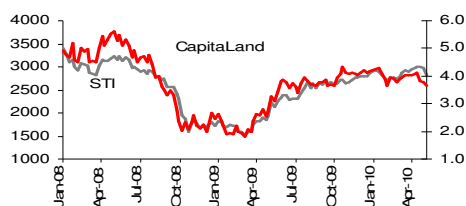


11 May 2010

Maintain

BUY

Previous Rating: BUY

Current Price: S\$3.70
Fair Value: S\$4.97


Reuters Code	CATL.SI
ISIN Code	C31
Bloomberg Code	CAPL.SP
Issued Capital (m)	4,261
Mkt Cap (\$m/US\$m)	15,765 / 11,415
Major Shareholders	
Temasek	39.7%
Free Float (%)	52.2%
Daily Vol 3-mth ('000)	16,564
52 Wk Range	2.902 - 4.403

(\$m)	FY08	FY09	FY10F	FY11F
Revenue	2,752.3	2,957.4	3,129.0	3,306.5
Shareholders' profit	1,260.1	1,053.0	617.2	699.1
NAV per share (S-cents)	378.3	315.6	320.9	335.1
P/NAV (x)	1.3	1.2	1.2	1.1
PER (x)	11.0	14.1	25.5	22.5

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CapitaLand Limited

New Raffles City integrated development in Shenzhen

New Raffles City integrated development in Shenzhen.

Yesterday, CapitaLand (CapLand) revealed the development plans for the site in Nanshan District, Shenzhen. The site has an area of 53,725 sqm and with a GFA of 237,500 sqm. To recap, CapLand acquired a 58.3% interests in the site for RMB1,125m (S\$249m) in 2008. A Raffles City integrated development (Raffles City Shenzhen) will be developed on the site, which will comprise office (32,000 sqm), retail (72,800 sqm) and a hotel/serviced residence component (22,300 sqm). In addition to Raffles City Shenzhen, CapLand will also be developing an office tower (22,600 sqm), residential apartments (36,400 sqm), SOHO units (36,400 sqm) and retail space (15,000 sqm) for strata sale. The site is strategically located close to the Shenzhen Bay Bridge that connects Shenzhen to Hong Kong and surrounding the site are built-up residential apartments which could provide adequate human traffic flow to the shopping mall upon completion. The entire project is estimated to have a development estimate of RMB6b (S\$1.25b) and will be completed in phases from 2014.

Projecting an additional S\$0.02 per share to RNAV.

Previously, we have not ascribed any incremental value for this site but with more details on the development of the site now, we are factoring in the potential NAV accretion from this site. We value the project based on recently transacted prices and valuation in Nanshan, with some adjustments made to factor the uncertainties in the China property market. For its residential component, which faces strong headwind from the tightening measures by the Chinese government, we have pegged a 15% discount to the 1Q10 average selling price of RMB32,000 psm for residential apartments in Nanshan. Based on our estimates, we project that CapLand's stake in the development will add an additional S\$72.8m (S\$0.02 per share) to RNAV.

Fair value lowered to S\$4.97 on lower market valuations.

With the recent decline in share prices of the listed entities held by CapLand, our RNAV has been lowered by S\$0.14 per share. As such, our fair value, which is pegged at parity to RNAV, has been lowered to S\$4.97 (previously S\$5.09). Despite the uncertainties in China property market, this new integrated development project should highlight CapLand's expertise in developing and managing a diverse group of property assets and we believe it can provide another avenue of growth in China, outside the key residential segment. We maintain our **BUY** rating on CapLand.

Exhibit 2: RNAV Table

	in S\$m
NPV of development profits	
- Singapore	798.8
- Overseas	2,582.7
	3,381.5
Valuation of investment properties	2,058.7
Valuation of fund management business	811.1
Stakes in listed entities	7,653.5
Stakes in unlisted funds	3,190.6
Shareholders Equity (ex-AustraLand and CMA)	8,234.0
Less:	
- Book value of investment properties, associates and jointly-controlled entities held under CapLand	-4,197.9
RNAV	21,131.4
Share base (m)	4,248.0
RNAV per share (S\$)	4.97
RNAV discount/(premium) used	0.0
Fair value per share (S\$)	4.97

Source: OIR estimate

CapitaLand's Key Financial Data

EARNINGS FORECAST					BALANCE SHEET				
Year Ended 31 Dec (\$m)	FY08	FY09	FY10F	FY11F	As at 31 Dec (\$m)	FY08	FY09	FY10F	FY11F
Revenue	2,752.3	2,957.4	3,129.0	3,306.5	Cash	4,228.4	8,729.7	5,278.0	5,426.8
Cost of sales	-1,680.2	-1,931.2	-1,980.6	-2,087.0	Development properties for sale	3,347.2	3,590.2	3,949.3	3,751.8
Gross profit	1,072.2	1,026.2	1,148.4	1,219.5	Investment properties	4,254.8	4,406.2	4,626.5	4,857.8
Other operating income	1,330.7	1,238.4	157.0	130.1	Interests in assoc & JV	7,864.6	8,684.2	9,118.4	9,574.4
Profit from operations	1,838.4	1,279.8	827.3	842.6	Total assets	25,083.6	30,166.0	31,831.6	32,923.7
Finance costs	-516.3	-453.9	-450.0	-480.0	Borrowings	9,789.9	10,275.0	10,186.1	10,864.8
Share of results of assoc & JV	375.1	269.2	375.1	497.9	Total liabilities	13,095.8	13,286.3	14,669.3	15,081.3
Profit before taxation	1,697.2	1,095.1	752.4	860.6	Shareholders' equity	10,681.7	13,408.3	13,630.8	14,235.5
Profit after taxation	1,461.4	1,008.6	677.1	774.5	Total equity	11,987.8	16,879.8	17,162.3	17,842.4
Profit attributable to shareholders	1,260.1	1,053.0	617.2	699.1	Total equity and liabilities	25,083.6	30,166.0	31,831.6	32,923.7
CASH FLOW					KEY RATES & RATIOS				
Year Ended 31 Dec (\$m)	FY08	FY09	FY10F	FY11F		FY08	FY09	FY10F	FY11F
Op profit before working cap.chges	909.0	1,011.1	829.7	875.7	EPS (S-cents)	44.7	26.2	14.5	16.5
Working cap, taxes and int	261.0	-135.1	140.7	-492.0	NAV per share (S-cents)	378.3	315.6	320.9	335.1
Net cash from operations	1,170.0	876.1	970.4	383.8	PER (x)	11.0	14.1	25.5	22.5
Acquisition of properties	-1,366.8	-269.8	-400.0	-400.0	P/NAV (x)	1.3	1.2	1.2	1.1
Other investing flows	430.4	2,650.6	-3,355.1	-200.6	Gross profit margin (%)	39.0	34.7	36.7	36.9
Investing cash flow	-936.4	2,380.7	-3,755.1	-600.6	Net profit margin (%)	53.1	34.1	21.6	23.4
Financing cash flow	-387.5	1,272.3	-679.4	365.7	Net gearing (x)	0.5	0.1	0.3	0.3
Net cash flow	-127.6	4,501.3	-3,451.8	148.8	Dividend yield (%)	1.4	2.8	1.5	1.5
Cash at beginning of year	4,356.0	4,228.4	8,729.7	5,278.0	ROE (%)	12.2	6.0	3.9	4.3
Cash at end of year	4,228.4	8,729.7	5,278.0	5,426.8	ROA (%)	5.8	3.3	2.1	2.4

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

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- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

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Head of Research

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