

Singapore Property

POSITIVE [Unchanged]

Building in Latest Enbloc Deals

Raising RNAVs and TPs for BS and GUOL

Bukit Sembawang and GuocoLand emerged as the winners of two recent enbloc deals. This raises their exposure to the impending pick up in Singapore's residential market. With stronger sales volume and ASPs achieved in the high-end market, we see scope for higher prices in the prime Orchard Road locale. Consequently, we raise our RNAVs and TPs for BS and GUOL by 4% and 2% respectively. Trading at 40%+ discount to RNAV, these two mid-cap developers offer compelling valuation when compared to their large cap peers.

Bukit Sembawang acquires Katong Park Towers

Bukit Sembawang has successfully tendered for Katong Park Towers. The redevelopment site is located in the East Coast and will be just 200m away from the future Katong Park MRT Station due to be completed in 2023. According to Cushman & Wakefield, the sale price of SGD345m translates into a land rate of SGD1,280 psf after taking into account SGD60m for the lease upgrading premium. This compares with SGD1,515 psf for Amber Park and SGD1,427 psf for Nanak Mansions. This reflects its leasehold status compared to freehold status for the other two sites. Assuming an eventual ASP of SGD2,200 psf, we estimate a development surplus of 22 SGD cts for this project.

GuocoLand JV acquires Pacific Mansion

Separately, GuocoLand announced that it has taken a 40% stake in the redevelopment of Pacific Mansion. The freehold redevelopment site is located in the River Valley locale and near the company's Martin Modern project. According to CBRE, the sale price of SGD980m translates into a land rate of SGD1,806 psf, including the bonus balcony area. This is a slight premium to the SGD1,733 psf paid for the Jiak Kim site sold in a recent government land tender. Assuming an eventual ASP of SGD3,200 psf, we estimate a development surplus of 6 SGD cts.

Tracking enbloc deals

These two deals bring the total value of properties sold enbloc this year to SGD5.6b from 1.9k units. Together with the 3.4k units sold last year, a total of 5.3k households will be on the hunt for replacement homes in the year ahead and will be a key driver of housing sales. We reiterate our view that this resurgent enbloc will front-load demand and push-out supply in the market.

Analyst

Derrick Heng, CFA
 (65) 6231 5843
 derrickheng@maybank-ke.com.sg

Property Developers

BBG Ticker	Rating	Price (SGD)	TP (SGD)	RNAV disc. (%)	P/BV (x)
CAPL	Buy	3.67	4.10	(33)	0.85
CIT	Buy	13.25	14.20	(7)	1.30
UOL	Buy	8.69	10.40	(25)	0.77
GUOL	Buy	2.11	3.00	(44)	0.64
BS	Buy	6.03	8.55	(44)	1.27
HOBEE	Buy	2.59	3.15	(42)	0.57

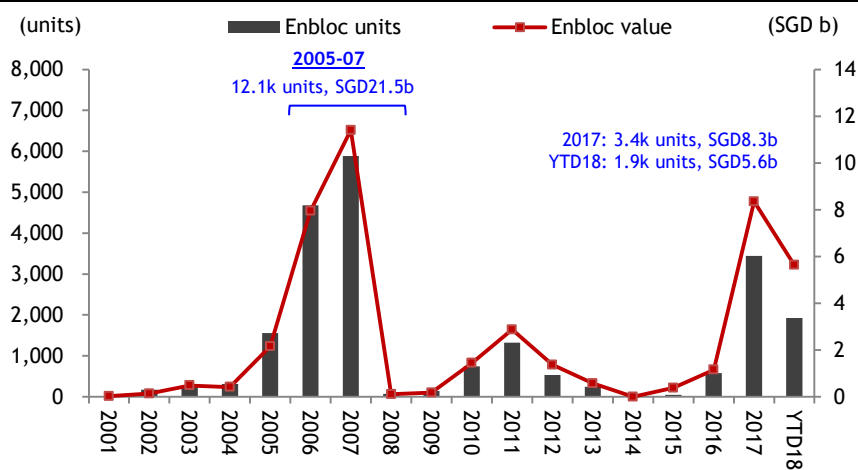
Source: Bloomberg, Maybank Kim Eng

Key changes

BBG Ticker		Rating		TP (SGD)	
		Old	New	Old	New
BS	➡	BUY	BUY	↑ 8.25	8.55
GUOL	➡	BUY	BUY	↑ 2.95	3.00

Source: Bloomberg, Maybank Kim Eng

Fig 1: Residential enbloc deals



Source: URA, Companies, KLL, Colliers, CBRE, Knight Frank, The Business Times, The Straits Times, Maybank Kim Eng estimates

Fig 2: Valuation comparison of property developers

Company	Rating	Price (SGD)	TP (SGD)	Upside (%)	MC (SGD b)	ADTV (SGD m)	Free Float (%)	RNAV (SGD)	Curr. prem/ (disc) (%)	Target prem/ (disc) (%)	BVPS (LC)	P/BV (x)	P/E (x)			Yield (%)	Net gearing (ND/E)
													17E	18E	19E	18E	
CapitaLand	Buy	3.67	4.10	12	15.5	37.4	60	5.49	(33)	(25)	4.33	0.85	10.0	10.6	13.3	3.3	3.5
City Developments	Buy	13.25	14.20	7	12.0	23.1	65	14.19	(7)	0	10.18	1.30	22.4	18.2	16.8	1.4	1.4
UOL	Buy	8.69	10.40	20	7.3	13.6	64	11.55	(25)	(10)	11.22	0.77	20.8	18.3	15.7	2.0	2.0
GuocoLand	Buy	2.11	3.00	42	2.5	1.4	22	3.75	(44)	(20)	3.30	0.64	7.0	10.3	10.6	3.3	3.3
Bukit Sembawang	Buy	6.03	8.55	42	1.6	1.8	59	10.68	(44)	(20)	4.73	1.27	46.9	9.8	9.7	5.5	5.5
Ho Bee	Buy	2.59	3.15	22	1.7	0.4	25	4.48	(42)	(30)	4.55	0.57	6.9	14.5	12.4	3.9	3.1
HK Land (USD)	NR	6.88			21.3	13.5	50				15.63	0.44	17.3	16.3	15.8	2.9	3.0
UIC	NR	3.28			4.7	0.2	8				4.51	0.73	n.a.	n.a.	n.a.	n.a.	n.a.
Mand. Orient. (USD)	NR	2.35			3.9	1.4	22				1.01	2.32	n.a.	n.a.	n.a.	n.a.	n.a.
Yanlord	NR	1.76			3.4	5.8	31				2.42	0.73	5.5	4.8	3.8	3.6	3.9
Wheelock Properties	NR	1.81			2.2	1.2	24				2.61	0.69	n.a.	n.a.	n.a.	n.a.	n.a.
Oxley	NR	0.52			2.0	1.8	17				0.30	1.71	9.2	11.3	8.4	n.a.	n.a.
Hotel Properties	NR	3.85			2.0	0.1	15				3.54	1.09	n.a.	n.a.	n.a.	n.a.	n.a.
OUE	NR	1.86			1.7	1.2	31				4.46	0.42	16.9	17.6	16.0	1.6	2.2
United Engineers	NR	2.60			1.7	0.6	49				2.93	0.89	18.5	n.a.	n.a.	2.7	n.a.
Perennial RE	NR	0.87			1.4	0.2	15				1.66	0.52	14.4	>100	>100	1.1	1.1
Fragrance	NR	0.16			1.1	0.0	14				0.16	0.97	n.a.	n.a.	n.a.	n.a.	n.a.
Metro Holdings	NR	1.16			1.0	0.3	52				1.77	0.66	n.a.	n.a.	n.a.	n.a.	n.a.
Straits Trading	NR	2.25			0.9	0.1	30				3.62	0.62	n.a.	n.a.	n.a.	n.a.	n.a.
Total				24	88	104			(32)	(18)		0.90	16.3	13.2	12.3	2.8	2.9

Prices as of 19 March. NR = Not Rated.

Source: Bloomberg, Factset, Companies, Maybank Kim Eng

GuocoLand (GUOL SP)

Raising Prime Residential Exposure

Maintain BUY with higher TP of SGD3.00

We lift FY18-20E EPS by 1-15% for newly-acquired Pacific Mansion and higher ASPs for Martin Modern. These are partially offset by higher financing costs from another SGD50m of perpetual securities raised since our last update. Its latest acquisition has increased its prime residential exposure and should allow the group to ride the improving market sentiment. We raise our TP to SGD3.00 from SGD2.95 after incorporating the latest changes, still at a 20% discount to RNAV. Maintain BUY. Risks from sharp property price falls in Singapore and China.

Acquires Pacific Mansion

GUOL has taken a 40% stake in the redevelopment of Pacific Mansion with other Hong Leong-linked entities. The freehold site is located in River Valley, near GUOL's Martin Modern project. According to CBRE, the sale price of SGD980m translates into a land rate of SGD1,806 psf, including bonus balcony areas. This is a slight premium to the SGD1,733 psf paid for a Jiak Kim site in a recent government land tender. Assuming an eventual ASP of SGD3,200 psf, we estimate a development surplus of 6 SGD cts. We believe our assumptions are not aggressive, given a strengthening market and SGD3,200 psf achieved at the recently launched New Futura.

Raising ASPs for Martin Modern

With brisk sales and higher achieved ASPs, we expect GUOL to raise prices for the unsold stock at Martin Modern. URA's latest data showed that 231 units have already been sold at this 450-unit project. We lift ASPs for unsold stock from SGD2,550-2,650 to SGD2,700-2,750 psf for the next two years.

Fund-raising not needed if sales stay brisk

Its 40% stake in Pacific Mansion puts its share of land cost at SGD392m. Assuming a 70% gearing, we believe its initial equity contribution of SGD118m can be comfortably funded. If our home-sales forecasts for its Singapore and China projects are met, we see no need for equity fund-raising. We do not rule out the latter if sales stall.

FYE Jun (SGD m)	FY16A	FY17A	FY18E	FY19E	FY20E
Revenue	1,060	1,113	1,199	1,696	1,745
EBITDA	243	229	304	392	396
Core net profit	135	364	335	243	235
Core EPS (cts)	12.1	32.8	30.2	21.9	21.2
Core EPS growth (%)	(40.6)	170.5	(8.1)	(27.5)	(3.3)
Net DPS (cts)	9.0	7.0	7.0	8.0	8.0
Core P/E (x)	17.4	6.4	7.0	9.6	10.0
P/BV (x)	0.7	0.7	0.6	0.6	0.6
Net dividend yield (%)	4.3	3.3	3.3	3.8	3.8
ROAE (%)	19.8	10.5	9.2	7.2	6.7
ROAA (%)	1.5	4.3	3.4	2.4	2.4
EV/EBITDA (x)	19.0	24.6	22.5	15.8	13.9
Net gearing (%) (incl perps)	69.7	84.2	85.3	67.6	51.4
Consensus net profit	-	-	338	230	210
MKE vs. Consensus (%)	-	-	(0.9)	13.7	20.7

Derrick Heng, CFA
 derrickheng@maybank-ke.com.sg
 (65) 6231 5843

BUY

Share Price SGD 2.11
 12m Price Target SGD 3.00 (+42%)
 Previous Price Target SGD 2.95

Statistics

52w high/low (SGD)	2.46/1.82
3m avg turnover (USDm)	1.0
Free float (%)	24.0
Issued shares (m)	1,183
Market capitalisation	SGD2.5B USD1.9B

Major shareholders:

Guoco Group Ltd.	65.2%
Guocoland Executives Share Option Scheme	6.2%
KWEK LENG HAI	3.0%

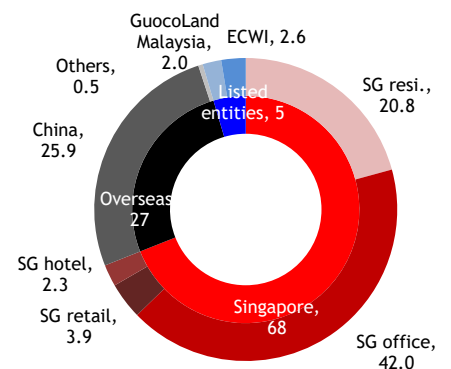
Price Performance



	-1M	-3M	-12M
Absolute (%)	(1)	(4)	13
Relative to index (%)	(2)	(7)	2

Source: FactSet

Exposure summary (% of valuation)



Source: Maybank Kim Eng

Fig 3: GuocoLand's RNAV and TP

We raise RNAV to SGD3.75 from SGD3.67 after ascribing higher ASPs for Martin Modern (+2cts) and incorporating its newly-acquired Pacific Mansion (+6cts).

Valuation	2018E (SGD m)	% of total (%)	per share (SGD)	Remarks
Singapore residential	1,898	20.8	1.71	Mid- to high-end projects.
Singapore investment properties	4,410	48.2	3.97	
Tanjong Pagar Centre	2,678	29.3	2.41	Office, hotel and retail.
Beach Road Site	1,254	13.7	1.13	3.5% cap rate for offices.
20 Collyer Quay	383	4.2	0.35	3.5% cap rate for offices.
Reversionary interests	95	1.0	0.09	Reversionary interests on 20 Collyer Quay and 61 Robinson Road.
China projects	2,373	25.9	2.14	Shanghai and Chongqing.
Changfeng Residence	458	5.0	0.41	50% stake in Shanghai residential project.
Chongqing Project	1,187	13.0	1.07	Mixed development.
Guoman Centre	172	1.9	0.16	Shanghai retail mall.
Guoman Hotel	132	1.4	0.12	Shanghai hotel.
Undeveloped land parcel in Shanghai, net	424	4.6	0.38	Market value of undeveloped land in Changfeng, Shanghai.
GuocoLand Malaysia	182	2.0	0.16	68% stake at market price of MYR1.20. Implied P/BV of 0.6x.
EcoWorld International	238	2.6	0.21	27% stake at Maybank KE TP of MYR1.10.
Others	44	0.5	0.04	
Gross asset value	9,144	100.0	8.24	
Less: adjusted net liabilities	(4,987)			Including perps.
RNAV	4,157			
Outstanding no. of shares (m)	1,110			
RNAV per share	3.75			
TP	3.00			Rounded.
RNAV discount (%)	(20)			

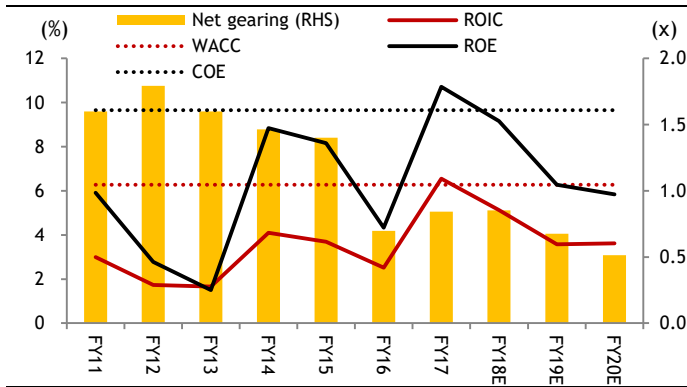
Note: RNAV = SGD3.73 if we use EcoWorld International's MYR1.00 market price instead of MBKE's TP of MYE1.10

Source: Maybank Kim Eng

Value Proposition

- Mid-cap property developer based in Singapore. It also has businesses in China, Malaysia and Vietnam.
- GuocoLand offers exposure to the mid to high-end residential market in Singapore.
- Returns could pick up as TPC turns operational and previously trapped capital in Dongzhimen is redeployed for better returns.
- Owens an effective 68% stake in GuocoLand Malaysia and 27% of EcoWorld International, both of which are listed on Bursa Malaysia.

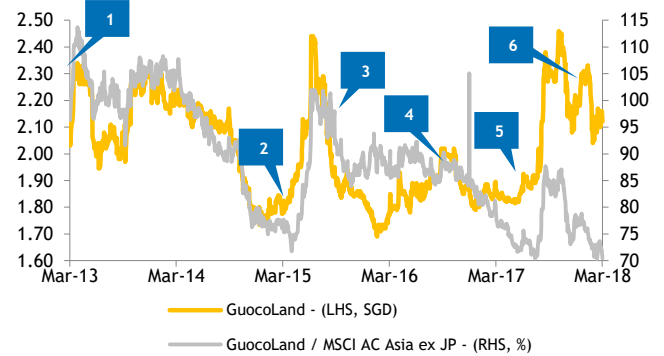
Returns vs cost of capital



Source: Company, Maybank Kim Eng

Price Drivers

Historical share price trend



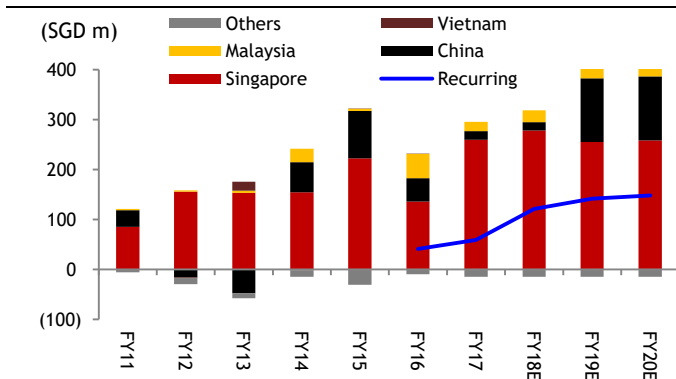
Source: Factset, Company, Maybank Kim Eng

- Stock peaked when market thought the home-price rally was unsustainable and expected cooling measures.
- Positive sector sentiment on privatisation of Keppel Land by Keppel Corp in early 2015.
- Exit from troubled project Dongzhimen.
- Company reported significant pick-up in pre-commitment levels for Guoco Tower.
- Singapore government relaxes cooling measures in March 2017 for the first time since GFC.
- Strong pace of sales at Martin Modern. Wallich Residence achieved high ASP of SGD4,000 psf.

Financial Metrics

- Singapore will continue to account for the bulk of the group's profits.
- We expect development sales recognition to improve over the next three years as sales momentum in the high-end market gathers pace.
- Completion of TPC will enhance its recurring income base. We expect recurring EBITDA to rise over three-fold to SGD140m+ a year by FY19E.
- We value its investment properties by adopting cap rate assumptions of 3.50% for offices, and 4.75% for hotels and retail. Our SGD2,400 psf valuation of Guoco Tower is not aggressive when compared to high prices seen in recent transactions.

EBITDA breakdown



Source: Company, Maybank Kim Eng

Swing Factors

Upside

- Strong rebound in high-end home prices in Singapore.
- Pick-up in office prices.
- Monetisation of commercial assets with outright sale or spin-off into funds.

Downside

- Overpaying for land.
- Poor execution of development project.
- Sharp increase in interest rates, which could dampen demand for properties and drive down asset prices.

FYE 30 Jun	FY16A	FY17A	FY18E	FY19E	FY20E
Key Metrics					
P/E (reported) (x)	3.5	5.8	7.0	9.0	9.2
Core P/E (x)	17.4	6.4	7.0	9.6	10.0
P/BV (x)	0.7	0.7	0.6	0.6	0.6
P/NTA (x)	0.7	0.7	0.6	0.6	0.6
Net dividend yield (%)	4.3	3.3	3.3	3.8	3.8
FCF yield (%)	20.6	nm	1.5	39.7	43.0
EV/EBITDA (x)	19.0	24.6	22.5	15.8	13.9
EV/EBIT (x)	19.8	25.3	23.6	16.3	14.4

INCOME STATEMENT (SGD m)

Revenue	1,059.8	1,113.2	1,198.7	1,695.8	1,744.7
Gross profit	232.7	222.1	289.8	378.0	381.8
EBITDA	242.8	228.6	303.8	392.0	395.8
Depreciation	(10.1)	(6.5)	(14.0)	(14.0)	(14.0)
EBIT	232.7	222.1	289.8	378.0	381.8
Net interest income / (exp)	(38.5)	(58.5)	(69.4)	(58.9)	(52.0)
Associates & JV	(2.7)	44.9	163.9	41.5	27.2
Exceptionals	562.0	(7.1)	0.0	0.0	0.0
Other pretax income	19.7	254.5	0.0	0.0	0.0
Pretax profit	773.2	455.8	384.3	360.6	357.1
Income tax	(150.7)	(43.2)	(40.0)	(63.9)	(64.6)
Minorities	(15.8)	(55.4)	(9.4)	(35.5)	(39.2)
Reported net profit	606.7	357.2	334.9	261.3	253.3
Core net profit	134.7	364.3	334.9	242.9	234.9
Preferred Dividends	(9.4)	0.0	0.0	(18.4)	(18.4)

BALANCE SHEET (SGD m)

Cash & Short Term Investments	1,430.2	1,118.5	997.9	597.7	795.2
Accounts receivable	401.8	199.0	200.0	300.0	400.0
Inventory	2,410.5	3,265.4	3,575.3	3,035.0	2,410.4
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	494.8	623.8	634.8	640.8	640.8
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	427.9	675.6	842.2	798.7	798.7
Other assets	2,741.4	3,073.4	4,267.7	4,352.0	4,456.6
Total assets	7,906.6	8,955.7	10,517.8	9,724.1	9,501.6
ST interest bearing debt	2,122.1	2,090.5	2,000.0	2,000.0	1,500.0
Accounts payable	339.4	377.3	400.0	500.0	600.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,708.2	2,254.0	3,000.0	1,900.0	1,900.0
Other liabilities	295.0	400.0	425.0	438.0	438.0
Total Liabilities	4,464.4	5,122.2	5,825.0	4,837.8	4,437.8
Shareholders Equity	3,276.1	3,529.9	3,787.1	3,952.2	4,098.4
Minority Interest	166.1	303.6	505.8	534.1	565.5
Total shareholder equity	3,442.2	3,833.4	4,292.8	4,486.4	4,663.9
Perpetual securities	0.0	0.0	400.0	400.0	400.0
Total liabilities and equity	7,906.6	8,955.7	10,517.8	9,724.1	9,501.6

CASH FLOW (SGD m)

Pretax profit	773.2	455.8	384.3	360.6	357.1
Depreciation & amortisation	10.1	6.5	14.0	14.0	14.0
Adj net interest (income)/exp	38.5	58.5	69.4	58.9	52.0
Change in working capital	484.4	(739.7)	(203.5)	622.5	689.6
Cash taxes paid	(184.8)	(59.2)	(40.0)	(63.9)	(64.6)
Other operating cash flow	(571.2)	(293.3)	(163.9)	(41.5)	(27.2)
Cash flow from operations	550.2	(571.3)	60.2	950.6	1,020.8
Capex	(67.8)	(98.5)	(25.0)	(20.0)	(14.0)
Free cash flow	482.3	(669.8)	35.2	930.6	1,006.8
Dividends paid	(55.5)	(99.9)	(77.7)	(77.7)	(88.8)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(1,371.2)	523.2	655.5	(1,100.0)	(500.0)
Perpetual securities distribution	(9.4)	0.0	0.0	(18.4)	(18.4)
Other invest/financing cash flow	2,010.7	(73.8)	(733.6)	(134.7)	(202.2)
Net cash flow	1,056.9	(320.2)	(120.6)	(400.2)	197.5

FYE 30 Jun	FY16A	FY17A	FY18E	FY19E	FY20E
Key Ratios					
Growth ratios (%)					
Revenue growth	(8.6)	5.0	7.7	41.5	2.9
EBITDA growth	(21.6)	(5.8)	32.9	29.0	1.0
EBIT growth	(22.5)	(4.6)	30.5	30.5	1.0
Pretax growth	142.6	(41.0)	(15.7)	(6.2)	(1.0)
Reported net profit growth	168.0	(41.1)	(6.2)	(22.0)	(3.0)
Core net profit growth	(40.6)	170.5	(8.1)	(27.5)	(3.3)
Profitability ratios (%)					
EBITDA margin	22.9	20.5	25.3	23.1	22.7
EBIT margin	22.0	19.9	24.2	22.3	21.9
Pretax profit margin	73.0	40.9	32.1	21.3	20.5
Payout ratio	16.5	21.7	23.2	34.0	35.1
DuPont analysis					
Net profit margin (%)	57.2	32.1	27.9	15.4	14.5
Revenue/Assets (x)	0.1	0.1	0.1	0.2	0.2
Assets/Equity (x)	2.4	2.5	2.8	2.5	2.3
ROAE (%)	19.8	10.5	9.2	7.2	6.7
ROAA (%)	1.5	4.3	3.4	2.4	2.4
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	1.7	1.8	2.0	2.1
Net gearing (%) (incl perps)	69.7	84.2	85.3	67.6	51.4
Net gearing (%) (excl. perps)	69.7	84.2	93.2	73.6	55.9
Net interest cover (x)	6.0	3.8	4.2	6.4	7.3
Debt/EBITDA (x)	15.8	19.0	16.5	9.9	8.6
Capex/revenue (%)	6.4	8.8	2.1	1.2	0.8
Net debt/ (net cash)	2,400.0	3,226.0	4,002.1	3,302.3	2,604.8

Source: Company; Maybank

Bukit Sembawang (BS SP)

Reloading on Condo Stock

Maintain BUY with high TP of SGD8.55

BS has acquired its first condominium site in a decade with Katong Park Towers. We expect management to launch the newly-acquired project just before the completion of a railway station nearby and expect it to contribute to earnings from FY21E onwards. Nonetheless, we lift FY19-20E EPS by 5% for higher ASPs at 8 Saint Thomas to reflect escalating land prices in the vicinity and strong prices seen at new launches in the prime area. We raise our RNAV-based TP to SGD8.55, based on an unchanged 20% discount to a revised RNAV of SGD10.68. Maintain BUY.

Acquires Katong Park Towers

Bukit Sembawang has successfully tendered for Katong Park Towers. The redevelopment site is located in the East Coast and is within 200m of the future Katong Park MRT Station due to be completed in 2023. According to Cushman & Wakefield, the sale price of SGD345m translates into a land rate of SGD1,280 psf after taking into account SGD60m to be paid to upgrade its land lease to 99 years. This compares with SGD1,515 psf for Amber Park and SGD1,427 psf for Nanak Mansions. The slight discount reflects its leasehold status compared to freehold status for the other two sites. Assuming an eventual ASP of SGD2,200 psf, we estimate a development surplus of 22 SGD cts for this project.

Raising ASPs for 8 Saint Thomas

Escalating land prices and strong prices seen at new launches in the prime area led us to raise ASP for 8 Saint Thomas to SGD2,800 psf (from SGD2,650 psf). The prime freehold project located just off River Valley Road should command a premium over Martin Modern given its freehold status. Furthermore, the recently announced deal for Pacific Mansion also paints a bullish picture for future prices in the area. Our assumption is not aggressive considering a strengthening market and SGD3,200 psf achieved at the recently launched New Futura.

Putting its over-capitalised balance sheet to work

The latest deal will put BS's overcapitalised balance sheet to work. With a net cash position of SGD227m as of Dec 2017, the company can comfortably fund this deal with its current resources. Even after building in the entire land cost to be incurred, its net gearing will only inch up to a moderate 0.04x in FY19E.

FYE Mar (SGD m)	FY16A	FY17A	FY18E	FY19E	FY20E
Revenue	282	143	110	464	461
EBITDA	104	80	37	190	193
Core net profit	92	72	33	159	162
Core EPS (cts)	35.5	28.0	12.9	61.5	62.4
Core EPS growth (%)	(0.8)	(21.2)	(54.1)	378.8	1.4
Net DPS (cts)	33.0	33.0	33.0	33.0	33.0
Core P/E (x)	17.0	21.5	46.9	9.8	9.7
P/BV (x)	1.2	1.2	1.3	1.2	1.1
Net dividend yield (%)	5.5	5.5	5.5	5.5	5.5
ROAE (%)	7.1	5.6	3.0	12.6	12.1
ROAA (%)	6.5	5.0	2.4	10.8	9.9
EV/EBITDA (x)	6.1	15.1	37.5	8.5	7.2
Net gearing (%) (incl perps)	net cash	net cash	net cash	3.9	net cash
Consensus net profit	-	-	37	150	154
MKE vs. Consensus (%)	-	-	(0.1)	6.3	5.2

Derrick Heng, CFA
 derrickheng@maybank-ke.com.sg
 (65) 6231 5843

BUY

Share Price	SGD 6.03
12m Price Target	SGD 8.55 (+42%)
Previous Price Target	SGD 8.25

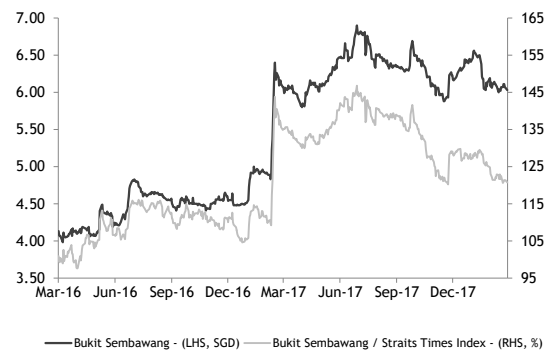
Statistics

52w high/low (SGD)	6.90/5.80
3m avg turnover (USDm)	1.3
Free float (%)	58.7
Issued shares (m)	259
Market capitalisation	SGD1.6B
	USD1.2B

Major shareholders:

LEE FAMILY /OCBC/	41.3%
Aberdeen Asset Management (Asia) Ltd.	8.0%
GuocoEquity Assets Ltd.	5.0%

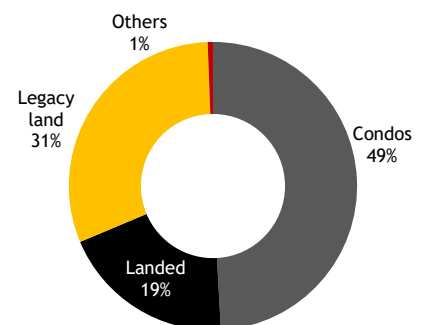
Price Performance



	-1M	-3M	-12M
Absolute (%)	(3)	(3)	(1)
Relative to index (%)	(3)	(6)	(11)

Source: FactSet

Exposure summary by asset value



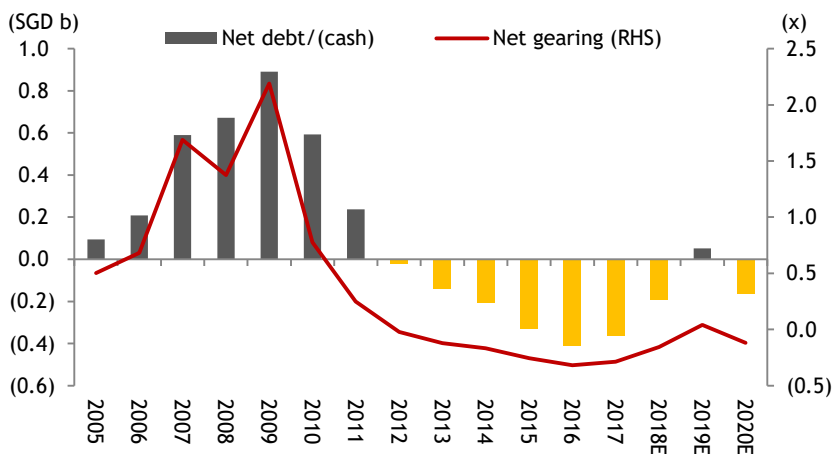
Source: Maybank Kim Eng

Fig 4: RNAV of Bukit Sembawang

We raise RNAV to SGD10.68 from SGD10.35 after ascribing higher ASPs for 8 Saint Thomas (+11cts) and incorporating its newly-acquired Katong Park Towers (+22cts). Condos form 49%, landed homes 19% and legacy land 31%.

Valuation	2018E (SGD m)	% of total (%)	per share (SGD)	Remarks
Singapore residential	3,026	99.4	11.69	
Paterson Collection	359	11.8	1.39	Paterson Collection is retained as serviced apartments.
Katong Park Towers	467	15.3	1.80	
Orchard / Telok Blangah area	669	22.0	2.58	8 St. Thomas and almost fully-sold Skyline Residences.
Sembawang / Seletar Hills area	595	19.5	2.30	Luxus Hills, Nim Collection & Watercove.
Undeveloped land at market value	936	30.7	3.61	Approximately 1.1m sf of saleable land area.
Investment properties	18	0.6	0.07	
Gross asset value	3,044	100.0	11.76	
Less/Add: adjusted net liabilities/assets	(279)			SGD227m net cash (Dec-17)
RNAV	2,765			
Outstanding no. of shares (m)	259			
RNAV per share	10.68			vs BVPS of SGD4.73.
Target price	8.55			
RNAV discount (%)	(20)			

Source: Company, Maybank Kim Eng

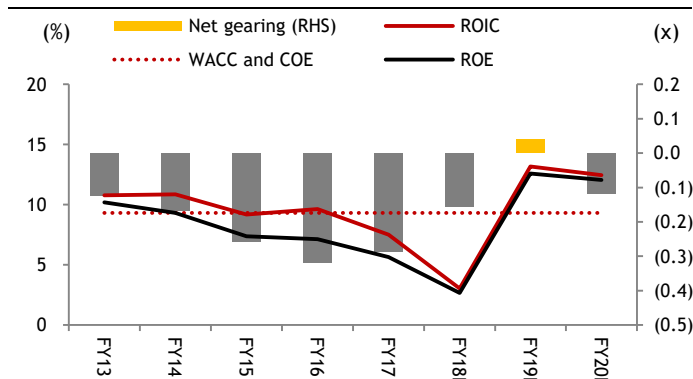
Fig 5: Slight gearing on its balance sheet in FY19E after this deal


Source: Company, Maybank Kim Eng

Value Proposition

- Singapore-based residential developer. Started building landed homes in the 1950s and made a big push into high-end condominiums in late 2000s.
- Concentrated proxy for Singapore’s residential market with almost all its assets in this market.
- Owns vast plots of land in Seletar Hills and Sembawang. Remaining parcels in Seletar Hills can possibly yield 1.1m sf of saleable area.
- We expect strong returns on capital as earnings rebound on stronger home sales in the next few years. FY19E ROE of 12% vs COE of 9%.

Returns vs cost of capital



Source: Company, Maybank Kim Eng

Price Drivers

Historical share price trend



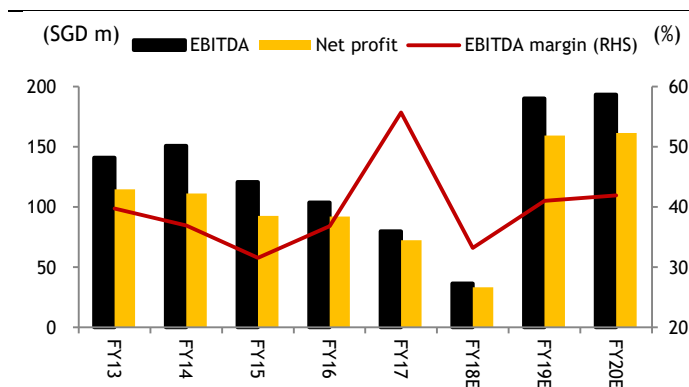
Source: Factset, Company, Maybank Kim Eng

7. Stock peaked when market thought the home-price rally was unsustainable and expected cooling measures.
8. Eighth round of cooling measures in Singapore in Jun 2013. Home sales have been plummeting since.
9. Resolved a long-standing dispute over Lot 12949A MK18. BS is now allowed to build homes on that land parcel by paying a differential premium.
10. Improving macro outlook in Singapore.
11. Government relaxed cooling measures in Mar 2017 for the first time since GFC.

Financial Metrics

- With improving sentiment in Singapore’s residential market, we expect a rebound in sales volume.
- High EBITDA margins due to low-cost legacy land bank.
- Impending launches include luxury condominium 8 St Thomas and landed housing projects, Nim Collection and Luxus Hills.
- 33cts DPS could be sustained by net cash & improving earnings.

Earnings to rebound



Source: Company

Swing Factors

Upside

- Rebound in home sales.
- Faster-than-expected monetisation of legacy land.
- Return of surplus capital to shareholders.

Downside

- Overpaying for land.
- Poor execution of development projects.
- Interest-rate spike could dampen demand for properties and drive down asset prices.
- Policy tightening.

derrickheng@maybank-ke.com.sg

FYE 31 Mar	FY16A	FY17A	FY18E	FY19E	FY20E
Key Metrics					
P/E (reported) (x)	12.4	16.5	42.2	9.8	9.7
Core P/E (x)	17.0	21.5	46.9	9.8	9.7
P/BV (x)	1.2	1.2	1.3	1.2	1.1
P/NTA (x)	1.2	1.2	1.3	1.2	1.1
Net dividend yield (%)	5.5	5.5	5.5	5.5	5.5
FCF yield (%)	10.5	2.3	nm	nm	19.3
EV/EBITDA (x)	6.1	15.1	37.5	8.5	7.2
EV/EBIT (x)	6.2	15.2	37.6	8.5	7.2

INCOME STATEMENT (SGD m)

Revenue	282.0	143.4	110.0	463.7	461.2
Gross profit	103.9	79.9	36.5	190.1	193.3
EBITDA	103.9	79.9	36.5	190.1	193.3
Depreciation	(0.2)	(0.3)	(0.1)	(0.1)	(0.1)
EBIT	103.7	79.6	36.4	190.0	193.2
Net interest income / (exp)	3.7	5.2	3.7	1.9	1.5
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	3.7	0.0	0.0
Other pretax income	(0.5)	(5.0)	0.0	0.0	0.0
Pretax profit	106.9	79.7	43.8	192.0	194.7
Income tax	(14.9)	(7.3)	(6.8)	(32.6)	(33.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Reported net profit	92.0	72.5	37.0	159.3	161.6
Core net profit	92.0	72.5	33.3	159.3	161.6
Preferred Dividends	0.0	0.0	0.0	0.0	0.0

BALANCE SHEET (SGD m)

Cash & Short Term Investments	411.9	365.4	192.2	149.7	363.8
Accounts receivable	92.4	24.5	20.0	40.0	50.0
Inventory	941.9	997.0	861.1	1,123.5	955.6
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	0.1	0.1	241.1	266.0	266.0
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	11.5	27.7	29.0	29.7	30.5
Total assets	1,457.7	1,414.7	1,343.4	1,609.0	1,665.9
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	141.0	111.8	90.0	80.0	60.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	0.0	0.0	0.0	201.0	201.0
Other liabilities	27.0	26.0	25.0	26.0	27.0
Total Liabilities	167.9	137.9	115.0	306.8	287.5
Shareholders Equity	1,289.8	1,276.8	1,228.4	1,302.3	1,378.4
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	1,289.8	1,276.8	1,228.4	1,302.3	1,378.4
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Total liabilities and equity	1,457.7	1,414.7	1,343.4	1,609.0	1,665.9

CASH FLOW (SGD m)

Pretax profit	106.9	79.7	43.8	192.0	194.7
Depreciation & amortisation	0.2	0.3	0.1	0.1	0.1
Adj net interest (income)/exp	(3.7)	(5.2)	(3.7)	(1.9)	(1.5)
Change in working capital	87.3	(19.7)	(121.0)	(288.4)	142.0
Cash taxes paid	(27.1)	(24.5)	(6.8)	(32.6)	(33.1)
Other operating cash flow	0.5	5.0	(3.7)	0.0	0.0
Cash flow from operations	164.1	35.7	(91.3)	(130.9)	302.2
Capex	(0.1)	(0.2)	(0.1)	(25.0)	(0.1)
Free cash flow	164.0	35.6	(91.4)	(155.9)	302.1
Dividends paid	(85.4)	(85.4)	(85.4)	(85.4)	(85.4)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0	201.0	0.0
Other invest/financing cash flow	4.0	3.3	3.7	(2.1)	(2.5)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	82.5	(46.5)	(173.2)	(42.4)	214.1

FYE 31 Mar	FY16A	FY17A	FY18E	FY19E	FY20E
Key Ratios					
Growth ratios (%)					
Revenue growth	(26.3)	(49.2)	(23.3)	321.5	(0.5)
EBITDA growth	(14.0)	(23.1)	(54.3)	420.4	1.7
EBIT growth	(14.0)	(23.2)	(54.2)	421.6	1.7
Pretax growth	(2.0)	(25.4)	(45.1)	338.4	1.4
Reported net profit growth	(0.8)	(21.2)	(49.0)	330.9	1.4
Core net profit growth	(0.8)	(21.2)	(54.1)	378.8	1.4
Profitability ratios (%)					
EBITDA margin	36.8	55.7	33.2	41.0	41.9
EBIT margin	36.8	55.5	33.1	41.0	41.9
Pretax profit margin	37.9	55.6	39.8	41.4	42.2
Payout ratio	92.9	117.9	231.1	53.6	52.9
DuPont analysis					
Net profit margin (%)	32.6	50.5	33.6	34.4	35.0
Revenue/Assets (x)	0.2	0.1	0.1	0.3	0.3
Assets/Equity (x)	1.1	1.1	1.1	1.2	1.2
ROAE (%)	7.1	5.6	3.0	12.6	12.1
ROAA (%)	6.5	5.0	2.4	10.8	9.9
Leverage & Expense Analysis					
Asset/Liability (x)	8.7	nm	nm	5.2	5.8
Net gearing (%) (incl perps)	net cash	net cash	net cash	3.9	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	3.9	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	0.0	0.0	0.0	1.1	1.0
Capex/revenue (%)	0.0	0.1	0.1	5.4	0.0
Net debt/ (net cash)	(411.9)	(365.4)	(192.2)	51.3	(162.8)

Source: Company; Maybank

Research Offices

REGIONAL

Sadiq CURRIMBHOY
Regional Head, Research & Economics
(65) 6231 5836
sadiq@maybank-ke.com.sg

WONG Chew Hann, CA
Regional Head of Institutional Research
(603) 2297 8686
wchewh@maybank-ib.com

ONG Seng Yeow
Regional Head of Retail Research
(65) 6231 5839
ongsengyeow@maybank-ke.com.sg

TAN Sin Mui
Director of Research
(65) 6231 5849
sinmui@kimeng.com.hk

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | China
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank-ke.com.sg

LEE Ju Ye
Singapore
(65) 6231 5844
leejuye@maybank-ke.com.sg

Dr Zamros DZULKAFLI
(603) 2297 8618
zamros.d@maybank-ib.com

Ramesh LANKANATHAN
(603) 2297 8685
ramesh.l@maybank-ib.com

FX

Saktiandi SUPAAT
Head, FX Research
(65) 6320 1379
saktiandi@maybank.com.sg

Christopher WONG
(65) 6320 1347
wongkl@maybank.com.sg

Leslie TANG
(65) 6320 1378
leslietang@maybank.com.sg

Fiona LIM
(65) 6320 1374
fionalim@maybank.com.sg

STRATEGY

Sadiq CURRIMBHOY
Global Strategist
(65) 6231 5836
sadiq@maybank-ke.com.sg

Willie CHAN
Hong Kong / Regional
(852) 2268 0631
williechan@kimeng.com.hk

FIXED INCOME

Winson Phoon, ACA
(65) 6231 5831
winsonphoon@maybank-ke.com.sg

Se Tho Mun Yi
(603) 2074 7606
munyi.st@maybank-ib.com

MALAYSIA

WONG Chew Hann, CA *Head of Research*
(603) 2297 8686 wchewh@maybank-ib.com
• Strategy

Desmond CH'NG, ACA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas Services- Regional

ONG Chee Ting, CA
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

Mohshin AZIZ
(603) 2297 8692 mohshin.aziz@maybank-ib.com
• Aviation - Regional • Petrochem

YIN Shao Yang, CPA
(603) 2297 8916 samuel.y@maybank-ib.com
• Gaming - Regional • Media

TAN Chi Wei, CFA
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com
• Property

LEE Yen Ling
(603) 2297 8691 lee.yl@maybank-ib.com
• Building Materials • Glove • Ports • Shipping

Ivan YAP
(603) 2297 8612 ivan.yap@maybank-ib.com
• Automotive • Semiconductor • Technology

Kevin WONG
(603) 2082 6824 kevin.wong@maybank-ib.com
• REITs • Consumer Discretionary

LIEW Wei Han
(603) 2297 8676 weihan.l@maybank-ib.com
• Consumer Staples

Adrian WONG
(603) 2297 8675 adrian.wkj@maybank-ib.com
• Constructions • Healthcare

Jade TAM
(603) 2297 8687 jade.tam@maybank-ib.com
• Media • Building Materials

Mohd Hafiz Hassan
(603) 2082 6819 mohdhafiz.ha@maybank-ib.com
• Small & Mid Caps

TEE Sze Chiah *Head of Retail Research*
(603) 2082 6858 szechiah.t@maybank-ib.com

Nik Ihsan Raja Abdullah, MSTA, CFTe
(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com

SINGAPORE

Neel SINHA *Head of Research*
(65) 6231 5838 neelsinha@maybank-ke.com.sg
• Strategy
• SMID Caps - Regional

CHUA Su Tye
(65) 6231 5842 chuasutye@maybank-ke.com.sg
• REITs

Derrick HENG, CFA
(65) 6231 5843 derrickheng@maybank-ke.com.sg
• Property • REITs (Office)

Luis HILADO
(65) 6231 5848 luishilado@maybank-ke.com.sg
• Telcos

John CHEONG, CFA
(65) 6231 5845 johncheong@maybank-ke.com.sg
• Small & Mid Caps • Healthcare • Transport

NG Li Hiang
(65) 6231 5840 nglhiang@maybank-ke.com.sg
• Banks

LAI Gene Lih
(65) 6231 5832 laigenetih@maybank-ke.com.sg
• Technology

HONG KONG / CHINA

Christopher WONG
(852) 2268 0652
christopherwong@kimeng.com.hk
• HK & China Properties

Jacqueline KO, CFA
(852) 2268 0633 jacquelineko@kimeng.com.hk
• Consumer Staples & Durables

Ka Leong LO, CFA
(852) 2268 0630 kll@kimeng.com.hk
• Consumer Discretionary & Auto

Mitchell KIM
(852) 2268 0634 mitchellkim@kimeng.com.hk
• Internet & Telcos

Ricky NG, CFA
(852) 2268 0689 rickyng@kimeng.com.hk
• Regional Renewables
• HK & China Properties

Sonija LI, CFA, FRM
(852) 2268 0641 sonijali@kimeng.com.hk
• Gaming

Stefan CHANG, CFA
(852) 2268 0675 stefanchang@kimeng.com.hk
• Technology - Regional

Bonny WENG
(852) 2268 0644 bonnyweng@kimeng.com.hk
• Technology - Regional

Tony REN, CFA
(852) 2268 0640 tonnyren@kimeng.com.hk
• Healthcare & Pharmaceutical

INDIA

Jigar SHAH *Head of Research*
(91) 22 6623 2632 jigar@maybank-ke.co.in
• Strategy • Oil & Gas • Automobile • Cement

Vishal MODI
(91) 22 6623 2607 vishal@maybank-ke.co.in
• Banking & Financials

Neerav DALAL
(91) 22 6623 2606 neerav@maybank-ke.co.in
• Software Technology • Telcos

Vishal PERIWAL
(91) 22 6623 2605 vishalperiwa@maybank-ke.co.in
• Infrastructure

INDONESIA

Isnapura ISKANDAR *Head of Research*
(62) 21 8066 8680
isnaputra.iskandar@maybank-ke.co.id
• Strategy • Metals & Mining • Cement

Rahmi MARINA
(62) 21 8066 8689
rahmi.marina@maybank-ke.co.id
• Banking & Finance

Aurellia SETIABUDI
(62) 21 8066 8691
aurellia.setiabudi@maybank-ke.co.id
• Property

Janni ASMAN
(62) 21 8066 8687
janni.asman@maybank-ke.co.id
• Cigarette • Healthcare • Retail

PHILIPPINES

Minda OLONAN *Head of Research*
(63) 2 849 8840
minda_olonan@maybank-atrke.com
• Strategy

Katherine TAN
(63) 2 849 8843
kat_tan@maybank-atrke.com
• Banks • Construction

Luis HILADO
(65) 6231 5848 luishilado@maybank-ke.com.sg
• Telcos

THAILAND

Maria LAPIZ *Head of Institutional Research*
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
Maria.L@maybank-ke.co.th
• Strategy • Consumer • Materials • Ind. Estates
• Oil & Gas • Telcos

Sittichai DUANGRATTANACHAYA
(66) 2658 6300 ext 1393
Sittichai.D@maybank-ke.co.th
• Services Sector • Transport • Property • Telcos

Tanawat RUENBANTERNG
(66) 2658 6300 ext 1394
Tanawat.R@maybank-ke.co.th
• Banks & Diversified Financials

Ornmongkol TANTITANATORN
(66) 2658 6300 ext 1395
ormmongkol.t@maybank-ke.co.th
• Oil & Gas

Sukit UDOMSIRIKUL *Head of Retail Research*
(66) 2658 5000 ext 5090
Sukit.u@maybank-ke.co.th

Ekachai TARAPORNITIP *Deputy Head*
(66) 2658 5000 ext 1530
Ekachai.t@maybank-ke.co.th

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
Surachai.p@maybank-ke.co.th
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank-ke.co.th
• Media • Commerce

Sutthichai KUMWORACHAI
(66) 2658 5000 ext 1400
sutthichai.k@maybank-ke.co.th
• Energy • Petrochem

Termporn TANTIVIVAT
(66) 2658 5000 ext 1520
termporn.t@maybank-ke.co.th
• Property

Jaroopan WATTANAWONG
(66) 2658 5000 ext 1404
jaroopan.w@maybank-ke.co.th
• Transportation • Small cap

Sorabhol VIRAMTEEKUL *Head of Digital Research*
(66) 2658 5000 ext 1550
sorabhol.v@maybank-ke.co.th
• Food, Transportation

Wijit ARAYAPISIT
(66) 2658 5000 ext 1450
wijit.a@maybank-ke.co.th
• Strategist

VIETNAM

LE Hong Lien, ACCA
Head of Institutional Research
(84 28) 44 555 888 x 8181
lien.le@maybank-kimeng.com.vn
• Strategy • Consumer • Diversified

THAI Quang Trung, CFA,
Deputy Head, Institutional Research
(84 28) 44 555 888 x 8180
trung.thai@maybank-kimeng.com.vn
• Real Estate • Construction • Materials

LE Nguyen Nhat Chuyen
(84 28) 44 555 888 x 8082
chuyen.le@maybank-kimeng.com.vn
• Oil & Gas

NGUYEN Thi Ngan Tuyen,
Head of Retail Research
(84 28) 44 555 888 x 8081
tuyen.nguyen@maybank-kimeng.com.vn
• Food & Beverage • Oil & Gas • Banking

TRUONG Quang Binh,
Deputy Head, Retail Research
(84 28) 44 555 888 x 8087
binh.truong@maybank-kimeng.com.vn
• Rubber Plantation • Tyres & Tubes • Oil & Gas

TRINH Thi Ngoc Diep
(84 28) 44 555 888 x 8208
diep.trinh@maybank-kimeng.com.vn
• Technology • Utilities • Construction

NGUYEN Thi Sony Tra Mi
(84 28) 44 555 888 x 8084
mi.nguyen@maybank-kimeng.com.vn
• Port Operation • Pharmaceutical
• Food & Beverage

NGUYEN Thanh Lam
(84 28) 44 555 888 x 8086
thanhlam.nguyen@maybank-kimeng.com.vn
• Technical Analysis

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Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136


Philippines

Maybank ATR Kim Eng Securities Inc.
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 849 8888
Fax: (63) 2 848 5738


South Asia Sales Trading

Kevin Foy
Regional Head Sales Trading
kevinfoy@maybank-ke.com.sg
Tel: (65) 6636-3620
US Toll Free: 1-866-406-7447

Malaysia

Joann Lim
joann.lim@maybank-ib.com
Tel: (603) 2717 5166

Indonesia

Hariato Liong
hariato.liong@maybank-ke.co.id
Tel: (62) 21 2557 1177

New York

James Lynch
jlynch@maybank-keusa.com
Tel: (212) 688 8886

Vietnam

Patrick Mitchell
patrick.mitchell@maybank-kimeng.com.vn
Tel: (84)-8-44-555-888 x8080


Singapore

Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090


Hong Kong

Kim Eng Securities (HK) Ltd
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104


Thailand

Maybank Kim Eng Securities
(Thailand) Public Company Limited
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)


North Asia Sales Trading

Andrew Lee
andrewlee@kimeng.com.hk
Tel: (852) 2268 0283
US Toll Free: 1 877 837 7635

Thailand

Tanasak Krishnasreni
Tanasak.K@maybank-ke.co.th
Tel: (66)2 658 6820

London

Mark Howe
mhowe@maybank-ke.co.uk
Tel: (44) 207-332-0221

India

Sanjay Makhija
sanjaymakhija@maybank-ke.co.in
Tel: (91)-22-6623-2629

Philippines

Keith Roy
keith_roy@maybank-atrke.com
Tel: (63) 2 848-5288


London

Maybank Kim Eng Securities
(London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302


Indonesia

PT Maybank Kim Eng Securities
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189


Vietnam

Maybank Kim Eng Securities Limited
4A-15+16 Floor Vincom Center Dong
Khoi, 72 Le Thanh Ton St. District 1
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888
Fax : (84) 8 38 271 030


New York

Maybank Kim Eng Securities USA
Inc
777 Third Avenue, 21st Floor
New York, NY 10017, U.S.A.

Tel: (212) 688 8886
Fax: (212) 688 3500


India

Kim Eng Securities India Pvt Ltd
2nd Floor, The International,
16, Maharishi Karve Road,
Churchgate Station,
Mumbai City - 400 020, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604


Saudi Arabia

In association with
Anfaal Capital
Villa 47, Tujjar Jeddah
Prince Mohammed bin Abdulaziz
Street P.O. Box 126575
Jeddah 21352

Tel: (966) 2 6068686
Fax: (966) 26068787