

KEY STORY

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Cash flow turns positive, growth supported by domestic 3G and overseas opportunities.

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Limited upside after factoring in dilution.

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Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7400.8	(1.1)	3.2	(0.9)	(15.7)
S&P 500	784.0	(1.3)	4.4	0.7	(13.2)
FTSE 100	3816.9	0.3	2.8	(5.0)	(13.9)
AS30	3416.8	0.9	7.1	1.9	(6.6)
CSI 300	2382.6	2.1	7.5	1.6	31.1
FSSTI	1584.9	0.6	6.1	(0.6)	(10.0)
HSI	13130.9	0.1	9.4	3.4	(8.7)
JCI	1341.6	1.4	2.4	3.4	(1.0)
KLCI	852.2	0.5	1.6	(4.2)	(2.8)
KOSPI	1161.8	(0.7)	3.0	9.0	3.3
Nikkei 225	7946.0	(0.3)	10.4	7.1	(10.3)
SET	427.7	0.4	3.1	(1.6)	(4.9)
TWSE	5035.9	(0.2)	5.9	13.5	9.7
BDI	1795	(3.5)	(18.4)	(12.7)	131.9
CPO (RM/mt)	2063	1.0	0.5	9.4	26.5
Nymex Crude (US\$/bbl)	51	(1.1)	10.4	31.1	14.4

Source: Bloomberg

Top BUYs/SELLs

Ticker	Current Price (1cy)	Target Price (1cy)	Pot. +/- (%)
Top BUYs			
China Life	2628 HK	24.95	30.50 22.2
China Mobile	941 HK	66.70	85.00 27.4
China Railway	390 HK	4.64	5.90 27.2
China Shenhua	1088 HK	16.90	23.00 36.1
PetroChina	386 HK	6.07	7.80 28.5
Zijin Mining	2899 HK	5.05	5.90 16.8
Bumi Resources	BUMI IJ	720.00	1,010.00 40.3
DBS Group	DBS SP	7.71	10.55 36.8
Indofood Agri	IFAR SP	0.58	0.80 37.9
SingTel	ST SP	2.45	2.95 20.4
Advanced Info	ADVANC TB	84.50	101.73 20.4
Quality Houses	QH TB	0.81	1.28 58.0
Top SELLs			
Aluminum Corp	2600 HK	4.31	3.00 (30.4)
Harbin Power	1133 HK	4.83	3.50 (27.5)
Parkson Retail	3368 HK	7.88	5.15 (34.6)
S'pore Exchange	SGX SP	4.70	3.00 (36.2)
Amata Corp Pub	AMATA TB	3.22	2.52 (21.7)

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\$/dmu)	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

Oil & Gas

Signs of demand pick-up; switch to more integrated PetroChina

Our observation suggests that demand for refined products has risen since February. The chance of the sector bottoming out is high as the next two quarters are high season for refined products. Switch top pick to PetroChina.

Sector Events

Some indicators show that demand for refined products has picked up since Feb 09

- Refining utilisation rose in February, and guidance for March is upbeat. According to 3E Consulting, utilisation has grown to 75% in Feb 09 from 71% in Dec 08. Sinopec has called its subsidiaries recently to increase production as inventories have been back to normal amid increasing demand for gasoline.
- Retail fuel prices were raised at service stations in Shanghai over the weekend, led by PetroChina and Sinopec. The two dominant players are in a price war since late-Dec 08 in Shanghai in order to alleviate their inventory pressure. This price hike signals the termination of de-stocking for both, at least in Shanghai. The forthcoming re-stocking process will help lift utilisation rate for refiners.
- Wholesale prices of diesel have started to rise. In early-March, diesel wholesale price was below ex-factory price in some regions (especially Guangdong), suggesting the competition among wholesalers was rather severe. And with inventory levels high at that time, wholesalers had to cut prices to boost sales. But the spread between ex-factory and wholesale price has been narrowing this week, which is a good indication of diesel demand picking up.
- We do not believe the rumour that the government will cut fuel prices any time soon in order to stimulate economic growth. But given that current crude oil price has surpassed that in mid-Jan 09 when the NDRC lowered fuel prices at that time, it is unlikely that a potential price cut is on the way. The only possibility for the government to revise down prices is when oil price stays lower than the price in mid-January.

Signs of stabilisation in some indicators should not be mistaken as the beginning of a strong recovery

- Trade numbers of oil products (crude and refined products) are important indicators for the oil & gas sector. Following a 10% yoy drop in January, net crude imports fell 22% yoy to 2.9m bbl/day in February. This is down from 3.74m bbl/day in Feb 08 and the lowest since Dec 06.
- Refining utilisation is running at low levels. Compared with the 85%-plus utilisation in 2Q and 3Q08, the current approximately 75% utilisation can hardly convince one that the economy is resuming momentum soon.

CHINA

Oil & Gas

OVERWEIGHT

PetroChina (857 HK)

BUY

Current Price: HK\$6.07

Target Price: HK\$7.80

(Previous: HK\$8.82)

Sinopec (386 HK)

BUY

Current Price: HK\$4.28

Target Price: HK\$6.00

(Previous: HK\$6.93)

CNOOC (883 HK)

HOLD

Current Price: HK\$7.44

Fair Price: HK\$6.85

Analyst

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Company	Rec	Ticker	Price 19 Mar 09 (HK\$)	Net Profit			EPS			PE			ROE 2007 (%)	Market Cap (Rmb b)	Yield 2007 (%)
				2007 (Rmbm)	2008F (Rmbm)	2009F (Rmbm)	2007 (Rmb)	2008F (Rmb)	2009F (Rmb)	2007 (x)	2008F (x)	2009F (x)			
PetroChina	BUY	857.HK	6.07	145,625	140,188	108,926	0.80	0.77	0.60	6.7	7.0	9.0	22.1	1110.9	6.6
Sinopec	BUY	386.HK	4.28	56,533	26,279	67,840	0.65	0.30	0.78	5.7	12.2	4.7	19.3	672.8	4.5
CNOOC	HOLD	883.HK	7.44	31,258	48,524	25,410	0.70	1.09	0.57	9.3	6.0	11.5	23.3	332.3	3.3

Looking forward, we believe demand for refined products will continue to increase in the next two quarters

Strong auto sales (+24% yoy in Feb 09) after the cut in purchasing tax will boost gasoline demand, in our view. Diesel and fuel oil consumption will accelerate in the next two quarters, benefitting from a recovery in economic activities (PMI, industrial output and power demand are all in a phase of recovery).

Recommendation/Valuation

All three oil majors are reasonably cheap at this moment. PetroChina, Sinopec and CNOOC are trading 1.2x, 1.0x and 1.7x consensus current P/B, which are only 55%, 59% and 57% of average P/B of 2.2x, 1.7x and 3.0x respectively in the last seven years. Worth noting is that China's oil majors are trading at a discount to international peers. Integrated oil majors are trading at an average of 1.7x FY08 P/B, 42% and 70% higher than PetroChina's and Sinopec's. We maintain OVERWEIGHT on the sector.

But since we expect all the sector indicators to remain at low levels for a while, there will be no strong catalysts to drive sector valuation higher. We therefore cut our target price for PetroChina and Sinopec to HK\$7.80 and HK\$6.00 respectively, or 1.6x and 1.2x 2008 P/B.

In the next two quarters, share price performance of oil majors will still be subject to crude oil price and demand for refined products and chemicals. Oil price has shown signs of upside in light of production cuts, roaring E&P cost, demand resuming and the expected weakening in the US dollar (especially after the announcement of the US\$300b long-term treasuries purchase). At the same time, because of aggressive government spending, we are positive on China's demand for refined products and chemicals in the next two quarters. As such, we switch our top pick to the more integrated PetroChina, which will benefit both from advancing oil price and increasing downstream demand.

We have liked Sinopec for a while as its refining margin has been improving after oil price crashed. The question is whether the government will raise refined products prices once an oil price rally starts. If the government chooses do nothing, share price of Sinopec will fall on gloomy refining segment outlook.

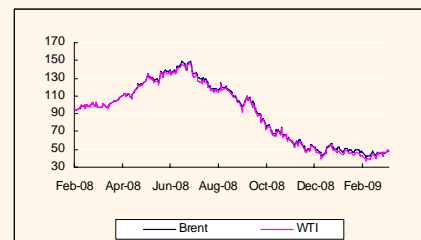
For CNOOC, we maintain our range trading strategy, which is to buy below HK\$6.00 and sell at HK\$7.50. Share price has gone up 25% in the last 10 trading days. We suggest taking profit at this juncture. But share price of CNOOC may have support in the short term, attributable to new projects commencing production and an oil price rebound.

Peer Comparison

Company name	Market Cap (US\$b)	2008 PE (x)	2009 PE (x)	2010 PE (x)	2008 P/B (x)	2008 ROE (%)	Div Yield (%)
EXXON MOBIL CORP	341.4	8.2	15.8	11.3	3.0	17.6	1.9
BP PLC	120.8	5.7	9.5	6.9	1.5	14.1	7.2
ROYAL DUTCH SHELL	140.5	5.4	10.4	8.5	1.7	11.5	3.5
CHEVRON CORP	130.9	5.7	12.4	9.1	1.5	11.4	3.4
CONOCOPHILLIPS	55.6	3.5	11.0	6.3	1.0	8.0	3.6
AVERAGE	157.8	5.7	11.8	8.4	1.7	12.5	3.9

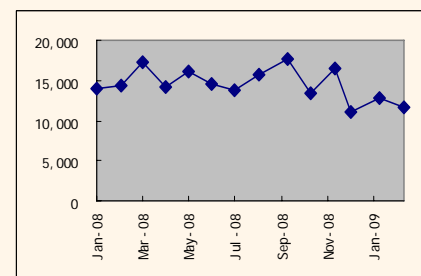
Source: Bloomberg, UOB Kay Hian

Oil Price In Past 12 Months (US\$/bbl)



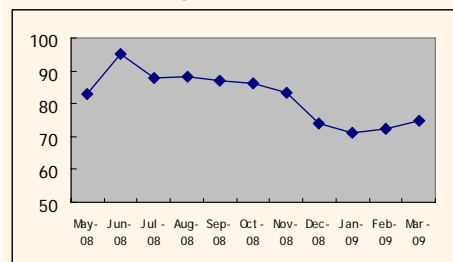
Source: Bloomberg

China's Oil Imports ('000 tonnes)



Source: CEIC

China's Refining Utilisation Ratio (%)



Source: 3E Consulting

Alibaba.com

New strategy hurts margin but accelerates subscription growth

Although Alibaba.com achieved over 10x Gold Suppliers net additions growth in 4Q08 after price cuts, impact from strategy change and gloomy macro conditions will continue to affect near-term earnings. Maintain SELL.

4Q08 Results Review

(Rmbm)	4Q08A	3Q08	4Q07	yoy % chg	qoq % chg
Turnover	805.9	780.2	634.6	27.0	3.3
Gross Profit	687.6	681.6	553.7	24.2	0.9
EBIT	177.1	364.2	186.6	-5.1	-51.4
Net Profit	199.4	308.6	465.3	-57.1	-35.4
Share-based Comps (SBC)	46.2	38.5	63.8	-27.6	19.9
EBIT (pre-SBC)	223.3	402.8	250.4	-10.8	-44.5
Gross Margin (%)	85.3	87.4	87.3	-1.9ppt	-2.0ppt
EBIT Margin (%)	22.0	46.7	29.4	-7.4ppt	-24.7ppt
Net Margin (%)	24.7	39.6	73.3	-48.6ppt	-14.8ppt

Source: Alibaba.com, UOB Kay Hian

Results

4Q08 net profit 5% below our forecast due to a 5ppt miss on EBIT margin caused by initiation of new strategy. However, Gold Suppliers (GS) net additions surged over 10x due to roll-out of reduced-cost starter pack.

Stock Impact

2009 results likely to show significant decline due to margin drop. Management indicates 4Q08 margin would be a good indicator of margin trend in 2009. We lower our 2009 EBIT margin assumption by 4.9ppt to 24.0% assuming higher cost of sales and higher marketing costs.

However, management foresees strategic investment will return over the next three years through: a) accelerated paying subscriptions growth, b) increase in revenue driven by more paying subscribers and more value-added services, and c) leveraging on economies of scale and gradual margin improvement.

Strong GS growth may continue, but expect ARPC drop. Management indicates GS net adds maintain strong growth momentum in 1Q09 despite the Chinese New Year effect. But hunter field sales restricted to promote starter package (SP) will likely cause significant drag to average revenue per customer (ARPC) (Rmb19,800 for SP vs Rmb50,000 for standard pack) even if management indicates most renewal customers are sticking with standard pack.

Value-added service (VAS) income may also decline in short term. Although keyword bidding was switched from fixed-fee to pay per click model in 1Q09 and initial feedback suggests keyword inventory sold was better than ever, management foresees VAS contribution per customer likely to decline in 2009 under the tough environment. We see VAS sales based on performance-based model would enable a bigger VAS sales growth potential in the long term.

Earnings Revision

We adjust our 2009 and 2010 earnings forecast by -7.0% and 4.9% respectively assuming lower EBIT margin and higher future GS net additions.

CHINA

Alibaba.com (1688 HK)

SELL

Current Price: HK\$8.20
Fair Price: HK\$4.50

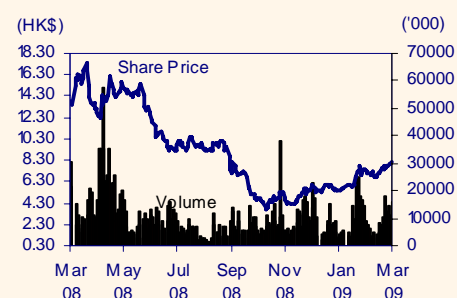
Sector	Internet
52-Wk Avg Daily Vol. (m.)	9.7
Market Cap (HK\$m)	41,397
(US\$m)	5,307

Major Shareholders (%)	
Alibaba.com Corporation	72.8

Book NTA per Share (HK\$)	1.12
ROE (%)	28.1
Net Cash per Share (HK\$)	1.49

Results Due	
Interim	Aug
Final	Mar

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Rmb)	Yield (%)
2007	2,163	1,015	679	0.14	n.a.	51.7	30.7	n.a.	0.0
2008	3,001	1,455	1,205	0.24	69.2	30.5	20.5	n.a.	0.0
2009F	3,579	1,162	839	0.16	(30.4)	43.9	24.5	n.a.	0.0
2010F	4,930	1,645	1,200	0.23	42.9	30.7	16.1	n.a.	0.0
2011F	6,320	2,192	1,608	0.31	33.8	22.9	10.8	n.a.	0.0

Consensus Net Profit – FY09: Rmb 1,014.1m
– FY10: Rmb 1,252.3m

Valuation/Recommendation

Although we see the extra investment will enhance Alibaba.com's long-term value, near-term earnings concerns due to the gloomy global economic outlook make us think it is still too early to buy the shares. Maintain SELL and fair price of HK\$4.50, implying 23.8x 2009F PE and 16.7x 2010F PE, as well as a 44.0% discount to the HK\$8.00 DCF fair value (15.0% WACC and 3.0% terminal growth). However, we see share buyback and government's stimulus package may continue to be short-term catalyst.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	2,163	3,001	3,579	4,930	6,320
EBIT	1,149	1,416	986	1,410	1,889
Net Profit	679	1,205	839	1,200	1,608
Net Profit (Pre-SBC)	831	1,406	1,077	1,471	1,942

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	5,567	7,121	8,498	10,659	13,567
Total Assets	6,053	7,893	9,766	12,136	15,202
Current Liabilities	2,370	2,818	3,650	4,582	5,774
Long-Term Liabilities	70	106	125	160	206
Shareholder Funds	3,613	4,968	5,990	7,394	9,222
Total Equity & Liabilities	6,053	7,893	9,766	12,136	15,202

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	1,409	1,581	1,760	2,237	2,931
Investing	(102)	(3,102)	(1,188)	(1,070)	(1,252)
Financing	2,627	(79)	0	0	0
Net Cash In/(Out) Flow	3,934	(1,600)	572	1,166	1,679
Begin Cash & Cash Equiv.	438	4,321	2,689	3,232	4,370
End'g Cash & Cash Equiv.	4,321	2,689	3,232	4,370	6,021

China Mobile

Declines in pricing elasticity and EBITDA margin are concerns

Continuous declines in pricing elasticity and EBITDA margin have raised our concerns on CMHK's earnings growth. But with a decent dividend yield, China Mobile remains attractive.

2008 Results

(Rmbm)	2008	2007	yoy % chg	4Q08	yoy % chg	qoq % chg
Turnover	412,343	356,959	15.5%	110,947	12.6%	5.7%
EBITDA	216,283	193,745	11.6%	57,086	4.8%	3.9%
Net Profit	112,793	87,062	29.6%	30,203	11.1%	8.9%
EBITDA Margin	52.5%	54.3%	-1.8ppt	51.5%	-3.8ppt	-0.9ppt
Net Margin	27.4%	24.4%	3.0ppt	27.2%	-0.4ppt	0.8ppt
Total subs (m.)	457.3	369.3	23.8%	457.3	23.8%	4.8%
ARPU (Rmb)	83.1	88.7	-6.3%	82.8	-9.3%	0.7%
MOU (Minutes)	492	452	8.9%	490	2.4%	0.1%
Pricing elasticity	0.64	1.11	-42.6%	0.21	-80.6%	-50.6%

Source: China Mobile, UOB Kay Hian

Results

2008 net profit was in line with expectation, up 29.6%. EBITDA margin fell 1.8ppt to 52.5%. In 4Q08, EBITDA margin declined 3.8ppt to 51.5%. 2008 ARPU was slightly better than our Rmb82.6 forecast, mainly due to higher MOU growth.

Stock Impact

Pricing elasticity deterioration is a concern. In 4Q08, China Mobile (CMHK)'s pricing elasticity (% change in MOU vs % change in revenue per minute) dropped further from 0.42 to 0.21, implying price cut is no longer an effective solution to attract usage growth under poor economic conditions. Going forward, we anticipate an intensified price war will drag CMHK's ARPU further down to Rmb75.9 in 2009.

EBITDA margin is likely to drop further. Despite increasing economies of scale, the 3G rollout and intensified competition are likely to pull EBITDA margin down to 50.8% in 2009 and 49.8% in 2010.

High capex to continue in 2009-11. Management expects capex at Rmb133.9b, Rmb131.0b and Rmb110.5b for 2009-11 respectively, with 70% of 2009's capex on 2G/3G integration. The parent company expect to spend Rmb58.8b to build 65,000 base stations in 2009, extending the TD-SCDMA signal coverage to 70% prefecture-level cities, and the remaining 30% will be used by 2011.

Net add pressure comes from economic slowdown. Management sees the 10% decline in 2M09 net adds mainly due to weakened macro conditions, while ytd churn rate was maintained at normal level. We foresee subscribers acquisitions competition to intensify in 2H09 after three operators officially roll out 3G services. Management said it will utilise wireless broadband services and dual mode terminals to attract user sign-ups, and it targets to have 30m TD-SCDMA users by 2011.

CHINA

China Mobile (941 HK)

BUY

Current Price: HK\$66.70

Target Price: HK\$85.00

(Previous: HK\$90.00)

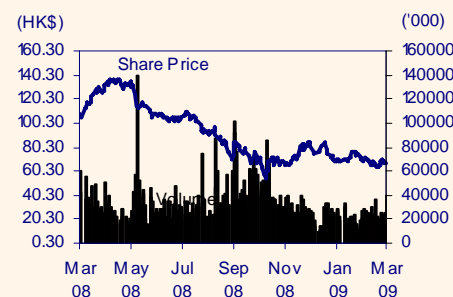
Sector	Telecom
52-Wk Avg Daily Vol. (m.)	32.4
Market Cap (HK\$m)	1,336,920
(US\$m)	171,400

Major Shareholders (%)	
China Mobile Communications Corporation	74.3

Book NTA per Share (HK\$)	23.2
ROE (%)	27.6
Net Cash per Share (HK\$)	10.6

Results Due	
Interim	Aug
Final	Mar

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2007	356,959	193,745	87,062	4.35	31.0	13.3	5.2	2.10	3.1
2008	412,343	216,283	112,793	5.63	29.4	10.3	4.5	2.74	4.1
2009F	448,349	227,769	116,442	5.79	3.0	10.0	4.2	2.86	4.3
2010F	486,137	239,635	122,436	6.07	4.8	9.6	3.7	3.00	4.5
2011F	524,275	262,671	139,957	6.92	14.0	8.4	3.1	3.42	5.1

Consensus Net Profit – FY09: Rmb121,233m
 – FY10: Rmb126,935m

* Include special dividend of 10.1¢ in FY07

Dividend payout remains at 43%. Considering future cash flow and capital requirements for 3G/LTE development and overseas investment opportunities, chairman Wang said dividend payout would remain at 43% in 2009, and the company will continue to provide payout ratio guidance.

Valuation/Recommendation

We cut our CMHK's 2009F target PE multiple from 13.5x to 13.0x. As a result, we reduce our target price to HK\$85.00. With over 4% dividend yield and decent operating results under a challenging environment, CMHK remains attractive. Maintain BUY.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	356,959	412,343	448,349	486,137	524,275
EBIT	126,391	144,774	148,953	156,349	177,517
Pre-tax Profit	129,238	149,743	154,581	162,526	185,755
Net Profit	87,062	112,793	116,442	122,436	139,957

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	207,635	240,170	263,929	323,089	405,308
Total Assets	563,493	657,697	740,165	828,570	926,171
Current Liabilities	154,953	180,573	197,723	216,777	236,737
Long-Term Liabilities	9,949	9,920	9,995	10,003	5,009
Shareholder Funds	373,751	442,278	509,702	581,213	666,017
Total Equity & Liabilities	563,493	657,697	740,165	828,570	926,171

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	168,612	206,054	208,927	220,684	239,557
Investing	(123,039)	(164,620)	(161,793)	(143,888)	(134,007)
Financing	(37,276)	(37,877)	(49,827)	(51,527)	(60,496)
Net Cash In/(Out) Flow	8,297	3,557	(2,692)	25,269	45,054
Begin Cash & Cash Equiv.	71,167	78,859	81,715	78,300	102,807
End'g Cash & Cash Equiv.	78,859	81,715	78,300	102,807	146,992

Li Ning

2008: Strong results but 2009 may disappoint

Li Ning's 2008 results beat expectation with net profit up 52% yoy. Dividend doubled and payout ratio increased from 50% to 71%. However, we expect 2009-10 earnings growth to slow to 9-10%. Maintain HOLD.

Year to 31 Dec	2H08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	3,629	49	6,690	54	An addition of 1,012 outlets to 6,245 and >20% SSS growth
Gross profit	1,738	51	3,220	55	
EBITDA	575	50	1,071	57	
EBIT	508	48	960	57	
Pre-tax Profit	482	37	929	50	
Tax	(88)	15	(202)	40	
Net Profit	388	41	721	52	
EPS (Rmb)	0.37	41	0.70	52	
Gross Margin (%)	47.9	0.6	48.1	0.2	Higher ASP offset hike in raw material costs
EBITDA Margin (%)	15.8	0.2	16.0	0.3	
EBIT Margin (%)	13.9	(0.2)	14.4	0.4	
Pre-tax Margin (%)	13.3	(1.1)	13.9	(0.1)	
Net Margin (%)	10.7	(0.6)	10.8	(0.1)	

Source: Li Ning, UOB Kay Hian

Results

Net profit surged 52%. Results beat expectation with turnover up 54% yoy and net profit up 52%. Margins remained steady.

Dividend doubled. DPS doubled to Rmb0.50 (interim: Rmb9.63 cents, special: Rmb28.9 cents, final: Rmb11.14 cents), implying a dividend payout of 71% vs 50% in FY07.

Strong cash flow. Operating cash flow grew 78% yoy to Rmb699m. Inventory days and receivable days shortened by 9 days and 5 days to 61 days and 48 days respectively.

Debt increased. Due to the jump in dividend payout, acquisition of Double Happiness and the deal with Lotto, net cash declined 76% yoy to Rmb181m. Meanwhile, bank borrowings increased five-fold to Rmb607m.

Stock Impact

2009 earnings could disappoint the market. We anticipate net profit growth to slow to 10% in 2009 and 12% in 2010, vs over-20% growth by consensus. Our lower forecasts are based on: a) slower same-store sales (SSS) growth, b) lower number of store additions, and c) lower margins.

- **3% SSS growth.** We assume SSS growth to slow from over-20% last year to 3% in 2009-11, given the weakened consumer sentiment. In Jan-Feb 09, the Group's SSS growth exceeded 10%. However, we expect the figures to drop to single-digits in the rest of 2009.

CHINA

Li Ning (2331 HK)

HOLD

Current Price: HK\$12.54

Fair Price: HK\$11.10

(Previous: HK\$10.40)

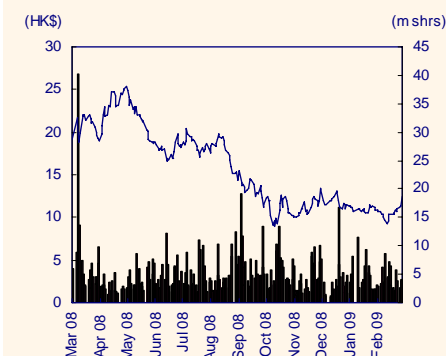
Sector	Consumer
52-Wk Avg Daily Vol. ('000)	4,928
Market Cap (HK\$m)	11,445
(US\$m)	1,673

Major Shareholders (%)	
Li Ning	32.0

Book NTA per Share (HK\$)	1.83
ROE (%)	39.6
Net Cash per Share (HK\$)	0.20

Results Due	
Interim:	Sep
Final:	Apr

Price Chart



Source: Bloomberg

Analyst

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Year to Dec 31	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rmb)	Yield (%)
2007	4,349	682	474	0.458	60	23.9	15.6	0.229	2.08
2008	6,690	1,071	721	0.696	52	15.7	10.2	0.500	4.56
2009F	8,329	1,236	799	0.768	10	14.3	8.4	0.500	4.56
2010F	9,284	1,372	898	0.863	12	12.7	7.1	0.550	5.02
2011F	10,288	1,514	1,003	0.964	12	11.4	5.9	0.600	5.47

Consensus Net Profit – FY08: Rmb867m
 – FY09: Rmb1,058m

Friday, March 20, 2009

- **Store additions may miss target.** We assume Li Ning to add only 600 stores each year in 2009-11, vs its target of 800. Given the lower per-store profitability for Li Ning, distributors have slowed down opening plans.
- **Significant margin pressure.** Gross margin could drop 1ppt yoy to 47% in 2009-11, given the heavy discounting at retail level. Management implies it will gradually increase the wholesaler discount to distributors in the coming three years.

Earnings Risk

Margin. Margin risk remains the main overhang on Li Ning's earnings. If the Chinese economy worsens further, distributors would need to provide more discounts to clear inventories, feeding through to more wholesaler discount.

Valuation/Recommendation

Stretched valuation. Li Ning is trading at 14.3x 2009F PE, representing over-40% premium over its domestic peers. We believe the Group has passed its high-growth period. With it getting larger, earnings growth should slow moving forward. As such, it does not deserve such a high valuation premium. Maintain HOLD with a fair price of HK\$11.10 based on DCF (WACC=14%; terminal growth=3%). Our fair price implies 11x 2009F PE and 11% downside from current level.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	4,349	6,690	8,329	9,284	10,288
EBIT	610	960	1,072	1,195	1,324
Pre-tax Profit	619	929	1,085	1,217	1,357
Net Profit	474	721	799	898	1,003

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	2,174	2,818	3,406	4,343	5,380
Total Assets	2,781	4,337	4,925	5,862	6,899
Current Liabilities	977	2,087	2,153	2,350	2,350
Long-Term Loans	-	-	-	-	-
Shareholders' Funds	1,745	1,896	2,577	3,258	4,017
Total Equity & Liabilities	2,781	4,337	4,925	5,862	6,899

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	393	699	810	972	1,074
Investing	(312)	(425)	(87)	(78)	(67)
Financing	(67)	(336)	(204)	(217)	(243)
Net Cash Inflow/(Outflow)	14	(62)	519	677	764
Begin Cash & Cash Equiv.	839	850	788	1,307	1,985
End'g Cash & Cash Equiv.	850	788	1,307	1,985	2,749

ZTE Corporation

2008: Cash flow turns positive; growth supported by domestic 3G and overseas opportunities

Supported by overseas demand for affordable telecoms solutions and domestic 3G opportunities, ZTE will continue to deliver double-digit earnings growth in 2009. Maintain BUY.

2008 Results

Year to 31 Dec (Rmbm)	2007	2008	yoy % chg	Remarks
Revenue	34,777	44,293	27.4%	International up 33.5%, domestic up 18.9%
Gross Profit	11,362	14,382	26.6%	
Pre-tax Profit	1,728	2,263	31.0%	
Net income	1,252	1,660	32.6%	
GP Margin	32.7%	32.5%	-0.2ppt	Handset GP up 2.0ppt to 23.7%
Pre-tax Margin	5.0%	5.1%	0.1ppt	
Net Margin	3.6%	3.7%	0.1ppt	

Source: ZTE, UOB Kay Hian

Results

Net profit rose 32.6%, slightly ahead of our expectation, while the significant turnaround in operating cash flow to Rmb2,687m (-Rmb552m in 2007 and -Rmb3,496m in 1H08) is a big surprise. Final dividend was Rmb0.30, up 67%. In addition, the board has proposed three bonus shares for every 10 shares (vs four for 10 in 2007).

Stock Impact

Network equipment sales growth will continue. We expect to see over Rmb170b in China 3G capex and increasing overseas orders due to ZTE's decent product quality and competitive pricing. This will enable ZTE to deliver a similar network equipment sales growth momentum in 2009. Last year, an increase in overseas GSM equipment sales and domestic CDMA sales pushed up segmental sales by 28.3%.

Handset shipment growth will continue. Unit shipments increased by 10m units to about 41m last year. We expect unit shipments to further increase to over 50m in 2009 due to increasing global demand for 3G data cards and low-cost handsets.

Margin likely to decline due to competitive environment. Although increasing 3G equipment sales may help counter the margin decline, we expect intensified competition in the global telecoms equipment market to drag down ZTE's 2009 gross margin by 0.8ppt to 31.7%.

Earnings Revision

ZTE's major clients China Mobile and China Telecom are tendering to supply ZTE with 3G equipment. We will revise ZTE's earnings forecasts after it has released the tendering results.

Recommendation

Promising 2008 results and cash flow improvement help to restore market confidence in ZTE. We lift our target 2009F PE from 14.3x to 18.0x, implying 13% over global peers' average. Future price catalysts include strong 1Q09 results, as well as domestic 3G network equipment tendering newsflow and other large-scale overseas orders. Maintain BUY.

Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rmb)	Yield (%)
2007	34,777	2,646	1,252	0.93	49.6	26.7	13.9	0.18	0.7
2008	44,293	3,642	1,660	1.24	32.6	20.1	9.8	0.30	1.2
2009F	56,863	4,464	2,103	1.57	26.7	15.9	7.8	0.47	1.9
2010F	65,176	5,300	2,626	1.88	20.4	13.2	6.4	0.57	2.3
2011F	76,276	6,418	3,378	2.32	23.1	10.7	5.2	0.70	2.8

Consensus Net Profit – FY09:Rmb2,245m
– FY10:Rmb2,584m

CHINA

ZTE Corporation (763 HK)

BUY

Current Price: HK\$28.60

Target Price: HK\$33.00

(Previous: HK\$26.30)

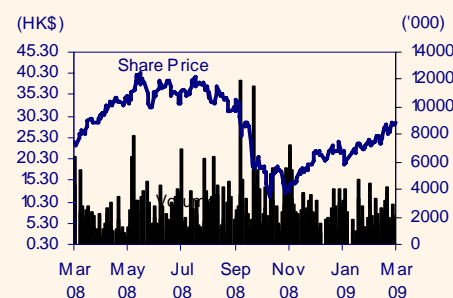
Sector: Telecoms
52-Wk Avg Daily Vol. (m.): 2.5
Market Cap (HK\$m): 42,173
(US\$m): 5,407

Major Shareholders (%)
Zhongxingxin: 35.1

Book NTA per Share (HK\$): 10.1
ROE (%): 10.9
Net Debt per Share (HK\$): 0.0

Results Due
Interim: Aug
Final: Mar

Price Chart



Source: Bloomberg

Analyst

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Peer Comparison

Company	Price (LC)	Market Cap (US\$m)	PE (x)			
			2007	2008F	2009F	2010F
APPLE INC	101.52	90,409	26.9	19.5	19.6	17.2
CISCO SYSTEMS INC	16.50	96,311	12.4	10.7	13.2	13.9
ERICSSON LM-B SHS	76.20	30,684	10.9	16.8	16.1	13.4
MOTOROLA INC	4.15	9,448	18.4	153.7	n.a.	18.2
NOKIA OYJ	8.76	44,955	5.8	6.7	12.2	9.6
JUNIPER NETWORKS INC	15.55	8,119	18.3	13.2	18.6	14.8
		Average	15.5	36.8	15.9	14.5
ZTE CORP-H	28.60	6,637	27.6	20.0	15.1	12.7
CHINA COMM SERVI-H	4.75	3,537	20.5	17.9	13.5	12.5

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	34,777	44,293	56,863	65,176	76,276
EBIT	2,032	2,933	3,677	4,433	5,483
Pre-tax Profit	1,728	2,263	2,897	3,625	4,675
Net Profit (Rmb)	1,252	1,660	2,103	2,626	3,378

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	32,293	44,050	51,150	53,557	58,974
Total Assets	40,978	52,229	61,946	64,130	70,777
Current Liabilities	22,743	31,360	35,257	34,825	39,082
Long-Term Liabilities	2,085	4,807	6,068	6,116	5,172
Shareholder Funds	12,137	14,250	16,212	19,358	21,813
Total Equity & Liabilities	40,978	52,229	61,938	64,101	70,726

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	(342)	2,687	2,060	1,919	2,764
Investing	(1,656)	(1,857)	(1,446)	(1,405)	(1,394)
Financing	4,157	4,473	1,357	529	(1,946)
Net Cash In/(Out) Flow	2,159	5,303	1,971	1,043	(576)
Begin Cash & Cash Equiv.	4,142	6,310	11,613	13,584	14,626
End'g Cash & Cash Equiv.	6,310	11,613	13,584	14,626	14,050

Technical Analysis

H-share Index: 7731

In our earlier report, we suggested key support of H-share Index was near 6613 when the index was at 7068.

The index did record a closing low of 6618 on 3 March before it turned north. Meanwhile, the index seems to be hesitating ahead of the horizontal resistance extended from 7843.

Given the mixed technicals, the index is at the crossroads. To gain more upside, the prerequisite for the index is to make a meaningful breakout from this horizontal resistance. A decisive breakout should pave the way for the index to revisit the prior high of 8774 if it could first refill the previous downside gap at 8028-8235.

On the other hand, a failure to penetrate the horizontal resistance means that the index would have to seek support near the Middle Bollinger Band currently at 7084.

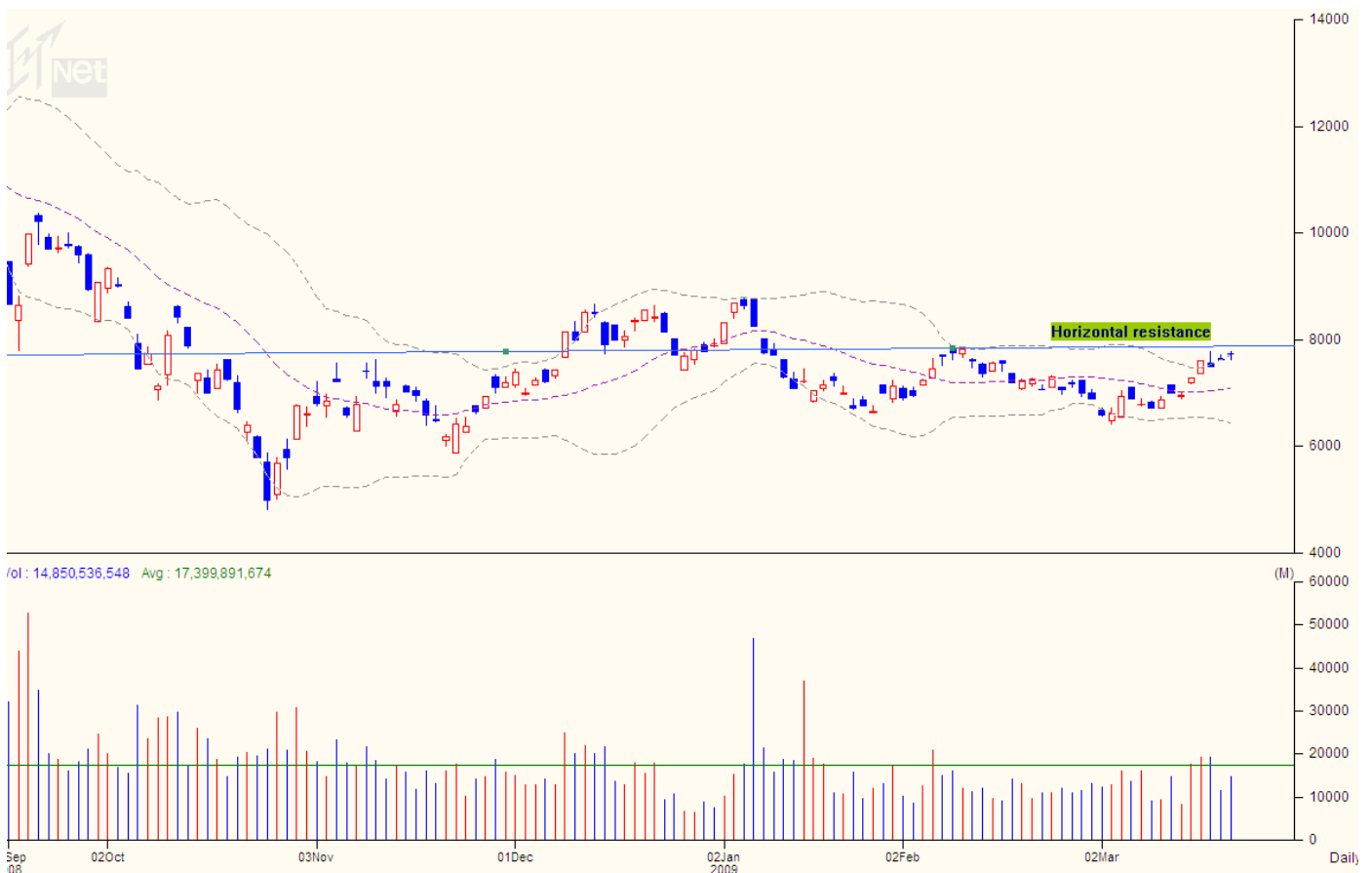
RSI of H-share Index or HSCEI

CHINA

Technical Analysis

Analyst

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Source: HKETnet

Technical Analysis

Shanghai A-share Index: 2378

The Shanghai A-share Index has been capped by the 200-day moving average and supported by the 50-day moving average since 14 January.

Given the slow stochastics, we expect increasing odds of a breakout from the 200-day moving average of 2411. Thereafter, the upward momentum will propel the index to re-visit the previous high of 2523 first. If the index breaches 2523, we would raise the target to the slanted parallel channel top of 2700 in the longer term.

Any immediate downside will be limited to the parallel channel bottom of 2210.

CHINA

Technical Analysis

Analyst

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Slow Stochastics of Shanghai A-share Index



Source: Bloomberg

Henderson Land

1HFY09: A safe haven, well... relatively speaking

In a property downturn, its stake in Hong Kong and China Gas provides shelter. Yes, profits and dividends are falling, but at least there is no expensive landbank that could raise questions of potential write-downs.

Results

Year to 30 Jun	1HFY08 (HK\$m)	1HFY09 (HK\$m)	yoy % chg	Remarks
Contributions				
Property sales	2,021	849	(58)	Took advantage of buoyant market to offload inventories last year
Rental income	854	896	5	From positive rental reversions
Interest income	128	117	(9)	
Others	51	(375)	n.a.	Combination of investment losses and absence of disposal gains
Interest expenses	(269)	(440)	64	Higher average debt level
	2,785	1,047	(62)	
Associates	2,041	686	(66)	Lower contributions from residential sales
Profit before tax	4,826	1,733	(64)	
Taxation	(515)	(250)	(51)	
Minorities	(552)	(78)	(86)	
Net profit	3,759	1,405	(63)	

Source: Henderson Land, UOB Kay Hian

Results

Substantial profit decline. Underlying net profit fell 63% to HK\$1,405m. This was largely due to lower residential profit booking and, to a lesser extent, losses on investments (mainly equities) and higher interest expenses. The discrepancy with our projected HK\$1.9b could be explained by the investment losses. Headline net profit fell by a larger 87% to HK\$1,171m as property revaluation turned in a deficit from last year's surplus.

First dividend cut since FY02. Interim dividend was trimmed from HK\$0.40 to HK\$0.30, the first cut since FY02. This move is understandable because the Group will rely primarily on its recurrent income base, as contributions from residential sales dwindle, in the next few years.

Last year's boom to this year's bust. Including associates, total pre-tax development profit fell 76% from HK\$3,661m to HK\$879m (generated mainly from The Sparkle, The Beverly Hills and Cite 33) as Henderson Land (HDL) took advantage of the buoyant market to sell inventories aggressively and profitably last year, but was not able to do so this year. The level of new completion continued to be low: four projects with an attributable 0.93m sf GFA. Three of them, totalling 0.8 sf, were residential developments.

Lengthy, but cheaper, channel to replenish land. With the sharp turn in the property market, the delay in the conversion of two pieces of farmland - Wo Shang Wai for 0.9m sf residential GFA and Wu Kai Sha for an attributable 1.7m sf - has turned out to be a blessing in disguise. Together with the 0.9m sf GFA from another farmland in Tai Tong, we expect HDL to add 3.5m sf to the existing 7.2m sf landbank under development in Hong Kong at a low cost over the next 12 months or so. HDL does not replenish land through public auctions but through conversion of farmland or industrial buildings. While usage conversion is a lengthy process, land costs are usually much lower.

HONG KONG

Henderson Land (12 HK)

HOLD

Current Price: HK\$26.90

Fair Price: HK\$26.40

(Previous: HK\$26.18)

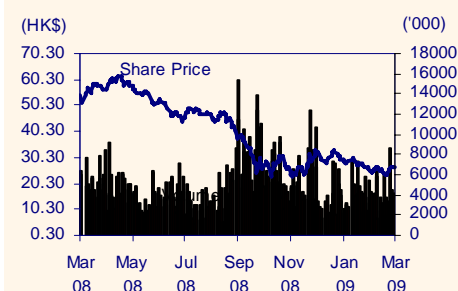
Sector	Property
52-Wk Avg Daily Vol. ('m)	6.1
Market Cap (HK\$m)	57,754
(US\$m)	7,404
Major Shareholders (%)	
Lee Chau Kee	53.75
Book NTA per Share (HK\$)	56.00
ROE (%)	5.3
Net Debt per Share (HK\$)	9.16

Results Due

1H: Mar

Final: Sep

Price Chart



Source: Bloomberg

Analyst

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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	8,356	8,341	5,883	3.109	7.1	8.7	9.3	1.100	4.1
2008	13,492	7,659	5,707	2.781	-10.5	9.7	10.1	1.100	4.1
2009F	n.a.	4,498	3,189	1.485	-46.6	18.1	17.2	0.900	3.3
2010F	n.a.	4,632	3,322	1.547	4.2	17.4	16.7	0.900	3.3
2011F	n.a.	4,704	3,450	1.607	3.9	16.7	16.5	0.900	3.3

Consensus Net Profit – FY09: HK\$4,253m
– FY10: HK\$4,682m

Fair rental growth. Including associates, gross rental income was up 11% to HK\$2,086m, which was fair given there was no major addition and the portfolio consisted of a number of non-prime properties. The main properties recorded a high 94% occupancy.

Comfortable funding position. HDL added only 1.4m sf (in Chengdu) landbank during the period, thus net debt was reduced by 1.4% to HK\$19.7b, with gearing flat at 16.4%. Management is in a conservative mode, and we expect HDL to have a comfortable financial position to weather this crisis.

Stock Impact

Though the results were below expectations and interim DPS was cut, we do not expect the stock to be penalised, as its recurrent income base remains solid

Earnings Revision

Substantial cut in our projections. We have cut full-year earnings by 20% to reflect the investment losses and a much slower pace of residential sales. Not expecting management to see any urgency to sell units in a slow market given the Group's sound funding position, we have also lowered our FY10 profit forecast by 15%. It is worth pointing out that our projections are 25% and 30% below consensus for the next two years.

Need to write down land costs unlikely. Without any major completion and with residential prices falling, HDL is facing a declining profit trend for the next three years, like its peers. However, unlike the others, the Group is not sitting on expensive landbank that could eventually become unprofitable if property prices continue falling. Although the Group has expanded its China land reserve aggressively in the last two years, the 117m sf landbank was bought for only Rmb12.4b, meaning the need for notable write-down is quite remote.

Valuation/Recommendation

We maintain HOLD for three reasons: a) we have a fair price of HK\$26.40, based on a 42% trough discount to end-FY09 NAV of HK\$45.52, b) 27% of its NAV and over 50% of earnings in the coming three years will come from Hong Kong and China Gas (HOLD/Fair: HK\$11.90), which we consider to be a secure asset compared with properties in an economic downturn, and c) we see further downside for the developer segment, dragged down by falling property prices. With the lowest beta of 1.03 among peers, we expect HDL to be relatively resilient in the coming months.

Profit & Loss

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	8,356	13,492	n.a.	n.a.	n.a.
EBIT	3,487	4,438	3,015	3,091	3,197
Pre-tax Profit	7,783	7,033	3,656	3,734	3,892
Net Profit	5,883	5,707	3,189	3,322	3,450

Balance Sheet

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	44,950	63,365	62,731	59,595	58,403
Total Assets	132,897	174,914	162,670	151,283	148,257
Current Liabilities	(8,141)	(8,775)	(10,530)	(9,477)	(8,529)
Long-Term Liabilities	(15,263)	(29,007)	(27,557)	(24,801)	(23,809)
Shareholder Funds	92,219	121,220	114,814	101,475	102,000
Total Equity & Liabilities	(132,897)	(174,914)	(162,670)	(151,283)	(148,257)

Cash Flow

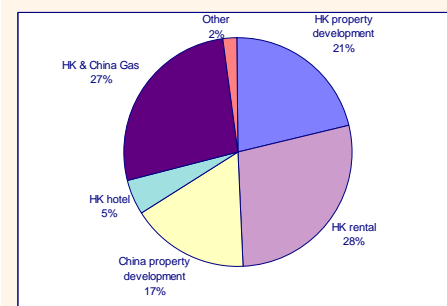
Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	614	(442)	1,401	1,354	1,478
Investing	8,056	(1,323)	(1,021)	(4,120)	(3,876)
Financing	(6,700)	7,921	(1,151)	(2,140)	(2,341)
Net Cash In/(Out) Flow	1,969	6,156	(771)	(4,906)	(4,739)
Begin Cash & Cash Equiv.	7,458	9,427	15,583	14,812	9,906
End'g Cash & Cash Equiv.	9,427	15,583	14,812	9,906	5,167

Appraised Net Assets

	(HK\$m)	(HK\$m)
Development properties		
Mass residential	15,604	
Luxury residential	4,876	
Retail	360	
Office	1,661	
Industrial	318	
Others	313	
Farmland		1,522
Investment properties		
Luxury residential	779	
Retail	12,045	
Office	17,439	
Industrial	224	
Serviced apartments	714	
Others	1,318	32,520
China properties		
Residential	5,835	
Office	8,555	
Retail	4,512	
Others	480	19,382
Hong Kong & China Gas		30,983
Hong Kong Ferry		460
Miramar Hotel		1,286
Henderson Investment		994
Other hotel assets		4,603
Other assets		2,540
Net debts		(19,700)
Adjusted net assets		97,722
NAV per share (HK\$)		45.52

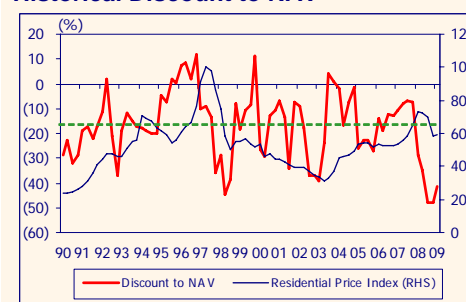
Source: UOB Kay Hian

NAV Breakdown



Source: UOB Kay Hian

Historical Discount to NAV



Source: UOB Kay Hian

CapitaMall Trust

Limited upside after factoring dilution from rights issue

Our sensitivity analysis indicates that CMT is fully valued and upside is limited. The 9-for-10 rights issue dilutes 2009 DPU by 37.6% and the number of shares outstanding will increase from 1,670.8m to 3,174.8m.

Corporate Events

Sensitivity analysis. We conducted a sensitivity analysis for correction in retail rents ranging from 5% to 25% and retail occupancy from 80% to 96%. We kept our assumptions for office portfolio constant. We expect office occupancy to decline to 82% and office rents for Grade A office space at Raffles Place to drop two-thirds from the peak to S\$6psf pm.

Our base case assumptions: correction in retail rents of 15% (previous: 10%) and retail occupancy of 88% (previous: 95%). Current share price is only 4.3% lower than our base-case target price of S\$1.15 but 14.6% higher than our worst-case target price of S\$0.96, which assumes a 25% correction in retail rents and a decline in retail occupancy to 80%.

According to the Urban Redevelopment Authority, average retail occupancy for Outside Central Region troughed at 87.2% in 2Q00 after the dotcom bubble burst and 91.1% in 2Q02 after the 911 terrorist attack. CMT's portfolio occupancy was 99.7% s at Dec 08.

RNAV. Our RNAV for CMT is S\$0.98/share based on cap rates of 5.0-5.7%.

Stock Impact

Dilution from 9-for-10 rights issue. CapitaLand has provided an undertaking to fully subscribe for its allotment of 29.7% and is committed to subscribe up to 60% of the 9-for-10 rights units. CapitaLand's stake in CMT will increase to 44.1% if it subscribes for 60% of the rights units. Substantial unitholder, NTUC Fairprice, has entered a standby purchase agreement with joint lead managers and underwriters, DBS Bank and JP Morgan, to purchase up to 27m rights units if the rights issue is not fully subscribed. If NTUC Fairprice accepts its allotment of rights units and purchase the entire 27m allocated rights units, its stake in CMT will increase from 6.35% to 7.2%.

We estimate the rights issue will dilute 2009 DPU forecast by 37.6%. The number of shares outstanding is projected to increase from 1,670.8m to 3,174.8m after the rights issue.

Earnings Revision

Convertible bonds. Bondholders have the option to redeem S\$650m convertible bonds on or after 2 Jul 11 at S\$105.43. If bondholders exercise the put option, refinancing requirement for 2011 will increase from S\$357.2m to S\$1,042.5m. The probability of bondholders exercising the put option is high given that the conversion price of S\$3.39 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%.

SINGAPORE

CapitaMall Trust (CT SP)

SELL

Current Price: S\$1.10

Fair Price: S\$1.15

(Previous: S\$1.19)

Sector	REITs
52-Wk Avg Daily Vol. ('000)	7,580
Market Cap (S\$m)	3,488.8
(US\$m)	2,298.8
Major Shareholders (%)	
Capitaland	29.7
NTUC FairPrice Co-operative	6.4
The Capital Group	5.6
Book NTA per Share (S\$)	1.67
ROE (%)	5.8
Net Debt per Share (S\$)	0.56

Results Due

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

Price Chart



Source: Bloomberg

Analyst

Jonathan Koh
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 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	431.9	260.2	226.8	14.4	23.7	7.7	10.3	9.4
2008	510.9	307.6	213.0	12.8	(10.9)	8.6	11.3	10.3
2009F	532.7	318.1	236.2	8.9	(30.4)	12.3	10.8	9.8
2010F	471.7	279.2	205.7	6.4	(27.6)	17.1	8.0	7.2
2011F	412.2	241.4	165.3	5.2	(19.9)	21.3	6.6	6.0

Consensus Net Profit – FY09: S\$240.0m
 – FY10: S\$236.2m

Valuation/Recommendation

CMT's share price has corrected 17.2% to S\$0.98 on 12 Mar 09 since we downgraded the stock to SELL on 10 Feb 09. The stock has rebounded 12.2% to close at S\$1.10 yesterday.

CMT has the largest market cap in the REIT sector and is well followed due to its inclusion in many market indices. CMT owns a quality portfolio of shopping malls in both suburban locations and Downtown Core. We estimate 61.7% of its retail NLA is from suburban malls in the HDB heartlands, which cater to necessity spending.

Maintain SELL. CMT provides limited upside and distribution yield drops to only 6.0% in FY11. Our fair price is S\$1.15 based on a dividend discount model (required rate of return: 8.7%, terminal growth: 3.0%).

Sensitivity Analysis: Target Price (S\$)

Correction in Retail Rent	Average Retail Occupancy								
	80%	82%	84%	86%	88%	90%	92%	94%	96%
5.0%	1.16	1.18	1.21	1.24	1.26	1.29	1.32	1.34	1.37
10.0%	1.10	1.13	1.15	1.18	1.20	1.23	1.26	1.28	1.31
15.0%	1.05	1.08	1.10	1.13	1.15	1.17	1.20	1.22	1.25
20.0%	1.00	1.03	1.05	1.07	1.10	1.12	1.14	1.17	1.19
25.0%	0.96	0.98	1.00	1.02	1.05	1.07	1.09	1.11	1.13

Source: UOB Kay Hian

Sensitivity Analysis: FY11 DPU (cents)

Correction in Retail Rent	Average Retail Occupancy								
	80%	82%	84%	86%	88%	90%	92%	94%	96%
5.0%	6.7	6.9	7.0	7.2	7.4	7.6	7.7	7.9	8.1
10.0%	6.3	6.5	6.7	6.8	7.0	7.2	7.3	7.5	7.7
15.0%	6.0	6.2	6.3	6.5	6.6	6.8	7.0	7.1	7.3
20.0%	5.7	5.8	6.0	6.1	6.3	6.4	6.6	6.8	6.9
25.0%	5.4	5.5	5.7	5.8	6.0	6.1	6.2	6.4	6.5

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Turnover	431.9	510.9	532.7	471.7	412.2
Net Property Income	287.8	341.1	354.4	313.8	274.3
EBIT	260.2	307.6	318.1	279.2	241.4
Net Profit	226.8	213.0	236.2	205.7	165.3
DPU (S cents)	10.3	11.3	10.8	8.0	6.6

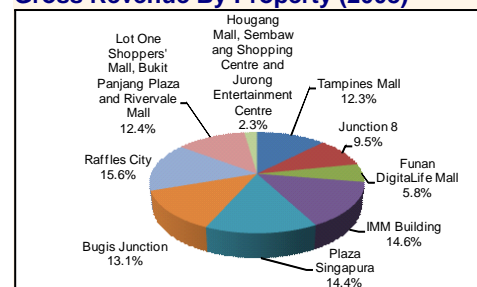
Balance Sheet

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Current Assets	79.9	187.1	121.7	80.4	132.6
Total Assets	5957.3	7509.0	7442.6	7402.0	7455.1
Current Liabilities	267.8	811.3	139.7	123.8	108.3
Long-Term Liabilities	1892.9	1911.9	1311.9	1311.9	1997.2
Shareholder Funds	3721.8	4079.6	5276.9	5244.2	5211.5
Total Equity & Liabilities	5957.3	7509.0	7442.6	7402.0	7455.1

Cash Flow

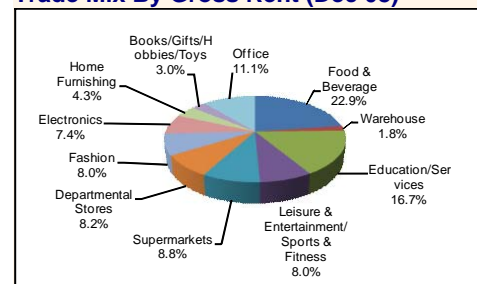
Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Operating	308.1	353.7	319.5	279.4	241.4
Investing	(382.8)	(1039.6)	0.0	0.0	0.0
Financing	96.4	785.3	(381.0)	(319.1)	(187.5)
Net Cash In/(Out) Flow	21.7	99.4	(61.4)	(39.7)	53.9
Begin Cash & Cash Equiv.	47.2	68.9	168.4	107.0	67.2
End'g Cash & Cash Equiv.	68.9	168.4	107.0	67.2	121.2

Gross Revenue By Property (2008)



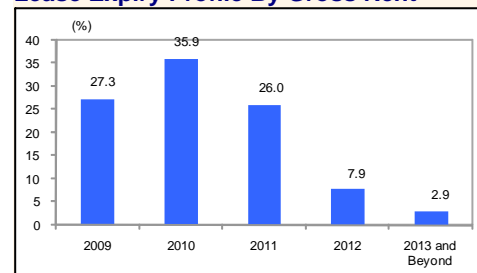
Source: CMT

Trade Mix By Gross Rent (Dec 08)



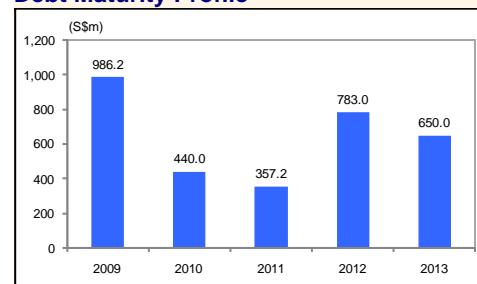
Source: CMT

Lease Expiry Profile By Gross Rent



Source: CMT

Debt Maturity Profile



Source: CMT

China XLX

Higher urea price and launch of new plant support earnings

China XLX's (XLX) earnings will be underpinned by a recovery in urea price and ramp-up of new plants. We expect net profit to rise 27% yoy in 2010. Valuation is attractive. Maintain BUY.

Corporate Events

Higher urea price underpins profit. The Group could realise a higher urea ASP for 2009, due to: a) the removal of urea price cap, and b) higher export prices, a result of lower export tariff and rebound in international urea prices. First, with the ceiling price at Rmb1,725/tonne removed, XLX could enjoy higher urea prices in the high season. For instance, it is selling urea at Rmb1,850-1,880/tonne.

Sooner-than-expected launch of new plant. Construction of the new plant is ahead of schedule. It expects to start operation in mid-April. With the ramp-up of new plant, XLX plans to increase its urea production from 720,000 tonnes in 2007 to 920,000 tonnes in 2009 and 1.12m tonnes in 2010.

Methanol prices in China bottoming out. Methanol prices in China rebounded from a trough of Rmb1,500/tonne to Rmb1,800-1,900/tonne (including VAT) due to the capacity shutdown by high-cost producers. We believe methanol prices in China are bottoming out. XLX is making a loss in the production of methanol as its unit cost of Rmb1,800/tonne is still above net realised price of Rmb1,500-1,600/tonne. According to management, the Group plans to achieve a break-even in the methanol business at end-09 by cutting its methanol unit cost to Rmb1,600/tonne via technological upgrades.

Anthracite coal price is set to come down. Prices of anthracite coal in China has edged up from Rmb900-1,000/tonne to over Rmb1,000/tonne due to the shutdown of small mines in Shangxi province. Anthracite coal prices could drop to below Rmb1,000/tonne after the completion of the meetings of the National People Congress and People's Political Consultative Conference in Mar 09 when small coal mines will resume production.

A prospective margin drop for compound fertiliser. Gross margin for compound fertilisers could drop from 25% in 2008 to the normal level of 20% in 2009, with the use-up of low-cost phosphorous and potash fertilisers purchase previously.

Stock Impact

We maintain our 2009-10 net profit forecasts. Earnings for 2009 will be driven by margin recovery for urea and the ramp-up of the new plant. However, the expected loss in the methanol segment and the lower margins for compound fertiliser could drag 2009 earnings by 19%. We project a 27% profit growth in 2010, driven by the full-year contribution from the new plant.

Earnings Risk

The fluctuation in urea and methanol prices could affect the Group's margins. We estimate a 1% drop in urea price and methanol price would lead to a 4% and 0.4% drop in net profit respectively.

SINGAPORE

China XLX (CXLX SP)

BUY

Current Price: S\$0.285

Target Price: S\$0.57

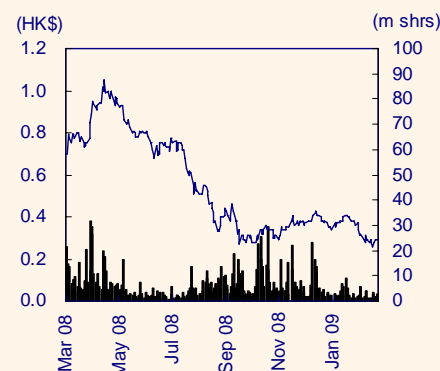
Sector	Fertiliser
52-Wk Avg Daily Vol. ('000)	6,028
Market Cap (S\$m)	285
(US\$m)	207

Major Shareholders (%)	
Mr. Liu Xingyu	34.34
Mr. Yan Yunhua	28.09

Book NTA per Share (S\$)	0.26
ROE (%)	27.4
Net Debt per Share (S\$)	0.03

Results Due	
Interim:	Sep
Final:	Apr

Price Chart



Source: Bloomberg

Analyst

Singapore Research Team
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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit* (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rmb)	Yield (%)
2007	1,541	389	317	0.350	116.8	4.1	4.5	0.063	4.4
2008	2,085	452	346	0.346	(1.1)	4.1	3.9	0.080	5.6
2009F	2,161	467	281	0.281	(18.8)	5.1	3.8	0.075	5.3
2010F	2,519	556	358	0.358	27.3	4.0	2.6	0.082	5.8
2011F	2,520	561	373	0.373	4.2	3.8	1.9	0.086	6.0

Consensus Net Profit – FY09 : Rmb296m
– FY10: Rmb383m

Valuation/Recommendation

XLX is trading at 5.1x 2009F PE and 4.0x 2010F PE, much lower than the 12x and 9x for domestic peers. The current share price should have fully factored in the loss in the methanol business. However, the higher urea ASP (from the removal of price cap) and output growth have still not been reflected. In the longer term, XLX could act as an industry consolidator in the regional markets in China, given its lower cost. Maintain BUY with a target price of S\$0.57 based on 8x 2010F PE.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	1,541	2,085	2,161	2,519	2,520
EBIT	343	372	351	429	429
Pre-tax Profit	333	350	321	409	426
Net Profit	317	346	281	358	373

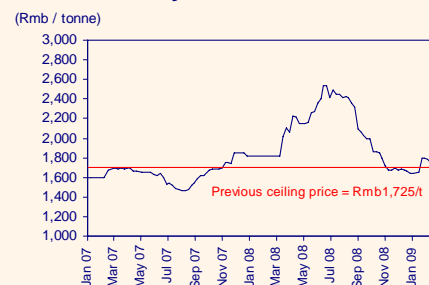
Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	810	792	755	820	918
Total Assets	1,832	2,482	2,574	2,593	2,639
Current Liabilities	571	489	435	415	415
Long-Term Loans	90	523	488	245	0
Shareholders' Funds	1,156	1,451	1,637	1,918	2,209
Total Equity & Liabilities	1,832	2,482	2,574	2,593	2,639

Cash Flow

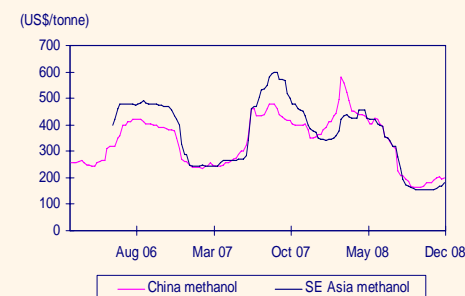
Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	308	370	401	474	505
Investing	(613)	(901)	(300)	(80)	(80)
Financing	654	224	(126)	(396)	(327)
Net Cash Inflow/(Outflow)	349	(307)	(25)	(2)	98
Begin Cash & Cash Equiv.	155	507	200	175	173
End'g Cash & Cash Equiv.	507	200	175	173	270

Urea Ex-factory Price In China



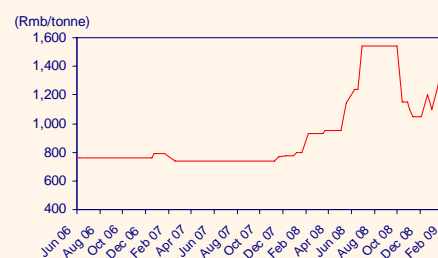
Source: www.ampcn.com

Methanol Price In China And SE Asia



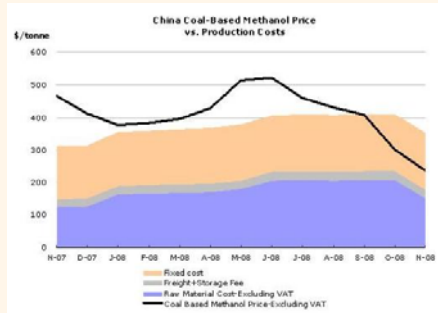
Source: Bloomberg

Anthracite Coal Price In China



Source: www.cctd.com.cn

Methanol Production Cost In China



Source: CBI China

Asian Property

Ownership transfer of condominiums completed remains smooth

The recent recovery in selling pace and smooth transfer of its condominiums bring some respite to AP. However, more layoffs and pay cuts of white-collar workers may disrupt its future performance but a well-balanced product mix provides cushion in the economic downturn

Corporate Events

We came out of a meeting with the management of Asian Property (AP) feeling more comfortable compared to the last two visits (Jan 09 and Feb 09) following: a) a recovery in selling pace and, b) smooth ownership transfer of its newly completed condominium units.

The selling pace of AP's housing projects so far remains in line with our forecast. But the ownership transfer of its completed condominium projects seems to be healthier than expected. The layoffs and pay cuts of white-collar workers, who are its main customers, has just begun and we expect more to come over the next six months. This may disrupt the pace of ownership transfer, going forward. Hence, we still maintain our earnings forecast and will continue to monitor its rejection rate and pace of ownership transfer.

Stock Impact

AP's ytd net presales (till mid-Mar 09) were Bt1.1b (77% low-rise: 23% high-rise), much better than the net presales of Bt3m in 4Q08 but still only half of 1Q08's Bt2.4b. Sales started to pick up in Feb 09 and over the past month, the pace of sales increased to Bt100m/week. The ownership transfer for the newly completed condominium project remains intact. To date, the value of transfers has already reached Bt1.5b-1.6b, mainly from newly completed Life @Ratchada and Phahol-Aree condominium projects. The market price of its condominium unit is over 20% higher than the initial launch price, which offers an incentive for buyers to quickly transfer the units.

AP targets to achieve realised sales of +Bt9b (base case) to +Bt10b (best case), of which half will come from unrealised condominium sales in hand and another half from low-rise housing projects. Despite the declining gross margin of low-rise projects by 2-3ppt point due to weak demand, AP is confident of maintaining overall gross margin at above 30%, thanks to an increase in high-margin condominium sales. It plans to launch 11 projects in 2009 worth a combined Bt16b - seven condominium projects amounting to Bt11b and four housing projects worth Bt4.7b. Whether AP can meet its target depends highly on market sentiment.

We have a more conservative 2009 earnings forecast for AP. We estimate sales at around Bt8.3b for 2009, assuming a 20% drop in housing sales (similar to QH's and LH's) and 7% drop in condominium sales. In addition, we assume a rejection rate of 20% on its unrealised condominium sales of Bt4.8b, to be booked in 2009. Net margin is estimated to fall to 12.7% (2008: 16.7%) as it has to sacrifice margins to drive sales. Net profit, hence, is likely to come in at Bt1.0b in 2009, falling 35% yoy.

THAILAND

Asian Property (AP TB)

BUY

Current Price: Bt2.20

Target Price: Bt2.44

Sector	Property
52-Wk Avg Daily Vol. ('000)	16,366.8
Market Cap (Btm)	5,134.8
(US\$m)	146.7

Major Shareholders (%)	
Mr. ANUPHONG	23.7
ASSAVABHOKHIN	

Book NTA per Share (Bt)	2.9
ROE (%)	26.6
Net debt/share (Bt)	2.7

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

Price Chart



Source: Bloomberg

Analyst

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Year to	Turnover	EBITDA	Net Profit	EPS	EPS Growth	PE	EV/ EBITDA	P/B	DPS	Yield
31 Dec	(Btm)	(Btm)	(Btm)	(Bt)	(%)	(x)	(x)	(x)	(Bt)	(%)
2007	7,825	1,419	899	0.39	(33.1)	5.4	6.5	0.88	0.16	7.5
2008	9,832	2,428	1,638	0.70	82.2	3.0	4.5	0.72	0.25	11.8
2009F	8,343	1,610	1,058	0.45	(35.4)	4.6	6.8	0.67	0.16	7.6
2010F	9,683	1,643	1,096	0.47	3.6	4.4	4.4	0.61	0.16	7.9
2011F	8,320	1,336	933	0.40	(14.8)	5.2	3.1	0.57	0.14	6.7

Consensus Net profit – FY09: Bt1,156m
 – FY10: Bt1,163m

Earnings Risk

Upside to our forecast is highly dependent on two factors: a) the selling pace of low-rise projects and b) the speed of ownership transfer of its completed condominium projects. Our current assumptions on these two numbers are quite conservative i.e. a 20% fall in sale of housing projects and 20% rejection rate on its unrealised condominium sales backlog. Even though we may see some recovery over the next two months, it is still too early to conclude that things have normalised. A major threat going forward is the impact of more layoffs and pay cuts for white-collar workers, its main customers, as the economy worsens.

Recommendation

AP's performance is relatively secure with a well-balanced product mix. It has unrealised sales backlog of Bt12b as cushion against weak demand while its housing projects will help to drive earnings when demand picks up. Also, AP has a favourable risk/reward profile as it still trades at around 0.7x P/B, the lowest P/B since its listing. It recently declared a DPS of Bt0.25 for 2008 (ex-date on 7 May 09 and payment on 20 May 09), yielding 11%. AP's balance sheet is solid with net D/E ratio of 0.9x, peaking at 1.1x in 2Q09. Also, it has already scaled down its capex from Bt8.4b last year to Bt6b. Maintain BUY with a target price of Bt2.44.

Profit & Loss

Year to 31 Dec (Btm)	2007	2008F	2009F	2010F	2011F
Turnover	7,825	9,832	8,343	9,683	8,320
EBIT	1,435	2,465	1,631	1,669	1,368
Pre-tax Profit	1,320	2,365	1,474	1,527	1,293
Net Profit	899	1,638	1,058	1,096	933
EPS (Bt)	0.39	0.70	0.45	0.47	0.40

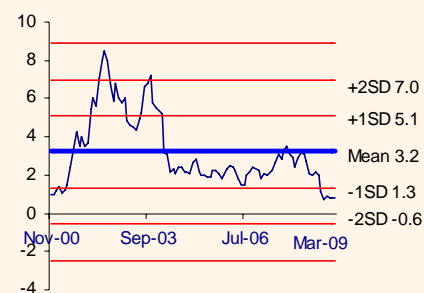
Balance Sheet

Year to 31 Dec (Btm)	2007	2008F	2009F	2010F	2011F
Current Assets	12,570	16,820	15,115	14,590	9,640
Total Assets	13,145	17,378	15,900	15,425	10,450
Current Liabilities	3,439	3,465	1,612	1,412	812
Long-Term Loans	3,988	6,925	6,925	5,925	1,000
Shareholders' Funds	5,513	6,787	7,271	7,997	8,547
Total Equity & Liabilities	13,145	17,378	15,899	15,425	10,450

Cash Flow

Year to 31 Dec (Btm)	2007	2008F	2009F	2010F	2011F
Operating	(1,306)	(1,120)	576	4,237	3,188
Investing	56	(59)	(328)	(60)	170
Financing	1,058	2,223	(834)	(1,570)	(5,908)
Net Cash In/out flow)	(192)	1,044	(586)	2,607	(2,550)
Begin Cash & Cash Equiv.	907	854	1,759	1,173	3,780
End'g Cash & Cash Equiv.	715	1,898	1,173	3,780	1,230

Share Price And Standard Deviation



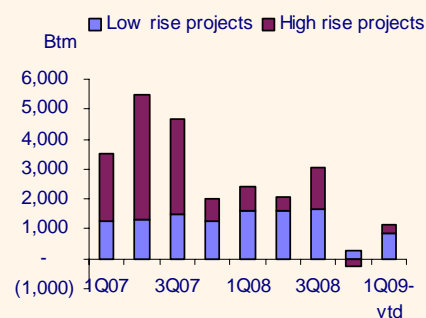
Source: Setsmart, UOB Kay Hian

Major Assumptions

	2008	2009F	2010F	2011F
Sales (Btm)				
- High-rise	4,379	4,082	5,209	3,623
- Low-rise	5,352	4,261	4,474	4,697
- Total	9,730	8,343	9,683	8,320
Sales Breakdown (%)				
- High-rise	45.0	48.9	53.8	43.5
- Low-rise	55.0	51.1	46.2	56.5
Sales growth (%)				
- High-rise	+73	-7	+28	-30
- Low-rise	+1	-20	+5	+5
- Total	+24	14	+16	-14
Gross margin (%)				
- High-rise	38.0	36.0	33.5	30.0
- Low-rise	34.0	30.0	30.0	30.0
- Total	35.8	32.9	31.9	30.0

Source: AP, UOB Kay Hian

Quarterly Presales



Source: AP

Ratchaburi Electricity Generating Plc

Lacking near-term catalysts

RATCH is venturing abroad but not all projects will provide good returns. The new 270MW project study in Indonesia does not look promising. Its valuation is 17% below regional peers. Given the lack of near-term growth catalyst, maintain HOLD.

Corporate Events

Ratchaburi Electricity Generating (RATCH) has signed MOU with PT Truba Alam Manunggal Engineering to conduct a feasibility study on a 270MW coal-fired power plant project in Indonesia. The project costs approximately US\$274.3m. A long-term power purchase agreement with PT.PLN (Persero) was awarded to the project and its commercial operation is expected in 2010. If the feasibility study yields positive results, RATCH's expected investment proportion is 40%.

Stock Impact

The transaction value is insignificant as it amounts to only 5.6% of RATCH's total assets, or Bt3.9b. We do not view the project very positively as it has high risk with little value added to RATCH. The electricity tariff in Indonesia is low at US\$0.045–0.055/kWh due to high subsidy vs US\$0.065/kWh in Thailand. Moreover, the currency risk at a high interest rate of 13% will depress the project's returns. The project was awarded by PLN (Persero), the state enterprise responsible for electricity distribution and transmission in Indonesia, like EGAT in Thailand. There are inherent risks in the project as PLN's financial position is not strong and the firm has liquidity problems caused by heavy subsidy of electricity tariff. The project will require extremely high returns to compensate the risks. Key risks are: a) the depreciation of the rupiah, b) high interest rate, and c) construction delays.

Earnings Revision

We maintain our 2009 net profit forecast for RATCH at Bt6.0b, down 8% yoy. The company lacks near-term catalysts. Further growth depends on investment abroad and development in the small power producer (SPP) business. Its earnings are derived almost entirely from the independent power producer (IPP) business, which is not impacted by weakening electricity demand. Thus, we expect flat earnings for RATCH during 2009-11. We also expect the completion of the Hongsa project to be delayed from 2013 to 2015 and Nam Ngum 3 project from 2014 to 2016. We did not include Hongsa and Nam Ngum 3 in our earnings forecasts.

Valuation/Recommendation

Maintain HOLD. Our fair price for RATCH based on DCF valuation at WACC of 10.0% is Bt42.00 (implying 10.0x 2009 PE or 1.4x 2009 P/B). It is trading at 9.4x 2009 PE, 17% below regional peers' average. It is a defensive stock with steady earnings stream backed by long-term power purchase agreements with EGAT. Nevertheless, it lacks near-term catalysts. Maintain HOLD with an entry price of Bt36.50.

THAILAND

Ratchaburi Electricity Generating Plc (RATCH TB)

HOLD

Current Price: Bt38.75

Fair Price: Bt42.00

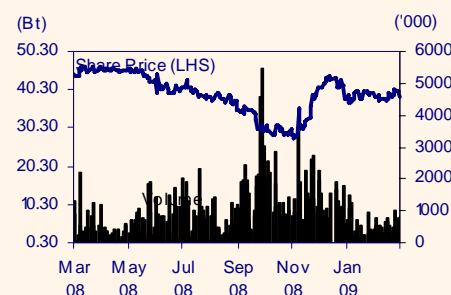
Sector	Energy
52-Wk Avg Daily Vol. ('000)	897
Market Cap (Btm) (US\$m)	56,524
	1,579

Major Shareholders (%)	
EGAT	45.0%

Book NTA per Share (Bt)	28.3
ROE (%)	15.8
Net Debt per Share (Bt)	8.4

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

Price Chart



Source: Bloomberg

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Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Bt)	Yield (%)
2007	43,821	8,577	5,829	4.0	(4.5)	9.6	7.6	2.0	5.2
2008	42,210	10,090	6,493	4.5	11.4	8.7	6.5	2.1	5.4
2009F	42,991	10,000	5,971	4.1	(8.0)	9.4	6.5	2.2	5.7
2010F	46,190	10,212	6,248	4.3	4.6	9.0	6.4	2.2	5.7
2011F	44,572	9,938	6,049	4.2	(3.2)	9.3	6.6	2.3	6.0

Consensus Net Profit – FY09: Bt6,257m
 – FY10: Bt6,071m

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	43,821	42,210	42,991	46,190	44,572
EBIT	5,831	7,344	7,230	7,398	7,084
Pre-tax Profit	5,218	6,706	6,490	6,866	6,647
Net Profit	5,829	6,493	5,971	6,248	6,049

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	21,071	19,521	26,056	30,236	33,314
Total Assets	70,301	69,672	75,824	79,395	81,865
Current Liabilities	10,007	9,058	9,238	9,752	9,522
Long-Term Liabilities	22,814	19,640	22,831	22,831	22,831
Shareholder Funds	37,480	40,974	43,755	46,813	49,512
Total Equity & Liabilities	70,301	69,672	75,824	79,395	81,865

Cash Flow

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	6,741	6,664	7,538	7,665	7,770
Investing	(1,936)	3,047	(1,200)	(1,000)	(1,000)
Financing	(4,994)	(10,143)	1	(3,190)	(3,350)
Net Cash In/(Out) Flow	(189)	(432)	6,339	3,475	3,421
Begin Cash & Cash Equiv.	11,229	11,040	10,608	16,947	20,422
End'g Cash & Cash Equiv.	11,040	10,608	16,947	20,422	23,842

Power Plants

Year	Power Plants	Fuel Type	Capacity (MW)	Share Holdings
2009	RATCH - Combined cycle	Natural gas	2,175	100%
	RATCH - Thermal	Natural gas	1,470	100%
	TECO	Natural gas	350	50%
	RATCH POWER	Natural gas	350	25%
2013	Nam Ngum 2	Hydro	154	25%
2015	Hongsa	Coal	661	40%
2016	Nam Ngum 3	Hydro	110	25%

Source: RATCH, UOB Kay Hian

Peer Comparison

Name	PE (x)	P/BV (x)	Div Yield (%)
	2009F	2009F	2009F
RATCH	8.98	9.25	1.27
EGCO	4.82	5.32	0.76
GLOW	8.00	7.12	0.94
TENAGA NASIONAL	13.53	10.43	1.01
YTL POWER CLP HLDGS LTD	14.07	12.58	1.58
DATANG INTL HUANENG POWER	15.82	14.96	1.93
AVERAGE	n.a.	15.23	1.47
RATCH vs Regional	n.a.	17.96	1.67
	10.87	11.61	1.33
	(17%)	(20%)	(4.1%)

Source: Bloomberg, UOB Kay Hian

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