Ryobi Kiso Holdings Ltd

Initiation Report

BUY

Current Price **S$0.17**
15 February 2011

Fair Value S$0.22

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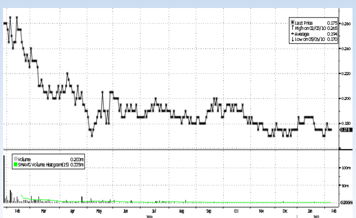
Historical Chart



Source : Bloomberg

Stock Statistics

Market Cap	S$130.1m
52-HI	S$0.26
52-LOW	S$0.165
Avg Vol	1,870,888
Shares Outstanding	765.3m
Free Float	210.5m

Key Indicators

ROE	35.5%
ROA	18.6%
P/BK	1.2x
Gearing	Net cash

Major Shareholders

Tanglin Capital	62.69%

Seeking alternative opportunities amid shrinking domestic industry pie

- ***Second-largest piling firm in Singapore.*** Ryobi Kiso (RK) is the second largest player in the piling industry in Singapore with a market share (based on net profits for the past five years) of 26%. The Group specialises in Bored Piling as well as Eco-friendly Piling and Geoservices and adopts a margin-centric strategy.

- ***Facing with shrinking domestic industry pie.*** According to the Building & Construction Authority (BCA), construction demand in Singapore is projected to reach between S$22bil and S$28bil in 2011, after achieving $25.7bil in 2010 on the back of strong economic growth. The average construction demand however is projected to shrink ranging between S$19bil and S$26bil per annum in 2012 and 2013. In contrast, the Vietnam construction industry is witnessing a period of rapid growth. The construction sector grew by 10% in 2010. A steadily growing population and rapid rate of urbanisation and government encouragement for foreign direct investment will continue to fuel growth in the construction sector over the next five years.

- ***Seek growth from piling-related business and other Asian markets.*** With an established core operation in Singapore, providing the Group with a relatively stable source of cash flow, RK has the resources to seek alternative growth opportunities. Expansion plans include moving into piling-related business as well as general construction business in other Asian markets.

- ***Gradual pick-up in gross profit margin; healthy balance sheet.*** RK has experienced four consecutive quarters of decline in gross profit margin (GPM). However, we believe GPM bottomed in 2QFY11 and is expected to gradually pick-up over the next few quarters on expectations of stabilising raw material costs and execution of margin-centric strategy. Balance sheet is strong with net cash of $15.2m as at 31 December 2010. The Group is under-leveraged, compared to industry peers, providing capital market access to fuel expansion plans when business opportunities arise.

- ***Valuation and Recommendations.*** Earnings in FY11 are expected to decline by 47% followed by a further 8% dip in FY12 before plateauing in FY13 as construction demand shrinks. Excluding an estimated cash per share of 3Scts (FY11F), the core piling business is relatively undervalued at 7.2x PER (FY11F), compared to industry average of 13.6x (FY11). Taking into account that RK is the second largest player in the local piling industry, we value the business at a conservative 10x PER (FY11) and arrive at a valuation of 22.0Scts, which offers a potential upside of about 29%. Additionally, RK offers a dividend yield of 5% to 6%. RK is fundamentally undervalued. **BUY.**

Key Financial Data					
S$m					
YE 30 Jun	**FY09**	**FY10**	**FY11F**	**FY12F**	**FY13F**
Sales	160.3	1200.8	124.8	124.6	126.9
Gross Profit	52.4	46.7	33.4	33.5	34.0
Net Profit	34.3	27.4	14.3	13.2	13.7
EPS (S cents)	6.0	4.2	1.9	1.7	1.8
EPS growth (%)	13.4	-30.2	-55.2	-7.9	3.7
PER (x)	2.8	4.1	9.1	9.9	9.5
DPS (S cents)	0.0	1.0	1.0	1.0	1.0
Div Yield (%)	0.0	5.9	5.9	5.9	5.9

Singapore Construction Industry Outlook

According to BCA, construction demand in Singapore increased by 14% year-on-year in 2010, riding on strong economic growth, estimated at 14.7%. In particular, construction demand from the private sector rebounded strongly by 109%, bringing total construction demand to S$25.7bil in 2010, from S$22.5bil in 2009. In 2011, construction demand is projected to reach between S$22bil and S$28bil, reflecting a continued and sustained workload.

Public sector demand to strengthen… Public sector demand for construction in 2011 is likely to strengthen to between S$12bil and S$15bil, contributing about 55% to the overall construction demand, from S$8.3bil in 2010. The rebound is anticipated to stem from growth in public sector institutional construction demand (such as Institute of Technical Education (ITE)'s third regional campus at Ang Mo Kio, development of Jurong General Hospital with a community hospital at Jurong East, redevelopment of Victoria Theatre and Victoria Concert Hall at Empress Place). There will also be stronger public sector civil engineering construction demand led by the Land Transport Authority (LTA)'s Downtown MRT Line Stage 3 contracts as the government continues to invest in public infrastructure in the year ahead to support Singapore economic activities.

In 2011, HDB also plans to launch up to 22,000 new flats under its Build-to-Order (BTO) program), subject to demand. In the first half of 2011, there are some 11,000 new BTO flats for launch.

… while private sector construction demand moderates. In contrast, private sector construction demand in 2011 is expected to moderate from S$17.4bil in 2010 to between S$10bil and S$13bil in 2011, as a result of the completion of a number of major projects including the two integrated resorts, Resorts World Sentosa and Marina Bay Sands in 2010. The lower 2011 projection also reflect a more cautious sentiment among developers amidst a more moderate economic outlook. In particular, private sector residential construction demand is projected to ease to between S$5.1bil and S$6.1bil in 2011 from S$7.7bil in 2010.

Shrinking industry pie in the medium term. According to BCA, in the medium term, the average construction demand is projected to range between S$19bil and S$26bil per annum in 2012 and 2013. Of the total estimated contract value, public sector construction demand is expected to reach between S$9bil to S$12bil per annum in 2012 to 2013, with about 65% of total demand from building projects while the remaining 35% from civil engineering projects.

Table 1 : Review and Outlook for Construction Demand (Year 2010 - 2013)

Year	Construction Demand: Public	Construction Demand: Private	Total
2010	S$8.3 bil	S$17.4 bil	S$25.7 bil
2011	S$12 to S$15 bil	S$10 to S$13 bil	S$22 to S$28 bil
2012	S$9 to S$12 bil p.a.	-	S$19 to S$26 bil p.a.
2013	S$9 to S$12 bil p.a.	-	S$19 to S$26 bil p.a.

Source : Building & Construction Authority

Long-term infrastructure development plans to underpin construction demand. In the longer-term, the LTA plans to double the rail network to ensure that the transport infrastructure in Singapore meets the needs of a growing population and an expanding economy. New rail lines to be built include the Thomson Line and Eastern Region Line to be built by 2018 and 2020 respectively. There are also plans for new extensions to the existing North-South and East-West Lines, which are expected to complete by around 2015. These new rail lines will costs S$20bil to build, over and above the S$20bil that government has already committed for the on-going Boon Lay Extension, the Circle Line and the Downtown Line.

Further, over the next 12 years, LTA will continue to build new road infrastructure to cater to the travel demands of new employment and residential centres. The expansion of the road network will help to improve connectivity and serve new development areas such as Marina Bay, Tuas and Changi Industrial Areas.

By 2013, LTA will have completed the 5-km Marina Coastal Expressway which provides high speed access to the Marina Bay area. Further, LTA has decided to construct Singapore's longest road viaduct as part of the 21 km North-South Expressway (NSE) at an estimated cost of S$7bil to $8bil. Work on NSE is due to start in 2013 and is expected to complete by 2020 when the heavily used Central Expressway, to which it runs parallel, and other major roads, are expected to face a capacity crunch.

Vietnam Construction Industry Outlook

According to General Statistics Office, Vietnam, the Vietnam economy grew by 6.8% in 2010, led by industry and construction as well as services sectors. In 2011, the Vietnamese government forecast that the economy will expand by 7% to 7.5%.

Industry and construction, which accounted for about 42% of GDP, expanded by 7.7% in 2010. The construction sector alone which accounted for about 9.5% of GDP, grew by 10.0% in 2010.

Rapid growth in Vietnam Construction industry is expected to continue in the next five years. Evidently, the Vietnamese construction sector is experiencing a period of rapid growth. Over 2006 to 2010, the government has provided loans, special budget allocations and official development assistance capital to develop 11 key industries in Vietnam. This has provided an impetus to the industrial sector, driving spending on residential as well as non-residential construction over 2006 to 2010, which is expected to continue into the next five years.

.. led by urbanisation, business-friendly government policies. Fuelling growth in the residential construction sector include a steady rise in population, an increase in the rate of urbanisation and an increase in number of households. Government policies such as modernization of custom services, privatization of state-owned enterprises and encouragement of foreign direct investment has created a favourable business environment in Vietnam and increase expenditure in the non-residential sector.

Risks associated with emerging market. However, the Vietnamese economy is still in transition; the judicial and financial systems have not been fully developed. These shortcomings in economic and operational systems (such as red-tape) will contribute to risks of operating in Vietnam.

On the economic front, immediate issues the country faces include tackling high inflation particularly pressures on food costs, the need to rein back credit growth and further Dong devaluation by the central bank.

Ryobi Kiso

Leading bored-piling and eco-friendly piling specialists in Singapore. Ryobi Kiso (RK) is one of the leading ground engineering solutions provider in Singapore, specialising in Bored Piling and Eco-friendly Piling and Geoservices. RK is registered under the construction related category under the workhead CR08 for piling with a financial grading of L6 from the BCA since September 2003. This qualifies the Group to tender for public sector piling contracts without limitations to the contractual value. There are no restrictions on private sector piling projects.

Most of RK's projects are located in Singapore. In Asia, the Group has carried out several projects in Malaysia since 2000, focusing on geo-services. RK also made inroads in Vietnam, establishing a foothold there since July 2009. To-date, RK has secured three contracts located in Ho Chi Minh and Hanoi, totaling S$8.7mil in value.

The Group was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 27 January 2010.

Experienced management team. RK has an experienced management team with extensive knowledge in the piling industry. The Executive Directors, namely Mr Ong Tiong Siew and Mr Ong Teng Choon each having more than 22 years of experience in the bored piling and eco-friendly piling and geoservices businesses.

Business Operations

RK provides ground engineering solutions. The Group specialises in bored piling as well as eco-friendly piling and geo-services which comprises eco-friendly piling, environmental protection engineering, geotechnical engineering services and sale of geoproducts.

Projects are typically completed over a period of three to 18 months depending on the size and nature of the projects. As at 31 December 2010, RK has a net order book of S$78.9m.

Table 2 : Major projects in the order book of about S$78.9mil as at 31 Dec 2010		
Project Title	**Expected Completion**	**Approximate Contract Sum (S$m)**
Infrastructure and institutional projects		
Downtown Line Stage 2 Contract 912	May 2011	19
Downtown Line Stage 2 Contract 912 (Diaphragm wall)	July 2011	5
HDB Woodland N1C19	August 2011	11
HDB Bukit Panjang N4C14	March 2011	8
LTA - Marina Coastal Expressway Contracts 481 & 482)	Dec 2013	3
LTA - Downtown Line Stage 1 Contracts 908 & 909	July 2012	7
LTA- Downtown Line Stage 2 Contracts 911 & 912	March 2013	6
Edusports	March 2011	5
Residential Projects		
The Laurels	May 2011	4
Cube 8 & Concorde Residences	June 2011	4
Lanai	March 2011	4
Flamingo Valley	March 2011	4
The Scala	February 2011	4
Lincoln Suites	February 2011	2
Gilstead Two	April 2011	2
Condominium at 76 Shenton Way	October 2011	2
Condominium at Tomlinson Road	June 2011	3
Condominium at Ewe Boon Road	March 2011	1

Source : Ryobi-Kiso

Diverse customer base from private and public sectors. The Group's projects include infrastructure and development contracts for both public and private sectors. Contracts are secured from customers including government bodies, statutory boards, property owners, developers and main contractors.

RK is the second largest player in the piling industry, alongside with another private company. Intense competition prevails in the piling industry in Singapore. There are currently many piling companies in Singapore, however, the top ten players have about 85% market share (based on revenue), leaving the remaining 15% market share spread across numerous small companies. The top player is listed company, CSC Holding, with a market share of 40% to 50% while RK and Zap Piling, a private company, both hold the second place, each with a market share of about 12% to 15%. However, ***basing on Group net profit for the past five years, CSC has a market share of about 30% while RK's market share is a close second place at 26%.***

Business Strategy & Competitive Strength

Margin-focus rather than volume-focus. While many piling companies focus on gaining market share through contract wins, RK adopts a margin-centric strategy, selecting projects which employ the technology expertise of RK and offer a higher margin. Compared to peers, RK's net profit margins were typically in the range of 18% to 24% over FY07 to FY10 while those of peers spanned across a range of 2% to 15%. However, going forward, we believe industry margins will ease with RK's margin sliding to 10% to 12% while those of peers to fall in the range of 5% to 8%.

Technology advantage. According to management, RK is the first and currently the only company to carry out screwed spun piling and press grouted spun piling in Singapore. These eco-friendly piling techniques are innovative, efficient and economical soil improvement piling techniques. These techniques provide RK with an advantage over competitors for projects where there are requirements for reduction of noise and vibration, less usage of concrete which is produced from raw materials such as aggregate sand and cement or where soil conditions do not favour conventional bore piles.

RK is currently also the only company in Asia outside Japan to commercially utilise the TRD machine to provide environmental protection engineering services. So far, RK has used the TRD machine for a pollution control project at Sungei Serangoon. On 5 January 2010, RK entered into a non-exclusive TRD services agreement with Ryobi Japan (not part of the Group) to provide RK Singapore with TRD machines for a period of three years for any project that requires the use of the TRD machine.

Relatively high barriers to entry. The barriers to entry to the piling industry is relatively high in light of high capital expenditure on heavy equipments used in piling as well as higher risks associated with the nature of piling work. Although there are numerous small players, these companies do not have the technological expertise of larger players.

Lower credit risks and faster cash turnaround. Piling works are the initial stages of construction works. Also, depending on project type and size, piling works are usually completed over a shorter period of three to 18 months, compared to the entire duration of construction work, which typically spans over more than three years. The nature of contract will mean earlier collection during the construction period of a project as well as faster cash turnaround and lower credit risks for RK.

Diverse customer base will reduce revenue dependency on any one group of customers. RK has a customer base from both the public and private sectors including government bodies, statutory boards, property owners, developers and main contractors. The Group's track record and working relationship with a diverse group of customers will mitigate RK's revenue against any cyclical downturn in any particular sector or group of customers.

Forward Strategy and Growth Prospects

Singapore will remain the core market. The piling industry in Singapore is competitive and has a strong dominant player. Notwithstanding that, RK has a good track record and relationship with players in the domestic market. Singapore will remain RK's core market where the Group derives a regular flow of projects and a relatively stable of source cash flow.

Expect gradual margin pick-up. In the domestic market, RK will maintain a margin-centric strategy, selecting projects, which employ the technology expertise of RK and offer a higher margin. Construction demand is expected to decline over the next few years but will remain healthy as the government roles forward infrastructure development, resulting in increasing demand for piling projects. We believe RK's quality of order book will improve going forward and with cost pressures on raw material abating, project margins are expected to gradually pick-up.

Shrinking domestic industry pie; seek alternative growth areas. Notwithstanding these improving trends, the domestic piling industry pie is expected to shrink in 2012 and 2013 as total construction demand falls. BCA has projected that construction demand of S$22bil to S$28bil in 2011 will decline to S$19bil to S$26bil per alum in 2012 and 2013. To seek growth in the medium term, RK plans to venture into piling-related businesses and other Asian markets.

Malaysia. RK specialises in geo-services in Malaysia. In light of ongoing infrastructure projects such as the Multimedia Super Corridor, Malaysia is expected to offer better growth opportunities over the next few years.

Equipment rental business. There are plans to grow downstream into construction-related businesses such as rental of piling equipments and machinery. Since listing, the Group has been acquiring additional piling equipment and machinery and upgrading the group's existing piling equipment and machinery. The additional equipments will enable RK to expand into the equipment rental business while the upgrading of equipment is necessary to keep RK ahead of technological advancements, which in turn would enable the group to tender for a wider range of projects, and to improve productivity.

Currently, RK is also exploring acquisition opportunities into other construction-related businesses for growth.

Expanding into other Asian markets. RK has made inroads in the piling business in Vietnam since July 2009 and has since secured contracts totaling S$8.7m. In the pipeline are plans to further expand into general construction or property development businesses in Vietnam, jointly with Vietnamese piling contractors. Through the collaboration, RK will be able to tap into the industry experience and business connection of its Vietnamese partners and in turn, RK will introduce advanced piling methods as the current piling technology employed in Vietnam is back-dated.

The acquisition of additional equipment will enable the Group to deploy equipment and machinery in Vietnam when required.

Besides Vietnam, RB is also exploring investment opportunities to expand the piling and general construction businesses into other part of Asia.

Risks

Hedge to mitigate against upward pressure in raw material costs. Raw materials constitute more than 50% of total costs for piling works and the key raw materials used for piling work include concrete, cement and rebar. The costs of these raw materials may fluctuate, due to external market factors, which will affect the bottomline. RK adopts a hedging policy, hedging against movements in key raw material prices such as steel rebars when a contract is secured to mitigate against upward pressure in raw material prices on the bottomline. However, other key raw materials such as concrete and diesel cannot be hedged and the Group bottomline remains susceptible to price fluctuations of these raw materials.

Tight foreign labour force. The construction industry is highly labour intensive, heavily reliant on foreign labour as the pool of local workers employment in the construction industry is scarce. Accordingly, RK is particularly vulnerable to shortage in the supply of foreign workers, any increases in the cost of foreign labour and any policy changes imposed by the Ministry of Manpower (MOM). Currently, the MOM has imposed a dependency ratio, which requires companies to employ one Singaporean worker for a set number of foreign workers. This rule will form a substantial constraint for RK should the Group need to expand the workforce for business expansion.

Additionally, in February 2010, the Government announced that foreign worker levies would be raised every six months from July 2010 to July 2012 to wean companies off cheap sources of foreign labour. The second round of levy rises has kicked in January 2011 for work permits used for low-income workers and S Passes for mid-skilled workers. As many of the foreign workers employed by RK fall under these categories, and direct labour cost and sub-contractor costs (of which labour is the main component) constitute between 25% of total costs for piling works collectively, the Group is expected to face margin pressure which will impact the bottomline.

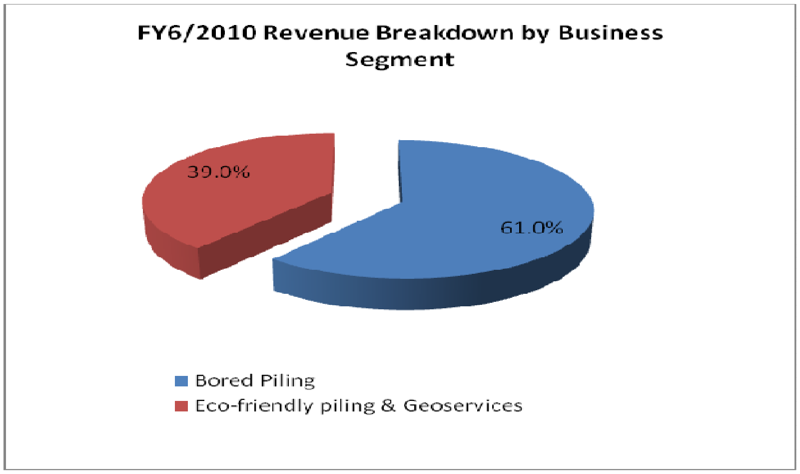
Overseas business risks. Since July 2009, RK also made inroads into Vietnam, establishing a foothold there. There is business risks associated with this venture into a new overseas market. But RK has mitigated such operational risk by working with Singapore companies which already have a business presence in Vietnam. To-date, the Group has three contracts located in Ho Chi Minh and Hanoi, totalling S$8.7mil in value. Two of the three contracts involve projects belonging to Singapore companies.

As RK establishes its presence and gathers experience in Vietnam, growth opportunities abound in Vietnam as the country is witnessing rapid growth in the construction sector and the piling technology employed there is old and behind time. RK's technology advancement will put the Group in a good position to bid for piling contracts there.

Financial Performance

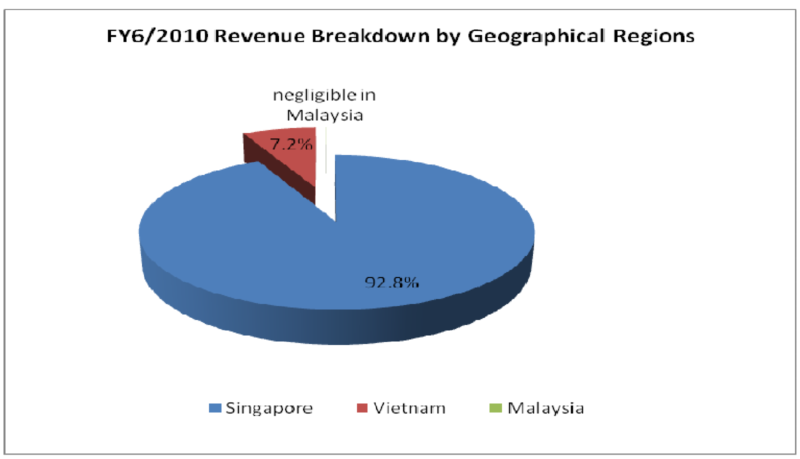
Over FY07 to FY10, achieved net profits growth at a compounded annual growth rate (CAGR) of 39.2% per annum on the back of revenue growth at a CAGR of 28.7% per annum. GPM improved from 28.7% in FY07 and peaked at 38.7% in FY10. Over FY07 to FY10, RK derives an average of 70% of Group revenue from bored piling business while eco-friendly piling and geo-services contributes the remaining 30%.

Chart 3 : FY6/2010 Revenue breakdown by business operations



Source : FY6/2010 Annual Report

Chart 4 : FY6/2010 Revenue breakdown by geographical region



Source : FY6/2010 Annual Report

2QFY6/11 Results

Net profits declined due to higher costs of sales and operating costs. 2QFY11 net profit of S$2.9m fell 70.4% YoY and 22.8% QoQ notwithstanding revenue growth of 18.5% YoY and 1.7% QoQ to S$31.5m. The increase in revenue arose from increase in the value of on-going and completed projects as well as the commencement of new piling projects, including The Scala, Flamingo Valley, Edusports and HDB Bukit Panjang N4 C14. The weaker net profits were largely due to an 80.3% YoY and 2.3% QoQ increase in costs of sales to S$23.6m.

On a YoY basis, higher costs of sales arose from an increase in raw material costs, subcontractors' costs, diesel costs, transportation costs and depreciation of machinery and equipment. As a results, gross profit fell 41.4% YoY to S$7.9m and GPM fell to 25.1% (2QFY10 : 50.7% and 1QFY11 : 25.5%).

Further weighing on the bottomline include higher staff costs to support the operations as well as higher forex losses as the Group's balances in Euro Dollar depreciated against the Singapore Dollar over 2QFY11.

Balance sheet remained healthy. RK's balance sheet remained healthy with a net cash of S$15.2m. Net cash balances fell from S$38.5m in FY6/10, largely as a result of acquisition of S$19m worth of machinery and equipment during the period.

Cash flow expected to turn positive as planned acquisitions largely completed. RK incurred negative cashflow during 2QFY11 as the Group acquired additional machinery and equipment, as planned during the IPO. With the proposed acquisition of machinery and equipment largely completed, Group cash flow is expected to turn positive in 2HFY11.

Earnings Prospects and Valuation

2HFY11 to fare better than 1HFY11; gradual pick-up in GPM. 1HFY11 net profits declined 55% compared to 1HFY10. Moving forward, we expect 2HFY11 to fare better than 1HFY11 as we believe GPM has bottomed in 2QFY11 and will gradually pick-up over the next few quarters as raw material costs stabilises. RK's continuous efforts to focus on providing value-added solutions which offer higher margin will also help lift margins. In FY11, we expect earnings to decline 47% YoY.

Shrinking industry pie… forward growth relatively flat. Moving further ahead, we expect earnings to dip a further 8% in FY12 before plateauing in FY13 on falling construction demand. According to BCA, construction demand in Singapore is expected to decline from S$22bil to S$28bil in 2011 to about S$19bil to $26bil each in 2012 and 2013.

Excluding an expected cash per share of about 3Scts (FY11F), RK's core piling operations is valued at 7.2x PER (FY11), which is relatively unvalued compared to industry average of 13.6x (FY11). Taking into account that RK is the second largest player in the local piling industry, we value the business at 10x PER (FY11) and arrive at a valuation of 22.0 Scts. The Group is also projected to offer a dividend yield of 5% to 6% at current price, which will cushion downside.

Table 5 : Peers Comparison – Piling Sub-sector

Name	Code	Share Price (S$)	Mkt Cap (S$ m)	PER FY10 (x)	PER FY11(F) (x)	PER FY12(F) (x)	Price/ Book (x)	ROE (%)	Div Yield (%)
Ryobi Kiso Hldgs	RYO SP	0.17	130.1	4.1	9.1	9.9	1.2	35.5	5.9
CSC Holdings	CSC SP	0.15	184.0	11.0	13.6	7.9	1.0	14.1	5.3
PSL Holdings	PSL SP	0.23	69.6	9.4	-	-	1.8	20.8	2.6
Average *			**126.8**	**10.2**	**13.6**	**7.9**	**1.4**	**17.4**	**4.0**

Source : Bloomberg & NRA Capital

* Peer Average - excludes Ryobi Kiso

Table 6 : Peers Comparison – Construction Sector

Name	Code	Share Price (S$)	Mkt Cap (S$ m)	PER FY10 (x)	PER FY11(F) (x)	PER FY12(F) (x)	Price/ Book (x)	ROE (%)	Div Yield (%)
Ryobi Kiso Hldgs	RYO SP	0.17	130.1	4.1	9.1	9.9	1.2	35.5	5.9
Low Keng Huat	LKH SP	0.45	328.8	4.2	-	-	1.0	26.3	6.7
Chip Eng Seng	CHIP SP	0.44	293.7	2.8	-	-	0.9	34.0	6.8
Wee Hur Hldgs	WHUR SP	0.52	205.5	10.2	9.3	4.0	3.3	36.1	4.8
CSC Hldgs	CSC SP	0.15	184.0	11.0	13.6	7.9	1.0	14.1	5.3
Lian Beng Group	LBG SP	0.32	166.9	4.7	4.0	3.6	1.0	18.1	1.3
OKP Hldgs	OKP SP	0.58	153.1	9.5	9.4	8.2	2.4	29.2	1.7
Hock Lian Seng	HLSH SP	0.31	155.5	5.8	-	-	2.1	39.5	4.9
Lum Chang Hldgs	LCH SP	0.29	110.2	8.5	-	-	0.7	18.7	5.2
Koh Bros Group	KOH SP	0.22	103.1	7.7	-	-	0.6	6.9	1.4
Average*			**189.0**	**7.2**	**9.1**	**5.9**	**1.5**	**24.8**	**4.2**

Source : Bloomberg & NRA Capital

* Peer Average - excludes Ryobi Kiso

Summary Financial Forecast YE 30 June	2009A	2010A	2011F	2012F	2013F
Profit & Loss					
Revenue (S$m)	160.3	120.8	124.8	124.6	126.9
Gross Profit (S$m)	52.4	46.7	33.4	33.5	34.0
Net profit (S$m)	34.3	27.4	14.3	13.2	13.7
Margins					
Gross margin (%)	32.7%	38.7%	26.8%	26.9%	26.8%
Net margin (%)	21.4%	22.6%	11.5%	10.6%	10.8%
Per share					
EPS - fully diluted (S cts)	6.0	4.2	1.9	1.7	1.8
Op Cashflow (S cts)	9.5	2.5	3.6	3.6	2.3
Net asset value (S cts)	36.0	14.7	16.1	16.8	17.6
Common metrics					
PER (x)	2.8	4.1	9.1	9.9	9.5
P/OCF (x)	1.8	6.7	4.7	4.7	7.4
P/NAV (x)	0.5	1.2	1.1	1.0	1.0
Free Cashflow					
FCF* (S$m)	39.3	(3.2)	(5.2)	23.0	18.7
FCF/share (S cts)	6.8	(0.5)	(0.7)	3.0	2.4
FCF Yield (%)	40.3	(2.8)	(4.0)	17.7	14.4

* FCF takes into account capex needed to maintain current business capacity and operations

Profit & Loss YE 30 June (S$m)	2009A	2010A	2011F	2012F	2013F
Revenue	160.3	120.8	124.8	124.6	126.9
Cost of Sales	(107.9)	(74.1)	(91.4)	(91.1)	(92.9)
Gross Profit	52.4	46.7	33.4	33.5	34.0
Operating Income	0.6	0.6	0.6	0.6	0.6
Administrative expenses	(11.6)	(11.5)	(13.6)	(13.5)	(13.7)
Other operating expenses	(0.5)	(2.7)	(2.1)	(2.7)	(2.8)
Operating Profit	40.9	33.0	18.3	17.9	18.2
Net interest	(0.1)	0.0	(0.7)	(1.6)	(1.3)
Profits from Associated Co.	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pre-tax Profit	40.7	33.0	17.6	16.2	16.8
Income tax	(6.1)	(5.4)	(2.9)	(2.7)	(2.8)
Minority Interests	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)
Net Profit	34.3	27.4	14.3	13.2	13.7

Balance Sheet YE 30 June (S$m)					
	2009A	**2010A**	**2011F**	**2012F**	**2013F**
Cash & Fixed Deposit	40.5	56.4	58.6	67.9	73.6
Trade Receivables	23.4	50.6	46.2	41.0	34.8
Contsruction contract WIP	1.4	3.1	6.3	5.0	4.0
Other current assets	0.1	0.3	0.5	0.5	0.5
Current Assets	65.5	110.5	111.5	114.4	112.9
Property, Plant and Equipment	42.6	70.2	85.4	91.9	94.6
Others	2.8	2.3	2.5	2.6	2.8
Non-current Assets	45.4	72.5	87.9	94.6	97.4
Bank Borrowings	6.5	7.4	11.1	10.0	9.0
Trade Payable	40.0	38.4	30.1	37.4	35.6
Others	5.9	4.5	3.0	2.7	2.4
Current Liabilities	52.4	50.2	44.1	50.1	47.0
Bank Borrowings	12.2	10.6	21.1	19.0	17.1
Others	3.0	7.3	8.4	8.3	8.2
Non-current Liabilities	15.2	17.9	29.5	27.3	25.3
Shareholder's Equity	43.4	114.9	125.7	131.6	138.0

Cash Flow YE 30 June (S$m)	2009A	2010A	2011F	2012F	2013F
Cash flow from Operating activities					
Pre-tax profits	40.7	33.0	17.6	16.2	16.8
Adjustments	15.4	(2.1)	18.9	0.3	(1.6)
Operating cash flow before working capital	56.1	30.9	36.5	16.5	15.2
Changes in working capital	5.4	(10.8)	(7.2)	13.8	5.4
Tax paid & others	(7.2)	(3.5)	(1.8)	(2.8)	(2.9)
Net cash generated from operations	54.3	16.6	27.4	27.6	17.7
Cash flow from investing activities					
Capex	(5.2)	(29.5)	(26.2)	(8.5)	(3.0)
Others	0.1	1.6	1.7	1.2	1.3
Net cash from investing activities	(5.1)	(27.9)	(24.5)	(7.3)	(1.7)
Cash flow from financing activities					
Loans	(3.3)	(0.7)	14.3	(3.2)	(2.9)
Dividend	(30.4)	(13.8)	(3.8)	(7.7)	(7.7)
Others	(3.5)	41.8	(11.1)	(0.2)	(0.2)
Net cash from financing activities	(37.1)	27.2	(0.6)	(11.1)	(10.8)
Net change in cash	12.1	15.9	2.3	9.2	5.2
Cash balance at beginning of year	27.6	39.7	56.4	58.6	67.9
Other adjustments	0.8	0.8	(0.1)	0.2	0.5
Cash balance at end of year (net of OD & adjms)	**39.7**	**56.4**	**58.6**	**67.9**	**73.6**

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