

Market Indicators

	16-Aug	17-Aug	20-Aug
Mkt. T/O (S\$ mil)	1,025.7	968.2	846.8
Stock Advances	162	203	211
Stock Declines	253	181	185

Major Indices

	16-Aug	17-Aug	20-Aug
DJ Ind Avg	25,558.7	25,669.3	25,758.7
S & P 500	2,840.7	2,850.1	2,857.1
Nasdaq Comp	7,806.5	7,816.3	7,821.0
Hang Seng	27,100.1	27,213.4	27,598.0

STI Index 3,204.71 (-0.15%)

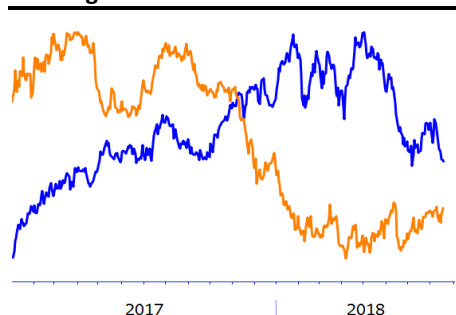


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,191.33	0.25%
Oil (NYMEX CWT11) US\$ / bbl	66.65	1.05%
Baltic Dry Index	1723	0.17%

Exchange Rates



USD : SGD 1.3690 / MYR : SGD 2.9882

Source: Bloomberg

Interest Rates

3-mth Sibor	1.635%
SGS (10 yr)	2.392%

KGI Securities Research Team

KGI Market Ideas

Over the next twelve months, our strategy is to sell into strength and build up a defensive portfolio. Among names in this theme that we like are SingTel, ST Engineering, ComfortDelGro, REITS (Fraser's Centrepoint Trust, Keppel DC REIT, Manulife US REIT, Mapletree Industrial Trust), Hospitals (Raffles Medical Group) and consumer staples (Sheng Siong). Under the utilities sector, we added Sembcorp Industries and Netlink NBN Trust to our defensive portfolio.

Results Summary

MindChamps: MindChamps reported 2Q18 net profits of S\$1.26mn, (+83% YoY), above our estimates of S\$1.1mn. Revenues rose 60% YoY to S\$7.65mn but were offset by higher operating costs (Administrative Expenses +84% YoY, Marketing Expenses +82% YoY) from an increase in the number of staff and marketing campaigns to support overseas expansion. Following our call with management, we understand that strong growth in marketing and administrative costs will be slower in 2H18 as the structures and staffs for expansion are now in place. In this regard, we think that operating profits will continue to improve in 2H18 and we maintain a BUY on MindChamps with an unchanged TP of S\$0.86.

Cityneon: The group recorded yet another stellar quarter, with 2Q18 earnings of S\$9.0mn (+114.0% YoY). This came on the back of a 1.5% increase in revenue to S\$31.9mn, and a shift in revenue mix to a higher proportion of revenue from the IP segment. As at 1H18, the IP segment accounted for 52.5% of total revenue, compared to 31.0% a year ago. The traditional business segments remained flat, in line with expectations as well. The Group has also strengthened its IP business segment with the acquisition of its 4th IP: The Hunger Games: The Exhibition (THG Exhibition), and has suggested that it should complete 5th IP discussions in 2H18. Overall 1H18 earnings make up 48.2% of our 2018F estimates of S\$26.9mn. Valuations are still attractive with Cityneon trading at 10.5x 2018F EPS, compared to our S\$1.51 fair value, based on 14.0x 2018F EPS. Long term growth prospects for the group are still bright. We note that the group has increased its borrowings significantly to fund its growth. While this may not be cause for concern at the moment, higher and faster growth, funded by debt, could bring about liquidity concerns.

Accordia Golf Trust (AGT): Reported a weak set of 1Q19 numbers due to unfavourable weather and an earthquake around Osaka in June 2018. However, we think at its current share price of S\$0.565, it is too cheap to ignore. We expect DPU to decline to 4.0 SG in FY2019E (YE March) due to one-off expenses and expect it to recover to 5.2 SG cents in FY2020E, implying an attracting 7.1% - 9.3% dividend yield over the next two years. Several events including change in senior management and the refinancing of its loans are paving the way for DPU-accretive acquisitions. AGT's loan-to-valuation (LTV) ratio currently stands at 30.4%, providing it ample debt headroom to acquire golf courses.

Results Update

- **Accordia Golf Trust (AGT SP; BUY; TP: S\$0.70):** It's a new dawn, It's a new day - Page 5
- **Cityneon Holdings (CITN SP; BUY; TP: S\$1.51):** Cityneon continues to deliver yet another stellar quarter - Page 6
- **Japan Foods Holding (JFOOD SP; BUY; TP: S\$0.64):** Venturing beyond Singapore; Indonesia a promising market - Page 7

Recent In depth Regional Reports	
20/8	TH Non-Bank Sector (Overweight): 2Q18 earnings summary: Loan & NPL growth acceleration
20/8	TH ICT Sector (Neutral): ADVANC and DTAC each won one license for 1800 MHz
20/8	TH Central Plaza Hotel (CENTEL TB; Neutral; TP: Bt 45.50): Hotel business growth hiccup
20/8	TH Chememan (CMAN TB; Outperform; TP: Bt 4.00): Grab it or lose it
20/8	TH Gulf Energy Development (GULF TB; Neutral; TP: Bt 71.50): Further expansion in Vietnam
20/8	TH True Corporation (TRUE TB; Outperform; TP: Bt 9.00): Growth momentum ahead
17/8	SG Accordia Golf Trust (AGT SP; BUY; TP: S\$0.700): It's a new dawn, It's a new day
17/8	TW Feng Tay (9910 TT; Outperform; TP: NT\$211.0): An unshakeable market position
17/8	HK Minsheng Education (1569 HK; Outperform; TP: HK\$1.55): Limited impact of private education law on higher education segment
17/8	TH Economic: 2Q18 GDP expected to grow 5.0% YoY
17/8	TH Bangkok Airways (BA TB; Neutral; TP: Bt 18.60): Better outlook
17/8	TH Banpu (BANPU TB; Outperform; TP: Bt 26.00): Brighter coal outlook
17/8	TH BTS Group Holdings (BTS TB; Outperform; TP: Bt 11.20): Brighter outlook ahead
17/8	TH Carabao Group (CBG TB; Neutral; TP: Bt 45.00): Still struggling to make it in big markets
17/8	TH Eastern Polymer Group (EPG TB; Outperform; TP: Bt 9.10): No worries, always happy
17/8	TH Robinson Department Store (ROBINS TB; Outperform; TP: Bt 83.00): Performance improved by GPM and rental income
17/8	TH Siam Makro (MAKRO TB; Neutral; TP: Bt 39.00): Still pressured by fresh food price and expansion cost
16/8	SG Cityneon Holdings (CITN SP; BUY; TP: S\$1.510): Cityneon continues to deliver yet another stellar quarter
16/8	SG Japan Foods Holding (JFOOD SP; BUY; TP: S\$0.640): Venturing beyond Singapore; Indonesia a promising market
16/8	TW E. Sun FHC (2884 TT; Neutral; TP: NT\$22.50): Investment income boosts 2Q18 earnings; prudent guidance for 2H18F
16/8	TW Taiwan Paiho (9938 TT; Outperform; TP: NT\$80.00): High season just around the corner
16/8	TW ZILLTEK (6679 TT; Not Rated): Promising start-up to capture MEMS microphone market
16/8	HK ANTA Sports (2020 HK; Outperform; TP: HK\$48.60): Bigger challenges, higher returns
16/8	HK Li Ning Company (2331 HK; Neutral; TP: HK\$8.70): 1H18 results beat; operating margin recovery on track
16/8	HK Wisdom Education (6068 HK; Outperform; TP: HK\$5.20): Long-term M&A path possibly negative
16/8	TH Strategy: 2Q18 results snapshot Local macro plays led the pack
16/8	TH BCPG Pcl. (BCPG TB; Neutral; TP: Bt 18.40): New investment increases attractiveness
16/8	TH Bumrungrad Hospital (BH TB; Outperform; TP: Bt 236.00): Entering another high season in 3Q
16/8	TH Central Pattana (CPN TB; Outperform; TP: Bt 90.50): More catalysts on the horizon
16/8	TH PTT Exploration and Production (PTTEP TB; Neutral; TP: Bt 142.00): Growth ahead
15/8	TW CTBC FHC (2891 TT; Outperform; TP: NT\$25.00): Core business growth in 2H18F continues to benefit from US rate hike expectation
15/8	TW Taimide Tech. (3645 TT; Neutral; TP: NT\$80.00): Ambitious portfolio targeting optical-grade PI & modified PI niche markets
15/8	TW TWi Biotech (6610 TT; Not Rated): A small but complete package
15/8	HK China Lilang (1234 HK; Outperform; TP: HK\$14.20): 1H18 results slightly beat; momentum to continue in 2H18F
15/8	HK Sunny Optical Technology (2382 HK; Neutral; TP: HK\$98.00): Disappointing 1H18; forex a key swing factor
15/8	CN/HK Economy: Brief pickup likely from August on faster government investment & slower decline in shadow banking
15/8	TH Commodities Update: Trade dispute between the two largest economies
15/8	TH AMATA Corporation PCL (AMATA TB; Outperform; TP: Bt 30.00): 2Q18 earnings review: Missed forecast
15/8	TH AP (Thailand) (AP TB; Neutral; TP: Bt 10.00): Strong earnings on front loaded transfer
15/8	TH C.P. All (CPALL TB; Outperform; TP: Bt 87.00): Just a stumble over a small puddle
15/8	TH Central Pattana (CPN TB; Outperform; TP: Bt 90.50): 2Q18 earnings review: In line result
15/8	TH Central Plaza Hotel (CENTEL TB; Neutral; TP: Bt 49.00): 2Q18 earnings review: Slower growth momentum
15/8	TH CH. Karnchang (CK TB; Outperform; TP: Bt 32.10): 2Q18 earnings review: In line with forecast
15/8	TH Dynasty Ceramic (DCC TB; Neutral; TP: Bt 2.780): 2Q18 earnings review: Gross margin rebounded
15/8	TH GFPT (GFPT TB; Underperform; TP: Bt 10.30): 2Q18 earnings review: Beat our forecast
15/8	TH Land and Houses (LH TB; Outperform; TP: Bt 13.40): 2Q18 earnings review: In line with our forecast
15/8	TH Quality Houses (QH TB; Neutral; TP: Bt 3.40): Current price already reflects all of the boons
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Recent In depth Regional Reports

15/8	TH Ratchaburi Electricity (RATCH TB; Outperform; TP: Bt 66.00): 2Q18 earnings review: In line with our forecast
15/8	TH RS (RS TB; Outperform; TP: Bt 28.75): Bottoming out
15/8	TH Sahakol Equipment (SQ TB; Neutral; TP: Bt 4.30): 2Q18 earnings review: Quarterly net loss
15/8	TH Sansiri (SIRI TB; Neutral; TP: Bt 2.00): 2Q18 earnings review: In line with forecast
15/8	TH SCI Electric (Thailand) (SCI TB; Under Review; TP: Under Review): 2Q18 earnings review: FX gains supported
15/8	TH Srisawad Corporation (SAWAD TB; Outperform; TP: Bt 48.00): 2Q18 earnings review: Turning more normalized
15/8	TH Star Petroleum Refining (SPRC TB; Outperform; TP: Bt 15.20): 2Q18 earnings review: Stock gains beat
15/8	TH Supalai (SPALI TB; Outperform; TP: Bt 29.00): 2Q18 earnings review: 11% below expectation
15/8	TH The Erawan Group (ERW TB; Outperform; TP: Bt 9.60): 2Q18 earnings review: Lower than expected
15/8	TH TOA Paint (Thailand) (TOA TB; Neutral; TP: Bt 38.25): 2Q18 earnings review: Weaker than expected
15/8	TH True Corporation (TRUE TB; Outperform; TP: Bt 7.40): 2Q18 earnings review: Distorted by extra items
15/8	TH WHA Corporation PCL (WHA TB; Outperform; TP: Bt 4.60): Challenges in the second half
14/8	GLOBAL Turkey lira crisis: Trump stokes turmoil in Turkey, but markets sweep most political events under the rug within days
14/8	TW Strategy: 2Q18 results a mixed bag; eyes on counters with decent 2H18 outlooks
14/8	TW Asia Cement (1102 TT; Outperform; TP: NT\$51.00): Record 2Q18 results; further price hikes underway
14/8	TW FENC (1402 TT; Outperform; TP: NT\$36.00): 2Q18 earnings beat consensus
14/8	TW Global PMX (4551 TT; Outperform; TP: NT\$158.00): Growing pains to be followed by robust EPS growth in 2019F
14/8	TW Innolux (3481 TT; Neutral; TP: NT\$11.20): 2Q18 a loss on undistributed earnings; recovery in latest price quotes
14/8	TW Inventec (2356 TT; Outperform; TP: NT\$28.00): 2Q18 EPS beats; operating margin stable on improving product mix
14/8	TW Lealea (1444 TT; Outperform; TP: NT\$14.30): 2Q18 earnings in line
14/8	TW Shane Global (8482 TT): Custom furniture maker to IPO with attractive valuation
14/8	TW TPCC (4725 TT; Outperform; TP: NT\$43.00): 2Q18 earnings in line
14/8	HK China Education Sector (Overweight): Policy risk creates overhang
14/8	HK Vixtel (8342 HK; Outperform; TP: HK\$1.20): Digital home business sustains growth; developing blockchain APM
14/8	CN/HK Stock Liquidity Monitor: Weekly data – Unlocked non-tradable shares & shareholding changes involving major shareholders
14/8	TH Airports of Thailand (AOT TB; Outperform; TP: Bt 82.12): 3Q18 earnings review: 2.9% above our estimate
14/8	TH Asia Aviation (AAV TB; Outperform; TP: Bt 5.48): More conservative for 2H18 and 2019
14/8	TH Asia Sermkij Leasing (ASK TB; Outperform; TP: Bt 28.00): 2Q18 earnings review: Up 4.4% YoY, and 7.2% QoQ
14/8	TH B.Grimm Power (BGRIM TB; Outperform; TP: Bt 28.50): 2Q18 earnings review: Impressive, as expected
14/8	TH Banpu (BANPU TB; Outperform; TP: Bt 26.00): 2Q18 earnings review: The giant awakens!!!
14/8	TH Banpu Power (BPP TB; Outperform; TP: Bt 32.00): 2Q18 earnings review: Dropped YoY and QoQ
14/8	TH BEC World (BEC TB; Neutral; TP: Bt 9.30): 2Q18 earnings review: Improved, but still loss
14/8	TH Carabao Group (CBG TB; Neutral; TP: Bt 45.00): 2Q18 earnings review: UK continued to drag
14/8	TH Eastern Polymer Group (EPG TB; Outperform; TP: Bt 9.10): 1QFY18/19 earnings review: Core profit was in-line
14/8	TH Gulf Energy Development (GULF TB; Neutral; TP: Bt 68.00): 2Q18 earnings review: Good core operation, but FX hurt bottom-line
14/8	TH Gunkul Engineering (GUNKUL TB; Outperform; TP: Bt 4.90): 2Q18 earnings review: In line with our forecast
14/8	TH Ladprao General Hospital (LPH TB; Under Review; TP: Bt 10.52): 2Q18 earnings review: 41% below our forecast
14/8	TH Major Cineplex Group (MAJOR TB; Neutral; TP: Bt 32.50): 2Q18 earnings review: In line result
14/8	TH MBK (MBK TB; Outperform; TP: Bt 29.50): 2Q18 earnings review: Record high driven by divestment
14/8	TH Pruksa Holding (PSH TB; Outperform; TP: Bt 24.80): Analyst meeting
14/8	TH PTT (PTT TB; Neutral; TP: Bt 52.50): 2Q18 earnings review: FX loss from weaker baht
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Recent In depth Regional Reports

14/8	TH Quality Houses (QH TB; Neutral; TP: Bt 3.30): 2Q18 earnings review: In line with our forecast
14/8	TH Robinson Department Store (ROBINS TB; Outperform; TP: Bt 85.00): 2Q18 earnings review: Good improvement YoY
14/8	TH Scan Inter (SCN TB; Outperform; TP: Bt 5.00): 2Q18 earnings review: Below expectation
14/8	TH Seafco Corporation (SEAFCO TB; Outperform; TP: Bt 10.40): 2Q18 earnings review: Beat all estimates
14/8	TH Sino-Thai Engineering & Construction (STEC TB; Neutral; Bt 23.20): 2Q18 earnings review: A gradual improvement
14/8	TH SVI PCL. (SVI TB; Neutral; TP: Bt 4.90): 2Q18 earnings review: Well above forecast
14/8	TH Taokeanoi Food & Marketing (TKN TB; Neutral; TP: Bt 15.90): 2Q18 earnings review: Recovery below expectation
14/8	TH Thai Airways International (THAI TB; Outperform; TP: Bt 20.20): 2Q18 earnings review: Weaker-than-expected
14/8	TH Thai Wah PCL (TWPC TB; Underperform; TP: Bt 6.50): All good things come to an end
14/8	TH TICON Industrial Connection PCL (TICON TB; Outperform; TP: Bt 19.30): 2Q18 earnings review: Lower than expected
14/8	TH Unique Engineering and Construction (UNIQ TB; Outperform; TP: Bt 15.40): 2Q18 earnings review: In line with forecast
14/8	TH WHA Corporation PCL (WHA TB; Outperform; TP: Bt 4.60): 2Q18 earnings review: Lower than forecast due to FX loss
14/8	TH WHA Utility & Power (WHAUP TB; Outperform; TP: Bt 8.50): 2Q18 earnings review: Nice contribution from power
13/8	SG Manulife US REIT (MUST SP; BUY; TP: US\$0.970): 2Q18 results in line with expectations; lower DPU on enlarged unit base
13/8	SG MindChamps Preschool (MCHAMPS SP; BUY; TP: S\$0.860): Strong Results from Q2; China Expansion on Track
13/8	TW CGPC (1305 TT; Outperform; TP: NT\$38.00): 2Q18 earnings higher than expected
13/8	TW Chin Poon (2355 TT; Neutral; TP: NT\$44.00): 2Q18 becomes loss-making due to fire damage
13/8	TW Gourmet Master (2723 TT; Neutral; TP: NT\$295.00): 2Q18 results in line; operating margin still under pressure
13/8	TW GPPC (1312 TT; Outperform; TP: NT\$36.00): 2Q18 earnings beat expectations
13/8	TW Hon Chuan (9939 TT; Neutral; TP: NT\$56.00): Slow season approaching in 2H18F
13/8	TW Lotes (3533 TT; Outperform; TP: NT\$272.00): 2Q18 EPS beats; 2H18F outlook bright
13/8	TW Macauto (9951 TT; Neutral; TP: NT\$105.00): 2Q18 earnings miss on gross margin plunge
13/8	TW PChome Online (8044 TT; Outperform; TP: NT\$201.00): Loss to narrow in 2H18F; substantial earnings recovery in 2019F
13/8	TW Power Wind Health (8462 TT; Outperform; NT\$235.00): Operating momentum strong
13/8	TW Wistron (3231 TT; Neutral; TP: NT\$25.00): 2Q18 EPS beats; 3Q18 sales to grow, but margin lower

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Accordia Golf Trust

(AGT SP/ACCO.SI)

It's a new dawn, It's a new day

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- Reported a 1Q19 distributable income of JPY 1,665mn (-7% YoY) due to unfavourable weather and an earthquake around Osaka region in June 2018, which resulted in a few golf courses halting operations.
- More importantly, key refinancing risk has been removed, paving the way for DPU-accretive acquisitions.
- We expect FY2019E (YE March) DPU to decline to 4.0 SG cents (7.1% div yield) due to the one-off expenses. Thereafter, we expect DPU to recover to at least 5.2 SG cents, which would offer an attractive 9.3% div yield.
- We reiterate our BUY recommendation and fair value target of S\$0.70. **AGT is too cheap to ignore at this price.**

Financials & Key Operating Statistics					
YE Mar JPY bn	2017	2018	2019F	2020F	2021F
Revenue	51.9	51.5	50.7	50.5	50.3
PATMI	4.0	4.1	5.3	5.3	5.3
Core PATMI	5.5	5.8	5.3	5.3	5.3
Core EPS (JPY)	0.5	0.5	0.5	0.5	0.5
Core EPS grth (%)	-15.6	5.7	-8.6	-0.5	-0.5
DPS (SG Cents)	6.0	3.9	4.0	5.3	5.2
Div Yield (%)	10.7	6.8	7.1	9.3	9.3
Net Margin (%)	7.7	8.0	10.5	10.5	10.5
Loan-to-Value (%)	31.3	29.4	29.3	29.5	29.6
ROE (%)	5.0	5.1	6.5	6.5	6.4

Source: Company Data, KGI Research

Too cheap to ignore. AGT's share price declined 13% over the past 1 year due to a disappointing FY2018 performance. DPU in FY2018 dropped to 3.85 SG cents from 6.04 SG cents in FY2017 due to a combination of bad weather, refinancing costs and one-off expenses from repayment of membership deposits. However, we believe its current share price offers an attractive buying opportunity for investors.

Key overhang removed with 5-year refinancing. The successful refinancing of its debt removes a key overhang. AGT was able to refinance all its term loans worth a total of JPY 43.5 bn due August 2018 with two new lenders – Aozora Bank and ORIX Co. Ltd – for five years at a slightly lower interest rate of T+1.95% (previously T+2.0%; T=6mth Yen TIBOR). More interestingly, one of the two new lenders – ORIX Co – is the third largest golf operator in Japan with 39 golf courses. Accordia Group is the second largest golf operator in Japan with 133 courses, just below PGM Group that operates 137 courses. The 2% upfront fee will be paid in 2Q19 and will impact 2019F DPU by 20% or 1 SG cents.

Figure 1: New refinancing terms

July 2018 Refinancing	New loan terms	Previous Loan terms
Loan Term	August 2023	August 2018/August 2019
Interest Rate	T+1.95%	T+2% including swap rate
Upfront fee	2% (for 5 yrs)	2.80%
Annual amortisation	No	1.00%

Source: Company data, KGI Research

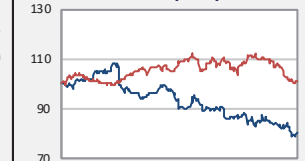
BUY - Maintain

Price as of 16 Aug 18 (SGD)	0.57	Performance (Absolute)	
12M TP (\$)	0.70	1 Month (%)	-5.0
Previous TP (\$)	0.70	3 Month (%)	-4.6
Upside, incl div (%)	33.2	12 Month (%)	-16.1

Trading data

Mkt Cap (\$mn)	621
Issued Shares (mn)	1,099
Vol - 3M Daily avg (mn)	0.8
Val - 3M Daily avg (\$mn)	0.5
Free Float (%)	71.1%

Perf. vs STI Index (Red)



Major Shareholders

MBK Partners	28.9%	31-May-18	BUY \$0.70
Goldman sachs	14.0%	24-Apr-18	BUY \$0.78
Daiwa Securities	6.0%	21-Nov-17	BUY \$0.78

Previous Recommendations

Acquisition now a reality after four years. The recent senior management changes may pave the way for DPU-accretive acquisitions. AGT recently announced a new Chief Financial Officer (CFO), Mr Fumihiko Niwa and a new Executive Director Mr Nakanishi Toyo. Mr Niwa was previously the Corporate Director of Accordia Golf Co, the sponsor of AGT. This development follows the resignation of AGT's Chief Operating Officer (COO), Mr Toshikatsu Makishima who was previously with the Daiwa Group. In our view, the management changes reflects the new direction and control that AGT's sponsor is taking – specifically acquisitions of new golf courses as a growth driver, a strategy that had lacked follow through since its IPO in August 2014. (See [page 2](#) for details on debt headroom)

Valuation & Action: We reiterate our BUY recommendation and fair value of 70 SG cents. Although this year's DPU is expected to drop to 4.0 SG cents due to the one-off expenses, we expect DPU to recover to 5.2 SG cents in FY2019, which would offer an attractive dividend yield of 9% at its current price. Upside catalysts are DPU-accretive acquisitions over the next 12 months.

Downside limited. AGT is currently trading at 0.7x P/B, which is close to -1SD below its historical average. Thus, at these valuations, we believe downside risks are limited. However, we have to highlight that the recent series of bad weather in Japan may affect AGT's performance in 2Q FY2019 and may cap short-term upside potential.

Risks: Forex risk to DPU as earnings are mostly in JPY while distributions are in SGD. Macroeconomic environment and adverse weather conditions also affect visitor numbers to golf courses.



Cityneon Holdings Limited

(CITN SP/CNHL.SI)

Cityneon continues to deliver yet another stellar quarter

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- 2Q18 results in line.** Cityneon reported 2Q18 net profit of S\$9.0mn (+114.0% YoY), in line with our expectations; 1H18 net profit makes up 48.2% of our 2018F estimates of S\$26.9mn. 2Q18 revenues grew 1.5% YoY to S\$31.9mn, from S\$31.5mn.
- IP segment remains the key driver.** 2Q18 results were driven by both the permanent Avengers exhibition set in Las Vegas, as well as travelling sets in various locations which, collectively, contributed higher revenues. 1H18 IP segment revenues grew 91.6% YoY.
- Cityneon continues its aggressive expansion plans.** Key developments to follow: (1) 5th IP (2) Construction of three new Jurassic World – The Exhibition sets.

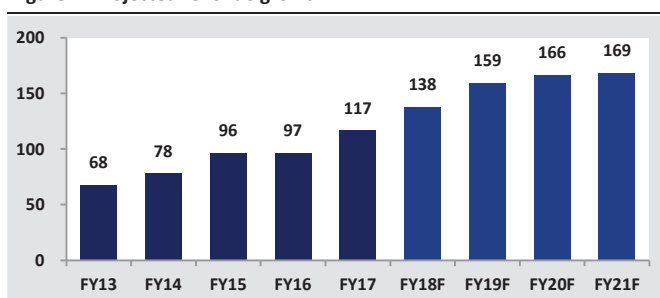
Financials & Key Operating Statistics					
YE Dec SGD mn	2016	2017	2018F	2019F	2020F
Revenue	96.8	116.7	138.0	159.3	166.3
PATMI	6.7	17.4	26.4	30.5	31.6
Core PATMI	6.7	17.4	26.4	30.5	31.6
Core EPS (SGD cents)	2.8	7.1	10.8	12.5	12.9
Core EPS grth (%)	302.6	151.1	51.7	15.7	3.5
Core P/E (x)	33.4	13.2	10.2	8.8	8.5
DPS (SGD cents)	0.0	0.0	0.0	0.0	0.0
Div Yield (%)	0.0	0.0	0.0	0.0	0.0
Net Margin (%)	6.9	14.9	19.1	19.2	19.0
Gearing (%)	26.3	54.7	53.8	47.6	42.5
Price / Book (x)	3.2	2.8	2.5	1.9	1.6
ROE (%)	11.2	22.9	27.4	24.5	20.2

Source: Company Data, KGI Research

2Q18 results continue to impress. Cityneon's stellar quarter was largely due to higher contribution from its IP segment which commands higher margins than its traditional business. As at 1H18, the IP segment accounted for 52.5% of total revenue, compared to 31.0% a year ago. Aggregate gross margins also improved from 45.4% in 1H17 to 61.7% in 1H18, on the back of a shift in the sales mix.

PATMI boosted by tax credit. Apart from a shift in its sales mix, PATMI was also lifted by the recognition of a S\$4.5mn write back of deferred tax liabilities pertaining to its IP licenses categorised as intangible assets on its balance sheet. The one-off write back resulted in a positive S\$3.5mn tax credit. Excluding the impact of the tax credit, 2Q18 PATMI would have grown ~20% YoY, instead of 114.1%.

Figure 1: Projected revenue growth



Source: Company Data, KGI Research

Buy (Maintain)		Performance (Absolute)	
Price as of 16 Aug 18 (SGD)	1.09	1 Month (%)	17.8
12M TP (\$)	1.51	3 Month (%)	5.8
Previous TP (\$)	1.54	12 Month (%)	17.2
Upside (%)	38.3		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	267		
Issued Shares (mn)	245		
Vol - 3M Daily avg (mn)	0.6		
Val - 3M Daily avg (\$mn)	0.6		
Free Float (%)	31.0%		
Major Shareholders		Previous Recommendations	
Lucram 1 Investment	69.0%	13-Nov-17	BUY \$1.38
		5-Mar-18	BUY \$1.54
		17-May-18	BUY \$1.54

Traditional business situation still lacklustre. While the group's exhibition business's revenues grew 30% YoY, 1H18 revenues from the traditional business, in aggregate, accounted for only ~47% of total revenue, compared to 69% a year ago. We continue to expect this trend to persist, with the IP business being the key growth driver.

Key developments to watch in the near term. For 2H18, the group has 8 additional cities lined up, and should contribute to 2H18 earnings. The group is also expecting to open the Hunger Games exhibition in Las Vegas, making it the second semi-permanent exhibition set. Construction of the second Jurassic World exhibition set has been announced and should be commissioned by 2021, in time for Jurassic World 3 movie. Finally, the group is expected to conclude negotiations for the 5th IP in 2H18.

Valuation & Action: Maintain BUY with adjusted fair value of S\$1.51, based on 14.0x 2018F EPS of 10.8 SG cents. Our investment thesis remains intact, with Cityneon's attractive growth prospects and low risk business model being the basis of our recommendation. While we have not accounted for the additional IP and new Jurassic World exhibition sets into our valuation, these offer further potential upside.

Risks: Renewal of the various IP rights and a decline in the franchise popularity. We also note that the group has increased its borrowings significantly to fund its growth. While this may not be cause for concern at the moment, higher and faster growth, funded by debt, may bring about liquidity concerns. Inability to replicate the same success with current Jurassic exhibition.

CHINA
DEVELOPMENT
FINANCIAL

Japan Foods Holding Ltd

(JFOOD SP/JPFD.SP)

Venturing beyond Singapore; Indonesia a promising market

Joel Ng / 62 6202 1192 / joel.ng@kgi.com

- 1Q19 net profit declined 7.6% YoY to S\$0.97mn due mainly to lower contribution from associates and slight decline of gross profit margins to 84.8%.
- We expect an improvement in the next few quarters as the weakness in 1Q was also partly due to lower performance in June, which coincided with the FIFA World Cup 2018.
- We re-iterate our BUY recommendation and maintain our fair value of S\$0.64 based on DCF valuation. JFOOD offers an attractive 4.4% dividend yield while net cash of S\$24.5mn makes up 28% of its market cap.

Financials & Key Operating Statistics

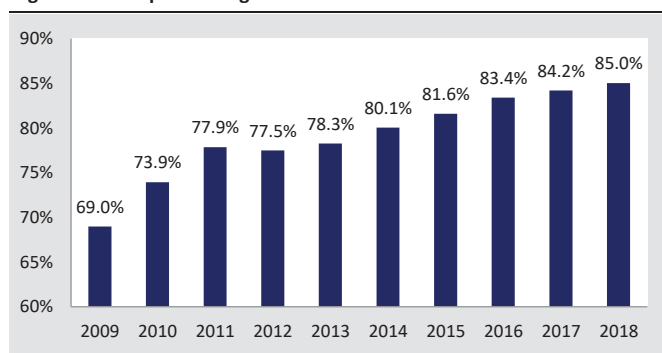
YE Mar SGD mn	2017	2018	2019F	2020F	2021F
Revenue	62.8	67.8	69.6	71.6	74.4
Gross Profit	52.9	57.7	59.0	60.7	63.1
PATMI	3.8	5.8	5.9	6.3	6.7
Core PATMI	3.2	5.3	5.3	5.7	6.0
Core EPS (SG cents)	1.8	3.0	3.1	3.3	3.5
Core EPS grth (%)	-24.1	66.5	0.5	6.3	6.1
Core P/E (x)	18.5	13.1	14.6	13.8	13.1
DPS (SG cents)	2.0	2.1	2.2	2.2	2.3
Div Yield (%)	5.0	4.8	4.4	4.4	4.6
Gross Margin (%)	84.2	85.0	84.8	84.8	84.8
Net Margin (%)	6.0	8.5	8.5	8.8	8.9
ROE (%)	12.3	17.8	16.8	16.6	16.3

Source: Company Data, KGI Research

Weak quarter mainly from HK and China. Contribution from associated companies decreased 62.5% YoY to S\$57,000 in 1Q19 due to weak performance of its Menya Musashi restaurants in Hong Kong and in second tier cities in China such as Hangzhou and Wuhan. On a positive note, we expect performance from associates to have bottomed in 1Q19 and to start picking up going forward due to new store openings.

Superb execution. The stabilisation of JFOOD's gross profit margins at around the 85% level is very impressive amid ever increasing costs in Singapore; management has been able to increase its gross margins from 77.5% in FY2011 to 80.1% in FY2013, then to 83.4% in FY2015 and finally to 85.0% in FY2018. We think that FY2018 may already represent peak margins and to be able to maintain it at 85% going forward would be commendable. Furthermore, the introduction of JFOOD's first Michelin-award ramen restaurant also proves management's quality control capabilities.

Figure 1: Gross profit margins



Source: Company data, KGI Research

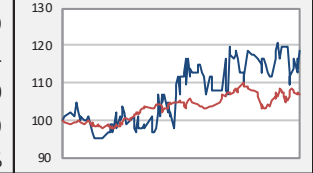
BUY - Maintain

Price as of 16 Aug 18 (SGI)	0.51	Performance (Absolute)	
12M TP (\$)	0.64	1 Month (%)	0.6
Previous TP (\$)	0.64	3 Month (%)	0.5
Upside, inc div (%)	30.0	12 Month (%)	22.4

Trading data

Mkt Cap (\$mn)	89
Issued Shares (mn)	174
Vol - 3M Daily avg (mn)	0.0
Val - 3M Daily avg (\$mn)	0.0
Free Float (%)	23.3%

Perf. vs STI Index (Red)



Major Shareholders

Takahashi Kenichi	70.6%
Eugene Wong	5.5%

Previous Recommendations

21-May-18	BUY \$0.64
13-Feb-18	BUY \$0.54
15-Nov-18	BUY \$0.53

Singapore upside limited. Based on our analysis of peers in SG (BreadTalk, ABR, Sakae, Soup Rest., Tung Lok, RE&S, Kimly), all face the same challenges of high rents and limited manpower. Thus, as we mentioned earlier, upside from SG operations are expected to be limited and reiterate our view that growth will have to come from overseas expansion.

Overseas expansion as key driver. JFOOD increased its overseas network to 22 as at end June 2018 - an increase from 20 in the prior year period - mainly from its overseas associates adding 3 new Menya Musashi restaurants in China and 1 in Indonesia, offset by 2 store closures in Malaysia.

First step into Southeast Asia's largest economy. The group acquired a 30% stake in PT Menya Musashi Indonesia (MMI), which opened the first Menya Musashi restaurant in Jakarta in April 2018. The group expects to open another 4 restaurants over the next 3 years. We are optimistic on its entry into Indonesia but will not factor it into our forecasts until we obtain more clarity on the performance of its first restaurant in the country.

Valuation & Action: We maintain our BUY recommendation with a fair value of S\$0.640 (DCF valuation). Japan Foods' business model remains resilient and adaptable even in the face of higher costs. We see several upside catalysts in FY2019, driven by organic growth amid an improving macro environment and through JVs with overseas partners. The group maintains a sizeable cash balance of S\$24.5mn (28% of market cap), supported by strong free cash flows averaging S\$1m/quarter.

Risks: Rising labour costs and rental expenses, lower consumer spending amid slower wage growth; non-renewal of franchise agreements.

STI Components and Key Metrics

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
FINANCIALS								
DBS SP	DBS	25.17	64,437	0.3%	7.5%	(0.1%)	4.7%	4.9%
OCBC SP	OCBC	11.19	46,897	(0.3%)	(6.8%)	(1.6%)	3.8%	4.1%
UOB SP	UOB	26.70	44,534	(0.4%)	5.1%	(1.5%)	4.5%	4.6%
SGX SP	SGX	7.36	7,876	(0.7%)	0.2%	0.5%	4.2%	4.4%
PROPERTIES								
AREIT SP	Ascendas REIT	2.74	8,029	0.7%	3.7%	0.7%	6.0%	6.2%
CAPL SP	CapitaLand	3.33	13,881	1.2%	(2.6%)	2.8%	3.6%	3.7%
CCT SP	CapitaLand Comm Trust	1.78	6,664	1.7%	(3.4%)	4.1%	5.0%	5.1%
CT SP	CapitaLand Mall Trust	2.24	7,950	1.4%	9.5%	2.3%	4.9%	5.0%
CIT SP	City Development	9.49	8,625	(1.0%)	(23.2%)	(1.1%)	1.9%	1.9%
HKL SP	Hongkong Land USD	6.90	22,269	(0.6%)	0.9%	(0.3%)	3.1%	3.2%
UOL SP	UOL	6.90	5,814	0.1%	(20.6%)	(0.6%)	2.5%	2.5%
TELECOMMUNICATIONS								
ST SP	SingTel	3.09	50,457	(0.6%)	(10.5%)	1.0%	5.8%	5.8%
STH SP	StarHub	1.66	2,873	0.0%	(38.2%)	0.0%	9.6%	7.4%
CONSUMER SERVICES AND GOODS								
JCNC SP	Jardine C&C	33.46	13,225	(0.3%)	(15.5%)	(0.7%)	3.5%	3.8%
JM SP	Jardine Matheson USD	64.03	64,673	(1.4%)	8.1%	(2.7%)	2.6%	2.7%
JS SP	Jardine Strategic Holding	36.38	55,284	(1.0%)	(7.3%)	(3.8%)	0.9%	1.0%
GENS SP	Genting Singapore	1.06	12,768	(0.9%)	(17.7%)	(1.9%)	3.3%	3.4%
SPH SP	SPH	2.81	4,491	0.4%	8.4%	3.3%	5.0%	4.8%
THBEV SP	ThaiBev	0.65	16,322	0.8%	(27.2%)	(7.1%)	3.1%	3.5%
VMS SP	Venture Corp	18.21	5,239	1.9%	(8.5%)	2.6%	3.7%	3.8%
TRANSPORT								
SIA SP	Singapore Airlines	9.56	11,315	0.0%	(7.7%)	0.1%	4.1%	4.1%
CD SP	ComfortDelGro	2.29	4,958	0.0%	21.1%	(0.7%)	4.6%	4.9%
COMMODITIES								
GGR SP	Golden Agri	0.28	3,502	0.0%	(25.4%)	(3.5%)	2.5%	3.0%
WIL SP	Wilmar	3.23	20,435	0.2%	8.0%	4.3%	3.4%	3.4%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	6.62	11,998	(0.3%)	(6.4%)	(0.9%)	4.2%	4.1%
SCI SP	Sembcorp Industries	2.65	4,735	(0.4%)	(11.3%)	(1.9%)	2.3%	3.1%
YZJSGD SP	Yangzijiang SGD	1.07	4,222	0.9%	(24.1%)	3.9%	4.0%	3.9%
SATS SP	SATS	5.08	5,674	0.6%	(0.0%)	(1.2%)	3.7%	3.9%
STE SP	ST Engineering	3.27	10,200	0.3%	4.8%	(0.9%)	4.7%	4.8%
HPHT SP	HPH Trust USD	0.26	3,047	2.0%	(33.3%)	0.0%	9.2%	9.1%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

STI Reserve List (by market cap) - STI next review date: March 2018

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
SUN SP	Suntec REIT	1.90	5,068	0.5%	(8.2%)	0.5%	5.3%	5.3%
MCT SP	Mapletree Commercial	1.61	4,648	(0.6%)	3.6%	3.2%	5.6%	5.7%
KREIT SP	Keppel REIT	1.18	4,023	(0.8%)	(3.0%)	0.9%	5.0%	4.9%
SMM SP	Semcorp Marine	1.66	3,467	(0.6%)	(9.4%)	(1.2%)	0.9%	1.0%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

Appendix 1: Corporate Action

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 20 Aug 18	Yield (%)
City Developments - Special	8-Aug-18	2Q18	SGD 0.0600	23-Aug-18	27-Aug-18	12-Sep-18	SGD 9.490	0.6
Sunningdale Tech Ltd	8-Aug-18	2Q18	SGD 0.03000	23-Aug-18	27-Aug-18	12-Sep-18	SGD 1.440	2.1
Jardine Cycle & Carriage	27-Jul-18	1H18	USD 0.1800	24-Aug-18	28-Aug-18	5-Oct-18	SGD 33.460	
Cordlife Group	14-Aug-18	FY18	SGD 0.0080	24-Aug-18	28-Aug-18	26-Sep-18	SGD 0.565	1.4
APAC Realty	7-Aug-18	2Q18	SGD 0.02000	27-Aug-18	29-Aug-18	7-Sep-18	SGD 0.610	3.3
Fu Yu Corp	14-Aug-18	2Q18	SGD 0.003000	27-Aug-18	29-Aug-18	10-Sep-18	SGD 0.181	1.7
Multi-Chem Ltd	2-Aug-18	2Q18	SGD 0.0111	27-Aug-18	29-Aug-18	10-Sep-18	SGD 0.870	1.3
Q & M Dental Grp	14-Aug-18	2Q18	SGD 0.00400	27-Aug-18	29-Aug-18	13-Sep-18	SGD 0.520	0.8
Raffles Medical Group Ltd	6-Aug-18	2Q18	SGD 0.00500	27-Aug-18	29-Aug-18	6-Sep-18	SGD 1.020	0.5
Singapore Shipping Corp Ltd	24-May-18	FY18	SGD 0.0100	28-Aug-18	30-Aug-18	13-Sep-18	SGD 0.305	3.3
Stamford Land Corp Ltd	25-May-18	FY18	SGD 0.0100	28-Aug-18	30-Aug-18	13-Sep-18	SGD 0.495	2.0
AEM Holdings Ltd	30-Jul-18	2Q18	SGD 0.01500	29-Aug-18	31-Aug-18	14-Sep-18	SGD 0.990	1.5
Captii	14-Aug-18	2Q18	SGD 0.01250	29-Aug-18	31-Aug-18	12-Sep-18	SGD 0.425	2.9
Far East Group Ltd	14-Aug-18	1H18	SGD 0.030000	29-Aug-18	31-Aug-18	12-Sep-18	SGD 0.190	15.8
SIIC Environment Holdings Ltd	13-Aug-18	2Q18	SGD 0.0100	30-Aug-18	3-Sep-18	28-Sep-18	SGD 0.355	2.8
Bumitama Agri	14-Aug-18	2Q18	SGD 0.00750	31-Aug-18	4-Sep-18	14-Sep-18	SGD 0.705	1.1

Latest Rights Issue Announcement

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
ESR-REIT	199 New Units @ S\$0.54 each Rts share for every 1,000 existing units in ESR-REIT	5-Mar-18	7-Mar-18		
Frasers Logistics & Industrial Trust	1 new unit @ S\$0.967 per new unit for 10 existing units in Frasers Logistics & Industrial Trust (FLT)	16-May-18	18-May-18		

Source: SGX Announcement

Latest Listing Issue Announcement

Company	Offer Price	Closing Date	Offeror
Vard Hldgs	SGD 0.25 Cash	5.30 p.m. on 24 Aug 2018	Fincantieri Oil & Gas S.p.A.

Source: SGX Announcement

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
20-Aug	21-Aug	22-Aug	23-Aug *Q2: Shangri-La Asia *Q4: Parkson Retail Asia / UG Healthcare Corp	24-Aug
27-Aug	28-Aug Q2: Tan Chong Int'l Q4: Karin Technology Hldgs / Oxley Hldgs	29-Aug Q4: ASL Marine Hldgs	30-Aug *Q2: China Kangda Food Co	31-Aug
3-Sep-18	4-Sep	5-Sep	6-Sep	7-Sep
10-Sep	11-Sep	12-Sep	13-Sep Q2: DLF Hldgs / Disa	14-Sep
17-Sep	18-Sep	19-Sep	20-Sep	21-Sep

* Tentative

Source: Bloomberg

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