



Company Report: Lifestyle International (01212 HK)

公司报告: 利福国际 (01212 HK)

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Short-Term Turbulence, Maintain "Buy"

短期震荡, 维持“买入”评级

- Lifestyle International recorded revenue of HK\$1,993 million in 2020, down 43.7% YoY; shareholders' profit dropped 92.7% YoY to HK\$139 million, in line with our expectation.** GSP declined by 39.9% YoY to HK\$5,674 million, materially impacted by the COVID-19 pandemic. SSS of SOGO CWB and SOGO TST was down by 36.2% YoY and 57.7% YoY, respectively. In 2H20, decline rate of SSSG narrowed to 17.5% and 31.7%, respectively, on a lower base. Gross margin narrowed by 1.0 ppt YoY to 73.9% and overall concessionaire rate declined by 1.4 ppts YoY, a result of higher discounts given to incentivize customer spending. The Company recorded a large amount of fair loss in its investment properties; shareholders' profit would be HK\$801 million in 2020 if excluding other gains and losses, down by 50.9% YoY.
- We expect the challenging retail market in Hong Kong to continue in 2021.** Considering the ongoing fluctuating COVID-19 pandemic situation, we do not expect a quick rebound in the Company's sales in 2021. However, with the rollout of vaccines, we are positive on the reopening of border crossing and the Company's recovery afterwards. In addition, we believe that the Company's self-owned properties and income from investment properties could strongly support the bottom line.
- We maintain "Buy" rating and revise up TP to HK\$8.00.** Our TP represents 14.4x and 10.9x 2021 and 2022 PER, respectively. Main risks include: 1) ongoing COVID-19 pandemic; 2) slower-than-expected SSSG recovery; and 3) delays in the completion of the Kai Tak project.
- 利福国际 2020 年录得收入 1,993 百万港元, 同比下降 43.7%; 股东净利同比下滑 92.7% 至 139 百万港元, 符合我们预期。** 销售收入总额同比下降 39.9% 至 5,674 百万港元, 受到新冠疫情的严重影响。铜锣湾 SOGO 和尖沙咀 SOGO 的同店销售分别同比下降 36.2% 和 57.7%。2020 年下半年, 由于基数较低, 同店销售跌幅分别收窄至 17.5% 和 31.7%。由于公司给予顾客更大的折扣以刺激消费, 毛利率同比收缩 1.0 个百分点至 73.9%。总体特许专柜扣率同比下降 1.4 个百分点。公司录得一笔较大数额的投资物业公允价值损失, 如果扣除其他收益和损失, 2020 年股东净利为 801 百万港元, 同比下降 50.9%。
- 我们预期 2021 年香港零售市场仍面临挑战。** 考虑到新冠疫情反复, 我们并不预期公司 2021 年的销售会有快速反弹。然而, 随着疫苗的推出, 我们看好口岸重新开放以及之后公司的复苏。此外, 我们认为公司的自有物业和投资物业的收入对其盈利是强有力的支撑。
- 我们维持“买入”评级, 并上调目标价至 8.00 港元。** 目标价分别相当于 14.4 倍和 10.9 倍 2021 年及 2022 年市盈率。主要风险包括: 1) 新冠疫情持续; 2) 慢于预期的同店复苏; 3) 启德项目完工推迟。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$8.00

Revised from 原目标价:

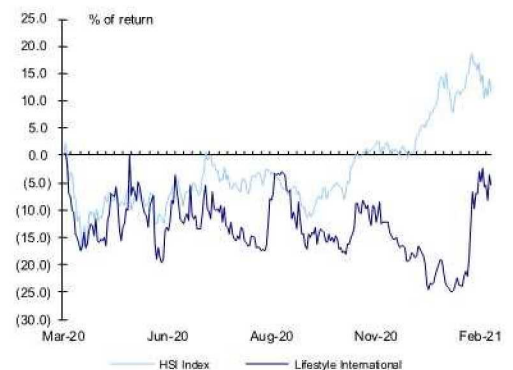
HK\$7.07

Share price 股价:

HK\$6.950

Stock performance

股价表现



| Change in Share Price | 1 M | 3 M | 1 Y |
|----------------------------------|------|-------|--------|
| 股价变动 | 1 个月 | 3 个月 | 1 年 |
| Abs. % 绝对变动 % | 24.2 | 8.1 | (5.3) |
| Rel. % to HS Index 相对恒指变动 % | 23.8 | (0.9) | (16.8) |
| Avg. Share price(HK\$) 平均股价 (港元) | 6.6 | 6.1 | 6.4 |

Source: Bloomberg, Guotai Junan International.

| Year End | Turnover | Net Profit | EPS | EPS | PER | BPS | PBR | DPS | Yield | ROE |
|---|----------|------------|---------------|--------|--|--------|-----|--------|---------------------|--------|
| 12/31 | 收入 | 股东净利 | 每股净利 | 每股净利变动 | 市盈率 | 每股净资产 | 市净率 | 每股股息 | 股息率 | 净资产收益率 |
| 12/31 | (HK\$ m) | (HK\$ m) | (HK\$) | (Δ %) | (x) | (HK\$) | (x) | (HK\$) | (%) | (%) |
| 2019A | 3,542 | 1,891 | 1.259 | 11.9 | 5.5 | 2.558 | 2.7 | 0.370 | 5.3 | 55.8 |
| 2020A | 1,993 | 139 | 0.092 | (92.7) | 75.4 | 2.560 | 2.7 | 0.000 | 0.0 | 3.6 |
| 2021F | 2,257 | 834 | 0.556 | 502.4 | 12.5 | 3.116 | 2.2 | 0.083 | 1.2 | 19.6 |
| 2022F | 2,795 | 1,100 | 0.732 | 31.8 | 9.5 | 3.655 | 1.9 | 0.220 | 3.2 | 21.6 |
| 2023F | 3,472 | 1,559 | 1.038 | 41.8 | 6.7 | 4.427 | 1.6 | 0.311 | 4.5 | 25.7 |
| Shares in issue (m) 总股数 (m) | | | 1,501.9 | | Major shareholder 大股东 | | | | Lau Luen Hung 75.0% | |
| Market cap. (HK\$ m) 市值 (HK\$ m) | | | 8,996.4 | | Free float (%) 自由流通比率 (%) | | | | | 25.0 |
| 3 month average vol. 3 个月平均成交股数 ('000) | | | 540.1 | | FY21 Net gearing (%) FY21 净负债/股东资金 (%) | | | | | 360.9 |
| 52 Weeks high/low (HK\$) 52 周高/低 (HK\$) | | | 9.500 / 5.800 | | FY21 Est. NAV (HK\$) FY21 每股估值 (港元) | | | | | 8.5 |

Source: the Company, Guotai Junan International.



2020 Results Review

Lifestyle International's ("Lifestyle" or the "Company") revenue decreased by 43.7% YoY to HK\$1,993 million in 2020.

Gross sales proceeds (GSP) dropped by 39.9% YoY to HK\$5,674 million in 2020. By segment, sales income from direct sales, APO sales and concessionaire sales declined by 43.3% YoY, 45.9% YoY and 42.0% YoY, respectively. By store, SSS in SOGO Causeway Bay (CWB) and SOGO Tsim Sha Tsui (TST) was down by 36.2% YoY and 57.7% YoY, respectively. In 2H20, the COVID-19 pandemic continued to linger in Hong Kong and border crossings remained closed during the period, therefore the Company's sales remained under pressure and did not show recovery. However, the decline in SSSG in SOGO CWB and SOGO TST narrowed to 17.5% and 31.7% in 2H20, respectively. Advertisement income from CVISION also dropped by around 50% in 2020 due to challenging retail environment. In terms of rental income, the Company recorded HK\$48 million, including HK\$13.4 million from a newly acquired commercial property located in London, up 17.4% YoY. Gross profit dropped by 44.5% YoY to HK\$1,474 million and gross margin narrowed by 1.0 ppt YoY to 73.9%. Overall concessionaire rate declined by 1.4 ppts YoY to 23.4%, of which concessionaire rate of SOGO CWB and SOGO TST was down by 1.4 ppts YoY and 0.8 ppts YoY to 23.2% and 25.2%, respectively, mainly a result of higher discounts given to incentivize customer spending.

Shareholders' profit decreased by 92.7% YoY to HK\$139 million in 2020. Selling and distribution costs were cut by 17.1% YoY, mainly thanks to a sharp drop in rental expenses for SOGO TST amid a substantial drop in sales due to the requirement of fixed base rent payment only. The reduced costs were also due to the Company's cost tightening measures during the period. However, S&D costs ratio was up 2.8 ppts YoY due to operating deleveraging. The Company received subsidy under the Employment Support Scheme from the government amounting HK\$35.5 million and exchange gain of HK\$45.9 million. However, the Company recorded a mark-to-market fair value loss of HK\$333.8 million in financial investments and a fair value loss of HK\$418.1 million in investment properties. The net profit attributable to the shareholders excluding other gains and losses would be HK\$801.2 million in 2020, down by 50.9% YoY. The Company will not pay dividend for the year 2020, preserving cash for long-term financial health.

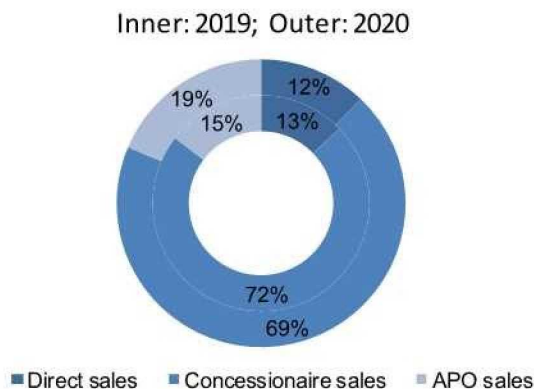
Table-1: Lifestyle's 2020 Results Review

| RMB million | 2019 | 2020 | YoY | 2H19 | 2H20 | YoY |
|---------------------------------|-------|-------|------------|-------|-------|-----------|
| GSP | 9,445 | 5,674 | (39.9%) | 3,784 | 3,042 | (19.6%) |
| Revenue | 3,542 | 1,993 | (43.7%) | 1,439 | 1,051 | (26.9%) |
| Cost of sales | (889) | (519) | (41.6%) | (342) | (281) | (18.0%) |
| Gross profit | 2,653 | 1,474 | (44.5%) | 1,096 | 770 | (29.7%) |
| Other income & gains | 147 | 219 | 48.7% | 71 | 100 | 40.2% |
| Selling & distribution expenses | (697) | (578) | (17.1%) | (322) | (296) | (8.0%) |
| Administrative expenses | (138) | (115) | (16.8%) | (73) | (59) | (19.8%) |
| Operating profit | 1,965 | 1,000 | (49.1%) | 773 | 516 | (33.2%) |
| Finance income | 740 | 35 | (95.3%) | 313 | 337 | 7.6% |
| Finance costs | (365) | (369) | 1.1% | (210) | (165) | (21.7%) |
| PBT | 2,166 | 247 | (88.6%) | 675 | 450 | (33.4%) |
| Income tax expense | (276) | (108) | (60.6%) | (71) | (85) | 19.4% |
| Shareholders' profit | 1,891 | 139 | (92.7%) | 605 | 365 | (39.6%) |
| Gross margin | 74.9% | 73.9% | -1.0 ppt | 76.2% | 73.9% | -2.3 ppts |
| Operating margin | 55.5% | 50.2% | -5.3 ppts | 53.7% | 56.9% | 3.2 ppts |
| Net margin | 53.4% | 6.9% | -46.4 ppts | 42.0% | 36.2% | -5.8 ppts |

Source: the Company, Guotai Junan International.

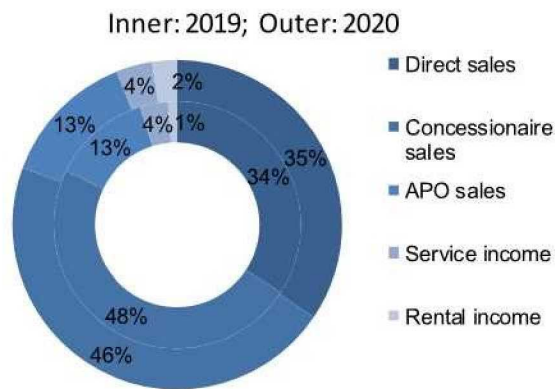


Figure-1: GSP Breakdown by Operation Model



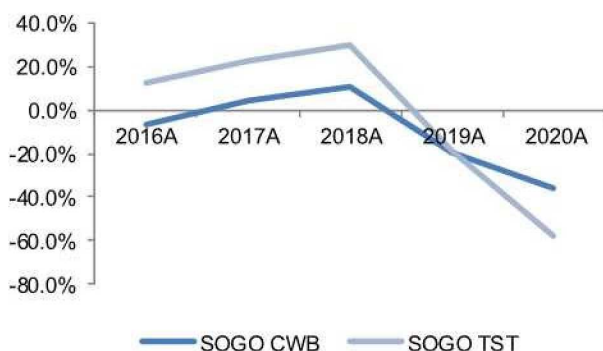
Source: the Company, Guotai Junan International.

Figure-2: Revenue Breakdown by Operation Model



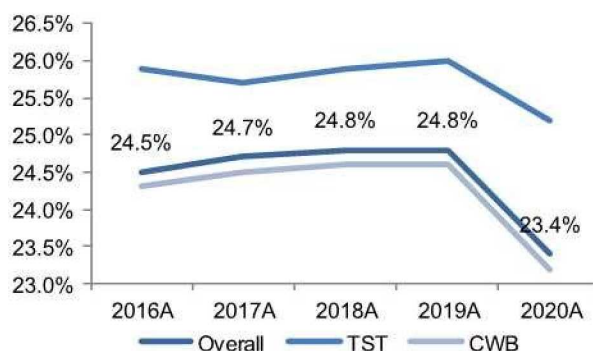
Source: the Company, Guotai Junan International.

Figure-3: Lifestyle's SSSG



Source: the Company, Guotai Junan International.

Figure-4: Lifestyle's Concessionaire Rate



Source: the Company, Guotai Junan International.

Update on Kai Tak Project. The Company's twin towers are mainly for retailing use, including a full-fledged SOGO store and other complementary facilities and amenities. Construction of Kai Tak Project has been slightly delayed due to both the COVID-19 pandemic and a suspension of work for carrying out the tunnel settlement investigation as requested by MTR. Despite this, foundation works were largely completed and the Company expects the project to be completed and commence operation in 2023. Capex for the project was around HK\$1.2 billion in 2020 and the management guided another HK\$4.6 billion for the remainder of the project.

Investment in property is expected to provide stable income to the Company. The Company acquired a commercial property in London with total consideration of around HK\$2.6 billion. The rental income is expected to be HK\$115 million with rental yield of 4.4% in the next two years. Management expects the yield to improve afterwards upon refurbishment and the current single tenant will transform into multiple tenants.

Earnings Forecasts Assumptions and Revisions

We expect the Company's sales to continue to face challenges in 2021 but will recover afterwards. The COVID-19 pandemic is still fluctuating in Hong Kong in the first two months of 2021 and border crossings remained closed during the period. In Jan. and Feb., the management guided that SSSG showed increase in SOGO CWB but still recorded a decline in SOGO TST. Foot traffic dropped for both stores due to lack of tourists and weak local consumption sentiment. The management holds a pessimistic view on Hong Kong retail market in 2021. However, the rollout of vaccines is expected to bring a return to normality by the end of year and it is looking hopeful that border crossings will reopen in 2021 after mass vaccination has taken place. As a leading department brand in Hong Kong, we are positive on SOGO's long-term competitiveness and sustainable growth. In addition, the Company has been enhancing its omni-channel capabilities and its SOGO Rewards to expand its business and attract customers. Considering the fact that the containment of the COVID-19 pandemic did not meet our previous



expectation and that retail market recovery is yet to come, we have lowered our revenue forecasts by 12.7% and 13.7% in 2021 and 2022, respectively. Also, the Company has been offering larger discounts to customers in the challenging environment and concessionaire rates are expected to remain low. We cut profit margin forecasts and revise down shareholders profit by 17.1% and 23.3% in 2021 and 2022.

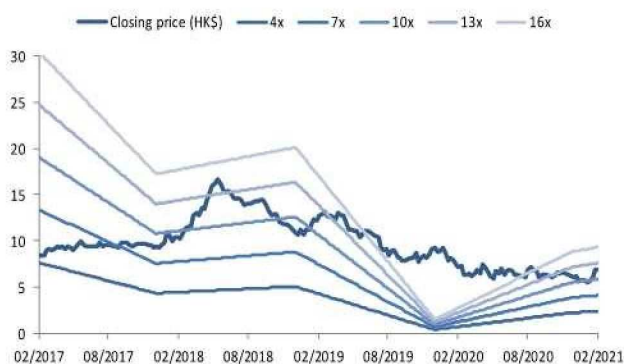
Table-2: Key Figure Revisions for Lifestyle

| RMB million | New | | | Old | | | Change | | |
|----------------------|-------|-------|-------|-------|-------|-------|----------|----------|-------|
| | 2021F | 2022F | 2023F | 2021F | 2022F | 2023F | 2021F | 2022F | 2023F |
| GSP | 6,128 | 7,635 | 9,514 | 6,843 | 8,527 | n.a. | (10.4%) | (10.5%) | n.a. |
| Revenue | 2,257 | 2,795 | 3,472 | 2,587 | 3,238 | n.a. | (12.7%) | (13.7%) | n.a. |
| Gross profit | 1,695 | 2,099 | 2,609 | 1,967 | 2,460 | n.a. | (13.8%) | (14.7%) | n.a. |
| SD&A expenses | -790 | -825 | -944 | -776 | -832 | n.a. | 1.8% | (0.9%) | n.a. |
| Operating profit | 1,037 | 1,412 | 1,808 | 1,323 | 1,765 | n.a. | (21.6%) | (20.0%) | n.a. |
| Shareholders' profit | 834 | 1,100 | 1,559 | 1,006 | 1,433 | n.a. | (17.1%) | (23.3%) | n.a. |
| EPS (HK\$) | 0.556 | 0.732 | 1.038 | 0.670 | 0.954 | n.a. | (17.1%) | (23.3%) | n.a. |
| Gross margin | 75.1% | 75.1% | 75.1% | 76.0% | 76.0% | n.a. | -0.9 pts | -0.9 pts | n.a. |
| Operating margin | 45.9% | 50.5% | 52.1% | 51.2% | 54.5% | n.a. | -5.3 pts | -4.0 pts | n.a. |
| Net margin | 37.0% | 39.3% | 44.9% | 38.9% | 44.3% | n.a. | -1.9 pts | -5.0 pts | n.a. |

Source: Guotai Junan International.

Maintain "Buy" investment rating and revise up TP to HK\$8.00. We are of the view that the Company's short-term turbulence will not affect its long-term valuation as a leading local retail brand in Hong Kong with its own property. We believe that the Company will deliver solid results when the COVID-19 pandemic subsides, and we expect dividend payment to resume. Our TP is derived from 14.4x 2021 PER and 10.9x 2022 PER, lower than the Company's historic average. Major downside risk factors include: 1) Ongoing COVID-19 pandemic, 2) Slower-than-expected SSSG recovery, 3) Delays in the completion of the Kai Tak project.

Figure-5: Historical Forward PER of Lifestyle



Source: Bloomberg, Guotai Junan International.

Figure-6: Historical Forward PBR of Lifestyle



Source: Bloomberg, Guotai Junan International.



Table-3: Peers Comparison Table

| Company | Stock Code | Currency | Last price | PE(x) | | | | PB(x) | | | | ROE(%) | | D/Y(%) | Market Cap HKD mn |
|---------------------------------------|------------|----------|------------|-------|------|------|------|-------|------|------|------|--------|------|---------|----------------------|
| | | | | 20A | 21F | 22F | 23F | 20A | 21F | 22F | 23F | 21F | 21F | | |
| HK - Listed Department Stores | | | | | | | | | | | | | | | |
| Golden Eagle Retail | 3308 HK | HKD | 7.090 | 11.8 | 8.6 | 7.7 | n.a. | 1.4 | 1.2 | 1.1 | n.a. | 15.7 | 5.6 | 11,771 | |
| Lifestyle Int'l | 1212 HK | HKD | 6.970 | 77.4 | 11.0 | 8.6 | 7.0 | 2.6 | 2.3 | 2.0 | 1.7 | 23.1 | 2.1 | 10,468 | |
| Wing On Co International | 289 HK | HKD | 17.100 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 4,991 | |
| New World Dept Store China | 825 HK | HKD | 1.180 | n.a. | n.a. | n.a. | n.a. | 0.5 | n.a. | n.a. | n.a. | n.a. | n.a. | 1,990 | |
| Maoye International | 848 HK | HKD | 0.385 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1,979 | |
| Parkson Retail | 3368 HK | HKD | 0.310 | n.a. | n.a. | n.a. | n.a. | 0.2 | n.a. | n.a. | n.a. | n.a. | n.a. | 817 | |
| Simple Average | | | | 44.6 | 9.8 | 8.1 | 7.0 | 1.1 | 1.7 | 1.6 | 1.7 | 19.4 | 3.8 | | |
| Weighted Average | | | | 42.7 | 9.7 | 8.1 | 7.0 | 1.8 | 1.7 | 1.6 | 1.7 | 19.2 | 3.9 | | |
| HK Based Retailers | | | | | | | | | | | | | | | |
| Chow Tai Fook Jewellery | 1929 HK | HKD | 11.300 | 24.8 | 21.2 | 18.1 | n.a. | 4.1 | 3.8 | 3.6 | n.a. | 18.6 | 3.7 | 113,000 | |
| Luk Fook Holdings | 590 HK | HKD | 19.540 | 13.6 | 10.1 | 8.4 | n.a. | 1.1 | 1.0 | 0.9 | n.a. | 10.2 | 5.4 | 11,472 | |
| Chow Sang Sang | 116 HK | HKD | 10.600 | 11.2 | 7.5 | 6.7 | n.a. | 0.7 | 0.6 | 0.6 | n.a. | 8.4 | 5.4 | 7,181 | |
| Sa Sa International | 178 HK | HKD | 1.850 | n.a. | 61.7 | 28.0 | n.a. | 3.8 | 3.6 | 3.6 | n.a. | 8.7 | 1.1 | 5,741 | |
| Oriental Watch Holdings | 398 HK | HKD | 2.660 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1,296 | |
| Bonjour Holdings | 653 HK | HKD | 0.196 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 669 | |
| King Fook Holdings | 280 HK | HKD | 0.350 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 319 | |
| Tse Sui Luen | 417 HK | HKD | 0.860 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 214 | |
| Simple Average | | | | 16.5 | 25.1 | 15.3 | n.a. | 2.4 | 2.3 | 2.2 | n.a. | 11.5 | 3.9 | | |
| Weighted Average | | | | 23.1 | 21.2 | 17.1 | n.a. | 3.6 | 3.4 | 3.3 | n.a. | 16.9 | 3.9 | | |
| PRC - Listed Department Stores | | | | | | | | | | | | | | | |
| Chongqing Department Store | 600729 CH | CNY | 29.070 | 11.5 | 9.5 | 8.3 | n.a. | 1.7 | 1.5 | 1.3 | n.a. | 15.2 | 2.9 | 14,172 | |
| Wangfujing Group | 600859 CH | CNY | 29.350 | 53.4 | 23.4 | 19.3 | n.a. | 2.0 | 1.9 | 1.7 | n.a. | 8.0 | 1.4 | 27,322 | |
| Rainbow Digital Commercial | 002419 CH | CNY | 7.920 | 28.7 | 12.4 | 9.8 | n.a. | 1.4 | 1.3 | 1.2 | n.a. | 10.2 | 4.3 | 11,400 | |
| Wuhan Department Store | 000501 CH | CNY | 11.550 | 7.3 | 6.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 10,651 | |
| Hunan Friendship & Apollo | 002277 CH | CNY | 3.410 | 20.1 | 13.6 | 10.7 | n.a. | 0.7 | 0.7 | n.a. | n.a. | 4.6 | 1.5 | 5,701 | |
| Hefei Department Store | 000417 CH | CNY | 4.560 | 26.8 | 22.8 | n.a. | n.a. | 0.9 | 0.9 | n.a. | n.a. | 3.8 | 1.3 | 4,265 | |
| Simple Average | | | | 24.6 | 14.8 | 12.0 | n.a. | 1.3 | 1.2 | 1.4 | n.a. | 8.4 | 2.3 | | |
| Weighted Average | | | | 30.7 | 15.8 | 13.9 | n.a. | 1.6 | 1.5 | 1.5 | n.a. | 9.4 | 2.3 | | |

Source: Bloomberg, Guotai Junan International.



Financial Statements and Ratios

| Income Statement | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|
| Year end 31 Dec (HK\$ m) | 2019A | 2020A | 2021F | 2022F | 2023F |
| Total Revenue | 3,542 | 1,993 | 2,257 | 2,795 | 3,472 |
| Cost of sales | (889) | (519) | (563) | (696) | (863) |
| Gross profit | 2,653 | 1,474 | 1,695 | 2,099 | 2,609 |
| Other income & gains | 147 | 219 | 132 | 138 | 144 |
| Selling & distribution expenses | (697) | (578) | (655) | (699) | (799) |
| Administrative expenses | (138) | (115) | (135) | (126) | (146) |
| Operating Profit | 1,965 | 1,000 | 1,037 | 1,412 | 1,808 |
| Interest and investment gains | 740 | 35 | 176 | 190 | 147 |
| Fair value changes | (174) | (418) | 50 | 67 | 67 |
| Finance income, net | (539) | (787) | (254) | (338) | (163) |
| Profit Before Tax | 2,166 | 247 | 959 | 1,264 | 1,792 |
| Income Tax | (276) | (108) | (125) | (164) | (233) |
| Profit After Tax | 1,891 | 139 | 834 | 1,100 | 1,559 |
| Non-controlling Interest | 0 | 0 | 0 | 0 | 0 |
| Shareholders' Profit / Loss | 1,891 | 139 | 834 | 1,100 | 1,559 |
| Basic EPS | 1.259 | 0.092 | 0.556 | 0.732 | 1.038 |

| Cash Flow Statement | | | | | |
|------------------------------------|---------|---------|---------|---------|---------|
| Year end 31 Dec (HK\$ m) | 2019A | 2020F | 2021F | 2022F | 2023F |
| PBT | 2,166 | 247 | 959 | 1,264 | 1,792 |
| Finance costs, net | 164 | 264 | 199 | 321 | 194 |
| Depreciation & amortisation | 271 | 223 | 246 | 270 | 297 |
| Fair value changes of FA | (404) | 334 | 150 | 120 | 120 |
| Change in WC | (290) | (710) | 610 | 70 | 26 |
| Income tax paid | (103) | (108) | (125) | (164) | (233) |
| Others | 224 | (592) | (682) | (289) | (333) |
| Cash from Operating Activities | 2,029 | (342) | 1,357 | 1,592 | 1,862 |
| Additions to PPE | 239 | 500 | 500 | 500 | 500 |
| Additions to investment properties | 218 | 3,732 | 1,500 | 1,500 | 1,500 |
| Others | 2,034 | (8,248) | (3,779) | (3,776) | (3,772) |
| Cash from Investing Activities | 2,492 | (4,016) | (1,779) | (1,776) | (1,772) |
| Net bank loans | 468 | 1,791 | 97 | 0 | 0 |
| Dividend paid | (1,006) | 0 | 0 | (290) | (399) |
| Others | 1,731 | (369) | (304) | (405) | (230) |
| Cash from Financing Activities | 1,192 | 1,422 | (207) | (695) | (628) |
| Net Changes in Cash | 5,713 | (2,937) | (629) | (880) | (538) |
| Cash at Beg of Year | 1,413 | 7,113 | 4,176 | 3,547 | 2,667 |
| Foreign exchange effect | (14) | 0 | 0 | 0 | 0 |
| Cash at End of Year | 7,113 | 4,176 | 3,547 | 2,667 | 2,129 |

Source: the Company, Guotai Junan International.

| Balance Sheet | | | | | |
|-------------------------------|--------|--------|--------|--------|--------|
| Year end 31 Dec (HK\$ m) | 2019A | 2020A | 2021F | 2022F | 2023F |
| Investment properties | 5,420 | 8,069 | 10,462 | 11,962 | 13,462 |
| PPE | 6,292 | 6,541 | 6,822 | 7,052 | 7,255 |
| Financial assets | 649 | 1,337 | 979 | 986 | 986 |
| Others | 72 | 170 | 83 | 83 | 83 |
| Total Non-current Assets | 12,433 | 16,117 | 18,346 | 20,083 | 21,785 |
| Cash & Cash Equivalents | 7,113 | 4,176 | 3,547 | 2,667 | 2,129 |
| Inventories | 39 | 26 | 31 | 37 | 45 |
| Trade and other receivables | 103 | 645 | 97 | 96 | 144 |
| Financial assets | 3,306 | 4,814 | 4,718 | 4,765 | 4,813 |
| Time deposits | 1,509 | 0 | 0 | 0 | 0 |
| Total Current Assets | 12,069 | 9,661 | 8,393 | 7,565 | 7,131 |
| Total Assets | 24,502 | 25,778 | 26,740 | 27,648 | 28,916 |
| Trade and other payables | 826 | 662 | 728 | 801 | 881 |
| Tax payables | 491 | 105 | 110 | 116 | 122 |
| Short term bank borrowings | 4,071 | 9,629 | 3,800 | 3,800 | 3,800 |
| Others | 214 | 429 | 374 | 380 | 386 |
| Total Current Liabilities | 5,603 | 10,826 | 5,013 | 5,097 | 5,189 |
| Long term bank borrowings | 7,641 | 3,874 | 9,800 | 9,800 | 9,800 |
| Long term bonds | 6,962 | 6,836 | 6,836 | 6,836 | 6,836 |
| Deferred tax liabilities | 243 | 260 | 273 | 287 | 301 |
| Others | 211 | 137 | 138 | 139 | 141 |
| Total Non-current Liabilities | 15,058 | 11,107 | 17,047 | 17,062 | 17,078 |
| Total Liabilities | 20,660 | 21,933 | 22,060 | 22,159 | 22,267 |
| Total Shareholders' Equity | 3,841 | 3,845 | 4,679 | 5,489 | 6,649 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Total Equity | 3,841 | 3,845 | 4,679 | 5,489 | 6,649 |

| Financial Ratios | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|
| | 2019A | 2020A | 2021F | 2022F | 2023F |
| Profitability: | | | | | |
| Gross margin (%) | 74.9 | 73.9 | 75.1 | 75.1 | 75.1 |
| Operating margin (%) | 55.5 | 50.2 | 45.9 | 50.5 | 52.1 |
| Net profit margin (%) | 53.4 | 6.9 | 37.0 | 39.3 | 44.9 |
| ROE (%) | 55.8 | 3.6 | 19.6 | 21.6 | 25.7 |
| ROA (%) | 8.4 | 0.6 | 3.2 | 4.0 | 5.5 |
| Operating (days): | | | | | |
| Inventory days | 17.1 | 22.6 | 18.4 | 17.9 | 17.3 |
| A/C receivable days | 13.3 | 68.5 | 60.0 | 12.6 | 12.6 |
| Liquidity & Solvency: | | | | | |
| Current ratio (x) | 2.2 | 0.9 | 1.7 | 1.5 | 1.4 |
| Interest cover (x) | 5.9 | 0.7 | 3.2 | 3.1 | 7.8 |
| Net gearing (%) | 261.7 | 420.4 | 360.9 | 323.7 | 275.3 |
| Payout ratio (%) | 29.4 | 0.0 | 15.0 | 30.0 | 30.0 |



Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

| Rating | | Definition |
|------------|----|---|
| Buy | 买入 | Relative Performance >15%; or the fundamental outlook of the company or sector is favorable. |
| Accumulate | 收集 | Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable. |
| Neutral | 中性 | Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral. |
| Reduce | 减持 | Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable. |
| Sell | 卖出 | Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable. |

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

| Rating | | Definition |
|--------------|------|--|
| Outperform | 跑赢大市 | Relative Performance >5%; or the fundamental outlook of the sector is favorable. |
| Neutral | 中性 | Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral. |
| Underperform | 跑输大市 | Relative Performance <-5%; Or the fundamental outlook of the sector is unfavorable. |

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