STANDARD & POOR'S

Freight Links Express Holdings

Recommendation: **SELL**

Bloomberg: **FLE SP** | Price: **S$0.15** | 12-Month Target Price: **S$0.13** | Date: **July 10, 2007**

Board: Main

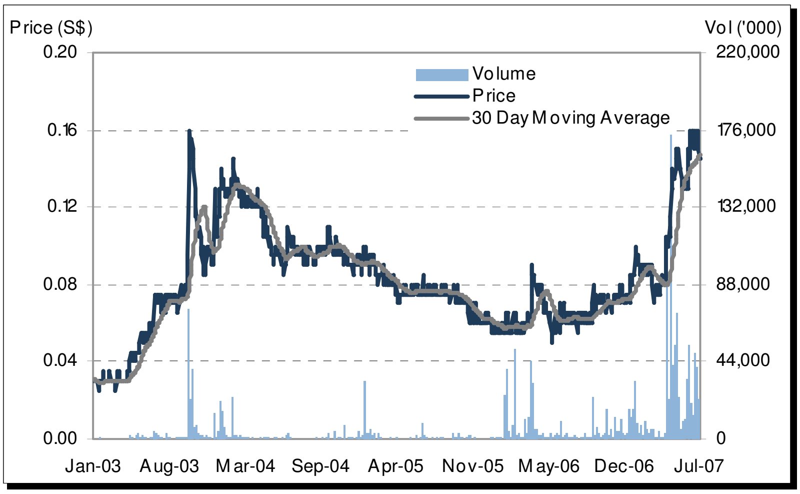
Sector: TSC

GICS: Industrials / Air Freight & Logistics

Market Capitalization: S$273.9 mln

Summary: Freight Links Express Holdings (Freight Links) is an international freight forwarder and total logistics provider.

Analyst: Yeow Kit Peng



Results Review & Earnings Outlook

- A S$7.2 mln write-back of impairment charges and a S$1.25 mln gain on fair value of investment properties helped lift FY07 (Apr.) net profit by 17% to S$12.5 mln, surpassing our net profit expectation of S$9.9 mln. Stripping out the exceptional items, FY07 recurring net profit was S$4.1 mln.

- Operations-wise, FY07 revenue increased 19.4% to S$126.3 mln on higher shipment volumes and strong demand for its warehouse space. Freight Links did more business in North Asia (+44% to S$22.0 mln), Asean (+13% to S$19.9 mln) and Europe (+49% to S$15.4 mln), but slightly less in Singapore (-6% to S$48.6 mln).

- In line with the growth in business volume, net profit grew 17% to S$12.5 mln and group net margin remained intact at 10%. A higher dividend of 0.25 cent per share (tax-exempt) was also declared (FY06: 0.16 cent).

- Without revaluation gains, we are projecting net profit of S$4.5 mln in FY08 and net profit of S$5.3 mln in FY09. Earnings growth is expected to stem from the leasing of new warehouse space. Costing about S$26 mln in total, a 129,167 sq ft chemical warehouse in Penjuru Lane will be completed in Sep. 2007 and a 341,488 sq ft warehouse in Tuas in early 2008. A long-term lease of ten years has been signed for the chemical warehouse with subsidiary, LTH Logistics (Singapore), which specializes in chemical logistics.

Recommendation & Investment Risks

- We are downgrading our recommendation for Freight Links to Sell (from Buy), despite raising our 12-month target price to S$0.13 (previously S$0.10), due to a sharp appreciation in its share price. We believe the share price could have spiked up in the past 2-3 months on talks of a takeover and asset sales.

- Our new target price is based on sum-of-parts methodology (previously discounted cash flow valuation) to better reflect Freight Links' property portfolio comprising 1.2 mln sq ft of warehouse space. Assuming a ballpark average cap rate of 8% and based on an annual warehouse rental of about S$15 mln, its warehouses could be worth about S$177 mln (or 10 cents per share). It must be noted, however, that some of its warehouses are sitting on short land leases and may need to be re-developed. As for its freight forwarding and logistics businesses, we have applied a PER multiple of 20x, which is in line with current valuations of its peers.

- Risks to our recommendation and target price include: (i) an economic slowdown that would cause a decline in freight rates, storage rates and shipment volumes; (ii) cut-throat pricing which may lead to a loss of contracts; (iii) execution risks in new markets, new acquisitions and joint ventures; and (iv) a reversal in sentiment if growth in underlying asset lags behind the optimistic projections assumed by property investors.

Key Stock Statistics

FY Apr.	2007	2008F
Reported EPS (cents)	0.7	0.2
PER (x)	20.7	58.4
Dividend/Share (cents)	0.3	0.3
NTA/Share (S$)	0.05	0.05
Book Value/Share (S$)	0.05	0.05
No. of outstanding shares (mln)	1,825.7	
52-week Share Price Range (S$)	0.055 -0.165	
Major Shareholders:	%	
Vibrant Capital Pte Ltd	54.7	
Prudential Asset Mgmt (S) Ltd	5.1	

Per Share Data

FY Apr.	2005	2006	2007	2008F
Book Value (S$)	0.04	0.04	0.05	0.05
Cash Flow (cents)	1.0	0.8	0.9	0.5
Reported Earnings (cents)	0.7	0.6	0.7	0.2
Dividend (cents)	0.2	0.2	0.3	0.3
Payout Ratio (%)	30.2	26.7	35.8	80.5
PER (x)	19.9	24.2	20.7	58.4
P/Cash Flow (x)	14.7	17.7	16.0	27.9
P/Book Value (x)	4.1	3.3	2.9	3.0
Dividend Yield (%)	1.4	1.4	1.7	1.7
ROE (%)	21.2	15.0	14.9	5.1
Net Gearing (%)	26.2	49.1	61.3	71.8

All required disclosures and analyst certification appear on the last page of this report. Additional information is available upon request.

Freight Links Express Holdings

Recommendation: **SELL**

Bloomberg: **FLE SP** Price: **S$0.15** 12-Month Target Price: **S$0.13** Date: **July 10, 2007**

Full-Year Performance

FY Apr. / S$ mln	FY07	FY06	% Change
Reported Revenue	126.3	105.8	19.4
Reported Operating Profit	19.8	14.8	33.5
Depreciation & Amortization	3.7	4.0	-5.9
Net Interest Income / (Expense)	-3.2	-1.8	76.9
Reported Pre-tax Profit	16.9	13.0	29.9
Reported Net Profit	12.5	10.7	16.9
Reported Operating Margin (%)	15.7	14.0	-
Reported Pre-tax Margin (%)	13.4	12.3	-
Reported Net Margin (%)	9.9	10.1	-

Source: Company data

Profit & Loss

FY Apr. / S$ mln	2006	2007	2008F	2009F
Reported Revenue	106.3	126.3	142.7	158.6
Reported Operating Profit	10.9	16.8	9.5	10.3
Depreciation & Amortization	-4.0	-3.7	-4.9	-5.2
Net Interest Income / (Expense)	-2.5	-3.2	-3.9	-3.9
Reported Pre-tax Profit	13.0	16.9	6.0	7.0
Effective Tax Rate (%)	17.6	20.7	20.0	20.0
Reported Net Profit	10.7	12.5	4.5	5.3
Reported Operating Margin (%)	10.2	13.3	6.6	6.5
Reported Pre-tax Margin (%)	12.2	13.4	4.2	4.4
Reported Net Margin (%)	10.1	9.9	3.2	3.3

Source: Company data, S&P Equity Research

Required Disclosures

Standard & Poor's Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC- London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd and Standard & Poor's Information Services (Australia) Pty Ltd.

Glossary

Strong Buy: Total return is expected to outperform the total return of the ST Index, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
Buy: Total return is expected to outperform the total return of the ST Index, over the coming 12 months, with shares rising in price on an absolute basis.
Hold: Total return is expected to closely approximate the total return of the ST Index, over the coming 12 months with shares generally rising in price on an absolute basis.
Sell: Total return is expected to underperform the total return of the ST Index, over the coming 12 months and share price is not anticipated to show a gain.
Strong Sell: Total return is expected to underperform the total return of the ST Index, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Required Disclosures

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"), in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC which is regulated by the Hong Kong Securities Futures Commission, in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Sweden by Standard & Poor's AB ("S&P AB"), in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM") which is regulated by the Securities Commission, in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") which is regulated by the Australian Securities & Investments Commission and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&P AB, S&PM and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

A reference to a particular investment or security by Standard & Poor's and/or one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

SGX-MAS Research Incentive Scheme ("Scheme")

This report has been prepared by S&P LLC for purposes of the Scheme administered by Singapore Exchange ("SGX"), independent from any influence from the Scheme or the subject company. S&P will receive total compensation of SGD5,000 each year for providing research coverage on each participating listed company under the Scheme.

Disclaimers

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng, or Ching Wah Tam.