

KEY STORY

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2008: Results much better than expected with core net profit up 77% yoy. Valuation has factored in the strong fundamentals. Downgrade to HOLD.

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CHINA

Results

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2008: The best results in the department store sector.

Industrial & Commercial Bank of China (HOLD/HK\$3.58/Fair: HK\$4.05) Page 9
2008: Results a reflection on outstanding asset quality. Maintain HOLD.

Kingdee International (BUY/HK\$0.93/Target: HK\$1.42) Page 11
2008: Results in line with expectation. With strong asset backing, the downside for Kingdee is limited. It also offers good long-term value.

PetroChina (BUY/HK\$6.47/Target: HK\$7.80) Page 13
2008: Net profit drops 22% yoy mainly due to refining loss. Maintain BUY on oil price recovery, stable refining margin outlook and cheap valuation.

Sinofert (SELL/HK\$3.72/Fair HK\$2.80) Page 15
2008: Disappointing results with flat core net profit. 2009 will continue to see margin pressure from lower potash sales.

Sector

Oil & Gas Page 17
Fuel price hike is triggering a re-rating in the refining industry. Maintain OVERWEIGHT on the sector. BUY Sinopec and PetroChina.

Technical Analysis Page 19

Nine Dragons Paper (2689): Next target near HK\$3.40.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7749.8	1.2	3.5	6.6	(11.7)
S&P 500	813.9	1.0	2.5	6.4	(9.9)
FTSE 100	3900.3	(0.3)	2.5	1.3	(12.0)
AS30	3546.2	0.8	4.7	7.5	(3.1)
CSI 300	2401.3	(2.1)	2.9	9.6	32.1
FSSTI	1691.7	(0.9)	7.3	4.6	(4.0)
HSI	13622.1	(2.1)	3.8	5.6	(5.3)
JCI	1420.0	(1.1)	7.3	10.0	4.8
KLCI	878.8	0.1	3.6	(1.6)	0.2
KOSPI	1229.0	0.6	5.0	16.5	9.3
Nikkei 225	8480.0	(0.1)	6.7	13.7	(4.3)
SET	436.9	(0.3)	2.5	1.2	(2.9)
TWSE	5346.4	2.0	5.9	18.3	16.4
BDI	1740	(1.0)	(6.5)	(11.2)	124.8
CPO (RM/mt)	2119	0.2	3.8	11.5	30.0
Nymex Crude (US\$/bbl)	53	(2.2)	9.6	24.2	18.3

Source: Bloomberg

Top BUYs/SELLs

Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)	
Top BUYs				
China Life	2628 HK	25.35	31.30	23.5
China Mobile	941 HK	67.05	85.00	26.8
China Railway	390 HK	4.69	5.90	25.8
China Shenhua	1088 HK	17.66	23.00	30.2
Sinopec	386 HK	4.64	6.60	42.2
Zijin Mining	2899 HK	5.84	7.15	22.4
Bumi Resources	BUMI IJ	800	1,010	26.3
DBS Group	DBS SP	8.42	10.55	25.3
Indofood Agri	IFAR SP	0.63	0.80	27.0
SingTel	ST SP	2.51	2.95	17.5
Advanced Info	ADVANC TB	81.50	101.73	24.8
Quality Houses	QH TB	0.83	1.28	54.2
Top SELLs				
Aluminum Corp	2600 HK	4.93	3.00	(39.1)
Harbin Power	1133 HK	5.10	3.50	(31.4)
Parkson Retail	3368 HK	8.20	5.15	(37.2)
S'pore Airlines	SIA SP	10.02	8.20	(18.2)
S'pore Exchange	SGX SP	5.05	3.00	(40.6)
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\$/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 (by invitation only)	Singapore	31 Mar	31 Mar
AMMB Company Visit	Malaysia	1 Apr	1 Apr

HONG KONG

Results

- Li & Fung (SELL/HK\$19.50/Fair: HK\$11.70) Page 20**
2008: Disappointing results. Margin erosion sends core earnings down by 7%. Margin pressure still looms in 2009.
- Television Broadcasts (BUY/HK\$24.35/Target: HK\$37.60) Page 22**
2008: While results were below expectations, valuation is attractive. Global TV media stocks have rebounded. TVB should catch up shortly.
- Wharf (SELL/HK\$19.30/Fair: HK\$15.02) Page 24**
2008: Profit in line with rental income being the only bright spot as contributions from other divisions fell. Uninspiring earnings going forward.

INDONESIA

Results

- Aneka Tambang (HOLD/Rp1,120/Fair: Rp1,200) Page 26**
2008: Net profit declines 73.3% yoy due to lower nickel prices and higher energy cost. We expect higher gold revenue contribution in 2009.
- Indocement Tunggak Prakarsa (HOLD/Rp4,925/Fair: Rp5,200) Page 28**
2008: Strong results but weak potential cement demand can drag down earnings. Maintain HOLD.
- Wijaya Karya (BUY/Rp220/Target: Rp260) Page 30**
2008: Net profit jumps 21% yoy due to rising revenue following stronger orderbook. Results in line with our expectation.

MALAYSIA

Sector

- Banking Page 32**
Bank Negara Malaysia is confident on the capital strength of Malaysian banks and would be less aggressive on rate cut.

SINGAPORE

Strategy

- Strategy Page 34**
Past recessions saw the Singapore stock market bottoming out in the first very sharp GDP contraction quarter. Will history repeat itself?

Sector

- Real Estate Investment Trusts Page 37**
Sensitivity analysis on impact of scrip dividend.

THAILAND

Update

- Rojana Industrial Park (SELL/Bt3.32/Fair: Bt2.59) Page 39**
Another round of earnings adjustments puts our 2009 forecast at 25% below the consensus. Cash call is on the horizon given high net D/E of over 2x.

China Dongxiang

2008: Strong fundamentals factored in

China Dongxiang (Dongxiang) posted better-than-expected 2008 results with core net profit up 77% yoy. Earnings growth could slow to 13% in 2009. Share price has factored in the robust growth. Downgrade to HOLD.

2008 Results

Year to 31 Dec	2H08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	1,923	104	3,322	94	Added 863 stores, 18% SSS growth
Gross profit	1,089	104	1,944	94	Sales growth, steady gross margin
EBIT	720	98	1,332	84	
Pre-tax Profit	800	98	1,616	110	
Tax	(89)	1,245	(248)	559	Tax holiday expired
Net Profit	711	79	1,368	86	
Less: exceptional items	-	n.a.	(146)	226	Negative goodwill from acquisition
Core net profit	711	79	1,222	77	
Gross Margin (%)	56.6	0.0	58.5	0.0	
EBIT Margin (%)	37.4	(1.2)	40.1	(2.3)	Consolidation of Phenix
Pre-tax Margin (%)	41.6	(1.4)	48.6	3.6	
Net Margin (%)	37.0	(0.6)	36.8	(3.5)	

Source: UOB Kay Hian

Results

Turnover soared 94% yoy to Rmb3,322m in 2008, driven by a 18% same-store sales (SSS) growth and an addition of 863 stores to 2,808.

Steady margins. Gross margin and EBIT margin for Kappa China increased 2.5ppt and 2.9ppt to 61% and 45.3% respectively in 2008, driven by higher ASPs. The consolidation of the newly-acquired Phenix dragged down the Group's margins. Overall gross margin remained flat at 58.5% in 2008, while EBIT margin dipped 2.3ppt yoy to 40.1%.

Core net up 77% yoy. Excluding the Rmb146m gain from acquisition of Phenix, core net profit grew 77% yoy to Rmb1,222m in 2008.

Dividend payout ratio of 60%. Dividend for 2008 was Rmb12.94 cents/share (interim: Rmb3.59 cents, final: Rmb9.35 cents). This implies a dividend payout of 60% and 4.6% dividend yield.

Strong cash flow. Inventory days and receivable days for Kappa China dropped from 49 days and 24 days in 2007 to 42 days and 23 days in 2008 respectively due to an efficient supply chain. Operating cash flow grew 31% yoy to Rmb929m in 2008.

Stock Impact

Target of 650 new stores is attainable. The Group plans to add at least 650 outlets annually in 2009-11. We believe the plan is attainable. Distributors are enthusiastic in opening Kappa outlets compared with other brands given Kappa's higher per-store profitability. First, Kappa's popularity and the brand's better supply chain ensure strong sales for distributors. Moreover, the brand's smaller number of stores relative to others and an exclusive distributorship prevent competition, underscoring higher profitability for distributors. All of these are incentives for distributors to open stores.

CHINA

China Dongxiang (3818 HK)

DOWNGRADE TO HOLD

Current Price: HK\$3.23

Fair Price: HK\$3.50

(Previous: HK\$3.30)

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	14,204
Market Cap (HK\$m)	18,301
(US\$m)	2,346

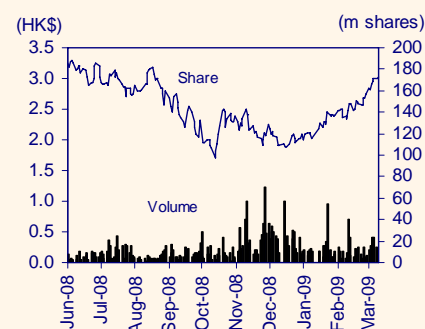
Major Shareholders (%)	
Chen Yihong	51.98

Book NTA per Share (HK\$)	1.29
ROE (%)	19.4
Net Cash per Share (HK\$)	1.22

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	1,711	742	689	0.149	110.3	19.1	13.6	-	-
2008	3,322	1,355	1,222	0.215	44.1	13.3	7.5	0.129	4.5
2009F	3,920	1,529	1,336	0.236	9.6	12.1	6.6	0.142	5.0
2010F	4,508	1,758	1,477	0.260	10.5	11.0	5.8	0.157	5.5
2011F	5,185	2,022	1686	0.297	14.2	9.6	5.0	0.179	6.3

Consensus Net Profit – FY08 : Rmb1,251m
 – FY09: Rmb1,462m

*Core net profit

Our 3% SSS growth assumption is conservative. In Jan-Feb 09, Kappa saw a 18% SSS growth in China. To be conservative, we assume Kappa to deliver 3% SSS growth in 2009-11, taking into account the probable slowdown in the coming months.

Prudent growth strategy. Like many others, Dongxiang also sees slowdown in orderbook growth for 3Q09. The group has just finished Kappa's 3Q09 trade fair with an 8% yoy growth in orderbook, vs >30% for 1Q-2Q09. We attribute the slowdown to the increased conservativeness of the group and its distributors amid uncertain economic outlook. We expect an 18% yoy turnover growth is attainable for 2009, as the group tends to be more prudent than other Chinese sportswear companies in taking orders. In addition, they've more sales achieved via in-season stock replenishment orders compared with other brands (15-20% vs <10%), implying more potential upside for sales.

Strong margins. The Group has not increased wholesaler discount to distributors despite the increase in retail discounts. However, management does not rule out the possibility of doing so if sales slow sharply in the future. We see minimal pressure for the Group to provide higher rebates to distributors as Kappa stores enjoy much higher profitability than the others (>10% vs 5-6% for others). To be conservative, we assume Group EBIT margin to drop from 40% in 2008 to 38% in 2009-11.

Raise 2009-10 earnings forecasts by 18% and 10%. Based on higher-than-expected 2008 profit, we raise our net profit estimates for 2009-10 by 18% and 10% to Rmb1,336m and Rmb1,477m respectively. We introduce 2011 net profit forecast at Rmb1,686m. Our earnings forecasts imply net profit growth of 10% in 2009, 11% in 2010 and 14% in 2011.

Earnings Risk

Margins remain the greatest uncertainty for sportswear companies. If sales slow sharply in the short term as a result of a deterioration in the economy, distributors need to cut prices to clear inventories. In turn, they would ask for bigger wholesaler discounts or rebates to offset the retail discount, feeding through to lower margins for brand owners. Based on our findings from our recent channel checks, we believe the margin risk for China Dongxiang is the lowest among listed Chinese sportswear companies.

Valuation/Recommendation

The stock is trading at 12.1x 2009 PE (7.6x ex-cash 2009F PE), in line with international peers'. But we believe the robust earnings growth is priced in. **Downgrade from BUY to HOLD** but we raise our fair price from HK\$3.30 to **HK\$3.50** based on DCF (WACC=14%; terminal growth=3%). Our fair price estimate implies 12x 2010 PE and a 9% upside from the current level.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	1,711	3,322	3,920	4,508	5,185
EBIT	725	1,332	1,490	1,713	1,970
Pre-tax Profit	771	1,470	1,650	1,893	2,190
Net Profit	689	1,222	1,336	1,477	1,686

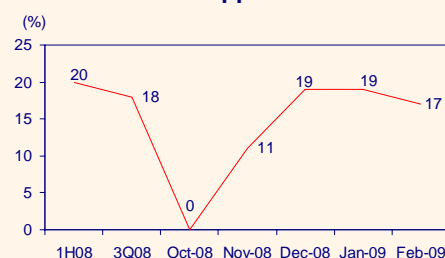
Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	5,815	6,750	7,966	9,160	10,534
Total Assets	6,223	7,293	8,629	9,943	11,437
Current Liabilities	315	798	942	1,083	1,246
Long-Term Loans	-	-	-	-	-
Shareholders' Funds	5,902	6,719	7,254	7,845	8,519
Total Equity & Liabilities	6,223	7,293	8,629	9,943	11,437

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	656	929	1,040	1,196	1,375
Investing	(271)	(200)	(140)	(140)	(140)
Financing	4,651	(98)	(417)	(478)	(525)
Net Cash Inflow/(Outflow)	5,036	631	483	578	710
Begin Cash & Cash Equiv.	275	5,311	5,942	6,425	7,003
End'g Cash & Cash Equiv.	5,311	5,942	6,425	7,003	7,713

SSS Growth of Kappa China



Source: China Dongxiang

Key Assumptions

	2008	2009	2010	2011
No. of stores	2808	3458	4108	4758
Store additions	863	650	650	650
SSS growth	18%	3%	3%	3%
EBIT margin	40%	38%	38%	38%

Source: China Dongxiang, UOB Kay Hian

China Life Insurance

2008: In-line results with EV being exceptionally resilient

China Life's reported net profit of Rmb21.4b was in line with our expectation and embedded value showed exceptional resilience in the face of extremely adverse market conditions last year. Maintain BUY on strong outlook for 2009.

2008 Results

Year to 31 Dec	FY08 (Rmbm)	yoy % chg	Remarks
Net premium income	134,650	20.9	Primarily driven by increased sales of individual life insurance products
Net investment inc.	44,050	0.1	Increase in interest income from debt securities offset a decrease in dividends from equities
Realised investment gains/(losses)	(6,516)	n.a.	Gains on sale of securities was offset by Rmb15.7b impairment charge on AFS securities
Unrealised investment gains/(losses)	(7,296)	n.a.	Mainly due to fair value changes on equity portfolio held for trading
Claims, benefits and expenses	(144,235)	(1.5)	Policyholder dividends saw a steep decline over 2008 as China Life likely cut down on its payouts to participating policyholders on bleak investment returns for the year.
Net Profit	21,414	(45.2)	Investment losses offset strong growth in premium for 2008

Source: UOB Kay Hian

Stock Impact

China Life reported a net profit of Rmb21,414m, down 45.2% yoy, in line with our expectation. Net premiums rose 20.9%, driven mainly by increased first-year business for individual life insurance. Deposit growth soared 115% yoy, as expected, due to the high amount of bancassurance policies sold in 2008.

Net investment income remained resilient with a 0.1% increase due to increased interest income from fixed-income securities, which offset a decrease in dividends from equity investments. Net investment yield was down 80bp to 4.96%. China Life recorded an impairment charge of Rmb15.7b on AFS investments that it had deemed to be impaired. That offset net realised gain of Rmb6.8b from the sale of equity securities.

China Life's embedded value was a bright spot as it declined at a less-than-expected 5%. EV was boosted by better-than-expected value of new business (VoNB) for the period, implying margin of close to 30% on new products sold. As a result, EV per share for 2008 came to Rmb8.49. China Life's in-force book also saw a 21% growth yoy, which helped offset an 18% decline in adjusted net worth. It also left its long-term investment yield assumption unchanged, as expected.

Earnings Risk

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

CHINA

China Life Insurance (2628 HK)

BUY

Current Price: HK\$25.35
Target Price: HK\$31.30
(Previous: HK\$30.50)

Sector	Insurance
52-Wk Avg Daily Vol. (m)	93.7
Market Cap (HK\$m)	711,466
(US\$m)	91,214
Major Shareholders (%)	
China Life Insurance (Group)	68.4
Book NTA per Share (Rmb)	6.39
ROE (%)	11.0

Results Due	
Interim	August
Final	April

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Net Earned Premium (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmbm)	EPS Growth (%)	PE (x)	P/EV (x)	DPS (Rmb)	Yield (%)
2007	111,404	44,982	38,879	1.38	94.8	16.6	2.6	0.42	1.8
2008	135,169	22,804	21,414	0.75	(45.2)	30.6	2.7	0.23	1.0
2009F	168,504	30,332	25,965	0.92	22.9	24.9	2.4	0.28	1.2
2010F	200,875	37,737	31,928	1.13	23.0	20.2	2.0	0.34	1.5
2011F	239,560	45,493	38,037	1.35	19.1	17.0	1.7	0.40	1.8

Consensus Net Profit – FY09: Rmb26,840m
– FY10: Rmb32.296m

Recommendation

We were particularly pleased by China Life's reported EV as it demonstrated exemplary resilience to the extremely adverse market conditions of 2008. China Life's strong VoNB showed that it continued to focus on its core traditional insurance products despite the strong surge in bancassurance sales last year, and the sharp margin compression that was expected did not materialise.

While the market has already gotten past 2008 performance and is now squarely focused on 2009, the stronger-than-expected EV should nevertheless provide a positive impact for China Life. The higher EV for 2008 has led to a higher EV per share estimated for 2009, rising 8% to Rmb9.62. Subsequently, we raise our target price by 3% to HK\$31.30, reflecting 2.9x 2009 P/EV and 16.3x NBV. China Life continues to be our preferred insurer due to its dominant rural market share and pure domestic focus. Given the strong recent rally, it may be susceptible to profit-taking risk, but valuations remain reasonable and we believe it will continue to outperform for the year.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
NEP	111,404	135,169	168,504	200,875	239,560
Net Investment inc	44,020	44,050	34,973	44,370	56,033
Total expenses	(146,390)	(144,235)	(177,491)	(220,359)	(267,443)
Net profit	38,879	21,414	25,965	31,928	38,037
EPS	1.42	0.75	0.92	1.13	1.35

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Investment Assets	850,209	879,239	1,306,325	1,592,419	1,926,160
Total Assets	929,421	1,044,828	1,397,776	1,691,525	2,034,205
Total Liabilities	727,328	863,255	1,198,678	1,450,522	1,731,157
Equity	205,500	181,573	198,253	239,979	301,762

Embedded Value Movement

(Rmbm)	2008
Beginning EV	252,568
-New business value	13,924
-Expected return on EV	18,494
-Operating experience	(1,527)
-Investment return variance	(33,651)
-Model assumptions	(1,631)
-Market value adjustment	4,897
-Exchange gain or loss	(905)
-Shareholder dividend	(209)
Ending EV	240,087

Source: China Life

Investment Mix

(Rmbm)	2008	%
Debt Securities		
-HTM	211,929	25.2
-AFS	356,220	40.5
-Trading	7,736	0.9
Equities		
-AFS	68,719	7.8
-Trading	6,363	0.7
Deposits	228,272	26.0
TOTAL	879,239	100.0

Source: China Life

Gross Written Premiums & Fees

(Rmbm)	2008	% yoy
Individual	108,235	18.4
First-year	32,099	26.0
-Single	1,828	43.6
-Regular	30,271	25.1
Renewal	76,136	15.5
Group	324	(63)
First-year	315	(63.1)
-Single	306	(56.6)
-Regular	9	(94.0)
Renewal	9	(59.1)
Accident/Health	132,042	9.6
S/T accident	6,153	12.0
S/T health	6,889	7.6
Policy fees	13,724	78.4
TOTAL	135,325	21.0

Source: China Life

Golden Eagle

2008: The best results in the department store sector

Golden Eagle's 2008 results beat expectation with net profit up 60.1% yoy and dividend pay-out ratio surged from 20.2% to 90.6%. Maintain BUY.

2008 Results

(Rmb '000)	2007	2008	% chg	Remark
Gross sales proceeds	4,858,263	6,248,963	28.63	Driven by 21.5% SSS growth and new store opening
Turnover	1,107,658	1,432,144	29.29	
COGS	(242,398)	(316,801)	30.69	Gross margin dropped slightly
Gross profit	865,260	1,115,343	28.90	
Other income	187,802	210,892	12.29	contributed by interested income
Admin expenses	(131,420)	(189,976)	44.56	Two new stores opening
Profit before tax	598,096	844,424	41.19	
Tax	(212,361)	(226,731)	6.77	
Effective tax rate	35.51%	26.85%	(8.66)	Statutory tax rate decreased
Net profit	385,735	617,693	60.13	
Basic EPS (Rmb)	0.21	0.34	60.85	

Source: UOB Kay Hian

Results

Net profit rose 60.1% yoy to HK\$617m in 2008, much higher than market expectation. Growth was underpinned by strong same-store sales (SSS) growth of 21.5%, much higher than Parkson's 12.1% SSS growth in 2008.

Gross sales surged 28.6% yoy while gross profit increased 28.9% yoy, which implies commission rate was not hurt by aggressive promotional activities. Suppliers bear most of promotional expenses, which reflect Golden Eagle's strong negotiation power with suppliers.

Dividend pay-out ratio extremely high. Golden Eagle's dividend pay-out ratio surged from 20.2% in 2007 to 90.6% in 2008, which indicated its healthy financial position and conservative expansion strategy in the future. Currently, Golden Eagle has more than Rmb2b cash on hand.

Increasing number of loyal customers should lift its future sales. The strength of Golden Eagle's store brand in Jiangsu should not be underestimated. Evidence of this can be found in its VIP programme. The number of VIPs has increased from 480,000 in 2007 to 600,000 in 2008, accounting for 65% of the company's total gross sales.

Stock impact

High-single or low-double-digit sales growth in 2009. Sales growth surged 14% in Jan-Feb 09 and reached double-digit in the first three weeks of March. This will not be sustainable in the next few months due to rising unemployment and weak consumer confidence. We maintain our previous SSS growth forecast of a high-single-digit for 2009.

CHINA

Golden Eagle (3308 HK)

BUY

Current Price: HK\$5.29

Target Price: HK\$6.58

(Previous: HK\$5.66)

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	2,104
Market Cap (HK\$m)	9,352
(US\$m)	1,206

Major Shareholders (%)	
HUNG WANG	74.88
JP Morgan Chase & Co.	5.03

Book NTA per Share (Rmb)	0.92
ROE (%)	36.5
Net Cash per Share (Rmb)	1.12

Results Due	
Interim	September
Final	April

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Rmb)	Yield (%)
2007	1,108	749	386	0.21	66	21.9	13.0	0.04	0.71
2008	1,432	923	618	0.34	60	13.7	9.3	0.30	4.97
2009F	1,646	1,000	678	0.37	10	12.4	8.7	0.19	3.09
2010F	1,900	1,124	809	0.45	19	10.4	7.3	0.22	3.69
2011F	2,206	1,247	897	0.49	11	9.4	6.6	0.22	3.69

Consensus Net Profit – FY09: HK\$586m
 – FY10: HK\$729m

Dividend payout will maintain at 40-50%. Undoubtedly, a 90.6% dividend payout ratio is not sustainable. Management expects future dividend payout ratio at 40-50%, which implies a more than 3% dividend yield.

Two good-quality stores will be injected soon. It is highly likely that Golden Eagle will introduce a lease agreement for Nanjing Xinbai's two good-quality department stores (Orient Department Store and Wufu Xinbai Store) in April. We expect these two stores will contribute more than Rmb800m to Group's gross sales proceeds in 2009 and further strengthen the Group's negotiation power with suppliers. The company has also entered a lease agreement with a third party to open a second store in Yangzhou in 2Q09.

Earnings Revision

We lift our net profit forecast by 3% in 2009 and 4% in 2010 due to better-than-expected sales in the past three months. We believe Golden Eagle's sales growth in 2009 will beat market expectation. Furthermore, 4Q08 results showed that commission rates was not hurt by promotional activities, reflecting earnings growth is on the way.

Valuation/Recommendation

Based on our earnings forecasts, Golden Eagle is trading at 12.4x 2009 PE and 10.4x 2010 PE, slightly above its Hong Kong peers' average of 10.4x and 8.7x respectively. Long-term investors should accumulate the stock now due to its sustainable sales growth, effective cost control and high dividend yield. Our DCF-based (WACC=11.5%; terminal growth=3%) target price is HK\$6.58, which implies 15.5x 2009 PE and a 24.3% upside from the current level. **Reiterate BUY.**

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008F	2009F	2010F	2011F
Turnover	1,108	1,432	1,646	1,900	2,206
EBIT	679	926	964	1,079	1,196
Pre-tax Profit	598	844	904	1,079	1,196
Net Profit	386	618	678	809	897

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008F	2009F	2010F	2011F
Current Assets	1,886	2,272	2,236	2,683	3,267
Total Assets	3,927	4,771	4,992	5,605	6,364
Current Liabilities	1,717	3,023	2,146	2,407	2,747
Long-Term Liabilities	820	0	0	0	0
Shareholder Funds	1,336	1,694	2,781	3,120	3,524
Total Equity & Liabilities	3,927	4,771	4,992	5,605	6,364

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008F	2009F	2010F	2011F
Operating	885	972	625	951	1,108
Investing	(192)	(593)	(543)	(414)	(417)
Financing	(44)	(86)	(79)	(112)	(134)
Net Cash In/(Out) Flow	649	293	2	424	557
Begin Cash & Cash Equiv.	1,099	1,748	2,041	2,043	2,467
End'g Cash & Cash Equiv.	1,748	2,041	2,043	2,467	3,024

Ratios

	2007	2008	% chg
Margin (%)			
GP margin	78.12	77.88	-0.24
OP margin	62.61	59.48	-3.13
OP margin, excl other inc.	45.65	44.75	-0.90
NP margin	34.82	43.13	8.31
NP margin, excl other inc	28.80	39.18	10.37
Selling expense/Turnover	20.60	19.86	-0.74
Admin expense/Turnover	11.86	13.27	1.40

Source: Bloomberg, UOB Kay Hian

Gross Sales Proceeds By Segment

(Rmbm)	2007	2008	% chg
Gross Sales Proceeds	6,249.0	4,858.2	28.6
- Concessionaire Sales	5,786.7	4,478.7	29.2
- Direct Sales	438.5	362.6	20.9
- Rental Income	22.8	16.7	36.5
- Management fee	1.0	0.2	400.0

Source: Bloomberg, UOB Kay Hian

Merchandise Mix In 2008

Apparel & Accessories	57.3%
Gold, Jewelry & Timepieces	14.1%
Tobacco, wines & Household	7.3%
Cosmetics	6.9%
Sportswear	5.4%
Electronics & Appliances	5.2%

Source: Bloomberg, UOB Kay Hian

Industrial & Commercial Bank of China

2008: Results a reflection on outstanding asset quality

ICBC's net profit of Rmb110.8b for 2008 was broadly in line with consensus, but NIM and NPL formation were both better than expected, reflecting the bank's strong loan pricing power and sound asset quality. Maintain HOLD.

2008 Results

Year to 31 Dec	FY08 (Rmbm)	yoy % chg	Remarks
Net interest income	263,037	17.1	NII growth was resilient as ICBC was able to increase its avg yields on loans to 7.07%, 10bp higher than 1H08
Net fee and commission income	44,002	14.7	Fee income slowed primarily due to slowdown in wealth management fees
Net operating income	310,195	20.5	
Provision for impairment	(55,462)	48.3	Charges rose as ICBC increased its coverage ratio
Net Profit	110,841	36.0	Net income growth slowed slightly on increased provisioning
Financial Indicators (changes QoQ unless stated otherwise)			
CIR	29.84%	+196bp	Slight rise in administrative costs
NPL ratio	2.29	-8bp	Ratio continued to decline on stable NPL balance
NPL balance	104,482m	(0.3)	NPL balance remained flat reflecting strong asset quality management
Loans overdue by 90d	9,231m	+99% Yoy	Overdue loans increased substantially, but was working off a very low base of Rmb4.6b
Coverage Ratio	130.2	+884bp	Rate rose from 121.2% for 3Q08
NIM	2.95	-6bp	NIM was surprisingly resilient as ICBC continued to enjoy strong loan pricing power
LDR	56.4	-240bp Hoh	Continues to enjoy industry low LDR

Source: UOB Kay Hian

Stock Impact

Strong set of results a reflection on strong asset quality. Industrial & Commercial Bank of China's (ICBC) net profit of Rmb110.8b was in line with consensus and slightly better than we had expected. NIM and NPL formation were two of the major surprises as ICBC reported better-than-expected numbers for both areas. ICBC managed to increase average yield on loans by 10bp from 1H08 to 7.07% for end-08, which was very surprising given the People's Bank of China's (PBOC) aggressive rate cuts in 4Q08.

NPL formation also did not pick up during 4Q08 as anticipated, as NPL balance remained flat at Rmb104.5b. ICBC continued to raise its coverage ratio for impaired loans and among the banks to have reported earnings, it was the first to meet the China Banking Regulatory Commission's (CBRC) recommended rate of 130%.

Limited exposure to US bonds. ICBC also has very little exposure to US structured investments, with the total nominal value of such investments only totalling 0.13% of the bank's total assets. US bonds in total account for only 0.9% of total assets while foreign bonds only comprised 1.3%. ICBC currently has a provision/unrealised loss ratio of 101.88% and a provisions/nominal value ratio of 71.7% for subprime-related investments.

CHINA

Industrial & Commercial Bank of China (1398 HK)

HOLD

Current Price: HK\$3.58

Fair Price: HK\$4.05

(Previous: HK\$3.38)

Sector: Banking
52-Wk Avg Daily Vol. (m): 465

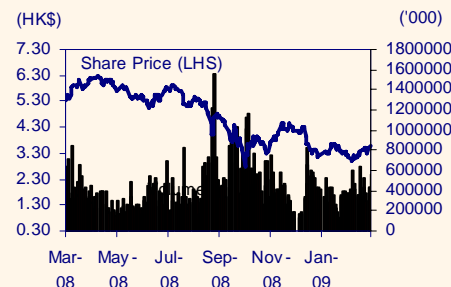
Market Cap (HK\$m): 1,370,780
(US\$m): 175,741

Major Shareholders (%):
Ministry of Finance: 35.3
Huijin: 35.3

Book NTA per Share (Rmb): 1.78
ROE (%): 19.43

Results Due:
Interim: August
Final: March

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Operating Income (Rmbm)	PPOP (Rmbm)	Net Profit (Rmbm)	EPS (Rmbm)	EPS Growth (%)	PE (x)	P/B (x)	DPS (Rmb)	Yield (%)
2007	256,029	152,768	82,968	0.24	28.8	12.5	1.87	0.28	9.2
2008	310,195	198,860	110,841	0.33	36.9	9.1	1.69	0.16	5.4
2009F	323,873	210,421	102,089	0.31	-8.5	10.0	1.56	0.15	5.0
2010F	373,723	238,675	115,341	0.35	13.0	8.8	1.42	0.17	5.7
2011F	411,412	249,786	135,226	0.40	17.2	7.5	1.28	0.20	6.6

Consensus Net Profit – FY09: Rmb110,403m
– FY10: Rmb125,346m

Goldman Sachs will not sell 80% of shares within one year. ICBC's management stated that Goldman Sachs will not sell 80% of its shares in the bank at least until Apr 10. This implies that Goldman will not look to selling 13.2b of the 16.48b of ICBC shares it currently holds. As such, the overhang of a sell-down has been largely removed, with a slight overhang remaining over the possible sale of 3.3b shares following 28 Apr 09. Another 1.3b shares held by American Express may also be susceptible to a sell-down risk on 28 April.

Small exposure to small enterprises. ICBC continues to have a relatively small exposure to small enterprises, accounting for Rmb236b of total outstanding loans or 5.2% of total corporate loans. However, loans to small enterprises totalled 60.8% in 2M09 and we suspect these new loans were largely composed of discounted bills. NPL ratio for small enterprises rose from 0.99% in 1H08 to 1.73%, but was still well below the bank's average of 2.29%.

Earnings Risk

Primary risk is worse-than-expected asset quality deterioration

Valuation/Recommendation. Overall, ICBC reported a very strong set of results, most noticeably with respect to NIM and asset quality. As a result, we have revised down our NPL ratio for 2009 to 2.70%, still reflecting a 38% rise in NPL balance for the year. We continue to assume ICBC will work towards a coverage ratio of at least 140% for 2009, working towards the CBRC recommended level of 150%. Despite the better-than-expected NIM for 2008, we maintain our NIM assumption for 2009, resulting in 33bp compression. As a result of a lower NPL balance, we raise our 2009 net profit forecast by 10% to Rmb102.1b. In our valuations, we have increased our sustainable ROE to 17.5% from 15.5%, resulting in a new fair price of HK\$4.05, reflecting 1.9x 2009 P/NTA.

While asset quality will come under greater pressure this year, we believe ICBC is the most defensive bank in China, given its liquid balance sheet, high coverage ratio and demonstrated resilience in loan pricing. The primary short-term overhang remains the possible sale of 3.3b shares held by Goldman Sachs, albeit the risk is now much reduced. Given the recent rally of banking shares, we believe ICBC would become very attractive following a mild pullback in share prices. Maintain HOLD with entry at levels below HK\$3.30.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Net interest income	224,465	263,037	263,459	294,151	306,617
Operating expenses	(14,511)	(18,765)	(18,765)	(18,765)	(18,765)
Pre-provision profit	152,768	198,860	210,421	238,675	249,786
Net profit	82,968	110,841	102,089	115,341	135,226

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Cash and Balance with Central Banks	1,141,461	1,693,024	1,336,367	1,425,281	1,605,755
Total Gross Loans	3,821,126	4,245,679	5,027,338	5,654,870	6,371,080
Total Assets	8,683,396	9,757,146	10,554,047	11,696,299	13,088,161
Deposits	5,109,200	5,660,462	6,326,390	6,898,413	8,223,446
Total Liabilities	8,139,740	9,150,516	9,897,579	10,975,534	12,299,249
Total Shareholder's Equity & Liabilities	8,683,396	9,757,146	10,554,047	11,696,299	13,088,161

Total Corporate Loan Breakdown

(Rmbm)	2008	%
Manufacturing	758,764	23.5
Transportation & logistics	690,809	21.4
Power generation/supply	501,411	15.5
Property development	343,895	10.6
Retail, wholesale	188,831	5.8
Infrastructure	336,475	17.4
Leasing and commercial services	188,120	5.8
Science and culture	70,148	2.2
Others	153,649	4.8
TOTAL CORPORATE	3,232,102	100

TOTAL RETAIL	829,342
TOTAL GROSS LOANS	4,245,679

Source: ICBC, UOB Kay Hian

Investment in US Structured Products

(US\$m)	2008	3Q08
Subprime		
-Nominal value	1,195	1,207
Alt-A		
-Nominal value	599	605
SIVs		
-Nominal value	55	55
CDOs		
-Nominal value	505	505
Provisions/Unrealised losses	101.88%	103.63%
Provisions/Nominal value	71.70%	52.06%

Source: ICBC, UOB Kay Hian

Kingdee International

2008: Results in line with expectation

Kingdee's strong balance sheet and cash generation ability would help the Group to outperform in the economic downturn. We believe the stock is a core holding for long-term investors. Maintain BUY.

2008 Results

Year to 31 Dec	2008 (Rmbm)	yoy % chg	Remarks
Turnover	875.3	14	Slower turnover growth due to economic down
Other gain	147.6	61	Rmb38.7m revaluation gain
Operating profit	183.1	25	
Profit before tax	189.3	26	
Taxation	(4.3)	(62)	Better tax planning
Net profit	181.5	33	
EPS-(Rmb/share)	0.10	28	
DPS-(HK\$/share)	0.022	-	Payout ratio of 21%.

Source: UOB Kay Hian

Results

Kingdee International's (Kingdee) 2008 net profit rose 18% yoy to Rmb181.5m. The increase was mainly due to the Rmb38.7m revaluation gain. Excluding the revaluation gain, the results were in line with our expectations. The Group declared an interim dividend of HK\$0.022, payout ratio at 21%. Sales of KIS and EAS grew 20%, and 67% respectively in 2008. Sales of K3 was flat yoy. The slower turnover growth was mainly due to economic slowdown in 2H08 and the change in VAT system.

Management is still confident to deliver decent growth in 2009, as long as the Chinese economy stays healthy. Despite the difficult environment, Kingdee can control costs on several areas: a) expenses for advertising and promotion activities, b) headcount freezes and low salary inflation, c) outsourcing distribution and implementation to partners and d) rental savings as its office building in Shenzhen will be put use in Apr 09.

The long-term outlook for Kingdee is promising as ERP penetration in China is about 15% (vs 50%+ in some developed countries). We believe Kingdee is able to maintain its leading position in the long term through more localised products, broader distribution channels and better after-sale services than its overseas competitors. The economic downturn hurts small local players more than the market leaders, and usually leads to market share consolidation. The leading players such as UFIDA (600588 CH) and Kingdee are expected to gain market share and recover strongly when the demand picks up.

Stock Impact

The results were in line with our expectation. We left our earnings forecasts for 2009, 2010 and 2011 unchanged.

CHINA

Kingdee International

(0268 HK)

BUY

Current Price: HK\$0.93

Target Price: HK\$1.42

(Previous: HK\$1.11)

Sector	Technology
52-Wk Avg Daily Vol. (m)	5.0
Market Cap (HK\$m)	1,788
(US\$m)	229

Major Shareholders (%)	
Management	33.5

Book NTA per Share (Rmb)	0.5
ROE (%)	24.1
Net Cash per Share (Rmb)	0.3

Results Due	
Interim	September
Final	March

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	767	102	136	0.08	38.1	12.4	11.6	0.02	1.7
2008*	875	88	182	0.10	33.0	9.3	10.9	0.02	2.3
2009F	988	117	164	0.09	(14.8)	9.7	5.2	0.02	2.3
2010F	1,138	166	196	0.10	20.1	8.1	3.4	0.03	2.7
2011F	1,417	218	232	0.12	18.1	6.8	2.6	0.03	3.3

Consensus Net Profit – FY08: Rmb186.2m
– FY09: Rmb228.7m

* Include Rmb38.7m revaluation gain

Earnings Risk

Sector de-rating and massive economic slowdown in China and pricing competition from overseas players such as SAP & Oracle. .

Valuations

We still believe Kingdee is a good quality and defensive play in China's software/IT services universe. Its strong balance sheet and cash-generation ability would help it to outperform in the economic downturn. Kingdee is now trading at a deep discount to its peers, including UFIDA, and we believe that it is likely to catch up with its peers. We set the new target price at HK\$1.42 (15x 2009 PE or 30% discount to the average of its peers). Maintain BUY.

Strong asset backing. Based on the latest information, we re-calculated the value of two office buildings and one piece of land owned by Kingdee. Total value is estimated at Rmb1,116m. Kingdee also had net cash position of Rmb521m as of 31 Dec 08. Its market capitalisation is HK\$1,788m or (Rmb1,582m) which is less than Rmb1,637m (total value of two buildings plus land plus net cash). At current price level, investors are paying zero value for Kingdee's software business.

Peer Comparison

Name	Ticker	Current PE (x)	Prospective PE (x)	PB (x)
UFIDA	600588 CH	25.1	20.9	5.1
Kingdee	268 HK	9.7	8.1	2.4
Sinocom Soft	299 HK	6.2	5.6	1.3
Neusoft	600718 CH	30.4	24.8	4.9
Beijing Teamsun Tech.	600410 CH	20.5	16.2	3.8
China National Soft	600536 CH	47.8	36.2	5.4
ChinaSoft	354 HK	7.9	7.0	-
Kingsoft	3888 HK	10.7	8.4	2.9
Ygsoft	002063 CH	-	-	6.1
Inspur	596 HK	11.5	9.4	4.9

Source: Bloomberg, IBES, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	767	875	988	1,138	1,417
EBIT	102	88	117	166	218
Pre-tax Profit	150	189	181	239	281
Net Profit	136	182	164	196	232

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	587	719	728	952	1110
Total Assets	903	1307	1465	1667	1941
Current Liabilities	290	401	434	484	580
Long-Term Liabilities	5	9	13	16	21
Shareholder Funds	608	897	1019	1166	1339
Total Equity & Liabilities	903	1307	1465	1667	1941

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	277	298	310	323	394
Investing	(183)	(362)	(201)	(201)	(201)
Financing	(60)	96	(69)	(89)	(105)
Net Cash In/(Out) Flow	34	31	40	33	87
Begin Cash & Cash Equiv.	360	394	426	466	499
End'g Cash & Cash Equiv.	394	426	466	499	586

PetroChina

2008: Results below expectation; Refining segment driving earnings in 2009

Petrochina's 2008 net profit dropped 22% yoy, which is 7% below consensus. It maintains 45% payout ratio. Recent share price catalysts are oil price recovery and stable refining margin outlook. Valuation looks attractive as well.

2008 Results

	2008 (Rmbb)	2007 (Rmbb)	yoy % chg	Remarks
Turnover	1,071.1	836.4	28.1	Boosted by higher crude, refined oil and chemical products prices
Total operating expenses	(911.8)	(635.6)	43.5	Increase in the lifting cost, purchase of feedstock, and special oil tax
Profit from operations	159.3	200.7	(20.7)	
Total finance cost	(1.8)	(2.3)	(21.7)	
Profit before tax	161.8	204.9	(21.1)	
Taxation	35.2	49.8	(29.3)	
Net profit	114.4	146.8	(22.0)	
EPS	0.63	0.80	(22.0)	

Source: UOB Kay Hian

Results

PetroChina's net profit for 2008 decreased 22% yoy to Rmb114.4b, 7% below market consensus. Refining segment recorded a loss of Rmb82.9b in 2008 vs a refining loss of Rmb20.7b in 2007, which is the primary reason behind this net profit drop. Driven by higher price of crude, refined oil and chemical products, PetroChina's turnover rose 28% to Rmb1,071.1b. It maintains 45% dividend payout for 2008.

Stock Impact

Two catalysts are driving PetroChina's share price in the short term. First catalyst is that the NDRC raised fuel price on 25 March, which is triggering a re-rating for the refining industry. Owning approximately 35% of China's total refining capacity, PetroChina will benefit from this re-rating. Second catalyst is oil price has strengthened recently. The benchmark WTI has risen to US\$47/bbl in March from US\$42/bbl in January. We expect this momentum to continue for awhile.

We expect the refining segment to be the major earnings contributor in 2009, benefitting from the new fuel price mechanism. E&P and chemicals segments will stay challenged for the year because of lower crude price and weak demand for chemicals.

Earnings Risk

We expect a refining margin of US\$3/bbl for 2009 and US\$5/bbl for 2010. If the government does not allow fuel price to rise at the time of rising oil price, PetroChina should face earnings downside risk.

Valuation

PetroChina is trading at 1.3x PB for 2008, which is significantly lower than the 2.2x average PB in the past seven years, and international peers' 1.7x PB. Maintain BUY.

CHINA

PetroChina (857 HK)

BUY

Current Price: HK\$6.47

Target Price: HK\$7.80

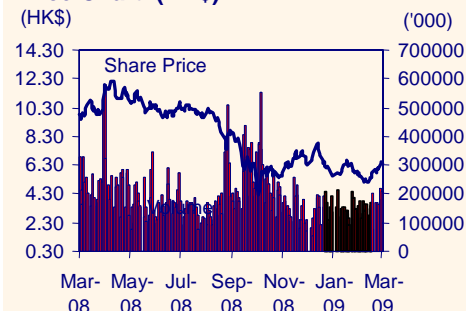
Sector	Oil & Gas
52-Wk Avg Daily Vol. (m)	190
Market Cap (HK\$b)	136.5
(US\$m)	17.5

Major Shareholders (%)	
CNPC	86.3

Book NTA per Share (Rmb)	4.32
ROE (%)	14.8
Net Debt per Share (Rmb)	0.51

Results Due	
Interim	August
Final	March

Price Chart (HK\$)



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	835,037	263,210	145,625	0.80	0.2	7.1	5.1	0.35	6.2
2008	1,071,146	223,533	114,431	0.63	(22.0)	9.1	6.8	0.28	4.9
2009F	806,588	233,650	108,926	0.60	(4.8)	9.6	6.2	0.26	4.6
2010F	889,522	278,403	133,485	0.73	22.5	7.8	5.3	0.32	5.7
2011F	949,686	287,323	132,840	0.73	(0.5)	7.8	5.2	0.32	5.7

Consensus Net Profit – FY08:Rmb92,775m
 -- FY09:Rmb119,684m

E&P—earnings up 16%, mainly driven by higher realised crude price. Turnover rose 32% because of 34% increase in realised oil price. But operating expenses increased 46% primarily due to surge in special oil gain tax (Rmb40.6b higher than that in 2007).

Refining—a very bad year in 2008. The Chinese government would not allow fuel price to be raised in most of the time during the year, leading to a Rmb82.9b refining loss despite PetroChina having received Rmb16b subsidies. Compared with 2007, refining loss increased by Rmb62.3b. This is the primary reason behind its 22% drop in net profit.

Chemicals—first loss in six years. Due to a sharp decline in demand in 2H08, both price and volume fell significantly as a result. The segment recorded a loss of Rmb2.8b, the first loss since 2003.

Natural Gas—best performer of the year. Benefitting from 15% growth in volume and 17% increase in realised price, operating profit increased by 29% yoy to Rmb12.5b.

Capex guidance for 2009 remains flat yoy. In 2008, PetroChina's Capex grew 27% to Rmb232.2b. Guidance for 2009 remains flat yoy. But it cut expenditure on E&P while increasing expenditure on gas pipeline and refining.

Profit & Loss

Year to 31 Dec (Rmbb)	2007	2008	2009F	2010F	2011F
Turnover	835,037	1,071,146	806,588	889,522	949,686
EBIT	199,855	159,300	150,889	187,445	187,590
Pre-tax Profit	204,381	161,829	153,201	187,743	186,835
Net Profit	145,625	114,431	108,926	133,485	132,840
EPS (Rmb)	0.80	0.77	0.60	0.73	0.73

Balance Sheet

Year to 31 Dec (Rmbb)	2007	2008	2009F	2010F	2011F
Current Assets	231,175	224,473	169,442	196,110	197,120
Total Assets	1,060,131	1,194,174	1,254,776	1,397,098	1,503,849
Current Liabilities	198,095	264,337	222,717	251,854	275,284
Long-Term Liabilities	85,689	82,711	123,136	136,262	131,121
Shareholder Funds	733,405	790,838	836,552	921,779	995,480
Total Equity & Liabilities	1,060,131	1,194,174	1,254,776	1,397,098	1,503,849

Cash Flow

Year to 31 Dec (Rmbb)	2007	2008	2009F	2010F	2011F
Operating	203,748	170,506	198,358	246,141	252,049
Investing	(184,205)	(213,947)	(233,956)	(208,961)	(207,824)
Financing	(2,648)	7,845	(14,015)	(20,705)	(56,013)
Net Cash Inflow	16,895	(35,708)	(23,613)	16,476	(11,788)

Operating Data

	2008	2007	% yoy
E&P			
Crude oil (mmbbls)	870.7	846.0	2.9
Natural gas (bln cf)	1,864	1,628	14.5
BOE(mmbbls)	1,182	1,117	5.7
Refining			
Crude throughput (mmbbls)	849.8	823.6	3.2
Refined oil production			
Of which: Gasoline (kt)	23,465	22,019	6.6
Diesel (kt)	48,294	47,345	2.0
Kerosene (kt)	2,209	2,017	9.5
Chemical '000 tonnes			
Ethylene	2,676	2,581	3.7
Synthetic resins	4,009	3,962	3.5
Synthetic fibres	1,638	1,459	12.2
Synthetic rubbers	344	311	10.6
Urea	3,824	3,634	5.2
Pricing (Rmb)			
Crude oil	4,264	3,594	18.6
Natural gas(us/kcf)	813	693	17.3
Gasoline	5,881	5,168	13.8
Diesel	5,526	4,668	18.4
Kerosene	6,355	4,684	35.7

Source: PetreChina

Sinofert

2008: Margin pressure in 2009

High import potash prices and weaker domestic potash prices could erode Sinofert's gross margin. We cut 2009 and 2010 net profit forecasts by 30% and 28% respectively. Maintain SELL with fair price of HK\$2.80.

2008 Results

Year to 31 Dec	2H08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	23,077	61	45,393	60	Higher ASPs
Gross profit	1,302	(11)	3,401	24	
EBIT	294	(74)	1,756	(12)	Lower gross margin and inventory provision of Rmb485m
Finance costs	(180)	21	(264)	(5)	
Shared results of assoc	94	n.a.	104	n.a.	
Shared results of JVs	(73)	n.a.	18	(66)	
Exceptional items	424	n.a.	469	n.a.	Revaluation of convertible bonds
Pre-tax Profit	559	92	2,084	113	
Tax	67	n.a.	(176)	(44)	
Minority interest	45	n.a.	5	n.a.	
Reported net profit	672	483	1,913	198	
Less: exceptional items	(424)	n.a.	(469)	n.a.	
Core net Profit	248	(71)	1,443	(0.1)	
Gross Margin (%)	5.6	(4.6)	7.5	(2.2)	Higher cost of sales
EBIT Margin (%)	1.3	(6.6)	3.9	(3.2)	Inventory provision of Rmb485m
Pre-tax Margin (%)	2.4	0.4	4.6	1.1	Exceptional items
Net Margin (%)	1.1	(4.8)	4.2	0.9	

Source: Sinofert, UOB Kay Hian

Results

Core net profit dived 71% yoy in 2H08. Excluding exceptional items such as gain/loss on disposal of assets and revaluation of derivatives, core net profit plunged 71% yoy to Rmb248m in 2H08. For FY08, core net profit remained flat at Rmb1.443b. The drop was due to a margin squeeze and write-down in inventories.

Margin pressure. Gross margin dropped 4.6ppt yoy to 5.6% in 2H08. The Group has accumulated a substantial amount of fertilisers at high prices in 1H08, and was caught by the subsequent drop in product prices. Gross margin for potash fertilisers and compound fertilisers dropped from 15.6% and 12.2% in 1H08 to 10.7% and 0.6% in 2H08 respectively. Compound fertiliser sales even saw a loss in 2H08.

Provision for inventories. The Group recorded Rmb485m in inventory write-downs as a result of the drop in fertiliser prices.

Inventory levels still high. As at end-08, inventories for potash fertilisers, phosphorous fertilisers, nitrogenous fertilisers and compound fertilisers reached 1.98m tonnes (179 days), 0.49m tonnes (61 days), 0.55m tonnes (33 days) and 0.41m tonnes (59 days) respectively.

Negative operating cash flow. Sinofert recorded Rmb1.853b in cash outflow from operations as a result of the pile-up in unsold inventories.

CHINA

Sinofert (297 HK)

SELL

Current Price: HK\$3.72

Fair Price: HK\$2.80

(Previous: HK\$2.90)

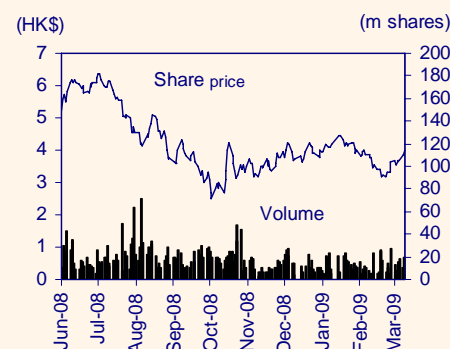
Sector	Fertiliser
52-Wk Avg Daily Vol. ('000)	19,280
Market Cap (HK\$m)	25,978
(US\$m)	3,331

Major Shareholders (%)	
Sinochem	52.79

Book NTA per Share (HK\$)	2.14
ROE (%)	13.5
Net Debt per Share (HK\$)	1.45

Results Due	
Interim:	Sep
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	28,382	2,168	1,445	0.241	56	13.6	20.9	0.028	0.8
2008	45,393	1,782	1,443	0.207	(14)	15.8	10.7	0.046	1.4
2009F	46,593	2,235	1,537	0.219	6	14.9	12.4	0.044	1.3
2010F	49,626	2,452	1,707	0.244	11	13.4	10.2	0.049	1.5
2011F	52,963	2,690	1,887	0.269	11	12.1	8.9	0.054	1.6

Consensus Net Profit -- FY09: Rmb2,913m
 -- FY10: Rmb3,358m

Stock Impact

Looming margin pressure from potash. Sinofert's margins could be dragged down by falling potash fertiliser prices, given its high inventory levels. Even after the write-downs, the average cost for the Group's potash fertiliser inventory is still Rmb3,860/tonne vs market price of Rmb3,900-4,300/tonne. We anticipate its gross margin for potash to drop from 12.3% in 2008 to 9.2% in 2009-11, based on lower potash prices.

Falling potash prices in China. The wholesale prices for potassium chloride has dropped by Rmb100-200/tonne to Rmb3,850/tonne due to weak demand. We see mounting pressure on potash prices in China given the breakdown of the country's potash supply monopoly. Besides Sinofert and CNAMP, CNOOC and another state-owned enterprise have the rights to import potash directly.

Probable lower import potash prices. China's import prices could drop in 2009. China's representatives, Sinochem (Sinofert's parent company) and CNAMP, are negotiating the country's 2009 potash imports with BPC. While most analysts still expect a further hike in China's import prices, we believe it is possible for import prices to drop for two reasons. First, China has 5m tonnes of potash inventories, enough for a full-year consumption. Second, other countries have secured potash at lower prices, such as Brazil (US\$750/tonne, down 25%) and Malaysia (US\$575/tonne).

Cut 2009-10 profit forecasts by >20%. We cut Sinofert's 2009-10 net profit forecasts by 21% and 23% respectively to Rmb1.54b and Rmb1.71b, assuming lower potash prices.

Earnings Risk

If the magnitude of demand destruction exceeds our expectation, a result of higher potash prices relative to other fertilisers', Sinofert's profit would turn out lower than our estimates.

Valuation/Recommendation

Based on our new earnings forecasts, Sinofert is trading at 14.9x 2009F PE, well above global peers' 7x. **Maintain SELL** with fair price of **HK\$2.80** based on 10x 2010F PE. Catalysts include the conclusion of China's 2009 potash import contracts at flat or lower import potash prices.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	28,382	45,393	46,593	49,626	52,963
EBIT	2,005	1,756	1,953	2,149	2,365
Pre-tax Profit	978	2,084	2,071	2,298	2,541
Net Profit	1,445	1,443	1,537	1,707	1,887

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	12,021	15,692	16,107	17,156	18,309
Total Assets	23,186	30,125	30,540	31,588	32,742
Current Liabilities	8,587	14,633	15,019	15,997	17,073
Long-Term Loans	2,181	983	0	0	0
Shareholders' Funds	12,180	13,952	15,150	16,549	18,094
Total Equity & Liabilities	23,186	30,125	30,540	31,588	32,742

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	(635)	(1,853)	2,050	2,160	980
Investing	(2,522)	(5,996)	(45)	(65)	(65)
Financing	3,182	7,889	(2,041)	(2,062)	(346)
Net Cash Inflow/(Outflow)	25	40	(35)	33	569
Begin Cash & Cash Equiv.	79	115	160	125	158
End'g Cash & Cash Equiv.	115	160	125	158	727

Key Assumptions

	2008	2009	2010	2011
Sales vol (m t)				
Potash	4.03	3.83	3.83	3.83
Phosphate	2.94	3.23	3.56	3.91
Nitrogen	6.00	6.60	7.26	7.99
Compound	2.54	2.79	3.07	3.37
ASP (Rmb/t)				
Potash	4,004	4,250	4,250	4,250
Phosphate	2,914	2,700	2,700	2,700
Nitrogen	1,787	1,800	1,800	1,800
Compound	2,981	2,700	2,700	2,700
Cost (Rmb/t)				
Potash	3,510	3,857	3,857	3,857
Phosphate	2,861	2,600	2,600	2,600
Nitrogen	1,686	1,680	1,680	1,680
Compound	2,798	2,540	2,540	2,540

Source: Sinofert, UOB Kay Hian

Oil & Gas

Refining segment undergoing re-rating

NDRC raised fuel prices unexpectedly, triggering a re-rating in the refining industry. Sinopec benefits the most as it owns 50% of China's refining capacity. The valuation gap between downstream and upstream will narrow.

Sector Events

NDRC raised retail prices of gasoline and diesel by Rmb290/tonne and Rmb180/tonne starting 25 March. This is the second price change in the year. In mid-January, the NDRC lowered fuel price by about 3%.

- a) **Major reason behind this price hike is the recent oil price strength.** Benchmark WTI and Brent average crude price has risen to US\$46.9/bbl and US\$46.3/bbl in March from US\$41.7/bbl and US\$44.8/bbl in January. The strong oil price leads to lower refining margins. Under a new pricing mechanism, fuel price will be determined by crude cost, processing cost plus a reasonable refining margin. To leave a reasonable margin for refiners, the watchdog increased fuel price correspondingly.
- b) **This price hike was a surprise**, which partially explains the 10% share price surge for Sinopec yesterday. The market has bet that the government would leave fuel prices unchanged (like what it had done in 2005-08) or even cut fuel prices to stimulate the economic growth. The current weak demand and high inventory also suggest that the government is unlikely to raise fuel prices. This unexpected price hike confirms that the government is serious about a pricing mechanism reform, despite market conditions not supporting price hikes at this stage.
- c) **Fuel price hike on gasoline and diesel differs.** Gasoline price was raised by 5% while diesel by 3%. Data shows that gasoline demand is relatively stronger than diesel recently. The smaller raise in diesel price was interpreted as the government does not expect diesel demand to continue to deteriorate because of this price hike.

This price hike is good for national refiners, Sinopec and PetroChina. EPS before tax is expected to increase Rmb0.03 and Rmb0.01 for Sinopec and PetroChina respectively.

- a) **Refining margin will increase by US\$2.6/bbl.** Currently, the average combined yield of gasoline and diesel is approximately 62% for China's refining industry. Hence, after this price hike, the average earnings will increase by Rmb130/tonne. Refining margin correspondingly will grow US\$2.6/bbl or Rmb18/bbl.
- b) **Earnings upgrades on the way.** The average annual refining capacity for Sinopec and PetroChina is about 190mt and 130mt in 2008. Assuming an 80% refining utilisation for 2009, EPS before tax will grow Rmb0.03 for Sinopec and Rmb0.01 for PetroChina. Consensus for Sinopec and PetroChina is Rmb0.60/share and Rmb0.65/share, therefore this price hike increases earnings of Sinopec and PetroChina by 5.0% and 1.5% respectively. As the market has been bearish on the refining industry, this price hike may trigger a re-rating of the industry.

Peer Comparison

Company	Rec	Ticker	Price 19 Mar 09 (HK\$)	Net Profit			EPS			PE			ROE (%)	Market Cap (HK 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	6.47	145,625	114,431	108,926	0.80	0.63	0.60	7.1	9.1	9.6	22.1	136.5	6.2
Sinopec	BUY	386.HK	4.64	56,533	26,279	67,840	0.65	0.30	0.78	6.1	13.2	5.1	19.3	77.9	4.1
CNOOC	HOLD	883.HK	7.98	31,258	48,524	25,410	0.70	1.09	0.57	10.0	6.4	12.3	23.3	356.5	3.1

Source: UOB Kay Hian

CHINA

Oil & Gas

OVERWEIGHT

PetroChina (857 HK)

BUY

Current Price: HK\$6.47

Target Price: HK\$7.80

Sinopec (386 HK)

BUY

Current Price: HK\$4.64

Target Price: HK\$6.60

(Previous HK\$6.00)

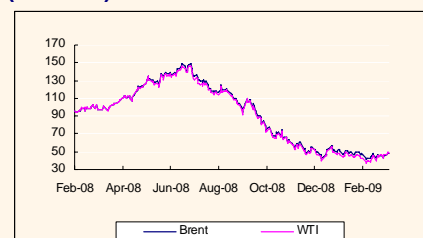
CNOOC (883 HK)

HOLD

Current Price: HK\$7.98

Fair Price: HK\$6.85

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



Source: Bloomberg

Analyst

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*Thursday, March 26, 2009***Recommendation/Valuation**

No change in earnings for 2009. In our model, we have estimated a US\$5/bbl and US\$3/bbl EBIT margin for Sinopec and PetroChina respectively in 2009. We think our assumptions on refining margin is reasonable and therefore, we leave our earnings forecast unchanged for now.

More frequent changes of fuel price is expected. The NDRC does not disclose the frequency of fuel price changes. We believe oil price is the most important indicator the government is monitoring. Since the last price change in January, oil price has been up approximately 10%. Therefore, we project another price change will take place when oil price is up/down 10%.

Valuation gap between downstream and upstream will narrow. In the last seven years, the average P/B for Sinopec, PetroChina and CNOOC was 1.7x, 2.2x and 3.0x respectively. It is obvious the market is giving a premium to the upstream. We believe this valuation gap will narrow following this price hike. We therefore raise our target price for inopec to HK\$6.60, which represents 1.4x 2008 P/B. We expect share price of Sinopec to outperform the other two companies in the short term.

We also like PetroChina at this juncture for its integrated nature. Despite not being as sensitive as Sinopec, PetroChina also benefits from a fuel price hike. In the meantime, it will benefit from a surge in oil price. Our target price for PetroChina is HK\$7.80, or 1.6x 2008 P/B.

Technical Analysis

Nine Dragons Paper (2689): HK\$3.05

Since Nine Dragons Paper bounced off the low of HK\$0.68, the stock has been in the process of making an ascending triangle formation. During the unfolding of the ascending triangle, the HK\$2.90 level proved to be a strong resistance level as it is near the 0.38x retracement level of the decline from HK\$5.06 to the low of HK\$0.68.

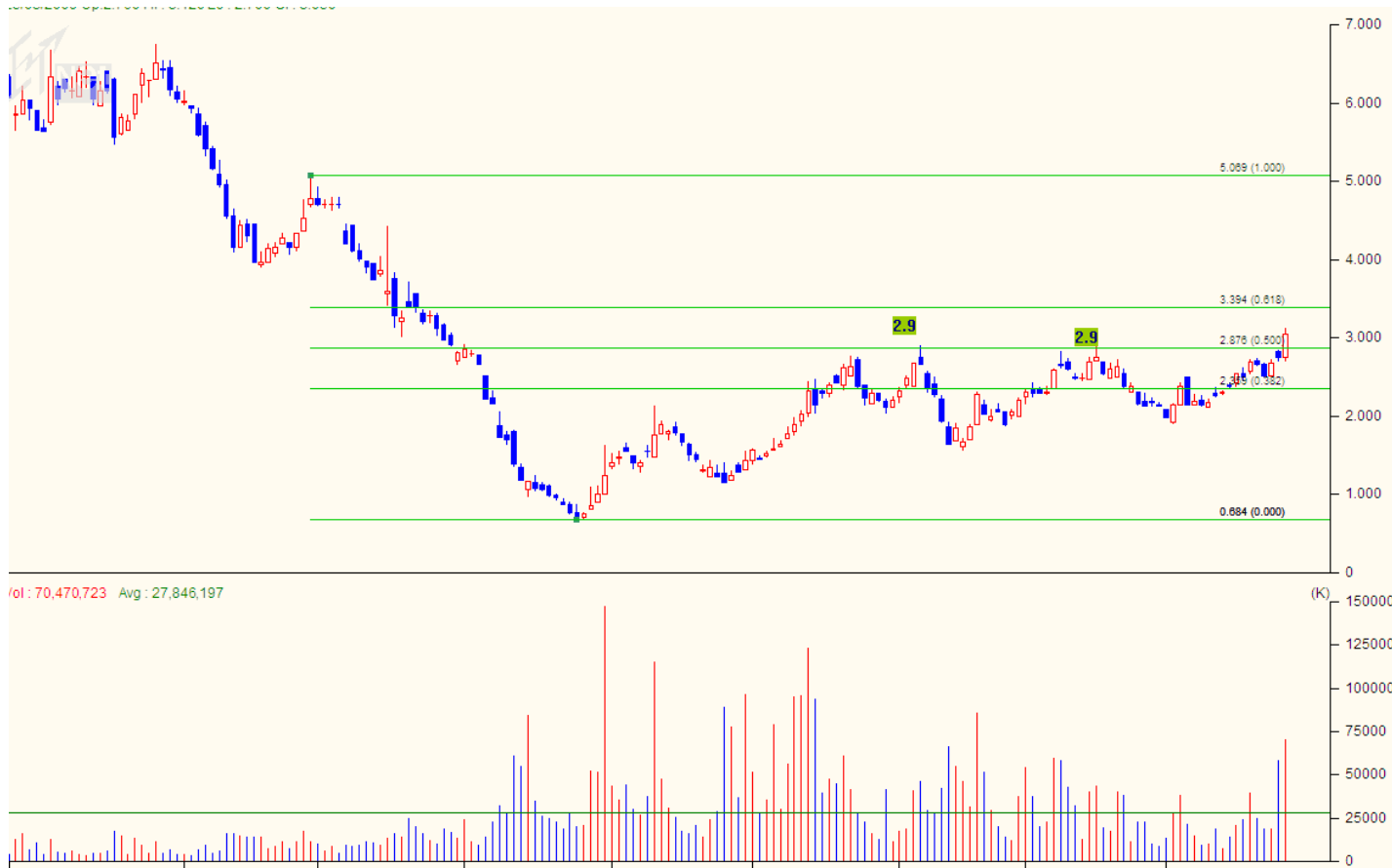
After attempting to penetrate the resistance of HK\$2.90 in vain twice, the stock finally pierced the rigid resistance on very strong volume to close at HK\$3.05 yesterday in a long white candlestick formation.

Given the volatile market, we prefer not to use the measured base width of the ascending triangle to forecast the next resistance of the stock after the breakout.

Instead, we conservatively expect the breakout would pave the way for the stock to head towards the 0.62x resistance level of HK\$3.40.

Nevertheless, we do not rule out some profit-taking after a one-day surge of 10.5% yesterday. As long as such post-breakout pullback does not drag the stock to close below the newfound support of HK\$2.90, our higher target of HK\$3.40 remains intact.

Fibonacci Retracement Levels Of Nine Dragons Paper



Source: HKETnet

CHINA

Technical Analysis

Analyst

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Li & Fung

2008: Disappointing results; margin pressure still looms in 2009

Li & Fung's (L&F) posted worse-than-expected 2008 results with core net profit down 7% yoy to Rmb2.42b mainly due to margin erosion. Margin pressure will remain heavy in 2009. Maintain SELL.

2008 Results

Year to 31 Dec	2007 (HK\$b)	2008 (HK\$b)	yoy % chg	Remarks
Turnover	92.46	110.72	20	Acquisition of businesses
Gross profit	9.77	11.60	19	
EBITDA	3.45	3.57	3	
EBIT	3.19	3.08	(3)	
Pre-tax Profit	3.31	2.68	(19)	
Tax	(0.25)	(0.26)	3	
Net Profit	3.06	2.42	(21)	
Less: exceptional items	(0.46)	0	n.a.	
Core net profit	2.60	2.42	(7)	
Gross Margin (%)	10.6	10.5	(0.1)	Acquisition of lower-margin businesses
EBITDA Margin (%)	3.7	3.2	(0.5)	Increase in operating expenses
EBIT Margin (%)	3.4	2.8	(0.7)	
Pre-tax Margin (%)	3.1	2.4	(0.7)	
Net Margin (%)	2.8	2.2	(0.6)	

Source: Li & Fung, UOB Kay Hian

2008 Results

Acquisitions drove turnover growth. Turnover grew 20% yoy to HK\$110.7b, driven by acquisitions and outsourcing deals with customers.

Serious margin erosion. EBIT margin dropped 66bp yoy to 2.8%. The newly-acquired businesses and outsourcing division of customers have higher expenses and lower profitability, which dragged down Group's overall margins.

Provision for receivables skyrocketed. As a result of its US customers going bankrupt, the Group record HK\$212m in provisions for trade receivables in 2008 vs HK\$38m in 2007.

Core net profit down 7%. Stripping off gains from disposal of properties in 2007, core net profit dropped 7% yoy to HK\$2.42b.

Stock Impact

We slash our L&F's 2009-10 net profit forecasts by 23-24% as we assume net margin to remain at 2.8% in 2009-11. Despite the Group's effort to cut costs, price pressure from customers and lower efficiency for the newly-acquired businesses will continue to drag margins.

Earnings Risk

A further contraction of retail sales in the US and Europe due to consumers deleveraging amid falling property prices could prompt the Group's customers to further cut orders. Any bankruptcies from the Group's customers would result in further write-offs in trade receivables.

More large M&As could boost L&F's profit. However, this is unlikely as the Group should have HK\$4.9b worth of net debt at end-08. The Group cannot launch sizeable acquisitions without fund raising. Also, acquisitions would not substantially boost earnings as newly-acquired businesses tend to have lower profitability and sales given the gloomy economic outlook in the US.

HONG KONG

Li & Fung (494 HK)

SELL

Current Price: HK\$19.50

Fair Price: HK\$11.70

(Previous: HK\$8.80)

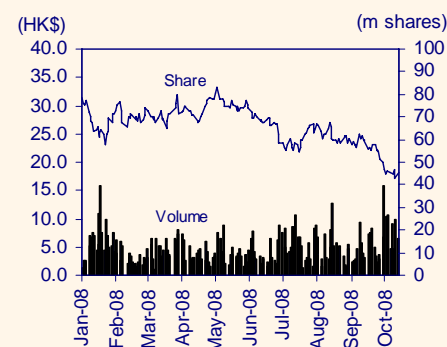
Sector	Export
52-Wk Avg Daily Vol. ('000)	12,024
Market Cap (HK\$m)	70,872
(US\$m)	9,086

Major Shareholders (%)	
William Fung	35.09

Book NTA per Share (HK\$)	(0.33)
ROE (%)	20.8
Net Debt per Share (HK\$)	1.36

Results Due	
Interim	Aug
Final	Apr

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (HK\$)	Yield (%)
2007	92,460	3,450	2,603	0.761	33	25.6	22.0	0.710	3.6
2008	110,722	3,566	2,422	0.693	(9)	28.1	21.2	0.570	2.9
2009F	119,580	3,827	2,631	0.724	4	26.9	19.8	0.595	3.1
2010F	129,146	4,133	2,841	0.782	8	24.9	18.3	0.643	3.3
2011F	142,061	4,546	3,125	0.860	10	22.7	16.7	0.707	3.6

Consensus Net Profit – FY09 : HK\$3,832m
 – FY10: HK\$4,693m

Valuation/Recommendation

Based on our earnings forecasts, L&F is trading at 26.9x 2010 PE, the mid-point during the bull market in 2003-08. However, given the prospective sluggish growth and mounting risks, we believe the stock should only trade at 15x forward PE, although the worst case of a 10-12x PE may not repeat given the stabilising market environment. Our fair price is HK\$11.70, based on 15x 2010 PE. Maintain SELL.

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	92,460	110,722	119,580	129,146	142,061
EBIT	3,187	3,084	3,348	3,616	3,978
Pre-tax Profit	2,857	2,683	2,870	3,100	3,409
Net Profit	2,603	2,422	2,631	2,841	3,125

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	19,067	21,466	23,183	25,038	27,542
Total Assets	31,789	37,509	40,226	43,081	46,585
Current Liabilities	16,346	17,848	19,276	20,818	22,900
Long-Term Loans	5,528	6,143	6,143	6,143	6,143
Shareholders' Funds	9,895	13,412	13,938	14,506	15,132
Total Equity & Liabilities	31,789	37,509	40,226	43,081	46,585

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	3,802	3,679	3,994	4,314	4,745
Investing	(5,248)	(3,950)	(1,300)	(1,000)	(1,000)
Financing	(589)	1,074	(3,147)	(3,350)	(3,500)
Net Cash Inflow/(Outflow)	(2,035)	803	(452)	(36)	245
Begin Cash & Cash Equiv.	3,508	1,472	2,275	1,823	1,787
End'g Cash & Cash Equiv.	1,472	2,275	1,823	1,787	2,033

Television Broadcasts

2008: Accumulate in challenging times

While results were below expectations and operating performance will deteriorate further, TVB's valuation is attractive on a historical basis. Meanwhile, global TV media stocks have rebounded. TVB should catch up shortly.

2008 Results

(HK\$m)	1H07	1H08	yoy % chg	2H07	2H08	yoy % chg
Turnover						
Television broadcasting	989	1,040	5.1%	1,377	1,300	(5.6%)
Program licens & dist'n	303	322	6.2%	333	320	(3.9%)
Overseas DTH operations	137	147	7.4%	144	141	(1.5%)
Channel operations	450	527	17.2%	498	518	4.1%
Others	40	38	(5.8%)	56	55	4.4%
Total Turnover	1,919	2,073	8.1%	2,407	2,334	(2.9%)
Segment profit						
Television broadcasting	341	247	(27.6%)	611	393	(35.7%)
Program licens & dist'n	216	218	0.9%	224	170	(24.3%)
Overseas DTH operations	27	27	(0.9%)	32	21	(34.7%)
Channel operations	79	144	83.3%	113	117	3.4%
Others	9	3	(62.8%)	17	17	(2.8%)
Intercompany elimination	(0)	0		(0)	(0)	
Total Segment Profit	673	640	(4.9%)	997	717	(28.1%)
Exceptionals						
Finance costs	0	(3)		0	(5)	
Assoc Inc/(losses)	(69)	(31)	(54.8%)	(56)	(32)	(42.8%)
Profit before tax	603	605	0.4%	946	680	(28.1%)
Tax	(105)	(102)	(3.0%)	(179)	(127)	(28.9%)
Profit after tax	498	503	1.1%	768	553	(27.9%)
MI	(0)	(0)	(39.5%)	(1)	(1)	(38.7%)
Net Profit	497	503	1.1%	766	553	(27.9%)

Source: TVB, UOB Kay Hian

Results

Television Broadcasts' (TVB) net profit dropped 17% yoy to HK\$1.34b in 2008. The results were below market and our expectations due to lower-than-expected earnings contribution from core local television broadcasting operations. TVB has recommended a final dividend of HK\$1.40/share (2007: HK\$1.50/share), bringing the full-year payout to HK\$1.70/share (2007: HK\$1.80/share).

Earnings Revision

We have cut our 2009, 2010 and 2011 earnings forecasts by 4%, 6% and 6% respectively to factor in more conservative assumptions on the macroeconomic environment.

Valuation/Recommendation

TVB's valuation has hit a new low with its current P/B of 1.7x vs the low of 2.7x in 1990-2007. The downside is very limited for this dominant Chinese TV broadcaster with an audience market share in Hong Kong consistently over 80% for prime time. Meanwhile, its domestic rival ATV has long been suffering from hefty operating losses with its ownership changed periodically in recent years. **Maintain BUY.**

HONG KONG

Television Broadcasts (511 HK)

BUY

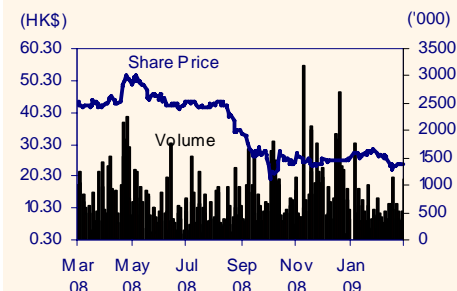
Current Price: HK\$24.35

Target Price: HK\$37.60

Sector	Media
52-Wk Avg Daily Vol. (m)	0.7
Market Cap (HK\$m)	10,665
(US\$m)	1,351
Major Shareholders (%)	
Shaw Run Run	32.2
Book NTA per Share (HK\$)	13.0
ROE (%)	19.0
Net Cash per Share (HK\$)	3.9

Results Due
Interim: Sep
Final: Mar

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (HK\$)	Yield (%)
2007	4,326	1,761	1,264	2.89	6.3	8.4	5.1	1.80	7.4
2008	4,407	1,495	1,055	2.41	(16.5)	10.1	6.0	1.70	7.0
2009F	4,031	1,224	854	1.95	(19.1)	12.5	7.4	1.22	5.0
2010F	4,417	1,472	1,041	2.38	21.9	10.2	5.9	1.49	6.1
2011F	4,639	1,537	1,092	2.49	4.9	9.8	5.5	1.56	6.4

Consensus Net Profit – 2009: HK\$1,025m
–2010: HK\$1,129m

Peer Comparison - Global Television Broadcasters

Company	Ticker	Mkt Cap (US\$m)	P/B 2009 (x)	Historical ROE (%)
RTL GROUP	RTL LX Equity	6,262	0.9	9.8
MEDIASET SPA	MS IM Equity	5,436	1.6	18.2
FUJI MEDIA HOLDINGS INC	4676 JP Equity	2,823	0.6	3.4
NIPPON TELEVISION NETWORK	9404 JP Equity	2,480	0.6	2.6
TELEVISION FRANCAISE (T.F.1)	TFI FP Equity	1,728	0.9	16.6
TELEVISION BROADCASTS	511 HK Equity	1,351	1.8	19.0
Global Weighted Average*			1.5	11.2

*Television broadcasters with market cap over US\$100m
Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	4,326	4,407	4,031	4,417	4,639
EBIT	1,465	1,189	944	1,165	1,215
Pre-tax Profit	1,550	1,286	1,040	1,268	1,330
Net Profit	1,264	1,055	854	1,041	1,092

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	3,869	4,024	3,919	4,473	4,528
Total Assets	6,731	7,035	7,074	7,799	7,997
Current Liabilities	1,113	1,134	961	1,198	961
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	5,426	5,709	5,921	6,409	6,844
Total Equity & Liabilities	6,731	7,035	7,074	7,799	7,997

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	1,571	1,306	1,139	1,293	1,359
Investing	(457)	(455)	(424)	(477)	(465)
Financing	(413)	(752)	(815)	(316)	(894)
Net Cash In/(Out) Flow	700	100	(100)	500	0
Begin Cash & Cash Equiv.	1,300	2,000	2,100	2,000	2,500
End'g Cash & Cash Equiv.	2,000	2,100	2,000	2,500	2,500

TVB – P/B Chart



Source: TVB, Bloomberg, UOB Kay Hian

Global Television Broadcasters – Share Price Change

Market	5-day (%)	1-mth (%)	3-mth (%)	6-mth (%)	12-mth (%)
Europe	4.3	8.9	(22.2)	(38.5)	(51.5)
Americas	14.9	18.7	(32.7)	(72.4)	(81.1)
Asia	5.0	3.4	(2.5)	(17.7)	(31.6)
TVB	1.0	(9.1)	(4.9)	(28.1)	(43.1)
Global Weighted Average	4.7	9.0	(14.9)	(32.0)	(45.7)

Source: Bloomberg, UOB Kay Hian

Wharf

2008: 29% yoy decline, much as expected. Tougher times ahead

Rental income was the only bright spot in the results. But even a successful mall like Harbour City will eventually come under the pressure of the overall retail scene, and China income will not be sufficient to fill the gap.

2008 Results

Year to 31 Dec	2007 (HK\$m)	2008 (HK\$m)	yoy % chg	Remarks
Contributions				
Rental income	4,381	5,243	20	Driven by Harbour City and Times Square
Property development	1,127	84	(93)	Both Hong Kong and China turned in a loss. The latter partly due to write-downs.
Logistics	1,914	1,763	(8)	Initial loss at Da Chan Bay Terminal One
CME	365	244	(33)	Earnings from Pay TV plunged but telecom services exceeded management targets
Hotels	320	308	(4)	Medium tariff hotel, relatively unaffected
Others	1,543	(148)	(111)	Gains from equities sales down HK\$1,535m
Net interest expenses	(1,142)	(1,521)	33	Dragged by HK\$612m charges on swaps
Associates	349	141	(60)	Driven by China ports
PBT	8,857	6,114	(31)	
Taxation	(2,137)	(1,449)	(32)	Effectively tax rate 24.3%
Minorities	(773)	(471)	(39)	
Net profit	5,947	4,194	(29)	

Source: Wharf, UOB Kay Hian

Results

Results in line with expectations. Wharf's net profit was up 52% yoy to HK\$6,247m. Excluding revaluation surplus, underlying net profit was down 29% yoy to HK\$4,194m, in line with our (HK\$4,125m) and consensus (HK\$4,313m) forecasts. Final dividend was maintained at HK\$0.44/share (also as expected). Hence, full-year DPS was unchanged at HK\$0.80.

Three main reasons for the 29% profit decline: a) only HK\$137m gains made on listed securities but it was HK\$1,672m in 2007, b) HK\$612m fair value charges made on interest rate swaps, including currency losses, while only HK\$96m incurred in 2007, and c) HK\$263m provision and impairment loss on equity investments and China landbank, but a net HK\$134m write-back in 2007.

The only bright spot was the 20% EBIT growth (due to strong growth in market rents in the previous years) in rental income, as contributions from all other divisions declined. Gross rental income from Harbour City went up 20% and Times Square 15%. Popular with mainland tourists, both malls outperformed the overall retail sales in Hong Kong. According to Wharf, Harbour City alone accounted for 5% of Hong Kong's retail sales in 2008. Though revenue at MTL grew 7%, EBIT was down 9%, partly affected by start-up losses. Including the JV China ports, total contributions from terminal was down only 4%.

Stock Impact

Even though there were no big surprises, every division, except for rental, was dragged down by charges and provisions. While they were not material, but still blemishes on a stock which is still regarded highly by the market.

HONG KONG

Wharf (4 HK)

SELL

Current Price: HK\$19.30

Fair Price: HK\$15.02

(Previous: HK\$14.60)

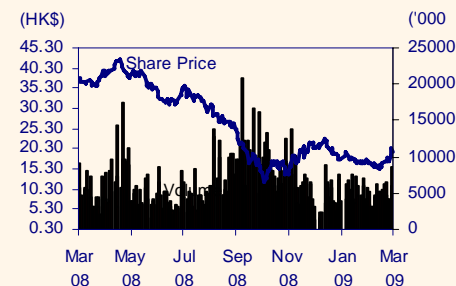
Sector	Property
52-Wk Avg Daily Vol. ('m)	6.0
Market Cap (HK\$m)	53,152
(US\$m)	6,814

Major Shareholders (%)	
Wheelock & Co.	50.02

Book NTA per Share (HK\$)	36.13
ROE (%)	4.0
Net Debt per Share (HK\$)	8.03

Results Due	
1H: Sept	Final: Mar

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2007	16,208	11,391	5,947	2.417	38.1	8.0	2.1	0.800	4.1
2008	15,940	9,274	4,194	1.528	(36.8)	12.6	2.6	0.800	4.1
2009F	n.a.	9,130	4,650	1.694	10.9	11.4	2.7	0.800	4.1
2010F	n.a.	9,188	4,447	1.615	(4.7)	12.0	2.6	0.800	4.1
2011F	n.a.	7,460	4,476	1.625	0.7	11.9	3.2	0.800	4.1

Consensus Net Profit - FY09: HK\$4,985m
 - FY10: HK\$5,560m

Earnings Revision

Revising down. Taking into account of the results, we have fine-tuned and lowered our 2009 earnings forecast by 3%. As we believe the pace of property development in China will slow due to the unfavourable market conditions, we have revised down our 2010 earnings forecast by a more notable 11%.

Uninspiring outlook. While we are expecting a profit growth this year, this is only because of the low base in 2008. The bottom line will be uninspiring from 2010 onwards as rental income moves into the negative reversion, and the shortfall will not be easily plugged by property development profit. Management expects retail rental income to continue to grow this year. While we think this is still achievable, the increase will be small due to the already high base. On the other hand, although management expects the logistics division to see flat growth this year, we are less optimistic at this juncture.

Valuation/Recommendation

What the supporters say: Arguments often quoted by Wharf's followings are: a) Wharf's rental income base is relatively resilient due to the immensely popular Harbour City shopping complex which accounted for 33% of total rental income, and b) Wharf has one of the largest China exposures (22% of GNAV) among Hong Kong developers. Sentiment on China property sector has picked up, benefitting Wharf directly.

What we say: But in our opinion, a) Yes, Harbour City is a rare gem but the days of robust growth are over. At best, it will see some 5% increase in rental income this year and b) Hong Kong property companies are not the right substitutes for mainland developers, especially not Wharf as 75% of its 95m sqm landbank in China was bought since 2007, meaning land costs are relatively high. If mainland developers need to work hard to make good margins, it is naïve to think Wharf will be able to generate a meaningful return on its China investment.

Price target up 3%. We have raised our end-09 NAV by 3% to HK\$30.03 on the back of improved conditions in the mainland property market. As a result, our price target is also up by 3% to HK\$15.02, which is still based on trough discount to NAV of 50%. Those who think our price target is too harsh should be reminded that Wharf's share price fell to HK\$11.90 last October. Asset prices in Hong Kong, where most of Wharf's assets are based, have not stopped falling since then.

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	16,208	15,940	n.a.	n.a.	n.a.
EBIT	9,466	7,494	7,029	6,946	6,895
Pre-tax Profit	8,857	6,114	6,460	6,284	6,326
Net Profit	5,947	4,194	4,650	4,447	4,476

Balance Sheet

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Current Assets	18,499	35,005	26,254	23,628	20,084
Total Assets	146,171	168,554	155,554	142,554	141,554
Current Liabilities	(13,925)	(12,792)	(12,536)	(12,912)	(13,300)
Long-Term Liabilities	(24,562)	(33,566)	(32,895)	(31,250)	(29,687)
Shareholder Funds	86,364	99,494	86,819	74,042	75,280
Total Equity & Liabilities	(146,171)	(179,007)	(155,554)	(142,554)	(141,554)

Cash Flow

Year to 31 Dec (HK\$m)	2006	2007	2008F	2009F	2010F
Operating	4,126	3,537	3,720	3,557	5,371
Investing	(9,375)	(7,012)	(5,731)	(3,241)	(3,264)
Financing	8,511	8,210	(2,734)	(1,891)	(2,415)
Net Cash In/(Out) Flow	3,262	4,735	(4,745)	(1,575)	(308)
Begin Cash & Cash Equiv.	3,769	7,031	11,766	7,021	5,447
End'g Cash & Cash Equiv.	7,031	11,766	7,021	5,447	5,139

Aneka Tambang

2008: Higher gold revenue contribution in 2009

ANTM posted a net profit decline of 73.3% yoy, below our expectation on lower international nickel prices and higher energy costs. We expect higher gold revenue contribution in 2009 on strong gold prices.

2008 Results

Year to 31 Dec	2008 (Rpb)	yoy % chg	4Q08 (Rpb)	yoy % chg	Remarks
Turnover	9,592.0	(20.1)	2,015.4	(46.1)	
Nickel Division	6,473.5	(39.4)	913.3	(72.9)	Lower nickel prices and volume
Gold and refinery	2,925.3	151.6	1,058.3	212.1	Higher gold price and sales volume
Net Profit	1,368.1	(73.3)	(256.3)	n.a.	
Margin					
Gross Margin	27.6	(33.4)	(3.6)	n.a.	Lower margin due to higher production cost as a result of rising energy cost
Operating Margin	18.1	(43.0)	(29.8)	n.a.	Rising exploration cost
Net Margin	15.2	(41.3)	(12.7)	n.a.	

Source: Aneka Tambang, UOB Kay Hian

Results

Net profit declined 73.3% yoy. Aneka Tambang (ANTM) reported a net profit decline of 73.3% yoy due to: a) lower ASP and sales volume, b) higher production costs and c) rising exploration expenses. As a result of the fall in nickel prices and higher costs, ANTM posted a net loss of Rp256b in 4Q08. The results were below expectations.

Margin depressed on higher cost. Gross margin declined to 27.6% in 2008 due to higher production cost, predominantly fuel prices, materials, mining services as well as higher trading activities of its gold unit, Logam Mulia. Furthermore, net margin fell to 15.2% due to: a) higher operating expenses on exploration following the consolidation of subsidiary, Gag Nickel and b) lower other income.

Losses from foreign currency hedging transaction. ANTM posted lower other income in 2008 due to a loss on hedging contract amounted to Rp480.8b in 2008 vs a gain of Rp16.7b in 2007, offset by higher forex gain of Rp295.4b in 2008 (2007: Rp180.0b) and higher interest income (+43% yoy).

Stock Impact

Earnings will decline in 2009 on lower nickel sales. We expect earnings from nickel division to decline in 2009 on the back of lower sales volume and fall in the nickel prices. However, we believe sturdy gold price as well as higher gold sales volume from higher trading activities will boost revenue contribution from gold division. In 2008, revenue from gold division accounted for about 30.2% of total revenue, a steep increase from only 9.7% in 2007.

INDONESIA

Aneka Tambang (ANTM IJ)

HOLD

Current Price: Rp1,120

Fair Price: Rp1,200

Sector	Metal Mining
52-Wk Avg Daily Vol. ('000)	55,861
Market Cap (Rpb)	10,683.1
(US\$m)	921.0

Major Shareholders (%)	
The Government of the Republic of Indonesia	65.0

Book NTA per Share (Rp)	836
ROE (%)	16.3
Net Cash per Share (Rp)	259

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rp)	Yield (%)
2007	12,008.2	7,206.9	5,119.0	537	229.7	2.1	1.1	215	19.2
2008	9,592.0	1,961.3	1,368.1	143	(73.3)	7.8	4.2	58	5.1
2009F	7,090.0	1,523.5	936.5	98	(31.6)	11.4	5.4	39	3.5
2010F	7,163.1	1,650.3	990.0	104	5.7	10.8	5.0	42	3.7
2011F	7,460.9	1,813.4	1,036.4	109	4.7	10.3	4.5	44	3.9

Consensus Net Profit – FY09: Rp823.6b
 – FY10: Rp1,033.4b

Cut earnings forecasts on lower margin assumption. We lower our earnings forecasts for 2009 and 2010 by 21 – 24%, taking into account the assumptions of lower margin on higher materials used for gold trading activities as well as higher exploration costs.

Valuation/Recommendation

Maintain HOLD with entry price of Rp1,000. Despite lower nickel prices, we maintain HOLD recommendation on ANTM with a target price of Rp1,200 based on DCF valuation (WACC of 18.4% and 3% long-term growth) on the back of strong gold prices and sturdy balance sheet with net cash position. This fair price also represents 1.3x 2009 PB and 12.2x 2009 PE. ANTM is trading at 11.4x 2009 PE, which is higher than its closest peer, International Nickel Indonesia with 10.3x 2009 PE.

Profit & Loss

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Turnover	12,008.2	9,592.0	7,090.0	7,163.1	7,460.9
Gross Profit	7,329.4	2,651.2	1,895.8	1,944.2	2,068.5
Operating Profit	6,776.8	1,454.1	1,085.3	1,148.3	1,231.9
Pre-tax Profit	7,282.4	1,929.7	1,342.2	1,420.7	1,486.0
Net Profit	5,119.0	1,368.1	936.5	990.0	1,036.4

Balance Sheet

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Current Assets	8,048.1	5,819.5	5,440.8	5,425.0	5,564.5
Total Assets	12,043.7	10,245.0	9,949.1	10,313.9	10,776.9
Current Liabilities	1,818.1	725.9	538.1	504.6	344.2
Non-Current Liabilities	1,475.5	1,456.0	960.0	743.9	728.0
Shareholder's fund	8,750.1	8,063.1	8,450.9	9,065.4	9,704.8
Total Equity and Liabilities	12,043.7	10,245.0	9,949.1	10,313.9	10,776.9

Cash Flow

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Cash Flow from Operating	4,815.9	1,351.0	1,703.4	1,474.1	1,598.1
Cash Flow from Investing	(262.5)	(601.7)	(995.1)	(861.1)	(873.9)
Cash Flow from Financing	(947.8)	(2,209.0)	(962.4)	(607.3)	(588.6)
Net Cash Inflow/(Outflow)	3,605.7	(1,459.7)	(254.1)	5.6	135.6
Begin Cash & Cash Equiv.	1,138.2	4,743.9	3,284.2	3,030.1	3,035.7
Ending Cash & cash Equiv.	4,743.9	3,284.2	3,030.1	3,035.7	3,171.3

Indocement Tunggal Prakarsa

2008: Strong results but bleak outlook

INTP's net profit rose 77.6% yoy to Rp1,746.5b in 2008, in line with expectation. But we expect weaker cement consumption and demand to drag down earnings in 2009. Maintain HOLD.

2008 Results

Year to 31 Dec	2007 (Rpb)	2008 (Rpb)	yoy % chg	Remarks
Sales	7,323.6	9,780.5	33.5	Strong cement demand and price hike
Gross profit	2,753.6	4,024.6	46.2	Stable raw material costs
Operating profit	1,584.8	2,459.9	55.2	Effective cost management
Net profit	982.9	1,745.5	77.6	Lower interest and tax expense
Gross margin (%)	37.6	41.1	9.4	
Op margin (%)	21.6	25.2	16.2	
Net margin (%)	13.4	17.8	33.0	

Source: UOB Kay Hian

Results

Strong 77.6% yoy rise in net profit in 2008. Indocement Tunggal Prakarsa (INTP) booked strong 2008 results as net profit rose 77.6% yoy and net margin improved from 13.4% in 2007 to 17.8% in 2008, in line with our expectation. 2008 was an exceptional year for INTP and other producers in the cement industry, mainly due to strong cement demand and higher cement prices. The operating profit of Rp2,459.9b in 2008 is in line with our forecast of Rp2455.3b while net profit is 5.7% higher than our forecast due to unexpected deferred tax that reduced its effective tax rate to 25% from the normal corporate income tax rate of 30%.

Stock Impact

Revenue to decline by 8.9% yoy in 2009. We believe cement demand and average selling price (ASP) growth will not be as strong in 2009 compared to 2008 due to slower consumer lending and lower purchasing power. We assume INTP's cement sales volume to decline by 8.4% in 2009 while ASP growth remains flat. As a result, we expect profit margins to contract in 2009.

Government stimulus plan to play a part in cement demand. We believe the government's stimulus plan is positive for the cement sector as it may boost demand for the infrastructure sector to offset the lower private consumption. However, we take a conservative view by excluding the additional demand from our assumption.

Weak cement sales in 2M09. INTP's sales suffered the largest fall of 23.3% yoy in Feb 09 while Semen Gresik (SMGR) rose 5.2% and Holcim (SMCB) was up 8.7%. Total cement sales fell 10.6% yoy in Jan-Feb 09 while that of INTP dropped 30.1% yoy, SMCB down 7.9% and SMGR, 2.9% lower. As a result, we saw Indocement losing its market share from its peak of 36.9% in Jan 08 to only 27.9% in Feb 09.

INDONESIA

Indocement Tunggal Prakarsa (INTP IJ)

HOLD

Current Price: Rp4,925
Fair Price: Rp5,200
(Previous: Rp4,600)

Sector	Cement
52-Wk Avg Daily Vol. ('000)	1,164
Market Cap (Rpb)	18,130.1
(US\$m)	1,562.9

Major Shareholders (%)	
HeidelbergCement AG	65.1

Book NTA per Share (Rp)	3,066.0
ROE (%)	22.6
Net Debt per Share (Rp)	57.3

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rp)	Yield (%)
2007	7,324	2,143	983	267	66	18.4	9.0	30.0	0.6
2008	9,780	3,059	1,746	474	77	10.4	5.8	40.0	0.8
2009F	8,927	2,716	1,489	405	(15)	12.2	6.0	71.1	1.4
2010F	9,503	3,138	1,817	493	22	10.0	4.7	60.7	1.2
2011F	10,354	3,383	2,027	551	12	8.9	3.9	74.0	1.5

Consensus Net Profit – FY09: Rp1,540.1b
– FY10: Rp1,942.8b

Prudent attempt to maintain healthy financial balance. INTP stated that its expansion plan could be delayed as the current capacity is sufficient for the next 2-3 years. We believe this may be necessary to maintain a healthy financial position. Its gearing level was 0.3% in 2008 and we expect it to turn to net cash position in 2009 with a lower debt level.

New income stream from emission reduction. INTP has started to receive a payment from its Certified Emission Reduction (CER) in relation to alternative fuel project during 2005-07. It sold 80,967 units of CERs in 2008 and received payment of US\$40,303 net of costs incurred for the project. We remain conservative and exclude this potential revenue from our forecast.

Improved energy efficiency. We are revising up our earnings expectation by 14% to Rp1.5t for 2009 on lower production cost assumption, partly due to improved energy efficiency from a new power plant which commenced operation in Oct 08.

Valuation/Recommendation

Bleak outlook - maintain HOLD. INTP is trading at 12.2x 2009 PE, a premium to the Indonesian cement sector's average of 11.6x. We raise our price estimate by 13% to Rp5,200 which is an implied 2009 PE 13x, as INTP is valued at EV/tonne of US\$83/tonne, a significant discount to current replacement cost of about US\$150/tonne. As the cement sector and earnings growth for the current year is bleak, we maintain our HOLD recommendation with entry price of Rp4,100. Our top pick for the cement sector is Semen Gresik as it is the market leader in the industry with a broader domestic marketing network.

Profit & Loss

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Turnover	7,323.6	9,780.5	8,927.1	9,502.5	10,353.6
Gross Profit	2,753.6	4,024.6	3,401.2	3,934.6	4,246.3
Operating Profit	1,584.8	2,459.9	2,108.3	2,499.3	2,714.2
Pre-tax Profit	1,417.7	2,332.8	2,127.3	2,595.2	2,895.4
Net Profit	982.9	1,745.5	1,489.1	1,816.6	2,026.7
Gross Margin (%)	37.6	41.1	38.1	41.4	41.0
Operating Margin (%)	21.6	25.2	23.6	26.3	26.2
Net Margin (%)	13.4	17.8	16.7	19.1	19.6

Balance Sheet

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Current Assets	2,248.6	3,471.3	4,266.4	5,841.2	7,597.2
Total Assets	10,016.0	11,286.7	12,138.8	13,740.4	15,493.0
Current Liabilities	759.6	1,943.9	1,621.6	1,676.6	1,674.9
Long-Term Liabilities	3,090.0	2,786.5	2,411.4	2,419.7	2,418.0
Shareholder Funds	6,926.0	8,500.2	9,727.4	11,320.7	13,074.9
Total Equity & Liabilities	10,016.0	11,286.7	12,138.8	13,740.4	15,493.0

Cash Flow

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Operating	1,758.0	1,619.2	2,205.1	2,482.4	2,520.2
Investing	(482.1)	(232.8)	(665.0)	(665.0)	(665.0)
Financing	(1,011.5)	(893.0)	(858.2)	(310.6)	(319.2)
Net Cash In/(Out) Flow	264.4	493.3	681.9	1,506.7	1,536.0
Begin Cash & Cash Equiv.	43.4	307.8	793.2	1,475.1	2,981.8
End'g Cash & Cash Equiv.	307.8	793.2	1,475.1	2,981.8	4,517.8

Wijaya Karya

2008: Results in line with our expectation

Net profit increased 21% yoy to Rp156b thanks to stronger orderbook (+40% yoy) in 2008. Results are in line with our expectations.

2008 Results

Year to 31 Dec	2008 (Rpb)	yoy % chg	4Q08 (Rpb)	yoy % chg	Remarks
Turnover	6,556.0	52.4	2,002.5	18.6	Stronger orderbook in 2008
Gross Profit	442.9	17.7	196.1	29.2	
Pre-tax Profit	256.4	36.4	126.8	41.9	Lower other expenses thanks to higher forex gains, rising interest income and lower interest expenses
Net Profit	156.0	20.8	71.1	23.5	
Gross Margin	6.8	(2.0)	9.8	0.8	Higher construction material cost leads to lower margin
Operating Margin	4.4	(1.2)	7.5	1.4	
Net Margin	2.4	(0.6)	3.6	0.1	

Source: Wijaya Karya, UOB Kay Hian

Results

Net profit jumped 20.8% yoy to Rp156.0b in 2008 on the back of a 52.4% yoy rise in revenue to Rp6,556b. The company managed to increase orderbook by 40% yoy to Rp15.5t in 2008, predominantly infrastructure activities in the construction segment, such as building power plants, roads, bridges and toll roads. Results are in line with our expectation.

Lower margin due to higher raw material costs. Gross and operating margins narrowed to 6.8% and 4.4% respectively in 2008, caused by increases in the prices of raw materials such as cement and steel, and a 28.7% rise in subsidised fuel prices in May-Dec 08.

Strong balance sheet and net cash position. Although total debt more than doubled, which resulted in a higher debt-to-equity ratio of 0.46x in 2008 (2007: 0.24x), and total cash declined 23% yoy, the company still posted a net cash position of Rp417.6b in 2008 (-60% yoy). A surge in cash holding in 2007 was mainly attributable to an initial public offering in 3Q07.

Stock Impact

To benefit from government stimulus package on infrastructure. The announcement of a government stimulus package amounting to Rp35t (US\$3b) for infrastructure or public works in order to boost economic growth may have a positive impact on infrastructure players like Wijaya Karya (WIK). The Ministry of Finance recently mentioned the impact of the stimulus package would kick in by Jun 09.

INDONESIA

Wijaya Karya (WIKAJ)

BUY

Current Price: Rp220
Target Price: Rp260

Sector	Construction
52-Wk Avg Daily Vol. ('000)	18,470
Market Cap (Rpb)	1,286.2
(US\$m)	110.9

Major Shareholders (%)	
The Government of Republic Indonesia	68.4

Book NTA per Share (Rp)	237
ROE (%)	11.7
Net Cash per Share (Rp)	72

Results Due

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Rp)	Yield (%)
2007	4,301.9	241.9	129.1	22	(83.6)	10.0	3.6	0	0.0
2008	6,556.0	321.7	156.0	27	20.8	8.2	2.7	6	2.5
2009F	7,564.9	394.5	175.4	30	12.4	7.3	2.2	7	3.0
2010F	8,460.9	460.5	201.6	34	14.9	6.4	1.9	7	3.4
2011F	8,952.6	489.9	222.5	38	10.4	5.8	1.8	9	3.9

Consensus Net Profit – FY09: Rp155.1b
– FY10: Rp201.7b

Earnings Revision

We lower our net profit forecasts for 2009 by 7.6% to Rp175.4b and for 2010 by 16.5% to Rp201.6b following lower margin and sales assumptions.

Valuation/Recommendation

WIKA is trading at 7.3x 2009 PE and 0.9x 2009 P/BV, a premium to local peers Adhi Karya's (ADHI) and Total Bangun Persada's (TOTL) 2009 PE of 5.2x and 4.8x respectively. The premium is justified given WIKA's business diversification and sturdy balance sheet. Companies with a net cash position are more likely to ride out the market turbulence than those with higher gearing. Maintain BUY with a target price of Rp260, based on 8.7x 2009 PE. Our target price also represents 1.0x 2009 P/BV.

Profit & Loss

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Turnover	4,301.9	6,556.0	7,564.9	8,460.9	8,952.6
Gross Profit	376.3	442.9	525.3	599.2	636.1
Operating Profit	240.6	287.9	354.7	416.5	442.5
Pre-tax Profit	187.9	256.4	352.7	405.8	437.7
Net Profit	129.1	156.0	175.4	201.6	222.5

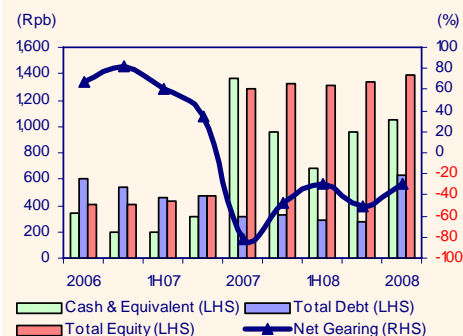
Balance Sheet

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Current Assets	3,687.3	5,229.9	4,537.7	4,979.2	5,286.6
Total Assets	4,133.1	5,771.4	5,339.8	5,841.5	6,172.4
Current Liabilities	2,232.0	3,620.6	3,295.2	3,588.4	3,722.0
Non Current Liabilities	609.9	766.2	523.6	574.4	599.6
Shareholder's fund	1,291.2	1,384.6	1,521.0	1,678.7	1,850.8
Total Equity and Liabilities	4,133.1	5,771.4	5,339.8	5,841.5	6,172.4

Cash Flow

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Cash Flow from Operating	618.2	(445.0)	(4.1)	52.7	208.3
Cash Flow from Investing	(52.9)	(130.2)	(137.5)	(65.4)	(53.1)
Cash Flow from Financing	462.7	261.8	(382.3)	(73.8)	(100.4)
Net Cash Inflow/(Outflow)	1,028.1	(313.4)	(524.0)	(86.4)	54.8
Begin Cash & Cash Equiv.	336.7	1,364.8	1,051.4	527.5	441.0
Ending Cash & cash Equiv.	1,364.8	1,051.4	527.5	441.0	495.9

Gearing



Source: Wijaya Karya

Banking

Bank Negara Malaysia's briefing

Malaysian banks are well capitalised and pre-empt measures are rolling out to drive the credit market. The governor also said the government has the capability to launch another fiscal stimulus if the crisis prolongs.

Events

Bank Negara Malaysia's (BNM) annual briefing.

Sector Impact

2009 and 2010 growth to be supported by public sector. Public spending and investment are crucial in 2009 and 2010 to prevent an economic contraction. The implementation of the government's stimulus will provide major support to household consumption. The official GDP growth forecast is -1.0% to 1.0% for 2009, vs our in-house expectation of -2.5%. This forecast assumes that the US economy starts recovering in 2H09.

Economic Growth In 2009 Highly Dependent On Public Sector

(%)	2008	2009F
Real GDP	4.6	-1.0 - 1.0
By Expenditure		
Domestic Demand	6.9	2.9
Private sector expenditure	7.1	-0.3
Consumption	8.4	3.5
Investment	1.5	-17.7
Public sector expenditure	6.5	11.4
Consumption	11.6	7.3
Investment	0.7	16.6
Net exports	-3.8	-29.7
By Sector		
Agriculture	3.8	-2.0
Mining & quarrying	-0.8	-0.4
Manufacturing	1.3	-8.0
Construction	2.1	3.0
Services	7.3	4.5

Source: BNM

Policy rate cut likely to be less aggressive. Any cuts to the Overnight Policy Rate are expected to be less aggressive now after the cumulative 150bp cut since Nov 08 to 2.0%. The governor openly stated that BNM does not favour interest rate at 0% or even at 1% as Malaysia has a household savings rate of 47.1%, second to China's 59.3% in this region. The interest rate must strike a balance between deposit return and lending rate. UOB Economic-Treasury Research is expecting a further 25bp cut to bring the OPR to 1.75% by end-2Q09.

Banking sector pre-tax profit grew 8.3% in 2008. In 2008, the Malaysian banking sector recorded an 8.3% growth in pre-tax profit (PBT) to RM19.2b, and a ROE of 18.5%. This is reasonable good given the massive losses posted by the financial institutions globally. Malaysian banks are relatively spared from the recent massive investment write-down as they focus on domestic growth with minimal exposure to foreign debts securities. The challenges for banks in 2009 would come from the economic slowdown, if not a recession, and also the potential defaults arising from weaker labour market conditions and lower commodity prices.

Banking fundamentals remain sound. After the Asian financial crisis, the Malaysian banking system has emerged much stronger after adopting more stringent credit and provision policies. The banks now have higher capital ratios and much lower default rates.

MALAYSIA

Banking

UNDERWEIGHT

Analyst

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Financial Sector Pre- and Post-Crisis

Banking system	1996	1997-98	2008
No. of institutions	89	80-86	54
Average total assets per institution	RM1.7b	RM9.6b	RM40.4b
Risk-weighted capital ratio	10.6%	10.5%	12.7%
Core capital ratio	9.0%	8.9%	10.6%
Return on assets	2.0%	-0.9%	1.5%
Return on equity	27.5%	-12.3%	18.5%
Net NPL ratio	3.0%	13.2%	2.2%
Gross NPL ratio	3.9%	18.7%	4.8%

Source: BNM

Stress test shows no capital raising need. Based on stress test results under the heightened credit, market and liquidity risks, the banking system's risk-weighted capital ratio and core capital ratio is still above 8% and 6% respectively. This is before incorporating the capital enhancement programme taken by banks (Maybank and Public). Capital quality remains strong with Tier-1 capital accounting for 72% of total capital. Of this, approximately 90% comprises ordinary shares and reserves.

Earnings Revision

For 2009, we are expecting bank loans to grow 4-5% vs 10% for 2008 and the sector net profit to decline 12% in 2009 and 9% in 2010.

Recommendation/Valuation

Maintain UNDERWEIGHT in anticipation of more negative newsflow and higher earnings downside risk. For those who have to invest in Malaysian banks, **HOLD Public Bank (Fair: RM6.88/Entry: RM6.20)** which has more resilient earnings, and **Bumiputra-Commerce Holdings (BCHB) (Fair: RM6.05/Entry: RM5.45)** as its investment bank could potentially benefit from a pick-up in the bonds market after BNM stepped in to guarantee the issuance.

Peer Comparison

Company	Rec	Last Year End	Target Price (RM)	Price 25 Mar 09 (RM)	EPS			PE			DPS (sen)	Yield (%)	ROA (%)	ROE (%)	P/B (x)
					2008 (sen)	2009F (sen)	2010F (sen)	2008 (x)	2009F (x)	2010F (x)					
AFG	SELL	Mar 08	1.48	1.69	20.0	18.7	24.8	8.4	9.0	6.8	4.0	2.4	1.4	16.8	0.9
AMMB	SELL	Mar 08	1.92	2.62	27.6	29.0	32.2	9.5	9.0	8.1	6.0	2.9	0.8	11.2	1.0
BCHB	HOLD	Dec 08	6.05	7.00	54.6	52.5	61.2	12.8	13.3	11.4	25.0	3.6	1.0	11.9	1.4
HLFG	SELL	Jun 08	3.60	4.68	52.1	52.6	51.9	9.0	8.9	9.0	23.0	4.9	0.7	13.9	1.1
HLBank	SELL	Jun 08	4.64	5.50	47.0	49.8	47.8	11.7	11.0	11.5	24.0	4.4	1.0	15.3	1.5
Maybank	SELL	Jun 08	3.60	4.26	60.0	49.6	58.1	7.2	10.0	8.5	52.5	12.3	1.1	15.2	1.0
Public Bank	HOLD	Dec 08	6.88	7.40	73.1	57.0	72.0	10.1	13.0	10.3	75.0	10.1	1.4	27.4	2.6
RHB Capital	SELL	Dec 08	2.80	3.52	48.7	35.1	41.4	7.2	10.0	8.5	13.6	3.9	1.0	14.1	1.0
Sector						9.5	10.8	9.3		7.0	1.0	15.0	1.4		

Source: Respective companies, Bloomberg, UOB Kay Hian

Strategy

Will history repeat itself?

We said in our 2009 strategy report dated Dec 08 that the market would likely trough in 1Q09. Past recessions saw the Singapore stock market bottoming out in the first very sharp GDP contraction quarter. Will history repeat itself?

Past recessions saw market bottoming on sharp GDP contraction. We said in our 2009 strategy report (The Darkest Hour Before Dawn) dated Dec 08 that the market would likely trough in 1Q09, as past recessions saw the Singapore market bottoming out in the first very sharp GDP contraction quarter. During the Asian Financial Crisis (AFC), The Straits Times Index's (FSSTI) last quarterly sequential fall (-6.9% qoq) was in 3Q98 when the quarter saw a very sharp GDP contraction of 4.2% yoy (2Q98: -1.6% yoy). During the Dot-com collapse recession in 2001, the FSSTI's last quarterly sequential decline (-23.6% qoq) was in 3Q01 with Singapore's GDP contracting by 6.5% yoy (2Q01: -0.9% yoy) in that quarter.

Asian Financial Crisis

	Sep 97	Dec 97	Mar 98	Jun 98	Sep 98	Dec 98
GDP (yoy % Chg)	11.0	7.2	2.6	(1.6)	(4.2)	(2.0)
GDP (qoq % Chg)	3.8	(1.1)	(4.7)	0.6	1.1	1.2
qoq % Chg						
FSSTI	(3.1)	(19.0)	(1.5)	(32.0)	(6.9)	48.2
Commerce	(16.8)	(33.0)	5.6	(36.8)	(24.0)	58.8
Construction	(19.0)	(39.3)	18.6	(36.1)	(12.8)	29.7
Electronics	24.1	(30.5)	12.7	(43.1)	1.4	26.4
Finance	(7.9)	(12.1)	(4.3)	(29.1)	(25.7)	106.3
Hotels & Restaurants	(7.9)	(20.0)	(3.7)	(22.7)	(7.6)	7.6
Manufacturing	4.2	(7.7)	12.8	(30.3)	(5.5)	27.8
Properties	(17.4)	(31.1)	1.7	(38.8)	(25.2)	85.0
Transport, Storage, etc	(0.7)	11.6	(5.0)	(19.5)	12.3	(2.1)

Source: UOB Kay Hian

Dot-com Collapse

	Dec 00	Mar 01	Jun 01	Sep 01	Dec 01	Mar 02
GDP (yoy % Chg)	10.3	4.4	(0.9)	(6.5)	(6.1)	(0.6)
GDP (qoq % Chg)	0.4	(4.3)	(1.5)	(1.2)	0.8	1.4
qoq % Chg						
FSSTI	(3.5)	(13.1)	3.1	(23.6)	23.0	11.1
Commerce	(6.0)	(8.8)	8.6	(20.1)	14.0	21.4
Construction	(6.2)	(20.1)	4.6	(24.3)	5.2	12.1
Electronics	(12.1)	(5.8)	7.3	(29.3)	38.3	30.7
Finance	0.2	(9.4)	4.3	(18.2)	27.0	15.7
Hotels & Restaurants	11.9	(0.2)	4.4	(19.2)	6.4	9.4
Manufacturing	(21.9)	(11.6)	8.0	(24.1)	34.0	16.0
Properties	0.5	(23.4)	16.8	(34.5)	30.6	3.7
Transport, Storage, etc	0.0	(23.7)	(0.8)	(15.8)	6.4	3.7

Source: UOB Kay Hian

Will history repeat itself? The Singapore stock market is anticipating a very drastic contraction of 8-10% for 1Q09 GDP (advance figure will be released in the last week of April). After touching a new 12-month low of 1,456.95 on 9 March, the FSSTI rebounded by 16% to close at 1,691.68 yesterday, a mere 4% below 4Q08's closing of 1,761.56. The market appears to be in a bottoming process. The Singapore stock market is now trading at a P/B of 0.92x, 2-standard deviations below (or 91% upside) to its long-term P/B mean of 1.76x.

Improved domestic newsflow. Most institutional investors continue to adopt a trading stance given the lack of visibility on the macroeconomic front. However, recent newsflow on the domestic front has turned marginally more positive. Singapore's Finance Minister Tharman Shanmugaratnam sees a bottom in the domestic economy within the next two quarters, but growth thereafter is still likely to remain weak at least until end-09 and possibly 2010.

SINGAPORE

Strategy

Quarterly GDP Growth Forecasts

(% yoy)	1Q09F	2Q09F	3Q09F	4Q09F
Total GDP	(8.2)	(7.9)	(4.1)	4.2
Goods Producing	(13.9)	(6.2)	(4.2)	2.3
- Manufacturing	(19.5)	(10.0)	(6.5)	0.1
- Construction	22.0	18.0	6.0	10.0
Services Producing	(4.9)	(8.8)	(4.6)	5.1
- Wholesale & Retail	(7.0)	(11.0)	(10.0)	4.0
- Transport & Comms	(5.4)	(9.0)	(4.0)	6.0
- Hotels & Restaurants	(2.5)	(1.0)	2.0	10.0
- Information & Comms	(3.0)	(10.0)	(1.0)	6.0
- Financial Servs	(13.0)	(15.0)	(6.5)	4.0
- Business Servs	0.8	(3.0)	(1.0)	6.0

Source: UOB Economic-Treasury Research

Sectoral Core EPS Growth

(%)	2007	2008	2009F	2010F
Aviation	15	(34)	(39)	40
Conglomerates	40	1	(10)	(8)
Finance (incl. SGX)	(4)	(19)	(24)	21
Finance (excl. SGX)	(6)	(23)	(23)	25
Healthcare	32	(43)	78	9
Land Transport	10	(11)	29	4
Media	41	(9)	(21)	22
Offshore & Marine	39	15	2	(19)
Plantation	(17)	272	(3)	26
Property	76	(35)	(38)	26
Shipping	35	(10)	(81)	(667)
Supply Chain	61	86	(36)	18
Telecoms	6	(2)	6	5
Technology	(12)	(68)	(339)	(84)
REITs	51	26	(60)	(13)
S-shares	7	(25)	6	22
Others	30	(13)	(15)	19
UOBKH Universe	12	(10)	(23)	10

Source: UOB Kay Hian

Analyst

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The Economic Growth Centre of Singapore's Nanyang Technological University (NTU) rules out a GDP contraction of 8-10% in 2009 and believes that recent upticks in global leading indicators suggest the worst may soon be over. Real GDP growth is forecast at -8.7% in 1Q09, followed by smaller declines of 5.2% and 3.5% in 2Q09 and 3Q09 respectively and a growth of 1.5% in 4Q09. UOB Economic-Treasury Research is forecasting a similar jockey stick trend with GDP contracting by 8.2%, 7.9% and 4.1% in 1Q09, 2Q09 and 3Q09 respectively, before rebounding to a growth of 4.2% in 4Q09. However, the ensuing economic recovery will likely be U-shaped.

Technical analysis view: Short-term risk-reward equation is no longer attractive. K Ajith, our technical analyst, advised investors early this week to lock in profit as he saw resistance in the FSSTI at 1,700-1,710 and a high probability of a 50% retracement towards 1,570-1,580. The FSSTI had appreciated by 16% from its new 12-month low on 9 March to 1,706.34 on Tuesday before easing off yesterday.

But hefty upside to long-term P/B valuations. Sectors that are deepest in value are cyclical ones such as shipping, property developers and REITs with 110-170% upside to long-term P/B valuations. Following its recent correction, the banking sector now offers 69% upside to long-term P/B valuation.

Upside To Long-Term P/B Valuations

Sector	Sector Beta (x)	Current P/B (x)	LT P/B (x)	Remark	Upside To LTP/B (%)
FSSTI	-	0.9	1.8	Avg. since Jan '90	93
UOBKH Universe	-	1.1	2.0	Avg. since Jan '90	83
Aviation	0.83	1.3	1.5	Avg. since Jan '90	21
Conglo	1.25	1.7	2.1	Avg. since Jan '90	19
Finance	1.00	1.0	1.8	Avg. since Jan '90	69
Healthcare	0.88	1.1	2.0	Avg. since Jan '90	77
Land Transport	0.67	2.3	3.7	Est. on FSSTI's LT P/B since Jan '90	50
Media	0.54	2.0	3.6	Avg. since Jan '90	80
O&M	1.46	1.8	2.8	Avg. since Jan '90	50
Plantation	1.17	1.2	1.6	Avg. since Jan '90	30
Property	1.17	0.6	1.4	Avg. since Jan '90	113
REITs	1.02	0.5	1.1	Est. on property developers' LT P/B	98
Shipping	1.52	0.6	1.5	Container shipping sector's LT P/B	172
Supply Chain	1.74	1.7	2.4	Avg. since Jan '90	37
Telecom	0.87	2.1	3.6	Est. on FSSTI's LT P/B since Jan '90	65
Technology	1.04	0.6	0.8	Est. on FSSTI's LT P/B since Jan '90	78
S-Shares	1.21	0.5	1.2	Est. on FSSTI's LT P/B since Jan '90	90

Source: UOB Kay Hian

Strategy: Deep-value yield stocks, augmented with high-beta stocks on market dips. We believe it is still too early to go totally high beta and prefer to maintain some defensive stance. We remain focused on deep-value high-yield stocks with visible earnings, augmented with high-beta large-cap stocks on market dips. Our stock picks are Singapore Telecommunications (ST SP), ComfortDelgro (CD SP), ST Engineering (STE SP), Singapore Press Holdings, Ascendas REIT, DBS (DBS SP) and CapitaLand (CAPL SP). Past trough cycles have shown that banks and property developers are always the first to rally on a market rebound from a recession trough. The other sectors typically lag this rally by six months. We advise investors to take profit on Singapore Airlines (SIA SP), STX Pan Ocean (STX SP), Singapore Exchange (SGX SP) and Keppel Corp (KEP SP). The latter has surpassed our target price of S\$4.76.

Stock Recommendations

Company	Ticker	Price 25 Mar 09 (\$)	Target Price (\$)	Market Cap. (\$m)	EPS			PE			Yield 2009F (%)	Price/ NTA ps (x)	Price Perf 3M (%)	Perf Rel to FSSTI 3M (%)
					2008	2009F	2010F	2009F	2010F	2008				
BUYs														
A-REIT	AREIT SP	1.32	1.60	2,222	14.4	12.3	11.0	10.7	12.0	11.7	10.0	0.7	3	6
CapitaLand	CAPL SP	2.20	2.80	9,337	37.0	7.2	10.9	30.7	20.3	3.2	2.7	0.8	(13)	(11)
ComfortDelGro	CD SP	1.32	1.76	2,753	9.6	12.0	12.4	11.0	10.6	3.8	6.4	2.2	(5)	(2)
DBS	DBS SP	8.42	10.55	19,210	109.4	63.3	86.7	13.3	9.7	7.8	6.7	1.1	6	8
S P H	SPH SP	2.61	3.90	4,198	27.2	22.4	27.4	11.7	9.5	10.3	9.6	2.1	(17)	(14)
ST Engineering	STE SP	2.40	2.82	7,198	15.8	17.2	17.5	14.0	13.7	6.6	6.7	7.7	4	7
SingTel	ST SP	2.51	2.95	39,976	22.6	24.0	25.0	10.5	10.0	4.4	4.8	4.4	(1)	1
SELLs														
Keppel Corp	KEP SP	5.09	4.76	8,109	69.0	54.6	50.8	9.3	10.0	6.9	5.5	1.8	21	24
S I A	SIA SP	10.02	8.20	11,889	93.3	26.8	63.5	37.4	15.8	4.0	-	0.9	(11)	(9)
SGX	SGX SP	5.05	3.00	5,399	45.1	26.5	17.5	19.1	28.9	7.5	4.7	6.3	(2)	1
STX PO	STX SP	9.72	4.35	2,001	341.8	26.4	(537.0)	36.8	n.a.	3.8	0.1	0.6	(3)	(0)

Source: UOB Kay Hian

Performance Of Top 50 Stocks By Market Capitalisation

SINGAPORE	Bloomberg Code	Mkt Cap (\$m)	Price @ 25 Mar 09 (\$)	Beta	PB (x)	Price Performance (% chg)			
						6M	3M	1M	Since 09-Mar-09
FSSTI	FSSTI Index	-	1691.68			(31)	(3)	5	16
F&N	FNN	3,472.7	2.50	1.06	0.7	(34)	(14)	9	34
Yanlord	YLLG	1,771.4	0.975	1.30	0.9	(2)	7	34	32
DBS	DBS	19,209.7	8.42	1.04	0.8	(42)	6	6	31
Jardine C&C	JCNC	3,915.2	11.12	1.10	1.2	(30)	13	18	30
SembCorp Marine	SMM	3,604.3	1.74	1.51	2.7	(48)	8	19	29
STX PanOcean	STX	2,000.9	9.72	1.76	0.6	(55)	(3)	15	27
UOB	UOB	15,727.0	10.32	0.96	1.2	(39)	(17)	2	26
SGX	SGX	5,399.0	5.05	1.27	8.2	(21)	(2)	9	26
Keppel Corp	KEP	8,109.0	5.09	1.26	1.7	(40)	21	18	25
Ascendas REIT	AREIT	2,215.7	1.32	1.10	0.8	(35)	3	6	25
OCBC	OCBC	15,226.4	4.87	0.90	1.1	(33)	(4)	4	23
City Devt	CIT	4,555.6	5.01	1.16	0.8	(46)	(20)	4	23
CapitaLand	CAPL	9,336.9	2.20	1.25	0.7	(26)	(13)	6	23
CapitaMall	CT	4,059.7	1.28	1.11	0.8	(32)	(1)	15	22
Olam	OLAM	2,364.4	1.38	1.23	2.5	(26)	20	16	20
Golden Agri Food	GGR	3,042.7	0.305	1.30	0.5	(22)	33	7	17
COSCO Corp	COS	1,825.0	0.815	1.49	1.6	(55)	(15)	8	16
HK Land (US\$)	HKL	7,690.3	2.26	0.89	0.3	(28)	(11)	10	16
Wilmar	WIL	21,072.8	3.30	1.15	1.5	20	21	20	15
SPC	SPC	1,404.5	2.72	0.90	0.8	(42)	29	3	15
Venture Corp	VMS	1,321.9	4.82	1.13	0.7	(41)	13	0	14
UOL	UOL	1,440.9	1.81	1.15	0.4	(33)	(14)	3	14
Noble Group	NOBL	3,716.0	1.15	2.08	1.4	(26)	14	13	13
SP AusNet	SPN	2,141.6	1.01	0.60	3.2	(17)	12	(6)	12
Sci	SCI	4,106.3	2.3	1.22	1.6	(36)	2	10	12
Gen Int'l	GIL	4,529.7	0.47	0.82	1.6	2	8	13	12
NOL	NOL	1,681.7	1.14	1.45	0.5	(44)	1	(5)	12
SPH	SPH	4,155.5	2.61	0.54	2.0	(31)	(17)	(3)	11
SATS	SATS	1,327.5	1.23	0.56	1.0	(26)	(13)	5	11
SIA Engineering	SIE	1,789.5	1.66	0.64	1.6	(30)	(21)	(12)	10
Yangzijiang	YZJ	1,516.2	0.415	1.29	1.7	(25)	(10)	0	9
Jardine Strategic (US\$)	JS	16,052.2	9.71	0.92	0.7	(31)	1	10	9
ST Engineering	STE	7,200.6	2.40	0.85	4.6	(8)	4	3	8
Jardine Matheson (US\$)	JM	16,915.4	17.9	0.90	0.9	(35)	(1)	2	8
Parkway Hldgs	PWAY	1,254.7	1.11	0.94	1.0	(41)	(10)	(5)	6
SingPost	SPOST	1,502.5	0.78	0.59	6.2	(17)	2	1	3
S Telecoms	ST	39,976.1	2.51	0.86	2.1	(22)	(1)	(3)	3
ComfortDelgro	CD	2,753.1	1.32	0.83	1.8	(11)	(5)	(2)	2
Great Eastern	GE	3,843.4	8.12	0.42	1.3	(43)	(10)	5	2
SIA	SIA	11,889.2	10.02	0.87	0.9	(31)	(11)	(3)	2
Singapore Land	SL	1,303.4	3.16	0.96	0.3	(38)	(10)	(4)	1
AP Brew	APB	2,375.3	9.20	0.49	2.4	(25)	(9)	(8)	1
MobileOne	M1	1,342.4	1.50	0.59	6.0	(19)	2	(3)	1
DTAC (US\$)	DTAC	2,727.2	0.76	0.81	0.7	(34)	1	(3)	(1)
OUE	OUE	1,747.3	8.90	0.55	0.8	(27)	(25)	(11)	(1)
SMRT Corp	MRT	2,365.2	1.56	0.49	3.5	(17)	(4)	(3)	(1)
StarHub	STH	3,320.4	1.94	0.57	30.7	(25)	(1)	(3)	(3)
Dairy Farm (US\$)	DFI	8,762.2	4.30	0.61	12.2	(10)	(2)	(3)	(3)
Thai Beverage	THBEV	4,143.2	0.165	0.29	1.9	(25)	(15)	(13)	(11)
UIC	UIC	1,391.3	1.01	0.66	0.4	(53)	(1)	(16)	(16)

Source: Datastream, UOB Kay Hian

Real Estate Investment Trusts

Sensitivity analysis on impact of scrip dividend

Implementation of DRS dilutes target prices by 4-11% if all unitholders agree to receive dividends in new units for three years. None of the REITs have proposed and implemented DRS yet.

Sector Event

Various real estate investment trusts (REIT), such as Ascendas REIT and CapitaCommercial Trust, are evaluating the possibility of implementing the dividend reinvestment scheme (DRS). DRS is widely adopted by listed companies, such as OCBC, Keppel Land and First Ship Lease Trust. REITs are also studying the feasibility of DRS to replenish capital and provide an opportunity for unitholders to reinvest, possibly at a discount to market prices.

Case study 1: Saizen REIT. Saizen REIT proposed a scrip-only dividend scheme in Jan 09. The scheme is a mandatory form whereby unitholders have no choice but to receive dividends in new units. Cash is conserved for loan repayment. The scheme is intended to be a temporary survival tactic in this tumultuous period when access to credit markets is limited.

Saizen REIT has, however, decided not to proceed with the scheme after consultation with Singapore Exchange (SGX). The company did not provide further details of its reason for aborting the plan. Saizen REIT owns 166 residential properties with 6,000 apartments in 13 regional cities in Japan. It is subjected to withholding tax of 20% but distribution received from Japan is exempted from Singapore tax.

Case study 2: First Ship Lease Trust (FSLT). FSLT, a business trust, has adopted a DRS whereby unitholders can elect to receive dividends in the form of new units in lieu of cash. Unitholders have the flexibility to choose the proportion of distribution to be received in new units and the remaining distribution in cash. Unitholders who elect not to participate in the scheme will continue to receive their distributions fully in cash.

Although the scheme was approved by SGX and unitholders, FSLT decided not to apply DRS to distribution for 4Q08 due to the low current unit price. Management will provide guidance on DPU on a quarterly basis until visibility returns. For 1Q09, management targets payout ratio of 75-80% to retain cash for reduction of gearing and fund growth opportunities. The Board of Directors will decide on whether to implement DRS on a quarter-by-quarter basis depending on the need to retain cash and the prevailing share price.

Dividend Reinvestment Scheme

Oversea-Chinese Banking Corp	<ul style="list-style-type: none"> Reactivated Scrip Dividend Scheme approved in 1996, giving shareholders the option to receive FY08 final dividend in new shares instead of cash. New shares are priced at a 10% discount to the average closing price from the ex-dividend date to the book closure date.
Keppel Land	<ul style="list-style-type: none"> Proposed Dividend Reinvestment Scheme has obtained in-principle approval from SGX. Details of the Scheme and the related amendment to the Articles of Association will be provided in a circular to be despatched.
First Ship Lease Trust	<ul style="list-style-type: none"> New units priced at a 10% discount to volume-weighted average traded price. Scheme only offered to unitholders with registered addresses in Singapore.

Source: Respective companies

Minimum payout ratio remains at 90%. The Ministry of Finance and the Monetary Authority of Singapore have decided to maintain minimum payout ratio at 90% to preserve the key characteristics of REITs as stable, high-payout, pass-through vehicles. REITs maintaining minimum payout ratio of 90% are accorded "tax transparency treatment" by IRAS. The government decided against making changes to the minimum payout ratio as there were no strong grounds to justify a special tax treatment not available to other companies.

SINGAPORE

REITs

OVERWEIGHT

Analyst

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Alternatives available to REITs. REITs will not be able to implement DRS as proposed by Saizen REIT in case study 1 as it affects REITs' tax transparency status. Most REITs will be looking at DRS as proposed by FSLT in case study 2, which offers unitholders more choices. Our sensitivity analysis serves to illustrate the potential impact of DRS. We need to stress that no REIT has proposed and implemented DRS.

Stock Impact

Sensitivity analysis. We have analysed the sensitivity on target prices and gearing from the implementation of DRS for a period of three years. The usual policy of maintaining payout ratio at 100% resumes thereafter. The degree of dilution from DRS depends on the percentage of unitholders opting to receive dividends in new units. We have assumed new units are priced at a 10% discount to current market prices in our analysis.

Our conclusions:

- a) Implementation of DRS dilutes target prices by 4-11% if all unitholders agree to receive dividends in new units. There is less dilution for CapitaMall Trust as the stock is trading closest to fair value.
- b) The impact on reduction of gearing is significant if the scheme is implemented for three consecutive years. REITs with higher net property income margin and ROE, such as Ascendas REIT, are better able to reduce their borrowings.

We believe most unitholders will elect to receive dividends in cash as REITs' core investor base is predominantly insurance companies, income-oriented funds and high-net worth individuals.

Sensitivity Analysis: Target Price (S\$)

Company	% of unitholders deciding to receive dividends in new units					
	100%	80%	60%	40%	20%	0%
Ascendas REIT	1.41	1.44	1.47	1.51	1.55	1.59
- Dilution	-11.3%	-9.4%	-7.5%	-5.0%	-2.5%	0.0%
CapitaCommercial Trust	0.87	0.89	0.90	0.92	0.94	0.96
- Dilution	-9.4%	-7.3%	-6.2%	-4.2%	-2.1%	0.0%
CapitaMall Trust	1.12	1.13	1.14	1.15	1.16	1.17
- Dilution	-4.3%	-3.4%	-2.6%	-1.7%	-0.9%	0.0%
Suntec REIT	0.56	0.57	0.58	0.60	0.61	0.63
- Dilution	-11.1%	-9.5%	-7.9%	-4.8%	-3.2%	0.0%

Source: UOB Kay Hian

Sensitivity Analysis: Estimated Gearing* at Dec 11

Company	% of unitholders deciding to receive dividends in new units					
	100%	80%	60%	40%	20%	0%
Ascendas REIT	23.7	26.9	29.6	32.2	34.7	37.2
CapitaCommercial Trust	48.7	50.8	52.4	54.1	56.0	58.0
CapitaMall Trust	29.5	31.4	34.1	35.4	37.2	40.0
Suntec REIT	48.4	50.5	52.6	55.0	57.4	59.9

*Gearing is defined as total debt/total assets. Gearing as at Dec 11 has factored in revaluation based on our estimates for rental income and cap rates.

Source: UOB Kay Hian

Valuation/Recommendation

OVERWEIGHT REITs. The Federal Reserve's zero interest rate policy and plans to purchase mortgage-backed and treasury securities will ensure bond yields remain low for an extended period, ensuring that yield spread provided by Singapore REITs remains attractive. BUY Ascendas REIT, CapitaCommercial Trust and Suntec REIT, and SELL CapitaMall Trust.

Key Recommendations

Name	Bloomberg Code	Rec	Price	Target	Market	Yield (%)			Debt to Asset	NAV ps (S\$)	P/NAV (x)
			25 Mar 09	Price	Cap (S\$m)	Hist	Curr	Fwd			
Ascendas REIT	AREIT SP	BUY	1.31	1.60	2,205.3	10.8	11.7	10.1	35.8	1.67	0.8
CapitaCommercial	CCT SP	BUY	0.795	0.98	1,113.3	13.8	14.5	10.9	37.3	2.97	0.3
CapitaMall Trust	CT SP	SELL	1.28	1.15	4,059.7	9.1	8.5	6.3	29.7	1.65	0.8
Suntec REIT	SUN SP	BUY	0.575	0.63	907.8	18.5	19.1	13.5	34.3	2.20	0.3

Source: Bloomberg, UOB Kay Hian

Rojana Industrial Park

High net D/E to trigger equity raising

Another round of earnings adjustments puts our 2009 forecast at 25% below the consensus. Cash call is on the horizon given the current high net D/E. We see no share price catalyst. Maintain SELL.

Corporate Events

Rojana Industrial Park's (ROJNA) 2009 industrial land sales target of 300 rai (-52% yoy) may be too optimistic. ROJNA is harbouring high hopes of land sales of 200 rai to the Tobacco Monopoly of Thailand. But there is still no clue as to when the government will approve this plan. Regular customer Ticon Industrial Connection (TICON) has no plan to purchase additional land this year. Other deals from both foreign and local customers are now on hold.

Although the utilisation rate of its 265mw power plant has inched up over the last few months from a low of 70% to 75% currently, 1H09 performance will remain sluggish given high fuel costs (calculated based on six-month historical oil prices) and additional depreciation cost incurred on a newly-completed 50mw power block. Utilities/service income will also weaken with a softening in demand and ROJNA may have to start offering discounts, following in the footsteps of AMATA and TICON which have agreed to give discounts to their customers.

Sales of the Kaina residential condominium project worth Bt2.9b in Jiangsu, China, have reached 50% while construction is 40% completed. ROJNA is optimistic and targets to sell 90% of this project by end-09. Also, it expects to book Bt1.0b-1.2b (UOBKH forecast: Bt795m) revenue from this project this year.

High net consolidated D/E of 2.2x (unconsolidated: 1.5x) may trigger equity raising. ROJNA is working closely with its major shareholders and lenders to come up with the best solution. ROJNA has never defaulted, thanks to robust financial support from its major shareholders, Japanese investors under the Sumitomo group holding a 31% stake and the Vinichbutr family holding 25%.

Stock Impact

We maintain our 2009 land sales forecast at 259 rai, the level achieved during the dot-com crisis in 2001-03. ROJNA still has 200 rai of unrealised land sales carried forward from 2008 to be booked this year. We have already factored into our 2009 forecast a slowdown in businesses like electricity, water and services affected by the downturn. But we trim the gross margin of its power plant from 13% to 11% to reflect the impact of high fuel cost and low utilisation rate. We keep our revenue estimate on Kaina at Bt795m, 20-25% lower than management guidance. Thus, this year's net profit will fall 19% yoy to Bt486m (-12% from the previous forecast). Should ROJNA fail to sell a single rai of industrial land this year, its profit will stand at Bt314m (-35% from our current estimate), almost a 50% yoy decline.

THAILAND

Rojana Industrial Park (ROJNA TB)

SELL

Current Price: Bt3.32

Fair Price: Bt2.59

(Previous Bt2.62)

Sector	Property
52-Wk Avg Daily Vol. ('000)	669
Market Cap (Btm)	2,765.6
(US\$m)	79.0
Major Shareholders (%)	
Sumikin Bussan Corp	22.2
Book NTA per Share (Bt)	6.20
ROE (%)	12.4
Net debt/share (Bt)	13.90

Results Due

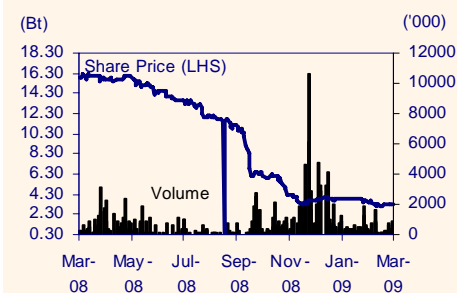
1Q: May

2Q: Aug

3Q: Nov

Final: Feb

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	P/B (x)	DPS (Bt)	Yield (%)
2007	6,180	1,692	924	1.03	3.5	3.2	6.2	0.56	1.00	30.1
2008	6,518	1,645	602	0.67	(34.8)	5.0	7.5	0.53	0.25	7.5
2009F	6,898	1,521	486	0.54	(19.2)	6.1	6.6	0.54	0.27	8.1
2010F	7,119	1,537	523	0.58	7.6	5.7	5.2	0.50	0.29	8.8
2011F	6,828	1,444	537	0.60	2.7	5.6	5.3	0.47	0.30	9.0

Consensus Net Profit--FY09: Bt646m

-- FY10: Bt623m

Recommendation

We reaffirm our view that the outlook of ROJNA's businesses remains weak and the worst is yet to come. Our profit estimate is now 25% lower than the consensus estimate. Given the high consolidated net D/E of 2.2x, ROJNA cut last year's dividend payout to 35% from over 70% in 2005-07 so as to preserve internal cash. To compensate for the lower dividend, it will issue one free warrant for every three common shares held. Each warrant can buy one share within five years at an exercise price of Bt4.00/share. Management admits a cash call is on the horizon.

After earnings adjustment, our fair price declines slightly to Bt2.59, pegged at 0.42x P/B, -1SD from its 12-year mean. This implies another 22% downside from the current share price. Maintain SELL.

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	6,180	6,518	6,898	7,119	6,828
EBIT	1,307	1,260	1,076	1,093	1,001
Pre-tax Profit	788	776	551	604	512
Net Profit	924	602	486	523	537
EPS (Bt)	1.03	0.67	0.54	0.58	0.60

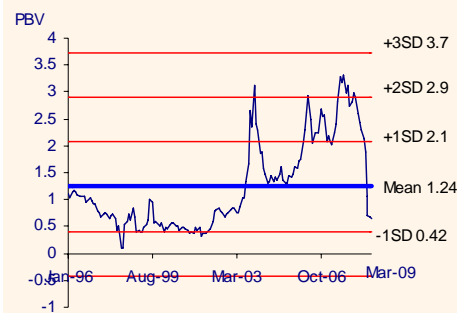
Balance Sheet

Year to 31 Dec (Btm)	2007	2,008	2009F	2010F	2011F
Current Assets	6,721	7,224	6,526	5,542	5,678
Total Assets	19,718	20,906	19,927	19,373	19,875
Current Liabilities	6,756	5,510	5,325	4,950	4,550
Long-Term Loans	6,934	8,481	7,000	6,000	6,000
Shareholders' Funds	4,496	5,018	5,544	5,961	6,380
Total Equity & Liabilities	19,718	20,723	19,927	19,373	19,875

Cash Flow

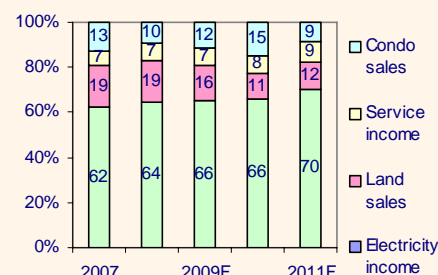
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	1,948	(1,256)	1,895	2,303	177
Investing	(2,826)	(899)	211	(441)	(288)
Financing	1,656	1,213	(2,267)	(1,605)	(118)
Net Cash In/out flow)	778	(942)	(161)	256	(229)
Begin Cash & Cash Equiv.	543	1,321	562	401	657
End'g Cash & Cash Equiv.	1,321	379	401	657	428

Share Price And Standard Deviation



Source: SetSMART, UOB Kay Hian

Revenue Breakdown



Source: ROJNA, UOB Kay Hian

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