Digital Disruption Series –1

Asia Retail Sector

DBS Group Research . Equity 30 April 2015

Online onslaught or virtual awakening?

- **Structural difference in US & China e-commerce markets to have big implications**
- **Internet giants in China to grow rapidly as traditional retailers are not ready yet.**
- **Higher disruption in China than ASEAN; tier 3-5 cities in China to face more heat**
- **Department stores and cosmetic retailers are likely to see more disruption while lifestyle and luxury retailers may be more resilient**

Structural difference in US & China e-commerce markets. In US and other developed markets, most of the online retailing occur over the traditional retailers' own websites (such as Best Buy, Macy's etc) or online retailers (such as Amazon). By contrast, most online retailing in China occurs on virtual marketplaces such as Taobao and Tmall. Online-to-Offline (O2O) offerings help traditional retailers to take advantage of their physical presence yet retailers in China remain in the early stage of O2O strategies. Retail operators that do not have their own products could face even more challenges from pure online players

Internet players in China to benefit from solid user growth. iResearch forecasts e-commerce revenue CAGR of 27% over 2014-17 in China. Traditional retailers clearly lag in adopting O2O offerings on three key metrics (see inside). Meanwhile, Internet players are likely to see solid growth in user base as only 49% of netizens used e-commerce in China in 2013 versus 76% in US and 97% in UK. Department stores and cosmetic retailers (non brand owners) are likely to see more competition from Internet players while those selling lifestyle and luxury products may be more resilient.

Higher disruption in China than in ASEAN. Online sales comprised ~10% of retail sales in China in 2014 versus only ~1% in ASEAN. Traditional retailers have an uphill task in tier-3 or lower-tier cities in China where many brands and products are still mainly available online. We expect a gradual loss of market share for traditional retailers in Singapore with rising labour costs hurting them further. On the other hand, traditional retailers in Thailand are quite pro- active in promoting online sales. The potential threat from e-commerce is still low in Malaysia and Indonesia over the next three years.

Analyst

Mavis Hui +852 2863 8879
mavis_hui@hk.dbsvickers.com

Andy SIM CFA +65 6682 3718
andysim@dbs.com

Mark Li +852 2971 1935
mark_li@hk.dbsvickers.com

Alfie YEO +65 6682 3717
alfieyeo@dbs.com

Steve Chow +852 2820 4611
steve_chow@hk.dbsvickers.com

Thematic co-ordinator
Sachin Mittal +65 6682 3699
sachinmittal@dbs.com

Screening stocks based on 3-year horizon

	Crncy	Price	Mkt Cap (US$m)	PE FY15F (x)	PE FY16F (x)	Div Yld FY14 (%)	EPS CAGR (14-16)	Rating
Winners								
China (US-listed)								
Alibaba Group *	USD	84.90	209,279	30.5	22.9	0.0	30.6	NR
JD.com Inc	USD	35.02	48,505	678.3	149.7	0.0	135.4	Buy
Resilient								
HK/China								
Chow Tai Fook*	HKD	9.86	12,722	13.8	12.4	2.7	14.0	NR
Chow Sang Sang	HKD	17.88	1,562	10.2	9.0	3.4	11.9	Buy
Luk Fook*	HKD	25.10	1,908	8.9	8.0	4.3	8.0	Buy
Singapore								
Hour Glass Ltd	SGD	0.80	428	-	-	2.5	-	NR
Cortina Holdings	SGD	0.80	101	-	-	2.5	-	NR
Sheng Siong	SGD	0.84	951	23.9	22.7	3.4	8.8	Buy
Thailand								
Officemate	THB	61.25	600	37.5	31.0	1.0	18.4	NR
Big C Supercenter	THB	226.00	5,721	22.5	20.0	1.1	13.0	NR
CP ALL PCL	THB	42.75	11,783	28.9	23.0	1.9	27.2	NR
Challenged								
China (HK-listed)								
Springland	HKD	3.03	954	9.4	8.8	5.5	4.0	Hold
Golden Eagle	HKD	11.44	2,636	14.9	13.4	2.6	13.0	Hold
Sun Art Retail	HKD	8.16	10,044	22.1	21.1	2.0	1.0	FV
Intime Department	HKD	8.86	2,484	19.9	18.5	3.1	-2.5	Hold
Parkson	HKD	1.92	678	17.8	11.8	3.2	25.1	FV
Singapore								
FJ Benjamin	SGD	0.134	58	-	-	1.3	-	NR

** FY15: FY16; FY16: FY17*

Source: DBS Bank, DBS Vickers, Bloomberg Finance L.P.

Analyst

Mavis HUI +852 2863 8879
mavis_hui@hk.dbsvickers.com

Andy SIM CFA +65 6682 3718
andysim@dbs.com

Mark LI +852 2971 1935
mark_li@hk.dbsvickers.com

Alfie YEO +65 6682 3717
alfieyeo@dbs.com

Steve CHOW +852 2820 4611
steve_chow@hk.dbsvickers.com

Thematic co-ordinator
Sachin Mittal +65 6682 3699
sachinmittal@dbs.com

Table of Contents

Investment Summary

Higher disruption in China than in ASEAN. Online sales comprised ~10% of retail sales in China in 2014 versus only ~1% in ASEAN. Traditional retailers have an uphill task in tier-3 or lower-tier cities in China where many brands and products are still mainly available online. In Singapore, we expect a gradual loss of market share for traditional retailers with rising labour costs hurting them further. On the other hand, traditional retailers in Thailand are quite pro- active in promoting online sales. The potential threat from e-commerce is still low in Malaysia and Indonesia over the next three years.

Who will be the winners in the medium term? Internet players are likely to see solid growth in user base as only 49% of netizens used e-commerce in China in 2013, versus 76% in US and 97% in UK. We have ranked major online players – Alibaba Group, Tencent, JD.com and Baidu – according to their capabilities in monetization, payments, logistics and Offline to Online (O2O) strategies. Particularly, we believe functions that could play important roles in O2O include group buying, mobile maps, and online advertising solutions that help offline players increase sales. In our view, Alibaba and JD.com score better in monetization potential thanks to their e-commerce exposure; Alipay (related party of Alibaba Group) is well-poised to lead in the burgeoning online payment industry, followed by Tencent's social network-based payment solutions; Alibaba and JD.com stand out in logistics, thanks to Alibaba's development of smart logistics IT system and JD.com's self-operated logistics model; Baidu and Tencent could fare better in O2O development, aided by their initiatives in mobile maps and performance-based advertising solutions for offline store operators.

DBSV ranking system for Internet Players in China

	Baidu	Alibaba	Tencent	JD.com
Monetization potential	★★★	★★★★★	★★★	★★★★
Payment capability	★★	★★★★★	★★★	★★
Logistics development	-	★★★★★	★	★★★★★
O2O potential	★★★★★	★★★	★★★★★	★★
TOTAL	★★½	★★★★½	★★★	★★★

Source: DBS Vickers

Who may be challenged in the medium term? Operators that are positioned in the lower-end and mass-market segments could face stronger rivalry from pure online plays than luxury groups. Product categories including apparel & footwear and electronic & 3C products could be more prone to competition from online players. Handbag & luggage, cosmetics, home appliances and food products could also see some competition from pure e-commerce operators.

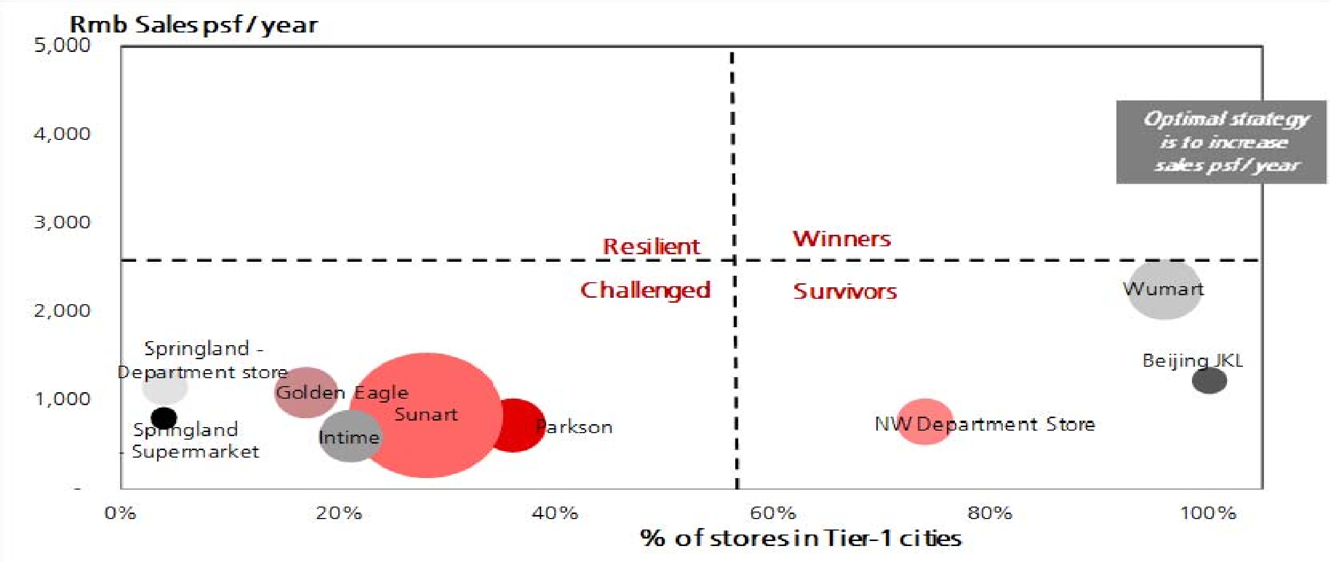
Retail stores in Tier 3-5 cities in China still do not have well-developed retail infrastructure. As such, people in these lower-tier cities buy a wide range of products via e-commerce that is more readily available to them than physical store offerings. Department stores in China such as Golden Eagle, Intime, Parkson, Springland and hypermarket /supermarket operators such as Sun Art have a lot of work to do due to their high exposure to lower-tier cities (see chart below). Fashion and watch retailer FJ Benjamin in Singapore may also face challenges due to its low sales per square foot and high urban footprint. To justify costly rental expenses, these companies need to start building large sales contribution from online channels in addition to revenue from brick-and-mortar outlets

Who would be more resilient in the medium term? For instance, luxury goods sellers in Asia (e.g. jewellery, luxury watches, global premium brands) could be less affected in terms of direct competition from online players. Jewellery retailers in China such as Chow Tai Fook, Chow Sang Sang and Luk Fook may be more resilient as consumers may not want to buy such expensive products online due to concerns on product quality while they also prefer to see how the gemsets shine under the lights. Store operators are keen to invite them into their stores as these 3 jewellery retailers have built their name in China. Luxury watch retailers such as Hour Glass and Cortina Holdings in Singapore are also likely to be resilient due to their high-end product mix.

Besides, retailers with high exposure to suburban locations in Singapore may also prove resilient. These shops provide many popular product and brands along with the convenience of shopping nearby residential homes for instant satisfaction, versus waiting for e-commerce to deliver the products. Suburban shops also benefit from lower rental expenses compared to city-centre shops. Sheng Siong, the grocery retailer in Singapore, is likely to be resilient despite relatively lower sales per square footage amid its high suburban footprint and significant contribution from fresh food.

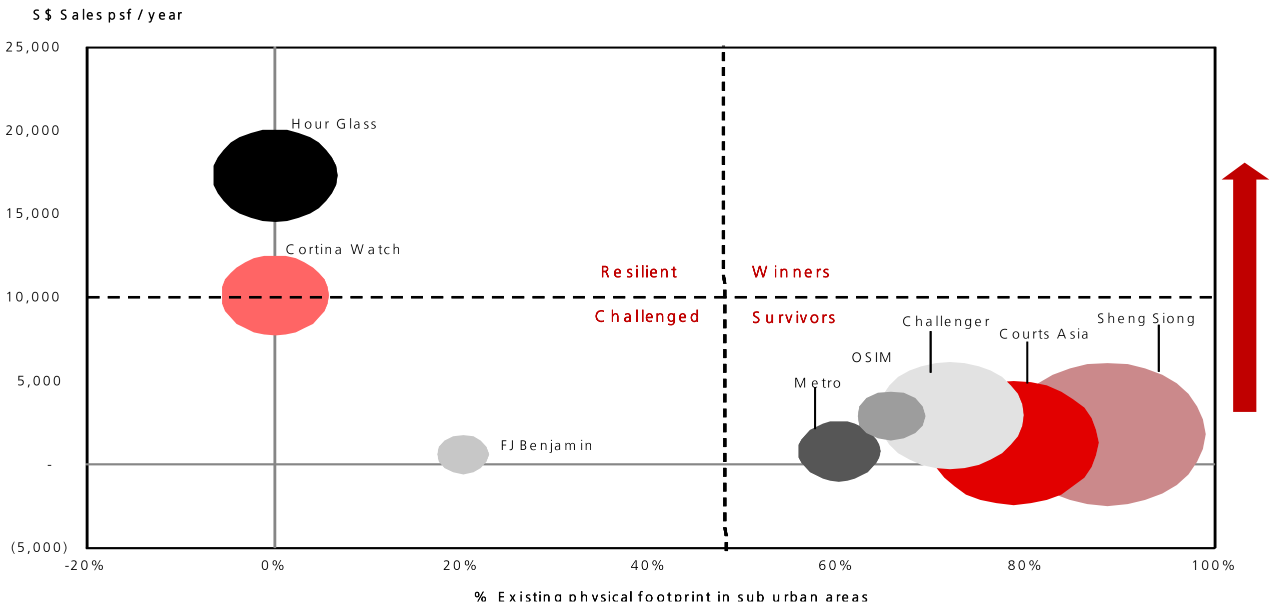
In addition, traditional retailers in Thailand – Big C, Officemate and CP ALL are quite pro-active in promoting e-commerce sales and are likely to be resilient too. They should be able to benefit from a pick-up in e-commerce sales in ASEAN over the medium term

Key Retailers in China - Sales per square feet versus percentage of stores in tier-1 cities



Source: DBS Vickers (Note: The chart focuses to gauge operating landscape with respect to online development in China. Hypermarket / supermarket players could face other challenges a bit more, particularly related to the swift increase in staff costs and start-up costs of new stores.)

Key Retailers in Singapore –sales per square feet versus suburban exposure



Source: Euromonitor, Companies, DBS Bank

Structural difference in US and China Retail

China overtook US as the largest online retail market in 2013. According to National Bureau of Statistics, retail e-commerce sales in China stood at 10.6% of total retail sales in 2014. iResearch forecasts an e-commerce revenue CAGR of 27% over 2014-17 in China. However, the approach to online retail has been quite different in China compared to US In China, generally speaking, only a small portion of online sales is transacted directly between consumers and traditional retailers' own websites. Most of the online retailing in China occurs on virtual marketplaces such as Taobao and Tmall.

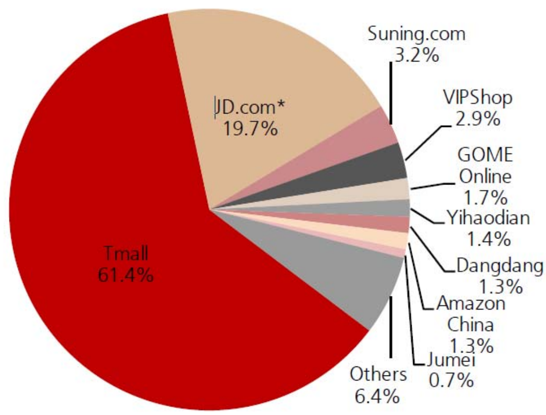
By contrast, in US and other developed markets, most of the online retailing occurs over the traditional retailers' own websites (such as Best Buy, Macy's etc) or online retailers (such as Amazon). In China, independent merchants/retailers account for less than 10% of total online sales as they have not developed strong online offerings and hence continue to rely on virtual marketplaces.

Virtual Marketplace versus Online retailer

	Virtual Marketplace (Alibaba)	Online retailer (JD.com's retail business)
Means of making money	Earns from merchants through online marketing services, commissions on transactions, etc	Earns from consumers through mark-up on products sold
Gross Margins	Superior margins as inventory and logistics costs are borne by the merchants	Inferior margins due to the inventory and logistics costs
Product Range	Generally large range with products from various retailers. Highly scalable	Limited by product sourcing capability and inventory management. May not be too scalable
After Sales Service	Operated by third-party players	Well-established customer services, fast response to after-sales queries
Product Quality	Less control as third-party merchants could be selling counterfeit products	Strict quality check from sourcing the products

Source: DBS Bank

B2C ecommerce market share in China (2014)



** JD.com 's market share included e-commerce sales for Tencent, to be gradually absorbed by JD.com following their strategic cooperation in Mar 2014.*
Source: iResearch

Amazon, for example, is essentially an online retailer with a small contribution from its marketplace where it sells products from various retailers. Alibaba, on the other hand, is a pure marketplace player selling products from third-party retailers. Alibaba derives the revenue from online marketing services and commissions on merchandises sold on its platform versus Amazon who mostly earns the mark-up from products sold to customers.

Online retailers need to maintain an inventory of the advertised products in its distribution centres which can be shipped to the final customer once the goods are sold. It can guarantee a certain level of customer service, delivery time and product quality. However, the added weight of maintaining inventory will increase the need for capital as well as increase operational overheads.

In contrast, the marketplace model allows for fewer overheads and eliminates the requirement of inventory and shipping. Some of the most successful marketplaces like Taobao and Tmall are inventory-light and do not bear inventory risks. However, this could lead to issues with product quality and shipping by vendors. With customer complaints, the marketplace player has little recourse other than contacting the vendor to identify and correct any issues.

Among other big markets in Asia, India is experiencing an acute shift to the marketplace model. At present, foreign players are not allowed to retail their own products while online market places do not face similar regulatory hurdles in India.

Significance of O2O for traditional retailers

Online-to-offline commerce (O2O) is a means to direct online users to offline physical stores. With O2O, the customer can (i) buy products from the shop after online research; (ii) research and pay online, and collect the products from the shop to save delivery charges; and (iii) buy out-of-stock product in the shop by going online in the shop and ship to home.

Macy's, the largest department store operator in the US (in terms of sales), has seen a big improvement in online sales as well as same-store performance after introducing O2O retailing. Online sales have grown to 14% of total revenues from 4% in 2011. The same-store sales have grown 1.9-5.3% over the past three years while Macy's peers have seen it decline during the same period.

Key Advantages of O2O

1) Higher impulse sales than online retailers. When a customer receives product delivery at home, he or she is unlikely to buy anything else. However, when one collects a product from the shop, he or she also comes across other products at the shop and is likely to buy other associated products.

2) Lower discounts than pure brick-and-mortar retailers. In brick-and-mortar retailing, a product which is difficult to sell in a particular store in the region is sold via heavy discounting. An O2O approach allows the retailer to sell the product to other stores in various regions at full price.

3) Better brand building than online retailers. Brick-and-mortar stores in town centres and expensive malls provide high visibility and act as custodians of the brand.

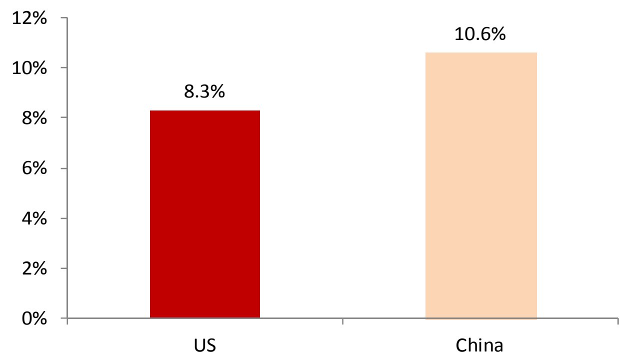
Key Challenges of O2O

Large investments are required to integrate in-store and online inventory of an entire retail chain. Secondly, retailers must build a nimble fleet of smaller vans carrying items from store to store on the same day. This is quite different from the conventional fleet of few large trucks. Overall, "click and collect" from the store is still cheaper than home deliveries.

Retailers in China lag US retailers in e-commerce and O2O

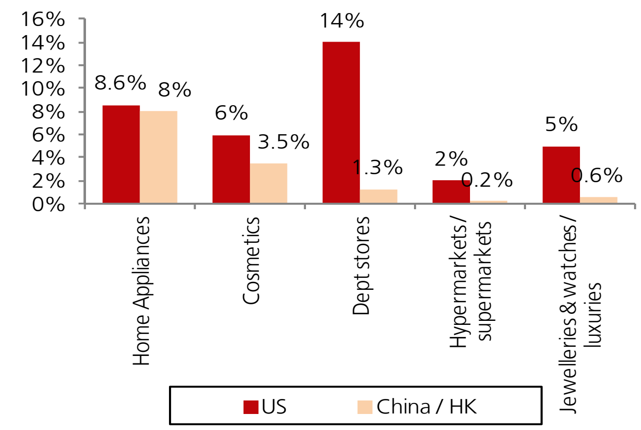
Most retailers in China including department stores, hypermarkets / supermarkets and the luxury segments still see limited or no contribution from e-commerce / O2O despite robust growth potentials. One key reason is that retailers have been too reliant on virtual marketplaces. There is also a lack of talents currently available in China to best implement e-commerce and O2O solutions. Some other obstacles could include the inadequate amount of merchandises suitable / available for online sales, especially in the case of department stores / shopping malls and grocery retail formats.

E-commerce as % of retail sales in US and China in 2014



Source: Internet retailer, National Bureau of Statistics

E-commerce as % of retails sales across key listed players in US and China

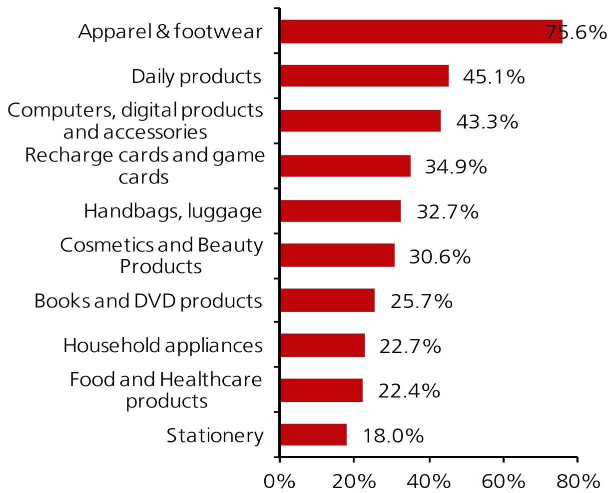


Source: Internet retailer, DBS Vickers

As shown in the charts above, e-commerce sales as a % of overall retail sales is higher in China than in the US. However, proportionate ecommerce sales of department stores, cosmetics retailers and luxuries are much lower than their US peers. A major part of ecommerce sales in China still come from retail players or sole proprietors through third-party marketplace channels like T-mall and Taobao.

As for jewellery and watches, the US has high online sales as most of the online sales are done by traditional retailers' own websites. Besides, it is more popular for US customers to buy affordable jewelleries as festive gifts than in China, while these merchandises are usually more standardized and have lower ticket-sizes and could be more often transacted online.

% of Online consumers buying various products (2013)



Source: CNNIC

While online spending mainly targets at the purchase of low-end products, the CNNIC survey states that in 2013, online buyers in China were the most active in the apparel & footwear segment. Other more popular segments for e-commerce include digital (3C) products, as well as handbags & luggage. On the other hand, demand for luxury items from e-commerce has been unnoticeable.

Retail stores in Tier-3 or lower-tier cities in China do not have well-developed retail infrastructure. As such, people in tier-3 cities go online to buy a wide range of products and brands which are unavailable locally. The E-commerce Index across top-100 cities in China reached 15.4 on average in 2013, which was ironically lower than the average of 17.4 across top-100 counties in China. By cross referencing the index level in Jiangsu and Zhejiang provinces, the E-commerce Indexes of their capital cities (i.e. Nanjing and Hangzhou respectively) were also lower than selected counties in their regions. All these could suggest that the lower-tier cities have generally more active online customers, likely due to the lack of physical stores to offer an adequate variety of merchandise and offline shopping experience.

O2O readiness checks

In this section, we try to compare various e-commerce and O2O initiatives including online sites, mobile apps, online-offline integration, and marketing strategies between some Chinese operators and selected overseas retailers. After making some analyses across department store operators which are mainly retail platform operators rather than brand owners, our findings suggest that China is significantly lagging behind in e-commerce & O2O development. PRC retailers could take at least 1-2 years to more fully realise their O2O potential before benefitting from them.

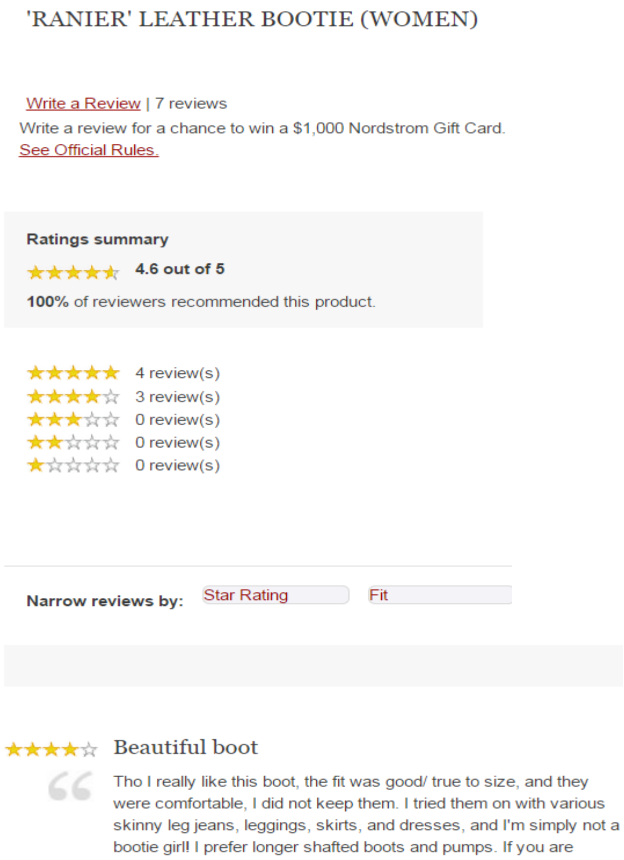
Battlefield 1: Company website / e-shop

Overall, major US department stores have made strategic investments in their websites to enhance content and increase conversion. For example, the following features are useful tools to simulate purchase in the US. Yet, generally speaking, these have so far been missing in most Chinese department stores that have already launched their online stores.

i) Product video
Major US department stores have frequently been posting quality video clips onto their websites to feature their promotional products. These videos can generally boost consumer confidence on the products, leading to higher browse-buy conversion rates.

In China, none of the department stores have implemented this so far. In our view, the obstacles could include additional investments required on studios and content production team, limited number of products available online, etc.

Nordstrom – user rating summary



Source: Company, DBS Vickers

ii) User ratings and reviews
Major US department stores allow consumers to submit product ratings and reviews. These are important in our view as product quality and fit are among the main customer concerns especially for apparel and footwear products. In addition, most US online stores have social sharing and "recommendation to friend" features to increase their customer base. Some even allow photo reviews and video reviews to enhance the richness of customer feedbacks.

In China, however, selected department stores such as Rainbow and New World Department Store offer these features, but user participation is generally low (no reviews for many products).

iii) Live chat with customer service
Live chat with customer service is available in some US department stores to enhance consumer confidence. This is not commonly implemented by Chinese department stores yet.

iv) Search visibility
Overall, we view department stores' search visibility (in popular search engines such as google, Baidu, etc.) as an important indicator of their brand awareness among online shoppers. In our view, this should be particularly important for Chinese department stores as many are on regional basis thus having a high search visibility would help to expand their customer base beyond their home markets.

In US and Europe, major department stores such as Saks, John Lewis, and Nordstorm have been using paid ads to increase their search visibility. We find that major players such as Nordstorm, Macy's and Sears generally appear on the front pages of search results for common keywords such as "men shirt, "ladies' shoe", etc.

In China, however, search visibility is generally weak among department stores. We performed a series of searches on Baidu, China's most popular search engine, on common apparel keywords and virtually could not find any department store links on the search results. This indicates that department store operators in China need to implement an effective online marketing strategy to enhance their overall brand awareness among online shoppers.

Battlefield 2: O2O integration

"Click-and-collect" gaining traction in US and Europe… In recent years, major US department stores such as Bloomingdale's and Macy's have added the "click-and-collect" service, which allows consumers to order online and pick up in physical stores / kiosks. In addition, some department stores offer in-store return service and provide real-time inventory information to customers.

"Click-and-collect" has proven to be effective so far. According to a survey by UPS, about half of the online shoppers have chosen the "click-and-collect" service, while about 40% make additional in-store purchases when they pick up the merchandises.

Prompted by the initial success, more US and European retailers are expanding their pick-up locations beyond their existing stores to enhance overall convenience to customers. For example, UK department store John Lewis has partnered with grocery store Waitrose to expand the number of pick-up locations to 300, against its own network of only 40 stores. Marks & Spencer is also partnering with Collect+ to leverage its network of 5,500+ pick-up points in the UK.

Waitrose's click-and-collect pick up lockers

Source: Company, DBS Vickers

...But still uncommon in China

Having said that, such "click-and-collect" business model remains uncommon in China, as O2O is still in an early development stage. Among major listed department stores in the PRC, an exception could be Rainbow (002419.CH), which has recently launched its "click-and-collect" service across about 400 pick-up points in Shenzhen, through partnerships with Catic Property (中航物业), GuoDa Drugstore (国大药房), Sposter (速递易自提柜), ChangCheng Property (长城物业), etc.

In our view, a successful implementation of "click-and-collect" service in China could potentially boost department stores' online plus offline sales by mitigating customer concerns on the reliability of deliveries as well as lifting in-store traffic. After all, many major Chinese department stores mainly carry mid- to higher-end ticket size items.

Battlefield 3: Mobile Apps

Functionality of mobile apps

In addition to e-commerce, department stores are also moving into the m-commerce space by launching their respective mobile apps. In the US and Europe, most major department stores including Sears, Macy's and Nordstrom have generally developed mobile apps in IOS / Android platforms. While in China, currently only a handful of operators such as Intime and Golden Eagle offer this.

We also find that mobile apps of the US and UK department stores generally offer more comprehensive functions than those offered by their Chinese peers.

For example, shoppers of most US department stores can use their mobile apps to view / write product ratings and reviews. In addition, operators like JC Penny and Nordstorm will show app users which products are available at stores within driving distance.

These functions are generally unavailable among major Chinese department stores. For example, Golden Eagle's mobile app currently only provides basic promotional information for its stores. No e-commerce or O2O functions have been implemented yet. Intime offers a more comprehensive mobile app with e-commerce function, but still lack useful features such as user reviews and inventory checks.

Sears' click-and-collect service

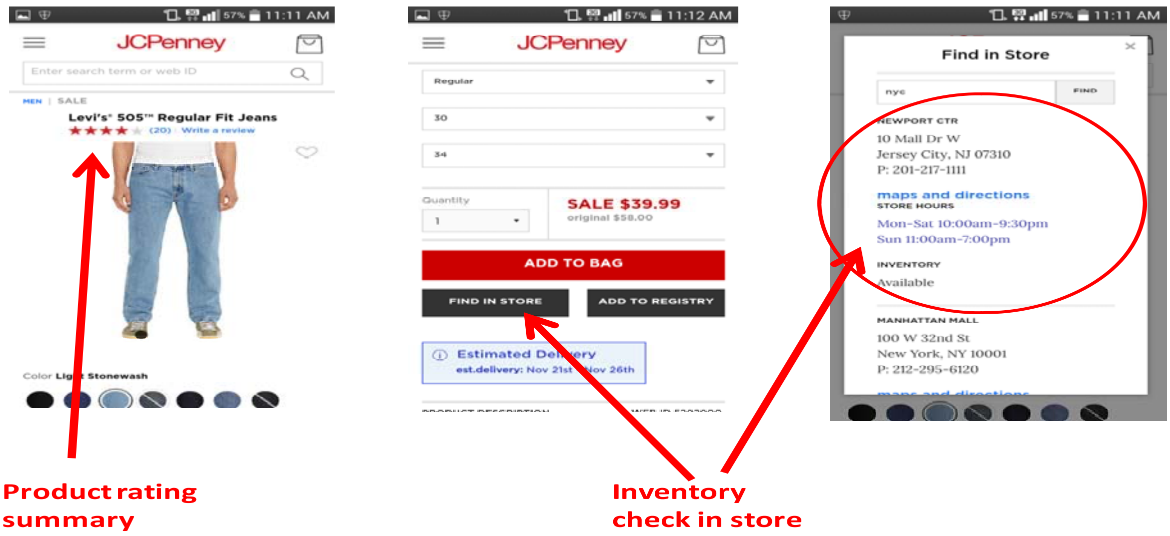
Source: Company, DBS Vickers

Mobile app function comparison

	Sears	Macys	Nordstrom	JC Penny	Intime	Golden Eagle
Social sharing	Y	Y	Y	Y	Y	Y
E commerce	Y	Y	Y	Y	Y	N
Wish list	Y	Y	Y	Y	Y	N
Geo-location	N	N	Y	Y	N	N
Rating and review	Y	Y	Y	Y	N	N
Coupons	Y	Y	Y	Y	Y	Y
Inventory check	Y	Y	Y	Y	N	N

Source: DBS Vickers

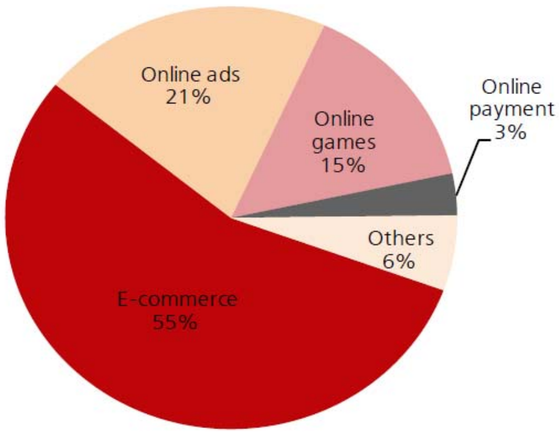
JCPenny provides comprehensive features in its mobile app



Source: DBS Vickers

China Internet Market

E-commerce is the biggest portion of China internet sector revenue (2013)



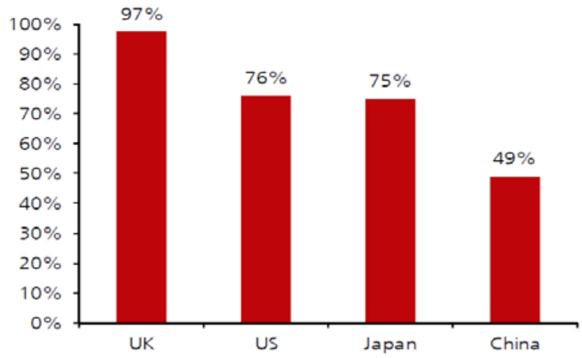
Note: For e-commerce, we use revenue figures, instead of gross merchandise value (GMV).
Source: iResearch

E-commerce is biggest component of China Internet sector. The major sub-segments of the internet sector include e-commerce, online ads and online games. Despite its relatively small size, online payment and internet financing could see better growth prospects over the medium-term. We believe e-commerce has the best potential to achieve monetization (i.e. generating revenue and profit), supported by its transaction-based business model that closely involves payments and cash flows. Besides, online shoppers normally have clear intentions when they surf the internet, which helps to improve conversion rate (i.e. browse-buy ratio).

Eager to enhance their online influence, most brand operators are willing to partner with e-commerce players to tap on their online expertise. In addition, the use of mobile devices has increased users' time spent surfing the internet (to >10 hours a day), while users are also spending more on mobile commerce. Of note, c.30% of online sales in China last year were transacted on mobile devices, versus c.15% in 2013 (source: iResearch).

More netizens shopping online. Thanks to the promotion of computers and mobile devices, improvements in telecom facilities, and cultivation of online buying habits, the number of e-commerce customers in China had reached 302m in 2013, and accounted for 49% of the total netizen population. This is still far below that in Japan (75%), the US (76%), and the UK (97%). According to Aliresearch, e-commerce customers in China could sustain decent growth to reach c.540m in 2020F, and >25m new customers would start to buy online each year.

Online shoppers as % of netizen population (2013)



Source: CNNIC, UK Statistics Bureau, A.T.Kearney, Statista.com

Online spending to grow rapidly. Based on iResearch data, we believe c.230m online shoppers had made their first online purchase since 2011. In other words, these customers have less than 4 years of online shopping experience, and they account for c.60% of total online shopper population in China. As such, we estimate that online shoppers in China have average 3.5 years of online shopping experience, and their average online spending was RMB7,153 last year (iResearch data).

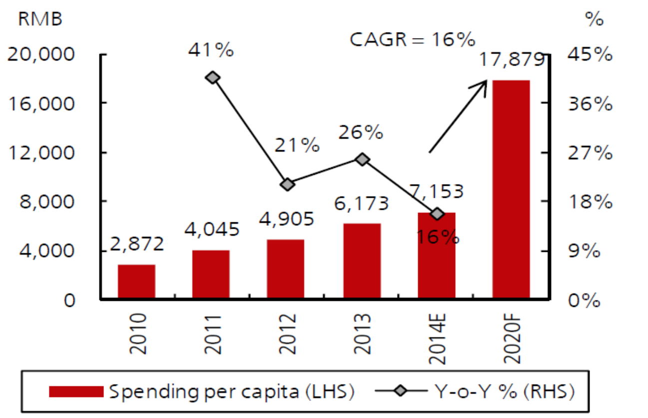
Study on new online shoppers in China

Year	Number of new online shoppers		Online shopping experience by now (no. of years)
2008 & before	74		7.5
2009	34		5.5
2010	53		4.5
2011	33		3.5
2012	48	c.230m	2.5
2013	60		1.5
2014E	88		0.5
Average			3.5

Source: iReserach, DBS Vickers

Studies by Aliresearch show that in the first year, online shoppers on average spend c.RMB1,000 per annum; by the fifth year, spending would rise to c.RMB15,000; by the tenth year, spending would reach c.RMB30,000. Since online shoppers in China on average have 3.5 years of online shopping experience, we believe there is plenty of upside potential for average online spending to grow. Aliresearch expects online spending per capita to reach c.RMB17,900 in 2020F, representing c.16% CAGR over 2014E-2020F.

Spending per online shopper



Source: iReserach, Aliresearch, DBS Vickers

Rural e-commerce holds great potential. Despite sound e-commerce developments over the years, online operators have mainly penetrated the urban markets so far, while rural areas have been largely untapped due to less-developed infrastructure and weak user awareness. In 2014, >35% of urban population in China had made online purchases, but only c.10% of rural population had used e-commerce (source: Aliresearch).

According to our estimates, online shoppers in rural areas on average spent c.RMB2,600 last year, or merely 1/3 of the amount spent by their urban counterparts. Given rising income in the low-tier markets, we believe the gap could narrow over the medium-term. Aliresearch estimated that online sales in the rural markets amounted to RMB180bn last year. With improvements in payment channels and logistics facilities, rural online sales are expected to reach RMB460bn in 2016F, implying c.60% CAGR.

Large potential in rural e-commerce, given low spending per capita

2014E

Online shopper population:

m	Urban	Rural	Total
Population	322	69	390

Spending per online shopper:

RMB	Urban	Rural	Average
Spending	8,118	2,628	7,153

Key assumptions:

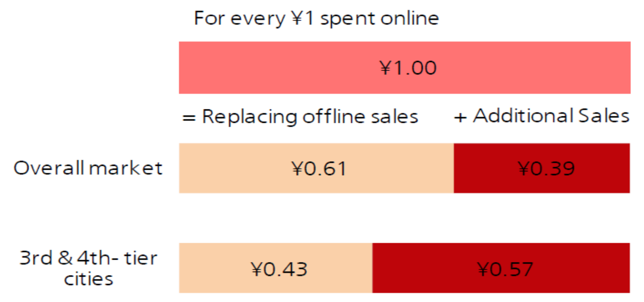
1) Rural e-commerce sales made c.7% contribution
2) c.10% of rural population shops online

Source: CEIC, Aliresearch, DBS Vickers

In view of strong e-commerce potential in the rural markets, Alibaba Group plans to invest a total of RMB10bn within 3-5 years to enhance its rural exposure. Specifically, it aims to open c.1,000 rural operating centers and c.100,000 service stations in villages. This would allow the e-commerce giant to penetrate 1/3 of the counties in China. JD.com has also been rolling out its rural service centers ("京東幫服務店") since 2014, and aims to build c.2,000 service centers by 2017F. We believe expansion of the leading e-commerce operators could improve both infrastructure and customer awareness in the rural markets, helping to stimulate user demand ahead.

Rural e-commerce drives retail sales. Contrary to conventional belief, development of rural e-commerce in China has not been fully carried out at the expense of offline retail sales, in our view. Analysis by McKinsey shows that for every ¥1 spent online in the rural markets, ¥0.57 could be additional spending by the customers. This is mainly due to the lack of retail infrastructure in the rural areas, and online sales could actually encourage customers to spend more. Hence, with the evolution of rural e-commerce, we believe retail sales growth in China could be enhanced over the medium-term.

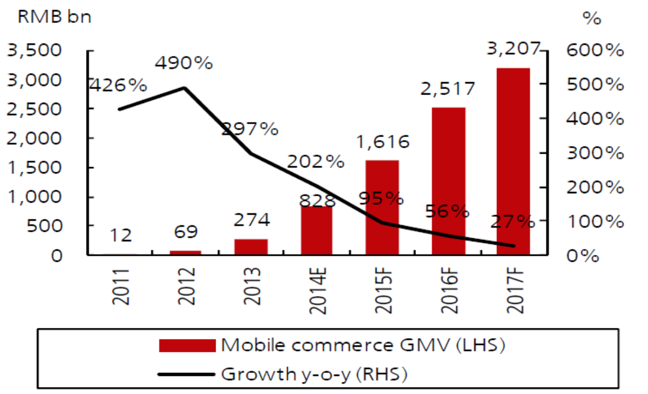
Development of online sales lifts total consumption



Note: E-commerce is more effective in stimulating retail sales in 3rd & 4th tier markets, as e-commerce offers greater convenience, promotion and social networking effects to rural users.
Source: McKinsey research (2013)

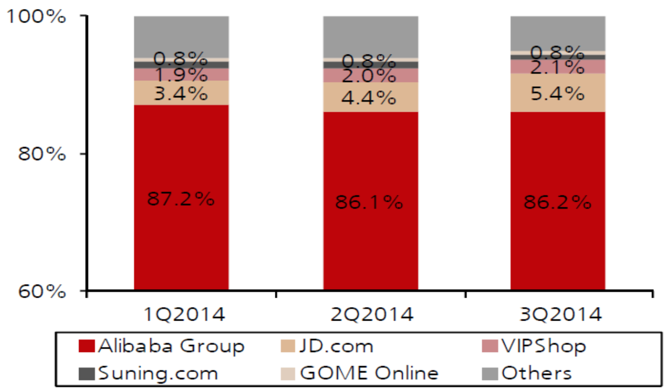
Mobile commerce on the way. Online shoppers in China are increasingly buying via their mobile devices, given longer time spent on mobile internet (>10 hours a day), greater convenience of mobile commerce, and numerable O2O opportunities especially in group-buying and LBS (location-based services, such as mobile maps). Mobile commerce contributed c.30% to e-commerce last year, and the ratio is expected to reach 57% in 2017F (source: iResearch).

Market size of mobile commerce in China



Source: iResearch

Mobile commerce market share



Source: iResearch

In view of huge potential for mobile commerce, Alibaba Group had launched its first app, "Mobile Taobao" back in 2010. Riding on the success of Taobao marketplace and its first-mover advantage, "Mobile Taobao" has been the most popular mobile commerce app in China by number of MAUs (monthly active users) since Aug 2012. Coupled with other apps such as Tmall, Juhuasuan (聚划算) and Taodiandian (淘點點), Alibaba had enjoyed the dominant position of c.86% mobile market share in 9M2014.

Despite its relatively small mobile market share, JD.com has increasingly gained traction in mobile commerce, thanks to the development of its online marketplace, improving payment channels, and user traffic support from Tencent following their strategic cooperations. Such initiatives lifted JD.com's mobile market share to 5.4% for 3Q14, as compared to merely 3.4% in 1Q14.

Alibaba leads in monetization. To sum up, we believe e-commerce is well-positioned to monetize on user activities, and Alibaba could be the major beneficiary of this trend, followed by JD.com. Baidu has limited e-commerce exposure except for its investment in LEHO.com (愛樂活), an online sales platform focusing on fashion products. Tencent has transferred most of its e-commerce operations to JD.com, following their strategic cooperation since Mar 2014. Hence, Alibaba and JD.com could have better monetization potential, in our view.

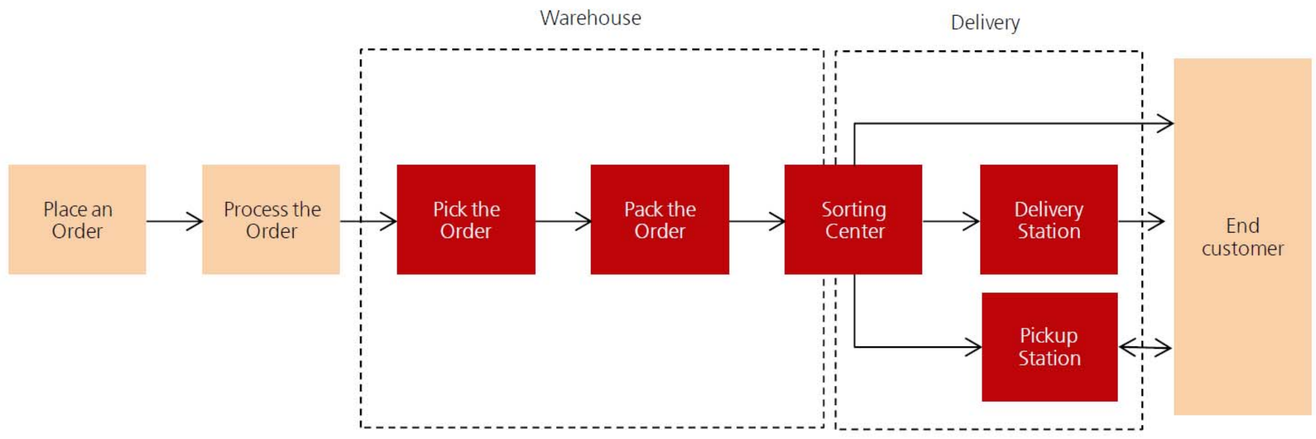
Last mile of marathon

E-commerce logistics: Way to grow. With e-commerce developing rapidly in China, product deliveries have achieved swift growth. China Post estimates that nearly 14bn parcels were delivered last year, representing c.40% growth over 2013. Based on our estimates, c.60% of these parcels could be related to e-commerce. Given the busy order flow, online shoppers are increasingly focusing on timeliness and accuracy of product deliveries, creating opportunities and challenges for e-commerce logistics.

According to government data and estimates by Global Logistics Properties (GLP), total GFA of logistics facilities in China amounts to c.550m sq.m., less than 1/3 of GFA for logistics facilities in the US. Particularly, the GFA of modern logistics facilities in China is only c.10m sq.m., and accounts for less than 2% of the portfolio. In terms of logistics area per capita, each online shopper shares a mere 1.4 sq.m., versus 8.7 sq.m. in the US. Hence, GLP expects decent growth in China's logistics sector, and total GFA of logistics facilities could reach 2.4bn sq.m. by 2029F (implying c.10% growth per annum).

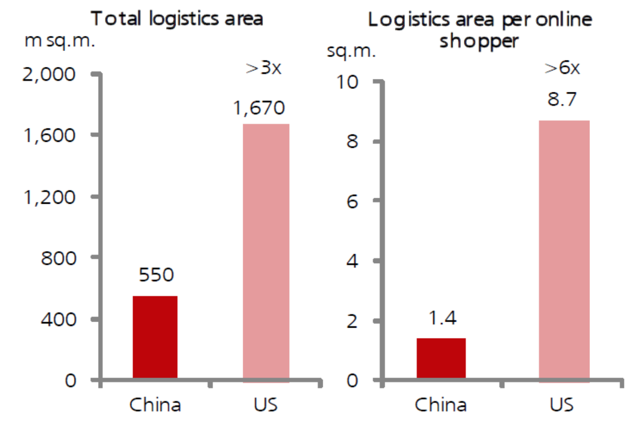
Alibaba adopts the asset-light approach. China Smart Logistics ("Cainiao 菜鳥", 48% held by Alibaba Group) has been developing a smart logistics IT system. In this system, China Smart Logistics utilizes its "big data" analytic capability to process customer orders to come up with optimized delivery routes, and logistics partners such as S.F. Express (順豐速運) and EMS provide the deliveries. China Smart Logistics also secured lands in key locations (e.g. Hangzhou, Guangzhou, Wuhan, Chengdu, Beijing and Tianjin), to develop logistics hubs for its network. As of June 2014, China Smart Logistics has the capability to deliver c.17m parcels per day; the ultimate goal is to deliver >100m parcels daily, which would reach the buyers within 24 hours of order placement.

Logistics model for e-commerce operators



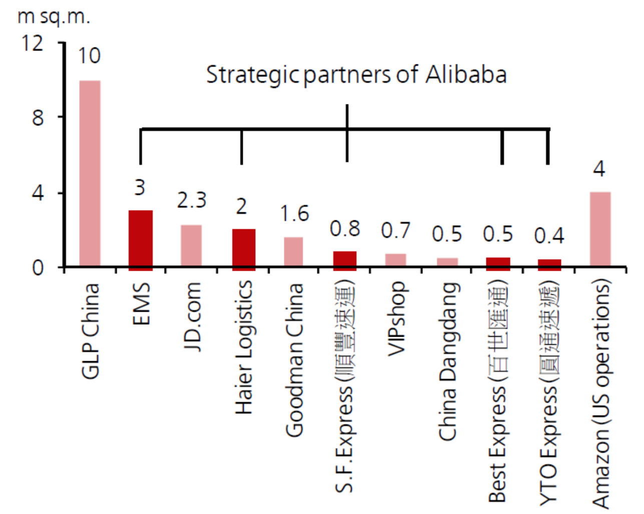
Source: Companies

Comparison of logistics sector development between China and the US (2014E)



Source: Government websites, GLP, CEIC

Comparison of logistics areas (2014E)



Note: Alibaba Group rides on logistics capability of its strategic delivery partners. Its China Smart Logistics ("Cainiao") has secured several locations in China to develop key distribution centers.
Source: Companies, DBS Bank, DBS Vickers

JD.com pursues own logistics model. Aiming to offer timely and accurate deliveries to customers, JD.com has been operating own fulfillment infrastructure (i.e. warehousing and delivery facilities) since 2007. As of Sep 2014, JD.com operated 118 warehouses (total GFA of c.2.3m sq.m.), 2,045 delivery stations and 1,045 pickup stations across 1,855 counties and districts.

Besides, the company has been constructing highly-automated warehouses, "Asia No.1 (亞洲一號)", in key locations. The first "Asia No.1" warehouse in Shanghai was launched in Oct 2014, with c.100,000 sq.m. of GFA (the 1st phase). It has also started to build "Asia No.1" warehouses in Guangzhou, Wuhan and Shenyang, to be launched this year. There are plans for more "Asia No.1" warehouses in Beijing, Chengdu and Xi'an, to improve JD.com's logistics capability.

ASEAN E-commerce Market

Online sales are low in ASEAN versus China. According to research firm, Euromonitor, online retailing accounted for less than 1% of total retail sales in the six largest Southeast Asian countries (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam). This compares to 6-10% in China, US and Europe, with China leading the pack due to the success of its online marketplace model pioneered by Alibaba.

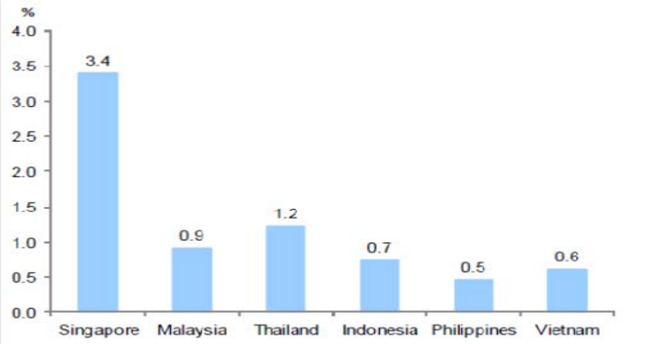
Indonesia overtook Singapore and Thailand in 2014 to emerge as the largest e-commerce market in ASEAN with online sales of US$1.1bn. This translated into only 0.7% of the total sales in Indonesia as per Euromonitor who forecasts online revenue CAGR of 38% over 2014-17.

Thailand had online sales of US$1.1bn in 2014 only slightly behind Indonesia. This translated to 1.2% of the total sales as per Euromonitor who forecasts online revenue CAGR of 19% over 2014-17

Singapore is the third largest market with online retail sales of US$860m or 3.4% of total retail sales as per Euromonitor, who forecasts a 13% CAGR for online retail revenue over 2014-17. Despite much higher income levels, Singapore's online sales lag behind developed countries due to the convenience of well-developed retail outlets all over the island and the lack of strong domestic e-commerce players. A majority of online sales are skewed towards the products which are not available locally.

Malaysia had online retail sales of US$496m or 0.9% of the total sales as per Euromonitor, who forecasts a 21% CAGR for online retail revenue over 2014-17.

ASEAN Internet retailing as a % of total retail sales



Source: Euromonitor 2014

Payment, Delivery and Marketing are three key challenges in ASEAN.

1) There is a lack of trust in online retailers in terms of product reliability and safety of the payment mechanism. Credit card ownership covers less than 10% of the population and those who possess credit cards do not use them online for fear of fraud. Most customers prefer cash-on-delivery (COD) which requires sophisticated delivery partners.

2) With the exception of Singapore, delivery network is a big challenge in ASEAN. Postal services are often unreliable and local logistics firms are still unused to handling high volumes of small packages.

3) Online marketing is trickier in ASEAN than in the US or China, due to varied cultures, languages and regulations. Online players need to customise their online portals to suit local languages and cultures while battling various customs rules.

Couple of deals above US$100m took place in 2014. In June 2014, Alibaba bought a 10% stake in Singapore Post for US$250m, signalling its intention to grow faster in ASEAN. In Oct 2014, Indonesia's leading e-commerce marketplace, PT Tokopedia, raised US$100m from Japanese investment firm SoftBank Corp. and Sequoia Capital. Lazada, the Rocket Internet-backed e-commerce firm, received fresh funding of US$250m in Dec 2014, led by Singapore's Temasek Holdings. Besides Lazada (multi-category), Rocket Internet has another online store Zalora (apparels) in the region. Japan's biggest marketplace Rakuten set up its Southeast Asian headquarters in Singapore in 2013 and is keen to be a regional player.

2014 saw the entry of Internet messaging players into e-commerce. Japanese Internet voice and messaging provider LINE entered the e-commerce fray in 2014 in Thailand with the launch of its online marketplace. For now, it will only be available in Thailand, where LINE has 33m active users. LINE partners with a local e-commerce service provider called aCommerce, which takes care of product sourcing, storage and delivery. Last year its rival WeChat (~480m users) launched e-commerce and food delivery services too. There have also been rumours of Twitter entering the e-commerce market as well where it may provide an online platform for retailers to sell their products.

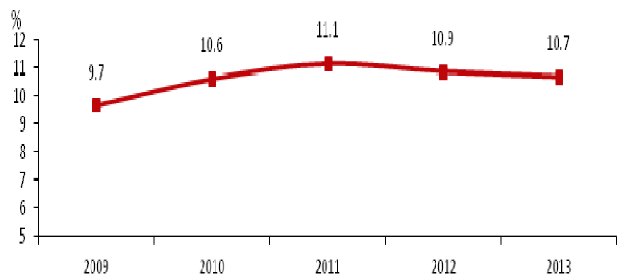
In March 2014, WeChat's parent Tencent bought a 15% stake in JD, China's second largest e-commerce company, giving JD an exclusive shopping channel on the WeChat platform. WeChat then launched its first takeaway delivery service in December by partnering with Foodpanda. KakaoTalk, which has 50m users mainly across South Korea, also has plans to get into e-commerce by challenging Coupang, the so-called "Amazon of South Korea". Each are taking advantage of instant access to millions of users, while avoiding the expensive process of building an e-commerce infrastructure from scratch.

Singapore - Rising labour costs and stagnant tourist numbers to accelerate e-commerce

Singapore's internet penetration, smartphone adoption, financial infrastructure and logistical facilities, are among the best in the world. Despite this, Singapore has not seen similar online retail adoption rates as certain developed countries such as Japan and South Korea due to high convenience of shopping in nearby malls and tourist spending and the absence of a strong local e-commerce player. A large portion of online sales comes from players outside Singapore. According to AT Kearney ~47% of all online retail sales in Singapore comes from outside the ASEAN region. As a result, a big cross section of online sales tend to have considerably high shipping costs and long delivery times. However, we think that online retail adoption could accelerate over the next three years due to the following reasons.

Tourist arrival numbers have not been increasing
Singapore attracted over 15m tourists in 2014 who tend to play a significant role in the retail segment. Retail sales generated from these tourists and travellers tend to be comparatively more resilient to changes brought on by online shopping, as it is a part of the holiday experience for them. However, tourist numbers have not been increasing, resulting in a lower percentage of retail sales from tourist spending. Retail brands have also expanded into other markets in China, Indonesia and Malaysia, making Singapore a less unique shopping destination.

% of retail sales coming from tourist spending - Singapore

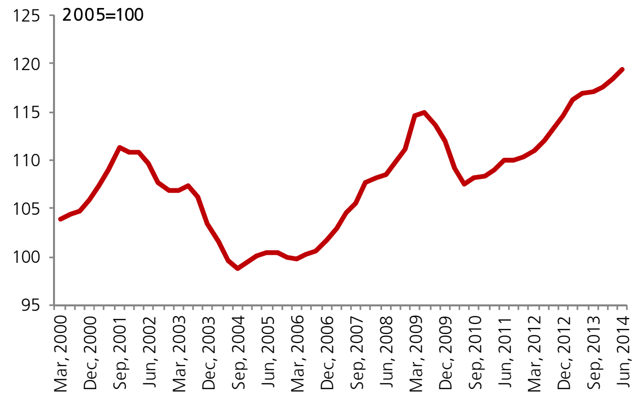


Source: DBS Bank

Retailers are hard hit by labour policy changes

The services sector (including the retail industry) has been most impacted by the Singapore government's reduction of the Dependency Ratio Ceiling (DRC) – which determines the number of foreign workers a firm is permitted to hire based on the number of local staff it has. Retailers in Singapore collectively face two problems: first, escalating labour costs which impinge on their profitability; and second, even if retailers are able to contain their labour costs and afford additional labour, there isn't any labour to be found.

Unit labour cost of the economy (4Q rolling avg)



Source: Singstat, CEIC, DBS Bank

Suburban retailers may steal market share from downtown retailers
There is likely to be an impact coming from the emergence of regional centres – Jurong in the Western part of Singapore, Tampines in the East and Woodlands in the North. These master-planned centres brought shopping to the heartlands as regional malls offer shopping experiences that were previously only available downtown.

Convenience factor favours suburban retailers over downtown counterparts
Singapore offers the super convenience of shopping malls within short distances from homes. Except for lifestyle needs and high-end products, consumers prefer to shop for groceries, garments and cosmetics, etc. from their neighbourhood malls. As such, malls that offer low- to mid-end products are likely to face higher substitution from online sales, in our view.

TechinAsia's popular e-commerce sites in SG

Name	Products sold	Started
Reebonz	Luxury goods	2009
Kwerkee	Novelty design accessories	2012
Qoo10	B2C General marketplace	2012
RedMart	Household items/groceries	2011
Luxola	Cosmetics/beauty products	2011
NoQ Store	Books	2011
HipVan	Home & furnishings, accessories, art, fashion	2013
Bellabox	Beauty products	2011
Clozette	Fashion	2010
Rakuten	B2C General marketplace	2014
Taobao	B2C General marketplace	2013
Zalora	Fashion	2012
Carousell	C2C 2nd hand marketplace	2012
Wego	Travel	2005
VanityTrove	Beauty products	2011

Source: TechinAsia.com, DBS Bank

Most popular categories in Singapore include travel, fashion and beauty, and electronics, while the least popular tend to be categories such as financial products and services, food, groceries, etc. according to flipit, an online couponing company.

Emergence of strong e-commerce players

However, more and more local players and local affiliates of larger global e-commerce platforms are emerging in Singapore. Global players like Alibaba have invested in Singpost, which is developing a logistical hub in Singapore. This should cut down the costs as well as the delivery times for local customers, leading to better adoption.

Luxola, a Singapore-based online cosmetics retailer, said it hit its first S$1m in sales in two years of its April 2011 launch. But its most recent million-dollar revenue was achieved in under two months in April 2014, according to its founder and chief executive, Alexis Horowitz-Burdick, who expects annual revenue to hit S$100m by 2016.

Even e-marketplaces that represent individual sellers and retail entrepreneurs claim to be going great guns. Singapore-based Qoo10, for one, said transaction volume on its site grew from under S$100m in 2012 to S$150m in 2013 and it expects this to double to S$300 million in 2014. In Feb 2014, Japanese e-marketplace giant Rakuten launched its Singapore website to connect more individual buyers and sellers. Rakuten has also partnered Toys 'R' Us to sell the latter's goods on its website. Like Toys 'R' Us, local brick-and-mortar store Planet Telecoms has also entered the e-commerce fray.

Indonesia – Lack of Trust and Logistics Bottleneck

Indonesia overtook Singapore and Thailand in 2014 to emerge as the largest e-commerce market in ASEAN with online sales of US$1.1bn. This translated into only 0.7% of the total sales in Indonesia as per Euromonitor who forecasts online revenue CAGR of 38% over 2014-17. Within online retail sales, entertainment media (books, video games etc.), consumer electronics and fashion have been enjoying significant interest. In addition, travel-related sites have also been seeing a fair interest.

Leading online retailers in Indonesia

Company	Category
Kaskus	Misc
TokoBagus	Misc
Berniaga	Misc
Lazada Indonesia	Misc
Bhinneka	Consumer electronics
Agoda.com	Travel
Zalora	Fashion
Tiket	Travel
Groupon Indonesia	Misc, Lifestyle
Tokopedia	Misc, Mostly consumer electronics
Bukalapak	Misc, Mostly consumer electronics
Qoo10 Indonesia	Misc
Elevenia	Misc
Lamido Indonesia	Misc
Rakuten Belanja Online	Misc

Source: DBS Vickers

Couple of deep-pocketed players

Lazada and Tokopedia are the top marketplaces in Indonesia. As its fifth anniversary in October 2014, Tokopedia claimed that its merchants were selling about 2m products a month. It also reportedly received 10m visitors a month. In Feb 2015, Lippo Group launched MatahariMall, a new e-commerce venture, in partnership with the Matahari chain of department stores.

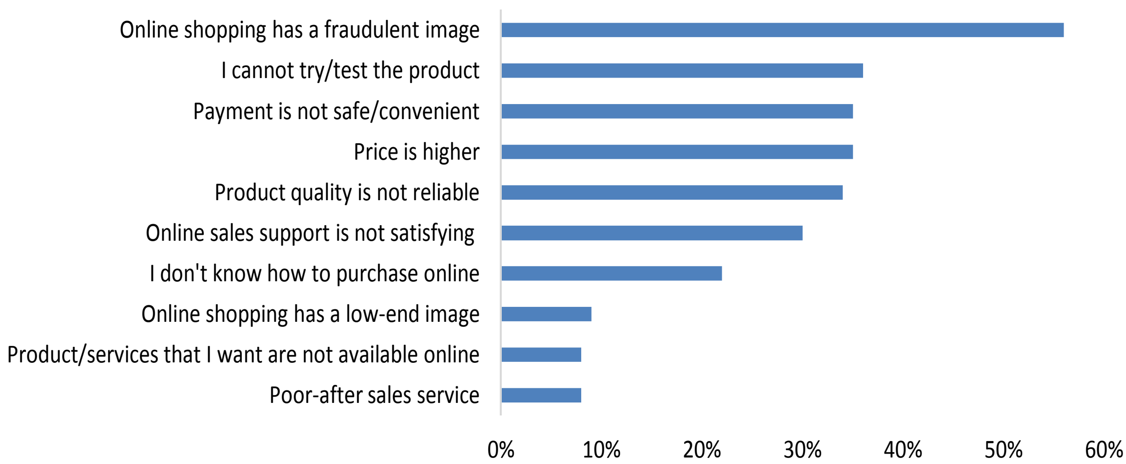
Key Challenges

Online retail is hampered by trust and image issues in Indonesia. According to a study by McKinsey & Company, key customer concerns include fraudulent image of online retail, issues with online payments and issues with reliability of product quality have been ranked high. As a result those companies that look to address these issues may see better growth in online retail in the medium term. For example, Zolara Indonesia has introduced free shipping with no minimum spend, money back guarantees, cash-on-delivery payments and providing mobile platforms to address these issues. The lack of developed logistical infrastructure is another key issue.

Online sales are highly concentrated around Jakarta

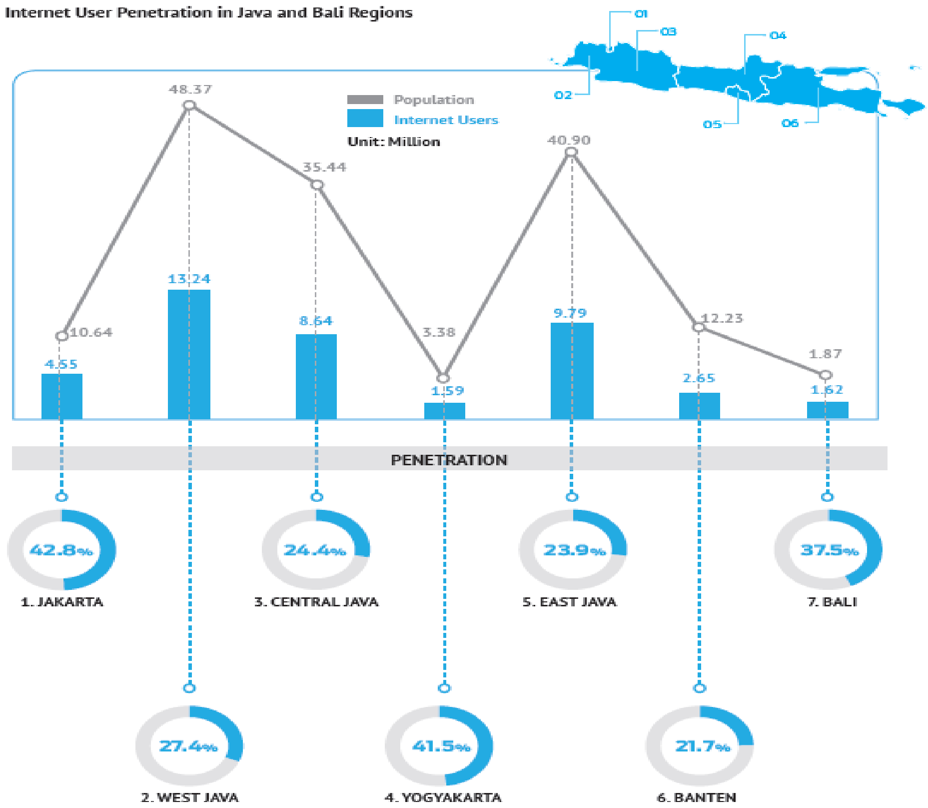
Much of the e-commerce activity is centred around Jakarta as the city has one of the highest internet penetration levels (~43%) in the country (~32%), mainly from people using 3G phones. Coupled with its size, approximately 30m people in Greater Jakarta (~12% of the country's population), this offers a large potential market for e-commerce players, which other areas of Indonesia cannot offer. JNE, the market leader in e-commerce logistics in Indonesia, delivers c.60% of its e-commerce related packages within Jakarta.

Key reasons for not shopping in Indonesia (top 3 reasons %)



Source: McKinsey and Company, Evolving Indonesian Consumer, Nov 2013

Internet User Penetration in Java and Bali Regions



Source: Indonesia Internet Usage for Business Sector - 2013, Indonesia Internet Service Provider Association

For example, a study conducted by UNICEF, Indonesia's ICT ministry, the Berkman Centre for Internet and Society, and Harvard University on internet activity on teenagers has found out that most of Indonesia's 30m teen internet users reside in urban areas like Jakarta, Yogyakarta and Banten. About 87% of teens who live in rural areas have never accessed the web. In addition, as a large nation spread across several islands with under-developed infrastructure, e-commerce players face difficulties in reaching the more remote locations.

Thailand – Traditional Retailers are Proactive

Thailand had online sales of US$1.1bn in 2014, only slightly behind Indonesia. This translated into 1.2% of the total sales as per Euromonitor who forecasts an online revenue CAGR of 19% over 2014-17.

Traditional retailers are active in the online space
At present, internet retailing in Thailand remains fragmented with many small online websites. Major brick-and-mortar chains that have developed online platforms are also among them. For example, Tesco Lotus started an online shopping mall in Thailand back in 2013. They offer over 20,000 products for home delivery. Big C and Tops also have online platforms targeting urban clientele. CP ALL, the 7-Eleven franchisee in Thailand, is using its nationwide network of more than 8,000 stores to allow online retailers to do self-collection and in-store payments.

Notable online retail players

Company	Category
Lazada	Misc
WeLoveShopping	Misc
Tarad	Misc
Zalora	Fashion
Ensogo	Misc
Agoda	Travel
Air Asia	Air Line Ticketing
Bookings.com	Hotel Booking
Cdiscount	Misc
J.I.B	Consumer Electronics
Central.co.th	Misc
Munkonggadget	Consumer Electronics
eBay	Misc

Source: DBS Vickers

Japanese Internet voice and messaging provider LINE entered the e-commerce fray in 2014 in Thailand with the launch of its online marketplace. For now, it will only be available in Thailand, where LINE has 33m active users. LINE partners with a local e-commerce service provider called aCommerce, which takes care of product sourcing, storage and delivery. Last year, its rival WeChat (~480m users) launched e-commerce and food delivery services too.

Lazada.com, which operates in the ASEAN region, has allocated US$30m reportedly on their marketing budget on Thailand in 2014, while sales are expected reach US$50m in 2014. Lazada Thailand claims to have an average of 5m users per month with a bounce rate of 40%. Furthermore, 30% of the traffic comes from referrals.

Luxoda is an online beauty store with operations in Malaysia, Thailand, Indonesia and Brunei. Out of its 450,000 visitors per month, ~36,000 are estimated to be from Thailand. Weloveshopping.com is an example of a C2C transaction platform in Thailand that uses a third-party payment processor provided by True Money, an online wallet service in the country. They also hold customers' payments for seven days before releasing them to merchants, within which the buyers can claim for a refund.

Key Challenges
Intense competition from traditional retailers, who are expanding aggressively, is seen as a major threat to online retail's growth. Similarly, high-end department stores are seeing significant growth. The newer shopping complexes in Bangkok's central region are moving towards the high-end, luxury-style shopping segment. This segment is more resilient to the disruption caused by online retail due to their exclusivity.

Similar to Indonesia, lack of trust also serves as a major deterrence in Thailand's online retail market. The majority of online shoppers (62%) in Thailand are reluctant to give out credit card information while online. Further, suitable security measures in this area are still lacking.

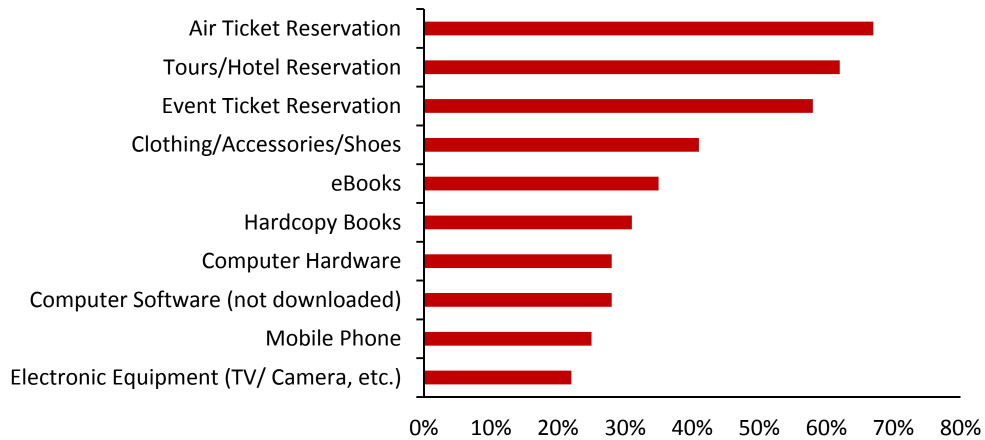
Logistics also play a role. Free delivery of goods in e-commerce was limited to only 25% of buyers in 2013. While the national postal service is considered cheap, delivery remains unreliable. Many private logistics operators cover only selected areas and tend to be expensive.

Low internet penetration level is also seen as being another key bottleneck for Thailand. Despite much higher income levels, smartphone penetration in Thailand is only 40% versus 25-30% in Indonesia.

Malaysia - Cyber Security Issues

Malaysia had online retail sales of US$496m or 0.9% of the total sales as per Euromonitor, who forecasts a 21% CAGR for online retail revenue over 2014-17. Malaysia also sees a similar product distribution pattern when it comes to the popularity of online retail. Travel is a clear leader in terms of online purchases while entertainment media, consumer electronics and fashion tend to enjoy high interest as well.

Intent to purchase in the next 6 months – Malaysia online consumers - 2014



Source: Nielsen Global Survey of e-commerce, Q1 2014

Leading online retailers in Malaysia

Company	Category
Lelong.my	Fashion
Lazada	Misc, Mostly consumer electronics
Groupon	Misc, Lifestyle
Zalora	Fashion
eBay	Misc
Rakuten	Misc
Qoo10	Misc
Lamido	Misc
Youbeli	Misc, Mostly consumer electronics
Mudah.my	Misc
ShaShinKi	Consumer electronics
Fashion Valet	Fashion
ASOS	Fashion
Shopbop.com	Fashion
Book Depository	Books

Source: DBS Vickers

Lelong.my is the online marketplace leader in Malaysia, with Lazada closing in. Lelong.my was estimated to have had 5m visits in November 2014 versus 3.8m for Lazada. Groupon and eBay are among the popular marketplaces too. Zalora is one of the most popular online retailers in Malaysia. In addition. Malaysia has also attracted other major international players such as Zappos and Amazon over the past few years.

Key Challenges

Malaysia has a number of positive factors contributing towards online retail. It has high internet and smartphone penetration levels as well as heavy credit card usage (1.1 cards per household). In addition, the country has a good transportation infrastructure facilitating better delivery services. However, the online retail segment has a relatively small footprint (<1% share).

According to A.T. Kearney, the main challenges to Malaysia's e-commerce growth has been cyber security issues and certain consumer behaviours that drive them to physically inspect the goods. In order to reduce fraud, the government introduced new legislation in 2013, which included regulations and fines. Though these were seen as positive for consumer protection, some industry observers highlighted the possibility of prohibitive costs for retailers. On consumer behaviour, we believe these patterns are likely to change in the long term as online retailers develop ways to improve consumer experiences and as consumers become more familiar with online retail.

The Philippines – Foreign Players take the lead

The online retail market in the Philippines accounts for less than 3% of the 100m population in the country, according to Philippine Retailers Association (PRA). Further, only 2.5m credits cards are in use. Despite this, online retail recorded an 11% growth in 2012, according to Euromonitor International.

It has been further revealed by Euromonitor that around 40% of the local internet retailing is fragmented and shared by small players in the market. As per big players, Amazon takes the lead, due to its trusted security and its extensive range of products. Filipinos use Amazon as a method to import goods.

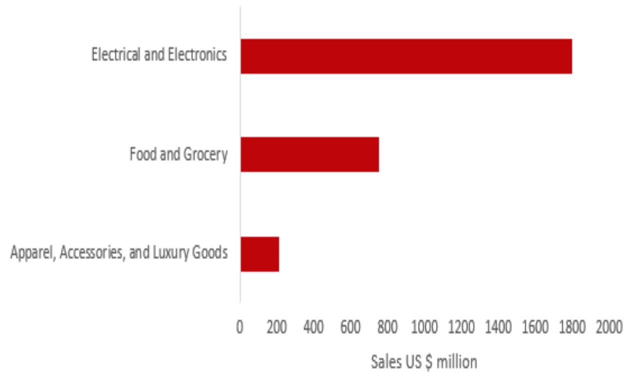
Top 5 Retail Sites in the Philippines in 2013

Site	Unique Visitors (000)
Amazon Sites	1,094
Apple.com Worldwide sites	730
AVG.com	693
Lazada Sites	628
MULTIPLY.com	515

Source: ComScore, Inc. 2013

Considering the categories which are retailed online the most, electronics and electrical goods lead the market share followed by food and groceries, according to iCD Research. Another point to note is that Business Process Outsourcing (BPO) is very popular in the Philippines with its over 400,000 workforce. These workers are on duty at odd hours and tend to order food and groceries from convenience stores with online operations such as Philippine Seven (7-eleven in Philippines). Traditional shopping malls are closed during these times while such convenience stores operate 24/7.

Major Online Retail Categories - Expected Sales Figures for 2015



Source: iCD Research

Over 10m migrant Filipinos work abroad, and that has created a new market of buying online from overseas and delivering within the country. This trend has led to more online retail sites opening in the Philippines to tap local markets. A case in point is Island Rose, one of the largest flower retailers and wholesalers in the Philippines, which opened an e-commerce site in 2000. This online retail shop allows consumers from all over the world purchase gifts and have them delivered to their loved ones anywhere in the Philippines.

With the increase in popularity of online retail, SM investment group, owner of one of the largest shopping malls in the country, has announced its scheduled commencement of operations online.

Key Challenges

The main challenge to online retail is still the adverse popularity of credit cards and issues related to trust. Many online retailers have offered cash-on-delivery option to overcome this, even though this is relatively costly. Further, the setting up and secure maintenance of an online facility seems to be a big step for Filipino retailers. Our previous example, Island Rose, overcame this challenge by using third party cloud software-as-a-service solutions from San Mateo, California-based NetSuite. Another challenge online retailers have to face in the Philippines is the higher logistic charges to ship among islands. According to Filipino 7-eleven CEO, it is cheaper to have distribution centres in each island than to ship from a central location.

List of E-commerce Retailers in Philippines

Site	Category
Amazon	Misc
Lazada Philippines	Misc
Kimstore	Consumer Electronics
Zalora Philippines	Fashion
OLX	Misc, P2P
Shop This Easy	Fashion
Philippine Seven	Misc
Ayos Dito	Misc
Goods.ph	Misc
Widget City	Widget City
Metro Mall	Misc
Keekay.ph	Cosmetics

Source: DBS Vickers

Company Discussion

Our assessment on key retail segments

Following our discussions, we have come to conclude that:

i) Retail platform operators could compete more directly with e-platform plays, given that both of them mainly offer customer reach. The former could include department stores, shopping malls, home appliance retailers, hypermarkets and supermarkets, and it could be worthwhile to hasten their e-commerce & O2O development. Alternatively, brand operators could be complementary to either or both physical retail chains and e-platforms as they have their own product offerings.

ii) Operators that are positioned in the lower-end and mass-market segments could face stronger rivalry from pure online plays than luxury groups. Product categories including apparel & footwear and electronic & 3C products could be more prone to competition from online players. Handbag & luggage, cosmetics, home appliances and food products could also see some competition from pure e-commerce operators, while luxury goods (e.g. jewellery, luxury watches, global premium brands) could be less affected in terms of direct competition.

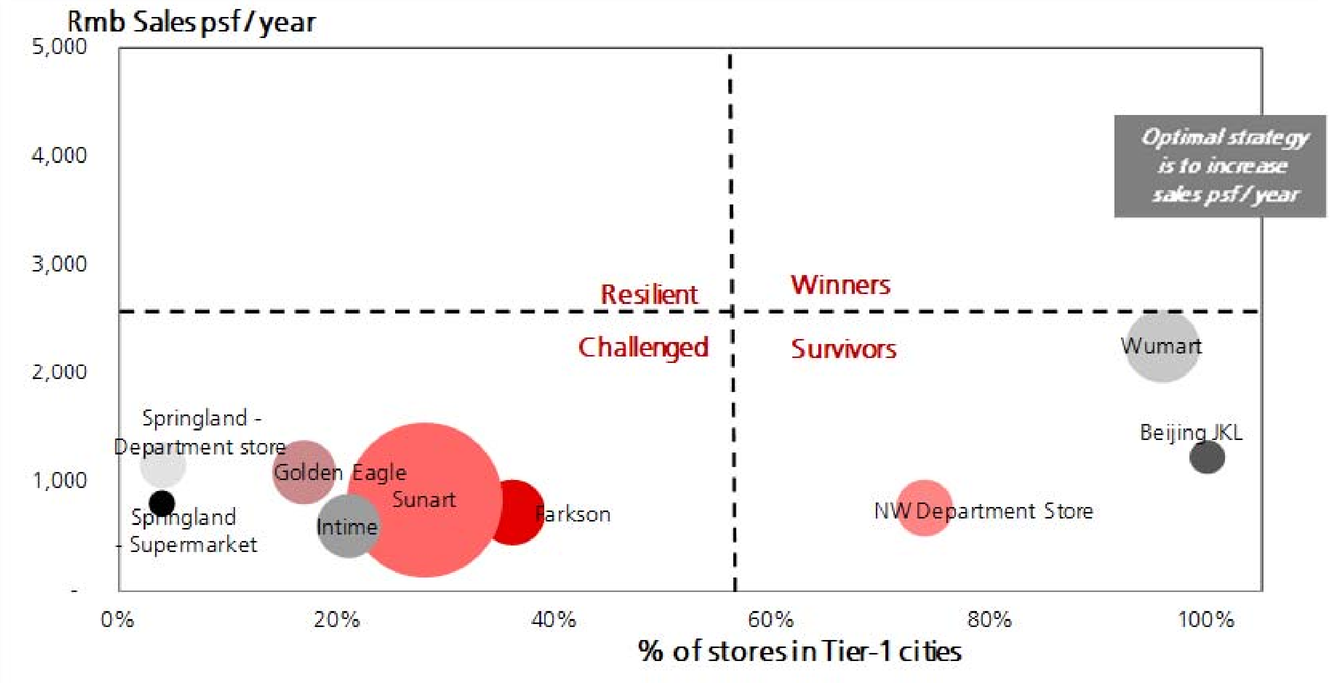
Disruption to be higher in China than in ASEAN

E-commerce sales account for ~10% of retail sales in China in 2014 versus only ~1% in ASEAN. Retailers, especially retail platform operators in China could see more threats from e-commerce. We expect a gradual loss of market share to online players in Singapore as rising labour costs make traditional retailers less competitive. The potential threat from online sales is still low in Malaysia, Indonesia and Thailand, but we like retailers who are using online as an additional channel to increase sales. Retailers with relatively lower sales per square foot such as department stores and cosmetic retailers are likely to see disruption ahead. Meanwhile, retailers selling lifestyle and luxury products may be more resilient on the whole

Companies in China/HK

Retail stores in Tier-2 and Tier-3 cities in China do not have well-developed retail infrastructure. As such, people in Tier-3 cities use e-commerce to buy a wide range of products and brands which are unavailable locally.

Key Retailers in China - Sales per square feet versus percentage of stores in tier-1 cities



Source: DBS Vickers (Note: The chart focuses to gauge operating landscape with respect to online development in China. Hypermarket / supermarket players could face other challenges a bit more, particularly related to the swift increase in staff costs and start-up costs of new stores.)

The optimal strategy is to go online and increase sales psf / year. For selected China-based retailers, we plotted sales, sales area and existing footprint in Tier-1 cities in the chart above. The bubble size is a function of retail revenue. On a simplistic two dimensional basis of sales per square foot (psf) and footprint, we think companies with low sales psf should aim to move upwards in this chart by going online to increase sales psf.

Who are challenged? Many of the department stores have big presence in Tier-2 and Tier-3 cities where consumers prefer to shop online for much better range and pricing. Thus, they need to speed up in O2O solutions.

Key Retailers in China – details on e-commerce sales, sales per square feet and store network

Company	Sector	E-commerce sales estimates % (2014E)	RMB Sales psf/ yr	Sales -GSP (RMBm)	% non-tier one cities	Store count
Golden Eagle	Department store	Insignificant	1,080	15,841	83%	27
Intime	Department store	10%	592	15,814	79%	44
Parkson	Department store	Insignificant	712	16,742	64%	60
NW Department Store	Department store	Insignificant	762	12,462	26%	43
Springland - Department store	Department store	N.A	1,146	8,262	96%	18
Springland - Supermarket	Hypermarket/supermarket	N.A	807	2,787	96%	32
Sunart	Hypermarket/supermarket	Insignificant	830	91,855	72%	372
Beijing JKL	Hypermarket/supermarket	Insignificant	1,227	4,611	0%	287
Wumart	Hypermarket/supermarket	N.A	2,259	21,636	4%	565

Source: Companies, DBS Vickers

Who are most resilient? Jewellery retailers such as Chow Tai Fook (1929 HK), Chow Sang Sang (116 HK) and Luk Fook (590 HK) may be more resilient as consumers may not want to buy such expensive products online. Store operators are keen to invite them into their stores as these 3 jewellery retailers have built their name in China. FYI, Chow Tai Fook is currently the leading jewellery retailer in the PRC, while Chow Sang Sang and Luk Fook are also among the top 10. We also have sales per sq feet data available for these players

Jewellery Retailers in China – details on e-commerce sales, estimated sales per square feet and store network

	Company	Sector	E-commerce sales estimates % (2014E)	HK$ Sales psf/ yr	Sales -GSP (HK$m)	% non-tier one cities	Store count
China	Chow Tai Fook	Jewellery Retail	<1%	73,099	58,640	77%	2,292
China	Chow Sang Sang	Jewellery Retail	2%	79,201	19,246	64%	405
China	Luk Fook	Jewellery Retail	<1%	28,668	6,536	78%	1,442

Source: DBS Vickers (Note: A majority of Luk Fook's stores in China are licensed stores so that only wholesale revenue for these stores have been included in the calculation.)

Ranking of the Internet Players in China

The medium-term winners. We have ranked major online players – Alibaba Group, Tencent, JD.com and Baidu – according to their capabilities in monetization, payments, logistics and Offline to Online (O2O). Particularly, we believe functions that could play important roles in O2O include group buying, mobile maps, and online advertising solutions that help offline players increase sales. In our view, Alibaba and JD.com score better in monetization potential thanks to their e-commerce exposure; Alipay (related party of Alibaba Group) is well-poised to lead in the burgeoning online payment industry, followed by Tencent's social network-based payment solutions; Alibaba and JD.com stand out in logistics, thanks to Alibaba's development of smart logistics IT system and JD.com's self-operated logistics model; Baidu and Tencent could fare better in O2O development, aided by their initiatives in mobile maps and performance-based advertising solutions for offline store operators.

DBSV ranking system for Internet Players in China

	Baidu	Alibaba	Tencent	JD.com
Monetization potential	★★★	★★★★★	★★★	★★★★
Payment capability	★★	★★★★★	★★★	★★
Logistics development	-	★★★★★	★	★★★★★
O2O potential	★★★★★	★★★	★★★★★	★★
TOTAL	★★½	★★★★½	★★★	★★★¼

Source: DBS Vickers

Overall, Alibaba scores the best in our ranking system (4.5 stars), and we believe it is well-positioned to become the medium-term winner in China's online space.

JD.com is ranked second (3.25 stars), thanks to its steady growth of direct sales and emerging contributions from its online marketplace. Besides, its delivery capability could be further improved by the ramp-up of logistics facilities, especially the "Asia No.1" automated warehouses. In Dec 2014, Tencent raised its investment in JD.com by US$150m at US$23.8 per ADS

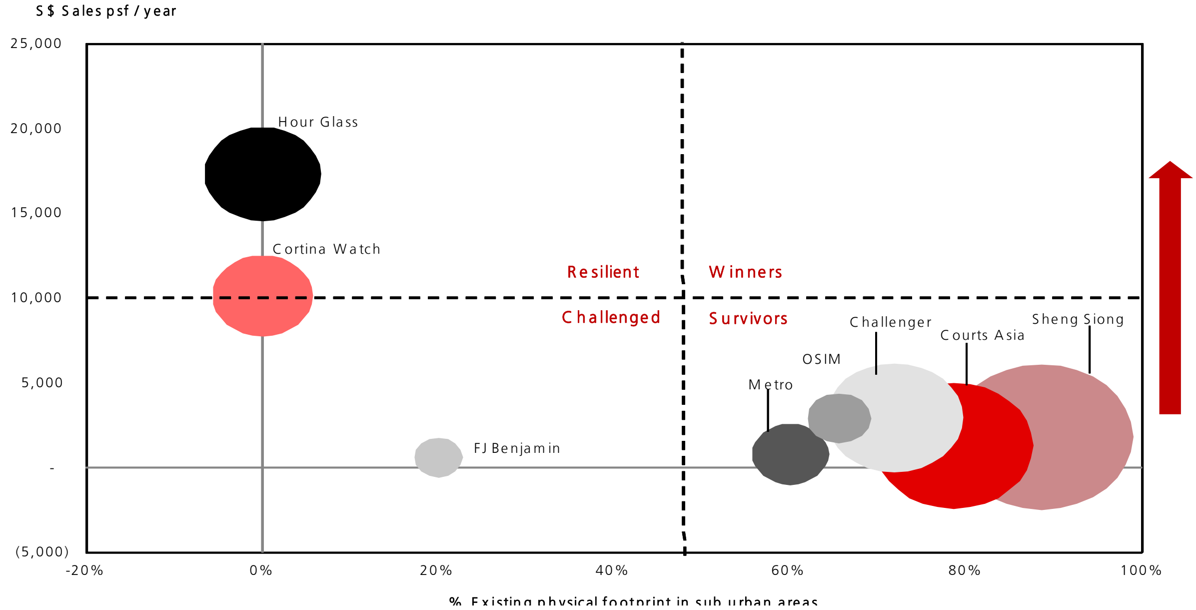
Despite relatively smaller potential from the monetization of online games, Tencent (3 stars) could leverage on a large base of >540m mobile users on its Mobile QQ and Weixin platforms, and create greater synergies in the social network ecosystem. Growth could be driven by better utilization of performance-based ads, including ads on Qzone and Weixin "Public Account", as well as its latest launch of Weixin "Moments" ads. Its payment channels could also increase medium-term contributions to the ecosystem.

As for Baidu (2.5 stars), we believe its monetization of online ads could face greater challenge from Tencent's performance-based ads. Baidu Wallet could also lag behind Alipay and Tenpay in payment applications, which could affect Baidu's medium-term growth prospects. Hence, we remain relatively cautious of Baidu's business outlook.

Companies in Singapore

A different set of rules apply in Singapore due to its well-developed retail infrastructure. Suburban locations in Singapore provide most of the popular products and brands. These shops also provide big convenience of shopping near the homes and instant gratification versus waiting for the e-commerce delivery. Suburban shops also benefit from lower rental expenses compared to city-centre shops. In our view, "winners" should be companies with high sales per square foot (psf) and high suburban footprint.

Key Retailers in Singapore –sales per square feet versus suburban exposure



Source: Euromonitor, Companies, DBS Bank

Key Retailers in Singapore – details on e-commerce sales, sales per square feet and sub-urban exposure

Company	Sector	E-commerce sales estimates % (2014E)	Remarks	S$ Sales psf/ yr	Sales (S$m)	% Sub-urban	Store count
Sheng Siong	Supermarkets	Est. to be <2%	Started online shopping serving vicinity around current store areas, with plans to expand and scale up coverage eventually.	1,797	726	89%	35
OSIM	Personal Goods	Insignificant	OSIM is in the business of marketing, distributing and franchising of a comprehensive range of healthy lifestyle products.	2,928	85	66%	29
Courts Asia	Home appliances	Not available	Electrical, IT and furniture retailer offering affordable products in SEA. Offers online shopping service and delivery.	1,319	541	79%	14
Epi Centre	Electrical & Electronic	Not available	Undergoing RTO. Online presence on epilife.	10,301	177	14%	7
Challenger	Electrical & Electronic	Not available	Regional IT retailer with strong product partnerships with major global brands. Offers O2O service.	2,939	402	72%	32
FJ Benjamin	Fashion apparels, watches	Not available	Industry leader in retail and distribution networks for international luxury and lifestyle brands across Asia.	598	52.8	20%	40
Hour Glass	Luxury watches	0%	Asia's premier luxury watch retailer.	17,268	297	0%	8
Cortina Watch	Luxury watches	0%	Retail and distribution of luxury watches to the domestic market as well as foreign markets such as China, HK, India, Japan, Korea, Middle East, Russia, SEA and Taiwan.	10,122	218	0%	9
Metro	Department store	Not available	Online shopping service available on Metro Online, Metro's ecommerce platform. Provides complimentary door to door delivery within Singapore with min purchase of $80 nett on Metro Online, or $5 if below.	768	128	60%	5

Source: Euromonitor, Companies, DBS Bank

The optimal strategy is to go online and increase sales psf / year. For selected Singapore retailers, we plotted sales, sales area and existing physical footprint in urban areas in the chart above. The bubble size is a function of retail revenue. On a simplistic two dimensional basis of sales per square foot (psf) and physical urban footprint, we think companies with low sales psf should aim to move upwards in this chart by going online to increase sales psf.

Who are more resilient? We have identified key players under the "resilient" quadrant such as luxury watch companies, Hour Glass and Cortina Watch. Their sales are less likely to be cannibalised by pure e-commerce players while higher rental expenses can be supported by high sales psf. Arguably, "survivors" such as Sheng Siong can actively sustain low sales psf with lower rental expenses and closer proximity to customers through their extensive footprint in suburban areas. Plus Sheng Siong has a significant contribution coming from Fresh food, which is unlikely to go online.

What about the challenged? FJ Benjamin is a "challenged" example, with low sales psf / year and high urban footprint. To justify costly rental expenses, these companies need to have large sales contribution from online channels in addition to revenue from brick-and-mortar outlets. For those who do not, perhaps it is time to take action.

Key Companies in ASEAN outside Singapore

We highlight traditional retailers who have built robust e-commerce business although scant data is available.

1) **OfficeMate in Thailand whose online operations account for ~30% of group revenue**. OfficeMate is an office stationary and equipment distributor listed in Thailand. It is a part of the Central Group, which is one of Thailand's largest retail players.

   To promote online sales, OfficeMate offers free delivery within Thailand on orders over Bt499. The customers in and around Bangkok also get next day delivery. OfficeMate has its own fleet of delivery trucks in Bangkok and surrounding areas and outsource some services to ensure fast and accurate delivery. As many of the corporates and online shoppers are centred on Bangkok, this would cover a large portion of OfficeMate's clientele. OfficeMate also supports myriad of payment options, including cash on delivery, credit card, PayPal, Paysbuy, and mobile EDC. In addition, it has 24x7 online chat support and call centre to answer any customer queries. It's online and call centre operations accounted for 30% of its revenue in 3Q14 while seeing a 34% y-o-y growth during the same period. In 2014, the company announced plans to expand in to neighbouring countries such as Vietnam, Malaysia, Laos and Cambodia. Online retailing is relatively under penetrated in these countries giving OfficeMate a huge opportunity to grow its network.

2) **Big C in Thailand for O2O adoption, although online sales are not disclosed.** Big C operates in the retail business, mostly in the form of "Hypermarkets" or "Supercentres". Big C has a total of 122 branches as at end of 2014, divided into 50 branches in Bangkok and 72 branches in the provinces.

   While continuing their own online retail site and mobile app "Big C Shopping Online", Big C has also entered into a partnership with Cdiscount in 2014 to grow its online sales in Thailand and Vietnam. Cdiscount is an online retailer based in France who has been aggressively competing on price, which has been successful in France. Cdiscount is known to give big discounts on popular products, which is made possible by their supply strategy of buying in large quantities at the lowest prices. According to Cdiscount, 1 out of every 3 online shopper in France have purchased items from them. The model also utilizes the O2O concept, where shoppers pick up products at the store after purchasing online, rather than having them delivered. This is also practical with Big C's omni channel presence given their comprehensive store network and the distribution footprint. Furthermore, Cdiscount conducts marketing tailored to local specificities.

3) **CP ALL in Thailand for using its 7-Eleven stores as collection points**. CP ALL primarily operates Thailand's 7-Eleven stores and also has some cash and carry business. By the end of 2014 it operated 8,127 7-Eleven stores, making it the largest such chain in the country and recorded a revenue of Bt396 bn (Bt229 bn from 7-Eleven). 55% of the stores were located outside Bangkok and its suburbs.

   The company has a retail management unit to operate its online shopping and 24 hour services in 2014. Orders could be placed through e-commerce websites, via phone as well as through in-store catalogues at 7-Eleven outlets. The consumer could expect delivery to his or her home or to a designated 7-Eleven branch. The wide spread distribution of 7-Eleven stores is likely to add to the convenience and trust while reducing costs giving the business a competitive advantage. The company targeted online sales of Bt 4.3 bn for the first year (2014) though the exact revenue generated and its profitability is not clear.

Alibaba Group Holding (NOT RATED US$84.90; BABA US)

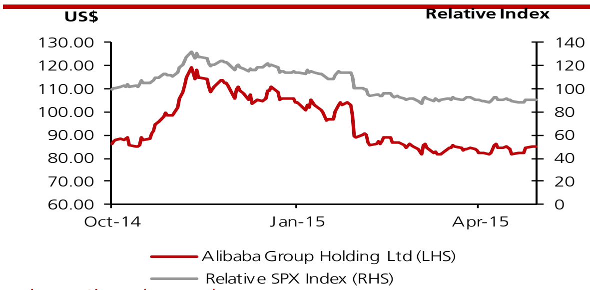
Forecasts and Valuation

FY Mar (RMB m)	2012A	2013A	2014A
Turnover	3,131	5,489	8,583
EBITDA	920	1,858	4,344
Pre-tax Profit	865	1,608	4,381
Net Profit	661	1,357	3,811
EPS (RMB)	0.27	0.58	1.73
EPS Gth (%))	266.0	117.7	198.0
Net DPS (RMB)	0.00	0.00	0.00
BV Per Share (RMB)	2.0	(0.0)	2.1
PE (X)			45.8
EV/EBITDA (X)			41.9
Net Div Yield (%)			0.0
Total Debt/Equity (X)		3.0	1.0
ROA (%)		15.4	26.6

General Data

Issued Capital (m shrs)	2,465
Mkt. Cap (US$m)	209,279
Major Shareholders	
Silver Lake Group Ll	2.22
T Rowe Price Associa	0.91
Sands Capital Manage	0.79
Free Float (%)	94.6
Avg Daily Vol (m shrs)	20.4

Price Relative



Income Statement (RMB m)

FY Mar	2012A	2013A	2014A
Turnover	3,131	5,489	8,583
Cost of Goods Sold	1,025	1,546	2,185
Gross Profit	2,106	3,943	6,397
Selling, General & Admin	1,775	2,831	3,156
Operating Profit	784	1,710	4,074
Other Non Opg (Exp)/Inc	(91)	(148)	(666)
Net Interest (Exp)/Inc	11	250	359
Foreign Exchange Losses	-	-	-
Pre-tax Profit	865	1,608	4,381
Tax	132	232	522
Minority Interest	68	19	14
Preference Dividend	-	20	39
Net Profit	661	1,357	3,811
EBITDA	920	1,858	4,344
Effective Tax Rate (%)	15.2	14.4	11.9

Balance Sheet (RMB m)

FY Mar	2012A	2013A	2014A
Net Fixed Assets	391.0	613.1	897.5
Other LT Assets	2,674.9	2,707.5	6,132.5
Cash & ST Invts	3,546.3	5,364.0	7,248.4
Inventory	0.0	0.0	0.0
A/Cs & Notes Receivable			
Other Current Assets	883.1	1,585.5	3,659.9
Total Assets	7,495.3	10,270.2	17,938.2
Short Term Borrowings	203.7	877.2	1,666.6
Creditor / Accounts Payable	0.0	0.0	0.0
Other Current Liab	1,662.0	2,986.2	4,345.1
LT Borrowings	0.0	4,452.4	4,938.7
Other LT Borrowings	166.1	175.8	423.9
Shareholder's Equity	5,463.6	1,778.5	6,564.0
Total Cap. & Liab.	7,495.3	10,270.2	17,938.2
Non-Cash Wkg. Capital	(112.6)	(1,808.0)	(417.5)
Net Debt/Cash	CASH	CASH	CASH

Cash Flow Statement (RMB m)

FY Mar	2012A	2013A	2014A
Net Profit	661	1,357	3,811
Dep. & Amort.	136	149	270
Chg in Non-Cash Capital	280	499	(734)
Other Non-Cash Adjustments	374	298	965
Cash From Opg Activities	1,450	2,302	4,312
Capital Expenditures	(339)	(350)	(781)
Other Investing Activities	319	437	(4,613)
Cash From Invsmt Activities	(20)	87	(5,394)
Div Paid	-	(16)	(34)
Chg in ST Borrowings	19	4,283	2,091
Capital Issues	88	(2,044)	(540)
Other Financing Activities	(41)	(2,458)	(1)
Cash From Fin Activities	66	(236)	1,515
Foreign Currency Translation	-	-	-
Net Changes in Cash	1,497	2,153	433

Rates & Ratio

FY Mar	2012A	2013A	2014A
Gross Margins (%)	67.3	71.8	74.5
Opg Profit Margin (%)	25.0	31.1	47.5
Net Profit Margin (%)	21.1	24.7	44.4
ROAE (%)	0.0	0.0	0.0
ROA (%)	0.0	15.4	26.6
Div Payout Ratio (%)	-	-	-
Asset Turnover (x)	-	0.6	0.6
Current Ratio (x)	2.4	1.8	1.8
Quick Ratio (x)	1.9	1.4	1.2
Interest Coverage Ratio	73.8	6.8	11.4
Tot Debt/Capital	0.0	0.7	0.5
Tot Debt/Equity	0.0	3.0	1.0
Free Cash Flow (CFO-CAPEX)	1,111.3	1,904.0	3,531.3
Free Cash Flow per Share	0.4	0.8	1.6

Source: Bloomberg Finance L.P.

JD.com Inc (JD US Equity, US$35.02, Buy,Target Price US$ 36.50)

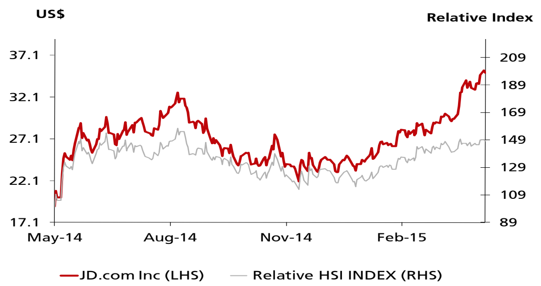
Forecast & Valuation

FY Dec (RMB m)	2013A	2014A	2015F	2016F
Turnover	69,340	115,002	181,785	267,736
EBITDA	182	1,795	1,965	3,640
Pre-tax Profit	(2,485)	(12,935)	(1,627)	(524)
Net Profit	(2,485)	(12,954)	(1,627)	(524)
Core Profit (non-GAAP)	224	363	444	2,010
EPS (RMB)	(1.80)	(9.37)	(1.18)	(0.38)
EPS (US$)	(0.29)	(1.51)	(0.19)	(0.06)
Core EPS (US$)	0.03	0.04	0.05	0.23
Core EPS (RMB)	0.16	0.26	0.32	1.45
BV Per Share (US$)	0.20	4.37	4.17	4.10
Core PE (X)	1344.0	829.7	678.3	149.7
P/Cash Flow (X)	84.3	nm	45.4	39.8
P/Free CF (X)	127.6	nm	54.2	46.5
EV/EBITDA (X)	1622.6	150.8	136.2	72.7
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	174.7	8.0	8.4	8.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	(165.4)	(66.1)	(4.4)	(1.5)

General Data

Issued Capital (m shrs)	1,382
Mkt. Cap (US$m)	48,505
Major Shareholders	
Mr. Richard Qiangdong Liu (%)	20.3
Tencent (%)	17.9
Tiger Global Management (%)	15.8
Free Float (%)	46.0
Avg. Daily Vol.('000)	8,403

Price Relative



Income Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Turnover	69,340	115,002	181,785	267,736
Cost of Goods Sold	(62,496)	(101,631)	(158,554)	(231,126)
Gross Profit	**6,844**	**13,371**	**23,232**	**36,610**
Other Opg (Exp)/Inc	(7,149)	(13,814)	(23,461)	(35,337)
Operating Profit	**(305)**	**(443)**	**(229)**	**1,273**
Other Non Opg (Exp)/Inc	194	217	0	0
Associates & JV Inc	0	0	0	0
Net Interest (Exp)/Inc	335	609	673	737
Dividend Income	0	0	0	0
Exceptional Gain/(Loss)	(2,709)	(13,317)	(2,071)	(2,534)
Pre-tax Profit	**(2,485)**	**(12,935)**	**(1,627)**	**(524)**
Tax	0	(19)	0	0
Minority Interest	0	0	0	0
Preference Dividend	0	0	0	0
Net Profit	**(2,485)**	**(12,954)**	**(1,627)**	**(524)**
Net profit before Except.	224	363	444	2,010
EBITDA	182	1,795	1,965	3,640
Sales Gth (%)	67.6	65.9	58.1	47.3
EBITDA Gth (%)	N/A	888.1	9.5	85.2
Opg Profit Gth (%)	82.3	(45.4)	48.4	N/A
Effective Tax Rate (%)	N/A	N/A	N/A	N/A

Balance Sheet (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Net Fixed Assets	2,262	4,337	5,422	6,506
Invts in Assocs & JVs	0	0	0	0
Other LT Assets	1,268	12,214	12,172	12,589
Cash & ST Invts	14,603	32,115	35,691	39,464
Inventory	6,386	12,191	14,056	19,540
Debtors	502	2,436	2,073	2,907
Other Current Assets	989	3,200	2,660	3,613
Total Assets	26,010	66,493	72,074	84,619
ST Debt	933	1,891	2,363	3,073
Other Current Liab	15,837	27,104	33,934	46,411
LT Debt	0	0	0	0
Other LT Liabilities	0	0	0	0
Shareholder's Equity	9,240	37,498	35,777	35,136
Minority Interests	0	0	0	0
Total Cap. & Liab.	26,010	66,493	72,074	84,619
Non-Cash Wkg. Cap	(7,960)	(9,277)	(15,144)	(20,350)
Net Cash/(Debt)	13,670	30,224	33,327	36,391

Cash Flow Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Pre-Tax Profit	(50)	(4,977)	(1,627)	(524)
Dep. & Amort.	293	2,022	2,194	2,366
Tax Paid	0	(19)	0	0
Assoc. & JV Inc/(loss)	0	0	0	0
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	3,111	339	5,656	5,207
Other Operating CF	216	326	408	510
Net Operating CF	**3,570**	**(2,309)**	**6,631**	**7,559**
Capital Exp.(net)	(1,211)	(2,075)	(1,084)	(1,084)
Other Invts.(net)	(800)	(10,258)	(3,040)	(3,801)
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(660)	(8,515)	(869)	(869)
Net Investing CF	**(2,671)**	**(20,848)**	**(4,994)**	**(5,754)**
Div Paid	0	0	0	0
Chg in Gross Debt	75	958	473	709
Capital Issues	2,720	40,879	0	0
Other Financing CF	0	(12,578)	(1,574)	(2,542)
Net Financing CF	**2,795**	**29,259**	**(1,101)**	**(1,833)**
Currency Adjustments	(59)	0	0	0
Chg in Cash	3,635	6,102	536	(27)

Segmental Breakdown (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Revenues (RMB m)				
Online direct sales	67,018	108,549	169,346	247,122
Services & other incomes	2,322	6,453	12,439	20,614
Total	69,340	115,002	181,785	267,736
Gross profit (RMB m)				
Online direct sales	4,522	6,918	10,792	15,996
Services & other incomes	2,322	6,453	12,439	20,614
Total	6,844	13,371	23,232	36,610

Source: Company, DBS Vickers

Chow Tai Fook Jewellery (NOT RATED HK$9.86; 1929 HK)

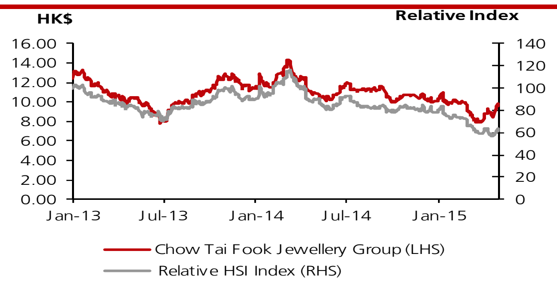
Forecasts and Valuation

FY Mar (HK$ m)	2011A	2012A	2013=ÄÄÄÄÄÄÄ	.014=
Turnover	35,043	56,571	57,434	77,407
EBITDA	5,808	9,343	8,058	10,254
Pre-tax Profit	4,620	8,166	7,095	9,163
Net Profit	3,538	6,341	5,505	7,272
EPS (HK$)	0.40	0.69	0.55	0.73
EPS Gth (%))	65.3	73.4	(19.6)	31.9
Net DPS (HK$)	0.00	0.10	0.22	0.36
BV Per Share (HK$)	-	2.9	3.3	3.7
PE (X)	-	18.0	19.2	16.8
P/Cash Flow (X)			10.9	
EV/EBITDA (X)	-	13.7	13.0	12.7
Net Div Yield (%)	-	0.8	2.1	2.9
P/Book Value (X)	-	4.2	3.2	3.3
Total Debt/Equity (X)	0.6	0.5	0.2	0.4
ROA (%)	15.4	16.6	12.1	13.8
ROE (%)	36.4	31.5	17.8	20.7

General Data

Issued Capital (m shrs)	10,000
Mkt. Cap (HK$m/US$m)	98,600 / 12,722
Major Shareholders	
Chow Tai Fook Holdin	89.34
Invesco Ltd	0.51
Norges Bank Investme	0.38
Free Float (%)	9.4
Avg Daily Vol (m shrs)	6.5

Price Relative



Income Statement (HK$ m)

FY Mar	2011A	2012A	2013A	2014A
Turnover	35,043	56,571	57,434	77,407
Cost of Goods Sold	25,115	40,123	1,151	56,255
Gross Profit	9,928	16,448	16,283	21,152
Selling, General & Admin	4,485	7,643	8,914	11,777
Operating Profit	5,553	8,941	7,551	9,591
Other Non Opg (Exp)/Inc	873	436	163	341
Net Interest (Exp)/Inc	102	363	330	223
Foreign Ex Losses (Gains)	(42)	(24)	(36)	(136)
Pre-tax Profit	4,620	8,166	7,095	9,163
Tax	947	1,595	1,417	1,714
Minority Interest	135	230	173	177
Preference Dividend	-	-	-	-
Net Profit	3,538	6,341	5,505	7,272
EBITDA	5,808	9,343	8,058	10,254
Sales Gth (%)	52.8	61.4	1.5	34.8
EBITDA Gth (%)	70.9	60.9	(13.8)	27.3
Opg Profit Gth (%)	75.0	61.0	(15.5)	27.0
Net Profit Gth (%)	65.4	79.2	(13.2)	32.1
Effective Tax Rate (%)	20.5	19.5	20.0	18.7

Balance Sheet (HK$ m)

FY Mar	2011A	2012A	2013A	2014A
Net Fixed Assets	1,253	1,783	2,327	3,229
Other LT Assets	293	373	1,114	1,034
Cash & ST Invts	5,605	9,988	8,305	9,967
Inventory	17,101	29,694	27,315	42,544
A/Cs & Notes Receivable	1,632	4,036	3,048	3,146
Other Current Assets	3,165	1,541	1,109	1,898
Total Assets	29,049	47,414	43,219	61,817
Short Term Borrowings	7,202	11,381	5,836	17,086
Creditor / Accounts Payable	384	445	249	1,234
Other Current Liab	9,627	2,392	2,328	4,187
LT Borrowings	0	3,426	0	0
Other LT Borrowings	163	197	945	858
Shareholder's Equity	11,673	29,573	33,861	38,452
Total Cap. & Liab.	29,049	47,414	43,219	61,817
Non-Cash Wkg. Capital	4,685	21,053	23,059	25,081
Net Debt/Cash	1,597	4,819	CASH	7,120

Cash Flow Statement (HK$ m)

FY Mar	2011A	2012A	2013A	2014A
Net Profit	3,538	6,341	5,505	7,272
Dep. & Amort.	255	402	507	663
Chng in Non-Cash Capital	(7,507)	(14,504)	3,794	(13,610)
Other Non-Cash	1,070	850	(43)	202
Cash From Opg Activities	(2,644)	(6,912)	9,763	(5,472)
Capital Expenditures	(767)	(854)	(898)	(1,168)
Other Investing Activities	619	1,224	(243)	(683)
Cash From Invsmt Activities	(148)	370	(1,141)	(1,851)
Div Paid	(9)	(4,543)	(1,710)	(3,350)
Chg in ST Borrowings	3,662	(9,662)	(8,722)	11,673
Capital Issues	2	15,499	-	-
Other Financing Activities	2,636	(7,525)	126	161
Cash From Fin Activities	6,290	(6,232)	(10,306)	8,485
Foreign Currency	-	-	-	-
Net Changes in Cash	3,498	(12,774)	(1,683)	1,162

Rates & Ratio

FY Mar	2011A	2012A	2013A	2014A
Gross Margins (%)	28.3	29.1	28.4	27.3
Opg Profit Margin (%)	15.8	15.8	13.1	12.4
Net Profit Margin (%)	10.1	11.2	9.6	9.4
ROAE (%)	36.4	31.5	17.8	20.7
ROA (%)	15.4	16.6	12.1	13.8
Div Payout Ratio (%)	0.0	15.8	40.0	49.5
Asset Turnover (x)	1.5	1.5	1.3	1.5
A/Cs Receivable Turnover	26.1	20.0	16.2	25.0
A/Cs Payable Turnover	86.1	127.2	111.7	96.4
Inventory Turn	1.9	1.7	1.4	1.6
Current Ratio (x)	1.6	3.2	4.7	2.6
Quick Ratio (x)	0.4	1.0	1.3	0.6
Interest Coverage Ratio	54.3	24.6	22.9	43.0
Tot Debt/Capital	0.4	0.3	0.1	0.3
Tot Debt/Equity	0.6	0.5	0.2	0.4
Free Cash Flow (CFO-CAPEX)	(3,413.	(7,778.9)	8,846.5	(6,660.7)
Free Cash Flow per Share	(0.4)	(0.8)	0.9	(0.7)

Source: Bloomberg Finance L.P.

Chow Sang Sang (BUY HK$17.88; 116 HK; Price Target : HK$ 21.91)

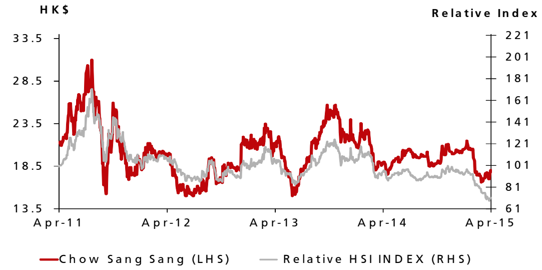
Forecasts and Valuation

FY Dec (HK$ m)	2013A	2014A	2015F	2016F
Turnover	25,142	19,246	20,124	21,834
EBITDA	1,605	1,524	1,673	1,895
Pre-tax Profit	1,512	1,362	1,488	1,694
Net Profit	1,218	1,082	1,182	1,345
Net Pft (Pre Ex.)	1,141	1,075	1,182	1,345
EPS (HK cts)	180.0	159.9	174.5	198.7
EPS Pre Ex. (HK cts)	168.5	158.8	174.5	198.7
EPS Gth Pre Ex (%)	23	(6)	10	14
Diluted EPS (HK cts)	180.0	159.9	174.5	198.7
Net DPS (HK cts)	68.0	61.0	66.3	75.5
BV Per Share (HK cts)	1,172.2	1,277.4	1,385.6	1,508.7
PE (X)	9.9	11.2	10.2	9.0
PE Pre Ex. (X)	10.6	11.3	10.2	9.0
P/Cash Flow (X)	14.3	18.8	10.4	12.2
EV/EBITDA (X)	8.1	8.8	7.8	6.8
Net Div Yield (%)	3.8	3.4	3.7	4.2
P/Book Value (X)	1.5	1.4	1.3	1.2
Net Debt/Equity (X)	0.1	0.1	0.1	0.1
ROAE (%)	16.3	13.1	13.1	13.7

General Data

Issued Capital (m shrs)	677
Mkt. Cap (HK$m/US$m)	12,103 / 1,562
Major Shareholders	
Chow family (%)	56.0
The Capital Group Companies, Inc. (%)	14.1
Speed Star Holdings Limited (%)	8.3
Free Float (%)	21.6
Avg. Daily Vol.('000)	548

Price Relative



Income Statement (HK$ m)

FY Dec	2013A	2014A	2015F	2016F
Turnover	25,142	19,246	20,124	21,834
Cost of Goods Sold	(20,935)	(14,951)	(15,583)	(16,863)
Gross Profit	4,208	4,295	4,541	4,971
Other Opng (Exp)/Inc	(2,791)	(2,976)	(3,089)	(3,314)
Operating Profit	1,417	1,319	1,453	1,657
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	2	2	2	3
Net Interest (Exp)/Inc	(3)	15	15	16
Exceptional Gain/(Loss)	78	8	0	0
Pre-tax Profit	1,512	1,362	1,488	1,694
Tax	(288)	(277)	(304)	(346)
Minority Interest	(5)	(3)	(3)	(3)
Preference Dividend	0	0	0	0
Net Profit	1,218	1,082	1,182	1,345
Net Profit before Except.	1,141	1,075	1,182	1,345
EBITDA	1,605	1,524	1,673	1,895
Sales Gth (%)	37.7	(23.5)	4.6	8.5
EBITDA Gth (%)	20.8	(5.0)	9.8	13.2
Opg Profit Gth (%)	21.6	(6.9)	10.2	14.1
Net Profit Gth (%)	23.7	(11.2)	9.2	13.8
Effective Tax Rate (%)	19.1	20.3	20.4	20.4

Balance Sheet (HK$ m)

FY Dec	2013A	2014A	2015F	2016F
Net Fixed Assets	1,014	1,042	1,236	1,297
Invts in Associates & JVs	23	25	25	25
Other LT Assets	889	1,147	1,170	1,196
Cash & ST Invts	1,035	1,022	1,013	1,048
Inventory	6,866	7,385	7,612	8,191
Debtors	1,129	1,195	1,250	1,356
Other Current Assets	386	426	426	426
Total Assets	11,342	12,242	12,732	13,539
ST Debt	1,405	1,728	1,419	1,275
Other Current Liab	1,313	1,180	1,230	1,330
LT Debt	454	526	526	526
Other LT Liabilities	152	161	177	195
Shareholder's Equity	7,935	8,647	9,379	10,213
Minority Interests	84	0	0	0
Total Cap. & Liab.	11,342	12,242	12,732	13,539
Non-Cash Wkg. Capital	7,068	7,827	8,058	8,643
Net Cash/(Debt)	(824)	(1,233)	(933)	(754)

Cash Flow Statement (HK$ m)

FY Dec	2013A	2014A	2015F	2016F
Pre-Tax Profit	1,512	1,362	1,488	1,694
Dep. & Amort.	168	185	200	217
Tax Paid	(390)	(277)	(304)	(346)
Assoc. & JV Inc/(loss)	(2)	(2)	(2)	(3)
Chg in Wkg.Cap.	(157)	(639)	(233)	(587)
Other Operating CF	17	14	14	14
Net Operating CF	848	645	1,162	989
Capital Exp.(net)	(256)	(150)	(173)	(198)
Other Invts.(net)	0	0	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	18	18	18	18
Other Investing CF	(31)	(37)	(23)	(26)
Net Investing CF	(269)	(168)	(178)	(206)
Div Paid	(399)	(413)	(449)	(511)
Chg in Gross Debt	(235)	88	0	0
Capital Issues	0	0	0	0
Other Financing CF	375	(168)	(560)	(252)
Net Financing CF	(260)	(492)	(1,009)	(763)
Net Cashflow	320	(16)	(25)	20

Segmental Breakdown

FY Dec	2013A	2014A	2015F	2016F
Revenues (HK$ m)				
Manufacture & retail of jewellery	19,943	16,933	17,590	19,057
Wholesale of precious metals	5,001	2,108	2,319	2,551
Securities & futures broking	35	40	42	44
Other businesses	164	166	174	183
Total	25,142	19,246	20,124	21,834
Segmental profit (HK$ m)				
Manufacture & retail of jewellery	1,350	1,255	1,357	1,527
Wholesale of precious metals	68	22	25	27
Securities & futures broking	15	20	21	23
Other businesses	58	44	47	49
Total	1,492	1,342	1,449	1,626
Segmental profit Margins (%)				
Manufacture & retail of jewellery	6.8	7.4	7.7	8.0
Wholesale of precious metals	1.4	1.1	1.1	1.1
Securities & futures broking	43.8	50.1	51.1	52.1
Other businesses	35.6	26.7	26.7	26.7
Total	5.9	7.0	7.2	7.4

Source: Company, DBS Vickers

Luk Fook Holdings (BUY HK$25.10; 590 HK; Price Target : HK$ 28.46)

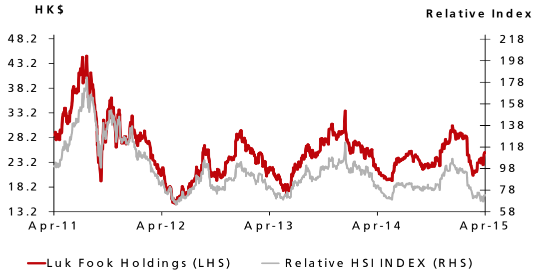
Forecasts and Valuation

FY Mar (HK$ m)	2014A	2015F	2016F	2017F
Turnover	19,215	16,536	17,387	18,923
EBITDA	2,373	2,085	2,180	2,414
Pre-tax Profit	2,321	1,990	2,079	2,305
Net Profit	1,865	1,591	1,662	1,843
Net Pft (Pre Ex.)	1,865	1,591	1,662	1,843
EPS (HK cts)	316.6	270.0	282.1	312.8
EPS Pre Ex. (HK cts)	316.6	270.0	282.1	312.8
EPS Gth Pre Ex (%)	47	(15)	4	11
Diluted EPS (HK cts)	316.6	270.0	282.1	312.8
Net DPS (HK cts)	126.8	108.0	112.8	125.1
BV Per Share (HK cts)	1,297.0	1,457.9	1,630.0	1,824.8
PE (X)	7.9	9.3	8.9	8.0
PE Pre Ex. (X)	7.9	9.3	8.9	8.0
P/Cash Flow (X)	16.7	4.8	9.0	8.8
EV/EBITDA (X)	5.7	5.4	4.8	4.0
Net Div Yield (%)	5.1	4.3	4.5	5.0
P/Book Value (X)	1.9	1.7	1.5	1.4
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	26.5	19.6	18.3	18.1

General Data

Issued Capital (m shrs)	589
Mkt. Cap (HK$m/US$m)	14,787 / 1,908
Major Shareholders	
Wong Wai Sheung (%)	42.2
Templeton Asset Management Ltd. (%)	6.0
Free Float (%)	51.8
Avg. Daily Vol.('000)	1,684

Price Relative



Income Statement (HK$ m)

FY Mar	2014A	2015F	2016F	2017F
Turnover	19,215	16,536	17,387	18,923
Cost of Goods Sold	(15,001)	(12,628)	(13,252)	(14,366)
Gross Profit	4,214	3,908	4,135	4,557
Other Opng (Exp)/Inc	(1,905)	(1,887)	(2,019)	(2,206)
Operating Profit	2,309	2,021	2,116	2,351
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	0	1	1	1
Net Interest (Exp)/Inc	12	(32)	(39)	(46)
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	2,321	1,990	2,079	2,305
Tax	(454)	(379)	(396)	(439)
Minority Interest	(2)	(20)	(21)	(23)
Preference Dividend	0	0	0	0
Net Profit	1,865	1,591	1,662	1,843
Net Profit before Except.	1,865	1,591	1,662	1,843
EBITDA	2,373	2,085	2,180	2,414
Sales Gth (%)	43.3	(13.9)	5.1	8.8
EBITDA Gth (%)	45.9	(12.1)	4.5	10.7
Opg Profit Gth (%)	51.0	(12.5)	4.7	11.1
Net Profit Gth (%)	47.3	(14.7)	4.5	10.9
Effective Tax Rate (%)	19.5	19.0	19.0	19.0

Balance Sheet (HK$ m)

FY Mar	2014A	2015F	2016F	2017F
Net Fixed Assets	749	777	807	838
Invts in Associates & JVs	7	7	7	7
Other LT Assets	285	271	271	271
Cash & ST Invts	1,819	4,244	5,227	6,214
Inventory	6,225	5,171	5,354	5,726
Debtors	501	431	453	493
Other Current Assets	0	0	0	0
Total Assets	9,586	10,901	12,120	13,549
ST Debt	568	682	818	982
Other Current Liab	1,230	1,497	1,559	1,669
LT Debt	0	0	0	0
Other LT Liabilities	89	69	69	69
Shareholder's Equity	7,641	8,589	9,602	10,750
Minority Interests	58	65	71	79
Total Cap. & Liab.	9,586	10,901	12,120	13,549
Non-Cash Wkg. Capital	5,496	4,105	4,249	4,550
Net Cash/(Debt)	1,251	3,562	4,409	5,232

Cash Flow Statement (HK$ m)

FY Mar	2014A	2015F	2016F	2017F
Pre-Tax Profit	2,321	1,990	2,079	2,305
Dep. & Amort.	64	63	63	62
Tax Paid	(454)	(379)	(396)	(439)
Assoc. & JV Inc/(loss)	0	0	0	0
Chg in Wkg.Cap.	(1,032)	1,393	(143)	(301)
Other Operating CF	(13)	31	38	45
Net Operating CF	886	3,098	1,640	1,673
Capital Exp.(net)	(184)	(210)	(200)	(220)
Other Invts.(net)	0	0	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	1	1	1
Other Investing CF	1	1	1	1
Net Investing CF	(183)	(208)	(198)	(218)
Div Paid	(747)	(636)	(665)	(737)
Chg in Gross Debt	568	114	136	164
Capital Issues	0	0	0	0
Other Financing CF	(2)	(2)	(2)	(2)
Net Financing CF	(181)	(524)	(530)	(575)
Net Cashflow	522	2,366	912	879

Segmental Breakdown

FY Mar	2014A	2015F	2016F	2017F
Revenues (HK$ m)				
Retailing - HK, Macau & overseas	14,514	12,159	12,600	13,650
Retailing - PRC	1,650	1,336	1,355	1,427
Wholesaling (incl	2,433	2,299	2,574	2,864
Licensing	618	742	858	981
Total	19,215	16,536	17,387	18,923
Segmental profit (HK$ m)				
Retailing - HK, Macau & overseas	1,660	1,391	1,441	1,561
Retailing - PRC	39	32	32	34
Wholesaling (incl	332	314	352	391
Licensing	413	496	574	656
Total	2,445	2,233	2,399	2,642
Segmental profit Margins (%)				
Retailing - HK, Macau & overseas	11.4	11.4	11.4	11.4
Retailing - PRC	2.4	2.4	2.4	2.4
Wholesaling (incl	13.7	13.7	13.7	13.7
Licensing	66.8	66.8	66.8	66.8
Total	12.7	13.5	13.8	14.0

Source: Company, DBS Vickers

Hour Glass Ltd (NOT RATED S$0.80; HG SP)

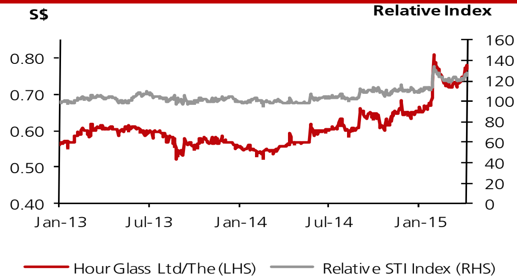
Forecasts and Valuation

FY Mar (S$ m)	2011A	2012A	2013= [illegible]	.014=
Turnover	517.6	607.0	601.9	682.8
EBITDA	55.2	71.9	66.6	70.6
Pre-tax Profit	54.3	69.3	65.9	70.8
Net Profit	42.4	54.8	52.8	54.9
EPS (S cts)	0.06	0.08	0.07	0.08
EPS Gth (%))	28.6	28.9	(3.6)	4.0
Net DPS (S$)	0.02	0.02	0.02	0.02
BV Per Share (S$)	0.4	0.4	0.5	0.5
PE (X)	5.5	5.7	8.2	7.1
P/Cash Flow (X)	11.3	10.8	32.6	6.1
EV/EBITDA (X)	3.7	3.8	6.1	4.6
Net Div Yield (%)	5.0	4.5	3.0	3.6
P/Book Value (X)	0.9	1.1	1.3	1.1
Total Debt/Equity (X)	0.1	0.0	0.1	0.1
ROA (%)	14.4	16.3	13.4	12.2
ROE (%)	18.2	20.1	16.9	15.8

General Data

Issued Capital (m shrs)	705
Mkt. Cap (Sm/USm)	564 / 428
Major Shareholders	
Tyc Investment Pte	51.08
Yun Chwan Tay	8.04
Siew Lee Chan	3.27
Free Float (%)	34.0
Avg Daily Vol (m shrs)	0.1

Price Relative



Income Statement (S$ m)

FY Mar	2011A	2012A	2013A	2014A
Turnover	517.6	607.0	601.9	682.8
Cost of Goods Sold	401.5	460.7	458.3	526.1
Gross Profit	116.2	146.4	143.7	156.7
Selling, General & Admin	66.5	81.9	84.1	94.0
Operating Profit	50.8	66.0	60.8	63.9
Other Non Opg (Exp)/Inc	(3.8)	(3.7)	(5.8)	(8.0)
Net Interest (Exp)/Inc	0.6	0.3	0.5	0.5
Forex Losses (Gains)	(0.3)	0.1	0.1	0.5
Pre-tax Profit	54.3	69.3	65.9	70.8
Tax	11.1	13.1	11.5	14.5
Minority Interest	0.8	1.5	1.5	1.4
Preference Dividend	-	-	-	-
Net Profit	42.4	54.8	52.8	54.9
EBITDA	55.2	71.9	66.6	70.6
Sales Gth (%)	7.0	17.3	(0.8)	13.4
EBITDA Gth (%)	36.0	30.3	(7.3)	5.9
Opg Profit Gth (%)	36.2	30.0	(8.0)	5.1
Net Profit Gth (%)	29.1	29.2	(3.5)	4.0
Effective Tax Rate (%)	20.5	18.9	17.5	20.4

Balance Sheet (S$ m)

FY Mar	2011A	2012A	2013A	2014A
Net Fixed Assets	43.8	42.9	48.7	54.9
Other LT Assets	12.0	13.1	15.6	17.8
Cash & ST Invts	50.7	53.7	79.5	116.4
Inventory	190.7	231.0	265.7	263.3
A/Cs & Notes Receivable	11.3	11.6	13.8	15.1
Other Current Assets	6.0	6.5	7.1	5.7
Total Assets	314.5	358.7	430.5	473.1
Short Term Borrowings	14.3	3.1	41.2	39.7
Creditor / Accounts Payable	10.3	42.0	40.5	47.6
Other Current Liab	30.9	9.6	8.2	8.8
LT Borrowings	0.0	0.0	0.0	0.0
Other LT Borrowings	1.6	0.2	0.4	0.3
Shareholder's Equity	257.5	303.8	340.3	376.7
Total Cap. & Liab.	314.5	358.7	430.5	473.1
Non-Cash Wkg. Capital	152.6	194.4	196.8	187.9
Net Debt/Cash	CASH	CASH	CASH	CASH

Cash Flow Statement (S$ m)

FY Mar	2011A	2012A	2013A	2014A
Net Profit	42.4	54.8	52.8	54.9
Dep. & Amort.	4.4	5.9	5.9	6.7
Chng in Non-Cash Capital	(25.5)	(32.7)	(41.8)	6.7
Other Non-Cash	(0.6)	0.9	(3.6)	(4.0)
Cash From Opg Activities	20.6	28.9	13.3	64.3
Capital Expenditures	(11.0)	(3.5)	(11.0)	(11.1)
Other Investing Activities	-	-	-	(0.4)
Cash From Invsmt Activities	(11.0)	(3.5)	(11.0)	(11.5)
Div Paid	(8.2)	(11.7)	(14.1)	(12.9)
Chg in Short Term	0.1	(11.2)	38.6	(1.4)
Capital Issues	0.3	0.8	-	-
Other Financing Activities	(1.6)	(0.3)	(1.0)	(1.7)
Cash From Fin Activities	(9.4)	(22.3)	23.5	(16.0)
Foreign Currency	-	-	-	-
Net Changes in Cash	0.3	3.0	25.8	36.8

Rates & Ratio

FY Mar	2011A	2012A	2013A	2014A
Gross Margins (%)	22.4	24.1	23.9	23.0
Opg Profit Margin (%)	9.8	10.9	10.1	9.4
Net Profit Margin (%)	8.2	9.0	8.8	8.0
ROAE (%)	18.2	20.1	16.9	15.8
ROA (%)	14.4	16.3	13.4	12.2
Div Payout Ratio (%)	27.7	25.8	24.5	25.7
Asset Turnover (x)	1.8	1.8	1.5	1.5
A/Cs Receivable Turnover	50.2	53.0	47.3	47.3
A/Cs Payable Turnover	42.5	19.2	12.0	11.9
Inventory Turn	2.3	2.2	1.8	2.0
Current Ratio (x)	4.7	5.5	4.1	4.2
Quick Ratio (x)	1.1	1.2	1.0	1.4
Interest Coverage Ratio	92.0	208.9	124.5	130.6
Tot Debt/Capital	0.1	0.0	0.1	0.1
Tot Debt/Equity	0.1	0.0	0.1	0.1
Free Cash Flow (CFO-CAPEX)	8.5	24.9	1.9	53.1
Free Cash Flow per Share	0.0	0.0	0.0	0.1

Source: Bloomberg Finance L.P.

Cortina Holdings (NOT RATED S$0.80; CTN SP)

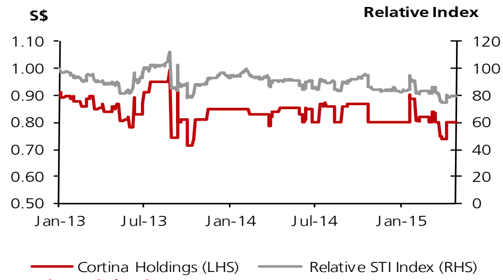
Forecasts and Valuation

FY Mar (S$ m)	2011A	2012A	2013=	ÀÀÀÀÀÀ.014=
Turnover	295.8	339.8	367.4	415.1
EBITDA	22.0	31.8	27.8	27.8
Pre-tax Profit	15.7	26.0	20.9	22.5
Net Profit	13.0	21.2	16.5	18.4
EPS (S$)	0.08	0.13	0.10	0.11
EPS Gth (%))	5.4	64.1	(21.9)	11.0
Net DPS (S$)	0.01	0.01	0.02	0.02
BV Per Share (S$)	0.6	0.7	0.8	0.8
PE (X)	-	4.1	8.6	7.4
P/Cash Flow (X)	-	15.0	-	8.1
EV/EBITDA (X)	-	4.8	9.1	8.6
Net Div Yield (%)	-	1.9	2.3	2.4
P/Book Value (X)		0.7	1.1	1.0
Total Debt/Equity (X)	0.6	0.6	0.8	0.7
ROA (%)	6.6	10.0	6.5	6.4
ROE (%)	13.5	19.4	13.5	13.7

General Data

Issued Capital (m shrs)	166
Mkt. Cap (Sm/USm)	132 / 101
Major Shareholders	
Lim Keen Ban Holding	31.8
Yun Chwan Tay	12.4
Chuen Tek Yu	9.82
Free Float (%)	31.6
Avg Daily Vol (m shrs)	0.0

Price Relative



Income Statement (S$ m)

FY Mar	2011A	2012A	2013A	2014A
Turnover	295.8	339.8	367.4	415.1
Cost of Goods Sold	-	-	-	-
Gross Profit	-	-	-	-
Selling, General & Admin	277.5	312.0	343.8	392.0
Operating Profit	19.3	28.6	23.9	23.7
Other Non Opg (Exp)/Inc	1.0	(0.3)	(0.1)	(1.7)
Net Interest (Exp)/Inc	2.2	3.1	3.4	3.0
Forex Losses (Gains)	0.4	(0.1)	(0.4)	-
Pre-tax Profit	15.7	26.0	20.9	22.5
Tax	3.2	4.1	3.8	3.7
Minority Interest	(0.4)	0.7	0.6	0.4
Preference Dividend	-	-	-	-
Net Profit	13.0	21.2	16.5	18.4
EBITDA	22.0	31.8	27.8	27.8
Sales Gth (%)	6.4	14.9	8.1	13.0
EBITDA Gth (%)	19.1	44.2	(12.5)	0.1
Opg Profit Gth (%)	22.3	48.8	(16.7)	(0.6)
Net Profit Gth (%)	5.7	63.0	(22.0)	11.3
Effective Tax Rate (%)	20.1	15.7	18.3	16.6

Balance Sheet (S$ m)

FY Mar	2011A	2012A	2013A	2014A
Net Fixed Assets	10.9	11.0	30.8	11.8
Other LT Assets	6.9	7.4	7.7	8.2
Cash & ST Invts	11.5	10.9	7.6	14.5
Inventory	157.9	179.9	223.8	216.7
A/Cs & Notes Receivable	9.8	12.1	13.2	13.6
Other Current Assets	2.2	3.4	3.0	22.4
Total Assets	199.2	224.7	286.1	287.1
Short Term Borrowings	67.3	69.2	98.4	99.6
Creditor / Accounts Payable	17.2	23.4	27.9	23.5
Other Current Liab	5.6	6.8	9.7	4.8
LT Borrowings	0.0	0.0	14.5	10.7
Other LT Borrowings	3.2	1.8	1.0	1.0
Shareholder's Equity	106.0	123.6	134.5	147.5
Total Cap. & Liab.	199.2	224.7	286.1	287.1
Non-Cash Wkg. Capital	79.9	96.1	103.9	124.7
Net Debt/Cash	55.8	58.3	105.3	95.8

Cash Flow Statement (S$ m)

FY Mar	2011A	2012A	2013A	2014A
Net Profit	13.0	21.2	16.5	18.4
Dep. & Amort.	2.8	3.1	3.9	4.1
Chng in Non-Cash Capital	(10.9)	(19.6)	(35.4)	(2.7)
Other Non-Cash	1.1	1.1	(0.8)	(3.0)
Cash From Opg Activities	5.9	5.8	(15.7)	16.8
Capital Expenditures	(3.0)	(2.8)	(6.3)	(1.9)
Other Investing Activities	1.3	-	-	-
Cash From Invsmt Activities	(1.7)	(2.8)	(6.3)	(1.9)
Div Paid	(3.3)	(4.1)	(5.8)	(5.0)
Chg in ST Borrowings	(4.4)	5.1	25.6	-
Capital Issues	-	-	-	-
Other Financing Activities	(0.8)	(0.1)	(0.0)	(0.1)
Cash From Fin Activities	(8.5)	0.9	19.8	(8.1)
Foreign Currency	-	-	-	-
Net Changes in Cash	(4.3)	3.9	(2.2)	6.8

Rates & Ratio

FY Mar	2011A	2012A	2013A	2014A
Gross Margins (%)	-	-	-	-
Opg Profit Margin (%)	6.5	8.4	6.5	5.7
Net Profit Margin (%)	4.4	6.2	4.5	4.4
ROAE (%)	13.5	19.4	13.5	13.7
ROA (%)	6.6	10.0	6.5	6.4
Div Payout Ratio (%)	31.9	39.1	30.1	27.0
Asset Turnover (x)	1.5	1.6	1.4	1.4
A/Cs Receivable Turnover	34.9	31.0	29.0	31.0
A/Cs Payable Turnover	-	-	-	-
Inventory Turn	-	-	-	-
Current Ratio (x)	2.0	2.1	1.8	2.1
Quick Ratio (x)	0.2	0.2	0.2	0.2
Interest Coverage Ratio	8.8	9.4	7.0	8.0
Tot Debt/Capital	0.4	0.4	0.5	0.4
Tot Debt/Equity	0.6	0.6	0.8	0.7
Free Cash Flow (CFO-CAPEX)	2.8	2.7	-22.4	11.2
Free Cash Flow per Share	0.0	0.0	-0.1	0.1

Source: Bloomberg Finance L.P.

Sheng Siong Group (BUY S$0.84; SSG SP; Price Target : S$ 0.90)

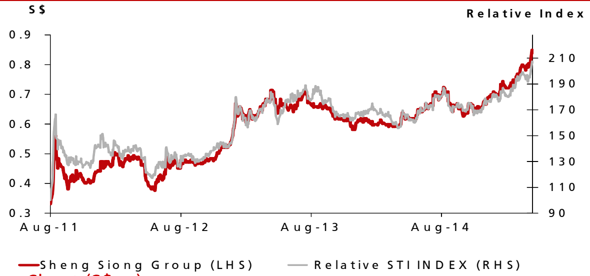
Forecasts and Valuation

FY Dec (S$ m)	2013A	2014A	2015F	2016F
Turnover	687	726	796	831
EBITDA	52	63	72	75
Pre-tax Profit	48	57	65	68
Net Profit	39	47	53	56
Net Pft (Pre Ex.)	39	47	53	56
EPS (S cts)	2.8	3.1	3.5	3.7
EPS Pre Ex. (S cts)	2.8	3.1	3.5	3.7
EPS Gth Pre Ex (%)	25	11	13	5
Diluted EPS (S cts)	2.8	3.1	3.5	3.7
Net DPS (S cts)	2.6	2.9	3.2	3.3
BV Per Share (S cts)	10.8	15.7	16.1	16.4
PE (X)	29.9	26.9	23.9	22.7
PE Pre Ex. (X)	29.9	26.9	23.9	22.7
P/Cash Flow (X)	24.7	17.1	17.3	17.2
EV/EBITDA (X)	20.6	18.0	15.9	15.2
Net Div Yield (%)	3.1	3.4	3.8	4.0
P/Book Value (X)	7.8	5.3	5.2	5.1
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	25.8	24.3	22.1	22.8

General Data

Issued Capital (m shrs)	1,504
Mkt. Cap (Sm/USm)	1,263 / 951
Major Shareholders	
SS Holdings (%)	29.9
Lim Hock Chee (%)	11.3
Lim Hock Leng (%)	11.3
Free Float (%)	36.2
Avg. Daily Vol.('000)	3,011

Price Relative



Income Statement (S$ m)

FY Dec	2013A	2014A	2015F	2016F
Turnover	687	726	796	831
Cost of Goods Sold	(529)	(550)	(601)	(628)
Gross Profit	158	176	195	203
Other Opng (Exp)/Inc	(117)	(124)	(136)	(141)
Operating Profit	42	52	59	62
Other Non Opg (Exp)/Inc	5	4	5	5
Associates & JV Inc	0	0	0	0
Net Interest (Exp)/Inc	1	1	1	1
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	48	57	65	68
Tax	(9)	(10)	(12)	(12)
Minority Interest	0	0	0	0
Preference Dividend	0	0	0	0
Net Profit	39	47	53	56
Net Profit before Except.	39	47	53	56
EBITDA	52	63	72	75
Sales Gth (%)	7.9	5.6	9.7	4.3
EBITDA Gth (%)	19.8	21.9	13.5	5.5
Opg Profit Gth (%)	19.8	25.3	12.5	5.7
Net Profit Gth (%)	(6.6)	20.8	12.6	5.1
Effective Tax Rate (%)	18.2	17.8	18.0	18.0

Balance Sheet (S$ m)

FY Dec	2013A	2014A	2015F	2016F
Net Fixed Assets	91	161	178	195
Invts in Associates & JVs	0	0	0	0
Other LT Assets	0	0	0	0
Cash & ST Invts	100	130	123	114
Inventory	46	43	47	49
Debtors	12	11	12	12
Other Current Assets	0	0	0	0
Total Assets	248	345	361	371
ST Debt	0	0	0	0
Other Current Liab	96	107	117	122
LT Debt	0	0	0	0
Other LT Liabilities	2	2	2	2
Shareholder's Equity	150	236	242	247
Minority Interests	0	0	0	0
Total Cap. & Liab.	248	345	361	371
Non-Cash Wkg. Capital	(38)	(53)	(58)	(61)
Net Cash/(Debt)	100	130	123	114

Cash Flow Statement (S$ m)

FY Dec	2013A	2014A	2015F	2016F
Pre-Tax Profit	48	57	65	68
Dep. & Amort.	12	13	15	15
Tax Paid	(9)	(7)	(11)	(12)
Assoc. & JV Inc/(loss)	0	0	0	0
Chg in Wkg.Cap.	(3)	12	4	2
Other Operating CF	(1)	0	0	0
Net Operating CF	47	74	73	74
Capital Exp.(net)	(26)	(81)	(30)	(30)
Other Invts.(net)	0	0	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	1	1	0	0
Net Investing CF	(25)	(80)	(30)	(30)
Div Paid	(41)	(40)	(48)	(50)
Chg in Gross Debt	0	0	0	0
Capital Issues	0	79	0	0
Other Financing CF	0	0	0	0
Net Financing CF	(41)	39	(48)	(50)
Net Cashflow	(19)	33	(5)	(7)

Segmental Breakdown

FY Dec	2013A	2014A	2015F	2016F
Revenues (S$ m)				
Singapore	687	726	796	831
Total	687	726	796	831
Operating profit (S$ m)				
Singapore	42	52	59	62
Total	42	52	59	62
Operating profit Margins (%)				
Singapore	6.1	7.2	7.4	7.5
Total	6.1	7.2	7.4	7.5

Source: Company, DBS Bank

Officemate (NOT RATED Bt61.25; COL TB)

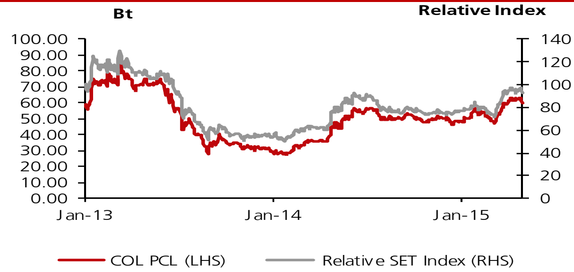
Forecasts and Valuation

FY Dec (Bt m)	2011A	2012A	2013A	2014A
Turnover	5,780	6,786	8,679	9,378
EBITDA	334	502	712	768
Pre-tax Profit	233	379	514	551
Net Profit	121	272	409	439
EPS (Bt)	0.50	1.12	1.28	1.37
EPS Gth (%))	(2.0)	124.0	14.3	7.0
Net DPS (Bt)	0.26	0.45	0.50	0.50
BV Per Share (Bt)	9.9	13.2	14.3	15.2
PE (X)	36.6	52.2	23.0	35.4
P/Cash Flow (X)	16.0	35.6	19.4	24.4
EV/EBITDA (X)	6.5	35.9	12.1	18.9
Net Div Yield (%)	1.4	0.8	1.7	1.0
P/Book Value (X)	1.9	4.4	2.1	3.2
Total Debt/Equity (X)	0.1	0.0	0.0	0.0
ROA (%)	7.3	5.9	6.1	6.1
ROE (%)	15.7	9.8	9.3	9.3

General Data

Issued Capital (m shrs)	320
Mkt. Cap (Btm/US$m)	19,600 / 600
Major Shareholders	
Chirathivat Narongri	9.81
Chirathivat Sudhitha	9.06
Oonchai Vonravuthi	8.83
Free Float (%)	54.8
Avg Daily Vol (m shrs)	0.2

Price Relative



Income Statement (Bt m)

FY Dec	2011A	2012A	2013A	2014A
Turnover	5,780	6,786	8,679	9,378
Cost of Goods Sold	5,286	5,157	6,560	7,035
Gross Profit	494	1,629	2,119	2,343
Selling, General & Admin	565	1,623	2,046	2,351
Operating Profit	234	368	503	532
Other Non Opg (Exp)/Inc	(4)	(15)	(11)	(19)
Net Interest (Exp)/Inc	6	4	1	0
Forex Losses (Gains)	-	-	-	
Pre-tax Profit	233	379	514	551
Tax	112	108	105	111
Minority Interest	0	-	0	1
Preference Dividend	-	-	-	-
Net Profit	121	272	409	439
EBITDA	334	502	712	768
Sales Gth (%)	453.0	17.4	27.9	8.1
EBITDA Gth (%)	416.1	50.3	41.7	7.9
Opg Profit Gth (%)	436.0	57.0	36.7	5.7
Net Profit Gth (%)	247.0	124.8	50.4	7.5
Effective Tax Rate (%)	48.1	28.3	20.4	20.1

Balance Sheet (Bt m)

FY Dec	2011A	2012A	2013A	2014A
Net Fixed Assets	296	574	737	770
Other LT Assets	287	3,438	3,424	3,457
Cash & ST Invts	377	722	813	1,029
Inventory	871	1,266	1,411	1,531
A/Cs & Notes Receivable	205	273	313	281
Other Current Assets	845	133	262	285
Total Assets	2,881	6,405	6,961	7,354
Short Term Borrowings	105	2	0	0
Creditor / Accounts Payable	1,152	1,719	1,850	1,963
Other Current Liab	288	359	462	458
LT Borrowings	0	4	0	0
Other LT Borrowings	20	84	82	82
Shareholder's Equity	1,316	4,239	4,567	4,851
Total Cap. & Liab.	2,881	6,405	6,961	7,354
Non-Cash Wkg. Capital	376	(341)	(297)	(39)
Net Debt/Cash	CASH	CASH	CASH	CASH

Cash Flow Statement (Bt m)

FY Dec	2011A	2012A	2013A	2014A
Net Profit	121	272	409	439
Dep. & Amort.	100	134	209	236
Chng in Non-Cash Capital	(114)	47	(186)	(45)
Other Non-Cash	167	(55)	55	5
Cash From Opg Activities	274	398	487	636
Capital Expenditures	(127)	(196)	(290)	(201)
Other Investing Activities	(734)	567	20	(316)
Cash From Invsmt Activities	(861)	371	(270)	(517)
Div Paid	-	(387)	(80)	(160)
Chg in ST Borrowings	-	(104)	(6)	-
Capital Issues	-	-	-	-
Other Financing Activities	-	-	-	-
Cash From Fin Activities	(1)	(492)	(86)	(160)
Foreign Currency	-	-	-	-
Net Changes in Cash	(587)	277	131	(41)

Rates & Ratio

FY Dec	2011A	2012A	2013A	2014A
Gross Margins (%)	8.5	24.0	24.4	25.0
Opg Profit Margin (%)	4.1	5.4	5.8	5.7
Net Profit Margin (%)	2.1	4.0	4.7	4.7
ROAE (%)	15.7	9.8	9.3	9.3
ROA (%)	7.3	5.9	6.1	6.1
Div Payout Ratio (%)	28.6	53.0	39.1	36.4
Asset Turnover (x)	3.5	1.5	1.3	1.3
A/Cs Receivable Turnover	38.8	28.4	29.6	31.6
A/CS Payable Turnover	9.1	3.9	3.8	3.8
Inventory Turn	11.1	4.8	4.9	4.8
Current Ratio (x)	1.5	1.2	1.2	1.3
Quick Ratio (x)	0.4	0.5	0.5	0.5
Interest Coverage Ratio	41.5	92.9	945.0	20,790.3
Tot Debt/Capital	0.1	0.0	0.0	0.0
Tot Debt/Equity	0.1	0.0	0.0	0.0
Free Cash Flow (CFO-CAPEX)	141.3	199.4	188.2	432.0
Free Cash Flow per Share	0.6	0.8	0.6	1.4

Source: Bloomberg Finance L.P.

Big C Supercenter (NOT RATED Bt226.00; BIGC TB)

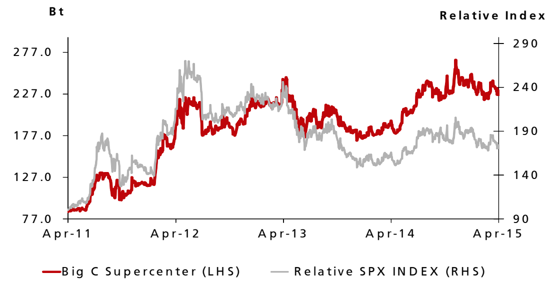
Forecasts and Valuation

FY Dec (Bt m)	2011A	2012A	2013A	2014A
Turnover	109,548	120,062	126,922	131,230
EBITDA	11,593	12,547	13,163	13,860
Pre-tax Profit	7,015	7,841	8,492	9,005
Net Profit	5,242	6,074	6,976	7,235
EPS (Bt)	6.54	7.44	8.46	8.77
EPS Gth (%))	86.3	13.8	13.7	3.7
Net DPS (Bt)	1.96	2.21	2.55	2.62
BV Per Share (Bt)	29.3	38.6	44.9	51.1
PE (X)	18.3	27.8	21.7	27.0
P/Cash Flow (X)	11.3	14.4	15.0	16.8
EV/EBITDA (X)	10.8	15.2	13.0	15.1
Net Div Yield (%)	1.6	1.1	1.4	1.1
P/Book Value (X)	4.1	5.4	4.1	4.6
Total Debt/Equity (X)	1.6	0.9	0.7	0.6
ROA (%)	8.0	6.6	7.3	7.2
ROE (%)	24.1	21.9	20.3	18.3

General Data

Issued Capital (m shrs)	825
Mkt. Cap (Btm/US$m)	186,450 / 5,721
Major Shareholders	
Geant International B.V. (%)	32.1
Saovanee Holdings (%)	26.5
Thai NVDR (%)	7.2
Free Float (%)	27.6
Avg. Daily Vol.('000)	228

Price Relative



Income Statement (Bt m)

FY Dec	2011A	2012A	2013A	2014A
Turnover	109,548	120,062	126,922	131,230
Cost of Goods Sold	87,489	96,019	100,490	103,620
Gross Profit	22,060	24,043	26,432	27,610
Selling, General & Admin	17,905	18,577	20,936	21,793
Operating Profit	8,286	9,136	9,545	9,982
Other Non Opg (Exp)/Inc	-	-	-	111
Net Interest (Exp)/Inc	1,271	1,295	1,053	866
Forex Losses (Gains)	-	-	-	-
Pre-tax Profit	7,015	7,841	8,492	9,005
Tax	1,754	1,749	1,502	1,756
Minority Interest	19	19	14	15
Preference Dividend	-	-	-	-
Net Profit	5,242	6,074	6,976	7,235
EBITDA	11,593	12,547	13,163	13,860
Sales Gth (%)	47.9	9.6	5.7	3.4
EBITDA Gth (%)	77.6	8.2	4.9	5.3
Opg Profit Gth (%)	107.8	10.3	4.5	4.6
Net Profit Gth (%)	86.1	15.9	14.8	3.7
Effective Tax Rate (%)	25.0	22.3	17.7	19.5

Balance Sheet (Bt m)

FY Dec	2011A	2012A	2013A	2014A
Net Fixed Assets	26,347	28,027	31,253	30,821
Other LT Assets	43,478	43,725	44,130	44,227
Cash & ST Invts	7,422	8,780	7,175	11,414
Inventory	8,941	9,196	9,535	11,552
A/Cs & Notes Receivable	274	315	323	208
Other Current Assets	4,264	4,120	4,749	4,555
Total Assets	90,726	94,163	97,164	102,778
Short Term Borrowings	36,500	7,675	7,712	10,712
Creditor / Accounts Payable	21,015	22,820	22,794	24,603
Other Current Liab	6,427	6,485	6,650	6,788
LT Borrowings	0	21,580	18,898	14,213
Other LT Borrowings	3,264	3,715	4,073	4,317
Shareholder's Equity	23,520	31,887	37,038	42,147
Total Cap. & Liab.	90,726	94,163	97,164	102,778
Non-Cash Wkg. Capital	(50,463)	(23,350)	(22,548)	(25,786)
Net Debt/Cash	29,078	20,475	19,435	13,511

Cash Flow Statement (Bt m)

FY Dec	2011A	2012A	2013A	2014A
Net Profit	5,242	6,074	6,976	7,235
Dep. & Amort.	3,307	3,411	3,618	3,878
Changes in Non-Cash	(924)	2,392	(1,117)	62
Oth Non-Cash Adjustments	877	(127)	625	486
Cash From Opg Activities	8,502	11,749	10,102	11,660
Capital Expenditures	(3,817)	(5,267)	(7,146)	(3,381)
Other Investing Activities	(37,308)	(22)	(41)	(242)
Cash From Invsmt Activities	(41,125)	(5,289)	(7,186)	(3,623)
Div Paid	(1,571)	(1,571)	(1,821)	(2,102)
Chg in ST Borrowings	36,500	(7,506)	(2,682)	(1,683)
Capital Issues	-	3,993	-	-
Other Financing Activities	(16)	(17)	(18)	(13)
Cash From Fin Activities	34,913	(5,101)	(4,522)	(3,798)
Foreign Currency	-	-	-	-
Net Changes in Cash	2,290	1,359	(1,606)	4,239

Rates & Ratio

FY Dec	2011A	2012A	2013A	2014A
Gross Margins (%)	20.1	20.0	20.8	21.0
Opg Profit Margin (%)	7.6	7.6	7.5	7.6
Net Profit Margin (%)	4.8	5.1	5.5	5.5
ROAE (%)	24.1	21.9	20.3	18.3
ROA (%)	8.0	6.6	7.3	7.2
Div Payout Ratio (%)	30.0	30.0	30.2	29.9
Asset Turnover (x)	1.7	1.3	1.3	1.3
A/Cs Receivable Turnover	482.5	407.6	398.0	494.2
A/Cs Payable Turnover	4.9	4.4	4.4	4.5
Inventory Turn	12.4	10.6	10.7	9.8
Current Ratio (x)	0.3	0.6	0.6	0.7
Quick Ratio (x)	0.1	0.2	0.2	0.3
Interest Coverage Ratio	6.5	7.1	9.1	11.5
Tot Debt/Capital	0.6	0.5	0.4	0.4
Tot Debt/Equity	1.6	0.9	0.7	0.6
Free Cash Flow (CFO-CAPEX)	4637.0	6476.0	2945.4	8247.7
Free Cash Flow per Share	5.8	7.9	3.6	10.0

Source: Bloomberg Finance L.P.

CP ALL (NOT RATED Bt42.75; CPALL TB)

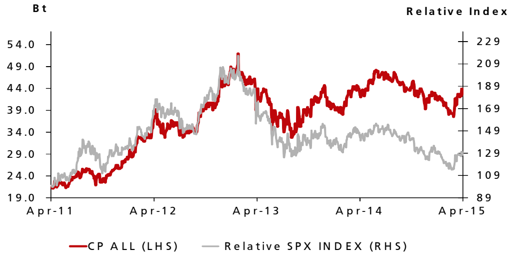
Forecasts and Valuation

FY Dec (Bt m)	2011A	2012A	2013A	2014A
Turnover	155,360	188,702	272,286	357,766
EBITDA	11,064	13,818	15,779	22,762
Pre-tax Profit	10,995	13,988	12,845	12,530
Net Profit	8,008	11,049	10,503	10,154
EPS (Bt)	0.89	1.23	1.17	1.13
EPS Gth (%))	20.3	38.2	(4.9)	(3.4)
Net DPS (Bt)	0.63	0.90	0.90	0.80
BV Per Share (Bt)	2.4	3.0	3.2	3.4
PE (X)	29.1	37.4	35.9	37.6
P/Cash Flow (X)	17.9	17.5	18.4	19.9
EV/EBITDA (X)	18.9	27.4	34.3	24.2
Net Div Yield (%)	2.4	2.0	2.1	1.9
P/Book Value (X)	10.8	15.2	13.1	12.4
Total Debt/Equity (X)	0.0	0.0	5.6	5.7
ROA (%)	15.5	17.3	5.6	3.2
ROE (%)	40.8	45.5	37.6	34.1

General Data

Issued Capital (m shrs)	8,983
Mkt. Cap (Btm/US$m)	384,028 / 11,783
Major Shareholders	
CP Merchandising	31.25
Charoen Pokphand	10.18
State Street Corp	4.91
Free Float (%)	46.8
Avg. Daily Vol.('000)	14,276

Price Relative



Income Statement (Bt m)

FY Dec	2011A	2012A	2013A	2014A
Turnover	155,360	188,702	272,286	357,766
Cost of Goods Sold	116,863	140,091	210,657	281,443
Gross Profit	38,497	48,611	61,629	76,323
Selling, General & Admin	34,032	43,736	58,384	68,809
Operating Profit	7,762	10,450	11,079	16,453
Other Non Opg (Exp)/Inc	-3,017	-3,500	-4,550	-4,219
Net Interest (Exp)/Inc	0	0	2,214	8,518
Forex Losses (Gains)	-216	-39	570	-377
Pre-tax Profit	10,995	13,988	12,845	12,530
Tax	2,981	2,913	2,255	2,258
Minority Interest	6	26	88	119
Preference Dividend	0	0	0	0
Net Profit	8,008	11,049	10,503	10,154
EBITDA	11,064	13,818	15,779	22,762
Sales Gth (%)	15.1	21.5	44.3	31.4
EBITDA Gth (%)	10.6	24.9	14.2	44.3
Opg Profit Gth (%)	12.3	34.6	6.0	48.5
Net Profit Gth (%)	20.2	38.0	(4.9)	(3.3)
Effective Tax Rate (%)	27.1	20.8	17.6	18.0

Balance Sheet (Bt m)

FY Dec	2011A	2012A	2013A	2014A
Net Fixed Assets	15,305	18,419	73,226	82,852
Other LT Assets	3,632	4,894	176,819	178,874
Cash & ST Invts	14,202	35,056	25,682	33,436
Inventory	8,642	9,148	19,916	22,167
A/Cs & Notes Receivable	477	541	848	910
Other Current Assets	3,190	4,109	7,516	8,170
Total Assets	55,341	72,168	304,008	326,410
Short Term Borrowings	2	0	135,171	19,701
Creditor / Accounts Payable	24,393	32,580	54,734	59,312
Other Current Liab	6,084	8,445	10,893	13,002
LT Borrowings	0	0	50,166	178,779
Other LT Borrowings	3,163	3,788	20,074	20,558
Shareholder's Equity	21,699	27,355	32,970	35,058
Total Cap. & Liab.	55,341	72,168	304,008	326,410
Non-Cash Wkg. Capital	(8,277)	(15,255)	(171,468	(59,535)
Net Debt/Cash	CASH	CASH	159,654	165,044

Cash Flow Statement (Bt m)

FY Dec	2011A	2012A	2013A	2014A
Net Profit	8,008	11,049	10,503	10,154
Dep. & Amort.	3,302	3,368	4,700	6,310
Chng in Non-Cash Capital	1,782	9,134	3,679	1,913
Other Non-Cash	(106)	115	1,665	839
Cash From Opg Activities	12,985	23,666	20,548	19,215
Capital Expenditures	(3,688)	(6,040)	(11,191)	(13,835)
Other Investing Activities	(6,345)	(3,097)	(180,852)	(2,365)
Cash From Invsmt Activities	(10,032)	(9,137)	(192,043)	(16,200)
Div Paid	(4,493)	(5,612)	(8,084)	(8,085)
Chg in ST Borrowings	2	(2)	181,022	12,718
Capital Issues	-	-	-	-
Other Financing Activities	25	(31)	104	(77)
Cash From Fin Activities	(4,466)	(5,646)	173,042	4,557
Foreign Currency	-	-	-	-
Net Changes in Cash	(1,514)	8,883	1,547	7,572

Rates & Ratio

FY Dec	2011A	2012A	2013A	2014A
Gross Margins (%)	24.8	25.8	22.6	21.3
Opg Profit Margin (%)	5.0	5.5	4.1	4.6
Net Profit Margin (%)	5.2	5.9	3.9	2.8
ROAE (%)	40.8	45.5	37.6	34.1
ROA (%)	15.5	17.3	5.6	3.2
Div Payout Ratio (%)	70.1	73.2	77.0	70.8
Asset Turnover (x)	3.0	3.0	1.4	1.1
A/Cs Receivable Turnover	327.0	370.8	391.9	406.9
A/Cs Payable Turnover	5.2	4.9	5.1	5.0
Inventory Turn	15.4	15.7	14.5	13.4
Current Ratio (x)	1.2	1.2	0.3	0.7
Quick Ratio (x)	0.8	0.9	0.1	0.4
Interest Coverage Ratio	-	-	5.0	1.9
Tot Debt/Capital	0.0	0.0	0.8	0.8
Tot Debt/Equity	0.0	0.0	5.6	5.7
Free Cash Flow (CFO-CAPEX)	9,063.2	17,319.3	9,275.4	5,015.5
Free Cash Flow per Share	1.0	1.9	1.0	0.6

Source: Bloomberg Finance L.P.

Springland (HOLD HK$3.03; 1700 HK; Price Target : HK$ 2.78)

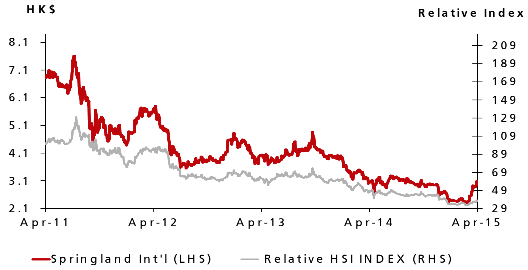
Forecasts and Valuation

FY Dec (RMB m)	2013A	2014A	2015F	2016F
Turnover	4,162	4,276	4,412	4,630
EBITDA	1,286	1,174	1,270	1,392
Pre-tax Profit	1,035	920	915	982
Net Profit	730	634	638	685
Net Pft (Pre Ex.)	730	634	638	685
EPS (HK cts)	36.4	31.9	32.2	34.6
EPS Pre Ex. (HK cts)	36.4	31.9	32.2	34.6
EPS Gth Pre Ex (%)	12	(12)	1	7
Diluted EPS (HK cts)	36.4	31.9	32.2	34.6
Net DPS (HK cts)	18.3	16.7	16.1	17.3
BV Per Share (HK cts)	239.9	251.3	267.5	284.7
PE (X)	8.3	9.5	9.4	8.8
PE Pre Ex. (X)	8.3	9.5	9.4	8.8
P/Cash Flow (X)	6.1	10.0	3.9	4.9
EV/EBITDA (X)	6.4	6.0	6.3	6.4
Net Div Yield (%)	6.0	5.5	5.3	5.7
P/Book Value (X)	1.3	1.2	1.1	1.1
Net Debt/Equity (X)	0.4	0.1	0.3	0.5
ROAE (%)	15.7	13.0	12.4	12.5

General Data

Issued Capital (m shrs)	2,440
Mkt. Cap (HK$m/US$m)	7,393 / 954
Major Shareholders	
Chen Jianqiang (%)	57.8
International Value Advisers, LLC (%)	9.2
Free Float (%)	33.0
Avg. Daily Vol.('000)	2,133

Price Relative



Income Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Turnover	4,162	4,276	4,412	4,630
Cost of Goods Sold	(2,310)	(2,439)	(2,515)	(2,616)
Gross Profit	1,852	1,837	1,897	2,014
Other Opng (Exp)/Inc	(881)	(950)	(991)	(1,033)
Operating Profit	970	887	906	981
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	(4)	(49)	(49)	(49)
Net Interest (Exp)/Inc	67	79	56	49
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	1,035	920	915	982
Tax	(299)	(275)	(264)	(283)
Minority Interest	(6)	(12)	(13)	(14)
Preference Dividend	0	0	0	0
Net Profit	730	634	638	685
Net Profit before Except.	730	633	638	685
EBITDA	1,286	1,174	1,270	1,392
Sales Gth (%)	9.3	2.8	3.2	4.9
EBITDA Gth (%)	15.2	(8.7)	8.2	9.6
Opg Profit Gth (%)	12.3	(8.6)	2.2	8.3
Net Profit Gth (%)	12.1	(13.3)	0.8	7.3
Effective Tax Rate (%)	28.8	29.9	28.8	28.8

Balance Sheet (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Net Fixed Assets	6,132	6,449	8,259	9,613
Invts in Associates & JVs	302	283	283	283
Other LT Assets	1,801	2,333	2,439	2,546
Cash & ST Invts	892	1,823	1,497	1,054
Inventory	383	323	448	502
Debtors	13	12	11	12
Other Current Assets	2,609	379	444	459
Total Assets	12,132	11,601	13,381	14,468
ST Debt	1,872	300	300	300
Other Current Liab	3,473	3,030	3,715	3,879
LT Debt	992	2,294	3,000	3,500
Other LT Liabilities	770	781	850	931
Shareholder's Equity	4,796	4,984	5,304	5,646
Minority Interests	230	212	212	212
Total Cap. & Liab.	12,132	11,601	13,381	14,468
Non-Cash Wkg. Capital	(467)	(2,316)	(2,812)	(2,907)
Net Cash/(Debt)	(1,972)	(772)	(1,803)	(2,746)

Cash Flow Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Pre-Tax Profit	1,035	920	915	982
Dep. & Amort.	317	331	411	458
Tax Paid	(304)	(280)	(269)	(289)
Assoc. & JV Inc/(loss)	4	49	49	49
Chg in Wkg.Cap.	40	(338)	480	76
Other Operating CF	(99)	(79)	(56)	(49)
Net Operating CF	1,003	603	1,531	1,229
Capital Exp.(net)	(678)	(645)	(1,800)	(1,800)
Other Invts.(net)	(73)	(120)	0	0
Invts in Assoc. & JV	(45)	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(1,715)	1,470	25	9
Net Investing CF	(2,511)	705	(1,775)	(1,791)
Div Paid	(450)	(331)	(319)	(343)
Chg in Gross Debt	539	(270)	706	500
Capital Issues	(7)	0	0	0
Other Financing CF	819	223	(468)	(38)
Net Financing CF	902	(377)	(82)	119
Net Cashflow	(606)	931	(326)	(443)

Segmental Breakdown

FY Dec	2013A	2014A	2015F	2016F
Revenues (RMB m)				
Department stores	1,684	1,703	1,735	1,823
Supermarkets	2,477	2,574	2,677	2,807
Total	4,162	4,276	4,412	4,630

Source: Company, DBS Vickers

Golden Eagle (HOLD HK$11.44; 3308 HK; Price Target : HK$ 11.70)

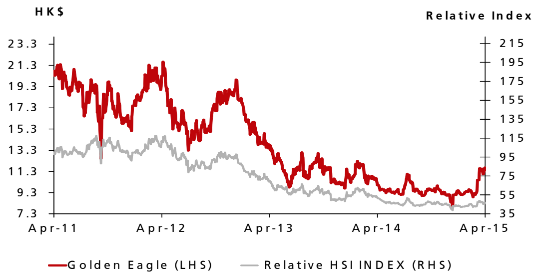
Forecasts and Valuation

FY Dec (RMB m)	2013A	2014A	2015F	2016F
Turnover	3,660	3,625	4,182	4,492
EBITDA	1,723	1,596	1,802	1,973
Pre-tax Profit	1,708	1,538	1,629	1,770
Net Profit	1,235	1,082	1,140	1,239
Net Pft (Pre Ex.)	1,135	970	1,110	1,239
EPS (HK cts)	81.7	74.7	78.7	85.5
EPS Pre Ex. (HK cts)	75.1	66.9	76.6	85.5
EPS Gth Pre Ex (%)	(3)	(11)	14	12
Diluted EPS (HK cts)	81.3	74.7	78.7	85.5
Net DPS (HK cts)	23.2	29.8	30.6	34.2
BV Per Share (HK cts)	345.4	373.3	425.1	480.1
PE (X)	14.0	15.3	14.5	13.4
PE Pre Ex. (X)	15.2	17.1	14.9	13.4
P/Cash Flow (X)	13.8	23.0	8.6	10.1
EV/EBITDA (X)	10.9	11.9	10.2	9.4
Net Div Yield (%)	2.0	2.6	2.7	3.0
P/Book Value (X)	3.3	3.1	2.7	2.4
Net Debt/Equity (X)	0.3	0.4	0.3	0.3
ROAE (%)	23.4	20.3	19.7	18.9

General Data

Issued Capital (m shrs)	1,786
Mkt. Cap (HK$m/US$m)	20,433 / 2,636
Major Shareholders	
Roger Wang & ass. (%)	70.1
Free Float (%)	29.9
Avg. Daily Vol.('000)	2,851

Price Relative



Income Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Turnover	3,660	3,625	4,182	4,492
Cost of Goods Sold	(1,017)	(1,045)	(1,184)	(1,213)
Gross Profit	2,643	2,580	2,998	3,279
Other Opng (Exp)/Inc	(1,128)	(1,258)	(1,496)	(1,606)
Operating Profit	1,515	1,323	1,502	1,673
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	13	3	0	0
Net Interest (Exp)/Inc	80	100	97	97
Exceptional Gain/(Loss)	100	112	30	0
Pre-tax Profit	1,708	1,538	1,629	1,770
Tax	(473)	(458)	(489)	(531)
Minority Interest	0	2	0	0
Preference Dividend	0	0	0	0
Net Profit	1,235	1,082	1,140	1,239
Net Profit before Except.	1,135	970	1,110	1,239
EBITDA	1,723	1,596	1,802	1,973
Sales Gth (%)	1.0	(0.9)	15.4	7.4
EBITDA Gth (%)	(1.0)	(7.4)	12.9	9.5
Opg Profit Gth (%)	(2.7)	(12.7)	13.5	11.4
Net Profit Gth (%)	1.4	(12.4)	5.3	8.6
Effective Tax Rate (%)	27.7	29.8	30.0	30.0

Balance Sheet (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Net Fixed Assets	4,034	6,020	6,164	7,364
Invts in Associates & JVs	255	308	308	308
Other LT Assets	4,023	3,785	4,049	4,375
Cash & ST Invts	2,924	3,105	2,689	2,439
Inventory	354	439	344	369
Debtors	403	505	461	495
Other Current Assets	3,081	2,356	2,553	2,553
Total Assets	15,075	16,518	16,568	17,903
ST Debt	0	3,116	0	0
Other Current Liab	5,203	5,409	5,727	6,237
LT Debt	4,494	2,420	4,494	4,494
Other LT Liabilities	130	157	181	208
Shareholder's Equity	5,244	5,411	6,161	6,959
Minority Interests	2	5	5	5
Total Cap. & Liab.	15,075	16,518	16,568	17,903
Non-Cash Wkg. Capital	(1,365)	(2,109)	(2,370)	(2,821)
Net Cash/(Debt)	(1,570)	(2,430)	(1,805)	(2,055)

Cash Flow Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Pre-Tax Profit	1,708	1,538	1,629	1,770
Dep. & Amort.	194	270	300	300
Tax Paid	(470)	(454)	(485)	(527)
Assoc. & JV Inc/(loss)	0	0	0	0
Chg in Wkg.Cap.	(32)	8	526	136
Other Operating CF	(151)	(640)	(47)	(43)
Net Operating CF	1,250	722	1,923	1,635
Capital Exp.(net)	(184)	(1,061)	(1,500)	(1,500)
Other Invts.(net)	107	0	0	0
Invts in Assoc. & JV	(21)	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(2,281)	607	0	0
Net Investing CF	(2,378)	(454)	(1,500)	(1,500)
Div Paid	(353)	(432)	(444)	(495)
Chg in Gross Debt	2,466	0	0	0
Capital Issues	0	0	0	0
Other Financing CF	(2,419)	344	(394)	110
Net Financing CF	(305)	(87)	(838)	(385)
Net Cashflow	(1,433)	181	(416)	(250)

Segmental Breakdown

FY Dec	2013A	2014A	2015F	2016F
Revenues (RMB m)				
Direct sales	1,245	1,271	1,437	1,472
Commission income	2,320	2,213	2,539	2,781
Rental income	80	142	190	222
Mgt fees	16	0	17	18
Total	3,660	3,625	4,182	4,492

Source: Company, DBS Vickers

Sun Art Retail Group (FULLY VALUED HK$8.16; 6808 HK; Price Target : HK$ 5.9)

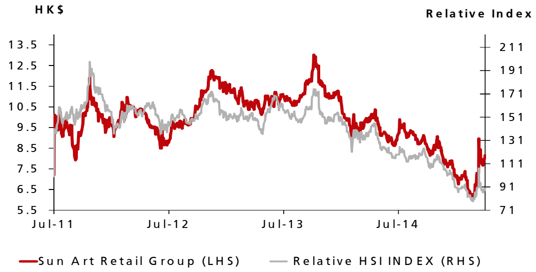
Forecasts and Valuation

FY Dec (RMB m)	2013A	2014A	2015F	2016F
Turnover	86,195	91,855	96,448	103,199
EBITDA	6,368	6,839	6,938	7,320
Pre-tax Profit	4,134	4,218	4,187	4,377
Net Profit	2,775	2,908	2,835	2,964
Net Pft (Pre Ex.)	2,775	2,908	2,835	2,964
EPS (HK cts)	36.2	37.9	36.9	38.6
EPS Pre Ex. (HK cts)	36.2	37.9	36.9	38.6
EPS Gth Pre Ex (%)	16	5	(3)	5
Diluted EPS (HK cts)	36.2	37.9	36.9	38.6
Net DPS (HK cts)	27.5	16.2	15.8	16.5
BV Per Share (HK cts)	244.2	256.3	277.4	299.5
PE (X)	22.6	21.5	22.1	21.1
PE Pre Ex. (X)	22.6	21.5	22.1	21.1
P/Cash Flow (X)	9.0	11.1	9.9	9.9
EV/EBITDA (X)	8.8	8.5	8.4	7.9
Net Div Yield (%)	3.4	2.0	1.9	2.0
P/Book Value (X)	3.3	3.2	2.9	2.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	15.6	15.1	13.8	13.4

General Data

Issued Capital (m shrs)	9,540
Mkt. Cap (HK$m/US$m)	77,844 / 10,044
Major Shareholders	
AuMarche SAS (%)	60.7
Ruentex Development Co., Ltd. (%)	8.6
Yin Chung Yao (%)	8.0
Free Float (%)	22.7
Avg. Daily Vol.('000)	10,769

Price Relative



Income Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Turnover	86,195	91,855	96,448	103,199
Cost of Goods Sold	(67,582)	(70,857)	(73,783)	(78,431)
Gross Profit	18,613	20,998	22,665	24,768
Other Opng (Exp)/Inc	(14,466)	(16,765)	(18,464)	(20,375)
Operating Profit	4,147	4,233	4,202	4,392
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	0	0	0	0
Net Interest (Exp)/Inc	(13)	(15)	(15)	(15)
Exceptional Gain/(Loss)	0	0	0	0
Pre-tax Profit	4,134	4,218	4,187	4,377
Tax	(1,192)	(1,176)	(1,167)	(1,220)
Minority Interest	(167)	(134)	(184)	(193)
Preference Dividend	0	0	0	0
Net Profit	2,775	2,908	2,835	2,964
Net Profit before Except.	2,775	2,908	2,835	2,964
EBITDA	6,368	6,839	6,938	7,320
Sales Gth (%)	10.7	6.6	5.0	7.0
EBITDA Gth (%)	16.4	7.4	1.4	5.5
Opg Profit Gth (%)	17.9	2.1	(0.7)	4.5
Net Profit Gth (%)	15.2	4.8	(2.5)	4.6
Effective Tax Rate (%)	28.8	27.9	27.9	27.9

Balance Sheet (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Net Fixed Assets	26,953	30,062	32,326	34,398
Invts in Associates & JVs	0	0	0	0
Other LT Assets	834	938	938	938
Cash & ST Invts	7,444	6,380	6,519	6,605
Inventory	11,268	11,161	11,891	13,571
Debtors	3,411	3,902	4,097	4,384
Other Current Assets	0	0	0	0
Total Assets	49,910	52,443	55,771	59,896
ST Debt	391	898	898	898
Other Current Liab	29,975	30,936	32,457	34,693
LT Debt	0	0	0	0
Other LT Liabilities	163	75	75	75
Shareholder's Equity	18,748	19,673	21,295	22,991
Minority Interests	633	861	1,045	1,238
Total Cap. & Liab.	49,910	52,443	55,771	59,896
Non-Cash Wkg. Capital	(15,296)	(15,873)	(16,469)	(16,738)
Net Cash/(Debt)	7,053	5,482	5,621	5,707

Cash Flow Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Pre-Tax Profit	4,134	4,218	4,187	4,377
Dep. & Amort.	2,221	2,606	2,736	2,928
Tax Paid	(1,153)	(1,208)	(1,167)	(1,220)
Assoc. & JV Inc/(loss)	0	0	0	0
Chg in Wkg.Cap.	2,093	232	596	269
Other Operating CF	(301)	(226)	0	0
Net Operating CF	6,994	5,622	6,352	6,354
Capital Exp.(net)	(6,839)	(5,468)	(5,000)	(5,000)
Other Invts.(net)	936	999	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	295	313	0	0
Net Investing CF	(5,608)	(4,156)	(5,000)	(5,000)
Div Paid	(915)	(2,124)	(1,213)	(1,268)
Chg in Gross Debt	0	1	0	0
Capital Issues	0	0	0	0
Other Financing CF	52	141	0	0
Net Financing CF	(863)	(1,982)	(1,213)	(1,268)
Net Cashflow	523	(516)	139	86

Segmental Breakdown

FY Dec	2013A	2014A	2015F	2016F
Revenues (RMB m)				
Sales of goods	83,958	89,136	93,185	99,284
Rental income	2,237	2,719	3,263	3,915
Total	86,195	91,855	96,448	103,199

Source: Company, DBS Vickers

Intime Department Store (HOLD HK$8.86; 1833 HK; Price Target : HK$ 6.90)

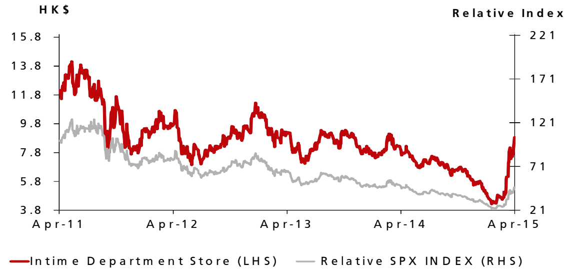
Forecasts and Valuation

FY Dec (RMB m)	2013A	2014A	2015F	2016F
Turnover	4,510	5,251	5,943	6,376
EBITDA	1,469	1,485	1,490	1,591
Pre-tax Profit	2,356	1,805	1,906	1,807
Net Profit	1,594	1,122	1,114	1,047
Net Pft (Pre Ex.)	894	852	797	858
EPS (HK cts)	99.0	66.6	62.3	58.5
EPS Pre Ex. (HK cts)	55.5	50.5	44.5	48.0
EPS Gth Pre Ex (%)	9	(9)	(12)	8
Diluted EPS (HK cts)	73.1	51.4	51.1	48.0
Net DPS (HK cts)	26.2	27.4	27.4	26.9
BV Per Share (HK cts)	495.5	634.2	632.7	664.3
PE (X)	8.9	13.3	14.2	15.1
PE Pre Ex. (X)	16.0	17.5	19.9	18.5
P/Cash Flow (X)	9.0	12.6	8.2	8.7
EV/EBITDA (X)	11.9	12.3	12.7	11.7
Net Div Yield (%)	3.0	3.1	3.1	3.0
P/Book Value (X)	1.8	1.4	1.4	1.3
Net Debt/Equity (X)	0.2	0.2	0.1	0.1
ROAE (%)	20.9	12.0	10.1	9.0

General Data

Issued Capital (m shrs)	2,173
Mkt. Cap (HK$m/US$m)	19,250 / 2,484
Major Shareholders	
Mr. Shen (%)	32.3
Alibaba (%)	9.9
GIC Private Limited (%)	7.0
Free Float (%)	50.8
Avg. Daily Vol.('000)	22,034

Price Relative



Income Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Turnover	4,510	5,251	5,943	6,376
Cost of Goods Sold	(1,554)	(1,406)	(1,508)	(1,628)
Gross Profit	2,956	3,845	4,435	4,748
Other Opng (Exp)/Inc	(1,874)	(2,816)	(3,476)	(3,707)
Operating Profit	1,083	1,029	960	1,041
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	256	309	326	346
Net Interest (Exp)/Inc	55	48	120	120
Exceptional Gain/(Loss)	963	420	500	300
Pre-tax Profit	2,356	1,805	1,906	1,807
Tax	(642)	(641)	(696)	(670)
Minority Interest	(119)	(42)	(95)	(90)
Preference Dividend	0	0	0	0
Net Profit	1,594	1,122	1,114	1,047
Net Profit before Except.	632	703	614	747
EBITDA	1,469	1,485	1,490	1,591
Sales Gth (%)	15.4	16.4	13.2	7.3
EBITDA Gth (%)	19.2	1.1	0.3	6.8
Opg Profit Gth (%)	27.4	(5.0)	(6.7)	8.5
Net Profit Gth (%)	63.9	(29.6)	(0.7)	(6.0)
Effective Tax Rate (%)	27.3	35.5	36.5	37.1

Balance Sheet (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Net Fixed Assets	8,115	11,693	12,163	12,613
Invts in Associates & JVs	2,609	2,808	2,808	2,808
Other LT Assets	4,068	4,173	4,173	4,173
Cash & ST Invts	3,527	3,907	4,361	4,694
Inventory	484	495	560	601
Debtors	2,849	3,015	3,019	3,022
Other Current Assets	905	1,702	1,702	1,702
Total Assets	22,556	27,793	28,787	29,614
ST Debt	2,708	1,121	1,121	1,121
Other Current Liab	7,060	9,076	9,350	9,522
LT Debt	3,045	5,055	5,055	5,055
Other LT Liabilities	741	761	761	761
Shareholder's Equity	7,980	10,695	11,319	11,884
Minority Interests	1,023	1,086	1,181	1,272
Total Cap. & Liab.	22,556	27,794	28,787	29,614
Non-Cash Wkg. Capital	(2,822)	(3,865)	(4,069)	(4,197)
Net Cash/(Debt)	(2,226)	(2,268)	(1,815)	(1,481)

Cash Flow Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Pre-Tax Profit	2,356	1,805	1,906	1,807
Dep. & Amort.	386	456	530	550
Tax Paid	(336)	(641)	(696)	(670)
Assoc. & JV Inc/(loss)	(256)	(309)	0	0
Chg in Wkg.Cap.	(105)	296	204	128
Other Operating CF	107	0	0	0
Net Operating CF	1,586	1,188	1,943	1,815
Capital Exp.(net)	(2,421)	(1,900)	(1,000)	(1,000)
Other Invts.(net)	25	0	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	150	0	0	0
Other Investing CF	398	0	0	0
Net Investing CF	(1,849)	(1,900)	(1,000)	(1,000)
Div Paid	(383)	(462)	(490)	(482)
Chg in Gross Debt	934	(38)	0	0
Capital Issues	65	1,328	0	0
Other Financing CF	(36)	0	0	0
Net Financing CF	581	828	(490)	(482)
Net Cashflow	318	116	453	334

Source: Company, DBS Vickers

Parkson (3368 HK Equity, HK$1.92, Fully Valued,Target Price HK$ 1.82)

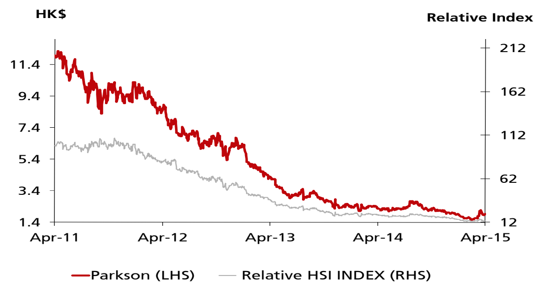
Forecast & Valuation

FY Dec (RMB m)	2013A	2014A	2015F	2016F
Turnover	5,110	5,015	5,294	5,602
EBITDA	967	760	931	995
Pre-tax Profit	611	377	389	575
Net Profit	354	235	244	368
Net Pft (Pre Ex.)	354	235	384	368
EPS (RMB)	0.13	0.08	0.09	0.13
EPS (HK$)	0.16	0.10	0.11	0.16
EPS Gth (%)	(58.4)	(33.6)	3.7	50.9
Diluted EPS (HK$)	0.16	0.10	0.11	0.16
DPS (HK$)	0.07	0.06	0.05	0.07
BV Per Share (HK$)	2.49	2.48	2.54	2.63
PE (X)	12.2	18.4	17.8	11.8
P/Cash Flow (X)	6.8	12.6	4.0	3.8
P/Free CF (X)	22.0	111.0	7.4	6.9
EV/EBITDA (X)	3.0	4.6	3.3	2.8
Net Div Yield (%)	3.9	3.2	2.5	3.8
P/Book Value (X)	0.8	0.8	0.8	0.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	6.3	4.2	4.3	6.3

General Data

Issued Capital (m shrs)	2,729
Mkt. Cap (HK$m/US$m)	5,252 / 678
Major Shareholders	
Parkson Holdings (%)	53.1
Golden Eagle International Retail Group (%)	7.7
Pangkor Investments (%)	6.7
Prudential plc (%)	6.1
Free Float (%)	26.5
Avg. Daily Vol.('000)	4,775

Price Relative



Income Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Turnover	5,110	5,015	5,294	5,602
Cost of Goods Sold	(1,334)	(1,413)	(1,415)	(1,497)
Gross Profit	**3,777**	**3,602**	**3,879**	**4,105**
Other Opg (Exp)/Inc	(3,233)	(3,277)	(3,401)	(3,581)
Operating Profit	**543**	**325**	**478**	**524**
Other Non Opg (Exp)/Inc	0	0	0	0
Associates & JV Inc	36	31	30	30
Net Interest (Exp)/Inc	32	21	21	21
Dividend Income	**0**	**0**	**0**	**0**
Exceptional Gain/(Loss)	0	0	(140)	0
Pre-tax Profit	**611**	**377**	**389**	**575**
Tax	(239)	(131)	(133)	(194)
Minority Interest	(19)	(11)	(12)	(13)
Preference Dividend	0	0	0	0
Net Profit	**354**	**235**	**244**	**368**
Net profit before Except.	354	235	384	368
EBITDA	967	760	931	995
Sales Gth (%)	(0.6)	(1.9)	5.6	5.8
EBITDA Gth (%)	(31.7)	(21.4)	22.6	6.8
Opg Profit Gth (%)	(51.6)	(40.2)	47.2	9.7
Effective Tax Rate (%)	39.0	34.8	34.3	33.8

Balance Sheet (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Net Fixed Assets	3,830	3,751	3,886	4,046
Invts in Assocs & JVs	40	28	28	28
Other LT Assets	3,314	4,076	4,022	3,980
Cash & ST Invts	4,671	4,657	5,013	5,337
Inventory	342	341	363	384
Debtors	94	86	91	96
Other Current Assets	1,416	1,000	1,056	1,117
Total Assets	**13,706**	**13,939**	**14,459**	**14,988**
ST Debt	0	700	700	700
Other Current Liab	4,062	3,619	3,942	4,179
LT Debt	3,196	3,035	3,017	3,017
Other LT Liabilities	766	926	1,003	1,090
Shareholder's Equity	5,597	5,587	5,721	5,923
Minority Interests	85	72	76	79
Total Cap. & Liab.	**13,706**	**13,939**	**14,459**	**14,988**
Non-Cash Wkg. Cap	(2,211)	(2,192)	(2,433)	(2,582)
Net Cash/(Debt)	1,475	922	1,296	1,621

Cash Flow Statement (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Pre-Tax Profit	611	377	389	575
Dep. & Amort.	388	404	423	441
Tax Paid	(312)	(171)	(174)	(254)
Assoc. & JV Inc/(loss)	(36)	(31)	(30)	(30)
(Pft)/ Loss on disposal of FAs	0	0	0	0
Chg in Wkg.Cap.	3	(424)	287	199
Other Operating CF	(14)	189	193	200
Net Operating CF	**640**	**344**	**1,089**	**1,131**
Capital Exp.(net)	(443)	(305)	(500)	(500)
Other Invts.(net)	0	0	0	0
Invts in Assoc. & JV	0	0	0	0
Div from Assoc & JV	0	0	0	0
Other Investing CF	(807)	(87)	183	179
Net Investing CF	**(1,251)**	**(392)**	**(317)**	**(321)**
Div Paid	(337)	(305)	(110)	(166)
Chg in Gross Debt	675	521	0	0
Capital Issues	0	(97)	0	0
Other Financing CF	(216)	0	(409)	(320)
Net Financing CF	**122**	**119**	**(518)**	**(485)**
Currency Adjustments	(4)	0	0	0
Chg in Cash	(493)	71	254	324

Segmental Breakdown (RMB m)

FY Dec	2013A	2014A	2015F	2016F
Revenues (RMB m)				
Sales of goods - direct sales	1,577	1,645	1,645	1,741
Commission from concessionaire sales	2,665	2,555	2,807	2,970
Consultancy and	13	15	14	15
Rental income	281	309	294	311
Other revenue	574	491	534	566
Total	**5,110**	**5,015**	**5,294**	**5,602**

Source: Company, DBS Vickers

FJ Benjamin (NOT RATED S$0.134; FJB SP)

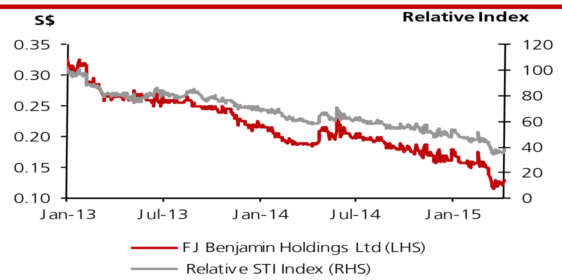
Forecasts and Valuation

FY Jun (S$ m)	2011A	2012A	2013A	2014A
Turnover	353.9	393.2	373.4	368.2
EBITDA	24.8	26.5	12.0	(1.3)
Pre-tax Profit	17.0	19.7	7.3	(19.2)
Net Profit	13.0	13.9	4.4	(22.1)
EPS (S cts)	0.02	0.02	0.01	(0.04)
EPS Gth (%))	57.2	7.0	(68.0)	(598.7)
Net DPS (S$)	0.02	0.01	0.01	0.00
BV Per Share (S$)	0.2	0.2	0.2	0.2
PE (X)	16.0	13.1	32.1	
P/Cash Flow (X)	39.1			13.9
EV/EBITDA (X)	8.6	8.8	17.2	-
Net Div Yield (%)	5.5	3.1	2.0	1.3
P/Book Value (X)	1.6	1.4	1.1	1.1
Total Debt/Equity (X)	0.3	0.5	0.6	0.8
ROA (%)	5.1	5.3	1.6	(8.4)
ROE (%)	9.6	10.5	3.3	(18.9)

General Data

Issued Capital (m shrs)	569
Mkt. Cap (Sm/USm)	76 / 58
Major Shareholders	
Lim Eng Hock Peter	17.7
Segulah Pte Ltd	16.17
Raffles Investments	10.95
Free Float (%)	43.6
Avg Daily Vol (m shrs)	0.0

Price Relative



Income Statement (S$ m)

FY Jun	2011A	2012A	2013A	2014A
Turnover	353.9	393.2	373.4	368.2
Cost of Goods Sold	202.5	224.8	214.1	224.1
Gross Profit	151.4	168.4	159.3	144.1
Selling, General & Admin	139.1	158.1	166.4	167.0
Operating Profit	18.6	19.4	4.2	(10.6)
Other Non Opg (Exp)/Inc	(0.5)	(1.2)	(7.6)	4.4
Net Interest (Exp)/Inc	1.8	2.7	3.3	3.6
Forex Losses (Gains)	0.3	(1.7)	1.2	0.6
Pre-tax Profit	17.0	19.7	7.3	(19.2)
Tax	4.3	6.1	3.3	2.9
Minority Interest	(0.2)	(0.4)	(0.4)	0.0
Preference Dividend	-	-	-	-
Net Profit	13.0	13.9	4.4	(22.1)
EBITDA	24.8	26.5	12.0	(1.3)
Sales Gth (%)	22.3	11.1	(5.0)	(1.4)
EBITDA Gth (%)	104.4	6.6	(54.8)	(111.1)
Opg Profit Gth (%)	310.5	4.5	(78.3)	(350.8)
Net Profit Gth (%)	56.9	7.2	(68.0)	(597.0)
Effective Tax Rate (%)	25.1	31.2	44.6	0.0

Balance Sheet (S$ m)

FY Jun	2011A	2012A	2013A	2014A
Net Fixed Assets	29.8	31.7	27.1	30.6
Other LT Assets	14.6	30.2	28.5	19.5
Cash & ST Invts	38.4	14.7	13.9	7.9
Inventory	94.4	110.4	117.7	90.5
A/Cs & Notes Receivable	57.6	58.9	64.8	69.8
Other Current Assets	22.5	25.9	24.4	30.8
Total Assets	257.3	271.9	276.4	249.0
Short Term Borrowings	44.9	59.7	73.9	77.3
Creditor / Accounts Payable	53.1	37.7	40.8	58.6
Other Current Liab	24.1	30.7	23.2	0.5
LT Borrowings	0.8	7.2	5.1	7.9
Other LT Borrowings	3.0	3.1	2.8	2.9
Shareholder's Equity	131.5	133.6	130.5	101.9
Total Cap. & Liab.	257.3	271.9	276.4	249.0
Non-Cash Wkg. Capital	52.5	67.2	73.2	57.4
Net Debt/Cash	7.3	52.1	65.1	77.3

Cash Flow Statement (S$ m)

FY Jun	2011A	2012A	2013A	2014A
Net Profit	13.0	13.9	4.4	(22.1)
Dep. & Amort.	6.3	7.1	7.8	9.2
Chng in Non-Cash Capital	(11.1)	(30.7)	(17.7)	21.7
Other Non-Cash	(2.8)	1.4	(5.3)	(0.7)
Cash From Opg Activities	5.3	(8.3)	(10.8)	8.1
Capital Expenditures	(7.6)	(8.4)	(0.7)	(16.1)
Other Investing Activities	(0.6)	(16.5)	-	0.1
Cash From Invsmt Activities	(8.2)	(24.9)	(0.7)	(16.0)
Div Paid	(11.4)	(11.4)	(5.7)	(2.8)
Chg in ST Borrowings	11.4	20.2	-	-
Capital Issues	-	-	-	-
Other Financing Activities	(0.3)	(0.2)	0.0	(0.0)
Cash From Fin Activities	(0.3)	8.6	4.4	(0.2)
Foreign Currency	-	-	-	-
Net Changes in Cash	(3.2)	(24.6)	(7.1)	(8.1)

Rates & Ratio

FY Jun	2011A	2012A	2013A	2014A
Gross Margins (%)	42.8	42.8	42.7	39.1
Opg Profit Margin (%)	5.2	4.9	1.1	-2.9
Net Profit Margin (%)	3.7	3.5	1.2	-6.0
ROAE (%)	9.6	10.5	3.3	-18.9
ROA (%)	5.1	5.3	1.6	-8.4
Div Payout Ratio (%)	87.7	40.9	64.0	
Asset Turnover (x)	1.4	1.5	1.4	1.4
A/Cs Receivable Turnover	7.0	6.8	6.0	5.5
A/Cs Payable Turnover	4.3	5.3	5.6	4.0
Inventory Turn	2.2	2.2	1.9	2.2
Current Ratio (x)	1.7	1.6	1.6	1.5
Quick Ratio (x)	0.8	0.6	0.6	0.6
Interest Coverage Ratio	10.5	7.3	1.3	-3.0
Tot Debt/Capital	0.3	0.3	0.4	0.5
Tot Debt/Equity	0.3	0.5	0.6	0.8
Free Cash Flow (CFO-CAPEX)	-2.5	-16.8	-21.5	-8.4
Free Cash Flow per Share	0.0	0.0	0.0	0.0

Source: Bloomberg Finance L.P.

DBS Bank Ltd recommendations are based an Absolute Total Return* Rating system, defined as follows:
STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return i.e. > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

GENERAL DISCLOSURE/DISCLAIMER

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company (or companies) referred to in this report.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the in clusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

(a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
(b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months.

ANALYST CERTIFICATION

The research analyst primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report. As of the date the report is published, the analyst and his/her spouse and/or relatives who are financially dependent on the analyst, do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities).

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd., DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates do not have proprietary position recommended in this report as of 28 Feb 2015 except FJ Benjamin Holdings

2. DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates beneficially own a total of 1% and 5% of any class of common equity securities of FJ Benjamin Holdings as of 28 Feb 2015.

3. Compensation for investment banking services:
DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may have received compensation, within the past 12 months, and within the next 3 months may receive or intends to seek compensation for investment banking services from the cmopany mentioned.

DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), both of which are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Securities Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR") (formerly known as HwangDBS Vickers Research Sdn Bhd). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies. Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. Research reports distributed are only intended for institutional clients only and no other person may act upon it.
United Kingdom	This report is being distributed in the UK by DBS Vickers Securities (UK) Ltd, who is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
Dubai	This research report is being distributed in The Dubai International Financial Centre ("DIFC") by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United States	Neither this report nor any copy hereof may be taken or distributed into the United States or to any U.S. person except in compliance with any applicable U.S. laws and regulations. It is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Bank Ltd.
12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982, Tel. 65-6878 8888 ,
Company Regn. No. 196800306E