

KEY STORY

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 Revise down GDP growth forecast, cut earnings forecast for HSCEI and 2009 year-end target. China H shares remain under-valued. Buy on weakness.

REGIONAL

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CHINA

Strategy

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Sector

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Update

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Update

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 Demand from China telecoms equipment providers remains strong. Industry capacity is getting tight.

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INDONESIA

Results

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MALAYSIA

Sector

Property **Page 23**
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SINGAPORE

Sector

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Update

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THAILAND

Update

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 Chubu, Japan's third-largest utility firm, contracted coal at US\$70-72/tonne, 11% higher than current spot price, a sign of stabilisation in coal spot price.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7217.0	(0.1)	10.2	(8.1)	(17.8)
S&P 500	753.9	(0.4)	11.4	(8.8)	(16.5)
FTSE 100	3864.0	2.9	9.1	(6.5)	(12.9)
AS30	3297.3	0.1	5.6	(3.4)	(9.9)
CSI 300	2241.6	1.6	1.8	(6.0)	23.3
FSSTI	1586.3	0.6	8.9	(3.2)	(9.9)
HSI	12976.7	3.6	14.4	0.2	(9.8)
JCI	1324.8	(0.2)	3.0	0.5	(2.3)
KLCI	840.9	(0.3)	(2.0)	(6.4)	(4.1)
KOSPI	1125.5	(0.1)	5.0	(0.2)	0.1
Nikkei 225	7704.2	1.8	8.7	0.8	(13.0)
SET	424.6	(0.0)	3.2	(3.1)	(5.6)
TWSE	4971.3	1.5	7.4	10.7	8.3
BDI	2058	(3.0)	(9.0)	7.9	165.9
CPO (RM/mt)	2019	0.4	1.8	2.4	23.8
Nymex Crude (US\$/bbl)	47	(0.7)	2.8	34.6	5.4

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
Top BUYs				
China Life	2628 HK	25.25	30.50	20.8
China Mobile	941 HK	69.60	90.00	29.3
China Petroleum	386 HK	4.19	6.93	65.4
China Railway	390 HK	4.55	5.90	29.7
China Shenhua	1088 HK	16.18	23.00	42.2
Zijin Mining	2899 HK	4.82	5.90	22.4
Bumi Resources	BUMI IJ	770.00	1,010.00	31.2
DBS Group	DBS SP	7.55	10.55	39.7
Indofood Agri	IFAR SP	0.58	0.80	39.1
SingTel	ST SP	2.44	2.95	20.9
Advanced Info Quality Houses	ADVANC TB	81.00	101.73	25.6
	QH TB	0.76	1.28	68.4
Top SELLs				
Aluminum Corp	2600 HK	4.39	3.00	(31.7)
Harbin Power	1133 HK	4.78	3.50	(26.8)
Parkson Retail	3368 HK	7.49	5.15	(31.2)
S'pore Exchange	SGX SP	4.76	3.00	(37.0)
Amata Corp	AMATA TB	3.14	2.52	(19.7)

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)				
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\$/dmton)	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
Cosco Luncheon Presentation (by invitation only)	Singapore	27 Mar-	27 Mar

Dry Bulk Shipping

Bi-weekly: BDI continues to be dragged down by Capesize

The BDI declined for the fourth consecutive day – mainly dragged down by the Capesize market as steel demand is weakening.

Sector Review

BDI dragged down by Capesize. The Baltic Dry Index (BDI) has increased 6.8% over the past two weeks and share prices of dry bulk stocks rebounded in the wake of newsflow that China is preparing to increase its stimulus package. However, the BDI lost steam last week, mainly dragged down by the Capesize market. Spot freight rates for Capesize dropped 6.7% last Friday.

Rising steel inventory and falling prices. As Russia's and Ukraine's currencies have depreciated more than 30% over the past six months, China is losing its steel price competitiveness. Thus, Chinese steel exports in February plunged 62% yoy to 1.56mt, the lowest level since 2004. In the meantime, long product inventory (55% of steel production in China is long products) reached a record high of over 4mt and weighed on steel prices. Therefore, steel prices remained on a downtrend and approached the previous lows last week. Low steel/iron ore demand weighs on the dry bulk shipping sector.

Sector Outlook

The short-term sector outlook remains mixed. The latest developments show positive and negative factors in the shipping sector.

Short-term positive factors:

Property transaction volumes rose strongly. China's property sales volumes surprisingly registered remarkable growth in February. Property sales volumes in some inland cities are approaching the peak levels of 2007. China's real estate industry accounts for about 50% of China's steel demand. If the stronger property sales in recent months can be sustained, they may help support China's iron ore demand and dry bulk shipping sector.

Signs of economic recovery. Last week, the Chinese government announced a set of economic figures that showed signs of economic recovery and may benefit the dry bulk sector.

- a) **New loans growth.** New loans growth surged 24.2% yoy to Rmb1.07b in Feb 09, exceeding market expectations and indicating higher domestic investment. Infrastructure-related sectors such as steel and shipping may benefit from the improving domestic investment.
- b) **China FAI.** Fixed-asset investment (FAI) rose 26.5% yoy in 2M09 (vs 26.1% in 2008). Real estate investment (accounting for about 20% of total FAI) and steel demand may benefit from the rising FAI.
- c) **Power consumption.** The decline in power consumption in China narrowed to -4.1% yoy in 2M09 (vs -12.88% yoy in Jan 09).

Stock Prices vs Baltic Dry Index

	Ticker	Price @ 16 Mar 09	2W (%chg)	1M (%chg)	12M (%chg)	YTD (%chg)	12M Corr Ratio
China COSCO	1919 HK	5.02	23.3	0.6	(72.1)	(6.9)	0.97
China Shipping	1138 HK	7.09	26.2	(0.8)	(64.4)	(7.9)	0.97
Pacific Basin	2343 HK	3.90	12.7	(4.9)	(63.8)	10.8	0.97
STX PO	STX SP	8.6	10.3	(18.9)	(67.0)	(4.4)	0.96
Precious	PSL TB	10.10	3.1	(25.7)	(58.3)	(7.3)	0.96
Thoresen Thai	TTA TB	12.60	10.5	(22.7)	(67.2)	(17.5)	0.98
Malaysian Bulk	MBC MK	2.95	4.2	6.1	(24.0)	23.4	0.93
Courage Marine	CMG SP	0.125	0.0	(7.4)	(66.2)	(3.8)	0.97
Mercator Lines	MRLN SP	0.13	8.3	(10.3)	(61.8)	(10.3)	0.96
Sincere Nav	2605 TT	28.75	12.5	10.6	(42.5)	(4.2)	0.94
U-Ming	2606 TT	51.10	16.4	14.3	(40.6)	30.0	0.94
Baltic Dry Index	BDIY	2122	6.8	11.2	(73.4)	174.2	n.a.

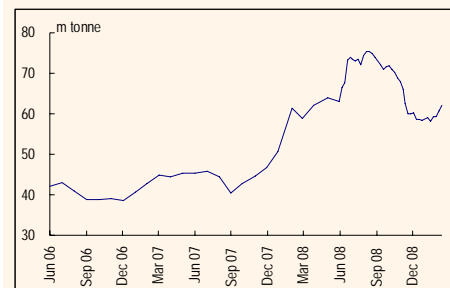
Source: Bloomberg; UOB Kay Hian

REGIONAL

Dry Bulk Shipping

UNDERWEIGHT

Chinese Ports Iron Ore Stockpiles



Source: Bloomberg; UOB Kay Hian

China Iron Ore Imports

(mt)	2008	2009	% chg
January	36.8	32.7	(11.2)
February	38.2	46.7	22.4
March	35.7	n.a.	n.a.
April	42.9	n.a.	n.a.
May	38.9	n.a.	n.a.
June	37.8	n.a.	n.a.
July	39.6	n.a.	n.a.
August	37.4	n.a.	n.a.
September	39.2	n.a.	n.a.
October	30.6	n.a.	n.a.
November	32.5	n.a.	n.a.
December	34.5	n.a.	n.a.
Total	444.1	n.a.	n.a.

Source: Bloomberg; UOB Kay Hian

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Short-term negative factors:

Steel mills cut production again. According to *China Securities Journal*, Baosteel (600019.SS) and Wugang (600005.SS) have cut steel prices for Apr 09, indicating slowing downstream demand. Some small steel mills have cut production again due to the declining steel prices and weak steel demand. It was reported that China Iron & Steel Association (CISA) and major steel mills were considering enlarging the scale of production cuts.

Steel exports. Since steel prices in China are higher than those of imports from Russia and Ukraine (their currencies have depreciated more than 30% over the past six months), China is losing its steel price competitiveness. In our view, Chinese steel exports may continue to decline, which is negative to steel prices and iron ore demand.

Corporate Headlines

OceanFreight net income surged. OceanFreight's net income more than tripled last year in spite of significant interest rate swap losses. The company posted a net loss of US\$11.6m in 4Q08 and a net profit of US\$27.7m in 2008.

China Shipping Group to launch LNG shipping venture. China Shipping Group president said the firm would set up a liquefied natural gas (LNG) shipping joint venture with China National Petroleum Corporation and inject the business into its Shanghai and Hong Kong-listed subsidiary, China Shipping Development.

Baltic Freight Indices

(% chg	Index	2W	1M	12M	ytd
Baltic Dry Index	2,122	6.8	11.2	(73.4)	174.2
Baltic Capesize	2,454	(17.2)	(26.4)	(77.5)	83.5
Baltic Panamax	2,158	39.9	54.3	(74.1)	286.7
Baltic Supramax	1,710	11.8	43.7	(68.2)	306.2
Baltic Handysize	796	26.8	67.6	(68.7)	183.3

Source: Bloomberg; UOB Kay Hian

1-Year Time Charter rates (US\$/day)

Vessel	Rate	2W	1M	3M	6M	ytd
Capesize	21,000	23,000	23,000	15,000	92,500	15,000
Panamax	16,000	14,500	14,250	10,625	52,500	10,750
Handymax	13,250	13,000	12,250	9,750	47,250	9,500
Movement	Rate	2W %	1M %	3M %	6M %	ytd %
Capesize	21,000	(8.7)	(8.7)	40.0	(77.3)	40.0
Panamax	16,000	10.3	12.3	50.6	(69.5)	48.8
Handymax	13,250	1.9	8.2	35.9	(72.0)	39.5

Source: Clarksons, UOB Kay Hian

Capesize. The Capesize market has seen a steady slide in freight rates. In the latter part of the week, the downturn became more apparent. Average earnings softened 14.3% wow to US\$23,952/day.

Panamax. The South American grain-fuelled mini-boom became weaker. Average earnings grew 2.4% wow to US\$14,147/day only. A lacklustre Capesize market reminded charterers that there was little support to the grain-led rise in freight rates.

Peer Comparison

Company	Ticker	Currency	Price @ 16Mar 09	Target/Fair Price	Rec	PE (x)			P/B (x)		
						2007	2008F	2009F	2007	2008F	2009F
Hong Kong											
China COSCO	1919 HK	HK\$	5.02	4.00	SELL	2.0	2.4	10.2	0.85	0.72	0.79
China Shipping	1138 HK	HK\$	7.09	4.85	SELL	4.6	3.6	7.7	1.29	1.04	1.03
Pacific Basin	2343 HK	HK\$	3.90	3.20	HOLD	1.7	2.1	11.1	0.91	0.69	0.67
Malaysia											
Malaysian Bulk Carriers	MBC MK	RM	2.95	n.a.	NR	6.4	12.9	15.4	1.57	1.65	1.65
Singapore											
Courage Marine	CMG SP	S\$	0.125	n.a.	NR	2.1	n.a.	n.a.	0.73	n.a.	n.a.
Mercator Lines	MRLN SP	S\$	0.13	n.a.	NR	1.6	1.4	2.0	0.41	0.34	0.28
STX P O	STX SP	S\$	8.60	4.35	SELL	2.0	2.3	32.1	0.54	0.52	0.52
Taiwan											
Sincere Navigation	2605 TT	TWD	28.75	n.a.	NR	4.9	5.5	6.7	1.44	1.27	1.23
U-Ming Marine	2606 TT	TWD	51.10	n.a.	NR	4.8	4.3	11.2	1.77	1.58	1.69
Thailand											
Precious Shipping	PSL TB	Bt	10.10	8.30	HOLD	2.5	2.1	3.5	0.75	0.65	0.60
Thoresen Thai Agencies	TTA TB	Bt	12.60	13.80	SELL	1.6	0.9	9.9	0.54	0.32	0.32
Average						3.1	3.7	11.0	0.98	0.88	0.88

Source: Bloomberg, UOB Kay Hian

Strategy

Cutting 2009 year-end target of HSCEI

In light of further deterioration in global growth, we revise down our GDP growth forecast for China and earnings forecast for HSCEI for 2009 as well as cut year-end target of HSCEI. China H shares remain under-valued. We recommend buy on market weakness.

Downgrade 2009 GDP growth forecast to 6.5%. We have decided to downgrade China's GDP growth forecast for 2009 from 7.1% to 6.5% primarily due to further deterioration in the economic outlook for the US, Europe, Japan and other key trading partners, which will further slow China's exports. Also, we expect private consumption to weaken further as a result of rising unemployment. The slowdown is already evidenced in major cities. Some key department stores said they are happy if they can maintain flat same-store sales growth this year. Our recent visits to sportswear retailers and department stores in second- and third-tier cities also confirmed growth had slowed somewhat in 1Q09. Further slowdown in private consumption is likely unless the government launches decisive measures to boost consumption and support the property market in the near term. Note that our 6.5% GDP growth forecast for 2009 is in line with the forecast made by UOB Economic Treasury Research.

EPS growth of HSCEI revised down to -1% for 2009. As a result of the GDP growth downgrade and the negative impact of China Banking Regulatory Commission's (CBRC) suggestion to raise the banks' NPL coverage ratio from 130% to 150%, there have been earnings downgrades for companies under our coverage. This round of earnings downgrades has brought down our EPS growth forecast for the HSCEI from +5% to -1% for 2009 and from 25.4% to 19% for 2010. According to *Bloomberg*, the consensus is looking for EPS growth of 1.2% for 2009 and 15.8% for 2010.

Cutting our HSCEI 2009 year-end target to 9,500. As a result of a series of earnings downgrades since the beginning of 2009, we have decided to cut our 2009 year-end target for the HSCEI from 11,700 to 9,500. This new target, which offers 25% upside from the current level, represents a) 13x our EPS estimate for 2009, and b) a 3% premium to our DDM-based target of 9,200.

China H shares are attractively priced. The HSCEI is currently trading at a PE of 9.8x for 2009. This represents two standard deviations from the mean PE of 13x for the last seven years. This is attractive given that earnings growth for China H shares is set to recover strongly (almost 20% yoy) in 2010. What are the catalysts that will drive the HSCEI to our year-end target of 9,500? In our view, there are a couple of important drivers:

Further stimulus measures are in the cards. To meet its 8% GDP growth target, China is very likely to launch more measures to boost private consumption. These may include:

- measures to boost income growth, such as raising pension and increase support to low-income people, and encouraging development of SMEs and creation of new businesses so as to enlarge employment through financial support and tax reduction;
- measures to improve social welfare so as to lower savings ratio, such as improving pension fund system and increasing government spending on healthcare, as evidenced by the launch of Rmb850b package in three years
- other measures, such as giving coupons and increasing subsidies to rural households

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

Top BUYs And SELLs - China

Company Name	Price (HK\$)	2009F PE (x)	Target/Fair Price (HK\$)
Top BUYs			
China Coal Energy (1898)	5.4	9.6	8
China Dongxiang (3818)	2.8	12.5	3.3
China Life (2628)	25.2	24.2	30.5
China Merchants Bank (3968)	13.5	8.1	14.88
China Mobile (0941)	69.6	10.6	90
China Railway Group (0390)	4.6	14.7	5.9
China Shenhua Energy (1088)	16.2	9.2	23
Guangzhou R&F (2777)	8.1	8.4	8.95
Ping An (2318)	46.5	21.7	47.75
Sinopec (0386)	4.2	4.7	6.93
Zijin Mining (2899)	4.8	22.8	5.6
Top SELLs			
Chalco (2600)	4.4	80.2	3
Harbin Power (1133)	4.8	7.7	3.5
Hengan (1044)	27.7	21.2	20.5
Parkson (3368)	7.5	22.7	5.15

Source: UOB Kay Hian

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Coal

Robust regional contract prices to support spot prices

Robust regional contract prices should lend support to regional and China spot prices – which will not favour IPPs. Maintain BUY on Shenhua and ChinaCoal but take profit for Yanzhou, which rose 17% in five trading days.

Sector Events

Each year, February to April are generally a quiet period for coal. Not this year, as the deadlock in regional price talks may have been broken, thanks to two major deals.

The first was one by Xstrata and Rio Tinto last week. Both settled their thermal coal contract price at US\$70-72/tonne with Japan's Chubu Electric, compared with US\$125/tonne a year ago. While the new contract price may be about 55% of last year's, it was actually better than expected, considering the weaker end-user demand and the recent plunge in spot price.

The second was by Posco, South Korea's biggest steel mill, which said it had locked in US\$90/tonne for pulverized injection coal (PCI), which can also be used as thermal coal.

These two settlements should provide a benchmark for the ongoing price talks and partial floor for spot market, which helped the NEWC coal price to snap a six-week losing streak to US\$62.1/tonne, up from US\$ 61.7/tonne a week ago.

Stock Impact

Will these two regional contract settlements help to speed up the price talks between the Chinese IPPs and Shenhua and ChinaCoal? We think so.

While the US\$70-72/tonne is for high-quality coal with heat content of above 6,000kCal, we estimate the settlement price for the lower-grade coal of 5,500kCal heat content consumed by domestic power plants at US\$62-65 a tonne.

Assuming the freight cost of US\$5/tonne, the price of Australian coal shipped to China would be US\$67-70/tonne. Including 17% VAT, the imported coal price would be US\$78-82/tonne - on a par with domestic spot coal price. In other words, at current regional prices, imported coal offers little real gains, although IPPs will continue to resort to imports as a bargaining tactic.

In addition, domestic coal prices have stabilised since Dec 08 on falling port inventory, thanks to massive supply cutbacks by the Shanxi government. At present, IPPs are betting on possible price weakness due to seasonal weakness and from additional supply triggered by the re-opening of coal mines after last week's Parliament sitting. Assuming domestic coal prices do not fall much from current level, we believe IPPs would accept a certain degree of price hike when power demand picks up in the coming months. Our assumption is a 5-8% hike.

Sector Valuation

Company	Ticker	Share Price		Rec	Target Price	PE (x)		P/B (x)		EV/tonne	ROE (%)		ROA (%)		Div Yield (%)	
		16 Mar 09	LC			FY08F	FY09F	FY08F	FY09F		US\$	FY08F	FY09F	FY08F	FY09F	FY08F
China Shenhua	1088 HK	16.18		BUY	23.00	10.7	9.4	2.1	1.8	7.6	21.4	19.2	10.7	9.5	4%	4%
China Coal Energy	1898 HK	5.36		BUY	8.00	8.0	8.8	1.1	1.0	3.7	13.7	10.7	8.9	6.8	4%	3%
Yanzhou Coal	1171 HK	5.04		HOLD	7.00	3.9	5.5	0.7	0.6	5.4	29.7	15.3	24.1	12.5	8%	5%
Hidili	1393 HK	2.20		HOLD	3.00	3.5	4.3	0.7	0.6	1.8	19.5	8.8	16.1	7.3	7%	6%

CHINA

Coal

OVERWEIGHT

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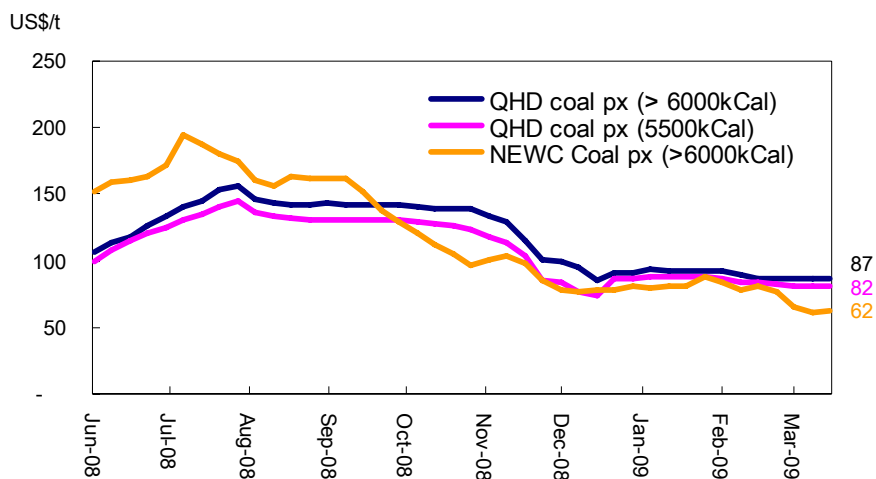
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Valuation/Recommendation

We maintain OVERWEIGHT on the coal sector, with Shenhua and ChinaCoal as our top picks. We prefer contract coal plays to spot play as their earnings would stay defensive amid an economic downturn.

Yanzhou Coal's share price has gone up 17% since our TRADING BUY call last Tuesday. Without fresh catalysts, except for high dividend yield, we suggest to lock in profit and buy again in the run-up to results announcement on 24 April.

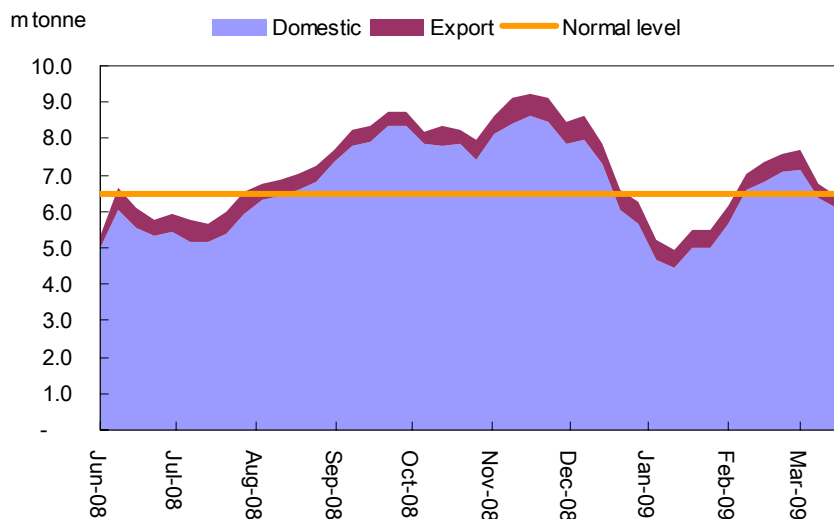
Coal Prices At QHD And NEWC Ports Stabilising



* QHD coal price includes 17% VAT

Source: CCTD, GlobalCoal, UOB Kay Hian

Coal Inventory At QHD Port Fell 5% w/w



Source: CCTD, UOB Kay Hian

Property

Strong sales; Guangdong market continues to outperform

Sales in major cities continue to increase wow and subscriptions in Beijing, Nanjing and Hangzhou saw a strong rebound last week. Shenzhen and Guangzhou continue to outperform the national market. Buy Guangdong property plays and CRL.

Sales remained robust last week. Sales in major cities rose about 10% wow. Compared with the weekly average in Mar 08, sales soared 100-300% yoy. Pearl River Delta Region continues to outperform the overall market. Shenzhen's sales were almost 3-4x that in Mar 08 and Guangzhou's sales almost doubled yoy on the back of a low base last year. Beijing and Tianjin in Baohai Rim also posted strong sales growth of nearly 90% and 120% yoy respectively, while Shanghai saw moderate sales increase of 16% yoy.

Sales subscriptions recorded strong growth too. Total sales subscriptions in Hangzhou surged 44% wow to 676 units. Beijing and Nanjing also recorded a 17% and 10% increase in sales subscription respectively. The strong subscriptions in these major cities indicate that sales momentum remains strong in the next couple of weeks.

Guangzhou R&F and CRL outperformed in contracted sales in Jan-Feb 09. China property companies generally reported strong contracted sales growth in the first two months of this year. Guangzhou R&F(2777 HK) and CRL(1109 HK) are the best performers by achieving more than 20% of 2008 contracted sales, ahead of the sector's 15%. The strong sales should be catalyst for Guangzhou R&F and CRL. Both remain our top picks in the sector.

CHINA

Property

MARKET WEIGHT

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(Rmbb)	Contracted Sales	yoy % chg	2008 Contracted Sales	As % Of 2008 Sales
COLI	2.8	69	23.8	12
CRL	1.83	n.a.	7.9	23
Guangzhou R&F	3.6	74	16.0	23
Shimao	1.7	189	12.0	14
Greentown	0.8	69	15.2	6
Country Garden	2.33	11	17.5	13
Agile	1.37	n.a.	11.6	12
Vanke	6.1	78	47.9	13
Poly Real Estate	3.39	198	20.5	17
Gemdale	1.68	64	11.4	15
Average		94		15

Source: Respective companies, UOB Kay Hian

Weekly Sales In Major Cities (9- 15 Mar)

Region	City	GFA ('000 sqm)	wow % chg	yoy % chg
Pan-Bohai Rim	Beijing	290	(1)	88
	Tianjin	270	32	123
	Qingdao	93	(5)	-
Yangtze River Delta	Shanghai	476	8	16
	Suzhou	126	32	-
	Nanjing	170	(2)	88
	Hangzhou	106	(8)	203
	Ningbo	92	21	-
South China	Shenzhen	202	16	368
	Guangzhou	256	17	198
	Dongguan	132	0	-
Central China	Xiamen	91	(4)	-
	Wuhan	303	36	195
Southwest China	Changsha	326	1	-
	Chongqing	388	(21)	105
	Chengdu	287	33	121

Source: Soufun, UOB Kay Hian

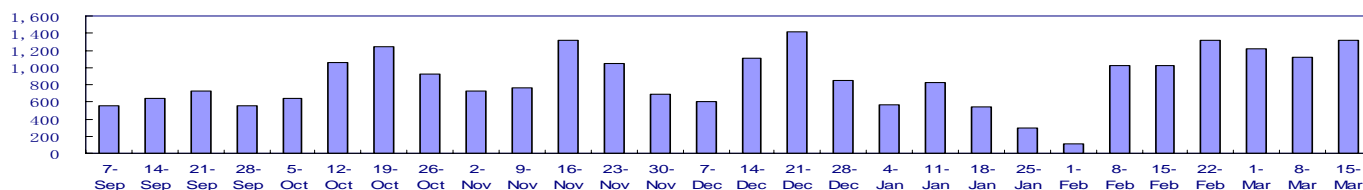
Tuesday, March 17, 2009

Weekly Primary Contracted Sales Volume (GFA) In Major Cities

('000sqm)	Beijing	wow % chg	Shanghai	wow % chg	Shenzhen	wow % chg	Guangzhou	wow % chg	Tianjin	wow % chg	Chongqing	wow % chg
2-Nov	213	27	169	-15	65	-1	103	-14	84	-37	559	2
9-Nov	378	77	215	27	125	92	144.	40.	119	41	443	-21
16-Nov	205	-46	256	19	137	9	128.	-12.	113	-5	189	-57
23-Nov	272	33	283	10	154	12	143	12	128	13	143	-24
30-Nov	213	-22	404	43	138	-10	171	20	110	-14	178	25
Nov total	1,129	44	1,206	40	573	69	616	-2	494	15	1,112	-20
7-Dec	204	-4	397	-2	139	0	174	2	97	-12	267	50
14-Dec	236	15	287	-28	185	33	166	-5	94	-3	260	-2
21-Dec	301	28	284	-1	165	-11	201	21	83	-12	239	-8
28-Dec	310	3	311	10	164	-1	182	-9	103	24	315	32
Dec total	1,168	3	1,417	17	729	27	486	-10	422	-15	1,261	13
4-Jan	199	-36	188	-39	135	-18	160	-12	75	-27	273	-13
11-Jan	227	14	278	48	157	16	192	20	98	31	262	-4
18-Jan	182	-20	274	-2	131	-16	162	-16	105	7	280	7
25-Jan	86	-53	160	-42	46	-65	120	-26	58	-45	187	-33
Jan total	579	-50	807	-43	394	-46	462	-5	295	-30	878	-30
1-Feb	4	-96	20	-88	7	-84	10	-92	5	-92	40	-79
8-Feb	88	2216	156	697	94	1230	155	1435	71	1415	283	615
15-Feb	144	64	287	84	110	17	209	35	137	93	391	38
22-Feb	212	48	349	22	128	16	229	10	174	27	400	2
Feb total	752	32	1212	52	502	38	725	57	596	108	1702	102
1-Mar	308	45	420	22	170	33	264	15	214	23	628	57
8-Mar	291	-2	440	5	175	3	218	-17	204	-4	493	-22
15-Mar	290	-1	476	8	202	16	256	17	270	32	388	-21

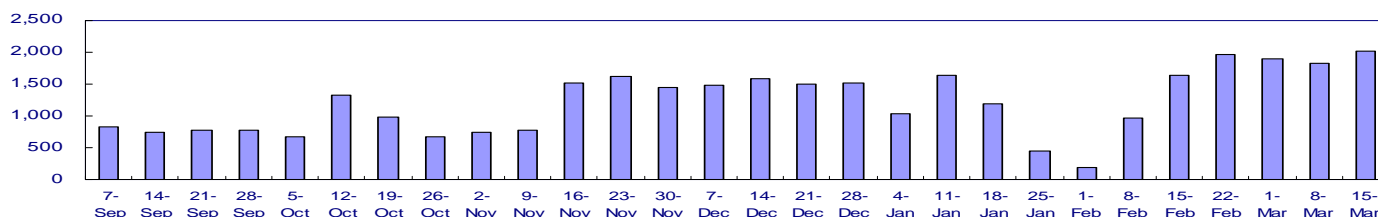
Source: Soufun, UOB Kay Hian

Beijing Primary Residential Weekly Subscription (Units)



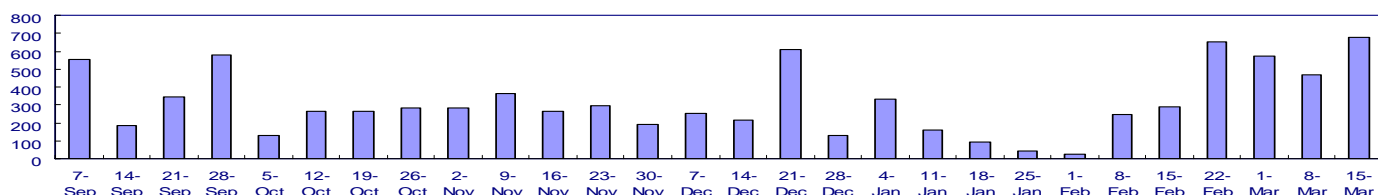
Source: Soufun, UOB Kay Hian

Nanjing Primary Residential Weekly Subscription (Units)



Source: Soufun, UOB Kay Hian

Hangzhou Primary Property Weekly Subscription (Units)



Source: Soufun, UOB Kay Hian

Towngas China

2008: Net profit 21% below consensus

Towngas China reported FY08 net profit of HK\$202m, up 40% yoy but 21% below consensus and 26% below our forecast. Maintain SELL with fair price unchanged at HK\$1.10.

2008 Results

Year to 31 Dec	FY08 (HK\$m)	yoy % chg	Remarks
Turnover	4,409		39 Boosted by higher gas sales volume and gas tariff Due to increase in stores and materials, staff costs,
Operating Expenses	418,1		38 depreciation, amortization and other expenses
Finance costs	145	(19)	Due to payment of convertible bonds
Profit before taxation	361	50	Higher revenue and good cost control
Taxation	90	143	
Profit for the year	271	33	
Net profit	202	40	Higher revenue and increase in tax rate
EPS-diluted (HK\$/share)	0.10	24	
Dividend	20	n.a.	Its first dividend
DPS-(HK\$/share)	0.01	n.a.	

Source: UOB Kay Hian

Results

Towngas China's FY08 net profit rose 40% yoy to HK\$202m, but was 21% below consensus of HK\$256m and 26% lower than our forecast of HK\$273m.

The company declared a final dividend of HK\$0.01/share, representing a payout ratio of 15% and its first cash dividend since listing.

Stock Impact

Strong gas sales volume offset by LPG business. In 2008, the company achieved a strong 65.8% yoy increase in gas sales volume growth, contributed by both organic growth (20%) and acquisitions of new subsidiaries (80%). Connection income grew steadily by 18% yoy despite a 6ppt drop in operating margin from connections. However, we notice the company's risky LPG sales (61% of total revenue) rose 25% yoy to HK\$1,695m. In particular, a 40% surge in retail LPG, in our view, could be the major drag on earnings given its thinnest margins and significant ASP drop last year.

Looking forward, we continue to believe the company's high exposure to LPG is risky and could weigh down its bottom line due to the thin margins and price volatility. As for gas sales volume, we believe the company could achieve a 20% CAGR organic gas sales volume growth over the next few years, but contribution from new acquisitions tends to be lower given the more intense competition.

CHINA

Towngas China (1083.HK)

SELL

Current Price: HK\$1.49

Fair Price: HK\$1.10

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

52-Wk Avg Daily Vol. (m) 1.3
Market Cap (HK\$m) 2917.6
(US\$m) 373.9

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

Results Due August
Interim August
Final March

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover HK\$m	EBITDA HK\$m	Net Profit HK\$m	EPS HK\$	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS HK\$	Yield %
2007	3,195	501	145	0.08	n/a	17.8	7.7	0.00	0.0
2008	4,409	625	202	0.10	24	14.4	7.0	0.01	0.7
2009F	4,123	672	256	0.13	27	11.4	5.6	0.01	0.9
2010F	4,572	748	289	0.15	13	10.1	4.6	0.01	1.0
2011F	4,677	803	311	0.16	8	9.4	3.7	0.02	1.1

Consensus Net Profit – FY09: HK\$335m
-- FY10: HK\$408m

Valuation/Recommendation

Given the continued great uncertainties related to its highly exposed LPG business, we maintain SELL on the company. Our fair price of HK\$1.10 is based on WACC of 8.9% and assumes a 30-year cash flow project, and represents a 5% discount to its NAV/share.

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	3,195	4,409	4,123	4,572	4,677
EBIT	170	435	195	210	228
Pre-tax Profit	241	361	394	442	471
Net Profit	145	202	256	289	311

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,383	1,611	2,133	2,690	3,250
Total Assets	9,115	10,387	10,661	11,298	11,866
Current Liabilities	1,069	1,372	1,434	1,573	1,629
Long-Term Liabilities	1,712	2,101	2,210	2,334	2,447
Shareholder Funds	6,335	6,912	7,017	7,392	7,790
Total Equity & Liabilities	9,115	10,387	10,661	11,298	11,866

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	343	417	440	493	525
Investing	(841)	(532)	(333)	(230)	(182)
Financing	622	260	186	104	97
Net Cash In/(Out) Flow	125	144	293	367	440
Begin Cash & Cash Equiv.	614	787	993	1,363	1,837
End'g Cash & Cash Equiv.	787	993	1,363	1,837	2,377

China Life Insurance

February premium growth slows, but remains strong

February premium growth slowed on a shift in premium composition. However, profit margins will improve on sale of longer-duration products. Maintain BUY.

Corporate Events

China Life announced February premium of Rmb30.6b, up 5% yoy. Premium income for the first two months of the year totalled Rmb67.2b, +13% yoy.

Stock Impact

As expected, China Life's premium growth slowed down in February as it restructured its premium composition to include longer-duration products. Premium growth remained strong, especially in light of the high base of 2008 when premiums grew 45% yoy. We believe premium growth this year is much stronger structurally as it will be composed predominantly of longer-duration risk-based products.

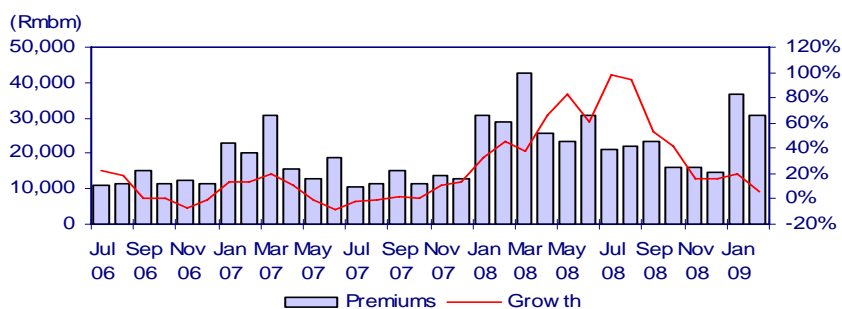
Earnings Risk

The key risks facing China Life continues to be the performance of the A-share market and a prolonged period of low interest rates.

Recommendation

While a 5% yoy growth may appear to be relatively low, the strength at which premiums expanded is very evident compared with the high base of Feb 08 (at Rmb29b). Bancassurance products typically with three-year duration were the primary products sold last year, while in 2009, China Life has shifted focus to sell products with durations of at least five years. The structural shift in premium composition will hinder growth in the short-term, but will contribute to increase profit margins. China Life continues to be our top pick due to its defensiveness and pure domestic exposure. Maintain BUY.

Monthly Premiums



Source: CIRC, UOB Kay Hian

CHINA

China Life Insurance (2628 HK)

BUY

Current Price: HK\$25.25

Target Price: HK\$30.50

Sector	Insurance
52-Wk Avg Daily Vol. (m)	105
Market Cap (HK\$m)	692,6378
(US\$m)	88,800
Major Shareholders (%)	
China Life Insurance (Group)	68.4
Book NTA per Share (Rmb)	7.28
ROE (%)	22.4
Results Due	
Interim	August
Final	April

Price Chart



Source: Bloomberg

Analyst

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Year to	Net Earned		Net		EPS	PE	P/EV	DPS	Yield
31 Dec	Premium	EBITDA	Profit	EPS	Growth	(x)	(x)	(Rmb)	(%)
	(Rmbm)	(Rmbm)	(Rmbm)	(Rmbm)	(%)				
2006	98,847	25,605	19,956	0.71	114.4	32.2	3.3	0.14	0.6
2007	111,404	44,982	38,879	1.38	94.8	16.5	2.5	0.42	1.8
2008F	140,331	24,395	21,125	0.75	-45.7	30.4	2.9	0.22	1.0
2009F	168,504	30,332	25,965	0.92	22.9	24.8	2.5	0.28	1.2
2010F	200,875	37,737	31,928	1.13	23.0	20.1	2.1	0.34	1.5

Consensus Net Profit – FY08: Rmb22,514m
 – FY09: Rmb28,230m

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
NEP	98,847	111,404	140,331	168,504	200,875
Net Investment inc	24,942	44,020	26,914	34,973	44,370
Total expenses	(121,706)	(146,390)	(137,803)	(177,491)	(220,359)
Net profit	19,956	38,879	21,125	25,965	31,928
EPS	0.77	1.42	0.77	0.95	1.17

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Investment Assets	686,804	850,209	1,060,560	1,306,325	1,592,419
Total Assets	764,395	929,421	1,145,432	1,397,776	1,691,525
Total Liabilities	624,190	727,328	956,605	1,198,678	1,450,522
Equity	139,665	205,500	188,025	198,253	239,979

Ping An Insurance

February premiums up an astounding 70% yoy

February premiums were up an astounding 70% yoy on Ping An's industry-leading universal life crediting rate. Growth was fuelled by abundance of retail deposits and high spread over 5-year deposit rate. Maintain BUY.

Corporate Events

Ping An announced February life insurance premium income of Rmb14b, up a staggering 70% yoy. Life premiums for Jan-Feb 09 totalled Rmb27.3b, +43% yoy. P&C premiums were Rmb5.75b, up a surprising 30.8% yoy.

Stock Impact

Life premium growth for February significantly exceeded our expectations. We believe the key driving forces behind the staggering premium growth were Ping An's industry-leading universal life credit rate and rapidly expanding bancassurance business. Ping An's universal life credit rate currently stands at 5%, which is 140bp over the benchmark five-year deposit rate. This wide spread over deposit rates will make Ping An's five-year universal life products extremely attractive to investors.

P&C premium also exceeded expectations as auto sales in February were better than expected and Ping An motor vehicle unit would have been a major beneficiary. Due to Ping An's smaller market share, we expect its P&C premium growth to continue to outpace those of PICC P&C (2328 HK). However, as auto sales are expected to remain mediocre for 2009, we expect Ping An's P&C premium growth to decline slightly as the year progresses.

Earnings Risk

A-share market volatility and prolonged period of low interest rates.

Recommendation

Ping An's February premium growth was much higher than what we and the market were anticipating. While Ping An's industry-high crediting rate was the reason behind the attractiveness of Ping An's products, we believe the abundance of retail deposits carried over from strong M2 growth provided the necessary amount of capital to fuel such strong premium growth. Going forward, we continue to expect Ping An's premium growth to outpace that of China Life, due to its lower base of comparison last year. Maintain BUY.

CHINA

Ping An Insurance (2318 HK)

BUY

Current Price: HK\$46.50

Target Price: HK\$47.75

Sector	Insurance
52-Wk Avg Daily Vol. (m)	21.9
Market Cap (HK\$m)	318,131
(US\$m)	40,786
Major Shareholders (%)	
HSBC	16.80
Book NTA per Share (Rmb)	13.36
ROE (%)	24.3
Results Due	
Interim	August
Final	April

Price Chart



Source: Bloomberg

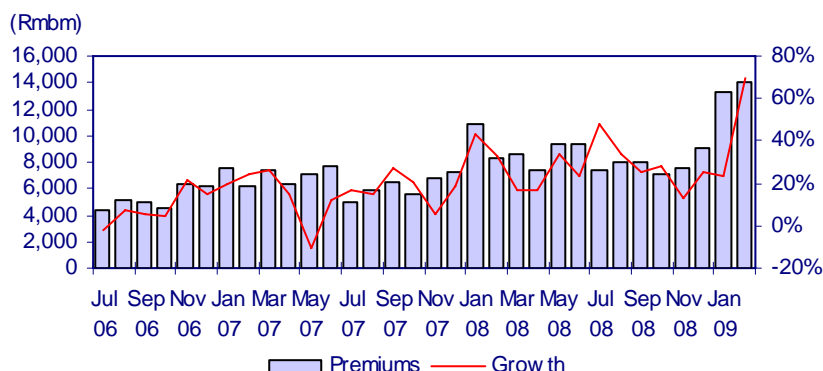
Analyst

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Year to 31 Dec	Net Earned Premium (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmbm)	EPS Growth (%)	PE (x)	P/EV (x)	DPS (Rmb)	Yield (%)
2006	63,013	8,548	7,838	1.05	53.8	39.9	4.0	0.34	0.66
2007	73,606	22,004	18,688	2.50	138.4	16.7	2.0	0.50	0.97
2008F	92,297	2,068	437	0.06	-97.7	716.4	2.8	0.01	0.02
2009F	108,560	16,700	13,848	1.85	3069.9	22.6	2.4	0.37	0.72
2010F	131,647	21,169	18,316	2.45	32.3	17.1	2.1	0.47	0.91

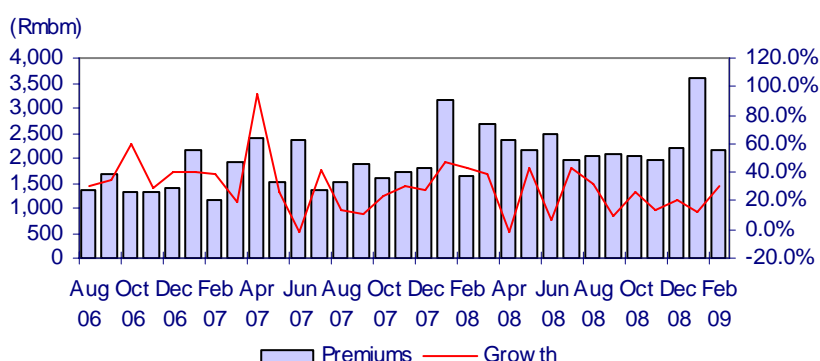
Consensus Net Profit – FY08: Rmb3,552m
 – FY09: Rmb14,897m

Monthly Life Premiums



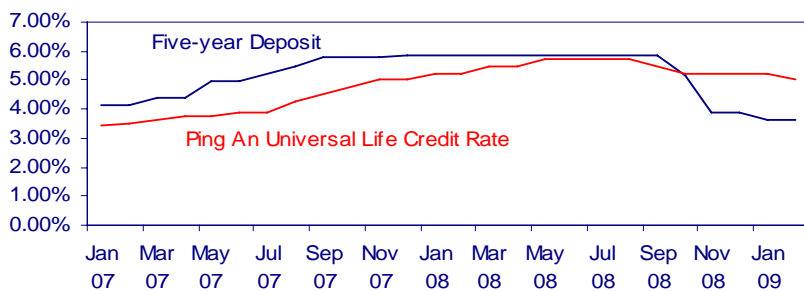
Source: Ping An, UOB Kay Hian

Monthly P&C Premiums



Source: Ping An, UOB Kay Hian

Universal Life Credit Rate



Source: Ping An, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Net earned premiums	63,013	73,606	92,297	108,560	131,647
Net Investment income	12,198	15,257	17,373	20,279	27,265
Net profit	7,838	18,688	437	13,848	18,316
EPS	1.27	2.54	0.06	1.85	2.45

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Investment Assets	341,557	511,825	488,286	536,718	635,331
Total Assets	493,539	691,298	730,993	815,870	924,191
Total Liabilities	446,559	577,447	613,917	689,661	785,795
Equity	46,375	113,851	114,202	125,328	139,477

Meadville Holdings

Impact of 3G capex

Demand from China's leading telecommunications equipment providers remains strong. Outlook for Meadville Holdings is more certain than its regional peers'. Maintain BUY.

Corporate Events

Strong demand from equipment makers. Meadville has established long-term relationships with leading Chinese telecoms equipment makers, including Huawei, ZTE and Fiberhome. Sales orders started picking up strongly after Chinese New Year and sales related to TD-SCDMA and WCDMA base-stations start to contribute in 1H09. According to management, sales to 3G handsets will further boost top-line growth in 2H09. As mentioned earlier, the growth in order inflows from Chinese telecoms equipment makers more than offset the decline in orders from overseas customers. The Group re-opened the facility in Guangzhou in February and will re-open the facility in Suzhou in April, both of which were shut down temporarily last year. The Group is running at about 90% utilisation. Meadville is one of the 3G plays in China given its high exposure to Chinese communications equipment and handset manufacturers. Huawei and ZTE were Meadville's largest and fourth-largest customer respectively in 1H08.

Positive industry newsflow. According to DIGITIMES, some PCB makers have begun building up copper-clad laminates inventory levels and have signed long-term purchasing contracts with copper-clad laminate manufacturers as they believe the prices of copper-clad laminates may increase in Mar 09. The move implies that demand for PCBs is recovering, according to DIGITIMES. We also saw a sequential increase in imports of copper ore and copper scrap by China in Feb 09.

The PCB business is almost free. Meadville owns 22.2% of Guangdong Shengyi (600183 CH), the second-largest laminate manufacturer in China. Based on the last traded price, the market value of Meadville's stake in Guangdong Shengyi is HK\$1.3b, which is about 96% (close to 2 standard deviations above the average of 68.4%) of Meadville's market capitalisation. The market value of Meadville's stake in Guangdong Shengyi is about HK\$0.66/share vs its share price of HK\$0.72. The PCB business is almost free. We believe the share price correction after FY08 results announcement looks overdone.

Stock Impact

We cut our 2009 and 2010 net profit estimates by 8.5% post results adjustment.

Earnings Risks

Sector de-rating, massive economic slowdown in China, and pricing competition from overseas players.

HONG KONG

Meadville Holdings (3313 HK)

BUY

Current Price: HK\$0.72

Target Price: HK\$1.07

(Previous: HK\$1.16)

Sector	Technology
52-Wk Avg Daily Vol. (m)	1.3
Market Cap (HK\$m)	1,414.1
(US\$m)	181.3
Major Shareholders (%)	
Tang Hsiang Chien	71.9
Book NTA per Share (Rmb)	1.39
ROE (%)	15.4
Net Debt per Share (Rmb)	1.5

Results Due	
Interim	September
Final	February

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	4,490	910	342	0.17	6.8	4.2	9.4	0.06	8.3
2008*	5,626	994	402	0.20	17.8	3.6	5.7	0.04	6.0
2009F*	5,687	1,057	426	0.21	5.9	3.4	3.2	0.05	7.4
2010F*	6,533	1,195	525	0.26	23.0	2.7	2.5	0.09	13.2
2011F	7,386	1,316	589	0.29	12.3	2.4	2.0	0.11	14.7

Consensus Net Profit – FY09: HK\$410.8m
 – FY10: HK\$461.0m

* Including non-cash charges of HK\$52.3m, HK\$254.5m and HK\$17.3m in 2006, 2007 and 2008.

Valuation/Recommendation

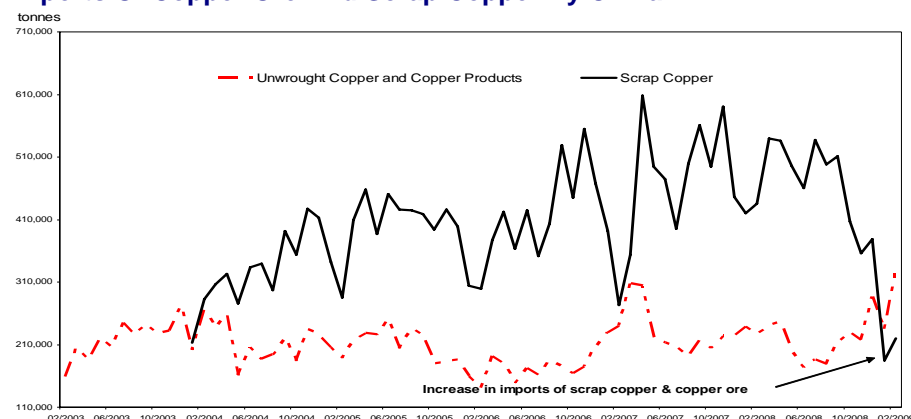
Meadville's outlook is more certain than that of its regional peers' given its high exposure to the telecommunications sector in China. The recent positive newsflow from its customers such as ZTE, Huawei and its peers also confirm our positive view. We revised down our target price slightly to HK\$1.07 based on 5x 2009F PE, which is about 40% discount to the industry average. Maintain BUY.

Key Customers (2008)

Rank	Customer
1	Hauwei
2	Apple
3	ZTE
4	Ericsson
5	Nokia

Source: Meadville, UOB Kay Hian

Imports Of Copper Ore And Scrap Copper By China



Source: Bloomberg, UOB KAY Hian

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	4,490	5,626	5,687	6,533	7,386
EBIT	910	994	1,057	1,195	1,316
Pre-tax Profit	523	586	613	752	846
Net Profit	342	402	426	525	589

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	2558	2700	3151	3930	4802
Total Assets	7618	8864	9390	10255	11219
Current Liabilities	2595	2543	2581	2883	3284
Long-Term Liabilities	2559	3543	3663	3810	3975
Shareholder Funds	2464	2779	3145	3561	3959
Total Equity & Liabilities	7618	8864	9390	10254	11218

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	1182	1531	1198	1309	1440
Investing	(1387)	(1363)	(500)	(547)	(589)
Financing	1828	611	(255)	(199)	(292)
Net Cash In/(Out) Flow	1623	779	443	563	558
Begin Cash & Cash Equiv.	167	1790	2569	3012	3575
End'g Cash & Cash Equiv.	1790	2569	3012	3575	4133

Market Value of Meadville's Stake In Guangdong Shengyi (as % Of Meadville's Market Cap)



Source: Bloomberg, UOB KAY Hian

Quantitative Analysis

Trading Buy for stocks with low P/B relative to Hang Seng Index and low 5-year average P/B

Relative P/B has a decided advantage of objectivity over absolute P/B ratio.

It measures how expensive a stock is cross-sectionally and also over time.

Firstly, relative P/B could mean comparing the current P/B of a stock to the average P/B of a benchmark index such as Hang Seng Index. The underlying reason to pick Hang Seng Index as the benchmark is because the stocks tabulated here for comparison are all constituents of Hang Seng Index.

Besides, Hang Seng Index is a proxy for the market. Relative P/B tells a stock's P/B compared with the market's P/B.

If a stock has a relative P/B ratio of 1, it means its valuation in terms of book value is in line with the market. If the relative P/B is below 1, then the valuation of stock is cheaper than the market. For example, a stock with a relative P/B of 1.2 is trading at a 20% premium to the Hang Seng Index.

We can also compute relative P/B over time. In this case, we compare the P/B of a stock to its 5-year average P/B. We have the relative P/Bs of the constituents of Hang Seng Index tabulated below.

Conclusion

Investors could consider Trading Buy for stocks with both their relative P/B vs the market and its 5-year average below 0.5.

HONG KONG

Quantitative Analysis

Analyst

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Relative P/B Of Constituents Of Hang Seng Index

Short Name	PB	5-Year Avg PB	PB rel to 5Y Avg	PB rel to Hang Seng Index	TB (Trading Buy)
267 HK Equity CITIC PACIFIC	0.29	1.30	0.22	0.24	TB
17 HK Equity NEW WORLD DEV	0.36	0.78	0.46	0.30	TB
4 HK Equity WHARF HLDG	0.46	1.07	0.43	0.38	TB
12 HK Equity HENDERSON LAND D	0.47	1.00	0.47	0.39	TB
83 HK Equity SINO LAND CO	0.55	1.17	0.47	0.46	TB
13 HK Equity HUTCHISON WHAMPO	0.56	1.20	0.46	0.46	TB
19 HK Equity SWIRE PACIF 'A'	0.56	1.06	0.53	0.47	
1 HK Equity CHEUNG KONG	0.65	1.09	0.59	0.54	
1199 HK Equity COSCO PAC LTD	0.70	2.40	0.29	0.58	
5 HK Equity HSBC HLDGS PLC	0.72	1.78	0.40	0.60	
23 HK Equity BANK EAST ASIA	0.76	1.85	0.41	0.63	
293 HK Equity CATHAY PAC AIR	0.76	1.39	0.55	0.63	
16 HK Equity SUN HUNG KAI PRO	0.78	1.22	0.64	0.65	
2388 HK Equity BOC HONG KONG HO	0.81	2.39	0.34	0.67	
2600 HK Equity ALUMINUM CORP-H	0.90	2.59	0.35	0.75	
762 HK Equity CHINA UNICOM HON	0.98	1.56	0.63	0.82	
386 HK Equity CHINA PETROLEU-H	1.03	2.09	0.49	0.86	
66 HK Equity MTR CORP	1.05	1.30	0.81	0.88	
101 HK Equity HANG LUNG PROPER	1.05	1.39	0.76	0.88	
291 HK Equity CHINA RES ENT	1.13	2.20	0.51	0.95	
551 HK Equity YUE YUEN INDUS	1.20	2.15	0.56	1.00	
144 HK Equity CHINA MERCHANT	1.23	2.85	0.43	1.02	
857 HK Equity PETROCHINA CO-H	1.27	2.61	0.49	1.06	
883 HK Equity CNOOC LTD	1.88	3.24	0.58	1.57	
6 HK Equity HONG KG ELEC	2.05	1.93	1.06	1.71	
2 HK Equity CLP HLDGS LTD	2.06	2.21	0.93	1.72	
3 HK Equity HONG KG CHINA GS	2.58	5.09	0.51	2.15	
11 HK Equity HANG SENG BK	2.90	4.63	0.63	2.41	
941 HK Equity CHINA MOBILE	3.02	3.76	0.80	2.52	
688 HK Equity CHINA OVERSEAS	3.42	2.71	1.26	2.85	
330 HK Equity ESPRIT HLDGS	3.58	8.44	0.42	2.98	
2628 HK Equity CHINA LIFE-H	3.78	3.62	1.04	3.15	
494 HK Equity LI & FUNG LTD	6.58	9.51	0.69	5.48	
388 HK Equity HONG KONG EXCHNG	9.22	13.95	0.66	7.69	

Source: Bloomberg

Technical Analysis

Hang Seng Index: 12977; Bullish falling wedge points to more upside

The Hang Seng Index has been unfolding a potential falling wedge since reaching a high of 13976 on 10 Feb 09. The falling wedge formation was finally confirmed after index gapped up yesterday to close at 12977 in the wake of a breakout from the wedge last Friday.

We expect the index to attempt to refill the downside gap (13600-13663) near the high of 13976 where the wedge first evolved.

The upper boundary of the wedge would be a newfound support level for any immediate pullback on the index.

HONG KONG Technical Analysis

Analyst

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Slow Stochastics And MACD Of Hang Seng Index



Source: HKETnet

London Sumatra Indonesia

2008: Results in line with expectations

Net profit of London Sumatra (LSIP) increased 64.5% yoy in 2008, but fell 37.6% yoy in 4Q08 due to lower international CPO prices in 4Q08. Results are in line with expectation.

2008 Results

Year to 31 Dec	4Q08 (Rpb)	yoy % chg	2008 (Rpb)	yoy % chg	Remarks
Turnover	983.4	16.0	3,846.2	31.3	Higher CPO sales volume (+6.3%) and CPO ASP
Gross Profit	683.7	8.7	1,860.8	32.5	
Operating Profit	200.8	(29.0)	1,314.4	32.6	Higher CPO export tax lowered operating profit on 4Q08
Net Profit	154.7	(23.5)	927.6	64.5	
Gross Margin	69.5	-4.7ppt	48.4	0.5ppt	Gross margin maintained in 2008, despite higher material costs. Gross margin declined in 4Q08 vs 4Q07 due to higher fertiliser costs and lower CPO prices
Operating Margin	20.4	-13.0ppt	34.2	0.4ppt	
Net Margin	15.7	-8.1ppt	24.1	4.9ppt	Forex gain in 2008 vs a loss in 2007, lower interest expenses and higher interest income.

Source: London Sumatra Indonesia, UOB Kay Hian

Results

Net profit jumped 64.5% yoy to Rp927.6b in 2008 due to: a) higher revenue (+31.3% yoy) on the back of higher CPO sales volume and higher international CPO prices in 9M08, and b) other income of Rp12.3b in 2008 vs expenses of Rp156.1b in 2007. However, 4Q08 net profit fell 37.6% qoq due to lower CPO prices in 4Q08. Net profit was in line with our forecast of Rp886.2b.

Lower CPO and rubber production. Despite higher CPO sales volume, LSIP's CPO production dipped 2.6% yoy due to lower FFB yield from 20.2 tonnes/ha in 2007 to 17.6 tonnes/ha in 2008, and lower CPO yield of 4.3 tonnes/ha (2007: 5.0 tonnes/ha). Rubber production also declined 25.0% yoy caused by lower purchases of wet rubber, lower nucleus yields and conversion of rubber plantations.

Net margin boosted by forex gain, lower expenses. LSIP posted other income in 2008 of Rp12.3b vs other expenses of Rp156.1b in 2007 due to: a) forex gain of Rp30.0b in 2008 vs a loss of Rp17.4b in 2007, b) lower interest expenses (-40.2% yoy), c) higher interest income (+120.1% yoy), and d) no loss on provisions in 2008. As a result, net margin increased 4.9ppt to 24.1% in 2008.

Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rp)	Yield (%)
2006	2,153.2	531.9	303.1	277	(14.8)	11.4	6.3	75	2.4
2007	2,930.0	1,074.2	564.0	413	49.4	7.6	3.9	0	0.0
2008	3,846.2	1,429.2	927.6	680	64.5	4.6	2.9	136	4.3
2009F	2,723.2	938.3	519.0	380	(44.0)	8.3	4.5	76	2.4
2010F	3,512.6	1,275.8	743.3	545	43.2	5.8	3.3	109	3.5

Consensus Net Profit – FY09: Rp470.0b
– FY10: Rp589.5b

INDONESIA

London Sumatra Indonesia (LSIP IJ)

BUY

Current Price: Rp3,150

Target Price: Rp3,300

(Previous: Rp3,000)

Sector	Plantation
52-Wk Avg Daily Vol. ('000)	6,154
Market Cap (Rpb)	4,298.4
(US\$m)	358.6

Major Shareholders (%)	
Salim Ivomas Pratama	56.4
Indofood Agri Resources	8.0

Book NTA per Share (Rp)	2,343
ROE (%)	33.7
Net Cash per Share (Rp)	71

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

Price Chart



Source: Bloomberg

Analyst

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Accounts reclassification to harmonise with majority shareholders. To harmonise LSIP's accounting policies with majority shareholder, Salim Ivomas Pratama's, a subsidiary of Indofood Agri Resources (IFAR SP), the company reclassified some COGS and sales. The reclassification resulted in higher sales, lower COGS and higher operating expenses for 2006 and 2007 but no changes to operating profit and bottom line for those years.

Stock Impact

LSIP is constructing a CPO mill in East Kalimantan with a production capacity of 45FFB tonnes/hour, and is expected to complete by Jul 09. With debt/equity ratio declining slightly from 0.35x in 2007 to 0.29x, and net cash of Rp97b, thanks to strong 2008 results, we believe the company can perform well amid the unfavourable market conditions.

Earnings Revision

We cut our net profit forecast for 2009 by 11% to Rp519b, and by 19% to Rp743b for 2010. This incorporates the account reclassification, lower CPO production assumption (by 6% for 2009 and by 8% for 2010) and lower rubber production assumption (by 10% for 2009 and 2010).

Valuation/Recommendation

Maintain BUY on LSIP with a higher target price of Rp3,300 based on 1.2x 2009F P/B. The target price represents 8.7x 2009F PE for upstream and mid-cap plantation companies. Currently, the stock is trading at 8.3x 2009F PE, lower than the Indonesian plantation sector average 2009F PE of 8.8x.

Profit & Loss

Year to 31 Dec (Rpb)	2006	2007	2008	2009F	2010F
Turnover	2,153.2	2,930.0	3,846.2	2,723.2	3,512.6
Gross Profit	771.9	1,403.8	1,860.8	1,176.7	1,543.5
Operating Profit	454.6	990.9	1,314.4	762.8	1,066.1
Pre-tax Profit	430.0	834.8	1,326.7	741.4	1,061.9
Net Profit	303.1	564.0	927.6	519.0	743.3

Balance Sheet

Year to 31 Dec (Rpb)	2006	2007	2008	2009F	2010F
Current Assets	496.9	914.5	1,445.8	1,020.4	800.2
Total Assets	2,985.2	3,938.1	4,921.3	4,915.3	5,091.9
Current Liabilities	950.1	833.3	850.2	606.0	426.7
Non Current Liabilities	689.2	789.8	874.1	697.1	458.2
Shareholder's fund	1,345.9	2,315.0	3,197.1	3,612.3	4,206.9
Total Equity and Liabilities	2,985.2	3,938.1	4,921.3	4,915.3	5,091.9

Cash Flow

Year to 31 Dec (Rpb)	2006	2007	2008	2009F	2010F
Operating	319.4	738.8	950.1	524.1	837.1
Investing	(167.6)	(359.2)	(550.7)	(541.4)	(593.6)
Financing	(47.1)	(78.3)	76.5	(337.0)	(507.3)
Net Cash Inflow/(Outflow)	104.8	301.3	476.0	(354.3)	(263.7)
Begin Cash & Cash Equiv.	152.3	257.1	558.4	1,034.3	680.0
Ending Cash & cash Equiv.	257.1	558.4	1,034.3	680.0	416.3

Property

Nusajaya's projects progress within expectation

Nusajaya's catalyst projects, launched in Nov 06, are in progress with traffic expected to increase in JSNAC. Continued government investment via Khazanah.

Sector Event

We present the key highlights and observations from the site visit to Iskandar Malaysia on 13 Mar 09. The key areas visited were UEM Land and Khazanah's catalyst projects, Leisure Farm (owned by Mulpha International) and Horizon Hills (jointly owned by Gamuda and UEM Land), all located within Nusajaya.

Sector Impact

No major surprise from our visit to Iskandar Malaysia. Nusajaya's catalyst projects launched since Nov 06 are in progress.

Key connectivity is ready. Traffic flow into Nusajaya is expected to pick up gradually with the main connectivity to JSNAC (state new government administration centre) being ready. Public infrastructure in terms of road connectivity and access to other key projects in Nusajaya, such as Puteri Harbour (waterfront integrated lifestyle destination), SiLC (light Industrial Park) and East Ledang residential areas are well-developed. Next would be the construction of the main Nusajaya-JB Coastal highway, expect to be completed by 2011. This is likely to improve the traffic flow significantly as it will shorten the distance from Nusajaya to JB city by 20-30 minutes.

But commercial activities still slow. Overall, commercial activities in Nusajaya are still lacking as this is still a relatively new township compared to the well-developed Johor Bahru. Current activities are mainly focused on Bukit Indah (medium cost housing developed by SP Setia) northeast of Nusajaya. About 2,000 state government staff are expected to work in JSNAC by end-09 with additional 3,000 federal government staff moving in by 2012 when the federal government centre as well as the staff housing project are completed. Transaction volume between the public and state government and traffic volume is estimated at 1m per month, upon full completion of JSNAC. We expect it to be more vibrant when the catalyst projects start to kick in from mid-10.

No delay for the catalyst projects. Since the launch of the catalyst projects in Nov 06, projects such as the Medical Campus of University of Newcastle in Educity and Columbia Asia Hospital in Afiat Healthpark have been under construction. There was some progress seen in Puteri Harbour for the completion of Phase 1 yacht berth and part of the waterfront landscape.

Middle Eastern investment yet to be seen. We have not seen any current physical development undertaken by Middle Eastern investors. Their past investments were Medini (land deal in end-07 and subsequent project plans announced in mid-08 undertaken by KFH-led consortium), landbank in Puteri Harbour bought by Limitless (land deal finalised in end-08) and Damac (land deal in 2008 and pending FIC's approval). The current economic turmoil might put a hold on Middle Eastern investment in Nusajaya. This would be cushioned by the recent announcement of additional government investment of RM1.7b under Khazanah.

MALAYSIA

Property

MARKET WEIGHT

UEM Land (ULHB MK)

BUY

Current Price: RM0.685

Target Price: RM0.95

Analyst

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Tuesday, March 17, 2009

UEM Land's residential projects have good take-up rate. East Ledang and Horizon Hills residential projects have been enjoying good take-up rate of 70% each since their launch in 2007 and 2008 respectively. 40% of the buyers are local while 60% are foreigners. Singaporeans constitute about half of the foreign buyers. The next phase of construction is underway but future launches are in doubt in view of the current economic slowdown. There are concerns over the future upcoming residential units in East Ledang, Horizon Hill and Leisure Farm in upper-mid to high-end segment due to the lack of interest from foreign buyers, given the current deteriorating economic outlook.

Recommendation

We maintain BUY on UEM Land (Target: RM0.95) as we expect its key projects would benefit most from additional government investment in Iskandar Malaysia as well as improving traffic with the start of JSNAC.

Property - Residential

Early signs of recovery in the mass-market and mid-tier segments

Property stocks are "deep value stocks", trading at 2004 levels, while the strong take-up rates for Caspian and Alexis suggest base formation at the 2006 levels for the mass-market and mid-tier segments.

Sector Events

Highest sales volume registered in the last one and a half years. According to the Urban Redevelopment Authority's (URA) data on uncompleted homes in February, the number of units launched registered a 4.2x mom (2.1x yoy) increase to 1,069 units and the number of units sold increased 11.4x mom (6.8x yoy) to 1,323 units. The number of units sold in February is the highest in the last 18 months and represents nearly a third of full-year developer sales last year.

Sector Impact

Focus on mass-market and mid-tier segments pays off. Developers shifted their focus to the mass-market and mid-tier segments, with the number of mass-market and mid-tier units launched in February making up 64% and 34% of all units launched respectively. The strategy worked well, with the number of units sold in the mid-tier segment jumping 17.6x mom to 840 units. The number of units sold in the mass-market segment also increased 6.7x mom to 381 units. Sales in the high-end segment saw a 6.8x mom increase to 102 units. Sales in the mass-market and mid-tier segments were boosted by the sale of 517 units at Caspian at a median price of S\$603psf and 293 units at Alexis at a median price of S\$1083psf.

Early signs of base formation in mass-market and mid-tier segments reaffirm deep value in stocks. The current selling prices for Caspian and Alexis are still 27-60% above the comparable 2006 average resale price levels of S\$454psf for LakeHolmz and S\$587psf for The Anchorage. We view the strong take-up rates for Caspian and Alexis as good data points that suggest base formation for developer sales in the mass-market and mid-tier segments at significantly above 2006 resale price levels, implying deep value in the property stocks, which are trading at early-05 levels.

Sales momentum picking up in mass-market and mid-tier segments. Building on the sales momentum, developer sales this month are off to a good start, with the Double Bay Residences and The Mercury projects receiving a good response to the private preview last week despite the macro-economic headwinds. UOL Group sold over 210 units of the 250 units released at its 99-year leasehold Double Bay Residences project located near Simei MRT station at average selling prices (ASP) of S\$600-650psf. Over at the River Valley estate, preview sales of the 67-unit freehold The Mercury project in Shanghai Road saw a take-up rate of more than 60% at ASP of over S\$1,040 psf. Positive response was also noted for the preview of the 104-unit Domus project near the Novena MRT station, with 25 small units (474sf) released in the first phase sold at an ASP of over S\$840 psf.

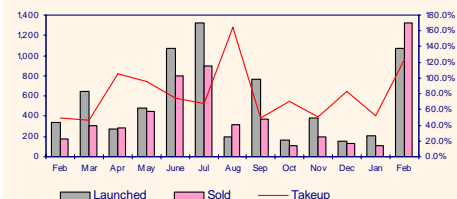
Mass-market segment supported by public housing market. The mass-market segment's proxy index fell 5.9% qoq in 4Q08, outperforming the 6.2% qoq slide in the mid-tier segment's proxy index and the 6.5% qoq decline in the high-end segment's proxy index. On the other hand, public housing prices advanced 1.5% qoq to an all-time high of 139.4 points during the quarter as indicated by the Housing and Development Board (HDB). We believe the robust public housing market will lend support to the private mass-market segment.

SINGAPORE

Property - Residential

OVERWEIGHT

Monthly Take-up Of New Homes



Source: URA, UOB Kay Hian

Price Comparison for Selected Projects (with 3 or more units sold)

Project	Feb-09		mom chg	Jan-09	
	Units Sold	Median (\$\$psf)		Units Sold	Median (\$\$psf)
Newton Edge	17	1175	-2.7%	4	1207
Nova 48	9	877	3.5%	4	847
Nova 88	7	896	-5.4%	16	947
Palmera Residence	22	775	2.1%	11	759
The Aristo	9	1034	4.4%	14	990
The Lucent	12	733	-8.9%	8	805

Source: URA, UOB Kay Hian

Price Level History (Average \$\$psf)

Project	Caspian	Alexis
Current	580-600	850-1100
Comparable Completed Project	LakeHolmz	The Anchorage
2005	447	541
2006	454	587
2007	523	887
2008	604	984
1Q08	613	1054
2Q08	599	962
3Q08	599	914
4Q08	599	891

Source: URA, UOB Kay Hian

Analyst

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Valuation/Recommendation

In the near term, we believe City Developments (CIT SP) is the key beneficiary of the increased sales momentum and the improved home-buying sentiment in the mass-market and mid-market segments.

Selected Project Units Sold In February

Project	Street	Locality	Launched (units)	Sold (units)	Median (\$psf)	Lowest (\$psf)	Highest (\$psf)	Comments
Vida	Peck Hay Road	High	0	4	1,949	1,901	2,048	Highest psf and Above 1500 psf
Skypark	St Thomas Walk	High	0	2	1,852	1,851	1,852	Above 1500 psf
Caspian	/Lakeside Drive	Mass	600	517	603	465	818	Highest sales volume
Alexis	Alexandra Road	Mid	293	293	1083	831	1,178	Top 5 by sales volume
The Quartz	Buangkok Drive	Mass	0	168	591	417	684	Top 5 by sales volume
Palmera	Lorong N Telok	Mass	0	22	775	623	898	Top 5 by sales volume
Residence D'Chateau @ Shelford	Kurau Shelford Road	High	0	21	1000	950	1110	Top 5 by sales volume
Newton Edge	Makeway Avenue	High	0	17	1175	384	1252	Lowest psf

Source: URA, UOB Kay Hian

Monthly Take-up Of New Homes By Sub-segment

	Launched	Region breakdown						mom change	Sold	Region breakdown						mom change	Takeup		
		High	Mid	Mass	High	Mid	Mass			High	Mid	Mass	High	Mid	Mass		High	Mid	Mass
Feb	343	9.0	31.2	59.8	-78.0	189.2	-11.6	170	20.6	37.6	41.8	-66.7	20.8	-55.1	112.9	59.8	34.6		
Mar	642	16.8	21.8	61.4	248.4	30.8	92.2	301	28.9	30.2	40.9	148.6	42.2	73.2	80.6	65.0	31.2		
Apr	271	4.8	4.4	90.8	-88.0	-91.4	-37.6	284	8.5	13.4	78.2	-72.4	-58.2	80.5	184.6	316.7	90.2		
May	476	38.0	37.4	24.6	1292.3	1383.3	-52.4	453	36.4	22.1	41.5	587.5	163.2	-15.3	91.2	56.2	160.7		
June	1069	20.7	57.2	22.1	22.1	243.8	101.7	801	20.6	56.8	22.6	0.0	355.0	-3.7	74.7	74.3	76.7		
Jul	1322	9.9	42.0	48.1	-40.7	-9.3	169.5	897	9.3	30.7	60.1	-49.7	-39.6	197.8	63.4	49.5	84.7		
Aug	194	42.3	52.6	5.2	-37.4	-81.6	-98.4	320	33.1	34.7	32.2	27.7	-59.6	-80.9	129.3	108.8	1030.0		
Sep	767	33.6	48.2	18.1	214.6	262.7	1290.0	376	18.6	59.6	21.8	-34.0	101.8	-20.4	27.1	60.5	59.0		
Oct	159	46.5	13.8	39.6	-71.3	-94.1	-54.7	112	12.5	24.1	63.4	-80.0	-87.9	-13.4	18.9	122.7	112.7		
Nov	382	52.4	21.7	25.9	170.3	277.3	57.1	192	32.8	14.6	52.6	350.0	3.7	42.3	31.5	33.7	102.0		
Dec	157	4.5	72.0	23.6	-96.5	36.1	-62.6	131	48.9	25.2	26.0	1.6	17.9	-66.3	914.3	29.2	91.9		
Jan	204	0.0	43.1	56.9	-100.0	-22.1	213.5	107	12.1	45.8	42.1	-79.7	48.5	32.4	n.a.	55.7	38.8		
Feb	1069	2.8	33.6	63.6	n.a.	308.0	486.2	1323	7.7	28.8	63.5	684.6	677.6	1766.7	340.0	106.1	123.5		

Source: URA, UOB Kay Hian

Stress Test Scenarios

	Capita Land	City Developm Land	Keppel Land	Guoco Land	Wing Wheelock	Tai Tai	Allgreen	Ho Bee	SC Global
Share Price (S\$) as of 16 Mar 09	2.16	5.14	1.24	0.95	0.87	0.66	0.38	0.30	0.33
RNAV (S\$)	2.79	7.13	2.48	1.64	1.67	1.49	0.85	0.69	0.65
Assumptions (%)	Decline from End-07 Level								
Singapore residential	(70)	(4)	(10)	(5)	(8)	(14)	(15)	(11)	(18)
Singapore office	(70)	(2)	(7)	(6)	(1)	(2)	(2)	(1)	(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)	(9)
Asset Write-down (Invnt Pty)*	(9)	(2)	(7)	(9)	(5)	(4)	(7)	(2)	(1)
Defaults#	(2)	(3)	(3)	(4)	(7)	(8)	(6)	(9)	(9)
Total		(32)	(29)	(31)	(38)	(32)	(38)	(38)	(40)
Stressed RNAV(S\$)	1.91	5.09	1.70	1.03	1.13	0.93	0.53	0.42	0.39
Share Price Discount/Premium (%)	13.0	0.9	(27.2)	(7.4)	(23.3)	(29.1)	(27.7)	(29.3)	(16.1)
Potential dilution from alternatives	-	(10)	(20)	(20)	-	-	(20)	(20)	(20)
Stressed RNAV inc dilution(S\$)	1.91	4.38	1.21	0.70	1.13	0.93	0.36	0.28	0.26
Share Price Discount/Premium (%)	13.0	17.4	2.8	36.2	(23.3)	(29.1)	6.7	5.3	25.4

Source: UOB Kay Hian

Singapore Airlines

Largest drop in passenger traffic since SARS

SIA reported a shocking set of traffic numbers, showing passenger traffic falling 17% yoy vs a 6.9% decline in January.

Corporate Events

Singapore Airlines' (SIA) February traffic showed a 17.0% drop in passenger traffic yoy, while the number of passengers carried fell 20.2%. Passenger load factor, as a result, fell 69.7%. Cargo traffic fell 15.2% yoy along with a 16.9% decline in tonnage.

Feb 09 Operating Statistics

	Feb 09	Feb 08	% chg
SIA			
Capacity (ASK)	8405.5	9189.4	-8.5
Passenger – km (RPK)	5858.7	7061.8	-17.0
Passengers carried	1180	1478	-20.2
Passenger load factor (%)	69.7	76.8	2.2ppt
Load Factor by Region			
East Asia	67.9	73.9	-6.0ppt
Americas	63.9	72.2	-8.3ppt
Europe	71.4	81.6	-10.2ppt
South West Pacific	80.2	84.6	-4.4ppt
West Asia & Africa	60.7	69	-8.3ppt
SIA Cargo			
Capacity	835.1	897.5	-7.0
Freight Tonne km	473.7	558.5	-15.2
Freight Carried	79.4	95.5	-16.9
Cargo Load Factor (%)	56.7	62.2	-5.5

Source: SIA

Stock Impact

The steep 17% yoy and 21% mom drop in passenger traffic comes as a shock. This does not appear to be a cyclical decline, especially since competitor Cathay Pacific reported a muted 4.9% decline. Clearly, this suggests SIA is losing market share to low-cost carriers (LCC), which have been reporting brisk traffic sales. Breakeven load factor in 3Q09 was 72.7, while the average for the first two months was 71.9%. Compound that with a likely decline in yields and drop in cargo traffic, and SIA would very likely be reporting a loss for airline operations in 4Q09. We have already assumed losses in 4Q09, but this was on the back of lower yields.

SINGAPORE

Singapore Airlines (SIA SP)

SELL

Current Price: S\$10.14

Fair Price: S\$9.70

Sector	Aviation
52-Wk Avg Daily Vol. ('000)	2550
Market Cap (S\$m)	12031
(US\$m)	7850

Major Shareholders (%)	
Temasek	54.3

Book NTA per Share (S\$)	11.28
ROE (%)	14.6
Net Cash per Share (S\$)	3.94

Results Due	
1Q: Jun	2Q: Sep
3Q: Dec	Final: Mar

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	14,494.4	2,687.8	1,707.8	172.6	69.6	5.88	5.5	100.0	9.9
2008	15,972.5	3,666.7	2,058.1	169.2	(2.0)	5.99	4.0	100.0	9.9
2009F	15,360.6	2,651.8	1,079.2	89.9	(46.9)	11.28	5.8	60.0	5.9
2010F	13,028.6	2,420.5	725.2	59.8	(33.5)	16.96	5.8	40.0	3.9
2011F	13,647.5	2,617.7	941.7	77.4	29.5	13.09	5.3	60.0	5.9

Consensus Net Profit – FY08: \$1129.71m
 – FY09: \$838.0m

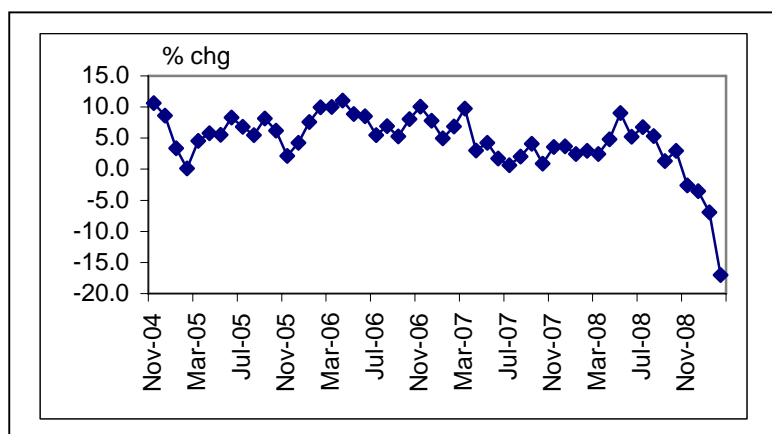
Earnings Risk

The steep drop in passenger traffic is the most telling data to emerge from SIA since SARS. We believe this is not a cyclical phenomenon but one that highlights a structural shift in preference to lower-cost alternatives. SIA's loss will benefit LCCs. SIA will have to slash prices to combat this threat. Yields as such will have to fall further. SIA could ground more aircraft.

Valuation/Recommendation

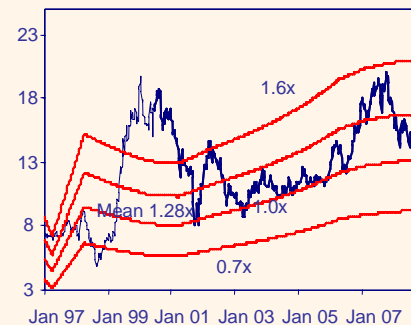
Our recommendation for the stock was a SELL, with a fair price of \$9.70. However, we will review our fair price and our forecasts pending changes in our yield, capacity and traffic growth assumptions.

Passenger Traffic Change (yoy)



Source: SIA, UOB Kay Hian

Price to Book



Source: SIA, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Turnover	14,494.4	15,972.5	15,360.6	13,028.6	13,647.5
EBIT	1,314.4	2,135.4	1,182.7	885.4	1,139.1
Pre-tax Profit	1,863.6	2,558.0	1,368.2	930.5	1,196.8
Net Profit	2,128.8	2,058.1	1,079.2	725.2	941.7

Balance Sheet

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Current Assets	8,248.8	8,313.3	8,379.6	4,089.0	5,266.0
Total Assets	25,992.0	26,515.3	26,478.8	24,012.8	25,898.9
Current Liabilities	5,258.4	5,957.8	6,908.5	5,421.8	5,691.3
Long-Term Loans	1,805.8	1,599.2	1,475.8	1,382.4	1,272.1
Shareholders' Funds	15,100.0	15,125.2	12,939.3	13,351.1	15,026.4
Total Equity & Liabilities	25,992.0	26,515.3	26,478.8	24,012.8	25,898.9

Cash Flow

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Operating	3,163.5	4,280.3	3,163.3	2,848.2	3,149.7
Investing	(278.0)	(1,301.1)	(1,613.8)	(2,031.1)	(1,956.2)
Financing	(816.0)	(2,832.3)	(1,348.8)	(845.6)	(621.1)
Net Cash In/(out flow)	2,069.5	146.9	200.7	-28.5	572.5
Effect of FX Changes	-117.0	-110.7	-100.0	-100.0	-100.0
Begin Cash & Cash Equiv.	3,141.2	5,093.7	5,129.9	5,230.6	5,102.1
End'g Cash & Cash Equiv.	5,093.7	5,129.9	5,230.6	5,102.1	5,574.6

Banpu Plc

Improving contracted coal price helps to stabilise spot price

Contracted coal price announced at the end of last week stood at US\$70-72/tonne, 11% higher than the current spot price. This shows a sign of stabilisation in coal spot price. Maintain BUY on BANPU.

Corporate Events

Xstrata and Rio Tinto, Australia's coal producers and Chubu, Japan's third-largest utility firm, have agreed on a new 12-month contracted thermal coal price at US\$70-72/tonne for the fiscal year starting April. This is the first major price deal between big Australian coal miners and the Japanese utility firm. This term price, which is 11% higher than the current spot price, will be used as guidance for other Japanese utilities and large buyers in the Asia-Pacific region. The final JBU index for 2009 is still under negotiation but it is expected to be around US\$70/tonne.

Stock Impact

The last contracted coal price of US\$70-72/tonne was higher than the current BJI spot price of US\$63.2/tonne by 11%. This indicates stabilisation in coal spot price. Banpu Plc (BANPU) already secured coal contracts totaling 57% of this year's production volume at a fixed price of US\$78/tonne while 14% will be sold on the index price. For the remaining 29%, 14% is still in price negotiation and another 15% is likely to be sold at spot price. Hence, the average selling price (ASP) of BANPU is expected to be around US\$72-75/tonne this year vs US\$72/tonne in 2008.

We are still bullish on the coal business. Demand from China and India remains resilient. ABARE (Australian Bureau of Agricultural and Resource Economics) expects world demand for thermal coal to rebound in 2010 on the back of an economic recovery. ABARE forecasts global demand to rise 3.3% to 723m tonnes in 2010 vs a decline of 2.6% in 2009. On the other hand, the global supply is expected to remain constrained in the medium term. The fact that high-cost producers like Russia with cash cost of US\$63/tonne and US with cash cost of US\$85/tonne have cut their coal exports amid the current low spot price of US\$63/tonne, which will help to stabilise coal price. The correlation between coal and oil price used to be as high as 80% but the current year's correlation narrows to only 20%. Thus, coal price seems to be more resilient than oil price now.

Earnings Risk

We maintain our 2009 net profit forecast for BANPU at Bt10.4b. In the short term, good news would include the bottoming out of coal prices, recovery in electricity demand in China and a pick up in sales volume. We assume BANPU's ASP at US\$75/tonne in 2009 and US\$70/tonne in 2010. Key risks include volatility in coal prices, regulatory risks and production problems.

THAILAND

Banpu Plc (BANPU TB)

BUY

Current Price: Bt206.00

Target Price: Bt266.00

Sector	Energy
52-Wk Avg Daily Vol. ('000)	2,942
Market Cap (Btm)	56,524
(US\$m)	1,570

Major Shareholders (%)	
Thai NVDR	23%

Book NTA per Share (Bt)	149.0
ROE (%)	22.8
Net Debt per Share (Bt)	54.9

Results Due

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

Price Chart



Source: Bloomberg

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Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Bt)	Yield (%)
2007	32,442	9,797	6,654	24.5	161.2	8.4	6.2	8.5	4.1
2008	50,530	18,447	9,228	34.0	38.7	6.1	3.8	12.0	5.8
2009F	58,177	18,584	10,434	38.4	13.1	5.4	3.8	13.1	6.3
2010F	58,000	18,735	10,514	38.7	0.8	5.3	3.8	13.2	6.4
2011F	62,900	20,413	11,421	42.0	8.6	4.9	3.4	14.3	6.9

Consensus Net Profit – FY09: B10,856m
 – FY10: Bt9,874m

Valuation/Recommendation

Maintain BUY. Our target price based on sum-of-the parts valuation is Bt266 (or 7.0x 2009 PE). BANPU is trading at 5.4x 2009 PE, 11% below the regional peer average, with an expected dividend yield of 6.3%. We favour BANPU for its intact 13% earnings growth in 2009, solid fundamentals and management capabilities. We estimate BANPU's replacement value at Bt355/share, up 8% due to additional coal reserves in Indonesia and China.

Earnings to remain intact in 2009

We expect BANPU to show positive earnings growth of 13% in 2009. Of the total 2009 earnings, 65% will come from coal and 35% from the power business. Growth drivers for coal business include high ASP with an attractive 40% gross profit margin. For the power business, which provides steady earnings contribution, BLCP will post a slight decline in earnings, in line with its power purchase agreement but power plants in China will see an improvement in margins due to lower coal price.

BANPU announced 107% increase in proven coal reserves of 417m tonnes and 77% rise in proven and probable coal reserves of 600m tonnes at end-08. Higher coal reserves coupled with healthy coal prices will help to support its valuation.

Coal sales volume is expected to be flat in 2009

BANPU's sales volume was 19.3m tonnes in 2007 and 18.5m tonnes in 2008. Management expects its sales volume to increase to 20.5m tonnes in 2009, up 10% yoy. However, we opt for a more conservative assumption of flat sales volume of 19m tonnes for 2009, of which 11.5m tonnes will be derived from Indominco and 5m tonnes from Trubaindo. The growth momentum will continue in 2010-11, driven by the startup of Gaohe mines (2H10) in China and Baringto mines (1H11) in Indonesia.

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	32,442	50,530	58,177	58,000	62,900
EBIT	12,845	21,572	20,206	19,640	20,710
Pre-tax Profit	7,158	15,662	15,617	15,734	17,079
Net Profit	6,654	9,228	10,434	10,514	11,421

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	23,012	27,372	39,648	39,995	43,121
Total Assets	65,051	89,362	109,741	117,922	128,275
Current Liabilities	11,789	24,483	26,716	26,632	28,005
Long-Term Liabilities	14,765	19,345	29,287	29,287	29,287
Shareholder Funds	38,497	45,534	53,738	62,004	70,983
Total Equity & Liabilities	65,051	89,362	109,741	117,922	128,275

Cash Flow

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	1,313	7,939	10,128	10,939	12,571
Investing	(2,469)	(15,883)	(6,480)	(6,930)	(6,930)
Financing	9,656	7,490	6,394	(3,575)	(3,883)
Net Cash In/(Out) Flow	8,500	(454)	10,043	434	1,758
Begin Cash & Cash Equiv.	4,804	13,304	12,850	22,893	23,327
End'g Cash & Cash Equiv.	13,304	12,850	22,893	23,327	25,085

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