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Singapore Weekly Update

SG Strategy (Week 4, August 2017)

Sector Report

Singapore Industrial REITs

Results Updates

Nam Lee Pressed Metal
Asian Pay TV
Old Chang Kee, Q&M Dental
Ezion, CNMC Goldmine

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Singapore Weekly Update

SG Strategy (Week 4, August 2017)

Paul Chew
Phillip Securities Research Pte Ltd
21 August 2017

Singapore weekly update – August Week 4

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- Maintain Neutral : STI Target 3270 unchanged

- Macro
  - Fed minutes almost confirm 19-20 Sep b/sheet tapper; Jackson Hole meeting will re-affirm this
  - Electronics exports (TW/KR/SG) and semi sales continue to accelerate at 6-7 year high growth rates
  - US Data mixed: weak auto, loans but healthy sentiment, wages, jobs, manufacturing data

- BUY sustainable yield and property
  - Yield: AsianPayTV, CCT, MINT, Ascendas REIT
  - Property: CapitaLand, Wheelock, Chip Eng Seng
  - Others: Thai Beverage, Sing Investments & Finance, Banyan Tree

- Sector updates
  - Construction: in doldrums with contracts awarded down 30% yoy in Jun17 (1H17 -40% yoy)
  - Retail: retail sales remain sluggish with Jun17 sales up 1.8% yoy (1H17+1.2% yoy)
  - Property: sales momentum healthy; Jul17 sales +13% YoY to 3,040 units; 2nd highest sales for 2017; double 2014 to 2016 monthly average sales of 1,428 units per month

Singapore Industrial REITs

Buying opportunities still exist, despite sector weakness

Richard Leow

Phillip Securities Research Pte Ltd

21 August 2017

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Highlights

Maintain Equal Weight view on Industrial REITs sub-sector

Oversupply situation abating, and we believe rents to bottom by end-2018

Occupancy has not picked up, despite higher industrial activity

Top-down strategy of buying REITs that are positioned to benefit from the shift towards higher value-added manufacturing: A-REIT and MINT are our favourites

Bottom-up / special situation play: Trading Buy Sabana REIT

What is the news?

JTC released its Quarterly Market Report of Industrial Properties for 2Q 2017

Summary of Rental & Occupancy rate, as at 2Q 2017

		1Q 2017	2Q 2017	QoQ %	YoY %
Rental	All Industrial	93.0	92.3	↓(0.8)	↓(5.0)
	Multiple-User Factory	90.7	89.9	↓(0.9)	↓(5.2)
	Single-User Factory	99.9	100.1	↑0.2	↓(5.7)
	Business Park	104.3	106.5	↑2.1	↑0.4
	Warehouse	90.5	88.5	↓(2.2)	↓(6.1)
Occupancy	All Industrial	89.4%	88.7%	↓(0.7)	↓(0.7)
	Multiple-User Factory	87.0%	86.4%	↓(0.6)	↓(0.3)
	Single-User Factory	90.6%	90.2%	↓(0.4)	↓(1.3)
	Business Park	84.0%	85.7%	↑1.7	↑2.3
	Warehouse	89.9%	88.1%	↓(1.8)	↓(0.5)

Source: JTC, PSR

Key takeaways from the quarter

Outlook for negative reversions to persist in 2H 2017

- Managers still cautioning for negative reversions
- A-REIT +1.1%; MINT -2.0%; SBREIT -9.8%; Cache -20%

Leasing enquiries have picked up, but it is still a tenant's market

- More enquires YoY and QoQ; priority remains on tenant retention and maintaining occupancy

Decline in rents in 2017 will negatively impact year-end property valuations

- SSREIT: portfolio revalued down by S$27.9 mn to S$964 mn; aggregate leverage 36.1% → 37.0%
- Significant master lease expiries: AA-REIT 7.5% of GRI, SSREIT 22.6% of NLA
- Effect of raising aggregate leverage because existing debt is across a smaller asset base

Another Oil & Gas tenant defaulted during the quarter

- Tellus Marine defaulted at ESR-REIT property and consolidated at existing SBREIT property (annex block completed in Nov-2016)

Investment Actions

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Maintain Equal Weight view on the Industrial REIT sub-sector

Tailwinds: Tapering of supply in 2018; Uptick in industrial activity in 1H 2017

Headwinds: Occupancy is lower QoQ and YoY; Negative rental reversions to continue in 2H 2017

Recent run up in prices: positive expectations have been factored in, now greater probability for disappointment rather than a positive surprise

Would like to see occupancy improve, in order to upgrade our sector view

Industrial REITs under our coverage

	Rating	Target Price (S$)	Last Close Price (S$)
Ascendas REIT	Accumulate	2.860	2.680
Cache Logistics Trust	Neutral	0.860	0.885
Keppel DC REIT	Neutral	1.280	1.275
Mapletree Industrial Trust	Accumulate	1.980	1.845
Soilbuild Business Space REIT	Neutral	0.730	0.720

Source: PSR

Strategic top-down view

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Maintain exposure to Business & Science Park properties and Hi-Tech/Hi-Specs buildings

- SG evolving towards higher value-added manufacturing; Smart Nation initiative
- Like REITs that can capture this opportunity with Business & Science Park properties and Hi-Tech/Hi-Specification buildings

Ascendas REIT (Accumulate, target price: $2.86)

- 57% of NPI is from BP/SP & Hi-Specs properties in SG; Sponsor pipeline of $1bn BP
- Aggregate leverage of 33.9% is lower than the sector median

Mapletree Industrial Trust (Accumulate, target price: $1.98)

- Growing Hi-Tech Buildings: HP BTS (June 2017), development of 14-story Hi-Tech Building at Kallang (1Q 2018) and BTS of six-storey data centre in the West Region of Singapore (2H 2018)
- Aggregate leverage of 29.8% is one of the lowest within the S-REIT universe

Tactical bottom-up view / special situation

Consolidation thesis still in play: Sabana REIT (Trading Buy, target price $0.57)

- Possible acquisition of assets by e-Shang Redwood or ESR-REIT

High-yield play offering 7.3% yield with a free call option if it get acquired

- Minimal risk of unitholder dilution this year, as Manager did not secure a general mandate
- Key risks to DPU in 2H 2017: occupancy level, master lease conversions and negative reversions
- Key risk to event-driven thesis: sale of assets does not materialise

ESR-REIT appears to be building up its war chest and posturing for an acquisition

- Proposed divestment of three non-core properties
- No further announcement on proposed acquisition
- DRP was switched on; last DRP was for 4Q 2015 distribution

2Q 2017 JTC market data: Occupancy and Rental Index
(Industrial sector)

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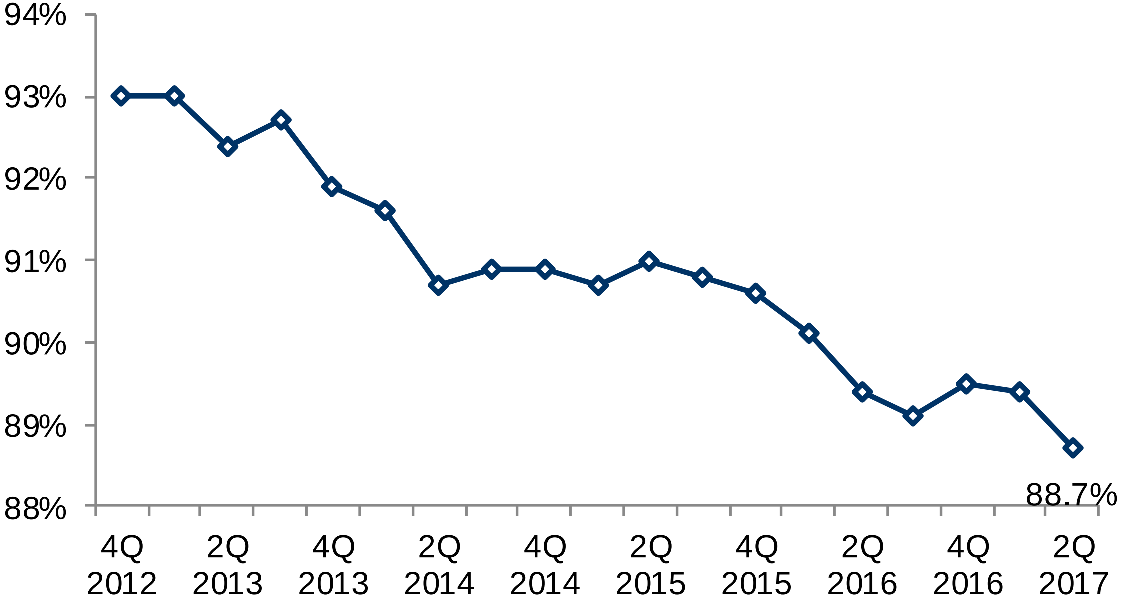
Negative surprise: dip in occupancy

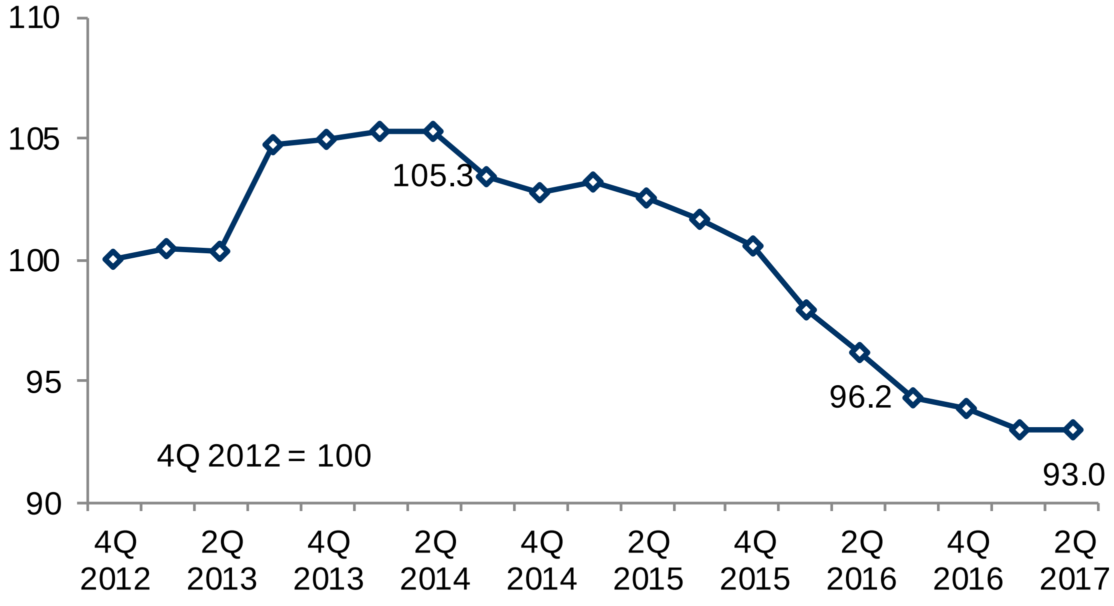
Rental Index stabilised

Figure 1: Industrial sector occupancy



Source: JTC, PSR

Figure 2: Industrial sector Rental Index



Source: JTC, PSR

2Q 2017 JTC market data: Occupancy and Rental Index (Factory)

Occupancy: new low

Rental Index stabilised

Figure 3: Factory occupancy

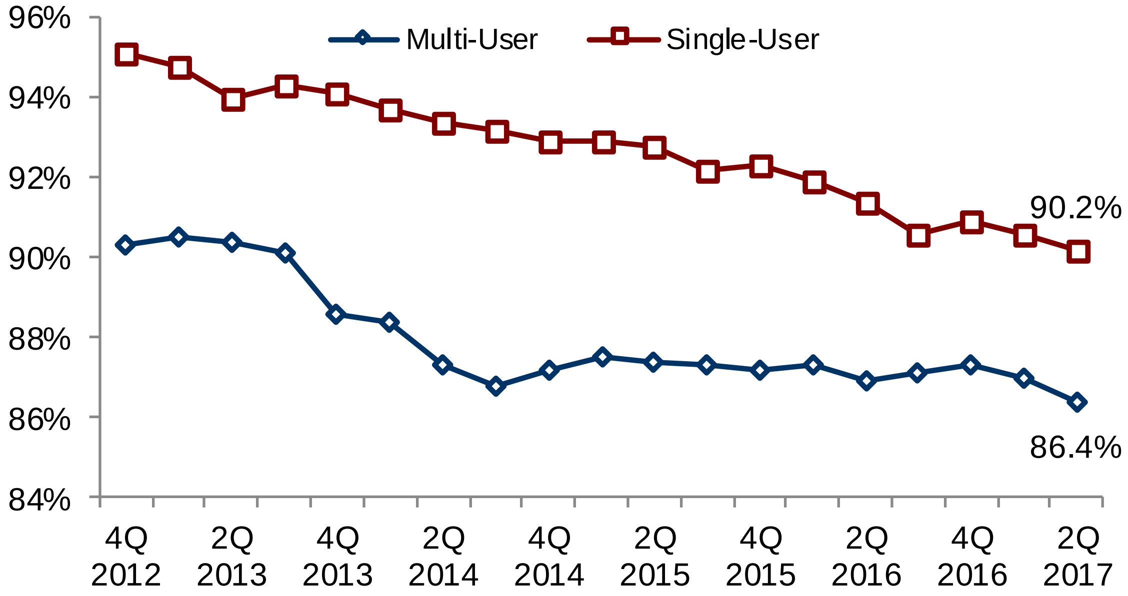
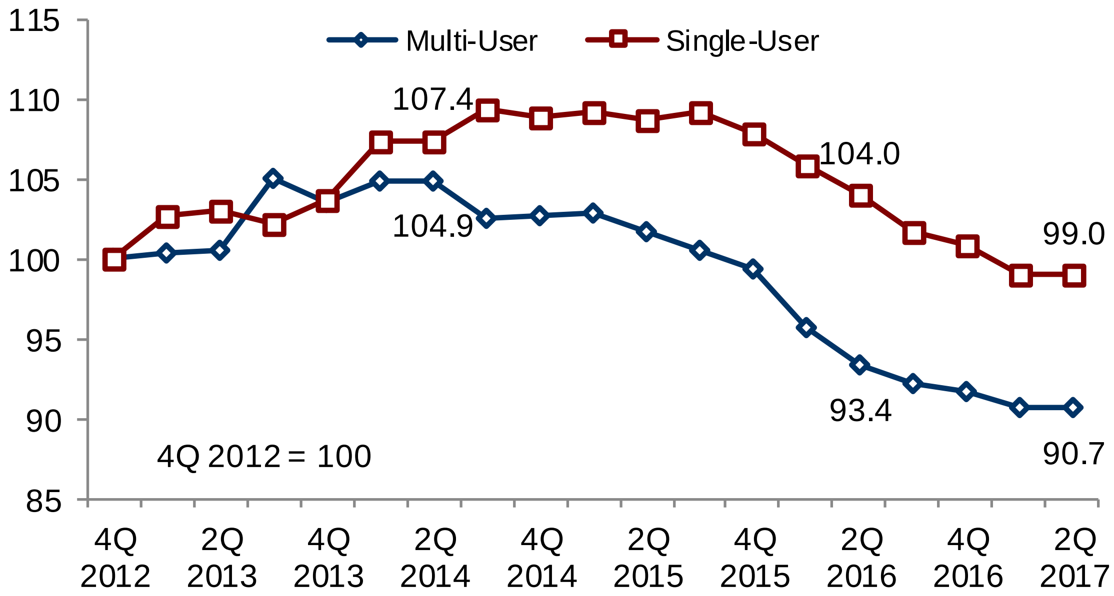


Figure 4: Factory Rental Index



2Q 2017 JTC market data: Occupancy and Rental Index
(Business Park)

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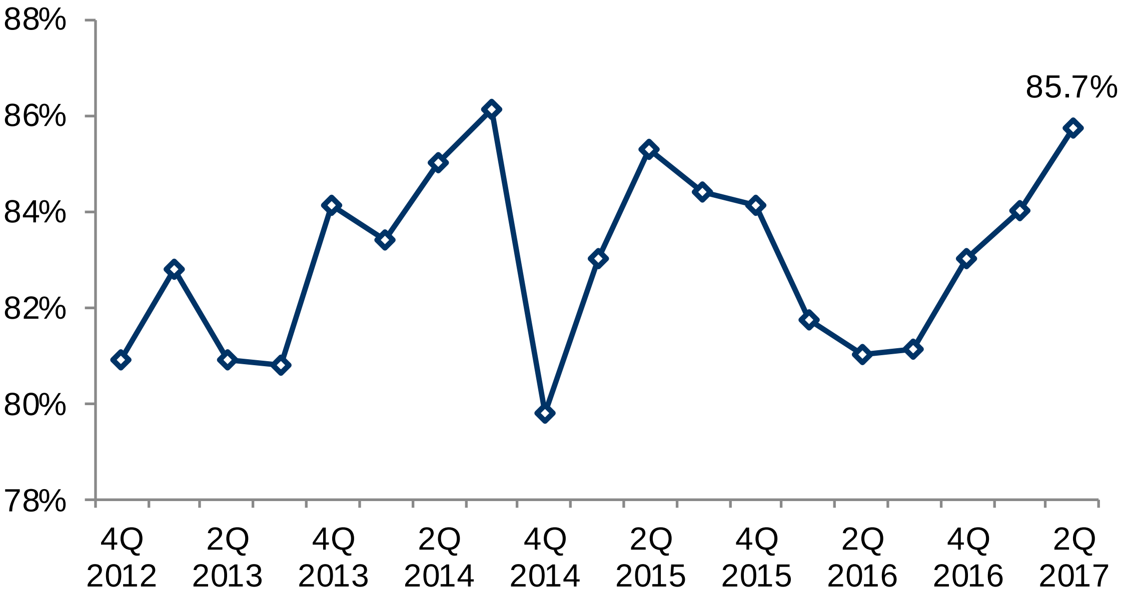
QoQ and YoY higher occupancy

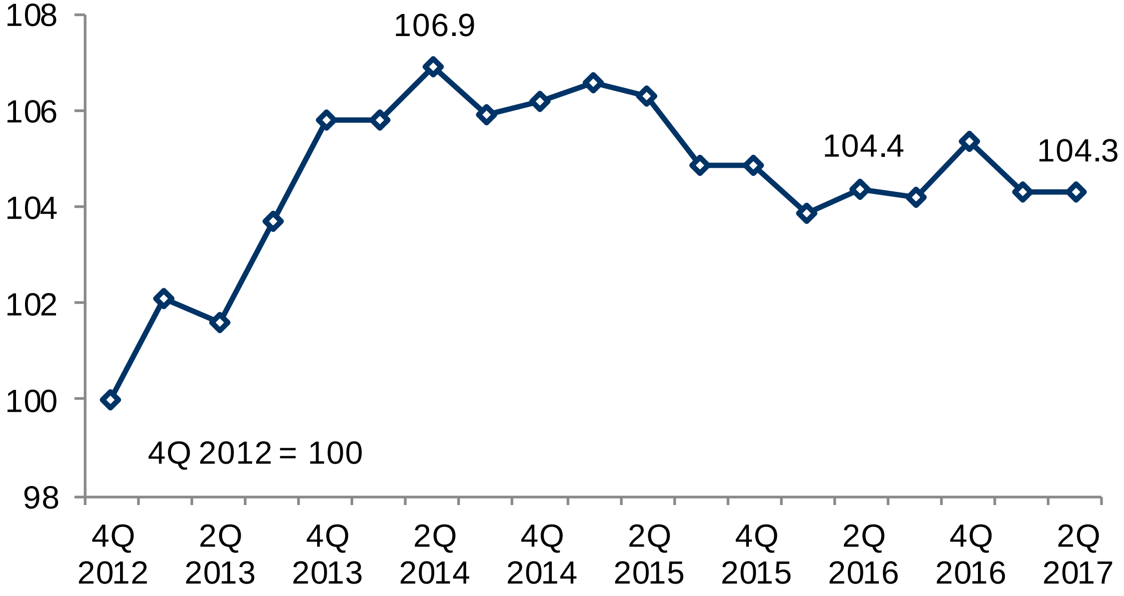
Rental Index stabilised

Figure 5: Business Park occupancy



Source: JTC, PSR

Figure 6: Business Park Rental Index



Source: JTC, PSR

2Q 2017 JTC market data: Occupancy and Rental Index (Warehouse)

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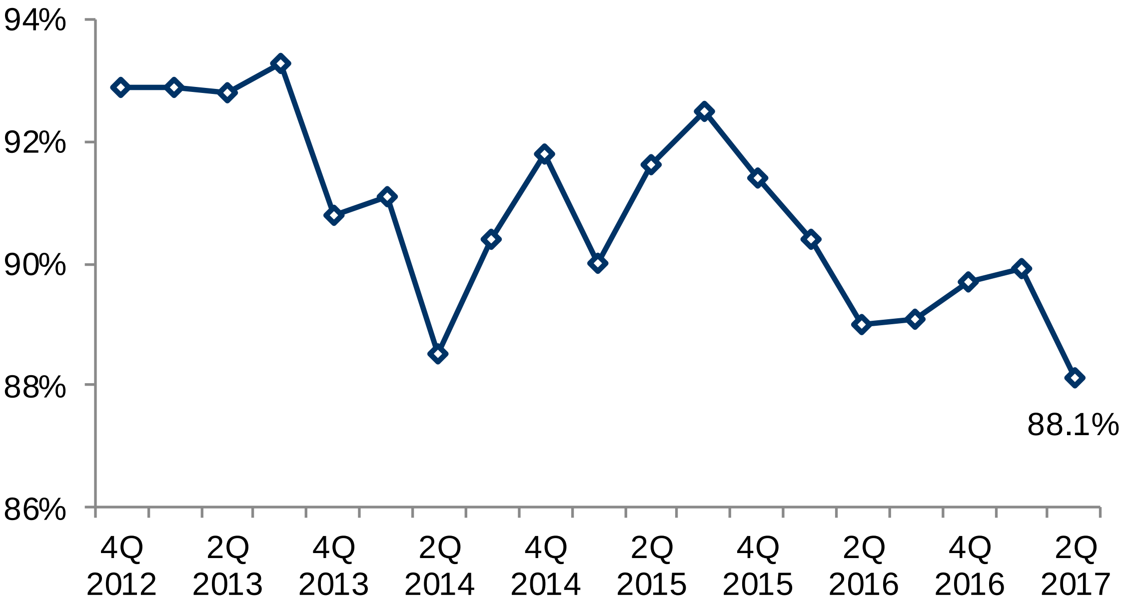
Occupancy new low

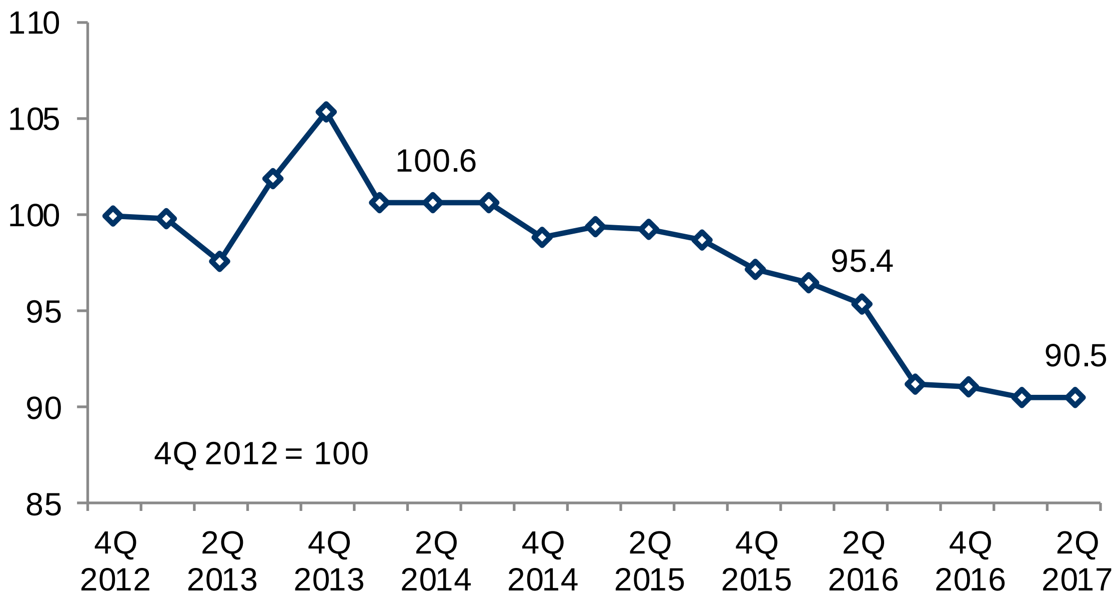
Rental Index stabilised

Figure 7: Warehouse occupancy



Source: JTC, PSR

Figure 8: Warehouse Rental Index



Source: JTC, PSR

2Q 2017 JTC market data: Supply pipeline

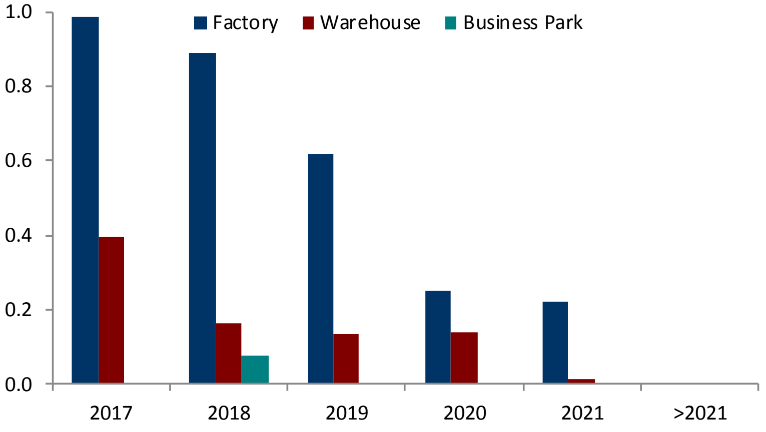
1.4 million sqm of space coming on-stream in 2H 2017

Supply tapering off in 2018 to 1.1 million sqm, after two years of supply that is higher than the historical average

Disproportionate oversupply of new Single-user Factory in 2H 2017 relative to 1H 2017, likely to negatively impact Multiple-user Factory segment in instances where users move to their own developments

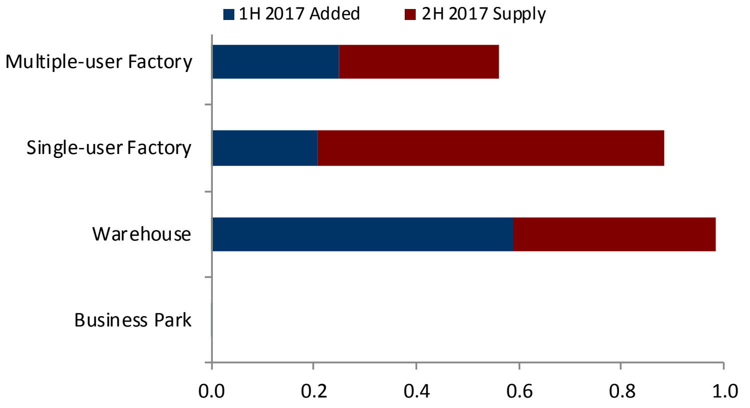
No new supply of Business Park space for the remainder of 2017

Figure 9: Supply pipeline profile, as at 2Q 2017 (million sqm)



Source: JTC, PSR

Figure 10: Space added & Supply for 2017, as at 2Q 2017 (million sqm)



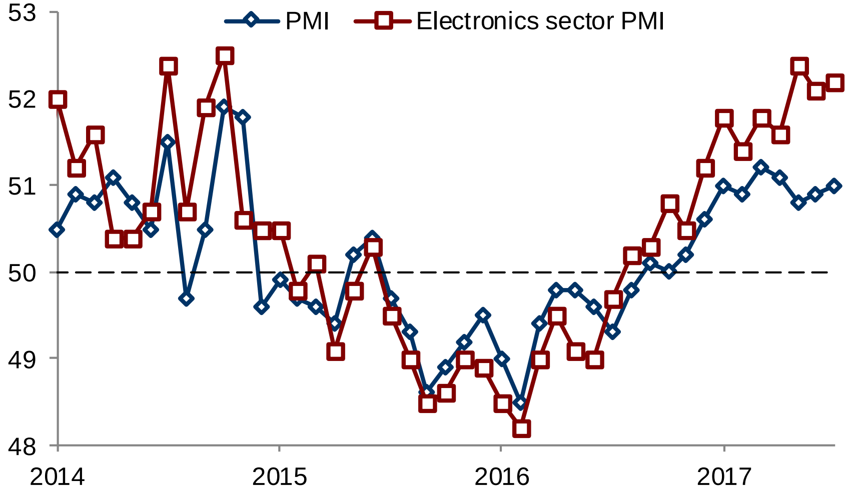
Source: JTC, PSR

Manufacturing Indicators

Two-speed PMI while Industrial Production index has moderated

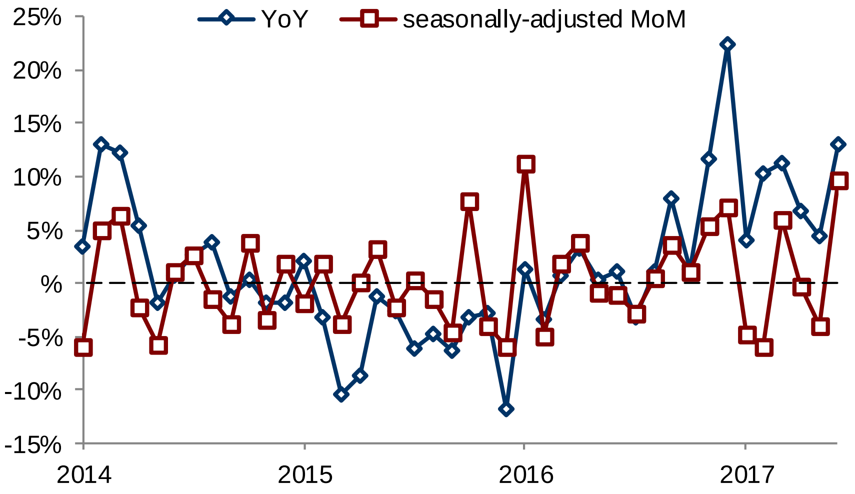
- PMI expansionary mode, electronics sector leading
- Do not expect a repeat of 22.4% YoY growth in Dec-2016 (low-base)

Figure 11: Purchasing Managers' Index (PMI), July 2017



Source: Bloomberg, SIPMM, PSR

Figure 12: Industrial Production Index, June 2017



Source: Bloomberg, EDB, PSR

How do we view this?

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QoQ lower occupancy not a concern for now, as occupancy usually lags activity

- QoQ lower occupancy negative surprise, despite robust manufacturing indicators
- Upcoming new supply is still higher than historical supply, and demand is still lower than historical demand

Multi-User Factory: Oversupply in 2H 2017 worse than 1H 2017

- Reversions likely range between negative low-teens to high single-digit in 2H 2017
- New supply of Hi-Tech/Hi-Specs likely from AEIs to upgrade or BTS

Warehouse: Supply pressure with highest percentage stock added in 2H 2017

- Reversions likely range between negative low-teens to high single-digit in 2H 2017
- New demand from e-commerce

Business Park: Most stable sub-segment because of limited supply, but upside in rents is capped

- Rents to remain competitive in order to maintain the rental differential with Office space

Quarterly results across the sub-sector

Summary of quarterly results

	Gross revenue (S$ mn)			Net property income (S$ mn)			Distributable income (S$ mn)			DPU (cents)		
Y/E Mar	**1Q18**	**1Q17**	**YoY (%)**	**1Q18**	**1Q17**	**YoY (%)**	**1Q18**	**1Q17**	**YoY (%)**	**1Q18**	**1Q17**	**YoY (%)**
AIMS AMP Capital Industrial REIT	30.5	29.2	4.3	20.1	20.4	(1.4)	16.0	17.5	(8.7)	2.50	2.75	(9.1)
Ascendas REIT	213	208	2.7	153	149	2.6	118.5	106.9	10.9	4.05	3.88	4.3
Mapletree Industrial Trust	88.8	84.1	5.6	68.2	63.8	6.9	52.9	51.5	2.7	2.92	2.85	2.5
Mapletree Logistics Trust	95.8	89.6	7.0	80.8	75.2	7.5	47.2	46.0	2.5	1.89	1.85	2.0
Y/E Dec	**2Q17**	**2Q16**	**YoY (%)**	**2Q17**	**2Q16**	**YoY (%)**	**2Q17**	**2Q16**	**YoY (%)**	**2Q17**	**2Q16**	**YoY (%)**
Cache Logistics Trust	27.9	28.1	(0.7)	21.7	22.6	(4.0)	16.3	17.8	(8.8)	1.80	1.99	(9.5)
ESR-REIT	27.7	28.3	(2.2)	19.2	21.2	(9.2)	12.5	14.1	(11.4)	0.96	1.08	(11.3)
Keppel DC REIT	34.5	24.9	38.8	31.4	22.1	41.9	20.1	14.7	36.5	1.74	1.67	4.2
Sabana Shari'ah Compliant REIT	22.0	22.6	(2.9)	12.9	14.0	(7.4)	8.6	9.1	(5.5)	0.810	1.230	(34.1)
Soilbuild Business Space REIT	21.6	19.6	10.1	18.7	17.3	8.1	15.4	14.7	4.3	1.466	1.565	(6.3)
Viva Industrial Trust	27.6	23.4	18.0	20.2	17.2	17.5	18.0	15.1	18.9	1.861	1.750	6.3

Source: Various REITs, PSR

Gross revenue growth driven by both inorganic and organic growth

- Acquisitions: A-REIT, MLT, KDCREIT, VIT
- Organic: MINT, AA-REIT, VIT

Two REITs had lower YoY DPU despite gross revenue growth

- AA-REIT conversions to multi-tenancy leases, SBREIT 1-for-10 Preferential Offering

Performance measures across the sub-sector

Summary of Performance Measures, as at end of June 2017

	Occupancy (%)	WALE by GRI (years)	WALE by NLA (years)	Gearing (%)	WADM (years)	WACD (%)	Interest coverage (x)
AIMS AMP Capital Industrial REIT	91.0	2.5		36.3	2.0	3.6	4.9
Ascendas REIT	91.6	4.3		33.9	3.1	2.9	5.8
Cache Logistics Trust	98.3	3.4	3.5	43.4	2.3	3.5	4.0
ESR-REIT	95.4	3.4		37.9	2.6	3.7	3.6
Keppel DC REIT	93.1		9.4	27.7	3.3	2.2	10.6
Mapletree Industrial Trust	92.6	3.1		29.8	3.4	2.8	7.2
Mapletree Logistics Trust	95.5		3.9	39.0	4.0	2.3	5.7
Sabana Shari'ah Compliant REIT	87.3	2.4		37.0	1.5	4.0	3.5
Soilbuild Business Space REIT	92.6	3.3		37.9	2.3	3.4	4.8
Viva Industrial Trust	90.6	3.0		39.1	3.0	3.9	4.9
Median	**92.6**	**3.2**	**3.9**	**37.5**	**2.8**	**3.4**	**4.9**

Source: Various REITs, PSR

WALE: Weighted Average Lease Expiry; WADM: Weighted Average Debt Maturity; WACD: Weighted Average Cost of Debt

GRI: Gross rental income; NLA: Net leasable area

Trend of compressing yields/ rising valuations

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Industrial S-REITs peer relative data (arranged by Mkt. Cap.)

	Mkt. Cap. (S$ mn)	Price (S$)	Trailing P/NAV (x)	12M trailing yield (%)
Ascendas REIT	7,734	2.68	1.29	5.9
Mapletree Industrial Trust	3,335	1.850	1.32	6.2
Mapletree Logistics Trust	3,002	1.200	1.18	6.2
Frasers Logistics & Industrial Trust	1,632	1.080	1.24	N/A
Keppel DC REIT	1,443	1.280	1.32	5.0
AIMS AMP Capital Industrial REIT	896	1.400	1.01	7.7
Viva Industrial Trust	890	0.920	1.16	7.9
Cache Logistics Trust	799	0.885	1.15	8.2
Soilbuild Business Space REIT	751	0.715	1.00	8.3
ESR-REIT	724	0.555	0.88	7.1
Sabana Shari'ah Compliant REIT	495	0.470	0.82	7.7
Average			**1.12**	**7.0**

Source: Bloomberg (Updated: 17 August 2017)

	railing NAV (x)	12M trailing yield (%)
	1.25	6.1
	1.28	6.3
	1.08	6.7
	1.32	4.9
	1.00	8.0
	1.15	8.4
	1.01	9.0
	0.90	7.1
	0.94	8.9
	-	-
Average	**1.10**	**7.3**

Source: Bloomberg (Updated: 5 May 2017), Phillip Securities Research (Singapore)

			Trailing P/NAV (x)	12M trailing yield (%)
			1.19	7.3
			1.21	6.8
			1.03	7.0
			1.22	5.2
			0.91	8.3
			0.93	7.1
			0.98	9.0
			1.04	9.5
			0.89	9.4
Sabana Shari'ah Compliant REIT	463	0.440	0.73	9.5
Average			**1.02**	**7.9**

Source: Bloomberg (Updated: 17 February 2017), Phillip Securities Research (Singapore)

			Trailing /NAV (x)	12M trailing yield (%)
			1.12	6.6
			1.25	6.7
			1.01	7.3
			1.38	5.4
			0.92	8.4
			1.00	9.6
			0.82	7.8
			0.94	10.0
			0.86	9.2
Sabana Shari'ah Compliant REIT	385	0.520	0.65	10.1
Average			**0.99**	**8.1**

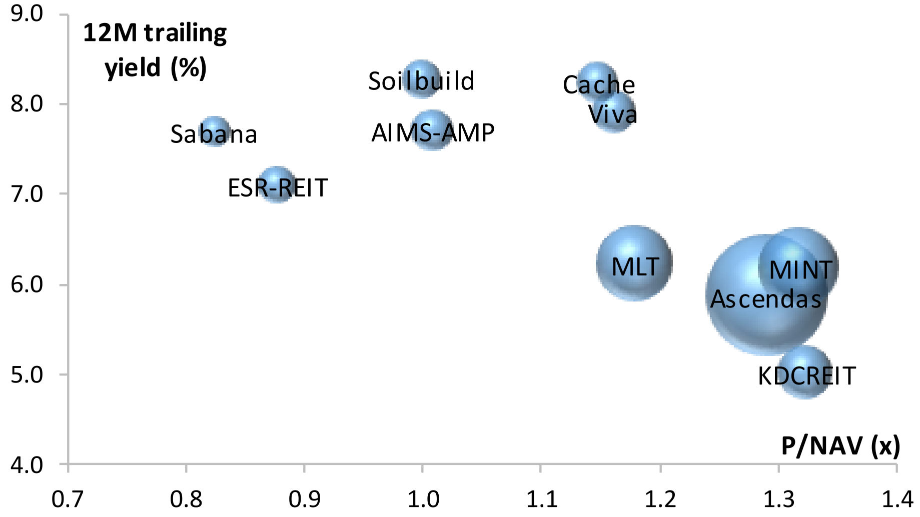
Source: Bloomberg (Updated: 10 November 2016), Phillip Securities Research (Singapore)

			NAV (x)	12M trailing yield (%)
			1.20	8.7
			1.30	6.3
			1.06	7.0
			1.31	5.5
			.99	7.8
			1.02	9.3
			.81	8.4
			.92	9.0
			.86	9.4
Sabana Shari'ah Compliant REIT	380	0.515	0.64	11.3
Average			**1.01**	**8.3**

Source: Bloomberg (Updated: 11 August 2016), Phillip Securities Research (Singapore)

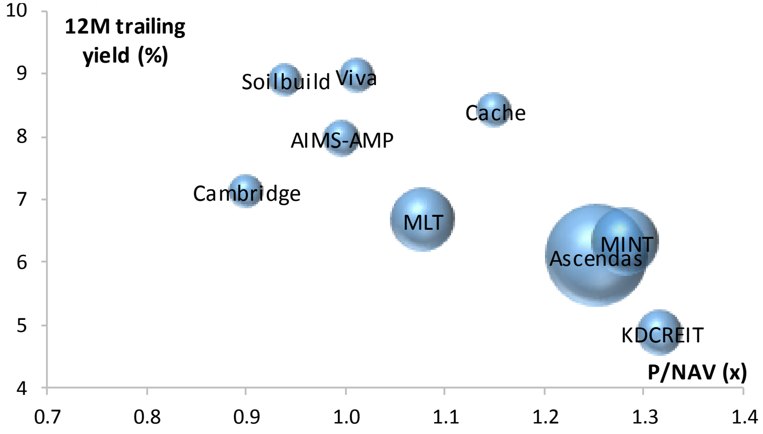
Peer relative valuation vs. 3-mths ago

Figure 13: 12M trailing yield (%) vs. P/NAV (x)



Source: Bloomberg (Updated: 17 August 2017), PSR

12M trailing yield (%) vs. P/NAV (x)



Source: Bloomberg (Updated: 5 May 2017), Phillip Securities Research (Singapore)

Recap

Maintain Equal Weight view on the Industrial REIT sub-sector

- Tapering supply in 2018, but would like to see occupancy improve, in order to upgrade our sector view

Strategic top-down view

- SG evolving towards higher value-added manufacturing; Smart Nation initiative
- Like REITs that can capture this opportunity with Business & Science Park properties and Hi-Tech/Hi-Specification buildings
- A-REIT (Accumulate, target price $2.86)
- MINT (Accumulate, target price $1.98)

Tactical bottom-up view / special situation

- Consolidation thesis still in play: Possible acquisition of assets by e-Shang Redwood or ESR-REIT
- Sabana REIT (Trading Buy, target price $0.57)

Nam Lee Pressed Metal Industries

Stable yield play

Richard Leow

Phillip Securities Research Pte Ltd

21 August 2017

Nam Lee Pressed Metal Industries

(Buy, TP: $0.51, DPS: 2.0 cents (5.4%) , Last: $0.37)

Results at a glance

(SGD mn)	9M17	9M16	YoY	Comments
Revenue	**95.2**	**97.6**	**-2.5%**	**Lower revenue from the aluminium segment in 2Q17**
Gross profit	19.4	22.0	-11.4%	Lower gross margin of 20.4% from 22.5% due to change in product mix with lower margin
PBT	11.0	10.6	3.5%	Higher PBT margin of 11.5% from 10.9%
PATMI	**8.14**	**7.96**	**2.2%**	**Higher net margin of 8.5% from 8.2%**

Source: Company, PSR

YoY higher PBT and PBT margin are a reflection of cost controls in the underlying business

- Commodity swaps are used to hedge cost of raw material after gross profit line

YoY lower revenue from lower demand for aluminium building products

- Slowdown in local property market

Clean balance sheet with cash hoard

- Net cash of $42.5 mn represents 48% of mkt cap
- NCAV of $0.37/share → limited downside risk

Stable outlook

- Mature business and expect to meet full year forecast
- Yield-play with ample cash to maintain 2.0 cent dividend

Asian PayTV (BUY; Target Px S$0.64)

Results at a glance

S$ mn	2Q17	2Q16	yoy (%)	Comment
Revenue	83.1	78.2	6.3%	Growth driven by apreciatin Taiwan dollar, which rose ~7% yoy against the SGD.
EBITDA	50.0	46.7	7.1%	In-line with our FY17e S$202mn.
Interest	(14.5)	(12.9)	12.4%	Leverage rose to fund premium digital capex.
PATMI	11.3	16.1	-29.8%	Affected by several non-cash items.
Operating c/flow	46.9	43.3	8.3%	
Free cash-flow	19.0	22.8	-16.7%	EBITDA less maintenance capex, cash tax, cash interest
Dividends	(23.3)	(23.3)	0.0%	
DPU (cents)	1.625	1.625	0.0%	The company maintaned their 1.625 cents per quarter.

Source: Company, PSR

- Revenue and EBITDA up 7%; forex losses (realised/unrealised) affected headline earnings
- Dividend guidance of 6.5 cents for FY17 maintained and paid quarterly 1.625 cents; 11% yield
- Positives: premium cable subs growing, cable TV subscribers stable, evaluating other business opportunities with new owners, interest savings next quarter
- Negatives: Broadband ARPU still downtrend, FCF declined and reliant of leverage to sustain dividends
- Maintain BUY with target price S$0.64

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Old Chang Kee Ltd.

New facilities to commence 3Q18

Soh Lin Sin

Phillip Securities Research Pte Ltd

21 August 2017

Old Chang Kee Ltd.

(Buy (Maintained), TP: S$0.98, Last: S$0.80)

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Results at a glance

S$ mn	1Q18	1Q17	YoY (%)	Comments
Revenue	20.6	18.6	10.7%	Contributions from new outlets and increased sales in existing outlets *No. of outlets in SG +4 YoY to 89*
Gross profit	12.5	11.6	8.0%	Higher raw material costs *Gross margin -1.5pp to 60.9%*
EBITDA	2.3	2.6	-12.4%	Higher staff and rental expenses *EBITDA margin -3.0pp to 11.2%*
Net profit	0.7	0.9	-25.8%	-22.3% YoY if ex. S$0.31mn start-up losses in UK

Source: Company, PSR

- **Puff products continue to gain traction, 12% YoY on new stores and new puff flavours**
- **Higher raw material costs and operating expenses eroded margins**
- **5 new stores in the pipeline, bringing OCK to a total of 92 outlets by end-FY18; New stores opening and product innovations will continue to drive topline growth**
- **Integration of Woodlands Terrace is on track to complete by 3Q18; New factory facilities will increase capacity to fuel their expansion domestically and regionally**

Q&M Dental Group

Stepping up acquisitions

Soh Lin Sin
Phillip Securities Research Pte Ltd
21 August 2017

Q&M Dental Group

(Neutral (Maintained), TP: S$0.61 (prev. S$0.65), Last: S$0.63)

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Results at a glance

S$' mn	2Q17	2Q16	y-y (%)	Comments
Clinics	27.3	29.3	-6.8%	Deconsolidation of Aidite in Apr-17
Distribution	2.3	3.9	-41.6%	Deconsolidation of Aidite in Apr-17 and lower revenue in SG
Manufacturing	0.0	5.1	n.m.	Deconsolidation of Aidite in Dec-16
Revenue	**29.6**	**38.3**	**-22.7%**	Due to deconsolidation of Aidite and Aoxin
Gross	26.5	30.8	-13.9%	Pro-rate gross margin +9.2pp to 89.6%
EBITDA	15.3	7.1	114.9%	Boosted by non-recurring items, including one-time gain of S$16.9mn from spin-off of Aoxin in Apr-17 -11.6% ex. one-offs ($0.4mn in 2Q16 and $9.4mn in 2Q17)
EBIT	14.5	6.0	140.5%	Reclassification of Aidite and Aoxin as associates
PATMI	**13.6**	**3.7**	**268.7%**	
PATMI, adj.	**4.3**	**3.3**	**28.9%**	Ex. one-offs ($0.4mn in 2Q16 and $9.4mn in 2Q17)
DPS (S$ cents)	**0.70**	**0.42**	**66.7%**	Payout ratio: 31.9% (1H17) vs 44.5% (1H16)

Source: Company, PSR

- **One-time gain of S$16.9mn from divestment of Aoxin buoyed bottom line**

  Both Aidite and Aoxin are reclassified from subsidiaries to associates, contributing $$1.15mn or 8.4% to Q&M PBT in 2Q17

- **Three new dental clinics in 1H17; Three acquisition deals on the table**

  Expansion momentum to continue for its dental clinics as well as its team of general dental practitioners and dental specialists, in Singapore and Malaysia in 2H17

Q&M Dental Group
(Neutral (Maintained), TP: S$0.61 (prev. S$0.65), Last: S$0.63)

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Updates on Singapore Operations

Opened two new dental clinics; Consolidated two dental clinics into one

Completion of acquisition of Horizon Dental Surgery on 24 Jul-17

- Consideration for the acquisition is S$350,000 in cash
- Dr. Tan Kwak Chun Charles has signed a 6-year service agreement with the Group

Proposed acquisition of Starbite Dental Centre on 24 May-17

- Consideration for the Proposed Acquisition: S$200,000 in cash and a further sum of S$150,000 subject to the terms and conditions of the Proposed Acquisition
- Dr. Meity Silvia Petrisia Heny Rumende will sign a 5-year service agreement with the Group

Q&M Dental Group

(Neutral (Maintained), TP: S$0.61 (prev. S$0.65), Last: S$0.63)

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Updates on Malaysia Operations

Incorporated a 50:50 joint venture entity in Malaysia with its Malaysian partner

Proposed acquisition of CS Tan Dental Surgery on 9 Jun-17

- Consideration for the Proposed Acquisition: RM 300,000 (c.S$96,774) in cash
- Dr. Christopher Tan Chee Siu will sign a 10-year service agreement with the Company
- **Profit Guarantee:** Audited net profits after taxation shall not be less than RM 497,393 (c.S$160,449) for the 10-year period commencing from the completion date

(MYR' 000)	**Clinic**
Item	**CS Tan Dental Surgery**
Consideration	300
- Cash	300
- Shares	0
Upon Acquisition	
Net profit	50
Acquisition P/E (x)	6.0

Source: Company

** Based on initial announcement*

Valuation of an implied PER of 6.0x is at a lower side of the Group's historical dental clinic acquisition deals

We believe that the valuation is justifiable given the competitive environment in Kuala Lumpur

Q&M Dental Group

(Neutral (Maintained), TP: S$0.61 (prev. S$0.65), Last: S$0.63)

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Updates on China Operations

Proposed acquisition of 20% stake of Shenzhen Superline Technology Co., Ltd.

- One of more established manufacturers of Nikel-Titanium endodontic root canal files and orthodontic arch wires in China
- Consideration of the Proposed Acquisition: RMB62mn (c.S$12.65mn) – 70% in cash, and the remaining 30% as capital injection into Superline
- Each of the owners, namely Mr. Li Zhimin, Mrs. Fan Ling, Mr. Zhou Jinsong, Mr. Wang Zhong and Mr. Yao Zheng, will sign a 12-year service agreement with Superline and the Group

(RMB' 000)	**Manufacturing**
Item	**Shenzhen Superline Technology Co., Ltd.**
Consideration	62,000
- Cash	43,400
- Shares	
Upon Acquisition	
Net profit	3,566
Acquisition P/E (x)	17.4

Source: Company

** Based on initial announcement*

A value-buy compared to the group's average 5-year historical PER at 41x

However, valuation of an implied PER of 17x is at the higher side of the Group's historical acquisition deal in China, i.e. 51% of Aidite at implied PER of 10x, 60% of Shenyang Lan Hai Tong Mao at 9x, and 33% of Shenzhen New Perfect at 13x

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Ezion Holdings Limited

In negotiation with banks and creditors

Chen Guangzhi
Phillip Securities Research Pte Ltd
21 August 2017

Ezion Holdings Limited
(Rating suspended, Last: S$0.197)

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Results at a glance

(US$ mn)	1H17	1H16	YoY (%)	Comments
Revenue	136.0	165.8	(18.0)	Reduction in charter rate; Drop in utilisation rate of service rigs; Further depression in utilisation rate of offshore support vessels
Gross profit	15.4	38.5	(59.9)	In line with the above
Operating profit	(1.9)	41.2	N.M	Unrealised FX losses of US$19mn offset by gain from disposal of two vessels
PAT	(15.3)	23.6	N.M	In line with the above

Source: Company , PSR

N.M: Not meaningful

A further drop in utilization rate and charter rate

- As of Jun-17, total fleet size: 26; Operation:14 (4Q16:15)
- Current charter rates are not tenable for a sustainable operation
- Expect to have 5 to 6 more vessels in service by early 2018

Concerns over a liquidity crunch

- liquidity crunch with loans from banks and bond holders
- Capex for upgrading and modification

Round table discussion with all related banks

- Ongoing support from banks must be unanimous.
- Some banks’ loans are backed by well-performing assets while others’ are not

Ezion Holdings Limited
(Rating suspended, Last: S$0.197)

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Loan book (US$mn)	Maturity	Carrying amount*	Estimated amount due from 2017 to 2018
USD secured floating rate loans	2017 - 2022	(960)	(320)
SGD secured floating rate loan	2018	(41)	(41)
USD unsecured floating rate loans	2017 - 2018	(114)	(114)
Notes payable	2018	(41)	(41)
			(516)
Repayment in 1H17			97
Total			(419)
Less cash in hand as of Jun-17			93
Estimated funding gap (before capex)			(326)
Add remaining capex			(200)
Less cash from operations			152
Estimated funding gap (after capex)			(374)

**As of Dec-16*
Source: Company, PSR

CNMC Goldmine Holdings Limited

Expect a turnaround next year

Chen Guangzhi

Phillip Securities Research Pte Ltd

21 August 2017

CNMC Goldmine Holdings Limited
(Downgrade NEUTRAL, TP: S$0.29, Last: S$0.27)

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Results at a glance

(USD mn)	1H17	1H16	YoY (%)	Comments
Revenue	9.59	21.03	(54.4)	56% YoY decrease in sales volume offset by 4% YoY increase in average realised gold price
Operating profit	0.28	11.38	(97.5)	Increase in opearting expenses offset by FX gains
PBT	0.68	11.82	(94.2)	In line with the above
PATMI	0.53	9.26	(94.2)	In line with the above

Source: Company , PSR

Carbon-in-leach (CIL) plant is under construction

- Expect to complete construction in mid Nov-17
- Newly-added capacity will be 150k to 180k tonnes
- Recovery rate: up to 95% (Heap leach: 65%)

Ongoing exploration for Pulai and KelGold project

Low ore grade dragged the performance

- Total sales volume: 3,670 oz in 1H17 (1H16:17,079 oz)
- ASP: US$1,277/oz in 1H17 (1H16: US$1,231/oz)

Outlook: low-grade situation could continue to late FY17 until the trial run of CIL plant

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