

### KEY STORY

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Most defensive telco in a weak economy.

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Car sales down 30% yoy in Jan 09 with auto production capacity utilisation expected to drop to 59% from 80% - the worst reading in seven years.

### CHINA

#### Update

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January premiums up 19% yoy; earnings recovery expected in 2009.

**China Mobile (BUY/HK\$70.60/Target: HK\$90.00)** **Page 4**  
Most defensive telco in a weak economy.

**COSCO Pacific (HOLD/HK\$6.79/Fair: HK\$5.95)** **Page 6**  
In Jan 09, throughput declines for the first time, dragged down by the Chinese New Year holiday. Downgrade to HOLD.

**Sino-Ocean Land (HOLD/HK\$3.79/Fair: HK\$3.50)** **Page 8**  
Stock price has factored in strong year-to-date sales.

### SINGAPORE

#### Results

**China Hongxing Sports (BUY/S\$0.165/Target: S\$0.29)** **Page 10**  
FY08: Results miss estimate with earnings up only 8% yoy, dragged by jump in SG&A costs. Cut our 2009-10 net profit forecasts by 16%.

**ST Engineering (BUY/S\$2.06/Target: S\$2.82)** **Page 12**  
4Q08: Earnings 7% below consensus, but a better 2009 is expected.

#### Update

**Ascendas REIT (BUY/S\$1.21/Target: S\$1.92)** **Page 14**  
Highly visible revenue stream and minimal refinancing risk. Downside limited by strong support at S\$1.20.

**Indofood Agri Resources (BUY/S\$0.56/Target: S\$0.80)** **Page 16**  
Write-down of Rp663b in 2008 due to decline in fair value of biological assets and changed assumptions in independent valuation.

### THAILAND

#### Sector

**Industrial Estate** **Page 18**  
Car sales down 30% yoy in Jan 09 with auto production capacity utilisation expected to drop to 59% from 80% - the worst reading in seven years.

#### Update

**Thai Oil Plc (SELL/Bt26.00/Fair: Bt22.20)** **Page 20**  
Current spike in GRM is unsustainable. Business outlook is pressured by additional supply and lower prices. Downgrade to SELL.

### Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7552.6	(3.8)	(8.7)	(8.8)	(13.9)
FTSE 100	4034.1	(2.4)	(4.2)	(2.7)	(9.0)
AS30	3412.2	(1.4)	(0.5)	(2.4)	(6.8)
CSI 300	2385.3	(3.1)	2.5	19.9	31.2
FSSTI	1637.9	(2.5)	(3.8)	(5.3)	(7.0)
HSI	12945.4	(3.8)	(6.7)	(2.3)	(10.0)
JCI	1318.0	(1.8)	(1.1)	(3.4)	(2.8)
KLCI	898.5	(1.0)	(0.6)	0.2	2.5
KOSPI	1127.2	(4.1)	(6.0)	(0.7)	0.2
Nikkei 225	7645.5	(1.4)	(4.1)	(7.1)	(13.7)
SET	438.2	(1.9)	(1.1)	0.7	(2.6)
TWSE	4491.8	(2.2)	(0.8)	2.9	(2.2)
BDI	1895	2.7	(4.0)	115.1	144.8
CPO (RM/mt)	1994.0	1.1	5.7	9.7	22.3
Nymex Crude (US\$/bbl)	34.9	(6.9)	(11.7)	(4.3)	(21.7)

Source: Bloomberg

### Top BUYs/SELLs

Ticker	Current Price (Icy)	Target Price (Icy)	Pot. +/- (%)
<b>Top BUYs</b>			
China Life	2628 HK	22.20	36.00 62.2
China Mobile	941 HK	70.60	95.00 34.6
China Petroleum	386 HK	4.20	6.93 65.0
China Railway	390 HK	4.70	5.90 25.5
China Shenhua	1088 HK	16.74	23.00 37.4
Maanshan Iron	323 HK	2.85	3.70 29.8
Bumi Resources	BUMI IJ	690	1,010 46.4
Public Bank	PBK MK	9.10	10.90 19.8
DBS Group	DBS SP	8.03	10.98 36.7
Indofood Agri	IFAR SP	0.56	0.80 44.1
SingTel	ST SP	2.44	2.95 20.9
Advanced Info	ADVANC TB	76.00	101.00 32.9
Quality Houses	QH TB	0.87	1.49 71.3
<b>Top SELLs</b>			
Aluminum Corp	2600 HK	4.06	3.00 (26.1)
Parkson Retail	3368 HK	6.64	4.89 (26.4)
Wharf Hldg	4 HK	16.78	14.60 (13.0)
S'pore Airlines	SIA SP	9.97	9.70 (2.7)
S'pore Exchange	SGX SP	4.85	3.00 (38.1)
Amata Corp	AMATA TB	3.74	2.52 (32.6)

### Key Assumptions

GDP (% yoy)	2008	2009F	2010F
US*	1.3	(1.9)	1.8
Euro Zone*	0.7	(1.8)	0.8
Japan*	(0.7)	(2.9)	n.a.
Singapore	1.2	(4.0)	4.0
Malaysia	5.1	0.9	4.0
Thailand	4.2	0.5	4.3
Indonesia	6.0	3.6	6.3
Hong Kong	2.2	(0.8)	1.5
China	9.0	7.1	8.0
Brent Crude Oil (US\$/bbl)	100	55	65
Aluminium* (US\$/MT)	2,623	1,763	2,090
Copper* (US\$/MT)	6,884	3,834	4,578
Gold Price London* (US\$/ounce)	873	942	981
Iron Ore* (US\$/dmu)	153	107	99
CPO (US\$/MT)	818	520	685
BDI	6,338	2,500	1,500

\* 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

## China Life Insurance

January premiums up 19% yoy; expect earnings recovery in 2009

January premiums off to strong start with 19% yoy growth, ahead of consensus estimates. Current price has discounted margin compression with earnings recovery expected in 2009. Maintain BUY on our top pick.

### Corporate Events

China Life announced January premiums of Rmb36.6b, up 19% yoy. This was an excellent start to the year and premium growth soundly exceeded consensus expectations.

### Stock Impact

Premium growth was a pleasant surprise particularly given that January was a shortened working month due to the Chinese New Year and the high basis of comparison last year due to the strong sales of bancassurance policies. The CIRC has been pushing life insurers to refocus on selling agency-based risk-type products in order to ensure adequate solvency. The ease at which China Life has restructured its premium composition is a reflection of the dominant market position it commands in China. It appears premium growth is on track to meet our 15% growth target for the year, as insurance policies will remain competitive given the low benchmark deposit rates. The strong performance of the A-share market will be another catalyst boosting income for the year.

### Earnings Risk

The key risk continues to be the performance of the A-share market.

### Recommendation

Given the low interest rate environment, it is highly likely that China Life will lower its investment return assumption used in its embedded value (EV) calculation. We have lowered our investment assumption from 5.5% to 4.2% for 2009, increasing to 5.5% over 5 years. We also lowered our margin on new business down to 25% from 29%, as the participating and traditional policies China Life sells are spread-based and lower bond yields will certainly cause some margin compression. However, 10-year government bond yields have rebounded since bottoming in January; thus we believe the threat of further margin compression has been significantly reduced. While the year-to-date rally in the A-share market will certainly bring MTM or capital gains, we continue to take a conservative approach and exclude them from our estimates. Given our revised assumptions, we lower our target price to HK\$30.50, reflecting 3.0x P/EV and 22x NBV. The near-term catalyst continues to be the performance of the A-share market as China Life has traditionally been treated as a proxy to A-share market performance. China Life continues to be our favourite life insurer given its dominant and profitable rural insurance business. Its simple business model has also spared the company from any disastrous foreign investments. **Maintain BUY.**

## CHINA

### China Life Insurance (2628 HK)

### BUY

Current Price: HK\$22.20  
Target Price: HK\$30.50  
(Previous: HK\$36.00)

Sector	Insurance
52-Wk Avg Daily Vol. (m)	105
Market Cap (HK\$m)	711,080
(US\$m)	91,164
Major Shareholders (%)	
China Life Insurance (Group)	68.4
Book NTA per Share (Rmb)	7.28
ROE (%)	22.4
Results Due	
Interim	August
Final	April

### Price Chart



Source: Bloomberg

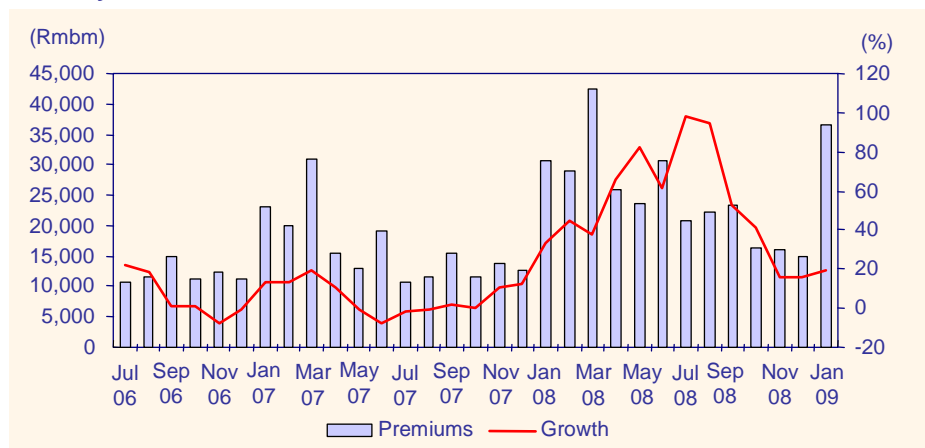
### Analyst

Nan Sheng  
☎ (8621) 5404 7225 ext.809  
nan.sheng@uobkayhian.com

Year to 31 Dec	Net Earned Premium (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	P/EV (x)	DPS (Rmb)	Yield (%)
2006	98,847	25,605	19,956	0.71	114.4	28.3	2.9	0.14	0.7
2007	111,404	44,982	38,879	1.38	94.8	14.5	2.2	0.42	2.1
2008F	140,331	24,395	21,125	0.75	-45.7	26.8	2.5	0.22	1.1
2009F	168,504	30,332	25,965	0.92	22.9	21.8	2.2	0.28	1.4
2010F	200,875	37,737	31,928	1.13	23.0	17.7	1.9	0.34	1.7

Consensus Net Profit – FY08: Rmb22,514m  
– FY09: Rmb28,230m

Monthly Premiums



Source: CIRC, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
NEP	98,847	111,404	140,331	168,504	200,875
Net Investment inc	24,942	44,020	26,914	34,973	44,370
Total expenses	(121,706)	(146,390)	(137,803)	(177,491)	(220,359)
Net profit	19,956	38,879	21,125	25,965	31,928
EPS	0.77	1.42	0.77	0.95	1.17

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Investment Assets	686,804	850,209	1,060,560	1,306,325	1,592,419
Total Assets	764,395	929,421	1,145,432	1,397,776	1,691,525
Total Liabilities	624,190	727,328	956,605	1,198,678	1,450,522
Equity	139,665	205,500	188,025	198,253	239,979

## China Mobile

Most defensive telco in a weak economy

With a relatively defensive earnings outlook, attractive valuation at 10.6x 2009F PE and a 4% dividend yield, China Mobile remains our top pick. Maintain BUY with new target price of HK\$90.00.

### Corporate Events

Statistics from the Ministry of Industry and Information Technology (MIIT) indicate the country's 4Q08 mobile voice and SMS usage show a relatively stagnant QoQ growth compared to previous years, which suggests that the macro-economic slowdown has further impacted the PRC's telecom usage growth.

With poorer-than-expected industry data, and factoring in our economist's latest change in PRC GDP growth forecasts, we lower China Mobile (CMHK)'s 2008 earnings forecast and also the earnings growth in subsequent years. After applying the latest assumptions, we anticipate the record breaking subscriber growth and reduction in income tax rate will enable CMHK to deliver 29.3% yoy earnings growth in 2008, while the earnings growth will decline to 3.5% and 5.9% in 2009 and 2010 respectively.

### Stock Impact

As we have previously indicated, poor macro-economic conditions is one of the factors that will slow down future mobile subscription growth and put further pressure on ARPU. On the other hand, with MIIT requiring PHS operators (China Telecom and China Unicom) to shut down the services by 2011, it will help CMHK to capture more PHS migrants from its competitors and mitigate declining subscription growth due to the poorer macro-economic outlook, but it will also drag down ARPU since the average PHS user exhibits a lower usage.

With a market share of over 70% in PRC mobile service market, better economies of scale should provide CMHK better resistance to earnings decline under a poor economic environment. We foresee increasing costs from 3G development (including handset subsidies and TD-SCDMA network lease) will drag down CMHK's EBITDA margin from 53.2% in 2008 to 51.0% in 2009 and 49.5% in 2010, while EBIT margin will exhibit a smaller decline (35.9% in 2008 to 33.0% in 2010). In addition, unlike its competitors China Telecom and China Unicom, CMHK will not face risks of asset write-off due to corporate restructuring and early retirement of PHS services.

### Earnings Revision

Taking into account the above considerations, we trim our CMHK's ARPU assumptions but maintain our subscription growth forecasts (see summary). As a result, our 2008 to 2010 earning estimates have been adjusted downward by 2.1%, 7.5% and 7.8% respectively.

### Valuation/ Recommendation

Based on our forecast, CMHK will be the only China telco delivering earnings growth in next two years. With a net cash position in excess of Rmb200b and strong cash flow, CMHK could raise dividend payout to maintain a higher dividend growth. Our latest target price of HK\$90.00 implies 13.5x 2009F PE, which is a 14% discount to the HK\$104.50 DCF value based on 11% WACC and 1.5% terminal growth. **Maintain BUY.**

## CHINA

### China Mobile (941 HK)

## BUY

Current Price: HK\$70.60

Target Price: HK\$90.00

(Previous: HK\$95.00)

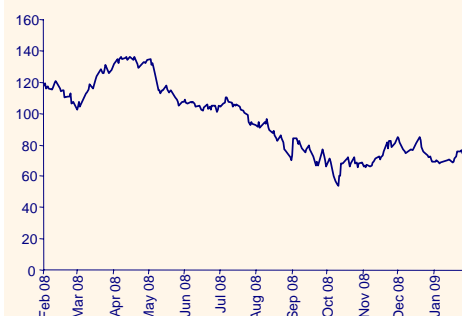
Sector	Telecom
52-Wk Avg Daily Vol. (m)	33.0
Market Cap (HK\$m)	1,415,091
(US\$m)	181,422

Major Shareholders (%)	
China Mobile Communications Corporation	74.3

Book NTA per Share (HK\$)	19.6
ROE (%)	25.2
Net Cash per Share (HK\$)	9.0

Results Due	
Interim	August
Final	March

### Price Chart



Source: Bloomberg

### Analyst

Victor Yip  
 ☎ (852) 2826 1392  
 victor.yip@uobkayhian.com.hk

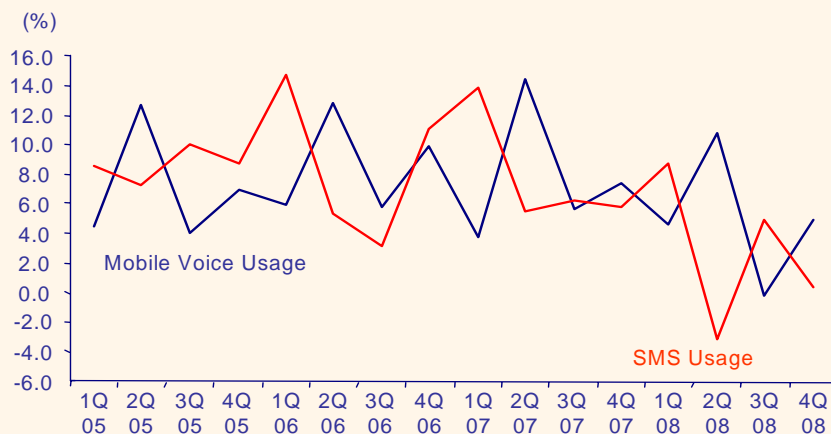
Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2006	295,358	159,371	66,026	3.32	22.3	18.5	7.0	1.80	2.5
2007	356,959	193,745	87,062	4.35	31.0	14.1	5.6	2.10	3.0
2008F	409,738	217,810	112,553	5.61	29.1	10.9	4.8	2.77	3.9
2009F	447,496	228,112	116,489	5.79	3.2	10.6	4.4	2.86	4.1
2010F	485,972	240,771	123,353	6.12	5.6	10.0	3.9	3.02	4.3

Consensus Net Profit – FY08: Rmb111,993m  
 – FY09: Rmb120,637m

\* Include special dividend of 15.9¢ in FY06, 10.1¢ in FY07

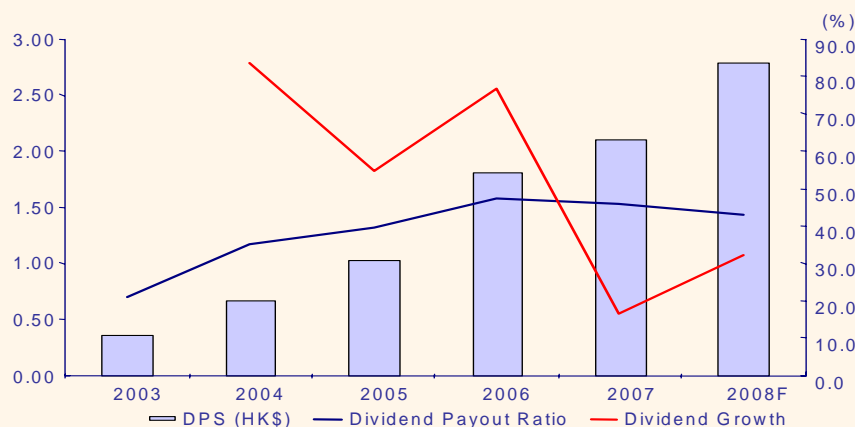
Wednesday, February 18, 2009

### China's Mobile Usage Growth (qoq)



Source: MIIT, UOB Kay Hian

### CMHK Historical Dividend Payout Pattern



Source: China Mobile, UOB Kay Hian

Note: Calculation includes special dividend of 15.9¢ in FY06 & 10.1¢ in FY07

### Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	295,358	356,959	409,738	447,496	485,972
EBIT	94,797	126,391	146,962	151,889	160,166
Pre-tax Profit	96,176	129,238	150,227	155,474	164,626
Net Profit	66,026	87,062	112,553	116,489	123,353

### Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	171,507	207,635	246,321	286,876	346,792
Total Assets	494,676	563,493	658,618	742,157	830,924
Current Liabilities	140,607	154,953	177,977	196,163	214,851
Long-Term Liabilities	9,941	9,949	9,957	9,995	10,003
Shareholder Funds	319,002	373,751	448,111	515,643	587,927
Total Equity & Liabilities	494,676	563,493	658,618	742,157	830,924

### Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	149,346	168,612	200,831	209,001	220,464
Investing	(118,841)	(123,039)	(155,341)	(149,734)	(142,377)
Financing	(23,587)	(37,276)	(40,177)	(49,794)	(51,672)
Net Cash In/(Out) Flow	6,918	8,297	5,312	9,474	26,416
Begin Cash & Cash Equiv.	64,461	71,167	78,859	83,468	92,214
End'g Cash & Cash Equiv.	71,167	78,859	83,468	92,214	117,859

### Revised Forecast Assumptions

(Rmbm)	2008F	2009F	2010F
Revenue (New)	409,738	447,496	485,972
Previous	414,760	471,562	512,266
Change	-1.2%	-5.1%	-5.1%
EBITDA (New)	217,810	228,112	240,771
Previous	220,921	240,564	254,596
Change	-1.4%	-5.2%	-5.4%
Net Income (New)	112,553	116,489	123,353
Previous	114,939	125,933	133,848
Change	-2.1%	-7.5%	-7.8%
Subscribers- m. (New)	457.3	527.6	590.9
Previous	457.3	527.6	590.9
Change	-	-	-
ARPU - Rmb. (New)	82.6	75.7	72.4
Previous	83.6	79.8	76.3
Change	-1.2%	-5.1%	-5.1%

Source: UOB Kay Hian

## COSCO Pacific

Jan 09: Throughput declines for the first time, dragged down by CNY holiday

COSCO Pacific handled 3.4m TEUs of container boxes in Jan 09, down 5% yoy. The throughput decline was mainly due to the Chinese New Year holiday and the slump in China exports.

### Corporate Events

COSCO Pacific (CP) registered a 5% yoy decline in throughput in January – mainly distorted by the Chinese New Year (CNY) holiday and affected by China's trade slump. The throughput number is not that disappointing when compared with China's top eight ports' throughput numbers (-13.6% yoy) and total China trade value (-29% yoy). In our view, 2M09 yoy comparison would be more indicative in the light of the CNY distortion in Jan 09.

**Throughput dropped in Pearl River Delta and Yangtze River Delta.** In the Pearl River Delta, all terminals recorded declines in throughput numbers except for the new acquisitions. As a result, overall throughput volume in the Pearl River Delta declined 9.1% yoy in Jan 09.

In the Yangtze River Delta, throughput growth from Ningbo Yuandong Terminals remained strong (+49.5% yoy) but Shanghai Terminals' throughput declined 31.2% yoy. Overall throughput growth in the Yangtze River Delta was down 11.3% yoy in January.

**Bohai Rim and overseas.** Throughput growth remained slow in the Bohai Rim (+2.3% yoy). Total throughput volume in Yingkou Container Terminal recorded a turnaround (+27.1% yoy in Jan 09 vs -38.5% in Dec 08) mainly due to a rise in the number of COSCON's domestic feeder routes in Yingkou Container Terminal.

Overseas throughput growth turned negative (-8.4% yoy) in January. It was mainly dragged down by the COSCO-PSA Terminals (-56.6% yoy): a) Singapore exports plunged 34.8% yoy in Jan 09, and b) higher base - CP added one more berth in the COSCO-PSA Terminals in Jan 08.

**Outlook.** In our view, the disappointing leading indicators (such as the Purchasing Manager Index, industrial production and worsening external demand) herald tough times ahead for China's exports in the coming months. China's exports may not improve until 3Q09.

On the import front, inventory de-stocking may be completed by end-1Q09. After that, China's domestic demand is likely to recover to a normal level in 2Q-3Q09. CP is likely to benefit from the completion of inventory de-stocking. Our in-house economist forecasts China's exports to decline 5% in 2009. In view of the gloomy global demand outlook, we expect CP's container throughput to drop 5% yoy in 2009.

### Valuation/Recommendation

The share price of CP has doubled from its trough level and has outperformed its peers'. The stock is trading at 6.8x 2009 PE (vs its historical average of 13.5x PE and peers' 8.4x 2009 PE) and 0.66x 2009 P/B (vs its historical average of 1.95x P/B and peers' 0.79x 2009 P/B), which is at a discount to its peers. Given the sector's dim outlook, we downgrade the stock to HOLD. Our HOLD recommendation also reflects the decent dividend yield of over 7%, diversified port locations and high quality of the stock.

## CHINA

### COSCO Pacific (1199 HK)

## DOWNGRADE TO HOLD

Current Price: HK\$6.79

Fair Price: HK\$5.95

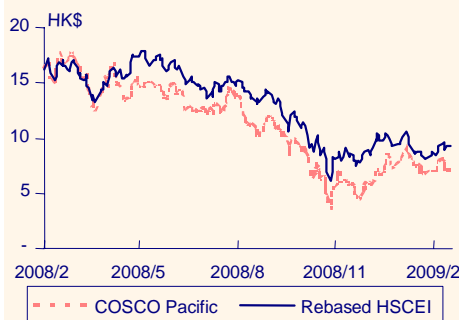
Sector	Transport
52-Wk Avg Daily Vol. ('000)	7,071
Market Cap (HK\$m)	15,243
(US\$m)	1,954

Major Shareholders (%)	
China COSCO	51

Book NTA per Share (HK\$)	9.40
ROE (%)	16.6
Net Debt per Share (HK\$)	1.84

Results Due	
Interim	August
Final	April

### Price Chart



Source: Bloomberg

### Analyst

Stella Kei  
 ☎ (852) 2826 1351  
 stella.kei@uobkayhian.com.hk

Year to 31 Dec	Turnover (US\$m)	EBITDA (US\$m)	Net Profit (US\$m)	EPS (US\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (US\$)	Yield (%)
2006	297	289	291	0.13	(14)	6.6	7.7	0.09	10.2
2007	299	296	428	0.19	45	4.6	8.4	0.09	10.8
2008F	317	269	302	0.13	(30)	6.5	9.8	0.07	7.6
2009F	314	246	290	0.13	(4)	6.8	11.9	0.06	7.3
2010F	319	245	305	0.14	5	6.4	12.8	0.07	7.7

Consensus: 2008 – US\$283m  
 2009 – US\$268m

Wednesday, February 18, 2009

### Container Throughput (Jan 09)

Terminal ('000 TEUs)	Jan 08	Jan 09	yoy % chg
<b>Pearl River Delta</b>			
COSCO-HIT	147.8	105.7	(28.5)
Yantian International Terminals (I II III)	766.4	736.2	(3.9)
Quanzhou Pacific Container Terminal	73.6	60.8	(17.4)
Guangzhou SC Oceangate Terminals	161.0	125.5	(22.0)
Jinjiang Pacific Ports Development	-	15.5	n.a.
<b>Subtotal</b>	<b>1,148.8</b>	<b>1,043.7</b>	<b>(9.1)</b>
<b>Yangtze River Delta</b>			
Shanghai Terminals	320.0	220.1	(31.2)
Shanghai Pudong Int'l Terminals	214.1	204.3	(4.6)
Zhangjiagang Win Hanverky Terminals	52.8	44.6	(15.5)
Yangzhou Yuanyang Int'l Terminals	18.3	13.1	(28.4)
Nanjing Port	64.2	75.0	16.8
Ningbo Yuandong Terminals	60.2	90.0	49.5
<b>Subtotal</b>	<b>729.6</b>	<b>647.1</b>	<b>(11.3)</b>
<b>Bohai Rim</b>			
Qingdao Qianwan Terminal (II III)	726.4	745.8	2.7
Qingdao Cosport Terminals	84.6	95.1	12.4
Dalian Port Container Co.,Ltd	228.7	252.2	10.3
Dalian Port Container (Phase II)	127.4	120.3	(5.6)
Yingkou Container Terminal	73.9	93.9	27.1
Tianjin Five Continents Int'l Terminals	172.1	139.0	(19.2)
<b>Subtotal</b>	<b>1,413.1</b>	<b>1,446.3</b>	<b>2.3</b>
<b>Overseas</b>			
COSCO-PSA Terminals	111.4	48.3	(56.6)
Antwerp Gateway	70.5	43.3	(38.6)
Suez Canal Container Terminal SAE	141.8	204.8	44.4
<b>Subtotal</b>	<b>323.7</b>	<b>296.4</b>	<b>(8.4)</b>
<b>Total</b>	<b>3,615.2</b>	<b>3,433.5</b>	<b>(5.0)</b>

Source: COSCO Pacific, UOB Kay Hian

### Profit & Loss

Year to 31 Dec (US\$m)	2006	2007	2008F	2009F	2010F
Turnover	297.5	298.9	316.9	313.7	319.4
EBIT	201.1	212.3	172.6	150.4	149.6
Pre-tax Profit	343.7	450.8	322.0	307.7	322.5
Net Profit	291.1	427.8	302.2	290.0	305.5
EPS (US¢)	13.1	19.1	13.5	12.9	13.6
EPS (HK\$)	1.03	1.49	1.05	1.01	1.06

### Balance Sheet

Year to 31 Dec (US\$m)	2006	2007	2008F	2009F	2010F
Current Assets	362	604	647	580	544
Total Assets	2,987	3,872	4,390	4,791	5,116
Current Liabilities	248	209	383	470	626
Long-Term Loans	566	951	1,192	1,362	1,372
Shareholders' Funds	2,173	2,712	2,815	2,959	3,118
Total Equity & Liabilities	2,987	3,872	4,390	4,791	5,116

### Cash Flow

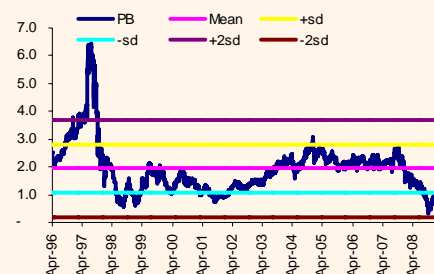
Year to 31 Dec (US\$m)	2006	2007	2008F	2009F	2010F
Operating	210	231	463	255	242
Investing	403	(205)	(478)	(346)	(548)
Financing	(546)	136	62	255	174
Net Cash Inflow/(Outflow)	67	162	46	164	(132)
Begin Cash & Cash Equiv.	157	225	387	433	598
End'g Cash & Cash Equiv.	225	387	433	598	466

### China's Top 8 Port Throughput

(m TEUs)	Jan 08	Jan 09	yoy % chg
Shanghai	2.35	1.95	(17.0)
Shenzhen	1.92	1.59	(17.5)
Qingdao	0.84	0.85	2.0
Ningbo	0.87	0.80	(8.2)
Guangzhou	0.98	0.68	(30.9)
Tianjin	0.66	0.63	(4.1)
Xiamen	0.43	0.38	(10.6)
Dalian	0.37	0.39	6.0
<b>Top 8 ports</b>	<b>8.40</b>	<b>7.26</b>	<b>(13.6)</b>

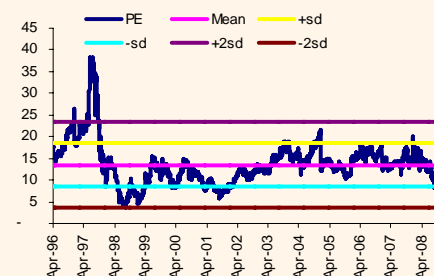
Source: MOC, UOB Kay Hian

### P/B Chart



Source: Bloomberg

### PE Chart



Source: Bloomberg

## Sino-Ocean Land

Stock price has factored in strong year-to-date sales

Sino-Ocean held a conference call yesterday. Sales were strong year-to-date on the back of realistic pricing and good location of its properties. We think stock's 46% discount to NAV has priced in the positive news. Maintain HOLD.

### Corporate Events

**Ytd property sales remain quite strong.** Sino-Ocean achieved ytd contracted sales of Rmb1.0b, representing 13% of 2009 sales target of Rmb7.5b. Moreover, there were Rmb800m of property subscription during the same period, mainly from the Rmb630m from Ocean La Vie, the top-end villa project in Beijing. Thanks to the good location in the so-called "Central Villa Area" with convenient access to the city centre and excellent quality, the project saw a good market response, but it will take a couple of months for investors to sign the contracts after the official sales launch. Among other project sales, Ocean Landscape East fetched contracted sales of Rmb460m. Thanks to the good location (western Fourth Ring Road) and realistic pricing, Ocean Landscape West also contracted sales of Rmb1.6b or around 140,000sqm since its launch in Nov 08. Despite that, Sino-Ocean lowered the selling prices to Rmb11,000-13,000psm vs Rmb17,000psm during the peak period in 2007.

**2009 sales target slightly up yoy.** Management projected a conservative 2009 sales target of Rmb7.5b, a slight increase over 2008 contracted sales of Rmb7.0b. It estimated Beijing to account for 60% of total sales this year, and the remaining 40% will come from Tianjin, Dalian and Zhongshan. In Beijing, Phase 3 of Ocean Landscape East with saleable GFA of 80,000 qm will be launched in 2Q09. We expect it to continue to achieve good sales. Nonetheless, according to the management, there will be no new presale launch before 2Q09, so sales momentum is likely to slow down moderately in the next couple of months.

### Stock Impact

**Beijing's inventory problem is mainly due to the decline in sales volume.**

Management shared the view that the rising inventory in Beijing is not because of the increase in supply. Instead, it is mainly due to the slowdown in demand amid the market correction. We agree. Our data show that the current housing inventory of 19.3m sqm in Beijing is still lower than the historical inventory in 2003-05. Moreover, the rising inventory does not necessarily lead to a drop in housing prices. Nonetheless, we understand the key problem is slow sales, and investors are concerned over the slow inventory turnover at around 22 months. On the other hand, management shows us the rising inventory in suburban areas but declining inventory in downtown areas over the past few years. As most of Sino-Ocean's properties are located in the urban areas of Beijing, this should to some extent alleviate investors' concern on the inventory problem there.

## CHINA

### Sino-Ocean Land (3377.HK)

#### HOLD

**Current Price: HK\$3.79**

**Fair Price: HK\$3.50**

**(Previous: HK\$3.90)**

Sector	Property
52-Wk Avg. Daily Vol. (m)	27.9
Market Cap (HK\$m)	16,962
(US\$m)	2,175

Major Shareholders (%)	
Sunny Wealthy	20.4
Sinochem Hong Kong	14.2

Book NTA per Share (HK\$)	3.89
ROE (%)	17.8
Net Debt per Share (HK\$)	0.63

Result Due	
Interim: Sep.	Final: Mar.

### Price Chart



Source: Bloomberg

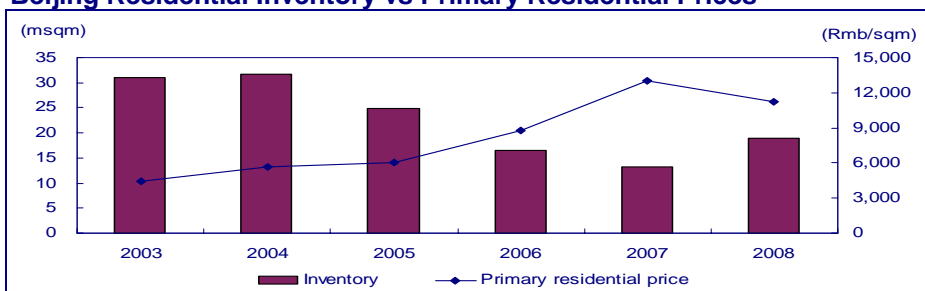
### Analyst

Johnson Hu, CFA  
 ☎ (8621) 5404 7225 ext 806  
 johnson.hu@uobkayhian.com

Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb¢)	EPS Growth (%)	PE (*)	EV/EBITDA (*)	DPS (Rmb¢)	Yield (%)
2006	3,708	1,170	597	18.3	45.3	20.7	18.4	8.4	2.5
2007	5,750	3,085	1,722	38.5	110.1	9.2	6.4	11.2	3.4
2008F	6,773	2,307	1,013	22.6	(41.1)	14.8	10.6	7.5	2.2
2009F	9,491	2,692	1,265	27.0	19.4	12.4	10.4	7.6	2.3
2010F	13,831	3,693	1,785	38.2	41.1	8.8	7.9	9.5	2.8

Consensus Net Profit – FY08: Rmb1,372  
 – FY09: Rmb1,448

**Beijing Residential Inventory vs Primary Residential Prices**



Source: Beijing Real Estate Bureau, CEIC, Soufun, UOB Kay Hian

**Inventory Breakdown by Areas**

	----- 2004-05 -----		----- 2008 -----	
	(m sqm)	% of total	(m sqm)	% of total
Urban area (8 districts)	1,032	68	824	58
Suburban area	486	32	596	42

Source: Beijing Real Estate Bureau, Sino-Ocean, UOB Kay Hian

**Balance sheet remains sound.** Sino-Ocean has Rmb8.0b cash on hand and net gearing stood at 40-45% as at end-08. Management projects construction cost at Rmb5.0b and outstanding land premium payment at Rmb2.0b for 2009. Coupled with our estimated other operation costs of Rmb1.7b, this means the total capex is around Rmb8.7b, surpassing the sales target of Rmb7.5b by Rmb1.2b. Meanwhile, Sino-Ocean is likely to replenish its landbank in 2H09. The increase of net outflow is in line with management's plan to lift net gearing moderately. The company also intends to restructure the debt by repaying the convertible bond due this year with HK\$780m while planning to issue corporate bond in the domestic market this year.

**Valuation/Recommendation**

The stock is trading at a 46% discount to its current NAV of HK\$7.04/share, higher than the sector's average of a 58% discount to NAV. We think the valuation has factored in the positive news of the strong sales improvement in the past few months. Maintain HOLD with fair price at HK\$3.50 based on a 50% discount to NAV. Our entry price is HK\$3.00.

**Profit & Loss**

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	3,708	5,750	6,773	9,491	13,831
EBIT	1,161	3,071	2,286	2,664	3,693
Pre-tax Profit	1,029	2,857	1,978	2,315	3,310
Net Profit	597	1,722	1,013	1,265	1,785
EPS (Rmb cents)	18.3	38.5	22.6	27.0	38.2

**Balance Sheet**

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	14,769	33,596	39,904	43,248	47,395
Total Assets	16,802	37,766	44,458	48,543	53,528
Current Liabilities	8,304	11,809	14,327	16,352	18,706
Long-Term Loans	4,238	8,003	11,058	12,164	13,381
Shareholders' Funds	3,526	15,824	17,205	18,116	19,455
Total Equity & Liabilities	16,802	37,766	44,458	48,543	53,528

**Cash Flow**

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	(2,773)	(4,400)	(4,947)	(2,471)	(356)
Investing	(361)	(1,979)	674	(650)	(753)
Financing	4,666	14,847	4,162	1,226	1,291
Net Cash Inflow	1,532	8,469	(111)	(1,896)	182
Begin Cash & Cash Equiv.	1,046	2,580	8,469	8,358	6,462
End'g Cash & Cash Equiv.	2,578	11,049	8,358	6,462	6,645

## China Hongxing Sports

FY08: Higher costs drag results; 2009 growth could slow down

China Hongxing (CHX) posted worse-than-expected 2008 results with net profit up only 8% as SG&A expenses surged. We cut net profit forecasts by 16% due to higher operational costs. Maintain BUY.

Year to 31 Dec	4Q08	yoy	2008	yoy	Remarks
	(Rmbm)	% chg	(Rmbm)	% chg	
Turnover	857	28	2,889	41	573 new stores, 26% SSS growth
Gross profit	310	22	1,136	35	
EBITDA	147	(18)	582	14	
EBIT	133	(22)	519	10	
Pre-tax Profit	134	(20)	515	15	
Tax	24	135	67	100	
Net Profit	110	(30)	449	8	
Gross Margin (%)	36.1	(1.9)	39.3	(1.8)	Rmb156m rebate to distributors
EBITDA Margin (%)	17.2	(9.7)	19.6	(5.1)	Surge in SG&A expenses
EBIT Margin (%)	15.5	(9.5)	17.9	(5.0)	
Pre-tax Margin (%)	15.6	(9.3)	17.8	(4.2)	
Net Margin (%)	12.8	(10.6)	15.5	(4.8)	

### 2008 Results

**Turnover rose 41% yoy for 2008.** CHX's turnover grew 41% yoy to Rmb2.89b in 2008, driven by a 26% same-store sales (SSS) growth and an additional 573 outlets to 4,324. However, turnover growth slowed from over 50% yoy in 1H08 to 28% yoy in 4Q08 in tandem with a deceleration of SSS growth from over 30% to 20%.

**Net profit up 8% yoy for 2008, but fell 30% yoy for 4Q08.** Net profit grew 8% yoy to Rmb448.5m in 2008 vs our estimate of Rmb485m and consensus of Rmb500m. The worse-than-expected results was mainly due to a 30% yoy drop in net profit for 4Q08.

**Lower gross margin due to rebate to distributors.** Gross margin dropped 1.8ppt yoy to 39.3% in 2008, as the group provided its distributors with Rmb156m worth of product rebates to encourage them to renovate the stores. For 1H09, the Group will provide another Rmb45m of product rebates for store renovation.

**Costs driven by marketing, depreciation and rental expenses.** EBIT margin dropped 5ppt yoy to 17.9% in 2008 as SG&A expenses surged. Selling and distribution costs increased 68% yoy in 2008 due to increased advertising and promotional (A&P) and rental expenses. Administrative expenses increased 55% yoy on the back of higher salary expenses and depreciation following capacity expansion. Most of the increase in SG&A expenses was in 4Q08 (+100% yoy).

**Dividend.** Amid the uncertain economy, CHX skipped the final dividend for 2008 to retain more cash reserves, leaving the full-year payout ratio at only 8.5%. We assume payout ratio to rebound to 20% for 2009-11.

### Stock Impact

**Lower 2009-10 SSS growth assumption to 3%.** We lower our forecast for CHX's SSS growth for 2009-10 from over 10% to 3% to reflect our lower assumption on China's GDP growth. Although SSS growth for Jan 09 (seasonal adjusted) reached 20%, we believe the number will drop after the Chinese New Year as some of the purchasing power have been exhausted by heavy discounting during the holidays.

## SINGAPORE

### China Hongxing (CHHS SP)

#### BUY

Current Price: S\$0.165

Target Price: S\$0.29

(Previous: S\$0.33)

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	29,270
Market Cap (S\$m)	419
(US\$m)	54

Major Shareholders (%)	
Wu Rongguang	18.2
Wu Rongzhao	9.1
Wu Hanjie	9.1

Book NTA per Share (S\$)	0.22
ROE (%)	12.1
Net Cash per Share (S\$)	0.14

#### Results Due

1Q: May	Interim: Aug
3Q: Nov	Final Feb:

#### Price Chart



Source: Bloomberg

#### Analyst

Singapore Research Team  
research@uobkayhian.com

Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rmb)	Yield (%)
2007	2,046	509	416	0.200	87	4.1	0.7	0.040	4.8
2008	2,889	582	449	0.177	(12)	4.6	0.6	0.015	1.8
2009F	3,397	607	457	0.180	2	4.5	0.6	0.036	4.4
2010F	3,894	696	531	0.209	16	3.9	0.5	0.042	5.1
2011F	4,411	785	589	0.232	11	3.5	0.5	0.046	5.7

Consensus Net Profit -- FY09: Rmb547m  
-- FY10: Rmb639m

**Lower assumption on annual store addition from 600 to 500.** We lower our assumption on the Group's annual store addition from 600 to 500. The Group's target to open 600 stores a year is subject to adjustment pending the sales momentum.

**15% CAGR in turnover for 2009-11 vs >40% orderbook growth in 1H09.** Although orderbook for 1H09 grew over 40%, we anticipate the Group's turnover to grow at a CAGR of 15% in 2009-10. Given the uncertainty in economic growth, orderbook growth could drop in 2H09 before a rebound in 2010. Our forecast for turnover growth is based on SSS growth of 3% and an addition of 500 stores a year.

**Gross margin could drop slightly.** We assume the Group's gross margin to drop 2ppt to 37% in 2009 and remain flat. The slower market growth and more intense competition in the low-end segment (including Anta, 360, Xtep and Peak) could prompt CHX to give more discounts to its distributors.

**Cut 2009-10 net profit forecasts by 16%.** We cut CHX's 2009-10 net profit forecasts by 16% to Rmb457m and Rmb531m respectively based on lower SSS growth, less store additions, lower gross margin and higher SG&A expenses.

### Earnings Risks

**Collection of lease prepayment from distributors.** The Group has paid Rmb1.3b in lease prepayment for its distributors for the openings of over 420 mid-sized stores in prime locations in second- and third-tier cities. The Group said it will collect all of the proceeds from distributors by 1H10. By far, it has collected around Rmb280m of lease prepayment from distributors. However, if the distributors see liquidity pressure, it is unsure whether CHX can get back all the lease prepayment as planned.

### Valuation/Recommendation

Based on our new earnings forecasts, the stock is trading at only 4.5x 2009F PE vs 5-8x for second-tier sportswear companies (Anta and Xtep) and 10-11x for first-tier sportswear companies (Li Ning and China Dongxiang) in China. Maintain BUY but we cut our target price from S\$0.33 to S\$0.29 based on 10-year DCF (WACC= 16%; terminal growth= 3%). Our target price implies 6.8x 2010F PE.

### Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	2,046	2,889	3,397	3,894	4,411
EBIT	470	519	533	611	692
Pre-tax Profit	450	515	532	633	718
Net Profit	416	449	457	531	589

### Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	3,510	3,731	3,888	4,408	4,981
Total Assets	4,064	4,416	4,635	5,142	5,699
Current Liabilities	239	271	314	356	399
Long-Term Loans	271	272	-	-	-
Shareholders' Funds	3,554	3,873	4,321	4,787	5,300
Total Equity & Liabilities	4,064	4,416	4,635	5,142	5,699

### Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	80	(358)	1,040	932	546
Investing	(259)	(111)	(104)	(29)	(24)
Financing	2,230	(106)	(305)	(66)	(76)
Net Cash Inflow/(Outflow)	2,051	(574)	631	838	446
Begin Cash & Cash Equiv.	545	2,598	1,982	2,612	3,450
End'g Cash & Cash Equiv.	2,598	1,982	2,612	3,450	3,896

## ST Engineering

4Q08: Earnings 7% below consensus, but a better 2009 is expected

*Impairment losses and doubtful debts weigh on earnings, but 2009 is expected to show improvement as budgetary measures and growth from non-aerospace segments contribute to bottom line.*

### 4Q08 Results

	4Q08 (S\$m)	yoy % chg	2008 (S\$m)	yoy % chg	Remarks
Turnover S(\$)	1346.4	3.9	5344.5	5.8	Growth from most sectors
EBITDA S(\$)	167.6	-16.2	667.9	-2.4	Impairment charges
Pre-tax Profit S(\$)	89.0	-49.9	540.7	-15.3	
Tax S(\$)	-17.9	-168.3	51.9	-54.7	Deferred tax assets
Net Profit S(\$)	102.2	-30.2	473.6	-5.9	
EPS (¢)	3.1	-36.6	15.5	-8.4	
EBITDA margin (%)	12.4	-24.9	13.0	-15.0	

Source: ST Engineering, UOB Kay Hian

### Results

Net profit at \$473.6m came in 7% below consensus and 4.8% below our estimate of S\$497.6m. At the EBITDA level, we were expecting S\$710.5m, but full year numbers came in at S\$668m. The shortfall was mainly due to higher selling and distribution expenses primarily resulting from increased doubtful debts (+S\$31m) and forex losses of \$10.8m. At the non-operating level, a S\$25.9m in impairment value of quoted investments and a steep 61% decline in investment and interest income contributed to a steeper pre-tax decline. Excluding these two items, 4Q08 pre-tax profit would have been in line with that of 3Q08. Dividend payout at 100% amounted to 15.8 cents against our expectation of 16.0 cents. Orderbook rose to S\$10.6b from S\$9.54b from 3Q08.

### Stock impact

The increase in doubtful debts would likely grab the spotlight. However, management clarified that less than 10% of past due trade debtors had extended beyond 90 days. Given the tight liquidity conditions prevalent in 4Q09, it would not be unusual to have slower payment schedules in 4Q08. Management also clarified that the impaired quoted investments were not financial investments but longer-term investments that were affected by market turmoil. The 6% rise in revenue and ROE of 30% are commendable in what was a difficult operating environment. The company has guided a higher turnover and comparable pre-tax profit (PBT) for 2009, with the marine, land system and electronics divisions expected to post higher pre-tax contributions due to recognition of milestone orderbook completions. Management also indicated that defence exports could grow in the coming years following a landmark £150m contract to the UK Ministry of Defence.

## SINGAPORE

### ST Engineering (STE SP)

#### BUY

Current Price: S\$2.06

Target Price: S\$2.82

Sector: Aviation  
Bloomberg: STW SP  
Website: www.stengg.com

52-Wk Avg Daily Vol. ('000): 4513  
Market Cap (S\$m): 6180.3  
(US\$m): 4044.8

Book NTA per Share (S\$): 0.49  
ROE (%): 30.0  
Net cash per Share (S\$): 0.14

Results Due:  
1Q:May 3Q:Nov  
2Q:Aug 4Q:Dec

### Price Chart



Source: Bloomberg

### Analyst

K Ajith  
☎ (65) 6419 5411  
ajith@uobkayhian.com

Year to 31 Dec	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (S\$)	Yield (%)
2007	5051.0	684.4	503.5	16.9	n.a.	12.2	9.2	16.9	8.2
2008	5344.5	698.1	473.6	15.8	-6.5	13.0	9.0	16.0	7.8
2009F	5512.6	772.9	514.5	17.2	8.6	12.0	8.1	15.8	7.8
2010F	5853.7	763.2	526.0	17.6	2.2	11.7	8.1	16.0	7.8
2011F	5976.4	805.7	555.4	18.5	7.6	11.1	7.8	16.0	7.8

Consensus Net Profit: - FY08: S\$509.2  
- FY09: S\$542.9

ST Engineering (STE) has received several enquires from other defence organisations regarding its armoured personnel carriers. Another point emphasised by management is that ST Aerospace's exposure to low-cost carriers (LCC) is less than 10% and most of the airlines that are grounded in the US are older, inefficient aircraft that STE does not contract with.

**Earnings Risk**

In a query we posed to management, STE indicated a more cautionary stance toward capex in the light of tight credit markets. We view this as a positive sign as it would reduce cash flow concerns and allow for stable payouts. We have adjusted upwards our net profit forecast for 2009 by S\$2m following management's guidance of higher top-line growth after adjusting for lower investment and interest income. Similarly, we have lowered investment income for 2010 and net profit is lowered by \$17.7m to S\$526.0m in 2010.

**Recommendation**

Maintain BUY with a \$2.82 target price, pegging the stock at 16.5x forward PE multiple.

**Profit & Loss**

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Turnover	4,485.8	5,051.0	5,289.6	5,575.9	5,922.8
EBIT	593.4	684.4	710.5	716.7	751.5
Pre-tax Profit	564.3	638.1	610.8	645.9	708.1
Net Profit	503.5	473.6	514.5	526.0	555.4

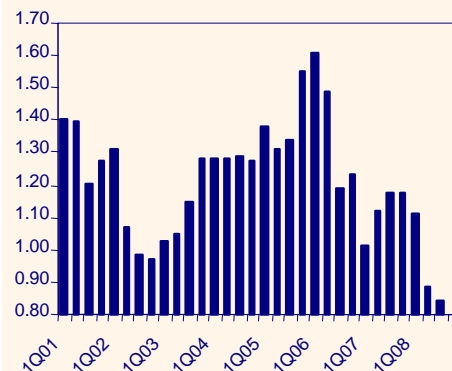
**Balance Sheet**

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	3,580.5	3,951.4	4,458.7	4,645.8	4,458.7
Total Assets	5,577.8	6,043.3	6,537.6	6,741.9	6,537.6
Current Liabilities	3,280.0	3,751.4	3,815.5	3,888.8	3,815.5
Long-Term Liabilities	272.9	2.7	289.2	289.2	289.2
Shareholder Funds	1,565.4	1,632.5	1,732.0	1,834.0	1,732.0
Total Equity & Liabilities	5,577.8	6,043.3	6,537.6	6,741.9	6,537.6

**Cash Flow**

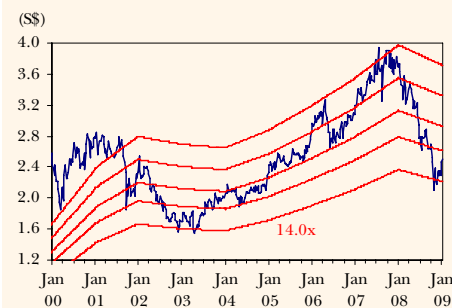
Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	460.4	661.3	453.9	485.3	524.4
Investing	(361.9)	6.1	(68.7)	94.8	64.9
Financing	(142.7)	(513.0)	(514.2)	(577.7)	(569.1)
Net Cash In/(Out) Flow	(44.2)	154.4	(129.0)	2.4	20.1
Begin Cash & Cash Equiv.	1,198.2	1,141.3	1,282.8	(6.5)	(6.5)
End'g Cash & Cash Equiv.	1,141.3	1,282.8	1,147.3	1,225.3	1,215.1

**Price/Orderbook**



Source: ST Engineering, UOB Kay Hian

**PE Band**



Source: UOB Kay Hian

## Ascendas REIT

### Resilience from long-term leases

Like A-REIT for visible revenue stream and minimal refinancing risk. Unfairly penalised due to weak demand for flatted factories, which accounted for only 6% of A-REIT's portfolio in 3QFY09. Downside limited by strong support at S\$1.20.

### Corporate Events

Ascendas REIT (A-REIT) has retraced to a strong support level of S\$1.20, a good entry level for the stock.

### Stock Impact

**Highly visible revenue stream.** A-REIT has a balanced portfolio of multi-tenanted buildings (typical three year leases) and sale & leaseback properties (average lease to expiry is 7.6 years). The average lease term to expiry for its entire portfolio is 5.3 years. Leases accounting for 14.7% of net property income are up for renewal in FY10. A-REIT has maintained payout ratio at 100% for the past six years and do not intend to deviate from its existing policy.

**Minimal refinancing risks.** A-REIT's next major refinancing is S\$300m term loan due Mar 2010 but the existing banker is likely to extend the facility for another year. Separately, A-REIT is in advanced negotiations for a S\$250m loan facility. Management estimated all-in cost of borrowings at 4.5%. The new facility will be utilised to reduce reliance on revolving credit facility and for new development projects.

**Not as exposed to export-oriented manufacturing as widely perceived.** According to JTC Quarterly Facilities Report for 4Q08, termination for flatted factory space exceeded new leases in 2H08. However, termination declined 22.9% qoq to 177,540sf in 4Q08. The bulk of termination came from local companies in the electronics and precision engineering industries. For A-REIT, flatted factories accounted for only 6% of its portfolio by value in 3QFY09. Management estimated that tenants engaged in conventional manufacturing activities occupied only 21% of its portfolio's net lettable area (NLA).

### Flatted Factory Space

('000sf)	1Q08	2Q08	3Q08	4Q08
Space Leased	411.0	302.4	209.8	161.4
Termination	305.6	229.2	230.3	177.5
Net Increase In Space Leased	105.4	73.2	(20.4)	(16.1)
Demand	6,617.4	6,690.6	6,669.0	6,652.9
Supply	7,911.8	7,911.8	7,911.8	7,428.7
Occupancy (%)	83.6	84.6	84.3	89.6

Source: JTC Quarterly Facilities Report

**Growth from development projects.** A-REIT will pursue development projects on a build-to-suit basis. Development projects provide a higher yield of 9-10% compared with 6-7% from acquisitions. A-REIT will not proceed to construction unless there is a pre-committed long-term lease from an anchor tenant. Its track record in provision of quality industrial space and existing base of 860 tenants present a constant source of referrals and enquiries.

## SINGAPORE

### Ascendas REIT (AREIT SP)

### BUY

Current Price: S\$1.21

Target Price: S\$1.92

(Previous: S\$1.97)

Sector	REITs
52-Wk Avg Daily Vol. ('000)	4,723
Market Cap (S\$m)	2,047.8
(US\$m)	1,340.5

Major Shareholders (%)	
Ascendas P/L	22.7
Fidelity Management & Research	5.5

Book NTA per Share (S\$)	1.67
ROE (%)	7.9
Net Debt per Share (S\$)	1.35

Results Due	
1Q: Apr	2Q: Jul
3Q: Oct	Final: Feb

### Price Chart



Source: Bloomberg

### Analyst

Jonathan Koh  
 ☎ (65) 6539 1026  
 jonathankoh@uobkayhian.com

Year to 31 Mar	Turnover (S\$m)	EBIT (S\$m)	Net Income (S\$m)	EPU (¢)	EPU Growth (%)	PE (x)	DPU (¢)	Yield (%)
2007	283.0	187.2	148.4	11.5	6.8	10.5	12.8	10.5
2008	322.3	215.5	175.0	13.2	14.3	9.2	14.1	11.7
2009F	394.6	259.0	201.9	14.4	8.9	8.4	15.4	12.7
2010F	410.4	277.8	218.6	12.8	(10.7)	9.4	13.8	11.4
2011F	417.2	282.5	223.1	13.0	1.1	9.3	13.9	11.5

Consensus Net Profit – FY08: S\$198.5m  
 – FY09: S\$198.6m

**Earnings Revision**

We assume portfolio occupancy will taper off from 97.2% in 3QFY09 to 92% in 4QFY10.

**Valuation/Recommendation**

A-REIT's NAV/share after a recent private placement and preferential offering of 353.9m new units is S\$1.67. Our target price is S\$1.92 based on a dividend discount model (required rate of return: 9.0%; growth: 2.5%).

**Profit & Loss**

Year to 31 Mar (\$m)	2007	2008	2009F	2010F	2011F
Turnover	283.0	322.3	394.6	410.4	417.2
Net Property Income	210.3	243.5	294.4	312.3	317.4
EBIT	187.2	215.5	259.0	277.8	282.5
Net Profit	163.8	175.0	201.9	218.6	223.1
EPU (S cents)	11.5	13.2	14.4	12.8	13.0
DPU (S cents)	12.8	14.1	15.4	13.8	13.9

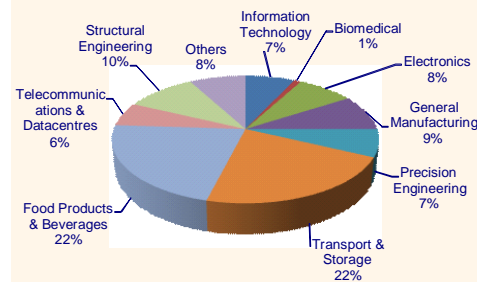
**Balance Sheet**

Year to 31 Mar (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	26.7	25.4	29.7	46.4	55.3
Total Assets	3,312.0	4,205.2	4,676.2	4,839.0	4,848.7
Current Liabilities	111.3	166.5	194.6	202.4	205.7
Long-Term Liabilities	1,183.5	1,559.9	1,650.0	1,800.0	1,800.0
Shareholder Funds	1,970.0	2,438.0	2,830.6	2,835.6	2,842.0
Total Equity & Liabilities	3,312.0	4,205.2	4,676.2	4,839.0	4,848.7

**Cash Flow**

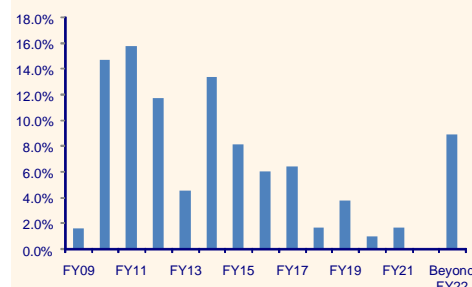
Year to 31 Mar (\$m)	2007	2008	2009F	2010F	2011F
Operating	207.9	224.9	651.8	297.3	333.7
Investing	(326.2)	(378.1)	(471.0)	(155.4)	(49.0)
Financing	118.8	153.8	(180.4)	(125.9)	(276.2)
Net Cash In/(Out) Flow	0.4	0.6	0.4	16.0	8.6
Begin Cash & Cash Equiv.	4.4	4.8	5.4	5.8	21.8
End'g Cash & Cash Equiv.	4.8	5.4	5.8	21.8	30.4

**Tenant Mix By NLA**



Source: A-REIT

**Lease Expiry Profile (Dec 08)**



Source: A-REIT

## Indofood Agri Resources

Write-down of Rp663b in fair value of biological assets in 2008

*Indofood Agri (IFAR) announced a write-down in fair value of biological assets of Rp663b in 2008 due to the fall in CPO prices and changed assumptions in independent valuation. No impact on our earning forecasts.*

### Corporate Events

**Write-down in fair values of biological assets.** As a result of the drop in crude palm oil (CPO) prices in 2H08 due to the downturn in the global economy and based on the results of independent valuations, the company posted a Rp663b write-down in fair value of biological assets (net of tax). The company conducted the valuation on the biological assets on half-yearly basis based on the reports prepared by an independent firm. The write-down is in accordance with the Singapore Financial Reporting Standards (SFRS) No. 41 on "Agriculture". During 1H08, the company posted a net gain in fair value of biological assets of Rp452b (net of tax)

**Change in assumptions on projected CPO prices and discount rate.** The changes in fair value of biological assets were mainly attributable to a) changes in CPO price assumptions used in the independent valuation, b) discount rate used, and c) the decline in fair value of biological assets over the years due to the realisation of projected cash flows.

**Negative impact on reported net profit, not on core net profit.** Although the write-down in fair value of biological assets may have negative impact on the net profit, it does not impact to the core (underlying) net profit, which excludes changes in fair value of biological assets as the write-down is non-cash in nature and does not affect the company operationally

### Earnings Revision

There is no impact on our earnings forecast due to the write-down as our earnings model is based on the core (underlying) net profit and does not factor in gain/losses from the change in fair value of biological assets.

### Valuation/Recommendation

Maintain **BUY** with a target price of S\$0.80, based on 8.0x 2009 PE for integrated plantation plays. Currently, the stock trades at 6.5x 2009 PE, which is lower than the Indonesia plantation sector average of 9.4x 2009 PE.

## SINGAPORE

### Indofood Agri Resources (IFAR SP)

#### BUY

Current Price: S\$0.56

Target Price: S\$0.80

Sector	Plantation
52-Wk Avg Daily Vol. ('000)	10,522
Market Cap (S\$m)	803.5
(US\$m)	525.9

Major Shareholders (%)	
Indofood Singapore Holdings	69.0

Book NTA per Share (Rp)	4,234
ROE (%)	15.3
Net Debt per Share (Rp)	3,045

Results Due	
1Q: Apr	2Q: Aug
3Q: Oct	Final: Mar

### Price Chart



Source: Bloomberg

### Analyst

Stefanus Darmagiri  
 ☎ (62-21) 2557 8876  
 stefanusdarmagiri@uobkayhian.com

Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit* (Rpb)	EPS* (Rp)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rp)	Yield (%)
2006	4,088.9	800.9	347.8	348	0.0	12.7	14.1	0	0.0
2007	6,505.6	1,551.9	762.8	527	51.2	8.4	8.6	0	0.0
2008F	10,900.3	3,287.6	1,485.4	1,026	94.7	4.3	4.0	205	4.7
2009F	7,860.8	2,300.1	975.9	674	(34.3)	6.5	5.8	135	3.1
2010F	11,362.5	3,500.2	1,646.5	1,137	68.7	3.9	3.8	227	5.2

Consensus Net Profit – FY08: Rp1,573.3b  
 – FY09: Rp799.8b

\*Exclude changes in fair value of biological assets

**Profit & Loss**

<b>Year to 31 Dec (Rpb)</b>	<b>2006</b>	<b>2007</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
Turnover	4,088.9	6,505.6	10,900.3	7,860.8	11,362.5
Gross Profit	1,009.2	1,964.2	3,737.2	2,670.3	4,007.0
Operating Profit	660.3	1,510.7	3,085.1	2,087.0	3,280.1
Pre-tax Profit	1,091.1	1,489.2	2,755.8	1,810.5	3,054.8
Reported Net Profit	646.5	889.1	1,485.4	975.9	1,646.5
Adjusted Net Profit*	347.8	762.8	1,485.4	975.9	1,646.5

\* Exclude changes in fair value of biological assets

**Balance Sheet**

<b>Year to 31 Dec (Rpb)</b>	<b>2006</b>	<b>2007</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
Current Assets	1,534.3	3,880.1	4,732.4	3,171.0	4,268.5
Total Assets	5,586.3	18,811.6	20,680.7	18,682.0	20,042.2
Current Liabilities	1,023.0	5,871.5	3,581.5	2,300.2	1,852.2
Non Current Liabilities	1,102.0	3,119.0	4,718.4	4,188.8	3,427.5
Shareholder's fund	2,794.4	7,155.7	8,347.7	9,128.4	10,445.6
Total Equity and Liabilities	5,586.3	18,811.6	20,680.7	18,682.0	20,042.2

**Cash Flow**

<b>Year to 31 Dec (Rpb)</b>	<b>2006</b>	<b>2007</b>	<b>2008F</b>	<b>2009F</b>	<b>2010F</b>
Cash flow from Operating	218.4	1,099.7	2,056.0	1,909.8	1,199.6
Cash flow from Investing	(105.7)	(5,112.1)	(1,778.6)	(147.7)	(659.5)
Cash flow from Financing	(65.1)	5,391.5	(786.5)	(2,336.1)	(303.8)
Net Cash Inflow/(Outflow)	47.6	1,379.2	(509.1)	(574.0)	236.3
Begin Cash & Cash Equiv.	274.7	322.3	1,701.5	1,192.4	618.4
Ending Cash & cash Equiv.	322.3	1,701.5	1,192.4	618.4	854.7

## Industrial Estate

### Too early to buy industrial estates

Using P/B as a yardstick, the industrial estate sector does not look extremely attractive as downside risks remain significant.

#### Corporate Events

The Thai auto industry is now facing a dramatic slowdown as January vehicle sales plummeted 30% yoy to 32,085 units. After peaking in March 2008, monthly vehicle sales have seen negative sales growth since last June. The Jan-09 number is the record low for monthly sales in almost seven years. Sales of pick-up trucks, the best selling vehicles, plunged almost 40% while passenger car sales were down 10%.

Overall domestic car sales this year are expected to fall at least 20%. With a poor export outlook, the industry now expects production to plunge by as much as 40% in 1Q09. For the year, production could contract 25% to 1.05 million units from last year's 1.4 million units. This would translate into a drop in production capacity utilisation to only 59% from almost 80% last year.

The 30% fall in car sales in January is worst than earlier consensus expectation of a 15-20% fall.

The Ministry of Commerce is also due to release the exports number for January next week. According to an industry source, it is highly likely that January exports could drop as much as 25%, much worse than street expectations of 13-15%.

#### Impact

The hard-hit auto and electronics business segments whose investment accounted for 53% of the total BOI investment in 2008 will lead to a sharp decline in total BOI investment this year. Tracing back to the last two economic crises in 1998 and 2001, BOI investment plunge 50%. Hence, it is likely that this year's new investment will drop at the same pace. Total industrial capacity utilization has already dropped to around 60% in Nov 08. Amid weak sentiments and lack of overseas demand, things will continue to slow down and capacity utilization will fall further.

Worse-than-expected export performance, weak investment outlook and poor domestic spending make our GDP forecast of 0.5% a tad too optimistic.

#### Recommendation

We re-iterate our **UNDERWEIGHT** rating on the industrial estate sector. The correlation between BOT investment and industrial land sales is 90%. We assume that industrial estate land sales in 2009 will fall to the level seen during the 2001 Dot-Com Crisis. As a result, we estimate the sector's average industrial land sales to plunge around 60% yoy in 2009. Other businesses like utilities/service income and residential sales of HEMRAJ and ROJANA will also be hurt by the sharp reduction in capacity utilization and weak demand. In the worst case, TICON, the leading developer of rental factory/warehouse space, may see its profit collapse by 60% this year if TFUND REIT is not be able to raise funds to buy its assets. Hence, the sector's combined 2009 net profit is likely to decline by 33% yoy.

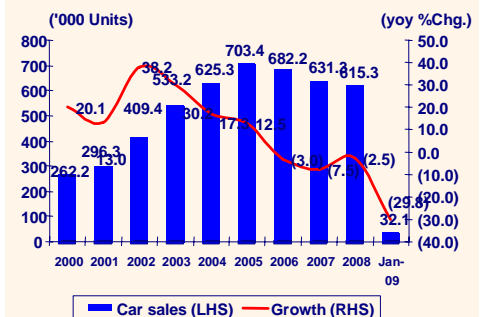
Even though share prices of industrial estate stocks have dropped 60-70% over the past 6 months, their risk/reward profile is still unattractive with downside risk to their lowest P/B posted in the 1997 economic crisis of 80-90%. We rate every industrial estate stocks as follows: **HEMRAJ (SELL/Fair: Bt0.40)**, **ROJANA (SELL/Fair: Bt3.23)**, **TICON (SELL/Fair: Bt4.40)** and **AMATA (SELL/Fair: Bt2.52)**.

## THAILAND

### Industrial Estate

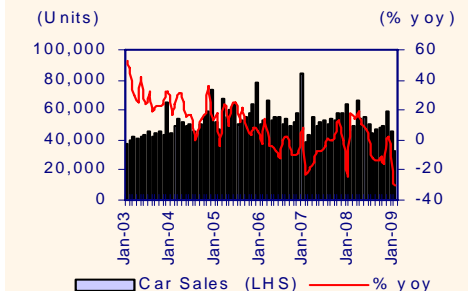
## UNDERWEIGHT

#### Annual Total Vehicle Sales and Growth



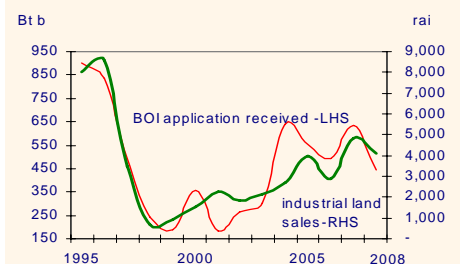
Source: Toyota Thailand

#### Monthly Car Sales at Record Low



Source: Toyota (Thailand)

#### BOI Investment vs Industrial land sales



Source: Board of Investment, CB Richard Ellis

#### Analyst

Thailand Research Team  
☎ (662) 659-8300

**Valuation**

**The industrial estate sector still facing significant downside risks.**

Most of the IEs are now trading below the 10-year average P/B. Upside to 10-year average P/B is about 121%. However, downside risks are almost equally significant at about 90% based on the trough P/B. We believe that share price performance will be determined by the business outlook over the next 12 months. Automobile, computer parts and electronics are the key industries located in industrial estates whose outlook will deteriorate over the next 12 months. Thus, based on valuations and fundamentals, it is too early to buy Thai Industrial Estates.

**Industrial Estate: Risk/Reward Profile**

Name/Ticker	Current P/B (x)	10-yr avg. P/B (x)	Trough P/B in 1998 (x)	Upside to 10-yr avg P/B (%)	Downside to trough (%)
ROJANA	0.65	1.35	0.07	107.69	(89.23)
TICON	0.89	2.09	0.06	134.83	(93.26)
HEMRAJ	0.68	1.13	0.06	66.18	(91.18)
AMATA	0.89	2.49	0.12	179.78	(86.52)

Source: Bloomberg, UOB Kay Hian

## Thai Oil Plc

### Low benefit in current GRM surge

Current spike in GRM is unsustainable. Business outlook is pressured by additional supply and lower prices. Downgrading to SELL, with fair price at Bt22.2, 15% below the current price.

### Corporate Events

GRM (Gross Refinery Margin) increased ytd due to the recovery in gasoline and naphtha demand, and refinery shutdowns. Ytd GRM is US\$6.5/bbl, well above full-year consensus forecast of US\$2.5–\$4.0/bbl. The surge in gasoline spread margin to US\$15–25/bbl, up from US\$5–10/bbl in 4Q08 resulted in higher overall GRM. The International Energy Agency (IEA) expects global oil demand to drop by 980,000 barrels to a total of 84.7 million barrels per day (mbd) in 2009, the biggest annual shrinkage in 27 years.

### Stock Impact

We are still cautious on the refinery outlook. The spike in GRM has led to a 50% increase in TOP's share price since its low in Dec 08. However, the drop in middle distillate (Diesel, JET fuel) spread from sluggish demand (cut in air and industrial transportation) has negatively impacted TOP more than peers. Currently, middle distillates accounted for 67% of total products vs 33% of regional peers. Thus, TOP did not benefit much from the hike in gasoline spread, while depressed margin in middle distillates (average diesel crack spread decreased to US\$5-10/bbl vs. US\$20-45/bbl in 2008) will hurt earnings.

We cut the refinery utilisation rate from 95% to 85%, which is lower than management guidance of 100% utilisation rate. The additional supply from PTTAR and BCP capacity expansion will pressure TOP's utilisation rate. We expect the export portion to increase from 18% to 25% in 2009. The export price is lower than the local price due to the additional freight cost of about US\$1.5/bbl.

For the Petrochemical division which accounts for 25% of TOP's earnings, we see more downside on aromatics price. In particular, the negative spread in benzene and toluene products (35% of total petrochemical products) will severely impact earnings.

### Earnings Revision

We cut our 2009 net profit forecast by 17% to Bt7.5b in 2009 and 24% to Bt8.4b in 2010. Our new forecast is base on refinery utilisation rate declining from 95% to 85%. However, we maintain the 2009 Singapore GRM at US\$4.0/bbl. The key risk is excess supply from India (Reliance) which has already started its commercial run and is now exporting to Asian markets.

### Valuation/Recommendation

**Downgrade from HOLD to SELL.** Our fair price is Bt22.20/share (0.7x 2009 P/B) vs previously Bt27.00/share. Currently, TOP is trading at 7.1x 2009 PE in line with regional refiners. Despite the attractive dividend yield amid strong financial discipline, the stock is trading higher than our new fair value. The reward/risk profile is unattractive. The key catalysts are global petroleum demand recovery and delay in upcoming Asia-Refinery projects.

## THAILAND

### Thai Oil Plc (TOP TB)

## DOWNGRADE TO SELL

Current Price: Bt26.00

Fair Price: Bt22.20

(Previous: Bt27.00)

Sector	Energy
52-Wk Avg Daily Vol. ('000)	10,451
Market Cap (Btm)	55,081
(US\$m)	1,574

Major Shareholders (%)	
PTT Plc	49.1%

Book NTA per Share (Bt)	28.9
ROE (%)	0.4
Net Debt per Share (Bt)	19.3

### Results Due

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

### Price Chart



Source : Bloomberg

### Analyst

Chollawit Winitchai  
 ☎ (662) 659-8306  
 chollawit@uobkayhian.co.th

Veena Naidu  
 ☎ (662) 659-8300  
 veena@uobkayhian.co.th

Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Bt)	Yield (%)
2007	261,051	29,956	19,118	9.4	15.2	2.8	2.7	3.5	13.3
2008	399,125	8,939	224	0.1	(98.8)	239.1	10.4	2.8	10.5
2009F	193,279	20,885	7,490	3.7	3243.7	7.1	3.3	1.1	4.2
2010F	195,356	20,202	8,379	4.1	11.9	6.4	3.0	1.2	4.7
2011F	215,466	22,878	10,960	5.4	30.8	4.9	2.2	1.6	6.1

Consensus Net Profit – FY09: B8,911m  
 – FY10: Bt10,151m

Wednesday, February 18, 2009

### Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	261,051	399,125	193,279	195,356	215,466
EBIT	24,990	2,791	14,647	13,817	16,346
Pre-tax Profit	23,263	672	11,946	12,083	14,796
Net Profit	19,118	224	7,490	8,379	10,960

### Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	62,599	54,599	78,097	87,611	99,357
Total Assets	136,570	132,841	153,770	160,570	169,453
Current Liabilities	32,237	30,273	19,254	19,389	20,319
Long-Term Liabilities	32,496	38,988	64,108	64,108	64,108
Shareholder Funds	71,837	63,580	70,408	77,073	85,026
Total Equity & Liabilities	136,570	132,841	153,770	160,570	169,453

### Cash Flow

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	22,702	8,441	29,143	15,419	16,471
Investing	(17,177)	(9,641)	(3,672)	(3,672)	(3,672)
Financing	(8,294)	5,003	22,873	(2,514)	(3,288)
Net Cash In/(Out) Flow	(2,769)	3,803	48,344	9,233	9,510
Begin Cash & Cash Equiv.	6,982	4,213	8,016	56,360	65,594
End'g Cash & Cash Equiv.	4,213	8,016	56,360	65,594	75,104

### GRM Assumptions

Key Assumptions	2009F	2010F
Refining Capacity (bpd)	275,000	275,000
Utilisation rate (%)	85	85
Singapore Refining Margin (US\$/bbl)	4.0	4.0

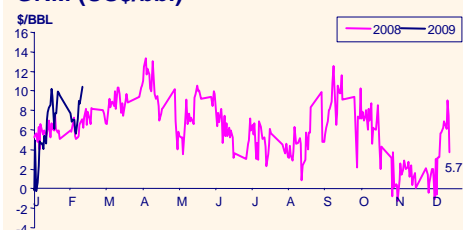
Source: UOB Kay Hian

### Earnings Revision

(Btm)	New 2009F	Chg% 2009F	Chg% 2010F
Net Profit	7,490	(17%)	(24%)
EPS (Bt)	3.67	(17%)	(24%)
Sales	193,279	(18%)	(18%)
EBITDA	20,885	(17%)	(22%)

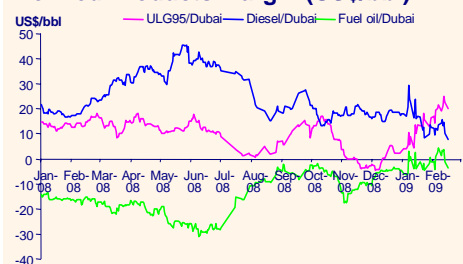
Source: UOB Kay Hian

### GRM (US\$/bbl)



Source: Reuters

### Refined Products Margin (US\$/bbl)



Source: Bloomberg, UOB Kay Hian

### Asia-Pacific Refinery Comparables

Name	PE (x) 2009F	P/BV (x) 2009F	Yield (%) 2009F
Thai Oil ***	6.57	0.83	4.57
SK Holdings	N.A.	N.A.	2.07
S-Oil	7.15	1.81	8.21
GS Holdings Singapore	N.A.	N.A.	3.71
Petroleum ***	5.67	0.69	9.23
Caltex Australia	8.36	0.96	5.87
Reliance Industries	10.41	1.60	1.16
PTT ***	6.70	0.97	5.38
PTTAR ***	5.74	0.47	6.60
Pakistan State Oil	2.84	0.73	24.42
Shell Refining	10.56	1.30	6.34
AVERAGE	7.18	1.07	7.30
TOP vs REGIONAL	(8.5%)	(22.4%)	(37.4%)

Source: Bloomberg, UOB Kay Hian \*\*\*

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