

Texhong Textile Group [2678.HK]

In-line 2016 results. Ascend to another stage of life.

Texhong Textile Group (Texhong) reported decent 2016 results, in line with our expectations and a previous positive profit alert. However, the Company's underlying operation performance is stronger than expected after taking some one-off items into account, such as: a) expenses related to early repayment of bank loans and b) provisions for overseas investment. We share the view that Texhong's gross margin is likely to decline in 2017 from the 20.2% achieved in 2H 2016. However, we believe that Texhong's gross margin will stay at around 18% given optimization of product mix and stabilization of cotton prices. We also maintain the view that the strong cotton and cotton yarn prices, in our view, imply that downstream demand from textile and garment manufacturers remains healthy in the China market which is positive to leading players such as Texhong. Texhong has not released any new cotton yarn expansion plan and the CAPEX for 2017 is only RMB500m which is substantially lower than over RMB3.0bn in 2015-2016. The reduction in CAPEX will help the Company to reduce gearing ratio going forward. Texhong will have a fully vertically-integrated jeans wear operation by the end of 2017. According to management, the garment operation is one of the long-term growth driver of the Company. We also share management's view that Texhong's operating performance will be less volatile going forward given increasing contribution from downstream expansion. We also maintain the view that the stabilization of cotton prices will create a stable cost environment for Texhong, which should continue to deliver solid growth in the next few years on the back of its capacity-expansion plan and its cost advantage over its competitors in the domestic Chinese market. Texhong is trading at 6.1x 2017 PER, which doesn't look expensive, given Texhong's solid operations, expansion in Vietnam and clearer outlook. With its undemanding valuation, we maintain our BUY rating on Texhong with a new target price of HK\$14.14 (based on 9.5x 2017E PER, lower than its historical average).

Investment Highlights

- 2016 results highlights.** Texhong's 2016 net profit was RMB1,187m, up 101% YoY, which is in line with our expectations of RMB1,168.6m. The Company's turnover was RMB13,647.7m in 2016, up 29.1% YoY from RMB10,574.9m in 2015, higher than our expectations of RMB13,016.4m. Texhong's gross profit margin was 19.5% in 2016, up 1.4ppt YoY, slight lower than our expectations of 19.6%. Texhong declared a final dividend of HK\$0.26 in 2016, up from HK\$0.12, also in line with our expectation. Texhong's yarn sales volume increased 25.7% YoY to 600,000 tonnes. Texhong's ASP of yarns also rose 2.1% YoY in 2016, reversed the downward trend in 2014 and 2015. The Company's underlying operating performance is stronger than expected as there were some non-operating items such as: a) early repayment of bank loans, b) provisions made for overseas investment and c) FX related loss. During the analyst briefing, management also explained that some other incomes such as subsidies for transportation and investment from Xinjiang government which the Company will still get in 2017.
- China cotton and yarn prices remain strong.** The China yarn price, cotton price and VSF price continued to go up since our last update in Feb 2017. The strong cotton and yarn prices since the beginning of 2017, in our view, reflect actual demand from downstream users. We see limited substitution effect despite the strong cotton price. We expect Texhong to benefit from strong cotton and yarn prices and Texhong's management also guided that there is upward bias in cotton yarn price in China. We share the view that Texhong's gross margin in 2017 will drop from 20.2% in 2H 2016. However, we think there is downside for the Company's gross margin given continuous products optimization and stable costs environment.
- Garment operation is a growth driver.** Texhong will have a fully vertically-integrated denim jeans wear operation with a denim fabric plant in Vietnam, and garment plant in Shangdong and Cambodia in 2017. Developing into a more integrated textile supplier will make it easier for Texhong to absorb fluctuations in raw material costs and to improve blended profitability through savings in packaging and transportation. The expansion in garment manufacturing will be less capital intensive vs yarn manufacturing. CAPEX for 2017 is estimated at RMB500m which is much less than the total CAPEX of over RMB3.0bn in 2015-2016.

Key Financials (in RMB m)	2014	2015	2016	2017E	2018E
Revenue	10,470.3	10,574.9	13,647.7	16,802.8	20,210.5
Change (yoy %)	27.2	1.0	29.1	23.1	20.3
Gross Profit	1,294.2	1,905.8	2,645.1	3,011.6	3,466.6
Gross Margin %	12.4	18.0	19.4	17.9	17.2
Net Profit	306.7	590.8	1,187.5	1,447.3	1,669.0
Net Margin %	2.9	5.6	8.7	8.6	8.3
EPS (Basic)	0.35	0.67	1.33	1.58	1.82
Change (yoy %)	(64.39)	92.63	94.35	21.88	15.32
DPS	\$0.103	\$0.199	\$0.391	\$0.472	\$0.544
ROE (%)	9.0	16.0	26.0	25.4	24.5
Dividend Yield (%)	1.06	2.06	4.13	5.04	5.81
PER (x)	28.0	14.5	7.5	6.1	5.3
PBR (x)	2.5	2.2	1.7	1.4	1.2
FCF Yield (%)	5.42%	8.45%	-15.74%	26.96%	13.87%
Capex (m)	(606.7)	(1,106.4)	(1,771.0)	(671.0)	(676.3)
Free cash flow per share	0.6	1.1	(0.8)	2.1	1.4
Net Gearing (%)	67	57	80	38	20

Sources: Company, CGIS Research estimates

China Textile Sector -

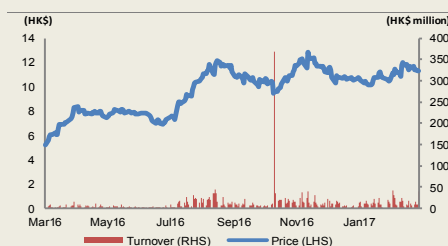
Upstream

BUY

Close: HK\$11.28 (Mar 03 2017)

**Target Price: HK\$14.14
(+25.4%)**

Share Price Performance



Sources: Bloomberg, CGIS Research

Market Cap	US\$1,329m
Shares Outstanding	915m
Auditor	Pricewaterhouse-Coopers
Free Float	26.8%
52W range	HK\$5.10-12.82
3M average daily T/O	US\$1.6m
Major Shareholder	Mr Hong Tianzhu (62.2%)

Sources: Bloomberg, CGIS Research

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Figure 1: Texhong's results highlight

Results Highlights (RMB m)	1H 2013	2H 2013	1H 2014	2H 2014	1H 2015	2H 2015	1H 2016	2H 2016
Revenue	3,608.7	4,619.8	4,566.0	5,904.3	4,847.3	5,727.5	5,821.8	7,825.9
Cost of sales and services	-2,837.9	-3,807.2	-3,962.6	-5,213.5	-4,023.1	-4,646.2	-4,760.6	-6,242.0
Gross profit	770.8	812.6	603.5	690.7	824.2	1,081.4	1,061.2	1,583.9
Other income and other gains and losses	13.5	17.3	-11.6	27.2	-22.1	103.5	85.2	71.0
Selling & distribution expenses	-98.9	-135.3	-157.3	-194.3	-176.2	-192.8	-216.3	-280.5
Administrative expenses	-141.8	-166.4	-157.3	-170.9	-171.9	-209.0	-226.8	-319.8
Finance costs	-43.0	-78.7	-143.8	-105.3	-103.5	-315.2	-159.1	-244.3
JV & Associates	1.8	2.9	1.2	2.8	1.2	2.9	-1.2	11.9
Other expenses	0.0	285.5	0.0	-30.1	0.0	-86.9	0.0	131.6
Profit before tax	502.3	737.9	134.7	220.3	351.7	383.8	543.0	953.8
Income tax expense	-55.7	-58.4	-9.6	-38.6	-58.8	-88.1	-86.9	-208.9
MI	-0.0	-0.1	0.0	0.0	0.0	1.9	0.0	-13.5
Profit attributable to owners of the Company	446.6	679.3	125.0	181.7	293.0	297.6	456.1	731.4
Gross margin (%)	21.4	17.6	13.2	11.7	17.0	18.9	18.2	20.2
Operating margin (%)	15.1	17.7	6.1	5.5	9.4	12.2	12.1	15.3
Net Margin (%)	12.4	14.7	2.7	3.1	6.0	5.2	7.8	9.3

Figure 2: Key Assumptions for Texhong

	2011	2012	2013	2014	2015	2016	2017F	2018F
Turnover (RMB m)								
Stretchable Core-Spun Yarns	3,693.2	4,390.6	4,938.0	5,342.0	5,407.2	6,949.6	8,391.6	9,251.8
Other Yarns	2,096.5	1,756.2	2,273.9	4,281.0	4,428.2	5,675.5	6,555.2	7,227.1
Fabrics	1,083.0	1,194.6	1,016.7	847.3	724.4	874.6	967.8	1,067.0
Garment	0	0	0	0	15.1	148.0	888.2	2,664.6
Total	6,872.7	7,341.5	8,228.5	10,470.3	10,574.9	13,647.7	16,802.8	20,210.5
YoY Change (%)								
Stretchable Core-Spun Yarns		18.9	12.5	8.2	1.2	28.5	20.8	10.3
Other Yarns		(16.2)	29.5	88.3	3.4	28.2	15.5	10.3
Fabrics		10.3	(14.9)	(16.7)	(14.5)	20.7	10.7	10.3
Garment		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	880.7	500.0	200.0
Total		6.8	12.1	27.2	1.0	29.1	23.1	20.3
Gross margin (%)	8.1	15.3	19.2	12.4	18.0	19.4	17.9	17.2
Stretchable Core-Spun Yarns	8.8	17.7	22.4	14.4	19.5	22.2	19.5	19.5
Other Yarns	7.4	13.4	16.9	10.5	17.1	17.4	17.4	17.4
Fabrics	6.8	9.4	8.8	8.7	28.2	25.2	24.1	12.8
Garment	0	0	0	0	0	0	0	10.0
Net margin (%)	0.9	6.6	13.7	2.9	5.6	8.7	8.6	8.3
Cost (RMB m)								
Cost of Sales	(6,317)	(6,217)	(6,645)	(9,176)	(8,669)	(11,003)	(13,791)	(16,744)
S,G&A	(360.6)	(430.2)	(542.5)	(679.8)	(749.9)	(1,043.4)	(1,142.6)	(1,374.3)
Financial Expenses	(85.7)	(137.9)	(128.8)	(253.8)	(431.5)	(413.2)	(305.5)	(305.5)
YoY Change (%)								
Cost of Sales		(1.6)	6.9	38.1	(5.5)	26.9	25.3	21.4
R&D		19.3	26.1	25.3	10.3	39.1	9.5	20.3
Financial Expenses		61.0	(6.6)	97.1	70.0	(4.3)	(26.1)	0
CAPEX (HKD m)	421.0	544.0	935.8	606.7	935.3	1,600.0	500.0	505.3
Net Gearing (%)	65.7	47.6	61.5	67.5	56.9	79.9	38.3	20.1
Shipment (000 tonnes)								
Stretchable Core-Spun Yarns	114,502	165,845	186,156	222,947	239,542	305,819	351,692	369,276
Other Yarns	75,322	77,035	97,943	208,646	237,389	293,571	322,928	339,075
Fabrics	85	99	93	81	69	81	86	91
Shipment YoY Change (%)								
Stretchable Core-Spun Yarns		45	12	20	7	28	15	5
Other Yarns		2	27	113	14	24	10	5
Fabrics		17	(6)	(13)	(15)	17	7	5
ASP (RMB)								
Stretchable Core-Spun Yarns	32,254.7	26,474.2	26,526.0	23,960.6	22,573.0	22,724.5	23,860.7	25,053.7
Other Yarns	27,833.5	22,797.9	23,216.1	20,518.1	18,653.9	19,332.6	20,299.2	21,314.2
Fabrics	12.7	12.0	10.9	10.5	10.5	10.8	11.2	11.8
ASP YoY Change (%)								
Stretchable Core-Spun Yarns		(17.9)	0.2	(9.7)	(5.8)	0.7	5.0	5.0
Other Yarns		(18.1)	1.8	(11.6)	(9.1)	3.6	5.0	5.0
Fabrics		(5.5)	(9.6)	(3.9)	0.4	3.2	3.4	5.0

Sources: Company, CGIS Research

Figure 3: Earnings Projections

Income Statement (RMBm)						Cash Flow Statement (RMBm)					
	FY2014	FY2015	FY2016	FY2017F	FY2018F		FY2014	FY2015	FY2016	FY2017F	FY2018F
Revenue	10,470	10,575	13,648	16,803	20,210	Net Income	355	736	1,497	1,782	2,052
Growth yoy%	27.2%	1.0%	29.1%	23.1%	20.3%	Depreciation & Amort.	398	455	720	664	552
Gross Profit	1,294	1,906	2,645	3,012	3,467	Change in Working Capital	366	747	(1,335)	(17)	(793)
Growth yoy%	(18.3%)	47.3%	38.8%	13.9%	15.1%	Cash from Ops.	1,119	1,937	882	2,428	1,811
Selling General & Admin Exp.	(680)	(750)	(1,043)	(1,143)	(1,374)	Capital Expenditure	(607)	(935)	(1,600)	(500)	(505)
Others Operating Expenses/Items	0	0	0	0	0	Sale of Property, Plant, and Equipment	-	-	-	-	-
Operating Income	614	1,156	1,602	1,869	2,092	Change in Investing Activities	22	(184)	(805)	(805)	(805)
Growth yoy%	(41.0%)	88.2%	38.6%	16.7%	11.9%	Cash from Investing	(585)	(1,119)	(2,405)	(1,305)	(1,310)
Interest Expense	(253.8)	(431.5)	(413.2)	(305.5)	(305.5)	Net increase in bank borrowings	216	842	2,156	1,543	1,543
Interest and Invest. Income											
Income/(Loss) from Affiliates	4.0	4.1	10.7	13.1	15.8	Issuance of Common Stock	0	0	283	0	0
Other Non-Operating Inc. (Exp.)	(30.1)	(86.9)	131.6	0	0	Common Dividends Paid	(232)	(143)	(354)	(432)	(498)
Impairment of Goodwill	0	0	0	0	0	Special Dividend Paid	-	-	-	-	-
Gain (Loss) On Sale Of Invest.	20	94	166	205	249	Other Financing Activities	(326)	(334)	(699)	(614)	(657)
Gain (Loss) On Sale Of Assets						Cash from Financing	(341)	364	1,385	497	388
Income Tax Expense	(48)	(147)	(296)	(321)	(369)						
Minority Int. in Earnings	0	2	(14)	(14)	(14)	Net Change in Cash	192	1,182	(137)	1,621	889
Net Income	307	591	1,188	1,447	1,669						
Growth yoy%	(72.8%)	92.6%	101.0%	21.9%	15.3%						

Balance Sheet (RMBm)						Ratios					
	FY2014	FY2015	FY2016	FY2017F	FY2018F		FY2014	FY2015	FY2016	FY2017F	FY2018F
ASSETS						Profitability					
Cash And Equivalents	1,138	2,188	1,994	3,745	4,635	Return on Assets %	3.4%	5.8%	8.9%	8.7%	8.7%
Receivables	1,610	1,485	2,898	3,568	4,292	Return on Capital %	8.0%	12.1%	14.5%	13.0%	13.3%
Inventory	1,636	1,893	2,931	3,025	3,638	Return on Equity %	9.0%	16.0%	26.2%	25.6%	24.7%
Other Current Assets	0	61	318	318	318						
Total Current Assets	4,385	5,627	8,142	10,656	12,882	Margin Analysis					
Net Property, Plant & Equipment	4,158	4,998	6,231	6,548	6,501	Gross Margin %	12.4%	18.0%	19.4%	17.9%	17.2%
Long-term Investments	-	-	-	-	-	SG&A Margin %	6.5%	7.1%	7.6%	6.8%	6.8%
Other Intangibles	-	-	-	-	-	EBIT Margin %	5.9%	10.9%	11.7%	11.1%	10.4%
Deferred Tax Assets, LT	-	-	-	-	-	EBITDA Margin %	9.7%	15.2%	17.0%	15.1%	13.1%
Other Long-Term Assets	596	776	912	785	801	Net Income Margin %	2.9%	5.6%	8.7%	8.6%	8.3%
Goodwill	-	-	-	-	-						
Accounts Receivable Long-Term	-	-	-	-	-	Asset Turnover					
Total Long Term Assets	4,754	5,774	7,143	7,334	7,302	Total Asset Turnover	1.1x	0.9x	0.9x	0.9x	1.0x
Total Assets	9,139	11,401	15,284	17,990	20,185	Fixed Asset Turnover	2.2x	1.8x	1.9x	2.3x	2.8x
						Accounts Receivable Turnover	7.2x	6.8x	6.2x	5.2x	5.1x
						Inventory Turnover	6.4x	5.6x	4.7x	5.6x	5.6x
LIABILITIES & EQUITY											
Accounts Payable	2,107	2,913	3,766	5,442	6,453	Liquidity					
Accrued Exp.	-	-	-	-	-	Current Ratio	1.8x	1.2x	1.1x	1.2x	1.3x
Short-term Borrowings	353	1,671	3,550	3,550	3,550	Quick Ratio	1.1x	0.8x	0.7x	0.8x	0.9x
Curr. Port. of LT Debt	-	-	-	-	-	Avg. Days Sales Out.	56.1	51.3	77.5	77.5	77.5
Curr. Income Taxes Payable	-	-	-	-	-	Avg. Days Inventory Out.	57.0	65.3	78.4	65.7	65.7
Unearned Revenue, Current	-	-	-	-	-	Avg. Days Payable Out.	89.7	105.7	110.8	121.9	129.6
Other Current Liabilities	31	41	104	104	104	Avg. Cash Conversion Cycle	47.8	30.4	74.0	39.3	40.3
Total Current Liabilities	2,491	4,625	7,420	9,096	10,107	Net Debt to Equity	67%	57%	80%	38%	20%
Long-Term Debt	3,117	2,741	2,560	2,560	2,560						
Def. Tax Liability, Non-Curr.	76	96	113	113	113	Growth Over Prior Year					
Other Non-Current Liabilities	0	0	0	0	0	Total Revenue	27.2%	1.0%	29.1%	23.1%	20.3%
Total Liabilities	5,684	7,463	10,093	11,769	12,780	Net Income	(72.8%)	92.6%	101.0%	21.9%	15.3%
Common Stock	189	189	97	97	97	Payout Ratio %	29.7%	29.8%	30.1%	29.8%	29.8%
Additional Paid In Capital	-	-	-	-	-						
Retained Earnings	3,265	3,722	5,052	6,068	7,239						
Treasury Stock	-	-	-	-	-						
Comprehensive Inc. and Other	-	-	-	-	-						
Minority Interest	0	27.4	42.7	56.3	69.8						
Total Equity	3,455	3,939	5,191	6,221	7,405						
Total Liabilities And Equity	9,139	11,401	15,284	17,990	20,185						

Sources: Company, CGIS Research

Valuation

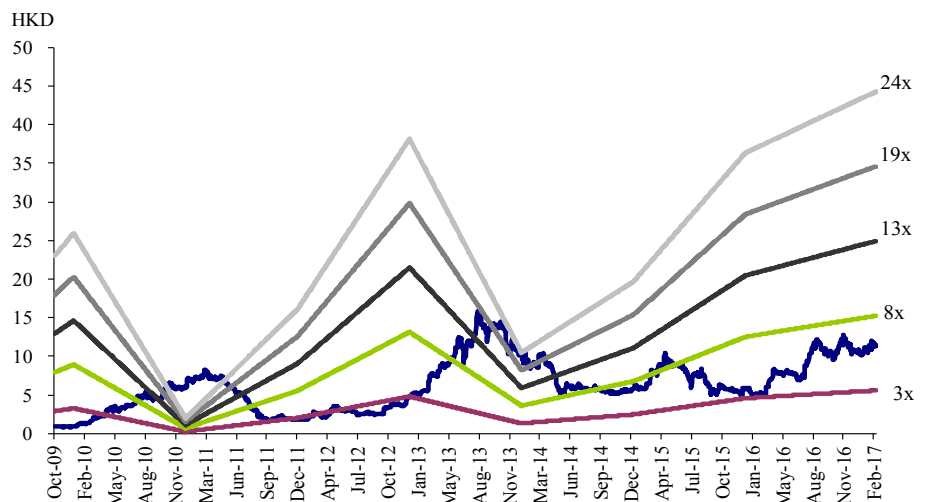
Texhong is one of the largest yarn manufacturers in China, with more than a 30% share of the core-spun yarn sub-market. Texhong is trading at 6.1x 2017E PER, which is a discount to the average of its HK-listed and A-share-listed peers.

We maintain the view that Texhong is a solid industrial name with a growth story. It is trading at 6.1x 2017E PER and 5.3x 2018E PER, which we think is undervalued compared to its HK-listed peers. We maintain our BUY rating on Texhong with a target price of HK\$14.14, based on 9.5x 2016E.

Trading at a discount to its HK-listed and A-share-listed peers

Share price catalysts include (a) details on the Company's expansion plan for 2018 and beyond and (b) news flow on both its downstream expansion and US trade policy.

Figure 4: Texhong PER band



Sources: Bloomberg, CGIS Research

Figure 5: Peer Comparison

Ticker	Company	Price Lcy	Market Cap US\$m	2016F x	2017F x	2018F x	2016F x	2017F x	2018F x	2015 x	2016F x	2015 %	2016F %	2015 %	2016F %	2015 %	2016F %	Div yield 2015 %	2016F %	1M %	3M %	6M %	12M %	YTD %
HK Listed Textile & Garment Plays																								
Machinery																								
641 HK	Chitong Industries	2.07	294	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.7	n.a.	12.5	n.a.	5.4	n.a.	n.a.	2.9	n.a.	5.1	14.4	6.2	-3.7	-14.1	
Average				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.1	14.4	6.2	-3.7	-14.1	
Yarn manufacturing																								
2678 HK	Texhong Textile Group Ltd	11.28	1,329	7.5	6.1	5.3	5.3	4.2	3.6	1.7	1.4	26.0	25.4	5.8	9.6	4.1	5.0	7.2	0.5	0.2	119.0	7.4		
2111 HK	Best Pacific International H	5.62	745	13.1	11.0	9.2	8.3	6.9	5.8	3.3	2.9	20.4	23.2	12.0	14.3	2.4	3.0	-6.5	-14.7	-15.5	49.9	-5.7		
2698 HK	Weiqiao Textile Co Ltd-H	5.59	860	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	5.9	n.a.	3.5	n.a.	5.1	n.a.	6.5	9.4	3.1	66.4	15.3		
Average				10.2	8.7	9.2	6.9	6.0	5.8	2.0	2.2	14.1	22.1	7.1	11.9	3.2	3.5	2.4	-1.6	-4.1	78.4	5.7		
Textile manufacturing																								
321 HK	Texwinco Holdings Ltd	5.10	908	11.9	11.6	10.9	5.5	5.2	5.0	1.2	1.2	12.8	9.9	9.6	6.5	9.0	10.6	3.0	-10.1	-7.4	-30.4	0.6		
420 HK	Fountain Set Hldgs	1.08	168	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	2.6	n.a.	n.a.	n.a.	2.9	8.0	4.9	33.3	10.2		
1382 HK	Pacific Textiles Holdings	8.90	1,658	13.2	12.3	11.6	9.8	9.1	9.0	4.1	3.9	28.9	29.0	17.3	19.6	7.9	7.7	6.2	-0.8	-12.1	-18.6	5.7		
539 HK	Victory City Intl Hldgs Ltd	0.26	138	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	n.a.	7.7	n.a.	1.7	n.a.	3.7	n.a.	-3.8	-7.3	-16.5	-62.9	0.0		
2313 HK	Shenzhou International	47.15	8,495	20.4	17.1	14.6	13.9	11.8	10.1	4.4	4.0	18.9	21.5	14.7	16.0	1.6	2.7	-1.2	-1.6	-7.7	18.5	-3.9		
965 HK	Art Textile Technology Intl	0.73	252	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.6	n.a.	-1.1	n.a.	7.4	n.a.	0.0	n.a.	-25.5	-2.7	55.3	284.2	-16.1		
2307 HK	Kam Hing International Holdi	0.53	59	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.2	n.a.	2.9	n.a.	1.0	n.a.	2.8	n.a.	3.9	1.9	-1.9	6.0	6.0		
Average				13.9	12.4	11.6	9.0	8.0	7.5	1.8	2.8	12.0	20.7	7.7	13.5	4.0	6.1	-1.5	-1.8	1.3	38.6	1.0		
Garment manufacturing																								
311 HK	Luen Thai Holdings	1.77	236	9.9	7.6	n.a.	3.2	2.8	n.a.	0.6	0.6	3.4	6.1	2.0	3.5	2.8	4.4	-1.7	5.0	159.1	178.7	1.4		
2199 HK	Regina Miracle International	5.99	944	41.0	19.0	11.3	16.3	10.1	7.0	2.8	2.6	31.3	6.7	6.0	4.0	0.9	0.6	6.4	-20.7	-37.9	-47.9	-6.8		
393 HK	Glorious Sun Enterprises Ltd	0.99	196	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6	n.a.	4.2	n.a.	2.3	n.a.	6.8	n.a.	2.1	1.0	-4.8	2.5	3.1		
333 HK	Top Form International Ltd.	1.77	49	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.7	n.a.	6.1	n.a.	2.1	n.a.	5.6	n.a.	-0.6	-0.6	2.9	-5.9	1.7		
2368 HK	Eagle Nice (Intl) Hldgs Ltd	2.07	133	8.0	7.1	6.9	n.a.	n.a.	n.a.	0.9	0.9	10.0	12.0	8.0	8.0	12.8	9.2	-4.2	-5.9	2.0	6.2	-5.5		
3398 HK	China Ting Group Hldgs Ltd	0.56	151	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.5	n.a.	-1.6	n.a.	0.3	n.a.	0.0	n.a.	19.1	19.1	30.3	59.7	19.1		
1389 HK	Embry Holdings Ltd	3.45	185	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.8	n.a.	11.4	n.a.	5.7	n.a.	3.3	n.a.	-1.7	-3.9	-4.2	-7.8	-3.1		
1982 HK	Nameson Holdings Ltd	1.63	436	10.2	8.7	7.8	5.9	5.0	4.5	n.a.	2.1	23.9	27.9	11.0	14.1	0.0	3.4	-3.6	-5.2	14.8	n.a.	-4.1		
Average				17.3	10.6	8.7	8.5	6.0	5.7	1.0	1.6	11.1	13.2	4.7	7.4	4.0	4.4	2.0	-1.4	20.3	26.5	0.7		
A share Listed Textile Plays																								
601233 CH	Tongkun Group Co Ltd-A	15.92	2,842	16.6	14.0	11.3	7.1	6.3	5.7	1.9	1.9	1.7	10.5	3.5	6.3	n.a.	1.5	0.4	15.0	36.8	20.4	10.9		
200726 CH	Luthai Textile Co Ltd - B	9.43	1,462	9.9	8.7	7.8	8.1	7.2	6.7	1.2	1.1	10.6	10.5	8.4	7.9	n.a.	6.8	-0.5	-3.1	-3.0	-8.5	1.3		
000850 CH	Anhui Huamao Textile Co-A	6.24	853	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.3	n.a.	1.8	n.a.	0.4	n.a.	n.a.	n.a.	6.5	1.3	5.8	13.7	4.7		
002042 CH	Huafu Top Dyed Melange Yarn-A	12.09	1,460	22.5	19.1	16.3	19.8	15.9	12.6	2.5	2.5	9.5	11.0	4.7	4.2	n.a.	0.6	9.0	9.0	11.2	27.9	5.5		
002394 CH	Jiangsu Lianta Textile Co-A	17.45	819	15.4	13.9	12.7	n.a.	n.a.	n.a.	2.1	1.9	11.2	12.4	7.7	8.3	n.a.	2.3	5.6	-3.7	8.0	11.7	-1.3		
600483 CH	Fujian Funeng Co Ltd-A	11.37	2,557	16.2	14.1	12.1	8.8	7.9	6.8	4.5	2.2	17.1	14.8	6.7	6.2	n.a.	1.8	4.8	-2.6	-4.1	4.1	2.7		
601339 CH	Bros Eastern Co Ltd-A	6.39	1,389	20.0	17.4	16.8	n.a.	n.a.	n.a.	1.4	1.4	4.9	6.5	4.2	3.3	n.a.	2.3	5.1	-0.6	4.6	11.1	2.4		
002015 CH	Xiaoke Color Spinning Co Lt-A	8.41	488	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11.1	n.a.	n.a.	n.a.	27.5	n.a.	n.a.	n.a.	1.1	-9.1	-7.6	-22.8	-4.5		
002087 CH	Henan Xinye Textile Co -A	7.10	840	27.6	22.0	17.3	16.9	15.7	12.3	2.0	2.0	5.9	7.5	2.2	3.2	n.a.	0.7	4.7	4.4	2.6	49.8	1.4		
Average				18.3	15.6	13.5	12.1	10.6	8.8	3.1	1.8	7.8	10.5	7.2	5.6	n.a.	2.3	4.1	1.2	6.0	11.9	2.6		
Other OEM/ODM Names																								
1477 TT	Makalot Industrial Co Ltd	123.00	820	16.3	14.0	n.a.	10.8	9.3	n.a.	3.1	2.7	25.1	17.4	13.8	12.0	n.a.	5.0	6.5	-5.7	-16.3	-36.0	-0.8		
1476 TT	Ediat Textile Company Ltd	301.50	2,617	23.1	18.7	15.5	14.9	12.8	10.6	5.9	5.7	39.3	27.2	20.1	19.6	n.a.	3.1	4.1	-6.8	-22.3	-26.4	-10.7		
551 HK	Yue Yuen Industrial Hldg	28.75	6,106	12.6	12.0	11.0	7.8	7.3	6.8	n.a.	1.3	8.8	10.6	n.a.	7.0	n.a.	4.6	4.9	-0.5	-15.1	3.0	2.1		
1836 HK	Stella International	11.00	1,125	13.8	12.0	10.7	9.2	8.2	7.5	1.2	1.1	12.5	8.1	7.3	6.7	7.7	7.3	-5.8	-17.8	-12.4	-45.0	-12.0		
105630 KS	Hansae Co Ltd	25050.00	866	13.2	10.9	8.9	8.4	7.2	n.a.	2.1	1.9	27.3	15.3	7.6	7.1	n.a.	1.2	12.6	16.8	2.2	-56.7	-2.3		
005390 KS	Shinsung Tongsang Co Ltd	1260.00	156	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.8	n.a.	3.3	n.a.	0.7	n.a.	n.a.	n.a.	2.0	5.0	-6.0	-12.8	1.2		
009270 KS	Shinwon Corp	1580.00	86	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.5	n.a.	3.6	n.a.	-0.9	n.a.	n.a.	n.a.	-8.9	7.1	-8.4	-5.4	-0.9		
111770 KS	Youngone Corp	30850.00	1,181	10.1	9.2	9.9	5.9	5.6	n.a.	1.2	1.0	12.1	10.4	5.9	6.0	n.a.	0.7	14.7	16.0	-8.3	-37.2	0.7		
Average				14.9	12.8	11.2	9.5	8.4	8.3	2.1	2.3	16.5	14.8	7.8	9.8	7.7	3.7	3.8	1.8	-10.8	-27.1	-2.8		
HSI Index	Hang Seng Index																	1.8	4.4	1.2	18.1	7.1		
HSCEI Index	Hang Seng China Ent Indx																	4.8	3.7	4.7	20.9	8.0		
SHSZ300 Index	Sz 300 Index																	1.9	-2.9	3.4	12.1	3.6		
SHCOMP Index	Shanghai Se Composite																	2.5	-0.8	4.9	12.5	3.7		
VV2 Index	Generic 2nd VV Future																	-0.2	1.2	17.1	48.0	6.8		
H1DQB Index	Sse-Sehk Sb D Quota Bal																	20.9	-4.4	61.0	-11.8	127.9		
S100 Index	Ssse 100 Return Index Sz																	3.9	-5.1	-0.5	10.4	3.7		

Sources: Bloomberg, Company, CGIS Research estimates for covered stocks : Texhong: 2016, 2017E and 2018E for PER, EV/EBITA. 2016 & 2017E for P/B, ROE, ROA and Div. Yield.

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