

KEY STORY

Indonesia

Semen Gresik (BUY/Rp3,425/Target: Rp4,300) Page 12
The government's stimulus package for the infrastructure sector could boost cement demand and benefit cement producers.

Singapore

CapitaCommercial Trust (BUY/S\$0.68/Target: S\$0.98) Page 14
Our sensitivity analysis indicates that CCT is extremely undervalued.

Thailand

Thai Union Frozen Products (BUY/Bt21.00/Target: Bt27.00) Page 22
Beneficiary of lower oil price, lower interest rates and baht weakness. High dividend yield of 7%. Initiate coverage with BUY recommendation.

CHINA

Update

Golden Eagle (BUY/HK\$4.30/Target: HK\$5.66) Page 2
Still a BUY according to same store sales growth in January and February.

Tianjin Port Development (SELL/HK\$1.95/Fair: HK\$1.05) Page 4
Acquires a 56.81% stake in Tianjin Port Holdings (600717.SS).

HONG KONG

Results

Hong Kong and China Gas (HOLD/HK\$11.50/Fair: HK\$11.90) Page 6
FY08: With no property sales, net profit falls 53% yoy. Stable recurrent profit.

New World Development (SELL/HK\$6.89/Fair: HK\$5.80) Page 8
1HFY09: Market forewarned of this interim net loss (-74%) but most damaging was the rising debt level.

NWS (BUY/HK\$10.00/Target: HK\$12.62) Page 10
1HFY09: Interim results distorted by exceptional items. Still looks attractive with a diversified portfolio of infrastructure projects.

INDONESIA

Update

Semen Gresik (BUY/Rp3,425/Target: Rp4,300) Page 12
The government's stimulus package for the infrastructure sector could boost cement demand and benefit cement producers.

SINGAPORE

Update

CapitaCommercial Trust (BUY/S\$0.68/Target: S\$0.98) Page 14
Our sensitivity analysis indicates that CCT is extremely undervalued.

Pacific Shipping Trust (BUY/US\$0.15/Target: US\$0.30) Page 16
FY08: CSAV posts losses, but thus far no indication to re-negotiate long-term charter contract with PST.

Singapore Airlines (SELL/S\$9.87/Fair: S\$8.20) Page 18
Paradigm shift. SIA is losing out to LCCs.

THAILAND

Sector

Energy Page 20
Thai commodity players with the exception of paper business will not be significantly impacted by the cut in China export tax to zero.

Update

Thai Union Frozen Products (BUY/Bt21.00/Target: Bt27.00) Page 22
Beneficiary of lower oil price, lower interest rates and baht weakness. High dividend yield of 7%. Initiate coverage with BUY recommendation.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7395.7	2.5	6.8	(2.1)	(15.7)
S&P 500	778.1	3.2	8.1	(1.4)	(13.9)
FTSE 100	3857.1	(0.2)	3.8	(4.4)	(13.0)
AS30	3393.4	2.9	8.0	0.8	(7.3)
CSI 300	2322.4	3.6	3.6	2.0	27.8
FSSTI	1559.0	(1.7)	4.9	(5.6)	(11.5)
HSI	12878.1	(0.8)	10.1	(1.1)	(10.5)
JCI	1312.1	(1.0)	0.9	(1.4)	(3.2)
KLCI	841.9	0.1	(1.6)	(6.0)	(4.0)
KOSPI	1163.9	3.4	6.6	4.6	3.5
Nikkei 225	7949.1	3.2	12.7	5.5	(10.3)
SET	422.3	(0.5)	1.2	(3.9)	(6.1)
TWSE	5041.4	1.4	7.9	12.1	9.8

BDI	1974	(4.1)	(14.1)	4.2	155.0
CPO (RM/mt)	2039	1.0	2.0	2.2	25.1
Nymex Crude (US\$/bbl)	49	3.8	7.5	40.7	10.2

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (1cy)	Target Price (1cy)	Pot. +/- (%)
Top BUYs				
China Life	2628 HK	24.00	30.50	27.1
China Mobile	941 HK	67.10	90.00	34.1
China Petroleum	386 HK	4.17	6.93	66.2
China Railway	390 HK	4.62	5.90	27.7
China Shenhua	1088 HK	16.12	23.00	42.7
Zijin Mining	2899 HK	4.72	5.90	25.0
Bumi Resources	BUMI IJ	720.00	1,010.00	40.3
DBS Group	DBS SP	7.25	10.55	45.5
Indofood Agri	IFAR SP	0.58	0.80	37.9
SingTel	ST SP	2.43	2.95	21.4
Advanced Info	ADVANC TB	80.50	101.73	26.4
Quality Houses	QH TB	0.78	1.28	64.1
Top SELLs				
Aluminum Corp	2600 HK	4.24	3.00	(29.2)
Harbin Power	1133 HK	4.65	3.50	(24.7)
Parkson Retail	3368 HK	7.40	5.15	(30.4)
Singapore Exch	SGX SP	4.65	3.00	(35.5)
Amata Corp	AMATA TB	3.16	2.52	(20.3)

Key Assumptions

GDP (% yoy)	2008	2009F	2010F
US*	1.1	(2.4)	1.8
Euro Zone*	0.7	(2.2)	0.7
Japan*	(0.6)	(5.9)	0.6
Singapore	1.2	(4.0)	4.0
Malaysia	4.6	(1.1)	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	6.5	8.00
Brent Crude Oil (US\$/bbl)	100	55	65
Aluminium* (US\$/MT)	2,623	1,623	1,960
Copper* (US\$/MT)	6,884	3,661	4,448
Gold Price London* (US\$/ounce)	873	941	988
Iron Ore* (US\$/dmton)	153	108	100
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

Golden Eagle

Still a BUY according to SSS growth in January and February

Although market remains pessimistic about department store sales in 1H09, Golden Eagle's sales in January and February reflect stable private spending in second- and third-tier cities.

Corporate Events

Recent discussions with management regarding January and February sales indicate department store sales performance was better than expected. Gross same store sales (SSS) growth reached 14% in January and February, higher than market forecast of a high single digit. Noticeably, sales of major stores that make big contributions to group sales remained strong in both months, such as the Xuzhou, Yangzhou and Xinjiakou stores.

Individual Store Sales Growth (Jan-Feb 09)

Gross SSS growth	Xinjiakou store	Xuzhou store	Yangzhou store	Taizhou store	Xian Gaoxin store	Kunmin store	Zhujiang store	Nantong store	Suzhou store
14.0%	4.5%	15.0%	12.5%	25.0%	55.0%	100.0%	50.0%	-2.0%	26.0%

Source: Golden Eagle, UOB Kay Hian

Sales performance of department store players was not as bad as the market had expected. Most department store operators recorded double-digit sales growth in January and February, except for Maoye International (848 HK).

Same-Store Sales Growth Comparison

	2007	1H08	Golden Week	Jan - Sep 08	Oct 08	Nov 08	4Q08	2008	Jan&Feb 09
Golden Eagle	25.8%	28%	30%	20%	15%	25%	14%	19%	14%
Parkson	19.6%	14.4%	mid-teen	14.4%	n/a	n/a	7-8%	12%	10%
Intime	17.2%	12.6%	45%	13%	10%	19%	n/a	10%	11%
Maoye	n/a	6.5%	10%	5.4%	negative	10%	n/a	6%	0%

Source: UOB Kay Hian

Stock Impact

Better-than-expected top-line growth not sustainable in next few months. Although top-line growth reached a high level in Jan and Feb 09, it is not sustainable in the next few months due to rising unemployment and weak consumer confidence. The sales rebound in January and February was mainly contributed by promotional measures in the Chinese New Year holiday. We maintain our previous SSS growth forecast of a high single digit for 2009.

Slight drop in margin due to promotional activities. Undoubtedly, promotional activities would have affected department stores' gross margins or operating margins. It is highly unlikely that suppliers would bear all promotional expenses. Fortunately, Golden Eagle's Jiangsu focus, where it has a strong foothold, gives it strong bargaining power over its concessionaires. Golden Eagle is likely to shoulder only a small part of promotional expenses. Gross margin is expected to have dropped 0.15% in January and February, which will likely have a small impact on earnings.

CHINA

Golden Eagle (3308 HK)

BUY

Current Price: HK\$4.30

Target Price: HK\$5.66

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	2,138
Market Cap (HK\$m)	7,655
(US\$m)	987

Major Shareholders (%)	
Hung Wang	74.88
JP Morgan Chase & Co.	5.03

Book NTA per Share (Rmb)	0.72
ROE (%)	28.8
Net Cash per Share (Rmb)	0.51

Results Due	
Interim	September
Final	April

Price Chart



Source: Bloomberg

Analyst

Jason Yuan CPA (Aust.)
 ☎ (8621) 5404 7225 ext. 801
 jason.yuan@uobkayhian.com

Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rmb)	Yield (%)
2006	900	466	232	0.13	-5%	29.5	18.5	0.06	1.29
2007	1,108	749	386	0.21	66%	17.8	10.7	0.04	0.88
2008F	1,422	906	545	0.30	41%	12.6	9.8	0.10	2.14
2009F	1,650	1,011	584	0.32	7%	11.7	8.4	0.11	2.29
2010F	1,918	1,132	719	0.40	23%	9.5	6.9	0.14	2.83

Consensus Net Profit – FY08: HK\$549m
 -- FY09: HK\$578m

Looking forward to remaining months of 1H09. The discretionary spending cycle is the key drag on Golden Eagle's performance. China's deteriorating economy has dragged down consumers' disposable income. Disposable income and discretionary spending will likely remain low in 1H09 before the central government launches more measures to boost private consumption. Due to its leading position in Jiangsu, we expect Golden Eagle to record a middle to high single-digit top-line growth in the remaining months of 1H09. Also, its commission rate is expected to drop from 20.6% in 2008 to 19.9% in 2009 on the back of promotional activities.

Earnings Risk

Low top-line growth, rising unemployment, weak consumer confidence and decreasing commission rates due to promotional activities could have hurt Golden Eagle's earnings.

Valuation/Recommendation

Based on our earnings forecasts, Golden Eagle is trading at 11.7x 2009 PE and 9.5x 2010 PE, slightly above its Hong Kong peers' average (10.6x FY09 PE and 8.7x). Long-term investors should accumulate the stock upon share price weakness in the next few months, when negatives for 1H09 have been fully priced in. Our DCF-based (WACC = 11.5%; terminal growth = 3%) target price is HK\$5.66, which implies 2009 15.4x PE and 31.6% upside from the current level. **Reiterate BUY.**

Peer Comparison

Ticker	Name	Mkt Cap		P/B	ROE (%)	FY09 PE	FY10 PE	EBITDA	Net
		(HK\$m)	Price					Margin (%)	Margin (%)
1833 hk	Intime	3,220	1.84	0.89	15.82	7.37	5.72	45.22	30.43
825 hk	New World	5,176	3.07	1.26	19.20	10.20	8.53	41.03	27.33
3308 hk	Golden Eagle	7,602	4.30	4.32	33.76	12.03	9.75	56.98	26.20
848 hk	Maoye	3,701	0.72	1.15	34.23	4.88	3.49	47.28	25.85
3368 hk	Parkson	20,621	7.37	6.01	26.98	18.68	15.66	46.32	25.11
1212 hk	Lifestyle	9,194	5.51	1.83	18.86	10.22	8.96	36.67	29.30
Average				2.58	24.81	10.56	8.68	45.58	27.37

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	900	1,108	1,422	1,703	2,024
EBIT	402	679	831	919	1,050
Pre-tax Profit	362	598	742	824	1,017
Net Profit	232	386	545	605	763

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	1,228	1,886	1,612	2,101	2,632
Total Assets	3,015	3,927	4,921	5,763	6,515
Current Liabilities	1,222	1,717	2,369	2,674	3,017
Long-Term Liabilities	797	820	844	0	0
Shareholder Funds	949	1,336	1,644	3,012	3,406
Total Equity & Liabilities	3,015	3,927	4,921	5,763	6,515

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	499	885	611	881	1,020
Investing	8	(192)	(1,415)	(387)	(261)
Financing	372	(44)	490	(832)	(15)
Net Cash In/(Out) Flow	880	649	(314)	(339)	745
Begin Cash & Cash Equiv.	220	1,099	1,748	1,434	1,095
End'g Cash & Cash Equiv.	1,099	1,748	1,434	1,095	1,840

Tianjin Port Development

Acquires a 56.81% stake in Tianjin Port Holdings (600717.SS)

The port has sealed a deal to buy over the parent's entire 56.81% stake in an A-share listed dry bulk terminal. The acquisition is earnings accretive but valuation of the stock remains unattractive.

Corporate Events

Tianjin Port Development (TPD) has agreed to acquire the 56.81% stake in Tianjin Port Holdings Co (TPC) (600717.SS) from Tianjin Port Group. After the acquisition, TPD will become the largest shareholder of TPC.

Total consideration. The total consideration is about HK\$10,961m, and will be settled by:

- HK\$7,031m of new TPD shares (3,361.5m new shares) at about HK\$2.0916 per share.
- HK\$3,930m cash (financed with internal fund, bank borrowings, proceeds from the new shares issuance).

The proposed share issuance may not exceed 4,812.9m shares because Tianjin Port Group must control 51% of TPD's total interest after the restructuring. As of 1H08, TPD has cash of HK\$559m, which is not enough for the cash payment. We expect TPD may issue an extra 1,451.4m new shares to investors (assuming at HK\$2.0916 per share).

Reasons for the transaction:

- Tianjin Port Group.** Tianjin Port Group gains majority shareholding and control in TPD.
- Tianjin Port Development.** TPD will achieve significant increased scale of operation. Tianjin Port Group plans to inject a crude oil terminal into TPC later. As the largest shareholder of TPC, TPD will be able to enjoy the potential benefits from future asset injections to TPC.
- Tianjin Development.** Tianjin Development (0882.HK) will be able to benefit from improving earnings performance of TPD as a result of the potential synergies.

Pricing of the acquisition. The acquisition price is equivalent to Rmb10.521 per share of TPC (10% discount to the average last 30-day share price). This translates into 14.6x 2008 PE, which is lower than its A-share peers' average 25x 2008 PE (based on Bloomberg consensus).

Stock Impact

Earnings enhancement. After the new shares issuance and asset injection, 2009F EPS is estimated to increase 16.6% (based on consensus earnings for TPC), or 16.3x 2009F PE (post-deal).

Valuation/Recommendation

We cut TPD's FY08-10F net profit forecasts by 13%, 27% and 23% respectively to reflect the rapid deteriorating throughput numbers. The stock is trading at 18.9x 2009F PE (or 16.3x post-deal PE) and 0.9x 2009F P/B, a premium over its H-share peers' average of 7.5x 2009F PE. Valuations are unattractive. Maintain SELL.

CHINA

Tianjin Port Development (3382.HK)

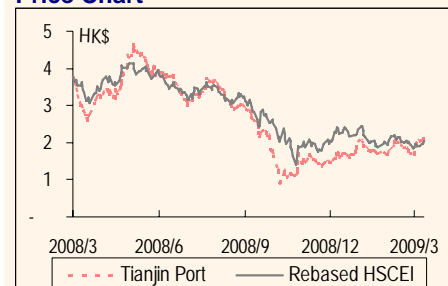
SELL

Current Price: HK\$1.95

Fair Price: HK\$1.05

Sector	Transport
52-Wk Avg Daily Vol. ('000)	3,505
Market Cap (HK\$m)	3,485
(US\$m)	447
Major Shareholders (%)	
Tianjin Development	67.3
Book NTA per Share (HK\$)	1.9
ROE (%)	7.5
Net Debt per Share (HK\$)	0.22
Results Due	
Interim	September
Final	April

Price Chart



Source: Bloomberg

Analyst

Stella Kei
 ☎ (852) 2826 1351
 stella.kei@uobkayhian.com.hk

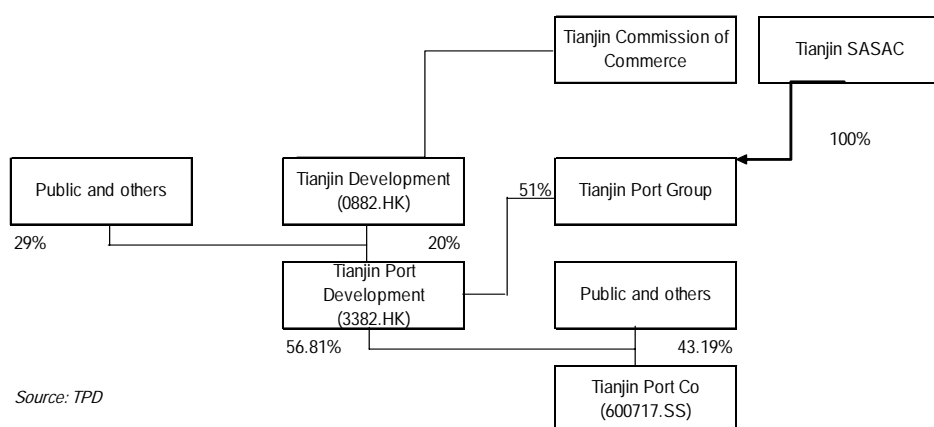
Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2006	1,036	316	304	0.20	52.0%	9.8	8.9	0.03	1.4
2007	1,194	373	240	0.13	-32.6%	14.5	25.4	0.05	2.8
2008F	1,276	397	236	0.13	-1.9%	14.8	10.3	0.05	2.7
2009F	1,213	298	184	0.10	-22.0%	18.9	14.1	0.04	2.1
2010F	1,235	301	229	0.13	24.7%	15.2	14.8	0.05	2.6

Consensus Net Profit – FY08: HK\$238m
 – FY09: HK\$190m

The first step for the potential A+H merger. The Chinese government encourages the consolidation of ports as it will enhance the operating efficiency and create synergy on earnings. In Sep 07, the chairman of TPD was widely quoted by the media as saying that the assets of both TPD and TPC would be put into one consolidated company for listing in Hong Kong and Shanghai. We believe that the acquisition of a 57% stake in TPC is the first step for the potential A+H merger. We think TPD may fully acquire TPC finally.

When will A+H merger happen? The China SASAC targets to reduce the number of centrally-administered state-owned enterprises (SOEs) to 80-100 by 2010. As of Jan 09, there are 141 SOEs controlled by the SASAC. Also, the global economy and world trade are expected to recover by 2010. There is a possibility that the A+H merger may happen in or before 2010.

Post-transaction Illustrative Shareholding Structure



Source: TPD

Profit & Loss

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Turnover	1,036	1,194	1,276	1,213	1,235
EBIT	231	270	279	180	183
Pre-tax Profit	341	288	288	231	295
Net Profit	304	240	236	184	229

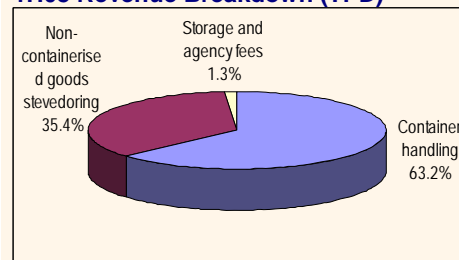
Balance Sheet

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Current Assets	1,010	592	886	963	944
Total Assets	3,527	3,907	5,208	5,510	5,882
Current Liabilities	525	123	473	1,164	1,397
Long-Term Liabilities	-	390	1,000	500	500
Shareholder Funds	2,998	3,390	3,735	3,846	3,985
Total Equity & Liabilities	3,527	3,907	5,208	5,510	5,882

Cash Flow

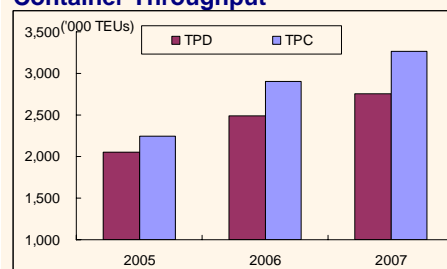
Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Operating	291	322	322	291	313
Investing	(693)	(1,027)	(970)	(150)	(300)
Financing	1,046	173	896	(36)	(44)
Net Cash In/(Out) Flow	644	(532)	248	105	(31)
Begin Cash & Cash Equiv.	48	692	160	408	514
End'g Cash & Cash Equiv.	692	160	408	514	482

1H08 Revenue Breakdown (TPD)



Source: TPD, UOB Kay Hian

Container Throughput



Source: TPD, UOB Kay Hian

TPD Earnings

(HK\$m)	Pre-deal	Post-deal	% chg
2009F net profit	184	792	330
Shares outstanding	1,787	6,600	269
2009F EPS (HK\$)	0.10	0.12	16.6

Source: Bloomberg, UOB Kay Hian

Hong Kong and China Gas

2008: Net profit falls 54% due to lack of property sales

Hong Kong and China Gas (HKCG) reported a 54% yoy net profit decline for FY08 due to much lower non-recurrent income from property sales. But its recurrent income remained stable. Maintain HOLD.

2008 Results

Year to 31 Dec	FY08 (HK\$m)	yoy % chg	Remarks
			High non-recurrent gains from one-off property sales
Turnover	12,352	(13)	and acquisition of Panva Gas
Operating Expenses	8,738	(2)	Remained flat due to cost pass-through
Finance costs	412	13	
Profit before taxation	4,957	(52)	Due to lower one-off gains
Taxation	563	(42)	
Profit for the year	4,395	(53)	
Net profit	4,303	(54)	
EPS-diluted (HK\$/share)	0.65	(54)	Underlying profit remained stable
Dividend	2,333	10	
DPS (HK\$/share)	0.35	0	Remained flat

Source: UOB Kay Hian

Results

HKCG's preliminary FY08 net profit fell 53% yoy to HK\$4,302.5m due to a significant reduction in non-recurrent gains from property sales (down to HK\$1,299.3m from HK\$6,280.1m in FY07) and acquisition of Panva Gas. Despite this, its underlying profit was HK\$3,003.2m, only +1% yoy.

The company declared a final dividend of HK\$0.23/share. With an interim dividend of HK\$0.12/share, its full-year dividend was HK\$0.35/share, representing a payout ratio of 54%.

Stock Impact

Stable Hong Kong gas market. Like any other year, the company's Hong Kong gas business saw flat gas sales volume last year. The mere 2% gas sales volume growth was due to colder weather conditions. Going forward, we believe it will remain flat given the highly mature Hong Kong gas market.

Robust China market. The company's China gas market has continued its robust trend with total revenue up 33% yoy, thanks to both organic growth and contributions from newly-acquired projects. Over the next few years, we expect relatively lower gas sales volume growth due to the slow rate of industry consolidation in China's gas distribution market.

Significantly lower property sales. HKCG's property sales dropped significantly to HK\$33.2m from HK\$3,806m in FY07 as most of its properties have been sold. This explains the significant decrease in non-recurrent income and we expect continued lower one-off gains from property sales.

HONG KONG

Hong Kong and China Gas (3 HK)

HOLD

Current Price: HK\$11.50

Fair Price: HK\$11.90

Sector Gas Distribution
Bloomberg 3 HK
Reuters 0003.HK
Website <http://www.towngas.com>

52-Wk Avg Daily Vol. (m) 10.6
Market Cap (HK\$m) 69,685
(US\$m) 8,934

Book NTA per Share (Rmb) 5.2
ROE (%) 11
Net Cash per Share (Rmb) 0.1

Results Due
Interim August
Final March

Price Chart



Source: Bloomberg

Analyst

Yan Shi
☎ (8621) 54047225 ext. 804
yan.shi@uobkayhian.com

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	14,226	11,296	9,270	1.53	58	7.5	6.3	0.35	3.0
2008	12,352	6,009	4,303	0.64	(54)	17.1	13.2	0.35	3.0
2009F	12,447	5,490	3,989	0.60	(8)	17.4	11.9	0.35	3.0
2010F	13,194	5,809	4,224	0.63	6	16.5	10.8	0.35	3.0
2011F	14,035	6,142	4,468	0.67	6	15.6	9.8	0.35	3.0

Consensus: net profit – FY09: HK\$4,247m
– FY10: HK\$4,541m

Valuation/Recommendation

Maintain HOLD given the relatively stable outlook for both gas sales volume growth and earnings. Our fair price of HK\$11.90 is based on sum-of-the-parts valuation, implying a 5% discount to NAV/share. Entry price is HK\$10.10.

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	14,226	12,352	12,447	13,194	14,035
EBIT	5,303	3,614	3,635	3,897	4,168
Pre-tax Profit	10,308	4,957	4,436	4,697	4,968
Net Profit	9,270	4,303	3,989	4,224	4,468
EPS (HK\$)	1.53	0.65	0.60	0.63	0.67

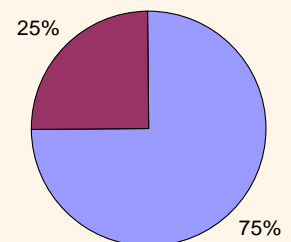
Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	12,961	17,708	18,646	22,060	25,786
Total Assets	43,245	51,974	46,650	51,332	56,459
Current Liabilities	7,188	5,408	5,706	7,647	9,684
Long-Term Loans	6,558	15,047	7,276	7,884	8,598
Shareholders' Funds	29,499	31,450	33,668	35,800	38,178
Total Equity & Liabilities	43,245	51,974	46,650	51,332	56,459

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	4,821	5,991	4,655	5,028	5,352
Investing	1,082	6	(98)	(172)	(257)
Financing	(2,848)	(2,079)	(1,909)	(1,906)	(1,892)
Net Cash Inflow	3,056	3,918	2,648	2,950	3,203
Begin Cash & Equiv.	1,720	4,809	8,757	11,436	14,417
End'g Cash & Equiv.	4,809	8,757	11,436	14,417	17,653

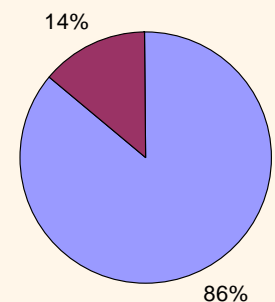
Revenue Breakdown (2008)



Legend: Hong Kong (blue), China (maroon)

Source: HKCG, UOB Kay Hian

Operating Profit Breakdown



Legend: Hong Kong (blue), China (maroon)

Source: HKCG, UOB Kay Hian

New World Development

1HFY09: Not the time for debt to rise

Rising debt at a time of falling asset values and tight credit will not go down well with investors. Share price will be dragged down by falling property prices as well as the flight to better quality stocks.

1HFY09 Results

Year to 30 Jun	1HFY08 (HK\$m)	1HFY09 (HK\$m)	yoy % chg	Remarks
Contributions				
Property development	140	111	(21)	Falling residential prices
Rental income	432	518	20	Positive rental reversion
Service	610	402	(34)	Mainly lower contribution from Tai Fook Securities
Infrastructure	54	39	(28)	
Telecommunications	(45)	(1)	(99)	
Department stores	189	217	15	Organic growth
Hotel	296	287	(3)	Affected by economic conditions
Others	2,497	176	(93)	Two major gains last year
Unallocated expenses	(288)	(313)	9	
	3,884	1,436	(63)	
Finance costs	10	(346)	n.a.	Reflecting the high debt level
Associates	2,327	893	(62)	FY07 boosted by Harbour Place profit
	6,221	1,983	(68)	
Taxation	(725)	(373)	(49)	
Minority interests	(1,611)	(592)	(63)	
Net profit	3,885	1,018	(74)	

Source: New World Development, UOB Kay Hian

Results

An interim net loss, as warned earlier. New World Development (NWD) announced an interim headline net loss of HK\$992m, slightly lower than our projected HK\$1,050m. The company issued a profit warning last week, hence the loss was well expected.

74% decline in underlying net profit. Taking out the property revaluation deficit, underlying net profit was HK\$1,018m, -74% yoy from 1HFY07's HK\$3,885m. The significant shortfall was due to: a) HK\$2.0b non-recurrent gains booked last year, b) lower contributions from NWS and property development as the 1HFY07 numbers were boosted by the Harbour Place profits, c) higher interest expenses, and d) HK\$330m impairment provision made on available-for-sale financial assets this year.

Heavy cut in interim DPS suggests dismal earnings outlook for full year. Interim dividend was halved to HK\$0.09/share. Although the decline was smaller than that for net profit, the payout was much more conservative than its peers', suggesting strongly Group's earnings will stay dismal in 2HFY09.

Mixed results from listed subsidiaries. NWS (659HK/BUY/Target: HK\$12.62) reported a 33% yoy fall in net profit to HK\$813m and the company alone contributed 46% to NWD's core net profit. NW China Land's (917HK/NOT RATED) bottom line dropped 59% to HK\$374m. While the hotel division turned in a loss and property sales were slightly down, the profit decline was mainly due to a HK\$227m forex gain last year which turned into a HK\$13m loss this year. NWDS (825HK/NOT RATED) announced a 14% increase in net profit to HK\$259m, driven by the average 15% same-

HONG KONG

New World Development (17 HK)

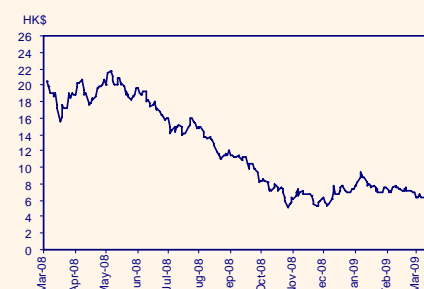
SELL

Current Price: HK\$6.89

Fair Price: HK\$5.80

Sector	Property
52-Wk Avg Daily Vol. ('m)	13.5
Market Cap (HK\$m)	25,748
(US\$m)	3,301
Major Shareholders (%)	
Chow Tai Fook	37.02
Book NTA per Share (HK\$)	18.84
ROE (%)	6.1
Net Debt per Share (HK\$)	10.02
Results Due	
1H: Mar	Final: Oct

Price Chart



Source: Bloomberg

Analyst

Sylvia Wong

(852) 2236 6793

sylvia.wong@uobkayhian.com.hk

Year to 30 Jun	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2007	23,285	6,795	3,323	0.904	55.8	7.6	8.2	0.4000	5.8
2008	29,361	11,460	6,239	1.671	84.9	4.1	4.9	0.4300	6.2
2009F	n.a.	7,063	2,747	0.735	(56.0)	9.4	7.9	0.2100	3.0
2010F	n.a.	6,966	2,964	0.793	7.9	8.7	8.0	0.2500	3.6
2011F	n.a.	8,188	3,345	0.895	12.9	7.7	6.8	0.3200	4.6

Consensus Net Profit – FY09: HK\$3,291m
– FY10: HK\$3,480m

NWS

1HFY09: Results generally in line with expectations.

NWS' core businesses continue to be in a good position to weather the difficult macro environment. The Group is a key beneficiary of the government's increased spending on infrastructure projects. Maintain BUY.

1HFY09 Results

Year to 30 Jun	1HFY09 (HK\$m)	yoy % chg	Remarks
Attributable Operating Profit (AOP)			
Infrastructure	574.1	(18)	Due to significant drop in operating performance of energy division as a result of high coal prices. Contribution from Taifook securities dropped significantly due to the substantial decline in earnings from its brokerage and margin financing services
Service & Rental	667.1	(4)	
Total AOP	1,241.2	(11)	
Share of (loss)/profit from Harbour Place	(32.8)	-	Once-off provision from Harbour Place. NWS booked HK\$1.0m profit from sales of Harbour Place. Decline was partly due to exceptional items of HK\$290m and HK\$32.8m provision from Harbour Place.
Net profit	813.3	(64)	
EPS (HK\$/share)	0.4	(64)	
DPS (HK\$/share)	0.2	(0.55)	Payout ration maintained as high as 50%.

Source: UOB Kay Hian

Results

NWS' 1HFY09 net profit declined 64% yoy to HK\$813.3m. The decline was due to the HK\$1,014.8m one-off profit from the sale of the residential flats of Harbour Place in 1HFY08 and booking of HK\$322.8m exceptional items in 1HFY09. Attributable operating profit (AOP) was only reduced by 11% yoy from HK\$1.4b to HK\$1.24b. The Group declared an interim dividend of HK\$0.20/share, payout ratio at 49%.

Underperforming segments. Within the infrastructure division, AOP of the energy segment fell 79% yoy to HK\$42.8m due to high fuel costs. Electricity sales of Zhujiang Power Plants dropped 10% but AOP dived 89% yoy due to soaring coal price. AOP contribution from Taifook Securities dropped significantly due to the substantial decline in earnings from its brokerage and margin financing services.

The water division, toll roads, facilities rental and other services continued to perform well. The AOP of the roads segment increased 5% yoy to HK\$382.6m. The impact of a slowdown in traffic flow in Pearl River Delta Region was offset by growth in traffic flow in toll roads in other regions.. Water segment AOP increased 32% yoy to HK\$93.1m due to increased contribution from its 7.5% interest in Chongqing Water Group. Facilities rental segment recorded 6% yoy increase in AOP of HK\$224m due to satisfactory results from Hong Kong Convention and Exhibition Centre and high occupancy rate at its ATL Logistics Centre.

HONG KONG

NWS (659 HK)

BUY

Current Price: HK\$10.00

Target Price: HK\$12.62

Sector	Infrastructure
52-Wk Avg Daily Vol. (m)	0.9
Market Cap (HK\$m)	20,000
(US\$m)	2,564
Major Shareholders (%)	
NWD	57.0
Book NTA per Share (HK\$)	10.7
ROE (%)	18.1
Net Debt per Share (HK\$)	2.3
Results Due	
Interim	March
Final	October

Price Chart



Source : Bloomberg

Analyst

Mark Po, CFA
 ☎ (852) 2236 6794
 mark.po@uobkayhian.com.hk

Year to 30 Jun	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (HK¢)	Yield (%)
2007	15,047	727	2,005	101.4	14.4	9.9	25.8	55.0	5.5
2008*	18,890	1,079	3,818	188.8	86.2	5.3	13.1	95.0	9.5
2009F	16,063	1,254	1,831	90.5	(52.0)	11.0	9.1	45.3	4.5
2010F	18,578	1,146	2,246	111.0	22.7	9.0	7.7	54.3	5.4
2011F*	18,838	1,157	2,805	138.7	24.9	7.2	6.4	54.3	5.4

Consensus Net Profit – FY09: HK\$2,084.3m
 – FY10: HK\$2,689m

* Include contribution from sales of Harbour Place of HK\$1.6b and HK\$340m in FY08 and FY11.

Stock Impact

Results were generally in line with our expectations. We left our net profit forecasts for FY09, FY10 and FY11 unchanged.

Earnings Risks

A sharp rise in prices of oil, coal and other raw materials, and a massive slowdown in China.

Valuation/Recommendation

NWS is a defensive play with strong balance sheet and diversified portfolio of infrastructure projects. Maintain BUY with a sum-of-the-parts NAV-based target price of HK\$12.62. Our NAV model uses average EV/EBIT of its listed peers for each of its business segment (except financial services and railway terminal which are valued using market value and DCF respectively).

Diversified toll road network. NWS' toll roads are diversified across different areas in China. In such a time when economic growth may differ from coastal areas to inland China, scattered projects offer more cushion and are more defensive compared with toll road players which have projects concentrated in certain areas.

HK infrastructure play. We believe NWS, through 100%-owned Hip Hing Construction, has a good chance to be involved in major infrastructure projects especially the Kai Tak project announced by the government considering it owns the Tamar reclamation project with Gammon in Hong Kong.

Water business in China. NWS operates 21 water treatment projects in China and Macau and one incineration plant in China. The Group's water segment is entering a stage of high growth as rising demand for clean water led the government to accelerate the process of privatising the sector to solve its severe water shortage problem.

Worst is over for NWS' energy division. The power division's performance in 4Q08 was dragged down by the surge in coal prices. The impact was higher than management and our expectations. Given the decline in coal prices, the power division's declining profitability is likely to have bottomed. It is expected that the full impact of lower coal prices will emerge starting from 2Q09.

Profit & Loss

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	15,047	18,890	16,063	18,578	18,838
EBIT	526	857	1,024	909	912
Pre-tax Profit	2,174	4,250	2,220	2,739	3,403
Net Profit	2,005	3,818	1,831	2,246	2,805

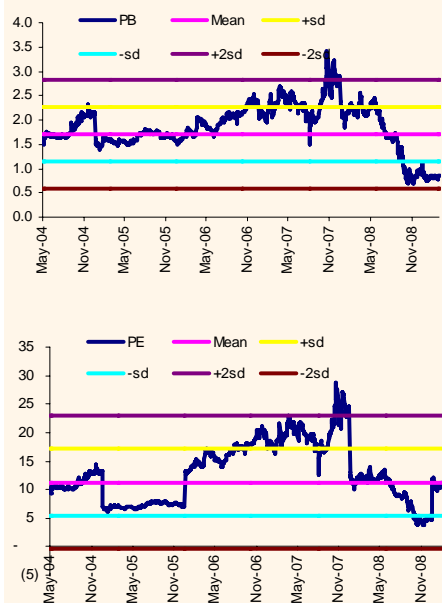
Balance Sheet

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	20380	17421	15226	16448	16192
Total Assets	39782	42465	40883	44358	46574
Current Liabilities	16962	14353	13309	15376	15619
Long-Term Loans	5624	6963	7191	7450	7716
Shareholders' Funds	17197	21148	20383	21530	23237
Total Equity & Liabilities	39782	42465	40883	44357	46572

Cash Flow

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	698	6618	2303	1889	1739
Investing	(250)	1847	(1896)	(1335)	(1278)
Financing	107	(4019)	(1344)	(459)	(644)
Net Cash Inflow/(Outflow)	555	4445	(937)	95	(183)
Begin Cash & Cash Equiv.	(1014)	(447)	3998	3061	3156
End'g Cash & Cash Equiv.	(447)	3998	3061	3156	2973

NWS- Historical P/B and PE



Source: Bloomberg, UOB Kay Hian

Semen Gresik

Cementing its dominance in infrastructure

The government's Rp35 trillion stimulus package for the infrastructure sector could boost cement demand and benefit cement producers. SMGR plans to maintain its dominance in the industry through capacity expansion.

Corporate Events

Government stimulus package could boost cement demand. The government has announced its stimulus package of Rp35 trillion (US\$3b) for infrastructure or public works, partly to boost its popularity in the upcoming elections. The finance minister announced in early-March that by Jun 09, the impact of the stimulus package would kick in, and start to be reflected in the economic growth. While the news is positive for the cement and infrastructure industries, we are taking a conservative view that there could be some positive surprises for domestic cement producers.

Capacity expansion while maintaining net cash position. SMGR plans to maintain its dominance in the cement industry by expanding its production capacity and business operations with a capex of US\$1.39b during 2008-14. About half of the budget will be used to develop power plants which will increase production capacity by 5m tonnes (+28.3%) by 2012 and improve cost efficiency. The spending will be financed by internal cash flow and bank loans of Rp6 trillion (US\$545m). This capex programme will still allow SMGR to maintain its current conservative leverage level and net cash position.

Stock Impact

Strong 42.1% rise in net profit to Rp,524b in 2008. SMGR's net profit rose 42.1% yoy to Rp2,524b in 2008 due to higher cement prices and improved operating efficiency. A higher domestic average selling price (ASP) of cement to Rp691,070/ton (+22.4% yoy) and a 3.9% increase in cement sales to 17.6m tonnes pushed total sales up by 27.1% yoy to Rp12,210b. Despite higher fuel and packaging costs, management has been able to maintain cost and operating efficiency to boost gross profit by 33.8% yoy, and operating profit by 41.3% yoy.

To outperform in the cement industry. Last year was an exceptionally strong year for the Indonesian cement market. We therefore expect cement demand to dip in 2009 amid the slowdown in the economy, mainly due to tighter liquidity in the banking sector and lower purchasing power. We assume SMGR cement sales to decline 6.9% in 2009, a bigger contraction than the previous major decline of 4.9% in 2002. Nonetheless, we believe state-owned SMGR would outperform the industry given its business ties with government-linked projects, dominant market share and its broader geographical marketing distribution strategy.

INDONESIA

Semen Gresik (SMGR IJ)

BUY

Current Price: Rp3,425

Target Price: Rp4,300

Sector	Cement
52-Wk Avg Daily Vol. ('000)	3,510
Market Cap (Rpb)	20,315.5
(US\$m)	1,697.0

Major Shareholders (%)	
The government of Indonesia	51.0

Book NTA per Share (Rp)	1,792.7
ROE (%)	34.3
Net Cash per Share (Rp)	606.9

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

Price Chart



Source: Bloomberg

Analyst

David Chang
 ☎ (62 21) 2557 8866
 davidchang@uobkayhian.com

Indonesia Research
 ☎ (62 21) 2557 8870
 researchindonesia@uobkayhian.com

Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rp)	Yield (%)
2006	8,727.9	2,098.9	1,295.5	218	29.3	11.4	7.0	443	17.7
2007	9,600.8	2,847.2	1,775.4	299	37.0	8.4	5.2	109	4.4
2008	12,209.8	3,867.0	2,523.5	430	42.1	8.0	4.3	150	4.4
2009F	11,368.5	3,282.4	2,089.3	356	(17.2)	9.6	5.2	213	6.2
2010F	12,314.5	4,018.8	2,410.8	411	15.4	8.3	4.7	176	5.1

Consensus Net Profit – FY08: Rp2,224.5b
 – FY09: Rp2,456.5b

Sensitivity analysis. While we have not incorporated the ambitious cement growth from the government's stimulus package, our sensitive analysis indicates that for every 5% increase in sales volume will boost our 2009 forecasts for EBIT margin, net margin and EPS by 2.4%, 2.0% and 6.3% respectively.

	EBIT margin	Net margin	EPS
5% increase in sales volume	2.4%	2.0%	6.3%
5% decrease in sales volume	-2.6%	-2.2%	-6.3%

Valuation/Recommendation

Maintain BUY and target price of Rp4,300. We raise our FY09 net profit forecast by 9% to Rp2,089.3b and FY10's by 21% to Rp2,410.8b due to improved production efficiency, lower cement sales and flat growth in cement ASP. We expect net profit to decline 17.2% yoy to in FY09, but rise 15.4% yoy in FY10. SMGR is currently trading at FY09F PE 9.6x, the cheapest compared with its local peers' average of 11.1x. With the largest market share and biggest market cap, we believe SMGR deserves to trade at a higher 12x PE.

Profit & Loss

Year to 31 Dec (Rpb)	2006	2007	2008	2009F	2010F
Turnover	8,727.9	9,600.8	12,209.8	11,368.5	12,314.5
Gross Profit	3,327.5	4,000.7	5,354.6	4,757.7	5,505.2
Operating Profit	1,779.4	2,396.8	3,387.2	2,756.8	3,344.1
Pre-tax Profit	1,857.0	2,560.2	3,589.5	3,013.8	3,473.2
Net Profit	1,295.5	1,775.4	2,523.5	2,089.3	2,410.8
Gross Margin (%)	38.1	41.7	43.9	41.8	44.7
Operating Margin (%)	20.4	25.0	27.7	24.2	27.2
Net Margin (%)	14.8	18.5	20.7	18.4	19.6

Balance Sheet

Year to 31 Dec (Rpb)	2006	2007	2008	2009F	2010F
Current Assets	4,153.3	5,267.9	7,083.4	7,445.3	8,790.9
Total Assets	7,496.4	8,515.2	10,603.0	12,023.3	16,478.2
Current Liabilities	1,460.1	1,445.9	2,092.1	1,728.0	1,805.7
Total Liabilities	1,996.8	1,888.0	2,533.4	3,131.3	6,220.2
Shareholders' Equity	5,499.6	6,627.3	8,069.6	8,891.9	10,258.0
Total Equity & Liabilities	7,496.4	8,515.2	10,603.0	12,023.3	16,478.2

Cash Flow

Year to 31 Dec (Rpb)	2006	2007	2008	2009F	2010F
Cash Flow from Operations	1,491.5	1,977.2	2,628.3	2,598.4	3,074.7
Cash Flow from Investments	(225.6)	(302.8)	(561.8)	(1,584.0)	(3,784.0)
Cash Flow from Financing	(871.0)	(595.7)	(1,177.7)	(325.0)	1,897.0
Change in Cash	394.9	1,078.7	888.8	689.4	1,187.7
Begin Cash & Cash Equiv	1,348.6	1,743.6	2,822.3	3,800.6	4,490.0
Ending Cash & Cash Equiv	1,743.6	2,822.3	3,800.6	4,490.0	5,677.7

CapitaCommercial Trust

Sensing opportunities to invest

CCT achieves signing rents in excess of S\$10psf pm for Grade A space within the Central Business District despite turbulence in the office market. Our sensitivity analysis indicates that CCT is extremely undervalued.

Corporate Events

Office REITs have been battered by concerns over consolidation in the financial services industry and tenants downsizing after retrenchments. According to Colliers, average rent for Grade A office space in Raffles Place corrected 17.9% qoq to S\$14.68psf in 4Q08. The leasing market continues to be under pressure in 1Q09 due to a slowdown in economic activities.

Resilient despite turbulence. CapitaCommercial Trust (CCT) continues to achieve signing rents in excess of S\$10psf pm for Grade A office space within the Central Business District. Management is confident of achieving forecast DPU of 12.34 cents for 2009. Some 79% of forecast gross revenue for 2009 has been locked in with committed leases. CCT's average passing rent for its office portfolio was S\$7.44psf pm in 4Q08, below market rents of S\$15.00psf pm for Grade A and S\$12.90psf pm for prime office space.

Stabilisation from forward planning. Retail and hotel & convention centre segments provide resilience. Tenant RC Hotels provides minimum rent of S\$38m p.a. (9.8% of 4Q08 gross revenue). The minimum rent will progressively step up to S\$44m p.a. by Nov 11. For One George Street, vendor CapitaLand will provide yield protection with minimum net property income of S\$49.5m p.a. for five years till 2013. CCT has also locked in a seven-year lease for HSBC Building commencing Apr 12 at S\$8.50psf pm.

Stock Impact

Sensitivity analysis. We conducted sensitivity analysis for office rents from S\$10psf to S\$4psf pm and office occupancy from 70% to 90%. We kept our assumptions for retail portfolio constant. We expect occupancy to decline to 90% and rents to drop 15% for retail space at the Raffles City, Golden Shoe and Market Street car parks. Our base case assumptions: office occupancy of 82% (previous: 90%) and rents for Grade A office space correcting two-thirds from the peak to S\$6psf pm for Raffles Place (previous: S\$9psf pm).

Current share price is 6.8% lower than our extreme worst-case target price, which assumes a 77.8% correction in rents for Grade A office space to S\$4psf pm and a decline in average occupancy to 70%.

According to the Urban Redevelopment Authority, Average office occupancy for Downtown Core troughed at 84.3% in 3Q09 after the Asian financial crisis and 80.2% in 1Q04 after SARS. CCT's committed occupancy was 98.4% in 4Q08 if we exclude Wilkie Edge, which was completed in Dec 08.

Well prepared for next refinancing. The next major refinancing for CCT is a S\$650m two-year secured term loan due Jul 10. CCT has a total of eight properties valued at S\$2.8b free of any encumbrance, which provides financial flexibility. These properties can be utilised as collaterals to help reduce cost of borrowings. Management stated unequivocally that the company does not have immediate plans for equity fund raising.

SINGAPORE

CapitaComm Trust (CCT SP)

BUY

Current Price: S\$0.68

Target Price: S\$0.98

(Previous: S\$1.66)

Sector	REITs
52-Wk Avg Daily Vol. ('000)	5,632
Market Cap (S\$m)	973.3
(US\$m)	633.7
Major Shareholders (%)	
Capitaland	30.5
Book NTA per Share (S\$)	2.92
ROE (%)	3.5
Net Debt per Share (S\$)	1.79

Results Due

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

Price Chart



Source: Bloomberg

Analyst

Jonathan Koh
 ☎ (65) 6539 1026
 jonathankoh@uobkayhian.com

Year to 31 Dec	Turnover (S\$m)	EBIT (S\$m)	Net Income (S\$m)	EPU (¢)	EPU Growth (%)	PE (x)	DPU (¢)	Yield (%)
2007	240.1	156.6	116.2	8.4	17.1	8.1	9.4	13.8
2008	335.3	203.4	123.2	8.9	5.5	7.7	11.2	16.5
2009F	364.5	230.6	122.0	8.7	(2.1)	7.8	11.5	17.0
2010F	315.4	198.4	85.0	6.0	(30.9)	11.3	8.7	12.7
2011F	279.8	176.3	53.9	3.8	(37.0)	18.0	6.3	9.3

Consensus Net Profit – FY09: S\$141.0m
 – FY10: S\$140.3m

Earnings Revision

Convertible bonds. Bondholders have the option to redeem S\$370m convertible bonds on 6 May 11 at S\$106.15. If bondholders exercise the put option, refinancing requirement for 2011 will increase from S\$636m to S\$1,028.8m. Probability of bondholders exercising the put option is high given that the conversion price of S\$2.442 is significantly higher than the current market price. We have assumed the convertible bonds are fully redeemed in 2011 and refinanced at a higher interest rate of 4.8%.

Valuation/Recommendation

CCT focuses on Grade A office space and has a market share of 9% for private office stock within Downtown Core. Catalysts for the stock:

- CCT is a high-beta play on a recovery in the stock market. The stock rebounded 66.1% from S\$0.62 to S\$1.03 in Dec 08 and Jan 09.
- Market could be positively surprised by resilient 1Q09 results and progress in leasing transactions.

RNAV: Our RNAV for CCT is S\$0.95/share based on cap rates of 4.8-5.0%.

Sensitivity Analysis:

Target Price (\$\$)

Office Rental (\$\$psf)	Correction From Peak	Average Office Occupancy								
		70%	74%	78%	80%	82%	84%	86%	88%	90%
10.00	-44.4%	1.22	1.27	1.32	1.34	1.36	1.39	1.41	1.43	1.46
9.00	-50.0%	1.14	1.18	1.23	1.25	1.27	1.29	1.31	1.33	1.35
8.00	-55.6%	1.06	1.10	1.14	1.15	1.17	1.19	1.21	1.23	1.25
7.00	-61.1%	0.98	1.01	1.04	1.06	1.08	1.09	1.11	1.13	1.14
6.00	-66.7%	0.90	0.92	0.95	0.97	0.98	1.00	1.01	1.02	1.04
5.00	-72.2%	0.81	0.84	0.86	0.87	0.89	0.90	0.91	0.92	0.93
4.00	-77.8%	0.73	0.75	0.77	0.78	0.79	0.80	0.81	0.82	0.83

Source: UOB Kay Hian

Sensitivity Analysis:

2011 DPU (cents)

Office Rental (\$\$psf)	Correction From Peak	Average Office Occupancy								
		70%	74%	78%	80%	82%	84%	86%	88%	90%
10.00	-44.4%	8.0	8.3	8.7	8.8	9.0	9.2	9.3	9.5	9.7
9.00	-50.0%	7.4	7.7	8.0	8.2	8.3	8.5	8.6	8.8	8.9
8.00	-55.6%	6.8	7.1	7.4	7.5	7.7	7.8	7.9	8.1	8.2
7.00	-61.1%	6.3	6.5	6.7	6.9	7.0	7.1	7.2	7.3	7.5
6.00	-66.7%	5.7	5.9	6.1	6.2	6.3	6.4	6.5	6.6	6.7
5.00	-72.2%	5.1	5.3	5.4	5.5	5.6	5.7	5.8	5.9	6.0
4.00	-77.8%	4.5	4.7	4.8	4.9	4.9	5.0	5.1	5.2	5.2

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (\$\$m)	2007	2008	2009F	2010F	2011F
Turnover	240.1	335.3	364.5	315.4	279.8
Net Property Income	174.0	233.5	257.3	219.4	194.6
EBIT	156.6	203.4	230.6	198.4	176.3
Distributable Income	130.0	155.7	162.4	122.6	89.9
DPU (S cents)	9.4	11.2	11.5	8.7	6.3

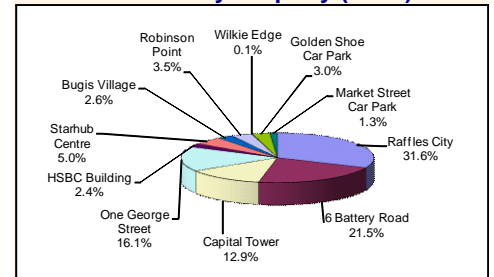
Balance Sheet

Year to 31 Dec (\$\$m)	2007	2008	2009F	2010F	2011F
Current Assets	40.4	85.4	89.3	53.9	25.7
Total Assets	5278.7	6871.4	4985.8	4247.0	3920.8
Current Liabilities	220.7	819.7	787.8	779.2	776.9
Long-Term Liabilities	1097.5	1514.8	1514.8	1514.8	1514.8
Shareholder Funds	3937.6	4154.9	2298.6	1565.7	1238.7
Total Equity & Liabilities	5278.7	6871.4	4985.8	4247.0	3920.8

Cash Flow

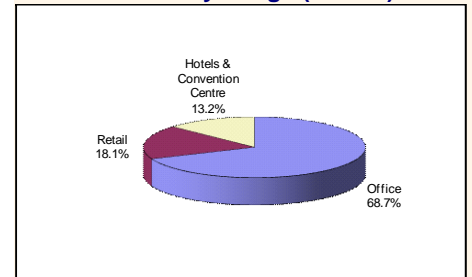
Year to 31 Dec (\$\$m)	2007	2008	2009F	2010F	2011F
Operating	177.6	300.0	309.6	197.3	177.7
Investing	(82.1)	(1339.3)	(31.0)	0.0	0.0
Financing	(102.0)	1071.5	(264.4)	(231.6)	(205.0)
Net Cash In/(Out) Flow	(6.4)	32.2	14.2	(34.3)	(27.3)
Begin Cash & Cash Equiv.	40.9	34.5	66.7	80.8	46.5
End'g Cash & Cash Equiv.	34.5	66.7	80.8	46.5	19.2

Gross Revenue By Property (2H08)



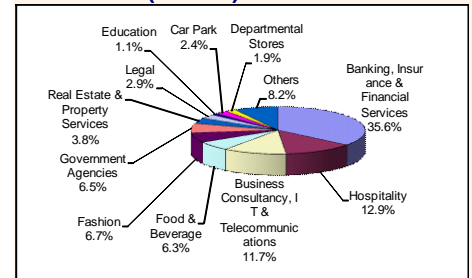
Source: CCT

Rental Income By Usage (Dec 08)



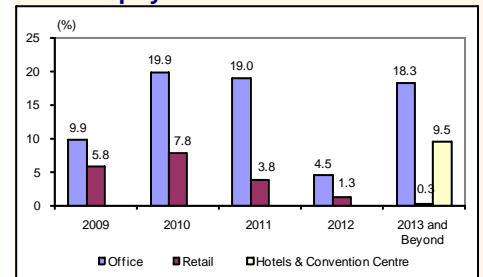
Source: CCT

Tenant Mix (Dec 08)



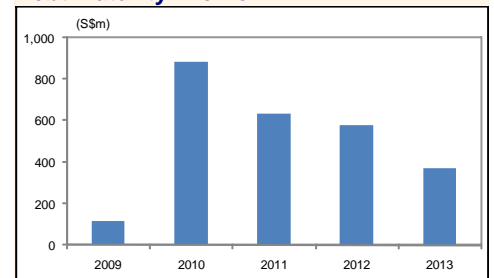
Source: CCT

Lease Expiry Profile



Source: CCT

Debt Maturity Profile



Source: CCT

Pacific Shipping Trust

2008: CSAV sinks to losses but no indication to renegotiate rates

CSAV posts losses, but no indication of re-negotiation of long-term charter contract with PST. Maintain BUY with target price of US\$0.30.

Corporate Events

Compania Sud Americana de Vapores (CSAV), one of the two charterers of Pacific Shipping Trust (PST), posted a loss of US\$38.6m for 2008 after 4Q08's US\$55.7m loss erased profits in the previous quarters. The losses were due to a drop in containerised cargo volume and high charter-in costs of US\$550m for its 87 charter-in ships.

Stock Impact

PST charters out two 4,250-TEU containerships (CSAV Laja and CSAV Lauca) to CSAV for five years at a daily time charter rate of US\$26,000 for the initial two years and US\$25,500 for the next three years. These contracts will end in 2013. According to *Tradewinds*, CSAV plans to increase its own fleet and reduce charter-in cost from US\$550m to US\$150m by 2014. While charter rates have fallen by about 70% ytd, PST thus far has not received any indication from CSAV to renegotiate charter rates.

The remaining 10 vessels in PST's fleet are chartered out to its sponsor, Pacific International Lines (PIL). We estimate that 70% of PST's 2009 total revenue will come from PIL. PST's 2008 financial accounts are pending filing with the Registrar of Companies. However, based on PIL's 2007 financial accounts, the company had a gross cash balance of US\$479.9m and a low net debt-to-equity of 17%.

The container shipping market is in a deep downturn. PST's management estimates about 1.3m TEU of containership tonnage or 10-11% of global fleet is currently on laid up.

Earnings Revision/Risk

No change to our earnings forecasts.

Unlike the other two Singapore-listed shipping trusts- First Ship Lease Trust (FSLT SP) and Rickmers Maritime (RMT SP), PST has no loan-to-asset value covenants in its loan agreements. It recently did a rights issue in which PIL took up 90% of the entitlement, thus raising its stake in PST to above 50%. The rights issue has lowered PST's net debt-to-asset to a comfortable level of 45% and it should remain so as the trust has no outstanding capex commitments. Counter-party risk remains, although it is mitigated with 67% of PST's fleet tonnage chartered to its strong sponsor.

SINGAPORE

Pacific Shipping Trust (PST SP)

BUY

Current Price: US\$0.15

Target Price: US\$0.30

Sector	Shipping
52-Wk Avg Daily Vol. ('000)	251
Market Cap (S\$m)	132.4
(US\$m)	88.5
Major Shareholders (%)	
Pacific Int'l Lines	59.2%
Book NTA per Share (US\$)	0.38
ROE (%)	10.0
Net Debt per Share (S\$)	0.37

Results Due

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

Price Chart



Source: Bloomberg

Analyst

Esther Sim
esthersim@uobkayhian.com

Year to 31 Dec	Turnover (US\$m)	EBITDA (US\$m)	Net Profit (US\$m)	EPS (US¢)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (US¢)	Yield (%)
2007	34.5	32.5	10.5	3.1	(7.6)	4.8	9.4	4.3	28.6
2008	44.6	40.6	18.3	4.6	47.2	3.3	7.5	4.1	27.2
2009F	61.9	53.9	26.2	4.4	(2.9)	3.4	5.6	4.1	27.2
2010F	61.9	53.8	27.0	4.6	3.1	3.3	5.7	4.2	27.8
2011F	61.6	53.2	27.5	4.7	1.8	3.2	5.7	4.2	27.9

For the period 25 Apr 06 to 31 Dec 06
Consensus Net Profit – FY09: US\$25.2m
– FY10: US\$26.1m

Valuation/Recommendation

We continue to like PST for its stable and visible distributions that are supported by its long-term charters averaging seven years and its lower gearing of 48%. Based on a DPU forecast of 4.2 US cents for 2010, PST offers an attractive dividend yield of 27.8%. However, we would not discount PST cutting its current distribution payout ratio of 90% should it decide on opportunistic vessel acquisitions in the current shipping downturn.

We reiterate BUY on PST with a target price of US\$0.30, based on discounted cash flow at a discount rate of 11% (US 5-year risk-free rate: 1.87%; market risk premium: 5.5%; annual vessel depreciation: 3.3%).

PST's Fleet

No.	Vessel	Charterer	Year Built	Capacity (TEU)	Purchase Price (US\$m)	Charter Tenure (Yrs)	Daily Charter Rate (US\$)
1	Kota Kaya	PIL	2005	3,081	53.2	9	17,700
2	Kota Kado	PIL	2005	3,081	53.2	9	17,700
3	Kota Rancak	PIL	2005	943	23.6	10	7,600
4	Kota Rajin	PIL	2005	943	23.6	10	7,600
5	Kota Arif	PIL	1999	1,454	29.4	8	11,000
6	Kota Anggerik	PIL	1999	1,454	29.4	8	11,000
7	Kota Anggun	PIL	1999	1,454	29.4	8	11,000
8	Kota Azam	PIL	1999	1,454	29.4	8	11,000
9	Kota Nabil	PIL	2008	1,800	43.0	8	11,550
10	Kota Naga	PIL	2008	1,800	43.0	8	11,550
11	CSAV Laja	CSAV	2008	4,250	68.1	5	26,000 - 1st 2 yrs
12	CSAV Lauca	CSAV	2008	4,250	68.1	5	26,000 - 1st 2 yrs 25,500 - last 3 yrs

Source: PST, UOB Kay Hian

Profit & Loss

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Turnover	34.5	44.6	61.9	61.9	61.6
EBIT	20.4	28.2	36.3	36.1	35.6
Pre-tax Profit	10.5	18.4	26.3	27.1	27.6
Net Profit	10.5	18.3	26.2	27.0	27.5
Distributable Profit	14.5	19.2	26.8	27.3	27.5

Balance Sheet

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Current Assets	8.5	13.8	16.4	19.0	21.6
Total Assets	259.7	476.9	459.3	444.3	429.4
Current Liabilities	17.6	40.5	22.5	22.7	23.1
Long-Term Loans	97.3	212.9	195.5	177.9	159.9
Shareholders' Funds	144.8	223.5	241.3	243.7	246.5
Total Equity & Liabilities	259.7	476.9	459.3	444.3	429.4

Cash Flow

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Operating	32.1	40.8	53.7	53.5	53.0
Investing	0.5	(223.2)	0.5	0.6	0.7
Financing	(32.9)	187.9	(51.7)	(51.5)	(51.1)
Net Cash In/(Out) Flow	(0.3)	5.4	2.6	2.6	2.6
Begin Cash & Cash Equiv.	8.6	8.4	13.8	16.4	19.0
End'g Cash & Cash Equiv.	8.4	13.8	16.4	19.0	21.6

Singapore Airlines

Paradigm shift; SIA is losing out to LCCs

SIA's 17% drop in passenger traffic in February heralds a new paradigm shift with LCCs gaining the upper hand. This heightens the risk of further grounding of its aircraft and hence, a lower fleet value.

Corporate Events

Passenger traffic fell 17% in Feb 09, with absolute RPK level falling towards 2005-06 levels. Meanwhile, low-cost carriers (LCC) like Jet Star and Virgin Blue reported traffic growth in January and February.

Stock Impact

Passenger traffic now back to 2005-06 levels. We believe the market has not fully appreciated the ramifications of the latest traffic data. A drop of this magnitude last occurred during SARS in mid-03. The current decline is both cyclical and structural with market share lost to LCCs. Passenger traffic in absolute terms is now at 2005-06 levels and if it averages FY05 numbers, passenger traffic could potentially fall by 14% in FY10. The decline in passenger traffic comes even as Jet Star and Virgin Blue reported traffic growth of 16% and 19% for January and February respectively. Both airlines compete with SIA in the Asia Pacific and Kangaroo routes.

SIA's Passenger Traffic

RPK (m)	FY05	FY06	FY07	FY08	FY09
Apr	6,011.8	6,360.4	7,060.8	7,271.6	7,620.8
May	5,874.3	6,199.5	6,749.0	7,035.7	7,669.8
Jun	6,280.9	6,802.8	7,381.9	7,509.2	7,900.0
Jul	6,890.5	7,359.0	7,762.0	7,812.6	8,339.4
Aug	6,757.1	7,126.4	7,618.6	7,773.8	8,186.7
Sep	6,312.2	6,825.7	7,186.0	7,480.0	7,578.2
Oct	6,501.6	6,904.9	7,460.5	7,525.9	7,749.4
Nov	6,607.1	6,748.8	7,428.5	7,693.7	7,494.0
Dec	7,165.4	7,467.9	8,051.6	8,348.4	8,052.5
Jan	6,875.9	7,398.7	7,766.0	7,956.9	7,406.2
Feb	5,836.1	6,418.5	6,858.5	7,061.8	5,858.7
Mar	6,480.8	7,129.1	7,824.9	8,015.6	
Total	77,593.7	82,741.7	89,148.3	91,485.2	83,855.7

Source: SIA

Earnings Risk

LCC carriers now account for one in every five seats worldwide. This phenomenon will intensify in 2009 as LCC emboldened by steep fuel price declines cut prices to gain market share. We believe SIA and other full-service carriers will lose out in the battle for seats. SIA will be taking delivery of 8-10 aircraft in 2009. We have assumed 8 deliveries in FY10.

SINGAPORE

Singapore Airlines (SIA SP)

SELL

Current Price: **S\$9.87**

Fair Price: **S\$8.20**

(Previous \$9.70)

Sector	Aviation
52-Wk Avg Daily Vol. ('000)	2550
Market Cap (S\$m)	11676.2
(US\$m)	7582.0

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

K Ajith
 ☎ (65) 6419 5411
 ajith@uobkayhian.com

Year to 31 Mar	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	5.7	5.5	100	10.1
2008	15,972.5	3,666.7	2,058.1	169.2	(2.0)	5.8	4.0	100	10.1
2009F	15,360.6	2,651.8	1,079.2	89.9	(46.9)	10.9	5.8	40	4.1
2010F	12,347.2	1,758.3	209.1	17.2	(80.8)	57.2	7.9	0	0.0
2011F	13,191.2	2,171.6	590.7	48.6	181.8	20.3	6.3	20	2.0

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

Capacity will thus rise again in 2H09. If traffic remains at current absolute levels, SIA would have to ground more aircraft in 2H09. This would depress fleet values further.

According to Ascend, an industry expert, more than 11% of the world's 20,293 aircraft are now grounded. Lease rates have fallen by 10-15% and have impacted capital values. Considering that about 1,000 new commercial aircraft are slated for delivery, subject to available financing, the risk to capital values will only intensify. To reflect this, we have adjusted SIA's book value to reflect a 20% decline in fleet value. This will result in a fall in book value to S\$9.15.

Revalued Book Value

SIA's Book Value (\$)	11.35
@ 31 Dec 08	
Fleet Value	
@ 31 Dec 08 (\$m)	13,067.2
Fleet value per share (\$)	11.0
Assuming a 20% fall in fleet value (\$m)	10,453.8
Adjusted fleet value per share	8.81
Adjusted book value per share (\$)	9.15
10% discount to book value (\$)	8.23

Source: UOB Kay Hian

Valuation/Recommendation

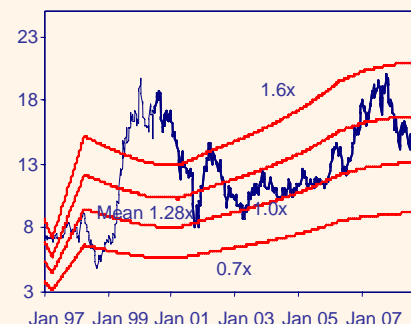
We have two key concerns. The steep decline in SIA's traffic now indicates that SIA is losing market share and this will erode profitability. We have lowered our passenger traffic and yield assumptions further (see table on right). Next, there is a high likelihood that SIA will have to ground more aircraft. We have thus lowered our fair price to S\$8.20 after adjusting for a 10% discount to revalued book. Maintain SELL.

Profit & Loss					
Year to 31 Mar (\$m)	2007	2008	2009F	2010F	2011F
Turnover	14,494.4	15,972.5	15,360.6	12,347.2	13,191.2
EBIT	1,314.4	2,135.4	1,182.7	223.2	693.0
Pre-tax Profit	1,863.6	2,558.0	1,368.2	268.3	750.7
Net Profit	2,128.8	2,058.1	1,079.2	209.1	590.7

Balance Sheet					
Year to 31 Mar (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	8,248.8	8,313.3	7,863.1	3,769.5	3,840.7
Total Assets	25,992.0	26,515.3	25,962.3	23,643.3	24,473.6
Current Liabilities	5,258.4	5,957.8	6,793.8	5,149.1	5,508.3
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	13,456.5	13,337.8	13,887.0
Total Equity & Liabilities	25,992.0	26,515.3	25,962.3	23,643.3	24,473.6

Cash Flow					
Year to 31 Mar (\$m)	2007	2008	2009F	2010F	2011F
Operating	3,163.5	4,280.3	3,163.3	2,264.5	2,756.7
Investing	(278.0)	(1,301.1)	(1,613.8)	(2,031.1)	(1,956.2)
Financing	(816.0)	(2,832.3)	(1,348.8)	(360.4)	(256.3)
Net Cash In/(out flow)	2,069.5	146.9	200.7	-127.0	544.2
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	5,003.7

Price to Book



Source: SIA, UOB Kay Hian

Top Airlines By Pax Traffic (2007)

Rank	Airline	RPK (m)
1	American Airlines	222,761
2	United Airlines	191,933
3	Delta Air Lines	166,209
4	Continental Airlines	130,965
5	Air France	128,914
6	Lufthansa	122,091
7	Northwest Airlines	117,357
8	Southwest Airlines	116,385
9	British Airways	113,275
10	SIA	90,901

Source: IATA

Operating Assumptions

	Previous	Current
RPK growth (%)	-8	-11
Pax yield (cents/RPK)	10.4	10
Cargo growth (%)	-7.5	-10
Cargo yield (cents/LTK)	38	36

Source: UOB Kay Hian

Energy

No significant impact on Thai commodity players as China cuts export tax to zero

Sector Event

There are fears that China's plan to implement zero export tax to boost its exports after an above 20% slump in the past two months will put pressure on exporters in the Asia-Pacific region, including Thailand.

Sector Impact

Coal

China is a big global player in coal business as its consumption of coal totalled 2,600m tonnes vs Asia-Pacific seaborne trade of 600m tonnes. Currently, China is self-sufficient in coal demand and supply. Its current domestic price of US\$87/tonne is 38% higher than the export price of US\$63/tonne. Moreover, the exports will require an additional freight cost of US\$4-8/tonne. **Thus, we do not expect the export tax rebate to impact the seaborne trade market. China imposed a similar measure two years ago with minimal impact on seaborne coal trade price. Among stocks under our coverage, BANPU is a BUY (Target: Bt266) due to its intact 13% earnings growth for 2009, solid fundamentals, and management capabilities.**

Oil & Gas

China is the fastest growing fuel consumption country in the world. Last year, it was a net importer of crude oil and oil imports accounted for 49% of total demand. **Hence, China is not a net exporter of crude oil and the zero tax rebate on oil will not have an impact on global crude oil price.** The major risk is weakening demand across all countries. **For stocks in the energy sector, we prefer PTTEP (BUY/Target: Bt121) to PTT (HOLD/Fair: Bt162) as the latter is exposed to the downturn in the petrochemical sector and uncertainty over government policies. PTT's entry price would be Bt130-140.**

Refineries

For refined products, China's domestic consumption is higher than its refinery capacities. Moreover, the current domestic price is controlled by the government. Current refined products in China are US\$5-10/bbl above the global market price. **Thus, in the big picture, we do not see any incentive for China's refineries to export.** We are currently UNDERWEIGHT on refineries due to excess refinery capacity of nearly 2m barrels from India and China in the market by end-09. **The only refinery that offers value in Thailand is BCP (BUY/Target: Bt12.80) as the company has already fixed 40% of its sales at high GRM of US\$8-10/bbl vs our GRM assumption of US\$4/bbl for 2009. Also, BCP is transforming from a simple to complex refinery in 2Q09.**

THAILAND

Energy

MARKET WEIGHT

PETROCHEMICAL

UNDERWEIGHT

CONSTRUCTION MATERIALS

UNDERWEIGHT

China Energy Consumption And Production

Fuel Type	Consumption	Production	Position
Coal* (mtonne)	~2,600	~2,600	Self sufficient
Crude Oil (mbarrel/day)	7.9	3.7	Net importer
Refined Oil (mbarrel/day)	7.9	7.5	Net importer

Based on 2007 data

Source: BP Company, UOB Kay Hian

Analyst

Chollawit Winitchai
 ☎ (662) 659-8306
 chollawit@uobkayhian.co.th

Veena Naidu
 ☎ (662) 659-8300
 veena@uobkayhian.co.th

Petrochemical

China is a net importer of petrochemical products for both olefin and aromatics products. It is the biggest consumer of petrochemical products in Asia. If its domestic demand does not collapse, we do not expect **China's petrochemical producers to have much incentive to export due to additional transport cost.** The zero export tax would benefit China's textiles and garments, which are the finished aromatic products. Thailand's textiles exporters have moved to real high-end market, not in direct competition with China. **For Thai petrochemical stocks, China's export tax rate is not our concern but the worry is on surplus supply from the Middle East as it will continue to hit Thai petrochemical companies' earnings in 2009 and 2010, due to lower product spreads. We maintain UNDERWEIGHT on the sector. We are sellers of PTTAR (SELL/Fair: Bt8.10), PTTCH (SELL/Fair: Bt26.00) and TOP (SELL/Fair: Bt22.20).**

Construction Materials

For the paper business, the impact of zero export tax is significant as Thailand's domestic paper prices are higher than China's domestic price. SCC's paper business could be negatively impacted as exports of its paper products account for 35% of its total sales volume. **This policy could lead to a decline in exports out of Thailand, and flood the Thai market with cheap products from China. We have a SELL call on SCC with a fair price of Bt88.**

For the cement business, Thailand is the one of lowest-cost producers in the world. Cheap raw materials amid efficient operation make Thailand very competitive in the cement business. **However, our concern is declining demand in the sector. The lack of public and private investments is causing demand to drop by 12-15% in 2009 following a 10% drop in 2008. We UNDERWEIGHT the construction materials sector.**

	Rec	Price	Target/	--- EPS (Bt) ---		--- PE (x) ---		--- P/B (x) ---		--- Yield (%) ---		Market Cap (Btm)
		17 Mar 09 (Bt)	Fair Price (Bt)	2009F	2010F	2009F	2010F	2009F	2010F	2009F	2010F	
BANPU	BUY	204.00	266.00	38.4	38.7	5.4	5.4	1.2	1.0	6.3	6.3	56,524
PTTEP	BUY	94.00	121.00	8.9	11.0	10.7	8.7	2.1	1.8	3.5	4.4	315,850
PTT	HOLD	147.00	162.00	16.9	20.3	8.8	7.3	1.0	0.9	3.4	4.1	420,784
BCP	BUY	8.15	12.80	2.6	2.2	3.0	3.5	0.4	0.4	10.1	8.6	8,673
TOP	SELL	25.50	22.20	3.7	4.1	7.0	6.2	0.8	0.7	4.3	4.8	52,021
PTTAR	SELL	8.70	8.10	1.0	1.8	8.8	4.8	0.5	0.4	3.4	6.3	25,784
PTTCH	SELL	26.50	26.00	4.0	6.1	6.6	4.3	0.4	0.4	4.5	6.9	39,292
SCC	SELL	95.00	88.00	12.8	16.5	7.4	5.8	1.2	1.1	6.1	7.8	114,600
SCCC	SELL	126.00	110.00	12.2	13.6	10.3	9.3	1.8	1.7	7.8	8.6	29,925
EGCO	BUY	67.50	88.00	12.5	13.7	5.5	5.0	0.7	0.7	7.3	8.0	36,063
RATCH	HOLD	40.00	42.00	4.1	4.3	9.7	9.3	1.3	1.2	5.5	5.5	58,000

Source: Respective companies, UOB Kay Hian

Thai Union Frozen Products

Beneficiary of lower oil price, lower interest rates and baht weakness

Thai Union Frozen Products (TUF) is the largest Asian seafood processor in terms of sales value. It is also the world's largest tuna packer and owns the third-biggest canned tuna brand, "Chicken of the Sea", in the US. TUF's canned tuna exports account for 40% of Thailand's total tuna exports.

2009 could be another upbeat year given many positive catalysts - declining interest rates, weakening of the baht, a 20% increase in capacity and expanding into new markets in Asia, the Middle East, Russia and South Africa with growth rates exceeding 50%.

TUF is a major beneficiary of lower oil price. There is a 90% correlation between tuna cost and oil price. With the sharp decline in oil price, tuna price has declined to US\$1,000-1,300/tonne from its peak of US\$2,000/tonne in 2008. This will enable TUF to secure its margin at 13-14%.

Tuna is a staple food and low-cost necessity. Tuna is priced at about US\$1/can and demand is resilient despite economic downturns.

Solid balance sheet and cash flow - a defensive play in a weakening economy. TUF has a solid annual cash flow of over Bt350m and an annual EBITDA of Bt3b-4b. Its top line has expanded continuously and it had never posted any quarterly loss since its listing in 1994. Gearing is well-managed at 1x. TUF is a defensive play during an economic downturn as food is a basic necessity.

Weaker baht. The weaker baht will benefit both TUF's top- and bottom-line as TUF sells its products in US\$, which accounts for 90% of its total revenue. The baht had weakened 8% to Bt35.9/US\$ as at end-Dec 08. Our sensitivity analysis shows that for every Bt1 depreciation against the US\$, it raises TUF's bottom line by 1.225%. TUF has a natural hedge as 65% of its cost is also in US\$. For the long term, we forecast Bt/US\$ at Bt35.

Lower import tariff benefits TUF. Under the free trade pact Japan-Thailand Economic Partnership Agreement (JTEPA), the import tariff on frozen shrimps to Japan was cut from 5% to zero percent. For the US market, the new anti-dumping rate was dropped from 5.95% to 5.34%. Since 2004, US Customs requires exporters subject to anti-dumping duties to post a bond covering the full amount as security against the risk of default. The lower import rates would benefit TUF and increase its export volume.

Initiate coverage with BUY recommendation. TUF is one of the few stocks that will show positive earnings growth of 8% for FY09 vs an average 4% for three other food stocks. It is trading at a 10-year low average P/B and PE. At this price, we believe the stock looks attractive given its strong dividend yield of 7%. The stock trades at 7.26x FY09 PE, a 49% discount to its global peers. Our target price of Bt27.00 is pegged at 10x FY09 PE. The stock offers 29% upside to its current price.

THAILAND

Thai Union Frozen Products (TUF TB)

INITIATE WITH BUY

Current Price: Bt21.00

Target Price: Bt27.00

Sector	Food Beverage
52-Wk Avg Daily Vol. ('000)	898.13
Market Cap (Btm)	18,546.6
(US\$m)	516.6
Major Shareholders (%)	
Mr. Kraisor Chansiri	9.08%
Book NTA per Share (Bt)	18.38
ROE (%)	14.3
Net Debt per Share (Bt)	18.9

Results Due

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

Price Chart



Source: Bloomberg

Analyst

Thailand Research Team
 ☎ (662) 659-8301
 research@uobkayhian.co.th

Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Bt)	Yield (%)
2007	55,507	3,639	1,823	2.07	(4.66)	10.12	4.36	1.04	4.95
2008	69,048	4,226	2,200	2.49	20.07	8.43	3.82	1.25	5.93
2009F	76,093	4,805	2,377	2.69	8.04	7.80	3.33	1.35	6.41
2010F	83,703	5,189	2,601	2.95	9.43	7.13	3.06	1.47	7.01
2011F	92,910	5,402	2,786	3.15	7.09	6.66	2.94	1.58	7.51

Consensus Net Profit – FY09: Bt2,468 m
 – FY10: Bt2,639 m

Continued strong demand. About 50% of TUF's total sales came from Original Equipment Manufacturer (OEM) orders. TUF expects growth from OEM to remain intact, focusing its OEM growth on countries with favourable currency conditions. As TUF sells its product in US\$, a weaker currency will benefit consumers who can buy at cheaper prices. Besides the domestic market, other markets such as Japan (weaker Yen), the Middle East and South Africa will be the key growth drivers this year. Meanwhile, sales from the EU (stronger Euro) and the US should be stable.

Positive earnings growth. TUF is one of the few stocks that will show positive earnings growth of 8% for FY09 vs an average 4% of three other food stocks. We expect increased demand for all products, especially pet food, shrimp, cephalopod and new products like sardine and mackerel. TUF's tuna sales volume is expected to increase by 20% this year and it will focus on its new markets in Asia, the Middle East, Russia and South Africa with sales growth rates projecting to exceed 50%. Hence, TUF should be able to secure a gross margin of 13-14% this year vs 12.7% in FY08.

Targeting sales of US\$3b by 2012. TUF has achieved its 5-year sales target of US\$2b set in 2003. It aims sales of US\$3b by 2012. Pet food, shrimp, sardine and cephalopod will be its product drivers.

Attractive dividend yield. With a strong balance sheet, an annual cash flow of over Bt350m and gearing of 1x, TUF can maintain its dividend payout ratio of 50-60% or an attractive dividend yield of 7-8% for FY09.

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	55,507	69,048	76,093	83,703	92,910
EBIT	2,661	3,226	3,744	4,047	4,186
Pre-tax Profit	2,081	2,591	3,046	3,280	3,528
Net Profit	1,823	2,200	2,377	2,601	2,786
EPS (Bt)	2.07	2.49	2.69	2.95	3.15

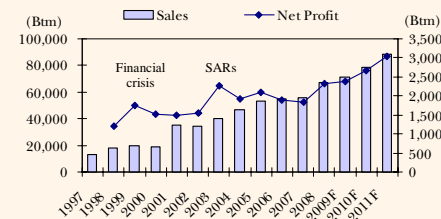
Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	23,497	28,816	30,725	32,843	34,276
Total Assets	33,575	39,865	41,865	44,218	45,861
Current Liabilities	13,666	16,222	15,384	14,626	16,142
Long-Term Liabilities	4,962	6,616	6,588	6,462	3,292
Shareholders' Funds	14,570	16,231	19,102	22,354	25,664
Total Equity & Liabilities	33,576	39,865	41,865	44,218	45,861

Cash Flow

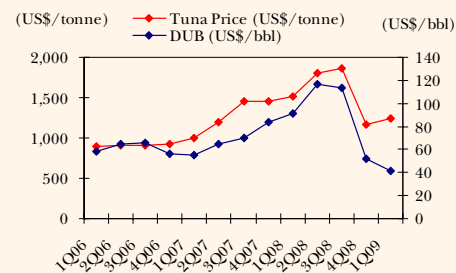
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	(330)	(233)	2,419	2,670	5,801
Investing	(2,694)	(1,796)	(1,323)	(1,368)	(1,375)
Financing	3,144	2,100	(1,050)	(1,272)	(4,371)
Net Cash In/out flow)	120	71	46	30	55
Begin Cash & Cash Equiv.	365	485	557	603	633
End'g Cash & Cash Equiv.	485	557	603	633	688

Sales And Net Profit



Source: Thai Union Frozen, UOB Kay Hian

Correlation Between Tuna And Oil Price



Source: TUF, Bloomberg

Sensitivity Analysis

Bt/US\$	% chg in 2009F net profit vs base case
39	4.90
38	3.68
37	2.45
36	1.23
Base case = 35	0.00
34	(1.23)
33	(2.45)
32	(3.68)

Source: UOB Kay Hian

Key Assumptions

	2008	2009F	2010F
Ending Exchange Rate (Bt/US\$)	33.3	35.0	35.0
US\$ Sales Growth (%)	28.5	5.0	10.0
Bt Sales Growth (%)	24.4	10.3	10.0
Tuna Sales to total sales (%)	47.7	46.9	50.2
Frozen shrimp sales to total sales (%)	19.1	22.0	20.6
Avg. Raw Tuna Price (US\$/Ton)	1,617	1,250	1,300
Avg. Raw Shrimp Price (Bt/Kg)	125	132	134
Effective Tax Rate (%)	4.2	12.0	12.0

Source: UOB Kay Hian

We have based this document on information obtained from sources we believe to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Expressions of opinion contained herein are those of UOB Kay Hian Research Pte Ltd only and are subject to change without notice. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of the addressee only and is not to be taken as substitution for the exercise of judgement by the addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. UOB Kay Hian and its affiliates, their Directors, officers and/or employees may own or have positions in any securities mentioned herein or any securities related thereto and may from time to time add to or dispose of any such securities. UOB Kay Hian and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discussed herein (or investments related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.

UOB Kay Hian (U.K.) Limited, a UOB Kay Hian subsidiary which distributes UOB Kay Hian research for only institutional clients, is an authorised person in the meaning of the Financial Services and Markets Act 2000 and is regulated by Financial Services Authority (FSA).

In the United States of America, this research report is being distributed by UOB Kay Hian (U.S.) Inc ("UOBKHUS") which accepts responsibility for the contents. UOBKHUS is a broker-dealer registered with the U.S. Securities and Exchange Commission and is an affiliate company of UOBKH. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact UOBKHUS, not its affiliate. The information herein has been obtained from, and any opinions herein are based upon sources believed reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions and estimates herein reflect our judgement on the date of this report and are subject to change without notice. This report is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. From time to time, the firm preparing this report or its affiliates or the principals or employees of such firm or its affiliates may have a position in the securities referred to herein or hold options, warrants or rights with respect thereto or other securities of such issuers and may make a market or otherwise act as principal in transactions in any of these securities. Any such non-U.S. persons may have purchased securities referred to herein for their own account in advance of release of this report. Further information on the securities referred to herein may be obtained from UOBKHUS upon request.

<http://research.uobkayhian.com>

MICA (P) 229/04/2008
RCB Regn. No. 198700235E