

MITA No. 014/06/2008

12 May 2009

# Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	2166.1	-72.1	-3.2
Catalist	88.8	-1.2	-1.3
Finance	538.6	-25.2	-4.5
Property	443.0	-17.9	-3.9
Electronics	488.9	-12.5	-2.5
Vol (m)	4069.8	-1152.3	-22.1
Val (S\$m)	2430.7	-621.9	-20.4

World Indices			
	Close	Chg	% Chg
Dow Jones	8418.8	-155.9	-1.8
Nasdaq	1731.2	-7.8	-0.4
S&P500	909.2	-20.0	-2.2
FTSE	4435.5	-26.6	-0.6
KLCI	1025.5	-1.3	-0.1
Hang Seng	17088.0	-301.9	-1.7
Nikkei	9452.0	19.2	0.2
SET	535.2	7.5	1.4
KOSPI	1415.2	3.0	0.2
TWSE	6647.5	63.6	1.0

Market Statistics (SG)		
STI 52-week range	1,455	3,254
No. of gainers		231
No. of losers		412
No. of unchanged		183

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	97.4	-0.1
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	0.9	0.0
Crude futures (US\$)	58.2	-0.3

## Research Team

(65) 6531 9800

e-mail: info@ocbc-research.com

## Key Idea

### City Developments: Weak results within expectations

City Developments (CDL) reported a weak set of 1Q09 results that was largely within expectation. Revenue declined to S\$622.5m due to weaker revenue contribution from its property development and hotel operations but investment properties continued to turn in strong performance. PATMI for 1Q09 fell to S\$83.1m. We believe that the current condition in the property market had prompted CDL to shift its focus towards the mass market segment. CDL is now planning to launch a new mass market project at the former Hong Leong Garden Condominium by 4Q09. We are now raising our FY09 revenue and PATMI estimates to S\$2,667.9m and S\$451.9m to factor in recent property sales. Our RNAV estimate has now been raised to S\$7.72. Key parameters to re-rating would include the sustainability of recent home buyers' demand and improvement in unemployment rate and wages. Our fair value of CDL has now been raised to S\$5.69 but we maintain our **SELL** recommendation on valuation grounds.

### More reports:

- **SingTel: Possible 4Q09 earnings surprise**

## News Headlines

- A unit of Sembcorp Marine has secured a S\$230m contract for the construction of two offshore platforms.
- SIA Engineering reported a 18.7% YoY rise in 4Q09 profit to S\$65.5m due to higher line maintenance revenue and increase in its fleet management business.
- ASL Marine reported a 65% YoY rise in net profit to S\$23.4m for 3Q09 while revenue grew 16.6% to S\$106.9m.
- SATS reported a 11% rise in FY09 revenue to S\$1.06b, but net profit fell 24.7% to S\$146.7m, weighed by the depressed aviation market and lower contributions from offshore associates.
- BRC Asia reported flat 2Q09 net income of S\$1.15m despite a 27% YoY rise in turnover to S\$66.7m.
- FJ Benjamin posted a net loss of S\$1.86m for 3Q09 compared to a S\$4.36m net profit in 3Q08, mainly due to foreign exchange losses and weaker consumer spending.
- C&G Industrial Holdings will acquire all the shares of CUGU Environment Protection International for RMB360m by way of issuing new shares at 21 cents apiece.
- A unit of United Engineers has won a S\$53m contract to upgrade the Chestnut Avenue Waterworks.
- China Powerplus has warned of a net loss for 1Q09 and expects conditions to remain challenging for some time.
- Eastern Asia slashed its net loss for 1Q09 to S\$1.6m from S\$4.9m in 1Q08 and said it is starting to reap rewards of a restructuring exercise and has put in place efficient production processes that are market responsive.

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

### City Developments: Weak results within expectations

**Weak results within expectation.** City Developments (CDL) reported a weak set of 1Q09 results that was largely within expectation. Revenue declined by 18% YoY and 13.2% QoQ to S\$622.5m due to weaker revenue contribution from its property development and hotel operations. Notwithstanding the weak office market, its investment properties continued to turn in strong performances, as positive rental reversions drove revenue higher by 22.4% YoY and 6.4% QoQ to S\$70m in 1Q09. Operating profit declined by 39.7% YoY and 20.7% QoQ due to weaker margins from hotel operations but was partially offset by lower salaries and rental paid to CDL Hospitality Trusts. Contribution from jointly-controlled entities fell sharply by 69.3% YoY to S\$17.6m due to the completion of projects (St Regis Residences and The Sail). PATMI for 1Q09 declined by 49.6% YoY and 16.8% QoQ to S\$83.1m.

**Shifting focus to the mass market segment.** CDL had been a beneficiary of the return in demand for mass and mid-market properties over the past months, selling more than 60 units in Livia and more than 250 units in its new launch, The Arte at Thomson. We believe that the current condition in the property market had prompted CDL to shift its focus towards the mass market segment. CDL is now planning to launch a new mass market project at the former Hong Leong Garden Condominium at West Coast Drive by 4Q09. At the same time, CDL could also be holding back the launch for its high end project- The Quayside Isle Collection at Sentosa Cove until the project is completed or near completion. Such moves demonstrate CDL's competitive advantage of holding a diversified range of landbank that provides flexibility to manage the challenging market condition.

**Maintain SELL.** We are now raising our FY09 revenue and PATMI estimates to S\$2,667.9m (previously S\$2,538.7m) and S\$451.9m (previously S\$444.5m) to factor in recent sales at Livia and The Arte. Our RNAV estimate has now been raised to S\$7.72 per share (previously S\$7.56). While sentiments in the equity market had improved considerably since March, we prefer to remain cautious at this point in time and maintain our 30% discount to development profits and valuation of investment properties. Key parameters to re-rating would include the sustainability of recent home buyers' demand and improvement in unemployment rate and wages. Our fair value of CDL has now been raised to S\$5.69 (previously S\$5.53) but we maintain our **SELL** recommendation on valuation grounds. (*Foo Sze Ming*)

**SingTel: Possible 4Q09 earnings surprise**

**Upbeat 4Q09 results likely.** SingTel is due to report its 4Q09 results on 14 May before market opens. We had earlier expected revenue to show a modest QoQ decline (<5%) as we expect the economic slowdown to exert a slight toil on its business; the weaker AUD is also expected to negatively impact its consolidated revenue. But based on the relatively upbeat quarterly results from its peers MobileOne and StarHub recently, as well as the strong 4Q09 results from 33%-owned associate Bharti Airtel, we may see better-than-expected showing from SingTel. Another area of earnings surprise could also come from forex gains, as the regional currencies have appreciated some 2-5% against the SGD over the quarter.

**Systems are go for NBN.** Separately, the Infocomm Development Authority (IDA) recently announced the successful achievement of the contractual and financial close (CFC) by OpenNet, the NetCo of the NBN (national broadband network). SingTel has a 30% stake in OpenNet. As such, OpenNet has now obtained its Facilities-Based Operator License for it to commence the roll out of the NBN, where the plan is to achieve 60% coverage of all residential premises and non-residential buildings by end-2010, and 95% of all residential premises and non-residential buildings by 2012.

**Divestment of SingTel's underground assets.** The IDA has also approved OpenNet's implementation plan of the AssetCo, which will be established as a business trust within 24 months of the CFC, and will own and control the relevant underlying passive infrastructure assets that are used to support OpenNet's deployment. SingTel will transfer these underlying assets to the AssetCo; it will also need to reduce its unit holdings in the AssetCo to less than 25% within 60 months of OpenNet's CFC. We view the move positively as it would allow SingTel to monetize its assets.

**Room for upward revision.** In line with the recovering equity markets around the globe, we note that share prices of its listed associates have also risen over the quarter, with Bharti up as much as 16%. However, we are still not entirely convinced that a sustainable recovery has taken place, as the economic fundamentals continue to lag the sharp rally in share prices. Still, should the global economic recovery come earlier and stronger than expected, we see room to raise our FY10 estimates. For now, we maintain our SOTP fair value of S\$3.09 until we see the 4Q09 results. In the meantime, we retain our **BUY** call. *(Carey Wong)*

Monday	Tuesday	Wednesday	Thursday	Friday
11-May	12-May	13-May	14-May	15-May
CDL 1Q09/SATS FY09 SIA EC 4Q09 Synear 1Q09 China Apr PPI/China Apr CPI	NOL/Pan Utd/SCI 1Q09 SP Ausnet FY09 UOL/Pan Pacific Hotel 1Q09 China Apr Trade Bal US Mar Trade Bal	Midas/Rotary/Wilmar/ EYS/MIIF/Li Heng 1Q09 SSH 3Q09 China Apr Retail Sales/China Apr Ind Prod US Mar Biz Inventories US Apr Imp Price Ind/US Apr Adv Retail Sales	SIA/Mercator FY09/ Olam 3Q09 Tsit Wing 1Q09 (est) Foreland/Food Empire/Soilbuild 1Q09 Comfort Delgor/Swiber 1Q09 US Apr PPI	SIA 4Q09/Koda 3Q09 Golden Agri/KSE 1Q09 SG Mar Retail Sales US Apr Ind Production/US Apr CPI US May U of Michigan Confidence
18-May	19-May	20-May	21-May	22-May
SG Apr NODX SG Apr Electronic Exports	US Apr Housing Starts		US May Philadelphia Fed	
25-May	26-May	27-May	28-May	29-May
SG Apr CPI	SG Apr Ind Production	CitySpring 4Q09 (est) Willas Array FY09 US Apr Existing Home Sales	Tat Hong 4Q09 US Apr Durable Good Orders US Apr New Home Sales	SG Apr Money Supply SG Apr Bank Loans & Advances US 1Q GDP US May U of Michigan Confidence
01-Jun	02-Jun	03-Jun	04-Jun	05-Jun
US Apr Personal Income US May ISM Manufacturing		US May Total Vehicle Sales US May ISM Non-Manf Composite US Apr Factory Orders		
08-Jun	09-Jun	10-Jun	11-Jun	12-Jun
	SG 3Q Manpower Survey China 3Q Manpower Survey	China May PPI/China May CPI	China May Trade Bal	China May Retail Sales China May Ind Production

*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.

For OCBC Investment Research Pte Ltd

Co.Reg.no.: 198301152E



---

Carmen Lee  
Head of Research

Published by OCBC Investment Research Pte Ltd