

KEY STORY

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Huabao International (SELL/HK\$6.00/Fair: HK\$5.50) Page 4
Chairman disposed 6.18% stake. Share price has largely factored in the positives. Downgrade from BUY to SELL.

Indonesia

Mid-cap stocks on our radar: Smaller stocks, bigger returns Page 10
Market resurgence and increased risk appetite to provide higher returns for smaller cap stocks. We underscore six fundamentally sound stocks.

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Concerns over Australian NBN project removed.

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Sales remain strong, but we expect the sector to pull back in the near term after the strong rally.

Update

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2008: Ex-exceptional net profit rose 12.5% yoy. The Group managed to grow its network amid the economic slump. Valuation attractive vs peers.

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Mid-cap stocks on our radar: Smaller stocks, bigger returns Page 10
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SINGAPORE

Update

Singapore Telecommunications (BUY/S\$2.53/Target: S2.95) Page 12
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THAILAND

Strategy

Page 14
Thailand has not benefitted from the recent rally in world equities. However, the market did not tank either, falling just 4.1% ytd.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7789.6	(2.3)	2.4	17.5	(11.2)
S&P 500	815.6	(2.4)	2.2	19.3	(9.7)
FTSE 100	3930.5	(1.6)	0.1	11.3	(11.4)
AS30	3648.5	(1.3)	3.3	17.3	(0.3)
CSI 300	2577.0	0.3	3.7	12.7	41.8
FSSTI	1802.4	(2.5)	6.0	19.1	2.3
HSI	14929.0	(0.5)	10.0	25.2	3.8
JCI	1490.9	(1.7)	4.0	15.9	10.0
KLCI	919.8	(0.4)	5.4	7.2	4.9
KOSPI	1300.1	0.2	7.8	23.2	15.6
Nikkei 225	8832.9	(0.3)	8.9	23.1	(0.3)
SET	442.6	(0.8)	3.0	5.5	(1.6)
TWSE	5576.9	0.4	7.0	19.8	21.5
BDI	1466	(1.3)	(9.2)	(34.1)	89.4
CPO (RM/mt)	2267	(0.2)	7.1	13.4	39.1
Nymex Crude (US\$/bbl)	49	(3.7)	(1.0)	8.0	10.2

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
Top BUYs				
	China Life	2628 HK	27.35	31.30 14.4
	China Mobile	941 HK	69.50	85.00 22.3
	China Railway	390 HK	4.91	5.90 20.2
	China Shenhua	1088 HK	20.30	21.90 7.9
	Sinopec	386 HK	5.62	6.60 17.4
	Zijin Mining Grp	2899 HK	5.32	7.15 34.4
	Bumi Resources	BUMI IJ	920	1,010 9.8
	DBS Group	DBS SP	8.83	10.55 19.5
	Indofood Agri	IFAR SP	0.69	0.80 16.8
	SingTel	ST SP	2.53	2.95 16.6
	Advanced Info	ADVANC TB	79.75	101.73 27.6
	Quality Houses	QH TB	0.91	1.28 40.7
Top SELLs				
	Harbin Power	1133 HK	6.04	3.50 (42.1)
	Parkson Retail	3368 HK	8.90	5.15 (42.1)
	S'pore Airlines	SJA SP	11.00	8.20 (25.5)
	STX Pan Ocean	STX SP	12.08	4.35 (64.0)
	Amata Corp	AMATA TB	3.26	2.52 (22.7)

Key Assumptions

GDP (% yoy)	2008	2009F	2010F
US*	1.1	(2.5)	1.8
Euro Zone*	0.7	(2.9)	0.5
Japan*	(0.6)	(6.0)	0.2
Singapore	1.2	(4.0)	4.0
Malaysia	4.6	(2.5)	3.2
Thailand	2.6	(5.2)	4.5
Indonesia	6.0	3.6	4.8
Hong Kong	2.5	(4.0)	3.5
China	9.0	6.5	8.3
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

Property

Sales remain strong, but we expect profit-taking in the near term

Overall sales in major cities remained strong last week, but we expect property stocks to pull back after the strong rally. We recommend investors buy quality private companies amid the correction, which should outperform in 2Q09 on the back of improved funding environment and strong sales.

Strong sales growth yoy. Overall sales in major cities were basically flat w/w, but sales performances varied among cities. Beijing and Suzhou saw primary sales surge 42% and 250% w/w respectively, while Shanghai and Guangzhou saw moderate sales declines of 10-15% w/w. Nonetheless, major cities generally recorded strong sales growth of 100-200% yoy, partially due to the low base of sales in Apr 08.

Meanwhile, sales subscriptions were also varied in major cities last week. Beijing's subscriptions almost doubled w/w and hit a record high in three quarters, while Hangzhou and Nanjing saw sales subscriptions decline 5-20% w/w. We expect overall sales to remain steady in the coming months after the strong sales over the past half year, but to remain high on a yoy basis.

April-May is key period to see inventory trend. Inventories continued to decline last week and average inventories in major cities were about 14% lower than the peak in 2008. On the other hand, with the general increase in new supply in spring on the back of marketing efforts by developers, we expect the decline in inventories to slow down or inventories to be built up in some cities in the coming weeks. Nonetheless, we still expect inventory turnover to improve moderately or at least to remain steady in most of the major cities this year on the back of strong sales growth.

Valuation gaps between SOEs and private companies should narrow. Agile, Shimao and SOHO China recently announced the approval of credit facilities of up to Rmb10b-15b, which indicates a great improvement in the funding environment of private companies. Currently, major state-owned enterprises (SOE) in the property sector (excluding Poly HK) are trading at a 25% discount to 5% premium to NAV, while private companies are valued at around a 45% discount to NAV. On the back of an improved funding environment and strong sales this year, we expect the valuation gap between private companies and SOEs to narrow. Investors could shift their focus to quality private companies, i.e. Guangzhou R&F (2777 HK), Shimao Property (813 HK) and KWG Property (1813 HK) amid the market correction. Guangzhou R&F and Shimao Property announced strong sales of Rmb6.15b and Rmb4.55b in 1Q09, representing 28% and 30% of FY09 sales targets respectively. Strong sales should underpin stock performance in the future.

Weekly Sales In Major Cities (30 March-5 April)

Regions	Cities	GFA ('000 sqm)	wow % chg	yoy % chg
Pan-Bohai Rim	Beijing	411	42	202
	Tianjin	210	12	92
Yangtze River Delta	Shanghai	506	(15)	48
	Suzhou	191	250	
	Nanjing	196	(4)	108
	Hangzhou	120	2	123
	Ningbo	122	7	
South China	Shenzhen	182	2	134
	Guangzhou	285	(9)	206
	Dongguan	107	(19)	
	Fuzhou	130	7	
Central China	Wuhan	275	(9)	240
	Changsha	411	(6)	
	Hefei	233	0	
Southwest China	Chongqing	469	(9)	99
	Chengdu	197	(19)	13

Source: Soufun, UOB Kay Hian

CHINA

Property

MARKET WEIGHT

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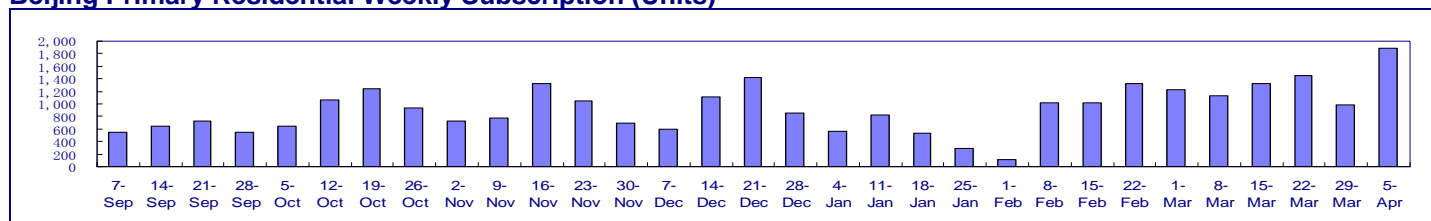
Wednesday, April 08, 2009

Change of Housing Inventories in Major Cities

	Saleable GFA (m sqm)			Inventory turnover (mth)	
	6-Apr	wow%	Decline from the peak %	Base on 08 sales	Base on sales of past half-year
Beijing	17.7	(1.1)	(7.8)	20.6	17.2
Shanghai	7.6	0.5	(11.3)	5.9	5.9
Shenzhen	5.2	(2.3)	(22.2)	15.2	9.4
Chongqing	13.2	(3.1)	(10.0)	12.6	9.7
Hangzhou	3.4	0.3	(16.4)	18.3	16.9
Average		(1.1)	(13.5)	14.5	11.8

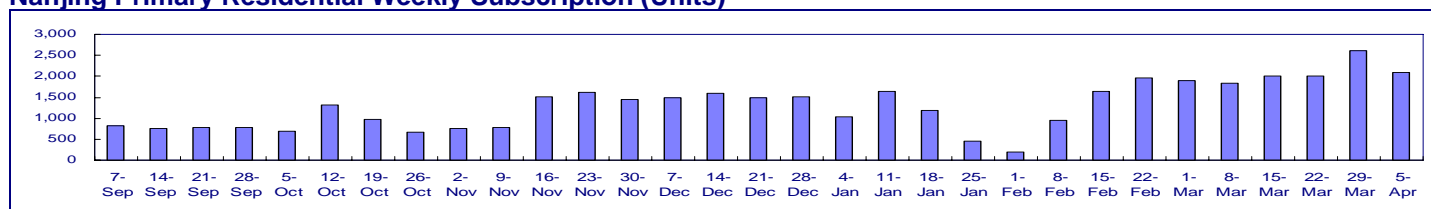
Source: Soufun, UOB Kay Hian

Beijing Primary Residential Weekly Subscription (Units)



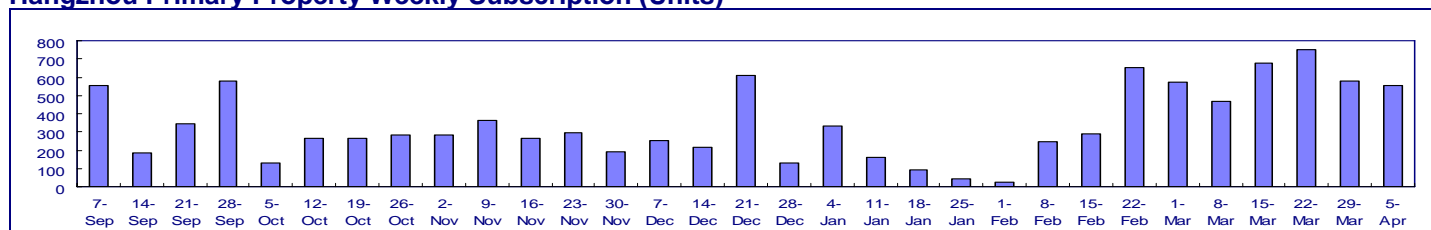
Source: Soufun, UOB Kay Hian

Nanjing Primary Residential Weekly Subscription (Units)



Source: Soufun, UOB Kay Hian

Hangzhou Primary Property Weekly Subscription (Units)



Source: Soufun, UOB Kay Hian

Valuation of China Property Plays

	Bloomberg Code	Rating	Share price 7 Apr 09 (HK\$)	EPS		PE		Yield		NAV (HK\$)	Discount to NAV (%)
				2008F (Rmb)	2009F (Rmb)	FY08F (X)	FY09F (X)	FY08F (%)	FY09F (%)		
Agile	3383 HK	HOLD	5.33	1.36	0.48	3.5	9.8	6.4	4.2	9.20	(42.1)
China Overseas Land	688 HK	HOLD	13.00	0.45	0.68	25.6	16.9	1.0	1.4	12.44	4.5
China Resources Land	1109 HK	BUY	12.70	0.42	0.40	27.1	27.9	0.9	0.9	16.33	(22.2)
Greentown	3900 HK	SELL	4.25	0.48	0.89	7.8	4.2	3.2	4.5	11.21	(62.1)
Guangzhou R&F	2777 HK	BUY	11.10	1.06	0.86	9.3	11.4	0.0	2.0	17.37	(36.1)
Hopson	754 HK	SELL	6.21	1.18	1.29	4.7	4.3	5.3	6.3	17.00	(63.5)
KWG	1813 HK	HOLD	2.54	0.17	0.24	13.2	9.4	2.0	2.8	4.84	(47.5)
Poly HK	119 HK	BUY	2.21	0.06	0.24	30.6	8.1	2.3	2.3	6.47	(65.8)
Shanghai Forte Land	2337 HK	SELL	1.49	0.04	0.12	33.0	10.7	1.5	1.5	2.45	(39.2)
Shimao Property	813 HK	BUY	7.68	0.56	0.71	12.1	9.6	3.2	3.5	14.11	(45.6)
Sino-Ocean Land	3377 HK	BUY	5.35	0.31	0.28	15.3	16.9	1.6	1.7	7.25	(26.2)
SOHO	410 HK	BUY	3.59	0.08	0.23	41.8	13.8	3.1	3.1	5.40	(33.5)
Average						18.7	11.9	2.5	2.9		(39.9)

Source: UOB Kay Hian

Huabao International

Chairman reduces stake; stock fully valued

Since our last report in Dec 08, Huabao has surged up to 40%. Downgrade the stock from BUY to SELL due to stretched valuation. Its chairman's recent disposal of shares has raised risk premium. Cut fair price to HK\$5.50.

Corporate Events

Chairman disposed 6.18% stake at HK\$6.10 per share. Ms Chu Lam Yiu, the chairman and majority shareholder of Huabao International (Huabao), disposed 190.5m shares (6.18% stake) of the Group via a placement on 2 Apr 09. Thereafter, Ms Chu's stake in Huabao decreased from 62.64% to 56.46%.

Proceeds not to use for acquisition. Last time, the chairman used the proceeds from the share disposal for acquisition and then injected assets into the listed company. This time, the deal is a pure stake disposal.

Share price has rebounded after a slump last week. After the placement, Huabao's share price plunged from a peak of HK\$7.48 on 2 April to HK\$5.80 on 3 April. In the last few days, its share price rebounded again to around HK\$6.00.

This does not necessarily mean a worse outlook. According to the management, Huabao's business remains intact, ytd. We expect >20% profit growth for FY09-10, mostly driven by organic growth. From the orderbook received at the beginning of the year, tobacco flavour sales could grow 20-30%. While consumption volume for lower-priced cigarette declined in 2HFY09, the demand for the higher-priced cigarette kept growing. Huabao only serves Tier-1 to Tier-3 brands. More uncertainty will lie on the food flavour business as the products should be more vulnerable to an economic slowdown compared with tobacco. We anticipate a 30% turnover growth for the food flavour business. The newly acquired fragrance business will make insignificant earnings contribution to Huabao.

Stock Impact

Risk premium has increased. While the chairman's unloading of her stake may not necessarily mean a weaker outlook, this represents uncertainty over Huabao's share price and raises market concern on further disposal of shares by the chairman. The risk premium for the stock has increased, pointing to a higher discount rate for DCF valuation.

Earnings Risk

The Group has been restructuring the newly acquired businesses, e.g. Amber, since last year. If the management fails to integrate them into the Group, profitability would be affected. Furthermore, the newly launched savory taste food flavour business is still loss-making due to low capacity utilisation. It is uncertain when the segment will turnaround.

Valuation/Recommendation

Huabao is trading at 17.5x FY09 PE and 13.8x FY10 PE vs 16.5x and 13.5x retrospectively for global peers. The risk premium for the stock has increased due to concerns over further share unloading by the majority shareholder. Based on a higher discount rate of 14% (vs 12% previously), we cut our DCF-derived price target from HK\$6.90. Our fair price implies 12.8x FY10 PE. **Downgrade to SELL.**

CHINA

Huabao International (336 HK)

DOWNGRADE TO SELL

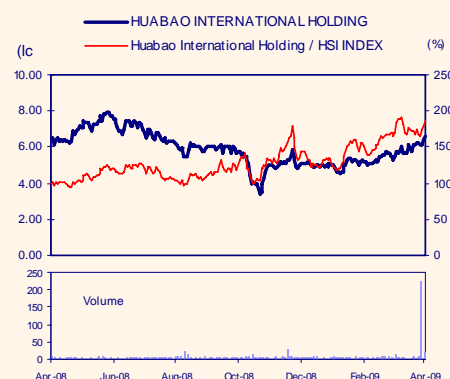
Current Price: HK\$6.00

Fair Price: HK\$5.50

(Previous: HK\$6.90)

Sector	Consumer
52-Wk Avg Daily Vol. ('000)	5,290
Market Cap (HK\$m)	18,415
(US\$m)	2,361
Major Shareholders (%)	
Ms Zhu Lam Yiu	56.46
Book NTA per Share (HK\$)	0.28
ROE (%)	42.2
Net Cash per Share (HK\$)	0.34
Results Due	
Interim	Dec
Final	Jun

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Mar	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2007	1,013	594	567	0.199	73	30.1	29.5	0.056	0.9
2008	1,419	923	862	0.281	41	21.3	19.0	0.083	1.4
2009F	1,842	1,205	1,053	0.343	22	17.5	14.5	0.103	1.7
2010F	2,393	1,570	1,331	0.434	26	13.8	11.2	0.130	2.2
2011F	3,108	2,045	1,698	0.553	28	10.8	8.6	0.166	2.8

Consensus Net Profit – FY09 : HK\$1,086m
–FY10: HK\$1,371m

Profit & Loss

Year to 31 Mar (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	1,013	1,419	1,842	2,393	3,108
EBIT	575	890	1,182	1,546	2,018
Pre-tax Profit	579	904	1,182	1,546	2,018
Net Profit	567	862	1,053	1,331	1,698

Balance Sheet

Year to 31 Mar (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,250	1,538	2,745	3,847	5,289
Total Assets	1,461	2,477	2,929	4,030	5,471
Current Liabilities	320	425	445	544	704
Long-Term Loans	-	-	-	-	-
Shareholders' Funds	1,080	1,952	2,402	3,390	4,654
Total Equity & Liabilities	1,461	2,477	2,929	4,030	5,471

Cash Flow

Year to 31 Mar (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	419	872	953	1,136	1,465
Investing	(17)	(561)	(500)	(450)	(23)
Financing	(55)	(198)	(274)	(343)	(435)
Net Cash Inflow/(Outflow)	346	113	179	343	1,007
Begin Cash & Cash Equiv.	181	858	972	1,151	1,494
End'g Cash & Cash Equiv.	858	972	1,151	1,494	2,504

Tao Heung

2008: Growing in bad times

Ex-exceptional net profit went up 12.5% yoy. Gross margin improved but other operating expenses eroded its profitability. The Group managed to grow its network amid the economic slump. Valuation attractive vs peers.

2008 Results

Year to 31 Dec	2007 (HK\$m)	2008 (HK\$m)	yoy % chg	Remarks
Turnover	2,085	2,444	17.2	Hong Kong turnover up 13.2% yoy; China turnover surged 43.3% yoy
Gross profit	1,372	1,658	20.9	
Gross margin	65.8%	67.8%		Hong Kong restaurant gross margin up 1.8ppt; China restaurant gross margin up 5.5ppt
Operating profit	245	229	(6.5)	
Operating margin	11.7%	9.4%		
Tax	(42)	(37)	(11.9)	
Net Profit	200	189	(5.6)	
Ex-exceptional Net Profit	2,085	2,444	17.2	

Source: Tao Heung, UOB Kay Hian

Results

Tao Heung's net profit declined 5.6% yoy to HK\$189m in 2008. Excluding the gain from office properties (HK\$32m) in 2007, net profit should have gone up 12.5% yoy to HK\$189m in 2008. The results were below with our expectation (HK\$207m). Gross margin increased from 65.8% in 2007 to 67.8% in 2008. The gross margin improvement was better than expected. However, higher-than-expected operating expenses had eroded the Group's profitability. Earnings growth excluding exceptional items slowed down from 16.3% yoy in 1H08 to 11.3% in 2H08.

Net profit for Tao Heung's Hong Kong operations excluding the share of Dongguan Logistics Centre's (DLC) expenses went up by 11% yoy to HK\$182m. Nonetheless, 2H08 earnings were flat at HK\$92m vs HK\$93m in 2H07. Net loss by DLC narrowed from HK\$18m 1H08 to around HK\$12m in 2H08 as business ramped up.

Capex was higher than our expectation. It looks like HK\$23m per new restaurant in China and Hong Kong is close to reality (previously HK\$7m in Hong Kong and HK\$14m in China). We estimated cash flow per restaurant was about HK\$6m. Hence, it will probably take about 3.8 years to recoup its investment per restaurant.

Earnings Revision

In view of lower-than-expected results and the slower-than-expected expansion pace in China, we have cut our 2009, 2010, and 2011 earnings forecasts by 13%, 19% and 19% respectively.

HONG KONG

Tao Heung (573 HK)

BUY

Current Price: HK\$1.87

Target Price: HK\$2.50

(Previous: HK\$2.90)

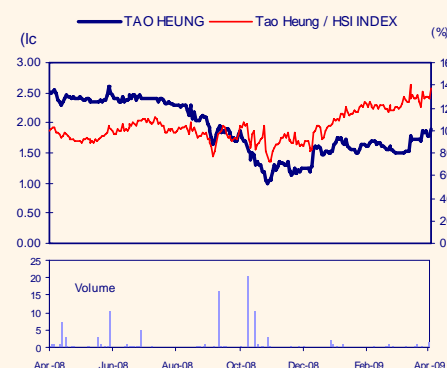
Sector	Food & Beverage
52-Wk Avg Daily Vol. (m)	0.5
Market Cap (HK\$m)	1,897
(US\$m)	243
Major Shareholders (%)	
Chung Wai Ping	36.7
Book NTA per Share (HK\$)	0.84
ROE (%)	19.3
Net Cash per Share (HK\$)	0.23

Results Due

Interim: Sep

Final: Apr

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	2,085	295	200	19.7	n.a.	9.5	5.1	11.2	6.0
2008	2,444	357	189	18.4	-7.0	10.2	4.7	12.0	6.4
2009F	2,923	412	217	21.1	14.7	8.9	3.9	12.8	6.9
2010F	3,358	476	252	24.5	16.1	7.6	3.2	12.4	6.6
2011F	3,792	540	287	27.8	13.9	6.7	2.6	14.1	7.6

Valuation/Recommendation

Trading at 9x 2009 PE and 3x 2009 EV/EBITDA, the stock looks attractive vs the weighted average of 15x and 8x respectively for peers. Maintain BUY.

Growing in bad times

Consumers become very selective and price-sensitive in considering dining out options amid weak consumer spending. Tao Heung's same-store sales (SSS) growth in Jan-Feb 09 was flat yoy while double-digit top-line growth in Hong Kong was driven by a new restaurant addition. Customer traffic started to worsen in late February and March. In response to the weak traffic, the Group has introduced the promotional offer of the HK\$1 price for a chicken. China market has been growing at more than 20% so far this year. Gross margin is expected to be maintained, thanks to cost savings derived from DLC. The Group has opened two new restaurants in Hong Kong so far this year, bringing the total to 55 currently. Management plans to open five more this year. In China, the number of restaurants was unchanged at 12 from the end of last year, but management plans to add three new restaurants this year.

Peer Comparison - PE

Company	Stock Code	Market Cap (HK\$m)	2009 PE (x)	2010 PE (x)	2011 PE (x)
CAFE DE CORAL HOLDINGS	341 HK	8,512	17.8	15.6	13.9
AJISEN CHINA HOLDINGS LTD	538 HK	4,335	13.8	11.4	10.5
LITTLE SHEEP GROUP LTD	968 HK	3,011	16.7	13.6	10.8
TAO HEUNG	573 HK	1,897	8.9	7.6	6.7
FAIRWOOD HOLDINGS LTD	52 HK	789	7.0	5.6	6.2
Weighted Average			15.4	13.2	11.5

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	2,085	2,444	2,923	3,358	3,792
EBIT	235	226	260	302	344
Pre-tax Profit	245	229	262	306	350
Net Profit	200	189	217	252	287

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	618	528	612	720	890
Total Assets	1,272	1,359	1,520	1,683	1,886
Current Liabilities	290	296	370	424	478
Long-Term Liabilities	49	28	28	28	28
Shareholder Funds	930	1,030	1,117	1,227	1,377
Total Equity & Liabilities	1,272	1,359	1,520	1,683	1,886

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	291	227	362	416	473
Investing	(236)	(281)	(229)	(229)	(229)
Financing	339	(101)	(74)	(103)	(99)
Net Cash In/(Out) Flow	393	(154)	59	84	145
Begin Cash & Cash Equiv.	138	459	279	338	422
End'g Cash & Cash Equiv.	459	279	338	422	567

Peer Comparison – EV/EBITDA

Company	2009 EV/EBITDA (x)	2010 EV/EBITDA (x)	2011 EV/EBITDA (x)
CAFE DE CORAL	9.9	8.8	7.8
AJISEN CHINA	6.7	4.9	4.1
LITTLE SHEEP	8.2	6.6	5.3
TAO HEUNG	3.9	3.2	2.6
Weighted Average	8.2	6.8	5.8

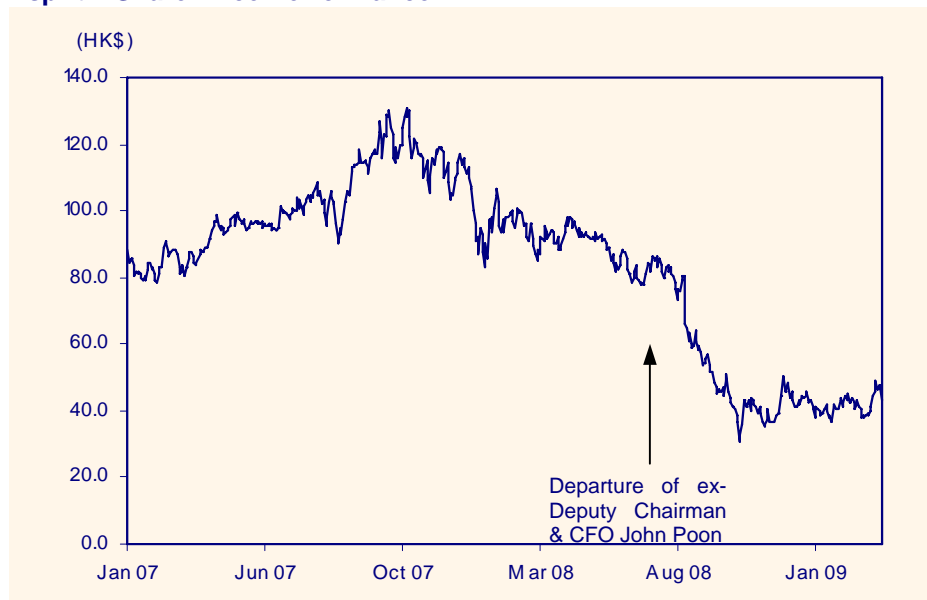
Source: HKTB, UOB Kay Hian

Esprit

What will the new guy do to Esprit?

Esprit has finally recruited its CEO from a leading optical retail group Pearle Europe B.V. The key question right now is how bad will 2HFY09 results be. The change of CEO may give one a warning signal. Maintain SELL.

Esprit – Share Price Performance



Source: Esprit, UOB Kay Hian

Corporate Events

Esprit has finally recruited Ronald Van der Vis as its Group CEO. Heinz Krogner, the current Group CEO and Chairman, will step down from his position as Group CEO and stay on his role as Executive Chairman to ensure a smooth transition.

Mr. Van der Vis, aged 41, had worked for over 10 years in various senior management positions in Pearle Europe B.V., a leading international optical retail group operating 2,600 stores in 24 countries. Since Jan 04, he has been serving as the CEO of Pearle Europe B.V. In 2008, Pearle Europe achieved systemwide sales of EUR1.4b, making it one of the leading optical retail companies in the world.

Stock Impact

We do not expect the stock to react positively as it remains to be seen whether the new CEO could make Esprit a better apparel distributor on both the retail and wholesale front.

Valuation/Recommendation

Right now, the key question is how bad will 2HFY09 results be. Our meeting with the CFO did not offer us any comfort. There is limited guidance on the operating performance for the retail business in Feb-Mar 09 (only revealing that it was poor) as well as the EBIT margin for 2HFY09, which is very crucial. One thing for sure, the first decline in H&M's quarterly earnings signals further weakness for other apparel brands. Maintain SELL.

HONG KONG

Esprit (330 HK)

SELL

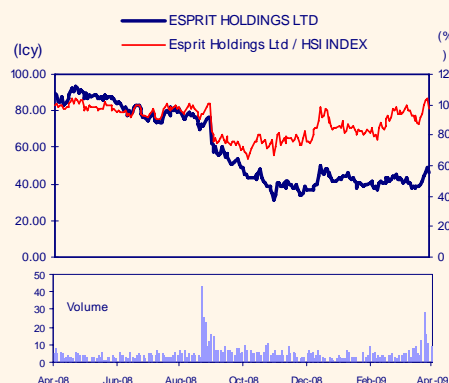
Current Price: HK\$43.95

Fair Price: HK\$26.30

Sector	Retailing
52-Wk Avg Daily Vol. (m)	4.8
Market Cap (HK\$m)	54,720
(US\$m)	7,015
Major Shareholders (%)	
Capital Research & Management Company	18.0
Book NTA per Share (HK\$)	10.6
ROE (%)	46.0
Net Cash per Share (HK\$)	5.2

Results Due
Interim: Feb
Final: Aug

Price Chart



Source: Bloomberg

Analyst

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Year to 30 Jun	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2007	29,640	6,986	5,180	4.22	36.4	10.4	7.0	3.18	7.2
2008	37,227	8,616	6,450	5.21	23.5	8.4	5.6	4.20	9.6
2009F	36,867	6,912	5,126	4.00	(23.2)	11.0	6.9	3.77	8.6
2010F	34,301	6,340	4,746	3.71	(7.4)	11.9	7.6	3.65	8.3
2011F	34,319	6,366	4,809	3.76	1.3	11.7	7.6	3.67	8.3

Consensus Net Profit – FY09: HK\$5,496m
-- FY10: HK\$5,777m

Recent operating performance

The promotion-driven 13% same-store sales (SSS) growth in January was followed by negative SSS growth (partly attributed to the heavy snow) in Feb-Mar 09. The core wholesale operation registered a 5-6% decline in orderbook in 2HFY09 (Jan-Jun 09).

2HFY09 results will show how Esprit can cope with weak Euro

The Euro is expected to drop by 15% yoy and the European (especially Germany) economy weakening in 2HFY09. A 1% decline in the Euro will translate into a 1.7% drop in Esprit's bottom line.

The first decline in H&M's quarterly earnings signals further weakness for other apparel brands

Meanwhile, H&M (Tic: HMB SS) reported its first quarterly profit decline (down 12%) since 2003 as the weak Euro vs Asian currencies cut its margins (because of high sourcing costs; gross margin dropped by 3ppt to 56.6%) and consumer demand dwindled. 1QFY09 (Dec 08 - Feb 09) SSS fell 5% yoy with SSS decline of 8% yoy in Feb 09.

EBIT Margin

	2HFY07	2HFY08	Change in ppt	1HFY08	1HFY09	Change in ppt
EBIT margin						
Wholesale	27.0%	26.1%	(1.0%)	26.9%	23.5%	(3.3%)
Retail	12.2%	10.0%	(2.2%)	16.5%	14.2%	(2.4%)
Licensing	63.4%	64.5%	1.1%	50.5%	53.7%	3.2%
Overall EBIT margin	21.2%	19.8%	(1.5%)	21.7%	17.9%	(3.8%)

Source: Esprit, UOB Kay Hian

Profit & Loss

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	29,640	37,227	36,867	34,301	34,319
EBIT	6,389	7,866	6,169	5,649	5,675
Pre-tax Profit	6,538	8,056	6,403	5,927	6,006
Net Profit	5,180	6,450	5,126	4,746	4,809

Balance Sheet

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	11,463	15,106	15,367	14,424	13,961
Total Assets	17,029	21,892	22,810	22,577	22,822
Current Liabilities	4,570	5,560	6,044	5,604	5,604
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	12,081	15,944	16,378	16,585	16,830
Total Equity & Liabilities	17,029	21,892	22,810	22,577	22,822

Cash Flow

Year to 30 Jun (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	5,465	5,780	6,151	5,680	5,484
Investing	(798)	(1,793)	(1,400)	(1,400)	(1,400)
Financing	(2,017)	(2,521)	(4,405)	(4,633)	(4,548)
Net Cash In/(Out) Flow	2,649	1,466	346	(353)	(464)
Begin Cash & Cash Equiv.	2,583	5,055	6,521	6,867	6,514
End'g Cash & Cash Equiv.	5,232	6,521	6,867	6,514	6,050

Strategy

Mid-cap stocks on our radar: Smaller stocks, bigger returns

With the campaign period over, we expect the elections to be ultimately good for the market. We believe an imminent resurgence in the market and increased risk appetite could provide exciting returns for smaller cap stocks.

Elections ultimately good for the market. The 20-day political campaign period ended relatively peacefully last Sunday. Some 171m Indonesians are expected to vote in the legislative elections on 9 April. As we had anticipated, the campaign period was a good time to buy stocks at lower levels, as we believe that the elections will ultimately be good for the Indonesian economy and the market (See our Regional Morning Notes dated 16 February).

Smaller cap stocks for bigger returns. The stock market has risen steadily by 36.5% from its low of 1,111 in Oct 08 to 1,517 currently. Indonesia's political risk has never been lower since the post-Soeharto period a decade ago. We are seeing an increase in foreign investor interest and resurgence in net foreign buying in Indonesia, as there appears to be an apparent increase in risk appetite in the emerging markets. In a rising market, investors tend to focus on a narrow range of about thirty big-cap stocks, ignoring some three hundred other small- and mid-cap stocks that often provide more exciting trading opportunities and returns. While smaller cap stocks generally have a high risk profile, we highlight six stocks on our radar which we believe have sound fundamentals and good growth prospects as they are relatively unaffected by the current difficult economic downturn.

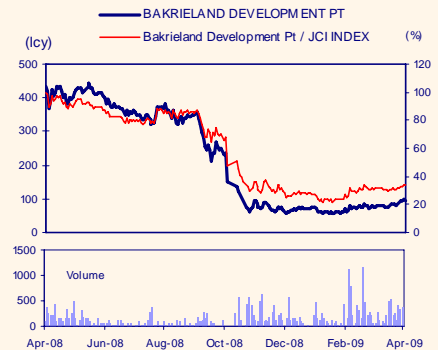
Retailer to cruise through difficult period. Retailer Ramayana (RALS IJ/BUY/Target: Rp800) faces sluggish sales outlook for this year. The relatively lower commodity prices may affect its fashion retailing business in stores outside the Java market, especially in the resource-rich areas which had provided strong sales growth over the past few years. However, in the longer term, the business and growth prospects of these areas remain good compared to the more saturated markets in Java. Even with a weaker outlook for the retail market this year due to unfavourable economic conditions, we believe Ramayana should be able to ride through comfortably like it did in the past, due to its strong net cash position and clean balance sheet. The stock is trading at 7.7x 2009 PE, which is much lower than its 5-year average PE of 17x, and a significant discount to its closest competitor Matahari Putra Prima (MPPA IJ) at 13.2x.

Passing on higher costs to consumers. The depreciation of the rupiah may depress Kalbe Farma's (KLBF IJ/BUY/Fair: Rp970) margin as about 80% of its raw materials are still imported. However, we expect the extent of the compression will be reduced by the company's ability to raise selling prices for its more affluent consumers, especially for products targeted at the premium segments such as its ethical drugs and nutritional products. These segments contributed a major 52% of total sales. KLBF is trading at 8.4x 2009 PE, not that high if we consider its 5-year average at 14.7x.

Bleak cement outlook but trading below replacement cost. We expect Holcim Indonesia (SMCB IJ/SELL/Fair: Rp390), the third-largest cement producer in Indonesia, to book a negative earnings growth in 2009 given the higher interest rate environment and lower cement demand. Although it has a relatively higher net debt/equity of 119%, we are not unduly concerned as it is shareholders' loan. The stock is trading at a relatively high PE of 17.3x. However, its valuation is undemanding if we consider its EV/tonne of US\$69, which is significantly below current replacement cost estimated at US\$150m/tonne.

INDONESIA

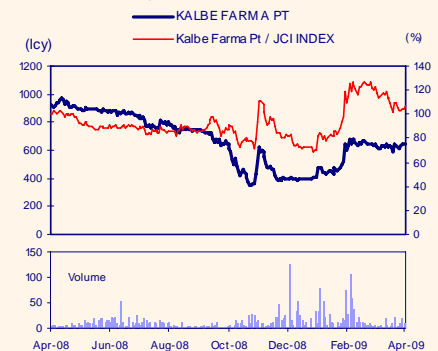
Strategy



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Analyst

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Beneficiary of government's economic stimulus package. Wijaya Karya (WIKA IJ/BUY/Target: Rp260), a construction company, is expected to benefit from the government's zeal in pushing forward a stimulus package to boost the economy and the infrastructure sector to create jobs during the current election year. Other positive catalysts for the construction sector will be lower interest rates and recent government commitments to increase infrastructure expenditure. In addition, the company has a strong balance sheet with net cash position, which is more likely to ride out the market turbulence than those with higher gearing. WIKA is trading at 7.7x 2009 PE, which is a premium to average Indonesia's construction sector's 6.7x 2009 PE, but justified by its business diversification and sturdy balance sheet.

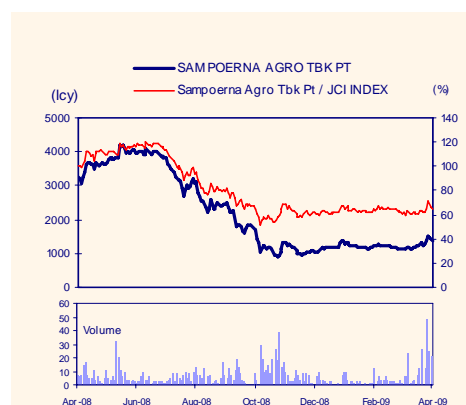
Cheap and cash-rich property stock. Although currently not under our coverage, this property development company, Bakrieland Development (ELTY IJ/NOT RATED/Consensus Target: Rp157) looks interesting, trading at an attractive valuation of 0.4x 2009 PBV, although it has an estimated net cash position of Rp358b, based on consensus forecasts. It had cash of Rp740b (US\$67m) as at end-08, which did not include proceeds from its divestment of a 30% stake in a CBD project to Limitless LLC (the subsidiary of Dubai World) in 2008 worth US\$100m. Also in its favour, Bakrieland is the most liquid property stock in the Indonesian stock market.

Small but affluent plantation stock. We expect Sampoerna Agro's (SGRO IJ/BUY/Target: Rp1,350) sales to decline in 2009 due to lower CPO prices. However, in the longer term, with rising CPO prices and higher production growth, earnings growth prospects remain good supported by its sturdy balance sheet and net cash position. As of 2008, the company had already about 90,054ha of oil palm planted area, of which 46% was owned by farmers through a plasma scheme. Currently, the stock trades at 8.9x 2009 PE, which is still lower than the Indonesian plantation sector's average of 11.5x.

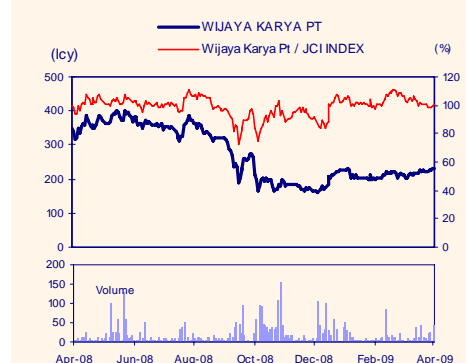
Mid-cap Stock Recommendations

Code	Rec	Market Cap (Rpb)	Share Price 7 Apr 09 (Rp)	Target Price (Rp)	-- EPS (Rp)--		--- PE (x) ---		Net Debt (Cash)/ Equity (%)	Share Price 28 Oct 08 (Rp)	52 Weeks	
					2009F	2010F	2009F	2010F			High	Low
JCI INDEX			1,490.9							1,111	2,516	1,089
ELTY IJ	NOT RATED	1,892.0	95	n.a.	10	12	9.1	7.7	2.2	69	460	54
SMCB IJ	SELL	4,674.4	610	390	35	40	17.4	15.3	119.2	345	1,280	330
KLBF IJ	BUY	6,601.4	650	970	76	86	8.5	7.6	(24.0)	355	980	355
RALS IJ	BUY	3,178.8	450	800	58	68	7.8	6.7	(48.3)	510	850	380
SGRO IJ	BUY	2,589.3	1,370	1,350	159	204	8.6	6.7	(27.0)	910	4,275	830
WIKA IJ	BUY	1,344.6	230	260	30	34	7.7	6.8	(28.5)	170	430	147

Source: Bloomberg, UOB Kay Hian



Source: Bloomberg



Source: Bloomberg

Singapore Telecommunications

Concerns over Australian NBN project removed

This is the best outcome for SingTel. The lifting of concerns over the potential dilutive Australian NBN investment would act as the share price catalyst in the near term.

Corporate Events

The Australian government announced it will not proceed with any of the five proposals lodged (Optus-Terria consortium, Acacia, Axia NetMedia, Tasmanian state government-TransACT) to roll out and operate a National Broadband Network (NBN) for Australia. It is formally terminating the process citing that none of the national proposals offered value for money. Instead, the government will build and operate the NBN itself with increased scope via the establishment of a new company that will invest up to A\$43b over eight years.

Stock Impact

Expanded project scope to cost nearly three times the original proposal.

The key change in the new proposal resulting in a three-fold increase in the estimated cost is the use of fibre to the premises (FTTP) technology connecting homes, schools and workplaces with optical fibre directly instead of the fibre to the node technology in the original proposal. The government will make an initial investment of A\$4.7b in the company but intends to reduce its stake to 51% within five years after the network is fully operational. The government views it as a major nation-building project that will support 25,000 jobs per year over the 8-year life of the project and provide fairer infrastructure access for service providers, greater retail competition, and better services for families and businesses.

Best outcome; Overhang over NBN removed. As highlighted earlier, the best- case scenario for SingTel was not necessarily to build the network but instead have Telstra to loosen up control and allow open access to the fibre infrastructure at reasonable prices. This is the best outcome for SingTel and it frees up the estimated capital commitment of around A\$5b for its 30% share of the NBN project. Although it has opened doors for Telstra which is likely to be the biggest private owner, the majority 51% stake by the government is expected to have the necessary checks and balances in place.

Valuation/Recommendation

SingTel 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. We believe that the lifting of the concerns over the potential dilutive NBN investment would act as the share price catalyst in the near term. Maintain BUY.

SINGAPORE

Singapore Telecommunications (ST SP)

BUY

Current Price: S\$2.53

Target Price: S\$2.95

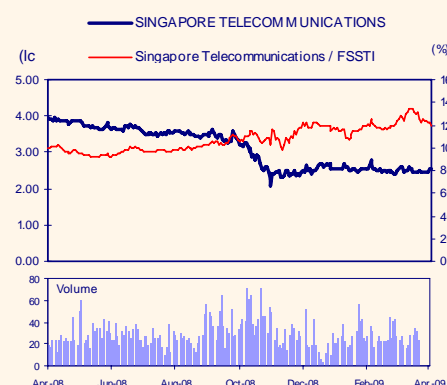
Sector	Telecoms
52-Wk Avg Daily Vol. ('000)	27,581
Market Cap (S\$m)	39,817.0
(US\$m)	26,491.4

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 (S\$)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (S\$)	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\$3,413.5m
 – FY10: S\$3,584.9m

Specifications Of The New Proposal

- Connect homes, schools and workplaces with optical fibre (fibre to the premises or FTTP), providing broadband services to Australians in urban and regional towns with speeds of 100 megabits per second - 100 times faster than those currently used by most people - extending to towns with a population of around 1,000 or more people.
- Use next-generation wireless and satellite technologies that will be able to deliver 12 megabits per second or more to people living in more remote parts of rural Australia.
- Provide fibre optic transmission links connecting cities, major regional centres and rural towns.
- Be Australia's first national wholesale-only, open access broadband network.
- Be built and operated on a commercial basis by a company established at arm's length from the government and involve private-sector investment.
- Expected to be rolled-out, simultaneously, in metropolitan, regional, and rural areas.

Source: Australian Government Department of Broadband, Communications and the Digital Economy

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%
Total Value				2.95	

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

Strategy

Market declines 4.1% ytd

Thailand has not benefitted from the recent rally in world equities. However, the stock market did not tank either, falling just 4.1% ytd. From the December close of 449.96, the SET has closed within the 430-440 range during the last three months. Among the big sectors, banks and telcos outperformed with the Banking and Communication Indices up 4.51% and 4.85% respectively during the quarter. Sectors that were hard hit were property (-8.62%), energy (-9.44%), petrochemical (-6.04%) and construction material (-6.73%).

Sector Comparison

Sector	30 Dec 08	31 Jan 09	27 Feb 09	31 Mar 09	Low (since 1 Jan 08)	High (since 1 Jan 08)	YTD %Chg	% Chg from High	MoM %Chg
AGRI	43.39	44.38	46.40	45.35	39.44	65.35	4.52	(32.09)	(2.26)
BANK	141.81	145.42	149.56	148.20	125.19	315.06	4.51	(53.84)	(0.91)
FIN	422.99	410.86	421.34	406.10	383.60	995.60	(3.99)	(58.73)	(3.62)
AUTO	156.05	154.17	140.86	148.54	153.89	333.59	(4.81)	(53.78)	5.45
IMM	47.59	43.47	40.68	37.23	36.34	126.48	(21.77)	(65.63)	(8.48)
PAPER	388.55	354.76	352.94	350.25	345.97	547.99	(9.86)	(35.26)	(0.76)
PETRO	232.3	231.77	218.58	218.28	198.78	702.55	(6.04)	(67.01)	(0.14)
CONMAT	2,842.61	2,739.86	2,710.91	2,651.23	2,348.67	5,861.97	(6.73)	(53.26)	(2.20)
PROP	59.96	59.18	55.10	54.79	48.89	141.29	(8.62)	(58.11)	(0.56)
ENERG	11,057.08	10,367.48	9,875.40	10,012.80	8,521.05	22,647.69	(9.44)	(54.22)	1.39
COMM	4,001.29	3,935.54	4,079.23	4,195.34	3,100.73	5,095.89	4.85	(22.77)	2.85
HEALTH	573.34	569.28	565.44	539.63	484.42	968.26	(5.88)	(41.21)	(4.56)
MEDIA	28.43	27.74	27.43	26.94	24.27	53.96	(5.24)	(48.59)	(1.79)
TOURISM	192.95	189.47	189.46	184.21	183.79	328.46	(4.53)	(42.32)	(2.77)
TRANS	47.2	48.76	44.85	46.21	38.45	140.90	(2.10)	(65.39)	3.03
ETRON	363.67	337.8	335.23	310.71	316.75	834.03	(14.56)	(59.50)	(7.31)
ICT	61.86	60.03	62.80	62.72	48.72	92.59	1.39	(35.17)	(0.13)
SET Index	449.96	437.69	431.52	431.50	384.15	884.19	(4.10)	(50.50)	0.00
SET Market Cap (Btm)	3,568,223	3,478,507	3,428,505	3,437,592					

Source: Bloomberg

Negative news during 1Q09:

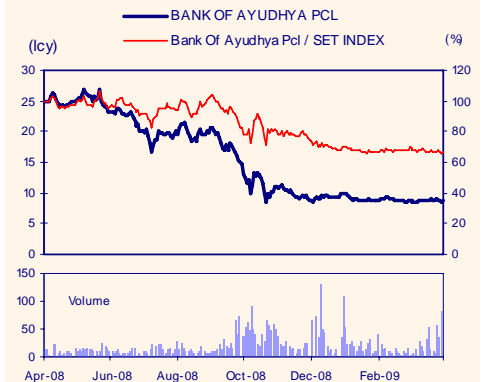
- Thai 4Q08 GDP shrank 4.3% yoy and 6.1% qoq.
- Net profit turned into a loss of Bt21b in 4Q08 from a profit of Bt75b in 3Q08.
- Tax revenue shortfall causing the government to borrow from overseas. An emergency decree may be enacted soon to increase public to GDP limit and debt servicing limit.
- One of the lowest fiscal stimulus vs peers at 1.3% of GDP
- New political tensions, which started at end-Mar 09.

Positive news during 1Q09:

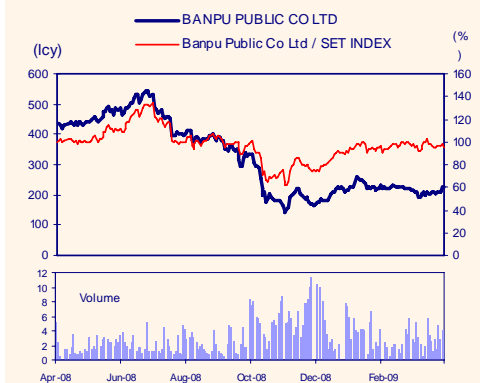
- A functioning government by the Democrat-led alliance.
- Bt16b free handouts to the poor kicked in starting Mar 09.
- Drop in foreign institutional selling. Foreign investors were net sellers of Bt160b in 2008 or Bt13b per month. In 1Q08, net sell by foreign investors ranged Bt4b-7b per month.

THAILAND

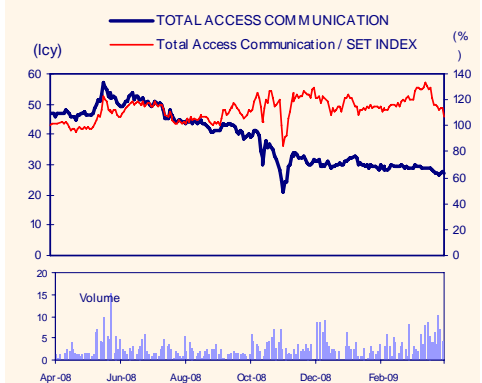
Strategy



Source: Bloomberg



Source: Bloomberg

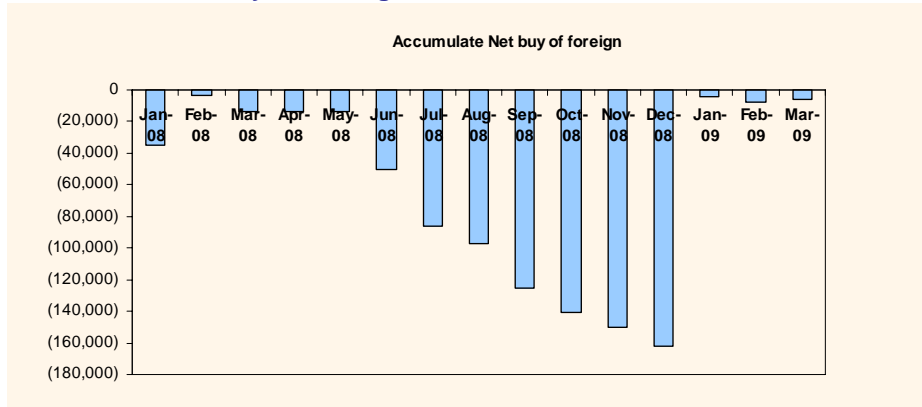


Source: Bloomberg

Analyst

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Accumulate Net Buy Of Foreign



Source: Bloomberg

- Average daily volume (ADV) dried-up. Bt5b-6b in ADV, usually signals the end of the bear market in Thailand.

Daily Average Turnover

	2007	2008	2009	Jan 09	Feb 09	Mar 09
Daily Average Turnover						
- Volume (m.shares)	2,467.98	3,397.51	2,388.40	2,649.17	2,056.59	1,912.29
- Value (Btm)	17,097.05	15,869.94	8,884.15	10,575.86	7,725.01	8,149.70

Source: Bloomberg

Outlook for 2H09. Our target trading range of 350-380 to 480-500 for the SET this year remains with the possibility of touching a low before hitting a high. Thailand will remain a trading market in 2009. In 2Q09, factors to look for are:

- 1Q09 results - we forecast stocks under our coverage to report 15-20% drop in yoy earnings.
- 1Q09 GDP will be announced by end-May 09. UOB Economic-Treasury Research expects Thailand's GDP to contract 10.75% qoq in 1Q09 and another 7.5% in 2Q09. 2009 GDP contraction is estimated at 5.2%.
- Unemployment figure to be announced after the Songkran holiday could hit 1.3m (4.5-4.7% of total workforce) vs 450,000 at end-08 and 880,000 or (2.7% of total workforce) at end-Feb 09. UOB Economic-Treasury Research forecasts unemployment of 2.3m or 6% of the total workforce of 37.3m.
- Continued political tensions. In the worst-case scenario, the collapse of the existing government leading to another election. This will hamper the smooth functioning of the fiscal stimulus, which is badly needed during the economic downturn.

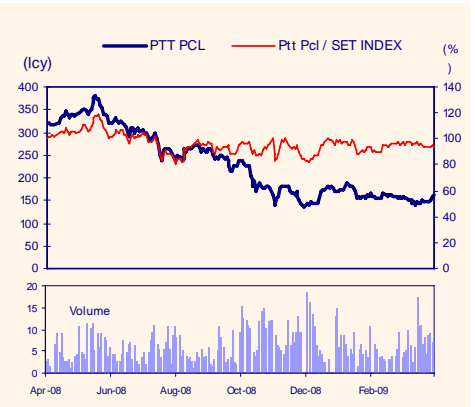
Recommendations:

Banking - Take profit. We would recommend taking profit on the big banks which have outperformed in 1Q09 ahead of the expected bad 1Q09 results. Earnings are expected to decline 20% yoy in 1Q09. The banks we like and continue to recommend BUY are BAY and TISCO.

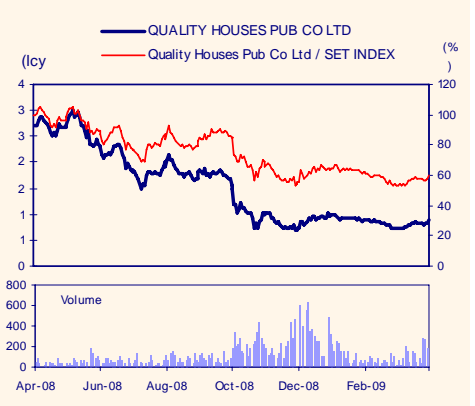
Property - Take profit on L&H and A&P after a strong rally. Remain neutral on LPN and QH.

Energy - We are neutral on energy stocks but like BANPU and PTT. Take profit on TOP, avoid PTTCH and PTTAR.

Telecoms - BUY DTAC as its 1Q09 sales and earnings are expected to be very satisfactory, better than management's expectations. On ADVANC, we continue to recommend HOLD due to its defensive stance.

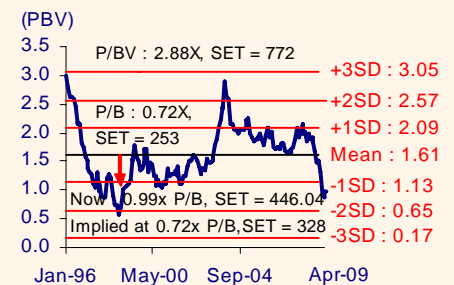


Source: Bloomberg



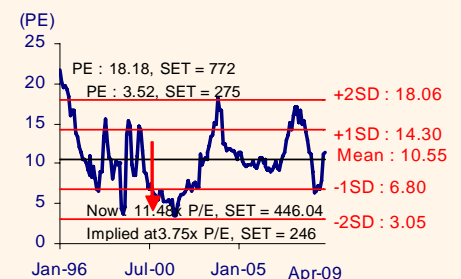
Source: Bloomberg

SET Index – SD P/B



Source: Bloomberg

SET Index – SD PE



Source: Bloomberg

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