

## Corporate Updates

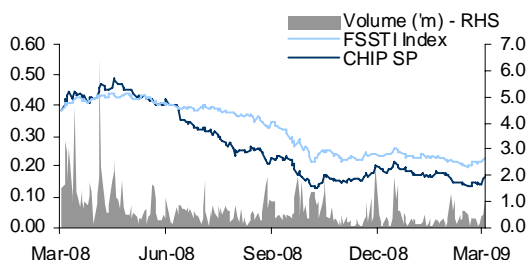
### MAINTAIN BUY

Share price	S\$0.165
Target price	S\$0.29
Previous: BUY	S\$0.29
Upside / (Downside)	76%

### Stock data CHIP SP

Sector	Real Estate
Issued capital (m shs)	667.52
Market Cap (S\$m)	110.14
12 mth price range (S\$)	0.125 / 0.500
Year to date change (%)	(13.16)
Free float (%)	79.82
Avg 30days volume ('000)	357.97
Major shareholders (%):	
Citadel Investment G	25.00
Tiam Seng Lim	12.39
Tiang Chuan Lim	6.62
Lee Meng Chia	0.84

### Stock price relativity



### Analyst

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## Chip Eng Seng Corporation Ltd

### - Developments on track for delivery

#### Main catalysts

- **Proposed first & final dividend of S\$0.0075** – Chip Eng Seng proposed a one-tier tax-exempt first and final dividend of S\$0.0075 per share, in line with our expectation, for shareholders' approval at the forthcoming annual general meeting. At the last transacted price of S\$0.17, dividend yield works out to 4.4%.
- **Property development & construction projects on schedule** – We understand from management that the Group's construction as well as property development projects are on track for delivery. Pinnacle@Duxton is expected to be 100% recognized in FY09F while Queenstown and Seng Kang HDB projects are expected to be recognized progressively to achieve approximately 50% completion in FY09, accounting for approximately 45% of our forecasted FY09F construction revenue. On property development front, we expect cash level to increase by approximately S\$40~45m to approximately S\$87.9~92.9m with Devonshire Suites@Central, the Group's 40% joint venture development project with Keppel Land, which obtained TOP in Feb 09. We understand from management that the 157 units will be handed over to buyers in phases.
- **S\$60m MTN due on 9 April 2009 likely to have been resolved** – Given that Chip Eng Seng proposed for a dividend payout of S\$0.0075 per share, we believe financing issues relating to the S\$60m Medium Term Note ("MTN") has been sorted out. Chip Eng Seng is expected to repay MTN using proceeds from Devonshire Suites@Central project. However, we believe these proceeds are unlikely to reach Chip Eng Seng before the 9 April 2009, due date of the MTN, indicating a time gap which we believe is likely to be bridged by some short term loans.

#### Valuation & Recommendation

- **Maintain BUY recommendation with price target of S\$0.29.** We maintain our earnings forecast and continue to use sum-of-the-parts valuation methodology to value its property development and construction business. We have revalued all of the Group's unsold development projects at lower than recently transacted price to assume 100% sales in current market and continued to value construction business at 3x FY09F construction earnings. We maintain our 40% discount factor to SOTP valuation, deriving our target price of S\$0.29. Based on last transacted price of S\$0.165, Chip Eng Seng is currently trading at 0.5x FY09F P/B.

#### Financial snapshot

FYE: Dec	FY07	FY08	FY09F	FY10F
Revenue (S\$ 'm)	201.2	354.6	296.6	221.8
Gross profit (S\$ 'm)	0.6	14.1	1.9	9.7
Net profit (S\$ 'm)	50.3	43.9	66.8	75.7
EPS (Sg cts)	7.5	6.6	10.0	11.3
EPS growth (%)	210.9	(12.8)	52.2	13.3
P/E (x)	2.3	2.6	1.7	1.5
P/B (x)	0.7	0.6	0.5	0.4
ROE (%)	31.4	23.7	26.9	24.2

## Valuation Table

FYE: Dec	NLA/GFA (sf)	Stake	Sold	Tenure	Valuations (S\$psf)	Capital Value (S\$'000)	Gain/(Loss) (S\$'000)
<b>Investment Properties</b>						<b>29,806</b>	
<b>Market Value of Investment properties</b>						(29,806)	-
Book value of investment properties as at FY08							
<b>Development Properties</b>							
Net present value of future profits							
Oasis@Elias Road	456,162	100	-	99yr	540	(502)	
Suite@Central	223,028	40	100	FH	1,300	2,827	
CityVista Residences	156,644	50	54	FH	2,239	44,134	
The Parc	899,841	50	94	FH	859	68,032	
Grange Infinite	175,803	25	100	FH	2,800	24,550	
Surplus from Singapore residential development properties							139,041
Surplus from Vietnam residential development properties							1,975
<b>Construction Income</b>							
3x FY09F earnings							885
<b>Total Gain/(Loss)</b>							<b>141,900</b>
NAV (as at 31 Dec 2008)							185,287
<b>SOTP (S\$'000)</b>							<b>327,187</b>
Total Shares issued ('000)							667,514
<b>SOTP per share</b>							<b>0.49</b>
<b>Discount (40%)</b>							<b>0.29</b>

Source: Westcomb research

## Financial Statements

## Income Statement, FYE 31 Dec

S\$ 'm	FY07	FY08	FY09F	FY10F
Revenue	201.2	354.6	296.6	221.8
COGS	(200.5)	(340.5)	(294.7)	(212.0)
<b>Gross Profit</b>	0.6	14.1	1.9	9.7
Operating Expenses	(9.9)	(17.8)	(13.3)	(14.0)
Other Income	8.4	1.0	1.0	1.1
<b>Operating Profit</b>	(0.9)	(2.7)	(10.4)	(3.2)
Share of profits from associates	51.9	49.2	79.9	81.6
Net Interest Expenses	1.6	2.0	2.0	2.0
<b>Profit before tax</b>	52.6	48.5	71.5	80.4
Income Tax	(2.3)	(4.6)	(4.7)	(4.7)
<b>Net Profit</b>	50.3	43.9	66.8	75.7
Minority Interest	0.0	0.0	0.0	0.0
<b>PATMI</b>	50.3	43.9	66.8	75.7
EPS (Sg cts)	7.5	6.6	10.0	11.3
DPS (Sg cts)	1.8	0.8	2.0	2.3
Book Value per share (Sg cts)	24.0	27.8	37.2	46.9

## Cash Flow, FYE 31 Dec

S\$ 'm	FY07	FY08	FY09F	FY10F
Profit before tax	52.6	48.5	71.5	80.4
Adjustments:	(47.5)	(36.2)	(81.0)	(82.6)
Change in working cap.	20.1	(67.2)	26.4	3.0
Income tax paid	(1.6)	(1.7)	(7.2)	(4.7)
<b>Net Cash from operations</b>	23.5	(56.6)	9.7	(3.9)
CapEx	(1.6)	(1.7)	(1.0)	(1.0)
Others	(43.6)	(5.7)	33.6	235.1
<b>CF from Investing</b>	(45.1)	(7.4)	32.6	234.1
Dividends Paid	(7.5)	(11.5)	(4.0)	(10.7)
Issuance (Repurchase)	25.5	0.0	0.0	0.0
Net Borrowing (Repayment)	12.9	101.0	(58.4)	(30.3)
Others	0.0	0.0	0.0	0.0
<b>CF from Financing</b>	31.0	89.4	(62.4)	(41.0)
Change in Cash	9.4	25.4	(20.1)	189.2
Starting Cash Balance	13.1	22.5	47.9	27.7
Ending Cash Balance	22.5	47.9	27.7	216.9

## Balance Sheet, as at 31 Dec

S\$ 'm	FY07	FY08	FY09F	FY10F
Property, Plant & Equipment	2.3	3.0	3.1	3.1
Others	201.6	252.2	300.6	149.1
<b>Non Current Assets</b>	203.9	255.2	303.6	152.2
Property held for sale	14.2	6.9	6.9	6.9
Contracts in progress	10.6	8.9	9.3	9.8
Development properties	30.1	133.1	104.0	104.0
Trade and other debtors	50.6	97.1	48.6	24.4
Cash and cash equivalents	22.5	47.9	27.7	216.9
<b>Total Current Asset</b>	128.0	293.8	196.6	362.0
Trade creditors	65.6	143.4	91.4	69.2
Bank borrowings	5.0	100.5	110.6	94.0
Others	20.0	33.7	32.5	34.0
<b>Total current liabilities</b>	90.7	277.7	234.5	197.2
Bank borrowings	80.1	85.6	17.1	3.4
Others	0.6	0.3	0.3	0.3
<b>Total non current liabilities</b>	80.7	85.9	17.4	3.7
Share Capital & other reserves	160.3	185.3	248.1	313.1
Minority Interest	0.2	0.2	0.2	0.2
<b>Total Shareholders Equity</b>	160.5	185.5	248.3	313.3
<b>Growth/Ratio (%)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Revenue Growth	21.9	76.3	(16.4)	(25.2)
Gross Profit Growth	(94.9)	2,086.1	(86.8)	421.5
Net Profit Growth	242.1	(12.8)	52.2	13.3
EPS Growth	210.9	(12.8)	52.2	13.3
DPS Growth	16.7	(57.1)	166.7	12.5
Gross Margin	0.3	4.0	0.6	4.4
Net Margin	25.0	12.4	22.5	34.1
ROE	31.4	23.7	26.9	24.2
ROA	0.2	0.1	0.1	0.1
Net gearing (x)	0.4	0.7	0.4	Net Cash
<b>Valuation</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
P/E (x)	2.3	2.6	1.7	1.5
P/B (x)	0.7	0.6	0.5	0.4
Dividend Yield (%)	10.3%	4.4%	11.8%	13.2%

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Trading Buy	: + 10% to + 15% range over the next 3 months
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Trading Sell	: - 10% to - 15% range over the next 3 months
Sell	: >15% downside over the next 12 months

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