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The Asian Consumer

Chinese Millennials

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China's 415 million Millennials, born in the 1980s and 1990s, are rapidly emerging as the country's prime consumers. Raised in single-child households, shaped by China's unprecedented growth, and powered by technology, Chinese Millennials approach spending with preferences and behaviors often radically different from their parents. In this latest report in our series on The Asian Consumer, we examine how this generation, larger than the combined working population of the US and Western Europe, is changing consumer market dynamics for China and for the world.

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Prices and market cap in the body of this report are based on the market close of September 3, 2015, unless otherwise noted.

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Executive Summary: US\$3 trillion more income over 10 years

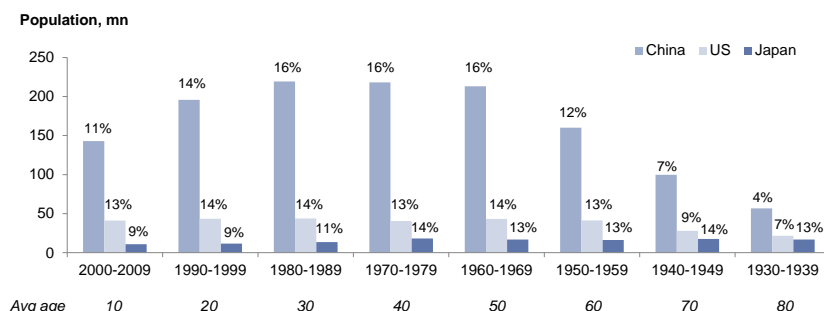
Chinese Millennials, born in the 1980s and 1990s, are now 16-35 years old and entering their prime consumption years. The generation makes up 31% of China's total population, representing 415 million consumers — more than the working population of the US and Western Europe combined. In the next 10 years, we estimate Chinese Millennials' aggregate income will grow by c. US\$3tn, as average annual incomes increase from US\$5,900 to US\$13,000. To put this in context, such an increase in spending power would amount to more than half of the estimated US\$5tn that would be added to US total private consumption expenditures over the coming decade if the US were to sustain the 3.7% CAGR that it achieved over the last 10 years.

Millennials are the first Chinese generation to have grown up amid political stability, rapid economic growth and increasing global connectivity. The differences between Chinese Millennials and their parents are much starker than in the West given China's radical transformation over the past 40 years.

Already, they are having a substantial impact on consumer markets. The oldest 25% of Millennials (aged 31-35) have become young parents, driving China's demand for premium infant products. They are also becoming the prime consumers of property and automobiles. The middle 50% (aged 20-30) represent the key brand-building battlefield for consumer companies. The youngest 25% (aged 16-20) have grown up almost completely in the mobile internet era, and will bring about further significant changes in consumer preferences and behavior as they enter the workforce.

Exhibit 1: Millennials make up 31% of China's population

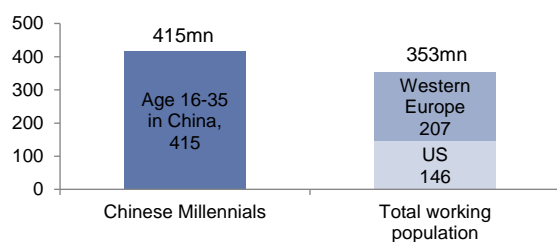
Population size in 2014 by year of birth, mn; bar labels represent percentage of total population



Source: NBS, Euromonitor, Goldman Sachs Global Investment Research.

Exhibit 2: Bigger than the working population of the US and Western Europe combined

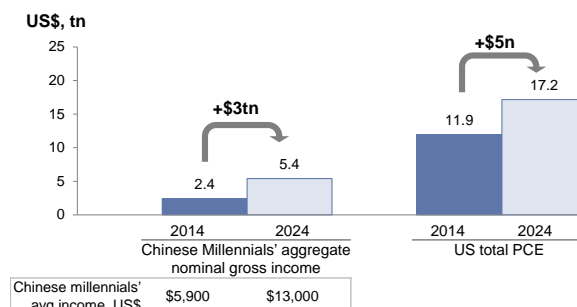
Population size in 2014, mn



Source: Euromonitor.

Exhibit 3: Purchasing power growth will amount to more than half the growth in US PCE over next 10 years

Millennials' aggregate income vs. US PCE



Source: Euromonitor, Goldman Sachs Global Investment Research.

Chinese Millennials will change consumer markets

Our US analyst Lindsay Drucker Mann, who leads our Millennial Insights series analyzing Millennials globally, notes three defining characteristics of the group vs older generations: They (1) are digital natives, (2) are more globally aware, and (3) have an economic backdrop distinct from their parents. For China, we note three major distinctions:

- There are **fewer Millennials** than previous generations due to China's one-child policy; in contrast to the US, where Millennials outnumber previous generations.
- They are far **more educated** and **globally aware** than their parents. This is causing some significant changes in their product preference.
- They still live on relatively **small budgets** (most earn US\$3-4 an hour) but have the same **digital access** as their DM peers. Less than 5% of Millennials own cars and we estimate that they make around **40% of their purchases online** already. This will continue to drive fundamental changes in industry structure for many sectors.

Millennials in the labor force: changing China's competitiveness

In the workplace, Millennials represent a vast pool of highly educated workers that will drive China's attempt to move up the value chain. At the same time, they are changing the face of labor in China. In white collar jobs, Millennials are focused on how their job can fulfil their aspirations, and de-emphasizing the importance of pay or job status. They are shunning labor-intensive blue-collar jobs, blunting China's export manufacturing-led growth model, but creating opportunities for automation.

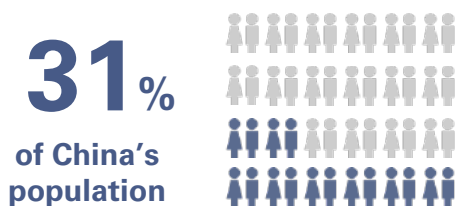
Exhibit 4: Millennials form the core of China's Urban Mass, currently earning US\$3-4 in hourly earnings; they will drive China's middle class expansion in the coming decade

Average income per capita in 2013 (US\$)	Total working population	Millennial working population	(Millennials as % of total working population)		% of total working population	% of millennial working population	% of private consumption expenditure
500,000	1.4mn	-	-	Movers and shakers	0.2%	-	10%
12,245	69mn	146mn	69mn	URBAN MIDDLE	19%	25%	40%
11,184	77mn						
6,830	70mn	236mn	152mn	URBAN MASS	31%	56%	33%
5,448	166mn						
2,000	387mn	53mn	14%	Rural	50%	19%	17%

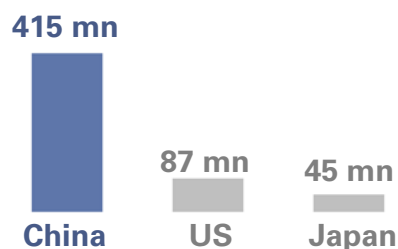
Source: NBS, CNPolitics, Euromonitor, Goldman Sachs Global Investment Research.

Chinese Millennials in Numbers

Millennials as % of population...



China vs US, Japan...



Of the Millennials...

Female
49%
(202 mn)



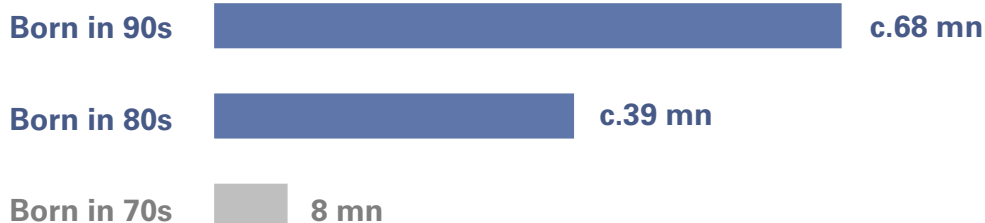
Male
51%
(213 mn)

Single Child
27%
(112 mn)



Non-Single Child
73%
(303 mn)

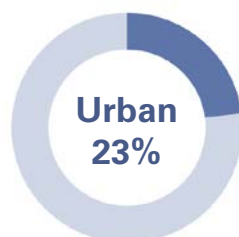
Number of college graduates...



Born in ...

Urban areas
95 mn

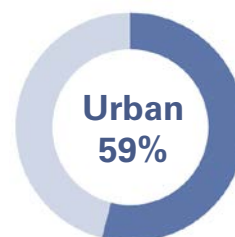
Rural areas
320 mn



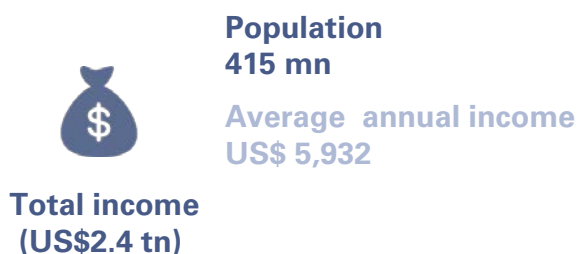
Live in ...

Urban areas
245 mn

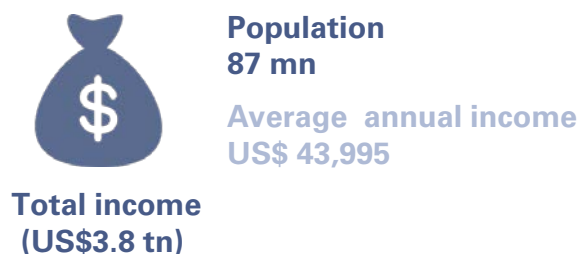
Rural areas
170 mn



Chinese Millennials...



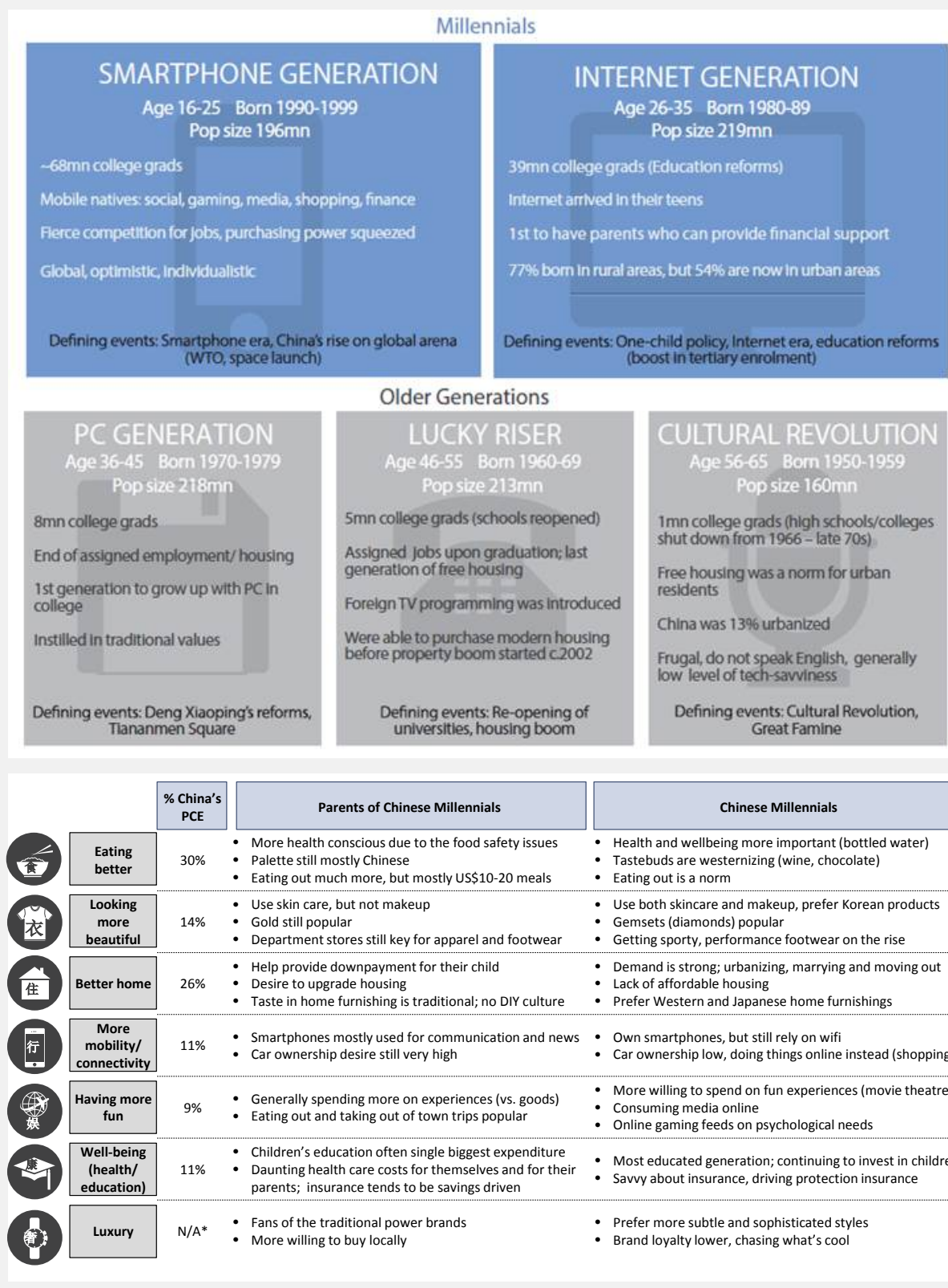
US Millennials...



Source: NBS, CEIC, Euromonitor, Goldman Sachs Global Investment Research.

Exhibit 5: Chinese Millennials differ more from prior generations than elsewhere

Chinese Millennials grew up in radically different political, social and economic circumstances, and have very different desires vs their parents



*Luxury is included in other categories

Source: Goldman Sachs Global Investment Research

Chinese Millennials – 5 key takeaways from this report

- 1) Chinese Millennials are more significantly different to the previous generations than elsewhere. They are trading up, but are ruthless in deciding how they maximize their disposable income. Implications for consumer categories: **Go discretionary in staples, and go staple (mass) in discretionary.**
- 2) Many consumer companies that have enjoyed past success in China are at risk of **“First Mover Disadvantages”** if they were:
 - focused on products that appealed mostly to prior generations;
 - heavily reliant on traditional distribution channels;
 - slow in adjusting China pricing to be in line with rest of the world.

Conversely, some newcomers will benefit from **“Late Mover Advantages”**. We identify the key winners overleaf.
- 3) **Volume will be pressured for mature categories.** The number of births fell 6% between the 1980s and the 1990s, and 22% between the 1990s and the 2000s. We suggest investors focus on growth categories (page 15), and on companies that can boost pricing through industry consolidation.
- 4) **Fun = Growth.** Millennials are more inclined to spend their income on fun activities than previous generations – a function of the more stable political and economic climate in which they have grown up. They will change China’s current under-indexing of leisure consumption (“having fun” accounts for just 9% of total PCE vs. 17% in US). Sports, travel, media and online gaming are key ways to monetize.
- 5) Millennials are the **new face of China’s labor force.** Labor-intensive industries will continue to be challenged. This shift will, however, present significant growth opportunities in automation.

Colloquial terms used to describe Millennials

Term	Romanized	Description
80后, 85后, 90后	Balinghou, bawuhou, jiulinghou	Millennials; literally: post-80s, post-85s, post-90s. Local observers make these 5-year distinctions as many note a marked difference in consumer behavior starting with the post-85s.
月光族	Yueguangzu	Without savings, depleting monthly earnings; referring to a young generation of less frugal consumers
北漂	Beipiao	Migrant workers in Beijing; describing a new generation of white collar migrant workers who do not have residency status and hence considered “floaters”
蚁族	Yizu	Educated, hard working, poorly paid and sharing tiny living quarters to save costs; literally: ants culture
啃老族	Kenlaozu	Relying on parents; literally: gnawing on the old
拼爹	Pingdie	Success driven by older generation; many millennials rely on parents for downpayment of property purchases
宅男宅女	Zhainan zhainu	Anti-social and preferring to stay at home; literally: domestic boys and girls
二次元	Erciyuan	Obsessed with the virtual world of anime, comics and games; literally: 2D generation (vs. 3D in real world)
光棍	Guanggun	Term for bachelors after the age of 30; China’s gender imbalance has led to difficulty for many in finding a partner; it is now celebrated on Nov 11, China’s annual cyber shopping festival. Literally: bare, leafless branch

Key stock implications

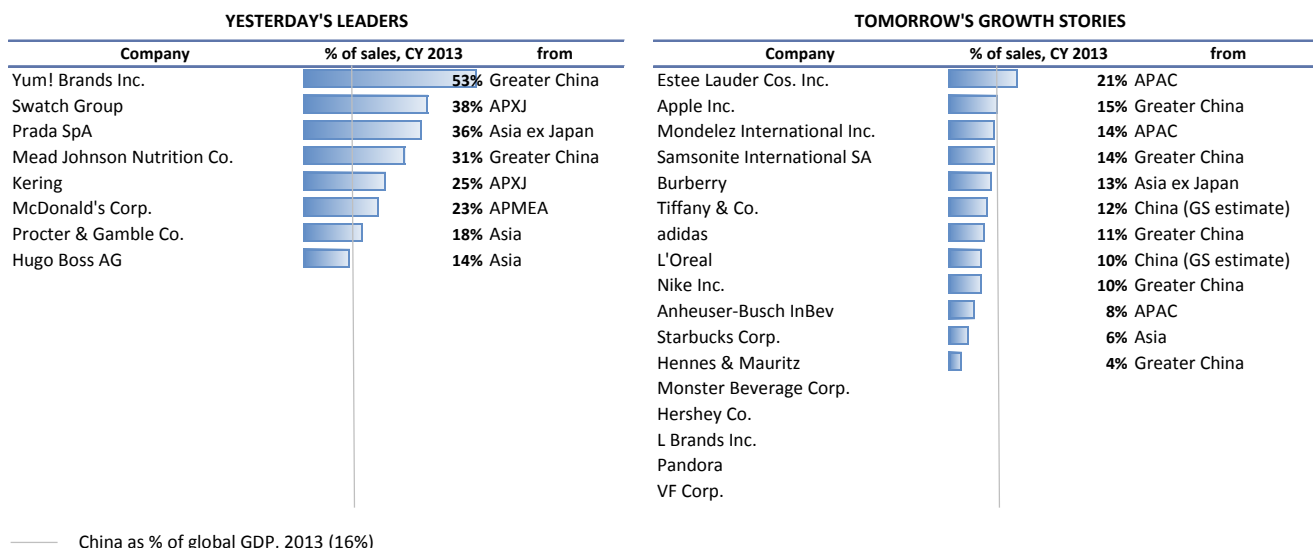
Exhibit 6: Monetizing Chinese Millennials

		Positioned for growth	Challenged
1 The shrinking youth	Domestic	CRE 0291.HK Vanke 000002.SZ Moutai 600519.SS	WH Group 0288.HK Tsingtao 0168.HK Want Want 0151.HK Tingyi 0322.HK
	Reg	Meiji Holdings 2269.T Glico 2206.T Amorepacific 090430.KS LGH&H 051900.KS Estee Lauder EL L'Oreal OREP.PA	
	Global	Monster MNST AB InBev AB Hershey HSY Mondelez MDLZ	
		Market consolidation drives pricing and profitability	Highly penetrated pork industry to face volume pressure
		Growth through innovation and brand despite housing slowdown	Threat to market share as brand loses appeal with Millennials
		Improved affordability boosts consumption of premium liquor	Highly penetrated core product (sweetened milk beverages targeting children) at risk
		Premium yogurt is the fastest growth category in dairy	Overexposed to mature categories e.g., Instant noodles, RTD tea
		Millennials prefer premium innovative snacks	
		Beauty products, in particular make-up, is a category that Millennials buy much more than their parents	
		Millennials favor energy/sports drinks within RTD beverages	
		Premium global beer brands appeal to Millennials	
		Westernized tastebuds to drive penetration growth of chocolate	
2 China's savviest shoppers	Domestic	Hengan 1044.HK Alibaba BABA Vipshop VIPS CMB 600036.SS Ping An 601318.SS	Belle 1880.HK Golden Eagle 3308.HK Sun Art 6808.HK Sasa 0178.HK
	Reg	Fast Retailing 9983.T Ryohin Keikaku 7453.T H&M HMB.ST L Brands LTD.F	Shiseido 4911.T Mead Johnson MJN P&G PG Yum YUM McDonald's MCD Hugo Boss BOSS.DF
	Global	Apple AAPL Pandora PNDORA.CO Tiffany TIF Burberry BRBY	Kering PRTP.PA Prada 1913.HK Swatch UHR.VX
		Premium sanitary napkins targeting young consumers	
		Ecommerce giant benefits from online shopping	Challenged by Millennials' online shopping habits
		Well positioned for Millennials' desire for discounted brands	
		Brand has best affinity with Millennials	
		Protection insurance products target Millennial needs	
		Uniqlo, Muji, H&M and Victoria's Secret satisfy Millennials' needs for design and value	Brand at risk of losing favor with Millennials
		Millennials overspend on smartphones; Apple is the strongest brand	Past market leaders in China; at risk of share loss to new entrants and ecommerce
		Strongest brands to Millennials within affordable luxury accessories	Brands at risk of losing favor with health-conscious Millennials
3 Fun Seekers	Domestic	Huace 300133.SZ Wanda 3699.HK Ctrip.com CTRP Anta 2020.HK Tencent 0700.HK China Mobile 0941.HK	
	Regional	Saizeriya 7581.T Asics 7936.T Shimano 7309.T	
	Global	VF Corp VFC Nike NKE Adidas ADSGn.DE Starbucks SBUX Samsonite 1910.HK	
		Superior media content caters to young audiences	
		Experience-based shopping malls cater to young consumers	
		Online travel agencies to grow with demand for travel	
		Performance-based sports footwear at affordable price points	
		Dominance in online gaming, video, social media, communications	
		Data penetration to grow with Millennials' digital habits	
		Fun and affordable casual dining	
4 New face of labor	Dom	Inovance 300124.SZ Fanuc 6954.T SMC 6273.T	Yue Yuen 0551.HK Stella 1836.HK Shenzhen 2313.HK Hon Hai 2317.TW
	Reg		
		Providers of factory automation solutions to benefit as Millennials shift away from labor intensive blue collar jobs	Labor cost pressure as Millennials shift away from blue collar jobs

Source: Goldman Sachs Global Investment Research

Exhibit 7: Yesterday's leaders to face increasing pressure as competition increases from Tomorrow's growth stories

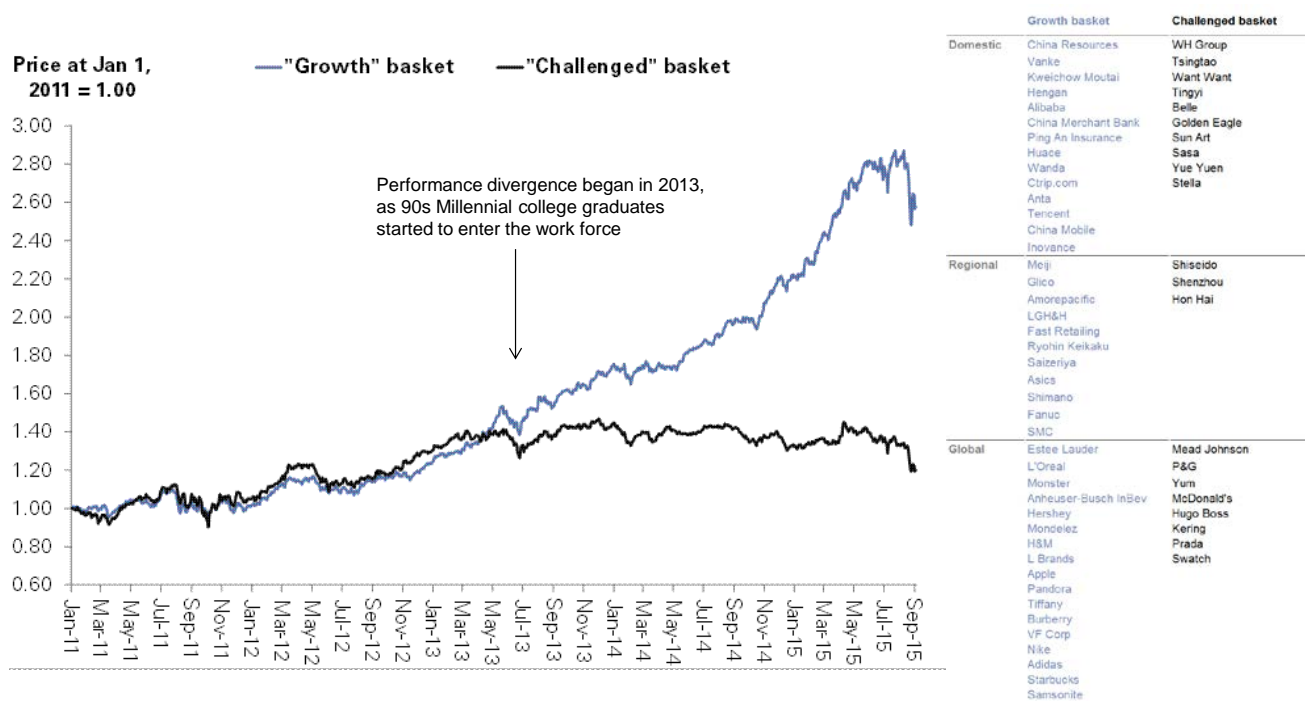
Key stocks impacted, % of sales from China, 2014



Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 8: Millennial "Growth" basket outperformed "Challenged" basket significantly since 2013 – as 90s Millennials college graduates started to enter the workforce

Price performance of "Growth" vs "Challenged" stock baskets, indexed at Jan 1, 2001 = 1.00



Note: excludes outlier Vipshop

Source: Bloomberg, Goldman Sachs Global Investment Research.



The shrinking youth

Declining births to pressure mature staples volume growth

- Average annual births declined from 22mn in 1980s and 21mn in 1990s to 16mn in the 2000s
- Highly penetrated staples such as pork, beer and instant noodles will face volume growth pressure

Fewer marriages will be a structural headwind for housing sales

- 51% more marriages in 2014 vs. 2004 due to the baby boom in the '80s, but numbers to decline as youth shrinks
- Primary housing sales peaked in 2013; new annual units to slow from 10mn in 2014 to 9mn during 2015E-2030E

But, education and urbanization to partly counter demographic headwinds

- More college graduates in the past two years than in the 25 years between 1976 and 2000 — creating a more productive workforce, driving China’s move up the value chain and upgrades in consumption

Growth against a tougher backdrop

- Volume growth where Millennials are consuming things their parents didn't – such as chocolate, yogurt
- Pricing and market share gain through consolidation and innovation

	Positioned for growth	Challenged
Domestic	CRE 0291.HK Vanke 000002.SZ Moutai 600519.SS Meiji 2269.T Glico 2206.T Amorepacific 090430.KS LGH&H 051900.KS Estee Lauder EL L'Oreal OREP.PA	WH Group 0288.HK Tsingtao 0168.HK Want Want 0151.HK Tingyi 0322.HK
Reg	Market consolidation drives pricing and profitability Growth through innovation and brand despite housing slowdown Improved affordability boosts consumption of premium liquor Premium yogurt is the fastest growth category in dairy Millennials prefer premium innovative snacks	Highly penetrated pork industry to face volume pressure Threat to market share as brand loses appeal with Millennials Highly penetrated core product (sweetened milk beverages targeting children) at risk Overexposed to mature categories e.g., Instant noodles, RTD tea
Global	Monster MNST AB InBev ABI Hershey HSY Mondelez MDLZ	Millennials favor energy/sports drinks within RTD beverages Premium global beer brands appeal to Millennials Westernized tastebuds to drive penetration growth of chocolate

Declining birth rate to pressure mature staples volume growth

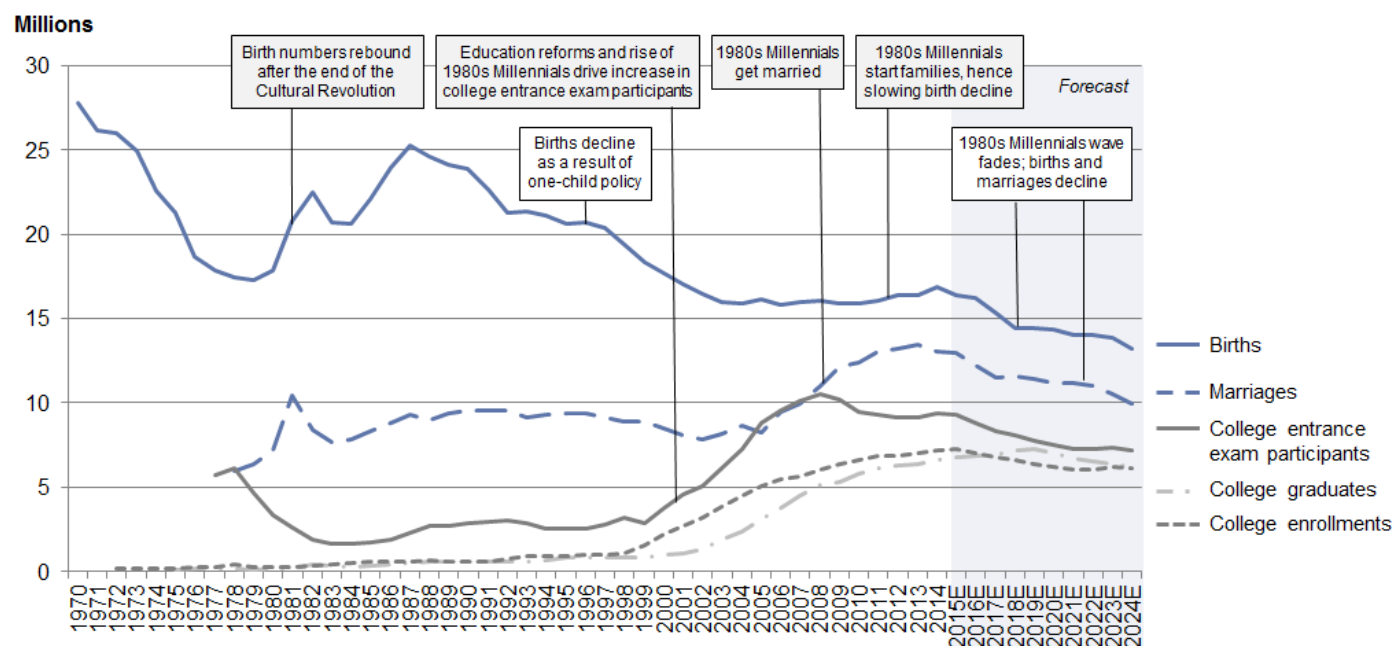
China's 1980s baby boom. Although the one-child policy was launched in 1980, China actually experienced a baby boom in the early 1980s as birth numbers rebounded following the death of Mao Zedong and the end of the Cultural Revolution. Annual births peaked at 25mn in 1987, a 43% increase from a decade before in 1977 (Exhibit 10).

Steady birth decline since the peak, driven by the one-child policy. There were 27% fewer births in the 2000s than in the 1980s (Exhibit 9). A major reason is the one-child policy, which drove a decline in the number of births per marriage from 2.9 in 1987 to 1.3 in 2014. The government's recent easing of the policy has yet to result in any material impact. If trends continue, birth numbers could continue to fall, putting pressure on population growth.

Longer life expectancy further contributing to China's aging. China's life expectancy increased eight years from 67 in 1980 to 75 in 2012. The combination of lower births and longer life expectancy is driving China's aging. Over the last 30 years, the percentage of the population aged 20 and below has fallen from 46% to 23%.

Exhibit 9: Since mid-1980s, the number of births has been steadily declining; trends could continue, putting pressure on population growth and contributing to China's aging demographic profile

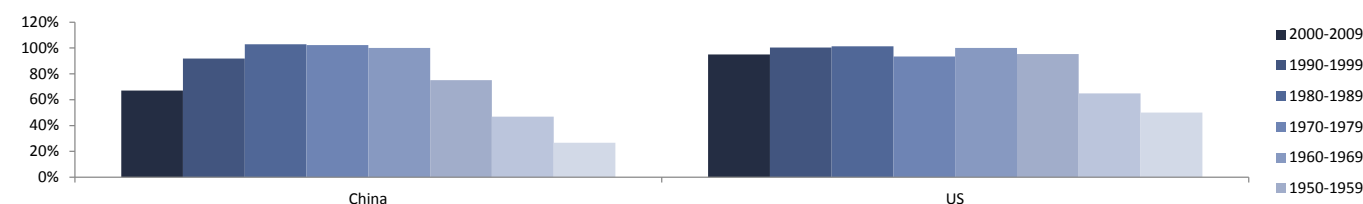
Number of births, marriages and college entrance exam participants, enrollments and graduates



Source: NBS, CEIC, Goldman Sachs Global Investment Research.

Exhibit 10: Unlike the US, China's youth is shrinking as a proportion of the total population

Population distribution by year born, indexed 1970-1979 population = 100%



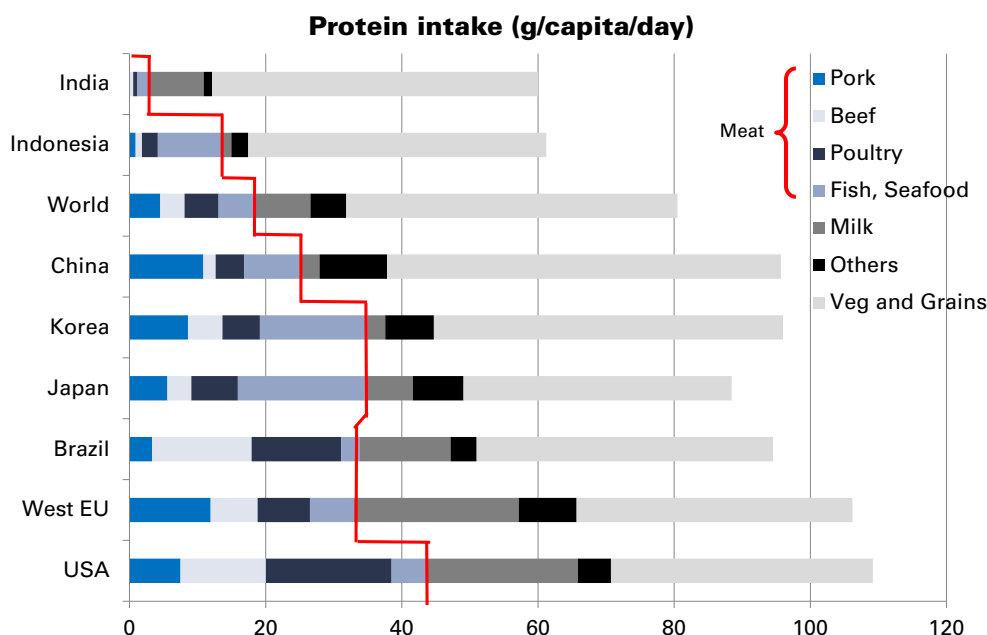
Source: Euromonitor, NBS, Goldman Sachs Global Investment Research.

Highly penetrated staples categories to face pressure with a smaller population coming through. One example is pork. China already consumes 96 grams of protein per capita per day, close to 100-110g in Developed markets, and pork consumption is especially high (Exhibit 11). We expect volume growth will become more challenging as the number of younger people falls, pressuring companies such as **WH Group (Buy)**.

Beer is another example. China's penetration is already nearing Japan's and the shrinking youth may help explain the weak industry trends (Exhibit 13). **Tsingtao Brewery (Sell)** is beginning to feel the squeeze. Moreover, in addition to a more challenging industry outlook, the company has under-invested in brand and product upgrades and is losing its appeal with Millennials (Exhibit 15).

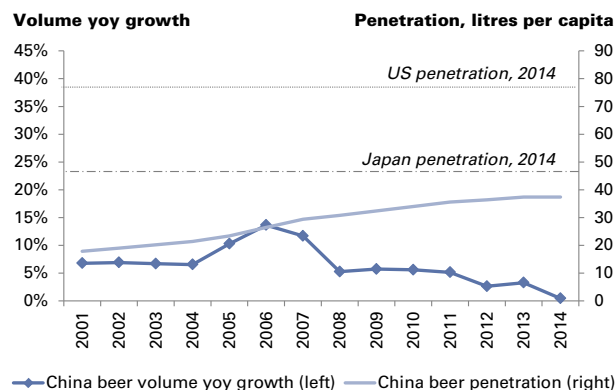
Exhibit 11: Pork intake already high; volume growth to face pressure as the youth shrinks

Protein intake comparison by food category



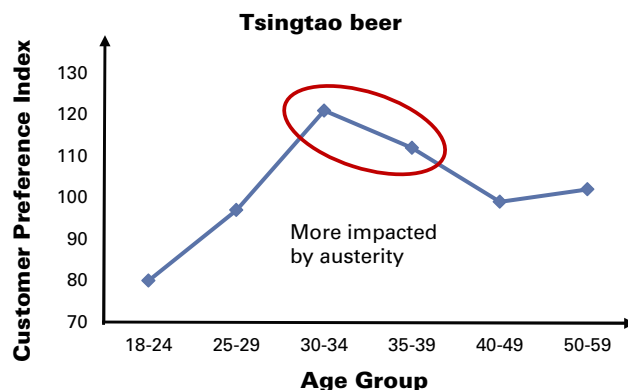
Source: FAO

Exhibit 12: China's beer penetration is already high; volume growth will be pressured by shrinking youth
China's beer volume growth and penetration



Source: Euromonitor.

Exhibit 13: Tsingtao has underinvested in product and brand upgrades; brand losing favor with Millennials
Tsingtao online customer preference index



Source: Taobao.com, Goldman Sachs Global Investment Research.

Fewer marriages will be a structural headwind for housing sales

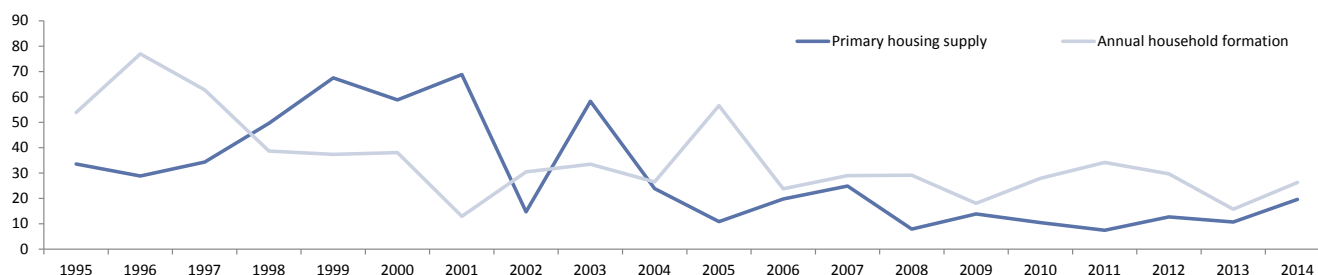
Recent surge in marriages to fade. Chinese baby boomers, now in their 30s, drove a surge in marriages over recent years; there were 13mn marriages in 2014 vs 9mn in 2004 (Exhibit 15). As Millennials move into being the driver of household formation over the next decades, we expect the number of marriages to decline. However, unlike the US, the decline will be driven mostly by demographics rather than behavioral changes. In China, women on average tie the knot when they are 24 (vs. 27 in the US). We think the average marriage age will continue creep up, but we do not expect material jumps.

Primary housing sales will continue to dampen after the 2013 peak. New housing starts reached a peak in 2013 (Exhibit 15). Going forward, primary housing sales will continue to dampen given declining household formation and China's aging demographics.

We estimate 140mn units will be built between 2015 and 2030. Particularly in higher tier cities, intense supply competition and rising land prices are pressuring developers' economics. Our China property analysts expect that the top 10 developers, which now have 30-50% market share in the higher-tier cities, will find it difficult grow without taking a hit on profitability.

Exhibit 14: The Hong Kong story: Correlation between primary housing transactions and household formation

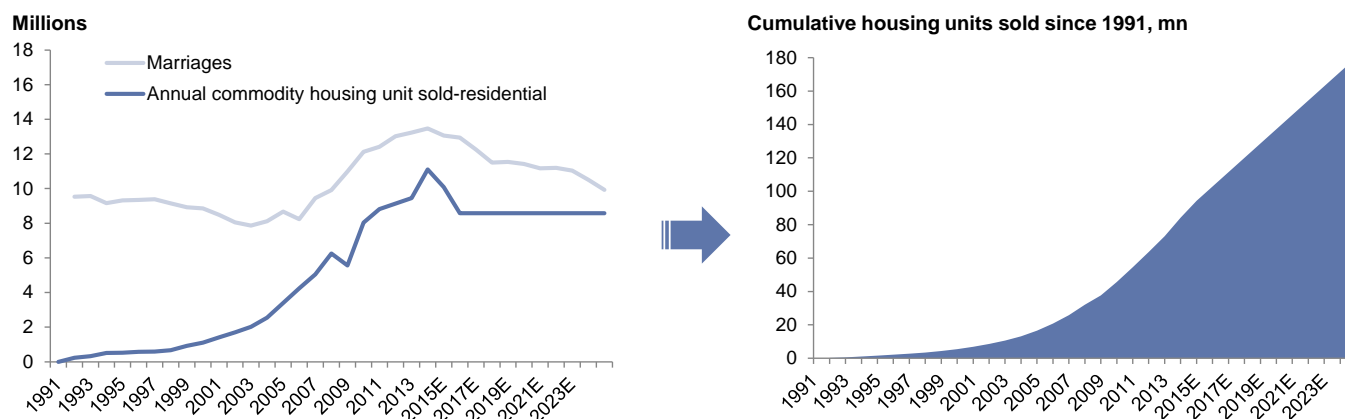
Annual household formation and primary housing supply in Hong Kong, 000s



Source: Centaline, R&VD, Hong Kong Census and Statistics Department

Exhibit 15: We estimate China primary property sales volume will slow from c.10mn to an annual run-rate of 8.8mn units over next 15 years, bringing total housing stock (built after 1991) to 180mn by 2030E

Annual and cumulative housing transactions vs. number of marriages, mn



Source: NBS, CEIC, Goldman Sachs Global Investment Research.

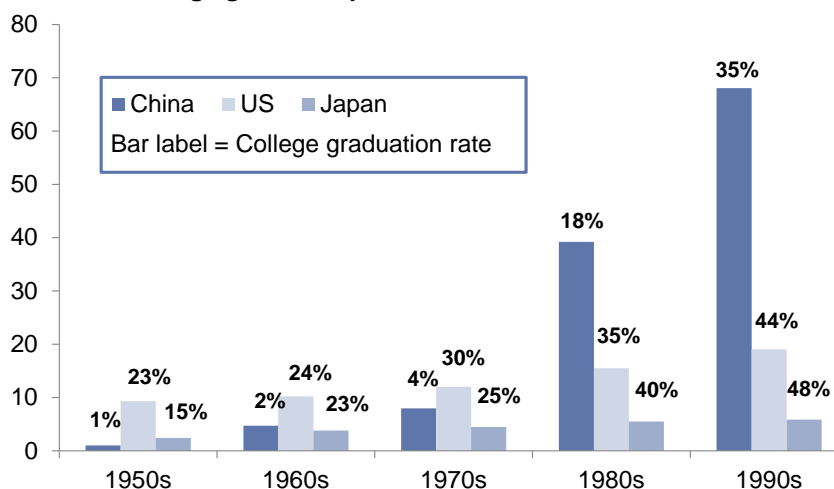
But, education and urbanization to counter demographic headwind

In the last two years, China produced more college graduates than in the 25 years from 1976 to 2000. We estimate that 35% of the 90s Millennials will graduate from college, up from 2%-4% among their parents. There are now 7mn college graduates annually, up multiple times the average of 0.5mn in the 1980s, making China the world's largest producer of college graduates (Exhibit 16). So despite being fewer in number than preceding generations, China's more educated Millennials are increasingly punching above their weight in terms of labor output and have higher earnings growth.

Exhibit 16: World's largest pool of college graduates

No. of college graduates and college graduation rate

Number of college graduates per decade, mn



Source: Euromonitor, NBS, NCES, MEXT and Goldman Sachs Global Investment Research.

Moving into cities and putting down roots. Only 23% of Millennials were born in the city, but 59% now live in urban areas. Many migrants are also finding ways to stay in the city. Over the past decade, despite stricter enforcement of the one-child policy in key cities, annual births in Beijing and Shanghai have more than doubled and primary school enrollment has increased by more than 50%, despite flattish trends nationwide.

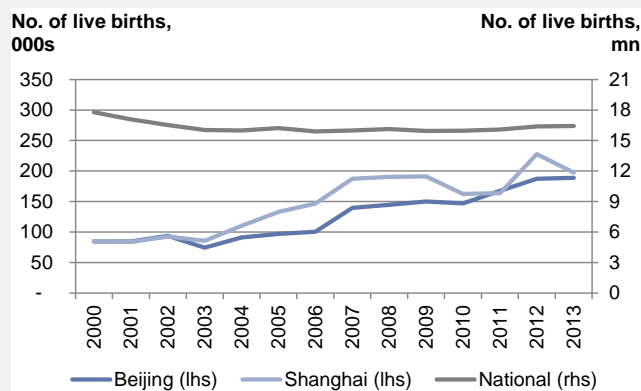
Home ownership is important. 80% of 90s Millennials believe that home ownership is crucial for building a family, according to the Chinese Academy of Social Sciences. Culturally, this is particularly pertinent for men, as home ownership is considered a key measure of "marriage eligibility". Compared with DMs, China's ratio of urban modern housing units to number of urban households is less than 0.35 compared with DM's 1.05.

Lack of affordable housing to remain a key source of angst for Millennials. It takes over 51 years of average income to buy a fairly basic 100sqm apartment in Shanghai. While the government is making a push to provide more public housing, policies have generally lagged. Steep housing costs are forcing urban Millennials to live further out from the center; in Beijing, for example, 45% of young people commute for more than an hour to get to work and 73% are renting with others. About 30% of Millennials are living in spaces smaller than 20sqm one year after graduation, according to a 2014 study by the China Academy of Social Sciences.

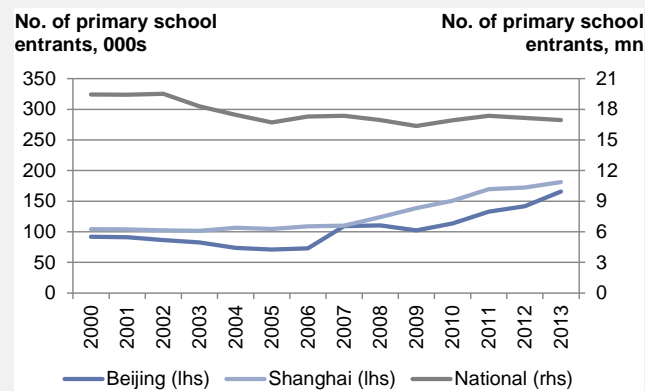
Exhibit 17: Annual births and primary school enrolments increased faster in key cities, suggesting that migrants are finding ways to stay

Trends in births and school enrolment in Beijing and Shanghai vs. China

More babies born in key cities



More children entering school in key cities



Source: CEIC, China NBS.

Impact on companies: Growth against a tougher backdrop

Volume growth in categories that Millennials consume but their parents didn't.

Volume growth in underpenetrated categories can be significant. The opportunity is particularly pronounced in areas that Millennials value highly and are shifting their share of wallet towards. Beauty, especially make-up, is a stand-out example. Make-up is underpenetrated (older generations used skincare, but little make-up) and the desire to look beautiful is rising with Millennials' exposure to global media. For example, Korean companies **Amorepacific (Neutral)** and **LGH&H (Buy)** have leveraged the success of Korean popular culture and carved out a sweet spot between cheap local names and the expensive luxury ranks. Global companies **Estee Lauder (Buy)** and **L'Oreal (Buy)** are also well positioned with their portfolio of brands, especially as Millennials trade up.

Within F&B, penetration growth opportunities lie in areas where Millennials are changing their share of throat and stomach. For example, **Hershey (Neutral)** and **Mondelez (Neutral)** stand to benefit as Millennials' taste buds globalize and chocolate becomes part of their palate. Low penetration categories such as spirits should also grow as affordability improves; premium liquor brand **Kweichow Moutai (CL Buy)** is a key beneficiary.

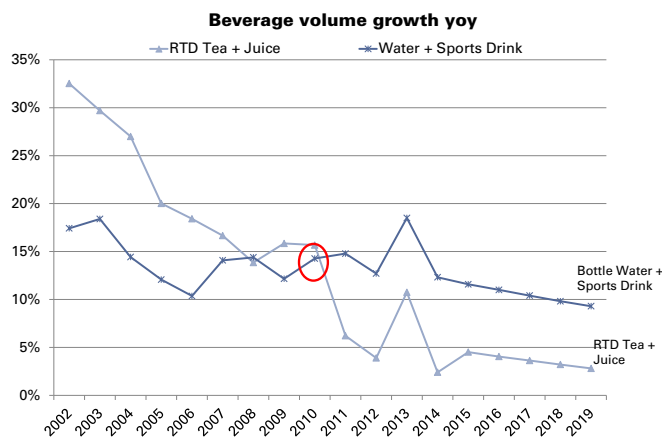
Millennials' shift towards health and wellness, while much less pronounced than these trends in developed markets, is also a volume growth opportunity. Highly penetrated unhealthy categories such as instant noodles, sugar confectionary, RTD tea and juice (in China, most juice is room temperature, diluted and high in sugar) have experienced low growth and we expect this trend to persist in coming years (Exhibits 19-20). F&B industry leader **Tingyi (Neutral)**, which is overexposed to these unhealthy categories is losing share; while management now recognizes the challenges and is more focused on driving innovation, the pace of rejuvenation has been slow, in our view. **Want Want (Neutral)** is similarly challenged as its highly penetrated core product, a sweetened milk beverage aimed at children, is also at risk. On the other hand, global companies such as **Monster (Neutral)** and **Meiji (Neutral)** are benefitting from the rise in energy/functional drinks and yogurt, respectively.

Exhibit 18: Underpenetrated categories will continue to experience healthy growth

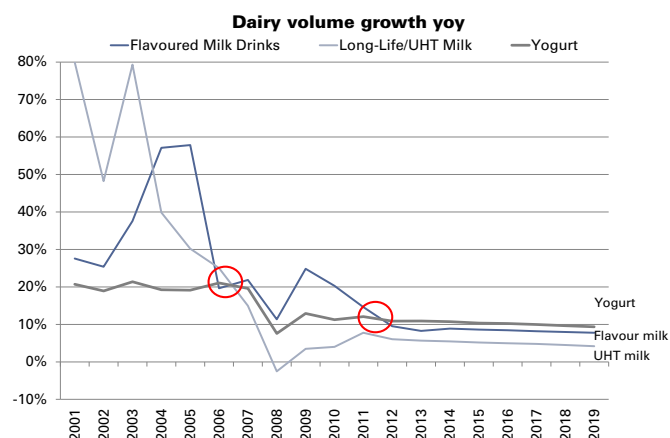
Consumer categories by volume growth

Healthy growth High single to double digit growth	Stable Mid to high single digit growth	Mature Below mid single digit growth
<ul style="list-style-type: none"> • Wine • Spirits • Coffee • Chocolate • Yogurt • Bottled water • Energy/functional beverage • Low-temperature meat products • Facial tissue • Jewelry • Make-up 	<ul style="list-style-type: none"> • Baby diapers • Infant formula • Premium liquid milk • Juice • Sweet and savory snacks • Sugar confectionery • Household cleaning product 	<ul style="list-style-type: none"> • Beer • Instant noodles • Sweetened milk beverage • RTD tea • Carbonated softdrinks • High-temperature meat products • Sanitary napkins • Facial cleansers • Shampoos & conditioners • Personal wash

Source: Goldman Sachs Global Investment Research.

Exhibit 19: Water & sports drinks outgrowing RTD & juice
Volume growth yoy

Source: Euromonitor

Exhibit 20: Yogurt outgrowing UHT and flavored milk
Volume growth yoy

Source: Euromonitor

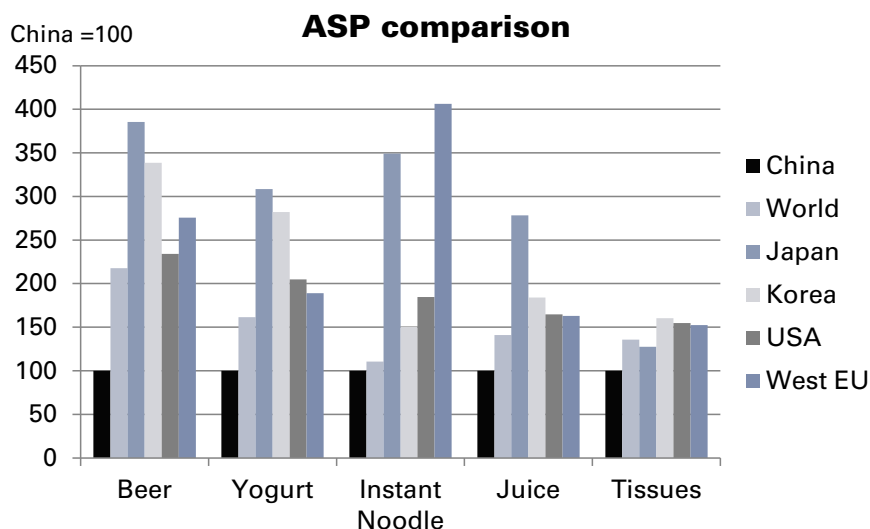
Pricing and market share growth through consolidation and innovation.

In addition to volume, companies can achieve growth through pricing uplift and market share gain. Industry consolidation is one way to boost pricing power and we expect the beer industry to be a prime candidate. **CRE (Buy)**, which successfully extended into mid-high end markets and appealed to Millennials through its marketing focus on an adventurous lifestyle, has consistently delivered above market growth in both volume and price. We expect that it can further benefit from continued industry M&A.

Innovation and premiumization are also becoming increasingly important growth drivers. China still has significant room for ASP uplift in consumer staples; for example, beer, yogurt and tissues are 2-4X cheaper in China than in developed markets (Exhibit 21). **Glico (CL Buy)**, with its unique and premium snack brands Pocky and Pejoy, and **Anheuser-Busch InBev (CL Buy)**, with its portfolio of premium beer brands are well positioned for growth, in our view.

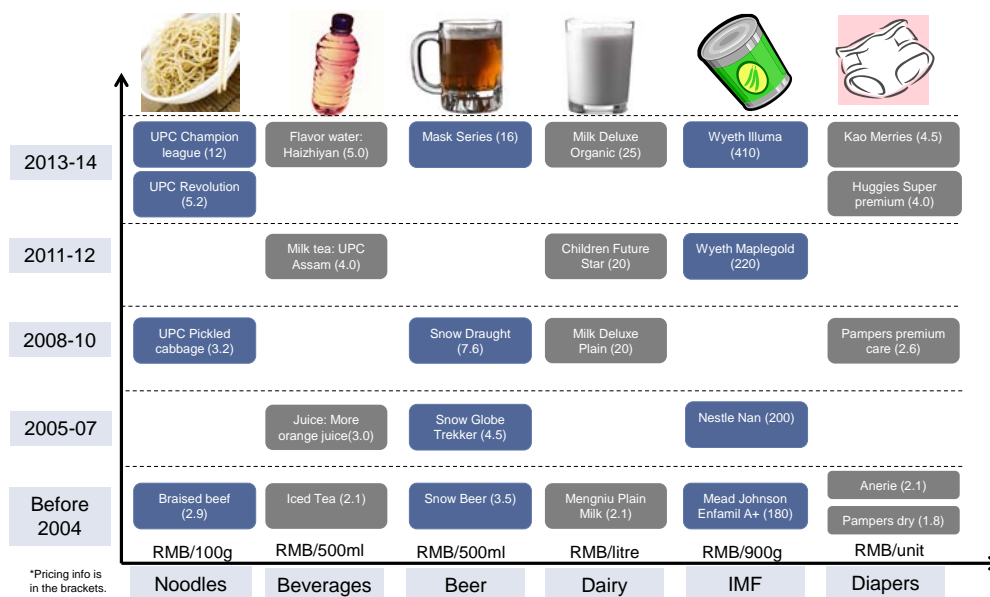
Our China property analyst believes **Vanke (CL Buy; 000002.SZ)**, the largest and longest-operating homebuilder in China, is best positioned for share gain, despite a challenging industry outlook, because of its strong brand and proven track record for innovation (e.g., green products). As an ROE focused property developer, the company seeks high asset turnover and has demonstrated excellent execution.

Exhibit 21: China's staples ASPs have significantly room for growth
Product ASP comparison



Source: Euromonitor

Exhibit 22: Premiumization is the trend for most staples products
Per unit pricing for staples products over the past decade



Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 23: Monetizing The Shrinking Youth

Company name	Ticker	Stock Rating	Market cap (US\$m)	Key product categories	Price 3-Sep-2015	P/E (X)			P/B (X) 2015E	Topline growth			NP growth			ROE	
						2015E	2016E	2017E		2014	2015E	2016E	2014	2015E	2016E	2014	2015E
Positioned for growth																	
Anheuser-Busch InBev	ABIBR	Buy*	171,763	Beer	97.2	20.5	16.0	13.0	3.4	9%	-5%	77%	12%	0%	29%	18%	17%
L'Oreal	OREP.PA	Buy	97,996	Cosmetics/personal care	150.9	24.2	21.3	18.9	3.9	2%	12%	11%	2%	14%	14%	14%	17%
Mondelez International Inc.	MDLZ	Neutral	71,043	Snacks	43.2	24.3	21.5	18.9	3.0	-14%	-9%	1%	7%	-3%	9%	10%	11%
Kweichow Moutai	600519.SS	Buy*	34,967	Liquor	194.6	14.3	12.1	10.5	3.8	4%	11%	16%	2%	11%	18%	32%	29%
Estee Lauder Cos. Inc.	EL	Buy	30,416	Cosmetics/personal care	79.3	26.2	22.8	19.9	8.8	3%	1%	6%	3%	-1%	12%	32%	33%
Monster Beverage Corp.	MNST	Neutral	23,566	Beverage	135.6	42.4	33.5	28.0	8.8	10%	10%	14%	41%	26%	28%	39%	30%
China Vanke (A)	000002.SZ	Buy*	21,752	Real estate	14.2	7.5	6.2	5.8	1.5	8%	21%	16%	4%	33%	21%	19%	22%
Hershey Co.	HSY	Neutral	19,933	Snacks	90.2	21.9	20.3	19.3	13.5	4%	2%	3%	6%	2%	7%	59%	62%
Amorepacific	090430.KS	Neutral	16,969	Cosmetics/personal care	345,500.0	36.1	26.7	21.7	6.1	25%	20%	18%	42%	51%	35%	14%	18%
Meiji Holdings	2269.T	Neutral	11,539	Food	18,180.0	29.3	27.9	25.9	3.5	1%	4%	3%	52%	64%	5%	8%	12%
LG Household & Healthcare	051900.KS	Buy	10,235	Cosmetics/personal care	780,000.0	27.9	24.2	21.8	6.1	8%	9%	8%	-2%	28%	15%	23%	24%
China Resources Enterprise	0291.HK	Buy	7,182	Beer	23.1		72.3	36.5	1.2	15%	8%	5%	-108%	NM	NM	-2%	-4%
Ezaki Glico Co.	2206.T	Buy*	3,285	Snacks	5,690.0	24.9	24.9	21.9	2.2	3%	5%	5%	104%	-19%	0%	13%	9%
Median						24.6	22.8	19.9	3.8	4%	8%	8%	6%	13%	14%	18%	18%
Challenged																	
Want Want China Holdings	0151.HK	Neutral	10,761	Snacks	6.3	18.2	18.1	17.1	4.8	-1%	-2%	3%	-10%	-5%	0%	31%	28%
Tingyi (Cayman Islands) Holding	0322.HK	Neutral	7,934	F&B	11.0	19.3	16.9	15.0	2.4	-6%	-5%	3%	5%	-6%	20%	13%	12%
WH Group Ltd.	0288.HK	Buy	7,617	Food products	4.0	9.5	8.6	7.0	1.4	98%	-2%	6%	103%	-10%	11%	26%	16%
Tsingtao Brewery (H)	0168.HK	Sell	6,145	Beer	35.3	22.9	21.5	20.1	2.4	3%	-2%	5%	17%	-14%	7%	14%	11%
Median						18.7	17.5	16.1	2.4	1%	-2%	4%	11%	-8%	9%	20%	14%

Source: Goldman Sachs Global Investment Research.



China's savviest shoppers

Aspiring to live the global lifestyle with small wallets

- Millennials are exposed to global lifestyles, thanks to the spread of the internet and global media
- The stereotype of Millennials is that they buy on impulse, but the reality is that most Millennials make US\$3-4 an hour and have only a US\$30 weekly budget for discretionary spending
- Understanding how they make purchase decisions to maximize utility is critical

Outsized spending on some items; but mostly their focus on value is ruthless

- Outsized spending on smartphones, key fashion accessories, travel and fun experiences
- Small splurges where brand and quality matters
- Otherwise, savvy Millennials are turning online for value, eroding the power of yesterday's leaders
- Winners have little time to rest on their laurels; Millennials have low product loyalty — innovate to stay relevant

Money savvy Millennials have significant impact on the financials industry

Positioned for growth		Challenged	
Domestic	Hengan 1044.HK		
	Alibaba BABA		
	Vipshop VIPS		
	CMB 600036.SS		
	Ping An 601318.SS		
Reg	Fast Retailing 9983.T		
	Ryohin Keikaku 7453.T		
	H&M HMB.ST		
Global	L Brands LTD.F		
	Apple AAPL		
	Pandora PNDORA.CO		
	Tiffany TIF		
	Burberry BRBY		
Domestic	Belle 1880.HK		
	Golden Eagle 3308.HK		
	Sun Art 6808.HK		
	Sasa 0178.HK		
	Shiseido 4911.T		
Global	Mead Johnson MJN		
	P&G PG		
	Yum YUM		
	McDonald's MCD		
	Hugo Boss BOSS.DF		
	Kering PRTP.PA		
	Prada 1913.HK		
	Swatch UHR.VX		

Aspiring to live the global lifestyle with small wallets

Millennials know about and want to live the global lifestyle. Thanks to the internet, Millennials can now keep abreast of trends, brands and products abroad. They are shaped by Western media and global advertising campaigns. For example, American TV shows such as Game of Thrones are attracting over 100mn views online, while Korean popular culture is shaping trends in beauty and fashion (Exhibit 24).

Only US\$30 discretionary income per week. According to Euromonitor, two thirds of Chinese workers below the age of 35 earn below US\$7,500 per year; this is equivalent to about US\$3 per hour (Exhibit 25). While an entry-level position at a Big 4 auditing firm could pay as much as US\$14,000 a year, the average white collar job in a top tier city would pay less than US\$10,000.

Consider the cash flow of a young graduate who moves into a top tier city for an average white collar job. Total income, net of deductions and tax, is below US\$8,000 per year. By living further from the city center and sharing rent with friends, rent can be below US\$200 per month. After spending less than US\$3 per meal and spending on other essentials, we arrive at US\$30 per week of true disposable income (Exhibit 26).

How will they choose to spend to maximize for utility? Millennials' willingness to spend across different categories can appear disjointed: they may happily invest two months' worth of discretionary income into an iPhone, but may be willing to pay only US\$5 for a pair of shoes. Understanding how they choose to maximize the utility of their cash is critical for anticipating how industry dynamics will unfold.

Exhibit 24: Cosmopolitan, shaped by global media

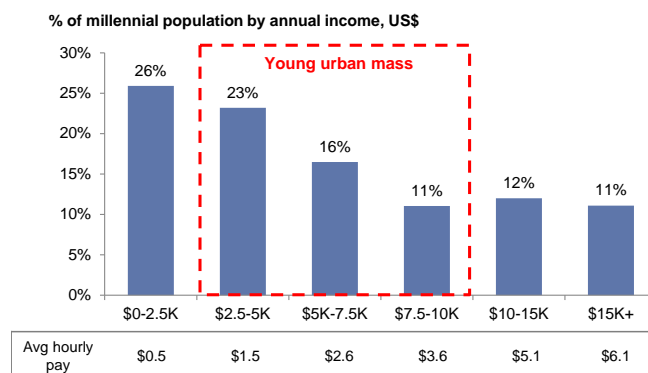
Number of views for top American TV Shows on QQ video

Program	Number of views (mn)
Game of Thrones	115.1
Tyrant	99.9
The Flash	97.7
Mistresses	61.6
Agents of SHIELD	59.8
Forever	48.2
The Vampire Diaries	47.6
Sex and the City	35.5
2 Broke Girls	31.9
Band of Brothers	25.5
Boardwalk Empire	14.3
Strike Back	9.2

Source: QQ video site.

Exhibit 25: 2/3 of 20-34 year old workers earn below US\$3 per hour, 51% are Urban Mass

Percentage of population aged 20-34 by annual income



Source: Euromonitor.

Exhibit 26: Despite being more educated, they still command only US\$30 discretionary income per week

Cash flow for Millennial a college graduate in a top tier city

Monthly cash flow	RMB	US\$	Notes and assumptions
Salary, monthly	5,000	806	Avg white collar pay for college graduate in top tier city
- Deductions for benefits	875	141	18.5% of nominal income in Shanghai
- Personal income tax	19	3	3% of taxable salary base
Take home cash pay before expenses	4,106	662	US\$155 per week
Basic expenses, monthly			
- Housing rent	1,200	194	
- Meals	1,500	242	US\$2.7 per meal
- Transportation	300	48	US\$1.6 per day
- Mobile phone data and voice plan	100	16	
- Basic necessities purchase	200	32	
Total basic expenses	3,300	532	
Discretionary spending (monthly)	806	130	US\$30 per week

Source: Goldman Sachs Global Investment Research.

Outsized spending on some items; but mostly a focus on value

Outsized spending on some items. Many users in China upgrade their smartphones every 1-2 years. Their willingness to spend such a high proportion of their discretionary cash flow reflects how central the smartphone is to Millennials' identity. Not only do they spend up to 30 hours a week on the device (often during their long commutes), but the quality of the phone can be seen as a badge of belonging and of keeping up with the latest trends. **Apple (Buy)** will likely maintain strong growth in China, in our view.

The importance of an outward display of status also drives outsized spending on key fashion accessories. **Pandora (Neutral)** and **Tiffany's (Buy)** strong brands and affordable entry price points appeal effectively to Millennials; similarly, **Burberry (CL Buy)** is well positioned in entry level soft luxury. However, high-end luxury names, including **Hugo Boss (Sell)**, **Kering (Sell)**, **Prada (Neutral)** and **Swatch (Neutral)** will likely be pressured by more competition from entry level players and greater pricing transparency. In addition, Millennials also spend increasingly on experiences, which we discuss in the next section on fun.

Exhibit 27: Millennials over-spend on smartphones, key fashion accessories and travel, but on most other things, their focus on value is ruthless

Where they 'over-spend'	Where brand and quality matters	Where they focus on value
<ul style="list-style-type: none"> Smartphones Key fashion accessories Travel 	<ul style="list-style-type: none"> Makeup and skincare Home and personal care Food & beverage Athletic footwear 	<ul style="list-style-type: none"> Dress and casual footwear Most apparel Hotels Home furnishings Appliances

Source: Goldman Sachs Global Investment Research.

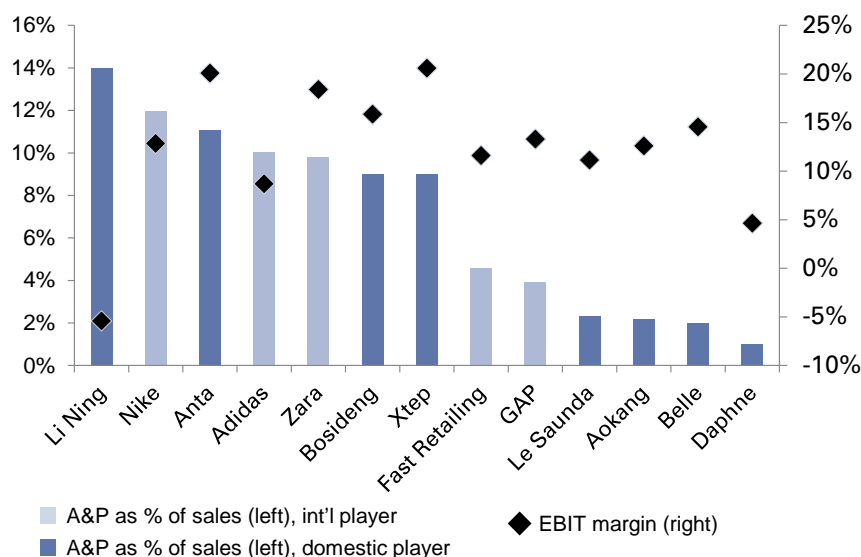
Small splurges where brand and quality matters. Millennials are willing to pay for quality in products with relatively small price tags – below Rmb100 (US\$15) as a rule of thumb. HPC player **Hengan (CL Buy)** is one company that has successfully built a strong premium brand to target young consumers. It was an early mover in product upgrades for sanitary napkins and starting with its successful Space 7 brand, the company has continued to introduce functional product upgrades such as super-thin napkins in 2014 and extra-length napkins in 2015. As a result, Hengan has continued to realize market share gains and margin expansion in sanitary napkins, which now account for 70% of its OP.

Rise of cheap chic fashion. In fashion, with the exception of luxury where heritage is highly valued, being perceived as “the previous generation’s brand” is one of the biggest risks. This is especially true in China where tastes have shifted rapidly; most domestic brands have not kept up. Many began as manufacturing-focused OEMs, were founded in the 1990s and have a core customer base born in the 60s and 70s. Many focused on selling to the affluent customers of the older generations, and have been ineffective in marketing to the Millennials. They have generally underinvested in brand management and advertising & promotions (A&P). For example, Belle’s A&P as a percentage of sales is only 2% vs. Nike and Adidas’ 10-12% (Exhibit 28). Without effective rejuvenation, China’s brands are aging and the Taobao index, which measures the number of searches conducted by Millennials, reflects these trends (Exhibit 29).

In contrast, young and global brands such as **Ryohin Keikaku’s Muji (Neutral)**, **Fast Retailing’s Uniqlo (Neutral)**, **H&M (Neutral)** and Victoria’s Secret owned by **L Brands (CL Buy)** are poised for growth by satisfying Millennials’ requirements for design and value. Uniqlo and H&M have been consistently growing in China at 20%+, well above the local brands. Although the initial rapid growth was due to these brands’ small base, both are now amongst the largest brands in China today (Exhibit 30).

Beyond fashion: established brands falling out of favor. The risk of being perceived as “the previous generation’s brand” also applies to other categories. For example, in cosmetics, we think **Shiseido (Sell)** is a brand at risk of falling out of favor with Millennials. In food retail, **Yum (Sell)** and **McDonald’s (Neutral)**, which used to be perceived as global and fashionable by the older generations, no longer have the same appeal; instead, they are at risk of falling out of favor among more health-conscious Millennials.

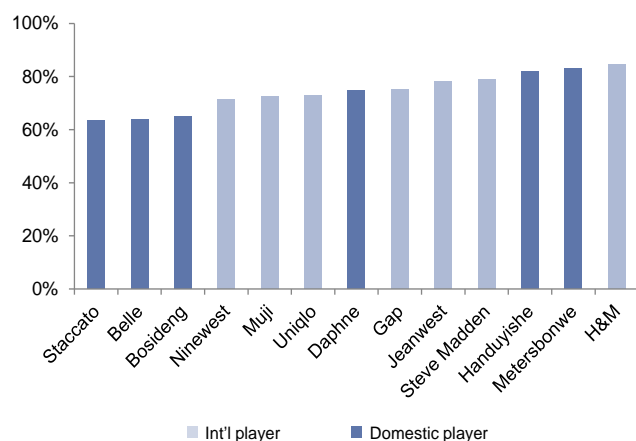
Exhibit 28: Domestic peers have been underinvesting in brand building
Advertising & Promotions as % sales and EBIT margins, 2014



Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 29: Millennials identify more with global brands

Taobao index: fashion-related brand searches made by Millennials (18-34 years old) as % of total searches



Source: Taobao.com

Exhibit 30: Muji, Uniqlo, H&M have strong sales growth

Last 12 month sales growth/SSSG

Rank	Brand	2014 Sales (rmb bn)	Sales yoy, 2014	Sales yoy, 2013	Int'l or domestic?	Year of est	Category
1	Heilan Home	16.5	67%	58%	Domestic	2002	Mens
2	Muji	1.6	62%	106%	Int'l	2005	Apparel & home
3	Uniqlo	11.7	60%	38%	Int'l	2008	Fast fashion
4	New Balance	3.2	45%	61%	Int'l	2006	Sports
5	H&M	7.6	31%	21%	Int'l	2007	Fast fashion
6	La Chapelle	9.1	26%	62%	Domestic	1998	Womens
7	Balabala	4.9	25%	19%	Domestic	2002	Kids
8	Cosmo Lady	5.4	23%	36%	Domestic	1998	Lingerie
9	Toread	3.1	22%	30%	Domestic	1999	Outdoor
10	Telent	2.7	21%	22%	Domestic	1999	Outdoor
11	Ecco	2.9	18%	23%	Int'l	1997	Footwear
12	Anta	12.2	17%	-16%	Domestic	1991	Sports
13	Basto	2.8	15%	18%	Domestic	2001	Footwear
14	GXG	4.7	14%	17%	Domestic	2008	Mens
15	Mark Fairwhale	3.8	13%	17%	Domestic	2001	Mens
16	Peacebird	6.6	13%	34%	Domestic	1995	Fast fashion
17	Staccato	3.4	13%	15%	Domestic	1998	Footwear
18	Burberry	3.0	12%	11%	Int'l	2011	Luxury
19	Ochirly	5.2	12%	11%	Domestic	1999	Womens
20	Zara	6.8	11%	14%	Int'l	2006	Fast fashion

Source: Euromonitor.

Otherwise, with a ruthless focus on value Millennials are shopping online. Millennials are 31% of the total population but represent 73% of the online shopper population (Exhibit 32). We estimate that c.75% of Millennials already shop online, and that e-commerce penetration of Millennials' out of pocket spending is reaching 30-40%.

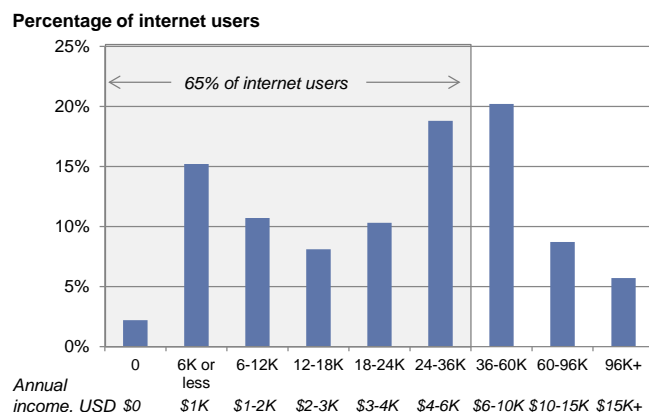
China's highly fragmented bricks and mortar retail landscape has partly fueled the rise of ecommerce. The largest retailers (such as Sun Art, CRE) each account for just 1% of China's retail sales. For consumers outside Tier 1 cities, the convenience and access offered by ecommerce solves for retailers' limited geographic footprint and product availability. As more shoppers turn online, traditional retailers including **Golden Eagle (Sell)**, **Sun Art (Neutral)** and **Sasa (Sell)** will increasingly face pressure.

Perhaps more than convenience and access, Millennials are shopping online because of price. Most of China's internet users have a small budget: 65% earn below US\$6,000 annually and only 6% earn above US\$15,000 (Exhibit 31). In contrast, most bricks and mortar retail chains have historically focused chiefly on the top 10% of the population. For example, the average basket size at department store Intime is Rmb526 (US\$83), equivalent to 65% of the monthly discretionary income for a white-collar college graduate (Exhibit 33). Catering to Millennials' focus on value, **Vipshop (Buy)**, an online retailer focused on discounted brands, is well positioned.

Savvy online shopping erodes the power of yesterday's leaders. First movers into the China market were able to command strong pricing power and faced limited competition. However, competition has since significantly intensified with the rise of the limitless online shelf space: a search for instant milk formula on TMall returns 175 brands, a search for jeans under US\$5 on Taobao returns over 50,000 results. Established leaders are now facing competition from a vast array of online-only, unbranded and cheap items, including US\$5 shoes, US\$7 handbags and US\$11 apparel (Exhibit 34). The popularity of these cheap alternatives has flattened the retail business model, boosting the growth of ecommerce giant **Alibaba (Buy)**, but pressuring brands. Women's footwear, where brand is perceived to be less important, is particularly vulnerable, in our view. **Belle (Neutral)**, which retails its core products (Belle, Staccato) at US\$100-150 (vs. US\$5 best seller unbranded shoes on Taobao) has already begun to feel the structural squeeze and is having difficult connecting with younger customers, as demonstrated by the underperformance of its youngest brand, Teenmix.

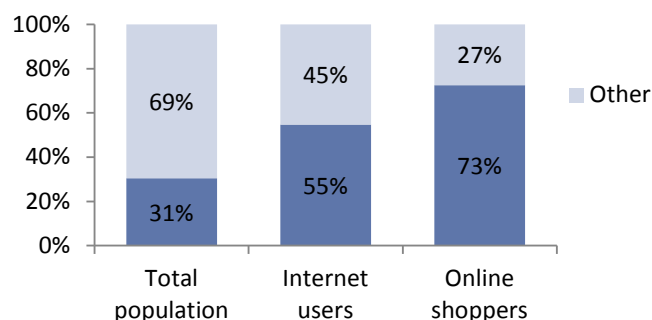
Moreover, the pricing power of yesterday's leaders is being eroded by greater pricing transparency, thanks to the power of the internet. Millennial consumers are especially avid researchers; according to a Nielsen study, 86% of online shoppers in China read reviews. This poses challenges for companies such as **Mead Johnson (Buy)** and **P&G (Neutral)**, which have benefitted from their market power in the past.

Exhibit 31: Only 6% of Chinese internet users have annual income above US\$15k; 65% earn below US\$6k
% of internet user base by annual income



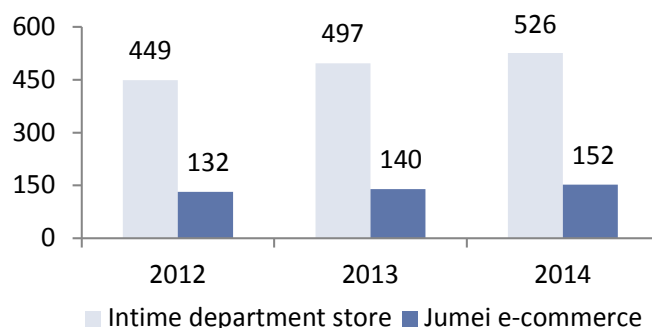
Source: CNNIC, Goldman Sachs Global Investment Research.

Exhibit 32: 31% of population, 73% of online shoppers
Millennials' share of population



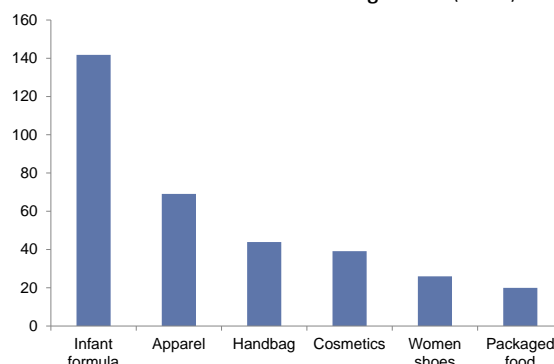
Source: CNNIC, Nielsen, Goldman Sachs Global Investment Research.

Exhibit 33: Department store prices too high
Average basket size, Rmb



Source: Company data.

Exhibit 34: Cheap unbranded options online: US\$5 shoes
ASP of Taobao and Tmall's best-selling items (Rmb)



Source: Company website.

Eyeballs and mindshare are now online. Digital and social marketing have become crucial marketing tools for Millennials for product and brand discovery. Less than 25% of Millennials use TV as the main channel for watching hit shows (discussed in more details in the next section), rendering TV commercials less effective.

Over the next 10 years, Millennials will take over the household budget and we believe their current spending habits will continue to drive structural shifts in the consumer product/retail landscape (Exhibit 35). In general, we believe existing retailers and brands will need to devote significant resources and effort to restructure their offline presence and build their online capabilities to retain and attract customers. This exercise will likely be return and margin dilutive for most companies over the next few years.

Exhibit 35: Ecommerce/O2O players and market share

Travel				Food delivery		Group buy		Taxi		Private car sharing		Shopping		
OTA	Hotel	Flight tickets	Vacation									Principle B2C	Mktplace B2C	
Ctrip	38.8%	27.3%	23.2%	E Le Me	40.7%	Meituan	57.2%	Kuaidi	52.1%	Didi/Kuaic	78.3%	Tmall	60.4%	
eLong	16.2%	1.3%		Meituan	34.2%	Dianping	24.3%	Didi	48.0%	Uber	10.9%	JD	50.0%	19.5%
Meituan	8.7%	8.7%		Baidu	8.7%	Nuomi	10.2%			Yongche	8.4%	VIPS	7.8%	3.0%
Tongchen	2.9%	5.0%	5.6%	Tao Dian	4.7%	Wowo	5.3%			Others	2.4%	Suning	7.6%	2.9%
Haobai	2.8%	3.1%		Daojia	0.9%	Lashou	2.4%					Gome	4.5%	1.7%
12580	0.7%	1.4%		Others	10.8%	Manzuo	0.4%					1haodian	3.8%	1.5%
Tuniu			13.4%			Others	0.2%					Dang	3.6%	1.4%
Lvmama			4.3%									Amazon	3.4%	1.3%
Aoyou			3.1%									Yixun	2.9%	
Uzai			1.2%									Jumei	1.7%	0.6%

* As of 4Q2014

* As of 1Q2015

* As of March 2015

* As of June 2014; Ku * As of 1Q2015

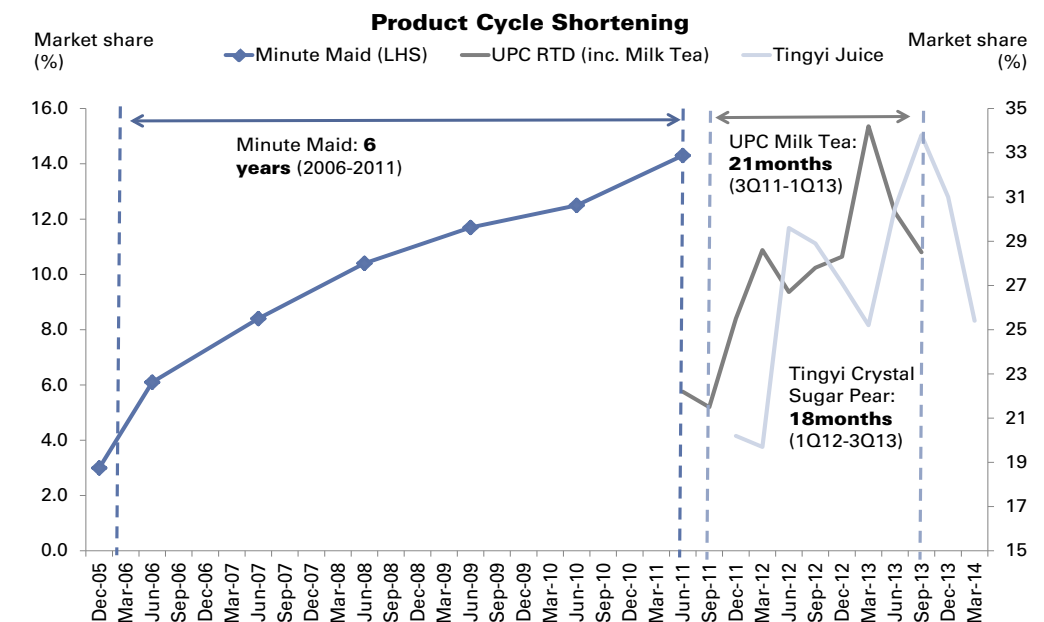
* As of 4Q2014

Source: iResearch, Analysys, Sootoo.

Winners often have little time to rest on their laurels. Millennials are often impatient consumers; they have low product loyalty and cycle through new products faster. Take beverages as an example. In 2005, Coca-Cola introduced Minute Maid; the product enjoyed consistently strong sales growth for almost six years (Exhibit 36), helping Coca-Cola become the No. 1 juice player in China. Its leading position was only overtaken by Tingyi's 'Crystal Sugar Pear' in mid-2012. However, unlike its predecessor, 'Crystal Sugar Pear' was the leading product for only 18 months — after UPC, Wahaha and a handful of local brands had launched similar products. The shorter life cycle can also be observed with UPC's Milk Tea.

In addition to consumers' apparent fickleness, shorter product cycles are also a result of increasing market competition and improving production technology; copycat products are surfacing with shorter response times, sometimes within 6 months. Digital and social marketing campaigns further speed up new product awareness and adoption. The implication for companies is that it is becoming more difficult to build and maintain cash cows. Instead, innovation becomes more important for capturing the demanding consumer.

Exhibit 36: Product cycles have shortened in the past 10 years
Life cycles of star products in beverages



Source: Euromonitor, Company data.

Exhibit 37: Sales growth forecasted to slow for consumer and retail companies
Sales growth and operating profit margins

	Sales growth yoy				Operating profit margin			
	2010-2014	2015E	2016E	2017E	2010-2014	2015E	2016E	2017E
Tingyi	11%	-5%	3%	3%	8%	7%	8%	9%
Hengan	15%	4%	11%	11%	22%	23%	22%	22%
Want Want	14%	-2%	3%	5%	20%	20%	19%	19%
Mengniu	16%	0%	2%	6%	5%	6%	5%	6%
China Resources Enterprise	18%	8%	5%	6%	3%	0%	2%	2%
Tsingtao	13%	-4%	2%	5%	8%	6%	6%	6%
Anta	7%	20%	11%	11%	21%	22%	22%	22%
Belle	17%	4%	3%	7%	16%	13%	13%	13%
Golden Eagle	13%	12%	10%	12%	44%	34%	31%	28%
Intime	26%	11%	9%	10%	23%	16%	16%	16%
Sun Art	16%	6%	3%	8%	4%	4%	3%	3%

Source: Goldman Sachs Global Investment Research.

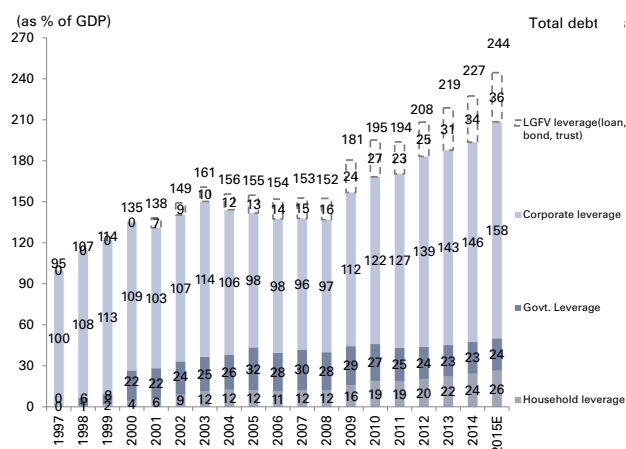
Money savvy, tech savvy – Millennials' impact on financial industry

Banking more, banking digitally. Teenagers in Shanghai ranked #1 in the OECD's financial literacy test, ahead of peers in the US (#9). These money-savvy Millennials are gradually driving growth in consumer credit, which in turn will stimulate aggregate demand. As of 2014, household leverage remained low at 24% of GDP (Exhibit 38), but we expect greater growth as Millennials begin to earn more and take greater control of household budgets.

Millennials' digital habits and desire for convenience and instantaneous access have also exposed SOE banks to competition from internet giants such as **Alibaba (Buy)**. Alibaba's Taobao consumer online loans have become popular: it grants instant approval and consumers receive the funds within minutes. Mobile payment service Alipay is also widely used: in 2013, it almost matched bankcards in terms of the number of transactions (although average transaction value was still small, Exhibit 39). Young consumers are also becoming more sophisticated in their use of financial tools; for example, some are using leverage to exploit arbitrage: they invest their salaries in Yu'e Bao, Alipay's T+0 money market fund, pay their expenses by credit card, then pocket the interest spread.

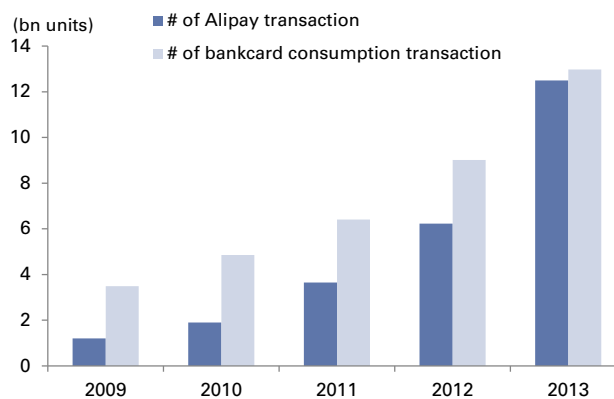
In response, SOE banks, which have historically focused on corporate loans, have started to respond. Although we estimate that only <1% of banks' revenue would be at risk from the direct threat to payments, we expect 55% of banks' profits from insurance/mutual fund sales and consumer/SME credit may be at risk due to indirect threats. As internet giants grow their online payment systems, they could convert their huge user base into wealth management customers and mine payment data to improve risk modelling to develop better credit products. Within the industry, we believe **China Merchants Bank (CL Buy; 600036.SS)** is one of the best-positioned banks. It has a leading consumer franchise and a strong consumer/credit card brand. The bank's proactive focus on innovations, combined with its IT capability has resulted in trial products such as NFC mobile payment.

Exhibit 38: Household leverage remains relatively low
Total debt as percentage of GDP



Source: PBOC, Wind, Gao Hua Securities Research.

Exhibit 39: Alipay' transactions nearing bankcards'
Number of transactions via Alipay vs. bankcard



Source: China payment clearance association

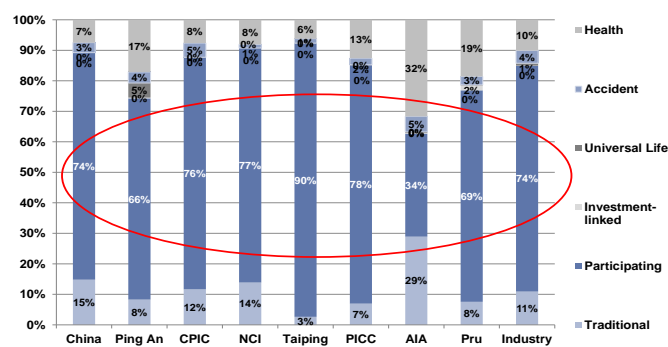
Insurance: buying more protection insurance. Today, Chinese life insurers' product mixes are heavily skewed towards simple savings replacements (Exhibit 40), which compete with bank deposits/wealth management and trust products. However, we expect the product mix to shift towards protection products (such as critical illness, accident and health products) and long-term pensions as more money-savvy Millennials enter their 30s (Exhibit 41). In addition, competition in the savings market is intensifying. Given that it is difficult for insurers to achieve consistent superior investment returns, income products will become more pro-cyclical and less sticky.

As their income grows, Millennials may also help China cross the threshold, typically US\$10,000 per capita income, for significant insurance growth (Exhibit 42). To capture this opportunity, insurance providers will need to shift from focusing on quantity to focusing on quality. To date, most have relied on short-term savings alternatives to achieve top-line growth, forcing sales through with expansive sales teams by leveraging cheap labor and using opaque pricing models, which will no longer be as effective with the discerning Millennials. The shift to a more sustainable and value-oriented approach has already begun. Following turbulence in the past few years, industry participants, customers, investors, and more importantly regulators have stepped in with initiatives to promote healthy industry growth.

We believe **Ping An Insurance (CL Buy)** is one of the best-positioned providers. It has a dominant position in Tier 1 cities (c.50% market share), giving it access to urban Millennials, a leading consumer franchise, product suites that are better tailored towards Millennial consumption needs (more protection products) and more continuous focus on technological innovation, which will help it engage with customers more effectively. Although Ping An is still early in its strategy of using internet finance as a platform to obtain, retain and feed customers into the Group's traditional finance business, it is already starting to see positive impacts.

Exhibit 40: Product mix of Chinese life insurers heavily skewed towards savings replacements

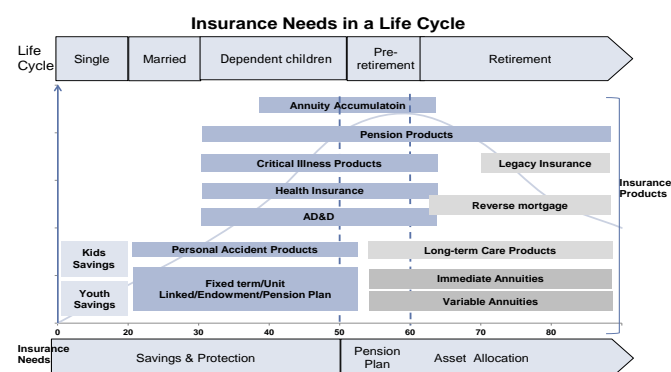
Total premium by product type (2013)



Source: China Insurance Yearbook 2014

Exhibit 41: Product mix expected to shift to protection products as more Millennials enter their 30s

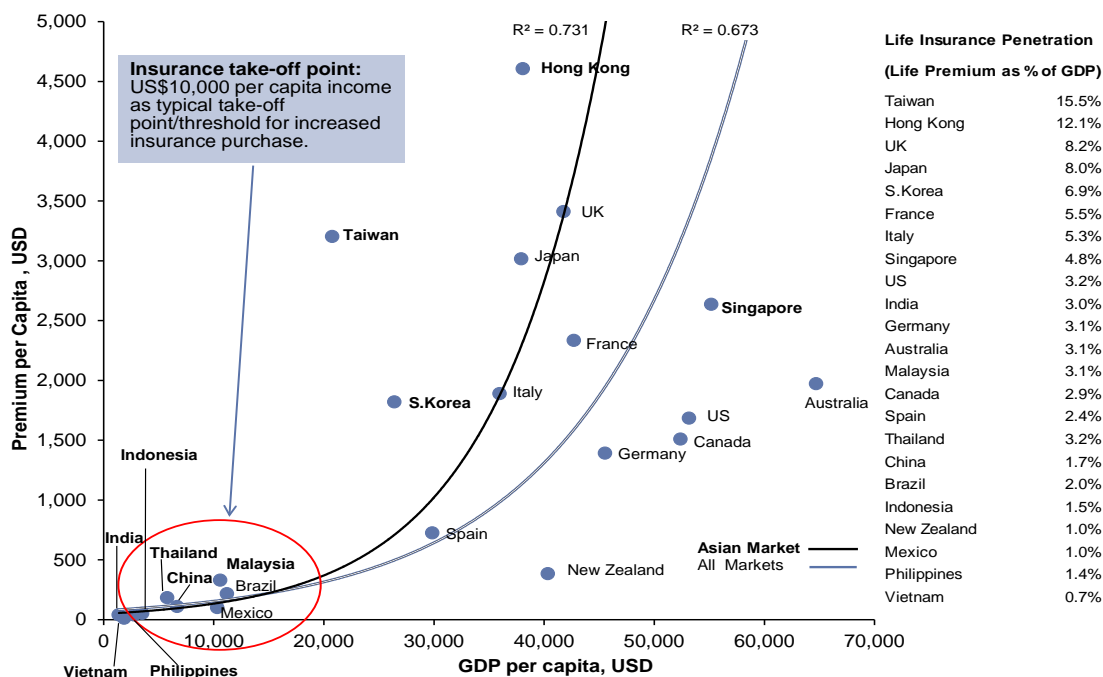
Insurance needs in a life cycle



Source: Society of Actuaries

Exhibit 42: Millennials may help China cross the threshold (US\$10,000 per capita income) for insurance growth

Density rates (premiums per capita) and GDP per capita, US\$, 2013



Source: Swiss Re, Goldman Sachs Global Investment Research.

Exhibit 43: Monetizing China's Savviest Shoppers

Company name	Ticker	Stock Rating	Market cap (US\$m)	Key product categories	Price 3-Sep-2015	P/E (X)			P/B (X) 2015E	Topline growth			NP growth			ROE	
						2015E	2016E	2017E		2014	2015E	2016E	2014	2015E	2016E	2014	2015E
Positioned for growth																	
Apple Inc.	AAPL	Buy	635,983	Electronics	110.4	11.7	10.1		4.9	12%	21%	8%	14%	27%	11%	37%	46%
Alibaba Group Holding	BABA	Buy	172,024	ecommm	66.5	26.2	20.7	16.6	5.5	46%	31%	28%	35%	25%	30%	48%	27%
Ping An Insurance Group (A)	601318.SS	Buy*	74,678	Insurance	30.0	9.9	9.5	8.3	1.6	NA	NA	NA	40%	39%	5%	17%	17%
China Merchants Bank (A)	600036.SS	Buy*	66,543	Banking	16.8	6.7	6.0	5.4	1.2	25%	14%	7%	8%	12%	12%	19%	19%
Hennes & Mauritz	HMB.ST	Neutral	63,202	Apparel & accessories	322.1	23.8	21.2	19.2	9.3	18%	19%	11%	16%	11%	12%	42%	41%
Fast Retailing	9983.T	Neutral	39,346	Apparel & accessories	46,465.0	34.4	34.7		6.3	21%	18%	13%	15%	38%	-1%	16%	20%
L Brands Inc.	LB	Buy*	25,980	Apparel & accessories	89.3	23.6	20.6	18.5		6%	5%	6%	15%	9%	13%		
Pandora	PNDORA.CO	Neutral	14,358	Jewellery	778.0	22.5	17.3	14.9	11.6	33%	31%	16%	40%	32%	26%	46%	55%
Hengan International	1044.HK	Buy*	11,806	Sanitary napkins, diapers	74.5	22.6	20.2	18.0	4.9	12%	4%	11%	5%	3%	12%	23%	22%
Vipshop Holdings	VIPS	Buy	10,915	ecommm	17.8	30.0	21.5	16.6	14.2	122%	72%	43%	209%	81%	44%	59%	60%
Tiffany & Co.	TIF	Buy	10,527	Jewellery	81.4	20.1	16.9	14.7	3.5	6%	1%	7%	14%	-3%	16%	19%	18%
Burberry	BRBY.L	Buy*	9,252	Apparel & accessories	1,393.0	18.4	16.4	14.5	4.1	10%	6%	7%	9%	0%	12%	28%	24%
Ryohin Keikaku	7453.T	Neutral	5,531	Home products	24,830.0	33.7	29.6	27.1	5.1	18%	16%	10%	4%	19%	14%	15%	16%
Median						22.6	20.2	16.6	5.0	18%	17%	11%	15%	19%	12%	25%	23%
Challenged																	
Procter & Gamble Co.	PG	Neutral	201,294	Cosmetics/personal care	69.9	17.6	16.8	15.5	3.1	-4%	-4%	0%	-1%	-4%	1%	18%	18%
McDonald's Corp.	MCD	Neutral	91,465	Restaurant	96.0	20.5	19.3	18.2	8.4	-2%	-9%	0%	-15%	-6%	4%	33%	38%
Yum! Brands Inc.	YUM	Sell	35,730	Restaurant	80.2	23.6	20.2	18.2	20.8	1%	1%	8%	2%	8%	14%	75%	93%
Kering	PRTP.PA	Sell	21,097	Luxury goods	151.0	18.3	15.6	14.3	1.7	4%	13%	5%	18%	3%	17%	9%	10%
Swatch Group	UHR.VX	Neutral	20,528	Luxury goods	376.2	16.2	14.6	12.2	1.8	3%	1%	5%	-28%	-9%	10%	14%	11%
Mead Johnson Nutrition Co.	MJN	Buy	15,712	Infant formula	77.4	21.0	19.1	16.9	24.8	5%	-5%	3%	7%	-7%	13%	164%	123%
Prada SpA	1913.HK	Neutral	9,955	Luxury goods	30.2	23.4	22.5	21.6	3.0	0%	5%	2%	-30%	-16%	7%	17%	13%
Shiseido	4911.T	Sell	8,356	Cosmetics/personal care	2,521.5	44.2			2.1	4%	20%	NA	97%	-28%	NA	9%	5%
Hugo Boss AG	BOSSN.DE	Sell	7,854	Apparel & accessories	102.6	20.3	19.9	19.1	7.5	6%	10%	5%	1%	5%	2%	43%	39%
Sun Art Retail Group	6808.HK	Neutral	7,755	Hypermarket	6.3	19.2	20.7	20.6	2.4	7%	7%	6%	5%	-12%	-9%	15%	13%
Belle International Holdings	1880.HK	Neutral	7,607	Footwear	7.0	10.1	9.7	9.3	1.8	22%	8%	5%	21%	3%	1%	20%	19%
Golden Eagle Retail Group	3308.HK	Sell	2,108	Dept. store	8.4	11.8	11.2	10.9	2.0	-1%	13%	13%	-12%	-4%	3%	20%	18%
Sa Sa International Holdings	0178.HK	Sell	1,155	Cosmetics/personal care	3.2	12.4	12.8	12.2	3.5	5%	-2%	1%	-5%	-16%	-3%	37%	29%
Median						19.2	18.0	16.2	3.0	4%	5%	5%	1%	-6%	3%	20%	18%

Source: Goldman Sachs Global Investment Research.



Fun seekers

Changing China's under-indexed spending on fun

- 'Having fun' represents just 9% of China's Personal Consumption Expenditure (PCE), vs 16-18% in US and Japan
- Millennials value fun more than older generations, making this a key growth area for China consumption

Spending on experiences

- Millennials are going to cinemas and eating out, favoring experience-based shopping malls
- Seeking to explore the world, young travelers will grow and change the tourism industry, as their destination wish lists and preferred activities differ significantly from older generations
- Higher sports participation to support continued growth in performance and outdoor products

Fun online: gaming and media

- Online gaming is not only a way of having fun, but also the social world and identity for many Millennials
- Eyeballs move online: 72% of people who watch popular programs rely primarily on online platforms

Positioned for growth		
Domestic	Huace 300133.SZ	Superior media content caters to young audiences
	Wanda 3699.HK	Experience-based shopping malls cater to young consumers
	Ctrip.com CTRP	Online travel agencies to grow with demand for travel
	Anta 2020.HK	Performance-based sports footwear at affordable price points
	Tencent 0700.HK	Dominance in online gaming, video, social media, communications
	China Mobile 0941.HK	Data penetration to grow with Millennials' digital habits
Regional	Saizeriya 7581.T	Fun and affordable casual dining
	Asics 7936.T	
	Shimano 7309.T	
Global	VF Corp VFC	Millennials' growing sports participation to drive greater demand for global leaders in performance and outdoor apparel, footwear and related equipment
	Nike NKE	
	Adidas ADSGn.DE	
	Starbucks SBUX	
	Samsonite 1910.HK	

Changing China's under-indexing on fun

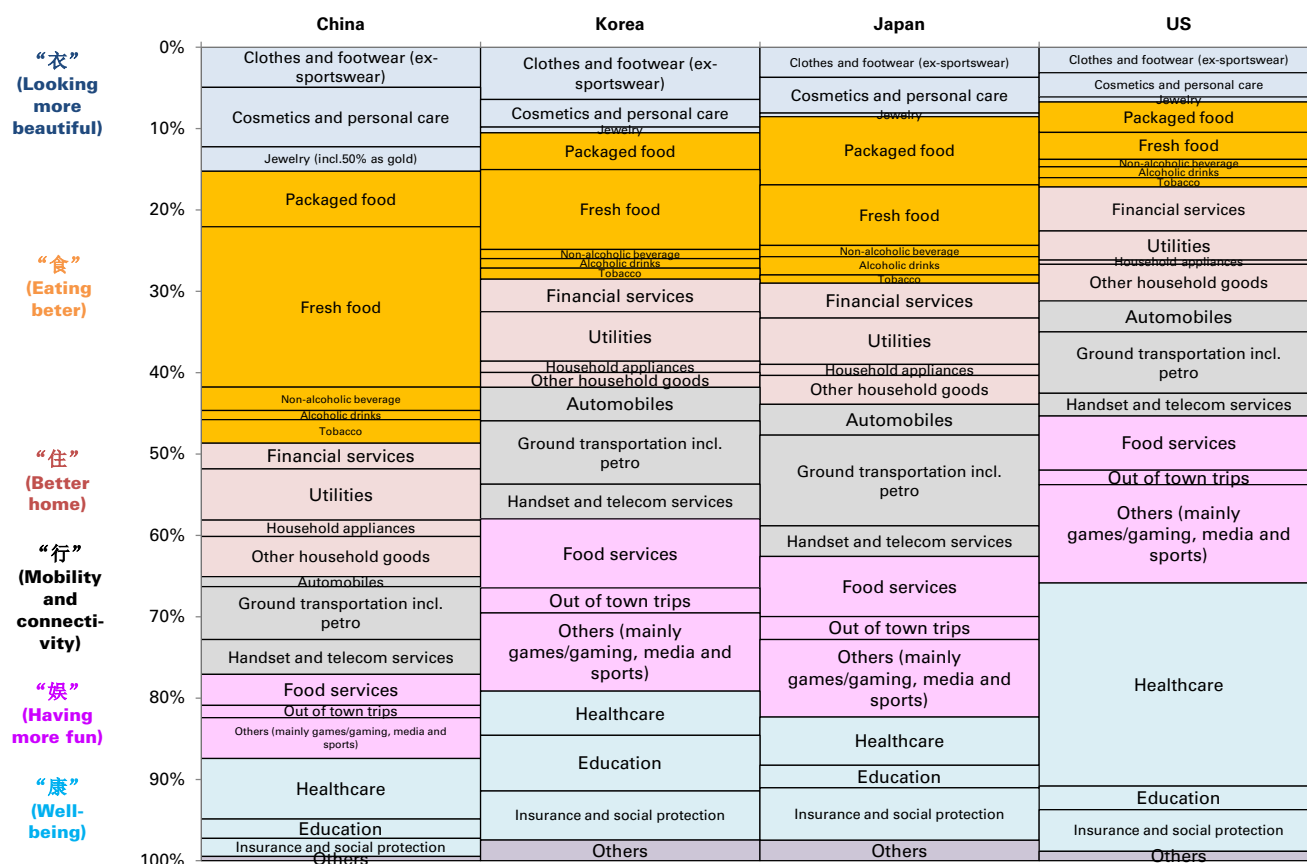
Low penetration across all major recreational activities. In China, recreational activities represent just 9% of personal consumption expenditure, vs. 16-18% in the US, Japan and Korea. All categories of "having fun", including eating out, taking out-of-town trips and others such as consuming media, gaming and participating in sports are under-indexed.

We believe the under-indexing has more to do with the cultural attitude of China's previous prime consumer generations than the relatively low income level. Looking ahead, Millennials' exposure to Western culture and their upbringing during more stable political and economic times will make them the prime consumer group to drive spending on leisure.

Exhibit 44: "Having fun" will be the most important growth area for the Chinese consumer in the coming decade

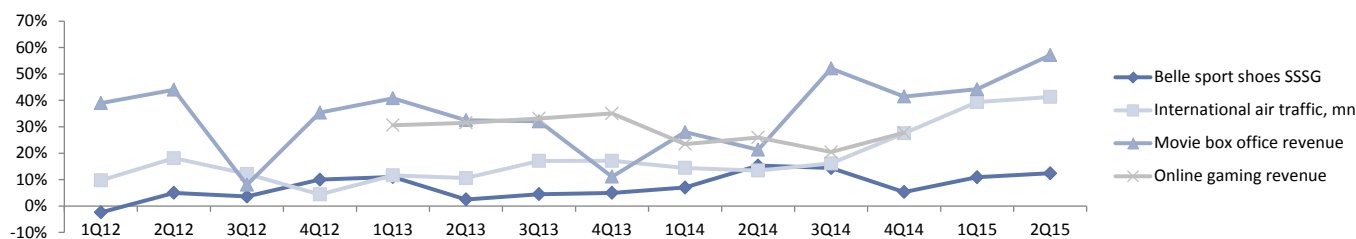
Personal Consumption Expenditure broken down by the "7 Consumer Desires"; China most under-indexed on fun

Note: "Luxury" consumption is contained in the first 6 consumption desires



Source: Euromonitor, CEIC, Goldman Sachs Global Investment Research.

Exhibit 45: Movies, international air travel, online gaming and sports have undergone particularly strong growth yoy growth



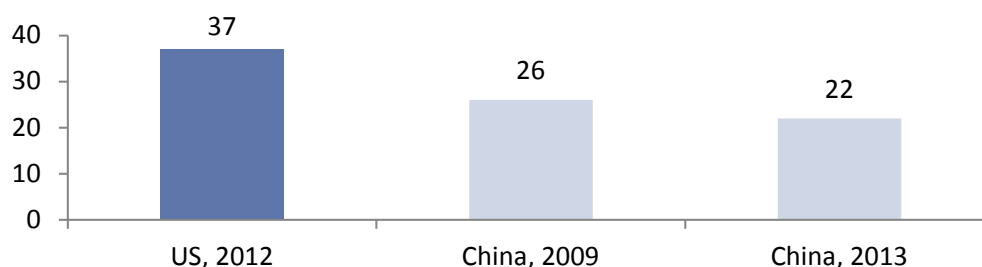
Source: CEIC, SARFT, CNNIC, Goldman Sachs Global Investment Research.

Prioritizing spending on experiences

Going to the movies. The average age of moviegoers in the US was 37 in 2012 and has remained steady since; while in China, the average age of movie-goers was 26 in 2009 and had fallen to 22 in 2013, according to AC Nielsen. Media companies such as **Huace (Neutral)**, which has demonstrated superior content production capability remain well-positioned, in our view. In addition, **Starbucks (Buy)** stands to benefit from the growing coffee-drinking culture, **Saizeriya (Buy)** effectively caters to Millennials with its fun and affordable casual dining and **Wanda (Buy)**, has a strong track record of developing experience-based malls that cater to Millennials.

Exhibit 46: Millennials are going out to watch movies

Average age of moviegoers



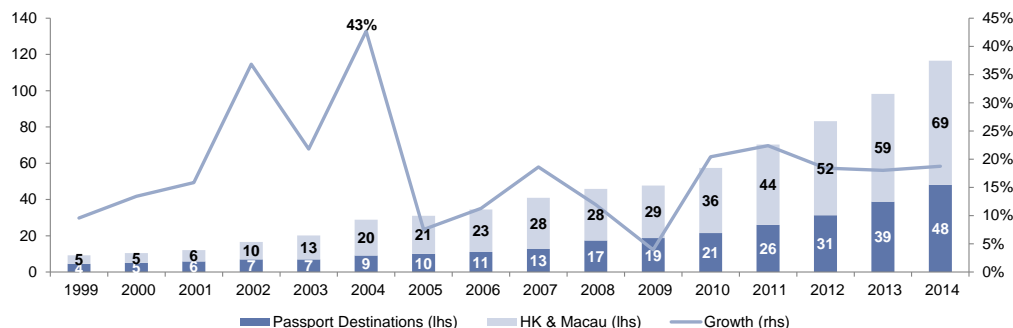
Source: AC Nielsen, Goldman Sachs Investment Research.

Wanderlust, seeking adventure. Across Asia, Millennials already account for nearly 35% of the US\$600 billion spent on international travel, according to a study by Singapore Travel Board, Visa and McKinsey. In China, the number of outbound trips (excluding HK/Macau) passed 40mn in 2014 (against an estimated 60mn passport holders) and is growing at 8-9mn visits per year (Exhibit 47). Millennials – with another 40mn graduating from college in the next five years – are fueling that. **Samsonite (Neutral)**, with its strong established position in both its flagship brand and Amercian Tourister brand, could benefit as demand for travel increases.

Millennials also have distinct travel habits compared with older generations. They are more independent and wish to plan their own adventures (Exhibit 48), which helps boost online travel agencies such as **Ctrip (Neutral)**. According to the China National Tourism Administration, “the number of visitors travelling independently surpassed those who utilized organized tours” in 2013.

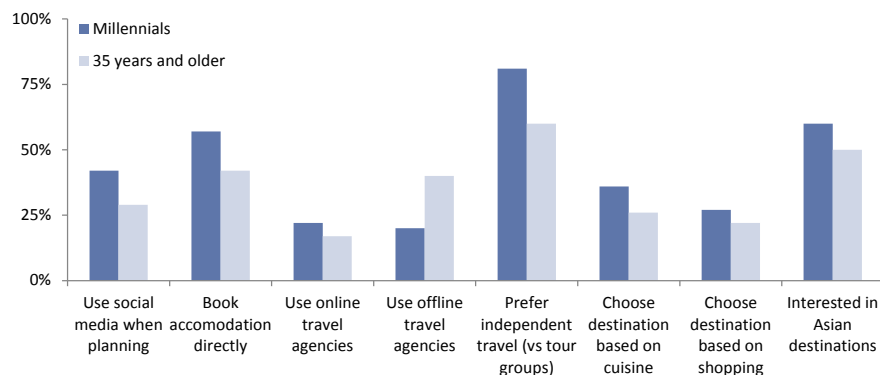
The rising wave of young travelers is also driving a shift in destinations. Regional destinations such as Japan and Korea (which is a key influencer of popular culture across Asia) are growing in favor. Compared to older generations, Millennials are seeking more adventurous excursions and cultural immersion; according to Hotels.com, 21% of survey respondents claimed that they would like to see the Pyramids of Giza in their lifetime vs 12-13% who claimed they wanted to see the Eiffel Tower or Venice. Still, more traditional and long haul trips to Europe and the US are high on wish lists, and as Millennials’ income rises and passports and visas become more accessible, the footprint of China’s young travelers will continue to extend further.

Exhibit 47: No. of outbound trips (excluding HK/Macau) passed 40mn in 2014 and has been growing at 8-9mn visits per year
Passport destinations and growth



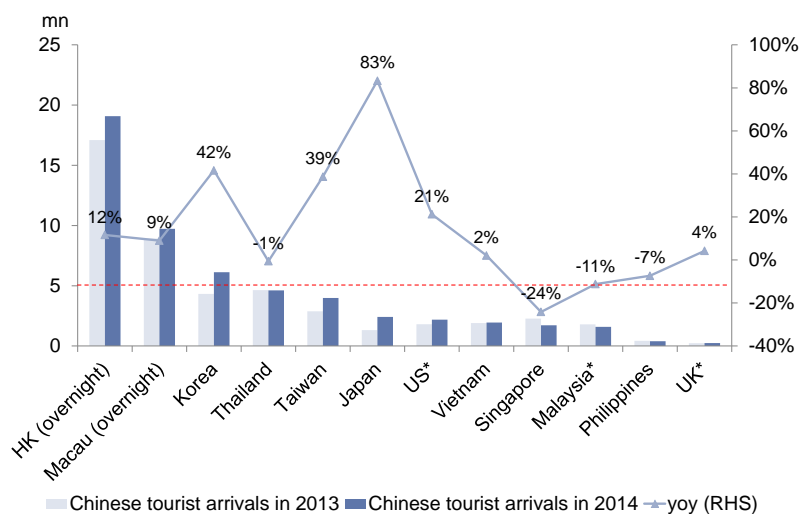
Source: CEIC, China National Tourism Administration.

Exhibit 48: Millennials' independent and distinct travel habits to have far-reaching impact
Percentage of respondents



Source: Hotels.com, Jing Daily.

Exhibit 49: Korea, Thailand, Taiwan and Japan more popular as travel destinations
No. of Chinese tourist arrivals in 2013 vs. 2014E and yoy change from 2013 to 2014E



*US, Malaysia, and UK tourist arrivals are estimated based on ytd (Jan-Sep/Oct/Nov) growth rates; Malaysia Chinese tourist arrivals include visitors from China, Hong Kong, and Macau.

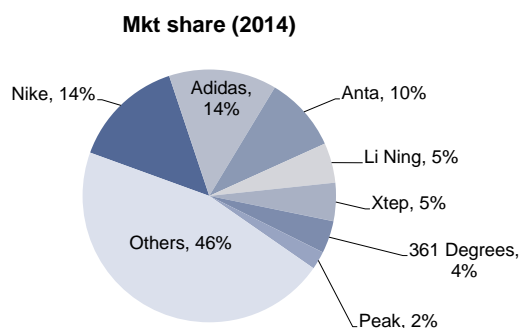
Source: CEIC, Goldman Sachs Global Investment Research.

Sports participation to drive performance footwear and apparel. In a 2007 survey, only 6% of 20-40 year olds claimed that they participate actively in sports. But we think this is changing. We believe one proxy for more active youngsters is the 40% increase in running competitions in 2014. In September 2014, the government also announced its target of a 40% increase in active sports participants, from 350mn to 500mn by 2025 and has laid out a set of measures to boost the sports industry. We expect sport awareness and participation will improve with more sporting events, increased media coverage, the development of ancillary businesses and improved utilization of sport facilities.

Performance footwear and apparel will benefit from greater sports participation. Currently, we estimate that half of China's 600mn pairs of sports shoes are unbranded and less than a third are performance driven, versus 50-60% in Korea, the US and Japan. Global leaders such as **Nike (CL Buy)**, **Adidas (Neutral)**, **Asics (CL Buy)**, **VF Corp (Buy)** and **Shimano (CL Buy)** stand to benefit.

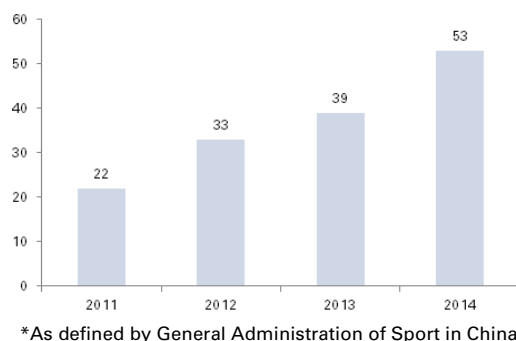
Domestic player **Anta (Buy)** is also particularly well positioned for the shift. The company's performance-based footwear growth has already outpaced casual footwear growth in its Q415 trade fair. By focusing on delivering the best quality at a relevant price (Rmb200-300 vs. Nike and Adidas at Rmb500+), Anta has captured significant market share. Additionally, we expect that Anta's much larger scale relative to other local competitors will enable the company to spend more on brand building and R&D, which could lift its brand image and product quality, particular in performance-based shoes.

Exhibit 50: Nike and Adidas have leading shares; Anta is the leading domestic player
Market share for athletic footwear



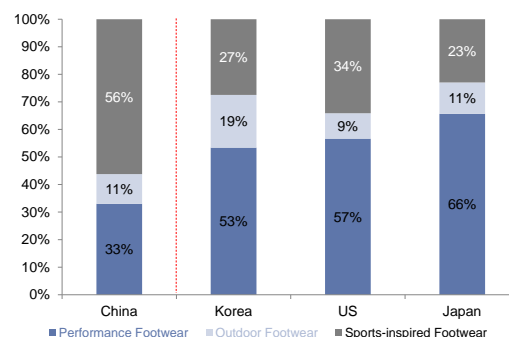
Source: Euromonitor, Goldman Sachs Global Investment Research.

Exhibit 51: In 2014, 40% increase in running competitions
Number of major running competitions* in China



Source: General Administration of Sport in China, Goldman Sachs Global Investment Research

Exhibit 52: Performance footwear penetration is low
Sports shoes by type by country, 2014



Source: Euromonitor

Online fun

New ways of affording fun. While we expect rising incomes will fuel the growth of all fun categories in the coming decade, affordability is still a key consideration – particularly for younger Millennials who have small wallets. The internet help serve this need by facilitating a world of affordable fun: online games cost less than US\$2 per hour while online video is mostly free. We discuss these two categories below.

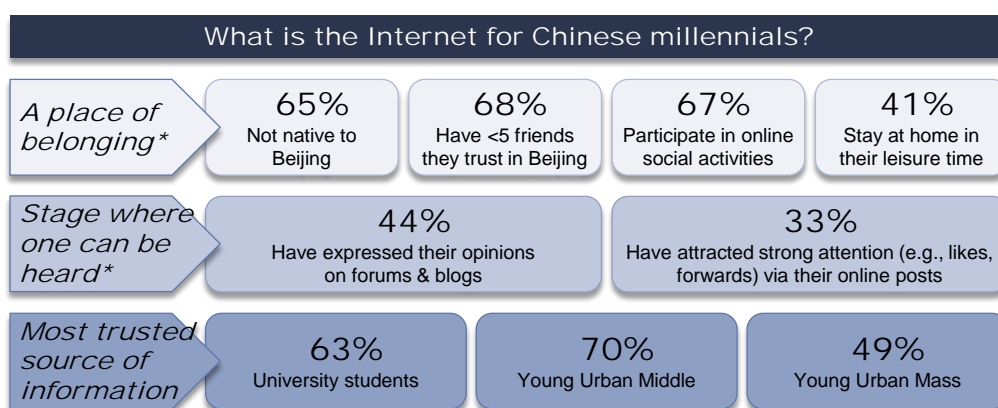
Online gaming: my social world, my status, my identity. Most Millennials grew up socially isolated. With no siblings, a wide generational gap separating them from older generations, and often few friends in the cities they migrate into, many have limited social circles. In a survey of young people in Beijing, 68% claimed that they had fewer than five trusted friends in the city and 41% chose to stay at home in their leisure time (Exhibit 53).

In this context, the virtual world – and in particular gaming – has become a key platform for Millennials to socialize. This is particularly true given that China's gaming industry is heavily PC-based (Exhibit 54) as a result of the government's ban on gaming consoles from 2000 to 2014. In contrast to 2-4 player console games, PC-based multiplayer games connect a large base of users while featuring messaging and chat room functions.

Online games were also a refuge from the real world. In a game, rules and goals are clear, achievements are constantly marked and celebrated, status is attainable and recognized, and the results are broadcasted across millions of registered users. Gamers can build status and an identity not achievable in real life. Appreciating this underlying psychology helps explain the tenacity with which gamers cling onto their virtual selves: why some pay real-world currency to buy virtual tokens, hire professional gamers to maintain their play and continue investing in outdated games to preserve their status.

In our view, gaming companies have been under-monetizing their customer base and only began to fully recognize the stickiness of PC gaming two years ago. Since then, price increases have resulted in double digit revenue growth for Tencent's PC games. The industry discovered that gaming wasn't limited to the youth; people continue to play after marriage, and as their income increases, so does their ability to pay.

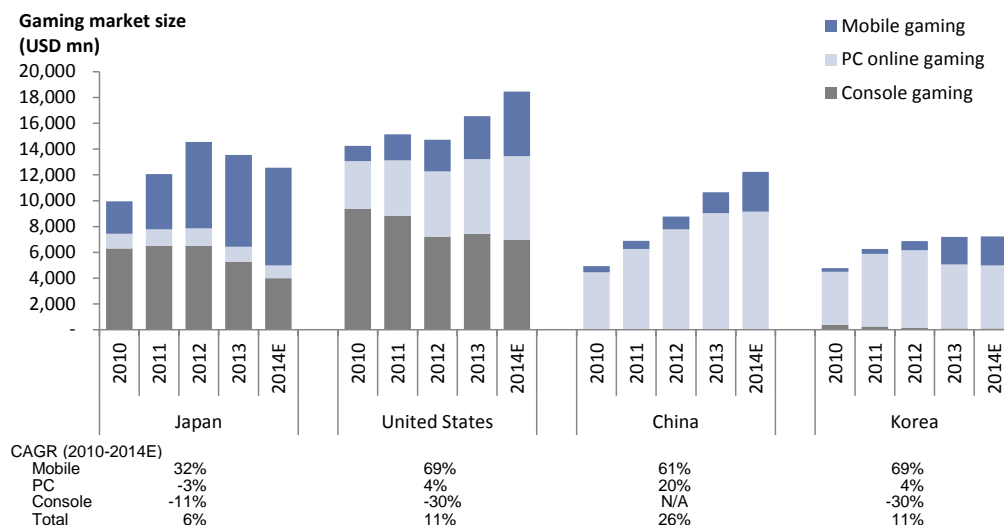
Exhibit 53: Surveys highlight Millennials' relationship with the Internet
Percentage of survey respondents



*Note: First two attributes based on survey of young people in Beijing only.

Source: China Communist Youth League, BCG, Goldman Sachs Global Investment Research.

Exhibit 54: China gaming market growing 26%, driven by PCs and mobile
Gaming market size by medium



Source: Company data, Goldman Sachs Global Investment Research.

Mobile gaming: the next frontier. The leading PC games, League of Legends, CrossFire (both published by Tencent) and Fantasy of the West (published by Netease), were all released pre-2010 and have core users mostly born before 1985 (now turning 30). PC games have been slow to attract new users, although monetization of existing users has increased in recent years. At the end of 2014, 51% of PC gamers have been gaming for over 3 years (27% more than 6 years), but only 14% joined in the last 12 months (CNNIC data). Similarly, Tencent's total and paying PC gamers, which we estimate at 50mn and 40mn respectively, are both beginning to decline.

We estimate that the number of mobile gaming users has risen to double that of PC gaming users, and that Millennials are the driving force. The big user base is also a function of the mobile gaming industry's early focus on casual games, which attract more players, but have shorter shelf lives and may be more difficult to monetize. We estimate for Tencent, less than 10% of the mobile gamers are paying users, consistent with the numbers reported by King.com for Candy Crush. Tencent and other category leaders are now focusing on expanding the genres by bringing established PC games to the mobile platform. This should potentially lower the churn rates for mobile games and simultaneously drive up the ratio of paying mobile gamers. Tencent's currently low payer ratio of 5mn paying mobile gamers (compared to 415mn Millennials) suggests a high ramp-up potential (Exhibit 55).

Because mobile games cost half the money to develop as PC games, the entry barrier for developers is lower and the reach of platforms becomes more important. The two biggest platforms are **Tencent (Buy)** - the economics are more skewed towards the platforms, which normally retain a high percentage of the revenue generated. Tencent's dominance in gaming, video, social media and communications, and its track record of exploiting its significant traffic advantage on mobile, make it a key beneficiary of 4G roll-out and increasing time spent on mobile devices.

Exhibit 55: Mobile's gamer base and ARPU already 2x PC's; we expect the gap to widen further, but the percentage of mobile gamers paying to remain 5%-6%

Tencent's gaming revenue, actual/estimates and forecasts

Y/E Dec, in Rmb mn	2013	2014	2015E	2016E	2017E
Online games					
Gamers (mn)	123	150	188	210	230
Mobile	70	100	139	162	183
PC Games	53	50	49	48	47
% paying					
Mobile	5%	5%	5%	5%	6%
PC	80%	80%	80%	80%	80%
Payers (mn)	46	45	46	47	48
Mobile	4	5	7	9	10
PC	42	40	39	38	38
ARPU (Rmb/year)	702	1,094	1,321	1,584	1,815
Mobile	188	2,240	2,659	3,241	3,549
PC	745	951	1,074	1,206	1,343
ARPU, % yoy	48%	56%	21%	20%	15%
Mobile		1090%	19%	22%	10%
PC	46%	28%	13%	12%	11%
Revenue	32,230	49,236	61,302	74,666	86,795
Mobile games	660	11,200	19,191	28,344	36,304
PC Games	31,570	38,036	42,111	46,322	50,491
Revenue % yoy	41%	53%	25%	22%	16%
Mobile games		1597%	71%	48%	28%
PC Games	38%	20%	11%	10%	9%

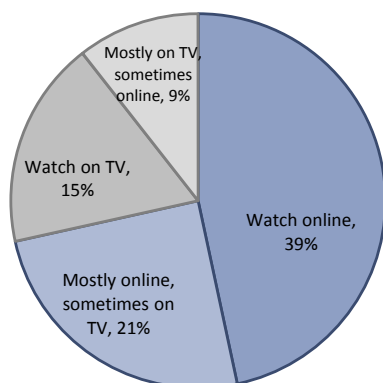
Source: Company data, Goldman Sachs Global Investment Research.

Online video: Millennials' preferred channel. Ten years ago, one would scrutinize the commercial line-up during major CCTV programs to gauge consumer industry trends. Today, the battle is online. CNNIC survey shows that already, 72% of people who watch popular programs watch it mostly online (Exhibit 57). In 2013, China imported over 200 TV series. The often underwhelming appeal of local content to younger viewers (with a focus on mature and rural audience) and the shift to online means both content companies and distribution companies are scrambling to invest to attract Millennials' eyeballs.

Consumers are shifting to online video to access content, some of which is exclusively online, and on-demand, which is important for commuting Millennials who have little structured leisure time. Internet players have been investing heavily into developing their content library; for example, Tencent has entered into a 5-year partnership with NBA basketball to stream games online. Foreign TV programming is very popular (e.g., Game of Thrones has 112mn clicks on Tencent Video), as is some locally produced content (e.g., Swords of Legends has 1.9bn clicks on Tencent Video). For Youku, content cost was already 2x bandwidth cost in 2014 (Exhibit 43), and we expect it will continue rising. Given the investment, we expect online video to potentially remain heavily loss making for at least the next two years. Similarly, traditional TV production companies, which have historically focused heavily on a more mature audience, now need to invest heavily to develop content for Millennials. We think one company that stands out is **Huace (Neutral)**, which has demonstrated leadership in tailoring content to Millennials' tastes.

In the longer term, the industry's TAM could be significantly larger than current revenue forecasts indicate, as online video offers access to advertising from domestic and MNCs, as well as P4P. Internet giant **Tencent's** dominance in online gaming, video, social media, communications, in our view is particularly well positioned to benefit from viral content and associated traffic growth.

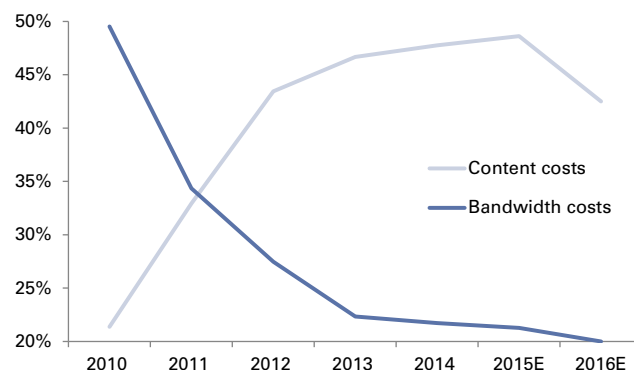
Exhibit 56: 72% watch popular programs mostly online
 “How do you watch popular programs?”



Note: 17% of respondents do not watch popular programs.

Source: CNNIC, Goldman Sachs Global Investment Research.

Exhibit 57: Content already exceeds bandwidth costs
 Youku's bandwidth and content costs



Source: Company data, Goldman Sachs Global Investment Research.

Advertising: Millennials drive shift from portal to social. Millennials' increasingly digital media consumption is causing seismic changes in the advertising market. China's online advertising market was Rmb154bn (US\$25bn) in 2014, accounting for 29% of industry total. Mobile was 30% of the online market. At present, the two dominant leaders are Alibaba (through placements on Taobao) and Baidu (through search). Portals have limited ability to monetize the ad market, however. Weibo, one of the most frequented sites in China with 200mn users, has revenue of US\$300mn in 2014 (mostly from advertising) and accounted for just 1.3% of the market. On smartphones, given the limitations of screen size, Millennials browse shopping sites and search sites more briefly, making advertising more difficult.

In comparison, the increase in time spent on social apps puts **Tencent** in a strong position. The 12th annual survey by the China Press and Publication Academy (for 2014) indicated that Chinese adults spend 40 minutes every day reading news and shared articles on both Moments and Official Accounts on Weixin, split among multiple sessions. Significantly, of those surveyed, 80% chat and browse Moments. Of those surveyed, 73% accessed News, 67% Moments and 21% Official Accounts. We expect advertising on social networks to be the dominant theme in China internet in the next 2-3 years.

We think Tencent's P4P technology is appropriate and effective and believe the company is on track to leverage the salesforce of its associates and third-party intermediaries by providing suitable incentives. Tencent cooperates with partners, such as WUBA, a top 10 Official Weixin account, to maximize advertising. JD.com's salesforce sells Weixin advertising to its customers and JD's merchants represent several thousand customers on Guang Dian Tong (GDT), the company's performance-based advertising system.

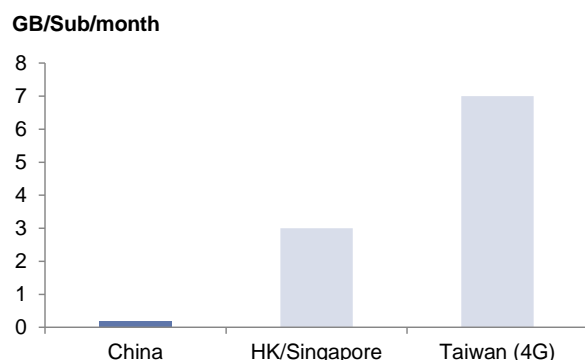
Furthermore, e-commerce has emerged as the biggest advertising categories for P4P advertising for Tencent. At Tencent's investee companies, JD.com, Koudai Gouwu (Chinese for pocket shopping, a mobile focused shopping marketplace with a large customer base) and Meilishuo.com (Beauty talk, in Chinese, a site that helps women find clothing, cosmetics, accessories, etc.), merchants typically buy advertising on GDT on a cost per click basis, assisted by the sales person at the e-commerce company.

Mobile data: the backbone servicing Millennials' fun online. The average mobile user in China consumed only 0.12 GB of data per month in 2014 (Exhibit 58) or 0.28GB when including wifi. Despite the image of the smartphone-clutching Millennial (indeed, 420mn smartphones were sold in China in 2014, 30% of the global total), mobile data usage is surprisingly low.

China's 4G users only accounted for 13% of the total subscriber base; our China telcos team forecasts it will increase to 53% by 2016E, driven partly by the earnest launch of 4G networks in 2014. Already, there is a change in user behavior. In 4Q14, we estimate that the average 4G user consumed 0.9GB per month vs. 0.1GB for the average 2G user. But 4G users' higher data usage (0.9GB) is still low compared with international benchmarks; average data usage is 3G in Hong Kong and Singapore, and 7GB in Taiwan.

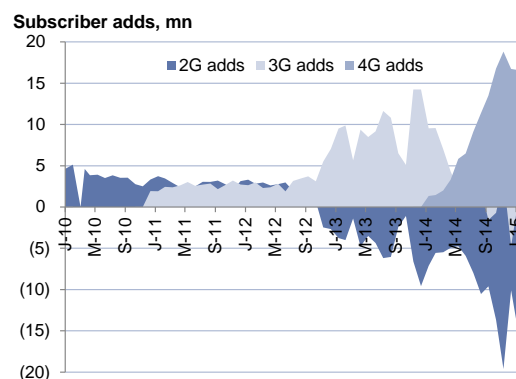
Another hindrance to higher data usage is affordability. In China, a 1GB 4G monthly plan costs US\$20, equivalent to 8 hours of earnings for the average Urban Mass worker, the cohort that most Millennials belong to (51%). In comparison, such a plan costs 2.5 hours for the average American. But this is improving; Donald Lu, our China telcos analyst, expects that data tariffs will continue to decline following Premier Li's recommendation for tariff cuts. This will spur mass adoption of 4G across China, similar to the rise of voice a decade ago. **China Mobile (Buy)**, which took a longer term view to forego short-term profits to aggressively invest in expanding its 4G base stations in our view is a key beneficiary; increasing 4G adoption is driving ARPU growth as fast growing data replaces declining voice in the revenue mix.

Exhibit 58: Only 0.12GB of monthly mobile data usage
Data consumption per subscriber per month



Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 59: Explosive growth in 4G subscriber adds
China Mobile subscriber adds by technology



Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 60: Monetizing Fun Seekers

Company name	Ticker	Stock Rating	Market cap (US\$m)	Key product categories	Price 3-Sep-2015	P/E (X) 2015E	P/E (X) 2016E	P/E (X) 2017E	P/B (X) 2015E	Topline growth 2014	Topline growth 2015E	Topline growth 2016E	NP growth 2014	NP growth 2015E	NP growth 2016E	ROE 2014	ROE 2015E
Positioned for growth																	
China Mobile (HK)	0941.HK	Buy	240,243	Telecom	91.8	14.4	12.8	11.4	1.7	2%	3%	7%	-10%	-3%	12%	13%	12%
Tencent Holdings	0700.HK	Buy	154,586	ecommerce/portal	127.4	29.1	22.3	17.0	8.5	31%	25%	31%	44%	36%	30%	35%	35%
Nike Inc.	NKE	Buy*	95,774	Sportswear	110.9	27.9	24.2	21.2	7.3	10%	7%	7%	17%	15%	12%	26%	28%
Starbucks Corp.	SBUX	Buy	83,479	Cafe	54.7	32.9	27.5	24.2	14.5	12%	15%	12%	18%	19%	20%	42%	45%
VF Corp.	VFC	Buy	30,481	Apparel & accessories	71.7	21.8	18.8	16.3	5.3	8%	5%	9%	11%	5%	11%	23%	25%
Dalian Wanda Commercial Properties	3699.HK	Buy	26,431	Real estate	45.3	9.2	7.8	6.6	1.0	24%	34%	18%	14%	23%	18%	19%	13%
adidas	ADSGn.DE	Neutral	15,587	Sportswear	67.3	19.2	17.1	14.7	2.5	2%	14%	7%	-28%	26%	8%	10%	13%
Shimano	7309.T	Buy*	12,178	Bicycle components	15,800.0	23.9	20.5	17.9	3.9	23%	12%	9%	46%	19%	17%	17%	17%
Ctrip.com International	CTRP	Neutral	10,070	Tourism	65.9	74.2	37.0	24.3	6.2	36%	46%	42%	-50%	20%	112%	8%	9%
Anta Sports Products	2020.HK	Buy	5,690	Sportswear	17.7	17.9	15.2	13.6	4.2	23%	22%	14%	29%	19%	16%	23%	25%
Asics Corp.	7936.T	Buy*	5,589	Sportswear	3,350.0	29.5	23.8	21.2	3.1	89%	22%	10%	121%	12%	24%	14%	11%
Samsonite International SA	1910.HK	Neutral	4,285	Luggage	23.6	21.6	17.8	15.7	3.1	15%	7%	9%	6%	6%	21%	15%	15%
Zhejiang Huace Film & TV	300133.SZ	Neutral	2,418	Media	23.8	33.6	22.8	17.5	5.8	108%	53%	38%	51%	76%	48%	15%	19%
Saizeriya	7581.T	Buy	1,119	Restaurant	2,633.0	33.9	26.4		1.9	13%	9%	7%	-34%	97%	28%	3%	6%
Median						25.9	21.4	17.0	4.1	19%	14%	10%	15%	19%	19%	16%	16%

Source: Goldman Sachs Global Investment Research.

The new face of labor

White collar jobs: Changing attitudes towards work

- High turnover: 28% of graduates in China changed jobs within three months of graduation vs. 4% in the US
- Enjoyment and growth becoming more important, pay less important
- Want to be their own bosses: 56% of 90s Millennials do not want to work for others, eventually
- On the job, Millennials still work hard; surveys show many work 60+ hour weeks

Blue collar jobs: Millennials shifting away

- Millennials' shift away from blue collar jobs is blunting China's edge as a low-cost center

Implication for companies operating in China

- Labor cost pressure to persist; companies have to think harder about how to motivate and retain Millennials
- Rising labor costs and shift towards high quality products creates opportunities for factory automation

Positioned for growth		Challenged	
Dom Inovance 300124.SZ	Providers of factory automation solutions to benefit as Millennials shift away from labor intensive blue collar jobs	Dom Yue Yuen 0551.HK	Labor cost pressure as Millennials shift away from blue collar jobs
Regional Fanuc 6954.T		Stella 1836.HK	
SMC 6273.T		Shenzhou 2313.HK	
		Reg Hon Hai 2317.TW	

As Millennials become the prime participants in the labor force, 30-70% staff turnover is becoming a norm in China. 28% of graduates in China changed jobs within the first 3 months after graduation vs. 4% of graduates in the US, according to 51job.com and CNBC. In a different survey by zhaopin.com, one of China's leading online recruitment service providers, 46% of 80s Millennials, who on average have eight years of working experience, have changed jobs at least three times. Higher turnover can also be observed amongst the blue collar workforce. For example, Stella, one of the leading manufacturers of footwear and leather goods, experienced turnover of over 70% in its coastal factories in the past year.

For white collar jobs, it is no longer just about pay

Although white collar wages are still low in China (majority below US\$10,000 per year), Millennials – especially the 90s generation – are de-emphasizing the importance only of pay. Beyond having opportunities for advance, which remains the most important factor across different age groups, younger Millennials put great emphasis on the prospects for their job to fulfill their aspirations. For the 90s Millennials, enjoyable and professionally rewarding work has become one of the most important factors (Exhibit 61). This preference contrasts with older Millennials (the 80s generation), who are still relatively traditionally anchored, focusing on their job's ability to “improve the quality of life”.

Exhibit 61: Millennials' changing attitudes towards work: pay becoming less important, enjoyment more important
“Why do you work?” & “What do you consider when choosing a job?”, % of survey respondents

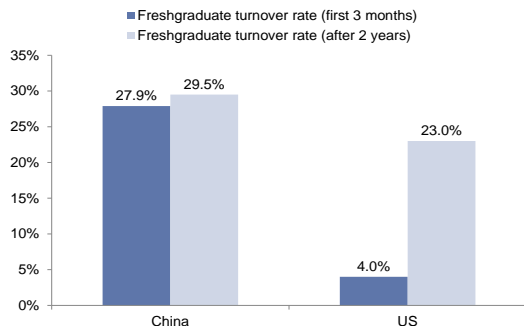


Source: zhaopin.com

Perhaps surprisingly, Millennials are still interested in public sector/SOE jobs. The number of applicants for civil servant roles increased 2.6x over the past 10 years, to over 1mn in 2015 while SOE employment remains popular even among alumni of China's top universities such as Tsinghua, where 40% of graduates entered SOEs in 2014. This underscores the continued importance of non-pay factors such as status and security, and the fact that SOEs still dominate a significant part of China's economy.

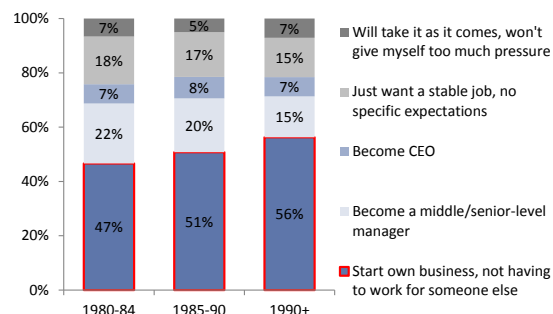
Lastly, the success of internet startups has enticed more Millennials towards an entrepreneurial path. 56% of 90s Millennials wish to start their own business (Exhibit 63), more than their older peers.

Exhibit 62: High turnover among Chinese Millennials
Job turnover rate amongst fresh graduates



Source: 51job.com, CNBC

Exhibit 63: c.50% want to own their own business
% survey respondents



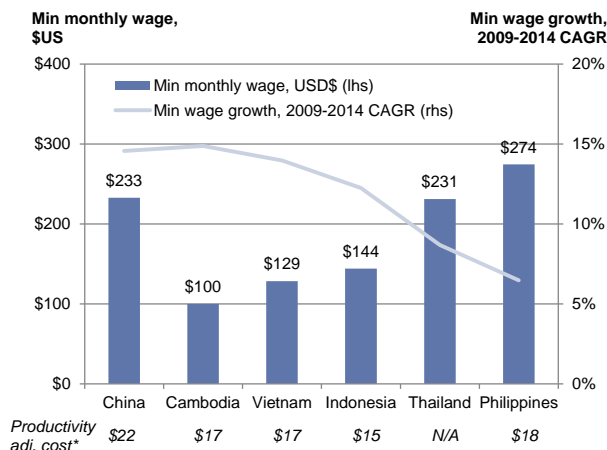
Source: zhaopin.com

All this does not mean that Millennials are an entitled generation. On the contrary, Millennials are mostly working hard to reach their aspirations. According to zhaopin.com, 40% of white collar workers take zero vacation days per year and a study of young people in Beijing by the China Communist Youth League shows that 74% have less than one day of rest a week and 37% work more than 10 hours per day.

For blue collar jobs, it is about pay

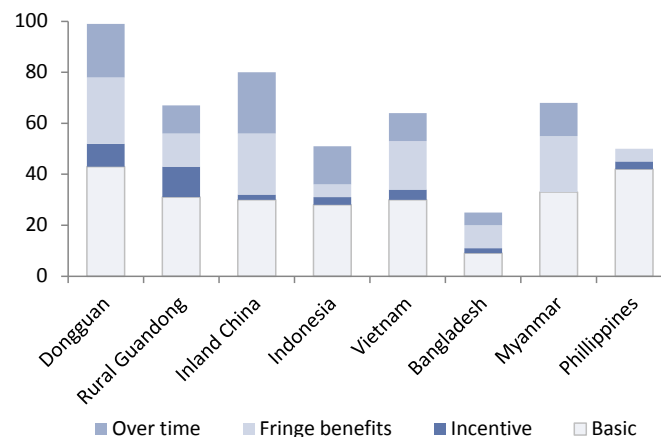
Blunting China's edge as a low-cost center. In a survey of university students by The China Post, more than 60% said they would rather be a white-collar executive than a mechanic, even if it entailed a 40% pay cut. Similar to rest of the world, Millennials' preference not to take blue collar jobs is contributing to upward pressure on wages. The minimum wage in China has been growing at a 15% CAGR in the past five years. Leading OEM manufacturers, including Yue Yuen, Stella, and Shenzhou expect a persistent high single-digit to low-teens annual increase to attract staff. This wage increase is driving China's consumption story, but looks set to become a bigger issue for many of China's biggest listed firms who employ more than 20,000 people (Exhibit 70).

Exhibit 64: China is starting to lose its edge as a low-cost center, though less pronounced when adj. for productivity
Min wage, wage growth, and productivity adj. cost based on Makalot (Taiwanese textile manufacturer), US\$/dozen pieces



Source: CEIC, Company data, Goldman Sachs Global Investment Research.

Exhibit 65: Labor cost is high across Chinese locations, pressure from non-base compensation
Stella's labor cost by location, indexed at 100 = Dongguan total labor cost, YTD 2015



Source: Stella company data

Implications for companies operating in China

Labor intensive companies will increasingly feel cost pressures (Exhibit 66). In our coverage, the most representative leaders are the world's two largest footwear manufacturers **Stella (Neutral)** and **Yue Yuen (Neutral)**, one of the largest vertically integrated knitwear manufacturers in China **Shenzhou (Buy)** and the world's largest electronics assembler **Hon Hai (Buy)**.

Both Stella and Yue Yuen have cited increasing difficulty in retaining its labor force particularly in coastal areas — i.e., Dongguan — and has already booked a provision for factory closures in 2Q15. Moving inland and into rural areas helps improve costs only by a limited extent; for Stella, such locations helped lower labor cost by c.20%. Total labor cost across China is still high relative to other low-cost countries, largely due to higher non-base compensation such as fringe benefits (Exhibits 64-65).

White collar employers will need to appeal to Millennials' changing expectations for the workplace to retain the best talent. Competitive pay, while still important, is no longer sufficient for this generation. Offering a sense of ownership is one solution that many companies are looking at. Belle (China's largest footwear retailer) bought back 2.7% (253mn shares, Rmb1.5bn in total) of the stock in 2014 to grant to its core management team. Intime (one of China's leading department store chains) recently announced a plan to given 20% of profit from new stores to those stores' management teams. China Merchant Bank, in one of the most prominent A-share management-incentive plans, offered 435mn new shares to its core management team in early 2015. In general, the trend is for greater management participation in the equity interest of their companies. This could lead to short term dilutive impact on many listed companies. In our view, however, the companies that can best incentivize staff will likely emerge with stronger competitive advantages over the longer term.

Strengthening the bullish case for Factory Automation. China's rising labor costs and its shift towards manufacturing high-quality products in high volumes will support penetration of factory automation as a means of boosting productivity, in our view. Current penetration is low (Exhibit 67), but our machinery analyst forecasts that robot penetration will reach 100 robots per 10,000 manufacturing workers by 2018 (Exhibit 68); that is, China's penetration is set to overtake – and greatly exceed – the pace in Japan during Japan's high growth phase.

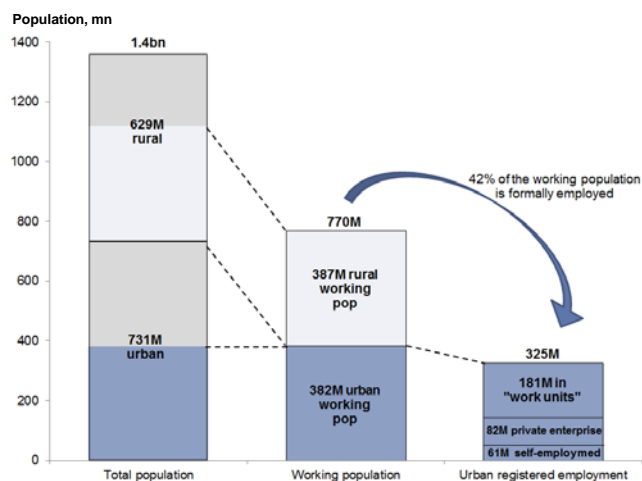
For this to happen, companies will need to build frameworks and know-how, but we believe these obstacles will be overcome — particularly given the government's supportive 10-year plan, which highlights automation as one of the key tasks in transforming China's manufacturing industry from "resource-based, pollution-heavy, low value-added" to "innovation-driven, environmentally friendly, and high value-added".

Japanese company **Fanuc (Buy)**, which has c.50% market share in China's Computer Numerical Control machines and supplies robo-drills to various manufacturers of smartphone metal casing, such as Hon Hai and Samsung Electronics, is well positioned. Japanese pneumatic equipment provider **SMC (Buy)**, which we estimate to have 40% market share in China is also a key beneficiary, in our view. Domestically, **Inovance (CL Buy)**, a key component supplier to factory automation players, is a proven leader in innovation and stands to grow with the industry's rise.



Exhibit 66: Upward pressure on wages and benefits with continued shift to formal employment

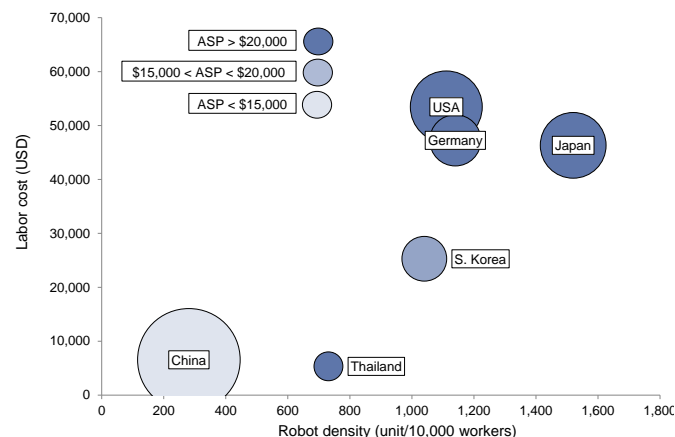
Population employed



Source: NBS, Goldman Sachs Global Investment Research.

Exhibit 67: China's FA penetration rate is very low compared with other countries

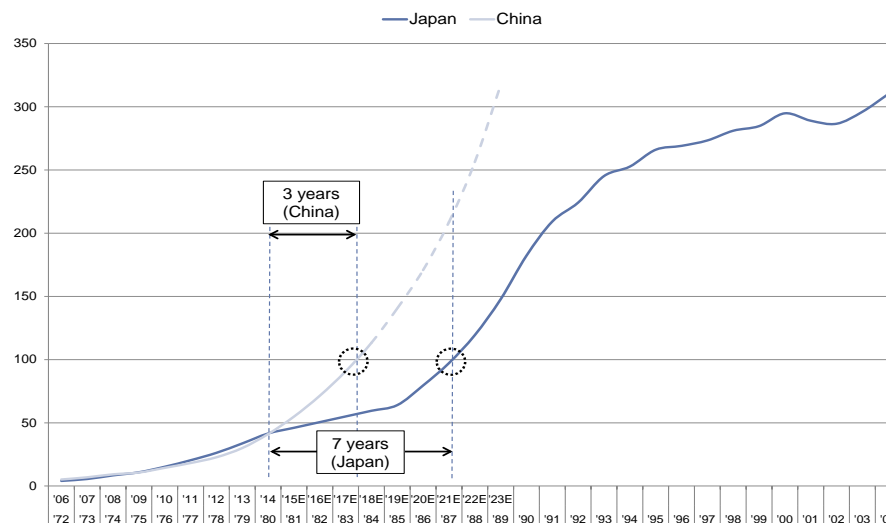
X axis = robot penetration in auto industry, Y axis = labor cost, circle size = automobile output, circle color = ASP; 2014



Source: IFR, Japan Automobile Manufacturers Association, company data, Goldman Sachs Global Investment Research.

Exhibit 68: We expect China's penetration to rise to 100 robots/10,000 manufacturing workers by 2018

Comparison of Japan-China robot penetration



Source: IFR, Company data, Goldman Sachs Global Investment Research.

Exhibit 69: Monetizing The New Face of Labor

Company name	Ticker	Stock Rating	Market cap (US\$mn)	Key product categories	Price 3-Sep-2015	P/E (X) 2015E	P/E (X) 2016E	P/B (X) 2015E	Topline growth 2014	Topline growth 2015E	Topline growth 2016E	NP growth 2014	NP growth 2015E	NP growth 2016E	ROE 2014	ROE 2015E
Positioned for growth																
Fanuc	6954.T	Buy	32,360	Machinery/automation	19,885.0	20.7	18.6	17.7	2.7	43%	5%	9%	62%	2%	11%	15%
SMC	6273.T	Buy	15,505	Machinery/automation	27,190.0	15.6	14.5	13.1	1.8	17%	12%	10%	28%	13%	8%	13%
Shenzhen Inovance Technology	300124.SZ	Buy*	4,467	Electronics	36.3	36.1	29.9	25.7	7.5	30%	15%	17%	19%	18%	21%	20%
Median						20.7	18.6	17.7	2.7	30%	12%	10%	28%	13%	11%	15%
Challenged																
Hon Hai Precision	2317.TW	Buy	40,094	Electronics	83.9	9.9	10.0	9.6	1.3	7%	5%	3%	22%	2%	-1%	15%
Shenzhen International Group	2313.HK	Buy	6,869	Apparel & accessories	38.1	18.5	16.4	14.5	3.3	11%	13%	16%	15%	14%	13%	19%
Yue Yuen Industrial	0551.HK	Neutral	5,976	Footwear	28.1	12.7	11.6	10.2	1.3	6%	8%	8%	-24%	41%	10%	8%
Stella International Holdings	1836.HK	Neutral	1,968	Footwear	19.2	14.6	12.6	11.5	2.0	8%	11%	8%	-4%	14%	16%	12%
Median						13.7	12.1	10.9	1.7	7%	9%	8%	5%	14%	11%	14%

Source: Goldman Sachs Global Investment Research.

Exhibit 70: Companies most reliant on human capital could be more impacted by rising labor costs

Top domestic employers in China, financials are in USD for year 2014

TICKER	COMPANY NAME	SECTOR	MKT CAP, mn	NO. EMPLOYEES IN CHINA	REV PER TOTAL STAFF	NI PER TOTAL STAFF
1 2317.TT	Hon Hai Precision Industry Co Ltd	OEM	42,572	1,009,000	137,756	4,268
2 857.HK	PetroChina Co Ltd	Energy	298,655	534,652	693,063	32,535
3 601288.SS	Agricultural Bank of China Ltd	Banks	177,663	493,583	263,358	59,014
4 939.HK	China Construction Bank Corp	Banks	206,648	372,321	375,499	99,320
5 386.HK	China Petroleum & Chemical Corp	Energy	108,471	358,571	1,259,132	21,033
6 3988.HK	Bank of China Ltd	Banks	195,088	308,128	391,969	89,336
7 728.HK	China Telecom Corp Ltd	Telecom	44,362	300,960	174,948	9,535
8 390.HK	China Railway Group Ltd	Industrials	45,639	293,592	326,269	5,727
9 291.HK	China Resources Enterprise Ltd	Consumer Staples	7,785	252,000	86,411	(82)
10 1186.HK	China Railway Construction Corp Ltd	Industrials	34,807	249,624	373,218	7,376
11 941.HK	China Mobile Ltd	Telecom	264,071	241,550	431,022	73,430
12 601668.SS	China State Construction Engineering Corp Ltd	Industrials	35,263	238,079	524,358	15,387
13 2318.HK	Ping An Insurance Group Co of China Ltd	Insurance	100,216	235,999	366,763	27,014
14 762.HK	China Unicom Hong Kong Ltd	Telecom	32,739	228,620	202,111	8,559
15 2328.HK	PICC Property & Casualty Co Ltd	Insurance	30,064	161,310	226,458	15,209
16 600104.SS	SAIC Motor Corp Ltd	Auto	34,637	151,820	669,514	29,906
17 2382.TT	Quanta Computer Inc	OEM	7,464	150,000	203,734	4,153
18 6808.HK	Sun Art Retail Group Ltd	Retail/e-comm	6,976	144,530	103,155	3,266
19 267.HK	CITIC Ltd	Industrials	44,517	125,273	413,939	42,168
20 489.HK	Dongfeng Motor Group Co Ltd	Auto	10,301	122,159	107,562	17,067
21 551.HK	Yue Yuen Industrial Holdings Ltd	OEM	5,476	122,000	19,641	811
22 288.HK	WH Group Ltd	Consumer Staples	9,468	121,000	183,826	6,331
23 601669.SS	Power Construction Corp of China Ltd	Industrials	23,322	120,451	219,249	6,450
24 1880.HK	Belle International Holdings Ltd	Retail/e-comm	8,670	115,657	51,976	6,218
25 601618.SS	Metallurgical Corp of China Ltd	Industrials	18,519	104,393	326,621	6,165
26 1800.HK	China Communications Construction Co Ltd	Industrials	34,594	103,357	574,826	21,962
27 2628.HK	China Life Insurance Co Ltd	Insurance	122,795	103,123	694,163	50,698
28 601006.SS	Daqin Railway Co Ltd	Transport	24,824	102,503	85,113	22,461
29 3328.HK	Bank of Communications Co Ltd	Banks	74,167	93,658	581,349	114,119
30 1088.HK	China Shenhua Energy Co Ltd	Energy	53,237	92,738	434,679	67,713
31 601601.SS	China Pacific Insurance Group Co Ltd	Insurance	36,978	90,000	389,842	19,926
32 601766.SS	CRRC Corp Ltd	Industrials	61,903	88,925	215,233	9,701
33 1836.HK	Stella International Holdings Ltd	OEM	2,075	83,000	20,037	1,454
34 300433.SZ	Lens Technology Co Ltd	OEM	8,357	82,395	28,388	2,318
35 1055.HK	China Southern Airlines Co Ltd	Transport	16,383	82,132	214,585	3,512
36 600871.SS	Sinopec Oilfield Service Corp	Energy	16,825	80,551	188,403	2,478
37 322.HK	Tingyi Cayman Islands Holding Corp	Consumer Staples	10,798	79,003	129,590	5,069
38 2600.HK	Aluminum Corp of China Ltd	Materials	12,742	75,749	303,780	(34,748)
39 000063.SZ	ZTE Corp	Electronics	12,434	75,609	174,895	5,653
40 600036.SS	China Merchants Bank Co Ltd	Banks	71,969	75,109	607,267	120,823
41 2698.HK	Weiqiao Textile Co	OEM	613	74,000	24,590	676
42 000100.SZ	TCL Corp	Electronics	9,765	73,485	222,594	7,031
43 2333.HK	Great Wall Motor Co Ltd	Auto	14,310	71,575	136,781	18,236
44 000651.SZ	Gree Electric Appliances Inc of Zhuhai	Electronics	22,008	71,419	315,086	32,170
45 670.HK	China Eastern Airlines Corp Ltd	Transport	18,519	69,849	209,565	7,924
46 601111.SS	Air China Ltd	Transport	20,743	68,553	240,045	9,038
47 000895.SZ	Henan Shuanghui Investment & Development Co Ltd	Consumer Staples	10,630	68,159	108,366	9,620
48 JD.US	JD.com Inc	Retail/e-comm	46,970	68,109	274,061	(11,907)
49 601225.SS	Shaanxi Coal Industry Co Ltd	Energy	10,676	61,231	107,007	2,522
50 3699.HK	Dalian Wanda Commercial Properties Co Ltd	Real Estate	32,349	60,674	288,567	66,447
51 992.HK	Lenovo Group Ltd	Electronics	11,992	60,000	645,119	13,620
52 600887.SS	Inner Mongolia Yili Industrial Group Co Ltd	Consumer Staples	17,270	59,178	148,797	11,367
53 601336.SS	New China Life Insurance Co Ltd	Insurance	18,985	56,487	408,293	18,407
54 601989.SS	China Shipbuilding Industry Co Ltd	Industrials	39,559	55,779	175,684	6,623
55 1898.HK	China Coal Energy Co Ltd	Energy	14,369	54,150	211,809	423
56 151.HK	Want Want China Holdings Ltd	Consumer Staples	13,075	52,000	72,603	11,933
57 656.HK	Fosun International Ltd	Materials	15,718	51,000	196,486	21,813
58 998.HK	China CITIC Bank Corp Ltd	Banks	49,952	50,735	759,477	130,181
59 2313.HK	Shenzhen International Group Holdings Ltd	OEM	7,226	50,263	29,141	5,408
60 1099.HK	Sinopharm Group Co Ltd	Health Care	10,671	50,099	648,382	9,314
61 601166.SS	Industrial Bank Co Ltd	Banks	48,287	49,388	822,011	154,916
62 914.HK	Anhui Conch Cement Co Ltd	Materials	18,141	48,439	203,590	36,795
63 BIDU.US	Baidu Inc	Internet	59,868	46,391	171,621	46,138
64 2238.HK	Guangzhou Automobile Group Co Ltd	Auto	14,635	45,819	79,265	11,284
65 000709.SZ	Hebei Iron & Steel Co Ltd	Materials	11,969	45,430	350,612	2,491
66 600600.SS	Tsingtao Brewery Co Ltd	China Staples	7,736	44,016	99,072	7,339
67 966.HK	China Taiping Insurance Holdings Co Ltd	Insurance	10,661	43,933	253,132	11,863
68 600000.SS	Shanghai Pudong Development Bank Co Ltd	Banks	46,045	43,654	884,863	174,847
69 836.HK	China Resources Power Holdings Co Ltd	Utilities	12,968	42,575	214,082	29,188
70 600893.SS	Avic Aviation Engine Corp PLC	Industrials	16,521	41,426	104,753	3,669
71 2202.HK	China Vanke Co Ltd	Real Estate	26,039	40,467	553,483	63,154
72 601818.SS	China Everbright Bank Co Ltd	Banks	33,007	39,015	649,826	120,159
73 2319.HK	China Mengniu Dairy Co Ltd	China Staples	8,489	38,100	213,215	10,015
74 600019.SS	Baoshan Iron & Steel Co Ltd	Materials	18,802	37,838	803,522	24,847
75 902.HK	Huaneng Power International Inc	Utilities	23,227	37,737	535,375	46,268
76 1919.HK	China COSCO Holdings Co Ltd	Industrials	13,579	37,027	293,266	1,589
77 16.HK	Sun Hung Kai Properties Ltd	Real Estate	44,179	37,000	261,724	116,817
78 000001.SZ	Ping An Bank Co Ltd	Banks	29,145	35,069	656,585	91,650
79 BABA.US	Alibaba Group Holding Ltd	Internet	198,155	34,985	245,322	108,938
80 200625.SZ	Chongqing Changan Automobile Co Ltd	Auto	11,987	34,260	240,902	35,821
81 200725.SZ	BOE Technology Group Co Ltd	Electronics	20,730	34,165	174,345	12,172
82 000768.SZ	AVIC Aircraft Co Ltd	Industrials	14,871	32,894	104,381	1,737
83 CTRP.US	Ctrip.com International Ltd	Internet	11,046	32,200	36,774	1,215
84 600010.SS	Inner Mongolia Baotou Steel Union Co Ltd	Materials	23,751	31,764	151,341	1,024
85 1044.HK	Hengan International Group Co Ltd	Consumer Staples	13,305	31,000	99,131	16,289
86 601727.SS	Shanghai Electric Group Co Ltd	Utilities	22,046	29,261	425,922	13,926
87 1109.HK	China Resources Land Ltd	Real Estate	19,264	28,452	400,573	66,664
88 600795.SS	GD Power Development Co Ltd	Energy	16,453	28,335	349,201	34,797
89 600015.SS	Huaxia Bank Co Ltd	Banks	18,944	27,835	606,643	104,850
90 700.HK	Tencent Holdings Ltd	Internet	170,941	27,690	462,674	139,567
91 600048.SS	Poly Real Estate Group Co Ltd	Real Estate	16,190	27,290	582,322	72,563
92 000858.SZ	Wuliangye Yibin Co Ltd	Consumer Staples	15,729	26,283	120,386	36,033
93 688.HK	China Overseas Land & Investment Ltd	Real Estate	30,649	25,705	601,987	138,863
94 991.HK	Datang International Power Generation Co Ltd	Utilities	11,950	25,019	455,383	11,466
95 000069.SZ	Shenzhen Overseas Chinese Town Co Ltd	Real estate	11,382	24,575	159,050	31,534

Source: Bloomberg, Goldman Sachs Global Investment Research.

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Reg AC

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