



Unrated

Key Data

Share price (HK\$)	2.32
Target price (HK\$)	-
Upside potential (%)	-
52Wk H/L(HK\$)	2.37 / 0.485
Issued shares (mn)	628.9
Market cap (HK\$m)	1,459.0
30-day avg turnover (HK\$m)	10.7
Major shareholder (%):	
Chan Chak Mo*	45.4

*Managing Director of Co.

Source: Company, Bloomberg

Share performance (%)

	Absolute	Relative*
1-mth	23.0	29.0
3-mth	82.5	79.8
6-mth	103.5	74.9

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

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Future Bright (703 HK) Consumer Discretionary Industry

Key takeaways from management's meeting

Future Bright's positive alert and its robust share price performance for the past two months draw our attention to the stock. Riding on increasing tourist traffic, expected increase in rental income from the owned 6-storey-building located at the centre of tourist location, new revenue streams from food souvenirs and hotel catering business, the group is set to post strong topline growth from 2014 onwards.

Leading restaurant operator; non-gambling Macau play: The group operates 38 restaurants and food counters in Macau. The business model of multi-brand and multi-cuisine at different price level aims to capture a whole range of Macau visitors with different tastes and affordability. In 1H2012, 37%/26%/12% of its sales was derived from Hotel Lisboa/Venetian/City of dreams.

Expected increase in tourists traffic: Although number of visitors only grew slightly by 0.3% YoY to 28.0mn in 2012, total visitors spending in Macau increased by 15.5% YoY to MOP52.3bn. We believe Macau is attracting more quality tourists who are willing to spend more during their visits and hence leading to an increase in per capita spending, in particularly on food and beverages (F&B). Total spending on F&B increased by 18.5% YoY to MOP9,593mn in 2012. Total spending per capita increased 10.9% YoY in 4Q2012. In particular, spending per capita on F&B increased 23.9% YoY to MOP368 in 4Q2012.

Improving transportation network between Macau and the Mainland China: Going forward, we expect visitors to Macau will post stronger growth especially after the completion of the Guangzhou-Zhuhai Intercity Railway. The Railway links up Beijing, via Guangzhou/Shunde/Zhongshan, to Gonbei port of Zhuhai which has opened in Dec 2012. It enables visitors to travel from Guangzhou to Macau in less than 1 hour and 20 minutes at a fare of Rmb79-90/ ride. In addition, the highway bridge linking Guangzhou and Zhuhai to Macau will be opened in 2016, enabling visitors to travel to Macau by car. We believe the Railway and Highway networks provide faster, easier and cheaper ways for consumers from further-away-Chinese cities to have easier access to Macau. The improvement in transportation is complemented with rapid accommodation development in Macau. As of Dec 2012, there were 26,719 hotel rooms in Macau with an average occupancy rate of 88.3%.

Aggressive expansion of casino/hotel operators providing tremendous opportunities to the group to expand its F&B business: With average hotel occupancy rate increasing from 71.2% in 2009 to 84.0% in 2011 and 83.1% in 2012, the availability of hotel rooms has become bottleneck of the Macau tourist industry in the short-terms. Moreover, higher room rates due to higher occupancy rate will erode consumption power of visitors in other areas such as F&B. There will be 30,000-35,000 hotel rooms to be built in Cotai Macau in 2015-2017, representing a 5-yr CAGR of 16%. The expected increase in tourist traffic is expected to create huge demand for F&B especially in 2015-2017, and we believe an even higher growth will be supported by the change of tourists/consumer habit into higher standard of living. The management targets to open 6-10 stores in 2013 and target



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top-line growth of 15-20% for 2013-2014.

Potential growth in rental income: The group owns a 6-storey commercial building with aggregated saleable area of 2,042 sq. m. near the prime tourist location of the Runis of St. Paul's in Macau. Currently, it is leased out to Macau Tourist Board at an annual rental rate of HK\$14.1mn. The lease will expire by end of 2013 and the management expects rental income to double from 2014 onwards. Rental income accounted for 12% of the group's net profit in 1H2012. Due to a surge in property price, the investment property is expected to bring in a fair value gain of HK\$125mn to the group in 2012 while the property is valued at HK\$275 in 1H2012.

Positive catalysts which are yet to be factored in: The group planned to tap into the food souvenirs market in Macau, with an estimated market size of HK\$5bn in terms of revenue in 2012. The group is currently looking for production facilities and management targets to commence production in 2H2013. Food souvenirs are expected to be sold in existing stores to increase products awareness but the group expects more advertisement and marketing are needed to promote the new products, leading to higher marketing expenses.

In addition to the food souvenirs market, the group will continue to expand its industrial catering business which will bring in a stable stream of revenue to the group. The group is operating a canteen at Macau University of Science & Technology, serving 9,500 students. Leveraging on its experiences, the group is building a central food processing centre to expand the existing industrial catering operations into hotel/casino staff catering operation. The construction of the centre is expected to be completed in 2014. Estimated revenue size of the hotel catering business is MOP788mn (calculated from 24,000hotel/casino staff x MOP 30 per meal x 3 meals per day x 365 days).

Management background: The executive director and the major shareholder of the group, Mr Chan Chak Mo, who holds 45.4% of the group's share has over 26 years experiences and management in hotels, restaurants and entertainment centers business in HK and Macau. As a member of the Legislative Assembly of Macau Special Administrative Region and Chairman of the United Association of Food and Beverage Merchants of Macau, we believe the group can have better strategic planning in terms of choosing their store locations at reasonable rental rate and tenancy duration as proven in its successful track records

Valuation: We see large potential top line growth in 2014-2015 as new hotel rooms started to open, increase in rental income and new business including the food souvenirs and hotel catering starts to contribute to the group's revenue. As tourists are the major customer of the group, the group is in a better position to pass on costs to their customers who are less sensitive to price, and we see low downside risks to the group's GP margin. The group plans to payout 30% of net profit as dividends. Management indicates CAPEX of HK\$70mn in 2013 and 2014 respectively and we believe it will be back by the strong cash flow position of the group. Net debt was HK\$29mn at end of 1H2012 and had turned to net cash by the end

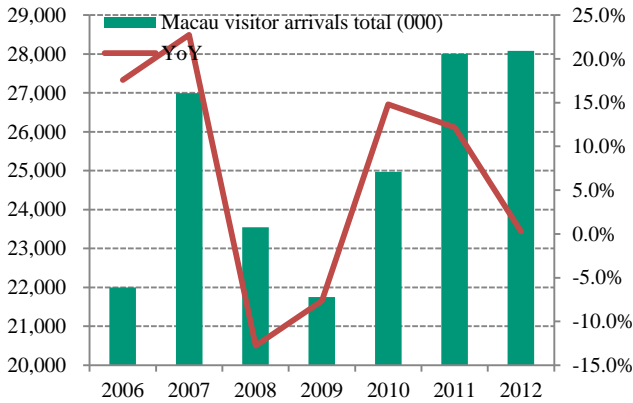


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of 2012 after the net HK\$86mn raised from Nov 2012 placement.

Risk factors: Lower than expected tourist arrivals, unfavorable change of per capita spending of visitors on F&B, unfavorable change in food and rental costs, large P&L fluctuations from investment properties, business and assets concentration risk in Macau, execution risks of food souvenirs business and food safety risks from central food processing centre

Macau visitor arrivals in total

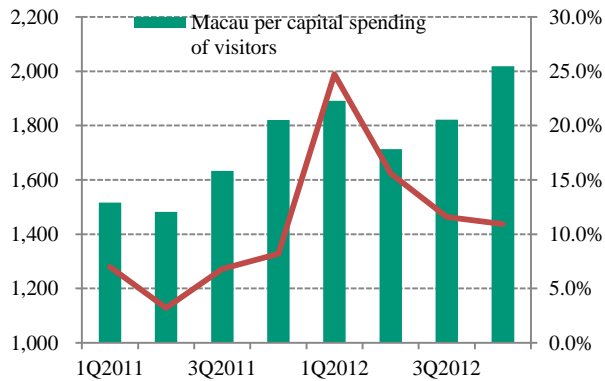


Source: Bloomberg

Macau visitors from China

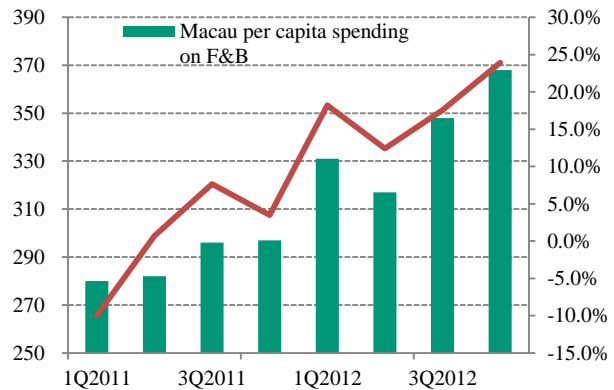


Macau per capita spending of visitors in total



Source: Bloomberg

Macau per capita spending of visitors on F&B



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Exhibit: Hotel rooms to be built in Macau

Hotel	Land Sq. m.	No. of hotel rooms to be built
SJM	70,468	2,000
MGM	71,833	1,600
Wynn	6,000,000	2,000
Galaxy (First phase)	-	2,200
Melco Crown	-	2,200
Sands		
Venetian	-	3,000
Sands Cotai Central (Phase 2A)	-	5,800
Sands Cotai Central (Phase 3)	-	3,000
Macau Theme Park & Resort	200,000	6,000
Shun Tak - Jumeirah Hotel	185,000	
Total		27,800

Source: The group

Exhibit: Results and valuation

(FY ended Dec 31)	FY08	FY09	FY10	FY11	1HFY12
Revenue (HK\$ mn)	164.4	235.2	375.8	546.5	617.8
<i>YoY Chg (%)</i>	72.5	43.1	59.8	45.4	13.0
Net Income (HK\$ mn)	-8.81	28.32	58.99	113.21	145.03
<i>YoY Chg (%)</i>	60.6	-421.5	108.3	91.9	28.1
FD EPS (HK\$)	-0.03	0.04	0.09	0.16	0.21
<i>YoY Chg (%)</i>	60.5	-233.3	125.0	77.8	31.3
NBV (HK\$/share)	0.26	0.30	0.39	0.54	0.82
PE (x)	-	-	25.6	14.4	-
PB (x)	-	-	-	4.3	2.8
ROAA (%)	-6.2	7.96	12.09	15.95	
ROAE (%)	-10.75	13.97	23.22	35.06	
Net D/E(%)	47.9	32.3	23.9	33.4	41.1

Source: The group, Bloomberg

Exhibit: Profitability comparison

(FY ended Dec 31)	Code	Price HK\$	GPM %	NPM %	ROAA %	ROAE %	FY 11PER x	FY12 PER x	PB x
Future Bright	703	2.3	36.4	16.4	17.7	40.8	10.77	8.78	3.74
Tang Palace	1181	1.55	-	6.8	13.9	21.2	9.35	8.88	1.52
Xiao Nan Guo	3666	1.38	66.8	9.8	12.6	45.1	-	11.78	-
Tsui Wah	1314	4.13	-	13.6	-	-	-	37.55	-

Source: Bloomberg

*Tang Palace, Xiao Nan Guo and Tsui Wah are not directly comparable to Future Bright as their prime operating locations are not in Macau

Exhibit: Operating statistics comparison

(FY ended Dec 31)	Future Bright	Tang Palace	Xiao Nan Guo	Tsui Wah
Japanese restaurants	10	0	0	0
Chinese restaurants	7	22	62	0
Western restaurants	2	0	0	0
Other restaurants	9	0	0	0
Fast food stores	10	8	0	0
Cha chaan tengs	0	0	0	25
Total	38	30	62	25

Source: Company reports

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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