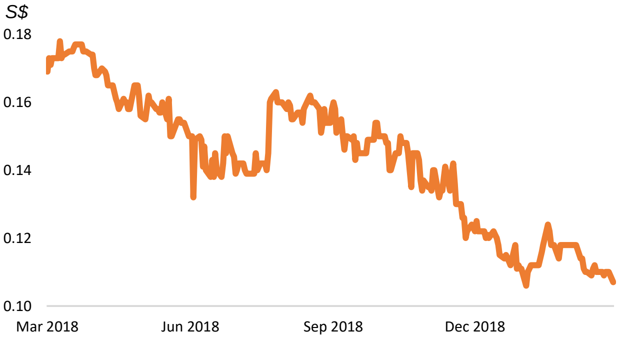
Hatten Land Limited

Date: 22 May 2019

BUY
(Initiating coverage)

Target price: S$0.47
+343%

HATT SP
Price: S$0.106 (as at 21 May 2019)



Share price	1M	3M	6M	1Y
Hatten Land	(8.3)%	(21.4)%	(31.3)%	(35.3)%
Straits Times Index	(2.5)%	4.7%	(2.0)%	(6.7)%

Market capitalisation	S$146.1 million
Current price	S$0.106
Shares outstanding	1,378,096,353
Free Float	16.9%
Major shareholders	Hatten Holdings (1) 82.15%
Recommendation of other brokers	N/A

Source: Company data, Bloomberg, SAC Advisors

(1) Hatten Holdings Pte. Ltd. is jointly owned by Tan June Teng Colin and Tan Ping Huang Edwin, as such Tan June Teng Colin and Tan Ping Huang Edwin are deemed interested in the shares of the Company held by Hatten Holdings Pte. Ltd.

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Integrated Property and Tourist Development Developer

Hatten Land Limited, and together with its subsidiaries, ("**Hatten Land**", "**Company**", or the "**Group**") is a leading property developer in Malaysia of integrated developments. Their property developments are currently concentrated in Melaka, which is strategically situated along the one-belt-one-road ("**OBOR**") corridor.

Unbilled sales of RM557.1 million set to be realised in FY2019 with the bulk of this to be realised in FY2020. We expect the Group to recognise unbilled sales from Hatten City Phase 2, Harbour City and Satori respectively in FY2019 and onward. These revenue projections are secured against the sales and purchase agreement ("**SPA**") signed and is based purely from the Group's unbilled sales. Based solely on the units that have been sold, we derived an NPV of RM128.1 million for development profits, which gives us an overall target price of S$0.33, which we think should be a comfortable support price for the Group. Our target price assumption however, captures the full upside potential (with a 30% discount) that the Group should see when they realise the sale of their current development properties.

Degearing of balance sheet expected for FY2019 and FY2020. While the Group's high net gearing is an area of concern, we think the risk is low given the clear visibility in sales for FY2019 and FY2020. Notwithstanding this, we expect most of the debt to be parred down on progressive recognition of unbilled sales that we discussed earlier.

Strong sponsor backing from parent – Hatten Group ensures steady pipeline of projects. Hatten Land has the advantage of having access to 18 land parcels and development rights that are currently held by the Hatten Group for future development. Through the right-of-first-refusal ("**ROFR**") and Call Option granted to the Company, they are able to periodically review whether such land parcels and development rights held by the Hatten Group would be suitable for property development.

We initiate coverage on Hatten Land with a BUY with a target price of S$0.47 based on a conservative value of the Group's RNAV. In arriving at our target price of S$0.47, we based this on a sum-of-the-parts valuation of their three business segments, representing an 343% upside to the Company's last traded price. We see the current valuation as undemanding given the steeper than Street discounts we have applied to their business segment. We initiate with a BUY with a target price of S$0.47.

Key risks: (i) Property development risks, (ii) geographical concentration risks and (iii) financing risks.

Key Financials

Year ended June (RM'000)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Revenue	412,347	462,441	235,465	231,278	350,973
% Growth	(5.5%)	12.2%	(49.1%)	(1.8%)	51.8%
Gross profit	154,720	180,332	77,436	71,696	105,292
Gross profit margin	37.5%	39.0%	32.9%	31.0%	30.0%
Profit/(loss) before tax	96,441	30,409	7,390	4,007	15,680
Profit/(loss) before tax margin	23.4%	6.6%	3.1%	1.7%	4.4%
Profit/(loss) attributable to owners (2)	68,588	8,722	3,173	3,045	11,862
EPS/(LPS) (RM cents)	5.77	0.69	0.23	0.22	0.86
P/E (x)	5.6	46.6	139.7	145.3	37.3
P/B (x)	0.7	0.2	0.2	0.2	0.2
Net Debt/Equity	278.0%	119.5%	194.8%	132.0%	95.0%

(2) Profit/(loss) attributable to equity holders of the Company from continuing operations

Investment Highlights

Hatten Land is a leading property developer in Malaysia of integrated residential, hotel and commercial developments. Their property developments are currently concentrated in Melaka, which is strategically situated along the OBOR corridor.

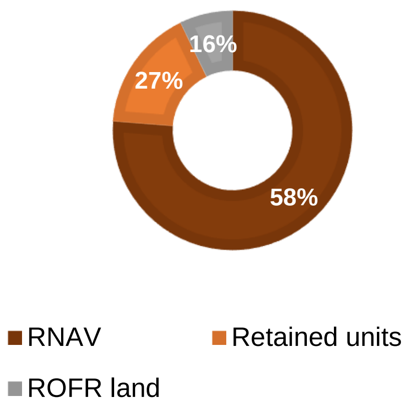
Business Overview:

Hatten Land is a leading property developer in Malaysia of integrated residential, hotel and commercial developments. They were listed on the Catalist Board of Singapore Exchange on 28 February 2017 through a reverse takeover ("**RTO**") of VGO Corp.

Unbilled sales of RM557.1 million set to be realised in FY2019 with the bulk of this to be realised in FY2020. We expect the Group to record a revenue of RM231.3 million and RM351.0 million respectively as the Group recognises unbilled sales from Hatten City Phase 2, Harbour City and Satori respectively in FY2019 and onward. These revenue projections are secured against the sales and purchase agreement ("**SPA**") signed and is based purely from the Group's unbilled sales. In arriving at our revenue projections for both years, we have conservatively only recorded sales from their unbilled sales. Based solely on the units that have been sold, we derived an NPV of RM128.1 million for development profits, which gives us an overall target price of S$0.33, which we think should be a comfortable support price for the Group. Our target price assumption however, captures the full upside potential (with a 30% discount) that the Group should see when they realise the sale of their current development properties.

Moving forward, we expect the Group to see greater recurring income from their new mall management arm, Hatten Commercial Management Sdn. Bhd. which they unveiled in April 2018 to complement its property development business and drive recurring revenue. This new business division, which is expected to generate recurring income for Hatten Land, will eventually oversee 4,900 commercial retail units with a combined gross floor area of 4.34 million square feet, within five shopping malls developed by the Group.

HATTEN LAND'S VALUE (1)



Source: Company data,, SAC Advisors

(1) Due to rounding, figures may not add up to 100%.

Degearing of balance sheet expected for FY2019 and FY2020. While the Group's high net gearing is an area of concern, we think the risk is low given the clear visibility in sales for FY2019 and FY2020, moreover the high gearing can also be attributed to the Group's book value, which is lower than their RNAV. Notwithstanding this, we expect most of the debt to be parred down on progressive recognition of unbilled sales that we discussed earlier. We expect the Group's net debt to be parred from 195% in FY2018 to 132% and 95% in FY2019 and FY2020 respectively.

Strong sponsor backing from parent – Hatten Group ensures steady pipeline of projects. Hatten Land is the property development arm of the Hatten Group (the Hatten Group of companies with interests in property development, property investment, hospitality, retail and education). Its conceptual approach is to design developments with iconic characteristics and attractions. With Hatten Group's comprehensive and vertically integrated business, this allows Hatten land to tap into their parent's strengths and incorporate various elements of the development process, ranging from design to management to hospitality services, into their planning process that has seen the Group produce award winning properties.

Investment Highlights

Hatten Land also has the advantage of having access to 18 land parcels and development rights that are currently held by the Hatten Group for future development. Through the right-of-first-refusal ("**ROFR**") and Call Option granted to the Company, they are able to periodically review whether such land parcels and development rights held by the Hatten Group would be suitable for property development.

We think this arrangement benefit's the Group as they are able to assess the best time at management's discretion in terms of when to acquire the land for development.

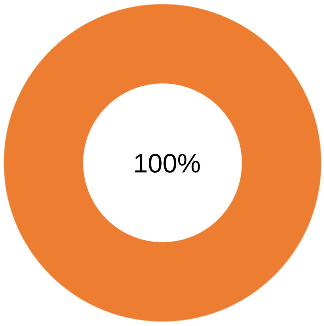
Hatten Land diversifies into Australian property market. The Company announced in early March that they had entered into an exclusive land purchase option agreement with Sunvale Development to acquire a land in Melbourne, Australia. This marks the Group's first expansion into the Australian property market. Along with the Group's diversification into Seremban and the Cyberjaya project earlier, we view the latest venture positively as we think the Group is making a conscious effort in expanding and diversifying their geographical presence outside of Malaysia.

We initiate coverage on Hatten Land with a BUY with a target price of S$0.47 based on a conservative value of the Group's RNAV. In arriving at our target price of S$0.47, we based this on a sum-of-the-parts valuation of: (i) the RNAV from their existing development projects, (ii) the recurring income from their retained units and (iii) the potential value extractable from their pipeline of land acquisitions.

When we summed up the three segments together, we arrived at an overall valuation of S$641.8 million, or S$0.47/share, representing an 343% upside to the Company's last traded price. We see the current valuation as undemanding given the steeper than Street discounts we have applied to their business segment. We initiate with a BUY with a target price of S$0.47, representing 343% upside potential.

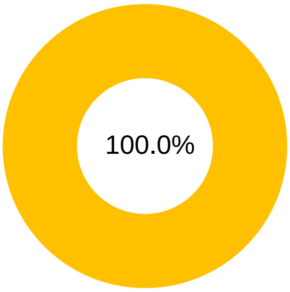
Company Background

Revenue Breakdown (FY2018)



Source: Company data, SAC Advisors

Revenue breakdown (FY2018) – By country



Source: Company data, SAC Advisors

Hatten is one of the leading property developers in Malaysia specialising in integrated residential, hotel and commercial developments and is currently focused in Malacca, Malaysia. They are the property development arm of the Hatten Group, which is a leading brand in Malaysia with core businesses in property development, property investment, hospitality, retail and education.

We see Hatten tap into the strengths of the Hatten Group and its comprehensive and vertically integrated businesses. This allows them to incorporate various elements of the development process, ranging from design to management to hospitality services, into their planning process resulting in a consistent product. They also have access to 18 land parcels or approximately 174 acres of land banks and development rights in high-growth locations in Malaysia (more on this later). This arrangement gives Hatten Land priority access to many plots of prime land.

The Group has an established track record for the development of well-designed properties in Malacca and ability to develop projects that meet customer's needs. Over the years, they have won numerous accreditations and awards for their property development.

Hatten listed on the SGX Catalist Board on 28 February 2017 after the completion of the reverse takeover. On the 30 January 2019, the Company announced their intention to transfer the listing of the Company from the Catalist Board to the Mainboard.

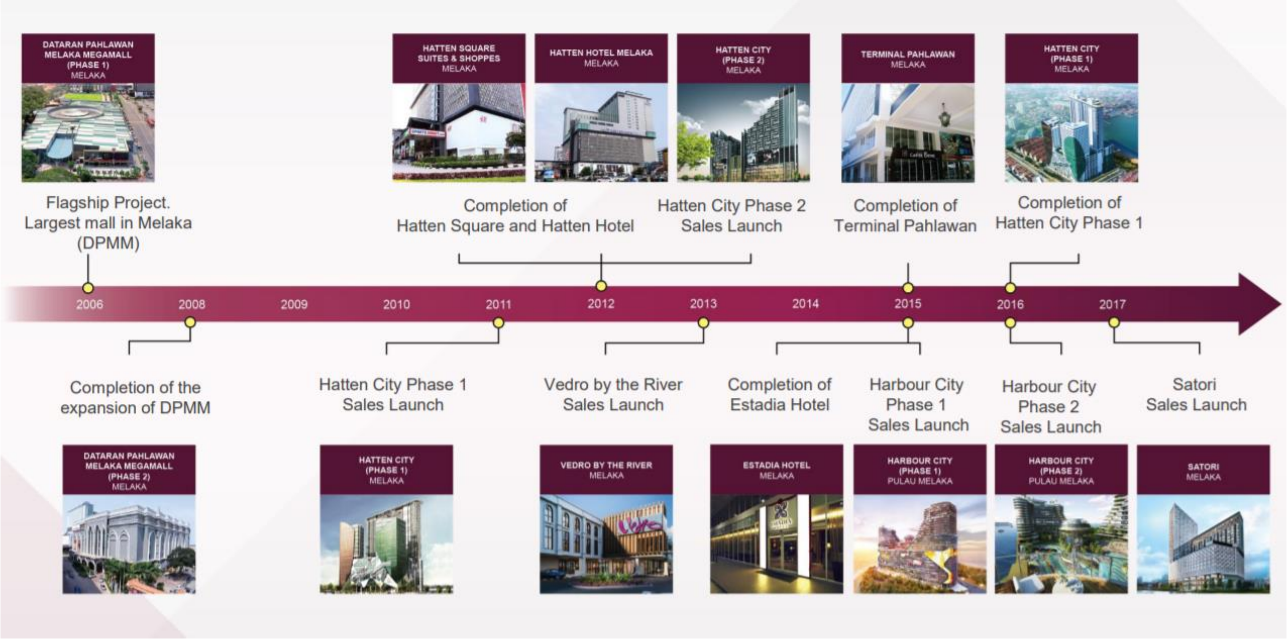
Development Track Records

Name of development	Year	Development description
Dataran Pahlawan Melaka Megamall	2006	Flagship project, largest mall in Melaka.
Hatten City Phase 1	2011	Sales launch. Completion in 2016.
Hatten Square and Hatten Hotel	2012	Completion of both developments.
Hatten City Phase 2	2012	Sales launch.
Vedro by The River	2013	Sales launch. Completion in 2017.
Terminal Pahlawan, Estadia Hotel, Harbour City Phase 1	2015	Completion of Terminal Pahlawan, Estadia Hotel and sales launch of Harbour City Phase 1.
Harbour City Phase 2	2016	Sales launch.
Satori	2017	Sales launch.

Source: Company data, SAC Advisors

Extensive Track Record

As the property development arm of the Hatten Group, Hatten Land has over 10 years of track record in developing award-winning integrated residential, hotel and commercial developments in Melaka. Their track record is summarised below.



Source: Company data

Their experience in developing well-designed properties in Melaka and ability to develop projects that meet their customer's needs have seen them win over 50 prestigious property awards since 2011.

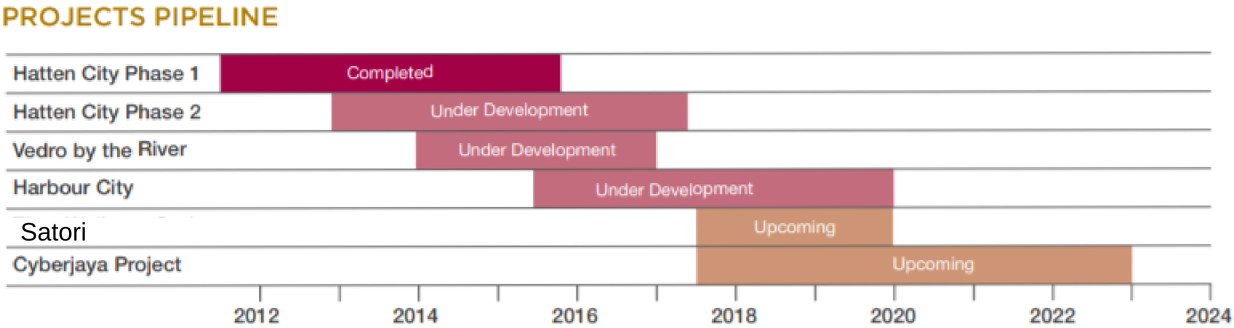
About Hatten Group
The Hatten Group of companies has interests in property development, property investment, hospitality, retail and education.

As parts of the Hatten Group's business are complementary to the business of Hatten land, they have agreements in place to leverage on each other's business, experience and resources to add value to both businesses. It is envisaged by the Group that such an arrangement will derive operational and financial leverage through savings in terms of reduced overheads and greater economies of scale (such as bulk discounts).

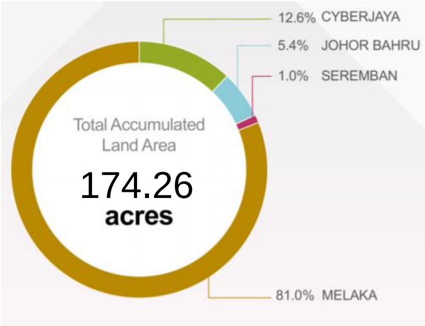
There is an interested parties transaction mandate that is subject to annual renewal.

Summary of Projects Pipeline

Hatten Land's current development portfolio comprises three (3) integrated mixed-use development projects and retail malls in Melaka and Seremban, Malaysia. Hatten City Phase 1 (comprising Elements Mall, SilverScape Residences and Hatten Suites), Hatten City Phase 2 and Vedro by the River have completed. Harbour City and Satori are in various stages of completion and have been contributing to the Group's earnings. The summary of some of their projects pipeline is shown below.



Source: Company data



Source: Company data

Healthy pipeline of future developments

Hatten Land's ROFR and call options to approximately 200 acres of land banks and development rights in high-growth locations in Malaysia allow them to periodically review whether the specific land bank will be suitable for development. This arrangement places Hatten Land in a near-unrivalled position with priority access to many plots of land parcels.

Source: Company data

Current Development Properties

Hatten City Phase 1

Hatten City Phase 1 which comprises Elements Mall, SilverScape Residences, Hatten Suites and DoubleTree by Hilton measures six (6) acres and is located along Jalan Syed Abdul Aziz, Bandar Hilir, Melaka, Malaysia, fronting the Melaka Straits. The mixed development integrates four (4) distinct projects namely Elements Mall, SilverScape Residences, Hatten Suites and a tower block which will be manged by Hilton Worldwide as part of its DoubleTree by Hilton brand.

Historical Gross profit margins (%)	FY14	FY15	FY16
Hatten City Phase 1	28.0	25.4	48.5

Source: Company data, SAC Advisors

Source: Company data

Source: Company data

Hatten City Phase 1 has been completed, and is a 99-year leasehold integrated mall and residential development. The SilverScape Residences of Hatten City Phase 1, stands at 45 storeys and is currently the tallest building in Melaka.

Project	Total development		Balance unsold	
	GDV (RM'mil)	Units	GDV (RM'mil)	Units
Hatten Place	273	582	7	7
Elements Mall	1,406	1,251	752	386
SilverScape (Tower A & B)	633	747	54	52
Total	**2,312**	**2,580**	**813**	**445**

Source: Company data (Feb 2019), SAC Advisors

In FY2016, the Group recorded a higher gross profit margin of 48.5% due to adjustment made to account for the lower finalised cost items incurred on completion of Hatten City Phase 1 in FY2016. Hatten City Phase 1 has a market value of RM628.0m as at 30 June 2016.

Current Development Properties

Hatten City Phase 2

Hatten City Phase 2 which comprises Imperio Mall, and Imperio Residences, measures approximately four (4) acres and is located along Jalan Syed Abdul Aziz, Bandar Hilir, Melaka, Malaysia, fronting the Melaka Straits. The development utilises an iconic “cascading steps” design which functions as an outdoor jogging route with views of the coast and surrounding city.Imperio Residence will also feature 10 cabana villa units, each of which will measure approximately 3,930 square feet across three (3) storeys along with two (2) private carparks, its own lift and pool.

Historical Gross profit margins (%)	FY14	FY15	FY16
Hatten City Phase 2	19.6	6.7	22.1

Source: Company data, SAC Advisors

Source: Company data

Hatten City Phase 2 is a 99-year leasehold integrated mall and residential development. Hatten City Phase 2 has won an impressive list of awards, the notables ones are as follows: (a) Winner of Best Residential Architecture Design (Imperio Residence) South East Asia Property Awards 2014 and (b) Highly Commended Commercial High-Rise Development Malaysia (Imperio Mall) by Asia Pacific Property Awards Development 2013 – 2014.

Project	Total development		Balance unsold	
	GDV (RM’mil)	Units	GDV (RM’mil)	Units
Imperio Mall	952	784	252	166
Imperio Residence A	333	494	79	165
Imperio Residence B	328	456	44	72
Total	**1,613**	**1,734**	**375**	**403**

Source: Company data (Feb 2019), SAC Advisors

We expect the Group to have clear earnings visibility for the coming financial year which will be boosted by the expected completion of Hatten City Phase 2 by the second quarter of FY2019. In 2018 and 2019, there was a provision for liquidated ascertained damages arising from late delivery and handover of the property units for Hatten City Phase 2 to the buyers. The liquidated damages is expected to be fully recovered from the contractor.

Completed Properties

Vedro by the River

Vedro by the River comprises measures approximately two (2) acres and is located along the Melaka River on Kee Ann Road. The development was completed in 2017. Vedro by the River aims to feature an eclectic mix of tenants ranging from fashion houses to retailers of novelty gadgets and chic accessories.

Historical Gross profit margins (%)	FY14	FY15	FY16
Vedro by the River	32.6	21.9	20.0

Source: Company data, SAC Advisors

Source: Company data

According to research from NTL Research & Consulting, while location and market positioning of the mall differs, the average selling price of retail lots in Melaka generally ranges from RM1,500 per sq ft to RM3,500 per sq ft. Rental rate across malls in Melaka are generally stable with few exceptions of increase due to competition. Nonetheless, the retail market in Melaka is indicated to have a yield of 7%.

Project	Total development		Balance unsold	
	GDV (RM'mil)	Units	GDV (RM'mil)	Units
Vedro by the River	293	736	89	198
Total	**293**	**736**	**89**	**198**

Source: Company data (Feb 2019), SAC Advisors

Vedro by the River is a freehold retail mall development. It should be noted that of the units unsold, some of these are being retained for the purpose of rental and generates rental income for the Group. Vedro by the River has a market value of RM65.0m as at 30 June 2016.

Current Development Properties

Harbour City

Harbour City measures approximately six (6) acres and is located on Pulau Melaka fronting the Melaka Straits. The mixed development will consist of Harbour City Mall, an integrated water theme park and three (3) hotel blocks.

Historical Gross profit margins (%)	FY15	FY16
Harbour City	30.0	30.0

Source: Company data, SAC Advisors

Source: Company data

豪暻灣
HARBOUR CITY
@ PULAU MELAKA

Harbour City is a 99-year leasehold mixed commercial development. In 2015, the Group launched Phase 1 of Harbour City. It is expected to be completed in the first quarter of 2020. The Company also announced that in August 2018, they unveiled the 500,000-square feet Splash World @ Harbour City, Melaka's largest 'sky' water theme park, in a RM200 million collaboration with Samsung C&T Corporation and Polin Waterparks. Samsung C&T Corporation is the operator behind Everland Resort, South Korea's largest theme park, and Polin Waterparks is a global leader in manufacturing water parks. Splash World is slated to open in the first half of 2020 and can accommodate up to 1.9 million visitors annually. This attraction is expected to reshape Melaka's tourism and entertainment landscape.

Project	Total development		Balance unsold	
	GDV (RM'mil)	Units	GDV (RM'mil)	Units
Harbour City Mall	1,069	1,792	604	918
Harbour City Suites	341	717	7	7
Harbour City Resort	507	576	111	60
Harbour City Premier Resort	285	291	159	106
Total	**2,202**	**3,376**	**881**	**1,091**

Source: Company data (Feb 2019), SAC Advisors

Current Development Properties

Harbour City

In FY2018, contribution from Harbour City helped offset lower sales from their other properties. Harbour City has a market value of RM849.0m as at 30 June 2016.

Satori

SATORI
SANCTUARY IN THE CITY

Satori, which means enlightenment in Japanese is a two-acre mixed development located in Taman Melaka Raya with an estimated gross development value of RM243 million. Taman Melaka Raya is a township in Melaka, Malaysia. Taman Melaka Raya has a shopping mall called Plaza Mahkota which houses a bowling arena. This area is known as the Melaka business area because it has many different banks and offices. It will have a high-quality serviced residential and hotels units, as well as a comprehensive wellness mall.

Source: Company data

Satori is a 99-year leasehold integrated mall and residential development. The Satori project is the Group's first wellness project offering a quality lifestyle with a wholesome range of wellness amenities. The project is set for completion in 4^{th} quarter of FY2020. The services and facilities offered in Satori's suite of over 50 wellness facilities include a one-stop fitness and aqua gym, health food outlets, yoga rooms, sea salt spas and mud baths, an infinity pool and sky lounge, amongst others. Satori is expected to carve a niche in the multi-billion dollar global wellness-tourism market in Melaka and develop Malaysia's growing potential for wellness tourism.

Project	Total development		Balance unsold	
	GDV (RM'mil)	Units	GDV (RM'mil)	Units
Satori Suites	174	336	30	57
Satori Serviced Residences	69	192	55	150
Total	**243**	**528**	**85**	**207**

Source: Company data (Feb 2019), SAC Advisors

Current Development Properties

Satori

Satori's proximity to Hatten Land's iconic Hatten City, and major developments such as the deep sea port and cruise terminal positions this project well for future growth.

Unicity

The Unicity lifestyle campus mall is an approximately two (2) acres mall, and marks the Company's first venture into the Seremban area and outside of Melaka. It is located next to University Teknologi MARA, providing the Company with access to a new customer base comprising mostly property users for education purposes.

Source: Company data

Unicity lifestyle campus mall is a freehold campus mall comprising 450 retail units with an estimated GDV of RM299 million.

Project	Total development		Balance unsold	
	GDV (RM'mil)	Units	GDV (RM'mil)	Units
Unicity Mall	235	464	201	343
Unicity Residences	64	247	6	22
Total	**299**	**711**	**207**	**365**

Source: Company data (Feb 2019), SAC Advisors

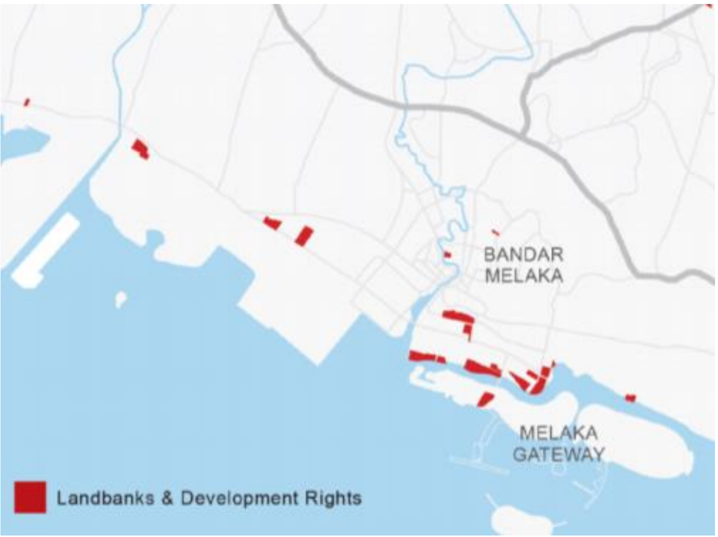
Rich land bank ensures sustainable pipeline

Competitive Advantage: Strong Sponsor backing

As the property development arm of the Hatten Group, Hatten Land has over 10 years of track record in developing integrated developments in Melaka. With access to 18 land bank and development rights in high growth cities held by the Hatten Group for future development.

Through the right of first refusal and options granted to the Company, Hatten Land is able to periodically review whether such land bank held by the Hatten Group would be suitable for property development.

Since their listing, Hatten Land has already exercised their rights under the ROFR and Call Option to acquire the property development companies relating to the Cyberjaya project and the Satori Project.



Source: Company data (2017), SAC Advisors

Based on their latest announcement, the land bank have a total of 174.26 acres of total accumulated land area. These land parcels are also in the high growth city of Melaka, which is 1.5hrs away from Kuala Lumpur. Melaka is also the second fastest growing city in Malaysia, posting an 8.1% growth in GDP for 2017, just behind Sabah.

We think this arrangement is advantageous to Hatten Land as they will be able to remain asset-light without locking up too much capital in the land and also leave the risk of holding onto the land to their parent, Hatten Group. The arrangement also gives Hatten Land the luxury of cherry-picking the land for development based on their assessment of the most opportune time.

Corporate Structure

History

The Group is the property development arm of parent company Hatten Group. They commenced their first property development when the Tan brothers took over the entire beneficial interest of Lianbang and an abandoned mall project (which is held under holding company Lianbang, and is today known as Dataran Pahlawan Melaka Megamall) in 2005.

Turnaround project
In developing Dataran Pahlawan Melaka Megamall, the Tan brothers recognised that the abandoned 7.7 hectares site was located in the heart of Malacca's historic city. The Tan brothers, with the council of their father – Datuk Wira Eric - and adviser on strategic issues saw the potential to revive and inject life into an otherwise abandoned project. The Tan brothers overcame various challenges, ranging from the reconfiguration of design and layout to increase the saleable area of the mall, to the sourcing of international brands and high quality tenants. The international brands brought in by the Tan brothers included many that were not previously in the Malacca market, which contributed to the popularity and success of Dataran Pahlawan Melaka Megamall.

The first phase of the Dataran Pahlawan Melaka Megamall was completed quickly in 2006. They also managed to partially repay the construction costs and bank financing through the proceeds from the sale of some retail units of the Dataran Pahlawan Melaka Megamall as the value of the retail units had appreciated over the period. To date, the Hatten Group still owns a substantial portion of the retail units of the Dataran Pahlawan Melaka Megamall.

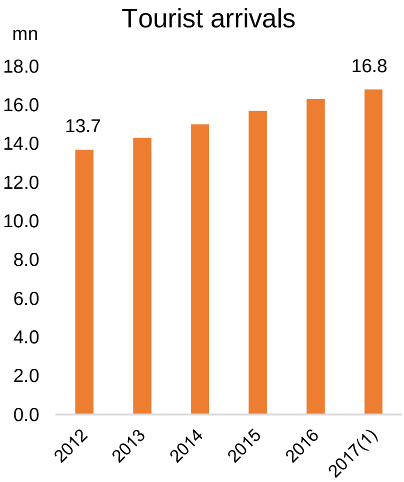
Source: Company data

The Group's success in this project paved the way for further developments in Melaka, and the Group ventured into integrated property developments in hospitality and retail, and most recently, in the fast growing tourism development space as well.

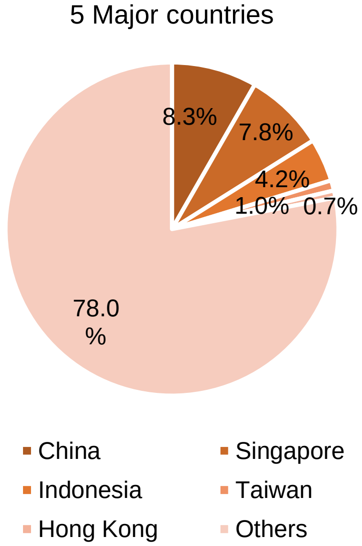
Melaka

Melaka: Tourism and Investment destination

Source: Melaka Gateway



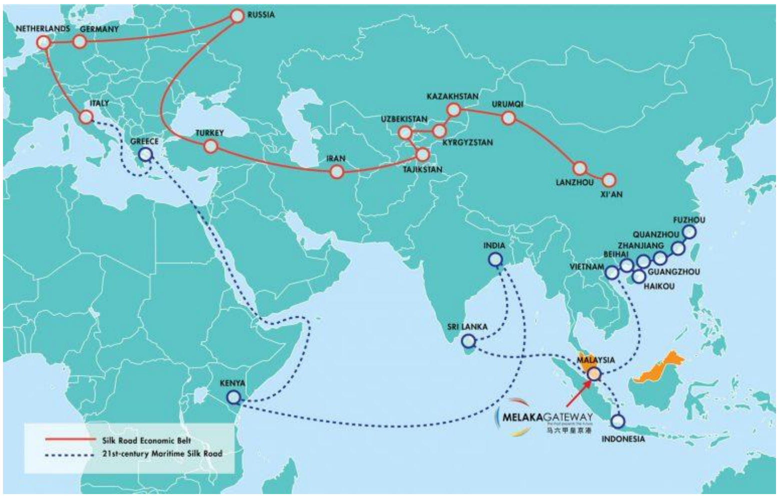
Source: Melaka State Economic Planning Unit
(1) Estimated



Source: Melaka State Economic Planning Unit

Melaka dubbed “The Historic State”, is a state in Malaysia located in the southern region of the Malay Peninsula, next to the Strait of Malacca. It’s capital is Melaka City, which is 148 kilometers south east of Malaysia’s capital city Kuala Lumpur. This historical city has been listed as a UNESCO World Heritage site since July 2008.

Without significant natural resources, Melaka rely on their strategic location to attract investments into the state. Historically, Melaka is the centre of the all important spice trade.



Source: Melaka Gateway

It is expected that the OBOR initiative will present trade opportunities and development on Malaysia’s ports, railways and airports. Melaka Gateway (see image above) has been earmarked as a key port of call along this route.

And the strategic masterplan of Melaka Gateway’s development aligns with the OBOR initiative as strategised by China, on improving road connectivity, promoting free trade, enhancing flow and accelerating diplomatic relations. Melaka Gateway, as the premier development along this international economic corridor, is expected to drive Melaka’s prime position under this initiative.

Melaka is positioning herself for this, the Melaka International Trade Centre in Ayer Keroh which was opened in June 2003 is the leading commercial centre and centre for meetings, incentives, convention and exhibitions which plays an important role in the development of trade in Melaka.

Based on official data, in 2017 the service sector contributes to the largest share of economy in Melaka at 45%, following by manufacturing at 43%. There are currently 23 industrial areas which are centered along the edges of the city proper in suburbs which include Ayer Keroh, Batu Berendam, Cheng, Taman Tasik Utama and Tanjung Kling. While outside of Melaka City, industrial areas include Alor Gajah and Sungai Udang. There are around 500 factories in the state which come from Germany, Japan, Singapore, Taiwan, United States etc.

Melaka

Records second highest growth in the country

In 2018, Melaka recorded a GDP growth of 8.1%, the second highest in the country after Sabah. GDP per capita also expanded 11.2% to RM46,015 in 2017, surpassing the national-level figure of RM42,228. Without any natural resources unlike some of the other states in Malaysia, Melaka has long worked hard to encourage both foreign and domestic investors to set up operations in the state's industrial areas. Currently, there are 23 industrial areas which are centered along the edges of the city in suburbs which include Ayer Kweoh, Batu Berenedam, and Tanjung Kling amongst the others.

According to the Malaysian Investment Development Authority's Malaysia Investment Performance Report 2017, Melaka attracted investments totalling RM4.7 billion in 2017, the fifth highest in the country.

And while the recent political situation in Malaysia has caused some concern about a slow down in growth, we think that Malaysia holds strategic advantages as a low cost manufacturing base, and can potentially benefit from the migration of manufacturing activities to ASEAN.

Melaka is also strategically situated along the OBOR corridor, and could potentially benefit from trade flows between the member countries participating in this initiative. Despite concerns that the initiative has slowed down following trade tensions between China and the US, we see China's continued engagement with European countries such as Italy recently as signs that the program is unlikely to be called off.

Growth in Malaysia My Second Home program driven by Chinese

The Malaysia My Second Home or MM2H is a programme promoted by the Malaysia Tourism Authority and the Immigration Department of Malaysia. The programme allow eligible foreigners (defined as those who meet required health and financial conditions) to stay in Malaysia for a period of 10 years.

Country (1)	2014	2015	2016	8M17	Total in Malaysia
China	1,307	719	1,512	1,439	9,902
Japan	428	300	281	179	4,372
United Kingdom	117	83	110	113	2,499
Singapore	94	67	93	60	1,346
Korea	137	120	184	278	1,514

Source: MM2H.gov
(1) List not exhaustive

The MM2H program allows participants to purchase homes priced RM1,000,000 and above, and enjoy certain tax exemptions. Chinese residents represent a growing pool of migrants from overseas that are on this program.

Financial Summary

New FRS 115 standards bring greater clarity on revenue recognition

Hatten Land adopts FRS 115 in the preparation of its financial statements, and recognises revenue from contracts with customers based on a five-step model:

Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation. The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met: (i) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

(ii) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

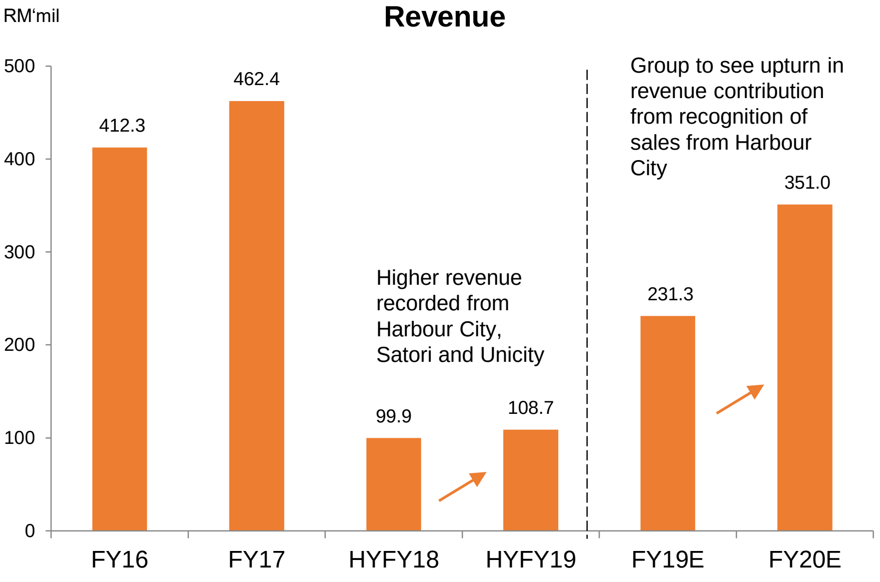
(iii) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Sale of development properties revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms.

Financial Summary

Higher revenue recorded for 6MFY2019, profit lower on one-off adjustments last year and higher rebates

The Group recorded revenue of RM108.7 million for 6MFY2019, which was RM8.8 million or 8.8% higher than 6MFY2018. The increase in revenue was mainly attributed to higher revenue recorded from Harbour City, Satori and Unicity. The increase in revenue was however, partially offset by the lower revenue recorded from Hatten City Phase 1 and Hatten City Phase 2 projects.



Source: Company data, SAC Advisors

In terms of value of revenue, 57.7% was from Harbour City, 30.7% was recognised from Imperio, which is a part of Hatten City Phase 2 that was completed in November 2018. While Unicity accounted for 6.5%, the remaining projects constitute 5.1% of total revenue.

The Group however, saw a gross profit margin of 25.3% in 6MFY2019 due to a one-off adjustment for lower project development cost for Hatten City Phase 2 and Harbour City. The cost of sales was also higher mainly due to higher discount and promotional rebates to purchasers for Hatten City Phase 1 and Phase 2 projects.

As a result of the above, the Group recorded a profit after tax of RM2.1 million in 6MFY2019 compared to a profit after tax of RM13.8 million in 6MFY2018.

Conservative estimates for FY2019E and FY2020E revenue. We expect the Group to record a revenue of RM231.3 million and RM351.0 million respectively as the Group recognises unbilled sales from Hatten City Phase 2, Harbour City and Satori respectively. In arriving at our revenue projections, we have conservatively only recorded sales from their unbilled sales.

Financial Summary

Group's marketing strategy to promote hospitality and retail developments is margin neutral

We think that the market currently misunderstands the Group's marketing strategy of giving guaranteed rental return through their hospitality and retail development as a reduction in their overall margin when it is actually margin enhancing to the Group. We first take a look at the Group's current marketing arrangement for their hospitality and retail development then debunk the perception of the guaranteed rental rate being negative for the Group.

<u>Hospitality developments</u>
In relation to current hospitality properties developed by the Group that are sold to their customers with a sale and leaseback arrangement to provide rental yield (which currently stands at 6% of the purchase price or the prevailing market price, annually) for a committed rental period (which currently is 6 to 9 years). This is part of their marketing strategy to promote their hospitality properties. The rental yield is provided to our customers through a tenancy agreement, which is entered into between our customers as purchasers and us as developer at the same time as the sale and purchase agreement.

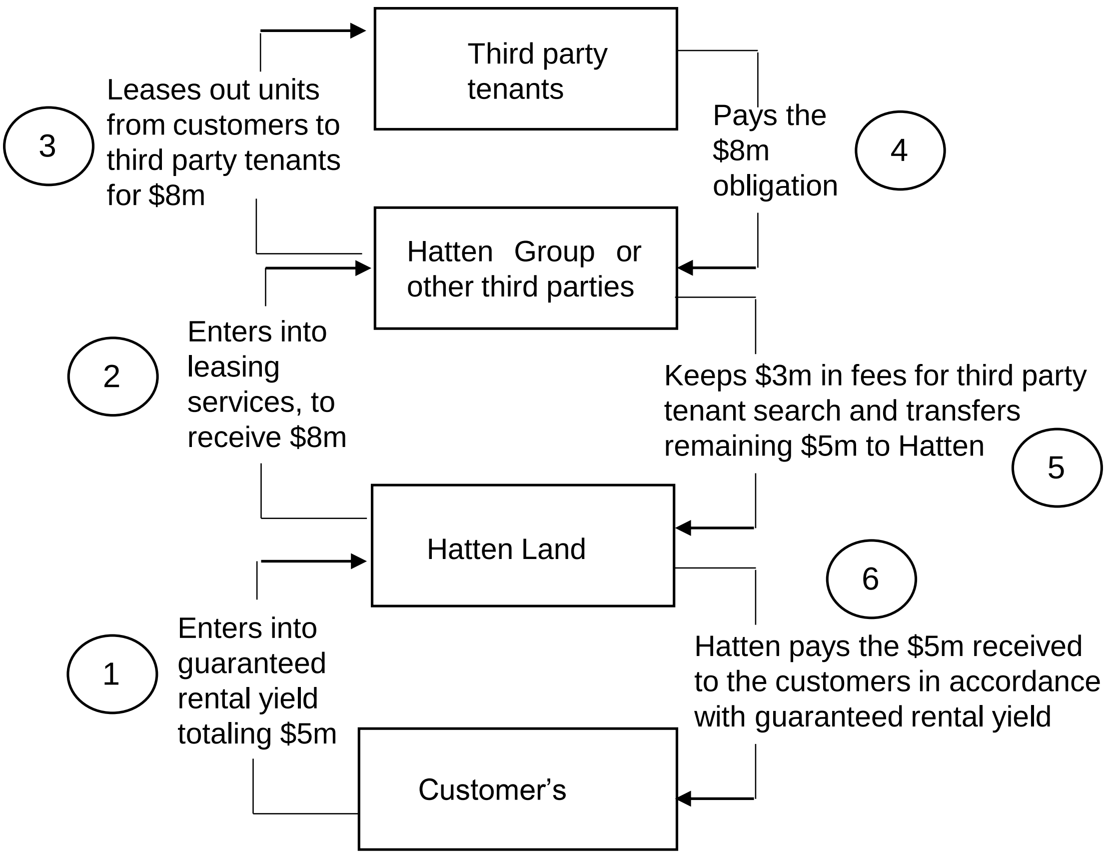
This can be seen in relation to Harbour City Suites and Harbour City Resort, where purchasers of certain units in such developments have signed tenancy agreements with the Hatten Group. In order to satisfy their obligations on providing such rental yield, the Group will have to enter into a master lease agreement, which shall be beneficial to the Group, with the Hatten Group or such other third parties for the leasing of the relevant hospitality units. Such master lease agreements provide rental cash flow for the Group and facilitate the satisfaction of the Group's obligations in providing rental yield to its customers. As part of the agreement, the Hatten Group or such other third party leases all relevant hospitality units from the Group at a fixed rental rate that takes into consideration the rental yield due to the Target Group's customers.

<u>Retail Developments</u>
In relation to current retail properties developed by the Group, these retail developments are sold to their customers with sale and leaseback arrangements to provide a rental yield (which currently stands at 6% to 8% of the purchase price, annually) for the initial committed rental period of 2 to 3 years and renewable for a further 2 to 3 year period at their discretion. This is part of their marketing strategy to promote their retail properties and control the tenant-mix of our retail malls. The rental yield is provided to our customers through a tenancy agreement, which is entered into between our customers and us as developer at the same time as the sale and purchase agreement. In relation to Harbour City Mall, purchasers of certain units have signed tenancy agreements with the Hatten Group. In order to satisfy their obligations on providing such rental yield, they intend to engage agency services from the Hatten Group or such other third parties in respect of leasing of the sold retail units to third party tenants. This allows them to control the tenant mix of the relevant retail malls and source high quality tenants and international brands.

Financial Summary

Group's marketing strategy to promote hospitality and retail developments is margin neutral

We think that the market currently misunderstands the Group's marketing strategy of giving guaranteed rental return through their hospitality and retail development as a reduction in their overall margin when it is actually margin enhancing to the Group. We provide a simple illustration of the above below.



Source: SAC Advisors

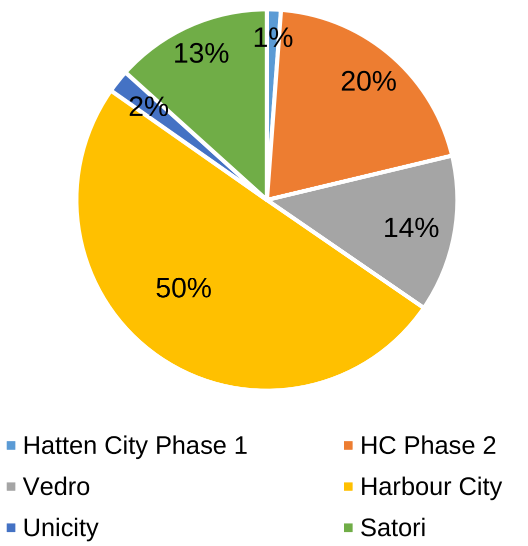
In other words, if the Group is unable to secure a higher yield through a third party or Hatten Group, the Group will end up incurring the cost of the yield. Should they be able to secure a higher yield through the third party however, this guaranteed rental yield will then pay for itself, and incur no costs to the Group.

Financial Summary

Unbilled sales of RM557.1m to be recognised in FY2019 and beyond

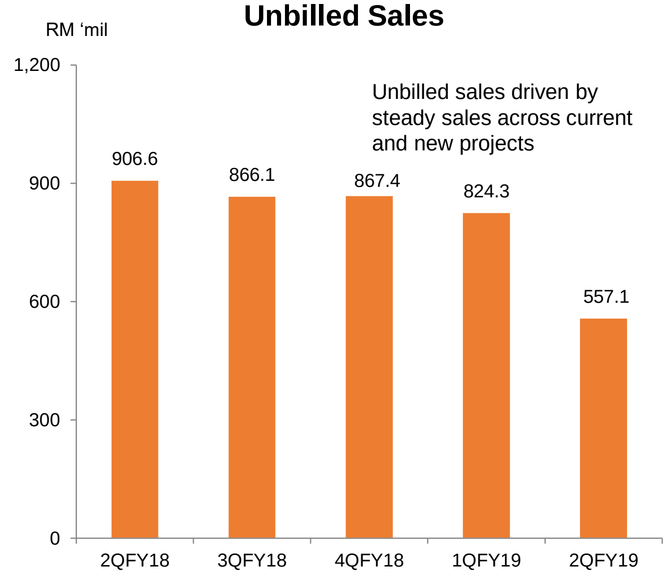
Unbilled sales is typically defined as both parties having the sales and purchase agreement signed. Typically, 30% of the transaction price is collected upfront while the rest of the 70% is collected upon the satisfaction of a performance obligation as set out on page 17 of this report. Based on the Company's latest 2QFY2019 results announcement, the Group has unbilled sales of development properties amounting to approximately RM557.1 million. With the completion of Imperio Mall which is part of the Hatten City Phase 2 in November 2018, some of the unbilled sales are converted into billings for the project.

Breakdown of 2QFY2019 Unbilled sales



Source: Company data, SAC Advisors

Unbilled Sales



Source: Company data, SAC Advisors

New recurring income stream to cushion earnings

In April 2018, Hatten Land unveiled its mall management arm, Hatten Commercial Management Sdn. Bhd. to complement its property development business and drive recurring revenue. This new business division, which is expected to generate recurring income for Hatten Land, will eventually oversee 4,900 commercial retail units with a combined gross floor area of 4.34 million square feet, within five shopping malls developed by the Group.

The Group's new mall management arm complements their core property development business which tend to see lumpier earnings contribution and provides an alternative revenue stream. Revenue contribution from their maiden project, Elements Mall is expected to commence in the second quarter of FY2019. Imperio Mall also obtained the certificate of completion and compliance in the previous quarter, revenue contribution from this mall is expected to commence from the fourth quarter of FY2019.

Financial Summary

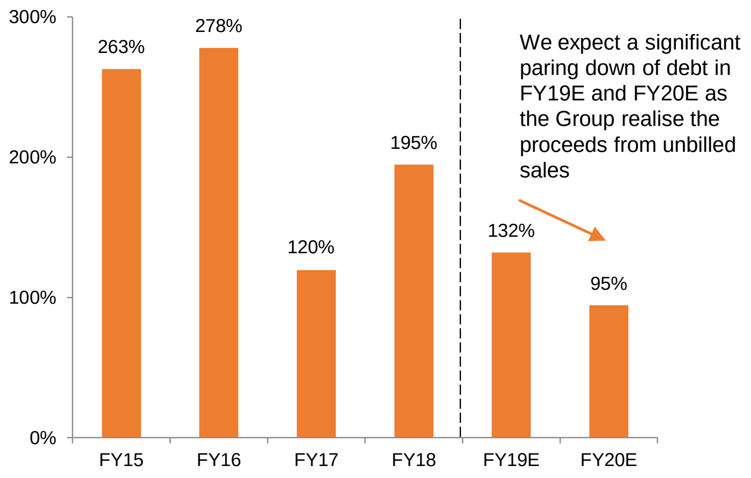
New recurring income stream to cushion earnings

The Company has also guided for Splash World @ Harbour City, Melaka's largest water theme park which was unveiled in August last year to further boost the Group's recurring income stream after it's completion, currently projected to be at the end of 2019.

Degearing of balance sheet expected for FY2019 and FY2020

While the Group's high net gearing is an area of concern, we think the risk is low given the clear visibility in sales for FY2019 and FY2020, moreover the high gearing can also be attributed to the Group's book value, which is different from their RNAV. Notwithstanding this, we expect most of the debt to be parred down on progressive recognition of unbilled sales that we discussed earlier.

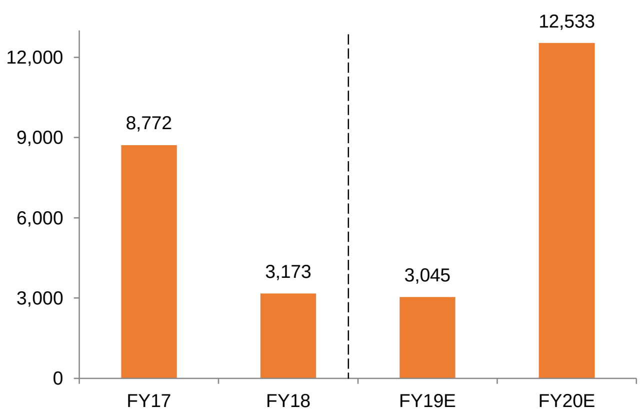
Net gearing



Source: Company data, SAC Advisors

Specifically, we expect the Group to see a significant paring down of their net gearing in FY2019E and FY2020E as the Group records unbilled sales from the completion of Imperio Residences in FY2019 and Harbour City in FY2020.

Net Profit



Source: Company data, SAC Advisors

Future Plans and Growth Strategy

Hatten diversifies and makes first foray into Australian property market

Hatten Land announced in early March that the Group had entered into an exclusive land purchase option agreement with Sunvale Development to acquire a land in Melbourne, Australia for an aggregate consideration of not exceeding A$15.8 million, or equivalent to approximately S$15.25 million. This marks the Group's first expansion into the Australian property market.

The land purchase option agreement gives the Group the option which upon exercise, entitles the Group to acquire the land, which is located in Southbank, Melbourne, Australia. The exercise of this option by the Group is dependent on various conditions and factors such as the issuance of the Revised Planning Permit and satisfactory due diligence.

The land has been granted a planning permit for the development of a multi-storey building comprising of dwellings, retail premises and offices with an estimated gross floor area of 25,000 square meters. The Company intends to develop a mixed-use development on the land which may comprise retail and hospitality units.

Along with the Group's diversification into Seremban and the Cyberjaya project earlier, we view the latest venture positively as we think the Group is making a conscious effort in expanding and diversifying their geographical presence outside of Malaysia.

Upcoming projects

Melaka International Convention Centre project slated for integrated mixed development

The Melaka International Convention Centre ("**MICC**") project is slated to be developed into an integrated mixed development that will comprise a shopping mall, cineplex, convention hall, an auditorium, meeting rooms, a hotel block and a serviced apartment block.

Source: Company data

MICC is located next to Hatten's other development, their Hatten City Phase 1 project.

Cyberjaya Project

The Cyberjaya project with a land size of 25.55 acres will be Hatten Land's first venture into medical tourism, and is slated to be developed over three phases, the integrated mixed development will include retail, commercial (offices), residential and hospitality units as well as a hospital.

Source: Company data

The Cyberjaya project is located at Cyberjaya, Negeri Selangor and has an estimated gross development value of RM3.0 billion.

Upcoming projects

Plot K to E Project

The Plot K to E Project is 66.0 acres of leasehold land (Plot E, F, G, H, I, J, K) located at Kawasan Bandar XL, Daerah Melaka Tengah, Melaka.

Source: Company data

Undemanding Valuations

Steep discount to RNAV

In arriving at our target price of S$0.47, we based this on a sum-of-the-parts valuation of: (i) the RNAV from their existing development projects, (ii) the recurring income from their retained units and (iii) the potential value extractable from their pipeline of land acquisitions from their parent.

Development Properties	Sector	Tenure	Completion date	Stake	% of development unsold (1)	RNAV (RM mn)
Hatten City Phase 1						
Hatten Place	Hospitality	Leasehold (99 years)	November 2015	100%	2.6%	5.9
Elements Mall	Retail & Serviced	Leasehold (99 years)	November 2015	100%	6.4%	61.5
SilverScape (Tower A & B)	Residence	Leasehold (99 years)	March 2016	100%	8.5%	33.7
Hatten City Phase 2						
Imperio Mall	Retail		November 2018	100%		
Imperio Residence A	Residential		3QFY19	100%		
Imperio Residence B	Residential		3QFY19	100%		
Harbour City						
Harbour City Mall	Retail	Leasehold (99 years)	2QFY20	100%	32.1%	270.6
Harbour City Suites	Hospitality	Leasehold (99 years)	2QFY20	100%	2.1%	5.1
Harbour Resort	Hospitality	Leasehold (99 years)	2QFY20	100%	21.9%	92.8
Harbour City Premier Resort	Hospitality	Leasehold (99 years)	2QFY20	100%	55.8%	131.2
Satori						
Satori Suites	Hospitality & Retail	Leasehold (99 years)	4QFY20	100%	17.2%	25.6
Satori Serviced Residences	Residence	Leasehold (99 years)	4QFY20	100%	79.7%	51.1
Unicity						
Unicity Mall	Retail	Leasehold (99 years)	3QFY19	100%	48.1%	89.7
Unicity Residences	Residence	Leasehold (99 years)	3QFY19	100%	9.4%	5.0
NPV of development profit						909.4
Net book value						200.0
RNAV						**1,605.2**
RNAV (S$'m) (2)						**529.7**
Discount applied						30%
RNAV adjusted (S$'m) (A)						**370.8**
Net earnings of retained properties						51.5
Net yield assumption						6%
Value of recurring income on retained properties (S$'m) (B)						**169.8**
NPV of ROFR land						2,044
Discount applied						85%
NPV of ROFR land (RM 'm)						306.6
NPV of ROFR land (S$ 'm) (C)						**101.2**
SOTP (A + B + C)						641.8
Price/share						**S$0.47**

(1) Number of units unsold strips out units retained for rental income

(2) 1RM to SGD of 0.33 applied

Undemanding Valuations

30% discount to RNAV

We valued Hatten Land with the SOTP valuation methodology. (A) We summed up the RNAV of the Group's development properties meant for sale, the RNAV which includes the discounts given by the Group is reasonable in our view as this is based on the average transacted price the Group has realised based on their existing sales for the individual properties. In our bid to be conservative, we further applied a 30% listco discount (which is the average discount that the Singapore listed developers on the Singapore Exchange are trading at to their RNAV) on the RNAV of Hatten Land to arrive at S$370.8m.

(B) In valuing Hatten Land, we noted the Street's preference of lumping the Group's retained units together with their development properties for sale in (A) in valuing the Company. We think valuing the Company in this manner however, ignores the recurring income that the Group will be getting on these units, which is typically about 7% per year. We therefore stripped out the retained units that Hatten Land will be retaining for rental yield from their development properties, assumed an occupancy of 75% and applied a conservative 10x earnings multiple on the earnings from these units to arrive at a valuation of S$169.8m from this segment.

(C) We valued the Group's MOU/ROFR land on the basis of it being completed, ie. 100% completed and sold, before discounting the attributable profits to their present value of RM2 billion. We then applied a steeper than market discount rate of ~85% on this segment to account for the market and development risks of these projects given the longer gestation period of the projects. This gives us a valuation of S$101.2m from this segment.

By summing up the three segments together through the sum-of-the-parts valuation method, we arrived at an overall valuation of S$641.8 million, or S$0.47/share, representing an 343% upside to the Company's last traded price.

Key Risks

The key risks the Group face is associated with property development, geographical concentration and financing.

Risks in the property sector in Malaysia

Depending on the scale of the new project development, a period of four (4) to eight (8) years normally elapses between the acquisition of the site and/or the development rights and the project's completion. Between the acquisition of the site and the project's completion, political or social conditions of the location or other conditions critical to the success of the property or project may change, such that the Group is unable to commence operations of the property or project. and/or achieve its projected returns.

Single country risk in Malaysia

While the Company has taken steps to diversify their geographical location outside of Malaysia, the Group's current property development projects are primarily based in Malaysia. As the revenue of the Group is primarily derived from these businesses, its performance may be adversely affected as a result of exposure to the risks inherent in these businesses and markets. Relevant risks in relation to the property sector in Malaysia include episodic oversupply of properties for sale or for lease, shortage of labour supply, competition from other property developers, property downturns resulting from changes in the state of the economy, increase in labour costs, construction costs, energy costs and prices of raw materials, changes in government policies or changes in bank interest rates. These changes may have a material and adverse impact on the Group's operations, financial position and/or performance.

Financing risks

While we expect the Group to pare down their gearing in FY2019 and FY2020, property development is capital intensive. The availability of adequate financing is crucial to the Group's ability to acquire land and to complete their development projects according to plan. Generally, property developers in Malaysia finance their business activities through a combination of internal and external sources of funds. Internal sources of funds comprise mainly cash generated from their operation activities (which include cash inflows arising from sales of the property developments) and cash and bank balances while external sources comprise mainly banks and other loans and capital contribution from shareholders. The mismatching cash flows nature of property development may result in periods where the property developer may experience net negative operating cash flows that have to be financed through existing cash and bank balances and external sources of funds, which represent greater reliance on such external sources of funds during these periods.

Management

Dato' Colin Tan June Teng is the Executive Chairman and Managing Director of the Company. He is responsible for the overall management and strategic direction of the Group. He also oversees sales and marketing, business growth and development as well as asset and land acquisition. Dato' Colin Tan was one of the founders of Hatten Group, and began his career with Lianbang Ventures Sdn. Bhd. when he joined as its business development manager in 2006. Together with Dato' Edwin Tan, they developed the Dataran Pahlawan Melaka Megamall, Melaka's largest mall to date. Dato' Colin Tan is also the Non-Executive Chairman and Non-Executive Director of Hatten Group. Over the years, he has also been responsible for a wide range of business functions including sales and marketing, business growth and development, asset and land acquisitions, investment and growth strategies, governmental regulation and compliance, construction management, market research and analysis and brand management. Dato' Colin graduated from the University of Dublin with a Bachelor of Science (Finance) in 2009.

Dato' Edwin Tan Ping Huang is the Executive Director and Deputy Managing Director. He is responsible for the overall management and strategy of the Group. Dato' Edwin Tan oversees operations, human resources and development management of the Group. Dato' Edwin Tan was one of the founders of Hatten Group, and began his career as a business development manager in Lianbang Ventures Sdn. Bhd. in 2004, and became a director in the same year. Prior to his re-designation as the Non-Executive Director of Hatten Group, Dato' Edwin Tan served as the Executive Director and Deputy Managing Director of Hatten Group and was in charge of operations, human resources, development management, hospitality strategy, planning and design, occupancy growth strategies, tenancy management and tenant relations, leasing and management strategy as well as facilities management. Dato' Edwin Tan graduated from the University of Dublin with a Bachelor of Science (Finance) in 2009.

Mr. Chong Foh Siong is the Head of Development Management. He is responsible for project development and its administration. Besides leading the project and design teams on the execution of all projects, ensuring that the planning and execution of projects meet specified quality requirements, he also reviews, identifies and develops related strategies and initiatives for the projects. Mr. Chong graduated from the Federal Institute of Technology (Institut Teknologi Federal) with a Technical Diploma in Architecture in 1981.

Mr. Clarence Chong is the Head of Business Development and Corporate Finance. He is responsible for expanding the company's vision and objectives by developing new business development initiatives and organising future ventures into new territories and sectors. He also oversees corporate finance and investor relations. Clarence attained a Bachelor of Commerce & Bachelor of Economics from the Australian National University. He subsequently attained a Master of Commerce from the University of New South Wales. He is a Certified Public Accountant of Australia.

Recommendation

We initiate coverage on Hatten Land with a BUY with a target price of S$0.47 based on a conservative value of the Group's RNAV. In arriving at our target price of S$0.47, we based this on a sum-of-the-parts valuation of: (i) the RNAV from their existing development projects, (ii) the recurring income from their retained units and (iii) the potential value extractable from their pipeline of land acquisitions.

When we summed up the three segments together, we arrived at an overall valuation of S$641.8 million, or S$0.47/share, representing an 343% upside to the Company's last traded price. We see the current valuation as undemanding given the steeper than Street discounts we have applied to their business segment. We initiate with a BUY with a target price of S$0.47, representing 343% upside potential.

Income Statement (RM$'000)

	Fiscal Year Ended				
(RM '000)	FY16	FY17	FY18	FY19E	FY20E
Revenue	412,347	462,441	235,465	231,278	350,973
Less: Cost of sales	-257,627	-282,109	-158,029	-159,582	-245,681
Gross Profit	**154,720**	**180,332**	**77,436**	**71,696**	**105,292**
Other income	12,155	8,860	27,685	22,240	25,296
Selling and distribution expenses	(22,422)	(40,502)	(46,272)	(32,379)	(45,626)
General and Administrative expenses	(23,765)	(36,953)	(47,157)	(35,615)	(45,557)
Finance expenses	(855)	(419)	(5,902)	(14,764)	(4,424)
Profit before tax	**96,441**	**30,409**	**7,390**	**4,007**	**15,680**
Tax expense	(27,853)	(21,687)	(4,217)	(962)	(3,746)
Total profit	**68,588**	**8,722**	**3,173**	**3,045**	**11,862**
Profit attributable to owners	**68,588**	**8,722**	**3,173**	**3,045**	**11,862**
Earnings per share:					
-Basic (cents)	5.77	0.69	0.23	0.22	0.86

Cash Flow Statement (RM$'000)

	Fiscal Year Ended				
	FY16	FY17	FY18	FY19E	FY20E
Profit/(Loss) before tax	**96,441**	**30,409**	**7,390**	**4,007**	**15,608**
Depreciation and amortisation	4,537	36,089	32,377	3,760	4,276
Change in working capital	(54,906)	(237,991)	(122,622)	205,596	110,000
Others	(19,400)	41,559	(24,292)	3,332	(3,746)
Net Cash from/ (used in) operations	**26,672**	**(129,934)**	**(107,147)**	**216,695**	**126,138**
Capital Expenditures	(36,259)	(33,579)	(62,661)	(49,964)	(49,964)
Others	7,233	1,402	667	1,167	0
Net Cash from/(used in) investing	**(29,026)**	**(32,177)**	**(61,994)**	**(48,797)**	**(49,964)**
Net increase in equity	80,049	0	0	0	0
Net increase in debt	111,662	83,431	146,033	(96,306)	(60,000)
Others	(51,494)	0	(2,143)	(1,053)	(1,053)
Net Cash from/(used in) financing	**60,168**	**163,480**	**143,890**	**(97,359)**	**(61,053)**

Balance Sheet (RM$'000)

	Fiscal Year Ended				
	FY16	FY17	FY18	FY19E	FY20E
As at 30 June					
Property, plant and equipment	64,101	94,638	155,580	203,609	249,297
Other non-current assets	51,294	61,313	76,916	80,224	82,330
Total non-current assets	**115,395**	**155,951**	**232,496**	**283,833**	**331,627**
Development properties	476,350	537,613	630,996	951,837	991,837
Trade and other receivables	212,546	463,977	519,683	497,847	347,847
Cash and bank balances	81,930	83,625	59,475	128,587	143,708
Other current assets	47,084	51,198	51,393	48,173	48,173
Total current assets	**817,910**	**1,136,413**	**1,234,547**	**1,626,444**	**1,531,565**
Total assets	**933,305**	**1,292,364**	**1,467,043**	**1,910,277**	**1,863,192**
Share capital	38,235	250,874	252,719	252,719	252,719
Retained earnings	22,522	31,244	32,274	34,266	47,181
Other reserves	(137)	(54,708)	(54,827)	(50,663)	(50,663)
Equity attributable to owners of the Company	**60,620**	**227,410**	**230,166**	**236,322**	**249,237**
Total Equity	**60,620**	**227,410**	**230,166**	**236,322**	**249,327**
Loans and borrowings	198,573	298,793	262,633	251,114	251,114
Other non-current liabilities	173,337	186,665	175,501	451,865	451,865
Total Non-current liabilities	**371,910**	**485,458**	**438,134**	**702,979**	**702,979**
Loans and borrowings	51,899	56,656	245,177	189,486	129,486
Trade and other payables	288,989	468,505	513,577	741,501	741,501
Other current liabilities	159,887	54,335	39,989	39,989	39,989
Total Current liabilities	**500,775**	**579,496**	**798,743**	**970,976**	**910,976**
Total liabilities	**872,685**	**1,064,954**	**1,236,877**	**1,673,955**	**1,613,955**
Total equity and liabilities	**933,305**	**1,292,364**	**1,467,043**	**1,910,277**	**1,863,192**

Ratios

	Fiscal Year Ended				
	FY16	FY17	FY18	FY19E	FY20E
Profitability (%)					
Gross profit margin	37.5%	39.0%	32.9%	31.0%	30.0%
Profit/(loss) before tax margin	23.4%	6.6%	3.1%	1.7%	4.4%
Profit/(loss) after tax margin	16.6%	1.9%	1.3%	1.3%	3.4%
Liquidity (x)					
Current ratio	1.6	2.0	1..5	1.7	1.7
Quick ratio	0.7	1.0	0.8	0.7	0.6
Interest coverage ratio	113.8	269.9	2.3	1.3	4.5
Net Debt to Equity	278.0%	119.5%	194.8%	132.0%	95.0%
Valuation (x)					
P/B	0.7	0.2	0.2	0.2	0.2
P/E	5.6	46.6	139.7	145.3	37.3
P/RNAV	NA	NA	NA	0.2	0.2
Cash Conversion Cycle					
Net trade receivable days	NA	NA	NA	NA	NA
Inventory days	NA	NA	NA	NA	NA
Trade payable days	NA	NA	NA	NA	NA
CCC days	NA	NA	NA	NA	NA
Returns					
Return on equity	131.5%	6.1%	1.4%	1.3%	4.9%
Return on capital employed	7.2%	0.8%	0.2%	0.2%	0.6%
Dividend payout ratio (1)	NA	22.0%	32.9%	NA	NA

(1) Based on an exchange rate of 1SGD: 0.33 MYR

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