Corporate Highlights

News Update

RHB Research Institute Sdn Bhd
A member of the RHB Group
Company No: 233327 -M

3 July 2007

Share Price	:	RM1.70
Fair Value	:	RM3.05
Recom	:	**Outperform**
		(Maintained)

Integrated Logistics

Pulls Off A Major Coup By Securing Land To Build A New Warehouse In Yantian Port

Analyst : Joshua CY Ng **Tel : (603) 9280 2151** **E-mail : joshuang@rhb.com.my**

- After months of delays and on the verge of throwing in the towel, ILB has pulled off a major coup. In a surprised announcement to Bursa Malaysia yesterday, ILB said that it had signed a contract to acquire from Shenzhen Municipal Bureau of Land Resources and Housing Management a 50-year land use right for about 5.9 acres of land in Yantian Port, the largest Port in Shenzhen, for HK$40m (RM17.2m). ILB will build and operate a 4-storey consolidation and distribution warehouse on the land, with completion targeted by mid-2009.

- Recall, we in April 2007 stripped the project off our forecasts as ILB had failed to make progress with regards to the land use right acquisition (see our Visit Note on ILB dated 16 April 2006). We are now raising FY12/09 net profit forecast by 5% assuming the project is to start contributing by mid-FY12/09. Correspondingly, DCF-derived indicative fair value is raised by 2% from RM2.97 to RM3.05. In our DCF model, we apply a discount rate that is equivalent to ILB's WACC of 8% (based on ILB's Beta of 0.91x, a target debt-equity ratio of 60:40, and an average before-tax borrowing cost of 5.9% per annum).

- We continue to like ILB for:

  1. The bright prospects of the logistics solution outsourcing market in China;
  2. ILB's niche strength in the operation of one of the world's most advanced

Table 1 : Investment Statistics (ILB; Code:5614) — **Bloomberg Ticker : ILB MK**

FYE Dec	Turnover (RMm)	PBT (RMm)	Net profit (RMm)	EPS (sen)	Chg (%)	PER (x)	GDPS (sen)	GD yld (%)
2006	197.9	31.6	24.0	14.6	25.9	11.6	3.0	1.8
2007f	251.6	35.3	28.0	15.6	7.0	10.9	3.0	1.8
2008f	307.3	44.2	36.3	20.2	29.6	8.4	3.0	1.8
2009f	343.9	55.0	46.7	26.1	28.8	6.5	3.0	1.8

Issued Capital (m shares)	179.1	**Major shareholders**	**(%)**
Market Capitalisation (RMm)	304.5	Zainal bin Khalidi & Wan Azfar bin Dato' Wan Annuar	11.7
Daily Trading Volume (m shares)	0.3	HSBC Holdings PLC (Trustees)	9.4
52-week Price Range (RM / s)	1.62-2.33	Dato' Yasuo Takahashi	8.1

Main Board Listing /Syariah Approved Stock By The SC supply chain management systems, namely, "Vendor Managed Inventory" (VMI) to support the production of Lenovo/IBM's *ThinkPad* laptops and IBM's servers in ILB's three warehouses in Futian FTZ, Shenzhen; and

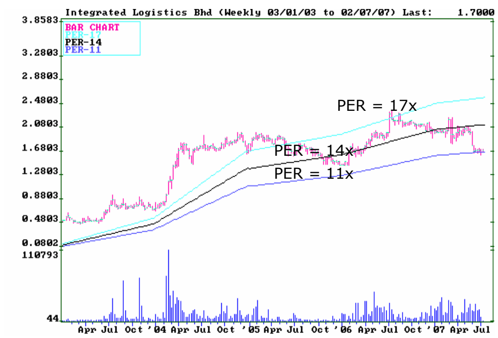
3. Strong earnings growth driven by four new overseas warehouse projects that are expected to start contributing from 2HFY12/08 (see Table 2). Maintain **Outperform**.

Table 2: New Overseas Warehouse Projects

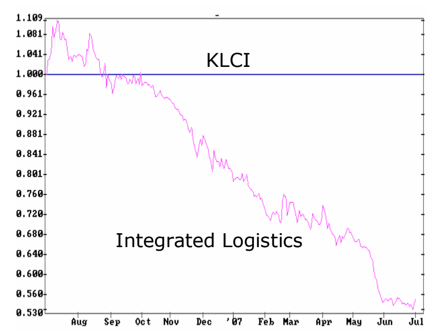
Location	Status	Project Cost (RMm)	Floor area ('000 sq ft)
Jebel Ali FTZ, Dubai	Deposit for land acquisition paid, in the process of incorporating the JV vehicle.	150-200	400-500
Yangshan Port, Shanghai	MoU signed, deposit for land acquisition paid, S&P agreement to be signed within weeks.	80	500
Wujiang, China	JV agreement with a local partner signed.	35	500
Yantian Port, Shenzhen	Land acquired.	62	400-600

Source: Company, RHBRI

PE Band Chart



Relative Performance To KLCI



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The recommendation framework for stocks and sectors are as follows : -

Stock Ratings

Outperform = The stock return is expected to exceed the KLCI benchmark by greater than five percentage points over the next 6-12 months.

Trading Buy = Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 15% or more over a period of three months, but fundamentals are not strong enough to warrant an Outperform call. It is generally for investors who are willing to take on higher risks.

Market Perform = The stock return is expected to be in line with the KLCI benchmark (+/- five percentage points) over the next 6-12 months.

Underperform = The stock return is expected to underperform the KLCI benchmark by more than five percentage points over the next 6-12 months.

Industry/Sector Ratings

Overweight = Industry expected to outperform the KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Neutral = Industry expected to perform in line with the KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Underweight = Industry expected to underperform the KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

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