UOBKayHian

Regional Morning Notes

Thursday, February 26, 2009

KEY STORY

China

Property — Page 2

Differentiating outperformers from the rest in Beijing residential market.

CHINA

Sector

Property — Page 2

Differentiating outperformers from the rest in Beijing residential market.

HONG KONG

Sector

Property — Page 4

A disappointing Budget – as we remain unconvinced of the ambitious employment initiatives and lack of stimulus policies to bolster the economy.

MALAYSIA

Results

IGB Corporation (BUY/RM1.45/Target: RM2.28) — Page 6

2008: Net profit rIses 13.2% yoy to RM155m, within our expectations, boosted by resilient recurring income from property investment.

Resorts World (BUY/RM2.24/Target: RM3.30) — Page 8

4Q08: Better-than-expected operating performance impacted by impairment loss.

SINGAPORE

Results

Delong Holdings (SELL/S$0.59/Fair: S$0.21) — Page 10

4Q08: NAV decline to exert pressure on share price.

Ho Bee Investment (BUY/S$0.31/Target: S$0.80) — Page 12

4Q08: High level of pre-sold projects.

Jiutian Chemical Group (HOLD/S$0.035/Fair: S$0.040) — Page 14

4Q08: 2009 is expected to be another difficult year.

People's Food (BUY/S$0.585/Target: S$0.880) — Page 16

4Q08: Net profit surges 59.4% yoy, in line with our expectation. Maintain BUY.

Zhongguo Pengjie Fabrics (BUY/S$0.26/Target: S$0.32) — Page 18

4Q08: Results in line with expectation. Given steady sales growth and improving fundamentals, maintain BUY.

THAILAND

Results

Major Cineplex (BUY/Bt6.70/Target: Bt9.11) — Page 20

4Q08: EBITDA improves but profit slumps. A sharp turnaround is expected in 2009. Trading at all-time low P/B of 1.1x.

Update

PTT Chemical (SELL/Bt30.50/Fair: Bt26.00) — Page 22

Management is pessimistic as surplus supply from the Middle East will continue to hit earnings in 2009 and 2010. Maintain SELL.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7270.9	(1.1)	(3.8)	(10.0)	(17.2)
S&P 500	764.9	(1.1)	(3.0)	(8.1)	(15.3)
FTSE 100	3849.0	0.9	(3.9)	(5.0)	(13.2)
AS30	3281.5	(0.1)	(2.5)	(0.6)	(10.3)
CSI 300	2304.3	0.1	1.2	13.4	26.8
FSSTI	1616.8	0.1	(2.1)	(4.1)	(8.2)
HSI	13005.1	1.6	(0.1)	3.4	(9.6)
JCI	1300.1	0.3	(2.3)	(1.2)	(4.1)
KLCI	896.5	0.3	0.1	2.7	2.3
KOSPI	1067.1	0.3	(4.1)	(2.4)	(5.1)
Nikkei 225	7461.2	2.7	(1.0)	(2.9)	(15.8)
SET	434.2	0.7	(1.2)	(0.6)	(3.5)
TWSE	4493.7	1.4	(0.1)	5.8	(2.1)
BDI	1960.0	(2.5)	(1.3)	100.0	153.2
CPO (RM/mt)	1900.0	(0.3)	(1.8)	2.4	16.6
Nymex Crude (US$/bbl)	42.4	6.0	22.3	(8.9)	(5.0)

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
Top BUYs				
China Life	2628 HK	22.80	30.50	33.8
China Mobile	941 HK	70.45	90.00	27.8
China Petroleum	386 HK	4.26	6.93	62.7
China Railway	390 HK	4.48	5.90	31.7
China Shenhua	1088 HK	16.60	23.00	38.6
Maanshan Iron	323 HK	2.45	3.70	51.0
Bumi Resources	BUMI IJ	750	1,010	34.7
Public Bank	PBK MK	9.10	10.90	19.8
DBS Group	DBS SP	7.91	10.55	33.4
Indofood Agri	IFAR SP	0.51	0.80	58.4
SingTel	ST SP	2.59	2.95	13.9
Advanced Info	ADVANC TB	79.50	101.73	28.0
Quality Houses	QH TB	0.80	1.49	86.3
Top SELLs				
Aluminum Corp	2600 HK	3.82	3.00	(21.5)
Parkson Retail	3368 HK	6.14	5.15	(16.1)
Wharf Hldg	4 HK	17.10	14.60	(14.6)
S'pore Airlines	SIA SP	10.28	9.70	(5.6)
S'pore Exchange	SGX SP	4.65	3.00	(35.5)
Amata Corp	AMATA TB	3.54	2.52	(28.8)a

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 *	(USc/dmtu)	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
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

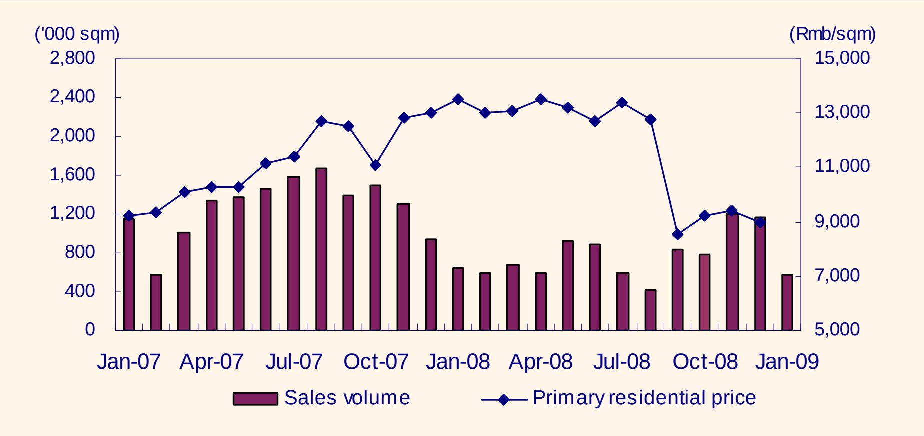
Property

Differentiating outperformers from the rest in Beijing residential market

We recently visited some projects in Beijing and found that sales of mid- to high-end properties in good locations outperformed those of the overall market. We upgrade Sino-Ocean from HOLD to BUY on its strong sales in this segment.

Overall sales remain weak. Beijing's residential market has seen sales pick up since Sep 08, but subsidised housing accounts for 40-50% of total transaction uin the same period. Excluding sales of subsidised housing, overall sales would have dropped by about 50% yoy over the past few months.

Primary Residential Sales in Beijing



Source: Soufun, UOB Kay Hian

Sales of mid- to high-end properties in good locations outperformed the market. We visited Sino-Ocean's (3377 HK) Ocean Landscape East and Ocean Great Harmony project located in West Fourth Ring Road. Sino-Ocean has taken a realistic pricing strategy with average selling prices (ASP) at Rmb12,000/sqm, down from the Rmb15,000-17,000/sqm for Ocean Landscape West during the peak period in 2007. Thanks to the good location and lower price, the project has fetched total contracted sales of Rmb1.6b, or about 140,000sqm, since its launch in Nov 08.

Ocean Great Harmony is an upper-end complex project located in the North Fourth Ring Road within 2km of the Bird's Nest and Water Cube. The complex mainly includes fully-fitted apartments and retail spaces, serviced apartments and offices. The apartments are selling at Rmb20,000-22,000/sqm, moderately lower than the price of Rmb23,000 for the first batch of units launched in May 08. Thanks to its high quality and prime location, it achieved sales of Rmb800m in 2008 and another Rmb130m ytd.

Properties in suburban face intense competition due to rising inventories. According to our observations on site visits, we estimate the prices of properties in the suburban areas of Beijing have declined by 25-30%, more than the average price decline of 20% in urban areas. For example, located east of the Fifth Ring Road, the price of R&F Festive City has dropped to Rmb9,500/sqm from the peak of Rmb13,000/sqm. Another of Guangzhou R&F's (2777 HK) project, Peach Garden, is located outside of the Fifth Ring Road, and its furnished apartments are sold at Rmb10,000/sqm, down from Rmb14,000/sqm in early-08.

According to data from Beijing Real Estate Bureau, the housing inventory in the capital city rose 43% to 14.38m sqm in 2008. Nonetheless, the inventory in urban areas (eight major districts, i.e. Dongchen, Xichen, Chongwen, Xuanwu, Chaoyang, Haidian, Fengtai and Shijingshan) increased 26%, much lower than the 76% surge in inventory in suburban areas. In our view, the housing inventory build-up in suburban areas should put pressure on ASPs and sales in those areas.

CHINA

Property

MARKET WEIGHT

Sino-Ocean Land (3377 HK)

UPGRADE TO BUY

Current Price: HK$3.88
Target Price: HK$5.05
(Previous: HK$3.50)

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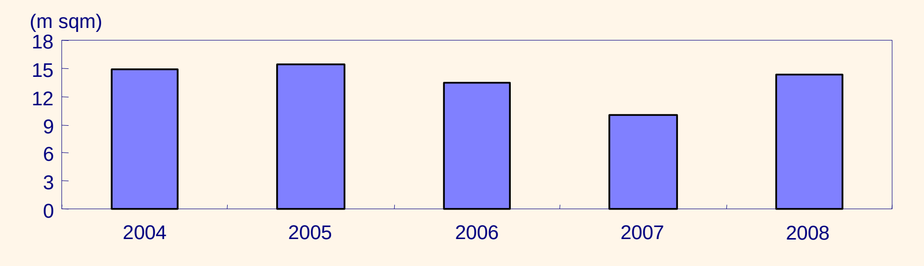
Beijing Housing Inventory



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

Inventory Breakdown by Area

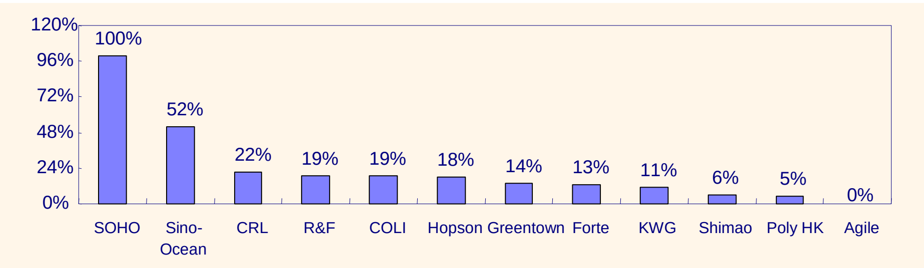
	2007		2008	
	(m sqm)	% of total	(m sqm)	% of total
Urban area	6.60	66	835	58
Suburban area	3.43	34	603	42

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

Subsidised housing is another concern. The Beijing government will launch the construction of subsidised housing amounting to about 12.3m sqm, accounting for more than 40% of total housing construction this year. Beijing has been one of the most aggressive cities in pushing for subsidised housing. As these houses are normally located in suburban areas, the sharp increase in the supply of low-priced subsidised housing is likely to hit property sales and selling prices in suburban areas.

Differentiation is the key. Although we are bearish on properties in the suburban areas of Beijing, we are still positive on the mid- to high-end properties in good locations in urban areas. In our view, properties in prime locations are little affected by subsidised housing and are also less affected by rising inventory in suburban areas. Developers with quality landbank in urban areas should be differentiated from the rest of the market. Sino-Ocean is one of the developers focusing on urban areas in Beijing, and the ordinary housing projects in suburban only account for around 25% of our estimated NAV. SOHO China (410 HK) also focuses on Beijing's city centre, but it concentrates on the commercial property segment instead.

China Property Plays' Exposure in Beijing (NAV)



Source: UOB Kay Hian

Upgrade Sino-Ocean to BUY with target price of HK$5.05. It achieved strong ytd contracted sales of Rmb1.0b. Moreover, there was Rmb800m of property subscriptions in the same period, mainly from Rmb630m sales at Ocean La Vie, a top-end villa project in Beijing. Thus, Sino-Ocean has achieved about 24% of its 2009 sales target of Rmb7.5b ytd and locked in about 50% of our sales revenue estimate of Rmb9.6b for 2009. Meanwhile, Ocean La Vie's ASP of Rmb45,000/sqm is much higher than our previous forecast of Rmb30,000/sqm. We lift our earnings estimates for FY09 and FY10 by 6% and 4% respectively due to higher-than-expected ASPs at Ocean La Vie and better sales at Ocean Great Harmony. Our target price of HK$5.05 is based on a 30% discount to NAV, which is also higher than the sector average of more than 50%. We favour this counter given its well-located properties in Beijing, strong sales and sound balance sheet.

Property

Left to its undoing

A conservative Budget, though understandable in view of the fiscal deficits in the years ahead, lends little support to the faltering economy, and hence property prices.

Sector Events

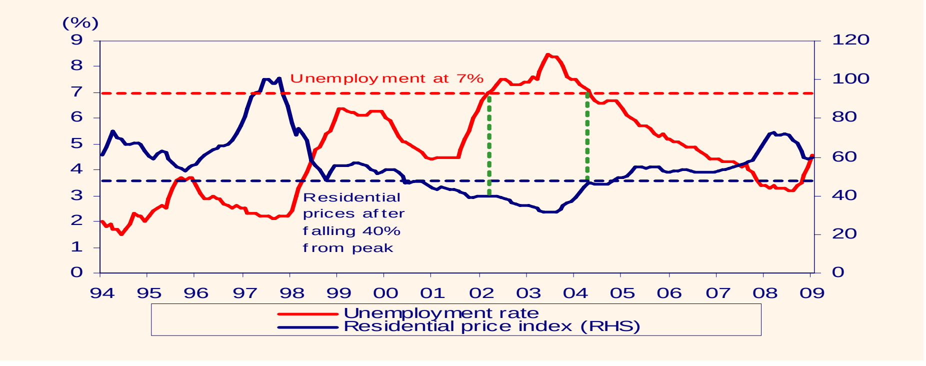
Though the FY2009/10 Budget identifies the government's priority to create and preserve jobs, there are not enough details to convince us that the initiatives will be successfully executed and create suitable jobs in a timely manner. Moreover, though it is understandable that the government would want to adopt a conservative budget in view of the upcoming years' fiscal deficits, the lack of concrete stimulus policies leaves the economy, and hence the property market, to their own undoing. The sections relevant to the property market and impact on the sector are:

- **Bolstering employment.** To summarise, a total of HK$1.6b will be spent to create 62,000 jobs and internship opportunities in the next three years. Though we now get more details on how the money will be spent, these job plans were announced previously and nothing new.

  As we commented before, not only are we skeptical on how fast these jobs can actually materialise, even if the plans are successfully implemented, we will still see unemployment reaching 7% by the end of this year, against the market's typical 6%.

  We showed this chart (see below) before. If the past is anything to go by, our base-case of a 40% drop in residential prices from the peak is not that far-fetched if unemployment goes to 7%.

Unemployment vs Residential Price Index



Source: HKSAR, Centaline

- **Forecasting GDP growth to decline.** The government forecasts GDP growth to fall 2-3% in 2009, not only would it be the first full-year decrease since the Asian Financial Crisis in 1998, but also the second decline in the last forty years. Needless to say, the economic recession will drag residential prices down with it.

GDP Growth vs Residential Price Growth

Source: HKSAR, Centaline

HONG KONG

Property

UNDERWEIGHT

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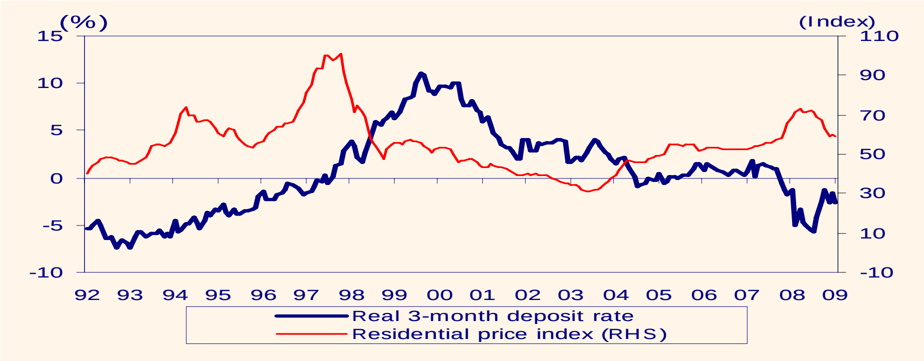
- **Headline inflation is expected to ease** to 1.6% in 2009. This means a negative real interest rate environment, which is conducive to asset price increment, is unlikely to return.

Real Interest Rate vs Residential Price Index



Source: Centaline, UOB Kay Hian

- **Application list system is here to stay.** Despite criticisms that the application list system has deterred developers from buying land, resulting in the shortfall in land sale revenue, the system will be retained for at least another year. In particular, the pilot "hotel use only" scheme will be extended for another year instead of allowing the land for other usage, despite the consensus that there will be no demand for hotel sites under the current economic situation.

  It is obvious the government is not bothered by the lack of new land supply in the market. The shrinking completion level is the only reason why residential prices will not collapse more than 40% in this strenuous environment.

- **Tax concessions, but on a smaller scale:**

  Personal/salaries tax. A one-off tax reduction of 50% (last year: 75%) of salaries tax for FY08/09, subject to a ceiling of HK$6,000 (HK$25,000). This proposal will cost the government about HK$4.1b (HK$12.4b) and benefit 1.4m (1.4m) tax payers.

  Moreover, tax rates were reduced and tax allowances raised last year, but there is no such benefit for tax payers this year.

  Property rates will be waived for the first two quarters of FY09/10 (last year: all four quarters), subject to a ceiling of HK$1,500 per quarter (HK$5,000), costing the government HK$4.2b (HK$11.2b)**.**

Stock Recommendation

We remain adamant that our target prices, which are among the most bearish in the market, will eventually be reached as residential prices continue to fall, particularly as stocks tend to overshoot on the downside.

Target Price Based On Trough Discount to NAV

	Ticker	Rating	Share price 25 Feb 09 (HK$)	End-09 NAV (HK$)	Discount to End-09 NAV (%)	Avg trough discount to NAV during past crises (%)	Target based on past trough discount (HK$)	Downside to target %
Cheung Kong	1 HK	SELL	65.10	77.31	(15.8)	(33)	51.80	(20)
Hang Lung Prop	101 HK	SELL	14.64	15.75	(7.0)	(38)	9.71	(34)
Henderson Land	12 HK	HOLD	26.50	45.15	(41.3)	(42)	26.18	(1)
Kerry Properties	683 HK	SELL	14.44	41.68	(65.4)	(70)	12.50	(13)
New World Dev	17 HK	SELL	7.09	16.41	(56.8)	(65)	5.74	(19)
Sino Land	83 HK	SELL	6.09	10.65	(42.8)	(63)	3.91	(36)
SHK Properties	16 HK	SELL	60.90	81.60	(25.4)	(38)	50.32	(17)

Source: UOB Kay Hian

IGB Corporation

2008: Resilient recurring income from property investment

2008 net profit of RM155m (+13.2% yoy) was in line with our and consensus estimates. Going forward, we expect to see resilient recurring income, contributed by property investment.

2008 Results

Year to 31 Dec	2008 (RMm)	2007 (RMm)	yoy % chg	Remarks
Turnover	**688.2**	**673.9**	**2.1**	
Property Development	180.3	262.0	(31.2)	Lower property sales
Property Investment	365.4	252.9	44.5	Boosted by office rental from Gardens South and North Towers
Hotel	135.3	136.8	(1.1)	
Others	7.2	22.2	(67.6)	
Operating Profit	**135.7**	**187.6**	**(27.7)**	
Property Development	5.2	52.5	(90.1)	
Property Investment	135.9	110.6	22.9	
Hotel	26.8	35.1	(23.6)	
Others	(17.4)	(1.8)	n.a.	
EBIT Margin (%)				
Property Development	2.9	20.0	n.a.	Margin erosion caused by surge in cost of building materials
Property Investment	37.2	43.7	n.a.	
Pre-tax Profit	**208.4**	**204.2**	2.1	
Net Profit	**155.0**	**136.9**	13.2.	

Source: IGB Corporation, UOB Kay Hian

Results

IGB Corporation reported 2008 net profit of RM155m, up 13.2% yoy. The results were in line with our and market expectation. The improvement came from strong contribution from property investment income, which more than offset the decline in property sales and supplemented by gains on disposal of an associate.

Stock Impact

Strong office rentals. We believe any potential slowdown in the retail segment and hotel division in 2009 as a result of anticipated slower economic growth is compensated for by the strong rental reversion from the office segment. Recent deals for Garden North and South Towers reached RM5.5-6.0psf, which is close to the price for KL Golden Triangle.

Deferment of new property launches and opening more budget hotels in 2009. Going forward, the management will focus more on opening budget hotel under the brand name 'Cititel Express' in second-tier cities in the country. We do not expect any new property launches for 2009 in view of the poor buyer sentiment.

Earnings Revision

We maintain our earnings forecasts.

MALAYSIA

IGB Corporation (IGB MK)

BUY

Current Price: RM1.45
Target Price: RM2.28

Sector	Property
52-Wk Avg Daily Vol. ('000)	1,956
Market Cap (S$m)	2,160.9
(US$m)	589.0
Major Shareholders (%)	
Goldis Bhd	27.8
Book NTA per Share (RM)	1.80
ROE (%)	5.8
Net Debt per Share (RM)	0.27
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

Price Chart

Source: Bloomberg

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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	673.9	254.0	136.8	9.2	0.7	15.8	10.1	2.5	1.7
2008	688.2	171.7	155.0	10.4	13.3	13.9	14.8	2.5	1.7
2009F	777.6	313.1	208.5	14.0	34.5	10.4	7.7	3.4	2.3
2010F	835.9	337.6	225.5	15.1	8.1	9.6	6.9	3.6	2.5
2011F	860.9	352.6	235.9	15.8	4.6	9.2	6.3	3.8	2.6

Consensus Net Profit – FY09: RM171.1m
– FY10: RM200.6m

Valuation/Recommendation

We maintain our target price of RM2.28 based on a 40% discount to our RNAV of RM3.80/share (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 (RM m)	2007	2008	2009F	2010F	2011F
Turnover	673.9	688.2	777.6	835.9	860.9
EBIT	187.6	135.7	297.1	321.6	336.6
Pre-tax Profit	204.2	208.4	300.1	324.6	339.6
Net Profit	136.8	155.0	208.5	225.5	235.9
EPS (sen)	0.7	13.3	34.5	8.1	4.6

Balance Sheet

Year to 31 Dec (RMm)	2007	2008	2009F	2010F	2011F
Current Assets	1,090.1	1,148.9	1,300.5	1,340.9	1,412.1
Total Assets	4,341.9	4,469.9	4,781.2	4,980.2	5,158.9
Current Liabilities	974.3	666.0	841.6	892.6	914.4
Long-Term Loans	545.4	954.3	896.1	837.9	779.7
Shareholders' Funds	2,639.6	2,679.0	2,858.6	3,049.6	3,248.8
Total Equity & Liabilities	4,341.9	4,469.9	4,781.2	4,980.2	5,158.9

Cash Flow

Year to 31 Dec (RMm)	2007	2008	2009F	2010F	2011F
Operating	355.6	127.6	353.8	305.0	301.9
Investing	(583.3)	(32.6)	(150.0)	(150.0)	(100.0)
Financing	131.8	117.3	(131.3)	(137.3)	(139.7)
Net Cash In/out flow)	(102.1)	217.2	72.5	17.7	62.2
Begin Cash & Cash Equiv.	555.2	453.2	670.4	742.9	760.6
End'g Cash & Cash Equiv.	453.1	670.4	742.9	760.6	822.8

Resorts World

4Q08: Results impacted by impairment loss

Resorts reported FY08 net profit of RM634m, -59% yoy, due to impairment loss (RM781.5m) relating to its investment in Star Cruiser Ltd (SCL). Excluding exceptional items, net profit would have improved 18% yoy. A final dividend of 4 sen was declared.

4Q08 Results

Year to 31 Dec	4Q08 (RMm)	qoq % chg	2008 (RMm)	yoy % chg	Remarks
Revenue	1,329.1	8.5	4886.7	12.3	Higher business volume from higher visitor arrivals
EBITDA	571.9	15.0	2034.8	17.4	
EBITDA Margin	43.0%	(3.0pp)	42%	2.0pp	Lifted by better luck factor
Profit Before Tax	(244.5)	(152.6)	1127.0	(41.1)	Impairment loss on SCL
PBT Margin (%)	(18.4)	(56.3pp)	23.1	(20.8pp)	
Net Profit	(387.9)	(214.0)	634.0	(59.2)	Higher tax and impairment loss on SC
EPS (sen)	(6.75)	(214.2)	11.0	(43.3)	

Source: Resorts World, UOB Kay Hian

Results

Resorts reported a net loss of RM387.8m in 4Q08 due to a RM781.5m impairment loss relating to its investment in SCL. This was despite revenue growth of 8.5% qoq and 12.3% yoy. Excluding the impairment loss and one-off items arising from the part divestment and dilution of SCL shares, and share of loss in SCL in FY07, net profit would have increased 18% yoy. The underlying results are better than our and consensus expectations. A final dividend of 4 sen was declared, bringing full-yearl dividend to 7 sen.

Stock Impact

Higher business volume and better luck factor. The better performance from its leisure and hospitality segment was driven by higher business volume and better luck factor from premium player business. Based on revenue reported, we estimate tourist arrivals at Genting Highland Resort for FY08 at 19m-19.5m which is comparable with FY07's. More details will be provided after the analyst briefing.

Impairment loss on SCL. The impairment loss on SCL was caused by marked-to-market valuation of its 19.6% stake at SCL as at 31 Dec 08 coompared with its carrying value in Jul 07. We think there is limited downside on further impairment loss in relation to SCL.

MALAYSIA

Resorts World (RNB MK)

BUY

Current Price: RM2.24
Target Price: RM3.30

Sector	Gaming
52-Wk Avg Daily Vol. ('000)	121,465
Market Cap (RM$m)	13,220.10
(US$m)	3,667.5
Major Shareholders (%)	
Genting Bhd	48.3
Book NTA per Share (RM$)	1.64
ROE (%)	13.7
Net Cash per Share (RM$)	0.79
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	3,808.5	1,536.6	839.9	14.3	0.8	15.9	8.3	5.4	2.4
2007	4,352.3	1,732.9	1,137.6	19.4	35.5	11.8	6.1	6.5	2.8
2008	4,886.7	2,034.8	634.4	11.0	(43.3)	23.6	5.3	7.0	2.7
2009F	4,684.9	1,809.2	1,284.5	21.9	5.6	10.4	4.5	7.4	3.2
2010F	4,790.8	1,813.3	1,311.0	22.3	2.1	10.2	4.0	7.5	3.3

Consensus Net Profit – FY08: RM1,301.13m
– FY09: RM1,260.96m

Interest income. The interest come derived from its cash pile of RM4.5b has increased to RM115.3m from RM85.4m in FY07. Its strong cash position is a distinct resource which has become a competitive advantage for M&A opportunities amid the current bleak economic outlook.

Earnings Risk

We maintain our earnings forecasts. We think domestic tourists will opt for domestic destinations for family holiday amid the current weak economy.. On a positive note, tourist arrivals in Malaysia in Jan 09 grew 5.1% yoy, with tourists from China and Singapore growing 37.3% and 12.0% yoy respectively.

Valuation/Recommendation

Maintain BUY. We continue to like this stock for its highly resilient business model with possible upside from M&A opportunities given its strong cash pile of RM4.5b. We think current share price weakness presents a good opportunity to accumulate the stock.

Income Statement: Quarterly

Year to 31 Dec (RMm)	4Q07	1Q08	2Q08	3Q08	4Q08
Turnover	1,141.2	1,091.9	1,240.8	1,224.9	1,329.1
EBIT	398.1	369.2	476.3	433.8	505.6
Pre-tax Profit	431.8	395.4	511.3	464.8	(244.5)
Net Profit	344.1	297.2	384.1	340.4	(388.0)
EPS (sen)	5.9	5.0	6.6	5.9	(6.7)

Profit & Loss

Year to 31 Dec (RMm)	2006	2007	2008	2009F	2010F
Turnover	3,808	4,352	4,887	4,685	4,791
EBIT	1,303	1,489	1,775	1,554	1,554
Pre-tax Profit	1,139	1,912	1,127	1,712	1,747
Net Profit	840	1,138	634	1,284	1,311
EPS (sen)	14.3	19.4	11.0	21.9	22.3

Balance Sheet

Year to 31 Dec (RMm)	2006	2007	2008	2009F	2010F
Current Assets	2,235	3,327	4,821	5,593	6,553
Total Assets	8,372	9,342	9,423	11,093	12,104
Current Liabilities	708	847	779	776	787
Long-Term Loans	1,127	0	0	0	0
Shareholders' Funds	6,250	8,189	8,318	10,567	11,546
Total Equity & Liabilities	8,372	9,342	9,423	11,093	12,104

Cash Flow

Year to 31 Dec (RMm)	2006	2007	2008	2009F	2010F
Operating	1,325	1,451	1,713	1,393	1,384
Investing	(551)	520	121	(154)	(117)
Financing	493	(899)	(428)	(305)	(312)
Net Cash In/out flow)	1,267	1,072	1,407	933	955
Begin Cash & Cash Equiv.	715	1,981	3,052	4,371	5,305
End’g Cash & Cash Equiv.	1,981	3,052	4,543	5,305	6,259

Delong Holdings

4Q08: NAV decline to exert pressure on share price

Delong reported a net loss of S$129.2m for 4Q08. As its NAV fell by over 35%, we expect this to exert pressure on its share price. Maintain SELL with a fair price of S$0.21, based on 0.4x P/B.

4Q08 Results

Year to 31 Dec	4Q08 (S$m)	yoy % chg	2008 (S$m)	yoy % chg	Remarks
Turnover	338.2	(31.9)	2,272.5	47.4	Lower ASP and sales volume
Gross Profit / (Loss)	(101.2)	(390.5)	26.7	(85.6)	Higher raw material costs and inventories write-down
EBITDA	(92.1)	(394.2)	62.6	(69.3)	
Pre-Tax Profit / (Loss)	(153.1)	n.m.	(86.4)	(172.6)	S$20.9m impairment loss on fixed assets
Tax	23.9	n.m.	10.6	n.m.	Reversal of tax expenses paid for 9M08
Net Profit / (Loss)	(129.2)	n.m.	(75.8)	(180.8)	Lower gross margin
EPS (¢)	(24.1)	n.m.	(14.1)	(180.7)	
Gross Margin (%)	(29.9)	-36.9ppt	1.2	-10.9ppt	
EBITDA Margin (%)	(27.2)	-33.5ppt	2.8	-10.5ppt	

Source: Delong, UOB Kay Hian

Results

Delong reported a net loss of S$129.2m for 4Q08. For 2008, its net loss amounted to S$75.8m.

Revenue declined 31.9% yoy to S$338.2m for 4Q08, mainly due to a drop in sales volume and significantly lower average selling prices (ASPs) attributed to weak demand.

A gross loss was recorded for 4Q08 as the decrease in cost of sales was not in line with the large drop in ASPs, and inventories were written down to net realisable value.

Stock Impact

After rallying for a couple of weeks, the prices of steel products corrected for the second consecutive week as the rapid pileup of inventories indicated that end-user demand is not yet apparent.

Though demand may recover in the long term on aggressive infrastructure investment, short-term fluctuations in demand could be quite fatal to Delong as its operating cash flow may continue to deteriorate, thus pushing the company to the edge of bankruptcy.

Balance sheet risk remains a major concern for Delong. Its debt-to-equity ratio has hit 2.48 and it is running a large net debt position of S$452.3m, or S$0.79/share.

SINGAPORE

Delong Holdings (DLNG SP)

SELL

Current Price: S$0.59
Fair Price: S$0.21
(Previous: S$0.34)

Sector	Steel & Iron
52-Wk Avg Daily Vol. ('000)	369
Market Cap (S$m)	315.93
(US$m)	225.66
Major Shareholders (%)	
Best Decade Hldgs Ltd	67.1
Citigroup	10.2
Evraz Group	10.0
Book NTA per Share (S$)	0.53
ROE (%)	-26.8
Net Debt per Share (S$)	0.79
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	1,542.0	203.8	93.8	17.5	(29.1)	3.4	3.1	4.1	7.0
2008	2,272.5	62.6	(75.8)	(14.1)	(180.7)	n.a.	10.1	0.0	0.0
2009F	1,542.9	137.7	(18.3)	(3.4)	(75.9)	n.a.	4.6	0.0	0.0
2010F	1,981.0	184.6	27.4	5.1	(249.7)	0.0	3.4	1.0	1.7
2011F	2,426.8	243.8	65.8	12.3	140.1	0.0	2.6	2.5	4.2

Consensus Net Profit – FY09: n.a.
– FY10: n.a.

Delong's net asset value (NAV) declined sharply by over 35% from S$437.8m, or S$0.82/share in 3Q08, to S$282.9m, or S$0.53/share in 4Q08, which we believe was mainly due to inventory write-down and impairment charge on fixed assets. We expect the significant drop in NAV to exert pressure on its share price.

Earnings Revision

We cut our earnings forecasts for 2009 and 2010 to factor in the steel price weakness, decreased output, and lower profitability.

Valuation/Recommendation

We revise down our fair price to S$0.21, based on 0.4x P/B. Maintain SELL.

Profit & Loss

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Turnover	1,542.0	2,272.5	1,542.9	1,981.0	2,426.8
EBIT	152.3	(26.1)	42.2	93.5	145.6
Pre-tax Profit	119.0	(86.4)	(21.5)	34.2	87.7
Net Profit	93.8	(75.8)	(18.3)	27.4	65.8

Balance Sheet

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Current Assets	553.0	499.0	572.0	567.1	673.1
Total Assets	1,264.0	1,277.7	1,298.1	1,343.1	1,472.6
Current Liabilities	539.2	628.4	626.7	647.8	720.3
Long-Term Liabilities	82.1	74.8	80.0	80.0	80.0
Shareholder Funds	384.2	282.9	299.7	323.6	380.7
Total Equity & Liabilities	1,264.0	1,277.7	1,298.1	1,343.1	1,472.6

Cash Flow

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Operating	86.4	46.2	(70.5)	125.2	183.3
Investing	(222.7)	(156.5)	(42.8)	(141.1)	(121.8)
Financing	295.7	55.7	73.9	(3.5)	(58.7)
Net Cash In/(Out) Flow	159.3	(54.6)	(39.4)	(19.4)	2.8
Begin Cash & Cash Equiv.	37.3	196.6	142.0	102.7	83.3
End'g Cash & Cash Equiv.	196.6	142.0	102.7	83.3	86.1

Ho Bee Investment

4Q08: High level of pre-sold projects

Results were in line with expectations. Strong earnings contribution from five of its near fully sold residential projects in 1H09 will enhance Ho Bee's ability to weather the downturn.

4Q08 Results

Year to 31 Dec	4Q08 (S$m)	yoy % chg	2008 (S$m)	yoy % chg	Remarks
Turnover	38.5	(36.6)	302.0	(49.3)	
EBITDA	24.5	(47.9)	146.1	(57.6)	
Pre-tax Profit	16.3	(64.7)	125.2	(69.1)	
Tax	4.4	(1.7)	25.2	(43.5)	
Net Profit	11.3	(70.9)	93.1	(65.8)	Deferred income recognition,
EPS (¢)	1.53	(70.9)	12.63	(65.8)	adopting conservative policy
EBITDA Margin (%)	63		47		

Segment Breakdown	Revenue 2008 (S$m)	Revenue yoy % chg	Operating Profit 2008 (S$m)	Operating Profit yoy % chg	Remarks
Property Development	277.1	(52.0)	117.7	(52.5)	Bulk contribution from Montview
Property Investment	16.6	30.4	11.0	(87.2)	and Turquoise
Hotel	8.4	25.1	4.6	92.1	
Others			(2.1)	(857.1)	
Total	302.1	(49.3)	131.2	(61.0)	

Source: Ho Bee, UOB Kay Hian

Results

Ho Bee Investment (Ho Bee) reported 4Q08 PATMI of S$11.3m, down 71% yoy bringing the full-year profit to S$93.1m, down 66% yoy. Revenue dropped 37% yoy to S$38.5m in 4Q08, amounting to S$302m in 2008, down 49% yoy. 2008 PATMI was in line with our expectations, representing 98% of our full-year forecast of S$94.8m. The bulk of the development profits came from income recognition on Montview and Turquoise. Ho Bee declared a dividend of 2 cents per share, to be paid on 29 May 09.

Stock Impact

- **High level of presold projects.** We estimate that nearly 49% of the pre-tax income amounting to S$469m has yet to be recognised from its presold projects. Of this, the bulk of the earnings contribution is expected to be recognised in 1H09 as its near fully sold projects, namely, Vertis, Quinterra, The Coast, Paradise Island & Orange Grove Residences are on track to receive the Temporary Occupation Permit (TOP) in 1H09. Although Ho Bee has a high net gearing of 1.2x, it is expected to come down to 0.3x by 2010 as it recognises income from its presold projects. It also has another recurrent income stream from its investment properties that accounts for nearly 15% of its value.

SINGAPORE

Ho Bee Investment (HOBEE SP)

BUY

Current Price: S$0.31
Target Price: S$0.80

Sector	Property
52-Wk Avg Daily Vol. ('000)	1,500
Market Cap (S$m)	232.5
(US$m)	152.3
Major Shareholders (%)	
Ho Bee Hldgs P/L	63.0
Book NTA per Share (S$)	1.20
ROE (%)	10.6
Net Debt per Share (S$)	1.50

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	596.1	337.4	272.2	36.9	163.6	0.8	4.0	3.0	9.5
2008	302.1	146.1	93.1	12.6	(65.8)	2.5	9.2	2.0	6.5
2009F	327.6	116.9	85.1	11.5	(8.6)	2.7	11.4	1.0	3.2
2010F	973.4	205.9	126.7	17.2	48.9	1.8	6.5	2.0	6.5
2011F	957.4	223.3	137.6	18.7	8.6	1.7	6.0	2.0	6.5

Consensus Net Profit – FY09: S$239.0m
– FY10: S$102.0 m

Conservative policy of income recognition. Ho Bee adopts a conservative policy of deferring recognition of income at various stages of completion for residential units sold under the deferred payment scheme (save for the initial 20% payment upon signing of Sale & Purchase Agreement) until the TOP is obtained.

Astute management with notable track record. Ho Bee has demonstrated its ability to time the markets to perfection, switching from Singapore to London in 1996 and back to Singapore in 2003. It is on the lookout for opportunities in Australia and the UK. We are positive on management's efforts in this direction.

Earnings Revision

We maintain our earnings estimates.

Valuation/Recommendation

We believe that the progressive earnings recognition from its high level of pre-sold projects will enhance Ho Bee's ability to weather the downturn. We maintain our BUY recommendation with a target price of S$0.80 pegged at a 40% discount to the 2009 RNAV of S$1.37.

Sales And Income Recognition Status Of Ho Bee's Current Projects

Name Of Project	Percentage Sold	-------------- Income Recognition --------------		
	To-Date	2008	To-Date	Balance
Coral Island	100%	7.0%	100.0%	0.0%
Paradise Island	96%	4.4%	30.3%	69.7%
The Coast	100%	7.8%	34.6%	65.4%
Turquoise	48%	23.6%	23.6%	76.4%
Montview	100%	48.3%	95.0%	5.0%
Vertis	100%	7.0%	29.4%	70.6%
Quinterra	100%	14.0%	40.2%	59.8%
Orange Grove Residences	92%	5.3%	30.6%	69.4%
The Orange Grove	6%	0.0%	24.3%	75.7%
Dakota Residences	49%	31.5%	31.5%	68.5%

Source: Ho Bee, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Turnover	596.1	302.1	327.6	973.4	957.4
EBIT	336.0	142.7	113.5	202.5	219.9
Pre-tax Profit	330.2	125.2	106.6	156.4	170.7
Net Profit	272.2	93.1	85.1	126.7	137.6

Balance Sheet

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Current Assets	1352.6	1362.4	1399.3	1572.9	1619.0
Total Assets	2022.8	2198.5	2235.6	2409.0	2455.2
Current Liabilities	389.9	624.3	627.6	732.6	703.6
Long-Term Liabilities	762.0	619.2	578.1	525.7	474.3
Shareholder Funds	810.5	880.9	959.9	1074.7	1199.5
Total Equity & Liabilities	2022.8	2198.5	2235.6	2409.0	2455.2

Cash Flow

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Operating	(285.2)	12.5	124.0	280.6	179.9
Investing	(343.9)	(160.4)	(43.8)	(42.0)	(41.4)
Financing	624.4	36.8	(90.0)	(142.4)	(138.2)
Net Cash In/(Out) Flow	(4.7)	(116.5)	32.6	147.7	42.8
Begin Cash & Cash Equiv.	166.3	161.6	45.1	77.7	225.4
End'g Cash & Cash Equiv.	161.6	45.1	77.7	225.4	268.2

RNAV

Asset Valuation	Cap. Value (S$m) 2009F
SINGAPORE	
Investment Properties	
Total Investment Properties	**$ 366.49**
Book value of these properties	**$ 372.39**
Surplus/ (deficit) to book (1)	$ (5.91)
Residential Development Properties	
NPV of Residential Development Profits (2	**219.545**
Industrial Development properties	
NPV of Industrial Development Profits (3)	**6.969**
Write-downs / Defaults (4)	**(127.97)**
Net Book Value (5)	**917.812**
RNAV (1+2+3+4+5)	$ 1,010.45
Fully diluted no. of shares	737.338
Fully diluted RNAV per share S$	**$ 1.37**

Source: Ho Bee, UOB Kay Hian

Stress Test

Share Price (S$)		0.31
RNAV (S$)		1.37
Assumptions (%)	**Decline from End-07 level**	
Singapore residential	(40)	(17)
Singapore office	(40)	(5)
Singapore retail	(40)	(1)
China	(40)	-
Vietnam	(40)	-
Listed investments	(70)	-
Asset Write-down (Devt Pty)		(10)
Asset Write-down (Invt Pty)		(5)
Deferred payment Scheme		(9)
Total		**(48)**
Stressed RNAV(S$)		0.72
Share Price Discount/Premium (%)		(57)

Source: Ho Bee, UOB Kay Hian

Jiutian Chemical Group

4Q08: 2009 is expected to be another difficult year

Jiutian reported a net loss of Rmb60.2m for 4Q08. Jiuyang plant remains shutdown on weak demand and margins are unlikely to improve in the short term due to high costs of feedstock and large fixed cost of new plants.

4Q08 Results

Year to 31 Dec	4Q08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	37.2	(68.8)	252.5	(16.3)	Lower utilisation rate and sales volume
Gross Profit	(20.5)	n.m.	32.2	(68.3)	Impairment provision for inventories, higher depreciation costs, and higher production costs from lower utilisation rate
EBITDA	(47.6)	n.m.	6.2	(93.6)	Rmb27m impairment charge of fixed assets
Net Profit	(60.2)	n.m.	(50.8)	n.m.	
EPS (Rmb¢)	(3.94)	n.m.	(3.32)	n.m.	
Gross Margin (%)	(55.1)	n.m.	12.7	-20.9ppt	
EBITDA Margin (%)	(128.1)	n.m.	2.4	-29.7ppt	

Source: Jiutian, UOB Kay Hian

Results

Jiutian Chemical Group (Jiutian) reported a net loss of Rmb60.2m for 4Q08. For 2008, the net loss was Rmb50.8m.

Revenue declined 68.8% yoy to Rmb37.2m for 4Q08, mainly due to lower sales volume as a result of the shutdown of Jiuyang plant, which has a capacity of 120ktpa DMF, as well as a 50% slippage in the output of Jiutian plant, which has a capacity of 30ktpa DMF. Lower ASPs also contributed to the weaker sales.

A loss of Rmb20.5m was recorded at the gross profit level due to the Rmb16.1m impairment provision for inventories, Rmb8.9m cost of shutdown of Jiuyang plant, and higher production costs arising from lower utilisation rate.

ASP Of Key Products

(Rmb/tonne)	4Q08	4Q07	Variance
DMF	5,778	5,728	1%
Methylamine	5,679	6,335	-10%
Methanol	2,900	3,474	-17%

Source: Jiutian, UOB Kay Hian

Stock Impact

Methanol price has been falling sharply since Oct 08, and is around Rmb2,000/tonne now. However, Jiutian purchased 10,000 tonnes of methanol at end-08 and the average cost was around Rmb2,900/tonne. At Jiutian's current output level, it will take at least three months to use all the methanol feedstock. Hence, its gross margin for 1Q09 is unlikely to see a substantial improvement.

SINGAPORE

Jiutian Chemical Group (JIUC SP)

HOLD

Current Price: S$0.035
Fair Price: S$0.040
(Previous: S$0.045)

Sector	Chemical
52-Wk Avg Daily Vol. ('000)	18,043
Market Cap (S$m)	74.49
(US$m)	53.21
Major Shareholders (%)	
Stateglory Investments Ltd	28.3
Book NTA per Share (Rmb)	0.43
ROE (%)	-7.2
Net Debt per Share (Rmb)	0.01

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	301.7	96.6	61.3	4.4	(29.3)	3.9	1.4	0.9	0.2
2008	252.5	(32.5)	(50.8)	(3.3)	(174.7)	(5.2)	(4.0)	0.0	0.0
2009F	231.6	30.5	(6.5)	(0.4)	(88.2)	(43.9)	4.3	0.0	0.0
2010F	485.4	100.9	37.4	2.3	(679.4)	7.6	1.3	0.3	0.1
2011F	619.0	130.5	54.9	3.3	46.7	5.2	1.0	0.5	0.1

Consensus Net Profit – FY09: Rmb55.1m
-- FY10: Rmb100.0m

Due to weakness in demand, Jiuyang plant is likely to remain shutdown for the 1Q09. Under current methanol price level of about Rmb2,000/tonne, the breakeven utilisation rate of Jiuyang is around 60%, translating into over 200 tonnes of output per day. Jiutian's orders indicate a daily demand of 150-180 tonnes of DMF. Hence, the company is urging its sales personnel to secure more orders so that it may shutdown the old Jiutian plant and switch to Jiuyang plant.

Foreseeing a short-term methanol price weakness but expecting the price to recover in the long term, Jiutian targets to complete its 250ktpa methanol plant (Jiulong) in 4Q09 so that it can avoid the huge fixed cost of the new plant during difficult times.

Earnings Revision

We have cut our earnings forecasts for 2009 and 2010 to factor in lower output and margin projections.

Valuation/Recommendation

Maintain HOLD with fair price revised down to S$0.04, based on 0.5x P/B.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	301.7	252.5	231.6	485.4	619.0
EBIT	80.6	(32.5)	(2.6)	65.0	94.1
Pre-tax Profit	75.5	(45.8)	(8.2)	60.1	92.0
Net Profit	61.3	(50.8)	(6.5)	37.4	54.9

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	358.1	349.4	306.1	417.7	471.9
Total Assets	1,101.0	1,233.4	1,256.1	1,381.9	1,449.7
Current Liabilities	339.7	363.6	379.5	459.0	508.8
Long-Term Liabilities	70.0	70.0	70.0	70.0	30.0
Shareholder Funds	591.5	703.3	710.0	751.9	802.6
Total Equity & Liabilities	1,101.0	1,233.4	1,256.1	1,381.9	1,449.7

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	4.0	22.0	81.7	74.7	107.4
Investing	(422.7)	(322.2)	(100.0)	(50.0)	(50.0)
Financing	429.8	170.3	10.2	1.3	(57.5)
Net Cash In/(Out) Flow	7.2	(130.0)	(8.1)	26.0	(0.1)
Begin Cash & Cash Equiv.	146.9	154.1	116.8	108.6	134.7
End'g Cash & Cash Equiv.	154.1	116.8	108.6	134.7	134.5

People's Food

4Q08: Steady growth in line with our expectation

Steady turnover growth in 4Q08 was the result of increasing demand, easing cost pressure and low earnings base. Market consolidation and hog supply ramp-up indicate bright prospects. Maintain BUY.

4Q08 Results

Year to 31 Dec	4Q08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	2,991	11.8	10,810	22.0	Higher sales volume
Gross profit	267	32.9	1,040	47.9	Decreasing hog prices
Operation profit	210	44.0	793	65.6	
Net profit	185	59.4	703	43.0	Low base in 4Q07

Segment Breakdown (4Q08)	Turnover (Rmbm)	yoy % chg	Gross margin %	yoy % chg
Frozen Pork	619	(27.2)	10.8	3.3 ppt
Fresh Pork	784	54.6	9.3	4.2 ppt
HTMP	687	12.4	11.2	(2.2)ppt
LTMP	302	84.4	11.0	13.6 ppt
Others	599	9.4	2.8	(3.4)ppt

Source: People's Food, UOB Kay Hian

Results

People's Food (PFH) reported a net profit of Rmb185m in 4Q08, bringing the full-year net profit to Rmb703m. The results are in line with our expectation. A final dividend of Rmb0.105/share was declared, together with the Rmb0.082/share interim dividend, bringing the full-year dividend yield to 6.3%.

Pork prices had rebounded slightly since the beginning of Dec 08 due to two factors: a) higher demand during the winter season, and b) farmers kept some mature hogs in stock so as to wait for higher selling prices during the Chinese New Year holiday. As a result, PFH's utilisation rate improved by only 2.2ppt sequentially to 38.8% in 4Q08 and gross margin contracted slightly from 10.9% in 3Q08 to 8.9% in 4Q08.

Stock Impact

With the piglets added in 1Q08 coming into the market in 1Q09, hog supply should be sufficient, which will in turn drag down pork prices in 1Q09. Although lower pork prices might translate into lower average selling prices (ASP) for PFH's upstream products, considering the defensive demand for fresh pork and frozen pork as daily necessities, we expect falling pork prices to boost consumer demand and lead to steady turnover growth in the upstream segment.

The recent dairy product scandals and blue-ear disease outbreak have further weakened consumer confidence in domestic products. This puts share price pressure on branded food and beverage companies such as PFH. As such, the Central Government has tightened regulations and put more efforts into punishing illegal slaughterhouses. This could accelerate industry consolidation and reduce irrational price competition, thereby giving market leader like PFH more room for expansion and better margins.

SINGAPORE

People's Food (PFH SP)

BUY

Current Price: S$0.585
Target Price: S$0.880

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	670
Market Cap (S$m)	661.2
(US$m)	440.8
Major Shareholders (%)	
Maleque	46.53
Book NTA per Share (Rmb)	4.37
ROE (%)	14.2
Net Cash per Share (Rmb)	0.99
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	8,862	700	491	43.5	(42.4)	6.7	4.0	13.4	4.6
2008	10,810	1,013	703	62.2	43.0	4.7	2.2	18.7	6.4
2009F	12,217	1,190	781	69.1	11.1	4.2	1.6	20.7	7.1
2010F	13,531	1,343	885	78.3	13.4	3.7	1.2	23.5	8.0
2011F	14,649	1,501	996	88.1	12.6	3.3	0.8	26.4	9.0

Consensus Net Profit – FY09: Rmb747.3m
– FY10: Rmb824.5m

Earnings Revision/Risk

We maintain our earnings forecast unchanged. Key downside risks to our earnings: a) outbreak of pig diseases that will affect the domestic pig supply, b) further deterioration of the macro economy which will affect consumer spending, c) execution risk as the company is expanding into the pig farm business for which it has no experience or proven track record.

Valuation/Recommendation

Maintain BUY with DCF-derived target price of S$0.88 remaining unchanged.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	8,862	10,810	12,217	13,531	14,649
EBIT	479	793	942	1,069	1,200
Pre-tax Profit	628	848	976	1,106	1,245
Net Profit	491	703	781	885	996

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	1,637	2,268	2,709	3,165	3,719
Total Assets	4,838	5,489	6,008	6,669	7,402
Current Liabilities	447	549	521	563	599
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	4,391	4,940	5,486	6,106	6,803
Total Equity & Liabilities	4,838	5,489	6,008	6,669	7,402

Cash Flow

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Operating	873	920	789	1,072	1,226
Investing	(255)	(172)	(326)	(480)	(480)
Financing	(245)	(195)	(234)	(265)	(299)
Net Cash In/(Out) Flow	373	554	229	327	447
Begin Cash & Cash Equiv.	326	698	1,252	1,481	1,808
End'g Cash & Cash Equiv.	698	1,252	1,481	1,808	2,255

Zhongguo Pengjie Fabrics

4Q08: In-line results, fundamentals improved

Solid 4Q08 results showed good management capability and favourable product structure. With improving fundamentals and margin expansion, maintain BUY

4Q08 Results

Year to 31 Dec	4Q08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	171.0	14.7	529.3	8.8	Higher ASP More contributions from compact spinning yarns and wide loom-state fabrics
Gross profit	48.4	57.9	123.0	32.9	
Operation profit	40.3	43.3	102.1	21.3	
Net profit	35.0	37.4	78.0	16.0	
Gross margin	28.3	7.7 ppt	23.2	4.2 ppt	
Operation margin	23.6	4.7 ppt	19.3	2.0 ppt	
Net margin	20.5	3.4 ppt	14.7	0.9 ppt	

Source: UOB Kay Hian

Results

Zhongguo Pengjie Fabrics (Pengjie) registered in-line 2008 results with net profit up 16% yoy to Rmb78m on the back of an 8.8% yoy turnover growth. A final dividend of Rmb0.045/share was proposed.

Turnover increased by 14.7% yoy in 4Q08 to Rmb171m, owing to the commencement of commercial sales of compact spinning yarns and wide loom-state fabrics, which both command higher average selling price than the traditional products.

Pengjie started to produce compact spinning yarns in late-07 by converting existing production facilities. Approximately 60% of its existing yarn production capacity had been converted by end-08. On the other hand, Pengjie launched the production of wide loom-state fabrics in Oct 08. With more contributions from these two higher margin products, Pengjie's gross margin improved 7.7ppt from 20.6% in 4Q07 to 28.3% in 4Q08.

Stock Impact

Improving outlook for China's textile industry. The release of several supportive government polices for the textile industry, such as removing export quota limits and increasing export tax rebate, will improve China's textile manufacturers' competitiveness. In view of the fact that some textile manufactures' operations were affected by power shortage during the Olympic Games in 2008, we expect domestic textile manufacturers, including Pengjie, to maintain ordinal operation in 2009 and exhibit steady growth.

Ongoing production expansion will further enhance profitability. Pengjie targets to convert 80% of its annual production capacity to produce compact spinning yarns by end-09. We expect wide loom-state fabrics will also help to boost Pengjie's turnover in 2009 since the company will enjoy full-year contribution from this new product, compared with just three months of production in 2008. With more contributions from these two higher margin generators, i.e., compact spinning yarns and wide loom-state fabrics, we expect the company's margin expansion to continue in 2009.

SINGAPORE

Zhongguo Pengjie Fabrics (ZPF SP)

BUY

Current Price: S$0.26
Target Price: S$0.32
(Previous: S$0.25)

Sector	Textiles
52-Wk Avg Daily Vol. ('000)	117
Market Cap (S$m)	91.99
(US$m)	61.32
Major Shareholders (%)	
Glorycheer	60.05
Book NTA per Share (Rmb)	1.54
ROE (%)	17.2
Net Cash per Share (Rmb)	0.53

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	487	106	67	25.4	20.0	5.1	3.7	0.0	0.0
2008	529	120	78	26.5	4.3	4.9	1.4	4.5	3.7
2009F	609	159	110	31.1	17.5	4.2	0.5	6.2	5.1
2010F	691	179	127	35.9	15.2	3.6	1.8	7.2	5.9
2011F	758	196	141	39.7	10.8	3.3	1.7	7.9	6.5

Consensus Net Profit – FY09: n.a.
– FY10: n.a.

Earnings Revision

Given the steady sales growth and margin expansion, we raise our earnings forecasts by 2.1% for 2009 and 1.8% for 2010.

Valuation/Recommendation

We expect a re-rating of China's textile sector in the next few months given healthy domestic consumption, supportive government policy and easing prices of raw materials. Pengjie's outlook is promising since the production of its high-margin products is still at the initial stage. We raise our target price from S$0.26 to S$0.32, based on 4.5x 2010 PE. Maintain BUY.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	487	529	609	691	758
EBIT	84	95	133	151	167
Pre-tax Profit	71	89	122	141	156
Net Profit	67	78	110	127	141

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	288	343	506	630	764
Total Assets	529	618	777	892	1,017
Current Liabilities	242	166	236	250	262
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	287	453	541	642	755
Total Equity & Liabilities	529	618	777	892	1,017

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	46	176	201	160	175
Investing	(27)	(57)	(17)	(17)	(17)
Financing	59	(1)	(32)	(36)	(39)
Net Cash In/(Out) Flow	78	119	152	107	120
Begin Cash & Cash Equiv.	31	109	227	379	486
End'g Cash & Cash Equiv.	109	227	379	486	606

Major Cineplex

4Q08: EBITDA improves but profit slumps; turnaround in 2009

4Q08 profit was hit by equity-accounted loss. A sharp turnaround is expected in 2009 on the back of attractive movie lines and upfront fee from the launch of new cineplex. Trading at all-time low P/B of 1.1x.

4Q08 Results

Year to 31 Dec	4Q08 (Btm)	yoy % chg	2008 (Btm)	yoy % chg	Remark
Ticket sales	598	(0.9)	2,452	(12.7)	Weak movie lines
Concession sales	141	31.3	538	1.2	Concession/ticket sales rose to 22% from 19% in 2007
Bowling	153	0.5	575	10.7	Successful business restructuring
Rental fee	94	14.6	339	(11.5)	
Advertisement	157	(8.2)	814	(12.9)	Weakening cinema adx
Total revenue	1,383	3.8	5,328	(8.2)	
EBITDA	*487*	*42.5*	*1,740*	*7.7*	*Growth at the core business level*
Pretax profit	*151*	*171.1*	*685*	*9.5*	
Net profit	*110*	*928.0*	*427*	*21.1*	
(Before extra items, minorities and equity accounted profit)					
Net profit	44	(64.1)	626	(49.0)	Net profit plummeted from higher losses at CAWOW, MPIC, associates, as well as lower extraordinary gains
Gross margin (%)	32.2		33.4		2007: 35%
SG&A/sales (%)	24.4		23.1		2007: 24%
Net margin (%)	3.2		11.7		2007: 21%

Source: MAJOR, UOB Kay Hian

Results

Major Cineplex (MAJOR) reported 4Q08 net profit of Bt44m (-64%yoy and qoq). Despite weak sentiment in 4Q08, total income grew slightly to Bt1.38b on the back of healthy concession sales and higher rental fee after the launch of the new Ratchyothin Avenue. EBITDA and core profit improved. But bottom line plunged given higher losses from assets write-off and restructuring at its associates, CAWOW and MPIC. FY08 net profit came in at Bt626m, lower than consensus' Bt662m and our forecast of Bt691m.

Stock Impact

At the analyst meeting, management expressed his satisfaction over the performance of its core business but seemed very disappointed on the higher-than-expected loss at its associates. Nonetheless, this year's outlook is much more positive than last year's due to: a) strong earnings turnaround driven by potential blockbuster movie hits like King Naraesuan III, Harry Potter, Transformer 2, Davinci code 2, OngBak 3, b**)** upfront fee of around Bt220m from the opening of its new standalone cineplex, Rattanathibet Avenue, in 4Q09, c) deconsolidation of its low-margin film distribution business via sale of its holding in PMEG to 40%-owned MPIC in the latter part of this year will also help to improve MAJOR's core profit and margins, and d) concession income, rental income and income from its bowling business remain healthy.

We project MAJOR to post EBITDA growth of 10-12% over the next three years. A turnaround at MPIC and CAWOW after their major restructuring in 4Q08 will be a plus to bottom line. With net gearing of 0.37x, MAJOR can comfortably finance this year's capex of Bt1b to complete Rattanathibet Avenue (16 cinema screens, 22 bowling lanes) in mid-09 and add another 15 cinema screens in the upcountry.

THAILAND

Major Cineplex (MAJOR TB)

BUY

Current Price: Bt6.70
Target Price: Bt9.11

Sector	Media
52-Wk Avg Daily Vol. ('000)	2,171.3
Market Cap (Btm)	5,909.4
(US$m)	168.8
Major Shareholders (%)	
Mr. Vicha Poonvoraluck	37.5
Book NTA per Share (Bt)	6.2
ROE (%)	9.4
Net debt/share (Bt)	2.1
Results Due	
1Q: May	2Q:Aug
3Q: Nov	Final: Feb

Price Chart

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)	Div Yield (%)
2007	5,803	1,616	1,227	1.39	76.55	4.8	4.1	1.05	15.67
2008	5,328	1,740	626	0.71	(48.98)	9.4	4.0	0.64	9.55
2009F	5,537	1,951	860	0.98	37.40	6.9	3.3	0.73	10.92
2010F	6,180	2,148	800	0.91	(6.94)	7.4	3.1	0.68	10.16
2011F	6,475	2,348	890	1.01	11.18	6.6	2.8	0.76	11.30

Consensus Net profit – FY09: Bt702m
– FY10: B687tm

Earnings Revision

Coming from a low base in 2008, we expect to see an earnings turnaround this year. Attractive movie lines not only will drive its ticket sales and also movie-related income like concession sales and media revenue. Based on income of the last episode, this year's top five movie hits should come in at US$21m (2008: US$14.8m, 2007: US$30.6m). Given the cost of cinema business is relatively fixed, higher revenue will lift gross margin to 10% in 2009 (2008: 14%). We estimate its 2009 EBITDA to grow 11%. Upfront fees from the opening of Major Rattanathibet, improved equity-accounted profit mainly from the full-year operation of Ratchayothin Avenue launched in 2Q08 and a turnaround at CAWOW and MPIC after a major restructuring last year will drive MAJOR's bottom line. We estimate this year's net profit to grow 37% yoy to Bt860m.

Room for further improvement lies on its ability to enhance the utilisation rate. MAJOR used to focus on nationwide expansion and it now has 350 screens. The next step is to increase traffic through customer segmentation, multi-pricing and pre-paid ticket cards. Also, MAJOR opts for a more pro-active role by setting up several marketing teams to develop and market its related businesses like food & beverage, media and rentals.

Its new business (a joint venture with Indian PVR Group), 24-lane Club fashion bowling in Delhi, India, will start next month. It plans to add another 28 bowling lanes in Bangalore. This is in addition to its local expansion plan to add 30-40 new movie screens and 22 bowling lanes.

Valuation/Recommendation

Re-iterate BUY. Our target price based on sum-of-the parts is Bt9.11 (MAJOR=Bt6.44, 33% stake in MJLF=Bt1 and other investments (SF, CAWOW, MPIC and Ratchayothin Avenue)= Bt1.67). Share price has plunged to -2SD below its mean of 3.7x P/B. It trades at merely 1.1x P/B, PE of 7.5x, EV/EBITDA of 3.3x against a yield of 9.5%. 2H08 DPS of Bt0.25 will be paid on 4 May (ex: 16 April), driving its full-year DPS to Bt0.64 (90% payout ratio).

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	5,803	5,328	5,537	6,180	6,475
EBIT	745	773	898	1,009	1,121
Pre-tax Profit	626	685	804	921	1,037
Net Profit	1,227	626	860	800	890
EPS (Bt)	1.4	0.7	1.0	0.9	1.0

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	2,156	2,100	1,916	2,450	3,005
Total Assets	9,294	9,669	9,943	10,409	10,841
Current Liabilities	2,487	2,760	2,813	2,879	2,880
Long-Term Loans	678	1,012	750	800	800
Shareholders' Funds	5,620	5,429	5,685	5,862	6,118
Total Equity & Liabilities	9,294	9,669	9,944	10,410	10,841

Cash Flow

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	1,249	1,503	1,794	1,889	2,023
Investing	(535)	(1,129)	(1,569)	(1,130)	(1,165)
Financing	(631)	(481)	(609)	(451)	(559)
Net Cash In/out flow)	83	(107)	(384)	308	300
Begin Cash & Cash Equiv.	436	519	412	28	337
End'g Cash & Cash Equiv.	519	412	28	337	636

Gross Margin By Business

(%)	1Q08	2Q08	3Q08	4Q08	2008	2007
Cinema	7.6	12.4	9.9	10.4	10.2	14.2
Concession	59.8	60.8	59.9	61.0	60.4	60.7
Bowling	29.9	34.5	36.6	30.7	33.0	33.9
Rental	44.9	43.4	42.9	47.9	44.8	46.0
Advertising	96.5	93.9	96.3	89.8	94.5	95.1
Distribution	9.4	11.7	2.4	27.1	15.4	11.4
Overall	34.1	33.9	33.4	32.2	33.4	35.1

Source: MAJOR

Thailand Top 5 Blockbusters

2007	US$m	
King Naresuan 2	7.2	
King Naresuan 1	7.1	
Spiderman 3	6.1	
Harry Potter 5	5.7	
Pirate of the Carribean	4.5	
Total top 5	**30.6 (+108% yoy)**	
Ttotal box office	***123 (+50% yoy)***	
2008		
The Mummy-Dragon Emperor	3.6	
007 Quantum of Solace	3.0	
Ongbak 2	2.9	
Hancock	2.7	
Batman-Dark Night	2.6	
Total top 5	**14.8**	**(-52% yoy)**
Total box office	***104***	***(-15% yoy)***
2009F *(Based on income of the last episode)*		
King Naresuan 3	7.0	
Harry Potter 6	5.0	
Transformer 2	4.0	
OngBak 3	3.0	
Night at the Museum 2	2.0	
Total	**21.0**	**(+42% yoy)**

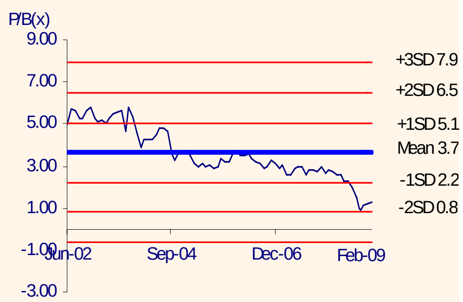
Source: www.boxofficemojo.com, MAJOR, UOB Kay Hian

Advertising Expenditure

	----Cinema Adex---		---Total Adex---	
	Btm	% chg	Btm	% chg
2006	**2,404**	**66.6**	**89,840**	**5.0**
2007	**4,391**	**110.5**	**92,010**	**2.5**
1Q08	990	+4.2	20,687	-3.7
2Q08	975	-1.6	23,145	+4.8
3Q08	1,064	-12.4	22,729	-4.2
4Q08	1,143	-3.7	22,868	-7.7
2008	**4,173**	**-3.9**	**89,489**	**-2.8**

Source: Nielsen Media Research

MAJOR: P/B (x) And Standard Deviation



Source: SETSMART, UOB Kay Hian

PTT Chemical

Management pessimistic amid massive oversupply

PTTCH Chemical is experiencing a petrochemical downcycle and its earnings will continue to be hard-hit by excess supply amid weakening demand. We forecast a 49% yoy plunge in the company's 2009 net profit. Maintain SELL.

Corporate Events

We attended an analyst meeting by PTTCH Chemical (PTTCH). The management is worried about the excess supply from the Middle East amid falling demand as margins will be depressed in 2009 and 2010. For 2009, the topmost concern is demand loss as the situation is worsened by excess supply. CMAI, a prominent petrochemical consultant, estimated the spreads as highlighted below:

a) Excess supply of Ethylene at 3.5m tonnes a year will squeeze Ethylene – Naphtha spread to US$241/tonne, down 28% yoy (ethylene products account for 51% of total capacity) vs the current spread of US$305/tonne.
b) Surplus supply of HDPE at 3m tonnes a year will depress HDPE–Naphtha spread to US$488/tonne, down 28% yoy (HDPE products account for 16% of total capacity) vs the current spread of US$573/tonne.
c) Moreover, the oversupply of MEG will lower MEG – Naphtha spread to US$222/tonne, down 44% yoy (MEG products account for 11% of capacity) vs the current spread of US$223/tonne.

Stock Impact

We agree with the management that the petrochemical downcycle had begun in 3Q08. We still maintain the conservative view of HDPE - Naphtha spread assumption at US$380/tonne, 22% below CMAI's expectation. We think that petrochemical spread will bottom out close to the trough spread margin recorded in 2000-01 at US$400/tonne vs the current spread of US$573/tonne.

Being a gas-based olefin cracker amid the current low oil price gives PTTCH no extra advantage compared to a liquid-based olefin cracker.

PTTCH is still in the midst of an investment cycle. Over the next 12 months, a huge capex is needed to build new petrochemical plants amid the trough operating cash flow of Bt13b vs capex of Bt25b in 2009. However, the low gearing at 0.5x and strong cash in hand of Bt21b will enable the company to meet its debt obligation and capital expenditure.

Earnings Risk

We forecast a 49% yoy plunge in PTTCH's 2009 net profit, 25% below consensus. The decision to double its upstream capacity in 2010 is deemed a very bad timing. The volatility of petrochemical prices, demand recovery and delay in supply of 4m tonnes a year from Middle East are the major risks.

Valuation/Recommendation

Maintain SELL. Currently, PTTCH is trading at 7.7x 2009 PE and 0.5x 2009 P/B. Despite its attractive valuation and high dividend yield, the stock lacks positive catalyst over the next 12 months. Our fair price is Bt26.00 (or 0.4x 2009 P/B).

THAILAND

PTT Chemical (PTTCH TB)

SELL

Current Price: Bt30.50
Fair Price: Bt26.00

Sector	Petrochemical
52-Wk Avg Daily Vol. ('000)	2,806
Market Cap (Btm)	46,402
(US$m)	1,315
Major Shareholders (%)	
PTT	49.3
Book NTA per Share (Bt)	63.3
ROE (%)	12.4
Net debt per Share (Bt)	15.7
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

Price Chart

Source: Bloomberg

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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	75,584	25,393	19,167	12.8	n.a.	2.4	1.7	5.0	16.4
2008	84,117	20,334	11,739	7.8	(38.9)	3.9	3.4	4.0	13.1
2009F	58,064	12,642	5,936	4.0	(49.4)	7.7	6.9	1.2	3.9
2010F	75,342	17,157	9,054	6.0	52.5	5.0	4.6	1.8	6.0
2011F	75,242	19,768	11,361	7.6	25.5	4.0	3.4	2.3	7.5

Consensus Net Profit – FY09: Bt7,915m
-- FY10: Bt12,554m

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	75,584	84,117	58,064	75,342	75,242
EBIT	21,781	16,204	7,942	11,813	14,315
Pre-tax Profit	21,648	15,430	7,239	10,664	13,381
Net Profit	19,167	11,739	5,936	9,054	11,361

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	45,087	36,743	13,323	22,117	31,073
Total Assets	133,514	152,318	152,760	159,898	165,241
Current Liabilities	18,898	12,395	9,389	11,385	11,216
Long-Term Liabilities	20,219	43,727	42,803	41,278	38,423
Shareholder Funds	94,397	96,196	100,568	107,236	115,602
Total Equity & Liabilities	133,514	152,318	152,760	159,898	165,241

Cash Flow

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	20,613	17,758	12,625	13,484	17,372
Investing	(24,296)	(30,020)	(28,523)	(3,647)	(1,799)
Financing	(5,013)	8,596	(2,705)	(4,241)	(6,264)
Net Cash In/(Out) Flow	(8,696)	(3,666)	(18,603)	5,596	9,309
Begin Cash & Cash Equiv.	33,537	24,841	21,175	2,572	8,168
End'g Cash & Cash Equiv.	24,841	21,175	2,572	8,168	17,477

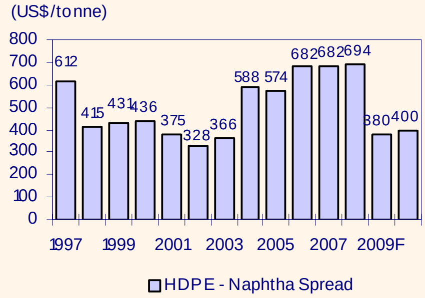
Key Assumptions

	2007	2008	2009F	2010F
Dubai crude oil (US$/bbl)	68	96	50	60
HDPE - Naphtha Spread (US$/tonne)	682	694	380	400

Source: UOB Kay Hian

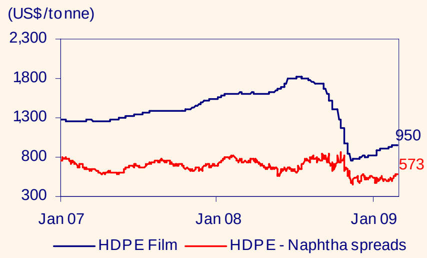
HDPE – Naphtha Spread

(The lowest spread was US$328/tonne in 2002)



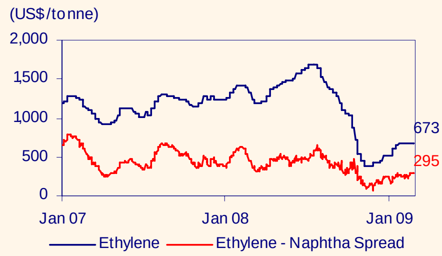
Source: Bloomberg, Reuters, UOB Kay Hian

HDPE – Naphtha Spread



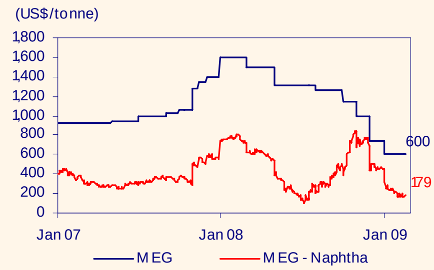
Source: Datastream

Ethylene – Naphtha Spread



Source: Datastream

MEG – Naphtha Spread



Source: Datastream

http://research.uobkayhian.com

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