

Bosideng (3998 HK)

Brand reform, leading domestic to international

Hong Kong | Consumer (Apparel) | Initial Coverage Research Report

17 July 2020

Investment Summary

The leader in the domestic down industry, with a history of more than 40 years

Bosideng is the leading down jacket group in China, and its market share ranks first in the down jacket industry in China for 25 consecutive years. By positioning a diversified brand strategy, the Group can meet the needs of different customer groups and consolidate its leading position in the Chinese market. Group actively implement the brand development strategy, proposed to "Focus on the main channel, the main focus brands, shrinking diversity" as a foundation for development on diversified business

Focus on the main brand while expanding the women's clothing market

The company currently mainly operates four major businesses, including branded down apparel, OEM management business, ladieswear business and other diversified businesses, such as men's clothing, children's clothing and school uniforms. It owns three down brands: Bosideng, Xuezhongfei and Icing. In addition, it has successively acquired women's clothing brands such as Jesse, Bangbao, Colliano, and Koroba, in order to expand four-season sales to improve the situation of company's seasonal differences in sales.

Under the epidemic, the company accelerates the expansion of online sales

The company also develops multiple channels to reach consumers such as online stores and WeChat Mini-program. The company also launched live broadcast e-commerce, which have a higher conversion rate, in FY 2020, and cooperated with well-known mainland streamer such as Austin Li (李佳琦) to attract and increase the exposure of Bosideng and enhance the interaction with the consumers. The company's sales through WeChat Mini-program exceed RMB 70 million. Affected by the Covid-19, the number of members of the company increased by 53.4% year-on-year, exceeded 15 million, of which young consumers accounted for 16.3%, and the number of followers on the WeChat official account also reached 5 million.

Partner with well-known designers to enhance brand image

In the past year, the company launched crossover series with internationally renowned designers, including well-known designers such as Jean-Paul Gaultier and Takada Kenzo (高田賢三). At the same time, the company is active in international fashion activities, and has participated in fashion shows in Canada, Milan and the United Kingdom in the past year. The company will also further strengthen its brand marketing, whether it will invest more resources in advertising and stores, in order to improve product design and brand image to attract more young consumer groups.

Valuation and Investment Recommendation

In the past year, the strategy of brand relocation has achieved initial results. The company's main brand is expected to fill a gap in the market, and the industry is expected to maintain growth in the future. COVID-19 has less impact on the company's revenue. At the same time, the demand for functional apparel is less elastic. It is expected that the company's revenue will recover quickly after the epidemic. We expect the company's EPS in 2021/2022 to be 11.13/13.97 cents. The target price of HK\$2.89 corresponds to the expected P/E ratio of 23.36x/18.62x to FY21/FY22.

Risk

1) Affected by the epidemic, the company's inventory rises, destocking may have a negative impact on revenue 2) The development of women's clothing business is not as expected 3) The company failed to effectively reform and failed to gain costumers` recognition of the new brand positioning 4) Intensified industry competition

Buy (initial)

CMP HKD 2.26

(Closing price as at 15 July)

TARGET HKD 2.89 (+27.9%)

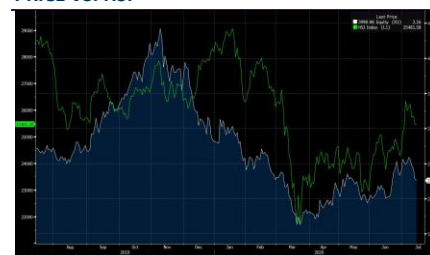
COMPANY DATA

O/S SHARES (MN) :	10,743
MARKET CAP (HKD MN) :	24,494.6
52 - WK HI/LO (HKD):	4.47/1.54

SHARE HOLDING PATTERN, %

Gao De Kang	71.29
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PRICE VS. HSI



Source: Bloomberg, Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY19	FY20	FY21E	FY22E
Net Sales	10,383	12,191	11,302	14,949
Net Profit	981	1,203	1,189	1,492
EPS, CNY cent	9.32	11.27	11.13	13.97
P/E, x	26.96	22.29	22.56	17.97
BVPS, CNY	0.91	0.94	0.98	1.04
P/BV, x	2.23	2.16	2.07	1.95
DPS (CNY cent)	7.1	8.2	7.1	7.9
Div. Yield (%)	3.2	3.6	3.1	3.5

Source: Company reports, Phillip Securities Est.

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Company Profile

Bosideng is the leading down jacket group in China, and its market share ranks first in the down jacket industry in China for 25 consecutive years. At present, the group's down jacket brands include Bosideng, Snow Flying, Bengen, etc. By positioning a diversified brand strategy, company can meet the needs of different customer groups and consolidate their leading position in the Chinese market. Group actively implement the brand development strategy, proposed to "Focus on the main channel, the main focus brands, shrinking diversity" as a foundation for development on diversified business.

The company was established in 1976 and initially focused on the apparel processing business. The brand "Bosideng" was founded in 1992 and was listed on the Hong Kong Stock Exchange in 2007. The development of the past 44 years can be divided into four stages:

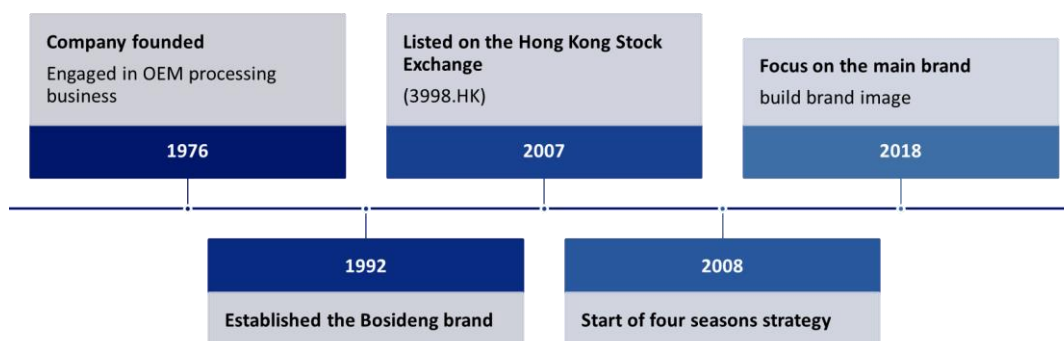
-First: OEM processing stage: The main business is clothing OEM, so as to enter the down industry.

-Second: Establishing own brand: In 1992, own brand Bosideng was registered in China. With the experience and technology accumulated in the OEM stage, the brand's position was established in the domestic down industry. The introduction of fashion concepts into the down industry has been recognized internationally. The company was listed on the main board of Hong Kong Stock Exchange in 2007.

-Third: the stage of implementing the four seasons strategy: the company put forward the strategy of "maintaining the steady growth of the down business and actively promoting the four seasons service business", successively launching Bosideng men's clothing, and acquiring ladieswear brands such as JESSIE (2011) and BUOUBUOU (2016), KOREANA and KLOVA, etc., and also cooperate with external parties to launch school uniform business, children's clothing and other businesses. To improve the company's seasonal problems.

-Fourth: Brand reform stage: The company takes "focusing on the main channel, focusing on the main brand, shrinking diversification" as its new strategy, refocusing on the company's main business, and strengthening the image of its own brand-Bosideng. Gradually divestiture diversified business.

Figure 1: Company milestone

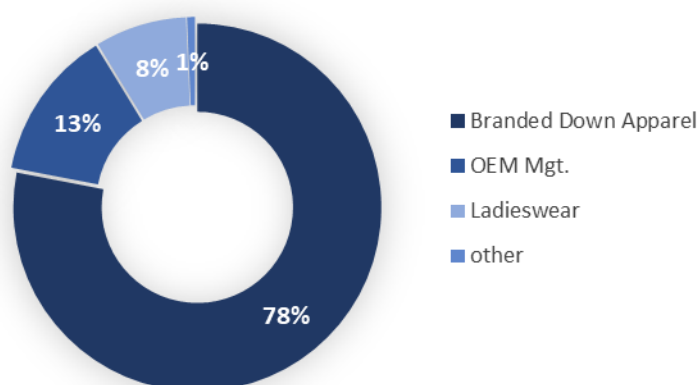


source : Company · Phillip Securities Research

The company mainly operates four major businesses, including branded down apparel, OEM processing business, Ladieswear business and other diversified businesses, such as men's clothing, children's clothing and school uniforms. It owns three down brands, Bosideng (波司登), Snow Flying(雪中飛) and Bengen(冰潔), which aims at different target customer groups. In addition, it has successively acquired women's clothing brands such as JESSIE, BUOUBUOU, KOREABA, and KLOVA, and expanded four-season sales to improve the problem on company's obvious seasonal differences in sales. The OEM processing business uses the idle production capacity in the off-season to process clothing for well-known overseas brands such as Adidas and Columbia. Branded down apparel, OEM processing business, womenswear business and other diversified businesses accounted for 78.0%, 13.2%, 8.1% and 0.7% of revenue in the 2019/2020 fiscal year.

Figure 2:: Distribution of company revenue in FY 2020

Distribution of company revenue in FY 2020



source : Company · Phillip Securities Research

Down Apparel Business

Company's down business can be divided into own brand down and down OEM business.

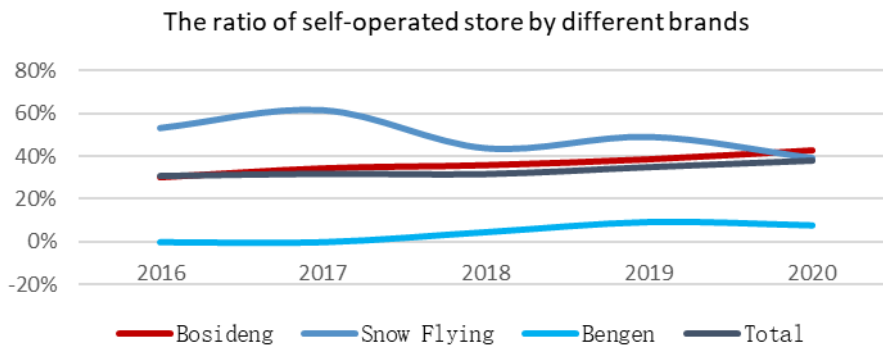
In the company's own brand down business, the company adopts a multi-brand development strategy, using its three different down brands to target different consumer groups. Since 2018, the company has put forward the strategy of focusing on the main brand, focusing on reforming the main brand, improving the brand positioning and thereby filling the gap in the mid-to-high end of the domestic down market. It is expected that the brand will have a 4-5 times price increase after successful transformation space. The blank market will be replaced by two other brands Snow Flying and Bengen. Snow Flying will be positioned in the mid-end market. The product style will be mainly sports and fashion, and the main sales target will be the young consumer groups. Bengen will target 25-35-year-old customer groups in second- and third-tier cities, and focus on "fashion, quality, and elegance" style.

Continuous improvement of sales channels

In terms of sales channels, the company is divided into franchise stores and self-operated stores. The company's main brand is sold to dealers at about 45% discount. The company business mainly based on franchise stores, however the main source of income is self-operated shop. It adopts different strategies for different brands. In FY 2020, the company's self-operated stores accounted for approximately 38.24% of the total stores, of which Bosideng's self-operated stores accounted for more than the

overall, approximately 42.61%. Another brand, Bengen, is dominated by franchise stores, with self-operated stores accounting for only about 4% of the average in the past 5 years.

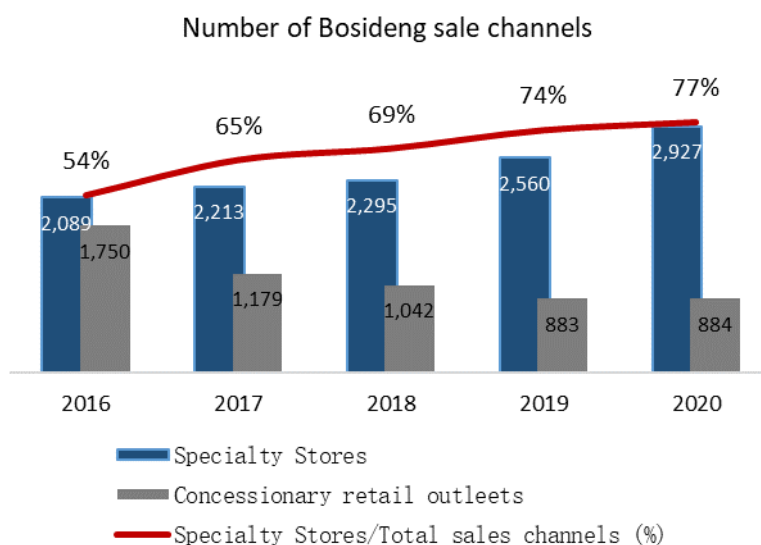
Figure 3: The ratio of self-operated store by different brands



source : Company · Phillip Securities Research

The company's offline stores are divided into two modes: specialty stores and consignment outlets, of which the consignment outlets are mainly store-in-shop. In recent years, the company has gradually increased the company's main brand specialty stores. In 2016, Bosideng's main brand only had 2089 specialty stores. On March 31, 2020, the company's store increased to 2,927, the proportion of specialty stores to the total sales channel increased from 54% to 77%, an increase of 23 Percentage point, while Snow Flying turned to concessionary retail-based. The company was committed to improving its sales channels in FY20. Terminal stores in core shopping districts such as shopping malls and fashion department stores have increased significantly, and it has been adapted to the brand's new positioning.

Figure 4: Number of Bosideng sale channels



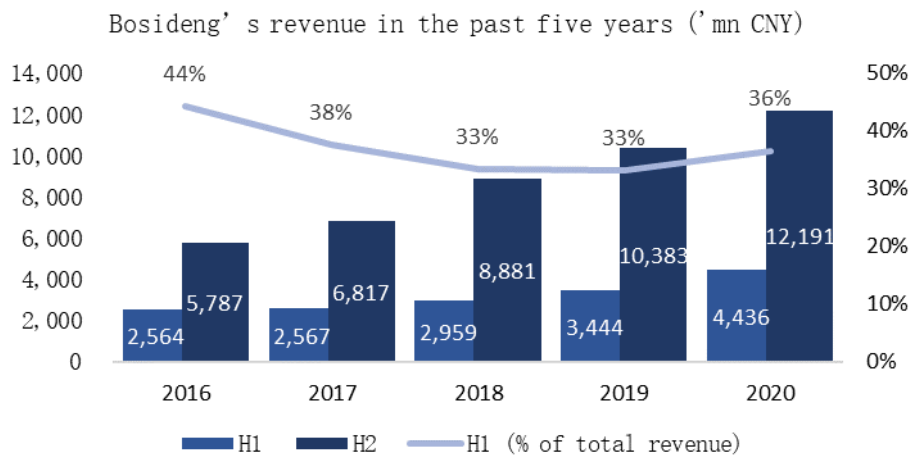
source : Company · Phillip Securities Research

The company also develops multiple channels to reach consumers such as online stores and WeChat Mini-program. The company also launched live broadcast e-commerce, which have a higher conversion rate, in FY 2020, and cooperated with well-known

mainland streamer such as Austin Li (李佳琦) to attract and increase the exposure of Bosideng and enhance the interaction with the consumers. The company's sales through WeChat Mini-program exceed RMB 70 million. Affected by the Covid-19, the number of members of the company increased by 53.4% year-on-year, exceeded 15 million, of which young consumers accounted for 16.3%, and the number of followers on the WeChat official account also reached 5 million.

The sales of down apparel have significant seasonality, and the income structure of the semi-annual and annual reports is quite different. The average revenue of the past 5 years was about 36.8% from the first half of the fiscal year. During the off-season, the company provides down apparel OEM services by its idle capacity. Its main customers are Tommy, Eddie Bauer, VF, Adidas and Columbia. In recent years, the company's OEM processing business has been gradually upgraded from OEM to ODM and OBM, thereby improving profitability.

Figure 5: Bosideng's revenue in the past five years



source : Company , Phillip Securities Research

Through more than 20 years of experience in down jacket production, the company has established good relations with customers. After the trade war began, most of China's textile and apparel exports were affected. The company said that some customers actively expressed their willingness to bear half of the tariff. In recent years, the company has continued to expand production capacity in Vietnam and other Southeast Asian regions to reduce the uncertainty of future policy changes.

Industry analysis

The domestic down industry market in China is developing steadily. According to the data from the China National Garment Association(CNGA) Down Committee, China's down clothing market in 2018 exceeded RMB 106.8 billion, an increase of about 10.86% year-on-year. The association expects the down industry to be scaled in the next two years. The annual growth rate is about 11%. It is predicted that by 2022, the down industry will exceed RMB 160 billion. According to data released by the China Feather and Down Industry Association, from 2016 to 2018, the unit price of down apparel of key domestic large-scale retail enterprises rose from 471 CNY in 2016 to 645 CNY in 2018, an increase of 37%. The main reason is that China's per capita income has increased, while the overall level of the down industry has increased.

Participants in the domestic down jacket market can be divided into international down brands, domestic down brands and international four season apparel brands. Among them, international down brands such as Canada Goose and Moncler, mainly positioned in the domestic high-end market and the international four seasons brands (including fast fashion brands) such as Uniqlo and JACK & JONES are mainly positioned in the mid-end market, while domestic down jacket brands are positioned in the mid-end and low-end markets. The low-end market has fierce competition and poor quality.

Figure 6: Distribution of domestic down market brands

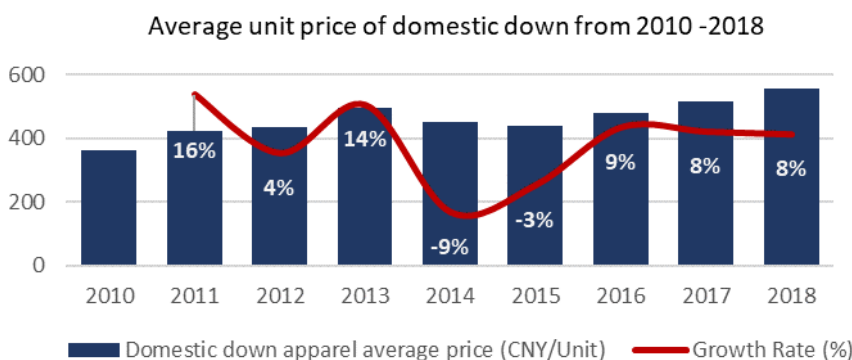


source : Phillip Securities Research

International brands enter the China market, consumption in the down market is upgraded

In terms of pricing, domestic down jacket brands is between 199 and 4,000 CNY, and the average selling price of Bosideng's autumn down jacket is between 1,100 and 1,200 CNY. International down brands such as Canada Goose and Moncler, which target high-end fashion luxury goods, ranging from 8,000 to 10,000 RMB.

Figure 7: Average unit price of domestic down



source : 前瞻市場研究院 , Phillip Securities Research

According to the statistics made by the Chinabgao in 2019, the current domestic down penetration rate of China is about 10%, which is lower than the 30%-70% in European and American countries, which means that China's down market has potential for growth. In recent years, Canada Goose and Moncler have identified opportunities to accelerate their expansion in China. Since the end of 2018, Canada Goose have opened three specialty stores in Hong Kong, Beijing and Shenyang, and plan to open two more specialty stores in China.

Figure 8: Canada Goose stores in Shenyang and Beijing



source: Google

As international brands enter the Chinese market, the consumption level of the domestic down market has increased. Due to the brand value, together with its quality and after-sales guarantee, international brand can make it several times higher in price than the domestic brand. Increased consumer demand for down, to a certain extent, increase the psychological price of consumers, and provide space for the down industry to increase prices. Bosideng's average price of down in 2019 is more than 50% higher than in 2018, and other products have an average increase of about 20 %-30%. At present, there is relatively a lack of mid- to high-end market players in China. The gap between the mid-end market and the high-end market is relatively large. In the future, there is room for high-quality down brands in the industry to further increase prices.

China Down Industry Association raises quality standards

At the end of 2019, the China Feather and Down Industry Association announced the first white paper on the down industry—the “White Paper on High-Quality Development of the Chinese Down Industry”, which introduced from multiple perspectives for the market and quality of the Chinese down industry. At the same time, it promotes the goal and development of the industry to improve quality. After the implementation of the "Glue Down Evaluation Method" standard developed in 2019, the detection rate of glue down has dropped from about 30% to less than 10%. In addition, the down apparel index (GB/T 14272) is about to be revised and the new version of the down apparel standard is in line with international standards to improve the quality of the industry.

In May this year, the Beijing Municipal Market Supervision Administration (北京市市場監督管理) announced a batch of unqualified adult apparel products, some international brands and fast fashion brands involved. Down apparel from Zara, Coach and Varsace were accused of failing in many perspectives. In recent years, China has increased the monitoring of apparel quality, affecting not only the low-end market but also luxury brands. In recent years, the reduction of production costs has generally been the main goal of major brands. While the Chinese market improves its efforts to improve product levels, it is expected that it will have a greater impact on participants who target low-end markets, bringing cost pressure to them. The overall price of the low-end market will rise. Increased market consumption levels will benefit participants who are capable of producing quality down and bring them room for price increases.

Company competitive advantage

The domestic down market currently lacks the participation of domestic brands in the mid to high-end to high-end markets. In the past, domestic brands have a certain distance from international brands in product design, supply chain and brand image, which makes domestic brands in a disadvantaged position compared with international brands. They can only position themselves in the market with low prices and high cost-effective strategies. End-to-end market. As the leader of domestic down brands, the company has not lost the strength of international brands in production technology and supply chain management.

Down is a functional apparel. The market competition focus is different from other apparel subdivisions. It focuses more on the functionality of the product rather than the brand image alone. As an industry leader and many years of brand OEM experience, the company has strong control over the upstream and downstream production chains, which helps improve the company's competitiveness. At the same time, with the continuous improvement of domestic clothing quality standards, the company can use its experience to strike a balance between cost control and quality supervision.

In terms of products, the company's main brand currently has a main pricing level of 1,000-1800 CNY. Under the company's strategy, through continuous improvement of product positioning, brand image and product structure, it is expected to drive price growth. The company aims to set the main brand price raised to the level of 1800-2000 CNY. In the past year, the company launched crossover series with internationally renowned designers, including well-known designers such as Jean-Paul Gaultier and Takada Kenzo (高田賢三). At the same time, the company is active in international fashion activities, and has participated in fashion shows in Canada, Milan and the United Kingdom in the past year.

Figure 9: Well-known designers co-operating with Bosideng



source : Company

The company plans to continue to cooperate with designers to launch crossover series in the future, and expects to improve the level and of the cooperating designers cooperated to enhance the brand image and product price. The company will also further strengthen its brand marketing, whether it will invest more resources in advertising and stores, in order to improve product design and brand image to attract more young consumer groups.

Figure 10 : Well-known actors/actresses as brand’s commercial endorser



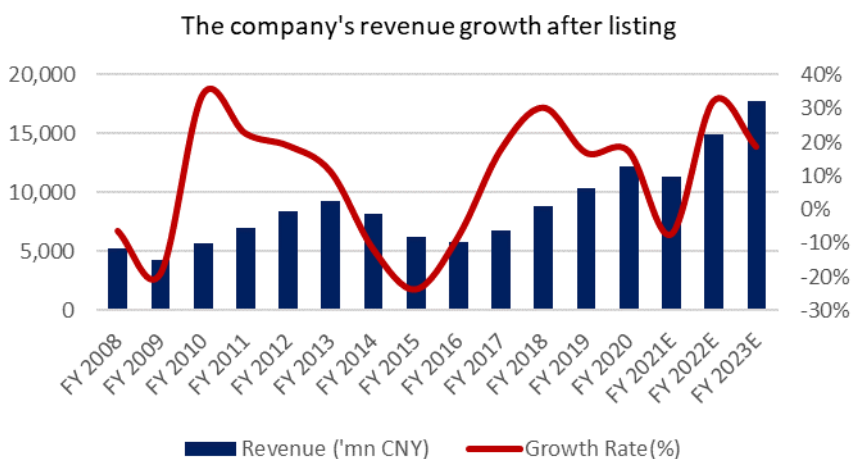
source : Company

Financial Analysis

Revenue analysis

In terms of revenue, the company has started to develop diversified business since its listing, and began to acquire and expand different brands in the 2008/09 fiscal year to implement its diversification strategy. In the initial stage of the strategy, the company's revenue increased year-on-year, and the company's non-down jacket division's revenue in fiscal 2012 exceeded 1 billion CNY. Afterwards, the apparel market experienced a downturn, and the company's revenue declined for four consecutive years. In 2017, the company began to innovate its main brand and promote the revenue of down apparel. FY17's revenue from down apparel increased by 15.14% year-on-year. In 2018, the company proposed to focus on the main business of down apparel. The company's revenue in FY19 and FY20 increased by 16.92% and 17.40% year-on-year, respectively, and those from branded down apparel increased by 35.51% and 24.23%, respectively. The average live-in ratio of less than 70% rose to 78% of FY20.

Figure 11: The company’s revenue growth after listing



source : Company , Phillip Securities Research

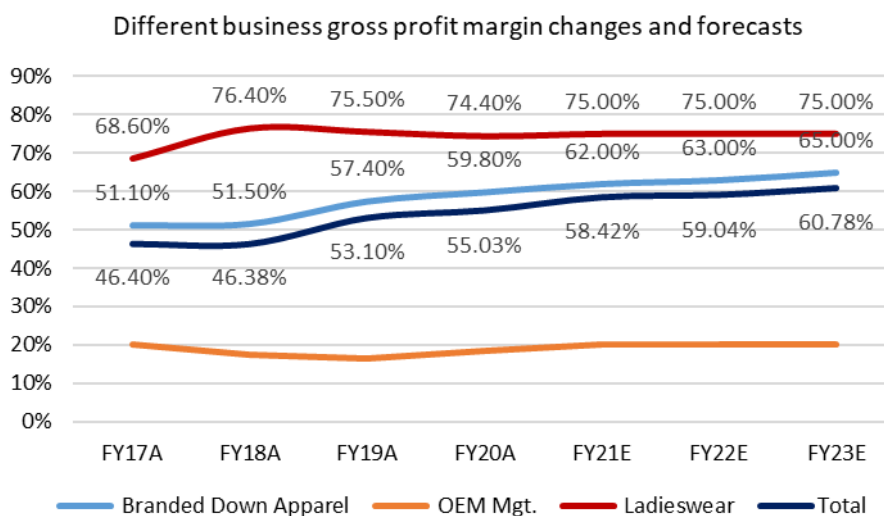
The retail value of the main brand in last year also increased by more than 30%. The company gradually achieved results in the initial stage of the brand reform, and the price of new products has also increased compared with that of the company. The company plans to increase the price to 1800-2000 CNY within five years. It is expected that the company's revenue growth in brand down will be greater than other segments.

However, affected by the epidemic, the company's inventory level at the year-end increased by 800 million CNY, which contain mostly of finished goods compared to FY19. It is expected to focus on destocking in the coming year. The extra cost caused are expected to offset the growth in sales. It is expected that the company's revenue from down will decrease by 5% compared with the same period last year, and it will return to the ascending track in FY22.

Profitability

The company's gross profit margin for five years has steadily increased. The company's gross profit margin in 2019 and 2020 is 46.4%, 53.1% and 55.0%, respectively. The main reason is that the company's revenue structure has improved and the brand's down apparel margins have also increased year-on-year. The company's down brand revenue has increased in recent years, and the down apparel's gross profit margin has also increased from 50.0% in 2016 to 59.8% in 2020, an increase of about 9.8 percentage points, the gross profit margin of the main brand Bosideng also increased from 56.4% in 2018 to 63.4% in 2020 after the company's brand reform. It is believed that the company's overall gross profit margin can be further increased after channel improvement and brand repositioning. The average gross profit margin of the company's down jacket is expected to rise to 65%. It is expected that the gross profit in 2021 and 2022 will be 5.607 billion and 7.245 billion respectively, corresponding to a gross profit margin of 57.6% And 58.1%.

Figure 12: Different business gross profit margin changes and forecasts

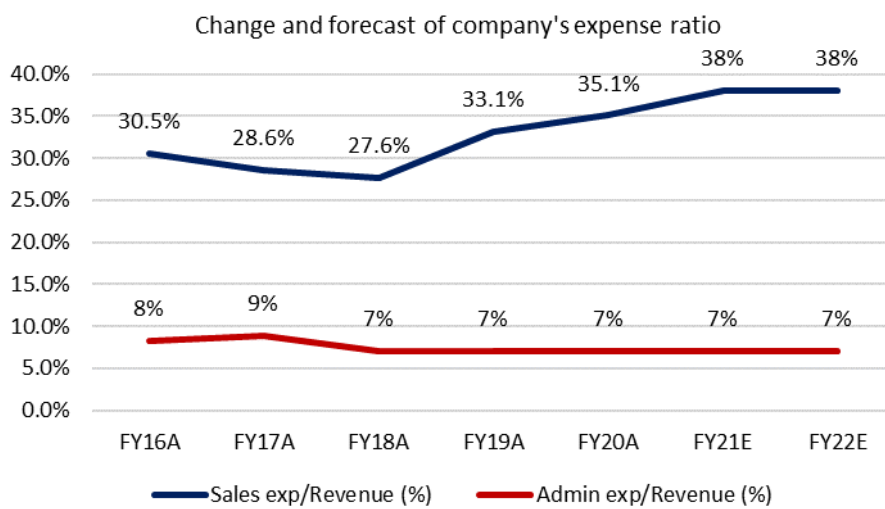


source : Company , Phillip Securities Research

Expenses for the period

The company's sales expenses have continued to rise over the past three years, from 27.6% in 2018 to 7.5 percentage points to 35.1% in 2020, mainly because the company incurred additional expenses in improving its brand image, during which the specialty stores operated by the group increased from 552 in 2018 to 1026 in 2020, an increase of about 85%. The company's sales expenses are expected to increase further, maintaining a level of approximately 38%. Administrative expenses have remained stable for three years, staying at 7% of income, and are expected to remain at a similar level in the future.

Figure 13: Change and forecast of company's expense ratio during the period



source : Company · Phillip Securities Research

Company valuation

In the past year, the strategy of brand relocation has achieved initial results. The company's main brand is expected to fill the gap in the market, and the industry is expected to maintain growth in the future. COVID-19 has less impact on the company's revenue, and the demand elasticity of functional apparel is lower. It is expected that the company's revenue will recover quickly after the epidemic. Other competitors in the domestic down market are generally relatively small. The Hong Kong stock companies Anta Sports, Li Ning, and overseas goose brands Canada Goose and Moncler, which also mainly focus on functional apparel, have an average valuation of 27.3x P/E.

We expect the company's EPS in 2021/2022 to be 11.13/13.97 cents. The target price of HK\$2.89 corresponds to the P/E ratio of 23.36x/18.62x to FY21E/FY22E.
(Closing Price as at 15 July)

Risk

- 1) Affected by the epidemic, the company's inventory rises, destocking may have a negative impact on revenue
- 2) The development of women's clothing business is not as expected
- 3) The company failed to effectively reform and failed to gain costumers` recognition of the new brand positioning
- 4) Intensified industry competition

Peer Comparison

Company	Stock Code	CP	Mkt Cap	P/E				P/B			
				TTM	2019	2020	2021	TTM	2019	2020	2021
		(Base)	('mn CNY)								
Anta Sports	2020 hk equity	70.55	178,779	33.3x	32.3x	31.7x	22.6x	8.9x	9.1x	7.4x	6.0x
Li Ning	2331 hk equity	24.00	55,446	36.2x	37.5x	35.5x	26.2x	7.2x	7.6x	6.6x	5.4x
Canada Goose	Goos US equity	22.12	17,346	-	23.6x	23.2x	35.6x	-	8.6x	6.4x	5.3x
Moncler	Monc IM equity	34.14	70,721	24.0x	23.9x	38.7x	27.2x	6.6x	6.5x	5.8x	5.0x
Average				31.2x	29.4x	32.2x	27.9x	7.6x	7.9x	6.5x	5.4x
Bosideng	3998 hk equity	2.28	21,891	18.1x	25.5x	18.0x	14.5x	2.1x	2.2x	2.1x	2.0x

source : Bloomberg, Phillip Securities Research

FYE DEC	FY19	FY20	FY21E	FY22E	FY23E
Valuation Ratio					
P/E ratio	26.96	22.29	22.56	17.97	13.24
P/B ratio	2.23	2.16	2.07	1.95	1.79
Dividend Yield (%)	3.19%	3.58%	3.13%	3.51%	4.06%
Per share data (RMB)					
EPS	9.32	11.27	11.13	13.97	18.97
BVPS	0.91	0.94	0.98	1.04	1.14
DPS (HKD)	8.00	9.00	7.85	8.82	10.19
Growth & Margin					
Growth					
Revenue	16.9%	17.4%	-7.3%	32.3%	18.7%
Operating income	48.4%	16.6%	10.7%	25.6%	32.4%
Net income	59.4%	22.6%	-1.2%	25.5%	35.8%
Margins					
Gross Profit Margin	53.1%	55.0%	58.4%	59.0%	60.8%
Operating profit Margin	13.2%	13.1%	15.7%	14.9%	16.6%
Net Profit Margin	9.5%	9.9%	10.5%	10.0%	11.4%
Key Ratios					
ROE	10%	12%	11%	13%	16%
ROA	7%	7%	7%	8%	11%

source : Phillip Securities Research

Financials

Income Statement (CNY\$ mn)

	FY19A	FY20A	FY21E	FY22E	FY23E
Branded Down Apparel	7,658	9,513	9,037	12,200	14,640
OEM Mgt.	1,368	1,611	1,289	1,676	1,927
Ladieswear	1,202	983	934	1,074	1,181
other	156	84	42	-	-
Revenue	10,383	12,191	11,302	14,949	17,748
Growth (%) YoY	17%	17%	-7%	32%	19%
COGS	(4,870)	(5,482)	(4,699)	(6,123)	(6,961)
Gross Profit	5,514	6,709	6,603	8,826	10,787
Gross margin (%)	53%	55%	58%	59%	61%
other income	91	187	252	124	143
Selling & distribution	(3,440)	(4,276)	(4,295)	(5,681)	(6,744)
Admin	(729)	(853)	(791)	(1,046)	(1,242)
Other opex	(22)	(69)	-	-	-
Total opex	(4,234)	(5,297)	(5,086)	(6,727)	(7,987)
Operating income (EBIT)	1,371	1,599	1,769	2,223	2,944
Operating Margin(%)	13%	13%	16%	15%	17%
Finance income	187	193	193	193	193
Finance costs	(163)	(192)	(174)	(174)	(174)
Pre-tax profit	1,394	1,600	1,595	2,049	2,769
Tax	(389)	(405)	(415)	(533)	(720)
Minority interest	(24)	8	9	(24)	(24)
Net profit	981	1,203	1,189	1,492	2,025
Net margin(%)	9.5%	9.9%	10.5%	10.0%	11.4%
EPS (CNY\$ cent)	9.32	11.27	11.13	13.97	18.97

source : Phillip Securities Research

Cash Flow Statement (CNY\$ mn)

	FY19A	FY20E	FY21E	FY22E	FY23E
Operating cash flow					
EBITDA	1,584	1,881	2,160	2,567	3,264
Chg in working cap	264	(62)	281	(834)	(598)
Others	50	(181)	-	-	-
Cash from operating	1,898	1,638	2,441	1,734	2,666
Tax	(389)	(405)	(365)	(415)	(533)
Net Cash from operation	1,509	1,233	2,077	1,319	2,134
Investing cash flow					
Cash from investing	(253)	612	(133)	(211)	(196)
FCF	1,257	1,845	1,944	1,108	1,938
Financing cash flow					
Issue of Bond	-	1,671	-	-	-
Dividends paid	(739)	(881)	(749)	(862)	(991)
Others	(617)	(810)	(174)	(174)	(174)
Cash from financing	(1,356)	(8)	(923)	(1,036)	(1,165)
Net increase (decrease) in cash	(99)	1,837	1,021	72	773
Exchange rate or other adj	60	47	-	-	-
Opening cash balance	1,794	1,754	3,639	4,659	4,732
Closing cash balance	1,754	3,639	4,659	4,732	5,504

source : Phillip Securities Research

Balance Sheet (CNY\$ mn)

	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets					
Property & Equipment	1,024	2,173	1,915	1,781	1,656
LT investment and Receivables	285	271	271	271	271
Other Long Term Asset	835	811	811	811	811
Total non-current assets	3,945	4,909	4,651	4,517	4,392
Current assets					
Restricted Bank deposits	902	568	568	568	568
Accounts Receivable	1,035	1,197	1,858	2,457	2,918
Inventory	1,931	2,726	1,609	2,097	2,384
Cash	1,754	3,639	4,659	4,732	5,504
Other Short Term Asset	1,099	1,068	-	-	-
Total current asset	11,138	12,470	11,967	13,127	14,647
Total Assets	15,083	17,379	16,617	17,643	19,038
Liabilities					
Current Liabilities					
Accounts Payable	1,216	1,818	837	1,090	1,240
Tax Payable	463	365	415	533	720
Bank and other borrowing	1,628	818	818	818	818
Leasing liabilities	-	261	-	-	-
other Liabilities	1,490	1,429	1,429	1,429	1,429
	4,796	4,690	3,498	3,869	4,206
Non-current Liabilities					
Debt	-	-	-	-	-
Bond payable	-	1,671	1,671	1,671	1,671
Other Liabilities	178	615	615	615	615
	178	2,286	2,286	2,286	2,286
Total Liabilities	4,974	6,976	5,784	6,155	6,492
Shareholder's Equity					
Equity Capital	1	1	1	1	1
Retained Earnings	9,898	10,213	10,652	11,283	12,317
Minority/Non Controlling Interest	210	189	180	204	228
Shareholder's Equity	10,109	10,403	10,834	11,488	12,546
Total Liabilities & Shareholder's Equity	15,083	17,379	16,617	17,643	19,038

source : Phillip Securities Research

(Closing Price as at 15 July)

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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