

### KEY STORY

#### China

**China Resources Land (BUY/HK\$11.00/Target: HK\$13.90) Page 7**  
2008: Strong sales and highest 2009 earnings locked in within the sector. CRL remains our top pick among property SOEs.

#### Hong Kong

**Esprit (SELL/HK\$43.10/Fair: HK\$26.30) Page 11**  
Mystery of resignation of key management personnel remains unresolved. This is the second key personnel departure within the past nine months.

### REGIONAL

#### Technical Analysis

Wait for better levels.

Page 2

### CHINA

#### Results

**China BlueChem (BUY/HK\$4.06/Target: HK\$4.80) Page 3**  
2008: After the trough in 2H08, profit margin will recover from 1H09 onwards. Maintain BUY. Target price raised from HK\$4.30 to HK\$4.80.

**China Construction Bank (HOLD/HK\$4.70/Fair: HK\$4.65) Page 5**  
2008: In-line net profit but asset quality deterioration picks up pace. Maintain HOLD.

**China Resources Land (BUY/HK\$11.00/Target: HK\$13.90) Page 7**  
2008: Strong sales and highest 2009 earnings locked in within the sector. CRL remains our top pick among property SOEs.

**Sinopec (BUY/HK\$4.98/Target: HK\$6.60) Page 9**  
2008: Net profit drops 47% yoy mainly due to refining loss. Maintain BUY on stable refining margin outlook and cheap valuation.

### HONG KONG

#### Update

**Esprit (SELL/HK\$43.10/Fair: HK\$26.30) Page 11**  
Mystery of resignation of key management personnel remains unresolved. This is the second key personnel departure within the past nine months.

### THAILAND

#### Update

**PTT Plc (BUY/Bt160.0/Target: Bt190.0) Page 13**  
Gas pipeline tariff has increased as expected. Maintain BUY as PTT is trading at 1.1x P/B vs regional peers' average of 1.6x.

### Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7776.2	(1.9)	6.8	10.1	(11.4)
S&P 500	815.9	(2.0)	6.2	11.0	(9.7)
FTSE 100	3898.9	(0.7)	1.5	1.8	(12.1)
AS30	3615.6	0.8	6.2	9.7	(1.2)
CSI 300	2498.9	0.8	5.0	16.7	37.5
FSSTI	1745.7	(0.7)	9.3	9.5	(0.9)
HSI	14119.5	0.1	10.0	10.2	(1.9)
JCI	1462.7	3.0	9.0	13.8	7.9
KLCI	885.4	(0.0)	3.3	(0.6)	1.0
KOSPI	1237.5	(0.5)	5.7	16.4	10.1
Nikkei 225	8627.0	(0.1)	8.6	14.0	(2.6)
SET	440.8	0.3	2.6	2.2	(2.0)
TWSE	5390.7	0.1	8.6	18.3	17.4
BDI	1678	(2.1)	(5.8)	(15.5)	116.8
CPO (RM/mt)	2102	1.0	3.5	9.4	28.9
Nymex Crude (US\$/bbl)	52	(3.6)	2.6	17.0	17.4

Source: Bloomberg

### Top BUYs/SELLs

	Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
<b>Top BUYs</b>				
China Life	2628 HK	26.15	31.30	19.7
China Mobile	941 HK	69.65	85.00	22.0
China Railway	390 HK	4.83	5.90	22.2
China Shenhua	1088 HK	18.42	23.00	24.9
Sinopec	386 HK	4.98	6.60	32.5
Zijin Mining	2899 HK	5.95	7.15	20.2
Bumi Resources	BUMI IJ	840	1,010	20.2
DBS Group	DBS SP	8.56	10.55	23.2
Indofood Agri	IFAR SP	0.62	0.80	29.0
SingTel	ST SP	2.62	2.95	12.6
Advanced Info Quality Houses	ADVANC TB	83.50	101.73	21.8
	QH TB	0.84	1.28	52.4
<b>Top SELLs</b>				
Aluminum Corp	2600 HK	5.18	3.00	(42.1)
Harbin Power	1133 HK	5.56	3.50	(37.1)
Parkson Retail	3368 HK	8.20	5.15	(37.2)
S'pore Airlines	SIA SP	10.18	8.20	(19.4)
S'pore Exchange	SGX SP	5.40	3.00	(44.4)
Amata Corp	AMATA TB	3.20	2.52	(21.3)

### 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
SingTel Luncheon Presentation (by invitation only)	Singapore	31 Mar	31 Mar
AMMB Company Visit	Malaysia	1 Apr	1 Apr
Wasion Gp Corp Roadshow	Hong Kong	7 Apr	8 Apr

## Technical Analysis

Wait for better levels

The FSSTI had rallied beyond our expectation. We were expecting the index to taper off at 1,700-1,710 but it had rebounded to a high of 1,779 before closing at 1,745. In doing so, it has formed four consecutive up gaps over a space of three weeks. There is no historical precedence for this since 2007. Friday's gap up was deemed an exhaustion gap and that was fully retraced the same day with the index closing at 1,746. The next gap is at 1,664, which preceded a sharp rally. We would label this as a runaway gap. Prices typically move to cover runaway and exhaustion gaps. In fact, since the beginning of the year, all gaps on the FSSTI have been covered. We see no reason why it will be any different this time. We also note that the current level for the RSI is higher than during the previous peak at 1,960.

Another reason to be cautious stems from the fact that the FSSTI has retraced 62% (a key fibonacci retracement ratio) of the decline from 1,960-1,454. The volatility on the rebound is significantly higher than during the decline, suggesting that the rebound is unsustainable. We peg first support at 1,664, the first gap level, and the next at 1,616, a 50% retracement level.

### Our views on the US index can be spelt out as follows

The DJIA's decline from its January high has been a three-legged fall and as such it is premature to call this the end of the correction. At the minimum, the index should retrace 62% of recent advance. Our preferred view however is for the index to decline back towards prior low of 6,469. In the near term, there is a strong potential for a further move towards 8,000 before a steeper correction unfolds.

### DJIA- Still Within Wave 5



Source: NextView

## REGIONAL

### Technical Analysis

#### Analyst

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## China BlueChem

### Approaching dawn

2008 profit grew 13% yoy, in line with expectations. Though 2H08 saw margin erosion, profitability could recover from 1H09 onwards in tandem with product prices. Maintain BUY with target price raised to HK\$4.80.

### 2008 Results

Year to 31 Dec	2H08 (Rmbm)	yoy % chg	2008 (Rmbm)	yoy % chg	Remarks
Turnover	2,686	32	5,518	27	Increase in product ASPs & sales vol
Gross profit	955	21	2,268	27	
EBITDA	1,135	21	2,618	24	
EBIT	820	28	2,004	32	
Finance costs	5	(47)	28	11	Increase in cash and bank deposits
Pre-tax Profit	827	27	2,037	32	
Tax	(61)	154	(176)	162	Expiry of tax holiday
Minority interest	(97)	1,691	(226)	627	Consolidation of CNOOC Jiantao
Net profit	669	8	1,635	13	
Gross margin (%)	35.6	(3.5)	41.1	(0.1)	Product prices fell from 1H08 to 2H08
EBITDA margin (%)	42.3	(4.0)	47.5	(1.0)	
EBIT margin (%)	30.5	(1.0)	36.3	1.4	
Pre-tax margin (%)	30.8	(1.3)	36.9	1.3	
Net margin (%)	24.9	(5.7)	29.6	(3.7)	

Source: UOB Kay Hian

### Results

**Turnover up 27%, driven by higher ASPs.** Turnover grew 27% yoy to Rmb5.518b in 2008, driven by increases in the average selling prices (ASP) for urea and methanol. The ASP for urea increased 17% yoy to over Rmb1,800/tonne. Though ex-factory price of urea in China was capped at Rmb1,725/tonne, the Group managed to achieve higher ASPs via export. Last year, it exported 200,000 tonnes of urea, representing 11% of total sales volume. Methanol ASP also increased 8% yoy to Rmb2,440/tonne for 2008, in line with international methanol prices.

**Margin fell in 2H08 in tandem with methanol prices.** Gross margin remained flat at about 41%. However, on a half-year to half-year basis, the Group saw margin erosion in 2H08. Gross margin dropped from 46.4% in 1H08 to 35.6% in 2H08 as ASP for methanol plunged from Rmb2,896/tonne to Rmb2,049/tonne.

**Profit grew 13% for full year despite backdrop in 2H08.** Despite the margin erosion in 2H08, net profit grew 8% yoy in the period. For full-year 2008, net profit grew 13% yoy to Rmb1.635b, beating our expectation of Rmb1.56b and market consensus due to steady urea ASP and cost savings. SG&A expenses as a percentage of turnover dropped 0.9ppt yoy to 7.1%.

**Dividend payout ratio increased slightly.** The Group declared a final dividend of Rmb9.5 cents for 2008 (2007: Rmb8 cents), representing payout ratio of 26.8% (2007: 25.5%). This implies a dividend yield of 2.7% for 2008.

### Stock Impact

Earnings underpinned by steady urea price. The Group's ASP for urea will be underpinned by the removal of price cap, high coal costs and an export tariff cut.

## CHINA

### China BlueChem (3983 HK)

### BUY

Current Price: HK\$4.06

Target Price: HK\$4.80

(Previous: HK\$4.30)

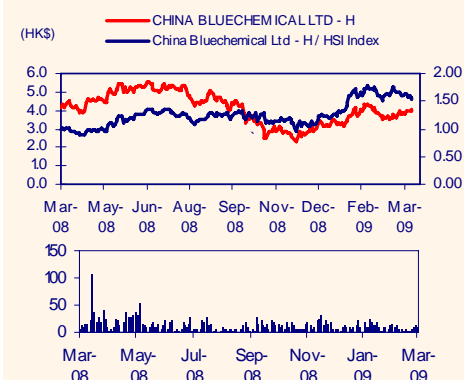
Sector	Fertiliser
52-Wk Avg Daily Vol. ('000)	12,280
Market Cap (HK\$m)	18,717
(US\$m)	2,415

Major Shareholders (%)	
CNOOC	61.6

Book NTA per Share (HK\$)	2.30
ROE (%)	18.7
Net Cash per Share (HK\$)	0.96

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	4,340	2,117	1,448	0.314	0.0	11.4	6.8	0.080	2.2
2008	5,518	2,618	1,635	0.350	11.4	10.2	5.1	0.095	2.7
2009F	6,001	2,463	1,454	0.315	(9.9)	11.4	5.6	0.095	2.7
2010F	7,176	3,041	1,620	0.351	11.4	10.2	4.5	0.098	2.7
2011F	9,188	3,884	2,031	0.441	25.4	8.1	3.5	0.123	3.4

Consensus Net Profit – FY09: Rmb1,542m  
– FY10: Rmb1,702m

**Methanol price in China is bottoming out.** Methanol prices in China and Asia rebounded from Rmb1,500/tonne and Rmb155/tonne to Rmb1,900/tonne and US\$200/tonne respectively, owing to capacity shutdown of high-cost producers. Methanol price in China remains below industry average cost of more than Rmb2,000/tonne. As such, over 70% of methanol capacity in China has stopped production. Low-cost methanol from the Middle East should only have a limited impact on the company, given the high transport costs and handling fees.

**New methanol and POM projects to be up and running in 4Q10.** The 800,000-tonne methanol plant and a 60,000-tonne POM plant are well under construction. The two new projects are expected to start operations by 4Q10.

**Acquisition of phosphorous assets to be completed in Mar 09.** The Group is going to acquire a 83.17% stake in DYK Chemical (a 500,000-tonne MAP/DAP producer with 77.75m tonnes of P2O5 reserves) and the entire stake in ZHJ Mining (a phosphate mining company with 85.18m tonnes of P2O5 reserves) by end-March. It is expected to contribute Rmb130m in annual profit.

**Earnings to be driven by new projects.** We expect net profit to grow 11% in 2010 and 25% in 2011 after a 10% drop in 2009. The prospective earnings drop for 2009 will be due to lower methanol ASPs. The increased contribution from phosphorous fertiliser assets and the ramp-up in methanol and POM plants will drive growth for 2010-11.

#### Earnings Risk

The fluctuation in methanol prices would affect profit. We estimate a 1% drop in methanol price would slash the Group's bottom line by 0.75%.

#### Valuation/Recommendation

We remain upbeat on the company as its low cost will make it the consolidator of the fertiliser and methanol industry in China. The stock is trading at 11.4x 2009F PE compared with 13.8x for Sinofert and 13x for regional peers. **Maintain BUY.** We raise our target price from HK\$4.30 to **HK\$4.80** based on 12-month rolling forward PE of 12x.

#### Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	4,340	5,518	6,001	7,176	9,188
EBIT	1,517	2,004	1,635	2,037	2,790
Pre-tax Profit	1,546	2,037	1,679	2,079	2,851
Net Profit	1,448	1,635	1,454	1,620	2,031

#### Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	3,712	5,031	5,471	6,543	8,377
Total Assets	9,698	11,700	12,353	13,879	16,327
Current Liabilities	863	963	1,520	1,780	2,542
Long-Term Loans	180	212	180	180	180
Shareholders' Funds	8,086	9,425	9,804	10,986	8,086
Total Equity & Liabilities	9,698	11,700	12,353	13,879	16,327

#### Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	2,010	2,400	2,417	2,611	3,444
Investing	(260)	(243)	(2,255)	(1,956)	(137)
Financing	(1,019)	(760)	(444)	(444)	(4,191)
Net Cash Inflow/(Outflow)	731	1,397	(282)	212	(884)
Begin Cash & Cash Equiv.	2,049	2,781	4,177	3,895	3,665
End'g Cash & Cash Equiv.	2,781	4,177	3,895	4,107	2,782

## China Construction Bank

2008: In-line net profit but asset quality deterioration picks up pace

CCB's net profit of Rmb92.6b was in line with expectation, but asset quality deterioration accelerated with 6.8% qoq rise in NPL balance. The stock may succumb to profit-taking and selling pressure following a strong rally. Maintain HOLD.

### 2008 Results

Year to 31 Dec	2008 (Rmbm)	yoy % chg	Remarks
Net interest income	224,920	16.7	Growth was resilient as average yield on loans rose 9bp from 1H08 to 7.16%
Net fee and commission income	38,446	22.8	Fee income slowed primarily due to slowdown in wealth management fees
Net operating income	269,747	22.2	-
Provision for impairment	(50,829)	48.3	Charges rose as CCB increased its coverage ratio to over 130%
Net Profit	92,642	34.0	Net income growth slowed slightly on increased provisioning
<b>Financial Indicators (changes qoq unless stated otherwise)</b>			
CIR	36.8	36.8	Slight rise in administrative costs Ratio increased on higher-than-expected NPL balance growth
NPL ratio	2.21	+4bp	Higher-than-expected rise due to rise in NPL for manufacturing, real estate loans
NPL balance	83,882	6.8	Rate rose from 119.4% for 3Q08
Coverage Ratio	131.6	12.2	NIM remained resilient due to strong loan pricing power
NIM	3.24	-6bp	Due to higher deposit growth vs loan growth
LDR	59.0	-220bp	

Source: UOB Kay Hian

### Stock Impact

**Earnings in line with expectation but asset quality deteriorated at a rapid pace.** China Construction Bank's (CCB) net profit of Rmb92.6b, which was up 34% yoy, was in line with our expectation. While NPL deterioration was better than what we had initially expected, the rate of deterioration was nevertheless worrisome, particularly compared to ICBC, which saw flat NPL formation. We believe NPL formation was driven by deterioration in the quality of loans to the manufacturing, real estate and retail trade sectors. Special mention loans were flat qoq, remaining at Rmb217b.

**NIM continued to reflect strong loan pricing power.** NIM was very resilient during 4Q08, reflecting CCB's continued strength in pricing loans. We believe NIM was further boosted by increasing exposure to SMEs where CCB will be able to charge rates as high as 7.90%.

**Limited exposure to US bonds.** The carrying value of US sub-prime and Alt-A MBS totalled Rmb2,675m at end-08, representing 0.35% of total assets. CCB has fully provided for its Rmb1.3b exposure to Lehman Brothers bonds.

## CHINA

### China Construction Bank (939 HK)

#### HOLD

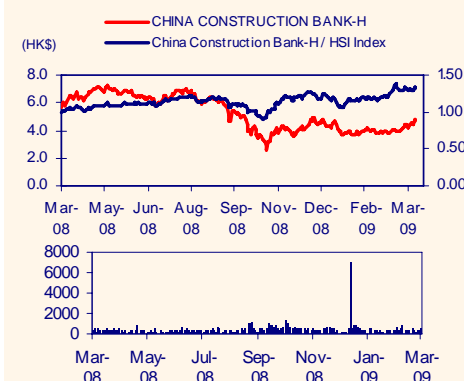
Current Price: HK\$4.70

Fair Price: HK\$4.65

(Previous: HK\$3.76)

Sector	Banking
52-Wk Avg Daily Vol. (m)	476
Market Cap (HK\$m)	1,100,550
(US\$m)	141,096
Major Shareholders (%)	
Huijin	59.1
Book NTA per Share (Rmb)	1.97
ROE (%)	20.7
Results Due	
Interim	Aug
Final	Mar

### 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	220,717	128,390	68,993	0.30	32.8	14.0	2.4	0.20	3.8
2008	269,747	170,554	92,642	0.40	34.3	10.7	2.1	0.19	3.7
2009F	288,243	198,201	85,936	0.37	-7.2	11.5	1.7	0.18	3.5
2010F	330,434	221,940	105,461	0.45	22.7	9.4	1.5	0.23	4.3
2011F	373,115	242,165	124,533	0.53	18.1	7.9	1.4	0.35	6.6

Consensus Net Profit – FY09: Rmb97,317m  
-- FY10: Rmb106,296m



















