



Date	Industry
1 Dec 2021	Property
Previous Close	Target Price
HK\$0.98	HK\$1.82

Share Information

Outstanding shares (million)	3,678
Market capitalization (HK\$ million)	3,604
3-mth average daily volume (million)	0.24
12-mth high (HK\$ per share)	1.23
12-mth low (HK\$ per share)	0.97
Reported end-Sep 21 BVPS (HK\$)	7.43
Discount to reported end-Sep21 NAV (%)	87
FY21 reported P/E (x)	NA
FY21 reported ROE (%)	NA
End-Sep21 net debt/ total assets (%)	39.1
FY 21 dividend yield (%)	3.4
Major Shareholder (%)	
- <i>Yeung Sau Shing, Albert</i>	74.7

Source : EIH, Bloomberg



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Emperor International Holdings (163.HK, EIH)

BUY

Strong pipeline from property development

Interim sees turnaround

Thanks to increased property sales, revenue from hospitality and revaluation gain on investment properties, EIH saw profit turnaround of HK\$233.2m. Rental income slightly fell 1.6% yoy to HK\$440.5m on challenging market conditions. Furthermore, hotel related operations staged solid rebound with revenue surged 104.5% to HK\$220.5m. Macau gaming is on track of recovery. Property sales, mainly from Central 8, contributed HK\$732m. As at Sep21, BVPS was HK\$7.43. EIH declared interim dividend of HK\$0.015 each, up25% yoy.

Strong pipeline from property development

On the book, the salable resources of property development in EIH amount to HK\$10.1bn as at Sep 2021. All the projects are targeting luxury and high end market. Most of them are located in HK Island such as Mid-level, Shouson Hill Road and Happy Valley ect. (Pls. see Figure 5). We believe their rollouts will be well-received by the market with solid ASP and profit margin. Definitely, the segment of property development will make sustained sales and profit contribution to EIH after FY2022.

Unlock value and enhance financial position

In addition, EIH is proactive to unlock value. During the period, EIH disposed 1 hotel and 2 service apartments to Emperor E. Hotel for HK\$2.08bn, setting a more property-focused operating structure. More, New Media Tower in Kwun Tong and Topy Tower in Kwai Chung were sold for HK\$508m and HK\$585m respectively. Those deals could help strengthen EIH's cash and financial position as well. As at Sep 2021, EIH's net gearing remains healthy at 39.1%.

Beneficiary from border reopening, maintain "BUY"

With about 6m sqft of quality property portfolios in Greater China and overseas, EIH is well-positioned to restore growth. Partial border reopening is on the agenda. This is definitely a boost to local property market and EIH would be one of the beneficiaries. EIH's trump card property projects are ready to launch amid solid market sentiment and demand. It is expected to be well-received by the market. Given strong development projects pipeline and stable recovery of rentals, we remain upbeat to the prospect of EIH forwards. Trading at 89% discount to our NAV of HK\$9.1 and 3% yield, valuation is undemanding. We reaffirm "BUY" rating with a TP of HK\$1.82.

Financial Information

YE: 31 Mar; HK\$ million	FY19	FY20	FY21	FY22E
Total revenue	4,352	2,365	1,317	2,310
<i>Growth</i>	+38.2%	-45.6%	-44.3%	+75.4%
Core profit	1,496	842	28	565
<i>Growth</i>	+142.0%	-43.7%	-96.6%	+1919%
Reported net profit	3,136	(3,644)	(767)	1,195
<i>Growth</i>	-7.0%	NA	NA	NA
Reported EPS (HK\$)	0.85	(0.99)	(0.21)	0.32
<i>Growth</i>	-7.0%	NA	NA	NA
Reported P/E (x)	1.2	NA	NA	3.1
BVPS (HK\$, on reported basis)	8.66	7.4	7.36	7.65
Dividend yield	11.00	8.50	2.40	3.50

Source : EIH, Emperor Securities Research

FY22 Interim Results Review

- Strong revenue from sale of property, mainly from Central 8, has been recognised during the period.
- Rental income slightly declined 1.6% to HK\$440m with occupancy rate remained stable at 90% in HK. Looking forward, rental redevelopment properties in Wanchai, Tuen Mun and London will boost income base.
- DPS was up 25% to HK\$0.015, maintaining sustainable rewards for shareholders.
- As at end-Sep 21, BVPS was HK\$7.43, slightly up 0.95% on revaluation gain of investment properties.
- During the period, net debt/ total assets ratio remained healthy at 39.1% as at end-Sep 2021. Borrowing costs was lowered to 2.2% from 2.9% last year. Plus, EIH's disposal of Media Tower and restructure of hotel operation helped unlock value and enhance financial flexibility for her future expansion.

Figure 1: FY22 Interim Results Highlights

	1H FY22 (HK\$mn)	1H FY21 (HK\$mn)	Change	Remarks
Segment revenue				
Property investment	440	448	-1.6%	Rental income slightly declined as the leasing market has yet to return to the previous level
Property development	732	82	791.2%	Strong revenue from sale of property, mainly from Central 8
Gaming & hospitality	221	108	104.5%	Due to the relaxation of travel restrictions between Macau and mainland China
Total	1,393	638	118.5%	
Core segment profit				
Property investment	358	367	-2.5%	
Property development	67	3	2129.7%	
Gaming & hospitality	(171)	(238)	N/A	Revenue from gaming & hospitality has yet to return to pre-pandemic levels
Total	254	132	92.1%	
Revaluation gain/ (Loss) on properties	198	(982)	N/A	Rental market has been picking up since the pandemic was largely contained in greater China
Net profit excluding fair value gain & asset write-downs	(27)	(15)	N/A	
Reported net profit	233	(990)	N/A	Strong revenue from sale of property, and revaluation gain on properties
Reported EPS (basic, HK\$)	0.06	(0.27)	N/A	
DPS (HK\$)	0.015	0.012	25.0%	
	As at 30 Sep 2021	As at 31 Mar 2021	Change	Remarks
Reported BVPS (HK\$)	7.43	7.36	1.0%	Revaluation gain on investment properties
Net debts / total assets	39.1%	38.4%	0.7 pts	In line with development projects under progress

Source: EIH

Reiterate “BUY”

With about 6m sqft of quality property portfolios in Greater China and overseas, EIH is well-positioned to restore growth. Partial border reopening is on the agenda. This is definitely a boost to local property market and EIH would be one of the beneficiaries. EIH's trump card property projects are ready to launch amid solid market sentiment and demand. It is expected they will be well-received by the market. Given strong development projects pipeline and stable recovery of rentals, we remain upbeat to the prospect of EIH forwards. Trading at 89% discount to our NAV of HK\$9.1 and 3% yield, valuation is undemanding. We reaffirm “BUY” rating with a TP of HK\$1.82.

Figure 2: Valuation

Assets	Valuation basis	Gross asset value (HK\$ million)	Gross asset value mix
Leased-out investment properties	book value	38,128	68%
Investment properties under development	book value	4,085	7%
Residential landbank in Hong Kong	book value	10,062	18%
Hotels in operation	book value	3,523	6%
Total	-	55,798	100%
Net cash/(debt) as at 30 Sep 2021		(22,350)	
NAV		33,448	
No. of shares outstanding (million)		3,678	
NAV per share (HK\$)		9.10	
Share price (HK\$ per share)		0.98	
Discount to NAV		89%	

Source: EIH, Emperor Securities Research

Key Risks

- Uncertainty of Covid-19 pandemic and execution of border reopening with Mainland and Macau
- Tapering in US may trigger increase of rate hike
- Uncertainty of recovery on Macau gaming
- Uncertainties on Hong Kong Government's housing policy
- Potential FX fluctuation of GBP and CNY against HK\$
- Climbing operating, construction and land costs

Figure 3: Leased-out Investment Properties as at 30 Sep 2021

Property name/ address	Location	Total GFA (ft ²)	Fair value (HK\$'000)
Emperor Group Centre, No. 288 Hennessy Road, Wan Chai	Hong Kong	217,200	3,095,000
China Huarong Tower, No. 60 Gloucester Road, Wan Chai	Hong Kong	110,500	2,500,000
Emperor Commercial Centre, Nos. 39 41 Des Voeux Road, Central	Hong Kong	39,400	1,709,000
CentreHollywood, No. 151 Hollywood Road, Sheung Wan	Hong Kong	41,000	538,000
The Pulse, Repulse Bay	Hong Kong	167,200	1,029,000
Fitfort Shopping Arcade, No. 560 King's Road, North Point	Hong Kong	134,400	2,867,000
Level 3, New Town Commercial Arcade, Tuen Mun	Hong Kong	38,500	350,000
Sui Wo Court Commercial & Carpark Complexes, Nos. 5 19 & Nos. 6 12 Sui Wo Road, Shatin	Hong Kong	93,000	837,000
No. 4 Kin Fat Lane, Tuen Mun	Hong Kong	178,800	1,130,000
Bhotai Industrial Building & Shan Ling Industrial Building, Nos. 13 15 San On Street, Tuen Mun	Hong Kong	90,000	490,000
Nos. 8 (G/F 3/F), 20 (G/F & 2/F), 22 24 (G/F 3/F), 50 52 (G/F 3/F), 54 56 Russell Street, CWB	Hong Kong	48,500	3,807,000
No. 76 (G/F) Percival Street, Causeway Bay	Hong Kong	600	243,000
Shop C, Nos. 35 37 (G/F) Haiphong Road, Tsim Sha Tsui	Hong Kong	800	155,000
Shop B, Nos. 25 29 (G/F) Hankow Road, Tsim Sha Tsui	Hong Kong	800	49,000
No. 81 (G/F), 83 (G/F & M/F), Nathan Road, Tsim Sha Tsui	Hong Kong	4,800	277,000
Other retail spaces, industrial, commercial and residential units	Hong Kong	339,500	5,432,000
Leased out Units of Grand Emperor Hotel and Inn Hotel Macau	Macau	74,300	645,000
Emperor Nam Van Centre, Macau Peninsula	Macau	30,000	1,495,000
Emperor Group Centre, Chang'an Avenue East, Beijing	the PRC	1,062,000	8,109,000
Shops and Carparks, Emperor Lakeside Metropolis, Hubin Bei Rd, Xiamen	the PRC	63,000	131,000
Ampersand Building, Nos. 111- 125 Oxford Street, London, W1F 8 FY	UK	113,000	2,557,000
Nos. 181- 183 Oxford Street, London, W1D 2JT	UK	19,900	312,000
Nos. 25- 27 Oxford Street, London W1D 2DW	UK	19,300	371,000
Total	-	2,886,500	38,128,000

Source: EIH

Figure 4: Investment Properties under Development as at 30 Sep 2021

Property name/ address	Location	Total GFA (ft ²)	Fair Value (HK\$'000)	Target completion
No. 75-85 Lockhart Road, Wan Chai	Hong Kong	96,000	2,611,000	2021
Emperor Star City, Huang Pu District, Shanghai	the PRC	1,300,000	1,474,000	-
Total	-	1,396,000	4,085,000	-

Source: EIH

Figure 5: Residential Project Pipeline in Hong Kong as at 30 Sep 2021

Property name/ address	Total GFA (ft ²)	Book value (HK\$'000)	Target completion	Target market position
Central 8 - No. 8, Mosque Street, Mid Levels	14,000	321,000	On sale	Luxury
Seaside Castle - No. 9 Ching Lai Road , Tai Lam , Tuen Mun	29,000	653,000	On sale	Luxury
No. 15 Shouson Hill Road West, Southern District *	88,000	4,586,000	Sale in 2022	Luxury
Nos. 24-26A Davis Street, Kennedy Town	20,600	392,000	2022	Luxury
Nos. 20-26 Old Bailey Street & No.11 Chancery Lane, Mid-Levels	29,700	558,000	2023	Luxury
No.1, Wang Tak Street, Happy Valley	58,000	435,000	2024	Luxury
Nos. 24-30, Bonham Road, Mid-Levels	105,500	2,093,000	2024	Luxury
Nos. 74-80, Old Main Street, Aberdeen, Aberdeen	50,200	621,000	2024	Luxury
No. 127 Caine Road, Mid Levels	25,000	403,000	2025	Luxury
Total	420,000	10,062,000	-	-

*Co-run with 2 partners and EIH owns 40% stake

Source: EIH

Figure 6: Hotels in Operation as at 30 Sep 2021

Hotel name	Location	Total GFA (ft ²)	Site area (ft ²)	Net Book Value (HK\$'000)	Storey (incl. basement)	No. of guest rooms
Grand Emperor Hotel, The Peninsula	Macau	655,000	48,000	1,014,000	26	311
Inn Hotel Macau, Taipa	Macau	209,000	24,000	502,000	17	287
The Emperor Hotel, Wanchai	HK	115,000	8,000	1,475,000	29	299
MORI MORI Serviced Apartments, Wan Chai	HK	14,000	3,000	260,000	12	18
The Unit Serviced Apartments, Happy Valley	HK	17,000	2,000	272,000	21	68
Total	-	1,010,000	85,000	3,523,000	-	983

Source: EIH

Income Statement

YE: 31 Mar (HK\$ million)	FY19	FY20	FY21	FY22F
Revenue	4,353	2,365	1,317	2,310
<u>Segment revenue</u>				
Property investment	1,108	1,008	899	854
Property development	1,696	145	82	1,014
Gaming & hospitality	1,549	1,212	336	442
<u>Segment profit</u>				
Property investment	907	845	716	692
Property development	576	(15)	(20)	324
Gaming & hospitality	311	83	(398)	(199)
Others	666	223	250	125
EBIT	2,460	1,136	548	942
Finance costs	(716)	(675)	(412)	(386)
Fair value change on IP	1,749	(4,130)	(1,211)	630
PBT	3,493	(3,670)	(1,075)	1,186
Tax	(165)	127	205	(79)
Minorities	(191)	(101)	103	88
Reported net profit	3,136	(3,644)	(767)	1,195
EPS (HK\$)	0.85	(0.99)	(0.21)	0.32
DPS (HK\$)	0.11	0.07	0.03	0.04
Underlying net profit	1,496	842	28	565

Source: EIH, Emperor Securities Research

Balance Sheet

YE: 31 Mar (HK\$ million)	FY19	FY20	FY21	FY22F
Cash	3,644	2,943	2,718	3,433
Accounts receivable	1,544	1,417	1,238	767
Properties available for sale	405	315	1,670	734
Properties under development	3,258	4,859	5,226	6,616
Other current assets	982	1,071	1,986	1,081
Current assets	9,833	10,605	12,838	12,631
PPE	3,279	3,185	3,058	2,987
Investment properties	49,102	44,691	42,429	43,172
Goodwill	57	57	57	57
Other non-current assets	1,974	1,759	1,867	1,870
Total assets	64,244	60,297	60,249	60,717
Bank loans	2,969	4,541	6,045	5,797
Accounts payable	1,146	971	861	824
Current tax liabilities	407	331	195	206
Others current liabilities	2,283	2,347	3,408	2,946
Current liabilities	6,805	8,190	10,509	9,773
Bank loans	15,480	16,238	15,794	16,000
Other borrowings	5,367	4,069	2,514	2,520
Others non-current liabilities	2,234	2,078	2,030	2,034
Non-current liabilities	23,081	22,385	20,338	20,554
Total Liability	29,886	30,575	30,847	30,327
Minorities	2,523	2,522	2,333	2,253
Owners' equity	31,835	27,200	27,069	28,137

Source: EIH, Emperor Securities Research

Cash Flow Statement

YE: 31 Mar (HK\$ million)	FY19	FY20	FY21	FY22F
PBT	3,493	(3,670)	(1,075)	1,186
Depreciation	176	180	177	175
Tax paid	(136)	(33)	(108)	(88)
Change in working capital	(318)	(677)	73	(1,017)
Other operating cashflow	(1,850)	4,447	1,289	641
Operating cashflow	1,365	247	356	897
Capex	(1,441)	(1,675)	(495)	(420)
M&A/ disposals	1,548	21	0	1,093
Other investing cashflow	152	530	(374)	(1,115)
Investing cashflow	259	(1,124)	(869)	(442)
Change in borrowings	2,251	2,319	1,473	800
Note issuance	(860)	575	1,929	0
Dividend paid	(434)	(393)	(201)	(156)
Other financing cashflow	(2,303)	(2,310)	(2,918)	(389)
Financing cashflow	(1,347)	191	283	255
Change in cash	277	(686)	(230)	710
Forex effect	(8)	(15)	5	5
Beginning cash	3,375	3,644	2,943	2,718
Ending cash	3,644	2,943	2,718	3,433

Source: EIH, Emperor Securities Research

Financial Ratios

YE: 31 Mar (HK\$ million)	FY19	FY20	FY21	FY22F
<u>Profitability</u>				
<u>Segment margin</u>				
Property investment	81.8%	83.8%	79.6%	81.0%
Property development	34.0%	NA	NA	32.0%
Gaming & hospitality	20.1%	6.8%	NA	NA
Underlying net profit	34.4%	35.6%	2.1%	24.5%
<u>Growth</u>				
Revenue	38.2%	-45.7%	-44.3%	75.4%
EBIT	53.8%	-53.8%	-51.7%	71.9%
PBT	-8.9%	NA	NA	NA
Reported net profit	-7.0%	NA	NA	NA
Reported EPS	-7.0%	NA	NA	NA
Underlying net profit	142.2%	-43.7%	-96.7%	1918.9%
<u>Other key ratios</u>				
Current ratio (x)	1.4	1.3	1.2	1.3
Debt/ total asset	37.1%	41.2%	40.4%	40.0%
Net debt to equity	63.4%	80.5%	79.9%	74.2%
Dividend payout	12.9%	NA	NA	10.8%
Reported ROA	4.9%	NA	NA	2.0%
Reported ROE	9.9%	NA	NA	4.2%
Reported BVPS (HK\$)	8.66	7.40	7.36	7.65

Source: EIH, Emperor Securities Research

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