KGI CHINA DEVELOPMENT FINANCIAL

CSE Global

(CSE SP/CSES.SI)

Turnaround as industry fundamentals improve; offering attractive 6% dividend yield

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

- We re-initiate with a BUY; our fair value of S$0.57 is based on a blended 12.5x FY2019F P/E and 2.1x 2019F P/B. CSE's valuation is currently attractive on undemanding earnings multiple of 15/12/10x 2018/19/20F core EPS.
- Positive company outlook on 22-26% EPS growth in next 3 years from better industry prospects and from synergies with its new major shareholder. We expect downside risks to be mitigated by its above-industry 5.8% dividend yield.
- We also visited CSE's Australia's operations and 8 other SGX and ASX listed companies. All the companies we met cited recovering demand on stronger tendering activities across all sectors. CSE is well-placed to capitalise on opportunities as improving industry trends lend support to growth prospects.

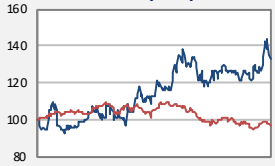
Financials & Key Operating Statistics

YE Dec (S$ m)	2016	2017	2018F	2019F	2020F
Revenue	317.8	362.4	376.8	399.5	423.4
PATMI	21.2	-45.1	17.8	20.9	25.3
Core PATMI	20.6	-3.5	16.1	20.4	24.8
Core EPS	4.0	-0.7	3.1	4.0	4.8
Core EPS grth (%)	-34.0	na	na	26.6	21.6
Core P/E (x)	11.8	-69.1	15.1	11.9	9.8
DPS (SGCents)	2.8	2.8	2.8	2.8	2.8
Div Yield (%)	5.9	5.9	5.9	5.9	5.9
Net Margin (%)	6.7	-12.5	4.7	5.2	6.0
Gearing (%)	-27.5	-8.8	-8.1	-4.1	-2.8
Price / Book (x)	1.0	1.4	1.4	1.3	1.2
ROE (%)	8.3	-25.7	9.9	11.3	12.9

Source: Company Data, KGI Research

Buy - Re-initiation

Price as of 8 Oct 18 (SGD)	0.47	**Performance (Absolute)**	
12M TP ($)	0.57	1 Month (%)	9.3
Previous TP ($)	na	3 Month (%)	16.2
Upside, incl div (%)	26%	12 Month (%)	39.2
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	239		
Issued Shares (mn)	509		
Vol - 3M Daily avg (mn)	1.1		
Val - 3M Daily avg ($mn)	0.5		
Free Float (%)	65.0%		
Major Shareholders		**Previous Recommendations**	
Serba Dinamik	25.0%		
Fidelity Mg't & Research	10.1%		
CAM-GTF	6.8%		



Turnaround. CSE reported a huge turnaround in 2Q18, with PATMI of US$4.2mn from a loss of S$13.8mn in 2Q17. 2Q18 core-PATMI, excluding the S$16.8mn losses arising from fines recorded in 2Q17, would have been a 44% YoY increase. New orders improved QoQ in 2Q18 as it secured S$89mn in new orders, compared to S$69mn in 1Q18. Its current S$149mn net order book remains healthy, just slightly below the 3-year annual average of S$177m.

Australia site visit. We had a positive takeaway following our trip to Perth Australia to visit 4 SGX-listed and 5 ASX-listed companies that were active in the country. All the companies we met were expanding operations and cited the recovery of demand in key sectors such as O&G, mining and infrastructure.

Since the oil and mining downturn began in 2015, CSE Global has successfully diversified into Australia's infrastructure sector, mainly with the supply and servicing of 2-way radio communication systems. We estimate that Australia now contributes 30% of total group revenues in FY2017 but >70% of EBIT, and expect more room for growth as tendering activity continues to be strong across the key sectors.

New shareholder opens up opportunities. Serba Dinamik (SDH MK), a mechanical maintenance service provider listed on the Malaysian exchange, acquired a 24.84% stake in CSE Global from eight shareholders in April 2018. As both companies are mainly involved in oil & gas projects, the acquisition could result in synergies between them. We believe it is highly likely that Serba Dinamik could utilise CSE's system integration products and services while CSE could open doors in markets such as the US and Australia. Serba Dinamik currently derives half of its revenues from the Middle East, a market that CSE has cut back its presence due to problems with customer payments.

Guiding for full-year 2.75 SG cents dividend; now offering an attractive 5.9% dividend yield. CSE maintained its 1.25 SG cents 1H18 interim dividend, unchanged over the past 5 years. Management has maintained its guidance of 2.75 SG cents full-year dividend, which would mean a final 1.0 SG cents dividend, offering an attractive 6.4% dividend yield. It has consistently paid 2.75 SG cents p.a. over the past 4 years. We estimate that CSE can sustain this dividend amount going forward as balance sheet remains in net cash position of S$20.9mn while free cash flows are sufficient to cover the annual dividend payout of S$14mn.

Valuation & Action: CSE is currently trading at 15/12/10x 2018/19/20F EPS - which is attractive in our view given its solid balance sheet, asset light model and stable recurring free cash flows. We thus initiate with a **BUY** and believe that EPS growth of >20% 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.

Investment Thesis

We believe markets may be undervaluing CSE's key businesses as we see several positive trends that could cause a share price re-rating over the next few quarters:

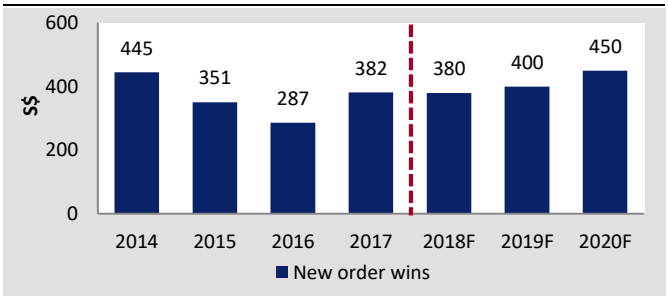
▪ There has been a dramatic increase in US oil production, a majority from shale production such as in the Permian basin. While the US contributed 50-57% of CSE's FY2016 and FY2017 revenues, it only made up 26-32% of EBIT. Hence, we see significant upside to margins and earnings from its US operations, which mainly serves the O&G sector.

▪ CSE's infrastructure business has been a bright spot, contributing S$15.2mn or 78% of EBIT in FY2017. It is currently working and bidding for mining and infrastructure projects in Australia. After our site visit to Australia, we are more confident of the growth prospects of CSE in the country as it has made significant inroads into the 2-way radio communications through its acquisitions.

▪ Re-entry into the Middle East with its new shareholder, Serba Dinamik, which could boost its order book. CSE scaled down its Middle East operations in past years due to issues with clients' payment. But with Serba Dinamik now as a strong partner, CSE would be in a better position to once again capitalise on the world's largest oil producing region.

Recovering order win. CSE's has done commendably well by winning S$382mn of new orders in FY2017, the first year-on-year increase in four years. We expect CSE to secure a similar level of new orders in FY2019F, increasing to S$400mn and S$450mn in FY2019F and FY2020F, respectively.

Figure 1: New order wins



Source: Company data, KGI Research

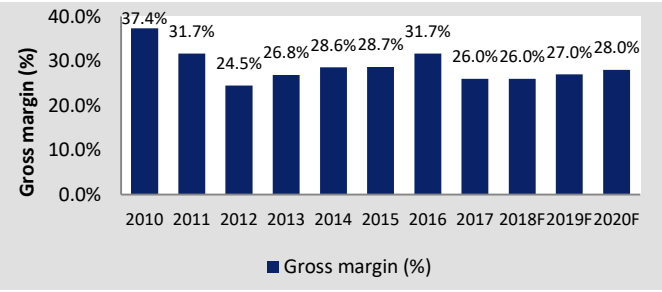
Valuations

A peer comparison study may not accurately capture the value that CSE should be trading at, given the wide mix of geographical segment (SG, US, AU and potentially in MENA) that it operates in and the business mix that it has.

As such, our valuation method for CSE involves a blended use of historical P/E and P/B multiples with a heavier weighting on P/B for now. The reason for giving P/B multiple a heavier weight is that the company may only hit full earnings growth potential in FY2020F, where we expect O&G capex and opex to recover to levels that would benefit CSE's core business and provide a meaningful margin uplift.

Improving margins. Gross profit margins in FY2017 declined to 26% from an average of 30% during FY2010 to FY2015. Although the O&G service industry is still plague by overcapacity, we are seeing indications that supply and demand is balancing. Thus, it is not unreasonable to expect gross margins to gradually improve to around 28.0% by FY2020F.

Figure 2: We expect a recovery of margins



Source: Company data, KGI Research

Blended P/E and P/B valuations. We applied a 20% discount to the +1SD multiples of CSE's 10-year historical average for both P/E and P/B valuation metrics, and derived a fair value of $0.51 based on 12.5x 2019F P/E and $0.60 based on 2.1x 2019F P/B. Our blended TP based on 40% weighting for P/E and 60% on P/B valuation resulted in a fair value of $0.57. Including an attractive dividend yield of 5.8%, we derive total potential upside of 25%.

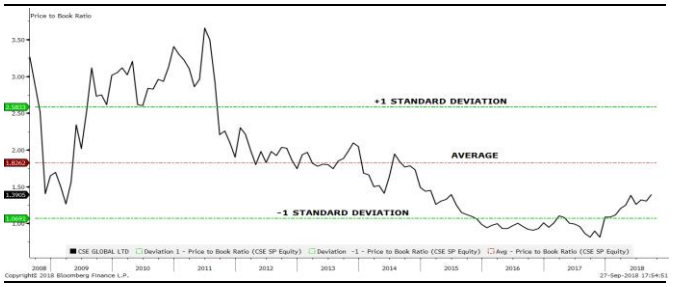
Figure 3: Blended P/E and P/B based valuation for CSE

Blended valuation		Remarks
PE-based TP	$0.51	Based on 12.5x P/E, 20% disc to +1SD above 10-yrs avg
PB-based TP	$0.60	Based on 2.1x P/B, 20% disc to +1SD above 10-yrs avg
Weight P/E	*40%*	
Weight P/B	*60%*	Higher weight to P/B based multiple
P/E	$0.20	
P/B	$0.36	
Blended TP	$0.57	
Upside/(Downside)	*19%*	
Dividend yield	*5.8%*	
Upside, inc div	*25%*	

Source: KGI Research

P/B valuation still below 10-year average. Despite improving industry and company fundamentals for CSE, its valuations are still close to 1SD below its 10-year average. We expect valuations to re-rate higher on improving earnings across its three business segments (O&G, Infrastructure and Mining & Mineral).

Figure 4: 10-years P/B graph



Source: Bloomberg, KGI Research

Australia site visit

Positive outlook. We were surprised by the positive outlook from the 9 companies we met in Australia, where they operated in diverse sectors such as mining, infrastructure, technology and defence. All of them cited the recovery of demand as tendering activity was growing across all sectors. We estimate that CSE derives around 30% of its FY2017 revenues from Australia.

Infrastructure booming. CSE's projects in Australia's infrastructure-related sector contributed 76% of FY2017 EBIT and we expect there to be room for more growth. CSE's revenues in infrastructure-related projects rose 68% to S$91mn in FY2017 from S$54mn in FY2015.

CSE's successful diversification. Since the oil and mining downturn began in FY2015, CSE has successfully diversified into Australia's radio communications sector. This business segment contributed S$42mn (11% of total revenues) in revenues in FY2017, a significant growth from the S$5mn in revenues reported in FY2015.

EPS-accretive M&A. The growth in CSE's Australian business was achieved both through organic means and acquisition of 5 companies. Since FY2015, CSE spent a total of S$15.6mn and S$11.4mn to acquire companies in the US and Australia, respectively. These acquisitions have been EPS-accretive in total, contributing 37% of FY2017 EBIT.

Figure 5: CSE's acquisitions in the US and Australia since 2015

S$m	Purchase Consideration	Revenue FY2017	Revenue FY2016	EBIT * FY2017	EBIT* FY2016
USA	15.6	32.4	22.9	5.1	4.3
Australia	11.4	29.2	16.0	2.1	(0.1)
Total	27.0	61.6	38.9	7.2	4.2

*included amortization of intangibles, transaction cost and redundancy costs associated with the acquisition.

Source: Company, KGI Research

Mining & Mineral recovering. CSE's profitability under the Mining & Mineral sector experienced significant reduction since FY2015, which coincided with the weakness in China, Australia's largest export destination. Margin have compressed since FY2015 with EBIT from mining at a loss in FY2017. However, we expect improvements going forward as mining exports reach a steady growth state (Figure 10).

Core competencies intact. CSE still maintains a 1,104 strong headcount globally as at end FY2017, down from the 1,400-1,500 staff it had before the oil industry downturn in FY2014. CSE was fortunate enough to maintain its core competencies given its strong balance sheet during the downturn. As such, CSE is in a much better position compared to peers to capitalise on new projects opportunities.

Figure 6: Headcount at the end of each financial year (YE - December)

Region	FY2014	FY2015	FY2016	FY2017	FY17/14 change%
Americas	789	685	526	642	-19%
EMEA	78	68	51	43	-45%
Asia-Pacific	516	477	459	419	-19%
Group	1,383	1,230	1,036	1,104	-20%

Source: Company, KGI Research

CSE in Australia. CSE employs more than 200 people in Australia and operates in the communications, power and automation business across Australia and New Zealand through their operating entities including CSE Comsource, CSE Crosscom, CSE Transtel, CSE Uniserve and CSE W Arthur Fisher.

We visited CSE's operational office for Western Australia in Osborne, Perth. This is the head office where it installs and maintains 2-way radio communications for both permanent and temporary locations. The group partners international communication companies such as Motorola to offer digital 2-way radio coverage in almost all key Australian cities and will be looking to expand into New Zealand in the future.

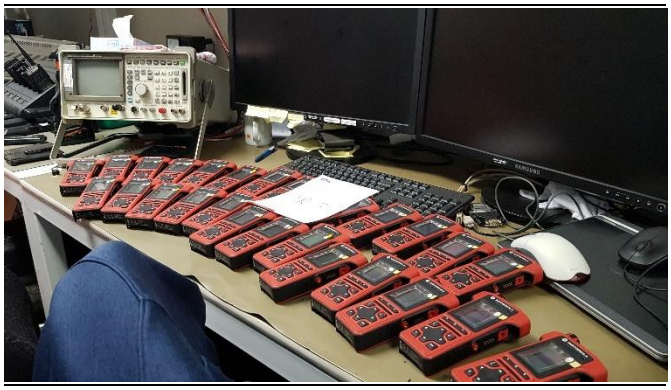
Figure 7:CSE's Western Australian operational office in Osborne Park, Perth

Source: KGI Research

Figure 8: An engineer checking communication equipment to be installed at customers' premises

Source: KGI Research

Figure 9: CSE Global (Australia) supplies Motorola 2-way radios for customers in the infrastructure and mining sectors in Australia and New Zealand



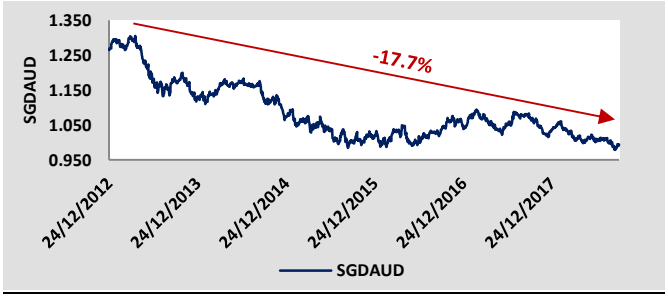
Source: KGI Research

Australia's steady growth. Australia's GDP growth is expected to strengthen over the rest of 2018 and 2019 as the drag from mining investment comes to an end and accommodative monetary policy provides ongoing support for growth in consumption and non-mining business investment, such as infrastructure projects. The implementation of public infrastructure investment is expected to help sustain growth in public demand.

Australia's shift to opex. Australia's energy and resources sector is expected to shift to steady export growth after the capex boom from 2001 to 2017. From 2001 to 2017, Australia's total resources and energy exports are estimated to have increased more than 3.5 times to A$200bn, with majority of the exports going to Asia. The steady growth from 2018 to 2022 in the export volume of most bulk commodities is expected to contribute to higher export earnings and demand for maintenance services and infrastructure spending in the country over the next 10 years.

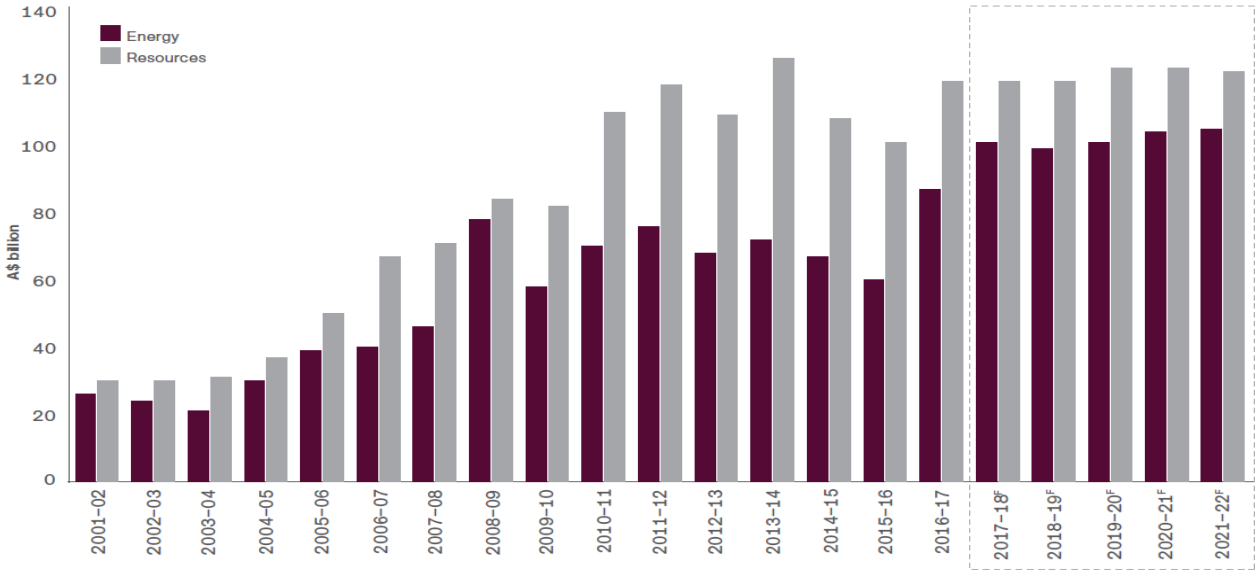
Weaker AUD a positive factor as well. The AUD has weakened over the past year and is expected to provide additional support to the Australian economy by making domestically produced goods and services more competitive. Although the weaker AUD against SGD would have short-term negative impact on CSE (~30% revenues from Australia), overall, we still believe that CSE would benefit from the long-term growth prospects in Australia.

Figure 12: AUD depreciating 18% in 5 years against SGD



Source: Bloomberg, KGI Research

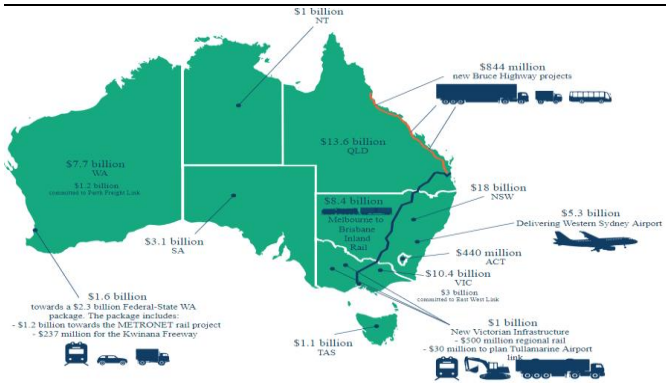
Figure 10: Australia's energy and resource sector – Steady growth expected in the next five years.



Historical and estimated (s) data from Resources and Energy Quarterly, June 2017; F = Forecast figures from Resources and Energy Quarterly, March 2017
Notes: Resource commodities are non-energy minerals and semi-manufactured products produced from non-energy minerals. Energy commodities are minerals and petroleum products typically used for power generation.

Source: Department of Industry, Innovation and Science, Office of the Chief Economist, Resources and Energy Quarterly, June 2017 and Resources and Energy Quarterly, March 2017, Table 1.2: Outlook for Australia's resources and energy exports; Austrade

Figure 11: A$75bn infrastructure investments planned in next 10 years



Source: The Commonwealth of Australia, Budget 2018-2019

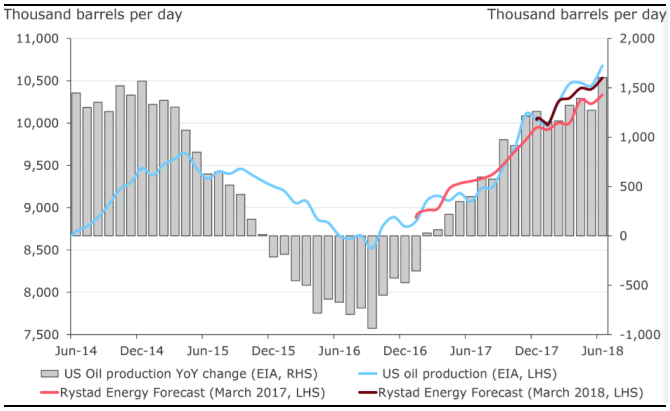
A$75bn infrastructure spending. The Australian government has committed more than A$75bn over the next 10 years in transport infrastructure spending across Australia, using a combination of grant funding, loans and equity investments. The projects will mainly be focused on road and rail investments. Some of the major projects include:

- A$3.6bn for the joint AU Gov't and NSW Western Sydney Infrastructure plan
- A$1.6bn to North-South Corridor in Adelaide
- A$1.5bn funding and S$2.0bn concessional loan for WestConnex project in Sydney
- A$1.2bn for METRONET rail project in Western Australia

Oil & Gas

Participating in the US onshore oil boom. O&G still plays a major role in CSE's business, contributing 68% of FY2017 revenue and 24% of EBIT. An interesting development is CSE's focus to grow its US onshore business has gained ground, where the revenue split between its onshore and offshore exposure is 50/50 in FY2017.

Figure 13: US production is breaking new highs and has managed to beat forecasts by industry experts. The recovery in US production has been driven mainly by shale activity.

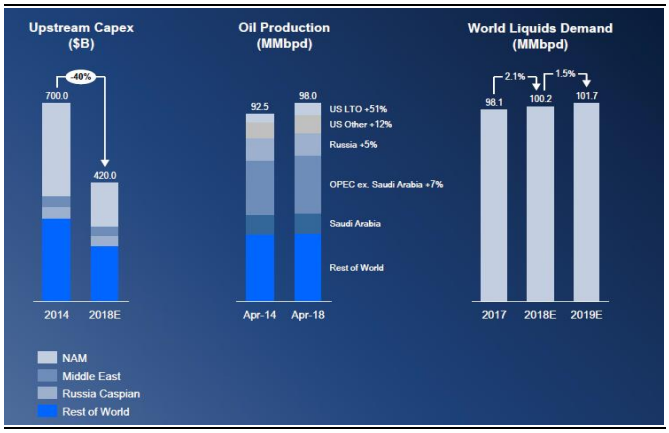


Source: EIA, Rystad Energy research and analysis, September 2018

As CSE still has capabilities to leverage on both onshore and offshore developments, we believe the group is in a very good position to benefit from the upturn in the oil industry.

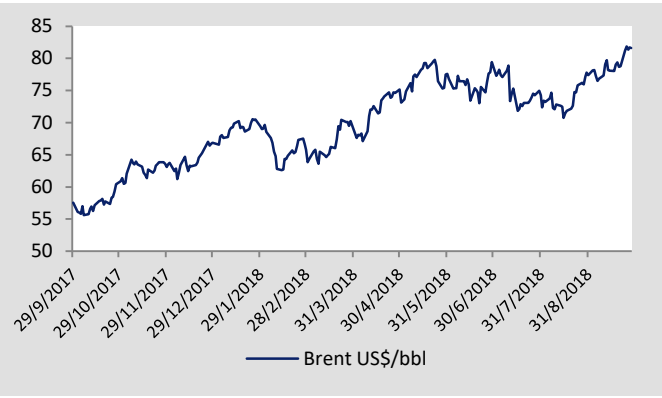
Industry fundamentals improving. Schlumberger and Baker Hughes – two of the largest oil and gas (O&G) service companies globally – both see a pickup in the offshore sector, as customers go ahead with large projects that were delayed since 2015. After the deepest downturn in 30 years where annual exploration and production (E&P) capex declined by 40% over the past 3 years, the recovery in sentiment in the oil markets are flowing into 2018 E&P capex, which is expected to grow by 15-20% in North America and 5% internationally.

Figure 14: Upstream capex was cut 40% since 2014 despite global oil demand growing at around 1-2% p.a. The underinvestment in E&P spending is creating a significant risk to future supply.



Source: Schlumberger Presentation slides

Figure 15: Oil prices have been resilient and are on a long-term uptrend, in our view

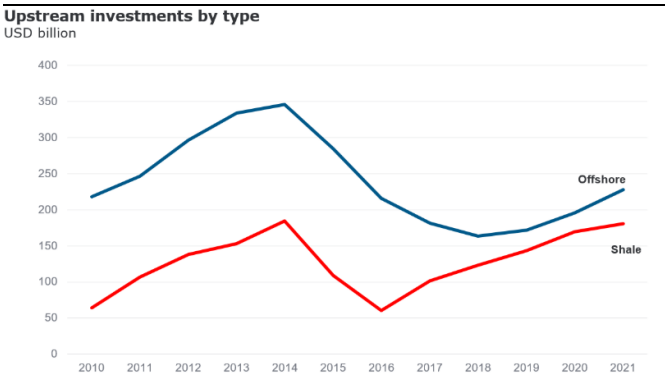


Source: Bloomberg, KGI Research

Offshore FIDs picking up. According to Rystad Energy, there was a 50% YoY rise in the number of offshore projects sanctioned in 2017, with 62 FIDs, followed by a similar growth in 2018 with close to 100 offshore projects being sanctioned. As a result, we finally see offshore investment levels rise again in 2019, following four straight years of contraction.

Rystad expects offshore investments to increase at an accelerating rate over the next three years, growing at 11% per annum towards 2022, as show in the graph below.

Figure 16: Upstream investment forecast until 2021 for offshore and shale projects according to Rystad Energy



Source: Rystad Energy DCube

CSE's core business: System Integration

System Integration (SI) is the process of aggregating different component subsystems and ensuring that the subsystems function together as one. It is about adding value to the system, capabilities that are possible because of interaction between subsystems.

The role of system integration engineers is becoming more important in today's context as we see increasing systems being designed to connect during the construction phase as well as during development. The system integration engineer will need a broad range of skills and be the main contact to collate various inputs from different engineers and "integrates" everything together.

Hence what CSE offers to clients is neither a generic product nor service that is easily replicable. Instead what the company can offer which is highly valued by its clients, is its broad range of engineering skills and knowledge, high quality design as well as project management solutions that is so often critical in determining the success of a project.

Use a case study example from CSE, a water utility client wanted to install a new wastewater lift station and requested a quotation to control and monitor the dual wet-well pumping station. A traditional SCADA and RTU solution would result in an over budget of $15,560. However, CSE is able to provide a customised integrated solution that is not only $1,670 below budget, but also allows the simplification of the integration process that caters to the specific needs of its clients. Such skills and services cannot be easily replicated and there lies the value in which CSE presents to its clients.

CSE process control systems. These are the services and systems delivered to clients to ensure optimum efficiency:

- Process control system
- Safety shutdown systems
- Fire & Gas detection system
- SCADA - Supervisory Control & Data Acquisition
- Wellhead control systems
- Subsea control system
- Process Skid system
- Electrical Drive and High/Medium voltage systems
- Electrical protection and control system
- Real-time information system
- Intelligent Transport System (ITS)
- I&E construction
- Safe secure solutions
- Multiple hearth furnace
- Fluid bed incinerator
- Carbon and energy recovery systems
- Rotary Kiln incinerator

Communications systems. CSE is a systems communications network system integrator for the oil, gas and energy markets, offering the following services:

- Communication and security, mainly two-way radio communications for both permanent and temporary locations.
- VSAT satellite communications network
- Fibre optic systems
- Microwave radio systems that can provide point-to-point or point-to-multipoint communications.
- Conventional & Trunked radio systems
- Public address & General alarm systems (PAGA)
- CCTV, access control FID systems
- SCADA & Telemetry networks
- Telephone, LAN/WAN and IP-based networks

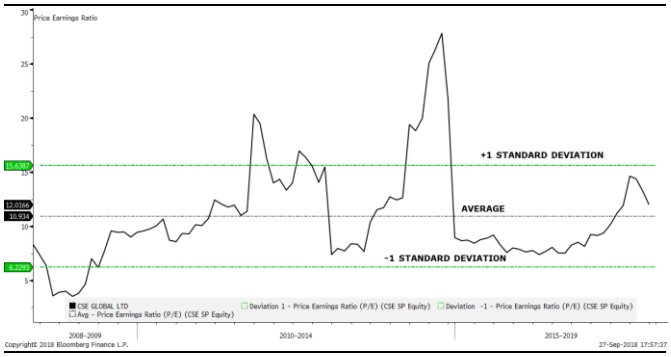
Experienced key management. The group is helmed by industry veterans with more than 20 years of experience each. Mr Lim Ming Seong has been the Chairman and Non-ED since 1997, while Dato' Karim, the Group MD and Deputy Chairman of Serba Dinamik, joined CSE recently as the Deputy Chairman and Non-executive, Non-Independent Director in May 2018 following Serba's acquisition of the majority stake in CSE. Mr Lim Boon Kheng has been CSE's Group Managing Director and CEO since 2013 but has been working under various roles in the group since 1999. Mr Eddie Foo is CFO while Mr Leong Say Haur is the COO, both with a wide experience in finance and multinational companies.

The group's subsidiaries in the US are led by experienced CSE staff who have been with the company for more than 14 years. Mr Donnie Smith and Mr Greg Hanson have been working under the various CSE subsidiaries in the US and have a combined 50 years of experience in the upstream O&G sector.

Mr Roy Rowe heads CSE's Australian and New Zealand operations since 2011. He has 30 years' experience working in mining, oil & gas and major construction industries.

Appendix: Additional charts and tables

Figure 17: CSE's 10-year P/E graph



Source: Bloomberg, KGI Research

CSE's segments. CSE's diversification into Australia's infrastructure segment managed to offset the decline in O&G and Mining & Minerals. Infrastructure EBIT accounted for 78% of the group's FY2017 EBIT.

Figure 18: CSE's segmental breakdown by revenues and operating profit

Revenue by Industries

S$'m	FY2015	FY2016	FY2017	Change in FY17/FY15
Oil & Gas	345.0	236.8	246.2	-29%
Infrastructure	53.9	58.9	90.5	68%
Mining & Mineral	13.1	22.0	25.7	96%
Group	412.0	317.8	362.4	-12%

EBIT by Industries

S$'m	FY2015	FY2016	FY2017	Change in FY17/FY15
Oil & Gas	30.6	17.3	4.7	-85%
Infrastructure	8.2	8.4	15.2	85%
Mining & Mineral	1.6	1.9	(0.2)	n.m
Group	40.5	27.6	19.6	-52%

Source: Company

YE 31 Dec

INCOME STATEMENT (S$m)	2016	2017	2018F	2019F	2020F
Revenue	**317.8**	**362.4**	**376.8**	**399.5**	**423.4**
Cost of sales	(217.1)	(268.2)	(278.9)	(291.6)	(304.9)
Gross Profit	**100.7**	**94.1**	**98.0**	**107.9**	**118.6**
Other operating income/(expenses)	(3.8)	(17.8)	0.0	0.0	0.0
Selling and distribution	(3.8)	(3.8)	(3.8)	(4.0)	(4.2)
Admin	(66.1)	(67.9)	(71.6)	(75.9)	(80.5)
Profit from Operations	**27.0**	**4.5**	**22.6**	**28.0**	**33.9**
Finance income/(expenses)	0.2	(0.3)	(0.7)	(0.8)	(0.8)
Share of JV results	0.0	0.0	0.0	0.0	0.0
Exceptionals/Investment income	0.6	(41.6)	1.7	0.5	0.5
Profit before Tax	**27.7**	**(37.4)**	**23.6**	**27.7**	**33.5**
Income tax	(6.5)	(9.5)	(6.1)	(7.2)	(8.7)
Non-controlling interests	(0.0)	1.7	0.3	0.4	0.5
PATMI	**21.2**	**(45.1)**	**17.8**	**20.9**	**25.3**
PATMI Normalized	20.6	(3.5)	16.1	20.4	24.8

BALANCE SHEET (US$m)	2016	2017	2018F	2019F	2020F
Cash and cash equivalents	90.8	46.9	71.1	73.1	80.1
Trade and other receivables	130.6	159.6	153.3	162.5	172.3
Inventory	14.7	14.6	11.2	11.7	12.3
Other current assets	3.7	3.0	3.0	3.0	3.0
Current Assets	**239.7**	**224.1**	**238.6**	**250.3**	**267.5**
Property, plant and equipment	26.5	28.0	28.4	28.3	27.7
Other non-current assets	72.4	31.8	33.2	34.7	36.3
Non-current Assets	**98.9**	**59.8**	**61.6**	**63.0**	**64.0**
Total assets	**338.6**	**283.9**	**300.2**	**313.3**	**331.6**
Trade and other payables	48.0	70.5	60.0	62.8	65.6
Borrowings (current)	20.6	31.4	50.8	53.8	57.1
Other current liabilities	5.5	2.9	7.0	8.0	9.5
Current Liabilities	**74.1**	**104.8**	**117.8**	**124.6**	**132.2**
Borrowings (non-current)	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	9.7	3.4	3.4	3.4	3.4
Non-current liabilities	**9.7**	**3.4**	**3.4**	**3.4**	**3.4**
Shareholders equity	251.4	174.0	177.6	184.3	195.4
Non-controlling interests	3.5	1.8	1.4	1.0	0.5
Total Equity	**254.8**	**175.8**	**179.0**	**185.3**	**195.9**
Total Liabilities and Equity	**338.6**	**283.9**	**300.2**	**313.3**	**331.6**

CASH FLOW STATEMENT (US$m)	2016	2017	2018F	2019F	2020F
Net income before tax	27.7	(37.4)	23.6	27.7	33.5
Depreciation & non cash adjustments	18.7	24.3	13.5	13.9	14.4
Change in Working Capital	18.9	(6.5)	(0.4)	(6.7)	(7.1)
Income Tax Paid	(6.2)	(2.6)	(2.1)	(6.1)	(7.2)
Interest Paid	(0.7)	(0.8)	(1.0)	(1.1)	(1.1)
CF from operating activities	**58.4**	**(23.0)**	**33.5**	**27.7**	**32.5**
Purchase/Disposal of PPE	(7.5)	(8.3)	(8.0)	(8.0)	(8.0)
Other CFI	(14.4)	(8.5)	0.0	0.0	0.0
CF from investing activities	**(28.3)**	**(10.5)**	**(8.0)**	**(8.0)**	**(8.0)**
Dividends Paid	(14.2)	(14.2)	(14.2)	(14.2)	(14.2)
Debt Raised / (Repaid)	0.0	0.0	19.4	3.0	3.2
Equity Raised / (Bought Back)	0.0	0.0	0.0	0.0	0.0
Other Cash from Financing	0.0	0.0	0.0	0.0	0.0
CF from financing activities	**(49.2)**	**(3.8)**	**5.2**	**(11.1)**	**(11.0)**
Net increase in cash & cash equiv.	(18.9)	(43.9)	24.2	2.0	7.0
FX effects	0.2	(6.6)	(6.6)	(6.6)	(6.6)
Beginning Cash	109.7	90.8	46.9	71.1	73.1
Ending Cash	**90.8**	**46.9**	**71.1**	**73.1**	**80.1**

KGI's Ratings

Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

Disclaimer

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities. This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) KGI Securities, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; and (3) the officers, employees and representatives of KGI Securities may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of KGI Securities or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including KGI Securities' total revenues, a portion of which are generated from KGI Securities' business of dealing in securities.