

Company Report

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

Cosmo Lady (2298 HK)

Standing out from the retailers' crowd

- FY14 recurring net profit up 54% YoY in line with estimates
- FY15E-17E earnings growth to remain strong at +20% YoY
- Maintain BUY with unchanged TP of HKD6.22

Valuation justified by competitive advantage and outlook

We fine tune our estimates and maintain our HKD6.22 TP with a target 16x FY15E P/E (mean of HK-listed apparel retailers' 8-9x peer average and staples' 23x peer average). Our target P/E is also at the low-end of US-listed peers' 18x-22x FY15E P/E. The premium of Cosmo Lady (CL) vs apparel sector is justifiable given CL's competitive advantage and strong growth outlook.

Expect strong earnings growth to continue

We expect strong earnings growth to continue (+20% YoY) in FY15E-17E mainly driven by POS expansion (SSSG at low single digits). We maintain our POS net addition forecasts unchanged at 1,200 net POS addition annually in FY15E-16E and 1,050 net POS increase in FY17E. Besides penetrating into new areas (new residential areas, pedestrian streets, supermarkets, shopping malls and subway stores), CL will also continue to expand through the increasing of brand mix. For example, CL's acquisition of Ordifen in FY15 (refer to page 2 for details on acquisition) and introduction of its own Korean style brand, Freeday, during FY14.

FY14 recurring net profit surge 54% YoY

CL FY14 recurring net profit (excl. RMB23mn listing expenses) surged 54% YoY to RMB448mn, in line with CMS/consensus. CL proposed a full year FY14 DPS of HK10cents (36% payout). Profit growth was mainly driven by revenue (+37% YoY) and gross margin (GPM) improvement (+2.4ppt YoY to 39%). Revenue growth was in turn driven by single digit SSSG and network expansion. In FY14, CL had a net increase of 1,236 POS YoY (980 franchised and 256 self-operated) equating to a total of 7,026 POS (6,049 franchised and 977 self-operated), in line with CL's target. GPM improvement was due to product mix improvement, supply chain enhancement, higher contribution from self-operated stores and improved economies of scale. Despite better than expected revenue and GPM, selling expenses were higher than expected and hence, net profit was only in line with estimates.

Financials

RMB mn	2013	2014	2015E	2016E	2017E
Revenue	2,916	4,008	5,067	6,272	7,493
Growth (%)	29.2%	37.4%	26.4%	23.8%	19.5%
Recurring net profit	292	448	577	699	856
Growth (%)	51.5%	53.4%	28.7%	21.3%	22.4%
Recurring EPS (RMB)	0.15	0.23	0.30	0.37	0.45
DPS (RMB)	NA	0.08	0.09	0.11	0.13
P/E (x) - Recurring	27.4	17.9	13.9	11.4	9.3
P/B (x)	11.6	3.6	2.9	2.4	1.9
ROAE (%)	45.1	30.6	23.2	22.9	22.8

Source: Company data, CMS (HK) estimates

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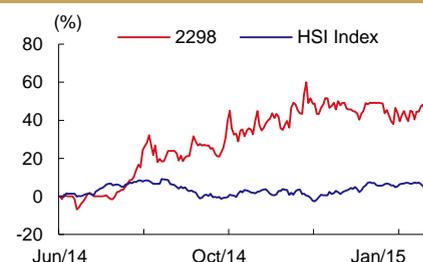
WHAT'S NEW

FY14 results review

BUY

Previous	BUY
Price	HK\$5.23
12-month Target Price (Potential upside)	HK\$6.22 (+19%)
Previous	HK\$6.22

Price Performance



Source: Bigdata

%	1m	6m	12m
2298 HK	3.8	20.0	45.0
HSI	(1.6)	(4.2)	6.5

Industry: Retail

Hang Seng Index	23897
HSCEI	11676

Key Data

52-week range (HK\$)	3.17-6.1
Market cap (HK\$ mn)	9971
Avg. daily volume (mn)	3.82
BVPS (HK\$)	1.45

Shareholdings Structure

ZHENG Yaonan and management	65.16%
Capital Today Investment XVIII Limited	9.98%

No. of shares outstanding (mn)	1906
Free float	22.89%

Related Research

1. Cosmo Lady (2298 HK) Site visit takeaways – On the right track, initiate "BUY" January 16, 2015
2. Cosmo Lady (2298 HK) Riding the wave of China's intimate wear revolution, initiate "BUY" December 8, 2014

Balance sheet and cashflow

CL's net cash position improved to RMB1,081mn vs FY13's RMB306mn (including cash in bank deposits). The significant increase in cash position was mainly due to net IPO proceeds of RMB1,162mn. In terms of working capital, inventory days increased slightly to 78 from FY13's 72 due to increase in self-operated POS. We expect inventory days to continue increasing gradually given the group's expansion strategy. Meanwhile, receivable days remained stable at 21 days and payable days declined to 81 days (FY13:103 days).

Regarding the cashflow, CL reported a net operating cash outflow of RMB54mn (FY13: net operating cash inflow of RMB218mn) despite strong earnings growth mainly due to significant increase in deposits for new self-operated POS openings as 100% fully self-owned POS (excl. cooperative agreement POS) surged 127% YoY to 458 stores. As the group pays a one-year rental deposit in order to secure favourable rental rates and prime locations, the significant surge in deposits had caused a significant increase in change in cash outflow from deposits. However, we expect operating cashflow to return to cash inflow starting FY15E as the annual percentage increase in self-owned POS declines due to high base (smaller change in cash outflow vs profits) and deposit amount stabilises.

Details on acquisition of Ordifen on March 1, 2015

Background of Shanghai Ordifen (SO)

SO is a well-established high-end intimate wear retailer and manufacturer in the PRC with strong consumer brand awareness. According to Frost & Sullivan, SO ranked 5th and 7th in terms of retail sales of bras and ladies' underpants respectively in the PRC in 2014. As of end-FY14, SO had about 614 retail outlets (about 250 self-operated POS and about 364 franchised POS) in department stores, shopping malls and large retail centers in tier 1 and 2 cities. SO possesses various intellectual property rights/ patents/ trademarks related to intimate wear products. SO had a FY14 net asset of RMB71.2mn and is currently loss-making with a FY14 net loss of RMB14.6mn. However, the loss has narrowed significantly compared to FY13's RMB27.6mn net loss as FY14 GPM improved 4ppts YoY to 66% offsetting decline in FY14 revenue of 11.6% YoY to RMB329mn.

Valuation of acquisition

Based on the acquisition price of RMB92mn and SO's FY14 net asset of RMB71.2mn, this equates to a valuation of FY14 P/B of 1.3x vs CL's current FY14 P/B of about 3.6x. CL has not acquired any existing SO debts.

Benefits of acquisition – Targets SO to contribute to group profits in FY15E

Overall, we view CL's acquisition to be positive as it benefits the group's future development in several ways: i) enhances existing product designs and qualities through acquisition of SO's intellectual property rights/ patents/ trademarks and design staff which is experienced in high-end product designs; ii) increases POS network/geographic coverage in tier 1 and 2 cities with a distinguished high-end intimate wear brand.

Management also aims to turn SO around and profitable in FY15E by:

- Decreasing current SO ASP by about 40% and increasing POS contribution in shopping malls and residential pedestrian streets. Management views that SO's loss-making is mainly due to its overly priced ASP and wrong sales channel by focusing on department stores which resulted in a low sell-through ratio of only 50%-60%.
- Lowering costs by 30%-40% by incorporating Cosmo Lady's existing logistics and economies of scale in raw materials sourcing and production scale with SO. Overall, coupled with increased sell-through and improved store productivity, management aims to increase SO's profit margins significantly in a short period of time.
- Increasing product range of SO from mainly bra's and ladies underpants to thermal wear, loungewear, legging, etc to further increase sell-through and store productivity.
- Currently, only 40%-50% of SO's products are outsourced to OEMs. Cosmo Lady will increase SO's outsourced products and economies of scale by leveraging on Cosmo Lady's existing large outsourced volume.
- Targets SO to return to profitability in 2H15 and SO net margin to reach Cosmo Lady's level in FY16E.
- Management will focus on improving product development in 1H15 followed by lowering ASP in 2H15.
- Targets to double SO's online sales from RMB30mn in FY14 to RMB60mn in FY15E through lower ASP and improved product mix.

Despite our positive view on the acquisition, we remain conservative and omit the sales contribution of SO in our forecasts until we get more colour on CL's near-term outlook and CL's progress in revamping SO.

Figure 1: Changes in major profit and loss items

FY-end Dec (RMBmn)	Old Estimates	Actual	Difference	Old Estimates	New Estimates	Difference	Old Estimates	New Estimates	Difference
	FY14E	FY14		FY15E	FY15E		FY16E	FY16E	
Turnover	3,888	4,008	3.1%	5,076	5,067	-0.2%	6,270	6,272	0.0%
Gross profit	1,574	1,568	-0.4%	2,085	2,083	-0.1%	2,587	2,589	0.1%
Gross margin	40.5%	39.1%	-1.4%	41.1%	41.1%	0.0%	41.3%	41.3%	0.0%
Operating profit	582	598	2.8%	748	779	4.1%	905	946	4.6%
Operating margin	15.0%	14.9%	0.0%	14.7%	15.4%	0.6%	14.4%	15.1%	0.7%
Recurring net profit	445	448	0.6%	570	577	1.1%	688	699	1.6%
Recurring net margin	11.5%	11.2%	-0.3%	11.2%	11.4%	0.1%	11.0%	11.2%	0.2%

Source: Company, CMS (HK)

Figure 2: CL's revenue forecast parameters

FY-end Dec (RMBmn)	FY12	FY13	FY14	FY15E	FY16E	FY17E
Total revenue	2,258	2,916	4,008	5,067	6,272	7,493
% change YoY	36.3%	29.2%	37.4%	26.4%	23.8%	19.5%
Revenue by sales channels:						
Self-operated retail revenue	188	676	1,244	1,731	2,295	2,880
% change YoY	196.5%	259.6%	84.1%	39.2%	32.5%	25.5%
% of total revenue	8.3%	23.2%	31.0%	34.2%	36.6%	38.4%
- Revenue from self-managed POS	187	333	536	1,002	1,551	2,121
% change YoY	194.9%	78.0%	60.9%	87.0%	54.8%	36.8%
% of total revenue	8.3%	11.4%	13.4%	19.8%	24.7%	28.3%
No. of POS	151	202	458	708	958	1208
% change YoY	84.1%	33.8%	126.7%	54.6%	35.3%	26.1%
Sales per POS (RMB mn)	1.884	2.033	2.014	2.074	2.116	2.158
SSSG	7.3%	4.9%	3.0%	3.0%	2.0%	2.0%
-Revenue from self-managed POS (cooperative arrangement)	1	343	708	730	744	759
% change YoY	N/A	34200.0%	106.5%	3.0%	2.0%	2.0%
% of total revenue	0.0%	11.8%	17.7%	14.4%	11.9%	10.1%
No. of POS	58	519	519	519	519	519
% change YoY	N/A	794.8%	0.0%	0.0%	0.0%	0.0%
Sales per POS (RMB mn)	0.000	1.189	1.365	1.406	1.434	1.463
SSSG	0.0%	4.9%	3.0%	3.0%	2.0%	2.0%
Revenue from sales to franchisees	2,070	2,240	2,690	3,186	3,752	4,331
% change YoY	30.0%	8.2%	20.1%	18.4%	17.8%	15.4%
% of total revenue	91.7%	76.8%	67.1%	62.9%	59.8%	57.8%
No. of POS	4,429	5,069	6,049	6,999	7,949	8,749
% change YoY	29.8%	14.5%	19.3%	15.7%	13.6%	10.1%
Sales to each POS (RMB mn)	0.471	0.508	0.503	0.519	0.529	0.539
% change YoY	7.3%	7.9%	-0.9%	3.0%	2.0%	2.0%
Revenue from e-commerce sales	0	0	74	150	225	281
% change YoY	0.0%	0.0%	0.0%	103.3%	50.0%	25.0%
% of total revenue	0.0%	0.0%	1.8%	3.0%	3.6%	3.8%

Source: Company, CMS (HK)

Figure 3: CL's historical and forecast profit and loss summary

FY-end Dec (RMBmn)	FY12	FY13	FY14	FY15E	FY16E	FY17E
Total revenue	2,258	2,916	4,008	5,067	6,272	7,493
<i>% change YoY</i>	36.3%	29.2%	37.4%	26.4%	23.8%	19.5%
Gross profit	617	1,069	1,568	2,083	2,589	3,111
<i>% change YoY</i>	54.1%	73.3%	46.7%	32.9%	24.3%	20.2%
<i>Gross margin</i>	27.3%	36.7%	39.1%	41.1%	41.3%	41.5%
Other income and expenses	25	39	84	14	14	14
SG&A costs	(386)	(720)	(1,053)	(1,318)	(1,657)	(1,967)
<i>% change YoY</i>	100.5%	86.7%	46.3%	25.1%	25.7%	18.7%
<i>% of revenue</i>	17.1%	24.7%	26.3%	26.0%	26.4%	26.2%
- Rental/concessionary expense	(65)	(255)	(530)	(612)	(726)	(797)
<i>% change YoY</i>	129.0%	293.2%	107.6%	15.5%	18.5%	9.8%
<i>% of revenue</i>	2.9%	8.8%	13.2%	12.1%	11.6%	10.6%
- Staff expenses	(129)	(215)	(245)	(357)	(494)	(642)
<i>% change YoY</i>	66.8%	66.4%	14.0%	46.0%	38.2%	30.0%
<i>% of revenue</i>	5.7%	7.4%	6.1%	7.1%	7.9%	8.6%
- A&P	(59)	(61)	(63)	(79)	(99)	(123)
<i>% change YoY</i>	490.9%	4.5%	3.0%	25.0%	25.0%	25.0%
<i>% of revenue</i>	2.6%	2.1%	1.6%	1.6%	1.6%	1.6%
- Others	(133)	(188)	(215)	(269)	(338)	(404)
<i>% change YoY</i>	73.2%	41.7%	14.3%	25.1%	25.6%	19.4%
<i>% of revenue</i>	5.9%	6.5%	5.4%	5.3%	5.4%	5.4%
Operating profit	256	388	598	779	946	1,158
<i>% change YoY</i>	14.9%	51.6%	54.1%	30.3%	21.5%	22.4%
<i>Operating margin</i>	11.3%	13.3%	14.9%	15.4%	15.1%	15.5%
Net finance costs	7	3	12	22	25	31
IPO listing expenses	0	(16)	(23)	0	0	0
Pretax profit	263	375	587	801	971	1,189
Tax	(70)	(99)	(162)	(224)	(272)	(333)
<i>Effective tax rate</i>	26.8%	26.5%	27.6%	28.0%	28.0%	28.0%
Recurring net profit	193	292	448	577	699	856
<i>% change YoY</i>	14.3%	51.5%	53.4%	28.7%	21.3%	22.4%
<i>Recurring net margin</i>	8.5%	10.0%	11.2%	11.4%	11.2%	11.4%
Recurring EPS (RMB)	0.10	0.15	0.23	0.30	0.37	0.45
<i>% change YoY</i>	14.3%	51.5%	53.4%	28.7%	21.3%	22.4%
DPS (RMB)	0.08	0.10	0.08	0.09	0.11	0.13
<i>% change YoY</i>	N/A	33.3%	-24.4%	14.4%	21.3%	22.4%
<i>Payout ratio</i>	77.8%	72.6%	35.6%	30.0%	30.0%	30.0%

Source: Company, CMS (HK)

Figure 4: Valuation comparison

Company	Ticker	Price (LC)	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)
Cosmo Lady China	2298 HK	5.23	1,285	0.9	Dec	17.9	13.9	11.4	28.5	21.5	24.1	0.7	1.9	2.2	3.6	2.9
HSI		23,897				10.0	11.4	10.2	(12.1)	11.4	2.9	3.97	3.8	3.5	1.3	1.2
HSCEI		11,508				8.1	8.0	7.1	1.5	11.9	7.6	1.05	3.7	3.9	1.2	1.1
CSI300		3,521				15.5	12.8	11.1	20.5	15.7	N/A	N/A	1.6	2.1	2.3	1.9
HK-listed intimate wear companies																
Adjusted sector avg*						8.0	N/A	N/A	N/A	N/A	N/A	N/A	3.7	N/A	0.9	N/A
Cosmo Lady China	2298 HK	5.23	1,285	0.9	Dec	18.0	14.0	11.5	28.5	21.5	24.1	0.7	1.9	2.2	3.6	2.9
Ernbry Holdings	1388 HK	3.82	205	0.0	Dec	8.0	N/A	N/A	N/A	N/A	N/A	N/A	3.7	N/A	0.9	N/A
US-listed intimate wear companies																
Adjusted sector avg*						25.8	22.5	19.6	50.2	14.6	22.5	1.4	2.2	2.1	478.4	63.4
Chico'S Fas Inc	CHS US	17.59	2,712	37.3	Jan	28.3	22.2	18.6	88.6	19.3	35.2	0.8	1.7	1.8	2.9	2.9
Hanesbrands Inc	HBI US	32.30	12,946	75.3	Dec	22.8	20.7	18.4	55.3	12.5	21.2	1.1	1.0	1.1	9.3	7.9
L Brands Inc	LB US	91.40	26,751	152.9	Jan	26.2	24.5	21.8	6.8	12.0	11.2	2.3	3.9	3.2	1,423.0	179.2
HK-listed apparel companies																
Adjusted sector avg*						9.5	9.8	8.2	(3.4)	19.2	9.7	9.0	8.6	6.2	1.4	1.3
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	1.48	333	0.6	Dec	10.8	14.7	11.0	(43.3)	33.7	(1.3)	N/A	7.4	4.9	0.8	0.7
Giordano Intl	709 HK	3.65	739	0.9	Dec	14.0	12.9	11.8	8.8	9.2	10.2	1.4	9.4	7.1	2.0	1.9
China Outfitters	1146 HK	0.84	373	0.0	Dec	6.1	7.7	6.2	(21.0)	25.0	N/A	N/A	28.6	N/A	1.3	N/A
China Lilang Ltd	1234 HK	5.47	849	0.5	Dec	9.6	9.0	8.2	6.8	9.3	N/A	N/A	6.9	7.2	2.0	1.8
LT Ltd	999 HK	2.30	364	0.2	Feb	10.0	9.2	7.4	8.7	24.8	20.8	0.5	4.8	4.6	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	3.08	282	0.4	Dec	7.5	6.9	6.1	8.7	13.9	N/A	N/A	7.4	6.0	2.5	N/A
Bossini Intl	592 HK	0.75	158	0.2	Jun	9.6	7.8	6.5	22.6	19.8	18.4	0.5	9.4	9.3	1.5	1.4
HK-listed staples																
Adjusted sector avg*						26.8	28.7	23.2	(4.1)	22.9	9.3	2.5	1.6	1.6	4.4	4.1
Hengan Intl	1044 HK	85.90	13,556	21.6	Dec	28.4	28.1	23.1	1.2	21.8	13.1	2.2	2.2	2.2	6.4	5.9
Want Want China	151 HK	8.07	13,722	18.8	Dec	20.0	21.2	17.9	(5.8)	18.4	6.6	3.0	3.3	3.0	7.3	6.3
Tingyi	322 HK	18.76	13,551	14.2	Dec	33.1	30.6	24.9	8.2	22.8	14.6	2.3	1.5	1.7	4.5	4.3
China Mengniu	2319 HK	36.50	9,219	22.6	Dec	32.6	27.3	22.5	19.2	21.5	19.7	1.7	0.7	0.8	2.8	2.7
Uni-President	220 HK	5.73	3,190	3.2	Dec	19.0	38.2	27.0	(50.3)	41.3	(6.8)	N/A	1.1	0.6	1.8	1.8
Tsingtao Brew -H	168 HK	49.60	8,631	10.4	Dec	27.4	26.7	23.9	2.7	11.5	8.3	3.3	1.1	1.1	3.5	3.4

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

Source: CMS (HK), Bloomberg

Based on March 10, 2015 closing prices

Financial Summary

Balance Sheet

RMB million	2013	2014	2015E	2016E	2017E
Current Assets	972	2,325	2,942	3,538	4,381
Cash & equivalents	290	921	1,327	1,495	2,052
Trading investments	0	0	0	0	0
ST bank deposits	16	159	159	159	159
Trade receivables	171	281	355	439	525
Other receivables	91	325	355	376	375
Inventories	404	639	746	1,068	1,271
Other current assets	0	0	0	0	0
Non-current assets	335	444	553	657	743
Land use rights	72	94	120	141	167
Property, Plant & Eq.	199	271	354	425	477
Intangible assets	28	25	23	21	19
Other non-current assets	36	54	57	70	80
Total assets	1,307	2,769	3,495	4,195	5,124
Current liabilities	620	531	754	818	976
Bank loans	0	0	0	0	0
Trade payables	219	270	448	479	526
Prepaid Accounts	0	0	0	0	0
Other liquid liabilities	400	261	306	339	450
Long term Liabilities	0	0	0	0	0
Loans	0	0	0	0	0
Others	0	0	0	0	0
Total Liabilities	620	531	754	818	976
Issued capital	0	117	117	117	117
Reserves	688	2,120	2,624	3,259	4,031
Minority interests	0	0	0	0	0
Total equity and liabilities	1,307	2,769	3,495	4,195	5,124

Cashflow Statement

RMB million	2013	2014E	2015E	2016E	2017E
Operating cashflow	218	(54)	713	500	914
Profit before tax	375	587	801	971	1189
Deprec & Amort.	30	62	72	93	103
Finance costs	1	0	0	0	0
Finance income	(5)	(12)	(22)	(25)	(31)
Working capital chg	(109)	(617)	(5)	(378)	(147)
Others	(75)	(74)	(133)	(161)	(200)
CF from IA	(61)	(279)	(156)	(159)	(147)
Capital expenditure	(76)	(292)	(178)	(184)	(178)
Other investments	15	13	22	25	31
CF from FA	(47)	965	(151)	(173)	(210)
Net borrowings	(27)	0	0	0	0
Dividends	(48)	(200)	(151)	(173)	(210)
Others	29	1165	0	0	0
Net cash flow	110	631	406	168	557
Exchange difference	0	0	0	0	0
Cash at the end	290	921	1,327	1,495	2,052

Source: Company data, CMS (HK) estimates

Profit & Loss Statement

RMB million	2013	2014	2015E	2016E	2017E
Revenues	2,916	4,008	5,067	6,272	7,493
Cost of sales	(1,847)	(2,440)	(2,984)	(3,683)	(4,382)
Gross profit	1,069	1,568	2,083	2,589	3,111
Selling exp	(589)	(890)	(1,111)	(1,394)	(1,640)
Admin exp	(131)	(163)	(207)	(263)	(327)
Other op expenses	39	84	14	14	14
Op Profit	388	598	779	946	1,158
Net fin. costs	3	12	22	25	31
FV changes	0	0	0	0	0
Inv income	0	0	0	0	0
Non-recurring expenses	(16)	(23)	0	0	0
PBT	375	587	801	971	1,189
Taxes	(99)	(162)	(224)	(272)	(333)
Profit after tax	276	425	577	699	856
Minority interests	0	0	0	0	0
Reported Net Profit	276	425	577	699	856
Recurring Net Profit	292	448	577	699	856
EPS (HKD) - Recurring	0.15	0.23	0.30	0.37	0.45

Financial Ratios

	2013	2014	2015E	2016E	2017E
YoY growth rate					
Revenue	29.2%	37.4%	26.4%	23.8%	19.5%
Op profit	51.6%	54.1%	30.3%	21.5%	22.4%
Recurring net profit	51.5%	53.4%	28.7%	21.3%	22.4%
Profitability					
Gross margin	36.7%	39.1%	41.1%	41.3%	41.5%
Recurring NP margin	10.0%	11.2%	11.4%	11.2%	11.4%
ROAE	45.1%	30.6%	23.2%	22.9%	22.8%

Liquidity

	2013	2014	2015E	2016E	2017E
Debt to Asset	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt to Equity	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
Current ratio (x)	1.6	4.4	3.9	4.3	4.5
Quick ratio (x)	0.9	3.2	2.9	3.0	3.2

Operating efficiency

	2013	2014	2015E	2016E	2017E
Asset turnover (x)	2.2	1.4	1.4	1.5	1.5
Inventory turnover days	72	78	85	90	97
AR turnover days	22	21	23	23	23
AP turnover days	103	81	71	71	67

Per share data (RMB)

	2013	2014	2015E	2016E	2017E
Recurring EPS	0.15	0.23	0.30	0.37	0.45
CFPS	0.11	(0.03)	0.37	0.26	0.48
BVPS	0.36	1.17	1.44	1.77	2.18
DPS	NA	0.08	0.09	0.11	0.13

Valuation ratios

	2013	2014	2015E	2016E	2017E
P/E - Recurring	27.4	17.9	13.9	11.4	9.3
P/B	11.6	3.6	2.9	2.4	1.9
EV/EBITDA	18.9	11.1	8.0	6.4	4.8

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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