UOBKayHian

Regional Morning Notes

Thursday, April 16, 2009

KEY STORY

China

PICC Property & Casualty (SELL/HK$5.24/Fair Price: HK$3.95) Page 13
2008: Results show shares currently trading at unjustified premium. Downgrade from HOLD to SELL with fair price of HK$3.95.

China South Locomotive & Rolling Stock Corp (HOLD/HK$3.47/Fair: HK$3.70) Page 15
CSLR is one of the few companies with growth visibility from now until 2012. Initiate coverage with HOLD. Re-entry at HK$3.10.

Zhuzhou CSR Times Electric (BUY/HK$7.92 /Target: HK$10.00) Page 19
One of the top beneficiaries of China's rapid expansion of railway network. Initiate coverage with BUY and target price of HK$10.00.

Singapore

Singapore Airlines (SELL/S$10.88/Fair: S$8.20) Page 27
It just gets worse.

CHINA

Sector

Power Page 3
Weak power output in 1Q09 in line with industry norm. Maintain MARKET WEIGHT.

Results

China Automation Group (BUY/HK$2.14/Target: HK$2.66) Page 5
2008: In line with expectation; solid growth to persist.

China Communications Construction (HOLD/HK$9.59/Fair: HK$9.74) Page 7
2008: Order inflow from railway construction remains strong. However, upside is limited in the near term. Downgrade to HOLD. Switch to CRG.

China Huiyuan Juice (SELL/HK$5.03/Fair: HK$2.60) Page 9
2008: Core profit plunges 56%. Given the uncertain 2009 outlook and super-high valuation, maintain SELL.

Ecogreen Fine Chemicals (BUY/HK$1.46/Target: HK$2.70) Page 11
2008: Profit unexpectedly falls 12% on rising raw material cost and higher effective tax rate. Outlook for 2009 will improve. Maintain BUY.

PICC Property & Casualty (SELL/HK$5.24/Fair: HK$3.95) Page 13
2008: Results show shares currently trading at unjustified premium. Downgrade from HOLD to SELL with fair price of HK$3.95.

Update

China South Locomotive & Rolling Stock Corp (HOLD/HK$3.47/Fair: HK$3.70) Page 15
CSLR is one of the few companies with growth visibility from now until 2012. Initiate coverage with HOLD. Re-entry at HK$3.10.

Greentown China Holdings (SELL/HK$4.40/Fair: HK$3.80) Page 17
Trust financing increases interest burden, lifting net gearing to the highest in the sector.

Zhuzhou CSR Times Electric (BUY/HK$7.92 /Target: HK$10.00) Page 19
One of the top beneficiaries of China's rapid expansion of railway network. Initiate coverage with BUY and target price of HK$10.00.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	8029.6	1.4	3.1	11.2	(8.5)
S&P 500	852.1	1.3	4.5	12.6	(5.7)
FTSE 100	3968.4	(0.5)	(0.6)	5.7	(10.5)
AS30	3693.9	(0.1)	(0.1)	12.0	0.9
CSI 300	2687.0	0.4	8.4	19.9	47.8
FSSTI	1906.0	0.5	5.7	20.2	8.2
HSI	15669.6	0.6	4.5	20.8	8.9
JCI	1593.7	1.5	5.1	20.3	17.6
KLCI	956.7	0.3	5.4	13.8	9.1
KOSPI	1333.1	(0.7)	5.6	18.4	18.6
Nikkei 225	8743.0	(1.1)	1.7	13.5	(1.3)
SET	453.9	2.2	2.5	6.8	0.9
TWSE	5875.2	(0.3)	7.9	18.2	28.0
BDI	1534	2.8	4.6	(27.7)	98.2
CPO (RM/mt)	2505	1.7	10.3	24.1	53.7
Nymex Crude (US$/bbl)	49	(0.3)	0.2	6.5	10.4

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (lcy)	Target Price (lcy)	Pot. +/- (%)
Top BUYs				
China Coal	1898 HK	7.55	8.50	12.6
China Life	2628 HK	28.05	31.30	11.6
China Mobile	941 HK	73.15	85.00	16.2
China Railway	390 HK	5.25	5.90	12.4
Sinopec	386 HK	5.99	6.60	10.2
Zijin Mining	2899 HK	6.17	7.15	15.9
DBS Group	DBS SP	9.15	10.55	15.3
SingTel	ST SP	2.64	2.95	11.7
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	6.35	3.50	(44.9)
Parkson Retail	3368 HK	9.39	5.15	(45.2)
S'pore Airlines	SIA SP	10.88	8.20	(24.6)
STX Pan Ocean	STX SP	12.64	4.35	(65.6)
Amata Corp	AMATA TB	3.30	2.52	(23.6)

Key Assumptions

GDP (% yoy)		2008	2009F	2010F
US*		1.1	(2.5)	1.9
Euro Zone*		0.7	(3.0)	0.5
Japan*		(0.6)	(6.0)	0.2
Singapore		1.2	(7.5)	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	8.30
Brent Crude Oil	(US$/bbl)	100	55	65
Aluminium *	(US$/MT)	2,623	1,515	1,795
Copper *	(US$/MT)	6,884	3,627	4,341
Gold Price London *	(US$/ounce)	873	919	950
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
CapitaLand Luncheon Presentation *(by invitation only)*	Singapore	27 Apr	27 Apr

Power

In-line 1Q09 output figures

The five IPPs, except Huadian, reported a -9% to +2.4% power generation volume growth in 1Q09. Maintain MARKET WEIGHT.

Sector Events

1Q09 power generation volume growth ranged -9.3% to +2.4%, led by CR Power. To date, all Hong Kong-listed Independent Power Producers (IPP), except Huadian Power, released their 1Q09 power generation volume growth ranging from -9.3% to +2.4% yoy, led by CR Power with a 2.4% yoy net generation volume growth. Conversely, Huaneng Power has been a laggard, with a 9.3% yoy fall in net generation volume.

1Q09 Generation Volume Figures

	CR Power	Datang Power	Huaneng Power	China Power
generation volume (b kWh)	15.4	26.1	41.8	8.6
yoy Gr. (%)	2.4	(5.2)	(9.3)	0.66

Source: respective company data, UOB Kay Hian

Power demand recovered in March but weakened again in April. According to the China Electricity Council (CEC), total power consumption was down by 4.0% and 2.0% yoy respectively in 1Q09 and Mar 09. Considering a 5.5% yoy decrease in power consumption in 2M09, a 2% yoy power consumption decrease actually showed an improvement in power demand. However, according to the State Grid Corporation of China, power consumption weakened again since mid-March, with daily power output down by 1.4%, 2.1% and 3.0% yoy during 11-20 March, 21 March - 31 March and 1-10 April respectively, suggesting that the power demand recovery in March was unsustainable.

The CEC also reported that the average utilisation hours for all plants and thermal plants dropped by 13-14% respectively in 1Q09 amid weak power demand.

QHD price rebounded with significant fall in port inventory. According to CCTD, QHD benchmark FOB price of Datong Premium went up by 2% wow with port inventory falling significantly to 3.54m tonnes, down by 54% from the peak in Feb 09.

Sector Impact

IPPs' 1Q09 generation volume growth on par with the industry norm. The four IPPs' generation figures in 1Q09 actually have included contributions from new capacity. Excluding new capacity, same plant utilisation for the four IPPs has dropped by 10-13% yoy based on our calculation, which is a little higher vs 13-14% utilisation downgrade for the whole industry and thermal power plants during the same period. Our forecast of 6-9% utilisation downgrades for 2009 for the five IPPs is based on a 2% power consumption growth.

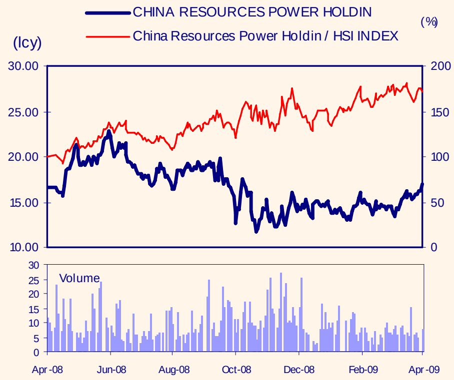
Power demand weakened again in mid-March, suggesting continued weak power demand in 1H09. We attribute the weakened power demand since mid-March to the second round of de-stocking from heavy energy consumption industries, such as steel and cement. We think the de-stocking effect would last for several months, which will result in continued weak power demand in the remaining few months of 1H09. In 2H09, we still believe the government's stimulus package could help to improve power demand and maintain our 2% power demand growth forecast for the whole year, slightly conservative compared with a 3-5% yoy growth rate from the CEC.

CHINA

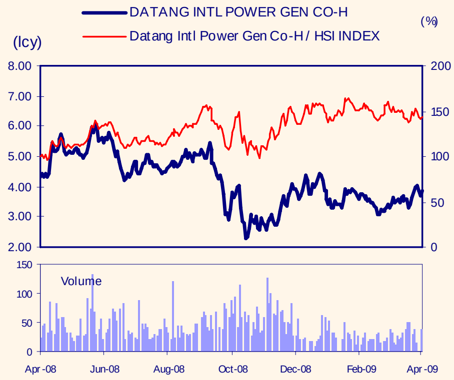
Power

MARKET WEIGHT

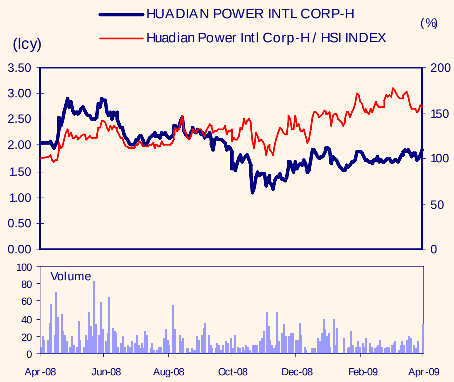
Price Charts



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

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Coal price rebound a near-term share price pressure. We believe the recent rebound of QHD coal price is totally unexpected by the market given the weak coal demand from power and steel industries. Recall the huge loss for IPPs due to sky-high coal price in 2008, the coal price rebound will definitely result in panic selling for IPPs. Worse still, since IPPs and coal miners are still in a deadlock in contract price negotiation, the recent strong coal price will definitely diminish the bargaining power and possibly result in a higher-than-expected contract price hike for IPPs.

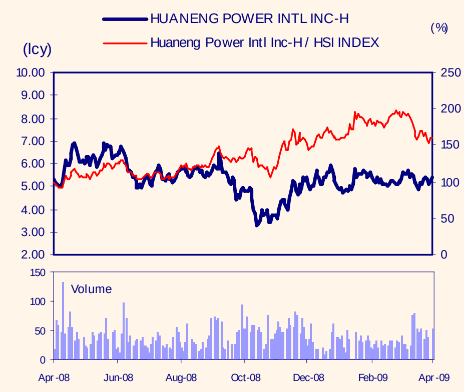
We think it is still too early to conclude a big coal price increase as coal demand is still weak and the recent fall in port inventory and strong coal prices are partly due to short-term factors such as repair and maintenance work conducted by Daqin Railway as well as coal mine accidents. Currently, we still maintain our 20-24% yoy unit fuel cost decrease for each IPP.

Recommendation

We reiterate **MARKET WEIGHT** on the power sector with expected weak power demand in 1H09. However, the near-term strong coal prices would be major risks for IPPs, which will attract a lot of selling pressure.

Among IPPs, we think Huaneng Power and Huadian Power will see the biggest selling pressure due to their 100% assets exposure to power generation. We maintain SELL for both companies with fair prices of HK$4.70 (WACC=9.6%, g=3%) and HK$1.50 (WACC=8.5%, g=3%) respectively.

On the other hand, we still believe CR Power will be less affected by the possible rebound of coal prices given its most efficient coal control, best generation volume growth as well as abundant coal mines, which will come onstream in early 2011. Maintain BUY with a DCF-based target price of HK$17.70 (WACC=9.6%, g=3%).



Source: Bloomberg

Monthly Power Output

(b kWh)	Total	yoy % chg	Thermal	yoy % chg
Jan 07	251	22	224	28
Feb 07	197	0	172	3
Mar 07	247	14	216	17
Apr 07	247	17	212	20
May 07	257	18	219	24
Jun 07	272	18	219	21
Jul 07	292	16	235	16
Aug 07	299	16	239	12
Sep 07	276	17	216	10
Oct 07	273	17	223	14
Nov 07	275	17	235	15
Dec 07	295	15	261	15
Jan 08	283	13	250	12
Feb 08	234	19	203	18
Mar 08	290	17	254	17
Apr 08	281	14	237	11
May 08	293	14	242	11
Jun 08	293	8	231	5
Jul 08	320	10	251	7
Aug 08	316	6	243	2
Sep 08	289	5	224	4
Oct 08	265	(3)	211	(5)
Nov 08	254	(7)	200	(11)
Dec 08	274	(6)	229	(12)
Jan 09	243	(14)	205	(18)
Feb 09	245	(5)	204	0
Mar 09	287	(2)	247	(3)

Source: CEI, UOB Kay Hian

IPP- Major Assumptions

	Unit fuel cost (yoy % chg) 08F	09F	Utilisation (hours) 08F	09F
Huaneng Power	48	(20)	5246	4900
Datang Power	40	(20)	5400	5050
Huadian Power	38	(20)	5027	4700
CR Power	40	(24)	5725	5200
China Power	35	(20)	5300	5000

Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 14 Apr 09 (HK$)	Net Profit 2008 (Rmbm)	Net Profit 2009F (Rmbm)	Net Profit 2010F (Rmbm)	EPS 2008 (Rmb)	EPS 2009F (Rmb)	EPS 2010F (Rmb)	PE 2008 (x)	PE 2009F (x)	PE 2010F (x)	ROE 2008 (%)	Market Cap (HK$m)
Datang Power	991 HK	BUY	3.98	761	2,550	2358	0.06	0.22	0.20	58.9	17.6	19.0	3	46,701
CR Power	836 HK	BUY	16.38	1,717	4,126	5,057	0.14	1.00	1.23	39.2	16.5	13.1	6	67,272
Huaneng Power	902 HK	SELL	5.15	(3,938)	2,302	2,212	(0.33)	0.19	0.18	n/a	23.8	25.1	(9)	60,518
Huadian Power	1071 HK	SELL	1.98	(2,560)	347	584	(0.42)	0.06	0.10	n/a	29.7	17.8	(16)	2,833
China Power	2380 HK	HOLD	1.87	(684)	420	549	(0.19)	0.12	0.15	n/a	14.4	11.5	(8)	6,741

Note: CR Power's financials are in HK$
Source: Respective companies, UOB Kay Hian

China Automation Group

2008: In line with expectation; solid growth to persist

CAG reported 2008 net profit of Rmb149.2m, up 49.3% yoy. A final dividend of 4 HK cents has been proposed. We raise our target price to HK$2.66 based on 9x 2010 PE. Maintain BUY.

2008 Results

Year to 31 Dec	2008 (Rmbm)	yoy % chg	Remarks
Turnover	861.7	113.6	54.9% yoy organic growth, while newly-acquired BJM contributed Rmb236.9m
Gross Profit	336.0	93.4	
EBITDA	208.3	97.7	Higher distribution and admin expenses resulted from business expansion and M&A
Tax	21.5	n.a.	50% relief since Jan 08 for CAG, and 15% tax rate for BJM
Net Profit	149.2	49.3	
EPS (Rmb¢)	16.57	17.4	
SEGMENT BREAKDOWN			
System sales	674.2	102.1	+38% for petrochemicals, +458% for railway
Engineering services	67.4	85.2	After sales service grew in line with increased number of systems sold
Trading of equipment	120.1	259.6	
GROSS MARGINS	**%**	**chg**	
System sales	40.5	-2.7ppt	Share-based payment expenses
Engineering services	70.6	-3.9ppt	
Trading of equipment	15.2	7.2ppt	Gross margin tends to be volatile due to business nature
Overall	39.0	-4.1ppt	Greater contribution from equipment trading

Source: CAG, UOB Kay Hian

Results

China Automation Group (CAG) reported 2008 net profit of Rmb149.2m, up 49.3% yoy.

Revenue increased 113.6% yoy to Rmb861.7m. CAG's newly-acquired subsidiary, Beijing Jiaoda Microunion (BJM), contributed Rmb236.9m to top-line. Stripping out the contribution from BJM, CAG achieved a 54.9% yoy organic growth.

Overall gross margin declined 4.1ppt to 39.0% for 2008 mainly due to the following: a) higher contribution from the equipment trading business segment which has a lower gross margin, and b) 2.7ppt decline in system sales resulting from share-based payment expenses charged to cost of sales compared with an absence of such expenses in 2007. We believe both reasons would have neither a significant nor sustainable adverse impact on the company, and expect CAG to maintain a stable gross margin at about 40%.

CHINA

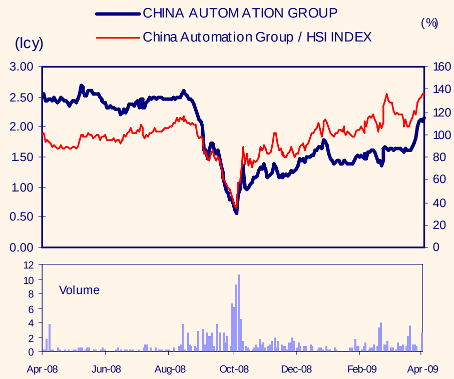
China Automation Group (569 HK)

BUY

Current Price: HK$2.14
Target Price: HK$2.66
(Previous: HK$2.30)

Sector	Instruments-Controls
52-Wk Avg Daily Vol. ('000)	840
Market Cap (HK$m)	1,945.6
(US$m)	251.0
Major Shareholders (%)	
Consen Investments Holdings	59.8
Book NTA per Share (Rmb)	0.61
ROE (%)	20.4
Net Cash per Share (Rmb)	0.22
Results Due	
Interim	June
Final	December

Price Chart



Source: Bloomberg

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	403.4	105.4	99.9	14.1	16.8	13.4	13.5	2.7	1.4
2008	861.7	208.3	149.2	16.6	17.5	11.4	6.8	3.5	1.9
2009F	1029.4	267.8	188.4	20.6	24.4	9.1	5.3	4.1	2.2
2010F	1285.7	335.3	237.9	26.1	26.3	7.2	4.2	5.2	2.8
2011F	1550.3	398.9	283.8	31.1	19.3	6.1	3.6	6.2	3.3

Consensus Net Profit – FY08: Rmb141.8m
-- FY09: Rmb189.5m

Stock Impact

Following the 458.2% yoy surge in the railway business segment brought about by the acquisition of BJM in 2008, the railway business is expected to remain as CAG's most important growth driver in the next few years given China's aggressive investment in the railway sector. CAG will seek to improve its existing systems and expand its market share of the national railway business. The company will also leverage on its technological edge to develop new businesses and markets for local and industrial ore railways and the urban rail transport signalling business.

Apart from the railway business, we expect CAG to also deliver solid growth in system sales to the petrochemicals industry on the back of the following: a) rapid growth of coal chemical industry, b) CAG's penetration into upstream business of the petrochemicals sector, such as oilfield construction and oil/natural gas pipeline transmission, which will make significant revenue contributions starting from 2009, and c) customers' growing preference for a full set of safety and critical control solutions (whole plant package) plus CAG's exclusive capability to provide integrated solutions.

Besides the system sales segment, which accounts for about 80% of the company's total revenue, the engineering and maintenance services segment can also be expected to turn in a decent performance. In tandem with CAG's increased number of systems sold and expanding installation base, its after sales engineering support services have the potential to become a significant and stable source of recurring revenue. In view of this trend, CAG has set up overseas subsidiaries in the US and Singapore, and will establish branches in the Middle East and Japan to develop the international market and provide services to overseas customers.

Valuation/Recommendation

We have raised our target price to HK$2.66 based on 9x 2010 PE. Maintain BUY.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	403.4	861.7	1,029.4	1,285.7	1,550.3
EBIT	102.8	198.4	245.1	307.9	371.7
Pre-tax Profit	99.7	190.0	233.2	296.1	359.9
Net Profit	99.9	149.2	188.4	237.9	283.8

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	636.3	1,047.7	1,260.5	1,457.9	1,993.4
Total Assets	683.1	1,488.3	1,710.6	1,902.0	2,428.4
Current Liabilities	119.8	396.7	530.8	531.9	831.3
Long-Term Liabilities	0.0	0.0	0.0	0.0	0.0
Shareholder Funds	563.3	989.9	1,140.5	1,330.8	1,557.8
Total Equity & Liabilities	683.1	1,488.3	1,710.6	1,902.0	2,428.4

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	35.1	29.8	322.5	116.2	265.0
Investing	(19.2)	(299.2)	(32.2)	(21.3)	(18.1)
Financing	247.2	307.5	(37.7)	(47.6)	(56.8)
Net Cash In/(Out) Flow	263.1	10.7	252.6	47.4	190.1
Begin Cash & Cash Equiv.	76.2	301.7	308.9	504.9	555.8
End'g Cash & Cash Equiv.	301.7	308.9	504.9	555.8	915.6

China Communications Construction

2008: Railway construction is the growth driver

China Communications Construction's (CCC) valuation does not look attractive after a recent share price rally. Upside is limited. We suggest investors to switch to China Railway Group. Downgrade to HOLD.

2008 Results

Year to 31 Dec	2008 (Rmbm)	2007 (Rmbm)	yoy % chg	Remarks
Turnover	178,889	150,601	18.8	Lower than expectations
Operating profit	11,887	10,586	12.3	Port machinery operation is a drag
Pre-tax Profit	9,831	9,623	2.2	
Net Profit	6,075	6,032	0.7	Higher Interest expenses
	(%)	(%)	ppt chg	
Gross margin	10.0	10.3	(0.3)	Gross Profit margin was higher than expectations
Operating margin	6.6	7.0	(0.4)	
Net margin	3.4	4.0	(0.6)	Higher interest expenses

Source: CCC, UOB Kay Hian

Results

Net profit rose 0.7% to Rmb6,075m in 2008 – lower than our expectations.

- The Group achieved gross margin of 9.9% in 2008, 0.5ppt higher than our expectation. Value of new contracts was Rmb283b, +20.8% yoy. The backlog was Rmb334b, +40.3% yoy i.

Stock Impact

The slower-than-expected turnover growth was partly due to a Rmb appreciation as the overseas turnover is denominated in US$ or Euro.

Management did not disclose the amount of new order inflow in 1Q09. However, there was a significant yoy increase in the size of new contracts signed in 1Q09. We believe railway construction remains a growth driver for CCC.

The decline in raw material prices is positive to CCC and margin improvement is on track. The Group made major investments in port machinery and dredging divisions in 2008 and as such, capex will fall 43% yoy from the peak in 2008 to about Rmb10b in 2009.

The Group will focus on reducing working capital requirement, especially inventory, in 2009. Interest expense is expected to remain flat after optimisation of loans portfolio.

Earning Revision

We reduce 2009 and 2010 turnover forecasts by 10.5% and 10.4% respectively. Our 2009 and 2010 net profit estimates are cut by 7.1% and 7.6% respectively as we factor in higher margins.

CHINA

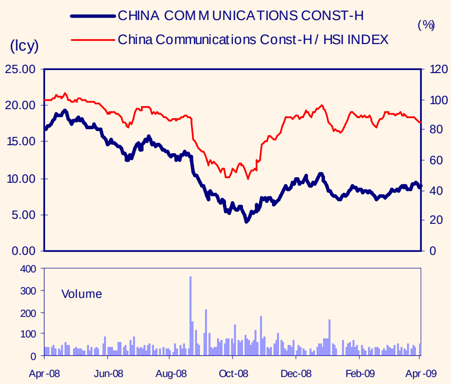
China Communications Construction (1800 HK)

DOWNGRADE TO HOLD

Current Price: HK$9.59
Fair Price: HK$9.74
(Previous: HK$10.08)

Sector	Industrials
52-Wk Avg Daily Vol. (m)	5.3
Market Cap (HK$m)	42,459.7
(US$m)	5,443.6
Major Shareholders (%)	
CCCG	70.1
Book NTA per Share (Rmb)	2.8
ROE (%)	14.3
Net Debt per Share (Rmb)	2.2
Results Due	
Interim	September
Final	April

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	150,601	10,496	6,032	0.41	40.7	21.4	6.4	0.09	0.9
2008	178,889	11,667	6,075	0.41	0.7	21.3	8.6	0.10	1.0
2009F	222,483	16,589	8,138	0.55	34.0	15.5	9.5	0.11	1.1
2010F	273,735	20,558	10,320	0.70	26.8	12.5	7.8	0.14	1.5
2011F	315,095	23,501	11,745	0.79	13.8	11.0	7.2	0.16	1.7

Consensus Net Profit – FY09: Rmb8,045m
– FY09: Rmb9,817m

Earnings Risk

Further margin erosion, sector de-rating and a massive economic slowdown in China.

Valuation/Recommendation

CCC's share price rose 35.1% since our upgrade in early-March and outperformed China Railway Group (CRG) (390 HK) and China Railway Construction (1186 HK). Positives such as margin improvement and new orders inflow from railway construction have been priced in after the recent rally. Upside for CCC is limited and we downgrade CCC from BUY to HOLD.

We cut our target price slightly from HK$10.08 to HK$9.74, based on 15.7x 2009 PE or a 20% discount to our target PE for CRG. The discount is justified as CCC has less exposure to the railway construction. Re-entry at HK$8.30. We also suggest a switch to CRG given an improvement in sentiment is expected to clear concerns over CRG's mining and property divisions.

Forecasts Assumptions (Old vs New)

Year to 31 Dec	New	Old	% chg
Turnover (Rmbm)			
FY09	222,483	248,618	(10.5%)
FY10	273,735	305,757	(10.4%)
Gross Margin			pts chg
FY09	10.28%	9.72%	0.56
FY10	10.39%	9.80%	0.59
Net Margin			
FY09	3.7%	3.5%	0.13
FY10	3.8%	3.7%	0.12

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	150,601	178,889	222,483	273,735	315,095
EBIT	10,496	11,667	16,589	20,558	23,501
Pre-tax Profit	9,623	9,831	13,196	16,727	19,035
Net Profit	6,032	6,075	8,138	10,320	11,745

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	102,749	145,500	173,843	212,169	238,181
Total Assets	167,397	216,645	254,970	297,536	327,749
Current Liabilities	93,586	141,792	170,863	201,754	231,983
Long-Term Liabilities	28,666	35,135	37,878	41,296	45,167
Shareholder Funds	45,145	39,718	46,229	54,485	50,598
Total Equity & Liabilities	167,397	216,645	254,970	297,536	327,749

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	4,229	7,434	14,939	18,156	22,254
Investing	(15,963)	(11,758)	(11,670)	(7,092)	(7,447)
Financing	3,537	18,947	(820)	(3,911)	(26)
Net Cash In/(Out) Flow	(8,197)	14,623	2,449	7,152	14,781
Begin Cash & Cash Equiv.	30,895	22,698	37,321	39,770	46,922
End'g Cash & Cash Equiv.	22,698	37,321	39,770	46,922	61,703

China Huiyuan Juice

2008: Profit slumps, super high valuation

Huiyuan's core net profit plunged 56% yoy in 2008, lower than our and market estimates. The super-high valuation is discounting another takeover, which is highly uncertain. Maintain SELL.

2008 Results

Year to 31 Dec	2007 (Rmbm)	2008 (Rmbm)	yoy % chg	Remarks
Turnover	2,656	2,820	6	Higher ASP, sales volume unchanged
Gross profit	949	909	(4)	Lower gross margin
EBIT	341	215	(37)	Hike in raw material & selling costs
Finance costs	(6)	13	(312)	Forex gain
Interest income from IPO	207	-	n.a.	
Fair value gain of C/B	136	(110)	n.a.	Increase in share price
Pre-tax profit	678	119	(82)	
Taxation	(37)	(30)	(20)	
Net profit	640	89	(86)	
Less: excpetional gain	(346)	41	n.a.	
Core net profit	294	130	(56)	
Gross margin (%)	35.7	32.2	(3.5)	Hike in raw material costs
EBIT margin (%)	12.8	7.6	(5.2)	Increase in selling expenses
Pre-tax margin (%)	12.5	5.7	(6.8)	
Net margin (%)	11.1	4.6	(6.5)	

Source: UOB Kay Hian

Results

Turnover grew slower than the market's. Turnover grew only 6% yoy to Rmb2.82b in 2008, outpaced by the 16% yoy market growth. This implies a loss of market share for Huiyuan. Pure juice saw a 2% yoy drop in turnover, while turnover for nectar and juice drink grew 8% and 9% respectively.

Margin squeeze. Gross margin dipped 3.5ppt yoy to 32.2% due to a hike in raw material costs (juice concentrate). Coupled with a jump in selling expenses, this sent EBIT margin down by 5.2ppt yoy to 7.6%.

Core net profit down 56% yoy. Excluding exceptional items including revaluation gain (loss) on C/B, forex gain/(loss) and interest income from IPO proceeds, core net profit tumbled 56% yoy to Rmb130m.

Stock Impacts

Pick-up in development in 2009. We believe the poor results for 2008 was due to a hike in raw material costs and the Group taking a pause in development since knowing of the takeover by Coca Cola. After Coca Cola's takeover was scrapped, we believe Huiyuan will refocus on business development. While management did not give guidance for top-line growth this year, it indicated the Group will substantially expand its distribution network for juice drink.

Focus shifts from capacity expansion to market penetration. Huiyuan has 2.78m tonnes of production capacity. The Group does not plan to expand it in the next two years. Instead, it will focus more on spurring sales to pump up capacity utilisation.

Lower raw material cost offset by higher marketing expenses. Following the drop in juice concentrate costs, gross margin could rebound from 32.2% in 2008 to 34% in 2009. However, selling expenses as a percentage could increase from 21% to 22%.

CHINA

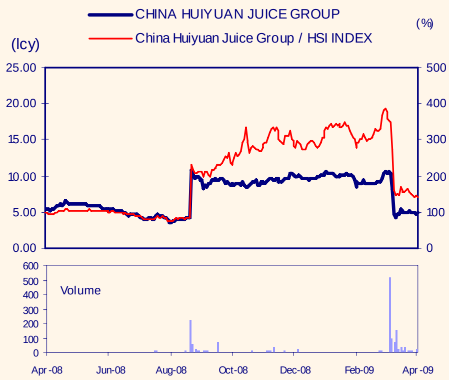
China Huiyuan Juice (1886 HK)

SELL

Current Price: HK$5.03
Fair Price: HK$2.60

Sector	F&B
52-Wk Avg Daily Vol. ('000)	18,182
Market Cap (HK$m)	7,388
(US$m)	947
Major Shareholders (%)	
Zhu Xinli	42.15
Book NTA per Share (HK$)	3.31
ROE (%)	3.5
Net Debt per Share (HK$)	0.54
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	2,656	496	294	0.216	-20	20.5	11.6	0.109	2.5
2008	2,820	402	130	0.088	-59	50.3	14.3	0.015	0.3
2009F	3,278	469	193	0.131	49	33.8	12.2	0.033	0.7
2010F	3,913	528	238	0.162	24	27.3	10.9	0.041	0.9
2011F	4,485	577	275	0.187	15	23.7	9.9	0.047	1.1

Consensus Net Profit – FY09 : Rmb214m
– FY10: Rmb288m

Intensifying competition. Competition in China's juice market will intensify substantially in the next few years. The Ministry of Commerce's (MOC) objection to Coca Cola's acquisition of Huiyuan would deter multi-national corporations to shift from M&As to organic growth in penetrating China. Coca Cola is going to invest US$2b in the coming three years to build up factories and distribution networks in China, representing a great threat to Huiyuan.

A one-off recovery in 2009. We expect Huiyuan's net profit to grow 49% yoy in 2009, 24% yoy in 2010 and 15% in 2011.

Earnings Risk

Though prices of major raw materials (e.g. juice concentrate, sugar) and package materials have come off significantly from peaks since 2H08, the group's profit margin could be squeezed by intensifying competition from domestic players and multi-national corporations like Coca Cola and Pepsi.

Valuation/Recommendation

Based on our profit forecasts, Huiyuan is trading at 33.8x 2009 PE and 27.3x 2010 PE vs domestic peers' 14x. The Group's ROE is only 2.8%, much lower than domestic peers' 17%. As such, it does not deserve such a large premium. We believe the current share price is discounting another takeover, which is highly uncertain. Maintain SELL with fair price of HK$2.60 based on 14x 2010 PE, the average one-year forward PE for domestic peers.

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	2,656	2,820	3,278	3,913	4,485
EBIT	336	185	294	322	362
Pre-tax Profit	332	119	257	318	367
Net Profit	294	130	193	238	275

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	3,961	3,163	3,676	4,389	5,030
Total Assets	6,887	7,191	7,525	8,231	8,858
Current Liabilities	687	2,048	629	1,227	857
Long-Term Loans	511	478	478	0	0
Shareholders' Funds	4,661	4,588	4,467	4,657	4,873
Total Equity & Liabilities	6,887	7,191	7,525	8,231	8,858

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	10	176	264	292	353
Investing	(2,110)	(464)	(200)	(200)	(200)
Financing	3,357	308	(482)	(48)	(538)
Net Cash Inflow/(Outflow)	1,258	20	(419)	43	(385)
Begin Cash & Cash Equiv.	91	1,290	1,307	888	932
End'g Cash & Cash Equiv.	1,290	1,307	888	932	547

Ecogreen Fine Chemicals

2008: The worst is over

Ecogreen's 2008 profit unexpectedly fell 12% yoy on a hike in raw material cost and higher effective tax rate. Profit margin should bottom out with higher product ASPs. Maintain BUY.

2008 Results

Year to 31 Dec	2007 (HK$m)	2008 (HK$m)	yoy % chg	Remarks
Turnover	612	740	21	Sales volume growth, higher ASPs
Gross profit	209	221	6	
EBITDA	158	179	13	
EBIT	140	141	0	
Pre-tax profit	138	134	(3)	
Tax	(8)	(20)	160	Reform of PRC tax system
Net profit	130	114	(12)	
Gross margin (%)	34.2	29.9	(4.3)	Hike in raw material cost
EBITDA margin (%)	25.8	24.2	(1.6)	
EBIT margin (%)	22.9	19.0	(3.9)	
Pre-tax margin (%)	22.6	18.1	(4.4)	
Net margin (%)	21.3	15.4	(5.9)	Lower margin, provision of inventories

Source: Ecogreen

Results

Net profit down 12% yoy. Ecogreen posted a net profit of Rmb114m for 2008, down 12% yoy from Rmb130m for 2007. This was mainly due to a hike in raw material cost, provisions for inventories and impairment of receivables.

Margin erosion. Gross margin dropped 4.3ppt yoy to 29.9% due to the time lag between cost hike and price increase. Product prices were set twice a year. After the Group set product prices for 2H08, price of turpentine oil – the main raw material – more than doubled.

Inventory provision. The Group recorded Rmb6.66m of provision for inventories (mainly gum rosin and others). It bought gum rosin to sell to overseas customers. A drop in gum rosin prices prompted them to book an inventory provision.

Effective tax rate tripled. Effective tax rate increased from 5% in 2007 to 15% in 2008 due to implementation of new tax regulations. Under the new tax code, any dividend paid by subsidiaries to parent is subject to tax.

Receivable impairment. A receivable impairment of Rmb3m was incurred. The Group appointed a pine gum processing plant to produce turpentine oil and gum rosin. The receivable impairment is actually the prepayment for pine gum made by the Group, which can be recouped latter.

CHINA

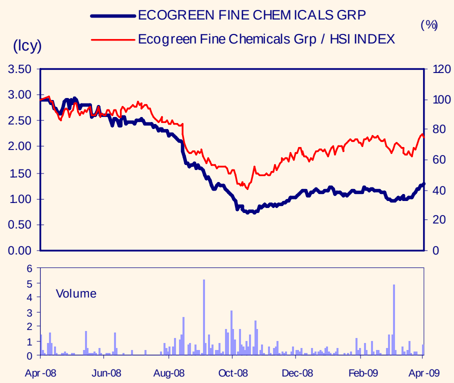
Ecogreen Fine Chemicals (2341 HK)

BUY

Current Price: HK$1.46
Target Price: HK$2.70
(Previous: HK$3.20)

Sector	Industrial
52-Wk Avg Daily Vol. ('000)	419
Market Cap (HK$m)	679
(US$m)	87
Major Shareholders (%)	
Yang Yirong	46.57
Book NTA per Share (HK$)	1.69
ROE (%)	16.2
Net Debt per Share (HK$)	0.10
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	612	158	130	0.280	35.2	4.6	3.9	0.045	3.5
2008	740	179	114	0.244	(12.9)	5.2	4.0	0.042	3.3
2009F	808	192	123	0.264	8.1	4.8	3.6	0.040	3.1
2010F	890	218	138	0.298	12.8	4.3	3.3	0.045	3.5
2011F	976	242	175	0.376	26.3	3.4	3.0	0.056	4.4

Consensus Net Profit – FY08: n.a.
– FY09: n.a.

Stock Impact

A double-digit turnover growth for 2009. Based on the order at beginning of the year and communication with major customers, the Group's turnover could grow by more than 10% this year. Despite 1Q09 saw sales dropped due to de-stocking, orders for the coming months are stronger. Most of the end-products such as shampoo and soap are non-cyclical consumer staples.

Expansion of product portfolio. The Group will roll out over 100 new products in 2009-10. Some of them (the food flavour chemicals) will come from the newly-launched Phase III of the Haicang Plant. Furthermore, the Group will start construction of the Changtai Plant in 2H09 which will complete at end-10. It is expected to contribute Rmb200m in revenue to the Group by 2011.

Steady margin. Management guided steady margins for 2009 as the Group has raised product prices by 15% for this year to offset the hike in turpentine oil price for 2H08. Turpentine oil prices have peaked off recently.

Profit to pick up from 2009 to 2011. We expect the Group's earnings growth to accelerate from 8% yoy in 2009 to 13% in 2010 and 26% in 2011, mainly driven by Phase III and Changtai Plant.

Earnings Risk

Unexpected sharp fluctuation in raw material prices could catch it off guard, and dampen profit margins.

Valuation/Recommendation

The stock is trading at 4.8x 2009 PE vs global peers' 10x. The market should have fully factored in a decline in a flat or negative earnings growth for 2009. Maintain BUY given the expected pick-up in growth momentum and cheap valuation. Our target price is HK$2.70 based on 8x 2010 PE.

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	612	740	808	890	976
EBIT	141	141	154	175	199
Pre-tax Profit	138	134	136	157	199
Net Profit	130	114	123	138	175

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	565	774	745	813	892
Total Assets	951	1,218	1,394	1,489	1,634
Current Liabilities	229	226	313	289	200
Long-Term Liabilities	58	224	222	222	0
Shareholder Funds	662	746	849	968	1,120
Total Equity & Liabilities	951	1,218	1,394	1,489	1,634

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	135	131	135	160	190
Investing	(156)	(90)	(172)	(180)	(80)
Financing	(15)	187	(19)	(24)	(50)
Net Cash In/(Out) Flow	(37)	228	(56)	(44)	60
Begin Cash & Cash Equiv.	313	275	504	448	403
End'g Cash & Cash Equiv.	275	504	448	403	463

Turnover Breakdown by Products

	2007	2008	yoy (%)
Turnover (Rmbm)			
Aroma chemicals	372	454	22
Natural extracts	108	109	1
Intermediates	65	68	5
Trading	67	109	63
Total	612	740	21
Gross margin (%)			
Aroma chemicals	32.4	29.2	(3.2)
Natural extracts	34.5	31.9	(2.6)
Intermediates	70.0	68.4	(1.6)
Trading	9.2	6.5	(2.7)
Total	34.2	29.9	(4.3)

Source: Ecogreen

PICC Property & Casualty

2008: Results show shares currently trading at unjustified premium

2008 net profit came in at Rmb50m, beating our estimate but missing consensus estimates of Rmb222m. Although fundamentals continued to improve, shares continued to trade at an unjustified premium. Downgrade to SELL.

2008 Results

Year to 31 Dec	FY08 (Rmbm)	yoy % chg	Remarks
Net premium income	81,122	18.0	Continued to be driven by sale of auto insurance, with auto premiums accounting for 74.6%
Net investment inc.	3,716	15.0	Increase was primarily due to increase of Rmb361m in interest income from bonds
Realised investment gains/(losses)	319	(92.8)	Realised gains on AFS securities of Rmb2.9b offset by impairment of Rmb872m on AFS portfolio and MTM loss of Rmb2.2b on trading portfolio
Net claims incurred	(60,604)	29.0	The jump in claims was primarily due to the snowstorms and Sichuan earthquake
G&A expenses	(10,474)	(7.4)	Decrease primarily due to reduction in pay of management, lower travel and conference expenses
Net Profit	50	(98.3)	Natural disasters of 2008 and the global financial crisis contributed to the 98.3% fall in profit

Source: UOB Kay Hian

Stock Impact

Net profit beat our estimates but fell short of consensus. PICC Property & Casualty's (PICC) net profit of Rmb50m for 2008 exceeded our estimate of a loss of Rmb328m, mainly on better-than-expected net investment income, but much lower than consensus mean of Rmb222m. Although PICC began to see a turnaround in underwriting during 4Q08 by making an underwriting profit for 4Q08, it nevertheless still reported an underwriting loss of Rmb407m for 2H08.

Combined ratio continued to rise on natural disasters during 1H08. The combined ratio increased to 103.1% for 2008 from 102.1% for 2007. PICC was able to decrease its expense ratio to 28.4%, down from 33.8% for 2007, but improvement in that area was offset by a 6.4ppt jump in loss ratio to 74.7% due to the natural disasters of 2008. However, overall loss ratio improved by 2ppt from 1H08.

Motor vehicle claims account for 74% of total claims, and are continuing to rise. For the motor vehicle insurance unit, the loss ratio increased by 50bp to 74.0%, continuing to rise on higher liability limit of compulsory third party motor insurance. Rising loss ratio for the motor vehicle unit will hamper PICC's ability to lower the overall combined ratio for the company as motor vehicle insurance accounts for 74% of total claims.

Loss ratio for other segments other than A&H fell over 2H08. Aside from the accident & health (A&H) segment, all other units (property, liability and cargo) all saw a decline in their loss ratios as the effects of the natural disasters slowly alleviated over the course of 2H08.

CHINA

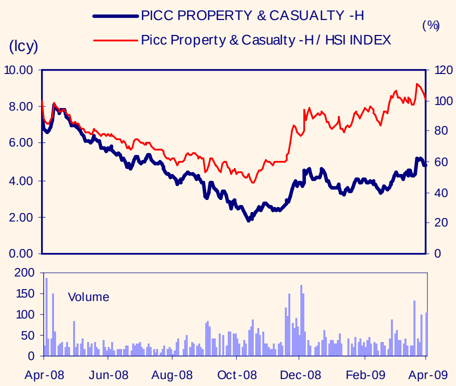
PICC Property & Casualty (2328.HK)

DOWNGRADE TO SELL

Current Price: HK$5.24
Fair Price: HK$3.95
(Previous: HK$3.65)

Sector	Insurance
Bloomberg	2328 HK
Reuters	2328.HK
Website	www. picc.com.cn
52-Wk Avg Daily Vol. (m)	43.3
Market Cap (HK$m)	58,383
(US$m)	7,485
Major Shareholders (%)	
PICC	69.0
Book NTA per Share (Rmb)	1.96
ROE (%)	0.21
Results Due	
Interim	August
Final	April

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Net Earned Premium (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmbm)	EPS Growth (%)	PE (x)	P/B (x)	DPS (Rmb)	Yield (%)
2007	68,728	4,453	2,988	0.27	34.9	17.6	2.0	0.0	0.0
2008F	81,122	(446)	51	0.00	(98.3)	1,036.5	2.3	0.0	0.0
2009F	84,606	3,331	2,498	0.22	4,823.2	21.1	2.1	0.0	0.0
2010F	93,410	4,627	3,470	0.31	38.9	15.2	1.8	0.0	0.0
2011F	103,089	5,299	3,974	0.36	14.5	13.2	1.6	0.0	0.0

Consensus Net Profit – FY09: Rmb2,281m
-- FY09: Rmb3,070m

Risks

Performance of the A-share market, whose strong performance could continue to carry sentiment towards PICC.

Recommendation

High claims for auto unit to slow material improvement of overall company. Although PICC managed to make a small profit for 2008, it continued to report a large underwriting loss of Rmb2.5b for the year. While PICC understandably experienced a spike in claims due to the natural disasters during 1H08, claim payouts for the motor vehicle insurance unit did not fall during 2H08 along with other segments. Despite improvements in other segments, auto insurance accounts for 75% of total turnover and 74% of total claims, making it by far the largest impact on overall performance. Higher liability limit for compulsory third party liability insurance, along with the lack of a national claim-monitoring system will encumber PICC's attempts to lower the loss ratio for the motor vehicle insurance unit.

Fundamentals continue to turnaround, but current valuations unjustified. Downgrade to SELL. We do note material improvements in company and sector fundamentals, most noticeably in the area of expenses. PICC was able to lower its expense ratio to 28.4% for 2008, down 5.4ppt yoy. This was largely due to the China Insurance Regulatory Commission's (CIRC) enforcement of solvency, which reduced market competition, allowing PICC to cut down on its acquisition costs.

PICC will also continue to improve on its combined ratio for 2009, and we estimate that the ratio will drop to 98.7% for 2009, mainly on a lower loss ratio for the year. Due to improvement in fundamentals for PICC and the sector, we raise our 2009 net profit estimate by 22% to Rmb2.5b and 2010 net profit forecast by 22% to Rmb3.47b.

In our valuation assumptions, we lower our discount rate to 11% from 12.5% to account for the lower interest rate environment, and maintain our sustainable ROE assumption of 15%.

PICC's share price closed at HK$5.24 last night, reflecting 2.1x 2009 P/B and 21x 09 PE. A P/B of 2.1x implies a sustainable ROE assumption of 18.5%, which is an improbable long-term ROE assumption given that ROE was only 12.8% in 2007, a period with strong premium growth and booming equity markets. While there is the possibly of further share price appreciation, we believe the probability of a further appreciation is far outweighed by the potential downside risk given the rich valuation its share price currently commands. As a result, we downgrade PICC to SELL from HOLD, with a fair price of HK$3.95, reflecting 1.6x 2009 P/B and 15.9x 2009 PE.

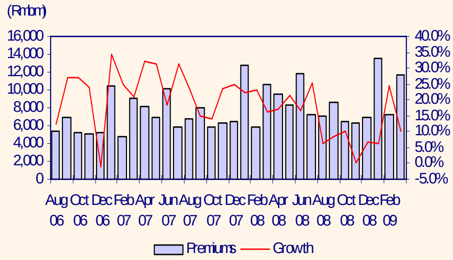
Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Net earned premiums	68,728	81,122	84,606	93,410	103,089
Underwriting profit	(1,427)	(2,494)	1,105	1,921	1,906
Net profit	2,988	51	2,498	3,470	3,974

Balance Sheet

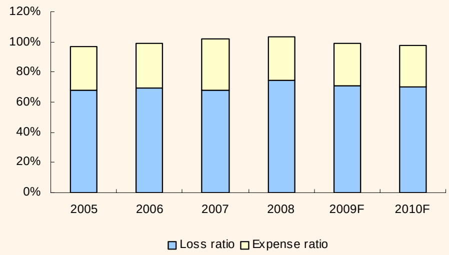
Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Total Assets	134,265	152,852	150,857	164,258	182,600
Total Liabilities	108,187	131,043	126,549	136,481	150,849
Equity	26,078	21,809	24,307	27,777	31,751

Monthly Premiums



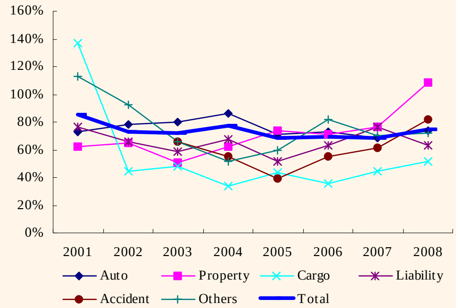
Source: PICC P&C

Combined ratio



Source: PICC P&C

Loss Ratio Across Segments



Source: PICC P&C

Segment Contribution To Net Premiums

(%)	2008
Motor vehicle insurance	74.6
Property	7.2
Cargo	3.0
Liability	3.6
Accident/Health	3.0
Other	8.6
Total	100.0

Source: PICC P&C

Segment Contribution To Claims

(%)	2008
Motor vehicle insurance	74.0
Property	8.9
Cargo	2.1
Liability	3.7
Accident/Health	3.3
Other	8.0
Total	100.0

Source: PICC P&C

China South Locomotive & Rolling Stock Corp

One of the best proxies in the domestic railway investment boom

The investment boom in railway industry implies a huge growth potential for equipment suppliers such as CSLR over the next 3-4 years. Potential selling pressure due to weak 1Q09 results offers re-entry opportunities.

Initiate Coverage

Dominant players. The railway vehicle manufacturing industry is highly regulated by the government. China Northern Locomotive and Rolling Stock (CNLR) and China South Locomotive and Rolling Stock Corporation (CSLR) dominate the industry with a combined 90% market share in China. All locomotives and EMUs in China are supplied by both Groups' subsidiaries or JVs with foreign partners. The industry is unlikely to see another significant entrant in the next few years.

Investment in railway equipment is estimated at Rmb353.5b for 2006-10, or Rmb70.7b p.a., up 272.1% from the capex in 2001-05. The planned capex will go towards improving railway vehicles and not conventional trains as China aims to upgrade its railways. CSLR will be a major beneficiary of the investment boom in China's railway industry. In volume terms, CSLR holds a 51.1% and 80.0% market share for locomotive and multiple unit (MU) production respectively, as well as a 50.9% and 51.8% market share for locomotive and freight wagon refurbishment respectively in the domestic railway market.

Fast-growing rapid transit industry. In the 11th Five-year Plan, investment in rapid transit systems throughout China could amount to Rmb400b-600b. The expected demand for rapid transit vehicles is 6,000 units, implying an average annual demand of 1,200 new rapid transit vehicles in 2008-10. In 2007, CSLR was the largest manufacturer of rapid transit vehicles in China in terms of total value of new contracts. In the same year, it secured contracts worth Rmb12.0b, which accounted for over 60% of the total value of new contracts in China.

Other growth areas. CSLR has used its R&D expertise in electric power conversion and diesel engines to introduce the first hybrid-powered bus in China and to start production of wind power generators in 2007. In addition, leveraging on the experience and technologies relating to the diesel engine production that CSLR has accumulated over the years, the Group has started mass production of vessel diesel engines and crankshafts for sale to the global market. The Group's subsidiary, CSR Zhuzhou Electric Locomotive Research Institute Co. Ltd., has signed a strategic cooperation agreement with China Huadian New Energy Development Co. Ltd. to jointly develop wind power generation. In addition, a Rmb1.4b contract was signed for the purchase of 142 units of large wind power generator components.

Sustainable growth. CSLR is one of the best proxies for the domestic railway investment boom given its leadership in the railway equipment industry. Turnover is expected to increase at a CAGR of 22.7% in 2007-10, which will be boosted mainly by China's demand for MUs and transit vehicles. Due to faster turnover growth and margin improvement, CSLR's net profit is likely to grow at a CAGR of 55.6% in 2007-10.

CHINA

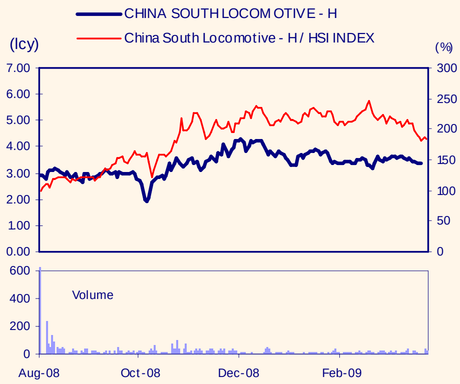
China South Locomotive & Rolling Stock Corp (1766 HK)

INITIATE WITH HOLD

Current Price: HK$3.47
Fair Price: HK$3.70

Sector	Industrial
Bloomberg	1766 HK
Reuters	1766.HK
Website	http://www.csrgc.com.cn
52-Wk Avg Daily Vol. (m)	25.2
Market Cap (HK$m)	7,023.3
(US$m)	900.4
Book NTA per Share (HK$)	-
ROE (%)	-
Net Cash per Share (HK$)	-
Results Due	
Interim	August
Final	April

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 (%)
2006	23,047	1,367	545	-	-	-	-	0.00	0.0
2007	26,804	1,294	613	-	-	-	-	0.00	0.0
2008F	34,533	3,101	1,463	0.12	-	24.9	11.3	0.01	0.3
2009F	40,102	4,198	1,765	0.15	20.6	20.6	9.6	0.03	1.0
2010F	49,621	5,287	2,312	0.20	31.0	15.7	7.3	0.03	1.0

Consensus Net Profit – FY08: Rmb1,429.9m
– FY09: Rmb2,062.8m

Slowdown in demand for freight wagons is a risk factor. Due to the economic slowdown in China, freight transport in volume terms fell 5.4% yoy in Jan-Feb 09. CSLR's 1Q09 results was affected given the falling deliveries of freight wagons and locomotives as the Ministry of Railway (MOR) did not centralise purchasing of freight wagons. The decline in demand for freight wagon in 2009 has been factored into our earnings forecast. Our 2009 earnings forecast is lower than consensus. CSLR is scheduled to announce its FY08 results on 23 April. We expect the Group to deliver results in line with market expectations and forecast revenue to rise 28.8% yoy to Rmb34,533m. Net profit would surge 139% yoy to Rmb1,462m. CSLR's 1Q09 operating performance was affected by MOR's suspension of purchasing of freight wagons. CLSR is likely report a set of weak 1Q09 results

Earnings Risk

Substantial increase in raw material prices, MOR's delay in procurement, massive slowdown in the economy.

Valuation/Recommendation

Trading at 24.4x 2008 PE and 20.2x 2009 FPE, CSLR is not cheap. However, it is also one of the few companies with growth visibility from now until 2012. We set our fair price at HK$3.70, based on 22x 2009 PE, a 10% premium to our target PE for China's infrastructure companies and global peers' 10-year average of 18.4x. This premium is justified due to the higher technological and regulatory barriers of the China market and the much higher level of profitability. We are at an earlier stage of the railway equipment cycle than the infrastructure cycle, implying higher PEs for railway equipment plays rather than infrastructure plays such as China Railway Group and China Railway Construction. The potential selling pressure from strategic shareholders and weak 1Q09 results provide good re-entry opportunities. Re-enter CSLR at HK$3.10.

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	23,047	26,804	34,533	40,102	49,621
EBIT	807	640	2,047	2,823	3,748
Pre-tax Profit	712	948	2,360	2,847	3,729
Net Profit	545	613	1,463	1,765	2,312
EPS (Rmb)	0.80	0.57	0.12	0.15	0.20

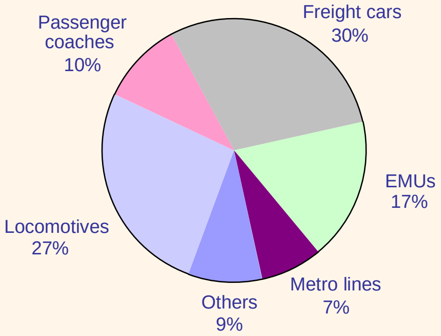
Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	16,957	21,791	28,242	29,205	36,708
Total Assets	26,344	32,691	46,106	52,137	61,421
Current Liabilities	16,079	21,683	22,382	25,916	31,953
Long-Term Loans	6,804	6,697	7,645	8,495	9,782
Shareholders' Funds	3,461	4,311	16,079	17,726	19,685
Total Equity & Liabilities	26,344	32,691	46,106	52,137	61,421

Cash Flow

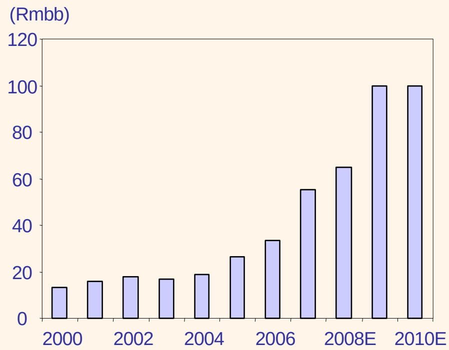
Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	1,658	1,365	1,473	5,255	6,923
Investing	(1,599)	(1,771)	(4,303)	(6,863)	(3,178)
Financing	1,894	2,543	9,869	609	1,226
Net Cash Inflow	1,954	2,136	7,039	(999)	4,971
Begin Cash & Equiv.	165	2,119	4,255	11,294	10,295
End'g Cash & Equiv.	2,119	4,255	11,294	10,295	15,268

2008 Revenue Breakdown



Source: CSLR, UOB Kay Hian

MOR Procurement of Railway Vehicles



Source: China Railway Year book, UOB Kay Hian

Greentown China

Funding with trust increases interest burden and further lifts gearing

Greentown's trust financing with high interest rate adds more interest burden and pushes up its net gearing to the highest in the sector. Maintain SELL.

Corporate Event

Greentown China (Greentown) announced that it entered into a deal with Harbour Centre Development (51 HK), a subsidiary of Wharf (4 HK) to exchange a 40% interest in Hangzhou Qianjiang New City Project with 100% stake in Shanghai New Jiangwan City Project.

Meanwhile, Greentown also obtained the financing of Rmb1.69b via a trust launched by ICBC to support the development of the Hangzhou Project and another project in Wuxi. The trust has a term of 33 months but the annual interest rate is as high as 14% for the loan from trust. Greentown will also subscribe up to Rmb300m of trust units and get an annual management fee of 0.25% of total trust value.

Stock Impact

Expensive trust financing and higher net gearing. Despite the successful financing via trust and increase in liquidity of the balance sheet in the near term, the 14% annual interest rate is much higher than the current benchmark rates of bank loan at 5-6%. Meanwhile, we expect the financing would further lift Greentown's net gearing from an estimated 140% by end-08 to around 160%, the highest in the sector. This should raise investors' concern on the financial risk of the company. We believe Greentown might need to conduct a share placement or dispose its assets to reduce its net gearing over the next year.

The exchange of stakes in Hangzhou and Shanghai is neutral for Greentown. A major reason for the share exchange between these two projects is because it is part of the arrangement of the trust financing on Hangzhou Project, which will turn this project company into 100% owned. Meanwhile, Greentown and Wharf might have different ideas on financial leverage and operations of this Hangzhou JV. The deal should resolve the operational issue. In addition, the transaction costs for both projects are based on 4-5% discount on the historical land premiums, which is fair for both parties, in our view. We estimate the land cost at about Rmb15,060/sqm for Hangzhou Project with an estimated average selling price (ASP) at Rmb26,000/sqm, while the land cost of the Shanghai Project is around Rmb12,200/sqm and ASP is estimated at Rmb22,000/sqm.

YTD sales lagged behind peers. In 1Q09, Greentown achieved contracted sales of Rmb2.58b, representing only 18% of contracted sales last year, while its peers normally accomplished 20-35% of total 2009 contracted sales. In our view, slow sales and high net gearing are two of the main reasons for the underperformance of its share price, ytd.

CHINA

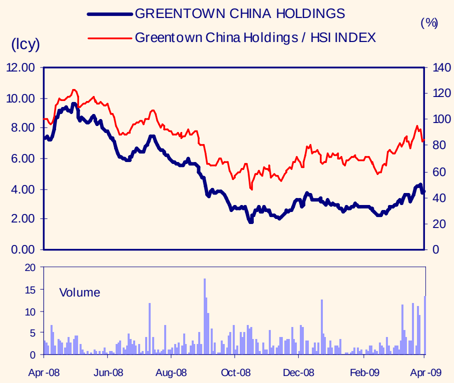
Greentown China (3900.HK)

SELL

Current Price: HK$4.40
Fair Price: HK$3.80
(Previous: HK$2.50)

Sector	Property
52-Wk Avg. Daily Vol. ('000)	2,595
Market Cap (HK$m)	6,699
(US$m)	859
Major Shareholders (%)	
Song Weiping	32.3
Book NTA per Share (HK$)	5.55
ROE (%)	14.80
Net Debt per Share (HK$)	5.73
Result Due	
Interim	September
Final	April

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 (*)	EV/ EBITDA (*)	DPS (Rmb¢)	Yield (%)
2006	6,401	2,274	1,269	109.2	103.8	4.0	3.0	36.0	9.2
2007	5,739	2,002	923	63.2	(27.2)	6.6	5.8	32.0	8.2
2008F	4,958	1,455	733	48.2	(20.6)	8.2	10.7	12.0	3.1
2009F	8,068	2,165	1,021	67.1	39.2	5.9	8.6	13.4	3.4
2010F	9,470	2,718	1,318	86.6	29.1	4.6	7.7	17.3	4.4

Consensus Net Profit – FY08: Rmb911m
– FY09: Rmb1,177m

1Q09 Contracted Sales of Major China Property Plays

	1Q09 (Rmbb)	2009 Sales target (Rmbb)	2009 Sales locked-in %
Agile	4.60	13.5	34
Sino-Ocean	2.70	8.0	34
COLI	9.26	28.0	33
CRL	3.20	10.5	30
Shimao	4.55	15.0	30
Guangzhou R&F	6.15	22.0	28
Poly HK	1.10	5.0	22
Greentown	2.58	15.2	17

Note: Greentown's sales target is 2008 contracted sales
Source: Respective companies, UOB Kay Hian

Earnings Revision

Due to the weak sales performance, rising interest burden and relatively poor track record in project completions, we conservatively lowered Greentown's top-line growth forecasts by 14% and 20% respectively for the next two years and thus slash the net profit estimates by 23% to Rmb1.02b for 2009 and by 29% to Rmb1.32b for 2010.

Valuation/Recommendation

On concerns over a stretched balance sheet and relatively slow sales, we maintain SELL on this counter. Nevertheless, we lift Greentown's fair price from HK$2.50 to HK$3.80, based on a 65% discount to current NAV of HK$10.89, which is still lower than the sector's average of about 35% discount to NAV due to its highest net gearing.

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	6,401	5,739	4,958	8,068	9,470
EBIT	2,236	1,953	1,392	2,088	2,625
Pre-tax Profit	2,172	1,736	946	1,578	2,096
Net Profit	1,269	923	733	1,021	1,318
EPS (Rmb cents)	109.2	63.2	48.2	67.1	86.6

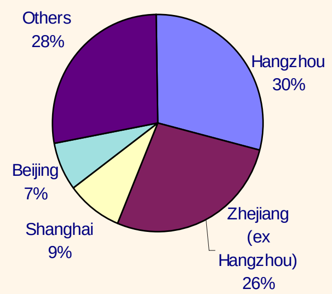
Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	16,699	30,324	36,407	42,174	47,546
Total Assets	17,839	32,866	39,623	45,927	51,902
Current Liabilities	7,533	13,972	17,058	19,139	21,617
Long-Term Loans	5,040	7,248	10,278	13,361	15,365
Shareholders' Funds	4,374	8,108	8,657	9,474	10,529
Total Equity & Liabilities	17,839	32,866	39,623	45,927	51,902

Cash Flow

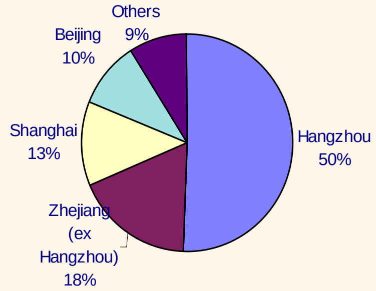
Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	(2,644)	(5,145)	(1,507)	(1,551)	(421)
Investing	680	(1,386)	(1,032)	(3)	(19)
Financing	4,386	6,159	2,024	2,078	863
Net Cash Inflow/(Outflow)	2,422	(372)	(514)	524	423
Beginning Cash & Cash Equivalent	859	3,249	2,877	2,362	2,887
Ending Cash & Cash Equivalent	3,281	2,877	2,362	2,887	3,310

GFA Breakdown Of Landbank



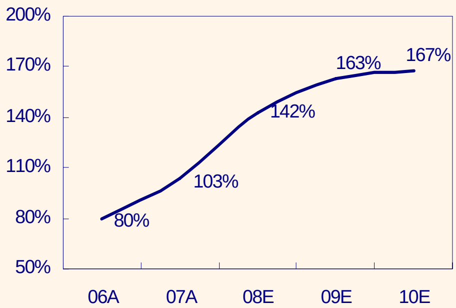
Source: UOB Kay Hian

NAV Exposure Of Landbank



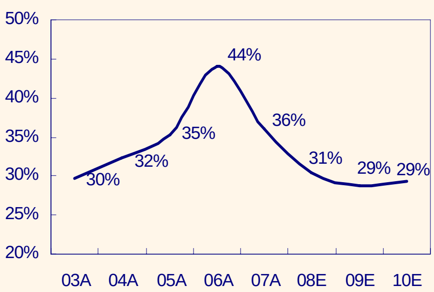
Source: UOB Kay Hian

Net Gearing Of Greentown



Source: UOB Kay Hian

Gross Margin Of Greentown



Source: UOB Kay Hian

Zhuzhou CSR Times Electric

A player in China's drive to localise advanced technology

Zhuzhou CSR Times Electric is the leading train-borne electrical system provider and integrator for China's railway industry. More order inflows from power girds is near-term catalyst. Initiate coverage with BUY.

Growing with China South Locomotive and Rolling Stock (CSLR). Zhuzhou CSR Times Electric's (Times Electric) train-borne electrical systems are used in locomotives, passenger carriages and metro vehicles as the key components for power supply, control systems and safety-ensuring operations. Times Electric is the sole domestic train-borne electrical system supplier for CSLR. The Group will ride on CSLR's expansion in the production of multiple units (MU), electric locomotives and metro cars in 2009-12. Times Electric has broken into the AC system product market. It won its first order for AC electric locomotives in Jul 08, providing converter and controlling systems for about 30% of CSR Zhuzhou's 500 units. The order is scheduled for delivery in Mar-Dec 10.

Dominant market share. According to management, Times Electric has about a 40% share in train power converters and a 70% share in electrical control systems in the new rail vehicle market. In addition, its train operation safety equipment, electrical control systems for large railway maintenance vehicles and power semiconductor devices have about 60%, 100% and 50% market share respectively in China. Given its dominant market share and high technology content, Times Electric's gross margin is typically quite high in the low-40% or high-30%.

Technology transfer and diversification. Times Electric is implementing a dual strategy by forming partnerships with leading international companies and investing in new markets. Times Electric acquired a 50% stake in Changzhou Mitusbishi-Shiling, a JV with Mitsubishi Electric, in 2007. Shiling is develops train-borne electrical systems for metro trains. Times Electric also acquired a 30% stake in Zhuzhou Siemens, a JV with Siemens China. Zhuzhou Siemens focuses on the development and production of AC locomotives.

Times Electric also acquired a 75% stake in power semiconductor company, Dynex Power Inc (Dynex). Dynex concentrates on R&D of high-power semiconductors destined for various industries relating to railway and marine propulsion systems, aircraft power systems and factory automation systems. Times Electric plans to exploit the China market by combining its excellent brand recognition with Dynex's technology. Times Electric is likely to be a major beneficiary of China's drive to localise more advanced technology, especially in the railway space.

Entering other markets. Times Electric's other products include power semiconductor devices and sensors, which are also widely used in non-railway applications such as power transmission, metal processing, mining and chemical engineering. The Group has successful secured orders t supply power semi-conductors from State Grid Corp. Given the huge investment by power grids, the growth potential is huge for Times Electric.

CHINA

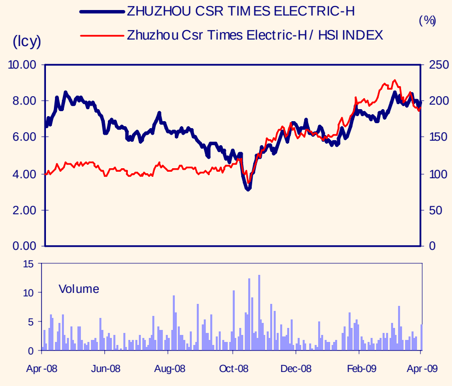
Zhuzhou CSR Times Electric (3898 HK)

INITIATE WITH BUY

Current Price: HK$7.92
Target Price: HK$10.00

Sector	Industrial
Bloomberg	3898 HK
Reuters	3898.HK
Website	http://www.timeselectric.cn
52-Wk Avg Daily Vol. (m)	2.6
Market Cap (HK$m)	3,612
(US$m)	463.1
Book NTA per Share (Rmb)	2.9
ROE (%)	11.6
Net Cash per Share (Rmb)	1.4
Results Due	
Interim	August
Final	April

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 (%)
2006	1,256	286	297	0.44	31.6	18.9	0.9	0.03	0.5
2007	1,542	293	347	0.32	(26.4)	21.9	16.4	0.15	2.1
2008F	2,050	424	400	0.37	15.3	19.0	12.1	0.17	2.5
2009F	2,711	526	480	0.44	20.0	15.8	11.8	0.19	2.7
2010F	3,643	693	625	0.58	30.0	12.2	9.0	0.20	2.8

Consensus Net Profit – FY08: Rmb388.5m
– FY09: Rmb491.0m

Slowdown in demand for freight wagons is not a concern. Different from CSLR, Times Electric has no exposure to freight wagon manufacturing. The Group's 1Q09 operating performance is on track. Times Electric is scheduled to announce its FY08 results on 17 April. We forecast revenue to go up 32.9% yoy to Rmb2,050m. Net profit would increase 15.3% yoy to Rmb400m in FY08, slightly higher than market expectations of Rmb388.5m.

Valuation/Recommendation

We rate Times Electric as the best in its class given its stable growth potential and no exposure to the freight wagons manufacturing. Currently, the company is trading at 19.0x 2008 PE and 15.8x 2009F PE. Our target price is HK$10.00 on 20x 2009 PE, in line with historical average. We are at an earlier stage of the railway equipment cycle than the infrastructure cycle, implying higher PEs for railway equipment plays rather than infrastructure plays.

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	1,256	1,542	2,050	2,711	3,643
EBIT	253	247	364	454	615
Pre-tax Profit	303	345	468	562	732
Net Profit	297	347	400	480	625
EPS (Rmb)	0.44	0.32	0.37	0.44	0.58

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	3,370	2,874	3,113	3,455	4,124
Total Assets	3,788	3,645	4,027	4,500	5,178
Current Liabilities	940	483	623	804	1,058
Long-Term Loans	1	4	4	4	4
Shareholders' Funds	2,847	3,157	3,400	3,692	4,115
Total Equity & Liabilities	3,788	3,645	4,027	4,500	5,177

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	213	82	326	420	399
Investing	(150)	(1,241)	509	(313)	(88)
Financing	2,034	(392)	(110)	(139)	(142)
Net Cash Inflow	2,096	(1,551)	726	(32)	170
Begin Cash & Equiv.	165	2261	711	1,437	1,405
End'g Cash & Equiv.	2,261	711	1,437	1,405	1,576

Valuation

Company	Ticker	Price Local Ccy	Current PE (x)	Prospective PE (x)	P/B (x)	Operating Margin (%)	Net Margin (%)	ROE (%)	ROA (%)
China Southern Locomotive and Rolling Stock Industry	1766 HK	3.47	24.9	20.6	5.6	3.6	2.3	15.8	2.1
Times Electric	3898 HK	7.94	19.0	15.8	2.7	20.8	22.5	11.6	9.4
Infrastructure Construction			28.1	17.3	6.6	3.4	2.0	23.5	2.1
Components Manufacturers			30.3	22.8	4.9	9.4	8.5	13.2	5.7
Vehicles Manufacturing			18.0	11.8	1.7	7.3	5.2	14.0	4.3
Track Manufacturing			25.5	21.6	1.9	9.3	5.5	13.3	6.1

Source: Bloomberg, UOB Kay Hian

IGB Coporation

Showing resilience in uncertain times

IGB Corporation continues to focus on its property investment to generate resilient recurring incomes. Both property development and hotel segments are expected to slow down.

Corporate Events

Company visit and update

Stock Impact

Property investment continues to dominate earnings. IGB Corporation's net profit will continue to be underpinned by its investment properties. We expect rental income to contribute about 75% of the Group's EBITDA for FY09 and FY10. These will come mainly from the consistent strong performance of Mid Valley Megamall (provides about 38% of its property investment EBITDA) and maiden contributions from The Gardens North and South Tower.

Megamall performing well while Gardens Mall remains lacklustre. The Mid Valley Megamall continues to enjoy 100% occupancy with higher average rental rate of RM9.50psf. However, occupancy rate for The Garden Mall remains flat at 90% with average rental of RM8.50psf in FY09 and FY10. And it expects to offer higher rebates of around RM6m to sustain tenancy in FY09. Management guided it is planning to have a rooftop dining area in The Garden Mall to attract more visitors.

Expected flat office rental in FY09-10. The recent launch of Grade A Garden South and North Tower has seen occupancy of 75% and 40% respectively. Average rental rate for both towers is RM5.50-6.00psf, comparable with that in the KL Golden Triangle and Central Business District. Anchor tenants include Rating Agency Malaysia and BHP Biliton with leasing on a 3+3 years basis. Office towers such as Menara IGB, Menara Tan & Tan and Centrepoint North and South Towers are still enjoying healthy tenancy with average 90% occupancy going forward. We expect rental and occupancy rate to stay flat in FY09-10 on softened demand given current challenging economic outlook.

Slowdown in hotel segment. IGB Corporation is currently constructing two budget hotels- Cititel Kota Kinabalu and Cititel Penang (under the brand name of Cititel Express). The former is expected to complete by 3Q09 and the latter by next year. Going forward, revenue contribution from its hotel operation will remain flat in FY09-10. We expect average occupancy rate of Cititel Hotel and Boulevard Hotel to fall to 75% (85% in FY08) due to declining tourist arrivals and corporate travellers, but this should be partially offset by maiden contribution from Gardens Hotel & Residences.

MALAYSIA

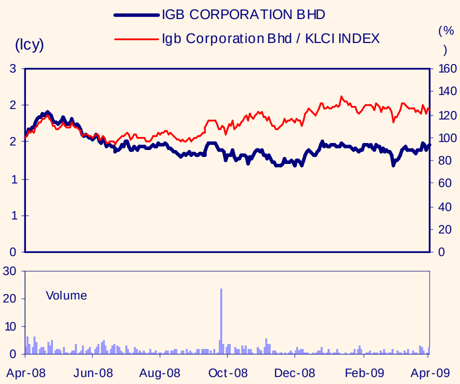
IGB Corporation (IGB MK)

BUY

Current Price: RM1.54
Target Price: RM2.28

Sector	Property
52-Wk Avg Daily Vol. ('000)	1,615
Market Cap (S$m)	2,295.1
(US$m)	636.4
Major Shareholders (%)	
Goldis Bhd	27.8
Book NTA per Share (RM)	1.80
ROE (%)	5.8
Net Debt per Share (RM)	0.27
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (RMm)	EBITDA (RMm)	Net Profit (RMm)	EPS (sen)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (sen)	Yield (%)
2007	673.9	254.0	136.8	9.2	0.7	16.8	10.6	2.5	1.6
2008	688.2	171.7	155.0	10.4	13.3	14.8	15.6	2.5	1.6
2009F	684.6	261.3	172.5	11.6	11.3	13.3	10.1	2.5	1.6
2010F	713.6	270.7	179.0	12.0	3.8	12.8	9.7	2.5	1.6
2011F	843.2	355.0	237.6	15.9	32.7	9.7	6.8	2.5	1.6

Consensus net profit – FY09: RM151.5m
– FY10: RM160.9m

No new property launches in FY09. IGB Corporation has deferred two high-end condominium projects in the Jalan Ampang/U-Thant area to FY10 given the current weak property market. Earnings from property development in FY09-10 are expected to be anchored by contributions from on-going projects such as One Jelatek (take-up rate of 95%), Hampshire 2 (take-up rate of 100%) and U-Thant Residence (take-up rate of 100%) with combined GDV of RM389m.

Earnings Revision

We cut our FY09-10 net profit forecasts by 17-19% after adjusting for lower contributions from property development and hotel operations.

Valuation/Recommendation

Maintain BUY. We maintain out target price of RM2.28 based on a 40% discount to our RNAV of RM3.80/share (based on the sector's historical trough P/B of 0.7-0.8x) in view of the current depressed market conditions. Low risk to NAV as IGB Corporation's portfolio of properties is carried at historical cost.

Profit & Loss

Year to 31 Dec (RMm)	2007	2008	2009F	2010F	2011F
Turnover	673.9	688.2	684.6	713.6	843.2
EBIT	187.6	135.7	245.3	254.7	339.0
Pre-tax Profit	204.2	208.4	248.3	257.7	342.0
Net Profit	136.8	155.0	172.5	179.0	237.6
EPS (sen)	9.2	10.4	11.6	12.0	15.9

Balance Sheet

Year to 31 Dec (RMm)	2007	2008	2009F	2010F	2011F
Current Assets	1,090.1	1,148.9	1,183.8	1,156.0	1,330.6
Total Assets	4,341.9	4,469.9	4,665.7	4,799.5	5,084.5
Current Liabilities	974.3	666.0	760.4	785.7	899.0
Long-Term Loans	545.4	954.3	896.1	837.9	779.7
Shareholders' Funds	2,639.6	2,679.0	2,826.8	2,981.2	3,194.1
Total Equity & Liabilities	4,341.9	4,469.9	4,665.7	4,799.5	5,084.5

Cash Flow

Year to 31 Dec (RMm)	2007	2008	2009F	2010F	2011F
Operating	355.6	127.6	266.7	237.2	355.6
Investing	(583.3)	(32.6)	(150.0)	(150.0)	(100.0)
Financing	131.8	117.3	(126.7)	(126.7)	(126.7)
Net Cash In/out flow)	(102.1)	217.2	(10.0)	(39.5)	128.9
Begin Cash & Cash Equiv.	555.2	453.2	670.4	660.4	620.9
End'g Cash & Cash Equiv.	453.1	670.4	660.4	620.9	749.8

RNAV

	BV (RMm)	MV (RMm)	Surplus (RMm)
Office			
Garden North & South	235	625	390
Menara Tan & Tan	90	205	115
Menara IGB	40	150	110
Plaza Permata	35	40	5
Centrepoint North & South	145	310	165
Ampwalk	45	52	7
Shopping Mall			
Mid Valley Megamall	570	1,650	1,080
The Gardens	600	960	360
Hotel			
Micasa	97	230	133
Pangkor Beach Resort	86	86	0
Cititel	103	258	155
Gardens	220	260	40
Renaissance	570	750	180
Boulevard	80	140	60
Landbank (Labu)	123	123	0
Surplus			**2,800**
Shareholders Funds			2,679
RNAV			**5,479**
RNAV/share			**3.80**

Source: UOB Kay Hian

Property – Residential

Sales momentum going strong

The first quarter sales volume was the best quarterly showing since 3Q08. Continued sales momentum would help in base formation and improvement in the home buying sentiment, leading to a more sustainable recovery.

Sector Events

Urban Redevelopment Authority's (URA) data on uncompleted homes in March indicate that the number of units launched declined 22% mom to 832 units and the number of units sold decreased 8% mom to 1,220 units.

Sector Impact

- **First quarter sales volume more than half of the full-year sales last year.** The total number of units sold in the first quarter came to 2,660 units, representing nearly 61% of the full-year developer sales last year and the best quarterly showing since 3Q08. The data points suggest base formation for the developer sales in the mass and mid-tier segments at the 2006 resale price levels. Continued sales momentum would help base formation and in improving the home buying sentiment, leading to a more sustainable recovery.

- **Focus on the mass and mid-market segments pay off.** Developers maintained their focus on the mass market and mid-tier segment with the number of mass market and mid-tier units launched in March making up 92% of all units launched. The strategy worked well with the number of units sold in the mass market segment at 787 units, accounting for 65% of all the units sold, marginally down from 840 units sold last month. The number of units sold in the mid-tier segment decreased 21% mom to 300 units, representing 25% of all the units sold. Sales in the mass market and mid-tier segment were boosted by sales of 264 units at Double Bay Residences project at a median price of S$659psf, 101 units at Alexis at Mi Casa project at a median price of S$617psf and 90 units at The Arte project at S$874psf.

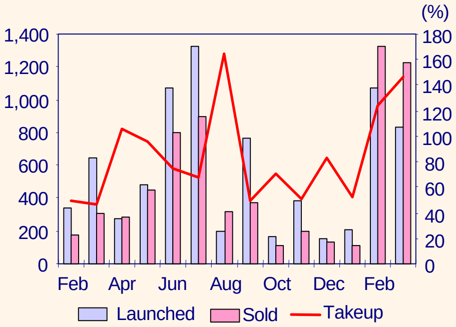
- **Supply shortage of Public Housing and increased public rental housing demand supportive of private mass market.** Public housing prices have been relatively stable compared to other segments, supported by the stable rental levels. While further moderation to the public housing rental levels is expected due to the deterioration in macroeconomic outlook, we believe the public housing rental levels will remain fairly stable compared to other housing segments because of the increase in demand for affordable rental housing as more people defer their buying decisions. At the same time, the supply situation in the Housing and Development Board (HDB) segment remains tight with the supply of a mere 5,400 units/year in the last five years, well below the 15-year long-term average of 19,000 units/year. The stable public housing market will eventually lend support to the private mass market segment.

SINGAPORE

Property - Residential

OVERWEIGHT

Monthly Take-up Of New Homes



Source: URA, UOB Kay Hian

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Peer Comparison

Company	Rec	Price 15 Apr 09 (S$)	Hist	PE Curr (x)	Fwd	ROE (%)	Market Cap. (S$m)	Book NTA ps (S$)	Price/ NTA ps (x)	RNAV ps (S$)	Target Price (S$)	Prem/(Disc) Target price to RNAV (%)	Net Debt/ Equity (%)	Avg Daily Turnover 52-Wk ('000)
Allgreen	BUY	0.59	13.9	23.1	14.2	3.0	938.3	1.41	0.4	0.85	0.70	(20.0)	50.7	2,962
CapitaLand	BUY	3.00	8.1	41.9	27.6	12.2	12,732.7	2.80	1.1	2.79	3.35	20.0	30.2	22,456
City Devt	BUY	6.27	10.0	22.3	14.6	10.9	5,701.3	5.97	1.1	7.13	7.85	10.0	62.1	3,372
GuocoLand	SELL	1.25	6.2	40.6	22.8	9.6	1,109.3	2.26	0.6	1.64	0.80	(50.0)	123.7	230
Ho Bee	HOLD	0.445	3.5	9.7	6.5	11.0	328.1	1.19	0.4	0.69	0.50	(30.0)	125.9	1,313
Keppel Land	BUY	1.75	5.5	12.7	9.1	9.6	1,262.3	3.39	0.5	2.48	2.10	(15.0)	61.2	4,103
SC Global	SELL	0.61	5.4	11.7	6.2	12.7	241.6	0.87	0.7	0.65	0.30	(55.0)	413.4	568
Wheelock	HOLD	1.14	13.5	18.1	10.6	4.8	1,364.1	1.72	0.7	1.67	1.35	(20.0)	(17.8)	524
Wing Tai	HOLD	0.915	3.0	9.7	9.1	14.8	726.0	2.02	0.5	1.49	1.05	(30.0)	46.8	1,679

Source: UOB Kay Hian

Valuation/Recommendation

We believe City Developments and Allgreen are the key beneficiaries of the increased sales momentum and the improved home buying sentiment in the mass and mid-market segments.

Selected Project Units Sold In March

Project	Street	Locality	Launched (units)	Sold (units)	Median (S$psf)	Lowest (S$psf)	Highest (S$psf)	Comments
Orchard Scotts	Anthony Rd	High	0	1	2,220	2,220	2,220	Highest psf and Above 1500 psf
Belle Vue Residences	Oxley Walk	High	2	2	1,524	1,493	1,555	Above 1500 psf
Vida	Peck Hay Road	High	0	5	1,850	1,823	2,198	Above 1500 psf
VisionCrest	Oxley Rise	High	0	1	1,687	1,687	1,687	Above 1500 psf
Double Bay Resi.	Simei Street 4	Mass	320	264	659	409	898	Highest sales volume
Kembangan Suites	Jalan Masjid	Mass	60	60	897	775	1,097	Top 5 by sales volume
Mi Casa	Choa Chu Kang Ave 3	Mass	123	101	617	578	707	Top 5 by sales volume
The Arte	Jalan Raja Udang	Mid	120	90	874	762	1,030	Top 5 by sales volume
The Mercury	Shanghai Road	Mass	67	62	1,148	850	1,258	Top 5 by sales volume
Solaris Residences	Paya Lebar Crescent	Mass	0	12	366	351	400	Lowest psf

Source: URA, UOB Kay Hian

Monthly Take-up Of New Homes By Sub-segment

	Launched	Region breakdown			mom change			Sold	Region breakdown			mom change			Takeup		
		High	Mid	Mass	High	Mid	Mass		High	Mid	Mass	High	Mid	Mass	High	Mid	Mass
Mar	642	16.8	21.8	61.4	248.4	30.8	92.2	301	28.9	30.2	40.9	148.6	42.2	73.2	80.6	65.0	31.2
Apr	271	4.8	4.4	90.8	-88.0	-91.4	-37.6	284	8.5	13.4	78.2	-72.4	-58.2	80.5	184.6	316.7	90.2
May	476	38.0	37.4	24.6	1292.3	1383.3	-52.4	453	36.4	22.1	41.5	587.5	163.2	-15.3	91.2	56.2	160.7
June	1069	20.7	57.2	22.1	22.1	243.8	101.7	801	20.6	56.8	22.6	0.0	355.0	-3.7	74.7	74.3	76.7
Jul	1322	9.9	42.0	48.1	-40.7	-9.3	169.5	897	9.3	30.7	60.1	-49.7	-39.6	197.8	63.4	49.5	84.7
Aug	194	42.3	52.6	5.2	-37.4	-81.6	-98.4	320	33.1	34.7	32.2	27.7	-59.6	-80.9	129.3	108.8	1030.0
Sep	767	33.6	48.2	18.1	214.6	262.7	1290.0	376	18.6	59.6	21.8	-34.0	101.8	-20.4	27.1	60.5	59.0
Oct	159	46.5	13.8	39.6	-71.3	-94.1	-54.7	112	12.5	24.1	63.4	-80.0	-87.9	-13.4	18.9	122.7	112.7
Nov	382	52.4	21.7	25.9	170.3	277.3	57.1	192	32.8	14.6	52.6	350.0	3.7	42.3	31.5	33.7	102.0
Dec	157	4.5	72.0	23.6	-96.5	36.1	-62.6	131	48.9	25.2	26.0	1.6	17.9	-66.3	914.3	29.2	91.9
Jan	204	0.0	43.1	56.9	-100.0	-22.1	213.5	107	12.1	45.8	42.1	-79.7	48.5	32.4	n.a.	55.7	38.8
Feb	1069	2.8	33.6	63.6	n.a.	308.0	486.2	1323	7.7	28.8	63.5	684.6	677.6	1766.7	340.0	106.1	123.5
Mar	832	8.4	27.0	64.5	133.3	-37.3	-21.0	1220	10.9	24.6	64.5	30.4	-21.3	-6.3	190.0	133.3	146.6

Source: URA, UOB Kay Hian

Upside Based On 6M And 12M Forward P/B From AFC Trough

Company	Current P/B 14 Apr 09 (x)	Forward P/B from AFC low 6M P/B (x)	Forward P/B from AFC low 12M P/B (x)	Upside to Forward P/B 6M P/B (%)	Upside to Forward P/B 12M P/B (%)	LT Avg P/B (x)	LT P/B Remark	Upside to LT P/B Valuation (%)
Allgreen	0.38	n.a.	n.a.	n.a.	n.a.	0.90	Avg. since May 99	139
CapitaLand	0.99	0.79	1.58	(21)	59	1.23	Avg. since Jan 90	24
City Devt	1.03	1.86	2.51	81	145	2.30	Avg. since Jan 90	124
GuocoLand	0.54	0.27	0.68	(50)	25	1.07	Avg. since Jan 90	99
Ho Bee	0.36	n.a.	n.a.	n.a.	n.a.	0.98	Avg. since Dec 99	170
Keppel Land	0.52	0.64	0.97	24	88	1.13	Avg. since Jan 90	118
SC Global	0.70	0.95	1.50	37	115	1.41	Avg. since Jan 90	103
Wheelock	0.64	1.18	1.75	85	174	1.30	Avg. since Jan 90	103
Wing Tai	0.45	0.38	0.70	(15)	54	1.05	Avg. since Jan 90	132

Source: Bloomberg, UOB Kay Hian

Singapore Exchange

3QFY09: Bear transforming into bull

To align our call on SGX with our in-house market view, we expect market turnover to improve in FY10 by assuming S$1.4b ADT. We have also raised our fair FY10 PE from 16.9x (bear market) to 23.6x (bull market).

3QFY09 Results

Three months ended Sep (S$)	3QFY08 2007	3QFY09 2008	yoy % chg	Remarks
Revenue from equity market	96.3	55.3	(42.6)	Down 20.6% qoq
Revenue from derivatives market	39.0	31.2	(19.9)	Down 27% qoq
Stable revenue	38.0	33.3	(12.3)	Down 2.9% qoq
Total Operating Revenue	173.3	119.8	(30.9)	Down 18.3% qoq
Total Operating Expenses	(53.4)	(54.2)	1.4	Down 2.9% qoq
PBT	124.4	65.1	(47.6)	Down 28.7% qoq
Tax	(22.9)	(9.8)	(57.1)	
Net Profit	101.5	55.3	(45.5)	Down 25.9% qoq
Daily Av Trading Value - Securities market (S$b)	1.90	0.91	(52.1)	ADT of S$1.03b in 2QFY09
Number of Derivatives Contracts Traded (m)	14.8	11.8	(20.4)	15.2m in 2QFY09

Source: SGX, UOB Kay Hian

Results

Singapore Exchange's (SGX) 3QFY09 net profit dropped 45.5% yoy to S$55.3m (-25.9% qoq). The results were in line with our expectation. Future clearing revenue registered the second qoq decline since 1QFY07 (Jul-Sep 06). Average daily turnover (ADT) dropped from S$1.03b in 1QFY09 to S$0.91b in 2QFY09.

Stock Impact

We do not expect any impact on the stock in the near term as the results are largely in line with market expectations.

Earnings Revision

As ADT continued to drop qoq in 3QFY09, we lower our FY09 earnings forecasts by 6%. In response to our house view that the stock market has bottomed out, we double our FY10 velocity assumption to 95.6% (64.6% for Mar 09). Thus, we raise our ADT assumption for FY10 from S$0.7b to S$1.4b. As a result, we raise our FY10 earnings forecast by 70%.

Valuation/Recommendation

To align our call on SGX with our in-house market view, we raise our fair FY10 PE from 16.9x (bear market PE) to 23.6x (upcycle market PE). While the downtrend for ADT and share price persisted on a quarterly basis, we believe market activity should pick up in FY10. **Upgrade from SELL to HOLD. Re-entry at S$5.80.**

SINGAPORE

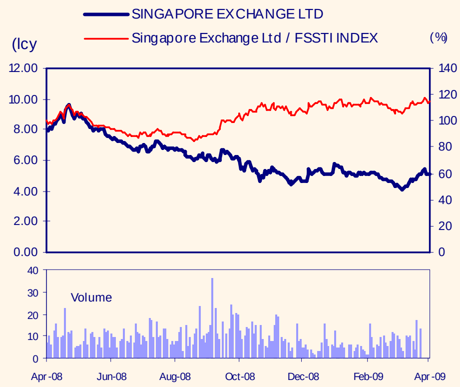
Singapore Exchange (SGX SP)

UPGRADE TO HOLD

Current Price: S$6.21
Fair Price: S$7.00
(Previous: S$3.00)

Sector	Exchange
52-Wk Avg Daily Vol. (m)	8.9
Market Cap (S$m)	6,639
(US$m)	4,419
Major Shareholders (%)	
SEL	23.4
Book NTA per Share (S$)	0.84
ROE (%)	55.5
Net Cash per Share (S$)	0.77
Results Due	
1Q: Oct	2Q: Jan
3Q: Apr	Final: Aug

Price Chart



Source: Bloomberg

Analyst

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Year to 30 Jun	Turnover (S$m)	EBITDA (S$m)	Net Profit (S$m)	EPS (S¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (S¢)	Yield (%)
2007	576	387	422	40.0	122.4	15.5	15.4	36.0	5.8
2008	769	542	478	45.1	12.9	13.7	10.6	38.0	6.1
2009F	539	321	267	25.0	(44.5)	24.7	18.2	22.5	3.6
2010F	611	390	318	29.7	18.9	20.8	14.9	26.8	4.3
2011F	619	395	323	30.2	1.5	20.5	14.6	27.2	4.4

Consensus Net Profit – FY09: S$286m
-- FY10: S$302m

Futures trading volume down on a consistent qoq basis

Futures trading volume continued to drop (from 15.2m in 2QFY09 to 11.8m in 2QFY09). The decline came from all key index futures. Index futures volume will likely remain unchanged for the next few quarters.

Futures Trading and Clearing Revenue Mix and as % of Group

Year to 30 Jun (%)	2007	2008	2009F	2010F	2011F
Nikkei 225	35.3	30.8	34.4	37.8	37.8
MSCI Taiwan	32.4	30.1	28.1	30.8	30.8
MSCI Singapore	9.8	12.5	12.6	13.9	13.9
CNX Nifty Index	0.0	8.1	12.6	13.9	13.9
Others	22.5	18.6	12.2	3.6	3.6
Futures Revenue as a % of Group Total	**17.7**	**17.7**	**26.4**	**21.2**	**21.0**
Futures Revenue as a % of Group PBT*	**26.9**	**25.2**	**44.5**	**34.1**	**33.6**

** Excluding exceptional items*
Source: SGX, UOB Kay Hian

Futures Trading and Clearing Revenue Mix and as a % of Group

Year to 30 Jun	2007	2008	2009F	2010F	2011F
Securities Market Revenue (S$m)	326.0	449.6	249.3	346.8	353.8
Average Daily Turnover (S$b)	1.60	2.12	1.07	1.43	1.46
Securities Market Revenue as a % of Group Total	**56.6**	**58.5**	**46.2**	**56.7**	**57.2**
Securities Market Revenue as a % of Group PBT*	**85.8**	**83.0**	**78.0**	**91.3**	**91.8**

** Excluding exceptional items*
Source: SGX, UOB Kay Hian

Profit & Loss

Year to 30 Jun (S$m)	2007	2008	2009F	2010F	2011F
Turnover	576	769	539	611	619
EBIT	481	564	302	363	368
Pre-tax Profit	490	576	319	380	385
Net Profit	422	478	267	318	323
Av Daily Turnover (S$b)	**1.60**	**2.12**	**1.07**	**1.43**	**1.46**

Balance Sheet

Year to 30 Jun (S$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,702	1,741	1,425	1,553	1,594
Total Assets	1,851	1,930	1,614	1,742	1,783
Current Liabilities	1,019	1,033	691	786	796
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	830	894	921	952	985
Total Equity & Liabilities	1,851	1,930	1,614	1,742	1,783

Cash Flow

Year to 30 Jun (S$m)	2007	2008	2009F	2010F	2011F
Operating	454	649	277	348	358
Investing	66	(46)	(19)	(27)	(27)
Financing	(153)	(389)	(311)	(276)	(289)
Net Cash In/(Out) Flow	366	214	(54)	45	42
Begin Cash & Cash Equiv.	246	614	822	768	813
End'g Cash & Cash Equiv.	614	822	768	813	855

Futures Trading Volume

(m contracts)	1QFY09	2QFY09	3QFY09
Nikkei 225	7.2	7.7	5.8
MSCI Taiwan	4.5	4.1	3.4
MSCI Singapore	1.2	1.1	0.9
CNX Nifty Index	4.1	2.2	1.4
Euroyen	0.1	0.1	0.1
Others	0.3	0.2	0.2
Total	**17.4**	**15.2**	**11.8**

Source: SGX, UOB Kay Hian

Quarterly ADT and SGX share price range

Quarter ended	Securities Market ADT (S$b)	Highest SGX Closing Price (S$)	Lowest SGX Closing Price (S$)
Dec 06	1.28	5.70	4.28
Mar 07	1.97	7.60	5.45
Jun 07	2.28	10.30	6.60
Sep 07	2.59	13.80	8.25
Dec 07	2.37	16.40	12.20
Mar 08	1.90	13.24	6.40
Jun 08	1.62	9.57	6.91
Sep 08	1.27	7.30	5.88
Dec 08	1.03	6.28	4.46
Mar 09	0.91	5.75	4.02

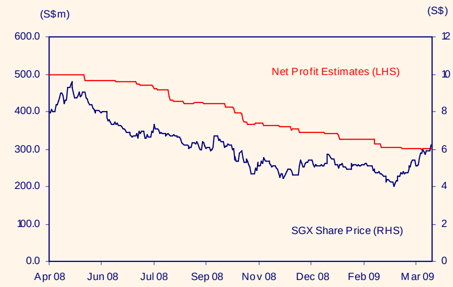
Source: SGX, Bloomberg, UOB Kay Hian

SGX - Valuation Sensitivity Analysis

	FY10 PE (x)	Fair Price (S$)
Historical Highest PE	41.1	12.2
Historical High PE*	26.9	8.0
Bull Market PE	23.6	7.0
Historical Average PE	20.2	6.0
Bear market PE	16.9	5.0
Historical Low PE**	13.6	4.0
Historical Lowest PE	10.5	3.1

** Average of highest PE for each fiscal year*
*** Average of lowest PE for each fiscal year*
Bull market PE is the average between historical high PE and historical average PE*
*Bear market PE is the average between historical low PE** and historical average PE*
Source: Bloomberg, UOB Kay Hian

Share Price and FY10 Consensus Net Profit Estimates



Source: Bloomberg, UOB Kay Hian

Singapore Airlines

It just gets worse

Passenger traffic deteriorated from a 17% drop in February to 22% in March while cargo traffic worsened from a 15.2% decline to 18.0%.

Corporate Events

SIA's March traffic numbers showed continued deterioration. Passenger traffic fell 22% in March vs a 17% decline in February. While capacity cuts accelerated, it nonetheless failed to match the decline in passenger traffic. This has led to lower load factors, SIA indicated that demand for travel has been severely impacted by the economic crisis. Cargo traffic fell 18.0% in March vs 15.2% in February.

yoy % chg	Mar-09	1Q09*
Pax capacity	-9.0%	-5.4%
Pax Traffic	-21.8%	-15.2%
Pax carried	-23.0%	-17.9%
Cargo Capacity	-12.0%	-9.0%
Freight tonnage	-18.0%	-16.0%
Load factors		
Pax load factor	69.4%	69.6%
Cargo load factor	58.5%	56.5%

Source: SIA, UOB Kay Hian

Singapore and Malaysia liberalise air travel further. Both countries agreed to allow selected carriers to expand flights to existing destinations and allowed the addition of six new destinations- Ipoh, Kuala Trengganu, Kuantan, Malacca, Sandakan and Tawau.

Stock Impact

In our previous note, we stated that SIA was losing market share and that traffic trends signalled a structural shift in SIA's operating environment as opposed to just a cyclical downturn. March's traffic numbers lend weight to this view and we believe the stock price should trend down in the coming weeks.

It is worth noting that Cathay Pacific in contrast, reported just a 4.5% decline in passenger traffic, a mild improvement from previous month's 4.9%. It also showed an 8% increase in traffic to South East Asia, a key route for SIA. SIA has already instituted heavy price cutting on 82 routes and this will lower yields.

Passenger traffic in absolute terms for Jan-Mar 09 is at the FY05-06 levels and if it averages FY05 numbers, passenger traffic could potentially fall by 14% in FY10.

While SIA had announced an 11% cut in capacity, the expected delivery of another 8-10 aircraft later in the year suggests that further cuts in capacity might be needed. We believe the market has not factored this, nor has adequately appreciated the risk posed by LCCs.

SINGAPORE

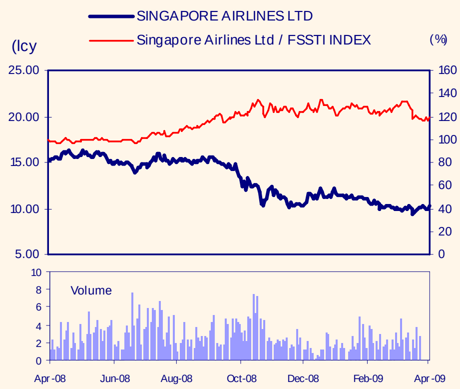
Singapore Airlines (SIA SP)

SELL

Current Price: S$10.88
Fair Price: S$8.20

Sector	Aviation
52-Wk Avg Daily Vol. ('000)	2585
Market Cap (S$m)	12909.1
(US$m)	8599.3
Major Shareholders (%)	
Temasek	54.3
Book NTA per Share (S$)	11.28
ROE (%)	14.6
Net Cash per Share (S$)	3.94
Results Due	
1Q: Jun	2Q: Sep
3Q: Dec	Final: Mar

Price Chart



Source: Bloomberg

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Year to 31 Mar	Turnover (S$m)	EBITDA (S$m)	Net Profit (S$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	14,494.4	2,687.8	2,128.8	172.6	69.6	6.3	5.3	100.0	9.2
2008	15,972.5	3,666.7	2,058.1	169.2	(2.0)	6.4	3.9	100.0	9.2
2009F	15,360.6	2,651.8	1,079.2	89.9	(46.9)	10.8	5.3	40.0	3.7
2010F	12,347.2	1,758.3	209.1	17.2	(80.8)	71.0	9.5	0.0	0.0
2011F	13,191.2	2,171.6	590.7	48.6	181.8	22.2	7.2	0.0	0.0

Consensus Net Profit – FY09: $1120.3m
– FY10: $750.7m

The expansion of the bilateral agreement is unlikely to materially benefit SIA as LCCs such as Air Asia and Jet Star would have significant pricing advantage. In fact, SIA will very likely lose out as Malaysian carriers would now be able to expand frequency to the initial four routes (Penang, Langkawi, Kuching and Kota Kinabalu) which are highly popular tourist destinations.

Earnings Risk

.We believe SIA will report a loss in 4Q08. Passenger and cargo load factors for 4QFY09 are substantially lower than breakeven load factors in 3QFY09.

Valuation/Recommendation

Maintain SELL with a fair price of S$8.20, which translates to a 27% discount to book value. Trough valuation during the Asian financial crisis was 0.7x. We believe the current environment is considerably riskier and the discount is warranted.

Profit & Loss

Year to 31 Mar (S$m)	2007	2008	2009F	2010F	2011F
Turnover	14,494.4	15,972.5	15,360.6	12,347.2	13,191.2
EBIT	1,314.4	2,135.4	1,182.7	223.2	693.0
Pre-tax Profit	1,863.6	2,558.0	1,368.2	268.3	750.7
Net Profit	2,128.8	2,058.1	1,079.2	209.1	590.7

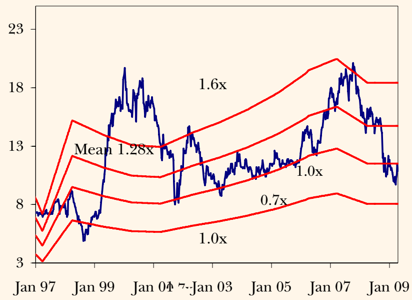
Balance Sheet

Year to 31 Mar (S$m)	2007	2008	2009F	2010F	2011F
Current Assets	8,248.8	8,313.3	7,863.1	3,769.5	3,840.7
Total Assets	25,992.0	26,515.3	25,962.3	23,643.3	24,473.6
Current Liabilities	5,258.4	5,957.8	6,793.8	5,149.1	5,508.3
Long-Term Loans	1,805.8	1,599.2	1,475.8	1,382.4	1,272.1
Shareholders' Funds	15,100.0	15,125.2	13,456.5	13,337.8	13,887.0
Total Equity & Liabilities	25,992.0	26,515.3	25,962.3	23,643.3	24,473.6

Cash Flow

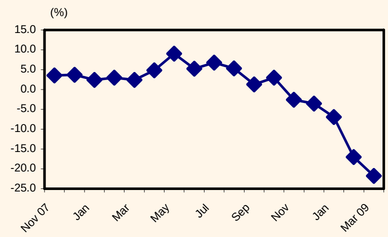
Year to 31 Mar (S$m)	2007	2008	2009F	2010F	2011F
Operating	3,163.5	4,280.3	3,163.3	2,264.5	2,756.7
Investing	(278.0)	(1,301.1)	(1,613.8)	(2,031.1)	(1,956.2)
Financing	(816.0)	(2,832.3)	(1,348.8)	(360.4)	(256.3)
Net Cash In/(out flow)	2,069.5	146.9	200.7	(127.0)	544.2
Effect of FX Changes	(117.0)	(110.7)	(100.0)	(100.0)	(100.0)
Begin Cash & Cash Equiv.	3,141.2	5,093.7	5,129.9	5,230.6	5,003.7
End'g Cash & Cash Equiv.	5,093.7	5,129.9	5,230.6	5,003.7	5,447.9

Price to Book (x)



Source: UOB Kay Hian

Passenger Traffic (yoy % chg)



Source: SIA, UOB Kay Hian

http://research.uobkayhian.com

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