

## Company Report

China Merchants Securities (HK) Co. Ltd.  
Hong Kong Equity Research

### China Lilang (1234 HK)

#### Earnings growth turnaround, back on the right track

- FY14 net profit grew 8% YoY above CMS/consensus estimates by 6%/3%. Lilang proposed a FY14 DPS of HK37cents (69% payout).
- Expect upcoming trade fairs to post high single-digit growth.
- Maintain BUY, TP HKD6.10, attractive FY15E dividend yield of 8%.

#### FY14 net profit resumes positive growth

Net profit grew 8% YoY to RMB555mn (above CMS/consensus estimates by 6%/3%) and proposed a FY14 DPS of HK40cents (69% payout). Net profit was above our expectation as revenue grew 6% YoY to RMB2.4bn (3% above CMS expectation) as Lilang's main brand "LILANZ" (91% of total revenue) reported a revenue growth of 5% YoY while its sub-brand "L2" (9% of total revenue) reported a revenue growth of 17% YoY. Gross margin remained flat at 42.6% despite decline in raw material prices as the group maintained its "improving quality without raising price" strategy. Operating margin improved 2.7ppt YoY to 27% as selling expenses declined 10% YoY due to write-back in accounts receivable provision of RMB14.5mn. The group had a total POS of 3,079 in FY14 (net closure of 376 POS). Overall, the group's FY14 ASP declined mid-single digit YoY while volume sold increased double digits YoY.

#### Outlook remains positive

Channel inventory remains healthy as all 2014 seasons' products have a sell-through ratio of >80% and improving SSSG (1H14: 2%-3% vs 2H14: 5%-6%). Retail discounts have also narrowed from about 20% off in Spring/Summer to currently about 15% off. Lilang also remains positive in the upcoming Autumn 2015 season trade fair and we expect sales growth to remain at high-single digit growth YoY. For POS network, Lilang remains conservative, focusing on improving store productivity/SSSG and increase sales floor area instead network expansion.

#### Maintain BUY with new TP HKD6.10

We increase our FY15E/16E earnings by 5%/6% on higher revenue and lower selling expense. Maintain BUY with higher TP of HKD6.10 based on an unchanged target FY15E P/E of 10x (post-IPO mean forward P/E) and higher EPS. Valuation undemanding at 9x FY15E P/E coupled with an attractive and sustainable dividend yield (FY15E: 8%).

#### Financials

RMB mn	2013	2014	2015E	2016E	2017E
Revenue	2,299	2,433	2,640	2,867	3,095
Growth (%)	-17.7%	5.8%	8.5%	8.6%	8.0%
Net profit	516	555	588	654	704
Growth (%)	-17.7%	7.5%	5.9%	11.3%	7.6%
EPS (RMB)	0.43	0.46	0.49	0.54	0.58
DPS (RMB)	0.30	0.32	0.34	0.37	0.40
P/E (x)	10.0	9.3	8.8	7.9	7.4
P/B (x)	2.1	1.9	1.8	1.7	1.6
ROAE (%)	21.1	21.3	21.0	21.8	22.1

Source: Company data, CMS (HK) estimates

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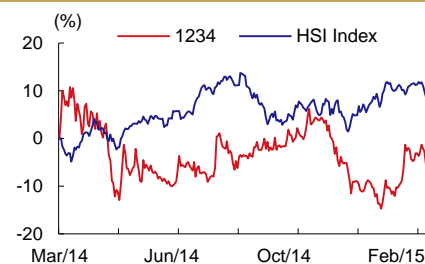
#### WHAT'S NEW

TP and earnings estimate upgrade

### BUY

Previous	BUY
Price	HK\$5.42
12-month Target Price (Potential upside)	HK\$6.10 (+13%)
Previous	HK\$5.85

#### Price Performance



Source: Bigdata

%	1m	6m	12m
1234 HK	4.5	(4.9)	0.3
HSI	(2.1)	(4.3)	6.4

#### Industry: Textile & Garment

Hang Seng Index	24123
HSCEI	11676

#### Key Data

52-week range (HK\$)	4.66-6.19
Market cap (HK\$ mn)	6525
Avg. daily volume (mn)	1.05
BVPS (HK\$)	2.78

#### Shareholdings Structure

Xiao Sheng International Limited	55.13%
Ming Lang Investments Limited	6.01%
Value Partners Group Limited	5.94%

No. of shares outstanding (mn)	1204
Free float	31.77%

#### Related Research

1. China Lilang(1234 HK) - Expect improvements to continue in 2015, "BUY" December 17, 2014
2. China Lilang(1234 HK) - Further catalysts ahead for share price upside, "BUY" September 10, 2014

Balance sheet and cashflow

Lilang's balance sheet remains healthy with strong FY14 net cash position of RMB1.9bn (including RMB946mn in bank deposits) vs FY13's RMB1.6bn. The improvement in cash position was mainly due RMB568mn in net cash inflow from operating activities which, was in turn driven by improvement in pretax profit. In terms of working capital, receivable days and inventory days both saw declines. Payable days increased 5 days to 59 as longer payment terms were adopted for new suppliers. We may see pressure on the group's free cashflow in FY15E-17E given cap-ex need to build the group's new headquarters (current head quarters is rented) which Lilang expects to require RMB100mn/RMB150mn/RMB240mn respectively for FY15E-17E.

Figure 1: Changes in major profit and loss items

(RMBmn)	Old Estimates	Actual	Difference	Old Estimates	New Estimates	Difference	Old Estimates	New Estimates	Difference
	FY14E	FY14		FY15E	FY15E		FY16E	FY16E	
Revenue	2,367	2,433	2.8%	2,569	2,640	2.8%	2,779	2,867	3.2%
Gross profit	1,030	1,036	0.6%	1,123	1,125	0.2%	1,217	1,224	0.6%
Gross margin	43.5%	42.6%	-0.9ppt	43.7%	42.6%	-1.1ppt	43.8%	42.7%	-1.1ppt
Operating profit	642	681	6.0%	693	736	6.3%	767	815	6.3%
Operating margin	27.1%	28.0%	0.9ppt	27.0%	27.9%	0.9ppt	27.6%	28.4%	0.8ppt
Recurring net profit	522	555	6.4%	562	588	4.6%	618	654	5.9%
Recurring net margin	22.0%	22.8%	0.8ppt	21.9%	22.3%	0.4ppt	22.2%	22.8%	0.6ppt

Source: Company, CMS (HK)

Figure 2: Key assumptions (new vs old)

	NEW					OLD		
	FY13	FY14	FY15E	FY16E	FY17E	FY14E	FY15E	FY16E
<b>Total revenue (RMBmn)</b>	<b>2,299</b>	<b>2,433</b>	<b>2,640</b>	<b>2,867</b>	<b>3,095</b>	<b>2,367</b>	<b>2,569</b>	<b>2,779</b>
<i>YoY change</i>	<i>-17.7%</i>	<i>5.8%</i>	<i>8.5%</i>	<i>8.6%</i>	<i>8.0%</i>	<i>3.0%</i>	<i>8.53%</i>	<i>8.2%</i>
LILANZ revenue (RMBmn)	2,091	2,200	2,361	2,538	2,726	2,115	2,256	2,414
<i>YoY change</i>	<i>-18.6%</i>	<i>5.2%</i>	<i>7.3%</i>	<i>7.5%</i>	<i>7.4%</i>	<i>1.1%</i>	<i>6.67%</i>	<i>7.0%</i>
L2 revenue (RMBmn)	191	224	270	319	359	232	293	344
<i>YoY change</i>	<i>-1.8%</i>	<i>17.3%</i>	<i>20.8%</i>	<i>18.2%</i>	<i>12.6%</i>	<i>21.6%</i>	<i>26.25%</i>	<i>17.7%</i>
Others (RMBmn)	17	10	10	10	10	20	20	20
<i>YoY change</i>	<i>34.4%</i>	<i>-42.3%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>20.0%</i>	<i>0.00%</i>	<i>0.0%</i>
<b>Sales assumptions</b>								
ASP (RMB) - Wholesale	202	192	192	192	192	196	196	196
<i>YoY change</i>	<i>-8.6%</i>	<i>-5.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>-3.0%</i>	<i>0.00%</i>	<i>0.0%</i>
Sales volume ('000) - Wholesale	11,376	12,684	13,762	14,932	16,127	12,081	13,108	14,183
<i>YoY change</i>	<i>-10.0%</i>	<i>11.5%</i>	<i>8.5%</i>	<i>8.5%</i>	<i>8.0%</i>	<i>6.2%</i>	<i>8.50%</i>	<i>8.2%</i>
<b>Distribution network</b>								
LILANZ POS	3,180	2,783	2,783	2,783	2,783	2,880	2,880	2,880
net additions	-47	-397	0	0	0	-300	0	0
Average store area (sq.m)	103	108	114	117	119	114	115	116
<i>YoY change</i>	<i>-7.4%</i>	<i>5.1%</i>	<i>5.0%</i>	<i>3.0%</i>	<i>2.0%</i>	<i>0.8%</i>	<i>1.00%</i>	<i>1.0%</i>
L2 POS	275	296	321	336	346	315	340	355
net additions	23	21	25	15	10	40	25	15
Average store area (sq.m)	108	110	111	112	112	110	111	112
<i>YoY change</i>	<i>2.3%</i>	<i>1.6%</i>	<i>0.8%</i>	<i>0.9%</i>	<i>0.0%</i>	<i>1.5%</i>	<i>0.91%</i>	<i>0.9%</i>
<b>Cost ratios</b>								
<i>Gross margin</i>	<i>42.6%</i>	<i>42.6%</i>	<i>42.6%</i>	<i>42.7%</i>	<i>42.7%</i>	<i>43.5%</i>	<i>43.70%</i>	<i>43.8%</i>
Admin expense / turnover	4.3%	4.2%	4.0%	3.8%	3.6%	4.2%	3.99%	3.8%
Advertising & promotion / turnover	9.8%	9.7%	9.4%	9.1%	9.1%	9.7%	9.42%	9.1%
Other selling expense / turnover	3.6%	1.6%	1.8%	1.8%	1.9%	3.1%	3.83%	3.7%
Effective tax rate	20.1%	27.6%	28.3%	28.3%	28.3%	26.8%	26.80%	26.8%

Source: Company, CMS (HK)

Figure 3: Lilang's historical trade fair sales (sales value growth on YoY basis)

Date announced	8 Sep 11	30 Mar 12	5 Jun 12	20 Sep 12	8 April 13	28 May 13	12 Sep 13	12 Mar 14	3 Jun 14	12 Sep 14
Season	Spring/Summer 12	Autumn 12	Winter 12	Spring/Summer 13	Autumn 13	Winter 13	Spring/Summer 14	Autumn 14	Winter 14	Spring/Summer 15
LILANZ	28.5%	16.0%	11.5%	-9.0%	-26.0%	-16.0%	-ve low SD	+ve mid SD	+ve high SD	+ve high SD
L2	100.0%	61.0%	40.5%	17.0%	0.0%	0-5%	6-9%	10-15%	+ve low DD	+ve low DD

Source: Company, CMS (HK)

Figure 4: Annual and semi-annual P&L summary

(RMBmn) FY end- Dec	FY13	FY14	FY15E	FY16E	FY17E	1H13	2H13	1H14	2H14
<b>Total revenue</b>	<b>2,299</b>	<b>2,433</b>	<b>2,640</b>	<b>2,867</b>	<b>3,095</b>	<b>1,093</b>	<b>1,206</b>	<b>1,091</b>	<b>1,342</b>
YoY change	-17.7%	5.8%	8.5%	8.6%	8.0%	-13.2%	-21.4%	-0.2%	11.3%
-LILANZ	<b>2,091</b>	<b>2,200</b>	<b>2,361</b>	<b>2,538</b>	<b>2,726</b>	<b>1,013</b>	<b>1,078</b>	<b>992</b>	<b>1,208</b>
YoY change	-18.6%	5.2%	7.3%	7.5%	7.4%	-14.0%	-22.5%	-2.1%	12.1%
-L2	<b>191</b>	<b>224</b>	<b>270</b>	<b>319</b>	<b>359</b>	<b>79</b>	<b>111</b>	<b>95</b>	<b>128</b>
YoY change	-1.8%	17.3%	20.8%	18.2%	12.6%	-2.1%	-1.6%	20.2%	15.3%
-Others	<b>17</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>17</b>	<b>4</b>	<b>6</b>
YoY change	34.4%	-42.3%	0.0%	0.0%	0.0%	0.0%	34.4%	NA	-63.1%
COGS	(1,319)	(1,397)	(1,516)	(1,643)	(1,773)	(656)	(663)	(645)	(753)
<b>Gross Profit</b>	<b>980</b>	<b>1,036</b>	<b>1,125</b>	<b>1,224</b>	<b>1,321</b>	<b>437</b>	<b>543</b>	<b>446</b>	<b>590</b>
YoY change	-12.8%	5.7%	8.6%	8.8%	8.0%	-12.6%	-13.1%	2.1%	8.6%
Gross margin	42.6%	42.6%	42.6%	42.7%	42.7%	40.0%	45.0%	40.9%	43.9%
Selling expenses	(307)	(276)	(295)	(313)	(347)	(116)	(191)	(110)	(166)
YoY change	-5.6%	-10.2%	7.2%	5.8%	11.2%	10.4%	-13.2%	-5.2%	-13.1%
Administrative expenses	(100)	(103)	(106)	(109)	(104)	(44)	(55)	(44)	(59)
YoY change	-3.3%	3.5%	3.0%	3.0%	-5.1%	-12.9%	6.1%	0.1%	6.2%
Other costs	(8)	(4)	(5)	(5)	(5)	(5)	(3)	(0)	(4)
Other revenue	16	28	18	18	18	3	14	3	24
<b>Operating Profit</b>	<b>582</b>	<b>681</b>	<b>736</b>	<b>815</b>	<b>883</b>	<b>275</b>	<b>307</b>	<b>295</b>	<b>386</b>
YoY change	-18.0%	17.0%	8.2%	10.7%	8.3%	-20.0%	-16.2%	7.3%	25.7%
Operating margin	25.3%	28.0%	27.9%	28.4%	28.5%	25.2%	25.4%	27.1%	28.7%
Net finance costs	64	86	83	97	99	29	35	43	43
<b>Pre-tax profits</b>	<b>646</b>	<b>767</b>	<b>820</b>	<b>912</b>	<b>982</b>	<b>304</b>	<b>342</b>	<b>338</b>	<b>428</b>
Tax	(130)	(212)	(232)	(258)	(278)	(61)	(68)	(90)	(122)
Effective tax rate	20.1%	27.6%	28.3%	28.3%	28.3%	20.2%	20.0%	26.6%	28.4%
<b>Net Profit</b>	<b>516</b>	<b>555</b>	<b>588</b>	<b>654</b>	<b>704</b>	<b>242</b>	<b>274</b>	<b>248</b>	<b>307</b>
YoY change	-17.7%	7.5%	5.9%	11.3%	7.6%	-12.9%	-21.5%	2.4%	12.0%
Net margin	22.5%	22.8%	22.3%	22.8%	22.7%	22.2%	22.7%	22.7%	22.9%

Source: Company, CMS (HK)

Figure 5: Post IPO one-year forward PE band



Source: CMS (HK), Bloomberg

Figure 6: Valuation – Hong Kong listed apparel retailers

Company	Ticker	Price	Mkt cap (USDm)	3-mth avg t/o (USDm)	FY-end	P/E Hist (x)	P/E FY1 (x)	P/E FY2 (x)	EPS FY1 YoY%	EPS FY2 YoY%	3-Yr EPS CAGR (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/BV Hist (x)	P/BV FY1 (x)
China Lilang Ltd	1234 HK	5.42	841	0.5	Dec	9.3	8.8	7.9	6.9	10.9	8.4	1.1	7.4	7.8	1.9	1.8
HSI		24,123				10.1	11.5	10.3	(12.3)	11.5	2.9	4.01	3.7	3.5	1.4	1.3
HSCEI		11,676				8.2	8.1	7.2	1.5	12.0	7.6	1.07	3.7	3.9	1.2	1.1
CSI300		3,538				15.6	12.9	11.2	20.7	15.7	N/A	N/A	1.6	2.1	2.3	1.9
<b>Adjusted sector avg*</b>						<b>9.2</b>	<b>9.6</b>	<b>8.3</b>	<b>(2.7)</b>	<b>16.5</b>	<b>9.0</b>	<b>7.2</b>	<b>8.6</b>	<b>6.5</b>	<b>1.4</b>	<b>1.9</b>
Bosideng Intl	3998 HK	0.87	898	0.6	Mar	9.0	9.9	8.4	(18.7)	18.3	0.3	33.7	3.7	4.6	0.8	0.7
Trinity Ltd	891 HK	1.49	335	0.6	Dec	8.5	13.1	10.6	(35.2)	22.8	1.5	5.7	8.7	5.5	0.8	4.5
Giordano Intl	709 HK	3.69	747	0.9	Dec	14.2	12.9	11.9	9.6	8.8	10.7	1.3	9.3	7.0	2.0	1.9
China Outfitters	1146 HK	0.89	395	0.0	Dec	6.5	8.2	6.5	(21.0)	25.0	N/A	N/A	27.0	N/A	1.3	N/A
LT Ltd	999 HK	2.27	359	0.2	Feb	10.0	9.4	8.4	5.7	12.4	14.9	0.7	4.4	4.8	1.0	1.0
Ygm Trading	375 HK	13.42	287	0.1	Mar	10.2	N/A	N/A	N/A	N/A	N/A	N/A	6.7	N/A	1.6	N/A
Evergreen International	238 HK	0.78	95	0.2	Dec	7.8	N/A	N/A	N/A	N/A	N/A	N/A	1.5	N/A	0.4	N/A
Cabbeen Fashion	2030 HK	3.05	279	0.4	Dec	7.4	6.8	6.0	8.7	13.9	N/A	N/A	7.4	6.1	2.4	N/A
Bossini Intl	592 HK	0.73	153	0.2	Jun	9.3	7.6	6.3	22.6	19.8	18.4	0.5	9.6	9.6	1.5	1.3
China Fordoo	2399 HK	3.86	239	0.3	Dec	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Figure 7: Valuation – Hong Kong listed apparel retailers (continued)

Company	Rev Hist (USDm)	NP Hist (USDm)	EV/ EBITDA Hist	EV/ EBITDA Cur Yr	Net gearing Hist (%)	Net gearing FY1 (%)	Unlev beta	Gross margin Hist (%)	Net margin Hist (%)	ROIC Hist (%)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
China Lilang Ltd	388	89	4.5	4.2	0.0	0.0	0.4	42.6	22.8	13.8	21.3	21.0	8.2	4.8
HSI											13.4	11.0	(1.6)	2.7
HSCEI											15.2	13.6	0.2	3.0
CSI300											14.5	14.7	5.7	13.9
<b>Adjusted sector avg*</b>			<b>5.1</b>	<b>5.5</b>	<b>4.4</b>	<b>0.0</b>	<b>0.3</b>	<b>56.2</b>	<b>14.2</b>	<b>11.3</b>	<b>17.6</b>	<b>17.5</b>	<b>1.8</b>	<b>(0.5)</b>
Bosideng Intl	1,315	111	5.8	6.3	0.0	N/A	0.15	50.0	8.4	7.2	8.7	6.4	(1.1)	(23.0)
Trinity Ltd	347	39	5.4	7.5	2.6	0.0	0.72	75.5	11.4	4.3	7.1	34.5	0.7	(8.0)
Giordano Intl	715	53	5.4	7.5	0.0	0.0	0.72	58.0	7.4	13.5	13.6	15.1	(2.4)	7.3
China Outfitters	199	61	3.5	N/A	0.0	N/A	(0.09)	74.3	30.8	10.6	15.1	15.1	1.1	(7.3)
LT Ltd	870	36	3.5	3.2	0.0	0.0	0.17	59.9	4.1	6.8	11.5	10.6	(1.3)	(1.3)
Ygm Trading	161	28	9.1	N/A	0.0	N/A	0.23	64.0	17.5	6.6	8.8	N/A	(1.0)	(4.1)
Evergreen International	111	12	3.2	N/A	0.0	N/A	0.44	66.5	11.1	2.1	2.9	3.8	6.8	(2.5)
Cabbeen Fashion	175	38	5.0	4.6	0.0	N/A	N/A	42.1	21.4	19.4	35.7	32.4	(6.2)	6.6
Bossini Intl	328	16	3.6	3.8	0.0	N/A	0.17	51.1	5.0	N/A	17.5	19.0	9.0	15.9
China Fordoo	232	38	5.2	N/A	45.9	N/A	N/A	34.2	16.4	29.0	51.7	N/A	6.0	5.8

\* "N/A" entries excl. from calculations of averages

Source: CMS (HK), Bloomberg

Based on March 9, 2015 closing prices

## Financial Summary

### Balance Sheet

RMB million	2013	2014	2015E	2016E	2017E
<b>Current Assets</b>	<b>3,071</b>	<b>3,710</b>	<b>3,812</b>	<b>3,914</b>	<b>3,979</b>
Cash & equivalents	1,436	1,845	1,876	1,893	1,906
Trading investments	-	-	-	-	-
ST bank deposits	772	946	946	946	946
Trade receivables	593	670	657	746	772
Other receivables	-	-	-	-	-
Inventories	271	249	333	329	355
Other current assets	-	-	-	-	-
<b>Non-current assets</b>	<b>430</b>	<b>414</b>	<b>501</b>	<b>628</b>	<b>826</b>
Investment property	-	-	-	-	-
Property, Plant & Eq.	303	284	368	492	688
Intangible assets	6	5	5	5	5
Other non-current assets	121	125	128	131	132
<b>Total assets</b>	<b>3,501</b>	<b>4,124</b>	<b>4,314</b>	<b>4,542</b>	<b>4,804</b>
<b>Current liabilities</b>	<b>779</b>	<b>1,360</b>	<b>1,333</b>	<b>1,376</b>	<b>1,435</b>
Bank loans	418	855	855	855	855
Trade payables	332	417	382	414	465
Prepaid Accounts	-	-	-	-	-
Other liquid liabilities	28	88	96	107	115
<b>Long term Liabilities</b>	<b>208</b>	<b>66</b>	<b>70</b>	<b>77</b>	<b>83</b>
Loans	145	-	-	-	-
Others	64	66	70	77	83
<b>Total Liabilities</b>	<b>988</b>	<b>1,426</b>	<b>1,402</b>	<b>1,453</b>	<b>1,518</b>
Issued capital	106	106	106	106	106
Capital reserves	-	-	-	-	-
Reserves	2,408	2,592	2,805	2,983	3,180
Minority interests	-	-	-	-	-
<b>Total equity and liabilities</b>	<b>3,501</b>	<b>4,124</b>	<b>4,314</b>	<b>4,542</b>	<b>4,804</b>

### Cashflow Statement

RMB million	2013	2014	2015E	2016E	2017E
<b>Operating cashflow</b>	<b>655</b>	<b>568</b>	<b>468</b>	<b>536</b>	<b>650</b>
Pretax profit	646	767	820	912	982
Deprec & Amort.	36	35	32	41	55
Finance costs	8	12	15	19	19
Interest income	(76)	(98)	(103)	(116)	(118)
Working capital chg	171	2	(68)	(62)	(11)
Others	(134)	(152)	(232)	(258)	(278)
<b>CF from IA</b>	<b>(169)</b>	<b>(76)</b>	<b>(12)</b>	<b>(49)</b>	<b>(132)</b>
Capital expenditure	(15)	(17)	(115)	(165)	(250)
Other investments	(154)	(60)	103	116	118
<b>CF from FA</b>	<b>(293)</b>	<b>(83)</b>	<b>(425)</b>	<b>(471)</b>	<b>(505)</b>
Borrowings	119	292	-	-	-
Others	(412)	(375)	(425)	(471)	(505)
<b>Net cash flow</b>	<b>193</b>	<b>409</b>	<b>31</b>	<b>17</b>	<b>12</b>
Beginning cash	1,243	1,436	1,845	1,876	1,893
Forex effects	(0)	0	-	-	-
Ending cash	1,436	1,845	1,876	1,893	1,906

Source: Company data, CMS (HK) estimates

### Profit & Loss Statement

RMB million	2013	2014	2015E	2016E	2017E
<b>Revenues</b>	<b>2,299</b>	<b>2,433</b>	<b>2,640</b>	<b>2,867</b>	<b>3,095</b>
Cost of sales	(1,319)	(1,397)	(1,516)	(1,643)	(1,773)
<b>Gross profit</b>	<b>980</b>	<b>1,036</b>	<b>1,125</b>	<b>1,224</b>	<b>1,321</b>
Selling exp	(307)	(276)	(295)	(313)	(347)
Admin exp	(100)	(103)	(106)	(109)	(104)
Op expenses	(8)	(4)	(5)	(5)	(5)
Other revenue	16	28	18	18	18
<b>Op Profit</b>	<b>582</b>	<b>681</b>	<b>736</b>	<b>815</b>	<b>883</b>
Net fin. costs	64	86	83	97	99
<b>PBT</b>	<b>646</b>	<b>767</b>	<b>820</b>	<b>912</b>	<b>982</b>
Taxes	(130)	(212)	(232)	(258)	(278)
<b>Profit after tax</b>	<b>516</b>	<b>555</b>	<b>588</b>	<b>654</b>	<b>704</b>
Minority interests	-	-	-	-	-
Net Profit	516	555	588	654	704
<b>EPS (RMB)</b>	<b>0.43</b>	<b>0.462</b>	<b>0.488</b>	<b>0.543</b>	<b>0.585</b>

### Financial Ratios

	2013	2014	2015E	2016E	2017E
<b>YoY growth rate</b>					
Revenue	-17.7%	5.8%	8.5%	8.6%	8.0%
Op profit	-18.0%	17.0%	8.2%	10.7%	8.3%
Net profit	-17.7%	7.5%	5.9%	11.3%	7.6%
<b>Profitability</b>					
Gross margin	42.6%	42.6%	42.6%	42.7%	42.7%
NP margin	22.5%	22.8%	22.3%	22.8%	22.7%
ROAE	21.1%	21.3%	21.0%	21.8%	22.1%
<b>Liquidity</b>					
Debt to Asset	16.1%	20.7%	19.8%	18.8%	17.8%
Net Debt to Equity	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
Current ratio	3.9	2.7	2.9	2.8	2.8
Quick ratio	3.6	2.5	2.6	2.6	2.5
<b>Operating efficiency</b>					
Asset turnover	0.7	0.6	0.6	0.6	0.6
Inventory days	76	68	70	74	70
AR days	94	82	82	79	79
AP days	54	59	65	63	65
<b>Per share data</b>					
EPS (RMB)	0.43	0.46	0.49	0.54	0.58
CFPS (RMB)	0.52	0.60	0.64	0.71	0.78
BVPS (RMB)	2.09	2.24	2.41	2.56	2.73
DPS (RMB)	0.30	0.32	0.34	0.37	0.40
<b>Valuation ratios</b>					
P/E	10.0	9.3	8.8	7.9	7.4
P/B	2.1	1.9	1.8	1.7	1.6
EV/EBITDA	5.7	4.5	4.2	3.7	3.4

## Investment Ratings

Rating	Definition
BUY	Expected to outperform the market index by >10% over the next 12 months
NEUTRAL	Expected to outperform or underperform the market index by 10% or less over the next 12 months
SELL	Expected to underperform the market index by >10% over the next 12 months

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