



Rating  
**Hold**

Asia  
China

Consumer  
Textiles & Apparel

Company  
**China Dongxiang  
Alert**

Reuters 3818.HK	Bloomberg 3818 HK	Exchange HKG	Ticker 3818
ADR Ticker CDGXY	ISIN US16947S1006		

Date  
25 March 2015

**Company Update**

Price at 24 Mar 2015 (HKD)	1.43
Price target - 12mth (HKD)	1.65
52-week range (HKD)	1.75 - 1.28
HANG SENG INDEX	24,400

**FY14 results first take**

China Dongxiang reported +335% surge in NP to RMB915m in FY14 mainly attributed to the gain from the disposal of 30% interest in Alibaba (BABA.N Buy, USD84.25). During the year, its gain on disposal of available-for-sale financial assets increased by RMB730m, majority of which (around RMB700m) came from Alibaba share disposal. The company maintained 70% dividend payout, 30% as final and 40% as special.

**Key highlights of FY14 results**

- Excluding the one-off gain and loss, its NP rose by 28% despite 10.7% decline in revenue. This is mainly thanks to the GPM improvement, effective cost control and increase in investment income from financial assets.
- Sales decline narrowed in 2H14, down by 6%. It net added 126 stores in 2H14, vs. net closure of 99 in 1H14. The total store count reached 1210 by year end.
- GPM (excl. inventory writeback) improved by 2.7ppt to 50.8% in FY14. In 2H14, GPM was up 5.2ppt to 53.4% driven by higher proportion of new product sales as well as retail business. Retail business has accounted for 34.6% of total business in FY14, vs. 18.7% in FY13.
- Net cash improved to RMB5.3bn, vs RMB4.6bn in FY13.
- The company has a new reportable segment – investment segment for FY14, which recorded RMB842m profit for FY14, vs. RMB114m in FY13.
- The company reported low double digit growth for order value in 2015.

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**Stock data**

Market cap (HKDm)	8,102
Market cap (USDm)	1,045
Major shareholders	Y H Chen (56.6%)
Free float (%)	47
Avg daily value traded (USDm)	1.3
Shares outstanding (m)	5,665.8

Source: Deutsche Bank

**Key data**

FYE 12/31	2013A	2014E	2015E
Sales (CNYm)	1,414	1,379	1,500
Net Profit (CNYm)	210.2	236.2	256.4
DB EPS (CNY))	0.04	0.04	0.05
PER (x)	26.9	27.5	25.3
Yield (net) (%)	2.6	2.6	2.8

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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