

KEY STORY

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2008: Results better than expected, but all positives priced in.

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2008: Net profit up 18% yoy, below expectations.

Hengan International (SELL/HK\$27.70/Fair: HK\$20.50) Page 8

2008: Consumers beginning to prefer cheaper products. Renewed competition from smaller players who are targeting the low-end segment.

Update

China Huiyuan Juice (SELL/HK\$8.30/Fair: HK\$2.60) Page 10

Coca Cola's acquisition was rejected by the Ministry of Commerce. We cut fair price to HK\$2.60 based on lower earnings forecasts. Maintain SELL.

HONG KONG

Results

Kerry Properties (SELL/HK\$16.80/Target: HK\$13.68) Page 12

2008: Results below expectations and we expect earnings downgrade for 2009 across the market. Being cheap is not a reason to buy Kerry.

Sino Land (SELL/HK\$6.63/Fair: HK\$3.91) Page 14

1HFY09: Results below expectations because of the tight margin. Downward earnings revisions to reflect more stringent profit-sharing terms.

MALAYSIA

Update

Resorts World (BUY/RM1.90/Target: RM2.86) Page 16

Trading at historically low EV/EBITDA.

SINGAPORE

Sector

Banking Page 18

Concerns over solvency of Las Vegas Sands resurface again.

Land Transport Page 20

Dip in rail and bus ridership due to the Chinese New Year holiday.

THAILAND

Economics

Page 22
Exports decline 11% yoy in February- deceptive as gold exports jump over 1,000% during the month.

Sector

Healthcare Page 24

Based on replacement values, we prefer BGH to BH.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7486.6	1.2	8.0	(0.9)	(14.7)
S&P 500	794.4	2.1	10.1	0.8	(12.1)
FTSE 100	3805.0	(1.4)	3.0	(5.0)	(14.2)
AS30	3386.2	(0.2)	5.8	(0.3)	(7.5)
CSI 300	2332.7	0.4	5.1	1.5	28.3
FSSTI	1575.9	1.1	4.7	(3.3)	(10.5)
HSI	13117.2	1.9	9.9	0.7	(8.8)
JCI	1322.8	0.8	0.6	(0.1)	(2.4)
KLCI	848.0	0.7	(0.3)	(5.7)	(3.3)
KOSPI	1170.0	0.5	3.8	5.7	4.0
Nikkei 225	7972.2	0.3	8.1	5.5	(10.0)
SET	426.2	0.9	2.8	(3.5)	(5.3)
TWSE	5047.5	0.1	6.0	11.5	9.9

BDI	1861	(5.7)	(18.1)	(6.3)	140.4
CPO (RM/mt)	2044	0.3	(0.4)	5.6	25.4
Nymex Crude (US\$/bbl)	50	3.4	5.8	26.1	11.6

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (1cy)	Target Price (1cy)	Pot. +/- (%)
Top BUYs				
China Life	2628 HK	24.45	30.50	24.7
China Mobile	941 HK	68.10	90.00	32.2
China Petroleum	386 HK	4.20	6.93	65.0
China Railway	390 HK	4.61	5.90	28.0
China Shenhua	1088 HK	16.46	23.00	39.7
Zijin Mining	2899 HK	4.62	5.90	27.7
Bumi Resources	BUMI IJ	740.00	1,010.00	36.5
DBS Group	DBS SP	7.40	10.55	42.6
Indofood Agri	IFAR SP	0.59	0.80	35.6
SingTel	ST SP	2.44	2.95	20.9
Advanced Info	ADVANC TB	82.50	101.73	23.3
Quality Houses	QH TB	0.80	1.28	60.0
Top SELLs				
Aluminum Corp	2600 HK	4.12	3.00	(27.2)
Harbin Power	1133 HK	4.75	3.50	(26.3)
Parkson Retail	3368 HK	7.40	5.15	(30.4)
S'pore Exchange	SGX SP	4.77	3.00	(37.1)
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
SingTel Luncheon Presentation	Singapore	31 Mar-	31 Mar

Bank of Communications

2008: Results better than expected, but all positives priced in

BoCom reported 2008 net profit of Rmb28.4b, better than what we had expected. However, NPLs began to creep up during 4Q08 and we believe recent rally have priced in all positives. Maintain Sell.

Results

Year to 31 Dec	FY08 (Rmbm)	yoy % chg	Remarks
Net interest income	65,862	22.1	NII growth slowed from 33% pace through 3Q08 as PBOC began to cut rates
Net fee and commission income	8,837	24.6	Driven by strong bancassurance sales and non-wealth management areas
Net operating income	77,276	23.1	
Provision for impairment	(10,690)	67.6	Higher credit charges to bring up coverage ratio and higher general reserves
Net Profit	28,393	40.1	Earnings growth slowed from 3Q08 due to NIM compression and higher credit costs
Financial Indicators (qoq chg)			
CIR	39.94%	+1.44%	Although expenses were higher on a qoq basis for 4Q08, it was still 35bp lower than end-07. September and Oct 08 saw a spike in NPL formation, before stabilising to end the year
NPL ratio	1.92%	+15bp	
NPL balance	25,520m	+12.5%	See above
Loans overdue by 90d	20,979m	-3%	Loans overdue by 90d were up by Rmb1.2b from end-07, but decreased qoq from 3Q08
Coverage Ratio	116.8%	+3%	116.8% excludes general reserves and is derived using BoCom's own metrics. Under PBOC five-tier classification, coverage ratio is approx. 140%
NIM	3.02%	-18bp	NIM compression was reduced by the 4% qoq rise in average interest-earning assets
Gross loans	1,328,590	+2.3%	BoCom only issued Rmb31b of new loans during 4Q08, accounting for just over 13% of its total loans for FY08

Source: UOB Kay Hian

Stock Impact

BoCom's earnings were better than we anticipated as NIM compression and credit cost expansion was less than what we had expected. However, it does not mean that BoCom is out of the woods yet. Net interest income actually declined 9% qoq, but the rise in interest-earning assets (i.e. loans) was able to help cushion the impact on NIM compression. Funding costs remained at a high level as deposits continued to shift from demand into fixed term.

BoCom again reverted back to its own methodology of loan-quality classification, instead of using the industry-standard five-tier classification, which we believe this will only add confusion to investors. Management did comment that under the five-tier system, BoCom's coverage stood at 140% as of end-08, but that is still below the 150% that the CBRC recommends.

CHINA

Bank of Communications (3328 HK)

SELL

Current Price: HK\$5.25

Fair Price: HK\$3.67

Sector	Banking
52-Wk Avg Daily Vol. (m)	83.7
Market Cap (HK\$m)	294,025
(US\$m)	37,696
Major Shareholders (%)	
Ministry of Finance	20.0
HSBC	19.0
Book NTA per Share (Rmb)	3.06
ROE (%)	20.1
Results Due	
Interim	August
Final	March

Price Chart



Source: Bloomberg

Analyst

Nan Sheng
 ☎ (8621) 5404 7225 ext.809
 nan.sheng@uobkayhian.com

Year to 31 Dec	Operating Income (Rmbm)	Pre-Provisioning Profit (Rmbm)	Net Profit (Rmbm)	EPS (Rmbm)	EPS Growth (%)	PE (x)	P/B (x)	DPS (Rmb)	Yield (%)
2007	62,789	37,524	20,304	0.42	58.1	11.3	1.8	0.15	2.9
2008	77,276	46,409	28,393	0.58	36.8	8.2	1.6	0.23	4.4
2009F	83,405	46,521	22,286	0.45	-21.5	10.6	1.4	0.18	3.4
2010F	99,152	55,313	23,152	0.47	3.9	10.2	1.3	0.19	3.6
2011F	94,645	42,341	31,482	0.64	36.1	7.4	1.2	0.26	4.9

Consensus Net Profit – FY09: Rmb25,041m
 – FY09:Rmb27,640m

Credit costs also increased less than expected for 2008, coming in at 88bp instead of the 1% we were expecting. Earnings were further boosted by a Rmb1.56b trading gain, significantly higher than the Rmb250m gain in 2007.

Earnings Risk

Asset quality significantly better than our expectation.

Valuation/Recommendation

All in all, BoCom's results were slightly better than expected, with the only blemish being the increase in NPL balance during 4Q08, but that was largely expected by the market. BoCom's shares have experienced a nice rally leading up to its results, and we believe current share price has priced in the positives, including the unexpected trading gain. Going forward, BoCom will continue to be the most sensitive to increases in credit costs particularly with its own system of NPL classification, which goes to reduce its transparency. Maintain SELL with a fair price of HK\$3.67.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Net interest income	54,144	65,862	72,027	82,461	73,177
Operating expenses	(25,265)	(30,867)	(36,897)	(43,841)	(52,304)
Pre-provision profit	37,524	46,409	48,234	55,364	42,341
Net profit	20,304	28,393	23,098	23,129	31,482

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Cash and Balance with Central Banks	246,680	341,898	454,863	532,190	622,662
Due from other banks & fin institutions	156,110	331,511	223,165	267,799	321,358
Total Net Loans	1,085,724	1,298,776	1,379,721	1,561,944	1,872,005
Total Assets	2,110,444	2,682,947	3,027,391	3,536,493	4,141,391
Deposits	1,555,599	1,865,815	2,166,016	2,534,239	2,965,059
Total Liabilities	1,977,123	2,532,852	2,865,531	3,360,664	3,943,223
Total Shareholder's Equity	132,903	149,662	161,482	175,451	197,790

Corporate Loans Breakdown

(Rmbm)	2008	%
Manufacturing	321,501	24.2
Transportation	148,935	11.2
Electricity	105,541	7.9
Wholesale/retail	108,559	8.2
Services	49,990	3.8
Real estate	88,568	6.7
Utilities	92,207	6.9
Construction	52,261	3.9
Energy/mining	20,279	1.5
Recreation	20,560	1.6
Catering	13,977	1.1
IT	8,200	0.6
Financials	10,164	0.8
Others	13,057	1.0
TOTAL CORPORATE	1,053,799	79.3
Mortgage loans	133,415	10.0
L/T working capital	23,873	1.8
S/T working capital	16,883	1.3
Car loans	4,271	0.3
Credit cards	20,453	1.5
Others	6,63	0.5
TOTAL RETAIL	205,058	15.4
Discounted Bills	69,733	5.3
TOTAL GROSS LOANS	1,328,590	100.0

Source: Bank of Communications

China Insurance Int'l Holdings

2008: Set to stage a big comeback for 2009

CIIH reported net loss of HK\$299m for 2008 as it was hit particularly hard by stock-market losses last year. However, core businesses continued to turn in a profit under difficult times. Set to stage big rebound in 2009.

2008 Results

Year to 31 Dec	2008 (HK\$m)	yoy % chg	Remarks
Net earned premium	24,209		Driven by sale of traditional insurance products with 37 a shift in focus toward higher margins
Net investment inc	3,394		Substantial increase in NII due to shift from equities 80 into bonds, driving up interest income
Realised investment gains	(1,049)	n.a.	Due to losses sustained on sale of equity investments
Unrealised investment (losses)	(2,065)	n.a.	Primarily due to MTM losses on equity investments
Net Profit	(299)	n.a.	
NET PROFIT BY BUSINESS			
Reinsurance	51.8	(91)	Due to losses on equity investments and rise in catastrophe claims
Life insurance	440.7	(56.7)	Due to slower premium growth on shift in product mix and losses on equity investments
P&C Corporate	(167) (625)	n.a. n.a.	loss of HK\$593m Due to losses on equity investments

Source: UOB Kay Hian

Results

CIIH's 2008 net loss was more than our expectation as it was hit noticeably hard by the steep fall in equity markets last year. 2008 was an exceptionally difficult year where all insurers saw significant investment losses. CIIH's reinsurance unit, CIRe, was further plagued by higher claims due to the snowstorms and Sichuan earthquake last year. However, CIRe was still able to reduce the loss ratio to 57.8% from 65.5% due to retrocession protections taken on in prior years as well as the release of redundant reserves.

Taiping Life's (TPL) premium growth slowed considerably to 30.6% last year as it restructured its product mix to focus on traditional non unit-linked products. While premiums saw slower growth, this is a positive development to us as TPL's products will now provide higher margins for the company and offer greater contribution to embedded value (EV) than unit-linked policies.

Taiping Insurance (TPI) was incorporated for the first time on a line-by-line basis into CIIH's report after CIIH raised its holdings in TPI to 50.05% last July. TPI saw an underwriting loss of HK\$593m due to the lack of economy of scale, which caused its loss ratio and expense ratio to rise to 62.2% and 49.7% from 58.5% and 46.2% respectively. Combined ratio reached 111.9%, causing TPI to report the underwriting loss. TPI continued to see strong premium growth, with its auto unit experiencing a 36.5% yoy increase in gross premiums.

CHINA

China Insurance Int'l Holdings (966.HK)

BUY

Current Price: HK\$11.12

Target Price: HK\$15.10

(Previous: HK\$23.30)

Sector	Insurance
Bloomberg	966 HK
Reuters	966.HK
Website	www.ciih.com.hk

52-Wk Avg Daily Vol. (m)	
Market Cap (HK\$m)	15,809
(US\$m)	2,027

Major Shareholders (%)	
CIHK	54.0

Book NTA per Share (HK\$)	5.06
ROE (%)	n.a.

Results Due	
Interim	August
Final	March

Price Chart



Source: Bloomberg

Analyst

Nan Sheng
 ☎ (8621) 54047225 ext. 809
 nan.sheng@uobkayhian.com

Year to 31 Dec	Net Earned Premium (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	Price/EV (x)	DPS (HK¢)	Yield (%)
2007	17,646	3,009	1,549	1.08	184.2	10.2	2.3	0.33	2.9
2008	24,273	(269)	(299)	(0.14)	(113.2)	n.a.	1.9	0.10	0.9
2009F	27,962	2,131	922	1.15	901.7	9.7	1.5	0.34	3.1
2010F	35,444	2,743	1,176	1.49	29.6	7.5	1.3	0.45	4.0
2011F	42,471	3,655	1,550	1.99	34.1	5.6	1.0	0.60	5.4

Consensus Net Profit – FY09: HK\$826.9m
 – FY10: HK\$1,178.7m

Stock Impact

Losses are now history and all eyes on improvement in 2009. The weak 2008 results should come as no surprise to the market as all insurers were expected to suffer severe losses from stock markets. What we found to be particularly encouraging with this set of results was CIH's exceptional risk management in running its core business, namely CIRE and TPL. 2008 was a challenging year for CIRE due to the frequency of natural disasters. However, CIRE was still able to reduce its loss ratio due to retrocession protections and redundant reserves taken during 2006 and 2007, which were relatively quiet in terms of natural disasters. CIRE's ability to weather such turbulent times without sustaining a net loss will imply that it stands to bounce back with a big jump in earnings for 2009 on a stabilised A-share market.

TPL will share a similar theme with CIRE in that earnings stand to make a significant comeback with the stabilisation of the stock market. However, we believe TPL has also made structural improvements with the shift to traditional insurance policies in its product mix. We estimate that new-business margin for TPL jumped from 18% in 2007 to over 30% for 2008, with the reduced sale of unit-linked products the major driving force behind the margin improvement. Due to TPL's reliance on unit-linked products in 2007 and the subsequent stock market fall, 13-month and 25-month persistency ratios fell by 0.4% and 1% to 82.6% and 91.1% respectively. However, we expect lapse rates to stabilise as TPL progresses further with its product shift.

Earnings Risk

Continued stock market weakness and a prolonged period of low interest rates are the greatest risks to CIH.

Valuation/Recommendation

CIH's ytd share performance has significantly underperformed its larger peers such as Ping An and China Life. However, we expect CIH to see a strong recovery in earnings growth for 2009. Premium growth will remain strong on abundant liquidity sitting in retail deposits and low deposit rates will entice depositors to pursue investments with higher yields. We have revised down our target price to HK\$15.10, reflecting 2.0x 2009F EV and a very reasonable 14.1x NBV. CIH is currently trading at only 1.5x 2009F EV.

In what was an exceptionally difficult year in 2008 where we saw a substantial freefall in the stock market and exacerbated by a spike in natural disasters, CIH still managed to make a profit from its core reinsurance and life insurance businesses, which is a reflection on its strong underwriting discipline. With the stock market stabilising and working off a low basis for 2008, we expect CIH to bounce back with a large growth in earnings for 2009. Therefore, despite the cut in our target price, we maintain our BUY.

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Net earned premiums	17,646	24,209	27,670	35,076	42,032
Net profit	1,549	(299)	922	1,176	1,550
EPS	1.08	(0.14)	1.15	1.49	1.99

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Investment Assets	50,845	56,864	79,445	99,306	124,133
Total Assets	55,618	80,815	84,811	107,065	134,632
Total Liabilities	47,522	73,576	75,709	96,475	122,044
Equity	8,096	7,239	9,101	10,591	12,587

Embedded Value Movement

(HK\$m)	2008
Beginning EV	6,879
-New business value	865
-Expected return on EV	635
-Assumption and model	(200)
-Investment return variance	(442)
-Expense variance	(59)
-Income tax variance	318
-Other experience variance	123
-Exchange gain	429
Ending EV	8,548

Source: Company Data

Insurance Statistics

	2008	2007
TPL		
13m Persistency	82.6%	83.0%
25m Persistency	91.1%	92.1%
TPI		
Loss Ratio	62.2%	58.5%
Expensive Ratio	49.7%	46.2%
Combined Ratio	111.9%	104.7%
CIRE		
Loss Ratio	57.8%	65.5%
Expensive Ratio	27.1%	26.4%
Combined Ratio	84.9%	91.9%

Source: Company Data

TPL Gross Written Premiums

(HK\$m)	2008	2007
TPL Premiums		
Individual	4,673.7	5,258.6
Bancassurance	15,387.1	9,715.3
Group	1,147	1,271.4

Source: Company Data

China Shipping Development

2008: Net profit up 18% yoy, below expectations

China Shipping Development's 2008 net profit was 8% below consensus due to higher expenses and margins contracted sharply in 2H08. Dividend payout ratio has been halved in light of the glooming sector outlook.

2008 Results

(Rmbm)	2H07	2H08	yoy % chg	2007	2008	yoy % chg
Revenue	6,867	8,101	18.0	12,395	17,214	38.9
Gross profit	2,612	2,371	(9.2)	5,065	6,104	20.5
Operating profit	2,752	2,169	(21.2)	5,335	5,985	12.2
Finance costs	(76)	(41)	(45.9)	(173)	(84)	(51.4)
Taxation	(407)	(166)	(59.3)	(782)	(1,057)	35.2
Attributable profit	2,341	2,188	(6.5)	4,546	5,373	18.2
EPS (Rmb)	1.37	1.59	16.1	1.37	1.59	16.1
Profitability (%)						
Gross margin	38.0	29.3	(8.8)	40.9	35.5	(5.4)
Operating margin	40.1	26.8	(13.3)	43.0	34.8	(8.3)
Net margin	34.1	27.0	(7.1)	36.7	31.2	(5.5)

Source: CSD, UOB Kay Hian

Results

China Shipping Development's (CSD) revenue rose 39% yoy to Rmb17,214m and net profit grew 18% yoy to Rmb5,373m in 2008, lower than market expectations by 8%. The discrepancy was mainly due to the higher operating costs and lower margins.

Stock Impact

We estimate income from coastal coal and bulk shipments (accounted for 47.3% of total shipping revenue) to drop significantly in 2009 because of:

- lower coal demand from power plants, especially in Southern China, and total freight volume under the COA contracts may decline, and
- average freight rates for costal coal and bulk have declined 39.2%.

Earnings Revision

We fine-tune our net profit forecast for 2009, based on: a) management's guidance that total revenue is expected to reach Rmb9.8b this year, and b) margin erosion was worse than our expectation. We therefore lower our margins assumption and trim CSD's FY09-10 net profit forecast by 23% and 34% respectively.

Valuation/Recommendation

CSD's dividend payout ratio was cut from 37% in 2007 to 19% in 2008 given the glooming shipping sector outlook. However, the dividend cut is tempory. The stock is currently trading at 9.8x 2009F PE and 0.9x 2009F P/B, a premium over its peers' average of 0.7x 2009F P/B. Maintain SELL.

CHINA

China Shipping Development (1138 HK)

SELL

Current Price: HK\$6.94

Fair Price: HK\$4.85

Sector	Transport
52-Wk Avg Daily Vol. ('000)	13,333
Market Cap (H-share) (HK\$m)	8,994
(US\$m)	1,153

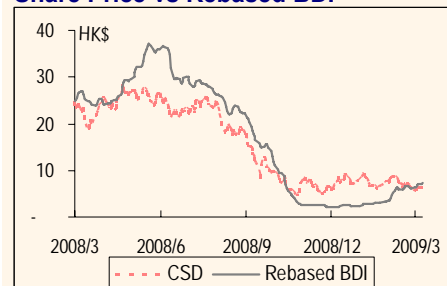
Major Shareholders (%)	
China Shipping Corp	46

Book NTA per Share (Rmb)	6.3
ROE (%)	26.4
Net Debt per Share (HK\$)	1.68

Results Due

Interim	August
Final	March

Share Price vs Rebased BDI



Source: Bloomberg

Analyst

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

Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rmb)	Yield (%)
2006	9,204	4,527	2,758	0.83	2	7.3	5.3	0.30	4.9
2007	12,395	6,828	4,546	1.37	65	4.5	3.5	0.51	8.4
2008	17,214	8,152	5,373	1.59	16	3.8	3.2	0.30	5.0
2009F	9,812	4,380	2,107	0.62	(61)	9.8	5.8	0.12	2.0
2010F	10,822	4,451	1,924	0.57	(9)	10.8	5.4	0.11	1.8

Consensus: 2008 – Rmb5,825m
 2009 – Rmb3,391m

Oil shipping business is steadier

Compared with coal shipping, oil shipping rates are more stable. We forecast domestic oil shipping and international oil shipping rates to decline 10-24% in 2009.

Margins contraction

CSD's margins have been contracting on all fronts since last year. Gross, operating and net margin fell by 8.8ppy, 13.3ppy and 7.1ppt yoy respectively in 2H08 due to the higher operating costs and other expenses. Since freight rates and freight volume for bulk shipment are expected to decrease, margins may continue to decline in the next two years. We estimate margins to decline to below 30% in 2009.

Revenue Breakdown

	2007	2008	yoy % chg
Revenue (Rmbm)			
Oil shipment	4,924	5,995	22
Coal shipment	5,324	6,872	29
Other bulk shipment	2,146	2,488	16
Gross profit (Rmbm)			
Oil shipment	1,393	1,796	29
Coal shipment	2,482	3,437	38
Other bulk shipment	1,191	971	-18
Gross margin (%)			
Oil shipment	28.3	30.0	
Coal shipment	46.6	50.0	
Other bulk shipment	55.5	39.0	

Source: CSD, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008	2009F	2010F
Turnover	9,204	12,395	17,214	9,812	10,822
EBIT	3,338	5,335	5,985	2,335	2,283
Pre-tax Profit	3,293	5,328	6,433	2,586	2,570
Net Profit	2,758	4,546	5,373	2,107	1,924
EPS (Rmb)	0.83	1.37	1.59	0.62	0.57

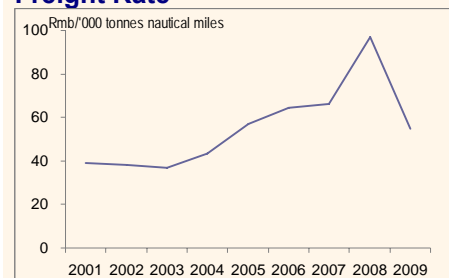
Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008	2009F	2010F
Current Assets	2,313	2,438	3,195	2,138	3,082
Total Assets	17,000	23,607	29,928	29,207	30,436
Current Liabilities	2,653	1,712	1,834	970	1,008
Long-Term Loans	1,741	5,823	6,740	5,797	5,473
Shareholders' Funds	12,605	16,072	21,354	22,439	23,955
Total Equity & Liabilities	17,000	23,607	29,928	29,207	30,436

Cash Flow

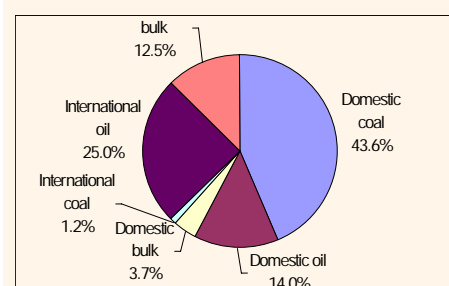
Year to 31 Dec (Rmbm)	2006	2007	2008	2009F	2010F
Operating	3,171	5,611	5,797	3,670	3,404
Investing	(4,183)	(6,924)	(6,133)	(2,000)	(2,000)
Financing	407	1,956	894	(2,321)	(564)
Net Cash Inflow/(Outflow)	(604)	643	558	(652)	840
Begin Cash & Cash Equiv.	1,099	475	1,080	1,858	1,207
End'g Cash & Cash Equiv.	475	1,080	1,858	1,207	2,047

CSD's Domestic Coal Contract Freight Rate



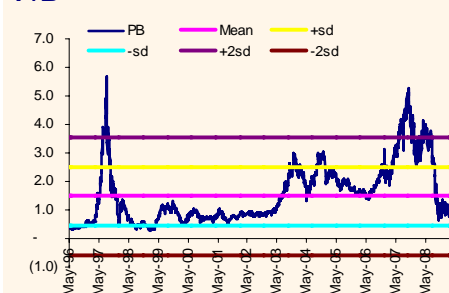
Source: CSD, UOB Kay Hian

Revenue Breakdown In 2008



Source: CSD, UOB Kay Hian

P/B



Source: Bloomberg, UOB Kay Hian

Hengan International

2008: Signs of consumer trade-down and renewed competition

Consumers are beginning to prefer cheaper products amid worsening economic conditions. There is also renewed competition from small players who are active in launching cheap products.

2008 Results

(HK\$m)	1H07	1H08	yoy % chg	2H07	2H08	yoy % chg
Turnover						
Sanitary napkins	767	943	22.9%	772	1,073	39.0%
Disposable diapers	628	900	43.5%	733	973	32.7%
Tissue paper products	1,250	1,817	45.4%	1,335	2,058	54.1%
Others	99	96	(3.8%)	103	142	38.2%
Total Turnover	2,744	3,756	36.9%	2,943	4,246	44.3%
Segment EBIT						
Sanitary napkins	272	350	28.8%	286	332	16.4%
Disposable diapers	109	153	40.1%	135	144	7.3%
Tissue paper products	167	167	0.1%	135	237	76.1%
Others	46	39	(16.8%)	32	45	41.6%
Total EBIT	621	735	18.5%	635	796	25.3%
Finance income	7	22	212.6%	15	24	66.4%
Finance costs	(46)	(40)	(12.2%)	(49)	(27)	(45.7%)
Profit before tax	582	718	23.2%	600	793	32.2%
Tax	(110)	(88)	(19.8%)	(65)	(78)	(18.9%)
Profit after tax	472	629	33.3%	535	715	33.8%
						(482.0)
MI	(2)	(2)	2.0%	1	(2)	(%)
Net Profit	471	628	33.4%	535	713	33.2%

Source: Hengan, UOB Kay Hian

Results

Net profit rose 33% yoy to HK\$1.34b in 2008, in line with our estimates (HK\$1.33b) and consensus (HK\$1.3b). Sales rose 40.7% to HK\$8b. The company has recommended a final dividend of HK\$0.40/share (2007: HK\$0.32), bringing the full-year payout to HK\$0.72/share (2007: HK\$0.60).

Stock Impact

Key message from investor presentation is that consumers are beginning to prefer cheaper products amid fear of job security and worsening consumer market as sales growth of premium diapers and tissue have been lagging behind low-end products. There is also renewed competition from small players becoming active again and launching cheap products. We believe more investors are beginning to be convinced about the negative effects of possible consumer trade-down and intensifying competition.

Valuation/Recommendation

Share prices of global personal hygiene product producers have rebounded recently. We believe this is attributed to their attractive valuation (2009F PE of slightly above 10x). Should their share prices continue to do well, Hengan's share price will likely follow despite its expensive valuation. The stock is trading at 21.1x 2009F PE, substantially higher than the global weighted average of 12.5x and the historical average PE of 15.7x. In addition, Hengan is trading at (or close to) the highest P/B and PE valuations among global personal healthcare peers. **Maintain SELL.**

CHINA

Hengan International (1044 HK)

SELL

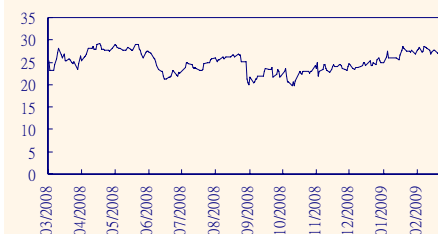
Current Price: HK\$27.70

Fair Price: HK\$20.50

Sector	Consumer
52-Wk Avg Daily Vol. (m)	2.7
Market Cap (HK\$m)	31,857
(US\$m)	4,084
Major Shareholders (%)	
Sze Man Bok	19.6
Hui Chi Lin	19.1
Book NTA per Share (HK\$)	4.95
ROE (%)	22.7
Net Debt per Share (HK\$)	0.24

Results Due
Interim: Sep
Final: Mar

Price Chart



Source: Bloomberg

Analyst

Tommy Ho
☎ (852) 2236 6797
tommy.ho@uobkayhian.com.hk

Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	5,687	1,458	1,006	92.2	43.1	30.0	20.4	60.0	2.2
2008	8,002	1,815	1,341	117.2	27.1	23.6	17.2	72.0	2.6
2009F	9,321	2,252	1,624	131.0	11.8	21.1	14.0	86.7	3.1
2010F	10,138	2,416	1,745	140.8	7.4	19.7	13.1	93.1	3.4
2011F	10,954	2,581	1,867	150.6	7.0	18.4	12.1	99.6	3.6

Consensus Net Profit – 2009: HK\$1,754m
– 2010: HK\$2,038m

P&G maintaining its prices while Unilever trims prices

While P&G China has recently assured its distributors that it will not reduce its product prices and will not lose market share in 2009, market sources suggest Unilever (UNA NA) has trimmed prices for some of its products (including washing powder) in China as crude oil prices have dropped substantially. While Unilever's product portfolio (including soap, detergents, toothpaste) do not compete directly with Hengan's product portfolio, we believe Unilever's move may signal a wave of price cuts for household/personal hygiene consumer products. According to P&G China, P&G will set prices every three months in accordance with the cost of production in earlier time, operation, human resources as well as changes in the end-consumer market. Hence, its product prices do not necessarily respond spontaneously, but they may eventually follow amid weakening consumer market.

Consumer trade-down, pricing pressure and renewed competition

Management revealed that sales growth so far in 1Q09 was double-digits and ASPs remained the same. Having said that, sales growth for low-margin diapers and tissue products have been higher than that of the more expensive products. Management believes the challenging economic environment has affected the sales of premium products. With the sharp decline in raw material prices, management believes there are pressure to lower prices, but will launch more promotional activities instead of lowering ASPs. Meanwhile, the sharp decline in raw material prices has recently rejuvenated smaller and less profitable competitors who launch cheaper but lower-quality products. We expect this will intensify the competition amid slowing consumer market.

Peer Comparison

Company	Stock Code	Mkt Cap (US\$m)	P/B (x)	ROE (%)	2008F	2009F	2010F
					PE (x)	PE (x)	PE (x)
JOHNSON & JOHNSON	JNJ US	140,282	3.3	30.2	11.2	11.3	10.4
PROCTER & GAMBLE CO	PG US	140,621	2.0	17.8	13.7	12.9	11.7
KIMBERLY-CLARK CORP	KMB US	19,395	3.7	37.1	11.3	11.3	10.2
KAO CORP	4452 JP	10,052	1.7	11.7	14.4	16.0	15.0
UNICHARM CORP	8113 JP	4,524	2.5	10.3	25.3	28.2	20.8
HENGAN	1044 HK	4,084	4.9	22.7	23.6	21.1	19.7
Global Weighted Average			2.7	23.9	12.9	12.5	11.4

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	5,687	8,002	9,321	10,138	10,954
EBIT	1,256	1,531	1,921	2,056	2,192
Pre-tax Profit	1,182	1,511	1,900	2,039	2,179
Net Profit	1,006	1,341	1,624	1,745	1,867

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	4,610	5,818	5,955	6,289	7,070
Total Assets	8,584	10,333	10,829	11,724	12,666
Current Liabilities	1,701	2,295	2,595	2,776	2,956
Long-Term Liabilities	1,500	1,500	1,500	1,500	1,500
Shareholder Funds	5,328	6,484	6,682	7,397	8,160
Total Equity & Liabilities	8,584	10,333	10,829	11,724	12,666

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	796	999	1,757	1,884	2,035
Investing	(1,578)	(825)	(691)	(921)	(550)
Financing	2,066	96	(1,268)	(954)	(1,029)
Net Cash In/(Out) Flow	1,284	270	(202)	9	456
Begin Cash & Cash Equiv.	1,021	2,305	2,575	2,372	2,381
End'g Cash & Cash Equiv.	2,305	2,575	2,372	2,381	2,838

Gross Margin For Key Segments

Segment	1H07	2H07	1H08	2H08
Sanitary napkins	54.2	59.6	58.7	57.2
Disposable diapers	31.6	34.8	35.7	34.9
Tissue paper products	31.4	31.6	29.6	33.4
Group Gross Margin	39.1	40.9	39.2	40.8

Source: Hengan, UOB Kay Hian

EBIT Margin For Key Segments

Segment	1H07	2H07	1H08	2H08
Sanitary napkins	35.4	37.0	37.1	31.0
Disposable diapers	17.4	18.4	17.0	14.8
Tissue paper products	13.3	10.1	9.2	11.5
Group EBIT Margin	22.6	21.6	19.6	18.7

Source: Hengan, UOB Kay Hian

Global Hygiene Product Producers – Share Price Change

Company	5-day (%)	1-mth (%)	3-mth (%)	6-mth (%)	12-mth (%)
JOHNSON & JOHNSON	6.2	(9.2)	(14.0)	(28.5)	(22.3)
PROCTER & GAMBLE CO	6.2	(5.8)	(20.4)	(32.7)	(30.0)
KIMBERLY-CLARK CORP	5.8	(3.2)	(11.0)	(27.6)	(27.3)
KAO CORP	(0.9)	(4.0)	(33.5)	(38.9)	(36.7)
UNICHARM CORP	9.0	1.3	(4.3)	(20.5)	(8.1)
HENGAN	0.4	(0.9)	10.7	37.3	13.9
Global Weighted Average	5.8	(6.7)	(16.4)	(29.2)	(25.8)

Source: Hengan, UOB Kay Hian

China Huiyuan Juice

Coca Cola's deal banned, heavy share price pressure ahead

Coca Cola's proposed HK\$17.9b (HK\$12.20/share) acquisition of Huiyuan was rejected by the Ministry of Commerce (MOC) yesterday. Share price will come under heavy pressure, given the expensive valuation. Maintain SELL.

Corporate Events

Coca Cola's acquisition rejected by the MOC. China's MOC yesterday rejected Coca Cola's proposed acquisition of Huiyuan, based on the newly-passed anti-trust law of the country. We believe it is unlikely Coca Cola will reconsider acquiring Huiyuan again in the near term. Apart from the rejection by the MOC, the deal may face objection from the board of Coca Cola, given the extraordinarily expensive purchase price for Huiyuan.

Stock trading will resume today. Huiyuan suspended trading of its shares yesterday morning. After the market close, Huiyuan and Coca Cola jointly announced a formal scrapping of the deal. Trading of Huiyuan's shares will resume today.

Stock Impact

Heavy selling expected today. We expect Huiyuan's share to see heavy selling when trading resumes today. Without the acquisition by Coca Cola, Huiyuan's share price will be driven by fundamentals. We believe the Group will be plagued by two factors: a) a pause in development since last year, and b) intensifying competition due to the MOC's objection of Coca Cola's deal.

- **A year's pause in development.** According to industry sources, Huiyuan had slowed down or suspended its development plans since knowing that it would be acquired by Coca Cola last year. It shifted its focus to restructuring the production system, sales system and human resources in preparation for a takeover by Coca Cola. In 1H08, selling and marketing expenses fell 6.6% yoy, mainly due to a drop in advertising and promotional costs and salary for salespersons. The number of sales representatives has dropped from 3,926 to 2,520. As such, Huiyuan's core net profit (excluding such exceptional items as revaluation of convertible bonds and foreign exchange gain) plunged 52% yoy in 1H08, dragged by a 5ppt yoy drop in turnover and margin erosion.
- **Intensifying competition ahead.** We expect the MOC's objection to Coca Cola's acquisition of Huiyuan to deter multi-national corporations (MNCs) from acquiring large domestic juice companies. This would prompt MNCs to shift from M&As to organic growth in penetrating China's market. For instance, Coca Cola recently indicated it would invest US\$2b in China in the next three years to build up production plants and distribution networks for beverage and juice businesses, representing a great threat to Huiyuan.

Earnings could grow at 25% CAGR in 2009-10 after halving in 2008. After the cancellation of Coca Cola's acquisition, we believe Huiyuan will refocus on business development, including production and sales. However, it takes time for Huiyuan to regain market share from domestic competitors. We forecast the Group's net core profit to grow at 25% CAGR after falling

CHINA

China Huiyuan Juice (1886 HK)

SELL

Current Price: HK\$8.30
Fair Price: HK\$2.60
(Previous: HK\$5.00)

Sector	F&B
52-Wk Avg Daily Vol. ('000)	4,458
Market Cap (HK\$m)	12,014
(US\$m)	1,540

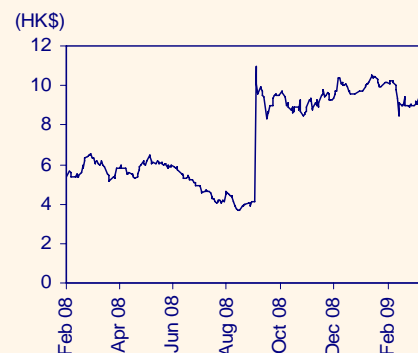
Major Shareholders (%)	
Zhu Xinli	42.15

Book NTA per Share (HK\$)	3.31
ROE (%)	3.5
Net Cash per Share (HK\$)	0.25

Results Due

Interim:	Sep
Final:	Apr

Price Chart



Source: Bloomberg

Analyst

Ken Lee
 ☎ (852) 2236 6749
 ken.lee@uobkayhian.com.hk

Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rmb)	Yield (%)
2006	2,066	377	225	0.271	178	27.0	30.2	-	-
2007	2,656	496	298	0.218	(19)	33.5	19.8	0.109	1.5
2008F	2,583	397	153	0.106	(52)	69.3	20.6	0.026	0.4
2009F	3,169	488	197	0.136	29	53.9	16.7	0.034	0.5
2010F	3,783	587	237	0.164	21	44.7	14.0	0.041	0.6

Consensus Net Profit – FY08 : Rmb347m
 -- FY09: Rmb387m

49% yoy in 2008. Our new net profit forecasts for 2008-10 are 24%, 39%, 46% below our previous estimates and 50% below consensus. The differences between our forecasts and consensus lie on margins and exceptional items. We assume Group EBIT margin to improve slightly from 7.7% in 2008 to 8.1% in 2010 while the street assumes it to rebound to exceed 2007 level of 12.6% in the coming two years. We exclude all exceptional items in estimating net profit.

Earnings Risk

Although prices of major raw materials (such as juice concentrate and sugar) and packaging materials have come off significantly from their peaks since 2H08, the Group's margin could still be squeezed by intensifying competition from domestic players and multi-national corporations like Coca Cola and Pepsi.

Valuation/Recommendation

Based on our new profit forecasts and the closing price before suspension of share trading yesterday, Huiyuan's 2009F PE was 53.9x vs an average of 14x for domestic peers and 13x for Coca Cola. Maintain SELL with fair price cut from HK\$5.00 to HK\$2.60 based on 14x 2010F PE, the average one-year forward PE for domestic peers. We believe share price could drop to below HK\$4.00, the level before the announcement of Coca Cola's acquisition on 3 Sep 08, due to the prospective drop in 2008 earnings. If share price drops to HK\$1.00, it is worth considering a re-entry.

Peer Comparison – Huiyuan Juice

Company name	Stock code	2008F	PE (x) 2009F	2010F	EPS CAGR (%)	PEG (x) 2009F
Huiyuan	1886 HK	69.3	53.9	44.7	25.0	2.3
China Foods Ltd	506 HK	17.6	13.6	9.5	26.7	0.5
China Mengniu Dairy	2319 HK	n.a.	21.5	15.2	n.a.	n.a.
Tsingtao Brewery-H	168 HK	24.5	20.2	16.6	21.0	1.0
Dynasty Fine Wine	828 HK	9.5	9.0	8.9	2.8	3.2
China Yurun Food	1068 HK	13.5	11.6	8.6	17.1	0.7
Tingyi Hldg Co	322 HK	24.9	20.7	16.8	21.5	1.0
Uni-President	220 HK	17.9	11.1	9.6	36.2	0.3
Want Want China	151 HK	20.7	17.3	14.3	20.4	0.8
Average		16.5	14.2	11.4	19.2	1.0

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	2,066	2,656	2,583	3,169	3,783
EBIT	256	336	200	249	305
Pre-tax Profit	231	335	170	224	279
Net Profit	225	298	153	197	237

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	1,107	3,961	3,564	3,813	4,041
Total Assets	3,496	6,887	7,261	7,549	7,896
Current Liabilities	1,803	687	676	827	1,004
Long-Term Loans	54	511	18	18	0
Shareholders' Funds	1,547	4,661	4,360	4,519	4,707
Total Equity & Liabilities	3,496	6,887	7,261	7,549	7,896

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	293	10	391	337	416
Investing	288	(2,110)	(1,000)	(300)	(400)
Financing	(517)	3,357	(160)	(38)	(49)
Net Cash Inflow/(Outflow)	65	1,258	(769)	(1)	(33)
Begin Cash & Cash Equiv.	26	91	1,290	521	520
End'g Cash & Cash Equiv.	91	1,290	521	520	487

Kerry Properties

2008: A dull set of numbers

The below-expectation results do not matter much, rather the downward revision of this year's earnings will do more damage. Being a hybrid, we do not see any catalysts for Kerry to outperform either its Hong Kong or China peers in the near term.

2008 Results

Year to 31 Dec	2007 (HK\$m)	2008 (HK\$m)	yoy % chg	Remarks
Property dev – HK	1,627	591	(64)	Only a small project was completed
- China	24	1,121	4,652	Completion of Kerry Everbright City P2A
Rental income - HK	372	462	24	Rental reversion & full-year rent from Megabox
- China	448	413	(8)	
Hotel	152	172	13	
Logistics	267	317	19	Focused in Asia
Warehouse	248	261	5	
Infrastructure	(2)	(3)	8	
Others	135	99	(27)	
Operating profit	3,271	3,434	5	
Finance expenses	(301)	(279)	(7)	
Associates	432	299	(31)	
Profit before tax	3,403	3,454	2	Higher effective tax partly due to China income
Taxation	(494)	(902)	83	
Minorities	(318)	(323)	1	
Net profit	2,590	2,229	(14)	

Source: UOB Kay Hian

Results

Results below expectations. 2008 headline net profit fell 54% to HK\$3,051m. Taking out the property revaluation element, underlying net profit would have dropped a smaller 14% to HK\$2,229m, but still below both our HK\$2.6b and consensus' HK\$2.7b forecasts. The shortfall was partly due to the HK\$276m impairment loss on investments (mainly Champion REIT).

A larger fall in DPS. Including the HK\$0.40 final dividend, full-year DPS was reduced 26% to HK\$0.70. All core divisions reported improved performance. The profit decline was due to a higher effective tax rate. In terms of contribution to the bottom line, China property accounted for 48%, Hong Kong property 36%, and logistics and warehouse 16%.

Hong Kong property. Operating profit from property sales fell 42% to HK\$940m but still good results given only the tiny 47,400sf SOHO 38 was completed in the year, with supplement from the sale of inventories as well as luxury apartments previously retained for rental. Rental income was up 20% to HK\$589m, on the low side considered Megabox contributed the whole year.

China property. With the completion of Shanghai's Kerry Everbright City P2A, property sales in China brought in HK\$1,121m operating profit compared to 2007's HK\$24m. Rental income also rose 30% to HK\$796m with improved occupancies in all segments, impressive given the slow market.

Logistics and warehouse. The 9% turnover growth to HK\$7.9b was strong considered the slowdown in the US and EC, and showed Kerry's focus was still very much in Asia. The 3.6% EBIT margin, up from 3.3%, was reassuring given the operating conditions. Rental income from warehouses was flat.

HONG KONG

Kerry Properties (683 HK)

SELL

Current Price: HK\$16.80

Fair Price: HK\$13.68

(Previous: HK\$12.50)

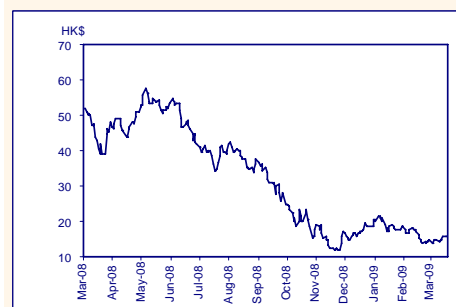
Sector	Property
52-Wk Avg Daily Vol. ('m)	3.4
Market Cap (HK\$m)	23,974
(US\$m)	3,074

Major Shareholders (%)	
Kerry Group	53.2

Book NTA per Share (HK\$)	32.61
ROE (%)	4.9
Net Debt per Share (HK\$)	8.44

Results Due	
1H: Aug	Final: Mar

Price Chart



Source: Bloomberg

Analyst

Sylvia Wong

(852) 2236 6793

sylvia.wong@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 (%)
2007	11,272	3,440	2,590	1.953	-18.8	8.6	4.0	0.950	5.7
2008	13,116	3,612	2,229	1.563	-19.9	10.7	3.8	0.700	4.2
2009F	n.a.	3,494	1,938	1.358	-13.2	12.4	3.9	0.700	4.2
2010F	n.a.	4,193	2,345	1.643	21.0	10.2	3.3	0.700	4.2
2011F	n.a.	5,032	2,884	2.021	23.0	8.3	2.7	0.850	5.1

Consensus Net Profit – FY09: HK\$2,720m
– FY10: HK\$2,098m

Sino Land

1HFY09: Development margin tighter than expected

Sino Land has continued to gain recognition as a premium developer. However, with the highest exposure to the residential sector among peers and a high-cost landbank, one should avoid it at this point of the downcycle.

Results

Year to 30 Jun	1HFY08 (HK\$m)	1HFY09 (HK\$m)	yoy % chg	Remarks
Contributions				
Property development	1,274	2,895	127	Bulk from The Palazzo
Property investment	565	678	20	Mainly from positive rental reversion
Treasury income	442	(448)	(201)	Including HK\$480m unrealised
Others	7	(56)	n.a.	equities losses
Net interest charges	23	(105)	n.a.	Including hotel, management
Operating profit	2,310	2,964	28	services and administrative charges
Associates	405	184	(54)	Benefited from new share issue in
Profit before tax	2,715	3,149	16	FY07
Taxation	(304)	(536)	77	
Minorities	(91)	(10)	(89)	
Net profit	2,320	2,603	12	

Source: UOB Kay Hian

Results

12% growth in underlying profit. Headline net profit fell 58% to HK\$2,012m. Excluding property revaluation deficit, underlying net profit would have increased 12% to HK\$2,603m, driven mainly by development profit from The Palazzo. Despite the growth, interim dividend was maintained at HK\$0.10/share. This makes sense since The Palazzo is the last major project with lucrative margin.

Below expectations. The results were below projected HK\$2.9b. But since equities losses turned out to be much smaller than expected, we have over-estimated profit contribution from the 1.3m sf The Palazzo.

Profit-sharing arrangement less favourable than expected. The HK\$4.7b revenue from sale of properties mainly came from The Palazzo (80% of 1,375 units sold) and One Madison (one-third of the 126 units sold). But instead of our expected HK\$3.4b pre-tax profit, we estimate The Palazzo only generated HK\$2.8b, meaning the profit-sharing arrangement with the then-KCR was more stringent than widely believed in the market. We estimate another HK\$100m came from sale of inventories in China.

High completion level. Sino Land completed six projects with total attributable GFA of 2.2m sf, three of them with total GFA of 0.7m sf were commercial projects for rental. While The Palazzo was presold before its completion, the other two residential projects were not launched in the period.

Losses on listed securities. The underlying profit included HK\$505m treasury losses including unrealised losses on equity securities, while a HK\$384m was booked in the previous year from the buoyant stock market. Gross rental income increased 25% to HK\$1,117m, mainly due to positive rental revisions.

HONG KONG

Sino Land (83 HK)

SELL

Current Price: HK\$6.63

Fair Price: HK\$3.91

Sector	Property
52-Wk Avg Daily Vol. ('m)	12.3
Market Cap (HK\$m)	32,109
(US\$m)	4,117
Major Shareholders (%)	
Tsim Sha Tsui Properties	51.14
Book NTA per Share (HK\$)	12.13
ROE (%)	6.3
Net Debt per Share (HK\$)	3.12

Results Due

1H: Mar

Final: Sept

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	7,532	4,577	3,904	0.870	-20.7	7.6	9.8	0.385	5.8
2008	6,251	3,967	3,373	0.704	-19.0	9.4	11.3	0.400	6.0
2009F	n.a.	4,570	3,678	0.759	7.8	8.7	9.8	0.400	6.0
2010F	n.a.	3,329	2,607	0.539	-29.0	12.3	13.4	0.400	6.0
2011F	n.a.	3,706	2,906	0.600	11.5	11.0	12.1	0.415	6.3

Consensus Net Profit -- FY09: HK\$4,993m

-- FY10: HK\$2,816m

Gearing manageable. Although Sino Land did not purchase any landbank in the interim, consolidated net debt was up 23% to HK\$15.1b, pulling gearing up from 21% to 26%. Including off-balance sheet debt, gearing will be raised further to 35%.

Stock Impact

Selling pressure from disappointing margin. We could see selling pressure as The Palazzo turned out to be less profitable than thought. Moreover, the street will question the profit-sharing assumptions for the other two JV projects- the 0.5m sf The Dynasty and the 1.8m sf Silver Lake.

Earnings Revision

Downward revision. We have revised down FY09 net profit by 15% to reflect lower profit from The Palazzo, and by 7% for FY10 by assuming a tighter profit-sharing arrangement for Lake Silver. Another three projects are scheduled for completion in 2HFY09. We expect sales of the massive Lake Silver will be delayed into FY10, but the 256-unit The Dynasty (launched Oct 08 and 40% presold) and the smaller Vista (completed in 1HFY09) will contribute.

Margin decline from FY10. With the completion of The Palazzo, Sino Land would have booked the last chunk of hefty profit from landbank bought before the market recovery in 2003. From FY10 onwards, we expect to see a notable margin decline. The high land costs that Sino Land has been paying for sites in public auctions mean its profits are highly sensitive to changes in residential prices.

Valuation/Recommendation

Maintain SELL. Our fair price is based on the 63% trough discount to NAV of HK\$10.65. As mentioned before, this is a harsh target and represents an overshooting position. After hitting this new low, we expect the stock will rebound to around HK\$7.45, based on the average 30% NAV discount in the past. In any case, as we expect at least another 25% decline in residential prices from the current levels, being the developer that is most geared towards the Hong Kong residential market, Sino Land will continue to be under pressure as home prices fall.

Share buyback continued. During the period, another 50m shares were bought between HK\$5.00 and HK\$15.32/share for a total HK\$413m.

Profit & Loss

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	7,532	6,251	n.a	n.a	n.a
EBIT	3,678	3,287	4,312	3,098	3,436
Pre-tax Profit	4,448	3,887	4,360	3,097	3,451
Net Profit	3,904	3,373	3,678	2,607	2,906

Balance Sheet

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	29,208	33,369	34,111	30,700	30,086
Total Assets	72,717	86,234	86,284	77,655	79,985
Current Liabilities	(8,728)	(10,420)	(12,791)	(12,151)	(11,908)
Long-Term Liabilities	(11,765)	(11,991)	(12,495)	(11,870)	(11,989)
Shareholder Funds	47,581	58,723	55,062	49,365	50,819
Total Equity & Liabilities	(72,717)	(86,234)	(86,284)	(77,655)	(79,985)

Cash Flow

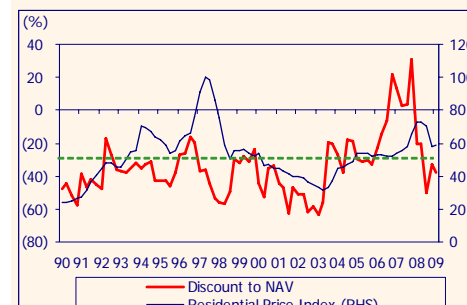
Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	3,157	3,627	2,814	3,021	2,749
Investing	(251)	(6,241)	(1,614)	(2,100)	(4,321)
Financing	(2,749)	3,065	(1,128)	(1,326)	1,326
Net Cash In/(Out) Flow	157	451	72	(405)	(246)
Begin Cash & Cash Equiv.	2,973	3,130	3,580	3,652	3,247
End'g Cash & Cash Equiv.	3,130	3,580	3,652	3,247	3,001

Appraised NAV

	HK\$m	HK\$m
Development property		
Luxury residential	6,251	
Mass residential	14,447	
Office	1,780	
Retail	1,109	
Others	0	
		23,588
Investment property		
Luxury residential	677	
Retail	11,739	
Office	8,183	
Industrial	1,304	
Carparks	1,288	
		23,191
Properties held for sale		
Residential	2,770	
Retail	22	
Office	59	
Industrial	527	
		3,378
Hotel		1,994
Properties in mainland China		
Residential	11,311	
Office	898	
Retail	229	
Hotel	23	
Others	4	
		12,465
Other assets		4,739
Net debt		(17,931)
Net assets		51,424
NAV/sh	HK\$	10.65

Source: UOB Kay Hian

Historical Discount to NAV



Source: UOB Kay Hian

Resorts World

Trading at historically low EV/EBITDA

Share is trading at EV/EBITDA of 4.0x and 3.3x for 2009 and 2010 respectively, below the historical low of 5.0x during AFC. We revisit our valuation assumptions and reevaluate how sustainable Resorts World's business model is.

Corporate Events

Based on our recent conversation with management, we conclude the business environment for 2009 will be challenging given the expectation of a slowdown in leisure revenue from the VIP segment and mass market even though visitor arrivals in Jan-Feb 09 were satisfactory. We expect the top-line of the VIP segment and mass market to decline 14.1% and 9.3% respectively.

Stock Impact

Business sustainability. We think Resorts World's (Resorts) business model is highly sustainable in the current adverse economic environment. This hypothesis is based on its monopoly position, key market (day-trippers from Klang Valley), net cash position of RM4.5b and strong free cash flow generation. In addition, domestic travel and, to a certain extent, visitors from Singapore will prefer Genting Highland Resorts for holidays given the current economic conditions. Visitors from Singapore grew 5% yoy in 2008 but growth is expected to slow down marginally by 2% yoy in 2009.

Measures to cushion impact of economic slowdown. Management has undertaken initiatives such as targetted marketing programmes and yield management to cushion the negative impact of a more severe economic slowdown.

Targetted marketing programmes. For instance, the bus programme, which mainly targets visitors from second- and third-tier towns who visit Genting Highland Resorts on weekdays, aims to smooth out hotel occupancy during off-peak seasons. This segment of customers has lower income but also a higher propensity to spend. Other marketing initiatives target the Singapore market, where Resorts has positioned itself as a "value for money" destination for family holidays.

Yield management. Management continues to emphasise on yield management given its strong loyalty programme clientele of 2.7m to encourage visitors to patronise its casino. This measure aims to drive casino revenue given that the segment remains the key contributor (80%) to Resorts' revenue.

MALAYSIA

Resorts World (RNB MK)

BUY

Current Price: RM1.90

Target Price: RM2.86

(Previous: RM3.30)

Sector	Gaming
52-Wk Avg Daily Vol. ('000)	11,909.71
Market Cap (RM\$m)	11,213.51
(US\$m)	3,048.18
Major Shareholders (%)	
Genting Bhd	48.3
Book NTA per Share (RM\$)	1.69
ROE (%)	11.9
Net Cash per Share (RM\$)	0.79
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

Price Chart



Source: Bloomberg

Malaysia Research Team

☎ (603) 2143 1180
research@uobkayhian.com

Year to 31 Dec	Turnover (RMm)	EBITDA (RMm)	Net Profit (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (sen)	Yield (%)
2007	4,352.3	1,732.9	1,555.7	19.4	35.5	9.8	4.8	6.5	3.4
2008	4,886.7	2,034.2	634.4	11.0	(43.3)	17.3	3.2	7.0	3.7
2009F	4,388.6	1,558.0	1,073.1	18.6	69.2	10.5	4.0	6.3	3.2
2010F	4,565.6	1,623.8	1,141.1	19.8	6.3	9.9	3.3	6.7	3.4
2011F	4,766.4	1,744.7	1,254.4	21.7	9.9	9.0	2.6	7.3	3.8

Consensus Net Profit – FY09: RM1,253.48m
 – FY10: RM1,235.96m

Earnings Risk

Besides the likelihood of a more severe economic slowdown, the two integrated resorts in Singapore are due to open in 2009 and 2010. Thus, we have cut our earning forecasts by 16.5% and 13.0% for 2009 and 2010 respectively on the back of weaker top-line growth from the VIP segment (-14.1% yoy) and mass market (-9.3% yoy). We think the mass market is more resilient than the VIP segment and, coupled with lower petrol prices, this may cushion the adverse impact on casino patronage by a fall in the number of day-trippers from Klang Valley. The overall impact is expected to be further mitigated by the marketing and yield management initiatives undertaken by management.

Valuation/Recommendation

We maintain our BUY recommendation but lower our target price of RM2.86. The revised target price is derived from sum-of-the-parts and discounted cash flow valuation for Resorts with cost of equity at 11.5% and terminal growth of 3%. We continue to like this stock for its highly-resilient business model, with possible upside from merger and acquisition opportunities given its strong cash pile of RM4.5b. We think the current share price weakness presents a good opportunity to accumulate the stock. Further downside will be mitigated by share buy-back activities.

SOTP and DCF Valuation

	RMm
NPV of contribution from Genting Highlands @ Cost of Equity 11.5% and terminal growth of 3%	12,080.9
Market value of 19.3% stake in SCL	318.8
Net cash/(debt), as at 31 Dec 08	4,555.0
RNAV	16,954.7
Fully diluted no of Resort Shares	5,924.3
RNAV per share	2.86

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2007	2008F	2009F	2010F	2011F
Turnover	4,352	4,887	4,389	4,566	4,766
EBIT	1,489	1,774	1,298	1,361	1,479
Pre-tax Profit	1,912	1,127	1,430	1,521	1,672
Net Profit	1,555.7	634.4	1,073.1	1,141.1	1,254.4
EPS (sen)	19.4	11.0	18.6	19.8	21.7

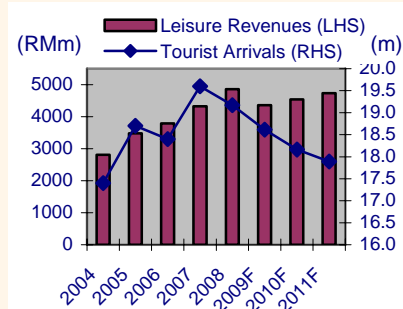
Balance Sheet

Year to 31 Dec (RMm)	2007	2008F	2009F	2010F	2011F
Current Assets	3,327	4,821	5,437	6,296	7,232
Total Assets	9,342	9,423	10,071	10,962	11,941
Current Liabilities	847	779	783	806	831
Long-Term Loans	0	0	0	0	0
Shareholders' Funds	8,189	8,318	9,746	10,598	11,535
Total Equity & Liabilities	9,342	9,423	10,071	10,962	11,941

Cash Flow

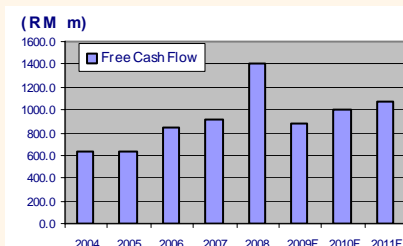
Year to 31 Dec (RMm)	2007	2008F	2009F	2010F	2011F
Operating	1,451	1,713	1,143	1,256	1,340
Investing	520	121	(262)	(135)	(115)
Financing	(899)	(428)	(252)	(269)	(298)
Net Cash In/out flow	1,072	1,407	629	851	927
Begin Cash & Cash Equiv.	1,981	3,052	4,543	5,172	6,024
End'g Cash & Cash Equiv.	3,052	4,543	5,172	6,024	6,951

Leisure Revenue and Tourist Arrivals



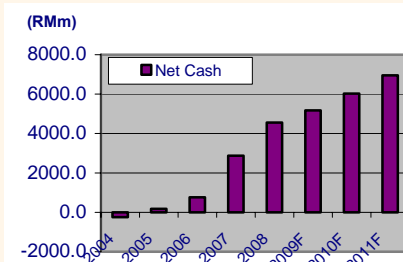
Source: Resorts World, UOB Kay Hian

Free Cash Flow



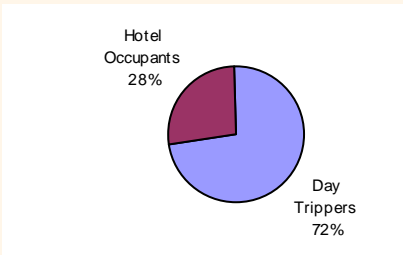
Source: Resorts Worlds, UOB Kay Hian

Net Cash



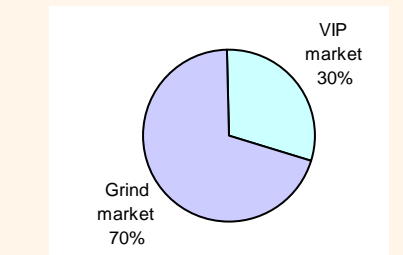
Source: Resorts World, UOB Kay Hian

Visitor Arrivals Breakdown



Source: Resorts World, UOB Kay Hian

Leisure Revenue Breakdown



Source: Resorts World, UOB Kay Hian

Banking

Ring fenced from adverse developments at LVS

Concerns over solvency of Las Vegas Sands have resurfaced again. Marina Bay Sands is ring fenced from adverse developments at its parent company and financing is in place to complete construction.

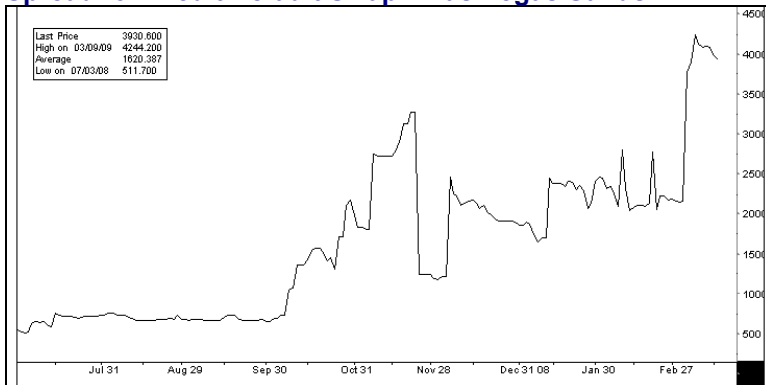
Sector Events

Concerns over solvency of Las Vegas Sands (LVS) have resurfaced again with spread for credit default swap reaching 3,930.6bp and bond yield hitting 25.3%. LVS' share price has corrected 61.7% ytd to US\$2.27.

Competitor MGM Mirage in debt restructuring. MGM Mirage, owner of 10 casinos in Las Vegas Strip, is working on debt restructuring after obtaining waiver from lenders from complying with financial covenants until 15 May 09. Its auditor has commented that there is increasing likelihood of MGM Mirage filing for bankruptcy due to burden from debt of US\$13.5b. The company has just reported net loss of US\$1.1b in 4Q08, including impairment for goodwill and intangible assets.

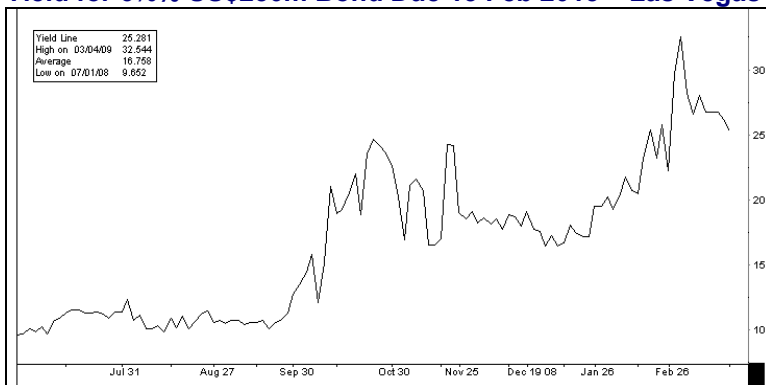
S&P downgraded LVS. Standard & Poor's has downgraded corporate credit rating for LVS from B to B- with negative outlook, citing concerns over development pipeline and credit compliance.

Spread for Credit Default Swap – Las Vegas Sands



Source: Bloomberg

Yield for 6¾% US\$250m Bond Due 15 Feb 2015 – Las Vegas Sands



Source: Bloomberg

Marina Bay Sands: on track for opening by late-09. In its announcement dated 4 Mar 09, Marina Bay Sands maintained its target to open by end-09. The three hotel towers, which rise to 55 floors, have passed the halfway mark and are expected to top out in Jul 09. The first hotel tower is at level 28. The MICE (meetings, incentives, conferences and exhibitions) podium steelwork is being erected up to the fifth floor. The casino concrete structure is up to the top floor, Level 4, and construction of the steel roof has commenced.

SINGAPORE

Banking

MARKET WEIGHT

DBS (DBS SP)

BUY

Current Price: S\$7.40
Target Price: S\$10.55

OCBC (OCBC SP)

HOLD

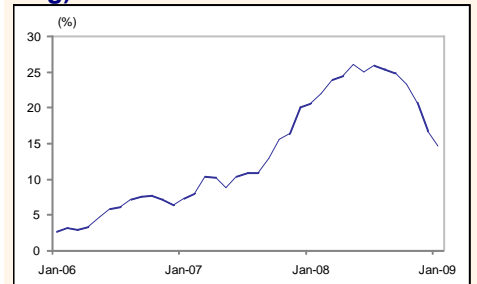
Current Price: S\$4.46
Fair Price: S\$5.27

UOB (UOB SP)

NOT RATED

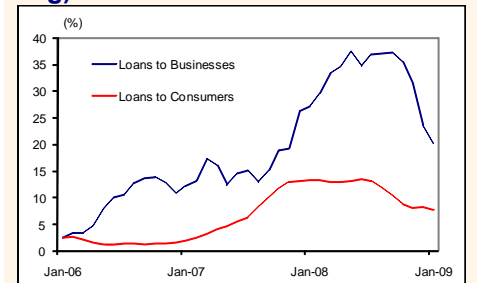
Current Price: S\$9.09

Loans & Advances (DBU) (yoy % chg)



Source: MAS

Loans Growth By Segment (yoy % chg)



Source: MAS

Analyst

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

Earnings Revision

Maintain MARKET WEIGHT. The sector has experienced a technical rebound as suggested in our sector update dated 11 Mar 09. Our earnings forecasts assumes NPL ratio rising to 5% for DBS and 6% for OCBC by 4Q10.

Exposure to Marina Bay Sands

(\$m)	Term Loan	Revolving Credit		Total	As % of Total Assets (%)	As % of Equity (%)
		Facility				
DBS	640.8	101.7		742.5	0.29	3.75
OCBC	495.5	76.3		571.8	0.40	3.60
UOB	768.3	122.0		890.3	0.49	5.19
Total	1,904.6	300.0		2,204.6		

Source: Basis Point, UOB Kay Hian

Assumptions In Earnings Forecast

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

Source: UOB Kay Hian

Valuation/Recommendation

DBS (BUY/\$7.40/Target: \$10.55).

- Loans to Marina Bay Sands accounted for 0.29% of total assets and 3.75% of shareholders' funds.
- DBS focuses on organic growth in Singapore and Hong Kong. Its S\$ loans/deposits ratio improved from 52.6% in 2Q08 to 57.0% in 4Q08.

OCBC (HOLD/\$4.46/Target: \$5.27).

- Loans to Marina Bay Sands accounted for 0.40% of total assets and 3.60% of shareholders' funds.
- We are concerned about its exposure to property developers as Building & Construction accounted for 21.1% of loan book as at Dec 08.

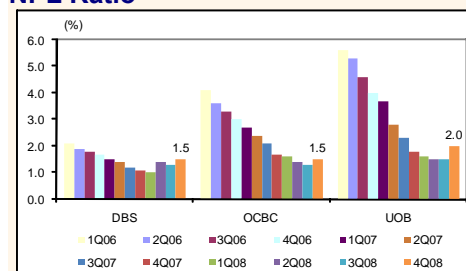
Peer Comparison – Regional Banks

	Bloomberg Code	Rec	Price @ 18 Mar 09	Target Price	Market Cap (US\$m)	Hist. (x)	Current (x)	Forward (x)	P/B (x)	ROE (%)	Div Yield (%)
Singapore:											
DBS	DBS SP	BUY	7.40	10.55	10,806	6.8	11.7	8.5	0.67	9.6	8.5
OCBC	OCBC SP	HOLD	4.46	5.27	8,926	8.2	12.1	9.2	1.00	11.8	6.3
UOB	UOB SP	NR	9.09	n.a.	8,781	7.3	8.8	7.9	1.02	12.6	8.1
China:											
BOC	3988 HK	SELL	2.38	1.81	112,833	8.4	10.5	8.7	1.18	14.0	4.8
BoCom	3328 HK	SELL	4.56	3.67	38,001	7.7	8.9	8.6	1.60	18.2	5.4
CCB	939 HK	HOLD	4.40	3.76	128,719	9.7	11.4	9.0	1.90	18.4	4.5
CMB	3968 HK	BUY	13.44	14.46	30,971	8.3	8.1	7.0	2.24	24.8	2.3
ICBC	1398 HK	HOLD	3.50	3.38	175,339	9.6	11.0	8.8	1.77	16.2	4.3
Hong Kong:											
BEA	23 HK	NR	13.74	n.a.	3,169	755.7	12.5	10.9	0.79	0.1	1.7
BOC HK	2388 HK	NR	7.21	n.a.	9,601	11.3	7.4	6.0	0.80	17.4	12.8
HANG SENG	11 HK	NR	78.20	n.a.	19,421	10.6	12.2	11.4	2.90	26.1	8.1
HSBC	5 HK	NR	42.70	n.a.	91,323	12.7	10.7	8.9	0.77	5.2	10.9
SCB	2888 HK	NR	93.30	n.a.	22,504	5.9	9.1	8.4	1.03	15.9	5.4
Indonesia:											
BCA	BBCA IJ	HOLD	2800	3000	5,870	13.2	11.1	9.7	3.08	23.3	3.5
BK DANAMON	BDMN IJ	SELL	2475	3100	1,033	8.2	6.5	5.5	1.18	14.3	8.5
BK MANDIRI	BMRI IJ	HOLD	1900	2100	3,248	7.5	6.9	5.6	1.37	15.6	5.5
BK NEGARA	BBNI IJ	HOLD	700	1100	893	8.3	5.6	4.8	0.72	5.6	4.2
BK RAKYAT	BBRI IJ	BUY	4150	6800	4,301	9.1	7.8	6.2	2.49	26.6	4.7
Malaysia:											
AMMB	AMMB MK	HOLD	2.40	2.30	1,753	8.7	8.3	7.4	0.88	11.2	2.5
BUMIPUTRA	BCHB MK	HOLD	6.25	6.15	5,930	11.4	11.9	10.2	1.29	11.9	8.0
HONG LEONG	HLBK MK	SELL	5.20	4.88	2,211	11.1	10.4	10.9	1.44	15.3	4.6
MAYBANK	MAY MK	SELL	4.08	4.25	5,331	6.8	8.2	7.0	0.98	15.2	8.6
PUBLIC BK	PBK MK	HOLD	7.55	10.90	7,053	10.3	13.2	10.5	2.66	27.3	7.3
Thailand:											
BANGKOK BK	BBL TB	HOLD	76.50	78.00	4,019	7.2	7.7	6.8	0.83	11.9	3.9
BK AYUDHYA	BAY TB	BUY	8.75	10.10	1,482	10.4	9.9	7.3	0.62	6.0	3.4
KASIKORN BK	KBANK TB	SELL	43.00	39.00	2,836	6.7	8.6	7.0	0.91	14.4	4.7
KRUNG THAI	KTB TB	SELL	4.40	3.90	1,359	4.1	7.1	5.2	0.47	12.3	10.0
SIAM COMM	SCB TB	SELL	53.50	50.25	3,710	8.5	10.4	8.5	1.16	19.1	3.7
Average:						8.8*	9.6	8.1	1.35	15.0	5.9

* Exclude BEA.

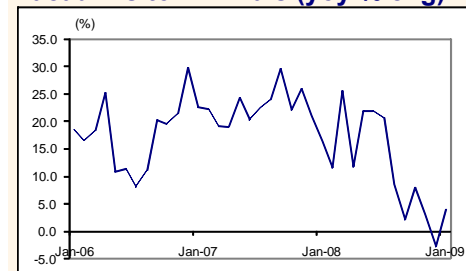
Source: Bloomberg, UOB Kay Hian

NPL Ratio



Source: Respective Banks

Macau Visitor Arrivals (yoy % chg)



Source: CEIC

Land Transport

Dip in rail and bus ridership due to Chinese New Year holiday

Latest data from land transport companies shows a weakening in January ridership figures.

Sector Impact

Due to the Chinese New Year (CNY) holiday, January's rail ridership growth moderated to 0.4% yoy, attributable to the 8.8% growth in ridership on SBS Transit's (75% owned subsidiary of ComfortDelGro Corporation) North-east Line. This growth was offset by a 1.7% fall in ridership on SMRT Corporation's (SMRT) trains.

Bus ridership fell 4.4% yoy, attributable largely to the CNY holiday, which saw fewer commuters using public transport. It is premature at this juncture to revise down our 2009 bus ridership growth assumption of 3.0%, as bus ridership growth in November and December were maintained at 4.2% and 3.1% respectively. Bus remains the most basic mode of transport and we expect bus ridership to hold up well as commuters switch out of private cars and taxis to buses.

Circle Line Stage 3, which is slated to open in May 09 with five orbital underground stations, will enhance the existing rail infrastructure and boost rail ridership.

The Land Transport Authority (LTA) will take over planning of bus routes in 2009. Routes will be planned to enhance the public transport system's hub-and-spoke model, where buses serve as feeders to bring commuters to the transfer hubs i.e train stations. Due to these government initiatives, both rail and bus ridership is expected to grow.

	Jan 09	Jan 08	yoy % chg
Total			
Rail Ridership(' 000)	52,604	52,416	0.4
Bus ridership (' 000)	94,046	98,330	-4.4
SBS Transit			
Rail Ridership(' 000)	11,377	10,485	8.5
Bus ridership (' 000)	69,833	73,236	-4.6
SMRT			
Rail Ridership(' 000)	41,227	41,932	-1.7
Bus ridership (' 000)	24,213	25,094	-3.5

Source: SMRT, SBS Transit, UOB Kay Hian

Ridership sensitivity. SMRT derives more than 70% of its operating profit from rail operations and our sensitivity analysis shows that every 1% fall in ridership could erode the Group's net profit by 2.1%.

ComfortDelGro Corporation (CD) derives 11% of its operating profit from SBS Transit's bus operations and every 1% fall in bus ridership could drag down CD's net profit by 1.8%.

SINGAPORE

Land Transport

OVERWEIGHT

ComfortDelGro Corporation (CD SP)

BUY

Current Price: S\$1.35

Target Price: S\$1.76

SMRT Corporation (MRT SP)

BUY

Current Price: S\$1.58

Target Price: S\$1.86

SBS Transit (SBUS SP)

NOT RATED

Current Price: S\$1.64

Analyst

Singapore Research Team
 ☎ (65) 6419 3696
research@uobkayhian.com

Earnings Risk

For 2009, we have assumed SMRT's rail ridership and SBS Transit's bus ridership to grow 5% and 3% respectively. This translates into net profit growth of S\$17.0m and S\$5.4m for SMRT and CD respectively.

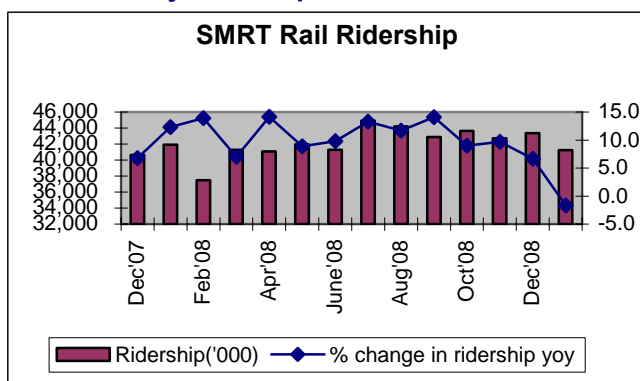
Valuation and Recommendation

We expect public transport ridership to remain resilient in 2009 due to the following factors:

- a) Commuters switching out of private cars and taxis to rail and buses in the current economic climate,
- b) The government push to make public transport the travel mode of choice through initiatives like central bus network planning and the implementation of distance-based travel scheme, and
- c) The reduction of public transport fares by 4.6% over the next 15 months as announced by the Public Transport Council in Feb 09.

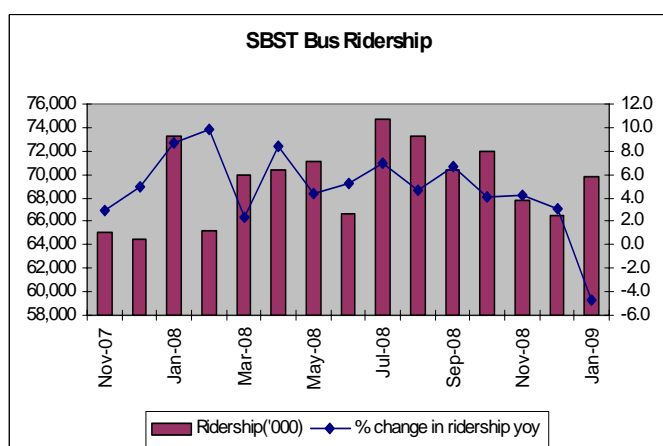
We maintain our **OVERWEIGHT** recommendation on the land transport sector and ComfortDelGro Corporation (CD SP, BUY/Target: S\$1.76) remains our top stock pick.

SMRT Monthly Ridership



Source: SMRT, UOB Kay Hian

SBS Transit Monthly Bus Ridership



Source: SBS Transit, UOB Kay Hian

Exports

Exports decline 11% yoy in Feb 09 but gold exports jump over 1,000%

The smaller decline in exports is not sustainable as it was boosted by a 1,148% increase in the exports of gold. On the import front, the 38.9% decline in imports in Jan-Feb 09 indicates continued slowdown in manufacturing production for both exports and domestic markets. The huge surplus trade balance of US\$3.57b in Feb 09 is due to a collapse in imports.

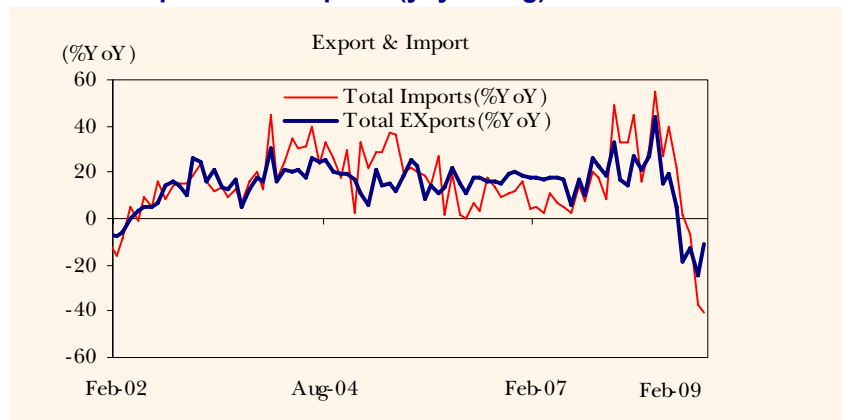
Exports declined 11% yoy in February vs a -26.5% in January. In Jan-Feb 09, exports declined 19.2% yoy. Agricultural products, manufacturing products and others exports fell 10.5%, 6.7% and 31.1% respectively. Agricultural products exports fell because of lower world demand, higher competition and lower prices.

Exports to Asean, Europe, Japan and US declined 33.2%, 31.3%, 28.8% and 24.8% respectively. Exports to new markets expanded 9.3% - Australia (+49.7%), Hongkong (+274%), Middle East (+1.6%) and Switzerland (+1,082%) - mainly because of higher exports of gold.

The smaller decline in exports is not sustainable as it was largely boosted by a 1,148% increase in the exports of gold. Exports of refined oil, crude and machinery and parts fell 60.4%, 49.7% and 23% respectively.

Imports fell 40.3% in February vs -37.6% in Jan 09. In Jan-Feb 09, imports declined 38.2% yoy - energy (-56%), capital goods (-16.1%), raw material and semi raw material products (-48.8%), electronics and electrical parts imports (-41.5%), steel (-79.2%), consumer products (-21% yoy) and auto & auto parts imports (-45.4%).

Thailand Exports And Imports (yoy % chg)



Source: Ministry of Commerce, BOT

THAILAND

Economics

(yoy % chg)	Jan 09	Feb 09
EXPORTS	(%)	(%)
Agriculture Product	-25.6	-10.5
Industrial Product	-24.5	-6.7
Jems and Jewelry	+37.4	+402.7
Scientific and		
Medical Equipments	+7.0	+17.2
Product that plunged over 20%		
Other Product	-34.6	-31.1
- Refined Product	-49.0	-60.4
- Crude oil	-21.2	-49.7
- Machinery	-37.6	-23.0
- Auto parts	-20.5	
Export Markets		
Major Market	-28.2	-29.8
Asian (5)	-34.8	-33.2
EU	-28.4	-31.3
US	-27.7	-24.8
Japan	-18.8	-28.8
New Market	-24.7	+9.3
IMPORTS	(%)	(%)
1) Fuel Product	-53.4	-56.0
2) Capital Goods	-29.5	-16.1
Industrial		
Machinery, Tools and Parts	-5.3	-14.1
Electrical		
Machinery and Parts	-34.9	-35.2
Computer & Accessories	-36.1	-32.5
Raw Materials and		
Intermediate Goods	-41.9	-48.8
Electricity parts & Electronics	-42.9	-41.5
Chemical Product	-45.2	-56.2
4) Consumer goods	-17.9	-21.0
Household Goods	-23	-25.7
other durable goods	-21.6	-24.2
Medicinal and Pharmaceutical Products	+0.9	-9.8
5) Transportation Equipment	-18.7	-45.4
Vehicles and Parts	-30.9	-50.8
Passenger Cars	+79.8	-6.6
Motorcycles and Parts	-8.6	-23.1
Buses and Trucks	+5.0	-53.4

Analyst

Veena Naidu
 ☎ (662) 659 8300
 veena@uobkayhian.com

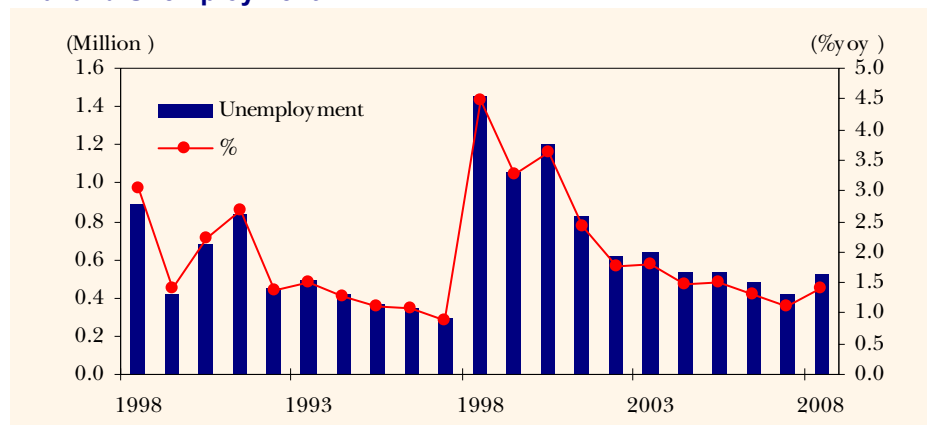
Exports and Imports

	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Total Imports	17,986	16,669	15,735	15,826	13,072	11,255	9,119	8,159
Total Exports	16,958	15,888	15,866	15,265	11,871	11,604	10,495	11,736
mom % change in imports		-7%	-6%	1%	-17%	-14%	-19%	-11%
mom % change in exports		-6%	0%	-4%	-22%	-2%	-10%	12%
Total Imports (% yoy)	55.08	26.85	39.35	21.68	2.01	-6.53	-37.60	-40.30
Total Exports (% yoy)	43.92	14.90	19.43	5.23	-18.60	-12.48	-24.81	-11.30

Source: Ministry of Commerce Thailand, BOT

Latest unemployment data show that total unemployed at the end of Jan09 is 880,000 or 2.7% vs. 524,700 or 1.4% at the end of 2008 and 415,000 or 1.1% as at Dec 07. Government agencies expect unemployment rate to reach 1.3m or about 3.5% of total workforce by the end of 2009. The latest number of 2.7% or 880,000 unemployed is higher than expectation and may lead to revision in unemployment figure. Total unemployment may reach 2m or about 5.3% of the work force.

Thailand Unemployment



Source: National Statistics Office

Healthcare

BGH looks cheaper than BH on replacement costs

Based on replacement costs, investors should switch from BH to BGH as the latter trades at a discount and offers more upside to replacement costs.

Sector Events

The healthcare sector has declined 45% from its peak in mid-08 in response to the global financial crisis and the domestic economic slowdown. The crisis has taken away foreign patients which are the bread and butter for private hospitals, and reduced the number of local patients. As patient traffic is expected to remain weak, we want to find the replacement values of the two hospitals under our coverage- Bumrungrad Hospital (BH) and Bangkok Dusit Medical Services (BGH). The exercise will reveal the actual costs of building inpatient (IPD)-rooms/beds of a new hospital and to determine whether the current share price is trading at a discount or a premium to underlying value of hospital's IPD-beds.

Stock Impact

The exercise focuses on IPD-beds. It does not include outpatient (OPD) revenue which accounts for nearly half of a hospital's total revenue. **Our study suggests that BGH is a preferred stock to BH as the company's share price trades at a 2% discount to its replacement value.** On the other hand, BH's share price trades at a substantial premium of 60% to the replacement costs.

Bumrungrad Hospital

Management gives an estimate of Bt11m for BH's capex/IPD-bed, excluding costs of land and medical equipment. Based on BH's 458 IPD-beds, we arrive at a valuation of Bt6.92/share, making current share price expensive as it trades at a huge premium of 60%. Even if we include land and equipment values, current share price is still a 20% premium to its underlying price of Bt14.46/share. Another temporary drawback is that BH is more dependent on foreign patients with 55% of its revenue comes from foreign patients.

Bangkok Dusit Medical Services

According to management, BGH's average capex/IPD-bed is Bt7m excluding costs of land and medical equipment. Based on the Group's 1,215 IPD-beds, we arrive at Bt17.05/share, or a discount of 2% to the current share price. If the value of land, medical equipment, OPD and goodwill are included, the discount gap should widen to 51% or Bt34.11/share. Another interesting point is that BGH is less dependent on foreign patients as they account for 36% of total revenue. The hospital is therefore less vulnerable to the declining number of foreign patients.

Recommendation

Based on the replacement costs, investors should switch from BH to BGH as BGH trades at a discount of 2% while BH trades at a huge premium of 60%. Including the value of land and equipment costs, BH still trades at a premium of 20% while BGH's discount gap widens to 51%.

Note that the valuation does not take into account other fundamental aspects of both BH and BGH. We only want to gauge the floor prices of both companies.

THAILAND

Healthcare

OVERWEIGHT

Bumrungrad Hospital (BH TB)

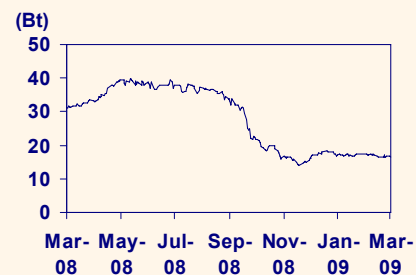
Current Price: Bt17.40



Source: Bloomberg

Bangkok Dusit Medical Services (BGH TB)

Current Price: Bt16.70



Source: Bloomberg

Analyst

Kowit Pongwinyoo
 ☎ (662) 659-8304
 kowit@uobkayhian.co.th

Thursday, March 19, 2009

Replacement Value Of BH And BGH

	Capex/IPD (Btm)	IPD-bed	No. of shares (m)	Replacement cost/share (Bt)			
				Inc. land	Inc. equipment	land + equipment	
BH	11	458	728.3	6.92	11.32	10.06	14.46
BGH	7	2,959	1,214.5	17.05	26.80	24.36	34.11

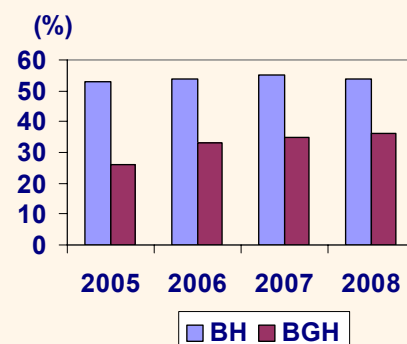
Source: UOB Kay Hian

Recommendation based on replacement

Company	Rec.	Share Price (Bt)	Target Price (Bt)	Book Value (Bt)	D/E (x)	Replacement Value (Bt)	% prem./(disc.) to current price
BH	SELL	17.40	22.51	7.26	0.3	6.92	60.2%
BGH	BUY	16.70	24.38	11.42	0.9	17.05	(2.1%)

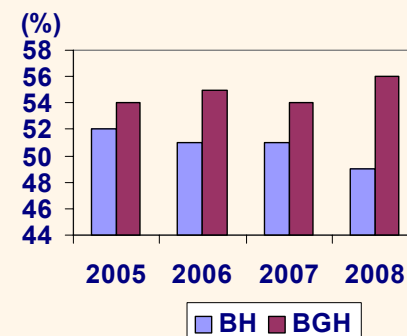
Source: UOB Kay Hian

Proportion Of Foreign Patients' Revenue



Source: BH, BGH

Proportion Of IPD's Revenue



Source: BH, BGH

Regional Comparison

Company	---PE (x)---	P/B (x)	ROE (%)	Yield (%)
	09F	10F		
Thailand				
BGH	12.4	9.6	1.5	12.2
BH	12.1	10.5	2.4	20.7
KH	10.8	10.1	2.2	22.4
Singapore				
Parkway	13.7	12.0	0.9	6.5
Raffles	12.7	11.6	1.7	13.4
Thomson	9.2	10.5	1.1	11.5
Malaysia				
KPJ	6.5	5.4	0.9	15.5

Source: Bloomberg, UOB Kay Hian

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