GLOBAL PREMIUM HOTELS

'Fragrant trail' of profits.

PhillipCapital
Your Partner In Finance

Bloomberg | Reuters | POEMS
GPHL:SP | GPHL.SI | GPHL.SG
Industry: Property & REITs (esp. Hotels in Singapore)

Phillip Securities Research Pte Ltd

9 November 2012

Report type: Initiation

Company Overview
Developed its first hotel in 1995. Operated its first *Fragrance* hotel from Feb98. It now has 12.2% of economy-tier sector. Entered the mid-tier sector in Apr11 with *Parc Sovereign*. Capacity at Dec11: 22 owned & 1 leased hotels; or, 1738 rooms. Still, retains expertise in hotel property development.

- Should not be a dividend play but it seems to be.
- 3-pronged profit-making model. Not 1- or 2-pronged.
- 'Projects' need only 12% cash-down to proceed.
- Highly leveraged. Should & can increase safety margin.

What is the news? How do we view this?

Global Premium Hotels ("*GPH*") was IPOed by OCBC Bank on 26th April. 1b shares (now 1.052b due to over-allotment option) were issued at $_{S\$}$0.26. Moratorium applicable to *Fragrance Group* ("*FGL*"), which owns 52%, had passed.

GPH intends "to distribute at least 80% of PAT for FY12" - estimate $_{S\$}$0.014/sh~6% yield. But *GPH* should <u>not</u> be about dividends, as *GPH* could produce much better returns with the cash than the shareholders would. Page 5.

We believe the business model of *GPH* is like a *'fragrant trail'* of profits. Page 3&4. This *'trail'* starts from the moment land has been identified for acquisition to the final step of hotel operations. In between, profits are derived from change of purpose of building, exemption from development charge, and in development of the hotel - outperforming the industry average in terms of time to construct.

We believe its current price <u>fairly</u> reflects **ONLY** the discount to the valuation done by the valuers, which discount is in line with other non-REIT hotel property companies. Fig 4.

We believe, therefore, that the market has not done justice to *GPH* by ignoring its competitive strength – the *'fragrant trail'* of profits. We use the words "not done justice" because we are talking about profit that is at least 100% of land cost! As it <u>could</u> hypothetically borrow up to 88% of GDV - its *'fragrant trail'* allows it to be able to do a $150m 'project' with only $17.5m cash down - if it has finished hotels. Book profit could be 277% on cash in 2-3 years. Fig 3 & Page 5.

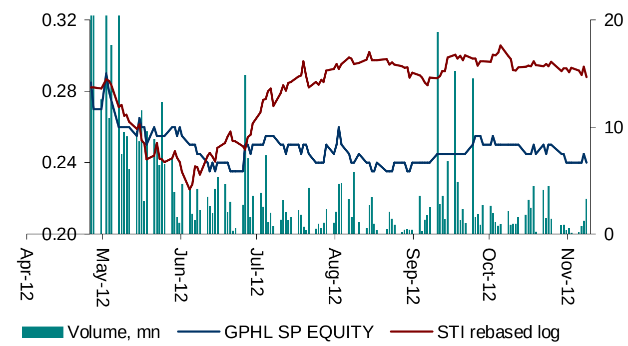
However we believe that this profit potential is limited by its highly leveraged position presently. We would like to see it dilute its share base and bring in additional cash to build more hotels; and, at the same time build margin of safety.

Investment Action

We have added one such dilution to arrive at our target price of $_{S\$}$**<u>0.305</u>** per share. As this is 27% higher than the last close, it would be a **<u>BUY</u>**.

GLOBAL PREMIUM HOTELS

Rating	**1**	**Buy**
- Previous Rating	-	*Not Rated*
Target Price (SGD)	**0.305**	
- Previous Target Price (SGD)	-	
Closing Price (SGD)	0.240	
Expected Capital Gains (%)	27.0%	
Expected Dividend Yield (%)	6.0%	- ref only
Expected Total Return (%)	**27.0%**	
Volatility since IPO (Daily)	0.69	
Market Cap. (SGD mn)	257	
Enterprise Value (SGD mn)	656	
3M Average Daily T/O (mn)	2.470	
Range since IPO (SGD)	0.300-0.235	



Major Shareholders	**(%)**
1. Fragrance Group Limited	52.28
2. Several funds	17.09
3. Public float	24.58

Key Financial Summary

FYE	**3Q12**	**12/12F**	**12/13F**
Price (*Actual/Current)	0.240	0.240	0.240
P/B (X)	0.77	0.76	0.64
EV/EBV (X)	0.91	0.90	0.83
P/Net Debt (X)	0.54	0.55	0.55
P/E (X)	13.0	13.4	12.7
EPS (SGD)	0.018	0.018	0.019
DPS (SGD)	0.002	0.014	0.015
Dividend Yield	0.8%	6.0%	6.3%

Source: Company, PSR
*Actual mean price between publication of FY result and now

Valuation Method
Merton method + Use of cash

Analyst
Chan Wai Chee
yebo@phillip.com.sg
+65 6531 1231

Short history

GPH was the wholly-owned hotel part of listco, *FGL* – the other business being residential property development – until its IPO on 26th April. *FGL* now owns 52% (from the 55% after over-allotment option) of *GPH.*

The first 2 hotels, in Geylang, were developed in 1995-6, and sold to third parties in 1997. It operated its first hotel, *Sapphire*, at Lorong 10, Geylang from Feb98. This was followed by *Ruby*, 5 streets away, at Lorong 20 from Apr98; and, *Emerald* at Lorong 6.

GPH moved away from Geylang to Joo Chiat only in 2001. One can say that that was just up the main Geylang Road. *The Fragrance* was its first Joo Chiat hotel. With another 2 Geylang hotels (*Pearl* and *Crystal*), it moved further away to Balestier Road in Jan04. But the 2 x Balestier Road hotels only have 48 rooms each, fewer than its smallest Geylang hotel at that time of 50 rooms. We sense conservatism.

Fig 1 List of hotels, and individual valuation

Valuation	Start	Rooms	Per Room	Area	Valuation
FRAGRANCE HOTELS			S$mn		S$mn
(1) Sapphire	Feb-98	50	0.338	G	16.9
(2) Ruby	Apr-98	168	0.290	G	48.7
(3) Emerald	Jul-98	126	0.290	G	36.5
(4) The Fragrance	Nov-01	90	0.300	JC	27.0
(5) Pearl	Jan-02	129	0.290	G	37.4
(6) Crystal	Dec-02	125	0.290	G	36.3
(7) Balestier	Jan-04	48	0.479	B	23.0
(8) Classic	Feb-04	48	0.496	B	23.8
(9) Rose	Apr-05	68	0.460	G	31.3
(10) Sunflower		27	0.310	G	8.4
(11) Selegie	Dec-05	120	0.500	CF	60.0
(12) Kovan	Jul-06	43	0.465	Oth	20.0
(13) Viva	Jun-07	33	0.606	TB	20.0
(14) Lavender	Jul-07	35	0.500	CF	17.5
(15) Imperial	Nov-07	74	0.500	CF	37.0
(16) Oasis	Nov-07	36	0.417	B	15.0
(17) Waterfront	Mar-08	57	0.579	PP	33.0
(18) Ocean View	Sep-08	47	0.570	PP	26.8
(19) Royal	Jun-09	32	0.575	TB	18.4
(20) Bugis	Apr-10	80	0.550	CF	44.0
(21) Riverside	Nov-11	101	0.580	C	58.6
(22) Elegance (leased)	Nov-11	31	-	CF	-
		1,568	0.408		639.6
PARC SOVERIGN HOTELS					
(1) Albert St	Jan-11	170	0.635	CF	108.0
		1,738			
(2) Tyrwhitt St	na	265		CF	78.0
		2,003			825.6

Source: Company prospectus

Yet Balestier Road and the year 2004 proved to be the launch pad for more rapid growth. After all, Balestier Road is 3 main roads away from Geylang (Geylang, Kallang, and Lavender). It branched southwards (actually south-west) down the Serangoon Road, and started *Selegie* at Selegie Road & the *Fragrance Hostel* at Dunlop Street. *Selegie* is a 120-room hotel, which was developed about the same time as the smaller *Balestier*. Previous developments did not exceed 50 rooms. It also branched northwards (actually north-east) up the long Serangoon and longer Upper Serangoon roads to Kovan.

2006-7 saw it knifing into the City & City Fringe areas when it developed and then operated *Viva*, *Lavender*, and *Imperial*. This move brought along another Balestier Road hotel - *Oasis*. *Viva*, at the foot of Mt Faber, must have been a good experience for it quickly acquired a nearby property at Telok Blangah Road, less than 100m away in Jan09, developed it and started operations 6 months later as *Royal*. *Viva* still commands the highest ARR$ of all its hotels, based on its 1Q12 and 2Q12 slideshow presentations.

It also expanded west to Pasir Panjang Road with *Waterfront* and *Ocean View* in 2008. Closer to the City area, it opened *Bugis* at Middle Road in 2010 after converting it from an office building. And, in the City area in 2011, its mid-tier 170-room *Parc Sovereign at Albert* Street and its 101-room *Riverside* in Hong Kong Street opened for operations. It converted its hostel at Dunlop Street to a 31-room hotel, sold it and leased it back as *Fragrance Elegance*.

In 2011, it sold a hotel that it had developed from a 7-storey office building at Beach Road for S$46m.

The next leg, seemingly will be mid-tier .....

Page 6 of the *Far East Hospitality Trust* ("*FEHT*") prospectus states that the properties therein - primarily mid-tier and upscale hospitality properties – are "positioned to capture what its REIT Manager believes to be the fastest-growing, most profitable and scalable hospitality market segments." It also quoted *CBRE* that the "mid-tier and upscale hotel market segments contributed a combined 75.0% of the total existing supply of hotel rooms in Singapore and also enjoyed higher occupancy rates vis-à-vis the luxury and economy market segments in 2011."

If we dig into some numbers therein and compare these to *GPH*'s, the above statement carries some truth. Note that this calculation does not mean either is a better investment as *FEHT*'s net income, amongst other factors, has to deduct REIT manager's expense, add in the serviced apartment segment, and adjust revenue/GOPs according to various percentages. We just want to show that the mid-tier is the more attractive sector for <u>now</u>.

GPH's numbers for FY11:

- Revenue=$_{S\$}$53.1m, EBIT=$_{S\$}$30.8m, EBIT/Rev=58.0%, Rooms(adj)=1616, Valuation=$_{S\$}$750m.
- EBIT/room=$_{S\$}$52.20, valuation/room=$_{S\$}$464k.
- Return per valuation=4.1%.

FEHT's numbers for FY11:

- Revenue(adj)=$_{S\$}$127.8m, EBIT=$_{S\$}$75.1m, EBIT/Rev=58.8%, Rooms(adj)=1735, Valuation=$_{S\$}$1306m.
- EBIT/room=$_{S\$}$118.60, valuation/room=$_{S\$}$753k.
- Return per valuation=5.7%.

The market, being dynamic, would see to it that it would not remain a permanent trend. *Parc Sovereign at Albert Street* seems like not wanting to miss out, for now.

Parc Sovereign at Tyrwhitt Road

It completed the purchase of a *FGL* subsidiary (the Tyrwhitt Road property) for S$25.1m. It is buying the land at S$78m valuation (average of 2 independent valuers'), with bank loan of S$36.5m, *FGL* loan of S$16.8m, and S$0.4m cash.

The S$78m valuation is above *FGL*'s cost of land acquisition of S$54m. The difference of S$24m is profit due to *FGL* because *FGL* bought the land that carries with it the risk of not being able to use it for hotel development as it came with a residential use approval dated 1998-99/2001. It reaped the profit for carrying this risk. URA approval to run a hotel is a condition for *GPH*'s purchase.

Let's study the *CBRE* valuation report, which is appended in EGM circular. The direct comparison method of S$550,000 per room (near the S$532,000 per room for 3-star *The Saff* at Keong Siak Street transacted Sep11, out of a list of 7 given transactions) x 265 rooms; and, S$4.25m per 3,000ft^2 of shops is used to arrive at the GDV of S$150m. The residual land method to get S$80m (the other valuer puts it at S$76m) includes these assumptions:

- 5% property tax, 3¼% legal & stamp duty for 1¾ years
- 4.5% interest rate for 1¾ years land holding cost
- S$500/ft^2 construction cost, +5% +6%; +4.5% interest for holding 1¼ years; add +1% miscellaneous
- 10% developer's profit
- 1% marketing expenses
- no development charge on 'conserved' development

Although no number on the last bullet was made by valuer *CBRE* - it said, "as advised, there is no development charge payable for the increase in GFA" - we think the URA Conservation Guidelines para 2.2.1.7 allow "an exemption from payment of development charge ("DC"), if applicable, is given in respect of the value enhancement arising from the proposed use or use changes on the GFA for the building or part thereof on the land to be conserved provided that such conservation is carried out in accordance with the approved plans and completed within a period of 2 years from the date of conservation permission."
http://www.ura.gov.sg/conservation/Cons%20Guidelines.pdf

Using the Mar12 DC rates (approval was granted in Aug12, earlier than the latest Sep12 publication of DC rates), the additional 271.3m^2 GFA would have incurred DC, if it were not on conserved property, of S$874,000. An identical DC, using the Sep12 DC rates, would be S$1.1m as the DC rate has increased from S$3220 to S$4060 per m^2. We are stating this to say if anyone wants to increase the supply of hotels in the same area would need to pay S$1m DC more if it is not a conserved site. Perusing the electronic development register, there does not appear to be any other conserved approvals. Moreover, 2 applications on non-conserved buildings (different addresses on Tyrwhitt Road) to convert to hotels had been rejected. But there were approvals for conversion to backpacker's hostels. We believe this situation is positive for *GPH*.

The land valuation, which works out to S$1030/ft^2, is near the S$1079/ft^2 for hotel land (total S$151m) some ¾km away at Farrer Park Station Road/Rangoon Road, which tender was closed in Apr12.

In addition, the IFA letter of *SAC Capital* (also appended in EGM circular) notes that *GPH* estimates total development cost of S$30m, and a surplus of S$42m from the valuer's GDV of S$150m. In comparison, *CBRE*'s report estimates a profit of S$16.5m. The S$25.5m savings seemingly result from:

- different interest rates
- different duration of construction period
- different duration of land holding
- unequal estimates of professional fees, contingencies

A *'fragrant trial'* of profits

From the *Tyrwhitt* experience, one can break down the profit-making processes of *GPH*, into a numerable formula, starting just after it has identified the place to build the hotel. The site identification is a very important process but it is not numerable. This is not Profit Process 1A.

Profit Process 1B: There are 6 conserved buildings in the hotel list (Fig.1): *The Fragrance*, *Classic*, *Rose*, *Selegie*, *Oasis*, and now *Tyrwhitt*. We note that competitor *Hotel 81* also has a few conserved buildings amongst its hotels. As explained earlier, there is a saving of DC if one builds within the definition of conserved buildings/sites. Let's call Profit 1B. And, for statistics, leaving out its hotels prior to 2004 (5 Geylang ones out of the 6), the ratio of conserved vs non-conserved becomes 7:10.

Profit Process 1A: The wait for URA approval to build a hotel on the *Tyrwhitt* took 8 months (tender awarded Dec11 to approval Aug12). The profit of S$24m may not be the profit due to change of use as there was no calculation of a GDV for a residential project available. If one compares, say at 255 Balestier Road (*Fragrance Balestier*) of S$2400/ft^2 freehold versus our valuation of less than S$1700/ft^2 for *SingXpress*' *Waldorf* condo at leasehold 235 Balestier Road, there should be a profit in change of use. We can call this Profit 1A. Such Profit 1A should accrue to *GPH* from now on, as such expertise lies therein.

Other places where Profit 1A had manifested is *Royal*, at Telok Blangah that used to be commercial & residential in purpose; *Bugis* at Middle Road that was a commercial school; and, part of *Viva* at Wishart Road was converted from a terrace shop; prior to *GPH*'s acquisition. One of these is conserved; so, add 2 more to the ratio computed earlier.

Summary, 9:10 of its hotels exhibit either Profit 1A or 1B processes as far as our search at URA shows.
https://spring.ura.gov.sg/dcd/eservices/devregister/edr_frame.cfm

Referring to the *Tyrwhitt* property, the independent valuer calculated a development profit of 10% (let's assume the valuer is referring to industry standard), whereas the *GPH* management estimated S$42m or 28% (so, it is going to out-perform industry standard). Can we then not say that *FGL* had lost some value to *GPH* in terms of expertise in producing profit in property development? Let's call this Profit 2A and 2B. In the *Tyrwhitt* case, 2B=10%, 2A=18%.

Please note that these profits are strictly about improvement in valuation although 2A & 2B have cash implication as it involves lower cost of development.

Once the hotel gets going, and *GPH* manages to earn excess returns in terms of a profit from operations, for the years to come, we can group this set of returns as Profit 3. The hotel operations can be divided into many parts and then the CEO would decide which or all parts are to be outsourced or not. During refurbishments, the time taken varies but the faster a hotel can return to normal operations, the more profit it can make subject to a good refurbishment job being done. We will allow the CEO to do the hair-splitting. Profit 3 is similar to most hotels but *GPH* is different.

In summary, profit at *GPH* = Profit 1A (change of purpose) + Profit 1B (exemption from DC) + Profit 2B (industry property development) + Profit 2A (outperform industry property development) + Profit 3 (hotel operations).

Putting it all together

We now pay tribute to the human beings behind *GPH*. We will ignore the macro environment, which we believe is positive. And, we have assumed that you are positive about this aspect, else you would not be reading this report.

Many people know about, and probably you know more about, its non-executive chairman *James Koh* than we do.

Per the prospectus of *GPH* and *FGL*, CEO *Lim Chee Chong*, besides managing day-to-day operations, and overseeing its hotel development projects, sets directions for new growth areas developing strategies. After his EEE graduation from NTU in 2000, he was project manager at *World Class Land* ("WCL"), part of listco *Aspial*, managing its residential development projects until 2003. He, with his brother *Chee Kee*, used to own *G9 Construction* (ceased operations already at *FGL* prospectus' date) that was the main contractor for *FGL*'s *Sims Meadows* project around 2002. *Lim* joined *FGL* in 2004. In *FGL*'s 2011 annual report, he was reported to have assisted *James Koh* in the property division overseeing property development operations; and, to assist in all the hotel operations. With this expertise, we believe *GPH*'s profit processes described earlier are in good hands. He is *Koh*'s brother-in-law.

Besides *Lim*, we also met CFO *Chen Loong Mey*. She is a graduate in applied accounting, with membership at ACCA and AICPA. She was *FGL*'s accountant between 2004 and 2006, after 2 years with *MGI Ma & Mah* in audit. She did a stint with *CapitaRetail China Trust*, as well as with *CitySpring Infrastructure Trust* between *Jul07* and *May08* (so, she should know more about REITs than us), before re-joining *FGL* between *Jun08* and *Nov11*; and, then with *GPH*. She is responsible for finance & accounting, cash management, strategic planning & budgets, tax, corporate governance and internal controls.

On 12Sep, it announced the resignation of *Yong Cheong Beng*, its sales VP and that his role would be assumed by *Ms Lim Hwee Leng*, its business development VP. *Ms Lim* is the sister-in-law of the CEO. On 19Jul, when COO *Sim Mong Yeow* resigned, CEO *Lim* assumed his duties.

Debt

In terms of credit analysis (leverage, profitability, & liquidity), we find *GPH* in unsatisfactory territory in leverage.

Fig 2 Comparing Debt

Credit Analysis (Leverage, Profitability, Liquidity)								
Companies	ND/MC	TL/TA	NI/TA	Int%	EBI/Int	CA/CL	Quick	R3Gr
Far East H-Reit	39%	30%	3.1%	2.5%	5.6	121%	121%	19%
CDL H-Reit	23%	28%	5.3%	3.6%	8.3	418%	418%	24%
Ascendas H-Trust	39%	38%	6.3%	2.7%	na	137%	135%	na
Pan Pacific	19%	22%	**2.0%**	**2.8%**	8.3	**79%**	**78%**	12%
Hotel Royal	33%	21%	**1.0%**	**3.4%**	2.9	109%	108%	17%
Hotel Grand Central	23%	23%	**2.8%**	**3.5%**	na	185%	184%	24%
Stamdford Land	54%	37%	**3.4%**	**5.9%**	3.3	145%	**69%**	**8%**
GPH (1)	**155%**	**61%**	2.7%	2.0%	6.8	212%	212%	24%
GPH (2)	**185%**	**64%**	2.5%	2.0%	5.8	212%	212%	24%
GPH (3)	**197%**	**63%**	2.3%	2.0%	5.8	212%	212%	24%

Source: PSR, company announcements, prospectus

REITs, to be tax-exempt needs to comply with the property fund appendix of CIS Code, need to be ≤ 35% in its total borrowings/deposited property leverage; or, ≤ 60% if a credit rating is obtained and disclosed to the public. So, their ratios can be said to be forced. ND/MC (net debt/market cap) turns out to be lowest at *CDLHR* vs. *FEHT* and *AHT*. Among the non-Reits/trusts, *PP* is least leveraged, and *HGC* is 23%. TL/TA (total liabilities/total assets) shows a similar picture.

As can be seen in *HGC*'s case, it is now re-building a hotel. Debt has grown at *SL* and *GPH* due to recent developments. And, as can be seen in *GPH(2*-after purchase but before development*)* & *GPH(3*-after development*)*, which factor in its *Tyrwhitt* project, the numbers get worse. *GPH(3)* is better at TL/TA than *GPH(2)* as we put in an anticipated profit of S$42m on the project, increasing the value of its total assets, but worse than *GPH(2)* at ND/MC as we add S$30m relating to development cost. Both are worse than *GPH(1)*.

GPH does well in other areas: NI/TA (net income/total assets) is greater than its borrowing interest rate. EBI/Interest is well covered. Its liquidity ratios are second to *CDLHR*, and R3Gr (revenue growth in recent 3 years) is top of the range. Given the easier credit in this part of the world, the distance-to-default is probably farther than what the leverage numbers suggest.

But it could put a cap on further developments. Post-*Tyrwhitt*, S$898m hotel valuation, & 67.5% borrowing limit (~S$606m), the TD of S$496m (assume S$35m working capital cash is sufficient) would give it limited room to build.

PhillipCapital
Your Partner In Finance

Juicing the debt

It is <u>not</u> no room because if one thinks every future project is like the *Tyrwhitt* 'project', there would be profit in the GDV that the bank is "financing". Fig.3 shows a breakdown of the *Tyrwhitt* project (sans company). Of course, there would be limitations in project financing. This is just a hypothetical example to show how cash could be stretched; and, in practice, it would need other completed hotels to support it.

Fig 3 Financing requirements

Tyrwhitt Project							
In S$mn	Total	Loan	Cash	%age$_1$	%age$_2$	Time	Duration
Land	54	36.5	**-17.5**	**12%**	**32%**	Dec11	
Profit 1A & 1B	24	16.5	16.5	**16%**	**44%**		8 months
	78	53	-1			Aug12	
DC	30	20.5	-9.5				15 months
	108	73.5	-10.5			Nov13	
Profit 2A & 2B	42	28.5	28.5	**28%**	**54%**		
	150	102	18	**44%**	**79%**		23 months

Source: PSR, company announcement

Using the above example, at 67.5% borrowing on value at various stages of the 'project', the maximum cash required <u>at any time</u> is S$17.5m. This is 12% of total GDV. See columns "Cash" and "%age$_1$" in Fig.3. We calculated the 80% of FY12 PAT intended to be distributed as dividend of S$15m. If one follows Fig 3's S$66m book return in 23 months – a massive 277% - the dividend not paid would have added S$41.5m to book value. Why would shareholders want dividends, when the company can grow it so many more times faster?

As a percentage of GDV, profit 1A & 1B is 16% and profit 2A & 2B is 28%, making a sum of 44%. As a percentage of cost to date, profit 1A & 1B is 44% of land cost; and, profit 2A & 2B is 54% of valuation prior to development. In terms of total cost, total profit is 79% of total cost. Juicy, right?

But, of course, anything this good comes with uncertainties. What if valuation comes down? Will the lenders' habit change (like reducing the 67.5% financing)? Can the macro environment suddenly tip over (we assume you are positive on this, else you would not want to read positive reports of economy- or mid-tier hotels)? The author is basically a positive person … you can think of worse scenarios.

How do we draw a margin of safety, then?

We believe that margin is its cash. On the juicy part, more cash means more 'projects' – using the cash-down of 12% derived above. On the uncertainty part, more cash means - in the event of downward valuations, reducing loans – there is still enough cash to make up the 12%. More cash (on a non-debt basis) improves the leverage and liquidity ratios.

A possible solution to the above is dilution. Dilution is the devil in fundamental analysis. In here, we are not sure.

Assuming *FGL* has no qualms about maintaining its existing 52% majority stake in *GPH*, a reduction to associate status would mean ratios like TL/TA, ND/MC and quick ratio would all turn very positive for *FGL* and may accelerate its potential as it would then be able to borrow more. For effect, if one subtracts all things *GPH* out of the balance sheet of *FGL*, ND/MC:20%~cash; TL/TA:48%~32%, quick ratio:3.3X~3.6X.

If one assumes *GPH* is not "sacred" to *FGL*, and assume reducing the likely FY12 DY from 6% (80% payout x S$19.9m profit) to 4.9%, then one can place out at a discount, say S$0.225 each of 320m shares to get S$72m. *FGL*'s 52% stake would then be reduced to 40%. Hypothetically, S$898m value can attract financing of S$606m (67.5%). Between this and total debt at FY13 of S$499m is S$107m. Add this to the new equity and FY13 cash of S$30.6m,the margin of safety is S$209.6m. This should sustain a drop in valuation, assuming working capital cash of S$50m, of 45% to S$494m.

If one assumes *GPH* is "sacred" to *FGL*, its existing 52% together with 6% from family members and management could only be diluted to 50% or a 168m new share issue. At the same discount, it would be S$38m additional cash. The same dividend would still yield a respectable diluted 5.5%.

What if it becomes a REIT? Using PAT of S$19.9m, add back interest likely to be saved of S$6.9m, and depreciation of S$4m; A 90% payout ratio on S$30.8m = S$27.7m dividend a year. At 7% yield (slightly more than 1%age point above the dividend yields of *CDLHR* and *FEHT*), plus another 2% for the sponsor, this means a market cap of S$308m. The valuation (post-*Tyrwhitt*) of S$898m multiplied by 35% (CIS code), would mean total debt must go down to S$314m from S$499m. A REIT is therefore <u>not</u> possible.

A potential investor should prefer a dilution to happen to allow more hotel development – maximising the so-called profit 1A, 1B, 2A and 2B potential of *GPH*. In the "sacred" scenario, S$38m would be cash to land 2 X *Tyrwhitt* s.

Over a longer term, it could consider lightening its balance sheet by replacing its PPE with sale-and-lease-back hotels.

Valuation & target price

It seems the market has read *Tyrwhitt* into the valuation of *GPH* from the perspective of P/B. Fig 4 shows P/B for *GPH*, *HR* and *HGC* are around 70%. If one does not respect the market, then it would seem like 80%. The hospitality REITs are above 100%. Willingness of SL to pay high dividends whenever it makes profits from its property development (its hotels have stable income) sees it at 100%.

Fig 4 Peer Valuation

Valuation - Peer comparison								
Companies	M/Cap*	Value	CA-TL	Paid	P/Val	Book	P/B	Price*
Far East H-Reit	1,628	2,189	-646	2,274	104%	1,543	106%	1.015
CDL H-Reit	1,983	2,030	-479	2,463	121%	1,551	128%	2.050
Ascendas H-Trust	739	980	-327	1,065	109%	653	113%	0.920
Pan Pacific	1,350	1,913	-364	1,714	90%	894	151%	2.250
Hotel Royal	233	554	-86	318	57%	335	70%	2.770
Hotel Grand Central	518	810	-62	581	72%	748	69%	0.910
Stamdford Land	492	859	-202	694	81%	489	101%	0.570
GPH (before *Tyrwhitt*)	258	748	-401	659	88%	323	80%	0.245
GPH (after *Tyrwhitt*)	258	898	-509	767	85%	365	71%	0.245
* as at 19 Oct								

PSR, company announcements

PhillipCapital
Your Partner In Finance

When looking at P/B, where B is a net number, a big difference in cash balance between companies compared can distort the ratios. However if one adopts the *Merton* model, where the value of assets is equal to sum of the option that is paid in the form of equity (market cap) plus the strike price paid in the form of total liabilities. In this case, Price/Value is between 104% and 109% for *AHT* and *FEHT*; and, that of *PP* and *GPH* is between 85% and 90% without having to assume the market has read *Tyrwhitt* into *GPH*'s valuation.

Whether it is P/B or P/Value, stock investors are prepared to pay for the underlying assets at a discount or a premium to the sum of the valuations of these assets usually done by independent valuers. At the moment of the market, investors are prepared to pay a premium for higher dividend-paying counters; and, a discount for lower dividend-paying ones.

As such, we feel that investors are not giving *GPH* credit for its expertise in generating profits 1A, 1B, 2A and 2B; as, besides, it also pays good dividends. When the market starts to favour growth again, this ignoring of *GPH* will even be more pronounced if it continues to discount at 20%-30% to Book or 10%-15% to Value.

In the *Tyrwhitt* example, we have shown that it can generate juicy profits. We assume **half** of the cash could be used for *Tyrwhitt*-type of projects and generates 277% return (as in the real *Tyrwhitt* example), with 15% haircut in line with the 85% P/Value, in 2 years; and, the other half of the cash not generating any returns. then the share price now should have been S$0.290. See blue-shaded line in Fig 5. If the market does not understand this, then it is correct to value it at S$0.237.

Fig 5 Fair value, including profit 1A, 1B & 2B

Valuation							
In S$mn	Shares	Value	Cut	Value-	Strike	Equity	P/sh
FV, 4Q13	1,052	898.0	15%	763	514	249	0.237
Half of own cash balance					-15		
Half of own cash generates	0	47.9	15%	41			
FV now, with profit 1A, 1B, 2B	1,052			804	499	305	0.290
Additional $38m cash	168				-19		
Half of add $38m generates		59.5	15%	51			
Target price (1)	1,220			855	480	375	0.307
FV, now with profit 1A, 1B, 2B	1,052			804	499	305	0.290
Additional $72m cash	320				-36		
Half of $72m generates		112.6	15%	96			
Target price (2)	1,372			900	463	437	0.318

Source:PSR

If we assume there is a 168m share issue to bring in S$38m, half of this could generate another S$51m after-tax value, discounted 15%, of 1A, 1B, 2A and 2B profits. Over 1220 shares, this would take the fair value to S$0.307.

In the event that 320m shares are placed out to get S$72m instead of 168m shares, the fair value increases to S$0.318. But this would dilute FGL's holding to 40%.

The cherry on top of these fair values is that the additional cash acts as safety margin to its leverage position.

For target price purpose, we choose the middle scenario of only 168m shares issued, with FGL's holding coming down to 50% (inclusive of family members and management).

Target **S$0.305**. As this is 27% above the last price done, it would be a **BUY**.

PhillipCapital
Your Partner In Finance

FYE Dec (Based on average price between post-reporting date to now)	1Q11	2Q11 (IPOed: Apr2012)	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12F	1Q13F	2Q13F	3Q13F	4Q13F
Valuation												
P/B	na	na	na	na	na	0.80	0.77	0.76	0.75	0.74	0.73	0.64
EV/EBV (X) [EBV=Enterprise Book Value]	na	na	na	na	na	0.91	0.91	0.90	0.89	0.89	0.88	0.83
P/ND (X) [ND=Net Debt]	na	na	na	na	na	0.64	0.54	0.55	0.55	0.55	0.55	0.55
P/E (X)	na	na	na	na	na	11.76	13.00	13.36	14.60	13.57	13.04	12.67
DY (%) (reference only)	na	na	na	na	na	0.8%	0.8%	4.3%	0.8%	0.8%	0.8%	3.8%
Per share data (SG$)												
NBV	na	na	na	na	na	0.307	0.311	0.316	0.320	0.325	0.330	0.375
EBV	na	na	na	na	na	0.686	0.753	0.752	0.759	0.764	0.769	0.813
ND	na	na	na	na	na	0.379	0.442	0.436	0.439	0.439	0.439	0.439
EV	na	na	na	na	na	0.624	0.682	0.676	0.679	0.679	0.679	0.679
EPS (trailing 4Qs)	na	na	na	na	na	0.021	0.018	0.018	0.016	0.018	0.018	0.019
DPS (reference only, not deducted below)	na	na	na	na	na	0.002	0.002	0.010	0.002	0.002	0.002	0.009
Growth (%)												
NBV per share	na	na	na	na	na	na	1.4%	1.5%	1.4%	1.5%	1.4%	13.7%
EBV per share	na	na	na	na	na	na	9.7%	-0.2%	1.0%	0.6%	0.6%	5.8%
ND per share	na	na	na	na	na	na	16.5%	-1.3%	0.7%	0.0%	0.0%	-0.1%
Revenue (y/y)	25.1%	24.6%	13.6%	32.2%	28.8%	11.8%	8.1%	7.9%	3.0%	3.0%	5.1%	7.8%
Net Income (y/y)	26.2%	31.9%	15.5%	11.0%	46.9%	-43.7%	-36.9%	-10.0%	-25.2%	36.6%	18.2%	11.9%
Return & Margin (%)												
EBI/EBV (trailing 4Qs)	3.2%	3.6%	3.3%	3.4%	3.6%	3.4%	3.0%	3.1%	3.0%	3.3%	3.3%	3.2%
EBI/EBV (standard deviation, 5 years)	na	na	1.1%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.3%	0.3%	0.3%
ROE (trailing 4Qs)	3.9%	4.1%	3.6%	3.7%	12.9%	6.8%	5.9%	5.7%	5.1%	5.4%	5.6%	5.1%
Net Income/Revenue (trailing 4Qs)	43.4%	44.2%	44.5%	42.6%	43.7%	37.7%	32.8%	31.3%	28.5%	30.4%	31.2%	31.6%
Income Statement (SGD mn)												
Revenue	**11.5**	**13.6**	**13.8**	**14.2**	**14.9**	**15.2**	**14.9**	**15.3**	**15.3**	**15.7**	**15.6**	**16.5**
EBIT	**6.4**	**8.5**	**8.5**	**7.4**	**8.2**	**6.6**	**7.4**	**8.1**	**8.1**	**8.3**	**8.3**	**8.8**
Taxation (net of attributable to finance)	-1.6	-1.4	-1.3	-1.5	-1.3	-1.7	-1.3	-1.5	-1.5	-1.5	-1.5	-1.5
EBI	**4.9**	**7.0**	**7.2**	**5.9**	**6.9**	**4.9**	**6.1**	**6.7**	**6.6**	**6.8**	**6.8**	**7.2**
Net Finance (Expense)/Income	-0.7	-0.8	-0.7	-0.7	-0.6	-1.8	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3
Taxation (attributable to finance)	0.1	0.1	0.1	0.2	0.1	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Profit After Tax	**4.3**	**6.4**	**6.6**	**5.3**	**6.4**	**3.6**	**4.2**	**4.8**	**4.8**	**4.9**	**4.9**	**5.3**
Less: Non-controlling Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	**4.3**	**6.4**	**6.6**	**5.3**	**6.4**	**3.6**	**4.2**	**4.8**	**4.8**	**4.9**	**4.9**	**5.3**
Effective tax rate %	19.0%	17.1%	15.2%	20.5%	16.0%	26.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
FYE Dec												
Balance Sheet (SGD mn)												
PPE	705.7	660.9	738.7	749.6	750.7	750.7	829.7	834.7	839.7	844.7	849.7	896.7
Total non-current enterprise assets (1)	**705.7**	**660.9**	**738.7**	**749.6**	**750.7**	**750.7**	**829.7**	**834.7**	**839.7**	**844.7**	**849.7**	**896.7**
Properties under development	27.1	27.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	1.5	1.5	1.5	1.7	2.5	2.1	2.0	2.5	2.5	2.5	2.5	2.5
Other receivables	0.8	0.6	47.4	30.8	31.2	13.3	1.9	1.9	1.9	1.9	1.9	1.9
Total current enterprise assets (2)	**29.3**	**29.9**	**49.0**	**32.5**	**33.7**	**15.3**	**4.0**	**4.4**	**4.4**	**4.4**	**4.4**	**4.4**
Total Enterprise Assets (3)=(1)+(2)	**735.0**	**690.8**	**787.7**	**782.1**	**784.3**	**766.0**	**833.7**	**839.2**	**844.2**	**849.2**	**854.2**	**901.2**
Trade payables	7.8	8.2	6.8	18.1	6.0	9.0	7.2	12.0	10.0	10.0	10.0	10.0
Income tax payable	4.6	4.4	8.1	9.4	10.7	8.6	7.8	10.0	9.0	9.0	9.0	9.0
Total current enterprise liabilities (4)	**12.4**	**12.5**	**14.8**	**27.5**	**16.7**	**17.6**	**15.0**	**22.0**	**19.0**	**19.0**	**19.0**	**19.0**
Deferred tax	23.8	23.8	26.4	26.5	26.4	26.5	26.4	26.4	26.4	26.4	26.4	26.4
Total non-current enterprise liabilities (5)	**23.8**	**23.8**	**26.4**	**26.5**	**26.4**	**26.5**	**26.4**	**26.4**	**26.4**	**26.4**	**26.4**	**26.4**
Total Enterprise Liabilities (6)=(4)+(5)	**36.3**	**36.4**	**41.3**	**54.0**	**43.1**	**44.1**	**41.5**	**48.4**	**45.4**	**45.4**	**45.4**	**45.4**
Enterprise Book Value (7)=(3)-(6)	**698.7**	**654.5**	**746.4**	**728.1**	**741.3**	**721.9**	**792.2**	**790.7**	**798.7**	**803.7**	**808.7**	**855.7**
Term loans	6.4	6.4	32.6	129.6	28.5	18.3	18.3	18.3	18.3	18.3	18.3	18.3
Ultimate holding company	41.0	11.7	0.0	0.0	420.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current financial liabilities (8)	**47.4**	**18.1**	**32.6**	**129.6**	**449.0**	**18.3**	**18.3**	**18.3**	**18.3**	**18.3**	**18.3**	**18.3**
Term loans	150.4	135.2	108.8	9.0	112.2	441.5	473.9	473.9	473.9	473.9	473.9	473.9
Total non-current financial liabilities (9)	**150.4**	**135.2**	**108.8**	**9.0**	**112.2**	**441.5**	**473.9**	**473.9**	**473.9**	**473.9**	**473.9**	**473.9**
Total Financial Liabilities (10)=(8)+(9)	**197.9**	**153.3**	**141.5**	**138.6**	**561.2**	**459.8**	**492.2**	**492.2**	**492.2**	**492.2**	**492.2**	**492.2**
Cash and cash equivalents	1.9	1.8	3.9	15.6	11.7	60.9	27.4	33.7	30.4	30.3	30.2	30.6
Ultimate holding company	2.7	8.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current financial assets (11)	**4.5**	**10.6**	**3.9**	**15.6**	**11.7**	**60.9**	**27.4**	**33.7**	**30.4**	**30.3**	**30.2**	**30.6**
Total non-current financial assets (12)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total Financial Assets (13)=(11)+(12)	**4.5**	**10.6**	**3.9**	**15.6**	**11.7**	**60.9**	**27.4**	**33.7**	**30.4**	**30.3**	**30.2**	**30.6**
Net Debt (14)=(10)-(13)	**193.3**	**142.7**	**137.6**	**122.9**	**549.4**	**398.9**	**464.8**	**458.5**	**461.8**	**461.9**	**462.0**	**461.6**
Share capital & retained earnings	53.9	60.3	97.3	92.6	209.4	339.8	343.4	348.1	352.9	357.8	362.7	368.1
Revaluation reserve	451.6	451.6	511.5	512.5	513.4	514.2	539.1	539.1	539.1	539.1	539.1	581.1
Merger reserve	0.0	0.0	0.0	0.0	-530.9	-530.9	-555.0	-555.0	-555.0	-555.0	-555.0	-555.0
Shareholders' or Total Equity (15)	**505.4**	**511.8**	**608.8**	**605.2**	**191.9**	**323.0**	**327.4**	**332.2**	**337.0**	**341.9**	**346.8**	**394.1**
Financing Activities (16)=(14)+(15)	**698.7**	**654.5**	**746.4**	**728.1**	**741.3**	**721.9**	**792.2**	**790.7**	**798.7**	**803.7**	**808.7**	**855.7**
Cashflow Statements (SGD mn)												
CFO												
PBT	5.8	7.7	7.8	6.7	7.6	4.9	5.1	5.9	5.9	6.0	6.0	6.5
Adjustments	1.3	1.4	1.4	2.1	1.6	2.8	3.3	3.3	3.3	3.3	3.3	3.3
Cash from ops before WC ex-financials' changes	7.1	9.1	9.2	8.8	9.2	7.6	8.3	9.1	9.1	9.3	9.3	9.8
WC ex-financials' changes	2.6	-0.2	-2.5	0.1	-2.9	3.3	7.9	4.3	-2.0	0.0	0.0	0.0
Cash generated from operations	9.7	8.9	6.7	8.9	6.3	10.9	16.2	13.4	7.1	9.3	9.3	9.8
Taxes paid, net of attributable finance	-1.1	-1.4	-1.4	0.2	0.1	-2.8	-1.3	1.5	-1.7	-0.8	-0.7	-0.8
Cashflow from Operations (17)	**8.6**	**7.5**	**5.2**	**9.0**	**6.4**	**8.1**	**14.9**	**14.9**	**5.4**	**8.6**	**8.6**	**9.0**
CFI												
PPE, land rights, intangibles net	-4.3	44.1	1.1	16.9	-11.3	28.0	-78.0	-6.0	-6.0	-6.0	-6.0	-6.0
Acquired subsidiaries						-430.5						
Cashflow from Investments (18)	**-4.3**	**44.1**	**1.1**	**16.9**	**-11.3**	**-402.5**	**-78.0**	**-6.0**	**-6.0**	**-6.0**	**-6.0**	**-6.0**
Cshflow from Enterprise (19)=(17)+(18)	**4.2**	**51.5**	**6.4**	**26.0**	**-4.9**	**-394.5**	**-63.1**	**8.9**	**-0.6**	**2.6**	**2.6**	**3.0**
CFF												
Share issuance, buy-back						126.8						
Loan from director, ultimate shareholder	-2.5	-35.5	-2.8	0.3	-0.4							
Loans, net of repayments	-1.5	-15.2	-0.6	-3.1	2.1	319.0	32.4	0.0	0.0	0.0	0.0	0.0
Dividends to shareholders & capital reduction				-10.0								
Finance expense, net of income	-1.0	-0.8	-0.7	-1.2	-0.6	-1.8	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3
Taxes paid, attributable finance	-0.1	-0.1	-0.1	-0.2	-0.1	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Cashflow from Financing (20)	**-5.2**	**-51.7**	**-4.3**	**-14.2**	**1.0**	**443.6**	**29.7**	**-2.6**	**-2.7**	**-2.7**	**-2.7**	**-2.7**
Net change in Cash (21)=(19)+(20)	**-0.9**	**-0.1**	**2.1**	**11.7**	**-3.9**	**49.1**	**-33.4**	**6.2**	**-3.2**	**-0.1**	**-0.1**	**0.3**
CCE, begin	2.8	1.9	1.8	3.9	15.6	11.7	60.9	27.4	33.7	30.4	30.3	30.2
CCE, end	**1.9**	**1.8**	**3.9**	**15.6**	**11.7**	**60.9**	**27.4**	**33.7**	**30.4**	**30.3**	**30.2**	**30.6**

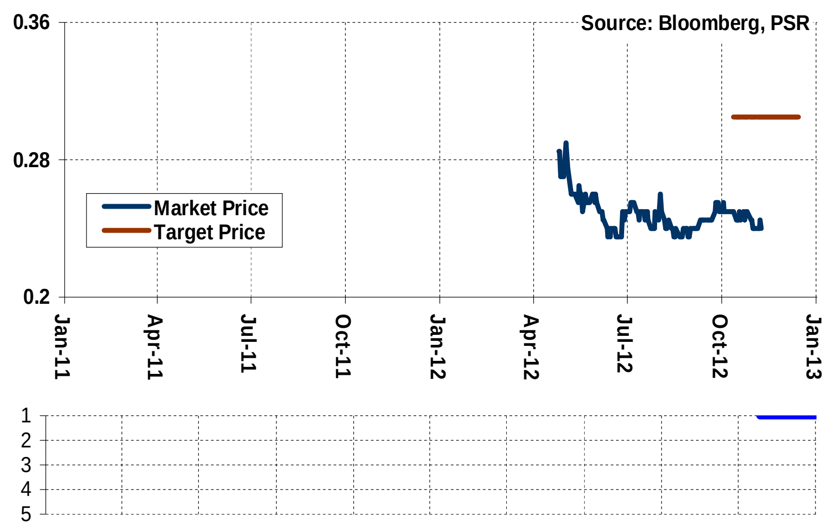
Source: PSR

PhillipCapital
Your Partner In Finance

FYE Dec (Based on average price between post-reporting date to now)	IPOed: Apr2012 FY07	FY08	FY09	FY10	FY11	(Forecasts based on last price)↓ FY12F	FY13F
Valuation							
P/B	na	na	na	na	na	0.76	0.64
EV/EBV (X) [EBV=Enterprise Book Value]	na	na	na	na	na	0.90	0.83
P/ND (X) [ND=Net Debt]	na	na	na	na	na	0.55	0.55
P/E (X)	na	na	na	na	na	13.36	12.67
DY (%)	na	na	na	na	na	6.0%	6.3%
Per share data (SG$)							
NBV	na	na	na	na	na	0.316	0.375
EBV	na	na	na	na	na	0.752	0.813
ND	na	na	na	na	na	0.436	0.439
EV	na	na	na	na	na	0.676	0.679
EPS	na	na	na	na	na	0.018	0.019
DPS	na	na	na	na	na	0.014	0.015
Growth (%)							
NBV per share	na	na	na	na	na	na	18.6%
EBV per share	na	na	na	na	na	na	8.2%
ND per share	na	na	na	na	na	na	0.7%
Revenue	39.2%	55.2%	-6.3%	27.9%	20.2%	13.5%	4.7%
Net Income	100.1%	104.7%	-16.2%	47.0%	13.9%	-16.5%	5.5%
Return & Margin (%)							
EBI/EBV	na	6.0%	3.7%	3.2%	3.4%	3.1%	3.2%
EBI/EBV (standard deviation, 5 years)	na	na	na	na	na	na	0.2%
ROE	na	8.0%	5.2%	4.0%	3.7%	5.7%	5.1%
Net Income/Revenue	33.1%	43.7%	39.1%	44.9%	42.6%	31.3%	31.6%
Income Statement (SGD mn)							
Revenue	**23.8**	**36.9**	**34.6**	**44.2**	**53.1**	**60.3**	**63.2**
EBIT	**13.2**	**22.9**	**19.6**	**27.1**	**30.8**	**30.3**	**33.5**
Taxation (net of attributable to finance)	-2.4	-4.1	-3.4	-4.8	-5.8	-5.8	-6.0
EBI	**10.9**	**18.8**	**16.1**	**22.3**	**25.0**	**24.5**	**27.4**
Net Finance (Expense)/Income	-3.6	-3.2	-3.2	-3.0	-2.9	-7.0	-9.0
Taxation (attributable to finance)	0.7	0.6	0.6	0.5	0.5	1.3	1.5
Profit After Tax	**7.9**	**16.1**	**13.5**	**19.9**	**22.6**	**18.9**	**19.9**
Less: Non-controlling Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	**7.9**	**16.1**	**13.5**	**19.9**	**22.6**	**18.9**	**19.9**
Effective tax rate %	18.0%	17.8%	17.5%	17.7%	19.0%	19.2%	18.4%
FYE Dec							
Balance Sheet (SGD mn)							
PPE		323.4	425.3	701.9	749.6	834.7	896.7
Total non-current enterprise assets (1)		**323.4**	**425.3**	**701.9**	**749.6**	**834.7**	**896.7**
Properties under development		0.0	23.8	26.8	0.0	0.0	0.0
Trade receivables		1.2	1.0	1.3	1.7	2.5	2.5
Other receivables		0.7	0.2	1.8	30.8	1.9	1.9
Total current enterprise assets (2)		**1.9**	**25.0**	**29.9**	**32.5**	**4.4**	**4.4**
Total Enterprise Assets (3)=(1)+(2)		**325.3**	**450.3**	**731.9**	**782.1**	**839.2**	**901.2**
Trade payables		3.1	3.9	6.1	18.1	12.0	10.0
Income tax payable		3.6	2.8	4.4	9.4	10.0	9.0
Total current enterprise liabilities (4)		**6.7**	**6.7**	**10.5**	**27.5**	**22.0**	**19.0**
Deferred tax		3.8	4.8	23.8	26.5	26.4	26.4
Total non-current enterprise liabilities (5)		**3.8**	**4.8**	**23.8**	**26.5**	**26.4**	**26.4**
Total Enterprise Liabilities (6)=(4)+(5)		**10.5**	**11.4**	**34.4**	**54.0**	**48.4**	**45.4**
Enterprise Book Value (7)=(3)-(6)		**314.9**	**438.8**	**697.5**	**728.1**	**790.7**	**855.7**
Term loans		6.4	12.2	7.9	129.6	18.3	18.3
Ultimate holding company		24.2	42.9	45.1	0.0	0.0	0.0
Total current financial liabilities (8)		**30.6**	**55.1**	**53.0**	**129.6**	**18.3**	**18.3**
Term loans		99.0	134.8	150.4	9.0	473.9	473.9
Total non-current financial liabilities (9)		**99.0**	**134.8**	**150.4**	**9.0**	**473.9**	**473.9**
Total Financial Liabilities (10)=(8)+(9)		**129.6**	**189.9**	**203.4**	**138.6**	**492.2**	**492.2**
Cash and cash equivalents		1.9	2.5	2.8	15.6	33.7	30.6
Ultimate holding company		14.8	11.0	4.2	0.0	0.0	0.0
Total current financial assets (11)		**16.7**	**13.4**	**7.0**	**15.6**	**33.7**	**30.6**
Others		0.0	0.0	0.0	0.0	0.0	0.0
Total non-current financial assets (12)		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total Financial Assets (13)=(11)+(12)		**16.7**	**13.4**	**7.0**	**15.6**	**33.7**	**30.6**
Net Debt (14)=(10)-(13)		**112.9**	**176.5**	**196.4**	**122.9**	**458.5**	**461.6**
Share capital & retained earnings		44.2	48.7	49.5	92.6	348.1	368.1
Revaluation reserve		157.8	213.7	451.6	512.5	539.1	581.1
Merger reserve		0.0	0.0	0.0	0.0	-555.0	-555.0
Shareholders' or Total Equity (15)		**201.9**	**262.3**	**501.1**	**605.2**	**332.2**	**394.1**
Financing Activities (16)=(14)+(15)		**314.9**	**438.8**	**697.5**	**728.1**	**790.7**	**855.7**
Cashflow Statements (SGD mn)							
CFO							
PBT		19.6	16.4	24.1	27.9	23.4	24.4
Adjustments		4.7	4.9	5.1	6.1	10.9	13.1
Cash from ops before WC ex-financials' changes		24.4	21.3	29.2	34.0	34.3	37.5
WC ex-financials' changes		-0.2	-22.3	-2.7	-0.1	12.5	-2.0
Cash generated from operations		24.2	-1.0	26.4	33.9	46.8	35.5
Taxes paid, net of attributable finance		-2.4	-4.2	-3.2	-4.9	-2.6	-4.0
Cashflow from Operations (17)		**21.8**	**-5.2**	**23.3**	**29.0**	**44.2**	**31.6**
CFI							
PPE, land rights, intangibles net		-25.6	-46.6	-20.9	57.9	-67.3	-24.0
Acquire subsidiaries						-430.5	
Cashflow from Investments (18)		**-25.6**	**-46.6**	**-20.9**	**57.9**	**-497.8**	**-24.0**
Cshflow from Enterprise (19)=(17)+(18)		**-3.7**	**-51.8**	**2.3**	**86.9**	**-453.6**	**7.6**
CFF							
Share issuance, buy-back		2.0				126.8	
Loan from ultimate holding company		10.8	22.5	9.0	-40.5	-0.4	
Loans, net of repayments		-0.5	41.5	11.4	-20.4	353.6	
Dividends to shareholders & capital reduction		-5.4	-9.0	-19.0	-10.0	0.0	
Finance expense, net of income		-3.3	-3.2	-3.9	-3.6	-7.0	-9.1
Taxes paid, attributable finance		0.6	0.6	0.5	0.5	-1.3	-1.5
Cashflow from Financing (20)		**4.2**	**52.3**	**-2.0**	**-74.1**	**471.6**	**-10.6**
Net change in Cash (21)=(19)+(20)		**0.4**	**0.5**	**0.4**	**12.8**	**18.0**	**-3.1**
CCE, begin		1.5	1.9	2.5	2.8	15.6	33.7
CCE, end		**1.9**	**2.5**	**2.8**	**15.6**	**33.7**	**30.6**

Source: PSR

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

Important Information

This publication is prepared by Phillip Securities Research Pte Ltd., 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101 (Registration Number: 198803136N), which is regulated by the Monetary Authority of Singapore ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication 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 document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources, which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication 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. In no event will 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 preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision, including, but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material 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 publication 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 publication 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 publication has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this publication 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 research 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 preparation or 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 preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, 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 preparation or 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 publication.

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 preparation or 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 preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold a interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this publication. 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 preparation or issuance of this report, which is not reflected in this material, 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 preparation or 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 preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

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.

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material 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 material may not be suitable for all investors and a person receiving or reading this material 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.

Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

This report is only for the purpose of distribution in Singapore.

PhillipCapital
Your Partner In Finance

Contact Information (Singapore Research Team)

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

Joshua Tan
Head of Research
Global Macro, Asset Strategy
+65 6531 1249
joshuatan@phillip.com.sg

Derrick Heng
Deputy Head of Research
SG Equity Strategy, Transport
+65 6531 1221
derrickhengch@phillip.com.sg

Magdalene Choong, CFA
Investment Analyst
Regional Gaming
+65 6531 1791
magdalenechoongss@phillip.com.sg

Go Choon Koay, Bryan
Investment Analyst
Property
+65 6531 1792
gock@phillip.com.sg

Travis Seah
Investment Analyst
REITs
+65 6531 1229
travisseahhk@phillip.com.sg

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

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

Roy Chen Chengzhi
Macro Analyst
Global Macro, Asset Strategy
+65 6531 1535
roychencz@phillip.com.sg

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

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

Contact Information (Regional Member Companies)

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

MALAYSIA
Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel: +60(3) 2162 8841
Fax: +60(3) 2166 5099
Website: www.poems.com.my

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

JAPAN
Phillip Securities Japan, Ltd
4-2 Nihonbashi Kabuto-cho Chuo-ku
Tokyo 103-0026
Japan
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) 635 1700 / 2268 0999
Fax: +66(2) 2268 0921
Website: www.phillip.co.th

FRANCE
King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance
75008 Paris
France
Tel: +33(1) 4563 3100
Fax: +33(1) 4563 6017
Website: www.kingandshaxson.com

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

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

AUSTRALIA
PhillipCapital Australia
Level 12, 15 William Street
Melbourne, Victoria 3000, Australia
Tel: +61(3) 9629 8288
Fax: +61(3) 9629 8882
Website: www.octaphillip.com