

KEY STORY

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2008: Results in line. Time to buy this quality SOE property play as a laggard.

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CHINA

Results

Beijing Enterprises Holdings Limited (SELL/HK\$29.85/Fair: HK\$25.10) Page 4
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China Shenhua (BUY/HK\$17.38/Target: HK\$21.90) Page 6
2008: Management offers prudent guidance on coal and power sales. Maintain BUY, but potential short-term weakness could offer better entry levels.

Poly Hong Kong (BUY/HK\$1.93/Target: HK\$2.90) Page 8
2008: Results in line. Time to buy this quality SOE property play as a laggard.

Ports Design (HOLD/HK\$9.95/Fair: HK\$9.30) Page 10
2008: Net profit marginally up 6.3% yoy in 2008, in line with expectation. Near-term outlook remains challenging. Downgrade to HOLD.

HONG KONG

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SINGAPORE

Sector

Property - Residential Page 14
Bi-weekly: Mass market supported by public housing segment.

Update

COSCO Corporation (S) (HOLD/\$0.79/Fair: \$0.89) Page 16
Key takeaways from luncheon presentation.

Wilmar International (BUY/\$3.23/Target: \$3.50) Page 18
Wilmar will outperform its peers by leveraging on superior market information and better profit margin from greater efficiency. Our top pick for the sector.

THAILAND

Strategy

Be cautious on the new political movement in Thailand. Expect the market to react negatively with the possibility of the SET testing the 400 level. **Page 20**

Update

Bank of Ayudhya (BUY/Bt8.65/Target: Bt10.10) Page 22
Poor loans growth and weaker NIM will weigh down 1Q09 earnings. We expect net profit to grow 9% in 2009 on inorganic growth.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7522.0	(3.3)	(3.3)	6.5	(14.3)
S&P 500	787.5	(3.5)	(4.3)	7.1	(12.8)
FTSE 100	3762.9	(3.5)	(4.8)	(1.8)	(15.1)
AS30	3554.2	(1.7)	2.0	7.8	(2.9)
CSI 300	2484.5	(0.6)	1.8	16.1	36.7
FSSTI	1673.1	(4.2)	0.5	4.9	(5.0)
HSI	13456.3	(4.7)	0.1	5.0	(6.5)
JCI	1419.1	(3.0)	4.3	10.4	4.7
KLCI	869.3	(1.8)	(1.0)	(2.4)	(0.8)
KOSPI	1197.5	(3.2)	(0.2)	12.6	6.5
Nikkei 225	8236.1	(4.5)	0.3	8.8	(7.0)
SET	429.6	(2.5)	(2.0)	(0.4)	(4.5)
TWSE	5206.1	(3.4)	1.6	14.2	13.4
BDI	1646	(1.9)	(7.2)	(17.1)	112.7
CPO (RM/mt)	2108	0.3	2.0	9.6	29.3
Nymex Crude (US\$/bbl)	48	(7.6)	(10.0)	8.2	8.5

Source: Bloomberg

Top BUYs/SELLs

Ticker	Current Price (Icy)	Target Price (Icy)	Pot. +/- (%)
Top BUYs			
China Life	2628 HK	25.00	31.30 25.2
China Mobile	941 HK	66.75	85.00 27.3
China Railway	390 HK	4.83	5.90 22.2
China Shenhua	1088 HK	17.38	21.90 26.0
Sinopec	386 HK	4.69	6.60 40.7
Zijin Mining	2899 HK	5.46	7.15 31.0
Bumi Resources	BUMI IJ	800	1,010 26.3
DBS Group	DBS SP	8.21	10.55 28.5
Indofood Agri	IFAR SP	0.59	0.80 35.6
SingTel	ST SP	2.51	2.95 17.5
Advanced Info Quality Houses	ADVANC TB QH TB	83.25 0.80	101.73 1.28 22.2 60.0
Top SELLs			
Aluminum Corp	2600 HK	4.56	3.00 (34.2)
Harbin Power	1133 HK	5.02	3.50 (30.3)
Parkson Retail	3368 HK	8.15	5.15 (36.8)
S'pore Airlines	SIA SP	10.00	8.20 (18.0)
STX Pan Ocean	STX SP	10.08	4.35 (56.8)
Amata Corp	AMATA TB	3.10	2.52 (18.7)

Key Assumptions

GDP (% yoy)	2008	2009F	2010F
US*	1.1	(2.4)	1.8
Euro Zone*	0.7	(2.2)	0.7
Japan*	(0.6)	(5.9)	0.6
Singapore	1.2	(4.0)	4.0
Malaysia	4.6	(1.1)	3.2
Thailand	2.6	(1.6)	4.3
Indonesia	6.0	3.6	n.a.
Hong Kong	2.5	(4.0)	0.5
China	9.0	6.5	8.00
Brent Crude Oil (US\$/bbl)	100	55	65
Aluminium* (US\$/MT)	2,623	1,623	1,960
Copper* (US\$/MT)	6,884	3,661	4,448
Gold Price London* (US\$/ounce)	873	941	988
Iron Ore* (US\$/dmton)	153	108	100
CPO (US\$/MT)	818	520	685
BDI	6,338	2,500	1,500

* Bloomberg
Source: UOB, UOB Kay Hian

Corporate Events

	Venue	Beg	Close
SingTel Luncheon Presentation (by invitation only)	Singapore	31 Mar	31 Mar
AMMB Company Visit	Malaysia	1 Apr	1 Apr
Inspur Corp Roadshow	Hong Kong	2 Apr	3 Apr
Wasion Gp Corp Roadshow	Hong Kong	7 Apr	8 Apr

Dry Bulk Shipping

Bi-weekly: BDI declines, dragged by Panamax as cargo volume drops
BDI declined for the 13th consecutive day with freight rates falling across the board. BDI was mainly dragged down by the Panamax market as cargo volumes dropped and more vessels became available.

Sector Review

BDI dragged down by Panamax. The Baltic Dry Index (BDI) has dropped 20.9% over the past two weeks but share prices of dry bulk stocks increased 3-32%, largely in tandem with the stock market rebound. BDI declined for the 13th consecutive day, mainly dragged down by the Panamax market as cargo volumes dropped and more vessels became available.

Iron ore stockpiles continued to rise. In light of the weakening downstream demand, steel prices in China dropped slightly last week. Iron ore prices also declined. The price of India imported iron ore is currently 10% below China domestic iron ore prices. As of 27 March, Chinese ports' iron ore inventory continued to increase 3.7% wow to 67.4mt. In our view, the iron ore demand may not see a meaningful recovery in the near term given the weak downstream steel demand and high level of iron ore stockpiles. This may weigh on the dry bulk shipping market.

Sector Outlook

We believe the short-term direction is still affected by "stimulus packages" and "confidence". However, the short-term sector outlook visibility remains poor. The upcoming developments in April may form a clearer big picture:

Development #1: Iron ore price negotiations may conclude in April. It is reported that the ongoing iron ore negotiations are likely to conclude in April. The management of Rio Tinto revealed that iron ore prices are set to fall in 2009, the first drop in seven years.

The market consensus of iron ore contract prices for 2009 has declined by about 40%. Spot prices for imported iron ore are already 40% below 2008 contract prices. As such, the conclusion of iron ore negotiations may not have a significant impact on dry bulk shipping. However, if the concluded contract prices for iron ore decline by more than 40%, the dry bulk shipping market will benefit from the larger-than-expected price cuts.

Development #2: China's GDP to grow 6% in 1Q09. China's Development Research Centre of the State Council (DRC) predicts Gross Domestic Product (GDP) could grow 6% in 1Q09, followed by 7% and 8% growth for 2Q09 and 3Q09 respectively. The Chinese government is expected to announce China's 1Q09 economic figures on 16 April.

It is widely expected that China's GDP growth in 1Q09 will register the slowest pace in 2009. As such, a GDP growth of 6% or above in 1Q09 is good enough for China's steady economic growth, which may also help China's demand for commodities and market confidence.

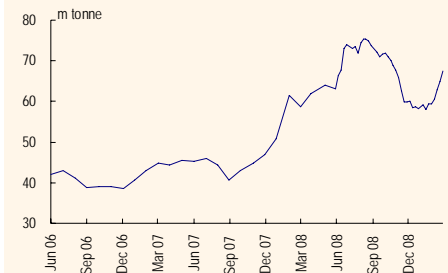
Stock Prices vs Baltic Dry Index

	Ticker	Price @ 30 Mar 09	2W (%chg)	1M (%chg)	12M (%chg)	YTD (%chg)	12M Corr Ratio
China COSCO	1919 HK	4.96	13.2	17.0	(74.3)	(8.0)	0.98
China Shipping	1138 HK	7.20	13.9	17.6	(69.8)	(6.5)	0.97
Pacific Basin	2343 HK	3.60	8.8	(0.8)	(71.5)	2.3	0.97
STX PO	STX SP	10.08	31.8	22.9	(65.2)	12.0	0.97
Precious Shipping	PSL TB	10.20	3.0	(3.8)	(57.9)	(6.4)	0.96
Thoresen Thai	TTA TB	12.40	3.3	(9.5)	(68.5)	(18.8)	0.98
Malaysian Bulk	MBC MK	3	5.3	5.3	(27.2)	25.5	0.93
Courage Marine	CMG SP	0.13	4.0	0.0	(66.2)	0.0	0.97
Mercator Lines	MRLN SP	0.125	4.2	(3.8)	(61.5)	(13.8)	0.96
Sincere Nav	2605 TT	28.20	9.1	10.4	(47.4)	(6.0)	0.94
U-Ming	2606 TT	51.10	9.7	13.7	(44.5)	30.0	0.94
Baltic Dry Index	BDIY	1678	(20.9)	(15.5)	(79.2)	116.8	n.a.

Source: Bloomberg; UOB Kay Hian

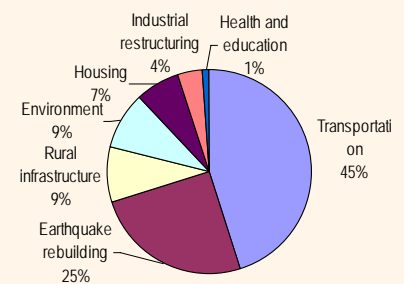
REGIONAL Dry Bulk Shipping UNDERWEIGHT

Chinese Ports Iron Ore Stockpiles



Source: Bloomberg; UOB Kay Hian

Rmb4 trillion Stimulus Package Breakdown



Source: NDRC; UOB Kay Hian

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However, if China's GDP growth is well below 6% in 1Q09, there is a high possibility the government will launch another stimulus package to boost the economy. This could also cut the downside risks of economic deterioration and falling demand for commodities.

Development #3: New loan growth will likely reach Rmb800b in March.

1Q09 loan growth numbers will be released in mid-April. Total new loan growth in China may exceed market expectations in 1Q09. According to *China Securities Journal*, new loan growth is expected to reach Rmb800b in March. This implies China's total loan growth is about Rmb3.5 trillion in 1Q09, exceeding market expectations and indicating higher domestic investment and improving confidence. China Construction Bank (0939.HK) has revealed that 50% of new loans are infrastructure-related. Thus, this may boost demand for steel and commodities and help the dry bulk shipping market.

Corporate Headlines

Quarterly loss for DryShips. DryShips reported a 4Q08 loss of about US\$1b due to a revaluation of an interest rate swap and the company's loss of US\$160m in relation to cancellations of newbuilds. 2008 total loss reached US\$361m.

Baltic Freight Indices

(% chg)	Index	2W	1M	12M	ytd
Baltic Dry Index	1,678	(20.9)	(15.5)	(79.2)	116.8
Baltic Capesize	2,092	(14.8)	(29.4)	(81.2)	56.5
Baltic Panamax	1,492	(30.9)	(3.2)	(81.1)	167.4
Baltic Supramax	1,338	(21.8)	(12.5)	(73.2)	217.8
Baltic Handysize	707	(11.2)	12.6	(71.1)	151.6

Source: Bloomberg; UOB Kay Hian

1-Year Time Charter rates (US\$/day)

Vessel	Rate	2W	1M	3M	6M	ytd
Capesize	19,000	21,000	23,000	15,000	48,500	15,000
Panamax	14,000	16,000	14,500	10,750	33,000	10,750
Handymax	12,250	13,250	13,000	9,500	38,000	9,500
Movement	Rate	2W %	1M %	3M %	6M %	YTD %
Capesize	19,000	(9.5)	(17.4)	26.7	(60.8)	26.7
Panamax	14,000	(12.5)	(3.4)	30.2	(57.6)	30.2
Handymax	12,250	(7.5)	(5.8)	28.9	(67.8)	28.9

Source: Clarksons, UOB Kay Hian

Capesize. Another quiet week - only larger players have reported activities. Rates fell throughout and average earnings decreased 7.0% wov to US\$18,215/day.

Panamax. A week of disappointment and very low activity in the Pacific Basin. Average earnings dropped 22.9% wov to US\$8,708/day. Charterers have been failing in expectation of lower freight rates; owners therefore have looked at alternatives such as trips to India and the longer South America grain to Far East.

Peer Comparison

Company	Ticker	Currency	Price @ 30 Mar 09	Target/Fair Price	Rec	PE (x)			P/B (x)		
						2007	2008F	2009F	2007	2008F	2009F
Hong Kong											
China COSCO	1919 HK	HK\$	4.96	4.00	SELL	2.0	2.3	10.1	0.84	0.71	0.78
China Shipping	1138 HK	HK\$	7.20	4.85	SELL	4.6	4.0	10.3	1.31	1.01	0.96
Pacific Basin	2343 HK	HK\$	3.60	3.20	HOLD	1.5	1.9	10.3	0.84	0.64	0.62
Malaysia											
Malaysian Bulk Carriers	MBC MK	RM	3.00	n.a.	NR	6.5	13.1	15.6	1.59	1.68	1.68
Singapore											
Courage Marine	CMG SP	S\$	0.13	n.a.	NR	2.2	n.a.	n.a.	0.76	n.a.	n.a.
Mercator Lines	MRLN SP	S\$	0.125	n.a.	NR	1.5	1.3	2.0	0.39	0.33	0.27
STX P O	STX SP	S\$	10.08	4.35	SELL	2.4	2.7	37.9	0.64	0.62	0.61
Taiwan											
Sincere Navigation	2605 TT	TWD	28.20	n.a.	NR	4.8	5.4	6.6	1.41	1.25	1.21
U-Ming Marine	2606 TT	TWD	51.10	n.a.	NR	4.8	4.3	11.6	1.77	1.58	1.69
Thailand											
Precious Shipping	PSL TB	Bt	10.10	8.30	HOLD	2.5	2.1	3.5	0.75	0.65	0.60
Thoresen Thai Agencies	TTA TB	Bt	12.50	13.80	SELL	1.6	0.9	9.9	0.53	0.32	0.31
Average						3.2	3.8	11.8	0.99	0.88	0.87

Source: Bloomberg, UOB Kay Hian

Beijing Enterprises Holdings

2008: Net profit 14% above consensus

BEHL reported a 54% yoy increase in net profit, 14% above market consensus due to higher-than-expected gas sales volume and exceptional gains. Maintain SELL on stretched valuation.

2008 Results

Year to 31 Dec	FY08 (HK\$m)	yoy % chg	Remarks
Turnover	19,704	79.5	Boosted by: a) consolidation of Beijing Gas, b) higher gas sales volume and c) higher revenue from Yanjing Beer.
Gross profit	4,505	42.3	
Gain on disposals	451		Exceptional gains on disposal of interest in subsidiaries
S,G&A costs	2,601	46.1	Due to higher revenue
Operating profit	2,697	47.3	
Finance cost	407	67.3	Drawdown of a syndicated loan for acquisition of Beijing Gas.
Profit of controlled entities& associates	766	74.5	Contribution from 40%-owned NG pipeline
Pre-tax profit	3,056	50.8	
Net profit	2,282	54.4	Higher revenue and increase in tax rate
EPS-basic (HK\$/share)	2.01	-	
Dividend	739	-	
DPS-(HK\$/share)	0.65		About 35% dividend payout on its core earnings

Source: UOB Kay Hian

Results

Beijing Enterprises Holdings Limited (BEHL) reported a strong set of financial results with its top-line growth up 79.5% yoy to HK\$19.7b, mainly driven by stronger-than-expected gas sales volume.

2008 net profit rose 54.4% yoy to HK\$2.28b, 14% and 15% higher than market consensus of HK\$2.0b and our forecast of HK\$1.95b respectively. Total net exceptional gain was HK\$320m. Excluding exceptional gains, net profit should be HK\$1.96b.

BEHL declared a final dividend of HK\$0.40/share. Together with a special dividend of HK\$0.05/share and an interim dividend of HK\$0.20/share, total DPS reached HK\$0.65/share, representing a payout ratio of 32%.

Stock Impact

Gas business: The Group has sold 4.89bcm of natural gas last year, up by 32.9% yoy and 8ppt higher than our previous forecast. It was mainly due to more NG sold to gas-fired power plants, which commenced operations last year. This year, management guided a 15-20% higher gas sales volume growth in Beijing, also due to increasing gas demand from the power plants.

Water treatment: BEHL's No. 9 water treatment plant saw a 3% profit growth in last year. Beijing Water, the newly acquired water company last year, achieved a profit of HK\$31m last year vs a net loss of HK\$2.6m a year earlier. By end-08, Beijing Water had 20 water treatment plants with a daily treatment capacity of 1.47m tonnes.

CHINA

Beijing Enterprises Holdings (392 HK)

SELL

Current Price: HK\$29.85

Fair Price: HK\$25.10

(Previous: HK\$22.90)

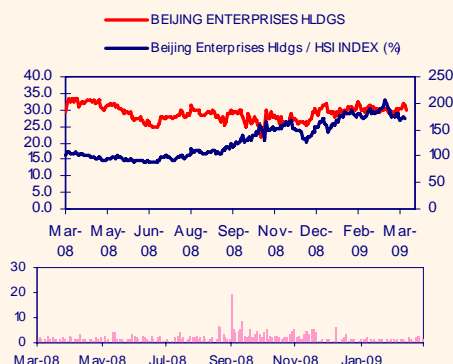
Sector Gas Distribution
 Bloomberg 392 HK
 Reuters 0392.HK
 Website <http://www.behl.com.hk>

52-Wk Avg Daily Vol. (m) 1.9
 Market Cap (HK\$m) 33,939
 (US\$m) 4,372

Book NTA per Share (HK\$) 20.1
 ROE (%) 4.6
 Net Cash per Share (HK\$) 1.9

Results Due August
 Interim March
 Final March

Price Chart



Source: Bloomberg

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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	11,300	2,989	1,438	1.67	208	17.9	9.9	0.79	2.7
2008	19,704	5,041	2,282	2.01	20	14.9	5.6	0.65	2.2
2009F	22,178	5,412	2,212	1.94	(3)	15.4	5.2	0.64	2.1
2010F	23,864	6,110	2,432	2.14	10	14.0	4.6	0.68	2.3
2011F	25,103	6,693	2,550	2.24	5	13.3	4.2	0.70	2.4

Beer production: The sales volume of Yanjing Beer was up by just 5% yoy in 2008 due to the snowstorms and Beijing Olympics. This year, we maintain our forecast of a low single-digit 5% sales volume growth due to unfavourable economic conditions affecting beer consumption.

Toll road operation. The southern extension of Beijing Expressway has dragged down the Group's tariff volume by 28.8% yoy, leading to a 46.3% yoy decrease in net profit from this division. This year, the tariff volume in Beijing remains vulnerable to the unfavourable economic conditions.

Valuation/ Recommendation

Given the higher base of gas sales volume in 2008, we lift our EPS forecasts for 2009 and 2010 by 8% each. BEHL is trading at 14x 2010 PE, higher vs 12.4x 2010 PE of its peers. Maintain SELL on the back of its relatively rich valuation and unattractiveness from its toll road and beer businesses. Our sum-of-the-parts based NAV/share is now HK\$26.40. The new fair price of HK\$25.10 represents a 5% discount to its new NAV/share.

Profit & Loss

	2007	2008	2009F	2010F	2011F
Turnover	11,300	19,704	22,178	23,864	25,103
EBIT	2,329	3,463	3,531	3,849	4,029
Pre-tax Profit	2,014	3,056	3,076	3,381	3,544
Net Profit	1,438	2,282	2,212	2,432	2,550
EPS (HK\$)	1.67	2.01	1.94	2.14	2.24

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	13,299	12,956	22,446	24,930	27,460
Total Assets	44,679	51,697	61,854	67,595	73,068
Current Liabilities	9,550	9,979	19,334	20,819	21,910
Long-Term Loans	3,692	5,407	6,378	8,042	9,721
Shareholders' Funds	31,437	36,310	36,142	38,734	41,437
Total Equity & Liabilities	44,679	51,697	61,854	67,595	73,068

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	2,208	5,213	4,345	4,359	4,892
Investing	(3,256)	(2,956)	(3,327)	(3,580)	(3,765)
Financing	6,145	187	636	761	758
Net Cash Inflow	5,097	2,445	1,654	1,541	1,885
Begin Cash & Equiv.	2,707	8,043	10,602	12,334	13,947
End'g Cash & Equiv.	8,043	10,602	12,334	13,947	15,920

China Shenhua

2008: Management opts for prudent guidance

Cut 2009 earnings by 13% on prudent coal and power sales guidance, leading to 5% fall in target price. Maintain BUY, though, as China Shenhua remains a good bet in the event of a better-than-expected economic recovery in China.

2008 Results

Year to 31 Dec	2008 (Rmbm)	yoy % chg	4Q08 (Rmbm)	qoq % chg	yoy % chg	Remarks
Turnover	107,133	30	29,622	5	34	Within estimates
Operating profit	39,675	22	6,580	(43)	(9)	Higher COGS
Pre-tax Profit	36,975	20	5,696	(47)	(21)	
Net Profit	26,641	29	3,932	(50)	(20)	Lower MI & effective tax rate
		ppt		ppt	ppt	
	(%)	chg	(%)	chg	chg	
Gross margin	44.6	(2)	34	(12)	(7)	
Operating margin	37.0	(3)	22	(18)	(11)	
Net margin	24.9	(0)	13	(15)	(9)	

Source: China Shenhua, UOB Kay Hian

Results

- For 2008, net profit rose 29% to Rmb26.6b - 8% below consensus. Turnover rose 30% to Rmb107.1b, within our expectation.
- Final DPS was Rmb0.46, reflecting a consistent payout ratio of 35%.
- Fall in 4Q08 earnings was dragged down by up-front engineering costs.

Stock Impact

Management guidance for 2008 is more prudent than in previous years. It guides for a 5% drop in coal sales and 4% drop in power sales – the first time since its listing in 2005.

Is it worrying? Not exactly. Shenhua is taking a two-pronged approach to deal with the economic uncertainty: a) sourcing less high-cost external coal, and b) optimising sales mix with higher exposure to higher-margin seaborne coal. These initiatives reflect management's determination to maintain margins in the face of severe challenges.

In a departure from tradition, the company has signed a five-year contract with China Resource Power to secure earnings stability. We expect the other five major independent power producers (IPP) to follow suit, which should improve its earnings visibility.

According to local press, the contract price would be raised by over 10% to Rmb540/tonne.

Earnings Revision

Based on management guidance – which has often been conservative – we cut our 2009 and 2010 earnings by 13% and 2% respectively to reflect lower coal sales and power generation. But volume risk should be low as Shenhua has completed 16% of its own targets in just the first two months of 2009.

CHINA

China Shenhua (1088 HK)

BUY

Current Price: HK\$17.38

Target Price: HK\$21.90

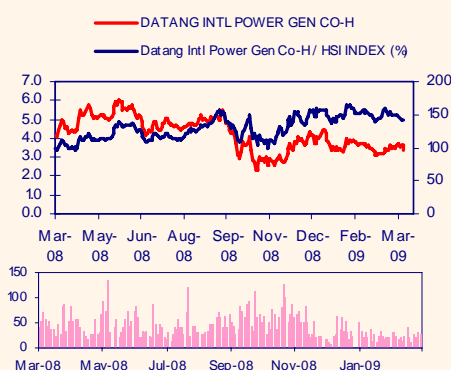
(Previous: HK\$23.00)

Sector	Coal
52-Wk Avg Daily Vol. ('000)	37,300
Market Cap (HK\$m)	442,687
(US\$m)	57,119
Major Shareholders (%)	
Shenhua Group	73.9
Book NTA per Share (Rmb)	7.3
ROE (%)	18.1
Net Debt per Share (Rmb)	0.76

Results Due

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

Price Chart



Source: Bloomberg

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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	65,186	33,947	17,644	0.98	4.1	15.6	13.4	0.34	2.2
2007	82,107	40,282	20,581	1.11	13.8	13.7	10.4	0.47	3.1
2008F	107,133	49,071	26,641	1.34	20.7	11.4	8.8	0.46	3.0
2009F	103,974	48,984	26,272	1.32	-1.4	11.5	8.8	0.46	3.0
2010F	146,272	65,927	33,573	1.69	27.8	9.0	6.3	0.59	3.9

Consensus Net Profit – FY09: Rmb30493m;
– FY10: Rmb32644m

Also, our earnings model has incorporated a rumored 5% resource tax from 2009 onwards. Should Beijing delay or announce a lower resource tax later in the year, this could raise Shenhua's 2009 earnings by as much as 7% to Rmb28.1b.

Valuation/Recommendation

Despite the earnings downgrades, Shenhua remains our top BUY among coal stocks, given its high earnings visibility, cost competitiveness and distinctive business model.

Management has revealed to analysts a clearer vision of its strategy to double its revenue and output in five years, bolstering its worldwide leading position.

More immediately, however, the counter is vulnerable to negative newsflows on softer power demand in late-March and potential policy intervention over contract price talks.

Do accumulate if the stock falls to below HK\$16.00. Maintain BUY with a lower target price of HK\$21.90, based on a conservative long-term coal price assumption of Rmb300/tonne (vs spot: Rmb560/tonne).

Near-term catalysts include robust Purchasing Manager Index data due this weekend, 1Q09 results announcement and sequential power demand recovery.

LT Coal price assumptions (Rmb/t)

WACC	200	300	350	400	450	500	550	600
10.0%	20.0	25.9	28.9	31.9	34.9	37.9	40.8	43.8
11.0%	18.6	24.4	27.3	30.2	33.1	36.0	38.9	41.8
12.0%	17.4	23.1	25.9	28.7	31.5	34.4	37.2	40.0
13.0%	16.4	21.9	24.7	27.4	30.2	32.9	35.7	38.4
14.0%	15.5	20.9	23.6	26.3	28.9	31.6	34.3	37.0
15.0%	14.8	20.0	22.6	25.2	27.8	30.4	33.0	35.6
16.0%	14.1	19.2	21.7	24.2	26.8	29.3	31.9	34.4
17.0%	13.4	18.4	20.9	23.3	25.8	28.3	30.8	33.3
18.0%	12.9	17.7	20.1	22.5	24.9	27.4	29.8	32.2

Source: China Shenhua, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	82,107	107,133	103,974	146,272	150,800
EBIT	32,497	39,675	38,969	54,981	56,116
Pre-tax Profit	30,779	36,871	36,465	52,663	53,938
Net Profit	20,581	26,588	26,272	33,573	34,386

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	72,127	77,906	99,174	145,341	165,096
Total Assets	239,038	275,540	300,048	356,809	381,281
Current Liabilities	33,371	42,656	54,729	72,607	72,627
Long-Term Liabilities	49,718	56,045	67,254	80,705	79,091
Shareholder Funds	129,788	147,432	146,638	168,461	190,811
Total Equity & Liabilities	239,038	275,540	300,048	356,809	381,281

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	25,626	40,618	44,093	56,166	51,205
Investing	(29,933)	(36,933)	(30,501)	(20,661)	(15,727)
Financing	1,965	2,448	1,038	(16,820)	(17,171)
Net Cash In/(Out) Flow	37,646	5,650	16,040	36,543	18,657
Begin Cash & Cash Equiv.	15,758	53,404	59,054	75,094	111,637
End'g Cash & Cash Equiv.	53,404	59,054	75,094	111,637	130,294

2008 Coal Price Summary

Rmb/tonne	LT	Spot	Pxdiff	Diff(%)
Mine mouth	79	163	85	108
Direct arrival	261	387	126	48
Seaborne	409	614	206	50
Weighted	336	438	102	31
Export	577	-	(577)	(100)

Source: China Shenhua, UOB Kay Hian

2008 Coal Output Summary

mtonnes	LT	Spot	Total	(%)
Minemouth	10	12	22	10
Directarrival	58	13	71	31
Seaborne	96	23	118	51
Export	21	-	21	9
Total	185	48	233	100

Source: China Shenhua, UOB Kay Hian

2008 Unit Cost Breakdown

Rmb/tonne	2008	2007	yoychg (%)
Production	95	75	26
Materials&power	23	18	26
Labour	12	10	16
Repairs	9	9	(5)
Others	33	20	63
D&A	18	17	6
Transportation	64	62	3
Total	159	137	16

Source: China Shenhua, UOB Kay Hian

Poly Hong Kong

2008: Undemanding valuation offers good buying opportunities

2008 results in line with our estimates. Poly HK has lagged behind peers in stock performance due to low liquidity. Given its solid sales performance and improved overall market liquidity, it's time to buy this stock with 50% price upside.

2008 Results

	2008 (HK\$m)	2007 (HK\$m)	yoy % chg	Remarks
Turnover	3,324.4	973.9	241.3	Higher GFA booked
Gross Profit	803.6	320.3	150.9	
Other gains	135.3	354.1	(61.8)	
Pre-tax Profit	274.5	218.6	25.6	
Income Tax	(74.6)	(165.1)	(54.8)	Lower effective tax rate
Net Profit	223.0	401.2	(44.4)	
Net Profit (Ex EI)	121.6	(44.0)	n.a.	
Gross Margin (%)	24.2	32.9	(8.7)	Change in sales mix

Source: Poly HK, UOB Kay Hian

Results

On the back of consolidation of asset injection from its parent company, Poly HK's 2008 top-line surged 241% to HK\$3.3b. Despite a 44% decline in the bottom-line, excluding exceptional gains, underlying net profit was HK\$122m, vs a net loss in 2007. Poly HK's 2008 core net profit is in line with our estimate of HK\$119m.

Stock Impact

Significant improvement in contracted sales in 2H08. Contracted sales increased 66% yoy to Rmb3.73b in 2008, a strong rise from the Rmb1.3b in 1H08. The figure was basically in line with our forecast in mid-08, but beat management guidance of Rmb3.0b in late-08.

We conservatively estimate 2009 contracted sales at Rmb4.2b, up 13% yoy. According to management, the 2009 sales target is about 800,000sqm, or Rmb5.00b, vs Rmb3.73b in 2008. Nonetheless, our estimate is more conservative at 690,000sqm, or Rmb4.2b. Poly HK has recorded strong ytd sales of Rmb1.1b, representing about 26% of our estimated 2009 contracted sales.

Poly HK locked in 50% of sales revenue booked in 2009. Management estimated there is about HK\$2.0b of presales to be booked in 2009, which means it has secured nearly 50% of our estimated property sales revenue of HK\$4.1b this year.

Gross margin is set to improve in 2009. The company recorded a thin gross margin of only 24% last year, mainly due to the booking from Jinlin Apartment Project in Shanghai, which accounts for more than 20% of total sales revenue in 2009. This project was a wholesale project with an average selling price (ASP) of Rmb4,000/sqm for the local government in 2007.

CHINA

Poly Hong Kong (119.HK)

BUY

Current Price: HK\$1.93

Target Price: HK\$2.90

(Previous: HK\$2.20)

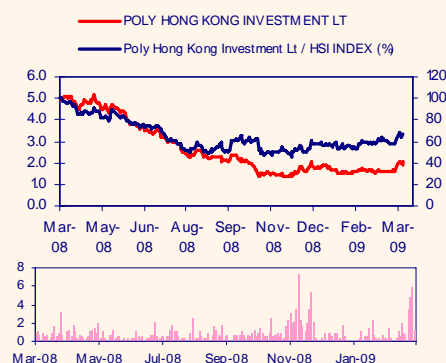
Sector	Property
52-Wk Avg. Daily Vol. ('000)	877
Market Cap (HK\$m)	3,688
(US\$m)	473

Major Shareholders (%)	
China Poly Group	56.3

Book NTA per Share (HK\$)	3.18
ROE (%)	4.15
Net Debt per Share (HK\$)	2.01

Result Due	
Interim	September
Final	March

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	974	520	193	13.9	(15.6)	13.9	6.4	5.0	2.6
2008	3,324	556	223	11.7	(16.2)	16.5	13.5	5.0	2.6
2009F	4,574	1,079	347	18.2	55.7	10.6	8.1	3.0	1.6
2010F	7,079	1,903	738	38.6	112.5	5.0	5.1	5.0	2.6
2011F	9,054	2,392	942	49.3	27.6	3.9	4.5	5.0	2.6

Consensus Net Profit - n.a..

Wholesale projects are part of the deal with the local government for sourcing low-cost landbank, but we estimate Poly HK only achieved breakeven with its wholesale project. Without the booking of this special project, we estimate Poly HK's gross margin to return to a reasonable level of 32% in 2009.

Net gearing is likely to rise. In the light of attractive opportunities to source low-cost landbank amid the market correction, management plans to spend Rmb1.0-2.0b in landbank expansion this year. Meanwhile, we estimate it needs another Rmb5.0b to support construction and other operating costs. With the rise of cash outflow, Poly HK's net gearing will likely increase from 54% to about 80% by end-09. With the strong background of and direct financing from its parent company, i.e. Poly Group, one of the major central state-owned enterprises (SOE), we believe the financial risk, particularly refinancing risk, should still be low for Poly HK.

Earnings Revision

Management has revised down 2009 sales target from 1.1m sqm to 0.8m sqm. We cut our estimate for the top-line in 2009 and 2010 by 23% and 30% respectively. Thus, we revise down our earnings estimates by 25% to HK\$347m for 2009 and 30% to HK\$738m for 2010.

Valuation/Recommendation

The stock performance of Poly HK has lagged behind peers in this round of stock rebound since Oct 08, mainly due to the low liquidity and relatively low profile of the sector. Nonetheless, we believe the current 70% discount to NAV is undemanding compared with sector average of 48% and state-owned peers' 5-30%. Given the narrowing NAV discount in the property sector on the back of an improvement in sales and credit environment, we lift our target price from HK\$2.20 to HK\$2.90 by applying a thinner discount to NAV of 55%. Maintain BUY on this cheapest SOE property play.

Valuations of SOE

	Stock Code	31/03/09 (HK\$)	Rebound from Oct 08 low (%)	Decline from 2007 peak (%)	NAV (HK\$)	NAV (%)
China Overseas Land	688 HK	11.94	78	(39)	12.70	(6.0)
China Resources Land	1109 HK	11.60	83	(46)	16.33	(29.0)
Poly HK	119 HK	1.93	38	(83)	6.47	(70.2)
Sino-Ocean Land	3377 HK	4.88	184	(67)	7.25	(32.7)

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	974	3,324	4,574	7,079	9,054
EBIT	426	425	904	1,675	2,101
Pre-tax Profit	384	349	753	1,493	1,882
Net Profit	193	223	347	738	942

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	6,243	15,930	16,815	19,089	21,964
Total Assets	10,209	22,316	23,840	27,421	31,834
Current Liabilities	3,578	9,170	10,237	11,651	13,331
Long-Term Loans	1,181	5,245	5,286	6,608	8,260
Shareholders' Funds	4,669	6,080	6,370	7,012	7,858
Total Equity & Liabilities	10,209	22,316	23,840	27,421	31,834

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	(1,284)	(3,415)	(799)	118	236
Investing	392	(2,376)	(585)	(1,242)	(1,459)
Financing	2,037	7,080	540	1,968	2,443
Net Cash Inflow	1,145	1,289	(844)	844	1,220
Beginning Cash	632	1,823	3,112	2,268	3,112
Ending Cash	1,777	3,112	2,268	3,112	4,332

Ports Design

2008: Results in line with expectation, near term remains challenging

Net profit up 6.3% yoy in 2008 mainly due to slowdown in retail business. Near-term outlook remains challenging. Downgrade to HOLD.

2008 Results

Year to 31 Dec	2008 (Rmbm)	2007 (Rmbm)	yoy % chg	Remarks
Turnover	1,489	1,355	9.8	Decline in OEM and ODM segments
Gross profit	1,142	969	17.9	More contribution from retail segment
Operation profit	454	376	20.8	
Net profit	422	397	6.3	No tax refund according to new taxior law
Gross margin	76.7	71.5	5.2 ppt	Higher contribution from retail segment
Operating margin	30.5	27.7	2.8 ppt	
Net margin	28.3	29.3	(1.0)ppt	

Segment Breakdown (2008)	Turnover (Rmbm)	yoy chg (%)	Gross margin (%)	yoy chg (%)
Retail	1,294	19.8	83.7	1.6 ppt
OEM	109	(38.3)	16.4	1.0 ppt
ODM	85	(12.7)	47.4	(8.1) ppt

Source: Ports Design, UOB Kay Hian

Results

Ports Design's (Ports) net profit increased 6.3% yoy to Rmb422m in 2008, in line with our estimate (Rmb427). Despite modest sales growth, gross margin improved from 71.5% in 2007 to 76.7% in 2008 due to the smaller percentage of contributions from the lower-margin OEM and ODM segments.

Stock Impact

- Turnover growth will slow down.** The 16% rise in average selling prices (ASP) helped Ports' retail segment achieve 19.8% yoy turnover increase in 2008. Given the current consumption slump, Ports may only raise ASP by 6% for 2009. Together with the single-digit volume growth expectation, turnover growth for the retail segment will slow down to 13% in 2009. Affected by the weak demand in overseas markets, turnover for the OEM and ODM segments are expected to record further 30% and 10% contraction respectively in 2009, following the 38.3% and 12.7% decline in 2008.
- Continuing margin improvement.** The upward trend in gross margin is expected to continue in 2009 as Ports will continue to focus on the retail business, which enjoys a higher margin than the OEM and ODM businesses. Also, gross margin in the retail segment is expected to improve further in 2009 due to the lower raw material prices induced by a decline in the euro. Salary freeze and lowering of occupancy costs will help lower overall cost, which in turn helps widen operating margin from 30.5% in 2008 to 30.9% and 31.6% in 2009 and 2010 respectively.

CHINA

Ports Design (589 HK)

DOWNGRADE TO HOLD

Current Price: HK\$9.95

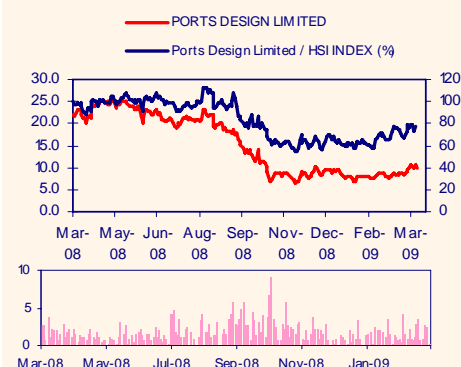
Fair Price: HK\$9.30

(Previous: HK\$9.60)

Sector	Apparel Retailing
52-Wk Avg Daily Vol. ('000)	1,705
Market Cap (HK\$m)	5,581
(US\$m)	716
Major Shareholders (%)	
Ports Intl Enterprises Ltd.	39.86
Book NTA per Share (Rmb)	1.95
ROE (%)	37.9
Net Cash per Share (Rmb)	0.78

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	1,355	416	397	0.72	54.3	15.8	15.1	0.94	8.3
2008	1,489	501	422	0.75	5.2	15.1	13.0	0.21	1.9
2009F	1,616	573	456	0.81	8.2	13.9	10.9	0.24	2.2
2010F	1,827	669	506	0.90	10.9	12.6	9.3	0.27	2.4
2011F	2,016	767	551	0.98	8.9	11.5	7.8	0.30	2.6

Consensus Net Profit – FY09: Rmb488.3m
 – FY10: Rmb554.1m

- Expanding brand portfolio.** After establishing a joint venture (JV) with Vivienne Tam in Jun 08 and becoming one of the non-exclusive distributors for Giorgio Armani, Ports was granted an exclusive 15-year retail distribution licence agreement by Ferrari S.p.A to operate Ferrari stores in China and Hong Kong. Leveraging on Ports' well-established distribution network and strong local knowhow, these new businesses will create more opportunities and provide further economies of scale for the Group. However, considering these new businesses are still in the initial stage, they will not provide remarkable contributions to the Group in the next three years.

Earnings Revision

We trim our earnings forecasts for 2009 and 2010 by 2.1% and 1.8% respectively to reflect lower sales growth assumptions.

Valuation/Recommendation

Ports targets the luxury apparel segment, which is more vulnerable in downcycles. Therefore, we believe the operating environment will remain challenging for Ports, especially in 1H09 when the base of comparison is tough. In view of the company's strong cash position, premium brand and expanding brand portfolio, we believe Ports' long-term prospects remain bright. However, the current rich valuation (13.9x 2009 PE) makes the stock less attractive. **Downgrade from BUY to HOLD** and lower our fair price from HK\$9.60 to HK\$9.30 based on 10x 2009 PE.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	1,355	1,489	1,616	1,827	2,016
EBIT	371	452	499	576	652
Pre-tax Profit	381	464	519	595	672
Net Profit	397	422	456	506	551

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	1,186	1,684	1,919	2,279	2,676
Total Assets	1,361	1,890	2,153	2,544	2,968
Current Liabilities	432	778	722	758	797
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	929	1,112	1,431	1,786	2,171
Total Equity & Liabilities	1,361	1,890	2,153	2,544	2,968

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	308	458	529	536	609
Investing	(166)	(430)	(105)	(92)	(110)
Financing	(158)	11	(149)	(164)	(177)
Net Cash In/(Out) Flow	(16)	39	275	280	321
Begin Cash & Cash Equiv.	312	296	336	611	890
End'g Cash & Cash Equiv.	296	336	611	890	1,211

Technical Analysis

Hang Seng Index: 13,456

On 17 March, we suggested the Hang Seng Index (HSI) at 12,977 could head towards 13,976 if the downside gap (13,600-13,663) was completely refilled. The index rallied to close at 14,120 last Friday, beyond our expectation by 174 points.

Nevertheless, the penetration of the 62% retracement level of the decline from 15,764 to 11,345 was short-lived. The HSI gapped down yesterday to close at 13,456. The index also failed to penetrate the Upper Bollinger Band at 14,269 last Friday.

A rebound typically encounters strong resistance at the 62% level when a bull market is not yet confirmed. We see no reason why it will be any different this time, especially when the index formed a downside gap yesterday.

Another reason to be cautious stems from the fact that the Slow Stochastics is very overbought now, an important factor that could trigger the index to retreat. In addition, a "Hanging Man" candlestick (Chart 3) protracted the current pullback. As we know, a Hanging Man forming after an advance is a bearish reversal pattern.

We peg the first support at 13,148, the 38% retracement level of the advance from 11,345. If this support is breached, we have to shift the support to 12,800 where the Middle Bollinger Band and 50% retracement level coincide.

HONG KONG Technical Analysis

Analyst

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Chart 1: Retracement of Advance Began



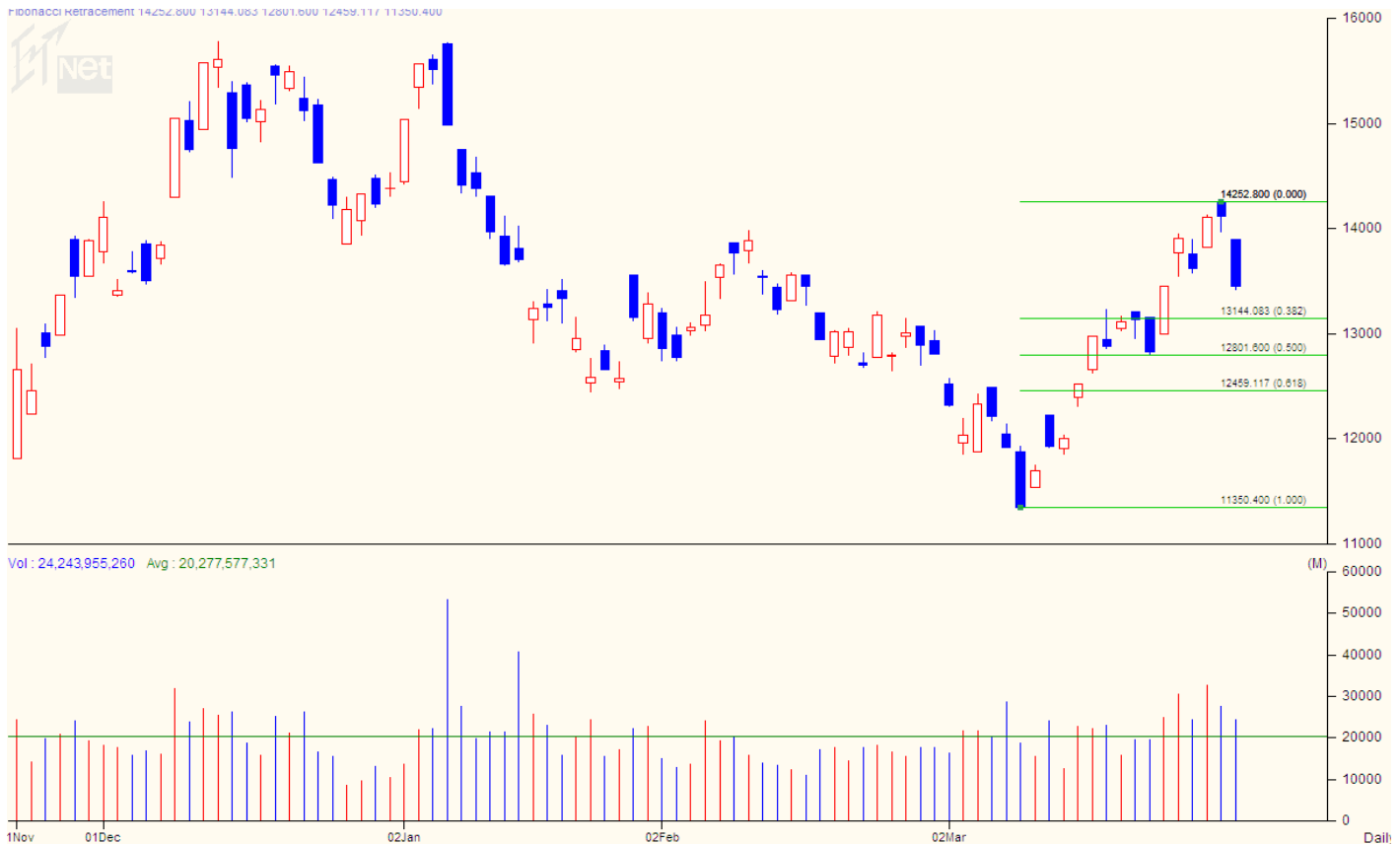
Source: HKETnet

Chart 2: Bollinger Band and Slow Stochastics of Hang Seng Index



Source: HKETnet

Chart 3: Retracement of Rally and "Hanging Man" Candlestick



Source: HKETnet

Property - Residential

Bi-weekly: Mass market supported by public housing segment

The supply shortage of public housing and increased public rental housing demand are supportive of the private mass market. Maintain focus on large-cap developers that are likely to outperform in the near term.

Share Price Performance

The Real Estate & Development Index (FSTREH) increased by 0.9% in the past week, faring marginally better than the Straits Times Index (FSSTI), which was up 0.5%. On a quarterly basis, the top performers were Allgreen (-4.7%) and CapitaLand (-12.2%); laggards were SC Global (-30.8%) and City Developments (-21.2%).

Sector and Corporate News

- **Over 80% tenancy commitment achieved at the upcoming ION Orchard.** ION Orchard is set to open its 640,000sqf of shopping space made up of more than 300 stores spread over eight floors of premises in Jul 09. It has already achieved over 80% tenancy commitment. It has a planned target retail mix of up to 60% of the space leased to flagships, new-to-market brands and new concept stores. Mall opening and financial incentives including rebates of up to 30% of base rentals on top of the 40% property tax rebate from the government and other strategies were employed to drive the occupancy rate higher. We expect ION Orchard to be an instant hit among shoppers.
- **KepLand defers construction of Marina Bay Suites.** Keppel Land (KepLand) is deferring the construction of the Marina Bay Suites and Madison Residences due to deteriorating sentiment in the high-end residential sector. This is in line with its earlier guidance to undertake cost management initiatives to conserve cash and be ready to take advantage of potential opportunities. Other projects that are yet to be launched for sale both in Singapore and overseas are most likely to be delayed as well.
- **Developers jumping on the mass and mid-market bandwagon.** Building on the improved home buying sentiment and sales momentum that gathered pace last month, developers have launched/re-launched several mass market and mid-tier projects this month. Accordingly, there has been a sudden surge in the newspaper advertisements. The projects that sold well during the month include Double Bay Residences located near Simei MRT at average selling prices (ASPs) of around S\$600-650psf, The Mercury project in Shanghai Road at ASP of over 1,040psf, Domus project near the Novena MRT at ASP over S\$840psf and the more recent ones being City Development's The Arte at Thomson where 60 units have been sold at an ASP of S\$880psf and Far East Organisation's Mi Casa project with ASP of S\$625psf. The total units sold during the month is expected to be around 500-600 units, bringing the total for the first quarter of 2009 close to 2,000 units, which represents nearly half of the full-year developer sales last year.

Worth a look

Supply shortage of public housing and increased public rental housing demand supportive of the private mass market. Even as the private mass market segment noted a 5.9% qoq fall in price levels in 4Q08, public housing prices advanced by 1.5% during the same period, supported by stable rental levels. While some moderation to the public housing rental levels is expected due to the deterioration in macroeconomic outlook, we believe public housing rental levels will remain fairly stable compared to other housing segments because of the increase in demand for affordable rental housing by locals and foreigners alike as more defer their buying decisions. At the same time, the supply situation in the Housing and Development Board (HDB) segment remains tight with the supply of merely 5,400 units/year in the last five years, well below the 15-year long-term average of 19,000 units/year. The stable public housing market will lend support to the private mass market.

SINGAPORE

Property – Residential

OVERWEIGHT

Analyst

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Action/Recommendation

We maintain our focus on large-cap developer stocks CapitaLand and City Developments as they are likely to outperform in the near term. The pick-up in the interest for small-/mid-cap stocks is contingent upon a sustained rally in large-cap stocks.

Private Mass Market And Public Housing Rental Gap

	Median Subletting Rents by Town and Flat Type (\$\$ per month)					Median Private Mass Market rental	
	2-RM (\$\$psf pm)	3-RM (\$\$psf pm)	4-RM (\$\$psf pm)	5-RM (\$\$psf pm)	EXEC (\$\$psf pm)	Avg 3-bed (1200 sqf)	Rental Gap to 5-RM HDB
3Q07	800	1,200	1,400	1,600	1,700	2,226	626
4Q07	930	1,220	1,500	1,700	1,800	2,414	714
1Q08	1,000	1,400	1,600	1,800	2,000	2,616	816
2Q08	1,100	1,500	1,750	1,900	2,000	2,649	749
3Q08	1,000	1,500	1,800	2,000	2,100	2,577	577
4Q08	1,100	1,500	1,800	2,000	2,100	2,466	466

Source: HDB, URA, UOB Kay Hian

Share Price Performance

	Bloomberg Code	Price @ 30 Mar 09	% Price Change				
			5D	1M	3M	6M	YTD
FSSTI	FSSTI Index	1,673.14	0.5	4.9	(5.5)	(29.1)	(5.0)
FTSE ST Real Estate Index	FSTRE	331.30	2.4	5.8	(11.8)	(29.2)	(10.8)
FTSE ST Real Estate & Dev Index	FSTREH	333.83	0.9	7.3	(12.2)	(22.9)	(11.2)
CapitaLand	CAPL SP	2.24	1.8	13.1	(12.2)	(11.6)	(13.1)
City Devt	CIT SP	4.98	(5.1)	3.7	(21.2)	(43.3)	(21.8)
Keppel Land	KPLD SP	1.41	1.4	8.5	(16.6)	(50.2)	(17.1)
GuocoLand	GUOL SP	1	0.5	(3.8)	(12.3)	(45.4)	(12.3)
Allgreen	AG SP	0.405	1.3	2.5	(4.7)	(36.2)	(5.8)
Ho Bee	HOBEE SP	0.32	(1.5)	0.0	(15.8)	(47.1)	(15.8)
Wing Tai	WINGT SP	0.7	0.7	(4.1)	(17.2)	(22.4)	(15.7)
Wheelock	WP SP	0.895	(0.6)	(2.2)	(15.6)	(27.2)	(13.9)
SC Global	SCGD SP	0.37	1.4	0.0	(30.8)	(46.0)	(31.5)

Source: UOB Kay Hian

Stress Test Scenarios

	Capita Land	City Developments	Keppel Land	Guoco Land	Wheelock	Wing Tai	Allgreen	Ho Bee	SC Global
Share Price (\$\$) as of 30 Mar 09	2.24	4.98	1.41	1.00	0.90	0.70	0.41	0.32	0.37
RNAV (\$\$)	2.79	7.13	2.48	1.64	1.67	1.49	0.85	0.69	0.65
Assumptions (%)	Decline from End-07 Level								
Singapore residential	(70)	(4)	(10)	(8)	(14)	(15)	(11)	(17)	(18)
Singapore office	(70)	(2)	(7)	(8)	(1)	(2)	(2)	(1)	(1)
Singapore retail	(70)	(3)	(3)	(1)	-	(3)	(1)	(4)	-
China	(70)	(4)	-	(3)	(10)	-	(1)	(2)	(1)
Vietnam	(70)	(1)	-	(4)	(1)	-	-	(1)	-
Listed investments	(90)	(5)	(2)	(1)	(1)	(1)	-	-	(1)
Asset Write-down (Devt Pty)*	(2)	(2)	(3)	(4)	-	(6)	(6)	(9)	(9)
Asset Write-down (Invvt Pty)*	(9)	(2)	(7)	(9)	(5)	(4)	(7)	(2)	(1)
Defaults#	(2)	(3)	(3)	(4)	(7)	(8)	(6)	(9)	(9)
Total	(32)	(29)	(31)	(38)	(32)	(38)	(38)	(39)	(40)
Stressed RNAV(\$\$)	1.91	5.09	1.70	1.03	1.13	0.93	0.53	0.42	0.39
Share Price Discount/Premium (%)	17.2	(2.2)	(17.2)	(2.6)	(21.1)	(24.8)	(22.9)	(23.3)	(5.9)
Potential dilution from alternatives	-	(10)	(20)	(20)	-	-	(20)	(20)	(20)
Stressed RNAV inc dilution(\$\$)	1.91	4.38	1.21	0.70	1.13	0.93	0.36	0.28	0.26
Share Price Discount/Premium (%)	17.2	13.7	16.9	43.4	(21.1)	(24.8)	13.7	14.2	40.6

* - Assumes up to 50% decline in land values for landbank purchased in 2006-08 and 50% writedown in investment properties.
- Assumes a 50% default rate on residential projects sold in 2006-08 resold at a 50% discount from original purchase price.

Source: UOB Kay Hian

COSCO Corporation (S)

Key takeaways from luncheon presentation

China shipbuilding stimulus is positive for shipyards. Management is sanguine about vessel delivery delays as these will result in more execution time for COSCO (S).

Corporate Events

Luncheon presentation hosted by UOB Kay Hian in Singapore on 27 March.

Highlights

China shipbuilding stimulus a strong support for shipyards. The Chinese government has implemented various measures to assist shipyards and ship buyers eg 17% subsidy on ship prices, preferential interest rates to shipbuilders, financing support for ship buyers through issuance of US-dollar bonds to avoid order cancellations, and merger and acquisitions through capital injection and the establishment of an industrial fund. Despite high cash and cash equivalent of S\$1.9b as of Dec 08 (S\$1.57b is customer deposits), COSCO (S) secured long-term borrowings of about S\$609.5m at as end-08 from four major Chinese banks at borrowing costs of 3-5% p.a. for shipyard expansion and funding of business operation.

No new contracts secured ytd. COSCO (S) has not secured any new contracts ytd, but it is finalising the terms (details not disclosed) with Mitsui Ocean Development & Engineering Co. Ltd (MODEC) of a conversion contract of Floating, Storage and Offloading unit (FSO). This is the second conversion contract with MODEC. The first was a US\$35m contract awarded in 2007.

Vessel delivery delays allow more execution time. Project execution has been one of our concerns. Ytd, COSCO (S) has announced 24 delivery delays and four order cancellations. Based on Clarkson's database, there are 43 dry bulk vessels scheduled for delivery this year, but COSCO (S) is only looking to deliver 20. This implies the other 23 may be delayed or cancelled. That said, management thinks a rescheduling of deliveries is positive as COSCO (S)'s shipyards are operating at full capacity and this will allow more time to execute the contracts. Previously, management had guided a grace period of 45-60 days should COSCO (S) fail to deliver vessels on time to its customers. A late penalty charge of US\$4,000-6,000/day will be imposed for late delivery of vessel between 65 and 225 days subject to a cap of 3% of contract value. Beyond that, the ship owner has the right to cancel the order and request for a refund plus interest. Parent company's orders are not subjected to late delivery penalty charges and cancellation.

Confident to deliver projects on time after initial learning phase. 2008 was a tough year as it was the first year of transition from ship repair to shipbuilding. However, management is confident of delivering vessels on time once COSCO (S) has passed the initial learning phase.

Shipyard expansion. COSCO (S) has secured land utilisation rights in Qiong, about 120 km from its Nantong shipyard, for the building of oilrigs and repair, conversion and construction of offshore equipment. Fabrication work on some projects started in late-Feb 08 on the site.

SINGAPORE

COSCO Corporation (COS SP)

HOLD

Current Price: S\$0.79

Fair Price: S\$0.89

Sector	Offshore & marine
52-Wk Avg Daily Vol. ('000)	22,272
Market Cap (\$m)	1,769.0
(US\$m)	1,162.1

Major Shareholders (%)	
China Ocean Shipping Grp	53.4

Book NTA per Share (\$)	0.51
ROE (%)	29.0
Net Cash per Share (\$)	0.55

Results Due

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

Price Chart



Source: Bloomberg

Analyst

Esther Sim
esthersim@uobkayhian.com

Year to 31 Dec	Turnover (\$m)	EBITDA (\$m)	Net Profit (\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS* (¢)	Yield (%)
2007	2,261.7	534.9	336.6	15.0	61.8	5.3	1.9	4.0	5.1
2008	3,476.0	804.2	302.6	13.5	(10.1)	5.8	1.3	4.0	5.1
2009F	3,615.9	553.5	266.7	11.9	(11.8)	6.6	1.8	4.0	5.1
2010F	4,111.7	553.8	242.7	10.8	(9.0)	7.3	1.8	4.0	5.1
2011F	4,696.3	618.7	294.9	13.2	21.5	6.0	1.6	4.0	5.1

Consensus Net Profit – FY09: S\$233.2m
– FY10: S\$254.1m

* Exclude special dividend of 3 cents for 2007 & 2008.

Earnings Risk

More cancellations and delays. In view of the current global trade finance crunch, COSCO (S)'s clients may continue to face difficulties in securing credit to finance the newbuilds. This would lead to potential payment and vessel delivery delays, as well as order cancellation. Based on Clarksons' data, we expect another 23 newbuilds to be delayed/cancelled from now to end-09. There are 110 dry bulk vessels in COSCO (S)'s current orderbook.

Weak dry bulk shipping environment. We estimate shipping earnings made up 40% of COSCO (S)'s 2008 net profit. The current weak dry bulk shipping freight rates will also affect its earnings. At the current Baltic Dry Index (BDI) level of 1,678, COSCO (S) would be making losses in the spot shipping market as its breakeven level is between 1500 and 2500.

Valuation/Recommendation

We are valuing COSCO (S)'s shipyard business at a reasonable long-term sustainable annual contract wins of S\$2.0b (2007: S\$9.0b; 2008: S\$1.6b) and a sustainable net profit of S\$230m p.a. at a PE of 8.0x, which is in line with small-cap shipyards' valuations prior to the offshore & marine boom in 2003-08. Our contract wins assumption effectively implies COSCO's orderbook will be halved. COSCO (S)'s dry bulk shipping business is valued at 0.40x P/B, which is the typical cyclical trough valuation for the shipping sector. A lot of negatives have been priced into the stock. Should dry bulk shipping freight rates rebound, shipyard contract wins in 2009 surpass our assumption, or the global credit crunch eases, COSCO (S)'s share price could see a lift. When China's shipbuilding stimulus package kicks in, sentiments on Chinese shipyards may improve, which in turn may boost COSCO (S)'s share price. Maintain HOLD with a fair price of S\$0.89.

Profit & Loss

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Turnover	2,261.7	3,476.0	3,615.9	4,111.7	4,696.3
EBITDA	534.9	804.2	553.5	553.8	618.7
Pre-tax Profit	498.1	451.4	423.2	405.1	451.4
Net Profit	336.6	302.6	266.7	242.7	294.9

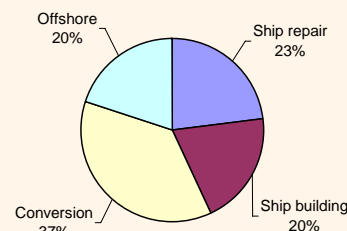
Balance Sheet

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	2,431.8	4,596.0	3,734.2	4,429.6	5,215.1
Total Assets	3,967.2	6,799.3	5,862.9	6,549.2	7,315.8
Current Liabilities	2,557.0	4,572.2	3,603.1	4,159.9	4,747.4
Long-Term Liabilities	64.9	611.4	64.9	64.9	64.9
Shareholder Funds	939.9	1,144.2	1,142.1	1,204.7	1,319.7
Total Equity & Liabilities	3,967.1	6,799.3	5,862.9	6,549.2	7,315.8

Cash Flow

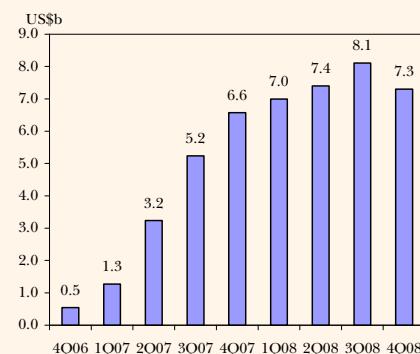
Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	1,594.1	1,075.1	(175.2)	506.4	490.8
Investing	(447.5)	(634.1)	(136.0)	(136.0)	(146.0)
Financing	(334.3)	301.3	(238.0)	(258.7)	(257.7)
Net Cash In/(Out) Flow	812.3	742.3	(549.2)	111.7	87.1
Begin Cash & Cash Equiv.	273.6	1,085.9	1,828.2	1,279.0	1,390.7
End'g Cash & Cash Equiv.	1,085.9	1,828.2	1,279.0	1,390.7	1,477.8

2008 Shipyard Revenue Breakdown



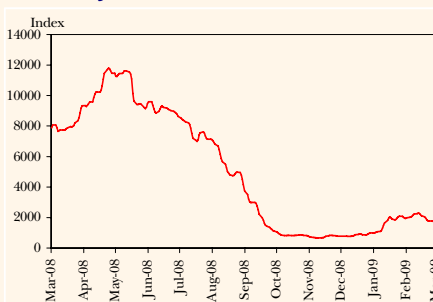
Source: COSCO (S)

Gross Orderbook



Source: COSCO (S)

Baltic Dry Index



Source: Datastream

Sum-of-the-Parts Valuation

	S\$m	Valuation Yardstick
Shipyard	1,840.0	Sustainable net profit of S\$230m (\$2b contracts p.a.) at PE 8x
Dry bulk shipping	60.88	0.4x book value
Cash	83.96	Cash at company level
	<u>1,984.8</u>	
Total Value	<u>4</u>	
	<u>2,239.2</u>	
No. of shares (m)	4	
SOP/ Share (\$)	0.89	

Source: COSCO (S), UOB Kay Hian

Wilmar International

Maximising profit from information and economies of scale

Despite the volatile market, Wilmar will outperform its peers by leveraging on superior market information from its marketing network in China and India as well as better profit margin from greater efficiency. Our top sector pick.

Corporate Events

Key highlights from company visit.

Stock Impact

Stable CPO price outlook. According to Wilmar International's (Wilmar) management, CPO price will stabilise at the current level for 2009 due to relatively resilient demand for food, particularly from its target markets China and India as well as demand for palm oil (the cheapest edible oil), which should remain favourable. This is in line with our house view on CPO price trading band of RM1,750-RM2,100/tonne for 2009 with an average of RM1,800/tonne.

Sales in China still good. Management indicated that the sales of the consumer packs do not show any signs of slowdown based on cooking oil consumption, which our China analyst agrees. An officer of China's State Administration Grain commented on 17 Mar 09 that there is a possible shortfall in cooking oil supply due to increasing demand. This shows there is still room for Wilmar to expand its market share, which currently captures 50% of China's branded cooking oil market. Expansion in its branded goods division also signals a potential margin expansion for its consumer products, which are expected to deliver a pre-tax margin of US\$40-50/tonne.

Growth still with emerging markets. Management reiterates that the growth for Wilmar is still coming from China and India, i.e. the two largest markets for edible oils in the world. We expect Wilmar to deliver better margin compared with its peers due to its size and integrated supply chain. In addition, the bottom line contribution is also supported by: -

- a) **Volume growth** underpinned by capacity expansion and gain in market share. The recent high volatility in commodity prices has driven some refiners out of business, which provide room for further market share expansion.
- b) **Margin improvement from better efficiency.** The improvement in efficiency comes from internal cost control as well as improvement in China and India's public infrastructures, i.e. better highways and rail connectivity.

Trading profit in the range of 5-20%. With regards to fund managers' concerns over Wilmar's trading profit, management highlighted that at least 80% of the Group's net profit is derived from its day-to-day operations. The Group's trading profit is in the range of 5-20%, contributed by: a) better margin derived from right timing in the purchase of raw materials and selling of its products, b) extra profit deriving from maximising shipping load from each shipment, and c) taking an arbitrage position for locked in contracts when price disparity arises.

SINGAPORE

Wilmar International (WIL SP)

BUY

Current Price: S\$3.23

Target Price: S\$3.50

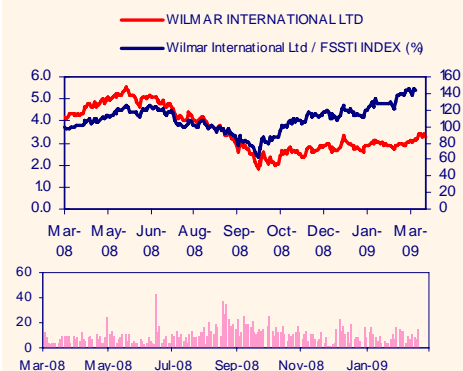
Sector	Plantation
52-Wk Avg Daily Vol. ('000)	9,776
Market Cap (S\$M)	20,625.8
(US\$M)	13,549.1

Major Shareholders (%)	
Wilmar Holdings Pte Ltd	48.2
Kuok Group	31.2

NTA per Share (US\$)	0.89
ROE (%)	17.5
Net Debt per Share (US\$)	0.37

Results Due	
In	2Q: Aug
3Q: Nov	Final: Feb

Price Chart



Analyst

Singapore Research Team
research@uobkayhian.com

Year to 31 Dec	Turnover (US\$m)	EBITDA (US\$m)	Net Profit (US\$m)	EPS (US ¢)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (¢)	Yield (%)
2007	16,466.2	934.1	580.4	9.1	168.8	23.3	19.9	2.6	0.8
2008	29,145.2	2,140.0	1,531.0	24.0	163.8	8.9	8.8	7.3	2.3
2009F	24,863.2	1,795.0	1,013.9	15.9	(33.8)	13.4	10.3	4.5	1.4
2010F	29,475.0	2,245.5	1,273.3	19.9	25.6	10.6	8.4	5.5	1.7
2011F	36,295.1	2,575.5	1,433.6	22.5	12.6	9.5	7.4	6.0	1.9

Consensus Net Profit – 2009: US\$1,134.6m
 – 2010: US\$1,300.9m

Earnings Risk

We revise down our 2009 and 2010 earnings estimates by 10.4% and 3.4% respectively after fine-tuning the profit margin assumptions for Wilmar's oil seeds & grains and consumer products' divisions. We now expect net profits of US\$1,014m and US\$1,273m for 2009 and 2010 respectively.

Valuation/Recommendation

Maintain **BUY**. Wilmar will outperform its peers by leveraging on superior market information from its marketing network in China and India as well as better profit margin from greater efficiency. Key re-rating could include stronger-than-expected results (upside from trading profit) and potential M&As newsflow. At current price, Wilmar is trading at 2009 and 2010 PEs of 13.4x and 10.6x respectively vs 14.3x and 11.7x for its Malaysian peers.

Profit & Loss

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Turnover	16,466	29,145	24,863	29,475	36,295
EBIT	925	1,932	1,539	1,944	2,219
Pre-tax Profit	830	1,789	1,408	1,768	1,991
Net Profit	580	1,531	1,014	1,273	1,434
EPS (US¢)	12.8	13.8	14.8	15.8	16.8

Balance Sheet

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Current Assets	7,111	8,293	7,694	8,364	8,759
Total Assets	15,507	17,869	18,230	19,772	21,454
Current Liabilities	6,169	5,923	5,656	5,848	6,055
Long-Term Loans	819	1,606	1,356	1,631	1,781
Shareholders' Funds	7,845	9,606	10,552	11,604	12,907
Total Equity & Liabilities	15,507	17,869	18,230	19,772	21,454

Cash Flow

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Operating	(1,025)	3,231	1,520	1,351	1,362
Investing	(530)	(1,296)	(902)	(952)	(1,679)
Financing	2,002	(1,276)	(423)	50	(107)
Net Cash In/out flow	446	659	195	450	(424)
Begin Cash & Cash Equiv.	(1)	445	1,104	1,298	1,748
End'g Cash & Cash Equiv.	445	1,104	1,298	1,748	1,324

Strategy

Be cautious on new political movement in Thailand

Thaksin and his supporters are staging an all-out war against the 2006 "coup-makers". They are now camped outside the Prime Minister's Office, preventing the normal functioning of the government.

How serious is this new political development?

After three months of peace and calm politically in Thailand, POLITICAL TENSION has heated up again. Thaksin has stepped up his fight. The pro-Thaksin group estimate at about 30,000 are now camped outside the PM's Office. In our opinion, we believe the new confrontation would lead to political instability. We advise investors to lock in profits and stay out of high beta stocks. We would take profits on the bank, property and energy stocks. We remain defensive and recommend only high yield stocks like ADVANC, CPALL, ROBINS, TUF and TTW (unrated).

It is still difficult to say at this moment whether the new protest will become a mass movement. The government is hoping funding for this protest will dry up soon and the protesters will go home as the Thai New Year Songkran holiday will start on 12 April. The government believes Thaksin supporters are being paid to stage the protests. Thus, if the funds dry up and when the Songkran holiday starts, most of these protesters will have to go home.

The red shirts basically comprise members of the opposition Puea Thai party (PTP), THE United Front for Democracy Against Dictatorship (UDD, alternatively called DAAD or Democratic Alliance Against Dictatorship), supporters of the TRUTH TODAY political cable TV programme, and groups of people who dislike the ruling Democrat Party and the military in general. The red shirts consist of more than the grass roots people; it will be too naive to dismiss them too quickly.

Secondly, there is a move to create violence between the authorities and the red shirts, and between the pro- and anti-Thaksin groups. If there is any bloodshed, the military can step in again with another coup d'état. This will give the military an opportunity to take full control of the country. If the military takes charge once again, it may be a long time before we see a civilian government.

Thus, we remain cautious on this new political development and believe it is too early to dismiss the protest as a short-lived one. The next 15 days will determine whether the movement will be a prolonged one. In the meantime, we expect the Stock Exchange of Thailand (SET) index to react negatively to the political tension. SET may touch 400.

What is Thaksin saying? Why is he creating a stir in Thailand again?

Thaksin accused Privy Council President Prem Tinsulanonda and post-coup Premier Surayud Chulanont of masterminding the 2006 coup. This is a serious accusation as the Privy Council is supposed to be above politics. Thaksin said Prem, other privy councilors and the army commanders must resign and contest in an election if they want to get involved in politics. Thaksin said, "General Prem has become so involved in politics that people suspect he is the Democrat Party leader." Thaksin also criticised Prem for publicly supporting Prime Minister Abhisit, an action described as politically significant.

He also portrayed Abhisit's government as pro-aristocracy. The red shirts are building a story to convince the public that there is a conspiracy among the old elites, the Democrats, the military and the PAD to wipe out Thaksin and his Thai Rak Thai Party. The elite wants its power back. The PAD even talked about "New Politics" where 70% of the Members of Parliament must be appointed with the other 30% elected.

THAILAND

Strategy

Analyst

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During the recent censure debate, the government's Foreign Minister, Kasit Piromya, who is linked to the PAD, was censured heavily. The Democrat Party was also exposed as tying up with the military to set up the present government.

The Democrat Party's fiscal stimulus is under severe attack for spending money on populist policies instead of sinking it on projects to create jobs and income for the public.

Farmers are angry as they are left out of the recent government freebies. The Bt2,000 handout is for salaried workers and not farmers, vendors or those holding menial jobs who are not registered with the social security system.

The people are being called to rise up throughout the country to join the red shirts and bring back democracy. Thaksin encouraged his fellow banned politicians from the now disbanded Thai Rak Thai Party to join the red shirt protests across the country.

Most importantly, the government and the elites in Bangkok should not view the red shirt movement as just a self-serving vehicle for Thaksin to regain his political power and his confiscated wealth, as **this is only partly true**. The underlying messages of the red shirt protesters are as follows: a) there is truly a division between the elites and the grassroots, and b) there is a problem in the 2007 constitution which has given too much power to the judiciary, thereby weakening the political system, and too much power to the independent watchdog. Thus, the government must make sincere attempts at political and economic reforms.

Bank of Ayudhya

Unexciting results expected in 1Q09

Weak organic loans growth and thinner margins will hold back earnings in 1Q09. However, in-organic growth in 2Q09 should support earnings growth of 9% for the year. Reiterate BUY with Bt10.10 target price.

Corporate Events

We visited Bank of Ayudhya (BAY). The bank expects unexciting results in 1Q09 due to weak loans growth and thin net interest margin.

Stock Impact

Disappearing loans demand. With almost a 4% ytd loans contraction in Jan-Feb 09, loans growth is expected to be disappointing in 1Q09. Management said the sharp economic slowdown has really depressed loans demand. In-organic growth should be the only key driver for the bank's loans growth this year. The completion of the acquisition of AIG Retail Bank (Bt25b loans) in April will produce a 3-4% loans growth for the bank in 2Q09. Thanks to the bank's in-organic growth strategy, we expect loans to grow 3% in 2009 vs a forecast 1-2% decline for the sector.

Margins also under pressure. Net interest margin will likely be depressed in 1Q09 due to: a) sizeable deposits mobilised in 4Q08 (+7% qoq), b) the lag effect from interest rate cut in 1Q09, and c) loans contraction.

NPLs show moderate signs of developing. The bank has already seen moderate signs of NPLs developing, especially from the SME sector, mainly due to the liquidity problem. We do not expect any significant increase in NPLs to take place until 2H09 when the sharp economic contraction puts further pressure on the exports sector and unemployment reaches its peak.

Earnings Revision

We maintain our forecast that BAY's net profit will grow 9% this year to Bt5.3b (outperforming the 20% earnings contraction expected for the sector). Results should be well cushioned by the bank's in-organic growth strategy. In February, the bank inked another acquisition deal to purchase two financial units under American International Group (AIG) in Thailand - AIG Retail Bank (AIGRB- auto HP financing) and AIG Card (Thailand AIGCC- a small credit card operator).

The integration process is scheduled to complete in April. This will add a 3-4% loans growth to BAY in 2Q09. Thanks to this acquisition, we expect the bank to report a near-3% loans growth in 2009.

With the acquisition priced at around Bt2.1b, pegged at about 0.63x P/B (of combined equity of AIGRB and AIGCC), the bank could incur nearly Bt1b gain from this negative goodwill from the acquisition in 2Q09. This would be an upside risk to our earnings forecast.

THAILAND

Bank of Ayudhya (BAY TB)

BUY

Current Price: Bt8.65
Target Price: Bt10.10

Sector	Bank
52-Wk Avg Daily Vol. ('000)	18,565
Market Cap (Btm)	52,541.0
(US\$m)	1,480.0
Major Shareholders (%)	
GE Capital	34.7
Book NTA per Share (Bt)	14.0
ROE (%)	6.0

Results Due
1Q: Apr
3Q: Oct
2Q: Jul
Final: Jan

Price Chart



Source: Bloomberg

Analyst

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Year to	Pre-Provision Profit (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	DPS (Bt)	BV (Bt)	P/BV (x)	ROE (%)
2007	8,504	(3,992)	(0.8)	(230.9)	(11.4)	0.0	13.5	0.6	(6.4)
2008	11,514	4,896	0.8	210.8	10.3	0.3	14.0	0.6	6.0
2009F	16,179	5,327	0.9	4.2	9.9	0.3	14.6	0.6	6.1
2010F	17,239	7,303	1.2	37.1	7.2	0.4	15.5	0.6	8.0
2011F	20,170	9,725	1.6	33.2	5.4	0.6	16.7	0.5	9.9

Consensus: FY09: Bt5,993m
FY10: Bt7,149m

Valuation/Recommendation

Current valuation at 0.6x P/B compared with 1.3x P/B when GE acquired BAY 2 years ago appears undervalued as market seems to have valued BAY without GE. At current valuation, we see risk/reward profile improving materially. Maintain BUY with Bt10.10 target price.

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net interest income	19,622	26,737	28,391	29,641	32,700
Non-interest income	7,547	6,001	9,808	11,690	13,780
Total income	27,169	32,738	38,199	41,330	46,480
SG&A	(18,665)	(21,224)	(22,020)	(24,092)	(26,309)
Pre-provision profit	8,504	11,514	16,179	17,239	20,170
Provisions	(12,365)	(6,060)	(8,570)	(7,096)	(6,664)
Net profit	(3,992)	4,896	5,327	7,303	9,725
EPS (Bt)	(0.8)	0.8	0.9	1.2	1.6

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net loans	417,000	526,453	535,151	576,898	622,743
Deposits	499,627	537,354	554,674	617,019	666,381
Equity	77,854	85,270	88,883	94,321	101,490
Total assets	652,387	745,320	768,634	828,453	887,011

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