UOL Group Limited

The Slow and Steady Wins the Race

SINGAPORE | REAL ESTATE (DEVELOPERS) | INITIATION

- Two new Singapore developments projects slated to be launched for sale in 2017 and 2018
- Acquired two mixed-use buildings in London in 2016; Expect cap rate compressions amid low supply and vacancy rates of offices in Central London

Investment Merits

- **Nimble and well-executed development strategy; Only two launched projects remaining with more than 10% unsold units in Singapore portfolio**

We favour UOL Group Limited (UOL) for its nimble and well-executed strategy especially in the current market environment where demand is curbed by a series of property cooling measures in Singapore. The result of the Group's strategy mitigates its risk of facing potential charges or fines from clawback of additional buyers' stamp duty (ABSD) should there be an overhang of unsold properties in a development.

- **Ample time to sell remaining units in Principal Garden coupled with strong development margins**

The take up rate of Principal Garden has been encouraging as compared to two adjacent projects, The Crest and Mon Jervois. UOL still has plenty of time to clear the remaining units as the deadline for ABSD clawback is in April 2019. We project a development margin of 21% for Principal Gardens which is healthy compared to the other two developments.

- **Rental income from a diverse base of Singapore investment properties occupies lion share of profits; and expected to continue supporting operating performance**

Rental income from investment properties made up of at least 50% of the Group's total operating profits in the past three years between FY13 and FY15. UOL owns a mixture of investment properties ranging from serviced suite, office and retail properties where majority of these assets are in Singapore.

- **Strong occupancy rates for portfolio of office properties as majority of these assets are located in the fringe area which enjoy lower vacancy rates**

UOL owns five office properties, yielding 100,000 square metres of net lettable area where they are mostly located in the fringe of the CBD area. As at 3Q16, the Group's portfolio of Singapore office properties is standing at a healthy occupancy rate of 94% which is higher than the average occupancy rate of fringe offices (92%).

- **Continued depreciation of the SGD could continue to boost arrival numbers of Chinese and Indonesian visitors and benefit UOL's Australia hotel operations**

The boost in international tourist arrivals was led by a 36.1% and 5.9% growth in visitors from China and Indonesia respectively. We believe the depreciation in the SGD against the RMB and IDR was one of the main factors that led to an increase in tourist arrivals from these two countries. We view that a continued depreciation in SGD, translating into lower price points for goods and services in relative terms, will benefit domestic hoteliers.

Initiating coverage with "ACCUMULATE" rating and target price of S$7.05

We favour UOL for its consistency in operating performance since at least 68% of its operating profits are contributed from recurring income. As the local property development market extends a decline, the Group is well-buffered by its stability in earnings. On the property development front, UOL is nimble and sits on a relatively comfortable position as most projects are either close to being completely sold, or sitting on strong development margins according to our projections.

16 January 2017

ACCUMULATE (Initiation)

LAST DONE PRICE	SGD 6.29
FORECAST DIV	SGD 0.15
TARGET PRICE	SGD 7.05
TOTAL RETURN	14.5%

COMPANY DATA

O/S SHARES (MN) :	805
MARKET CAP (USD mn / SGD mn) :	3539 / 5061
52 - WK HI/LO (SGD) :	6.38 / 5.22
3M Average Daily T/O (mn) :	0.91

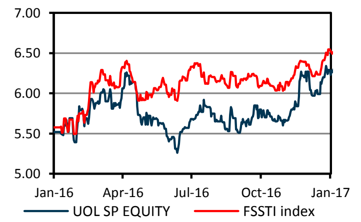
MAJOR SHAREHOLDERS (%)

CY WEE & CO PTE LTD	13.9%
WEE INVESTMENTS PTE LTD	13.4%
UNITED OVERSEAS BANK LTD	7.5%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	1.5	10.4	12.4
STI RETURN	2.56	8.26	16.51

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY14	FY15	FY16e	FY17e
Revenue	1361	1279	1438	1464
Gross Profit	581	504	503	512
EPS (SGD)	0.87	0.40	0.37	0.38
PER, x (adj.)	8.0	15.5	16.9	16.5
P/BV, x	0.72	0.63	0.62	0.60
DPS (SGD)	0.20	0.15	0.15	0.15
Div Yield, %	2.9	2.4	2.4	2.4
ROE, %	9.0	4.1	3.7	3.6

Source: Company Data, PSR est.

Valuation Method
RNAV

Peter Ng (+65 6212 1850)
peterngmc@phillip.com.sg

MCI (P) 118/10/2015
Ref. No.: SG2017_0003

Company Background

UOL Group Limited (UOL) has four primary business segments, namely property development, hotel operations, property investments and investment in securities. Under UOL's hotel subsidiary, Pan Pacific Hotels Group, the company owns the two brands, Pan Pacific and PARKROYAL. UOL has a 44.3% stake in listed property developer, United Industrial Corporation (UIC).

Property Development

Nimble and well-executed development strategy; Only two launched projects remaining with more than 10% unsold units in Singapore portfolio

Apart from two out of five ongoing development projects, namely Principal Garden and Riverbank@Fernvale, the other projects under the Group's Singapore portfolio are at least 96% sold as at 3Q16. UOL adopts a laser-focused strategy in its property development operations where it refrains from participating in multiple development projects each time. UOL launched two development projects in 2015, Botanique at Bartley and Principal Gardens which are 96% and 53% sold as at December 2016. We favour the Group's nimble and well-executed strategy especially in the current market environment where demand is curbed by a series of property cooling measures in Singapore. The result of the Group's strategy mitigates its risk of facing potential charges or fines from clawback of additional buyers' stamp duty (ABSD) should there be an overhang of unsold properties in a development.

Figure 1. Details of launched development properties as at 3Q16

Development Properties	Equity Stake (%)	No. of Units	% Sold	TOP Status
Singapore				
Seventy Saint Patrick's	100	186	100	TOP
Thomson Three	50	445	99.6	TOP
Riverbank@Fernvale	100	555	89	1Q17
Botanique at Bartley	100	797	96	1Q18
Principal Garden	70	663	53	4Q18
China				
The Esplanade (Tianjin, China)	100	570	95.1	TOP
Park Eleven, Shanghai	40	398	21.1	1Q18

Source: Company Data, Phillip Securities Research (Singapore)

Ample time to sell remaining units in Principal Garden coupled with strong development margins

UOL's 70% owned 663-unit residential condominium project, Principal Garden was launched for sale in October 2015, and is 47.1% sold (inclusive of 263 unlaunched units) as at 3Q16. The take up rate of Principal Garden has been encouraging as compared to two adjacent projects, The Crest and Mon Jervois. UOL still has plenty of time to clear the remaining units as the deadline for ABSD clawback is in April 2019.

We project a development margin of 21% for Principal Gardens and is healthy compared to the other two developments. Unlike Principal Garden, The Crest is a 469-unit residential development which has 70% unsold units (328/469) in the development and is likely to face the clawback of (ABSD) amounting to S$51.6 million (S$96 PSF) as the developer is required to the remaining unsold units by

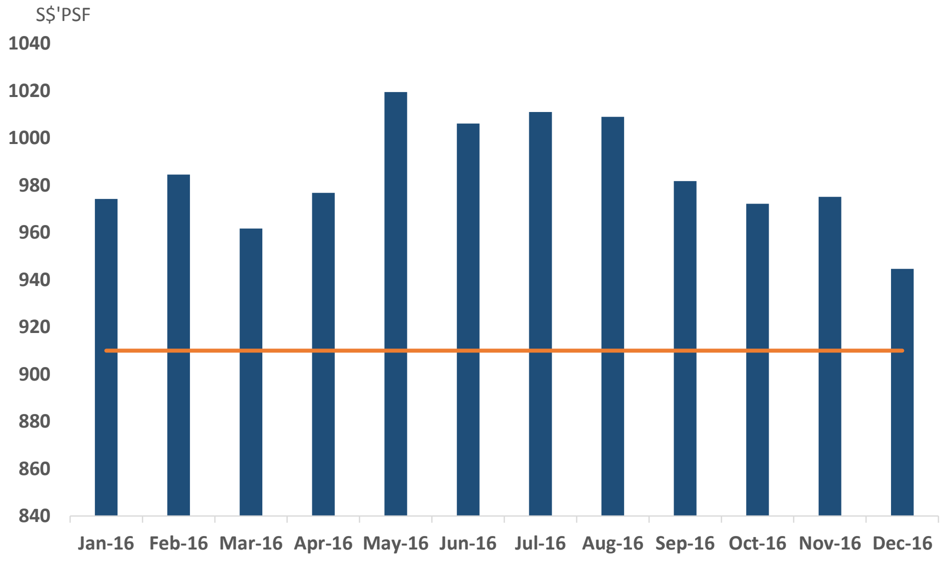
September 2017. Similarly, Mon Jervois which has 43% unsold units (47/109) that remained unsold is most likely to face ABSD clawback in February 2017.

While the general belief is there may be near term price pressures as developers race to clear these remaining units, we view that this is unlikely as prices at The Crest and Mon Jervois would have been cut earlier if the respective developers had the intention to do so. We believe that developers of The Crest and Mon Jervois have considered that a price cut spree would be disadvantageous to them since Principal Garden has the lowest land acquisition cost out of the three developments (Principal Garden: S$820 PSF, Mon Jervois: S$862 PSF, The Crest: S$960 PSF).

Weaker development margin for Riverbank@Fernvale led by surmounting supply in OCR; 89% of development sold as at 3Q16

We expect UOL to book in the remaining profits in Riverbank@Fernvale, a 555-unit condominium project in the Sengkang district, in the next few months, as the development is expected to obtain its Temporary Occupancy Period (TOP) status by 1Q17. As at Dec 2016, 89% units in the development have been sold where the Group has another 15 months to clear the remaining unsold units before facing the clawback of ABSD. Although we are expecting weaker development margin of 8% from the development (compared to other development projects on hand), however, we view that the large number of unsold units and slowing demand in the Outside Central Region (OCR) may create price pressures for developments in the area. We noted that sales momentum in Riverbank@Fernvale decelerated due to the launch of High Park Residences in July 2015 which has a relatively lower land acquisition cost (S$443 PSF) compared to Riverbank@Fernvale (S$489 PSF). We are optimistic that the remaining 11% of unsold units in Riverbank@Fernvale can be sold before the ABSD clawback deadline and maintain the current development margin as the land acquisition cost at the development is the lowest among other development projects in the vicinity (Rivertrees Residences: S$533 PSF, Recent GLS at Fernvale Road: S$517 PSF). ASP in December 2016 was the lowest in 2016 at S$910 PSF versus the highest of S$1020 in the year. Even if ASP maintains at the current level, we are of the view that there will be limited impact on the development margin on the entire project, considering that there remains only a small proportion of unsold units in the development.

Figure 2. Transacted prices and breakeven cost (orange line) for Riverbank@Fernvale



Source: REALIS, Phillip Securities Research (Singapore)

Clarity of development projects in the pipeline with two developments projects slated to be launched for sale in 2017 and 2018

UOL intends to launch two Singapore development projects each year in 2017 and 2018. The first development project, Clement Canopy, resides in Clementi Avenue 1 and is expected to yield 505 units, while the second development is in Potong Pasir Avenue 1 and can be developed into 750 units. Both the development projects are located in the Rest of Central Region (RCR) segment where the market segment has been an attractive investment due to its relatively higher rental yield compared to the other two segments as we have identified in a sector report dated November 2016. We are expecting a development margin of between 8% to 10% for the two development projects amid the weaker market conditions and estimate that the two projects will add S$50 million (25%) or S$0.06 to our RNAV estimates for property development when fully sold.

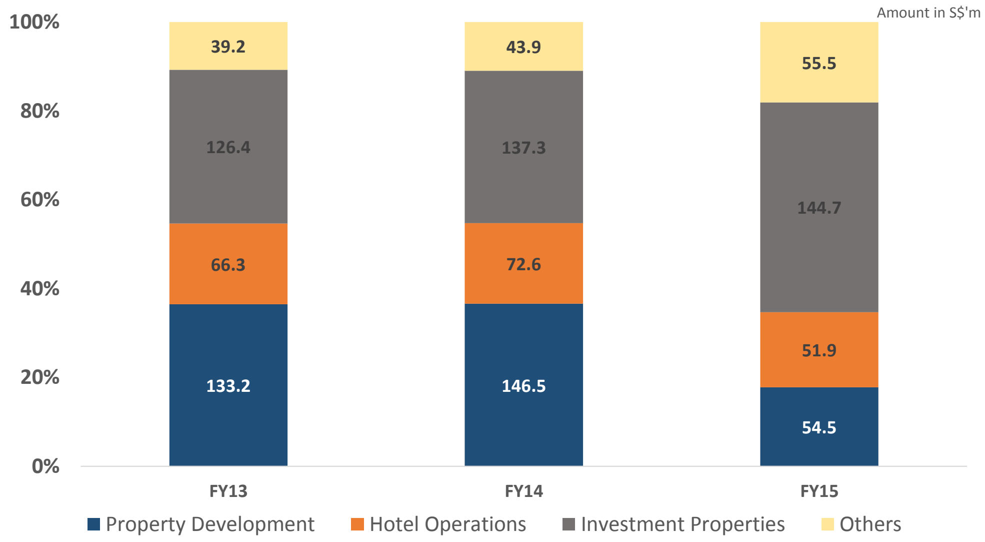
Gradual diversification into overseas property development expected to provide next engine of segment growth

The Group has currently three overseas development projects, the first two projects are in China and the third is located in London, United Kingdom, and is expected to be launched in 2017. Out of two development projects in China, one of which, The Esplanade, that has 570 residential and office development for sale, is more than 95.1% sold as at 3Q16. The second project, Park Eleven, a 398-unit residential development, has sold close to 80% of the 168 units that were released for a private launch in September 2016. We expect the remaining units to be launched in 1H17 at a premium compared to the ASP of 77,000 RMB per square metre. The third development project, seated on a land site in Bishopgate in London is a freehold mixed development which can potentially yield up to 160 units of residential units for sale. Management is targeting to launch the project for sale in 2017. We are positive on UOL's overseas development strategy as it continues to focus on the stronger markets in China and the returning demand to central London properties is likely to boost take ups at the launch of the development project at the Bishopgate site. We estimate the three overseas development projects to potentially add S$103 million or S$0.13 to our RNAV estimates and this value represents 30% of our projected RNAV for the property development segment.

Diversification from property development pans out well during weaker market conditions

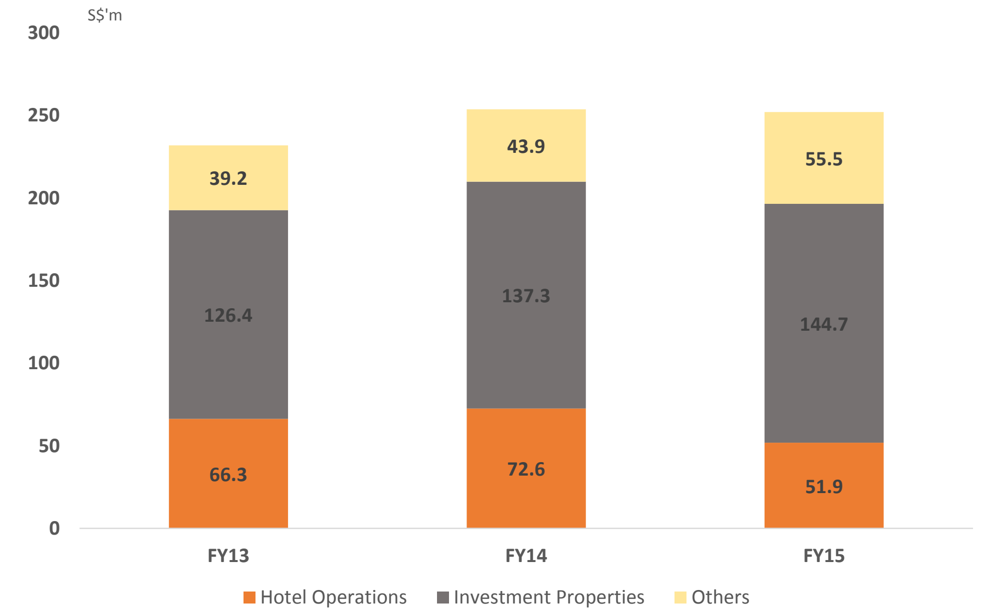
UOL has four operating segments, namely property development, hotel operations, investment properties and other investments. While profit contributions from property development is material for the Group's overall operating performance, we note that the other three segments contributed at least 65% of the Group's operating profit in the past three years between FY13 and FY15. We view that the comparatively lower reliance on property development benefits the Group especially during periods of weaker market conditions. As the other three segments are primarily contributors of recurring income, lesser reliance on property development would also translate to greater revenue visibility. In addition, higher contributions from recurring income provides insulation to earnings considering that revenue from property development is lumpier in nature. We believe that the profit mix is likely to be sustained moving forward considering that the property development landscape will continue to remain weak in light of the continuing effects of the property cooling measures in Singapore.

Figure 3. Segmental breakdown of historical operating profits



Source: Company Data, Phillip Securities Research (Singapore)

Figure 4. Segmental breakdown of historical operating profits from recurring segments



Source: Company Data, Phillip Securities Research (Singapore)

Investment Properties

Rental income from a diverse base of Singapore investment properties occupies lion share of profits; and expected to continue supporting operating performance

As mentioned above, recurring income is a core component of the Group's operating performance. We further identified that rental income from investment properties made up of at least 50% of the Group's total operating profits in the past three years between FY13 and FY15. UOL owns a mixture of investment properties ranging from serviced suite, office and retail properties where majority of these assets are in Singapore. The different types of rental properties provide stability to the Group's operating performance, as opposed to solely relying on property development since earnings are rockier in general.

Figure 5. Breakdown of investment properties portfolio

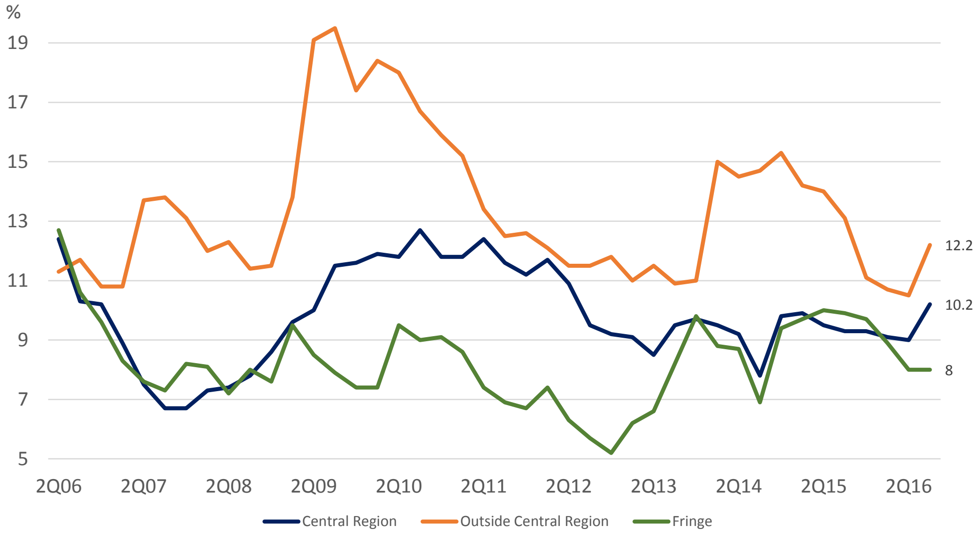
Investment Properties	Net Lettable Area (sqm)
Office	
Novena Square	41,579
United Square	26,897
Odeon Towers	18,364
Faber House	3,956
One Upper Pickering	8,089
110 High Holborn (London, UK)	10,873
Total	**109,758**
Retail	
Novena Square	15,854
United Square	19,328
OneKM	19,045
The Esplanade (Tianjin, China)	6,164
Total	**60,391**
Owned Service Suites Properties (number of rooms)	
Pan Pacific Serviced Suites Orchard	126
Pan Pacific Serviced Suites Beach Road	180
PARKROYAL Serviced Suites Beach Road	90
PARKROYAL Serviced Suites (Kuala Lumpur, Malaysia)	287
Total	**683**

Source: Company Data, Phillip Securities Research (Singapore)

Strong occupancy rates for portfolio of office properties as majority of these assets are located in the fringe area which enjoy lower vacancy rates

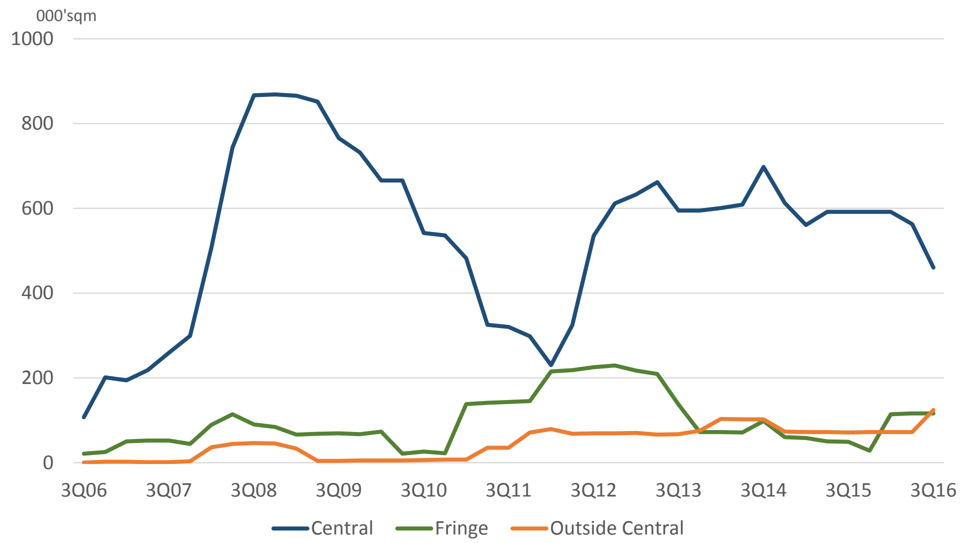
UOL owns five office properties, yielding 100,000 square metres of net lettable area where they are mostly located in the fringe of the CBD area. For most periods in the past 10 years since 2Q06, vacancy rates of office properties in the fringe area have been historically lower as compared to the other two segments (central region and outside central region). As at 3Q16, the Group's portfolio of Singapore office properties is standing at a healthy occupancy rate of 94% which is higher than the average occupancy rate of fringe offices (92%). Although rental may soften due to a weakening economic landscape (-3% to -5% drop in rental reversion), we do not foresee a drastic decline amid the resilience of fringe offices. We expect the current occupancy rates in UOL's office portfolio to sustain at current levels considering the subdued construction activities of new offices in the fringe area.

Figure 6. 10-year historical breakdown of office vacancy rates



Source: REALIS, Phillip Securities Research (Singapore)

Figure 7. 10-year historical office supply under construction



Source: REALIS, Phillip Securities Research (Singapore)

Close to fully occupancy rates for portfolio of retail properties in Singapore amid effective positioning of malls and good locality

UOL owns and manages three retails assets in Singapore, namely Novena Square (100%), United Square (99%) and OneKM (95%) which are currently standing at close to full occupancy rates. Each of these assets are not only well-located but also holds a unique theme to it. With the influx of shopping malls, according to Management, potential shoppers are spoilt for choices and therefore malls with a targeted theme will bring in consistent shopper traffic and therefore increase the chance for sales conversion. For example, the extension of Novena Square, Velocity@Novena Square is positioned as a sports and lifestyle mall where its success continues to attract organisers and partners to hold regular sports events at the mall, driving higher shopper traffic. United Square is positioned as a learning mall for kids while OneKM is positioned as a family mall for wellness. Novena Square and United Square are situated above Novena MRT station where the added convenience is a plus point for higher shopper traffic. As opposed to the two shopping malls in Novena, OneKM is located 200m away from Paya Lebar MRT station. However, as the retail asset is a part of a mixed development, the mall is able to capture traffic from the residents of the 244-unit Katong Regency which resides directly above the shopping mall.

Acquired two mixed-use buildings in London in 2016; Expect cap rate compressions amid low supply and vacancy rates of offices in Central London

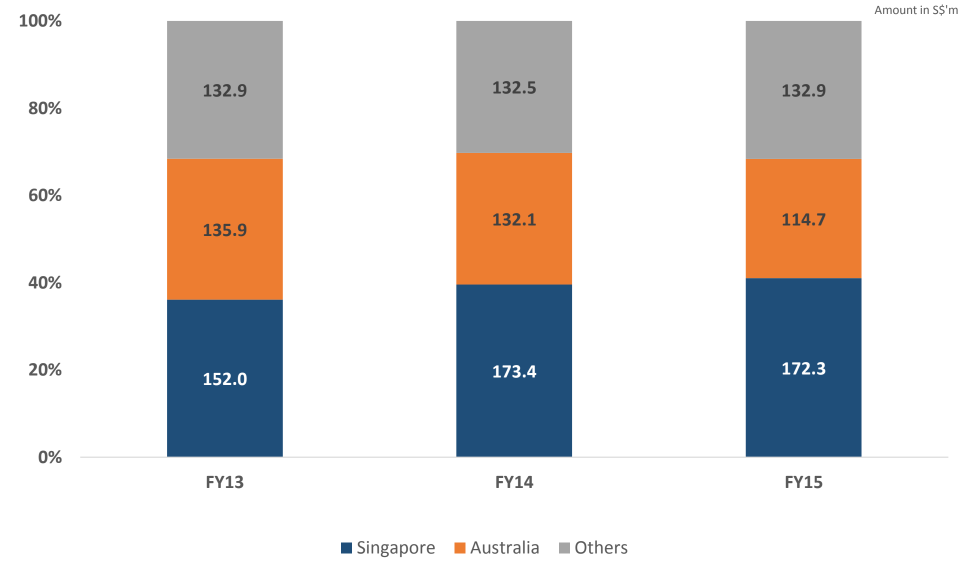
The Group acquired two mixed-use buildings in London, United Kingdom, as investment properties in 2016. The first asset is an eight-storey freehold building that is located on 110 High Holborn which is 100 metres away from Holborn underground station. The asset has a net lettable area (NLA) of 10,873 square metres which comprises of a basement area of retail space and eight levels of office space. The second asset, 120 Holborn, is a nine-storey freehold building that is located the Farringdon area with a NLA of 32,431 sqm, where 44% of the NLA will be used for retail while the remaining catered for office space. 120 Holborn is located around 300 metres away from the Chancery Lane underground station. Although vacancy rates of offices in Central London came to a 12-month high of 3.4% in 3Q16, vacancy rates are still way below the 10-year average of 7.9%. Additionally, slower construction activities amid uncertainties in the EU as well as planning delays will be hurdles for construction starts. Consequently, this would mean that supply will remain tight moving forward and potentially lead to further cap rate compressions.

Hotel Operations

Established presence in multiple geographic regions via the PARKROYAL and Pan Pacific brands; 68% of revenue is derived from Singapore and Australia

UOL manages 33 hotels, resorts and serviced suites with a total of 9,864 rooms in multiple geographic locations in Asia, Oceania and North America. These hospitality assets are operating under the Pan Pacific and PARKROYAL brands, with the exception of Marina Mandarin in Singapore which is owned via a 25% stake in Aquamarina Hotel Pte Ltd. The PARKROYAL and Pan Pacific are established brands in multiple regions across the world where several of its hospitality assets have consistently been ranked as the top hotels in their respective regions. Out of all the different geographic locations, Singapore and Australia contributed at least 68% of revenue from the Group’s hotel operations segment in the past three years between FY13 to FY15.

Figure 8. Geographical breakdown of revenue from hotel operations



Source: Company Data, Phillip Securities Research (Singapore)

Continued depreciation of the SGD could continue to boost arrival numbers of Chinese and Indonesian visitors and benefit hoteliers

International tourist arrivals in Singapore accelerated 7.9% year-on-year (YoY) to 14.9 million visitors in the first eleven months of 2016. The boost in arrivals was led by a 36.1% and 5.9% growth in visitors from China and Indonesia respectively. We believe the depreciation in the SGD against the RMB and IDR was one of the main factors that led to an increase in tourist arrivals from these two countries. Additionally, marketing efforts by the Singapore Tourism Board to promote tourism to the second-tier cities in China such as Chengdu and Chongqing may be among other factors that led to a significant gain in Chinese tourist arrivals. We note that the SGD has reversed an uptrend and depreciated 3.6% and 5.8% against the RMB and IDR from its peak around July 2016. We view that a continued depreciation in SGD, translating into lower price points for goods and services in relative terms, will benefit domestic hoteliers, where we expect the SGD to continue its downtrend in 1H17 amid the backdrop of subdued economic growth.

Figure 9. 1-year historical SGD/RMB exchange rate

Source: Bloomberg, Phillip Securities Research (Singapore)

Figure 10. 1-year historical SGD/IDR exchange rate

Source: Bloomberg, Phillip Securities Research (Singapore)

Record level Australia tourist arrivals from top inbound markets and appreciating AUD against SGD likely to benefit UOL's Australia hotel operations

For the twelve months ending September 2016, international tourist arrivals into Australia grew 11 percent YoY. We have noted that 15 out of the top 20 inbound markets came in at record levels, particularly the number of Chinese visitors which grew 21 percent during the same period. Other nationalities of visitor arrivals that saw significant growth were visitors from South Korea and Japan which jumped up 28% and 20% YoY. We believe that the buoyancy in international tourist arrivals is likely to be attributed to increased aviation capacity where several Asian cities have increased flight frequencies to Australia. Conversely, an appreciation in the AUD against the SGD will lead to a positive impact amid foreign exchange translation gains upon repatriation. This will be the case for UOL which manages four hotel assets in Australia. We observed that the AUD has appreciated 8.5% against the SGD in the past one year. As mentioned previously, we expect the SGD to continue weakening not only against the IDR and RMB but also major currencies such as AUD.

Figure 11. 1-year historical SGD/AUD exchange rate

Source: Bloomberg, Phillip Securities Research (Singapore)

Clear pipeline of expansion in hotel operations as room capacity expected to increase by 16.9% in the next 3 years

There are currently 9,864 hotel rooms in operation under UOL's hotel portfolio as at December 2016. Management is expecting to add another 1,672 new hotel rooms by 2019 via the establishment of six new hotel assets across different regions. These number of rooms represent a 16.9% increase in the room capacity of current portfolio of hospitality assets. These new hotel assets are primarily situated in Asian countries such as Malaysia, Indonesia and Myanmar. We project these new assets to boost existing revenue from hotel operations (FY15: S$419.9 million) by 8% to 12% (S$33.6 million to S$50.4 million), and resulting in higher amount of recurring revenue being derived from the segment.

Valuations

Figure 12. RNAV Table

Segment	Location	Amount (S$'m)	Per share (S$)
Residential	SG	232	0.29
	Overseas	103	0.13
Hotels & Serviced Residences	SG	1,507	1.87
	Overseas	1,201	1.49
Commercial (Office & Retail)	SG	2,928	3.63
	Overseas	72	0.09
Add: Market Value of stakes in Listed Entities			
UIC (44.6%)		1,759	2.18
UOB (2.3%)		747	0.93
Total GAV		8,549	10.61
Add cash:		265	0.33
Less debt:		2,503	3.11
RNAV:		6,311	7.83
No. of shares ('m)		806	
Discount to RNAV (%)		10	
Target Price			7.05

Source: Phillip Securities Research (Singapore)

Risks to our view

Upside

- Unwinding of property cooling measures with ABSD and 60% TDSR in focus
- Broadening of immigration policy
- Depreciation in the S$ which could boost inbound tourism to Singapore

Downside

- A further slowdown in Singapore's Real Estate sector
- Unforeseen circumstances (e.g. terrorism and pandemic) that are adverse to the Hospitality subsector

Peer Comparison

Ticker	Name	Curr Adj Mkt Cap	Debt/Assets	Net D/E	EBIT/Tot Int Exp	Int Expn to Tot Dbt
CAPL SP Equity	CAPITALAND LTD	13432.5	33.1	46.6	2.0	3.0
FCL SP Equity	FRASERS CENTREPOINT LTD	4779.3	45.4	87.5	4.6	1.6
CIT SP Equity	CITY DEVELOPMENTS LTD	8083.7	30.9	26.3	4.5	1.7
WINGT SP Equity	WING TAI HOLDINGS LTD	1265.1	23.7	16.3	0.5	3.5
UOL SP Equity	UOL GROUP LTD	5061.0	22.2	27.1	4.2	2.4
WP SP Equity	WHEELOCK PROPERTIES (S) LTD	1824.8	13.8	-3.2	3.3	0.6
GUOL SP Equity	GUOCOLAND LTD	2141.8	46.1	59.2	1.0	1.4

Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
Revenue	**1,361**	**1,279**	**1,438**	**1,464**	**1,552**
Cost of Sales	(780)	(775)	(935)	(952)	(1,008)
Gross Profit	581	504	503	512	543
Depreciation & Amortisation	77	47	38	41	43
Net Finance (Expense)/Inc	(29)	(36)	(38)	(36)	(28)
Associates & JVs	158	156	153	154	155
Profit Before Tax	837	460	426	438	455
Taxation	(77)	(47)	(38)	(41)	(43)
Profit After Tax	760	413	388	397	411
Non-Controlling Interest	74	93	88	85	88
Net Income, reported	686	321	301	312	323

Per share data (SGD)

Y/E Dec, SGD	FY14	FY15	FY16e	FY17e	FY18e
EPS, reported	0.87	0.40	0.37	0.38	0.39
DPS	0.20	0.15	0.15	0.15	0.15
BVPS	9.71	9.91	10.20	10.49	10.78

Cash Flows

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
CFO					
Profit for the year	760	413	388	397	411
Adjustments	(348)	(91)	(34)	(29)	(31)
WC changes	(823)	194	(10)	223	124
Cashflow from ops	(411)	517	344	591	505
CFI					
CAPEX, net	(157)	(47)	(212)	(148)	(148)
Cashflow from investments	(132)	63	(181)	(117)	(108)
CFF					
Dividends paid	(57)	(62)	(24)	(25)	(27)
Cashflow from financing	533	(584)	(91)	(95)	(95)
Net change in cash	(9)	(4)	71	380	302
Effects of exchange rates	2	(4)	-	-	-
CCE, end	281	273	344	723	1,025

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
ASSETS					
PPE	1,241	1,179	1,329	1,415	1,500
Associates & JVs	3,162	3,366	3,388	3,410	3,432
Investment Properties	4,080	4,135	4,135	4,135	4,135
Others	448	846	1,160	1,243	1,418
Total non-current assets	**8,930**	**9,526**	**10,012**	**10,203**	**10,485**
Development property	1,664	1,444	1,228	983	786
Accounts Receivables	248	197	290	295	299
Cash balance	281	273	344	723	1,025
Others	726	62	56	49	44
Total current assets	**2,918**	**1,976**	**1,918**	**2,050**	**2,153**
Total Assets	**11,848**	**11,501**	**11,930**	**12,253**	**12,638**
LIABILITIES					
Short term loans	1,117	523	809	995	242
Accounts Payables	154	156	156	156	156
Others	378	124	225	207	239
Total current liabilities	**1,649**	**804**	**1,190**	**1,358**	**637**
Long term loans	1,604	1,730	1,445	1,259	2,012
Others	465	566	566	566	566
Total non-current liabilities	**2,069**	**2,296**	**2,011**	**1,825**	**2,578**
Total Liabilities	**3,718**	**3,100**	**3,201**	**3,183**	**3,215**
EQUITY					
Shareholder Equity	7,643	7,894	8,219	8,556	8,907
Non-controlling interest	488	507	510	513	517
Total Equity	**8,131**	**8,401**	**8,730**	**9,070**	**9,423**

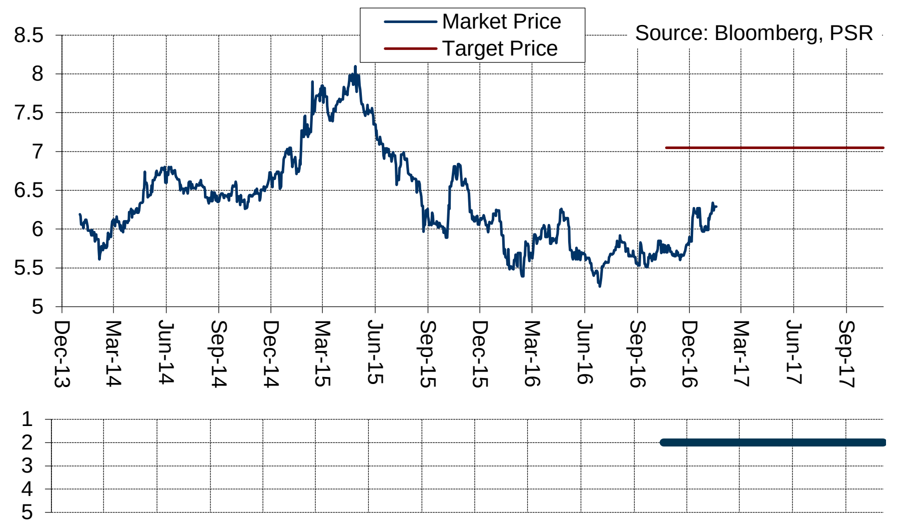
Valuation Ratios

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
P/E (X), adj.	8.0	15.5	16.9	16.5	16.1
P/B (X)	0.72	0.63	0.62	0.60	0.58
Dividend Yield (%)	2.9%	2.4%	2.4%	2.4%	2.4%
Growth & Margins (%)					
Growth					
Revenue	28.5%	-6.0%	12.5%	1.8%	6.0%
Gross Profit	11.1%	-13.3%	-0.1%	1.8%	6.0%
Net Income, adj.	-12.7%	-53.3%	-6.2%	3.7%	3.6%
Margins					
GP margin	42.7%	39.4%	35.0%	35.0%	35.0%
Net Profit Margin	55.9%	32.3%	27.0%	27.1%	26.5%
Key Ratios					
ROE (%)	9.0%	4.1%	3.7%	3.6%	3.6%
ROA (%)	6.4%	3.6%	3.3%	3.2%	3.3%
Gearing (X)	0.23	0.20	0.19	0.18	0.18

Source: Company, Phillip Securities Research (Singapore) Estimates

**Forward multiples and yields are based on current market price; historical multiples and yields are 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 licence under the Financial Advisers Act, Chapter 110 in Singapore.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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