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Full Year Results

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PRICE S$0.195

Downgrade to Hold

Key Statistics

NRA EPS Est. 2006 (cts)	2.5
P/E on NRA Est. 2006 (x)	7.9
NRA EPS Est. 2007 (cts)	3.5
P/E on NRA Est. 2007 (x)	5.6
Dividend/Share (cts)	0.8
Dividend yield	4.1%
Shs. Outstg. (m)	606.8
Market capitalisation S$m	118.3
Avg. daily vol (m)	1.0
Book Value/Share (S$)	0.13
Shareholders:	
Lim Family	57.1%

Per Share Data

YE Dec	2003	2004	2005	2006E	2007E
Book Value (S$)	0.12	0.12	0.13	0.15	0.17
Cash Flow (cts)	(2.4)	(2.5)	2.0	(1.8)	(4.2)
Earnings (cts)	1.7	1.7	1.9	2.5	3.5
Dividend (cts)	1.6	1.2	0.8	1.1	1.5
Payout Ratio	92.7%	69.7%	43.0%	43.0%	43.0%
PER (x)	13.9	11.3	10.5	7.9	5.6
P/CF (x)	(9.9)	(7.8)	9.7	(11.1)	(4.6)
P/BV (x)	1.9	1.6	1.5	1.3	1.2
Dividend yield	6.7%	6.2%	4.1%	5.4%	7.6%
ROE	13.9%	13.8%	14.2%	17.0%	20.9%

P&L analysis (S$m)

YE Dec	2003	2004	2005	2006E	2007E
Revenue	159.8	141.8	99.8	123.5	172.3
Operating Profit	8.8	8.2	6.5	7.2	10.0
Depreciation	1.2	0.8	0.6	0.4	0.5
Interest Expense	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Pretax Profit	11.3	12.8	14.3	18.9	26.4
Effective tax rate	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Net Profit	8.5	10.4	11.3	15.0	20.9
Margins					
Gross	8.7%	8.2%	10.6%	10.6%	10.6%
EBIT	5.5%	5.8%	6.5%	5.8%	5.8%
Net	5.3%	7.4%	11.3%	12.1%	12.2%

Positives largely priced in already

- FY05 revenue declined 30% yoy to $100m, led by a 75% fall in property development income. Net profit, on the other hand, climbed 8% to $11m, helped by increased income recognition from joint-developments.

- As at end-05, 100%-owned ShanghaiOne was 70% sold while 40%-owned Riviera was 73% sold. Construction for both developments has started and we expect 40-50% of their revenue to be recognized in FY06. Current ASP for ShanghaiOne and Riviera is $810psf and $610psf respectively, in line with our estimation.

- CES is looking to launch 40%-owned Parc Devon in mid-06 and 100%-owned Balmoral 21 in 3Q06. While we expect construction for Parc Devon to begin in 2H06, construction for Balmoral 21 is likely to commence only in FY07, and thus will not contribute to CES's FY06 results.

- Construction of Northshore completed early this year, but we believe sales of these apartments continues to be slow with only 2-3 units sold as of end-05.

- We see revenue rising 24% to $124m in FY06, driven by higher contribution from ShanghaiOne as well as a healthy end-05 construction order book of $457m. Our fair value of $0.175 (-12.5%) is pegged at 7x FY06E EPS of 2.5cts. As a cross check, this is translates into an FY06 EV/EBITDA of 14x, which is above its peer group average of 11-12x. We believe CES deserves a premium though given its low gearing of 0.4x, implying greater potential for land bank enhancement. Yield remains decent at 4.1%. The stock now looks to be fully valued and we are downgrading our rating to Hold.

Sai Min Chow

FY05 Results

YE Dec:	FY04 S$m	FY05 S$m	Yoy Chg %
Revenue			
Construction income	*96.1*	*86.2*	*-10.3%*
Property development	*42.5*	*10.5*	*-75.3%*
Property investment	*1.6*	*1.6*	*-1.0%*
Others	*1.6*	*1.5*	*-4.9%*
Total:	**141.8**	**99.8**	**-29.6%**
COGS	(130.1)	(89.2)	-31.4%
Gross profit	**11.7**	**10.6**	**-9.4%**
Other income	0.5	0.7	45.3%
Selling expenses	(0.8)	(0.3)	-57.3%
Administrative expenses	(3.2)	(4.5)	41.0%
EBIT	**8.2**	**6.5**	**-20.9%**
Finance costs	(0.1)	(0.1)	9.0%
Associates' contribution	4.7	7.9	69.1%
PBT	**12.8**	**14.3**	**11.8%**
Tax	(2.3)	(2.9)	24.0%
MI	0.0	(0.1)	nm
Shareholders' profit	**10.4**	**11.3**	**8.0%**
Gross margin	8.2%	10.6%	
EBIT margin	5.8%	6.5%	

Property Development Portfolio

Property devt (On-going)	Owned	Location	Tenure yr	GFA sf
NorthShore	100%	Adelaide, Aust	FH	87,737
ShanghaiOne	100%	Shanghai Rd	FH	47,878
No. 21 Balmoral Rd	100%	Balmoral Rd	FH	43,112
Grandeur 8	30%	Ang Mo Kio	99	753,473
Riviera Residences	40%	East Coast	FH	175,000
Parc Devon	40%	Devonshire Rd	FH	223,044