

Bosideng (3998 HK)

FY23 results missed and a moderate outlook

FY3/23 was a miss as the core income only increased by 7% YoY. However, given: 1) the low base, 2) more innovative product launches and 3) continual improvement in store productivity, we believe 15%/ 19% sales/ net profit are still achievable in FY25E. We are still cautious on the level of competition and weather condition but current valuation of 12x FY2/24E and 6.2% yield are protective.

■ **FY3/23 was a miss, due to covid-19 and drags from womenswear business.** Bosideng's sales increased by 3% YoY to RMB 16.8bn, missing BBG/ CMBI est. by 7%/ 6%, mainly due to slower than expected Bosideng brand sales (sales growth were 8%/ -1% in 1H23/ 2H23), as conditions were highly affected by pandemic in Nov/ Dec 2022. Net profit rose by 4% YoY to RMB 21.4bn, also missing both BBG/ CMBI est. by 9%, because of 1) drags from womenswear business (on GP margin and impairment losses), 2) weaker than expected wholesale sales (e.g. re-orders), 3) higher than expected supports to distributors (e.g. full subsidy on revamp instead of 3-year subsidy, and a more generous item returns policy) and 4) higher than expected tax rate. In fact, the 7% increase in core income (excluding other income, gains and losses) was not too impressive and we believe investors were worried about the sharp slowdown in 2H23.

■ **Considering China re-opening and macro condition, we think the rebound in FY24E could be moderate.** For FY24E, with offline traffic gradually recovering and the help from the more efficient new stores, plus the more innovative new product launches, we expect offline sales to grow by 15%+ YoY (sales per store may be faster at 20%+ YoY) as number of stores may drop slightly while e-commerce sales growth may remain faster, thanks to rapid penetration in the new retail channels (e.g. live streaming platforms). We also expect wholesale sales growth to rebound strongly as channel inventory level is even lower than the listed co.'s (inventory days at 144 by FY23). All in all, we forecast a 15% sales growth for FY24E. For OEM business, supported by orders from new and old customers, a 20% growth is still feasible. For GP margin, we expect that to be flattish if not slightly higher, driven by continual emphasis on mid-end items (more supply in lower-priced items but ASP for high-end items could still rise). But OP margin, in our view, can still increase (even with more A&P expenses as many physical fashion shows have resumed), driven by: 1) operating leverage from offline sales growth (more certain due to low base, about 2 months were heavily impacted last year) and 2) less financial supports to distributors. Also, the effective tax rate could stay at about 25% onwards.

■ **Maintain BUY but cut TP to HK\$ 3.78.** We cut FY3/24E-25E net profit by 7-8% to factor in the miss in earnings, lower than expected GP margin and operating leverage and higher than expected tax rate. We reiterate BUY because we think the worst could be gone and share price had a big retreat already. Our TP is based on 14x FY3/24E P/E (no changes), vs a 16% FY3/23-26E NP CAGR and a 5-year average of 16x. It is trading at 12x P/E.

Earnings Summary

(YE 31 Mar)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	16,214	16,774	19,331	21,216	22,848
YoY growth (%)	20.0	3.5	15.2	9.7	7.7
Operating profit (RMB mn)	2,569	2,826	3,310	3,795	4,309
Net profit (RMB mn)	2,062	2,139	2,540	2,896	3,336
EPS (Reported) (RMB)	0.182	0.189	0.224	0.255	0.294
YoY growth (%)	22.2	3.7	18.8	14.0	15.2
P/E (x)	14.8	14.3	12.0	10.6	9.2
P/B (x)	2.4	2.3	2.2	2.0	1.8
Yield (%)	5.8	6.2	6.2	7.1	8.2
ROE (%)	17.7	17.4	19.6	20.7	22.0
Net gearing (%)	2.2	5.2	8.9	18.4	18.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$3.78
(Previous TP)	HK\$4.07
Up/Downside	16.3%
Current Price	HK\$3.25

China Consumer Discretionary

Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

Raphael TSE

(852) 3900 0856

raphaeltse@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	38,870.7
Avg 3 mths t/o (HK\$ mn)	58.9
52w High/Low (HK\$)	5.13/3.25
Total Issued Shares (mn)	10708.2
Source: FactSet	

Shareholding Structure

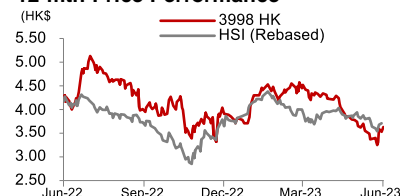
Mr. Gao De Kang & Family	70.3%
Orient Securities Asset Management	2.1%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-4.0%	0.0%
3-mth	-19.7%	-14.3%
6-mth	-7.2%	-9.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

- **Management is still highly confident about the long-term growth.** Sales CAGR for the past five years was about 14% and management is confident on achieving a better growth rate in the next three to five years, supported by product category expansion (efforts will be put to offer all clothing for the Spring, Autumn and Winter) and premiumization (ASP to catch up or even exceed the overseas brand's). They also emphasised again their aims for quality growth, which always consisted of margin improvement and solid cash flow.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	19,331	21,216	22,848	19,596	21,153	n/a	-1.4%	0.3%	n/a
Gross profit	11,503	12,709	13,758	11,702	12,760	n/a	-1.7%	-0.4%	n/a
EBIT	3,310	3,795	4,309	3,447	3,935	n/a	-4.0%	-3.6%	n/a
Net profit att.	2,540	2,896	3,336	2,736	3,135	n/a	-7.2%	-7.6%	n/a
Diluted EPS (RMB)	0.224	0.255	0.294	0.241	0.276	n/a	-7.2%	-7.6%	n/a
Gross margin	59.5%	59.9%	60.2%	59.7%	60.3%	n/a	-0.2ppt	-0.4ppt	n/a
EBIT margin	17.1%	17.9%	18.9%	17.6%	18.6%	n/a	-0.5ppt	-0.7ppt	n/a
Net profit att. margin	13.1%	13.7%	14.6%	14.0%	14.8%	n/a	-0.8ppt	-1.2ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	19,331	21,216	22,848	20,663	23,749	26,324	-6.4%	-10.7%	-13.2%
Gross profit	11,503	12,709	13,758	12,408	14,343	15,871	-7.3%	-11.4%	-13.3%
EBIT	3,310	3,795	4,309	3,506	4,123	4,775	-5.6%	-8.0%	-9.8%
Net profit att.	2,540	2,896	3,336	2,787	3,240	3,672	-8.9%	-10.6%	-9.1%
Diluted EPS (RMB)	0.224	0.255	0.294	0.259	0.301	0.335	-13.6%	-15.1%	-12.2%
Gross margin	59.5%	59.9%	60.2%	60.0%	60.4%	60.3%	-0.5ppt	-0.5ppt	-0.1ppt
EBIT margin	17.1%	17.9%	18.9%	17.0%	17.4%	18.1%	0.2ppt	0.5ppt	0.7ppt
Net profit att. margin	13.1%	13.7%	14.6%	13.5%	13.6%	13.9%	-0.3ppt	0ppt	0.7ppt

Source: Company data, CMBIGM estimates

Results review

Figure 3: Earnings review - Half Year

Half yearly - (Mar year end) (RMB mn)	1H22	2H22	1H23	2H23	1H22 YoY	2H22 YoY	1H23 YoY	2H23 YoY	2H23E CMBI	Actual vs CMBI
Revenue	5,417	10,797	6,180	10,594	16%	22%	14%	-2%	11,689	-9%
COGS	-2,669	-3,808	-3,091	-3,707					-4,145	
Gross profit	2,748	6,989	3,089	6,887	23%	23%	12%	-1%	7,544	-9%
GP margins	50.7%	64.7%	50.0%	65.0%					64.5%	
Other income & gains	113	161	105	205					109	87%
S & D expenses	-1,614	-4,557	-1,623	-4,502	34%	27%	1%	-1%	-4,875	-8%
S & D exp / sales	-29.8%	-42.2%	-26.3%	-42.5%					-41.7%	
Admin expenses	-453	-750	-525	-679	16%	18%	16%	-10%	-667	2%
Admin exp / sales	-8.4%	-6.9%	-8.5%	-6.4%					-5.7%	
Other opex	-0	-28	-3	-10					-51	
Operating profit (EBIT)	795	1,814	1,043	1,901	19%	13%	31%	5%	2,060	-8%
OP margins	14.7%	16.8%	16.9%	17.9%					17.6%	
Other items	0	-40	-98	-20					0	
Net finance income	29	88	69	14					94	-85%
Net finance income / sales	0.5%	0.8%	1.1%	0.1%					0.8%	
Profit after financing costs	824	1,862	1,014	1,895					2,154	
Associated coms	0	-14	-7	-15					-29	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	824	1,848	1,007	1,880	27%	16%	22%	2%	2,125	-12%
Tax	-197	-417	-283	-448					-500	-10%
Tax / sales	-3.6%	-3.9%	-4.6%	-4.2%					-4.3%	
Effective tax rate	-23.9%	-22.5%	-28.1%	-23.8%					-23.5%	
Minority interests	-11	8	-10	28					19	
Net profit att.	638	1,424	734	1,404	31%	16%	15%	-1%	1,606	-13%
NP margins	11.8%	13.2%	11.9%	13.3%					13.7%	

Source: Company data, CMBIGM estimates

Figure 4: Earnings review - Full Year

Full yearly - (Mar year end) (RMB mn)	FY22	FY23	FY24E	FY23 YoY	FY24E YoY	FY23E CMBI	Actual vs CMBI
Revenue	16,214	16,774	19,331	3%	15%	17,870	-6%
COGS	-6,476	-6,798	-7,828			-7,237	
Gross profit	9,737	9,976	11,503	2%	15%	10,633	-6%
GP margins	60.1%	59.5%	59.5%			59.5%	
Other income & gains	274	310	271			214	44%
S & D expenses	-6,171	-6,125	-7,018	-1%	15%	-6,499	-6%
S & D exp / sales	-38.1%	-36.5%	-36.3%			-36.4%	
Admin expenses	-1,203	-1,204	-1,350	0%	12%	-1,192	1%
Admin exp / sales	-7.4%	-7.2%	-7.0%			-6.7%	
Other opex	-28	-12	-39			-54	
Operating profit (EBIT)	2,609	2,944	3,368	13%	14%	3,103	-5%
OP margins	16.1%	17.6%	17.4%			17.4%	
Other items	-40	-118	-58			-98	
Net finance income	117	83	129			163	-49%
Net finance income / sales	0.7%	0.5%	0.7%			0.9%	
Profit after financing costs	2,686	2,910	3,438			3,168	
Associated coms	-14	-22	-39			-36	
Jointly controlled coms	0	0	0			0	
Pre-tax profit	2,672	2,887	3,400	8%	18%	3,132	-8%
Tax	-613	-731	-850			-783	
Tax / sales	-3.8%	-4.4%	-4.4%			-4.4%	
Effective tax rate	-23.0%	-25.3%	-25.0%			-25.0%	
Minority interests	-4	18	10			9	
Net profit att.	2,062	2,139	2,540	4%	19%	2,340	-9%
NP margins	12.7%	12.7%	13.1%			13.1%	

Source: Company data, CMBIGM estimates

Assumption

Figure 5: CMBIGM's major assumptions

Major assumptions	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by segment (RMB mn)					
Down apparels	13,223	13,574	15,632	17,205	18,608
OEM management	1,901	2,294	2,753	3,028	3,240
Ladieswear	904	703	734	759	769
Diversified apparels	186	203	213	223	230
Total	16,214	16,774	19,331	21,216	22,848
Sales by segment growth (%)					
Down apparels	21.4%	2.7%	15.2%	10.1%	8.2%
OEM management	23.8%	20.7%	20.0%	10.0%	7.0%
Ladieswear	-4.5%	-22.2%	4.4%	3.4%	1.4%
Diversified apparels	28.3%	9.2%	5.0%	5.0%	3.0%
Total	20.0%	3.5%	15.2%	9.7%	7.7%
Sales by channel growth (%)					
Down Apparels - offline	25.6%	-6.0%	13.6%	8.4%	7.6%
Down Apparels - online	12.7%	23.1%	18.0%	13.0%	9.0%
OEM management	23.8%	20.7%	20.0%	10.0%	7.0%
Non-down apparels - offline	-1.1%	-18.6%	4.5%	4.0%	1.7%
Non-down apparels - online	11.3%	3.4%	5.0%	2.0%	2.0%
Total	20.0%	3.5%	15.2%	9.7%	7.7%
Sales network by segment					
Down apparel	3,809	3,423	3,320	3,378	3,437
Non - down apparel	462	457	462	466	471
Total	4,271	3,880	3,782	3,844	3,908
Sales network by channel type					
Self-operated	2,090	1,760	1,739	1,772	1,807
Third party distributors	2,181	2,120	2,043	2,072	2,101
Total	4,271	3,880	3,782	3,844	3,908
GP margins by segment					
Down apparels	65.7%	66.2%	66.6%	67.0%	67.3%
OEM management	18.6%	19.9%	20.5%	20.5%	20.5%
Ladieswear	72.4%	68.6%	67.0%	67.0%	67.0%
Diversified apparels	25.7%	25.7%	20.0%	20.0%	20.0%
Total	60.1%	59.5%	59.5%	59.9%	60.2%
Opex breakdown					
D&A/ sales	3.0%	3.1%	3.1%	2.7%	2.3%
Rental/ sales	14.2%	13.2%	13.5%	13.7%	13.6%
Labor/ sales	10.6%	11.0%	10.7%	10.4%	10.2%
A&P/ sales	6.5%	4.5%	5.0%	5.0%	5.0%
Others/ sales	11.2%	11.9%	11.0%	11.0%	11.0%
OP margins	15.8%	16.8%	17.1%	17.9%	18.9%
Effective tax rate	23.0%	25.3%	25.0%	25.0%	25.0%
NP att. margins	12.7%	12.7%	13.1%	13.7%	14.6%
NP att. growth (%)	20.6%	3.7%	18.8%	14.0%	15.2%

Source: Company data, CMBIGM estimates

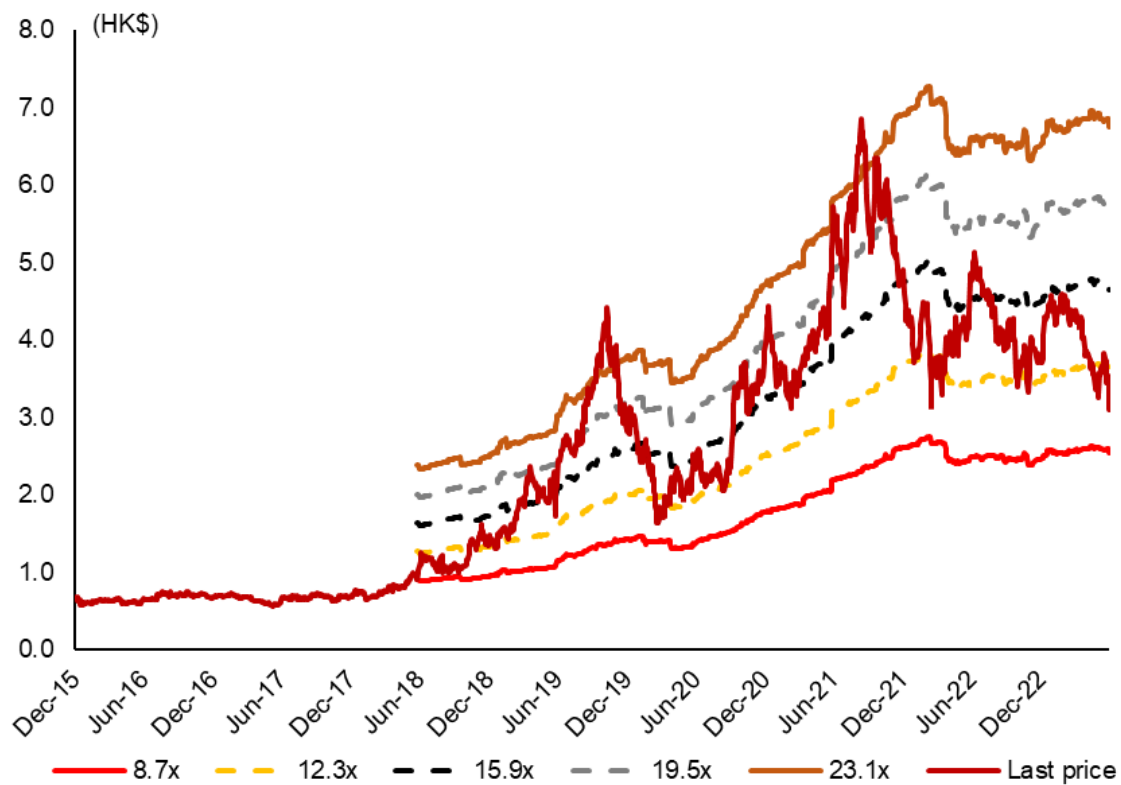
Valuation

Figure 6: 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 (%)	YTD perf. (%)
								FY1E	FY2E	FY1E	FY1E	FY1E	FY1E	FY1E
H-shares Apparel														
Bosideng Intl	3998 HK	BUY	3.78	3.25	16%	35,436	Mar-23	12.0	10.6	2.0	17.3	0.8	6.2	(12.4)
China Lilang	1234 HK	BUY	4.83	4.19	15%	5,017	Dec-22	8.3	8.2	1.1	12.0	0.9	7.5	12.8
Jnby Design	3306 HK	BUY	11.76	8.39	40%	4,352	Jun-22	7.8	6.3	2.0	27.6	1.6	9.7	(10.1)
Cosmo Lady	2298 HK	NR	n/a	0.36	n/a	810	Dec-22	9.5	5.5	0.4	1.7	0.1	n/a	79.1
Mulsanne Group	709 HK	NR	n/a	2.43	n/a	3,884	Dec-22	12.8	10.6	n/a	11.4	0.8	n/a	40.5
Giordano	1817 HK	NR	n/a	2.01	n/a	1,910	Dec-22	n/a	n/a	n/a	1.8	0.0	n/a	(49.8)
Koradior	3709 HK	NR	n/a	10.20	n/a	7,181	Dec-22	8.6	7.0	1.3	9.6	0.2	n/a	(8.9)
								Avg.	9.8	8.0	1.4	11.6	0.6	7.8
								Med.	9.0	7.6	1.3	11.4	0.8	7.5
A-shares Apparel														
Ningbo Peacebird	603877 CH	NR	n/a	24.53	n/a	12,591	Dec-22	16.8	14.2	2.3	4.8	0.2	3.5	33.4
Joeone Co Ltd	601566 CH	NR	n/a	11.58	n/a	7,207	Dec-22	22.4	17.0	1.5	1.6	(0.1)	3.7	51.8
Fujian Septwolves	002029 CH	NR	n/a	6.19	n/a	5,066	Dec-22	19.0	14.7	0.7	3.2	0.8	1.6	11.7
Hla Corp Ltd	600398 CH	NR	n/a	6.63	n/a	31,019	Dec-22	10.6	9.0	1.6	14.4	0.7	5.5	25.1
Jiangsu Hongdou	600400 CH	NR	n/a	3.17	n/a	7,898	Dec-22	63.4	44.0	2.2	0.5	0.6	n/a	(23.1)
Dazzle Fashion	603587 CH	NR	n/a	14.50	n/a	7,555	Dec-22	10.4	9.5	1.5	10.4	0.4	6.2	(4.7)
Anzheng Fashion	603839 CH	NR	n/a	7.30	n/a	3,156	Dec-22	n/a	n/a	n/a	(15.1)	0.0	n/a	4.3
Lancy Co Ltd	002612 CH	NR	n/a	22.98	n/a	11,012	Dec-22	57.3	39.5	3.1	2.7	0.3	0.5	(17.2)
Shenzhen Huijie	002763 CH	NR	n/a	8.55	n/a	3,796	Dec-22	n/a	n/a	n/a	7.4	0.0	n/a	11.9
Ellasay Fashion	603808 CH	NR	n/a	12.88	n/a	5,149	Dec-22	15.8	11.8	1.4	0.7	0.1	1.8	41.5
Bobaolon Co	002776 CH	NR	n/a	2.93	n/a	1,707	Dec-22	n/a	n/a	n/a	n/a	0.0	n/a	(3.9)
								Avg.	27.0	20.0	1.8	3.1	0.3	3.3
								Med.	17.9	14.5	1.6	2.9	0.2	3.5
International Apparel														
Canada Goose	GOOS US	NR	n/a	16.42	n/a	13,275	Apr-23	16.5	12.8	3.1	16.2	0.0	0.0	(7.8)
Moncler Spa	MONC IM	NR	n/a	62.84	n/a	147,923	Dec-22	27.0	24.0	4.7	22.5	2.5	1.7	26.9
Hugo Boss	BOSS GR	NR	n/a	69.92	n/a	42,192	Dec-22	19.5	15.8	3.1	20.5	0.9	1.9	29.1
Next	NXT LN	NR	n/a	6890.0	n/a	87,398	Jan-23	13.1	12.4	4.9	65.6	4.8	2.9	18.7
Hennes & Mauritz	HMB SS	NR	n/a	184.86	n/a	218,488	Nov-22	33.7	22.9	5.9	6.9	0.6	3.7	64.7
Industria De Diseno	ITX SM	NR	n/a	34.99	n/a	934,731	Jan-23	21.8	20.3	5.6	28.9	1.7	3.9	40.8
Ovs Spa	OVS IM	NR	n/a	2.49	n/a	6,199	Jan-23	8.3	7.8	0.6	4.4	0.2	3.0	18.0
Pvh Corp	PVH US	NR	n/a	82.70	n/a	40,645	Jan-23	8.2	7.4	0.9	3.9	0.1	0.2	17.2
Vf Corp	VFC US	NR	n/a	18.79	n/a	57,231	Apr-23	9.0	7.6	2.1	3.7	0.1	6.4	(31.9)
Marks & Spencer	MKS LN	NR	n/a	191.55	n/a	37,359	Apr-23	11.6	10.1	1.1	12.7	1.6	3.0	55.4
								Avg.	16.9	14.1	3.2	18.5	1.2	2.7
								Med.	14.8	12.6	3.1	14.4	0.7	2.9

Source: Bloomberg, CMBIGM estimates

Figure 7: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar (RMB mn)						
Revenue	13,517	16,214	16,774	19,331	21,216	22,848
Cost of goods sold	(5,592)	(6,476)	(6,798)	(7,828)	(8,507)	(9,090)
Gross profit	7,924	9,737	9,976	11,503	12,709	13,758
Operating expenses	(5,903)	(7,442)	(7,459)	(8,464)	(9,168)	(9,724)
Selling expense	(4,807)	(6,171)	(6,125)	(7,018)	(7,628)	(8,117)
Admin expense	(1,026)	(1,203)	(1,204)	(1,350)	(1,434)	(1,492)
Others	(70)	(68)	(130)	(97)	(106)	(114)
Operating profit	2,225	2,569	2,826	3,310	3,795	4,309
Other income	204	274	310	271	255	274
Share of (losses)/profits of associates/JV	0	(14)	(22)	(39)	(42)	(46)
EBITDA	2,789	3,119	3,353	3,804	4,263	4,738
Depreciation	(451)	(437)	(414)	(381)	(355)	(317)
Other amortisation	(113)	(113)	(113)	(113)	(113)	(113)
Interest income	213	316	293	338	404	487
Interest expense	(196)	(199)	(210)	(210)	(210)	(210)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	2,242	2,672	2,887	3,400	3,947	4,540
Income tax	(537)	(613)	(731)	(850)	(987)	(1,135)
Minority interest	5	4	(18)	(10)	(64)	(69)
Net profit	1,705	2,059	2,156	2,550	2,960	3,405
BALANCE SHEET						
YE 31 Mar (RMB mn)						
Current assets	12,877	14,737	15,344	17,295	18,902	19,472
Cash & equivalents	1,771	2,503	2,890	4,015	5,048	5,123
Account receivables	876	1,237	1,280	1,475	1,618	1,743
Inventories	2,646	2,688	2,822	3,249	3,531	3,773
Prepayment	1,168	1,281	1,326	1,528	1,677	1,805
ST bank deposits	307	306	306	306	306	306
Other current assets	6,109	6,722	6,722	6,722	6,722	6,722
Non-current assets	6,080	6,547	6,595	6,750	6,994	7,331
PP&E	1,762	1,758	1,941	2,247	2,646	3,142
Investment in JVs & assos	0	136	114	75	33	(13)
Intangibles	1,572	1,496	1,383	1,271	1,158	1,045
Other non-current assets	2,746	3,157	3,157	3,157	3,157	3,157
Total assets	18,956	21,284	21,939	24,044	25,896	26,803
Current liabilities	5,442	6,610	6,825	7,583	8,101	8,547
Short-term borrowings	671	934	934	934	934	934
Account payables	2,469	3,283	3,446	3,969	4,313	4,608
Tax payable	520	620	620	620	620	620
Other current liabilities	1,783	1,773	1,824	2,060	2,234	2,384
Non-current liabilities	2,263	2,447	2,447	2,447	2,447	2,447
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	2,263	2,447	2,447	2,447	2,447	2,447
Total liabilities	7,706	9,057	9,272	10,030	10,548	10,994
Share capital	1	1	1	1	1	1
Retained earnings	0	0	(931)	(190)	1,500	1,630
Other reserves	11,068	12,192	13,547	13,557	13,771	13,985
Total shareholders equity	11,069	12,193	12,616	13,368	15,271	15,616
Minority interest	182	33	51	61	124	193
Total equity and liabilities	18,956	21,284	21,939	23,459	25,944	26,803

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar (RMB mn)						
Operating						
Profit before taxation	2,242	2,672	2,887	3,662	4,264	4,540
Depreciation & amortization	564	550	526	494	468	430
Tax paid	(348)	(593)	(731)	(850)	(987)	(1,135)
Change in working capital	425	(162)	(6)	(67)	(57)	(49)
Others	250	202	232	201	176	256
Net cash from operations	3,133	2,670	2,909	3,440	3,866	4,041
Investing						
Capital expenditure	(437)	(577)	(597)	(688)	(755)	(813)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(3,426)	(109)	0	0	0	0
Net cash from investing	(3,863)	(686)	(597)	(688)	(755)	(813)
Financing						
Dividend paid	(880)	(1,309)	(1,716)	(1,609)	(1,871)	(2,126)
Net borrowings	148	360	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(135)	(14)	0	0	0	0
Others	(225)	(269)	0	0	0	0
Net cash from financing	(1,092)	(1,232)	(1,716)	(1,609)	(1,871)	(2,126)
Net change in cash						
Cash at the beginning of the year	3,639	1,771	2,503	2,890	4,015	4,230
Exchange difference	(46)	(21)	0	0	0	0
Others	(1,822)	752	387	925	1,033	892
Cash at the end of the year	1,771	2,503	2,890	3,815	5,048	5,123
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
Revenue	10.9%	20.0%	3.5%	15.2%	9.7%	7.7%
Gross profit	18.1%	22.9%	2.5%	15.3%	10.5%	8.3%
Operating profit	39.2%	15.5%	10.0%	17.1%	14.7%	13.5%
EBITDA	39.5%	11.9%	7.5%	13.5%	12.1%	11.1%
Net profit	42.6%	20.8%	4.7%	18.2%	16.1%	15.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
Gross profit margin	58.6%	60.1%	59.5%	59.5%	59.9%	60.2%
Operating margin	16.5%	15.8%	16.8%	17.1%	17.9%	18.9%
EBITDA margin	20.6%	19.2%	20.0%	19.7%	20.1%	20.7%
Return on equity (ROE)	16.0%	17.7%	17.4%	19.6%	20.7%	22.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
Net debt to equity (x)	(0.0)	0.0	0.1	0.1	0.2	0.2
Current ratio (x)	2.4	2.2	2.2	2.3	2.3	2.3
Receivable turnover days	23.7	27.8	27.8	27.8	27.8	27.8
Inventory turnover days	172.7	151.5	151.5	151.5	151.5	151.5
Payable turnover days	161.1	185.0	185.0	185.0	185.0	185.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
P/E	18.1	14.8	14.3	12.0	10.6	9.2
P/E (diluted)	18.1	14.8	14.3	12.0	10.6	9.2
P/B	2.7	2.4	2.3	2.2	2.0	1.8
P/CFPS	8.8	17.1	14.2	10.9	9.7	9.3
Div yield (%)	4.1	5.8	6.2	6.2	7.1	8.2
EV	34,913.0	34,534.5	34,147.6	33,607.2	34,023.3	31,914.4
EV/Sales	2.6	2.1	2.0	1.7	1.6	1.4
EV/EBITDA	12.5	11.1	10.2	8.8	8.0	6.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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.

CMBIGM 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 CMBIGM
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 Global Markets Limited

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

CMB International Global Markets Limited ("CMBIGM") 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. CMBIGM 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. CMBIGM 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 CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM 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 CMBIGM 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. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM 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. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM 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 CMBIGM 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 CMBIGM 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 CMBIGM.

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 CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

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.