

## Market Indicators

	3-Jan	4-Jan	5-Jan
Mkt. T/O (S\$ mil)	1,262.5	1,975.7	1,101.1
Stock Advances	258	273	212
Stock Declines	176	162	193

## Major Indices

	3-Jan	4-Jan	5-Jan
DJ Ind Avg	24,922.7	25,075.1	25,295.9
S & P 500	2,713.1	2,724.0	2,743.2
Nasdaq Comp	7,065.5	7,077.9	7,136.6
Hang Seng	30,561.0	30,736.5	30,814.6

**STI Index** 3,489.45 (-0.33%)

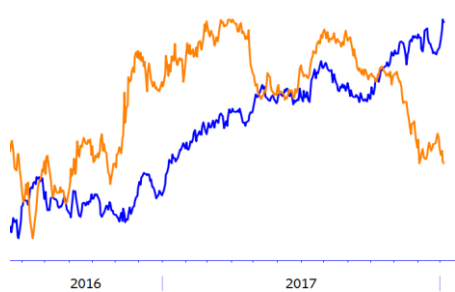


Source: Bloomberg

## Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,320.22	0.16%
Oil (NYMEX CWT1) US\$ / bbl	61.64	-0.16%
Baltic Dry Index	1371	2.24%

## Exchange Rates



USD : SGD 1.3268 / MYR : SGD 3.0061

Source: Bloomberg

## Interest Rates

3-mth Sibor	1.429%
SGS (10 yr)	2.007%

KGI Securities Research Team

## Market Colour

US equity markets had their best weekly gains in more than a year, with the tech-led Nasdaq recording its strongest first week performance in more than 10 years. The US added 148,000 jobs in last Friday's jobs report, which came in below expectations. However, the positive reaction in the markets may perhaps be due to the unemployment rate holding steady at a 17-year low of 4.1%.

As the earnings season approaches, Asian equities are expected to provide a further boost to the market, with profit estimates being upgraded. In Singapore, the STI rose above 3,500 points for the first time in two years last week, led by a surge in banks and property stocks.

## Company Update

➤ **Fu Yu Corporation Limited (FUYU SP; Not Rated):** Shifting into high gear. 60% of market cap is cash - Page 2

## News

**SPH REIT:** Maintained DPU for 1Q18 at 1.34 SG cents. Gross revenue grew 1.7% YoY to S\$53.5m on the back of higher rental income from both Paragon and Clementi Mall. Net property income also came in 1.9% higher YoY at S\$42.2m. According to the management, both properties continued their track record of full occupancy amid headwinds in the retail environment, with the overall portfolio registering rental reversion of -10.6% for new and renewed leases in 1Q18. **SPH REIT currently offers a dividend yield of about 5.3%. The share price has rallied 7% since November 2017 to S\$1.07. Despite the headwinds, there may still be potential upside from inorganic growth opportunities, given its low gearing of 25.4%. Seletar mall is a potential suburban mall that could be added to its portfolio.**

**Mapletree Logistics Trust (MLT):** Acquired remaining 38% stake of strata-titled logistics property, Shatin No. 3, in Hong Kong for S\$104m. Shatin is the second largest warehouse market in Hong Kong which enjoys good connectivity to key transportation infrastructure and the population centres of Hong Kong. The management believes this acquisition will further expand MLT's presence in Hong Kong, an attractive market that enjoys healthy organic growth due to supply constraints. **MLT currently offers a dividend yield of about 5.7%. Consensus believes that prices are unjustified, suggesting a fair value estimate of S\$1.27 and implying a 5.9% downside.**

**CapitaLand:** Has announced divestment of 20 China malls for 8.37b yuan, generating net proceeds of S\$660m and a net gain of S\$75m. This divestment allows CapitaLand to refocusing its attention away from Tier-3 cities to its malls in Tier-1 and Tier-2 locations such as, Beijing, Shanghai, Shenzhen and Guangzhou. **CapitaLand currently offers a dividend yield of about 2.7% and has a consensus fair value estimate of S\$4.24, implying a 15.2% upside.**

## Recent In-depth Regional Reports

5/1	<b>SG</b> Fu Yu Corporation (FUYU SP; Not Rated): Shifting into high gear. 60% of market cap is cash
5/1	<b>TW</b> St. Shine Optical (1565 TT; Outperform; TP: NT\$1,185.00): Clearer vision
5/1	<b>HK</b> PC Partner (1263 HK; Outperform; TP: HK\$6.10): Cryptocurrency mining boosts graphics card ASP
5/1	<b>TH</b> Siam City Cement (SCCC TB; Outperform; TP: Bt 310.00): Synergies take time

# Fu Yu Corp

## (FUYU SP/FUYU.SI)

**Not Rated**

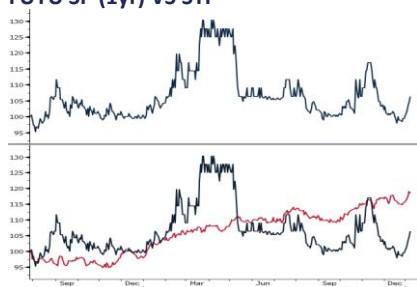
Price as of 5 Jan 2018	0.20
12M target price (S\$)	NA
Previous target price (S\$)	NA
Upside (%)	NA

**Trading data**

Mkt Cap (S\$m) / (US\$m)	151 / 113
Issued Shares (m)	753.0
Ave Daily Traded (3-Month) Vol / Val	4.0m / \$0.8m
52 week lo / hi	\$0.18 / \$0.26
Free Float	59.7%

**Major Shareholders**

Ho Nee Kit	12.9%
Tam Wai	12.8%

**FUYU SP (1yr) VS STI**


Source: Bloomberg

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See the last page for important disclosures.

## Shifting into high gear. 60% of market cap is cash

**Event**

**Finally starting to move forward.** Fu Yu announced on 7 December that it planned to spend S\$20.3m to privatise 71%-owned Bursa-listed LCTH Corp (LCHT MK, Not-rated). This move follows a change of a major shareholder, Ng Hock Ching, who exited his >12% stake in the company last year. This sequence of events indicate to us that the company may be ready to embark on its next phase of growth, both organically and through M&A, with the S\$92m cash on its balance sheet.

**Impact**

Fu Yu is one of the largest manufacturers of high precision plastic parts and moulds in Asia, with manufacturing facilities in Singapore, Malaysia and China. It began paying 1.5 SG cents dividend from FY15 onwards, translating to an attractive yield of 7.5%. Its net cash position of S\$92m (12 SG cents/sh or 62% of its current market cap) may allow it to fund inorganic growth. Alternatively, it is an attractive privatisation candidate given its ability to generate healthy free cash flows every year.

**Valuation & Action**

**Downside protected by >5% dividend yield.** Overall, the risk-reward dynamics for Fu Yu is favourable to us given its attractive dividend yield, healthy balance sheet and recovering earnings growth. Free cash flow is enough to sustain its 1.5 SG cents dividend, which amounts to a total annual cash outflow of S\$11m. Meanwhile, free cash flow generated averaged around S\$18m per annum. Even if we were to account for a lower dividend of 1.0 SG cents due to the S\$20m cash outflow to privatise LCTH this year, it would still offer a decent dividend yield of 5.0%.

**Focusing on growth.** Business is beginning to improve as it reported two consecutive quarters of QoQ earnings. It has highlighted the medical, green products and security sectors as potential growth opportunities. In addition, Fu Yu has made inroads into the automotive sector, which we believe may contribute more meaningfully over the next 2-3 years.

**Risks**

Competitive landscape remains challenging and may lead to margin erosion. Forex risk as around 80% of its sales are in USD while expenses are in USD (50%) and RMB, MY, SGD.

**Financials & Key Operating Statistics**

YE Dec (S\$ m)	2012	2013	2014	2015	2016
Revenue	313.2	283.4	254.4	222.5	198.6
Net Income	-4.4	6.6	10.0	14.1	10.5
EPS (Cents)	-0.6	0.9	1.4	1.9	1.4
EPS grth (%)	-247.1	na	48.4	38.5	-25.1
P/E (x)	0.0	22.5	15.2	11.0	14.6
DPS (SG Cents)	0.0	0.0	0.0	1.5	1.5
Div Yield (%)	0.0	0.0	0.0	7.3	7.3
Net Margin (%)	-0.6	-1.8	3.9	6.1	5.2
Net Debt (\$m)	-44.9	-73.7	-88.0	-103.6	-108.3
Price / Book (x)	0.3	0.4	0.4	0.7	0.8
ROE (%)	-2.7	4.2	5.9	8.0	6.0

Source: Company Data, KGI Research (negative net debt=net cash)

**STI Components and Key Metrics**

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY16 (%)	Div Yield FY17 (%)
<b>FINANCIALS</b>								
DBS SP	DBS	26.32	67,317	(0.7%)	5.9%	5.9%	2.5%	2.8%
OCBC SP	OCBC	12.95	54,211	0.0%	4.5%	4.5%	2.9%	3.1%
UOB SP	UOB	26.91	44,752	(0.4%)	1.7%	1.7%	2.8%	2.9%
SGX SP	SGX	7.57	8,108	0.0%	1.7%	1.7%	4.0%	4.3%
<b>PROPERTIES</b>								
AREIT SP	Ascendas REIT	2.80	8,085	0.4%	2.9%	2.9%	5.7%	5.9%
CAPL SP	CapitaLand	3.65	15,502	(0.3%)	3.4%	3.4%	2.8%	2.9%
CCT SP	CapitaLand Comm Trust	1.98	7,144	(2.5%)	2.6%	2.6%	4.4%	4.4%
CT SP	CapitaLand Mall Trust	2.10	7,447	(0.5%)	(1.4%)	(1.4%)	5.2%	5.2%
CIT SP	City Development	12.98	11,803	0.9%	3.9%	3.9%	1.2%	1.2%
HKL SP	Hongkong Land USD	7.14	22,311	0.6%	1.4%	1.4%	2.8%	2.9%
UOL SP	UOL	9.25	7,786	0.0%	4.3%	4.3%	1.6%	1.6%
<b>TELECOMMUNICATIONS</b>								
ST SP	SingTel	3.60	58,785	(0.3%)	0.8%	0.8%	5.8%	5.1%
STH SP	StarHub	2.89	4,997	(0.7%)	1.4%	1.4%	5.5%	5.4%
<b>CONSUMER SERVICES AND GOODS</b>								
JCNC SP	Jardine C&C	40.98	16,197	(0.7%)	0.8%	0.8%	2.6%	2.8%
JM SP	Jardine Matheson USD	60.08	57,949	(0.3%)	(1.1%)	(1.1%)	2.7%	2.7%
GENS SP	Genting Singapore	1.33	16,012	(0.7%)	1.5%	1.5%	2.3%	2.3%
SPH SP	SPH	2.74	4,380	(1.4%)	3.4%	3.4%	5.0%	4.9%
THBEV SP	ThaiBev	0.91	22,850	0.6%	(1.1%)	(1.1%)	3.2%	3.4%
VMS SP	Venture Corp	21.70	6,176	(1.2%)	6.0%	6.0%	2.9%	2.9%
<b>TRANSPORT</b>								
SIA SP	Singapore Airlines	10.79	12,760	0.5%	1.1%	1.1%	2.4%	2.2%
CD SP	ComfortDelGro	2.04	4,413	0.5%	3.0%	3.0%	5.1%	5.1%
<b>COMMODITIES</b>								
GGR SP	Golden Agri	0.38	4,839	(2.6%)	2.7%	2.7%	1.7%	2.1%
WIL SP	Wilmar	3.20	20,242	(0.6%)	3.6%	3.6%	2.2%	2.7%
<b>OFFSHORE &amp; MARINE/INDUSTRIALS</b>								
KEP SP	Keppel Corp	7.77	14,089	(0.4%)	5.7%	5.7%	2.7%	3.2%
SCI SP	Sembcorp Industries	3.16	5,639	(0.9%)	4.3%	4.3%	2.4%	3.1%
YZJSGD SP	Yangzijiang SGD	1.51	5,993	(1.3%)	2.7%	2.7%	3.1%	3.0%
SATS SP	SATS	5.45	6,100	(0.9%)	4.8%	4.8%	3.2%	3.4%
SIE SP	SIA Engineering	3.23	3,612	1.3%	3.2%	3.2%	4.1%	4.3%
STE SP	ST Engineering	3.34	10,407	1.2%	2.5%	2.5%	4.4%	4.6%
HPHT SP	HPH Trust USD	0.42	4,801	0.0%	0.0%	0.0%	6.3%	6.5%

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

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

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY16 (%)	Div Yield FY17 (%)
VMS SP	Venture Corp	21.70	6,176	(1.2%)	6.0%	6.0%	2.9%	2.9%
SUN SP	Suntec REIT	2.19	5,809	0.9%	1.9%	1.9%	4.6%	4.5%
MCT SP	Mapletree Commercial	1.67	4,808	0.0%	3.1%	3.1%	5.3%	5.3%
KREIT SP	Keppel REIT	1.27	4,281	0.0%	0.8%	0.8%	4.7%	4.7%
SMM SP	Semcorp Marine	1.82	3,800	(0.5%)	(1.1%)	(1.1%)	1.0%	1.3%

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

**Appendix 1: Corporate Action**

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 8 Jan 18	Yield (%)
k1 Ventures Ltd		Interim	SGD 0.3585	<b>8-Jan-18</b>	10-Jan-18	19-Jan-18	-	0.0
Miyoshi Ltd	27-Oct-17	FY17	SGD 0.0040	<b>10-Jan-18</b>	12-Jan-18	19-Jan-18	SGD 0.079	5.1
Advanced Holdings Ltd	10-Nov-17	3Q17	SGD 0.04900	<b>12-Jan-18</b>	16-Jan-18	7-Feb-18	SGD 0.325	15.1
JB Foods Ltd	13-Nov-17	3Q17	SGD 0.0200	<b>24-Jan-18</b>	26-Jan-18	1-Mar-18	SGD 0.560	3.6
PNE Industries Ltd	27-Nov-17	FY17	SGD 0.0300	<b>25-Jan-18</b>	29-Jan-18	12-Feb-18	SGD 1.110	2.7
Fraser and Neave	8-Nov-17	FY17	SGD 0.03000	<b>31-Jan-18</b>	2-Feb-18	14-Feb-18	SGD 2.610	1.1
Frasers Centrepoint	10-Nov-17	FY17	SGD 0.06200	<b>31-Jan-18</b>	2-Feb-18	14-Feb-18	SGD 2.150	2.9
Thai Beverage PCL	23-Nov-17	FY17	<b>Baht</b> 0.4700	<b>8-Feb-18</b>	12-Feb-18	28-Feb-18	SGD 0.910	2.1

**Latest Rights Issue Announcement**

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
Asia-Pacific Strategic Invts	2 Rts Shares @ S\$0.003 for each Rights Share for every 1 existing share held, 1 free detachable warrant (exercise price S\$0.003) for every 1 Rts Share subscribed	3-Jan-18	5-Jan-18	<b>10-Jan-18</b>	<b>18-Jan-18</b>
Ziwo Hldgs	2 Wrts @ S\$0.0033 for each Wrt (exercise price S\$0.010) for every 1 existing ord share held	17-Jan-18	19-Jan-18		

Source: SGX Announcement

**Latest Listing Issue Announcement**

Company	Particulars	Ex-Date	Book Close	Payable / Crediting Date	Listing Date
Hyflux	Entitled shareholders will receive 1 Hyfluxshop Hldgs Pte Ltd share for every 10 Hyflux shares held	<b>5-Feb-18</b>	7-Feb-18		
Pan-Utd Corp	Entitlements of Xinghua shares on the basis of 1 Xinghua share for every share held	<b>5-Jan-18</b>	9-Jan-18	-	-

Source: SGX Announcement

Company	Offer Price	Closing Date	Offeror
Cogent Holdings Ltd	SGD 1.02 Cash	5.30 p.m. on 19 Jan 2018	COSCO Shipping Int'l (Singapore) Co., Ltd.
Global Logistic Properties Ltd	SGD 3.38 Cash	5.00 p.m. on 9 Jan 2018	Nesta Investment Hldgs Ltd
Rotary Engineering	SGD 0.460 Cash	5.30 p.m. on 24 Jan 2018	OROCHEM PTE. LTD.
TMC Education Corporation Ltd	SGD 0.0675 Cash	5.30 p.m. on 30 Jan 2018	JK Global Assets Pte. Ltd.

Source: SGX Announcement

**Appendix 2: Financial Calendar**

Monday		Tuesday		Wednesday		Thursday		Friday	
	8-Jan		9-Jan		10-Jan		11-Jan		12-Jan Q1: Spore Press Hldgs Q4: Qian Hu Corp
	15-Jan		16-Jan	Q4: ESR-REIT / First REIT	17-Jan	Q4: Cache Logistics Trust	18-Jan		19-Jan Q2: Spore Exchange
Q4: Keppel DC REIT / Keppel Infrastructure Trust / Soilbuild Business Space REIT	22-Jan	SG (Dec 2017): CPI Overall index and sub-indices Q3: Mapletree Industrial Trust Q4: Keppel REIT / M1	23-Jan	Q3: Mapletree Commercial Trust Q4: Keppel Telecoms & Tpt	24-Jan	SG (4Q17): Industrial Properties Q3: Mapletree Greater China Commercial Trust Q4: Keppel Corp	25-Jan	SG (Dec 2017): Index of Industrial Production Unemployment Rate & Employment SG (4Q17): Private Residential, Retail and Office Properties Q4: AGV Grp (Release on Sun, 28-Jan) *Q4: CDL Hospitality Trusts	26-Jan
	29-Jan		30-Jan		31-Jan	1-Feb-18			2-Feb
Q4: Utd Overseas Insurance	5-Feb		6-Feb		7-Feb		8-Feb		9-Feb

\* Tentative

Source: Bloomberg

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