

### KEY STORY

#### Hong Kong

##### Property

Page 5

We calculate the potential upside for both developers and landlords in a liquidity-driven scenario based on more upbeat assumptions.

#### Singapore

##### Strategy

Page 11

In search of laggards in the current market rally. We recommend Allgreen, AREIT, Golden Agri, Wilmar, SPH and ComfortDelGro.

### CHINA

#### Economics

##### Mar 09 PMI

Page 2

Rebound in PMI suggests the worst is over for the economy.

#### Technical Analysis

##### H-share Index

Page 3

The index is likely to pause ahead of the previous high of 8,774.

##### Shanghai A-Share Index

Page 4

Rebound remains intact unless a pullback drops below 2,353.

### HONG KONG

#### Sector

##### Property

Page 5

We calculate the potential upside for both developers and landlords in a liquidity-driven scenario based on more upbeat assumptions.

### INDONESIA

#### Results

##### Matahari Putra Prima (SELL/Rp560/Fair: Rp500)

Page 7

2008: Net profit falls 94.2% yoy on forex loss. Future profitability level will remain low as cost of debt is rising. Maintain SELL.

### MALAYSIA

#### Update

##### Mah Sing (SELL/RM1.65/Fair: RM1.29)

Page 9

We initiate coverage on Mah Sing with a SELL. Slowing earnings momentum going forward.

### SINGAPORE

#### Strategy

Page 11

In search of laggards in the current market rally. We recommend Allgreen, AREIT, Golden Agri, Wilmar, SPH and ComfortDelGro.

#### Update

##### Singapore Telecommunications (BUY/S\$2.50/Target: S\$2.95)

Page 15

Key takeaways from luncheon presentation.

### Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	8017.6	0.5	3.1	21.0	(8.6)
S&P 500	842.5	1.0	3.3	23.3	(6.7)
FTSE 100	4029.7	(2.3)	3.4	14.1	(9.1)
AS30	3674.0	1.4	1.6	18.1	0.4
CSI 300	2570.5	(0.2)	2.9	12.4	41.4
FSSTI	1820.9	1.0	4.3	20.3	3.4
HSI	14545.7	0.2	3.0	22.0	1.1
JCI	1500.4	0.0	2.6	16.6	10.7
KLCI	907.0	0.2	2.4	5.7	3.5
KOSPI	1283.8	0.5	3.7	21.7	14.2
Nikkei 225	8749.8	0.3	1.4	22.0	(1.2)
SET	446.0	0.7	1.2	6.3	(0.9)
TWSE	5529.6	1.0	2.6	18.8	20.4
BDI	1506	(2.1)	(10.3)	(32.3)	94.6
CPO (RM/mt)	2210	2.7	5.2	13.3	35.6
Nymex Crude (US\$/bbl)	53	(0.2)	0.2	26.1	17.7

Source: Bloomberg

### Top BUYs/SELLs

	Ticker	Current Price (1cy)	Target Price (1cy)	Pot. +/- (%)	
<b>Top BUYs</b>					
	China Life	2628 HK	26.80	31.30	16.8
	China Mobile	941 HK	68.50	85.00	24.1
	China Railway	390 HK	4.83	5.90	22.2
	China Shenhua	1088 HK	19.54	21.90	12.1
	Sinopec	386 HK	5.49	6.60	20.2
	Zijin Mining	2899 HK	5.37	7.15	33.1
	Bumi Resources	BUMI IJ	900	1,010	12.2
	DBS Group	DBS SP	9.02	10.55	17.0
	Indofood Agri	IFAR SP	0.69	0.80	16.8
	SingTel	ST SP	2.50	2.95	18.0
	Advanced Info	ADVANC TB	80.25	101.73	26.8
	Quality Houses	QH TB	0.92	1.28	39.1
<b>Top SELLs</b>					
	Harbin Power	1133 HK	5.66	3.50	(38.2)
	Parkson Retail	3368 HK	8.23	5.15	(37.4)
	S'pore Airlines	SIA SP	10.64	8.20	(22.9)
	STX Pan Ocean	STX SP	10.92	4.35	(60.2)
	Amata Corp	AMATA TB	3.40	2.52	(25.9)

### Key Assumptions

GDP (% yoy)	2008	2009F	2010F
US*	1.1	(2.5)	1.8
Euro Zone*	0.7	(2.8)	0.6
Japan*	(0.6)	(5.8)	0.4
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	1,595	1,947
Copper* (US\$/MT)	6,884	3,719	4,505
Gold Price London* (US\$/ounce)	873	936	982
Iron Ore* (US\$/dmtu)	153	108	101
CPO (US\$/MT)	818	520	685
BDI	6,338	2,500	1,500

\* Bloomberg

Source: UOB, UOB Kay Hian

### Corporate Events

	Venue	Beg	Close
Wasion Gp Corp Roadshow	Hong Kong	7 Apr	8 Apr

## Mar 09 PMI

Rebound in PMI suggests the worst is over

**DATA RELEASED (PMI in Mar 09): 52.4**  
**PREVIOUS DATA (PMI in Feb 09): 49**

**PMI rebounded to 52.4.** China's Purchase Management Index (PMI) registered its first expansion since Aug 08 to 52.4 in March, suggesting the economy has stabilised and the downside risk is reduced on the back of prompt implementation of the government's supportive measures. The improvement in export orders suggests the conditions in external trade have largely normalised.

**The worst is over.** The rebound in the PMI suggests the worst for China's economy is over and it could have a higher qoq growth in 1Q09 (our forecast: +1.5%) from 4Q08 (+0.4%). As a qoq change is an early sign of a turnaround in the economy, we believe the economy has bottomed in 4Q08. We expect the economy to grow 6-6.5% yoy in 1Q09.

**Production resumed as new order index rose.** Among the sub-indices, production index rose strongly to 56.9 in March, spurred by an increase in both new order and new export order indices. Similar to February, machinery and equipment sector led the production expansion as the new round of investment boom as well as the revival plans for ten industries boosted demand for machinery. The production index for electric machinery and equipment sector hit 71 in March vs a low of 36 in Nov 08. Production index for non-ferrous metals was below 50 as the industry is still suffering from weak demand. With the government stimulus package rolling over in 2Q09, the rebound in PMI could continue.

**External demand improves but is still below 50.** New export order rose by 4.1 to 47.5 in March. This could be attributable to: a) improving trade finance and recent currency swap by PBOC played a role in this regard, and b) the higher export tax rebate has increased exporters' competitiveness. We expect a smaller drop in exports growth in Mar 09 (our forecast: -19% vs -25.7% in Feb 09). On the other hand, a stronger import index confirms a pick-up in domestic demand and it shows the positive impact of a stabilised China's economy on the world economy, in particular, the regional economies as China has trade deficits with many countries in the region.

### PMI Details

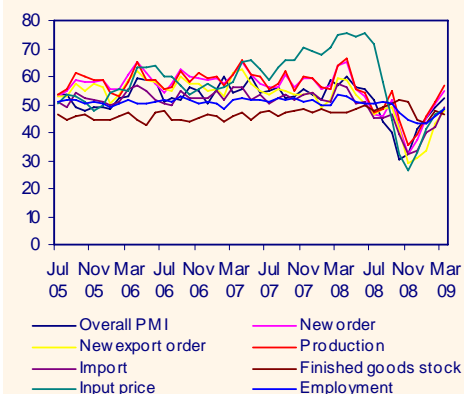
	Output	New Order	New Export Order	Finished Goods Stocks	Imports	Input Prices	Employment	Overall
<b>2008</b>								
Jan	56.1	55.2	49.0	48.0	51.3	67.7	49.7	53.0
Feb	55.4	56.9	51.3	47.3	50.7	70.1	49.8	53.4
Mar	55.3	63.8	59.1	47.3	57.5	74.6	53.4	58.4
Apr	66.5	65.0	58.9	47.2	56.1	75.1	52.9	59.2
May	55.7	55.4	53.4	48.7	50.3	73.9	51.2	53.3
Jun	54.2	52.6	50.2	49.5	50.9	75.7	50.3	52.0
Jul	47.4	46.2	46.7	47.8	45.4	71.3	50.6	48.4
Aug	48.7	46.0	48.4	49.0	45.3	57.8	50.7	48.4
Sep	54.6	51.3	48.8	50.5	46.4	44.7	50.3	51.2
Oct	44.3	41.7	41.4	51.4	39.4	32.3	47.0	44.6
Nov	35.5	32.2	29.0	50.8	32.2	26.6	44.3	38.8
Dec	39.4	37.3	30.7	44.7	33.3	32.7	43.3	41.2
<b>2009</b>								
Jan	45.5	45.0	33.7	43.5	39.9	41.5	43.0	45.3
Feb	51.2	50.4	43.4	47.7	41.8	46.5	46.1	49.0
Mar	56.9	54.6	47.5	46.7	48.8	48.3	48.6	52.4

Source: CEIC

## CHINA

### Economics

#### PMI



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## Technical Analysis

H-share Index: 8,574

In line with our earlier forecast, the H-share Index broke out from the horizontal resistance of 7,877. Thereafter, the index refilled the previous downside gap at 8,028-8,235 as we had projected.

Meanwhile, the index is likely to pause ahead of the previous high of 8,774. With Slow Stochastics in the overbought zone, downside momentum may overcome upside momentum to push the index down.

In the best-case scenario, the index is likely to have a shallow correction that finds support where the 10-day moving average and the uptrend support line coincide. Afterwards, the index is expected to test the psychological barrier of 9,000 before approaching the 250-day moving average in the longer term.

Our alternative take is for a deep pullback dragging the index towards the support near 7,877 first before the index resumes steam to turn north again.

### CHINA

### Technical Analysis

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### Slow Stochastics of H-share Index



Source: HKETnet

## Technical Analysis

Shanghai A-share Index: 2,539

When the Shanghai A-Index closed at 2,378, we had suggested the index would have a breakout from the 200-day moving average and a follow-through to 2,523. Last Friday, the index did end up at 2,539 after penetrating the previous high of 2,523.

Nonetheless, the presence of the negative divergence of MACD on the chart below means that upward momentum may slow down.

In other words, the odds are increasing that the index may see a pullback. Unless the pullback breaches the newfound support at 2,353, the index would likely resume the momentum to head towards the congestion zone near 2,860.

### MACD of Shanghai A-share Index



Source: Bloomberg

## CHINA

### Technical Analysis

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## Property

Under a liquidity-driven scenario

Based on two sets of more upbeat assumptions, we calculate there is still plenty of upside under a liquidity-driven rally.

### Sector Events

It is now a popular belief that the stock market will rally further still. A liquidity-driven rally can be vigorous, and we have calculated the potential upside to property counters based on two more upbeat scenarios:

- a) **The best-case scenario** assumes property prices will not fall further from here, meaning values for both residential and commercial space in Hong Kong as well as China have stabilised after falling 20% from the peak. This is an improbable scenario, but it gives an idea of the potential ceiling in this rally.
- b) **The bull-case scenario** assumes asset prices will fall another 10% from the current level. Given the current economic conditions, this is still quite a bullish assumption, though much more realistic than the best-case scenario.

### Two Liquidity-Driven Scenarios

	Share price 3 Apr 09 (HK\$)	Best-case NAV (HK\$)	Avg. discount to NAV in last decade (%)	Best- case target price (HK\$)	Upside to best- case target price (%)	Bull- case NAV (HK\$)	Bull- case target price (HK\$)	Upside to bull- case target price (%)	Share price change from Jan 09 high (%)	Beta
<b>Developers</b>										
Cheung Kong	73.20	97.29	(16)	81.72	12	91.67	77.00	5	(10)	1.01
Hang Lung Properties	19.18	20.63	(23)	15.89	(17)	18.68	14.38	(25)	(0)	1.31
Henderson Land	34.05	59.85	(30)	41.90	23	54.81	38.37	13	3	1.06
Kerry Properties	22.55	45.07	(40)	27.04	20	40.72	24.43	8	5	1.37
New World Dev	8.80	20.28	(41)	11.97	36	19.08	11.26	28	(6)	1.24
Sino Land	9.14	15.10	(30)	10.57	16	13.32	9.32	2	(1)	1.34
SHK Properties	78.55	109.71	(12)	96.54	23	97.95	86.20	10	7	1.14
<b>Landlords</b>										
Great Eagle	11.10	30.77	(50)	15.39	39	28.64	14.32	29	13	0.75
Hongkong Land (US\$)	2.41	4.39	(20)	3.51	46	3.87	3.10	28	(8)	0.74
Hysan	13.64	27.02	(39)	16.48	21	24.14	14.73	8	(2)	0.84
Swire	55.85	91.92	(21)	72.62	30	84.93	67.09	20	(5)	0.88
Wharf	21.30	38.67	(28)	27.84	31	34.64	24.94	17	(6)	1.04

Source: UOB Kay Hian

**Our picks in a liquidity-driven rally.** Under the best-case scenario, there is still plenty of upside for all the stocks, except Hang Lung Properties. Even under the tightened bull-case scenario, six stocks offer more than 20% upside from the current level. Balancing the potential upside and the intrinsic quality of the individual companies, we prefer New World Development, Swire and Wharf.

**Fundamentally speaking...** There are various reasons to support or explain the recent rally in the sector: a) property is tied closely to the economy, thus property companies are recovery plays on the notion that the economy will pick up much faster than previously expected, b) the sector is trading at a deep discount to NAV, and the stocks are undervalued, c) rotational buying given China developers had a tremendous run last month, especially as Hong Kong companies are cheaper proxies for their China landbank, and d) property is a hedge against the likely inflationary pressure in the future.

## HONG KONG

### Property

## UNDERWEIGHT

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Our base-case scenario assumes that property prices will fall by another 25%, generally speaking, across the board. We agree that, if the underlying global, and hence the local, economy turns out to be stronger than expected, our base-case scenario will be too bearish. However, we have decided to retain our base-case assumptions at this stage until we are in a better position to gauge how they should be revised. While an increasing number of investors has turned to the residential market after the recent fallout of the stock market, investment demand alone is not sufficient to sustain a property market, in our opinion. Ultimately, any sustainable and healthy development of the residential sector requires the support of end-user demand, which in turn has been linked closely to the overall employment situation.

**Five stocks trading below our revised targets.** Meanwhile, given the revived sentiment in the stock market, we feel it is no longer appropriate to use trough discount to NAV to calculate our target prices. Thus, we have raised our base-case targets based on the historical average discount to NAV for each counter. There are five stocks still trading below our revised targets: New World Development, Great Eagle, Hongkong Land, Swire and Wharf.

**Revised Base-case Targets**

	Rec	Share price 3 Apr 09 (HK\$)	Base-case NAV (HK\$)	Avg. trough discount to NAV in past crises (%)	Original base-case target price (HK\$)	Downside to original base-case target price (%)	Avg. discount to NAV in last decade (%)	Revised base-case target price (HK\$)	Downside to revised base-case target price (%)
<b>Developers</b>									
Cheung Kong	1 HK	SELL	73.20	86.22	(33)	57.77	(21)	72.42	(1)
Hang Lung Properties	101 HK	SELL	19.18	15.75	(38)	9.77	(49)	12.13	(37)
Henderson Land	12 HK	HOLD	34.05	45.52	(42)	26.40	(22)	31.86	(6)
Kerry Properties	683 HK	SELL	22.55	34.19	(60)	13.68	(39)	20.51	(9)
New World Dev	17 HK	HOLD	8.80	17.48	(65)	6.12	(30)	10.31	17
Sino Land	83 HK	SELL	9.14	10.65	(63)	3.94	(57)	7.46	(18)
SHK Properties	16 HK	SELL	78.55	80.19	(38)	49.72	(37)	70.57	(10)
<b>Landlords</b>									
Great Eagle	41 HK	HOLD	11.10	26.95	(67)	8.89	(20)	13.48	21
Hongkong Land (US\$)	HKL SP	HOLD	2.41	3.07	(38)	1.90	(21)	2.46	2
Hysan	14 HK	SELL	13.64	19.83	(63)	7.34	(46)	12.10	(11)
Swire	19 HK	HOLD	55.85	71.36	(36)	45.67	(18)	56.37	1
Wharf	4 HK	SELL	21.30	30.03	(50)	15.02	(30)	21.62	2

Source: UOB Kay Hian

**Supplementary information.** The table below shows how each company's NAV is broken down into Hong Kong and China, as well as residential and commercial. This is a useful reference for those looking for specific exposure, eg China as opposed to Hong Kong, or having different preference between sectors, eg commercial to residential.

**% Breakdown Of NAV**

	Cheung Kong	Hang Lung Prop	Henderson Land	Kerry	New World Dev	Sino Land	SHKP	Great Eagle	HK Land	Hysan	Swire	Wharf
Hong Kong properties												
Property development	16	25	22	19	30	40	27		4		9	2
Property investment												
Retail	1	23	11	6	10	17	28	16	18	29	25	31
Office	4	9	15	2	7	12	14	40	58	41	33	24
Others		12	3	14	10	4	6	3		22	6	6
Hotel	7		5		8	3	4	16	1		1	2
<b>Total HK properties</b>	<b>28</b>	<b>69</b>	<b>56</b>	<b>41</b>	<b>65</b>	<b>76</b>	<b>79</b>	<b>75</b>	<b>81</b>	<b>92</b>	<b>74</b>	<b>65</b>
China properties	20	31	17	48	8	18	17		2	5		24
Overseas properties	2				1			21	17		1	
Non-property assets	50		27	11	26	6	4	4		3	25	11
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: UOB Kay Hian

## Matahari Putra Prima

2008: Net profit hit by huge forex loss

Despite in line operational performance, net profit was significantly below our expectation due to loss from derivative transaction. Future profitability level will remain low as cost of debt is rising. Maintain SELL.

### 2008 Results

Year to 31 Dec	2007 (Rpb)	2008 (Rpb)	yoy % chg	Remarks
Sales	9,768	11,977	22.6	Driven by department store sales growth of 19.3% yoy and food business sales growth of 27.1% yoy
Gross profit	2,579	3,124	21.1	
Operating profit	408	497	21.7	
Pre-tax Profit	214	(67)	(131.3)	Hit by the unrealised marked-to-market loss from forex option hedging contract
Net profit	180	10	(94.2)	
Gross margin (%)	26.4	26.1		Declining margin due to rising exposure to lower-margin food business
Operating margin (%)	4.2	4.1		
Pretax margin (%)	2.2	-0.6		
Net margin (%)	1.8	0.1		

Source: Matahari Putra Prima, UOB Kay Hian

### Results

**Net profit hit by forex loss.** Matahari Putra Prima (MPPA) reported 2008 net profit of Rp10.5b, down by 94.2% yoy and significantly lower than our expectation of Rp192.6b. The drop in net profit was due to an unrealised marked-to-market loss from a forex option hedging contract amounting to Rp389.6b while operational performance was largely in line with expectation.

**Declining margins on rising exposure to food business.** MPPA's gross and operating margins declined due to its rising exposure to the food business, especially the hypermarket business, which has lower margins than department stores. Gross margin in the food division was 19.3% in 2008 vs 34.1% for the department store division. Revenue contribution from the food business to MPPA's total revenue increased to 47.3% in 2008 from only 45.6% in 2007.

**Plan to issue Rp500b bonds.** The company plans to issue Rp500b conventional and Shariah bonds on mid Apr 09 to partly refinance its debts and bankroll business expansion. It has Rp443b in bonds and US\$137.5m in notes payable maturing in May 09 and Oct 09 respectively. The new bonds will be issued on two terms. The A series bonds totalling Rp340b with three-year maturity will have a rate of 16% while the B series bonds amounting to Rp160b with five-year maturity will have a rate of 17%.

## INDONESIA

### Matahari Putra Prima (MPPA IJ)

#### SELL

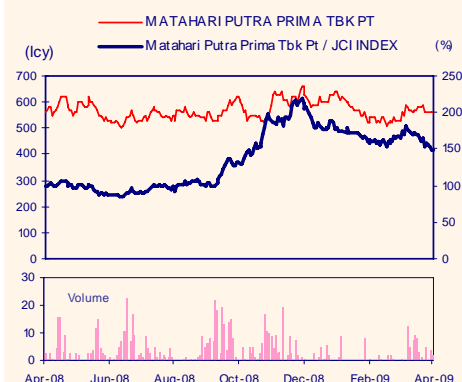
**Current Price: Rp560**  
**Fair Price: Rp500**  
**(Previous: Rp550)**

Sector	Retail
52-Wk Avg Daily Vol. ('000)	3,336
Market Cap (Rpb)	2,638.7
(US\$m)	230.0
Major Shareholders (%)	
Multipolar	50.1
Book NTA per Share (Rp)	659.5
ROE (%)	0.3
Net Debt per Share (Rp)	327.3

#### Results Due

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

#### Price Chart



Source: Bloomberg

#### Analyst

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Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Rp)	Yield (%)
2007	9,768	764	180	38.2	(35.5)	14.6	5.5	10.0	1.8
2008	11,977	859	10	2.2	(94.2)	251.4	4.9	11.0	2.0
2009F	12,755	891	200	42.5	1,808.0	13.2	4.7	0.7	0.1
2010F	15,160	985	255	54.1	27.2	10.4	4.2	12.8	2.3
2011F	17,832	1,048	301	63.9	18.1	8.8	4.0	16.2	2.9

Consensus Net Profit – FY09: Rp238.4b  
– FY10: Rp337.5b

**Stock Impact**

We expect margins to continue declining on more exposure to food business. Furthermore, the need to repay debts during the current tight liquidity situation inflates costs. The rate of the planned bonds of 16-17% is higher than the rate of its existing bonds and notes of 13.8% and 9.5% respectively. Consequently, we expect the company's profitability level as shown by net margin and ROE to be kept low in the near term.

**Earnings Revision**

We are lowering our 2009 and 2010 net profit estimates by 22.5% and 24.5% to account for the inclusion of new debts.

**Valuation/Recommendation**

Trading at 13.2x 2009F PE, with expected ROE of only 6.2x, the stock is expensive. Its competitor Ramayana Lestari Sentosa with a higher ROE of 17.0% is trading at 7.5x 2009F PE. We maintain our SELL call with a new fair price of Rp500 and entry price of Rp400.

**Profit & Loss**

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Turnover	9,768	11,977	12,755	15,160	17,832
Gross Profit	2,579	3,124	3,299	3,893	4,513
Operating Profit	408	497	501	567	601
Pre-tax Profit	214	(67)	274	349	412
Net Profit	180	10	200	255	301

**Balance Sheet**

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Current Assets	4,427	5,079	3,845	4,576	4,417
Total Assets	8,446	9,741	8,486	9,342	9,316
Current Liabilities	1,965	4,526	3,628	4,495	4,869
Total Liabilities	5,142	6,578	5,120	5,774	5,516
Shareholder's fund	3,245	3,108	3,305	3,499	3,724

**Cash Flow**

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Cash Flow from Operation	1,113	323	763	1,032	503
Cash Flow from Investments	(670)	(1,899)	(546)	(645)	(690)
Cash Flow from Financing	1,091	554	(1,241)	(262)	(277)
Change in Cash	1534	(1,022)	(1,024)	124	(464)

## Mah Sing

### Slowing earnings momentum

Mah Sing focuses on building medium-tier to high-end houses in three areas - Klang Valley, Johor and Penang. Initiate with SELL.

Adopting a quick turnaround strategy, Mah Sing buys land in mature areas, tapping on ready infrastructure. This allows the Group to reduce its planning-to-launch time and development lifespan for its projects.

**Net profit growth to slow given current economic conditions.** Given the current weak property demand, it will be difficult for Mah Sing to execute its quick turnaround strategy. We project its net profit CAGR to slow to 4.0% over the next three years compared with 24.5% earnings CAGR during the property upcycle in 2005-08. Our 2009 and 2010 net profit forecasts are 5-10% below consensus.

**Oversupply concern.** As of 3Q08, future supply in the landed residential segment in Klang Valley, Johor and Penang represented 22% of total existing supply and will likely be completed over the next two years. This is further aggravated by softened demand given decelerating property sales.

**Possible delay in The Icon-Mon't Kiara en-bloc sale.** The en-bloc sale of The Icon-Mon't Kiara to Kuwait Finance House for RM305m in Nov 07 is still not finalised. We expect further delay as the global economic crisis deepens, affecting foreign investors' sentiment and their ability to secure financing. The sale represents 44% and 36% of our 2009 and 2010 net profit forecasts respectively, which have not been factored into our earnings model.

**Upside from higher dividend and sturdy balance sheet.** Should Mah Sing raise its dividend payout for 2009 above its guided 40% level, or above 4% dividend yield, this could be a positive re-rating catalyst. As of 2008, net gearing was 7%. The company will receive another RM213m upon the completion of the The Icon-Jln Tun Razak in mid-09, boosting its war chest to RM385m.

### Valuation/Recommendation

Initiate coverage with a SELL and a fair price of RM1.29, pegged at a 30% discount (based on the sector's historical trough P/B of 0.7-0.8x) to our RNAV estimate of RM1.85/share. At our fair price, Mah Sing is trading at 2009F PE of 8.7x vs its historical 10-year average PE of 9.6x, implying a 22% downside to the current price.

## MALAYSIA

### Mah Sing (MSGB MK)

#### INITIATE WITH SELL

Current Price: RM1.65

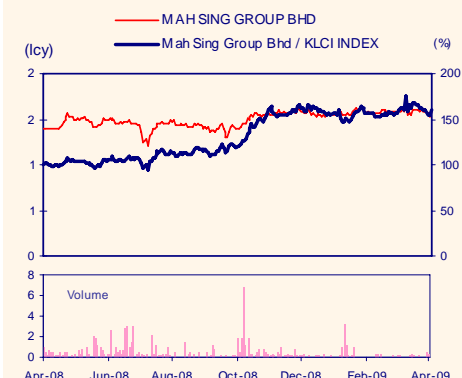
Fair Price: RM1.29

Sector	Property
52-Wk Avg Daily Vol. ('000)	418
Market Cap (RMm)	1,035.1
(US\$m)	289.3
Major Shareholdres (%)	
Dato' Sri Leong Hoy Kum	35.8
NTA per Share (RM)	1.10
ROE (%)	14.1
Net Debt per Share (RM)	0.07

#### Results Due

1Q: May	1H: Aug
3Q: Nov	Final: Feb

#### Price Chart



Source: Bloomberg

#### Analyst

Malaysia Research Team  
research@uobkayhian.com

Year to 31 Dec	Turnover (RMm)	EBITDA (RMm)	Net Profit (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (sen)	Yield (%)
2007	573.4	106.2	81.2	14.8	(9.6)	11.1	7.5	8.0	4.8
2008	651.6	147.6	93.1	14.9	0.7	11.1	7.3	8.0	4.8
2009F	631.7	147.8	93.0	14.8	(0.7)	11.1	7.6	5.9	3.6
2010F	664.2	149.2	94.4	15.0	1.5	11.0	7.2	6.0	3.6
2011F	766.9	163.9	104.8	16.7	11.0	9.9	7.3	6.7	4.0

Consensus net profit – FY09: RM98.5m  
– FY10: RM104.3m

**Profit & Loss**

<u>Year to 31 Dec (RMm)</u>	<u>2007</u>	<u>2008</u>	<u>2009F</u>	<u>2010F</u>	<u>2011F</u>
Turnover	573.4	651.6	631.7	664.2	766.9
EBIT	123.0	138.6	138.7	140.7	155.9
Pre-tax Profit	117.7	136.0	132.6	134.6	149.4
Net Profit	81.2	93.1	93.0	94.4	104.8
EPS (sen)	14.8	14.9	14.8	15.0	16.7

**Balance Sheet**

<u>Year to 31 Dec (RMm)</u>	<u>2007</u>	<u>2008</u>	<u>2009F</u>	<u>2010F</u>	<u>2011F</u>
Current Assets	1050.6	1087.0	1133.7	1251.6	1362.0
Total Assets	1110.1	1199.5	1242.1	1356.4	1463.8
Current Liabilities	278.8	317.5	295.2	343.6	377.8
Long-Term Loans	143.0	181.9	181.9	181.9	181.9
Shareholders' Funds	630.3	690.4	755.5	821.6	894.9
Total Equity & Liabilities	1110.1	1199.5	1242.1	1356.4	1463.8

**Cash Flow**

<u>Year to 31 Dec (RMm)</u>	<u>2007</u>	<u>2008</u>	<u>2009F</u>	<u>2010F</u>	<u>2011F</u>
Operating	(102.7)	(7.4)	(40.1)	47.0	(68.7)
Investing	(4.9)	(55.0)	(4.5)	(4.5)	(4.5)
Financing	265.6	22.4	20.7	(4.3)	(39.0)
Net Cash In/out flow	158.0	(40.0)	(23.9)	38.2	(112.2)
Begin Cash & Cash Equiv.	42.3	200.4	160.4	136.5	174.7
End'g Cash & Cash Equiv.	200.3	160.4	136.5	174.7	62.5

**RNAV**

	<u>Stake (%)</u>	<u>Landbank (acre)</u>	<u>Price (RMpsf)</u>	<u>Value (RMm)</u>
<b>Klang Valley</b>				
Aman Perdana - Residential	100%	46.9	30.0	61.3
Aman Perdana - Commercial	100%	21.7	75.0	70.9
Kemuning Residence	100%	6.0	30.0	7.8
Hijaun Residence	100%	28.0	30.0	36.6
One Legenda	100%	9.9	30.0	12.9
Hulu Langat	100%	6.4	25.0	7.0
StarParc Point	100%	5.3	200.0	46.2
Southgate	100%	3.0	600.0	78.4
The Icon	100%	2.6	641.0	72.6
<b>Johor</b>				
Sri Pulai Perdana - Residential	100%	45.7	15.0	29.9
Sri Pulai Perdana - Commercial	100%	7.4	60.0	19.3
Sri Pulai Perdana 2	100%	66.5	15.0	43.5
Austin Perdana - Residential	100%	12.7	15.0	8.3
Austin Perdana - commercial	100%	20.3	60.0	53.1
Sierra Perdana - Residential	100%	164.0	15.0	107.2
Sierra Perdana - commercial	100%	52.3	60.0	136.7
<b>Penang</b>				
Southbay - Residential	70%	47.0	80.0	114.6
Southbay - Commercial	70%	33.0	150.0	150.9
			<b>578.7</b>	<b>1,057.1</b>
Plastic Division				58.3
NPV of unbilled sales				90.8
Less: Net (debt)/cash				(46.7)
Total RNAV				<b>1,159.5</b>
Fully-diluted RNAV/share (RM)				<b>1.85</b>

Source: UOB Kay Hian

## Strategy

In search of laggards in the current market rally

We recommend Allgreen Properties, Ascendas REIT, Golden Agri-Resources, Wilmar International, Singapore Press Holdings and ComfortDelGro Corporation.

**FSSTI up 25% from recent trough.** The Straits Times Index (FSSTI) closed at 1,820.87 on Friday, up 25% from its recent low of 1,456.95 on 9 March. The index now trades at a P/B of 1.08x, or 63% upside to its long-term P/B mean of 1.76x (1993-2009).

### FSSTI's Price/Book Value



Source: Bloomberg, UOB Kay Hian

### Sector Performance

Sector	Price Performance (% chg)			
	6M	3M	1M	Since 9 Mar 09
FSSTI	(21)	(0)	19	25
UOBKH Universe	(21)	(2)	15	21
Aviation	(17)	(4)	10	14
Conglomerate	(17)	19	34	35
Finance	(32)	(5)	23	35
Healthcare	(33)	(6)	9	11
Land Transport	(18)	(11)	(4)	(1)
Media	(32)	(20)	3	11
O&M	(37)	6	37	40
Plantation	30	11	14	18
Property	(11)	(4)	34	44
REITs	(29)	(6)	17	27
Shipping	(43)	7	40	35
Supply Chain	6	26	31	32
Technology	(36)	18	(2)	14
Telecoms	(21)	(6)	(1)	2
S-shares	(47)	(26)	13	20
Others	(25)	(5)	(6)	(1)

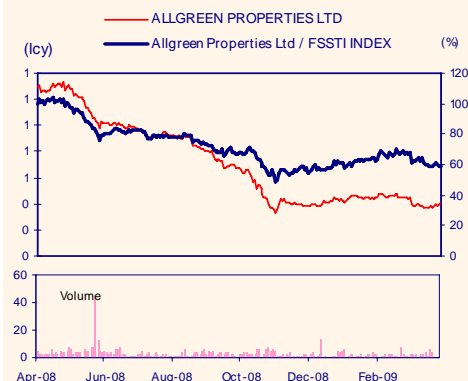
Source: UOB Kay Hian

**Depressed, previously perceived high-risk sectors outperformed the index.** The sectors that rebounded sharply were conglomerates (+35% since 9 March), offshore & marine (+40%), finance (+35%), property developers (+44%), REITs (+27%), shipping (+35%) and supply chain (+32%). In a market rebound from a recession trough, large-cap depressed-value cyclicals are always the first to rally.

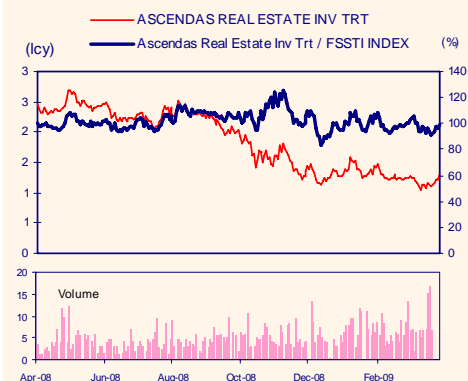
**In search of laggards.** We have reviewed the stocks under our coverage for laggards in the current market rally. We looked at their underperformance since 9 March as well as their potential upside to our current fundamental valuations and their long-term P/B mean valuations. We recommend Allgreen Properties (Allgreen), Golden Agri-Resources

## SINGAPORE Strategy

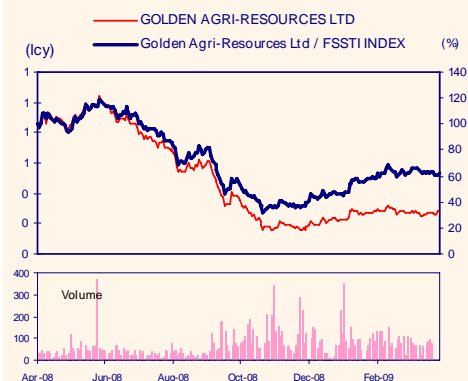
### Price Charts



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

### Analyst

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(Golden Agri), Wilmar International (Wilmar), Ascendas REIT (AREIT), Singapore Press Holdings (SPH) and ComfortDelGro Corporation (ComfortDelGro).

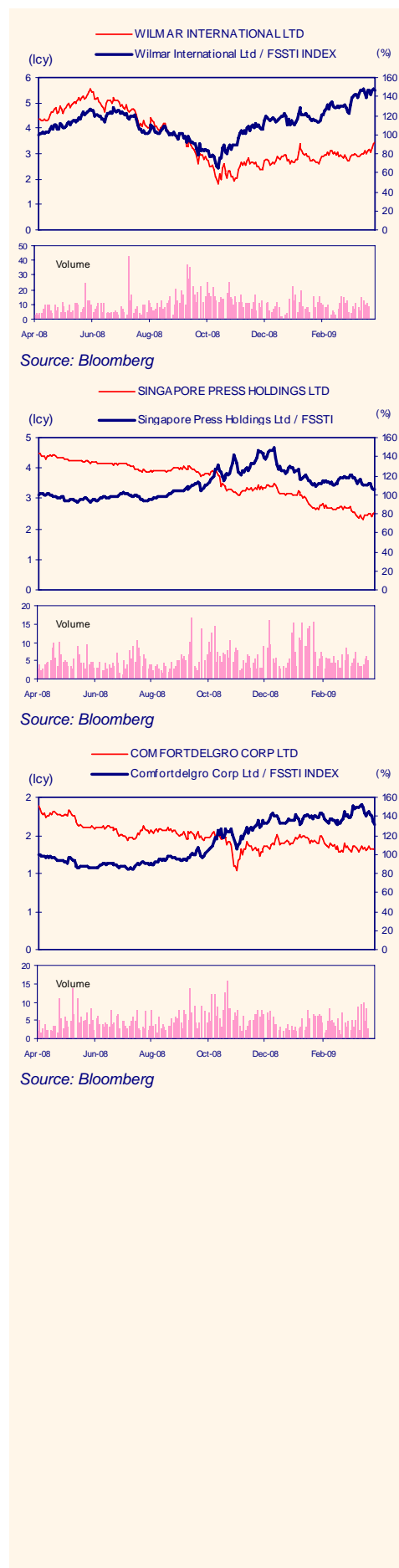
**Allgreen (AG SP/S\$0.48/Target: S\$0.50).** The property sector rebounded sharply with large-cap stocks CapitaLand, City Developments and Keppel Land having appreciated by 51%, 47% and 46% respectively since 9 March. We see Allgreen, which has appreciated by 26% during the same period, as a laggard. Allgreen's performance has also lagged that of small-cap property stocks Ho Bee (+50%) and SC Global (+49%). While Allgreen's current share price of 48 cents is a mere 2 cents away from our target price of 50 cents, it is still at a large discount of 44% to our RNAV estimate of 85 cents. Allgreen offers good exposure to the mid-tier and mass-market property development segment in Singapore, which accounts for 40% of the stock's RNAV.

**AREIT (AREIT SP/S\$1.33/Target: S\$1.59).** The depressed REITs sector bounced back with an admirable appreciation of 27% since 9 March. While AREIT (+25%) has performed in line with the FSSTI, we see further upside in its share price if the market rally continues. Average lease term to expiry for AREIT's entire portfolio is 5.3 years. A-REIT is pursuing growth through development projects on a built-to-suit basis. A-REIT is not as exposed to export-oriented manufacturing as widely perceived. Tenants engaged in conventional manufacturing activities occupy about 21% of its portfolio's net lettable area.

**Golden Agri (GGR SP/S\$0.285/Target: S\$0.33); Wilmar (WIL SP/S\$3.36/Target: S\$3.50).** Golden Agri (+14% since 9 March) and Wilmar (+17%) have lagged the FSSTI (+25%) and Singapore plantation peers Indofood Agri (+37%) and First Resources (+35%). The Singapore plantation sector, trading at prospective PEs of 8-10x, offers a large valuation discount to their Malaysian peers, which are trading at prospective sector PEs of 12-15x. Golden Agri is trading at low PEs of 6.6x and 4.5x for 2009 and 2010 respectively.

**SPH (SPH SP/S\$2.61/Target: S\$3.90).** In a market rally from a recession trough, investors tend to avoid low-beta stocks that are perceived to be defensive. With many low-beta stocks trading at large discounts to their long-term P/B mean valuations, some of these stocks will offer good share price upside in a more mature market rally. We like SPH whose share price has declined 16% ytd because of weak advertising revenue (AR) and a potential write-down of Paragon's valuation. While AR will remain weak throughout 2009, we expect a rebound once Singapore's two mega Integrated Resorts commence operation in end-09/2010. SPH is now trading at P/B of 2.1x, well below its long-term P/B mean of 3.6x since 1990 and Asian financial crisis' trough P/B of 2.7x. Share price has discounted major risks.

**ComfortDelGro (CD SP/S\$1.32/Target: S\$1.76).** ComfortDelGro's share price (+2% since 9 March) has lagged the market rally and is another deep-value stock that we like. ComfortDelGro is a global integrated transport operator. It offers strong cash earnings and dividend yield of 6.4% for FY09. The stock is a major beneficiary of low oil prices with fuel cost savings in excess of S\$100m from its Singapore business operation and diesel sales segment. Our target price for ComfortDelGro is S\$1.76, premised on sum-of-the-parts valuation. This translates into 14.5x average 2009 and 2010 earnings, which is reasonable for a global transport company.



Stock Picks

Stock	Ticker	Market Cap. (\$m)	Price 3 Apr 09 (\$)	Target (\$)	EPS			PE			Yield		ROE (%)	Price/NTA (x)
					2008	2009F	2010F	2008	2009F	2010F	2008 (%)	2009F (%)		
Allgreen	AG SP	763	0.48	0.50*	4.2	2.6	4.2	11.3	18.8	11.5	4.2	4.2	3.0	0.3
Ascendas REIT	AREIT SP	2,239	1.33	1.59	14.4	12.3	11.0	9.3	10.8	12.1	11.6	10.0	7.9	0.7
ComfortDelGro	CD SP	2,753	1.32	1.76	9.6	12.0	12.4	13.8	11.0	10.6	3.8	6.4	13.2	2.2
Golden Agri	GGR SP	2,957	0.285	0.33	19.6	4.3	6.4	1.5	6.6	4.5	2.8	1.6	34.4	0.4
S P H	SPH SP	4,198	2.61	3.90	27.2	22.4	27.4	9.6	11.7	9.5	10.3	9.6	20.8	2.1
Wilmar	WIL SP	21,456	3.36	3.50	33.9	23.8	29.9	9.9	14.1	11.2	2.2	1.3	17.3	2.6

\*RNAV = S\$0.85

Source: Bloomberg, UOB Kay Hian

UOB Kay Hian Universe

Stock Ticker (SP)	Mkt Cap (\$m)	Beta (x)	P/B (x)	Sh Price 3 Apr 09 (\$)	Price Performance (% chg) since 9 Mar 09				
					6M	3M	1M	9 Mar 09	
<b>FSSTI</b>				<b>1,820.9</b>	<b>(21)</b>	<b>(0)</b>	<b>19</b>	<b>25</b>	
<b>AVIATION</b>									
S I A	SIA	12,625	0.86	0.94	10.64	(25)	(10)	7	9
SIA Engrg	SIE	2,081	0.68	1.84	1.93	(15)	(7)	10	28
S'pore Airport	SATS	1,381	0.56	1.03	1.28	(28)	(9)	13	15
ST Engrg	STE	8,016	0.86	5.06	2.67	1	9	16	20
<b>Sector</b>					<b>(17)</b>	<b>(4)</b>	<b>10</b>	<b>14</b>	
<b>CONGLOMERATES</b>									
Keppel Corp	KEP	9,160	1.28	1.99	5.75	(18)	27	40	41
SembCorp Ind	SCI	4,606	1.22	1.77	2.58	(13)	6	23	26
<b>Sector</b>					<b>(17)</b>	<b>19</b>	<b>34</b>	<b>35</b>	
<b>FINANCE</b>									
DBS Holdings	DBS	20,579	1.05	0.88	9.02	(37)	4	25	40
O C B C	OCBC	16,071	0.90	1.14	5.14	(28)	(1)	25	30
S'pore Exchange	SGX	6,201	1.27	9.38	5.8	(6)	10	33	44
U O B	UOB	16,276	0.95	1.20	10.68	(35)	(20)	17	30
<b>Sector</b>					<b>(32)</b>	<b>(5)</b>	<b>23</b>	<b>35</b>	
<b>HEALTHCARE</b>									
Parkway	PWAY	1,345	0.92	1.05	1.19	(37)	(11)	9	13
Raffles Medical	RFMD	415	0.65	1.87	0.8	(14)	14	9	3
<b>Sector</b>					<b>(33)</b>	<b>(6)</b>	<b>9</b>	<b>11</b>	
<b>LAND TRANSPORT</b>									
ComfortDelGro	CD	2,753	0.80	1.77	1.32	(14)	(11)	(3)	2
SMRT	MRT	2,274	0.47	3.34	1.5	(23)	(11)	(5)	(5)
<b>Sector</b>					<b>(18)</b>	<b>(11)</b>	<b>(4)</b>	<b>(1)</b>	
<b>MEDIA</b>									
S P H	SPH	4,155	0.56	2.05	2.61	(32)	(20)	3	11
<b>Sector</b>					<b>(32)</b>	<b>(20)</b>	<b>3</b>	<b>11</b>	
<b>OFFSHORE &amp; MARINE</b>									
ASL Marine	ASL	146	1.11	0.57	0.485	(38)	7	28	29
COSCO Corp	COS	2,038	1.49	1.78	0.91	(41)	(2)	28	30
Jaya	JAYA	227	0.96	0.55	0.295	(73)	(9)	23	37
SembCorp Marine	SMM	4,081	1.54	3.07	1.97	(28)	12	43	46
<b>Sector</b>					<b>(37)</b>	<b>6</b>	<b>37</b>	<b>40</b>	
<b>PLANTATION</b>									
First Resources	FR	507	1.37	0.94	0.345	0	3	23	35
Golden Agri	GGR	2,957	1.24	0.43	0.285	(3)	21	4	14
Indofood Agri	IFAR	992	1.29	0.97	0.685	(5)	21	37	37
Wilmar	WIL	21,456	1.11	1.56	3.36	40	9	15	17
<b>Sector</b>					<b>30</b>	<b>11</b>	<b>14</b>	<b>18</b>	
<b>PROPERTY</b>									
Allgreen	AG	763	1.07	0.34	0.48	(27)	5	25	26
CapitaLand	CAPL	11,459	1.27	0.92	2.7	11	(0)	46	51
City Devts	CIT	8,173	1.13	1.00	5.98	(25)	(9)	26	47
GuocoLand	GUOL	950	0.75	0.47	1.07	(42)	(9)	5	12
Ho Bee	HOBEE	310	1.03	0.35	0.42	(28)	5	42	50
Keppel Land	KPLD	1,197	1.25	0.49	1.66	(36)	(7)	34	46
SC Global	SCGD	186	1.25	0.53	0.47	(30)	(16)	45	49
Wheelock	WP	1,197	0.94	0.58	1	(16)	(7)	15	18
Wing Tai	WINGT	662	1.03	0.41	0.835	(4)	(4)	21	30
<b>Sector</b>					<b>(11)</b>	<b>(4)</b>	<b>34</b>	<b>44</b>	

Con't...

Monday, April 06, 2009

... Cont'd UOB Kay Hian Universe

	Stock Ticker (SP)	Mkt Cap (\$m)	Beta (x)	P/B (x)	Sh Price 3 Apr 09 (\$)	Price Performance (% chg)			
						6M	3M	1M	since 9 Mar 09
Cambridge	CREIT	223	1.03	0.38	0.28	(39)	(3)	19	24
CapitaComm Trust	CCT	1,211	1.12	0.29	0.865	(29)	(7)	23	43
Capitamall Trust	CT	4,313	1.15	0.83	1.36	(23)	2	24	30
CDL H-Trust	CDREIT	465	1.01	0.39	0.56	(34)	(26)	18	32
FrasersCT	FCT	417	0.77	0.54	0.67	(14)	0	9	20
K-REIT	KREIT	411	0.83	0.27	0.625	(35)	(14)	23	29
PLife REIT	PREIT	689	0.70	0.57	0.76	(24)	0	3	7
Starhill Gbl	SGREIT	442	0.73	0.32	0.46	(41)	(16)	3	18
Suntec REIT	SUN	995	1.02	0.29	0.63	(42)	(15)	13	20
<b>Sector</b>						<b>(29)</b>	<b>(6)</b>	<b>17</b>	<b>27</b>
<b>SHIPPING</b>									
PST (US\$)	PST	100	0.50	0.31	0.17	(49)	13	13	17
STX Pan Ocean	STX	2,248	1.72	0.71	10.92	(40)	12	49	43
FSL Trust	FSLT	189	0.59	0.35	0.375	(54)	(25)	7	6
Rickmers Maritime	RMT	125	0.78	0.29	0.34	(58)	(16)	0	0
<b>Sector</b>						<b>(43)</b>	<b>7</b>	<b>40</b>	<b>35</b>
<b>SUPPLY CHAIN</b>									
Noble Group	NOBL	4,104	2.03	1.55	1.27	8	20	23	25
Olam Int'l	OLAM	4,249	1.20	2.96	1.65	4	35	45	43
<b>Sector</b>						<b>6</b>	<b>26</b>	<b>31</b>	<b>32</b>
<b>TECHNOLOGY</b>									
Chartered Semicon	CSM	1,224	0.76	0.24	0.13	(47)	9	(20)	(4)
Venture Corp	VMS	1,558	1.15	0.82	5.68	(23)	27	18	35
<b>Sector</b>						<b>(36)</b>	<b>18</b>	<b>(2)</b>	<b>14</b>
<b>TELECOMS</b>									
S Telecoms	ST	39,817	0.86	2.08	2.5	(21)	(6)	(1)	2
<b>Sector</b>						<b>(21)</b>	<b>(6)</b>	<b>(1)</b>	<b>2</b>
<b>S-SHARES</b>									
Beauty China	BCH	48	1.00	0.32	0.135	(74)	(68)	23	0
China Hongxing	CHHS	316	1.46	0.36	0.115	(60)	(43)	28	35
ChinaMilk	CMILK	236	1.04	0.53	0.32	(42)	(21)	10	8
China Sky	CSCF	143	1.50	0.22	0.175	(56)	(43)	35	30
China XLX	CXLX	335	1.31	1.10	0.335	(21)	(17)	18	20
ChinaZaino	CZAI	151	0.88	0.64	0.16	(47)	(20)	(6)	0
Delong	DLNG	386	1.02	1.36	0.72	(71)	19	22	21
Epure	EPUR	413	1.05	1.50	0.32	(7)	21	19	23
Fibrechem	FBCM	95	1.85	0.18	0.105	(73)	(53)	0	0
Hongguo	HGUO	78	0.90	0.43	0.13	(38)	(37)	(7)	(10)
Jiutian	JIUC	74	1.22	0.51	0.045	(50)	(10)	50	50
Li Heng	LHCF	289	1.37	0.40	0.17	(52)	(39)	42	48
Lizhong	LZW	33	0.84	0.38	0.14	(65)	(42)	(7)	(7)
People's Food	PFH	565	0.93	0.55	0.5	(18)	(27)	(16)	0
Pine Agritech	PAG	285	1.17	0.74	0.095	0	(27)	27	36
SinoTechfib	SINOT	93	1.46	0.22	0.1	(67)	(51)	0	54
Synear	SYNF	303	1.58	0.50	0.22	(29)	(23)	38	33
<b>Sector</b>						<b>(47)</b>	<b>(26)</b>	<b>13</b>	<b>20</b>
<b>OTHERS</b>									
The Hour Glass	HG	112	0.98	0.64	0.485	(29)	3	21	24
SingPost	SPOST	1,474	0.59	6.13	0.765	(17)	(4)	2	1
SPC	SPC	1,513	0.91	0.89	2.93	(33)	25	21	24
THBev	THBEV	4,269	0.29	1.93	0.17	(24)	(13)	(15)	(8)
<b>Sector</b>						<b>(25)</b>	<b>(5)</b>	<b>(6)</b>	<b>(1)</b>
<b>OVERALL</b>						<b>(21)</b>	<b>(2)</b>	<b>15</b>	<b>21</b>

Source: Bloomberg, UOB Kay Hian

## Singapore Telecommunications

### Key takeaways from luncheon presentation

SingTel is well capitalised to weather the weak market conditions. The impact from the Singapore NGNBN OpCo bid award is limited. The best case for Australia NBN is not to build NBN but to have Teltra open up.

### Corporate Events

We hosted a luncheon presentation by the management of SingTel on 31 March. Investor queries were centered on NBN projects, strategies to weather the downturn and future growth drivers. Separately, the Infocomm Development Authority of Singapore (IDA) announced on 3 April it has selected StarHub's proposal for the Next Generation National Broadband Network Operating Company (NGNBN OpCo) project.

### Stock Impact

**Flexible capex spending ability; looking for growth opportunities in China.** SingTel plans to scale back its non-core capital expenditure (such as call centre) if the economy worsens further. Tighter procedures are also being adopted for collection of receivables to stem the build-up in bad debt. Management highlighted that the ability to grow the emerging market operations will be put to test over the next two years amid the political, regulatory and exchange rate risks. The Group maintains its Asian focus for growth and is on the lookout for alliances in China to grow its corporate services segment. It reiterated its dividend payout policy of 45–60% of earnings.

### Singapore: Limited impact from the Singapore NGNBN OpCo bid award.

Since SingTel consortium won the NetCo bid, it was largely anticipated that IDA would award the OpCo bid to a non-SingTel party to have checks and balances in place to promote healthy competition. As highlighted earlier, we believe M1 stands to benefit the most from the NGNBN rollout as it provides an entry point to the broadband market that is controlled by SingTel and StarHub. We take a more neutral view of StarHub on NGNBN because it could lose customer share in the residential broadband market but may gain market share in the corporate data and Internet market, especially in the outlying areas where most of the networks are operated by SingTel. While SingTel would likely give up some market share, the overall impact is less significant as the Singapore broadband business accounts for less than 3% of the Group EBITDA. Also, the NetCo bid award provides SingTel with an opportunity to monetize its passive infrastructure.

### Australia: Best case not to build NBN but to have Teltra open up.

SingTel estimates the capex for Optus' 30% share of the NBN at around A\$5b. Its proposal has ROIC of below 18%, the minimum ROIC Telstra had mentioned to take up the project. The best case scenario for SingTel is not necessarily to build the project but instead have Telstra to loosen up control and allow open access to the fibre infrastructure at reasonable prices. SingTel still thinks Telstra's re-entry remains a possibility. Several conditions seeking Telstra's co-operation and government's aid have been put into the proposal to safeguard its interests should Optus win the NBN bid.

## SINGAPORE

### Singapore Telecommunications (ST SP)

### BUY

Current Price: S\$2.50

Target Price: S\$2.95

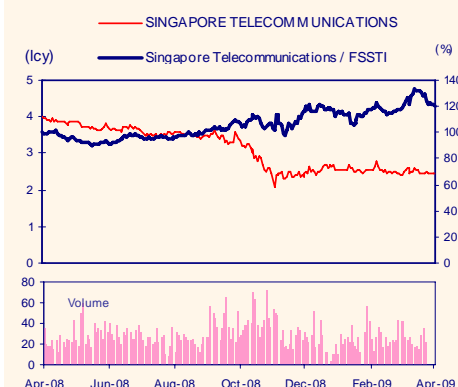
Sector	Telecoms
52-Wk Avg Daily Vol. ('000)	27,581
Market Cap (S\$m)	39,817.0
(US\$m)	26,491.4

Major Shareholders (%)	
Temasek Holdings (Pte) Ltd	54.1

Book NTA per Share (S\$)	0.57
ROE (%)	18.9
Net Debt per Share (S\$)	0.39

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

### Price Chart



Source: Bloomberg

### Analyst

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Year to 31 Mar	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	13,151.00	4,282.00	3,778	\$0.23	(6.9)	10.8	5.7	\$0.21	8.2
2008	14,844.00	4,531.00	3,960	\$0.25	7.2	10.0	5.6	\$0.13	5.0
2009F	13,955.29	4,327.72	3,595	\$0.23	(9.4)	11.1	5.6	\$0.11	4.5
2010F	13,081.64	4,123.94	3,816	\$0.24	6.1	10.4	5.4	\$0.12	4.8
2011F	13,227.42	4,022.72	3,989	\$0.25	4.5	10.0	5.2	\$0.13	5.0

Consensus Net Profit – FY09: S\$3413.5m  
 -- FY10: S\$ 3584.9m

**Associates.** Despite the highly competitive environment in which Bharti (India) operates - with eight mobile operators per circle, the number of minutes of usage has been on the rise. The nationwide scale gives Bharti a competitive advantage which is very difficult to replicate. However, regulatory risk is the key issue for the India market. Telkomsel's (Indonesia) competitive pressure has eased. Its strategy is to maintain current price levels in order to stabilise the business. For Warid (Pakistan), the network rollout rate is expected to ease after having passed through its peak phase. Political risk remains the key risk for Pakistan.

#### Valuation/Recommendation

The Group is well capitalised to weather the weak market conditions and take advantage of opportunities. It offers high earnings visibility and stable dividends due to the non-discretionary nature of its business. We maintain our target price at S\$2.95 based on sum-of-the-parts valuation. Maintain BUY.

#### Sum-of-parts Valuation

	Stake	Valuation method	Value (\$m)	Value/Share (\$)	%Value
SingTel+Optus	100%	DCF	19,111	1.20	40.7
AIS	21.40%	UOBKH Thailand target price of THB101.73/share	2,323	0.15	5.0
Bharti	30.40%	Consensus target of INR950/share	14,133	0.89	30.1
Globe	47.00%	Consensus target of PHP1344/share	2,196	0.14	4.7
Telkomsel	35%	Consensus valuation of S\$8195m	8,195	0.51	17.5
Other Associates		Acquisition cost/Consensus valuation	950	0.06	2.0
<b>Total Value</b>				<b>2.95</b>	

Source: UOB Kay Hian

#### Profit & Loss

Year to 31 Mar (\$m)	2007	2008	2009F	2010F	2011F
Turnover	13,151	14,844	13,955	13,082	13,227
EBIT	4,836	5,203	4,884	5,206	5,409
Pre-tax Profit	4,688	5,129	4,623	4,954	5,206
Net Profit	3,778	3,960	3,595	3,816	3,989

#### Balance Sheet

Year to 31 Mar (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	4,273	3,779	2,764	2,794	2,809
Total Assets	32,648	34,716	34,988	36,413	38,135
Current Liabilities	3,675	5,756	5,227	5,270	5,293
Long-Term Liabilities	8,123	7,957	7,186	6,560	6,228
Shareholder Funds	20,850	21,003	22,575	24,583	26,614
Total Equity & Liabilities	32,648	34,716	34,988	36,413	38,135

#### Cash Flow

Year to 31 Mar (\$m)	2007	2008	2009F	2010F	2011F
Operating	4,172	5,043	3,913	4,006	3,945
Investing	(658)	(2,748)	(2,080)	(1,545)	(1,642)
Financing	(4,898)	(2,301)	(2,483)	(2,460)	(2,302)
Net Cash In/(Out) Flow	(1,384)	(6)	(650)	0	0
Begin Cash & Cash Equiv.	2,770	1,390	1,100	450	450
End'g Cash & Cash Equiv.	1,390	1,100	450	450	450

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