Zhongmin Baihui Retail Group (ZBR)

Ready-Set-Grow!

SINGAPORE | CONSUMER | INITIATION

- Well market penetration and positioning, a resilient Chinese retail play with zero-debt and strong cash position
- Additional 18.8% store space in 2015/16
- Seeds planted, waiting to yield: Nanjing Nanzhan Store turnaround, recurring rental income from Haicang JV
- Initiate with **"Buy"** rating and 12-month target price of **S$2.10** (or a **21.1%** upside)

Investment Merits

- **Strong foothold and expanding its footprints in Fujian Province**
  - (a) A household name in the Fujian Province, backed by its solid 18 years of experience in operating department store and supermarket.
  - (b) Expects ***an additional 18.8% store space in 2016, bringing total store network to 16 by end-2016*** (considering closure of Quanzhou Quangang Store). New stores in the pipeline: Two small stores in Quanzhou, Putian Xianyou and Quanzhou Quangang Zhongxing Store (both expecting to open in 1Q16); and Quanzhou Anxi Xincheng Store expecting to open in 2016.

- **Worth the wait**
  - (a) **The completion of upgrading works for the Xiamen train station** adjacent to one of its flagship store, Xiamen Wucun Store, would see traffic flow to return or even boosting it to a higher level.
  - (b) **Haicang JV (30% stake) likely to have significant positive implication on rental income.** A commercial complex with a total gross floor area (GFA) of 113,500 sq m is expected to be ready by 2018/19. The setup of the exhibition center is to provide venues mainly for exhibition and promotion of imported goods.
  - (c) **Poising before Nanjing Nanzhan Store's turning point.** The maiden store outside of Fujian province, is a ***strategic move*** in the unfinished Nanjing Mingfa Commercial Center. Besides establishing its presence in the middle of development area while waiting the surrounding estate to be completed, the Group has ***tweaked the business mix of this store to reduce operational cost***. It has also introduced its ***pilot project of e-commerce*** to boost visibility.

- **Stable and supportive macro-environment** – growing population, rising middle-class and affluent consumers translate to a more robust customer base. Furthermore, favourable initiatives and policies from the Chinese authorities would support the company's growth.

Investment Risks

- Food scare
- Unable to find good locations for new stores / unable to renew lease / delay in store opening / disruptive (construction) projects near the stores
- Keen competition within the supermarket and departmental stores industry
- Change in consumer behavior
- Pace of Chinese economy slowdown is faster than expected

Investment Actions

We initiate coverage for ZBR with a "**Buy**" rating with a **TP of S$2.10** based on discounted cash flow (DCF) methodology, implying an upside of **21.1% (with dividends)** from its last closing price.

26 November 2015

BUY (Initiate)

CLOSING PRICE	SGD 1.78
FORECAST DIV	SGD 0.05
TARGET PRICE	SGD 2.10
TOTAL RETURN	21.1%

COMPANY DATA

O/S SHARES (MN) :	196
MARKET CAP (USD mn / SGD mn) :	247 / 348
52 - WK HI/LO (SGD) :	186 / 176
3M Average Daily T/O (mn) :	0.08

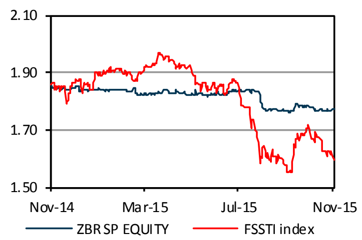
MAJOR SHAREHOLDERS (%)

LEE SWEE KENG	24.57%
CHEN KAITONG	23.89%
SU CAIYE	12.25%
LIM KOK TONG	12.14%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(0.6)	(0.3)	(2.2)
STI RETURN	(6.28)	0.63	(10.95)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

RMB MN	FY13	FY14	FY15F	FY16F
Revenue	879	882	851	926
EBITDA	26	34	60	100
NPAT (adj.)	10	35	63	64
EPS (adj.)	0.05	0.18	0.32	0.33
PER, x (adj.)	146.4	46.3	24.9	24.5
P/BV, x	16.3	15.8	12.8	11.0
DPS (SGD)	0.01	0.03	0.05	0.05
Div Yield, %	0.6%	1.4%	2.8%	2.9%
ROE, %	11.9%	36.2%	56.1%	48.2%

Source: Company Data, PSR est.

Valuation Method

DCF (WACC:7.7%; Terminal g: 2.5%)

Soh Lin Sin (+65 6531 1516)
Investment Analyst
sohls@phillip.com.sg

Company Summary

Zhongmin Baihui Retail Group Ltd. (ZBR) is principally engaged in the ownership, operation and management of department stores in the People's Republic of China. The Group operates eight self-owned stores and four managed stores in Fujian province and Jiangsu province, spanning an aggregate gross floor area of 2,055,000 sq ft as at 31 October 2015.

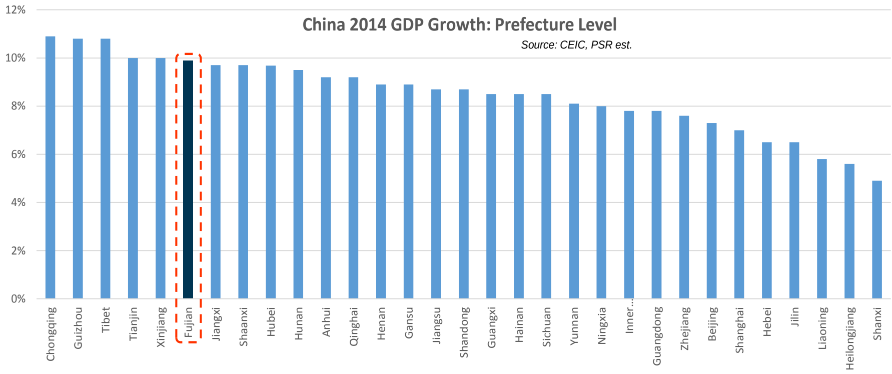
The Group's revenue is mainly derived from four sources, namely, direct sales, commission from concessionaire sales, rental income and income from managed rental.

Industry Outlook

Promising market and strong customer base

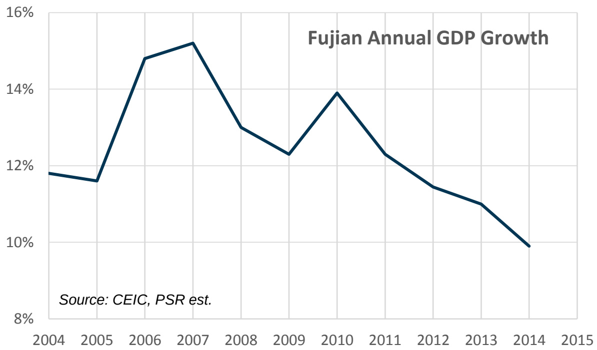
While China is one of the most competitive emerging markets globally, Fujian is one of the province with most growth potential. It has a solid record of robust growth and rising affluence in its consumer base.

Figure 1: China 2014 GDP Growth: Prefecture Level



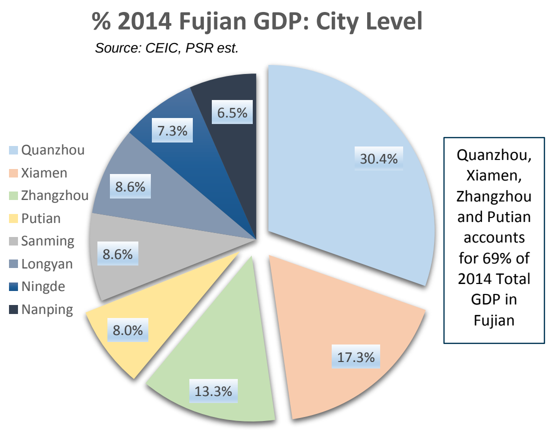
Fujian Province – the 6th highest GDP growth in China last year

Figure 2: Enjoying high single digit growth albeit slowing down



Fujian grew nearly 10% in 2014 amid China's slowdown (overall China GDP growth in 2014 is 7.4%).

Figure 3: Within Fujian Province, coastal cities are the emerging high growth cities



Cities along the sea line are more developed. Quanzhou, Xiamen, Zhangzhou and Putian account for 69% of Fujian's 2014 total GDP. The Group has a strong footing in Fujian Province, particularly in Quanzhou City and Xiamen City.

Figure 4: Fujianese with deep pockets…expanding wallet…

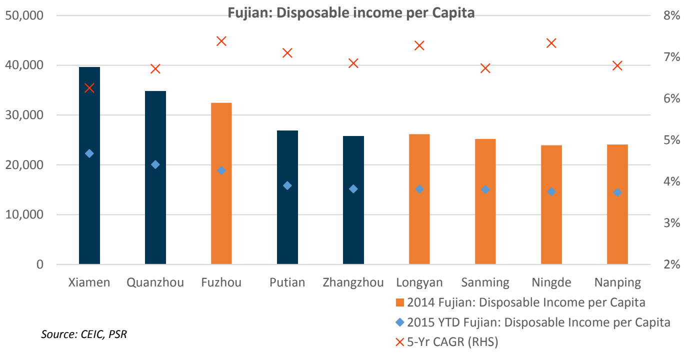


Figure 5: …and increasing market base

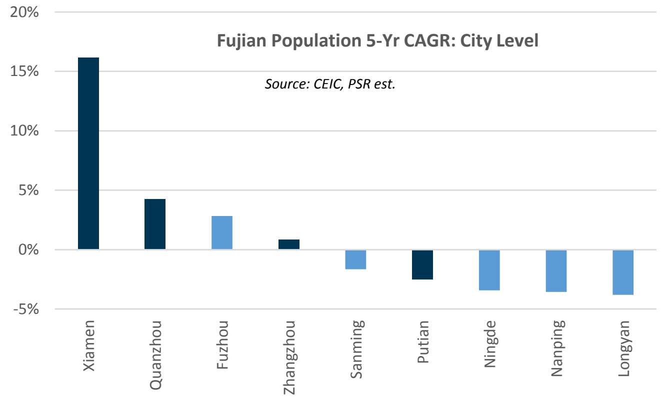
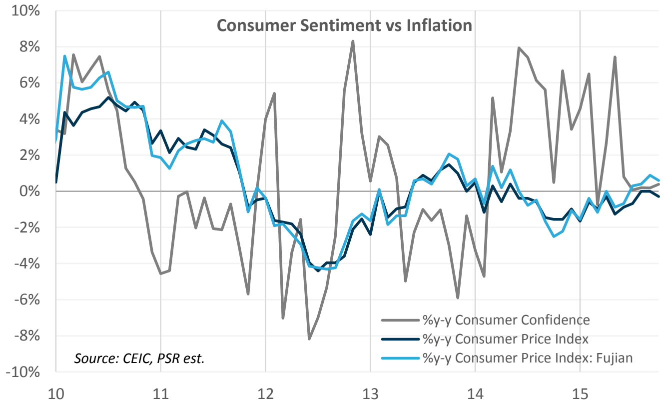


Figure 6 & 7: Consumer sentiment and retail sales remain buoyant amid benign inflation



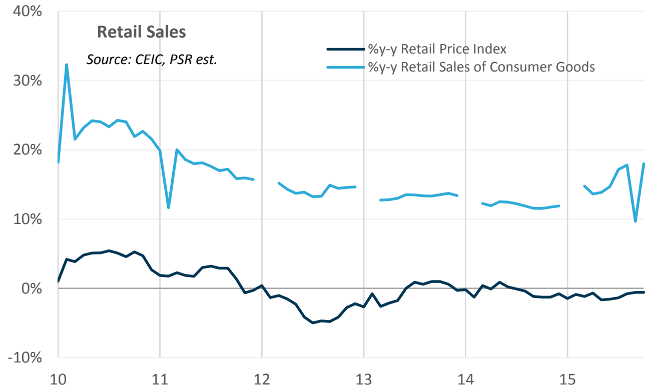
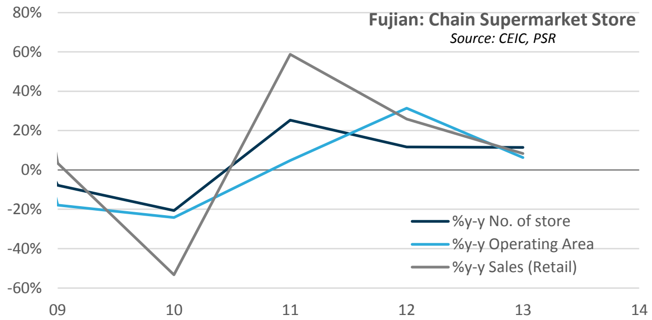
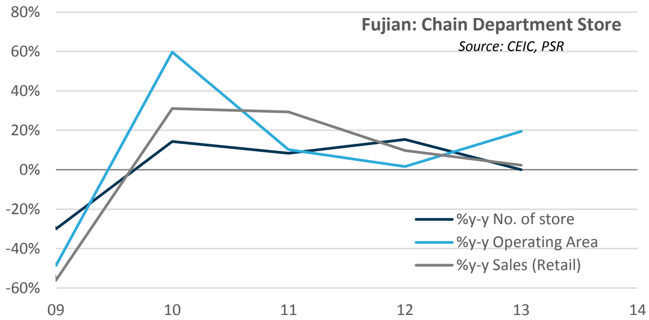


Figure 8 & 9: Maintain positive on resiliency in chain supermarket/department store





Company's Positioning

Experience matters. Leveraging on this supportive backdrop, ZBR has planted seeds across the Fujian province at strategic location since 1997 (mainly in areas where population is dense and traffic is high). Its roots have well penetrated and positioned in the Fujianese market, all ready to reap from this fertile land.

Heavy footfall in ZMBH flagship store in Quanzhou Tumen

1) A proven record of strong retail brand name

ZBR, a well-known household brand to the Fujianese, is ranked 18th in the 2014 Top 50 Chains in Fujian Province* by the Fujian Province Chain Store & Franchise Association.

** Only take into consideration of ZBR stores in Fujian, i.e. excluding Nanjing Nanzhan*

The list includes all retail chains in Fujian, such as garments, sportswear, electronics appliances, etc. Under the Supermarket Category, ZBR is ranked 3rd after Yonghui Superstores and New Huadu Supercenter.

Behind the scene is also its dedicated and experienced management whom are conversant with the consumption pattern and daily activities of Fujianese.

2) Strategic location

Prominent signboard at the entrance to Wucun Underground Commercial Street, where the Xiamen Wucun store dominates.

The stores are strategically located either at the heart of a residential area with high population density or at the crossroads of traffic flow.

For example, one of its flagship store in Xiamen Wucun which is an underground shopping area located in the heart of a major transportation hub and beneath a major bustling street.

- The store covers an area of over 300,000 sqft, four floors, including a large underground commercial street. Stretching 412m long, the underground commercial street is touted as the largest of its kind in the Fujian province.
- The street, located under Xiahe Road, is a network of walking paths and underground pedestrian crossings. It links shopping malls on both sides of Xiahe road, connects the World Trade Mall in the west and Yinhe Building in the east, as well as transit to the three major public transportations in the city: a bus rapid transit station, the Xiamen Railway Station and Wucun Long-distance Bus Station.

In addition, the high traffic flow will translate into high eyeball count, which underpins the demand for advertising space – another source of income for the Group.

There are 12 entrances leading to the 412-meter-long underground street, including 2 at the Railway Station Square, 5 in the Wucun Long-distance Bus Station, and 5 each in Southeast Aisa Hotel, Yinhe Building, Huaxia Hotel, Huaxing Building and Robinson Galleria.

3) Diverse tenant mix and proper space utilization

Interesting tenant mix increase store hours while doorbusters could draw footfall.

ZBR differentiates itself amidst the competitive retail landscape by adopting the concept of retail-tainment, offering a one-stop family-friendly shopping center. It combines retail – from daily necessities to jewelries – and entertainments – such as eateries, cinemas, and children playgrounds – to draw crowds as well as forming an alternate source of income.

It houses a pretty good mix of local and foreign brand names, providing wide range of varieties to consumers in both products and services.

- Popular local brand names such as, Chow Tai Seng, Dicos, and ANTA Sports
- Some well-known foreign brand names, including Casio, Philips, KFC, Nike, Adidas, Converse

According to the Group, average occupancy rate is at around 95%. Empty areas are usually temporal due to change of tenant and in a midst of store renovation.

Doorbusters such as seasonal clothing are also key sales driver; while marketing activities, e.g. lucky draw, organizing group activities in the space in front of the stores (e.g. Mooncake gambling a.k.a. 博饼 during Mid-Autumn Festival) could gain traction.

Utilizing outdoor space for playground rental

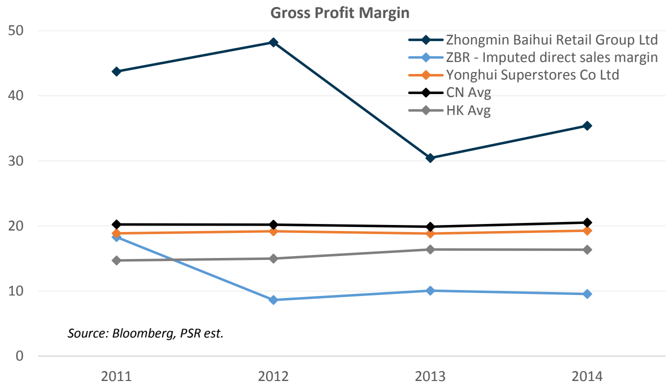
Indoor playground for kids could both increase store hours as well as draw footfalls

4) Superior margins compared to local peers

The Group's diversification strategy pays off amid nationwide economic slowdown and keen competition climate. It recorded better overall margins as compared to its pure supermarket peers despite its lower imputed direct sales margin.

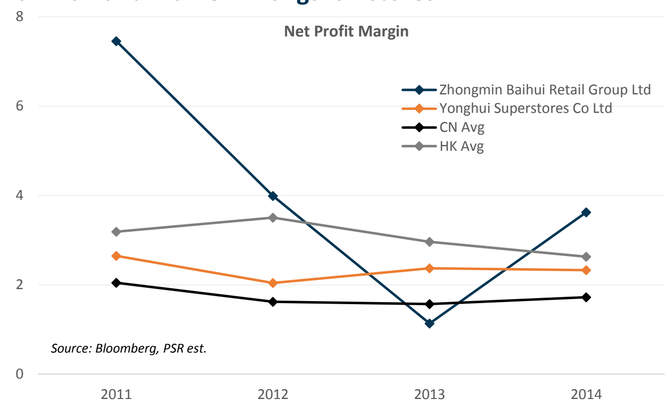
While offering affordable supermarket products to its customers, value-added services from other segments, particularly its concessionaire sales, help to lift its profitability. The diversified portfolio also helps to cushion the Group's top line while it expands and nurtures new stores. It provides business mix flexibility for the Group to weather various challenges, adding to its business resiliency and competitive edge.

Figure 10: GPM boosted by commission from concessionaire sales



ZBR – Imputed direct sales margin is the implied gross profit margin for direct sales

Figure 11: Net profit margin in FY2013 weighed by the new stores especially from Nanjing Nanzhan and Xiamen Zhongshan stores



5) Quality and safety are top priorities

Food safety has long been a problem haunting the Chinese consumer market. The management has made it a point to ensure high quality products and services are met and maintained in every stores.

- **Meeting international ISO standards for quality and food safety** – ZBR has a team of trained staff in each supermarkets to conduct daily checks on fresh foods before store opening.
- **One third policy** – All grocery inventories must have shelving lives of at least one third of its usable period. Goods that do not meet this criteria will be taken off the shelf and returned to the supplier without penalty charges.

Transparency of daily checks, results of the checks are displayed to the public

Sprinkler system installed to keep vegetables fresh

6) E-Commerce: A complementary service not a substitute

The management is of the view of that customers' emotion plays a critical role in retail experience. Senses – the ability to see, to feel, and to try – enhances customers satisfaction. As such, e-commerce can only be another distribution channel, and will not displace retail shops. Evidently, a lot of e-commerce companies are moving their shops into the physical realm by setting up showrooms and brick-and-mortar shops.

Nonetheless, not underestimating the potential in e-commerce business, but taken into account of the shortfall in economies of scale, the Group has partnered with an e-commerce platform, Beijing 19e E-commerce Co. Ltd, as a pilot program to test the waters.

The tie-up will be managed by its partner and is targeting to serve customers within a short distance of the Nanjing Nanzhan store.

It is currently still in a gestation stage.

Acknowledging the power of internet and social networking app, the Group also prefers to advertise via its website and Weixin.

Source: http://www.xedaojia.com/web/cooperJoin.html

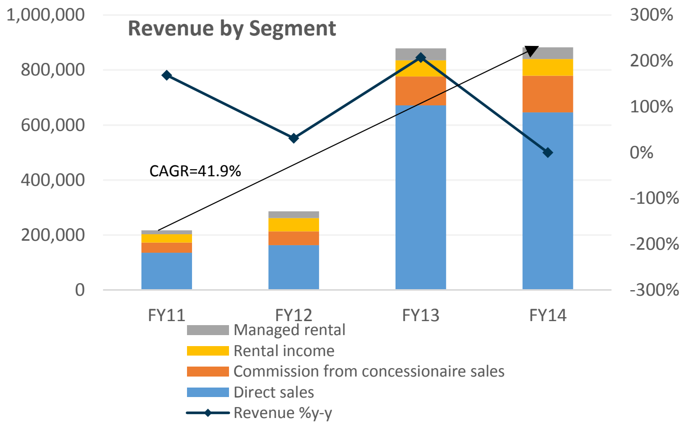
Source: http://www.weibo.com/zmbaihui

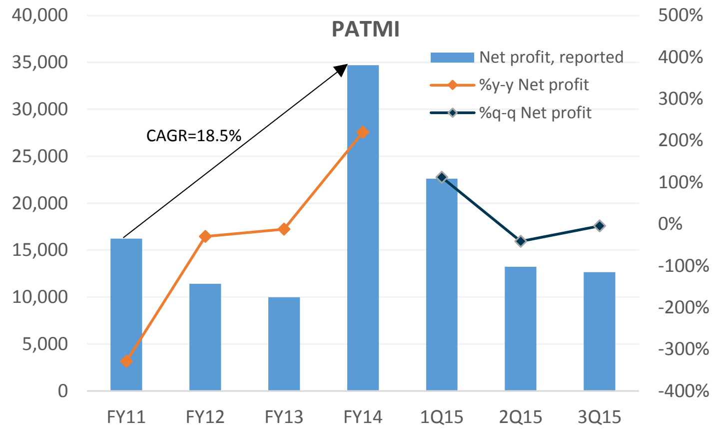
Financial Highlights

1) Strong financial position – Debt free and cash rich

- Revenue grew from RMB217.5 mn in FY2011 to RMB882.4 mn in FY2014, recording an impressive 3-year CAGR of 41.9%.
- PATMI, however, recorded a CAGR of 18.5% during the period, weighed by slow sales activities in Xiamen Zhongshan and Nanjing Nanzhan stores in FY2013.

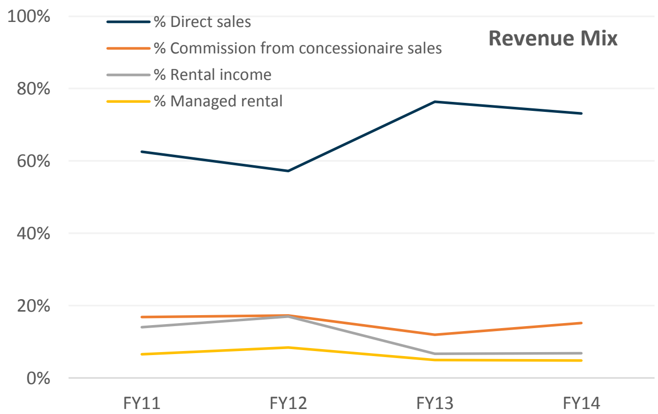
Figure 12 & 13: Exciting Revenue and PATMI for FY2011-2014 CAGR

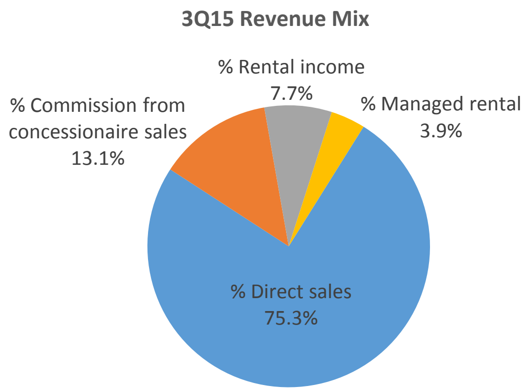




Sources: Company, PSR est.

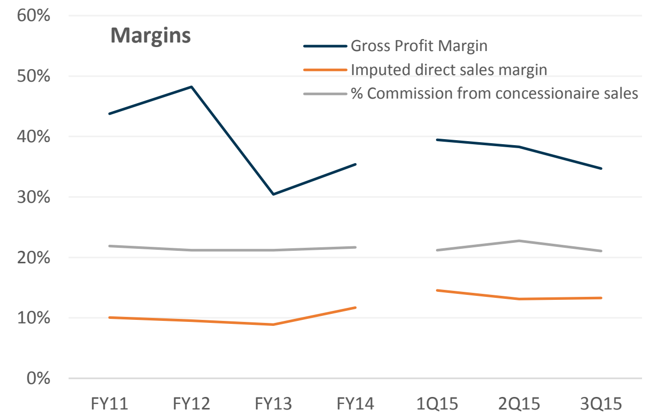
Figure 14 & 15: Direct and Concessionaire Sales driving top line





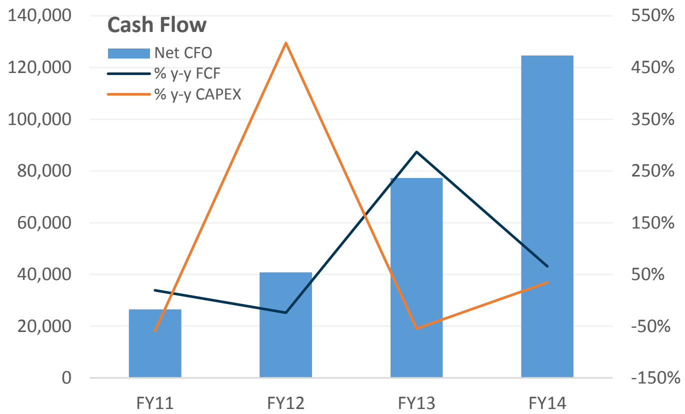
Sources: Company, PSR est.

Figure 16: Lower sales in gold improved Direct Sales margin



Sources: Company, PSR est.

Figure 17: Continue to generate strong cash flow



Sources: Company, PSR est.

Figure 18: Piling up cash

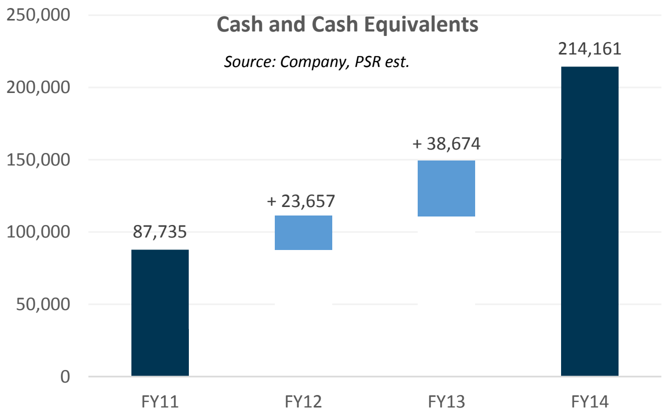
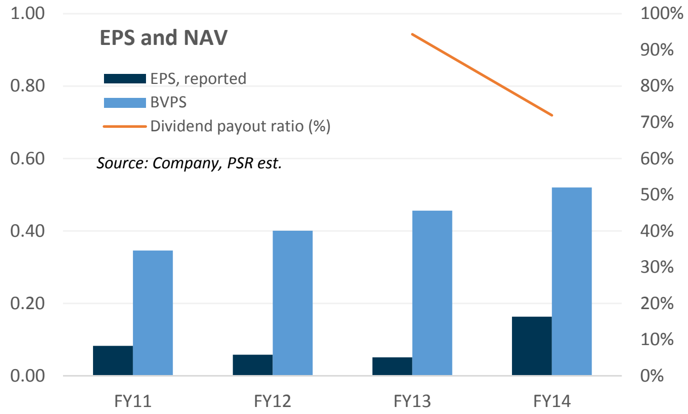


Figure 19: Growing EPS and BVPS, but FY14 Dividend was affected by expansion



2) High liquidity backed by a gold vault

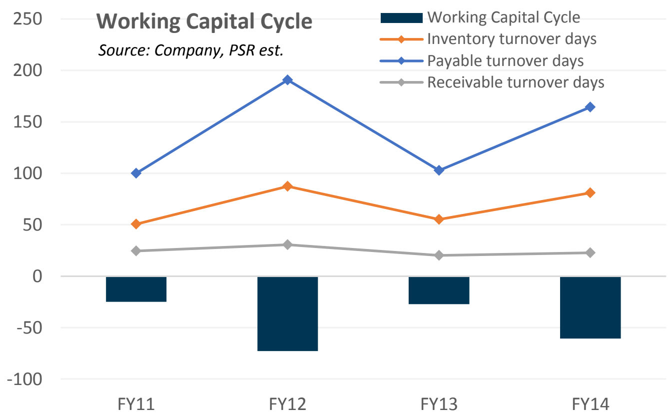
ZBR has a huge inventories of gold. Gold accounts for 50% of inventory and 11% of direct sales.

Chinese retail appetite for gold has shrank in FY2014, impeding inventory turnover. Nonetheless, the favorable credit terms by suppliers provided the Group ample room to maneuver.

It continues to appeal to cost-cautious customers by offering jewelries at a cheaper price compared to its competitors (e.g. Chow Tai Fook) as it charges a lesser premium for workmanship, brand name and design.

Self-owned gold and silver stores

Figure 20: Negative Working Capital Cycle enabling the Group to expand



3) Restructuring and consolidation to improve operational efficiency as well as profitability

The Group has commenced a series of cost saving measures to improve profitability

- **Staff costs management** – The Group has simplified management by reducing layers of management, as well as redeployed experienced staff to nurture new stores, have improved overall productivity and lowered selling and distribution expenses and administrative expenses.
- **Reducing operational loss** – Both decisions to close Xiamen Zhongshan store (in July 2015) and change sales mix in Nanjing Nanzhan store (in FY4Q14) have helped the bottom line.
- **Dropping unprofitable low-end merchandises** – The Group is reviewing its department stores sales structure by ceasing sales of some low-end merchandises which require intensive sales labor.

Potential Catalysts

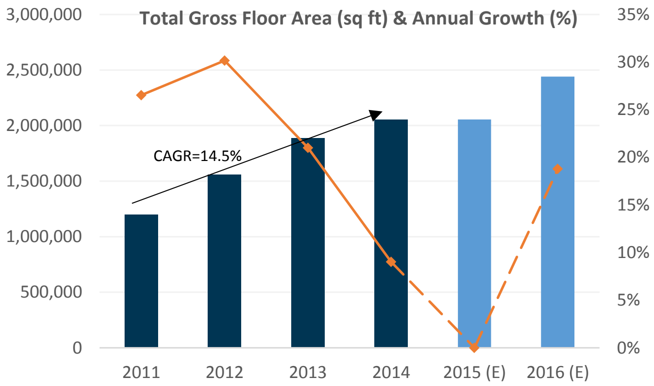
1) New stores opening

Over the next two years, **new stores in the pipelines** that could significantly improve the top line are – Putian Xianyou Store, 73,000 sq ft, Quanzhou Quangang Zhongxing Store, 219,000 sq ft and Quanzhou Anxi Xincheng Store, 86,000 sq ft.

In addition, in line with its previous guidance, the Group has also recently signed two leases for **two smaller stores in Quanzhou city** – one in a mature residential district (1,000 sq m), and the other is in Anxi County (3,700 sq m) – targeting to start operations by 1QFY2016.

The five new stores would **add another 18.8% store space by end-16**, bringing total store network to 16 (considering closure of Quanzhou Quangang Store).

Figure 21 & 22: Expansion mode intact



Sources: PSR est.

Putian Xianyou (Ground level)

Putian Xianyou (Basement level)

Quanzhou Quangang Zhongxing

2) Riding the potential upside in Haicang

Venturing into the rental market in Haicang District, Xiamen City, is a strategic move for ZBR. Via its 30% associate, Citi-Base Holdings, it gained access to business opportunities in Haicang market located in the free-trade zone (FTZ). Preferential policies would make the district a desirable business hub.

The commercial complex which is currently under construction is mainly for rental purposes. Phase one is a 3-floor block with a basement carpark. Phase two comprises two buildings of 10 and 18 floors. Phase three is a 14-floor office building. The entire project will have a total GFA of 113,500 sq m.

It has also separately entered into a joint venture agreement with two other parties to establish an exhibition center, by the name of Xiamen Ganghui Commercial Limited with 19% interest.

The setup of the exhibition center is to provide venues mainly for exhibition and promotion of imported goods, which is viewed as synergistic to ZBR as it exposes the group to a wider network of suppliers. The completion of the commercial complex will introduce a new stream of recurring rental income to the Group.

3) Turning Point for Nanjing Nanzhan Store

Similarly, setting foot into the capital of Jiangsu province is an opportunistic move. Its maiden store outside of Fujian province is located within the development area of the Nanjing Mingfa Commercial Center, where the Nanjing municipal government aims to create a "one-stop shopping paradise" of over 4 mn sqft, boosting the commercial center's status in the international commercial retail scene.

Upon completion of construction, the area will be packed with hotels, restaurants, entertainment, and leisure facilities, where the Nanjing Nanzhan store could tap into the large tourist crowd as well as locals. However, the sluggish progress of development has taken a toll on the store's sales. The management disclosed that the store is still experiencing operating losses in 3Q15.

Nonetheless, it also marked an important step for ZBR's growth as it brings the local Fujian brand beyond its comfort zone. The pilot program on e-commerce via mobile app would help to boost brand awareness within the city. Improved earnings at the Nanjing Nanzhan store post cost rationalization and rebalancing sales mix (increasing rental income segment) should help to elevate the Group's financial performance.

Forecast Assumptions

We forecasted a 6.8% revenue 3-year CAGR for 2014-17, which is in line with the moderating Chinese economic growth to below 7%. The top line growth will be driven by the five new stores and a 30bps improvement in gross margin. Eventually, these will translates to a 26.5% net profit CAGR for the same period.

1) Number of outlets and business aspirations

As part of the Group's expansion project, the five new stores would bring total store space to 2,440,700 sq ft and total store network to 16 by end-16.

The management shared that they are currently cautious on its expansion plan given the backdrop of uncertainty. Nonetheless, opportunities prevail in weak property market, the Group will continue to lookout for expansion opportunities (via organic growth, acquisitions, joint ventures and strategic alliances) and remains open to good locations with attractive intrinsic values.

Sidetracking from its initial target to grow its department stores in Fujian, the Group is currently looking to focus on its supermarket business. The management shared that it will continue to explore the option of expanding relatively smaller outlets which are more cost-effective (lesser CAPEX and shorter start-up period).

These pure supermarket small stores will be able to reach out to localized population segments, help brand name to grow, as well as to boost sales per sqft and sales turnover.

Therefore, we think that the initial targeted gross floor area of 3,229,000 sqft (300,000 sqm) is still achievable, but could take a longer period of time instead of materializing by 2016. We also think that it is likely for the Group to extend its reach along the sea line, e.g. Fuzhou, and within the Fujian Province where it has a strong brand name.

2) Profit margins

Over the next two to three years, the five new stores in the pipelines is expected to lift the top line. Meanwhile, the Nanjing Nanzhan store should start to contribute positively to the Group as it rents out close to 50% of its store area.

Expenses in 2014 was bumped up by the Xiamen Zhongshan store (high rental expenses as well as impairment losses on its lease termination).

The Group has been implementing cost control measures since 4Q14. We expect 1) cost control measures to continue, therefore reducing selling and distribution expenses, as well as administrative expenses; and 2) expenses % of total revenue to remain higher than

FY13, which is in line with its expansion plan. Consequently, we expect gross margins to improve by 30bps on the top level to 38.0%.

Figure 23: Direct sales should continue to drive revenue, while managed rental is to shrink in conjunction with its effort to wind down managed stores

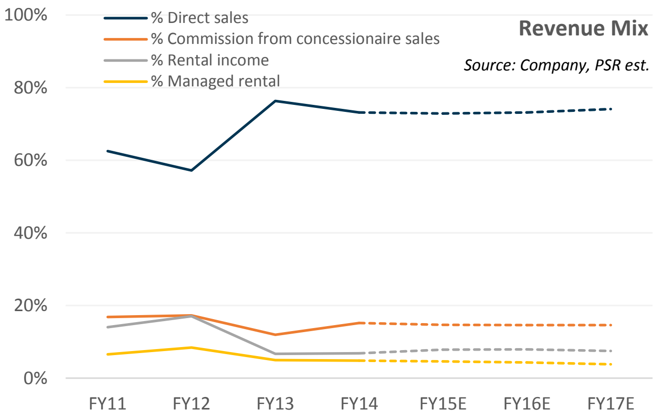


Figure 24: Other income increased on higher advertisement and promotional income, but expected to decrease on lower management fees from managed stores

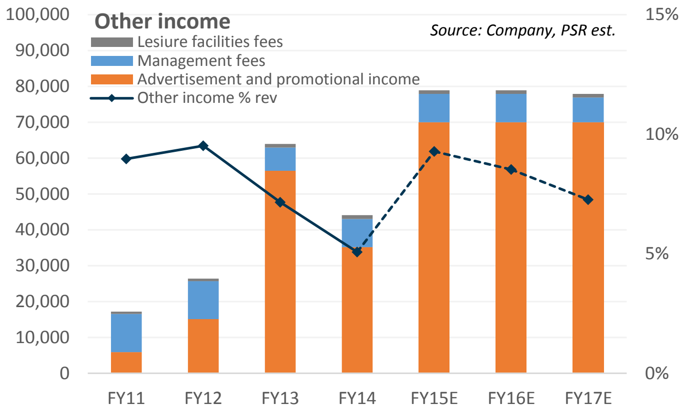


Figure 25: Lower selling and distribution expenses and administrative expenses in FY15

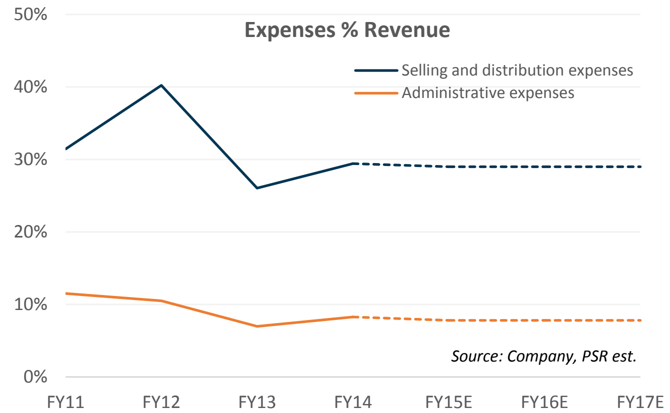
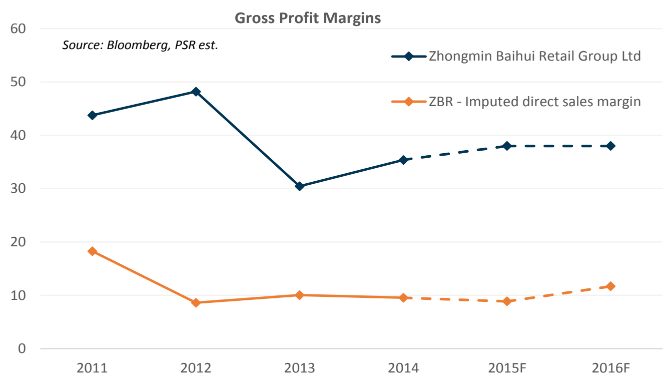


Figure 26: Margins improvement



3) Working capital cycle

We expect ZBR to maintain its negative working capital cycle over FY2015-17:

- **Inventory turnover days** to maintain at below 90 days *due to lower sales in gold, which accounts for 50% of its inventory*
- **Receivable turnover days** to maintain at below 30 days. *Most of its trade receivables are due from a large telco, who gives out Zhongmin Baihui gift cards to its customers as part of its reward scheme*
- **Payable turnover days** to maintain at 164 days. *Similar credit terms with its suppliers and landlords for its new stores.*

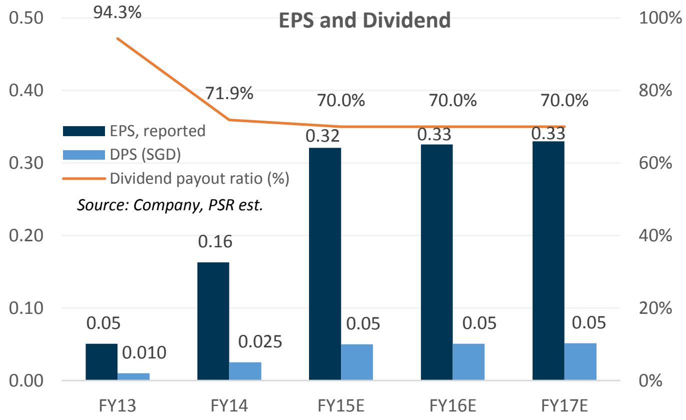
4) Dividend policy

The Group does not have a fixed dividend policy, and has made its maiden dividend of S$0.01 cent per share in FY2013, which implied a 94.3% payout ratio. Subsequently, it has also declared an interim and final dividend which totaled to S$0.025 cent per share in FY2014.

Cash rich, we expect ZBR to continue to fund its capex internally and payout 70% of its earnings to reward its shareholders.

In addition, we applied exchange rate of 4.50 RMB to S$ over FY15-17 to reflect our long term positive view on RMB.

Figure 27: Sustainable EPS and dividend payout



Sources: Company, PSR est.

Valuation

ZBR currently trades at a 49.6x FY14 PER, which is 81% higher compared to its regional peers' at 27.2x. However, it is trading at a 8% discount to its Chinese peers. The lower PER accounts for ZBR's 1) smaller market capitalization and 2) single province concentration risk. Nonetheless, we expects the FY15E PER to further normalize to 24.9x.

We are **Positive** on the stock for its 1) strong brand equity backed by experienced management team, 2) growing customer base and industry resiliency, and 3) strong cash position.

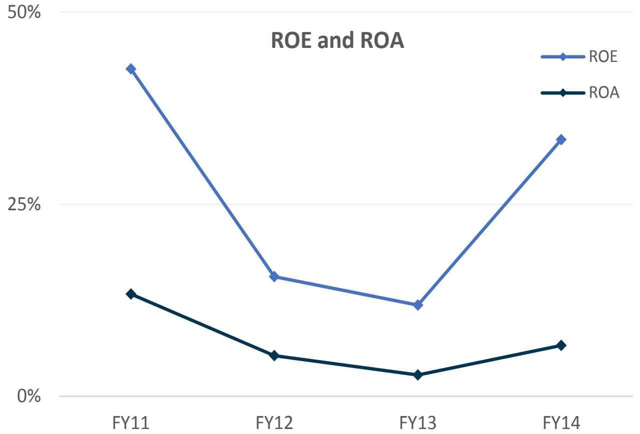
We initiate coverage for ZBR with a "**Buy**" rating with a **target price of S$2.10** based on discounted cash flow (DCF) methodology. This implies an **upside of 21.1%** (with dividends) from its last closing price.

Figure 28: Valuation

Item	WACC	Target
A	Current share price	1.775
B	No. of shares	78,917,234
A x B = C	Market capitalisation	140,078,090
D	Total debt	0
C + D = E	Total value	140,078,090
C / E	Equity ratio	100%
D / E	Debt ratio	0%
	Cost of debt	
	Interest rate	0.0%
	Tax rate	25.0%
	After-tax interest	0.0%
	Cost of equity	
	Risk free rate	3.50%
	Market risk premium	7.0%
	Beta	0.59
	Cost of equity	7.7%
	WACC	7.7%
	Terminal growth rate	2.5%

Item	Financials (RMB'000)	Cash Flow				
	Year	FY16e	FY17e	FY18e	FY19e	FY20e
	OCF	101,635	111,688	103,348	104,066	106,252
	Capex	(14,819)	(17,174)	(17,748)	(18,347)	(18,974)
	FCF	86,817	94,514	85,600	85,719	87,278
	Terminal value					1,736,751
	PV	80,646	81,557	68,615	63,827	1,261,657
F	Enterprise value	1,556,302				
G	Add: Net Cash	303,221				
H	Less: Minority Interest	0				
F + G + H = I	Equity value	1,859,523				
J	No. of shares ('000)	196,320				
I / J	Fair value/share (RMB)	9.47				
	Fair value/share (S$)*	2.10				
	**Assuming CNYSGD: 4.50*					

Figure 29: Consistently high ROE of more than 10% since IPO



Sources: PSR

Figure 30 & 31: ZBR's YTD performance – Outperforming STI and PER below its YTD average

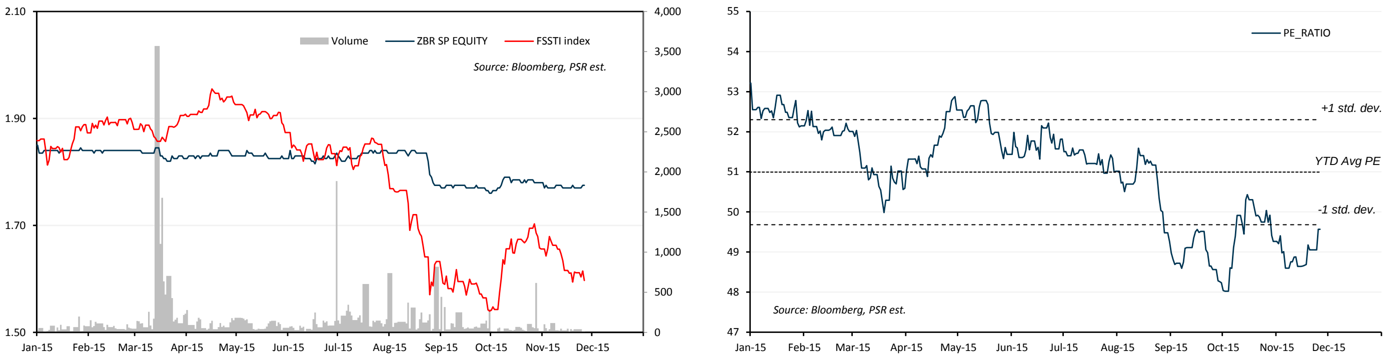


Figure 32: Peer Comparison Table

Company	Bloomberg Ticker	Mkt Cap (SGD mn)	EV (SGD mn)	EV/EBITDA TTM	EV/EBITDA FY1	EV/EBITDA FY2	P/E	P/E FY1	P/E FY2	Net D/E (%)	ROA (%)	ROE (%)	P/B	Dividend Yield (%)	Gross Profit Margin	Net Profit Margin
Zhongmin Baihui Retail Group Ltd	ZBR SP	348.5	295.6	25.2	11.8	10.9	49.6	24.9	24.5	Net Cash	6.6	33.4	15.5	2.0	35.4	3.6
Singapore																
Isetan Singapore Ltd	ISET SP	183.2	107.6	N/A	N/A	N/A	N/A	N/A	N/A	Net Cash	-4.2	-5.2	1.0	1.7	N/A	-0.9
Parkson Retail Asia Ltd	PRA SP	182.9	27.1	N/A	0.6	0.6	23.1	10.0	11.7	Net Cash	-8.7	-18.2	1.2	22.2	N/A	-8.1
Average				N/A	0.6	0.6	23.1	10.0	11.7	N/A	-6.5	-11.7	1.1	12.0	N/A	-4.5
China																
Yonghui Superstores Co Ltd	601933 CH	9,558.5	8,109.5	23.1	18.7	15.4	40.7	44.0	35.3	Net Cash	5.6	10.2	3.6	1.1	19.3	2.3
Shanghai Bailian Group Co Ltd	600827 CH	7,191.0	5,531.6	N/A	N/A	12.2	25.4	24.0	26.7	Net Cash	3.3	9.5	2.3	1.3	20.9	2.1
BeijingHualian Hypermarket Co Ltd	600361 CH	1,188.5	215.0	N/A	2.7	2.1	96.2	147.6	135.3	Net Cash	0.5	1.8	1.7	1.2	21.4	0.8
Average				23.1	10.7	9.9	54.1	71.9	65.8	N/A	3.1	7.2	2.5	1.2	20.5	1.7
Hong Kong																
Sun Art Retail Group Ltd	6808 HK	10,424.4	9,362.4	8.9	6.6	6.2	17.7	18.6	18.3	Net Cash	5.6	14.0	2.4	2.7	22.9	3.2
Wumart Stores Inc	1025 HK	1,294.9	1,043.9	9.9	4.7	4.3	17.6	14.9	13.9	Net Cash	2.8	8.6	1.5	N/A	9.8	2.1
Average				9.4	5.6	5.3	17.7	16.8	16.1	N/A	4.2	11.3	1.9	2.7	16.3	2.6
Taiwan																
Shin Shin Co Ltd/Taiwan	2901 TT	83.5	68.6	27.4	N/A	N/A	47.2	N/A	N/A	Net Cash	4.1	4.8	2.2	1.7	86.5	23.8
South Korea																
E-MART Inc	139480 KS	7,423.0	12,266.6	10.8	10.1	9.0	12.2	11.2	13.8	51.9	3.5	7.2	0.9	0.7	27.9	2.2
Indonesia																
Matahari Putra Prima Tbk PT	MPPA IJ	1,092.4	1,129.4	12.1	12.5	10.9	24.0	22.6	21.0	Net Cash	7.8	16.1	3.7	1.8	17.3	4.1
Thailand																
Siam Makro PCL	MAKRO TB	7,231.7	7,487.5	23.0	21.2	17.9	33.9	32.7	27.7	9.4	13.6	45.1	14.3	2.1	10.6	3.4
Big C Supercenter PCL	BIGC TB	6,499.0	7,261.9	13.8	13.3	12.2	22.6	22.3	19.9	32.1	7.7	17.3	3.7	1.3	21.0	5.5
Average				18.4	17.2	15.0	28.3	27.5	23.8	20.7	10.7	31.2	9.0	1.7	15.8	4.5
Malaysia																
Parkson Holdings Bhd	PKS MK	386.1	936.8	6.4	5.5	5.1	16.2	9.6	8.6	Net Cash	0.9	3.0	0.4	N/A	N/A	1.2
Philippines																
Robinsons Retail Holdings Inc	RRHI PM	2,899.5	2,835.3	15.9	14.2	12.1	23.2	22.1	19.2	Net Cash	7.5	10.4	2.3	0.7	21.7	4.4
Puregold Price Club Inc	PGOLD PM	2,853.9	2,957.2	11.8	11.8	10.4	20.3	19.4	17.3	Net Cash	9.4	13.3	2.6	0.9	17.1	5.3
Average				13.9	13.0	11.3	21.7	20.8	18.3	N/A	8.4	11.9	2.4	0.8	19.4	4.9
Simple Average (Excl. ZBR)				15.2	9.4	8.4	27.2	23.8	22.4	36.3	4.0	9.0	2.7	2.8	29.1	4.5

Source: Bloomberg, Phillip Securities Research (Singapore) Estimates

Risks

1) Competition

Supermarket chains are mushrooming in China. Chinese opening up policy have brought many large international players to this flourishing land, attempting to gain a share in the grocery market.

However, good times do not last long when Chinese government issued a new tax policy in Dec-10. The new government policy increases foreign companies' operating costs as multiple privileges such as tax breaks and favorable lease terms ceased, stripping off their competitive edge.

- **Foreign players winding down branches and slowing expansion, opening up market share for grab** – Tesco closed four supermarket stores in China in Aug-15; while Carrefour and Walmart have both decided to reduce the number stores but pledged to seek opportunities to expand in the region.
- **Local players are faring better relative to their struggling foreign counterparts** – New Huadu Supercenter and Yonghui Superstores increased the number of their stores significantly, while Beijing Hualian Group aims to open 30 stores.

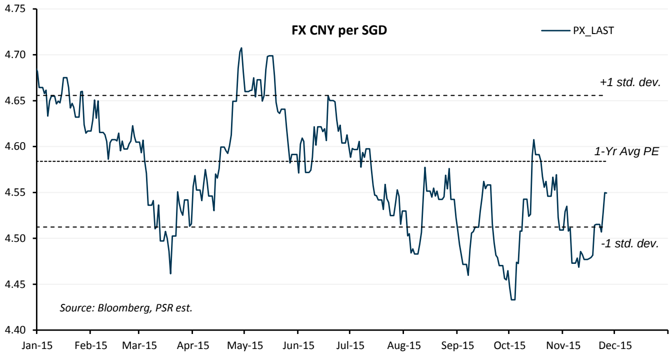
2) Stores and leases

- Unable to find good locations for new stores
- Unable to renew lease (at favorable terms)
- Delay in store opening
- Disruptive (construction) projects near the stores

3) FX/Currency risk

The Group's main operational subsidiary's sales, purchases, receipts, payments are traded primarily in RMB. As such, it has minimal currency exposure to SGD, except for the dividend remittance and the operating expenses of its Singapore company.

Figure 33: Long term positive outlook on RMB



4) Costlier labor and rental could weigh on margins

Rental and labor are ZBR's key expenses.

- Growth in average wage for commercial workers has picked up pace since 2013, when China is rebalancing its economy to a consumption-led growth model.
- Against the backdrop of slowing property market and unlikely recovery in commodity prices, we do not expect a jump in rental costs and input prices within the province.

Figure 34: Rising labour cost

Figure 35: Expects no surprise jump in rental costs

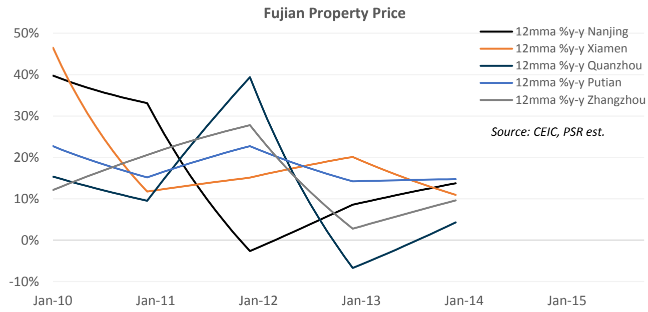
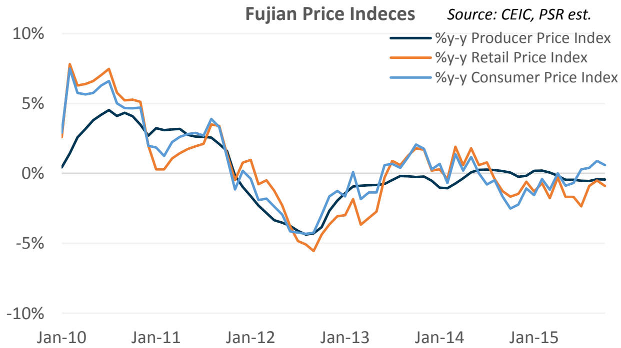


Figure 36: Benign input prices



5) Other risks affecting demand

- Pace of Chinese economy slowdown is faster than expected
- Change in consumer behaviour – Trend of affluence consumers willing to travel extra miles to purchase daily necessities like milk powder, apparels, luxurious goods, etc.
- Food scare - Negative news on Chinese food, food scams, diseases, etc.

SWOT Analysis

Strengths	Weakness
▪ Strong retail brand name, ability to attract concessionaires and suppliers. ▪ Dedicated an experienced management. ▪ Strategic location provides a higher bargaining power to tenants. Low lease rate, with market rate charged to sub-tenant Ability to extract more value from the chain from sub-tenant. ▪ Reliable partners to obtain lease at a bargain (large space at reasonable price). ▪ Competitive edge in seeking good location and attractive deals, and support from the local government. ▪ Strong financial position – cash rich with huge gold inventories. ▪ Ability to pass on cost to customers. ▪ Diversified portfolio. Different models to complement each other as well as to cushion short term weakness in specific segments. ▪ Flexibility in determining business mix.	▪ Cannibalism due to another ZBR store in the vicinity. ▪ Highly labor intensive. ▪ Single province-dependent.
Opportunities	**Threats**
▪ New stores. ▪ Rental income to grow in tandem with government's policy easing in the property market. ▪ Possible new business model – Smaller pure supermarket outlets, introducing e-commerce. ▪ Improvement on logistics, warehousing and bulk purchasing to improve margins.	▪ Intense competition within the industry, rising from both domestic and overseas. ▪ Low barrier to new entrant. ▪ Challenges to obtain good location with big floor area. Lack of supply for leases with big retail space in old cities (where there are higher resident density as compared to the new cities).

Company Background

Zhongmin Baihui Retail Group Ltd is principally engaged in the ownership, operation and management of department stores in the People's Republic of China under the name "中闽百汇".

It was incorporated in Singapore on 17 Sep-04, listed on the Catalist Board of the Singapore Exchange on 20 Jan-11, and was subsequently transferred to the Mainboard on 3 Sep-13.

It started its first store in Anxi County, Quanzhou City, Fujian province in 1997, and has expanded its footprint in Fujian province and Jiangsu province to operate eight self-owned stores and four managed stores spanning an aggregate gross floor area of 2,055,000 sq ft (190,900 sq m) as at 31 October 2015.

The four managed stores are owned by a related company, Quanzhou Zhongmin Baihui, and the Group receives fixed management fees (RMB1.0 mn per managed store p.a., payable on a monthly basis and are subjected to review every three years) for running these stores.

Most of the self-owned stores are under favorable lease agreements, with lease terms ranging from 8 to 20 years. The Group does not need to worry about lease renewal until 2021.

Figure 37: Stores location

Source: Company (as of 31 Dec 2014)

Fujian Province

Quanzhou City

Quanzhou Anxi Store, 1997

- Managed
- 6,400 sq m
- Strategically located in the commercial center of Anxi County with high and constant pedestrian flow and high visibility, and within close proximity to the residential areas.

Quanzhou Tumen Store, 1999

- Self-Owned (Transferred in 2013)
- 16,400 sq m
- Located in one of the busy shopping belts in the city center of Quanzhou City with constant pedestrian flow and high visibility.

Quanzhou Quangang Store, 2003

- Managed
- 4,000 sq m
- Located in the center of Quangang District, an industrial area for petrochemicals with high and constant pedestrian flow and high visibility, and center of the residential areas.

Quanzhou Quanxiu Store, 2006

- Self-Owned (Transferred in 2013)
- 10,400 sq m
- Situated at the city center of Quanzhou City with high pedestrian flow and high visibility, next to the public transportation systems and within close proximity to the residential areas.

Quanzhou Hui'an Huixing Store, 2009

- Managed
- 10,900 sq m
- Located in the heart of Hui'an County with high and constant pedestrian flow and high visibility, and within the residential areas.

Quanzhou Xinhua Store, 2013

- Self-Owned
- 14,400 sq m
- Located in a historic district of Quanzhou City with several attractions for domestic and foreign travelers in close proximity.

Quanzhou Qiaonan Store, 2014

- Self-Owned
- 6,300 sq m
- Located at intersection to several city areas such as Jinjiang District, Quanzhou Development District, and South District of Quanzhou Bridge.

Quanzhou Hui'an Chengnan Store, 2014

- Self-Owned
- 25,400 sq m
- Located with Hongyi Baihui Centre, an integrated shopping mall at the southern area of Hui'an County which is adjacent to Luoyang town area in Hui'an County.

Quanzhou Quangang Zhongxing Store, 2016 (Expected)

- Self-Owned
- 20,400 sq m
- Located at the intersection of Zhongxing Street and Xuefu Road which are the main roads in Quangang District's central area and is close to the offices of the Quangang District Government.

Quanzhou Anxi Xincheng Store, 2016 (Expected)

- Self-Owned
- 8,000 sq m
- Located between Guanqiao Town and Longmen Town.

Small store - Quanzhou mature residential district, 2016 (Expected)

- Self-Owned
- 1,000 sq m

Small store - Quanzhou Anxi, 2016 (Expected)

- Self-Owned
- 3,700 sq m

Xiamen City

Xiamen Wucun Store, 2009

- Self-Owned
- 28,700 sq m
- One of the largest underground retail malls in Fujian province. Located in the commercial center of Xiamen City, in the heart of a transportation hub that is a nexus linked by walkways and underground pedestrian crossings to bus terminals, a Bus Rapid Transit (BRT) station and Xiamen Railway Station.

Xiamen Jiahe Store, 2011

- Self-Owned
- 23,300 sq m
- Located in the heart of a residential area in Xiamen City with heavy human traffic and will be served by lines 1 and 2 of the new subway network which is currently under construction.

Xiamen Haicang Store, YTC

- Self-Owned
- 8,000 sq m
- Located in a mature area of Haicang District and is in close proximity to the main road of free trade zone with an extensive public transport network directly to Xiamen Island and other nearby districts such as Xinglin and Jimei.

Zhangzhou City

Zhangzhou Zhongshan Store, 2003

- Managed
- 11,100 sq m
- Located in the city center of Zhangzhou City with high and constant pedestrian flow and high visibility.

Zhangzhou Longwen Store, YTC

- Self-Owned
- YTC
- 43,700 sq m
- Located next to the Central Business District and the municipal government of Zhangzhou City, surrounded by residential buildings and schools.

Putian City

Putian Xianyou Store, 2016 (Expected)

- Self-Owned
- 6,700 sq m
- Located in Xianyou Lizhong Wenti Lvhua Square which is within the area of Central Park of Xianyou County, a densely populated one-stop hub for shopping, leisure and entertainment.

Jiangsu Province

Nanjing Nanzhan Store, 2012

- Self-Owned
- 33,600 sq m
- Located next to the Nanjing Railway Station which is the biggest train station in Asia.

Source: Company

Business segments

The Group's revenue is mainly derived from four sources, namely, direct sales, commission from concessionaire sales, rental income and income from managed rental**.**

1. Direct Sales

- Supermarket (offers both fresh foods and dry goods), jewellery sales to customers. Products are sourced and sold by itself.
- Second largest contributor to gross profit.

Accounts for >70% of total revenue.

Supermarket – Dry products and fresh foods *(including vegetables, fruits, meat, and live seafood)*

Just-in-time Inventory

- *Reduce stock obsolescence*
- *Optimize and balancing retail and storage spaces*
- *Minimize utilities cost for storage areas*

Bulk purchasing is harder due to logistics and suppliers constraints, but did not elimiate the option of central warehousing

2. Commission from concessionaire sales

- Based on a fixed sum or an agreed percentage of sales (average of 21% of gross proceeds from concessionaire sales), whichever is higher. The amount includes maintenance fees charged to tenants.
- Largest contributor to gross profit.

Accounts for ~15% of total sales.

Departmental stores

Some renown particpating partners

3. Rental income

- Rental of premises at fixed rates for a period of one to five years. Favorable lease terms enable ZBR to earn a good spread even if it rents at a market rate.
- Also provides temporary and seasonal leases of spaces in the department store for suppliers to conduct promotional activities. This improves shopping experience, gives flexibility to space utilization, as well as helps to improve foot traffic.
- Rental income inclusive of maintenance fees charged to lessees.

Accounts for ~7% of total sales.

4. Managed rental

- Fixed rent plus management fees.
- Provides more shopping options to customers.

Accounts for ~4% of total sales.

Other sources of income include fixed management fees from the four managed stores and advertising and promotion fees.

Group structure

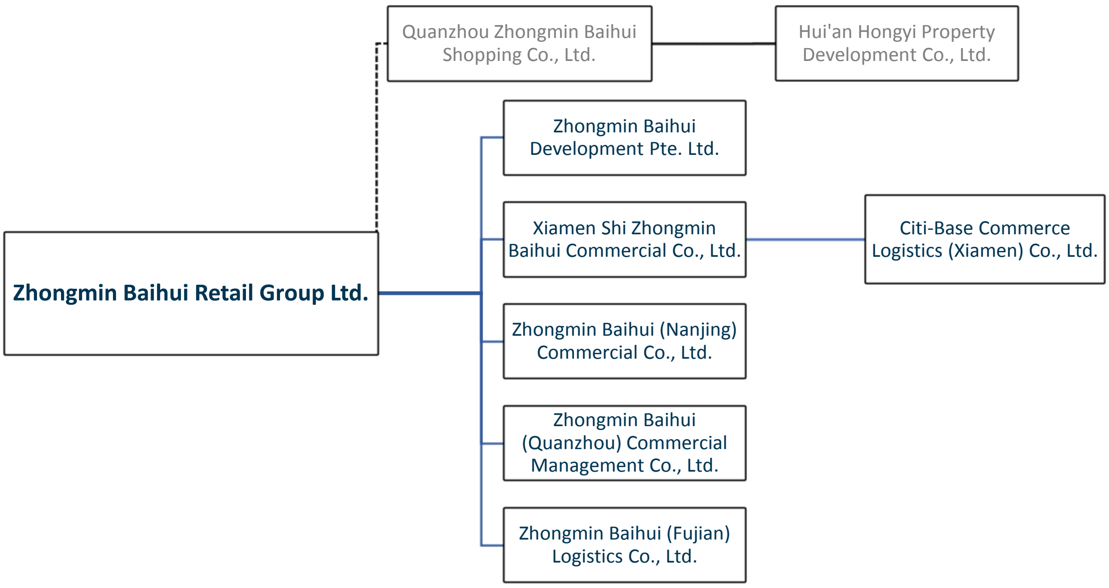
Debunk negative myths: Enhancing corporate governance, clear-cut structure to minimize IPT

The transfer of both Tumen and Quanxiu stores in Quanzhou in 2013 are testament of the Group honoring its pledge to both the Singapore Exchange (SGX) as well as its shareholders to minimize potential conflict of interest arising from the interested party transaction (IPT).

Pre-IPO, the Group had six Managed stores – five stores in Quanzhou (namely, Anxi, Tumen, Quangang, Quanxiu, and Hui'an Huixing) and one store in Zhangzhou Zhongshan. It had ceased growing its Managed stores segment since then and had agreed to eventually close or transfer its Managed stores from Quanzhou Zhongmin Baihui (the parent company of ZBR's Managed sores) to ZBR. The Group has also indicated its intention of discontinuing its Quanzhou Quangang store once its new Quanzhou Quangang Zhongxing store is opened (also due to close proximity to each other). It will also consider winding down one or two stores after their leases expire.

The continuous effort are viewed positively as it showcased Management's active role in improving its governance and transparency.

Figure 38: The Group and its sister private company, Quanzhou Zhongmin Baihui Shopping Co., Ltd.



Quanzhou Zhongmin Baihui Shopping Co., Ltd.

	Position in ZBR	Shareholding in ZBR	Shareholding in Quanzhou ZMBH
Mr Chen Kaitong	CEO and ED	23.72%	61.70%
Mr Su Caiye	Non-ED	11.86%	30.85%
Mr Su Jianli	Deputy CEO and ED	2.87%	7.45%

** As of 12 March 2013*

Hui'an Hongyi Property Development Co., Ltd.

	Position in ZBR	Shareholding in ZBR	Shareholding in Quanzhou ZMBH	Shareholding in Hui'an Hongyi
Mr Chen Kaitong	CEO and ED	20.61%	61.70%	30.23%
Mr Su Caiye	Non-ED	10.21%	30.85%	15.12%
Mr Su Jianli	Deputy CEO and ED	2.87%	7.45%	3.65%

** As of 1 April 2013*

Source: Company

Board of Directors

Balanced board composition and ownership promotes check and balance. The board comprises four Singaporeans and four Chinese nationals.

Board of Directors	Position in ZBR	Since
Mr Lee Swee Keng	Executive Chairman	Sep-04
Mr Chen Kaitong	Chief Executive Officer and Executive Director	Dec-08
Mr Su Jianli	Deputy CEO (Marketing and Operations) and Executive Director	Dec-08
Mr Andrew Lim Kok-Kin	Executive Director	Jan-12
Mr Su Caiye	Non-Executive Non-Independent Director	Dec-08
Dr Ong She Hong	Independent Director	Dec-10
Mr Koh Lian Huat	Independent Director	Dec-10
Ms Xu Ruyu	Independent Director	Dec-10

Source: Company

Key Management

Key personnel in operations management are Chinese who have local insights and ground truth. Meanwhile, the Singaporean CFO would ensure accounting, financial administration, and the compliance and reporting obligations of the Group are consistent with Singapore standard.

Key Management	Position in ZBR	Since
Ms Wang Liyu	Deputy CEO (Administration and Human Resources)	2010
Mr Jeffrey Kan Kai Hi	Chief Financial Officer	2010
Ms Jian Aihong	Operations Manager	2010

Source: Company

Shareholding structure

ZBR has six substantial shareholders: 1) Mr Lee Swee Keng, 2) Mr Chen Kaitong, 3) Mr Su Caiye, 4) Lim Kok Tong, 5) Mr Low Chui Heng, and 6) Mr Su Jian Li. Together, they form 79.6% of the Group's outstanding shares.

Figure 39: Shareholding structure

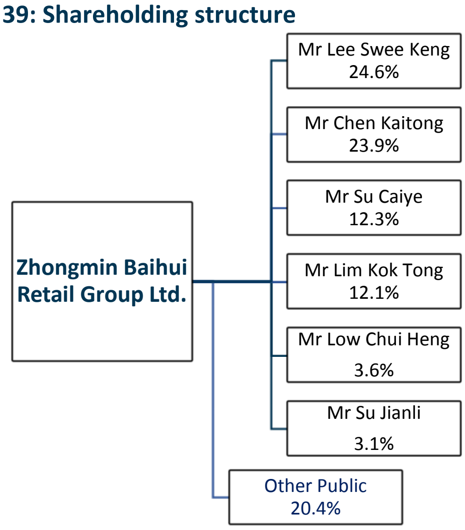
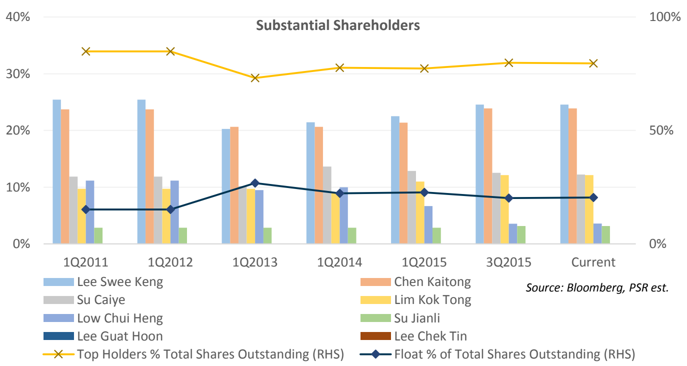


Figure 40: Substantial shareholders trend



Resignation of Mr Low Chui Heng as an Executive Director of the Group in May-15 was reflected on his ownership.

Figure 41: Insider ownership in SG to CN maintains at 2:3 ratio, no significant paradigm shift

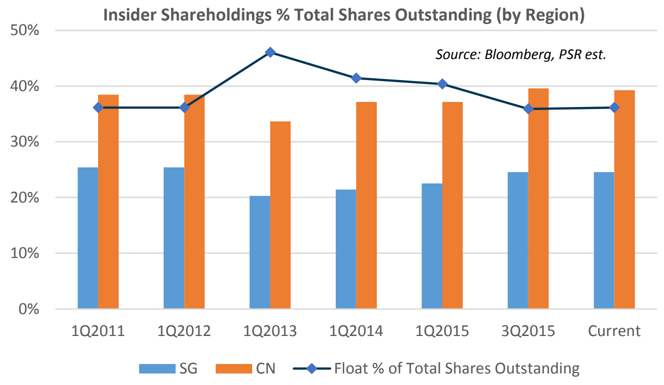
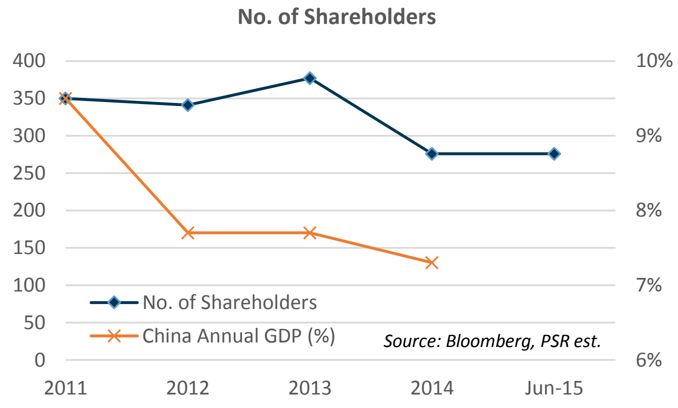


Figure 42: Shareholders alarmed by China's slowdown



Conclusion

The slowdown in Chinese economy amid global uncertainties has been one of the main concerns of every investors, particularly within the region. However, we are positive that China consumption growth story will continue to prevail as the world's second largest economy shift its investment-led growth model to consumption based.

Despite most of the S-Chips took a beating after a series of event as sceptical investors shun away from China related stocks, but we think that there are room still for optimism within this segment. The stable stock price of Zhongmin Baihui Retail Group Ltd. is a vote of confidence from the investors to the Chinese economy, its consumption story, the company's business, as well as the company's management.

We initiate coverage on ZBR with a **"Buy"** rating and **S$2.10 12-month target price** based on discounted cash flow (DCF) methodology. This represents an **upside of 21.5%.**

Financials

Income Statement

Y/E Dec, RMB mn	FY12	FY13	FY14	FY15F	FY16F
Revenue	**286**	**879**	**882**	**851**	**926**
Gross profit	138	268	312	323	352
EBITDA	**26**	**34**	**60**	**100**	**102**
Depreciation & Amortisation	(3)	(6)	(8)	(9)	(9)
EBIT	**24**	**29**	**51**	**91**	**93**
Net Finance Inc/(Exp)	(0)	(0)	(1)	(1)	(1)
Profit Before Tax	**23**	**28**	**50**	**90**	**91**
Taxation	(12)	(18)	(18)	(27)	(28)
Net profit, reported	**11**	**10**	**32**	**63**	**64**
Net profit, adj.	**11**	**10**	**35**	**63**	**64**

Per share data (RMB)

Y/E Dec	FY12	FY13	FY14	FY15F	FY16F
EPS, reported	0.06	0.05	0.16	0.32	0.33
EPS, adj.	0.06	0.05	0.18	0.32	0.33
DPS (SGD)	0.00	0.01	0.03	0.05	0.05
BVPS	0.40	0.46	0.52	0.62	0.73
Exchange rate (SGDCNY)	5.10	4.79	4.69	4.50	4.50

Cash Flow

Y/E Dec, RMB mn	FY12	FY13	FY14	FY15F	FY16F
CFO					
Profit Before Tax	**23**	**28**	**50**	**90**	**91**
Depreciation & Amortisation	3	6	8	9	9
WC changes	14	42	64	(50)	6
Net finance inc/(exp)	0	0	1	1	1
Tax paid	(11)	(22)	(27)	(27)	(28)
Others	12	23	27	20	22
Cashflow from ops	**41**	**77**	**125**	**42**	**102**
CFI					
CAPEX, net	(24)	(11)	(14)	(14)	(15)
Others	(4)	(26)	(8)	(4)	0
Cashflow from investments	**(27)**	**(27)**	**(23)**	**(17)**	**(15)**
CFF					
Share issuance, net	0	0	0	0	0
Loans, net of repayments	(9)	(11)	0	0	0
Dividends	0	0	(19)	(44)	(45)
Others	19	0	(18)	0	0
Cashflow from financing	**10**	**(11)**	**(37)**	**(44)**	**(45)**
Net change in cash	**24**	**39**	**64**	**(19)**	**42**
Effects of exchange rates	(1)	1	(0)	0	0
CCE, end	**111**	**150**	**214**	**195**	**237**

Balance Sheet

Y/E Dec, RMB mn	FY12	FY13	FY14	FY15F	FY16F
ASSETS					
PPE	34	46	51	57	64
Others	16	42	59	62	61
Total non-current assets	**50**	**88**	**110**	**119**	**125**
Accounts receivables	28	70	39	53	58
Cash	111	150	214	195	237
Inventories	48	137	116	117	127
Others	24	18	26	26	26
Total current assets	**210**	**375**	**396**	**390**	**448**
Total Assets	**261**	**463**	**506**	**509**	**572**
LIABILITIES					
Accounts payables	104	240	274	238	259
Short term loans	1	0	0	0	0
Others	15	56	49	49	49
Total current liabilities	**120**	**296**	**323**	**286**	**308**
Long term loans	10	0	0	0	0
Others	52	78	81	100	122
Total non-current liabilities	**62**	**78**	**81**	**100**	**122**
Total Liabilities	**182**	**373**	**404**	**387**	**430**
EQUITY					
Non-controlling interests	0	0	0	0	0
Shareholder Equity	**79**	**89**	**102**	**122**	**143**

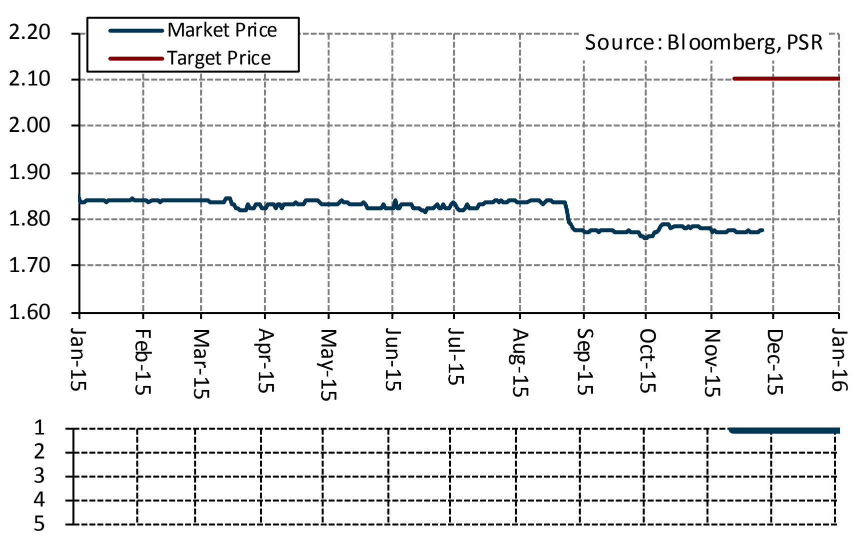
Valuation Ratios

Y/E Dec	FY12	FY13	FY14	FY15F	FY16F
P/E (X), adj.	125.5	146.4	46.3	24.9	24.5
P/B (X)	18.2	16.3	15.8	12.8	11.0
EV/EBITDA (X), adj.	51.0	38.7	23.3	13.8	13.1
Dividend Yield (%)	0.0%	0.6%	1.4%	2.8%	2.9%
Growth & Margins (%)					
Growth					
Revenue	31.4%	207.6%	0.4%	-3.6%	8.9%
EBITDA	-2.7%	29.8%	76.5%	66.7%	1.9%
EBIT	85.5%	102.1%	76.9%	77.1%	1.5%
Net profit, adj.	-29.7%	-12.5%	247.7%	81.5%	1.5%
Margins					
Gross margin	48.2%	30.4%	35.4%	38.0%	38.0%
EBITDA margin	9.1%	3.9%	6.8%	11.7%	11.0%
EBIT margin	8.3%	3.3%	5.8%	10.7%	10.0%
Net profit margin	4.0%	1.1%	3.9%	7.4%	6.9%
Key Ratios					
ROE (%)	15.6%	11.9%	36.2%	56.1%	48.2%
ROA (%)	5.3%	2.8%	7.2%	12.4%	11.8%
Net Debt/(Cash)	(100)	(150)	(214)	(195)	(237)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Phillip Securities Research (Singapore) Estimates

**Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.*

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

Contact Information (Singapore Research Team)

Management
Chan Wai Chee (CEO, Research - Special Opportunities) - yebo@phillip.com.sg

Jacky Lee Chee Waiy (Head, Research) - jackyleecw@phillip.com.sg

Research Operations Officer
Mohamed Ghazali - ghazali@phillip.com.sg

Consumer | Healthcare
Soh Lin Sin - sohls@phillip.com.sg

Property Developers | Hospitality
Peter Ng - peterngmc@phillip.com.sg

Transport| REITs (Industrial)
Richard Leow, CFTe - richardleowwt@phillip.com.sg

REITs
Dehong Tan - tandh@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE
Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA
Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG
Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA
PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA
Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND
Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE
King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM
King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES
Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA
Phillip Capital Limited
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

SRI LANKA
Asha Phillip Securities Limited
2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

INDIA
PhillipCapital (India) Private Limited
No.1, 18th Floor
Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY
PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI
Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

CAMBODIA
Phillip Bank Plc
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1
Khan Chamkamorn,
Phnom Penh, Cambodia
Cambodia Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

(i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and

(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.