

Thailand / Indonesia / Malaysia

CORPORATE PROFILES

DBS Group Research . Equity

8 January 2007



"The Pulse of Asia" Conference

Thailand / Indonesia / Malaysia Companies

8th January 2007

The Fullerton Hotel, Singapore

Participating Companies

Thailand

- 1 Aapico Hitech
- 2 Amata Corporation
- 3 Bangkok Expressway
- 4 Quality Houses

Indonesia

- 1 Astra International
- 2 Bakrieland Development
- 3 Bank Bukopin
- 4 Total Bangun Persada
- 5 Tunas Baru Lampung

Malaysia

- 1 CB Industrial Products
- 2 Eastern & Oriental Berhad
- 3 Hexagon Holdings
- 4 KNM Group
- 5 WCT Engineering

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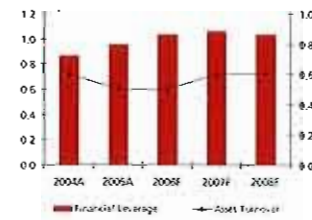
 **DBS VICKERS SECURITIES**

Pulse of Asia Conference

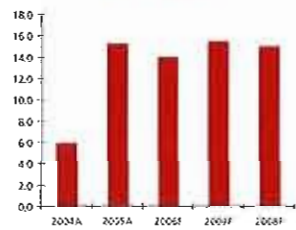
Stock Summary

Company	Stock Code	Curr	Share Price	Price Target	Mkt Cap (m)	Mkt Cap (US\$m)	Rating	FY06 PE (x)	2-Yr EPS CAGR FY05-07 (%)	Principal Business
MALAYSIA			3 Jan 07							
CB Industrial	CBP MK	RM	4.40	4.68	605	172	BUY	20.6	65	Manufactures, markets and trade palm oil mill equipment and related spare parts
E & O Berhad	EAST MK	RM	1.87	2.30	648	184	BUY	21.3	78	Property development, construction, hotel operations
Hexagon	HEXG MK	RM	5.05	6.00	208	59	BUY	16.3	30	Engineering outfit
KNM Group	KNMG MK	RM	9.10	10.70	2,346	666	BUY	15.5	89	Process equipment manufacturer
WCT Engineering	WCT MK	RM	4.24	5.30	876	247	BUY	10.8	14	Construction, property development and operation of toll roads
THAILAND			4 Jan 07							
Aapico Hitech	AH TB	Bt	16.00	25.00	4,517	128	BUY	9.8	9	AAPICO Hitech is one of the leading producers of autoparts and chassis frames in Thailand. In addition, it has diversified clients base in China, India and Europe.
Amata Corporation	AMATA TB	Bt	11.40	13.00	12,164	342	BUY	15.8	4	AMATA is Thailand's leading industrial estate developer. The company operates two industrial estates in Thailand and one industrial estate in Vietnam.
Bangkok Expressway	BECL TB	Bt	23.40	28.80	18,018	506	BUY	11.2	6	BECL operates expressways in Bangkok. The company has a 30-year contract with the Expressway & Rapid Transit Authority of Thailand.
Quality Houses	QH TB	Bt	1.09	1.67	7,894	222	BUY	4.9	4	QH is engaged in property development business, which can be grouped into 1) real estate for sale, 2) office for rent, and 3) serviced apartment for rent.
INDONESIA			4 Jan 07							
Astra International	ASII IJ	IDR	16,500	15,317	66,798	7,439	HOLD	12.6	na	Astra is Indonesia's largest automotive conglomerate, which engages in the manufacturing and distribution of automotive as the main business. Its business span from automotive, spare-parts, automotive financing, agribusiness, heavy equipment and mining contracting.
Bakrieland Dev	ELTY IJ	IDR	200	260	1,120	125	BUY	21.6	4.2	ELTY is the property arm of Bakrie Group, overseeing 3 business areas with, residential development and hotel & resort. Worth noting is their current 44ha superblock development strategically located in Jakarta's CBD area.
Total Persada	TOTL IJ	IDR	610	610	1,678	187	HOLD	16.3	36.6	One of the largest private construction company in Indonesia with more than 35 years experiences. The company specializes in premium construction building, ie. high end commercial, apartment & condominium , resort etc.
Tunas Baru Lampung	TBLA IJ	IDR	300	450	1,237	138	STRONG BUY	30.8	236.2	A fully integrated cooking oil producer and manage a c.40k ha palm oil plantation. The company is undergoing a positive transformation to become a more upstream player or reposition itself as a CPO producer to benefit from the positive outlook of CPO price

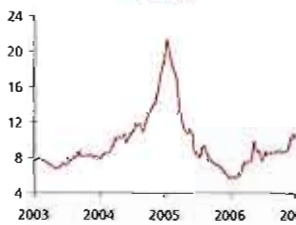
Leverage & Asset Turnover (x)



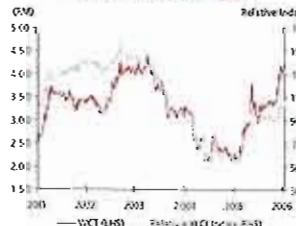
ROE (%)



PE (x)



Price Relative (x)



Outlook

- Good pipeline of new work. For the domestic market, the award of government projects in the last few months was still slow. However, we expect a pick up next year, given the 24% increase in development expenditure this year. Given its large order book, we expect the Group to go for new projects that yield better margins.
- Potential overseas projects. Given that it has successfully completed two F1 circuits – in Malaysia and Bahrain, the Group may be in a strong position to win bids for future circuits. We understand there are additional packages for the New Doha International Airport (potentially worth RM1b) that may be open for bids. The Group's Joint Venture with Gamuda has already invested in infrastructure for their existing project – such as a jetty and batching plants – that may result in competitive bids for subsequent packages. We also understand demand for construction services remain robust in the Middle East, while construction capacity of key players is gradually being utilized – which may mean room for better margins.

Segments for potential new contracts

Segment	Comments
India	Relooking this market after completion of the Durgapur and Panagarh-Palsit Highways
Indonesia	Exploring toll road concessions and dams
Qatar	Additional works for New Doha International Airport
Malaysia	Building projects, developments in Sabah & Sarawak, PFI projects

Source: Company, Hwang-DBS Vickers Research

Financials and Valuation

- Strong balance sheet. WCT has a gross cash balance of RM408m and net gearing of 23%, as at end Sep 2006. The cash balance should give the Group flexibility to bid for BOT and PFI jobs.
- Undemanding valuations. Trading at 8x FY08 earnings, WCT's valuations are 55% below the large cap average. ROE at 15% is the highest in our construction universe. The stock has traded at a discount to larger peers IJM Corp and Gamuda. However, with the recent market run-up, WCT's discount to its larger cap peers have expanded.

Construction Sector - Comparison Table

Company	Price (RM)	Target (RM)	Rating	Diluted P/E (x)		Mkt cap (RMm)	Est. Order Bk (RMbn)
				CY07	CY08		
WCT Eng	4.24	5.30	Buy	8.5	7.7	904	3.2
Road Builder	3.56	3.45	Hold	19.1	16.1	1,857	1.0
IJM	7.35	7.65	Buy	18.7	17.3	3,646	4.8
Gamuda	5.40	5.30*	Buy*	20.6	18.3	4,067	2.5
Average				16.7	14.8		

Source: Hwang-DBS Vickers Research

*Price target and rating under review

Income Statement (MYR m)

FY Dec	2005A	2006F	2007F	2008F
Turnover	816	832	1,369	1,574
EBITDA	148	199	274	324
Depr/Amort	(7)	(26)	(79)	(119)
Opg Profit	134	129	166	192
Associates	25	27	25	19
Interest Expense	30	22	28	34
Pretax Profit	129	133	163	178
Tax	(34)	(37)	(44)	(46)
Minority Interest	(14)	(12)	(13)	(14)
Net Profit	81	84	106	118
Sales Growth (%)	2.5	1.9	64.5	15.0
Net Profit Gr (%)	220.9	3.0	26.2	11.2
EBITDA Mgn (%)	18.1	23.9	20.0	20.6
Opg Mgn (%)	16.4	15.5	12.1	12.2
Tax Rate (%)	26.4	28.0	27.0	26.0

Balance Sheet (MYR m)

FY Dec	2005A	2006F	2007F	2008F
Fixed Assets	197	318	474	579
Other LT Assets	365	394	420	441
Cash	385	398	409	469
Other Curr Assets	691	734	960	1,046
Total Assets	1,639	1,843	2,263	2,536
ST Debt	131	131	131	131
Other Curr Liab	496	513	725	806
LT Debt	375	485	595	675
Minority Interest	102	115	128	142
Shareholder Equity	534	598	684	782
Total Capital	1,639	1,843	2,263	2,536
Share Capital (m)	213	213	213	213
Net cash/(debt)	(74)	(172)	(271)	(290)
Net Gearing (%)	14	29	40	37

Cash Flow Statement (MYRm)

FY Dec	2005A	2006F	2007F	2008F
Pretax profit	129	133	163	178
Tax paid	(41)	(37)	(44)	(46)
Depr/Amort	26	79	119	145
Chg in Wkg Cap	(92)	32	(15)	(6)
Other Non-Cash	(26)	(6)	2	13
Operational CF	(3)	201	225	284
Capex	(8)	(200)	(275)	(250)
Other	1	(57)	-	-
Investment CF	(7)	(257)	(275)	(250)
Dividend	(47)	(20)	(20)	(20)
Other	143	88	82	46
Financing CF	96	68	62	27
Chg in Cash	85	12	11	61

Rates & Ratios

FY Dec	2005A	2006F	2007F	2008F
ROE (%)	15.2	14.0	15.5	15.0
ROA (%)	5.0	4.5	4.7	4.6
Net Mgn (%)	10.0	10.1	7.7	7.5
Div Cover (x)	2.4	5.9	7.4	8.3
Int Cover (x)	(3.3)	(4.9)	(4.7)	(4.3)
Asset Turn (x)	0.5	0.5	0.6	0.6
Asset /Debt (x)	3.2	3.0	3.1	3.1
Net Gearing (%)	(14)	(29)	(40)	(37)
Debt/EBITDA (x)	3.4	3.1	2.7	2.5
Debt/Market Cap	0.6	0.7	0.8	0.9
EV (RMm)	976	1,074	1,172	1,192
EV/EBITDA (x)	6.6	5.4	4.3	3.7

Company Profile

WCT Engineering is a leading contractor in the country having successfully completed numerous projects including the Sepang F1 circuit, Guthrie Corridor Expressway, among others. Over the last 8 years, the Group has added more overseas projects to its portfolio including the Bahrain F1 circuit, Tada-Nellore Highway and Panagarh-Palsit Highway. In its property division, the Group is known for its Bandar Bukit Tinggi development in Klang. This is a development that already houses c.40,000 people. In addition, the Group has stakes in 3 Indian toll road concessions.

SWOT Analysis

- S** A competitive contractor with solid execution capabilities and track record.
- W** Award of domestic government projects can be cyclical. Slowdown over the last 3 years results in contraction for industry.
- O** 24% increase in development expenditure to RM44.5b by government this year will result in more awards.
- T** Sharp increases in material prices may squeeze short term margins.

Source: Company, DBS Vickers

BUY MYR4.24 KLCI : 1,117.09

Price Target : 12 months MYR5.30
 Potential Catalyst: New construction and concession contracts

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FORECASTS AND VALUATION

FY Dec (MYR m)	2005A	2006F	2007F	2008F
Turnover	816	832	1,369	1,574
EBITDA	147.8	198.7	273.5	323.6
Pretax Profit	129.2	133.4	162.6	178.0
Net Profit	81.3	83.8	105.7	117.6
Net Profit (Ex EI)	81.3	83.8	105.7	117.6
EPS (sen)	38.3	39.4	49.8	55.4
EPS Gth (%)	40.3	3.0	26.2	11.2
FD P/E (x)	11.1	10.8	8.5	7.7
P/Cash Flow (x)	10.1	8.2	4.9	3.8
EV/EBITDA (x)	6.6	5.4	4.3	3.7
DPS (sen)	12.9	12.9	12.9	12.9
Div Yield (%)	3.0	3.0	3.0	3.0
Net Gearing (%)	13.9	28.8	39.6	37.1
ROE (%)	15.2	14.0	15.5	15.0
NTA (RM)	2.51	2.81	3.22	3.68
P/Book Value (x)	1.7	1.5	1.3	1.2

SHARE PRICE CHART



AT A GLANCE

Issued Capital (m shrs)	212.7
Mkt. Cap (MYRm/US\$m)	876 / 247
Major Shareholders	
WCT Capital (%)	25.0
Employees Provident Fund (%)	13.6

Free Float (%)	70.0
Avg. Daily Vol. ('000)	528

Earnings Rev :	2006: -	2007: -
Consensus EPS :	2006: 39.9 sen	2007: 54.3 sen
Variance vs Cons :	2006: -1.3%	2007: -8.3%

Sector : Construction
 Bloomberg/Reuters Code: WCT MK EQUITY/WCTE.KL
 Principal Business: Construction, property development and operation of toll roads

WCT Engineering

Our top construction pick

➤ **Story:** The Group clinched RM2.0b worth of new jobs last year. This included the RM720m upgrade of Kota Kinabalu International Airport, one of the larger government awards since the launch of the Ninth Malaysia Plan (9MP).

➤ **Point:** This year, the government has allocated a 24% y-o-y increase in development expenditure to RM44.5b, implying more project awards. With its solid execution track record and strong technical capabilities, WCT is well-positioned to win some of these projects. Trading at 8x FY08 earnings, WCT's valuations are 55% below the large cap average.

➤ **Relevance:** We reiterate our Buy call on WCT with a RNAV-based RM5.30 price target that implies 10x FY08 earnings. ROE at 15% is the highest in our construction universe. WCT is our top construction pick.

Strong fundamentals. Construction earnings visibility is good, given its healthy outstanding order book of RM3.2b. The Group has clinched RM2.0b worth of new jobs last year. Apart from being competitive in winning new tenders, WCT also scores on a solid execution track record.

Good pipeline of new work. For the domestic market, the award of government projects in the last few months was still slow. However, we expect a pick up this year due to the 24% increase in development expenditure. Given its large order book, we expect WCT to go for new projects that yield better margins.

Potential overseas projects. The Group has successfully completed two F1 circuits – in Malaysia and Bahrain. This may help to enhance its bids for future circuits. Also, we understand there are additional packages of the New Doha International Airport (worth RM1b) that may be open for bids. The Group's infrastructure on its existing project – such as a jetty and batching plants – may result in a competitive bid for subsequent packages.

Strong balance sheet. WCT has a gross cash balance of RM408m and net gearing of 23%, as at end Sep 2006. The cash balance should give the Group flexibility to bid for BOT and PFI jobs.

Company background

- **Leading player.** Founded in 1981 and listed on 1995, WCT Engineering has evolved into a leading player in the construction industry. In Dec 2004, the Group listed its property arm, WCT Land, which is currently 73%-owned. The Group has expanded its portfolio of concession assets and owns stakes in three Indian toll roads that provide an increasing level of recurrent income.

- **Big machinery fleet.** WCT has among the biggest fleet of construction machinery in Malaysia such as trucks, excavators and bulldozers. This places the Group in a strong position for jobs involving massive earth clearing works such as ground works for the Kuala Lumpur International Airport, the Malaysia Formula One circuit and the Bakun Hydroelectric Dam project.

Industry overview, earnings drivers & risks

- **Standing out in a competitive industry.** The Malaysian construction industry is very competitive with numerous players registered. However, WCT has consistently been able to replenish its order book over the years, and is known in the industry to be very competitive in bids. Almost all of WCT's major projects are secured on competitive bids (as opposed to negotiated contracts). With its strong technical capabilities, they have also successfully secured and completed projects overseas such as the Bahrain F1 Circuit.

- **Construction earnings visibility good.** The Group's construction earnings over the next two years are well supported by its outstanding order book of RM3.2b. For its property division, we expect the Group to focus on developing commercial property at its flagship Bandar Bukit Tinggi (BBT) project, Klang to help mitigate slowing residential sales. Given that BBT houses approximately 40,000 people, we expect steady demand for commercial properties in that area. Property earnings in 2007 will also be supported by the maiden launch of the Group's exclusive RM196m Kota Kinabalu residential project and the RM900m Kelana Jaya commercial project.

- **Lower oil price eases pressure on certain materials.** The key risk to our earnings is sharp increases in material prices. The Group does buy ahead certain material requirements for its projects. The recent drop in oil price has also eased price pressure on materials such as diesel and bitumen.

