

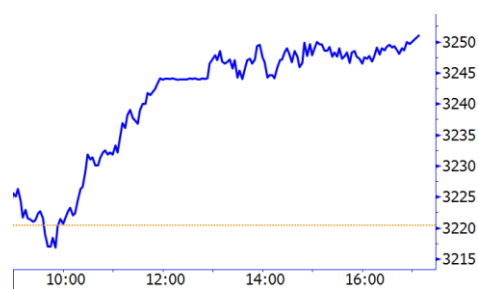
Market Indicators

	28-Feb	1-Mar	4-Mar
Mkt. T/O (\$\$ mil)	1,496.8	949.4	1,201.2
Stock Advances	169	211	239
Stock Declines	272	194	221

Major Indices

	28-Feb	1-Mar	4-Mar
DJ Ind Avg	25,916.0	26,026.3	25,819.7
S & P 500	2,784.5	2,803.7	2,792.8
Nasdaq Comp	7,532.5	7,595.4	7,577.6
Hang Seng	28,633.2	28,812.2	28,959.6

STI Index 3,251.08 (+0.95%)

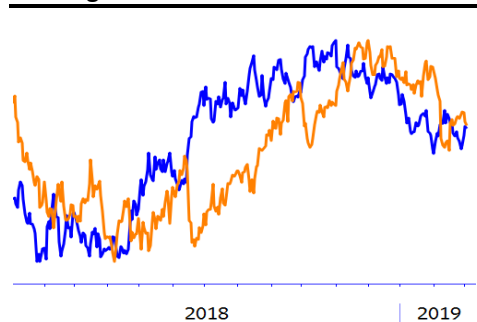


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,285.81	-0.12%
Oil (NYMEX CWT1) US\$ / bbl	56.4	0.39%
Baltic Dry Index	664	0.91%

Exchange Rates



Source: Bloomberg

Interest Rates

3-mth Sibor	1.949%
SGS (10 yr)	2.239%

KGI Market Ideas

MSCI rebalancing. On 1 March, MSCI approved that it will raise the weighting of A-shares significantly in all MSCI indices, and nudge up the inclusion factor of A-shares to 20% from 5% currently in three stages between May and November 2019. This means the weighting of A-shares in the MSCI Emerging Markets Index will rise to 3.3% from the current 0.7%.

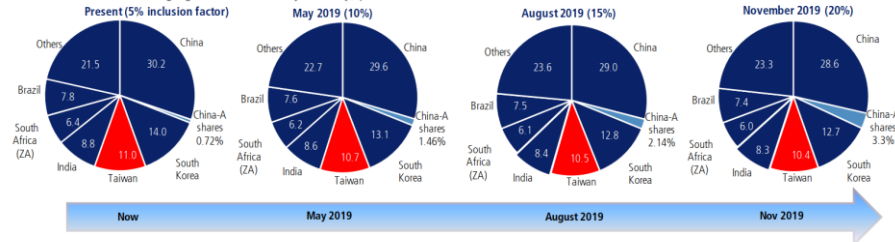
MSCI had intended to raise the inclusion factor of A-shares to 20% by May 2020, but now the schedule has been pushed forward by six months, meaning the inclusion factor will reach the 20% target level in November 2019.

In order to mitigate the potential trade pressure during the weighting adjustment, MSCI has decided to carry out the raise in three stages. When the adjustment is completed, the MSCI Emerging Markets Index will include 253 high-priced and 168 mid-priced A-shares for a weighting of 3.3%. This in turn will create at least US\$44.2bn of capital inflows from passive funds.

The MSCI rebalancing will have the biggest impact on the weightings of Taiex and Korean stocks in the EM Index, leading to capital outflows of US\$10.2bn and US\$13.6bn, respectively, in the near term, equivalent to 0.9% and 1.1% of their market caps.

Figure 1: Schedule of A-share weighting additions in 2019

Breakdown of MSCI Emerging Markets Index by country, percent



Source: MSCI; KGI Research compiled

MSCI is one of the world's most important index providers, with over 6,000 index funds tracking MSCI indices worldwide. About US\$1.7tn worth of assets are tracking the MSCI Emerging Markets Index.

Company Update, Results Update & Credit Note

- **Best World International (BEST SP; Not Rated):** Strong growth in China but risks remain - Page 4
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- **LBBW 3.75% 05/18/27 (LBBW):** Intermediate-Term Carry (SGD) - Page 8

KGI Securities Research Team

Recent In depth Regional Reports	
4/3	SG CSE Global (CSE SP; BUY; S\$0.58): Positive trends; attractive 5.5% dividend yield
4/3	TH Bangkok Chain Hospital (BCH TB; Outperform; TP: Bt 21.50): 4Q18 earnings review: 4.9% below our forecast
4/3	TH Bangkok Dusit Medical Services (BDMS TB; Outperform; TP: Bt 32.20): Growth outlook remains intact
4/3	TH Carabao Group (CBG TB; Outperform; TP: Bt 60.00): Cutting costs at ICUK and doing direct sales in China
4/3	TH Home Product Center (HMPRO TB; Neutral; TP: Bt 16.30): Top line growth would be more interesting this year
4/3	TH Nok Airlines (NOK TB; Neutral; TP: Bt 3.49): 4Q18 earnings review: Still poor
4/3	TH Thai Airways International (THAI TB; Outperform; TP: Bt 15.70): 4Q18 earnings review: The worst quarter of the year
4/3	TH True Corporation (TRUE TB; Outperform; TP: Bt 6.00): Earnings cut on weak 2018 result
1/3	SG Sim Leisure Group (SLGL SP; Not Rated): First of its kind – theme park focused entertainment stock listed in SG
1/3	SG LBBW 3.75% 05/18/27 (LBBW): Intermediate-Term Carry (SGD)
1/3	TH Strategy: March model portfolio: Positioned for possible market pullback
1/3	TH Macroscope: On cliff edge rolling
1/3	TH Economic: Economy continued to expand in January
1/3	TH Amata Corporation PCL (AMATA TB; Neutral; TP: Bt 25.00): 4Q18 earnings review: Below forecast
1/3	TH Asia Aviation (AAV TB; Outperform; TP: Bt 4.77): Looks better in 2019
1/3	TH Bangkok Dusit Medical Services (BDMS TB; Outperform; TP: Bt 32.20): 4Q18 earnings review: Below expectations
1/3	TH Banpu Power (BPP TB; Outperform; TP: Bt 26.50): A sluggish year
1/3	TH CH. Karnchang (CK TB; Outperform; TP: Bt 32.00): 4Q18 earnings review: Core below expectation
1/3	TH Chememan (CMAN TB; Outperform; TP: Bt 3.56): 4Q18 earnings review: In line
1/3	TH Hana Microelectronics PCL (HANA TB; Neutral; TP: Bt 35.00): 4Q18 earnings review: Beat our forecast
1/3	TH Minor International (MINT TB; Outperform; TP: Bt 42.00): Sharp decline in food operation
1/3	TH Plan B Media (PLANB TB; Outperform; TP: Bt 8.80): 4Q18 earnings review: Lower than expected but grew 96% YoY
1/3	TH Sansiri (SIRI TB; Outperform; TP: Bt 1.85): 4Q18 earnings review: Subpar margin dragged on result
1/3	TH Sino-Thai Engineering & Construction (STEC TB; Outperform; Bt 30.00): 4Q18 earnings review: S Curve accelerated
1/3	TH True Corporation (TRUE TB; Under Review; TP: NA): 4Q18 earnings review: Slower than expected
28/2	SG Best World International (BEST SP; Not Rated): Strong growth in China but risks remain
28/2	TH Monthly Economic Tracker: Executive summary
28/2	TH Asia Aviation (AAV TB; Outperform; TP: Bt 4.77): 4Q18 earnings review: Worse than expected
28/2	TH B.Grimm Power (BGRIM TB; Outperform; TP: Bt 35.00): 4Q18 earnings review: Below our expectation
28/2	TH Bangkok Expressway and Metro (BEM TB; Outperform; TP: Bt 11.10): 4Q18 earnings review: Below expectations
28/2	TH Central Pattana (CPN TB; Outperform; TP: Bt 84.50): A year of transformation ahead
28/2	TH Central Plaza Hotel (CENTEL TB; Neutral; TP: Bt 48.00): 4Q18 earnings review: earnings at below estimate
28/2	TH Land and Houses (LH TB; Outperform; TP: Bt 12.40): 4Q18 earnings review: Slight below our estimate
28/2	TH Seafco (SEAFCO TB; Outperform; TP: Bt 12.00): 4Q18 earnings review: Core operation In line
28/2	TH Thanachart Capital (TCAP TB; Outperform; TP: Bt 61.00): Value unlocking
28/2	TH TOA Paint (Thailand) (TOA TB; Underperform; TP: Bt 32.25): 4Q18 earnings review: Lower than expected
28/2	TH Unique Engineering and Construction (UNIQ TB; Neutral; TP: Bt 12.00): 4Q18 earnings review: Better than expected
27/2	SG Sheng Siong Group (SSG SP; BUY; TP: S\$ 1.24): Navigating Competitive Landscapes
27/2	TW Cub Elecparts (2231 TT; Outperform; TP: NT\$ 370.00): 2018 EPS of NT\$9.48, but strong 2019F growth expected
27/2	TW King Slide (2059 TT; Outperform; TP: NT\$ 410.00): 4Q18 earnings beat on forex gains; steadily growing 2019 outlook
27/2	TW Merry (2439 TT; Not Rated): Positive trend for 2019 business
27/2	HK Anta Sports (2020 HK; Outperform; TP: HK\$ 50.60): 2018 results beat; decent growth to continue in 2019F
27/2	TH Airports of Thailand (AOT TB; Outperform; TP: Bt 82.12): Expanding business platform in the future
27/2	TH Ananda Development (ANAN TB; Outperform; TP: Bt 5.80): 4Q18 earnings review: Strong

	despite extra expenses
27/2	TH AP (Thailand) (AP TB; Outperform; TP: Bt 8.50): 4Q18 earnings review: 15% above our forecast
27/2	TH C.P. All (CPALL TB; Outperform; TP: Bt 90.00): The more solid locally, the more value to post
27/2	TH Home Product Center (HMPRO TB; Neutral; TP: Bt 16.30): 4Q18 earnings review: In line with our forecast
27/2	TH Indorama Ventures (IVL TB; Outperform; TP: Bt 65.00): 4Q18 earnings review: In line with our forecast
27/2	TH Ladprao General Hospital (LPH TB; Neutral; TP: Bt 7.36): 4Q18 earnings review: Below expectations
27/2	TH MK Restaurant Group (M TB; Neutral; Bt 78.00): 4Q18 earnings review: Took a blow, but moving on
27/2	TH PTT (PTT TB; Neutral; TP: Bt 52.50): A possible delay in the listing of PTTOR
27/2	TH Quality Houses (QH TB; Outperform; TP: Bt 3.50): 4Q18 earnings review: Weighed by lawsuit expenses
27/2	TH RS (RS TB; Outperform; TP: Bt 25.00): Bright year ahead
27/2	TH Supalai (SPALI TB; Outperform; TP: Bt 22.50): 4Q18 earnings review: In line with our forecast
27/2	TH Thai Wah PCL (TWPC TB; Neutral; TP: Bt 7.00): Driven by acquisition
27/2	TH Thaifoods Group PCL (TFG TB; Outperform; TP: Bt 4.80): 4Q18 earnings review: Far below our forecast
27/2	TH Workpoint Entertainment (WORK TB; Neutral; TP: Bt 25.25): 4Q18 earnings review: Weaker than expected
26/2	TW Eurocharm (5288 TT; Outperform; TP: NT\$ 178.00): 2018 EPS up 19.5% to NT\$8.35; 2019F growth on track
26/2	TW King's Town Bank (2809 TT; Neutral; TP: NT\$ 33.50): 2018 earnings hit by weak investments & provisions; quality of earnings remains to be seen
26/2	TW Poya (5904 TT; Outperform; TP: NT\$ 405.00): Eyeing growth potential of new hardware store venture
26/2	CN/HK Stock Liquidity Monitor : Weekly data – Stock incentive & shareholding changes involving major shareholders
26/2	TH Commodities Update : Continued supply cuts from OPEC+
26/2	TH BEC World (BEC TB; Neutral; TP: Bt 6.50): A challenging year ahead
26/2	TH Central Pattana (CPN TB; Outperform; TP: Bt 87.00): 4Q18 earnings review: In line with expectation
26/2	TH Ekachai Hospital (EKH TB; Outperform; TP: Bt 7.85): 4Q18 earnings review: In line with our forecast
26/2	TH Gulf Energy Development (GULF TB; Neutral; TP: Bt 80.00): 4Q18 earnings review: Below our forecast
26/2	TH Pylon (PYLON TB; Outperform; TP: Bt 8.40): 4Q18 earnings review: In line
26/2	TH Ratchaburi Electricity (RATCH TB; Outperform; TP: Bt 64.50): Keep looking for new investment
26/2	TH Star Petroleum Refining (SPRC TB; Neutral; TP: Bt 10.90): Hidden OPEX from major turnaround
25/2	TW Eurocharm (5288 TT; Outperform; TP: NT\$ 178.00): Recreational vehicles drive rapid growth into new terrain
25/2	TW Shanghai Commercial & Saving Bank (5876 TT; Neutral; TP: NT\$ 48.20): 4Q18 NIM down; growth momentum already priced in
25/2	CH/HK A-share Weekly : Spring rally ripples, but near-term gains could trigger profit-taking
For full reports, please contact Research Department at 6202 1190 or sgp.researchcom@kgi.com	



Best World International

(BEST SP/BEST.SI)

Strong growth in China but risks remain

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- BEST's 4Q18 increased 29% YoY to S\$28.1mn, driven mainly by its franchise business in China.
- It reported S\$78.8mn sales from its franchise business, which contributed 62% of total revenues in 4Q18. This would imply a 121% YoY increase in its China sales from 4Q17, when it was still classified under the export business segment.
- Declared 4.2 cents final and 0.8 cents special dividend, compared to 2.6 cents final in FY17. When including the interim dividends, full-year FY18 payout translates to S\$40.7m.
- Valuations are at a discount to international peers but may be warranted given the key overhangs. Our sensitivity analysis based on 3Q/4Q FY18 earnings when its franchise business started contribution implies a P/E range of 12x to 18x.

Figure 1: PATMI trend (Quarterly)

	1Q 2018	2Q 2018	3Q 2018	4Q 2018
PATMI (S\$'000)	5,771	9,128	29,887	28,106

Source: Company data, KGI Research

Analyst briefing summary. BEST's 4Q18 earnings came in above street estimates. Performance in the quarter was driven by its franchise business in China, which contributed 62% of total revenues. China growth remains strong and management is confident of achieving growth in top and bottom line in FY19. BEST's 4Q18 China revenues surged 121% YoY to S\$80mn. Balance sheet is healthy, with S\$195mn net cash as at end Dec 2018.

BEST reported S\$78.8mn in revenues from the new franchise segment, which only started contribution in 3Q18. It was previously classified under Export in 4Q17.

Figure 2: Revenue by business segments in 4Q18

S\$'000	4Q 2018	4Q 2017	% Change
Direct Selling	47,519	35,021	35.7%
Export	84	35,100	(99.8%)
Manufacturing/Wholesale	1,231	1,360	(9.5%)
Franchise	78,817	-	NM
Total Revenue	127,651	71,481	78.6%

Source: Company data, KGI Research

Concerns. Concerns were raised during the briefing regarding the transparency of its franchise business in China. BEST is just starting out this new business model, which is currently only used in China. As such, it is still refining the model and is taking steps to ensure the quality of its franchisees. Management has ordered an independent review of its China business but has not given any indication

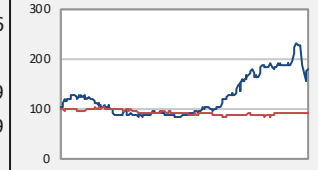
Not Rated

Price as of 27 Feb 19 (SGD)	2.56	Performance (Absolute)	
12M TP (\$)	-	1 Month (%)	-4.5
Previous TP (\$)	-	3 Month (%)	13.5
Upside (%)	-	12 Month (%)	83.6

Trading data

Mkt Cap (\$mn)	1,406
Issued Shares (mn)	549
Vol - 3M Daily avg (mn)	3.9
Val - 3M Daily avg (\$mn)	9.9
Free Float (%)	48.9%

Perf. vs STI Index (Red)



Major Shareholders

D2 Investment	34.1%
Mui Hoan Beng	5.9%
Moi Tan Nee	5.7%

Previous Recommendations

of who it will engage to conduct the review or when it will start.

Valuation & Action:

4Q strongest quarter. BEST's 4Q is typically its strongest quarter and 1Q19 numbers are expected to drop QoQ given the CNY holidays, but will be higher YoY given that 1Q18 did not have contribution from the franchise business.

Cheap but perhaps warranted. A sensitivity analysis based on S\$20m, S\$25m and S\$30mn in quarterly earnings would imply 18x, 14x and 12x P/E. These multiples are cheaper compared to international peers. However, we think the discount may be justified for now until its franchise model proves to be sustainable.

Figure 3: Valuation sensitivity analysis

Quarterly Earnings (S\$'000)	20,000	25,000	30,000
Implied P/E at current price	17.6x	14.1x	11.7x

Source: KGI Research

Assessing risks. Although we note that management will have to provide more disclosures of its franchise business, a bigger risk, in our view, is from government regulations in China. BEST does not have control over its franchisees in China and as such, may possibly experience increased scrutiny from authorities over customer complaints, exaggerated advertisements, or questionable practices of its franchisees.

Risks: Shift in government regulations in China would severely restrict BEST's growth potential and cause a downward re-rating in valuations.



CSE Global

(CSE SP/CSES.SI)

Positive trends; attractive 5.5% dividend yield

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- CSE 4Q18 earnings (excluding one-off items) rose 17% YoY to S\$5.1mn, bringing full-year earnings to S\$20.1mn and above our S\$17.8mn estimates.
- We are positive on CSE's outlook on the back of 13-20% EPS growth in the next 3 years from better industry prospects and from synergies with its new major shareholder.
- Maintain BUY. CSE's valuations are attractive, trading at 12/11/9x 2019/20/21F EPS. We expect downside risks to be mitigated by its above-industry 5.5% dividend yield.

Financials & Key Operating Statistics

YE Dec (\$\$ m)	2017	2018	2019F	2020F	2021F
Revenue	362.4	376.8	399.4	423.4	448.8
PATMI	-45.1	20.1	22.0	24.8	29.6
Core PATMI	-3.5	18.6	21.5	24.3	29.1
Core EPS	-0.7	3.6	4.2	4.7	5.6
Core EPS grth (%)	-117.1	-629.5	15.4	13.3	19.6
Core P/E (x)	-73.5	13.9	12.0	10.6	8.9
DPS (SGCents)	2.8	2.8	2.8	2.8	2.8
Div Yield (%)	5.5	5.5	5.5	5.5	5.5
Net Margin (%)	-12.5	5.3	5.5	5.9	6.6
Gearing (%)	-8.8	-22.0	-0.5	0.9	-0.6
Price / Book (x)	1.5	1.5	1.4	1.4	1.3
ROE (%)	-25.7	11.7	12.2	13.0	14.4

Source: Company Data, KGI Research

4Q18 review. CSE reported a 4Q18 net profit of S\$5.1mn compared to a loss of S\$37.1mn in 4Q17. Excluding the one-off items in 4Q17, core net profit rose 17.1%. 4Q18 gross profit margin rose to a two-year high of 30.2% due to project mix, otherwise average margins in 9M18 was around 27%, which is an improvement from FY17's 26% gross profit margin. It declared 1.5 SG cents final dividend, bringing the full-year dividend to 2.75 SG cents. Although the full-year dividend is similar to the prior year, FY18's 1.50 SG cents final is a step-up from FY17's 1.0 final and 0.50 cents special.

Healthy order book. CSE won S\$384mn of new orders in FY18 and closed the year with S\$181mn of net orderbook. The new orders were in line with our expectations and brings its net order book to a similar level as FY15. New order wins bottomed in FY16 at S\$287mn and has been on an uptrend since then. We expect CSE to secure S\$400mn in new orders in FY19F, before stabilising at S\$450 p.a. thereafter.

Diversification. The recent order wins of a total combined S\$84mn infrastructure work reinforces our view of CSE's value-added proposition to clients in the infrastructure sector in Singapore and Australia. Our site visit to CSE's Australian facilities in September 2018 (please refer to report published on 8-Oct-18) further strengthened our view of the recovery in Australia's O&G, mining and infrastructure sectors. On future growth, the group is actively looking for earnings accretive acquisitions and is in the process of registering to be a supplier to Petronas.

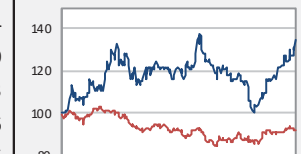
Buy - Maintain

Price as of 1 Mar 19 (SGD)	0.50	Performance (Absolute)	
12M TP (\$)	0.58	1 Month (%)	11.1
Previous TP (\$)	0.57	3 Month (%)	11.6
Upside, incl div (%)	22%	12 Month (%)	44.1

Trading data

Mkt Cap (\$mn)	254
Issued Shares (mn)	509
Vol - 3M Daily avg (mn)	1.3
Val - 3M Daily avg (\$mn)	0.6
Free Float (%)	71.5%

Perf. vs STI Index (Red)



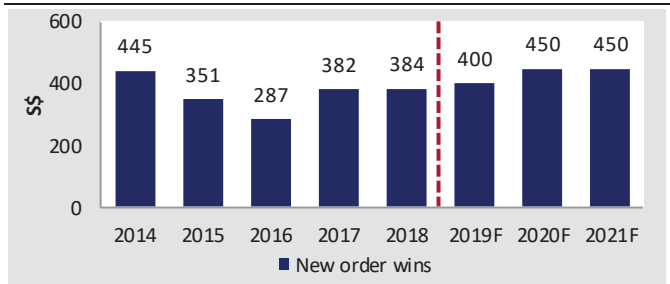
Major Shareholders

Serba Dinamik	25.0%
Fidelity Mgt & Research	10.1%

Previous Recommendations

16-Jan-19	BUY \$0.57
8-Oct-18	BUY \$0.57

Figure 1: Order wins - potential to surpass



Source: Company data, KGI Research

Sustainable 5.5% dividend yield. CSE It has consistently paid 2.75 SG cents p.a. over the past 5 years. We estimate that CSE can sustain this dividend amount going forward as balance sheet remains in net cash position of S\$38mn while free cash flows are sufficient to cover the annual dividend payout of S\$14mn.

Valuation & Action: CSE is currently trading at 13/11/9x 2019/20/21F EPS, which is attractive in our view given its solid balance sheet, asset light model and stable recurring free cash flows. We thus maintain our **BUY** recommendation and believe that average EPS growth of around 16% p.a. over the next 3 years is achievable on the back of improving industry dynamics.

Risks: Margin pressure due to competition and lower-than-expected new order wins. Foreign exchange risks due to its exposure to USD, AUD and EUR.



CHINA
DEVELOPMENT
FINANCIAL

Sim Leisure Group (SLGL SP)

NOT RATED NOTE

Commence trading on SGX 1-Mar

Summary

Issue price (SGD cents)	22
Mkt Cap (\$m)	29.5
Total share offer size (\$m)	5.80
Total issued shares (mn)	26
Placement shares (mn)	134
Sponsor:	
ZICO Capital Pte. Ltd.	
Industry Sector	Entertainment

Company Description

Incorporated in Singapore on 8 March 2018, Sim Leisure Group Ltd is a developer and operator of theme parks based in Penang, Malaysia.

First of its kind – theme park focused entertainment stock listed in SG

Event

Sim Leisure Group (SLG) commenced trading today, raising S\$5.8mn through a private placement. Majority of the funds raised will be used to redeem all outstanding convertible preference shares held by Penang Development Corp maturing in mid-2021.

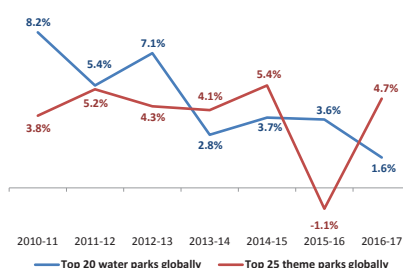
This will not affect expansion plans to construct a second ESCAPE theme park via a joint venture with a subsidiary of Imperium Crown Limited (a catalyst board listed company on SGX). Under the MOU agreement, SLG will be responsible for the design and build of the theme park in Wonder Stone Park, Linyi (China) and will manage and operate it for 40 years.

Success in Penang, huge growth potential in Linyi. Incorporated in Singapore on 8 Mar 2018, SLG operates a profitable theme park under the ESCAPE brand in Penang, Malaysia. Annual visits to ESCAPE Penang grew from about 112,000 visits in FY2017 to 185,000 visits in FY2018. The launch of a new play area, Gravityplay, enticed renewed interest in the theme park last year. The theme park thrives mainly on domestic business, with 75% of visitors being locals. Penang has a population 1,767,000 (2018), compared to Linyi's population of 11,240,000 (end 2016). A simple extrapolation would bring annual visit count to about a million for a theme park thriving on residents based in Linyi. Aecom also predicted that 75% of all Chinese theme parks can expect at least 500,000 annual visits in 2020.

Chinese Theme Park Sector

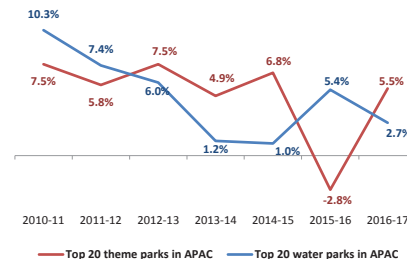
Globally, theme park trends have been favourable, with growth moderating at around 5% for both theme parks and water parks. According to Aecom, growth had been primarily led by China, which saw theme park attendance grow at an average rate of 13% annually since 2008. With a growing middle class population, infrastructure improvements and demand for domestic travel, there seems to be significant opportunity for continued expansion in this sector.

Figure 1: YOY growth in theme parks and water parks globally (%)



Source: Aecom, KGI Research

Figure 2: YOY growth in theme parks and water parks in APAC region (%)



Source: Aecom, KGI Research

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See the last page for important disclosures.

Both supply and demand matrices look to be in favour of Chinese theme park operators. Domestic market saturation seems low, with China's per capita theme park visit count at 0.13 compared to that in the US at 0.65. By 2020, China is expected to surpass the US to become the world's largest themed entertainment market based on attendance, at a CAGR of 7.2% over the next three years.

CHINA
DEVELOPMENT
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Sheng Siong Group Ltd

(SSG SP/SHEN.SI)

Navigating Competitive Landscapes

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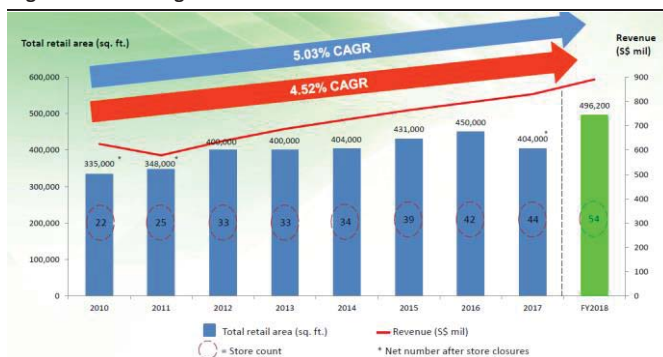
- 4Q18 results in line.** Sheng Siong reported 4Q18 net profit of S\$17.5mn (+7.9% YoY) with a revenue increase of 10.7% to S\$221.8mn, in line with our expectations. For the full year, revenue and net profits grew 7.4% and 1.4% to S\$890.9mn and S\$70.5mn respectively.
- Weaker Operating Leverage.** For FY18, administrative expenses grew 11.7% YoY to S\$154mn due to higher staff costs, rent, depreciation and utilities from the opening of new stores and higher provision of bonuses. As a result, administrative expense increased to 17.3% of sales compared to 16.6% in FY17.

YE Dec SGD mn	2016	2017	2018A	2019F	2020F
Revenue	796.7	829.9	890.9	935.2	983.9
Operating income	75.6	81.9	83.8	89.5	96.2
Net income	62.7	69.5	70.5	75.5	80.6
EPS (SG cents)	10.3	11.4	1.4	7.0	6.9
DPS (SG cents)	3.8	3.3	3.4	3.6	3.9
Div Yield (%)	4.0	3.6	3.1	3.4	3.6
NAV (SG cents)	16.8	18.0	19.3	18.4	19.0
Price / Book (x)	5.6	5.1	5.6	5.8	5.6
Gross Margin (%)	25.7	26.2	26.8	26.7	26.9
Net Margin (%)	7.9	8.4	7.9	8.1	8.2
ROE (%)	25.2	26.7	25.2	26.7	28.8
Net Debt/Equity	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company Data, KGI Research

Competition in supermarket industry to remain keen but expansion plans remain intact. For FY19, management expects competition in the supermarket industry to remain keen among the brick and mortar stores, new supermarkets in HDB residential areas, as well as new and existing e-commerce players. Upcoming retail space expansion can be expected in new and existing HDB housing estates, especially since 6 HDB shops have been closed by competitors since the beginning of 2019.

Figure 1: Revenue growth vs new stores



Source: Company Data, KGI Research

China expansion continues but Singapore business remains key. For FY18, the new supermarket in Kunming recorded a loss of S\$0.7 million but a new lease for a second supermarket in Kunming has been signed with operations expected to begin in 3Q19. Management has guided that the Chinese operations should remain unprofitable in FY19 but

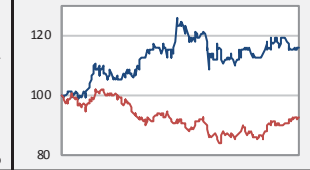
Buy - Maintain

Price as of 27 Feb 19 (SGD)	1.09	Performance (Absolute)	
12M TP (\$)	1.24	1 Month (%)	-1.8
Previous TP (\$)	-	3 Month (%)	3.8
Upside, incl div (%)	16.6	12 Month (%)	19.8

Trading data

Mkt Cap (\$mn)	1,639
Issued Shares (mn)	1,504
Vol - 3M Daily avg (mn)	1.1
Val - 3M Daily avg (\$mn)	1.2
Free Float (%)	42.6%

Perf. vs STI Index (Red)



Major Shareholders

S & S Holdings Inc	29.9%
Lim Hock Chee	9.3%
Lim Hock Leng	9.1%

Previous Recommendations

1-Nov-18	1.24
14-Sep-18	1.24
-	-

continued expansion of outlets in Singapore, as well as product mix optimization and the introduction of more in-house products should help to drive margins and revenue growth in FY19.

Figure 2: Gross Profit Trend



Source: Company Data, KGI Research

Valuation & Action: SSG's defensive business model and stable earnings growth continues to be an integral part of our defensive portfolio recommendation. We maintain a buy on SSG based on a DCF derived TP of S\$1.24.

Risks: Growth in top line is largely driven by its store count. New store openings are subject to a tender process. Number of supermarket locations up for tender may also be limited. Aggressive competition amongst the other major supermarket players in Singapore may offset any growth in margins from a shift in sales mix. Termination of leases and any outbreak of diseases associated with fresh produce.



CHINA
DEVELOPMENT
FINANCIAL

LBBW 3.75% 05/18/27 (LBBW)

Intermediate-Term Carry (SGD)

Marc Tan / 65 6202 1195 / marc.tan@kgi.com

Company Background: LBBW provides its services as a mid-sized universal bank to companies, retail and institutional customers and savings banks. The group has over 10,000 employees working at 160 locations throughout Germany, with total assets of EUR 238 billion and is owned by the Savings Bank Association of Baden-Württemberg (40.5%), the Federal State of Baden-Württemberg (25%) and the City of Stuttgart (18.9%).

Credit Considerations:

Profit improvement driven by lower administrative expenses despite higher investments in IT. For 9M18, profit before taxes grew 2.2% YoY to EUR 457 mn with administrative expenses falling 1.4% YoY to EUR 1.3bn due to lower personnel expenses and elimination of charges related to the change of the core banking system. Core income segments however, declined (Net Interest Income -0.8%, Net Fee & Commission Income -3.4%) as interest rates remained low while customer demand in the brokerage business remained tepid.

Operating segments continued to face difficult market conditions except for asset management segment. While all operating segments made a contribution to net consolidated profit, profitability fell across segments (Corporate Customers -1%, Real Estate/Project Finance -20%, Capital Markets -74%) except for Private Customers/Savings Banks, which posted profits before taxes of EUR 16mn from losses of EUR 19mn in 9M17.

Headwinds continued to be driven by market volatility and low interest rates. For 9M18, market volatility affected securities sales in the capital markets business while a low interest rates environment offset growth in financing volume with medium-sized and large companies, which rose 12% YoY to EUR 49bn.

Figure 1: Profitability constrained by market volatility and interest rates



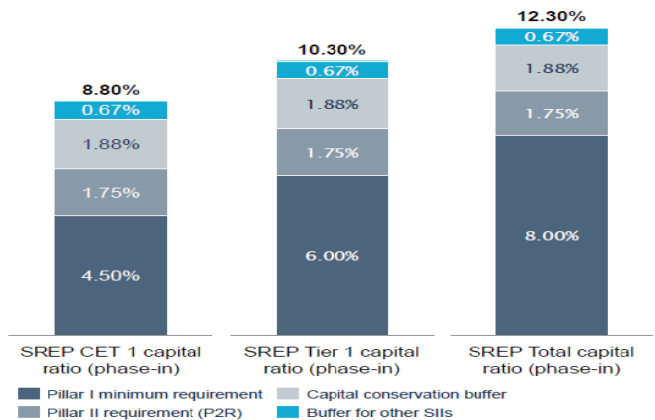
Source: Company Data, KGI Research

On track to meet targets for FY18 with strong capital adequacy. For FY18, the group is targetting profit before tax in a mid three-digit million range, which we think is achievable given 9M18 profit before taxes of EUR 457mn.

Additionally, capital adequacy of the group remains strong with 9M18 CET1 ratio and Total Capital Ratio at 14.7% and 21.2% respectively, which exceeds minimum requirements of 8.8% and 12.3%. The group also performed well in the latest EBA stress tests with CET1 ratio and Total Capital Ratio in an adverse scenario (2020) coming in at 10.69% and 17.41%.

Figure 2: European Banking Authority Minimum Requirements

SREP ratios 2018¹



Source: Bank of England, KGI Research

Credit Recommendations:

While LBBW's 2027 have been rated investment grade by Moody's (Baa2) and Fitch (BBB), the bond is a subordinated issue which may be subject to mandatory write-down or conversion to equity if the issuer becomes subject to a resolution procedure.

Additionally, the issue has an optional redemption date on 18 May 2022 and a coupon reset at the 5-year SGD Swap Offer Rate + 1.780% on 18 May 2022, which can help to mitigate interest rate risks.

While we expect the group's low profitability to continue as a result of intense competition and low interest rates, we expect the group's credit outlook to be well supported by its strong capital adequacy and support from its public-sector owners. We add LBBW 3.75% 2027 to our defensive portfolio. The bond is currently trading at 99.75 with a YTW of 3.8%.

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	25.50	65,236	1.7%	7.6%	1.3%	4.9%	5.1%
OCBC SP	OCBC	11.25	47,798	1.4%	(0.1%)	(0.7%)	4.2%	4.4%
UOB SP	UOB	25.27	42,093	1.1%	2.8%	(0.5%)	5.0%	5.3%
SGX SP	SGX	8.00	8,561	1.4%	13.0%	1.3%	3.9%	4.1%
PROPERTIES								
HKL SP	Hongkong Land USD	7.39	23,554	0.8%	17.3%	1.4%	3.0%	3.2%
CAPL SP	CapitaLand	3.49	14,571	1.7%	12.2%	(1.1%)	3.6%	3.7%
CT SP	CapitaLand Mall Trust	2.42	8,926	0.4%	7.8%	(1.2%)	5.0%	5.1%
AREIT SP	Ascendas REIT	2.82	8,772	0.7%	9.7%	0.0%	5.7%	5.9%
CIT SP	City Development	8.84	8,017	0.3%	8.9%	(4.4%)	2.2%	2.2%
CCT SP	CapitaLand Comm Trust	1.95	7,311	0.5%	14.0%	0.5%	4.6%	4.6%
UOL SP	UOL	6.63	5,590	0.6%	7.1%	(2.4%)	2.7%	2.7%
TELECOMMUNICATIONS								
ST SP	SingTel	2.99	48,823	0.0%	2.0%	(2.9%)	6.0%	5.9%
CONSUMER SERVICES AND GOODS								
JM SP	Jardine Matheson USD	68.53	68,395	0.2%	(1.5%)	(2.0%)	2.5%	2.6%
JS SP	Jardine Strategic Holdings	40.04	60,098	1.8%	9.1%	2.2%	0.9%	0.9%
DFI SP	Dairy Farm International	8.65	15,851	0.9%	(4.4%)	(3.9%)	2.8%	3.1%
THBEV SP	ThaiBev	0.80	19,965	(2.5%)	32.2%	(2.5%)	2.7%	3.0%
JCNC SP	Jardine C&C	33.24	13,138	(2.1%)	(6.0%)	(9.4%)	4.1%	4.2%
GENS SP	Genting Singapore	1.02	12,286	(1.0%)	4.6%	(3.8%)	3.7%	3.7%
VMS SP	Venture Corp	19.09	5,494	3.5%	36.8%	5.5%	3.7%	3.7%
SPH SP	SPH	2.48	3,963	0.4%	5.5%	(1.2%)	5.2%	5.2%
TRANSPORT								
SIA SP	Singapore Airlines	9.97	11,801	1.1%	5.8%	(2.2%)	3.4%	3.7%
CD SP	ComfortDelGro	2.45	5,304	0.8%	14.0%	0.0%	4.5%	4.7%
COMMODITIES								
WIL SP	Wilmar	3.24	20,500	1.9%	3.8%	(2.7%)	3.3%	3.6%
GGR SP	Golden Agri	0.28	3,566	1.8%	14.3%	0.0%	1.9%	2.9%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	6.23	11,291	1.6%	5.4%	(1.4%)	4.1%	4.5%
STE SP	ST Engineering	3.76	11,715	0.8%	7.7%	(0.8%)	4.2%	4.6%
SATS SP	SATS	5.15	5,739	1.0%	10.5%	0.2%	3.6%	3.8%
YZJSGD SP	Yangzijiang SGD	1.43	5,642	(0.7%)	14.4%	(1.4%)	3.2%	3.3%
SCI SP	Sembcorp Industries	2.65	4,729	1.5%	4.3%	0.0%	2.5%	3.1%
HPHT SP	HPH Trust USD	0.24	2,773	2.2%	0.2%	0.0%	8.1%	8.4%

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

Source: Bloomberg

STI Reserve List (by market cap) - STI next review date: March 2019

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	1.95	5,227	1.6%	11.1%	0.5%	5.1%	5.1%
MCT SP	Mapletree Commercial Trust	1.80	5,201	1.1%	10.5%	2.3%	5.1%	5.1%
MLT SP	Mapletree Logistics Trust	1.42	5,102	0.7%	14.4%	2.2%	5.6%	5.7%
KREIT SP	Keppel REIT	1.25	4,255	0.0%	10.9%	1.6%	4.6%	4.6%
MINT SP	Maple Industries Trust	2.01	4,028	0.0%	7.8%	1.0%	6.0%	6.4%

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 4 Mar 19	Yield (%)
Karin Technology Hldgs	13-Feb-19	1H19	HKD 0.0580	5-Mar-19	6-Mar-19	30-Mar-19	SGD 0.330	1.0
Cromwell European REIT	27-Feb-19	FY18	Euro 1.5700	6-Mar-19	7-Mar-19	29-Mar-19	EUR 0.510	0.0
BHG Retail REIT	26-Feb-19	FY18	SGD 0.02420	7-Mar-19	8-Mar-19	29-Mar-19	SGD 0.705	3.4
Hai Leck Holdings Ltd	12-Feb-19	2Q19	SGD 0.01000	8-Mar-19	11-Mar-19	28-Mar-19	SGD 0.525	1.9
Koda	13-Feb-19	2Q19	SGD 0.0025	8-Mar-19	11-Mar-19	25-Mar-19	SGD 0.710	0.4
Koda - Special	13-Feb-19	2Q19	SGD 0.0025	8-Mar-19	11-Mar-19	25-Mar-19	SGD 0.710	0.4
Dasin Retail Trust	24-Feb-19	FY18	SGD 0.0363	14-Mar-19	15-Mar-19	28-Mar-19	SGD 0.890	4.1
EC World REIT	22-Feb-19	FY18	SGD 0.015700	18-Mar-19	19-Mar-19	29-Mar-19	SGD 0.760	2.1
Asian Pay Television Trust	25-Feb-19	FY18	SGD 0.00300	21-Mar-19	22-Mar-19	29-Mar-19	SGD 0.130	2.3
Qian Hu Corp Ltd	11-Jan-19	FY18	SGD 0.0020	10-Apr-19	11-Apr-19	25-Apr-19	SGD 0.142	1.4
Roxy-Pacific Holdings Ltd	22-Feb-19	FY18	SGD 0.0071	15-Apr-19	16-Apr-19	26-Apr-19	SGD 0.405	1.7
Straits Trading Co Ltd/Singapore	28-Feb-19	FY18	SGD 0.06000	16-Apr-19	17-Apr-19	3-May-19	SGD 2.160	2.8
Great Eastern Hldgs	20-Feb-19	FY18	SGD 0.50000	23-Apr-19	24-Apr-19	8-May-19	SGD 26.340	1.9
Singapore Technologies Engrg	21-Feb-19	FY18	SGD 0.10000	23-Apr-19	24-Apr-19	7-May-19	SGD 3.730	2.7
United Overseas Insurance	12-Feb-19	FY18	SGD 0.0850	23-Apr-19	24-Apr-19	6-May-19	SGD 7.020	1.2
United Overseas Insurance - Special	12-Feb-19	FY18	SGD 0.0500	23-Apr-19	24-Apr-19	6-May-19	SGD 7.020	0.7
iFAST Corporation	20-Feb-19	FY18	SGD 0.00900	24-Apr-19	25-Apr-19	9-May-19	SGD 1.090	0.8
Lonza Group AG	30-Jan-19	FY18	CHF 0.02750	24-Apr-19	25-Apr-19	26-Apr-19	-	0.0
Sembcorp Industries	21-Feb-19	FY18	SGD 0.0200	24-Apr-19	25-Apr-19	13-May-19	SGD 2.610	0.8
Propnex	25-Feb-19	FY18	SGD 0.0150	26-Apr-19	29-Apr-19	13-May-19	SGD 0.565	2.7
Propnex - Special	25-Feb-19	FY18	SGD 0.0200	26-Apr-19	30-Apr-19	13-May-19	SGD 0.565	3.5
Golden Agri-Resources Ltd	27-Feb-19	FY18	SGD 0.00580	29-Apr-19	30-Apr-19	10-May-19	SGD 0.275	2.1
Keppel Corp	24-Jan-19	FY18	SGD 0.1500	29-Apr-19	30-Apr-19	10-May-19	SGD 6.130	2.4
CEI	22-Feb-19	FY18	SGD 0.00400	30-Apr-19	2-May-19	17-May-19	SGD 0.925	0.4
CEI - Special	22-Feb-19	FY18	SGD 0.03980	30-Apr-19	2-May-19	17-May-19	SGD 0.925	4.3
City Developments	21-Feb-19	FY18	SGD 0.0800	30-Apr-19	2-May-19	23-May-19	SGD 8.810	0.9
City Developments - Special	21-Feb-19	FY18	SGD 0.0600	30-Apr-19	2-May-19	23-May-19	SGD 8.810	0.7
Cordlife Group	28-Feb-19	FY18	SGD 0.0040	30-Apr-19	2-May-19	17-May-19	SGD 0.400	1.0
Food Empire Holdings Ltd	28-Feb-19	FY18	SGD 0.006800	30-Apr-19	2-May-19	17-May-19	SGD 0.580	1.2
Hwa Hong Corp	31-Jan-19	FY18	SGD 0.01000	30-Apr-19	2-May-19	17-May-19	SGD 0.285	3.5

Latest Listing Issue Announcement

Company	Offer Price	Closing Date	Offeror
Courts Asia Ltd	SGD 0.205 Cash	5.30 p.m. on 15 Mar 2019	Nojima Asia Pte. Ltd.
M1 Ltd	SGD 2.06 Cash	5.30 p.m. on 18 Mar 2019	Konnectivity Pte. Ltd.

Source: SGX Announcement

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
4-Mar	5-Mar	6-Mar	7-Mar IPO Reclaims Global (Catalist): Close @ 12.00 noon	8-Mar
11-Mar IPO Reclaims Global (Catalist): Commence Trading @ 9.00 a.m.	12-Mar	13-Mar	14-Mar	15-Mar
18-Mar	19-Mar	20-Mar	21-Mar	22-Mar
25-Mar SG (Feb 2019) CPI	26-Mar SG (Feb 2019) Index of Industrial Production	27-Mar	28-Mar	29-Mar
1-Apr-2019	2-Apr	3-Apr	4-Apr	5-Apr *Q2 Miyoshi

* Tentative

Source: Bloomberg

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