Singapore Equity Strategy

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Phillip Securities Research Pte Ltd

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Industrials (Capital Goods) – Positive outlook

We continue to see upsides for stocks in the Industrials (Capital Goods) sector. We see strong order wins for the various stocks in their niche area of business, due to their competitive advantage. This includes positive track records for the O&M Sector, and the ability to benefit from Singapore's construction boom. Most stocks in the sector remain reasonably priced.

Commodities – CPO price pressure to continue

Higher production of Crude Palm Oil (CPO), coupled with an anticipated higher soybean harvest in CY2H13 puts pressure on CPO prices. Upstream operators are expected to be adversely affected, leading to continued underperformance relative to the broader market.

Telcos preferred over S-REITS – Growth with yield!

The recent market correction was felt most by the REITs and Telcos. With the QE expected to taper possibly by year end, yield plays may no longer be favored. However, Telcos remain attractive due to expectations of low growth, driven by higher data monetizing, and increase customer base from population growth

Property sector prices expected to correct further

With cumulative supply at an all time high of 110,481 units, local developers may be required to lower selling prices. This leads to lower profit margins. We see limited scope for the property sector to outperform the broader STI.

Margins expected to stabilize for the Banks

NIMs pressure is expected to stabilize, but y-y net interest income is expected to be flattish although loans growth is expected to be healthy in the high single digits. Should interest rates increase, indirectly due to the tapering of QE, NIMs should increase, but watch out for credit cost as loan provisions are expected to increase from the current very low base. We expect to upgrade the Sector once valuations are compelling.

Update to Top Picks list – SGX and Keppel Corp added

We have removed Boustead Singapore and SIA Engineering from our top pick list, replacing it with Singapore Exchange Limited (SGX) and Keppel Corporation. We continue to like Pan United (PUC), as it rides on the construction boom. We also note a near term catalyst from potential increase in PUC's stake in the profitable Changshu Xinghua Port. We expect SGX to outperform, given the recent significant increase in Securities and Derivatives trading volumes. Order wins are high at US$3.1B ytd, while margins are expected to be attractive for Keppel Corp. Share price is also expected to be supported by attractive dividend yield of ~4-5%.

Top Picks in the Singapore Market

Company	Rating	Price (S$)	TP (S$)	Upside (%)	M.Cap. (US$'mn)
Singapore Exchang	**Accumulate**	**7.26**	**8.00**	**10.2%**	**6,192**
Valuations		**12**	**13E**	**14E**	
P/E (X)		25.5	23.5	20.8	
P/B (X)		9.3	8.8	8.0	
Dividend yield (%)		3.7%	3.9%	4.0%	
Pan United Corp.	**Buy**	**0.91**	**1.21**	**33.0%**	**406**
Valuations		**11**	**12**	**13E**	
P/E (X)		14.8	11.6	10.6	
P/B (X)		1.7	1.6	1.5	
Dividend yield (%)		3.8%	4.4%	4.4%	
Keppel Corp	**Accumulate**	**10.58**	**12.34**	**16.6%**	**15,252**
Valuations		**11**	**12**	**13E**	
P/E (X)		12.8	10.0	12.3	
P/B (X)		2.5	2.1	2.0	
Dividend yield (%)		4.1%	6.8%	4.4%	

Source: Bloomberg, PSR

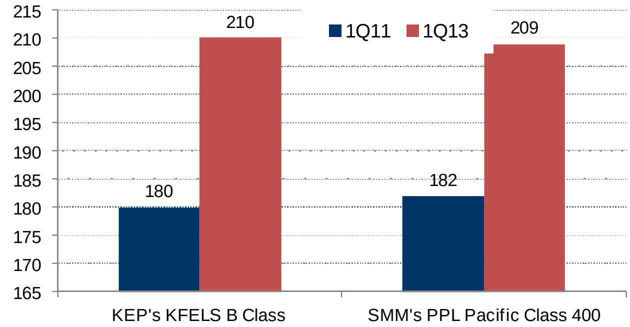
Analyst
Ken Ang
Kenangwy@phillip.com.sg
+65 6531 1793

Phillip Research Team
research@phillip.com.sg

Industrials (Capital Goods) Sector

Offshore and Marine (O&M) – Robust sector outlook. Oil price, a good sentiment gauge for the O&M sector, has been fairly volatile over the few months but remains above the healthy price range of US$80-100/bbl. This indicates a robust sector outlook. Despite strong competition from the Chinese yards (with lower rig price and attractive payment terms), we think downside risks to Singapore yards are limited in the near and medium term. This is due to Chinese yards having a lack of track record, and late delivery concerns. In fact, Singapore yards have managed to raise pricing by about 15%-17% for their proprietary designs over the past 2 years, even though their Chinese peers have aggressively entered the offshore market with lower pricing and attractive payment terms.

Fig 1. Pricing of jack-up rigs from SG yards

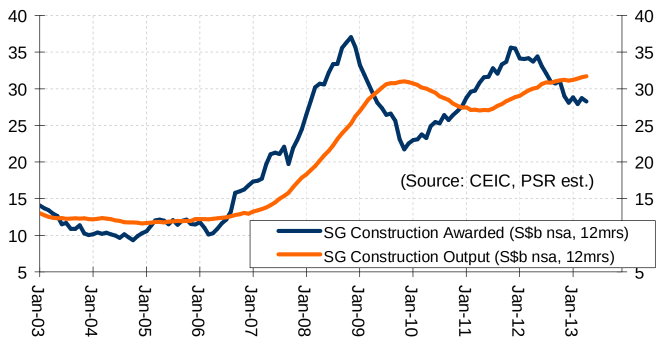


Source: Companies, PSR

We expect a combined total of S$10.6bn in order wins for **Keppel Corp (SG Top Pick)** and Sembcorp Marine in 2013. We continue to like Keppel Corp for its stronger operating performance, better execution for its Brazilian projects and potential margin upside from the delivery of remaining 15 jack-up rigs for 2013 (5 delivered in 1Q13). Albeit Sembcorp Marine's order book spike of 150% last year will see higher revenue growth over the next few years, we believe margins will continue to face downward pressure as they execute on new design rigs, which in turn will affect earnings.

Pan United (SG Top Pick) – Benefit from high infrastructure demand in Singapore, potential for increased stake in profitable Changshu-Xinghua Port (China). (See PSR Coverage Overview for details). Furthermore, valuation for Pan United is attractive at c.10X FY13/14E P/E and offers support from dividend yields of >4%.

Fig 2. Construction demand higher in recent times



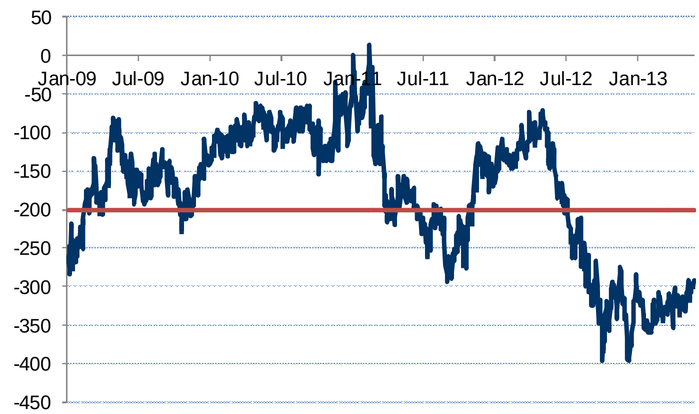
Source: CEIC, PSR

S-Chips – Affected by slower China Economy. The S-Chips under our coverage suffered as the China economy continues in slow mode, after a short period of re-stocking that got some people excited. The strong RMB, continuing higher labor costs, and delays in government-related projects are making these either less competitive (exporters) or not being able to have adequate revenues to cover fixed costs. OEM/ODM customers are also squeezing margins. If any of these factors do not reverse, one can only look for corporate actions like takeovers to stimulate stock prices; or, some USD/RMB carry-trade unwinding to perhaps boost the copper price.

Commodities & Supply Chain Managers

Downward CPO price pressure to continue. While CPO prices may be supported by lower inventory in the near term on higher demand ahead of Ramadan, we expect downward price pressures to continue in 2H13 as CPO production picks up, coupled with an anticipated higher soybean harvest coming from the US in the 2nd half of the year. CPO is currently trading at ~US$300/MT discount to soybean oil, which is still above its historical long-term average of US$200/MT.

Fig 3. CPO at a greater discount to soybean oil price than historical average of US$200/MT (US$/MT)



Source: Bloomberg, PSR

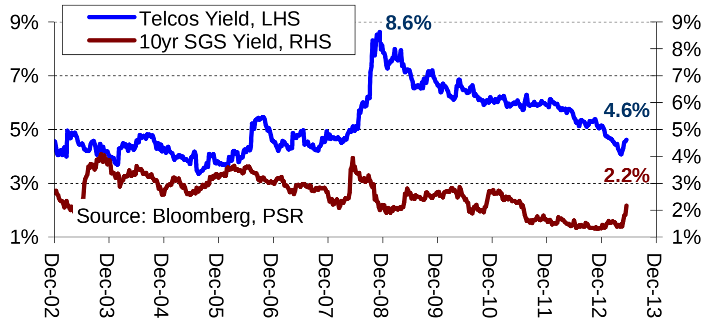
Between the two stocks under our coverage, we prefer Wilmar International to Golden Agri as we expect the former to be less impacted by the lower CPO prices, as upstream operations account for only ~25% of its profit. Furthermore, we see positive long term prospects for Wilmar, given its large exposure to China and other emerging markets.

Telecommunications Sector

High dividend yields with moderate growth, Accumulate. The Telcos registered a strong sell-off, having posted strong capital gains in recent quarters. Fundamentally, growth remains positive and resilient. Factors driving this growth includes higher customer base from population growth, and higher monetizing of data. High capital expenditure in the near term continues to weigh on the Telcos' ability to give higher dividends. CAPEX includes the upcoming spectrum auction, LTE roll-out, and 3G network enhancements.

Based on the growth prospects and attractive dividend yields, we are optimistic on the Telcos Sector, with "Accumulate" on SingTel, M1 and StarHub. We prefer SingTel over M1 and StarHub due to better growth potential from its overseas exposure, and Group Digital investments. On the latter, SingTel has budgeted S$2 billion for Group Digital investments over the next three years.

Fig 4. Telcos trading at an average yield of 4.6%



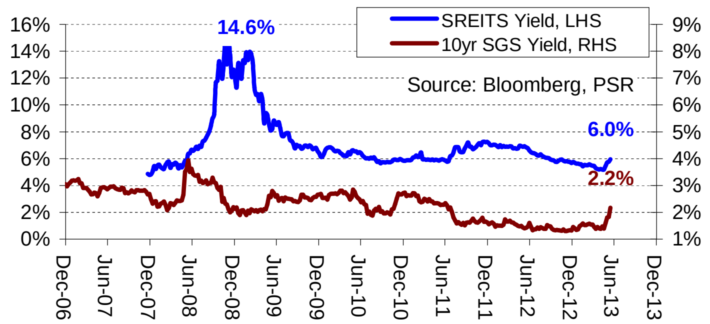
REITS Sector

S-REITS – Downside risks with little growth drivers. While the S-REITs managed to continue its rally in the initial phase of 2013, the recent sell-off has served to undo almost all year-to-date (YTD) gains. The FTSE Straits Times REIT index (FSTREI) dipped 10.9%, from a high of 890.2 to 793.0. Investors rode a positive trend that initiated since 1Q12. Currently, with the market rife with rumors of an impending end to Quantitative Easing (QE) policies, investors were pushed towards profit taking.

With the market correction in effect, there is an increase in current distribution yields. However, current circa-5.7% yields remains unattractive. In addition, while we expect the QE to last through 2013, the recent revelation of potential tapering of the QE presents a fresh source of downside risks. Many REIT managers will avoid aggressive injection of assets during times of unstable interest rates.

With greater downside risks and a void of growth drivers, we think it advisable for clients to be highly selective in maintaining their exposure within this sector. We prefer counters which have demonstrated strong and resilient growth in rental revenue growth and stable gross margins.

Fig 5. SREITS trading at an average yield of 6.0%



Property Sector

Singapore property – Prices to correct further. While there are signs that points towards price stabilization of private residential properties, we expect the prices to correct further. The most recent statistics released by URA, reveal that current supply are at an all-time high. We expect significant downward pressure on private property prices, as the market struggle to absorb this mammoth new supply. Including the 11,938 EC units and 9,920 units from the recent award of land sites, the cumulative supply has reached 110,481 units. Local developers may be required to lower their selling prices and face lower profit margin or risk increasing unsold inventories.

Banking & Financials Sector

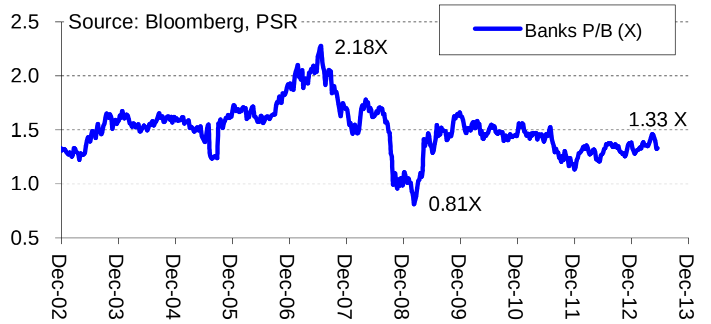
Expect growth from stronger Fees and Commission. Net Interest Margins, which has been a key concern for most of FY2012, is expected to stabilize. Y-Y, NIMs are down 13bps (DBS) to 28bps (UOB). Based on the guided high single digit loans growth, Net interest income is expected to be relatively flat. Fees and Commission, through growth of wealth management and transaction banking fees, is expected to drive earnings growth.

Should the tapering to QE also lead to a hike in interest rates, the banks will stand to benefit from higher interest income. Credit cost would however be of concern, given current low NPL ratios. The banks may require significantly higher loans provision, from a low base, should interest rates increase, and credit quality decline.

Among the 3 local banks, we prefer DBS and UOB ("Neutral") over OCBC ("Reduce"). The banks remain fundamentally strong, and have adequate capital to meet the new Basel III requirements. Since our downgrade of DBS and UOB during the last results season, the share price has decreased in-line with the broader STI. We expect to upgrade the sector to "Accumulate", once valuations become more compelling.

We expect **SGX (SG Top Pick)** to benefit from the improvement in Securities, and Derivatives, trading volume.

Fig 6. Banks trading at below historical average of 1.5X on sustained NIMs pressure



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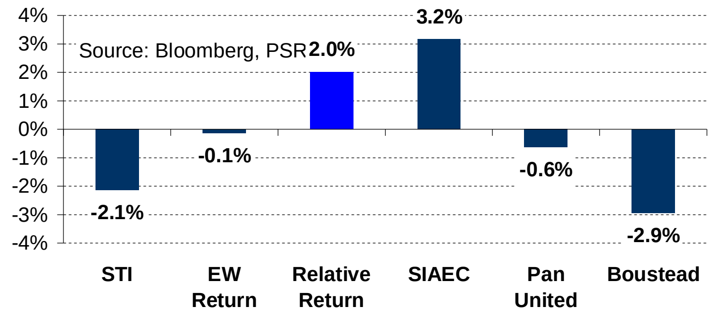
PSR Coverage Overview

We have removed Boustead Singapore and SIA Engineering from our top pick list and replaced it with Singapore Exchange and Keppel Corporation.

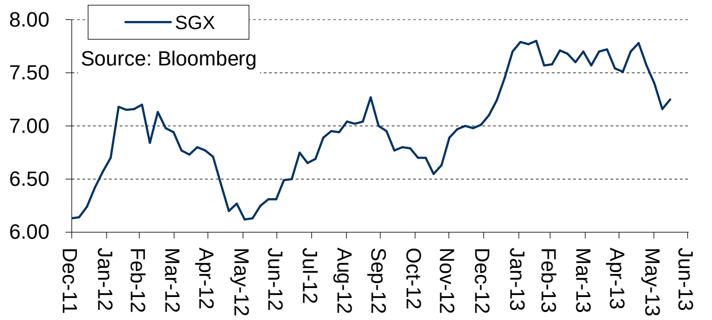
Fig 7. Outperformance concentrated at SIAEC



#1: Singapore Exchange Limited (SGX)

We like SGX for the following three reasons. 1) Higher Securities Revenue. Investors are increasingly channeling funds from bonds to equities. Recent Securities Daily Average Values (SDAV) has increased significantly, having been rather weak in recent years. This leads to higher securities revenue for SGX. 2) Derivatives Revenue continues to grow. With the wide product offerings, and having met global regulatory requirements, derivative volumes continue to grow. This has diversified SGX's previous dependence on Securities Revenue for growth. 3) Strong free cash flow, dividend yields to increase. With the higher revenue from Securities and Derivatives, and low CAPEX requirements, SGX has the ability to increase dividends in the near term.

Fig 8. Stock Price of SGX

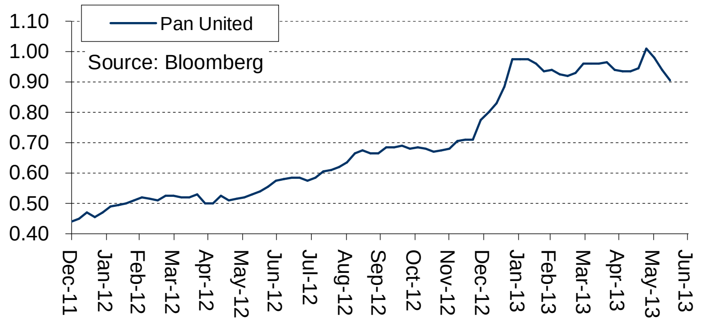


#2: Pan United Corp

We are still positive on PUC (FY13e 8.6c EPS, FY12 7.8c) as a play on Singapore's construction boom as it closes the infrastructure and housing gap following 10 years of population expansion. PUC as a leading supplier of cement and ready mixed concrete (29% and 33% market share) is a good proxy to this theme. Given its market share, why bet on individual contractors when you can bet on the dominant supplier? 2013 should see earnings resilience here, but 2014 could see a renewed burst of earnings as the S$18b Thomson line gets underway.

One of PUC's key assets, its 51.3% owned top 10 river port in China – Changshu Xinghua Port – is also 38% owned by Macquarie Int'l Infrastructure Fund (valued by MIIF at S$106.6m) which recently monetized its other asset – Taiwan Broadband Communications – as the Asian Pay TV IPO (priced at S$510m vs S$493m NBV). As MIIF in its strategic review has indicated that it will liquidate all assets and return capital to shareholders, there is a likelihood of them disposing the stake to PUC, which has right of first refusal. PUC has enough balance sheet capacity (Cash S$98m, Debt S$72m, Equity S$375m) to make an all cash acquisition of MIIF's stake in CXP, in which case EPS could potentially accrete between 0.5c to 1c per share.

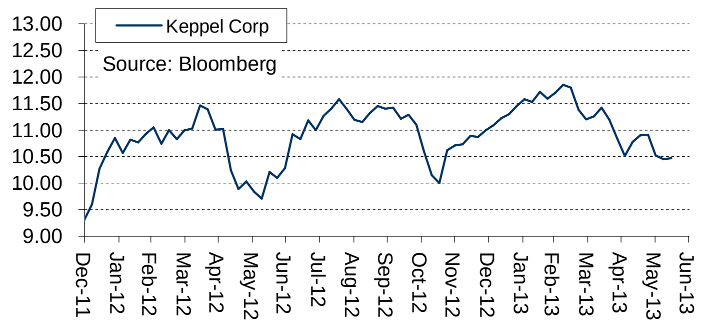
Fig 9. Stock Price of Pan United



#3: Keppel Corporation

We believe that Keppel Corp will continue to benefit from the robust O&M outlook, which is well-supported by high dayrates and utilizations for both jack-up and semi-sub rigs. Albeit the Chinese yards have been aggressive in recent times by offering lower pricing and appealing payment terms, we do not see this as a major concern to SG yards, which have strong track records, in the near-term. Its net order book hit a record high of US$13.1bn as at end-March 2013, with deliveries extending into 2019, provides good earnings visibility. YTD, Keppel Corp has secured orders worth US$3.1bn, which is on track to hit our FY13E forecast of US$5.9bn. We see upside potential in O&M margin to recover from 13.5% in 2012 to 15.8% in 2013, predominantly driven by the record delivery of 20 jack-up rigs in 2013 (5 already delivered in 1Q13), mostly based on its proprietary KFELS B Class design. Furthermore, Keppel Corp's strong dividend yield of ~4-5% is another key feature which investors should not ignore.

Fig 10. Stock Price of Keppel Corp



Company	Investment Overview	Business Risks	Valuation
Commodities & Supply Chain Managers			
Golden Agri. Resources	Golden Agri. is one of the largest Crude Palm Oil (CPO) producers in the region. The group's CPO production metrics are among the best in class and we believe that the stock offers the best upstream exposure to the CPO value chain.	• Unpredictable weather conditions have a significant influence on CPO production. • Volatile market price of CPO. • High inventory level due to logistics issues.	• Neutral. We believe that GAR will be most geared to any potential rise in CPO prices • However, we still see downward CPO price pressure in the medium term. • S$0.55 based on a blended model of 12.5X P/E (FY13E) and DCF valuations (COE: 8.8%, terminal g: 3.0%).
Wilmar International	Wilmar International is an integrated agribusiness group. The company is also among the top oilseed crushers and branded cooking oil players in China. Its exposure to developing markets such as China, India and Southeast Asia offers a good exposure to rising wealth in their consumer markets. We think that the company's large scale of operations allows them to differentiate themselves as a low cost supplier.	• Overcapacity in China's soybean crushing sector. • Price control measures on cooking oil in China. • Overcapacity in Indonesia's palm oil refining sector.	• Accumulate. We believe that margins from Oilseeds & grains division could have stabilized and we may see improvement in FY13. • We expect Wilmar's earnings to be more resilient during low commodity period. • S$3.70 based on a blended model of 14.0X P/E (FY13E) and DCF valuations (COE: 8.2%, terminal g: 3.0%).
Consumer Goods			
Genting Singapore	Genting Singapore is best known for its $6.6 billion, 49 hectares integrated resort, Resorts World Sentosa in Singapore. More than 70% of its revenue is derived from the gaming segment. Contributors to the non-gaming segment, in order of significance are Universal Studios, Hotel, and Marine Life Park.	• Cyclical and seasonal factors result in wide variations in gross gaming volume. • Luck factor (an unpredictable variable) has a major impact on win rate, which will in turn affect gaming revenue. • Regulatory risks are significant.	• Neutral. Economic uncertainties in key markets China, Malaysia, and Singapore present near-term challenges. 1Q13's VIP rolling volume was strong, but win rates were low, leading to weaker earnings. • S$1.40 based on 13x FY13E EV/EBITDA.
Combine Will Int.	ODM/OEM customers are world-top players in fast-food, FMCG, and toys. High labour costs and OEM "squeeze" are affecting margins. Mould business is down with the economy. Very low trading volumes, probably due to an overhang from its TDR-listing failure and current market obsession with debt-leverage have affected its stock price.	• Whenever OEM-squeeze cycle hits, the stronger companies take such opportunity to consolidate. Hence, margins and bottom-line suffer during this part of the cycle. • Continuing slow economies, where its customers' decisions are made, make things worse.	• RIV values it at S$1.85 but adjusted down 50% to S$0.93 due to market's debt-obsession. It reported a HK$7m loss in 1Q13, and guided weaker financial performance in next 2-3 quarters, as compared to last year.
Courts Asia	Courts Asia is a leading electrical, IT products, and furniture retailer in Singapore and Malaysia. Courts Asia also offers in-house credit facilities, generating additional revenue for the retailer. Courts Asia will be expanding to Indonesia, with the opening of a Megastore in Eastern Jakarta by FY2015.	• Lower attractive new product launches will decrease sales revenue. • Rising unemployment will increase credit cost of its in-house credit facility. • Credit cost a concern in Indonesia, due to the absence of extensive database. Strong execution is key.	• Buy. We view the expansion to Indonesia positively, due to higher growth potential. In-house credit facilities also offer a unique advantage to Courts Asia, especially in Indonesia and Malaysia. Continued attractive pricing of goods leads to healthy increase in sales volume.

Banking & Finance			
DBS Group	DBS enjoys the lowest cost of funds among its local peers due to a higher proportion of CASA deposits inherited from its previous acquisition of POSB. The group also has the strong backing of Temasek Holdings as its majority shareholder. We expect increasing contribution from transaction banking, wealth management, SME business, and profit contributions from its overseas subsidiaries to drive the business of DBS over the next few years.	• Net Interest Margins (NIMs) pressure from intense competition. • Increase in non-performing loans cost from current low levels, leading to higher credit • Unfavorable foreign regulatory policies.	• Neutral. DBS reported strong earnings growth in 1Q13. Growth was driven by higher Fees and Commission, net trading income, and loans growth. • DBS remains well positioned to benefit from China's economic growth, RMB products, and sig presence in China's trade partners in the ASEAN region. • S$17.20 based on 1.24X FY13E P/B.
OCBC	OCBC has a strong wealth management business following the acquisition of ING's private wealth business. It is also the only local bank with an insurance business through Great Eastern. OCBC has a strong SME client base in Singapore. We expect increasing contribution from transaction banking, wealth management, and profit contributions from its overseas subsidiaries to drive the business of OCBC over the next few years.	• Net Interest Margins (NIMs) pressure from intense competition. • Increase in non-performing loans cost from current low levels, leading to higher credit • Unfavorable foreign regulatory policies.	• Reduce. We think that OCBC's exceptional outperformance in FY12, including those from the divestment of its investment in APB and FNN, and marked to market gains on non-participating funds, are likely non-recurring in FY13E. • Growth of Fees and Commission was also weaker than those registered by its peers. • S$8.70 based on 1.25X FY13E P/B.
UOB	UOB has a good geographical diversification across many ASEAN countries, including being the only Singapore bank with a significant presence in Thailand. UOB has a strong SME client base in Singapore. We expect increasing contribution from transaction banking, wealth management, and profit contributions from its overseas subsidiaries to drive the business of UOB over the next few years.	• Net Interest Margins (NIMs) pressure from intense competition. • Increase in non-performing loans cost from current low levels, leading to higher credit • Unfavorable foreign regulatory policies.	• Neutral. We are positive on UOB's wealth management growth, which is driven by the growth of bancassurance. • Loans growth in 1Q13 was also strong from a few large loans. NIMs pressure was significant in 1Q13 at -6bps q-q, but is expected to stablise. • S$21.35 based on 1.35X FY13E P/B.
SGX	SGX has a monopoly over the local exchange business as the only stock exchange in Singapore. The business is highly profitable and generates high levels of Free Cashflows. SGX is also establishing itself as the largest offshore venue for Asian equity derivatives. We expect High Frequency Trading (HFT), and a shift of funds globally from bonds to equity markets, to drive trading volume for the exchange in the next few years.	• Weak market confidence could lead to lower trading volume. • Lower number of listings due to postponing of IPOs till market conditions improves significantly.	• Accumulate. Trading activities have picked up significantly since the start of the year. We expect trading activities to maintain at elevated levels, leading to higher Securities revenue. Contributions from Derivatives have also been on a strong uptrend, providing additional and diversified source of revenue. The strong FCF increases SGX's ability to pay higher dividends. • S$8.00 based on 26X FY13 P/E

Property (Developers)			
Ho Bee	Ho Bee is a real estate development and investment company. The company currently owns a portfolio of luxury residential properties in Sentosa Cove and other prime areas in Singapore. Its major office development, The Metropolis, will be completed in 2013. This major project could provide NAV growth through revaluation gain upon its completion and improve recurring income in 2014 and beyond.	• Slow or absent of recovery in the selling price of Sentosa Cove residential units. A void of opportunity to exit its development project will lead to high inventory and slow turnover. Alternatively, the leasing of units will lead to lower returns due to current poor leasing conditions. • Lower than expected take up rates for the Metropolis (currently 60% pre-committed), or rental yields that are below expectation from lower pricing power.	• Buy. Potential for sizeable revaluation gains from completion of Metropolis. Management has indicated strong pre-commitment levels and on-schedule development progress. Furthermore, this development will provide a stable recurring income. This will lend strength to better valuations, due to it increase stability in its income and cash-flow. • Net gearing is also low, thus allowing management to execute their expansion plans overseas. The company is seeking to embark on new residential projects in China and Australia. • $2.52 based on 40% discount to RNAV of $4.20.
Global Logistic Properties	GLP is Asia's largest provider of modern logistics facilities, with market leaderships in China, Japan and Brazil. The market dominance in the largest emerging markets (China and Brazil) provides GLP a privileged position to ride on robust consumption trends and strong economic growth. In China, although the nation's retail sales growth moderated to 12.6% y-y in the 5 months period through May, as compared to an average of 14.3% gain in whole year 2012, GLP would still be able to achieve expansion along with the nation's fast growth of E-commerce and 3rd party logistic businesses. The strong cash position from disposal of 33 stabilized Japanese logistic properties to J-REIT, and potential capital recycling through Japan property monetization would ensure rich liquidity for future development.	• Foreign exchange risk of CNY and JPY (the sharp decline of the JPY is an exemplification of this risk). • Inflationary pressures in Japan could affect its profitability as rental rates are fixed. • Weaker than expected economic recovery of China that could soften leasing activities and development starts.	• Neutral. S$ 2.90 based on 0% discount to RNAV. • Strong business fundaments. • The company achieved FY13 target of 2.0 mn sqm GFA project start and targets 2.5 mn sqm GFA (est. cost US$1.2bn) project start in FY2014 for China alone. It also targets 0.4 mn sqm (est. cost US$670mn) for Japan and 0.31 mn sqm (est. cost US$290mn) for Brazil in FY2014. • Management intends to finance the increased project development from cash on hand and also possible further monetization of leftover Japan portfolio to J-REIT, before further borrowing would be considered.
Stamford Land	Australia, where it owns/operates 7 of 8 hotels, has favourable supply/demand fundamentals for the sector. We noted a bid of S$1bn for Stamford Land's assets in 2008 and hold out for a re-run of this scenario. It pays regular dividend, which has upside if it earns higher property development profits.	• The A$ (vs S$) is positive yield-wise, but could be impacted in a liquidity crisis situation. • An economic slowdown will affect its hotel earnings.	• Buy. RNAV, based on nearby valuation or 14X hotel earnings, is also our target price S$0.76. • A similar offer to that in 2008 would result in a valuation of S$1.20.

SingHaiyi Group	Investment-banking approach to property development has encouraged partners to participate in all its projects. Its 24.5% EC project was fully-sold in Mar13; its 80% DBSS project is 50% sold. A 56-unit designer-loft Balestier project was recently launched. Under Gordon Tang now, SingHaiyi now seeks real estate opportunities in markets like US.	• High-end local projects are currently experiencing difficult sales and the projects of SingXpress Land would be affected if the weaker sales sentiment flows down to the rest of the property market.	• Our original RNAV of S$0.019, after adding conversion money of S$94.4m, interest at 3% saved on this S$94.4m; and, diluting share base to 12.9b, is S$0.016. Projects' RNAV remains unchanged. We await details of expansion plans.
Global Premium Hotel	Stable earnings from its hotel operations (one mid-tier hotel and economy-tier hotels with market share of 12.2%). It is currently building another hotel to serve the mid-tier segment. We believe that the market has not fully appreciated the potential of its multi-prong profit-earning hotel developments. The company is able to build new projects with a 12% cash-down. Even though GPH is trading at a discount to the valuations of REITs, we believe that it is able to pay strong dividend.	• The hotel supply glut, when it happens (not there yet). • A debt squeeze would curtail its profit from hotel development.	• Buy. Between 70% and 80% of book, it trades at a discount to REITs' valuation. Merton model values it at S$0.305. Higher, if 16%-30% more shares are issued to work that multi-pronged profit-earning potential in hotel development.
Property (REITS)			
Perennial China Retail Trust (PCRT)	PCRT is Singapore's first pure-play PRC retail development trust. Key investment lies mainly in the 2nd tier cities of China, including Shenyang, Foshan and Chengdu. The Red star Macalline Furniture Mall in Shenyang experienced some difficulties in early 2012 and lost some tenants due to the tightening government policy on the nation's residential housing market. The trustee manager negotiated earn-out arrangements as income support for dividend payout in the next two years, which effectively buys time for PCRT to ramp up occupancy in its completed properties.	• Longer than expected time taken to ramp up occupancy of underlying properties; • Uncertainties in re-financing existing debt • China's consumption slows down; • CNY weakens.	• We are currently reviewing our target price and rating.
Industrials (Capital Goods)			
Keppel Corp	Keppel Corp is one of the largest Singapore-based conglomerates, engaging in 4 core businesses of Offshore & Marine (O&M), Infrastructure, Property and Investments. It is also one of the world's leading builders of jack-ups and semi-subs with market share of ~40% and ~26% respectively. Balance sheet is strong and dividend yield is ~4%.	• Significant downtrend in oil prices. • Greater than expected depreciation of the USD against the SGD. • Execution of contracts.	• Accumulate. We believe Keppel is well positioned to improve its productivity and is able to leverage on competencies of its satellite yards in the region to meet heavier workload requirements. • S$12.34 based on Sum of the Parts (SOTP) valuation.

SembCorp Marine	Sembcorp Marine is a leading global marine and offshore engineering group, specializing in a full spectrum of integrated solutions in ship repair, shipbuilding, ship conversion, rig building and offshore engineering & construction. Like Keppel Corp, it is also one of the world's leading builders of jack-ups and semi-subs with market share of ~23% and ~24% respectively.	• Prolonged downtrend in oil prices. • Greater than expected appreciation of the SGD against the USD. • Project execution.	• Neutral. We believe margins will continue to face downward pressure as they execute on new design rigs, which in turn will affect earnings. • S$4.42 based on 14.0x P/E (FY14E)
Hu An Cable	The power sector in China contributes half of its customer base. The company is also moving towards a different mix of HV and UHV cables in its product line. It is also among the top 10 wire & cable manufacturer in China. We note the recent underperformance in operations relative to its peers. The current low copper price & project delays are in play.	• Poor copper price undermines profit, if fixed costs are not contained. • Project delays are adding to its woes as new fixed cost/marketing costs, due to new HV/UHV lines, have kicked in.	• RIV values it at S$0.203, but our target price is adjusted to S$0.164 for market's debt-obsession. It reported its first quarterly loss in 1Q13.
Sunpower Group	A heat-technologies based manufacturer that supplies to top energy & chemical customers in China and globally. Share price was affected for a long time by a substantial shareholder selling down (now below 5%). Current market obsession with debt-leverage also affects share price.	• Earnings fell in FY12, but not as badly as other sectors in China. Project non-acceptance (or delay) and bad debts are concerns. A strong RMB, and high labour costs could make its exports less competitive.	• Buy at S$0.20 or under (due to shareholder sales). RIV values it at S$0.274 but our target price is adjusted down for market's debt-obsession to S$0.25.
Pan United Corp.	When betting on Singapore's struggle to close the infrastructure gap, why bet on individual contractors when you can bet on a dominant supplier? Pan United's Basic Building Materials (BBM) division, which commands a 29% and 33% market share in cement and ready mixed concrete in Singapore, would be an almost guaranteed exposure to a strong and visible pipeline of public works till 2019, as Singapore struggles to close the infrastructure gap after a decade of population expansion. Its Ports & Logistics division has a 51.3% stake in a top 10 river port in China, Changshu-Xinghua Port. CXP has a compelling combination of location (Yangtze Delta, and a captive audience in the Suzhou-Wuxi-Changshu industrial region), depth (13.3m, 100k dwt), and size (1.7km berth, 1mil	• Global players in ready mixed concrete (Cemex, YTL) could enter the SG market aggressively and challenge Pan United's BBM dominance.	• Buy. At 4c FY12 DPS translates into 4.4% yield at S$0.905 at time of writing. We forecast FY13E DPS to be 4c as well. Based on our raised TP of S$1.21, that translates as 3.3% fwd yield. For FY14E we anticipate that DPS could rise to 4.5c. • We are looking for EPS to rise from 7.8c (FY12) to 8.6c (FY13) on positive contributions from all 3 businesses. • PUC has enough balance sheet capacity (Cash S$98m, Debt S$72m, Equity S$375m) to make an all cash acquisition of MIIF's stake in CXP (S$107m NBV), in which case EPS could potentially accrete between 0.5c to 1c per share.

	sqm). Its ports are well utilized (75%) and profitable (~50% ebitda margins), CXP should continue to grow with China's economic expansion. **We believe that an increased stake in CXP is a potential catalyst to the stock, as the 38% owner Macquarie Int'l Infrastructure Fund (MIIF) looks to divest.** PUC has right of first refusal.		
Boustead Singapore	Boustead's Geospatial Technology Division's (~30% PBT) ***exclusive*** distribution & service agreements in AU, SG, MY and ID, with the global leader in GIS (geographic information systems) - ESRI Inc., is a gem of a business. ESRI's global dominance (60% global market share for governments) and exclusive relationship with Boustead implies almost no competition in those markets. Geospatial is set to change Boustead's earnings profile to more recurring income. Its industrial real estate design & build business (~60% PBT) enjoys a strong pipeline of work and has market leadership as only 1 of 3 full turnkey service providers. Its energy related engineering business (~10% PBT) is only 1 of 4 globally in direct fired heat processors and waste heat recovery units, but competitive bidding by main contractors have caused a margin squeeze at subcontractors, like Boustead. The waste water engineering business (0% PBT) could provide upside surprise after a significant contract win in Taiwan.	• An outside risk would be an US18.8m contingent liability in the event Boustead is not released from guarantees provided during its Libya project. Common sense dictates that they should be released under "force majeure" due to the civil war.	• Opportunities are abounding in the Energy space as renewed contract vigor abounds outside the low-margin Middle East market. We are expecting Energy to make up for a slowdown in the Real Estate segment. • EPS for FY3/14e (13.8c) will however contract from FY3/13 (16.2c) in the absence of numerous special gains last year. Core-PBT has however set a new base level – from S$69.7m in FY3/12 to S$106m in FY3/13 to S$93.5 FY3/14e and S$98.6m FY3/15e • Attractive valuations 9.5x FY3/14e P/E and 5.3% FY3/14e yield.
Industrials (Transportation)			
Heng Yang Petrochemical	A leading storage & transportation provider (tanks & jetties) to PRC/MNC businesses in liquid petrochemicals. The company has present capacity of 265,000m³. Expansion plans of >750,000m³ have started. No major market transaction to catalyze the share price. As newer capacity gets going, margins would be lower as depreciation is being absorbed. A rare asset, no doubt, but M&A activity is also lacking.	• Prolonged economic slowdown may affect earnings. • Debt squeeze would delay expansion plans. • Delays in issuance of land permits. • Building contractor default. • Contractor fatality relating to site management.	• Buy. RIV values it at S$0.40, but our target is adjusted down to S$0.27 for market's fear of debt. • A slowing economy is affecting its performance – a weak 1Q13 turns in a small profit.

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Technology & Communications			
SingTel	SingTel offers excellent exposure to the telecom sector with its diverse range of products and solutions. It is the largest telecommunications service provider in Singapore and has significant contributions from Optus in Australia. The group also holds strategic stakes in various regional mobile associates that offers geographical diversification and growth. SingTel is also leading the Singapore market with a shift to increase its digital presence.	• High levels of CAPEX from upcoming spectrum auction, and quality of service enhancements, could be a drag to FCF. • Foreign exchange exposure. • Weak performance from regional mobile associates, especially Bharti.	• Accumulate. Data monetizing is gaining traction, as 4G adoption rate increases. Customers continue to exceed data allowance or subscribe for higher tiered plans. We expect further positives should excess data charge increase. • Growth expected to come from overseas associates. High investments of S$2B over three years to be made for Group Digital. • S$4.07 based on SOTP valuation.
Starhub	Starhub is one of only three telecommunications service providers in Singapore. The healthy competitive landscape allows the company to enjoy high EBITDA margins and generate high levels of Free Cash Flows. The company has a strong Pay TV franchise and offers a wide variety of popular contents. We expect monetization of data usage to provide uplift to the sector's Average Revenue Per User (ARPU) in the next few years.	• High levels of CAPEX from upcoming spectrum auction, and quality of service enhancements, could be a drag to FCF. • Continued loss of Pay TV subscribers to competitor, while increasingly higher content cost may reduce Pay TV margins.	• Accumulate. Dividend yields are attractive at current share price. • Cross-carriage of BPL, if successful, is expected to reverse the decline in PayTV subscriber base. • We expect higher data monetizing in 2H13, once promotional period, whereby data allowances is 1GB higher, ends. • S$4.40 based on DCF (WACC: 8.3%, terminal g: 2.8%)
M1	M1 is one of only three telecommunications service providers in Singapore. The healthy competitive landscape allows the company to enjoy high EBITDA margins and generate high levels of Free Cash Flows. We expect monetization of data usage to provide uplift to the sector's Average Revenue Per User (ARPU) in the next few years. The lack of multiple product bundled offering is likely to be M1's disadvantage against its local peers.	• High levels of CAPEX from upcoming spectrum auction, and quality of service enhancements, could be a drag to FCF. • Lack of investments towards digital offerings, unlike SingTel, may reduce its attractiveness in the long term	• Accumulate. Dividend yields are attractive at current share price. • Data monetizing is gaining traction, as 4G adoption rate increases. Customers continue to exceed data allowance or subscribe for higher tiered plans. • S$3.55 based on DCF (WACC: 7.9%, terminal g: 3.0%)

Singapore Market Sector Comparables

Company	Rating	FYE	Price	TP	Upside	Market	Ent.	Market	Ent.	Equity Multiple (X)						Dividend Yield (%)		
Market price as of:						Cap.	Value	Cap.	Value	Net Income			Book Value					
17-Jun-13					(%)	(RC$'mn)	(RC$'mn)	(US$'mn)	(US$'mn)	11	12	13E	11	12	13E	11	12	13E
Commodities & Supply Chain Managers																		
Golden Agri. Resources	Neutral	Dec	0.58	0.55	-5.2%	7,446	7,249	5,940	7,249	13.0	18.4	16.8	0.9	0.9	0.8	3.2%	2.1%	2.3%
Wilmar International	Accumulate	Dec	3.24	3.70	14.2%	20,724	36,660	16,533	36,660	13.7	17.8	15.7	1.6	1.4	1.3	1.9%	1.5%	1.6%
Consumer Goods																		
Courts Asia	Buy	Mar	0.97	1.14	18.1%	540	683	431	546	13.7	13.1	13.3	2.5	1.9	1.7	9.6%	3.4%	2.2%
Genting Singapore	Neutral	Dec	1.41	1.41	0.0%	17,237	17,268	13,751	13,776	16.8	28.0	31.7	2.8	1.9	1.8	0.7%	0.7%	0.7%
Combine Will Int.	Buy	Dec	0.56	0.93	68%	115	507	15	65	2.8	3.0	1.7	0.2	0.2	0.2	0.0%	0.0%	0.0%
Banking & Finance																		
DBS	Neutral	Dec	15.88	17.20	8.3%	38,759	n.m.	30,920	n.m.	12.8	11.5	11.0	1.4	1.2	1.1	3.5%	3.5%	3.5%
OCBC	Reduce	Dec	10.13	8.70	-14.1%	34,778	n.m.	27,745	n.m.	15.3	12.3	12.9	1.7	1.5	1.5	3.0%	3.3%	3.3%
UOB	Neutral	Dec	20.35	21.35	4.9%	32,055	n.m.	25,572	n.m.	13.8	11.4	10.9	1.5	1.4	1.3	2.9%	3.4%	3.4%
SGX	Accumulate	Jun	7.26	8.00	10.2%	7,762	7,089	6,192	5,650	25.5	23.5	20.8	9.3	8.8	8.0	3.7%	3.9%	4.0%
Property (Developers)																		
Ho Bee	Buy	Dec	1.95	2.52	29.2%	1,323	1,593	1,055	1,273	7.9	7.7	12.1	0.8	0.7	0.6	2.1%	2.6%	2.1%
GLP	Neutral	Mar	2.680	2.900	8.2%	12,750	11,744	10,171	11,744	40.6	36.4	31.3	1.6	1.5	1.4	0.4%	0.7%	1.1%
Stamford Land	Buy	Mar	0.59	0.76	29.9%	505	764	403	612	9.5	n.a.	n.a.	1.0	n.a.	n.a.	6.8%	n.a.	n.a.
SingXpress Land#	Buy	Mar	0.031	0.016	-48.4%	399	460	318	368	234.6	107.8	64.3	9.4	6.8	6.1	0.0%	0.0%	0.0%
Global Premium Hotels	Buy	Dec	0.250	0.305	22.0%	263	724	210	582	11.6	13.9	13.2	0.4	0.8	0.7	0.0%	5.6%	6.0%
Property (REITS)																		
Perennial China Retail Trust		Dec	0.55	0.67	21.8%	629	900	502	721	(314.4)	(23.3)	(6.1)	0.8	0.8	0.7	4.3%	7.0%	7.1%

Source: PSR est.

*13E refers to FYE Dec 2013, FYE Mar 2014, FYE Jun 2014

#adjust for pref shares conversion to ord shares. Project valuation remains constant. Conversion $ and interest added to valuation.

Singapore Market Sector Comparables (continued)

Company Market price as of: 17-Jun-13	Rating	FYE	Price	TP	Upside (%)	Market Cap. (RC$'mn)	Ent. Value (RC$'mn)	Market Cap. (US$'mn)	Ent. Value (US$'mn)	Equity Multiple (X) Net Income 11	12	13E	Book Value 11	12	13E	Dividend Yield (%) 11	12	13E
Industrials (Capital Goods)																		
Keppel Corp	Accumulate	Dec	10.58	12.34	16.6%	19,119	26,814	15,252	21,453	12.8	10.0	12.3	2.5	2.1	2.0	4.1%	6.8%	4.4%
SembCorp Marine	Neutral	Dec	4.30	4.42	2.8%	8,985	7,876	7,168	6,275	12.8	18.0	16.1	3.7	3.7	3.3	5.8%	3.0%	3.3%
Hu An Cable	Buy	Dec	0.11	0.164	50.5%	110	599	88	98	0.6	1.5	0.7	0.1	0.1	0.1	6.4%	6.4%	6.4%
Sunpower Group	Buy	Dec	0.17	0.250	49.7%	55	552	44	89	0.6	0.9	0.7	0.1	0.1	0.1	1.8%	1.8%	1.8%
Pan United Corp.	Buy	Dec	0.91	1.21	33.0%	509	526	406	420	14.8	11.6	10.6	1.7	1.6	1.5	3.8%	4.4%	4.4%
Boustead Singapore	Buy	Mar	1.32	1.94	46.6%	676	489	539	388	12.2	8.3	9.8	2.7	2.2	2.0	3.8%	5.3%	5.3%
Industrials (Transportation)																		
Heng Yang Petrochem.	Buy	Dec	0.29	0.27	-5.3%	58	452	33	47	12.8	5.0	3.6	0.7	0.5	0.4	0.0%	0.0%	0.0%
Technology & Communications																		
SingTel	Accumulate	Mar	3.68	4.07	10.6%	58,672	65,714	46,807	52,481	16.0	16.2	14.6	2.5	2.4	2.3	4.3%	4.6%	4.6%
Starhub	Accumulate	Dec	4.06	4.40	8.4%	6,980	7,271	5,569	5,802	22.1	19.4	21.2	n.m.	n.m.	n.m.	4.9%	4.9%	4.9%
M1	Accumulate	Dec	3.08	3.55	15.3%	2,840	3,036	2,266	2,424	17.3	19.3	17.7	8.8	8.2	7.4	4.7%	4.7%	4.7%

Source: PSR est.
*13E refers to FYE Dec 2013, FYE Mar 2014, FYE Jun 2014

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PhillipCapital
Your Partner In Finance

Contact Information (Singapore Research Team)

Chan Wai Chee
CEO, Research
Special Opportunities
+65 6531 1231
yebo@phillip.com.sg

Joshua Tan
Head of Research
Equities & Asset Allocation
+65 6531 1249
joshuatan@phillip.com.sg

Ken Ang
Investment Analyst
Financials, Telecoms
+65 6531 1793
kenangwy@phillip.com.sg

Ng Weiwen
Macro Analyst
Global Macro, Asset Strategy
+65 6531 1735
ngww@phillip.com.sg

Roy Chen
Investment Analyst
China Macro & Equities
+65 6531 1535
roychencz@phillip.com.sg

Nicholas Ong
Investment Analyst
Commodities, Offshore & Marine
+65 6531 5440
nicholasonghg@phillip.com.sg

Richard Jio
Investment Analyst
Singapore Equities
+65 6531 1791
richardjioew@phillip.com.sg

Wong Yong Kai
Investment Analyst
US Equities
+65 6531 1685
wongyk@phillip.com.sg

Research Assistant
General Enquiries
+65 6531 1240 (Phone)
research@phillip.com.sg

Contact Information (Regional Member Companies)

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

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

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

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

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

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

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

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

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

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

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