

Nameson Holdings | 1982.HK

High yield play with stable growth ahead

Rating	BUY	Maintain
Target Price	HKD 1.01	
Current price	HKD 0.81	Upside:24.7%

1HFY25 result largely in-line, better sales mix and operating efficiency drove GM

We joined Nameson's result call last Monday morning and had a post-result meeting with management on Nov 27 (Weds) to share with us company's outlook. Nameson's 1HFY25 result was on track to our FY25E estimates, with sales and adjusted net profit each grew +2.2%/+3.3% Yoy to HK\$2,726mn/HK\$299mn. Blended GM was up 1.6ppts Yoy to 19.9% (highest level since 2HFY22), thanks to lower raw material price and improved operating efficiency in Vietnam plant.

Fast order normalization on whole garment a short term drag on total volume, traditional knitwear and cashmere products provides volume support

Nameson's sales volume came in at 18mn pieces in 1HFY25 (vs. ~19mn in 1HFY24, -5.7% Yoy), in which fast order normalization of whole garment (WG) led to lower segment sales volume at ~2.5mn pieces (-38% Yoy), while traditional knitwear was largely flattish at ~14mn pieces and cashmere sales volume soared 74% Yoy to 1.6mn pieces.

All in all, 1HFY25E ASP was stable Yoy at ~US\$18/~HKD119, thanks to higher cashmere sales volume which enjoys higher ASP (~US\$40 per our calculation), while traditional knitwear ASP was stable at ~US\$13-14 per our calculation. For WG, as a result of both lower sales volume with simpler designs and mutually agreed price adjustment, ASP slipped >20% Yoy to ~US\$10 per our calculation.

Europe and SEA sales outperform on favourable weather and clients' overseas expansion; Expects stable volume and ASP ahead, thanks to major clients' demand and new sportswear clients' order ramp up

Europe and SEA sales outperform which grew 23.1%Yoy /37.7% Yoy, thanks to favourable weather in Europe, in addition, we also believe Nameson also benefit from client's overseas expansion in the above-mentioned regions. Meanwhile, sales were sluggish in Japan (-23% Yoy) and China (-3.9% Yoy) due to late winter and continued macro headwinds weighed on consumption. However, Management shared that orders from Japan and China showed signs of improvement in 4Q24.

We expect Nameson's FY25E sales to be down by ~1% Yoy mainly driven by lower WG sales volume, which was largely set-off by blended stable ASP Yoy due to better product mix. Looking forward to FY26E/27E, we expect low-single digit total volume growth and would stay at ~30mn pieces each year, thanks to current major clients' stable demand in traditional knitwear, while newly added international sportswear clients' order ramp up would also provide support to sales volume.

Result Takeaway

12 December 2024

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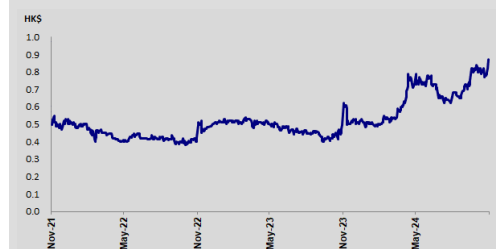
Trading data

52-Week Range (HK\$)	0.96/0.48
3 Mth Avg Daily Vol (m)	1.41
No. of Shares (m)	2,279.4
Market Cap (HK\$m)	1,846.3
Major Shareholders (%)	Wong Ting Chung & Family (68.8%)
Auditors	PwC
Result Due	FY25E: Jun 2025E

Company description

Established in 1990 and listed in HKEx in April 2016, Nameson is one of the leading knitwear manufacturers in the PRC. Nameson offers one-stop services including raw material development and procurement, product design, sample manufacturing, high-quality production, quality control and timely delivery of products to their clients. Nameson has been supplying quality knitwear products to internationally renowned apparel brands such as UNIQLO (~54% of total sales in 1HFY25)

Price chart



Sources: Bloomberg, CIRC

■ Cashmere yarn and fabrics continues to ramp up

Nameson manufactured 70% of total sweaters in Vietnam in 1HFY25, while the remaining was manufactured in China. Nameson further expand knitwear capacity in Central Vietnam with total number of labour increased to ~11k in 1HFY25 (vs. ~9,200 in end-Jun 2024). Nameson's 1HFY25 CAPEX came in at ~HK\$155mn, Management guided the majority of FY25E CAPEX would still be allocated to central Vietnam plant, we expect FY25E CAPEX would be similar to that in FY19-FY20. Nameson expects the production volume split between Vietnam and China would maintain at ~70%/30%.

A recap that Nameson kicked off cashmere yarn business in 2HFY19 and has 13 production lines annual capacity at ~900 tonnes currently running at full capacity to satisfy internal use and external customers. Nameson produced >550 tons in 1HFY25 (>60% UTR vs. ~50% UTR in 1HFY24). Meanwhile, their own branded cashmere yarn – M.oro is gaining reputation with customers and revenue rose 26.8% to ~HK\$419mn (15% of 1HFY25 revenue/ 73% of FY24 cashmere yarn revenue). With improved UTR and sales continue to ramp up, we expect cashmere yarn GM would see further room for improvement going forward.

For fabrics' business, Management shared that global demand for fabrics normalized, after brand customers have digested excess inventory. Nameson continue to spend effort on enriching customer relationship and enhancing product quality to pave way for future have become nominated suppliers of several global brands. Nameson targets to further narrow losses in FY25E and FY26E.

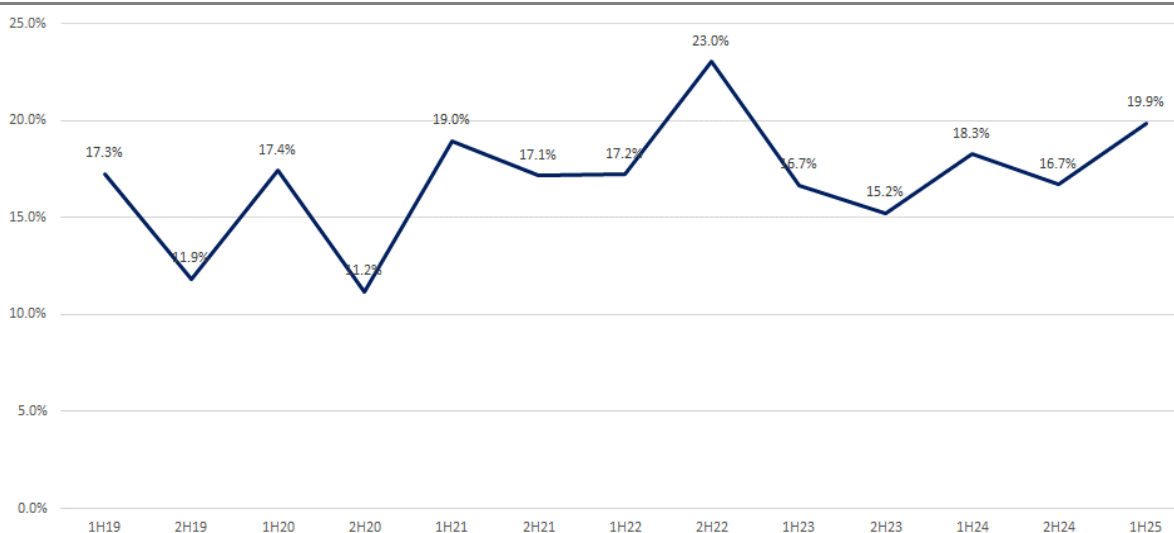
■ FY24-27E earnings expects to grow ~6% CAGR; Undemanding valuation with attractive yield, maintain BUY

Since we issued a quick update in our daily commentary on Apr 11 ([Report Link](#)) followed by another company update on May 8 ([Report Link](#)), we have received increasing interest from investors, share price rose 55% (as of Dec 5 market close) and have outperformed main HK listed peers (+28.0% on average, including Yue Yuen, Stella, Crystal Intl, Best Pacific and Shenzhou). We expect Nameson's adjusted EPS to grow at 6.3% CAGR in FY24-FY27E on the back of 2.7% sales CAGR. The earnings growth will also be accompanied by gradual GM recovery, thanks to lower raw material cost and higher sales contribution from higher margin cashmere.

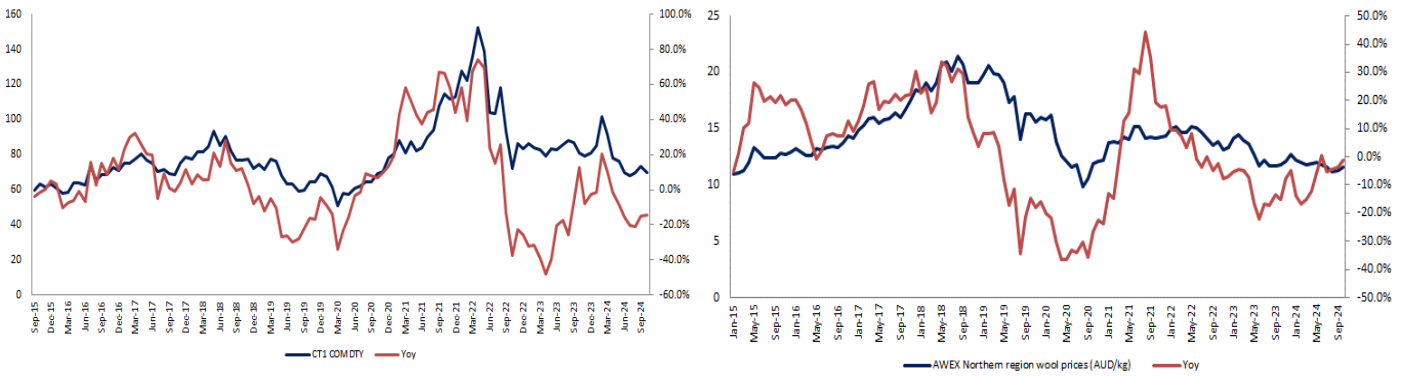
Nameson is trading at undemanding FY25E/26E 4.4x/4.0x PE (~46% discount to peers' simple avg. based on FY26E valuation), however, investors' risk appetite for small caps remains low under current market sentiment. We maintain Nameson's rating at BUY with TP at HK\$1.01 based on 5.0x FY25E PE (50% discount to peers' average due to unfavourable market sentiment for small caps).

Nameson's balance sheet remains healthy, with net gearing ratio stayed low at 14.3% in 1HFY25 (vs. ~27% on average in FY19-FY24). Therefore, the company maintained its payout ratio at ~75% (based on adjusted net profit) in 1HFY25) and we expect FY25E payout ratio would be still well-above management guidance at >35%. With 17.1%/18.5% FY25E/26E dividend yield (assume 75% payout), this would limit share price downside.

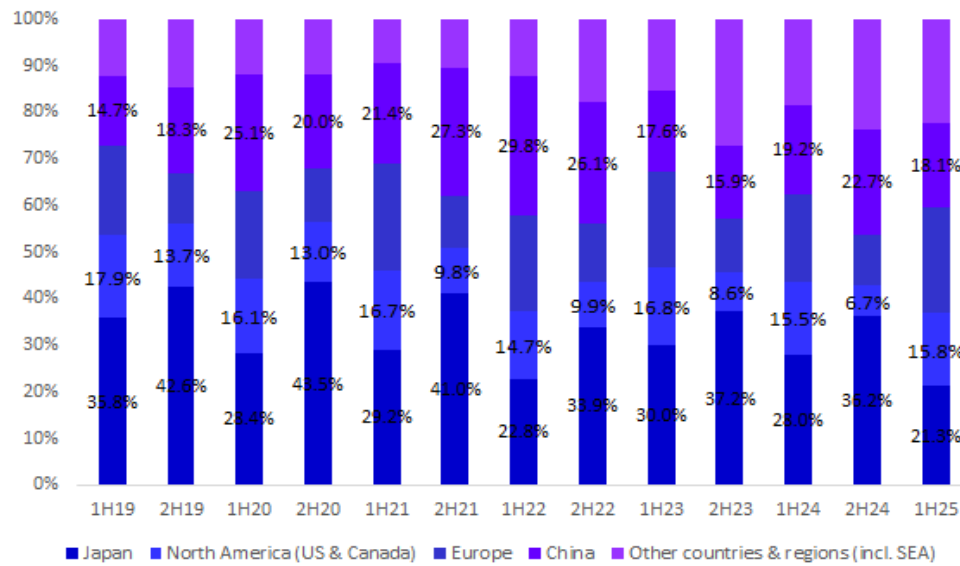
Exhibit 1: Nameson's blended GM gradually improved on better sales mix and operating efficiency in Vietnam



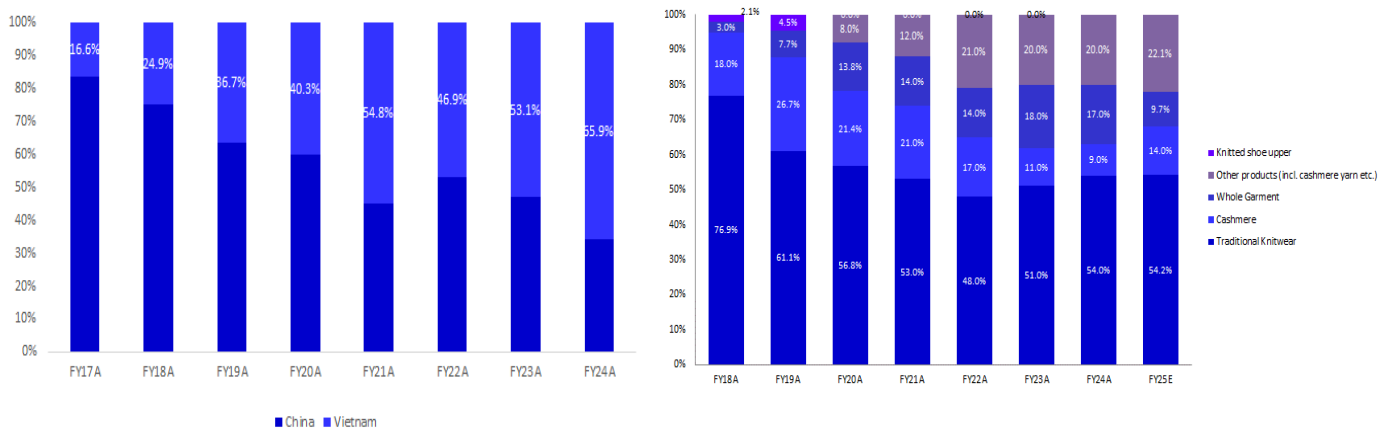
Source: Company data, CIRL

Exhibit 2: Cotton prices in the US (left) was at 2-year low, while Australia (right) wool price is still well below than 2019 level


Source: Bloomberg, CIRL

Exhibit 3: North America took up ~16% of total sales in 1HFY25


Source: Company data, CIRL

Exhibit 4: Nameson's knitwear production volume mix (left) and sales volume mix (right)


Source: Company data, CIRL

Exhibit 7: Nameson's 1HFY21-1HFY25 P&L

Year to Dec (HK\$ mn)	1H21	2H21	1H22	2H22	1H23	2H23	1H24	2H24	1H25
Revenue	2,295	1,553	2,452	1,230	3,099	1,503	2,726	1,653	2,786
Gross profit (reported)	435	266	423	283	516	229	498	276	553
GM(%)	19.0%	17.1%	17.2%	23.0%	16.7%	15.2%	18.3%	16.7%	19.9%
Other income	7.2	9.8	13.1	7.5	29.6	19.3	7.1	6.2	6.4
- interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other gains/(losses) -net	20.3	10.7	1.0	-2.0	75.6	0.9	46.7	31.5	25.0
Selling expenses	20.0	21.0	23.3	15.0	23.7	13.4	17.8	14.5	21.0
Admin expenses	158.8	183.8	169.9	178.0	168.4	180.2	162.2	168.5	173.5
EBITDA	388.4	103.8	357.5	128.3	548.0	134.0	486.6	205.9	506.7
EBITDA (%)	16.9%	6.7%	14.6%	10.4%	17.7%	8.9%	17.8%	12.5%	18.2%
Depreciation & Amortization	105	22	114	32	118	78	115	75	116
EBIT	284	82	244	96	430	56	372	131	390
EBIT (%)	12.4%	5.3%	9.9%	7.8%	13.9%	3.7%	13.6%	7.9%	14.0%
Net interest income (exp.)	(20)	(13)	(11)	(10)	(15)	(18)	(23)	18	(25)
Associates	0	0	0	0	0	0	1	0	1
Exceptionals/others	2	0	0	0	-109	-134	0	0	0
Profit before tax	266	69	233	85	306	(97)	349	149	366
Tax expenses	(36)	0	(30)	(13)	(51)	(0)	(44)	(13)	(53)
Minority interest	(9)	(6)	11	13	22	1	16	3	15
Net profit	238	69	192	72	232	(97)	289	136	298
Adjusted Net Profit	235	69	191	72	343	37	289	136	298
Basic EPS	0.105	0.030	0.084	0.032	0.102	-0.043	0.127	0.059	0.131
Diluted EPS	0.105	0.030	0.084	0.032	0.102	-0.043	0.127	0.059	0.131
Adjusted EPS	0.103	0.030	0.084	0.032	0.150	0.016	0.127	0.060	0.131
Net margin (%)	10.4%	4.5%	7.8%	5.9%	7.5%	-6.5%	10.6%	8.2%	10.7%
Payout Ratio (%)	36.9%	39.4%	50.0%	47.2%	33.9%	481.3%	74.9%	92.0%	74.9%
Dividends	87	27	96	34	116	180	217	125	223
Final DPS(HK\$ cents)	0.038	0.012	0.042	0.015	0.051	0.079	0.095	0.055	0.098

Source: Company data, CIRL

Exhibit 5- Financial statement

Income statement						Cash flow					
Year to Mar (HK\$ Mn)	FY23A	FY24A	FY25E	FY26E	FY27E	Year to Mar (HK\$ Mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	4,602	4,379	4,348	4,528	4,733	Pre-tax profit	209	434	497	530	552
Gross profit (reported)	746	774	783	829	876	Taxes paid	(16)	(51)	(35)	(42)	(38)
EBITDA	682	695	691	729	764	Depreciation & amortization	197	193	190	199	210
Depreciation	197	193	190	199	210	Associates & Others	254	92	40	43	41
EBIT	485	502	501	530	554	CFO bef. WC change	644	668	692	730	765
Net interest income (exp.)	(33)	(35)	(5)	(1)	(3)	Change in working cap	19	61	(36)	(5)	(29)
Associates	1	2	2	2	2	Cashflow from operation	663	729	655	725	737
Exceptionals/others	(243)	(34)	0	0	0	CAPEX	(76)	(216)	(350)	(200)	(200)
Profit before tax	209	434	497	530	552	Free cash flow	587	513	305	525	537
Tax expenses	(51)	(53)	(57)	(60)	(63)	Dividends	130	296	315	337	352
Minority interest	23	19	19	19	19	Balance sheet adj.	(357)	(680)	(698)	(707)	(826)
Profit for the year	158	381	441	470	490	Shares issued	0	0	0	0	0
Adjusted Net profit	379	396	422	451	471	Others	0	0	0	0	0
Dividends	130	296	315	337	352	Net cash flow	360	129	(78)	155	63
Adjusted EPS (HK\$)	0.166	0.174	0.185	0.198	0.206	Net cash (debt) start	(579)	(220)	(91)	(168)	(13)
						Net cash (debt) at year-end	-220	-91	-168	-13	49
Balance sheet						Ratios					
Year to Mar (HK\$ Mn)	FY23A	FY24A	FY25E	FY26E	FY27E	Year to Mar (HK\$ Mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash & equiv	717	717	620	687	749	Growth rate (%)					
Trade receivables	133	167	148	154	161	Revenue	13.9%	-4.9%	-0.7%	4.1%	4.5%
Other receivables	165	254	520	520	520	EBITDA	40.4%	1.9%	-0.6%	5.5%	4.8%
Inventories	1,032	911	963	974	1,011	EBIT	42.9%	3.4%	-0.1%	5.8%	4.6%
Other current assets	0	0	0	0	0	Adjusted Net profit	45.3%	4.5%	6.3%	7.0%	4.3%
Fixed assets	1,780	1,785	1,933	1,922	1,900	Fully diluted core EPS	45.3%	4.5%	6.3%	7.0%	4.3%
Land use rights / RoU assets	334	291	381	381	381	Margins (%)					
Investment, associates etc	267	323	303	322	312	Gross margin (reported)	16.2%	17.7%	18.0%	18.3%	18.5%
Total assets	4,429	4,448	4,868	4,960	5,034	EBITDA margin	14.8%	15.9%	15.9%	16.1%	16.1%
Account payables	363	335	332	344	359	EBIT margin	10.5%	11.5%	11.5%	11.7%	11.7%
Other payables	225	256	403	403	403	Net margin	8.2%	8.7%	10.1%	10.4%	10.3%
Short-term debt	406	353	257	250	250	Other ratios					
Other current liabs	339	317	382	396	416	ROE (%)	14.9%	15.6%	15.1%	14.1%	13.0%
Long-term debts	531	455	531	450	450	ROA (%)	8.2%	8.9%	9.1%	9.2%	9.4%
Deferred tax and others	6	13	10	10	10	Net gearing (%)	8.9%	3.5%	6.1%	0.5%	-1.7%
Other long-term liabs	82	121	182	182	182	Interest coverage (x)	-14.7	-14.3	-93.3	-499.3	-159.5
Total liabilities	1,951	1,849	2,097	2,035	2,070	Receivables days	11.1	12.5	13.2	12.2	12.1
Share capital	23	23	23	23	23	Payables days	34.4	34.0	34.0	34.0	34.0
Reserves	2,252	2,360	2,480	2,634	2,674	Inventory days	97.7	92.2	98.6	96.1	95.6
Shareholders' equity	2,275	2,383	2,503	2,657	2,697	Effective tax rate (%)	-11.3%	-11.4%	-11.4%	-11.4%	-11.4%
Minorities	203	216	268	268	268						
Total equity	2,478	2,599	2,771	2,925	2,965						
Net cash (debt)	(220)	(91)	(168)	(13)	49						

Source: Company data, CIRL estimates

Exhibit 7: Nameson's forward PB band


Source: Bloomberg, CIRL

Exhibit 6: Peers valuation comparison

	bloomberg code	Mkt Cap (HKD mn)	Price (HKD)	Share Price Movement (%)			PER (x)					P/B (x)					Yield (%)				
				1M	3M	YTD	FY22	FY23	FY24E	FY25E	FY26E	FY22	FY23	FY24E	FY25E	FY26E	FY22	FY23	FY24E	FY25E	FY26E
HK listed peers																					
SHENZHOU INTERNATIONAL GROUP	2313 HK	87,337	58.10	(7.0)	(6.8)	(27.7)	16.4	17.3	13.9	12.2	10.8	2.5	2.4	2.3	2.1	1.9	3.3%	3.9%	4.3%	5.0%	5.6%
YUE YUEN INDUSTRIAL HLDG	551 HK	29,501	18.34	10.1	32.5	112.3	12.7	13.7	8.8	8.3	7.6	0.9	0.9	0.9	0.8	0.8	6.0%	4.9%	6.9%	7.4%	8.0%
STELLA INTERNATIONAL	1836 HK	12,186	14.84	2.3	0.5	61.1	12.7	10.6	9.1	8.3	7.4	1.5	1.4	1.4	1.4	1.3	5.8%	5.9%	9.1%	17.3%	19.2%
CRYSTAL INTERNATIONAL GROUP	2232 HK	12,182	4.27	(1.4)	23.8	47.2	9.0	9.5	7.8	7.1	6.2	1.2	1.1	1.0	1.0	0.9	3.9%	4.2%	7.1%	8.5%	9.2%
TEXHONG INTERNATIONAL GROUP	2678 HK	3,635	3.96	(5.0)	8.2	(9.6)	20.0	-8.7	5.0	3.7	2.3	0.3	0.4	0.3	0.3	0.2	24.6%	0.0%	7.5%	10.3%	13.9%
BEST PACIFIC INTERNATIONAL H	2111 HK	3,171	3.05	15.5	20.6	174.8	10.6	9.1	5.6	4.9	4.6	1.0	1.0	-	-	-	3.8%	4.1%	0.0%	0.0%	0.0%
REGINA MIRACLE INTERNATIONAL	2199 HK	2,571	2.10	(8.7)	(3.7)	(2.3)	4.9	6.7	11.7	7.0	8.4	0.7	0.7	0.7	0.7	0.7	6.7%	4.9%	2.4%	2.4%	3.8%
EAGLE NICE (INTL) HLDGS LTD	2368 HK	2,205	3.84	(5.4)	(10.5)	(9.2)	7.5	7.0	-	-	-	1.2	1.3	-	-	-	9.4%	13.5%	0.0%	0.0%	0.0%
PACIFIC TEXTILES HOLDINGS	1382 HK	2,010	1.44	(9.4)	(2.7)	6.7	3.5	7.6	8.5	9.0	6.0	0.6	0.7	0.7	-	-	24.3%	13.2%	10.4%	9.0%	13.2%
TEXWINCA HOLDINGS LTD	321 HK	1,119	0.81	(8.0)	(5.8)	(15.6)	5.9	15.0	-	-	-	0.2	0.2	-	-	-	22.2%	24.7%	0.0%	0.0%	0.0%
COSMO LADY CHINA HOLDINGS CO	2298 HK	562	0.25	(12.3)	(5.7)	4.6	14.2	11.7	-	-	-	0.3	0.3	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
CHINA WEAVING MATERIALS HOLD	3778 HK	557	0.45	0.0	34.8	43.5	-38.2	-19.0	-	-	-	0.7	0.7	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
BONNY INTERNATIONAL HOLDING	1906 HK	463	0.32	(10.0)	23.5	(10.5)	-4.9	-8.0	-	-	-	1.2	1.2	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
KINGMAKER FOOTWEAR HLDGS LTD	1170 HK	407	0.60	(15.5)	(12.0)	(10.2)	-22.3	7.6	-	-	-	0.3	0.3	-	-	-	0.0%	6.3%	0.0%	0.0%	0.0%
WIN HANVERKY HOLDINGS LTD	3322 HK	223	0.17	6.1	3.6	33.8	21.8	-0.6	-	-	-	0.1	0.2	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
SPEEDY GLOBAL HOLDINGS LTD	540 HK	83	0.14	10.3	49.5	131.7	-2.4	-16.7	-	-	-	1.1	1.2	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Average		9,888		(2.4)	9.4	33.2	11.6	10.5	8.8	7.6	6.6	0.9	0.9	1.0	1.0	1.0	11.0%	8.6%	6.8%	8.6%	10.4%
NAMESON HOLDINGS LTD																					
	1982 HK	2,051	0.90	9.8	34.3	80.0	7.9	5.4	5.2	4.8	4.5	0.8	0.8	0.8	0.8	0.7	6.3%	6.3%	14.4%	15.4%	16.6%
Shoe making peers																					
ECLAT TEXTILE COMPANY LTD	1476 TT	35,057	127.78	(2.0)	1.9	(5.3)	19.6	27.0	21.9	19.9	17.6	5.5	5.3	5.3	4.8	4.4	3.5%	2.7%	3.1%	3.5%	4.0%
FENG TAY ENTERPRISE CO LTD	9910 TT	32,848	33.26	(3.1)	2.2	(20.9)	13.8	26.3	22.6	19.4	16.9	5.2	5.6	5.6	5.1	4.7	5.4%	3.2%	3.3%	3.9%	4.6%
POU CHEN	9904 TT	30,858	10.47	11.8	27.7	41.1	9.3	11.5	8.7	8.5	8.4	1.1	1.0	0.9	0.9	-	3.3%	2.6%	3.3%	3.4%	3.4%
YUE YUEN INDUSTRIAL HLDG	551 HK	29,501	18.34	10.1	32.5	112.3	12.7	13.7	8.8	8.3	7.6	0.9	0.9	0.9	0.8	0.8	6.0%	4.9%	6.9%	7.4%	8.0%
MAKALOT INDUSTRIAL CO LTD	1477 TT	18,605	75.42	(4.0)	(18.7)	(9.7)	20.1	18.6	18.7	16.9	15.8	4.8	4.6	4.7	4.7	4.5	5.0%	5.4%	4.8%	5.1%	4.7%
TAIWAN PAIHO LTD	9938 TT	5,933	19.91	3.0	41.5	43.9	14.9	40.7	15.5	12.9	11.2	2.0	2.0	1.8	1.6	-	3.3%	1.3%	3.9%	4.6%	5.4%
Average		25,467		2.6	14.5	26.9	15.1	23.0	16.0	14.3	12.9	3.2	3.2	3.2	3.0	3.6	4.4%	3.3%	4.2%	4.6%	5.0%
International brands																					
INDUSTRIA DE DISEÑO TEXTIL	ITX SM	1,434,203	460.17	6.9	20.8	43.8	48.3	42.2	31.3	29.2	26.5	10.4	9.9	9.2	8.8	8.2	1.3%	1.2%	2.9%	3.0%	3.3%
FAST RETAILING CO LTD	9983 JP	875,442	2,751.05	8.2	20.6	51.8	47.8	50.3	43.4	41.6	37.9	9.5	8.6	7.6	7.3	6.5	0.5%	0.6%	0.8%	0.8%	0.9%
LULULEMON ATHLETICA INC	LULU US	327,033	2,663.64	7.2	34.9	(33.1)	45.6	50.8	27.3	24.4	22.6	16.0	13.8	10.5	8.8	7.0	0.0%	0.0%	0.0%	0.0%	0.0%
HENNES & MAURITZ AB-B SHS	HMB SS	187,270	116.28	0.8	2.0	(7.5)	68.5	29.5	22.3	18.6	16.6	5.1	5.3	5.9	5.5	5.1	4.4%	4.1%	4.2%	4.6%	5.0%
ABERCROMBIE & FITCH CO-CL A	ANF US	64,206	1,256.99	17.6	17.2	83.1	36.7	2,674.7	26.3	15.3	14.6	10.3	11.3	7.9	5.5	4.0	0.0%	0.0%	0.1%	0.1%	0.1%
PVH CORP	PVH US	49,022	878.31	12.9	16.6	(7.6)	8.4	36.8	10.7	9.6	8.9	1.5	1.4	1.4	1.2	1.1	0.0%	0.0%	0.1%	0.1%	0.1%
URBAN OUTFITTERS INC	URBN US	37,731	408.96	44.6	45.1	47.2	16.6	30.5	15.9	13.5	12.5	2.9	2.7	2.1	2.0	1.7	0.0%	0.0%	0.0%	0.0%	0.0%
AMERICAN EAGLE OUTFITTERS	AEO US	30,707	159.85	7.7	6.7	(2.9)	8.2	29.6	14.5	11.9	11.1	2.4	2.5	2.3	2.0	1.8	3.3%	1.8%	1.9%	2.4%	2.5%
ADASTRIA CO LTD	2685 JP	9,239	189.33	5.3	2.8	5.2	24.9	19.4	13.6	13.1	12.1	2.3	2.5	2.5	2.2	1.9	2.0%	1.9%	2.2%	2.4%	2.6%
CANADA GOOSE HOLDINGS INC	GOOS US	7,159	73.85	(5.6)	(11.3)	(19.9)	-	-	15.2	13.4	12.4	-	-	2.8	2.6	2.3	0.0%	0.0%	0.0%	0.0%	0.0%
GUESS? INC	GES US	6,827	132.77	0.8	(11.7)	(19.4)	6.4	6.5	6.3	8.8	7.4	1.7	1.7	1.7	1.8	1.8	3.3%	5.3%	6.8%	20.6%	6.2%
LANDS' END INC	LE US	3,906	125.22	(1.0)	12.8	68.3	15.9	-42.1	-106.7	41.3	27.9	1.3	1.4	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
ESPRIT HOLDINGS LTD	330 HK	382	0.14	0.7	33.7	(66.7)	-0.6	-0.2	-	-	-	0.1	0.2	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Average		233,317		8.2	14.6	10.9	29.8	297.0	20.6	20.1	17.5	5.3	5.1	4.9	4.3	3.8	2.1%	2.1%	2.4%	4.3%	2.6%

Source: Bloomberg, CIRL (Price as of Dec 5 market close)

Risk Factors

Downside risks include: 1) Trade war tension escalates; 2) RMB appreciation; 3) More intense industry competition; 4) Slower than expected ramp up of Vietnam Plant Phase 2; 5) Order slowdown from major clients and slow order ramp up from new clients; 6) sharp rise in raw material costs

Rating Policy

	Rating	Definition
Stock Rating	Buy	Outperform HSI by 15%
	Neutral	Between -15% ~ 15% of the HSI
	Sell	Underperform HSI by -15%
Sector Rating	Accumulate	Outperform HSI by 10%
	Neutral	Between -10% ~ 10% of the HSI
	Reduce	Underperform HSI by -10%

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Analyst Certification

I, Hayman Chiu, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was / were, is / are or will be directly or indirectly, related to the specific recommendations or views expressed in this report / note.

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