

### KEY STORY

#### China

**Leaders and laggards in the recent rally** **Page 2**  
Telecoms, IPPs, construction and banks are laggards. Our top laggard picks include China Mobile, China Railway Group, Datang Power and PetroChina.

#### CHINA

##### Strategy

**Leaders and laggards in the recent rally** **Page 2**  
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##### Results

**Wasion Group (BUY/HK\$2.93/Target: HK\$3.81)** **Page 4**  
2008: Net profit grows 23% yoy to Rmb262m. Co-operation with CEPRI is long-term positive.

##### Technical Analysis

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#### SINGAPORE

##### Sector

**Banking** **Page 7**  
Singapore banks are well positioned due to low interest rates, strong corporate and household balance sheets, and low loan-deposit ratios.

#### THAILAND

##### Update

**Central Pattana (BUY/Bt13.30/Target: Bt22.60)** **Page 9**  
Earnings momentum continues but at a slower pace.

### Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7975.9	(0.5)	6.0	20.4	(9.1)
S&P 500	835.5	(0.8)	6.1	22.3	(7.5)
FTSE 100	3993.5	(0.9)	6.1	13.1	(9.9)
AS30	3696.4	0.6	4.0	18.8	1.0
CSI 300	2570.5	(0.2)	2.9	12.4	41.4
FSSTI	1848.0	1.5	10.4	22.1	4.9
HSI	14998.0	3.1	11.5	25.8	4.2
JCI	1516.6	1.1	6.9	17.9	11.9
KLCI	923.8	1.8	6.3	7.6	5.4
KOSPI	1297.9	1.1	8.4	23.0	15.4
Nikkei 225	8857.9	1.2	7.6	23.5	(0.0)
SET	446.0	0.7	1.2	6.3	(0.9)
TWSE	5556.2	0.5	6.7	19.4	21.0
BDI	1486	(1.3)	(9.7)	(33.2)	92.0
CPO (RM/mt)	2273	2.8	7.8	17.8	39.4
Nymex Crude (US\$/bbl)	51	0.5	3.3	12.7	15.1

Source: Bloomberg

### Top BUYs/SELLs

Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
<b>Top BUYs</b>			
China Life	2628 HK	27.65	31.30 13.2
China Mobile	941 HK	70.20	85.00 21.1
China Railway	390 HK	4.91	5.90 20.2
China Shenhua	1088 HK	20.25	21.90 8.1
Sinopec	386 HK	5.67	6.60 16.4
Zijin Mining	2899 HK	5.22	7.15 37.0
Bumi Resources	BUMI IJ	910	1,010 11.0
DBS Group	DBS SP	9.18	10.55 14.9
Indofood Agri	IFAR SP	0.71	0.80 12.7
SingTel	ST SP	2.46	2.95 19.9
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	6.41	3.50 (45.4)
Parkson Retail	3368 HK	9.02	5.15 (42.9)
S'pore Airlines	SIA SP	11.00	8.20 (25.5)
STX Pan Ocean	STX SP	12.04	4.35 (63.9)
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\$/dmu)	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

## Strategy

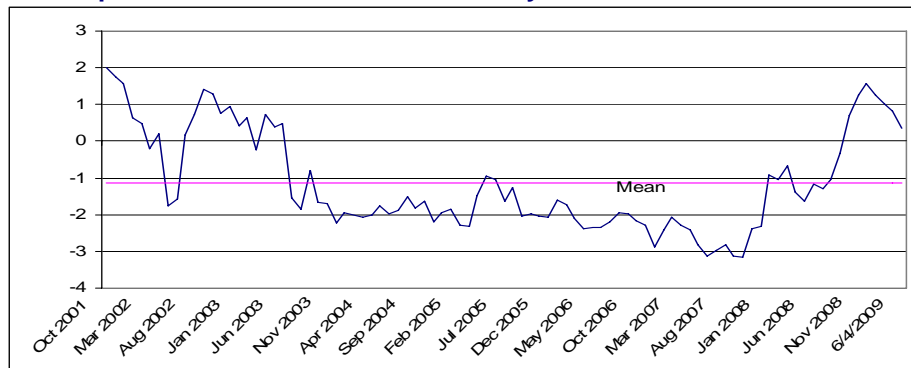
### Leaders and laggards in the recent rally

The HSCEI is trading at 12x 2009F PE, which is undemanding in a recovery year. Property has been the market leader in the recent rally while laggards include telecoms, IPPs and construction. Our top laggard picks are China Mobile, Datang Power, China Railway Group and PetroChina.

**The HSCEI is still mildly undervalued.** The HSCEI is mildly undervalued compared to historical ranges, based on key valuation parameters such as PE, P/B, dividend yield and yield spread between the HSCEI and the US 10-year bond yield. In particular, the spread between the HSCEI dividend yield and US 10-year bond yield currently stands at 0.37%, which is significantly higher than the average of -1.13% for the past eight years. This suggests China H shares remain attractive compared to bonds.

**What is the fair PE in the first year of recovery?** In terms of PE, the current reading is 12x. What about the average PE during the first year of an economic recovery? As the history of the HSCEI is too short and the number of large-cap constituents has increased significantly since 2004, we take cue from the HSI to calculate the average PE in a recovery year. In the last 15 years, the HSI experienced three major corrections – 1994, 1997 and 2003. The PEs of the HSI during the first year of the recovery have fallen in the range of 12.2–17.2x. Using the HSI as reference, it appears that there is significant upside in the HSCEI if the Chinese economy starts to recover in 2H09. Our year-end target of the HSCEI, which is under review for an upgrade, currently stands at 9,500. This level represents 13x 2009F PE and is the average PE in the last seven years.

### Yield Spread Between HSCEI And US 10-year Bond



Source: Bloomberg

**Leaders and laggards in the recent rally.** Since 2 March, the HSCEI has rebounded by 33.8%. The best performing group is property, driven by the strong property sales in 1Q09. Transport and materials have also performed strongly as they will benefit most from a cyclical recovery. As for laggards, the F&B sector is the worst performing sector as a result of the collapse in the share price of China Huiyuan following the announcement that the Chinese government rejected the takeover by Coca-Cola. Excluding China Huiyuan, the group still lagged behind because stocks in this group are considered defensive and trading at lofty valuation. The poor performance of telecoms can be attributed to the weaker-than-expected results for 2008 for major telcos and the concern that their capex will be high for the next two years, which will drag down their earnings. Independent Power Producers (IPPs) have also done poorly as their negotiations with coal miners on coal contract prices have not been completed and power demand remains weak. As for construction companies, they held up well during the market decline in February and therefore have recorded mild gains in the recent market recovery.

## CHINA

### Strategy

#### Sector Performance Since 2 March

Sector	Average Change Since 2 March (%)
Property	72.0
Transport	50.0
Materials	47.5
Insurance	46.3
Tech equipment	41.2
Retail	39.2
Energy	36.7
Banking	31.7
Construction	20.9
Power	20.7
Telecom	20.4
F&B	10.8
HSCEI	33.8

Source: Bloomberg, UOB Kay Hian

#### Leaders Since 2 March

##### Property

Hopson (754)	109%
Agile (3383)	108%
GZ R&F (2777)	107%

##### Transport

CSCL (2866)	96%
China Merchants (144)	60%
Cosco Pacific (1199)	60%

##### Materials

Jiangxi Copper (358)	72%
Nine Dragons Paper (2689)	71%
Yanzhou Coal (1171)	61%

Source: Bloomberg, UOB Kay Hian

#### Analyst

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**Our picks among the laggards.** Given the recent sharp rally, the chances are high that we may see a pullback in the near term. Also, we expect some rotational buying into laggards. The following are the laggard picks that we like among the key sectors:

- **Property.** Despite the strong performance, we remain upbeat about this group because property sales are likely to stay strong in April and May, a traditional high season. Among the big stocks, COLI is a major laggard, which has only gone up by 33% compared to the average gain of 72% for the group. Among the small caps, we favour Poly HK, which is up 42% since 2 March.
- **Materials.** Steel stocks have been laggards compared with other material stocks. We recently upgraded Chongqing Iron, which is up 39%. Among the bigger stocks, we continue to like China Shenhua (up 42%). Once the coal contract prices are out of the way, we expect further gains in both coal miners and IPPs. As a result of the recent correction in gold prices, Zijin Mining has also been a laggard. In the medium term, we remain positive on gold prices and therefore continue to recommend it.
- **Telecoms.** Telcos will continue to underperform given the poor fundamental outlook. Nonetheless, China Mobile should play catch-up as it is a bellwether stock and will benefit from rotational buying.
- **IPPs.** As mentioned above, IPPs are likely to get re-rated as the coal contract price negotiations are out of the way. We like Datang Power and China Resources Power.
- **Construction.** Infrastructure construction companies are trading at relatively high PE for good reason – they will continue to see strong order flow given the government’s stimulus measures. Importantly, we believe that they will experience margin improvement given lower raw material prices and efficiency improvement. Therefore, we continue to see promising outlook over the next 12 months and consider them good medium-term investments. Our top pick is China Railway Group. We also have a BUY on China Railway Construction.
- **Banks.** Among banks, the major laggard is China Construction Bank. As this group is attractively priced in terms of P/B, we believe that the performance from now till the end of this year should be reasonably good, despite concerns about NPL formation and decline in interest margins.

**Laggards Since 2 March**

**Food, Beverage & Tobacco**

China Huiyuan (1886)	-45%
China Yurun (1068)	7%
Huabao (336)	9%

**Telecom s**

China Mobile (941)	7%
China Unicom (762)	10%
CCS (552)	11%

**Power**

Huaneng Power (902)	6%
China Resources Power (836)	17%
Huadian Power (1071)	17%

**Construction**

China Railway Construction (1186)	12%
China Railway Group (390)	19%
CCC (1800)	32%

Source: Bloomberg

**Top Laggard Picks**

Company	Change Since 2 March
Poly HK (119)	42%
China Shenhua (1088)	42%
Chongqing Iron (1053)	39%
COLI (688)	33%
PetroChina (857)	29%
China Construction Bank (939)	24%
Zijin Mining (2899)	23%
China Railway Group (390)	19%
China Resources Power (836)	17%
China Railway Construction (1186)	12%
China Mobile (941)	7%
China Yurun (1068)	7%

Source: Bloomberg, UOB Kay Hian

## Wasion Group

2008: A total-solution provider

Co-operation with CEPRI is a long-term positive and creates growth opportunities. Wasion is likely to take a bigger market share of State Grid's procurement in the future. Maintain BUY.

### 2008 Results

Year to 31 Dec	2008 (Rmbm)	2007 (Rmbm)	yoy % chg	Remarks
Turnover	1,059	804	31.7	Within estimates
Gross profit	498	379	31.4	Gross margin maintained
Operating Profit	303	251	20.7	
Net Profit	262	213	23.0	Lower effective tax rate
			<b>ppt chg</b>	
Gross margin	47.0	47.1	(0.1)	
Operating margin	28.6	32.2	(2.6)	
Net margin	24.7	26.5	(1.8)	

Source: Wasion Group, UOB Kay Hian

### Results

- For FY08, net profit rose 23% to Rmb262m, in line with our expectations.
- Final DPS was HK\$0.11, reflecting a consistent payout ratio of about 30%.
- Sales of 3-phase electronic power meters rose 1% yoy to Rmb461m in FY08, lower than our expectation, mainly due to capacity constraint. Sales of single-phase electronic power meters increased 86% yoy to Rmb265m, above our expectation of Rmb185m.

### Stock Impact

Results were in line with our expectations. We fine-tune our net profit forecasts for FY09 and FY10 up by 1-2% after post-results adjustment.

### Earnings Risk

A further delay in payment by power grids and slowdown in power grid investments.

### Valuation/Recommendation

Based on PE and P/B, WG is still one of the cheapest power grid-related plays despite recent share price rally. The Group is trading only at 6.5x FY09F PE and 5.5x FY10F PE. We believe Wasion is likely to take a bigger market share of State Grid's procurement in the future after cooperating with CEPRI. Due to the sector's re-rating and improvement in market sentiment, we raise our target price from HK\$3.20 to HK\$3.81, based on 9.6x 2009F PE, about 50% of industry average of 19.3x. Maintain BUY and any share price correction provides a good buying opportunity.

## CHINA

### Wasion Group (3393 HK)

#### BUY

Current Price: HK\$2.93

Target Price: HK\$3.81

(Previous: HK\$3.20)

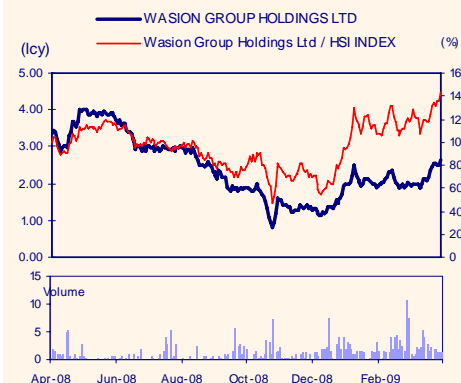
Sector	Industrials
52-Wk Avg Daily Vol. (m)	1.2
2Market Cap (HK\$m)	382
(US\$m)	307

Major Shareholders (%)	
Mr Ji Wei	57.6

Book NTA per Share (Rmb)	1.5
ROE (%)	23.5
Net Debt per Share (Rmb)	0.4

Results Due	
Interim	Sep
Final	Apr

### 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	809	263	213	0.29	34.5	10.5	10.5	0.08	2.9
2008	1,059	333	262	0.32	10.5	8.1	4.2	0.10	3.3
2009F	1,301	416	330	0.40	23.9	6.5	4.1	0.12	4.0
2010F	1,568	500	397	0.47	18.4	5.5	3.4	0.14	4.8
2011F	1,859	585	470	0.56	18.3	4.7	2.7	0.17	5.7

Consensus Net Profit – FY09: Rmb319.7m  
 – FY10: Rmb392.0m

**Co-operation with China Electric Power Research Institute**

Wasion won the bidding for the joint development of electronic power meters with China Electric Power Research Institute (CEPRI). CEPRI, owned by State Grid Corporation, is one of the most advanced technological institutes for high-voltage component certification. According to Wasion, CEPRI targets to achieve at least 30% market share of procurement of electronic power meters and data collection terminals by State Grid.

**Huge addressable market size**

According to Wasion, State Grid's investment in power distribution and measuring & charging automation products (including 3-phase meters, single-phase meters and data collection terminals) will reach Rmb60b in the coming 3-5 years. As a leading secondary equipment provider, WG's top- and bottom line are supported by strong demand from power grid as well as its order inflow, a result of power grid investments. We have conservatively assume Wasion's top-line to grow at a CAGR of 20.7% in 2008-11.

**Enhancing product portfolio**

According to Asia Development Bank, China should accelerate the pricing of natural gas, water and electricity. Wasion is well equipped to become a total-solution provider of energy measurement and management in the areas of water, electricity, gas and heat.

**Peer Comparison**

Company	Ticker	Price (LC)	PE (x)		P/B (x)
			Current	Prospective	
TBEA CO	600089 CH	27.02	23.6	19.0	6.2
Shanghai Zhixin	600517 CH	21.68	35.4	22.1	12.0
Pinggao Electric	600312 CH	15.55	27.8	22.3	5.4
Baosheng S&T	600973 CH	17.95	21.9	18.2	3.7
NARI TECHNOLOGY	600406 CH	25.29	31.8	26.1	6.6
Shanghai Electric	2727 HK	2.52	11.9	12.9	1.5
Harbin Power H	1133 HK	6.41	7.3	8.3	1.2
DongFang Electro	1072 HK	18.44	31.6	10.8	20.3
Wasion Group	3393 HK	2.93	6.5	5.5	2.0

Source: Bloomberg, UOB Kay Hian

**Profit & Loss**

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	809	1,059	1,301	1,568	1,859
EBIT	226	282	356	430	509
Pre-tax Profit	233	283	356	429	508
Net Profit	213	262	330	397	470

**Balance Sheet**

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	1425	1648	1886	2292	2825
Total Assets	1916	2544	2972	3458	4003
Current Liabilities	628	908	1111	1337	1583
Long-Term Liabilities	64	251	304	363	428
Shareholder Funds	1223	1385	1556	1757	1990
Total Equity & Liabilities	1916	2544	2972	3458	4003

**Cash Flow**

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	177	295	300	429	508
Investing	157	(473)	(156)	(255)	(215)
Financing	16	109	(9)	(23)	(38)
Net Cash In/(Out) Flow	351	(70)	136	152	256
Begin Cash & Cash Equiv.	158	509	439	575	727
End'g Cash & Cash Equiv.	509	439	575	727	983

## Technical Analysis

Yue Yuen (551): HK\$17.82

Yue Yuen recently made several attempts to close above the key resistance at the 250-day moving average but in vain.

Yesterday, the stock ended higher at HK\$17.82 to form a quasi-doji candlestick. Often, a doji star means the buying and selling pressure is in a seesawing state. Nevertheless, the trading volume yesterday was thin, much below the 6-month average of 3.16m shares. In addition, the Slow Stochastics of the stock is in the overbought zone.

Given these technicals, the stock is likely to continue consolidating between HK\$18 and the prior low of HK\$16.82 until it makes a clear breakout from the 0.618x Fibonacci projection level at HK\$18.30.

A breakout from HK\$18.30 would then pave the way for the stock to test the next resistance at HK\$19.60 or the 1x swing target.

### CHINA

### Technical Analysis

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#### Price Chart

06/04/2009 Op:17.780 Hi: 18.320 Lo: 17.520 Cl: 17.820 10-SMA: 17.390 250-SMA: 17.857  
 Fibonacci Projection 18.295 19.586 21.674



Source: HKETnet

## Banking

### Weathering the storm

Headline GDP numbers will be depressing in 1H09 but Singapore banks are well positioned due to low interest rates, strong corporate and household balance sheets and low loan-deposit ratios.

#### Corporate Events

**GDP contraction in 2009.** Industrial production declined 2.5% mom on a seasonally-adjusted basis and 22.4% yoy in Feb 09. This will result in further deceleration for the manufacturing sector, which accounted for 19.5% of Gross Domestic Product (GDP) in 2008. Ministry of Trade & Industry (MTI) forecast GDP contraction of 2-5% for Singapore in 2009. Headline GDP numbers will thus continue to look depressing, especially in 1H09.

#### Stock Impact

We expect Singapore banks to be resilient despite the economic turmoil. Non-performing loan (NPL) ratio is unlikely to revisit the peak of 10-13% in 1999 after the Asian financial crisis (AFC). Singapore banks are well positioned due to the following:

**Ample liquidity and low interest rates.** The Singapore Interbank Offer Rate (SIBOR) surged to 8% during the AFC due to massive outflow of liquidity escaping contagion in the region. Unlike during the AFC, 3-month SIBOR is currently hovering at only 0.67%. Countries in the region are having balance of payment surpluses and have accumulated large amounts of foreign reserves. Singapore is thus unlikely to experience the same outflow of liquidity given that the current financial crisis is not a "homegrown" phenomenon.

#### 3-Month Singapore Interbank Offer Rate



Source: Association of Banks in Singapore

**Strong corporate and household balance sheets.** Companies in Singapore have deleveraged over the past 10 years since the AFC. The median debt/equity ratio in the corporate sector was 40% in 2Q08, down from over 60% before the AFC. Interest cover also improved from 3x before AFC to 6.1x in 2Q08. Similarly, households in Singapore have held on to the age-old virtue of saving for the future. Household net wealth is 3.8x of GDP, much higher than the 2x before AFC. Household assets are about seven times household liabilities.

**Not overstretching.** Loan-deposit ratios peaked at 115.6% in 1997 during the AFC. Fortunately, Singapore banks did not over-extend themselves during the current financial crisis, with loan-deposit ratios peaking at a much lower 79.9% in 3Q08.

## SINGAPORE

### Banking

#### MARKET WEIGHT

#### DBS (DBS SP)

#### BUY

Current Price: S\$9.18

Target Price: S\$10.55

#### OCBC (OCBC SP)

#### HOLD

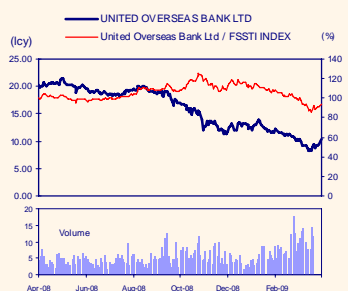
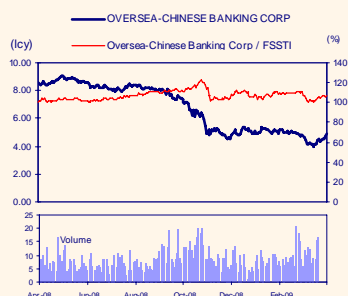
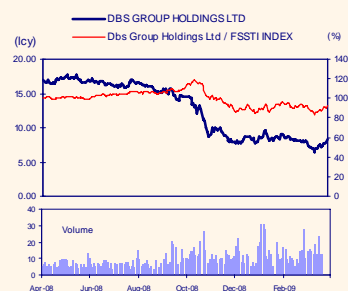
Current Price: S\$5.33

Fair Price: S\$5.27

#### UOB (UOB SP)

#### NOT RATED

Current Price: S\$10.94



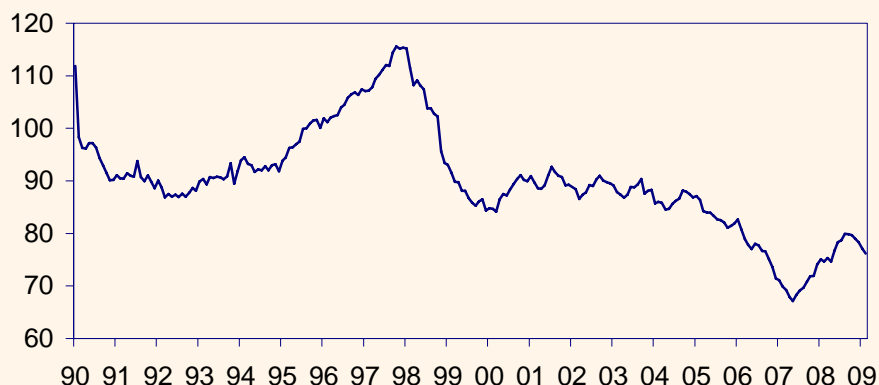
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### Loan-Deposit Ratios



Source: MAS, CEIC

### Earnings Revision

Our earnings forecasts assume NPL ratios rising to 5% for DBS and 6% for OCBC by 4Q10. 4Q08 is the first quarter of uptick in NPLs and it has not reached the peak yet, thus our cautious view on Singapore banks.

### Assumptions In Earnings Forecasts

	2008A	2009F	2010F
<b>DBS</b>			
NPL Ratio (%)	1.5	4.0	5.0
Credit Costs (bps)	55	120	80
<b>OCBC</b>			
NPL Ratio (%)	1.5	4.5	6.0
Credit Costs (bps)	24	135	95

Source: UOB Kay Hian

### Valuation/Recommendation

#### DBS (BUY/S\$9.18/Target: S\$10.55).

- DBS adopts a conservative approach to recognising NPLs and taking allowance early. 35.8% of NPL is not overdue in 4Q08 compared with 12.5% for OCBC and 21.7% for UOB.
- Management has streamlined operations in Singapore and Hong Kong for greater efficiency. DBS has managed down its trading position, which reduced risk-weighted assets by 3.9% qoq in 4Q08.
- DBS focuses on organic growth in Singapore and the Singapore-dollar loan-deposit ratio improved from 52.6% in 2Q08 to 57.0% in 4Q08.

#### OCBC (HOLD/S\$5.33/Fair: S\$5.27).

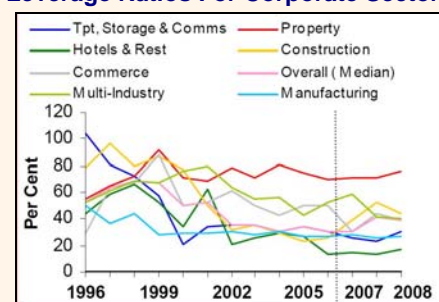
- OCBC has the highest tier-1 Capital Adequacy Ratio (CAR) of 14.9%, thus it is unlikely to need recapitalisation via a rights issue.
- We are concerned about its large exposure to property developers as building & construction accounted for 21.1% of its loan book as at Dec 08.
- Overseas, OCBC has a significant presence in Malaysia and Indonesia, which provides long-term growth potential.

### Peer Comparison – Singapore Banks

	Bloomberg Code	Rec 6 Apr 09	Price @ (\$)	Target Price (\$)	Market Cap (US\$m)	PE Hist. (x)	PE Current (x)	PE Forward (x)	P/B (x)	ROE (%)	Div Yield (%)
DBS	DBS SP	BUY	9.18	10.55	13,719	8.4	14.5	10.6	0.84	9.6	6.8
OCBC	OCBC SP	HOLD	5.33	5.27	10,713	9.8	14.5	11.0	1.19	12.2	5.3
UOB	UOB SP	NR	10.94	n.a.	10,850	8.8	10.8	9.7	1.23	12.6	6.7
Average:						9.0	13.2	10.4	1.1	11.5	6.3

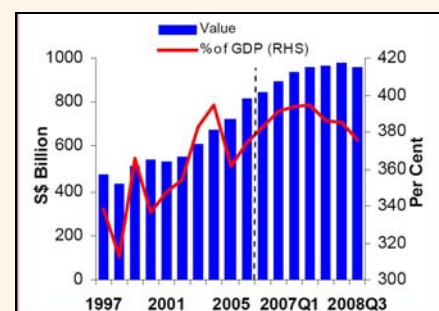
Source: Bloomberg, UOB Kay Hian

### Leverage Ratios For Corporate Sector



Source: MAS, Thomson Financial

### Household Net Wealth



Source: MAS

## Central Pattana

Earnings momentum continues but at a slower pace

*Amid stagnant economic conditions, CPN's top-line growth continues and remains promising on the back of the potential launch of four malls. Maintain BUY on its strong fundamentals.*

### Corporate Events

Despite economic sluggishness, we expect CPN's performance to remain healthy following the successful lease extension of its flagship mall "Central Ladprao", which will support its long-term growth. For FY09, CPN's management aims for a 25% revenue growth through a rental increase of 5% p.a. and higher leases from the opening of new shopping malls. The opening of the Chaeng Watthana complex in late-08 and Central Festival Pattaya earlier this year received good response from its tenants and customers with occupancy rates of 85% and 75% respectively compared to 50% during their opening. CPN targets over 90% occupancy rate in the latter part of 2009.

### Stock Impact

Our view is more conservative based on the relatively gloomy economic outlook with our house forecasting a GDP contraction of 5.2% for Thailand in 2009. In term of sales, we expect an 11% growth from the opening of new malls with favourable average occupancy rate at 93-95%. But we expect the average rental rate to trend southward due to the poor economy. Despite a 10% discount given to CPN's tenants during the initial stage, we believe more discounts will be offered if the economic downturn prolongs. We therefore forecast average rental rate at 0-2% for FY09 before picking up slightly in FY10 at 3-5%. People traffic will see a pick-up more in the suburbs than in central Bangkok. However, the political uncertainty would depress traffic flow in places with high exposure to tourists, such as Pattaya and Chiang Mai. Despite the inclusion of the contribution from LadPrao mall in our forecast, an earnings upside for FY09 is still minimal due to the sluggish economy and lower rental rate. For the LadPrao mall, the rental rate for FY09 is the same as FY08 (Bt2,200/sqm/mth) with the expectation of a 25% discount for its tenants during its renovations in 2010-11. We expect the contribution from LadPrao will pick up fully after 2011. The recovery of the economy and consumer confidence will stimulate demand and thus, CPN's top-line growth in FY10.

### Earnings Revision

We upgrade our top- and bottom-line growth forecasts by 11% and 7.6% respectively for FY09 and FY10 to reflect CPN's potential mall expansion. Given the Group's positive free cash flow and the availability of sites for future developments, CPN has the potential to deliver consistent and relatively strong performance in the longer term.

### Recommendation

**Maintain BUY.** CPN's share price is now 70% below its intrinsic value and approaching its historical P/B low of 2.00x during the SARS crisis in 2003. Our replacement cost (RNAV) of Bt22.40 is close to our DCF-based (WACC 11%, terminal growth 3%) target price of Bt22.60. This clearly indicates that CPN's current assets offer long-term value.

## THAILAND

### Central Pattana (CPN TB)

#### BUY

**Current Price: Bt13.30**

**Target Price: Bt22.60**

Sector	Property Development
52-Wk Avg Daily Vol. ('000)	2,081.41
Market Cap (Btm)	28,978.25
(US\$m)	823.24

Major Shareholders (%)	
Central Holding Co.,Ltd	27%

Book NTA per Share (Bt)	6.55
ROE (%)	15.9
Net Debt per Share (Bt)	0.80

Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

### Price Chart



Source: Bloomberg

### Analyst

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Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (Bt)	Yield (%)
2007	7,681	3,539	1,783	0.82	5.8	16.2	9.2	0.33	2.5
2008	8,599	4,327	2,186	1.00	22.0	13.3	8.6	0.33	2.5
2009F	9,969	4,652	2,086	0.96	(4.3)	13.9	9.5	0.33	2.5
2010F	10,764	5,107	2,118	0.97	1.6	13.7	9.5	0.36	2.7
2011F	11,331	5,411	2,204	1.01	4.0	13.1	8.9	0.40	3.0

Consensus Net Profit – FY09: Bt1,998m  
 – FY10: Bt2,172m

**Solid balance sheet and operating cash flow can accommodate future investments**

CPN has set aside its capex of Bt5.6b and Bt6b for FY09 and FY10 respectively. They include renovation costs for Central Lardprao at Bt1.5b during 2010-11 and a hotel investment at Central Pattaya Beach. With net debt-to-equity of 0.8x and operating cash flow of Bt2.5b-3.5b p.a., it can comfortably raise more debt to finance its future investments. Its capex will be funded by an internal cash flow of Bt3.5b-4b, debentures as well as a property fund.

**Profit & Loss**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	7,681	8,599	9,969	10,764	11,331
EBIT	2,404	2,864	3,105	3,353	3,525
Pre-tax Profit	1,824	2,488	2,339	2,374	2,482
Net Profit	1,783	2,186	2,086	2,118	2,204
EPS (Bt)	0.82	1.0	0.96	0.97	1.01

**Balance Sheet**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	5,222	5,392	5,407	5,634	5,968
Total Assets	37,205	43,784	45,044	46,912	49,140
Current Liabilities	4,535	8,350	5,882	6,224	6,354
Long-Term Loans	10,811	11,674	12,764	13,038	13,763
Shareholders' Funds	13,639	15,173	16,868	19,169	21,966
Total Equity & Liabilities	37,205	43,784	45,044	46,912	49,140

**Cash Flow**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	3,913	3,542	3,789	4,581	4,684
Investing	(3,751)	(5,155)	(5,209)	(4,065)	(3,978)
Financing	131	1,399	909	(329)	(614)
Net Cash In/out flow)	293	(214)	(511)	187	92
Begin Cash & Cash Equiv.	3,690	3,983	3,769	3,258	3,445
End'g Cash & Cash Equiv.	3,983	3,769	3,258	3,445	3,537

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