

### KEY STORY

#### Thailand

##### Economics

Thai economy suffers a greater-than-expected contraction on slowdown in exports. Expect further downgrades in GDP growth forecast.

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#### CHINA

##### Sector

##### Property

Sales continue to improve on the back of more stimulus policy introduction ahead.

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##### Steel

Weekly: Rising stockpiles and falling steel prices weigh on steel stocks. Trading BUY for Angang Steel at about HK\$7.00.

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##### Update

Golden Eagle (BUY/HK\$3.95/Target: HK\$5.66)

Potential acquisitions from a related party may enhance the listco's value.

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#### HONG KONG

##### Update

Li & Fung (SELL/HK\$17.50/Fair: HK\$8.80)

Small acquisitions will be overwhelmed by sustained drop in end-demand. Reiterate SELL.

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#### INDONESIA

##### Results

International Nickel Indonesia (HOLD/Rp2,125/Fair: Rp2,000)

2008: Net profit plunges 69% yoy due to lower nickel price and higher energy costs. Results below expectation.

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#### MALAYSIA

##### Results

Bumiputra-Commerce Holdings (HOLD/RM6.45/Fair: RM6.15)

2008: Net profit of RM1,952m (-30.1% yoy) below expectation. Main challenge in 2009 would be the higher credit charges for consumer loans.

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#### SINGAPORE

##### Results

COSCO Corporation (S) (HOLD/S\$0.78/Fair: S\$0.89)

4Q08: Losses due to provisions for doubtful debts and higher operational costs. Current share price has factored in a lot of negatives.

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Raffles Medical (SELL/S\$0.70/Fair: S\$0.59)

2008: Results within expectation but slowdown expected.

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Sino Techfibre (BUY/S\$0.145/Target: S\$0.220)

4Q08: Uncertainty remains in 2009 but PMP to perform well.

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#### THAILAND

##### Economics

Thai economy suffers a greater-than-expected contraction on slowdown in exports. Expect further downgrades in GDP growth forecast.

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### Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7114.8	(3.4)	(9.4)	(11.9)	(18.9)
S&P 500	743.3	(3.5)	(10.1)	(10.7)	(17.7)
FTSE 100	3850.7	(1.0)	(6.9)	(5.0)	(13.2)
AS30	3304.1	(1.5)	(4.5)	0.1	(9.7)
CSI 300	2410.5	2.8	(2.1)	18.6	32.6
FSSTI	1630.7	2.2	(3.0)	(3.2)	(7.4)
HSI	13175.1	3.7	(2.1)	4.7	(8.4)
JCI	1312.4	1.2	(2.2)	(0.2)	(3.2)
KLCI	887.8	(0.2)	(2.1)	1.7	1.3
KOSPI	1099.6	3.2	(6.5)	0.6	(2.2)
Nikkei 225	7376.2	(0.5)	(4.8)	(4.8)	(16.7)
SET	435.0	0.1	(2.6)	0.3	(3.3)
TWSE	4477.8	0.9	(2.5)	5.4	(2.5)
BDI	2084.0	(0.7)	9.2	112.7	169.3
CPO (RM/mt)	1909.0	0.7	(3.2)	4.6	17.1
Nymex Crude (US\$/bbl)	38.1	(4.9)	1.5	(18.1)	(14.7)

Source: Bloomberg

### Top BUYs/SELLs

	Ticker	Current Price (1cy)	Target Price (1cy)	Pot. +/- (%)	
<b>Top BUYs</b>					
	China Life	2628 HK	23.20	30.50	31.5
	China Mobile	941 HK	71.65	90.00	25.6
	China Petroleum	386 HK	4.36	6.93	58.9
	China Railway	390 HK	4.67	5.90	26.3
	China Shenhua	1088 HK	16.94	23.00	35.8
	Maanshan Iron	323 HK	2.71	3.70	36.5
	Bumi Resources	BUMI IJ	780	1,010	29.5
	Public Bank	PBK MK	9.15	10.90	19.1
	DBS Group	DBS SP	8.05	10.55	31.1
	Indofood Agri	IFAR SP	0.54	0.80	49.5
	SingTel	ST SP	2.51	2.95	17.5
	Advanced Info	ADVANC TB	78.00	101.73	30.4
	Quality Houses	QH TB	0.84	1.49	77.4
<b>Top SELLs</b>					
	Aluminum Corp	2600 HK	3.90	3.00	(23.1)
	Parkson Retail	3368 HK	6.35	5.15	(23.0)
	Wharf Hldg	4 HK	17.66	14.60	(17.3)
	S'pore Airlines	SIA SP	10.20	9.70	(4.9)
	S'pore Exchange	SGX SP	4.80	3.00	(37.5)
	Amata Corp	AMATA TB	3.56	2.52	(29.2)

### 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	Beg	Close
Precious Shipping Roadshow	Singapore	23 Feb	24 Feb
Ascendas REIT Luncheon	Singapore	26 Feb	
China Commodities/Energy Sector Analyst Presentation	Thailand	25 Feb	26 Feb

*Tuesday, February 24, 2009***Sector****Banking****Page 23**

Negative mom loan growth for banks in January.

**Results****Amata Corporation (SELL/Bt3.60/Fair: Bt2.52)****Page 25**

4Q08: Results plunge 41% yoy. 2009 outlook is fragile. Downside risk to its trough valuation remains substantial.

Maintain SELL.

**Electricity Generating Plc (BUY/Bt69.50/Target: Bt88.00)****Page 27**

2008: Net profit down 18% yoy but normalised profit was flat. Maintain BUY due to attractive valuation amid high dividend yield.

## Property

Sales continue to improve on the back of more policy issue ahead

*Overall sales continue to pick up over the past couple of weeks. We expect sales to stay high in the next couple of months on the back of more stimulus policy introduction ahead and improved visibility on the economic outlook.*

**Strong sales rebound last week.** Housing sales in major cities continued to increase last week. Most cities saw sales rebound by 20-50% wow. Compared with the weekly average in Jan 09, excluding the week of Chinese New Year (CNY), last week's overall sales were also 20-30% higher. Moreover, sales in most cities even surpassed the weekly sales in Dec 08, a relatively high level over the past few months. Among the major cities, Tianjin, Chongqing and Xiamen were the top performers with sales jumping from the weekly sales base over the past two months. Meanwhile, Shanghai's sales last week were also 55% higher than the weekly average in Jan 09 and nearly 10% higher than that in Dec 08. Guangzhou continued to outperform the overall market, with sales increasing by 30-50% compared with weekly sales over the past two months.

**Subscriptions indicate contract sales to remain high in near term.** Sales subscriptions in Beijing, Nanjing and Hangzhou continued to pick up strongly over the past couple of weeks from the low base during the CNY holiday. We expect sales to remain high in the coming weeks.

**What can we expect of policies?** According to the media, the Ministry of Housing has confirmed that the property sector will be the next industry in the government's revitalisation plans. The proposed stimulus package includes further relaxation of second home policy, reduction of housing transaction costs, direct purchase of secondary housing as subsidised housing by local governments, fiscal subsidies on home purchases for low-income families, support for the funding needs of developers and assistance for the funding channel with REITs.

Given expectation of more stimulus policies ahead, substantially enhanced affordability after the 15-35% price declines in major cities and improved visibility on the economic outlook, sales will likely continue to improve in the next couple of months. Indeed, we project 2009 residential sales to increase 10% yoy. In our view, the potential policy initiatives and improved sales should be catalysts for property stocks. China Resources Land (1109 HK), Shimao Property (813 HK) and SOHO China (410 HK) remain our stock picks.

### Weekly Sales In Major Cities (16-22 Feb)

Regions	Cities	GFA ('000 sqm)	wow % chg	% chg vs weekly avg Jan 09	% chg vs weekly avg Dec 08
Pan-Bohai Rim	Beijing	212	48	22	(19)
	Tianjin	174	27	117	84
	Qingdao	79	105	(9)	(12)
Yangtze River Delta	Shanghai	349	22	55	9
	Suzhou	109	(32)	37	16
	Nanjing	124	37	2	(19)
	Hangzhou	56	51	10	2
	Ningbo	86	33	19	(9)
South China	Shenzhen	128	16	9	(22)
	Guangzhou	229	10	45	27
	Dongguan	103	29	37	5
	Xiamen	146	25	140	378
	Fuzhou	103	30	(19)	81
Central China	Wuhan	234	38	39	31
	Changsha	337	48	77	18
Southwest China	Chongqing	400	2	60	48
	Chengdu	185	(33)	12	21
	Kunming	48	(5)	(40)	(46)

Source: Soufun, UOB Kay Hian

## CHINA

### Property

## MARKET WEIGHT

#### Analyst

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

Sylvia Wong  
 ☎ (852) 2236 6793  
[sylvia.wong@uobkayhian.com.hk](mailto:sylvia.wong@uobkayhian.com.hk)

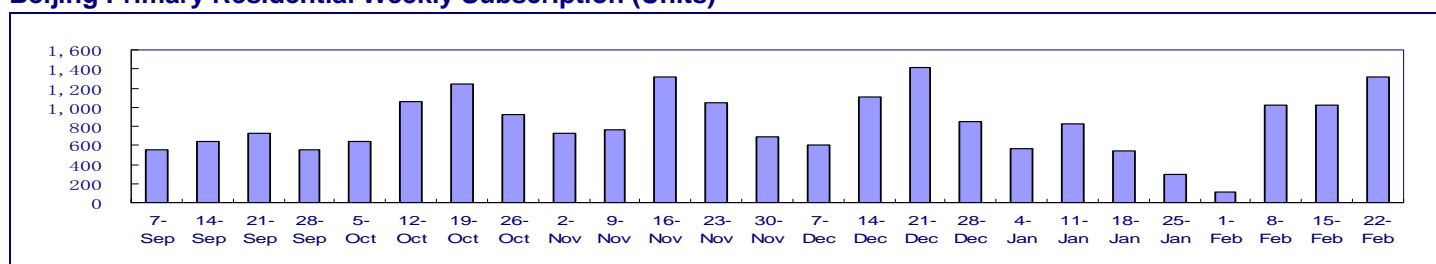
Tuesday, February 24, 2009

### Weekly Primary Contracted Sales Volume (GFA) In Major Cities

('000sqm)	Beijing	wow % chg	Shanghai	wow % chg	Shenzhen	wow % chg	Guangzhou	wow % chg	Tianjin	wow % chg	Chongqing	wow % chg
5-Oct	169	-57	68	-73	47	-33	104	-17	32	-66	53	-84
12-Oct	249	47	278	310	118	150	245	136	94	190	234	341
19-Oct	196	-21	220	-21	94	-20	180	-26	107	14	155	-34
26-Oct	168	-14	200	-9	66	-30	119	-34	134	26	547	254
<b>Oct total</b>	<b>783</b>	<b>-7</b>	<b>860</b>	<b>-6</b>	<b>340</b>	<b>10</b>	<b>629</b>	<b>23</b>	<b>428</b>	<b>30</b>	<b>1,384</b>	<b>44</b>
2-Nov	213	27	169	-15	65	-1	103	-14	84	-37	559	2
9-Nov	378	77	215	27	125	92	144.	40.	119	41	443	-21
16-Nov	205	-46	256	19	137	9	128.	-12.	113	-5	189	-57
23-Nov	272	33	283	10	154	12	143	12	128	13	143	-24
30-Nov	213	-22	404	43	138	-10	171	20	110	-14	178	25
<b>Nov total</b>	<b>1,129</b>	<b>44</b>	<b>1,206</b>	<b>40</b>	<b>573</b>	<b>69</b>	<b>616</b>	<b>-2</b>	<b>494</b>	<b>15</b>	<b>1,112</b>	<b>-20</b>
7-Dec	204	-4	397	-2	139	0	174	2	97	-12	267	50
14-Dec	236	15	287	-28	185	33	166	-5	94	-3	260	-2
21-Dec	301	28	284	-1	165	-11	201	21	83	-12	239	-8
28-Dec	310	3	311	10	164	-1	182	-9	103	24	315	32
<b>Dec total</b>	<b>1,168</b>	<b>3</b>	<b>1,417</b>	<b>17</b>	<b>729</b>	<b>27</b>	<b>486</b>	<b>-10</b>	<b>422</b>	<b>-15</b>	<b>1,261</b>	<b>13</b>
4-Jan	199	-36	188	-39	135	-18	160	-12	75	-27	273	-13
11-Jan	227	14	278	48	157	16	192	20	98	31	262	-4
18-Jan	182	-20	274	-2	131	-16	162	-16	105	7	280	7
25-Jan	86	-53	160	-42	46	-65	120	-26	58	-45	187	-33
<b>Jan total</b>	<b>579</b>	<b>-50</b>	<b>807</b>	<b>-43</b>	<b>394</b>	<b>-46</b>	<b>n.a.</b>	<b>n.a.</b>	<b>295</b>	<b>-30</b>	<b>878</b>	<b>-30</b>
1-Feb	4	-96	20	-88	7	-84	10	-92	5	-92	40	-79
8-Feb	88	2216	156	697	94	1230	155	1435	71	1415	283	615
15-Feb	144	64	287	84	110	17	209	35	137	93	391	38
22-Feb	212	48	349	22	128	16	229	10	174	27	400	2

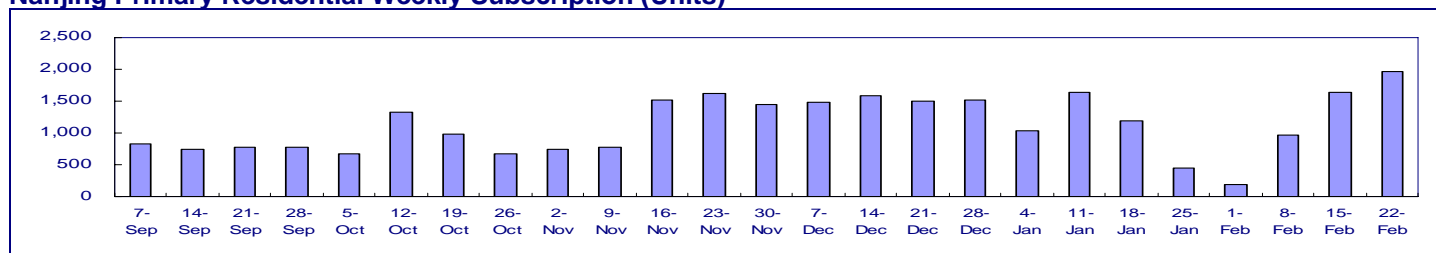
Source: Soufun, UOB Kay Hian

### Beijing Primary Residential Weekly Subscription (Units)



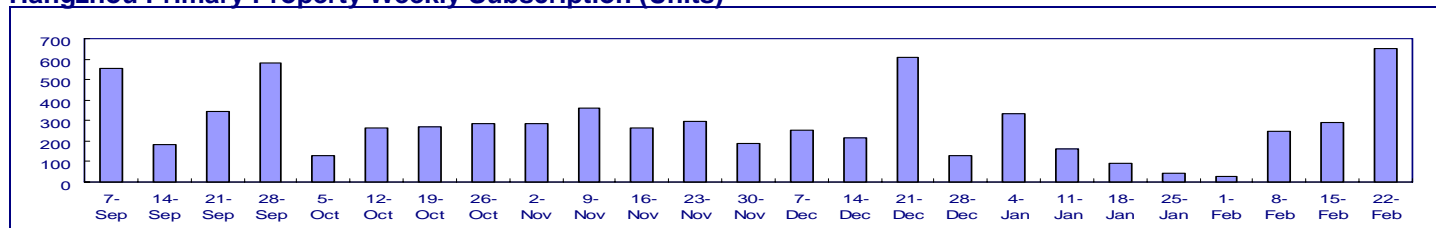
Source: Soufun, UOB Kay Hian

### Nanjing Primary Residential Weekly Subscription (Units)



Source: Soufun, UOB Kay Hian

### Hangzhou Primary Property Weekly Subscription (Units)



Source: Soufun, UOB Kay Hian

## Steel

Rising stockpiles and falling steel prices weigh on steel stocks

Rising steel inventories are putting pressure on steel prices and, thus, steel stocks. Look out for attractive TRADING BUY opportunities for Angang Steel, now close to our entry price of HK\$7.00. Maintain fundamental BUY on Maanshan, but investors can wait for better entry levels.

### Sector Events

Spot steel prices saw a second week of decline, as inventories rose sharply and end-user demand is still not yet apparent. Wire rod and rebar dropped 6.1% and 5.6% wov respectively while hot-rolled (HR) and cold-rolled (CR) sheets dropped 4.9% and 4.6% wov respectively.

### Key Steel Products - Spot Prices

	(Rmb/tonne)*	1W %	1M %	3M %	6M %	Ytd
Steel Rebar 25mm	3637	(5.6)	(4.3)	2.4	(30.0)	(1.6)
Wire Rod 6.5mm	3595	(6.1)	(5.4)	1.1	(31.6)	(2.1)
HR Sheet 3mm	3788	(4.9)	(5.3)	6.9	(29.0)	(3.8)
CR Sheet 1mm	4427	(4.6)	(5.0)	7.8	(33.7)	(2.3)
Steel Plate 20mm	3661	(6.0)	(3.7)	3.8	(40.4)	(1.6)

\* Price as at 20 Feb 09

Source: Bloomberg

### Sector Impact

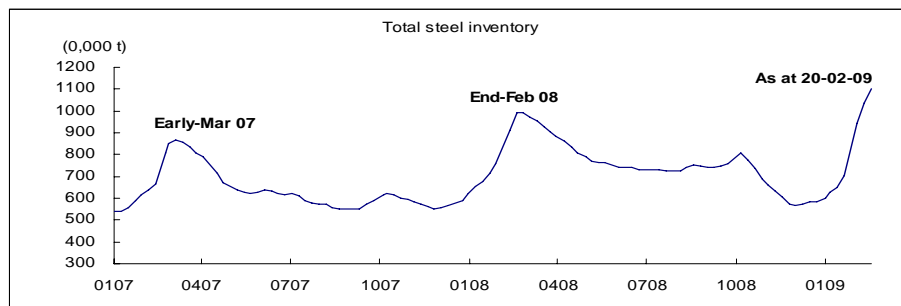
Key steel product prices corrected for the second consecutive week as inventories continue to rise. Total inventories rose 6% wov, with HR inventories jumped 11% wov, while rebar jumped 6% wov. Since the beginning of Chinese New Year, total inventories had catapulted 69%.

The current level of inventories - 11m tonnes based on numbers compiled by Mysteel - is at an all-time high, even though January and February are the traditional months for inventory re-stocking. Investors are thus concerned as steel demand under the current circumstance is weaker than in the previous years.

Some traders are building up inventories in anticipation of end-user demand coming through from the government stimulus package. However, we do not expect end-user demand to pick up as quickly as many traders had expected.

There is a positive spin to the supposedly bad news on inventories. China is in talks with the three big ore suppliers on the new iron ore prices. Rising inventories, in this case, means weak steel demand, and thus will strengthen China's hand in the ore talks. China has raised its price cut demand from 30% to 40%.

### Total Inventory Level Of Steel Traders



Source: Mysteel, UOB Kay Hian

### Stock Impact

In recent weeks, we have highlighted our concerns of a rapid build-up of inventories. But, as we enter the season of ore price talks, rising inventories should help strengthen China's hand. If China can extract a 30-40% cut in ore prices, it will boost steel stocks.

## CHINA

### Steel

### MARKET WEIGHT

#### Angang Steel (347 HK)

### HOLD

Current Price: HK\$7.19

Fair Price: HK\$7.96

#### Maanshan Iron & Steel (323 HK)

### BUY

Current Price: HK\$2.71

Target Price: HK\$3.70

#### Chongqing Iron & Steel (1053 HK)

### HOLD

Current Price: HK\$2.00

Fair Price: HK\$2.31

### Analysts

Foo Choy Peng

☎ (852) 2236 6798

choypeng.foo@uobkayhian.com.hk

Kenneth Li

☎ (852) 2236 6757

kenneth.li@uobkayhian.com.hk

**Angang Steel (HOLD)** - which has the highest beta of 1.5 among the three steel stocks - is approaching our entry level of HK\$7.00. Do consider a TRADING BUY for the stock, for which we have a fair price of HK\$7.96.

We have a fundamental **BUY** on **Magang** (323 HK), this being the best proxy to China's stimulus package, particularly the railway expansion initiative. However, for trading-oriented investors, we suggest buying it at below HK\$2.50.

**Chongqing Iron** (1053.HK) is also a **HOLD** with a fair price of HK\$2.31 and entry price is HK\$1.80.

**China Steel Data**

Steel Products Spot Price	(Rmb/tonne)	1W	1M	3M	6M	Ytd
Steel Rebar 25mm	3637	3854	3799	3553	5196	3696
Wire Rod 6.5mm	3595	3830	3799	3556	5253	3671
HR Sheet 3mm	3788	3982	4000	3543	5338	3938
CR Sheet 1mm	4427	4642	4660	4105	6677	4531
Steel Plate 20mm	3661	3896	3800	3527	6137	3720
Change	(Rmb/tonne)	1W %	1M %	3M %	6M %	Ytd %
Steel Rebar 25mm	3637	(5.6)	(4.3)	2.4	(30.0)	(1.6)
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Prices as at 20 Feb 09

Steel Inventory	(m tonnes)	1W	1M	3M	6M	Ytd
Steel Inventory	*11.0	10.4	6.5	6.1	7.5	5.8
Change	(m tonnes)	1W %	1M %	3M %	6M %	Ytd %
Steel Inventory	*11.0	6	69	80	47	90

Inventory level for the week ended 20 Feb 09

\*Inventories at major steel markets

China Iron Ore Inventory	(m tonnes)	1W	1M	3M	6M	Ytd
Iron Ore Inventory Total	59.41	58.07	58.67	70.12	73.42	59.90
Change	(m tonnes)	1W %	1M %	3M %	6M %	Ytd %
Iron Ore Inventory Total	59.41	2.3	1.3	(15.3)	(19.1)	(0.8)

Inventory level for the week ended 20 Feb 09

China Iron Ore Spot Price	(Rmb/tonne)	1W	1M	3M	6M	Ytd
China Iron Ore Shandong Zibo	870	850	870	830	1450	850
China Iron Ore Hebei Tangshan	810	870	850	670	1110	890
Change	(Rmb/tonne)	1W %	1M %	3M %	6M %	Ytd %
China Iron Ore Shandong Zibo	870	2.4	0.0	4.8	(40.0)	2.4
China Iron Ore Hebei Tangshan	810	(6.9)	(4.7)	20.9	(27.0)	(9.0)

Price as at 20 Feb 09

Import Iron Ore Price	(Rmb/tonne)	1W	1M	3M	6M	Ytd
Iron Ore Qingdao	690	690	680	580	1380	630
Iron Ore Beilun	680	680	680	600	1360	630
Change	(Rmb/tonne)	1W %	1M %	3M %	6M %	Ytd %
Iron Ore Qingdao	690	0.0	1.5	19.0	(50.0)	9.5
Iron Ore Beilun	680	0.0	0.0	13.3	(50.0)	7.9

Price for the week ended 20 Feb 09

China Scrap Steel price	(m tonnes)	1W	1M	3M	6M	Ytd
Domestic scrap steel price	2750	2750	2700	1950	4225	2400
Change	(m tonnes)	1W %	1M %	3M %	6M %	Ytd %
Domestic scrap steel price	2750	0.0	1.9	41.0	-34.9	14.6

Price for the week ended 17 Feb 09

Coke Spot Price	(Rmb/tonne)	1W	1M	3M	6M	Ytd
Coke Taiyuan Price	1800	1750	1750	1100	2900	1550
Change	(Rmb/tonne)	1W %	1M %	3M %	6M %	Ytd %
Coke Taiyuan Price	1800	2.9	2.9	63.6	(37.9)	16.1

Price as at 20 Feb 09

Source: Bloomberg

**Remarks**

Steel prices continued their downward trend due to rising inventories.

Steel inventories rose 6% wow.

Iron ore inventory gained 2.3%.

Tanshan iron ore price plunged 7% wow.

Import iron ore price were unchanged for the week.

Scrap steel price remained unchanged for the week.

Domestic coke price gained 3% wow.

## Golden Eagle

Potential acquisitions from related party may enhance listco's value

Potential acquisitions from a related party, Nanjing Xinbai, may take place in 2009. Sales growth could jump 48% and net profit 32% yoy if the acquisition takes place.

### Corporate Events

Roger Wang, chairman and major shareholder of Golden Eagle, is also the largest shareholder (30.13%) in A-share listed Nanjing Xinbai (600682 CH). The major assets in this company comprise two Chinese department stores in Nanjing and one in Wuhu, and gross sales proceeds reached Rmb1,954m in 2007 and Rmb1,052m in 1H08.

The A-share was suspended from trading last Friday due to potential asset restructuring. Market rumors claim that Mr Wang's real estate projects will be injected into Nanjing Xinbai. Mr Wang needs to dispose of Nanjing Xinbai's department stores in order to resolve a "conflict of interest" perceived by the China Securities Regulatory Commission (CSRC), which means Nanjing Xinbai's department store business would be moved to Golden Eagle.

### Nanjing Xinbai Operational Performance (2007)

	Operating date	Operating space (sq.m.)	FY07 Sales (Rmb m)	1H08 Sales (Rmb m)	FY07 Gross Margin (%)
Nanjing Xinbai	Jan-52	41,000	1,245	646	23.55
Orient Department Store	Oct-00	20,000	287	137	20.6
Wufu Xinbai	Jan-93	34,000	422	269	n/a
<b>Total</b>		<b>95,000</b>	<b>1,954</b>	<b>1,052</b>	<b>21.53</b>

Source: Nanjing Xinbai, UOB Kay Hian

### Stock impact

**Biggest concern is the consideration for potential acquisition.** In our view, there are two ways to acquire Nanjing Xinbai's department store business.

- **Base-case scenario - All three stores to be leased, not owned.** In Dec 08, Golden Eagle finally terminated the proposed acquisition of its Shanghai store property instead of leasing the store from the parent company. It is highly likely that Golden Eagle will introduce a lease agreement for all three department stores with Nanjing Xinbai instead of acquiring properties so as to reduce capex on expansion in 2009. If this is the case, we are only concerned about the annual rental expenses, which will be strongly linked to all three stores' margins.
- **Worst-case scenario - Golden Eagle to acquire all three department stores.** Unfortunately, it is difficult to forecast the consideration for this potential asset injection. Over the past few months, Mr Wang kept buying back Golden Eagle shares, increasing his shareholding from 72.82% to 74.88%. Therefore, these three stores could be injected at attractive valuations.

## CHINA

### Golden Eagle (3308 HK)

#### BUY

Current Price: HK\$3.95

Target Price: HK\$5.66

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	2,157
Market Cap (HK\$m)	6,983
(US\$m)	901
Major Shareholders (%)	
HUNG WANG	74.88
JP Morgan Chase & Co.	5.03
Book NTA per Share (Rmb)	0.72
ROE (%)	28.8
Net Cash per Share (Rmb)	0.51

Results Due	
Interim	September
Final	April

### Price Chart



Source: Bloomberg

### Analyst

Jason Yuan CPA (Aust.)  
 ☎ (8621) 5404 7225 ext. 801  
 jason.yuan@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 (%)
2006	900	466	232	0.13	(5)	27.1	16.9	0.06	1.40
2007	1,108	749	386	0.21	66	16.3	9.7	0.04	0.96
2008F	1,422	906	545	0.30	41	11.6	9.0	0.10	2.33
2009F	1,650	1,011	584	0.32	7	10.8	7.7	0.11	2.50
2010F	1,918	1,132	719	0.40	23	8.8	6.3	0.14	3.08

Consensus Net Profit – FY08: HK\$549m  
 – FY09: HK\$606m

**Earnings Risk**

- **Base-case scenario.** The Nanjing Xinbai stores are located in the commercial centres of Nanjing and Wuhu and their good locations will definitely drive sales growth. Based on their sales performance in 2007 and 1H08, Golden Eagle's sales growth could surge 48% yoy and net profit could rise 30% yoy in 2009 after the acquisition of all three stores. Meanwhile, 2009 EPS could reach Rmb0.40 which would result in a new target price of HK\$6.97 (76% upside from current level).
- **Worse-case scenario.** It is difficult to forecast consideration of the potential asset injection. We believe Golden Eagle has learnt a lesson from its Shanghai experience. Its share price fell 22% in one week after the announcement of its acquisition of its Shanghai store. Golden Eagle is unlikely to make the same mistake again.

**Valuation/Recommendation**

Based on our earnings forecasts, Golden Eagle is trading at 10.8x 2009 PE and 8.8x 2010 PE, slightly above its Hong Kong peers' average (8.3x FY09 PE). Long-term investors should accumulate the stock upon share price weakness in the next few months, when negatives for 1H09 have been fully priced in. Our DCF-based (WACC = 11.5%; terminal growth = 3%) target price is HK\$5.66, which implies 2009 11.0x PE and 43% upside from the current level. **Maintain BUY.**

**Profit & Loss**

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	900	1,108	1,422	1,703	2,024
EBIT	402	679	831	919	1,050
Pre-tax Profit	362	598	742	824	1,017
Net Profit	232	386	545	605	763

**Balance Sheet**

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	1,228	1,886	1,612	2,101	2,632
Total Assets	3,015	3,927	4,921	5,763	6,515
Current Liabilities	1,222	1,717	2,369	2,674	3,017
Long-Term Liabilities	797	820	844	0	0
Shareholder Funds	949	1,336	1,644	3,012	3,406
Total Equity & Liabilities	3,015	3,927	4,921	5,763	6,515

**Cash Flow**

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	499	885	611	881	1,020
Investing	8	(192)	(1,415)	(387)	(261)
Financing	372	(44)	490	(832)	(15)
Net Cash In/(Out) Flow	880	649	(314)	(339)	745
Begin Cash & Cash Equiv.	220	1,099	1,748	1,434	1,095
End'g Cash & Cash Equiv.	1,099	1,748	1,434	1,095	1,840

## Li & Fung

Small acquisitions will be overwhelmed by negative organic growth

*Li & Fung (L&F) is acquiring Liz Claiborne's procurement unit for US\$83m. We do not think this will substantially boost the Group's profit as the acquisition will be overwhelmed by negative organic growth. Maintain SELL.*

### Corporate Event

L&F yesterday announced it is acquiring the procurement unit of Liz Claiborne Inc., a luxury apparel and accessory retailer in the US, for US\$83m. Meanwhile, L&F and Liz Claiborne have signed a long-term buying agency agreement. Before, Liz Claiborne has appointed L&F as a sourcing agency for its Mexx brand. Under the new agreement, L&F will be the primary global apparel and accessories sourcing agency for all brands in the Liz Claiborne Inc's portfolio, including Lucky Brand, Juicy Couture, Kate Spade and Issac Mizrahi designed Liz Claiborne New York (except for jewellery product lines).

### Stock Impact

**Minimal impact.** The sourcing volume attributable to the sourcing operation of Liz Claiborne for 2007 was approximately US\$1.3b (HK\$10.14b). Assuming a 2% net margin, the newly-acquired unit would have only contributed HK\$20m to L&F's bottom line. We believe the earnings contribution for 2009 should be much lower, due to: a) the expected substantial drop in sales for Liz Claiborne in 2009, and b) the looming margin pressure for the company. According to consensus estimate, Liz Claiborne's turnover could drop 11% yoy in each of 2008 and 2009. This means a earnings contribution of HK\$15m-16m (<0.5% of L&F's 2009F net profit).

**Maintain profit forecasts.** We maintain our L&F's net profit forecasts for 2008, 2009 and 2010 at HK\$3.14b, HK\$3.20b and HK\$3.49b, or earnings growth of only 3%, 2% and 9% respectively. This implies Our forecasts have factored in a revenue growth of 6% and 8% in 2009 and 2010, based on small acquisitions and outsourcing deals and an expected -10% to -15% drop in organic growth.

### Earnings Risks

A further contraction in retail sales in the US and Europe could prompt the Group's customers to further cut orders, resulting in an earnings decline. Furthermore, the tightened credit for some of its small customers would result in unexpected write-offs in trade receivables. Another large acquisition could boost the Group's earnings. However, the Group is expected to have HK\$2.3b of net debt as at end-08, which makes large acquisitions unlikely amid the tightened credit market.

### Valuation/Recommendation

Based on our new earnings forecasts, L&F is trading at 20x 2009F PE, below the average in 2001-08 (see PE band chart). However, the current macro situation for L&F is comparable to the worst-case scenario in 1997-98 where the stock was trading at as low as 10-12x forward PE. In particular, the market is factoring in a strong recovery in earnings growth (+25-30%) in 2010, which is highly uncertain given the volatile macro-environment. Maintain SELL with a 12-month fair price of HK\$8.80 based on 10x 2009F PE.

## HONG KONG

### Li & Fung (494 HK)

### SELL

Current Price: HK\$17.50

Fair Price: HK\$8.80

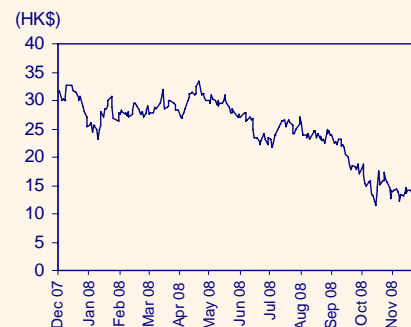
Sector	Export
52-Wk Avg Daily Vol. ('000)	12,070
Market Cap (HK\$m)	63,591
(US\$m)	8,153

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

Ken Lee  
 ☎ (852) 2236 6760  
 ken.lee@uobkayhian.com.hk

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	26.1	19.0	0.55	3.1
2007	92,460	3,863	3,060	0.90	33.4	19.6	14.4	0.71	4.1
2008F	109,103	4,144	3,142	0.90	0.1	19.5	12.4	0.72	4.1
2009F	115,649	4,226	3,196	0.88	(1.8)	19.9	12.1	0.70	4.0
2010F	124,901	4,564	3,490	0.96	9.2	18.2	11.3	0.77	4.4

Consensus Net Profit – FY08 : HK\$3,046m  
 – FY09: HK\$3,401m

**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

**PE Band of Li & Fung**



Source: Bloomberg, UOB Kay Hian

## International Nickel Indonesia

2008: Results below expectation

The unaudited net profit of International Nickel Indonesia (INCO) declined 69% yoy due to lower nickel-in-matte ASP, deliveries and higher energy costs. The results were below our expectation.

### 2008 Results

Year to 31 Dec	2007 (US\$m)	2008 (US\$m)	yoy % chg	Remarks
Turnover	2,325.9	1,312.1	(43.6)	Lower nickel-in-matte ASP and deliveries
Gross Profit	1,643.0	503.6	(69.3)	
Pre-tax Profit	1,676.4	463.3	(72.4)	Booked other expenses of US\$14.4m in 2008 vs other income of US\$82.5m in 2007
Net Profit	1,173.0	359.3	(69.4)	
Gross Margin	70.6	38.4	(32.3)	Higher energy costs, such as high sulphur fuel oil and diesel
Operating Margin	68.3	36.4	(31.8)	
Net Margin	50.4	27.4	(23.0)	

Source: International Nickel Indonesia, UOB Kay Hian

### Results

**2008 net profit down 69% yoy** to US\$359.3m in 2008, below our expectation of US\$401m. Revenue declined by 44% yoy to US\$1,312.1m, caused by lower average realised prices by 40.7% yoy to US\$17,724/tonne and lower nickel-in-matte deliveries by 4.7% yoy to 73,048 tonnes. During 4Q08, INCO posted a net loss of US\$9.8m vs a net profit of US\$73.5m in the previous quarter due to 55.2% yoy decrease in nickel-in-matte average realised price and higher energy costs.

**Lower-than-expected nickel-in-matte production.** To maintain its profitability due to declining nickel prices, coupled with substantial increase in energy prices, INCO decided to totally halt thermal power generation. As a result, it only saw 72,400 tonnes of nickel-in-matte production, which was lower than the initial plan of 77,000 – 79,000 tonnes.

**Deteriorating margin due to higher energy-related costs.** Gross margin declined from 70.6% in 2007 to 38.4% in 2008 due to higher nickel cash cost production by 25.6% yoy following higher energy prices. Despite softening crude oil price in 4Q08, the high HSFO was mainly attributable to high demand in Asia. HSFO and diesel prices went up tremendously by 38% yoy (to US\$93.72/bbl) and 40% yoy (to US\$0.95/litre) during 4Q08.

**Despite decline in nickel price, share price strengthened.** However, the share price of INCO increased by 10% ytd, despite the 18.9% ytd decline in international nickel prices to the lowest of US\$9,420/tonne in Feb 09.

### Stock Impact

**Inventory carried forward and lower nickel price would weaken earnings for 1Q09.** INCO expects considerably lower HSFO and diesel prices in Jan 09 compared to Oct 08. However, due to weakening nickel demand in 1Q09 and inventory carried forward from 2008, we expect INCO's earnings to weaken in 1Q09.

## INDONESIA

### International Nickel Indonesia (INCO IJ)

#### HOLD

**Current Price: Rp2,125**  
**Fair Price: Rp2,000**  
**(Previous: Rp1,500)**

Sector	Mining
52-Wk Avg Daily Vol. ('000)	16,505
Market Cap (Rpb)	21,115
(US\$m)	1,770

Major Shareholders (%)	
CVRD Inco Limited	60.8
Sumitomo Metal Mining	20.1

Book NTA per Share (US\$)	0.15
ROE (%)	24.7
Net Cash per Share (US\$)	0.02

#### 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 (US\$m)	EBITDA (US\$m)	Net Profit (US\$m)	EPS (US\$)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (US\$)	Yield (%)
2007	2,325.9	1,759.7	1,173.0	0.12	128.5	1.5	0.9	0.098	54.3
2008	1,312.1	553.2	359.3	0.04	(69.4)	5.0	2.9	0.053	29.6
2009F	832.7	301.8	182.3	0.02	(49.3)	9.8	5.4	0.011	6.0
2010F	920.1	381.9	225.5	0.02	23.7	7.9	4.3	0.006	3.1
2011F	930.1	432.4	260.6	0.03	15.5	6.9	3.8	0.007	3.8

Consensus Net Profit – FY09: US\$194.6m  
 – FY10: US\$227.4m

**Earnings Revision**

We cut INCO's production volume forecast for 2009 and 2010 equally by about 11%. As such, we also lower our net profit forecasts for 2009 by 11.7% to US\$182.3m and by 16.9% for 2010 to US\$225.5m.

**Valuation/Recommendation**

We raise our fair price for INCO from Rp1,500 to Rp2,000 based on DCF valuation (WACC of 21% and long-term growth rate of 2%) due to strengthening of the US dollar against Rupiah recently. Our fair price represents 9.2x 2009 PE and 1.1x 2009 PB. Despite having a strong balance sheet and debt-free since 1Q06, we maintain HOLD recommendation due to weakness in international nickel demand and unfavourable market conditions.

**Profit & Loss**

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Turnover	2,325.9	1,312.1	832.7	920.1	930.1
Gross Profit	1,643.0	503.6	259.1	332.5	381.5
Operating Profit	1,588.4	478.3	223.2	296.6	345.6
Pre-tax Profit	1,676.4	463.3	255.8	308.9	361.2
Net Profit	1,173.0	359.3	182.3	225.5	260.6

**Balance Sheet**

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Current Assets	636.5	497.4	582.0	554.6	659.3
Total Assets	1,887.2	1,842.6	2,094.8	2,202.5	2,441.4
Current Liabilities	251.8	101.7	140.2	121.7	134.5
Non Current Liabilities	248.9	220.0	359.2	314.6	347.8
Shareholders' Equity	1,386.5	1,520.9	1,595.4	1,766.2	1,959.1
Total Equity & Liabilities	1,887.2	1,842.6	2,094.8	2,202.5	2,441.4

**Cash Flow**

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Cash Flow from Operations	1,399.3	280.6	595.6	235.5	386.1
Cash Flow from Investments	(114.3)	(169.4)	(246.2)	(220.4)	(221.0)
Cash Flow from Financing	(1,468.6)	(239.4)	(87.6)	(56.5)	(66.0)
Change in Cash	(183.6)	(128.2)	261.8	(41.4)	99.0
Beg Cash & Cash Equivalent	477.9	294.3	166.1	427.9	386.6
End Cash & Cash Equivalent	294.3	166.1	427.9	386.6	485.6

## Bumiputra-Commerce Holdings

2008: Rising credit charge would be the challenge in 2009

*Bumiputra-Commerce Holdings (BCHB) reported a net profit of RM1,952m (-30.1% yoy) and ROE of 12.3% (vs guided 16%). Managing the rising credit charge from consumer loan would be the main challenge in 2009.*

### 2008 Results

Year to 31 Dec (RMm)	2007	2008	yoy % chg	Remarks
Net Interest Income	4,396	4,661	6.0	Boosted by strong loan growth
Islamic Banking	343	438	27.5	Boosted by two new products launched in 2008
Non-Interest Income	4,271	2,642	(38.1)	Net loss from trading portfolio and weaker brokerage income
Operating Income	9,135	9,759	6.8	
Operating Expenses	(4,227)	(4,122)	(2.5)	Cut in personnel expenses
Loan Loss Provision	(1,109)	(861)	(22.4)	Improved on lower specific allowance on better asset quality
PBT	3,686	2,716	(26.3)	
PBT	3,686	2,716	(26.3)	

Source: BCHB, UOB Kay Hian

### Results

BCHB reported a net profit of RM1,952m, down 30% yoy. The results, which incorporated the 2-month contribution from Lippo Bank and BankThai, were below our expectation. Excluding the one-off M&A-related charges of RM112m (vs gains from the disposal of RM674m for 2007), BCHB's net profit would be RM2.064m, only down marginally by 3% yoy.

The weak results were due to lower non-interest income on the back of a net loss from trading portfolio (-RM4m) vs a gain (+RM835m) in 2007. Lower contribution from brokerage and transactional fees was due to low business volume.

BCHB declared an interim dividend per share of 20.7sen (less tax) and 4.3sen tax exempt. Ex-date is 3 Mar 09 and payable on 31 Mar 09.

### Stock Impact

**Loan growth better than expected, but to moderate in 2009.** BCHB reported a strong loan growth of 13.7% (ex-Lippo), higher than our expectation of 12%. This was driven by both consumer and business lending. For 2009, management guided a loan growth of 8%, which we think is optimistic given its GDP growth target of 0.8% for 2009. This is also higher than our expectation of 5%.

**Potential uptick in consumer NPL.** Although asset quality improved significantly to a net NPL of 2.3% (from 3.8% in 2007), management expects default stress to come from mortgages on the back of rising unemployment rate. Loan-loss coverage (LLC) also improved to 88%, up from 69% as at end-07. Core capital and risk-weighted capital ratio for CIMB Bank stood at 10.8% and 13.9% respectively, vs 9.0% and 12.5% for 2007.

## MALAYSIA

### Bumiputra-Commerce Holdings (BCHB MK)

#### HOLD

**Current Price: RM6.45**  
**Fair Price: RM6.15**  
**(Previous: RM5.80)**

Sector	Bank
52-Wk Avg Daily Vol. ('000)	6,084
Market Cap (RMm)	23,078.6
(US\$m)	6,313.4

Major Shareholders (%)	
Khazanah	28.0
EPF	15.4

Book NTA per Share (RM\$)	2.77
ROE	11.9

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

#### Price Chart



Source: Bloomberg

#### Analyst

Malaysia Research Team  
 ☎ (603) 2143 1180  
 research@uobkayhian.com

Year to 31 Dec	PBT (RMm)	Net Profit (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	PB (x)	DPS (sen)	Yield (%)
2007	3,685.8	2,793.2	82.9	70.3	7.8	1.4	50.0	7.8
2008	2,715.7	1,952.0	54.6	(34.2)	11.8	1.4	25.0	3.9
2009F	2,567.7	1,878.3	52.5	(3.8)	12.3	1.3	25.0	3.9
2010F	3,032.6	2,189.5	61.2	16.6	10.5	1.3	25.0	3.9
2011F	3,747.5	2,705.7	75.6	23.6	8.5	1.2	25.0	3.9

Consensus Net Profit – FY09: RM2,025.1m  
 – FY10: RM2,340.1m

**No change to its dividend policy of at least 25sen/share** or a dividend yield of 3.9%. This gives a payout ratio of 47% of 2009 EPS of 52.5sen.

**Earnings Revision**

We revise down our FY09 and FY10 earnings expectations by 15.2% and 15.4% to RM1,878m and RM2,190m respectively on lower NIM, higher provisions for 2009 and lower non-II contributions.

**Valuation/Recommendation**

**Maintain HOLD.** Based on the potential payout ratio of 45% and ROE of 14%, we have derived a fair P/B multiple of 1.3x. This would give a fair price of RM6.15 (based on 2009 BV of RM4.84/share). Maintain HOLD on BCHB with an entry price of RM5.40.

**Management's Target For 2009 - Optimistic**

	2009
ROE	>12.5%
Total Shareholder Return	> KLCI
Total Loans Growth	8%
Retail Deposit	18%
Tier 1 (at bank)	10%
RWCR (at bank)	12.5%

Source: BCHB

**Income Statement**

Year to 31 Dec (RMm)	4Q07	1Q08	2Q08	3Q08	4Q08
Net Interest Income	1,130	1,114	1,083	1,148	1,286
Islamic Banking	67.6	95.5	120.4	93.2	130.9
Non-Interest Income	761	810	954	441	466
Operating Income	1,959	2,019	2,158	1,683	1,882
Overhead Expenses	(1,085)	(1,064)	(1,035)	(930)	(1,096)
Operating Profit	874	956	1,123	754	787
Loan Loss Provision	(133)	(197)	(180)	(184)	(300)
Net Income	486	535	650	448	319
<b>Key Analysis (%)</b>					
Net Interest Margin	2.76	2.63	2.50	2.57	2.78
Gross NPLs	7.5	7.4	6.7	6.4	5.1
Gross Loans Growth	(0.2)	0.1	7.3	3.1	9.7
Loans Loss Coverage	69.3	71.9	74.2	76.6	88.1
Cost/Income Ratio	55.4	52.7	48.0	55.2	58.2
ROE	13.8	14.7	16.5	11.2	7.6

**Income Statement**

Year to 31 Dec (RMm)	2007	2008	2009F	2010F	2011F
Net Interest Income	4,396	4,661	4,918	4,860	5,402
Islamic Banking	343	438	460	575	718
Non-Interest Income	4,271	2,642	2,363	2,608	2,914
Operating Income	9,135	9,759	10,295	10,295	11,523
Operating Expenses	(4,227)	(4,122)	(3,961)	(4,201)	(4,584)
Operating Profit	4,908	5,637	6,333	6,094	6,939
Loan Loss Provision	(1,109)	(861)	(1,168)	(767)	(661)
PBT	3,686	2,716	2,568	3,033	3,747
Net Income	2,793	1,952	1,878	2,190	2,706
<b>Key Analysis (%)</b>					
Net Interest Margin	2.82	2.58	2.49	2.31	2.34
Gross NPLs	7.5	5.1	6.1	5.9	5.3
Gross Loans Growth	6.1	21.5	5.0	9.0	12.0
Loans Loss Coverage	69.3	88.1	86.2	88.4	95.2
Cost/Income Ratio	46.9	53.2	51.2	52.2	50.7
ROE	20.3	11.9	10.9	12.4	14.7

**Balance Sheet**

Year to 31 Dec (RMb)	2007	2008F	2009F	2010F	2011F
Net Loans	101.0	122.7	128.9	140.4	157.3
Customer Deposit	(126.9)	(153.4)	(170.3)	(189.0)	(211.8)
Shareholder's Fund	15.7	17.1	17.3	17.9	18.9
Total Assets	182.8	206.7	219.6	239.1	263.4

**Strong Business And Consumer Loan Growth**

	2007 (RMm)	2008 (RMm)	Yoy chg (%)
<b>Total</b>	<b>101.0</b>	<b>122.5</b>	<b>21.3</b>
Business	51.1	61.8	21.0
Consumer	49.9	60.7	21.7
Mortgages	22.5	28.9	28.7
Auto Loan	13.0	13.3	2.3
Personal use	2.7	3.2	17.2
Credit card	2.6	3.1	19.6

Source: BCHB

**Improvement In Asset Quality**

	2007 (RMm)	2008 (RMm)	Yoy chg (%)
<b>Total</b>	<b>7.3</b>	<b>6.1</b>	<b>(17.3)</b>
Business	4.4	3.6	(18.5)
Consumer	2.9	2.5	(15.5)
Mortgages	1.8	1.7	(9.0)
Auto Loan	0.6	0.4	(37.7)
Personal use	0.3	0.3	(4.7)
Credit card	0.1	0.1	4.9

Source: BCHB

**NPL Ratio Trending Down**

	2007 (%)	2008 (%)
<b>Total</b>	<b>7.3</b>	<b>4.9</b>
Business	8.7	5.8
Consumer	5.8	4.0
Mortgages	8.2	5.8
Auto Loan	4.6	2.8
Personal use	9.9	8.0
Credit card	2.7	2.4

Source: BCHB

## COSCO Corporation (S)

4Q08: Losses due to provision for impairment and higher cost

Losses due to provision against trade receivables and higher operational costs. Current share price has factored in a lot of negatives. Maintain HOLD.

### 4Q08 Results

Year to 31 Dec	4Q08 (S\$m)	yoy % chg	2008 (S\$m)	yoy % chg	Remarks
COSCO Shipyard Group	654.5	(15.5)	3195.7	57.3	Strong orderbook
Dry Bulk Shipping	64.6	(2.9)	257.4	23.8	High charter rates locked in.
Shipping Agency & Others	4.4	(6.5)	22.9	5.0	
Total Turnover	723.5	(14.5)	3476.0	53.7	
EBITDA	196.1	35.0	804.2	50.4	
Tax	35.8	n.m.	(31.6)	62.1	Higher tax rate in subsidiaries.
NPAT	(62.3)	n.m.	419.8	(12.3)	Allowance for impairment of trade & other receivables
NPATMI	(23.9)	n.m.	302.6	(10.1)	
EPS (cents)	(1.1)	n.m.	13.5	(10.1)	
EBITDA Margin (%)	20.1		23.1		

Source: UOB Kay Hian

### Results

COSCO (S) Corp (COSCO (S)) made a loss of S\$23.9m in 4Q08 due to S\$61.3m provision against trade receivables, and S\$89.0m for expected losses (due to higher costs) in construction contracts. Earnings before provision came in 49% higher than our expectations. However, we had forecast a net loss of S\$22.5m in 4Q08 and an overall net profit of S\$304.0m for 2008. In Jan 09, COSCO (S) had guided 2008 net profit to be lower than 2007's S\$336.6m earnings due to the provision for doubtful debts and higher operating costs.

### Stock Impact

COSCO (S) has 110 dry bulk carriers in its orderbook. Ytd, there are 21 delays and four cancellations of new builds. Construction has begun for 29 vessels. The Group's orderbook currently stands at US\$7.3b with progressive deliveries through 1H12. While we expect more vessel delivery delays and lower earnings from the dry bulk shipping segment, we believe a lot of negatives have already been factored into the current share price. A rally in dry bulk shipping freight rates could lift some of these negative sentiments on the stock.

### Earnings Risk

**More cancellations and delays.** In view of the current global trade finance crunch, COSCO (S)'s clients may face difficulties in securing credit to finance the new builds. This will lead to potential payment and vessel delivery delays, as well as order cancellations.

## SINGAPORE

### COSCO Corporation (COS SP)

#### HOLD

Current Price: S\$0.78

Fair Price: S\$0.89

Sector Offshore & marine  
52-Wk Avg Daily Vol. ('000) 22,726  
Market Cap (S\$m) 1,746.6  
(US\$m) 1,144.5

Major Shareholders (%)  
China Ocean Shipping Grp 53.4

Book NTA per Share (S\$) 0.51  
ROE (%) 29.0  
Net Cash per Share (S\$) 0.55

#### Results Due

1Q: Apr 2Q: Aug  
3Q: Oct Final: Feb

#### Price Chart



Source: Bloomberg

#### Analyst

Esther Sim  
☎ (65) 65398479  
esthersim@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* (¢)	Yield (%)
2007	2,261.7	534.9	336.6	15.0	61.8	5.2	1.8	4.0	5.1
2008	3,476.0	804.2	302.6	13.5	(10.1)	5.8	1.2	4.0	5.1
2009F	3,615.9	553.5	266.7	11.9	(11.8)	6.5	1.8	4.0	5.1
2010F	4,111.7	553.8	242.7	10.8	(9.0)	7.2	1.8	4.0	5.1
2011F	4,696.3	618.7	294.9	13.2	21.5	5.9	1.6	4.0	5.1

Consensus Net Profit – FY09: S\$248.7m  
-- FY10: S\$290.2m

\* Exclude special dividend of 3 cents for 2007 & 2008.

Tuesday, February 24, 2009

**Weak dry bulk shipping environment.** We estimate shipping earnings made up 40% of COSCO (S)'s 2008 net profit. The current weak dry bulk shipping freight rates will also affect its earnings. At the current Baltic Dry Index (BDI) level of 2099, COSCO (S) would be making losses in the spot shipping market. However, all its 12 vessels are on one-plus-one year time charter contracts.

**Valuation/Recommendation**

We are already valuing COSCO (S)'s shipyard business at a low annual contract wins of S\$2.0b (2007: S\$9.0b) and a sustainable net profit of S\$230m p.a. at a PE of 8.0x, which is in line with small-cap shipyards' valuations prior to the offshore & marine boom. Our contract wins assumption effectively implies COSCO's orderbook will be halved. COSCO (S)'s dry bulk shipping business is valued at 0.40x P/B, which is the typical cyclical trough valuation for the shipping sector. A lot of negatives have been priced into the stock. Should dry bulk shipping freight rate rebound, shipyard contract wins in 2009 surpass our assumption, or the global credit crunch eases, its share price could see a lift. Maintain HOLD with a fair price of S\$0.89.

**Profit & Loss**

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Turnover	2,261.7	3,476.0	3,615.9	4,111.7	4,696.3
EBITDA	534.9	804.2	553.5	553.8	618.7
Pre-tax Profit	498.1	451.4	423.2	405.1	451.4
Net Profit	336.6	302.6	266.7	242.7	294.9

**Balance Sheet**

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	2,431.8	4,596.0	3,734.2	4,429.6	5,215.1
Total Assets	3,967.2	6,799.3	5,862.9	6,549.2	7,315.8
Current Liabilities	2,557.0	4,572.2	3,603.1	4,159.9	4,747.4
Long-Term Liabilities	64.9	611.4	64.9	64.9	64.9
Shareholder Funds	939.9	1,144.2	1,142.1	1,204.7	1,319.7
Total Equity & Liabilities	3,967.1	6,799.3	5,862.9	6,549.2	7,315.8

**Cash Flow**

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	1,594.1	1,075.1	(175.2)	506.4	490.8
Investing	(447.5)	(634.1)	(136.0)	(136.0)	(146.0)
Financing	(334.3)	301.3	(238.0)	(258.7)	(257.7)
Net Cash In/(Out) Flow	812.3	742.3	(549.2)	111.7	87.1
Begin Cash & Cash Equiv.	273.6	1,085.9	1,828.2	1,279.0	1,390.7
End'g Cash & Cash Equiv.	1,085.9	1,828.2	1,279.0	1,390.7	1,477.8

## Raffles Medical

2008: Results within expectation but slowdown expected.

For the past two quarters, top-line growth of Raffles Medical was flat on qoq basis. We expect negative headwinds in 2009 due to the economic slowdown.

### 2008 Results

Year to 31 Dec	4Q08 (S\$m)	yoy % chg	2008 (S\$m)	yoy % chg	Remarks
Turnover	51.5	12.5	200.8	19.0	Hospital and healthcare took up 67% & 33% of revenue respectively
EBITDA	12.7	18.9	45.6	40.6	Due to lower staff cost
Pre-tax Profit	10.8	22.5	38.6	-7.4	Fair value gain in investment property in FY07
Tax	1.2	-	6.7	21.7	
Net Profit	9.5	9.1	31.5	-11.9	
EBITDA Margin (%)	24.6		22.7		

Source: Raffles Medical, UOB Kay Hian

### Result

Raffles Medical's FY08 revenue was within our expectation. Net profit was slightly better than expected due to better control of staff cost (+14.4%, against our estimate of +18.2%). FY08 revenue growth was attributable to the Hospital Division (+20.2% yoy) with the rest coming from the Healthcare Services Division (+16.3% yoy). EBITDA margin expanded yoy from 18.8% to 22.7% due to slower growth in staff cost when compared to revenue growth, which was flat (+0.3%) on a qoq basis. We believed the Group is gradually feeling the impact of the economic slowdown.

### Earning Risks

We maintain our previous view that Raffles Medical will face increasing pressure on revenue and cost in 2009 due to the following:

**Headwinds from falling foreign patient volume.** During the Asian Financial Crisis, day surgery for foreign patients and inpatient episodes in Singapore dropped by 39% and 36% to 3,522 and 9,703 respectively. As the current economic slowdown is global in nature, Raffles Hospital, whose patients come from over 100 countries, will most likely be negatively impacted by the slowdown. We forecast a 15% decline in foreign patient volume in 2009, resulting in a 3.2% yoy decline in revenue vs 2008.

**Domestic patient volume in private sector to be affected by economic slowdown.** Historically, Singapore's private sector share of healthcare services as measured by inpatient discharges decrease during an economic slowdown (-6.7% in 1998 and -8.4% in 2001). We expect a 7.5% decline in domestic patient volume in 2009. Overall, Raffles Medical's FY09 revenue is expected to decline by 8.4% yoy to S\$183.9m.

### Earnings Revision

We maintain our revenue and profit forecasts for Raffles Medical.

## SINGAPORE

### Raffles Medical (RFMD SP)

#### SELL

Current Price: S\$0.70

Fair Price: S\$0.59

Sector	Healthcare
52-Wk Avg Daily Vol. ('000)	302
Market Cap (S\$m)	365.1
(US\$m)	239.4
Book NTA per Share (S\$)	0.43
ROE (%)	14.1
Net Cash per Share (S\$)	0.03

#### Results Due

1Q: Apr	2Q: July
3Q: Oct	Final: Feb

#### Price Chart



Source: Bloomberg

#### Analyst

Singapore Research Team  
research@uobkayhian.com

Year to 31 Dec	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (cents)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (cents)	Yield (%)
2007	168.7	32.4	35.9	7.4	110.1	9.5	11.3	2.5	3.6
2008	200.8	45.6	31.5	6.1	(16.8)	11.4	7.5	2.5	3.6
2009F	183.9	38.5	25.4	4.9	(19.4)	14.2	8.8	2.5	3.6
2010F	188.0	39.4	26.4	5.1	3.7	13.7	8.0	2.5	3.6
2011F	208.8	48.4	33.6	5.1	0.0	13.7	7.4	2.5	3.6

Consensus Net Profit – 2009: S\$30.05m  
– 2010: S\$34.25m

# FY07 earnings include fair value gain of S\$12.5m from a 50% stake in CapitaLand-Raffles Properties Pte Ltd

**Valuation/Recommendation**

While its stock price has declined, we do not think that the high valuation (14.2x FY09 PE) attached to Raffles Medical is justified as we expect negative headwinds in 2009 for both revenue and cost. Using the discounted cash flow valuation (WACC 9.9%, terminal growth rate 0.5%), we derived a fair price of S\$0.59, which implies 12.0x average FY09 PE and FY10 PE. This is reasonable as the Group's net cash position of S\$17.9m will enable it to take advantage of any acquisition opportunities during this turbulent period. Maintain SELL.

**Profit & Loss**

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Turnover	168.66	200.77	183.87	187.97	208.76
EBIT	36.7	52.2	44.5	45.8	54.8
Pre-tax Profit	41.4	38.4	31.8	33.0	42.0
Net Profit	35.9	31.5	25.4	26.4	33.6

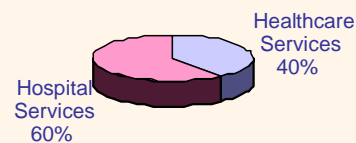
**Balance Sheet**

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Current Assets	44.48	74.15	72.74	74.64	102.91
Total Assets	281.46	310.40	308.13	308.77	335.80
Current Liabilities	79.69	65.41	52.52	59.59	65.84
Long-Term Liabilities	0.74	22.74	20.82	0.90	0.99
Shareholder Funds	200.81	221.93	234.47	247.96	268.65
Total Equity & Liabilities	281.46	310.40	308.13	308.77	335.80

**Cash Flow**

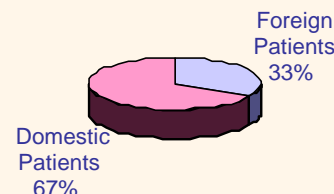
Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Operating	40.1	40.1	23.4	41.7	42.3
Investing	(52.8)	(5.0)	(5.0)	(5.0)	(5.0)
Financing	(9.2)	(10.7)	(17.5)	(32.9)	(11.9)
Net Cash In/(Out) Flow	(22.0)	24.4	0.9	3.9	25.4
Begin Cash & Cash Equiv.	41.8	19.7	44.1	45.0	48.9
End'g Cash & Cash Equiv.	19.7	44.1	45.0	48.9	74.3

**2008 Revenue By Segment**



Source: Raffles Medical, UOB Kay Hian

**Breakdown Of Raffles Hospital's Patient Load**



Source: Raffles Medical, UOB Kay Hian

## Sino Techfibre

4Q08: Uncertainty remains in 2009 but PMP to perform well

Sinotech reported 4Q08 net profit of Rmb34.0m, down 75.2% yoy. No final dividend was declared. 2009 would still be challenging but we expect PMP to do well with sales more than doubling and margins improving slightly.

### 4Q08 Results

Year to 31 Dec	4Q08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	268.7	(25.4)	1,314.1	3.0	Lower ASPs of PU and microfibre
Gross Profit	77.8	(53.0)	556.7	(5.6)	Lower gross margin on falling ASPs Higher depreciation and operating expenses
EBITDA	73.1	(57.6)	565.5	(3.3)	
Tax	10.9	(54.5)	120.1	43.9	Higher tax rate and withholding tax
Net Profit	34.0	(75.2)	375.2	(20.3)	
EPS (Rmb¢)	3.66	(75.2)	40.34	(20.3)	
<b>SEGMENT BREAKDOWN</b>					
PU	139.9	(33.8)	712.4	(7.5)	Lower ASP and sales volume
Microfibre	87.7	(41.2)	526.4	4.2	Lower ASP and sales volume
PMP	41.1	-	75.3	-	
<b>GROSS MARGINS</b>					
		<b>% yoy chg</b>		<b>% yoy chg</b>	
PU	27.4	-18.0ppt	42.1	-3.9ppt	
Microfibre	29.9	-16.6ppt	43.8	-2.8ppt	
PMP	34.3	-	35.5	-	
Overall	29.0	-17.0ppt	42.4	-3.9ppt	

Source: Sinotech, UOB Kay Hian

### Results

Sino Techfibre (Sinotech) reported 4Q08 net profit of Rmb34.0m, down 75.2% yoy.

Revenue decreased 25.4% yoy to Rmb268.7m despite the Rmb41.1m contribution from Pattern Moulding Paper (PMP) mainly due to plunges in average selling prices (ASP) as well as sales volume of PU and microfibre leather as a result of sluggish demand.

Gross margins for all three segments contracted severely in tandem with the fall in ASPs. Since the ASPs did not appear to be stabilising, we expect gross margins to have remained low at about 30%.

ASP of PMP increased to Rmb18.8/m as compared with Rmb17.5/m in 3Q08, while gross margin fell, however, to 34.3% from 39.3% in 3Q08. This was because Sinotech had commenced production and sales of new types of PMP, which have higher ASPs but would cause more loss of raw materials. The market response to Sinotech's PMP products remains positive, so as the marketing and sales efforts for PMP intensify, margins will likely catch up along with an improvement in the utilisation rate.

## SINGAPORE

### Sino Techfibre (SINOT SP)

#### BUY

Current Price: S\$0.145

Target Price: S\$0.220

(Previous: S\$0.240)

Sector	Industrial
52-Wk Avg Daily Vol. ('000)	5,490
Market Cap (S\$m)	176.7
(US\$m)	126.2

Major Shareholders (%)	
Merit Asia Int'l Ltd	60.7

Book NTA per Share (Rmb)	2.13
ROE (%)	18.9
Net Cash per Share (Rmb)	0.33

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

### Price Chart



Source: Bloomberg

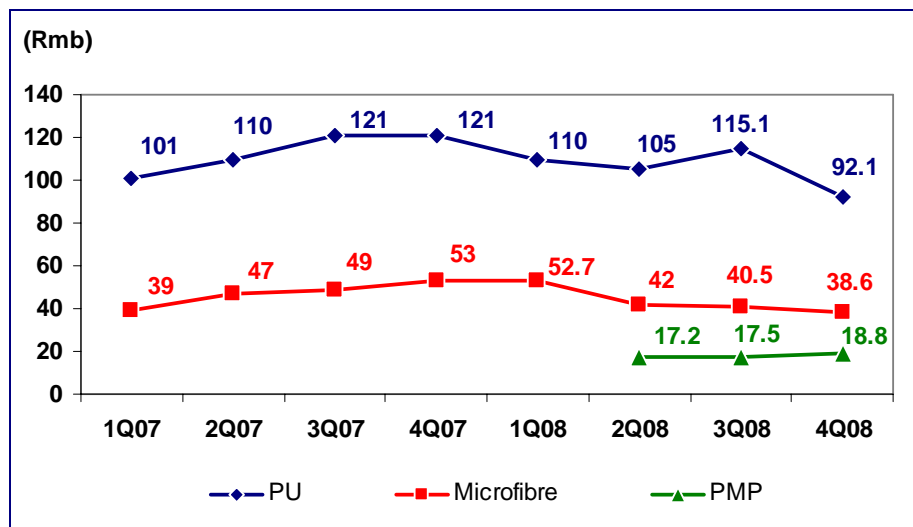
### Analyst

Allen Jiao  
 ☎ (8621) 5404 7225 ext. 805  
 allen.jiao@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	1,275.5	552.6	470.6	50.6	8.0	1.4	0.6	6.0	8.5
2008	1,314.1	565.1	375.2	40.3	(20.3)	1.8	0.6	1.0	1.4
2009F	1,225.7	532.8	274.1	29.5	(27.0)	2.4	0.7	1.5	2.1
2010F	1,558.0	663.9	372.8	40.1	36.0	1.8	0.5	3.2	4.5
2011F	1,921.1	816.5	487.2	52.4	30.7	1.3	0.4	5.2	7.4

Consensus Net Profit – FY09: 434.0m  
 -- FY10: 512.5m

Average Selling Prices



Source: Sinotech, UOB Kay Hian

Stock Impact

Gross margins of PU and microfibre are likely to stay around 30% as ASPs have yet to stabilise. However, we expect PMP sales to more than double in the coming year and gross margin to improve slightly, thus making a much larger contribution in 2009.

Earnings Revision

We have cut our earnings forecasts for 2009 and 2010 by 35.4% and 37.3% respectively on our assumption of significantly lower selling prices and profitability, and higher effective tax rate relating to the withholding tax.

Valuation/Recommendation

We have lowered our target price to S\$0.22 based on 0.5x P/B. Maintain BUY.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	1,275.5	1,314.1	1,225.7	1,558.0	1,921.1
EBIT	552.6	497.4	381.1	523.1	683.7
Pre-tax Profit	554.0	495.3	380.6	523.2	683.8
Net Profit	470.6	375.2	274.1	372.8	487.2

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	1,262.2	925.6	1,220.9	1,657.8	2,166.1
Total Assets	1,805.3	2,183.3	2,391.5	2,765.7	3,247.2
Current Liabilities	146.0	175.7	122.6	150.0	179.6
Long-Term Liabilities	0.0	0.0	0.0	0.0	0.0
Shareholder Funds	1,659.3	1,984.7	2,235.9	2,564.0	2,991.5
Total Equity & Liabilities	1,805.3	2,183.3	2,391.5	2,765.7	3,247.2

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	111.5	745.5	406.2	336.7	440.5
Investing	(320.2)	(782.4)	(64.7)	(78.0)	(105.9)
Financing	(117.4)	(31.9)	(37.6)	(26.2)	(35.3)
Net Cash In/(Out) Flow	(326.1)	(68.8)	303.9	232.6	299.2
Begin Cash & Cash Equiv.	771.5	445.4	376.6	680.5	913.1
End'g Cash & Cash Equiv.	445.4	376.6	680.5	913.1	1,212.3

## Economics

Economy suffers greater than expected contraction on slowdown in exports

Thailand's GDP declined 4.3% yoy in 4Q08, **worse than consensus forecast a 2.8% decline**. The GDP contracted 6.1% in 4Q08 vs 3.9% growth in 3Q08. The decline in GDP growth was not a surprise but the extent of the decline surprised the authorities and market consensus. Economists were expecting a 4.7% qoq decline in GDP growth.

**Based on our conversations with the management of several companies for the stocks under our coverage, there is a genuine belief that Thailand's economy may shrink by 4-5% in 2009 vs UOB Treasury Research's official 0.5% GDP growth forecast.** Corporate sector believes things can get really ugly in 2009 due to the following:

- Other measures approved by the government are meant to boost bank lending to State Enterprises and SMEs with no guarantee that the money will flow into the system. The government also plans to spend Bt2t on infrastructure projects over three to four years to increase investment and create jobs. Thailand has been talking about these infrastructure projects for too long for any Thai to get excited about.
- Year 2010 budget, which is under consideration, will concentrate on boosting investments and incur another deficit of about Bt400b or 4% of the GDP. No details on 2010 budget spending are available. Hence, it is too difficult to predict its efficacy.

### 4Q08 GDP

yoy % change	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Private Consumption Expenditure	1.4	0.9	1.8	1.8	2.8	2.8	2.9	2.1
General Government Consumption Expenditure	9.1	9.3	9.5	16.0	(0.6)	(2.4)	(3.1)	5.2
Total Investment	(1.3)	0.2	2.6	4.0	5.4	1.9	0.6	(3.4)
Private	(2.4)	(0.5)	1.4	3.8	6.5	4.3	3.5	(1.3)
Public	2.1	2.2	5.1	3.6	1.9	(5.2)	(5.5)	(10.2)
Change in Inventories	(193.9)	(221.3)	(58.9)	6.5	(360.2)	(392.9)	237.3	76.0
Exports of Goods and Services	9.2	8.0	4.5	10.6	8.2	9.1	11.2	(8.6)
Exports of Goods	8.5	8.6	3.9	8.3	7.5	9.8	12.6	(8.9)
Exports of Services	11.9	5.5	6.9	21.0	11.1	5.8	4.9	(7.5)
Imports of Goods and Services	2.9	3.5	3.2	7.6	9.4	6.9	13.2	1.0
Imports of Goods	0.7	1.7	2.4	4.7	10.0	5.4	12.5	0.1
Imports of Services	12.5	13.0	7.3	20.3	6.9	14.0	16.2	4.5
<b>Gross Domestic Product</b>	<b>4.4</b>	<b>4.4</b>	<b>5.3</b>	<b>6.3</b>	<b>6.0</b>	<b>5.3</b>	<b>3.9</b>	<b>(4.3)</b>

Source: NESDB

### Key highlights of 4Q08 GDP:

- Exports declined 9% yoy in 4Q08
- Total investment fell by 3.4% with 1.3% decline in private investment and 10.2% drop in public investment.
- Household consumption slowed down by 2.2%, lower than the average increase of 2.6% recorded during 9M08.
- Change in inventories valued at Bt67b comprised largely of agricultural goods, especially paddy, as a result of huge stockpile of paddy from government intervention scheme. Overproduction of industrial goods and air cargo hindrance to electronic goods.
- No. of tourists fell 19% yoy in 4Q08 while it grew 0.4% in 2008.

## THAILAND Economics

### Analyst

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

**Tourists by Region**

Number of Foreign Tourists	(1,000 Persons)					
	2007	2008	2008			
			1Q	2Q	3Q	4Q
Asian	7,611	7,403	2,111	2,050	1,861	1,681
European	3,906	3,932	1,479	738	747	968
American	921	939	279	219	222	219
Others	2,026	2,290	458	546	567	719
<b>Total</b>	<b>14,464</b>	<b>14,564</b>	<b>4,327</b>	<b>3,553</b>	<b>3,397</b>	<b>3,287</b>
Growth Rate (yoy)	4.6	0.7	12.9	13.8	(1.6)	(19.0)

Source: Tourism Authority of Thailand, BOT

**4Q08 GDP fell 6.1% qoq - Quarterly decline is spooking the authorities, prompting revisions in 2009 GDP growth forecast**

- Agricultural production expanded at a lower rate of 1.8% vs 9.6% in 3Q08, owing to a decline in both quantity and price of major crops.
- Non-agricultural sector fell by 5%. All sectors were hit. Manufacturing sector, construction, wholesale and retail trade, hotels and restaurants, as well as transportation declined by 6.8%, 12.8%, 3.0%, 8.3% and 10.6% respectively.

**Gross Domestic Product**

(%)	2007	2008	1Q08	2Q08	3Q08	4Q08
Agriculture	1.8	5.1	3.1	8.6	9.6	1.8
Non-agricultural	5.2	2.3	6.2	5.0	3.5	(5.0)
GDP	4.9	2.6	6.0	5.3	3.9	(4.3)
GDP Seasonally Adjusted (qoq)	4.9	2.7	0.9	0.6	0.4	(6.1)

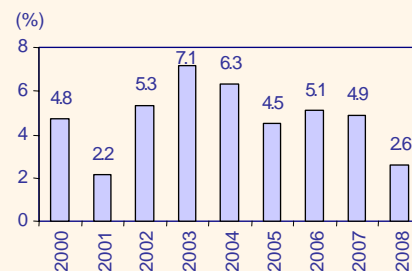
Source: NESDB

We attended the press conference held by officials of the NESDB. Key takeaways are:

1. GDP will continue to shrink to the third quarter of this year. Earlier, the NESDB expected only two quarters of GDP contraction.
2. However, the quarterly decline may cease from 2Q09 when the government will start implementing its Bt116.7b (US\$3.3b) package of training programmes, cash handouts, property tax breaks and public works next month. The government believes executing these short-term measures to boost domestic consumption will buffer against the fall in GDP as domestic consumption accounts for 50% of the country's GDP.
3. NESDB is now more realistic and accepts the possibility that the fiscal stimulus may have a very short-term impact. If the world economy does not pick up in 2H09, 2009 GDP will definitely show negative growth.

NESDB has revised down its GDP forecast for 2009 from 0.0-2.0% to -1.0 to 0.0%. **This is based on the hope that the world economy will pick up starting 2H09.**

**Economy Grew 2.6% In 2008 vs 4.9% In 2007**



Sources: NESDB

**Sector Ratings**

Sector	Rating
Banks	Market weight
Construction Mat.	Underweight
Contractors	Market weight
Communication	Overweight
Energy	Market weight
Media & Publishing	Overweight
Finance	Market weight
Healthcare	Overweight
Residential	Market weight
Industrial Estate	Underweight
Petrochem	Underweight

**UOBKH Top Buys/Sells**

Ticker	Rec	Current Price (Bt)	Target Price (Bt)
Advanced Info Service	ADVANC TB BUY	78.00	101.73
Quality Houses	QH TB BUY	0.84	1.49
Major Cineplex Group	MAJOR TB BUY	7.40	9.11
Amata Corp	AMATA TB SELL	3.56	2.52

Sources: UOB Kay Hian

## Banking

January loans contracted 1.5% mom

With both GDP and exports likely to perform poorer than anticipated, downside risk remains this year on the sector's loan growth guidance of 5-7%. We expect the sector to post negative loan growth of 1-2% in 2009.

### Sector Events

Loans of the banking sector (seven banks and three finance companies under our coverage) contracted 1.5% mom in January, a sharp decline from 1.7% mom growth posted in December. Apart from the seasonal effect (high loan repayment in January), we attribute the contraction in January to overall poor demand for loans from the export sector as well as weak investment outlook. Exports collapsed 26.5% in January while industrial capacity utilisation rate would likely drop below 60%.

### Stock Impact

**Loan growth losing momentum.** Loans fell almost across the board in January with Thai Military Bank (TMB) continuing to post the poorest credit performance in the sector as its loans contracted 2.4% mom and 9.9% yoy.

Among the large-sized bank, Bank of Ayudhya (BAY) and Kasikorn Bank (KBANK) posted the highest mom drop in loan growth at 2.1-2.2%, followed by an 1.8% contraction by Bangkok Bank (BBL), probably due to larger loan repayments by SME customers.

TISCO was the only bank which posted decent mom loan growth of 1.7% in January. This indicates the bank's ability to gain market share in the HP business, especially from other captive players, noting that domestic car sales plunged 30% in January.

Looking forward, we expect loan growth to continue to lose momentum, given the sharp slowdown in economic activities on the back of poorer-than-expected export performance and poor investment outlook now that industrial capacity utilisation rate has fallen below 60% vs the peak of nearly 80% in 2008. The release of worse-than-expected 4.3% contraction in 4Q08 meant a possible further downgrade in 2009 GDP forecast to -4% to -2% from the current forecast of 0-2%. This will eventually put downward pressure on the sector's loan growth guidance of 5-7%. Therefore, we maintain that loan growth will drop 1-2% in 2009.

**Liquidity continues to improve.** Against the mom loan contraction, overall deposits remained largely flat in January. This has resulted in a further fall in loan/deposit ratio to 88% from 92% last October. Including borrowings, the ratio will be even lower at 81%. This indicates that liquidity in the banking system remains healthy. However, the steady fall in LD ratio also suggests that the sector's net interest margins could be under pressure in 1Q09.

### Recommendation.

We maintain MARKET WEIGHT rating on the banking sector. Our top stock pick is BBL with an entry price below Bt65 (BUY/Target: Bt78) based on its most defensive balance sheet quality (i.e. 110% NPL coverage ratio and sizeable reserve cushion of over Bt25b). For those with higher risk appetite, we recommend BAY (BUY/Target: Bt11.30) and SCB (HOLD/Fair: Bt54.25) due to higher beta. But SCB looks fairly valued at the current price. Our entry price for SCB is Bt45.

### Top Stock 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

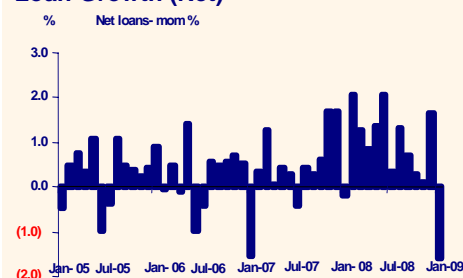
Source: UOB Kay Hian

## THAILAND

### Banking

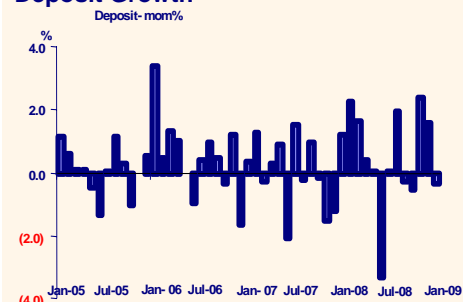
### MARKET WEIGHT

#### Loan Growth (Net)



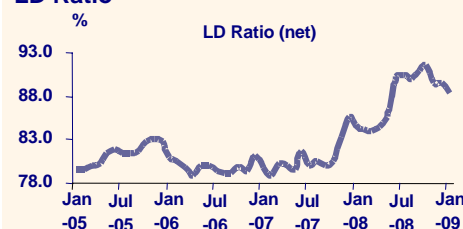
Source: BOT

#### Deposit Growth



Source: BOT

#### LD Ratio



Source: BOT

### Analyst

Thananchai Jittanon

☎ (662) 659 8303

thananchai@uobkayhian.co.th

Peer Comparison

		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

Monthly Credit

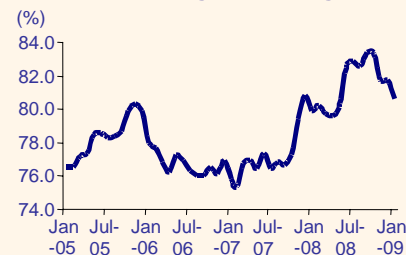
(Btm)	Nov 08	Dec 08	Jan 09	mom	yoy
BBL	1,095,151	1,111,948	1,091,484	(1.8)	12.3
BAY	504,150	516,717	506,063	(2.1)	21.3
KBANK	849,879	872,085	852,522	(2.2)	14.5
TMB	385,879	379,820	370,890	(2.4)	(9.9)
SCB	827,812	854,142	842,508	(1.4)	14.1
KTB	1,007,664	1,010,687	1,003,131	(0.7)	8.2
SCIB	257,840	263,334	262,236	(0.4)	11.1
<b>SUM- 7 Banks</b>	<b>4,928,374</b>	<b>5,008,733</b>	<b>4,928,834</b>	<b>(1.6)</b>	<b>10.8</b>
TISCO	95,384	99,926	101,597	1.7	25.5
TBANK	258,940	266,540	262,042	(1.7)	16.0
KK	77,148	77,047	76,985	(0.1)	18.7
<b>SUM-3 Fincos</b>	<b>431,472</b>	<b>443,514</b>	<b>440,624</b>	<b>(0.7)</b>	<b>18.5</b>
<b>GRAND SUM</b>	<b>5,359,846</b>	<b>5,452,247</b>	<b>5,369,458</b>	<b>(1.5)</b>	<b>11.4</b>

MOM Credit Growth

(%)	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09
BBL	1.1	0.1	(0.2)	(1.1)	1.5	(1.8)
BAY	3.3	3.4	0.4	(0.5)	2.5	(2.1)
KBANK	0.9	1.7	0.3	0.6	2.6	(2.2)
TMB	0.1	(0.8)	1.1	0.3	(1.6)	(2.4)
SCB	0.8	1.2	0.1	0.1	3.2	(1.4)
KTB	1.8	(0.5)	0.2	1.0	0.3	(0.7)
SCIB	1.8	0.6	1.7	1.1	2.1	(0.4)
<b>SUM- 7 Banks</b>	<b>1.3</b>	<b>0.7</b>	<b>0.3</b>	<b>0.1</b>	<b>1.6</b>	<b>(1.6)</b>
TISCO	1.5	1.2	1.3	1.5	4.8	1.7
TBANK	1.7	1.9	0.9	(0.1)	2.9	(1.7)
KK	0.3	(0.0)	1.1	1.1	(0.1)	(0.1)
<b>SUM-3 Fincos</b>	<b>1.4</b>	<b>1.4</b>	<b>1.0</b>	<b>0.5</b>	<b>2.8</b>	<b>(0.7)</b>
<b>GRAND SUM</b>	<b>1.3</b>	<b>0.8</b>	<b>0.3</b>	<b>0.1</b>	<b>1.7</b>	<b>(1.5)</b>

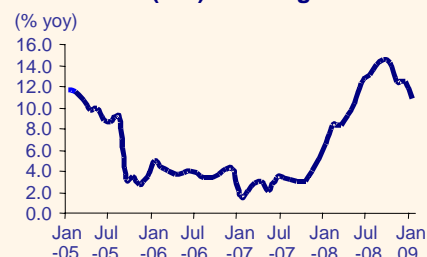
Source: Respective banks

LD Ratio (Including Borrowings)



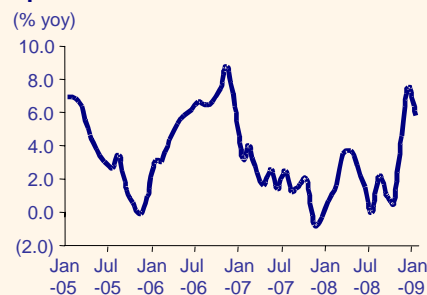
Source: BOT

Loan Growth (Net) – Losing Momentum



Source: BOT

Deposit Growth



Source: BOT

## Amata Corporation

4Q08: Results plunged and 2009 outlook is fragile

4Q08 results declined 41% yoy. 2009 outlook is fragile. Downside risk to its trough valuation of 0.45x P/B, -1SD from its mean (since 1997) of 2.2x P/B, remains substantial. Maintain SELL

### 4Q08 Results

Year to 31 Dec	4Q08 (Btm)	yoy % chg	2008 (Btm)	yoy % chg	Remarks
Land sales	721	(45.4)	2,894	(15.5)	2008 land sales were 821 rai (-52% yoy)
Recurring income	242	7.4	965	5.0	
Total revenue	963	(38.0)	3,859	(10.5)	
Gross margin	499	(35.4)	2,102	(1.6)	
EBIT	417	(26.5)	1,812	13.3	
Net profit	226	(41.3)	1,192	16.1	Thanks to strong 9M08 results of Bt966m (+50%)
Gross margin -Land (%)	60.5		63.0		Improved from 56% in 2007
Gross margin (%)	51.8		54.5		Improved from 50% in 2007
SG&A/sales (%)	13.2		12.8		
Net margin (%)	23.5		30.9		Improved from 24% in 2007

Source: AMATA, UOB Kay Hian

### Results

Amata Corporation (AMATA) posted 4Q08 net profit of Bt226m (-41% yoy and -39% qoq). Land sales in 4Q08 shrank to 200 rai from 910 rai in 4Q07. Gross margin and net margin in 4Q08 dipped from 9M08 by 3-4 ppt. Softer sales together with margin contraction caused its 4Q08 profit to plunge hard.

2008 results of Bt1.2b (+16.2% yoy) came in within expectations. 2008 land sales dropped 52% yoy to 821 rai, causing its market share to decline to 20% (2007: 36%). But land sales in Baht terms declined only 15.5% thanks to a gradual recognition of sales backlog worth Bt1b carried forward from 2007. Recurring income from rental and utilities grew modestly by 5%. Gross margin rose 5 ppt to 55% mainly due to the improvement in gross margin of land sales. SG&A expense-to-sales ratio also softened 1ppt to 13% on tax savings as per the property stimulus package. Net profit, hence, grew 16% yoy despite a 10.5% yoy drop in total revenue.

### Stock Impact

Its 2009 outlook is fragile. Tracing back to post-1997 economic crises, BOI investment declined to 41% in 1997, 51% in 1998 and 22% in 1999. During the dot-com crisis in 2001, BOI investment also fell 48%. Since industrial land sales are 90% correlated to BOI investment, the weak BOI investment implies the sector's outlook will continue to be sluggish. We estimate the sector's average industrial land sales to plunge almost 60% yoy this year. For 2009, we estimate AMATA's land sales to drop by 36% yoy to 525 rai (2008: -52%). Hence, our net profit forecast will drop by 55% to Bt530m (20% below the consensus).

## THAILAND

### Amata Corporation (AMATA TB)

#### SELL

Current Price: Bt3.60  
Fair Price: Bt2.52

Sector	Property
52-Wk Avg Daily Vol. ('000)	4,015.8
Market Cap (Btm) (US\$m)	3,841.2
	109.7

Major Shareholders (%)  
Mr. Vikrom Kromdit 23.9

Book NTA per Share (Bt) 4.60  
ROE (%) 26.0  
Net debt/share (Bt) 3.50

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

### Price chart



Source: Bloomberg

### Analyst

Wanida Geisler  
☎ (662) 659 8302  
wanidag@uobkayhian.co.th

Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	P/B (x)	DPS (Bt)	Yield (%)
2007	4,314	1,745	1,027	0.96	31.5	3.7	3.9	0.9	0.55	15.3
2008F	3,859	1,784	1,192	1.12	16.1	3.2	4.8	0.8	0.61	17.1
2009F	2,737	1,036	530	0.50	(55.5)	7.2	7.4	0.8	0.25	6.9
2010F	2,768	1,017	483	0.45	(8.9)	8.0	7.0	0.7	0.23	6.3
2011F	3,131	1,141	541	0.51	12.1	7.1	5.8	0.7	0.25	7.0

Consensus Net profit -- FY09: Bt658m  
-- FY10: Bt728m

**Recommendation**

Even though AMATA's share price has already fallen to a P/B of 0.8x, downside risk to its trough valuation of 0.45x P/B, -1SD from its mean (since 1997) of 2.2x P/B, remains substantial. We **maintain SELL** with a fair price of Bt2.52 based on AMATA's trough P/B of 0.45x (average P/B between 1997 to early 2002).

**Profit & Loss**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	4,314	3,859	2,737	2,768	3,131
EBIT	1,599	1,812	949	883	947
Pre-tax Profit	1,366	1,562	765	719	794
Net Profit	1,027	1,192	530	483	541
EPS (Bt)	1.0	1.1	0.5	0.5	0.5

**Balance Sheet**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	4,944	6,247	4,867	4,668	4,943
Total Assets	9,755	12,359	11,077	10,997	11,415
Current Liabilities	2,575	3,391	2,695	2,809	2,858
Long-term Loans	2,116	3,251	2,500	2,000	2,000
Shareholders' Funds	4,861	5,584	5,807	6,113	6,482
Total Equity & Liabilities	9,755	12,359	11,078	10,997	11,415

**Cash Flow**

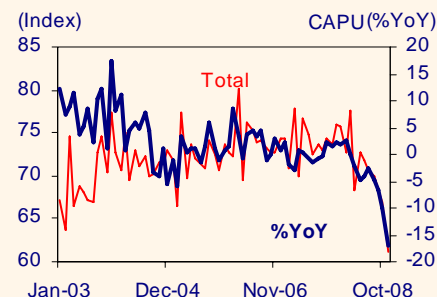
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	1,639	(110)	1,533	987	1,066
Investing	(1,037)	(1,127)	(314)	(382)	(458)
Financing	(707)	1,417	(1,757)	(612)	(108)
Net Cash Inflow/(Outflow)	(105)	180	(538)	(8)	499
Begin Cash & Cash Equiv.	582	477	657	119	111
End'g Cash & Cash Equiv.	477	657	119	111	610

**Industrial Land Sales Assumptions**

(rai)	FY07	FY08F	FY09F	FY08F	FY09F
AMATA	1,718	821	525	(52.2)	(36.1)
HEMRAJ	1,260	1,550	455	23.0	(70.6)
ROJANA	500	600	259	20.0	(56.8)
Total	3,478	2,971	1,239	(14.6)	(58.3)

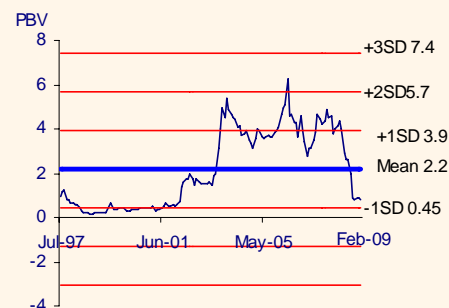
1 rai = 1,600sqm  
Source: UOB Kay Hian

**Industrial Capacity Utilisation**



Source: Bank of Thailand

**AMATA's Share Price and Standard Deviation**



Source: SETSMART, UOB Kay Hian

## Electricity Generating Plc

2008: Normalized profit was flat, thanks to IPP business

*Defensive play with steady operating cash flow, sustainable 15% ROE and low gearing. Stock is trading at 0.7x P/B and 40% discount to peer average. Extension of KEGCO contracts will provide upside gain of Bt8-15/share.*

### 2008 Results

(Btm)	2007	2008	yoy % chg	Remarks
Turnover sales	10,939	10,320	(6%)	Lower KEGCO electricity
Cost of Sales	5,711	5,890	3%	
Gross Profit	5,228	4,430	(15%)	Higher KEGCO maintenance cost
SG&A	1,018	1,021	0%	
Equity income	5,051	4,619	(9%)	Smooth operation in BLCP and Kaeng Khoi 2 despite forex loss at Bt564m.
Operating profit	10,010	8,354	(17%)	
Interest expense	839	630	(25%)	Loan repayment in KEGCO.
Tax	634	711	12%	
Normalized Profit	7,392	7,491	1%	Higher contribution from IPP business
Forex gain/(loss)	1,010	-564	(156%)	
Net Profit	8,402	6,927	(18%)	
EPS (Bt)	15.96	13.16	(18%)	
Gross Margin (%)	47.8%	42.9%	-4.9ppt	
Net margin (%)	76.8%	67.1%	-9.7ppt	

### Results

EGCO reported 2008 net profit of Bt6.9b, down 18% yoy but the normalised profit excluding exchange rate loss increased 1% yoy. Highlights of the results are:

- Healthy earnings contribution from IPP business which accounted for 96% of total net profit due to the smooth operation at BLCP Power (BLCP: 1,434 MW, 50%-owned) and Kaeng Khoi 2 (KK2: 1,468MW, 50%-owned).
- Lower contributions from REGCO and KEGCO due to decline in base availability credit rate as the two projects approach their contract expiries in 2014 and 2015, respectively.
- Lower interest expenses from refinancing of short-term debt and loan repayment.
- Exchange rate loss at Bt564 m vs gain at Bt1,010m in 2007.

### Stock Impact

EGCO's normalised profit is in line with our expectation. 90% of earnings come from the IPP business with no impact from falling electricity demand. With no major capacity expansion going forward, Egco's net profit will grow at no more than 10% annually between 2009 and 2010. The recognition of Quezon's share of profit (23.4% stake in the 460 MW coal-fired power plant) and commercial operation of Nam Theun 2 project (1,070MW, 25%-owned) will compensate for lower contributions from REGCO and KEGCO. We expect EGCO will pay a final dividend of Bt2.5/share (3.6% yield), bringing the full-year dividend to Bt5.0/share (7.2% yield). EGCO remains attractive because of its secured operating cash flow and low gearing at 0.3x.

## THAILAND

### ELECTRICITY GENERATING Plc (EGCO TB)

#### BUY

Current Price: Bt69.50

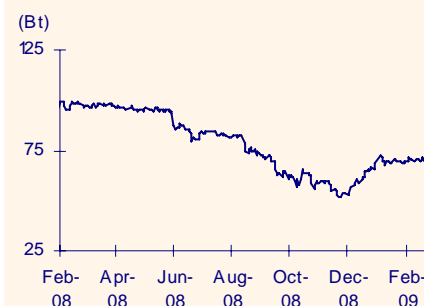
Target Price: Bt88.00

Sector	Energy
52-Wk Avg Daily Vol. ('000)	537
Market Cap (Btm)	37,116
(US\$m)	1,051
Major Shareholders (%)	
Egat	25.4%
Book NTA per Share (Bt)	85.60
ROE (%)	16.0
Net Debt per Share (Bt)	11.70

#### 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	10,939	11,847	8,402	16.0	77.4	4.4	3.6	4.8	6.8
2008	10,320	10,390	6,927	13.2	(17.6)	5.3	4.1	5.0	7.2
2009F	10,902	10,853	6,569	12.5	(5.2)	5.6	3.9	5.0	7.2
2010F	10,947	11,438	7,228	13.7	10.0	5.1	3.7	5.5	7.9
2011F	8,874	9,890	6,399	12.2	(11.5)	5.7	4.0	4.9	7.0

Consensus Net Profit – FY09: B6,815m  
 – FY10: Bt6,801m

**Valuation/Recommendation**

**Maintain BUY.** At our target price of Bt88.00 (or 7.0x 2009 PE and 0.9x P/B), EGCO will be trading at a very cheap 0.7x FY09 PE, which is far below the regional peer average of 1.2x. EGCO has outperformed with its stock price up 39% since late November while the SET has increased only 11%. EGCO is a defensive stock with steady earnings backed by long-term power purchase agreements with Egat. The stock offers a dividend yield of 7.2%. A key catalyst for future growth is the extension of the REGCO and KEGCO contracts.

**Upside gain on contract extension.**

The Energy Ministry have launched bidding for the operation of the power plant in Khanom, southern Thailand, which is one of the new generating projects included in the power development plan (PDP). We expect KEGCO (100%-owned, capacity of 824 MW, combined cycle gas plants) will receive extensions of its new power purchase agreement. Southern Thailand still lacks adequate power supply. The contract extensions would cater to higher power demand in the South. We estimate the contract extensions of KEGCO will provide an upside gain about Bt8-15/share.

**Nam Theun 2 will be the next catalyst for growth in end-2009.**

A further catalyst is the commercialisation in Dec 09 of its Nam Theun 2 project, a 1,070MW hydroelectric power plant in Laos in which it holds a 25% stake. The project is currently 95.1% completed and on schedule. The tariff structure of Nam Theun 2 will be based on a flat tariff structure under a 25-year long-term contract.

**Profit & Loss**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	10,939	10,320	10,902	10,947	8,874
EBIT	9,693	8,194	8,615	9,145	7,557
Pre-tax Profit	9,050	7,749	8,087	8,710	7,119
Net Profit	8,402	6,927	6,569	7,228	6,399

**Balance Sheet**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	12,468	14,996	20,172	20,074	19,229
Total Assets	53,600	58,330	67,648	71,690	74,345
Current Liabilities	2,958	5,822	5,896	5,904	5,640
Long-Term Liabilities	8,647	6,965	11,478	10,478	9,478
Shareholder Funds	41,995	45,543	50,274	55,308	59,226
Total Equity & Liabilities	53,600	58,330	67,648	71,690	74,345

**Cash Flow**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	6,942	4,881	4,359	4,828	5,588
Investing	(7,551)	(2,217)	(1,625)	(1,095)	(887)
Financing	(1,243)	(1,286)	1,886	(3,891)	(3,559)
Net Cash In/(Out) Flow	(1,852)	1,378	4,619	(158)	1,141
Begin Cash & Cash Equiv.	5,602	3,750	5,128	9,747	9,589
End'g Cash & Cash Equiv.	3,750	5,128	9,747	9,589	10,730

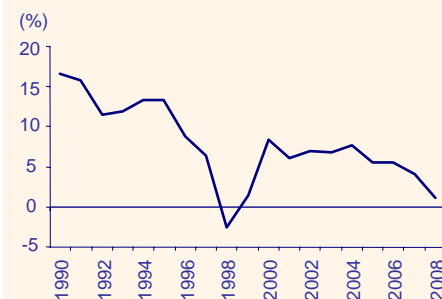
**EGCO's Power Plants**

Year	Power Plants	Capacity (MW)	Acc. Capacity (MW)	Project Life (year)
2008	REGCO	1,232	1,232	2014
	KEGCO	824	2,056	2015
	BLCP Power (BLCP)	717	2,773	2032
	Kaeng Khoi 2 (KK2)	734	3,507	2032
	Other Small Power Producer (SPP)	319.5	3,826.5	-
2009	Nam Theun 2	267.5	4,094	2034
Delay (2015)	Nam Theun 1	130.8	4,225	2040

Source: EGCO, UOB Kay Hian

**Electricity Consumption Growth Rate**

(Electricity consumption down 12% yoy in January 09)



Source: EPPO

**Peer Comparison**

Name	PE (x)	P/BV (x)	Div Yield (%)
	2009F	2009F	2009F
EGCO	5.38	0.74	7.63
RATCH	8.91	1.18	6.15
GLOW	7.80	0.95	7.15
TENAGA			
NASIONAL	10.77	0.94	3.35
YTL POWER			
INTL	12.91	1.50	6.44
CLP HLDGS LTD	15.60	1.86	4.60
DATANG INTL	14.98	1.32	2.74
HUANENG POWER	18.25	1.46	2.90
<b>AVERAGE</b>	<b>11.82</b>	<b>1.24</b>	<b>5.12</b>
<b>EGCO vs REGIONAL</b>	<b>(54.5%)</b>	<b>(40.5%)</b>	<b>49.0%</b>

Source: Bloomberg

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