KELIVE RESEARCH

KIM ENG

Morning Buzz

Singapore
16 January 2007

Kim Eng Research Team

Today's Top Ideas

- Cosco Corporation – Orderbook doubles to US$900m; Buy

News Headlines

- CapitaLand plans to buy 35 China malls worth US$1.3b
- SingTel plans to launch pay-TV services
- Banyan Tree confirms BT report on Vietnam project
- $165m reverse takeover bid made for Auston
- Cosco S'pore wins deals of more than US$450m
- Sam Goi, Boon Hwee buy into JEL
- Qian Hu Q4 profit jumps 62.1% to $869,000
- SIA's passenger load factor hits record 84% in Dec
- PDC to invest US$50 million to grow corn and coffee in Indonesia
- Nam Lee wins two building works contracts worth $23.2 million
- A-Reit renews leases, signs fresh ones

US Indices (Previous Session)

Dow	12,556.08	Closed
Nasdaq	2,502.82	Closed

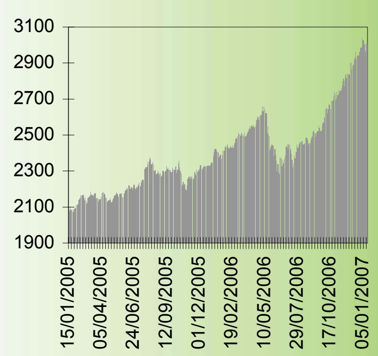
Futures/Regional Indices

S&P		-0.70
Nasdaq		-2.25
Light Crude	52.99	+1.11
Nikkei	17,246.59	+36.67
KOSPI	1,387.64	-3.32
All-Ords	5,660.30	+11.30

ADRs

Chartered	1.30
STATS ChipPAC	1.18
Creative	10.40

STI Chart



Top Actives

By Volume	Price ($)	Change ($)	Change (%)	Vol ('000)
ArianeCorp	0.11	+0.02	+22.2	99,817
BBR	0.18	+0.02	+12.5	99,469
Sapphire	0.04	-	-	84,123
Yongnam	0.23	+0.035	+17.9	76,116
Equation	0.195	+0.01	+5.4	75,637
By Value				
Capitaland	6.65	+0.25	+3.9	13,960
DBS	22.10	-0.10	-0.4	3,836
KepCorp	17.40	+0.60	+3.6	3,833
SingTel	3.44	+0.06	+1.8	13,927
UOB	18.80	-0.10	-0.5	2,292

Top Actives (<USD250mil Mkt Cap)

Stock	Price ($)	%Chg
ArianeCorp	0.11	+22.2
BBR	0.18	+12.5
Sapphire	0.04	-
Yongnam	0.23	+17.9
Equation	0.195	+5.4

Broker's Calls

Stock	Rating	Target	By
Cosco	Buy	$3.00	DBS
Luzhou	Buy	$1.05	CIMB

Co. Reg No. : 198700034E
MICA (P) : 021/01/2006

YUANTA CORE PACIFIC SECURITIES

KIM ENG

Singapore
Marine & Shipping
16 January 2007

Cosco Corporation

COSCO SINGAPORE

Orderbook doubles to US$900m

BUY

Company Update

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Price:	**$2.81**
Target:	**$3.21**
ST Index:	

Historical Chart

Performance	1m	3m	6m
Absolute (%)			
Relative (%)			

Stock Information

Ticker code	COSC.SI
	COS SP
Market Cap (US$m)	3,026m
52-week high ($)	2.20
52-week low ($)	1.06
Shares issued (m)	2213.93
6m avg. daily vol (US$m)	7.3
Free float (%)	40

Major Shareholders (%)
China Ocean Shipping Group (55.0%)

Key Indicators

ROE (%)	23.1
Net gearing (%)	35.9
NTA ($)	0.32
Interest cover (x)	10.2

♦ **Contracts announced, including semisubmersible driller**

Cosco Corporation has announced the clinching of several contracts by subsidiary Cosco Shipyard Group (CSG), which has doubled its orderbook to US$900m from our earlier estimate of US$450m. The most significant contract announced was a US$200m order for a semisubmersible, which is designed for well intervention services. The buyer is Norwegian-based Marine Accurate Well ASA (Maracc), and includes an option for three more such vessels. The vessel is designed for a wide range of capabilities including through-tubing rotatory drilling and coiled tubing drilling; it is capable of operating on the Norwegian Continental shelf all year round. The vessel will be built at Cosco's Zhoushan yard. Construction is expected to be completed in 34 months.

♦ **6 bulker builds, and 2 conversions too**

Cosco has also announced a contract for the construction of six 57,000 dwt bulk carriers worth over US$200m. The contract was awarded by a Turkish company, and is scheduled for progressive delivery in 2008 and 2009. Other contracts announced include a US$34.6m cable-lay to pipe-lay conversion, and will be completed by end-2007. Cosco also announced a US$16.1m conversion contract to lengthen a dredger vessel by 51 metres, with completion in 1Q08.

♦ **Raising forecasts and target price**

We are leaving our FY07 forecast unchanged, as these contracts and recognition schedules are within our expectation for the period. However, we are raising our longer term forecasts and FY08 net profit estimate by 8% to S$370.2m, as we may have been too conservative in our projections. We are also confident of Cosco being able to secure the above-mentioned option for three more such semi-submersible vessels, which would be worth an additional US$600m in total. These adjustments translate to a higher target price of $3.21 on our DCF fair value calculation, a 23% upgrade to our previous target price. The semisubmersible contract also further demonstrates CSG's strengthening capability and represents another shift up the value chain.

♦ **Watch for more contract announcements**

Cosco's growth will continue to be driven by its shipyards, particularly with its new facilities and significant capacity expansions coming on-stream. Besides adding capacity, the new facilities will also allow Cosco to further penetrate into the niche markets of high-value offshore marine engineering work, which Cosco has targeted by establishing purpose-built facilities such as workshops in Dalian to cater for rig building. We also believe that further contract wins will be announced, as CSG continues to leverage effectively on its competitive advantage by enjoying low operational costs, while being able to offer high-value marine engineering services. We maintain our BUY recommendation on Cosco.

Year End Dec	2004	2005	2006F	2007F	2008F
Sales (S$ m)	116.3	873.1	1225.0	1522.5	1942.8
Pre-tax (S$ m)	73.2	225.6	306.1	450.8	552.6
Net profit (S$m)	66.2	160.5	205.1	297.5	370.2
EPS (cts)	6.1	7.3	9.3	13.4	16.7
EPS growth (%)	148.9	20.7	26.8	45.1	24.4
PER (x)	46.4	38.5	30.3	20.9	16.8
EV/EBITDA (x)	87.0	21.1	15.8	11.4	9.4
Yield (%)	0.7	1.1	1.1	1.1	1.1

Co. Reg No. : 198700034E
MITA (P) : 091/01/2005

Market / Corporate News

CapitaLand - Is making a giant investment leap in China's shopping mall business with a plan to buy over 35 malls worth US$1.34 billion through its China fund. CapitaRetail China Development Fund (CRCDF), a US$600 million closed-end private fund set up in June 2006, is expected to cement the deals soon. Its fund had only recently snapped up a 65 per cent stake in six retail malls in China worth a total of US$166.8 million. In addition, CapitaLand has injected into CRCDF its equity stake in 14 malls at a total consideration of US$259.9 million and said that five more malls will be injected in due course. This takes the tally of malls in CRCDF - excluding the 35 malls to be acquired - to 25 malls with an estimated value of US$1 billion, and with over 1.1 million sq m gross rentable area. The retail developments that CapitaLand owns range from greenfield developments, third party acquisitions, strategic partnerships with retail operators and master-leasing from landowners. CapitaLand is systematically growing CRCDF which it considers the 'secured and proprietary pipeline' for CapitaRetail China Trust (CRCT), the SGX-listed real estate investment trust. CRCT currently has a portfolio of seven retail malls in five cities across China, worth about S$690 million. Since it was listed last December 8 at the issue price of S$1.13 per share, CRCT's price has risen 92 per cent, ending 12 cents up at S$2.17 yesterday.

SingTel - Yesterday spoke of its plans for television over the Internet after it was awarded a licence for this by the Media Development Authority. The 10-year nationwide subscription-TV licence goes to SingTel subsidiary SingNet Pte Ltd. No financial details were given. SingTel's new 'mio box' is intended to prepare its customers, their homes and Singapore for next-generation services from the largest telco in Singapore. These services include pay TV and home-monitoring. The new service was unveiled barely a month after StarHub was reported to have paid an astounding US$160 million to buy the Singapore rights to English Premier League football for three years. This gives StarHub exclusive broadcast rights to as many as 380 matches on all three of its platforms - cable television, mobile and online - a potent defence against any strategy SingTel might have tried in order to take market share. Owners of nationwide licences including SingTel will have to pay a licence fee of 0.5 per cent of pay-television sales in the first three years and 2.5 per cent in subsequent years, the Media Development Authority said.

Banyan Tree Holdings Limited - Yesterday confirmed a BT report that it had pledged US$200 million to build an international standard tourism and services complex in Vietnam's central Thua Thien-Hue province's Chan May-Lang Co economic zone. 'The board of directors of Banyan Tree Holdings Limited wishes to confirm that its subsidiary, Banyan Tree Hotels & Resorts Pte Ltd, has signed a Memorandum of Understanding with the management board of Chan May-Lang Co Economic Zone on investment for the construction of luxury hotels and resorts in Chan May-Lang Co Economic Zone, Thua Thien Hue Province, Vietnam,' Banyan Tree said in a statement to the Singapore Exchange. It said that the amount of US$200 million represents 'an estimated project cost with no specific timeline and is subject to the actual project scope which the company may decide and is approved by the management board of Chan May-Lang Co Economic Zone'. Yesterday, BT reported that the 200 ha complex will include six resorts and hotels with 2,400 rooms. The zone, which is about 70 km from Hue city, boasts a seaport capable of accommodating ships with a load capacity of 5,000 tonnes and above and one of the country's most beautiful beaches, Lang Co beach. In fact, Lang Co is being considered for nomination to the list of the world's most beautiful beaches.

Auston International - The owners of Singapore-based broadband TV service provider M2B World Asia Pacific (M2BAP) yesterday mounted a $165 million reverse takeover bid for troubled education service provider Auston International. Auston will issue 660 million new shares at 25 cents each to the shareholders of M2BAP, to acquire the company. The new shares represent some 66.7 per cent of Auston's enlarged share capital. The main shareholder of M2BAP is Amaru Inc, which is listed on the Pink Sheets Electronic Quotation system in the US, and which owns an 81.7 per cent stake in M2BAP. The other shareholders of M2BAP are Singapore-based investors Chew Hua Seng, Chua Leong Hin, Gay Chee Cheong and Gabriel Yap Chong Hin. Amaru, through its wholly owned subsidiary M2B World (M2BW), currently owns 36.4 million shares in Auston, which were acquired in consideration for the sale of M2BW's subsidiary, M2B Game World, in May 2006. With its latest stake in Auston, it will own some 575.6 million Auston shares, representing a 58 per cent stake in Auston's enlarged share capital. According to Auston's release: 'The purchase consideration of $165 million was determined at arm's length and a 'willing-buyer-willing-seller' basis.' The deal is conditional upon the obtaining of a waiver from the Securities Industry Council to make a mandatory offer for the rest of the shares of Auston. As part of the deal, Auston will place another 200 million new shares at 27 cents each, to raise another $50 million for 'future business development and operations' after the acquisition of M2BAP.

Cosco Corp Singapore Ltd - Said it won more than US$450 million of ship-building and conversion contracts. The Singapore-based company said the contracts include a US$200 million vessel-building assignment from Marine Accurate Well ASA for an oil-exploration ship. Other contracts include more than US$200 million to build six bulk carriers for an unidentified Turkish company, and US$50.7 million to convert vessels, it said in statements to the Singapore exchange. The contracts 'allow our group to deliver steady long-term growth in uncertain economic cycles and environment,' Cosco Singapore's president Ji Hai Sheng said in a statement issued yesterday. Mr Ji expects the orders, driven by rising energy demand and new shipping regulations, to boost revenue and profits. The company, which is winning more contracts for repairs and conversions of vessels that give higher margins, had in October reported a 13th straight quarter of profit growth.

JEL Corp - In a deal valued at $11 million, consumer goods distributor JEL Corp yesterday announced that it intends to place out 30 million new shares and options for 20 million new shares to veteran investors Sam Goi and Koh Boon Hwee. The new shares are priced at 22 cents each - an 8.3 per cent discount to the share's last done price of 24 cents on Friday. The company requested a trading halt yesterday, pending the announcement. The 30 million new placement shares represent about 10.2 per cent of JEL's enlarged share capital, and will be issued pending approval from the Singapore Exchange. The options for the 20 million new shares for the two investors are subject to JEL shareholders' approval at its annual general meeting expected to be held in early April. If approved and exercised, the options for 20 million new shares will represent about 6.4 per cent of JEL's enlarged capital.

Qian Hu - Yesterday said that net profit for its fourth quarter ended Dec 31, 2006 surged 62.1 per cent to $869,000, up from $536,000 in the previous corresponding quarter. Fourth-quarter revenue similarly grew - by 13.2 per cent to $20.7 million. The performance pushed the company's net profit for its 2006 financial year to $2.6 million, up 28.9 per cent from the $2.0 million recorded in 2005. Revenue for the full year grew 14.9 per cent to $76.1 million, led by strong growth in Qian Hu's Singapore and Thailand operations, which saw more ornamental fish and accessories being exported to more countries around the world. For the new year, the company expects to continue seeing growth

Singapore Airlines (SIA) – The airline filled a record 84% of its seats in December thanks to a surge in year-end holiday travel. Passenger carriage or revenue passenger kilometres grew 7.8% Y/Y, outpacing the 2.9% increase in capacity, measured in available seat kilometres. SIA carried a record of 1.68m passengers last month, pushing up the passenger load factor by 3.8 percentage points to 84 for the month, from 80.2% in December 2005. However, cargo traffic, measured in freight tonne-km, grew by 3.7%, while there was an 8.6% rise in capacity, meaning the load factor dropped to 62.6%, from 65.6% earlier. SIA said the increase in capacity was due to the unplanned return from lease of two Boeing 747-400F aircraft from Great Wall Airlines at the end of September 2006. SIA said the two planes will be returned to Great Wall in February, so capacity growth will be more measured in future months.

PDC Corporation - Expects to invest about US$50 million in cultivating corn and coffee plantations in North Sumatra, Indonesia. The investment will be disbursed over 18 months, beginning in the second quarter of the financial year of 2007. The investment will be funded by bank borrowings - estimated by PDC International's director Desmond Ng to be 70 per cent of the total amount - and the rest through equity fund-raising. PDC International (PDCI), a subsidiary of PDC, signed a cooperation agreement in November to jointly develop the 40,000 ha of land with the regency government of Toba Samosir, an Indonesian government authority. PDC also announced yesterday that it has signed a memorandum of understanding with Super Coffeemix Manufacturing to cultivate coffee plants on 20 per cent of its plantation land at Toba Samosir. Under the agreement, Super Coffeemix will buy all coffee beans produced to its specifications by PDC at a discount to the prevailing commodity price.

Nam Lee Pressed Metal Industries - Announced yesterday that it had secured two sub-contracts totalling $23.2 million. The company landed a sub-contract worth $17.6 million from Bovis Lend Lease Pharmaceutical, part of a global project management and construction group, and was awarded a $5.6 million sub-contract by Straits Construction Company for the HDB's Queenstown Redevelopment RC 24/24A project. In the Bovis job, Nam Lee will supply and install roofing and facade works for Abbott Nutrition International. Work is expected to start this quarter and to be completed a year later. The Straits Construction job involves a variety of building and glazing works on flats at Blocks 18 A/B/C/D, the community club and other contingency works in the Queenstown project. Nam Lee will start work in Q3, with progressive completion by 2010.

Ascendas Real Estate Investment Trust (A-Reit) - Has renewed and clinched fresh leases (including expansions) amounting to a total net lettable area of 51,816 square metres for the three months ended Dec 31, 2006. These leases represent 7.7 per cent of the net lettable area of its multi-tenanted buildings - accounting for about 54.1 per cent of its portfolio value - and an annualised rental income of $11.9 million for the Reit. Total new leases for the period amounted to 14,942 sq m.

(Sources: Company, SGX, Business Times, Dow Jones)

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