UOBKayHian

Regional Morning Notes

Tuesday, April 14, 2009

KEY STORY

Indonesia

Plantation Page 6

Maintain OVERWEIGHT on Indonesian plantation sector on strong CPO prices and attractive valuation compared with peers in Malaysia.

Singapore

Banking Page 10

Our analysis on P/B ratio indicates that Singapore banks are attractively valued as they trade at the bottom end of historical band.

REGIONAL

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Dry Bulk Shipping Page 2

Bi-weekly: After falling for 21 consecutive days, BDI finally stabilises last Thursday.

CHINA

Sector

Property Page 4

Despite a decline in housing sales in major cities last week, we expect overall sales to remain resilient in the next two months.

INDONESIA

Sector

Plantation Page 6

Maintain OVERWEIGHT on Indonesian plantation sector on strong CPO prices and attractive valuation compared with peers in Malaysia.

MALAYSIA

Update

AMMB Holdings (SELL/RM2.77/Fair: RM1.92) Page 8

Key message is to grow profit rather than volume. Retail loans showing signs of stress. Share price benefits from high beta.

SINGAPORE

Sector

Banking Page 10

Our analysis on P/B ratio indicates that Singapore banks are attractively valued as they trade at the bottom end of historical band.

Results

Singapore Press Holdings (BUY/S$2.89/Target: S$3.90) Page 12

2QFY09: Raising earnings forecasts by 6-8%. Newsprint and staff cost savings more than offset lowered advertising revenue.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	8057.8	(0.3)	0.5	16.3	(8.2)
S&P 500	858.7	0.3	1.9	19.3	(4.9)
FTSE 100	3983.7	1.5	(3.4)	7.2	(10.2)
AS30	3617.5	1.4	(0.1)	15.1	(1.1)
CSI 300	2656.5	2.3	3.3	20.5	46.1
FSSTI	1876.8	2.6	3.1	19.0	6.5
HSI	14901.4	2.9	2.6	27.4	3.6
JCI	1540.4	5.1	2.7	16.0	13.6
KLCI	941.4	0.0	1.9	11.6	7.4
KOSPI	1338.3	0.2	3.1	18.8	19.0
Nikkei 225	8924.4	(0.4)	0.8	17.9	0.7
SET	453.9	2.2	2.5	6.8	0.9
TWSE	5857.6	1.3	5.4	19.6	27.6
BDI	1478	1.0	(3.9)	(35.7)	91.0
CPO (RM/mt)	2400	2.1	5.7	17.0	47.2
Nymex Crude (US$/bbl)	50	(4.2)	(4.7)	8.2	12.2

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
Top BUYs				
China Life	2628 HK	27.90	31.30	12.2
China Mobile	941 HK	68.45	85.00	24.2
China Railway	390 HK	4.92	5.90	19.9
China Shenhua	1088 HK	20.05	21.90	9.2
Sinopec	386 HK	5.56	6.60	18.7
Zijin Mining	2899 HK	5.68	7.15	25.9
DBS Group	DBS SP	9.25	10.55	14.1
Indofood Agri	IFAR SP	0.76	0.80	6.0
SingTel	ST SP	2.58	2.95	14.3
Advanced Info	ADVANC TB	81.75	101.73	24.4
Quality Houses	QH TB	0.95	1.28	34.7
Top SELLs				
Harbin Power	1133 HK	6.01	3.50	(41.8)
Parkson Retail	3368 HK	8.51	5.15	(39.5)
S'pore Airlines	SIA SP	11.40	8.20	(28.1)
STX Pan Ocean	STX SP	12.40	4.35	(64.9)
Amata Corp	AMATA TB	3.30	2.52	(23.6)

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 *	(USc/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
Hyflux Luncheon Presentation	Singapore	20 Apr	20 Apr
SPC Luncheon Presentation	Singapore	21 Apr	21 Apr

Dry Bulk Shipping

Bi-weekly: BDI finally stabilises last Thursday

BDI rose slightly to 1478 after declining for 21 consecutive days. Thanks to the improving futures market, more spot fixtures and increasing grain shipments from South America, the BDI stabilised on last Thursday.

Sector Review

BDI stopped declining last Thursday. The Baltic Dry Index (BDI) has declined 11.9% over the past two weeks but share prices of dry bulk stocks grew 8-24% amid the stock market rebound. After declining for 21 consecutive days, the BDI rose to 1478 last Thursday - thanks to the improving futures market, more spot fixtures and increasing grain shipments from South America before the Easter holiday.

Plunging steel exports and rising iron ore stockpiles. As of 10 April, Chinese ports' iron ore inventory increased 0.7% wow to 68.6mt. The China Customs announced China's steel exports increased 7% mom to 1.67mt in March. However, given the weakening demand for steel products, coupled with China losing its steel price competitiveness, Chinese steel exports actually plunged 60% yoy in March and dropped 55% yoy in 1Q09. Steel and iron ore prices in China also saw a slight decline last week.

Sector Outlook

China's iron ore imports surged 46%. According to China Customs, total iron ore imports surged 46% yoy to a record high of 52.1mt in Mar 09. In our view, the robust growth was due to the declining imported iron ore prices. The iron ore traders and steel mills purchased more iron ore because of the low iron ore prices rather than due to a recovery in underlying demand.

a) Iron ore traders. To the iron ore traders, iron ore spot prices may go up after the conclusion of iron ore negotiations, hence the traders have been buying a lot of iron ore. We see the surging demand from iron ore traders may not sustain (other things being equal) as the underlying steel demand may not recover significantly in the near term.

b) Steel mills. Imported iron ore prices have been declining significantly. As such, the Chinese steel mills have been buying more iron ore from overseas instead of locally. Hence, the Chinese steel mills have raised the proportion of imported iron ore from 40% to 70% over the past six months. In our view, if the imported iron ore prices stay at a low level, demand for imported iron ore from Chinese steel mills may continue to rise. This may help to boost China's seaborne iron ore trade and dry bulk shipping sector.

Stock Prices vs Baltic Dry Index

	Ticker	Price @ 13 Apr 09	2W (%chg)	1M (%chg)	12M (%chg)	YTD (%chg)	12M Corr Ratio
China COSCO	1919 HK	5.84	17.7	21.7	(70.1)	8.3	0.98
China Shipping	1138 HK	8.11	12.6	22.1	(67.0)	5.3	0.97
Pacific Basin	2343 HK	3.90	8.3	5.4	(66.8)	10.8	0.98
STX PO	STX SP	12.4	23.0	46.7	(58.2)	37.8	0.97
Precious Shipping	PSL TB	11.90	17.8	16.7	(48.9)	9.2	0.97
Thoresen Thai	TTA TB	15.40	24.2	23.2	(59.4)	0.8	0.98
Malaysian Bulk	MBC MK	3.26	8.7	10.9	(24.9)	36.4	0.92
Courage Marine	CMG SP	0.155	19.2	34.8	(59.7)	19.2	0.98
Mercator Lines	MRLN SP	0.14	12.0	12.0	(50.9)	(3.4)	0.96
Sincere Nav	2605 TT	32.45	15.1	20.4	(38.8)	8.2	0.94
U-Ming	2606 TT	56.00	9.6	15.9	(39.1)	42.5	0.95
Baltic Dry Index	BDIY	1,478	(11.9)	(35.7)	(81.1)	91.0	n.a.

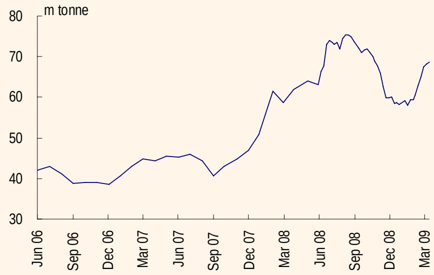
Source: Bloomberg; UOB Kay Hian

REGIONAL

Dry Bulk Shipping

UNDERWEIGHT

Chinese Ports Iron Ore Stockpiles



Source: Bloomberg; UOB Kay Hian

China Iron Ore Imports

(mt)	2008	2009	% chg
January	36.8	32.7	(11.2)
February	38.2	46.7	22.4
March	35.7	52.1	46.0
April	42.9	n.a.	n.a.
May	38.9	n.a.	n.a.
June	37.8	n.a.	n.a.
July	39.6	n.a.	n.a.
August	37.4	n.a.	n.a.
September	39.2	n.a.	n.a.
October	30.6	n.a.	n.a.
November	32.5	n.a.	n.a.
December	34.5	n.a.	n.a.
Total	**444.1**	**n.a.**	**n.a.**

Source: China Customs; UOB Kay Hian

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Baosteel cuts steel prices. In another indication of weak steel demand, Baosteel (600019.SS), China's largest listed steel mill, slashed steel prices again for May as steel inventories soared amid shrinking steel demand. In fact, steel price has posted a significant downtrend after Chinese New Year.

Corporate Headlines

Excel loses US$329m in 4Q08. Write-downs in 4Q08 and other book losses have dragged Excel Maritime Carriers to a net loss of US$44.7m for 2008. The company reported a US$329m net loss in 4Q08.

CMA CGM falls. CMA CGM's net profit plunged 87% yoy to US$124m in 2008 due to a US$700m write-off of the value of instruments to hedge against high fuel prices.

Baltic Freight Indices

(%) chg	Index	2W	1M	12M	ytd
Baltic Dry Index	1,478	(11.9)	(35.7)	(81.1)	91.0
Baltic Capesize	2,024	(3.3)	(27.9)	(82.2)	51.4
Baltic Panamax	1,144	(23.3)	(52.7)	(85.5)	105.0
Baltic Supramax	1,153	(13.8)	(33.3)	(75.3)	173.9
Baltic Handysize	635	(10.2)	(15.9)	(72.9)	126.0

Source: Bloomberg; UOB Kay Hian

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

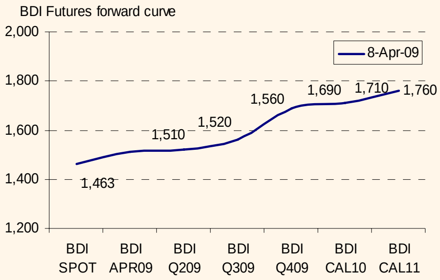
Vessel	Rate	2W	1M	3M	6M	ytd
Capesize	19,750	19,000	21,000	17,500	19,500	15,000
Panamax	12,500	14,000	16,000	11,375	28,000	10,750
Handymax	11,000	12,250	13,250	9,500	19,000	9,500
Movement	**Rate**	**2W %**	**1M %**	**3M %**	**6M %**	**YTD %**
Capesize	19,750	3.9	(6.0)	12.9	1.3	31.7
Panamax	12,500	(10.7)	(21.9)	9.9	(55.4)	16.3
Handymax	11,000	(10.2)	(17.0)	15.8	(42.1)	15.8

Source: Clarksons, UOB Kay Hian

Capesize. The Atlantic market was relatively stable last week. The continued belief that the Pacific is supply-heavy means that extra vessels are beginning to appear in the Atlantic too. Average earnings decreased 6.6% wow to US$15,983/day.

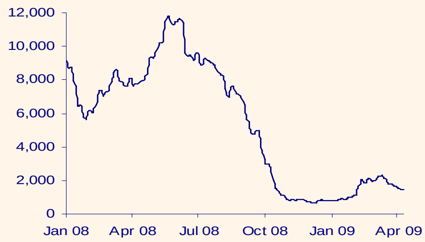
Panamax. Activity levels were reasonable as owners covered chartering before the Easter holiday. The Panamax market was warming up a bit on the front haul last Thursday. Average earnings declined 13.4% wow to US$5,724/day.

BDI Futures Forward Curve



Source: Imarex

The Baltic Dry Index



Source: Bloomberg; UOB Kay Hian

Peer Comparison

Company	Ticker	Curr-ency	Price @ 13 Apr 09	Fair Price	Rec	PE (x) 2007	PE (x) 2008F	PE (x) 2009F	P/B (x) 2007	P/B (x) 2008F	P/B (x) 2009F
Hong Kong											
China COSCO	1919 HK	HK$	5.84	4.00	SELL	2.4	2.8	11.9	0.99	0.84	0.92
China Shipping	1138 HK	HK$	8.11	4.85	SELL	5.2	4.5	11.6	1.48	1.13	1.09
Pacific Basin	2343 HK	HK$	3.90	3.20	HOLD	1.7	2.1	11.1	0.91	0.69	0.67
Malaysia											
Malaysian Bulk	MBC MK	RM	3.26	n.a.	NR	7.1	14.2	17.0	1.73	1.83	1.82
Singapore											
Courage Marine	CMG SP	S$	0.155	n.a.	NR	2.7	n.a.	n.a.	0.92	n.a.	n.a.
Mercator Lines	MRLN SP	S$	0.14	n.a.	NR	1.7	1.5	2.2	0.44	0.37	0.30
STX P O	STX SP	S$	12.40	4.35	SELL	3.0	3.4	46.8	0.80	0.77	0.75
Taiwan											
Sincere Navigation	2605 TT	TWD	32.45	n.a.	NR	5.6	6.2	7.6	1.62	1.44	1.39
U-Ming Marine	2606 TT	TWD	56.00	n.a.	NR	5.3	4.7	12.7	1.94	1.73	1.86
Thailand											
Precious Shipping	PSL TB	Bt	11.90	8.30	HOLD	2.9	2.5	4.2	0.88	0.77	0.70
Thoresen Thai	TTA TB	Bt	15.40	13.80	SELL	2.0	1.1	12.1	0.65	0.40	0.39
Average						**3.6**	**4.3**	**13.7**	**1.12**	**1.00**	**0.99**

Source: Bloomberg, UOB Kay Hian

Property

Sales to stay resilient in 2Q09

Despite a decline in housing sales in major cities last week, we expect overall sales to remain resilient in the next two months on the back of more new sales launches and continuously improving economic outlook in 2Q09.

Overall sales declined moderately. Overall sales of major cities last week contracted modestly by about 8% wow, or 2% from the average weekly sales in March. On the other hand, sales in major cities almost doubled on a yoy basis. Among the major cities, Beijing's contracted sales of primary residential properties were about 40% higher than the weekly average sales in March and nearly 200% higher yoy. Meanwhile, all the major cities in the Yangtze River Delta Region outperformed the nationwide market by recording higher sales compared with the average weekly sales in March.

Beijing continued to see surge in sales subscriptions. Beijing's subscriptions increased 18% wow and hit a record high in three quarters for the second consecutive week. Phase 3 of Ocean Landscape launched by Sino-Ocean Land (3377 HK) on 6 April proved to be very successful. All 900 units were sold out in two days with an average selling price (ASP) of Rmb13,500/sqm, about 10% higher than the ASP of Rmb12,300/sqm achieved in Phase 2 at the end of last year.

Sales in Beijing Spring Property Trading Fair also encouraging. According to the Beijing Morning News, the five-day Beijing Spring Property Trading Fair held last week was well received. The total sales subscriptions of Beijing projects were estimated at Rmb2.1b, about 40% higher than that in the last trading fair. Meanwhile, the media reported that developers seemed to be offering small price cuts on the back of improved market sentiment and the ASP for subscriptions reached Rmb11,566/sqm.

1Q09 property development data showed slow new housing start and land purchases. The National Statistics Bureau released 1Q09 data yesterday. The total property under construction areas and completion areas increased 12.7% and 26.3% yoy respectively in 1Q09, while newly-started areas of properties declined 16.2% yoy to 201m sqm. Meanwhile, land purchase continued to drop 40.1% yoy to 47.4m sqm in 1Q09 and total land development area also declined 11.3% yoy to 52.2m sqm in the same period. In our view, the expansion in under construction areas might indicate a rise in new supply in the coming months. As a result, we expect the decline in inventories to slow down or inventories to build up in some cities in the coming months. Nonetheless, demand and supply dynamics should improve again in 4Q09 on the back of a sharp decline in newly-started housing construction. Supply might become insufficient in some cities next year.

Despite volatile sales on weekly or even monthly basis, we expect overall sales to stay high in next two months. We are not surprised if sales declined moderately on a wow or even mom basis, but we expect overall sales to remain resilient in 2Q09 on the back of the following: a) continuously improving economic outlook in 2Q09, b) more housing sales launches in the next two months, particularly in May, to offer homebuyers more choices, c) improved market sentiment with the support of limited price downside generally expected by homebuyers, and d) A-share market still being one of best performing markets this year. If the economy or property sales becomes weaker than expected in the coming months, more stimulus packages are likely to be launched to stimulate consumption and property sales. We still expect overall housing sales in major cities to rise 15-20% yoy this year.

Despite strong stock rally, we believe 40% sector average discount to NAV still offers upside. We continue to like quality private companies, i.e. Guangzhou R&F (2777 HK), Shimao (813 HK) and KWG (1813 HK), on the back of their improved balance sheets and property sales. Downside risk is much lower-than-expected sales in the coming months.

CHINA

Property

MARKET WEIGHT

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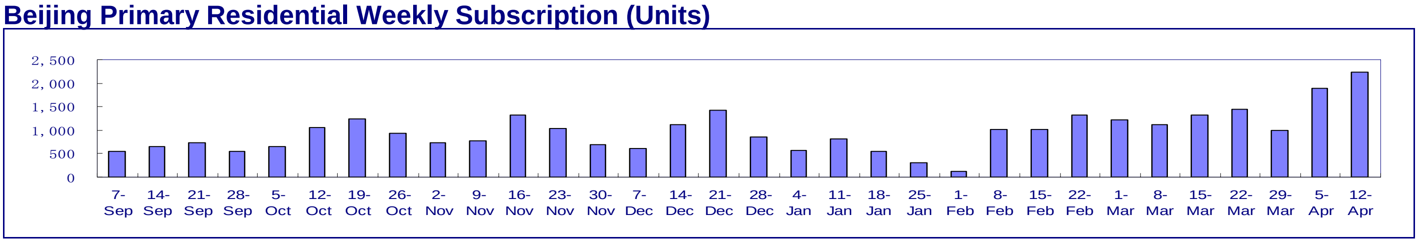
Weekly Sales In Major Cities (6-12 April)

Regions	Cities	GFA ('000 sqm)	wow % chg	% chg vs weekly avg Mar 09	yoy % chg
Pan-Bohai Rim	Beijing	402	(2)	39	195
	Tianjin	215	(20)	(21)	96
	Qingdao	132	7	7	(3)
Yangtze River Delta	Shanghai	528	4	2	54
	Suzhou	165	(14)	62	
	Nanjing	200	2	10	112
	Hangzhou	141	18	25	162
	Ningbo	109	(10)	12	
South China	Shenzhen	158	(13)	(14)	104
	Guangzhou	203	(29)	(22)	118
	Dongguan	142	32	9	
Central China	Wuhan	282	2	(4)	248
	Changsha	315	(23)	(13)	
	Hefei	252	8	21	
Southwest China	Chongqing	344	(27)	(27)	46
	Chengdu	227	16	(11)	30

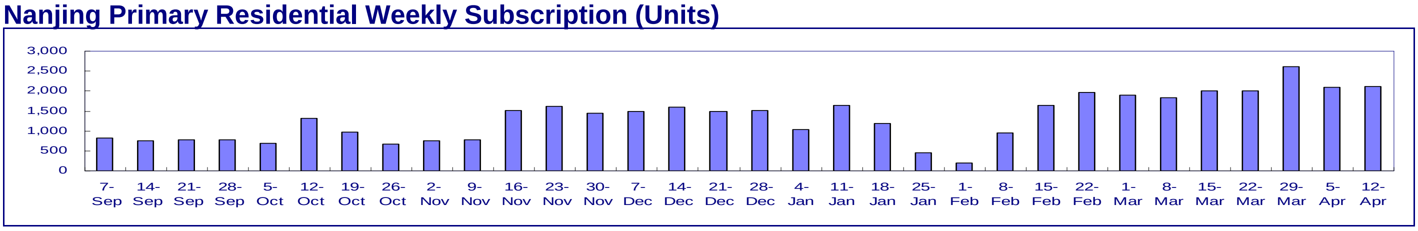
Source: Soufun, UOB Kay Hian

Beijing Primary Residential Weekly Subscription (Units)



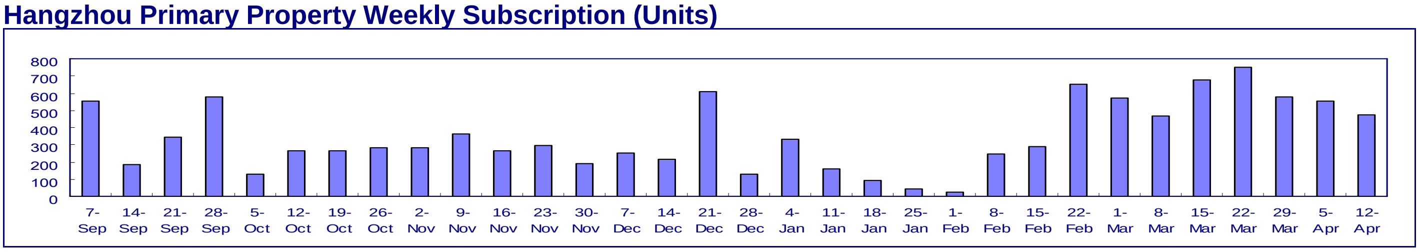
Source: Soufun, UOB Kay Hian

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 9 Apr 09 (HK$)	--------- EPS -------- 2008F (Rmb)	2009F (Rmb)	--------- PE -------- FY08F (X)	FY09F (X)	------- Yield ------ FY08F (%)	FY09F (%)	NAV (HK$)	Discount to NAV (%)
Agile	3383 HK	HOLD	5.31	1.36	0.48	3.5	9.8	6.4	4.3	9.20	(42.3)
China Overseas Land	688 HK	HOLD	13.20	0.45	0.68	26.0	17.2	1.0	1.3	12.44	6.1
China Resources Land	1109 HK	BUY	13.26	0.42	0.40	28.3	29.1	0.9	0.9	16.33	(18.8)
Greentown	3900 HK	SELL	3.86	0.48	0.89	7.1	3.8	3.5	5.0	11.21	(65.6)
Guangzhou R&F	2777 HK	BUY	11.18	1.06	0.86	9.3	11.5	0.0	2.0	17.37	(35.6)
Hopson	754 HK	SELL	6.00	1.18	1.29	4.5	4.1	5.5	6.5	17.00	(64.7)
KWG	1813 HK	HOLD	2.59	0.17	0.24	13.5	9.6	1.9	2.7	4.84	(46.5)
Poly HK	119 HK	BUY	2.45	0.06	0.24	33.9	9.0	2.0	2.0	6.47	(62.1)
Shanghai Forte Land	2337 HK	SELL	1.44	0.04	0.12	31.9	10.4	1.6	1.6	2.45	(41.2)
Shimao Property	813 HK	BUY	7.26	0.56	0.67	11.5	9.6	3.4	3.4	13.70	(47.0)
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	3.71	0.08	0.23	43.2	14.3	3.0	3.0	5.40	(31.3)
Average						**19.0**	**12.1**	**2.6**	**2.9**		**(39.6)**

Source: UOB Kay Hian

Plantation

Strong CPO prices and undemanding valuations

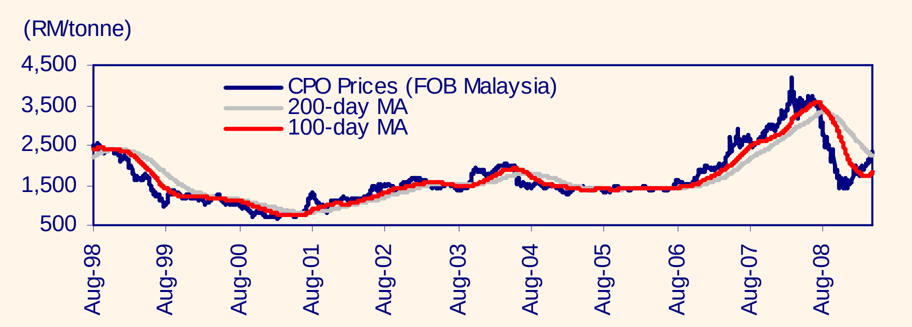
Maintain OVERWEIGHT on Indonesian plantation sector as it is trading at undemanding valuation compared with peers in Malaysia. Our top picks: Astra Agro Lestari, Sampoerna Agro and London Sumatra Indonesia.

Sector Events

CPO price remains stable. Crude palm oil (CPO) spot price (FOB Malaysia) has increased 47% ytd to the current level of RM2,400/tonne, the strongest among vegetable oils in recent weeks. Stable CPO price was mainly attributable to the following: a) lower supply of soybean oil in Argentina caused by the drought season and farmer strikes, b) decline in palm oil inventories in Malaysia, and c) recently picking up demand from Europe.

Strong crude oil price in Mar 09 improved attractiveness of edible oil. The strong rally in crude oil price in Mar 09, which reached about US$50-53 /bbl from only US$35/bbl earlier this year, improved the attractiveness of oils and fats as a feedstock for biofuel. Several governments have new initiatives aimed at stimulating the production of biofuel for biodiesel as well as for power generation.

CPO Prices



Source: Bloomberg, UOB Kay Hian

Stock Impact

Scaling down new planting. Given the tight liquidity and higher cost of money from banks amid the current global market conditions and companies' preference for cash, several plantation companies have scaled down expansion in new planting and non-planting activities. Our checks with companies reveal that the new planting targets for 2009 are between 5,000ha and 10,000ha vs 20,000-40,000ha p.a. in the last three years.

Weakening CPO price in 2H09. We expect to see rising CPO production in 2H09 when oil palm trees enter peak production months, leading to higher CPO supply and a potential cut-back in CPO imports from India. As a result, CPO price will weaken in the period after the price support in 1H09 thanks to low inventory level and better demand from India and Europe.

INDONESIA

Plantation

OVERWEIGHT

Astra Agro Lestari (AALI IJ)

BUY

Current Price: Rp15,350
Target Price: Rp16,800
(Previous: Rp13,700)

London Sumatra Ind. (LSIP IJ)

BUY

Current Price: Rp3,825
Target Price: Rp4,100
(Previous: Rp3,300)

Sampoerna Agro (SGRO IJ)

BUY

Current Price: Rp1,520
Target Price: Rp1,700
(Previous: Rp1,350)

Bakrie Sumatera (UNSP IJ)

SELL

Current Price: Rp350
Fair Price: Rp250

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Peer Comparison

Company	Rec.	Last Year End	Share Price (Rp) 13 Apr 09	Target Price (Rp)	Market Cap (US$m)	EPS (Rp) 2008	EPS (Rp) 2009F	EPS (Rp) 2010F	PE (x) 2008	PE (x) 2009F	PE (x) 2010F	ROE (%)	P/NTA (x)
Astra Agro Lestari	BUY	12/08	15,350	16,800	2,173.8	1,671	1,236	1,818	9.2	12.4	8.4	57.1	4.8
London Sumatra	BUY	12/08	3,825	4,100	469.4	680	370	517	5.6	10.3	7.4	33.7	1.6
Sampoerna Agro	BUY	12/08	1,520	1,700	258.3	233	159	204	6.5	9.6	7.5	29.1	1.9
Bakrie Sumatera	SELL	12/08	350	250	119.2	46	42	63	7.6	8.3	5.6	7.1	0.7
Indonesian Sector					**3,020.7**				**8.1**	**11.5**	**8.0**		

Source: Bloomberg, UOB Kay Hian

Recommendation

Maintain OVERWEIGHT. Despite the strong price performance, the Indonesia plantation sector is trading at an undemanding valuation of 11.5x 2009 PE, compared with its peers in Malaysia with 16.2x 2009 PE.

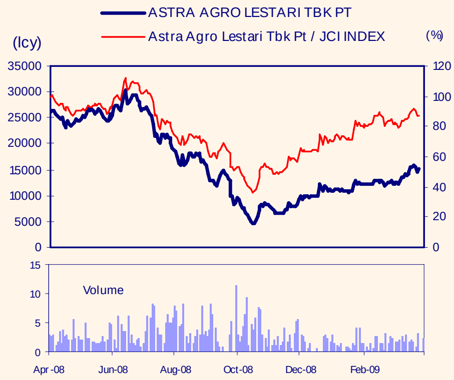
Astra Agro Lestari - Maintain BUY on solid fundamentals. Undeniably AALI has the strongest fundamentals among listed plantation companies as it is the largest listed and best managed plantation company in Indonesia. It boasts strong liquidity with net cash position, which is important amid unfavourable market conditions. In the last three years, AALI has added new planting area of about 14,000-23,000ha p.a., leading to huge immature area of 66,000ha, which is expected to start maturing and producing fresh fruit bunches (FFB) in the next 2-3 years. We maintain our earnings forecast for 2009 but lower our earnings forecast for 2010 by 7% on lower margin and CPO production. We raise the target price for AALI to Rp16,800 based on 13.6x 2009 PE (big-cap and upstream player) or 4.0x 2009 P/B (2009 ROE of 34%). Maintain BUY but we recommend investors buy at a lower level.

London Sumatra Indonesia. On the back of 2008 strong results, the company managed to post net cash of Rp97b and lowered its debt/equity ratio from 0.35x in 2007 to 0.29x in 2008. Despite fine-tuning our models, which results in a fall in net profit by 2.8% in 2009 and 5.0% in 2010, we raise our target price for LSIP to Rp4,100, based on higher 2009 PE of 11x (mid-cap and upstream player). Our target price implies 1.6x 2009 P/B.

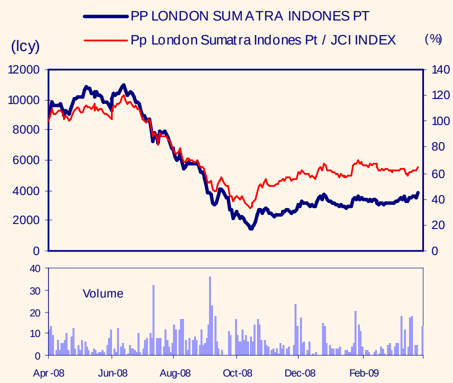
Sampoerna Agro - Raising nucleus area may improve margin. As a mid-cap upstream plantation company, SGRO has managed to maintain its strong balance sheet with net cash position since its initial public offering in Jun 07. SGRO improved its net cash position by 76% yoy in 2008, which will help sustain business in the current tight liquidity environment. Despite the expectation of lower FFB yield due to a larger mature area, we expect FFB yield to improve over the next few years, supported by an attractive age profile of 9.5 years as of end-08 and 67.9% of total planted area being in the peak production period. We expect margins to improve as the company plans to increase the ratio of nucleus area to total area from about 56% currently to 60% next year. We raise our target price for SGRO to Rp1,700, based on 2009 PE of 11x for mid-cap and upstream players.

Bakrie Sumatera - Maintain SELL on high forex exposure. The company's bottom line profitability has a greater impact on its high foreign currency-denominated debt position. Given current outstanding bonds of US$160m with an interest rate of 10.75%, UNSP suffers from huge interest expenses and foreign currency exposure that will drag down bottom line profit. Thus, while other plantation companies in Indonesia posted astonishing growth in 2008 on stronger CPO price, UNSP posted lower net profit caused by forex losses and higher interest expenses, driven by a weakening of the Rupiah against the US dollar in 4Q08. Maintain SELL with a fair price of Rp250, based on 2009 PE of 6.0x.

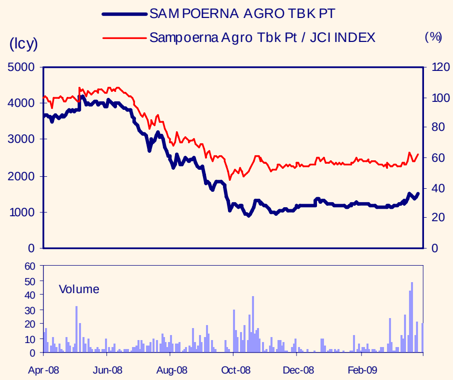
Price Charts



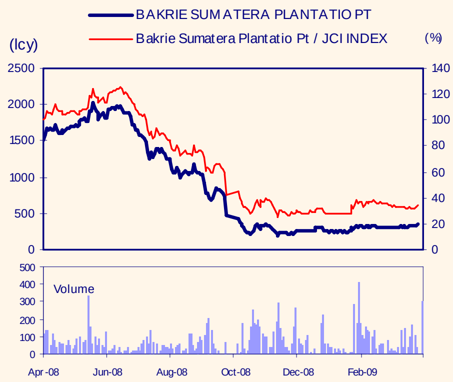
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

AMMB Holdings

Profitability still the key

Key message is to grow profit rather than volume. Retail loans showing signs of stress and management has started to offer restructuring and rescheduling to pre-empt surge in default rate. Still early to turn bullish.

Corporate Events

Company visit.

Stock Impact

More realistic guidance. Management has further downgraded 2009 GDP growth guidance from -0.5% to +0.5% to -2% with a downward bias, and a potential unemployment rate of 4.75% for 2009. This will also lead to potentially higher defaults. Early sign is actually emerging in retail loans which show more loan repayments are now at 1-2 months in arrears. To pre-empt a sudden surge in non-performing loan (NPL), the bank is actually offering rescheduling and restructuring of stress loans before they turn into NPL under the 3-month classification.

Focus on profitability rather than volume growth. Key emphasis in FY10 would be growth at profitable segments and not on pricing. Thus, management is guiding a slower loans growth of 3-4% for FY10 after a projected loans growth of 9.0% for FY09. This is in line with our revised expectation of a 3.0% loans growth for FY10. The growth will still supported by mortgage loans and selective business loan segments.

High fixed loans to benefit from interest rate downtrend. AMMB would somehow benefit from the reducing interest rate environment due to its high fixed loans component (63% of total loans). Although we do not expect a spike in its net interest margin (NIM), we do not expect margin compression as to be seen in most of banks. However, the positive impact on margin would be partially offset by lower recovery and slower collection in FY10.

Adequate capital. As at 31 Dec 08, AMMB's tier-1 capital and risk-weighted capital is at 9.4% and 14.3% respectively. With its recent capital raising of RM500m non-innovative tier-1 capital, AMMB's tier-1 capital and risk-weighted capital would strengthen to 10.13% and 15.05% respectively.

Earnings Revision

We raise our FY09 net profit forecast by 19.5% to RM799.2mm (EPS: 29.4sen) after adjusting for a higher loans growth of 9% (from 7%), lower loan loss provision and lower non-interest income.

Valuation/Recommendation

Maintain SELL. Based on Gordon Growth Model at a sustainable ROE of 13%, payout ratio of 35% and long-term growth rate of 4.0%, our fair price is RM1.92. This values AMMB at P/B of 0.63x and FY10F PE of 6.5x, which is close to its P/B of 0.62x during the Asian financial crisis.

MALAYSIA

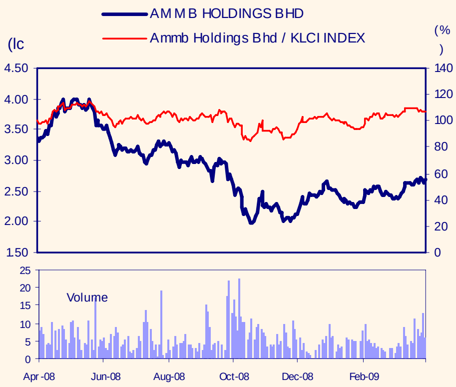
AMMB Holdings (AMM MK)

SELL

Current Price: RM2.77
Fair Price: RM1.92

Sector	Bank
52-Wk Avg Daily Vol. ('000)	5,369
Market Cap (RMm)	7,542.6
(US$m)	2,078.3
Major Shareholders (%)	
Australia & New Zealand Grp	19.2
AmCorp Group	17.7
Book NTA per Share (RM$)	2.07
ROE (%)	11.2
Results Due	
1Q: Aug	2Q: Nov
3Q: Feb	Final: May

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Mar	PBT (RMm)	Net Profit (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	PB (x)	DPS (sen)	Yield (%)
2007	(84.6)	(282.5)	(10.4)	n.m.	n.m.	1.4	0.0	0.0
2008	1,194.4	668.5	24.6	n.m.	11.3	0.9	0.0	0.0
2009F	1,130.6	799.2	29.4	19.5	9.4	0.9	7.0	2.5
2010F	1,105.9	808.7	29.7	1.2	9.3	0.8	7.0	2.5
2011F	1,145.1	837.4	30.8	3.5	9.0	0.8	8.0	2.9

Consensus Net Profit – FY09: RM817.7m
– FY10: RM698.1m

Income Statement

Year to 31 Mar	2007 (RMm)	2008 (RMm)	2009F (RMm)	2010F (RMm)	2011F (RMm)
Net Interest Income	1,372.1	1,630.6	1,756.2	1,851.0	1,901.9
Islamic Banking Fee	506.1	517.2	563.7	614.5	688.2
Non-Interest Income	1,150.0	1,218.8	914.3	916.6	1,096.3
Operating Income	3,028.3	3,366.6	3,234.2	3,382.1	3,686.4
Overhead Expenses	(1,356.8)	(1,552.3)	(1,679.5)	(1,798.5)	(1,993.9)
Operating Profit	1,671.4	1,814.3	1,554.7	1,583.6	1,692.5
Loan Loss Provision	(1,757.1)	(619.9)	(424.1)	(477.7)	(547.4)
Net Income	(282.5)	668.5	799.2	808.7	837.4
Key Analysis (%)					
Net Interest Margin	1.99	2.22	2.28	2.29	2.21
Gross NPLs	6.6	3.8	3.7	4.5	5.3
Gross Loans Growth	7.7	8.2	9.0	3.0	10.0
Loans Loss Coverage	56.6	67.3	67.2	60.4	54.2
Cost/Income Ratio	44.8	46.1	51.9	53.2	54.1
ROE	(5.8)	11.2	10.8	10.3	10.2

Balance Sheet

Year to 31 Mar	2007 (RMb)	2008 (RMb)	2009F (RMb)	2010F (RMb)	2010F (RMb)
Net Loans	47.6	52.5	57.3	58.9	64.9
Customer Deposit	(42.4)	(47.8)	(51.6)	(55.7)	(61.8)
Shareholder's Fund	4.8	7.2	7.7	8.1	8.3
Total Assets	79.0	83.2	87.9	92.1	100.0

Banking

Attractive valuation, especially for DBS

Our analysis on P/B ratio indicates that Singapore banks are attractively valued as they trade at the bottom end of historical band. DBS is most attractive, followed by OCBC.

Corporate Events

Let history be the guide. There are three recessions in the past 20 years, namely Asian Financial Crisis, crash of the dotcom bubble which was followed almost instantaneously by the 911 terrorist attack, as well as the outbreak of SARS. Our conclusions after analysing past trends in P/B ratios for Singapore banks over the past 20 years are:

- Singapore banks are trading at the bottom end of historical P/B bands.
- Treating the severity of each recession as being equal, the trough P/B for DBS and OCBC are 0.78x and 1.15x, respectively. Thus, both DBS and OCBC face limited downside.
- Assuming GDP growth has bottomed and on the path to recovery, DBS and OCBC provide attractive upsides of 69.0% and 39.6%, respectively.

Recessions In Past 20 Years

	Duration
Asian Financial Crisis	1Q98 to 4Q98 (four quarters)
Dotcom Bubble and 911 Terrorist Attack	2Q01 to 1Q02 (four quarters)
Outbreak of SARS	2Q03 (one quarter)

Source: UOB Kay Hian

Trough P/B During Past Crisis

(x)	Current P/B	Asian Financial Crisis	Dotcom Bubble and 911 Terrorist Attack	Outbreak of SARS	Average for Past Crisis	Upside/ Downside (%)
DBS	0.84	0.41	1.03	0.89	0.78	(7.5)
OCBC	1.27	0.63	1.47	1.35	1.15	(9.4)
UOB	1.21	0.59	1.15	1.24	0.99	(17.9)

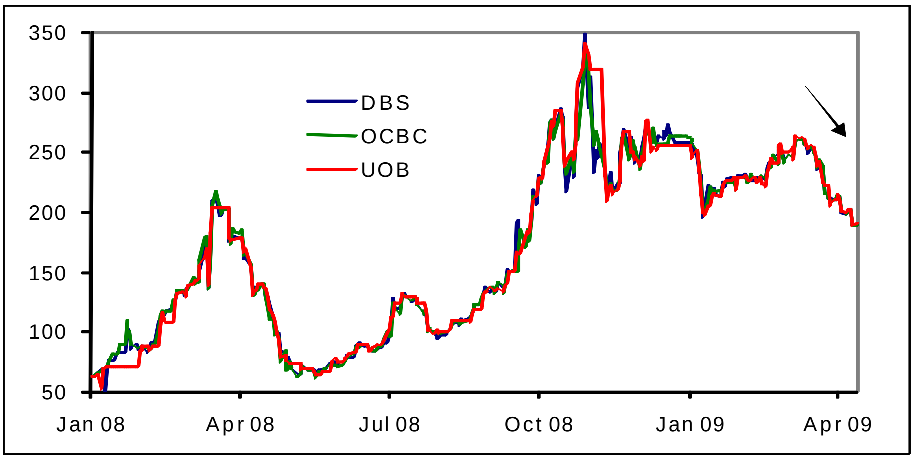
Source: UOB Kay Hian

Average P/B In Year After Crisis (1999, 2002 and 2004)

(x)	Current P/B	Asian Financial Crisis	Dotcom Bubble and 911 Terrorist Attack	Outbreak of SARS	Average for Past Crisis	Upside/ Downside (%)
DBS	0.84	1.76	1.15	1.35	1.42	69.0
OCBC	1.27	1.98	1.60	1.74	1.77	39.6
UOB	1.21	1.75	1.43	1.58	1.59	31.1

Source: UOB Kay Hian

Spread For Credit Default Swap Of Singapore Banks



Source: Bloomberg

SINGAPORE

Banking

MARKET WEIGHT

DBS (DBS SP)

BUY
Current Price: S$9.25
Target Price: S$10.55

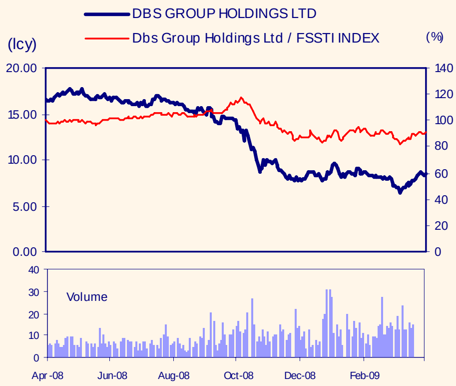
OCBC (OCBC SP)

HOLD
Current Price: S$5.69
Fair Price: S$5.27

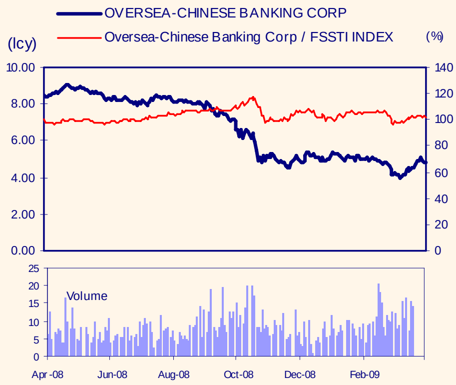
UOB (UOB SP)

NOT RATED
Current Price: S$10.78

Price Charts



Source: Bloomberg



Source: Bloomberg

Analyst

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Stock Impact

Default risk for Singapore banks has abated. The average spread for credit default swap of Singapore banks has dropped 44.3% from 339.4bp in Oct 08 to the current 188.9bp. The lower spread for credit default swap indicates that the pressure on the financial system has abated.

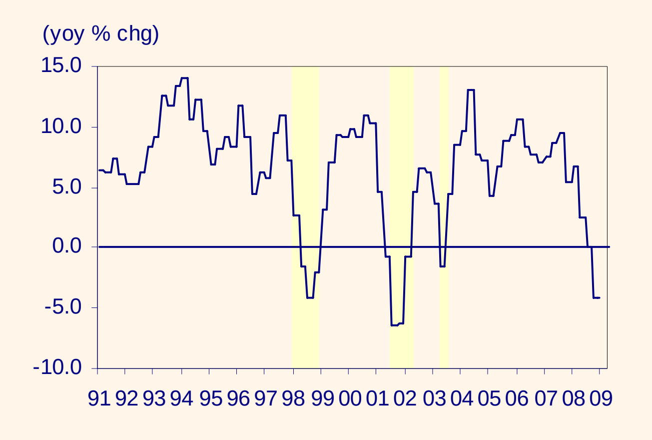
Earnings Revision

Our earnings forecasts assume NPL ratio rising to 5% for DBS and 6% for OCBC by 4Q10. We forecast a net profit of S$1,549m for DBS, down 38.7%, and S$1,220m for OCBC, down 32.6%, in FY09.

Valuation/Recommendation

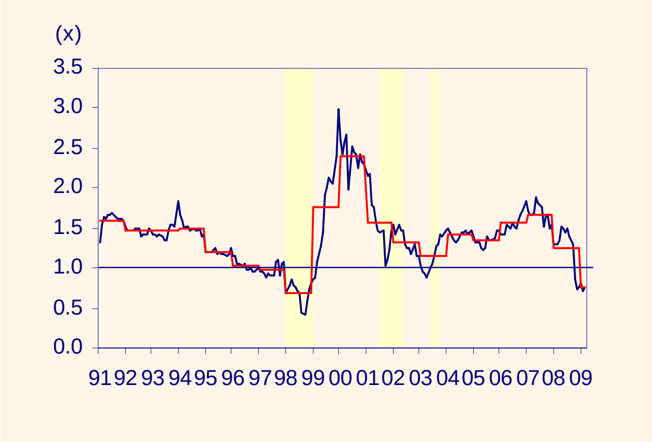
The risk/return balance is favourable for Singapore banks. Maintain BUY recommendation for DBS.

Singapore Quarterly GDP Growth



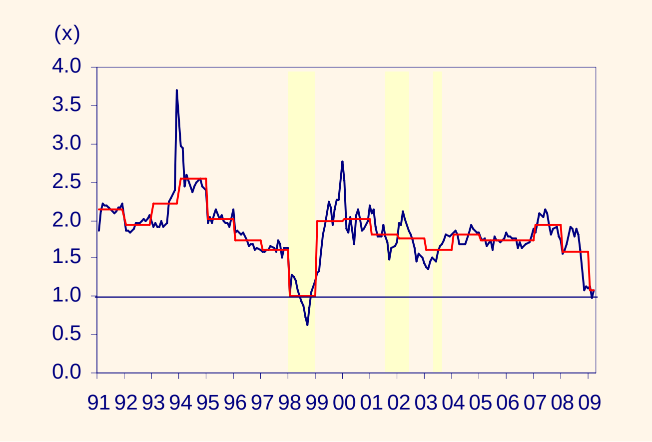
Source: CEIC, UOB Kay Hian

P/B Ratio – DBS



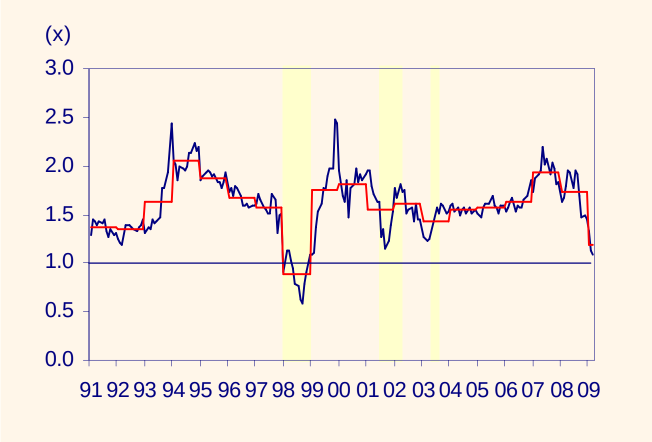
Source: Bloomberg, UOB Kay Hian

P/B Ratio – OCBC



Source: Bloomberg, UOB Kay Hian

P/B Ratio – UOB



Source: Bloomberg, UOB Kay Hian

Peer Comparison

	Bloomberg Code	Rec 13 Apr 09	Price @ (S$)	Target Price (S$)	Market Cap (US$m)	PE FY08 (x)	PE FY09F (x)	PE FY10F (x)	P/B (x)	ROE (%)	Div Yield (%)
DBS	DBS SP	BUY	9.25	10.55	15,155	8.5	14.6	10.7	0.84	9.6	6.8
OCBC	OCBC SP	HOLD	5.69	5.27	12,603	10.4	15.4	11.7	1.27	12.2	4.9
UOB	UOB SP	NR	10.78	n.a.	11,548	8.6	10.6	9.5	1.21	12.6	6.8
Average:						9.2	13.6	10.6	1.11	11.5	6.2

Source: Bloomberg, UOB Kay Hian

Singapore Press Holdings

2QFY09: Raising earnings forecasts on lower newsprint and staff costs

Raising earnings forecasts by 6-8% to reflect lower newsprint and staff costs.

2QFY09 Results

Year to 31 Aug	2QFY09 (S$m)	yoy % Chg	1HFY09 (S$m)	yoy % Chg	Remarks
Turnover	287.2	(4)	627.4	3	2QFY09 AR revenue -22% yoy, offset by higher property revenue
EBITDA	116.1	(10)	265.9	(4)	Newsprint cost US$827/tonne, +7% qoq
Pre-tax Profit	89.6	(25)	182.0	(29)	S$33m investment losses in 1QFY09
Tax	(3.6)	(82)	(24.6)	(44)	1ppt reduction in tax rate to 17%
MI	1.1	283	2.7	653	-
Net Profit	87.0	(13)	160.1	(24)	Weak AR and investment losses
Net Profit (Ex EI)	87.2	(12)	193.8	(8)	Weak media offset by stronger ppty
EPS (S$)	0.05	(17)	0.10	(23)	
EBITDA Margin (%)	40.4	-3.0ppt	42.4	-2.8ppt	Lower newsprint cost

Source: SPH, UOB Kay Hian

- 2QFY09 net profit of Singapore Press Holdings (SPH) was S$87.0m (-13% yoy); 1HFY09 net profit was S$160.1m (-24% yoy).
- Newspaper advertising revenue (AR) contracted by 20.1% in 2QFY09 (1QFY09: -9.3%) due to weak recruitment and classified ads.
- Print revenue was down 13.5% as newspaper AR contraction was cushioned by more resilient magazine revenue.
- Offset by higher property revenue (+33% yoy) because of higher contribution from Sky@eleven.
- Staff cost down 14% yoy due to lower bonus provision and should fall further as SPH has implemented pay cuts of 2% to 10%. SPH expects overall staff cost savings of 20%.
- Average newsprint charge-out cost was US$827/tonne, up 7% from US$772/tonne in 1QFY09. Newsprint charge-out cost is typically six months behind spot prices.
- SPH has declared interim DPS of 7 cents, lower than last year's interim 8 cents. Management explained that to get the staff union to accept pay cuts, these must be accompanied by dividend cuts. 1HFY09 EPS was 10 cents. Past full-year dividend payouts ranged between 80% and 100% of net profit.

SINGAPORE

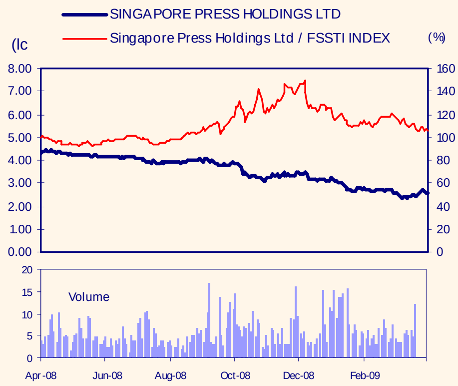
Singapore Press Holdings (SPH SP)

BUY

Current Price: S$2.89
Target Price: S$3.90

Sector	Media
52-Wk Avg Daily Vol. ('000)	5,433
Market Cap (S$m)	4,648.3
(US$m)	3,066.8
Major Shareholders (%)	No substantial shareholders
Book NTA per Share (S$)	1.12
ROE (%)	20.8
Net Cash per Share (S$)	(0..05)#
Results Due	
1Q: Jan	2Q: Apr
3Q: Jul	Final: Oct

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Aug	Turnover (S$m)	EBITDA (S$m)	Net Profit (S$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	1,160.2	506.0	499.1	31.1	15.9	9.3	9.3	26.0	9.0
2008	1,301.0	582.7	437.4	27.2	(12.6)	10.6	8.1	27.0	9.3
2009F	1,303.2	579.5	376.0	23.4	(14.1)	12.4	8.1	23.0	8.0
2010F	1,330.1	611.7	475.0	29.5	26.3	9.8	7.7	25.0	8.7
2011F	1,192.3	497.0	400.0	24.9	(15.8)	11.6	9.5	25.0	8.7

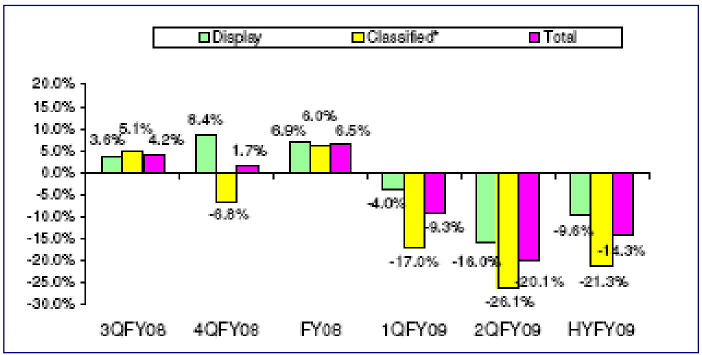
Consensus Net Profit – FY09: S$396.8m
-- FY10: S$393.7m

 # Includes short-term investment of S$329.464m as of Feb 09

Stock Impact

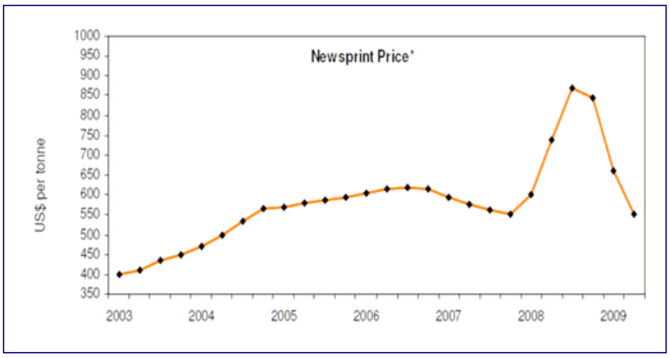
- We forecast 13% fall in print revenue in FY09 and flat in FY10 before rebounding by 10% in FY11.
- Newsprint price has collapsed faster than expected to US$550/tonne from >US$800/tonne a year ago. We have lowered our FY10 and FY11 newsprint charge-out costs for SPH to US$550-600/tonne from US$700-650/tonne. Greater staff cost savings from 2HFY09 onwards.
- All in all, we raise our FY10 and FY11 net profit forecasts by 6-8%, but our FY09 forecast remains relatively unchanged. FY09 DPS has been scaled back from 25 cents to 23 cents.
- Sky@eleven, a one-off residential development project, will be completed in FY10.

AR Growth



Source: SPH

Newsprint Price



Source: SPH

Valuation/Recommendation

SPH still offers high dividend yields of 8.0-8.7%. We expect the commencement of Singapore's two mega Integrated Resorts in end-09/10 to reverse SPH's weak AR. Maintain BUY and our target price of S$3.90, which is based on our sum-of-the-parts (SOTP) valuation of S$3.94/share.

Profit & Loss

Year to 31 Aug (S$m)	2007	2008	2009F	2010F	2011F
Turnover	1,160.2	1,301.0	1,303.2	1,330.1	1,192.3
EBIT	454.9	520.8	513.5	543.7	427.0
Pre-tax Profit	576.3	522.0	449.8	561.7	477.0
Net Profit	499.1	437.4	376.0	475.0	400.0

Balance Sheet

Year to 31 Aug (S$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,126.0	1,138.3	1,251.7	1,248.3	1,250.3
Total Assets	3,138.4	3,150.7	3,262.1	3,258.7	3,260.6
Current Liabilities	340.1	367.4	407.4	447.4	487.4
Long-Term Loans	671.8	682.0	801.4	771.4	741.4
Shareholders' Funds	2,123.1	2,088.9	2,040.8	2,027.3	2,019.4
Total Equity & Liabilities	3,138.3	3,150.6	3,262.1	3,258.7	3,260.6

Cash Flow

Year to 31 Aug (S$m)	2007	2008	2009F	2010F	2011F
Operating	56.9	24.4	49.6	85.9	13.9
Investing	16.2	64.9	(155.7)	(80.0)	0.0
Financing	(32.3)	(0.4)	127.4	(22.0)	(22.0)
Net Cash In/out flow)	40.8	88.9	21.4	(16.1)	(8.1)
Begin Cash & Cash Equiv.	81.4	122.1	211.0	232.4	216.3
End'g Cash & Cash Equiv.	122.1	211.0	232.4	216.3	208.2

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