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Industry View  
In-Line

## Singapore Property Developers

### Vietnam – Out of Action

#### Slashing our Vietnam residential earnings

**estimates:** We are cutting our NAV estimates and price targets for Keppel Land, Allgreen, and CapitaLand by 13%, 2%, and 1%, respectively, and our earnings estimates by 1-44% for 2008-2010, with Keppel Land the biggest loser. In our view, the recent 12% decline in Keppel Land's share price more than reflects the downside risks from its Vietnamese residential exposure. Hence, we are maintaining our Equal-weight ratings on Keppel Land and CapitaLand and our Overweight rating on Allgreen Properties.

**Vietnam residential problems:** We see further downside risk to the Vietnam residential market from developers potentially left with unsold inventory should speculators walk away from their options to purchase properties, particularly when residential prices are now 20-50% below end-2007 peak levels. We expect buying sentiment to be further negatively affected when the 25% capital gains tax on property transactions takes effect in January 2009. Given the current economic uncertainties, developers are likely to delay residential launches until sentiment improves, and we do not expect the residential market to stabilize until 2010.

**Singapore developers – no catalysts in sight:** For the next six months, we do not see any positive catalysts that would lead to an upward re-rating of the Singapore property developers sector. However, for investors looking for exposure at current levels, Allgreen Properties is our top sector pick. Allgreen's valuations look compelling, trading at a 32% discount to NAV at current levels. Even in our bear-case scenario, Allgreen offers 6% upside from current levels.

**Key risks** to developers include potentially frequent changes in regulations that could be negative and escalating construction costs possibly affecting margins for the Vietnam residential properties.

#### Recent Reports

Title	Date
Singapore Property: Vietnam – No Bed of Roses Melissa Bon / Brian Wee	Jun 5, 2008
Singapore Property Developers: Ho Chi Minh City – 'Tripping'? Melissa Bon / Brian Wee	May 11, 2008
Singapore Property Developers: 1Q08 Data Show Cracks in Residential Market Melissa Bon / Brian Wee	Apr 27, 2008
Singapore Property Developers: Quick Comment: Positive Catalyst – Where Art Thou? Melissa Bon / Brian Wee	Apr 23, 2008
Singapore Property: Good for Window Shopping Melissa Bon / Brian Wee	Apr 22, 2008

#### What's Changed: Price Targets % upside

Keppel Land (KLAN.SI, S\$5.13, EW)	S\$5.95→S\$5.20	1.4%
Capitaland (CATL.SI, S\$5.72, EW)	S\$6.00→S\$5.94	3.9%
Allgreen (AGRN.SI, S\$0.99, OW)	S\$1.48→S\$1.45	47.2%

Closing prices as of June 19, 2008

#### Singapore Developer Valuations, 19 June 2008

Ticker	Rating	Price (\$)	PT (\$)	PT Upside (\$)	NAV (\$/sh end-08)	Prem/(dis) NAV (%)
AG SP	OW	0.99	1.45	47.2	1.45	(32.1)
CAPL SP	EW	5.72	5.94	3.9	5.94	(3.8)
CIT SP	UW	10.28	11.40	10.9	11.40	(9.8)
KLAN SP	EW	5.13	5.20	1.4	6.34	(19.1)
WP SP	EW	1.82	2.12	16.3	2.12	(14)
WINGT SP	EW	1.55	2.32	49.7	2.32	(33.2)

Source: Bloomberg, Morgan Stanley Research

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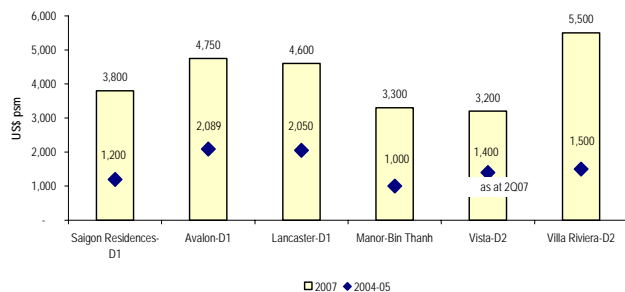
## Investment Case

We recently made a trip to Ho Chi Minh City (HCMC) and Hanoi, where we met with government officials, banks, and domestic companies in a fact-finding mission on Vietnam's macroeconomic developments. Our trip confirmed our cautious view on the Vietnamese real estate market, particularly the residential segment, for the next 18-24 months, with expectations that residential prices and demand will stabilize only in 2010. We first highlighted this concern in our May 11, 2008, report entitled, *Singapore Property Developers: Ho Chi Minh City – 'Tripping'?*

### Addressing Macro Imbalances – In the Right Direction

Our economics team believes that the Vietnamese government has finally initiated the right policy measure to address current inflation and its balance of payment challenges head on. They believe that the government will continue to depend on monetary policy as the key tool to reduce the macro imbalances; however, the growth cycle is likely to see a major shock over the next 12 months, in their opinion. See their report entitled, *Vietnam Economics, Reigning in the Tiger Cub*, dated June 20, 2008.

Exhibit 1  
**Average Selling Prices – At Launch vs. Current**



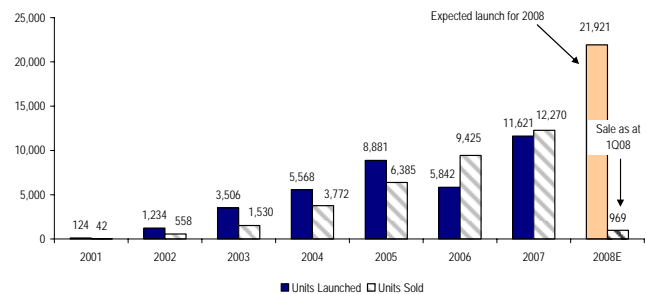
Source: CBRE, Morgan Stanley Research

### Vietnam Residential – Period of Consolidation

To recap, we believe the long-term prospects for the Vietnam real estate market are compelling. However, the market is not immune to blips in the near to medium term. The clear imbalance between strong demand and a shortage of quality buildings in the retail, office, and service apartment segments is likely to support positive rental growth in the near term. However, we were less optimistic on the residential segment. During our trip in April, we noted a disconnect between expectations of developers and property brokers on the residential market, with the developers sounding much more bullish than the brokers, despite the correction in the residential market. HCMC residential prices are down ~20-50% from the

end-2007 peak, but are still 70% above 2006 levels. At the same time, Vietnam's stock market indices have dropped 44-48%. In an effort to fight inflation, the government has told local banks to tighten credit for construction loans and has imposed a capital gains tax of 25% on all property transactions from January 2009 onward. These steps have likely contributed to the reduction in expectations for the residential market, particularly among speculators.

Exhibit 2  
**New Units Launched and Sold in HCMC**



Source: CBRE, Morgan Stanley Research

### Too Much Too Soon – Speculator Unquantifiable

Residential sales in Ho Chi Minh City have multiplied dramatically since 2002 to a high of 12,270 units sold in 2007. Since then, annualizing 1Q08 sales, residential sales have declined 68% YoY against the 21,921 units expected to be launched for the whole of 2008, a clear sign that residential buying sentiment has plunged.

While evidence of the level of speculation in the entire market has been scarce and hence unquantifiable, anecdotal evidence suggests that the proportion is likely to be large, particularly in the last couple of years. Illustrating this, most developers announced strong buying interest last year. However, most buyers have only paid their respective deposits for registered papers (i.e., the options to purchase units) and have not actually signed purchase and sale agreements, given the delayed ruling where piling works must be completed prior to the booking of those agreements.

To illustrate, of the 650 units launched out of a total of 1,500 units in The Estella project, Keppel Land has only recorded purchase and sale agreements for 250 units as piling works for the remaining 400 units have yet to be completed. Management is confident of collecting the US\$10,000 in deposits for each of the remaining 400 units, and two weeks later, signing the purchase and sales agreements by 4Q08.

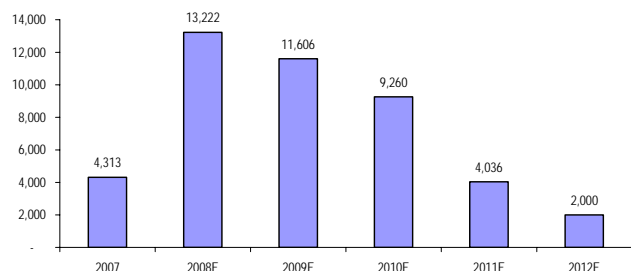
According to management, the average selling price for a unit in Estella was ~US\$2,100-2,200/sq m.

CapitaLand also reported a good reception for its maiden project, The Vista, with all 750 units taken up. However, piling works are only expected to be completed in 4Q08, and therefore no purchase and sale agreements have been signed yet. We understand that only the US\$2,000 deposits for the registered papers have been collected so far. The average selling price for Vista increased from US\$1,350/sq m to as high as US\$3,200/sq m. Our checks with property agents suggest that current resale units are asking for a lower price of US\$1,910-2,600/sq m! One agent estimated that 70% of buyers of Vista were speculators.

Given the current weak buying sentiment as well as uncertainties about the domestic economy, there is a risk that many of these buyers will walk away from their deposits, leaving developers with unsold inventory. Property agents have witnessed such behavior in the last couple of months.

Exhibit 3

## HCMC Future Residential Supply; Construction Delays May Provide Breathing Space for the Market



E = Morgan Stanley Research estimates Source: CBRE, Morgan Stanley Research

## Bringing Down Vietnam Residential Assumptions

We are slashing our Vietnam residential assumptions for Keppel Land, Allgreen, and CapitaLand, given that a majority of their exposure is in the Ho Chi Minh City residential markets. In view of the weak buying sentiment, we are delaying our residential launch assumptions by 12-24 months and reducing our previously aggressive sales take-up rates, given our expectations that market stabilization will return in 2010. We are also increasing our construction cost assumption by an average of 66% from our previous assumptions to as high as US\$930/sqm. Given that we have maintained conservative assumptions for selling prices despite selling prices rising as high as US\$3,200/sq m, we are only lowering our selling price assumptions by an average of 4%, resulting in EBT margins to be reduced to an average of 11% from 45% which we have previously assumed. Given that our economists are expecting the Central Bank to allow only 4-5% depreciation of the Vietnamese dong over the next three months and a maximum of 8-10% over the next twelve months, we do not expect this to have a sharp negative implication on affordability. Given their strong balance sheets, Singapore developers are likely to hold back from new launches until sentiment improves.

On the revisions detailed in Exhibit 5, we are cutting both our NAV and price targets for KepLand, Allgreen, and CapitaLand by 13%, 2%, and 1%, respectively. In addition, we are reducing our estimates for KepLand's earnings by 8-44% for F2008-10 and by 1-6% for F2008-10 for both Allgreen and CapitaLand. In our view, Keppel Land's share price, which has declined by 12% since the negative news on Vietnam surfaced, more than reflects the downside from its Vietnamese residential exposure. Hence, at current valuations, we are maintaining our Equal-weight ratings on Keppel Land and CapitaLand and our Overweight rating on Allgreen.

## Singapore Developers – Still Not Time to Accumulate

We maintain our In-Line view on the Singapore property developers, given the lack of positive catalysts in the next six months that would justify an upward re-rating of the sector. For investors looking for exposure at current levels, we find Allgreen Properties' valuation compelling, trading at a 32% discount to NAV, the stock remains our top sector pick. Even in our bear-case scenario, Allgreen offers 6% upside from current levels. We are maintaining our Underweight rating on City Developments given the limited upside from current levels and lack of downside protection of 29% from our bear-case scenario. City Developments is the most vulnerable amongst the big cap stocks to the Singapore residential market. It is worth pointing out that CapitaLand has the most downside protection amongst the big-cap developers, with a 6% downside risk compared to 29% for City Developments and

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28% for Keppel Land. In our opinion, this illustrates that the benefits of CapitaLand's wider diversification strategy and Asian regional footprint compared with its peers are likely to provide some support to its share price on the downside. We have an Equal-weight on CapitaLand.

## Catalysts –Positive or Negative?

For 2H08, we will be keeping close watch on the level of purchase and sale agreements that Keppel Land and CapitaLand manage to sign for indications of the health of the residential market. Meanwhile, key risks to our assumptions are that the government implements new policies in its efforts

to curb inflation and the current uncertainties about the global economic environment. The market could get some breathing space, however, as several construction projects are facing delays. We understand that some contractors are delaying construction work to avoid the risk of bankruptcy. With the cost of construction materials escalating (construction costs have risen 30-40% since end-2007), contractors have opted to forgo construction, break contracts, and instead accept fines to avoid bankruptcy, as many of them are unable to finance the projects in the tightened credit environment.

Exhibit 4

## Singapore Property Developers Earnings, NAV, and Price Target Revisions

	Price Target (\$)			end-CY08E NAV (\$)			Vietnam as % to end-CY08E NAV		Revisions to Net Profit ex-EI (% chg)		
	New	Old	% Chg	New	Old	% Chg	New	Old	FY08e	FY09e	FY10e
Keppel Land	5.20	5.95	-13%	6.34	7.25	-13%	12%	21%	-7.8	-34.5	-44.4
CapitaLand	5.94	6.00	-1%	5.94	6.00	-1%	1%	1%	-3.3	-3.5	-5.0
Allgreen	1.45	1.48	-2%	1.45	1.48	-2%	3%	3%	-1.4	-5.3	-5.2

\* Price target for Keppel Land pegged at a 18% discount to NAV. CapitaLand & Allgreen price target pegged at par to NAV. Source: Company data, Morgan Stanley Research

Exhibit 5

## Key Revisions to Vietnam Residential Assumptions

Property	Location	Total Units	Avg selling prices (US\$/Sqm)		Construction Cost (US\$/Sqm)		Sales take ups (%)						Completion Date	
			2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e
Keppel Land			New	Old	New	Old	New			Old			New	Old
Saigon Sports City - Ph1	District 2	782	1,000	1,200	800	450	0%	0%	35%	0%	35%	40%	2012	2010
Saigon Sports City - Ph2	District 2	739	1,100	1,200	840	459	0%	0%	0%	0%	0%	0%	2013	2013
Saigon Sports City - Ph3	District 2	739	1,155	1,200	882	468	0%	0%	0%	0%	0%	0%	2017	2017
Saigon Sports City - Ph4	District 2	739	1,213	1,200	926	478	0%	0%	0%	0%	0%	0%	2020	2020
Waterfront, Bin Thanh	Binh Thanh	500	1,500	1,800	650	480	0%	0%	20%	80%	20%	0%	2012	2011
Cacam, Waterfront	District 7	2,394	1,400	1,400	850	380	0%	0%	25%	22%	30%	30%	2014	2014
Waterfront township	Dong Nai	14,000	1,000	1,200	400	300	0%	0%	10%	0%	0%	3%	2017	2017
Prime Condo, District 2	District 2	1,500	1,700	1,700	850	465	0%	0%	0%	0%	15%	20%	2012	2012
Villa Development, District 9	District 9	204	1,500	1,600	600	550	0%	0%	0%	0%	20%	30%	2012	2012
Prime Condo, District 9	District 9	1,939	1,400	1,400	630	450	0%	0%	0%	0%	0%	0%	2015	2015
Luxury Villa Dev, District 9	District 9	139	1,400	1,700	662	550	0%	0%	0%	0%	0%	0%	2016	2016
The Estella	District 2	1,500	1,929	1,600	800	450	43%	5%	25%	70%	30%	0%	2011	2010
Capitaland														
The Vista, District 2	District 2	750	1,500	1,500	850	400	67%	10%	23%	33%	0%	0%	2011	2010
Villa, District 9	District 9	300	1,600	1,600	700	550	0%	0%	35%	10%	20%	25%	2012	2012
High-rise Condo	District 9	1,200	1,400	1,400	680	450	0%	0%	0%	0%	0%	25%	2013	2013
Le Chalet	District 7	600	1,500	1,600	850	400	0%	0%	25%	0%	50%	50%	2012	2012
Allgreen														
Villa, Luong Dinh Cua Street	District 2	680	1,500	1,500	850	450	0%	0%	20%	40%	45%	15%	2013	2011

E = Morgan Stanley Research estimates Source: Morgan Stanley Research

Exhibit 6

**Vietnam Property Portfolio for Keppel Land, CapitalLand, Allgreen, and Ascott Residence Trust**

Property	Type	Location	# of units	Interest (%)	GFA (sqm)
<b>Keppel Land</b>					
<b>Ho Chi Minh City</b>					
Villa Development	Residential	District 9	204	55	53,510
Luxury Villa Development	Residential	District 9	139	60	33,950
The Estella	Residential	District 2	1,500	55	279,800
Waterfront Condominium	Residential	Binh Thanh District	549	60	87,140
Waterfront Condominium	Residential	District 7	2,394	75	408,566
Prime Condominium	Residential	District 2	1,500	60	244,800
Condominium	Residential	District 9	1,939	55	273,760
Luxury Residences (Option to develop)	Residential	District 2	1,500	60	244,800
Saigon Sports City, Township	Mixed Development	District 2	3,000	90	788,180
Waterfront Township Development	Residential	Dong Nai	14,000	50	2,743,000
Saigon Centre - Phase 1	Mixed Commercial	District 1	89 Serv Apt	68	NLA = 14,106 sqm (office & retail)
Saigon Centre - Phase 2	Mixed Development	District 1	n.a.	68	17,156 sqm site area
<b>Hanoi</b>					
International Centre	Commercial	Hanoi	n.a.	43	NLA = 6,096 sqm
Royal Park Sedona Suites	Service Apts	Hanoi	175	59	n.a.
<b>CapitalLand</b>					
The Vista	Residential	District 2	750	80	129,700
Le Chalet	Residential	District 7	600	80	129,700
Villa	Residential	District 9	300	75	66,500sqm site area
High-rise condo	Residential	District 9	1,200	75	250,000
Mixed Development	Mixed Development	District 2	1,400	60	6.5ha site
<b>Allgreen</b>					
Villa, Luong Dinh Cua Street	Residential	District 2	680	65	111,000
<b>Ascott Residence Trust</b>					
Somerset Ho Chi Minh City	Service Apts	District 1, HCMC	165	69	n.a.
Somerset Chancellor Court	Service Apts	District 1, HCMC	172	67	n.a.
Somerset Grand Hanoi	Service Apts	Hanoi	185	76	n.a.

Source: Company data, Morgan Stanley Research

## Valuation and Price Target Methodology

We continue to peg our price targets to end-2008 NAVs of property developers except for Keppel Land, in which we peg our target at an 18% discount to its end-2008 NAV, as our underlying NAV assumptions already factor in our outlook for residential prices and office rents. The rationale is that our current office valuations reflect our assumptions that the assets are monetized in the current cycle. However, in our opinion, it is increasingly clear that management is unlikely to take a more aggressive approach to monetizing its assets and, therefore, we believe the share price is unlikely to trade close to its NAV, particularly given that the cycle is approaching its peak, which we expect by end-2009. The 18% discount is the historical long-term average discount to NAV at which Keppel Land trades.

Our NAVs are based on discounted cash flows (DCF) for residential developments, where we make assumptions on a yearly basis by project, selling prices, take-up rates, and construction progress. For investment properties, we apply the respective appropriate capitalization rates to the assumed rental income. Our office end-2008 NAV estimates reflect mid-cycle office rents assumed as at end-2007. Given the cyclical nature of the office rent market, we think it is fair to use mid-cycle rents at this stage. Applying current or spot rents would understate NAVs at the trough of the cycle and overstate NAVs at the peak of the cycle, in our opinion. Typically, coming from the trough of a cycle, office rental growth surges initially, as we saw in 2006 and have seen thus far this year. Post the mid-cycle point, growth rates start to taper off as peak levels approach. We assume this will occur in 2009. The same argument applies in using the 4.5% capitalization rate for office properties. This rate is also the benchmark yield that Singapore office REITs would need to make accretive acquisitions. Our key NAV assumptions are shown in Exhibit 7.

Please refer to the back of this report for further details on our NAV assumptions for Keppel Land, Allgreen, and CapitalLand.

Exhibit 7

### Singapore Property Developers: NAV Assumptions

	End-2007A	End-2008	End-2009	End-2010
<b>Residential</b>				
Mid-high end prices (% YoY)	+42	-15	-10	+0
Low end prices (% YoY)	+30	+10	-5	+0
<b>Office - committed rents as at period end @ mid-cycle levels</b>				
Prime grade-A rents (S\$/sq ft)	16.00			
CBD Core rents (S\$/sq ft)	12.00			
<b>Capitalization rates (%)</b>				
Office	4.5	4.5	4.5	4.5
Retail	5.5	5.5	5.5	5.5
Industrial	6.0	6.0	6.0	6.0

Source: Morgan Stanley Research

Catalysts on the upside depend on the depth and length of the uncertainties in the financial markets and whether they are likely to affect demand for office space and home-buying sentiment. In our opinion, a key data point for the office market would be net absorption rates for office space, and for the residential market the market response to upcoming residential launches, likely in 2H08, potentially signaling the strength in genuine residential demand.

Risks on the downside for both markets would be prolonged global credit tightening or a worsening of the credit squeeze, which would be negative for sentiment. In addition, further government intervention through regulatory measures on both the supply and demand side may prove negative for sentiment.

Exhibit 8

### Singapore Property Developers Valuation Comparison –June 19, 2008

	Ticker	Rating	Price (\$)	Price Target (\$)	PT Upside (%)	NAV (\$\$/share) end-08	Prem/(disc) to NAV (%) end-08	PE ex-EI (x)			ROAE ex-EI (%)			Net debt/Equity (%)		
								FY08e	FY09e	FY10e	FY08e	FY09e	FY10e	FY08e	FY09e	FY10e
Allgreen	AG SP	OW	0.99	1.45	47.2	1.45	(32.1)	9.1	6.0	4.8	7.5	10.7	12.2	40.8	35.6	20.9
CapitalLand	CAPL SP	EW	5.72	5.94	3.9	5.94	(3.8)	30.2	26.4	21.3	5.7	6.4	7.5	56.2	52.3	39.1
City Devs	CIT SP	UW	10.28	11.40	10.9	11.40	(9.8)	13.9	13.6	12.0	12.9	12.1	12.5	52.7	33.2	18.2
Keppel Land	KPLD SP	EW	5.13	5.20	1.4	6.34	(19.1)	14.7	14.8	13.9	40.2	10.8	10.0	58.8	68.7	76.5
Wheelock	WP SP	EW	1.82	2.12	16.3	2.12	(14.0)	11.1	7.4	6.7	4.0	9.0	12.5	0.3	5.4	0.8
Wing Tai	WINGT SP	EW	1.55	2.32	49.7	2.32	(33.2)	6.0	5.3	5.3	13.2	13.3	18.5	51.8	52.4	32.1

E = Morgan Stanley Research estimates Source: Company data, Morgan Stanley Research

## Exhibit 9

## Upside and Downside Risks to our Stock Calls and Price Targets

	Rating	Key Risks
Allgreen	OW	<p><b>Upside:</b> Better-than-expected take-up and selling prices of residential projects. Its China mixed development projects are worth much more than our current estimates, which are at book value.</p> <p><b>Downside:</b> Poor response to its residential launches</p>
CapitaLand	EW	<p><b>Upside:</b> Better-than-expected residential take-up and selling prices and higher- than-expected monetization of assets for divestment, as well as earlier-than-expected contributions from its new overseas joint ventures.</p> <p><b>Downside: Poor response to its residential launches</b></p>
City Developments	UW	<p><b>Upside:</b> Better-than-expected sales prices and take-up of its launches, as well as earlier-than-expected divestment of its commercial assets – either via a REIT or to third parties at higher-than-expected valuations.</p> <p><b>Downside:</b> Poor response to its residential launches. Poor performance of hotel subsidiary, Millennium &amp; Copthorne</p>
Keppel Land	EW	<p><b>Upside:</b> Better-than-expected monetization of office assets to third parties.</p> <p><b>Downside:</b> Lower-than-expected office demand and poor response to its local and overseas residential launches, namely China, Vietnam, India and Thailand.</p> <p><b>Upside:</b> Better-than-expected take-up and selling prices for WP's residential projects. In addition, we assume that WP's stakes in HPL and SC Global remain passive and therefore do not assign any value to potential asset redevelopment opportunities in collaboration with HPL or SC Global. Resumption of residential landbanking activities.</p>
Wheelock	EW	<p><b>Downside:</b> Poor response to its residential launches</p> <p><b>Upside:</b> Better-than-expected take-up and selling prices at WINGT's projects, and stronger-than-forecast returns from its overseas subsidiaries. We assume market valuations for these subsidiaries in our NAV calculation, which are above the respective book values</p>
Wing Tai	EW	<p><b>Downside:</b> Poor response to its residential launches</p>

Source: Morgan Stanley Research

## Keppel Land

### Investment Thesis: Why Are We Equal-weight?

- While we believe that the 12% decline in the share price has priced in the downside risk for the company's Vietnam exposure, we see limited upside from current levels.
- In the next six months, we see a lack of positive catalyst for an upward re-rating of the sector.
- Positive catalysts for re-rating: better-than-expected take-up and selling prices for its residential projects and monetization of its office assets above expected valuations.

### KepLand's 19% NAV Discount a Value Trap

We maintain our Equal-weight rating on Keppel Land with a new, lower price target of S\$5.20 (down from S\$5.95), based on an 18% discount to its S\$6.34 per share 2008E NAV (down from S\$7.25). Keppel Land is the only company whose price target is pegged at an 18% discount to its NAV to reflect the low visibility in its office asset monetization efforts, particularly with the office cycle approaching the peak. In our opinion, the best way to play the office market is via the office REITs CapitaCommercial Trust (CACT.SI, OW, price S\$2.02) followed by Suntec REIT (SUNT.SI, OW, price S\$1.44) our S-REIT top picks, which should benefit from the 2008-09 office supply shortage.

### Singapore Office Developers at Risk

With 51% of its NAV comprised of Singapore office assets, we believe Keppel Land is the best proxy to the office market. We prefer the office market to the Singapore residential market, at least from now until 2009, given that the current office supply shortage implies some room for office rents to rise, albeit at a slower pace compared with the last four years. We maintain our view of office rents peaking in 2009, given the large amount of office supply expected after 2010. We believe it could average 2.3mn sq ft p.a. from 2008-12E, compared with our current forecasts of 1.8mn sq ft p.a. However, we are of the view that the office supply shortage is better played via the S-REITs CapitaCommercial Trust and Suntec REIT rather than the developers like KepLand since KepLand's upcoming office assets are only expected to enter the market in 2010-12, at which time we see potential for an oversupply situation. We are concerned that a number of office developers like KepLand are proceeding with more developments, namely Ocean Financial Tower, despite not having secured tenant pre-commitments, particularly given the low visibility of the strength in office

demand from 2010. Hence, we see a risk of high office vacancies negatively affecting office rents. Illustrating this, pre-leasing for the Marina Bay Financial Centre to be completed in 2010-12 has stagnated at 56% for at least 8 months, and we understand that while enquiries for office space have been strong, tenants are taking more time to commit to leases. This is particularly evident in developments that are currently under construction. In addition, in valuing the developers' office assets, particularly in the current cycle, the valuation rationale is based on expectations that developers are likely to take advantage of the current upcycle to monetize assets and redeploy cash to other new ventures. We believe Keppel Land may have missed its opportunity to monetize its assets.

### Residential Sales Slowing Across the Board

Concerns of a slowdown in Singapore residential sales were not as severe for KepLand given that its overseas projects, particularly in China, India, and Vietnam, can offset a decline in Singapore. However, the slowdown in residential sales seems to be a regional phenomenon, and we expect management to revise down its launches in the upcoming quarterly report, having cut the number of launches by 21% in the 1Q08. In this report, we are revising our assumptions for its Vietnam projects to reflect higher construction costs and a less-aggressive residential sales assumption, as we now expect the Vietnamese residential market to stabilize only in 2010. Post revisions, KepLand's exposure to Vietnam is reduced to 12% (residential: 9.7%, commercial: 2.3%) from 21%.

Exhibit 10

### Key Earnings Changes

	New			Old			% chg		
	FY08e	FY09e	FY10e	FY08e	FY09e	FY10e	FY08e	FY09e	FY10e
Net profit exc EI	253	251	267	274	383	480	-8%	-35%	-44%
Net Debt/Equity (%)	58.8	68.7	76.5	54.8	40.4	27.5	n.m.	n.m.	n.m.

E = Morgan Stanley Research estimates Source: Morgan Stanley Research

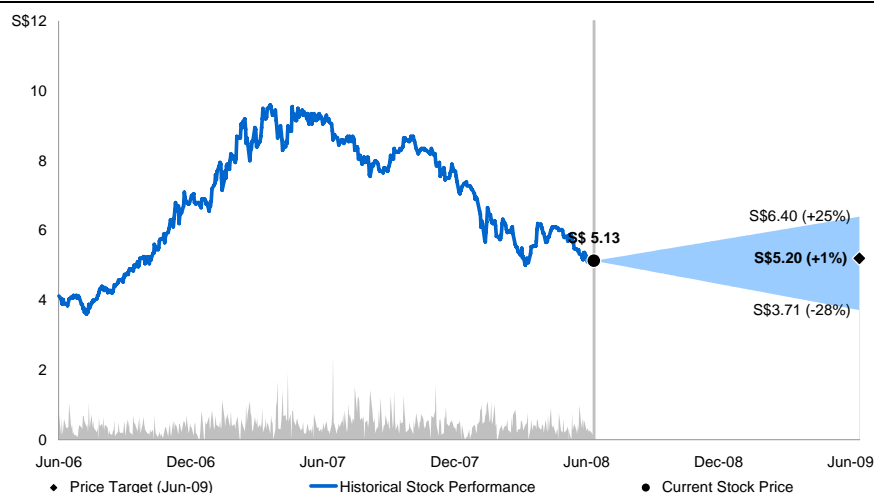
### Company Description

Keppel Land Limited is the property arm of the Keppel Group, one of Singapore's largest multinational groups with core businesses in offshore and marine, infrastructure, and property. Keppel Land is today a leading property development company in Asia with a current focus in Singapore, China, India, Vietnam, Indonesia, and Thailand. Keppel Land has set up K-REIT Asia, a real estate investment trust with an initial portfolio of four prime office buildings. K-REIT Asia will enlarge Keppel Land's platform to generate fee-based income, in addition to the funds that have been established under its property fund management vehicle, Alpha Investment Partners.



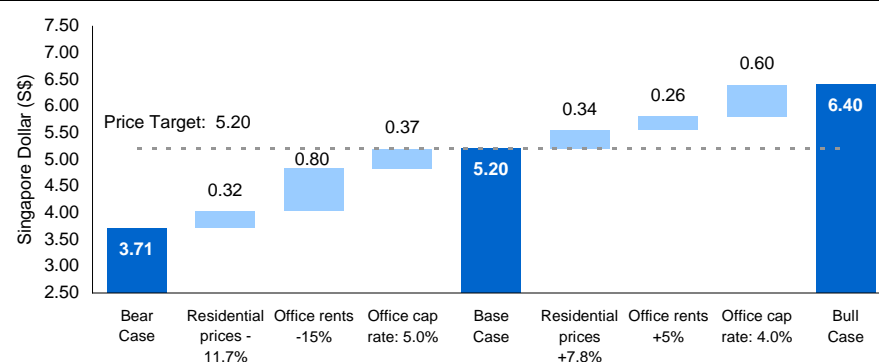
## Risk-Reward Snapshot: Keppel Land (KLAN.SI, S\$5.13, EW, PT S\$5.20)

### Risk-Reward View: Value Realized Only with Asset Monetization



Price Target S\$5.20		Derived from our Base-Case scenario
Bull Case S\$6.40	At 18% discount to bull-case CY08 NAV	Residential prices, 2008E: +15% YoY; 2009E: +10% YoY; and 2010E: 0% YoY. Office rents: +75% YoY at end 2007. Cap rates: office 4.0%, retail 5.5%, and industrial 6%. AUM S\$0.32/share
Base Case S\$5.20	At 18% discount to base-case CY08 NAV	Residential prices, 2008E: +8% YoY; 2009E: -6% YoY; and 2010E: 0% YoY. Office rents: +67% YoY at end 2007. Cap rates: office 4.5%, retail 5.5%, and industrial 6%. AUM S\$0.32/share
Bear Case S\$3.71	At 18% discount to bear-case CY08 NAV	Residential prices, 2008E: -22% YoY; 2009E: -13% YoY; and 2010E: -1% YoY. Office rents: +42% YoY at end 2007. Cap rates: office 5.0%, retail 5.5%, and industrial 6%. AUM S\$0.32/share

### Bear to Bull: Upside If More Aggressive on Office Monetization



Source: Morgan Stanley, FactSet

### Investment Thesis

- Limited upside to price target from current levels; visibility on office monetization is low at this stage.
- Price target based on an 18% discount to 2008E NAV, the long-term average discount to NAV for the stock.
- Given that our office NAVs assume asset values at the current cycle, unless management takes a more aggressive approach to monetizing its assets, the share price is unlikely to trade close to its NAV, particularly given that the cycle is close to its peak.

### Key Value Drivers

- Keppel Land is, in our view, the best proxy to the office market: with every 10% increase in office rents, its NAV increases 10.3%.
- As its office assets are still under the Group's balance sheet, Keppel Land will benefit from any upward re-rating of office capital values, particularly if it decides to use a more aggressive approach to monetizing its assets.

### Potential Catalysts

- Upside: Office demand is stronger than expected – more than sufficient to absorb the new office supply, driving office rents up further. Monetization of office assets to K-REIT or third parties above current valuations.
- Downside: Disappointing leasing of MBFC and Ocean Financial Tower, lower-than-expected take-ups, and selling prices of residential property.

June 20, 2008  
Singapore Property Developers

# Keppel Land Financial Summary

## Profit and Loss

Y/E 31 Dec (\$\$ mn)	2006A	2007A	2008E	2009E	2010E
<b>Revenue</b>	<b>948.0</b>	<b>1,407.9</b>	<b>1,055.0</b>	<b>1,094.5</b>	<b>1,274.3</b>
Residential	809.8	1,236.9	885.7	913.4	1,087.7
Commercial	67.3	62.5	48.2	55.1	57.1
Financial services	71.0	28.6	39.6	42.9	44.8
<b>EBITDA</b>	<b>215.3</b>	<b>333.9</b>	<b>297.5</b>	<b>316.7</b>	<b>356.0</b>
Residential	190.1	302.9	262.3	274.0	310.9
Commercial	37.5	31.1	30.5	36.7	38.4
Financial services	-12.3	14.0	19.1	20.8	21.7
Interest income	56.7	58.8	58.1	19.6	16.2
Finance costs	-70.4	-79.2	-69.3	-69.7	-86.2
Depreciation	-11.2	-9.7	-8.5	-8.5	-8.5
Associates, jvs	27.6	93.9	125.4	164.8	189.4
Exceptional items	45.4	522.2	0.0	0.0	0.0
<b>Profit before taxation</b>	<b>263.4</b>	<b>919.9</b>	<b>403.2</b>	<b>422.8</b>	<b>466.9</b>
Taxation	-46.2	-83.0	-90.3	-99.2	-113.6
<b>Profit after taxation</b>	<b>217.2</b>	<b>836.9</b>	<b>312.9</b>	<b>323.6</b>	<b>353.2</b>
Minority interest	-16.9	-57.2	-59.9	-72.7	-86.3
<b>Net profit</b>	<b>200.3</b>	<b>779.6</b>	<b>253.0</b>	<b>250.9</b>	<b>267.0</b>
<b>Net profit exc EI</b>	<b>154.9</b>	<b>257.5</b>	<b>253.0</b>	<b>250.9</b>	<b>267.0</b>
<b>MW EPS (\$\$)</b>	<b>0.21</b>	<b>0.35</b>	<b>0.37</b>	<b>0.37</b>	<b>0.39</b>

## Cash Flow Statement

Y/E 31 Dec (\$\$ mn)	2006A	2007A	2008E	2009E	2010E
<b>Operating profit</b>	<b>204.1</b>	<b>312.3</b>	<b>289.0</b>	<b>308.2</b>	<b>347.5</b>
Other non-cash items	-27.4	-93.9	8.5	8.5	8.5
Working Cap changes	-8.7	267.8	-329.4	-433.9	-419.9
Tax paid	-16.2	-27.7	-90.3	-99.2	-113.6
<b>Net cash operations</b>	<b>151.8</b>	<b>458.4</b>	<b>-122.2</b>	<b>-216.4</b>	<b>-177.6</b>
Net proceeds PPE	-29.6	-7.7	0.0	0.0	0.0
Net proceed properties	191.9	-29.3	0.0	0.0	0.0
Investment in subs/jv	40.7	454.2	0.0	0.0	0.0
Dividend/int. received	56.7	58.8	58.1	19.6	16.2
<b>Net cash fm investing</b>	<b>259.7</b>	<b>476.0</b>	<b>58.1</b>	<b>19.6</b>	<b>16.2</b>
Issue of shares	7.0	1.9	0.0	0.0	0.0
Net proceed borrowings	-345.9	-239.9	-109.8	-50.0	450.0
Net minority shdr's	10.5	2.4	0.0	0.0	0.0
Receivables	25.3	34.9	0.0	0.0	0.0
Interest paid	-70.4	-79.2	-115.4	-116.0	-143.6
Dividends paid	-36.0	-43.2	-144.0	-57.6	-57.6
<b>Net cash fm financing</b>	<b>-409.4</b>	<b>-323.1</b>	<b>-369.1</b>	<b>-223.7</b>	<b>248.8</b>
<b>Net change in cash</b>	<b>2.1</b>	<b>611.3</b>	<b>-433.3</b>	<b>-420.5</b>	<b>87.5</b>

## Balance Sheet

Y/E 31 Dec (\$\$ mn)	2006A	2007A	2008E	2009E	2010E
<b>Non-current assets</b>					
Fixed assets	205.1	148.4	139.9	131.3	122.8
Investment properties	1,199.7	1,378.3	1,378.3	1,378.3	1,378.3
Development properties	183.3	172.7	172.7	172.7	172.7
Investments in associates	624.1	665.4	790.8	955.6	1,145.0
Other investments	35.2	56.9	56.9	56.9	56.9
<b>Current assets</b>					
Development properties	1,352.9	1,421.7	1,686.3	2,179.0	2,712.8
Debtors	162.8	199.9	155.9	160.8	183.2
Loans to related parties	917.3	884.7	884.7	884.7	884.7
Cash & cash equivalent	581.0	1,187.3	754.1	333.6	421.0
<b>Total assets</b>	<b>5,262</b>	<b>6,115</b>	<b>6,020</b>	<b>6,253</b>	<b>7,077</b>
<b>Current liabilities</b>					
Creditors	623.4	862.7	707.8	725.2	804.1
Net tax provision	86.4	121.6	121.6	121.6	121.6
ST borrowings	439.6	318.9	318.9	318.9	318.9
Owed to related parties	65.6	81.8	81.8	81.8	81.8
<b>Non-current liabilities</b>					
LT borrowings	2,111.1	1,955.9	1,846.1	1,796.1	2,246.1
Deferred tax liabilities	34.4	130.7	130.7	130.7	130.7
<b>Total liabilities</b>	<b>3,361</b>	<b>3,472</b>	<b>3,207</b>	<b>3,174</b>	<b>3,703</b>
<b>Shareholder's equity</b>	<b>1,591</b>	<b>2,291</b>	<b>2,400</b>	<b>2,593</b>	<b>2,803</b>
<b>Total liab &amp; shdr's equity</b>	<b>5,262</b>	<b>6,115</b>	<b>6,020</b>	<b>6,253</b>	<b>7,077</b>
<b>Capital employed</b>	<b>4,046</b>	<b>4,730</b>	<b>4,789</b>	<b>5,005</b>	<b>5,751</b>

## Key Ratios

Y/E 31 Dec (\$\$ mn)	2006A	2007A	2008E	2009E	2010E
Net profit ex-EI (%)	16.3	18.3	24.0	22.9	21.0
Operating Profit margin (%)	21.5	23.0	27.4	28.2	27.3
Development margin (%)	23.5	24.5	29.6	30.0	28.6
ROAE ex-EI (%)	9.5	13.3	10.8	10.0	9.9
ROCE ex-EI (%)	4.7	7.4	6.1	6.3	6.5
ROAA ex-EI (%)	2.9	4.5	4.2	4.1	4.0
Net Debt to Equity (%)	123.8	47.5	58.8	68.7	76.5
Interest cover (x)	1.7	2.5	2.5	2.7	2.4
Asset Turnover (%)	18.0	23.0	17.5	17.5	18.0

E = Morgan Stanley Research estimates  
Source: Company data, Morgan Stanley Research

# Keppel Land Estimated NAV Breakdown

Exhibit 11

## Keppel Land –NAV Breakdown, end CY2008e

Market Values:	S\$ mn
Investment properties	4,438.1
Gross development properties value	2,783.7
Cash received since last balance sheet date	803.4
Interest and tax paid this year	(288.4)
NPV of future tax payable	(599.5)
Commercial development construction value	(666.0)
Listed investments	131.0
Fee-income business	234.6
Proceeds from disposal of properties	823.1
Amount owing by related companies	944.4
Total Market Value	8,604.5

### Book Values:

Investment properties in fixed assets	1,199.7
Development properties in fixed assets	1,536.2
Hotels in fixed assets	192.7
New properties acquired since last balance sheet	1,658.3
Associates	624.1
Off-balance sheet debt	383.3
Interests in JV properties	35.2
Attributes to minorities	(310.0)
<b>Total Book Value</b>	<b>5,319.6</b>

### Revaluation Surplus

Shareholders' Funds	1,590.9
<b>Total NAV</b>	<b>4,875.8</b>
Fully diluted number of shares (mn)	769.1
<b>NAV/share (\$)</b>	<b>6.34</b>

Source: Morgan Stanley Research

Exhibit 12

## Estimated NAV Breakdown Fund Management Business

### Assumptions

Growth rate from 2009 - 2019 (%) p.a.	2.0
Terminal growth rate (%) p.a.	1.5
Discount rate applied (%)	9.0
<b>AUM at year-end (\$ bn)</b>	
2007E	2.7
2008E	4.0
2018E	5.4

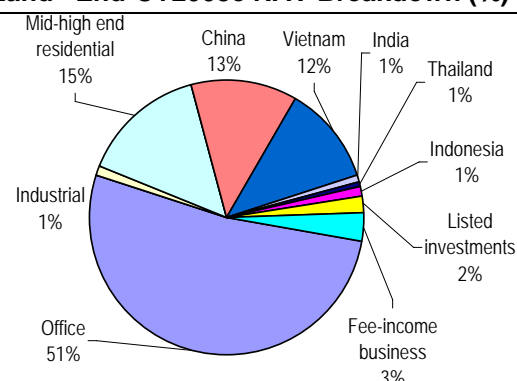
### DCF on Fee income (\$/share) 0.32

- net fund mgmt fees	0.31
- net property mgmt fees	0.01

Source: Morgan Stanley Research

Exhibit 13

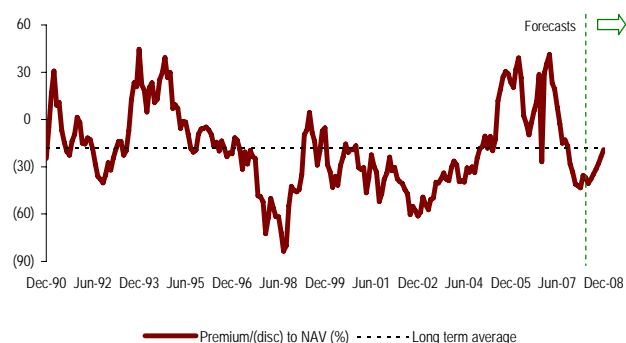
## Keppel Land –End-CY2008e NAV Breakdown (%)



Source: Morgan Stanley Research

Exhibit 14

## Premium/(Discount) to NAV (%)



Source: Morgan Stanley Research

Exhibit 15

**Keppel Land Estimated NAV Breakdown – Investment Properties, end-2008**

Property	Location	Type	Tenure	Interest (%)	Completion Date	Attrib. NLA (sqft)	Gross avg rent (\$\$psf)	Cap rate (%)	Cap Value (\$\$psf)	Attrib. Value (\$\$mn)
Ocean Building	Raffles Place	Office	999	75.7	Dec 2011	454,200	9.00	4.50	1,800	631
Ocean Towers	Raffles Place	Office	999	75.7	Completed	187,329	9.00	4.50	1,800	337
Equity Plaza	Raffles Place	Office	99	100.0	Completed	257,925	10.50	4.50	2,160	557
One Raffles Quay	Raffles Quay	Office	99	13.6	Completed	181,531	10.30	4.50	2,112	383
Marina Bay Financial Ctr-Phase 1	Marina Bay	Office	99	33.3	Dec 2010	562,584	10.50	4.50	2,160	1,023
Marina Bay Financial Ctr-Phase 2	Marina Bay	Office	99	33.3	Dec 2012	448,103	11.00	4.50	2,280	724
Keppel Bay Tower	Harbourfront	Office	99	11.7	Completed	46,185	6.00	4.50	1,080	50
Harbourfront Tower One	Harbourfront	Office	99	11.7	Completed	43,903	6.00	4.50	1,080	47
Harbourfront Tower Two	Harbourfront	Office	99	11.7	Completed	18,324	6.00	4.50	1,080	20
Quartz Industrial Building	Upper Aljunied Link	Industrial	FH	100.0	Completed	38,402	3.00	6.00	324	12
Orion Industrial Building	Paya Lebar	Industrial	FH	100.0	Completed	50,819	3.00	6.00	324	16
Keppel Digihub	Serangoon North	Industrial	60	100.0	Completed	135,361	3.00	6.00	324	44
Prudential Tower	Cecil Street	Office	99	40.0	Completed	43,396	10.20	4.50	2,088	91
Keppel Towers & GE Tower	Tanjong Pagar Rd	Office	99	40.0	Completed	172,498	7.10	4.50	1,344	232
Bugis Junction Towers	Victoria Street	Office	99	40.0	Completed	99,034	6.60	4.50	1,224	121
Saigon Centre - Phase 1	Ho Chi Minh, Vietnam	Office	50	68.0	Completed	7,094	5.33	12.00	384	29
International Centre	Hanoi	Office	45	43.0	Completed	35,107	3.93	12.00	283	107
Saigon Centre - Phase 1 (Retail)	Ho Chi Minh, Vietnam	Retail	50	68.0	Completed	2,491	4.21	12.00	303	8
Sedona Suites, Royal Park	Hanoi	Srv Apt	50	59.0	Completed	103 rms	121*	n.a.	27,778#	3
Saigon Centre - Phase 1 (Srv Apt)	Ho Chi Minh, Vietnam	Srv Apt	50	68.0	Completed	61rms	143*	n.a.	32,986#	2
<b>Total</b>										<b>4,438</b>

\* \$\$ per room per night; # \$\$ per room

Source: Company data, Morgan Stanley Research

Exhibit 16

## Keppel Land Estimated NAV Breakdown – Residential Developments, end-2008

Property	Location	Tenure	Interest (%)	Completion Date	Attrib. NLA (sq ft)	Land Cost (\$\$psf ppr)	Avg selling price (\$\$psf)	Attrib. Value (\$\$ mn)
Park Infinia at Wee Nam	Wee Nam/Keng Lee Road	FH	100.0	Dec 2007	609,949	274	978	24
The Tresor	Duchess Road	999	100.0	Dec 2007	101,382	284	983	28
The Crest at Cairnhill	Cairnhill Circle	FH	100.0	Dec 2013	28,179	374	3,000	46
Madison Residences (Naga Court)	Bukit Timah	FH	100.0	Dec 2012	99,729	271	1,500	70
The Suites at Central (Ritz Residences)	Devonshire Road	FH	60.0	Dec 2010	120,391	440	1,451	58
Sixth Avenue Residences	Sixth Avenue	FH	52.0	Dec 2010	115,706	158	1,000	36
Marina Bay Residences - Phase 1	Marina Bay	99	33.3	Dec 2010	173,577	380	1,920	118
Marina Bay Residences - Phase 2	Marina Bay	99	33.3	Dec 2012	137,157	423	2,320	184
Caribbean at Keppel Bay	Keppel Bay	99	30.0	Dec 2004	377,180	349	809	59
Reflections at Keppel Bay	Keppel Bay	99	30.0	Dec 2012	512,107	389	1,644	364
Keppel Bay Plot 3	Keppel Bay	99	30.0	Dec 2016	134,639	301	1,000	34
Keppel Bay Plot 6	Keppel Bay	99	30.0	Dec 2019	59,675	301	1,000	18
Harbourfront Avenue (Plot 4)	Harbourfront	99	11.7	Dec 2023	35,464	301	1,000	11
8 Park Avenue	Shanghai	70	99.0	Dec 2009	1,420,956	50	445	220
Park Avenue Central	Shanghai	70	99.0	Dec 2013	1,062,129	58	371	147
Villa Riviera	Shanghai	70	99.0	Dec 2009	573,057	45	362	66
The Arcadia	Tianjin	70	100.0	Dec 2009	663,752	46	223	27
Jiangyin site- Residential	Jiangyin	70	70.6	Dec 2011	1,889,887	27	121	103
Central Park City (Wuxi Township - Phase 1)	Wuxi	70	49.7	Dec 2010	1,142,761	20	108	29
Wuxi Township - Phase 2	Wuxi	70	49.7	Dec 2014	1,221,336	20	108	35
Wuxi Township - Phase 3	Wuxi	70	49.7	Dec 2017	1,221,336	20	110	28
Xinchang Town, Nanhui	Shanghai	70	99.0	Dec 2012	3,546,248	28	111	109
Shenyang, Shenbei New District Township	Shenyang	70	100.0	Dec 2014	5,073,211	12	71	63
The Botanica - Phase 2	Chengdu	70	44.1	Dec 2009	1,314,868	8	74	4
The Botanica - Phase 3	Chengdu	70	44.1	Dec 2011	933,592	8	95	27
The Botanica - Phase 4	Chengdu	70	44.1	Dec 2013	933,592	196	2,420	24
The Botanica - Phase 5	Chengdu	70	44.1	Dec 2015	933,592	196	2,466	19
Saigon Sports City Phase 1	Ho Chi Minh City	50	90.0	Dec 2012	820,094	2	133	-14
Saigon Sports City Phase 2	Ho Chi Minh City	50	90.0	Dec 2013	936,651	2	146	-10
Saigon Sports City Phase 3	Ho Chi Minh City	50	90.0	Dec 2017	936,651	2	153	-4
Saigon Sports City Phase 4	Ho Chi Minh City	50	90.0	Dec 2020	936,651	2	161	-2
Waterfront, Bin Thanh	Ho Chi Minh City	50	60.0	Dec 2012	477,421	37	199	23
Cacam, Waterfront Condo, District 7	Ho Chi Minh City	50	75.0	Dec 2014	2,802,558	0	186	87
Waterfront township, Dong Nai	Dong Nai Province	50	45.0	Dec 2017	11,289,365	0	133	322
Prime Condo, District 2	Ho Chi Minh City	50	60.0	Dec 2012	1,343,364	0	226	25
Villa Development, District 9	Ho Chi Minh City	50	55.0	Dec 2012	316,672	14	199	15
Prime Condo, District 9	Ho Chi Minh City	50	55.0	Dec 2015	1,377,095	14	186	44
Luxury Villa Dev, District 9	Ho Chi Minh City	50	60.0	Dec 2016	219,181	110	186	9
The Estella	Ho Chi Minh City	50	55.0	Dec 2010	1,407,478	15	256	125
Saigon Sports City Commercial	Ho Chi Minh City	50	90.0	Dec 2012	2,857,777	2	179	45
Elita Garden Vista, Kolkata, Rajarhat Township	Kolkata	FH	37.7	Dec 2011	809,264	13	98	17
Elite Promenade	Bangalore	FH	51.0	Dec 2009	1,060,407	11	97	7
Elite Horizon	Bangalore	FH	51.0	Dec 2010	868,983	6	93	29
Villa Arcadia at Watcharapol	Bangkok	FH	66.7	Dec 2009	45,563	15	129	32
Villa Arcadia at Srinakarin	Bangkok	FH	45.5	Dec 2009	38,407	9	105	17
Jakarta Garden City - Phase 1	Jakarta	50	51.0	Dec 2010	905,454	140	622	21
Jakarta Garden City - Phase 2	Jakarta	50	51.0	Dec 2014	1,214,132	140	622	15
Jakarta Garden City - Phase 3	Jakarta	50	51.0	Dec 2017	1,214,132	140	622	10
Jakarta Garden City - Phase 4	Jakarta	50	51.0	Dec 2020	1,214,132	140	622	10
Jakarta Garden City - Phase 5	Jakarta	50	51.0	Dec 2023	1,214,132	140	622	9
<b>Total</b>								<b>2,784</b>

Source: Company data, Morgan Stanley Research

# CapitaLand

## Investment Thesis: Why Are We Equal-weight?

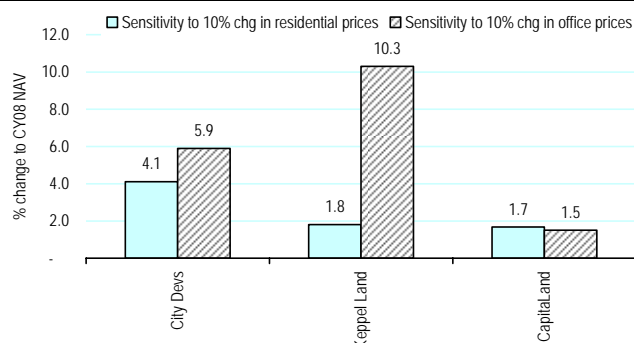
- Current valuations only imply 4% upside to our price target, which is limited.
- However, we believe that its wider diversification strategy and Asian regional footprint compared with its peers are likely to provide some share price support on the downside. Illustrating this, amongst the big caps, CapitaLand has the least downside risk of 6% followed by Keppel Land's 28% and City Development's 29% to our bear case.
- In the next six months, we see a lack of positive catalysts for an upward re-rating of the sector.
- Positive catalysts for an upward re-rating: are better-than-expected residential take-up and selling prices, as well as earlier-than-expected contributions from the company's new overseas joint ventures.

## Relatively Lower Downside Risk Among Big Boys

In our opinion, CapitaLand is benefiting from its wider diversification strategy and Asian regional footprint compared with its peers, which is likely to provide some share price support on the downside. Illustrating this, CapitaLand has the least downside risk of 6% followed by Keppel Land's 28% discount and City Development's 29% to our bear-case scenario. We maintain our Equal-weight rating with a new price target of S\$5.94 (down from S\$6.00), pegged to its end-2008 NAV.

Exhibit 17

## NAV Sensitivity to Changes in Residential Prices and Offices Rents



Source: Morgan Stanley Research

## Jack of All Trades, Master of None

While its overseas residential sales compensated for the quiet Singapore market in 1Q08, with 610 units sold in China and Vietnam compared with the 18 units in Singapore, residential sales of its overseas projects are likely to slow further. CapitaLand may be left with unsold inventory at its Vista residential project in Ho Chi Minh City given the weak buying sentiment in Vietnam if buyers walk away from their deposits without signing the sales and purchase agreements expected in 4Q08. Similar to Keppel Land, we expect management to announce reduced residential launch plans in the upcoming quarterly results versus the previously more optimistic plans the company had for 2H08 and 2009. These plans involved more overseas projects including three in Ho Chi Minh City. It is worth pointing out that Vietnam currently accounts for only 1% of CapitaLand's NAV; hence, given our revisions to CapitaLand's Vietnamese portfolio, the decline in NAV is marginal at S\$0.06 per share.

## Growth in AUM Business Chugging Along

We maintain our assumptions for CapitaLand's AUM business to achieve S\$21.8bn in AUM by end-2008 from the S\$19.1bn currently, compared with management's target of S\$25bn in the next three to five years. Our DCF value for its AUM business is S\$0.52 per share, which translates into a fee multiple of 18.4x to the group's NAV.

Exhibit 18

## Key Earnings Changes

	New Assumptions			Old Assumptions			% chg		
	FY08e	FY09e	FY10e	FY08e	FY09e	FY10e	FY08e	FY09e	FY10e
Net Profit ex-El	578	678	842	598	703	886	-3%	-4%	-5%
Net Debt/Equity (%)	56.2	52.3	39.1	55.3	50.8	36.6	n.m.	n.m.	n.m.

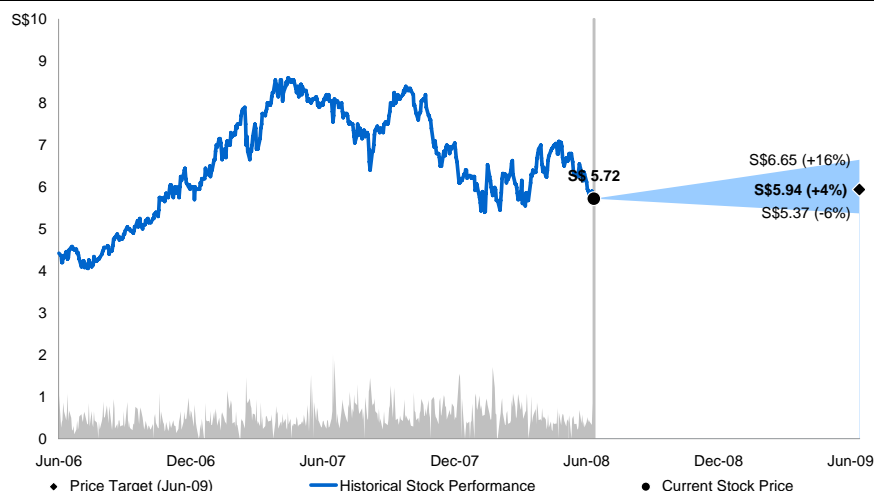
E = Morgan Stanley Research estimates Source: Morgan Stanley Research

## Company Description

CapitaLand is one of the largest listed real estate companies in Asia. Headquartered in Singapore, the multinational's core businesses in real estate, hospitality, and real estate financial services are focused in gateway cities in Asia Pacific, Europe, and the Middle East. The company's real estate and hospitality portfolio spans more than 90 cities in over 20 countries. CapitaLand also leverages its significant real estate asset base, financial skills, and market knowledge to develop real estate financial products and services in Singapore and the region.

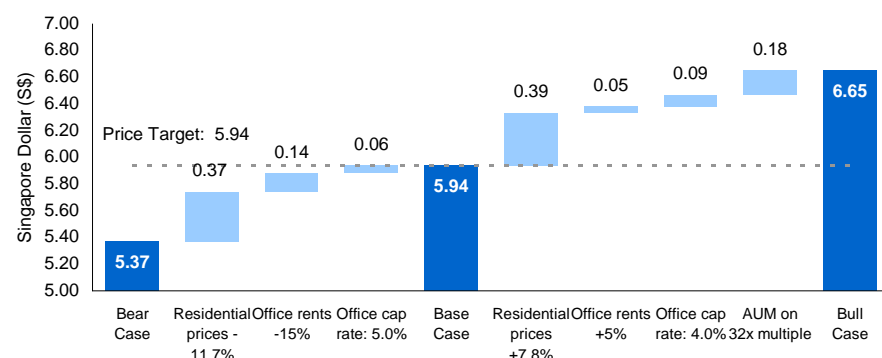
## Risk-Reward Snapshot: CapitaLand (CATL.SI, S\$5.72, EW, PT S\$5.94)

### Risk-Reward View: Lower Relative Downside Supports Equal-weight



Price Target S\$5.94		Derived from our Base-Case scenario.
<b>Bull Case</b> <b>S\$6.65</b>	At par to bull-case CY08 NAV	Residential prices: 2008: +15% YoY; 2009: +8% YoY; and 2010: 0% YoY. Office rents: +75% YoY at end-2007. Cap rates: office 4.0%, retail 5.5%, and industrial 6%. DCF value on AUM S\$0.70/sh.
<b>Base Case</b> <b>S\$5.94</b>	At par to base-case CY08 NAV	Residential prices: 2008: +8% YoY; 2009: -6% YoY; and 2010: 0% YoY. Office rents: +67% YoY at end-2007. Cap rates: office 4.5%, retail 5.5%, and industrial 6%. DCF value on AUM S\$0.52/sh.
<b>Bear Case</b> <b>S\$5.37</b>	At par to bear-case CY08 NAV	Residential prices: 2008: -10% YoY; 2009: -15% YoY; and 2010: 0% YoY. Office rents: +61% YoY at end-2007. Cap rates: office 5.0%, retail 5.5%, and industrial 6%. DCF value on AUM S\$0.52/sh.

### Bear to Bull: Upside Dependent on Growth Pace of AUM Business



Source: Morgan Stanley, FactSet

### Investment Thesis

- Among big-cap property developers, CapitaLand has the least downside risk of 6%, followed by Keppel Land's 28% and City Development's 29% downside to our bear-case scenarios.
- Diversification by geography and segment may provide some downside share price support.
- Price target pegged to 2008E NAV, as our underlying NAV assumptions factor in our outlook on the physical markets for the next three years.

### Key Value Drivers

- We view the company's asset-light strategy as a long-term positive, particularly in a down cycle where recurring income reduces the volatility of development earnings.
- Savvy management: While we applaud the company's ventures into new markets, visibility on the potential success of these moves is unclear.

### Potential Catalysts

- Upside: Better-than-expected residential take-up and selling prices, and better-than-expected returns from its new ventures. Strong pace of growth for its AUM business and its overseas ventures, conservatively assumed at book value.
- Downside: Adversely affected by domestic issues in respective overseas ventures, and disappointing residential selling prices and take-up on the back of prolonged global economic slowdown.

June 20, 2008

Singapore Property Developers

# CapitaLand: Financial Summary

S\$ million; Years Ending December

## Profit and Loss

Y/E 31 Dec (\$\$ mn)	2006A	2007A	2008E	2009E	2010E
<b>Revenue</b>	<b>3,147.7</b>	<b>3,792.7</b>	<b>3,297.4</b>	<b>3,564.3</b>	<b>4,093.8</b>
Residential	2,354.4	2,863.7	2,311.1	2,425.5	2,855.4
Commercial	235.4	366.0	263.8	307.7	322.9
Hospitality	478.1	459.5	514.7	581.5	646.5
Financial services	101.2	119.2	197.9	239.6	258.2
Others	-21.5	-15.7	9.8	9.9	10.8
<b>EBITDA</b>	<b>764.6</b>	<b>708.9</b>	<b>1,079.2</b>	<b>1,185.3</b>	<b>1,331.1</b>
Residential	527.8	1,073.7	685.3	719.3	827.7
Commercial	170.1	175.8	182.5	220.7	233.8
Hospitality	178.6	117.3	121.8	137.3	152.3
Financial services	43.1	69.8	79.8	98.1	106.4
Others	-155.0	-727.7	9.8	9.9	10.8
Interest income	146.3	124.6	182.1	182.7	240.8
Finance costs	-328.0	-403.5	-499.4	-483.3	-485.7
Depreciation	-34.3	-39.6	-38.1	-38.1	-38.1
Amortization	-4.8	-5.0	0.0	0.0	0.0
Associates, jvs	396.1	991.8	334.1	369.2	397.5
Exceptional items	584.0	2,043.3	224.1	0.0	0.0
<b>Profit before taxation</b>	<b>1,524.1</b>	<b>3,420.5</b>	<b>1,282.1</b>	<b>1,215.7</b>	<b>1,445.5</b>
Taxation	-230.4	-268.0	-225.5	-284.8	-333.4
<b>Profit after taxation</b>	<b>1,293.8</b>	<b>3,152.4</b>	<b>1,056.6</b>	<b>930.9</b>	<b>1,112.1</b>
Minority interest	-281.1	-393.1	-254.5	-252.6	-270.2
<b>Net profit</b>	<b>1,012.7</b>	<b>2,759.3</b>	<b>802.0</b>	<b>678.3</b>	<b>841.9</b>
<b>Net profit exc EI</b>	<b>428.7</b>	<b>716.0</b>	<b>577.9</b>	<b>678.3</b>	<b>841.9</b>
<b>MW EPS (\$\$)</b>	<b>0.16</b>	<b>0.25</b>	<b>0.20</b>	<b>0.22</b>	<b>0.27</b>

## Cash Flow

Y/E 31 Dec (\$\$ mn)	2006A	2007A	2008E	2009E	2010E
<b>Operating profit</b>	<b>1,282.7</b>	<b>3,152.4</b>	<b>1,041.1</b>	<b>1,147.1</b>	<b>1,292.9</b>
Adj: Non -cash items	-722.3	-2,395.6	-19.8	38.1	38.1
Working capital chgs	345.4	-98.7	-338.7	-223.1	637.5
Tax paid	-84.5	-103.0	-225.5	-284.8	-333.4
<b>Cash flow operations</b>	<b>821.3</b>	<b>555.2</b>	<b>457.1</b>	<b>677.3</b>	<b>1,635.2</b>
Capex	-63.5	-210.0	0.0	0.0	0.0
Net proceeds PPE	13.8	236.2	0.0	0.0	0.0
Net proceeds props	-1,011.3	200.2	1,549.5	0.0	0.0
Investment in subs/JVs	-478.8	-263.3	-912.9	0.0	0.0
Dividend/int. received	801.7	479.3	182.1	182.7	240.8
Others	-36.7	-404.8	-547.6	20.2	40.0
<b>Net cash fm investing</b>	<b>-774.8</b>	<b>37.5</b>	<b>271.1</b>	<b>202.9</b>	<b>280.8</b>
Issue of shares	39.2	44.7	0.0	0.0	0.0
Proceed fm borrowings	1,635.4	1,791.0	1,999.6	-498.9	1.1
Receivables	156.9	264.1	0.0	0.0	0.0
Interest paid	-382.2	-478.0	-591.6	-572.5	-575.4
Dividends paid	-399.1	-317.1	-420.9	-170.6	-171.9
Net from minority shdr's	-503.3	-222.4	0.0	0.0	0.0
<b>Net cash fm financing</b>	<b>546.9</b>	<b>1,082.3</b>	<b>987.2</b>	<b>-1,242.1</b>	<b>-746.2</b>
<b>Net change in cash</b>	<b>593.4</b>	<b>1,675.0</b>	<b>1,715.4</b>	<b>-361.9</b>	<b>1,169.8</b>

## Balance Sheet

Y/E 31 Dec (\$\$ mn)	2006A	2007A	2008E	2009E	2010E
<b>Non-current assets</b>					
PPE	1,489.9	1,588.6	1,550.5	1,512.4	1,474.2
Intangible assets	38.8	37.9	548.1	548.1	548.1
Investment properties	5,372.2	6,208.2	4,940.7	4,940.7	4,940.7
Development properties	296.1	569.2	569.2	569.2	569.2
Investment in Assoc/JV	4,749.9	6,450.8	6,784.9	7,154.1	7,551.6
Financial assets	327.4	688.0	688.0	688.0	688.0
Other assets & DTA	35.8	35.8	35.8	35.8	35.8
<b>Current assets</b>					
Development properties	3,622.7	3,540.8	3,578.4	4,105.9	3,964.0
Receivables	1,973.7	2,064.4	2,118.1	2,085.9	2,042.9
Financial assets	0.0	0.0	0.0	0.0	0.0
Cash & cash equivalent	2,684.9	4,356.0	6,071.3	5,709.4	6,879.2
<b>Total assets</b>	<b>20,592</b>	<b>25,841</b>	<b>27,187</b>	<b>27,651</b>	<b>28,995</b>
<b>Current liabilities</b>					
Trade & other payables	1,862.4	2,889.5	2,550.0	2,733.0	3,095.9
Borrowings & fin leases	1,797.0	1,806.8	2,110.8	1,988.6	1,988.7
Tax payable	316.8	446.1	446.1	446.1	446.1
<b>Non-current liabilities</b>					
LT borrowings	6,332.8	8,109.4	9,805.0	9,428.2	9,429.1
Deferred tax liabilities	187.5	187.5	187.5	187.5	187.5
Deferred income	64.9	64.9	64.9	64.9	64.9
Other liabilities	567.8	471.8	434.4	454.6	494.6
<b>Total liabilities</b>	<b>11,129</b>	<b>13,976</b>	<b>15,599</b>	<b>15,303</b>	<b>15,707</b>
<b>Shareholder's equity</b>	<b>7,368</b>	<b>9,941</b>	<b>10,322</b>	<b>10,830</b>	<b>11,500</b>
<b>Total liab &amp; shrs eqty</b>	<b>20,592</b>	<b>25,841</b>	<b>27,187</b>	<b>27,651</b>	<b>28,995</b>
<b>Capital employed</b>	<b>16,616</b>	<b>20,699</b>	<b>22,080</b>	<b>22,484</b>	<b>23,465</b>

## Key Ratios

Y/E 31 Dec (\$\$ mn)	2006A	2007A	2008E	2009E	2010E
Net profit ex-EI (%)	13.6	18.9	17.5	19.0	20.6
Operating Profit margin (%)	23.1	17.5	31.6	32.2	31.6
Development margin (%)	22.4	37.5	29.7	29.7	29.0
ROAE ex-EI (%)	6.1	8.3	5.7	6.4	7.5
ROCE ex-EI (%)	4.8	3.6	4.9	5.1	5.6
ROAA ex-EI (%)	2.2	3.1	2.2	2.5	3.0
Net Debt to Equity (%)	73.2	55.5	56.2	52.3	39.1
Interest cover (x)	1.7	1.4	1.8	2.0	2.2
Asset Turnover (%)	15.3	14.7	12.1	12.9	14.1

E = Morgan Stanley Research estimates  
Source: Company data, Morgan Stanley Research



## CapitaLand NAV Breakdown

Exhibit 19

### CapitaLand – Estimated NAV Breakdown, CY08E

Market values:	S\$m
Investment properties	9,111.7
Gross development properties value	4,261.0
Cash received since last balance sheet date	1,112.1
Interest and tax paid this year	(362.6)
NPV of future tax payable	(631.6)
Commercial development construction value	(190.0)
Hospitality	2,773.5
Overseas property projects	1,117.7
Listed investments	3,198.4
Fee-income business	1,461.7
Proceeds from disposal of properties	3,378.2
Amount owing by related companies	1,141.4
<b>Total</b>	<b>26,371.6</b>

#### Book values:

Investment properties in fixed assets	6,638.1
Development properties in fixed assets	413.7
Properties in current assets	3,622.7
New properties acquired since last balance sheet	3,148.1
Associates	3,163.0
Interests in JV properties	1,599.8
Attributes to minorities	(2112.6)
<b>Total</b>	<b>16,472.8</b>

<b>Revaluation Surplus</b>	<b>9,898.8</b>
Shareholders' Funds	7,400.1
<b>Total NAV</b>	<b>17,299.0</b>
Fully diluted number of shares (mn)	2,910.1
<b>NAV/share (S\$)</b>	<b>5.94</b>

E = Morgan Stanley Research estimates Source: Morgan Stanley Research

Exhibit 20

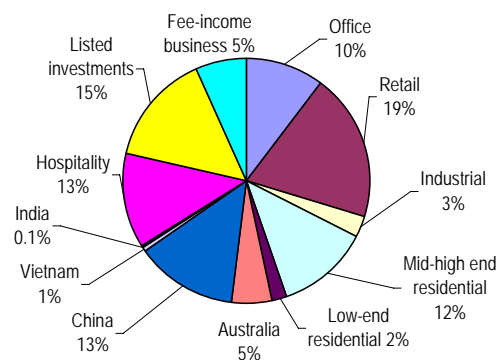
### NAV Estimated Breakdown Fund Management Business

Assumptions	
Growth rate from 2009-2019 (%) p.a.	5.0
Terminal growth rate (%) p.a.	1.5
Discount rate applied (%)	9.0
<b>AUM at year-end (S\$bn)</b>	
2007A	17.7
2008E	21.8
2018E	35.5
<b>DCF on Fee Income</b>	<b>\$0.52</b>
- net fund mgmt fees	\$0.50
- net property mgmt fees	0.02

Source: Morgan Stanley Research

Exhibit 21

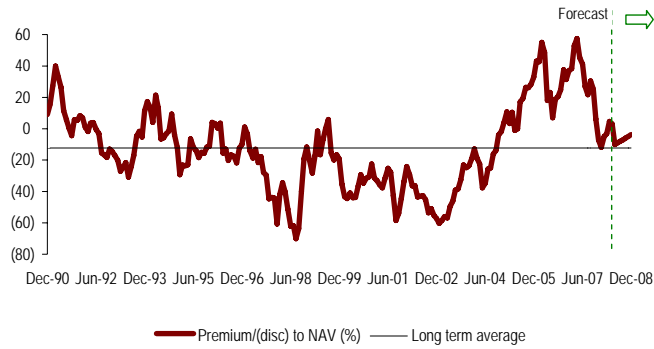
### CapitaLand – Estimated CY08E NAV Breakdown (%)



Source: Morgan Stanley Research

Exhibit 22

## Premium/(Discount) to NAV (%)



Source: Morgan Stanley Research

Exhibit 23

## CapitaLand NAV Breakdown – Investment Properties, 2008E

Property	Location	Type	Tenure	Interest (%)	Completion Date	Attrib. NLA (sq ft)	Gross avg rent (\$psf)	Cap rate (%)	Cap Value (\$psf)	Attrib. Value (\$mn)
Wilkie Edge	Selegie Rd	Office	99	30.3	Dec 2008	42,331	9.48	4.76	1,812	77
1 George Street	George Street	Office	99	30.3	Completed	135,696	12.35	4.50	2,604	353
The Adelphi	Coleman Street	Office	999	100.0	Completed	178,003	6.52	4.50	1,204	214
PWC Building	Cross Street	Office	99	30.0	Completed	106,782	7.80	4.50	1,512	161
Clarke Quay	River Valley Rd	Retail	99	100.0	Completed	262,135	13.50	5.50	2,297	602
Vista Xchange - Retail	One-North Buena Vista	Retail	60	100.0	Dec 2011	219,504	10.36	5.50	1,681	285
Orchard Turn	Orchard Rd	Retail	99	50.0	Dec 2009	329,035	26.16	5.50	4,783	1,444
Chai Chee Technopark	Chai Chee Rd	Industrial	60	100.0	Completed	1,138,946	3.00	6.00	324	369
Kallang Avenue Ind Centre	Kallang Avenue	Industrial	99	100.0	Completed	110,516	3.00	6.00	324	36
Kallang Bahru Complex	Kallang Avenue	Industrial	99	100.0	Completed	169,836	3.00	6.00	324	55
Corporation Place	Corporation Rd	Industrial	60	75.0	Completed	469,618	3.00	6.00	324	152
Bugis Village	Queen/Rocher/Victoria St	Office	99	30.3	Completed	35,720	6.00	4.50	1,080	39
Capital Tower	Robinson Rd	Office	99	30.3	Completed	224,591	8.00	4.50	1,560	350
HSBC Building	Collyer Quay	Office	999	30.3	Completed	60,719	6.50	4.50	1,200	73
Robinson Point	Robinson Rd	Office	FH	30.3	Completed	40,326	7.80	4.50	1,512	61
6 Battery Rd	Battery Rd	Office	999	30.3	Completed	150,208	15.00	4.50	3,240	487
Starhub Centre	Cuppage Rd	Office	99	30.3	Completed	84,709	7.50	4.50	1,440	122
Golden Shoe	Market Street	Retail	99	30.3	Completed	13,048	14.50	5.50	2,494	33
Market Street	Market Street	Retail	99	30.3	Completed	6,423	15.00	5.50	2,592	17
Bugis Junction	Victoria Street	Retail	99	31.1	Completed	128,825	10.50	5.50	1,708	220
Funan Mall	North Bridge Rd	Retail	99	31.1	Completed	90,840	7.50	5.50	1,119	102
Hougang Plaza	Hougang Central	Retail	99	31.1	Completed	21,791	6.50	5.50	923	20
IMM Building	Jurong East	Retail	30+30	31.1	Completed	289,199	5.58	4.96	823	238
Junction 8	Bishan	Retail	99	31.1	Completed	76,351	12.50	5.50	2,101	160
Jurong Entertainment Centre	Jurong East	Retail	99	31.1	Completed	34,598	6.50	5.50	923	32
Plaza Singapura	Orchard Rd	Retail	FH	31.1	Completed	154,716	12.80	5.50	2,160	334
Sembawang Shopping Centre	Sembawang	Retail	999	31.1	Completed	30,198	6.50	5.50	923	28
Tampines Mall	Tampines Central	Retail	99	31.1	Completed	100,662	14.00	5.50	2,396	241
Bukit Panjang Plaza	Jelebu Rd	Retail	99	31.1	Completed	46,772	10.50	5.50	1,708	80
Lot 1 Shopping Centre	Chua Chu Kang	Retail	99	31.1	Completed	63,276	11.00	5.50	1,807	114
Rivervale Mall	Rivervale Crescent	Retail	99	31.1	Completed	25,349	7.40	5.50	1,100	28
Raffles City-Retail	North Bridge/Stamford Rd	Retail	99	30.6	Completed	109,002	16.50	5.50	2,887	315
Raffles City-Office	North Bridge/Stamford Rd	Office	99	30.6	Completed	114,882	13.00	4.50	2,760	317
Capital Tower	Chaoyang, Beijing	Office	50	100.0	Completed	1,158,067	2.84	8.00	272	315
Raffles City Beijing	Beijing	Mixed	50	86.7	Dec 2008	1,361,351	4.00	7.80	392	534
Raffles City Chengdu	Chengdu	Mixed	40	100.0	Dec 2010	2,102,834	3.50	10.00	268	474
Raffles City Shanghai	Shanghai	Mixed	50	55.9	Completed	570,045	6.00	8.00	574	327
Macao Studio City Phase 1	Macau	Mixed	40	20.0	Jun 2009	720,000	n.a.	n.a.	n.a.	278
Corporation Park	Sha Tin	Industrial	54	30.0	Completed	129,440	1.37	7.00	194	25
<b>Total</b>										<b>9,111.7</b>

Source: Morgan Stanley Research

Exhibit 24

**CapitaLand NAV Breakdown – Residential Developments, 2008E**

Property	Location	Tenure	Interest (%)	Completion Date	Attrib. NLA (sq ft)	Land Cost (\$\$psf ppr)	Avg selling price (\$\$psf)	Attrib. Value (\$\$mn)
Scotts HighPark	Scotts Rd	FH	100.0	Dec 2009	178,532	565	1,926	99
Silver Tower site	Cairnhill Rd	FH	100.0	Dec 2011	152,206	1,005	2,730	260
Latitude (Dragon View site)	Jln Mutiara, River Valley	FH	100.0	Dec 2011	254,803	442	2,273	370
The Seafront	Meyer Rd	FH	100.0	Dec 2010	542,223	392	1,570	374
Site at Nassim Hill (ex-ANA)	Nassim Hill	FH	100.0	Dec 2013	154,382	694	3,100	268
Site at Tong Watt Rd	River Valley	999	100.0	Dec 2014	277,711	381	2,000	281
Site at Yio Chu Kang Rd	Yio Chu Kang Rd	FH	100.0	Dec 2013	203,831	120	560	30
RiverGate	Martin Rd	FH	50.0	Dec 2008	438,653	487	1,224	32
Metropolitan	Alexandra/Tiong Bahru	99	50.0	Dec 2010	251,682	350	787	51
Orchard Residences	Orchard Rd	99	50.0	Dec 2010	165,286	700	3,184	220
Gillman Heights site	Alexandra Rd	99	50.0	Dec 2012	860,377	312	900	260
Char Yong Garden site	Orchard Rd	FH	50.0	Dec 2014	120,092	1,609	3,200	204
Farrer Court site	Farrer Rd	99	35.0	Dec 2013	780,346	570	1,600	508
Botannia	West Coast Park	956	50.0	Dec 2010	316,012	286	760	94
Beijing Orchid Garden (Villas)	Chaoyang, Beijing	70	80.1	Dec 2006	667,256	67	259	10
Westwood Green	Minhang, Shanghai	70	86.7	Dec 2008	1,010,686	7	266	19
The Pines, Madian site	Chaoyang, Beijing	70	100.0	Dec 2009	335,088	119	223	45
The Riviera & Riverside Ville, Dong Ping Rd site	Chancheng, Foshan	70	100.0	Dec 2011	1,763,026	64	148	138
Beau Residences, Fenjiang Rd site	Chancheng, Foshan	70	100.0	Dec 2012	499,845	37	148	36
La Cite Foshan, Kui Qi Rd site	Chancheng, Foshan	70	100.0	Dec 2013	860,757	70	171	63
Guangnan Project, Qingpu site	Qingpu, Shanghai	70	95.0	Dec 2011	650,559	10	186	51
Xiao Guan Bei Li site	Chaoyang, Beijing	70	62.0	Dec 2013	1,394,281	4	223	90
Jin Sha Zhou site	Baiyun, Guangzhou	70	60.0	Dec 2013	2,387,429	10	130	79
Summit Residences	Jiangbei, Ningbo	70	50.0	Dec 2011	1,254,078	85	291	208
The Loft Chengdu, Site at Guanghua Avenue	Qingyang, Chengdu	70	56.0	Dec 2012	2,594,129	50	167	176
I-World, Deng Yun Rd site	Gongshu, Hangzhou	70	50.0	Dec 2010	694,472	81	147	54
Luff Egret, Wenjiang 303 site	Wenjiang, Chengdu	70	50.0	Dec 2013	1,283,049	20	148	63
Jingmian site	Chaoyang, Beijing	70	50.0	Dec 2013	737,060	4	148	28
The Vista, District 2	Ho Chi Minh City	50	80.0	Dec 2011	948,989	14	199	38
Villa, District 9	Ho Chi Minh City	FH	75.0	Dec 2012	536,655	95	213	37
High-rise Condo, District 9	Ho Chi Minh City	FH	75.0	Dec 2013	1,714,875	23	186	44
Le Chalet, Tan Phong Ward site, District 7	Ho Chi Minh City	50	80.0	Dec 2012	658,512	30	199	18
Ghatkopar site	Mumbai	FH	49.0	Dec 2012	263,620	57	163	14
<b>Total</b>								<b>4,261</b>

Source: Morgan Stanley Research

June 20, 2008

Singapore Property Developers

## Allgreen Properties

### Investment Thesis: Why Are We Overweight?

- Allgreen Properties' recent share price underperformance relative to its peers is currently at a 32% discount to our conservative NAV estimate of S\$1.45.
- Stock is offering a 47% upside to our base case scenario and even in our bear case scenario, there is a 6% upside.
- Our NAV conservatively assumes a number of its China landbank at book value.
- A lack of positive catalysts in the next 6 months due to expectations of lackluster residential launches; however, we recommend investors looking for residential exposure in Singapore purchase the stock.

We maintain our Overweight rating on Allgreen Properties with a new, lower price target of S\$1.45 (from S\$1.48), which is pegged to its end-CY08E NAV. We have revised our Vietnamese residential development assumptions, in particular delaying project launches and increasing construction costs and reducing residential prices, which explains the -1.4% and -5.3% changes in our earnings estimates for 2008–10 and the S\$0.04 per share decline in our NAV forecast. While we see no positive catalysts for a re-rating for the sector, given Allgreen's attractive valuations, offering a 47% upside to our base case from current levels, Allgreen is our sector top pick for investors looking for Singapore property exposure at current levels.

### 2H08 – Lack of Positive Catalysts Continues

We reiterate that we are fast approaching a period during which true speculative activity levels will be tested: 16,747 units (in addition to the 2,296 units that have been completed year to date) are expected to be completed between now and end-2009. The deferred payment scheme has sheltered and prolonged the true level of speculative activity, as speculators have a longer holding period of 2.5 years while their properties are being constructed before they have to pay the 80% balance on their purchases. There is risk given that realization of a weaker private residential rental market is starting to surface, with anecdotal evidence that rent negotiations have brought rentals down 20% from peak asking prices and, in some cases, offers for rental renewals are at the same rental levels as in 2006. Further evidence of a decline in selling prices (in addition to the secondary market down 20% from last-transacted prices and as much as 40% for some projects) is starting to affect the primary market, a risk we highlighted in mid-2007. While developers claim that they do not plan to slash prices to entice buying activity, preferring to delay launches until buying

sentiment improves, we are starting to see their patience running out with new launches priced lower than what they would have fetched when the market was still hot. UOL's Nassim Park was reported to be 39% sold at an average selling price of S\$2,929/sq ft, and City Development's is previewing its Shelford Suites this month at an indicative selling price of S\$1,600/sq ft. During the peak, Nassim Park units would have been selling at S\$3,400/sq ft and Shelford Suites at S\$2,000/sq ft.

We continue to see a lack of strong positive catalysts in 2H08 for the residential market, given that people are fearful about job security. We will continue to monitor the strength of sales take-up rates before we turn more positive on the sector. To recap, we forecast residential prices for the mid-high end to decline 15% YoY and 10% YoY by end-2008 and end-2009, respectively, and for the low-end segment to increase by 10% YoY and decline 5%YoY by end-2008 and end-2009 respectively, given the risk of oversupply in the secondary market with 19,043 units expected to be completed by end-2009. For 2010, we assume no further growth in residential prices as demand soaks up the remaining supply, with 10,832 units of planned supply likely to see further completion delays.

While Allgreen's earnings are secure at least up to 2010 should residential buying sentiment remain weak, developers heavily reliant on residential profits, like Allgreen, will eventually have to launch new projects in the market and lower their prices to entice buying activity, which we estimate could happen as early as 2Q09. This ensures continuity in earnings stream after 2010, we believe.

Exhibit 25

### Key Earnings Changes

	New			Old			% chg		
	FY08e	FY09e	FY10e	FY08e	FY09e	FY10e	FY08e	FY09e	FY10e
Net profit exc EI	172	259	324	174	274	342	-1%	-5%	-5%
Net Debt/Equity (%)	40.8	35.6	20.9	41.0	35	18	n.m.	n.m.	n.m.

E = Morgan Stanley Research estimates Source: Morgan Stanley Research

### Company Description

Allgreen Properties is the Singapore property enterprise of the Kuok Group, a leading Asian conglomerate. Allgreen's core businesses comprise property development, property investment, hospitality, and building supplies trading. Allgreen's primary focus is on residential property development in Singapore and its investment property portfolio comprises four properties- retail, office and hospitality in Singapore.

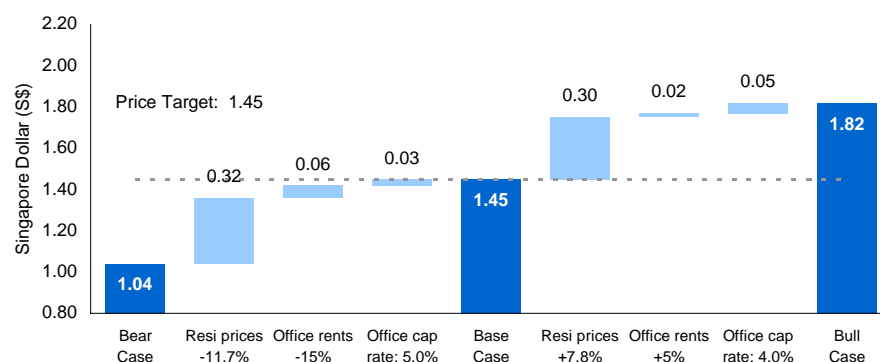
## Risk-Reward Snapshot: Allgreen Properties (AGRN.SI, S\$0.99, OW, PT S\$1.45)

### Risk-Reward View: Bear Case Suggests 6% Upside



Price Target S\$1.45			Derived from Base-Case scenario at par to end-2008 NAV.
<b>Bull Case</b>	At par to bull case CY08 NAV	S\$1.82	Residential prices: 2008E: +15% YoY; 2009E: +10% YoY; and 2010E: 0% YoY. Office rents: +75% YoY at end-2007. Cap rates: office 4.0%, retail 5.5%, and industrial 6%.
<b>Base Case</b>	At par to base case CY08 NAV	S\$1.45	Residential prices: 2008E: +8% YoY; 2009E: -6% YoY; and 2010E: 0% YoY. Office rents: +67% YoY at end-2007. Cap rates: office 4.5%, retail 5.5%, and industrial 6%.
<b>Bear Case</b>	At par to bear case CY08 NAV	S\$1.04	Residential prices: 2008E: -22% YoY; 2009E: -13% YoY; and 2010E: -1% YoY. Office rents: +42% YoY at end-2007. Cap rates: office 5.0%, retail 5.5%, and industrial 6%.

### Bear to Bull: Bull Case Depends on Success of Residential Launches



Source: Morgan Stanley, FactSet

### Investment Thesis

- Current valuations offer 47% upside to our price target, which we view as attractive, particularly as we have revised downward our residential assumptions.
- Price target pegged to 2008E NAV, as our underlying NAV assumptions factor in our outlook on the physical markets for the next three years.

### Key Value Drivers

- The second-best proxy to the residential market, with a 7.1% increase in NAV for every 10% rise in residential prices.
- As AGRN re-brands itself as a mid-to high-end developer, we look for a more aggressive approach to ensure successful residential launches.
- Further upside could come from asset enhancement work on its investment properties to take advantage of the proximity to the prime Orchard Road strip, we believe.

### Potential Catalysts

- Upside: These include stronger-than-expected residential uptake and selling prices and better rental renewals at investment properties, and repositioning of its retail assets.
- Downside: New markets like Vietnam and China may be operationally challenging to Allgreen because of its inexperience outside Singapore.

# Allgreen Properties Financial Summary

S\$ mn; Years Ending December

## Profit and Loss

Y/E 31 December (S\$ mn)	2006A	2007A	2008E	2009E	2010E
<b>Revenue</b>	<b>476.5</b>	<b>568.8</b>	<b>552.8</b>	<b>819.0</b>	<b>1,175.8</b>
Residential	345.7	421.2	402.4	665.1	1,025.0
Commercial	81.7	92.8	94.7	94.9	93.4
Hospitality	46.1	54.1	55.0	57.9	55.7
Others	3.1	0.8	0.8	1.2	1.7
<b>EBITDA</b>	<b>84.5</b>	<b>150.3</b>	<b>302.2</b>	<b>458.6</b>	<b>566.0</b>
Residential	52.8	116.4	216.0	370.4	479.8
Commercial	58.1	64.7	66.3	66.3	65.2
Hospitality	19.2	17.4	17.6	18.5	17.6
Others	-45.7	-48.2	2.3	3.5	3.4
Interest income	1.6	2.6	1.3	2.5	2.7
Finance costs	-12.9	-11.4	-16.9	-21.4	-19.4
Depreciation	-7.7	-7.9	-12.1	-12.3	-12.4
Associates, jvs	0.0	-0.4	0.0	0.0	0.0
Exceptional items	40.1	422.0	0.0	0.0	0.0
Profit before taxation	105.6	555.3	274.5	427.4	536.8
Taxation	-17.4	-26.0	-49.4	-76.9	-96.6
Profit after taxation	88.2	529.3	225.1	350.5	440.2
Minority interest	-12.2	-35.8	-53.3	-91.1	-115.7
<b>Net profit</b>	<b>75.9</b>	<b>493.5</b>	<b>171.8</b>	<b>259.4</b>	<b>324.5</b>
<b>Net profit exc EI</b>	<b>35.9</b>	<b>71.4</b>	<b>171.8</b>	<b>259.4</b>	<b>324.5</b>
<b>MW EPS (S\$)</b>	<b>0.02</b>	<b>0.04</b>	<b>0.11</b>	<b>0.16</b>	<b>0.20</b>

Source: Company data, Morgan Stanley Research

## Cash Flow Statement

Y/E 31 December (S\$ mn)	2006A	2007A	2008E	2009E	2010E
Operating profit	105.6	193.1	290.1	446.4	553.5
Depreciation	7.7	7.9	12.1	12.3	12.4
Adj: Other non-cash items	-29.2	-47.3	0.0	0.0	0.0
Changes in working capital	352.9	-162.6	-335.6	-220.2	-48.7
Tax paid	-18.9	-13.2	-49.4	-76.9	-96.6
<b>Net cash flow from operations</b>	<b>418.1</b>	<b>-22.2</b>	<b>-82.9</b>	<b>161.5</b>	<b>420.7</b>
Net proceeds/(acq) of PPE	-4.2	-19.9	-5.4	-5.4	-5.4
Investment in subs,assoc, jvs	-41.2	-93.2	0.0	0.0	0.0
Dividend/interest received	1.6	2.6	1.3	2.5	2.7
Others	4.1	-52.8	-0.4	6.0	8.0
<b>Net cash fm investing</b>	<b>-39.7</b>	<b>-163.3</b>	<b>-4.5</b>	<b>3.0</b>	<b>5.3</b>
Issue of shares	6.7	317.8	0.0	0.0	0.0
Net borrowings	-197.1	285.8	150.0	0.0	-310.0
Net loans minorities & rel. coys	-41.0	0.5	0.0	0.0	0.0
Interest paid	-26.4	-25.7	-38.1	-48.3	-43.8
Dividends paid to shrs	-50.6	-370.2	-79.5	-65.2	-65.2
Dividends paid to minorities	-5.6	-15.7	0.0	0.0	0.0
<b>Net cash fm financing</b>	<b>19.9</b>	<b>-314.0</b>	<b>192.5</b>	<b>32.4</b>	<b>-113.5</b>
<b>Net change in cash</b>	<b>64.3</b>	<b>7.1</b>	<b>-55.0</b>	<b>51.0</b>	<b>7.0</b>

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

## Balance Sheet

Y/E 31 December (S\$ mn)	2006A	2007A	2008E	2009E	2010E
<b>Non-current assets</b>					
PPE	218.6	342.6	335.9	329.1	322.1
Investment properties	1,285.5	1,667.5	1,667.5	1,667.5	1,667.5
Associates	46.9	139.1	139.1	139.1	139.1
Others	0.0	0.0	0.0	0.0	0.0
	<b>1,551.0</b>	<b>2,149.2</b>	<b>2,142.5</b>	<b>2,135.7</b>	<b>2,128.7</b>
<b>Current assets</b>					
Development properties	993.4	1,059.5	1,422.0	1,574.3	1,520.4
Inventories	1.1	0.5	0.5	0.8	1.1
Receivables	67.6	288.0	280.6	403.1	567.4
Cash & cash equivalent	105.4	112.5	57.5	108.5	115.6
	<b>1,167.5</b>	<b>1,460.5</b>	<b>1,760.7</b>	<b>2,086.8</b>	<b>2,204.5</b>
<b>Total assets</b>	<b>2,718.5</b>	<b>3,609.7</b>	<b>3,903.2</b>	<b>4,222.5</b>	<b>4,333.2</b>
<b>Current liabilities</b>					
Trade & other payables	57.7	55.0	53.4	78.9	113.0
Adv. from related coys	4.2	3.8	3.8	3.8	3.8
ST borrowings	232.3	340.7	490.7	490.7	190.7
Other liabilities	7.0	5.6	5.5	8.1	11.7
Dividends payable	318.0	0.0	0.0	0.0	0.0
Tax payable	15.4	26.2	26.2	26.2	26.2
	<b>634.7</b>	<b>431.2</b>	<b>579.5</b>	<b>607.6</b>	<b>345.2</b>
<b>Non-current liabilities</b>					
LT borrowings	339.0	515.5	515.5	515.5	505.5
Adv. from related coys	78.6	89.4	89.4	89.4	89.4
Deferred tax liabilities	25.9	64.6	64.6	64.6	64.6
Others	8.6	12.8	12.4	18.4	26.4
	<b>452.0</b>	<b>682.3</b>	<b>682.0</b>	<b>687.9</b>	<b>685.9</b>
<b>Total liabilities</b>	<b>1,086.7</b>	<b>1,113.5</b>	<b>1,261.5</b>	<b>1,295.5</b>	<b>1,031.2</b>
Share capital	859.4	1,177.1	1,177.1	1,177.1	1,177.1
Reserves	563.5	1,057.4	1,149.6	1,343.8	1,603.1
<b>Shareholders' equity</b>	<b>1,422.8</b>	<b>2,234.4</b>	<b>2,326.7</b>	<b>2,520.9</b>	<b>2,780.2</b>
Minority interest	209.0	261.7	315.0	406.1	521.8
<b>Total liab &amp; shrs equity</b>	<b>2,718.5</b>	<b>3,609.7</b>	<b>3,903.2</b>	<b>4,222.5</b>	<b>4,333.2</b>
<b>Capital employed</b>	<b>2,083.8</b>	<b>3,178.5</b>	<b>3,323.7</b>	<b>3,614.9</b>	<b>3,987.9</b>

## Key Ratios

Y/E 31 December (S\$ mn)	2006A	2007A	2008E	2009E	2010E
Net profit margin (%)	15.9	86.7	31.1	31.7	27.6
Net profit ex-EI margin (%)	7.5	12.6	31.1	31.7	27.6
Operating Profit margin (%)	16.1	25.0	52.5	54.5	47.1
Development margin (%)	15.3	27.6	53.7	55.7	46.8
ROAE ex-EI (%)	2.3	3.9	7.5	10.7	12.2
ROCE ex-EI (%)	3.6	5.4	8.9	12.9	14.6
ROAA ex-EI (%)	1.3	2.3	4.6	6.4	7.6
Net Debt to Equity (%)	32.7	33.3	40.8	35.6	20.9
Interest cover (x)	2.5	5.5	7.6	9.2	12.6
Asset turnover (x)	17.5	15.8	14.2	19.4	27.1

June 20, 2008  
Singapore Property Developers

## Allgreen NAV Breakdown

Exhibit 26

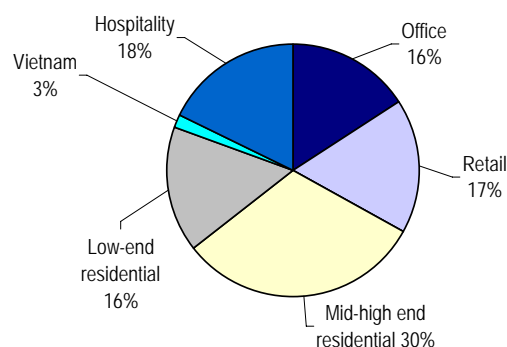
### Allgreen – Estimated NAV Breakdown, End CY2008E

	S\$ mn
<b>Market values:</b>	
Investment properties	1,786.7
Gross development properties value	1,542.5
Cash received since last balance sheet date	414.3
Interest and tax paid this year	(125.5)
NPV of future tax payable	(227.4)
<b>Total</b>	<b>3,346.1</b>
<b>Book values:</b>	
Investment properties in fixed assets	1,285.5
Development properties in fixed assets	993.4
Hotels in fixed assets	206.0
New properties acquired since last balance sheet	450.3
Associates	46.9
Attributes to minorities	(209.0)
<b>Total</b>	<b>2,773.1</b>
Revaluation Surplus	573.1
Shareholders' Funds	1,740.5
<b>Total NAV</b>	<b>2,313.5</b>
Fully diluted number of shares (mn)	1,590.1
<b>NAV/share (S\$)</b>	<b>1.45</b>

E = Morgan Stanley Research estimates Source: Morgan Stanley Research

Exhibit 27

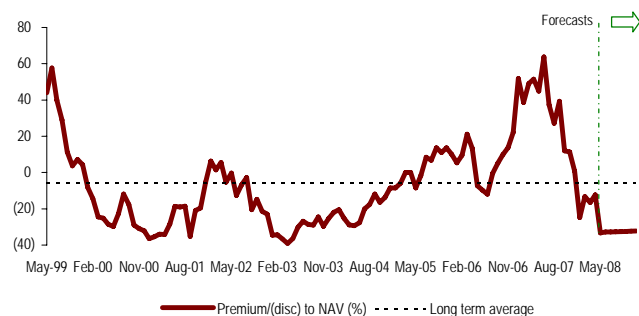
### Allgreen – Estimated CY2008E NAV Breakdown (%)



Source: Morgan Stanley Research

Exhibit 28

### Premium/(Discount) to NAV (%)



Source: Morgan Stanley Research



Exhibit 29

**NAV Breakdown – Investment Properties End-2008E**

Property	Location	Type	Tenure	Interest (%)	Att. NLA (sq ft)	Gross avg rent (\$psf)	Cap rate (%)	Cap value (\$psf)	Att. value (\$mn)
Great World - Office	Kim Seng Rd	Office	FH	100.0	315,580	8.50	4.5	1,680	530.2
Great World - Mall	Kim Seng Rd	Retail	FH	100.0	403,113	7.80	5.5	1,178	474.9
Tanglin Mall	Orchard	Retail	99	55.4	67,366	8.00	5.5	1,217	82.0
Tanglin Place	Orchard	Retail	FH	55.4	19,034	6.80	5.5	982	18.7
Great World Apartments	Kim Seng Rd	Srv Apt	FH	100.0	302	n.a.	5.5	1,112,727*	336.0
Traders Hotel	Cuscaden Rd	Hotel	70	55.4	302	n.a.	5.5	871,023*	263.5
Shanghai Expo, Mixed Dev	Shanghai	Mixed	70	16.0	37,600	n.a.	8.0	4,116	81.4
<b>Total</b>									<b>1,786.7</b>

E = Morgan Stanley Research estimates \*\$ per room. Source: Morgan Stanley Research

Exhibit 30

**NAV Breakdown – Residential Development End-2008E**

Property	Location	Tenure	Interest (%)	Completion	Att. NLA (sq ft)	Land costs (\$psf ppr)	Avg selling price (\$psf)	Att value (\$mn)
Pavilion Park (Phase 1C - 2)	Bukit Batok Road	FH	90.0	Dec 2010	985,320	147	806	440.8
D'Lotus	Lorong Ampas	FH	100.0	Dec 2008	72,543	207	779	27.6
Cairnhill Residences	Cairnhill Circle	FH	100.0	Dec 2009	105,081	308	1,800	49.2
The Cascadia	Bukit Timah Road	FH	65.0	Dec 2010	391,178	65	1,325	276.6
One Devonshire	Devonshire Road	FH	70.0	Dec 2011	146,893	656	2,000	193.2
Holland Residences	Taman Warna	FH	100.0	Dec 2012	97,068	152	1,500	67.1
VIVA	Jalan Korma	FH	80.0	Dec 2013	281,116	145	1,000	128.4
Handy Road	Handy Rd	99	100.0	Dec 2013	104,795	669	1,200	55.9
RV Residences (River Valley site)	River Valley Road	n.a.	92.0	Dec 2012	157,892	817	1,400	112.7
Regent Garden	West Coast Road	FH	100.0	Dec 2014	100,606	321	800	18.1
Enggor Street (Parcel B)	Enggor Street (Tanjong Pagar)	99	90.0	Dec 2013	215,459	717	1,300	124.7
Kai Sheng Court & adj plots	St Michael's Road	99	100.0	Dec 2013	58,886	250	780	14.8
Riviera 38	Mar Thoma Road	999	100.0	Dec 2014	83,527	282	780	18.5
Luong Dinh Cua Street	An Phu, District 2, HCMC	50	65.0	Dec 2013	659,884	24	199	14.9
<b>Total</b>								<b>1,542.5</b>

E = Morgan Stanley Research estimates Source: Morgan Stanley Research

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(as of May 31, 2008)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>931</b>	<b>43%</b>	<b>297</b>	<b>46%</b>	<b>32%</b>
<b>Equal-weight/Hold</b>	<b>897</b>	<b>41%</b>	<b>261</b>	<b>40%</b>	<b>28%</b>
<b>Underweight/Sell</b>	<b>349</b>	<b>16%</b>	<b>92</b>	<b>14%</b>	<b>26%</b>
<b>Total</b>	<b>2,177</b>		<b>650</b>		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

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Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

More volatile (V) - We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

## Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

## Other Important Disclosures

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## Industry Coverage: Singapore Property Developers

Company (Ticker)	Rating (as of)	Price (06/19/2008)
<b>Melissa Bon</b>		
Allgreen Properties Ltd. (AGRN.SI)	O (02/29/2008)	S\$.99
CapitaLand (CATL.SI)	E (11/29/2007)	S\$5.72
City Developments (CTDM.SI)	U (02/29/2008)	S\$10.28
Keppel Land (KLAN.SI)	E (11/29/2007)	S\$5.13
Wheelock Properties (Singapore) Ltd (WPSL.SI)	E (05/14/2008)	S\$1.82
Wing Tai Holdings Limited (WTHS.SI)	E (11/29/2007)	S\$1.55

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