UOBKayHian

Regional Morning Notes

Friday, March 27, 2009

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Market source suggests that Guangdong provincial government will resume the long Golden Week Holiday in May 09.

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2008: Better-than-expected earnings; challenging outlook.

Sino-Ocean Land (BUY/HK$4.79/Target: HK$5.80) Page 8

2008: Strong ytd sales and high locked-in sales for 2009 are strong catalysts.

Technical Analysis Page 10

Sinopec (386): Minimum upside to HK$5.38-5.45.

HONG KONG

Results

Cheung Kong (SELL/HK$71.40/Fair: HK$58.00) Page 12

2008: Profit only slightly below expectations as the shortfall in its own operations was made up by Hutchison's above expected results.

Giordano (HOLD/HK$1.67/Fair: HK$2.06) Page 14

2008: Results are bad considering the 32% yoy decline in 2H08 earnings. While the worst has yet to come, the Group has a strong balance sheet.

SINGAPORE

Update

China Milk Products (BUY/S$0.31/Target: S$0.53) Page 16

Dairy production rebounds but will still take time to recover.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7924.6	2.3	7.1	10.3	(9.7)
S&P 500	832.9	2.3	6.2	10.6	(7.8)
FTSE 100	3925.2	0.6	2.8	0.2	(11.5)
AS30	3586.3	1.1	5.0	8.8	(2.0)
CSI 300	2479.8	3.3	4.1	15.9	36.4
FSSTI	1758.8	4.0	11.0	10.3	(0.2)
HSI	14109.0	3.6	7.4	10.1	(1.9)
JCI	1420.0	(1.1)	7.3	10.0	4.8
KLCI	885.5	0.8	3.9	(0.6)	1.0
KOSPI	1243.8	1.2	7.1	17.0	10.6
Nikkei 225	8636.3	1.8	8.3	14.1	(2.5)
SET	439.4	0.6	2.7	1.8	(2.3)
TWSE	5386.6	0.8	7.0	18.2	17.3
BDI	1714	(1.5)	(4.5)	(12.1)	121.4
CPO (RM/mt)	2119	0.2	3.8	11.5	30.0
Nymex Crude (US$/bbl)	54	(0.7)	5.7	20.6	21.0

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
Top BUYs				
China Life	2628 HK	26.45	31.30	18.3
China Mobile	941 HK	69.80	85.00	21.8
China Railway	390 HK	4.89	5.90	20.7
China Shenhua	1088 HK	18.60	23.00	23.7
Sinopec	386 HK	4.99	6.60	32.3
Zijin Mining	2899 HK	5.89	7.15	21.4
Bumi Resources	BUMI IJ	800	1,010	26.3
DBS Group	DBS SP	8.74	10.55	20.7
Indofood Agri	IFAR SP	0.64	0.80	25.0
SingTel	ST SP	2.57	2.95	14.8
Advanced Info	ADVANC TB	83.00	101.73	22.6
Quality Houses	QH TB	0.84	1.28	52.4
Top SELLs				
Aluminum Corp	2600 HK	5.23	3.00	(42.6)
Harbin Power	1133 HK	5.38	3.50	(34.9)
Parkson Retail	3368 HK	8.19	5.15	(37.1)
S'pore Airlines	SIA SP	10.30	8.20	(20.4)
S'pore Exchange	SGX SP	5.29	3.00	(43.3)
Amata Corp	AMATA TB	3.18	2.52	(20.8)

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 *	(USc/dmtu)	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

Consumer

Longer Golden Week Holiday to boost consumption

Market source suggests that Guangdong provincial government will resume the long Golden Week Holiday in May 09. We re-iterate our BUY call for major beneficiaries including Golden Eagle, Ports Design and Daphne.

Sector Events

The long Golden Week Holiday in May 09 comprises seven days, including two days of annual leave and another two days of weekend. The Golden Week Holiday in May 08 was actually cut to three days. In addition, the local governments of Hangzhou and Ningbo of Zhejiang Province and Nanjing city of Jiangsu Province plan to follow suit. Media reports also revealed that a National Development and Reform Commission (NDRC) official has sought the approval of the central government to resume the Labor Day golden week nationwide this year.

Sector Impact

Among China consumer stocks, the major beneficiaries of the longer holidays include Golden Eagle (3308 HK; BUY/Target: HK$6.58), Ports Design (589 HK; BUY/Target: HK$9.60), Daphne (210 HK; BUY/Target: HK$2.80) and China Dongxiang (3818 HK; HOLD/Fair: HK$3.50).

In Hong Kong, companies with a high proportion of sales attributed to mainland travellers will be the major beneficiaries. They include Sa Sa (178 HK; HOLD/Fair: HK$2.30), Luk Fook (590 HK; BUY/Target: HK$5.60), Chow Sang Sang (116 HK; NOT RATED) and Oriental Watch (398 HK; NOT RATED). A high proportion of their sales (around 50%) are from mainland visitors.

Individual Visit Scheme

Month Of Commencement	Cities Approved for Individual Visit Scheme
Jul 03	Dongguan, Jiangmen, Foshan, Zhongshan
Aug 03	Guangzhou, Shenzhen, Zhuhai, Huizhou
Sep 03	Beijing, Shanghai
Jan 04	Shantou, Chaozhou, Qingyuan, Meizhou, Zhaoqing, Yunfu
May 04	Shaoguan, Heyuan, Shanwei, Yangjiang, Zhanjiang, Maoming, Jieyang
Jul 04	Nanjing, Wuxi, Suzhou, Hangzhou, Ningbo, Taizhou, Fuzhou, Quanzhou, Xiamen
Mar 05	Tianjin, Chongqing
Nov 05	Jinan, Chengdu, Dalian, Shenyang
May 06	Nanning, Haikou, Kunming, Guiyang, Changsha, Nanchang
Jan 07	Wuhan, Shijiazhuang, Zhengzhou, Hefei, Changchun

Source: UOB Kay Hian

CHINA

Consumer

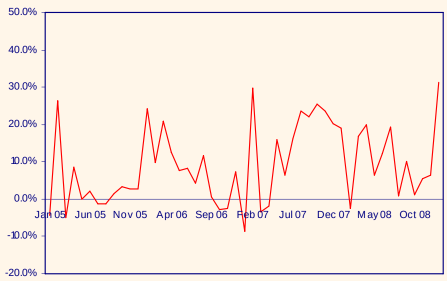
UNDERWEIGHT

Retail Sales Value

Period	China (Rmbb)	yoy % chg
Jan 07	748.83	12.7
Feb 07	701.37	16.9
Mar 07	668.58	15.3
Apr 07	667.25	15.5
May 07	715.75	15.9
Jun 07	702.62	16.0
Jul 07	699.82	16.4
Aug 07	711.66	17.1
Sep 07	766.84	17.0
Oct 07	826.3	18.1
Nov 07	810.47	18.8
Dec 07	901.53	20.2
Jan 08	907.73	21.2
Feb 08	835.47	19.1
Mar 08	812.32	21.5
Apr 08	814.2	22.0
May 08	870.35	21.6
Jun 08	864.23	23.0
Jul 08	862.88	23.3
Aug 08	876.8	23.2
Sep 08	944.7	23.2
Oct 08	1008.3	22.0
Nov 08	979.08	20.8
Dec 08	1072.85	19.0
Jan 09	1075.66	18.5
Feb 09	932.38	11.6

Source: CEIC, UOB Kay Hian

Visitor Arrivals From China To Hong Kong (yoy growth)



Source: HKTB, UOB Kay Hian

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Peer Comparison

Company	Rating	Market Cap (HK$m)	Share Price 26 Mar 09 (HK$)	Target Price (HK$)	PE (x) 2008	PE (x) 2009
Hong Kong Consumer Stocks						
Giordano (0709)	HOLD	2,491	1.670	2.06	8.0	41.92
Lifestyle Int'l (1212)	HOLD	10,879	6.520	5.60	13.85	9.42
Luk Fook (590)	BUY	965	1.960	5.60	3.07	5.85
Sa Sa (0178)	BUY	3,177	2.300	2.30	9.08	12.70
China Consumer Stocks						
China Dongxiang (3818)	HOLD	16940.74	2.99	3.50	14.98	13.18
Lianhua Supermarket (980)	SELL	1689.12	8.16	9.1	13.51	11.83
Ports Design (589)	BUY	5609.34	10.00	9.60	12.99	11.90
Parkson (3368)	SELL	22915.14	8.19	5.15	27.30	24.82
China Foods (0506)	SELL	8346.24	2.99	2.19	21.21	16.52
China Huiyuan Juice (1886)	SELL	7535.03	5.13	2.6	36.98	23.17
China Mengniu Dairy (2319)	SELL	16928.19	10.84	7.05	(33.88)	98.55
China Yurun (1068)	BUY	15372.20	10.04	13.70	14.14	12.55
Dynasty Fine Wines (0828)	BUY	1543.80	1.24	1.41	9.49	8.68
Tsingtao Brewery (168)	SELL	10821.74	16.52	10	30.59	28.48
Belle (1880)	SELL	34664.70	4.11	3.20	16.91	14.78
Golden Eagle Retail (3308)	BUY	9140.31	5.17	6.58	17.23	16.16
Hengan (1044)	SELL	33639.40	29.25	20.5	26.04	22.43
Li Ning (2331)	HOLD	13055.07	12.54	11.1	19.20	18.02
Daphne (0210)	BUY	2997.34	1.83	2.80	6.56	6.04

Source: Bloomberg, UOB Kay Hian

Ports

Outlook remains dim; SELL Tianjin Port

Total container throughput of China's top eight ports dropped 16.7% in February, the steepest decline in 17 years. China's port sector outlook remains dim. SELL Tianjin Port given its demanding valuation.

Container throughput plunged 16.7% yoy in February. According to the Ministry of Communications, total container throughput of China's top eight ports dropped 16.7% yoy to 5.58m TEUs in Feb 09. Meanwhile, China's exports suffered the steepest decline in 17 years to -25.7% while imports also fell 24.1% in Feb 09.

China's Top Eight Ports In Terms Of Container Throughput

(m TEUs)	Feb 08	Feb 09	yoy % chg	2M08	2M09	yoy % chg
Shanghai	1.82	1.48	(18.7)	4.2	3.4	(19.0)
Shenzhen	1.38	1.00	(27.2)	3.2	2.5	(21.6)
Qingdao	0.77	0.79	2.4	1.6	1.6	1.6
Ningbo	0.78	0.59	(23.7)	1.7	1.4	(14.8)
Guangzhou	0.81	0.61	(24.3)	1.8	1.3	(29.4)
Tianjin	0.55	0.57	3.3	1.2	1.2	(0.7)
Xiamen	0.30	0.27	(9.6)	0.7	0.7	(7.6)
Dalian	0.28	0.26	(9.5)	0.6	0.6	(0.1)
Top 8 ports	**6.69**	**5.58**	**(16.7)**	**15.1**	**12.8**	**(15.3)**

Source: Ministry of Communications, UOB Kay Hian

Shanghai Port's throughput declined further. Overall throughput volume in Shanghai further slipped 18.7% yoy. We believe the rapid deterioration of throughput growth was mainly due to its high exposure to foreign trade as well as mechanical and electrical machinery exports. According to Shanghai Municipality's figures, Shanghai's industrial production decreased 12.7% yoy in 2M09, lower than the national average of +3.8% yoy during the period. As such, we foresee Shanghai Port's throughput numbers to continue to remain weak.

Shenzhen Port and Guangzhou Port have been hardest hit. Throughput growth in the Pearl River Delta has been hardest hit by weakening external demand. The throughput numbers have dropped significantly since 3Q08. Total container throughput fell 24.3% yoy in Guangzhou and plunged 27.2% yoy in Shenzhen in Feb 09. In particular, container throughput at Shenzhen Chiwan (000022.SZ) dived 40.3% yoy, signaling a rapidly deteriorating external demand from the EU. Shenzhen's industrial production fell by 16.5% yoy (vs the national average of +3.8% yoy) in 2M09. Therefore, Shenzhen Port's container throughput may continue to register a sharper decline than that of other regions.

Qingdao and Tianjin ports maintained modest throughput growth. Among China's top eight ports, traffic has fallen in six out of eight ports - only Qingdao and Tianjin ports continued to record throughput growth in Feb 09. Total throughput volume grew 2.4% yoy and 3.3% yoy in Qingdao and Tianjin respectively. The relatively modest growth in the Bohai Rim was due to low exposure to the textile and apparel industry.

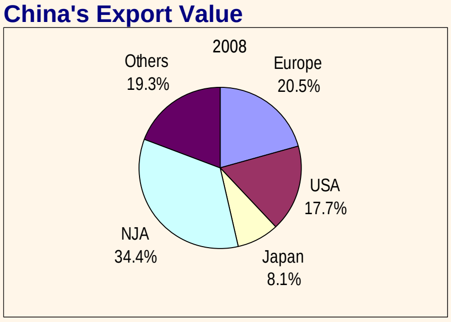
China's Foreign Trade

US$b	2006	2007	2008	Dec 08	Jan 09	Feb 09
China export	969	1,218	1,429	111	91	65
China import	792	956	1,132	72	51	60
Growth (% yoy)						
China export	27.3	25.7	17.3	(2.8)	(17.5)	(25.7)
China import	19.9	20.8	18.4	(21.3)	(43.1)	(24.1)

Source: China Customs, UOB Kay Hian

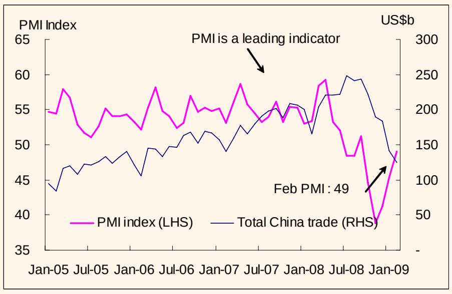
CHINA
Ports
UNDERWEIGHT

China's Export Value



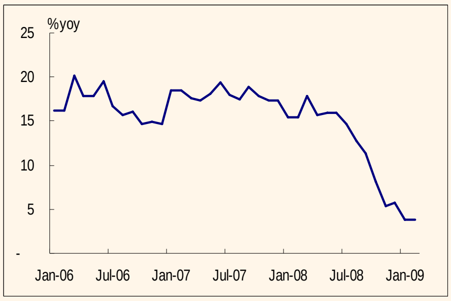
Source: China Customs, UOB Kay Hian

China PMI And Total Trade



Source: China Customs, UOB Kay Hian

Industrial Production



Source: NBS, UOB Kay Hian

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The Big Picture:

WTO sees 9% global trade decline in 2009. The World Trade Organization (WTO) published a report called "*World Trade 2008, Prospects for 2009*" earlier this week. The WTO forecasts global trade to decline by 9% yoy in 2009, the biggest contraction since World War II, as recession strikes. Being the second-largest exporter in the world, China may be adversely affected by the global trade contraction.

The World Bank forecasts China's exports to drop 6%. The World Bank also published "*China Quarterly Update*" last week. It adjusted its projection for China's GDP growth downward to 6.5% in 2009. China's exports and imports are expected to decline by 6% and 4% respectively. This implies the outlook for China's port sector will remain bleak this year.

Leading Indicators:

PMI and power consumption. The latest leading indicators (the Purchasing Manager Index (PMI) and power consumption) showed some early signs of an economic recovery. The PMI improved from 45.3 in Jan 09 to 49 in Feb 09. Power consumption also saw positive growth in Feb 09. However, China's industrial production only grew 3.8% yoy in 2M09 (still well below the 12.9% in 2008). In our view, the signs of a recovery may still be temporary.

Outlook. The outlook for China's port sector hinges on the global economy and global trade. However, in our view, there is a possibility that the global recession may go deeper and longer. Also, global trade is estimated to fall sharply.

Going forward, China's economic growth is expected to be supported by investment (The World Bank forecasts government-influenced direct expenditure would add 4.9ppt to GDP growth) and consumption in the future. That means China's economic growth is no longer driven by exports. If the global economy does not recover in 2H09, China's export growth may decline by a double-digit figure in 2009.

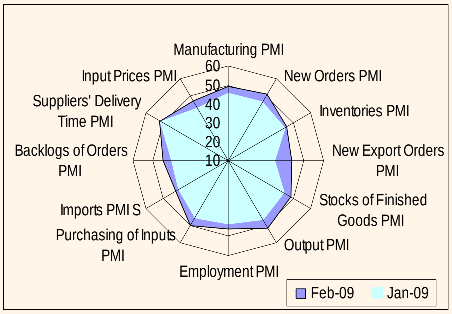
Recommendation

Maintain SELL on Tianjin Port. In our view, China's port sector may continue to face a tough time before the global economy recover. We also see downside risk to our export growth forecast of -5% for 2009. Among the Chinese port stocks, Tianjin Port (3382.HK) is our top SELL given its demanding valuation and lowest ROE among its peers.

Valuation

Share prices of listed Chinese ports have rebounded 62-150% from their trough levels. While the share price of Tianjin Port has surged more than 120% from its trough level, the stock's valuation appears demanding compared to its peers. Tianjin Port is trading at 19.7x 2009 PE (vs peers' 12.0x 2009 PE) and 0.95x 2009 P/B (vs peers' 0.94x 2009 P/B). We regard the valuation as unattractive. For Tianjin Port, we suggest investors SELL into strength.

China PMI



Source: CFLP, UOB Kay Hian

Weekly Change In Stock Price

	China Merchants	COSCO Pacific	Tianjin Port	Xiamen Int'l Port
Dec 19, 08	4.6	29.3	9.0	16.0
Dec 26, 08	(7.0)	(14.8)	(1.8)	(4.3)
Jan 2, 09	3.4	11.1	18.6	1.1
Jan 9, 09	(0.3)	5.3	(3.5)	(3.3)
Jan 16, 09	(15.4)	(10.2)	(7.9)	(9.1)
Jan 23, 09	(3.7)	(11.0)	(4.0)	(8.8)
Jan 30, 09	11.8	3.8	1.2	5.5
Feb 6, 09	7.1	8.9	5.8	7.8
Feb 13, 09	(1.9)	(6.6)	9.9	(3.6)
Feb 20, 09	(7.2)	(10.4)	(7.0)	(1.3)
Feb 27, 09	(5.9)	(11.6)	(7.6)	(7.6)
Mar 6, 09	3.4	(1.8)	21.6	(1.4)
Mar 13, 09	5.3	7.7	8.2	(1.4)
Mar 20, 09	9.0	8.8	(16.9)	4.2
Beta	1.32	1.43	1.19	1.07
From 2008 trough	27.2	92.9	107.8	48.0

Note: Coloured boxes indicate outperformance vs average peers' price growth
Source: Bloomberg; UOB Kay Hian

Peer Comparison

Company	Ticker	Share Price26 Mar 09 (HK$)	Target/Fair Price (HK$)	Rec	PE (x) 2007	PE (x) 2008F	PE (x) 2009F	P/B (x) 2007	P/B (x) 2008F	P/B (x) 2009F
China Merchants Holdings	144.HK	19.48	11.50	SELL	13.0	12.8	14.3	1.75	1.62	1.53
COSCO Pacific	1199.HK	8.50	5.95	HOLD	5.7	8.1	8.5	0.90	0.87	0.83
Tianjin Port Dev	3382.HK	2.03	1.05	SELL	15.1	15.4	19.7	1.07	0.97	0.95
Xiamen Int'l Port	3378.HK	0.81	0.68	HOLD	5.2	5.1	5.7	0.54	0.49	0.44
Average					**9.7**	**10.3**	**12.0**	**1.06**	**0.99**	**0.94**

Source: Bloomberg; UOB Kay Hian

China Shipping Container Lines

2008: Better-than-expected earnings; challenging outlook

China Shipping Container Lines' 2008 results were better than our expectation. However, we cut our earnings forecasts to reflect the potential longer shipping sector downcycle.

2008 Results (Under HK GAAP)

(Rmbm)	2H07	2H08	yoy % ch	2007	2008	yoy % ch
Revenue	21,684	16,525	(23.8)	39,072	34,756	(11.0)
Gross profit	3,115	(120)	n.a.	4,889	1,014	(79.3)
Operating profit	2,795	(511)	n.a.	4,384	367	(91.6)
Finance costs	(345)	(205)	(40.7)	(561)	(331)	(41.0)
Taxation	(388)	114	n.a.	(602)	3	n.a.
Attributable profit	**2,069**	**(594)**	**n.a.**	**3,230**	**43**	**(98.7)**
EPS (Rmb)	0.22	(0.05)	n.a.	0.34	0.00	(98.9)
Profitability (%)						
Gross margin	14.4	(0.7)		12.5	2.9	
Operating margin	12.9	(3.1)		11.2	1.1	
Net margin	9.5	(3.6)		8.3	0.1	

Source: CSCL, UOB Kay Hian

Results

Net profit plunged 99% yoy, better than our forecasts. China Shipping Container Lines (CSCL) reported a better-than-expected 2008 net profit of Rmb43m. Total revenue decreased by 11% yoy to Rmb34,756m and net profit plunged 99% yoy to Rmb43m, better than our forecast but worse than market consensus. The discrepancy to our forecast was mainly due to net forex exchange losses.

2008 net profit decline was mainly attributed to: a) decreasing container volume (Pacific lane) and lower average freight rate (Europe lane) in 2H08, and b) margin contraction.

Stock Impact

CSCL's net loss was Rmb594m in 2H08 (vs net profit of Rmb2,069m in 2H07 and Rmb637m in 1H08), which implied a very tough time for the container shipping business. While the global economy may not improve in the near term, we maintain a cautious outlook on the container shipping sector. We also forecast net losses for CSCL in the next two years, due to the following factors:

a) Possible deeper and longer global recession.

b) Rapid deterioration of China's exports.

c) Overcapacity - new vessels' deliveries will remain at a high level.

Earnings Revision

We forecast net losses of Rmb1,952m and Rmb175m for 2009-10 to reflect the potential longer shipping sector downtrend.

Valuation/Recommendation

CSCL's share price has surged 126% from the trough level. However, we believe the recent share price rally may not sustain given the dim sector outlook. The stock is trading at 0.51x 2009 P/B. We suggest investors SELL into strength.

CHINA

China Shipping Container Lines (2866 HK)

SELL

Current Price: HK$1.47
Fair Price: HK$0.68

Sector	Transport
52-Wk Avg Daily Vol. ('000)	67,474
Market Cap (H-share) (HK$m)	5,514
(US$m)	707
Major Shareholders (%)	
China Shipping Group	49
Book NTA per Share (Rmb)	2.7
ROE (%)	0.2
Net Debt per Share (HK$)	Net cash
Results Due	
Interim	August
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 (%)
2006	30,502	2,854	859	0.09	(85)	12.8	7.4	0.04	3.0
2007	39,072	5,743	3,230	0.34	271	3.4	0.7	0.04	3.0
2008	34,756	1,717	43	0.00	(99)	319.2	8.7	0.00	0.0
2009F	29,972	105	(1,952)	(0.17)	n.a.	(7.0)	238.7	0.00	0.0
2010F	30,730	2,123	(175)	(0.02)	(91)	(78.2)	14.8	0.00	0.0

Consensus Net Profit – FY08: Rmb516m
– FY09: -Rmb985m

Transpacific and Europe/Mediterranean lanes. In 2008, revenue generated from Transpacific and Europe/Mediterranean lanes accounted for 63% of CSCL's total revenue. We forecast the shipping volume from these two lanes to continue to decline due to worsening external demand from the US and EU.

Margin contraction

CSCL's margins have been contracting on all fronts. Gross, operating and net margins fell by 9.6ppt, 10.2ppt and 8.1ppt respectively in 2008 due to lower average freight rates.

Container Volume And Revenue By Trade Lanes

	2H07	2H08	yoy % chg	2007	2008	yoy % chg
Volume (TEU)						
Pacific	856,729	623,413	(27)	1,628,059	1,303,937	(20)
Europe/Med	741,610	675,016	(9)	1,457,918	1,376,178	(6)
Asia Pacific	605,167	536,821	(11)	1,233,035	1,370,933	11
China domestic	1,639,347	1,451,878	(11)	2,749,120	2,709,974	(1)
Others	127,515	84,816	(33)	230,695	181,126	(21)
Total	**3,970,368**	**3,371,944**	**(15)**	**7,298,827**	**6,942,148**	**(5)**
Turnover (Rmb '000)						
Pacific	7,252,255	5,630,771	(22)	14,060,086	11,289,550	(20)
Europe/Med	7,417,631	4,705,914	(37)	12,811,876	10,681,324	(17)
Asia Pacific	3,152,482	2,150,272	(32)	5,540,157	4,972,501	(10)
China domestic	2,423,845	2,530,654	4	4,309,270	5,271,432	22
Others	1,190,484	1,234,693	4	2,126,494	2,268,588	7
Total	**21,436,697**	**16,252,304**	**(24)**	**38,847,883**	**34,483,395**	**(11)**

Source: CSCL, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008	2009F	2010F
Turnover	30,502	39,072	34,756	29,972	30,730
EBIT	1,670	4,384	367	(1,449)	344
Pre-tax Profit	1,143	3,836	65	(1,805)	(160)
Net Profit	859	3,230	43	(1,952)	(175)
EPS (Rmb)	0.09	0.34	0.00	(0.17)	(0.02)

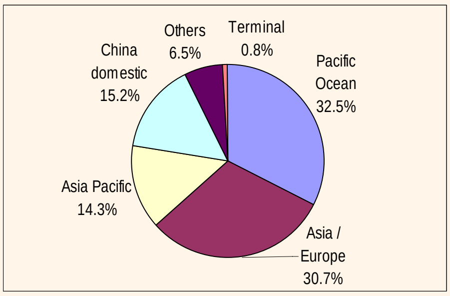
Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008	2009F	2010F
Current Assets	7,140	21,882	14,796	7,969	7,379
Total Assets	30,744	51,925	49,717	46,691	51,604
Current Liabilities	4,593	7,172	9,137	6,723	7,352
Long-Term Loans	9,618	9,784	8,842	10,182	14,641
Shareholders' Funds	16,533	34,970	31,738	29,786	29,611
Total Equity & Liabilities	30,744	51,925	49,717	46,691	51,604

Cash Flow

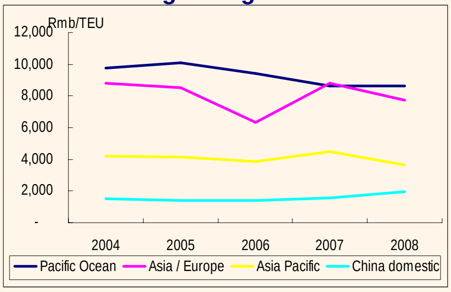
Year to 31 Dec (Rmbm)	2006	2007	2008	2009F	2010F
Operating	2,766	6,345	3,125	(1,433)	2,234
Investing	(3,687)	(6,058)	(8,965)	(7,895)	(1,677)
Financing	413	13,006	1,117	2,227	(989)
Net Cash Inflow/(Outflow)	(508)	13,294	(4,722)	(7,101)	(432)
Begin Cash & Cash Equiv.	3,423	2,916	16,398	11,676	4,575
End'g Cash & Cash Equiv.	2,916	16,209	11,676	4,575	4,143

Revenue Breakdown by Markets



Source: CSCL, UOB Kay Hian

CSCL's Average Freight Rate



Source: CSCL, UOB Kay Hian

Sino-Ocean Land

2008: Strong ytd sales and high locked-in sales for 2009

2008 results are in line with our expectation but below consensus. Nonetheless, strong ytd contracted sales of Rmb2.1b and high locked in sales (50%) for 2009 are strong catalysts. Maintain BUY.

2008 Results

	2008 (Rmbm)	2007 (Rmbm)	yoy % chg	Remarks
Turnover	6,487.4	5,750.0	12.8	2008 ASP up 41%
Gross Profit	2,820.0	1,907.3	47.9	
Other gains	342.1	1,328.0	(74.2)	Less gains from revaluation and disposal income
Pre-tax Profit	2,383.9	2,856.6	(16.5)	
LAT	(420.4)	(260.5)	61.4	6.5% of 2008 top-line
Income Tax	(518.9)	(804.3)	(35.5)	
Net Profit	1,387.9	1,721.5	(19.4)	
Net Profit (Ex EI)	997.0	885.0	12.7	
Gross Margin (%)	43.5	33.2		

Source: UOB Kay Hian

Results

Sino-Ocean Land's (Sino-Ocean) 2008 net profit dropped 19% yoy to Rmb1.39b. Excluding the one-off disposal income and revaluation gains in 2007, underlying earnings would have risen 13% yoy to Rmb997m in 2008, in line with our estimate of Rmb1.0b but below consensus of Rmb1.3b.

Stock Impact

Encouraging ytd sales. Sino-Ocean recorded strong ytd contracted sales of Rmb2.1b, a strong increase from Rmb1.3b in Jan-Feb 09. This excludes the sales subscription of around Rmb800m, mainly from Ocean La Vie, a top-end villa project in Beijing. The company has raised its 2009 sales target from Rmb7.5b to Rmb8.0b. Thus, its contracted sales are about 26% of the 2009 sales target. Factoring in the sales subscriptions, we estimate Sino-Ocean has accomplished 36% of the sales target for this year.

50% of 2009 sales has been locked in. There was unbooked presales of Rmb 5.4b by end-008. Coupled with the contracted sales of Rmb2.1b in Jan-Feb 09, this means Sino-Ocean has a total of Rmb7.5b in unbooked presales by now. We estimate Rmb4.8b, or 64% of presales, will be booked in 2009. Hence, Sino-Ocean has secured 50% of our estimate 2009 sales of Rmb9.5b.

Financials remain healthy. As at end-08, Sino-Ocean's net gearing was 40%, much lower than the sector's 65%. The company has Rmb8.0b cash on hand, one of the strongest cash positions in the sector. We estimate its 2009 capex at Rmb9.0b (excluding landbank acquisition) comprising Rmb2.0b outstanding land cost payment, Rmb5.0b construction costs and Rmb2.0b other operating costs (interest, sales & administrative and taxes). Given its low net gearing, Sino-Ocean can still source for low-cost landbank this year, and push its net gearing from 40% to 51% by end-09, still at a healthy level.

CHINA

Sino-Ocean Land (3377.HK)

BUY

Current Price: HK$4.79
Target Price: HK$5.80
(Previous: HK$5.05)

Sector	Property
52-Wk Avg. Daily Vol. (m)	27.9
Market Cap (HK$m)	21,438
(US$m)	2,748
Major Shareholders (%)	
Sunny Wealthy	20.4
Sinochem Hong Kong	14.2
Book NTA per Share (HK$)	3.72
ROE (%)	8.55
Net Debt per Share (HK$)	1.50
Result 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 (*)	EV/ EBITDA (*)	DPS (Rmb¢)	Yield (%)
2007	5,750	3,085	1,722	38.5	110.1	11.6	7.9	11.2	2.7
2008	6,487	2,510	1,388	31.0	(19.4)	13.7	11.2	7.5	1.8
2009F	9,535	2,663	1,319	28.2	(9.1)	15.0	11.4	7.9	1.9
2010F	13,350	3,684	1,861	39.8	41.1	10.7	8.6	9.9	2.3
2011F	15,355	4,321	2,124	45.4	14.1	9.3	7.6	11.4	2.7

Consensus Net Profit – FY09: Rmb1,447
– FY10: Rmb1,843

Margins could return to a more sustainable level of 30-35% in the next two years. Gross margin rose sharply from 33.2% in 2007 to 43.5% in 2008 on the back of a 41% yoy surge in ASP as most of the sales booked in 2008 (we estimate 70%) was actually contributed by the presales in 2007. Given the price cuts taken by Sino-Ocean over the past one year to boost sales, we estimate gross margin to come down to 33.9% in 2009 and 33.7% in 2010, which are the more sustainable levels in the property sector.

Overall land costs are low. According to its 2008 annual report, Sino-Ocean currently has a landbank of 12.3m sqm GFA at an average land cost of Rmb2,118/sqm. We estimate the land cost is equivalent to an average 25% of 2009's achievable selling prices. An exception is the land at Hangzhou Yimian project which was acquired at Rmb2.2b, or Rmb15,500/sqm, during the bull market in 2007. Nonetheless, Sino-Ocean only paid a land premium of Rmb500m by now and is negotiating with the local government to lower the land cost. We believe the impact of high land cost is limited for Sino-Ocean.

Valuation/Recommendation

We leave our earnings estimates unchanged. On the back of stronger-than-expected ytd sales and with high earnings visibility (50% of 2009 lock in), we feel comfortable to raise our target price from HK$5.05 to HK$5.80, based on a 20% discount to NAV of HK$7.25, which is lower than the sector's average of 50%.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	5,750	6,487	9,535	13,350	15,355
EBIT	3,071	2,489	2,635	3,649	4,279
Pre-tax Profit	2,857	2,327	2,404	3,395	3,943
Net Profit	1,722	1,388	1,319	1,861	2,124
EPS (Rmb cents)	38.5	31.0	28.2	39.8	45.4

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	33,596	39,099	41,604	45,857	50,741
Total Assets	37,766	43,268	45,987	50,805	56,366
Current Liabilities	11,809	15,916	16,727	19,098	21,858
Long-Term Loans	8,003	8,779	9,682	10,650	11,715
Shareholders' Funds	15,824	16,653	17,603	18,999	20,592
Total Equity & Liabilities	37,766	43,268	45,986	50,805	56,366

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	(4,400)	(4,256)	(1,750)	(171)	21
Investing	(1,979)	707	(211)	(593)	(689)
Financing	14,847	3,107	(218)	1,024	1,107
Net Cash Inflow	8,469	(442)	(2,179)	261	439
Beginning Cash	2,580	8,469	8,027	5,848	6,109
Ending Cash	11,049	8,027	5,848	6,109	6,548

Technical Analysis

Sinopec (386): HK$4.99

Sinopec saw a breakout from the Upper Bollinger Band on Wednesday on the back of very strong volume. Yesterday, the stock continued to stay beyond the Upper Bollinger Band for two straight days on high volume.

In Chart 1, the ADX is at a low reading of 23.79, implying that the chance of an immediate reversal is slim.

In addition, the RSI of Sinopec in Chart 2 has breached the prior high of 60.1 to end at 71.1 yesterday.

The above technicals combined indicate that the balance has unequivocally shifted in favour of an upward momentum. Minimum upside at HK$5.38-5.45

CHINA

Technical Analysis

Analyst

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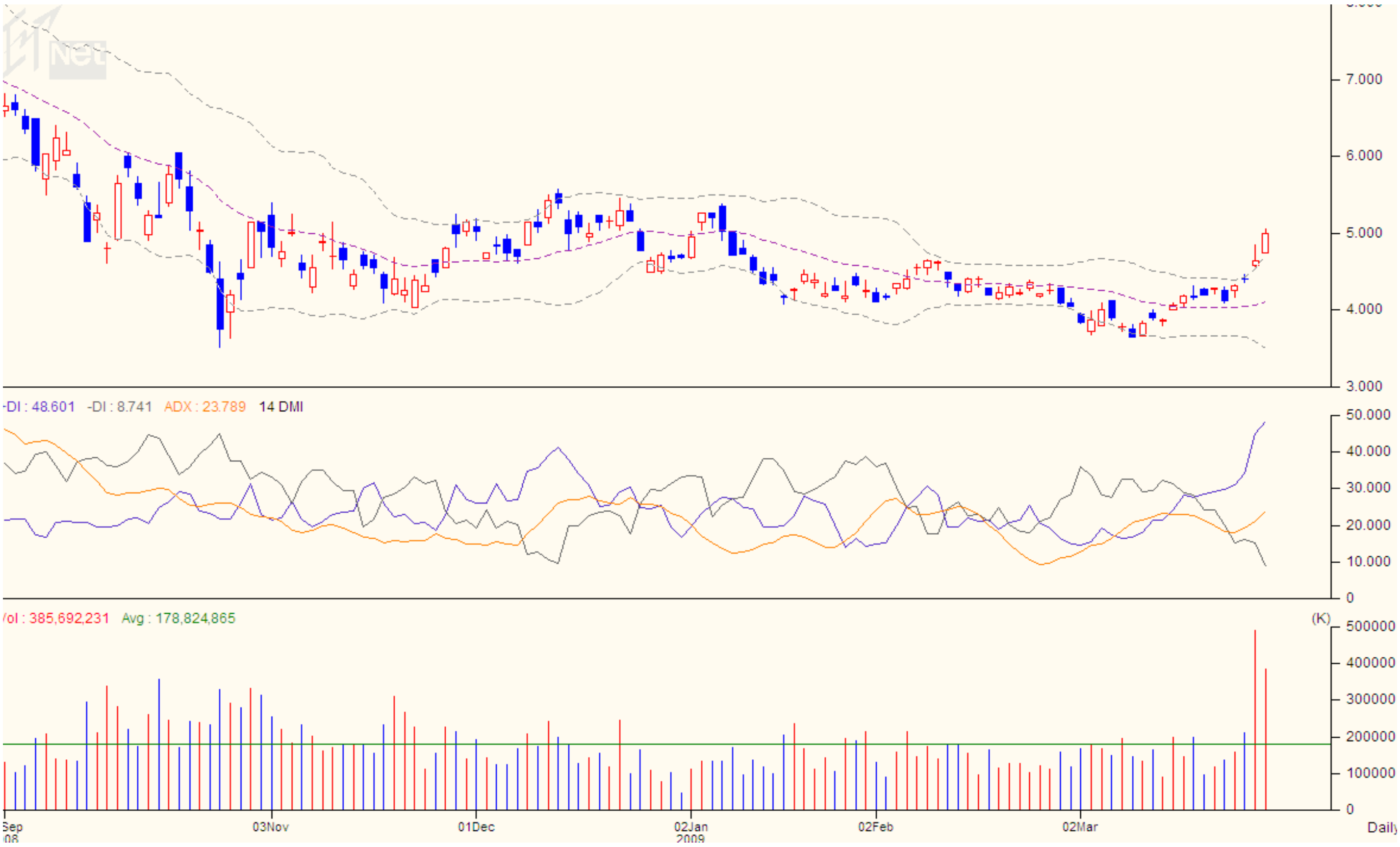
Chart 1: ADX Of Sinopec



Source: HKETnet

Chart 2: RSI Of Sinopec

Source: HKETnet

Cheung Kong

2008: Results slightly below expectations. Prefer Hutchison

Hutchison will continue to be a main influence on its parent's earnings and share performance. At the current level, Cheung Kong is neither a cheap developer nor an undervalued proxy to Hutchison.

2008 Results

Year to 31 Dec	2007 (HK$m)	2008 (HK$m)	yoy % chg	Remarks
Contributions				
Property sales	5,630	6,547	16	Mainly inventory sales booked in 1H
Rental income	1,231	1,449	18	Mainly positive reversion at The Centr
Property management	95	104	9	
Investment & finance	4,939	268	(95)	Boosted by disposal gain in 2007, dragged down by impairments in 2008
Others	914	858	(6)	Hotels affected by start-up costs
	12,809	**9,226**	(28)	
Net interest	(984)	(454)	(54)	Lower interest charges
Associates				
Hutchison	15,288	8,825	(42)	Lower disposal profit
Others	52	(157)	(402)	
Property revaluation	2,413	601	(75)	
Profit before tax	**29,578**	**18,041**	(39)	
Taxation	(1,606)	(2,322)	45	11% effective tax rate, same as 2007
Minorities	(294)	(201)	(32)	
Net profit	**27,678**	**15,518**	(44)	

Source: Cheung Kong, UOB Kay Hian

Results

Profit down 44%. Cheung Kong (CK) announced a 44% the decline in 2008 net profit to HK$15,518m, 4% below consensus. Although results of CK's own operation were poorer than expectations, the shortfall was made up by Hutchison's stronger-than-expected profit. Final dividend was unchanged at HK$1.95, hence full-year DPS was maintained at HK$2.45/share.

Hutchison's net profit, down 42%, was a factor. The decline was largely due to two reasons: lower contribution from Hutchison – net profit fell 42% to HK$17,664m on lower disposal gains - which alone accounted for 53% of CK's profit decline, and lower treasury income. Hutchison accounted for 57% (2007: 55%) of CK's bottom line.

CK's own profit also fell 46%. Taking out Hutchison, Cheung Kong's own profit fell 46% to HK$6,693m. In fact, the biggest setback in the results was that the treasury division only earned HK$268m in the year. As HK$1,167m was made in 1H, meaning an HK$899m loss was booked in 2H, mainly due to marked-to-the-market write-down of the investment portfolio. Other than this and the hotel operation, performance of which was affected by start-up costs, the Group's property development and rental income both rose 16% and 18% respectively. The three main contributors to CK's EBIT were property sales (71%), rental income (16%), and hotels & serviced apartments (9%).

HONG KONG

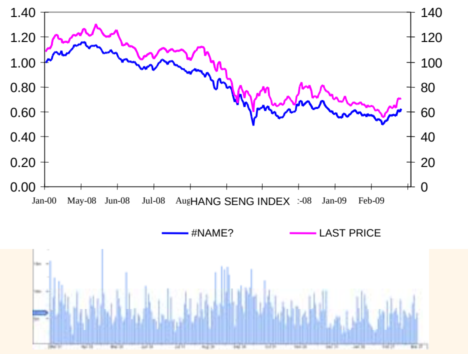
Cheung Kong (1 HK)

SELL

Current Price: HK$71.40
Fair Price: HK$58.00
(Previous: HK$51.80)

Sector	Property
52-Wk Avg Daily Vol. ('m)	6.7
Market Cap (HK$m)	165,362
(US$m)	21,200
Major Shareholders (%)	
Li Ka-shing	40.24
Book NTA per Share (HK$)	99.81
ROE (%)	6.8
Net Debt per Share (HK$)	16.01
Results Due	
1H: Sept	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	15,442	12,809	27,678	11.950	53.1	6.0	15.8	2.450	3.4
2008	16,436	9,226	15,518	6.700	-43.9	10.7	21.9	2.450	3.4
2009F	n.a.	8,626	13,359	5.768	-13.9	12.4	23.5	2.450	3.4
2010F	n.a.	7,959	15,138	6.536	13.3	10.9	25.4	2.700	3.8
2011F	n.a.	9,029	16,989	7.335	12.2	9.7	22.4	2.900	4.1

Consensus Net Profit – FY09: HK$13,704m
– FY10: HK$15,647m

Boosted by sales before the cycle turned. Property development profit went up 16% to HK$6,547m, of which 80% was booked in 1H as the Group sold a lot of inventories around the peak of the cycle. This was reflected in the improved average development margin from 2007's 42% to 47%. Only a portion of The Capitol was booked in the year, a prudent policy in case of defaults from buyers who have not yet paid up.

16% gearing. Net debt grew 20% to HK$37.1b, but gearing remained comfortable at 16.0%. Average funding cost was reduced from 4.7% to 2.9%, resulting in the 54% reduction in finance charges despite the higher debt.

Stock Impact

Hutch outperformed CK in yesterday's afternoon session, buoyed by its results. We expect Hutch, which has only risen 22% from last October bottom against HSI's 28%, will continue to outrun when its results are fully digested by the market.

Earnings Revision

Raise forecasts. We raise our earnings forecasts by an average 3% for each of the next three years on revised profit at Hutch. Needless to say, Hutch will continue to be the main swing factor for CK's bottom line.

Valuation/Recommendation

Base-case scenario. With Hutch still accounting for over 40% of CK's NAV, Hutch's performance will continue to influence CK. Based on target price of HK$55.00 (revised up from the previous HK$45.00, and a 29% upside from the current level) for Hutch, and a trough discount to NAV of 33% to end-09 NAV of HK$86.57/share, our target price for Cheung Kong is HK$58.00 (19% downside).

Best-case scenario. For those who think it is overly bearish to use trough discount to NAV to calculate target price, based on the average 17% discount to ex-Hutch assets since 2006, CK's fair value would be raised to HK$72.87/share (2% upside).

Prefer Hutch. Under both scenarios, Hutch is a better choice than CK. Moreover, Hutch's better-than-expected results will go some way to enhance the confidence that it has been garnering in the market recently. Taking out Hutch, CK is trading at a 20% discount to NAV, a reasonable level to the 15% that SHK Properties is currently trading at, meaning it is not a particularly cheap developer compared to peers.

Profit & Loss

Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Turnover	15,442	16,436	n.a.	n.a.	n.a.
EBIT	12,809	9,226	8,626	7,959	9,029
Pre-tax Profit	29,578	18,041	14,567	16,352	18,353
Net Profit	27,678	15,518	13,359	15,138	16,989

Balance Sheet

Year to 31 Dec (HK$m)	2006	2007	2008F	2009F	2010F
Current Assets	69,826	73,168	65,851	67,827	72,575
Total Assets	276,622	286,632	289,498	298,183	307,129
Current Liabilities	(17,058)	(16,509)	(15,684)	(15,997)	(17,277)
Long-Term Liabilities	(27,655)	(33,258)	(34,256)	(30,830)	(31,138)
Shareholder Funds	227,203	231,164	235,516	245,112	257,004
Total Equity & Liabilities	(276,622)	(286,632)	(289,498)	(298,183)	(307,129)

Cash Flow

Year to 31 Dec (HK$m)	2006	2007	2008F	2009F	2010F
Operating	723	5,431	3,340	1,514	4,247
Investing	6,174	(2,601)	(2,201)	(2,147)	(3,612)
Financing	(5,070)	(1,266)	(2,610)	1,113	(2,457)
Net Cash In/(Out) Flow	1,827	1,564	(1,471)	480	(1,822)
Begin Cash & Cash Equiv.	3,782	5,609	7,173	5,702	6,182
End'g Cash & Cash Equiv.	5,609	7,173	5,702	6,182	4,360

Cheung Kong's Appraised NAV

	HK$m	HK$m
Property development		
Mass residential	23,103	
Luxury residential	7,762	
Retail	2,867	
		33,732
Farmland		221
Property investment		
Offices	7,309	
Retail	1,859	
Hotel	13,531	
Others	412	
		23,111
China properties		48,234
Overseas properties		4,478
Hutchison		
(@ HK$55/sh target)		117,219
Equity portfolio		5,536
Other assets		5,059
Net debt		(37,076)
Adjusted net assets		**200,514**
NAV per share		**86.57**

Source: UOB Kay Hian

Historical Discount To ex-Hutch NAV

Source: UOB Kay Hian

Giordano

2008: Worse than Asian Financial Crisis

Giordano's results were bad considering the 32% yoy decline in 2H08 earnings. While the worst has yet to come, the Group should continue as a going concern in view of its strong balance sheet & still profitable business.

2008 Results

Year to 31 Dec	2007 (HK$m)	2008 (HK$m)	yoy % chg	Remarks
Turnover	4,429	4,710	6.3	SSS down 1.5%
Operating Profit	381	330	(13.4)	Retail business down 15.6%
Pre-tax Profit	415	381	(8.2)	
Tax	(112)	(82)	(26.8)	
Profit after tax	303	299	(1.3)	
Net Profit	294	290	(1.4)	2H08 net profit dropped 32% yoy to HK$103m
EPS (HK$)	19.8	20.8	5.4	
Operating Margin (%)	8.6	7.0		

Source: Giordano, UOB Kay Hian

Results

Giordano's net profit rose 5% yoy to HK$311m in 2008. Excluding the discontinued manufacturing business, net profit from continuing operations edged down 1% yoy to HK$290m. The results were below expectations. The Group cut its final dividend to HK$0.03/share from HK$0.05/share a year ago and did not declare any special final dividend (2007: HK$0.10/share). Total dividend payout for 2008 stood at HK$0.095/share vs HK$0.215/share a year ago.

Stock Impact

The share price of Giordano will be under pressure as its results disappointed the market and operating environment will deteriorate further. No positive catalyst in the near term.

Earnings Revision

In view of the lower-than-expected results, we have slashed our 2009 and 2010 earnings forecasts by 43% and 32% respectively. Our revised net profit forecast for 2009 is HK$59m, which is below the trough level of around HK$70m during the 1997/98 Asian Financial Crisis.

Valuation/Recommendation

We do not believe the stock is a BUY in view of the likely substantial drop in earnings in 2009 and further consensus earnings downgrade. Nonetheless, we do not think it is a SELL either. The Group has a strong balance sheet (HK$454m) and it is still profitable franchise. The stock is trading at 1.3x PB, which is between one to two standard deviations below its historical mean (3.53x). The lowest historical PB was 0.42x. Maintain HOLD. Re-entry price at HK$0.75, which represents 0.59x PB (two standard deviations below its historical mean).

HONG KONG

Giordano (709 HK)

HOLD

Current Price: HK$1.67
Fair Price: HK$2.06
(Previous: HK$2.35)

Sector	Retailing
52-Wk Avg Daily Vol. (m)	4.5
Market Cap (HK$m)	2,491
(US$m)	319
Major Shareholders (%)	
Aberdeen Asset Management	14.7
Book NTA per Share (HK$)	1.3
ROE (%)	16.2
Net Cash per Share (HK$)	0.3
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	4,950	529	295	19.8	43.3	8.4	4.0	21.5	12.9
2008	5,048	483	311	20.8	5.4	8.0	4.6	9.5	5.7
2009F	4,248	180	59	4.0	(80.9)	41.9	13.0	5.0	3.0
2010F	4,231	225	94	6.3	57.4	26.6	10.3	5.0	3.0
2011F	4,214	269	127	8.5	36.2	19.6	8.4	5.0	3.0

Consensus Net Profit – FY2009: HK$264m
-- FY2010: HK$315m

Challenging outlook

All key markets have been affected by the global economic slump. Management believes the current economic crisis is worse than that of the 1997/98 Asian Financial Crisis. In the first two months of this year, turnover dropped 12.9% yoy. We believe it is difficult to time when the Group will fully recover from the current predicament. In addition, we see intensifying competition in the Asian apparel retailing market.

Profit & Loss

Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Turnover	4,950	5,048	4,248	4,231	4,214
EBIT	394	387	65	110	155
Pre-tax Profit	417	400	73	115	157
Net Profit	295	311	59	94	127

Balance Sheet

Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,536	1,389	1,190	1,204	1,172
Total Assets	2,935	2,958	2,768	2,791	2,752
Current Liabilities	800	830	655	661	570
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	1,927	1,917	1,902	1,921	1,974
Total Equity & Liabilities	2,935	2,958	2,768	2,791	2,752

Cash Flow

Year to 31 Dec (HK$m)	2007	2008	2009F	2010F	2011F
Operating	402	472	217	231	284
Investing	(175)	(270)	(101)	(101)	(83)
Financing	(380)	(327)	(223)	(93)	(145)
Net Cash In/(Out) Flow	(153)	(125)	(107)	37	57
Begin Cash & Cash Equiv.	723	570	445	338	375
End'g Cash & Cash Equiv.	570	445	338	375	432

China Milk Products

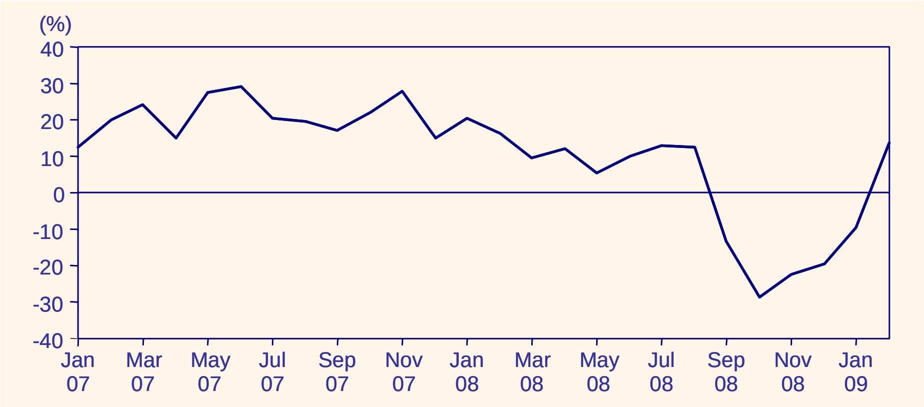
Dairy production rebounds but will still take time to recover

China's dairy production climbed 13.8% yoy for Feb 09, the first improvement since the milk scandal in Sep 08. We do not believe it signals an industry turnaround and expect CMilk to suffer a sales decline in the short term.

Corporate Events

According to the National Bureau of Statistics of China, dairy production climbed 13.8% yoy to 1.45mt for Feb 09, the first positive monthly growth in dairy production since the milk scandal broke out in Sep 08. For Jan-Feb 09, total dairy production amounted to 2.85mt, up 2.9% yoy. Inner Mongolia, the largest dairy production base in China, also saw a 15.9% yoy increase in the output of dairy products to 339,400 tonnes for Feb 09.

Dairy Production (yoy Growth)



Source: CEIC, UOB Kay Hian

Stock Impact

Although the relatively inelastic demand for dairy products, especially liquid milk products, could have triggered the recovery in the dairy industry, it may be too early to assume a recovery in consumer confidence and an industry turnaround. The better-than-expected February production figure could also be a result of the following:

a) The staggered Spring Festival holiday. The Spring Festival falls in January for 2009, which may inflate production figures for February as compared with those in the year-ago period. Output growth smoothed to 2.9% yoy for Jan-Feb 09, which is not necessarily indicative of a recovery.

b) Restocking by dairy producers after the Spring Festival. Without sales figures, we cannot make a judgment based solely on production figures. Sales of dairy products in supermarkets are not satisfactory, according to our observation, so we believe it takes time to tell whether the new growth trend is sustainable.

SINGAPORE

China Milk Products (CMILK SP)

BUY

Current Price: S$0.31
Target Price: S$0.53

Sector	Food
52-Wk Avg Daily Vol. ('000)	2,839
Market Cap (S$m)	228.97
(US$m)	163.55
Major Shareholders (%)	
Liu Shuqing	43.7
Book NTA per Share (Rmb)	2.89
ROE (%)	30.4
Net Cash per Share (Rmb)	1.30
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

Price Chart

Source : Bloomberg

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Year to 31 Mar	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	442.9	415.0	378.5	10.5	24.3	2.9	1.9	5.0	3.3
2008	546.8	512.1	480.6	13.3	27.0	2.3	1.5	0.0	0.0
2009F	619.1	500.0	351.5	9.7	(26.9)	3.2	1.5	4.8	3.1
2010F	670.8	499.6	350.6	9.7	(0.3)	3.2	1.5	4.7	3.1
2011F	858.5	658.9	490.4	13.6	39.9	2.3	1.1	6.6	4.4

Consensus Net Profit – FY09: Rmb472.5m
-- FY10: Rmb554.5m

We expect the correction and consolidation in the dairy industry to continue for at least another couple of months before a genuine turnaround can take place. However, it is also apparent that the industry is gradually stepping out of the shadow of the milk scandal.

For CMilk, we expect its sales to decline in the short term given the industry downturn. But in the long run, the company will be a beneficiary of industry consolidation with its superior product quality and lower costs.

Valuation/Recommendation

We have retained our forecasts for CMilk and the DCF-based target price remains at S$0.53, implying 5.5x FY10 PE. Maintain BUY.

Profit & Loss

Year to 31 Mar (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	442.9	546.8	619.1	670.8	858.5
EBIT	404.5	495.1	474.5	460.1	612.5
Pre-tax Profit	404.5	495.1	474.5	460.1	612.5
Net Profit	378.5	480.6	351.5	350.6	490.4

Balance Sheet

Year to 31 Mar (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	1,795.3	1,816.1	1,993.8	2,225.7	2,606.7
Total Assets	2,496.6	2,893.5	3,249.0	3,669.1	4,211.5
Current Liabilities	183.6	121.6	125.5	195.1	247.0
Long-Term Liabilities	960.2	953.3	953.3	953.3	953.3
Shareholder Funds	1,352.9	1,818.6	2,170.2	2,520.8	3,011.2
Total Equity & Liabilities	2,496.6	2,893.5	3,249.0	3,669.1	4,211.5

Cash Flow

Year to 31 Mar (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	371.4	402.9	282.3	296.9	481.2
Investing	(162.4)	(306.9)	(234.8)	(212.1)	(196.4)
Financing	1,078.7	(3.7)	(35.2)	(35.1)	(49.0)
Net Cash In/(Out) Flow	1,287.6	92.3	12.4	49.7	235.8
Begin Cash & Cash Equiv.	443.7	1,731.4	1,736.7	1,749.1	1,798.8
End'g Cash & Cash Equiv.	1,731.4	1,736.7	1,749.1	1,798.8	2,034.6

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