

Retail Market Monitor

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28 August 2012

Market News

The FSSTI lost 0.2% to 3,044.5 as China's economic slowdown continues to worry investors. Statistics released by China pointed to a drop in profits of Chinese industrial companies yoy from January to July. Sakari Resources jumped 27.2% to close at S\$1.895 after announcing that PTT Mining Ltd had made a mandatory cash offer at S\$1.90/share for all the Sakari Shares other than those PTT had owned, controlled or agreed to be acquired. Far East Hospitality Trust closed 2.2% above its IPO price of 93 S cents as it debuted on the SGX Mainboard yesterday. The broader market saw 199 gainers and 219 losers with trading value amounting to S\$1.14b.

US markets took a breather after strong gains from last Friday's session. The DJIA closed 0.3% lower to 13,124.67 and the S&P 500 Index declined 0.05% to 1,410.44. Apple rose 1.9% after the company won a patent fight against rival Samsung Electronics. Decliners and advancers are almost equal on the NYSE, where 504m shares traded.

Stocks on the move...

Tiong Seng Holdings - Strong orderbook supports profit growth for next 2 years

(TSNG SP/NOT RATED/S\$0.205)

According to the Building and Construction Authority, construction demand in 2012 is projected to be between S\$21b-S\$27b...

Property Nuggets: Healthy investor appetite for hospitality REITs.

(ART SP/BUY/S\$1.24/Target: S\$1.42)

(CDREIT SP/BUY/S\$1.97/Target: S\$2.25)

Our top picks are CDL Hospitality Trusts for its quality portfolio of hotels located along the integrated resorts, and Orchard Shopping area and Ascott Residence Trust, a pan Asian & European serviced residence operator...

Ezra Holdings - Triyards listing – What's the upside for Ezra's shareholders?

(EZRA SP/BUY/S\$1.06/Target: S\$1.36)

Maintain BUY. We tweak our target price from S\$1.39 to S\$1.36 on a lower S\$/US\$ exchange rate of S\$1.25 vs S\$1.27 previously...

GuocoLeisure (GLL SP, B16) -

Technical BUY with +16.7% potential return

A break above S\$0.64 is likely to attain our target...

UPP Holdings (UPP SP, U09) –

Technical BUY with +25% potential return

A break above S\$0.31 could potentially test our target as...

Sakari Resources (SAR SP, AJ1) -

Take profit on previous technical BUY

The stock has exceeded our target of S\$1.70, returning 28% as PTT International has...

Last close: 3,044.5 (-0.2%)



Source: NextView

Current View:

Narrow trading range for FSSTI...

- The FSSTI did not close above 3,062 in the last trading session but managed to close above its 20-days moving average or 3,040. Although we maintained that the index could be making "shallow retracements" as the index has a narrow trading range, do keep an eye at the 3,020 level. The support and resistance levels on the longer horizon are maintained as below.

Support: 2,970

Resistance: 3,140

In the last trading session...

- The FSSTI lost 6.0 pts despite opening higher at 3,054.7. The intraday range was from 3,041.7 to 3,059.5.

- Within the FSSTI 30 stock components, SingTel (+0.9%) and JSH 500US\$ (+0.4%) led the gainers while SembCorp Industries (-1.6%) and Comfort Delgro (-1.5%) lost ground.

- Regional bourses ended lower ...

HSI (-0.4%) closed at 19,798.7

SSEC (-1.7%) closed at 2,055.7

ASX (-0.1%) closed at 4,372.9

Key dates for SG Economics

31 August	Credit Card Bad Debts & Billings
31 August	Bank Loans & Advances (YoY)
31 August	M1 & M2 Money Supply (YoY)
4 September	Electronics Sector Index
4 September	Purchasing Managers Index

Source: Bloomberg

COLD

WARM

HOT

SIZZLING

Money Talk

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28 August 2012

Tiong Seng Holdings (TSNG SP)

Strong orderbook supports profit growth for next 2 years

NOT RATED

Price/Target

S\$0.205/N.A.

Mkt. Cap/F. Float

S\$157m/32.8%

Fundamental View

Valuation

- Tiong Seng Holdings (Tiong Seng) is trading at 5.8x 2011 earnings with a dividend yield of 4.9%. Based on Bloomberg's consensus estimate, the stock has a 12-month target price of S\$0.29 and is set to report S\$26.3m of earnings in 2012. Investors should also note that the stock is trading at a 27% discount to its book value of 28.0 S cents.

Investment Highlights

- Tiong Seng recently reported a 5.9% increase in 2Q12 net profit to S\$9.7m on strong revenue growth though this was partially eroded by higher construction costs.
- Last week, the company secured a S\$137m construction contract for Singapore Institute of Management's (SIM) campus extension of a four-storey Multi-purpose Hall and nine-storey extension to Linear building. This increased its total orderbook to S\$1.43b to be completed in the next 12 to 30 months.
- In order to reduce cost and foreign workers reliance, Tiong Seng has started operations of the S\$36m Prefab Hub in May with a production capacity of more than 100,000cu m annually. According to management, using pre-cast components can reduce labour requirement by 50-70%.
- As for the property development business in China, the group is in the midst of the construction and sales of a few projects including the Xu Shu Guan project in Suzhou, Equinox, Zizhulin Commercial development and Tianjin Eco-city in Tianjin and lastly Sunny International in Cangzhou.

2Q12 Financial Results

- Revenue grew by 54.9% yoy to S\$130.0m as the group was engaged with work on The Wharf Residences, The Volari and NUS Staff Housing at Kent Vale. Tiong Seng also managed to record higher sales of Cobiax products of S\$2.6m (+27% yoy) in the quarter.
- However, gross profit slumped 22.3% yoy to S\$12.9m with gross profit margins declining almost 10% to 9.9%. This is due to higher construction costs and as the group had recorded no sales from higher-margin development properties. Management also shared that the group has revenue of S\$32.8m from newly commenced projects in Singapore to be recognised in the next quarter.

Our View

- According to the Building and Construction Authority, construction demand in 2012 is projected to be between S\$21b-S\$27b, albeit lower than the S\$32b in 2011. In the next two years, the industry is projecting an average construction demand of between S\$19b to S\$27b p.a..
- However management expects the operating environment to remain challenging in the next two quarters as the industry faces rising material costs, foreign workers' levies and the influx of competition from foreign contractors.

Technical View



Source: NextView

The stock appears to trend up on its weekly chart with support at S\$0.175 and only a break above S\$0.210 may retest its previous high of S\$0.245.

Financials

FYE 31 Dec (S\$m)	2009	2010	2011	2Q11	2Q12
Net Turnover	375.6	252.3	414.5	83.9	130.0
Gross Profit	60.6	36.3	45.9	16.6	12.9
EBITDA	61.8	18.5	20.4	6.4	4.9
EBIT	43.1	9.7	13.4	5.7	3.7
PATMI	41.4	28.8	27.2	8.9	9.5
EPS (cts)	7.33	4.03	3.55	1.20	1.27
P/E (x)	2.8	5.1	5.8	-	-
P/B (x)	1.2	0.9	0.8	0.9	0.7
Dividend Yield (%)	0.0	4.9	4.9	-	-
PATMI Margin (%)	11.0	11.4	6.6	10.6	7.3
Net Gearing (%)	6.0	(12.3)	54.1	(1.0)	64.9
Interest cover (x)	12.8	8.5	10.8	11.21	81.80
ROE (%)	51.5	20.7	14.1	-	-

Source: Company, Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Price (S\$)	Market Cap (S\$m)	PE FY11 (x)	PB FY11 (x)
LOW KENG HUAT	LKH SP	0.455	336	4.34	0.83
CSC HOLDINGS LTD	CSC SP	0.103	128	14.71	0.71
CHIP ENG SENG	CHIP SP	0.450	300	4.55	0.74
LIAN BENG GROUP	LBG SP	0.415	217	4.21	1.00
KSH HOLDINGS LTD	KSHH SP	0.220	84	4.21	0.63
Average				6.40	0.78
TIONG SENG HLDS	TSNG SP	0.205	157	5.77	0.76

Source: Bloomberg, UOB Kay Hian

Background

Tiong Seng's businesses can be largely categorised as construction and civil engineering, and property development. Construction and civil engineering projects are mainly in Singapore and Papua New Guinea whereas property developments are in China. The company has undertaken several renowned construction projects, such as One Marina Boulevard, Marina Boulevard Financial Centre and Capella Singapore, a luxury hotel on Sentosa.

Traders' Corner

GuocoLeisure (GLL SP, B16) -

Technical BUY with +16.7% potential return

Last price: S\$0.60

Resistance: S\$0.70

Support: S\$0.58

BUY with a target price of S\$0.70. The stock appears to be trading above its potential resistance-turned-support level at S\$0.58. Its Stochastics indicator has hooked up and its MACD has trended up after forming a bullish crossover. Tight stops could be placed at below S\$0.560.



Source: Nextview

UPP Holdings (UPP SP, U09) -

Technical BUY with +25% potential return

Last price: S\$0.300

Resistance: S\$0.375

Support: S\$0.270

Maintain BUY with a revised target price of S\$0.375. A break above S\$0.31 could test our target as prices have closed above its mid Bollinger band. Its Stochastics indicator has hooked up and its MACD has trended up albeit below its centerline. Tight stops could be placed at below S\$0.27.



Source: Nextview

Sakari Resources (SAR SP, AJ1) -

Take profit on previous technical BUY

Last price: S\$1.895

Resistance: S\$1.95

Support: not relevant

The stock was featured as a technical BUY when it opened at S\$1.48 on 23 Aug 12. The stock has exceeded our target of S\$1.70, returning 28% as PTT International has made an offer of S\$1.90/share. Technically, bullish crossovers have formed at its MACD & Stochastics indicators. Perhaps some profits could be taken off the table.



Source: Nextview

Jeffrey Tan +65 6590 6629
jeffreytan@uobkayhian.com

Corporate News

Starhill Global Reit: To seek SISV help to appoint valuers.

The Court of Appeal has ordered Starhill Global Reit (Starhill) and its master tenant in Ngee Ann City to seek the help of the Singapore Institute of Surveyors and Valuers (SISV) to resolve their rental dispute. While dismissing Starhill's request for the court to set new rental retail rates, the Court of Appeal said that the dispute should have been resolved through mediation rather than through an adversarial process. (Source: *The Business Times*)

Comment: We view the decision to seek the independent opinion of the president of the SISV to appoint the three new valuers as the most equitable outcome going forward. Starhill has succeeded in its goal to put the valuers on notice about the accuracy of the valuations, and given that Toshin has agreed to renew its lease at Ngee Ann City for a further 12 years, any rental upside would be positive for Starhill. On the cost issue, the Court of Appeal reversed the High Court's decision to award costs against Starhill, and instead directed that both parties bear their own costs in the High Court and for the appeal.

China Minzhong: 4QFY12 net profit jumps 76.4% to Rmb 171.0m (S\$33.7m), or Rmb0.31 per share. Turnover in the period soared 93% yoy to Rmb803.5m. Gross profit margin from processed vegetables slipped 16.4ppts to 19.9% due to higher cost of fresh vegetables. (Source: *The Business Times*)

Goodpack: FY12 net profit up 4.6%. Goodpack's earnings for the full year ended 30 June rose 4.6% to US\$45.2m. The net profit rise was helped by higher sales in its non-rubber and synthetic rubber sectors. (Source: *The Business Times*)

Great Eastern: Selling 25% stake in China JV. Great Eastern Holdings is selling a 25% stake in a JV in China for Rmb303m (S\$59.6m). The JV, Great Eastern Life Assurance (China) Company (GELC), is a 50:50 tie-up set up in May 06 between Great Eastern and Chongqing Land Properties Group. (Source: *The Business Times*)

Sakari Resources: PTT offers to buy rest of Sakari for S\$1.2b. PTT Public Company Ltd, Thailand's state-controlled energy company, is offering S\$1.2b to buy all the shares it does not already own in Sakari Resources, a mainboard-listed coal company, to strengthen its interest in the coal sector. PTT's offer price of S\$1.90 per share in cash is at a 28% premium to Sakari's last traded price of S\$1.49 a share last Friday. (Source: *The Business Times*)

Top Volume

Stock	Price (S\$)	Chg (%)	Volume ('000)
Sakari Resources	1.895	27.2	107,669
Noble Group	1.245	0.0	40,284
Genting Singapore	1.370	(0.4)	32,783
Liongold Corp	1.250	0.0	23,605
Olam International	1.985	(0.8)	16,755

Top Gainers

Stock	Price (S\$)	Chg (%)	Volume ('000)
Sakari Resources	1.895	27.2	107,669
Fortune Reit	5.500	2.4	578
Wing Tai Holdings	1.540	2.0	1,257
Ezra Holdings	1.060	1.9	8,835
Capitacommercial Trust	1.425	1.8	7,269

Top Losers

Stock	Price (S\$)	Chg (%)	Volume ('000)
Genting Hong Kong	0.340	(5.6)	11,771
Osim International	1.285	(4.1)	1,545
Sinarmas Land	0.280	(3.4)	49
Fragrance Group	0.535	(2.7)	3,585
Yeo Hiap Seng	1.950	(2.5)	5

Source: Bloomberg

From the Regional Morning Notes

Property Nuggets: Healthy investor appetite for hospitality REITs.

Ascott Residence Trust (ART SP/BUY/S\$1.24/Target: S\$1.42)

CDL Hospitality Trusts (CDREIT SP/BUY/S\$1.97/Target: S\$2.25)

Visitor arrival growth remains robust. Our channel checks with industry players and hotel operators indicate that hotel occupancies for July have been very strong with occupancies hovering close to 90% levels. Visitor arrivals for 5M12 increased 12% yoy to 5.9m with an average hotel occupancy rate of 86% and a 9% increase in room rates. Data released by Changi Airport shows that passenger movements increased 9.7% yoy and 4.5% yoy during the month of June and July respectively. This implies an 11.6% and 5% growth in corresponding visitor arrivals based on our regression model. Healthy investor appetite for Singapore-based hospitality plays. Far East Hospitality Trust (FEHT), a newly-listed 100% Singapore-based hospitality trust (seven hotels and four serviced residences) received strong demand from investors with its institutional tranche 30 times subscribed and the retail tranche 14.6 times subscribed. The healthy demand is indicative of investors' positive outlook on the Singapore hospitality sector. FEHT units which began trading yesterday closed 2% above its listing price of 93 S cents. River Safari at Mandai opening soon. Asia's first river-based theme park is set to open by end-3Q12. This will be the third nature-themed attraction in Mandai after the Singapore Zoo and Night Safari. The 12-ha park will house one of the world's largest collections of freshwater aquatic animals, with more than 300 plant species, 500 animal species and over 5,000 individual animal specimens, the star attractions being the Giant Panda, Mekong Giant Catfish and Giant Freshwater Stingray. The S\$180m project targets to attract at least 0.8m visitors annually.

Our top picks are CDL Hospitality Trusts for its quality portfolio of hotels located along the integrated resorts, and Orchard Shopping area and Ascott Residence Trust, a pan Asian & European serviced residence operator. The strong investor demand for Singapore-based hospitality plays reiterates the favourable dynamics for the hotel sector. We expect the visitor arrival growth momentum to continue with the expected increase in visitor arrivals by 8% yoy in 2012 and 6% in 2013.

Ezra Holdings - Triyards listing – What's the upside for Ezra's shareholders?

(EZRA SP/BUY/S\$1.06/Target: S\$1.36)

FY12F PE (x): 12.1

FY13F PE (x): 9.4

Ezra will be listing its shipyard subsidiary Triyards, an offshore fabrication shipyard group comprising three shipyards - two in Vietnam and one in the US. Pursuant to this, Ezra will undertake a dividend in specie of a 33% stake (107.2m shares) in the yard, but maintain a majority control of 67% in Triyards post listing with a moratorium period of six months. The dividend in specie is 1 Triyards share for every 10 Ezra shares held. Triyards is deemed a non-core business by Ezra because the latter wants to focus on its subsea and OSV businesses. By listing Triyards, the yard can spearhead its own growth, similar to what has happened to EOC - Ezra's FPSO services associate - which was originally a subsidiary of Ezra. According to Ezra's announcement, Triyards made a pre-tax profit of US\$10.7m in FY12, 21% of Ezra's group FY12 pre-tax profit of US\$49m. Triyards' FY12 NAV was US\$72.8m, 8.6% of Ezra's NAV of US\$845.6m

Maintain BUY. We tweak our target price from S\$1.39 to S\$1.36 on a lower S\$/US\$ exchange rate of S\$1.25 vs S\$1.27 previously. We value Ezra at 12x fully-diluted FY13F PE, in line with long-term sector PE mean of 12.1x since 2004.

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