INVESTMENT BANKING
Top Singapore Small Cap Companies

20 Jewels 2021 Edition

TOP SINGAPORE
SMALL CAP COMPANIES

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20 JEWELS

2021 EDITION

<See important disclaimer and disclosures at the end of this report>

Singapore

Jarick Seet	jarick.seet@rhbgroup.com	(65) 6320 0810
Shekhar Jaiswal	shekhar.jaiswal@rhbgroup.com	(65) 6320 0806
Vijay Natarajan	vijay.natarajan@ rhbgroup.com	(65) 6320 0825

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List of Companies In Alphabetical Order

List of Companies By Industry Classification

Foreword

We celebrate the 11th edition of the Singapore Small Cap Jewels in 2021. It was started by our Malaysian counterparts in 2004 and has since earned a dedicated following. The Singapore edition complements the publication of other Regional Small Cap books by our research colleagues in Malaysia, Thailand, and Indonesia. Our regional compendium is a unique Pan-ASEAN repository of reports, with ideas on 80 companies that remain unmatched in this region.

While COVID-19 caused a steep correction in global markets in 2020, it also presented many opportunities to unfold in the small-mid-cap space. Global markets have now rebounded strongly with positive news on vaccines and vaccination programmes around the world. As of now, we are still on course towards a recovery and getting populations vaccinated, especially in Singapore. With global indices at a high and valuations are rich for most of the listed equities, we remain positive on some small-mid-cap companies that are neglected by the mass market. They are mostly correlated to the global recovery in consumer spending and tourism, as we believe these sectors will continue to pick up once more people get vaccinated and worldwide travel resumes. We also remain bullish on the tech space despite it performing well this year, particularly in the semi-conductor space, as we believe it will continue to perform even better in 2021.

Over 60% of our stock picks in this book are new companies not seen in previous editions. This year, technology and consumer names make up a sizable portion of our Top 20 picks. We have also identified some REITs whose yields reflect attractive risk rewards at these levels, as valuations of listed equities have shot up while undervalued opportunities remain in the REIT space. While property valuations and assets have also been lowered due to lower income in 2020, we remain bullish on a rebound in 2021 and have 25% of our picks in the property/REIT segment. While other companies featured in this edition may vary in terms of business, market capitalisation, and investor interest, they share a common DNA – they are fundamentally sound companies with a great probability of making good returns for investors. We hope to eventually see these companies graduate into mid-sized corporates or even large caps in the not too distant future.

RHB Research wishes to express our gratitude to the management teams of the featured firms for being generous with their time in helping us understand their companies' business models, as well as allowing us to share our views and opinions. Credit is also due to our dedicated team of analysts, who have invested countless hours to produce this year's edition.

The RHB Singapore Research team remains humbled and encouraged by the continued interest and support from all our institutional clients for our forte in small cap coverage. Despite tough market conditions, our commitment and belief in this space have never wavered, and we believe this is reflected in our research product. We will continue to expand our coverage and renew existing ones with fresh ideas, bringing more excitement and returns to the market and your respective portfolios. I hope you will find this book useful for your investment needs. Cheers!

TOGETHER WE PROGRESS

Asiamoney Brokers Poll 2018:
1st in Small Caps/Consumer Discretionary/Consumer Staples/Materials/Software&Internet Services

Jarick Seet
Head of Small-Mid Cap Research
RHB Bank Berhad
5th May 2021

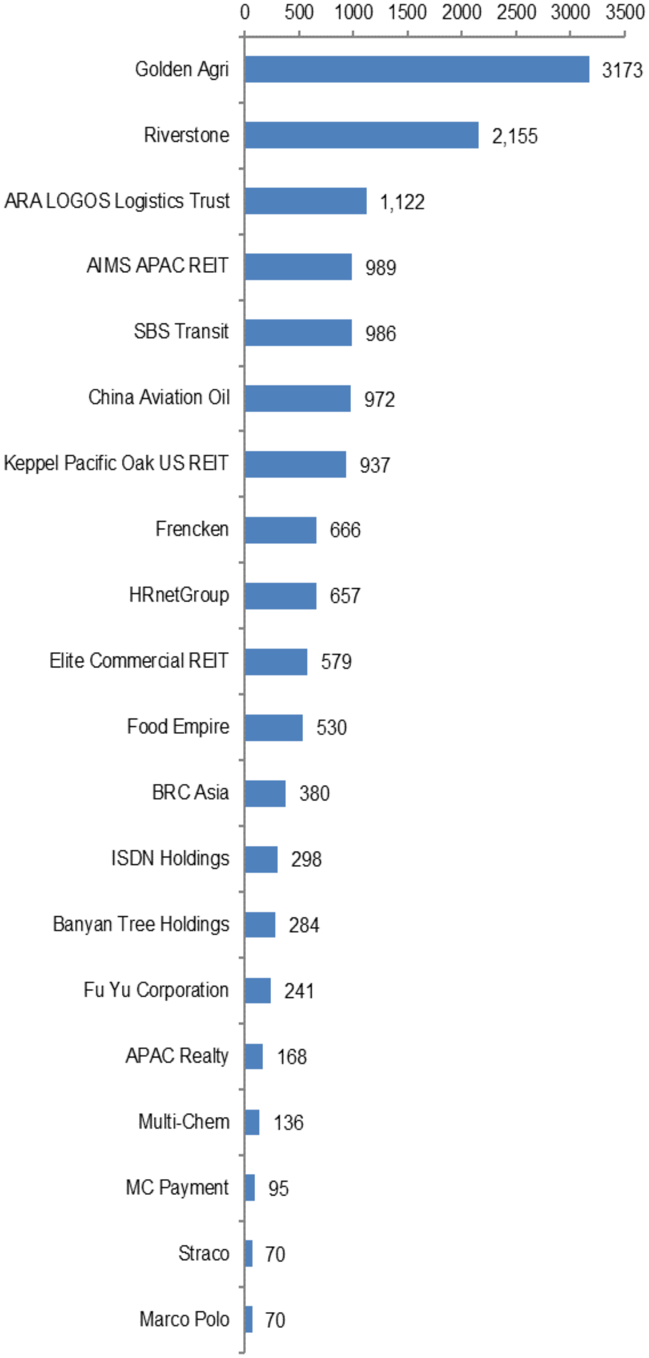
Asiamoney Polls 2010	Asiamoney Polls 2011	Asiamoney Polls 2012	Asiamoney Polls 2013	Asiamoney Polls 2014	Asiamoney Brokers Poll 2015	Asiamoney Brokers Poll 2016	Brokers Poll 2017 Asiamoney	Brokers Poll 2018 Asiamoney
#1 Best Small Caps	#2 Best Small Caps	#1 Best Small Caps	#1 Best Small Caps	#1 Best Small Caps	#1 Best Small Caps	#1 Best Small Caps	#2 Best Small Caps	#1 Best Small Caps

20 Jewels – at a glance

Company name	TP	Mkt Cap	P/E (x)		P/B (x)		Div Yield (%)		ROE (%)	
	(SGD)	(SGDm)	FY20	FY21F	FY20	FY21F	FY20	FY21F	FY20	FY21F
AIMS APAC REIT	1.55	989	11.5	13.7	1.0	1.0	6.8	6.3	9.1	7.5
APAC Realty	0.55	168	10.2	10.8	1.1	1.0	5.3	5.1	11.1	9.7
ARA LOGOS Logistics Trust	0.78	1,122	20.8	20.1	1.5	1.5	6.8	6.7	7.2	7.7
Banyan Tree Holdings	NA	284	NA	NA	0.5	NA	NA	NA	NA	NA
BRC Asia	NA	380	17.9	NA	1.4	NA	3.8	NA	7.7	NA
China Aviation Oil	1.30	972	13.0	10.8	0.8	0.8	3.9	2.2	6.6	7.5
Elite Commercial REIT	NA	579	9.6	NA	1.0	NA	7.3	NA	12.0	NA
Food Empire	1.27	530	14.1	11.4	1.7	1.5	2.3	2.4	12.5	14.0
Frencken	1.77	666	13.8	12.4	2.0	1.8	1.9	2.4	13.5	15.0
Fu Yu Corporation	0.37	241	14.3	12.5	1.4	1.3	4.7	5.0	10.1	10.9
Golden Agri	0.30	3173	37	4.6	0.5	0.5	1.9	4.3	1.5	11.0
HRnetgroup	0.72	657	16	13.6	2.0	1.9	3.6	3.7	14.2	14.3
ISDN Holdings	NA	298	19.5	NA	1.8	NA	1.2	NA	9.4	NA
Keppel Pacific Oak US REIT*	0.84	937	12.4	15.4	0.9	0.9	8.4	8.5	7.4	5.9
Marco Polo	NA	70	NA	NA	1.2	NA	NA	NA	NA	NA
MC Payment	NA	95	NA	NA	na	NA	NA	NA	NA	NA
Multi-Chem	NA	136	7.7	NA	1.2	NA	4.4	NA	19.6	NA
Riverstone	1.85	2,155	10.1	6.8	4.8	3.5	4.5	6.6	60.3	59.6
SBS Transit	NA	986	12.5	NA	1.7	NA	2.0	NA	14.2	NA
Straco	NA	70	NA	NA	1.7	NA	4.7	NA	NA	NA

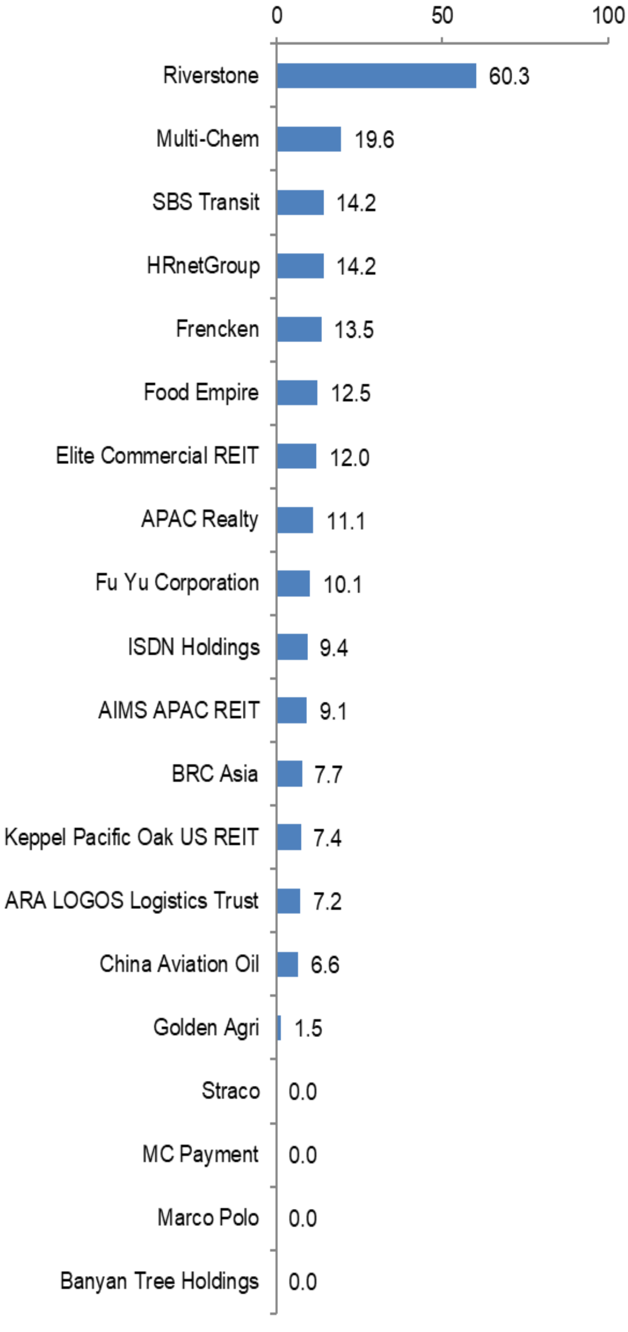
Note: All prices as at 30 April 2021, N/A = not available
*Note 2: *TP is in USD*
Source: Bloomberg, RHB

Market capitalisation (SGDm)



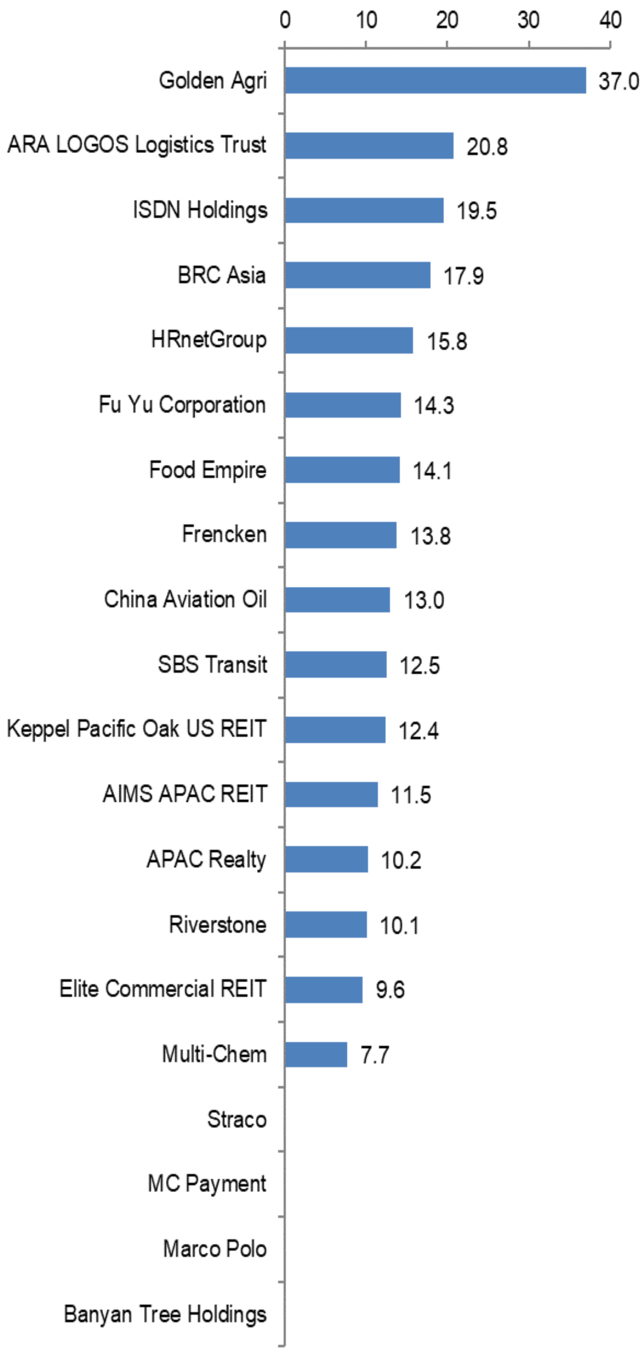
Source: Bloomberg

FY20 ROEs (%)



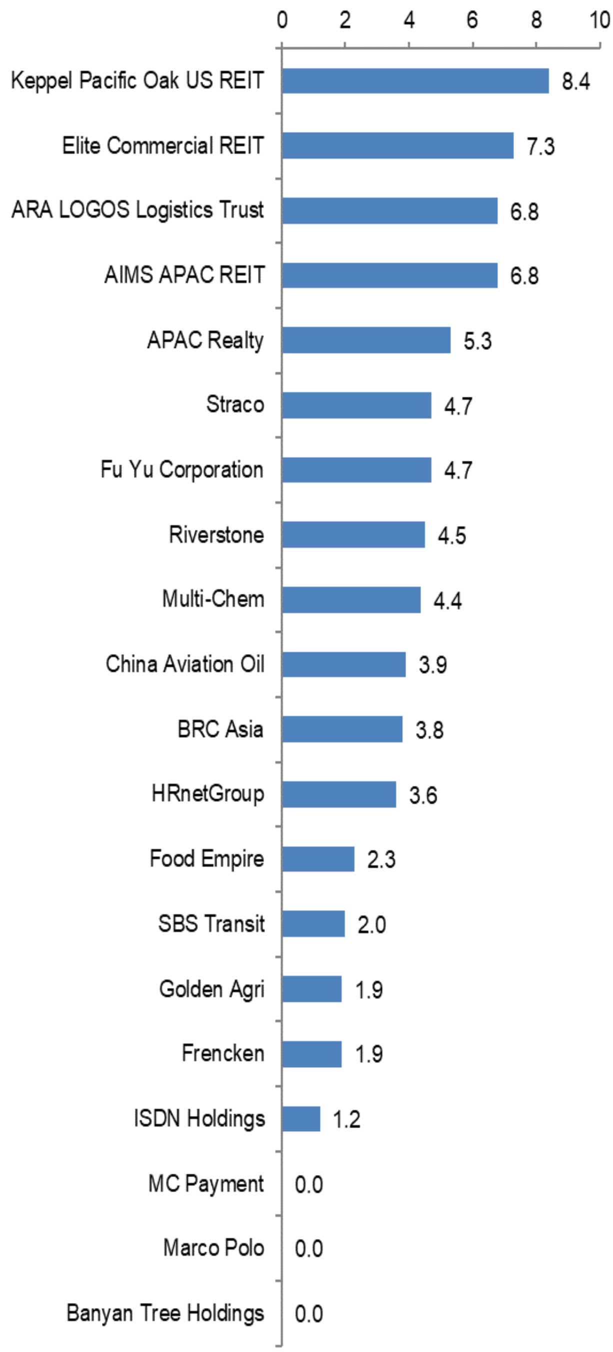
Source: Bloomberg

FY20 P/Es (x)



Source: Bloomberg

FY20 dividend yields (%)

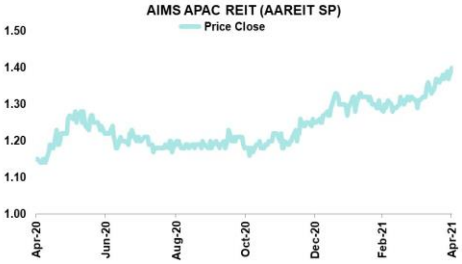


Source: Bloomberg

AIMS APAC REIT

A Logistics Focused Industrial REIT

Target: SGD1.55
Price: SGD1.40



Source: Bloomberg

Stock Profile

Bloomberg Ticker	AAREIT SP
Avg Turnover (SGD/USD)	1.1m/0.8m
Net Gearing (%)	54.3
Market Cap (SGDm)	989m
Beta (x)	0.9
BVPS (SGD)	1.35
52-wk Price low/high (SGD)	1.13 – 1.41
Free float (%)	69

Major Shareholders (%)

ESR Cayman	13
George Wang	8.2
Segantii Capital Management Ltd.	5.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	6.9	8.5	16.7	21.7
Relative	6.0	-2.4	2.0	-0.9

Vijay Natarajan +65 6320 0825
vijay.natarajan@rhbgroup.com

Investment Merits

- High quality logistics focused industrial portfolio;
- Earnings to turnaround in FY22F;
- Undervalued – trading at book value with 7% dividend yield.

Company Profile

AIMS APAC REIT is an industrial focused REIT with an established track record of nearly 15 years since its listing as MacarthurCook Industrial REIT on the SGX-ST in 2007. Since listing, the REITs portfolio has grown more than five-fold from SGD316m to SGD1.7bn as of 3QFY21 (Mar).

AAREIT's existing portfolio consists of 28 properties with a portfolio value of SGD1.7bn. Singapore is its key focus market (c. 88% of assets by value), with 26 properties located strategically across various industrial clusters domestically. The REIT has two assets in Australia: one in Gold Coast, Queensland, and a 49% interest in one business park property – Optus Centre – at Macquarie Park, New South Wales.

Highlights

High quality logistics focused industrial portfolio. AAREIT derives half of its income from logistics assets, which emerged as key beneficiaries' post COVID-19 disruption. The strong demand for such assets has boosted its portfolio occupancy by 6.3ppts YTD to 95.7%. Its two Australian assets offer stable long-term organic growth from long-term (12-year) master leases with inbuilt annual rent escalations.

A pioneer in asset redevelopment and enhancement. One of the REITs core strength is that – despite the relatively small size – it has an established record of extracting value from existing assets via redevelopment, built-to-suit developments, and asset enhancement initiatives (AEIs). The REIT has so far embarked on nine such major initiatives, which has yielded an attractive ROI of 8-10% on its investment cost. There is potential untapped GFA of c.502,707sqf in its current portfolio, which we believe will be unlocked at an opportune time.

Minimal one-off impact from COVID-19. AAREIT provided SGD2.6m rental relief for eligible tenants in 1QFY21 under the Singapore Rental Relief framework. We do not anticipate further rent relief, given the strong pick-up in industrial activity since the fourth quarter of 2020.

We understand from management that rental collection rates have generally remained healthy last year, with no material delays due to COVID-19. There has also been no impact from the realigned framework, which allows for the renegotiation of rental contracts for businesses significantly impacted by the pandemic, with no notice received to date from AAREIT's tenants for such negotiations.

Healthy weighted average lease expiry (WALE) of 3.94 years. WALE by rental income of the portfolio is 3.94 years (including forward committed leases) with no more than 24% of leases expiring in any single year. The REIT portfolio has a weighted average land lease expiry of 34.8 years (assuming freehold asset of 99 years), which we believe is manageable considering the REITs good redevelopment and asset enhancement track record.

Company Report Card

Expecting 9% jump in FY22F DPU. Key drivers of distributable income growth are the accretive contributions from two industrial asset acquisitions, uplift in portfolio occupancy, and absence of rental rebates. NPI margins are expected to stay relatively flat at c.70%. FY21 DPU is forecasted to decline 7% YoY mainly due to the provision of SGD2.6m rent rebates, conversion of master leases to multi tenancy and absence of one-off SGD2.3m of property tax refund recognised in FY20. Our forecast assumes occupancy to stay flattish of around c.95% levels as well as positive rental growth of 1-3% and a 100%payout ratio.

Gearing to remain below 40%. Gearing as at 3QFY21 stands at 34.1%. Post proposed acquisition completion of 315 Alexandra Road – which will be fully funded by debt – gearing is expected to move to 39% (still well below the Monetary Authority of Singapore's (MAS) threshold of 50%). Management noted that it intends to keep gearing at the c.40% level to buffer for uncertainties. Thus, future acquisitions are likely to be funded by a combination of equity and debt.

Distribution frequency. AAREIT declares and distributes dividends to unitholders on a quarterly basis.

Investment Case

BUY TP of SGD1.55. AIMS APAC REIT is an undervalued and overlooked industrial REIT with 28 high-quality industrial assets in Singapore and Australia. Key catalysts include DPU turnaround, investor appetite for logistics assets, and accretive acquisitions. Its P/BV – 1.0x (below its 5-year mean) is a highly unjustified – c.50% discount to industrial REIT peers. The REIT has also been recently included in the FTSE Russell ST Singapore Shariah and MSCI Singapore Small Cap Indices.

Profit & Loss	Mar-20	Mar-21F	Mar-22F
Total turnover (SGDm)	119	125	141
Net property income (SGDm)	86	85	98
Recurring net profit (SGDm)	86	72	82
Recurring net profit growth (%)	71.3	(16.3)	13.2
Recurring EPS (SGD)	0.12	0.10	0.12
DPS (SGD)	0.10	0.09	0.10
Dividend Yield (%)	6.8	6.3	6.9
Recurring P/E (x)	11.5	13.7	12.1
Return on average equity (%)	9.1	7.5	8.4
P/B (x)	1.0	1.0	1.0
P/CF (x)	12.0	13.3	11.3

Source: Company data, RHB

Balance Sheet (SGDm)	Mar-20	Mar-21F	Mar-22F
Total current assets	26	34	35
Total assets	1649	1703	1839
Total current liabilities	193	111	110
Total non-current liabilities	501	502	627
Total liabilities	694	614	737
Shareholder's equity	955	964	977
Minority interest	0	0	0
Other equity	0	125	125
Total liabilities & equity	1649	1703	1839
Total debt	539	531	651
Net debt	519	503	622

Source: Company data, RHB

Cash Flow (SGDm)	Mar-20	Mar-21F	Mar-22F
Cash flow from operations	83	74	88
Cash flow from investing activitie:	(61)	139	113
Cash flow from financing activitie	(19)	(205)	(200)
Cash at beginning of period	18	20	28
Net change in cash	3	8	1
Ending balance cash	21	28	29

Source: Company data, RHB

APAC Realty

Target: SGD0.55
Price: SGD0.475

Beneficiary Of Strong Residential Volumes

Source: Bloomberg

Stock Profile

Bloomberg Ticker	APAC SP
Avg Turnover (SGD/USD)	0.16m/0.12m
Net Gearing (%)	61.2
Market Cap (SGDm)	168m
Beta (x)	1.1
BVPS (SGD)	0.44
52-wk Price low/high (SGD)	0.32 – 0.51
Free float (%)	28

Major Shareholders (%)

Tan Choon Hong	71.8
Fidelity Investment	4.8
Qilin Asset Management	3.4

Share Performance (%)

	1m	3m	6m	12m
Absolute	-1.0	10.5	13.1	37.7
Relative	-1.9	-0.4	-1.6	15.0

Vijay Natarajan +65 6320 0825
vijay.natarajan@rhbgroup.com

Investment Merits

- Among the largest real estate agencies in Singapore, with a healthy c.33% market share of total transactions.
- Trading at 10X FY20 PE vs peer PropNex' 12x PE, offering 5% dividend yield
- Growing regional presence in Thailand, Indonesia, Vietnam etc., and enhancing its digital efforts to position for the future

Company Profile

APAC Realty is one of Singapore's largest real estate agencies. It has regional master franchise rights to 17 countries in the Asia Pacific. Through its ERA franchisee network, the group has one of the largest brand footprints in Asia, with more than 18,000 salespersons. In Singapore, it is the second largest agency in terms of agent count, with more than 7,800 salespersons providing property brokerage services for primary and secondary home sales, as well as rental of residential, commercial and industrial properties.

Highlights

Buying momentum to remain strong – barring strong cooling measures. Sales momentum continued to be robust in 2021 with March's new sales hitting 1,296 units – double that of February, and the highest March monthly sales since 2017. A similar trend was seen in the private resale and HDB resale market. Key factors underpinning strong volumes are ultra-low interest rates, strengthening economic recovery with the COVID-19 situation under control, and the outpacing of household income growth over the last decade when compared to property price growth. Moving into 2021, we expect the property market to continue to remain resilient with new private sales volumes to see a 0-5% growth, while resale volumes are expected to increase by 5-15%.

Market share and agent count showing improvement. Based on its internal estimates, ERA secured an overall residential market share of c.33.3% in FY20 vs FY19's 32.9%. While its new sales' market share was slightly lower for FY20 at 31.3% (FY19: 34.6%), it gained market share in the buoyant private resale market in FY20, with 36% (FY19: 33.3%) while maintaining its leadership position in HDB resale market. ERA Singapore's agent count has also jumped to 7,771 agents as of end-2020 (FY19: 6,967), with an agent market share of c.26% from 23% last year. For FY21 the company has secured the marketing agent role for 24 projects (8,802 units), similar to FY20.

Overseas entities offer long-term earnings diversification. ERA's overseas entities (Indonesia, Thailand, Vietnam and Malaysia) were impacted by market slowdown due to COVID-19, and combined were in slight net loss position (FY20). Management remains optimistic on the longer-term prospects of these markets, and sees it as a long-term diversification strategy to mitigate the Singapore market's cyclicality.

Company Report Card

FY20 net profit up 18% YoY, driven by a strong recovery in residential sales in 2H, and the government grant under the Jobs Support Scheme of SGD1.9m. FY20 private new home sales (excluding executive condominiums) was up 0.7% YoY to 9,982 units, while private resale volumes rose 18% YoY to 10,927 units. For FY21, we expect new sales (0-5% higher) and resale volumes (0-10% higher) to remain robust, underpinned by ultra-low interest rates and the economic recovery. Our FY21F net profit, excluding one-off government grants (FY20), is thus expected to grow by 8%.

Low gearing levels. As at FY20, APAC has a low net debt of SGD17m (net gearing: 11%). It has minimal capex requirements and generates strong operating cash flows. We expect it to turn to a net cash position in the next three years.

Dividend yield of 5%. APAC announced a total dividend of 2.5 cents (FY19 2.0 cents) for FY20, translating to a payout of 54.3% (in line with the 50-60% guidance) and we expect similar dividends for FY21.

Experienced management team. One of APAC's key strengths is its experienced and capable management team. Its executive officers have an average of 20 years of experience in the real estate industry. In addition to its executive officers, APAC is supported by eight heads of departments for each of its business segments. These heads have an average of 18 years of experience within the group.

Investment Case

APAC is a good proxy to the strong surging residential market transaction volumes in Singapore. The business asset-light model and non-brokerage income (c.22% of total) provides resilience across market cycles. The move to strengthen its overseas presence and enhance its digital capabilities should help with earnings diversification and benefit the group over the long term.

Profit & Loss	Dec-20	Dec-21F	Dec-22F
Total turnover (SGDm)	395	397	410
Gross Profit (SGDm)	48	48	49
Recurring net profit (SGDm)	17	16	16
Recurring net profit grow th (%)	18.5	(6.2)	4.2
Recurring EPS (SGD)	0.05	0.04	0.05
DPS (SGD)	0.03	0.02	0.03
Dividend Yield (%)	5.3	5.1	5.3
Recurring P/E (x)	10.2	10.8	10.4
Return on average equity (%)	11.1	9.7	9.5
P/B (x)	1.1	1.0	1.0
P/CF (x)	8.4	7.2	7.4

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21F	Dec-22F
Total current assets	142	134	144
Total assets	321	312	322
Total current liabilities	112	96	99
Total non-current liabilities	55	55	55
Total liabilities	167	150	154
Shareholder's equity	155	162	169
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	321	312	322
Total debt	52	52	52
Net debt	17	7	(2)

Source: Company data, RHB

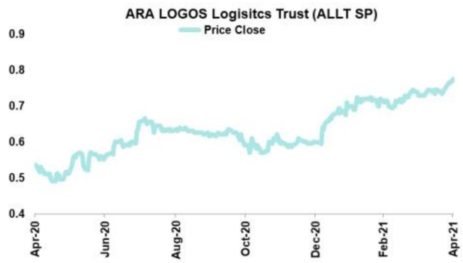
Cash Flow (SGDm)	Dec-20	Dec-21F	Dec-22F
Cash flow from operations	20	23	23
Cash flow from investing activitie:	(5)	(1)	(1)
Cash flow from financing activitie	(15)	(12)	(11)
Cash at beginning of period	32	35	53
Net change in cash	0	10	10
Ending balance cash	32	45	63

Source: Company data, RHB

ARA LOGOS Logistics Trust

A Rising Logistics Star

Target: SGD0.78
Price: SGD0.775



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ALLT SP
Avg Turnover (USD/SGD)	1.7m/2.3m
Net Gearing (%)	63.1
Market Cap (SGDm)	1122m
Beta (x)	0.8
BVPS (SGD)	0.53
52-wk Price low/high (USD)	0.49 – 0.785
Free float (%)	90

Major Shareholders (%)

John Lim	9.8
Logos China	9.4
Prudential PLC	4.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	4.7	10.7	30.0	44.4
Relative	3.9	-0.2	15.3	21.8

Vijay Natarajan +65 6320 0825
vijay.natarajan@rhbgroup.com

Investment Merits

- A pure-play on rising logistics demand in Singapore and Australia
- Backed by LOGOS Group, a leading logistics player in the Asia Pacific (APAC)
- High FY21F dividend yield of c.7%.

Company Profile

ARA LOGOS Logistics Trust is an S-REIT managed by ARA LOGOS Logistics Trust Management. As at 31 Dec 2020, ALOG's portfolio comprised 27 high-quality logistics warehouse properties, strategically located in established logistics clusters in Singapore and Australia. The portfolio has a total gross floor area of c.9.0m sqf, valued at c.SGD1.28bn.

Highlights

Riding on rising logistics demand post COVID-19. Demand for warehouse/logistics space in Singapore continues to be on the rise, as a result of increased stockpiling, e-commerce trends, and the vaccine rollout. On the supply front, based on JTC's 4Q data, c.800msqm of new warehouse space is expected to come on stream in 2021-2022 vs the last five years' average supply of 500m sqm, and demand of 400m sqm. In Australia, strong demand from the transport and e-commerce boom continues to drive logistics demand. As a result, ALOG's portfolio occupancy has been on a steady quarterly uptrend, rising 3.2ppts in FY20 to 98.5% (Singapore: 98.7%, Australia: 98.3%). Rent reversions were also better than expected, at 4.8% in FY20 (2H20: 9.8%), the bulk of which came from the signing of long lease by its key tenant DB Schenker.

Recent Australian portfolio acquisition lends stability and balance. ALOG in Oct 2020 announced proposed acquisition of five properties in Brisbane, Australia (including a development asset which is expected to be completed in Nov 2021) for SGD 225.9m. In addition it has also made a 49.5% /40% fund investment in New LAIVS Trust (LT) and Oxford Property Fund (OP) which combined owns five logistic properties for SGD 178.5m. It recently completed acquisition of Laprinta property and fund investments and waiting the final approval for its acquisition of remaining Brisbane assets. The assets' blended NPI yield of 5% is better than recent transactions of Australian logistic assets as cap rates have compressed by 20-50bps in recent months. The transaction, though mildly dilutive to DPU yield, lends income stability with a long weighted average lease expiry or WALE of 11 years, and balances shorter land leases for its Singapore assets. Post-acquisition, Australia will account for 48% of total assets, up from 33% currently, in line with ALOG's stated objective of diversifying out of Singapore.

Strong sponsor presents good medium-term growth potential. ALOG's sponsor, LOGOS currently manages a USD10.9bn AUM logistics portfolio across APAC, presenting good opportunity for acquisition-led growth. Post-acquisition gearing is slightly on the high side at 42.9%, indicating that future acquisitions are likely to be a mix of debt and equity. Medium-term acquisition opportunities include the acquisition of the remaining stake in LT (49.5% stake currently) and OP (40% stake).

Company Report Card

Trading at 7% dividend yield. FY20 adjusted DPU (excluding capital and one-off distributions) grew 8.8% YoY on the back improved occupancy, as well as additional revenue from DHL Supply Chain's Advanced Regional Center or ARC. DPU growth ahead will be driven by higher rents and a further uplift in occupancy, with room for further inorganic growth from acquisitions.

Gearing on the high side, but not a concern. ALOG's post-acquisition gearing of 43% is on the higher side, compared to its peers. However, we see no balance sheet concerns as the interest coverage ratio remains healthy at 4x.

Investment Case

Riding on high logistics demand post COVID-19. The logistics sector has emerged as one of the key beneficiaries post COVID-19, with structural demand growth seen from e-commerce, stockpiling, and the vaccine rollout – and ALOG's strategically located 27 assets in Singapore and Australia stand to benefit. The stock offers an attractive yield of 7%, and its strong sponsor pipeline offers growth visibility in the medium term.

Profit & Loss	Dec-20	Dec-21F	Dec-22F
Total turnover (SGDm)	117	137	141
Net property income (SGDm)	90	102	105
Recurring net profit (SGDm)	48	56	57
Recurring net profit growth (%)	NA	17.4	2.5
Recurring EPS (SGD)	0.04	0.04	0.04
DPS (SGD)	0.05	0.05	0.05
Dividend Yield (%)	6.8	6.7	6.9
Recurring P/E (x)	20.8	20.1	19.7
Return on average equity (%)	7.2	7.7	7.5
P/B (x)	1.5	1.5	1.5
P/CF (x)	12.0	11.3	10.9

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21F	Dec-22F
Total current assets	56	49	49
Total assets	1412	1806	1816
Total current liabilities	96	96	97
Total non-current liabilities	536	843	857
Total liabilities	632	939	954
Shareholder's equity	679	765	761
Minority interest	0	0	0
Other equity	102	102	102
Total liabilities & equity	1412	1806	1816
Total debt	519	825	840
Net debt	492	795	809

Source: Company data, RHB

Cash Flow (SGDm)	Dec-20	Dec-21F	Dec-22F
Cash flow from operations	82	99	104
Cash flow from investing activitie:	(28)	(407)	(3)
Cash flow from financing activitie	(45)	345	(91)
Cash at beginning of period	15	26	31
Net change in cash	9	38	10
Ending balance cash	24	64	41

Source: Company data, RHB

Banyan Tree Holdings

Banking On Recovery In Leisure Travel

Fair value: Not Rated
Price: SGD0.335

Source: Bloomberg

Stock Profile

Bloomberg Ticker	BTH SP
Avg Turnover (SGD/USD)	0.2m/0.2m
Net Gearing (%)	77.1
Market Cap (SGDm)	284m
Beta (x)	0.6
BVPS (SGD)	0.67
52-wk Price low/high (SGD)	0.215 – 0.41
Free float (%)	36

Major Shareholders (%)

Bibace Investments	33.8
Qatar Investment Authority	24.3
Platinum Enterprise	3.4

Share Performance (%)

	1m	3m	6m	12m
Absolute	-4.3	28.8	24.1	19.6
Relative	-5.1	18.0	9.4	-3.0

Vijay Natarajan +65 6320 0825
vijay.natarajan@rhbgroup.com

Investment Merits

- Proxy to the recovery in high-end global leisure travel;
- Property sales and fee-based income offset weakness in the hospitality segment;
- Trading at an attractive 0.5x P/BV.

Company Profile

Banyan Tree is one of the world's leading independent, multi-branded hospitality groups. Its diversified portfolio of hotels, resorts, spas, galleries, golf courses and residences is centered on five award-winning brands (Banyan Tree, Angsana, Cassia, Dhawa, and Laguna) that offer exceptional design-led experiences for global travellers. Globally, it has 46 new hotels and resorts under design and construction in the pipeline, in addition to 49 operating hotels in 24 countries as of Nov 2020.

Highlights

Signs of a recovery in the hospitality sector in 2H20. While global borders remain largely closed, there were some positive signs in 2H20, although the performance varied according to region and country. In 2H20, Banyan Tree's overall revenue per available room (RevPAR) – excluding hotels that were opened less than two years ago – increased by 11% HoH to SGD87.00, but fell by 40% YoY. In China, the demand for hotels has been impacted to a lesser degree, due to a surge in domestic tourism. In the Asia-Pacific and, specifically, Thailand where the majority of the group's owned hotels are located, international travel remains predominantly closed to foreign visitors. In the Maldives, where the group runs three hotels, its properties booked a smaller RevPAR drop in 4Q20, vs 4Q19's 43%. This was due to testing-only quarantine-free requirements for international arrivals.

Hotel room keys to nearly double in the next three years, boosting fee income. Banyan Tree is targeting to open c.35 hotels in the next three years, with room keys estimated to grow to 13,000 by end-2023, from 7,000 currently. As most of the new room keys will be managed by the group (without any equity interest), this should help to improve its fee income-producing business. The group signed 20 new hotel management agreements last year despite the COVID-19 pandemic – which is a testament to its strong branding.

Property sales segments. Banyan Tree has a landbank of 127 ha, with an estimated GDV of SGD4.7bn – which the group plans to develop in the next 10-15 years. This segment reported a core operating profit of SGD16.6m for last year, which offset losses in other segments. The group currently has unrecognised property sales revenue of SGD108.8m, of which about 30% should be recognised in 2021.

Company Report Card

FY20 core operating profit was at SGD4.3m excluding one-off losses, vs FY19's SGD65.1m, as Banyan Tree's performance was dragged down by the pandemic. Adjusted operating cash flow (excluding non-cash items and working capital changes) was also positive, at SGD8.2m, despite the severe impact of COVID-19. Its operating loss for 2H20 narrowed down to SGD9m, from SGD26.1m in 1H20, due to the re-opening of most hotels in 2H20 and cost containment. Embedded in its FY20 operating loss were exceptional items amounting to SGD39.4m, mainly relating to revaluation losses and expenses from its restructuring exercise.

Cost containment measures. The group implemented various strategic measures to contain cost and preserve cash liquidity. For FY20, it realised in excess of its SGD70m cash conservation target. These measures pared down total operating costs and expenses by 59% YoY in 2H20.

Net gearing was at 65% (net debt over total equity) with cash and cash equivalents of SGD51m. The group is also in talks with certain associates to execute an agreement to settle outstanding debts of approximately SGD50m within 2021, which should boost its liquidity.

Profit & Loss	Dec-18	Dec-19	Dec-20
Total turnover (SGDm)	372	353	160
Gross Profit (SGDm)	83	56	-35
Recurring net profit (SGDm)	13	1	-96
Recurring net profit growth (%)	4.2	(95.2)	NA
Recurring EPS (SGD)	0.02	0.01	(11.41)
DPS (SGD)	0.01	0.00	0.00
Dividend Yield (%)	3.1	0.0	0.0
Recurring P/E (x)	20.9	41.9	NA
Return on average equity (%)	0.02	0.00	NA
P/B (x)	0.4	0.4	0.5
P/CF (x)	15.3	0.0	NA

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-18	Dec-19	Dec-20
Total current assets	600	563	448
Total assets	1634	1744	1579
Total current liabilities	458	532	472
Total non-current liabilities	456	464	479
Total liabilities	914	996	951
Shareholder's equity	646	674	566
Minority interest	74	73	61
Other equity	0	0	0
Total liabilities & equity	1634	1744	1579
Total debt	321	460	459
Net debt	115	329	408

Source: Company data, RHB

Cash Flow (SGDm)	Dec-18	Dec-19	Dec-20
Cash flow from operations	18	1	(19)
Cash flow from investing activitie	63	(51)	(9)
Cash flow from financing activitie	(34)	(27)	(51)
Cash at beginning of period	159	206	131
Net change in cash	47	(75)	(80)
Ending balance cash	206	131	51

Source: Company data, RHB

Investment Case

Well-positioned to tap into the recovery in high-end hospitality demand. Banyan Tree a track record of over 30 years in running high-end hospitality facilities. This places it in a good position to capture huge pent-up demand for such services post-pandemic. We believe the group's strong management team and relatively sound balance sheet should help it in weathering the current crisis. The stock is currently trading at a 50% discount to book value, which we believe provides a good opportunity for long-term investors.

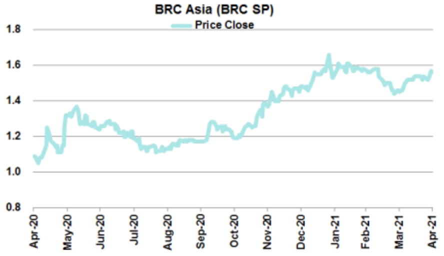
Key risks to our outlook is a continued resurgence of COVID-19 cases, and prolonged lockdowns being implemented across various markets.

BRC Asia

Fair value: Not Rated

Price: SGD1.56

Proxy To Recovery In Construction Sector



Source: Bloomberg

Stock Profile

Bloomberg Ticker	BRC SP
Avg Turnover (SGD/USD)	0.2m/0.2m
Net Gearing (%)	68.5
Market Cap (SGDm)	379.6m
Beta (x)	0.87
BVPS (SGD)	1.13
52-wk Price low/high (SGD)	1.01 - 1.63
Free float (%)	31.0

Major Shareholders (%)

Esteel Enterprise	69.0
RAM (Lux) Systematic Funds	0.1
American Century Companies	0.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	6.8	2.0	31.1	43.1
Relative	6.0	(8.9)	(1.7)	20.5

Shekhar Jaiswal +65 6320 0806

shekhar.jaiswal@rhbgroup.com

Investment Merits

- Proxy to the recovery in Singapore's construction sector, which should continue as business activities normalise;
- Being a leader in Singapore's steel rebar and prefabricated reinforcing steel product markets should translate to higher margins;
- SGD1.09bn orderbook, with jobs that will be delivered over the next five years. This implies a book-to-build ratio of 1.2x based on FY19 (Sep), and 1.8x based on FY20 revenues;
- Reasonably valued amid expectations of a strong earnings rebound.

Company Profile

Incorporated in Singapore in 1938 as Malayan Wire Mesh & Fencing, BRC Asia (BRC) pioneered the use of prefabricated steel mesh in Singapore's construction industry. The company changed to its current name in 1998, and was listed on the SGX in Jul 2000. Post the Lee Metal Group acquisition in Jun 2018, BRC doubled its operational capacity, and now has Singapore's largest production capacity in terms of prefabricated reinforcing steel products. With factories here, Malaysia, and China, it caters to builders in the public and private housing sectors, as well as the commercial and industrial spaces.

Highlights

Positive outlook for Singapore's construction sector. According to Singapore's Building and Construction Authority (BCA), construction demand, which had declined in 2020 to SGD21.3bn from 2019's SGD33.5bn, is expected to improve to SGD23-28bn in 2021. The public sector is expected to account for about 65% of the new contracts, amid anticipated stronger demand for public housing and infrastructure projects. The BCA also expects total nominal construction output to increase to SGD24-27bn in 2021 from SGD19.5bn in 2020, which will be supported by an anticipated improvement in construction demand in 2021, and the catch-up on the construction activity backlog caused by the COVID-19 pandemic in 2020. This improvement in construction demand and output should bode well for the reinforcing steel industry, where BRC is a market leader.

Market leadership. Based on data available from the Competition and Consumer Commission of Singapore, BRC has a 40-60% share of the republic's steel rebar market. It also holds a 50-70% share of the country's steel wire mesh segment. With the 2018 acquisition of Lee Metal, we believe the group's steel products supply market share will have increased to 60-70%. This leadership position enables BRC to operate at an optimal scale, thereby gaining from stronger purchasing power, lower wastage, and improved productivity. This, in turn, has been reflected in the group's improving profit margins.

Strong orderbook. As at 31 Dec 2020, BRC's sales orderbook stood at SGD1.09bn. Based on (pre-pandemic) FY19 reported revenue, this outstanding orderbook implies a 1.2x book-to-build ratio. Based on FY20 revenue, which was impacted by the COVID-19 pandemic, the implied book-to-build ratio would be 1.8x.

Looking to pare down debt. In January, BRC conducted a placement exercise involving 10m shares to investors at SGD1.42 per unit, representing about 4.1% of its enlarged issued shares. According to the company, the placement was oversubscribed, and was taken up by established financial institutions and market leaders in the local insurance and asset management space. The funds received from the placement will be used to repay outstanding bank borrowings.

Profit & Loss	Sep-18	Sep-19	Sep-20
Total turnover (SGDm)	567	913	612
Reported net profit (SGDm)	12	32	20
Recurring net profit (SGDm)	12	32	20
Recurring net profit growth (%)	565.0	162.1	(35.5)
Recurring EPS (SGD)	0.06	0.14	0.09
DPS (SGD)	0.01	0.08	0.06
Dividend Yield (%)	0.6	5.1	3.8
Recurring P/E (x)	28.0	11.5	17.9
Return on average equity (%)	5.9	12.6	7.7
P/B (x)	1.5	1.4	1.4
P/CF (x)	na	4.4	2.8

Source: Company data, RHB

Balance Sheet (SGDm)	Sep-18	Sep-19	Sep-20
Total current assets	524	532	446
Total assets	699	695	620
Total current liabilities	343	358	243
Total non-current liabilities	118	74	112
Total liabilities	462	432	355
Shareholder's equity	237	263	265
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	699	695	620
Total debt	338	306	259
Net debt	297	241	181

Source: Company data, RHB

Cash Flow (SGDm)	Sep-18	Sep-19	Sep-20
Cash flow from operations	-11	79	122
Cash flow from investing	-167	-11	-1
Cash flow from financing	195	(43)	(112)
Cash at beginning of period	24	41	9
Net change in cash	17	25	66
Ending balance cash	41	66	74

Source: Company data, RHB

Company Report Card

Latest results. BRC's 1QFY21 revenue came in at SGD213.4m (-6% YoY, +73% QoQ) as construction activities continued to pick up. Its gross margin of 11% in 1QFY21 dipped slightly, but was still at a healthy level (-2.1 ppts YoY, -1.2 ppts QoQ). 1QFY21 net profit of SGD9.6m pointed to a substantial recovery compared with 4QFY20 numbers, despite a provision of SGD7.9m for onerous contracts in light of the higher steel prices.

Dividend. In May 2019, BRC announced a dividend policy for FY19-20. The group aims to pay dividends to shareholders with a target annual payout ratio of at least 30% of recurring net profit. Its final dividend for FY20 fell 60% YoY, as earnings declined 36% due to headwinds in the construction industry. Despite this, BRC declared a special dividend of SGD0.04 per share for FY20, translating into a payout ratio of about 68% (up from 59% for FY19).

Management. The group is a professionally run company. CEO Seah Kiin Peng has held this post since 2018, having been with BRC since 2010. More professionals joined the group after Esteel Enterprise became the largest shareholder in Oct 2017. Xu Jiguo was appointed as Chief Procurement Officer in Nov 2017, taking over the responsibility for steel procurement and trading. Zhang Xingwang joined as COO in Dec 2017. To strengthen BRC's interaction with investors and other capital market participants, Darrell Lim Chee Lek joined the group in May 2019. Each one of the aforementioned has strong prior experience in their respective fields.

Investment Case

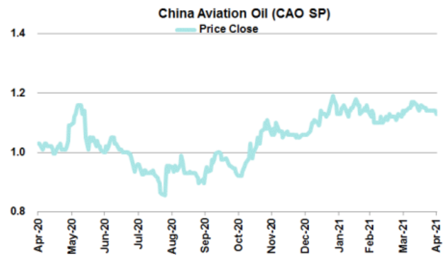
A good proxy to recovery in Singapore's construction sector. Progressive improvement in Singapore's construction activity amid gradual relaxation social distancing measures at construction sites should help BRC deliver strong earnings growth in 2021. Its strong orderbook and market leadership position in Singapore for prefabricated reinforcing steel products will enable the group to optimise costs and uphold current margins. We believe the valuations are reasonable amid expectations of strong earnings growth.

Key risks. Resurgence of COVID-19 cases in Singapore and in the foreign workers dormitories, and failure to bring in new foreign workers to alleviate the labour crunch.

China Aviation Oil

Target: SGD1.30
Price: SGD1.13

Beneficiary Of Recovery In Aviation Traffic



Source: Bloomberg

Stock Profile

Bloomberg Ticker	CAO SP
Avg Turnover (SGD/USD)	0.4m/0.3m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	972m
Beta (x)	1.11
BVPS (USD)	1.02
52-wk Price low/high (SGD)	0.85 - 1.20
Free float (%)	28.5

Major Shareholders (%)

China National Aviation	51.3
BP	20.2
London Life Insurance	0.3

Share Performance (%)

	1m	3m	6m	12m
Absolute	(0.9)	0.0	22.8	9.7
Relative	(1.7)	(10.9)	(9.9)	(12.9)

Shekhar Jaiswal +65 6320 0806
shekhar.jaiswal@rhbgroup.com

Investment Merits

- Proxy to strong rebound in domestic aviation traffic in China;
- To gain from recovery in international aviation traffic into China;
- ~20% profit CAGR for the next two years;
- Strong net cash balance sheet (36% of the market cap);
- 10.8x 2021F P/E is below peers and implies only 0.5x 2021F PEG;
- Compelling ex-cash 6.9x 2021F P/E.

Company Profile

China Aviation Oil supplies jet fuel to foreign and domestic airlines flying through China's airports. It also has a strong and growing presence at key international aviation hubs in Hong Kong SAR, Los Angeles and London. The company also trades in other oil products, such as fuel oil and gas oil. Its state-owned parent is Asia-Pacific's largest physical jet fuel trader, and sole supplier of imported jet fuel for China's civil aviation market.

Highlights

Re-rating to continue as aviation traffic in China improves. While domestic aviation traffic in China had improved signifincatly from a trough hit during the COVID-19 outbreak last year, it did witness a MoM decline in February after the Chinese Government put the brakes on local travel during the Lunar New Year holiday period to curtail the rise in domestic COVID-19 cases. We believe that the normalisation of domestic aviation traffic – once travel restrictions placed for the Lunar New Year period are lifted – could be a near-term catalyst. We remain optimistic of a sustained domestic air traffic recovery in China for the rest of 2021. The ongoing inoculation drive in China and the rest of Asia should create opportunities for the resumption of international passenger traffic as well. We are forecasting a 20% rebound in jet fuel supply and trading volume in 2021, to mirror the expected recovery in China's domestic and international aviation traffic for the year.

Shanghai Pudong International Airport Aviation Fuel Supply Company (SPIA) should see better 2021. SPIA, CAO's 33%-owned associate, remains the exclusive refueller at Shanghai Pudong International Airport (SPA). While domestic flight traffic at SPA has recovered sharply, jet fuel volume has not increased proportionately, as domestic flights require lower fuel load compared to international flights. Given SPIA's high operating leverage, its profitability should improve materially once the recovery in international flight traffic kicks in during the latter part of 2021.

Still sanguine on trading. Normally, 10% of CAO's trading volumes are based on paper (financial market) trades. To take advantage of the contango market, the proportion of paper trading volume was increased to 20% in 2020. CAO reiterated that despite the increase in paper trading volume, all of its trades were backed by confirmed orders. While it remains sanguine on the trading business in 2021 – on the back of improving aviation traffic – we believe margins may remain subdued, as the oil market currently is in backwardation. Based on our estimates, CAO has not reported a loss on its trading business since 4Q15. We expect this segment to remain profitable during the forecast period.

Company Report Card

Latest results. In FY20, amid the COVID-19 pandemic, CAO's revenue decreased 48.3% YoY to USD10.5bn due mainly to the decrease in oil prices as well as total supply and trading volumes. Contribution from its associate business was also weak amidst a YoY decline in earnings contribution from SPIA. The group, however, remained profitable and reported a net profit of USD56.2m (down 43.7% YoY). While the change in cash was negative, CAO still reported a healthy net cash balance of USD269m, which accounts for 36% of its market cap.

Dividend. For FY20, CAO announced a tax-exempt dividend amount of 2.58 SG cents per share vs 4.70 SG cents per share dividend paid in FY19. This implies a dividend yield of 2.2%. Given expectations to profit recovery over the next two years, we expect dividend payments to gradually revert back to pre-pandemic levels over the forecast period.

Management. After going through a troubled phase in 2004-2005, CAO's parent company completely revamped the management team and brought in global oil major, BP, as a strategic investor. This management team turned around the business operations and brought back strong profit growth. However, there have been some changes in the management team – a new CEO taking over in with a clear focus on achieving profitability over registering volume growth, and growing the group's external business.

Investment Case

Strong earnings growth ahead. We expect China's domestic aviation traffic to rebound strongly, once domestic travel restrictions – in effect over the Lunar New Year holidays – are eased. Meanwhile, ongoing COVID-19 vaccination drives in Asia should translate to a gradual recovery in international aviation traffic over 2H21. This should drive the ~20% pa profit growth over next two years. China Aviation Oil is likely to also use its cash to make an earnings accretive acquisition overseas or in China, should an opportunity arise. Its current valuation, at 0.5x 2021F PEG, remains compelling.

We maintain our BUY recommendation, with a SGD1.30 TP derived from an average of forward P/E, P/BV, EV/adjusted EBITDA, and DCF of adjusted free cash flow. Our SGD1.30 TP implies 12.1x 2021F P/E, which is in line with its peer valuation.

Key downside risks. Lack of rebound in China's domestic aviation traffic due to the resurgence of COVID-19 infections, and delays in the recovery in international aviation traffic.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (USDm)	10,517	15,767	16,432
Reported net profit (USDm)	56	68	82
Recurring net profit (USDm)	56	68	82
Recurring net profit growth (%)	(43.7)	21.1	20.9
Recurring EPS (USD)	0.07	0.08	0.10
DPS (SGD)	0.03	0.03	0.04
Dividend Yield (%)	3.9	2.2	2.8
Recurring P/E (x)	13.0	10.8	8.9
Return on average equity (%)	6.6	7.5	8.6
P/B (x)	0.8	0.8	0.7
P/CF (x)	NA	8.3	4.5

Source: Company data, RHB

Balance Sheet (USDm)	Dec-20	Dec-21	Dec-22
Total current assets	1,567	1,716	1,405
Total assets	1,888	2,042	1,740
Total current liabilities	1,004	1,102	738
Total non-current liabilities	7	12	12
Total liabilities	1,011	1,114	750
Shareholder's equity	877	929	990
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	1,888	2,042	1,740
Total debt	0	0	0
Net debt	(269)	(370)	(553)

Source: Company data, RHB

Cash Flow (USDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	88	163	28
Cash flow from investing	30	40	44
Cash flow from financing	(17)	(21)	(25)
Cash at beginning of period	269	370	553
Net change in cash	101	183	48
Ending balance cash	370	553	600

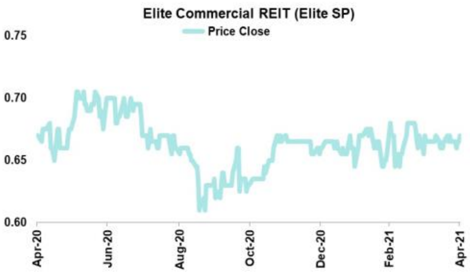
Source: Company data, RHB

Elite Commercial REIT

A High-Quality UK Commercial REIT

Fair value: Not Rated

Price: GBP 0.67



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ELITE SP
Avg Turnover (SGD/GBP)	0.4m/0.2m
Net Gearing (%)	53.3
Market Cap (GBPm)	315m
Beta (x)	0.7
BVPS (GBP)	0.65
52-wk Price low/high (GBP)	0.61 – 0.71
Free float (%)	77

Major Shareholders (%)

Partner Reinsurance	22.5
Ho Lee Group	7.6
Sunway RE Capital	5.8

Share Performance (%)

	1m	3m	6m	12m
Absolute	2.3	3.9	0.0	0.0
Relative	1.4	-7.0	-14.7	-22.6

Vijay Natarajan +65 6320 0825
vijay.natarajan@rhbgroup.com

Investment Merits

- 99% of assets leased to the UK Government, with the Department for Work and Pensions (DWP) as the key occupant of assets;
- Long weighted average lease expiry **(**WALE) of 7.2 years;
- High trading yields of >7%, valued at an attractive 1x P/BV.

Company Profile

Elite Commercial REIT (Elite) is an S-REIT that focuses on commercial assets and real estate-related assets in the UK. Listed on 6 Feb 2020, this is the first and only UK-focused listed REIT in Singapore. Elite's portfolio contains 155 predominantly freehold quality commercial buildings located across the UK, with a total net internal area of approximately 3.9m sqf, fetching a value of GBP515m. Its sponsors include Elite Partners Holdings, Ho Lee Group, and Sunway RE Capital.

Highlights

A counter-cyclical UK commercial portfolio. Elite's key tenant, the DWP, accounts for about 93% of rental income of its enlarged portfolio. DWP is a uniquely counter-cyclical occupier – it is the UK's biggest public service department responsible for welfare, pensions and child maintenance policies, and serves around 20m people. The bulk of its assets is used as front-of-house, primarily Jobcentre Plus and other ancillary services. The majority of the leases have rental reviews every five years, based on the UK Consumer Price Index, and rates are subject to an annual increase of between 1.0% (minimum) and 5.0% (maximum).

Demand for its assets grew due to COVID-19. Elite has been collecting 100% of rental income three months in advance. Due to the COVID-19 pandemic, the demand for its assets has increased with the increase in claimant count at each of DWP's JobCentres. This is because the UK Government has extended a range of economic support measures for businesses and unemployment recovery, including an extension of the furlough scheme, and has committed to increase the number of work coaches to 27,000. This, we believe, should help the REIT in the form of further lease extensions and rental growth.

Recent acquisitions strengthens portfolio metrics. Elite completed its maiden portfolio acquisition of 58 properties across the UK for GBP212.5m in Mar 2021. The yield-accretive acquisitions (+3.2% DPU) from its sponsor will further diversify its exposure to UK government tenants, lift its market cap and liquidity, as well as increase its exposure to the London market to 14%.

The acquisition also saw Partner Reinsurance Company (PartnerRE), a leading global diversified reinsurance firm, emerging as a major substantial unitholder by taking a c.23% stake in the enlarged REIT at a higher-than-market share price of GBP0.68. This move demonstrates the attractiveness of the portfolio among large institutional holders who are looking for long-term stable income.

Company Report Card

Maiden DPU exceeds IPO forecast despite the pandemic. For FY20 (from 6 Feb 2020 to 31 Dec 2020), the REIT achieved a distributable income to unitholders of GBP14.8m and DPU of GBP0.044, which is 2.1% and 2.3% higher than its IPO forecasts**.** Despite the challenging environment and economic uncertainty arising from COVID-19 and Brexit, the REIT is well-supported by stable cash flows, backed by its AA-rated tenant, the UK Government, with its uniquely counter-cyclical operations of the DWP.

FY20 Portfolio valuation gain of GBP15.9m, uplifted by non-exercise of break clauses on certain assets and extension of leases. This also reflects the underlying intrinsic value of the properties.

Gearing to remain modest, at 38%. Post-acquisition and recent fund-raising, Elite's leverage stands at 38% (still well below the Monetary Authority of Singapore's threshold of 50%). The REIT's average borrowing cost stands at 1.9%, with 50% of loans hedged and a high interest cover of 7.7x. All its assets are unencumbered, and there is minimal FX risk – since assets and liabilities are denominated in GBP terms.

The REIT declares and distributes dividends to unitholders on a semi-annual basis, with GBP as its default currency in payment.

Investment Case

Resilient 7% yields. Elite's unique counter-cyclical tenant profile, strong credit quality of tenants, and long WALE stands out in these uncertain times. The REIT's high yield of 7.3% is c.200 bps higher than the S-REIT average, and 650 bps higher than the UK Government 10-year bond yields.

Profit & Loss	Dec-20*
Total turnover (GBPm)	21
Net property income (GBPm)	20
Recurring net profit (GBPm)	23
Recurring net profit growth (%)	NA
Recurring EPS (GBP)	0.07
DPS (GBP)	0.04
Dividend Yield (%)	7.3
Recurring P/E (x)	9.6
Return on average equity (%)	12.0
P/B (x)	1.0
P/CF (x)	10.6

**Since Listing on 6 Feb 20*
Source: Company data, RHB

Balance Sheet (GBPm)	Dec-20*
Total current assets	21
Total assets	333
Total current liabilities	8
Total non-current liabilities	108
Total liabilities	116
Shareholder's equity	217
Minority interest	0
Other equity	0
Total liabilities & equity	333
Total debt	102
Net debt	82

**Since Listing on 6 Feb 20*
Source: Company data, RHB

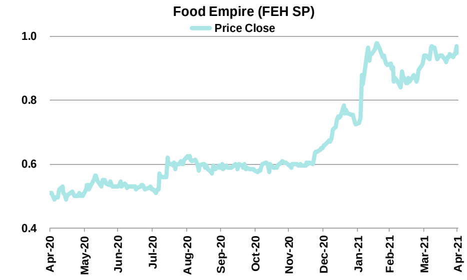
Cash Flow (GBPm)	Dec-20*
Cash flow from operations	16
Cash flow from investing activitie	0
Cash flow from financing activitie	(16)
Cash at beginning of period	18
Net change in cash	1
Ending balance cash	19

**Since Listing on 6 Feb 20*
Source: Company data, RHB

Target: SGD1.27
Price: SGD0.95

Food Empire

Undervalued 3-in-1 Coffee Mix



Source: Bloomberg

Stock Profile

Bloomberg Ticker	FEH SP
Avg Turnover (SGD/USD)	0.85m/0.64m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	530m
Beta (x)	1
BVPS (SGD)	0.43
52-wk Price low/high (SGD)	0.49 – 0.98
Free float (%)	35

Major Shareholders (%)

UIC Consumer Products	24.8
Tan Wang Cheow and Tan Guek Ming	22.5
Sudeep Nair	6.5

Share Performance (%)

	1m	3m	6m	12m
Absolute	13.5	35.9	63.6	83.8
Relative	11.1	29.5	37.9	60.0

Jarick Seet +65 6320 0810
Jarick.seet@rhbgroup.com

Investment Merits

- Significantly undervalued – trading at 11x FY21F P/E vs peers' 20-30x;
- Strong performance expected for FY21F;
- Aggressive share buybacks.

Company Profile

Food Empire is a global food and beverage company that manufactures and markets instant beverages, frozen convenience food, confectionery and snack food. The company's products can be found in over 50 countries across Asia, Africa, Middle East, North America and Europe.

Highlights

The worst is over. While revenue was down YoY, across all the markets, strong sequential improvement was seen from 2Q20. Management highlighted that demand for instant coffee products has been stable. It noted that previous strict national lockdowns had resulted in operational and logistical issues, causing sales volume to decrease temporarily – the company has since learnt how to solve these issues, and is unlikely to face such issues going forward. We expect demand to remain resilient, and increase in FY21F. Management has also revealed that marketing and administrative costs should remain low for FY21F despite revenue likely rebounding further.

A strong rebound in FY21F. We expect a much stronger FY21F. Our SGD1.27 TP is pegged to a 15x FY21F P/E, as its local and regional staples peers are trading at a significant premium of 20-30x. The RUB appreciated at the end of Nov 2020, and this will be beneficial for the group. Management declared a record FY20 DPS of 2.2 SG cents. We expect FY21F final dividend to exceed that of last year's dividend.

Top Pick for consumer stocks in Singapore. At 11x FY21F P/E, Food Empire is among the cheapest consumer staples with a proven track record, with its peers trading at 20-30x P/E. With the company being a market leader in Russia and Ukraine, we remain bullish and maintain our BUY call. Privatisation may be a possibility, given its undervalued status. Management aggressively conducted company share buybacks in Dec 2020 and Jan 2021. It recently resumed another round with the latest buyback at SGD0.94 as management thinks that the share price is deeply undervalued vs peers and acquisition targets. We believe that management will likely continue its share buyback purchases.

Company Report Card

Latest results. PATMI grew by 2.6% YoY in FY20 to SGD26.8m despite a 5.4% YoY drop in revenue to USD273m. The decrease was in revenue was due to lockdown constraints and logistic issues encountered as a result of the pandemic.

Balance sheet/cash flow. As at end-FY20, Food Empire's net cash position was at a healthy SGD18m. We expect its net cash position to rise further as it continues to generate positive cash flow.

ROE. The group's ROE has remained steadily between 10-15% and we expect this trend to continue.

Dividend. The company continues to reward shareholders with attractive and sustainable dividends representing a yield of 2.3%

Management. Tan WangCheow has been providing leadership to the Board of Directors since Apr 2000. He is Food Empire's founder and has been instrumental in guiding its business, including taking the company public in 2000. As the Executive Chairman, Tan is responsible for achieving the company's long-term goals. His role includes providing strategic leadership and exploring business opportunities**.** Sudeep Nair has been serving the Board as an Executive Director since Jul 2005. In October 2012, he was appointed Group CEO and is responsible for the company's growth strategy and overall day-to-day operations. His role includes geographical expansion of business, as well as identifying new business and M&A opportunities.

Investment Case

Top Pick for consumer stocks in Singapore. At 11x FY21F P/E, Food Empire is among the cheapest consumer staples with a proven track record, vs peers that are trading at 20-30x P/E. With the company being a market leader in Russia and Ukraine, we remain bullish and maintain our BUY call with a SGD1.27 TP

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (USDm)	273	300	319
Reported net profit (USDm)	26.7	33.9	36.5
Recurring net profit (USDm)	26.7	33.9	36.5
Recurring net profit growth (%)	13.2	23.7	7.9
Recurring EPS (USD)	4.1	4.7	5.0
DPS (USD)	1.66	1.70	1.70
Dividend Yield (%)	2.3	2.4	2.4
Recurring P/E (x)	14.1	11.4	10.6
Return on average equity (%)	12.5	14.0	13.6
P/B (x)	1.7	1.5	1.2
P/CF (x)	9.1	14.2	9.4

Source: Company data, RHB

Balance Sheet (USDm)	Dec-20	Dec-21	Dec-22
Total current assets	159	174	188
Total assets	327	350	362
Total current liabilities	54	63	68
Total non-current liabilities	44	34	13
Total liabilities	98	97	81
Shareholder's equity	176	207	230
Minority interest	(1)	(1)	(1)
Other equity	0	0	0
Total liabilities & equity	230	255	282
Total debt	51	41	25
Net debt	(18)	(13)	(36)

Source: Company data, RHB

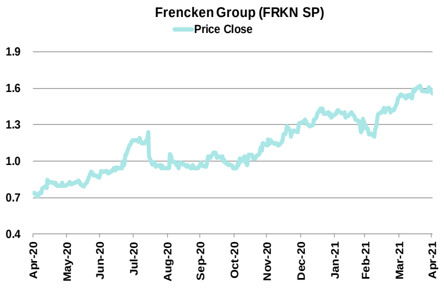
Cash Flow (USDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	42	27	41
Cash flow from investing activitie	(25)	(20)	(10)
Cash flow from financing activitie	(6)	(18)	(25)
Cash at beginning of period	55	69	54
Net change in cash	(1)	13	12
Ending balance cash	66	58	61

Source: Company data, RHB

Frencken Group

Proxy To Semiconductor Boom

Target: SGD1.77
Price: SGD1.56



Source: Bloomberg

Stock Profile

Bloomberg Ticker	FRKN SP
Avg Turnover (SGD/USD)	4.60m/3.45m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	666m
Beta (x)	1.06
BVPS (SGD)	0.79
52-wk Price low/high (SGD)	0.68 – 1.63
Free float (%)	62.0

Major Shareholders (%)

Thong Low Heang	6.3
Micro Compact	6.2
Precico Singapore	6.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	23.0	20.2	50.5	129.6
Relative	20.6	13.8	24.8	105.8

Jarick Seet +65 6320 0810
Jarick.seet@rhbgroup.com

Investment Merits

- Beneficiary of global supply chain and secondary sourcing;
- Riding the semiconductor uplift;
- Positive outlook.

Company Profile

Frencken is a global integrated technology solutions company that serves world-class multinational firms in the automotive, healthcare, industrial, life sciences, and semiconductor industries. The group has operations in 17 sites across Asia, Europe, and the US, and has 3,500 employees. The two main business segments are mechatronics and integrated manufacturing services (IMS).

Highlights

Medical and semiconductor segments continue to enjoy strong growth. The company still enjoys larder medical orders relating to CT scan and other scanning related equipment. Its clients have also reduced the number of manufacturers and given larger orders and new products to retained manufacturers, which in turn, should yield higher margins – FRKN is one such beneficiary, and hence, it looks to ramp up in FY21F. Management remains bullish also on its semiconductor segment. All areas of this segment will likely grow strongly YoY in FY21F and management is bullish that the strong growth ought to continue across the various business sub-segments in the semiconductor space.

Automotive to be stronger YoY despite chip shortage. The global automotive chip shortage was due to a lack of orders placed forward due to the downtown in the automotive sector in 2020 and chips were allocated to other sectors as a result. Management is optimistic that this situation will be easily resolved and volume will resume, reaching higher levels even due to the stronger demand.

Further upside to share price despite great performance. Due to the delay in FRKN's industrial automation segment, we believe FY21 will be a strong year for the group, where both its semiconductor and medical segments should drive profit upwards. Previously, its key customer in the industrial automation segment delayed its new product launch due to supply chain issues. Growth will depend on its end customer, which just launched a new product but has yet to ramp up production. Management is casually optimistic but it will be highly dependent on its clients and reception of this product. All in, we believe there is also room for further re-rating, as peers are trading at higher valuations. We are also confident of FRKN's long-term prospects and its management team. As such, we retain our BUY recommendation.

Company Report Card

Latest results. Its FY20 revenue eased 5.8% YoY to SGD620.6m due to lower sales contributions from both the mechatronics and IMS divisions. With the exception of the semiconductor segment, the other business segments recorded lower sales due to business disruptions and slower economic conditions caused by the COVID-19 pandemic. PATMI was 0.5% better due to government grants as well as cost streamlining.

Balance sheet/cash flow. As at end-FY20, FRKN's net cash position was close to SGD149m, built up steadily by its positive operating cash flow.

ROE. ROE remained stable and should continue to grow steadily in the next few years. We expect ROE to improve from its 13.6% level in FY20.

Dividend. DPS of 3 SG cents represents 30% of FY20 earnings. Historically, FRKN's annual payout rate has been 30% of its earnings since 2005.

Management. Dennis Au is FRKN's President and Executive Director. He was appointed as President on 5 May 2015 and the other position on 28 Apr 2016. Au has over 30 years of experience in the high-tech industry. He is responsible for setting the group's strategic direction and overseeing its global operations. Au graduated from the National University of Malaysia with a Bachelor of Engineering (Electronic, Electrical, and Systems).

Investment Case

Maintain BUY with a TP of SGD1.77. We remain positive on FRKN's prospects and peg our TP to a higher multiple of 14x due to the general rerating of technology stocks globally. We remain confident that the company will enjoy an excellent FY21F – it remains one of the main proxies for the semiconductor growth in Singapore's listed space. Potential of earnings re-rating exists if its automotive as well as industrial automation surprise on the upside with new projects.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (SGDm)	620	769	809
Reported net profit (SGDm)	42.8	53.2	56.1
Recurring net profit (SGDm)	42.8	53.2	56.1
Recurring net profit growth (%)	4.5	10.7	5.5
Recurring EPS (SGD)	0.11	0.13	0.13
DPS (SGD)	0.03	0.04	0.04
Dividend Yield (%)	1.9	2.4	2.6
Recurring P/E (x)	13.8	12.4	11.8
Return on average equity (%)	13.5	15.0	14.3
P/B (x)	2.0	1.8	1.6
P/CF (x)	7.7	15.7	8.9

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21	Dec-22
Total current assets	429	478	522
Total assets	564	615	662
Total current liabilities	212	226	233
Total non-current liabilities	16	16	16
Total liabilities	228	242	249
Shareholder's equity	334	371	411
Minority interest	2	2	2
Other equity	0	0	0
Total liabilities & equity	561	613	659
Total debt	67	67	67
Net debt	(107)	(112)	(149)

Source: Company data, RHB

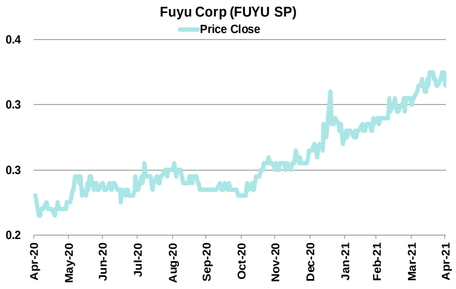
Cash Flow (SGDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	80	41	73
Cash flow from investing activitie	(23)	(20)	(20)
Cash flow from financing activitie	(15)	(16)	(17)
Cash at beginning of period	110	151	156
Net change in cash	42	5	36
Ending balance cash	151	156	193

Source: Company data, RHB

Target: SGD0.37
Price: SGD0.32

Fu Yu Corp

Manufacturer With Sturdy Cash Pile



Source: Bloomberg

Stock Profile

Bloomberg Ticker	FUYU SP
Avg Turnover (SGD/USD)	1.87m/1.40m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	241m
Beta (x)	0.98
BVPS (SGD)	0.23
52-wk Price low/high (SGD)	0.22 – 0.32
Free float (%)	59.7

Major Shareholders (%)

Pilgrim Partners Asia	29.8
DBS Nominees	7.4
Ho Nee Kit	3.1

Share Performance (%)

	1m	3m	6m	12m
Absolute	10.3	18.5	36.2	48.8
Relative	7.9	12.1	10.5	25.0

Jarick Seet +65 6320 0810
Jarick.seet@rhbgroup.com

Investment Merits

- High dividend yield of 5% for FY21F;
- Strong balance sheet, with SGD106.6m in net cash;
- Recovery in topline, with stronger margins.

Company Profile

Fu Yu provides vertically-integrated services in the manufacture of precision plastic components, and the fabrication of precision moulds and dies. Since its inception in 1978, the group has grown to become one of Asia's largest manufacturers of high-precision plastic parts and moulds. Today, Fu Yu has a strong presence in the region, with manufacturing facilities in Singapore, Malaysia, and China. Leveraging on over 40 years of history, the group has built a broad and diversified customer base of blue chip companies in the printing & imaging, networking & communications, consumer, medical, and automotive sectors.

Highlights

Maintain BUY, with a DCF-based TP of SGD0.37. FY20 PATMI rose 33.3% YoY to SGD16.9m, mainly due to higher-margin products despite a slowdown in sales. This could be mainly due to the group's efforts to enhance its sales mix, reduce its headcount, and flesh out ongoing initiatives to improve cost management and operational efficiencies. With SGD106.6m in net cash and a FY21F 5% yield, on top of good business growth prospects and a privatisation angle, we maintain a BUY call on Fu Yu.

New leadership, but management remains unchanged – for now. Choo Boon Tiong Vice Chairman and Executive Director Seow Jun Hao have valuable corporate experience and diverse knowledge in various business, and will be undergoing an assimilation process to get a better grasp of the group's full range of operations. They will continue to work closely with management and the rest of the board on long-term strategic plans.

Business as usual. The board of directors has reaffirmed that Fu Yu's core business in precision manufacturing will continue, and the company will continue to look forward to new perspectives and opportunities that could enhance profitability and create value for shareholders over the long term. Current CEO and executive director Hew Lien Lee will still continue to spearhead and oversee the group's operations together with his core management team.

Strong net cash of SGD106.6m, attractive 5% yield. As of FY20, Fu Yu has a strong net cash position of SGD106.6m and zero borrowings. It has also maintained its interim dividend pay-out ratio. We expect it to pay 1.7 SG cents in DPS for FY21 (outpacing that of FY20), which should result in an attractive 5% yield. With management learning from past mistakes during the manufacturing crisis, Fu Yu's prudent approach has led the group to a net cash balance sheet which represents close to 51% of its market cap. Coupled with its rich cash flow generation, we believe the group should be able to weather this storm, and emerge stronger than its competitors.

Still a potential takeover target. With more new projects in the medical, consumer and automotive fronts, we expect the group's earnings to grow this year. Fu Yu also could – concurrently – reward its investors with attractive dividends. The new investor owns 29.8% of the company, which is very close to the mandatory takeover threshold of 30%. As a result, we do not rule out a potential privatisation exercise ahead – although this may not happen in the near term, as the new management team will have to settle in and become better acquainted with the company first.

Company Report Card

Latest results. FY20 PATMI rose 33.3% YoY to SGD16.9m, mainly due to higher-margin products. This came in spite of a slowdown in sales, which was attributed mainly: i) Business disruptions as a result of government measures taken to arrest the spread of COVID-19, as well as ii) weaker end-user demand caused by a downturn in the global economy.

Balance sheet/cash flow. As at end-FY20, Fu Yu's net cash position remains at SGD106.6m. We expect this to continue improving, as it should still generate positive cash flow going forward.

ROE. The group's ROE has been at a steady 10.1-10.9% over FY18-20. We expect ROE to continue growing steadily, as the company continues to perform well.

Dividend. Fu Yu's FY20 DPS amounted to 1.6 SG cents, implying a solid yield of 4.7%.

Management. Hew Lien Lee was appointed as acting CEO in May 2014, before he was subsequently promoted to CEO in Feb 2016. Hew has also held the positions of Executive Director and Chief Operating Officer since Mar 2017.

Investment Case

This stable and resilient counter remains a Top Pick. With the ramp-up in existing projects expected to continue in the quarters ahead – coupled with further new projects in the medical, consumer, and automotive fronts – we expect net profit to continue climbing. Also, an appreciating USD should also benefit Fu Yu. With the closure of its Shanghai factory, and new redevelopment at the Singapore facility, we expect margins to continue strengthening. We have a BUY rating on the stock, with a DCF-based SGD0.37 TP. Fu Yu is also an attractive target for privatisation or acquisition.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (SGDm)	153	161	167
Reported net profit (SGDm)	16.9	19.2	19.9
Recurring net profit (SGDm)	16.9	19.2	19.9
Recurring net profit growth (%)	33.3	13.6	3.8
Recurring EPS (SGD)	0.02	0.03	0.03
DPS (SGD)	0.02	0.02	0.02
Dividend Yield (%)	4.7	5.0	5.0
Recurring P/E (x)	14.3	12.5	12.1
Return on average equity (%)	10.1	10.9	10.9
P/B (x)	1.4	1.3	1.3
P/CF (x)	7.3	15.0	9.5

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21	Dec-22
Total current assets	223	225	234
Total assets	163	161	166
Total current liabilities	43	39	40
Total non-current liabilities	8	8	8
Total liabilities	51	47	48
Shareholder's equity	172	179	186
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	452	466	497
Total debt	0	0	0
Net debt	(107)	(100)	(102)

Source: Company data, RHB

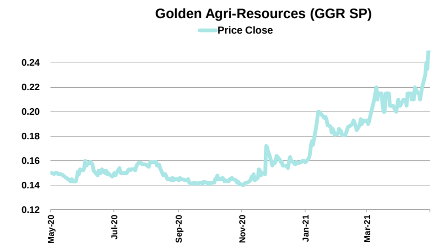
Cash Flow (SGDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	33	16	26
Cash flow from investing activitie:	(3)	(10)	(10)
Cash flow from financing activitie	(9)	(13)	(13)
Cash at beginning of period	85	106	100
Net change in cash	21	(7)	3
Ending balance cash	106	100	102

Source: Company data, RHB

Golden Agri Resources

Turnaround Story

Target: SGD0.30
Price: SGD0.25



Source: Bloomberg

Stock Profile

Bloomberg Ticker	GGR SP
Avg Turnover (SGD/USD)	4.37m/3.67m
Net Gearing (%)	39.2
Market Cap (SGDm)	3173
Beta (x)	1.14443
BVPS (USD)	0.33
52-wk Price low/high (SGD)	0.139 - 0.255
Free float (%)	55

Major Shareholders (%)

Widjaja family	50.5

Share Performance (%)

	1m	3m	6m	12m
Absolute	19.0	38.1	77.6	60.3
Relative	17.3	27.1	44.4	37.5

Singapore Research
sg.research@rhbgroup.com

Investment Merits

- Highly sensitive to CPO price movements
- Beneficiary of the current tax and levy structure in Indonesia
- Undervalued company trading below P/E of 5x vs peers' 8-12x 2021F

Company Profile

Golden Agri is one of the largest oil palm plantation companies in the world, with operations across 11 countries. It is the biggest local player in the cooking oil market in Indonesia. GGR produces more than 2.2m tonnes of CPO, with about 498,000ha of planted hectarage. It also has downstream capabilities, with 4.98m tonnes of refining capacity, 440,000 tonnes of oleochemical capacity, and 600,000 tonnes of biodiesel capacity.

Highlights

Highly sensitive to CPO price movements. GGR is highly sensitive to CPO price movements, where every MYR100.00 per tonne will impact earnings by 8-10%.

Ability to channel its sales downstream enables GGR to benefit from the current tax structure. Given the current punishing tax and levy structure in Indonesia, pure upstream players will not be able to benefit from the current high CPO prices. However, GGR, having 4.98m tonnes of refining capacity, will be able to channel all sales into its downstream facilities, hence benefitting from the tax structure. Based on the current tax rates for March, the additional margins advantage for refined products is as high as USD125.00 per tonne.

For FY21F, GGR is projecting 5% FFB growth, coming from a recovery of the post *El Nino* effect from 2019. We note that 4Q20 output jumped 25% QoQ and 13% YoY, as Indonesia recorded a late peak harvest during this year.

Landbank rejuvenation on the way. GGR replanted 18,400ha in 2020, in line with its target of 15-20,000ha per year. The aggressive replanting schedule is aimed at rejuvenating its age profile, which currently stands at 16 years.

Costs expected to remain flattish. The company booked unit costs of USD296.00 per tonne in FY20 (-2.6% YoY). For FY21F, unit costs are expected to remain close to USD300.00 per tonne, as output improves and fertiliser prices remain relatively flattish.

Downstream margins to improve. The downstream division is likely to be the star of the show for FY21. GGR guided for margins to improve this year, as the levy advantage has widened. It is targeting a 5% EBITDA margin for 2021 from 3.6% in 2020.

New biodiesel capacity coming on stream in 2H21. On the biodiesel front, GGR has received an allocation of 624,000 tonnes (flat YoY); margins have also widened on the adjustments made to selling prices in Dec 2020. It is expanding its biodiesel capacity by 450,000 tonnes (+75%), and this will come on stream in 2H21, enabling the company to benefit from any increase in Indonesia's biodiesel mandate.

No fixed dividend policy, but rising yields. Although GGR has no fixed dividend policy, it has historically paid a 20-80% payout. Assuming a 20% payout for the next few years, this should yield around 4-5%.

Company Report Card

Latest results. FY20 earnings came in significantly above our and consensus' forecasts, with a turn around to profitability stemming from a more than 200% HoH jump in downstream profit and more than 100% rise in upstream profit. 2H20 saw a significant profitability turnaround of USD155m (2H19: USD212m), resulting in an FY20 core profit of USD62m after posting losses for almost nine consecutive quarters. We estimate EBITDA for the downstream division to have jumped close to six-fold QoQ in 4Q20, resulting in FY20 EBITDA rising 10%(from -40% YoY in 9M20. This was despite a 7% drop in sales volumes, and was largely due to the pricing advantage caused by the Indonesian tax levy.

Balance sheet/cash flow. As at end FY20, GGR's net gearing improved to 64.6% from 67.3% in FY19. We expect net gearing to continue dropping over the next few years, as earnings return to the black. Operating cash flow improved from USD280-380m in 2018-2019 to USD740m in 2020. We expect operating cash flows to remain in the USD700-850m range over the next few years.

ROE. The company's ROE has been negative over 2018-2019 due to losses incurred, but returned to positive territory in 2020. We expect ROE to continue improving from FY21 onwards, supported by a more sustainable earnings turnaround as CPO prices hold firm.

Management. GGR is helmed by Chairman and CEO Franky Oesman Widjaja. The Widjaja family are also its major shareholders, with a 50.5% stake in the company. GGR is related to the Sinarmas group of companies and is the holding company for JSX-listed Smart.

Investment Case

GGR is a turnaround story, benefitting from the rise in CPO prices and the tax structure in Indonesia. Valuations will shrink from 30x in 2020 to single-digits in 2021F, assuming the earnings turnaround is sustained. We believe the stock is worth SGD0.30-35 based on our SOP calculations. This implies a P/E of 7-8x, on the low end of its peers' 8-12x 2021F range.

Risks include: i) Significant changes in the crude oil price trend that may result in a reversal of CPO and other vegetable oil prices, ii) weather abnormalities resulting in oversupply/undersupply of vegetable oils, iii) significant changes in vegetable oils demand caused by changes in economic cycles or price dynamics, and iv) worsening of COVID-19, which results in more lockdowns in oil-consuming countries – this can negatively impact demand.

Profit & Loss	Dec-20	Dec-21F	Dec-22F
Total turnover (USDm)	7,078	7,949	7,461
Reported net profit (USDm)	32	510	456
Recurring net profit (USDm)	62	510	456
Recurring net profit growth (%)	204.8	719.3	(10.6)
Recurring EPS (USD)	0.005	0.040	0.036
DPS (SGD)	0.005	0.011	0.010
Dividend Yield (%)	1.9	4.3	4.0
Recurring P/E (x)	37.0	4.6	5.1
Return on average equity (%)	0.7	11.0	9.1
P/B (x)	0.5	0.5	0.5
P/CF (x)	3.1	3.4	2.5

Source: Company data, RHB

Balance Sheet (USDm)	Dec-20	Dec-21F	Dec-22F
Total current assets	3,358	3,874	4,288
Total assets	9,126	9,558	9,827
Total current liabilities	2,889	2,983	2,957
Total non-current liabilities	1,806	1,706	1,606
Total liabilities	4,695	4,689	4,563
Shareholder's equity	4,246	4,654	5,019
Minority interest	186	216	246
Other equity	-	-	-
Total liabilities & equity	9,126	9,558	9,827
Total debt	3,128	3,028	2,928
Net debt	2,743	2,408	1,802

Source: Company data, RHB

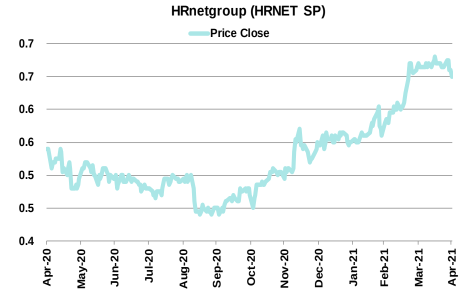
Cash Flow (USDm)	Dec-20	Dec-21F	Dec-22F
Cash flow from operations	743	694	939
Cash flow from investing activitie	(321)	(257)	(241)
Cash flow from financing activitie	(202)	(191)	(186)
Cash at beginning of period	207	399	634
Net change in cash	192	235	506
Ending balance cash	399	634	1141

Source: Company data, RHB

Target: SGD0.72
Price: SGD0.65

Hrnetgroup

Proxy To Economic Recovery



Source: Bloomberg

Stock Profile

Bloomberg Ticker	HRNET SP
Avg Turnover (SGD/USD)	0.14m/0.10m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	657m
Beta (x)	1
BVPS (SGD)	0.33
52-wk Price low/high (SGD)	0.41 – 0.68
Free float (%)	25

Major Shareholders (%)

Simco Trust	74.3
VANDA 1 Investments Pte. Ltd	1.8
Wei Wen Sim	0.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	10.7	28.8	50.6	61.4
Relative	2.4	18.3	24.4	21.2

Jarick Seet +65 6320 0810
Jarick.seet@rhbgroup.com

Investment Merits

- Proxy to economic recovery;
- PATMI and revenue likely to rebound in FY21F;
- Net cash with decent dividend yield.

Company Profile

HRnetgroup is the largest Asia-based recruitment agency in Asia-Pacific (ex-Japan), compared to other key players with a presence in the region. The company operates 11 brands in 10 Asian growth cities – Singapore (where it is headquartered), Kuala Lumpur, Bangkok, Hong Kong, Taipei, Guangzhou, Shanghai, Beijing, Tokyo and Seoul.

Currently, the company provides professional recruitment, flexible staffing and other human resource services (payroll, training) to over 2,000 clients from 30 diversified sectors such as financial institutions, retail & consumer, IT and telecommunications.

Highlights

Maintain BUY and SGD0.72 TP, 7% upside with c.4% yield. 2020 was a tough year for HRnetgroup, due to the COVID-19 pandemic. Hiring slowed down, and the lower number of job placements the company made led to a decrease in revenue from professional staffing. However, as economic growth is expected to recover this year, demand for new hires should rebound – and we expect the company to benefit from this. We remain bullish on its outlook.

Negative news mostly priced in. With COVID-19 having negatively affected HRnetgroup's business, its professional staffing segment – which yields the highest margins – reported a 27% YoY decline in business for 1H20. This crimped its overall margin. The impact lingered in 2H20, but we think that most of the negative news and downbeat outlook have already been priced in. As economic growth is expected to pick up, earnings should rebound in 1Q-2Q21.

3.6% dividend yield for FY21F. HRnetgroup announced DPS of 2.5 SG cents for FY20, which is in line with our forecast. With its net cash balance sheet and strong cash flow generation, on top of a brighter outlook and the expectation of improved results ahead, we expect dividends for FY21F to be higher than that of FY20.

Hiring is correlated to GDP growth. A country's GDP growth is a key indicator on how its economy has performed. While global GDP growth fell in 2020 – and the downtrend is expected to continue in 1H21, we also think the world has adjusted to the pandemic, and economic growth should bottom out in 1H21. In the meantime, positive news on vaccine trials – which may lead to improved vaccine rollouts – should help boost economic growth. If this happens, we can expect demand for jobs and new hires to pick up.

Net cash pile is equivalent to 55% of its market cap. HRnetgroup has been an efficiently run company compared to its global peers – many of these are running at a loss during this tough period. It is still generating positive cash flow, and has SGD333m of net cash – which is equivalent to 60% of its market cap. This counter is also trading at 14x FY21F P/E. We believe the company is a decent proxy to the global economic recovery, and maintain our BUY rating. Our TP is pegged to 15x FY21F P/E.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (SGDm)	433	483	508
Reported net profit (SGDm)	46.9	48.0	50.2
Recurring net profit (SGDm)	46.9	48.0	50.2
Recurring net profit growth (%)	(9.2)	2.4	4.7
Recurring EPS (SGD)	4.65	4.77	4.99
DPS (SGD)	0.03	0.03	0.03
Dividend Yield (%)	3.6	3.7	3.8
Recurring P/E (x)	15.8	13.6	13.0
Return on average equity (%)	14.2	14.3	14.3
P/B (x)	2.0	1.9	1.8
P/CF (x)	6.7	23.6	1.6

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21	Dec-22
Total current assets	412	428	463
Total assets	452	469	503
Total current liabilities	102	91	95
Total non-current liabilities	3	3	3
Total liabilities	105	94	98
Shareholder's equity	261	261	261
Minority interest	15	15	15
Other equity	71	95	123
Total liabilities & equity	452	466	497
Total debt	0	0	0
Net debt	(362)	(360)	(387)

Source: Company data, RHB

Cash Flow (SGDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	104	28	56
Cash flow from investing activitie:	0	(1)	(1)
Cash flow from financing activitie	(41)	(28)	(28)
Cash at beginning of period	266	332	331
Net change in cash	66	(2)	27
Ending balance cash	332	331	358

Source: Company data, RHB

Company Report Card

Latest results. Revenue is up slightly 2.4% YoY to SGD433m despite the pandemic but the shift of balance resulting in less revenue from professional recruitment with higher margins caused PATMI to sink 9.2% YoY to SGD46.9m.

Balance sheet/cash flow. As at end-FY20, HRnetgroup maintained its net cash position, which is about SGD333m or 55% of its market cap. We expect its net cash position to improve as it continues to generate positive cash flow.

ROE. The group's ROE has remained steadily between 14-15%, and we expect this uptrend to continue.

Dividend. The company continues to reward shareholders with attractive and sustainable dividends – a yield of 3.6% for FY21F.

Management. Peter Sim is the Chairman, who founded the company in 1992 and has over 40 years of expertise in social work, human resource management, and talent acquisition.

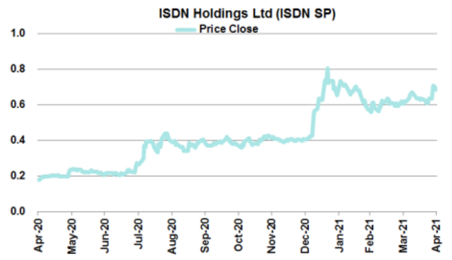
Investment Case

Proxy to economic recovery. 2020 was a tough year for HRnetgroup, due to the COVID-19 pandemic. Hiring slowed down, and the lower number of job placements the company made led to a decrease in revenue from professional staffing. However, as economic growth is expected to recover this year, demand for new hires should rebound – and we expect the company to benefit from this. We remain bullish in our outlook for HRnetgroup.

Fair Value: Not Rated
Price: SGD0.69

ISDN Holdings

The Industrial Automation Specialist



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ISDN SP
Avg Turnover (SGD/USD)	8.3m/6.3m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	298.2m
Beta (x)	0.95
BVPS (SGD)	0.39
52-wk Price low/high (SGD)	0.17 - 0.82
Free float (%)	54.4

Major Shareholders (%)

Teo Cher Koon	32.0
Novo Tellus PE Fund	8.5
Braun Karl Walter	4.6

Share Performance (%)

	1m	3m	6m	12m
Absolute	10.0	16.8	73.7	288.2
Relative	2.4	6.4	25.7	23.8

Shekhar Jaiswal +65 6320 0806
shekhar.jaiswal@rhbgroup.com

Investment Merits

- A resilient and diversified business with more than 10,000 customers across industries and geographic locations
- Has been profitable since listing in 2005, and has tripled its profits in the last five years. Delivered profit growth in 2020 despite COVID-19
- Proxy to expected accelerated growth in industrial automation and adoption of Industry 4.0 in Asia
- Expectations of profit contribution from its mini-hydropower plants in Indonesia over the next two years
- Trading at a significant P/E discount to its peers

Company Profile

ISDN Holdings is an engineering solutions company specialising in integrated precision engineering, and industrial computing solutions. It offers a wide range of engineering services, mainly to customers who are manufacturers and original design manufacturers of products and equipment that have specialised requirements in precision motion controls. ISDN provides the full spectrum of engineering services from conceptualisation and design & development, to prototyping, production, sales & marketing, and after sales engineering support. The company was listed on the SGX on 24 Nov 2005, and was subsequently listed on the HKEX on 12 Jan 2017.

Highlights

A resilient diversified business with strong profit track record. While the pandemic resulted in ISDN’s China operations being stalled for a good two months, its diversification across industries, geographic locations, and over 10,000 customers, provided the group stability even in the depths of the crisis. No single industry that it serves, accounts for more than one third of its revenue. ISDN has been profitable since listing in 2005, and has tripled its profits in the last five years. In 2020 – thanks to the tailwinds from increased demand for industrial automation, arising from the pandemic – it managed to report 115% YoY growth in net profit.

Automation industry outlook remains favourable. COVID-19 has not only taken a toll on businesses, but has re-emphasised to business owners, the importance of automation and robotics for supply chain resilience. The pandemic has accelerated digitalisation across many industries, building demand for industrial automation solutions. According to Mordor Intelligence, the factory automation and industrial controls market is forecasted to grow at a CAGR of 9% to reach USD337bn by 2026. Meticulous Research also expects the global industrial automation market to expand to USD306bn by 2027 from USD164bn in 2020. Given its dominant position as a provider of niche solutions like motion control, industrial computing, and customised engineering solutions for a wide range of industries, we believe ISDN will continue to benefit greatly from the accelerating trend.

New green business. As part of its ongoing diversification efforts, ISDN has forayed into renewable energy – primarily in developing mini-hydropower plants in Indonesia – which it believes will be an ideal source of electricity for remote and rural areas. ISDN recognised construction revenue for the mini-hydropower plants in 2020. While the mini-hydropower plant business in Indonesia almost came to a standstill amid the pandemic, the group expects to commission the power plants by July. As at end 2020, ISDN had a c.67% stake in the mini-hydropower plant business. In its recent business reorganisation, ISDN created a Renewable Energy vertical, which will enable it to spin off the mini hydropower plants at the right time.

Profit & Loss	Dec-18	Dec-19	Dec-20
Total turnover (SGDm)	302	291	362
Reported net profit (SGDm)	11	7	15
Recurring net profit (SGDm)	11	7	15
Recurring net profit growth (%)	15.4	(35.6)	114.8
Recurring EPS (SGD)	0.03	0.02	0.04
DPS (SGD)	0.01	0.00	0.01
Dividend Yield (%)	1.0	0.6	1.2
Recurring P/E (x)	24.7	40.7	19.5
Return on average equity (%)	7.8	4.8	9.4
P/B (x)	1.9	1.9	1.8
P/CF (x)	14.6	16.1	7.4

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-18	Dec-19	Dec-20
Total current assets	193	203	217
Total assets	283	302	358
Total current liabilities	88	94	129
Total non-current liabilities	13	9	11
Total liabilities	101	103	140
Shareholder's equity	144	153	170
Minority interest	38	46	48
Other equity	0	0	0
Total liabilities & equity	283	302	358
Total debt	29	30	34
Net debt	-13	-8	-24

Source: Company data, RHB

Cash Flow (SGDm)	Dec-18	Dec-19	Dec-20
Cash flow from operations	12	10	31
Cash flow from investing	-14	-10	-6
Cash flow from financing	1	-7	-4
Cash at beginning of period	38	37	31
Net change in cash	-1	-6	20
Ending balance cash	37	31	51

Source: Company data, RHB

Company Report Card

Latest results. ISDN's 1Q21 revenue grew +23.4% YoY to SGD98m on the back of continued market demand for industrial automation throughout Asia. ISDN's focus on growing productivity together with revenue helped its profit grow faster than revenues. Net profit attributable to shareholders grew +95.4% to SGD6m for 1Q2021 compared to SGD3m in 1Q2020.

A net cash balance sheet. ISDN has been in a net cash position since 2010. In 2020, although its total gearing ratio moved higher to 18.8% from 18% in 2019, it reported a net cash balance of SGD24m, implying a net gearing of -14%, thanks to its positive FCF generation.

Management. ISDN is a company run by senior professionals who have a decades of experience in the business. Teo Cher Koon, who is the president, managing director, and controlling shareholder, has more than 30 years of experience in the motion control and industrial computing industries. Its senior sales and technical professionals in the core business segment have been with the group since the 1990s. Novo Tellus, a private equity fund and ISDN's second largest shareholder, also has a seat on the board.

Investment Case

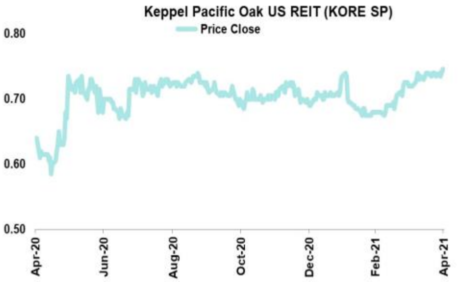
A good proxy to growth in industrial automation. With over 30 years of experience in engineering mission-critical automation components and subsystems, ISDN's core industrial automation business should benefit from the accelerated digitalisation across many industries. A resilient business and capable management team should enable ISDN to deliver strong growth in its core business. Commencement of business operations at its mini-hydropower plants this year, should also boost its earnings profile. With valuations that are below the peer average, its share price should continue to witness strong re-rating.

Key risks. Downside risks are delays in order delivery, higher-than-estimated costs at its hydropower business in Indonesia, and a prolonged pandemic.

Keppel Pacific Oak US REIT

Target: USD 0.84
Price: USD 0.745

High Yielding US Office REIT



Source: Bloomberg

Stock Profile

Bloomberg Ticker	KORE SP
Avg Turnover (USD/USD)	0.9m/0.9m
Net Gearing (%)	57.8
Market Cap (USDm)	704m
Beta (x)	1.0
BVPS (SGD)	0.79
52-wk Price low/high (USD)	0.58 – 0.745
Free float (%)	77

Major Shareholders (%)

Hillsboro Capital	8.8
Keppel Capital	6.8
KBS SOR Properties Ltd	6.1

Share Performance (%)

	1m	3m	6m	12m
Absolute	3.5	1.4	6.4	16.4
Relative	2.6	-9.5	-8.3	-6.2

Vijay Natarajan +65 6320 0825
vijay.natarajan@rhbgroup.com

Investment Merits

- Attractive >8% yield, trading at 0.9x P/BV;
- Assets located mainly at US technology hubs: Seattle, Austin, and Denver;
- Inbuilt rent escalations of c.2.7% pa and reasonably long WALE of 3.8 years.

Company Profile

Keppel Pacific Oak US REIT's portfolio consists of a balanced mix of 13 freehold office buildings and business campuses across eight key growth markets. These markets are driven by innovation and technology in the US. With a combined asset value of USD1.3bn and an aggregate NLA of over 4.7m sqf, KORE has an extensive and diversified tenant base. Some of these are from growth and defensive sectors, such as technology, and medical and healthcare.

Highlights

A well-diversified office portfolio. No single asset in KORE's portfolio accounts for more than 25% of its portfolio's value. Similarly, no single tenant accounts for more than 4% of rental income, with its Top 10 tenants comprising only 20% of total rental income. In terms of tenant profiles, professional services (28.8%), technology (28.2%), and finance & insurance (21.3%) are the Top 3 tenant segments in its portfolio. The bulk of KORE's assets are located in the technology hubs of Seattle, Austin, and Denver. These cities serve as headquarters of several large technology firms and, hence, are expected to be relatively resilient, in our view.

Positive factors driving KORE's submarkets despite market uncertainties. While US office leasing outlook remains murky, we see KORE's portfolio benefiting from three key factors: focus on technology markets of Seattle and Austin, which have been on an expansionary trend; migration of office tenants to low-cost and low-tax states (Texas, Florida etc.); and minimal tenant concertation risk. The above factors drove positive rent reversion of 10.2% for FY20 (though the pace declined in 2H20) and with asking rents still 8% below market – management expects mid-single digit positive rent reversions for FY21. Only 13% of leases by rental are due for renewal in FY21F-22F.

Room for acquisition-led growth. Gearing remains modest at 37% and management noted that it has been on a lookout for the right acquisition opportunities. It plans to acquire up to USD200m worth of assets in 2021, depending upon the right fit of assets. With a good debt headroom of USD200m (assuming 45% levels) and low borrowing costs, we see room for inorganic growth. Potential target markets other than its existing markets are key growth cities like Salt Lake City, Nashville, Charlotte, Phoenix etc.

Backed by two strong sponsors. Keppel Capital, the asset management arm of the Keppel Group, owns 50% and 7% stakes in the REIT manager and REIT. Keppel Capital manages assets under management of SGD33bn across real estate, infrastructure, and data centres across 30 cities. Pacific Oak Capital Advisors is the US asset manager for KORE. Aside from providing asset management services, it exclusively sources and manages core real estate for the REIT. Pacific Oak Capital Advisors is also the asset manager for Pacific Oak Strategic Opportunity REIT and Pacific Oak Strategic Opportunity REIT II, which invest primarily in value-add, opportunistic, and core plus real estate that are then asset managed into core status.

Company Report Card

Expecting modest DPU growth ahead. FY20 DPU grew 3.7% YoY, aided by positive rent reversions and contributions from One Twenty Five acquired in Nov 2019. Moving forward, while we expect some volatility in asset occupancies, continued positive rent reversions, and inbuilt rent escalations to continue to drive growth. Overall portfolio valuation also rose 4%, driven mainly by strong gains in its Seattle assets, more than offsetting the decline in other markets.

Modest gearing, no refinancing concerns. KORE's net gearing stands at 36.9%, well below the S-REIT's threshold of 50%. 100% of its debt is unsecured, and only c.4.4% of debt expires in 2020. Hence, there are no immediate concerns over a potential spike in interest costs.

Management. CEO David Snyder has a wealth of experience in the US office market and was a consultant to KBS Capital Advisors, where he managed the AFRT portfolio prior to his current role. From 2008 to 2015, Snyder was the Chief Financial Officer of KBS Capital Advisors and five of its non-traded REITs. CFO Andy Gwee has more than 18 years of experience in the accounting, finance, and auditing industry. Prior to joining the REIT manager, Gwee was the Head of Finance of Keppel DC REIT Management, ie the manager of Keppel DC REIT.

Investment Case

Offering an attractive 8.5% yield and trading at 0.9x P/BV, this indicates that the market has priced in a lot of possible downsides. Despite concerns over the WFH tend, we believe KORE's diverse portfolio office assets located across rapidly growing technology markets will continue to remain resilient and benefit from current migration trends in the US.

Profit & Loss	Dec-20	Dec-21F	Dec-22F
Total turnover (USDm)	140	138	141
Net property income (USDm)	83	83	84
Recurring net profit (USDm)	56	46	60
Recurring net profit growth (%)	(20.0)	(17.9)	30.4
Recurring EPS (USD)	0.06	0.05	0.06
DPS (USD)	0.06	0.06	0.06
Dividend Yield (%)	8.4	8.5	8.6
Recurring P/E (x)	12.4	15.4	11.8
Return on average equity (%)	7.4	5.9	7.8
P/B (x)	0.9	0.9	0.9
P/CF (x)	9.3	7.3	8.6

Source: Company data, RHB

Balance Sheet (USDm)	Dec-20	Dec-21F	Dec-22F
Total current assets	62	46	52
Total assets	1367	1346	1357
Total current liabilities	70	82	78
Total non-current liabilities	525	499	509
Total liabilities	595	581	587
Shareholder's equity	772	765	770
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	1367	1346	1357
Total debt	504	508	513
Net debt	447	469	467

Source: Company data, RHB

Cash Flow (USDm)	Dec-20	Dec-21F	Dec-22F
Cash flow from operations	75	97	82
Cash flow from investing activitie	(26)	(8)	(5)
Cash flow from financing activitie	(29)	(107)	(72)
Cash at beginning of period	38	57	40
Net change in cash	20	(18)	6
Ending balance cash	58	39	45

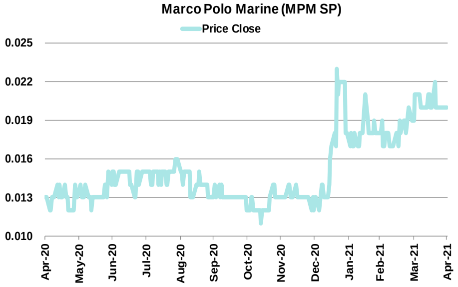
Source: Company data, RHB

Marco Polo Marine

Fair value: Not Rated

Price: SGD 0.02

Oil & Gas Turnaround Play With Net Cash Balance Sheet



Source: Bloomberg

Stock Profile

Bloomberg Ticker	MPM SP
Avg Turnover (SGD/USD)	0.01m/0.01m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	70.5m
Beta (x)	1.2
BVPS (SGD)	0.03
52-wk Price low/high (SGD)	0.01 – 0.03
Free float (%)	44.1

Major Shareholders (%)

Apricot Capital	17.2
Nautical International	10.2
Zhong Sheng Jian	8.6

Share Performance (%)

	1m	3m	6m	12m
Absolute	11.3	31.1	(14.5)	(68.5)
Relative	10.5	27.2	(27.6)	(79.8)

Jarick Seet +65 6320 0810

Jarick.seet@rhbgroup.com

Investment Merits

- Net cash balance sheet with zero debt;
- Trading below significantly impaired NAV, and white knights' and creditors' entry price;
- Turnaround in FY21F (Sep) with a shift into renewable energy and wind farm projects.

Company Profile

Established in 1991, Marco Polo Marine was listed on the then-SGX SESDAQ in 2007. This reputable regional integrated marine logistics company is principally engaged in shipping and shipyard activities.

The shipping business consists of the chartering of its OSV fleet, which are mainly made up of anchor-handling tug supply vessels (AHTS), as well as tugboats and barges. Its shipyard business is engaged in ship-building, and providing ship maintenance, repair, outfitting and conversion services.

Highlights

Oil & gas activities picking up after a hiatus (since the oil price crash). With oil prices stabilising since the crash in 2014, activities across the whole oil & gas chain have been steadily recovering. Marco Polo Marine's ship-chartering operations revenue grew 44% YoY in FY19, due to the improved utilisation rate of its fleet of OSVs. We understand that this trend is likely to continue, despite the growth of its fleet to eight vessels presently, from five in FY19. There are also two vessels left to be reinstated/upgraded, which should further boost the profitability of its ship-chartering business. Its shipbuilding and repair operations revenue declined by 10% YoY in 2019, mainly due to the absence of ship-building jobs. However, with the uplift in oil & gas activities, the company stands a solid chance of winning shipbuilding tenders this year – it has already participated by aggressively bidding for some of these tenders.

Diversifying into new growth areas – renewable energy (RE). Marco Polo Marine is actively diversifying and expanding its activities beyond the oil & gas industry, including supporting the installation of submarine cables and offshore wind farm projects. Tapping on this core expertise, it is pivoting to the RE industry, providing customised solutions in the chartering, development, fabrication, and construction of bespoke RE assets for customers. The company has been actively pursuing contracts in the region. About 20% of utilised vessels are working on wind farm projects. In 2020, they secured shipbuilding contracts from Singapore Aquaculture Technologies (SAT) to construct two smart fish farms. Construction is set to be completed by the end of FY2021.

Trading below greatly impaired NAV, and white knights and creditors' entry price. Marco Polo Marine's NAV per share was at 3.1 SG cents as at 30 Sep 2019, which was massively discounted after its debt restructuring exercise. This, in turn, was determined previously when oil & gas asset prices hit rock-bottom levels during the trough of the crisis. The white knights entered at an effective price of 3.2-3.3 SG cents during its latest debt restructuring exercise. At current share price levels, this is still well below the levels of the white knights' costs, as well as the company's NAV.

Operating EBITDA was positive in FY19; targeting to be PATMI-positive in FY21F. The group's performance reversed from a loss of SGD3.9m in FY18 to a positive EBITDA of SGD2.4m in FY19. With a brighter outlook ahead, a return to profitability in FY20-21F is highly possible. This is a significant achievement, since Marco Polo Marine almost went under in 2017.

Company Report Card

Latest results. FY20 revenue grew by 2% to SGD30.8m, but PATMI losses further widened as a result of the poorer performance from the ship chartering segment, due to the impact of COVID-19. This was partially offset by an increase in margins from ship repair jobs undertaken.

Balance sheet/cash flow. As at end-FY20, Marco Polo Marine's net cash amounted to SGD13m. We expect its net cash position to continue improving, as it continues to generate positive cash flow.

ROE. The group's ROE was impacted by the downturn of the oil & gas sector, but we are confident that this will improve, due to the restructuring and the new ventures into RE.

Dividends. With a turnaround ahead, the company may look to set a dividend policy to reward shareholders in the near future.

Management. Sean Lee is the Group CEO and a key co-founder. He is responsible for the overall management, daily operations and formulation of the company's business direction, strategies and policies.

Investment Case

Turnaround aided by move into RE. This net cash company, which survived the oil price crash years ago, may be on the verge of a comeback to profitability. It returned to being EBITDA-positive in FY19, after a debt restructuring exercise in Feb 2018 – which led to a clean balance sheet. A continued pick-up in its ship-chartering and ship repair/building businesses should stand it in good stead to be in the black in FY21. The stock is trading well below its NAV of 3.1 SG cents, and could rerate strongly if profitability starts kicking in. It has also moved into a new growth area other than oil & gas, and has already started chartering ships for wind farm clients.

Profit & Loss	Dec-18	Dec-19	Dec-20
Total turnover (SGDm)	27	30	31
Reported net profit (SGDm)	(10.9)	(3.9)	(9.2)
Recurring net profit (SGDm)	(10.9)	(3.9)	(9.2)
Recurring net profit growth (%)	NA	NA	NA
Recurring EPS (SGD)	(0.00)	(0.00)	(0.00)
DPS (SGD)	0.00	0.00	0.00
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	NA	NA	NA
Return on average equity (%)	NA	NA	NA
P/B (x)	1.4	1.3	1.2
P/CF (x)	NA	5.5	3.4

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-18	Dec-19	Dec-20
Total current assets	211	240	247
Total assets	233	266	273
Total current liabilities	119	145	141
Total non-current liabilities	5	7	6
Total liabilities	124	151	147
Shareholder's equity	100	104	115
Minority interest	9	11	12
Other equity	0	0	0
Total liabilities & equity	233	266	273
Total debt	20	23	5
Net debt	(36)	(36)	(73)

Source: Company data, RHB

Cash Flow (SGDm)	Dec-18	Dec-19	Dec-20
Cash flow from operations	2	9	49
Cash flow from investing activitie:	(4)	2	(2)
Cash flow from financing activitie	3	(5)	(27)
Cash at beginning of period	57	50	51
Net change in cash	(7)	0	17
Ending balance cash	50	51	68

Source: Company data, RHB

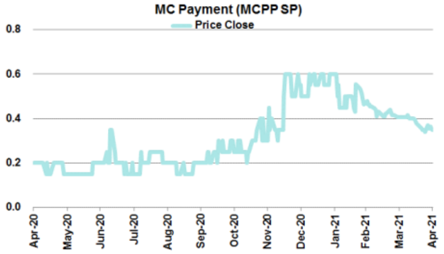
MC Payment

MC Payment

Riding The E-Payment Bandwagon

Fair Value: Not Rated

Price: SGD0.35



Source: Bloomberg

Stock Profile

Bloomberg Ticker	MCPP SP
Avg Turnover (SGD/USD)	0.3m/0.2m
Net Gearing (%)	NA
Market Cap (SGDm)	95.3m
Beta (x)	0.55
BVPS (SGD)	(0.28)
52-wk Price low/high (SGD)	0.15 - 0.75
Free float (%)	60.5

Major Shareholders (%)

Ching Chiat Kwong	27.1
Koh Anthony	5.9
Goh Way Siong	4.4

Share Performance (%)

	1m	3m	6m	12m
Absolute	(13.6)	(41.7)	40.0	75.0
Relative	(14.4)	(52.5)	7.2	52.4

Shekhar Jaiswal +65 6320 0806
shekhar.jaiswal@rhbgroup.com

Investment Merits

- First SGX-listed proxy to growth in the ASEAN digital payments industry given its presence in four countries;
- Gross transaction value of digital payments in ASEAN is expected to double to USD1,200bn by 2025 from USD600bn in 2019;
- Provides an integrated digital payment infrastructure for merchants by offering a one-stop solution to accept all forms of digital payment and enabling them to run their businesses both online and offline;
- Experienced management team with extensive industry experience and proven business planning and execution capabilities;
- Similar company in the region has delivered c.30% profit CAGR in the last five years and is trading at over 100x P/E

Company Profile

Established in 2005 and regulated by the Monetary Authority of Singapore (MAS), MC Payment (MCPP) holds a major payment institution licence and is a Singapore-based, online-to-offline financial services technology company with a focus on servicing merchants in the retail, transportation and F&B industries. It became the first fintech company listed on the Singapore Exchange (SGX), through a reverse takeover (RTO) of special purpose acquisition company, Artivision Technologies. MCPP has a presence in four countries, namely Singapore, Malaysia, Indonesia, and Thailand. It operates in two business segments: merchant payment services (MPS) and digital commerce enabling solutions (DCES).

Highlights

Strong growth drivers for payments industry in ASEAN. South-East Asia's demographics and rising affluence has created a ripe ground for rapid growth in the digitalisation trend. As per research, c.60% of the ASEAN population is below 35 years of age and more than 90% of South-East Asians are connected to the internet primarily through smartphones. Once economic growth returns, higher disposal income will drive consumer spending in ASEAN. The COVID-19 pandemic has given a shot in the arm to digitalisation trends as consumers and SMEs have adopted digital financial services like never before. Barriers to adoption of digital payment were lowered by the pandemic as the move towards online transactions and increased trust of online transactions have accelerated the shift away from cash. There is also increased encouragement and support from regulators for consumers to adopt digital financial services. We believe there will be a rise of omni-channels with increasing merchants having an online-to-offline presence. As per the e-Conomy SEA 2020 report by Google, Temasek and Bain, the gross transaction value of digital payments in ASEAN is expected to double to USD1,200bn by 2025 from USD600bn in 2019.

First SGX-listed proxy to growth in ASEAN digital payments with high barriers to entry. MCPP is the first digital payments company to be listed in Singapore, making it a proxy for local investors looking to ride on the rise of digital payments. With its business presence in Singapore, Malaysia, Indonesia and Thailand, MCPP is also well placed to benefit from the rapid adoption of digital payments across ASEAN. Moreover, the payment sector is highly regulated, and licences take a long time to be awarded, serving as high barriers to entry to the sector. In Singapore, MCPP is one of only four companies to have the merchant acquisition licence.

Omni-channel capabilities in MPS. As a payment gateway and processor, MCPP provides a unified platform and smart software, which can either be installed onto or integrated with smart devices for merchants with physical stores. Alternatively, it could also integrated into merchants' websites and applications. This enables merchants to run their businesses online and offline. As a payment aggregator, the group also enables merchants to adopt digital payments, by giving them a one-stop solution to accept all forms of digital payments under a unified platform. MCPP collects a fee for each payment transaction it processes. MPS accounts for 85% of its revenue and generates c.50% GPM.

Company Report Card

Latest results. For 1H20, MCPP reported revenue of SGD6m (+127% YoY) mainly due to growth in the number of transactions and value of transactions it processed. This was attributable mainly to an increase in the number of merchants and number of payment methods offered by the group. 85% of 1H20 revenue was accrued from MCPP's core business of MPS. Gross profit doubled to SGD2.5m in 1H20 from SGD1.2m in 1H19. MCPP reported a net profit for SGD0.7m for 1H20 vs a net loss of SGD1.3m in 1H219.

Management. The co-founders and Executive Directors of MCPP, Anthony Koh and Kim Moon Soo are also the CEO and COO. Each has over 16 years of experience in the internet or fintech industries, in particular, relating to digital payment processing. They have both overseen the growth of MCPP in Singapore, and regionally since its inception in 2005. Ching Chiat Kwong, CEO of property developer Oxley (OHL SP, BUY, TP: SGD0.27), is the controlling shareholder of MCPP.

Investment Case

A good proxy to rising adoption of digital payments in ASEAN. We believe MCPP is a good proxy to e-payment growth in ASEAN and is well-positioned to tap into the rising demand for digital payments in these markets, as rising household income and increasing online access through smartphone penetration feed the burgeoning appetite for consumer goods, underlying the need for these economies to go cashless. Its closet ASEAN listed peer, GHL Systems (GHLS MK, BUY, TP: MYR1.93), has seen earnings growth at 33% CAGR, and share price delivering 300% returns in the last five years.

Key risks. Loss of key merchants and partners, increased competitive intensity in the e-payments landscape, regulatory risks, and a sharp economic downturn.

Profit & Loss	Dec-18	Dec-19	Jun-20*
Total turnover (SGDm)	2.5	8.7	6.0
Reported net profit (SGDm)	(8.4)	(1.5)	0.7
Recurring net profit (SGDm)	(8.4)	(1.5)	0.7
Recurring net profit growth (%)	101.7	(81.5)	NA
Recurring EPS (SGD)	(4.54)	(0.76)	0.33
DPS (SGD)	0.00	0.00	0.00
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	NA	NA	1.1
Return on average equity (%)	NA	NA	NA
P/B (x)	NA	NA	NA
P/CF (x)	NA	0.1	NA

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-18	Dec-19	Jun-20*
Total current assets	2.7	1.6	1.3
Total assets	6.8	24.7	22.8
Total current liabilities	9.8	22.9	24.6
Total non-current liabilities	1.7	4.3	0.0
Total liabilities	11.5	27.1	24.6
Shareholder's equity	(3.3)	(2.4)	(1.7)
Minority interest	(1.4)	(0.0)	(0.1)
Other equity	0.0	0.0	0.0
Total liabilities & equity	6.8	24.7	22.8
Total debt	0.7	0.4	0.0
Net debt	(0.7)	(11.0)	(12.1)

Source: Company data, RHB

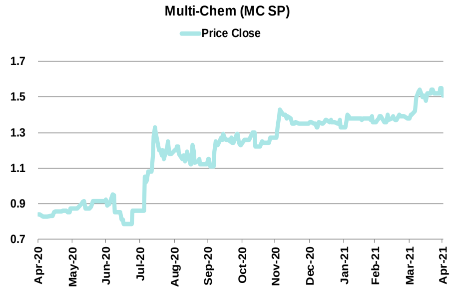
Cash Flow (SGDm)	Dec-18	Dec-19	Jun-20*
Cash flow from operations	(7.1)	10.4	NA
Cash flow from investing	(0.1)	0.3	NA
Cash flow from financing	0.2	(0.6)	NA
Cash at beginning of period	8.4	1.4	11.4
Net change in cash	(7.0)	10.0	NA
Ending balance cash	1.4	11.4	12.1

*Note: * refers to 6 months ended June 2020*
Source: Company data, RHB

Multi-Chem

Fair value: Not Rated
Price: SGD1.51

IT Product Supplier With Net Cash



Source: Bloomberg

Stock Profile

Bloomberg Ticker	MC SP
Avg Turnover (SGD/USD)	0.05m/0.04m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	136m
Beta (x)	1
BVPS (SGD)	1.27
52-wk Price low/high (SGD)	0.77 – 1.54
Free float (%)	20

Major Shareholders (%)

Foo Suan Sai	40.7
Han Juat Hoon	28.1
Citibank Nominees Singapore	12.5

Share Performance (%)

	1m	3m	6m	12m
Absolute	13.2	13.2	25.2	86.7
Relative	6.7	9.9	16.2	66.2

Jarick Seet +65 6320 0810

Jarick.seet@rhbgroup.com

Investment Merits

- Significantly undervalued – the stock is trading at 6.5x FY20 P/E and 3.2x ex-cash P/E;
- Attractive dividend yield of 4.4%;
- Riding on the surge in demand for IT-related products.

Company Profile

Multi-Chem, through the M.Tech Group, has been distributing IT products since 2002. M.Tech Group is a leading regional cyber-security and network performance product value-added distributor. It offers best-in-class products from industry-leading vendors, and has a presence in 29 cities across 15 countries. Today, this is the main business for the group, and accounts for over 99% of revenue.

Highlights

Riding on the growing demand for IT-related products. The value of Multi-Chem's IT distribution business grew by 5.3% YoY to SGD477.5m in FY20, mainly due to an increase in demand arising from the growing dependence on digital technologies during the COVID-19 pandemic. We believe that this trend is set to continue with the further advancement into 5G, rise in e-commerce activities, and increased reliance on technology – even as the pandemic subsides. Multi-Chem also provides IT security solutions and training – which should see further growth in demand, in tandem with the increasing need for data protection. As at FY20, this segment accounted for about 99.5% of FY20 revenue.

Attractive historical yield of 4.4%, with upside potentially increasing. With its strong balance sheet (SGD72.9m in net cash), management has been rewarding shareholders with stable and sustainable dividends. It is even willing to pay more dividends if profitability improves, with payout ratios ranging between 40% and 75%. With profitability expected to increase and prospects continuing to improve, we believe it can maintain – or even grow – this payout ratio, especially if it charts a strong performance this year as well.

Attractive valuations vs that of peers. Historically, Multi-Chem has always traded at about 10x P/E, compared with its peers' 10-12x P/Es. Its fundamentals have been improving over the years, as it toned down its printed circuit board (PCB) business, while growing the IT distribution segment. The company has also generated consistent positive cash flow, building its healthy cash position over time, despite giving attractive dividends to shareholders.

Multi-Chem's FY20 PATMI reflects just 6.5x FY20 P/E and a lower 3.2x ex-cash P/E. This is well below its historical average and that of peers. We think a re-rating will likely come, when the company announces its results – which should justify its strong growth trend and outlook.

Company Report Card

Latest results. PATMI grew by 127% YoY in FY20 to SGD17.8m, backed by a 5% YoY growth in revenue to SGD479.7m. The growth in revenue for FY20 was mainly due to the increase in customer demands arising from greater reliance on digital technologies during the COVID-19 pandemic.

Balance sheet/cash flow. As at end-FY20, Multi-Chem's net cash position improved to be equivalent to 52% of its market cap. We expect this to continue growing, as it continues to generate positive cash flow.

ROE. The group's ROE has grown steadily over the years from 7.8% in FY18 to 11.5% in FY19 and 19.6% in FY20. We expect ROE to increase steadily, in line with its strong performance.

Dividend. The company continues to reward shareholders with attractive and sustainable dividends, representing a yield of 4.3%.

Management. Founding shareholder and CEO Foo Suan Sai has more than 20 years of experience in the PCB industry, of which the last 29 have been spent building up the company. Foo is responsible for the overall direction and development of Multi-Chem.

Investment Case

Undiscovered gem in Singapore's technology space. As at FY20, Multi-Chem's net cash stood at SGD72.9m – which is equivalent to 53% of its current market cap. Management owns about 80% of the company, and has a good track record in rewarding shareholders with dividends. The company enjoyed stable earnings over FY15-20, and is likely poised for further growth in FY21F – FY20 PATMI surged 126.9% YoY to SGD17.8m, implying just 6.5x FY20 P/E and a lower 3.2x ex-cash P/E, while its peers are trading at 10-12x P/E.

Profit & Loss	Dec-18	Dec-19	Dec-20
Total turnover (SGDm)	431	456	480
Reported net profit (SGDm)	5.6	7.8	17.8
Recurring net profit (SGDm)	5.6	7.8	17.8
Recurring net profit grow th (%)	NA	40.8	126.9
Recurring EPS (SGD)	0.06	0.09	0.20
DPS (SGD)	0.04	0.07	0.07
Dividend Yield (%)	2.9	4.4	4.4
Recurring P/E (x)	17.5	11.7	7.7
Return on average equity (%)	7.8	11.5	19.6
P/B (x)	1.4	1.3	1.2
P/CF (x)	NA	5.5	3.4

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-18	Dec-19	Dec-20
Total current assets	211	240	247
Total assets	233	266	273
Total current liabilities	119	145	141
Total non-current liabilities	5	7	6
Total liabilities	124	151	147
Shareholder's equity	100	104	115
Minority interest	9	11	12
Other equity	0	0	0
Total liabilities & equity	233	266	273
Total debt	20	23	5
Net debt	(36)	(36)	(73)

Source: Company data, RHB

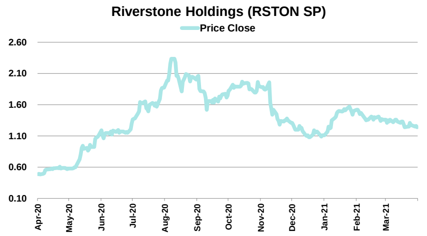
Cash Flow (SGDm)	Dec-18	Dec-19	Dec-20
Cash flow from operations	2	9	49
Cash flow from investing activitie:	(4)	2	(2)
Cash flow from financing activitie	3	(5)	(27)
Cash at beginning of period	57	50	51
Net change in cash	(7)	0	17
Ending balance cash	50	51	68

Source: Company data, RHB

Riverstone Holdings

Solid As a Rock

Target: SGD1.85
Price: SGD1.45



Source: Bloomberg

Stock Profile

Bloomberg Ticker	RSTON SP
Avg Turnover (SGD/USD)	4.34m/3.26m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	2,149m
Beta (x)	0.615
BVPS (SGD)	0.915
52-wk Price low/high (SGD)	0.5649 - 2.4281
Free float (%)	30

Major Shareholders (%)

Ringlet Investment Ltd	50.75
Lee Wai Keong	8.82
Employees Provident Fund	7.02

Share Performance (%)

	1m	3m	6m	12m
Absolute	16.4	(3.2)	(23.5)	146.6
Relative	16.0	(3.7)	(32.3)	133.6

Investment Merits

- Nitrile glove producer specialising in cleanroom and healthcare glove production;
- Expansion plans on track;
- Strong balance sheet with net cash of MYR641m

Company Profile

Riverstone is a nitrile glove producer specialising in cleanroom and healthcare glove production. The company is primarily a nitrile glove manufacturer, with a 95% focus on this – the remaining 5% consists of latex gloves. Its clients are mainly from the cleanroom and healthcare industries.

The company has two business models: Original brand manufacturing or OBM business model for cleanroom; and original equipment manufacturing (OEM) for healthcare. Products from Riverstone's cleanroom division are sold under the "RS Riverstone Resources" brand, for use in cleanroom environments. As for the healthcare division, Riverstone is an OEM producer – similar to most glove producers in Malaysia. Revenue contribution from the cleanroom and healthcare divisions are at around 30% and 70%.

Highlights

FY21F earnings expected to surge 49% YoY to MYR967m. This should be supported by better ASPs and higher sales volumes. Even after COVID-19 ends, we expect demand for gloves to remain strong on consumption growth in developing countries. Riverstone also has a unique c.30% revenue exposure to cleanroom gloves, which is a beneficiary of growth in the semiconductor industry.

Expansion plans on track. Riverstone has completed its Phase 6 expansion on time, raising its total capacity by 1.5bn pieces pa (ppa) or 17% to 10.5bn ppa. For FY21-23F, the company aims to increase its capacity by 1.5bn ppa each year.

Positive on recent land purchase. Riverstone is investing MYR5m on land purchases. It recently acquired a 1.67-acre industrial land in Bukit Beruntung, Selangor, and the land valuation works out to MYR69.00 per sqf. We gather that the acquisition was done to expand its cleanroom glove manufacturing capacity. We are positive on the deal, as capacity expansion bodes well for future earnings.

Good dividend yield of 7%. We expect FY21 dividends to grow 32% YoY to MYR0.29. Although Riverstone does not have a dividend policy, its payout has been between 38% and 50% over the past five years.

Company Report Card

Latest results. Riverstone's FY20 earnings of MYR647m makes up 117% and 137% of consensus and our estimates. The positive deviation is on better-than-expected ASPs for both the healthcare and cleanroom segments. FY20 earnings surged 396% YoY to MYR647m, on higher ASPs and volumes.

Strong balance sheet with MYR641m net cash – a significant improvement from its net cash of MYR117m as at end-Dec 2019. This was on the back of higher net cash flow from its operations in FY20, which had surged 320% YoY.

Dividends. Riverstone declared total dividends of MYR0.16 in 4QFY20, bringing total FY20 dividends to MYR0.22, and representing a decent dividend yield of >5%.

Management. Both co-founders of Riverstone are still with the company. Wong Teek Son has 31 years of experience in the glove manufacturing industry, and is mainly in charge of developing business strategies. Lee Wai Keong is responsible for production facilities, and has helped the company meet the high quality control and production standards required in the cleanroom industry.

Investment Case

Stay BUY with SGD1.85 TP. Riverstone is our Top Pick for the glove sector due to its expected 49% earnings growth in FY21, unique c.30% revenue exposure to cleanroom gloves, and strong balance sheet with net cash of MYR641m. Its current share price SGD1.45 is down 39% from its peak in Jul 2020. It is trading at 6.8x FY21 P/E, which is unprecedentedly low. Risks to our call: Worse-than-expected glove demand post COVID-19, lower-than-expected sales volumes/USD, and higher-than-estimated raw material prices.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (SGDm)	1,830	2,438	2,066
Reported net profit (SGDm)	647	967	647
Recurring net profit (SGDm)	647	967	647
Recurring net profit growth (%)	4.0	0.5	(0.3)
Recurring EPS (MYR)	0.44	0.65	0.44
DPS (MYR)	0.07	0.10	0.07
Dividend Yield (%)	4.5	6.6	4.4
Recurring P/E (x)	10.1	6.8	10.1
Return on average equity (%)	47.7	51.2	28.8
P/B (x)	4.8	3.5	2.9
P/CF (x)	3.1	2.5	2.7

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-20	Dec-21	Dec-22
Total current assets	1100	1575	1873
Total assets	1688	2182	2540
Total current liabilities	282	285	287
Total non-current liabilities	48	53	53
Total liabilities	330	338	340
Shareholder's equity	156	156	156
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	156	156	156
Total debt	2	7	7
Net debt	Cash	Cash	Cash

Source: Company data, RHB

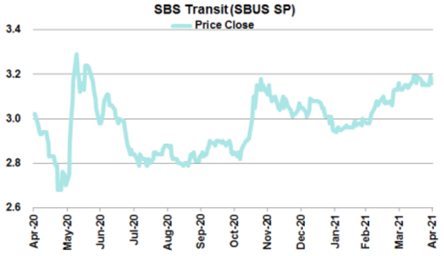
Cash Flow (SGDm)	Dec-20	Dec-21	Dec-22
Cash flow from operations	703	843	810
Cash flow from investing activitie	(99)	(122)	(122)
Cash flow from financing activitie	(80)	(433)	(294)
Cash at beginning of period	130	649	937
Net change in cash	524	288	394
Ending balance cash	649	937	1331

Source: Company data, RHB

SBS Transit

Fair value: Not Rated
Price: SGD3.16

Proxy To Normalisation Of Life In Singapore



Source: Bloomberg

Stock Profile

Bloomberg Ticker	SBUS SP
Avg Turnover (SGD/USD)	0.2m/0.2m
Net Gearing (%)	1.9
Market Cap (SGDm)	985.5m
Beta (x)	0.86
BVPS (SGD)	1.88
52-wk Price low/high (SGD)	2.63 - 3.38
Free float (%)	25.6

Major Shareholders (%)

ComfortDelGro	74.4
Fidelity International	0.4
Standard Life Aberdeen	0.4

Share Performance (%)

	1m	3m	6m	12m
Absolute	0.0	7.1	10.9	4.6
Relative	(0.9)	(3.8)	(21.9)	(18.0)

Shekhar Jaiswal +65 6320 0806
shekhar.jaiswal@rhbgroup.com

Investment Merits

- Leading public transport operator in Singapore;
- Proxy to ongoing recovery in Singapore's public transport ridership;
- Long-term beneficiary of Singapore's public policy that favours public transport over private vehicle ownership;
- Potential earnings uplift from favourable changes to the financing framework for the Downtown Line (DTL);
- Strong positive FCF generation, high dividend yields;
- Trading below its 5-year mean of 12.6x

Company Profile

SBS Transit (SBUS) is one of two multi-modal public transport operators in Singapore. This largest public bus operator in Singapore was established in 1973 through a merger of three private bus companies – Amalgamated Bus Company, Associated Bus Services and United Bus Company – as part of a government-led initiative to improve the service standards of the bus transport system. SBUS is 74.4%-owned by ComfortDelGro, and has been listed on the SGX since 1978. It has two main business segments: i) public transport services (71% of 2020 EBIT), and b) other commercial services, which comprise advertising and rental income (29% of 2020 EBIT).

Highlights

A recovery play. Amid a gradual relaxation of restrictions that were put in place during the "circuit breaker" (CB) period in 2020, public transport ridership has steadily improved – SBUS' rail ridership for Mar 2021 was at about 3.5 times of the lowest levels recorded in May 2020. While the rail ridership is only 4% below Mar 2020 levels, it was still 28% below the numbers recorded in Mar 2019. Based on our readings across mobility data from Google and Apple, we note that the number of visits to public transit facilities and work places are getting closer to pre-pandemic levels. Given Singapore's strong control over COVID-19 infections and its rapid vaccination drive, we believe public transport ridership in Singapore could return pre-pandemic levels in 2022.

Favourable change in financing framework for DTL could boost earnings. The DTL has been losing money for a long time now, as ridership has historically fallen short of the projected numbers. Revenue was also impacted unfavourably, in years when the public transport fares were lowered. In addition, under the first version of the new rail-financing framework (NRFF 1), SBUS has to pay a fixed annual licence fee to operate the DTL. Singapore's Transport Minister Ong Ye Kung, at the Ministry of Transport Committee of Supply Debate 2021, suggested the need to review NRFF 1. The framework was refined in 2016 to include greater risk-sharing between the Government and operator when SMRT Corp's operations were transitioned to NRFF 2. SBUS' other mass rapid and light rapid transit lines were transitioned to NRFF 2 in 2018. The financing framework for the DTL could be transitioned to NRFF 2, as it would synchronise the DTL's operating model with other lines that are run by SBUS. We assess that a breakeven point for DTL in 2021 could translate into a 250-300bps uplift in EBIT margin. Everything else being equal, this could lift profit by c.20-25%.

Government policies to support longer-term growth. To meet the increase in travel demand in future, the Singapore Government aims to ensure that a higher proportion of the nation's travel needs are met by public transport. A key goal is to ensure that 75% of peak-hour trips are made using public transport by 2030. This number sits at 67% as of now. To promote public transport as a preferred mode of getting from place to place, the Government plans to invest more than SGD60bn over this decade to expand and renew the rail network.

Company Report Card

Latest results. SBUS's 2020 revenue declined by 15% YoY to SGD1,231m amid: i) a significant drop in ridership and operating mileage, ii) rental rebates given to tenants, and iii) reduced advertising turnover. Thanks to the government grants that cushioned the adverse financial impact of COVID-19 and tax credits given for 2020, SBUS' PATMI dropped by only 2.9% YoY to SGD79m. Its 4Q20 net profit of SGD27.1m reflected a growth of 40% QoQ or 65% YoY.

Dividend. For 2020, SBUS did not announce an interim dividend. As the outlook remains uncertain, it was prudent in paying dividends, and cut the payout ratio to 25% of profit. It announced a first and final DPS of 6.3 SG cents (total DPS for 2019: 13.05 SG cents), implying a yield of 2.1%.

Management. SBUS is a professionally run company. CEO Cheng Siak Kian first joined the company in Sep 2015, and has been the occupying senior management positions in the company since Jul 2019. He was appointed as the acting CEO in Mar 2020. The heads for bus and rail have been with the company since 1996 and 2003. The company has dedicated senior management personnel assigned to each of its key business operations, eg the bus operations, bus engineering, mass rapid transit/light rapid transit lines, and rail engineering.

Investment Case

A proxy to the normalisation of life in Singapore. A recovery in public transport ridership over next 12 months and a likely earnings uplift stemming from a favourable change in the DTL's operating model should boost our confidence on this stock undergoing a positive rerating over the next 12 months. Higher dividend payout ratios should also return, when earnings grow again.

Key risks are: i) The slow pace of rail ridership recovery, ii) SBUS losing market share in the public bus segment, and iii) a faster-than-expected hike in operational costs.

Profit & Loss	Dec-18	Dec-19	Dec-20
Total turnover (SGDm)	1,384	1,445	1,231
Reported net profit (SGDm)	80	81	79
Recurring net profit (SGDm)	80	81	79
Recurring net profit grow th (%)	70.0	1.5	(2.9)
Recurring EPS (SGD)	0.26	0.26	0.25
DPS (SGD)	0.13	0.13	0.06
Dividend Yield (%)	4.1	4.1	2.0
Recurring P/E (x)	12.3	12.1	12.5
Return on average equity (%)	16.9	15.9	14.2
P/B (x)	2.0	1.9	1.7
P/CF (x)	6.2	9.1	5.9

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-18	Dec-19	Dec-20
Total current assets	330	397	488
Total assets	1,063	1,137	1,140
Total current liabilities	367	420	387
Total non-current liabilities	197	191	166
Total liabilities	564	611	553
Shareholder's equity	498	527	587
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	1,063	1,137	1,140
Total debt	75	75	25
Net debt	42	44	(61)

Source: Company data, RHB

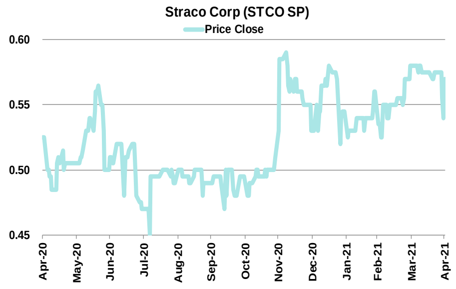
Cash Flow (SGDm)	Dec-18	Dec-19	Dec-20
Cash flow from operations	159	84	151
Cash flow from investing	7	-29	-16
Cash flow from financing	(130)	(56)	(81)
Cash at beginning of period	5	33	31
Net change in cash	27	(1)	54
Ending balance cash	33	31	86

Source: Company data, RHB

Straco Corporation

Rebound In Domestic Tourism In China

Fair value: Not Rated
Price: SGD0.57



Source: Bloomberg

Stock Profile

Bloomberg Ticker	STCO SP
Avg Turnover (SGD/USD)	0.02m/0.02m
Net Gearing (%)	Net Cash
Market Cap (SGDm)	492m
Beta (x)	0.8
BVPS (SGD)	1.27
52-wk Price low/high (SGD)	0.44 – 0.605
Free float (%)	14

Major Shareholders (%)

Straco Holding	36.82
China Poly Group	22.20
Straco (Hong Kong)	16.84

Share Performance (%)

	1m	3m	6m	12m
Absolute	4.55	(0.86)	15.00	12.75
Relative	2.36	5.81	25.99	22.02

Jarick Seet +65 6320 0810

Jarick.seet@rhbgroup.com

Investment Merits

- Proxy to ride on the rebound of domestic tourism in China;
- Net cash balance sheet, with decent dividends;
- Strong growth in FY21-22F.

Company Profile

Straco was listed on the Mainboard of the Singapore Exchange on 20 Feb 2004. Since then, the group has become one of the first few foreign companies which has built up a significant presence and influence in the tourism industry in China. It showcases high-quality tourism-related projects – incorporating entertainment, education and culture to create a unique experience for visitors and audiences. These projects include giant observation wheels, large-scale public aquariums, cable-car facilities, and the protection and redevelopment of historical sites.

Highlights

Proxy to the rebound in China's domestic tourism. Straco owns four tourism assets in China: the Shanghai Ocean Aquarium, Underwater World Xiamen, Lintong Lixing Cable-Car, and the development rights to Chao Yuan Ge. We believe that, with the restrictions on global tourism, there should be a surge in demand benefiting domestic tourism in China. Our channel checks indicate that this trend is still in effect. As a result, we believe Straco will be in a prime position to benefit from this, especially since its FY20 performance was badly hit by COVID-19. Lockdowns imposed in China also dragged down its revenue. Because of this, the group's FY21 earnings should undergo a strong rebound – and this may be evident in its upcoming 1Q21 and 2Q21 results.

Net cash balance sheet, attractive dividend yields. With a strong balance sheet and SGD112m in net cash, management has been rewarding shareholders with stable and sustainable dividends over the past years. It has even been willing to pay more dividends if profitability increases. Straco's dividend yields have always been healthy, at 3.5-5% over the last few years, and we expect management to reward shareholders with better dividends if earnings rebound in FY21F.

Rebound to strong profitability in FY21F. While the surge in domestic tourism in China should benefit Straco, the easing of restrictions on international travel (post rollout of COVID-19 vaccination drives) – especially in 2H21 – should also significantly boost its profitability. We expect this trend to drive a strong rebound in its net profit in FY21-22F.

Company Report Card

Latest results. Both PATMI and revenue sank in FY20, mainly due to COVID-19 and lockdowns in different countries – which impacted tourism and Straco's performance.

Balance sheet/cash flow. As at end-FY20, and despite such a bad year, Straco still remained in a net cash position despite generating SGD22m of negative cash flow. However, we expect its net cash position to keep improving, as it continues to generate positive cash flow.

ROE. The group's ROE has been steady over the last few years except for FY20, which was an outlier. We expect ROE to improve from FY21 onwards.

Dividend. The company continues to reward shareholders with attractive and sustainable dividends, representing a yield of 4.7%

Management. Wu Hsioh Kwang, the group's founder, has been instrumental in driving its growth since its inception. Wu was appointed as Executive Chairman in Mar 2003, to lead the Group in its strategic vision and overall management. Wu provides valuable business insight and guidance to the board of directors, in developing growth strategies for the group's businesses.

Amos Ng Chiau Meng joined Straco in Sep 2000. He is responsible for the finance & accounting, human resources, and administration divisions, as well as oversees the financial reporting and statutory compliance of the group.

Investment Case

Undervalued proxy to tourism recovery. The stock is trading at the bottom area of its 5-year trading range. As such, we believe that a strong rebound lies ahead, and the stock will likely undergo a re-rating if it continues to record solid numbers, due to the rebound in domestic tourism in China. As international tourism also recovers, the company should also benefit from this uptrend.

Profit & Loss	Dec-18	Dec-19	Dec-20
Total turnover (SGDm)	118	109	30
Reported net profit (SGDm)	41.8	38.1	(1.0)
Recurring net profit (SGDm)	41.8	38.1	(1.0)
Recurring net profit grow th (%)	(12.4)	(9.0)	(102.6)
Recurring EPS (SGD)	0.05	0.04	(0.00)
DPS (SGD)	0.03	0.04	0.03
Dividend Yield (%)	3.6	3.7	4.7
Recurring P/E (x)	14.4	15.3	NA
Return on average equity (%)	15.2	13.3	(0.3)
P/B (x)	2.1	2.0	1.7
P/CF (x)	10.8	11.2	97.2

Source: Company data, RHB

Balance Sheet (SGDm)	Dec-18	Dec-19	Dec-20
Total current assets	212	208	186
Total assets	373	409	382
Total current liabilities	25	23	30
Total non-current liabilities	53	85	71
Total liabilities	78	109	101
Shareholder's equity	295	300	281
Minority interest	12	12	11
Other equity	18	15	22
Total liabilities & equity	373	409	382
Total debt	38	70	67
Net debt	(165)	(130)	(112)

Source: Company data, RHB

Cash Flow (SGDm)	Dec-18	Dec-19	Dec-20
Cash flow from operations	56	52	5
Cash flow from investing activitie:	(4)	(6)	(5)
Cash flow from financing activitie	(40)	(49)	(21)
Cash at beginning of period	190	202	199
Net change in cash	15	(2)	(22)
Ending balance cash	202	199	178

Source: Company data, RHB

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Sell:	Share price may fall by more than 10% over the next 12 months
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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531

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RHB Bank Berhad
(Singapore branch)
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