

MITA No. 014/06/2008

6 April 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1820.9	17.5	1.0
Catalist	69.7	0.5	0.7
Finance	431.0	7.7	1.8
Property	373.9	7.6	2.1
Electronics	352.5	-4.5	-1.3
Vol (m)	1845.2	2.5	0.1
Val (S\$m)	1664.6	-28.9	-1.7

World Indices			
	Close	Chg	% Chg
Dow Jones	8017.6	39.5	0.5
Nasdaq	1621.9	19.2	1.2
S&P500	842.5	8.1	1.0
FTSE	4029.7	-95.3	-2.3
KLCI	907.0	1.9	0.2
Hang Seng	14545.7	23.7	0.2
Nikkei	8749.8	30.1	0.3
SET	446.0	3.1	0.7
KOSPI	1283.8	6.8	0.5
TWSE	5529.6	55.9	1.0

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		303	
No. of losers		203	
No. of unchanged		194	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	100.5	0.2
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.2	0.0
Crude futures (US\$)	52.3	-0.2

Key Idea

StarHub: Wins NBN OpCo Bid

StarHub has won the bid to build and manage the OpCo for the NBN - the telco will invest S\$100m to set up Nucleus Network and plans to spend S\$1b (includes S\$250m government grant) on the active network over the 25-year period of the license. Based on our estimates, we do not believe that StarHub will have any issues funding the S\$100m NC investment using its internal funds. In the near-term, we do not see any impact on its earnings - we expect meaningful OpCo contribution to come in from 2011 onwards; we raise our FY10 estimates by less than 0.5%. We also do not expect any change in its capex spending this year although we can expect an increase of S\$30m from 2010 onwards; and we can expect a small increase in debt funding somewhere down the road. Nevertheless, based on our DCF valuation model, the win is positive for StarHub and that bumps up our fair value from S\$2.78 to S\$2.88. Maintain **BUY**.

More reports:

- **AusGroup: Successfully grabs order in key LNG market**

News Headlines

- Singapore's Manpower Minister Gan Kim Yong said the unemployment rate for 1Q09 is expected to be higher than 4Q08.
- According to the US Department of Labor, Singapore's hourly compensation cost in US dollars for manufacturing jumped 12% from 2006 to 2007 - the biggest increase in over a decade.
- A-Sonic Aerospace has asked for a trading halt pending an announcement to be made after 5pm today.
- A unit of F&N has opened a state-of-the-art warehouse in Kuching, Sarawak, to manage the increased demand for storage capacity of raw and finished goods in Sabah and Sarawak.
- Creative Technology said it expects 3Q09 revenue to be about US\$80m - a sharp fall from 3Q08's US\$150.3m.
- Oceanus Group has announced a proposed loan investment of between US\$12m and US\$15m in the group by a fund manager.
- ST Kinetics' automotive services division has opened a fully equipped service centre at Ubi.
- Challenger Technologies said net proceeds from its rights issue and conversion of warrants were used for opening new retail outlets in Singapore and Malaysia, and the acquisition of a subsidiary.
- A unit of China Yuanbang Property Holdings has obtained a two-year RMB100m term loan from Bank of Communications, Guangzhou Bank.

Research Team

(65) 6531 9800

e-mail: info@ocbc-research.com

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

StarHub: Wins NBN OpCo Bid

Wins NBN OpCo Bid. StarHub announced Friday that it has been selected by the Infocomm Development Authority of Singapore (IDA) to build and manage the OpCo (Operating Company) for the Next Generation National Broadband Network (NBN). StarHub plans to invest S\$100m to set up a wholly-owned subsidiary Nucleus Connect (NC) to design, build and operate the active infrastructure of the NBN. In addition, NC, which is expected to start commercial operations in 1Q10, is also committed to attracting overseas online service providers to host their content in Singapore.

S\$1b investment over 25 years. According to StarHub, NC expects to spend about S\$1b for the active network over the 25-year period of the license, or around S\$40m per year. However, NC is eligible for the government grant of up to S\$250m from IDA to defray part of the investment, which we understand will also be dispersed to NC over a period of time. Based on our estimates, we do not believe that StarHub will have any issues funding the S\$100m NC investment using its internal funds.

Wholesale pricing ranges from S\$21-121 per user. Meanwhile, the IDA has revealed that one of the key factors behind StarHub's victory was its "attractive" wholesale pricing. Media reports quoted the IDA as saying NC will charge companies (RSPs or Retail Service Providers) S\$21 a month for a 100Mbps residential Internet connection and S\$121 for a 1Gbps link; a 100Mbps non-residential connection is priced at S\$75 a month. The IDA added that NC's proposed wholesale pricing cannot be raised for the first six years but it can be brought down. Earlier, the NetCo (Network Company) - won by a consortium that includes rival SingTel - said it would offer wholesale prices of S\$15 per month per residential fibre connection and S\$50 per month per non-residential fibre connection to operating companies.

No near-term impact. In the near-term, we do not see any impact on its earnings - we expect meaningful OpCo contribution to come in from 2011 onwards; we raise our FY10 estimates by less than 0.5%. We also do not expect any change in its capex spending this year although we can expect an increase of S\$30m from 2010 onwards; and we can expect a small increase in debt funding somewhere down the road. Nevertheless, based on our DCF valuation model, the win is positive for StarHub and that bumps up our fair value from S\$2.78 to S\$2.88. Maintain **BUY.** (Carey Wong)

AusGroup: Successfully grabs order in key LNG market

AusGroup Ltd announced that it has secured a A\$120m contract from Woodside as part of the Pluto LNG project - it will provide construction support activities for the process facility in Western Australia. The work will commence immediately, with completion scheduled by end of FY10. This new order is something of a strategic milestone in AusGroup's efforts to establish itself in the LNG industry. AusGroup management had previously identified this as a key target market for the company. AusGroup's order book now stands at A\$264m (up 57% from A\$168m at 31-Dec). In our last report, we said our rating will be affected by AusGroup's performance in 2H09, its ability to secure new orders, and further clarity on its business environment. This new order win is certainly a step in the right direction. Pending an update from management, we are placing our rating and fair value estimate under review (prev: HOLD, S\$0.16), with a positive bias. *(Meenal Kumar)*

Monday	Tuesday	Wednesday	Thursday	Friday
06-Apr	07-Apr	08-Apr	09-Apr	10-Apr
		Ezra 2H09 Thomson med 1H09 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 Miyoshi 1H09	US Mar PPI US Mar Advance Retail Sales	SGX 3Q09 SG Feb Retail Sales US Mar CPI US Mar Indust Production	M1 1Q09 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	CSM 1Q09
27-Apr	28-Apr	29-Apr	30-Apr	01-May
			Venture 1Q09 SG Mar Money Supply SG Mar Bank Loans & Advances SG 1Q Employment Rate	
04-May	05-May	06-May	07-May	08-May
	Noble 1Q09			

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

RATINGS AND RECOMMENDATIONS:

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.

DISCLAIMER FOR RESEARCH REPORT

This report is solely for information and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities mentioned herein. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. OCBC Investment Research Pte Ltd, OCBC Securities Pte Ltd and their respective connected and associated corporations together with their respective directors and officers may have or take positions in the securities mentioned in this report and may also perform or seek to perform broking and other investment or securities related services for the corporations whose securities are mentioned in this report as well as other parties generally.

Privileged/Confidential information may be contained in this message. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you may not copy or deliver this message to anyone. Opinions, conclusions and other information in this message that do not relate to the official business of my company shall not be understood as neither given nor endorsed by it.

Co.Reg.no.: 198301152E

For OCBC Investment Research Pte Ltd



Carmen Lee
Head of Research

Published by OCBC Investment Research Pte Ltd

