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15 April 2009

# Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1897.0	20.3	1.1
Catalist	75.6	4.7	6.6
Finance	453.8	5.7	1.3
Property	395.1	11.0	2.9
Electronics	370.6	6.1	1.7
Vol (m)	2201.1	813.3	58.6
Val (S\$m)	1356.7	394.7	41.0

World Indices			
	Close	Chg	% Chg
Dow Jones	7920.2	-137.6	-1.7
Nasdaq	1625.7	-27.6	-1.7
S&P500	841.5	-17.2	-2.0
FTSE	3989.0	5.3	0.1
KLCI	953.7	12.3	1.3
Hang Seng	15580.2	678.8	4.6
Nikkei	8842.7	-81.8	-0.9
SET	453.9	9.8	2.2
KOSPI	1342.6	4.4	0.3
TWSE	5892.7	35.0	0.6

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		456	
No. of losers		120	
No. of unchanged		160	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	98.9	-0.1
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.1	0.0
Crude futures (US\$)	49.1	-0.4

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## Key Idea

### Tat Hong Holdings Ltd: Stay on the sidelines ahead of 4Q09 report card

We expect Tat Hong Holdings Ltd (Tat Hong) to post a 28.9% YoY decline in 4Q09 earnings to S\$20.2m when it announces its results on 28 May 09. While equipment sales are likely to remain sluggish, we expect rental income to buoy the group's earnings. We are hopeful that the group may reverse some of its previously recognised unrealised forex losses in the coming quarters. Sentiment for construction stocks has improved after the sector impressed with a 25.6% YoY growth despite Singapore's 11.6% GDP contraction. However, we caution that while robust demand from Singapore could pick up some of the slack, it will not be able to completely cushion Tat Hong from the slump in global demand given the group's diverse geographical exposure. We prefer to adopt a cautious stance ahead of the group's 4Q09 earnings, and are keeping our S\$0.72 fair value estimate intact. In view of the recent rally, and the 38% gain since our last upgrade, we downgrade our rating to **HOLD**.

### More reports:

- **Sembcorp Marine: Client problems with Petroprod**

## News Headlines

- Lian Beng Group reported a 31.4% YoY rise in net profit to S\$11.4m for 9M09, with revenue surging 55% to S\$230.1m.
- Shanghai Asia Holdings warned that 1Q09 results will show significantly lower profits compared to 1Q08. It said aluminium prices remained volatile and a major customer also delayed its order in 1Q09.
- Jiutian Chemical Group expects to report a loss for 1Q09. It said its first plant operated at 55% capacity while the second one remained shut.
- Food Junction Holdings said it has accepted the offer from Gold Ridge Pte Ltd to operate a food court in Nex, an upcoming retail project at Serangoon Central.
- Creative Technology has announced new beta drivers for its various sound cards on the Windows 7 beta operating system.
- KS Energy and Sinwa announced that their jointly owned liftboat, KS Titan 2, has commenced operations for the Siemens Wind Power contract.
- Karin Technology has incorporated a new subsidiary to provide professional consulting service and software products, solutions and training.
- Global Voice Group will provide on-demand datacenter connectivity for Bluedome, a Dutch firm.
- A unit of Parkway Holdings has sold its entire 60% shareholding in Ko, Djeng Gleneagles Pte Ltd for S\$403k.

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

**Tat Hong Holdings Ltd: Stay on the sidelines ahead of 4Q09 report card**

**Results preview.** Tat Hong Holdings Ltd (Tat Hong) is expected to post its 4Q09 results on 28 May 09. We are anticipating a 28.9% YoY decline in net profit to S\$20.2m on lower revenue, slightly below the street's estimate. Sluggish equipment sales will likely be the group's weakest link, while rental income is expected to provide stability to the group's overall earnings. Key areas worth noting in its 4Q09 results include fleet utilisation and rental rates, where we anticipate signs of softening, as well as the impact of forex on earnings. To recap, Tat Hong suffered forex losses, both realised and unrealised, which amounted to S\$23.4m in 3Q09 as a result of the Yen's sharp appreciation. With the Yen having tapered off since, the group could reverse part of its unrealised losses in the coming quarters. However, we do not expect forex loss reversals to have a significant impact on 4Q09 earnings.

**Tapping growth opportunities in China.** Pockets of growth opportunities continue to exist in China despite the overall gloom in private spending. This has been reflected in the healthy growth recorded by Tat Hong's new tower crane segment, which posted a 158% YoY surge in 3Q09 revenue despite the overall softening experienced by the other segments. To further strengthen its market share in this resilient segment, Tat Hong has formed a new joint venture (JV) to leverage on growing demand for tower crane rental in the PRC. This JV, which will be funded by internal resources, is in line with its strategy of expanding its presence in China.

**Adopt a cautious stance ahead of 4Q09 earnings.** Tat Hong has done well since our upgrade, having appreciated 38% to S\$0.82. Sentiment for construction stocks has improved after the sector proved its resilience with a 25.6% YoY growth despite Singapore's 11.6% GDP contraction. However, we caution that while strong demand from Singapore could pick up some of the slack, it will not be able to completely offset the slump in global demand, given Tat Hong's diverse exposure in Australia and the rest of ASEAN. We prefer to adopt a cautious stance ahead of the group's 4Q09 earnings, and are keeping our S\$0.72 fair value estimate intact. In view of the recent rally, we downgrade our rating to **HOLD.***(Lee Wen Ching)*

### Sembcorp Marine: Client problems with Petroprod

It has been revealed in an industry newsletter, TradeWinds, that Sembcorp Marine's (SMM) customer, PetroProd (part of Larsen Oil & Gas family), has been served notice for liquidation by its bondholders in view of a default on the bonds. PetroProd currently has two projects with SMM, namely a harsh environment jack-up rig called CJ-70 (contract of US\$442m awarded on 10 May 07) and a FPSO conversion called MT-Arc (not public due to low value). We called management and they indicated that the CJ-70's progress payment amounts to about 50% while construction is slightly behind the midway mark. As such, we think SMM's cash flow position on this project is still positive. For the MT-Arc, we expect it to also be in a positive cashflow position as SMM is only providing labour for execution.

While SMM management has refrained from making an opinion about the outcome thus far, we are assuming the worst case with PetroProd going into judicial management. In such a scenario, we take the stance that SMM will finish the CJ-70 rig with its own cash flow and within its stipulated timeline of mid-2010 while initiating the process to sell it off in the secondary market. Even if sold at 50% discount to the contract cost of US\$442m, SMM should be able to cover costs. However, we think that such a steep discount is unwarranted. We will be awaiting more clarifications from management. In the meantime, we maintain our **HOLD** rating on SMM with a fair value of S\$2.02. *(Kelly Chia)*

Monday	Tuesday	Wednesday	Thursday	Friday
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	CMT 1Q09/A-REIT 4Q09 SG Mar NODX/SG Mar Electronic Exports China Mar PPI & CPI/China Mar Ret Sales China Mar Fixed Assets Inv/China Mar Ind Prod US Apr U of Michigan Confidence
20-Apr	21-Apr	22-Apr	23-Apr	24-Apr
Evergro Prop/Keppel T&T/SPC 1Q09 US Mar Leading Indicators	K-REIT Asia 1Q09	Keppel Land 1Q09 Ascott Residence Trust 1Q09 PST 1Q09 (est)	Keppel Corp 1Q09 SG Mar CPI Aztech/MLT 1Q09 FCT 2Q09 (est)	CSM/CapitaLand 1Q09 SMRT FY09
27-Apr	28-Apr	29-Apr	30-Apr	01-May
China XLX 1Q09 Cambridge Ind Trust 1Q09	Suntec REIT 1Q09 (est) Ascendas India Trust 4Q09	Indofood 1Q09	Venture/CCT 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	OCBC 1Q09	StarHub 1Q09	
11-May	12-May	13-May	14-May	15-May
CDL 1Q09 China Apr PPI/China Apr CPI	Food Empire 1Q09 China Apr Trade Bal	China Apr Retail Sales China Apr Ind Production	SIA FY09	SG Mar Retail Sales

*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**

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

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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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