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Update

United Tractors (BUY/Rp5,600/Target: Rp6,850)

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Prospects underpinned by growing coal mining and mining contracting businesses. Initiate coverage with BUY.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7224.0	0.8	9.0	(8.0)	(17.7)
S&P 500	756.6	0.8	10.7	(8.5)	(16.2)
FTSE 100	3753.7	1.1	6.3	(9.2)	(15.3)
AS30	3294.7	3.3	5.9	(4.8)	(10.0)
CSI 300	2205.4	(0.5)	(3.5)	(10.4)	21.3
FSSTI	1577.5	5.6	4.3	(6.1)	(10.4)
HSI	12525.8	4.4	5.1	(6.9)	(12.9)
JCI	1327.4	1.3	3.1	(1.1)	(2.1)
KLCI	843.5	0.6	(3.0)	(7.0)	(3.8)
KOSPI	1126.0	(0.2)	6.7	(4.2)	0.1
Nikkei 225	7569.3	5.2	5.5	(2.3)	(14.6)
SET	424.8	2.3	1.3	(4.9)	(5.6)
TWSE	4897.4	3.0	5.2	6.7	6.7
BDI	2122	(3.6)	(4.6)	11.2	174.2
CPO (RM/mt)	2011	(2.0)	2.8	3.9	23.4
Nymex Crude (US\$/bbl)	46	(1.7)	1.6	23.3	3.7

Source: Bloomberg

Top BUYS/SELLS

	Ticker	Current Price (Icy)	Target Price (Icy)	Pot. +/- (%)
Top BUYS				
China Life	2628 HK	23.70	30.50	28.7
China Mobile	941 HK	67.70	90.00	32.9
China Petroleum	386 HK	4.06	6.93	70.7
China Railway	390 HK	4.38	5.90	34.7
China Shenhua	1088 HK	15.56	23.00	47.8
Zijin Mining	2899 HK	4.59	5.90	28.5
Bumi Resources	BUMI IJ	780	1,010	29.5
DBS Group	DBS SP	7.39	10.55	42.8
Indofood Agri	IFAR SP	0.60	0.80	34.5
SingTel	ST SP	2.48	2.95	19.0
Advanced Info	ADVANC TB	80.50	101.73	26.4
Quality Houses	QH TB	0.75	1.28	70.7
Top SELLS				
Aluminum Corp	2600 HK	4.07	3.00	(26.3)
Harbin Power	1133 HK	4.53	3.50	(22.7)
Parkson Retail	3368 HK	6.85	5.15	(24.8)
S'pore Exchange	SGX SP	4.55	3.00	(34.1)
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* (US\$/dmu)	153	107	99
CPO (US\$/MT)	818	520	685
BDI	6,338	2,500	1,500

* Bloomberg

Source: UOB, UOB Kay Hian

MALAYSIA

Sector

Banking

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Downgrade to UNDERWEIGHT as earnings risks grow on bleak economic outlook and default risks, and margin contracts on interest rate downcycle.

SINGAPORE

Sector

Property - Residential

Page 17

Low downside, ample upside.

Update

CapitaMall Trust (SELL/S\$1.01/Fair: S\$1.19)

Page 19

Is the 9-for-10 rights issue under subscribed?

THAILAND

Strategy

Page 21

Thai corporates have strong balance sheets. Only PTTAR, IRP, ROJNA, CK, ITD and TRUE face possible cash calls.

Technical Analysis

DJIA in wave iv of 5

Our views have not changed. For the past three weeks, we had repeated that US indices were in the terminal stages of a wave 5 decline. Last week, we noted that bearish sentiment as formulated by the Association of American Individual Investors (AAII) was pervasive, with a higher number of bearish investors than even in 1987. This was a contrary indicator. A rally, coming on the back of such negative sentiment, is not surprising. However we still view the rebound as a wave iv move and odds are that we will still see another leg down. However, from a one- to three-month perspective, the overall risk is on the upside.

Immediate resistance for the Dow Jones Industrial Average (DJIA) is near trendline resistance at 7,400.

DJIA in wave iv of 5



Source: NextView

REGIONAL Technical Analysis

Analyst

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Shandong Weigao

2009 growth capped by tightened budgets of hospitals

2008 results beat expectation with net profit up 57%. However, 2009 growth will be capped by the tightened budgets of Chinese hospitals. We cut 2009 net profit forecasts by 7% and 2010's by 20%. Downgrade from BUY to SELL.

Year to 31 Dec	4Q08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	371	14.2	1,514	38.3	Growth in volume, higher ASPs
Gross profit	219	49.2	758	51.6	Turnover up, higher margin
EBIT	170	115.0	490	32.3	
Shared profit of JV	6	(59.7)	56	(5.0)	Margin decline for the JV
Shared profit of assoc.	8	n.a.	8	n.a.	Launch of a JV with Medtronic
Pre-tax Profit	174	90.4	524	34.6	
Tax	(15)	118.9	(39)	1,327	
Minority interest	(4)	(27.3)	(3)	(87.2)	Increase stake in a subsidiary
Net Profit	155	96.0	482	56.5	
Gross Margin (%)	59.2	13.9	50.1	4.4	Optimisation of product mix
EBIT Margin (%)	46.0	21.5	32.3	5.8	
Pre-tax Margin (%)	46.9	18.7	31.9	4.3	
Net Margin (%)	41.8	17.4	24.9	3.7	

2008 Results

Turnover driven by higher value-added products. Turnover grew 38% yoy to Rmb1.514b in 2008, driven by higher value-added products. Sales of medical consumables, orthopaedic products and blood purification consumables rose 40%, 55% and 62% yoy respectively.

4Q08 saw sharp slowdown in sales growth and accumulation of account receivables. However, turnover growth slowed from 47% yoy in 9M08 to 17% yoy in 4Q08. Due to delayed payments from hospitals, the Group restricted sales to them so as to control credit risk. Receivable days increased from 140 in 2007 to 167 in 2008.

Tightened budgets for Chinese hospitals. The delayed payments from hospitals were due to the lack of government funding and bank credit. This situation has still not eased significantly. The Group will continue to maintain a prudent credit policy. Should the credit tightness persist, the Group will target for a slower sales growth this year.

Margin improvement from optimisation of product mix. Gross margin and EBIT margin improved 4.4ppt yoy and 5.8ppt yoy to 50.1% and 32.3% respectively, as the portion of high value-added products (gross margin > 60%, including light-proof injection sets, intravenous indwelling needles, pre-filled syringes, blood purification products and orthopaedic products) to total revenue increased from 35% in 2007 to 46% in 2008. Contributing also to the margin improvement was a drop in raw material prices.

Stent profit dropped 5% yoy. Weigao's 50%-owned JW Medical which produces and sells drug-eluting stents (DES), a device used in cardiovascular operations, saw a 30% yoy turnover growth but a 5% yoy drop in net profit due to margin erosion amid tough competition. Profit from stents has halved from a peak of Rmb3,000/unit to Rmb1,500.

CHINA

Shandong Weigao (8199 HK)

DOWNGRADE TO SELL

Current Price: HK\$13.06

Fair Price: HK\$11.40

(Previous: HK\$13.60)

Sector	Medical
52-Wk Avg Daily Vol. ('000)	1,200
Market Cap (HK\$m)	14,056
(US\$m)	1,802

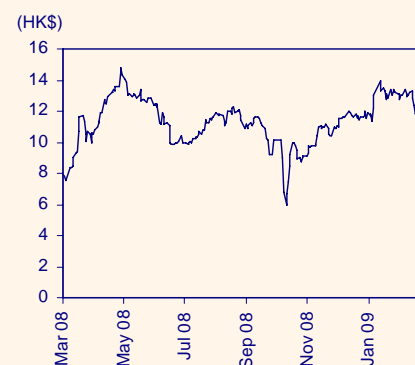
Major Shareholders (%)	
Weigao Holding & management	52.7

Book NTA per Share (HK\$)	2.38
ROE (%)	25.4
Net Cash per Share (HK\$)	0.73

Results Due

1Q: May	Interim: Aug
3Q: Nov	Final: Mar

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 (%)
2007	1,095	339	308	0.31	76.5	36.7	36.8	0.09	0.8
2008	1,514	548	482	0.48	54.7	23.7	21.3	0.14	1.2
2009F	1,812	653	597	0.55	14.8	20.7	17.8	0.17	1.5
2010F	2,356	840	777	0.72	30.2	15.9	13.6	0.22	1.9
2011F	3,031	1,092	1,003	0.93	29.1	12.3	10.2	0.28	2.4

Consensus Net Profit – FY09: Rmb641m
 – FY10: Rmb972m

Medtronic Weigao contributed Rmb8m profit to Weigao. As at end-Sep 08, Weigao set up a 49-51 JV, Medtronic Weigao, with Medtronic. The JV has the sole right to sell all the orthopaedic products for both Weigao and Medtronic in China. In 4Q08, it contributed Rmb8m profit to Weigao.

Stock Impact

Earnings CAGR of 24% vs 42% previously. We cut our net profit forecasts for Weigao for 2009 and 2010 by 7% and 20% to Rmb597m and Rmb777m respectively. Meanwhile, we project 2011F net profit at Rmb1b. Our earnings forecasts imply a three-year CAGR of 24% vs 42% previously based on lower-than-expected budgets of Chinese hospitals.

Tighter hospital budgets. Hospitals in China are facing tighter budgets due to lack of government funding and bank liquidity. According to the Group's major customers, the liquidity tightness will only ease in 12-18 months time under the optimistic scenario. With respect to the government healthcare spending budget of Rmb850b for 2009-11, this is only the total spending and not the additional spending as quoted by certain sources. As such, the growth in healthcare spending in the coming three years will be only <10% p.a. vs >40% as expected before and >30% for 2008. This means potentially lower growth in demand for medical devices.

Earnings Risk

Fluctuation in raw materials prices. The margin improvement for 2008 was partly due to drop in raw material prices (such as petrochemicals and steel). Fluctuations in the prices of these raw materials would affect the Group's margins.

Valuation/Recommendation

Weigao's share price has almost reached our previous target price of HK\$13.60. The stock is trading at 20.7x 2009F PE vs the average 17-18x for global peers. We believe current share price has factored in growth for the coming years. Although we remain upbeat on Weigao's growth prospect in the long term, we **downgrade it to SELL** due to the rich valuations and short-term industry risk. We cut our fair price from HK\$13.60 to **HK\$11.40** base on 18x 2009F PE.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	1,095	1,514	1,812	2,356	3,031
EBIT	291	490	586	763	1,004
Pre-tax Profit	332	524	692	906	1,170
Net Profit	308	482	597	777	1,003

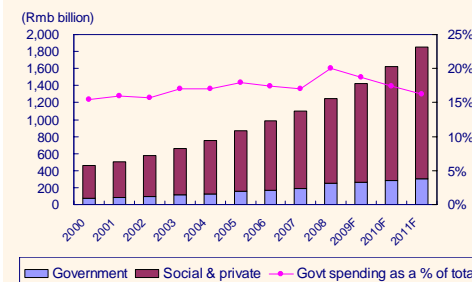
Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	1,079	1,902	1,984	2,303	3,009
Total Assets	2,141	3,400	3,704	4,297	5,252
Current Liabilities	545	681	698	697	888
Long-Term Loans	211	196	39	39	39
Shareholders' Funds	1,385	2,485	2,930	3,523	4,288
Total Equity & Liabilities	2,141	3,400	3,704	4,297	5,252

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	276	533	396	571	751
Investing	(385)	(411)	(166)	(194)	(163)
Financing	250	453	(173)	(361)	(259)
Net Cash Inflow/(Outflow)	141	574	57	16	329
Begin Cash & Cash Equiv.	115	256	830	886	902
End'g Cash & Cash Equiv.	256	830	886	902	1,231

China's Healthcare Spending



Source: State Statistic Bureau, UOB Kay Hian

Insurance

2008 losses now behind insurers; looking forward to bright 2009

Insurers will be reporting large declines in earnings, hurt by the steep fall in the stock market. With the difficult year of 2008 now behind, insurers face a bright 2009.

Sector Events

2008 a difficult year dragged down by stock-market plummet. Despite solid premium growth from life insurance companies, net profit for 2008 will be down substantially from 2007 due to the rout in global stock markets.

- **Ping An earnings to be virtually wiped out by Fortis impairment.** We expect Ping An to report a net profit of Rmb437m under IFRS, following a Rmb23b impairment charge related to its investment in Fortis. This is in stark contrast to the Rmb18,688m net profit in 2007, which benefitted greatly from the bull-market run last year. Premium growth under PRC GAAP came in at 28%, and we expect the figure to be slightly above 20% under IFRS.
- **China Life earnings to decline 46% under IFRS.** Although China Life reported a 50% yoy growth in premiums under PRC GAAP, we expect premium growth to be comparable to Ping An at around 25% under IFRS. We estimate China Life's net profit at Rmb21,125m for 2008, -46% yoy, due to investment losses.
- **PICC to record a loss for 2008 despite expected improvement in 2H08.** We expect PICC to report a net loss of Rmb328m for FY08. 2008 was a particularly difficult year for PICC as it was wrecked by underwriting losses (high claims and expenses) and investment losses due to the steep fall in the A-share market. Although we expect claims and expenses to fall in 2H08, we still expect PICC to report an underwriting loss.

Sector Impact

Results will be ugly, but nothing outside of expectations. Both life and P&C insurers are expected to report very weak earnings for 2008 mainly due to the fall in global stock markets. However, the weak results have long been expected by the market and attention is now on outlook for 2009.

Earnings Risk

The primary risk is continued decline in the stock markets and prolonged period of low interest rates.

Sector Valuation

Stock	Rec.	Price 13 Mar 09 (HK\$)	Net Profit			PE			P/EV			ROE 2007 (%)	Market 2008F (HK\$m)	Yield 2009F (%)
			2008F (Rmbm)	2009F (Rmbm)	2010F (Rmbm)	2008F (x)	2009F (x)	2010F (x)	2008F (x)	2009F (x)	2010F (x)			
China Life	BUY	23.70	21,125	25,965	31,928	28.6	23.2	18.9	2.7	2.4	2.0	22.5	670,826	2.1
Ping An	BUY	44.00	437	13,848	18,316	677.9	21.4	16.2	2.6	2.3	2.0	23.3	309,553	1.2
PICC P&C*	HOLD	4.21	(328)	2,038	2,826	n.a	20.7	15.0	1.6	1.5	1.3	11.5	46,907	0.0

Source: Respective company, UOB Kay Hian

*Note: P/EV column reflects P/B for PICC P&C

CHINA

Insurance

OVERWEIGHT

Ping An Insurance (2318 HK)

BUY

Current Price: HK\$44.00

Target Price: HK\$47.75

China Life Insurance (2628 HK)

BUY

Current Price: HK\$23.70

Target Price: HK\$30.50

PICC P&C (2328 HK)

HOLD

Current Price: HK\$4.21

Fair Price: HK\$3.65

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Recommendation

Life insurers will be exceptionally strong fundamentally in 2009, given the strong premium growth, a much more stable A-share market and the lack of major overhangs. Also, given the low base of comparison in 2008, we expect very strong earnings growth for 2009.

Still prefer China Life on defensiveness. Although we like both Ping An and China Life and have a BUY on both, we believe the recent rally in Ping An's shares has been due to it being a high-beta play. We continue to slightly prefer China Life over Ping An due to China Life's defensiveness and pure domestic exposure.

Better fundamentals for PICC, but waiting for more material improvement. We also expect fundamentals to improve for PICC this year, particularly with respect to control of acquisition costs. The CIRC has begun to strictly enforce insurer solvency since late last year, which will go toward reducing the intense market competition. Due to the expected improvement in 2H08, we have revised up our FY08 net profit estimate to a loss of Rmb328m. Our 2009 and 2010 estimates are unchanged. We continue to maintain our HOLD rating until we see further material improvement in fundamentals.

Zero exposure to US bank bonds

China's life insurers have zero exposure to US bank bonds which are not experiencing rising policy risk as the Obama administration is looking to tap into the vast US bond market to help shoulder the bailout burden. The insulation of Chinese insurers, in particular China Life, to toxic foreign investments should ease investor concerns on losses related to such investments.

February premium growth expected to remain strong

Life insurance premiums continued to see outstanding growth in February, although the pace of growth slowed from January's. The big three insurers (China Life, Ping An, and China Pacific) saw a 5% yoy rise in premiums together, which trailed the 13.8% yoy growth in January. For Jan-Feb 09, premium growth for the three insurers was just under 10%.

Among the three insurers, we continue to expect Ping An to lead the way in premium growth this year. Strong premium growth for Ping An will be driven by its higher-than-industry average universal life credit rate as well as its strong agency force. China Life could see a mild dip in premium growth as it restructures its product lines to include more long-term products to improve margins. Official premium figures will be released in mid-March.

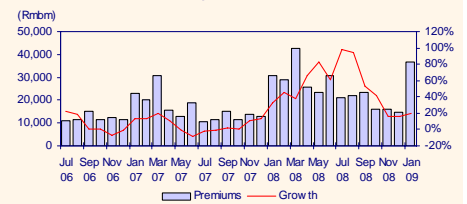
Insurers offer direct exposure to retail consumers

Life insurers are a direct consumer play in that they benefit from strong deposit growth. Premium growth in January was partly driven by strong M2 growth, and combined with the attractive returns from insurance products vs deposits, premium growth for January greatly exceeded market expectations. While M2 growth was driven by corporate time deposits in February, we believe the high level of retail deposits will continue to drive premium growth with consumers looking to tap higher yields.

Stabilising A-share market will provide big boost to confidence

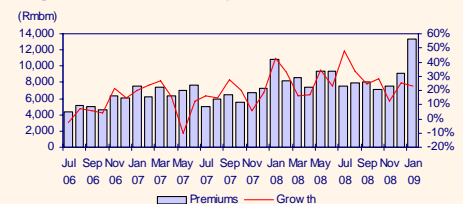
The largest overhang for life insurers in 2008 was the dismal stock market. Although we value insurance on an EV-based metric, in general, the market still has the propensity to use EPS as a gauge of performance, which can be highly volatile with stock-market movements. As a fall in equity markets similar to the scale seen in 2008 is extremely unlikely this year, a more stable stock market will give investors more confidence in insurance stocks.

China Life Monthly Premiums



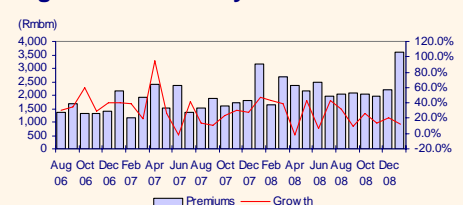
Source : CIRC, UOB Kay Hian

Ping An Life Monthly Premiums



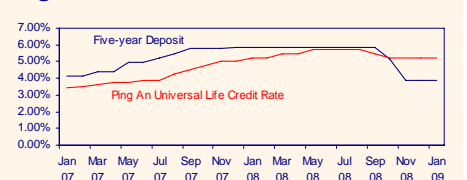
Source : CIRC, UOB Kay Hian

Ping An P&C Monthly Premiums



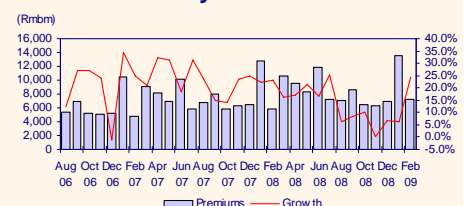
Source : CIRC, UOB Kay Hian

Ping An Universal Life Credit Rate



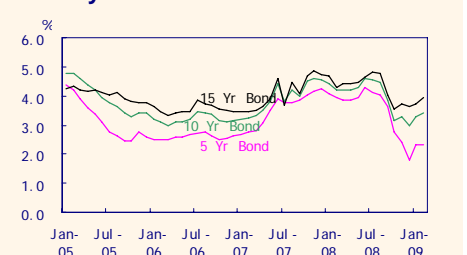
Source : Company Data, UOB Kay Hian

PICC P&C Monthly Premiums



Source : CIRC, UOB Kay Hian

Treasury Bond Yields



Source : CEIC, UOB Kay Hian

China Automation Group

2008 results preview: Solid growth

We expect a 39.6% yoy increase in its net profit for 2008 on the back of a doubling in top-line. The lag in profit growth is due to non-cash charges related to BJM acquisition.

Corporate Events

China Automation Group (CAG) looks to announce its 2008 results in early-April. We expect the company to continue to deliver solid earnings growth with revenue more than doubled to Rmb837.6m. CAG is able to see a sustainable top-line expansion when many others are suffering from a significant slowdown or reporting losses because of:

- Strong demand for safety systems triggered by China's increasing safety awareness in the petrochemical industry.** As stricter safety requirement comes into place, more and more petrochemical factories need to change new safety systems. Together with new factories, the potential in the safety system market remains huge.
- CAG's continued efforts to penetrate various industries.** Apart from petrochemical, the company is always seeking for opportunities to apply its system solutions to other industries, such as iron & steel, coal and chemical. Since the core designs of the systems for different industries do not vary significantly, it is not costly for CAG to expand into various industries while the return is usually considerable. We expect the above two factors to collectively contribute a 45% organic growth in 2008.
- Acquisition of Beijing Jiaoda Microunion (BJM).** Through three purchase agreements, CAG acquired an aggregate of 76.7% stake in BJM, one of the only four licence holders in China who is qualified to provide safety system solutions for national railways. As such, CAG has gained direct exposure to the railway sector, which accounts for a significant weight in the Rmb4 trillion stimulus package. The BJM acquisition would be become a major growth engine for CAG for the next couple of years. We expect the revenue contribution to reach Rmb250m for 2008.

BJM Acquisition Time Table

Date	Stake (%)	Consideration (Rmb)
10 Mar 08	46.97	192,323,500
12 Jun 08	11.04	41,323,500
14 Aug 08	18.69	70,087,500
Total	76.70	303,548,500

Source: CAG, UOB Kay Hian

Apart from direct revenue contribution, the acquisition could also bring indirect benefits such as potential cooperation with foreign giants in the railway domain. Since the Ministry of Railway (MoR) has made it clear that only Chinese companies are qualified to bid for national railways, high-speed railways and metro projects, foreign giants such as Rockwell or Siemens could only seek partnerships with local companies capable of winning the projects to gain exposure to China's railway sector.

CHINA

China Automation Group (569 HK)

BUY

Current Price: HK\$1.62
Target Price: HK\$2.30

Sector	Instruments-Controls
52-Wk Avg Daily Vol. ('000)	1,123
Market Cap (HK\$m)	1,472.9
(US\$m)	189.6

Major Shareholders (%)	
Consen Investments Holdings	59.8

Book NTA per Share (Rmb)	0.61
ROE (%)	29.8
Net Cash per Share (Rmb)	0.33

Results Due	
Interim	June
Final	December

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (¢)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (¢)	Yield (%)
2006	289.0	78.7	68.5	12.1	44.1	11.9	12.8	9.8	6.8
2007	403.4	105.2	99.9	14.1	16.8	10.2	9.6	2.7	1.9
2008F	837.6	194.3	139.5	15.5	9.9	9.3	5.2	3.1	2.1
2009F	1029.4	266.9	186.4	20.4	31.6	7.0	3.8	4.1	2.8
2010F	1285.7	337.0	234.6	25.7	25.9	5.6	3.0	5.1	3.6

Consensus Net Profit – FY08: Rmb141.8m
– FY09: Rmb189.5m

Therefore, we believe CAG as a licence holder will become a potential partner with these foreign companies and would benefit in terms of increased profit and advanced technology/management.

Stock Impact

We expect net profit growth for 2008 to lag revenue growth due to:

- a) **Amortisation expenses of BJM's trademark, licence and backlog orders.** CAG has Rmb295.1m intangible assets and Rmb56.7m goodwill on its 1H08 balance sheet which was recognised mainly upon the acquisition of BJM (total consideration of Rmb303.5 vs NAV of Rmb48.0m). The auditors intend to amortise the intangibles on a 15-20 years basis, which would result in about Rmb20m amortization expense for 2008. CAG is currently negotiating with the auditors to raise the goodwill value which will lower amortisable intangible assets. We expect the total amortisation expense for 2008 at Rmb10m.
- b) **Higher tax expenses.** Tax holiday has expired for CAG and the company started to pay income tax in 2008. CAG is also required to make a 5% withholding tax provision for dividend paid to overseas investors. We expect CAG to make the provision based on the profits of its subsidiary in Hong Kong, which would lower its tax provision to about Rmb2m.
- c) **Minority interest.** We reckon that CAG's effective stake in BJM is about 51.4% for 2008, and the minority interest would therefore be over Rmb13m.

To sum up, we expect CAG to record a net profit of Rmb139.5m, +39.6% yoy.

Valuation/Recommendation

Maintain BUY with target price of HK\$2.30, based on CAG's global peers' average of 10x forward PE.

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	289.0	403.4	837.6	1029.4	1285.7
EBIT	76.9	102.8	191.6	247.7	311.4
Pre-tax Profit	74.2	99.7	188.6	241.6	305.3
Net Profit	68.5	99.9	139.5	186.4	234.6

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	254.6	636.3	904.1	1017.8	1298.2
Total Assets	284.8	683.1	1009.5	1152.1	1438.8
Current Liabilities	138.2	119.8	334.6	328.2	427.2
Long-Term Liabilities	0.0	0.0	0.0	0.0	0.0
Shareholder Funds	146.6	563.3	674.9	824.0	1011.7
Total Equity & Liabilities	284.8	683.1	1009.5	1152.1	1438.8

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	42.7	(2.7)	(83.2)	198.8	206.9
Investing	(22.5)	(19.0)	(61.4)	(48.2)	(31.9)
Financing	7.2	247.2	72.1	(37.3)	(46.9)
Net Cash In/(Out) Flow	27.4	225.5	(72.5)	113.4	128.1
Begin Cash & Cash Equiv.	48.8	76.2	301.7	229.2	342.6
End'g Cash & Cash Equiv.	76.2	301.7	229.2	342.6	470.6

Technical Analysis

PICC (2328): HK\$4.21

PICC bounced off from (A) and (B) on the price chart to unfold a potential double-bottom formation since early-Jan 09.

In the course of forming the double-bottom pattern, volume has been typically low relative to the 6-month daily average until the stock broke out from the neckline at HK\$4.14 of the double-bottom last Friday on very strong volume.

In fact, at the same time, a similar potential double-bottom formation is in the making on the RSI chart. This phenomenon would increase the odds on the completion of the potential double bottom on the price chart.

As long as the stock does not pull back below the intraday low of HK\$4.00, the double-bottom formation presages the continuation of the rebound to the previous high of HK\$4.68 which coincides with the current 250-day moving average.

CHINA

Technical Analysis

Analyst

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Double-Bottom Formation Of PICC



Source: HKET Net

Holcim Indonesia

2008: Unlikely to see such good results in FY09 and FY10

FY08's earnings growth is unsustainable going forward. Domestic cement sales fell 7.9% in Jan 09, an indication of a weaker market ahead. With increased energy and interest costs, we cut earnings estimates by 40.3% for 2009 and 41.7% for 2010. Downgrade the stock from HOLD to SELL.

2008 Results

Year to 31 Dec	FY07 (Rpb)	FY08 (Rpb)	yoy % chg	Remarks
Sales	3,754.9	4,803.4	27.9	Stronger demand and higher price
Gross profit	1,262.1	1,870.3	48.2	Higher margin from cement sales
Operating profit	520.5	986.2	89.5	More efficient cost management
Net profit	169.4	282.2	66.6	Forex loss and high interest expense
Gross margin (%)	33.6	38.9		
Operating margin (%)	13.9	20.5		
Net margin (%)	4.5	5.9		

Source: UOB Kay Hian

Corporate Events

Higher capacity but lower utilisation in 2009. Holcim Indonesia (SMCB) raised its cement production capacity by 0.6m tonnes (+7.9% yoy) to 8.5m tonnes in 2H08 with the initial objective to tap the markets outside of Java, but the expansion seems ill-timed. The economic downturn and lower commodity prices since 4Q08 have weakened purchasing power, so we expect production utilisation to decline from 81.8% in 2008 to 75.0% in 2009 in anticipation of lower cement demand.

Weaker sales and lower market share. Total cement sales of SMCB fell 7.9% yoy to 0.5m tonnes in Jan 09 due to the rainy season and seasonal holidays. Domestic sales fell a steeper 12.0% yoy mainly attributed to a decline in the sales of bag cement. With increased competition in Java this year, we expect SMCB's domestic market share to weaken to 13.9% in 2009 from 14.1% in 2008.

Strong cement demand and earnings growth in 2008. Strong cement demand and effective cost reduction programme drove the higher earnings in 2008. Revenue rose 27.9% yoy to Rp4.8 trillion and net profit surged 66.6% yoy to Rp282b lon ower tax expense due to accumulated tax losses. Both gross and operating margins improved from 33.6% and 13.9% in 2007 to 38.9% and 20.5% in 2008 respectively in 2008. However, it booked a foreign exchange loss of Rp532b in 2008 due to its exposure to US\$ loans and the depreciation of the rupiah.

Earnings Revision

Slash net profit forecasts for 2009 and 2010. With increased energy costs and higher interest charges (due to higher US\$-denominated debts and a weaker rupiah), we cut net profit estimates by 40.3% to Rp270b for 2009 and by 41.7% to Rp304b for 2010. We assume domestic coal price would increase while electricity cost will be unchanged on expectation that the government will maintain the existing tariff.

INDONESIA

Holcim Indonesia (SMCB IJ)

DOWNGRADE TO SELL

Current Price: Rp520

Fair Price: Rp390

(Previous: Rp820)

Sector	Cement
52-Wk Avg Daily Vol. ('000)	11,191
Market Cap (Rpb)	3,984.7
(US\$m)	332.4

Major Shareholders (%)	
Holderfin B.V.	77.3

Book NTA per Share (Rp)	1,002
ROE (%)	11.8
Net Debt per Share (Rp)	395

Results Due	
1Q: Apr	2Q: Aug
3Q: Oct	Final: Mar

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rp)	Yield (%)
2007	3,754.9	904.3	169.4	22	(3.7)	22.6	7.3	0.0	0.0
2008	4,803.4	1,378.2	282.2	37	66.6	13.6	5.0	0.0	0.0
2009F	4,313.2	1,126.5	270.2	35	(4.3)	14.2	5.6	0.0	0.0
2010F	4,726.3	1,137.5	303.8	40	12.5	12.6	5.0	0.0	0.0
2011F	5,005.8	1,205.8	370.8	48	22.0	10.3	5.6	0.0	0.0

Consensus Net Profit – FY09: Rp308.1b
 – FY10: Rp428.4b

Risks

Weaker rupiah can drag down earnings further. As of 2008, SMCB had the highest net gearing of 119.2% among domestic cement producers and a significant 93.4% of its debts are denominated in US\$. Hence, its earnings are sensitive to rupiah/US\$ fluctuations. Our sensitivity analysis indicates that for every Rp1,000 deterioration in the rupiah vs the US\$, SMCB's EPS will decline a significant 25%.

Valuation/Recommendation

Lower price target and downgrade to SELL. SMCB is currently trading at 14.7x 2009F PE, a premium to the average 11.2x for its Indonesian peers and at a discount to regional average of 15.3x. However, the current valuation implies an EV/tonne of US\$61.5, a discount to the domestic cement industry average of US\$74.3/tonne, and cheaper than our estimated average replacement cost of about US\$150/tonne. In our view, this discount is justified by its smaller production capacity, plant location and limited target market relative to its larger competitors. Thus, we believe SMCB deserves to trade at a lower target PE of 11x. This implies a fair price of Rp390, which is a significant decline from our previous fair price of Rp820. As we have a negative outlook on the Indonesian cement sector and due to SMCB's relatively weaker competitive position, we downgrade the stock from HOLD to SELL.

Profit & Loss

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Turnover	3,754.9	4,803.4	4,313.2	4,726.3	5,005.8
Gross Profit	1,262.1	1,870.3	1,540.5	1,605.8	1,733.2
Operating Profit	520.5	986.2	725.2	730.2	792.0
Pre-tax Profit	186.5	303.5	386.0	434.0	529.6
Net Profit	169.4	282.2	270.2	303.8	370.8
Gross Margin (%)	33.6	38.9	35.7	34.0	34.6
Operating Margin (%)	13.9	20.5	16.8	15.4	15.8
Net Margin (%)	4.5	5.9	6.3	6.4	7.4

Balance Sheet

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Current Assets	1,461.0	1,924.8	2,246.2	2,426.7	2,624.5
Total Assets	7,208.3	7,675.0	7,745.1	7,668.3	7,602.7
Current Liabilities	1,098.4	1,143.5	1,407.2	1,451.7	1,473.7
Total Liabilities	4,950.9	5,137.1	4,953.6	4,556.4	4,120.0
Shareholders' Equity	2,257.4	2,537.9	2,791.5	3,111.9	3,482.7
Total Equity & Liabilities	7,208.3	7,675.0	7,745.1	7,668.3	7,602.7

Cash Flow

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Cash Flow from Operations	728.8	1,173.6	772.2	669.9	750.8
Cash Flow from Investments	(51.2)	(514.2)	(150.0)	(150.0)	(150.0)
Cash Flow from Financing	(283.2)	(488.3)	(133.6)	(430.9)	(458.3)
Change in Cash	394.5	171.1	488.6	89.0	142.4
Begin Cash & Cash Equiv	287.3	681.8	852.9	1,341.5	1,430.5
Ending Cash & Cash Equiv	681.8	852.9	1,341.5	1,430.5	1,572.9

United Tractors

Prospects underpinned by growing coal businesses

Underpinned by growing coal mining operators and contracting business units, United Tractors (UNTR) should maintain its prospects despite a slowdown in the heavy equipment market in 2009.

Corporate Event

We initiate coverage on United Tractors (UNTR) with a BUY on expectation of growing business from coal mining and related contracting and services. UNTR has a strong presence in the heavy equipment market in Indonesia with its flagship Komatsu brand taking a market share of 45%. It also has two other businesses that see substantial growth- coal mining and mining contracting. Heavy equipment business accounted for 44% of Group revenue in 2008, while mining contracting and coal mining made up 56%. Astra International owns 59.5% of UNTR.

Stock Impact

Coal mining – growing business on astonishing sales volume growth.

Returning to coal mining in 2007 and with the commencement of production at a coal mining subsidiary, we project UNTR's coal sales volume CAGR of 39.6% to 10m tonnes and coal mining revenue CAGR of 17.5% in 2008-11. As a result, revenue contribution from coal mining is expected to increase to 20.7% in 2011 from 8.9% currently. Moreover, UNTR's coal mining subsidiaries have superior coal quality with calorific value ranging from 6,300kcal/kg to 6,700 kcal/kg compared with other listed coal mining companies in Indonesia which have calorific value of 5,000-6,230kcal/kg.

Mining contracting – benefits from higher coal demand. Government efforts to accelerate the development of coal-fired power plants across Indonesia to reduce dependency on the use of fuel-oil power plants will increase the need to provide coal for domestic power plants. Coupled with sturdy global coal demand, this will push coal mining operators to boost their coal production. Wholly-owned Pamapersada (PAMA) is Indonesia's largest mining contractor with 41% of coal mining contracting market share. Its competitive advantage lies in a strong client base and secured contracts until 2015. We expect a higher growth of overburden removal and coal production of 8% in 2009 and 2010.

Construction machinery – support from parts & services segment.

Despite the gloomy outlook in the heavy equipment market in 2009, we expect the parts & services segment to maintain its revenue growth of 15% yoy in 2009, supported by strong heavy equipment sales in the past few years and an extensive network throughout Indonesia. We expect the heavy equipment market to recover in 2010 on a rebound in some commodities prices.

Sturdy balance sheet supported by lower net gearing. A rights issue in Sep 08 and with strong results in 2008, UNTR's total shareholders funds jumped 94.2% yoy to Rp11,131.6b. Accordingly, net gearing declined from 49.7% in 2007 to only 13.8% in 2008.

INDONESIA

United Tractors (UNTR IJ)

INITIATE WITH BUY

Current Price: Rp5,600

Target Price: Rp6,850

Sector	Heavy Equipment
52-Wk Avg Daily Vol. ('000)	8,844
Market Cap (Rpb)	18,630.5
(US\$m)	1,554.2

Major Shareholders (%)	
Astra International	59.5

Book NTA per Share (Rp)	3,321
ROE (%)	32
Net Debt per Share (Rp)	463

Results Due	
1Q: Apr	2Q: Aug
3Q: Oct	Final: Mar

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rp)	Yield (%)
2007	18,165.6	3,451.2	1,493.0	524	60.5	10.7	5.1	210	3.8
2008	27,903.2	5,508.4	2,660.7	800	52.8	7.0	3.7	320	5.7
2009F	24,174.5	4,621.7	2,072.1	623	(22.1)	9.0	4.4	249	4.4
2010F	26,896.3	5,300.8	2,366.9	711	14.2	7.9	3.8	285	5.1
2011F	30,663.9	6,000.8	2,794.8	840	18.1	6.7	3.4	336	6.0

Consensus Net Profit – FY09: Rp 2,259.1 b
 – FY10: Rp 2,662.6 b

Valuation/Recommendation

Initiate coverage with BUY. Trading at the lower-end of its 12-month forward PE band, we initiate coverage on UNTR with a BUY and a target price of Rp6,850, based on target 11.0x 2009F PE. The target 1.9x 2009F P/B is still lower than its 5-year average P/B of 3.3x. UNTR deserves a higher valuation on the back of bright prospects in the coal business, good management and good corporate governance. It has strong support from its parent company, Astra International, in which Singapore-listed Jardine Cycle & Carriage has a 50.1% controlling stake. Our target price is also a 23% discount to our DCF-based valuation of Rp8,900 (WACC of 19.3% and long-term growth of 2%).

Profit & Loss

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Turnover	18,165.6	27,903.2	24,174.5	26,896.3	30,663.9
Gross Profit	3,247.4	5,499.2	4,069.6	4,681.8	5,338.0
Operating Profit	2,397.2	4,158.7	2,897.7	3,388.6	3,902.1
Pre-tax Profit	2,048.4	3,851.9	2,993.6	3,420.4	4,035.2
Net Profit	1,493.0	2,660.7	2,072.1	2,366.9	2,794.8

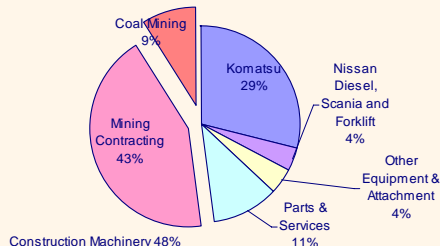
Balance Sheet

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Current Assets	7,036.7	12,883.6	10,276.5	10,821.9	12,817.7
Total Assets	13,002.6	22,847.7	21,006.7	21,674.8	23,329.3
Current Liabilities	5,238.7	7,874.1	5,861.5	5,721.1	6,034.2
Non-Current Liabilities	2,030.6	3,842.0	2,968.3	2,258.6	1,804.5
Shareholder's fund	5,733.3	11,131.6	12,177.0	13,695.1	15,490.6
Total Equity & Liabilities	13,002.6	22,847.7	21,006.7	21,674.8	23,329.3

Cash Flow

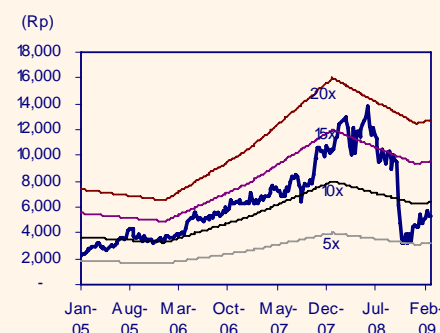
Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Cash Flow from Operating	2,521.2	3,917.5	3,043.9	4,229.8	4,216.5
Cash Flow from Investing	(1,469.2)	(5,318.7)	(2,467.7)	(2,023.1)	(1,733.3)
Cash Flow from Financing	(930.4)	3,689.7	(2,048.0)	(2,127.4)	(1,690.0)
Change in Cash	121.5	2,288.5	(1,471.8)	79.2	793.2
Begin Cash & Cash Equiv.	914.9	1,036.4	3,324.9	1,853.2	1,932.4
Ending Cash & cash Equiv.	1,036.4	3,324.9	1,853.2	1,932.4	2,725.6

UNTR Revenue By Segment



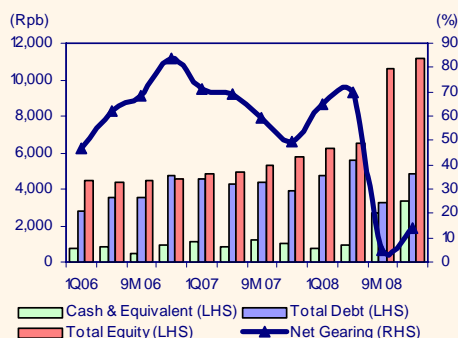
Source: United Tractors

12-month Trailing PE Band



Source: Bloomberg, UOB Kay Hian

Gearing



Source: United Tractors, UOB Kay Hian

Banking

Earnings risks heighten

Earnings momentum likely to be hit by upside risk to credit cost, more downside risk to NIM on more aggressive OPR cuts and drop in business volume. Downgrade to UNDERWEIGHT.

Events

Banks' earnings momentum is likely to be hit by upside risk to credit cost, more downside risk to NIM arising from more aggressive OPR cuts and a drop in business volume.

Sector Impact

Slower loans growth on the back of cut in GDP growth forecast. We have adjusted our sector loans growth forecast from 7-8% to 4-5% on the back of our GDP growth forecast being cut from +0.9% to -2.5%. Our 2009 GDP growth forecast of 0.9% for Malaysia incorporates expectation of a 'technical' recession in 1Q09. Banks with higher earnings risk to slower loans growth are AMMB Holdings and RHB Capital.

For 2009, we are expecting bank loans to grow 4-5% vs 10% for 2008. The slightly positive loans growth is due mainly to retail loans which are expected to hold up by an attractive demographic mix. The retail loans segment has been the pillar for banks' loans growth, accounting for 54% of total loans. Of this, mortgage loans account for 26.5%, up from 17.6% in 2000. In view of Malaysia's attractive demographic mix (about 45% of its population is 20-49 years old), the 3% cut in EPF contribution bodes well for mortgages and unsecured personal loans demand. But auto loans growth is expected to slow as buyers hold back their replacements.

Provisions increase on higher NPL. We assume gross non-performing loan (NPL) ratios for banks to rise 1.0-2.5% for 2009 and 2010 due to a rise in NPLs and higher-than-expected LLPs, and a reduction in write-backs or recoveries. We foresee business loans will lead the rise in NPLs as companies with tight liquidity will find it hard to survive the decline in domestic and global business volumes. We raise loan loss provision to factor in a potential increase in NPLs, expecting sector NPLs to inch up in 2H09 with the deterioration in labour market.

RHB Capital has higher default risks given its aggressive loans growth over the last two years in the higher-risk segments- retail and small & medium enterprises.

Intense margin pressure with more aggressive rate cuts ahead. With the sharp deterioration in the global economy and the financial sector, we foresee Bank Negara Malaysia (BNM) to embark on more proactive measures in 1H09 to support consumer spending and private investment to prevent a recession. Rising growth concerns and falling inflation will see BNM continue to cut rates this year. Since Nov 08, BNM has cut its OPR by a cumulative 150bp and UOB Economics-Treasury Research Team is expecting a further 25bp cut to bring the OPR to 1.75% by end-2Q09. The aggressive rate cut will definitely squeeze banks' interest margin with the asset repricing lagging behind liability.

AMMB Holdings would have minimal earnings impact from an OPR cut due to its high fixed-rate loans (65% of total loans) which will not be repriced in a rate-cut environment. But RHB Capital and Alliance Financial Group would see the greatest decline in their earnings due to their higher proportions of floating-rate loans.

Earnings Revision

We have adjusted our sector net profit growth from -1.4% to -12% in 2009 and -9% for 2010.

MALAYSIA

Banking

DOWNGRADE TO UNDERWEIGHT

Alliance Financial (AFG MK)

SELL

Current Price: RM1.71
Fair Price: RM1.48
(Previous: RM1.67)

AMMB Holdings (AMM MK)

DOWNGRADE TO SELL

Current Price: RM2.37
Fair Price: RM1.92
(Previous: RM2.30)

Bumiputra-Commerce (BCHB MK)

HOLD

Current Price: RM6.20
Fair Price: RM6.05
(Previous: RM6.15)

Hong Leong Financial (HLFG MK)

SELL

Current Price: RM4.40
Fair Price: RM3.80
(Previous: RM3.85)

Hong Leong Bank (HLBK MK)

SELL

Current Price: RM5.20
Fair Price: RM4.64
(Previous: RM4.88)

Malayan Banking (MAY MK)

SELL

Current Price: RM4.00
Fair Price: RM3.60
(Previous: RM4.25)

Analyst

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Recommendation/Valuation

We downgrade the banking sector from **OVERWEIGHT** to **UNDERWEIGHT** in anticipation of more negative newsflow and higher earnings downside risk. In view of the earnings uncertainties, we prefer banks that have a conservative strategy and strong fundamentals. Based on sensitivity analysis to slower loans growth, higher default rates and lower non-interest income, Public Bank emerged as the most resilient to these events. For those that have to invest in Malaysian banks, we would recommend **HOLD** on **Public Bank (Fair: RM6.88/Entry: RM6.20)** which has more resilient earnings, and **Bumiputra-Commerce Holdings (BCHB) (Fair: RM6.05/Entry: RM5.45)** as its investment bank could potentially benefit from the regulation liberalisation for rights issues and bonds.

We downgrade **AMMB Holdings** from **HOLD** to **SELL** after we cut the fair price from RM2.30 to RM1.92 after reducing its sustainable growth rate from 6.0% to 4.0% on the back of slower auto loans growth.

Trading close to crises' valuation. We calculate the potential fair value for each stock based on the valuation in the recent three crises- Asian financial crisis (AFC), Sep 11 and SARS. Based on the average P/B in the past three crises, only Maybank is trading below the crises' average. However, we maintain **SELL** on **Maybank (Fair: RM3.60)** given the potential impairment losses from its Indonesian and Pakistan acquisitions.

Most Still Trading Above Past Three Crises' Valuation

Company	Rec	Share Price	Book Value	P/B				Avg	Fair Value Based on Avg	Prem/(Disc) to Fair
		13-Mar-08 (RM)	/share (RM)	Current (x)	AFC (x)	9/11 (x)	SARS (X)			
Maybank	SELL	4.00	4.14	0.98	0.71	1.99	1.89	1.53	6.33	(35.9)
EON Cap	NOT RATED	2.79	4.49	0.67	n.a	0.9	0.86	0.88	3.95	(29.6)
HL Bank	SELL	5.20	3.60	1.49	0.36	1.44	1.56	1.12	4.03	28.9
AMMB	SELL	2.37	2.73	0.94	0.25	0.91	0.95	0.7	1.91	24.5
Alliance FG	SELL	1.71	1.81	0.99	n.a	0.88	0.59	0.74	1.34	26.2
Affin	NOT RATED	1.25	2.94	0.44	0.22	0.38	0.35	0.32	0.94	34.2
BCHB	HOLD	6.20	4.84	1.41	0.2	1.05	1.03	0.76	3.68	68.7
RHB Capital	SELL	3.60	3.63	1.05	0.43	0.93	0.65	0.67	2.43	48.9
Public Bank	HOLD	7.00	2.84	3.06	0.53	1.19	1.29	1.00	2.84	141.0

Source: Respective companies, Bloomberg, UOB Kay Hian

Peer Comparison

Company	Rec	Last Year	Target Price	Price	EPS	EPS	EPS	PE	PE	PE	DPS	Yield	ROA	ROE	P/B
		End	(RM)	13 Mar	2008	2009F	2010F	2008	2009F	2010F					
AFG	SELL	Mar 08	1.48	1.71	20.0	18.7	24.8	8.4	9.0	6.8	4.0	2.4	1.4	16.8	0.9
AMMB	SELL	Mar 08	1.92	2.37	27.6	29.0	32.2	8.6	8.2	7.4	6.0	2.9	0.8	11.2	0.9
BCHB	HOLD	Dec 08	6.05	6.20	54.6	52.5	61.2	11.4	11.8	10.1	25.0	4.0	1.0	11.9	1.3
HLFG	SELL	Jun 08	3.80	4.40	52.1	52.6	51.9	8.5	8.4	8.5	23.0	5.2	0.7	13.9	1.1
HLBank	SELL	Jun 08	4.64	5.20	47.0	49.8	47.8	11.1	10.4	10.9	24.0	4.6	1.0	15.3	1.4
Maybank	SELL	Jun 08	3.60	4.00	60.0	49.6	58.1	6.8	8.2	7.0	52.5	12.9	1.1	15.2	1.0
Public Bank	HOLD	Dec 08	6.88	7.00	73.1	57.0	72.0	9.4	12.0	9.5	75.0	10.9	1.4	27.4	2.4
RHB Capital	SELL	Dec 08	2.80	3.60	48.7	35.1	41.4	7.4	10.3	8.7	13.6	3.8	1.0	14.1	1.0
Sector								8.8	10.1	8.7		7.6	1.0	15.0	1.3

Source: Respective companies, Bloomberg, UOB Kay Hian

Property - Residential

Low downside, ample upside

Property stocks provide good upside potential to the long-term historical mean P/B valuation and low downside to the AFC trough valuations. We continue to see good value in property stocks despite revisions.

Sector Events

The Ministry of Trade and Industry (MTI) projected a Gross Domestic Product (GDP) contraction of between 2% and 5% for 2009. UOB Economic-Treasury Research expects a 4% contraction for 2009 and a 4% expansion for 2010. However, economic fundamentals have worsened further since the MTI forecast was released on 21 Jan 09 as a result of the worsening of the US sub-prime crisis and the global credit crunch. Senior government officials say an 8-10% GDP contraction is possible with the deepening of the crises, thus raising the likelihood of another downward revision in the GDP forecast.

Sector Impact

Revision to target prices, RNAVs and earnings. In the light of the severe deterioration in the macroeconomic outlook, we have cut our RNAVs, target prices and earnings by up to 60% to factor in the following: a) a 50% average decline from the end-07 levels in the average selling prices (ASP) of residential and commercial properties in Singapore and overseas, b) a 50% write-down of land values and investment properties, c) a 70% earnings decline for associates and subsidiaries, and d) a default rate of 30% on units purchased under the Deferred Payment Scheme resold at a 50% discount to the original sale price. Despite the revisions, we continue to see good value in property stocks.

Dilution impact from alternative funding sources factored in. As banks adopt stringent policies to limit their high exposure to property-related loans, developers are seeking alternative financing sources to shore up their balance sheets ahead of asset impairments and build their war chests for growth opportunities. Except for Wheelock, which has a net cash position, and CapitaLand and Wing Tai, which have raised new capital via rights issues, the risk of a cash call exists for other developers. City Developments is rumoured to be planning for a convertible bond issuance. However, we believe the dilution impact of new shares has been factored into share prices.

Low downside, ample upside. We have stress-tested share prices of property stocks based on their historical trough P/B valuations during the Asian financial crisis (AFC). Property stocks provide good upside potential to the long-term historical mean P/B valuation and low downside to trough valuations. City Developments is a "deep value stock", trading below the average monthly, quarterly and half-yearly P/B AFC trough valuations.

Stressed Stock Valuations – P/B

Company	Current P/B 13-Mar-09 (x)	AFC Stressed P/B				Downside to AFC Valuation				Upside to LT P/B	
		Lowest P/B (x)	1 mth Avg P/B (x)	3 mth Avg P/B (x)	6mth Avg P/B (x)	Lowest P/B (%)	1 mth Avg P/B (%)	3 mth Avg P/B (%)	6mth Avg P/B (%)	LT Avg P/B (x)	Valuation (%)
Allgreen	0.27	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.90	239
CapitaLand	0.72	0.24	0.27	0.31	0.37	(67)	(62)	(57)	(48)	1.23	71
City Devt	0.81	0.69	0.86	1.03	1.25	(15)	6	27	54	2.30	184
GuocoLand	0.41	0.06	0.09	0.10	0.15	(85)	(79)	(74)	(64)	1.08	164
Ho Bee	0.24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.99	308
Keppel Land	0.35	0.11	0.15	0.20	0.29	(68)	(55)	(42)	(17)	1.13	227
SC Global	0.35	0.55	0.75	0.85	0.85	56	115	141	142	1.42	303
Wheelock	0.50	0.43	0.53	0.67	0.85	(14)	7	35	70	1.30	160
Wing Tai	0.33	0.15	0.21	0.23	0.28	(56)	(38)	-32	(17)	1.06	216

Source: Bloomberg, UOB Kay Hian

SINGAPORE

Property – Residential

OVERWEIGHT

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Valuation/Recommendation

Maintain OVERWEIGHT on property; top picks: CapitaLand, City Developments. We remain OVERWEIGHT on the property sector as we believe the market has overdiscounted the negative prospects for the sector. Large-cap stocks CapitaLand and City Developments are likely to outperform in the near term. The pick-up in interest in small/mid-cap stocks is contingent upon a sustained rally in large-cap stocks. For investors with a mid/long-term view, Wheelock and Keppel Land are our preferred picks among small/mid-cap stocks.

Revision to Target Price, RNAV and Earnings

Company	Rec		Target		RNAV		Disc to RNAV		Net Profit(\$m)						Remarks
	New	Old	(\$/shr)	%chg	(\$/shr)	%chg	New	Old	New			%chg from old			
			New	from old	New	from old			Curr Yr	Fwd 1 Yr	Fwd 2 Yr	Curr Yr	Fwd 1 Yr	Fwd 2 Yr	
Allgreen	Buy	Buy	0.50	(41)	0.85	(40)	40%	40%	40.7	66.2	98.4	(35)	(20)	(5)	Revision incorporates the following: - 50% fall in ASPs from end-07 - 50% writedowns for land values and investment props - 70% decline in assoc/subs - 30% defaults under DPS resold at 50% discount
CapitaLand	Buy	Buy	2.80	(0)	2.79	(20)	0%	20%	304.2	460.5	540.3	(45)	(30)	(30)	
City Devt	Buy	Buy	6.40	(22)	7.13	(30)	10%	20%	268.0	404.1	442.4	(45)	(30)	(30)	
GuocoLand	Hold	Hold	0.95	(23)	1.64	(35)	40%	50%	27.3	48.6	71.4	(60)	(50)	(50)	
Ho Bee	Buy	Buy	0.40	(50)	0.69	(50)	40%	40%	34.0	50.7	82.6	(60)	(60)	(40)	
Keppel Land	Buy	Buy	1.60	(45)	2.48	(40)	35%	30%	99.1	138.9	218.7	(40)	(40)	(10)	
SC Global	Hold	Hold	0.35	(31)	0.65	(35)	50%	50%	20.6	39.2	57.7	(50)	(50)	(50)	
Wheelock	Buy	Buy	1.15	(15)	1.67	(25)	30%	40%	75.3	128.1	187.5	(30)	(40)	(5)	
Wing Tai	Buy	Buy	0.89	(31)	1.49	(30)	40%	40%	74.7	79.7	103.9	(45)	(10)	(30)	

Source: UOB Kay Hian

Stress Test Scenarios

	Capita Land	City Developn	Keppel Land	Guoco Land	Wing Wheeloc	Wing Tai	Allgreen	Ho Bee	SC Global
Share Price (S\$) as of 13 Mar 09	2.12	4.84	1.17	0.92	0.86	0.68	0.38	0.29	0.31
RNAV (S\$)	2.79	7.13	2.48	1.52	1.76	1.49	0.85	0.69	0.60
Assumptions (%)	Decline from End-07 Level								
Singapore residential	(70)	(4)	(10)	(5)	(8)	(14)	(15)	(11)	(17)
Singapore office	(70)	(2)	(7)	(6)	(1)	(2)	(2)	(2)	(1)
Singapore retail	(70)	(3)	(3)	(1)	-	(3)	(1)	(4)	(1)
China	(70)	(4)	-	(3)	(10)	-	(1)	(2)	(1)
Vietnam	(70)	(1)	-	(4)	(1)	-	(1)	-	-
Listed investments	(90)	(5)	(2)	(1)	(1)	(1)	(1)	-	(1)
Asset Write-down (Devt Pty)*		(2)	(2)	(3)	(4)	-	(6)	(6)	(9)
Asset Write-down (Invt Pty)*		(9)	(2)	(7)	(9)	(5)	(4)	(7)	(2)
Defaults#		(2)	(3)	(3)	(4)	(7)	(8)	(6)	(9)
Total		(32)	(29)	(31)	(38)	(32)	(38)	(38)	(39)
Stressed RNAV(S\$)	1.91	5.09	1.70	0.95	1.19	0.93	0.53	0.42	0.36
Share Price Discount/Premium (%)	10.9	(5.0)	(31.3)	(2.9)	(28.0)	(27.5)	(28.6)	(30.5)	(14.6)
Potential dilution from alternatives	-	(10)	(20)	(20)	-	-	(20)	(20)	(20)
Stressed RNAV inc dilution(S\$)	1.91	4.38	1.21	0.64	1.19	0.93	0.36	0.28	0.24
Share Price Discount/Premium (%)	10.9	10.5	(3.0)	42.9	(28.0)	(27.5)	5.3	3.5	27.6

* - Assumes a 50% decline in land values for landbank purchased in 2006-2008 and 50% writedown in investment properties.
- Assumes a 50% default rate on residential projects sold in 2006-2008 resold at a 50% discount from original purchase price.

Source: UOB Kay Hian

CapitaMall Trust

Is the 9-for-10 rights issue under subscribed?

Volatility in CMT's share price will raise some concerns that the rights issue could be under-subscribed. However, CMT can count on CapitaLand and NTUC Fairprice to take up the rights units that are not fully subscribed.

Corporate Events

Support from NTUC Fairprice. Substantial unitholder NTUC Fairprice has entered a Standby Purchase Agreement dated 12 Feb 09 with joint lead managers and underwriters, DBS Bank and JP Morgan, to purchase up to 27m rights units, representing 1.8% of the 9-for-10 rights issue, if the rights issue is not fully subscribed. If NTUC Fairprice accepts its allotment of rights units and purchase the entire 27m allocated rights units, its stake in CapitaMall Trust (CMT) will increase from 6.35% to 7.2%. The joint underwriters will pay NTUC Fairprice a fee of 1.5% equivalent to S\$332,100.

NTUC Fairprice is a leading supermarket retailer under National Trades Union Congress with chain of over 225 stores.

Stock Impact

The standby purchase agreement between DBS Bank and JP Morgan and NTUC Fairprice was not mentioned in a circular to unitholders dated 9 Feb 09 but was signed later on 12 Feb 09.

The last date and time for acceptance and payment for the rights issue is 25 Mar 09 and the results of the rights issue will be made known only thereafter.

Support from CapitaLand. Besides support from NTUC Fairprice, CapitaLand has also provided an undertaking to fully subscribe for its allotment of 29.7% and is committed to subscribe up to 60% of the rights units. CapitaLand's stake in CMT will increase to 44.1% if it subscribes for 60% of the rights units.

CMT's share price at S\$1.01 is hovering just above right units priced at S\$0.82. Volatility in its share price will raise some concerns that the rights issue could be under-subscribed. However, CMT can count on CapitaLand and NTUC Fairprice to take up rights units that are not fully subscribed.

Earnings Revision

The 9-for-10 rights issue will result in a 37.6% dilution for 2009 DPU forecast from 14.9 cents to 9.3 cents.

Valuation/Recommendation

Maintain SELL due to limited upside potential. Our fair price of S\$1.19 is based on a dividend discount model (required rate of return: 9.0%, terminal growth: 2.5%).

SINGAPORE

CapitaMall Trust (CT SP)

SELL

Current Price: S\$1.01

Fair Price: S\$1.19

(Previous: S\$1.52)

Sector	REITs
52-Wk Avg Daily Vol. ('000)	5,583
Market Cap (S\$m)	1,683.5
(US\$m)	1,093.2
Major Shareholders (%)	
CapitaLand	29.7
NTUC FairPrice Co-operative	6.4
The Capital Group	5.6
Book NTA per Share (S\$)	2.21
ROE (%)	5.5
Net Debt per Share (S\$)	1.79

Results Due

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (S\$m)	EBIT (S\$m)	Net Income (S\$m)	EPU (¢)	EPU Growth (%)	PE (x)	DPU (¢)	Yield (%)
2007	431.9	260.2	226.8	14.4	23.7	7.0	10.3	10.2
2008	510.9	307.6	213.0	12.8	(10.9)	7.9	11.3	11.2
2009F	537.7	321.3	245.3	7.7	(39.6)	13.1	9.3	9.2
2010F	494.4	293.7	219.2	6.9	(10.9)	14.7	8.4	8.3
2011F	475.4	281.6	207.0	6.5	(5.8)	15.6	8.0	7.9

Consensus Net Profit – FY08: S\$233.4m
 – FY09: S\$234.0m

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Profit & Loss

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Turnover	431.9	510.9	537.7	494.4	475.4
Net Property Income	287.8	341.1	357.7	328.9	316.3
EBIT	260.2	307.6	321.3	293.7	281.6
Net Profit	226.8	213.0	245.3	219.2	207.0
EPU (S cents)	14.4	12.8	7.7	6.9	6.5
DPU (S cents)	10.3	11.3	9.3	8.4	8.0

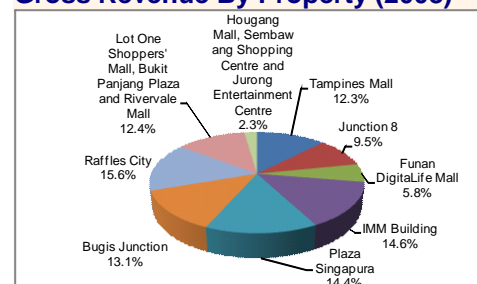
Balance Sheet

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	79.9	187.1	173.0	136.1	105.5
Total Assets	5957.3	7509.0	7493.9	7457.8	7428.0
Current Liabilities	267.8	811.3	141.0	129.7	124.7
Long-Term Liabilities	1892.9	1911.9	1361.9	1361.9	1361.9
Shareholder Funds	3721.8	4079.6	5276.9	5244.1	5211.2
Total Equity & Liabilities	5957.3	7509.0	7493.9	7457.8	7428.0

Cash Flow

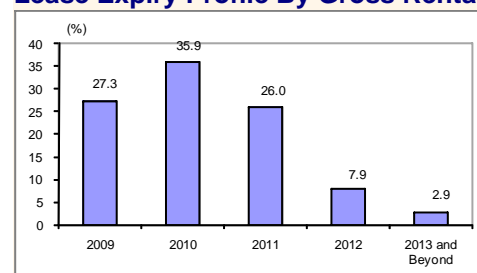
Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	308.1	353.7	323.9	299.5	292.9
Investing	(382.8)	(1039.6)	0.0	0.0	0.0
Financing	96.4	785.3	(334.1)	(335.2)	(323.0)
Net Cash In/(Out) Flow	21.7	99.4	(10.2)	(35.7)	(30.1)
Begin Cash & Cash Equiv.	47.2	68.9	168.4	158.1	122.4
End'g Cash & Cash Equiv.	68.9	168.4	158.1	122.4	92.3

Gross Revenue By Property (2008)



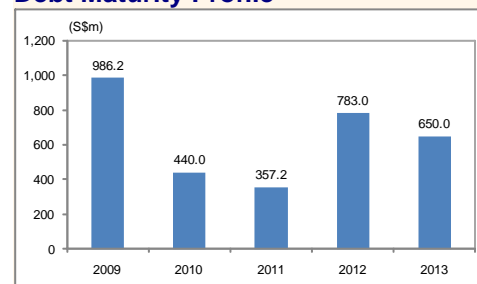
Source: CMT

Lease Expiry Profile By Gross Rental



Source: CMT

Debt Maturity Profile



Source: CMT

Strategy

PTTAR, IRP, ROJNA, CK, ITD and TRUE face possible cash calls

Thai corporates are in healthy financial position with low gearing ratio at well below 1x. Interest coverage is well above 5x with many having double-digit interest coverage. The bond market in Thailand is liquid, enabling firms to raise funds.

Under our coverage, stocks that face potential cash calls are PTTAR, IRP, ROJNA, TRUE, CK and ITD.

PTT Aromatics And Refining (PTTAR): PTTAR's gearing ratio at 1.3x is the highest among PTT Group. At end-08, PTAR has just doubled its capacity to 280,000 bbl/d. Depressed petrochemical prices has negatively impacted its cash flow. If petrochemical prices continue to head south, PTTAR may need a cash call.

Indorama Polymers (IRP): IRP has completed several investments and M&As in the last three years. Total annual capacity grew from 220,000 tonnes to 1,390,000 tonnes, up 530%. Net gearing is 1.8x with interest coverage ratio at 3.3x. Major shareholder, LOHIA's family is a big player in India and Thailand PET products and we expect they will step in if IRP is financially distressed.

True Corporation (TRUE): After completion of capital raising exercise, net gearing dropped from 11.6x to 2.7x. Cash flow continues to be insufficient to pay down its debt obligations. This year, the company expects to re-issue the unsubscribed rights offering, comprising 6.7m new shares at Bt1.95 each.

CH. Karnchang (CK): Net gearing of 2.2x. After issuing Bt2.5b of debentures in February, we expect CK to have sufficient cash flow for debt repayments and for more investments in 2009. Due to the current political situation and bureaucratic bidding system, we do not expect CK to increase its orderbook in a big way anytime soon. However, capital increase may be needed next year if CK could accumulate a sizeable orderbook this year.

Italian-Thai Development (ITD): Net gearing of 1.5x. With operating losses set to continue into 2009, the company may need more funds if it wants to bid for other mass transit projects. However, the current low share price makes it not possible for ITD to raise capital. It is likely that ITD may opt to issue bonds as there is still room for the company to issue more debts.

Rojana Industrial Park's (ROJNA) net gearing stands at 2.2x with only 3.1x interest coverage ratio. The current global economic crisis hits every part of its businesses: industrial land, utilities/service, and overseas residential projects. As a result, there is a high likelihood that ROJNA will need to raise capital. It already issued warrants of almost 300m units to mature within five years at an exercise price of Bt4 apiece (one warrant for every three shares held).

Banking: Capital position remained robust. For the banking sector, we see no pressure for any Thai banks to raise new equity. After the financial crisis, Thai banks' balance sheets have been fully restored. The sector's NPLs have fallen from 50% during the crisis to around 6% presently and they have been fully provided for under the IAS39 provisioning requirements since end-07. At present, capital position of Thailand is robust with total CAR at over 15% (under the Basel 2 standard), of which over 12% is Tier 1 CAR. While capital bases of several international banks have been severely impacted by the massive impairment losses from foreign debt instruments, Thai banks have very minimal exposure to investment in foreign papers (less than 1.5% of total assets).

THAILAND

Strategy

Leverage

	Net D/E (x)	Int. Coverage (x)	P/CF (x)
2008			
PTTAR TB	1.33	(9.21)	(4.28)
IRP TB	1.96	3.30	12.52
TRUE TB	11.61	1.00	0.55
CK TB	2.24	0.61	7.37
ITD TB	1.52	(0.02)	(4.31)
ROJNA TB	2.31	3.13	(2.15)

Source: UOB Kay Hian

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Any damage to their capital bases caused by investment impairments would also be insignificant. The fact there has been no credit bubble in Thailand since the 1997 crisis, any NPL problems at this time should be manageable. Therefore, capital position of Thai banks is not an issue during this round of crisis.

Telecoms: Although we expect a high investment outlay towards end-09 if the NTC is able to award new 3G licences in 3Q09, there is no problem for the sector to raise new capital. The sector has been waiting for the 3G licences for several years. This has enabled both **AIS** and **DTAC** to prepare themselves for the up-coming investment. Both have low gearing of 0.5x. There are plenty of room to draw down more money to pay for the licence fees and investment outlays. **TRUE** is the only telco that may need to raise capital after the recent cash call as its gearing remains high at 2.7x.

Contractors: Looming cash call. Contractors are not in a unified format. The ones with no investment outside of the core contractor business seem to be fine but those with extra investment seems to be rather stretched. With no other investments and a low orderbook, **STEC's** low gearing of 0.2x will enable the company to embark on a second contract of the Purple Line worth Bt12b (if it wins the contract) without capital raising. Capital increase may be needed next year if **CK** accumulates a sizeable order book this year. With operating losses set to continue for **ITD** into 2009, there is a possibility that the company may need more funds if it wants to bid for other mass transit projects.

Residential property: Solid balance sheet. Net gearing ratios of **LH**, **AP** and **LPN** are well below 1x with double-digit interest coverage ratio. **QH** is the only one with net gearing of 1.2x but interest coverage remains high at 5.4x. Leading developers are well-prepared for the downturn and their credit facilities are sufficient to complete ongoing projects so, they are still able to issue debentures to refinance debts and preserve as working capital.

Industrial estate: Industry outlook massively hurt by the global economic downturn with ROJNA a potential candidate for a cash call

ROJNA is at risk of a cash call with net gearing of 2.2x. **TICON** has net gearing of 1.1x but its interest coverage ratio remains high at 5.4x. **TICON** recently issued almost 112m warrants (one warrant for every six shares) to expire within two years at an exercise price of Bt8 apiece. **TICON** has announced a plan to scale down its investment from Bt2.5b in 2008 to Bt1.6b-1.7b in 2009. If it is unable to raise funds from selling assets into **TFUND REIT**, **TICON** will have to put some investments on hold, particularly with its current high gearing. **AMATA** and **HEMRAJ** have no gearing problems with less than 1x net gearing and 7-10x interest coverage ratio.

Commercial property: Remains safe. **CPN** has net gearing of 0.8x with 7.2x interest coverage ratio. We see no reason for **CPN** to raise new capital. Despite the delay in its REIT 'CPNRF', **CPN** has kept its investment projects on track. Its internal cash flow of Bt2.5b-3b and a bond issue is sufficient to finance its new projects which require capex of Bt5b-6b

Media: Cash-rich and low debt. **BEC** and **MCOT** are debt-free with net cash/share of Bt2.2 and Bt4.8, respectively. **MAJOR's** net debt to equity is 0.3x but interest coverage ratio is high at 8.8x. We have no concerns on cash call in this sector.

Commerce: Cash-rich with no debt. **ROBINS** is cash-rich and has zero debt. Its net cash/share is Bt1.4 while its gearing is well managed at 0.56x. **ROBINS** was severely affected by the 1998 financial crisis but its balance sheet has now been fully restored with a hefty annual cash flow of Bt1.5b-1.6b, allowing it to offer attractive dividend yield of 6-7%. It is currently trading at P/B of 1.1x, 93% below the 10-year average P/B, with minimal downside risk. Its ROE is strong at 17.5%. Therefore, we see no reason for the stock to raise new capital.

Telecom sector: -Strong balance sheet, low debt and high EBITDA generation per year- Will not need to raise capital

2009F (Btm)	AIS	DTAC	TRUE
EBITDA	49,515	21,396	19,375
Capex	14,000	10,000	7,000
Capex/EBITDA (x)	0.28	0.47	0.36

Source: UOB Kay Hian

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Oil & Gas: Strong financial position. Net gearing ratio of **PTT** is 0.4x while **PTTEP** is in net-cash position with double-digit interest coverage ratio. This biggest and second-biggest market-cap stock of SET has strong balance sheets and high credit capabilities. Even though PTT's capital expenditure is high at Bt71b and Bt70b for PTTEP in 2009, we expect they can use internal cash flow along with debentures to finance the capex. Hence, no need for capital raising.

Electricity: Cash cow. The IPP business in Thailand has steady operating cash flow due to secured earnings stream backed by long-term power purchase agreements with EGAT. Also net gearing ratio of **EGCO** and **RATCH** are low at 0.3x. Thus no capital raising needed.

Coal: Solid financial discipline. Net gearing ratio of **BANPU** is 0.3x while **LANNA** is in net-cash position. BANPU's subsidiary, ITMG is also in net-cash position. BANPU's capex plan in 2009 is only Bt7b vs operating cash flow of Bt10b. Thus, BANPU is in a solid financial position.

Refinery: Strong balance sheet. Net gearing ratio of **TOP** and **BCP** is 0.6x. The massive inventory losses hit refinery's earnings in 2H08. We are forecasting Dubai oil price at US\$50/bbl vs US\$36/bbl as at end-08, hence we do not expect inventory loss in 2009. The collapse in oil price has substantially reduced the requirement of working capital. There are no major investments in 2009 and current credit facilities are enough to finance capex.

Petrochemical: PTTAR and IRP are vulnerable due to high gearing. **PTTCH** is quite well positioned with net gearing at 0.2x. The excess cash after its rights issue in 2006 is enough to fund the capital expenditure of Bt25b. We are concerned for PTTAR and IRP's ability to finance their debts. Net gearing ratio of PTTAR at 1.3x and IRP at 1.8x makes them vulnerable during the on-going downturn cycle in petrochemical amid global weakening demand.

Construction materials: No problems. **SCCC** is fine with no long-term debt and healthy balance sheet. However, the net gearing ratio of **SCC** is high at 1.1x. We expect SCC to use internal cash flow and issuing debentures to finance its investment.

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