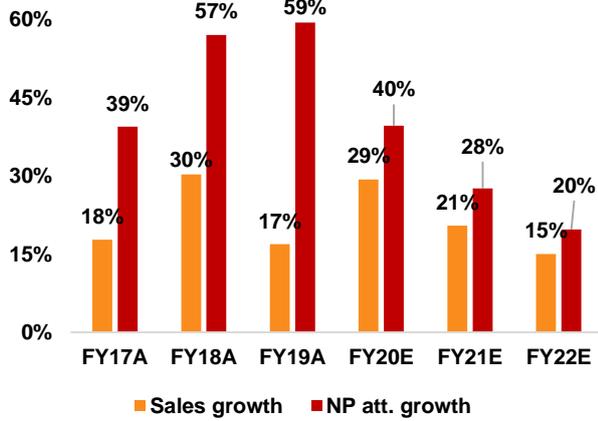
Auditor: KPMG

Related Reports

1. Bosideng (3998 HK) - Solid earnings beat and upbeat guidance - 2 Jul 2019
2. Bosideng (3998 HK) - Cost pressure easing to drive better margins - 16 May 2019
3. China Sportswear and Apparel sector - Premium, digital driven growth: top domestic brands be the winners - 23 Jan 2019

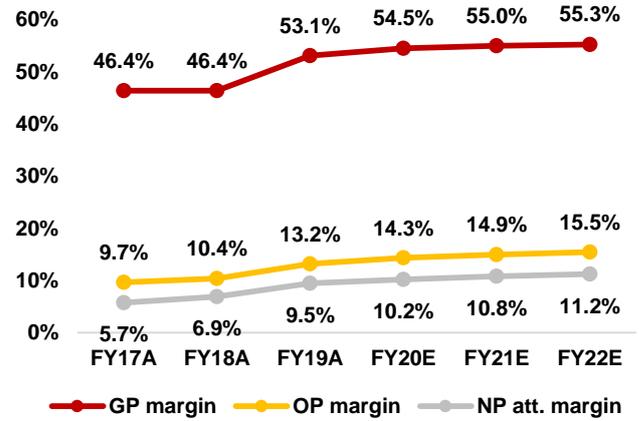
Focus Charts

Figure 1: Sales/ net profit att. growth



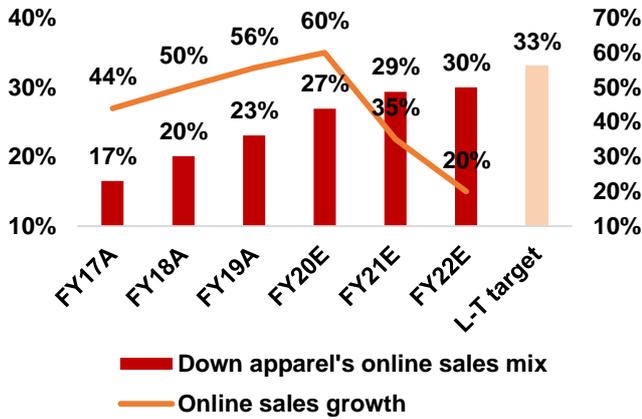
Source: Company data, CMBIS estimates

Figure 2: GP/ OP/ NP att. margin



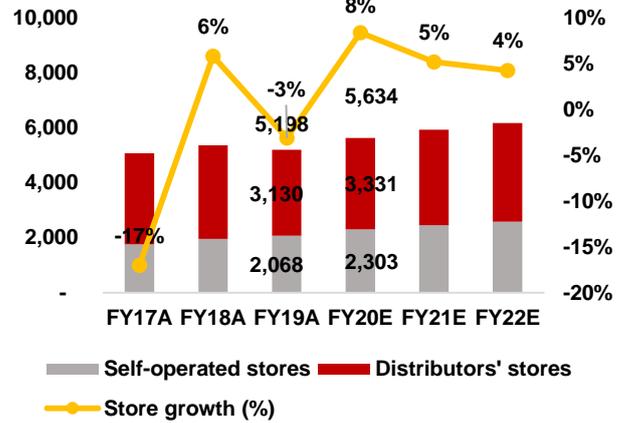
Source: Company data, CMBIS estimates

Figure 3: Online sales growth and mix



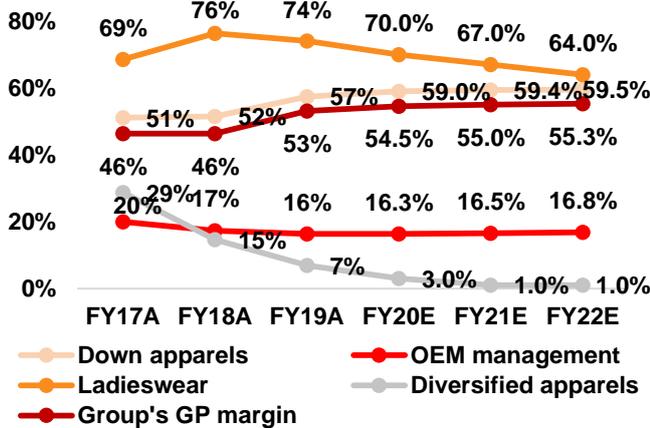
Source: Company data, CMBIS estimates

Figure 4: Number of stores growth



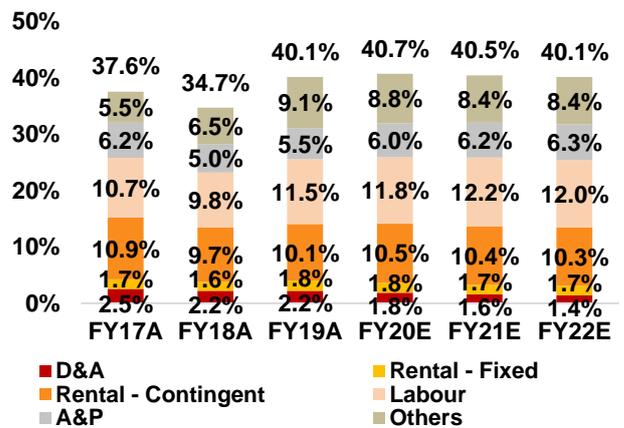
Source: Company data, CMBIS estimates

Figure 5: GP margin by segment



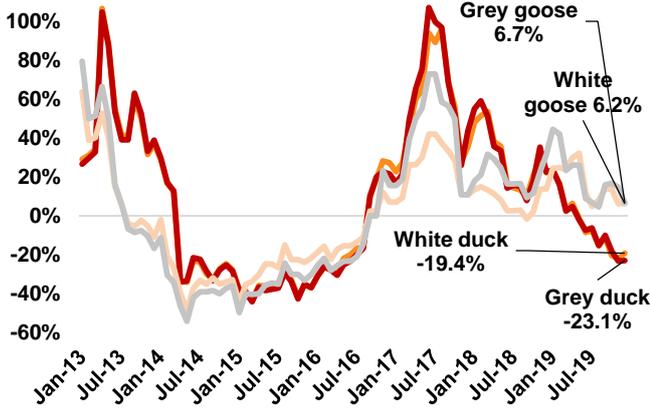
Source: Company data, CMBIS estimates

Figure 6: Opex break down



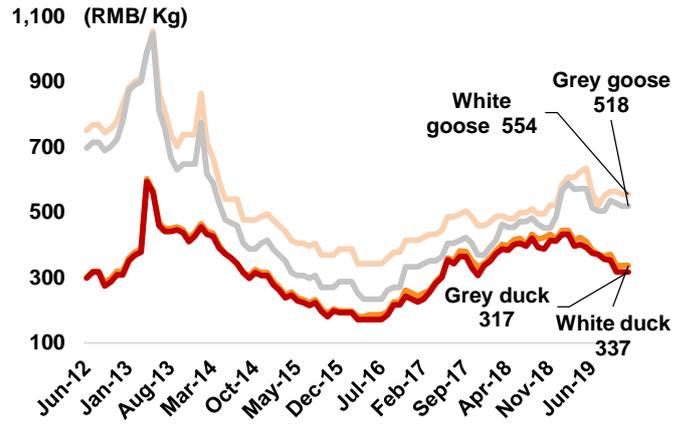
Source: Company data, CMBIS estimates

Figure 7: Duck/ Goose (in White/ Grey) down prices



Source: www.cn-down.com, CMBIS estimates

Figure 8: Duck/ Goose down prices growth (YoY)



Source: www.cn-down.com, CMBIS estimates

Figure 9: Duck/ Goose (in White/ Grey) down prices



Source: Company data, CMBIS estimates

Figure 10: Nicole Kidman and Chiara Ferragni



Source: Company data, CMBIS estimates

Figure 11: North latitude 43° gold belt goose down and GORE-TEX fabric

全面保暖 · 北纬43°羽绒带珍稀鹅绒

95%含绒量 蓬松度高达1000

选用来自北纬43°高寒区优质羽绒带的极品鹅绒，羽绒绒朵饱满，保暖性强，每一朵羽绒均为羽绒层及手工挑选，仅选取最饱满15克精品鹅绒。

应对极端环境 · GORE-TEX面料

无惧极端环境 防水防风透气

持久防水 持久防风 高度透气

持久防水
GORE-TEX薄膜是一个精密的液体阻隔层之涂层 (ePTFE)，每平方英寸有30亿个小孔，这些微孔比水小20000倍，保证再小的水滴也无法穿过薄膜。

持久防风
当面料的空气渗透率为5 (m³/min) (每分钟穿过每平方米面料的空气量) 或更低时，才算真正防风。GORE-TEX产品能轻松满足上述标准。

高度透气
GORE-TEX薄膜的孔隙比水蒸气分子大700倍，可以让蒸发的水分子通过而阻挡雨水。

Source: Tmall, CMBIS estimates

Figure 12: “Conquer the top/ 登峰” series’ functions



Source: Tmall, Company data, CMBIS estimates

Result Preview

Figure 13: Result preview - Half Year

Half yearly (Rmb mn)	1H19	2H19	1H20E	2H20E	1H19 yoy	2H19 yoy	1H20E yoy	2H20E yoy
Revenue	3,444	6,939	4,088	9,344	16%	17%	19%	35%
COGS	(1,989)	(2,881)	(2,319)	(3,788)				
Gross profit	1,455	4,058	1,769	5,556	23%	38%	22%	37%
GP margins	42.3%	58.5%	43.3%	59.5%				
Other income & gains	23	67	33	75				
S & D expenses	(790)	(2,650)	(952)	(3,541)	18%	49%	21%	34%
S & D exp / sales	-22.9%	-38.2%	-23.3%	-37.9%				
Admin expenses	(334)	(395)	(409)	(564)	11%	20%	22%	43%
Admin exp / sales	-9.7%	-5.7%	-10.0%	-6.0%				
Other opex	-0	-22	-12	-28				
Operating profit (EBIT)	355	1,059	428	1,497	49%	25%	21%	41%
OP margins	10.3%	15.3%	10.5%	16.0%				
Other items	0	(43)	0	0				
Net finance income	6	18	8	7				
Net finance income / sales	0.2%	0.3%	0.2%	0.1%				
Profit after financing costs	361	1,034	436	1,505				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	361	1,034	436	1,505	51%	59%	21%	46%
Tax	(102)	(287)	(122)	(421)				
Tax / sales	-3.0%	-4.1%	-3.0%	-4.5%				
Effective tax rate	-28.3%	-27.7%	-28.0%	-28.0%				
Minority interests	7	17	7	20				
Net profit att.	251	730	307	1,063	44%	66%	22%	46%
NP margins	7.3%	10.5%	7.5%	11.4%				

Source: Company data, CMBIS estimates

Figure 14: Result preview - Full Year

Full yearly (Rmb mn)	FY18	FY19	FY20E	FY19 yoy	FY20E yoy
Revenue	8,881	10,383	13,432	17%	29%
COGS	(4,762)	(4,870)	(6,107)		
Gross profit	4,119	5,514	7,325	34%	33%
GP margins	46.4%	53.1%	54.5%		
Other income & gains	66	91	107		
S & D expenses	(2,452)	(3,440)	(4,494)	40%	31%
S & D exp / sales	-27.6%	-33.1%	-33.5%		
Admin expenses	(630)	(729)	(973)	16%	33%
Admin exp / sales	-7.1%	-7.0%	-7.2%		
Other opex	-14	-22	-40		
Operating profit (EBIT)	1,089	1,414	1,925	30%	36%
OP margins	12.3%	13.6%	14.3%		
Other items	(165)	(43)	0		
Net finance income	(35)	24	15		
Net finance income / sales	-0.4%	0.2%	0.1%		
Profit after financing costs	888	1,394	1,941		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	888	1,394	1,941	57%	39%
Tax	(249)	(389)	(543)		
Tax / sales	-2.8%	-3.7%	-4.0%		
Effective tax rate	-28.0%	-27.9%	-28.0%		
Minority interests	24	24	27		
Net profit att.	615	981	1,370	59%	40%
NP margins	6.9%	9.5%	10.2%		

Source: Company data, CMBIS estimates

Earnings revision

Figure 15: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	13,432	16,186	18,626	12,404	14,474	16,606	8.3%	11.8%	12.2%
Gross profit	7,325	8,902	10,296	6,671	7,829	9,028	9.8%	13.7%	14.1%
EBIT	1,925	2,419	2,878	1,807	2,199	2,605	6.5%	10.0%	10.5%
Reported Net profit	1,370	1,749	2,094	1,289	1,595	1,902	6.3%	9.7%	10.1%
Diluted EPS (RMB)	0.128	0.163	0.196	0.121	0.149	0.178	6.2%	9.5%	9.9%
Gross margin	54.5%	55.0%	55.3%	53.8%	54.1%	54.4%	0.8ppt	0.9ppt	0.9ppt
EBIT margin	14.3%	14.9%	15.5%	14.6%	15.2%	15.7%	-0.2ppt	-0.2ppt	-0.2ppt
Net profit att. margin	10.2%	10.8%	11.2%	10.4%	11.0%	11.5%	-0.2ppt	-0.2ppt	-0.2ppt

Source: Company data, CMBIS estimates

Figure 16: CMBI estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	13,432	16,186	18,626	12,881	15,686	18,428	4.3%	3.2%	1.1%
Gross profit	7,325	8,902	10,296	6,964	8,581	10,146	5.2%	3.7%	1.5%
EBIT	1,925	2,419	2,878	1,835	2,268	2,685	4.9%	6.7%	7.2%
Net profit att.	1,370	1,749	2,094	1,271	1,597	1,855	7.8%	9.5%	12.9%
Diluted EPS (RMB)	0.128	0.163	0.196	0.125	0.148	0.180	2.5%	10.7%	8.7%
Gross margin	54.5%	55.0%	55.3%	54.1%	54.7%	55.1%	0.5ppt	0.3ppt	0.2ppt
EBIT margin	14.3%	14.9%	15.5%	14.2%	14.5%	14.6%	0.1ppt	0.5ppt	0.9ppt
Net profit att. margin	10.2%	10.8%	11.2%	9.9%	10.2%	10.1%	0.3ppt	0.6ppt	1.2ppt

Source: Bloomberg, CMBIS estimates

Valuation

Figure 11: Peers' valuation

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
H shares Apparel														
Bosideng Intl	3998 HK	BUY	4.83	4.14	16.7%	44,768	Mar-19	39.7	27.5	3.7	3.5	10.1	1.1	2.2
China Lilang	1234 HK	BUY	9.01	6.65	35.5%	7,963	Dec-18	8.1	7.2	1.9	1.7	23.9	0.7	8.4
Jnby Design	3306 HK	BUY	15.52	11.68	32.9%	6,059	Jun-19	9.7	8.7	3.3	2.9	35.9	0.9	7.3
Cosmo Lady	2298 HK	SELL	1.14	1.17	-2.6%	2,632	Dec-18	15.2	11.5	0.6	0.5	6.1	(0.9)	2.2
Mulsanne Group	709 HK	NR	n/a	2.50	n/a	3,946	Dec-18	13.9	12.2	1.5	1.5	13.9	(1.8)	7.6
Giordano	1817 HK	NR	n/a	7.86	n/a	7,467	Dec-18	n/a	n/a	n/a	n/a	n/a	0.0	n/a
Korador	3709 HK	NR	n/a	8.15	n/a	5,583	Dec-18	n/a	n/a	n/a	n/a	24.5	0.0	n/a
I.T Ltd	999 HK	NR	n/a	2.14	n/a	2,559	Feb-19	7.4	6.7	0.7	0.6	8.1	2.6	5.8
Esprit Holdings	330 HK	NR	n/a	1.50	n/a	2,831	Jun-19	n/a	n/a	0.5	0.5	(27.2)	0.0	n/a
La Chapelle	6116 HK	NR	n/a	1.45	n/a	1,971	Dec-18	n/a	n/a	n/a	n/a	(25.6)	0.0	n/a
Bauhaus Intl	483 HK	NR	n/a	1.03	n/a	378	Mar-19	n/a	n/a	n/a	n/a	(7.9)	0.0	n/a
Avg.								15.7	12.3	1.7	1.6	6.2	0.2	5.6
Med.								11.8	10.1	1.5	1.5	9.1	0.0	6.6
A-shares Apparel														
Ningbo Peacebird	603877 CH	NR	n/a	14.07	n/a	7,542	Dec-18	11.1	9.9	1.7	1.6	15.4	1.6	6.4
Joeone Co Ltd	601566 CH	NR	n/a	10.97	n/a	7,029	Dec-18	11.0	10.3	1.4	1.4	12.8	1.8	8.9
Fujian Septwolves	002029 CH	NR	n/a	5.67	n/a	4,777	Dec-18	11.8	10.8	0.7	0.7	5.8	2.1	1.7
Hla Corp Ltd	600398 CH	NR	n/a	7.89	n/a	38,884	Dec-18	9.5	8.9	2.3	2.1	26.9	1.8	6.4
Jiangsu Hongdou	600400 CH	NR	n/a	3.32	n/a	9,377	Dec-18	35.7	30.7	2.0	1.9	4.5	2.8	1.2
Lancy Co Ltd	002612 CH	NR	n/a	8.66	n/a	4,201	Dec-18	17.1	15.3	1.3	1.2	6.2	(23.0)	1.0
Shenzhen Huijie	002763 CH	NR	n/a	8.06	n/a	3,700	Dec-18	13.4	11.5	1.5	1.4	10.9	0.7	n/a
Ellassay Fashion	603808 CH	NR	n/a	13.78	n/a	5,109	Dec-18	10.7	8.8	1.7	1.5	15.8	0.8	3.5
Bobaolon Co	002776 CH	NR	n/a	7.41	n/a	4,445	Dec-18	n/a	n/a	n/a	n/a	7.9	0.0	n/a
Avg.								15.1	13.3	1.6	1.5	11.8	(1.3)	4.2
Med.								11.5	10.6	1.6	1.5	10.9	1.6	3.5
International Apparel														
Canada Goose	GOOS US	NR	n/a	42.08	n/a	36,376	Mar-19	32.3	25.5	11.0	7.7	47.6	0.0	n/a
Moncler Spa	MONC IM	NR	n/a	35.37	n/a	79,838	Dec-18	24.5	22.8	6.8	5.7	36.3	3.4	1.2
Hugo Boss	BOSS GR	NR	n/a	38.22	n/a	23,544	Dec-18	11.4	10.3	2.6	2.4	24.2	3.3	6.9
Ted Baker	TED LN	NR	n/a	430.0	n/a	1,941	Jan-19	6.5	7.1	0.9	0.9	0.5	(0.8)	7.6
Next	NXT LN	NR	n/a	6614.0	n/a	89,239	Jan-19	14.4	13.8	15.7	11.0	280.9	3.8	2.6
Hennes & Mauritz	HMB SS	NR	n/a	201.60	n/a	273,201	Nov-18	25.4	23.4	6.1	6.2	23.6	11.0	4.8
Industria De Diseno	ITX SM	NR	n/a	28.31	n/a	772,034	Jan-19	23.2	21.7	6.0	5.8	28.2	3.8	3.6
Ovs Spa	OVS IM	NR	n/a	1.83	n/a	3,643	Jan-19	7.8	7.3	0.5	0.4	3.0	0.3	0.5
Pvh Corp	PVH US	NR	n/a	90.09	n/a	52,357	Feb-19	9.5	8.9	1.1	1.0	11.8	2.4	0.2
Vf Corp	VFC US	NR	n/a	82.89	n/a	259,483	Mar-19	24.6	21.4	7.1	6.7	29.2	2.2	2.2
Marks & Spencer	MKS LN	NR	n/a	183.70	n/a	36,278	Mar-19	9.7	9.8	1.2	1.2	1.2	0.1	5.6
Avg.								17.2	15.6	5.4	4.5	44.2	2.7	3.5
Med.								14.4	13.8	6.0	5.7	24.2	2.4	3.1

Source: Bloomberg, CMBIS estimates

Assumption

Figure 12: CMBI estimates vs consensus

Major assumptions	FY18A	FY19A	FY20E	FY21E	FY22E
Sales by segment (Rmb mn)					
Down apparels	5,651	7,658	10,496	12,999	15,262
OEM management	937	1,368	1,642	1,806	1,896
Ladieswear	1,153	1,194	1,233	1,316	1,400
Diversified apparels	1,139	164	62	65	68
Total	8,881	10,383	13,432	16,186	18,626
Sales by segment growth (%)					
Down apparels	23.4%	35.5%	37.1%	23.9%	17.4%
OEM management	20.4%	46.1%	20.0%	10.0%	5.0%
Ladieswear	85.4%	3.5%	3.3%	6.8%	6.4%
Diversified apparels	36.0%	-85.6%	-62.4%	5.0%	5.0%
Total	30.3%	16.9%	29.4%	20.5%	15.1%
Sales by channel growth (%)					
Down Apparels - offline	18.2%	30.5%	30.2%	19.7%	16.3%
Down Apparels - online	49.9%	55.6%	60.0%	35.0%	20.0%
OEM management	20.4%	46.1%	20.0%	10.0%	5.0%
Non-down apparels - offline	24.4%	-9.0%	-5.3%	6.8%	6.5%
Non-down apparels - online	173.6%	-92.3%	7.0%	5.0%	3.0%
Total	30.3%	16.9%	29.4%	20.5%	15.1%
Sales network by segment					
Down apparel	4,466	4,628	5,047	5,322	5,556
Non - down apparel	899	570	587	605	623
Total	5,365	5,198	5,634	5,927	6,179
Sales network by channel type					
Self-operated	1,960	2,068	2,303	2,456	2,578
Third party distributors	3,405	3,130	3,331	3,471	3,601
Total	5,365	5,198	5,634	5,927	6,179
GP margins by segment					
Down apparels	51.5%	57.4%	59.0%	59.4%	59.5%
OEM management	17.3%	16.3%	16.3%	16.5%	16.8%
Ladieswear	76.4%	74.0%	70.0%	67.0%	64.0%
Diversified apparels	14.6%	6.9%	3.0%	1.0%	1.0%
Total	46.4%	53.1%	54.5%	55.0%	55.3%
Opex breakdown					
D&A/ sales	2.2%	2.2%	1.8%	1.6%	1.4%
Rental/ sales	11.3%	11.9%	12.3%	12.1%	12.0%
Labor/ sales	9.8%	11.5%	11.8%	12.2%	12.0%
A&P/ sales	5.0%	5.5%	6.0%	6.2%	6.3%
Others/ sales	6.5%	9.1%	8.8%	8.4%	8.4%
OP margins	10.4%	13.2%	14.3%	14.9%	15.5%
	28.0%	27.9%	28.0%	28.0%	28.0%
Effective tax rate					
NP att. margins	6.9%	9.5%	10.2%	10.8%	11.2%
NP att. growth (%)	57.1%	59.4%	39.6%	27.6%	19.7%

Source: Company data, CMBIS estimates

Financial Summary

Income statement						Cash flow summary					
YE Mar 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE Mar 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	8,881	10,383	13,432	16,186	18,626	EBIT	923	1,371	1,925	2,419	2,878
Down apparels	5,651	7,658	10,49	12,99	15,26	D & A	187	242	250	262	277
OEM management	937	1,368	1,642	1,806	1,896	Change in working capital	120	(14)	(412)	(382)	(339)
Ladieswear	1,153	1,194	1,233	1,316	1,400	Income tax paid	(248)	(389)	(543)	(687)	(822)
Diversified apparels	1,139	164	62	65	68	Others	50	187	172	189	213
Cost of goods sold	(4,762)	(4,870)	(6,107)	(7,284)	(8,330)	Net cash from operating	1,033	1,396	1,393	1,802	2,207
Gross profit	4,119	5,514	7,325	8,902	10,296	Capex & investments	(117)	(137)	(177)	(213)	(245)
Other income	66	91	107	113	112	Associated companies	(1,915)	-	-	-	-
Operating expenses	(3,261)	(4,234)	(5,507)	(6,596)	(7,530)	Interest received	97	-	-	-	-
D & A	(95)	(145)	(148)	(151)	(154)	Others	71	-	-	-	-
Staff costs	(887)	(1,214)	(1,603)	(1,994)	(2,258)	Net cash from investing	(1,864)	(137)	(177)	(213)	(245)
S & D costs (ex-staff, D&A)	(1,495)	(2,254)	(2,909)	(3,463)	(3,972)	Equity raised	-	-	-	-	-
Admin exp. (ex-staff, D&A)	(350)	(350)	(477)	(545)	(622)	Net change in bank loans	79	-	-	-	-
Other operating expenses	(434)	(269)	(370)	(443)	(524)	Dividend paid	(198)	(749)	(800)	(1,010)	(1,266)
EBIT	923	1,371	1,925	2,419	2,878	Others	(65)	(163)	(157)	(157)	(157)
Finance costs, net	(35)	24	15	32	57	Net cash from financing	(183)	(912)	(957)	(1,167)	(1,423)
JVs & associates	-	-	-	-	-	Net change in cash	(1,014)	348	259	422	540
Exceptional	-	-	-	-	-	Beginning cash balance	2,835	1,794	2,142	2,401	2,823
Pre-tax profit	888	1,394	1,941	2,452	2,934	Exchange difference	(26)	-	-	-	-
Income tax	(249)	(389)	(543)	(687)	(822)	Cash at the end of the year	1,794	2,142	2,401	2,823	3,362
Less: Minority interests	24	24	27	16	19						
Net profit	615	981	1,370	1,749	2,094						

Balance sheet						Key ratios					
YE Mar 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE Mar 31	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	3,485	3,379	3,306	3,256	3,225	Sales mix (%)					
Fixed asset	885	893	932	996	1,076	Down apparels	63.6	73.7	78.1	80.3	81.9
Intangible assets & goodwill	1,897	1,784	1,671	1,558	1,446	OEM management	10.5	13.2	12.2	11.2	10.2
Prepaid lease payments	54	54	54	54	54	Ladieswear	13.0	11.5	9.2	8.1	7.5
Interest in joint ventures	-	-	-	-	-	Diversified apparels	12.8	1.6	0.5	0.4	0.4
Other non-current assets	648	648	648	648	648	Total	100.0	100.0	100.0	100.0	100.0
Current assets	10,959	11,543	12,777	14,097	15,434	P&L ratios (%)					
Cash and cash equivalents	1,794	2,142	2,401	2,823	3,362	Gross margin	46.4	53.1	54.5	55.0	55.3
Inventories	1,455	1,401	1,757	2,095	2,396	Operating margin	10.4	13.2	14.3	14.9	15.5
Trade and other receivables	1,474	1,707	2,208	2,661	3,062	Pre-tax margin	10.0	13.4	14.4	15.1	15.8
Prepayments	344	403	521	628	722	Net margin	6.9	9.5	10.2	10.8	11.2
Other current assets	5,891	5,891	5,891	5,891	5,891	Effective tax rate	28.0	27.9	28.0	28.0	28.0
Current liabilities	4,337	4,560	5,124	5,640	6,097	Balance sheet ratios					
Bank loans	2,338	2,338	2,338	2,338	2,338	Current ratio (x)	2.5	2.5	2.5	2.5	2.5
Trade payables	523	534	670	799	914	Quick ratio (x)	2.2	2.2	2.2	2.1	2.1
Accruals & other payables	1,247	1,458	1,885	2,272	2,615	Cash ratio (x)	0.4	0.5	0.5	0.5	0.6
Tax payables	226	226	226	226	226	Inventory turnover days	112	105	105	105	105
others	4	4	4	4	4	Trade receivables days	61	60	60	60	60
Non-current liabilities	323	323	323	323	323	Trade payables days	40	40	40	40	40
Bank loans	-	-	-	-	-	Total debt / total equity ratio	24	24	23	21	20
Deferred income	-	-	-	-	-	Net debt / equity ratio (%)	Net cash				
Deferred tax	218	218	218	218	218	Returns (%)					
Others	105	105	105	105	105	ROE	6.4	10.0	13.2	15.7	17.5
Minority Interest	187	211	238	254	273	ROA	4.3	6.6	8.5	10.1	11.2
Total net assets	9,596	9,828	10,398	11,137	11,966	Per share					
Shareholders' equity	9,596	9,828	10,398	11,137	11,966	EPS (Rmb)	0.06	0.09	0.13	0.16	0.20
						DPS (Rmb)	0.07	0.07	0.09	0.11	0.14
						BVPS (Rmb)	0.91	0.93	0.99	1.06	1.14

Source: Company data, CMBIS estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIS Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIS

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

This report is intended for distribution in the United States to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, and may not be furnished to any other person in the United States. Each major US, institutional investor that receives a copy of this research report by its acceptance hereof represents and agrees that it shall not distribute or provide this research report to any other person.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.