UOBKayHian

Regional Morning Notes

Wednesday, March 04, 2009

KEY STORY

Singapore

STX Pan Ocean (SELL/S$7.31/Fair: S$4.35) Page 12
Expect losses in 1H09 and flat or weaker 2009 cargo volume. Share price at 68% premium to fair price. Maintain SELL.

CHINA

Results

China Shenhua (BUY/HK$13.90/Target: HK$23.00) Page 2
2008: Net profit below expectation. Temporary pressure likely today but time to get in, particularly for trading-oriented investors.

Shanghai Forte Land (SELL/HK$1.00/Fair: HK$1.00) Page 4
2008: Results below market expectation but rising gearing is a bigger concern. Maintain SELL.

HONG KONG

Results

Lifestyle International (HOLD/HK$5.53/Fair: HK$5.60) Page 6
2008: Net profit down 9.5% yoy. Operating performance deteriorates in 2H08 and weakens further in Jan-Feb 09. Maintain HOLD.

SINGAPORE

Results

Thai Beverage (BUY/S$0.195/Target: S$0.25) Page 8
2008: Slower volume growth and falling net margin hold back bottom line.

Update

Beauty China (BUY/S$0.11/Target: S$0.47) Page 10
Chairman is considering selling his stake. No price range was disclosed. We are reviewing our recommendation and target price.

STX Pan Ocean (SELL/S$7.31/Fair: S$4.35) Page 12
Expect losses in 1H09 and flat or weaker 2009 cargo volume. Share price at 68% premium to fair price. Maintain SELL.

THAILAND

Results

Italian-Thai Development (HOLD/Bt2.08/Fair: Bt2.64) Page 14
4Q08: Still reporting operating loss, as expected. However, results improved qoq.

Rojana Industrial Park (SELL/Bt3.24/Fair: Bt2.62) Page 16
4Q08: Results were worse than expected. Every part of its business is hit amid the downturn while its balance sheet is weak with high gearing of 2.2x.

True Corporation (BUY/Bt1.38/Target: Bt2.58) Page 18
4Q08: Results were weak, as expected. Performance is expected to be flat in 2009.

Update

Precious Shipping (HOLD/Bt10.10/Fair: Bt8.30) Page 20
Key takeaways from non-deal roadshow. Strong headwinds ahead, but a potential recovery by end-2010 as vessel oversupply may be overstated.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	6726.0	(0.6)	(8.5)	(16.7)	(23.4)
S&P 500	696.3	(0.6)	(9.9)	(17.0)	(22.9)
FTSE 100	3512.1	(3.1)	(8.0)	(15.7)	(20.8)
AS30	3171.4	(1.0)	(3.5)	(6.2)	(13.3)
CSI 300	2142.2	(1.0)	(6.9)	(1.1)	17.8
FSSTI	1528.5	(0.3)	(5.3)	(10.5)	(13.2)
HSI	12033.9	(2.3)	(6.0)	(7.9)	(16.4)
JCI	1264.8	0.7	(2.4)	(4.2)	(6.7)
KLCI	868.7	(0.9)	(2.8)	(0.9)	(0.9)
KOSPI	1025.6	0.7	(3.6)	(14.2)	(8.8)
Nikkei 225	7229.7	(0.7)	(0.5)	(10.1)	(18.4)
SET	413.1	(0.8)	(4.2)	(4.6)	(8.2)
TWSE	4435.3	0.2	0.1	1.0	(3.4)
BDI	2034.0	1.0	1.2	77.2	162.8
CPO (RM/mt)	1923.0	0.1	0.7	3.6	18.0
Nymex Crude (US$/bbl)	41.6	3.6	4.1	2.0	(6.8)

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
Top BUYs				
China Life	2628 HK	21.00	30.50	45.2
China Mobile	941 HK	65.60	90.00	37.2
China Petroleum	386 HK	3.87	6.93	79.1
China Railway	390 HK	4.17	5.90	41.5
China Shenhua	1088 HK	13.90	23.00	65.5
Maanshan Iron	323 HK	2.33	3.70	58.8
Bumi Resources	BUMI IJ	770	1,010	31.2
Public Bank	PBK MK	8.40	10.90	29.8
DBS Group	DBS SP	7.24	10.55	45.7
Indofood Agri	IFAR SP	0.50	0.80	60.0
SingTel	ST SP	2.52	2.95	17.1
Advanced Info	ADVANC TB	79.00	101.73	28.8
Quality Houses	QH TB	0.72	1.28	77.8
Top SELLs				
Aluminum Corp	2600 HK	3.66	3.00	(18.0)
Parkson Retail	3368 HK	6.17	5.15	(16.5)
Wharf Hldg	4 HK	15.94	14.60	(8.4)
S'pore Airlines	SIA SP	9.95	9.70	(2.5)
S'pore Exchange	SGX SP	4.35	3.00	(31.0)
Amata Corp	AMATA TB	3.20	2.52	(21.3)

Key Assumptions

GDP (% yoy)		2008	2009F	2010F
US*		1.3	(2.0)	1.8
Euro Zone*		0.7	(2.2)	0.8
Japan*		(0.7)	(4.9)	0.7
Singapore		1.2	(4.0)	4.0
Malaysia		5.1	0.9	4.0
Thailand		2.6	(1.6)	4.3
Indonesia		6.0	3.6	n.a.
Hong Kong		2.5	(4.0)	0.5
China		9.0	7.1	8.0
Brent Crude Oil	(US$/bbl)	100	55	65
Aluminium *	(US$/MT)	2,623	1,642	2,010
Copper *	(US$/MT)	6,884	3,734	4,618
Gold Price London *	(US$/ounce)	873	963	978
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
Bumi Resources Roadshow	Singapore	12 Mar	13 Mar
Fushan Energy Roadshow	Hong Kong	3 Mar	4 Mar

China Shenhua

2008: Opportunity from weak results; Time to consider piling in

China Shenhua's preliminary FY08 net profit were 8% below consensus forecast, probably due to a one-off provision. Its share price has dropped about 17% in five trading days – about time to consider buying.

2008 Results

(PRC GAAP)	2008 (Rmbm)	2007 (Rmbm)	Yoy (%)	4Q08 (Rmbm)	Qoq (%)	Yoy (%)
Revenue	107,133	82,107	30.5	29,622	4.9	34.5
Operating profit	37,501	30,979	21.1	4,406	(61.6)	(22.6)
Pretax profit	36,871	30,649	20.3	5,592	(48.3)	(20.7)
Net profit	26,588	20,497	29.7	3,879	(50.8)	(19.4)
Net profit (IFRS)		20,581				
Operating margin	35.0	37.7	(2.73)	14.9	(25.8)	(11.0)
Net margin	24.8	25.0	-0.15ppt	13.1	-14.9ppt	-8.8ppt

Source: China Shenhua, UOB Kay Hian

Results/Corporate Events

For year 2008, net profit under PRC GAPP rose 29.7% to Rmb26.6b - 8% below consensus. .

Turnover rose 31% to Rmb107.1b, within our expectation.

Stock Impact

China Shenhua released unaudited 2008 earnings under PRC GAAP, which show a surprisingly weaker-than-expected 4Q08 performance.

In the last quarter, turnover rose 5% qoq, in line with our forecast. Net profit unexpectedly fell by 51% qoq. No explanation was given for this surprising twist, but we suspect this was probably due to a one-off asset impairment or inventory write-down for its power segment when coal prices collapsed by 36% in 4Q08.

This turn of event triggered a sharp contraction in net margin to 13%, against 29% for 9M08, which seems unusual. If the unusually poor performance was due to a one-off provision, we do not think it will hurt 2009 earnings materially.

Earnings Revision

We cut our 2008 earnings by 8% to reconcile with the company's financial figures. Having previously incorporated lower coal volume sales and fall in coal prices in our model, we will leave our 2009 earnings unchanged, pending management's guidance.

CHINA

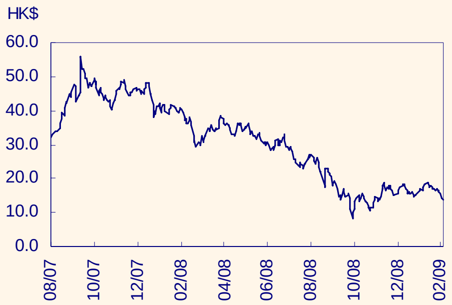
China Shenhua (1088 HK)

BUY

Current Price: HK$13.90
Target Price: HK$23.00

Sector	Coal
52-Wk Avg Daily Vol. ('000)	37,626
Market Cap (HK$m)	392,245
(US$m)	50,288
Major Shareholders (%)	
Shenhua Group	73.9
Book NTA per Share (Rmb)	6.50
ROE (%)	20.6
Net Debt per Share (Rmb)	0.40
Results Due	
1Q: Apr	2Q: Aug
3Q: Oct	Final: Apr

Price Chart



Source: Bloomberg

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Rmb)	Yield (%)
2006	65,186	33,947	17,644	0.98	4.1	12.5	12.6	0.34	2.8
2007	82,107	40,282	20,581	1.11	13.8	11.0	9.7	0.47	3.8
2008F	107,133	53,480	26,588	1.34	20.4	9.1	7.2	0.51	4.2
2009F	128,700	58,794	30,072	1.51	13.1	8.1	6.5	0.53	4.3
2010F	148,099	67,059	34,426	1.73	14.5	7.0	5.5	0.61	5.0

Consensus Net Profit – FY08: Rmb29297.5m;
– FY09: Rmb30224.5m

Valuation/Recommendation

Shenhua's shares will come under pressure temporarily on the dismal 4Q08 results. But if the share price performance of steel stocks is anything to go by – these stocks rebounded after their 2008 profit warnings – we expect Shenhua's share price to rise. We think that its 17% fall in five trading days has discounted this announcement, and suggest trading-oriented investors to buy the stock. Do be warned, though, that we expect a revamped resource tax to be announced this month. So, if the stock rebounds by at least 15%, trading-oriented investors can lock in the profit, and buy again when the details of the resource tax are unveiled.

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	65,186	82,107	107,133	128,700	148,099
EBIT	27,491	32,497	44,416	48,780	56,115
Pre-tax Profit	25,917	30,779	36,871	46,623	54,002
Net Profit	17,644	20,581	26,588	30,072	34,426

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	32,138	72,127	95,922	120,314	156,989
Total Assets	172,360	239,038	272,328	317,631	364,968
Current Liabilities	36,124	33,371	47,106	57,917	64,876
Long-Term Liabilities	42,427	49,718	59,662	71,594	85,913
Shareholder Funds	69,784	129,788	136,698	156,245	178,622
Total Equity & Liabilities	172,360	239,038	272,328	317,631	364,968

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	22,069	25,626	52,010	48,942	52,175
Investing	(27,558)	(29,933)	(29,993)	(30,152)	(20,718)
Financing	41,953	(3,553)	326	769	(17,107)
Net Cash In/(Out) Flow	(5,177)	37,646	18,464	19,115	32,226
Begin Cash & Cash Equiv.	20,935	15,758	53,404	71,868	90,983
End'g Cash & Cash Equiv.	15,758	53,404	71,868	90,983	123,209

Source: UOB Kay Hian

Shanghai Forte Land

2008: Results below expectation, rising gearing is a bigger concern

Forte's 2008 earnings dropped significantly, mainly due to investment loss of Shanghai Zendai and provision on inventories. We think continuously rising gearing is a bigger concern.

2008 Results

	2008 (Rmbm)	2007 (Rmbm)	yoy % chg	Remarks
Turnover	3,733.3	3,977.0	(6.1)	
Gross Profit	1,773.3	1,252.4	41.6	
Other gains	50.4	537.4	(90.6)	No disposal income
Operating costs	(595.5)	(513.9)	15.9	
Other expenses	(336.0)	(10.0)	3,260	Investment loss and inventory provision
Pre-tax Profit	887.1	1,312.5	(32.4)	
LAT	(477.6)	(317.3)	50.5	Higher LAT
Income Tax	(167.9)	(234.2)	(28.3)	
Net Profit	101.7	711.1	(85.7)	
Net Profit (Ex EI)	337.9	284.6	18.7	
Gross Margin (%)	47.5	31.5	16.0	Higher ASPs

Source: UOB Kay Hian

Results

Shanghai Forte Land's (Forte) 2008 net profits plunged 86% yoy to Rmb102m. Excluding investment loss of Rmb190m in Shanghai Zendai (755 HK) and provision of Rmb80m on property inventories, we estimate the core profits would be Rmb338m, slightly higher than our estimate of Rmb310m but 12% lower than market consensus of Rmb383m.

Stock Impact

2008 attributable contracted sales were around 356,000sqm or Rmb3.17b. The management projected 2009 attributable contracted sales at 625,000sqm, up 76% yoy. Our estimate is more conservative at 471,000sqm, about 25% lower than management's guidance. Our sales forecast can also be translated to 2009 contracted sales at Rmb4.2b.

Earnings Revision

The management expected gross margin to come down from the high level of 47.5% in 2008 to less than 30% in 2009, mainly due to lower selling prices and rising contribution of thinner margin projects. We slashed our gross margin forecasts from 34% previously to 28% for 2009 and from 35% to 31% for 2010. Earnings estimates are revised down accordingly by 33% and 25% for 2009 and 2010, respectively.

Valuation/Recommendation

Maintain SELL on Forte amid the concern over rising net gearing and possible further provision on inventory. Our fair price of HK$1.00 represents a 60% discount to the current NAV of HK$2.45, in line with the sector's average discount to NAV.

CHINA

Shanghai Forte Land (2337 HK)

SELL

Current Price: HK$1.00
Fair Price: HK$1.00

Sector	Property
52-Wk Avg Daily Vol. ('000)	4,653
Market Cap (HK$m)	2,529
(US$m)	324
Major Shareholders (%)	
Fosun International	30.86
Book NTA per Share (S$)	2.09
ROE (%)	1.96
Net Debt per Share (S$)	2.92
Results Due	
Interim	August
Final	March

Price Chart

Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb¢)	EPS Growth (%)	PE (*)	EV/ EBITDA (*)	DPS (Rmb¢)	Yield (%)
2007	3,977	1,351	711	28.1	43.9	3.3	5.6	2.5	2.8
2008	3,733	965	102	4.0	(85.7)	22.0	10.4	2.0	2.3
2009F	5,211	963	310	12.3	205.1	7.2	11.9	2.0	2.3
2010F	6,520	1,335	407	16.1	31.1	5.5	8.1	2.4	2.7
2011F	5,726	1,271	438	17.3	7.6	5.1	9.0	2.6	2.9

Consensus Net Profit – FY09: Rmb375
– FY10: Rmb478

Balance sheet remains a concern. Forte's net gearing continued to rise from 110% in 1H08 to 126% by end-08 due to slow sales last year. Meanwhile, cash on hand declined from Rmb2.7b in mid-08 to Rmb1.2b at end-08. The management expected capex on land premium payment as well as construction costs of about Rmb1.2b and Rmb4.0b respectively in 2009. This, together with our estimated other operating costs of Rmb1.4b, means that total capex could be Rmb6.6b, surpassing our estimated 2009 contracted sales of Rmb4.2b. We believe Forte has to cut development schedule in order to maintain a healthy cash flow. We project its net gearing to likely to rise above 140% this year due to increasing net cash outflow. Its net gearing would be top in the sector.

Forte is currently applying for the issuance of corporate bond listed on the domestic stock exchange. The applied bond issue size is around Rmb1.9b with an estimated interest rate at 6-7%. The company submitted the application in Oct 08. Although Beijing Capital Land had successfully obtained the approval of the China Securities Regulatory Commission (CSRC) on bond issuance last year, the timing remains unknown for Forte. On the other hand, we think bond issuance only helps to improve short-term liquidity but does not reduce its high net gearing.

Further inventory provision might be possible. Forte made a provision of Rmb80m on the projects of Shihua International, Chongqing Uptown and Villa Espana Estilo De Vila. The principle for the provision is that current selling prices are lower than the development costs (i.e. land and construction costs). We think Forte's approach is more prudent in provision than some of the developers who do not want to make any provision on the high-cost landbank in hope of potential price recovery. Nonetheless, we expect the housing prices in major cities to see further downside this year. Hence, we think a further provision on inventory by Forte is likely. Thus, we have factored in another Rmb100m of provision in 2009 earnings forecast.

Forte locked-in 40% of 2009 sales revenue. The company projected the total GFA booking to be around 540,000sqm in 2009. Based on our conservative sales projection, we estimate the GFA booking is about 460,000sqm this year, representing 15% lower than the management's estimate. By end-08, it secured 196,000sqm of presales to be booked in 2009. As a result, we estimate Forte has locked-in nearly 40% of total sales revenue this year.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	3,977	3,733	5,211	6,520	5,726
EBIT	1,328	931	919	1,278	1,201
Pre-tax Profit	1,312	887	833	1,183	1,101
Net Profit	711	102	310	407	438
EPS (Rmb cents)	28.1	4.0	12.3	16.1	17.3

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	8,870	9,848	12,022	11,416	11,780
Total Assets	24,332	26,681	31,153	32,734	35,629
Current Liabilities	10,415	7,759	9,212	9,695	10,614
Long-Term Loans	2,034	6,090	7,703	7,318	7,684
Shareholders' Funds	5,085	5,285	5,544	5,890	6,262
Total Equity & Liabilities	24,332	26,681	31,153	32,734	35,629

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	(2,323)	(1,660)	(464)	1,634	395
Investing	(83)	(31)	(188)	(227)	(278)
Financing	3620	525	1641	(1291)	(256)
Net Cash Inflow	1,215	(1,166)	989	116	(139)
Beginning Cash	1,165	2,379	1,213	2,202	2,318
Ending Cash	2,379	1,213	2,202	2,318	2,179

Lifestyle International

2008: Following the economic downturn

Net profit down 9.5% yoy in 2008. Operating performance deteriorates in 2H08 and weakens further in Jan-Feb 09. Financials remain solid with good operating cash flow and low debt level.

2008 Results

(HK$m)	1H07	1H08	yoy change	2H07	2H08	yoy change
Turnover						
Hong Kong	1,250	1,423	13.8%	1,440	1,537	6.7%
Mainland China	170	274	61.6%	253	288	14.0%
Total Turnover	**1,420**	**1,697**	**19.5%**	**1,693**	**1,825**	**7.8%**
Segment Profit						
Hong Kong	425	477	12.4%	548	514	(6.3%)
Mainland China	37	84	126.9%	61	56	(9.6%)
Total Operating Profit	**462**	**561**	**21.6%**	**610**	**569**	(6.7%)
Investment Income						
Hong Kong	75	79	5.7%	168	57	(66.3%)
Mainland China	1	2	86.4%	1	11	632.5%
Total investment income	**76**	**81**	**6.7%**	**169**	**67**	(60.1%)
Fair value changes on investment properties	0	174	n.a.	0	2	n.a.
Discount arising on acquisition of associates					208	n.a.
Impairment loss on loan receivable					(277)	n.a.
Finance costs	(39)	(45)	15.6%	(43)	(23)	(45.9%)
Profit before tax	**503**	**777**	**54.5%**	**739**	**548**	(25.9%)
Tax	(60)	(154)	157.2%	(131)	(112)	(14.7%)
Profit after tax	**443**	**623**	**40.7%**	**608**	**436**	(28.3%)
MI	(16)	(17)	5.7%	(12)	(115)	903.4%
Net Profit	**427**	**606**	**41.9%**	**597**	**321**	(46.2%)

Source: Lifestyle, UOB Kay Hian

Results

Net profit declined 9.5% yoy to HK$927m in 2008. The results are in line with market expectations (HK$981m). Final dividend has been cut to HK$0.12/share from HK$0.135/share a year ago while total full-year dividend payout remains unchanged at HK$0.24/share. There were three major non-recurring items in 2H08: a) impairment loss of loan to Egana Group and related expenses (HK$307m, net of tax), b) non-cash one-time gain arising from a share swap transaction relating to associate company Beiren Group (HK$125m, net of tax), and c) revaluation gain from investment properties (HK$130m, net of tax).

Same store sales (SSS) growth for SOGO CWB and Shanghai Jiuguang weakened in 2H08 while SOGO TST maintained its growth momentum from a low base. SSS growth for SOGO dropped from 13.5% yoy in 1H08 to 2.7% in 2H08. Shanghai Jiuguang's SSS growth (in Rmb terms) slowed down from 31.4% yoy in 1H08 to 12.4% in 2H08.

Total operating profit dropped 6.7% yoy in 2H08 due to an increase in share option expenses and pre-operating expenses for new projects in China.

HONG KONG

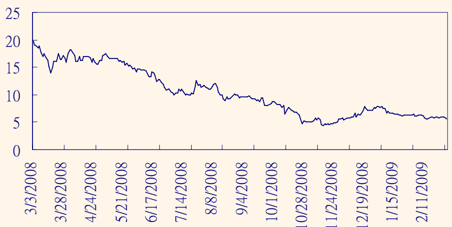
Lifestyle International (1212 HK)

HOLD

Current Price: HK$5.53
Fair Price: HK$5.60
(Previous: HK$9.70)

Sector	Retailing
52-Wk Avg Daily Vol. (m)	2.3
Market Cap (HK$m)	9,248
(US$m)	1,243
Major Shareholders (%)	
Real Reward	64.6
Book NTA per Share (HK$)	3.15
ROE (%)	18.5
Net Debt per Share (HK$)	0.2
Results Due	
Interim: Sep	Final: Mar

Price Chart



Source : Bloomberg

Analyst

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Year to 31 Dec	Turnover (HK$m)	EBITDA (HK$m)	Net Profit (HK$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	3,112	1,383	1,024	60.2	(31.1)	9.2	6.8	24.0	4.3
2008	3,522	1,437	927	54.3	(9.8)	10.2	7.3	24.0	4.3
2009F	3,094	1,423	872	52.2	(4.0)	10.6	7.2	22.6	4.1
2010F	3,422	1,601	1,088	65.1	24.7	8.5	6.2	28.2	5.1
2011F	3,706	1,820	1,309	78.3	20.3	7.1	5.2	33.9	6.1

Consensus Net Profit – 2009: HK$1,046m
– 2010: HK$1,153m

Earnings Revision

For Jan-Feb 09, SOGO CWB's sales declined while Shanghai Jiuguang recorded slightly weaker/flat sales growth. Thus, Lifestyle's operating performance has declined rapidly. We have factored losses from the start-up of Suzhou Jiuguang into our earnings model. As a result, we cut our 2009 and 2010 earnings forecasts by 26% and 17% respectively.

Valuation/Recommendation

Going forward, sluggish consumer spending and new projects will depress earnings in the near term. P/B valuation is more relevant, so we reset our fair price based on P/B instead of PE. The stock is trading at 1.6x 2009 P/B, which is in line with the global weighted average. Maintain HOLD with an entry price of HK$4.70.

Global Peer Comparison

Company	Stock Code	Market Cap (US$m)	2009F P/B (x)	2008F PE (x)	2009F PE (x)	2010F PE (x)
Americas						
KOHLS CORP	KSS US	10,571	1.6	10.3	12.3	15.2
S.A.C.I. FALABELLA	FALAB CI	6,880	2.2	17.5	15.1	11.9
MACY'S INC	M US	3,100	0.3	3.5	6.0	14.4
NORDSTROM INC	JWN US	2,770	2.6	4.6	7.2	10.6
America Weighted Average			**1.5**	**10.8**	**11.7**	**13.6**
Europe						
MARKS & SPENCER GROUP	MKS LN	5,510	1.9	6.0	9.3	12.0
DEBENHAMS PLC	DEB LN	440	1.8	3.8	4.9	5.5
Europe Weighted Average			**1.9**	**5.8**	**8.9**	**11.5**
Asia						
SHINSEGAE CO LTD	004170 KS	4,665	1.6	13.0	12.3	10.7
LOTTE SHOPPING CO	023530 KS	2,958	0.5	6.6	7.4	6.4
PARKSON RETAIL GROUP LTD	3368 HK	2,207	4.3	17.7	15.7	13.2
TAKASHIMAYA CO LTD	8233 JP	1,709	0.3	8.6	14.1	15.0
UNY CO LTD	8270 JP	1,399	0.6	278.2	13.6	13.5
MARUI GROUP CO LTD	8252 JP	1,325	0.6	16.7	32.4	28.2
LIFESTYLE INTL HLDGS LTD	**1212 HK**	**1,243**	**1.6**	**10.2**	**10.6**	**8.5**
Asia Weighted Average			**1.5**	**31.6**	**12.8**	**11.4**
GLOBAL WEIGHTED AVERAGE			**1.6**	**18.1**	**11.7**	**12.4**

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 30 Jun (HK$m)	2007	2008	2009F	2010F	2011F
Turnover	3,112	3,522	3,094	3,422	3,706
EBIT	1,253	1,266	1,114	1,352	1,610
Pre-tax Profit	1,252	1,325	1,135	1,383	1,617
Net Profit	1,024	927	872	1,088	1,309

Balance Sheet

Year to 30 Jun (HK$m)	2007	2008	2009F	2010F	2011F
Current Assets	5,472	3,002	3,023	3,491	4,029
Total Assets	10,434	10,562	11,083	11,951	12,889
Current Liabilities	2,529	1,944	1,909	2,047	2,142
Long-Term Liabilities	2,688	2,559	2,559	2,559	2,559
Shareholder Funds	4,657	5,381	5,860	6,524	7,314
Total Equity & Liabilities	10,434	10,562	11,083	11,951	12,889

Cash Flow

Year to 30 Jun (HK$m)	2007	2008	2009F	2010F	2011F
Operating	(25)	2,481	923	1,365	1,571
Investing	(1,637)	(2,428)	(681)	(588)	(610)
Financing	2,713	(1,180)	(205)	(329)	(439)
Net Cash In/(Out) Flow	1,051	(1,127)	37	448	522
Begin Cash & Cash Equiv.	2,584	3,635	2,508	2,545	2,992
End'g Cash & Cash Equiv.	3,635	2,508	2,545	2,992	3,514

Net Sales Proceeds In 1H08 vs 1H07

(HK$m)	1H07	1H08	yoy change
SOGO CWB	2,345	2,662	13.5%
SOGO TST	198	253	27.6%
Jiuguang Shanghai	523	750	43.4%
Total net sales proceeds (HK$m)	**3,066**	**3,665**	**19.5%**
CNYHKD Curncy	1.01	1.10	9.1%
Jiuguang Shanghai (Rmbm)	516	679	31.4%

Source: Lifestyle, UOB Kay Hian

Net Sales Proceeds In 2H08 vs 2H07

(HK$m)	2H07	2H08	yoy change
SOGO CWB	2,788	2,863	2.7%
SOGO TST	252	317	26.1%
Jiuguang Shanghai	675	830	22.9%
Total net sales proceeds (HK$m)	**3,715**	**4,010**	**7.9%**
CNYHKD Curncy	1.04	1.14	9.4%
Jiuguang Shanghai (Rmbm)	650	730	12.4%

Source: Lifestyle, UOB Kay Hian

Thai Beverage

2008: Results hit by poor beer performance

Net profit fell 3% to Bt10.6b in FY08, hit by weak performance of the beer segment and falling margins.

2008 Results

(Btm)	2007	2008	% chg	Remark
Turnover	105,108	105,257	0.1	
EBITDA	22,066	20,560	(6.8)	
Net Profit	10,943	10,606	(3.1)	
Performance By Segment	**2007**	**2008**	**% yoy**	
Beer Volume (m ltr)	957	773	(19.2)	Disrupted by economic slowdown and distribution restructuring
Spirit Volume (m ltr)	446	436	(2.2)	
-White	329	315	(4.3)	
-Brown	117	121	3.4	Trading down from imported spirit to local products
Beer Sales	47,557	38,458	(19.1)	Volume down 19% on
Spirits Sales	52,940	59,586	12.6	higher ASP
Beer EBITDA-	6,537	2,923	(55.3)	
Spirit EBITDA	14,617	16,215	10.9	
Beer Net profit	1,702	338	(80.1)	
Spirit Net profit	8,816	9,659	9.6	
Margin (%)	**2007**	**2008**	**bp chg**	
Gross Margin	29.8	27.3	(2.5)	Higher costs of raw materials and packaging
Group EBITDA Margin	21.0	19.5	(1.5)	
Group Net Margin	10.4	10.1	(0.3)	
Beer Gross Margin	22.1	16.9	(5.2)	
Spirit Gross Margin	35.9	33.6	(2.3)	
Beer EBITDA Margin	13.7	7.6	(6.1)	
Spirit EBITDA Margin	27.6	27.2	(0.4)	
Beer Net Margin	3.6	0.9	(2.7)	
Spirit Net Margin	16.7	16.2	(0.4)	

Source: THBEV, UOB Kay Hian

Thai Beverage (TBEV)'s 4Q08 net profit rebounded 39% qoq to Bt3.2b on stronger performance of the spirit segment due to seasonal effect. For the year, net profit came in at Bt10.6b, down 3% yoy and 2% and lower than our estimate. The performance was dragged mainly by the poor operations from the beer segment whose profit collapsed 80% yoy on lower sales volume and falling margins.

Weaker volume offset by higher selling prices. Beer sales volume dropped 19.2% yoy while spirit sales were down 2.2%. Turnover, however, stayed relatively flat, supported by higher spirit selling prices. The migration from expensive whisky in favour of the less-expensive brown spirit has led to a 3.4% increase in sales volume of brown spirit in 2008. In addition, with higher production costs induced by higher raw material costs and higher excise tax rate (additional 1.5% of excise tax to subsidise the Thai Public Broadcasting Service effective 15 Jan 08), the company has increased the selling prices of spirits. We estimate the average selling price of spirits has gone up by almost 15% in 2008.

SINGAPORE

Thai Beverage (THBEV SP)

BUY

Current Price: S$0.195
Target Price: S$0.25
(Previous: S$0.30)

Sector	Retail
Bloomberg	THBEV SP
Reuters	THBEV.SI
Website	www.thaibev.com
52-Wk Avg Daily Vol. ('000)	6,679.9
Market Cap (S$m)	4,896.5
(US$m)	3,259.6
Book NTA per Share (Bt)	2.15
ROE (%)	19.1
Results Due	
Interim	June
Final	December

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)	YIELD (%)
2007	105,108	21,676	10,943	0.44	8.8	10.4	5.7	0.29	6.4
2008	105,257	19,591	10,606	0.42	(3.1)	10.8	6.2	0.30	6.5
2009F	106,809	20,010	10,241	0.41	(3.4)	11.1	6.0	0.30	6.6
2010F	111,671	20,711	10,734	0.43	4.8	10.6	5.6	0.30	6.6
2011F	115,327	11,095	11,095	0.44	3.4	10.3	5.3	0.31	6.8

Consensus Net Profit – FY09: Bt10,223m
– FY10: Bt10,604m

Margin squeeze. Margins have been down across the board. Gross margin fell 250bp yoy, EBITDA margin narrowed 150bp and net margin slipped 30bp. The company blamed the higher costs of raw materials and packaging and a slight increase in SG&A. Net margin was, however, cushioned by higher other income (which surged 149% yoy on Bt530m investment gains) and lower interest expenses (-35% on falling interest charges).

Earnings Revision

Factoring in FY08 results and growing economic headwinds in 2009, we trim our FY09-2010 net profit estimates by 6%.

Recommendation

Rolling valuation over to 2009, we lower our DCF-based price target to S$0.25 as we adjust our discount rate higher to 11.2% (9.5% previously) to reflect higher risk premium. Our new target price still implies a 28% upside. Reiterate BUY.

Quarterly Segment Performance

Group Performance	4Q07	3Q08	4Q08	yoy %	qoq %
Total Sales- Btm	32,718	22,650	31,524	(3.6)	39.2
Net Profit- Btm	3,607	2,335	3,251	(9.9)	39.2
Performance By Segment	4Q07	3Q08	4Q08	% yoy	% qoq
Beer Volume- m. Ltr.	272	147	195	(28.3)	32.7
Spirit Volume- m. Ltr.	118	99	125	5.9	26.3
-White- m. Ltr.	86	73	92	7.0	26.0
-Brown- m. Ltr.	32	26	33	3.1	26.9
Beer Sales- Btm	13,458	7,468	9,718	(27.8)	30.1
Spirit Sales- Btm	15,449	13,544	17,323	12.1	27.9
Beer's EBITDA- Btm	1,655	534	(36)	(102.2)	(106.7)
Spirit's EBITDA- Btm	4,195	3,483	5,184	23.6	48.8
Beer's Net profit- Btm	425	(219)	(492)	(215.8)	124.7
Spirit's Net profit- Btm	2,843	1,972	3,422	20.4	73.5
Margins (%)	**4Q07**	**3Q08**	**4Q08**	**Bp yoy**	**Bp qoq**
Group's Gross Margins	29.2	27.4	26.9	(2.3)	(0.5)
Group's EBITDA Margins	19.4	21.8	17.8	(1.6)	(4.0)
Group' Net Margins	11.0	10.3	10.3	(0.7)	0.0
Beer Gross Margins	21.4	14.9	12.3	(9.0)	(2.6)
Spirit Gross Margins	35.3	33.9	33.4	(2.0)	(0.5)
Beer EBITDA Margins	12.3	7.2	(0.4)	(12.7)	(7.5)
Spirit EBITDA Margins	27.2	25.7	29.9	2.8	4.2
Beer Net Margins	3.2	(2.9)	(5.1)	(8.2)	(2.1)
Spirit Net Margins	18.4	14.6	19.8	1.4	5.2

Source: THBEV, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	105,108	105,257	106,809	111,671	115,327
EBIT	16,862	15,586	15,441	15,952	16,323
Pre-tax Profit	15,811	14,905	14,630	15,335	15,850
Net Profit	10,943	10,606	10,241	10,734	11,095
EPS (Bt)	0.4	0.4	0.4	0.4	0.4

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	34,369	34,938	35,943	37,080	39,334
Total Assets	82,405	80,055	78,965	79,060	80,015
Current Liabilities	19,751	22,721	17,045	13,934	11,304
Long-term Loans	5,400	3,265	5,000	5,000	5,000
Shareholders' Funds	57,095	53,997	56,814	60,015	63,596
Total Equity & Liabilities	82,406	80,055	78,965	79,060	80,015

Cash Flow

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	17,147	14,192	13,768	14,908	14,737
Investing	(792)	(6,317)	(2,934)	(4,201)	(4,151)
Financing	(15,520)	(7,250)	(11,307)	(11,028)	(9,510)
Net Cash Inflow/(Outflow)	836	625	(473)	(321)	1,076
Begin Cash & Cash Equiv.	1,920	2,588	1,917	1,444	1,122
End'g Cash & Cash Equiv.	2,755	3,213	1,444	1,122	2,198

Beauty China

Chairman is considering selling his stake

Beauty China's chairman is considering selling all his BCH shares. No price range has been disclosed. We are reviewing our recommendation and target price.

Corporate Events

Beauty China announced that its Chairman, Mr Wong Hon Wai, had been approached by a potential purchaser to consider a sale of all his BCH shares. Currently, Mr Wong holds 137,456,007 shares, representing about 38.57% of BCH's share capital.

Stock Impact

Although there are no details on the terms and timeline for the share sale and it remains uncertain whether the deal will be done, we expect the Chairman's intention to reduce his stake to have a negative impact on the share price, especially after the company released poor 4Q08 results with a net loss of HK$25.8m.

Share price plunged 70% yesterday to close at a historical low of S$0.11.

Valuation/Recommendation

If the share sale is concluded at a premium to the current share price, it may prompt the market to reconsider the hidden value of the company. However, if the deal is concluded at a discount to the current share price, it will deepen the pessimistic view of the company's prospects, which in turn may trigger another sell-off.

We will monitor the progress of the talks between Mr Wong and the potential purchaser. We are reviewing our recommendation and target price.

4Q08 results review. Network expansion continued in 4Q08, but a fall in consumption affected BCH's sales per outlet, dragging down turnover for its brand business by 2.2% yoy in 4Q08. Although gross margin improved from 62.3% in 4Q07 to 65.1% in 4Q08, high allowance impairment loss on trade receivables and land use rights led to a net loss of HK$25.8m in 4Q08.

Although BCH focuses mainly on the mass market – which is more defensive during an economic downturn – stagnant disposable income growth and weak consumption sentiment will still have a negative impact on the company. We expect 2009 to be challenging, especially in 1H09.

SINGAPORE

Beauty China (BCH SP)

BUY

Current Price: S$0.11
Target Price: S$0.47

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	755
Market Cap (S$m)	39.2
(US$m)	26.1
Major Shareholders (%)	
Hon Wai Wong	38.57
Book NTA per Share (HK$)	2.27
ROE (%)	15.3
Net debt per Share (HK$)	0.25
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

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 (%)
2007	632.6	194.9	161.9	47.3	20.1	1.2	(0.0)	3.0	5.5
2008	768.5	175.9	115.0	32.3	(31.7)	1.7	0.7	2.0	3.6
2009F	749.1	200.0	127.3	35.7	10.7	1.5	0.1	1.8	3.2
2010F	813.1	222.0	143.6	40.3	12.7	1.4	(0.3)	2.0	3.7
2011F	918.1	244.7	156.9	44.0	9.3	1.2	(0.7)	2.2	4.0

Consensus Net Profit – FY09: HK$166.5m
– FY10: HK$166.0m

Profit & Loss

Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Turnover	632.6	768.5	749.1	813.1	918.1
EBIT	165.4	122.2	132.6	148.8	162.1
Pre-tax Profit	161.9	115.0	127.3	143.6	156.9
Net Profit	161.9	115.0	127.3	143.6	156.9

Balance Sheet

Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Current Assets	496.4	547.4	636.3	781.8	951.5
Total Assets	902.9	1,045.3	1,133.9	1,273.1	1,427.2
Current Liabilities	313.9	162.4	129.9	132.8	137.8
Long-Term Liabilities	0.0	74.1	74.1	74.1	74.1
Shareholder Funds	588.9	808.9	929.8	1,066.2	1,215.2
Total Equity & Liabilities	1,004.8	1,045.3	1,133.9	1,273.1	1,427.2

Cash Flow

Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Operating	106.4	(32.1)	207.2	180.0	178.8
Investing	(275.0)	(142.6)	(67.0)	(67.0)	(67.0)
Financing	69.6	47.6	(37.2)	(7.2)	(7.8)
Net Cash In/(Out) Flow	(99.0)	(127.1)	103.1	105.8	104.0
Begin Cash & Cash Equiv.	278.0	191.2	64.6	167.7	273.5
End'g Cash & Cash Equiv.	191.2	64.6	167.7	273.5	377.5

STX Pan Ocean

Disappointing earnings ahead

Management expects losses in 1H09 before an earnings recovery in 2H09 and flat or weaker 2009 cargo volume. Maintain SELL.

Post 4Q08 results briefing

Losses in 1H09, recovery in 2H09. STX Pan Ocean (STX PO) posted a net loss of US$94.2m in 4Q08. Excluding FFA, forex and other losses, net loss would have been US$14.3m. Management expects further losses in 1H09 due to 17 vessels chartered in last year when the Baltic Dry Index (BDI) was at 3000-5000 level. The BDI currently stands at 2014 (2 Mar 09). Management expects an earnings recovery in 2H09 upon contract expiry of these vessels.

Managing razor thin margins. STX PO has an operating fleet of 272 vessels. Out of which, 70 are owned and 202 are chartered-in vessels. Of the chartered-in fleet, 166 are dry bulk vessels. Thirty-two of these have a hiring contract period of more than one year whereas the other 134 chartered-in dry bulk vessels are on short-term contracts of less than one year.

STX PO has adopted a pre-emptive vessel risk management strategy by remaining flexible on the number of charter-in vessels. When the dry bulk shipping market was on an uptrend in Jan-Apr 08, profit was maximized by pre-emptive charter in of dry bulk vessels. Conversely, with the market on a downtrend since mid-08, STX PO has been managing earnings risk by reducing its charter-in fleet. Since 2H08, STX PO has adopted a conservative approach by first securing the cargo shipments before chartering vessels to ensure revenue can cover charter hire costs. Nonetheless, profit margins of these vessels remain razor thin.

Flat or negative cargo growth in 2009. Management anticipates flat (in the best case scenario) or a contraction in its cargo volume in 2009, in view of the current global economic downturn. STX PO achieved a 28% volume growth in 2008.

Unfunded capex of US$180m. Management is guiding US$580m capex in 2009, of which US$180m is still unfunded. The management is in discussion with a bank to fund this amount. There are no plans for a rights issue. As of end-2008, STX PO had cash and cash equivalents of US$733m.

A relatively sanguine demand-supply outlook. STX PO expects a fleet growth of 5.6% and 6.7% in 2009 and 2010 respectively. This factors in a) annual orderbook cancellations of 20-40% and delivery delays of 10% and b) annual vessel scrapping of 25-30m dwt. With demand growth projections of 3.0% and 4.2% for 2009 and 2010 respectively, this would imply a relatively balanced demand-supply situation. This is contrary to UOB Kay Hian's view.

SINGAPORE

STX Pan Ocean (STX SP)

SELL

Current Price: S$7.31
Fair Price: S$4.35

Sector	Shipping
52-Wk Avg Daily Vol. ('000)	462
Market Cap (S$m)	1,504.8
(US$m)	970.8
Major Shareholders (%)	
STX Shipbuilding Co Ltd	32.4
Korea Development Bank	15.5
Book NTA per Share (US$)	10.68
ROE (%)	24.4
Net Debt per Share (US$)	2.10
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

Price Chart

Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (US$m)	EBITDA (US$m)	Net Profit (US$m)	EPS (US¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (US¢)	Yield (%)
2007	5,819.1	596.4	497.0	27.4	(63.7)	17.8	2.4	4.9	1.0
2008	9,288.4	575.5	494.5	241.5	781.5	2.0	2.5	24.2	5.0
2009F	4,939.5	149.9	35.9	17.6	(92.7)	27.8	9.5	0.9	0.2
2010F	2,479.6	(581.0)	(730.0)	(356.6)	n.a.	n.a.	n.a.	-	-
2011F	3,743.3	(352.2)	(516.2)	(252.2)	n.a.	n.a.	n.a.	-	-

Consensus Net Profit – FY09: US$87.0m
– FY10: US$22.1m

Stock Impact

The global dry bulk vessel orderbook of 294m dwt, which is about 70% of total dry bulk fleet, is scheduled for delivery over the next five years. UOB Kay Hian expects dry bulk shipping freight rates to be soft when vessel oversupply hits the market from 2H09 onwards. Share prices of dry bulk shipping stocks move in tandem with dry bulk shipping freight rates. A short-term rally in the BDI on China's higher iron ore imports may boost share prices but such rally will not likely be sustained in view of potential vessel oversupply.

Earnings Risk

Based on our quarterly estimates of vessel deliveries, 2H09 will see a sharp influx of newbuilds into the dry bulk shipping market. A significant portion of 2010 deliveries could be delayed or cancelled in view of the current global credit crunch and the recent collapse in vessel values. Shipping rates will likely be soft in 2H09 before they get better in 2010 if a significant portion of 2010 deliveries is cancelled or delayed. If oversupply is not averted by newbuild cancellations or delivery delays, 2010 could end up worse than 2009. We forecast the BDI to be 2,500 in 2009 and 1,500 in 2010 before finding relief in 2011. STX PO faces significant downside risk given its razor-thin profit margins as a result of a large charter-in fleet.

Valuation/Recommendation

We maintain our **SELL** recommendation on STX PO and fair price of S$4.35 based on a 0.4x 2010 P/B (a typical shipping cyclical trough valuation). We forecast global dry bulk shipping fleet growth of 8.5% and 15.0% for 2009 and 2010 respectively, far exceeding our tonne-mile demand growth projections of -0.9% for 2009 and 3.3% for 2010. Dry bulk shipping rates will likely be soft as strong vessel deliveries hit the market from 2H09 onwards. Should scrapping pick up substantially, coupled with significant order cancellations or delivery delays, the dry bulk shipping sector may stage a strong return. At this juncture, visibility of the extent of vessel cancellations/delays remains low.

Profit & Loss

Year to 31 Dec (US$m)	2007	2008	2009F	2010F	2011F
Turnover	5,819.1	9,288.4	4,939.5	2,479.6	3,743.3
EBIT	544.7	507.3	69.9	(671.0)	(452.2)
Pre-tax Profit	507.3	493.6	55.9	(705.0)	(486.2)
Net Profit	497.0	494.5	35.9	(730.0)	(516.2)

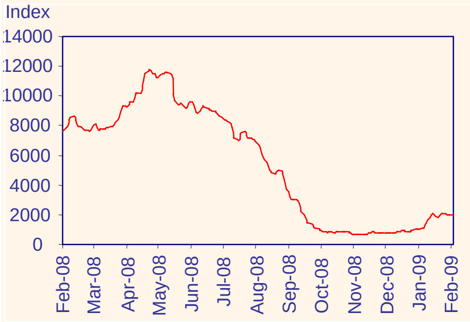
Balance Sheet

Year to 31 Dec (US$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,556.4	1,527.2	1,364.6	752.0	947.6
Total Assets	3,173.1	3,741.7	4,437.6	4,335.0	4,730.6
Current Liabilities	767.8	751.5	872.8	855.2	1,022.0
Long-Term Liabilities	483.8	738.6	1,283.6	1,928.6	2,673.6
Shareholder Funds	1,864.5	2,185.5	2,219.7	1,489.7	973.4
Total Equity & Liabilities	3,173.1	3,741.7	4,437.6	4,335.0	4,730.6

Cash Flow

Year to 31 Dec (US$m)	2007	2008	2009F	2010F	2011F
Operating	521.5	541.2	228.8	(227.0)	(319.3)
Investing	(535.9)	(884.4)	(890.5)	(700.5)	(400.5)
Financing	538.7	118.2	543.2	645.0	745.0
Net Cash In/out flow)	524.3	(225.0)	(118.5)	(282.5)	25.2
Begin Cash & Cash Equiv.	116.5	640.8	415.8	297.3	14.8
End'g Cash & Cash Equiv.	640.8	415.8	297.3	14.8	40.0

Baltic Dry Index



Source: Datastream

STX PO's Operating Fleet

	Owned	Chartered-in	(1-Year)	Total	Orders
Handy	26	31	(7)	57	9
Handymax	10	68	(6)	78	6
Panamax	3	49	(10)	52	2
Cape	7	18	(9)	25	13
Sub-total (A)	**46**	**166**	**(32)**	**212**	**20**
Container	7	13	(5)	20	1
Car Carrier	2	4	(1)	6	4
Tanker	14	19	(17)	33	8
Heavy duty	1	-	-	1	-
LNG	-	-	-	-	1
Sub-total (B)	**24**	**36**	**(23)**	**60**	**14**
Total (A+B)	70	202	(55)	272	44

Source: STX PO

STX PO's Charter-In Fleet Management

Source: STX PO

STX PO's Gross Profit Margin

Source: STX PO

STX PO's Industry Demand-Supply Forecasts

	2006	2007	2008	2009E	2010E
Tonnage (mil. dwt)	368.5	392.6	418.2	439.5	485.8
Growth (mil. dwt)	23.3	24.1	25.6	68.9	111.9
Growth (%)	6.3%	6.1%	6.1%	14.1%	19.8%
Expected Cancellations (mil. dwt)	-	-	-	13.8	47.5
Expected Delays (mil. dwt)	-	-	-	6.9	11.9
Estimated Scrapping (mil. dwt)	-	-	-	25.0	30.0
Adjusted Growth (mil. dwt)	-	-	-	23.2	29.4
Adjusted Growth (%)	**-**	**-**	**-**	**5.6%**	**6.7%**
Demand Growth (%)	**-**	**-**	**-**	**3.0%**	**4.2%**

Source: STX PO

Italian–Thai Development

4Q08: Still incurring net loss but performance improved qoq

The deep share price correction for ITD does not warrant a BUY given the operating loss expected next year. Although its share price is below our entry price, upside may be capped at Bt2.64 or 0.80x P/B. Maintain HOLD.

4Q08 Results

Consolidated Year to 31 Dec	4Q08 (Bt)	yoy % chg	2008 (Bt)	yoy % chg	Remarks
Sales	11,068	(9.4)	42,855	(6.1)	Less income recognition
Gross Profit	627	(28.9)	963	(70.4)	Loss from overseas projects
EBITDA	755	(25.1)	1,357	(64.8)	Rising administrative expenses
Pre-tax Loss	(114)	146.2	(1,784)	232.2	Increasing interest from new bond issuance
Tax	(36)	(28.0)	(105)	(35.6)	
Net Loss	(258)	318.6	(2,656)	362.7	Bad debts and forex loss
Net Loss (Ex EI)	(101)	139.1	(1,794)	249.3	
LPS (Bt)	(0.06)	300.0	(0.63)	362.5	
Gross margin (%)	5.7%		2.2		
EBITDA margin (%)	6.8%		3.2		
Net margin (%)	(2.3%)		(6.2)		

Source: UOB Kay Hian

Results

Italian-Thai Development (ITD) continued to report net losses in 4Q08 and 2008. The results were in line with our expectation. Sales continued to decline on a yoy basis. Despite benefiting from low prices of construction materials, gross and EBITDA margins were under pressure from losses in several overseas projects and the hike in administrative expenses. Together with higher interest expenses from new bond issuance, ITD reported pre-tax losses in 4Q08 and 2008. Net losses were widened by the provision for bad debts and forex loss. Despite that, 4Q08 results showed an improvement from the previous two quarters.

Stock Impact

The momentum of ITD's improved performance may continue into 2009. However, its 2009 sales may decline slightly by 4% due to its tight orderbook of Bt52b, accounting for 1.2 years of its turnover. As prices of construction materials remain low, we expect its 2009 gross and EBITDA margins to improve further to 6% (2% in 2008) and 7% (3% in 2008), respectively. However, due to its high financial costs to fund the unproductive projects, ITD may still incur a net loss in 2009. The company may have to wait until 2010 to turn profitable when its gross margin is expected to reach 7%.

THAILAND

Italian-Thai Development (ITD TB)

HOLD

Current Price: Bt2.08
Fair Price: Bt2.64

Sector	Contractor
52-Wk Avg Daily Vol. ('000)	54,913.5
Market Cap (Btb)	8.7
(US$m)	241.4
Major Shareholders (%)	
Karnasuta family	22.9
Book NTA per Share (Bt)	3.0
ROE (%)	(18.0)
Net Debt per Share (Bt)	4.6
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)	Yield (%)
2007	45,623	3,856	1,011	0.24	147.1	8.6	4.2	0.07	3.4
2008	42,855	1,357	(2,656)	(0.63)	(362.7)	na.	17.3	0.00	0.0
2009F	41,129	2,659	(521)	(0.12)	80.4	na.	8.5	0.00	0.0
2010F	42,130	3,225	57	0.01	111.0	152.5	7.1	0.00	0.0
2011F	46,379	3,494	215	0.05	276.5	40.5	6.6	0.03	1.2

Consensus Net Profit – FY09: Bt456m
– FY10: Bt662m

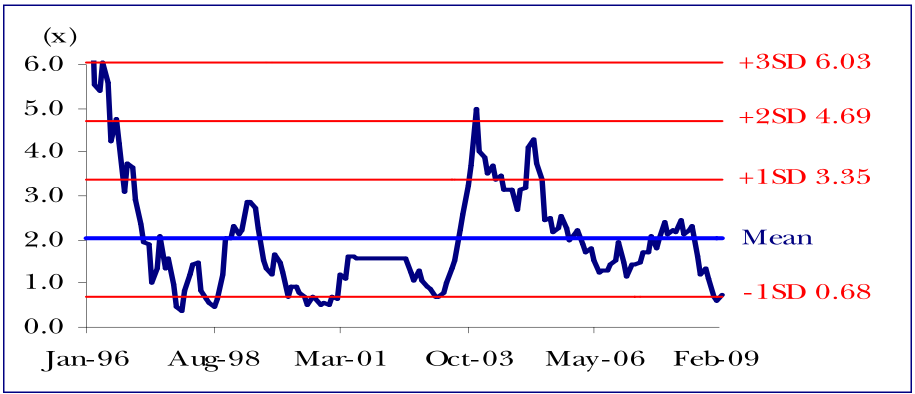
Maintain Earnings Forecasts

As 2008 performance was in line with our expectation, we maintain our 2009 and 2010 revenue and earnings forecasts. Our forecasts look conservative compared to the consensus as we do not expect ITD's performance to turn positive anytime soon.

Valuation/Recommendation

We believe the recent collapse in ITD's share price in response to the expectation of operating loss was overdone. Investors have overlooked the recent improved performance, which is expected to continue into next year. Although there is room for its share price to rise to our target price of Bt2.64 based on 0.80x P/B, further upside may be capped due to operating loss expected in 2009. Maintain HOLD with re-entry price at Bt2.10.

P/B Of ITD



Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec 31 (B m)	2007	2008	2009F	2010F	2011F
Turnover	45,623	42,855	41,129	42,130	46,379
EBIT	2,648	(40)	1,075	1,633	1,895
Pre-tax Profit	1,158	(2,646)	(409)	146	399
Net Profit	1,011	(2,656)	(521)	57	215
EPS (Bt)	0.2	(0.6)	(0.1)	0.0	0.1

Balance Sheet

Year to 31 Dec 31 (B m)	2007	2008	2009F	2010F	2011F
Current Assets	30,466	33,598	24,785	25,216	27,258
Total Assets	52,987	57,230	49,332	49,985	52,277
Current Liabilities	25,155	29,904	17,523	17,574	18,510
Long-Term Loans	7,420	12,732	17,194	17,834	18,714
Shareholders' Funds	16,817	12,695	12,024	12,081	12,297
Total Equity & Liabilities	52,987	57,230	49,332	49,985	52,277

Cash Flow

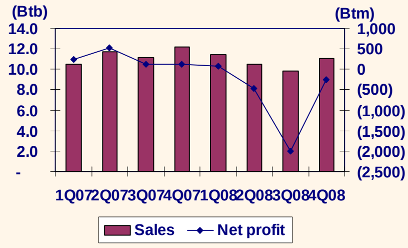
Year to 31 Dec 31 (B m)	2007	2008	2009F	2010F	2011F
Operating	1,032	(2,026)	958	166	(188)
Investing	(2,038)	(3,422)	(442)	(327)	(342)
Financing	647	6,698	(5,082)	(39)	287
Net Cash Inflow/(Outflow)	(359)	1,250	(4,566)	(200)	(242)
Begin Cash & Cash Equiv.	3,963	3,604	4,854	288	89
End'g Cash & Cash Equiv.	3,604	4,854	288	89	(154)

Orderbook

	Btb
Orderbook as of Jan 09	56.7
New projects signed & awarded	6.8
Total	63.5
Revenue recognition in 4Q08	(11.1)
Orderbook as of Sep 08	**52.4**

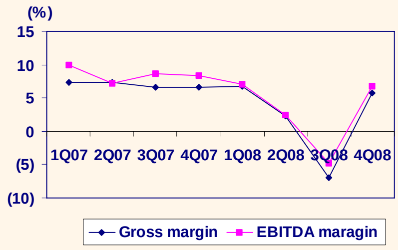
Source: ITD, UOB Kay Hian

Sales And Net Profit



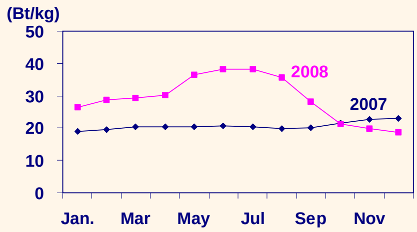
Source: ITD

Gross And EBITDA Margin



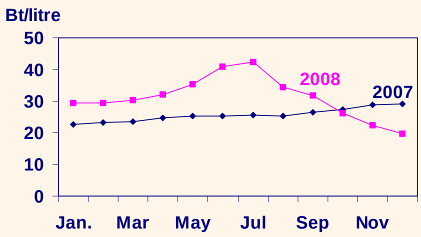
Source: ITD

Steel Price



Source: MOC

Diesel Price



Source: MOC

Rojana Industrial Park

4Q08: Results are much below expectation; Another earnings cut

Results were worse than expected. Prospect remains sluggish. Every part of its businesses is hit amid the downturn while its balance sheet is weak with a high gearing of 2.2x. Maintain SELL

4Q08 Results

Year to 31 Dec	4Q08 (Btm)	yoy %chg	2008 (Btm)	yoy %chg	Remarks
Land sales	176	n.a.	1,227	6.5	4Q08 land sales: 50 rai (9M08:550 rai)
Utilities income	1,093	10.1	4,203	9.2	
Residential income	264	57.1	621	(19.8)	Started to realise sales of Kaina condo in 3Q08
Service income	113	6.6	454	12.4	
Total revenue	1,646	32.6	6,505	5.3	4Q08 revenue rose 33% with higher residential sales and land sales
Gross margin	249	(15.9)	1,592	(7.7)	
EBIT	179	(0.6)	1,244	(4.8)	
Net profit	147	118.8	602	(34.9)	Revenue increased but a drop in margins and some extra loss forced down profit
Gross margin%					
-Land	52.8		46.7		2007: 49%, higher discounts were given to customers who bought large land plots
-Utilities	0.4		14.0		Collapsed in 4Q08
-Condominium	38.3		36.7		Lower than 40% in 2007
-Service	45.1		44.9		Lower than 55% in 2007
Overall %	15.1		24.5		Dipped from 28% in 2007
SG&A/sales %	4.1		5.5		
Net margin%	8.9		9.3		Dropped from 15% in 2007

Source: ROJANA, UOB Kay Hian

Results

Compared to the disastrous 4Q07 results with land sales contract cancellation, Rojana Industrial Park (ROJANA)'s bottom line picked up almost 120% yoy. But on a qoq basis, the results were flat. Total revenue came in at Bt1.65b but overall gross margin dropped sharply to 15% (9M08: 28%). This was mainly due to a fall in the gross margin of utilities. Also it booked some extra losses in the last quarter. Hence, 2008 net profit of Bt147m (-6% qoq) came in much lower than consensus estimate, causing 2008 profit to fall 35% to Bt602m. Last year's total revenue grew 5% but gross margin of every business slipped. Moreover, a 60% yoy drop in profit contribution from TICON and some extra losses hampered its bottom line.

Stock Impact

We are bearish on the outlook of the industrial estate sector. ROJANA's 2009 profit is expected to fall another 8% yoy. We estimated its land sales at 259 rai this year, the level achieved during 2001-3 (dot com crisis). Our estimates are lower than the company's guidance of 300 rai. We also factored into our 2009 forecast some slowdown in businesses like electricity, water and service which are impacted by a 50% reduction in industrial capacity utilization while some factories are forced to shutdown. Even profit contribution from its 20%-owned associate, a factory rental operator of TICON, will slow down. We remain doubtful on the prospect of the Kaina condominium project located in Jiangsu province, China. We estimate revenue from Kaina at Bt795m, 20-25% lower than the management's guidance.

THAILAND

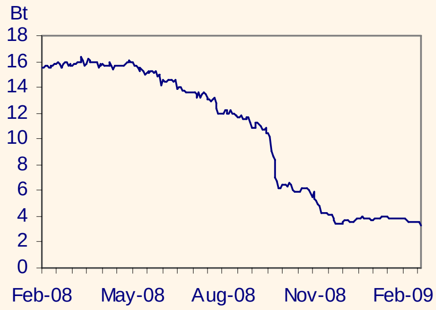
Rojana Industrial Park (ROJANA TB)

SELL

Current Price: Bt3.24
Fair Price: Bt2.62
(Previous Bt3.23)

Sector	Property
52-Wk Avg Daily Vol. ('000)	678.8
Market Cap (Btm)	2,698.9
(US$m)	77.1
Major Shareholders (%)	
Sumikin Bussan Corp	22.2
Book NTA per Share (Bt)	6.20
ROE (%)	12.4
Net debt/share (Bt)	13.90
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)	P/B (x)	DPS (Bt)	Div Yield (%)
2007	6,180	1,692	924	1.03	3.5	3.1	6.1	0.55	1.00	31.0
2008	6,518	1,645	602	0.67	(34.8)	4.8	7.5	0.52	0.25	7.7
2009F	6,898	1,617	550	0.61	(8.6)	5.3	5.5	0.52	0.31	9.5
2010F	7,148	1,644	586	0.65	6.6	5.0	4.6	0.48	0.33	10.1
2011F	6,978	1,550	601	0.67	2.5	4.8	4.5	0.45	0.33	10.3

Consensus Net profit – FY09: Bt688m
– FY10: Bt750m

Recommendation

We maintain SELL on ROJANA. We cut its fair price to Bt2.62, pegged at 0.42x P/B, -1SD from its 12-year mean. The current global economic crisis hits every part of its businesses: industrial land, utilities and service, and oversea residential project. Moreover, its balance sheet is weak, with a high net debt-to-equity ratio of 2.2x.

Slash 2008 dividend

ROJANA slashed its 2008 DPS to Bt0.25 from Bt1.00 per year during 2006-2007. This implied a decline in its payout ratio from 76-77% to 35% in 2008. To compensate for the lower dividend, it will issue one free warrant for every three common shares held. Each warrant can buy one share within 5 years at an exercise price of Bt4.00/share.

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	6,180	6,518	6,898	7,148	6,978
EBIT	1,307	1,260	1,172	1,200	1,106
Pre-tax Profit	788	776	654	711	618
Net Profit	924	602	550	586	601
EPS (Bt)	1.03	0.67	0.61	0.65	0.67

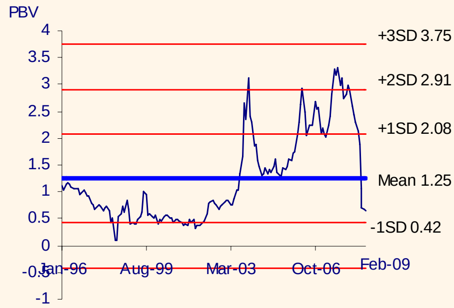
Balance Sheet

Year to 31 Dec (Btm)	2007	2,008	2009F	2010F	2011F
Current Assets	6,721	7,224	6,413	5,793	6,347
Total Assets	19,718	20,906	19,725	19,552	20,486
Current Liabilities	6,756	5,510	5,575	5,050	5,050
Long-Term Loans	6,934	8,481	6,500	6,000	6,000
Shareholders' Funds	4,496	5,018	5,591	6,041	6,492
Total Equity & Liabilities	19,718	20,723	19,725	19,552	20,486

Cash Flow

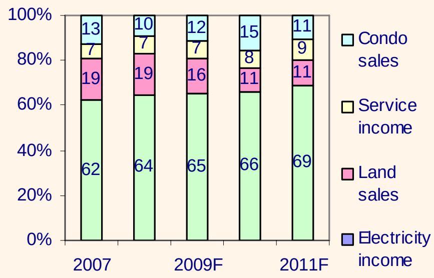
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	1,948	(1,256)	2,998	1,507	683
Investing	(2,826)	(899)	261	(500)	(344)
Financing	1,656	1,213	(3,283)	(637)	(150)
Net Cash In/out flow)	778	(942)	(24)	370	189
Begin Cash & Cash Equiv.	543	1,321	562	538	908
End'g Cash & Cash Equiv.	1,321	379	538	908	1,097

ROJANA: P/B & Standard Deviations



Source: SETSMART, UOB Kay Hian

Revenue Breakdown



Source: ROJANA, UOB Kay Hian

True Corporation

4Q08: Weak results as expected

With all bad news already in the share price, downside risk for TRUE is limited. This offers enormous upside to our target price of Bt2.58 when good news appears, probably in 2H09. Maintain BUY.

4Q08 Results

Year to 31 Dec	4Q08 (Btm)	yoy % chg	2008 (Btm)	yoy % chg	Remarks
Sales	15,199	(4.4)	61,265	(0.6)	Soft performance at TM & TV
Gross profit	4,408	(11.7)	18,819	(9.7)	
EBITDA	4,533	(5.4)	18,473	(6.5)	No goodwill provision in 2008
Pre-tax Profit/(Loss)	(281)	(24.5)	21	(92.3)	
Tax	440	(154.2)	(978)	(5.9)	Reversal of deferred income tax in 4Q08
Net Loss	(1,193)	593.0	(2,355)	303.4	Impact of forex gain vs loss.
Net Profit (Ex EI)	540	134.8	63	105.3	+ve minority
LPS (Bt)	(0.31)	720.0	(0.66)	650.0	
Gross margin (%)	29.0		30.7		
EBITDA margin (%)	29.8		30.2		
Net margin (%)	(7.8)		(3.8)		

Source: UOB Kay Hian

Results

True Corporation's (TRUE) sales in 4Q08 and 2008 were in line with our forecasts. Sales declined yoy on the back of soft performance at True Move (TM) due to lower interconnection (IC) revenue and lower ARPU. Despite no goodwill provision in 2008, both gross and EBITDA margins declined yoy due to net IC payment, higher network operating costs and rising costs of staff and doubtful account. With a reversal of deferred income tax and a positive minority interest as CP Group (CP) took a greater share of loss in BITCO (a holding company of TM), net profit before extraordinary items was widen yoy. Including forex loss, TRUE turned from a net profit in 2007 into net losses both in 4Q08 and 2008.

Stock Impact

Despite a weaker performance yoy, the results in 4Q08 signaled a gradual turnaround of TM from its lowest point in 3Q08. Net new subscribers started to increase in 4Q08. Tariff readjustments also led to a lower net IC paid in 4Q08. True Online and True Visions (TV) continued to perform well in 4Q08. However, the current economic doldrums may impact TRUE's performance in 1H09. We expect the government's stimulus package to help mobile operators, including TM to perform better in 2H09. We therefore expect flat performance for TRUE in 2009.

The recent agreement with concession owner CAT Telecom to extend its concession by five years after 2013 may enable TM to lengthen its amortisation period by five years. This, together with tight control over costs, will enable TRUE's margins to improve further and may meet its breakeven point in 2009.

THAILAND

True Corporation (TRUE TB)

BUY

Current Price: Bt1.38
Target Price: Bt2.58

Sector	Telecom
52-Wk Avg Daily Vol. ('000)	30,592.6
Market Cap (Btb)	9.8
(US$m)	270.2
Major Shareholders (%)	
Chareon Pokphand Group	40.0
Kreditanstalt fur Wiederaufbau	7.6
Book NTA per Share (Bt)	1.7
ROE (%)	n.a.
Net Debt per Share (Bt)	20.2
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

Price Chart

Source: Bloomberg

Analyst

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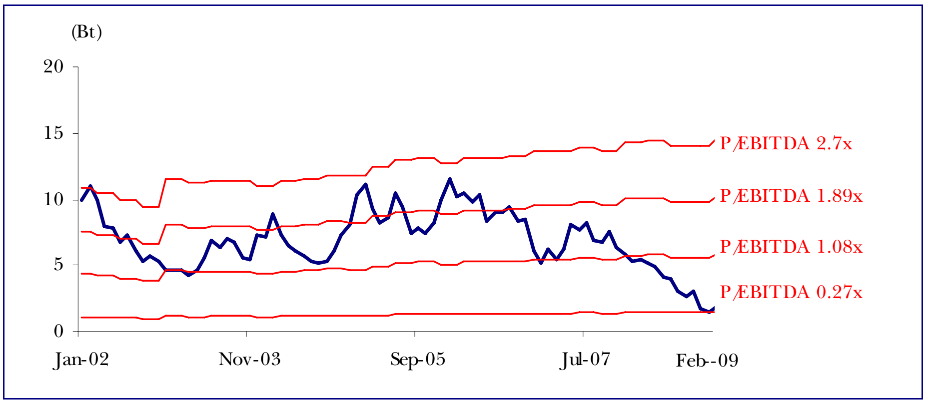
Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Bt)	Yield (%)
2007	61,641	19,754	1,158	0.26	128.7	5.4	3.9	0.0	0.0
2008	61,265	18,473	(2,355)	(0.52)	(303.4)	n.a.	4.2	0.0	0.0
2009F	61,208	19,375	42	0.00	100.6	473.4	3.0	0.0	0.0
2010F	62,522	20,235	605	0.04	1,327.9	33.2	2.5	0.0	0.0
2011F	64,484	21,583	2,135	0.15	252.9	9.4	2.0	0.0	0.0

Consensus Net Profit – FY09: (Bt81m)
– FY10: Bt465m

Valuation/Recommendation

It seems that the share price of TRUE has factored in all the bad news but it has not yet recognised TRUE's improved operations. With CP's commitment, TRUE is expected to survive the current turbulent period. It is unlikely that TRUE will be in default as the debts due will be rolled over. As the share is trading at the lowest P/EBITDA band of 0.3x, downside risk is limited. Share price could offer enormous upside to our target price of Bt2.58, based on DCF model at a discount rate of 12%. However, the price may be capped at the rights offer price of Bt1.95 in the short term as 67% of unsubscribed rights issue is expected to be re-offered sometime this year. Still, it offers over 40% upside. Maintain BUY.

Share Price Is Sustaining At Lowest P/EBITDA Band



Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	61,641	61,265	61,208	62,522	64,484
EBIT	8,177	7,462	8,182	8,483	9,236
Pre-tax Profit	2,612	(2,397)	1,695	2,650	4,834
Net Profit	1,158	(2,355)	42	605	2,135
EPS (Bt)	0.3	(0.5)	0.0	0.0	0.1

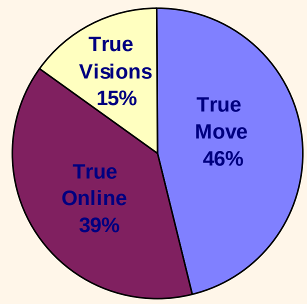
Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	25,261	20,333	34,020	31,575	26,212
Total Assets	125,259	116,951	128,029	121,072	110,662
Current Liabilities	32,946	33,265	38,777	40,742	35,744
Long-Term Loans	7,006	12,001	15,056	14,505	8,383
Funds 'Shareholders	10,050	6,620	26,163	26,712	28,794
itiesTotal Equity & Liabil	125,259	116,951	128,029	121,072	110,662

Cash Flow

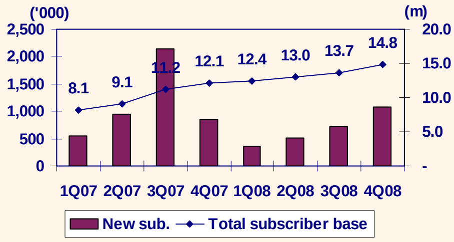
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	14,104	9,159	10,264	13,602	14,384
Investing	(4,903)	(8,413)	(6,959)	(6,511)	(6,636)
Financing	672	(3,664)	8,579	(10,079)	(13,669)
Net Cash Inflow/(Outflow)	9,873	(2,918)	11,884	(2,987)	(5,921)
Begin Cash & Cash Equiv.	6,136	6,316	5,758	17,642	14,655
End'g Cash & Cash Equiv.	16,009	3,398	17,642	14,655	8,734

Sales Contribution To The Group



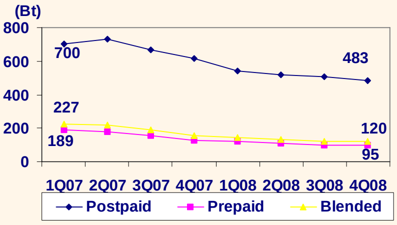
Source: TRUE

True Move's Subscriber Base



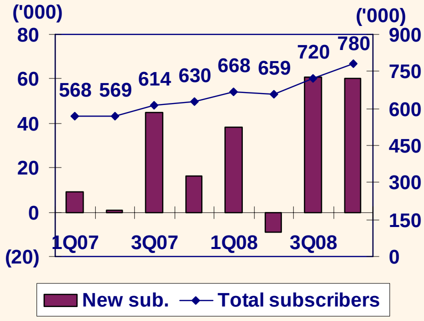
Source: TRUE

Quarterly ARPU



Source: TRUE

True Visions' Subscribers



Source: TRUE

True Move's IC Position

(Btm)	4Q07	1Q08	2Q08	3Q08	4Q08
IC rec.	2,351	2,272	2,091	1,930	1,879
IC paid	2,343	2,486	2,361	2,164	2,007
Net IC	**8**	**(214)**	**(270)**	**(234)**	**(128)**

Source: TRUE

Precious Shipping

Key takeaways from non-deal roadshow

In our recent non-deal roadshow with Precious Shipping in Singapore, management discussed the recent BDI trends, sector outlook, and PSL's newbuild program.

Corporate Event

Non-deal roadshow hosted by UOB Kay Hian in Singapore on 23-24 February.

Highlights

Volatility in BDI is driven by Capesize index. The Baltic Dry Index (BDI) rose from a trough of 663 on 5 Dec 08 to 2,099 on 20 Dec 08 (up 217%). The average time charter rate of a Capesize vessel increased about 14x over the same period (US$2,763 to US$39,401) whereas the rates for vessels of other categories such as Panamax, Supramax and Handysize rose by 2-3x only. The BDI is heavily skewed towards the Capesize sector given the latter's wide fluctuations.

PSL estimates two-third of the dry bulk vessel orderbook will not be able to secure funding. In view of the current credit crunch, PSL estimates that two-third of the US$592b worth of newbuilds scheduled for delivery over the next four years will not be able to secure funding. The anticipated capacity oversupply in the dry bulk shipping market may be mitigated.

PSL forecasts vessel scrapping to reach 25-50m dwt per year. There was more vessel scrapping in the three months between Nov 08 and Jan 09 than over the last five years. Scrapping reached a monthly historic high of 2.4m dwt in Dec 08. PSL expects it to accelerate to 25-50m dwt p.a. over the next few years. The potential total scrapping of vessels over 25 years between 2009 and 2011 is about 71m dwt or 17% of the current dry bulk fleet of 419m dwt.

Dry bulk shipping market may return to 2003 level by end 2010. Dry bulk orderbook, at 70% of global fleet, is scheduled for delivery over the next four years. Fleet growth may return to a reasonable level of 6-7% p.a. by end 2010 (instead of the current forecasts of 15-18% fleet growth), similar to the 2003 level when BDI was about 2,600. This assumes no vessel deliveries from greenfield shipyards, scrapping of vessels over 25 years, and 30% of the orderbook is cancelled or delayed. From now till mid-2010, PSL estimates the BDI to fluctuate between 500 and 2,500.

PSL's newbuild program. Eighteen ships with a total contract value US$588m are on order, scheduled for delivery between 2010 and 2013. PSL has already paid US$117.6m from internally generated funds and has confirmed credit line of US$398.4m, which leaves US$72m (for three ships due in 2013) still unfunded. Seven of the 18 newbuilds secured time-charter contracts with a duration of 5 years and an EBITDA of US$25-42m per ship per contract.

THAILAND

Precious Shipping (PSL TB)

HOLD

Current Price: Bt10.10
Fair Price: Bt8.30

Sector	Marine
52-Wk Avg Daily Vol. ('000)	2,819
Market Cap (Btm)	10,499.2
(US$m)	290.4
Major Shareholders (%)	
Globex Corporation	25.1
Moinuddin Hashim Khalid	9.6
Shah Nishita	9.5
Book NTA per Share (Bt)	15.54
ROE (%)	32.7
Net Cash per Share (Bt)	2.51
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)	Yield (%)
2007	9,033	6,569	4,156	4.10	11.9	2.5	1.2	2.56	25.3
2008	8,660	6,063	4,939	4.75	15.8	2.1	1.3	2.80	27.7
2009F	7,111	3,996	2,980	2.87	(39.7)	3.5	2.0	0.72	7.1
2010F	4,872	1,581	471	0.45	(84.2)	22.3	5.0	0.11	1.1
2011F	7,188	3,567	2,374	2.28	404.6	4.4	2.2	0.57	5.7

Consensus Net Profit – FY09: Bt2,903.0m
– FY010: Bt1,899.9m

Three vessels are sold, 22 more to go. As of end-2008, PSL has a total fleet of 44 vessels with an average age of 21 years. Over the next few years, PSL intends to sell or scrap the oldest 25 vessels when their time-charter contracts expire and replace them with younger vessels from the second-hand market.

Lower dividend payout ratio. A majority of the cargoes carried by PSL's vessels are agricultural and steel products. Client concentration is not more than 7% and there is no client default to date. PSL has a policy of paying out dividends equivalent to at least 25% of net profit. However, between 2006 and 2008, PSL paid out 60-70% of net profit. Going forward, the payout ratio is expected to be lower, in view of PSL's newbuild programme.

Earnings Risks

While a recovery in China's iron ore imports will help freight rates rise to a more reasonable level, the ultimate recovery in the dry bulk shipping market depends on a moderation of fleet growth through a) a delay in newbuild deliveries or order cancellation and/or b) scrapping. The construction of 2009 newbuild deliveries is already underway and not likely to be cancelled though there could be some delays. As such, we expect dry bulk freight rates to remain soft as 284m dwt of vessel newbuilds kick in from 2Q09 onwards. About 40% and 68% of PSL's available vessel days for 2009 and 2010 have not been locked in with charter contracts. Hence, PSL will be exposed to spot freight rate weakness. We maintain our earnings forecasts for PSL.

Valuation/Recommendation

We maintain our **HOLD** recommendation on PSL with a fair price of Bt8.30 based on 0.5x 2010 P/B. We are valuing PSL at above our average 0.4x P/B (cyclical sector trough valuation) for most dry bulk shipping stocks because of the company's strong balance sheet and 2009's relatively high earnings visibility (60% of its 2009 vessel capacity is fixed on time charters). While dry bulk shipping stocks could be good short-term trading plays on a rising BDI, our 12-month fundamental view on the dry bulk shipping sector remains UNDERWEIGHT. We would revisit our view should vessel scrapping and order cancellations rise sharply, which would redress the potential oversupply situation in 2010.

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	9,033	8,660	7,111	4,872	7,188
EBIT	2,944	4,978	2,911	446	2,381
Pre-tax Profit	4,376	4,958	3,003	493	2,397
Net Profit	4,156	4,939	2,980	471	2,374

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	1,763	3,638	6,367	7,426	10,787
Total Assets	15,018	17,961	22,878	26,237	31,784
Current Liabilities	788	778	1,173	1,159	1,171
Long-Term Liabilities	165	1,005	4,067	7,505	10,888
Shareholder Funds	14,052	16,166	17,627	17,561	19,714
Total Equity & Liabilities	15,018	17,961	22,878	26,237	31,784

Cash Flow

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	4,760	6,355	4,066	1,606	3,560
Investing	(2,124)	(2,090)	(3,338)	(3,426)	(3,383)
Financing	(2,391)	(2,220)	1,808	2,901	3,161
Net Cash In/(Out) Flow	212	2,090	2,536	1,081	3,338
Begin Cash & Cash Equiv.	1,259	1,470	3,560	6,096	7,177
End'g Cash & Cash Equiv.	1,470	3,560	6,096	7,177	10,515

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