

14 August 2018

Hong Kong

## EQUITIES

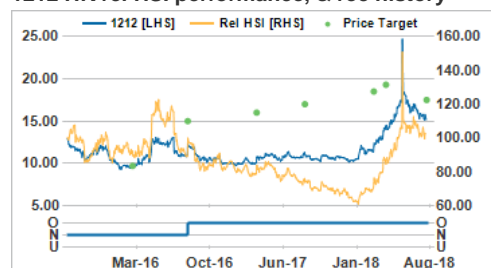
1212 HK Outperform  
Price (at 13:00, 13 Aug 2018 GMT) HK\$15.16

Valuation	HK\$	17.50
- PER		
12-month target	HK\$	17.50
Upside/Downside	%	+15.4
12-month TSR	%	+19.6
Volatility Index		Low
GICS sector		Retailing
Market cap	HK\$m	23,945
Market cap	US\$m	3,050
Free float	%	31
30-day avg turnover	US\$m	5.9
Number shares on issue	m	1,579

## Investment fundamentals

Year end 31 Dec		2017A	2018E	2019E	2020E
Revenue	m	3,669.3	4,411.2	4,779.4	5,137.7
EBIT	m	2,047.4	2,465.1	2,671.0	2,871.2
EBIT growth	%	1.6	20.4	8.4	7.5
Reported profit	m	3,288.0	1,742.1	2,079.2	2,173.4
Adjusted profit	m	1,349.0	1,872.4	2,079.2	2,173.4
EPS rep	HK\$	2.05	1.09	1.30	1.36
EPS rep growth	%	106.7	-47.0	19.3	4.5
EPS adj	HK\$	0.84	1.17	1.30	1.36
EPS adj growth	%	-6.4	38.8	11.0	4.5
PER rep	x	7.4	13.9	11.7	11.2
PER adj	x	18.0	13.0	11.7	11.2
Total DPS	HK\$	0.63	0.64	0.64	0.64
Total div yield	%	4.2	4.2	4.2	4.2
ROA	%	9.6	11.0	11.0	10.8
ROE	%	45.8	42.5	39.3	34.0
EV/EBITDA	x	14.7	12.3	11.5	10.7
Net debt/equity	%	208.5	171.5	131.8	110.0
P/BV	x	6.0	5.1	4.2	3.5

## 1212 HK rel HSI performance, &amp; rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, August 2018  
(all figures in HKD unless noted)

## Analysts

Macquarie Capital Limited



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## Lifestyle

## Benefit from consumption upgrading trend

## Key points

- ▶ 1H18 strong SSSg and not much moderation yet.
- ▶ GPM and OPM well maintained.
- ▶ Kai Tak Project will commence operation in 2022; dividend payout depends on market condition.

## Event

- Lifestyle reported its 2018 interim result, with top line growing 26.2% while net profit declined by 48.7%, which is in line with the profit warning issued previously ([report link](#)). We maintain our Outperform rating with a new TP of HK\$17.5. We believe Lifestyle could be resilient despite HK retail sales growth moderation due to its favourable product mix, low valuation and a 4.2% dividend yield. We view Lifestyle as the best proxy for the China consumption upgrading trend as consumers become more brand-aware.

## Impact

- **1H18 strong SSSg and not much moderation yet.** Lifestyle recorded strong SSSg during 1H18, of which CWB Sogo at 20.1% and TST Sogo at 42.8% on the back of strong Chinese tourists contribution and domestic consumption recovery. Among the product categories, cosmetics continues to stand out to drive the group growth with 30% and 60% growth rate for CWB and TST, respectively. The company witnessed a growth moderation trend in July but see growth recovering in August as of now to double digit SSSg. We believe the company is well-prepared for any HK retail sales hiccup by addressing their royalty customer program, better product mix and cost savings. We projected the company will deliver 10% and 20% SSSg for CWB/TST for 2H18.
- **GPM and OPM well maintained.** The company reported a stellar margin trend with CWB commission rate remained stable at 24.6% and TST commission rate moved up by 10bp to 25.9%. CVISION, the large LED facades outside CWB SOGO building, is a successful investment as the payback period is shorter than management expectation. We expected the company's EBIT margin will remain stable at 55.9% for both 2018 and 2019.
- **Kai Tak Project will commence operation in 2022; dividend payout depends on market condition.** The Kai Tai Project, which will be 18-floor twin towers with 101k square metres in total, is under construction and capex was budgeted at HK\$500m and HK\$800m in 2018/2019 respectively. The new SOGO store is expected to commence operation in 2022. The company announced interim dividend HK\$29.5 cents/sh, up 2.1% YoY. They will wait to see the 2H18 operation condition and then make a decision if to raise up dividend payout. In our model, we assume 58.7% payout ratio, implied 4.2% dividend yield.

## Earnings and target price revision

- We lower our net profit for 2018/2019 by 15.6% and 6.3%, respectively. We lower our TP to HK\$17.5/sh from HK\$19.3/sh.

## Price catalyst

- 12-month price target: HK\$17.50 based on a PER methodology.
- Catalyst: 2018 annual results.

## Action and recommendation

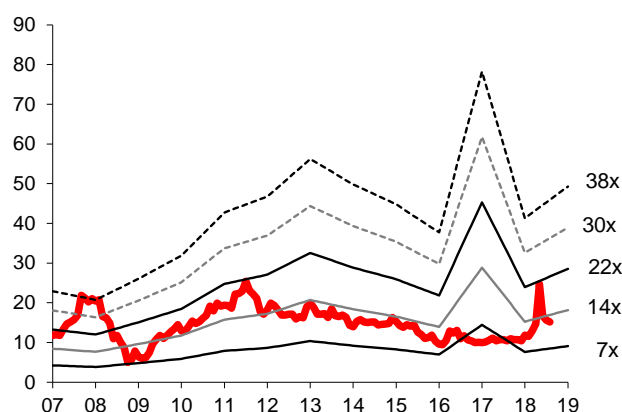
- Reiterate Outperform rating.

## Investment thesis: Maintain Outperform, lowering TP to HK\$17.5

We are maintaining Lifestyle at an Outperform rating and lowering our 2018 and 2019 earnings forecasts by 15.6% and 6.3%, respectively, factoring in the actual 1H18 results. Our new TP of HK\$17.5 (HK\$19.3 previously) is based on a 15x FY18E PER.

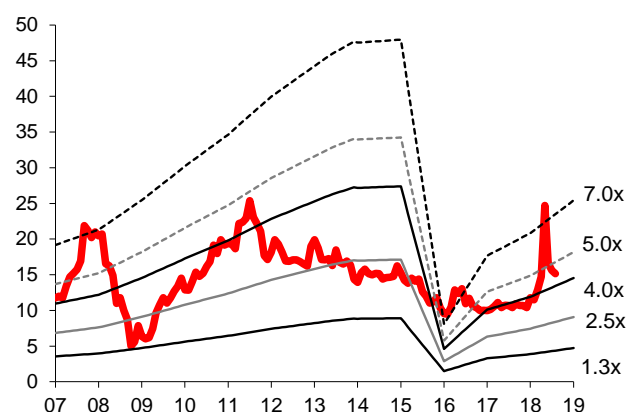
- ⇒ We believe that a favourable product mix, cost savings, and the royalty customer program could continue to bear fruit as the company benefits from a consumption upgrading trend.
- ⇒ SSSg momentum for CWB and TST continues and we project 10% and 20% SSSg for CWB/TST for 2H18.
- ⇒ GPM and OPM remained healthy with favourable commission rates for both CWB and TST.

Fig 1 Historical PER bands



Source: Bloomberg, Macquarie Research, August 2018

Fig 2 Historical P/BV bands



Source: Bloomberg, Macquarie Research, August 2018

Fig 3 Department store valuation comparison

Company Name	Code	Price Icy/sh	Rat- ing	Up- side TP Icy/sh (%)	Mkt cap US\$m	P/E (x)		P/B (x)		ROE (%)		EPS Growth (%)		PEG		Dividend yield (%)	
						2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E
<b>Department stores</b>																	
Parkson	3368 HK	0.94	NR	NR	312	NA	41.0	NA	0.4	-0.7	1.3	NA	NA	NA	NA	NA	NA
Golden Eagle	3308 HK	9.21	OP	13.2 43%	1,944	10.5	11.3	2.2	2.0	23.0	18.7	85.5	-7.1	-1.6	4.5	4.2	4.2
Lifestyle	1212 HK	15.60	OP	17.5 12%	3,050	18.5	13.4	6.2	5.2	45.8	42.5	-6.4	38.8	0.3	4.2	4.2	4.2
NWDS	825 HK	1.79	NR	NR	384	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Maoye	848 HK	0.73	NR	NR	478	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Springland	1700 HK	1.82	NR	NR	506	14.0	11.7	0.7	0.7	6.2	6.7	NA	19.2	0.6	NA	NA	NA
BJ Wangfujing	600859 CH	17.01	NR	NR	1,917	14.1	11.5	1.2	1.2	8.2	10.4	34.0	22.7	0.5	2.4	3.5	3.5
Rainbow dept	002419 CH	11.51	NR	NR	2,039	19.7	15.2	2.3	1.9	11.7	13.1	35.6	30.2	0.5	2.5	2.6	2.6
Chongqing dept	600729 CH	30.94	NR	NR	1,850	22.0	15.5	2.5	2.2	11.3	13.8	28.5	41.8	0.4	1.5	1.9	1.9
Yinchun Xinhua	600785 CH	17.91	NR	NR	586	37.3	29.7	2.0	1.9	6.0	6.4	84.6	25.6	1.2	NA	NA	NA
Shinsegae	004170 KS	310000	UP	224000-28%	2,621	15.7	15.1	0.9	0.9	5.9	5.8	31.8	3.9	3.9	0.4	0.4	0.4
Lotte Shopping	023530 KS	204500	NR	NR	4,733	NA	49.6	0.4	0.5	-0.9	1.1	-140.1	-192.9	-0.3	NA	NA	NA
Hyundai dept.	069960 KS	100000	OP	124000 24%	2,000	8.1	9.0	0.6	0.6	7.4	6.4	2.6	-9.6	-0.9	NA	NA	NA
<b>HK listed department store average</b>						<b>14.4</b>	<b>19.4</b>	<b>3.0</b>	<b>2.1</b>	<b>18.6</b>	<b>17.3</b>				<b>4.3</b>	<b>4.2</b>	
<b>CN listed department store average</b>						<b>23.3</b>	<b>18.0</b>	<b>2.0</b>	<b>1.8</b>	<b>9.3</b>	<b>10.9</b>				<b>2.1</b>	<b>2.7</b>	
<b>KS listed Department store average</b>						<b>11.9</b>	<b>24.5</b>	<b>0.6</b>	<b>0.6</b>	<b>4.1</b>	<b>4.4</b>				<b>0.4</b>	<b>0.4</b>	

Prices as of 10 August 2018

Source: Bloomberg, Macquarie Research, August 2018; estimates for not rated stocks are based on consensus.

## Earnings revisions

We are lowering our 2018E and 2019E net income estimates by 15.6% and 6.3%, respectively, factoring in the actual 1H18 results.

- ⇒ We are adjusting revenue down by 20.2% and 20% for 2018E/2019E to factor in the accounting change of sales transactions under “After Purchase Order” (“APO”). These transactions were previously accounted for as direct sales on a gross basis and they are now recorded as commission income on a net basis.
- ⇒ We are raising operating margin by 12.4ppt for both 2018 and 2019, factoring in the favourable commission rates.
- ⇒ We are raising net margin by 2.1ppt and 6.3ppt for 2018 and 2019, respectively. If we exclude exceptional items including investment loss and fair value change on investment properties, we expect core profit margin to arrive at 42.4% and 43.5% for 2018 and 2019.

**Fig 4 Lifestyle – earnings revisions**

(HK\$ mn)	Old	Old	New	New	% chg.	% chg.
	2018	2019	2018	2019	2018	2019
<b>SSSg Assumption</b>						
CWB SOGO	12.3%	8.0%	14.6%	8.0%	2.3ppt	0.0ppt
TST SOGO	15.6%	8.0%	30.2%	8.0%	14.6ppt	0.0ppt
Revenue	5,525	5,973	4,411	4,779	(20.2%)	(20.0%)
Gross Profit	3,160	3,415	3,253	3,524	2.9%	3.2%
Operating Profit	2,404	2,600	2,465	2,671	2.5%	2.7%
Pre-Tax	2,475	2,662	2,166	2,493	(12.5%)	(6.3%)
Net Income	2,064	2,220	1,742	2,079	(15.6%)	(6.3%)
Core profit	1,824	1,980	1,872	2,079	2.6%	5.0%
EPS (HK\$)	1.29	1.39	1.09	1.30	(15.6%)	(6.3%)
<b>Margin (%)</b>						
Gross Margin	57.2%	57.2%	73.7%	73.7%	16.5ppt	16.6ppt
OP Margin	43.5%	43.5%	55.9%	55.9%	12.4ppt	12.4ppt
Net Margin	37.4%	37.2%	39.5%	43.5%	2.1ppt	6.3ppt
Core profit margin	33.0%	33.1%	42.4%	43.5%	9.4ppt	10.4ppt

Source: Macquarie Research, August 2018

# Macquarie Quant View

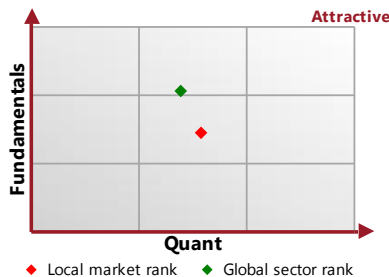
The Quant View page below has been derived from models that are developed and maintained by Sales and Trading personnel at Macquarie. The models are not a product of the Macquarie Research Department.

The quant model currently holds a marginally positive view on Lifestyle. The strongest style exposure is Profitability, indicating this stock is efficiently converting investments to earnings; proxied by ratios like ROE or ROA. The weakest style exposure is Growth, indicating this stock has weak historic and/or forecast growth. Growth metrics focus on both top and bottom line items.

**276/512**

Global rank in Retailing

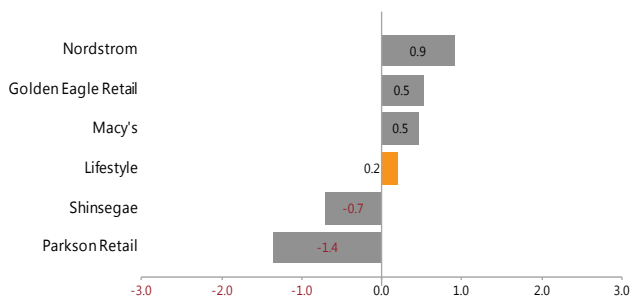
% of BUY recommendations	100% (6/6)
Number of Price Target downgrades	0
Number of Price Target upgrades	0



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model. Two rankings: Local market (Hong Kong) and Global sector (Retailing)

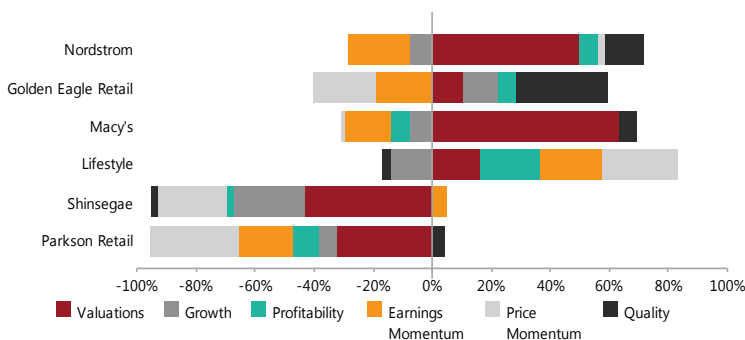
## Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



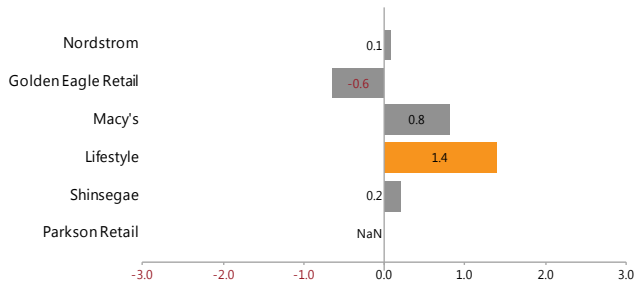
## Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



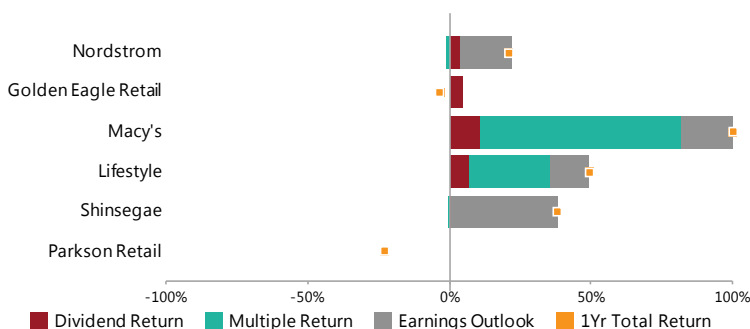
## Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



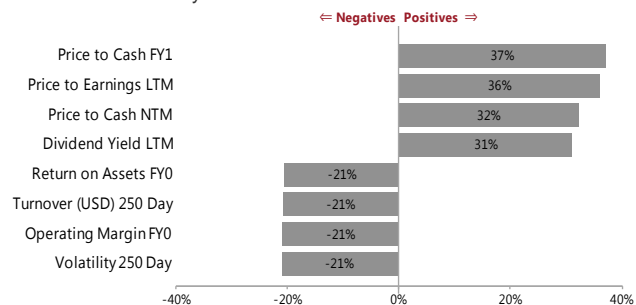
## Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



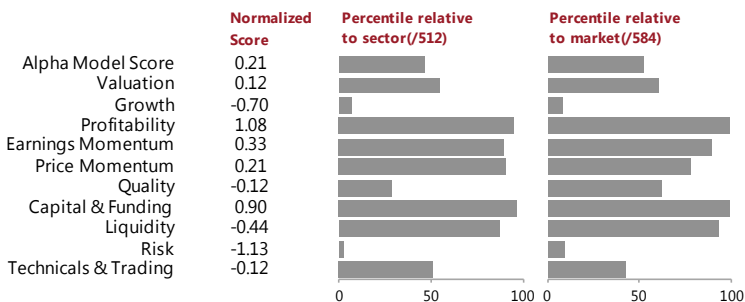
## What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



## How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group ([cpg@macquarie.com](mailto:cpg@macquarie.com))

## Lifestyle (1212 HK, Outperform, Target Price: HK\$17.50)

Interim Results					Profit & Loss						
		1H/18A	2H/18E	1H/19E	2H/19E		2017A	2018E	2019E	2020E	
Revenue	m	2,113	2,298	2,297	2,482	Revenue	m	3,669	4,411	4,779	5,138
Gross Profit	m	1,558	1,695	1,694	1,830	Gross Profit	m	2,772	3,253	3,524	3,788
Cost of Goods Sold	m	555	604	604	652	Cost of Goods Sold	m	897	1,159	1,255	1,349
EBITDA	m	1,285	1,358	1,381	1,452	EBITDA	m	2,209	2,644	2,833	3,048
Depreciation	m	89	89	81	81	Depreciation	m	162	179	162	177
Amortisation of Goodwill	m	0	0	0	0	Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0	Other Amortisation	m	0	0	0	0
EBIT	m	1,196	1,269	1,300	1,371	EBIT	m	2,047	2,465	2,671	2,871
Net Interest Income	m	-60	-109	-89	-89	Net Interest Income	m	-162	-169	-178	-265
Associates	m	0	0	0	0	Associates	m	0	0	0	0
Exceptionals	m	-22	-108	0	0	Exceptionals	m	1,939	-130	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	0	0	0	0	Other Pre-Tax Income	m	0	0	0	0
Pre-Tax Profit	m	1,114	1,052	1,211	1,282	Pre-Tax Profit	m	3,824	2,166	2,493	2,606
Tax Expense	m	-231	-193	-201	-213	Tax Expense	m	-535	-424	-414	-433
Net Profit	m	883	859	1,010	1,069	Net Profit	m	3,290	1,742	2,079	2,173
Minority Interests	m	0	0	0	0	Minority Interests	m	-2	0	0	0
Reported Earnings	m	883	859	1,010	1,069	Reported Earnings	m	3,288	1,742	2,079	2,173
Adjusted Earnings	m	905	967	1,010	1,069	Adjusted Earnings	m	1,349	1,872	2,079	2,173
EPS (rep)		0.55	0.54	0.63	0.67	EPS (rep)		2.05	1.09	1.30	1.36
EPS (adj)		0.56	0.60	0.63	0.67	EPS (adj)		0.84	1.17	1.30	1.36
EPS Growth yoy (adj)	%	40.9	36.9	11.6	10.5	EPS Growth (adj)	%	-6.4	38.8	11.0	4.5
						PE (rep)	x	7.4	13.9	11.7	11.2
						PE (adj)	x	18.0	13.0	11.7	11.2
EBITDA Margin	%	60.8	59.1	60.1	58.5	Total DPS		0.63	0.64	0.64	0.64
EBIT Margin	%	56.6	55.2	56.6	55.2	Total Div Yield	%	4.2	4.2	4.2	4.2
Earnings Split	%	48.3	51.7	48.6	51.4	Basic Shares Outstanding	m	1,603	1,603	1,603	1,603
Revenue Growth	%	26.2	15.2	8.7	8.0	Diluted Shares Outstanding	m	1,603	1,603	1,603	1,603
EBIT Growth	%	26.0	15.5	8.7	8.0						
Profit and Loss Ratios					Cashflow Analysis						
		2017A	2018E	2019E	2020E		2017A	2018E	2019E	2020E	
Revenue Growth	%	-21.5	20.2	8.3	7.5	EBITDA	m	2,209	2,644	2,833	3,048
EBITDA Growth	%	2.5	19.6	7.2	7.6	Tax Paid	m	-535	-424	-414	-433
EBIT Growth	%	1.6	20.4	8.4	7.5	Chgs in Working Cap	m	66	-110	78	75
Gross Profit Margin	%	75.6	73.7	73.7	73.7	Net Interest Paid	m	-162	-169	-178	-265
EBITDA Margin	%	60.2	59.9	59.3	59.3	Other	m	738	377	-1	-108
EBIT Margin	%	55.8	55.9	55.9	55.9	Operating Cashflow	m	2,317	2,317	2,317	2,317
Net Profit Margin	%	36.8	42.4	43.5	42.3	Acquisitions	m	0	0	0	0
Payout Ratio	%	75.1	54.6	49.2	47.0	Capex	m	-240	-500	-800	-1,400
EV/EBITDA	x	14.7	12.3	11.5	10.7	Asset Sales	m	0	0	0	0
EV/EBIT	x	15.9	13.2	12.2	11.3	Other	m	583	0	0	0
Balance Sheet Ratios						Investing Cashflow	m	344	-500	-800	-1,400
ROE	%	45.8	42.5	39.3	34.0	Dividend (Ordinary)	m	-1,022	-1,022	-1,022	-1,022
ROA	%	9.6	11.0	11.0	10.8	Equity Raised	m	0	0	0	0
ROIC	%	14.9	15.9	17.2	17.7	Debt Movements	m	5,859	1,000	1,000	1,000
Net Debt/Equity	%	208.5	171.5	131.8	110.0	Other	m	-434	-236	-251	-265
Interest Cover	x	12.6	14.6	15.0	10.8	Financing Cashflow	m	4,404	-259	-273	-288
Price/Book	x	6.0	5.1	4.2	3.5	Net Chg in Cash/Debt	m	7,056	1,559	1,244	630
Book Value per Share		2.5	3.0	3.6	4.4	Free Cashflow	m	2,078	1,817	1,517	917
						Balance Sheet		2017A	2018E	2019E	2020E
						Cash	m	7,389	8,652	10,149	11,151
						Receivables	m	175	183	199	214
						Inventories	m	38	20	25	30
						Investments	m	0	0	0	0
						Fixed Assets	m	5,690	6,037	6,675	7,898
						Intangibles	m	0	0	0	0
						Other Assets	m	8,340	8,340	8,340	8,340
						Total Assets	m	21,632	23,232	25,387	27,633
						Payables	m	1,293	1,174	1,272	1,367
						Short Term Debt	m	2,602	2,766	2,930	3,095
						Long Term Debt	m	13,220	14,056	14,891	15,727
						Provisions	m	0	0	0	0
						Other Liabilities	m	472	472	472	472
						Total Liabilities	m	17,587	18,468	19,566	20,661
						Shareholders' Funds	m	4,044	4,764	5,821	6,972
						Minority Interests	m	0	0	0	0
						Other	m	0	0	0	0
						Total S/H Equity	m	4,044	4,764	5,821	6,972
						Total Liab & S/H Funds	m	21,632	23,232	25,387	27,633

All figures in HKD unless noted.

Source: Company data, Macquarie Research, 八月 2018

**Important disclosures:**

**Recommendation definitions**

**Macquarie - Australia/New Zealand**

Outperform – return >3% in excess of benchmark return  
 Neutral – return within 3% of benchmark return  
 Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield, which is currently around 9%.

**Macquarie – Asia/Europe**

Outperform – expected return >+10%  
 Neutral – expected return from -10% to +10%  
 Underperform – expected return <-10%

**Mazi Macquarie – South Africa**

Outperform – expected return >+10%  
 Neutral – expected return from -10% to +10%  
 Underperform – expected return <-10%

**Macquarie - Canada**

Outperform – return >5% in excess of benchmark return  
 Neutral – return within 5% of benchmark return  
 Underperform – return >5% below benchmark return

**Macquarie - USA**

Outperform (Buy) – return >5% in excess of Russell 3000 index return  
 Neutral (Hold) – return within 5% of Russell 3000 index return  
 Underperform (Sell) – return >5% below Russell 3000 index return

**Volatility index definition\***

This is calculated from the volatility of historical price movements.

**Very high-highest risk** – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

**High** – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

**Medium** – stock should be expected to move up or down at least 30–40% in a year.

**Low-medium** – stock should be expected to move up or down at least 25–30% in a year.

**Low** – stock should be expected to move up or down at least 15–25% in a year.

\* Applicable to Asia/Australian/NZ/Canada stocks only

**Recommendations** – 12 months

**Note:** Quant recommendations may differ from Fundamental Analyst recommendations

**Financial definitions**

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense  
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

**EPS** = adjusted net profit / epowa\*

**ROA** = adjusted ebit / average total assets

**ROA Banks/Insurance** = adjusted net profit / average total assets

**ROE** = adjusted net profit / average shareholders funds

**Gross cashflow** = adjusted net profit + depreciation

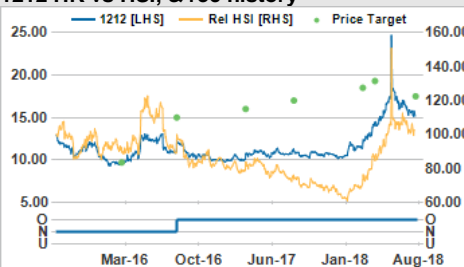
\*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

**Recommendation proportions – For quarter ending 30 June 2018**

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	52.87%	61.26%	48.86%	47.54%	69.86%	46.61%	(for global coverage by Macquarie, 3.51% of stocks followed are investment banking clients)
Neutral	34.10%	27.25%	36.36%	46.72%	21.92%	43.22%	(for global coverage by Macquarie, 2.10% of stocks followed are investment banking clients)
Underperform	13.03%	11.49%	14.77%	5.74%	8.22%	10.17%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

**1212 HK vs HSI, & rec history**



(all figures in HKD currency unless noted)

**3308 HK vs HSI, & rec history**



(all figures in HKD currency unless noted)

**004170 KS vs KOSPI, & rec history**



(all figures in KRW currency unless noted)

**069960 KS vs KOSPI, & rec history**



(all figures in KRW currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.  
 Source: FactSet, Macquarie Research, August 2018

**12-month target price methodology**

- 1212 HK: HK\$17.50 based on a PER methodology
- 3308 HK: HK\$13.20 based on a PER methodology
- 004170 KS: Won224,000 based on a Sum of Parts methodology
- 069960 KS: Won124,000 based on a DCF methodology

**Company-specific disclosures:**

Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures).

Date	Stock Code (BVG code)	Recommendation	Target Price
12-Apr-2018	1212 HK	Outperform	HK\$19.30
06-Mar-2018	1212 HK	Outperform	HK\$18.50
08-Aug-2017	1212 HK	Outperform	HK\$17.00
14-Mar-2017	1212 HK	Outperform	HK\$16.00
16-Aug-2016	1212 HK	Outperform	HK\$15.00

**Target price risk disclosures:**

**1212 HK:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

**3308 HK:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

**004170 KS:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

**069960 KS:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

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