

### KEY STORY

#### China

**Tsingtao Brewery (SELL/HK\$14.58/Fair: HK\$10.00) Page 4**  
After a recent share transfer deal, we expect no more catalyst in the near term. Maintain SELL.

#### Hong Kong

**Li & Fung (SELL/HK\$16.82/Fair: HK\$8.80) Page 6**  
Still far from dawn. Market is over-excited. Share price rally offers better potential to SELL.

#### Thailand

**Banking Page 12**  
2009 guidance vulnerable to further downgrades. BBL remains our top pick but investors with higher risk appetite should go for SCB and BAY.

### CHINA

#### Economics

**Jan 09 Money Supply Page 2**  
M2 accelerates on aggressive credit expansion.

#### Update

**Tsingtao Brewery (SELL/HK\$14.58/Fair: HK\$10.00) Page 4**  
After a recent share transfer deal, we expect no more catalyst in the near term. Maintain SELL.

### HONG KONG

#### Update

**Li & Fung (SELL/HK\$16.82/Fair: HK\$8.80) Page 6**  
Still far from dawn. Market is over-excited. Share price rally offers better potential to SELL.

**Next Media (BUY/HK\$1.11/Target: HK\$1.30) Page 8**  
Share price went through a rollercoaster ride yesterday as the market believes the company is near to closing a deal to acquire a TV station.

### SINGAPORE

#### Results

**ComfortDelGro Corporation (BUY/S\$1.32/Target: S\$1.76) Page 10**  
2008: Results in line with our estimates. Revenue up marginally at 3.5% and net profit down 10.3% yoy.

### THAILAND

#### Sector

**Banking Page 12**  
2009 guidance vulnerable to further downgrades. BBL remains our top pick but investors with higher risk appetite should go for SCB and BAY.

### Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7,932.8	(0.1)	(1.6)	(6.4)	(9.6)
FTSE 100	4,202.2	(0.8)	(0.6)	(5.1)	(5.2)
AS30	3,458.5	1.2	2.5	(3.8)	(5.5)
CSI 300	2,318.3	(0.5)	7.8	23.6	27.5
FSSTI	1,685.0	(2.1)	(1.2)	(4.4)	(4.3)
HSI	13,228.3	(2.3)	0.4	(3.2)	(8.1)
JCI	1,325.4	0.0	(0.2)	(5.3)	(2.2)
KLCI	894.6	(0.3)	2.0	(2.1)	2.0
KOSPI	1,179.8	(0.9)	0.2	1.0	4.9
Nikkei 225	7,705.4	(3.0)	(4.2)	(8.4)	(13.0)
SET	440.6	(0.8)	1.8	1.6	(2.1)
TWSE	4,466.4	(2.4)	2.4	(1.5)	(2.7)
BDI	1,989.0	(3.2)	32.8	123.7	157.0
CPO (RM/mt)	1,944.0	0.5	9.6	1.7	19.3
Nymex Crude (US\$/bbl)	34.0	(5.5)	(17.5)	(9.6)	(23.8)

Source: Bloomberg

### Top BUYs/SELLs

Ticker	Current Price (1cy)	Target Price (1cy)	Pot. +/- (%)
<b>Top BUYs</b>			
China Life	2628 HK	22.60	36.00 (59.3)
China Mobile	941 HK	72.60	95.00 (30.9)
China Petroleum	386 HK	4.25	6.93 (63.1)
China Railway	390 HK	4.62	5.90 (27.7)
China Shenhua	1088 HK	17.40	23.00 (32.2)
Maanshan Iron	323 HK	2.86	3.70 (29.4)
Bumi Resources	BUMI IJ	730	1,010 (38.4)
Public Bank	PBK MK	9.05	10.90 (20.4)
DBS Group Hldgs	DBS SP	8.13	10.98 (35.1)
Indofood Agri	IFAR SP	0.61	0.80 (32.2)
SingTel	ST SP	2.45	2.95 (20.4)
Advanced Info	ADVANC TB	76.50	101.00 (32.0)
Quality Houses	QH TB	0.86	1.49 (73.3)
<b>Top SELLs</b>			
Aluminum Corp	2600 HK	4.19	3.00 (28.4)
Parkson Retail	3368 HK	6.70	4.89 (27.0)
Wharf Hldg	4 HK	17.00	14.60 (14.1)
S'pore Airlines	SIA SP	10.44	9.70 (7.1)
S'pore Exchange	SGX SP	5.09	3.00 (41.1)
Amata Corp	AMATA TB	3.74	2.52 (32.6)

### Key Assumptions

GDP (% yoy)	2007	2008	2009F
US *	2.2	1.3	(1.5)
Euro Zone *	2.6	0.9	(1.8)
Japan *	1.8	(0.2)	(2.0)
Singapore	7.5	1.2	(4.0)
Malaysia	5.8	5.1	0.9
Thailand	4.3	4.2	0.5
Indonesia	6.3	6.0	3.6
Hong Kong	6.0	2.2	(0.8)
China	11.5	9.0	7.1
Brent Crude Oil (US\$/bbl)	100	55	65
Aluminium * (US\$/MT)	2,623	1,857	2,238
Copper * (US\$/MT)	6,8834	3,922	4,816
Gold Price London * (US\$/ounce)	873	867	901
Iron Ore * (US\$/dmu)	153	107	99
CPO (US\$/MT)	818	520	685
BDI	7,082	6,338	2,500

\* Bloomberg  
Source: UOB, UOB Kay Hian

### Corporate Events

	Venue	Type	Beg	Close
China/Commodities-Energy	Singapore	AP	16-Feb	17-Feb
China/Commodities-Energy	Malaysia	AP	18-Feb	19-Feb
China/Commodities-Energy	Hong Kong	AP	20-Feb	20-Feb

\* AP: analyst presentation

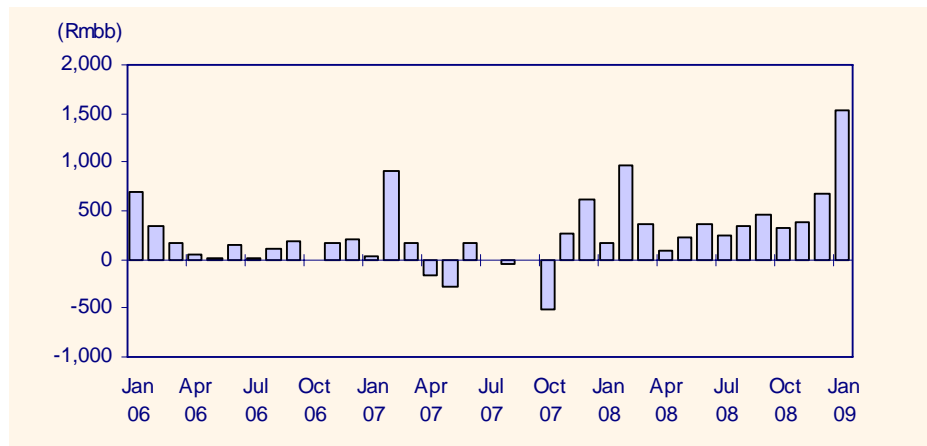
## Jan 09 Money Supply

New loans hit better-than-expected record of Rmb1.6 trillion

DATA RELEASED (M1 in Jan 09):	+6.7% yoy
DATA RELEASED (M2 in Jan 09):	+18.8% yoy
DATA RELEASED (Loan in Jan 09):	+21.3% yoy
DATA RELEASED (Deposit in Jan 09):	+23% yoy
PREVIOUS DATA (M1 in Dec 08):	+9.1% yoy
PREVIOUS DATA (M2 in Dec 08):	+17.8% yoy
PREVIOUS DATA (Loan in Dec 08):	+18.8% yoy
DATA RELEASED (Deposit in Dec 08):	+19.7% yoy

**Money supply surged on credit easing.** M2 growth accelerated in Jan 09 to 18.8% yoy from 17.8% yoy in Dec 08 on the back of strong credit expansion. Loan growth accelerated to 21.3% yoy as new loans surged Rmb1.6t in Jan 09, compared with Rmb800b in Jan 08. M1 growth decelerated to 6.7% yoy in Jan 09 from 9.1% in Dec 08 as deposits of government organisations decreased significantly as government spending climbed up. Deposit growth surged to 23% yoy as new household savings surged to a record high of Rmb1.5t in Jan 09. We are unsure of the reason behind the jump in savings deposits and will be watching for further clarification. If it sustains in the coming months, it may suggest weak consumer demand. Strong credit expansion suggests that 1Q09 GDP may rebound from 4Q08. Given the stronger than expected credit expansion, the PBOC may hold off on cutting interest rates in the near term.

### New Household Savings Deposits



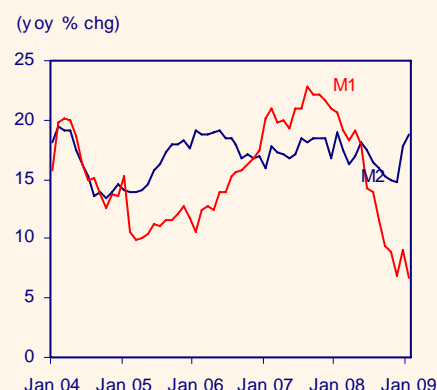
Source: CEIC

**Bulk of new loans directed toward government projects.** Loans to non-financial institutions increased Rmb1.51t, of which Rmb340.4b were short-term loans, Rmb623.9b were discounted bills and Rmb522.9b were medium-to long-term loans. 41% of new loans to non-financial institutions were in the form of discounted bills, which was less than market expectation of more than 60% of new loans being discounted bills. New loans ex-bills totalled Rmb976b, still easily beating the previous record for new loans last January. Medium- to long-term loans accounted for 35% of loans to non-financial institutions, with most of the loans likely being directed toward government investment projects. This is a positive development showing that real credit growth ex-bills was better than expected and that China's fiscal package is indeed taking effect.

## CHINA

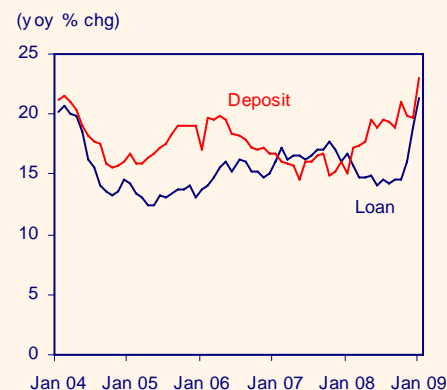
### Economics

#### Money Supply



Source: CEIC

#### Loans And Deposits



Source: CEIC

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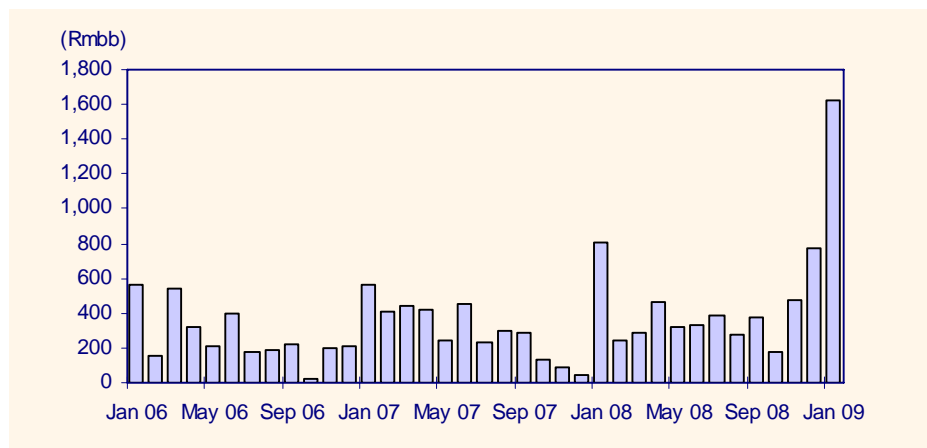
**Discounted bills a benefit to banks despite low yields.** While discounted bills offer low yields for banks, they allow borrowers to meet short-term financing needs at very little risk to the issuing bank as these bills are typically guaranteed by a second bank. At the same time, the issuance of discounted bills allows banks to maintain a working relationship with their clients, particularly their SME clients, without the burden of taking on additional risk. Therefore, despite the low yields on discounted bills, we still expect income from discounted bills to make incremental contribution to overall interest income.

**Such a strong credit expansion may not be sustainable,** as banks will try to do most of their lending early on in the year. This phenomenon is more obvious given that the government encourages earlier implementation of government supported projects. There is also the possibility that banks are moving their off-balance sheet loans onto their balance with the removal of the loan quota, thereby contributing to the massive spike in new lending. Going forward, banks will look to ease loan growth as the maintenance of asset quality becomes the key concern.

**Strong credit expansion differentiates China from other economies.** China is the first economy to see real credit expansion at present, given the speed at which loans and government investments are falling into place. This could result in an earlier return of inflation in China (we expect it to occur in 2H09) than other economies and prevent further deterioration in the economy. However, sustainable recovery of the economy still depends on the recovery of the G3 economies.

**Top picks continue to be ICBC and CMB.** ICBC (1398 HK/BUY) continues to be our favorite large-cap bank given its defensive loan portfolio, which contributes to its superior asset quality. ICBC has demonstrated its commitment to asset quality by significantly increasing its issuance of discounted bills to SMEs. **China Merchants Bank** (3968 HK/BUY) remains our favorite joint-stock bank as it is not susceptible to any policy risk. It also offers superior coverage ratio and cheap valuations.

**New Loans**



Source: CEIC

## Tsingtao Brewery

### Back to fundamentals after stake transfer deal

After a recent share transfer deal, we expect no more catalyst in the near term. Considering Tsingtao's weak fundamentals and demanding valuation, we maintain our SELL recommendation.

### Corporate Events

ABInBev has agreed to sell a 19.9% stake in Tsingtao Brewery to Asahi for US\$667m, or HK\$19.78/share, which is 36% higher than Tsingtao H-shares' closing price on 22 Jan 09.

### Stock Impact

We expect this share transfer deal to have no direct impact on Tsingtao's earnings. After this deal, we do not expect any share price catalyst in the near term and suggest investors focus on Tsingtao's fundamentals. The share price has been drifting down along with continuous downgrades of consensus earnings in the past 12 months. Consensus 2009 net profit forecast (Rmb873m) is still too high compared with our estimate (Rmb755m). We expect sustained downgrades of consensus earnings to exert downward pressure on the share price.

### Valuation/Recommendation

Tsingtao is trading at 22.2x 2009 PE, a 57% premium to the Chinese food and beverages (F&B) sector's average of 14.1x FY09 PE. Considering Tsingtao's gloomier sales growth prospects and some downside risks, including tax recollection, potential impairment loss and price war triggered by overcapacity, we believe the current premium valuation is not justified. **Maintain SELL** on Tsingtao and suggest investors switch to China Yurun, considering its defensive demand, lower input cost and low valuation (11.2x FY09 PE).

### Hong Kong F&B Peer Comparison

Ticker	Name	Last Price (local currency)	Mkt Cap (US\$m)	PE		
				2008F	2009F	2010F
2319 HK	China Mengniu	9.78	1,958	n.a	21.3	14.5
1068 HK	China Yurun	9.50	1,865	13.1	11.2	9.5
322 HK	Tingyi	8.34	5,974	25.1	20.4	16.4
220 HK	Uni-President	2.49	1,149	17.8	11.0	9.6
506 HK	China Foods	2.54	909	14.7	11.5	9.3
151 HK	Want Want	2.97	5,029	19.2	15.3	12.4
828 HK	Dynasty	1.17	187	9.6	8.9	9.5
	China Resources					
291 HK	Enterprise	11.62	3,559	12.4	13.3	11.6
<b>Average</b>				<b>16.0</b>	<b>14.1</b>	<b>11.6</b>
168 HK	Tsingtao Brewery	14.58	3,295	23.7	22.2	21.5

Source: Bloomberg, UOB Kay Hian

## CHINA

### Tsingtao Brewery (168 HK)

### SELL

Current Price: HK\$14.58

Fair Price: HK\$10.00

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	2,327
Market Cap (HK\$m)	25,703
(US\$m)	3,295
Major Shareholders (%)	
Qingdao State-Owned Assets	30.7%
Book NTA per Share (Rmb)	4.58
ROE (%)	9.0
Net Cash per Share (Rmb)	0.19

Results Due  
Interim: Sep  
Final: Apr

### Share Price and 2009 Consensus Net Profit Estimates



Source: Bloomberg

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Rmb)	Yield (%)
2006	11,677	1,323	448	0.34	38.3	37.4	16.0	0.22	1.3
2007	13,530	1,536	539	0.41	20.3	31.0	14.0	0.22	1.3
2008F	15,509	1,588	707	0.54	31.2	23.7	13.7	0.32	2.0
2009F	16,945	1,791	755	0.58	6.8	22.2	12.3	0.35	2.1
2010F	18,201	1,891	778	0.59	3.1	21.5	11.6	0.36	2.1

Consensus Net Profit – FY09: Rmb873.1m  
– FY10: Rmb1056.5m

**Tsingtao's turnover growth will slow down from 2009.** Affected by the unfavourable weather and slack economy, sales volume for Tsingtao only recorded an increase of 7% yoy in 2008, showing an obvious slowdown when compared with the 11.2% yoy growth in 2007. The double-digit turnover growth in 2008 was mainly driven by a 6% increase in average selling price (ASP) for its core brand series at the beginning of the year. However, in view of the fiercer competition, customers' higher price sensitivity and pressure from deflation, Tsingtao is unlikely to increase ASP again in 2009. Moreover, consumers are spending less on non-necessities, which puts pressure on Tsingtao's sales volume growth. Therefore, Tsingtao's turnover growth will likely slow down to a single digit in 2009 and 2010.

**High-cost inventory prevents gross margin from improving in 1H09.** Cost of packaging materials, which accounts for 50.5% of Tsingtao's COGS, is expected to be flat and might only increase by 2-3% yoy in 2009. Imported barley price had corrected by over 40% from its peak in Jun 08 to US\$296/ton in Dec 08, which alleviated some input inflationary pressure on Chinese breweries. However, the barley price decline did not widen Tsingtao's gross margin as the company is still using its high-cost inventory (US\$420-430/ton) which was accumulated in 1H08 and is not expected to last until May 09. Therefore, Tsingtao's gross margin improvement is only expected to take place starting from 2H09.

**Intensified competition puts pressure on operating margin.** Tsingtao targets to replace its third-tier brand series' products with its core brand and secondary brand series in 2009. The brand integration requires more efforts in marketing activities. Therefore, the company's advertising and promotion expenses are likely to remain high even after the Olympic Games, which will exert pressure on its operating margin. We expect Tsingtao's operating margin to trend down from 7.4% in 2007 to 6.8% and 6.6% in 2008 and 2009 respectively.

**Profit & Loss**

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	11,677	13,530	15,509	16,945	18,201
EBIT	655	1,008	1,055	1,125	1,160
Pre-tax Profit	628	993	1,040	1,110	1,145
Net Profit	448	539	707	755	778
EPS (Rmb cents)	34.2	41.2	54.1	57.7	59.5

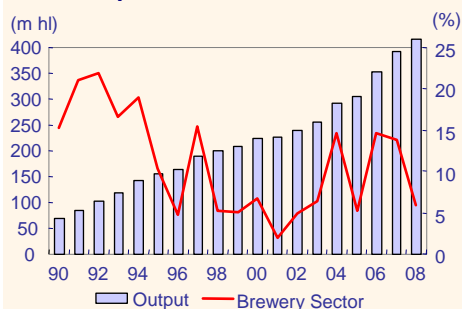
**Balance Sheet**

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	3,436	4,730	5,148	5,136	5,527
Total Assets	9,578	11,545	13,116	13,832	14,557
Current Liabilities	3,656	5,316	5,371	5,791	6,163
Shareholders' Funds	5,700	5,988	6,410	6,769	7,123
Total Equity & Liabilities	9,578	11,545	13,116	13,832	14,557

**Cash Flow**

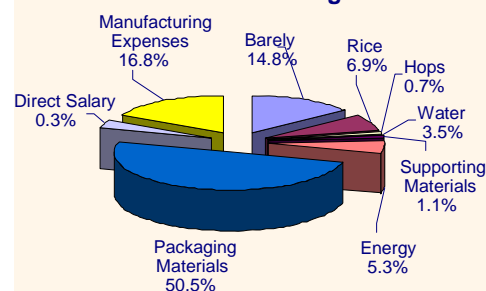
Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	1,110	1,123	1,983	1,747	1,831
Investing	(522)	(1,114)	(1,812)	(1,564)	(1,200)
Financing	(623)	98	472	(497)	(513)
Net Cash Inflow/(Outflow)	(35)	107	643	(315)	118
Begin Cash & Cash Equiv.	1,248	1,213	1,315	1,958	1,643
End Cash & Cash Equiv.	1,213	1,315	1,958	1,643	1,761

**Beer Output in China**



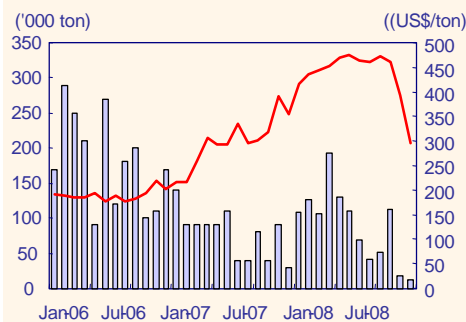
Source: National Bureau

**COGS Breakdown for Tsingtao**



Source: Tsingtao Brewery Group

**Imported Barely Price and Volume**



Source: CEIC

## Li & Fung

Still far from dawn; market is over-excited

Share price rose sharply last month on euphoria of strong earnings momentum and even a recovery in US consumption growth. Rally offers better potential to SELL given the still sluggish outlook.

### Corporate Events

**Growth target is hard to achieve.** Management has guided "double-digit" revenue growth for 2009, which is believed to be driven by mergers and acquisitions (M&A) in 2008 and increase in market share. However, the target is questionable, given the low order growth visibility and sluggish market. We assume Li & Fung's (L&F) turnover will grow 6% yoy only this year (including 2008 acquisitions), based on two factors: a) the deteriorating economies of the US and Europe (which jointly constituted 90% of L&F's turnover last year) will continue to drag down retailers' sales there, b) L&F's market share will not increase much, as more retailers in the US and Europe and manufacturers in Asia are trying to bypass L&F in order to save costs.

**Low orderbook visibility.** First, it is hard, if not impossible, to project the full-year order growth of a sourcing/trading company at the beginning of the year, even for management itself, due to the low growth visibility of the industry. Under the fast-moving supply chain system of the US and European retailers, it takes at most 1-2 months from the placing of orders through sourcing to delivery. The uncertainty is further magnified by the still sluggish markets.

**Recovery in US consumption not imminent.** It is certain the US is experiencing a recession, and the expectation of a consumption recovery in 2H09 is unrealistic. The bursting of the property bubble has severely damaged the balance sheets of US households, forcing them to cut consumption and repay loans (the first time since data collection started in 1952). Only when US families have repaired their balance sheets will they start to increase spending again. What's worse, increasing unemployment and pay cuts would lengthen the process and further reduce consumption.

**Customers' sales are declining.** Major customers of L&F - including Target, JC Penney, Kohl's, Abercrombie, American Eagle, Ltd. Brands, Cato Corp. and Macy - have seen sustained substantial sales declines since 2008. Customers who have outsourced their sourcing operations to L&F in the last couple of years - including Tommy Hilfiger, Toys "R" Us and Liz Claiborne - are suffering. Most of them have cut their earnings guidance or released profit warnings. Only Wal-Mart has recorded sales growth on the back of heavy discounting. We expect the downtrend to continue in the coming years. Inventory-to-sales ratio is at a three-year high, which means rapid inventory replenishment is unlikely unless consumption surges.

**Credit risk from bankruptcy of customers.** Given the sluggish retail sales and tightened credit market, some highly-g geared retailers in the US are vulnerable to bankruptcy. This represents credit and growth risks for L&F. More than a dozen US retailers filed for bankruptcy protection in 2008 including KB Toys, Mervyn's and Boscov's. L&F expects to write off US\$4m as regards fees due from Mervyn's and Goody's and another US\$5m for that due from KB Toys. L&F could record further receivables provisions for customers' bankruptcy.

## HONG KONG

### Li & Fung (494 HK)

#### SELL

Current Price: HK\$16.82

Fair Price: HK\$8.80

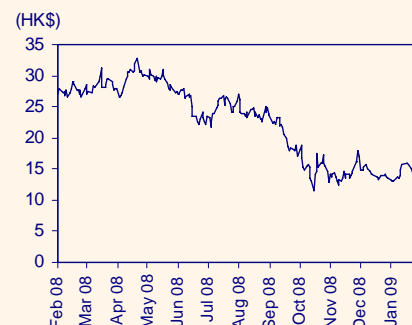
Sector	Export
52-Wk Avg Daily Vol. ('000)	11,670
Market Cap (HK\$m)	61,120
(US\$m)	7,836

Major Shareholders (%)	
William Fung	35.09

Book NTA per Share (HK\$)	2.91
ROE (%)	33.6
Net Debt per Share (HK\$)	1.24

Results Due	
Interim	Aug
Final	Apr

### Price Chart



Source: Bloomberg

### Analyst

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Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2006	68,010	2,561	2,202	0.67	20.7	25.1	18.2	0.55	3.3
2007	92,460	3,863	3,060	0.90	33.4	18.8	13.9	0.71	4.2
2008F	109,103	4,144	3,142	0.90	0.1	18.8	11.9	0.72	4.3
2009F	115,649	4,226	3,196	0.88	(1.8)	19.1	11.6	0.70	4.2
2010F	124,901	4,564	3,490	0.96	9.2	17.5	10.8	0.77	4.6

Consensus Net Profit – FY08 : HK\$3,093m  
 – FY09: HK\$3,697m

**Market share challenged by direct sales.** Apart from sluggish sales, L&F's market share could be challenged by direct sales between US retailers and Asian manufacturers. According to our industry sources, both US/European retailers and large Asian manufacturers are trying to bypass L&F and directly deal with each other in order to save commission fees. We do not expect L&F to see a meaningful increase in market share in the coming years.

**Price pressure to slash margin despite cost cutting.** We expect L&F to see significant downward pressure on its commission fees, due to the huge discounts of US/European retailers and competition from direct trade. Suppliers need to share the price pressure of customers in tough times or risk retailers resorting to direct sourcing. We expect L&F's net margin to drop from 3.3% in 2007 to 2.8-2.9% in 2008-10.

**Stock Impact**

We maintain our forecasts on L&F's 2008, 2009 and 2010 net profit at Rmb3.14b, Rmb3.20b and Rmb3.49b respectively, representing a growth of 2% and 9% in 2009-10. This is based on a 7% turnover CAGR and a 0.5ppt drop in net margin. Our 2009-10 earnings estimates are 14% and 23% below market consensus respectively. We believe the market has grossly over-estimated the Group's earnings growth in 2009-10 at 21% CAGR, based on 8-15% CAGR in revenue and margin expansion.

**Earnings Risks**

A further contraction of the retail sales in the US and Europe, a result of deleverage by consumers amid falling property prices, could prompt the Group's customers to further cut orders. The bankruptcy of the group's customers would result in unexpected write-off of trade receivables. Further large-scale M&As could boost L&F's profit. However, it's unlikely as the group should have HK\$2.3b worth of net debt at end-08.

**Valuation/Recommendation**

Based on our earnings forecasts, L&F is trading at 19.1x 2009F PE, below the mid-point in 2001-08. However, given the potentially sluggish growth and mounting risks, the stock should trade at 10-12x forward PE, the trough PE multiple in the Asian financial crisis in 1997-98. Reiterate SELL with a fair price of HK\$8.80 based on 10x 2009F PE. The main share price catalysts include analyst downgrades of profit and more bankruptcies among US retailers.

**Profit & Loss**

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Turnover	68,010	92,460	109,103	115,649	124,901
EBIT	2,412	3,600	3,917	3,979	4,297
Pre-tax Profit	2,373	3,314	3,437	3,496	3,816
Net Profit	2,202	3,060	3,142	3,196	3,490

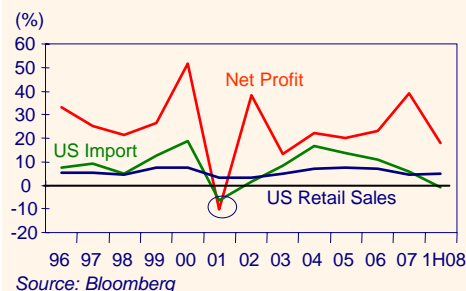
**Balance Sheet**

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Current Assets	15,335	19,067	23,211	27,436	32,001
Total Assets	22,045	31,789	35,620	37,480	39,982
Current Liabilities	12,937	16,346	19,288	20,446	22,081
Long-Term Loans	797	5,064	5,760	5,760	5,760
Shareholders' Funds	8,299	9,895	10,571	11,274	12,141
Total Equity & Liabilities	22,045	31,789	35,620	37,480	39,982

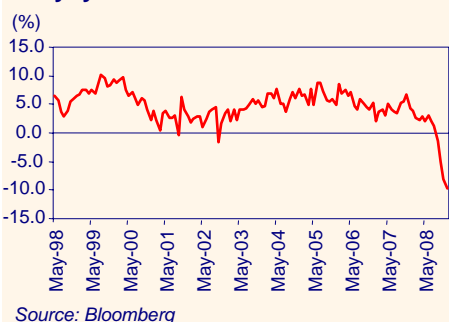
**Cash Flow**

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Operating	473	4,020	3,470	3,470	3,612
Investing	(2,014)	(5,035)	(3,000)	(1,315)	(831)
Financing	3,768	(1,081)	1,056	(3,030)	(3,170)
Net Cash Inflow/(Outflow)	2,228	(2,096)	1,526	(875)	(390)
Begin Cash & Cash Equiv.	1,044	3,302	1,267	2,793	1,919
End'g Cash & Cash Equiv.	3,302	1,267	2,793	1,919	1,529

**L&F's Profit Highly Related to US Performance**



**US yoy Retail Sales Growth**

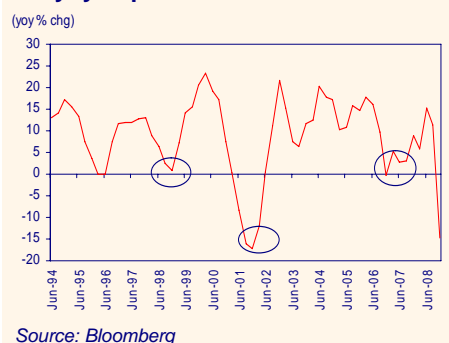


**SSS Growth for L&F's Customers**

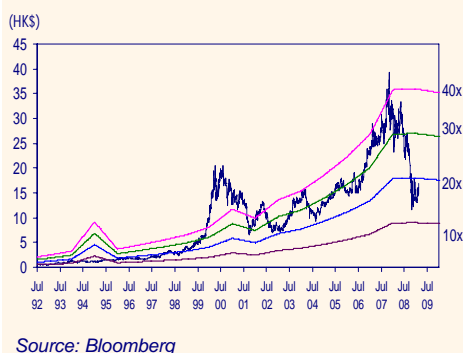
	Wal-Mart	Target	JC Penney	Kohl's
Jan 09	2.1	(3.3)	(16.4)	(13.4)
Dec 08	1.9	(4.1)	(8.1)	(1.4)
Nov 08	3.4	(10.4)	(11.9)	(17.5)
Oct 08	2.2	(4.8)	(13.0)	(9.0)
Sep 08	2.0	(3.0)	(12.4)	(5.5)
Aug 08	2.8	(2.1)	(4.9)	(5.8)
Jul 08	3.0	(1.2)	(6.5)	(10.4)

Source: Bloomberg

**US yoy Import Growth**



**L&F's PE Band Chart**



## Next Media

### Rollercoaster ride

Next Media's share price went through a rollercoaster ride yesterday as the market believes it is near to closing a deal to acquire a TV station. However, the company subsequently refuted any intended acquisitions. Maintain BUY.

#### Next Media - Historical P/B\*

Year to 31 Mar (x)	2003	2004	2005	2006	2007	2008	Average
Highest P/B	2.3	3.6	3.1	3.8	3.3	2.5	3.1
Average P/B	2.0	2.5	2.6	3.0	2.6	1.9	2.4
Lowest P/B	1.6	1.5	2.0	2.3	1.8	1.4	1.8

\*Since the injection of key publication titles from major shareholder  
Source: Bloomberg, UOB Kay Hian

#### Global Newspaper Publishers - Share Price Change

Company	Mkt Cap (US\$m)	5-day (%)	1-mth (%)	3-mth (%)	6-mth (%)
Washington Post - CI B	3,864	(0.4)	(0.2)	7.0	(35.7)
Singapore Press Holdings	2,814	(2.2)	(12.3)	(21.2)	(32.1)
Gannett Co	1,047	(3.4)	(42.6)	(47.2)	(76.2)
Fairfax Media	1,131	0.0	(31.2)	(35.5)	(61.8)
Daily Mail&General Tst-A Nv	1,461	(0.4)	0.4	(5.5)	(36.0)
Arnoldo Mondadori Editore	1,107	(0.5)	(6.4)	15.9	(23.1)
Next Media	271	24.7	22.0	(20.7)	(48.6)
<b>Global Weighted Average*</b>		<b>(0.1)</b>	<b>(11.6)</b>	<b>(15.0)</b>	<b>(39.6)</b>

\*Newspaper publishers with market cap over US\$100m  
Source: Bloomberg, UOB Kay Hian

#### Corporate Event

Next Media's share price went through a rollercoaster ride yesterday, surging by more than 100% at one point when we were shouting to take profit as it exceeded our 12-month target price. However, the stock subsequently gave back most of the gains later in the day. It was reported that Next Media's chairman Jimmy Lai has hired King Pu-tsung, the former campaign manager of Taiwan's President Ma Ying-jeou to be the chief executive of the new TV channel. The company subsequently made an announcement that there was no negotiation or agreement relating to intended acquisitions.

Contrary to the market's interpretation, we believe the listed company may not be involved in the TV media business but it is the chairman who will start the TV media business by himself. It explained why the stock went through a rollercoaster ride.

#### Valuation/Recommendation

The stock is trading at 0.8x historical P/B. Before the global economic recession, the lowest ever recorded P/B was 1.4x. If we assume the fair P/B is 1.0x, the current share price implies that Next Media will lose HK\$1.4b of advertising income (two-thirds of its total annual advertising income). We believe this is unlikely to happen. **Maintain BUY. Our target price remains unchanged.** The current share price provides a good entry level to accumulate the shares of Next Media, the market leader in the Chinese print arena in Hong Kong and Taiwan. That said, the selling pressure on global peers looks unabated.

## HONG KONG

### Next Media (282 HK)

#### BUY

Current Price: HK\$1.11  
Target Price: HK\$1.30

Sector	Media
52-Wk Avg Daily Vol. (m)	1.1
Market Cap (HK\$m)	2,677
(US\$m)	271
Major Shareholders (%)	
Jimmy Lai	73.9
Book NTA per Share (HK\$)	0.88
ROE (%)	15.6
Net Cash per Share (HK\$)	0.23
Results Due	
Interim: Dec	Final: Jun

#### Price Chart



Source: Bloomberg

#### Analyst

Tommy Ho  
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tommy.ho@uobkayhian.com.hk

Year to 31 Mar	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (¢)	Yield (%)
2007	3,245	620	344	17.5	(37.3)	6.3	3.6	21.5	19.4
2008	3,522	824	521	21.6	23.2	5.1	2.6	24.0	21.6
2009F	3,480	589	290	12.0	(44.4)	9.2	3.7	5.0	4.5
2010F	3,296	523	228	9.5	(21.2)	11.7	3.7	3.9	3.6
2011F	3,319	514	223	9.3	(2.3)	12.0	2.9	4.7	3.5

Consensus Net Profit – FY09: HK\$440m  
-- FY10: HK\$399m

**Chairman in negotiations to acquire a Taiwan TV station**

According to an earlier report from a local newspaper, *The Standard*, Next Media's (282 HK) chairman Jimmy Lai is close to acquiring a Taiwan media with direct TV access to Hong Kong and mainland China. The deal is between Jimmy Lai and Era Communications (Era), which also distributes music and videos. It is believed that Lai will use Era's Azio TV, which broadcasts in Hong Kong through Cable TV and Now TV and some cable TV stations in China, targeting the Greater China TV media market. Apart from King Pu-tsung, Jimmy Lai has already hired a number of media talents in TVB's Hong Kong and Taiwan operations.

**Target company was suffering from decline in viewership and ad income**

In recent years, Era has lost a number of prominent presenters to rivals and suffered a drop in viewership in mainland China, which in turn led to lower advertising income. In Nov 08, Next Media was about to acquire China Times Group (a Taiwan media conglomerate) but it ended up in the hands of Want Want China's chairman. We understand Next Media is very eager to expand to the TV media arena.

**We are neutral on the development**

Even if Next Media does acquire/start the TV media business, we are taking a neutral stance on the development. However, the timing could be right in the long run given that the media industry is now suffering from very weak economic conditions in Taiwan. The size of the advertising market for TV and print media in Hong Kong and Taiwan is similar. We believe Jimmy Lai will again revolutionalise the TV media industry, instilling new concepts to the industry. We will wait and see whether Next Media will create the same kind of success in the TV media industry.

**Profit & Loss**

Year to 31 Mar (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	3,245	3,522	3,480	3,296	3,319
EBIT	406	607	370	301	289
Pre-tax Profit	414	619	384	317	316
Net Profit	344	521	290	228	223

**Balance Sheet**

Year to 31 Mar (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,646	1,596	1,567	1,816	2,097
<b>Total Assets</b>	<b>4,599</b>	<b>4,410</b>	<b>4,241</b>	<b>4,346</b>	<b>4,480</b>
Current Liabilities	635	456	455	452	458
Long-Term Liabilities	286	286	286	286	286
Shareholder Funds	3,354	3,345	3,176	3,284	3,412
<b>Total Equity &amp; Liabilities</b>	<b>4,599</b>	<b>4,410</b>	<b>4,241</b>	<b>4,346</b>	<b>4,480</b>

**Cash Flow**

Year to 31 Mar (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	622	627	496	439	610
Investing	(167)	(78)	(78)	(78)	(78)
Financing	(264)	(455)	(462)	(126)	(91)
Net Cash In/(Out) Flow	191	94	(44)	235	440
Begin Cash & Cash Equiv.	676	868	961	917	1,152
End'g Cash & Cash Equiv.	868	961	917	1,152	1,593

**Peer Comparison – Global Newspaper Publishers**

Company	Mkt Cap (US\$m)	P/B* (x)	ROE* (%)
Washington Post	3,864	1.1	8.7
Singapore Press Holdings Ltd	2,814	2.0	20.8
Gannett Co	1,047	0.1	12.1
Fairfax Media Ltd	1,131	0.3	7.9
Daily Mail&General	1,461	1.9	0.0
Arnoldo Mondadori Editore	1,107	1.7	22.8
<b>Next Media Ltd</b>	<b>271</b>	<b>0.8</b>	<b>15.4</b>
<b>Global Weighted Average*</b>		<b>1.4</b>	<b>19.4</b>

\* Historical P/B and ROE  
 \*\* Newspaper publishers with market cap over US\$100m  
 Source: UOB Kay Hian, Bloomberg

## ComfortDelgro Corporation

2008: Results in line with our estimates

2008 dividend payout ratio reduced to 52%, below market expectation of 70-80%. We are not too concerned about the dividend cut as the Group could be conserving cash for potential acquisitions in 2009.

### 2008 Results

Year to 31 Dec	4Q08 (S\$m)	yoy % chg	2008 (S\$m)	yoy % chg	Remarks
Turnover	759.6	-1.2	3097.3	3.5	
EBITDA	108.1	-27.7	514.7	-14.9	Higher fuel prices
Pre-tax Profit	69.7	-19.1	273.8	-18.1	
Net Profit	44.8	-10.5	200.1	-10.3	Boosted by exceptional item
EPS (cents)	2.2	-10.5	9.6	-10.6	
EBITDA Margin (%)	14.2		16.6		

Source: UOB Kay Hian

### Results

ComfortDelgro (CD) delivered 2008 results that were in line with our estimates - with revenue up marginally at 3.5% and net profit down 10.3% yoy - due to higher fuel prices.

Domestic taxi and bus revenues increased 10.3% and 7.3% respectively to S\$615.0m and S\$606.5m, attributable to an increase in cashless transactions and growth in bus ridership.

The Group's China and Australia operations saw strong EBIT growth of 29.1% and 42.2% to S\$52.8m and S\$36.1m respectively. The China operations' income grew due to rising bus ridership and an increase in the number of taxi licences awarded. The Australia operations' income was stronger due to the growth in turnover from its lucrative bus business, with EBIT margin at 17.7%.

### Stock Impact

2008 dividend payout ratio was reduced to 52%, down from 85% in 2007. This is below market expectation of 70-80% for 2008. We are not too concerned about the reduction in dividend payout as the Group could be conserving cash for potential acquisitions in 2009. We maintain our dividend payout assumption of 70% in our 2009 forecasts.

Both SMRT and SBS Transit have announced that they would not apply for upward fare adjustments from the Public Transport Council (PTC) in 2009. Our fare growth assumptions for SBS Transit's rail and bus operations in FY09 are reduced from 1% to 0%. Revenue and net profit are estimated to drop by 0.3% and 0.2% respectively. PTC will release more details of the revisions in public transport fares by end-Feb 09.

Road tax rebates that are announced during the 2009 Budget will be fully passed on to taxi drivers. CD will give S\$51 in cash to drivers over six months starting from Mar 09. This alleviates our earlier concerns of a drastic fall in hire-out rates due to the economic slowdown.

## SINGAPORE

### ComfortDelgro Corporation (CD SP)

#### BUY

Current Price: S\$1.32  
Target Price: S\$1.76  
(Previous: S\$1.74)

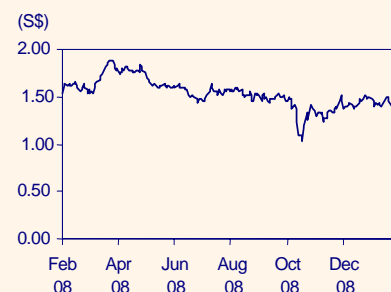
Sector	Land Transport
52-Wk Avg Daily Vol. ('000)	4,615
Market Cap (S\$m)	2,753.1
(US\$m)	1,782.3

Major Shareholders (%)	
Singapore Labour Foundation	12.11

Book NTA per Share (S\$)	0.82
ROE (%)	10.1
Net Debt per Share (S\$)	0.00

Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

### Price Chart



Source: Bloomberg

### Analyst

Singapore Research Team  
☎ (65) 6419 3696  
research@uobkayhian.com

Year to 31 Dec	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (S¢)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (S¢)	Yield (%)
2007	2,980.8	603.9	223.0	10.7	(9.2)	12.3	5.3	9.0	6.9
2008#	3,097.3	541.7	200.1	9.6	(10.6)	13.8	5.9	5.0	3.8
2009F	3,130.0	653.9	249.9	12.0	24.9	11.0	4.9	8.4	6.4
2010F	3,214.9	674.7	259.5	12.4	3.8	10.6	4.7	8.7	6.6
2011F	3,310.5	714.5	284.1	13.6	9.5	9.7	4.4	9.5	7.2

# Net Profit include exceptional gain of S\$26.5m for FY08, \* Include special dividend of 3.7¢ for FY07  
Consensus Net Profit – FY09:S\$222.1m , FY10:s\$233.9m

**Earnings Revision**

We maintain our 2009 revenue and earnings estimates and assume at this juncture that benefits derived from the Budget will be fully passed on to commuters and taxi drivers, and thus will have a neutral impact on earnings.

**Valuation/Recommendation**

We like CD for its strong cash earnings and dividend yield of 6.4%. Using sum-of-the-parts valuation, our target price for CD is S\$1.76. This translates into 14.4x average 2009 and 2010 earnings, which is reasonable for a global integrated land transport company. Maintain BUY on CD.

**Sum-of-the Parts Valuation**

	2009 Profit (S\$m)	DCF/PE Valuation	Attributable to CD (per share)	% of Valuation
<b>Singapore Operations</b>			<b>0.87</b>	<b>51.2</b>
Bus & Rail	69.3	DCF#	0.21	12.4
Taxi	45.4	15.0	0.33	19.5
Others	69.0	15.0	0.33	19.3
<b>International Operations</b>			<b>0.82</b>	<b>48.8</b>
UK/Ireland	55.8	15.0	0.41	24.0
China	37.1	18.0	0.26	15.3
Australia	35.3	18.0	0.16	9.3
Others	0.5	15.0	0.00	0.2
<b>Cash &amp; Equivalent (Company level)</b>			<b>0.07</b>	<b>2.3</b>
		Total	<b>1.76</b>	<b>100.0</b>

Source: UOB Kay Hian

**Profit & Loss**

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Revenue	2,980.8	3,097.3	3,130.0	3,214.9	3,310.5
EBIT	603.9	541.7	653.9	674.7	714.5
Pre-tax Profit	334.5	300.3	381.0	395.6	433.2
Net Profit	223.0	200.1	249.9	259.5	284.1

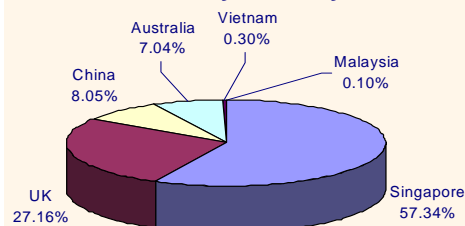
**Balance Sheet**

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Current Assets	764.1	807.6	822.2	894.0	956.1
Total Assets	3,316.1	3,351.6	3,703.8	3,890.1	4,066.4
Current Liabilities	807.5	827.7	907.5	948.6	1,002.9
Non-current Liabilities	609.5	547.2	689.8	692.2	658.0
Shareholders' Funds	1,482.5	1,556.8	1,624.2	1,702.0	1,787.3
Total Equity & Liabilities	3,316.1	3,351.6	3,703.8	3,890.1	4,066.4

**Cash Flow**

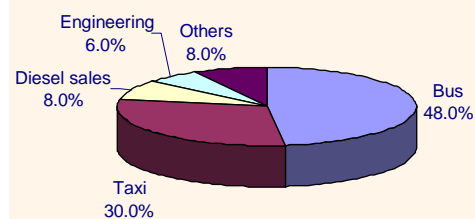
Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Operating	642.8	574.0	612.7	620.3	613.1
Investing	(244.6)	(256.6)	(412.0)	(283.6)	(283.5)
Financing	(317.9)	(246.8)	(203.3)	(302.9)	(304.5)
Net effect of exchange rate	0.5	19.3	10.0	3.0	3.0
Net Cash In/(out) flow	80.8	89.9	7.4	36.9	28.1
Begin Cash & Cash Equiv.	237.6	318.4	408.3	415.7	452.5
End'g Cash & Cash Equiv.	318.4	408.3	415.7	452.5	480.6

**2008 Revenue By Country**



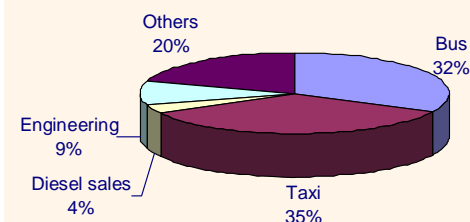
Source: CD, UOB Kay Hian

**2008 Revenue By Segment**



Source: CD, UOB Kay Hian

**2008 operating profit by segment**



Source: CD, UOB Kay Hian

**CD's 2009 Net Profit Sensitivity to Changes in Taxi take-up rates**

Taxi take-up rate in 2009 (%)	Change in net profit (S\$m)	Change in net profit from 2008 (%)
97	9.1	4.6
95	0.0	0.0
92	(13.7)	-6.9
89	(27.4)	-13.8
86	(41.2)	-20.7
85	(45.7)	-23.0

Source: UOB Kay Hian

## Banking

Banks' financial targets could prove too optimistic

*Thai banks' 2009 guidance are too optimistic, leaving plenty of room for further downgrades. BBL remains our top pick but investors with higher risk appetite should go for SCB and BAY.*

### Sector Event

Thai banks have recently announced their 2009 targets. We conclude the following from the guidance.

**Thai banks still forecast Thailand's 2009 GDP growth of 1-2%** vs our house's projection of 0.5% and consensus of -2% to 2%. The banks' forecasts including ours could prove too optimistic given the sharp contraction in exports, prolonged weak domestic consumption and private investment. 4Q08 GDP growth will be announced on 20 February. The Fiscal Policy Office expects GDP to contract 3.5% in 4Q08.

### 2009 GDP Forecast

BBL	SCB	KBANK	BAY	UOB
-1.0-1.5%	+0-1.0%	+1.5-2.5%	+0.5-2.0%	0.5%

Source: Banks, UOB Kay Hian

**All Thai banks forecast positive loans growth (+2-7%) for 2009.** The banks see loan demand coming from the corporate sector especially big companies and multi-national corporations (MNCs) that are turning to local banks for funding needs as foreign banks scale back their operations. Loan demand is also expected to come from merger and acquisition activities. However, less than two weeks after the release of its guidance, KBANK was the first to announce that its outstanding loans in January has dropped notably from December, with loan to trade finance business likely to contract 10% in the month. The bank also said that loan demand from MNCs showed no signs of increasing.

Thus, we believe that the loans growth of 3-5% for 2009 may prove too optimistic. MNCs are scaling back operations, leading to lower loan demand. Second, the collapse in exports will depress trade finance lending activities. As a result, this could provide downside risk to the loans growth target (+3-5%). Further observations:

- 2008 loans growth (10%) was artificially inflated by working capital loan demand due to high commodity prices. We do not expect this to sustain in 2009 given the 60-70% plunge in commodity prices this year.
- The expected 12-15% drop in exports will lead to falling demand for trade finance loans.
- The government's economic stimulus packages are mostly to support the grassroots economy rather than promote investment. Therefore, we do not expect banks to directly benefit from these measures. Of the Bt116b, only 3-4% will go to boost investments.
- The reading of the country's industrial capacity utilisation also supports our argument that loan demand for new investment will remain poor. The utilisation rate has fallen sharply since last October and currently stands at just over 60%, a record low in more than six years.

## THAILAND

### Banking

## MARKETWEIGHT

### Bangkok Bank (BBL TB)

#### BUY

Current Price: Bt74.00

Target Price: Bt78.00

### Krung Thai Bank (KTB TB)

#### HOLD

Current Price: Bt4.06

Fair Price: Bt3.42

### Siam Commercial Bank(SCB TB)

#### HOLD

Current Price: Bt55.50

Fair Price: Bt54.25

### Kasikorn Bank (KBANK TB)

#### HOLD

Current Price: Bt45.00

Fair Price: Bt44.50

### Bank of Ayudhya (BAY TB)

#### BUY

Current Price: Bt9.10

Target Price: Bt11.30

### Siam City Bank (SCIB TB)

#### BUY

Current Price: Bt7.0

Target Price: Bt8.05

### TMB Bank (TMB TB)

#### SELL

Current Price: Bt0.55

Fair Price: Bt0.45

### Analyst

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**Thai banks believe that NPLs will rise at manageable level and hence expect only a 7% rise in credit costs in 2009 vs UOB's forecast of 20% increase.**

We differ from the Thai bankers on the credit cost assumption. The economy is being hard hit by lower exports. Three backbone industries of Thailand-computers and computer parts, automobile and electronics- are seeing a 20-50% reduction in production. We assume credit cost to rise almost 30% in 2009, implying provision charge of Bt54b vs banks forecast of Bt45b in 2009 and Bt42b in 2008.

**Average fee income growth guidance of 16% is extremely bullish** amid the slowdown in exports, personal loans, mortgage loans, project financing loan and negative private investment. We forecast fee income to show a flat growth of just 1%.

**Recommendation**

Thai banks shares had a decent run since their low in December. The banking Index is up 20% vs SET Index's +16%. We believe that economic headwinds are too strong in the coming months and it is too early to buy Thai banks for long-term investments despite the cheap PE and PB valuations. However, we remain positive on the big banks. During this crisis, the banks' balance sheets are strong and will be able to absorb a rise in credit costs without impacting their capital base. Only the P&L will be negatively impacted by a slowdown in business activities and higher credit costs. We are forecasting a 15% decline in 2009 earnings. Despite the fall in earnings, Thai banks' CAR ratios remain high at 15% with tier-one at about 12%.

Our top pick is BBL with entry price below Bt65/share. We have BBL as the top pick because of our cautious top-down view. BBL has the lowest beta among Thai banks. For those with higher risk appetite, we recommend BAY and SCB due to their higher beta. But SCB looks fairly valued at the current price. Our entry level for SCB is Bt45/share.

**Top Picks**

	Target Price	Entry Price	Beta
BBL	Bt78.00	Bt65.00	0.98
SCB	Bt54.25	Bt45.00	1.15
BAY	Bt11.30	Bt9.00	1.30

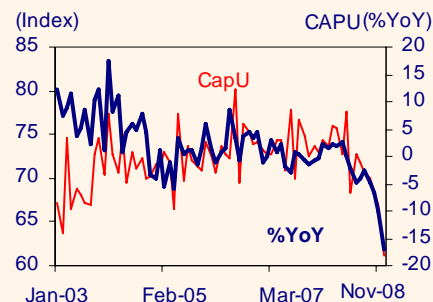
Source: UOB Kay Hian

**Valuation Comparison**

	Rec.	Current price (Bt)	Target Price (Bt)	(%+/-)	2009F PE (x)	2009F PBV (x)
BBL	Buy	74.00	78.10	5.5	7.6	0.8
KTB	Hold	4.06	3.42	(15.8)	6.5	0.4
KBANK	Hold	45.00	44.40	(1.3)	9.0	0.9
SCB	Hold	55.50	54.25	(2.3)	10.0	1.4
BAY	BUY	9.10	11.31	24.3	9.7	0.6
SCIB	BUY	7.00	8.05	15.0	5.6	0.4
TMB	Sell	0.55	0.45	(18.2)	11.2	0.5
<b>SUM</b>					<b>8.6</b>	<b>0.8</b>

Source: UOB Kay Hian

**Capacity Utilisation At Multi-year Low**



Source: BoT

**Loans Growth Target**

	Banks	UOB
BBL	2-4%	-5%
KTB	4-5%	-5%
SCB	5-7%	3%
KBANK	4-5%	2%
BAY	6%	3%
SCIB	2-4%	-5%
TMB	3%	2%
<b>Avg.</b>	<b>2-7%</b>	<b>-1%</b>

**Credit Costs Target**

	Banks	UOB
BBL	50-60bp	70bp
KTB	100bp	120bp
SCB	60-70bp	90bp
KBANK	95-100bp	115bp
BAY	110-120bp	135bp
SCIB	55-60bp	75bp
TMB	n.a.	120bp
<b>Avg.</b>	<b>80-90bp</b>	<b>102bp</b>

**Fee Growth Target**

	Banks	UOB
BBL	5-8%	-5%
KTB	8-10%	-5%
SCB	10%	5%
KBANK	25%	3%
BAY	10%	10%
SCIB	10-15%	-5%
TMB	30%	5%
<b>Avg.</b>	<b>10-15%</b>	<b>1%</b>

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