KEY STORY

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Impact Of Zero Export Tax **Page 4**

China plans to bring export tax rates to zero to help exporters. Major beneficiaries include metal, coal, fertiliser, paper, textiles and garments.

Malaysia

Mini Budget 2009 **Page 16**

Larger-than-expected stimulus package of RM60b or 9% of GDP and a budget deficit of 7.6% of GDP. GDP growth forecast revised down to -1% to 1%.

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Cash calls among Temasek-linked companies – Who's next? **Page 20**

Banking **Page 22**

Expect technical rebound after correction caused by rights issue at HSBC and potential downward revision for GDP forecast.

CHINA

Economics

Feb 09 CPI and PPI **Page 3**

Both CPI and PPI fall, suggesting increased deflation risk in the short term. CPI target at 4% leaves more room for monetary easing.

Strategy

Impact Of Zero Export Tax **Page 4**

China plans to bring export tax rates to zero to help exporters. Major beneficiaries include metal, coal, fertiliser, paper, textiles and garments.

Sector

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2008 results preview: Good margin recovery for 4Q08 but earnings outlook remains unclear. Maintain MARKET WEIGHT.

Update

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Profit warning on PHS impairment expected.

Wasion Group (BUY/HK$1.96/Target: HK$3.20) **Page 12**

The potential announcement by CEPRI and FY08 results announcement are near-term catalysts.

HONG KONG

Results

Hysan (SELL/HK$11.18/Fair: HK$7.93) **Page 14**

2008: Profit slightly ahead of expectation and the increase in final dividend is pleasing. SELL as we are cautious on rents in Causeway Bay.

MALAYSIA

Strategy

Mini Budget 2009 **Page 16**

Larger-than-expected stimulus package of RM60b or 9% of GDP and a budget deficit of 7.6% of GDP. GDP growth forecast revised down to -1% to 1%.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	6926.5	5.8	3.0	(12.2)	(21.1)
S&P 500	719.6	6.4	3.3	(13.0)	(20.3)
FTSE 100	3715.2	4.9	5.8	(11.8)	(16.2)
AS30	3143.2	0.7	(0.9)	(8.0)	(14.1)
CSI 300	2240.8	1.7	4.6	(3.9)	23.3
FSSTI	1485.8	2.0	(2.8)	(13.7)	(15.7)
HSI	11694.1	3.1	(2.8)	(13.6)	(18.7)
JCI	1300.2	1.1	3.5	(1.9)	(4.1)
KLCI	855.3	(0.3)	(2.4)	(4.7)	(2.5)
KOSPI	1092.2	1.9	6.5	(8.2)	(2.9)
Nikkei 225	7055.0	(0.4)	(2.4)	(11.2)	(20.4)
SET	417.4	1.5	1.0	(6.0)	(7.2)
TWSE	4671.0	0.9	5.3	2.1	1.7
BDI	2298	1.6	13.0	16.4	196.9
CPO (RM/mt)	1999	0.9	4.0	6.0	22.6
Nymex Crude (US$/bbl)	46	(2.9)	9.7	21.7	2.5

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
Top BUYs				
China Life	2628 HK	21.40	30.50	42.5
China Mobile	941 HK	64.10	90.00	40.4
China Petroleum	386 HK	3.83	6.93	80.9
China Railway	390 HK	4.25	5.90	38.8
China Shenhua	1088 HK	14.56	23.00	58.0
Zijin Mining	2899 HK	4.40	5.90	34.1
Bumi Resources	BUMI IJ	800	1,010	26.3
DBS Group	DBS SP	6.75	10.55	56.3
Indofood Agri	IFAR SP	0.55	0.80	46.8
SingTel	ST SP	2.45	2.95	20.4
Advanced Info	ADVANC TB	81.00	101.73	25.6
Quality Houses	QH TB	0.74	1.28	73.0
Top SELLs				
Aluminum Corp	2600 HK	3.92	3.00	(23.5)
Parkson Retail	3368 HK	6.60	5.15	(22.0)
Wharf Hldg	4 HK	15.66	14.60	(6.8)
S'pore Exchange	SGX SP	4.16	3.00	(27.9)
Amata Corp	AMATA TB	3.18	2.52	(20.8)

Key Assumptions

GDP (% yoy)		2008	2009F	2010F
US*		1.1	(2.0)	1.9
Euro Zone*		0.7	(2.2)	0.7
Japan*		(0.7)	(5.9)	0.6
Singapore		1.2	(4.0)	4.0
Malaysia		4.6	(2.5)	3.2
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	8.00
Brent Crude Oil	(US$/bbl)	100	55	65
Aluminium *	(US$/MT)	2,623	1,612	1,955
Copper *	(US$/MT)	6,884	3,629	4,412
Gold Price London *	(US$/ounce)	873	947	991
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
China Gas Roadshow	Shanghai	10 Mar	-
Bumi Resources Roadshow	Singapore	12 Mar	13 Mar

SINGAPORE

Strategy

Cash calls among Temasek-linked companies – Who's next? **Page 20**

Sector

Banking **Page 22**

Expect technical rebound after correction caused by double negatives of rights issue at HSBC and potential downward revision for GDP forecast.

THAILAND

Sector

Energy **Page 26**

Electricity demand pick up in February from a huge drop of 13% in January. PTTEP and EGCO have better ROEs than peers.

Update

Bumrungrad Hospital (HOLD/Bt19.60/Fair: Bt22.51) **Page 28**

Expect negative growth due to high exposure to foreign patients. Current share price offers limited upside. Maintain HOLD.

Feb 09 CPI and PPI

Deflationary pressure remains as both CPI and PPI fall

DATA RELEASED (CPI in Feb 09):-1.6% yoy
PREVIOUS DATA (CPI in Jan 09):+1% yoy
DATA RELEASED (PPI in Feb 09): -4.5%yoy
PREVIOUS DATA (PPI in Jan 09): -3.3% yoy

Both CPI and PPI fell yoy in February by 1.6% (consensus: -1%) and 4.5% yoy (consensus: -4.5%) respectively. Headline CPI saw a high base effect, particularly in food prices, due to the Lunar New Year and the snowstorm in Feb 08. On a mom basis, CPI remained flat while PPI fell 0.7% (-1.4% mom in Jan 09). We believe deflationary pressure remains in 1H09 but we are cautious on the smaller mom decline for PPI as it suggests inflation may come back later this year. The continued deflationary risk gives the central bank more room to cut both interest rate and reserve ratio.

CPI target at 4% leaves room for further monetary easing. Food prices dipped 1.9% yoy (+4.2% yoy in Jan 09) while non-food prices dropped 1.2% (-0.6% yoy in Jan 09). We expect CPI to fall continuously in the months ahead due to weakness in non-food prices. The government has a CPI target at 4% this year. We believe this unrealistic target is intentionally set higher to leave more room for the central bank to implement expansionary monetary policy even if inflation re-emerges in the second half.

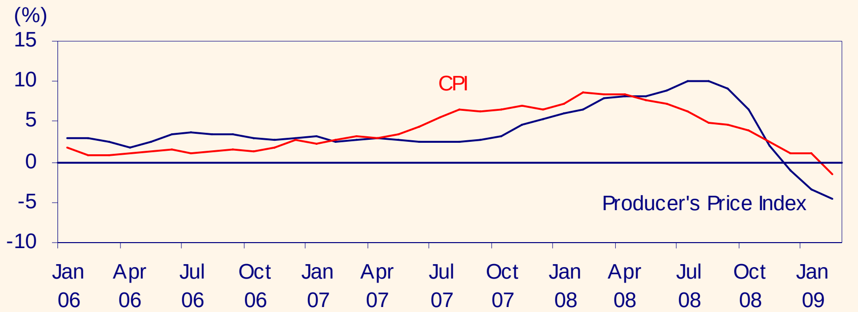
Low upstream prices positive for investment and a pull-back may hurt downstream sectors. Crude oil PPI dropped 56% yoy in February (-50% yoy in Jan 09) and steel prices fell 8.9% (-7.2% yoy in Jan 09). Non-ferrous metals prices remained flat at -25% yoy. Falling upstream prices at this stage are positive for investment as they make those projects more attractive. Currently, upstream prices are falling faster than in downstream sectors, which will reduce cost pressure for downstream sectors. However, with the government accelerating spending on infrastructure investment, this may cause a pull-back in upstream prices later, which could hurt downstream manufacturers and is negative for the economy as there may be more SME bankruptcies. The leading indicator of PPI, the Corporate Goods Index, has stabilised on a mom basis in January.

Breakdown of CPI

(yoy % chg)	Dec 08	Jan 09	Feb 09
TOTAL CPI	**1.2**	**1**	**(1.6)**
Food	**0.8**	**4.2**	**(1.9)**
Grain	4.3	3.9	4.4
Meat	(1)	(2.8)	(8.8)
Vegetables	5.5	19.6	(9.3)
Edible oil	(8)	(13.9)	(17.2)
Non-Food	**(0.3)**	**(0.6)**	**(1.2)**
Consumer Durables	0.9	0.6	0.2
Residence	(2)	(2.3)	(2.9)
Services	**(1)**	**(0.8)**	**(1.8)**

Source: National Bureau of Statistics of China

CPI And PPI



Source: National Bureau of Statistics of China

CHINA

Economics

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Strategy

Impact of zero export tax

China plans to cut export tax to zero to help the ailing export sectors. Major beneficiaries are metals, coal, fertilisers, paper, textiles and garments. This also suggests China may not resort to depreciating the Rmb to boost exports.

More measures to boost exporters. According to Chen Deming, the Minister of Commerce, the government will try to bring the export tax to zero so as to help exporters. As only a few products like some metals are levied export tax, we suspect what he is saying is that the export tax rebate could be further raised to 17%, which will totally offset the 17% VAT for export goods and therefore lead to zero tax for exporters. Although the increase in export rebates may not have a strong impact on exports given the weak external demand, it may prevent more bankruptcies of those cash-stressed small exporters. Major beneficiaries of this potential move include the metal and other natural resources industries and light industries such as textiles and garments. As the export tax rebates for the electronics industry have been raised to almost 17%, the impact on the electronics industry should be limited.

Impact On Materials And Fertiliser Companies If Export Tax Falls To Zero

Company	2009F net earnings expansion (%)	Current export tax rate (%)	Export sales as % of 2009F revenue
China Shenhua	3.8	10	8.8
China Coal	6.0	10	9.4
Yanzhou Coal	n.a.	Sells through traders, so traders benefit	0.0
Hidili	n.a.	Only sells to domestic market	0.0
Angang	3.5	5	5.3
Magang	6.5	10	3.2
China Bluechem	4.6	110	10.0

Source: UOB Kay Hian

Impact On Paper Companies If Export Tax Rebate Rises To 17%

Company	09 net earnings expansion (%)	Current export tax rebate (%)	Export sales as % of 2009F revenue
Nine Dragon	4.0	0	0
Lee & Man Paper	3.9	0	0

Source: UOB Kay Hian

China may keep the Rmb stable. Amid the sharp depreciation of regional currencies against the US dollar, there have been rising speculations that China may want to devalue the Rmb so as to boost exports. As the government plans to bring the export tax to zero, it suggests that the government may not resort to a Rmb depreciation to boost exports at this stage because it will cause competitive currency depreciation. In our model, we assume the Rmb appreciates moderately to 6.7 against the US$ by end-09 and 6.6 by end-10.

Implications for the stock market. The possible removal of export tax will help major metal and coal companies that sell overseas. Magang, which may see a 6.5% increase in its net profit should the government remove the export tax, will be a major beneficiary. As for coal companies, both China Shenhua and China Coal will benefit. In our view, this sector is attractively priced. Our top picks are China Shenhua and China Coal. China Bluechem, which pays a 110% export tax on its urea products, will see a 4.6% increase in net profit if the export tax is removed. As for the two paper companies, their export ratios are zero because they receive no rebates from the government. If the government raises the VAT rebate to 17%, they are likely to raise export sales given the higher international paper prices, which will improve their margins.

CHINA

Strategy

Sector Rating

Sector	Rating
Agriculture	Overweight
Banking	Market Weight
Construction	Overweight
Energy	Overweight
Food & Beverage, Tobacco	Underweight
Gas Distribution	Overweight
Insurance	Overweight
Materials	Market Weight
Power	Market Weight
Property, Conglomerates	Market Weight
Retail	Market Weight
Technology Equipment	Underweight
Telecommunications	Market Weight
Transport	Underweight
Utilities	Overweight

Source: UOB Kay Hian

China Top BUY and SELL

Company Name	Price (HK$)	2009F PE (x)	Target/Fair Price (HK$)
Top BUYs			
China Coal Energy (1898)	4.79	9.6	8
China Dongxiang (3818)	2.56	11.29	3.3
China Life (2628)	21.4	23.26	30.5
China Merchants Bank (3968)	12.04	8.19	14.88
China Mobile (0941)	64.1	11.07	90
China Railway Group (0390)	4.25	15.55	5.9
China Shenhua Energy (1088)	14.56	9.4	23
Guangzhou R&F (2777)	6.84	7.98	8.95
Ping An (2318)	38.35	20.29	47.75
Sinopec (0386)	3.83	4.91	6.93
Zijin Mining (2899)	4.4	17.9	5.6
Top SELLs			
Chalco (2600)	3.92	81.17	3
Harbin Power (1133)	4.53	8.24	3.5
Hengan (1044)	26.85	20.59	20.5
Parkson (3368)	6.6	20	5.15

Source: UOB Kay Hian

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Earnings Forecasts and Valuation

Company	Price (HK$)	Market Cap. (HK$m)	----------- EPS ----------- 2008F (HK$)	2009F (HK$)	----------- PE ----------- 2008F (x)	2009F (x)	Div Yield 2009F (%)
China Shenhua Energy (1088)	14.56	49,483	1.49	1.55	9.79	9.40	3.72
China Coal Energy (1898)	4.79	19,670	0.59	0.50	8.11	9.60	3.07
Yanzhou Coal (1171)	4.53	8,871	1.63	0.95	2.77	4.78	5.23
Hidili (1393)	1.97	4,058	0.56	0.27	3.54	7.36	3.40
Angang New Steel (0347)	6.64	7,209	0.48	0.66	13.83	10.06	3.77
Maanshan I & S (323)	2.39	4,141	0.11	0.33	21.73	7.24	4.18
China BlueChem (3983)	3.77	6,676	0.34	0.32	11.15	11.89	2.41
Nine Dragons Paper (2689)	2.18	9,443	0.26	0.38	8.23	5.68	1.42
Lee & Man Paper (2314)	3.710	8,872	0.59	0.89	6.28	4.15	1.35

Source: Bloomberg, UOB Kay Hian

Food & Beverage

2008: An unbearable year of recall!

The food & beverage (F&B) sector could not report positive results for 2008 due to hike in raw materials prices, food safety scandals and government intervention in selling prices. Maintain UNDERWEIGHT on the sector.

Sector Events

The F&B sector is usually defensive in an economic turmoil. However, we do not expect this sector to report strong sales growth or deliver sustainable earnings growth due to raw materials price hikes and food safety scandals in 2008. F&B players will announce their 2008 results in late-March and early-April. The key sector events in 2008 are:

a) Most of the soft commodities prices retreated since 2H08 due to supply catching up and weak end-demand. Corn price had corrected by 44%, imported barley price came off 40% from its peak, and wholesale pork price in Dec 08 dropped 20% from the peak in Apr 08. This has alleviated input cost pressure for most of the F&B manufacturers.

b) The milk quality scandal in Sep 08 had a significant impact not only on the dairy market, but the whole F&B sector. Food safety issues had significantly affected F&B sales in 4Q08. Meanwhile, the enacting Food Safety Law will have a negative impact on F&B players' sales and earnings. Strict requirements in raw material purchasing and inspection had raised F&B players' operating costs and eroded their margins.

c) Weak consumer confidence and rising unemployment rate restricted sales volume growth. Consumer confidence index dropped from 95.6 in Jan 08 to 87.3 in Dec 08 which implied consumers had cut spending significantly in 2008. As volume growth was the key growth engine for the F&B sector in 2008, we see sales growth slowing down due to weak consumer confidence.

d) Direct average selling prices (ASP) rose as what most F&B manufacturers did in 1H08 is not possible in 2009 in view of the fierce competition, customers' higher price sensitivity and pressure from deflation. To push sales and protect their market shares, most F&B companies will continue their aggressive sales promotions in 2009, which may affect their ASPs and profitability.

Sector Impact

For the **dairy segment**, all players would record a huge loss in 2008 due to the milk quality scandals. It is still too early to tell when the market can turn around. For **wine and meat processing segments**, players will enjoy stable margins and earnings. For **edible oil segment**, although edible oil producers had announced big losses in 1H08, they would have broke even in 2H08 due to falling soy bean price. For **beverage and beer segments**, revenue would not surge as volume growth has slowed down amid steady ASP.

CHINA

Food & Beverage

UNDERWEIGHT

China Food (506 HK)

SELL

Current Price: HK$2.79
Fair Price: HK$2.19

China Mengniu (2319 HK)

SELL

Current Price: HK$9.80
Fair Price: HK$7.05

Tsingtao Brewery (168 HK)

SELL

Current Price: HK$14.36
Fair Price: HK$10.00

Dynasty (828 HK)

BUY

Current Price: HK$1.16
Target Price: HK$1.41

China Yurun (1068 HK)

BUY

Current Price: HK$9.78
Target Price: HK$12.50

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Company	Rec	Ticker	Price 10 Mar 09 (HK$)	Net Profit 2007 (Rmbm)	Net Profit 2008F (Rmbm)	Net Profit 2009F (Rmbm)	EPS 2007 (Rmb)	EPS 2008F (Rmb)	EPS 2009F (Rmb)	PE 2007 (x)	PE 2008F (x)	PE 2009F (x)	ROE 2007 (%)	Market Cap (HK$m)	Yield 2007 (%)
China Food*	SELL	506.HK	2.79	792	394	506	0.28	0.14	0.18	8.1	16.2	12.6	17.4	7,788	2.2
China Mengniu	SELL	2319.HK	9.80	936	(897)	506	0.66	(0.63)	0.36	13.5	n/a	24.8	19.6	15,304	1.48
Tsingtao Brewery	SELL	168.HK	14.36	539	707	755	0.41	0.54	0.58	30.9	23.5	22.0	9.0	24,055	1.3
Dynasty*	BUY	828.HK	1.16	128	163	178	0.1	0.13	0.14	10.6	8.3	7.6	13.7	1,444	4.4
China Yurun*	BUY	1068.HK	9.78	859	1,045	1,174	0.58	0.71	0.80	16.7	13.7	12.2	19.8	14,974	1.6

** in HK$*

China Foods. Two factors would have brought China Foods' earnings down- poor operational performance in confectionery segment will significantly affect ts earnings although the wine and beverage segments should perform well. We expect both edible oil and confectionery segments to jointly report a loss of HK$148m which could fully offset the beverage segment's profit. Fortunately, we expect the wine segment to contribute HK$395m profit in 2008.

China Mengniu. Mengniu released a profit warning and is likely to record a net loss of Rmb900m in 2008. The loss is a result of the melamine incident which resulted in a fall in sales, write-off of certain inventories, additional costs for the disposal of raw milk and for promotional campaigns. Its 1H08 net profit was Rmb583m, implying the melamine incident could result in a loss of up to Rmb1.8b-1.9b.

Tsingtao Brewery. Sales volume growth slowed down from 11.2% in 2007 to 7% in 2008. The double-digit turnover growth in 2008 was driven by a 6% increase in ASP at the beginning of the year. The sharp net profit growth of 31% we are forecasting for 2008 will be mainly due to the one-off tax rate cut (from 33% in 2007 to 25% in 2008). Tsingtao's turnover growth will slow down to single-digit in 2009 because the company is unlikely to further increase ASP and the decline in sales volume growth is continuing. High-cost inventory and intensified competition put further pressure on its margins.

China Yurun. As adaily necessity, demand for pork is resilient despite the economic uncertainty. Benefitting from its strategy to focus on chilled pork and LTMP products, we expect Yurun will maintain solid turnover growth and stable margins despite hog price correction in 2H08. Yurun's net profit is expected to increase 21.6% yoy to HK$1,045m in 2008. The government's stringent regulations will phase out low-quality slaughterhouses, which means long-term growth potential for Yurun as the company is in the midst of capacity expansion.

Dynasty. We expect Dynasty's sales will surge 20% and net profit will increase 15% in 2008. Thanks to its efficient sales strategy and improving fundamentals, we estimate sales performance in 2H08 will be much better than in 1H08 when it chalked up a 10% sales growth. Due to the deteriorating economy, we are cautious and forecast sales growth of 8% in 2009 and gross margin will be lifted slightly as prices of grapes and grape juice fall.

Valuation/Recommendation

In view of the economic slowdown in 2009, high deflation risk and cautious spending from consumers, we **maintain UNDERWEIGHT** on the F&B sector. The sector FY09F PE reached 11.8x which is higher than the consumer sector's, the department store sector's 8.4x, the footwear sector's 9.1x and the supermarket sector's 9.3x. We continue to like China Yurun and Dynasty given their strong brand names, well-established distribution channels and resilient earnings. Reiterate SELL on China Foods, China Mengniu and Tsingtao due to their limited earnings visibility and expensive valuations.

Power

2008 results preview: Good recovery for 4Q08; Still challenges ahead

The five Hong Kong-listed IPPs will likely see good margin recovery for 4Q08 but we believe future earnings outlook remains elusive due to coal cost uncertainty and continued weak demand. Maintain MARKET WEIGHT.

Sector Events

Good margin recovery in 4Q08. Like Datang Power, which had turned profitable in 4Q08, we believe the whole power industry will likely see a good earnings recovery in 4Q08, due to the significant decline in coal price.

Contract coal price deadlock and stabilised QHD prices. Despite a lot of market rumours, the annual coal price talk is in a deadlock without any progress. Meanwhile, QHD coal prices have stabilised during the past three weeks after a 7% ytd decrease.

Power demand down by 5.1% yoy in 2M09. According to China Electricity Council, total power consumption was down by 5.1% yoy in 2M09.

Sector Impact

Despite a likely margin recovery for 4Q08, we believe the domestic Independent Power Producers (IPPs) will face a lot of uncertainties and there are still a lot of challenges for them to achieve further earnings improvement this year due to:

a) Coal price uncertainty. We believe further earnings improvement for IPPs would mainly rely on the further reduction in coal cost. Although the demand for coal is weak, we found that the domestic coal prices actually are resilient due to the production cutback in major coal-producing provinces, like Shanxi Province, and the winter peak coal consumption season. In addition, the recent coalmine accident in Shanxi resulting in more safety checks would lend further support for coal prices in the short term. This can be seen from the falling inventory at Qinhuangdao Port. Currently, contract coal price negotiation is still in a deadlock and IPPs wish for a lower coal price when the spring low coal consumption season arrives. Therefore, there is still a need to wait for one more month for a clearer picture of coal price trend.

b) Power demand still weak. Although the 5.1% yoy decrease in power demand in 2M09 was a slight improvement compared with 6-7% yoy decrease in Nov 08 and Dec 08, we think it is still on the weak side, particularly when we recall the snowstorms in Feb 08, which had distorted power demand and made a lower base of comparison. In general, we believe it is too early to confirm a rebound in power demand and we maintain our 2% power demand forecast for this year.

Recommendation

Given the lack of additional earnings catalyst for Hong Kong-listed IPPs, we maintain **MARKET WEIGHT** on the sector. Meanwhile, we still believe the market fully expects IPPs' margin recovery for 4Q08. Among stocks in the sector, we continue to prefer CR Power and Datang Power given their lowest coal cost risks in the longer term and better earnings visibility. Maintain **BUY** for both stocks with a DCF-based target prices of HK$17.70 (WACC=9.6%, g=3%) and HK$4.90 ((WACC=8.5%, g=3%) respectively.

CHINA

Power

MARKET WEIGHT

CR Power (836 HK)

BUY
Current Price: HK$13.42
Target Price: HK$17.70

Datang Power (991 HK)

BUY
Current Price: HK$3.32
Target Price: HK$4.90

Huaneng Power (902 HK)

SELL
Current Price: HK$5.06
Fair Price: HK$4.70

Huadian Power (1071 HK)

SELL
Current Price: HK$1.73
Fair Price: HK$1.50

China Power (2380 HK)

HOLD
Current Price: HK$1.48
Fair Price: HK$1.70

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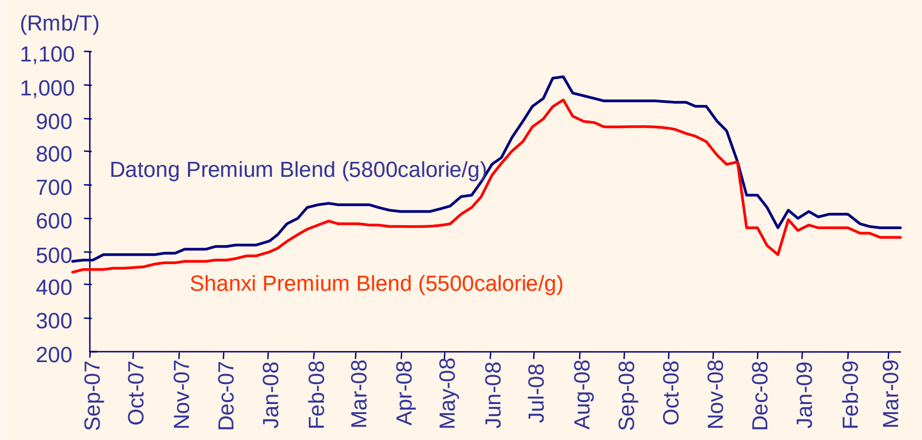
IPP- Major Assumptions

	Unit fuel cost (yoy % chg)		Utilization (hours)		EPS (Rmb/share)	
	08F	09F	08F	09F	08F	09F
Huaneng Power	48	(20)	5240	4900	(0.33)	0.19
Datang Power	33	(23)	5280	5000	0.04	0.27
Huadian Power	48	(21)	4850	4510	(0.23)	0.02
CR Power	35	(24)	5600	5200	0.14	1.01
China Power	35	(18)	5300	5030	(0.22)	0.11

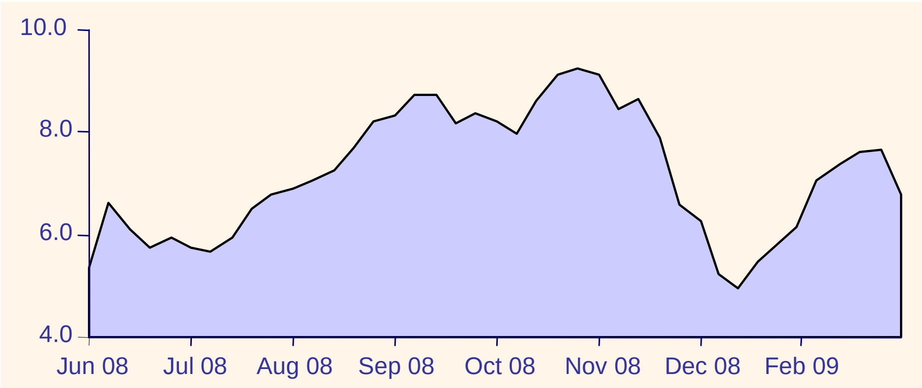
Note: CR Power's financials are in HK$
Source: UOB Kay Hian

Qinhuangdao Loading Coal Price



Source: CCTD

Qinhuangdao Port Inventory (m tonne)



Source: CCTD

Monthly Power Output

(b kWh)	Total	yoy % chg	Thermal	yoy % chg
Jan 07	251	22	224	28
Feb 07	197	0	172	3
Mar 07	247	14	216	17
Apr 07	247	17	212	20
May 07	257	18	219	24
Jun 07	272	18	219	21
Jul 07	292	16	235	16
Aug 07	299	16	239	12
Sep 07	276	17	216	10
Oct 07	273	17	223	14
Nov 07	275	17	235	15
Dec 07	295	15	261	15
Jan 08	283	13	250	12
Feb 08	234	19	203	18
Mar 08	290	17	254	17
Apr 08	281	14	237	11
May 08	293	14	242	11
Jun 08	293	8	231	5
Jul 08	320	10	251	7
Aug 08	316	6	243	2
Sep 08	289	5	224	4
Oct 08	265	(3)	211	(5)
Nov 08	254	(7)	200	(11)
Dec 08	274	(6)	229	(12)
2M09	487	(5)		

Source: CEI, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 10 Mar 09 (HK$)	Net Profit 2007 (Rmbm)	Net Profit 2008F (Rmbm)	Net Profit 2009F (Rmbm)	EPS 2007 (Rmb)	EPS 2008F (Rmb)	EPS 2009F (Rmb)	PE 2007 (x)	PE 2008F (x)	PE 2009F (x)	ROE 2007 (%)	Market Cap (HK$m)	Yield 2007 (%)
Datang Power	991 HK	BUY	3.23	3,406	510	3,169	0.29	0.04	0.27	10.7	79.5	12.8	13	10,436	4.6
CR Power	836 HK	BUY	13.42	3,161	563	4,132	0.80	0.14	1.01	16.8	97.9	14.0	17	55,116	1.9
Huaneng Power	902 HK	SELL	5.02	6,161	(3,979)	2,281	0.51	(0.33)	0.19	8.9	n/a	24.6	12	15,460	6.6
Huadian Power	1071 HK	SELL	1.70	1,197	(1,362)	116	0.20	(0.23)	0.02	7.8	n/a	77.3	6	2,476	4.0
China Power	2380 HK	HOLD	1.44	592	(782)	403	0.16	(0.22)	0.11	8.0	n/a	15.0	6	5,191	4.8

Note: CR Power's financials are in HK$
Source: Respective companies, UOB Kay Hian

China Telecom

Profit warning on PHS impairment expected

With the street widely expecting the PHS impairment, CT's announcement is unlikely to trigger significant share price movements. Prefer China Mobile over China Telecom due to better assets and performance.

Corporate Events

China Telecom (CT) issued a profit warning for its 2008 results. The company may make a significant provision for an impairment loss for its PHS assets which may cause its 2008 earnings to come in significantly below 2007's.

Stock Impact

After China Unicom (CU) announced it will conduct a PHS asset impairment in Jan 09 and the Ministry of Industry and Information Technology (MIIT) requesting CT and CU to return the PHS wireless spectrum by end-11, the street has widely expect CT to also conduct a PHS impairment, which we have already incorporated into our earnings forecasts. We assume CT will write off 50% of the Rmb27b book value of PHS assets in 2008, resulting in about a Rmb10b drop in earnings (0.5*Rmb27b*(1-0.25)).

Short-term negative and long-term positive impact as long-term earnings will improve on smaller future depreciation. Asset impairment will make a one-off impact on 2008 earnings. However, this is not bad news as it will help CT improve its future earnings on the back of lower depreciation charges.

We also expect more one-offs to drag 2008 results. Beside PHS impairment, we believe CT will also suffer from several one-off charges, including disaster recovery-related repair and maintenance charges, as well as intangibles impairment and handover costs related to the CDMA business acquisition. Based on our forecasts, these will add up to Rmb5b against CT's earnings in 2008.

Earnings Revision

Without further details on the announcement, we maintain our current earnings forecasts.

Recommendation

As the street has already anticipated the event, we believe CT's announcement would not trigger significant share price movements, while management's guidance on 3G development during the annual results announcement (24 March) may serve as a more important catalyst in the near term. With better asset quality and operating performance, we continue to prefer China Mobile over CT and CU. Maintain HOLD with fair price at HK$2.76 based on 13.0x 2009F recurring EPS. Our entry price is HK$2.30.

CHINA

China Telecom (728 HK)

HOLD

Current Price: HK$2.74
Fair Price: HK$2.76

Sector	Telecom
52-Wk Avg Daily Vol. (m.)	141
Market Cap (HK$m)	221,755
(US$m)	28,430
Major Shareholders (%)	
China Telecom Group	70.9
Book NTA per Share (HK$)	3.1
ROE (%)	10.6
Net Debt per Share (HK$)	1.2
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 (x)	EV/ EBITDA (x)	DPS (HK$)	Yield (%)
2006	170,645	84,866	22,772	0.28	7.8	8.5	3.5	0.085	3.1
2007	175,362	85,974	22,517	0.28	(1.1)	8.6	3.2	0.085	3.1
2008F	202,592	81,627	20,920	0.26	(7.1)	9.2	3.6	0.085	3.1
2009F	201,757	74,934	14,993	0.19	(28.3)	12.9	3.6	0.085	3.1
2010F	213,899	74,821	16,159	0.20	7.8	11.9	3.3	0.085	3.1

Consensus Net Profit – FY08: Rmb18,151m
– FY09:Rmb15,342m

**We have incorporated the CDMA mobile business results into our 2008 earnings forecast.*

CT Earnings Forecast Summary

(Rmbm)	2008F	2008PF	2009F	2010F	2011F
Operating Revenue	182,889	202,592	201,757	213,899	232,120
Yoychg (%)	n.a.	n.a.	(0.4)	6.0	8.5
Operating EBITDA	79,557	82,072	76,856	76,728	82,712
Yoychg (%)	n.a.	n.a.	(6.4)	(0.2)	7.8
EBITDA Margin	43.5%	40.5%	38.1%	35.9%	35.6%
Yoychg (ppt)	n.a.	n.a.	-2.4%	-2.2%	-0.3%
Reported Net Income	6,617	8,227	12,666	13,200	19,390
Yoychg (%)	n.a.	n.a.	54.0	4.2	46.9
Recurring Net income	19,852	20,920	14,993	16,159	22,725
Yoychg (%)	n.a.	n.a.	(28.3)	7.8	40.6

Note: 2008F figures only include results of CDMA business in 4Q08, while 2008PF figures assume full-year contribution of CDMA business in 2008.
Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	170,645	175,362	202,592	201,757	213,899
EBIT	33,565	33,717	28,783	23,657	24,742
Pre-tax Profit	34,585	30,251	10,717	16,603	17,411
Recurring Net Profit	22,772	22,517	20,920	14,993	16,159

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	44,206	42,680	109,485	117,388	131,865
Total Assets	418,871	408,004	493,901	490,021	492,750
Current Liabilities	157,629	138,537	159,702	157,958	160,976
Long-Term Liabilities	37,257	34,148	98,248	90,688	83,885
Shareholder Funds	206,201	220,921	223,375	230,056	237,271
Total Equity & Liabilities	418,871	408,004	493,901	490,021	492,750

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	74,802	74,876	80,430	66,435	69,540
Investing	(50,039)	(46,209)	(88,455)	(44,045)	(43,048)
Financing	(20,710)	(30,505)	71,379	(14,385)	(13,545)
Net Cash In/(Out) Flow	4,053	(1,838)	63,354	8,005	12,947
Begin Cash & Cash Equiv.	18,571	22,326	20,384	83,738	91,743
End'g Cash & Cash Equiv.	22,326	20,384	83,738	91,743	104,690

Wasion Group

Re-rating has just started

The announcement of bidding results by CEPRI is a near-term catalyst to the sector. WG is still trading at a heavy discount to its peers and we expect the valuation gap to narrow. Maintain BUY.

China Electric Power Research Institute is searching for partners. China Electric Power Research Institute (CEPRI) invited the bidding for joint development of electronic power meters in late February for the commercialisation of its research and development (R&D). CEPRI, owned by the State Grid Corporation, is one of the most advanced technological institutes for high-voltage component certification. According to a market source, CEPRI is likely to release the results of the bidding soon. Based on our understanding, only a few companies won the bidding. We do believe the winners are likely to take bigger market share of State Grid's procurement in the future. Given its leading market position, we suspect that Wasion Group (WG) is one of the winners. The newsflow is likely to trigger a further re-rating on the sector, which is positive to WG.

A set of satisfactory results. Given the strong demand from power grids, most of the T&D equipment manufacturers reported strong top and bottom line growth in 2008. On average, the sector reported over 60% net profit growth. As a leading secondary equipment provider in China, we expect WG to report a set of satisfactory FY08 results in April. WG's FY08 net profit is expected to grow 24% yoy from Rmb212.9m in FY07 to Rmb264.9m in FY08. We also expect the Group to declare a final dividend of Rmb0.05, which implies 5% yield. The downside earnings risk is extremely low.

Huge addressable market size. Power grid construction is also one of the key themes in China's stimulus package. Based on available information, total investment in power grids is likely to reach Rmb1.5t. According to State Grid Corporation, investment in power distribution and measuring & charging automation products (including 3-phase meters, single-phase meters and data collection terminals) will reach Rmb60b in 2009-11. As a leading secondary equipment provider, WG's top and bottom lines are supported by strong demand from power grid as well as its order inflow, which is a result of power grid investments.

Improvement in working capital management. The delay in payment by State Grid Corporation and China Southern Power Grid put pressure on the Group's balance sheet in 1HFY08. The Group's trade receivables increased 22.9%, or Rmb122.7m in 1HFY08. Management is now focusing on managing working capital and shortening receivable days. The Group had successfully achieved short-term receivable days by about 100 - 240 days in 2008.

WG's stock price has not moved much in recent weeks, owing to weak market sentiment and because investment houses are unloading their stakes in the Group. We believe that the offloading by funds was mainly due to portfolio reshuffle and not related to WG's fundamentals.

CHINA

Wasion Group (3393 HK)

BUY

Current Price: HK$1.96
Target Price: HK$3.20

Sector	Industrials
52-Wk Avg Daily Vol. (m)	1.0
2Market Cap (HK$m)	1,593
(US$m)	202
Major Shareholders (%)	
Mr Ji Wei	57.6
Book NTA per Share (Rmb)	1.5
ROE (%)	23.5
Net Debt per Share (Rmb)	0.4
Results Due	
Interim	Sep
Final	Apr

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 (x)	EV/ EBITDA (x)	DPS (Rmb)	Yield (%)
2006	600	182	152	0.22	(10.8)	9.5	15.0	0.07	3.6
2007	809	263	213	0.29	34.5	6.0	10.5	0.08	4.3
2008F	1,074	358	265	0.32	11.8	5.4	4.0	0.10	5.1
2009F	1,312	444	326	0.40	23.1	4.3	3.1	0.11	5.5
2010F	1,591	530	394	0.48	20.8	3.6	2.5	0.12	5.9

Consensus Net Profit – FY08: Rmb258m
– FY09: Rmb314m

Earnings Risk

A further delay in payment by power grids and slowdown in power grid investments.

Valuation/Recommendation

Based on PE and P/B, WG is one of the cheapest power grid-related plays. The Group is trading only at 5.5x FY08 PE and 4.5x FY09 PE. Maintain BUY with a target price of HK$3.20. The announcement of the bidding results and forthcoming FY08 results announcement are near-term catalysts to WG.

Peer Comparison

Company	Ticker	Price	----------- PE(x) -----------		PB
		(LC)	08F	09F	(x)
TBEA CO	600089 CH	24.36	31.2	22.1	5.5
Shanghai Zhixin	600517 CH	20.47	32.3	20.2	11.3
Pinggao Electric	600312 CH	16.43	36.2	25.2	6.5
Baosheng S&T	600973 CH	14.4	35.1	17.2	2.7
NARI TECHNOLOGY	600406 CH	21.92	26.0	19.3	5.7
Shanghai Electric	2727 HK	2.05	9.7	10.4	1.2
Harbin Power H	1133 HK	4.53	5.1	5.7	0.8
DongFang Electro	1072 HK	14.24	23.6	8.2	15.6
Wasion Group	3393 HK	1.96	5.4	4.3	1.3

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	600	809	1,074	1,312	1,591
EBIT	161	226	308	380	461
Pre-tax Profit	158	233	302	372	450
Net Profit	152	213	265	326	394

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	730	1426	1490	1695	2113
Total Assets	930	1925	2191	2534	2966
Current Liabilities	343	638	761	928	1124
Long-Term Liabilities	1	64	80	95	112
Shareholder Funds	586	1223	1351	1512	1729
Total Equity & Liabilities	930	1925	2191	2534	2965

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	39	185	124	497	415
Investing	(90)	149	(284)	(298)	(189)
Financing	2	16	(31)	(63)	(66)
Net Cash In/(Out) Flow	(49)	351	(191)	136	160
Begin Cash & Cash Equiv.	207	158	509	318	454
End'g Cash & Cash Equiv.	158	509	318	454	614

Hysan

2008: A false comfort

Earnings are stable and likely to stay so in coming years with supplement from equity disposal gains. Our rating reflects our view that the market has grossly underestimated the damage new offices in the peripheral districts will have on Causeway Bay.

2008 Results

Year to 31 Dec	2007 (HK$m)	2008 (HK$m)	yoy % chg	Remarks
Gross rental income	1,368	1,638	20	Deep into the positive reversion cycle
Contributions:				
Rental income	1,160	1,421	23	Higher growth due to cost savings
Disposal gains	255	186	(27)	Sale of listed equities
Others	39	(111)	(385)	Dragged down by higher salary costs and
Operating profit	**1,454**	**1,496**	3	
Interest charges	(175)	(155)	(11)	Avg finance cost down from 5.6% to 4.4%
Associates	141	178	26	Growth from Shanghai Grand Gateway
Profit before tax	**1,420**	**1,519**	7	
Taxation	(205)	(237)	16	
Minorities	(57)	(81)	42	
Net profit	**1,158**	**1,201**	4	
Headline net profit	**3,949**	**1,594**	(60)	Hefty revaluation surplus in 2007

Source: UOB Kay Hian

Results

Results slightly ahead of expectations. Hysan reported an underlying net profit of HK$1,201m, slightly above our HK$1,187m and consensus' HK$1,120m, representing a 4% yoy growth. The relatively mild growth despite the vigorous positive rental cycle was due to the 27% drop in disposal gains from equities to HK$186m and a HK$40m mark-to-market loss (2007: HK$47m gain) of financial instruments. Taking out these non-recurrent items, core profit would have risen 23%.

Pleasing dividend payout. Final DPS was raised from HK$0.48 to HK$0.54, which should please shareholders in this operating climate. Together with the higher interim dividend, full-year DPS was 13.3% up at HK$0.68.

20% increase in rental income. Gross rental income went up 20% (lower than Hongkong Land's 30%, reflecting different locations of their portfolios) to HK$1,638m. Given the costs in maintaining the properties remained relatively stable, net rental income improved by a higher 23% to HK$1,421m. Office rent accounted for 43% (2007: 41%) of total rental income, retail 37% (2007:37%) and residential 18% (2007:19%).

Strongest growth from offices. Rental income from office space went up 24% to HK$703m, driven by positive reversion and higher average occupancy of 97.9% compared with 95.2% in 2007. Retail rental receipts were 20% higher at HK$608m, with average occupancy having improved to 97.5% from 96.7% the year before. Residential rental income (mainly from Bamboo Grove) reported only a 12% growth to HK$292m. Occupancy was stable at 89.6% as at end-08 compared with 90.2% a year ago but we expect the lower demand from expatriates to show through quickly in the coming months.

Valuation of portfolio flat for the year. Hysan's own valuation of the rental portfolio was almost flat at HK$35.9b, compared with Hongkong Land's 4% yoy decline. This can be explained by the fact that rents only really started to fall in 4Q08, and the downturn was led by rents in Central CBD.

HONG KONG

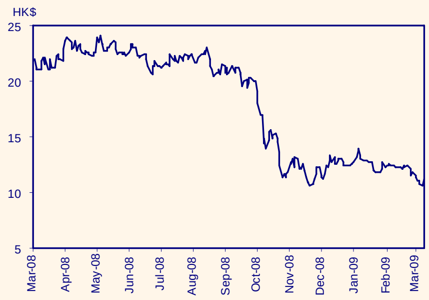
Hysan (14 HK)

SELL

Current Price: HK$11.18
Fair Price: HK$7.93
(Previous: HK$7.57)

Sector	Property
52-Wk Avg Daily Vol. ('m)	2.2
Market Cap (HK$m)	11,638
(US$m)	1,492
Major Shareholders (%)	
Lee Family	41.5
Book NTA per Share (HK$)	30.23
ROE (%)	3.8
Net Debt per Share (HK$)	2.63
Results Due	
1H: Aug	Final: Mar

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (HK$m)	EBITDA (HK$m)	Net Profit (HK$m)	EPS (HK$)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (HK$)	Yield (%)
2007	1,368	1,461	1,158	1.101	14.7	10.2	9.8	0.600	5.4
2008	1,638	1,503	1,201	1.157	5.1	9.7	9.5	0.620	5.5
2009F	1,719	1,444	1,226	1.178	1.8	9.5	9.9	0.680	6.1
2010F	1,633	1,435	1,230	1.181	0.3	9.5	10.0	0.680	6.1
2011F	1,421	1,432	1,231	1.182	0.1	9.5	10.0	0.680	6.1

Consensus Net Profit – FY09: HK$1,087m
– FY10: HK$1,036m

Stock Impact

Results already reflected in the afternoon trading session. Hysan rose 5% yesterday, adequately reflecting the somewhat pleasing results, especially the higher final dividend, in our opinion.

Earnings Revision

Rental income growth till 1H09. We expect rental income to continue to grow in 1H09 with negative rental reversion starting to come through in 2H09. We project another 5% increase in rental income this year, followed by a 5% decline in 2010 and a further 13% fall in 2011. The Hennessy Centre will not be completed till end-2011 and thus will only start to contribute in 2012.

Expecting flat bottom line going forward. We have fine-tuned our earnings and assumed management will sell sufficient China Mobile shares (which we estimate are still sitting on unrealised profit of HK$600m) to avert a profit decline in 2010 and 2011. Suffice to say, the bottom line in the coming three years will very much depend on the pace of the share disposal.

Valuation/Recommendation

Hysan's resilience cannot be supported. Hysan has been more resilient than other landlords, having come down 56% from the peak, against peers' 61-74%. This is because there is still a belief in the market that since office rents in the non-Central business districts, such as Causeway Bay where Hysan's rental portfolio is based, have not gone up as much as that in Central CBD, they are facing less downside. But such opinion has grossly underestimated the potential damage the 4m sf new office space that will be completed from now till 2010 in Kowloon East, on top of the existing 7m sf of space in the district (current vacancy above 30%), will have on traditional business areas. The wide rental gaps between Kowloon East and other districts have been attracting tenants, including accountancy firms, to relocate from all over Hong Kong. At a time when cost cutting is a major corporate initiative, we expect the low rents in Kowloon East to have a ripple effect across the market. We would not be surprised to see office rents in Causeway Bay fall as much as our base-case of 50% from the peak for Central CBD.

Bearish target price. Admittedly, our target price of HK$7.93 (from HK$7.57 due to fine-tuning of appraised NAV), based on the trough discount of 60% on appraised forward NAV of HK$19.83 (assuming a 40% fall in rents from peak), seems rather bearish. But we expect property stocks to overshoot their fundamental fair value as the macro environment and rental market deteriorate and hit a new low before rebounding.

Last but not least. Hysan bought back 24.2m shares at an average of HK$21.1/share for HK$511m between Aug and Nov 07 to enhance shareholder value. But even though share price was halved in Oct 08, Hysan did not resume the share buyback exercise when gearing was only 9%.

Profit & Loss

Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Turnover	1,368	1,638	1,719	1,633	1,421
EBIT	1,454	1,496	1,436	1,435	1,432
Pre-tax Profit	1,420	1,519	1,480	1,468	1,436
Net Profit	1,158	1,201	1,226	1,230	1,231

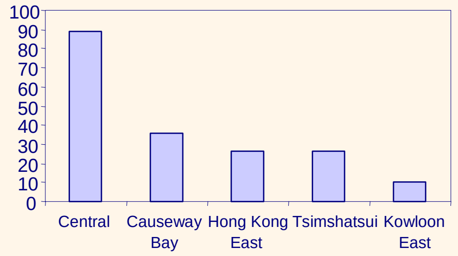
Balance Sheet

Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,236	2,440	2,201	2,157	2,222
Total Assets	40,890	41,536	34,436	32,291	33,554
Current Liabilities	(1,039)	(1,675)	(1,089)	(1,057)	(1,162)
Long-Term Liabilities	(2,861)	(3,201)	(3,152)	(3,278)	(3,377)
Shareholder Funds	31,652	31,469	24,667	22,036	23,605
Total Equity & Liabilities	(40,890)	(41,536)	(34,436)	(32,291)	(33,554)

Cash Flow

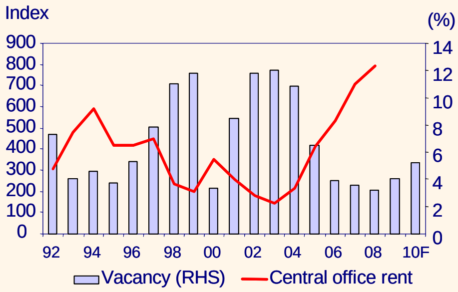
Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Operating	1,044	1,179	981	984	985
Investing	212	66	(152)	(431)	(921)
Financing	(1,157)	(14)	(687)	(851)	172
Net Cash In/(Out) Flow	99	1,231	142	(298)	236
Begin Cash & Cash Equiv.	385	484	1,715	1,857	1,559
End'g Cash & Cash Equiv.	484	1,715	1,857	1,559	1,794

Rental Gaps Between Districts



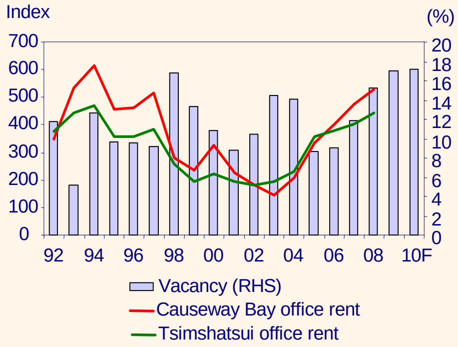
Source: HKSAR, UOB Kay Hian

Vacancy vs Office Rent In Central



Source: HKSAR, UOB Kay Hian

Vacancy vs Office Rent In Non-Central Area



Source: HKSAR, UOB Kay Hian

Strategy

Mini Budget 2009: Larger-than-expected headline figure

Large headline number but fiscal injection of RM15b is only for 2009 and 2010. Headline number of RM60b is larger than market expectation. GDP growth forecast revised down to -1% to 1% for 2009 and a budget deficit of 7.6%.

Breakdown Of RM60b Budget

	Allocation (RMb)	Remarks
Fiscal Injection	15.0	2009 : RM10b (RM5b for operation expenditure & RM5b for development expenditure) & 2010: RM5b
Guarantee Fund	25.0	Working Capital Guarantee Scheme, Industry Restructuring Loan Guarantee Scheme
Equity Fund	10.0	
Private Financing & Off-Budget Project	7.0	
Tax incentives	3.0	
Total	**60.0**	9% of the GDP

Source: Ministry of Finance, UOB Kay Hian

Events

The government announced a RM60b stimulus plan for 2009-10.

Economic Impact

a) **GDP growth forecast revise down to -1% to 1%.** This is still better than our in-house expectation of -2.5% for 2009. We last spoke to UOB Economy-Treasury Research, the -2.5% for 2009 is yet to take into consideration this Mini Budget 2009.

b) **Government budget deficit of 7.6%.** The higher expenditure will increase the Federal Government's budget deficit from 4.8% to 7.6% this year. However, the government is still firm on its strategy to narrow the deficit. Given this large deficit is short term and to support growth, we do not expect this to affect the credit rating of Malaysia.

c) **Unemployment rate in 2009 to jump to 4.5%** from 3.7% in 2008.

Impact on Market

Headline number of RM60b for 2009 and 2010 is much larger than market expectation of RM20b-RM30b. But the actual fiscal spending is RM15b, of which RM10b is allocated for 2009 (announced last week) and RM5b for 2010. No big infrastructure projects announced, but investment by Khazanah will be a boost to Iskandar Malaysia.

Other key measures that could boost the equity market are:

a) RM10b equity investment.

b) RM7b private finance initiatives and off-budget projects.

Winners of this mini budget would be construction and telecommunication sectors. Key beneficiaries are highlighted in the tables.

Disappointment came from no announcement on cashback from Employees Provident Fund, which is highly expected by the market to boost domestic consumption. Thus, retail stocks are unlikely to benefit. But goodies to bring back consumer confidence are: -

a) House buyers given tax relief on interest paid on housing loans of up to RM10,000 a year for three years.

MALAYSIA

Strategy

Key Highlights

Investment by	Amount (RMb)
Khazanah	**10.0**
- Telecommunications	3.0
- Iskandar Malaysia	1.7
Off-Budget Projects	**5.0**
- LCCT at KLIA	2.0
- Penang Airport expansion	0.25
- Telecommunication	2.4
- Sky bridges in Golden Triangle	0.10
PFI	**2.0**

Source: Ministry of Finance, UOB Kay Hian

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b) Discount of RM5,000 will be given to car owners who trade in their cars which are at least 10 years old to buy new Proton and Perodua cars. This likely to benefit more for Perodua, which has overtaken Proton as the No.1 national car.

c) Retrenched workers' tax-exempt compensation raised to RM10,000 for each year of service from RM6,000 previously.

Sector Impact

Banking Sector

Measure	Impact	Potential Beneficiaries
Increasing Home Ownership – house buyers be given tax relief on interest paid on housing loans up to RM10,000 a year for three years	Create demand for property & mortgage loans	Property – Public Bank, BCHB Bank – Public Bank, BCHB, Maybank, AFG
RM10b for equity investment	Restore confidence in equity market & capital market.	Banks with strong investment bank: BCHB, Maybank, AMMB Holdings Khazanah & PNB own companies : BCHB, Maybank, UEM Land, MRCB, Telekom, Tenaga
Incentive for Banks to Defer Repayments of Housing Loans	Lower banks' default rate & NPL	Bank with higher mortgage : Public, Maybank
Working Capital Guarantee Scheme – RM5b & Industry Restructuring Guarantee Fund Scheme - RM5b	Lower banks' default rate & support loan growth to SMEs	Bank with higher SMEs exposure : Public Bank, AFG, RHB Capital
Incentive capital market – Rights Issue waived from SC & bond amendments	Higher capital market activities	Banks with strong investment bank: BCHB, Maybank, AMMB Holdings

Source: Ministry of Finance, UOB Kay Hian

Plantation Sector

Measure	Impact	Potential Beneficiaries
Profit levy on Oil Palm increase to RM2,500/tonne for Peninsular Malaysia and to RM3,000/tonne from Sabah & Sarawak.	Minimal impact to plantation as ASP for 2009 & 2010 of RM1,800/tonne and RM2,400/tone.	All Plantation companies, but no impact on earnings as ASP is expected to stay below RM2,500/tonne

Source: Ministry of Finance, UOB Kay Hian

Property sector

Measure	Impact	Potential Beneficiaries
Increasing Home ownership:		
a) The Government will provide an additional RM200m for the low-income group.	Will reduce the overhang of housing units below RM150,000	No major listed property companies involve in low cost housing
b) House buyers are given tax relief on interest paid on housing loans up to RM10,000 a year for three years.	Improve current weak consumer sentiment	Mainly medium cost residential developers such as SP Setia and Mah Sing
c) To support then initiative of the banking institutions to extend the loan repayment period for retrenched workers, the Government agrees that the interest income related to the deferment of housing loan repayments be taxed only upon such interest is received.	Financial institutions are believed to be still prudent in extending credit to the house buyers	
Investment by Khazanah:		UEM Land
The investment fund under Khazanah will be increased by RM10b. Khazanah will intensify the development of Iskandar Malaysia with a RM1.7b investments in 2009 for the infrastructure, hotels, theme parks as well as universities.	To further strengthen the Nusajaya development, which is located in Iskandar Malaysia. Khazanah is the parent company of UEM Land.	

Source: Ministry of Finance, UOB Kay Hian

Construction Sector

Project	Project Amount (RMm)	Potential Beneficiary
Expansion of Sibu Airport, upgrading of schools, roads and bridges in Sabah and Sarawak	1,200	TRC Synergy, WCT Berhad
Expansion of LCCT at KLIA and Pulau Pinang Airport	2,250	IJM Corporation, Gamuda Berhad
Construction of sky bridges and covered walkways between buildings especially Golden Triangle area, Kuala Lumpur	100	IJM Corporation, Gamuda Berhad
Improvement of traffic infrastructure around KL Sentral	3,000	MRCB

Source: Ministry of Finance, UOB Kay Hian

Telecommunication sector

Measure	Impact	Potential Beneficiaries
Allocation of RM3bn investment fund through Khazanah	To improve broadband infrastructure and broadband penetration rate	Potential beneficiaries are Khazanah's subsidiaries such as TM, TMI and Time dotCom in rolling out fixed and wireless broadband services nationwide. We think part of the funding will be deployed for TM's HSBB project.
Off-Budget Project allocation of RM2.4bn via M'sia Communications and Multimedia Commission (MCMC)	To improve telecommunication infrastructure including broadband libraries in rural areas (84 districts)	Potential beneficiaries are TM, and network facilities providers (NFP) e.g. Redtone.

Source: Ministry of Finance, UOB Kay Hian

Other Key Measures At A Glance

- RM700m allocated to create 163,000 new jobs;
- Additional RM200m for public low-cost housing scheme for low-income earners;
- RM1.6b fund to promote investments;
- RM200m to repair and maintain roads and drains;
- RM150m for renovation, maintenance and repairs to welfare homes, fire and rescue stations, firemen living quarters and public toilets in mosques, suraus and tourist spots;
- Government to issue syariah-compliant Savings Bonds amounting to RM5b this year;
- RM1.95b to build and upgrade facilities in 752 schools, particularly in rural areas, Sabah and Sarawak of which RM300m will be used to improve facilities in government-aided religious schools, Chinese and Tamil schools and mission schools;
- RM230m allocated to increase electricity supply coverage and water supply in rural areas particularly in Sabah and Sarawak.
- RM350m allocated for rural road construction.
- Retrenched workers' tax-exempt compensation raised to RM10,000 for each year of service from RM6,000 previously;
- All government procurements will be made through open tenders or restricted tenders except for specific cases.
- To raise state investment firm Khazanah Nasional's investment funds by RM10b.
- Effective 1 April levy payment rate to be reduced to 0.5% from one per cent for all employees for a two-year period;
- Additional RM200m for the Automotive Development Fund;
- Government to assist in the auto scrapping scheme for Proton and Perodua -- a discount of RM5,000 will be given to car owners who trade in their cars which are at least 10 years old to buy new Proton and Perodua cars;
- A 50% rebate on landing charges will be given for two years effective 1 April to all airlines that operate from Malaysia;
- The services sector will be further liberalised to woo more investments, bring in more professionals and technology and strengthen competitiveness;
- Foreign Investment Committee to adopt a more liberal approach to bring positive changes and nurture a more investor-friendly environment to attract more investments including foreign direct investment.

Source: Ministry of Finance, UOB Kay Hian

Sector Comparison

Company	Rec	Share Price 10 Mar 09 (RM)	EPS 2008 (sen)	EPS 2009F (sen)	EPS 2010F (sen)	PE 2008F (x)	PE 2009F (x)	PE 2010F (x)	ROE (%)	Market Cap (RMm)	NTA ps (RM)	Price/ NTA ps (x)	Book Value ps (RM)	Price/ BV ps (x)
Banking														
AFG	SELL	1.75	20.0	19.3	24.8	8.7	9.1	7.1	16.8	2,709	1.57	1.1	1.81	1.0
AMMB	HOLD	2.43	27.6	29.0	32.2	8.8	8.4	7.5	11.2	6,617	2.07	1.2	2.73	0.9
BCHB	HOLD	6.20	54.6	52.5	61.2	11.4	11.8	10.1	11.9	22,184	2.77	2.2	4.84	1.3
HLFG	SELL	4.42	52.1	52.6	51.9	8.5	8.4	8.5	13.9	4,653	3.53	1.3	4.11	1.1
HL Bank	SELL	5.15	47.0	49.8	47.8	11.0	10.3	10.8	15.3	8,138	3.42	1.5	3.73	1.4
Maybank	SELL	4.42	60.0	49.6	58.1	7.4	8.9	7.6	15.2	21,575	3.44	1.3	4.14	1.1
Public Bank	HOLD	7.25	73.1	57.0	72.0	9.9	12.7	10.1	27.4	25,606	2.11	3.4	2.84	2.6
RHB Capital	SELL	3.68	48.7	35.1	41.4	7.6	10.5	8.9	14.1	7,925	1.87	2.0	3.63	1.0
Sector						**9.2**	**10.5**	**9.0**	**14.9**	**99,407**		**1.8**		**1.3**
Construction														
LMC	SELL	3.78	43.3	35.4	37.4	8.7	10.7	10.1	12.4	3,212	2.15	1.8	3.57	1.1
WCT	SELL	1.00	13.1	6.1	7.3	7.6	16.4	13.7	20.2	768	1.52	0.7	1.52	0.7
Sector						**8.5**	**11.5**	**10.6**	**12.0**	**3,980**		**1.3**		**0.9**
Gaming														
Genting	BUY	3.18	16.1	27.7	39.8	19.8	11.5	8.0	4.6	11,778	2.41	1.3	3.37	0.9
Resorts World	BUY	1.98	10.7	21.8	22.2	18.4	9.1	8.9	7.7	11,686	1.42	1.4	1.42	1.4
Sector						**25.5**	**13.6**	**11.3**	**5.9**	**31,423**		**1.8**		**1.5**
Plantation														
Asiatic	SELL	4.00	49.3	30.8	47.8	8.1	13.0	8.4	16.9	3,027	2.99	1.3	3.10	1.3
IJM Plantations	SELL	2.05	20.2	14.1	20.0	10.1	14.5	10.3	20.6	1,314	1.22	1.7	1.29	1.6
IOI Corporation	SELL	3.78	36.3	22.8	29.8	10.4	16.6	12.7	27.7	23,250	1.32	2.9	1.26	3.0
KL Kepong	BUY	10.20	97.5	79.2	98.5	10.5	12.9	10.4	19.9	10,889	4.92	2.1	5.14	2.0
Sime Darby	SELL	5.55	58.4	41.4	48.5	9.5	13.4	11.5	18.0	33,353	3.59	1.5	3.61	1.5
Sector						**9.9**	**14.2**	**11.4**	**18.8**	**71,833.1**		**1.9**		**1.9**
Property														
IGB Corp	BUY	1.36	11.5	21.0	22.7	11.8	6.5	6.0	5.8	2,027	1.82	0.7	1.83	0.7
MRCB	SELL	0.83	(6.2)	3.9	7.0	(13.3)	21.2	11.8	n.m	753	0.70	1.2	0.70	1.2
KLCC Property	BUY	2.96	24.1	25.9	27.2	12.3	11.4	10.9	10.6	2,765	3.97	0.7	4.64	0.6
UEM Land	BUY	0.73	3.1	3.9	4.3	23.7	18.6	16.7	n.a.	1,760	0.68	1.1	0.68	1.1
Sector						**17.6**	**10.7**	**9.6**	**4.7**	**7,305**		**0.8**		**0.8**

Source: Respective companies, Bloomberg, UOB Kay Hian

Strategy

Potential cash calls among Temasek-linked companies

Potential candidates – NOL, Keppel Land, City Spring Infrastructure Trust and Mapletree Logistics.

CSM has announced a rights issue; NOL is said to be considering one. Chartered Semiconductor Manufacturing (CSM) has announced a 27-for-10 rights issue at S$0.07/share to raise US$300m to strengthen its capital base, to provide liquidity to manage maturing debts and to fund capex. Separately, Reuters reports that Neptune Orient Lines (NOL) is also considering a rights issue to raise more than US$250m.

A slew of cash calls by government-linked companies. The last three months witnessed a slew of cash calls by government-linked companies. Within the Temasek Holdings' stable of companies, DBS Group (DBS SP), CapitaLand (CAPL SP), CapitaMall Trust (CMT SP) and CSM (CSM SP) have raised or are raising new capital via a rights issue. Separately, Ascendas REIT, an associated company of JTC, has undertaken a share placement as well as a rights issue. The purpose of these cash calls is to strengthen the balance sheet, repay debt and/or fund capex.

SINGAPORE

Strategy

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Recent Cash Calls By Government-linked Companies

Company	Cash Call	Purpose
DBS Group	1-for-2 rights issue at S$5.42/share to raise S$4b.	To strengthen balance sheet.
Ascendas REIT	Share placement of 258m shares at S$1.16/share plus a 1-for-15 rights issue at S$1.13-1.16/share. Raised total cash of S$400m.	S$200m to fund committed development projects and S$100m for debt repayment.
CapitaLand	1-for-2 rights issue at S$1.30/share to raise S$1.74b.	To strengthen balance sheet and war chest for growth opportunities.
CapitaMall Trust	9-for10 rights issue at S$0.82/share to raise S$1.23b.	Primarily to repay S$956.2m borrowings due in 2009.
CSM	27-for-10 rights issue at S$0.07/share to raise US$300m.	To strengthen capital base, to provide additional liquidity to manage maturing debt and to fund capex.

Source: Respective companies

Who's next? A Temasek-linked company (TLC) has the advantage of a deep-pocket parent if it should require new capital to strengthen its balance sheet and meet its financial obligations. Nonetheless, as evidenced in recent cash calls, share price would likely respond negatively to a cash call given the dilution impact of new shares.

Likely candidates – Keppel Land, NOL, City Spring and Mapletree Logistics. Cyclical companies that have a high net debt-to-equity ratio and a deteriorating earnings outlook have the highest risk of a cash call. These companies include Keppel Land (KPLD SP - net gearing: 61%) and NOL (NOL SP – net gearing: 33% currently, but is forecast to deteriorate to 55% by 2010). While Keppel Land's management recently denied a planned rights issue, the risk of a cash call still exists. NOL will likely see a sharp deterioration in its balance sheet because of losses in 2009 and 2010 in a poor shipping market.

Highly-geared business trusts and real estate investment trusts (REIT) that have a net debt-to-asset ratio of above 35% have a higher risk of a cash call. While this is below the 60% statutory limit, these entities will likely want to shore up their balance sheets ahead of asset impairment. Potential candidates include City Spring Infrastructure Trust (CITY SP) which has a very high net gearing of more than 100% and Mapletree Logistics Trust (MLT SP) with a net debt-to-asset ratio of 35%. Since MLT completed a 3-for-4 rights issue at S$0.73/share to raise S$606.7m cash last August, it may not undertake another cash call so soon.

Unlikely candidates – M1 and Starhub, despite high gearing ratios… Although M1 (M1 SP) and Starhub (STH SP) have a very high gearing of more than 100%, they are unlikely candidates of a cash call given the resilient earnings and cash flow from their telecommunication business and their high interest cover.

… and those strongly positioned to weather the storm. These are TLCs that are in a net cash or low gearing position. Among these companies are SIA (SIA SP), SIA Engineering (SIE SP), ST Engineering (STE SP), Keppel Corp (KEP SP), SembCorp Industries (SCI SP), SembCorp Marine (SMM SP), SMRT (MRT SP), SPC (SPC SP) and Singapore Telecommunications (ST SP). That said, we would not discount M&A - related cash calls among these companies.

Government-linked Companies' Financial Health

Name	B-berg Ticker	Sh Price @ 10-Mar-09	Market Cap ($m)	EPS ($) (Reporting Curr) 2008	2009F	2010F	Current Net Cash/ (Debt) to Assets (%)	Current Net Cash (Debt) to SF (%)	Net Cash/(Debt) to SF (%) 2009F	2010F	Interest Cover (x)	Ultimate Major S'holder	Deemed Interest (%)
Aviation													
SIA Engr	SIE SP	1.54	1,628	0.24	0.23	0.19	19	24	35	32	n.a.	Temasek	81.2
SIA	SIA SP	9.89	11,628	1.69	0.77	0.50	14	26	26	26	15.0	Temasek	54.7
SATS	SATS SP	1.12	1,198	0.18	0.13	0.15	20	27	n.a.	n.a.	28.1	Temasek	80.8
ST Engr	STE SP	2.26	6,660	0.16	0.17	0.18	(1)	(4)	1	2	17.1	Temasek	50.8
Bank													
DBS	DBS SP	6.75	14,715	1.09	0.63	0.87	n.a.	n.a.	n.a.	n.a.	n.a.	Temasek	27.9
Conglo													
KEPPEL CORP	KEP SP	4.15	6,500	0.69	0.55	0.51	4	13	6	8	17.9	Temasek	22.0
SCI	SCI SP	2.10	3,660	0.29	0.32	0.29	19	61	66	68	44.4	Temasek	49.6
Food & Beverage													
SFI	SFI SP	0.93	481	0.05	0.06	n.a.	(9)	(22)	n.a.	n.a.	25.8	Temasek	69.9
Land Transport													
KEPPEL T&T	KPTT SP	0.70	381	0.09	n.a.	n.a.	(25)	(48)	n.a.	n.a.	n.a.	Temasek	80.3
SMRT	MRT SP	1.59	2,396	0.10	0.10	0.12	1	3	(2)	4	42.9	Temasek	55.3
Marine													
NOL	NOL SP	0.935	1,505	0.06	-0.16	-0.05	(15)	(33)	(43)	(55)	(3.1)	Temasek	67.8
SembMarine	SMM SP	1.38	2,796	0.21	0.26	0.21	40	139	129	120	118.0	Temasek	61.5
Oil Refinery													
SPC	SPC SP	2.42	1,224	0.45	0.41	0.67	(8)	(15)	5	14	9.8	Temasek	46.0
Property													
CapitaLand	CAPL SP	1.87	7,594	0.37	0.13	0.16	(22)	(52)	(49)	(42)	2.7	Temasek	41.7
Evergro Props	EVGP SP	0.13	184	0.00	n.a.	n.a.	51	66	n.a.	n.a.	n.a.	Temasek	85.4
Keppel Land	KPLD SP	1.07	822	0.32	0.23	0.32	(24)	(61)	(66)	(61)	0.2	Temasek	53.0
REITs/Trusts													
AREIT	AREIT SP	1.12	1,779	0.13	0.14	0.13	(33)	(54)	(58)	(63)	4.3	JTC	27.0
A India Trust	AIT SP	0.53	386	0.09	0.07	0.07	(3)	(4)	(3)	(6)	23.0	JTC	24.9
Ascott REIT	ART SP	0.37	226	0.09	0.05	0.05	(34)	(63)	(52)	(54)	2.8	Temasek	46.6
CCT	CCT SP	0.63	847	0.09	0.09	0.08	(31)	(52)	(89)	(87)	1.7	Temasek	31.9
CMT	CT SP	1.09	3,330	0.13	0.08	0.07	(40)	(73)	(34)	(35)	2.6	Temasek	29.6
CR China Trust	CRCT SP	0.595	371	0.06	0.07	0.08	(27)	(47)	(45)	(44)	5.2	Temasek	40.4
City Spring Infra	CITY SP	0.485	238	-0.09	-0.02	-0.01	(77)	(2,722)	(272)	(282)	0.6	Temasek	27.8
K-REIT	KREIT SP	0.485	319	0.04	0.04	0.04	(25)	(36)	(43)	(54)	0.7	Temasek	75.2
Mapletree Logs	MLT SP	0.325	659	0.11	0.05	0.05	(35)	(63)	(59)	(59)	4.1	Temasek	46.9
Technology													
CEI CM	CEI SP	0.09	33	0.01	n.a.	n.a.	(3)	(6)	n.a.	n.a.	30.2	Temasek	18.0
CSM	CSM SP	0.125	522	-0.04	-0.16	-0.07	(32)	(90)	(134)	(191)	n.a.	Temasek	59.0
Stats Chippac	STAT SP	0.295	672	0.01	n.a.	n.a.	(6)	(9)	n.a.	n.a.	14.5	Temasek	83.0
Telecom													
M1	M1 SP	1.49	1,333	0.17	0.17	0.17	(29)	(104)	(83)	(58)	46.0	Temasek	20.0
SingTel	ST SP	2.45	38,861	0.25	0.23	0.24	(19)	(33)	(24)	(18)	11.9	Temasek	54.9
Starhub	STH SP	2.00	3,423	0.18	0.19	0.19	(47)	(727)	(479)	(408)	26.2	Temasek	57.2

Source: UOB Kay Hian, Bloomberg

Banking

Expect technical rebound

Correction in banks due to rights issue at HSBC and potential downgrade of GDP forecast. Technical rebound highly likely. Longer-term fundamentals remain fragile as 4Q08 is only the first quarter of an uptick in NPLs.

Sector Events

Singapore's GDP highly reliant on exports. The Ministry of Trade & Industry (MTI) forecast Gross Domestic Product (GDP) contraction of 2% to 5% for 2009 due to a steep decline in global economic activities. However, economic fundamentals have deteriorated since the forecast was released on 21 Jan 09. Non-oil domestic exports declined 29.1% yoy and industrial production contracted 34.4% yoy in Jan 09. This will result in further deceleration for the manufacturing sector, which accounted for 19.5% of GDP in 2008. Net export also accounted for 20.4% of GDP. Another downward revision in the official GDP forecast is likely. Banks will be affected due to non-performing loan (NPL) formation as a result of severe contraction in economic activities.

Assumptions In Earnings Forecasts

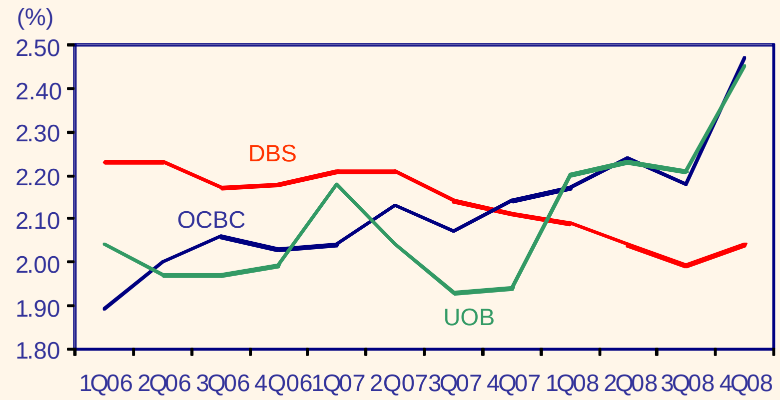
	2008	2009F	2010F
DBS			
NPL Ratio (%)	1.5	4.0	5.0
Credit Costs (bps)	55	120	80
OCBC			
NPL Ratio (%)	1.5	4.5	6.0
Credit Costs (bps)	24	135	95

Source: UOB Kay Hian

Contagion from HSBC. HSBC has announced a 5-for-12 rights issue at 254 pence to raise £12.5b. The negative surprise resulted in a 34% collapse in HSBC's share price to HK$37.60, which also had a spillover impact on banks in the region. HSBC's move could be a precursor to more fund-raising exercises from banks. The competition for investors' dollars will have a negative impact on banks, especially those with weak capital adequacy ratios.

Foreign banks in retreat. Offsetting the depressing economic outlook is the fact that some foreign banks are withdrawing from the Singapore market due to the pressing need to repatriate profits back to their home countries. Singapore is one of the most liberalised banking markets in Asia. There is ample room for local banks to gain market share given that foreign banks control about 45% market share in aggregate. Net interest margin already rebounded in 4Q08 due to wider credit spread and gapping opportunities. Foreign banks retreating from the market means less competition and more leeway to price in a wider credit spread.

Net Interest Margin (NIM)



Source: Respective companies

SINGAPORE

BANKING

MARKET WEIGHT

DBS (DBS SP)

BUY
Current Price: S$6.75
Target Price: S$10.55

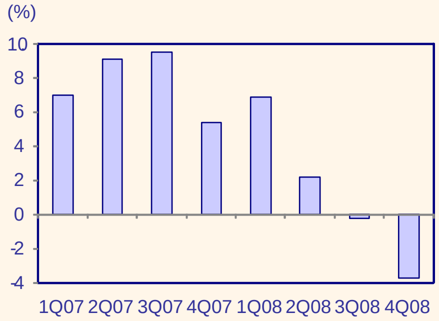
OCBC (OCBC SP)

HOLD
Current Price: S$4.08
Fair Price: S$5.27

UOB (UOB SP)

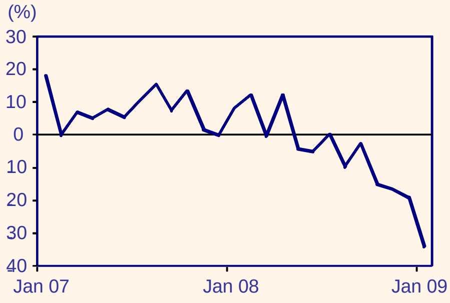
NOT RATED
Current Price: S$8.33

Singapore GDP, yoy



Source: CEIC

Non-oil Domestic Exports, yoy



Source: CEIC

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Among top-50 safest banks in the world. DBS, OCBC and UOB were ranked among the world's 50 safest banks by *Global Finance* magazine in Feb 09. Besides the three Singapore banks, the only other Asian bank among the top-50 is Bank of Tokyo-Mitsubishi UFJ from Japan. *Global Finance* compared long-term credit ratings and total assets of the 500 largest banks around the world based on ratings by Moody's, Standard & Poor's and Fitch Rating. These banks were selected for their prudent and sustainable approach to risk management compared with peers. *Global Finance* has published the listing for 17 years.

World's 50 Safest Banks (Feb 09)

	Name	Country		Name	Country
1	KfW	Germany	26	US Bancorp	United States
2	Caisse des Depots et Consignations (CDC)	France	27	Banco Popular Espanol	Spain
3	Bank Nederlands Gemeenten (BNG)	Netherlands	28	**DBS Bank**	Singapore
4	Landwirtschaftliche Rentenbank	Germany	29	Pohjola Bank	Finland
5	Rabobank	Netherlands	30	Deutsche Bank	Germany
6	Landeskreditbank Baden-Wuerttemberg-Foerderbank	Germany	31	Société Générálé	France
7	NRW. Bank	Germany	32	Intesa Sanpaolo	Italy
8	BNP Paribas	France	33	Bank of Montreal	Canada
9	Banco Santander	Spain	34	DnB NOR Bank	Norway
10	Royal Bank of Canada	Canada	35	The Bank of New York Mellon	United States
11	National Australia Bank	Australia	36	Caixa Geral de Depositos	Portugal
12	Commonwealth Bank of Australia	Australia	37	**United Overseas Bank**	Singapore
13	Banco Bilbao Vizcaya Argentaria (BBVA)	Spain	38	**OCBC**	Singapore
14	Toronto-Dominion Bank	Canada	39	Axa Bank Europe	Belgium
15	Australia & New Zealand Banking Group	Australia	40	Credit Suisse Group	Switzerland
16	Westpac Banking Corporation	Australia	41	Landesbank Baden-Wuerttemberg	Germany
17	Banco Espanol de Credito S.A. (Banesto)	Spain	42	Nationwide Building Society	United Kingdom
18	ASB Bank Limited	New Zealand	43	CIBC	Canada
19	HSBC	United Kingdom	44	National Bank of Kuwait	Kuwait
20	Credit Agricole	France	45	Barclays	United Kingdom
21	Wells Fargo	United States	46	UBS	Switzerland
22	Nordea Bank	Sweden	47	JPMorgan Chase	United States
23	Scotiabank	Canada	48	Bank of Tokyo-Mitsubishi UFJ	Japan
24	La Caixa	Spain	49	Banque Federative du Credit Mutuel (BFCM)	France
25	Svenska Handelsbanken	Sweden	50	Credit Industriel et Commercial (CIC)	France

Source: Global Finance

Valuation/Recommendation

We have changed our sector call for Singapore banks from OVERWEIGHT to MARKET WEIGHT to be in line with our downgrade of OCBC from BUY to HOLD. Since our downgrade on 19 Feb 09, OCBC has corrected 16.6% to close at S$4.08 yesterday.

Assessing potential upside and downside. We assess stressed valuations for Singapore banks based on both P/B and P/NTA. Both analyses indicate that DBS provides better upside potential and lower downside risk.

Stressed Stock Valuations - P/B

Company	Sh Price 10-Mar-09 (S$)	BV ps (S$)	Current P/B 10-Mar-09 (x)	AFC Stressed P/B (x)	Stressed P/B Remark	Sh Price @ AFC Stressed P/B (S$)	Downside To AFC Valuation (%)	LT Avg P/B (x)	LT P/B Remark	Sh Price @ LT P/B Valuation (S$)	Upside to LT P/B Valuation (%)
DBS	6.75	10.25	0.66	0.44	Lowest in 1998	4.50	(33)	1.58	Avg. since Jan 90	16.22	140
OCBC	4.08	4.51	0.91	0.61	Lowest in 1998	2.73	(33)	1.91	Avg. since Jan 90	8.63	112
UOB	8.33	8.90	0.94	0.56	Lowest in 1998	4.97	(40)	1.76	Avg. since Jan 90	15.67	88

Source: UOB Kay Hian

Stressed Stock Valuations - P/NTA

Company	Sh Price 10-Mar-09 (S$)	NTA ps (S$)	Current P/NTA 10-Mar-09 (x)	AFC Stressed P/NTA (x)	Stressed P/NTA Remark	Sh Price @ AFC Stressed P/NTA (S$)	Downside To AFC Valuation (%)	LT Avg P/NTA (x)	LT P/NTA Remark	Sh Price @ LT P/NTA Valuation (S$)	Upside to LT P/NTA Valuation (%)
DBS	6.75	7.68	0.88	0.44	Lowest in 1998	3.37	(50)	1.98	Avg. since Jan 90	15.24	126
OCBC	4.08	3.42	1.19	0.61	Lowest in 1998	2.07	(49)	2.15	Avg. since Jan 90	7.35	80
UOB	8.33	6.11	1.36	0.56	Lowest in 1998	3.41	(59)	1.99	Avg. since Jan 90	12.17	46

Source: UOB Kay Hian

Lack of details creates volatility. We expect share price for financial stocks to remain volatile. The US government will complete stress tests for 19 US banks with assets in excess of US$100b by end-Apr 09. This is likely to create lots of uncertainties due to the following: a) it has been a month since Treasury Secretary unveiled his Financial Stability Plan on 10 Feb 09 and implementation details are still not forthcoming, b) uncertainty is created as market participants do not know how many banks will pass/fail the stress tests and how much additional capital has to be injected into troubled banks.

A technical rebound is highly likely after the huge correction in February and March (DBS: -23.5%, OCBC: -20.8% and UOB: -29.9%). However, 4Q08 is only the first quarter of an uptick in NPLs and NPLs have not reached the peak yet, thus our cautious view for Singapore banks.

DBS (BUY/S$6.75/Target: S$10.55).

- DBS adopts a conservative approach to recognise NPLs and take allowance early. 35.8% of NPL is not overdue compared with 12.5% for OCBC and 21.7% for UOB.
- Management has streamlined operations in Singapore and Hong Kong for greater efficiency. DBS has managed down trading position, which reduced risk-weighted assets by 3.9% qoq in 4Q08.
- DBS focuses on organic growth in Singapore and S$ loans/deposits ratio improved from 52.6% in 2Q08 to 57.0% in 4Q08.
- DBS trades at a depressed P/B of 0.66x.

OCBC (HOLD/S$4.08/Fair: S$5.27).

- OCBC has the highest tier-1 Capital Adequacy Ratio (CAR) of 14.9%, thus it is unlikely to need recapitalisation via a rights issue.
- OCBC has recently been caught with exposure to TT International and Jurong Technologies. We are also concerned about its large exposure to property developers as building & construction accounted for 21.1% of loan book as at Dec 08.
- Overseas, OCBC has a significant presence in Malaysia and Indonesia, which provides long-term growth potential.

Peer Comparison – Regional Banks

	Bloomberg Code	Rec	Price @ 10 Mar 09	Target Price	Market Cap (US$m)	PE Hist. (x)	PE Current (x)	PE Forward (x)	P/B (x)	ROE (%)	Div Yield (%)
Singapore:											
DBS	DBS SP	BUY	6.75	10.55	9,561	6.2	10.7	7.8	0.61	9.6	9.3
OCBC	OCBC SP	HOLD	4.08	5.27	8,024	7.5	11.1	8.4	0.91	11.8	6.9
UOB	UOB SP	NR	8.33	n.a.	8,119	6.7	7.9	7.2	0.94	12.6	8.8
China:											
BOC	3988 HK	HOLD	2.19	2.45	109,660	7.7	9.7	8.0	1.09	14.0	5.2
BoCom	3328 HK	SELL	4.52	6.95	33,975	7.7	8.9	8.5	1.38	18.2	6.3
CCB	939 HK	HOLD	3.96	5.00	119,824	8.7	10.3	8.1	1.71	18.4	5.0
CMB	3968 HK	BUY	12.04	16.90	30,445	7.5	7.2	6.3	2.01	24.8	2.6
ICBC	1398 HK	HOLD	3.21	4.40	169,595	8.8	10.1	8.1	1.63	16.2	4.7
Hong Kong:											
BEA	23 HK	NR	13.22	n.a.	2,662	661.0	10.9	9.5	0.65	0.1	1.9
BOC HK	2388 HK	NR	6.45	n.a.	8,588	10.1	6.6	5.4	0.72	17.4	14.3
HANG SENG	11 HK	NR	68.35	n.a.	16,515	9.3	10.6	9.8	2.53	26.1	9.2
HSBC	5 HK	NR	37.60	n.a.	51,672	10.3	8.3	7.4	0.63	5.2	13.2
SCB	2888 HK	NR	80.00	n.a.	19,474	5.1	7.6	7.1	0.88	15.9	6.3
Indonesia:											
BCA	BBCA IJ	BUY	2700	3000	5,297	12.7	10.6	9.3	2.97	23.3	3.6
BK DANAMON	BDMN IJ	HOLD	2475	3100	1,053	8.2	6.2	5.0	1.18	14.3	8.5
BK MANDIRI	BMRI IJ	BUY	1800	2100	3,070	6.8	5.4	4.9	1.30	15.6	5.8
BK NEGARA	BBNI IJ	BUY	690	1100	854	8.7	4.2	3.1	0.71	5.6	4.3
BK RAKYAT	BBRI IJ	BUY	4000	6800	3,961	8.4	6.2	5.2	2.40	26.6	4.9
Malaysia:											
AMMB	AMM MK	HOLD	2.43	2.30	1,806	8.0	7.6	6.9	0.89	11.2	2.5
BUMIPUTRA	BCHB MK	HOLD	6.20	6.15	5,859	11.4	11.8	10.1	1.28	11.9	8.1
HONG LEONG	HLBK MK	SELL	5.15	4.88	2,224	11.0	10.3	10.8	1.43	15.3	4.7
MAYBANK	MAY MK	SELL	4.42	4.25	5,998	7.4	8.9	7.6	1.07	15.2	7.9
PUBLIC BK	PBK MK	HOLD	7.50	10.90	7,648	10.3	13.2	10.4	2.64	27.3	7.3
Thailand:											
BANGKOK BK	BBL TB	BUY	73.00	78.00	3,814	6.9	7.5	6.7	0.80	11.9	4.1
BK AYUDHYA	BAY TB	BUY	8.60	11.30	1,424	10.2	9.1	7.4	0.61	6.0	3.5
KASIKORNBK	KBANK TB	HOLD	41.25	44.50	2,706	6.4	8.3	6.7	0.87	14.4	4.8
KRUNG THAI	KTB TB	HOLD	4.16	3.42	1,266	3.9	6.7	5.5	0.45	12.3	10.6
SIAM COMM	SCB TB	HOLD	54.50	54.25	3,657	8.7	9.9	8.5	1.18	19.1	3.7
Average						**8.3***	**8.8**	**7.5**	**1.27**	**15.0**	**6.4**

** Exclude BEA.*
Source: Bloomberg, UOB Kay Hian

Energy

Improved electricity demand will benefit PTTEP and PTT

THAILAND

Energy

MARKET WEIGHT

PTTEP (PTTEP TB)

BUY
Current Price: Bt87.00
Target Price: Bt121.00

PTT (PTT TB)

HOLD
Current Price: Bt144.00
Fair Price: Bt162.00

EGCO (EGCO TB)

BUY
Current Price: Bt68.00
Target Price: Bt88.00

RATCH (RATCH TB)

HOLD
Current Price: Bt38.25
Fair Price: Bt42.00

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Sector Events

Electricity demand picked up in February from a huge drop of 13% in Jan 09 and -10% in Dec 08. The hotter weather led to higher electricity demand. Every additional degree in temperature will raise electricity demand by 300-400MW. During the 1997-98 Asian financial crisis, electricity demand in Thailand declined just 3% vs a 10% fall in GDP. EGAT forecasts electricity demand will fall 2% in 2009 due to the weakening utilisation rates in industrial sectors.

Sector Impact

Oil & Gas

Electricity producers consume 71% of Thailand's gas demand. The improvement in electricity demand is positive for gas business. We assume no growth in gas demand in 2009. However, for 2010, assuming all else being constant, a new gas separation plant (GSP) will lead gas demand to grow 10%. Moreover, PTT expects the new GSP to begin its commercial run earlier at end-4Q09 instead of 1Q10.

PTTEP (BUY/Target: Bt121.00)

- We expect PTTEP's sale volume to grow 5.3% in 2009 assuming no growth in gas demand. PTTEP has long-term gas sales agreement in which volume has already been committed.
- PTTEP has a good ROE track record of 30% in the last three years amid lower volatility in selling prices as gas accounts for 70% of its sales volume. **We expect a ROE of 19% in 2009 vs its peers' 15%.**
- The current share price has built in oil price of US$32/bbl into PTTEP's earnings. If you believe oil is not going below US$32/bbl, PTTEP offers good value.
- Favourable currency movement. As a US$-linked company, PTTEP s benefits from the weakening of the baht against the US$. The baht has depreciated 4% ytd and 14% yoy (from Bt31.5/US$ to Bt36.0/US$ now).
- PTTEP's reserve replacement ratio will significantly improve in 2009. We expect PTTEP to book additional proven reserves of 160mboe at the M9 field in 1H09, up 17%. Also, PTTEP discovered petroleum in 28 out of 43 wells in 2008. Its exploration success ratio is 65% vs peers' 25-33%.
- **PTTEP offers attractive valuation, strong fundamentals and net cash position. Downside risk is limited as current P/B at 1.8x is below its historical low at 2.0x. The stock is trading well below the replacement value of Bt158.**

PTT (HOLD/Fair: Bt162.00)

- PTT will have to continue to subsidise liquefied petroleum gas (LPG) and natural gas vehicles (NGV) and hang on to pipeline transmission tariffs. The regulatory risks will have a bearing on PTT but not PTTEP.
- We prefer PTTEP to PTT as PTT is exposed to the downturn in the petrochemical sector and uncertainties in government policies.

	Recc	Price	Target Price	--- EPS (Bt) ---		--- PE (x) ---		--- ROE (%) ---		--- Yield (%) ---		Market Cap
		(Bt)	(Bt)	2009F	2010F	2009F	2010F	2009F	2010F	2009F	2010F	(mBt)
PTTEP	BUY	87.00	121.00	8.91	11.00	9.76	7.91	19.3	20.8	3.9	4.8	7,717
PTT	HOLD	144.00	162.00	16.90	20.30	9.23	7.69	11.4	12.5	3.3	3.9	11,060
EGCO	BUY	68.00	88.00	12.48	13.73	5.45	4.95	13.3	13.2	7.3	8.1	994
RATCH	HOLD	38.25	42.00	4.12	4.31	9.29	8.88	13.6	13.3	5.8	5.8	1,571

Electricity

The National Policy Commission approved the new power development plan (PDP). The latest projection indicated that power generation in 2021 would be 51,792MW, an addition of 30,155MW from 2008, and -11% from earlier forecasts. The key changes are lower electricity demand forecasts in 2009 and 2010. Also, the government will postpone power purchases from Laos for two years and from IPPs for one year. However, the government will bring forward the purchase of 2,000MW from small power producers (SPP) in order to promote domestic power generation. This will provide a buffer to the delay in neighbouring countries' projects. We expect electricity demand to drop 2% in 2009. However, this will not impact existing IPPs.

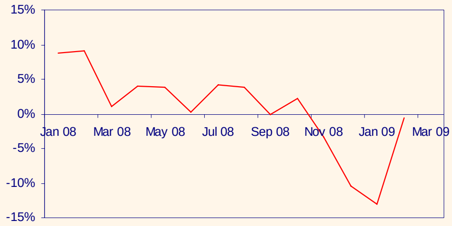
EGCO (BUY/Target: Bt88.00)

- About 90% of its earnings come from the IPP business with no impact from falling electricity demand. The IPP business in Thailand has steady operating cash flow due to secured earnings stream backed by long-term power purchase agreements (PPA) with EGAT. Thus, operating assets which have long-term PPAs and long-term raw material supply will enjoy steady earnings.
- The recognition of Quezon's share of profit (23.4% stake in the 460MW coal-fired power plant) and commercial operation of Nam Theun 2 project (1,070MW, 25%-owned) will compensate for lower contributions from REGCO and KEGCO. With no major capacity expansion going forward, EGCO's net profit will grow at no more than 10% for 2009 and 2010.
- The Energy Ministry has launched biddings for the operation of the power plant in Khanom in southern Thailand. This is one of the new generating projects included in the PDP. We expect KEGCO (100%-owned, 824MW capacity, combined cycle gas plants) will receive an extension to its new PPA. Southern Thailand still lacks adequate power supply. The contract extension would cater to the higher power demand in the South. We estimate the contract extension for KEGCO will provide an upside of Bt8-15/share.
- **We like EGCO for its sustainable cash flow, 16% ROE track record in the last three years and low gearing. EGCO is trading at a very cheap 0.7x FY09F PE, which is far below the regional peers' average of 1.2x. We expect a ROE of 13% in 2009 vs peers' 11%.**

RATCH (HOLD/Fair: Bt42.00)

- Almost all of its earnings come from IPP business. The bulk comes from its Ratchaburi power plant (3,645MW), a 50% stake in TECO power plant, a 700MW coal-fired power plant and a 25% stake in RATCH Power (RPCL), a 1,400MW combined cycle gas power plant.
- The 1,650MW Hongsa project (40% owned by RATCH) and the 440MW Nam Ngum 3 project (25% owned by RATCH) have been pushed back by two years by the policy makers in Laos. We expect the completion of the Hongsa project to be delayed from 2013 to 2015 and Nam Ngum 3 project from 2014 to 2016. We did not include the Hongsa and Nam Ngum 3 in our earnings forecasts.
- **Maintain HOLD** as current share price is near to our fair price at Bt42 (or 6.1x 2009F PE or 0.94x 2009F P/B). Our fair price is based on a 10% discount on DCF valuation (WACC of 9.3%). RATCH is a defensive stock with steady earnings stream backed by long-term PPA with EGAT.

Electricity Demand Picked Up In February



Source: EPPO

Key Assumptions

	2007	2008	2009F	2010F
Dubai crude oil (US$/bbl)	68	96	50	60
Complex Refinery GRM (US$/bbl)	7.6	6.1	4.0	4.0
HDPE - Naphtha Spread (US$/ton)	682	694	450	500
Px - Condensate Spread (US$/ton)	486	400	300	400
Benzene-condensate (US$/tonne)	372	200	40	100

Source: UOB Kay Hian

EGCO's Power Plants

Year	Power Plants	Capacity (MW)	Acc. Capacity (MW)	Project Life (year)
2008	REGCO	1,232	1,232	2014
	KEGCO	824	2,056	2016
	BLCP Power (BLCP)	717	2,773	2032
	Kaeng Khoi 2 (KK2)	734	3,507	2032
	Other Small Power Producer (SPP)	319.5	3,826.5	-
2009	Nam Theun 2	267.5	4,094	2034
Delay (2015)	Nam Theun 1	130.8	4,225	2040

Source: EGCO, UOB Kay Hian

Electricity Peers Comparison

Company	PE (x) 2009F	P/B (x) 2009F	ROE (%) 2009F
EGCO	5.5	0.8	13.3
RATCH	9.3	1.3	13.6
GLOW	7.2	0.9	13.0
TENAGA NASIONAL	13.7	1.0	9.5
YTL POWER	13.6	1.5	14.0
CLP HLDGS LTD	16.0	2.0	12.3
DATANG INTL	n.a.	1.3	9.2
HUANENG POWER	n.a.	2.2	6.4
AVERAGE	10.8	1.4	11.5
EGCO vs REGIONAL	**(49.6%)**	**(43.0%)**	**19.6%**
RATCH vs REGIONAL	**(17.3%)**	**(6.1%)**	**17.7%**

Source: Bloomberg, UOB Kay Hian

Bumrungrad Hospital

Exposure to foreign patients may lead to negative growth

We forecast negative growth for BH against management view of single-digit growth due to high exposure to foreign patients. Despite recent share price correction, upside is still limited. Maintain HOLD.

Corporate Events

Management believes sales could continue growing by a single digit this year despite the global recession. The focus will be on domestic middle- to high-income customers who are resilient to the economic downturn. Foreigners may still prefer BH to Parkway of Singapore due to tight budgets. The company's 32%-owned subsidiary, Bumrungrad International (BIL), may have to cancel its plan to build a new hospital in Dubai due to the economic crisis over there.

The weakening global economy may not recover soon. This could hurt BH's sales because BH derives 55% of its revenue from foreign patients. Wealthy customers may trim their medical expenses if the economic slump is prolonged. We therefore maintain our conservative 2009 forecasts that sales and net profit will decline 3% and 12% respectively.

Stock Impact

BH expects to have a good 1Q09 performance due to the higher number of foreign patients in Jan-Feb 09. The pent-up demand came from customers affected by the closure of airports last December. After that, the number of foreign patients is likely to dwindle. Although foreign patients may seek healthcare in Thailand which has lower expenses compared with Parkway, the total number of overseas patients is expected to decline. Middle Eastern patients, who are BH's largest group of foreign customers, are also facing an economic crisis due to the plunge in oil prices. We also expect fewer expatriates in Bangkok after the end of the current fiscal year in March.

Currently, the economic slowdown has adversely affected blue-collar workers. We expect the impact to spread to white-collar workers in 2H09. By then, people from all income groups will have to tighten their belts, including medical expenses. Marketing campaigns are less effective in a period of declining purchasing power.

Although BIL has been doing well in many overseas units, it may have to suspend its plan to build a hospital in Dubai. Due to the economic crisis there, the cost of operating hospital has skyrocketed by 50-60%. BIL had made a full provision of Bt76b for the project last year. We expect the project to be scrapped.

Earnings Risks

We maintain our forecasts while consensus has been coming down close to our forecasts.

THAILAND

Bumrungrad Hospital (BH TB)

HOLD

Current Price: Bt19.60
Fair Price: Bt22.51

Sector	Healthcare
52-Wk Avg Daily Vol. ('000)	604.9
Market Cap (Btb)	14.3
(US$m)	395.4
Major Shareholders (%)	
Bangkok Insurance	13.2
Sinsabtawee	8.7
Book NTA per Share (Bt)	6.7
ROE (%)	25.9
Net Debt per 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)	Yield (%)
2007	8,455	1,980	1,605	2.2	45.7	8.9	7.8	0.8	4.1
2008	8,757	2,037	1,191	1.6	(25.7)	12.0	7.7	0.8	4.1
2009F	8,512	1,949	1,048	1.4	(12.0)	13.6	7.9	0.7	3.7
2010F	8,923	2,097	1,203	1.7	14.7	11.9	7.3	0.8	4.2
2011F	9,870	2,321	1,480	2.0	23.1	9.6	6.7	1.0	5.2

Consensus Net Profit – FY09: Bt1,078m
– FY10: Bt1,169m

** On a fully-diluted basis, EPS of 2009, 2010 and 2011 is Bt1.2, Bt1.4 and Bt1.7 respectively.*

Recommendation

Despite a share price correction, BH still offers less than 20% upside to our fair price of Bt22.51 based on the DCF model at a discount rate of 7%. Maintain HOLD with entry price at below Bt18. At current price levels, we prefer Bangkok Dusit Medical Service as it still offers more than 40% upside and more domestic exposure.

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	8,455	8,757	8,512	8,923	9,870
EBIT	1,644	1,671	1,483	1,584	1,759
Pre-tax Profit	2,023	1,588	1,386	1,496	1,759
Net Profit	1,605	1,191	1,048	1,203	1,480

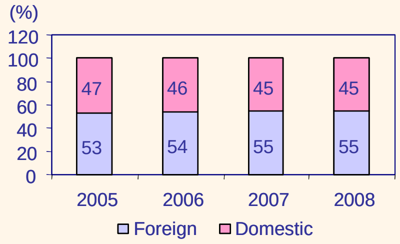
Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	1,417	1,142	1,172	1,298	1,292
Total Assets	7,466	8,104	8,345	9,086	9,675
Current Liabilities	1,782	2,123	1,931	2,305	2,742
Long-Term Liabilities	443	781	475	781	1,096
Shareholder Funds	4,349	4,865	5,287	5,924	6,211
Total Equity & Liabilities	7,466	8,104	8,345	9,086	9,675

Cash Flow

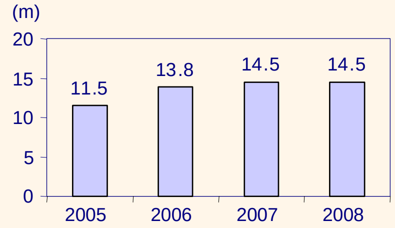
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	1,656	1,775	1,466	1,534	1,825
Investing	(1,371)	(1,317)	(620)	(953)	(946)
Financing	(599)	(465)	(878)	(488)	(971)
Net Cash In/(Out) Flow	(314)	(7)	(32)	92	(92)
Begin Cash & Cash Equiv.	864	550	385	353	445
End'g Cash & Cash Equiv.	550	543	353	445	353

Proportion Of Foreign vs Domestic Revenues



Source: BH

Tourist Arrivals



Source: Bank of Thailand

Valuation

Method	Results	Remarks
DCF	Bt22.51	Likely valuation
Stress P/B	Bt3.39	Unlikely as it is not going into bankruptcy
Z-score test	5.25	Score is in safe position

Source: UOB Kay Hian

Regional Comparison

Company	---PE (x)--- 09F	10F	P/B (x)	ROE (%)	Yield (%)
Thailand					
BGH	12.7	9.9	1.5	12.2	3.9
BH	13.6	11.9	2.7	20.7	3.7
KH	10.4	9.8	2.2	22.3	5.7
Singapore					
Parkway	12.4	10.8	0.9	6.5	3.6
Raffles	12.7	11.8	1.7	13.4	3.3
Thomson	9.3	10.5	1.1	11.5	5.4
Malaysia					
KPJ	6.4	5.3	0.9	15.5	7.6

Source: Bloomberg, UOB Kay Hian

http://research.uobkayhian.com

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