Old Chang Kee Ltd.

Puffing up capacity and margins

SINGAPORE | CONSUMER | INITIATION

4 November 2016

- Inorganic and organic growth through new stores and higher same store sales.
- Integrated factory to widen range of product offerings and improve margins.
- Completion of factory redevelopment targeted for 1QFY18F, with tapering of CapEx thereafter.
- Improved free cash flow profile post-consolidation could lead to higher dividends.
- Initiate with "**Buy**" rating and **SGD0.98 TP**, implying a 42% upside.

Company Background

Old Chang Kee Ltd ("OCK") is principally engaged in the manufacture and sale of Halal-certified food products of consistent quality under the brand name "Old Chang Kee". Its signature product is the well-known Old Chang Kee curry puff which was launched in 1956. It currently has more than 30 food products. It has also introduced the sale of breakfast items and local delights meals at selected retail outlets. Its food products are sold through its retail outlets, mostly on a takeaway basis. The Company also owns other subsidiary brands such as Take 5, Curry Times, Bun Times, Mushroom Cafe, and Dip 'n' Go.

The home-grown snacks chain was listed on the Singapore Exchange – Catalist board on 16 Jan 2008, with an Initial Public Offering ("IPO") of 25 million new shares at S$0.20 each.

Investment Merits

1. **Higher volume sales and margins expansion due to wider product lines with better margins.** OCK has recently completed two new factory facilities in 4 Woodlands Terrace and Iskandar Malaysia. It is currently reconstructing its original factory facility in 2 Woodlands Terrace. These new factory facilities will provide the necessary production space for new product offerings, increase productivity and enhance operating efficiencies. The new product offerings should help to bump up same store sales growth, while improved margins lift bottom line. **We expect earnings to grow 8.9% CAGR over the next three years, i.e. FY19F PATMI to surge 29% from FY16.**
2. **Increasing store count to capture the growing demand for ready food.** Rising consumer affluence has increased Singaporeans' tendency to dine-out. The demographic change should support the demand for OCK's new product offerings. OCK has 77 conveniently-located retail outlets island wide to reach out to its customers. **We think that OCK has yet to reach market saturation and favourable macro environment offers OCK opportunities to increase its store count.**
3. **Track record of paying dividends, with possibility of higher dividend payout after capital expenditure ("CapEx") tapers off.** FY16 dividend payout was 6.0 cents, including a one-off special dividend of 3.0 cents. After the completion of factory reconstruction project in 1QFY18F, we do not expect any significant CapEx. Hence, we believe the growing free cash flow from FY18F onwards could potentially lead to higher dividend payout at 4.0 cents in FY19F.
4. **Competitive advantage of (i) perceived product differentiation through a trusted brand, and (ii) operating scale and technical skills, are difficult for competitors to replicate.** Its Halal-certification helps to enlarge its customer base and paved the way for its expansion into Malaysia and Indonesia.

Initiate coverage with "Buy" rating with a target price of S$0.98

We expect earnings to grow 8.9% CAGR over the next three years, following the consolidation of factory, realisation of manufacturing efficiencies, and new product offerings. Current forecasted FY17F dividend of 3.0 cents gives an implied forward yield of 4.5%. We initiate coverage on OCK with "Buy" rating and DCF valuation of S$0.98. This implies an upside of 42% (with dividend) from its last done price.

BUY (Initiate)

LAST DONE PRICE	SGD 0.71
FORECAST DIV	SGD 0.03
TARGET PRICE	SGD 0.98
TOTAL RETURN	42.0%

COMPANY DATA

O/S SHARES (MN) :	121
MARKET CAP (USD mn / SGD mn) :	62 / 86
52 - WK HI/LO (SGD) :	0.74 / 0.61
3M Average Daily T/O (mn) :	0.02

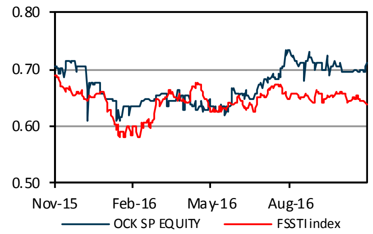
MAJOR SHAREHOLDERS (%)

HAN KEEN JUAN	58.6%
GOODVIEW PROPERTIES PTE LTD	11.7%
LIM TAO-E WILLIAM	7.3%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	-	(15)	7.6
STI RETURN	(2.33)	(0.12)	(2.96)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar	FY15	FY16	FY17F	FY18F
Revenue (SGD mn)	71.6	73.9	77.5	80.3
Gross (SGD mn)	44.7	46.6	48.9	51.0
EBITDA (SGD mn)	11.9	11.7	12.3	12.7
NPAT, adj.	5.3	5.0	5.1	5.4
EPS (Cents)	4.35	4.10	4.21	4.42
PER, adj. (x)	18.4	19.5	15.8	16.1
P/B (x)	2.9	2.8	2.5	2.5
DPS (Cents)	3.0	6.0	3.0	3.0
Div Yield (%)	4%	8%	5%	4%
ROE (%)	16%	15%	15%	16%

Source: Company Data, PSR est.

Valuation Method

DCF (WACC:6.4%; Terminal g: 1.0%)

Soh Lin Sin (+65 6212 1847)
sohls@phillip.com.sg

Investment Thesis

– Additional product lines at better margins to drive earnings

1. Old brand, new strategy to drive up both top- and bottom-lines

(a) **Ramping up production capacity as well as margins**

Same-store sales growth ("SSSG") has been stagnating at 1-2% as OCK has been slow on introducing new products or sustaining the production line for new innovations due to resources constraint.

The Group acquired two factory facilities, in Iskandar Malaysia and 4 Woodlands Terrace Singapore ("New Factory", adjacent to its original factory facility at 2 Woodlands Terrace), in Aug 2011 and Aug 2012, respectively. The construction works for both new factory facilities have been fully completed during FY16 and have commenced operations.

Currently, the Group is undertaking reconstruction works for its original factory facility at 2 Woodlands Terrace, and is expected to complete in June 2017 (1QFY18). When the reconstruction is completed, it will be fully integrated with the adjacent New Factory.

The integrated factory facility at 2 and 4 Woodlands Terrace will feature modern technology and machinery that will further improve its food consistency, labour efficiencies and space productivity. **The integrated factory is expected to increase capacity by 60%, from 50,000 puffs per day to 80,000 puffs a day. The additional production space, which almost doubled, would also provide additional capacity for its product innovations.** The enlarged food facilities both in Singapore and Iskandar Malaysia should bode well with its strategy to expand operations, introduce new lines of food products, and to grow its business both locally and regionally.

We also expect margins improvement, benefitting from (i) economies of scale and higher productivity from the new machines, and (ii) more higher margin products to be rolled out.

To further enhance its productivity and efficiency, OCK is also looking into developing new technology to replace the labour intensive hand-crimping process, without compromising on its quality.

Figure 1: Factory facilities under OCK

Leasehold Property	Purpose	Tenure	Remarks
2 Woodlands Terrace, Singapore	Production, storage, office and for administrative purposes	15 Feb 2054	Under reconstruction; slated for completion in June 2017.
4 Woodlands Terrace, Singapore	Production and storage	31 Jan 2054	Similar production space as 2 Woodlands Terrace. Main production engine amidst reconstruction works at 2 Woodlands Terrace.
15 Woodlands Loop, Singapore	Catering, packaging and production of packaged foods	31 Sep 2027	Relatively small area, planning to shift its operation to the integrated factory facilities in Woodland Terrace to increase efficiency. May utilise the space to venture into non-Halal product line, which requires a separate production facility to avoid cross contamination.
Iskandar region, Johor, Malaysia	Mainly processes frozen products and non-poultry products (e.g. frozen dough, egg tarts, mooncakes, and seafood products)	Freehold	Obtained Halal certification in June 2016. Currently underutilised and is mainly used to cater for Singapore's demand. Nonetheless, OCK intends to expand its B2B business in Malaysia, and this factory facility will then focus on its distribution business in Malaysia.

Source: Company, PSR

Figure 2: Factory facilities at Woodlands Terrace (as of Jul 2016)

4 Woodlands Terrace (New Factory)

Original 2 Woodlands Terrace (under reconstruction)

Source: www.google.com.sg/maps

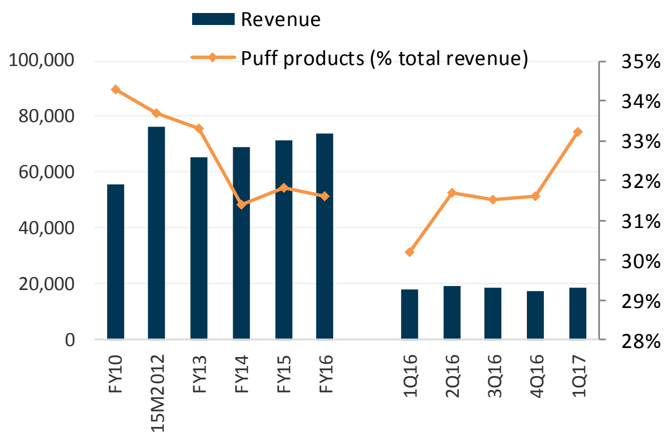
(b) **Targeting higher SSSG via more product offerings**

The puffs are OCK's core product. They provide a stable base of its total revenue, forming at least 30% of total sales.

On a normal operating day, 50,000 puffs would be produced, which is effectively 69 puffs sold every minute island-wide (assuming a 12-hour shift).

Historically, new flavours have excited the market and boosted SSSG. According to Management, new flavours of puffs have driven volume 3-10% higher. Therefore, **we think that introduction of new flavours is crucial in boosting sales volume which could translate to 1-3% increase in Group revenue.**

Figure 3:
Sales of Puffs % Total Revenue



Source: Company

New products with higher price point such as Ready Meals and *Popcorn Squids* will further boost SSSG and margins, forming a favourable product portfolio mix for OCK.

OCK has launched Ready Meals such as *Signature Curry Chicken* and *Sambal Fish Cutlet Rice* into some of its retail outlets. These Ready Meals are prepared in central kitchen, leveraging on its current curry, chilli paste, and dough production. With an affordable S$4.90 price tag, **Ready Meals could increase per-ticket averages as well as fetch higher margins compared the other OCK products.** Currently, only about 10 outlets are serving Ready Meals, and could be rolled out to more outlets depending on respective available store space.

Management is optimistic that the new flavour puff (*Rendang Chicken'O*) and new products (*Popcorn Squids* and Ready Meals), which were introduced in end-Jun 2016 or later, to have a positive impact on 2QFY17 same-store sales.

The **new capacity, which is slated to complete in 1QFY18, enables more aggressive research & development (R&D) on new flavours and products**. Management targets to introduce a new product or flavour every two to three months.

With new flavours and products inducing higher SSSG, coupled with improved margins from realisation of manufacturing efficiencies, **we expect earnings to grow 8.9% CAGR over the next three years, i.e. FY19F PATMI to surge 29% from FY16.**

Figure 4: 2016 was an aggressively creative and innovative year

Calendar Year	Example of new flavours/ products
2014	
2015	
2016	

Source: Company

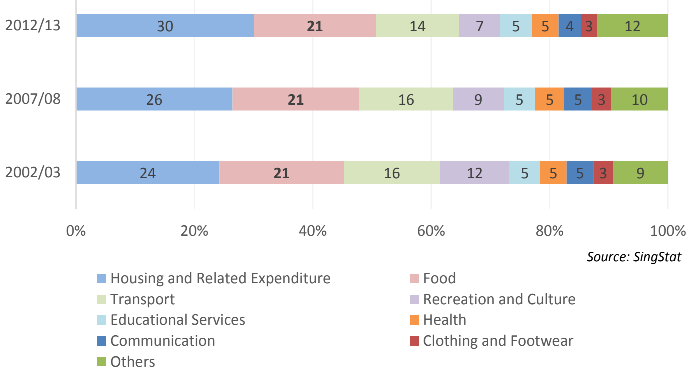
2. Growing demand for takeaway and convenience foods should propel OCK's new strategy

According to the latest ***Household Expenditure Survey 2012/13*** by the Ministry of Trade & Industry, over the longer 10-year period between 2002/03 and 2012/13:

- Food was the second largest household expenditure for all income groups.
- Growth in food expenditure outpaced the growth in overall household expenditure, second to growth housing expenditure.
- In view of rising income and standard of living, consumers prefer better quality and higher-end products and services, thus the tendency for households to dine out also increased.

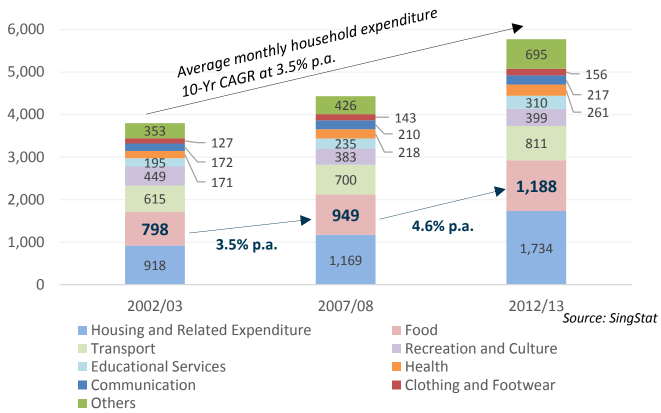
Notwithstanding its resilient business nature, OCK offers wide range of affordable food products which cost around S$1 to S$2 each. The "grab-and-go" ready foods fit well in the bustling city lifestyle.

Figure 5: Average Distribution of Monthly Household Expenditure



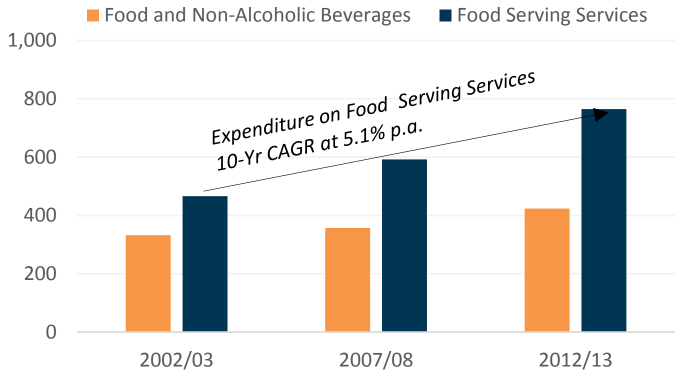
Singapore households have consistently allocated 21% of their monthly expenditures on food over the 10-year period.

Figure 6: Average Monthly Household Expenditure (S$)



Average monthly spending on food grew at 4.1% per annum (p.a.) over the corresponding 10-year period, compared to the average monthly household expenditure growth rate of 3.5% p.a.

Figure 7: Average Monthly Household Expenditure on Food



Source: SingStat

Expenditure on food serving services accounted for 64% of the total amount spent on food in 2012/13, up from 62% in 2007/08 and 58% in 2002/03.

Meals at hawker centres, food courts, etc. continued to make up the bulk of households' expenditure on food serving services.

3. Increasing store count to capture growing demand

(a) **Prudent expansion and yet to reach market saturation**

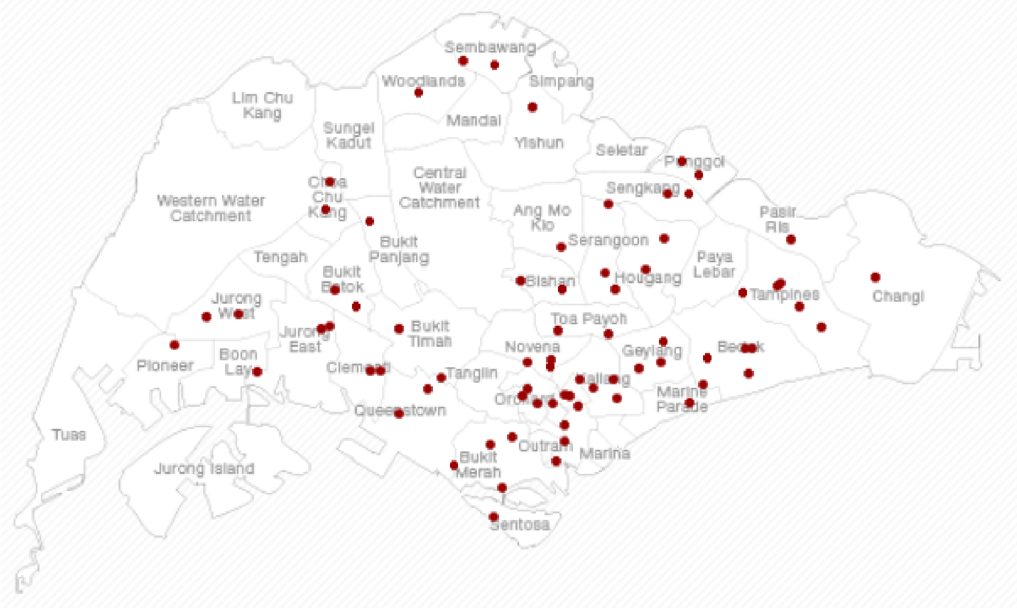
Management shared that the Group does not have a targeted store count. It strongly believes that convenience is the key to drive sales. A good location with high traffic flow will in turn increase customer conversion rate.

Even with a total of 77 Old Chang Kee outlets* in Singapore, **it is far from reaching saturation**. The concept is similar to 7-Eleven, the largest chain of convenience stores in Singapore. 7-Eleven have more than 500 stores scattered throughout the country to provide access points for impulsive buying.

** 77 outlets exclude sub-brands and including Compass One outlet which was reopened in Sep 2016, and two upcoming outlets at Smart Energy Serangoon and Tampines Hub*

Management also shared an example where there are two OCK outlets in Choa Chu Kang within 200m walking distance, one of which was converted from Pie Kia, only experienced cannibalisation at only 10-15%. This means **OCK has more avenues to venture into, e.g. the same mall or area where it already has presence in.**

Figure 8: OCK retail outlets *(only for reference as this map is outdated; only have 74 outlets in Singapore)*



Source: www.streetdirectory.com

Figure 9: Two adjacent OCK retail outlets

One at Choa Chu Kang MRT floor level, the other at Lot One Shopping Mall Basement 1

Source: www.google.com.sg/maps

(b) **Favourable macro trend offers OCK opportunities to increase its store count**
More than 50% of OCK retail outlets in Singapore are based in shopping malls.

In view of slowing retail sales, mall operators are revamping malls, not just in physical aspects, but also in marketing strategies and tenant mix to boost footfall. They are repositioning their properties with higher percentage of services-oriented businesses, including food and beverage (F&B) outlets. Real estate consultancy, CBRE, said in its ***Retail Hotspots 2015 Report*** that the proportion of F&B businesses in Singapore retail malls has risen to an average of between 25-30% from the 15-20% of some five to 10 years ago.

The current retail scene of more conversion of retail shops into F&B outlets, coupled with the recent motion of suburban mall makeovers, offer opportunities for OCK to expand store count as well as store space.

Recent mall refurbishments drive where OCK has operations in:

- **Could draw higher footfall post-renovations, thus potentially translate to higher sales.** These include OCK outlets in Compass One, Tiong Bahru Plaza, and VivoCity, which were reopened in 2QFY16.
- **Present opportunities to move to bigger store space** to accommodate a seating area for dine-in customers, or convert into a 2-in-1 concept store. E.g. Sun Plaza now has a seating area for customers to enjoy the food products on the spot. These small seating areas could also draw tired and hungry crowd during tea breaks.

(c) **2-in-1 concept stores improve efficiency and open up more avenues for OCK to open new stores**
The 2-in-1 concept combines an Old Chang Kee store with one of its sub-brands. Its first 2-in-1 concept store was launched in 2013, in Alexandra Retail Centre, with Old Chang Kee sharing the premise with Curry Times Tingkat.

The 2-in-1 concept optimises manpower and resources (store space and kitchen area), especially when both OCK and Curry Times have different peak hours.

After the successful pilot project, OCK opened two more 2-in-1 concept outlets at Kallang Wave Mall and Chinatown Heritage Centre. It also adopted this 2-in-1 concept when OCK opened its first outlet at Changi Airport in 2015, with Old Chang Kee and Curry Times sharing a 1,700 sqft premise at Terminal 3.

The model not only enhances OCK's visibility, but also opens up more avenues for OCK to open new stores.

(d) **Third airport F&B space secured in FY17**
OCK obtained a tenure or store space for upcoming Terminal 4, which is slated for completion in 2017. This will be **its third outlet in Changi Airport** to cater to passengers and visitors. Terminal 4 is built to handle up to 16 million passengers a year.

We believe its presence in Changi Airport Terminals 2, 3 and 4, could create and promote brand awareness to millions of passengers, both local and foreign.

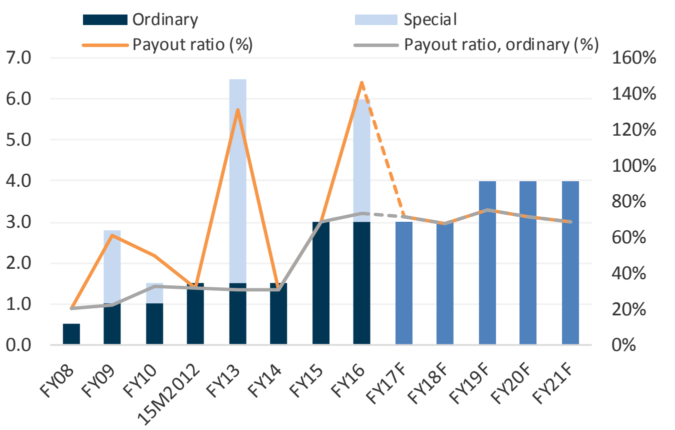
4. Increasing free cash flows can sustain dividend payout above 60%, which could translate to 5.6% dividend yield from FY19F onwards

The Group does not have a fixed dividend policy, but has paid dividends every year since it was listed. The payout has been on an increasing trend from 20% of its earnings since its listing in 2008 to 73% (excluding special dividend) in FY16.

The Group currently has an outstanding CapEx commitment of c.S$6 million for the reconstruction work of the original factory facility at 2 Woodlands Terrace. The Group is in a net cash position of S$11.1 million as at end-FY16 (vs. market capitalisation of S$84mn), however, Management intends to fund the reconstruction project via bank loan.

After the completion of its new integrated factory by 1QFY18, we do not expect any big ticket CapEx in near term. Therefore, we think that the higher free cash flows can support dividend payout at above 60% while paring down its bank loans.

Figure 10:
Dividend Per Share (SGD Cents) and Payout Ratio (%)



Source: Company, PSR est.

Figure 11:
Free Cash Flow

Source: Company, PSR est.

5. OCK enjoys few economic moats which its competitors cannot easily recreate or replicate

(a) **Strong brand name recognition, which also allows OCK to charge a premium for its products**

Various accolades are testament to Old Chang Kee's popularity as one of the all-time favourite local snacks and its commitment to quality assurance.

- Hailed as ***one of the Best Fast-Food Chains in the World by Travel+Leisure***, a travel magazine based in New York City in 2012
- Awarded ***the Influential Brands Awards*** as the ***Top Brand*** under the F&B Kiosk category for 2013, 2014, 2015
- Ranked ***No. 2 Best Curry Puff in Singapore*** in The Sunday Times on 5 July 2015

(b) **Economies of scale and technical skills**

- OCK has a central kitchen to processes raw materials and produces a range of pastes, powder, pastry dough and filling as well as packaged food to ensure consistency in quality and taste.
- The manufacturing processes are automated, except the labour intensive hand-crimping process, as technology has yet to be able to replace without compromising quality.
- 50,000 fresh puffs are produced daily to be distributed to its various outlets.

(c) **Pervasive market penetration through its network of 77 conveniently-located retail outlets**

OCK has strategically established its retail outlets in shopping malls, individual kiosks, petrol kiosks, retail spaces located in MRT stations and nearby bus interchanges, to capture consumer's snacking behaviour. With many outlets and easy to access location, Old Chang Kee offers quick and easy solutions for meals and snacks to the busy and time-tight Singapore community. Its enviable distribution network also further fortifies its brand recognition.

OCK has 77 retail outlets and 16 sub-brands outlets island-wide in Singapore. In addition, OCK has partnered Food Panda Delivery service to provide doorstep delivery services at selected areas in Singapore.

(d) **Diversified customer base**
OCK's Halal-certification opens the door to the Muslim community who have limited choices for food, snacks, and pastries in Singapore. Its long track record of Halal-certification will facilitate penetration into the Muslim-dominant markets like Malaysia and Indonesia.

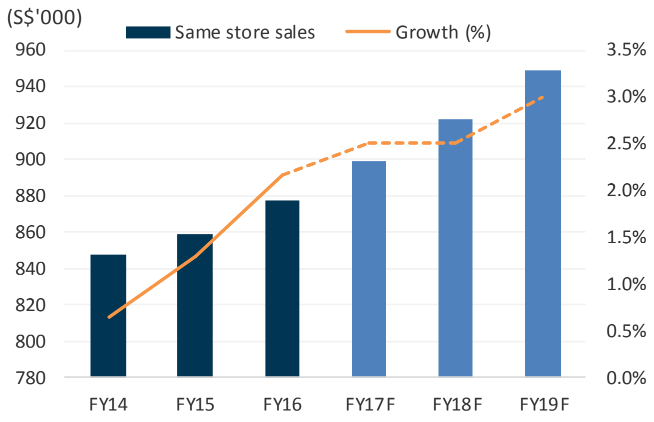
Forecast Assumptions

1. **SSSG and new stores to drive revenue at 4.2% CAGR over next three years**
We expect same store sales to grow 2.5% in FY17-18F and 3.0% in FY19F onwards. We believe that the new integrated factory, which is targeted to complete by 1QFY18 will provide the necessary capacity for new product offerings.

In addition, we also cautiously assumed one net store opening (number of new stores opened less number of stores closed) for each year from FY18F onwards.

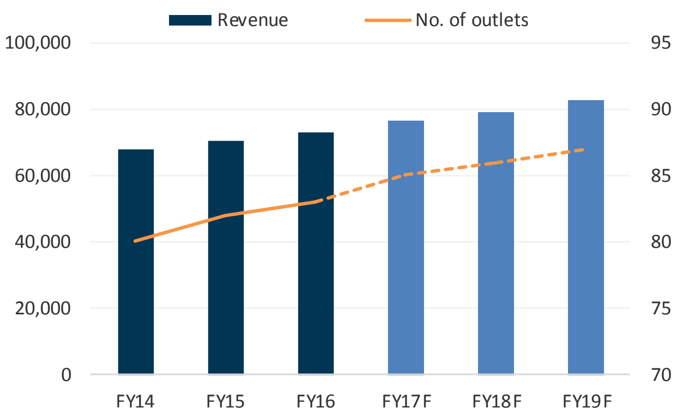
We only focus on retail outlets in Singapore as the local market is the sole contributor to OCK's operating profit; while overseas outlets remain as laggards. Successful revitalisation and/or revamp of its overseas business by (i) offering Ready Meals in its wholly-owned business in Australia; and (ii) continue to look for suitable distribution partners in Malaysia could a catalyst for further re-rating.

Figure 12:
Same Store Sales



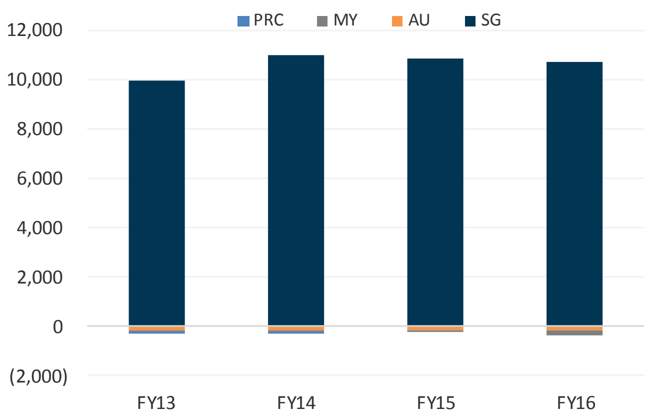
Source: Company, PSR est.

Figure 13:
Retail store outlets: Revenue and store count



Source: Company, PSR est.
**Golden Shoe outlet is scheduled to be closed down in FY18F*

Figure 14:
Operating profit by geography



Source: Company, PSR est.

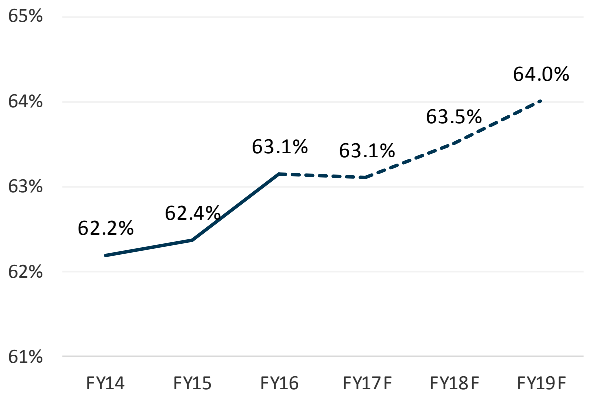
2. **Improved margins to lift FY19F earnings growth to double digit**

We think that the newly integrated factory facilities, which are equipped with advanced machinery and c.60% additional production area, would improve OCK's productivity and operating efficiency after its completion in FY18. The enhanced production capacity also enables change of product mix, via introduction of more high-value products (e.g. Ready Meals).

On the other hand, we expect outlet rental and labour expenses to stabilise amidst easier property and labour markets. Operating expenses is expected to normalise to c.54% of revenue.

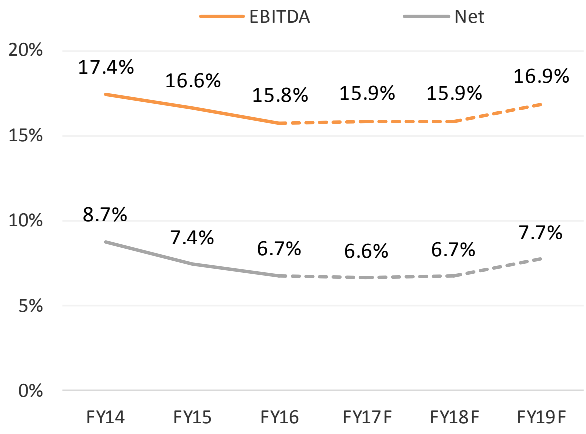
Hence, the improved margins to lift FY19 earnings growth back to near FY14's level at c.20%.

Figure 15:
Gross Margin



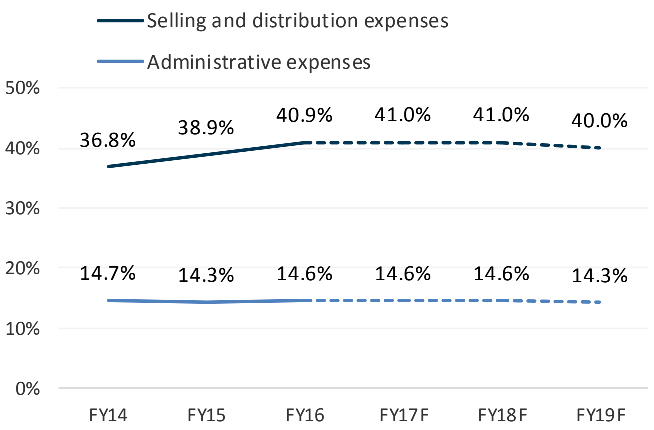
Source: Company, PSR est.

Figure 16:
EBITDA and Net Margins



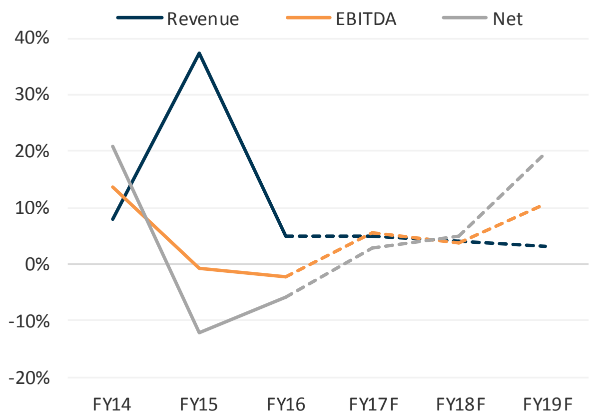
Source: Company, PSR est.

Figure 17:
Costs % Revenue



Source: Company, PSR est.

Figure 18:
Revenue, EBITDA and PATMI Growth (%)



Source: Company, PSR est.

3. **Maintaining negative cash conversion cycle**

OCK has a negative cash conversion cycle which average to -68 days in the past five years.

We expect Days Inventory Outstanding to remain at 8 days as we believe its new product offerings will be well-received by its customers based on historical trend. We also assumed OCK's business model to remain as cash/nets payment, and thus Days Sales Outstanding to remain as one day.

Figure 19: Cash Conversion Cycle

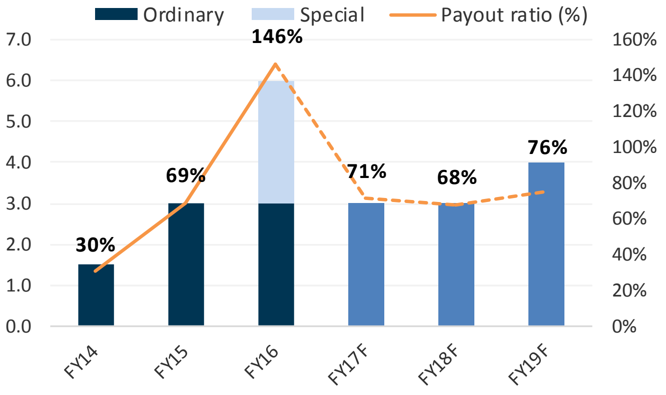
	15M2012	FY13	FY14	FY15	FY16	FY17F	FY18F	FY19F
Days Inventory Outstanding	10	13	10	8	8	8	8	8
Days Sales Outstanding	2	1	1	1	1	1	1	1
Days Payable Outstanding	64	75	79	78	84	85	80	80
Cash Conversion Cycle	**(52)**	**(60)**	**(69)**	**(70)**	**(75)**	**(76)**	**(71)**	**(71)**

Source: Company, PSR est.

4. Dividend payout ratio to sustain above 60%

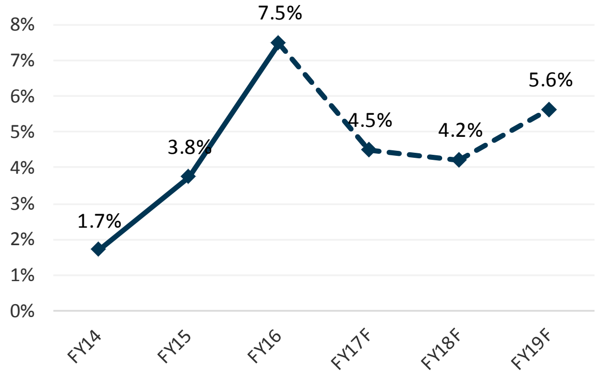
With an increasing cash flow and normalised CapEx, we forecast an increase in dividends from 3.0 cents in FY18F to 4.0 cents in FY19F, translating to a 5.6% yield.

Figure 20:
Dividend Per Share (SGD Cents) and Payout Ratio (%)



Source: Company, PSR est.

Figure 21:
Dividend Yield (%)



Source: Company, PSR est.

Valuation

We think Old Chang Kee will benefit from its expansion plan backed by strong cash position.

1. OCK's capacity expansion plan bodes well with its strategy to boost demand. New product offerings should improve its product mix by selling higher margin product lines. The new production facilities using state-of-the-art machinery would improve productivity as well as operating efficiencies.
2. Top line should catch up with its higher depreciation and amortisation expenses post FY18F.
3. Growing store count underpinned by favourable macro environment.
4. Potentially higher dividend payout, which could translate to c.5.6% yield post FY18F.

We initiate coverage on OCK with a "**Buy**" rating with a **target price of S$0.98** based on discounted cash flow (DCF) methodology. This implies an **upside of 42%** (with dividend) from its last done price.

Figure 20: Valuation

Item	WACC	Target
A	Share price (as of 4-Nov-16)	0.71
B	No. of shares ('000)	121,375
A x B = C	Market capitalisation (S$ '000)	86,176
D	Total debt (S$ '000)	13,121
C + D = E	Total market value (S$ '000)	99,297
C / E	Equity ratio	87%
D / E	Debt ratio	13%
	Cost of debt	
	Interest rate	1.3%
	Tax rate	17.0%
	After-tax interest	1.1%
	Cost of equity	
	Risk free rate	2.0%
	Market risk premium	6.5%
	Beta	0.8
	Cost of equity	7.2%
	WACC	6.4%
	Terminal growth rate	1.0%

Item	Financials (S$'000)	Cash Flow				
	Year	FY17e	FY18e	FY19e	FY20e	FY21e
	OCF	9,538	10,017	11,513	12,056	12,537
	Capex	(7,770)	(5,243)	(5,461)	(5,686)	(5,920)
	Interest expense * (1-t)	257	200	208	145	75
	FCFF	2,026	4,973	6,260	6,514	6,692
	Terminal value					125,362
	PV	1,904	4,394	5,199	5,084	96,877
F	Firm value	113,457				
G	Add: Net Cash/ (Debt)	5,314				
H	Less: Minority Interest	0				
F + G - H = I	Equity value	118,772				
J	No. of shares ('000)	121,375				
I / J	Fair value/share (S$)	**0.98**				

DCF Sensitivity

	Assumed Perpetual Growth %		
WACC%	**0.5%**	**1.0%**	**1.5%**
5.40%	$ 1.10	$ 1.20	$ 1.33
6.40%	$ 0.91	$ 0.98	$ 1.06
7.40%	$ 0.78	$ 0.82	$ 0.88

Figure 21: Scenario analysis on target price

Scenario analysis

SSSG (%)	FY17e	FY18e	FY19e	FY20e	FY21e	TP (DCF)
Bull case scenario	2.5%	3.5%	5.0%	5.0%	5.0%	$ 1.05
Base case scenario	2.5%	2.5%	3.0%	3.0%	3.0%	$ 0.98
Bear case scenario	2.5%	2.5%	2.5%	2.5%	2.5%	$ 0.96

OCK currently trades at a 17.3x FY16 PER (ex-cash, 13.0x), which is within one standard deviation from its 5-year average; and c.30% discount to its Singapore packaged food peers' 24.8x. Market rerated OCK when it commenced its construction projects for the two newly acquired factories in FY14. Realisation of the manufacturing productivity and efficiency could lead to a further rerating catalyst for the stock.

Despite its smaller operating scale, OCK has higher than peers average's margins, dividend yield and return on equity (ROE). It also has a strong net cash position at S$11.1 million as at 31 Mar 2016.

Figure 22: 5-Yr Historical PER

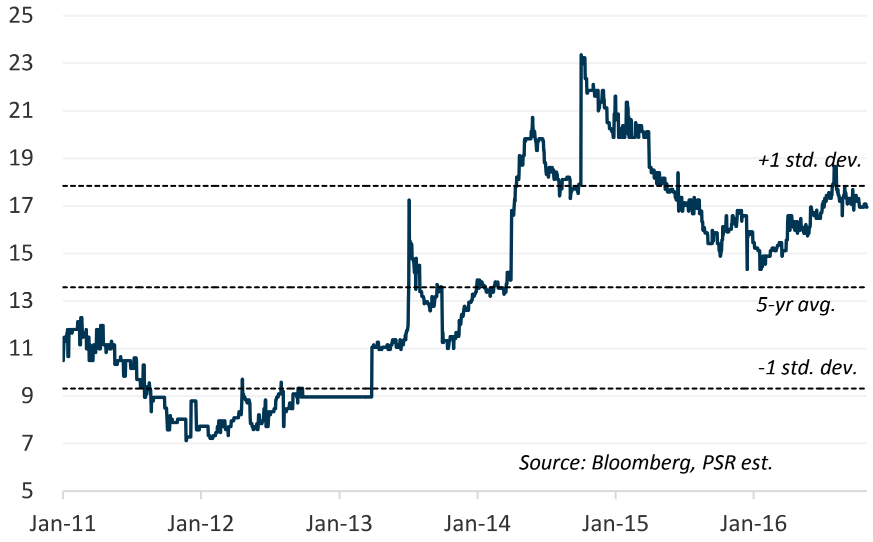


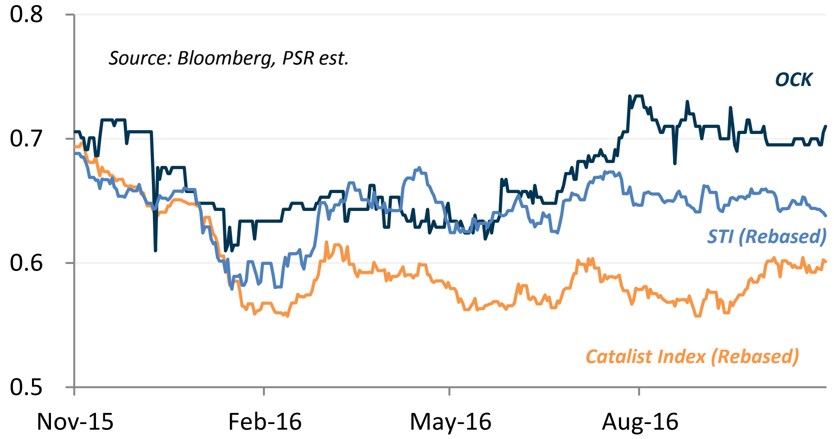
Figure 23:

Comparables

Bloomberg Ticker	Company	FYE	Mkt Cap (SGD mn)	EV (SGD mn)	Gorss Margin	Operating Margin	Net Margin	P/E TTM	P/E FY1	P/B	Div Yield (%)	Div Yield FY1 (%)	Net D/E (%)	ROE (%)
OCK SP	Old Chang Kee Ltd	03/2016	86	74	63	10.1	6.7	17.3	N/A	2.5	8.5	N/A	Net Cash	14.6
	Simple Average (Excl. OCK)				39	4.1	-1.0	24.8	18.1	2.1	4.3	3.6	38.3	-7.3
ABR SP	ABR Holdings Ltd	12/2015	139	59	46	9.3	7.6	18.3	N/A	1.4	3.6	N/A	Net Cash	7.8
QAF SP	QAF Ltd	12/2015	744	736	47	7.0	5.3	10.3	10.2	1.6	3.8	N/A	Net Cash	16.7
BREAD SP	BreadTalk Group Ltd	12/2015	281	392	53	5.6	1.2	34.5	22.2	2.2	2.9	1.8	68.0	5.6
AP SP	Auric Pacific Group Ltd	12/2015	146	77	42	2.0	-9.4	N/A	9.7	0.9	N/A	N/A	Net Cash	-20.5
DELFI SP	Delfi Ltd	12/2015	1,387	1,400	30	6.9	-1.2	N/A	30.3	4.9	6.9	5.5	Net Cash	-1.4
FEH SP	Food Empire Holdings Ltd	12/2015	162	192	N/A	6.8	0.1	36.1	N/A	0.8	N/A	N/A	8.7	2.3
CSFG SP	China Star Food Group Ltd	03/2016	60	25	44	24.1	3.4	N/A	N/A	0.9	N/A	N/A	Net Cash	-25.8
SMOON SP	Sunmoon Food Co Ltd	12/2015	36	33	7	-29.2	-14.9	N/A	N/A	4.3	N/A	N/A	Net Cash	-43.0

Source: Bloomberg

Figure 24: 1-Yr Historical performance relative to various indices



Investment Risks

1. **Intensifying competition due to low barrier to entry**
   A high gross margin and low start-up cost would attract rivalry. In particular, smaller players such as hawkers, who requires minimal spaces and could bet on higher volume and lower margins.

   Competitors include:
   - *Bengawan Solo*
   - *BreadTalk Group Limited*
   - *Polar Puffs & Cakes Pte Ltd*
   - *Prima Food Pte Ltd (a subsidiary of Prima Limited, managing PrimaDeli)*
   - *Tastegood Holdings Pte Ltd (which owns 1A Crispy Puffs)*
   - *ABR Holdings Limited (which owns Tip Top and Season Confectionary & Bakery)*
   - as well as bakeries, fast foods, and food retail outlets close to its retail outlets.

2. **Rising operating expenses,** particularly rental and labour costs, which could compress margins. OCK is also subjected to risk of foreign worker levy increase as 40-50% of its direct labours are foreigners.

3. **Execution risks:**
   (a) **Unable to renew leases on favourable terms and conditions, or unable to secure new strategic locations.** All premises of its retail outlets are leased, leading to risk of relocation, increase in rental or not being able to renew or secure the leases on favourable terms and conditions.

   (b) **Regulatory and licensing risks.** Changes in governmental regulations, domestic and foreign (Malaysia, Australia, and Indonesia), which could increase operating expenses and disrupt to its business. Revocation of Halal certification issued to its production facility and retail outlets would also be a setback to its expansion plan in Malaysia and Indonesia.

4. **Outsourcing risks**
   OCK has two major suppliers and contract manufacturers: (i) Siamchai International Food Co. Ltd., its contract manufacturer in Thailand for frozen seafood products and processed food, and (ii) Leong Hin Foods Pte. Ltd. In Singapore for processed food.

   - Involuntary or unexpected loss of any of its major contract manufacturers will disrupt its supplies.
   - Business environment in Thailand may disrupt, limit or otherwise affect the operations and production capabilities of the strategic business partner in Thailand.
   - Risk of confidential technical and commercial information leak.

5. **Other risks:**
   (a) Changes in consumers' tastes and preferences.
   (b) Food scare due to negative publicity.
   (c) Outbreak of food-related diseases, leading to higher costs of raw materials (shortage in supply of raw materials) and lower consumer demand. E.g. avian influenza which increased egg prices due to shortage.
   (d) Foreign exchange risks (no hedging policy), c.21% of the Group's FY16 purchases are denominated in foreign currencies, mainly Thai Baht and Malaysian Ringgit.
   (e) Change of tenant mix, revamp or closure of shopping malls or complexes in which its retail outlets are located, may result in fewer human traffic flow and/or disruption to its business.

APPENDIX

Company Background

Old Chang Kee Ltd. (OCK) has been present in Singapore for 60 years. It specialises in the manufacture and sale of affordable and delectable food products of consistent quality, under the "Old Chang Kee" brand name. Its signature product is the well-known Old Chang Kee curry puff, now complemented by a suite of more than 30 other food products such as fish balls, spring rolls, chicken nuggets, and chicken wings. It has also introduced the sale of breakfast items as well as local delights meals at selected retail outlets.

Most of its sales are on a takeaway basis and its outlets are located at strategic locations to reach out to a wide range of consumers. It also has delivery services to the central business district area and other selected areas in Singapore. OCK has also commenced provision of dine-in services at selected retail outlets.

As of 30 Sep 2016, OCK has

- ***77 retail outlets in Singapore*** (including the Compass One outlet which reopened in Sep 2016, and two upcoming outlets at Smart Energy Serangoon and Tampines Hub)
- ***Three retail outlets in Kuala Lumpur, Malaysia*** (through its 40.0%-owned Associated Company, Old Chang Kee Malaysia)
- ***Nine retail outlets in Jakarta, Indonesia*** (by way of franchise agreement entered into between Ten & Han, its subsidiary, and its Indonesian Franchisee)

Source: Company Website

The Company also owns other subsidiary brands such as fast-food cafe concept Take 5; and casual restaurant chain Curry Times.

Figure 25: Group Structure as at 31 Mar-16

Source: Company FY16 Annual Report

Figure 26: Company's history

Year	Milestones
1956	Origins of Mr Chang's chicken curry puff
1986	OCK's Executive Chairman, Han Keen Juan, acquired the curry puff business
2004	Awarded " Singapore Promising Brand Award (SPBA)" by the ASME and Lianhe
	Incorporated "Old Chang Kee Singapore Pte. Ltd."
2005	Awarded " SPBA Heritage Brand Award" and the "SPBA - Distintive Brand Award" by the ASME and Lianhe Zaobao
	"Halal" certification by Majlis Ugama Islam Singapura (MUIS)
2007	Awarded "Lifelong Learner Award, Corporate Category" by MediaCorp Radio, Singapore Workforce Development Agency, National Trade and Unions Congress and SPRING Singapore
	Obtained Hazard Analysis Critical Control Point (HACCP) certification for the manufacturing of curry puffs and implemented a quality assurance programme
2008	Launched "The Pie Kia Shop"
	Listed on the Catalist
	Launched flagship restaurant in Chengdu, PRC
2010	Recognised as an official caterer for the inaugural Singapore 2010 Youth Olympic Games and National Day Parade 2010
	Launched "Mushroom" Cafe in the Park
2012	Hailed as one of the Best Fast-Food Chains in the World by Travel+Leisure, a travel magazine based in New York City, published 12 times a year and has 4.8 million readers around the world
	Launched "Curry Times"
	Launched flagship outlet in Perth, Australia
2013	First 2-in-1 concept in Alexandra Retail Centre, with Old Chang Kee sharing the premise with Curry Times Tingkat
	Launched first Dip 'n' Go outlet at Woodlands MRT Station
2015	Launched first Changi Airport outlet in Terminal 3, a 2-in-1 concept with Old Chang Kee sharing the premise with Curry Times
	Winner of Influential Brands' Top 1 Brand, kiosk category

Source: Company

Figure 27: The Group has also developed other distinctive brand names

Brand Name	Description	Number of outlets (As at 30 Sep 2016)
Curry Times 	OCK's first curry themed restaurant in Singapore. As an extension to the brand, OCK has launched its first self-service concept store named Curry Times Tingkat.	7 (including 2 Curry Times Tingkat outlets)
Bun Times 	Leveraging on the curry expertise of Old Chang Kee, Bun Times offers Hainanese inspired buns with a variety of fillings. The range of buns and bakes are crafted based on original Hainanese customs and recipes enhanced through the use of modern technology.	3
Mushroom Cafe 	An al fresco concept eatery located at MacRitchie Reservoir and Sengkang Riverside Park, serving local delights as well as fusion food.	2
Take 5	Fast-food cafe concept that serves local favourites.	3
O'My Darling 	A 10-metre long Mobile Kitchen which runs on biodiesel made from OCK's waste cooking oil. Catering services in high profile events such as international and national events, to corporate events, community events and school events.	1
Dip 'n' Go 	Offers delicious food on the go, with a variety of dips to go with.	1

Source: Company

Financials

Income Statement

Y/E Mar, SGD mn	FY15	FY16	FY17F	FY18F	FY19F
Revenue	**71.6**	**73.9**	**77.5**	**80.3**	**83.6**
Gross Profit	**44.7**	**46.6**	**48.9**	**51.0**	**53.5**
EBITDA	**11.9**	**11.7**	**12.3**	**12.7**	**14.1**
Depreciation & Amortisation	3.8	4.1	4.5	4.7	4.7
EBIT	**8.1**	**7.5**	**7.7**	**8.0**	**9.4**
Net Finance Inc/(Exp)	(0.1)	(0.2)	(0.3)	(0.2)	(0.2)
Profit before tax	**6.7**	**6.1**	**6.2**	**6.5**	**7.7**
Taxation	(1.4)	(1.1)	(1.0)	(1.1)	(1.3)
Net profit, reported	**5.3**	**5.0**	**5.1**	**5.4**	**6.4**

Balance Sheet

Y/E Mar, SGD mn	FY15	FY16	FY17F	FY18F	FY19F
ASSETS					
PPE	26.4	28.9	32.2	32.7	33.5
Others	-	-	-	-	-
Total non-current assets	**28.4**	**31.3**	**34.6**	**35.1**	**35.8**
Accounts receivables	0.1	0.2	0.2	0.2	0.2
Cash	20.1	19.4	18.4	17.5	17.5
Inventories	0.5	0.7	0.6	0.6	0.7
Others	-	-	-	-	-
Total current assets	**23.6**	**23.1**	**22.1**	**21.1**	**21.2**
Total Assets	**52.1**	**54.5**	**56.6**	**56.2**	**57.0**
LIABILITIES					
Accounts payables	5.4	7.1	6.7	6.4	6.6
Short term loans	1.0	1.1	1.1	1.1	1.1
Others	-	-	-	-	-
Total current liabilities	**10.0**	**10.9**	**10.5**	**10.2**	**10.4**
Long term loans	7.7	7.3	12.1	10.2	8.0
Others	-	-	-	-	-
Total non-current liabilities	**8.8**	**8.9**	**13.7**	**11.8**	**9.7**
Total Liabilities	**18.8**	**19.9**	**24.2**	**22.1**	**20.1**
EQUITY					
Shareholder Equity	**33.3**	**34.6**	**32.4**	**34.2**	**36.9**

Per share data (SGD Cents)

Y/E Mar	FY15	FY16	FY17F	FY18F	FY19F
EPS, reported	4.35	4.10	4.21	4.42	5.29
DPS	3.00	6.00	3.00	3.00	4.00
BVPS	27.43	28.52	26.73	28.15	30.44

Cash Flow

Y/E Mar, SGD mn	FY15	FY16	FY17F	FY18F	FY19F
CFO					
Profit before tax	**6.7**	**6.1**	**6.2**	**6.5**	**7.7**
Depreciation & Amortisation	3.8	4.1	4.5	4.7	4.7
WC changes	(1.8)	1.4	(0.4)	(0.3)	0.2
Others	-	-	-	-	-
Cash generated from ops	9.1	12.0	10.6	11.1	12.8
Tax paid	(1.6)	(1.4)	(1.0)	(1.1)	(1.3)
Cashflow from ops	**7.5**	**10.6**	**9.5**	**10.0**	**11.5**
CFI					
CAPEX, net	(8.3)	(7.1)	(7.8)	(5.2)	(5.5)
Others	-	-	-	-	-
Cashflow from investments	**(8.2)**	**(7.1)**	**(7.7)**	**(5.2)**	**(5.4)**
CFF					
Loans, net of repayments	4.3	(0.4)	4.8	(1.9)	(2.2)
Dividends	(3.6)	(3.6)	(7.3)	(3.6)	(3.6)
Others	-	-	-	-	-
Cashflow from financing	**0.5**	**(4.3)**	**(2.8)**	**(5.8)**	**(6.1)**
Net change in cash	**(0.2)**	**(0.7)**	**(1.0)**	**(1.0)**	**0.0**
CCE, end	**20.1**	**19.4**	**18.4**	**17.5**	**17.5**

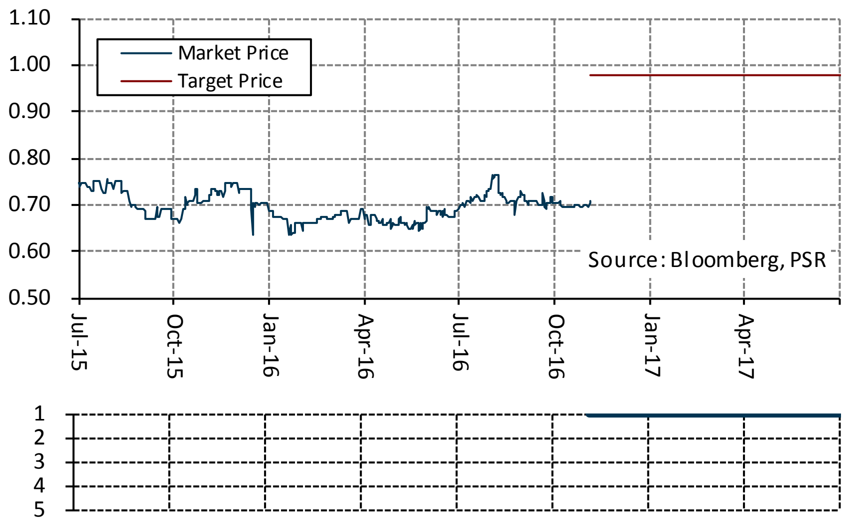
Valuation Ratios

Y/E Mar	FY15	FY16	FY17F	FY18F	FY19F
P/E (X), adj.	18.4	19.5	15.8	16.1	13.4
P/B (X)	2.9	2.8	2.5	2.5	2.3
EV/EBITDA (X), adj.	8.1	8.3	6.6	6.8	6.1
Dividend Yield (%)	3.8%	7.5%	4.5%	4.2%	5.6%
Growth & Margins (%)					
Growth					
Revenue	4.0%	3.1%	4.9%	3.7%	4.1%
EBITDA	0.1%	-2.1%	5.3%	3.7%	10.7%
EBIT	-3.6%	-7.0%	3.0%	3.7%	16.6%
Net profit, adj.	-12.2%	-5.9%	2.8%	4.9%	19.6%
Margins					
EBITDA margin	16.6%	15.8%	15.9%	15.9%	16.9%
EBIT margin	11.3%	10.2%	10.0%	10.0%	11.2%
Net profit margin	7.4%	6.7%	6.6%	6.7%	7.7%
Key Ratios					
ROE (%)	16.3%	14.6%	15.2%	16.1%	18.1%
ROA (%)	10.7%	9.3%	9.2%	9.5%	11.3%
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Phillip Securities Research (Singapore) Estimates

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

Ratings History



PSR Rating System

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

Remarks

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

Contact Information (Singapore Research Team)

Research Operations Officer
Mohamed Amiruddin - amiruddin@phillip.com.sg

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

Property | Infrastructure
Peter Ng - peterngmc@phillip.com.sg

Macro
Pei Sai Teng - peist@phillip.com.sg

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

REITs (Commercial, Retail, Healthcare) | Property
Dehong Tan - tandh@phillip.com.sg

Technical Analysis
Jeremy Ng - jeremyngch@phillip.com.sg

Banking and Finance
Jeremy Teong - jeremyteongfh@phillip.com.sg

US Equity
Ho Kang Wei - hokw@phillip.com.sg

Oil & Gas | Energy
Chen Guangzhi - chengz@phillip.com.sg

Contact Information (Regional Member Companies)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Important Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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