

KEY STORY

Regional

Plantation

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Very good response to UK and Europe Plantation Roadshow. Smaller supply growth & CPO price rebound to RM2,000/tonne are key highlights.

China

Xiniao Gas (BUY/HK\$7.59 /Target: HK\$10.50)

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One of the top beneficiaries of China's rapid expansion of gas distribution market. Initiate coverage with BUY rating and target price of HK\$10.50.

Thailand

Sino-Thai Engineering & Construction (SELL/Bt3.24/Fair: Bt2.89)

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Even if STEC wins the second phase Purple Line, upside to current price is just 13%. Maintain SELL.

REGIONAL

Sector

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Very good response to UK and Europe Plantation Roadshow. Smaller supply growth & CPO price rebound to RM2,000/tonne are key highlights.

CHINA

Sector

Gas Distribution

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The city gas distribution market remains a seller's market, which is unaffected by the current economic turmoil. Initiate coverage with OVERWEIGHT.

Update

Beijing Enterprises Holdings (SELL/HK\$30.55/Fair: HK\$22.90)

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We expect diminishing returns from BEHL's non-gas business. Initiate coverage with SELL on stretched valuation.

Towngas China (SELL/HK\$1.47/Fair: HK\$1.10)

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The likely biggest victim of slowing property sales and falling LPG prices. Initiate coverage with SELL.

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One of the top beneficiaries of China's rapid expansion of gas distribution market. Initiate coverage with BUY rating and target price of HK\$10.50.

Technical Analysis

H-share Index: Key support near 6,613.

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HONG KONG

Update

Hong Kong & China Gas (HOLD/HK\$11.70/Fair: HK\$11.90)

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HKCG will see lower gas sales growth and falling connection income in the mainland market. Initiate coverage with HOLD.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7350.9	3.3	(2.7)	(9.0)	(16.2)
S&P 500	773.1	4.0	(2.0)	(7.1)	(14.4)
FTSE 100	3816.4	(0.9)	(5.4)	(5.8)	(13.9)
AS30	3285.0	(0.6)	(3.7)	(0.5)	(10.2)
CSI 300	2301.8	(4.5)	(3.5)	13.2	26.6
FSSTI	1614.4	(1.0)	(1.4)	(4.2)	(8.4)
HSI	12798.5	(2.9)	(1.1)	1.7	(11.0)
JCI	1295.9	(1.3)	(1.7)	(1.5)	(4.4)
KLCI	894.1	0.7	(0.5)	2.5	2.0
KOSPI	1063.9	(3.2)	(5.6)	(2.7)	(5.4)
Nikkei 225	7268.6	(1.5)	(4.9)	(6.2)	(18.0)
SET	431.3	(0.8)	(1.6)	(0.5)	(4.1)
TWSE	4430.2	(1.1)	(1.4)	4.3	(3.5)
BDI	2010.0	(3.6)	6.1	105.1	159.7
CPO (RM/mt)	1906.0	(0.2)	(4.4)	2.7	16.9
Nymex Crude (US\$/bbl)	39.9	3.8	14.2	(14.1)	(10.5)

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (1cy)	Target Price (1cy)	Pot. +/- (%)
Top BUYs				
China Life	2628 HK	22.45	30.50	35.9
China Mobile	941 HK	69.60	90.00	29.3
China Petroleum	386 HK	4.22	6.93	64.2
China Railway	390 HK	4.44	5.90	32.9
China Shenhua	1088 HK	16.16	23.00	42.3
Maanshan Iron	323 HK	2.57	3.70	44.0
Bumi Resources	BUMI IJ	7.40	1,010	36.5
Public Bank	PBK MK	9.15	10.90	19.1
DBS Group	DBS SP	7.90	10.55	33.5
Indofood Agri	IFAR SP	0.51	0.80	58.4
SingTel	ST SP	2.53	2.95	16.6
Advanced Info	ADVANC TB	77.50	101.73	31.3
Quality Houses	QH TB	0.82	1.49	81.7
Top SELLs				
Aluminum Corp	2600 HK	3.68	3.00	(18.5)
Parkson Retail	3368 HK	6.12	5.15	(15.8)
Wharf Hldg	4 HK	16.68	14.60	(12.5)
S'pore Airlines	SIA SP	10.24	9.70	(5.3)
S'pore Exchange	SGX SP	4.65	3.00	(35.5)
Amata Corp	AMATA TB	3.54	2.52	(28.8)

Key Assumptions

GDP (% yoy)	2008	2009F	2010F
US*	1.3	(2.0)	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	n.a.
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	1,689	2,077
Copper* (US\$/MT)	6,884	3,744	4,596
Gold Price London* (US\$/ounce)	873	968	987
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
Bumi Resources Roadshow	Singapore	12 Mar	13 Mar

MALAYSIA

Results

- Alliance Financial Group (SELL/RM1.77/Fair: RM1.67) Page 16**
 3QFY09: Net profit of RM49.2m, -51.7% yoy and -9.9% qoq, on lower net interest income. Results in line with our but below market expectations.
- Asiatic Development (SELL/RM4.10/Fair: RM3.10) Page 18**
 2008: Net profit of RM373.3m, +8.5% yoy, on higher CPO ASP. Results in line with expectations.
- IJM Plantations (HOLD/RM2.02/Fair: RM2.05) Page 20**
 3QFY09: Net profit of RM34m drops 8% qoq and 31% yoy. Results above expectation. Lower ASP mitigated by lower cost.
- MISC (HOLD/RM8.55 (L)/RM8.60 (F)/Fair: RM8.65) Page 22**
 3QFY09: Higher-than-expected container losses offset by resilient earnings from energy-related businesses.
- Malaysian Resources Corp (SELL/RM0.86/Fair: RM0.59) Page 24**
 2008: Net loss of RM56.6m, reversing the net profit of RM40.7m in 2007. Results were below ours and market expectations.
- RHB Capital (SELL/RM3.74/Fair: RM2.80) Page 26**
 2008: Net profit of RM1,048.7m, +47% yoy. Results within expectation and boosted by lower loan loss provision.

SINGAPORE

Results

- Pine AgriTech (SELL/S\$0.09/Fair: S\$0.07) Page 28**
 4Q08: Weak sales growth continues. Maintain SELL.
- SC Global (HOLD/S\$0.40/Fair: S\$0.50) Page 30**
 4Q08: Weighed down by high gearing.
- SembCorp Marine (BUY/S\$1.38/Target: S\$2.03) Page 32**
 2008: Higher operating earnings due to a larger orderbook and improved margins. Strong balance sheet with a net cash balance of S\$1.8b.

THAILAND

Update

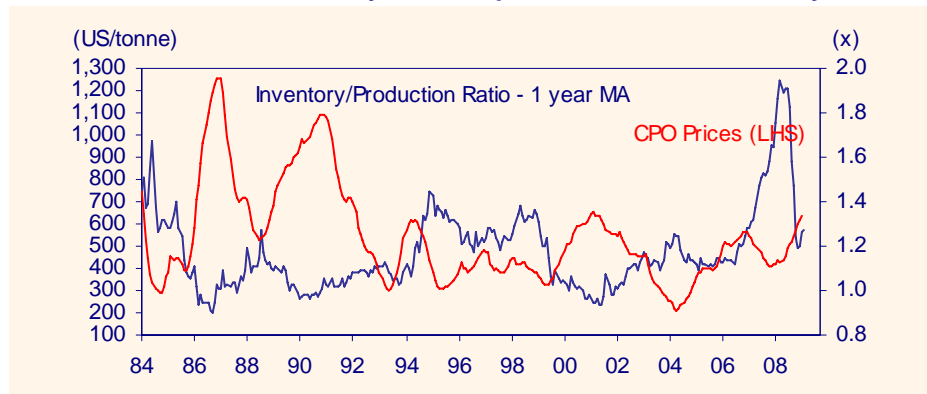
- Sino-Thai Engineering & Construction (SELL/ Bt3.24/Fair: Bt2.89) Page 34**
 Even if STEC wins the second phase Purple Line, upside to current price is just 13%. Maintain SELL.

Plantation

Highlights from Europe marketing trip

Key highlights of our Plantation Roadshow to the UK and Europe are smaller supply growth, potential downward revision of palm oil production forecasts for 2009 and 2010, and CPO price rebound to RM2,000/tonne.

CPO Price Reacted Positively In Anticipation Of Lower Inventory



Source: Bloomberg

Key Events

We received very positive feedback from our recent Plantation Roadshow with an industry expert, Mr M.R. Chandran, in the UK and Europe.

Sector Impact

Below are the key highlights from Mr Chandran's presentation:

- Supply over the next two years would be constrained by:
 - Limited new land supply from Malaysia
 - Cutback in plantation expansion in Indonesia due to the lack of capital and environmental concerns
 - Prevailing tree stress expected to limit CPO supply in 2009 and 2010

REGIONAL

Plantation

OVERWEIGHT

Analyst

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Peer Comparison

Ticker	Rec	Year End	Share Price 24 Feb 09	Target Price	Market Cap	EPS 2008F	EPS 2009F	EPS 2010F	PE 2008F	PE 2009F	PE 2010F	ROE	P/NTA	P/B	Div Yield	
Sime Darby	SIME MK	SELL	06/07	(RM) 5.65	(RM) 5.50	(RMm) 33,653	(sen) 58.4	(sen) 42.4	(sen) 48.5	(x) 9.6	(x) 13.2	(x) 11.6	(%) 18.0	(x) 1.6	(x) 1.6	(%) 8.8
IOI Corp	IOI MK	SELL	06/07	3.68	2.55	22,511	36.3	26.8	32.9	10.1	13.6	11.1	27.7	2.8	2.9	4.6
KL Kepong	KLK MK	BUY	09/07	9.90	8.60	10,568	97.5	79.2	98.5	10.2	12.5	10.0	19.9	2.0	1.9	5.1
Asiatic	ASP MK	SELL	12/07	4.10	3.10	3,118	53.0	27.6	45.5	7.8	14.9	9.1	18.0	1.5	1.3	3.4
IJM Plantn	IJMP MK	SELL	03/08	2.02	1.65	1,346	14.3	10.2	18.4	14.7	20.6	11.4	20.6	1.7	1.7	5.7
Malaysia Average									9.8	13.4	11.0		1.8	1.7		
Wilmar Int'l	WIL SP	BUY	12/07	(\$\$) 2.84	(\$\$) 2.88	(\$\$m) 18,646	(US¢) 21.1	(US¢) 17.7	(US¢) 20.6	(x) 9.0	(x) 10.8	(x) 9.2	(%) 13.3	(x) 3.1	(x) 1.3	(%) 0.9
Golden Agri	GGR SP	BUY	12/07	0.280	0.33	2,943	4.4	3.0	4.4	4.4	6.5	4.3	46.5	0.6	0.4	5.2
Indofood	IFAR SP	BUY	12/07	0.505	0.80	775	8.6	5.6	9.5	4.1	6.2	3.7	17.9	1.4	0.7	0.0
First Res	FR SP	HOLD	12/07	0.320	0.39	485	4.6	3.4	5.0	4.7	6.3	4.3	20.7	1.2	1.2	0.0
Singapore Average									7.5	9.6	7.6		1.6	0.9		
Astra Agro	AALI IJ	BUY	12/07	(Rp) 12,300	(Rp) 8,750	(Rp) 19,369	(Rp) 1,535	(Rp) 1,092	(Rp) 1,766	(x) 8.0	(x) 11.3	(x) 7.0	(%) 58.0	(x) 4.9	(x) 4.2	(%) 5.1
Lonsum	ISIP IJ	BUY	12/07	3,325	3,000	4,640	649	429	677	5.2	7.9	5.0	30.8	2.0	1.5	0.0
Sampoerna	SGRO IJ	BUY	12/07	1,180	1,350	2,287	250	193	282	4.8	6.3	4.3	22.9	1.6	1.4	1.7
Bakrie	UNSP IJ	SELL	12/07	315	250	1,231	134	62	98	2.4	5.2	3.3	13.7	0.7	0.4	2.8
Indonesia Average									6.4	9.5	6.0		2.3	1.9		

Source: Respective companies, UOB Kay Hian

Potential downward revision of production forecasts for 2009 and 2010 due to:

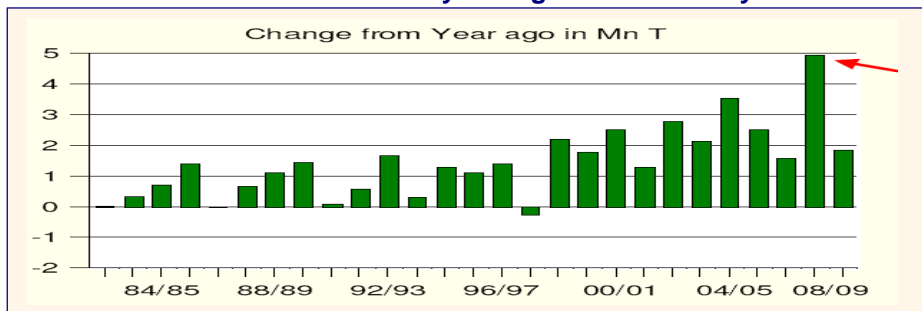
- Bad weather. Malaysia and Indonesia will be entering a drier season due to El Nino, which could lead to a prolonged dry spell
- Additional stress to oil palms due to the lack of fertiliser
- CPO price likely to rebound to RM2,000/tonne and above, once the macroeconomic outlook improves and the current excess CPO supply diminishes. This scenario may take six months to occur. Also, CPO price may benefit from increased demand as the biodiesel industries in Malaysia and Indonesia start to take off.

Recommendation

Given the potentially favourable trends going forward, we maintain our **OVERWEIGHT** rating on the plantation sector. Due to the uncertain global outlook, fund managers appear to favour the more liquid plantation plays. This is in line with our trading view for the recovery stage and we favour big-cap stocks within this sector. Our picks in the sector are still **Wilmar International (WIL SP/BUY/Target: S\$2.88)**, **Indofood Agri (IFAR SP/BUY/Target: S\$0.80)**, **Golden Agri (GGR SP/BUY/Target: S\$0.33)** and **Sampeorna Agri (SGRO IJ/BUY/Target: Rp1,350)**.

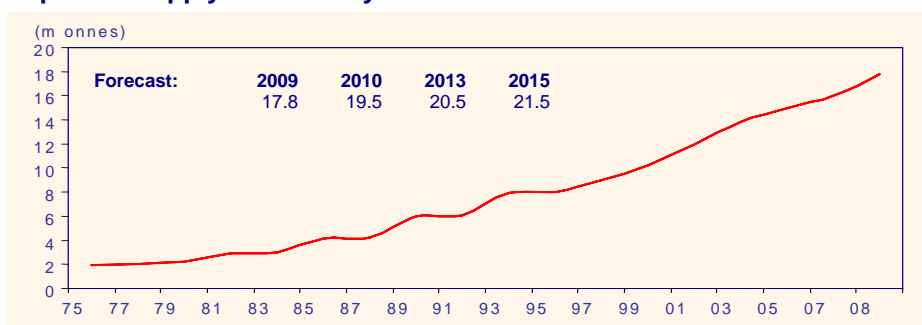
For details, please refer to our Plantation Sector Update dated 24 Feb 09.

Record Increases In 2007-08 — Key To High Price Volatility In 2008



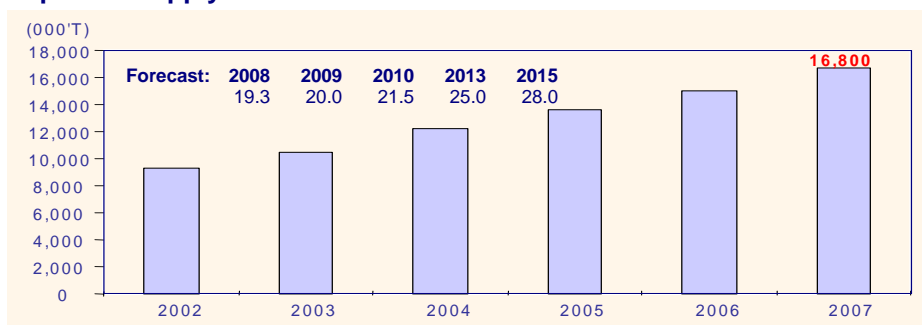
Source: Oil World, Mr Chandran

Expected Supply From Malaysia



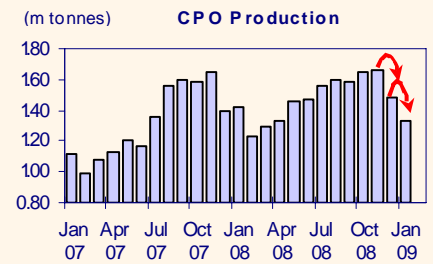
Source: Mr Chandran

Expected Supply From Indonesia



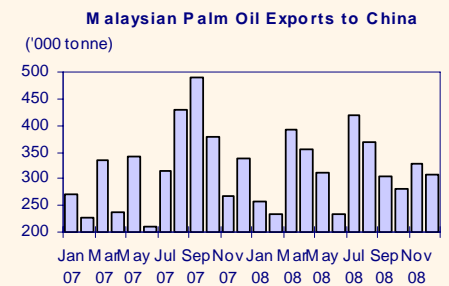
Source: Mr Chandran

Tree Stress Kicked In Since Dec 08



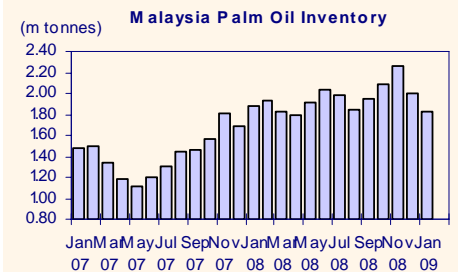
Source: Malaysian Palm Oil Board

Demand From China Usually Weaker In 1Q Festive Season



Source: Malaysian Palm Oil Board

Inventory Trending Down



Source: Malaysian Palm Oil Board

Gas Distribution

A seller's market with promising growth

Unlike any other industries suffering from the current economic turmoil, we believe the city gas distribution market will be the safest play given its seller's market position and huge demand potential. Initiate with OVERWEIGHT.

Initiate Coverage

A seller's market with strategic shift to organic growth.

We believe the domestic gas market remains a seller's market with three oil majors dominating the up-stream and mid-stream gas markets, and a 30-year franchise granted to a single city gas operator within a local geographic market. This is distinct from many other industries, which are facing the problem of severe overcapacity in the current economic turmoil. After a merger & acquisition (M&A) phase in 2003-07, we think the city gas distribution market has now entered into an organic phase with fewer capex requirements. Along with increasing gas supply growth, city gas distributors will see fruitful 2-3 years with steady earnings growth and improvement in cash position.

Huge demand potential, insulating gas players from recession.

We believe the demand potential for natural gas (NG) remains insatiable, given the government's increasing enthusiasm over clean and new energy developments. This could insulate the city gas distributors from the current economic recession. In fact, our channel checks indicated an immediate replacement of new customers to reduced demand from bankruptcy or slower production.

Limited impact of property market meltdown.

Investors' worry about new connections in the residential gas market due to sluggish property sales will have a minimal impact on Xinao Gas and China Gas due to their low penetration ratio as they could promote new connections through replacement of coal gas and LPG from old buildings. However, gas companies with higher penetration ratio, such as Towngas China, will see lower connection income due to the meltdown in new property sales.

Gas supply growth sustainable at 20% p.a.

The National Development and Reform Commission (NDRC) aims to raise total NG supply volume to 120b cubic metres in 2010 from 67.3b cubic metres in 2007, implying a 20% CAGR. This will be underpinned by gas pipeline construction and capacity expansion as well as construction of the liquefied natural gas (LNG) receiving terminals. Meanwhile, the priorities given to city gas consumption will further secure city gas supply.

Major LPG Receiving Terminals in China.

	Completion Date	Capacity (m tonne p.a.)	Capacity (b cubic metre p.a.)
Shenzhen	2006-2009F	3.7, to be 7 in 2009F	4.9-9.3
Fujian	2008	2.5	3.3
Qindao	2009F	3.0	4.0
Dalian I	2009F	2.0	2.7
Shanghai	2009F	3.0	4.0
Ningbo	2010F	3.0	4.0
Total		20.5	27.3

Source: PetroChina, Sinopec, UOB Kay Hian

CHINA

Gas Distribution

INITIATE WITH OVERWEIGHT

Xinao Gas (2688 HK)

BUY

Current Price: HK\$7.59
Target Price: HK\$10.50

China Gas (384 HK)

BUY

Current Price: HK\$1.10
Target Price: HK\$1.75

Hong Kong & China Gas (3 HK)

HOLD

Current Price: HK\$11.70
Fair Price: HK\$11.90

Beijing Enterprises Holdings (392 HK)

SELL

Current Price: HK\$30.55
Fair Price: HK\$22.90

Towngas China (1083 HK)

SELL

Current Price: HK\$1.47
Fair Price: HK\$1.10

Analyst

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Major NG Pipelines In China

	Completion Date	NG Field	Capacity (b cubic metre p.a.)
West to East I	2004	Xinjiang	17
Zhong -- Wu	2003	Sichuan	3
Shanxi -- Beijing II	2005	Changqing	12
Shanxi -- Beijing I	2001	Changqing	3.3
West to East II	2010E	Xinjiang, Turkmenistan	30
Sichuan-East	2010E	Puguang	12

Source: PetroChina, Sinopec, UOB Kay Hian

Secured returns under current pricing mechanism.

Currently, the NDRC aims to link the entire NG wellhead price with price movements of a basket of commodities (40% international crude oil, 40% domestic coal and 20% offshore Singapore LPG). This will lead to increasing volatility of upstream NG cost and thus, potential margin pressure for the downstream gas operators. Nevertheless, unlike other utility industries, such as electric power, we think the risk is minimal because of the more liberalised downstream city gas market and increasing number of cities (about half) adopting the automatic pass-through mechanism.

Valuation/Recommendation

We initiate coverage with an OVERWEIGHT rating on the domestic gas distribution sector given its promising volume growth, high earnings visibility and low operating risks under the current preferential industry policies. Among stocks, we prefer Xinao Gas and China Gas given their top gas volume growth, lowest risk to the current economic slowdown and property downtrend, improving free cash flow, as well as their most attractive valuations. We also initiate coverage with HOLD recommendation on Hong Kong and China Gas (HKCG) due to limited growth potential in the Hong Kong gas market. We do not like Beijing Enterprises Holdings Limited (BEHL) and Towngas China due to the lack of attractiveness in their non-gas business as well as stretched valuation for the former and great uncertainties related to the heavily-exposed LPG business for the latter. Thus, we initiate SELL rating for both companies.

Given the relatively stable cash stream for gas companies and the 30-year tenure of a typical project, we value the domestic city gas distributors by DCF methodology with a projected cash flow throughout 2009-38. As a cross-check, we also adopt a relative P/E valuation approach. The two pure domestic gas players, Xinao Gas and China Gas are trading at 6.1-8.9x FY09 PE, significantly lower vs the industry average of 12.2x and unjustifiable given their solid growth potential and less risky operating environment.

Peer Comparison

Company	Ticker	Rec.	Price 24 Feb 09 (HK\$)	Net Profit			EPS			PE			ROE 2007 (%)	Market Cap (HK\$m)
				2007 (HK\$m)	2008F (HK\$m)	2009F (HK\$m)	2007 (HK\$)	2008F (HK\$)	2009F (HK\$)	2007 (x)	2008F (x)	2009F (x)		
Xinao Gas	2688.HK	BUY	7.59	508	634	763	0.51	0.64	0.77	13.3	10.7	8.9	10.9	7707.8
China Gas	384.HK	BUY	1.10	190	120	666	0.06	0.04	0.18	17.2	29.7	6.1	4.4	3670.0
BEHL	392.HK	SELL	30.55	1,438	1,953	2,054	1.67	1.71	1.80	18.3	17.8	16.9	4.6	34794.6
HKCG	3.HK	HOLD	11.7	9,270	3,650	4,012	1.53	0.60	0.66	7.6	19.4	17.7	31.0	70897.3
Towngas China	1083.HK	SELL	1.47	145	273	256	0.08	0.14	0.13	17.6	10.5	11.2	2.3	2877.6

Note: Xinao's financials are in Rmb, China Gas's fiscal year ends on 31 March.
Source: Company data, UOB Kay Hian

NG Supply and Demand
(m cubic metre)

	Demand	yoy (%)	Supply	yoy (%)
86	13,760	6	13,760	6
87	13,890	1	13,890	1
88	14,360	3	14,260	3
89	15,030	6	15,049	5
90	15,250	2	15,298	1
91	15,890	1	15,490	4
92	15,880	2	15,790	0
93	16,760	6	16,765	6
94	17,342	5	17,559	3
95	17,741	2	17,947	2
96	18,488	12	20,114	4
97	19,544	13	22,703	6
98	20,257	3	23,279	4
99	21,494	8	25,198	6
00	24,505	8	27,200	14
01	27,430	12	30,329	12
02	29,184	8	32,661	6
03	33,910	7	35,015	16
04	39,670	18	41,460	17
05	46,763	19	49,320	18
06	56,141	19	58,553	20
07	67,300	18	69,311	20
08F	80,760	20	83,173	20
09F	96,912	20	99,807	20
10F	116,294	20	119,769	20

Source: CEIC, UOB Kay Hian

Beijing Enterprises Holdings

Diminishing returns from non-gas business

We expect the toll road, water and beer businesses from Beijing Enterprises Holdings Limited (BEHL) will diminish the stable returns from Beijing gas business. Initiate with SELL on stretched valuation.

Initiate Coverage

A well-established city gas provider continues to grow.

BEHL has been transformed into a utility conglomerate since it acquired Beijing Gas in mid-07. The company sold 3.7b m3 of NG in Beijing in 2007 with the aim to boost gas sales volume by 23% to 4.5b m3 in 2008. In fact, the company achieved 25% yoy gas sales volume growth in 1H08. It plans to boost gas sales volume to 6.1b cubic metres in FY10 and to 12.0b cubic metres in FY20 in Beijing city, representing a CAGR of 18% and 7% respectively. The company's sustainable gas sales volume growth will be mainly underpinned by continuously expanding population base and greater demand potential from commercial and industrial customers, particularly electric power.

In addition, BEHL also aims to expand outside Beijing by acquiring 15-20 medium-sized to large city piped gas projects in the Ring Bohai Bay region, where there is stronger economic growth and could allow the company to leverage its distribution network (Hua You Transmission Line) to enhance synergies. So far, the company has acquired the Shandong Zhongyuan, Tangshan and Qingdao city piped gas projects.

Coal-based gas projects to provide further backup of gas supply.

A coal-based gas project in Inner Mongolia, in which BEHL has a 33% stake, is the company's major move into upstream operations. This project has a planned annual production capacity of 4.0b m3 with attractive returns (IRR is about 20%). Current the construction of the project has started and it is expected to commence operation in FY10. As the project is still under construction, we think it is too early to factor into our model.

However, traffic volume to go down.

BEHL's toll road business constitutes 96% stake in Beijing Capital Airport Expressway and 55% stake in Shenzhen Shiguan Road, while and Beijing Airport Expressway is the main earnings contributor. Given the traffic diversion from the southern extension of Capital Airport Expressway, we expect the traffic volume to decrease by 30% in 2008.

Uncertain earnings accretive from water business

The rapid process of urbanisation over the next few years should provide good opportunities for the development of city utilities. Besides No. 9 and No. 10 Water Treatment Companies, BEHL has also acquired Shang Hua Company (0371 HK) (now renamed Beijing Water) to develop sewage treatment. In future, Beijing Water will be a platform for water business investment of the company. However, both No.10 Water Company and most of the water business in Beijing Water are still under construction without detailed information, which make earnings enhancement unclear.

CHINA

Beijing Enterprises Holdings (392 HK)

INITIATE WITH SELL

Current Price: HK\$30.55

Fair Price: HK\$22.90

Sector	Gas Distribution
Bloomberg	392 HK
Reuters	0392.HK
Website	http://www.behl.com.hk

52-Wk Avg Daily Vol. (m)	2.3
Market Cap (HK\$m)	34,795
(US\$m)	4,461

Book NTA per Share (HK\$)	20.1
ROE (%)	4.6
Net Cash per Share (HK\$)	1.9

Results Due	
Interim	August
Final	March

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2006	7,247	1,484	339	0.54	(42)	56.4	22.0	0.30	1.0
2007	11,300	2,989	1,438	1.67	208	18.3	10.2	0.79	2.6
2008F	17,567	4,867	1,953	1.71	3	17.8	6.1	1.08	3.5
2009F	19,051	5,329	2,054	1.80	5	16.9	5.6	1.13	3.7
2010F	20,504	5,985	2,270	1.99	11	15.3	5.0	1.25	4.1

Consensus Net Profit – FY08: HK\$1,983m
 -- FY09: HK\$2,299m

Therefore, we derived net asset value for Beijing Water from 1x P/B FY08 and No. 10 Water companies from a conservative 8x PE, based on an estimated ROI of 11%.

Yanjing Beer – lower sales volume growth on fiercer competition. Yanjing Beer has a well-established market share and customer base in northern China. In 9M08, its beer sales volume growth slowed to 5% yoy and we forecast additional 5% beer sales in 2008. Over the next few years, we think Yanjing Beer’s sales volume and earnings will remain at a single digit 2-3% growth from 10-15% during the past few years due to the grim economic outlook affecting beer consumption and fiercer competition in China to diminish the positive effect of falling raw material prices.

Valuation/Recommendation

BEHL is trading at 16.9x FY09 PE, which is higher vs 12.2x FY09 PE of its peers. We initiate coverage on the stock with a SELL rating on the back of its relatively rich valuation and unattractiveness due to its non-gas businesses. We derived our fair price of HK\$22.90 based on sum-of-the-parts valuation, implying a 5% discount to NAV/share and 12.7x FY09 PE.

Profit & Loss

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Turnover	7,247	11,300	17,567	19,051	20,504
EBIT	882	2,329	2,925	3,107	3,484
Pre-tax Profit	424	2,014	2,881	3,030	3,348
Net Profit	339	1,438	1,953	2,054	2,270
EPS (HK\$)	0.54	1.67	1.71	1.80	1.99

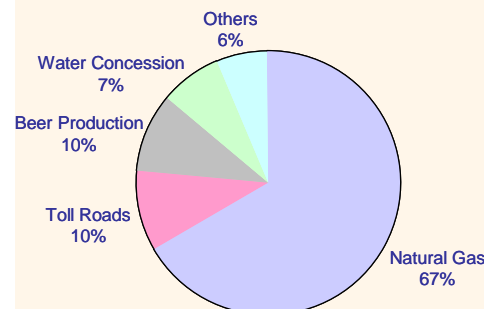
Balance Sheet

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Current Assets	6,564	13,299	17,962	19,805	21,724
Total Assets	17,324	44,679	53,112	57,535	62,166
Current Liabilities	3,655	9,550	15,097	16,475	17,747
Long-Term Loans	610	3,692	4,694	5,898	7,189
Shareholders' Funds	13,060	31,437	33,321	35,162	37,230
Total Equity & Liabilities	17,324	44,679	53,112	57,535	62,166

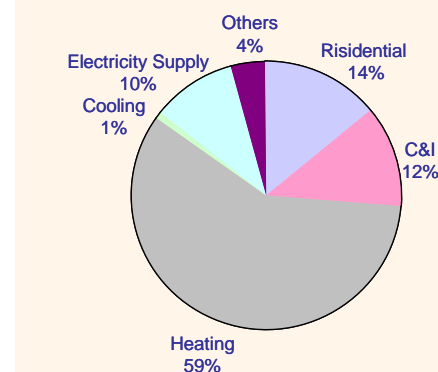
Cash Flow

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Operating	2,254	2,208	4,772	4,129	4,433
Investing	(2,275)	(3,256)	(2,635)	(2,858)	(3,076)
Financing	(796)	6,145	(434)	(213)	(257)
Net Cash Inflow	(817)	5,097	1,703	1,058	1,101
Begin Cash & Equiv.	3,418	2,707	8,043	9,825	10,933
End'g Cash & Equiv.	2,707	8,043	9,825	10,933	12,086

Revenue Breakdown



Gas Sales Breakdown



Source: BEHL, UOB Kay Hian

Towngas China

A victim of economic recession

We think Towngas China will be the biggest victim of slowing property sales and falling LPG prices given its higher penetration and biggest revenue exposure into LPG sales. Initiate with SELL rating and a fair price of HK\$1.10.

Initiate Coverage

Remarkable earnings and financial position improvement after asset injections

Towngas China, the former Panva Gas, has seen a turnaround after HKCG took over 43.9% stake (now is 45.63%) and became the single largest shareholder of the company. Hong Kong and China Gas (HKCG) also injected 10 piped projects and shifted Towngas China's business structure into a downstream piped gas focused model, which boosted its total gas sales volume, growing by 63% in 2007. Meanwhile, the integration also allowed HKCG to leverage its management and expertise into Towngas China, which greatly improved operation efficiency of and helped the company to turn profitable in 2007 and saw 100% yoy upsurge in net profit in 1H08.

Towngas China suffered painful losses in 2006 due to a US\$200m high yield debt. HKCG has granted a loan and also injected equity capital in 2007. With the help of HKCG, the company's balance sheet has greatly improved with gearing down to 44% in 1H08 from 134% in 2006, suggesting greatly reduced finance burden. Both Standard & Poors and Moody have upgraded its credit rating to investment this year.

However, gas sales growth to slow down

In the future, Towngas China will be a flagship vehicle of HKCG's mainland gas business development, but it may not repeat its high growth profile over the next 2-3 years. Previously, the market expected HKCG to increase its shareholding and inject its entire PRC gas project into Towngas China this year. We think it will be delayed until 2010, given that the general offer obligations will only allow HKCG to increase a 2% stake p.a. Meanwhile, we expect slower gas project acquisition over the next few years given fewer projects available currently. All these will cause Towngas China to focus more on organic growth rather than rapid external expansion as it did during the past few years. We project its NG sales volume to grow at a 22% GAGR in 2008-10.

A victim of slowing property sales

Unlike Xinao Gas and China Gas, Towngas China has a relatively higher penetration rate of 40%, which will inevitably be vulnerable to the weak property market. In 1H08, its new residential connection dropped 14% yoy and we expect continued 7% lower new households connection p.a. in 2009-10 due to continued downtrend in new property sales.

CHINA

Towngas China (1083.HK)

INITIATE WITH SELL

Current Price: HK\$1.47

Fair Price: HK\$1.10

Sector	Gas Distribution
Bloomberg	1083.HK
Reuters	1083.HK
Website	http://www.towngaschina.com/

52-Wk Avg Daily Vol. (m)	1.3
Market Cap (HK\$m)	2877.6
(US\$m)	368.9

Book NTA per Share (HK\$)	2.0
ROE (%)	2.3
Net Debt per Share (HK\$)	44.7

Results Due	
Interim	August
Final	March

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2006	2,643	172	(256)	(0.27)	n.a.	n.a.	n.a.	0.00	0
2007	3,195	501	145	0.08	n.a.	17.6	7.6	0.00	0
2008F	4,028	637	273	0.14	67	10.5	6.1	0.00	0
2009F	4,123	672	256	0.13	(6)	11.2	5.5	0.00	0
2010F	4,572	748	289	0.15	13	10.0	4.5	0.00	0

Consensus Net Profit – FY08: HK\$253m
-- FY09: HK\$348m

Worse still, we expect great uncertainties related to LPG business

62% of Towngas China's total revenue was contributed by LPG business, which we believe is facing great difficulties at the moment due to falling LPG price and minute margins. The domestic LPG price has dropped to Rmb5000/tonne from Rmb5800/tonne following a sharp oil price correction. Although we believe Towngas China will try to manage their inventory well, the low margin of the LPG business (2%) means limited room for the company to overcome the risk.

Valuation/Recommendation

We initiate coverage on Towngas China with SELL rating given relatively stable earnings outlook. We derived our fair price of HK\$1.10 based on a 5% discount to its NAV/share and WACC of 8.9%. Our 30-year cash flow projection includes a detailed cash flow forecast for 2009-18, assuming a 3% p.a. free cash flow growth for 2019-38.

Profit & Loss

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Turnover	2,643	3,195	4,028	4,123	4,572
EBIT	0	170	209	195	210
Pre-tax Profit	(230)	241	412	394	442
Net Profit	(256)	145	273	256	289
EPS (HK\$)	(0.27)	0.08	0.14	0.13	0.15

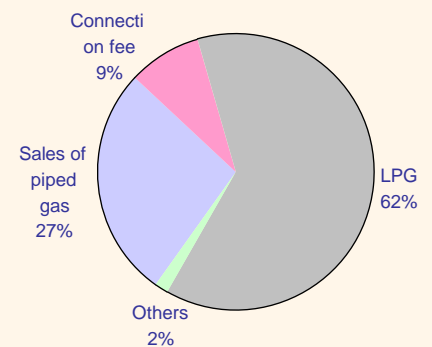
Balance Sheet

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Current Assets	1,249	1,383	1,747	2,137	2,693
Total Assets	4,777	9,115	10,087	10,667	11,300
Current Liabilities	743	1,069	1,382	1,435	1,572
Long-Term Loans	1,995	1,712	2,018	2,209	2,332
Shareholders' Funds	2,039	6,335	6,687	7,022	7,396
Total Equity & Liabilities	4,777	9,115	10,087	10,667	11,300

Cash Flow

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Operating	365	343	419	442	492
Investing	(683)	(841)	(532)	(333)	(230)
Financing	(63)	622	260	186	104
Net Cash Inflow	(381)	125	147	294	367
Begin Cash & Equiv.	986	614	787	995	1,367
End'g Cash & Equiv.	614	787	995	1,367	1,840

Revenue Breakdown



Source: Towngas China, UOB Kay Hian

Xinao Gas

A safe player with solid growth perspective

Xinao Gas is one of top beneficiaries of China's rapid expansion of gas distribution market given its established market position, solid gas sales volume growth, secure gas supply and sound track record. *Initiate with BUY.*

Initiate Coverage

Solid earnings perspective driven by organic growth.

Xinao Gas is a leading privately-owned gas operator in China and also an early mover in the gas distribution market. When its total number of city gas projects significantly reached 64 in 2006, the company shifted its strategy into an organic growth phase. According to management, it aims to boost its penetration ratio by about 8% each year to about 50% from 23.6% currently, implying a total gas sales volume growth of 30% CAGR over the next three years. Based on our more conservative 25% CAGR gas sales volume growth assumption, our earnings forecast model still suggests a 22% CAGR net profit growth in 2008-10.

Further enhancing our confidence towards Xinao Gas is its long history of delivering better-than-expected growth in terms of gas sales volume as well as earnings improvement, which we attributed to its sound management execution. In addition, Xinao Gas plans to build a management information system, which could further improve its cost control, risk management and optimise gas allocations, further boosting its profitability.

Economic and property sales slowdown is not a problem.

We believe investors have over-reacted to the reducing NG demand due to the slowdown in the national economy as well as property sales. This is particularly true for Xinao Gas. Given its low penetration rate of 24.6% in 1H08, Xinao Gas has more opportunities to expand new connection to old buildings, and replace traditional LPG and coal gas usage with NG. For C&I users, management indicated an immediate replacement of new customers whenever the demand from customers badly hit by the current economic recession is reduced.

A less risky play.

Since Xinao Gas has slowed its pace in the acquisition front, we believe it will be less exposed to the intensifying competition in M&A activities from the domestic gas market. Meanwhile, the C&I and vehicles users account for an increasing proportion (81% in 2007 vs 68.3% and 66.7% in 2005 and 2006 respectively) of total gas sales volume, which will make the pass-through of any upward adjustment of gas tariff hike (although unlikely in the near term) more smoothly. Connection fee dominated about half of Xinao Gas's total revenue in 2005, but it dipped to 39.9% and 33.4% in 2006 and 2007 respectively after the company successfully achieved 353% gas sales volume growth and improved its penetration rate to 23.6% in 2007 from 11.8% in 2005. Over the next 3-4 years, we estimate Xinao Gas's sustainable NG sales volume growth will further trim its reliance on connection fee to about 20%, implying significantly reduced risks upon the cancellation of connection fees.

CHINA

Xinao Gas (2688.HK)

INITIATE WITH BUY

Current Price: HK\$7.59

Target Price: HK\$10.50

Sector	Gas Distribution
Bloomberg	2688 HK
Reuters	2688.HK
Website	http://www.xinaogas.com

52-Wk Avg Daily Vol. (m)	1.4
Market Cap (HK\$m)	7,708
(US\$m)	998

Book NTA per Share (Rmb)	3.98
ROE (%)	11
Net Debt per Share (Rmb)	1.90

Results Due	
Interim	August
Final	March

Price Chart



Source: Bloomberg

Analyst

Yan Shi
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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rmb)	Yield (%)
2006	3,397	749	379	0.41	33	16.9	18.0	0.08	1.0
2007	5,756	1,088	508	0.51	27	13.3	12.0	0.13	1.5
2008F	6,942	1,396	634	0.64	25	10.7	8.5	0.19	2.3
2009F	8,268	1,698	763	0.77	20	8.9	6.7	0.23	2.7
2010F	9,879	2,051	930	0.94	22	7.3	5.2	0.28	3.3

Consensus Net Profit – FY08: Rmb589m
 -- FY09: Rmb696m

Positive free cash flow and improving payout.

Given Xingao Gas's earlier entry into the city gas market and slowing acquisition process, we expect its total capex to wind down this year and its free cash flow to turn positive. Meanwhile, the management guided an increase in its payout ratio from 19% in 2006 to 30-35% over the next 3-4 years, implying enhanced shareholder value.

Risks to Earnings

Possible cancellation of connection fees without any compensation and inability to pass-through upstream coal price hike.

Valuation/Recommendation

We rate Xingao Gas as the best in its class given its stable growth potential and less risky profile. Currently, the company is trading at 8.9x FY09 PE, which we think is unjustifiable vs 12.2 of the industry average. We initiate coverage with a BUY rating and our DCF-based target price of HK\$10.50 represents a 5% discount to its NAV/share and 12.3x FY09 PE. Our NAV projection is based on a 30-year cash flow projection given the 30-year tenure of most city gas projects. We have a detailed cash flow forecast for 2009-18 and assume a 3% p.a. free cash flow growth for 2019-38 based on WACC of 7.78% and zero terminal growth rate.

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	3,397	5,756	6,942	8,268	9,879
EBIT	549	844	1,118	1,387	1,712
Pre-tax Profit	533	815	969	1,209	1,528
Net Profit	379	508	634	763	930
EPS (Rmb)	0.41	0.51	0.64	0.77	0.94

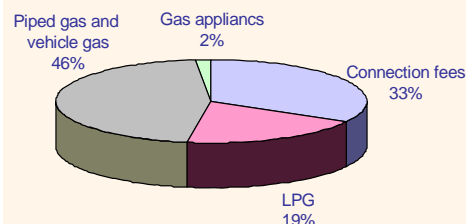
Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	3,070	3,504	4,205	5,151	6,559
Total Assets	10,035	12,550	14,187	16,022	18,091
Current Liabilities	2,699	3,957	4,492	4,921	5,996
Long-Term Loans	3,467	3,932	4,669	5,224	5,548
Shareholders' Funds	3,868	4,661	5,026	5,877	6,548
Total Equity & Liabilities	10,035	12,550	14,187	16,022	18,091

Cash Flow

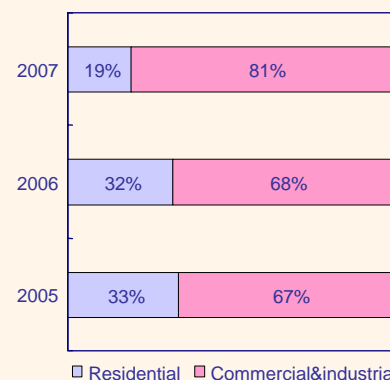
Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	1,061	1,159	1,215	1,425	1,883
Investing	(1,684)	(1,931)	(1,400)	(1,200)	(1,000)
Financing	569	897	547	326	45
Net Cash Inflow	(54)	126	361	550	927
Begin Cash & Equiv.	1,621	1,568	1,693	2,055	2,605
End'g Cash & Equiv.	1,568	1,693	2,055	2,605	3,532

Turnover Breakdown (2007)



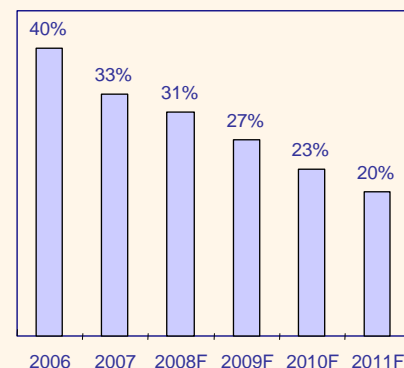
Source: Xingao Gas, UOB Kay Hian

Gas Sales Breakdown



Source: Xingao Gas, UOB Kay Hian

Reducing Reliance On Connection Fees



Source: Xingao Gas, UOB Kay Hian

Technical Analysis

H-share Index: 7,068

The H-share index has been unfolding a descending triangle formation since declining from the high of 8,774 in early Jan 09. Yesterday, it closed at 7,068 on low turnover.

Do note that the turnover has been below the 6-month average most of the time during the emergence of the descending triangle formation.

At this juncture, given the downtrend resistance line and RSI showing signs approaching the previous RSI low, the index is likely to continue its decline. Initial support is situated at the previous low of 6,613.

However, in light of the recent quiet trade and inference from our regional technical analyst Ajith who expected the Dow to test 6,900 from 7,366, or a 6.3% fall from last Friday, the H-share index is likely to find support near 6,613.

Using the same percentage of decline of the Dow as predicted by Ajith, the H-share Index (HSCEI) would have to retrace from last Friday's 7,066 to 6,620. As a matter of fact, the 6,620 level almost coincides with the previous low of the H-share Index at 6,613 mentioned above.

CHINA

Technical Analysis

Analyst

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RSI of HSCEI



Source: HKETnet

Hong Kong & China Gas

A cash cow but lower growth prospects

Hong Kong and China Gas (HKCG), the biggest cash cow among gas players within our coverage, will see lower gas sales growth and reducing connection income in the mainland market. Initiate with HOLD.

Initiate Coverage

Stable gas sales volume in Hong Kong.

The total gas sales volume in Hong Kong has been quite stable over the past few years. We believe it is due to the highly mature gas market (65% residential penetration) and a large proportion (about 60%) of residential customers in Hong Kong. Over the next few years, we still expect its gas sales volume to grow at an unsurprisingly minimal 1% p.a. Nevertheless, we believe Hong Kong gas business will continue to be a big cash generator. According to the fuel cost pass-through mechanism agreed with the Hong Kong government, the company has no margin risks caused by rising upstream fuel costs.

The one-off gain from property sales comprised about 26-27% of HKCG's total revenue. This part of the one-off gain will be scaled down, given that most of property units have been sold off.

Volume growth of mainland gas sales to slowdown.

HKCG's mainland gas business has expanded rapidly since 2001 when the company entered into the domestic market. This is evidenced by its 114% CAGR and 43% yoy gas sales volume growth during 2001-07 and 1H08 respectively. Currently, the company has a total 67 piped gas projects and management expects to add 8-10 more projects into their portfolio, but given the intensifying competition and only a few target projects left, we think it would be difficult to achieve the target. We project the growth of gas sales volume to slow down to 22% in 2008 and 20% in 2009-10, which conservatively excluded potential acquisitions over the next few years.

Reducing connection fees due to slowing property sales.

The mainland gas business is also less vulnerable to connection fee cancellation due to its limited revenue contribution (15% in 1H08). However, we believe the company will be most vulnerable to slowing property market given its penetration ratio is at a higher rate of 40% vs 18-24% for China Gas and Xinao Gas. We built into our model a 7% p.a. reduction in connection fees for 2009-10.

Up- and mid-stream and clean energy diversification on track.

HKCG's diversification programme includes up- and mid-stream investment in gas related projects with an aim to further secure gas supply. Meanwhile, the company also actively participates in clean energy development, including DME, coal-based chemicals and CMB, etc. We do see great potential from these projects but do not factor them into our models as they are still at the early stage of development.

HONG KONG

Hong Kong & China Gas (3.HK)

INITIATE WITH HOLD

Current Price: HK\$11.70

Fair Price: HK\$11.90

Sector Gas Distribution
Bloomberg 3 HK
Reuters 0003.HK
Website <http://www.towngas.com>

52-Wk Avg Daily Vol. (m) 10.6
Market Cap (HK\$m) 70,897
(US\$m) 9,089

Book NTA per Share (Rmb) 20.1
ROE (%) 4.6
Net Cash per Share (Rmb) 1.9

Results Due August
Interim August
Final March

Price Chart



Source: Bloomberg

Analyst

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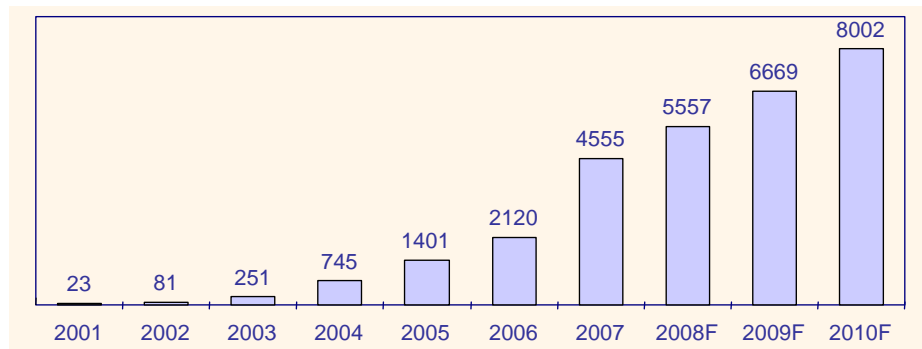
Year to 31 Dec	Turnover HK\$m	EBITDA HK\$m	Net Profit HK\$m	EPS HK\$	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS HK\$	Yield %
2006	13,201	7,691	5,863	0.97	2	12.1	10.0	0.35	3.0
2007	14,226	11,296	9,270	1.53	58	7.6	6.4	0.35	3.0
2008F	11,780	5,052	3,650	0.60	(61)	19.4	13.4	0.35	3.0
2009F	12,447	5,490	4,012	0.66	10	17.7	12.0	0.35	3.0
2010F	13,194	5,809	4,264	0.70	6	16.6	10.8	0.35	3.0

Consensus Net Profit – FY08: HK\$3,874m
-- FY09: HK\$4,289m

Valuation/Recommendation

Given the limited growth potential vs other major gas players, we initiate coverage on HKCG with a HOLD rating. We derived our fair price of HK\$11.90 based on sum-of-the-parts valuation, implying a 5% discount to NAV/share and 17.9x FY09 PE, higher vs 12.2x of the industry average. The premium valuation can be justifiable on its strong cash position, the highest ROE and longest history of sound track record among the gas players within our coverage. Entry price is HK\$10.10.

Gas Sales Volume Growth In Mainland China (m cubic metre)



Source: HKCG, UOB Kay Hian

Profit & Loss

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Turnover	13,201	14,226	11,780	12,447	13,194
EBIT	4,904	5,303	3,258	3,662	3,942
Pre-tax Profit	6,539	10,308	4,059	4,462	4,742
Net Profit	5,863	9,270	3,650	4,012	4,264
EPS (HK\$)	0.97	1.53	0.60	0.66	0.70

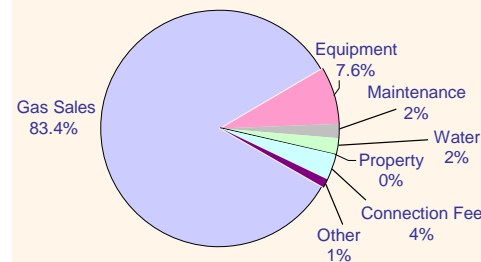
Balance Sheet

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Current Assets	13,028	12,961	15,692	18,827	22,326
Total Assets	36,163	43,245	42,721	45,852	50,115
Current Liabilities	7,141	7,188	5,303	5,688	7,615
Long-Term Loans	7,804	6,558	5,637	6,464	6,627
Shareholders' Funds	21,218	29,499	31,781	33,700	35,873
Total Equity & Liabilities	36,163	43,245	42,721	45,852	50,115

Cash Flow

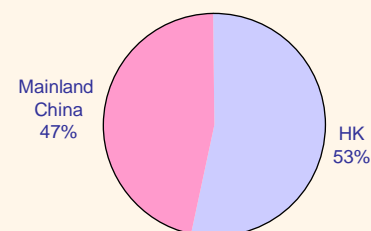
Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Operating	4,579	4,821	5,986	4,637	5,001
Investing	(1,916)	1,082	501	425	382
Financing	(2,420)	(2,848)	(2,474)	(2,326)	(2,346)
Net Cash Inflow	244	3,056	4,012	2,737	3,036
Begin Cash & Equiv.	1,466	1,720	4,809	8,851	11,619
End'g Cash & Equiv.	1,720	4,809	8,851	11,619	14,687

Revenue Breakdown



Source: HKCG, UOB Kay Hian

Gas Sales Breakdown



Source: HKCG, UOB Kay Hian

Alliance Financial Group

3QFY09: Continues to underperform

Alliance Financial Group (AFG) reported a lower net profit of RM49.2m in 3QFY09, due to lower net interest income as interest margin continued to decline. Results in line with ours but below market expectation.

3QFY09 Results

	3QFY09 (RMm)	yoy % chg	qoq % chg	Remarks
Net-Interest Income	161.4	(3.3)	(2.6)	Lower interest margin, -15bp to 2.36%
Islamic Banking	42.9	14.7	0.6	
Non-Interest Income	56.7	(12.4)	27.7	Higher qoq on revaluation of derivatives investment
Operating Revenue	261.0	(3.0)	3.0	
Operating Expenses	(141.6)	6.1	13.1	Provisioning for litigation cases and higher establishment cost
Loan Loss Provision	(51.7)	n.a.	(19.8)	Additional specific provision for potential doubtful loans
Net Income	49.2	(51.7)	(9.9)	
Key Analysis (%)	3QFY08	2QFY09	3QFY09	
Net Interest Margin	2.66	2.50	2.36	Interest earned from asset declined significantly on intense competition.
Gross NPLs	8.2	5.6	5.4	Net NPL improve to 2.3%
Gross Loans Growth	3.9	8.2	3.8	Driven by consumer loans (6.0% qoq)
Loans Loss Coverage	77.0	91.2	92.6	Continued to improve on stringent provisioning policy
Cost/Income Ratio	49.7	49.5	54.3	

Source: AFG, UOB Kay Hian

Results

AFG reported 3QFY09 net profit of RM49.2m, -51.7% yoy and -9.9% qoq, due to lower net interest income. Results were line with ours but below market expectation due to higher provisioning and expenses.

Stock Impact

Strong loans growth. Total loans grew 17.4% ytd, driven by both consumer (+20.2% ytd) and business (+14.4% ytd) loans. We expect weaker loans growth in 4QFY09 amid economic uncertainties.

Net interest margin continued to decline. Despite the strong loans growth, net interest income fell 2.6% qoq due to lower net interest margin of 2.36% (-15bp qoq). Interest earned from assest dropped 17bp on intense competition, especially for mortgage loans. The Overnight Policy Rate cuts in Jan 09 and Feb 09 will continue to pressure its interest margin.

Asset quality. Asset quality continued to improve as a prudent provisioning policy pushed loan loss coverage higher to 92.6% and net NPL slid to 2.2%. Management has make additional specific allowance of RM56.6m for losses on loans in anticipation of a weaker economy in the 9-month period under review.

MALAYSIA

Alliance Financial Group (AFG MK)

SELL

Current Price: RM1.77
Fair Price: RM1.67

Sector Bank
52-Wk Avg Daily Vol. ('000) 1,689
Market Cap (RMm) 2,740.1
(US\$m) 748.0

Major Shareholders (%)
EPF 57.3
Abu Dhabi Commercial Bank 25.0

Book NTA per Share (RM) 1.57
ROE (%) 16.8

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Mar	PBT (RMm)	Net Profit (RMm)	EPS (RM)	EPS Growth (%)	PE (x)	PB (x)	DPS (sen)	Yield (%)
2007	150.8	107.3	6.9	n.m.	25.5	1.3	0.0	0.0
2008	502.1	380.0	24.5	254.2	7.2	1.2	4.0	2.3
2009F	413.1	305.6	19.7	(19.6)	9.0	1.1	4.0	2.3
2010F	462.1	346.5	22.4	13.4	7.9	1.0	5.0	2.8
2011F	574.7	430.9	27.8	24.4	6.4	0.9	5.0	2.8

Consensus Net Profit: - Y09: RM352.4m
- FY10: RM364.5m

Earnings Revision

Despite the stronger loans growth, we maintain our earnings forecasts in view of the earnings risks posed by a slower economic growth and potential deterioration in asset quality.

Valuation/Recommendation

Maintain SELL. Based on the Gordon Growth model, our fair price is RM1.67/share. More details after analyst briefing.

Income Statement: Quarterly

Year to 31 Mar (RMm)	3Q08	4Q08	1Q09	2Q09	3Q09
Net-Interest Income	166.9	160.4	181.1	165.8	161.4
Islamic Banking	37.4	31.5	39.2	42.6	42.9
Non-Interest Income	64.7	80.7	69.4	44.4	56.7
Operating Revenue	268.9	272.6	289.7	252.8	261.0
Operating Expenses	(133.5)	(134.6)	(139.6)	(125.2)	(141.6)
Loan Loss Provision	2.9	(29.7)	16.9	(64.5)	(51.7)
Net Income	102.0	80.5	124.2	54.6	49.2
Key Analysis (%)					
Net Interest Margin	2.66	2.52	2.79	2.50	2.36
Gross NPLs	8.2	7.3	6.2	5.6	5.4
Gross Loans Growth	3.9	4.0	4.6	8.2	3.8
Loans Loss Coverage	77.0	79.9	85.5	91.2	92.6
Cost/Income Ratio	49.6	49.4	48.2	49.5	54.3
ROE	16.0	12.4	18.8	8.1	7.1

Income Statement

Year to 31 Mar (RMm)	2007	2008	2009F	2010F	2011F
Net Interest Income	573.3	636.9	695.1	726.1	786.1
Islamic Banking	135.0	115.2	133.6	146.9	169.0
Non-Interest Income	213.8	265.4	212.4	250.1	303.2
Operating Revenue	922.1	1,017.5	1,041.1	1,123.1	1,258.3
Operating Expenses	(491.9)	(470.1)	(498.8)	(533.8)	(582.2)
Operating Profit	430.2	547.4	542.3	589.4	676.1
Loan Loss Provision	(279.4)	(45.4)	(129.1)	(127.2)	(101.4)
PBT	150.8	502.1	413.1	462.1	574.7
Net Income	107.3	380.0	305.6	346.5	430.9
Key Analysis (%)					
Net Interest Margin	2.44	2.50	2.54	2.46	2.48
Gross NPLs	11.5	7.3	5.4	5.4	5.3
Gross Loans Growth	(0.5)	14.2	18.0	8.0	12.0
Loans Loss Coverage	67.5	79.9	93.2	90.8	84.7
Cost/Income Ratio	53.3	46.2	47.9	47.5	46.3
ROE	5.8	16.8	11.3	11.8	13.6

Balance Sheet

Year to 31 Dec (RMb)	2007	2008	2009F	2010F	2011F
Net Loans	13.4	15.6	18.6	20.1	22.6
Customer Deposit	(19.1)	(21.4)	(23.9)	(26.1)	(28.4)
Shareholder's Fund	1.9	2.6	2.8	3.0	3.3
Total Assets	26.4	27.7	30.5	32.4	35.2

Asiatic Development

2008: Softer crude palm oil prices

Asiatic reported 2008 net profit of RM373.3m, +8.4% yoy. Results are in line with expectation, boosted by stronger production growth and higher average selling prices. A final dividend of 5 sen/share was proposed.

FY08 Results

	FY08 (RMm)	FY07 (RMm)	yoy % chg	Remarks
Turnover	1,036.0	906.4	13.6	Higher FFB production and ASP yoy but offset by higher cost
Net Profit	373.2	344.1	8.4	
Production				
FFB ('000tonnes)	1,233	1,208	2.1	Better FFB yield
ASP				
CPO (RM/t)	2,822	2,500	12.9	In line
Palm Kernel (RM/t)	1,595	1,445	10.4	

Source: Asiatic, UOB Kay Hian

Results

Asiatic reported FY08 net profit of RM373.3, +8.4% yoy. Results are in line with our expectation and consensus.

Stock Impact

Higher production. Fresh fruit bunches (FFB) production was up 2.1% yoy on the back of better FFB yield. Yield improved in 2008 after suffering from heavy floods in 2007.

CPO ASP slightly lower than expected. Asiatic achieved a CPO ASP of RM2,822/tonne for 2008, slightly lower than our expectation of RM2,850/tonne but in line with industry's as Asiatic sold its CPO at spot market only. For 2009, we forecast CPO ASP of RM1,800/tonne with upgrade potential. As a pure plantation company, Asiatic will benefit from rising CPO prices.

Better contribution from property in 2008, but to weaken in 2009. Pre-tax profit from property division rose 68% yoy to RM12.4m, boosted by the new launches in early-07. But in 2009, contribution from property will not be exciting given the weak demand and tighter credit environment.

Earnings Risk

We maintain our earnings forecast.

Recommendation

Maintain SELL. For mid-cap plantation stock, we prefer Singapore-listed Indonesian plantation companies. Our picks for mid-caps are Indofood Agri and Golden Agri-Resources.

MALAYSIA

Asiatic Development (ASP MK)

SELL

Current Price: RM4.10
Fair Price: RM3.10

Sector	Plantation
52-Wk Avg Daily Vol. ('000)	1,386
Market Cap (RMm)	3,103.2
(US\$m)	846.7

Major Shareholders (%)	
Genting	54.7
EPF	13.2

NTA per Share (RM)	2.99
ROE (%)	16.9
Net Cash per Share (RM)	27.5

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (RMm)	EBITDA (RMm)	Net Profit (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (sen)	Yield (%)
2006	576.7	242.5	171.1	23.0	0.8	17.9	12.0	7.0	1.7
2007	906.4	514.5	344.1	46.1	101.0	8.9	5.4	14.0	3.4
2008	1,036.0	514.5	373.3	49.4	6.1	8.3	5.5	10.0	2.4
2009F	756.5	274.2	208.8	27.6	(44.1)	14.9	10.8	10.0	2.4
2010F	1,001.6	464.2	343.6	45.5	64.9	9.0	6.4	10.0	2.4

Consensus Net Profit:- FY09: RM212.6m
- FY10: RM262.9m

Wednesday, February 25, 2009

Income Statement: Quarterly

Year to 31 Dec (RMm)	4Q07	1Q08	2Q08	3Q08	4Q08
Turnover	300.5	273.1	321.9	286.6	154.4
EBIT	146.8	130.9	140.8	130.0	31.2
Pre-tax Profit	157.9	143.2	157.6	138.8	43.3
Net Profit	120.8	114.2	115.1	107.1	36.9
EPS (sen)	16.0	15.1	15.2	14.2	4.9

Profit & Loss

Year to 31 Dec (RMm)	2006	2007	2008	2009F	2010F
Turnover	576.7	906.4	886.2	906.5	1001.6
EBIT	195.8	416.9	438.9	456.9	422.0
Pre-tax Profit	220.4	451.2	466.1	485.7	457.6
Net Profit	171.1	344.1	350	364.7	343.6
EPS (sen)	23.0	46.1	46.2	48.2	45.5

Balance Sheet

Year to 31 Dec (RMm)	2006	2007	2008	2009F	2010F
Current Assets	578.9	864.9	833.7	816.5	904.8
Total Assets	1,934.7	2,280.9	2,584.9	2,876.5	3,030.7
Current Liabilities	102.1	146.5	268.2	271.9	246.4
Shareholders' Funds	1,757.4	2,064.3	2,282.7	2,559.6	2,735.0
Total Equity & Liabilities	1,934.7	2,280.9	2,584.9	2,876.5	3,030.7

Cash Flow

Year to 31 Dec (RMm)	2006	2007	2008	2009F	2010F
Operating	171.1	350.7	286.8	291.4	311.2
Investing	(60.1)	(79.3)	(177.1)	(300.0)	(300.0)
Financing	(29.3)	(37.7)	(72.1)	(74.2)	(126.0)
Net Cash In/out flow	81.8	233.7	37.6	(82.8)	(114.8)
Begin Cash & Cash Equiv.	179.6	261.4	495.1	532.7	449.9
End'g Cash & Cash Equiv.	261.4	495.1	532.7	449.9	335.1

IJM Plantations

3QFY09: Good forward-selling strategy translates into higher ASP

IJM Plantations (IJMP) reported 3QFY09 net profit of RM34m, -7.9% qoq and -30.6% yoy. Results were above expectation due to the higher-than-expected CPO ASP. We raise earnings and fair price. Upgrade from SELL to HOLD.

3QFY09 Results

		3QFY09	qoq % chg	yoy % chg	Remarks
Revenue	(RMm)	101.7	(33.3)	(31.7)	Lower CPO ASP
EBITDA	(RMm)	57.5	14.5	(17.7)	Lower cost as fertiliser prices declined
Net Profit	(RMm)	34.0	(7.9)	(30.6)	Low ASP mitigated by lower cost
Productivity					
FFB Yield/Ha	tonne	7.5	5.6	4.3	Large prime age acreage (62%)
OER	(%)	21.1	0.6	(2.1)	
Production					
FFB	tonne	171,729	5.1	2.4	Better FFB yield
CPO	tonne	45,835	16.7	2.2	Higher outside crop
ASP					
CPO	RM/tonne	2,327	(20.9)	(12.9)	Better-than-expected

Source: IJM Plantations, UOB Kay Hian

Results

IJMP reported 3QFY09 net profit of RM34m, above expectation, on higher-than-expected CPO ASP.

Stock Impact

Lower fertiliser cost filtering through. The lower fertiliser cost is now filtering down to bottom line which cushioned the significant drop in CPO ASP. Net profit, which fell only by 7.9%, compared to the revenue contraction of 33.3%. EBITDA margin improved qoq from 32.9% in 2QFY09 to 48.8%.

Higher-than-expected ASP. Although CPO ASP dropped 20.9% qoq and 12.9% yoy to RM2,327/tonne, it was still higher than our expectation. With the strong ASP of RM2,874/tonne for the first three quarters, we have revised our ASP assumption for FY09 from RM2,250/tonne to RM2,400.

Production to slow in 4QFY09. Growth in production will taper off in 4QFY09 as oil palm trees enter the low production season. This is evident by a lower fresh fruit bunch (FFB) production in Jan 09 (-6.5% mom) and Feb 09 production is expected to decline 9-11% mom. In view of the lower CPO production and ASP, IJMP is likely to report a lower net profit in 4QFY09.

Earnings risk

We raise our FY09 and FY10 net profit forecasts by 42% and 34.8% to RM129.8m and RM88.2m respectively after factoring in higher CPO and palm kernel oil ASPs and lower fertiliser cost.

MALAYSIA

IJM Plantations (IJMP MK)

UPGRADE TO HOLD

Current Price: RM2.02

Fair Price: RM2.05

(Previous: RM1.65)

Sector	Plantation
52-Wk Avg Daily Vol. ('000)	796
Market Cap (RMm)	1,295
(US\$m)	353

Major Shareholders (%)	
IJM Corp	55.2
EPF	9.3

NTA per Share (RM)	1.29
ROE (%)	20.6
Net Cash per Share (sen)	2.9

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Mar	Turnover (RMm)	EBITDA (RMm)	Net Profit (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (sen)	Yield (%)
2007	271.6	83.6	44.0	6.9	16.9	29.5	13.2	4.5	2.2
2008	478.1	206.1	142.1	22.2	223.3	9.1	4.8	12.0	5.9
2009F	493.7	189.7	129.8	20.3	(8.6)	10.0	5.5	12.0	5.9
2010F	412.6	141.3	90.5	14.1	(30.3)	14.3	7.3	12.0	5.9
2011F	540.8	196.3	128.0	20.0	41.5	10.1	5.3	12.0	5.9

Consensus Net Profit:- FY09: RM124.5m
 - FY10: RM79.2m

Recommendation

Based on the revised book value and fair P/B of 1.6x (based on CPO price assumption of RM1,800/tonne), our new fair price is RM2.05. As IJMP is current trading at RM2.02, we **upgrade the stock from SELL to HOLD**.

Profit & Loss: Quarterly

Year to 31 Mar (RMm)	3Q08	4Q08	1Q09	2Q09	3Q09
Turnover	148.8	117.9	158.5	152.4	101.7
EBIT	68.3	51.9	55.0	48.4	47.7
Pre-tax Profit	68.1	52.5	57.9	49.0	46.0
Net Profit	49.0	42.9	43.8	36.9	34.0
EPS (sen)	9.0	7.9	8.1	6.8	6.3

Profit & Loss

Year to 31 Mar (RMm)	2007	2008	2009F	2010F	2011F
Turnover	271.6	478.1	493.7	412.6	540.8
EBIT	63.9	190.4	172.0	120.9	172.8
Pre-tax Profit	56.4	190.0	173.2	120.6	170.6
Net Profit	44.0	142.1	129.8	90.5	128.0
EPS (sen)	8.8	22.3	20.3	14.2	20.0

Balance Sheet

Year to 31 Mar (RMm)	2007	2008	2009F	2010F	2011F
Current Assets	102.1	196.9	209.3	209.6	245.8
Total Assets	851.6	999.5	1,090.8	1,147.6	1,235.5
Current Liabilities	59.0	80.5	108.8	116.6	138.0
Shareholders' Funds	602.3	776.3	838.7	884.8	950.1
Total Equity & Liabilities	851.6	999.5	1,090.8	1,147.6	1,235.5

Cash Flow

Year to 31 Mar (RMm)	2007	2008	2009F	2010F	2011F
Operating	70.7	160.1	115.1	126.1	129.9
Investing	(32.8)	(55.9)	(48.0)	(53.0)	(63.0)
Financing	(26.8)	(58.6)	(89.5)	(51.3)	(64.7)
Net Cash In/(out flow)	11.1	45.6	(22.4)	21.8	2.2
Begin Cash & Cash Equiv.	42.7	53.8	99.4	77.1	98.8
End'g Cash & Cash Equiv.	53.8	99.4	77.1	98.8	101.1

MISC

3QFY09: Earnings down 43% on higher container losses

Despite lower earnings due to losses in the liner business, we are already valuing the segment at the shipping sector's trough valuation of 0.4x P/B. Maintain HOLD.

3QFY09 Results

(RMm)	3QFY08	4QFY08	1QFY09	2QFY09	3QFY09	yoy % chg
Energy Related Shipping	523.3	634.9	583.7	600.6	553.4	6
Other Energy Businesses	68.9	120.8	135.3	136.6	202.5	194
Integrated Liner Logistics	40.3	(32.7)	(70.9)	(171.2)	(328.8)	n.m
Non-shipping	(27.1)	60.4	11.4	31.1	(16.0)	(41)
Group EBIT	605.3	783.4	659.5	597.1	411.1	(32)
PBT (ex Vessel Sales)	492.1	724.7	559.4	497.9	312.1	(37)
Net Profit (ex Vessel Sales)	441.0	647.3	522.9	450.2	249.6	(43)

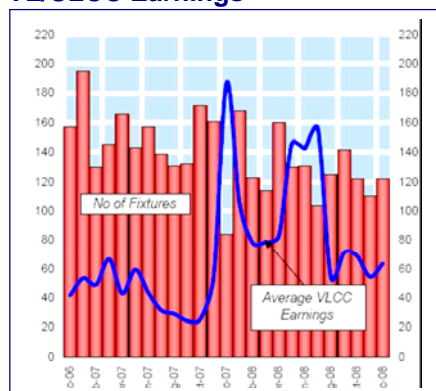
Source: MISC, UOB Kay Hian

Higher-than-expected losses from liner shipping. Excluding gains from vessel sale, MISC reported a lower net profit of RM249.6m (-43% yoy). This is mainly due to higher losses from the integrated liner and logistics segment of RM328.8m. These losses exceeded our expectation. Bunker price has fallen from its peak of US\$670/MT in Jul 08 to US\$230/MT, which could lower the Group's operating costs going forward. Despite the gloomy outlook in the container business, we are already valuing the segment at the shipping sector's trough valuation of 0.4x P/B.

Better earnings from energy-related and other energy businesses. Energy-related shipping registered a 6% yoy increase in operating earnings while the other energy businesses' earnings rose 194% yoy.

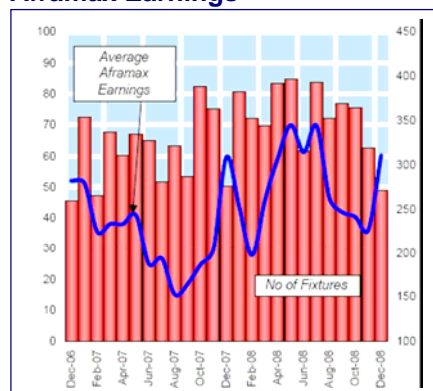
More details will be provided after the results briefing today. Our earnings forecast will likely be lowered.

VL/UCLCC Earnings



Source: Clarksons

Aframax Earnings



Source: Clarksons

MALAYSIA

MISC (MISC MK/MISF MK)

HOLD

Current Price: RM8.55 (L)/RM8.60 (F)
Fair Price: RM8.65

Sector Shipping
52-Wk Avg Daily Vol. ('000) 429
Market Cap (RMm) 31,804.5
(US\$m) 8,681.5

Major Shareholders (%)
Petronas Bhd 62.4

Book NTA per Share (RM) 5.05
ROE (%) 13.2
Net Debt per Share (RM) 1.95

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

Price Chart



Source: Bloomberg

Analyst

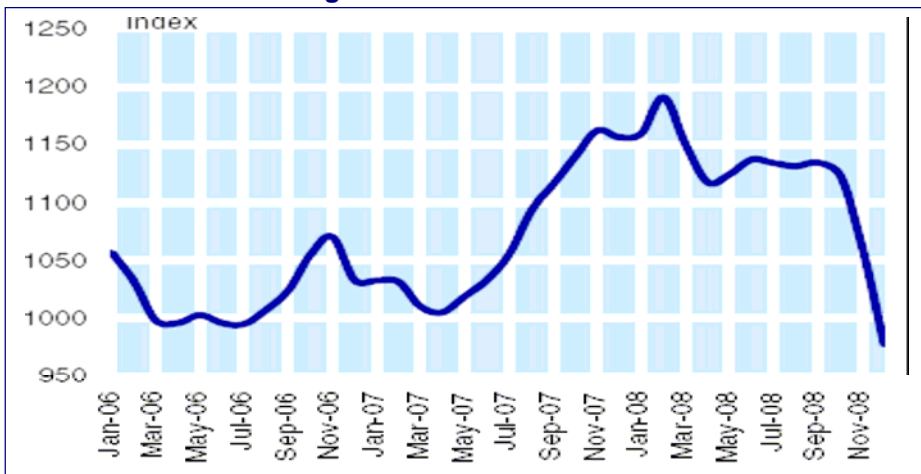
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Year to 31 Mar	Turnover (RMm)	EBITDA (RMm)	Net Profit (RMm)	Net Profit* (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (sen)	Yield (%)
2007	11,198.9	4,231.4	2,852.0	2,415.5	76.7	1.0	11.2	9.3	30.0	3.5
2008	12,957.4	4,453.0	2,443.1	2,336.4	65.7	(14.3)	13.0	8.9	35.0	4.1
2009F	15,132.9	4,178.0	1,900.0	1,900.0	51.1	(22.2)	16.7	9.4	40.0	4.7
2010F	15,707.7	4,365.5	2,080.0	2,080.0	55.9	9.5	15.3	9.0	40.0	4.7
2011F	17,631.7	5,035.5	2,760.0	2,760.0	74.2	32.7	11.5	7.8	45.0	5.3

Consensus Net Profit – FY09: RM2,046.1m
-- FY010: RM2,131.4m

* Excludes gains from vessel sales

China Containerised Freight Index



Source: Clarksons

Profit & Loss

Year to 31 Mar (RMm)	2007	2008	2009F	2010F	2011F
Turnover	11,198.9	12,957.4	15,132.9	15,707.7	17,631.7
EBIT	2,693.9	2,803.0	2,398.0	2,515.5	3,135.5
Pre-tax Profit	2,930.3	2,609.4	2,088.0	2,272.4	2,966.4
Net Profit	2,852.0	2,443.1	1,900.0	2,080.0	2,760.0

Balance Sheet

Year to 31 Mar (RMm)	2007	2008	2009F	2010F	2011F
Current Assets	4,241.1	4,766.6	5,127.4	5,014.0	5,184.1
Total Assets	27,954.8	29,043.4	31,902.2	34,070.5	35,462.8
Current Liabilities	2,700.9	3,698.5	4,320.9	4,457.1	4,833.3
Long-Term Liabilities	6,309.1	6,616.4	7,948.8	9,268.8	9,068.8
Shareholder Funds	18,639.2	18,454.4	19,238.4	19,830.5	20,916.7
Total Equity & Liabilities	27,954.8	29,043.4	31,902.2	34,070.5	35,462.8

Cash Flow

Year to 31 Mar (RMm)	2007	2008	2009F	2010F	2011F
Operating	3,633.6	4,039.2	4,110.0	4,293.1	4,959.1
Investing	(3,609.5)	(2,850.2)	(3,935.0)	(3,917.0)	(2,883.0)
Financing	(1,045.1)	(1,342.4)	(230.9)	(587.9)	(2,233.9)
Net Cash In/(out flow)	(1,021.0)	(153.4)	(55.9)	(211.9)	(157.8)
Begin Cash & Cash Equiv.	3,426.0	2,217.6	1,964.4	1,908.5	1,696.6
FX Adjustments	(187.4)	(99.8)	-	-	-
End'g Cash & Cash Equiv.	2,217.6	1,964.4	1,908.5	1,696.6	1,538.8

Malaysian Resources Corp

2008: Results were below expectation

2008 net loss of RM56.6m was a reversal from the net profit of RM40.7m in 2007. Results were below our and market expectation. This was mainly caused by higher construction cost which sharply reduced margins.

2008 Results

	FY08 (RMm)	FY07 (RMm)	yoy % chg	Remarks
Turnover	788.6	903.7	(12.7)	
Engineering & Construction	501.3	428.9	16.9	Boosted by higher orderbook
Property	200.1	442.7	(54.8)	En-bloc sale of office tower in KL Sentral for FY07
Infrastructure	96.8	64.6	49.8	
Building Services	36.0	25.9	39.0	
Investment Holding	23.6	23.6	0.0	
Operating Profit	45.1	145.4	(69.0)	
Engineering & Construction	(31.0)	(0.1)	n.a.	Provision for higher material costs for power transmission
Property	34.1	172.8	(80.3)	Provision for remedial works and writedown of the landbank and unsold slow-moving inventories
Infrastructure	11.6	7.7	50.6	
Building Service	4.2	0.9	366.7	
Investment Holding	44.9	(22.6)	n.a.	
EBIT Margin (%)				
Engineering & Construction	(6.2)	(0.0)		Margin erosion caused by surge in cost of building material
Property	17.0	39.0		Lower margin resulted from higher construction cost
Pre-tax Profit	(42.2)	69.8	n.a.	
Net Profit	(56.6)	40.7	n.a.	

Source: MRCB, UOB Kay Hian

Results

MRCB reported FY08 net loss of RM56.6m, reversing from a net profit of RM40.7m last year. Results were below our and market expectation. The principal cause was higher construction costs in FY08. The decline in earnings from property development was mainly attributed to remedial works, and writedown in the value of its landbank.

Stock Impact

Margins to recover post 2Q09. We expect to see some margin recovery post 2Q09 to 3-5%. This will be from the tailing-off of construction jobs that have locked in higher raw material costs and the overall downward trend of key material costs, namely, steel, cement and fuel price.

Limited office supply in Central Business District. We believe the Group's commercial property development projects in KL Sentral will still enjoy good take-up rates in FY09 and FY10 because of its strategic location with good transport infrastructure. But do not expect any en-bloc sale of its office towers.

MALAYSIA

Malaysian Resources Corp (MRC MK)

SELL

Current Price: RM0.86

Fair Price: RM0.59

Sector	Property
52-Wk Avg Daily Vol. ('000)	12,186
Market Cap (S\$m)	780.5
(US\$m)	213.0

Major Shareholders (%)	
EPF	31.6

Book NTA per Share (RM)	0.72
ROE (%)	(8.3)

Results Due

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (RMm)	EBITDA (RMm)	Net Profit (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (sen)	Yield (%)
2007	903.7	153.9	40.7	4.5	20.6	19.2	7.9	1.2	1.4
2008	788.6	50.0	(56.6)	(6.2)	(238.9)	(13.8)	28.6	0.0	0.0
2009F	943.2	101.8	35.5	3.9	(162.7)	22.0	11.4	0.6	0.7
2010F	1,110.1	139.2	62.7	6.9	76.5	12.5	6.8	1.0	1.2
2011F	1,071.4	145.0	67.2	7.4	7.3	11.6	5.3	1.1	1.3
Consensus net profit			- FY09: RM40.0m - FY10: RM60.7m						

Earnings Revision

We cut our net profit forecasts for FY09 by 19% from RM44.2m to RM35.5m to factor in the locked-in higher construction cost. We also revise down our FY10 net profit by 18% from RM77.1m to RM62.7m on the back of lower revenue contribution from its construction segment.

Valuation/Recommendation

We maintain our fair price of RM0.59 based on a 50% discount to our RNAV of RM1.19 (using the sector's historical trough P/B of 0.7-0.8x) in view of the current depressed market conditions.

Profit & Loss

Year to 31 Dec (RMm)	2007	2008	2009F	2010F	2011F
Turnover	903.7	788.6	943.2	1110.1	1071.4
EBIT	149.0	45.1	96.8	134.2	140.0
Pre-tax Profit	69.8	(42.2)	54.1	90.4	96.5
Net Profit	40.7	(56.6)	35.5	62.7	67.2
EPS (sen)	4.5	(6.2)	3.9	6.9	7.4

Balance Sheet

Year to 31 Dec (RMm)	2007	2008	2009F	2010F	2011F
Current Assets	1283.2	1858.3	2195.3	2735.9	3172.6
Total Assets	2106.3	2919.1	3250.3	3785.0	4216.8
Current Liabilities	576.3	1041.4	702.0	703.4	697.9
Long-Term Loans	9.6	235.9	235.9	235.9	235.9
Shareholders' Funds	705.5	652.4	687.7	747.1	810.6
Total Equity & Liabilities	2106.3	2919.1	3250.3	3785.0	4216.8

Cash Flow

Year to 31 Dec (RMm)	2007	2008	2009F	2010F	2011F
Operating	173.4	167.3	16.2	(15.8)	61.8
Investing	419.6	(375.3)	(40.0)	(40.0)	(40.0)
Financing	(367.0)	131.8	36.2	33.2	32.7
Net Cash In/out flow	226.0	(76.2)	12.4	(22.6)	54.5
Begin Cash & Cash Equiv.	62.0	272.5	196.3	208.7	186.1
End'g Cash & Cash Equiv.	272.5	196.3	208.7	186.1	240.6

RHB Capital

2008: Tougher year ahead

RHB Capital reported 2008 net profit of RM1,049m, in line with expectation. Difficult to repeat the strong growth in SME segment in 2009 and there are concerns over defaults if economic environment deteriorates further.

2008 Results

YE 31 Dec	2007 (RMm)	2008 (RMm)	yoy chg (%)	Remarks
Net Interest Income	2,099	2,216	5.6	Boosted by stronger loans growth and lower cost of capital
Islamic Banking	328	281	(14.4)	2007 was boosted by one-off gain of RM70m on trading securities
Non-Interest Income	961	948	(1.4)	Lower fee income and investment income due to weak capital market
Operating Income	3,388	3,445	1.7	
Overhead Expenses	(1,506)	(1,513)	0.5	Higher personnel costs adjustment and improved reward for talent retention
Operating Profit	1,883	1,932	2.6	
Loan Loss Provision	(636)	(510)	(19.9)	Down on higher recovery, but higher Provisions on more stringent provisioning policy
Net Income	713	1,049	47.1	

Source: RHB Capital, UOB Kay Hian

Results

RHB Capital (RHBC) reported FY08 net profit of RM1,049m, up 47.1% yoy. Results were within expectation, boosted by lower loan loss provision thanks to a lumpy non-performing loans (NPL) recovery.

RHBC declared a higher final gross dividend of 10.6sen/share or a dividend yield of 2.9%. Together with the interim dividend of 9sen/share, full-year dividend as 19.6sen/share, higher than 13.6sen for 2007.

Stock Impact

Loans growth slightly behind expectation. RHBC reported a loans growth of 11.2% yoy, slightly below our expectation of 12%. Growth was driven by strong small-medium enterprises (SME) loans (+23% yoy) and consumer loans (+11%). We are concerned over the aggressive growth of its SME loans, which could face a significant slowdown due to the weakening global and domestic spending. For 2009, we are only expecting loans growth of 3% as we see a substantial slowdown in SME and consumer loans.

Margin pressure with two substantial cut in policy rate. RBC's net interest income was boosted by the strong loans growth and better net interest margin as cost of capital dropped after refinancing of the sub-debt and INCPS. However, NIM is set to decline with the recent 75bp and 50bp cuts in Overnight Policy Rate in Jan 09 and Feb 09 respectively. Competition in asset-based segment also increased with a cut in pricing spread by another 20bp recently.

MALAYSIA

RHB Capital (RHBC MK)

SELL

Current Price: RM3.74

Fair Price: RM2.80

Sector	Bank
52-Wk Avg Daily Vol. ('000)	620
Market Cap (RMm)	8,054
(US\$m)	2,198

Major Shareholders (%)	
EPF	57.3
Abu Dhabi Commercial Bank	25.0

Book NTA per Share (RM)	1.87
ROE (%)	14.1

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Pre-tax Profit (RMm)	Net Profit (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	PB (x)	DPS (sen)	Yield (%)
2007	1,246.5	712.9	33.1	62.7	11.3	1.1	13.6	3.6
2008	1,422.4	1,048.7	48.7	47.1	7.7	1.0	19.6	5.2
2009F	1,006.8	755.1	35.1	(28.0)	10.7	1.0	10.5	2.8
2010F	1,188.4	891.3	41.4	18.0	9.0	0.9	12.5	3.3
2011F	1,280.5	960.4	44.6	7.8	8.4	0.9	13.5	3.6

Consensus Net Profit – FY09: RM904.5m
 – FY10: RM984.9m

Asset quality. Gross and net NPL improved from 5.7% and 3.4% as at end-07 to 4.6% and 2.2% as at end-Dec 08 respectively. We see improvement in all segments except for credit card, which showed a slight increase in absolute terms. In view of the weakening environment, there could be weakness in retail loans in 2009, which make up 41% of RHBC's total loans. We are expecting an uptick in consumer and SME NPLs due to higher provisions in 2009.

Earnings Revision

We adjust our net profit forecasts for 2009 and 2010 by +3.4% and +11.4%, or EPS of 34.6sen and 39.7sen respectively.

Valuation/Recommendation

Maintain SELL. Earnings risk from rising defaults from SME segment, which grew significantly in 2008 (+RM2b).

Income Statement: Quarterly

<u>Year to 31 Dec (RMm)</u>	<u>4Q07</u>	<u>1Q08</u>	<u>2Q08</u>	<u>3Q08</u>	<u>4Q08</u>
Net Interest Income	543.3	530.3	559.9	553.9	572.3
Non-Interest Income	218.1	243.3	213.2	227.0	264.1
Islamic Banking	89.9	56.0	70.7	73.7	80.7
Operating Income	851.3	829.6	843.9	854.5	917.0
Operating Expenses	(461.2)	(367.2)	(341.0)	(367.8)	(437.1)
Loan Loss Provision	(97.1)	(153.1)	(141.0)	2.1	(218.0)
Net Income	173.2	222.4	271.1	358.3	196.9
Key Analysis (%)					
Net Interest Margin	2.18	2.07	2.20	2.23	2.31
Gross NPLs	5.7	5.6	5.2	4.7	4.6
Gross Loans Growth	(1.7)	2.1	2.2	5.6	0.9
Loans Loss Coverage	71.4	74.4	81.5	87.4	90.3
Cost/Income Ratio	54.2	44.3	40.4	43.0	47.7
ROE	10.0	12.5	15.0	19.4	10.3

Income Statement

<u>Year to 31 Dec (RMm)</u>	<u>2007</u>	<u>2008</u>	<u>2009F</u>	<u>2010F</u>	<u>2011F</u>
Net Interest Income	2,099	2,216	2,184.5	2,302.8	2,417.3
Islamic Banking	328	281	319.1	355.1	395.3
Non-Interest Income	961	948	758.2	826.1	916.9
Operating Income	3,388	3,445	3,261.7	3,483.9	3,729.4
Overhead Expenses	(1,506)	(1,513)	(1,543.3)	(1,728.5)	(1,953.2)
Operating Profit	1,883	1,932	1,718.4	1,755.5	1,776.3
Loan Loss Provision	(636)	(510)	(711.6)	(567.1)	(495.8)
PBT	1,247	1,422	1,006.8	1,188.4	1,280.5
Net Income	713	1,049	755.1	891.3	960.4
Key Analysis (%)					
Net Interest Margin	2.08	2.22	2.17	2.19	2.16
Gross NPLs	5.7	4.6	5.8	5.9	6.2
Gross Loans Growth	1.1	11.2	3.0	6.0	8.0
Loans Loss Coverage	71.4	90.3	90.4	97.5	97.3
Cost/Income Ratio	44.4	43.9	47.3	49.6	52.4
ROE	11.9	14.1	9.4	10.5	10.9

Balance Sheet

<u>Year to 31 Dec (RMb)</u>	<u>2007</u>	<u>2008</u>	<u>2009F</u>	<u>2010F</u>	<u>2011F</u>
Net Loans	54.6	60.6	61.8	65.1	70.1
Customer Deposit	(75.8)	(74.0)	(76.2)	(80.8)	(88.0)
Total Assets	105.2	104.5	107.7	113.7	121.6
Shareholder's Fund	7.0	7.8	8.3	8.7	8.9

Pine Agritech

4Q08: Weak sales growth continue

Net profit plunges 86% yoy in 4Q08 due to continuing weak sales growth. Downward earnings growth trend is expected to continue into 2009. Maintain SELL.

4Q08 Results

Year to 31 Dec	4Q08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	224.7	(50.7)	1,439.2	(11.1)	Lower sales volume Less contribution from SOS products
Gross profit	44.9	(66.0)	342.9	(47.5)	Fewer advertising and promotional activities
Operating profit	34.1	(63.9)	285.7	(49.8)	
Net profit	7.4	(85.9)	182.8	(58.0)	

Segment breakdown (4Q08)					
	Turnover (Rmbm)	yoy % chg	GP margin %	yoy % chg	qoq % chg
SPI	158.0	(30.0)	22.3	(0.6) ppt	0.8 ppt
Oil	24.8	(74.1)	4.5		
SOS	19.8	(77.1)	35.7	(28.5) ppt	(5.6) ppt
By-products	17.6	(38.6)	3.4		
Peptide	4.5	(76.7)	30.3		
Overall	224.7	(50.7)	20.0%	(9.0) ppt	0.4 ppt

Source: UOB Kay Hian

Results

Pine Agritech (Pine) reported 4Q08 net profit of Rmb7.4m, down 85.9% yoy. The results were below our expectation, reflecting continued deterioration in the operating environment. No final dividends were declared in order to preserve capital.

Turnover decreased for all segments in 4Q08. Sales of soy protein isolates (SPI) dropped 30% yoy in spite of higher sales generated from overseas markets and increasing average selling prices (ASP). Notwithstanding aggressive promotions, sales of soy oligosaccharide syrup (SOS) plummeted 77% yoy due to lower demand. Sales of Soybean Peptide, a new product launched in Sep 07, also recorded 77% yoy decrease in turnover, showing weak acceptance by consumers.

Gross margin improved slightly on sequential basis. Soybean price fell by over 40% from its peak in Jul 08, which lifted the gross margin for SPI products from 21.5% in 3Q08 to 22.3% in 4Q08. In order to push sales, Pine lowered the ASP of SOS products, which resulted in gross margin shrinking by 5.6ppt from 41.3% in 3Q08 to 35.7% in 4Q08. The product mix downgrade also put pressure on overall margin enhancement, as overall gross margin only edged up 0.4 ppt from 19.6% in 3Q08 to 20.0% in 4Q08.

SINGAPORE

Pine Agritech (PAG SP)

SELL

Current Price: S\$0.09

Fair Price: S\$0.07

(Previous: S\$0.08)

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	3,016
Market Cap (S\$m)	270.0
(US\$m)	180.0

Major Shareholders (%)	
People's Food	36.75

Book NTA per Share (Rmb)	0.59
ROE (%)	28.6
Net Cash per Share (Rmb)	0.24

Results Due

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (¢)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (¢)	Yield (%)
2007	1,619.6	609.8	435.5	14.5	(19.1)	3.1	1.2	2.8	6.2
2008	1,439.2	330.3	182.8	6.1	(58.0)	7.4	2.2	0.0	0.0
2009F	1,352.6	281.5	113.3	3.8	(38.0)	11.9	2.6	0.4	0.8
2010F	1,407.5	297.0	123.8	4.1	9.3	10.9	2.5	0.4	0.9
2011F	1,489.4	327.9	145.6	4.9	17.6	9.3	2.3	0.5	1.1

Consensus Net Profit – FY09: Rmb203m
– FY10: Rmb226m

Stock Impact

The Chinese government intends to raise the minimum purchasing price for agricultural products in 2009 so as to increase rural households' income. This might increase the domestic soybean price, which will exert cost pressure on Pine.

As a result of weak consumer sentiment, consumers seem to have less demand for health-enhancing products, including Pine's SOS and soybean peptide products. In view of the slowdown in SOS sales, Pine scaled back its advertising and promotional (A&P) campaigns to reduce operational expenses. We expect the decline in A&P activities to have a negative impact on Pine's sales given the current depressing market atmosphere and Pine's weak brand recognition.

Apart from decreasing demand, Pine will also have to deal with higher tax rates in the future. The company will incur a unified tax rate of 25.0% from 2009 onwards compared with 12.5% in 2008. Therefore, the downtrend in net profit might continue into 2009.

Earnings Revision

Given the continuation of weakening sales growth and contracting margins, we cut our earnings forecasts by 44% for 2009 and 45% for 2010.

Valuation/Recommendation

Due to our lower net profit forecasts, we cut our DCF-derived fair value from S\$0.08 to S\$0.07. We see limited catalysts that could drive up share price in near term. Maintain SELL.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	1,619.6	1,439.2	1,352.6	1,407.5	1,489.4
EBIT	568.8	285.7	235.2	248.8	278.0
Pre-tax Profit	529.4	190.8	151.1	165.1	194.1
Net Profit	435.5	182.8	113.3	123.8	145.6

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	2,734.5	2,864.2	3,010.9	3,171.7	3,356.4
Total Assets	3,865.6	3,996.4	4,117.9	4,280.5	4,465.3
Current Liabilities	2,093.6	2,085.7	2,140.3	2,146.7	2,155.6
Long-Term Liabilities	92.4	75.3	0.0	0.0	0.0
Shareholder Funds	1,679.7	1,835.5	1,977.6	2,133.9	2,309.7
Total Equity & Liabilities	3,865.6	3,996.4	4,117.9	4,280.5	4,465.3

Cash Flow

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	593.9	279.5	233.8	248.2	269.7
Investing	(352.4)	(63.9)	(46.1)	(45.7)	(45.9)
Financing	1,791.8	(27.0)	(43.2)	(54.5)	(55.6)
Net Cash In/(Out) Flow	2,033.4	188.6	144.6	148.0	168.2
Begin Cash & Cash Equiv.	334.6	2,367.9	2,556.5	2,701.1	2,849.1
End'g Cash & Cash Equiv.	2,367.9	2,556.5	2,701.1	2,849.1	3,017.4

SC Global

4Q08: Weighed down by high gearing

Despite trading at a deep discount to RNAV, we remain cautious on SC Global due to its high net gearing, further land write-down concerns and heavy exposure to the high-end segment.

4Q08 Results

Year to 31 Dec	4Q08 (S\$m)	yoy % chg	FY08 (S\$m)	yoy % chg	Remarks
Turnover	28.0	149	129.1	-	
EBITDA	14.0	55	65.7	64	
Pre-tax Profit	6.3	(34)	58.0	34	
Tax	1.8	n.m.	13.3	113	
	4.2	(46)	44.5	57	Progressive income recognition from The Marq, Hilltops, and Kairong International Gardens
Net Profit					
EPS (¢)	1.07	(46)	11.27	57	
EBITDA Margin (%)	50		50		

Source: SC Global, UOB Kay Hian

Results

SC Global reported 4Q08 PATMI of S\$4.2m, down 46% yoy, bringing full-year profit to S\$44.5m, up 57% yoy. 2008 PATMI, excluding the effects of the revaluation surplus of \$33.1m on Newton 200 and land write-downs of \$30m, was below of our expectations, representing 85% of our full-year forecast of S\$49.8m. The results were below expectation due to slower-than-expected construction progress and corresponding income recognition of the Group's development projects, namely The Marq on Paterson Hill, Hilltops and Kairong International Gardens in Shenyang, China. The Group decided not to declare any dividend for the year.

Stock Impact

Land write-downs and high net gearing remain major concerns. SC Global made provisions of S\$30m for its sites at Ardmore Park and Sentosa in 4Q08, implying a 5-6% writedown in the purchase prices. As the high-end segment undergoes steep price corrections, there could be additional writedowns of another S\$50m-75m this year, assuming a 15-20% writedown in the original purchase prices. Also, SC Global's high net gearing of 2.8x renders it unattractive compared with other property developers with an average net gearing of about 0.6x.

Establishment of AVJennings Residential Property Fund. SC Global increased its shareholding in its Australian associate AVJennings from 49.63% to 50.03% in Dec 08, effectively turning it into a subsidiary. Leveraging on the AVJennings brand, it announced the establishment of a A\$150m-200m fund to take advantage of current market conditions and derive income from project development, sales and provision of management skills.

SINGAPORE

SC Global (SCGD SP)

HOLD

Current Price: S\$0.40

Fair Price: S\$0.50

Sector	Property
52-Wk Avg Daily Vol. ('000)	722
Market Cap (S\$m)	241.5
(US\$m)	162.0

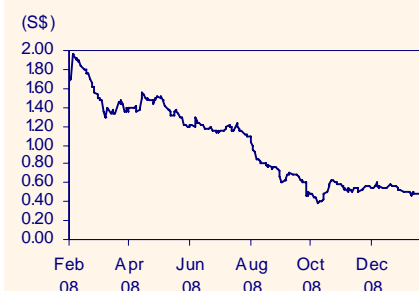
Major Shareholders (%)	
Simon Cheong Sae Peng	53.5
Ardesia Developments P/L	13.5

Book NTA per Share (S\$)	0.88
ROE (%)	12.1
Net Debt per Share (S\$)	3.88

Results Due

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

Price Chart



Source: Bloomberg

Analyst

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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	129.2	39.7	28.3	8.2	22.4	5.6	40.2	4.9	12.2
2008	129.1	65.7	44.5	11.3	37.4	3.6	24.3	0.0	0.0
2009F	165.4	66.2	41.2	10.4	(7.3)	3.8	24.1	1.0	2.5
2010F	402.6	105.9	78.4	19.9	90.2	2.0	15.1	2.0	5.0
2011F	592.2	155.6	115.4	29.2	47.2	1.4	10.2	2.0	5.0

Consensus Net Profit – FY09: S\$100.1m
 – FY10: S\$119.7m

Valuation/Recommendation

We maintain our cautious stance on SC Global's portfolio, which is heavily skewed towards the high-end segment. In addition, SC Global's net gearing remains high at 2.8x. Maintain HOLD with a fair price of S\$0.50 at a 50% discount to 2009 RNAV of S\$1.00.

Stress Test

Share Price (S\$)		0.40
RNAV (S\$)		1.00
Assumptions (%)	Decline from End-07 Level	
Singapore residential	(40)	(20)
Singapore office	(40)	(4)
Singapore retail	(40)	-
China	(40)	-
Vietnam	(40)	-
Listed investments	(70)	(2)
Asset Write-down (Devt Pty)		(14)
Asset Write-down (Invt Pty)		(1)
Deferred payment Scheme		(19)
Total		(60)
Stressed RNAV(S\$)		0.40
Share Price Discount/Premium (%)		-

Source: SC Global, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Turnover	129.2	77.8	165.4	402.6	592.2
EBIT	39.5	64.9	65.4	105.3	154.9
Pre-tax Profit	16.7	40.5	43.3	58.0	55.2
Net Profit	28.3	44.5	41.2	78.4	115.4

Balance Sheet

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,539.6	2,180.1	1,847.8	2,126.6	2,402.2
Total Assets	1,720.0	2,304.1	1,971.8	2,250.6	2,526.3
Current Liabilities	177.4	322.2	180.3	382.3	543.7
Long-Term Liabilities	1,182.5	1,435.5	1,232.5	1,232.5	1,232.5
Shareholder Funds	356.3	506.2	544.2	616.2	725.1
Total Equity & Liabilities	1,720.0	2,304.1	1,971.8	2,250.6	2,526.3

Cash Flow

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Operating	(42.0)	233.9	381.9	365.4	298.3
Investing	(41.2)	0.3	5.8	10.5	6.1
Financing	803.4	223.7	153.0	156.6	161.1
Net Cash In/(Out) Flow	73.3	69.6	210.0	22.2	406.9
Begin Cash & Cash Equiv.	(3.8)	140.5	(187.8)	384.8	375.6
End'g Cash & Cash Equiv.	69.6	210.0	22.2	406.9	782.6

RNAV

Asset Valuation	2009F
Development Properties	
NPV of Development Profits (1)	206.973
Listed Associates	
Market Value of Quoted Associates	72.754
Book Value of Quoted Associates	153.562
Surplus to book for quoted associates (2)	-80.808
Net Book Value (3)	412.963
Warrant Proceeds (4)	14.957
Write-downs / Defaults (5)	(127.49)
RNAV (1+2+3+4+5)	\$ 411.64
Fully diluted no. of shares	411.27
Fully diluted RNAV per share S\$	\$ 1.00

Source: SC Global, UOB Kay Hian

SembCorp Marine

2008: Boosted by larger orderbook and improved margins

Higher operating earnings due to larger orderbook and improved margins. Strong balance sheet with net cash balance of S\$1.8b.

2008 Results

Year to 31 Dec (S\$m)	4Q08 % Chg	yoy (S\$m)	2008 % Chg	yoy	Remark
Turnover	1,617.5	21	5,063.9	12	Expansion in all segments except shipbuilding
EBITDA	199.2	26	571.7	36	2.0ppt margin improvement
Pre-tax Profit	88.2	15	545.0	49	4Q08 dragged down by FX and COSCO's provisions
Tax	(10.7)	(85)	(93.7)	(17)	
MI	(8.0)	71	(21.3)	99	PPL Shipyard's higher earnings
Net Profit	69.4	n.m.	429.9	78	
Net Profit (EI)	113.2	(6)	473.7	31	4Q08 dragged down by COSCO
EPS (S cts)	3.4	n.m.	20.8	49	
EBITDA Margin (%)	12.3		11.3		Economies of scale
Segment Financials					
Rig Building	862.8	17	2,839.6	14	A larger orderbook
Offshore & Conversion	534.2	47	1,354.4	20	A larger orderbook
Repair	201.2	3	794.8	9	Higher shiprepair volume & yield
Shipbuilding	-	n.m.	2.0	(98)	Deliberate scale-down
Others	19.3	(36)	73.1	3	Lower steel trading in 4Q08
Turnover	1,617.5	21	5,063.9	12	

Source: UOB Kay Hian

Results

Excluding one-off charge of S\$44m (including S\$30m FX dispute settlement with BNP Paribas), SembCorp Marine's (SMM) 2008 net profit was S\$474m (+31% yoy). Net profit for 2007, excluding FX provisions and non-operating items, stood at S\$362m. 4Q08 net profit (ex-FX provisions) of S\$113.2m was down 6% yoy as 30%-owned associate COSCO Shipyard Group (CSG) posted a loss. Apart from shipbuilding, all segments reported higher turnover. 2008 EBITDA surged 36% yoy due to margin improvement of 2ppt.

SMM secured record contract wins of S\$5.6b in 2008 compared with S\$5.4b in 2007. Orderbook surged to S\$9b as of end-Dec 08 compared with S\$6.9b a year ago. With regard to the three rig contracts - Petrorig 1, 2 and 3 - from Petromena, which has faced difficulty in securing additional bank financing, 50% of the rigs' contract values has already been collected. The first rig will be delivered in Mar 08, with the second in Sep 09 and the third in 2010. Ownership of the rigs lies with SMM as long as full payment has not been received.

SINGAPORE

SembCorp Marine (SMM SP)

BUY

Current Price: S\$1.38

Target Price: S\$2.03

Sector	Offshore & Marine
52-Wk Avg Daily Vol. ('000)	9,158
Market Cap (S\$m)	2,858.6
(US\$m)	1,872.9

Major Shareholders (%)	
SembCorp Industries Ltd	61.1%

Book NTA per Share (S\$)	0.64
ROE (%)	28.7
Net Cash per Share (S\$)	0.88

Results Due

1Q: May	1H: Aug
3Q: Oct	Final: Feb

Price Chart



Source: Bloomberg

Analyst

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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	4,513.0	421.7	241.0	11.7	0.1	11.8	2.5	8.7	6.3
2008	5,063.9	520.6	429.9	20.8	77.7	6.6	2.1	11.0	8.0
2009F	5,642.4	603.6	530.0	25.6	22.9	5.4	1.8	13.0	9.4
2010F	4,803.9	456.4	425.0	20.5	(19.8)	6.7	2.3	10.5	7.5
2011F	4,754.4	451.7	430.0	20.8	1.2	6.6	2.4	10.5	6.0

Consensus Net Profit – FY09: S\$505.4m
 – FY10: S\$485.4m

Stock Impact

WTI oil price is seeing some stabilisation at US\$35-45/bbl. Oil prices should see a recovery when the world emerges from its current recession. SMM has a large offshore and marine (O&M) orderbook of S\$9b (to be progressively recognised over the next four years) to tide it over during the contract lull in 2009. In the current environment of global credit crunch, offshore oil & gas capex is significantly curtailed.

Valuation

SMM says it does not expect any cancellation of the contracts in its existing orderbook. However, we would not discount the possibility of further contract/payment renegotiations given the current credit crunch. SMM expects to secure some new contracts in 2009, although at a much lower level than 2008's S\$5.6b. We have assumed S\$2b worth of contracts in 2009 before recovering to S\$3b from 2010 onwards. We see a sustainable contract wins level of S\$3b p.a. should oil price recover to US\$50/bbl, translating into an annual net profit base of S\$225m for SMM. Our sum-of-the parts (SOP) valuation of S\$2.03/share factors in SMM's shipyard valuation at a PE of 15.0x (i.e. pre-offshore oil & gas boom valuation) of the sustainable net profit base of S\$225m. Maintain BUY as SMM remains a good play on the oil price recovery when the world emerges from the recession.

Profit & Loss

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Turnover	4,513.0	5,063.9	5,642.4	4,803.9	4,754.4
EBIT	355.3	449.9	528.6	381.4	376.7
Pre-tax Profit	364.7	545.0	661.3	525.4	528.5
Net Profit	241.0	429.9	530.0	425.0	430.0

Balance Sheet

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Current Assets	2,846.2	3,435.5	3,774.3	3,620.1	3,743.2
Total Assets	4,462.8	4,611.8	5,085.3	5,027.1	5,254.0
Current Liabilities	2,397.4	3,111.6	3,364.4	3,150.7	3,155.5
Long-Term Loans	181.9	20.0	(40.0)	(101.9)	(163.8)
Shareholders' Funds	1,680.1	1,318.0	1,578.7	1,786.2	2,060.0
Total Equity & Liabilities	4,462.8	4,611.7	5,085.3	5,027.1	5,254.0

Cash Flow

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Operating	211.7	1,916.9	565.9	362.2	383.9
Investing	182.2	(85.0)	(90.0)	(40.0)	(40.0)
Financing	(146.5)	(518.4)	(321.0)	(269.3)	(207.9)
Net Cash In/out flow)	247.3	1,313.6	154.9	52.9	136.1
Begin Cash & Cash Equiv.	493.2	740.5	2,054.0	2,208.9	2,261.8
End'g Cash & Cash Equiv.	740.5	2,054.0	2,208.9	2,261.8	2,397.9

Sino-Thai Engineering & Construction

Still not yet convinced that its orderbook is growing.

If STEC wins the 2nd contract of Purple Line, its target price will be upgraded to just B3.66 base on 0.93x P/B. For now, we maintain SELL on account of its low orderbook and high 9% valuation premium to our target price.

Corporate Events

Management gave a rosy picture that the company's orderbook should increase by Bt12-15b from the present of Bt12b as the new government is proceeding with the previous government's mega projects. Several power plants may be open for bidding towards end 2009. Dow Chemical is to continue building the Chemical Complex in Thailand. Refineries have to be upgraded to the Euro IV standard. In addition, STEC may get a new project for pre-assembly modules of offshore oil rigs. Hence, STEC is on course to reach 2009 sales of Bt13.5b against our conservative forecast of Bt7.1b.

Stock Impact

On the country's mega projects, we doubt that the new government is strong enough to carry on with these projects. The anti-government protest is out there and is ready to put pressure on the government. New power plants may be delayed as the demand for electricity has dropped. As the global recession is still running its course, it is unlikely that Dow Chemical and refineries are in any hurry to carry on with their expansion plans except those that are already committed. If oil price continues to hold at US\$30-40/bbl, there is no incentive to build new offshore oil rigs. We therefore do not expect STEC to be able to sign as many new orders as expected. This is not an encouraging sign as the Bt12b orderbook accounts for only 80% of STEC's turnover last year.

The only realistic projects are the second and third contracts of the Purple Line (mass transit) worth Bt12b and Bt8b respectively. STEC is widely expected to win the second contract due to its close link with the government. However, there is still uncertainty involved. We will wait to see whether the company is able to win the contract before upgrading our forecasts.

STEC's margins are on course to recovery in 2Q09 after the completion of loss-ridden projects, namely the Airport Rail Link (ARL) and the Government Centre (GC), in 1Q09. We expect its average gross margin to reach 5% this year (3.5% in 2008).

With the completion of ARL and two power plants in 1Q09, STEC is able to turn Bt2.1b of account receivables into cash. This would ensure sufficient cash for STEC to carry on with new projects worth Bt12-15b in 2009. The company also plans to use its share premium to offset retained losses. This may enable the company to pay a dividend for the first time since 2005.

THAILAND

Sino-Thai Engineering & Construction (STEC TB)

SELL

Current Price: Bt3.24

Fair Price: Bt2.89

Sector	Contractor
52-Wk Avg Daily Vol. ('000)	14,603.5
Market Cap (Btb)	3.8
(US\$m)	107.6

Major Shareholders (%)	
Charnvirakul Family	23.6

Book NTA per Share (Bt)	3.70
ROE (%)	4.3
Net Debt per Share (Bt)	0.10

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

Price Chart



Feb-08 Apr-08 Jun-08 Aug-08 Oct-08 Dec-08 Feb-09
Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Bt)	Yield (%)
2007	17,282	509	22	0.02	101.23	174.70	3.14	0.00	0.0
2008	14,590	752	178	0.15	709.09	21.59	2.85	0.00	0.0
2009F	7,080	738	154	0.13	(13.40)	24.93	2.52	0.00	0.0
2010F	12,000	999	379	0.32	145.80	10.14	2.44	0.00	0.0
2011F	13,440	1,223	374*	0.32	(1.34)	10.28	2.26	0.16	4.9

Consensus Net Profit – FY09: Bt266m * End of the tax shield
-- FY10: Bt401m

Earnings Revision/Risk

With additional work required for STEC's existing contracts, valued at Bt1b to be completed this year, our forecasts look conservative. However, we would rather wait for the result of the 2nd contract of the Purple Line before revising our forecasts. If STEC wins the contract, its target price may be revised up to Bt3.66.

Valuation/Recommendation

Despite improved margins, we are not yet convinced that STEC would be able to add another Bt12-15b to its orderbook, unless it wins the 2nd contract of the Purple Line. At the current price, STEC is trading at a 9% premium to our fair price of Bt2.89 based on a 0.93x P/B. It also trades at an expensive 2009 PE of 24x. **Maintain SELL.**

Profit & Loss

Year to Dec 31 (Btm)	2007	2008	2009F	2010F	2011F
Turnover	17,282	14,590	7,080	12,000	13,440
EBIT	51	269	233	451	576
Pre-tax Profit	16	203	160	385	505
Net Profit	22	178	154	379	374
EPS (Bt)	0.0	0.2	0.1	0.3	0.3

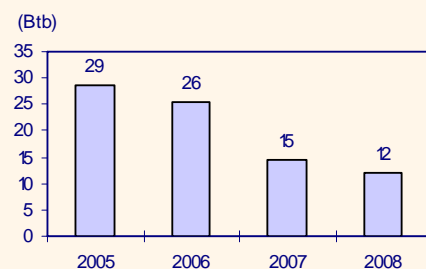
Balance Sheet

Year to Dec 31 (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	9,610	8,319	6,229	7,947	8,412
Total Assets	14,027	12,405	10,353	12,398	13,617
Current Liabilities	9,673	7,647	5,499	7,163	8,006
Long-Term Loans	1,234	769	744	645	747
Shareholders' Funds	3,893	4,441	4,595	4,974	5,348
Total Equity & Liabilities	14,027	12,405	10,353	12,398	13,617

Cash Flow

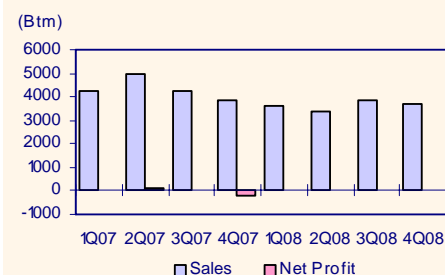
Year to Dec 31 (Btm)	2007	2008	2009F	2010F	2011F
Operating	1,894	(165)	995	(274)	734
Investing	496	478	(227)	(559)	(1,316)
Financing	(2,626)	(409)	(631)	100	324
Net Cash Inflow/(Outflow)	(236)	(96)	137	(732)	(258)
Begin Cash & Cash Equiv.	1,306	1,070	974	1,111	378
End'g Cash & Cash Equiv.	1,070	974	1,111	378	120

STEC's Orderbook



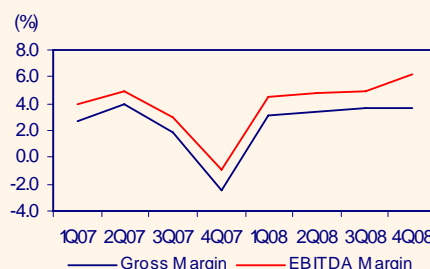
Source: STEC and UOB Kay Hian

Sales and Net Profit



Source: STEC

Gross and EBITDA Margin



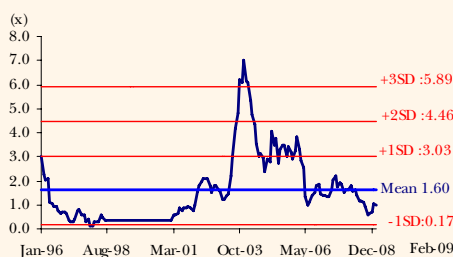
Source: STEC

Valuation

Method	Results	Remarks
P/B approach	Bt2.89	Likely valuation
Stress P/B	Bt2.84	Unlikely as it is not going into bankruptcy

Source: UOB Kay Hian

P/B of STEC



Source: Bloomberg, UOB Kay Hian

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