

# Bosideng (3998 HK)

## Solid 1H20 results, improving 2H20E outlook

Even though Bosideng's FY20E guidance remained unchanged, we have turned more positive as fundamentals improved: 1) speed up in retail sales growth in late Nov 2019, 2) solid customer acceptance of retail price hike and 3) faster store openings. The counter is attractive given its 20x FY3/21E P/E (vs GOOS's 24x and MONC's 26x) and 0.9x 3 years PEG. Reiterate BUY and TP of HK\$ 4.83.

- **Solid set of 1H20 results, 11% above CMBI est..** 1H20 sales/ NP att. rose by 29%/ 36% YoY to RMB 4.4/ 3.4 bn, beating CMBI est. by 9%/ 11% (BBG expect 30% YoY growth for FY20E). thanks to 1) better-than-expected down apparel sales, 2) faster store expansion, and 3) better tax rate. Excluding RMB 48mn impairment losses, adjusted NP could be up by 48% YoY. Also, proposed dividend was up 50% YoY, raising payout ratio to 85% (from 75%).
- **Strong growth across channels and margin continued to climb in 1H20.** Down apparel sales growth was robust across channels (39%/ 44%/ 39%/ 91% YoY for self-operated/ wholesales/ offline/ e-commerce). while climb in GP margin (more sales from mid-high end items) and rigid admin cost control (flattish vs last year) were more than able to offset surge in A&P expenses and impairment losses for womenswear brand 邦寶 (BUOUBUOU).
- **FY20E guidance maintained while fundamentals trended better.** Management reiterated its guidance (~40% down apparel growth, ~1-1.5 ppt GP margin and ~0.5-1.0 ppt OP margin expansion). while retail sales are better in Nov 2019 and product ASP hike was well accepted by consumers.
- **Retail sales trend improved in Nov 2019 as weather got colder and the Company has well prepared for the early CNY in 2020.** As weather became colder in Nov in China, management noticed pickup in sales growth, they are also confident that performance in Double 12 shall be better vs Single Day And to tackle the early CNY in 2020 (bv ~10 days vs 2019). Bosideng had organized 300+ training sessions for its sales team in 1H20, for 20,000+ times in total. Also, retail GP margin in 2H20E should continue to trend up, thanks to price mix and improved retail discounts.
- **Room for further ASP hike remains since high-end items are more popular.** Branding upgrade was successful, in our view, as growth in 1H20 was driven more by increases in ASP (better than guidance of 15-20% YoY) than volume. We now expect sales mix from mid-high end items to be 40% in FY20E (vs 25% in FY19 and 5% in FY18). Such a trend shall continue as the Company targets to have 50%+ sales from this segment in the future.
- **Maintain BUY and TP of HK\$ 4.83.** We fine-tuned our EPS in FY20E/ 21E/ 22E by 1.2%/ -0.1%/ 1.1%, and now expect 2H20E rev/NP to grow 33%/ 43%. Maintain BUY and TP of HK\$ 4.83, based on same 26x FY21E P/E.

### Earnings Summary

(YE 31 Mar)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	8,881	10,383	13,654	16,448	18,946
YoY growth (%)	30.3	16.9	31.5	20.5	15.2
Net income (RMB mn)	615	981	1,386	1,747	2,117
EPS (RMB)	0.058	0.092	0.130	0.163	0.198
YoY growth (%)	52.3	43.8	41.3	26.0	21.2
P/E (x)	51.6	35.9	25.4	20.2	16.6
P/B (x)	3.3	3.5	3.3	3.1	2.9
Yield (%)	2.2	2.2	3.0	3.5	4.2
ROE (%)	6.6	10.1	13.7	16.3	18.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$4.83
(Previous TP	HK\$4.83)
Up/Downside	+29.2%
Current Price	HK\$3.74

### China Apparel Sector

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### Stock Data

Mkt Cap (HK\$ mn)	40,465
Avg 3 mths t/o (HK\$ mn)	120.09
52w High/Low (HK\$)	4.50/1.28
Total Issued Shares (mn)	10,819.6

Source: Bloomberg

### Shareholding Structure

Mr Gao Dekang & Family	70.79%
Employee incentive scheme	6.49%
Free Float	22.72%

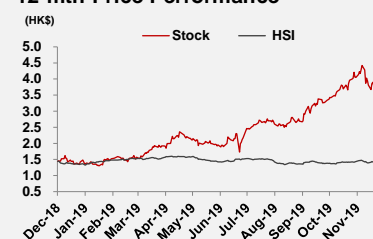
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-11.2%	-10.1%
3-mth	39.0%	35.8%
6-mth	94.8%	100.5%
12-mth	173.0%	174.7%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

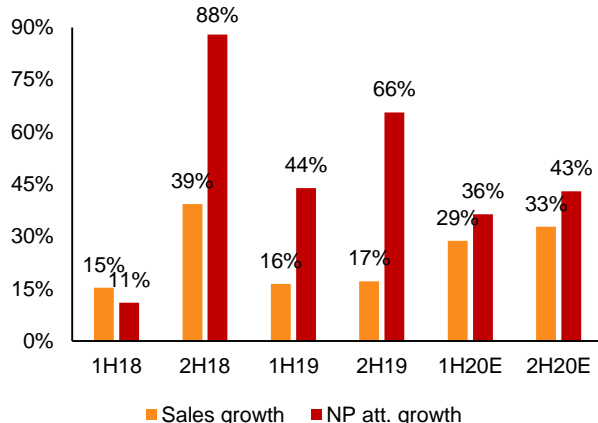
### Auditor: KPMG

### Related Reports

1. Bosideng (3998 HK) - Solid performance on Single Day, buy the dip - 13 Nov 2019
2. Bosideng (3998 HK) - Brand upgrades and easing costs pressure - 5 Nov 2019
3. Bosideng (3998 HK) - Solid earnings beat and upbeat guidance - 2 Jul 2019

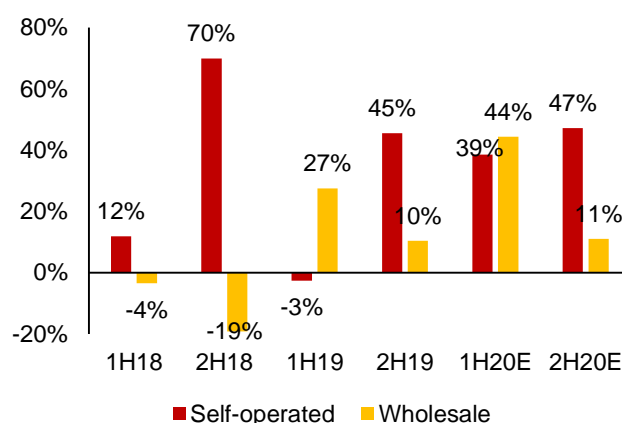
## Focus Charts

**Figure 1: Sales/ net profit growth - half year**



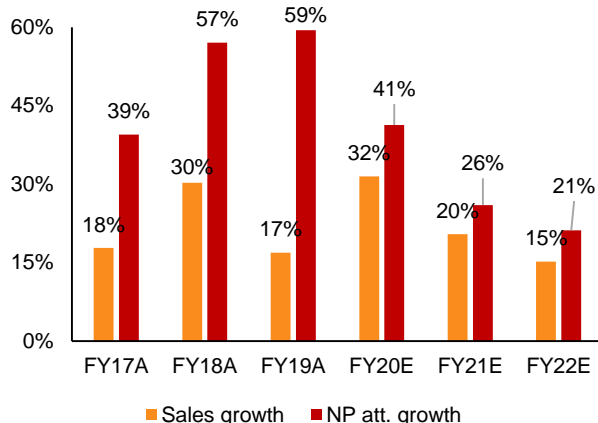
Source: Company data, CMBIS estimates

**Figure 2: Down apparel sales growth by channel**



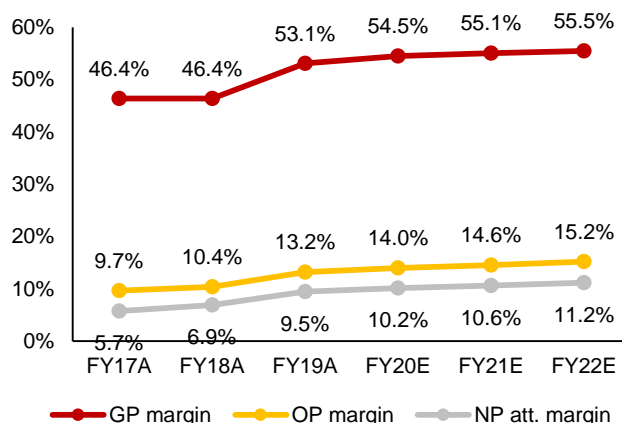
Source: Company data, CMBIS estimates

**Figure 3: Sales/ net profit growth - full year**



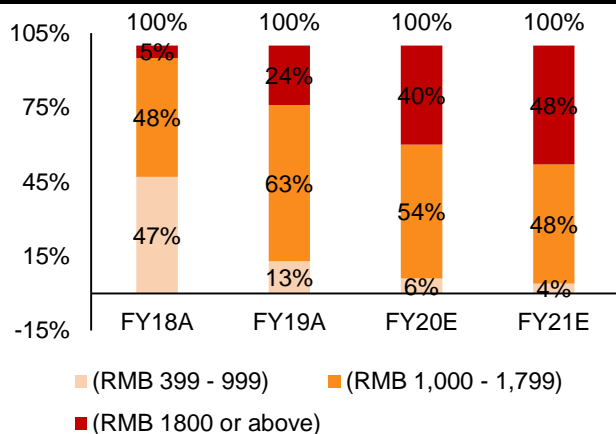
Source: Company data, CMBIS estimates

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



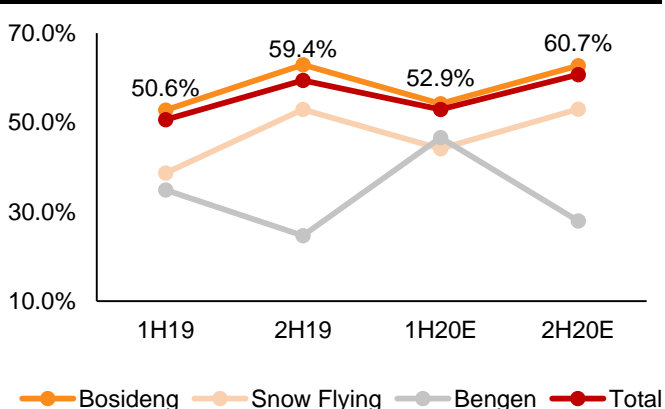
Source: Company data, CMBIS estimates

**Figure 5: Down apparel sales mix by price range**

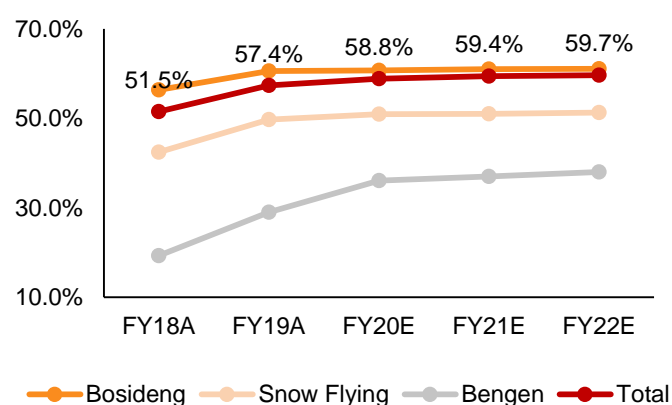


Source: Company data, CMBIS estimates

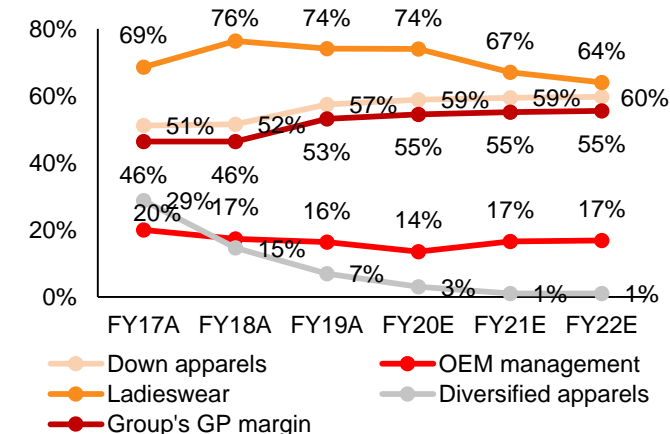
**Figure 6: Down apparel GPM by brand - half year**



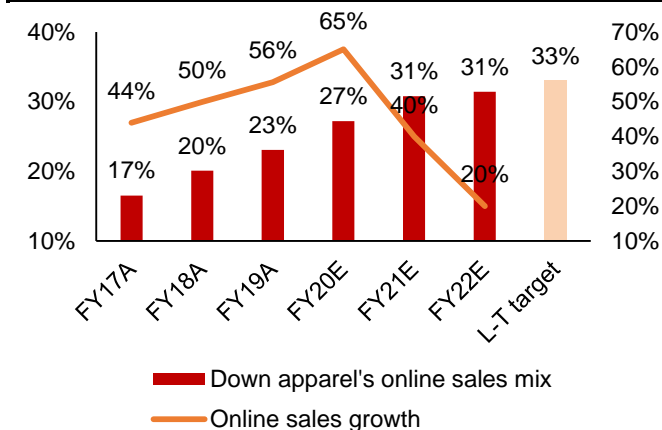
Source: Company data, CMBIS estimates

**Figure 7: Down apparel GPM by brand - full year**

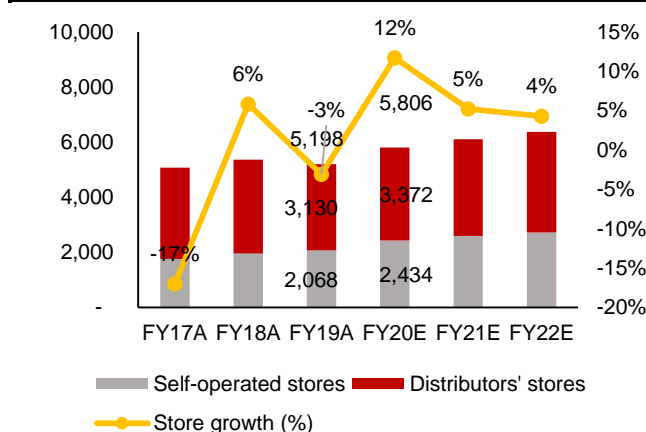
Source: Company data, CMBIS estimates

**Figure 8: GP margin by segment**

Source: Company data, CMBIS estimates

**Figure 9: Online sales growth and mix**

Source: Company data, CMBIS estimates

**Figure 10: Number of stores growth**

Source: Company data, CMBIS estimates

Figure 11: Crossover with JEAN PAUL GAULTIER



Source: Company data, CMBIS estimates

Figure 12: Designer series product featuring Yang Mi (杨幂) as ambassador

杨幂代言设计师系列  
同步热售中



Source: Tmall, Company data, CMBIS estimates



Figure 13: Crossover with STAR WARS



Source: Tmall, Company data, CMBIS estimates

Figure 14: Conqueror Series



Source: Tmall, Company data, CMBIS estimates

## Results Review

Figure 15: Results review - Half Year

Half yearly - (Mar year end) (Rmb mn)	1H19	2H19	1H20	2H20E	1H19 yoy	2H19 yoy	1H20 yoy	2H20E yoy
<b>Revenue</b>	<b>3,444</b>	<b>6,939</b>	<b>4,436</b>	<b>9,218</b>	<b>16%</b>	<b>17%</b>	<b>29%</b>	<b>33%</b>
COGS	(1,989)	(2,881)	(2,507)	(3,705)				
<b>Gross profit</b>	<b>1,455</b>	<b>4,058</b>	<b>1,930</b>	<b>5,513</b>	<b>23%</b>	<b>38%</b>	<b>33%</b>	<b>36%</b>
<b>GP margins</b>	<b>42.3%</b>	<b>58.5%</b>	<b>43.5%</b>	<b>59.8%</b>				
Other income & gains	23	67	51	86				
S & D expenses	(790)	(2,650)	(1,119)	(3,671)	<b>18%</b>	<b>49%</b>	<b>42%</b>	<b>39%</b>
<b>S &amp; D exp / sales</b>	<b>-22.9%</b>	<b>-38.2%</b>	<b>-25.2%</b>	<b>-39.8%</b>				
Admin expenses	(334)	(395)	(336)	(463)	<b>11%</b>	<b>20%</b>	<b>1%</b>	<b>17%</b>
<b>Admin exp / sales</b>	<b>-9.7%</b>	<b>-5.7%</b>	<b>-7.6%</b>	<b>-5.0%</b>				
Other opex	-0	-22	-0	-27				
<b>Operating profit (EBIT)</b>	<b>355</b>	<b>1,059</b>	<b>526</b>	<b>1,437</b>	<b>49%</b>	<b>25%</b>	<b>48%</b>	<b>36%</b>
<b>OP margins</b>	<b>10.3%</b>	<b>15.3%</b>	<b>11.9%</b>	<b>15.6%</b>				
Other items	0	(43)	(48)	(1)				
Net finance income	6	18	9	6				
<b>Net finance income / sales</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.1%</b>				
Profit after financing costs	361	1,034	486	1,443				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
<b>Pre-tax profit</b>	<b>361</b>	<b>1,034</b>	<b>486</b>	<b>1,443</b>	<b>51%</b>	<b>59%</b>	<b>35%</b>	<b>40%</b>
Tax	(102)	(287)	(126)	(376)				
<b>Tax / sales</b>	<b>-3.0%</b>	<b>-4.1%</b>	<b>-2.8%</b>	<b>-4.1%</b>				
<b>Effective tax rate</b>	<b>-28.3%</b>	<b>-27.7%</b>	<b>-25.9%</b>	<b>-26.0%</b>				
Minority interests	7	17	18	23				
<b>Net profit att.</b>	<b>251</b>	<b>730</b>	<b>343</b>	<b>1,044</b>	<b>44%</b>	<b>66%</b>	<b>36%</b>	<b>43%</b>
<b>NP margins</b>	<b>7.3%</b>	<b>10.5%</b>	<b>7.7%</b>	<b>11.3%</b>				

Source: Company data, CMBIS estimates

**Figure 16: Earnings forecast- Full Year**

Full yearly - (Mar year end) (Rmb mn)	FY18	FY19	FY20E	FY19 yoy	FY20E yoy
<b>Revenue</b>	<b>8,881</b>	<b>10,383</b>	<b>13,654</b>	<b>17%</b>	<b>32%</b>
COGS	(4,762)	(4,870)	(6,212)		
<b>Gross profit</b>	<b>4,119</b>	<b>5,514</b>	<b>7,442</b>	<b>34%</b>	<b>35%</b>
<b>GP margins</b>	<b>46.4%</b>	<b>53.1%</b>	<b>54.5%</b>		
Other income & gains	66	91	137		
S & D expenses	(2,452)	(3,440)	(4,790)	<b>40%</b>	<b>39%</b>
<b>S &amp; D exp / sales</b>	<b>-27.6%</b>	<b>-33.1%</b>	<b>-35.1%</b>		
Admin expenses	(630)	(729)	(799)	<b>16%</b>	<b>10%</b>
<b>Admin exp / sales</b>	<b>-7.1%</b>	<b>-7.0%</b>	<b>-5.9%</b>		
Other opex	-14	-22	-27		
<b>Operating profit (EBIT)</b>	<b>1,089</b>	<b>1,414</b>	<b>1,963</b>	<b>30%</b>	<b>39%</b>
<b>OP margins</b>	<b>12.3%</b>	<b>13.6%</b>	<b>14.4%</b>		
Other items	(165)	(43)	(49)		
Net finance income	(35)	24	15		
<b>Net finance income / sales</b>	<b>-0.4%</b>	<b>0.2%</b>	<b>0.1%</b>		
Profit after financing costs	888	1,394	1,929		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
<b>Pre-tax profit</b>	<b>888</b>	<b>1,394</b>	<b>1,929</b>	<b>57%</b>	<b>38%</b>
Tax	(249)	(389)	(502)		
<b>Tax / sales</b>	<b>-2.8%</b>	<b>-3.7%</b>	<b>-3.7%</b>		
<b>Effective tax rate</b>	<b>-28.0%</b>	<b>-27.9%</b>	<b>-26.0%</b>		
Minority interests	24	24	41		
<b>Net profit att.</b>	<b>615</b>	<b>981</b>	<b>1,386</b>	<b>59%</b>	<b>41%</b>
<b>NP margins</b>	<b>6.9%</b>	<b>9.5%</b>	<b>10.2%</b>		

Source: Company data, CMBIS estimates

## Earnings revision

Figure 17: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	13,654	16,448	18,946	13,432	16,186	18,626	1.7%	1.6%	1.7%
Gross profit	7,442	9,061	10,513	7,325	8,902	10,296	1.6%	1.8%	2.1%
EBIT	1,914	2,397	2,883	1,925	2,419	2,878	-0.6%	-0.9%	0.2%
Reported Net profit	1,386	1,747	2,117	1,370	1,749	2,094	1.2%	-0.1%	1.1%
Diluted EPS (RMB)	0.130	0.163	0.198	0.128	0.163	0.196	1.2%	-0.1%	1.1%
Gross margin	54.5%	55.1%	55.5%	54.5%	55.0%	55.3%	0ppt	0.1ppt	0.2ppt
EBIT margin	14.0%	14.6%	15.2%	14.3%	14.9%	15.5%	-0.3ppt	-0.4ppt	-0.2ppt
Net profit att. margin	10.2%	10.6%	11.2%	10.2%	10.8%	11.2%	0ppt	-0.2ppt	-0.1ppt

Source: Company data, CMBIS estimates

Figure 18: CMBI estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	13,654	16,448	18,946	13,012	16,020	18,512	4.9%	2.7%	2.3%
Gross profit	7,442	9,061	10,513	7,029	8,678	10,092	5.9%	4.4%	4.2%
EBIT	1,914	2,397	2,883	1,883	2,354	2,807	1.7%	1.8%	2.7%
Net profit att.	1,386	1,747	2,117	1,275	1,616	1,995	8.8%	8.1%	6.1%
Diluted EPS (RMB)	0.130	0.163	0.198	0.126	0.155	0.191	3.1%	5.6%	3.6%
Gross margin	54.5%	55.1%	55.5%	54.0%	54.2%	54.5%	0.5ppt	0.9ppt	1ppt
EBIT margin	14.0%	14.6%	15.2%	14.5%	14.7%	15.2%	-0.4ppt	-0.1ppt	0.1ppt
Net profit att. margin	10.2%	10.6%	11.2%	9.8%	10.1%	10.8%	0.4ppt	0.5ppt	0.4ppt

Source: Bloomberg, CMBIS estimates



## Valuation

Figure 19: Peers' valuation

			12m	Price	Up/	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE	3yrs	Yield
Company	Ticker	Rating	TP	(LC)	Down-	(HK\$mn)	End	FY1E	FY2E	FY1E	FY2E	(%)	PEG (x)	(%)
H-shares Apparel														
Bosideng Intl	3998 HK	BUY	4.83	3.74	29.2%	40,465	Mar-19	25.4	20.2	3.5	3.3	10.1	0.9	2.5
China Lilang	1234 HK	BUY	9.01	6.32	42.6%	7,568	Dec-18	7.8	6.9	1.8	1.7	23.9	0.7	8.8
Jnby Design	3306 HK	BUY	15.52	10.90	42.4%	5,654	Jun-19	9.1	8.1	3.0	2.7	35.9	0.9	7.8
Cosmo Lady	2298 HK	SELL	1.14	1.05	8.6%	2,362	Dec-18	13.7	10.5	0.5	0.5	6.1	(0.9)	2.4
Mulsanne Group	709 HK	NR	n/a	2.40	n/a	3,788	Dec-18	13.3	11.7	1.4	1.4	13.9	(1.7)	7.9
Giordano	1817 HK	NR	n/a	7.69	n/a	7,306	Dec-18	n/a	n/a	n/a	n/a	n/a	0.0	n/a
Koradior	3709 HK	NR	n/a	9.78	n/a	6,700	Dec-18	n/a	n/a	n/a	n/a	24.5	0.0	n/a
I.T Ltd	999 HK	NR	n/a	1.90	n/a	2,272	Feb-19	6.6	5.9	0.6	0.6	8.1	2.3	6.6
Esprit Holdings	330 HK	NR	n/a	1.55	n/a	2,925	Jun-19	n/a	n/a	0.5	0.5	(27.2)	0.0	n/a
La Chapelle	6116 HK	NR	n/a	1.22	n/a	1,904	Dec-18	n/a	n/a	n/a	n/a	(36.7)	0.0	n/a
Bauhaus Intl	483 HK	NR	n/a	1.00	n/a	367	Mar-19	n/a	n/a	n/a	n/a	(7.9)	0.0	n/a
Avg.								12.7	10.6	1.6	1.5	5.1	0.2	6.0
Med.								11.2	9.3	1.4	1.4	9.1	0.0	7.2
A-shares Apparel														
Ningbo Peacebird	603877 CH	NR	n/a	14.12	n/a	7,527	Dec-18	11.2	9.9	1.7	1.6	15.4	1.5	6.4
Joeone Co Ltd	601566 CH	NR	n/a	11.05	n/a	7,068	Dec-18	11.2	10.6	1.4	1.4	12.8	2.0	8.9
Fujian Septwolves	002029 CH	NR	n/a	5.53	n/a	4,652	Dec-18	11.6	10.6	0.7	0.7	5.8	2.3	1.7
Hla Corp Ltd	600398 CH	NR	n/a	7.68	n/a	37,786	Dec-18	9.3	8.7	2.3	2.1	26.9	1.8	6.5
Jiangsu Hongdou	600400 CH	NR	n/a	3.25	n/a	9,165	Dec-18	36.5	31.6	1.9	1.8	4.5	3.1	0.9
Lancy Co Ltd	002612 CH	NR	n/a	8.23	n/a	3,986	Dec-18	16.3	14.6	1.2	1.2	6.2	(21.9)	1.1
Shenzhen Huijie	002763 CH	NR	n/a	7.69	n/a	3,524	Dec-18	12.8	11.0	1.5	1.3	10.9	0.7	n/a
Ellassay Fashion	603808 CH	NR	n/a	12.65	n/a	4,682	Dec-18	10.0	8.2	1.6	1.4	15.8	0.7	3.8
Bobaloon Co	002776 CH	NR	n/a	6.01	n/a	3,599	Dec-18	n/a	n/a	n/a	n/a	7.9	0.0	n/a
Avg.								14.9	13.1	1.5	1.4	11.8	(1.1)	4.2
Med.								11.4	10.6	1.5	1.4	10.9	1.5	3.8
International Apparel														
Canada Goose	GOOS US	NR	n/a	38.15	n/a	33,243	Mar-19	30.2	24.0	10.2	7.3	42.7	0.0	n/a
Moncler Spa	MONC IM	NR	n/a	39.77	n/a	88,474	Dec-18	27.5	25.7	7.6	6.4	36.3	4.1	1.1
Hugo Boss	BOSS GR	NR	n/a	42.56	n/a	25,838	Dec-18	13.2	11.8	2.9	2.7	22.2	6.9	6.1
Ted Baker	TED LN	NR	n/a	397.60	n/a	1,794	Jan-19	5.9	7.1	0.8	0.8	0.5	(0.6)	7.9
Next	NXT LN	NR	n/a	6758.0	n/a	91,149	Jan-19	14.7	14.1	16.0	11.3	280.9	4.1	2.5
Hennes & Mauritz	HMB SS	NR	n/a	184.84	n/a	250,079	Nov-18	23.4	21.6	5.6	5.7	23.6	9.8	5.3
Industria De Diseno	ITX SM	NR	n/a	28.26	n/a	759,542	Jan-19	23.1	21.7	5.8	5.6	28.2	4.3	3.7
Ovs Spa	OVS IM	NR	n/a	2.08	n/a	4,080	Jan-19	9.0	8.3	0.5	0.5	3.0	0.3	0.5
Pvh Corp	PVH US	NR	n/a	96.96	n/a	56,278	Feb-19	10.3	9.6	1.2	1.1	11.0	2.5	0.2
Vf Corp	VFC US	NR	n/a	88.54	n/a	276,813	Mar-19	26.3	22.8	7.6	7.1	29.2	2.3	2.0
Marks & Spencer	MKS LN	NR	n/a	194.35	n/a	38,368	Mar-19	10.4	10.6	1.3	1.3	1.9	0.1	5.3
Avg.								17.6	16.1	5.4	4.5	43.6	3.1	3.5
Med.								14.7	14.1	5.6	5.6	23.6	2.5	3.1

Source: Bloomberg, CMBIS estimates

## Assumption

Figure 20: CMBI estimates vs consensus

Major assumptions	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales by segment (Rmb mn)</b>					
Down apparels	5,651	7,658	10,718	13,260	15,581
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	13,654	16,448	18,946
<b>Sales by segment growth (%)</b>					
Down apparels	23.4%	35.5%	40.0%	23.7%	17.5%
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%	31.5%	20.5%	15.2%
<b>Sales by channel growth (%)</b>					
Down Apparels - offline	18.2%	30.5%	32.5%	17.6%	16.4%
Down Apparels - online	49.9%	55.6%	65.0%	40.0%	20.0%
OEM management	20.4%	46.1%	20.0%	10.0%	5.0%
Non-down apparels - offline	24.4%	-9.0%	-4.4%	6.8%	6.5%
Non-down apparels - online	173.6%	-92.3%	-10.0%	5.0%	3.0%
Total	30.3%	16.9%	31.5%	20.5%	15.2%
<b>Sales network by segment</b>					
Down apparel	4,466	4,628	5,219	5,505	5,748
Non - down apparel	899	570	587	605	623
Total	5,365	5,198	5,806	6,110	6,371
<b>Sales network by channel type</b>					
Self-operated	1,960	2,068	2,434	2,595	2,725
Third party distributors	3,405	3,130	3,372	3,514	3,646
Total	5,365	5,198	5,806	6,110	6,371
<b>GP margins by segment</b>					
Down apparels	51.5%	57.4%	58.8%	59.4%	59.7%
OEM management	17.3%	16.3%	13.5%	16.5%	16.8%
Ladieswear	76.4%	74.0%	74.0%	67.0%	64.0%
Diversified apparels	14.6%	6.9%	3.0%	1.0%	1.0%
Total	46.4%	53.1%	54.5%	55.1%	55.5%
<b>Opex breakdown</b>					
D&A/ sales	2.2%	2.2%	1.8%	1.5%	1.4%
Rental/ sales	11.3%	11.9%	12.3%	12.1%	12.0%
Labor/ sales	9.8%	11.5%	11.9%	12.7%	12.5%
A&P/ sales	5.0%	5.5%	6.0%	6.2%	6.3%
Others/ sales	6.5%	9.1%	8.9%	8.4%	8.4%
OP margins	10.4%	13.2%	14.0%	14.6%	15.2%
Effective tax rate	28.0%	27.9%	26.0%	26.0%	26.0%
<b>NP att. margins</b>	<b>6.9%</b>	<b>9.5%</b>	<b>10.2%</b>	<b>10.6%</b>	<b>11.2%</b>
<b>NP att. growth (%)</b>	<b>57.1%</b>	<b>59.4%</b>	<b>41.3%</b>	<b>26.0%</b>	<b>21.2%</b>

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
<b>Revenue</b>	<b>8,881</b>	<b>10,383</b>	<b>13,654</b>	<b>16,448</b>	<b>18,946</b>	<b>EBIT</b>	<b>923</b>	<b>1,371</b>	<b>1,914</b>	<b>2,397</b>	<b>2,883</b>
Down apparels	5,651	7,658	10,71	13,26	15,58	D & A	187	242	250	262	277
OEM management	937	1,368	1,642	1,806	1,896	Change in working capital	120	(14)	(444)	(384)	(343)
Ladieswear	1,153	1,194	1,233	1,316	1,400	Income tax paid	(248)	(389)	(502)	(631)	(764)
Diversified apparels	1,139	164	62	65	68	Others	50	187	172	187	212
<b>Cost of goods sold</b>	<b>(4,762)</b>	<b>(4,870)</b>	<b>(6,212)</b>	<b>(7,387)</b>	<b>(8,433)</b>	<b>Net cash from operating</b>	<b>1,033</b>	<b>1,396</b>	<b>1,390</b>	<b>1,831</b>	<b>2,265</b>
<b>Gross profit</b>	<b>4,119</b>	<b>5,514</b>	<b>7,442</b>	<b>9,061</b>	<b>10,513</b>	Capex & investments	(117)	(137)	(180)	(216)	(249)
<b>Other income</b>	<b>66</b>	<b>91</b>	<b>137</b>	<b>115</b>	<b>114</b>	Associated companies	(1,915)	-	-	-	-
<b>Operating expenses</b>	<b>(3,261)</b>	<b>(4,234)</b>	<b>(5,665)</b>	<b>(6,779)</b>	<b>(7,744)</b>	Interest received	97	-	-	-	-
D & A	(95)	(145)	(148)	(151)	(154)	Others	71	-	-	-	-
Staff costs	(887)	(1,214)	(1,651)	(2,105)	(2,385)	<b>Net cash from investing</b>	<b>(1,864)</b>	<b>(137)</b>	<b>(180)</b>	<b>(216)</b>	<b>(249)</b>
S & D costs (ex-staff, D&A)	(1,495)	(2,254)	(3,360)	(4,168)	(4,904)	Equity raised	-	-	-	-	-
Admin exp. (ex-staff, D&A)	(350)	(350)	(289)	(228)	(199)	Net change in bank loans	79	-	-	-	-
Other operating expenses	(434)	(269)	(217)	(126)	(101)	Dividend paid	(198)	(749)	(820)	(1,069)	(1,268)
<b>EBIT</b>	<b>923</b>	<b>1,371</b>	<b>1,914</b>	<b>2,397</b>	<b>2,883</b>	Others	(65)	(163)	(157)	(157)	(157)
Finance costs, net	(35)	24	15	30	55	<b>Net cash from financing</b>	<b>(183)</b>	<b>(912)</b>	<b>(977)</b>	<b>(1,226)</b>	<b>(1,425)</b>
JVs & associates	-	-	-	-	-	<b>Net change in cash</b>	<b>(1,014)</b>	<b>348</b>	<b>234</b>	<b>389</b>	<b>591</b>
Exceptional	-	-	-	-	-	Beginning cash balance	2,835	1,794	2,142	2,375	2,764
<b>Pre-tax profit</b>	<b>888</b>	<b>1,394</b>	<b>1,929</b>	<b>2,427</b>	<b>2,937</b>	Exchange difference	(26)	-	-	-	-
Income tax	(249)	(389)	(502)	(631)	(764)	<b>Cash at the end of the year</b>	<b>1,794</b>	<b>2,142</b>	<b>2,375</b>	<b>2,764</b>	<b>3,355</b>
Less: Minority interests	24	24	41	49	57						
<b>Net profit</b>	<b>615</b>	<b>981</b>	<b>1,386</b>	<b>1,747</b>	<b>2,117</b>						

Balance sheet						Key ratios					
YE Mar 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE Mar 31	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>3,485</b>	<b>3,379</b>	<b>3,309</b>	<b>3,262</b>	<b>3,234</b>	<b>Sales mix (%)</b>					
Fixed asset	885	893	935	1,001	1,086	Down apparels	63.6	73.7	78.5	80.6	82.2
Intangible assets & goodwill	1,897	1,784	1,671	1,558	1,446	OEM management	10.5	13.2	12.0	11.0	10.0
Prepaid lease payments	54	54	54	54	54	Ladieswear	13.0	11.5	9.0	8.0	7.4
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	<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>10,959</b>	<b>11,543</b>	<b>12,827</b>	<b>14,122</b>	<b>15,521</b>	<b>P&amp;L ratios (%)</b>					
Cash and cash equivalents	1,794	2,142	2,375	2,764	3,355	Gross margin	46.4	53.1	54.5	55.1	55.5
Inventories	1,455	1,401	1,787	2,125	2,426	Operating margin	10.4	13.2	14.0	14.6	15.2
Trade and other receivables	1,474	1,707	2,245	2,704	3,114	Pre-tax margin	10.0	13.4	14.1	14.8	15.5
Prepayments	344	403	530	638	735	Net margin	6.9	9.5	10.2	10.6	11.2
Other current assets	5,891	5,891	5,891	5,891	5,891	Effective tax rate	28.0	27.9	26.0	26.0	26.0
<b>Current liabilities</b>	<b>4,337</b>	<b>4,560</b>	<b>5,167</b>	<b>5,688</b>	<b>6,153</b>	<b>Balance sheet ratios</b>					
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	682	811	925	Quick ratio (x)	2.2	2.2	2.1	2.1	2.1
Accruals & other payables	1,247	1,458	1,917	2,309	2,659	Cash ratio (x)	0.4	0.5	0.5	0.5	0.5
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
<b>Non-current liabilities</b>	<b>323</b>	<b>323</b>	<b>323</b>	<b>323</b>	<b>323</b>	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	Net cash	Net cash	Net cash	Net cash
Deferred tax	218	218	218	218	218	<b>Returns (%)</b>					
Others	105	105	105	105	105	ROE	6.4	10.0	13.3	15.8	17.8
<b>Minority Interest</b>	<b>187</b>	<b>211</b>	<b>252</b>	<b>302</b>	<b>358</b>	ROA	4.3	6.6	8.6	10.0	11.3
<b>Total net assets</b>	<b>9,596</b>	<b>9,828</b>	<b>10,394</b>	<b>11,072</b>	<b>11,920</b>	<b>Per share</b>					
<b>Shareholders' equity</b>	<b>9,596</b>	<b>9,828</b>	<b>10,394</b>	<b>11,072</b>	<b>11,920</b>	EPS (Rmb)	0.06	0.09	0.13	0.16	0.20
						DPS (Rmb)	0.07	0.07	0.10	0.11	0.14
						BVPS (Rmb)	0.91	0.93	0.99	1.05	1.13

Source: Company data, CMBIS estimates

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