

MITA No. 014/06/2008

31 March 2009

Market Pulse

| Key Singapore Indices | | | |
|-----------------------|--------|--------|-------|
| | Close | Chg | % Chg |
| STI | 1673.1 | -72.5 | -4.2 |
| Catalist | 65.9 | -1.4 | -2.1 |
| Finance | 387.8 | -20.9 | -5.1 |
| Property | 331.3 | -21.5 | -6.1 |
| Electronics | 340.2 | -15.9 | -4.3 |
| Vol (m) | 1067.9 | -646.7 | -37.7 |
| Val (S\$m) | 902.0 | -198.7 | -18.1 |

| World Indices | | | |
|---------------|---------|--------|-------|
| | Close | Chg | % Chg |
| Dow Jones | 7522.0 | -254.2 | -3.3 |
| Nasdaq | 1501.8 | -43.4 | -2.8 |
| S&P500 | 787.5 | -28.4 | -3.5 |
| FTSE | 3762.9 | -135.9 | -3.5 |
| KLCI | 869.3 | -16.1 | -1.8 |
| Hang Seng | 13456.3 | -663.2 | -4.7 |
| Nikkei | 8236.1 | -390.9 | -4.5 |
| SET | 429.6 | -11.2 | -2.5 |
| KOSPI | 1197.5 | -40.1 | -3.2 |
| TWSE | 5206.1 | -184.7 | -3.4 |

| Market Statistics (SG) | | |
|------------------------|-------|-------|
| STI 52-week range | 1,455 | 3,270 |
| No. of gainers | | 123 |
| No. of losers | | 390 |
| No. of unchanged | | 136 |

| Economic Statistics | | |
|----------------------|-------|------|
| | Close | Chg |
| S\$/US\$ | 1.5 | 0.0 |
| Yen/US\$ | 97.5 | 0.2 |
| 3-mth S\$ SIBOR | 0.7 | 0.0 |
| 3-mth US\$ SIBOR | 1.2 | 0.0 |
| Crude futures (US\$) | 48.4 | -4.0 |

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Key Idea

Keppel Land Ltd: Limited earnings impact on Madison Residences delay

Earlier in mid-March, Keppel Land announced the deferment of the construction of Madison Residences. With just 1 unit sold, deferment is a rational move. Holding cost for this Bukit Timah land is low as it was acquired in 1999 and the estimated current book value of the Bukit Timah land plot is ~S\$45.3m or ~S\$409 psf ppr (after write-down in 2001). We are now removing the revenue and earnings contributions of MR from our FY09 and FY10 forecasts. Our FY09 and FY10 PATMI estimates have been cut by 3.6% and 7.7% to S\$241.4m and S\$296.2m, respectively. Our FY09 RNAV estimate has been lowered marginally to S\$3.67. Risk for KepLand is relatively higher than its peers but at current RNAV discount of 61.2%, we believe that the bulk of the risk has already been priced in. We maintain our **BUY** rating on KepLand with fair value of S\$1.77

More reports:

- **Valuetronics Holdings: Proposed acquisition of medical equipment manufacturer**
- **Keppel Corporation: Remain cautious despite contract wins**
- **SingTel: Secures S\$1.08b of credit facilities**

News Headlines

- DBS Group Holdings said its wholly-owned subsidiary DBS Bank has divested its entire 13.13% interest in Falmac Limited.
- Neptune Orient Lines saw its container shipping volumes declined 21% for the period from 7 February to 6 March, due to the continued deterioration in demand for all major trade lanes.
- Chartered Semiconductor said in its 2008 annual report that it expects an annual savings of US\$10m in payroll from the Singapore government's Jobs Credit Scheme.
- Starhub said it has clinched two awards at the recent Telecom Asia Awards this year.
- Electricity demand falls for fifth straight month in February, according to the latest Energy Market Company data, and is expected to continue to drop in March.
- Park Hotel Group is sinking S\$80m in the renovation of Park Hotel Orchard, which will reopen in the second quarter of 2010 as a five-star hotel.
- Japanese life sciences company Transcu said it will issue up to S\$80m of 1% convertible notes to subscriber Advance Opportunities Fund.
- HDB has awarded the tender for a new market and food centre site at Sengkang to Renaissance Properties Pte Ltd.
- Sky One Holdings has warned of lower profits for FY09, due to a decrease in the volume of the goods handled in 2HFY09 and higher costs.

Source: MasNet, Bloomberg, Business Times, Straits Times and others

Keppel Land Ltd: Limited earnings impact on Madison Residences delay

Construction of Madison Residences deferred. Earlier in mid-March, Keppel Land announced the deferment of the construction of Madison Residences (MR), a 56-unit residential development along Bukit Timah Road. The project was launched in September 2008 and only 1 unit was sold at ~S\$1,740 psf. In light of the deferment, the Sale & Purchase agreement has since been terminated by mutual agreement. KSH Holdings, which was awarded the construction contract worth S\$53m (~S\$478 psf ppr) for Madison Residences, has also agreed to the deferment of the construction.

Construction deferment a rational move. Holding cost for this Bukit Timah land is low as it was acquired in 1999 and the estimated current book value of the Bukit Timah land plot is ~S\$45.3m or ~S\$409 psf ppr (after write-down in 2001). Demand for high-end projects is unlikely to return in the near future and if the construction for MR proceeds, KepLand may have to carry the 55 unsold units on its balance sheet. Taking into consideration the capital outlay for the construction, holding cost for the completed project will be significantly higher upon the completion of the project.

Limited impact to our earnings forecast. In light of the deferment of the project, we are now removing the revenue and earnings contributions of MR from our FY09 and FY10 forecasts. As the scale of MR is relatively smaller than the rest of KepLand's ongoing development projects, the impact of the delay on KepLand's earnings is limited. We are cutting our FY09 and FY10 PATMI estimates by 3.6% and 7.7% to S\$241.4m and S\$296.2m, respectively.

Risk factors priced in; Maintain BUY. Our FY09 RNAV estimate has been lowered marginally to S\$3.67 (previously S\$3.68) and based on yesterday's closing price of S\$1.41, KepLand is trading at a hefty discount of 61.6% to our RNAV estimate. Risk for KepLand is relatively higher than its peers, given its higher RNAV exposure to the office sector in Singapore and limited scale of diversification in its operations. However, we believe that the bulk of the risk has already been priced in as KepLand is trading at a significant RNAV discount relative to peers' average discount of 35.2%. We maintain our fair value of S\$1.77 on KepLand and despite the strong recovery in share price since hitting a low of S\$0.985 in mid-March, we still see an upside potential of 25.5% for KepLand. We maintain our **BUY** rating on KepLand. *(Foo Sze Ming)*

Valuetronics Holdings: Proposed acquisition of medical equipment manufacturer

Valuetronics Holdings Limited (VHL) yesterday entered into a Sale and Purchase Agreement with The SEMK Group Limited to acquire 60% equity interest of its wholly-owned subsidiary Bonder International Group Limited (BIGL), which is principally engaged in the co-development and manufacturing of In Vitro Diagnostic medical equipment. The total consideration for the acquisition is HK\$4m and will be fully financed by internal funding. We view this development positively as it would allow the group to gain incipient entry into the medical equipment industry and to maximize the use of its manufacturing capacities. However, as the acquisition is not expected to have any material effect on VHL's FY09 performance, we are keeping our estimates intact for now. Reiterate **BUY** on VHL, with S\$0.15 fair value based on 4x FY10F EPS. *(Kevin Tan)*

(OCBC Investment Research Pte Ltd (OIR) produced this report under the SGX Research Incentive Scheme. OIR is compensated S\$7,500 per annum for each company covered under the scheme.)

Keppel Corporation: Remain cautious despite contract wins

Keppel Corporation (KepCorp) announced yesterday that it won three contracts worth S\$300m. Two contracts were from existing customers while the third was from Noble Drilling (not related to commodities company Noble Group). Our forecasts have factored that KepCorp would win about S\$2b worth of contracts in 2009, implying a win rate of about S\$500m per quarter. While this development puts some ease into our forecasts, we are still mindful that these contracts are not new builds but conversion projects. This connotes that oil companies may still be sitting on the sidelines to watch oil price development prior to committing to new capex this year. While KepCorp's share price has appreciated S\$1.11 from its base to its highs in the recent technical bounce, we recommend investors who have made some gains to sell into the rally until clearer industry fundamentals surface. Maintain **HOLD** with fair value of S\$4.40. *(Kelly Chia)*

SingTel: Secures S\$1.08b of credit facilities

SingTel has entered into an agreement for credit facilities of S\$1.08b to refinance existing facilities and for general working capital purposes. The 3-year term loan facility is with the Bank of Tokyo-Mitsubishi UFJ, Citibank, HSBC and the three local banks. According to SingTel, the committed facility will meet its refinancing requirements for the next financial year ending 31 March 2010. At end 2008, SingTel has a net debt of S\$6.6b, or a net gearing ratio of 25.5%. While the latest news should alleviate any near-term financing concerns, we note that SingTel may need to raise more money should Optus win Australia's national broadband network (NBN) project; some reports said the government – which is funding up to A\$4.7b – is expected to make an announcement about the roll-out of the NBN next week. However, given SingTel's relatively low net gearing ratio, we do not expect any funding issues to emerge. We still like the defensive nature of its business and hence continue to maintain our **BUY** rating and S\$3.09 fair value. *(Carey Wong)*

| Monday | Tuesday | Wednesday | Thursday | Friday |
|---------------------------|---|---|--|--|
| 30-Mar | 31-Mar | 01-Apr | 02-Apr | 03-Apr |
| | SG Feb Money Supply SG Feb Bank Loans & Advances US Mar Consumer Confidence | US Mar ISM Manufacturing | US Feb Factory Orders | US Mar Unemployment Rate US Mar ISM Non-Manf Composite |
| 06-Apr | 07-Apr | 08-Apr | 09-Apr | 10-Apr |
| | | US Feb Wholesale Inventories | US Feb Trade Balance | China Mar Trade Bal(11 Apr) |
| 13-Apr | 14-Apr | 15-Apr | 16-Apr | 17-Apr |
| SPH 2Q09 | US Mar PPI US Mar Advance Retail Sales | SG Feb Retail Sales US Mar CPI US Mar Indust Production | China 1Q Real GDP US Mar Housing Starts | SG Mar NODX/SG Mar Electronic Exports China Mar PPI/China Mar CPI China Mar Retail Sales/China Mar Ind Prod China Mar Fixed Assets Inv US Apr U of Michigan Confidence |
| 20-Apr | 21-Apr | 22-Apr | 23-Apr | 24-Apr |
| US Mar Leading Indicators | | | SG Mar CPI | |
| 27-Apr | 28-Apr | 29-Apr | 30-Apr | 01-May |
| | | | SG Mar Money Supply SG Mar Bank Loans & Advances SG 1Q Employment Rate | |

Note: US Initial jobless claims released every Friday. MBA mortgage applications released every Wednesday

All US Tech results dates have been adjusted to Singapore Date

Please refer to the individual company's full report for additional disclosures

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OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.

- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/- 10% from the current price; Sell = More than 10% downside from the current price.

- 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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