



DUTECH HOLDINGS LIMITED

Incorporated in Singapore in 2006, the Company has developed into the largest safe manufacturer in Asia.

INVESTMENT HIGHLIGHTS

We initiate coverage on Dutech Holdings Limited (DTECH SP) with a strong BUY rating, target price is derived by DCF at SGD0.72/sh, indicating 51% upside potential.

We recommend based on:

- 1) **Well-positioned to benefit from high security growing market demand.** The low penetration rate of ATMs in developing economies is likely to drive ATM growth and negative yield of bonds likely to fuel commercial safe demand. The whole sector is expected to record a CAGR of 7.6%. As largest manufacturer in Asia, Dutech is well positioned to expand markets further and has a positive outlook in mid to long term.
- 2) **M&A to rejuvenate the company's business model.** Dutech has proven M&A track, acquisition of Format, DTMT and Krauth enabled the company to gain technology edge and expand into high value-adding business(intelligent terminal and business solution provider). Given strong cash position(RMB300mn in hand) and management strategy, further acquisition possibilities are not ruled out.
- 3) **Weak RMB to benefit Dutech margins,** as most of the company's revenue is denoted in USD and weak RMB is also likely to boost the company's exporting business.
- 4) **Trading at huge discount to peer and downstream players.** Dutech is currently trading at 6.0x 2017e P/E and 0.91x 2017e P/B while its competitor Gunnebo is trading at 11.9x P/E and 1.7x P/B, and downstream players are trading at average 16.8x P/E and 3.3x P/B.

With conservative assumptions, we forecast the company's earnings to grow 15.1%/4.5%/7.5% in year 2016-18. With terminal growth rate of 1%, WACC of 11.6%, we derive at a DCF value of SGD0.72/sh, indicating 51% upside. Worst scenario with terminal growth of -3% and WACC of 13.4%, we arrive at DCF value of SGD0.54/sh, still representing 12% upside. **Initiate coverage with BUY rating, target price is set at SGD0.72/sh, implying 9.3x 2017e P/E.**

BUY

DTECH SP

Price: SGD \$0.48

Price Target: SGD \$0.72

Price Target Potential: 51%

Price Target Period: 1 Year

The Intelligent Investors

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Price Performance



Market Overview

Exchange	STI
Sector	Manufactured Goods
52 wk Price Range	0.25-0.52
3M Average Volume	270,462
Market Cap	SGD171.1M
Enterprise Value	SGD128.6M
Shares outstanding	365.5M
P/E	6.23
EPS T12M	0.36

Largest safe manufacturer in Asia

Headquartered in Shanghai and listed both in Singapore and Germany, Dutech Holdings Limited is the largest safe manufacturer in Asia. The company's products include ATM safes, banking safes, commercial safes, and cash handling systems. The company also designs and manufactures intelligent terminals and provides business solutions (mechanical, electrical, electronic and precision engineering solutions) to its customers.

Figure 1: Dutech's product

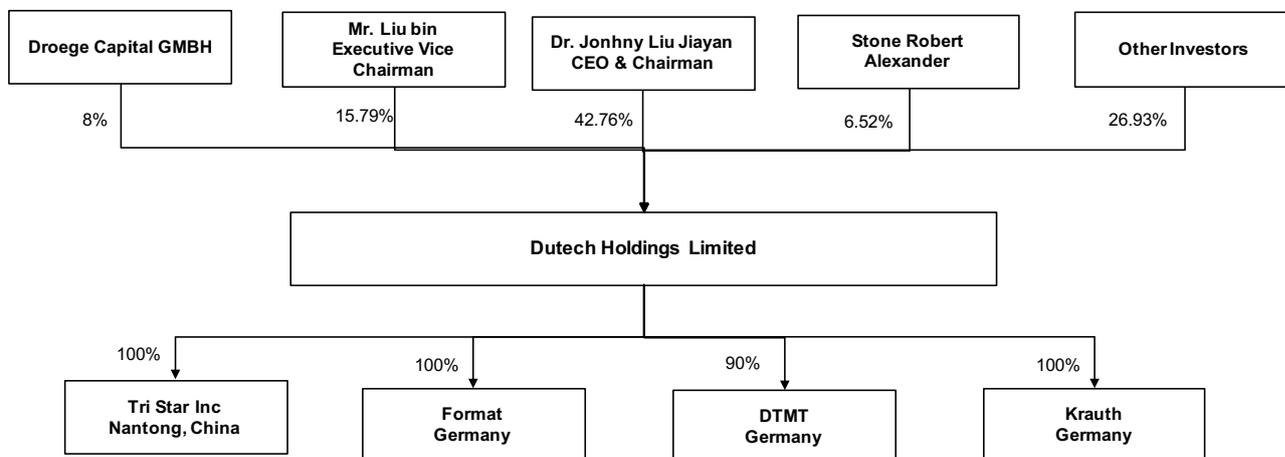


Source: company website

Key Shareholders and Management

The 4 biggest shareholders of Dutech have 260.5M shares or 73.07% of its shares. the Group's Chairman and CEO, Dr. Johnny Liu Jiayan, and Executive Vice Chairman, Mr. Liu Bin, owns 42.76% and 15.79% shares of the company respectively.

Figure 2: Shareholder structure



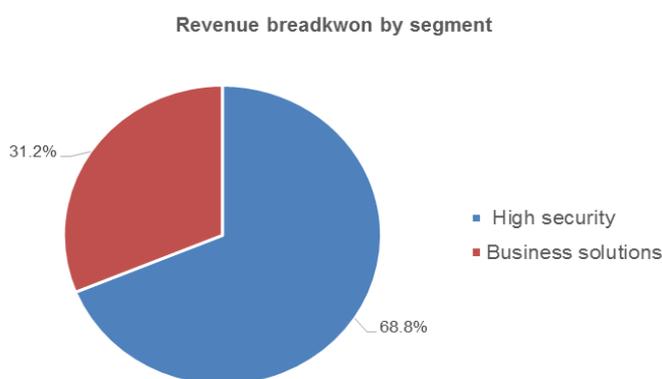
Source: annual reports

Revenue breakdown

Since it was listed in Singapore in year 2007, Dutech's revenue recorded a CAGR of 20.7%, with high security segment/business solution segment growing at 17.3%/34.0% p.a. respectively. Till year-end 2015, high security incorporated 68.8% of the total revenue while business solution segment accounted for the remaining 31.2%.

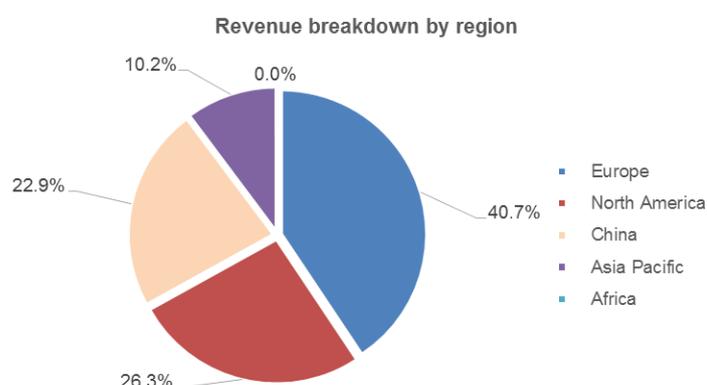
Dutech operates globally and the company's key customers include Diebold and Wincor Nixdorf, world's second and third largest ATM manufacturer by market share. Dutech is also a key original design manufacturer for Winchester and Liberty, two reputable weapon safe brands in the US. In 2014, Dutech forayed into gaming machine sector and secured Scientific Games International, one of the top gaming machine suppliers globally, as a key client. Up to year-end 2015, Europe/North America/China/Asia-Pacific took up 40.7%/26.3%/22.9%/10.2% of revenue respectively.

Figure 3: Revenue by segment in 2015



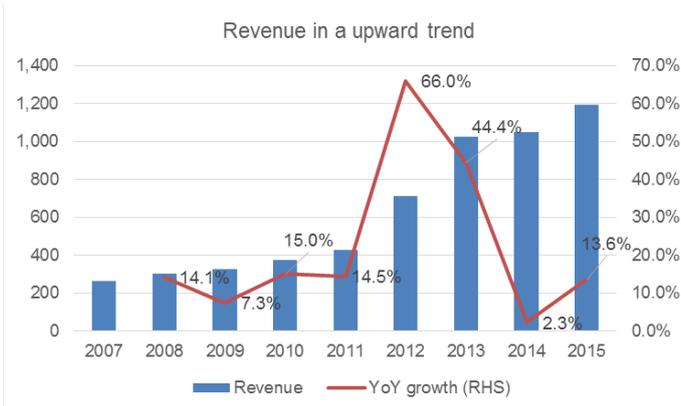
Source: annual report

Figure 4: Revenue by region in 2015



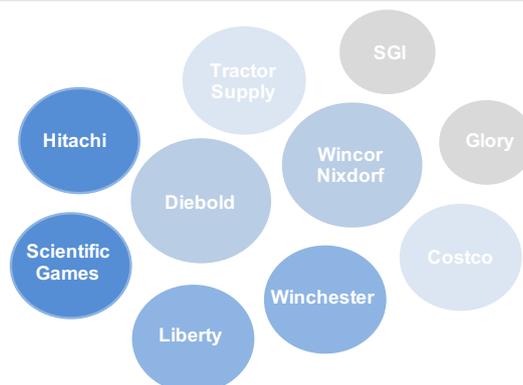
Source: annual report

Figure 5: Revenue growth since year 2007



Source: annual report

Figure 6: Biggest customers mapping



Source: annual report, company website

Dutech to benefit from growing demand and downstream merger

Low ATM penetration rate in developing economies to drive global demand

Developing economies have low ATM penetration rates. For example, the number of ATMs per 100,000 adults in India was a mere 18 in 2015, the number was 55/52/49 for China/Malaysia/Indonesia, and even single-digit number for some economies in Africa. Compared with >100 ATM per 100,000 adults in developed economies (Canada's number was 222, Russia was 184, Australia was 160), developing economies have strong potential to grow.

Figure 7: ATM per 100 000 adults global mapping

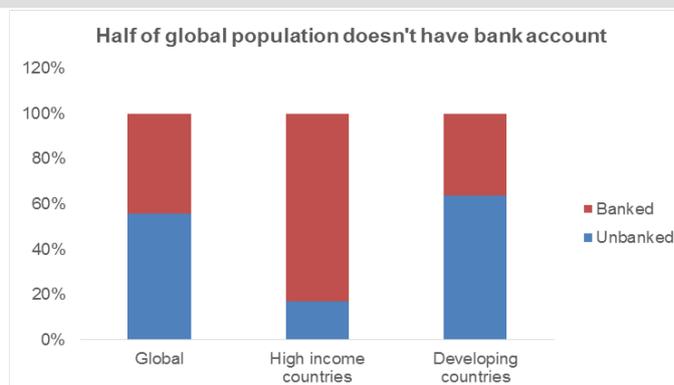


Source: World Bank

According to the research paper titled “Retail banking research 2015 report – Global ATM market and forecasts to 2020”, over half of the global population doesn’t have a bank account, indicating the true potential of this industry and thus forecasting the growth of the global installed ATM base to 4.1m by 2020, indicating a 29.7% upside from 3.2mn installed base in 2015 and CAGR of 5.3% from year 2016 -2020.

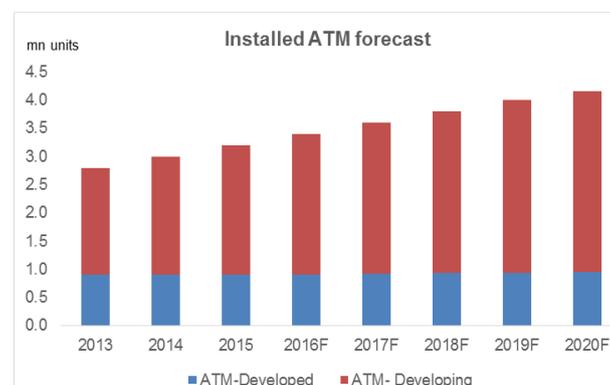
In another research paper titled “Global ATM market – Size, Industry analysis, Trends, Opportunities, Growth and forecast 2013-2020”, the estimations were that the global ATM market would reach USD21.9bn by 2020, representing a CAGR of 7.6% from year 2014 – 2020, of all the regions, Asia Pacific region would have the fastest growth rate with a CAGR of 10.6%.

Figure 8: Over half of population without bank account



Source: Retail banking report

Figure 9: Global ATMs forecast



Source: Retail banking report

In addition to the growing ATMs demand, the replacement of aging machines also fuel the market growth. The ATM generally have 6 years lifetime which means the machine installed before 2010 would enter into a replacement cycle, which we believe will weigh in as a strong demand driver.

The negative yield of bond will drive commercial safe business in developed economies. There is now \$13 trillion of global negative yield debt (v.s. \$11 trillion before the Brexit), we believe this uptrending negative-yield policy will drive cash to be reserved in self-owned safes, thus increasing the demand of commercial safes especially in developed regions.

The company will continue to augment leading position in high security space by further expanding markets in Asia-Pacific, the US and Europe and will most likely have a bright business outlook in the mid to the long term.

Diebold's acquisition of Wincor Nixdorf to benefit Dutech

On Aug 15 2016, Diebold announced that it completed the acquisition of Wincor Nixdorf, this deal created the world's largest ATM manufacturer, overtaking the lights of NCR.

The post-merger entity, Diebold Nixdorf planned to focus more on software and technology, intending to bring its software and service revenue proportion up to 65% from 56% (year 2015) in 3 years. We see potential hardware outsourcing business here and Dutech, with production capacity utilization rate of only 70%-80%, is well positioned to benefit given the sound relationships over the years. (Dutech was recognized as "Best Supplier" by Wincor and awarded the "Golden Award" by Diebold in 2012 – 2014)

More highly value-adding business with solid M&A track

Dutech has completed 3 acquisition since year 2011, which enabled the company to enlarge its customer base and expand into a higher profit margin business – intelligent terminal manufacturer and business solution provider.

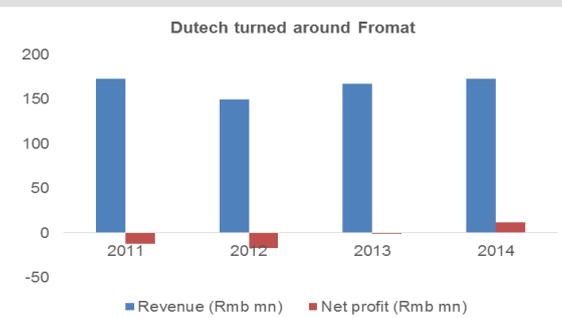
In October 2011, Dutech acquired 100% stake of Format, a manufacturer of high security products in Europe from Droege Capital GmbH, a German private equity firm. The acquisition enabled Dutech to leverage on advanced technologies of Format to improve existing products and expand business into Europe. Format was at a loss of RMB12.4mn when acquired, but Dutech managed to turn it into profit from year 2014.

Figure 10: M&A track

Date	Target acquired	Interest acquired	Business	Consideration	Note
Oct-11	Format	100%	Safe manufacturer	EUR 28.54mn	
Oct-14	DTMT	90%	Integrated solution of mechanical, electrical, electronics and process engineering	RMB 7.7mn	Promise to acquire remaining 10% stake with fixed consideration of RMB3.9mn
Jan-16	Krauth	100%	Developer and producer of auto-ticketing machines and	EUR 470k	Provide EUR 2.02mn loan

Source: annual report

Figure 11: Format's historical revenue and profit



Source: annual report

Dutech then increased its shares in a 60% owned subsidiary - DTMT, a German electromechanical solution provider, by further acquiring 30% equity interest in October 2014. Dutech can capitalize on DTMT's strength to expand into intelligent terminal sector. DTMT contributed 9.1% of total revenue and was at a loss of RMB7.94mn in 2015. We are positive about DTMT to make profit in coming years with the capital injected and Dutech's management skills.

Dutech acquired 100% equity stake of Krauth in early 2016, Krauth is a producer of solution products for auto-ticketing machines and management expected it to synergize with business solutions segment of the company.

Decent sector outlook ahead

According to Research and Markets, the world's largest market research store, (through their report titled of "Global Vending Machines Market 2015-2019", the global vending machine market is slated to grow at a CAGR of 14.4% over the period 2014-2019. Leveraging on sector's high growth, we believe Dutech business solution segment is right on fast track.

Potential acquisitions not ruled out

We reckon these three acquisition as correct decisions by the management team as business solution have a higher profit margin and will also positively impact company's revenue model. This vertical integration, when realized, will allow the company to move up the value chain and allow Dutech to provide a comprehensive one-stop solution to their existing customers.

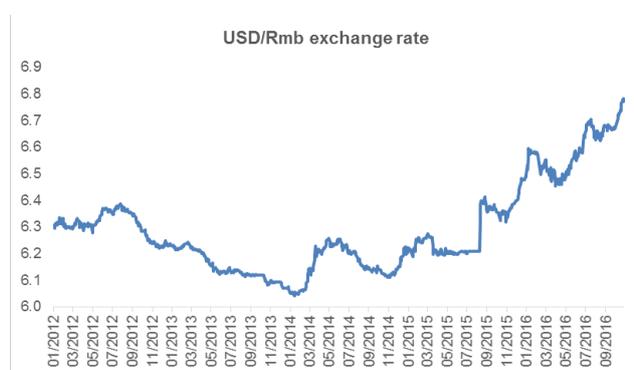
We cannot exclude the possibility of further acquisition as

- 1) The company right now has approximately RMB300mn cash in hand with low debt to equity ratio of 11.9%,
- 2) Strong operating cash flow to sufficiently fund Capex,
- 3) The company's strong willingness to develop higher value-adding business

Other catalysts? – RMB depreciation

RMB has depreciated 6.8% against USD YTD and has depreciated 12.0% since Sep 2014. The market has consensus on further weakening of the RMB and USD/RMB is expected to rise to 7.0 by 2018. As indicated by the improving gross profit margin, Dutech is a beneficiary of weakening RMB because 1) most of the company's sales is denoted in USD, 2) weak RMB will boost the exporting business.

Figure 12: USD/CNY exchange rate



Source: Bloomberg

Figure 13: Dutech's gross profit margin



Source: annual report

Earnings forecast

Bright top-line growth while being extremely conservative

Being extremely conservative and neglecting potential acquisitions, we expect Dutech's top-line will have a CAGR of 8.3% during period of year 2016-2019 under the assumption that

- 1) high security segment will accompany the sector growth which has an annual growth of 5.5% on average,
- 2) Krauth will contribute around RMB80mn for entire 2016,
- 3) Intelligent business organic growth will be 10% in the following 4 years.

Gross profit margin expected to be stable

We forecast the company's gross profit for year 2016 to be 29.5%, 0.9% higher than that of 2015, based on 1) 1H16 gross profit hit 29.9%, 2) rising material cost in 2H16 (mainly steel price), 3) USD/RMB stays at current level. And we expect the gross profit margin to be stable at 29.2% from year 2017 onwards based on 1) slightly weakened bargaining power after the merger of Diebold and Nixdorf, 2) no big change in material cost and USD/RMB exchange rate.

Net profit to record a CAGR of 7.1% during year 2016 - 2019

We estimate the company's net profit to grow 15.1%/4.5% in year 2016/17, with net profit margin of 9.8%/9.5% respectively. The decline in growth rate and profit margin in 2017 mainly reflect the expected decreasing gross profit margin. And we expect the net profit to grow 7.5%/7.3% in year 2018/19 with stable net profit margin of 9.6%.

Valuations - DCF

Strong FCF position

Dutech has displayed a strong profile of operating cash flow, which is sufficient to cover Capex and acquisition cost. Free cash flow of the company has gradually become more decent in recent years, and Dutech is accumulating cash due to the excessive operating cash generated.

We believe the best way to evaluate the company is DCF based on 1) the company business is relatively mature, 2) the business is capital intensive, any cash flow will post significant impact on the valuation.

WACC

We derive the cost of equity using CAPM model. Although Dutech is listed in Singapore, it has a high proportion of sales from China, North America and Europe. More importantly, the country risk premium is highest for China. Thus, to be conservative, we used the 10 year China bond rate of 2.66% as risk free rate, beta of 0.86 and market risk premium of 11.29% to get the cost of equity of 12.36%. The beta was calculated by regressing the 3 year daily returns of Dutech against the FTSE Global Small Cap Index since Dutech is a small cap stock with global revenues.

We use 6% for cost of debt as it's evident in interest expense divided by total interest-bearing debt. Dutech's capital structure is determined by calculating the Pro Forma 2017 debt to equity ratio of 9.5% and obtained a WACC of 11.6%.

Still being extremely conservative here, we assume the terminal growth to be 1%, and give 25% liquidity discount and we derive the DCF results at SGD 0.72/sh, indicating 51% upside compared with current stock price.

Figure 14: fair value at SGD 0.72/sh, indicating 51% upside

RMB mn	2016E	2017E	2018E	2019E	2020E
EBIT after tax	135.27	140.42	149.12	158.28	159.86
YoY growth	13.9%	3.8%	6.2%	6.1%	1.0%
D&A	27.94	30.66	33.38	36.11	36.11
Working capital change	(32.07)	(5.92)	(16.06)	(18.10)	(15.00)
Capex	(38.00)	(38.00)	(38.00)	(38.00)	(38.00)
FCFF	93.15	127.15	128.45	138.28	142.97
PV of terminal value	1,077.35				
PV of total FCFF value	1,337.90				
Net debt	(349.85)				
Enterprise value (RMB)	1,687.75				
No. of shares outstanding (mn)	356.54				
Price per share (RMB)	4.73				
Exchange rate	4.90				
Price per share (SGD)	0.97				
Liquidity discount	25.0%				
Fair value/sh	0.72				
Price now	0.48				
Upside potential	50.9%				

Risk free rate	2.66%
Risk premium	11.29%
Beta	0.86
Cost of Debt	6.0%
Cost of Equity	12.4%
Capital structure	9.5%
WACC	11.6%
Terminal Growth	1%

Price sensitivity

We also performed a sensitivity analysis for the stock by price by varying the WACC and the terminal growth. We can see that our worst case scenario is fair value of \$0.54, which still represents a 12% upside.

Figure 15: price sensitivity analysis

		Sensitivity Analysis						
		WACC						
Terminal growth	0.72	9.8%	10.4%	11.0%	11.6%	12.2%	12.8%	13.4%
	-3%	0.64	0.62	0.60	0.58	0.57	0.55	0.54
	-2%	0.68	0.66	0.63	0.61	0.59	0.58	0.56
	-1%	0.73	0.70	0.67	0.64	0.62	0.60	0.58
	0%	0.78	0.74	0.71	0.68	0.66	0.63	0.61
	1%	0.84	0.80	0.76	0.73	0.70	0.67	0.64
	2%	0.92	0.87	0.82	0.78	0.74	0.71	0.68
	3%	1.03	0.96	0.90	0.85	0.80	0.76	0.73

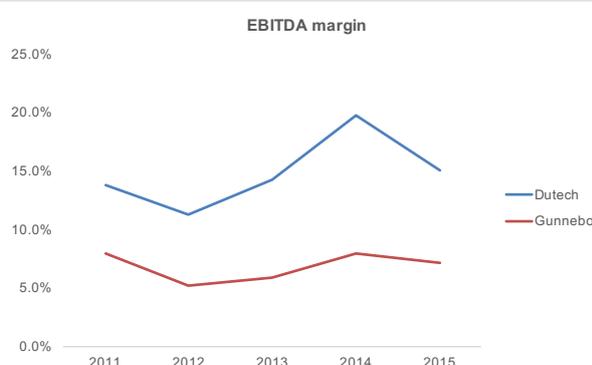
Valuations - Multiples

Trading at significant discount compared with peers

Gunnebo, listed in Stockholm Stock Exchange, is the most comparable company to Dutech. Both of them have a safe manufacturing business and security solutions business (but with different specializations). Nonetheless, we think that they are good comparable companies overall. Currently Dutech is trading at 6.0x 2017e P/E and 0.91x 2017e P/B while Gunnebo is trading at 11.9x P/E and 1.7x P/B, almost 50% valuations discount.

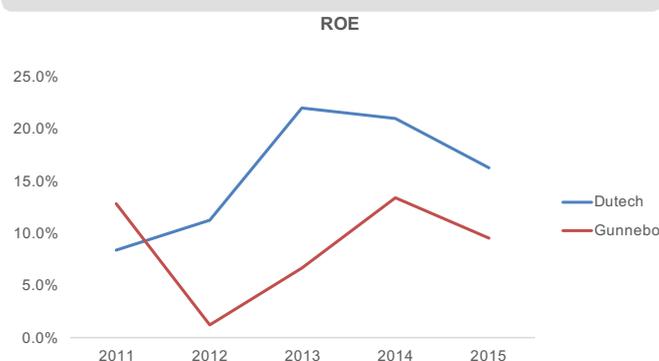
However in terms of profitability and ROE, Dutech is better than Gunnebo. Dutech EBITDA margin for past 5 years is 14.8% on average, while Gunnebo has only 6.80%. In terms of ROES, Dutech to Gunnebo is 16.3% to 11.0% on average for past 5 years.

Figure 16: EBITDA margin



Source: annual reports

Figure 17: ROE comparison



Source: annual reports

Downstream players are trading at average 16.8x 2017e P/E, 3.3x 2017e P/B, apparently Dutech is also trading at a huge discount compared with downstream peers.

Figure 18: valuations of comparables

Name	Ticker	Current Price US\$	Mkt Cap (US\$ m)	P/E 2016	P/E 2017	P/B	ROE 2016	EV/EBITDA 2016	EV/EBITDA 2017	Dividend Yield (%) 2016
DUTECH HOLDINGS LTD	DTECH SP	0.475	123	6.23	6.03	0.91	16.3	3.6	3.2	2.10%
GUNNEBO AB	GUNN SS	4.44	339	10.2	11.9	1.7	11.0	8.0	7.5	2.70%
DIEBOLD INC	DBD US	22.25	1,672	11.8	16.4	2.51	39.2	11.4	7.8	4.40%
WINCOR NIXDORF AG	WIN GR	72.72	2,406	16.2	18.8	4.09	16.7	11.2	9.3	3.10%
NCR CORPORATION	NCR US	30.41	3,765	9.4	10.3	7.09	19.4	7.4	7.2	n/a
GLORY LTD	6457 JT	32.98	2,264	16.3	21.1	1.77	7.6	6.6	6.2	2.00%
AMADA HOLDINGS CO LTD	6113 JT	11	4,158	17.2	17.7	1.29	n/a	7.8	7.6	3.10%
SCIENTIFIC GAMES CORP-A	SGMS US	13.05	1,142	n/a	n/a	n/a	n/a	8.3	7.9	n/a
Downstream players' average				14.2	16.8	3.3	20.7	8.8	7.7	3.20%
Simple average (excl. Dutech)				13.5	16	3.1	18.8	8.7	7.6	3.10%

Source: Bloomberg

S-chip stigma unwarranted – BUY with TP of SGD0.72/sh

The Chinese companies listed in Singapore Stock exchange are called S-chips. Investors usually avoid such companies as some of them were involved in poor corporate governance issues and accounting problems. We conducted research on the S-chip concern surrounding Dutech and we strongly believe in the integrity of the company's management and key shareholders. Here are our main arguments in favor of trust:

Majority of the company's shares are held by insiders. More importantly, the company had a contingent cash consideration with Droege Capital that they would pay them RMB19.1M if they sold part of their shares from October 2011 to March 2015. Not only did Droege Capital not sell their stake in Dutech, they renegotiated with Dutech that if they sold their part of their shares from now till March 2020, the contingent cash consideration would be voided. This shows a strong level of commitment from Droege Capital to its investment in Dutech.

We initiate coverage on Dutech with BUY rating, our target price is derived by DCF at SGD 0.72/sh, implying 9.7x/9.3x 2016e/2017e P/E. We believe the company's obviously undervalued based on:

- 1) Our earnings forecast and DCF valuation are both extremely conservative, even under most pessimistic scenario, the stock price still has 12% upside,
- 2) Dutech is trading at a more than 50% discount compared with peers and downstream players,
- 3) Successful expansion into higher value-adding business rejuvenate company's business model,
- 4) RMB depreciation may generate earnings surprise in the future,
- 5) Potential acquisition to act as a catalyst.

Risks

Not Immune to Rising Steel Prices

Dutech's ability to generate good profits depends largely on the steel prices. The cost of steel accounts for 40% of the total operating cost. A sharp rise in steel prices will negatively affect its operating profits.

Customer Concentration Risk

Diebold, Wincor Nixdorf and Liberty are among Dutech's biggest customers – they account for almost 35% of Dutech's revenue. If any sales are lost to another supplier, Dutech's earnings will be greatly impaired. There is no guarantee of customer retention as companies generally tend to look out for lower-cost suppliers where possible.

Rise of Digital Payments

With the convenience of paying with your mobile phone, the needs of paying by cash is decreasing which may reduce the demand of cash handling machines.

Currency risk

Although Dutech can benefit from a weakening RMB, there could be uncertainty in the RMB next year as China's 19th National Congress comes around. There is also uncertainty in USD from the US General Election and the Euro due to more quantitative easing from the ECB.

PERFORMANCE STOCK PICKS

Along with our flagship stock DUTECH we recommend to buy

- SUNNINGDALE TECH
- FALCON ENERGY GROUP
- KEONG HONG HOLDINGS
- FISCHER TECH

BUY

DTECH SP
SUNN SP
FALE SP
KHHL SP
FISC SP

The Intelligent Investors
ASSYLBEK TANASHIKOV
CALVIN TAN

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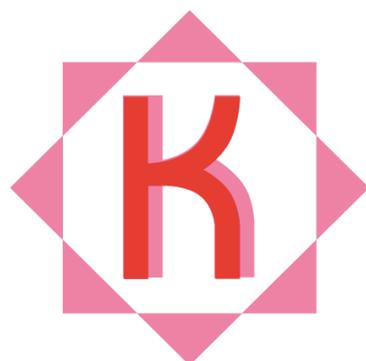
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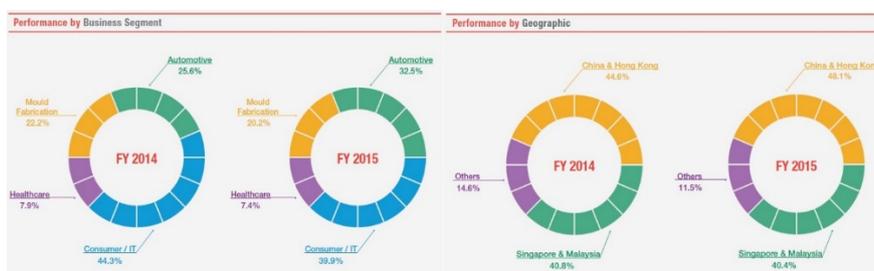
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Bloomberg Ticker	Name of The Company	ISIN	GICS Sector
DTECH SP Equity	DUTECH HOLDINGS	SG1V37936969	Industrials
SUNN SP Equity	SUNNINGDALE TECH LTD	SG1BJ1000004	Industrials
FALE SP Equity	FALCON ENERGY GROUP	SG1Q49922319	Energy
KHHL SP Equity	KEONG HONG HOLDINGS LTD	SG2D92977651	Industrials
FISC SP Equity	FISCHER TECH LTD	SG1BG0000001	Information Technology





Sunningdale Tech Ltd is a manufacturer of precision plastic components. They provide one-stop, turnkey plastic solutions, ranging from product & mould designs, mould fabrication, injection moulding, complementary finishings, through to the precision assembly of complete products. Sunningdale Tech is focusing on serving four key business segments – automotive, consumer/IT/environment, healthcare and tooling.



According to valuations Sunningdale Tech valuation is at 36% and 37% discount of peers in terms of P/E and P/B respectively. Sunningdale Tech currently trades at a FY16F/17F P/E of 8.7x/8.0x while average of peers at 13.5x/10.7x.

It worth to mention that in September 2015, a Hong Kong private equity fund acquired Chosen Holdings, a SGX-listed plastic injection moulding company, at 1.0x P/BV. For comparison Sunningdale Tech's revenue for 2015 was S\$674m, with gross profit margin of 13.5%, and net profit of S\$42m, while revenue of Chosen Holdings was S\$117m, gross profit margin was 8%, and net profit of S\$4m. We believe that Sunningdale Tech can be potential acquisition target for Private Equity companies in near future.

BUY

SUNN SP

Price: SGD \$1.06

Price Performance



Market Overview

Exchange	STI
Sector	Technology
52 wk Price Range	0.795-1.340
3M Average Volume	96,080
Market Cap	SGD197M
Enterprise Value	SGD205.9M
Shares outstanding	186.7M
P/E	6.4
EPS T12M	0.16

Ticker	Name	Price (US\$)	Mkt Cap (US\$ m)	P/E (x) 2016	P/E (x) 2017	3 year EPS CAGR (%)	P/B (x)	Dividend Yield (%)	ROE (%) 2016
SUNN SP Equity	SUNNINGDALE TECH LTD	0.75	140	8.67	8.0	-15%	0.61	4.81%	11.60%
UMSH SP Equity	UMS HOLDINGS LTD	0.44	190	12.55	10.6	-9%	1.38	9.76%	14.78%
VMS SP Equity	VENTURE CORP LTD	6.74	1 875	15.51	14.3	11%	1.46	5.34%	9.13%
FISC SP Equity	FISCHER TECH LTD	1.08	60	n/a	n/a	n/a	0.82	4.65%	13.21%
FUYU SP Equity	FU YU CORP LTD	0.14	103	9.50	9.5	n/a	0.84	7.89%	6.72%
HIP SP Equity	HI-P INTERNATIONAL LTD	0.35	287	n/a	n/a	n/a	0.78	1.22%	-5.18%
MTEC SP Equity	MEMTECH INTERNATIONAL LTD	0.42	60	16.33	8.2	13%	0.56	5.59%	4.20%
Simple average				13.47	10.65	5%	0.97	6%	7%



BUY

FALE SP

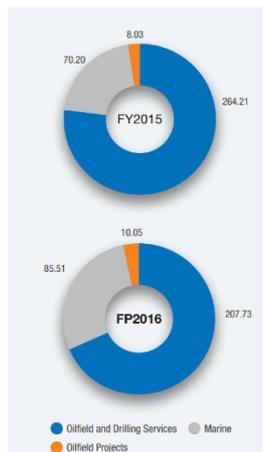
Price: SGD \$1.51

Price Performance

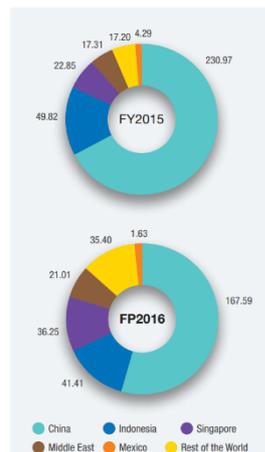


Falcon Energy is an international provider of offshore oil and gas products and services and is listed on the Singapore Exchange. With a market capitalization of SGD 121 million, it derives 68% of its revenue from the oilfield and drilling services, 28% from the marine division and 4% from the oilfield projects division, with 55% of the revenues coming from China and approximately 13% coming from Indonesia, Singapore, Middle East and the Rest of the World. The company has recently tried to diversify its revenue streams. Offshore revenues have increased 22% YOY due to its recent acquisition of CH offshore in February 2015. However, charter rates for offshore support vessels remain depressed due to benign oil prices.

By Business (US\$m)



By Geographical (US\$m)



From a relative valuation to its peers with similar market capitalization, we observe that Falcon is trading at a huge discount from its peers. Its price to tangible book and trailing 12-month (TTM) PS ratio are half the median score while its trailing 12 month (TTM) PE ratio is 1.65, way below the median of 24.66. Despite a greater than average decrease in TTM sales

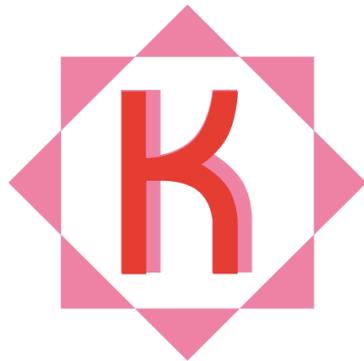
Market Overview

Exchange	STI
Sector	Energy
52 wk Price Range	0.148-0.250
3M Average Volume	163,427
Market Cap	SGD122M
Enterprise Value	SGD300.1M
Shares outstanding	806.9M
P/E	1.65
EPS T12M	0.09

growth, we observe that from a profitability standpoint, its Operating Margins and Profit Margins are the highest among its competitors.

The company remained profitable despite the steep drop in oil prices and its operating cash flows have been positive since 2012.

Ticker	Name	Last Px	Dvd Yld	P/B	Price to TBV	Tobin's Q	P/E	P/S	Sales Gr T12M	OPM T12M:Q	PM T12M:Q	Debt/Com Eq LF	Net D/E LF
None (16 securities)													
Median	Median	0.142	0.028	0.546	0.629	0.861	24.660	0.665	-24.798	4.360	0.183	46.783	12.682
FALE SP Equity	FALCON ENERGY GROUP LTD	0.148	0.034	0.291	0.302	0.724	1.652	0.391	-35.597	34.486	23.670	70.925	51.894
BTL SP Equity	BAKER TECHNOLOGY LTD	0.650	0.038	0.595	0.622	0.849	412.698	4.745	-69.601	22.220	1.202	0.000	-52.558
PACRA SP Equity	PACIFIC RADIANCE LTD	0.157	0.064	0.236	NA	0.721	NA	0.869	-36.539	-67.748	-69.679	145.185	136.890
EZRA SP Equity	EZRA HOLDINGS LTD	0.043	0.000	0.159	0.167	0.757	NA	0.148	3.706	-33.308	-43.176	211.548	146.319
DMHL SP Equity	DYNA-MAC HOLDINGS LTD	0.144	0.000	0.812	0.838	0.929	96.000	0.469	43.658	6.049	0.450	46.783	-20.056
HLCK SP Equity	HAI LECK HOLDINGS LTD	0.430	0.047	0.732	0.733	0.698	6.872	0.845	-12.785	13.559	12.251	0.213	-42.531
MTQ SP Equity	MTQ CORP LTD	0.420	0.000	0.638	0.752	0.888	NA	0.312	-25.598	-10.046	-8.827	42.508	12.682
MCAST SP Equity	MENCAST HOLDINGS LTD	0.149	0.000	0.436	0.636	0.882	NA	0.782	-33.136	-0.326	-0.778	142.735	127.955
VALZ SP Equity	VALLIANZ HOLDINGS LTD	0.015	0.046	0.172	0.179	0.873	2.014	0.171	3.395	16.892	8.705	165.335	129.682
GHL SP Equity	GAYLIN HOLDINGS LTD	0.139	0.036	0.590	0.612	1.226	231.667	0.710	-23.998	8.354	0.305	89.363	87.236
KHOM SP Equity	KIM HENG OFFSHORE & MARINE H	0.065	0.046	0.546	NA	0.949	NA	1.133	-34.004	-16.121	-15.801	33.474	0.901
CHO SP Equity	CH OFFSHORE LTD	0.275	0.091	0.865	0.865	1.213	24.660	5.646	-22.292	50.362	22.754	4.593	-1.426
HSE SP Equity	HIAP SENG ENGINEERING LTD	0.140	0.071	0.637	0.703	0.743	6.452	0.244	-17.079	3.467	3.784	2.834	-14.479
SWCH SP Equity	SWISSCO HOLDINGS LTD	0.052	0.019	0.108	0.108	0.751	NA	0.620	-58.531	-45.665	-18.231	94.329	79.039
CSMS SP Equity	COSMOSTEEL HOLDINGS LTD	0.116	0.043	0.280	NA	0.508	386.667	0.419	-37.506	-1.525	0.060	17.706	2.303



Keong Hong Holdings Ltd. offers construction services. The Company builds residential, commercial, industrial and institutional construction services. Keong Hong offers construction services in Singapore and the Maldives and develops property in Singapore.

The Company construction business has a track record of over 30 years in Singapore. Keon Hong provide a broad range of building construction services for residential, commercial, industrial, infrastructural and institutional projects in the private and public sectors. The Group has diversified portfolio of projects worth SGD \$462 million.

Despite cooling measures on Singapore property market that result in declining property prices, demand for contraction will remain strong. According to Singapore Building and Construction Authority Press Release, "Public sector projects to sustain construction demand in 2015", the annual average construction demand for 2016-2017 is between SGD \$27 billion to SGD \$36 billion, and SGD \$26 billion to SGD \$37 billion in 2018 and 2019.

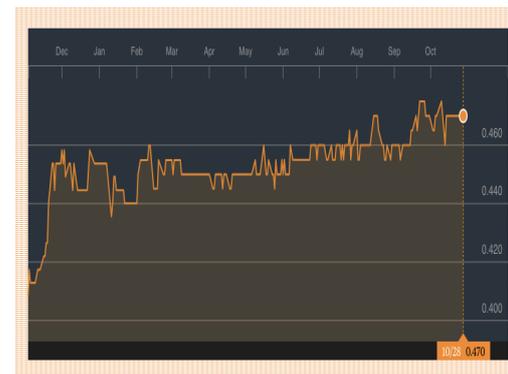
The Company maintained a robust balance sheet with cash and cash equivalents of SGD \$100.6 million, and net asset value per share of 49.3 cents. Keong Hong operates with robust ROE, that was equal to 40.3% in 2015 and varied from 26.7% in 2014 to 46.6% in 2012. According to valuations currently trades at a current P/E ratio 2.65.

BUY

KHHL SP

Price: SGD \$0.47

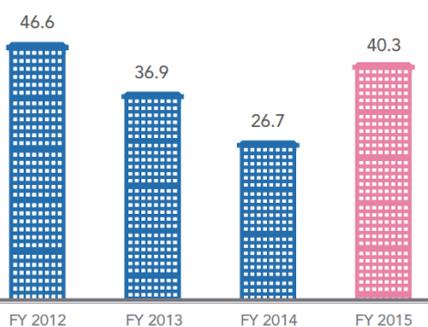
Price Performance



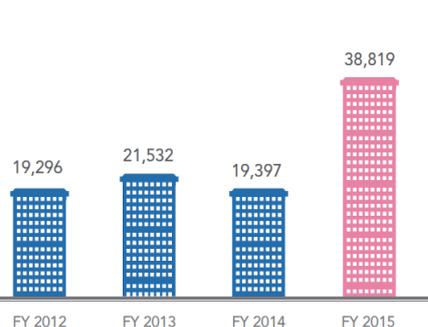
Market Overview

Exchange	STI
Sector	Engineering & Construction Svcs
52 wk Price Range	0.42-0.51
3M Average Volume	62,92
Market Cap	SGD107.7M
Enterprise Value	SGD122.9M
Shares outstanding	229.17M
P/E	2.65
EPS T12M	0.18

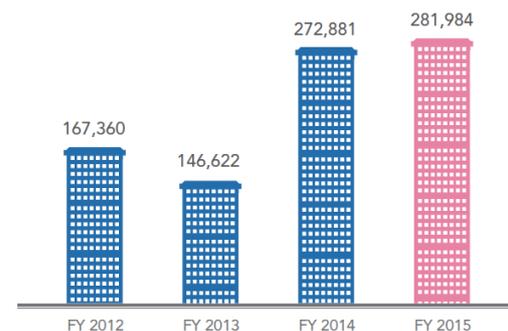
Return on Equity (Per Cent)



Net Profit After Tax (S\$'000)



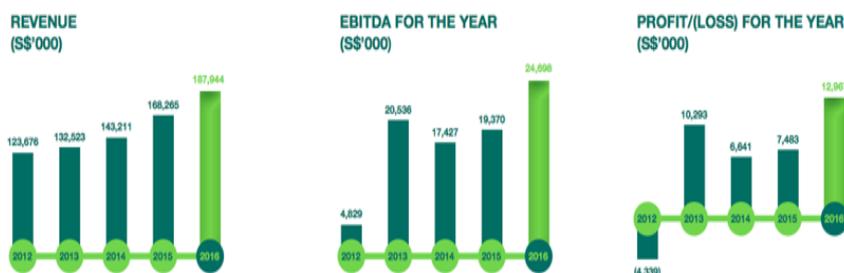
Revenue (S\$'000)



fischer-tech

Tomorrow's Products Reliability Starts With Us

With a market capitalisation of \$86 million, Fischer Technologies is a high precision plastic injection mould manufacturer for mainly the engineering and automotive industries. The Company's segments include the high precision plastic injection segment, which manufactures plastic components used in products for the automotive, computer peripheral, healthcare and consumer product industries, and the mould design and fabrication segment, which manufactures moulds used in the manufacture of plastic injection components. Over the years, the firm has established itself as a major producer of two-colour and two-material plastic components in Asia.



Despite difficulties facing the global economy the growing negative trend of the world economy and the drop of the automobile industry as a whole. Fischer Technologies have been able to show significant growth in 2016.

With a current price of SGD 1.505, we expect a strong upward surge in the price in the near future, especially considering the specialization that the firm does in the niche market. The demand for these products are growing with advancements in engineering and automobile technologies. Additionally, the company has been able to generate consistent positive cash flow from operations over the past 3 years. This also aids them to maintain the healthy dividend yield of 4.9%. Given the relatively smaller size as compared to its peers, we see Fischer as a potential privatisation target. Such a deal for Fischer would represent more than 50 percent upside to the current share price.

BUY

FISC SP

Price: SGD \$1.51

Price Performance



Market Overview

Exchange	STI
Sector	Industrials
52 wk Price Range	0.88-1.60
3M Average Volume	17 552
Market Cap	SGD86M
Enterprise Value	SGD50M
Shares outstanding	55.76M
P/E	6.35

Ticker	Name	Price (US\$)	Mkt Cap (US\$ m)	P/E (x) 2016	P/E (x) 2017	3 year EPS CAGR (%)	P/B (x)	Dividend Yield (%)	ROE (%) 2016
SUNN SP Equity	SUNNINGDALE TECH LTD	0.75	140	8.67	8.0	-15%	0.61	4.81%	11.60%
UMSH SP Equity	UMS HOLDINGS LTD	0.44	190	12.55	10.6	-9%	1.38	9.76%	14.78%
VMS SP Equity	VENTURE CORP LTD	6.74	1 875	15.51	14.3	11%	1.46	5.34%	9.13%
FISC SP Equity	FISCHER TECH LTD	1.08	60	n/a	n/a	n/a	0.82	4.65%	13.21%
FUYU SP Equity	FU YU CORP LTD	0.14	103	9.50	9.5	n/a	0.84	7.89%	6.72%
HIP SP Equity	HI-P INTERNATIONAL LTD	0.35	287	n/a	n/a	n/a	0.78	1.22%	-5.18%
MTEC SP Equity	MEMTECH INTERNATIONAL LTD	0.42	60	16.33	8.2	13%	0.56	5.59%	4.20%
Simple average				13.47	10.65	5%	0.97	6%	7%