

24 April 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1860.0	16.6	0.9
Catalist	75.6	-1.2	-1.6
Finance	442.2	2.2	0.5
Property	375.5	-0.1	0.0
Electronics	413.3	-7.7	-1.8
Vol (m)	1569.0	-170.1	-9.7
Val (S\$m)	1269.3	-122.1	-8.8

World Indices			
	Close	Chg	% Chg
Dow Jones	7957.1	70.5	0.9
Nasdaq	1652.2	6.1	0.4
S&P500	851.9	8.4	1.0
FTSE	4018.2	-12.4	-0.3
KLCI	978.6	10.1	1.0
Hang Seng	15214.5	336.0	2.3
Nikkei	8847.0	119.7	1.4
SET	466.1	5.4	1.2
KOSPI	1368.8	12.8	0.9
TWSE	5875.2	-10.9	-0.2

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		265	
No. of losers		204	
No. of unchanged		185	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	98.0	0.0
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.1	0.0
Crude futures (US\$)	49.8	0.2

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Key Idea

Keppel Corporation Ltd: Caution against over enthusiasm. Downgrade to SELL.

Keppel Corporation's (KepCorp) topline grew 34.7% YoY to S\$2.98b while PATMI rose 9% YoY to S\$285m. The results exceeded our expectations in view of a strong show from the Offshore and Marine business. The other divisions performed largely in line with our expectations. A key highlight for KepCorp was an improvement in margins in all the divisions. KepCorp's Property arm kept on sliding due to the poor outlook and we have lowered our estimates for this division. The Infrastructure division performed well with contributions from the Doha North project as well as an increase in market share of its Singapore Cogen plant. However, we remain cautious on the 50% share price run since its recent low on 4 Mar 09 as fundamental positive changes in the industry have yet to be seen. Oil remains at sub-50 while new rig orders have largely been absent. We are also priming investors on a possible disappointment in dividends with our interim dividend forecast of 11 S cents (vs consensus 17 S cents). Our SOTP valuation has been bumped up to S\$4.90 (prev. S\$4.40) due to the run up market value of its associates plus an improvement in margins leading to better earnings. However, the 19% downside to our fair value underpinned by weak industry fundamentals causes us to downgrade KepCorp to **SELL**.

More reports:

- **Pacific Shipping Trust: DPU up 5.4% QoQ, CSAV in focus**
- **Mapletree Logistics Trust: A flat, but better than expected, 1Q09**
- **Frasers Centrepoint Trust: QoQ improvement as asset enhancement winds up**
- **CapitaLand Ltd: Bottomline dragged by absence of divestment gains**
- **Chartered Semiconductor: 1Q09 results above expectations, guides better 2Q09**
- **Keppel Land Ltd: Announced 9-for-10 Rights issue**

News Headlines

- Singapore's CPI rose 1.6% YoY in March - but the rate of increase was the lowest in 21 months.
- Babcock & Brown Global Investments Ltd is planning to drop "Babcock and Brown" from its name. It also plans to distribute at least 1.7 S cents per share for 1H09 and has fully repaid and cancelled its multicurrency revolving facility with an Australian bank.
- Baker Technology reported S\$6.1m in 1Q09 net profit, up from S\$69k in 1Q08, due to contributions from its new business of providing specialised marine offshore equipment and services for the oil and gas sector.
- China Hongcheng Holdings expects profits for 3Q09 to fall significantly YoY due to a fall in selling prices and profit margins, although sales volume remained stable. Finance costs were also higher.
- Koh Brothers has announced the upcoming weekend launch of its new freehold residential development, Fiorenza.

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

Keppel Corporation Ltd: Caution against over enthusiasm. Downgrade to SELL.

Outlier 1Q09. Keppel Corporation's (KepCorp) topline grew 34.7% YoY to S\$2.98b while PATMI rose 9% YoY to S\$285m. The results exceeded our expectations in view of a strong show from the Offshore and Marine business. The other divisions performed largely in line with our expectations. A key highlight for KepCorp was an improvement in margins in all the divisions. These came in higher than our estimates.

Property, still a concern. Revenue declined to S\$222m (-26% YoY) largely due to the completion of trading projects in FY08. Although the 33% YoY decline in bottom-line was faster than its revenue, it would have been worse if it was not mitigated by the increase in contributions from Marina Bay Residences and Reflections at Keppel Bay in 1Q09. Our property analyst has lowered our FY09 revenue and shareholders' profit forecasts to S\$720.3m and S\$222.7m respectively. Keppel Land has also declared a rights issue where KepCorp is committed to putting in up to S\$678m.

Infrastructure: provides some silver lining. This division delivered a strong quarter as it recognised lump sum revenue from its Doha North project and its Keppel Merlimau Cogen plant obtained better market share in Singapore. On an annual basis, we think that the Doha project's lumpy contribution will be smoothed out. We are factoring its Cogen plant to sustain its market share.

Unfounded enthusiasm. We remain cautious on the enthusiastic 50% share price run since its recent low on 4 Mar 09 as fundamental positive changes in the industry have yet to be seen. Oil price continues to hover at sub-50s range while the group has seen a dearth of rig orders despite repeated assurances that the Oil Majors' and National Oil companies' E&P spending "will continue despite the slowdown in the world economy". We also caution investors on expecting similar quantum of dividend payouts as the group hunkers down to conserve cash and remain in a well capitalised position for acquisition opportunities. Our interim dividend is forecasted at 11 S cents, significantly below consensus of 17 S cents. We have shaved our revenue due to weaker property performance but PATMI improves due to upward revision of margins.

Downgrade to SELL. Our SOTP valuation has been bumped up to S\$4.90 (prev. S\$4.40) due to the run up market value of its associates plus an improvement in margins leading to better earnings. The 19% downside to our fair value is underpinned by weak industry fundamentals. *(Kelly Chia)*

Pacific Shipping Trust: DPU up 5.4% QoQ, CSAV in focus

DPU up 5.4% QoQ. Pacific Shipping Trust (PST) posted a significant 72% YoY increase in 1Q09 revenue to US\$15.2m, due to contributions from the four vessels acquired last year. This is the first quarter recording full contributions from all four vessels and 1Q revenue rose 4.9% QoQ. Cash earnings (net profit adjusted for non-cash items such as depreciation) rose 63% YoY and 4.8% QoQ to US\$10.8m. The trust will pay out 0.98 US cents per unit, up 5.4% QoQ and 1% YoY. The small YoY increase in per share figures is due to the enlarged unitholder base after last year's preferential offering. The results were in line with our expectations.

CSAV renegotiation in focus... As announced last week, PST customer CSAV is asking ship owners (including PST) for a temporary reduction in charter hire payments. Two PST vessels are chartered to CSAV on 5-year time charters. We expect PST to agree to this renegotiation request as this is probably the best option PST has in the current environment. Discussions are still in preliminary stages but details are thin on: 1) whether the various ship owners will all agree to the request; 2) the exact quantum of the discount; 3) the size and type of compensation granted to owners.

...making lenders a concern. Despite wide-spread issues in the ship financing arena, PST had so far managed to escape 'lender overhang' due to its fairly conservative business model; a fortuitous equity issue last year that strengthened its balance sheet; and importantly - the lack of loan-to-value covenants on its books. But the CSAV issue tilts the balance of power, in our view: a renegotiation likely qualifies as 'material change' in the trust's circumstances. PST's lenders could conceivably tack on a punitive spread to PST's cost of debt (increasing interest expense) or demand higher debt repayments. We understand that PST's lenders are reserving judgment for the moment, with no explicit renegotiation proposal out yet.

Valuation. We think it is too early to turn buyers of shipping trusts - we would prefer to wait until the shipping markets show concrete signs of stabilizing. For PST, significant uncertainty remains on the CSAV front. We also see a possibility that PST's board takes an even more prudent stance on distributions in the coming quarters in response to recent events. Counterparty risk (both CSAV and PIL), and lender reaction, remains our key concern, which we think is adequately reflected in our US\$0.16 fair value estimate. Maintain **HOLD**. (*Meenal Kumar*)

Mapletree Logistics Trust: A flat, but better than expected, 1Q09

Fairly flat QoQ. Mapletree Logistics Trust (MLT) posted S\$53.3m in 1Q09 revenue, up 24.9% YoY, thanks to acquisitions. Revenue was fairly flat on a sequential basis, up only 1.7% QoQ. NPI margin stood at 86.7% for the quarter, slipping from the 87.6% margin achieved a year ago but slightly better than the 86.1% recorded in 4Q08. Distributable income rose 0.7% QoQ and 36.1% YoY to S\$28.6m. MLT will pay out 1.47 S cents/unit, down 22.6% YoY (because of an enlarged units base post last year's rights issue) and up 0.7% QoQ. This translates to an annualized yield of 13.1%. The manager reaffirmed its commitment to pay out 100% of distributable income.

But better than expected. 1Q results outperformed our expectations by 5-8% due to our conservative occupancy assumptions for FY09. Our estimates incorporate a fairly bearish 90% portfolio-wide occupancy assumption over FY09-10. MLT's overall occupancy as at 31st March is 98.5%, versus 99.6% as at 31 December. Some pockets of weakness have emerged: Hong Kong occupancy has fallen from 98.2% as at December to 95.8% at March, while China occupancy has fallen from 99.2% to 91.7%. Note that the China fall is because of problems with one tenant (contributes less than 1% of total revenue). At the same time, other markets like South Korea, Japan and Malaysia are holding at 100% occupancy. This variety in performance explains the small size of the overall dip, and validates the portfolio's advantages of geographical diversification and balance between multi-tenanted and sale-and-leaseback properties.

Refinancing underway. MLT is geared at about 38.3% debt-to-assets. During the quarter, MLT raised some S\$105m in new loans to refinance existing debt. As of 31 March, about S\$151m in loans will mature this year, and the manager announced significant progress in arranging refinancing. While a US\$20m term loan is still being negotiated, MLT has enough committed lines and cash on hand to refinance all 2009 loans.

Valuation achieved. We believe our investment thesis still stands: occupancy will be the key performance driver in the industrial space; but MLT's diversified and high quality portfolio will allow it to deliver reasonably stable income to unitholders over the next two years. MLT has had a good run, up 15.4% since our re-initiation in February. However, we have not seen enough corresponding positive signals for the industrial market. As our fair value estimate of S\$0.45 has been achieved, we are downgrading the stock to a **HOLD.***(Meenal Kumar)*

Frasers Centrepoint Trust: QoQ improvement as asset enhancement winds up

DPU up QoQ. Frasers Centrepoint Trust (FCT) posted S\$21.1m in 2Q09 revenue, down 2.4% YoY but up 8.3% QoQ. NPI margins improved to 69.7% from 66.8% a year ago and 65.9% in 1Q09 due to the absence of one-off expenses and cost management. FCT will distribute S\$11.6m for the quarter, up 7.3% YoY because of a larger 100% payout (versus 90% a year ago) and up 11.3% QoQ. Unitholders will receive 1.86 S cents per unit, or an annualized yield of 10.7%. FCT's results were slightly better than expected: 1H09 revenue and distributed income make up 52% of our full-year estimates.

Asset enhancement winding up. In recent quarters, the trust's earnings have been distorted by planned enhancement works at Northpoint. The property earned S\$2.5m in net property income, down 29.1% YoY but up 58.2% QoQ as the temporary vacancy situation corrected in line with progress on the works (72% actual occupancy at Mar 09 versus 52% as at Dec 08). We expect occupancy figures to improve further in 2H09, with the work scheduled to be completed by June 2009. The manager has secured or is in advanced negotiations for leases on 94% of the mall's NLA. FCT re-affirmed its guidance for post-enhancement rents at the mall, and says Northpoint can achieve S\$4.5m in NPI with 100% occupancy - which is 77% higher than what the property earned this quarter.

Portfolio holding course. FCT's other two properties maintained occupancy rates of 99.5%-100%. Causeway Point recorded an 8% QoQ increase in NPI to S\$11m, while Anchorpoint registered a 16% QoQ increase in NPI to S\$1.1m. Only 0.9% of portfolio NLA was renewed in 2Q09, at a 7.3% increase over preceding rents. This is a significant step down from the increases achieved in the preceding four quarters, which have all been in the high teens.

For stability seekers. We still like FCT's relatively "safer" suburban portfolio and its mass-market, non-discretionary spending focus. Our valuation prices in a 5-7% decline per annum in new rentals/ renewals over the next two years (except for the uplift at Northpoint post-works). FCT is geared at a low 29.7%, with the bulk of its loans maturing in July 2011. We think FCT is an attractive proposition for investors seeking yield stability. However, from a value perspective, we think there are better deals out there in the sector. The lack of critical mass in the current portfolio, with growth plans on hold, is also a concern. Maintain **HOLD** with S\$0.62 fair value. *(Meenal Kumar)*

CapitaLand Ltd: Bottomline dragged by absence of divestment gains

CapitaLand (CapLand) announced its 1Q09 results this morning, which fell short of our expectations. Revenue fell 22.9% YoY and 30.8% QoQ to S\$487m due to lower sales from development projects and lower rental revenue as some commercial properties were divested last year. Contributions from AustraLand were also below our expectations, attributable to weaker operations and exchange rate. Reported PATMI fell 82.7% YoY and 45% QoQ to S\$42.9m; but was due to the lack of significant sale of investments in 1Q09, as compared to a net gain of S\$137m from divestments in 1Q08. Excluding the divestment gains, the YoY and QoQ decline will be lower at ~61.2% and ~22.8%, respectively. Nevertheless, we are now putting our fair value of S\$2.51 and **HOLD** recommendation under review. (*Foo Sze Ming*)

Chartered Semiconductor: 1Q09 results above expectations, guides better 2Q09

Chartered Semiconductor reported its 1Q09 results this morning. Revenue of US\$243.9m came in at the high end of its mid-quarter guidance of US\$232-244m, while its net loss of US\$98.8m was significantly lower than its projected US\$122-132m. Both exceeded our expectations of US\$230.4m revenue and US\$138.8m net loss. During the quarter, ASP per wafer had also improved to US\$928, compared to US\$909 in 4Q08, due to a favourable product mix. For 2Q09, Chartered is seeing a significant increase in orders from its customers, mainly from its leading-edge 65nm technology node followed by 0.11 and 0.18-micron nodes. This, it said, may be driven by the introduction of new products and to a lesser extent, inventory re-stocking. As such, the group is guiding revenue to improve ~32-37% QoQ to US\$321-333m, while its net loss to narrow to US\$54-64m for 2Q09. We will provide more updates after the conference call later this morning. For now, we put our **SELL** rating and S\$0.06 fair value under review. (*Kevin Tan*)

Keppel Land Ltd: Announced 9-for-10 Rights issue

Keppel Land (KepLand) has announced that it will be raising gross proceeds of ~S\$712.3m through a renounceable 9-for-10 Rights issue. Up to 653.5m new KepLand shares will be issued at a subscription price of S\$1.09 per Rights shares. The subscription price of S\$1.09 is at a discount of 42% to KepLand's closing price of S\$1.88 on 23 April and 27.6% to the theoretical ex-rights price of S\$1.50. As a demonstration of support, Keppel Corporation, which holds ~52.64% of KepLand, has undertaken to subscribe for its entitlement in full. The balance Rights shares will be fully underwritten by Merrill Lynch, of which 90% is being sub-underwritten by Keppel Corporation. Upon the completion of the Rights issue, KepLand's net debt/equity ratio will decline from 0.52x to 0.22x and NTA per share will decrease from S\$3.50 per share to S\$2.35 per share. We are now putting our fair value of S\$1.76 and **HOLD** recommendation for KepLand under review. (*Foo Sze Ming*)

Monday			Tuesday		Wednesday		Thursday		Friday	
20-Apr			21-Apr		22-Apr		23-Apr		24-Apr	
Evergro Prop/Keppel T&T/SPC 1Q09 SPC 1Q09 US Mar Leading Indicators			K-REIT Asia 1Q09 FSLT 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 Lippo Mapletree/RMT 1Q09 (est) MMH 3Q09 (26 Apr)	
27-Apr			28-Apr		29-Apr		30-Apr		01-May	
China XLX 1Q09 Cambridge Ind Trust 1Q09 Starhill Global REIT 1Q09			Suntec REIT 1Q09 (est) Ascendas India Trust 4Q09 Allgreen Properties 1Q09		Indofood 1Q09		Venture/CCT 1Q09 CDL Hospitality 1Q09 (est) SG Mar Money Supply SG Mar Bank Loans & Advances SG 1Q Employment Rate			
04-May			05-May		06-May		07-May		08-May	
			Noble/STE 1Q09 GE 1Q09 RLS 3Q09 Ausgroup 3Q09 (est)		OCBC 1Q09 UOB 1Q09		StarHub 1Q09		Koda 3Q09 (est) DBS 1Q09 SMM 1Q09	
11-May			12-May		13-May		14-May		15-May	
CDL 1Q09 SIA EC 4Q09 China Apr PPI/China Apr CPI			Food Empire/NOL/Pan Utd 1Q09 SP Ausnet FY09 China Apr Trade Bal		Midas/Rotary/Wilmar 1Q09 MIIF 1Q09 China Apr Retail Sales China Apr Ind Production		SIA FY09 Olam 3Q09		SIA 4Q09 SG Mar Retail Sales	
18-May			19-May		20-May		21-May		22-May	
SG Apr NODX SG Apr Electronic Exports										

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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