

KEY STORY

China

Oil & Gas

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Net profit of Sinopec is expected to rise 80% while that of PetroChina will likely drop 45% yoy in 1Q09.

Thailand

Siam City Bank (DOWNGRADE TO SELL/Bt9.90/Fair: Bt8.05)

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1Q09: Net profit up 26% yoy, boosted by lower provisions. Operating profit before provisions fall 28% on weaker top-line growth and rising costs.

CHINA

Sector

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Net profit of Sinopec is expected to rise 80% while that of PetroChina will likely drop 45% yoy in 1Q09.

Results

First Tractor (SELL/HK\$1.98/Fair: HK\$1.34)

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2008: Disappointing results. There is no near-term catalyst. Downgrade to SELL.

Hopson (SELL/HK\$6.23/Fair: HK\$4.90)

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2008: Earnings slightly beat expectations. Operation-wise, the company is healthy but we need more than good numbers.

Zijin Mining (BUY/HK\$5.91/Target: HK\$7.15)

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1Q09: First - and probably - the only metal stock in our coverage to see earnings growth in 1Q09. Maintain BUY.

Update

Sinofert (SELL/HK\$3.53/Fair: HK\$2.40)

Page 10

High-cost inventory and falling potash price will continue to hurt Sinofert. Reiterate SELL with fair price cut from HK\$2.80 to HK\$2.40.

Zhuzhou CSR Times Electric (BUY/HK\$8.02/Target: HK\$10.00)

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Management released upbeat guidance during an analyst meeting. More order inflows from MOR and power grid are near-term catalysts.

HONG KONG

Update

VTech (SELL/HK\$40.50/Fair: HK\$27.70)

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Earnings cut due to weaker than operating performance and impact of forex losses. Negatives have not been factored in. Downgrade to SELL.

SINGAPORE

Results

First Ship Lease Trust (HOLD/S\$0.43/Fair: S\$0.50 (US\$0.33))

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1Q09: Declares DPU of 2.45 US cents; distribution reinvestment scheme will be applied. DPU guidance of 2.45 US cents for 2Q09.

K-REIT Asia (BUY/S\$0.68/Target: S\$0.94)

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1Q09: Steep fall in occupancy.

THAILAND

Results

Bank of Ayudhya (BUY/Bt9.50/Target: Bt10.10)

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1Q09: Strong operating profit boosted by healthy expansion in operating income.

Krung Thai Bank (SELL/Bt5.60/Fair: Bt3.90)

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1Q09: Operating profit dives on weak top-line growth and rising costs.

Siam City Bank (SELL/Bt9.90/Fair: Bt8.05)

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1Q09: Net profit up 26% yoy, boosted by lower provisions. Operating profit before provisions fall 28% on weaker top-line growth and rising costs.

Thanachart Capital (SELL/Bt10.90/Fair: Bt8.50)

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1Q09: Bottom line boosted by massive one-off gains. Core operating profit was severely hit by a sharp surge in opex and provisions.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7969.6	1.6	0.6	9.5	(9.2)
S&P 500	850.1	2.1	1.0	10.6	(5.9)
FTSE 100	3987.5	(0.1)	(0.0)	3.8	(10.1)
AS30	3633.1	(2.4)	(1.8)	6.7	(0.7)
CSI 300	2675.4	(1.2)	(0.1)	12.4	47.2
FSSTI	1887.3	0.7	(0.5)	18.2	7.1
HSI	15285.9	(3.0)	(1.9)	19.1	6.2
JCI	1628.8	(2.0)	3.7	19.7	20.2
KLCI	966.6	(0.2)	1.4	12.8	10.2
KOSPI	1336.8	0.0	(0.4)	14.2	18.9
Nikkei 225	8711.3	(2.4)	(1.5)	9.6	(1.7)
SET	466.4	0.0	5.0	8.6	3.6
TWSE	5881.4	1.7	(0.2)	18.5	28.1

BDI	1797	3.5	20.4	0.8	132.2
CPO (RM/mt)	2616	1.2	6.3	26.6	60.5
Nymex Crude (US\$/bbl)	49	0.1	(1.7)	(4.9)	8.9

Source: Bloomberg

Top BUYs/SELLs

Ticker	Current Price (Icy)	Target Price (Icy)	Pot. +/- (%)
Top BUYs			
China Coal	1898 HK	6.81	8.50 24.8
China Life	2628 HK	27.75	31.30 12.8
China Railway	390 HK	5.10	5.90 15.7
Maanshan Iron	323 HK	3.33	4.50 35.1
Sinopec	386 HK	6.07	6.60 8.7
Zijin Mining	2899 HK	5.91	7.15 21.0
DBS Group	DBS SP	9.22	10.55 14.4
SingTel	ST SP	2.51	2.95 17.5
Advanced Info	ADVANC TB	78.00	101.73 30.4
Quality Houses	QH TB	0.95	1.28 34.7

Top SELLs			
Harbin Power	1133 HK	6.66	3.50 (47.4)
Parkson Retail	3368 HK	9.44	5.15 (45.4)
Spore Airlines	SIA SP	10.80	8.20 (24.1)
STX Pan Ocean	STX SP	13.54	4.35 (67.9)
Amata Corp	AMATA TB	3.72	2.52 (32.3)

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	1,509	1,795
Copper* (US\$/MT)	6,884	3,621	4,341
Gold Price London* (US\$/ounce)	873	933	959
Iron Ore* (US\$/dmu)	153	108	101
CPO (US\$/MT)	818	520	685
BDI	6,338	2,500	1,500

* Bloomberg

Source: UOB, UOB Kay Hian

Corporate Events

	Venue	Beg	Close
CapitaLand Luncheon Presentation*	Singapore	27 Apr	27 Apr
Comba Corporate Roadshow	Taiwan	28 Apr	29 Apr
Quality Houses Luncheon Presentation*	Thailand	30 Apr	30 Apr
Yangzijiang Shipbuilding Presentation*	Singapore	30 Apr	30 Apr

* by invitation only

Oil & Gas

Sinopec outperforms PetroChina in 1Q09; reverse may occur in 2Q09

Benefitting from refining margin improvement, Sinopec's profit is expected to grow 80% in 1Q09. PetroChina's profit is expected to drop 45% due to sharp corrections in oil prices.

Sector Events

Sinopec and PetroChina will release their 1Q09 results in late April. We expect Sinopec's profit to grow 80% and PetroChina's to fall 45%. Earnings drivers mainly consist of sharp oil price corrections, refining margin improvements and the chemical downcycle.

- a) **Oil prices in 1Q09 only half that of 1Q08.** Benchmark oil price average of WTI fell to US\$48/bbl in 1Q09 from last year's US\$96/bbl. The sharp oil price drop is positive for Sinopec because it purchases 75% of the oil it processes. As an integrated oil company, PetroChina is unlikely to be affected by the oil price correction, but because its special oil levy payment will shrink correspondingly, its earnings should improve.
- b) **Average retail prices of gasoline and diesel dropped by Rmb1,110/tonne and Rmb1,140/tonne respectively, but refining margin should have improved significantly in 1Q09.** Since the beginning of 2008, the government has revised fuel prices four times and starting from Jan 09, consumption tax on diesel and gasoline has been revised up. After considering all these changes, retail prices for gasoline and diesel in 1Q09 should be Rmb1,110/tonne and Rmb1,140/tonne lower than that in 1Q08. But in the meantime, oil prices dropped more than fuel prices did, so refining margins should have improved significantly in 1Q09. We estimate refining margins for Sinopec and PetroChina at US\$8.5/bbl and US\$7.0/bbl respectively in 1Q09.
- c) **A chemical downcycle dampens chemical segments for both companies.** As a result of weak demand, both the prices and volumes of chemical products - including key intermediate petrochemicals, synthetic plastics, fibres, and rubbers - decreased substantially in 1Q09. We expect the chemical segments of both Sinopec and PetroChina to merely break even in 1Q09. In 1Q08, however, PetroChina and Sinopec recorded an operating profit of Rmb1.0b and Rmb1.5b respectively.

Other factors, though not as important as the abovementioned points, do affect both companies' earnings, such as decrease in volume of refining products, strong gas production, asset impairment and effective tax rate.

Stock Impact

PetroChina's profit expected to drop 45% yoy in 1Q09. We expect PetroChina to produce 210mmbbl of crude (3% drop yoy) and to process the same amount of crude (3.2% drop yoy) in 1Q09. Some 11.8mt of diesel and 6.2mt of gasoline were expected to be produced in the same period. As fuel prices in 1Q09 were about Rmb1,120/tonne lower than that of 1Q08, operating profit would likely decrease correspondingly by Rmb20.2b. But in the meantime, due to the sharp oil price corrections, PetroChina's special oil levy payment is expected to drop by Rmb10b. Besides, its chemical segment will likely drag down operating profit by Rmb1.2b in 1Q09. Taking into consideration an increase in operating expenses, we expect PetroChina's net profit to drop 45% to Rmb16.0b, or Rmb0.09/share, in 1Q09 from Rmb28.9b, or Rmb0.16/share, in 1Q08.

CHINA

Oil & Gas

OVERWEIGHT

PetroChina (857 HK)

BUY

Current Price: HK\$6.67

Target Price: HK\$7.80

Sinopec (386 HK)

BUY

Current Price: HK\$6.07

Target Price: HK\$6.60

CNOOC (883 HK)

HOLD

Current Price: HK\$8.64

Fair Price: HK\$6.85

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Company	Rec.	Ticker	Price 21 Apr 09 (HK\$)	Net Profit			EPS			PE			ROE 2008 (%)	PB 2008 (x)
				2008 (Rmbm)	2009F (Rmbm)	2010F (Rmbm)	2008 (Rmb)	2009F (Rmb)	2010F (Rmb)	2008 (x)	2009F (x)	2010F (x)		
PetroChina	BUY	857.HK	6.67	114,431	105,959	128,712	0.63	0.58	0.70	9.4	10.1	8.3	22.2	1.4
Sinopec	BUY	386.HK	6.07	29,769	67,840	67,856	0.34	0.78	0.78	15.8	6.9	6.9	13.6	1.3
CNOOC	HOLD	883.HK	8.64	44,375	25,506	33,478	0.99	0.57	0.75	7.6	13.3	10.1	27.7	2.1

Sinopec's profit to grow 80% in 1Q09. We expect Sinopec to produce 72mmbbls of crude oil (2% yoy decrease) and to process 300mmbbls of oil (2% yoy decrease). This suggests the company should outsource 230mmbbls of crude in 1Q09. Compared with 1Q08, Sinopec would save as much as Rmb60b on its crude oil purchases. But due to lower fuel prices, operating profit would likely fall by Rmb35b. The chemical segment is expected to drag down Sinopec's profit by Rmb2.5b. Furthermore, Sinopec would not have received any subsidies in 1Q09. After considering an increase in operating expenses, we expect Sinopec's net profit to grow to Rmb11.0b, or Rmb0.13/share, in 1Q09 from Rmb6.1b, or Rmb0.07/share, in 1Q08.

Recommendation/Valuation

Stock prices of Chinese oil majors are not cheap, but we expect share prices to remain strong. Chinese oil majors are trading an average of 8.5x of FY09 PE and 1.5x of FY08 P/B, which is on a par with that of international peers. Valuations of PetroChina and Sinopec have surpassed that of BP, Shell and ConocoPhillips, indicating Chinese oil majors are not cheap among integrated oil majors. However, share prices may remain strong, mainly driven by further fuel price hikes, sufficient market liquidity and positive industrial policies. In the short term, the market expects the National Development and Reform Commission (NDRC) to raise fuel prices, which will boost share prices higher, particularly that of Sinopec.

Industrial positives consist of the following:

- a) Continued improvement in refining utilisation,
- b) Recovery in chemical products demand,
- c) Increase in demand for diesel amid the rebound in Purchasing Managers' Index and industrial output numbers, and
- d) Strong gas volume growth and forthcoming gas pricing mechanism reforms.

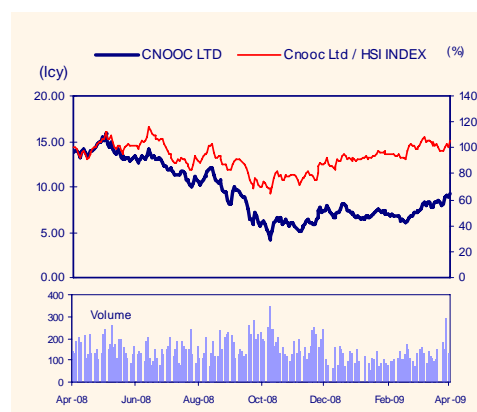
Sinopec's share price has factored in refining segment re-rating. Since 25 March, the date NDRC has set for fuel price hikes, the share price of Sinopec has been up by about 40%, outpacing the other oil majors. It is now trading at 1.3x 08 P/B, which is very close to that of PetroChina. But historically, Sinopec is trading at a 30% discount to PetroChina. Though the refining segment re-rating will narrow the valuation gap between upstream and downstream players, we still believe PetroChina deserves a 15% premium over Sinopec given its integrated characteristic.

PetroChina's results will improve in 2Q09 on a qoq basis but not for Sinopec. PetroChina still our top pick. Oil prices have rebounded by about 20% in March from the low in January. If this oil price rebound extends to 2Q09 but fuel price hikes are not able to fully catch up with the oil price increases, Sinopec's profit will decrease on a qoq basis while PetroChina's profit will grow. In that case, PetroChina is likely to outperform Sinopec.

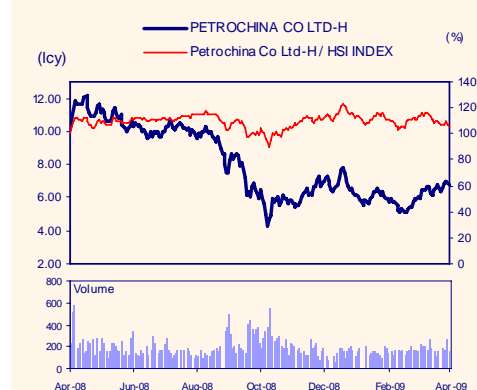
International Oil Majors

Company Name	Market Cap (US\$m)	----- PE -----			P/B FY08	ROE (%)	Divd. Yield (%)
		FY08	FY09	FY10			
EXXON MOBIL	322,639	7.7	16.0	11.3	2.9	19.2	1.9
BP	121,120	5.7	10.0	7.2	1.3	13.8	7.2
SHELL	128,793	4.9	8.9	6.9	0.9	11.1	6.1
CHEVRON	128,038	5.6	14.5	9.4	1.5	10.6	3.4
CONOCOPHILLIPS	57,755	3.5	12.6	6.7	1.0	8.4	3.6
Average		5.5	12.4	8.3	1.5	12.6	4.5

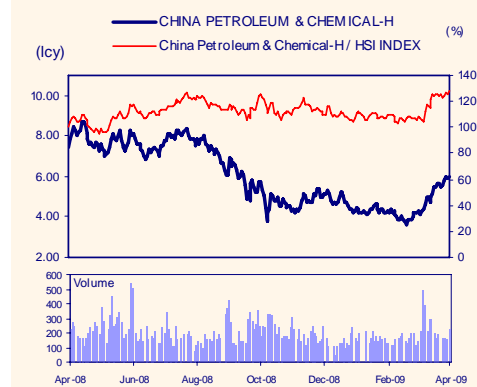
Source: Bloomberg; UOB Kay Hian



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

First Tractor

2008: Weak fundamentals cannot support current valuation.

First Tractor's (FT) valuation looks expensive given weak fundamentals. All positives have been priced in. There is no near-term catalyst. Downgrade to SELL.

2008 Results

Year to 31 Dec	2008 (Rmbm)	2007 (Rmbm)	yoy % chg	Remarks
Turnover	7,933.7	7,102.2	11.7	Higher than expectations Margin contraction & lack of exceptional items in 2008
Operating profit	128.1	282.0	(54.6)	
Pre-tax Profit	90.4	237.8	(62.0)	Lack of exceptional items in 2008
Net Profit	68.5	181.8	(62.3)	
	(%)	(%)	ppt chg	
Gross margin	10.4	11.9	(1.5)	Gross Profit margin was lower than expectations
Operating margin	1.6	4.0	(2.4)	
Net margin	0.9	2.6	(1.5)	

Source: First Tractor, UOB Kay Hian

Results

- For 2008, First Tractor's (FT) net profit dropped 62.3% yoy to Rmb68.5m – substantially lower than our expectation.
- The lower-than-expected gross margin was a negative surprise. The agricultural machinery division reported a loss of Rmb12.0m in 2H08 vs net profit of Rmb 95.3m in 1H08.
- Contribution from the diesel engine division also dropped from Rmb80.5m in 1H08 to 11.3m in 2H08.

Stock Impact

FT keeps disappointing investors given: a) poor performance of the core agricultural machinery division, b) inability to turnaround the construction machinery division and c) restructuring process, especially that the construction machinery segment is taking longer than expected.

Unless there is a major restructuring plan with its ultimate controlling shareholder, Sinomach, FT is unlikely to turnaround the construction machinery division. According to FT's announcement, the Group is likely to keep the construction machinery division, which remains a drag to overall profitability.

Earning Revision

Our 2009 and 2010 net profit estimates are cut by 38.9% and 36.7% respectively as we factor in lower margin assumptions and 13-15% downward revision of turnover at the construction machinery division. Our gross margin assumptions for agricultural and construction machinery divisions have been cut by 1.3ppt and 1.5ppt for 2009.

CHINA

First Tractor (0038 HK)

DOWNGRADE TO SELL

Current Price: HK\$1.98

Fair Price: HK\$1.34

(Previous: HK\$3.01)

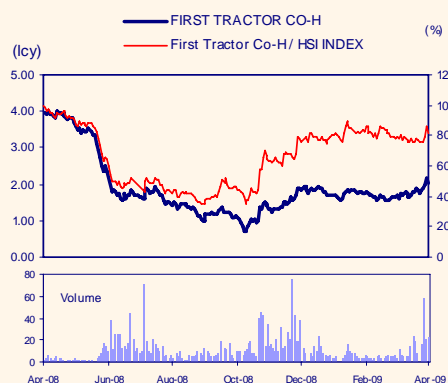
Sector	Industrial
52-Wk Avg Daily Vol. (m)	10.7
Market Cap (HK\$m)	795.9
(US\$m)	102.0

Major Shareholders (%)	
Yituo Group	52.5

Book NTA per Share (Rmb)	3.0
ROE (%)	2.7
Net Cash per Share (Rmb)	0.9

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	7,102	229	182	0.23	144.8	9.9	7.7	0.03	1.7
2008	7,934	213	69	0.08	(64.3)	27.6	10.5	0.05	2.9
2009F	8,548	261	91	0.11	33.1	16.3	8.2	0.06	3.4
2010F	9,347	321	130	0.15	42.8	11.4	5.1	0.08	4.3
2011F	10,300	369	157	0.19	20.2	9.5	4.1	0.08	4.6

Consensus Net Profit – FY09: Rmb132m
 – FY09: Rmb182m

Risks

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

Valuation/Recommendation

After the earnings revision, FT is now trading at 16.3x 2009 PE and 11.4x 2010 PE. It is the most expensive and current valuation is unjustified after the recent rally, given weak fundamentals. We believe all positives have been priced in. Downgrade FT from BUY to SELL given rich valuation and poor fundamentals. Our new fair price of HK\$1.34 is based 11x 2009 PE, in line with the industry average.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	7,102	7,934	8,548	9,347	10,300
EBIT	229	213	261	321	369
Pre-tax Profit	238	90	138	196	236
Net Profit	182	69	91	130	157

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	3,829	3,645	3,695	4,450	4,827
Total Assets	5,488	5,329	5,416	5,749	6,133
Current Liabilities	2,366	2,299	2,457	2,683	2,940
Long-Term Loans	547	465	345	372	405
Shareholders' Funds	2,575	2,565	2,614	2,693	2,786
Total Equity & Liabilities	5,488	5,329	5,416	5,749	6,133

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	196	489	391	399	449
Investing	(197)	(193)	(135)	(143)	(153)
Financing	23	(430)	(101)	(118)	(141)
Net Cash Inflow/(Outflow)	22	(134)	155	137	154
Begin Cash & Cash Equiv.	708	730	596	751	888
End'g Cash & Cash Equiv.	730	596	751	888	1043

Hopson

2008: It is more than just numbers

In terms of operation, Hopson appears to be a healthy company. However, the lack of transparency and the additional uncertainty from the investigation allegation in February bring about an unquantifiable risk.

2008 Results

Year to 31 Dec	2007 (HK\$m)	2008 (HK\$m)	yoy % chg	Remarks
Turnover	11,131	10,775	(3)	Lower GFA but partly offset by higher ASP
Contribution:				
Gross profit	4,461	4,859	9	Improved margin due to high-end units sold
Other gains	104	84	(19)	Mainly government grants
Selling & marketing costs	(281)	(389)	39	Higher costs in a slow market Affected by lower exchange gain booked
Administrative expenses	(511)	(691)	35	
Operation profit	3,773	3,863	2	
Finance costs	(137)	(227)	66	Mainly due to higher average debt
Associates	102	(2)	(102)	
Profit before tax	3,738	3,634	(3)	
Taxation	(1,670)	(1,913)	15	Effective tax rate at 53%
Minority interest	(31)	15	(148)	
Net profit	2,037	1,736	(15)	

Sources: Hopson, UOB Kay Hian

Results

Slightly above expectations. Hopson's headline net profit was down 44% to HK\$1,964m. Taking out property revaluation gains, underlying net profit fell by a much smaller 15% to HK\$1,736m, 5% above our forecast. The 15% yoy profit decline was mainly due to higher operating and finance costs and LAT charged in the year.

Higher ASP partly offset lower GFA delivered. Despite the 35% drop in GFA delivered, revenue from property sales only fell 4% as a result of the 32.4% increase in average selling price (ASP) to Rmb12,528psm (mainly due to a larger portion of high-end units sold). Guangdong was the largest contributor, accounting for 49% of the property sales, followed by Beijing's 35% and Shanghai's 13%. Beijing reported the highest ASP of Rmb19,400psm due to the upmarket units delivered in the year, followed by Shanghai's Rmb9,588psm. Higher selling prices directly translated to an improvement in gross margin from 40% to 45%.

Stock Impact

We were particularly concerned by the following:

Severe dividend cut. Final dividend fell 67% to HK\$0.105/share, reducing full-year DPS by 52% to HK\$0.20, much heavier than the 15% profit decline. The 17% payout ratio was also the lowest since 2002. Management seemed desperate to preserve cash, even at a time when sales are picking up and banks are more forthcoming in renewing loans.

CHINA

Hopson (754 HK)

SELL

Current Price: HK\$6.23

Fair Price: HK\$4.90

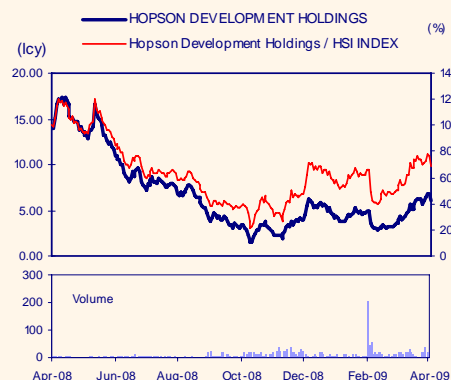
(Previous: HK\$3.86)

Sector	Property
52-Wk Avg Daily Vol. ('m)	10.0
Market Cap (HK\$m)	9,173
(US\$m)	1,176
Major Shareholders (%)	
Chu Mang Yee	62.18
Book NTA per Share (HK\$)	13.70
ROE (%)	9.1
Net Debt per Share (HK\$)	9.81

Results Due

Interim	Sept
Final	Apr

Price Chart



Analyst

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Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2007	11,131	3,795	2,037	1.472	58.9	4.2	6.2	0.419	6.7
2008	10,775	3,887	1,736	1.179	-19.9	5.3	6.1	0.200	3.2
2009F	12,391	4,333	2,252	1.530	29.7	4.1	5.5	0.260	4.2
2010F	14,869	5,085	2,756	1.872	22.4	3.3	4.6	0.318	5.1
2011F	16,802	5,915	3,279	2.227	22.4	2.8	4.0	0.379	6.1

Consensus Net Profit – FY09: HK\$1,784m
– FY10: HK\$2,291m

Question on future funding from banks. The dividend cut brings to the forefront the Rmb1.83b convertible bond, which will mature in Feb 10 at 104.59%. Hopson's gearing is only about 70% and it had unutilised bank credit facility of Rmb10.5b at end-March, though some of that non-binding. We question whether cash is retained because management are concerned about getting funding from banks in the future.

Earnings Revision

Conservative completion schedule. Hopson was much more prudent than its peers when forecasting completion levels for the future years. 1.53m sqm is scheduled for completion this year, a 14% increase yoy, followed by another 1.80m sqm (+18%) in 2010 and 1.96m sqm (+9%) in 2011. We see these levels are realistic. Including the sale of inventories, we forecast revenue to grow by an average 16% in each of the next three years. Our forecasts are based on the assumption that Hopson will be keen to speed up sales for cash inflow.

50% of our 2009 revenue secured. Hopson has generated about Rmb4b in contracted sales so far this. Management would not disclose the target for the full year but expect its sales to grow by 10-20% yoy. Including the HK\$4.5b presales revenue brought forward from 2008, about 50% of our 2009 revenue projection is secured.

Profit forecasts upgrade. We expect gross margin will come down from last year's 45% peak level but will hover around 40%. Hence, we have revised up our net profit forecasts by about 20% for each of the next two years to HK\$2,252m (+30% yoy) and HK\$2,756m (+22%) respectively.

Valuation/Recommendation

Confidence issue. Hopson is a Guangdong play, a segment that we like. We SELL because we are uncomfortable with a risk that we cannot put a price on. A lack of transparency is an issue but the chairman has not made a public appearance since February when the company denied the allegation that Mr Chu Mang Yee was under investigation in relation to ex-Gome chairman, which does not convey confidence.

The upside risk. The risk to our rating is if Hopson suddenly becomes communicative. In such case, Hopson would be worth HK\$7.20 (50% discount to NAV of HK\$14.43).

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	11,131	10,775	12,391	14,869	16,802
EBIT	3,773	3,863	4,333	5,085	5,915
Pre-tax Profit	3,738	3,634	4,095	4,835	5,653
Net Profit	2,037	1,736	2,252	2,756	3,279

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	40,960	48,084	49,527	52,003	54,083
Total Assets	47,933	58,272	59,437	63,004	66,154
Current Liabilities	(11,947)	(19,331)	(20,298)	(21,312)	(22,804)
Long-Term Liabilities	(9,719)	(12,330)	(11,714)	(11,128)	(11,795)
Shareholder Funds	17,864	20,180	21,757	23,686	25,981
Total Equity & Liabilities	(47,933)	(58,272)	(59,437)	(63,004)	(66,154)

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	9,739	6,221	6,283	5,655	5,938
Investing	(4,616)	(2,844)	(1,089)	(2,123)	(2,721)
Financing	(5,583)	(3,208)	(4,234)	(4,798)	(3,567)
Net Cash In/(Out) Flow	(460)	169	960	(1,266)	(350)
Begin Cash & Cash Equiv.	2,412	1,952	2,121	3,082	1,816
End'g Cash & Cash Equiv.	1,952	2,121	3,082	1,816	1,466

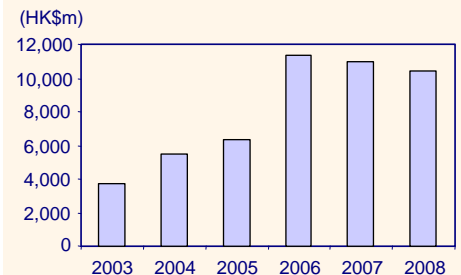
Appraised NAV

	(HK\$m)
Development property	31,270
Rental property	2,850
Hotel	1,580
Net debt	(14,450)
	21,250

NAV/share HK\$ 14.43

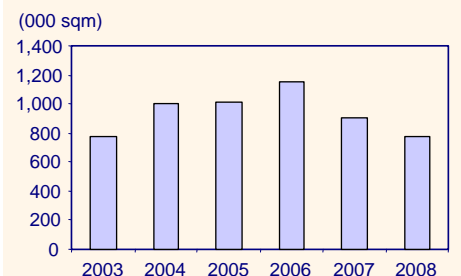
Source: UOB Kay Hian

Contracted Sales



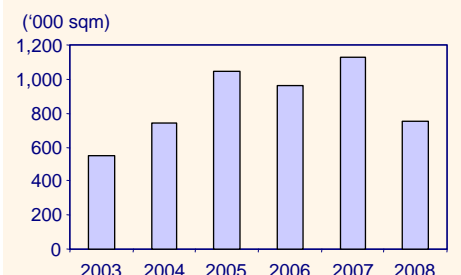
Source: Hopson

GFA Sold



Source: Hopson

GFA Delivered



Source: Hopson

Zijin Mining

1Q09: Likely the only metal stock to see earnings growth

First stock in our metal coverage to report 1Q earnings under PRC accounting standards will probably be the one and only to deliver earnings growth. Maintain BUY.

Un-audited 1Q09 Results (based on PRC accounting standards)

(Rmbm)	1Q09	1Q08	yoy % chg	Remarks
Total Revenue	4,954.2	3,580.4	38.4	Volume sale rises
Gross profit	1,348.0	1,427.9	(5.6)	ASP down for all metals
Operating profit	1,185.9	1,170.7	1.3	
Pretax profit	1,161.5	1,129.4	2.8	
Net profit	912.4	756.8	20.6	Preferential tax for 3 years
(%)				
Gross margin	27.2	39.9	(12.7)	
Operating margin	23.9	32.7	(8.8)	
Net margin	18.4	21.1	(2.7)	

Results

The earlier an H-share company reports results, the more likely it will deliver strong earnings. Thus, the first metal stock in our coverage to report, Zijin Mining, did not disappoint. China's largest gold miner delivered a 21% rise in 1Q09 net profit to Rmb912m on a 38% rise in turnover to about Rmb5b.

This means it has met more than 28% of the full-year consensus forecast of Rmb3,203m. The 38% rise in turnover came largely from higher volume sales, especially of gold (+77%) and copper concentrates (+85%). In particular, the rise in the volume sales of externally-sourced gold was significant, up 145%.

Margins dropped because the ASPs of all products fell in line with the broad physical market as well as the higher 62% (48% previously) share of externally-sourced gold in total gold sales of 21 tonnes. Externally-sourced gold only got a gross margin of 1.3%, against 73% for its own gold.

Considering the drop in all the ASPs and the huge share of externally sourced gold to dampen margins, this is a set of robust results – thanks partly to a lid on costs.

Valuation/Recommendation

Maintain BUY with a target price of HK\$7.15, based on life-of-mine methodology. Based on the HUI/Gold ratio (which measures the relative prices of a basket of gold shares to the gold price) of 0.31, gold shares are cheap. (The five-year mean ratio is 0.51).

Price catalysts

- 1) **Signing of a third Washington agreement** to cap the sales of central banks' annual gold sales. The current agreement will expire in September.
- 2) **Inflation looming on the horizon.** The unprecedented explosion of US fiscal deficit (about 13% of GDP in 2009 and 10% in 2010) and extremely robust loans growth in China in 1Q09 (92% of 2009 loans target of Rmb5 trillion) have raised spectre of inflation. This usually creates demand for hard assets, especially for gold.

CHINA

Zijin Mining (2899 HK)

BUY

Current Price: HK\$5.91

Target Price: HK\$7.15

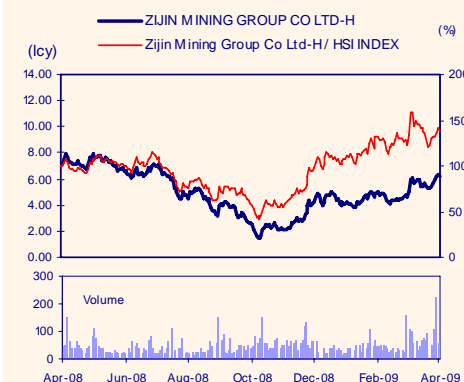
Sector	Metal
52-Wk Avg Daily Vol. (m)	45
Market Cap (HK\$b)	148
(US\$m)	19

Major Shareholders (%)	
Minxi Xinghang Asset Mgt Co.	29

Book NTA per Share (Rmb)	1.01
ROE (%)	19.0
Net Cash per Share (Rmb)	0.11

Results Due	
1Q: Apr	2H: Aug
3Q: Oct	Final: Mar/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	14,871	5,164	2,552	0.19	49.7	26.8	31.1	0.00	-
2008	16,322	2,715	3,066	0.22	12.2	23.9	57.6	0.10	2.0
2009F	17,167	5,630	3,360	0.23	6.1	22.5	28.0	0.12	2.2
2010F	18,665	6,131	3,625	0.25	7.9	20.9	25.7	0.12	2.4
2011F	19,134	6,502	3,341	0.23	(7.8)	22.7	24.3	0.11	2.2

Consensus Net Profit – FY09: Rmb3253.3m
 – FY10: Rmb3657.1m

Zijin's Volume Sales

	1Q09	1Q08	yoy % chg
Mine gold (kg)	6,886	5,055	36
Mine gold concentrates (kg)	1,027	694	48
Processed gold (kg)	12,999	5,298	145
Copper concentrates (t)	14,517	8,839	64
Copper cathode (t)	2,201	1,960	12
Zinc bullion (t)	21,509	26,436	-19
Zinc concentrates (t)	4,728	8,234	-43
Iron concentrates (t)	71,142	17,810	299

Source: Zijin Mining

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	14,871	16,322	17,167	18,665	19,134
EBIT	4,634	4,741	4,951	5,314	5,548
Pre-tax Profit	4,432	4,533	5,028	5,425	5,668
Net Profit	2,552	3,066	3,360	3,625	3,341

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	4,396	8,052	7,307	8,142	8,964
Total Assets	16,799	26,218	27,306	30,011	32,570
Current Liabilities	6,656	5,659	4,591	4,583	4,579
Long-Term Liabilities	2,760	969	524	420	399
Shareholder Funds	5,337	16,134	17,814	19,626	21,297
Total Equity & Liabilities	16,799	26,218	27,306	30,011	32,570

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	4,438	978	3,547	4,930	4,691
Investing	(4,647)	(818)	(4,691)	(2,164)	(2,156)
Financing	428	5,306	(3,374)	(2,265)	(1,818)
Net Cash In/(Out) Flow	219	5,466	(4,518)	501	717
Begin Cash & Cash Equiv.	1,939	2,158	7,624	3,106	3,607
End'g Cash & Cash Equiv.	2,158	7,624	3,106	3,607	4,325

Gross Margins

	Gross margin (%)	
	1Q09	ppt chg
Mine gold	73.1	-1.4
Processed gold	1.3	1.3
Copper		
Concentrates	55.3	-19.3
Cathode	34.1	-40.5
Zinc bullion	9	1.6
Zinc concentrates	34.7	-24.8
Iron concentrates	67.1	-1.8

Source: Zijin Mining

Sinofert

Falling off a cliff

With a substantial high-cost potash inventory on hand, Sinofert could be hit hard by the falling potash fertiliser prices in China. Cut 2009-11 profit estimates by 14-18%. Maintain SELL with fair price cut to HK\$2.40.

Corporate Events

Further fall in potash prices in China. Wholesale prices of potassium chloride – a major type of potash fertiliser used in China – plunged from over Rmb4,000/tonne in early March to Rmb3,000-3,500/tonne. Sinofert and CNAMP have also cut prices to Rmb3,700-3,800/tonne. The price drop was due to weakened demand and substantial inventories.

Gradually breakdown of monopoly. Sinofert is the largest supplier of potash fertiliser in China, accounting for about half the market share. However, this does not mean the Group can control potash prices in China. There are cheaper alternative sources of potash fertilisers. In 2008, China imported about 5.3m tonnes of potash fertiliser, including 3.7m tonnes of seaborne imports and 1.6m tonnes of cross-border imports from Russia. Import prices for cross-border imports have tumbled to US\$540/tonne. Besides, domestic potash output in China is expected to increase 18% yoy to 3.9m tonnes in 2009 after the launch of a potassium sulphate facility in Xinjiang. All these would exert pressure on potash prices in China.

Lower spot import prices. Though Sinofert and CNAMP have not concluded 2009 potash import contracts with overseas suppliers, spot import prices have fallen significantly. According to Guangdong Customs, ports in the province import 154,000 tonnes of potash fertiliser at an average CIF price of US\$537/tonne.

2009 contract import price for potash may fall 20%. It is rumoured that representatives from Russian potash suppliers have agreed to cut export prices to China by 20% to US\$500/tonne for 2009-10. Though we cannot verify this rumour, the expected import prices are already roughly in line with spot import prices.

Stock Impact

Lower potash ASP for 2009-11. Given the further decline in potash prices, we cut our average selling price (ASP) assumptions for potash in 2009-11 from Rmb4,250/tonne to Rmb3,950-4,100/tonne (see the table overleaf).

Looming margin pressure from potash. Sinofert's margin could be dragged down by falling potash fertiliser prices, given its high inventory level for the product. Even after the write-down, the average cost for the Group's potash fertiliser inventory still reached Rmb3,860/tonne vs the market price of Rmb3,800/tonne. We cut our assumption for 2009-11 gross margins from 9.2% to 5.9-7.6%.

Cut 2009-10 profit forecasts by 14-18%. We lower our estimates for Sinofert's 2009, 2010 and 2011 net profit by 18%, 14% and 17% respectively to Rmb1.27b, Rmb1.47b and Rmb1.57b, based on lower potash price assumptions.

CHINA

Sinofert (297 HK)

SELL

Current Price: HK\$3.53

Fair Price: HK\$2.40

(Previous: HK\$2.80)

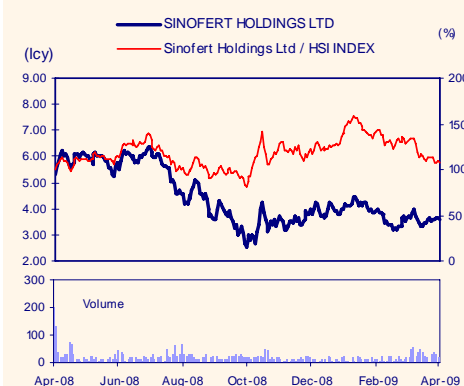
Sector	Fertiliser
52-Wk Avg Daily Vol. ('000)	19,280
Market Cap (HK\$m)	24,732
(US\$m)	3,171

Major Shareholders (%)	
Sinochem	52.79

Book NTA per Share (HK\$)	2.14
ROE (%)	13.5
Net Debt per Share (HK\$)	1.45

Results Due	
Interim:	Sep
Final:	Mar

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	28,382	2,168	1,445	0.241	56	12.9	9.1	0.028	0.9
2008	45,393	1,782	1,443	0.207	(14)	15.0	10.2	0.046	1.5
2009F	46,019	1,815	1,266	0.181	(13)	17.2	14.9	0.036	1.2
2010F	48,478	2,079	1,470	0.210	16	14.8	11.7	0.042	1.4
2011F	51,815	2,208	1,569	0.224	7	13.8	10.6	0.045	1.4

Consensus Net Profit – FY09: Rmb2,396m
– FY10: Rmb2,855m

Earnings Risk

If potash prices drop further, Sinofert's profit would turn out to be lower than our forecasts. Assuming potash prices remain at the current level for the full year of 2009, the Group would not realize any profit from potash fertiliser sales. In this case, **profit could fall 70% this year.**

Valuation/Recommendation

Based on our new earnings forecasts, Sinofert is trading at 17.2x 2009F PE, well above global peers' (eg PotashCorp and Agrium) 7-8x and domestic peers' 12x (eg China BlueChem). We believe the market has grossly overestimated Sinofert's profit for 2009. The consensus 2009 profit of Rmb2.4b implies a 66% jump in core earnings this year. Analysts' overestimation of Sinofert's profit can be attributable to their neglect of the exceptional gains for 2008, which masked profit last year. Also, some base their earnings forecasts on a further hike in import potash prices this year, which is unrealistic. **Maintain SELL with fair price cut from HK\$2.80 to HK\$2.40** based on 10x 2010x PE. Catalysts include the conclusion of China's 2009 potash import contracts with flat or lower import prices for potash.

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	28,382	45,393	46,019	48,478	51,815
EBIT	2,005	1,756	1,534	1,775	1,882
Pre-tax Profit	978	2,084	1,704	1,977	2,110
Net Profit	1,445	1,443	1,266	1,470	1,569

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	12,021	15,692	15,909	16,759	17,913
Total Assets	23,186	30,125	30,341	31,192	32,345
Current Liabilities	8,587	14,633	14,835	15,627	16,703
Long-Term Loans	2,181	983	0	0	0
Shareholders' Funds	12,180	13,952	14,879	16,095	17,370
Total Equity & Liabilities	23,186	30,125	30,341	31,192	32,345

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	(635)	(1,853)	2,050	2,160	980
Investing	(2,522)	(5,996)	(3)	(23)	(23)
Financing	3,182	7,889	(2,040)	(2,007)	(298)
Net Cash Inflow/(Outflow)	25	40	7	130	659
Begin Cash & Cash Equiv.	79	115	160	167	298
End'g Cash & Cash Equiv.	115	160	167	298	957

Key Assumptions

	2008	2009	2010	2011
Sales vol (m tonnes)				
Potash	4.03	3.83	3.83	3.83
Phosphate	2.94	3.23	3.56	3.91
Nitrogen	6.00	6.60	7.26	7.99
Compound	2.54	2.79	3.07	3.37
ASP (Rmb/tonne)				
Potash	4,004	4,100	3,950	3,950
Phosphate	2,914	2,700	2,700	2,700
Nitrogen	1,787	1,800	1,800	1,800
Compound	2,981	2,700	2,700	2,700
Cost (Rmb/ tonne)				
Potash	3,510	3,857	3,857	3,857
Phosphate	2,861	2,600	2,600	2,600
Nitrogen	1,686	1,680	1,680	1,680
Compound	2,798	2,540	2,540	2,540
Gross margin (%)				
Potash	7.5	5.6	6.1	6.0
Phosphate	12.3	5.9	7.6	7.6
Phosphate	1.8	3.7	3.7	3.7
Nitrogen	5.7	6.7	6.7	6.7
Compound	6.1	5.9	5.9	5.9

Source: Sinofert, UOB Kay Hian

Zhuzhou CSR Times Electric

The best in its class

Times Electric's management released upbeat guidance. We rate the stock as the best in its class and it is also a play to China's drive to localise advanced technologies. Maintain BUY.

Corporate Events

Zhuzhou CSR Times Electric's (Times Electric) management elaborated more on future growth outlook, margin trend and orders from power grids. Slower growth in 1Q09 was not an indication on operating performance for 2009 and we do expect stronger earnings growth in 2009 and beyond, given strong order inflows and margin improvement.

2008 Results

(Rmbm)	2007	2008	yoy % chg	Remarks
Revenue	1,542	2,119	37.5	In line with expectations
COGS	866	1,332	31.1	Higher import content
Gross profit	676	787	16.4	Decline in gross margin
Operating profit	333	490	47.3	
Net profit	347	422	21.6	Higher tax rate

Source: Zhuzhou CSR Times Electric

Margin trend. Times Electric's management mentioned that there is limited downside for gross margin in 2009 due to better product mix and high localisation rate. We are only conservatively factoring in gross margins of 37.8% and 37.7% for 2009 and 2010 respectively, just 0.7ppt improvement from 2008.

Gross margin is expected to improve in the future through increasing localisation rate, which is expected to improve from 30-40% in 2008 to about 70% by end-09. In future, SG&A will be under tight control.

Growth outlook. Based on current orderbook, management is confident of achieving over 30% top-line growth in 2009. Products for high-power locomotive and urban rail are key growth drivers to Times Electric. More orders from the Ministry of Railway (MOR) on products for high-power locomotive, especially 7200kW, offers upside to turnover growth. Times Electric is the sole supplier of power system for 7200kw locomotive in China.

Times Electric also shares the view that China South Locomotives and Rolling Stock (1766 HK) is close to securing orders from MOR on EMUs running at 350km/h and the Group will be the key provider of power systems.

Products to power grids. Times Electric won the bid for the provision of 5" thyristor devices for two 600kv high-voltage DC transmission lines. This is the first time the State Grid Corp has purchased high-voltage DC transmission thyristor devices from domestic enterprises in quantity. State Grid Corp is now testing Times Electric's 6" thyristor devices for 800kv high-voltage DC transmission. According to management, only Times Electric and ABB are capable of making the 6" thyristor devices globally.

CHINA

Zhuzhou CSR Times Electric (3898 HK)

BUY

Current Price: HK\$8.02

Target Price: HK\$10.00

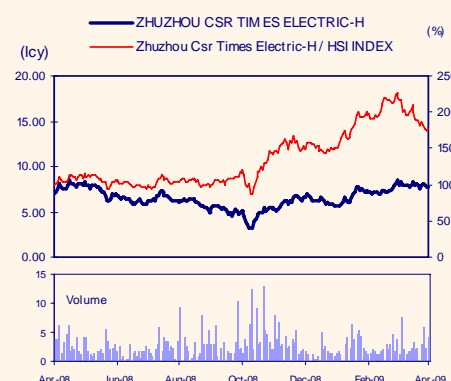
Sector	Industrial
Bloomberg	3898 HK
Reuters	3898.HK
Website	http://www.timeselectric.cn

52-Wk Avg Daily Vol. (m)	2.6
Market Cap (HK\$m)	3,657
(US\$m)	469.0

Book NTA per Share (Rmb)	3.1
ROE (%)	12.9
Net Cash per Share (Rmb)	0.7

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 (%)
2007	1,542	293	347	0.32	(26.4)	26.0	16.4	0.15	2.0
2008	2,119	430	422	0.39	21.6	18.2	12.5	0.16	2.2
2009F	2,809	623	510	0.47	20.9	15.1	12.1	0.17	2.3
2010F	3,771	821	679	0.63	33.0	11.3	9.2	0.18	2.5
2011F	5,120	1,077	894	0.82	31.6	8.6	7.1	0.19	2.7

Consensus Net Profit – FY08: Rmb487.3m
 – FY09: Rmb631.0m

Developing new products. Times Electric is likely to co-operate with a leading player to make products for train signalling communication system. China's railway signalling and communication system lagged behind its railway development. Thus, it creates huge opportunities to local players with strong R&D capability, such as Times Electric. The closing of the deal is a medium-term catalyst.

Risks

A massive slowdown in investment in railway sector in China, further margin erosion, sector de-rating and massive economic slowdown in China.

Earnings Revision

Our 2009 and 2010 net profit forecasts are adjusted upward by 6.3% and 8.7% respectively after incorporating 1ppt and 1.4ppt upward adjustment in operating margin for 2009 and 2010, given increasing localisation and better product mix. After the adjustments, our earnings forecasts for 2009 and 2010 are slightly higher than market consensus.

Valuation/Recommendation

We rate Times Electric as the best in its class given its stable growth potential and no exposure to freight wagons manufacturing. Currently, the stock is trading at 15.1x 2008 PE and 11.3x 2009 PE. Maintain BUY with a target price of HK\$10.00.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	1,542	2,119	2,809	3,771	5,120
EBIT	247	370	530	721	969
Pre-tax Profit	345	497	598	796	1,047
Net Profit	347	422	510	679	894

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	2,874	2,913	3,052	3,831	4,950
Total Assets	3,645	4,169	4,720	5,511	6,620
Current Liabilities	483	702	908	1,196	1,600
Long-Term Loans	4	58	60	63	66
Shareholders' Funds	3,157	3,409	3,752	4,251	4,952
Total Equity & Liabilities	3,645	4,169	4,720	5,511	6,620

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Operating	82	77	442	392	87
Investing	(1241)	104	(629)	(86)	99
Financing	(392)	(95)	(128)	(125)	(166)
Net Cash Inflow	(1551)	86	(315)	180	21
Begin Cash & Equiv.	2261	711	797	482	665
End'g Cash & Equiv.	82	77	442	392	87

Peer Comparison

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	3.70	26.5	22.0	5.6	3.6	2.3	15.8	2.1
Times Electric	3898 HK	8.02	15.1	11.3	2.6	19.6	19.9	12.9	10.8
Infrastructure Construction			28.3	17.3	6.6	3.4	2.0	23.5	2.1
Components Manufacturers			27.5	21.3	4.8	9.2	8.2	13.6	5.9
Vehicles Manufacturing			20.7	12.1	1.8	7.3	5.2	14.0	4.3
Track Manufacturing			27.0	21.1	1.9	5.8	3.7	8.8	3.7

Source: Bloomberg, UOB Kay Hian

VTech

Outperformance not justified

With its strong financial position, VTech can navigate its way through the difficult environment and benefit from industry consolidation. However, the recent share price outperformance is not justified. Downgrade to SELL.

Corporate Events

The coming annual results are likely to disappoint market. VTech's peers, Mattel and Hasbro, had recently announced 1Q09 results. Mattel reported a net loss of US\$51m in 1Q09 and Hasbro reported a 47% yoy decline in net profit in the same period. Reduced consumer spending, inventory reduction by retailers and unfavourable FX movements were the major reasons for the decline in profitability.

Management has already guided a yoy decline in turnover in FY09 on the back of weak Christmas sales. Sales at the telecoms division for 2HFY09 are expected to fall 10% yoy and sales at the electronic learning product (ELP) division is expected to drop 20-25% yoy in 2HFY09. After booking US\$8m exchange losses in 1HFY09, we expect VTech to book another US\$12m exchange losses in 2HFY09. In order to lower the inventory level, VTech also spent more on promotional activities and offered bigger discounts, which exerted pressure on margin. In view of Hasbro's and Mattel's announcements, VTech is likely to report a set of poorer-than-expected FY09 results.

Near-term outlook remains challenging. The whole supply chain (from retailers to manufacturers) will be conservative in 2009, making plans to reduce inventory risk. Hasbro's positive guidance on turnover growth in the coming months has implications for VTech as Hasbro may benefit in 2H09 from products linked to three films: a) X-men Origins: Wolverine, b) Transformers: Revenge of the Fallen, and c) G.I. Joe. Some of VTech's customers are reducing orders and controlling inventory levels more stringently. The Group's sales in 1HFY10 are expected to be affected by tight inventory control.

Stock Impact

Top line is expected to recover slightly in FY10 as the near-term operating environment remains challenging. The easing wage pressure in China, declining raw material costs and slowdown in renminbi appreciation are positive for VTech. Industry consolidation has stepped up and this favours strong players with robust balance sheets such as VTech. However, the full impact of market share gains and new products will only be felt in FY11.

Earnings Revision

Our FY09, FY10 and FY11 net profit forecasts were reduced by 0.1-23.1% after incorporating 0.50-2.85ppt downward adjustments in operating margin in the period. After the earnings cuts, our earnings forecasts for FY09 and FY10 are 29.0% and 8.0% lower than market consensus.

HONG KONG

VTech (0303 HK)

DOWNGRADE to SELL

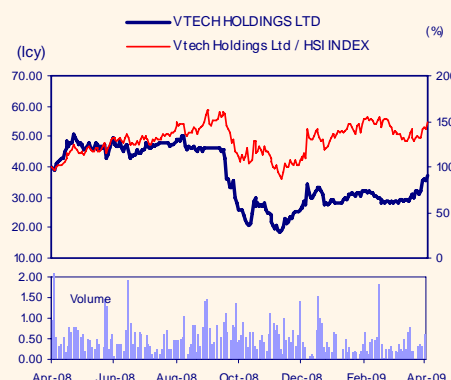
Current Price: HK\$40.50

Fair Price: HK\$27.70

(Previous: HK\$23.80)

Sector	Industrials
52-Wk Avg Daily Vol. ('000)	458
Market Cap (HK\$m)	9,957
(US\$m)	1,28
Major Shareholders (%)	
Allan Wong	38.9
Book NTA per Share (HK\$)	14.6
ROE (%)	54.2
Net Cash per Share (HK\$)	9.6
Results Due	
Interim	November
Final	June

Price Chart



Analyst

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Year to 31 Mar	Turnover (US\$m)	EBITDA (US\$m)	Net Profit (US\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (HK\$)	Yield (%)
2007	1,464	215	183	5.9	39.4	6.8	6.1	6.2	14.6
2008	1,552	254	216	6.9	16.9	5.9	6.1	4.9	11.5
2009F	1,321	155	124	4.0	(42.8)	10.2	6.5	2.9	6.8
2010F	1,442	182	149	4.8	20.4	8.5	5.1	2.5	5.9
2011F	1,620	226	190	6.1	27.5	6.7	3.7	2.8	6.5

Consensus Net Profit – FY09: US\$174.7m
-- FY10: US\$163.5m

Massive slowdown in consumer spending in the US and Europe, further margin erosion and sector de-rating.

Valuation/Recommendation

After the earnings revision, VTech is now trading at 10.2x FY09 PE and 8.5x FY10 PE. VTech is in a net cash position without any borrowings, which provides downside support. The recent share price rally, in our view, is a result of an improvement in market sentiment. VTech has outperformed its peers such as Hasbro and Mattel ytd. However, VTech's outperformance is not justified given the lower visibility in the coming quarters. We believe all positives have been priced in. The disappointing FY09 results are expected to put pressure on share price. We raise our fair price from HK\$23.80 to HK\$27.70 based on 7.0x FY09 PE, in line with industry average. Downgrade to SELL.

Peer Valuation

Company	Ticker	Price (LC)	----- PE (x) -----		PB (x)
			09F	10F	
VTech	303 HK	40.50	10.2	8.5	1.5
Leapfrog	LF US	2.00	-	12.2	0.7
Mattel	MAT US	15.01	12.8	10.5	2.6
Hasbro	HAS US	27.91	13.0	12.1	2.8
Uniden	6815 JP	296.0	-	-	0.1

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Mar (US\$m)	2007	2008	2009F	2010F	2011F
Turnover	1,464	1,552	1,339	1,377	1,545
EBIT	194	229	127	153	195
Pre-tax Profit	201	238	136	164	209
Net Profit	183	216	124	149	190

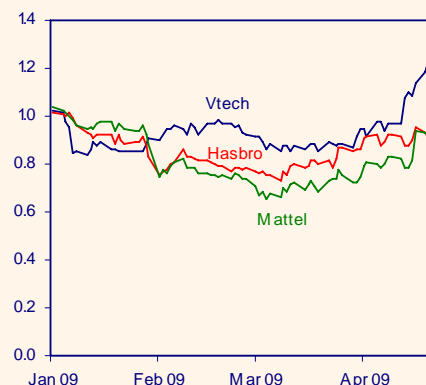
Balance Sheet

Year to 31 Mar (US\$m)	2007	2008	2009F	2010F	2011F
Current Assets	576	662	658	759	906
Total Assets	663	775	767	862	1002
Current Liabilities	316	318	274	298	335
Long-Term Loans	4	5	8	8	8
Shareholders' Funds	343	452	485	556	660
Total Equity & Liabilities	663	775	767	862	1,002

Cash Flow

Year to 31 Mar (US\$m)	2007	2008	2009F	2010F	2011F
Operating	197	223	161	179	221
Investing	(37)	(48)	46	(15)	(34)
Financing	(156)	(136)	(158)	(92)	(82)
Net Cash Inflow/(Outflow)	4	39	49	73	106
Begin Cash & Cash Equiv.	242	247	285	334	407
End'g Cash & Cash Equiv.	247	285	334	407	513

Relative Share Price Performance



Source: Bloomberg, UOB Kay Hian

First Ship Lease Trust

1Q09: DPU guidance of 2.45 US cents for 2Q09

FSLT is distributing lower DPU of 2.45 US cents, implying a yield of 34% p.a. Cash retained was used to prepay US\$4.0m of loans. Proceeds from the distribution reinvestment scheme will be applied to debt repayment.

1Q09 Results

	1Q09 (US\$m)	yoy % chg	4Q08 (US\$m)	qoq % chg	Remarks
Net lease income	24.8	49.5	25.7	(3.3)	Full impact from acquisitions of five vessels in 2008
Depreciation	(15.3)	36.4	(15.5)	(1.2)	
Interest expense	(6.4)	153.2	(7.8)	(18.9)	Larger fleet
Pre-tax profit	1.5	(9.6)	0.4	318.5	Larger fleet funded by debt
Income tax expense	(0.0)	n.m.	0.1	n.m.	
Net profit	1.5	(10.0)	0.5	236.6	Higher interest & depreciation charges
Distribution Amount	12.3	(4.8)	15.4	(20.1)	Loan prepayment of US\$4m
No of Units (m)	503.1	0.6	501.3	0.4	Units issued in lieu of incentive fee to Trustee-Manager
DPU (US Cents)	2.45	(5.4)	3.08	(20.5)	73% payout ratio in 1Q09

Source: UOB Kay Hian

Results

First Ship Lease Trust (FSLT) reported a lower 1Q09 net profit of US\$1.5m (1Q08: US\$1.7m) mainly due to periodic interest expenses and depreciation charges relating to acquired vessels exceeding the lease rentals received. The current distributable profit of US\$12.3m is 5% lower than that of the US\$12.9m distributed in 1Q08. FSLT is paying DPU of 2.45 US cents, or 73% of distributable cash flow for 1Q09. For 2Q09, the company provides the same DPU guidance of 2.45 US cents.

FSLT has revised its distribution policy by reducing payout ratio for 1Q09 from 100% to 73%. The net distributable amount of US\$12.3m is derived after deducting a voluntary loan prepayment of US\$4.0m and cash retention of US\$0.6m.

Stock Impact

FSLT has taken pre-emptive measures such as prepaying US\$4.0m of debts voluntarily in 1Q09 and applying the distribution reinvestment scheme (DRS) for voluntary loan prepayment. Unitholders have the option to receive their distributions in the form of new units, cash, or combination of both.

While FSLT has provided DPU guidance of 2.45 US cents for 2Q09, we did an analysis of the levels of DRS take-up rate that would imply the estimated DPU and yields for 2010. We forecast DPU of 9.6 US cents (33.6% yield for 2010). For every 10% take-up, 2010 DPU would be reduced by 0.31 US cents, or 3.2%.

SINGAPORE

First Ship Lease Trust (FSLT SP)

HOLD

Current Price: S\$0.43

Fair Price: S\$0.50 (US\$0.33)

(Previous: S\$0.60 (US\$0.40))

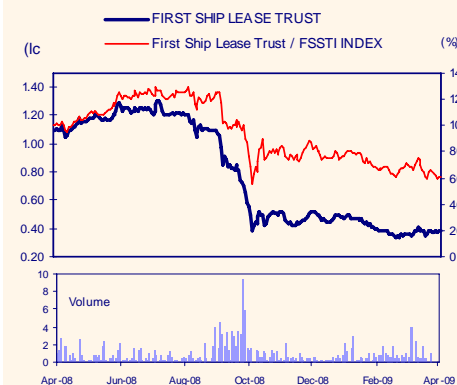
Sector	Shipping
52-Wk Avg Daily Vol. ('000)	874
Market Cap (S\$m)	216.3
(US\$m)	143.6

Major Shareholders (%)	
First Ship Lease Pte Ltd	29.9%
AIG	11.2%
DWS Investment	8.0%

Book NTA per Share (US\$)	0.73
ROE (%)	1.2
Net Debt per Share (US\$)	0.96

Results Due	2Q: Jul
1Q: Apr	Final: Jan
3Q: Oct	

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (US\$m)	EBITDA (US\$m)	Net Profit (US\$m)	EPS (US¢)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPU (US¢)	Yield (%)
2007	40.6	37.8	6.3	1.3	n.a.	17.4	16.6	7.0	24.4
2008F	86.6	78.9	4.8	1.0	(41.4)	29.8	7.9	11.5	40.2
2009F	101.3	95.8	3.2	0.6	(34.0)	45.1	6.5	9.8	34.2
2010F	101.3	95.8	3.5	0.7	8.9	41.5	6.5	9.6	33.6
2011F	101.3	95.7	4.6	0.9	31.8	31.5	6.5	9.8	34.2

Consensus Net Profit – FY09: US\$2.0m
 -- FY10: US\$2.5m

Impact of DRS Take-up on 2010F DPU and Yield

		DRS Take-up (%)									
		10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
New units issued (m)	n.a	17	34	50	67	84	101	118	135	151	168
Total units issued (m)	503	520	537	554	570	587	604	621	638	655	671
% Increase in total units issued	n.a.	3.3	6.7	10.0	13.4	16.7	20.1	23.4	26.8	30.1	33.5
2010F Dividend payout (US\$m)		48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5
2010F DPU (US cents)	9.63	9.32	9.03	8.76	8.50	8.25	8.02	7.81	7.60	7.40	7.22
% Reduction in DPU	n.a	(3.2)	(6.3)	(9.1)	(11.8)	(14.3)	(16.7)	(19.0)	(21.1)	(23.1)	(25.1)
2010F DPU Yield (%)	33.6	32.5	31.5	30.5	29.6	28.8	28.0	27.2	26.5	25.8	25.2

Source: FSLT, UOB Kay Hian

Earnings Risk

While the latest vessel valuation done in Oct 08 was above the loan-to-value (LTV) covenant of 69%, we do not eliminate the possibility of a sharp fall in ship values to breach the covenant. FSLT has started taking pre-emptive measures by prepaying US\$4.0m of its loan in 1Q09 and the proceeds from DRS will be utilised for reducing its outstanding loan balance of US\$505.4m. Should vessel values fall drastically in 2009, FSLT may be required by its lenders to further cut dividend payout in order to pay down its loans or a higher cost of borrowings may be levied.

The DRS has a dilutive effect on FSLT's DPU and yields. The other risk is the risk of default by its charterers.

Valuation/Recommendation

We forecast 34.2% and 33.6% yields for 2009 and 2010 respectively. However, the application of the DRS is determined by the management for every quarter and, as such, there is uncertainty over potential dilution. Coupled with the risk of falling asset prices that may breach its LTV covenant, we maintain our HOLD recommendation and reduce our fair price from S\$0.60 to S\$0.50 based on its discounted cash flow (DCF) valuation at 14% discount rate (3% higher than Pacific Shipping Trust's discount rate to reflect the higher risk).

Profit & Loss

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Turnover	40.6	86.6	101.3	101.3	101.3
EBIT	9.3	24.1	33.0	32.9	32.9
Pre-tax Profit	6.4	4.8	3.2	3.5	4.6
Net Profit	6.3	4.8	3.2	3.5	4.6

Balance Sheet

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2010F
Current Assets	19.4	27.1	40.2	51.8	48.7
Total Assets	629.2	932.7	883.0	831.7	765.7
Current Liabilities	11.7	45.3	11.7	11.7	11.7
Long-Term Liabilities	158.1	509.2	505.2	500.2	480.2
Shareholder Funds	459.4	378.2	331.8	285.5	239.5
Total Equity & Liabilities	629.2	932.7	883.0	831.7	765.7

Cash Flow

Year to 31 Dec (US\$m)	2007	2008F	2009F	2010F	2011F
Operating	40.0	80.8	66.1	66.4	67.5
Investing	(631.0)	(353.5)	-	-	-
Financing	612.0	296.2	(53.6)	(54.8)	(70.6)
Net Cash In/(Out) Flow	18.5	8.3	12.5	11.6	(3.1)
Begin Cash & Cash Equiv.	-	18.5	26.8	39.3	50.9
End'g Cash & Cash Equiv.	18.5	26.8	39.3	50.9	47.7

K-REIT Asia

1Q09: Steep fall in occupancy

Average gross rental rates gained another 5.9% qoq to S\$8.06psf pm due to positive rental reversion. Unfortunately, this was accompanied by occupancy declining from 99% as at Dec 08 to 95.8% in Mar 09.

1Q09 Results

(\$m)	1Q09	4Q08	1Q08	qoq % chg	yoy % chg
Gross Revenue	14.8	14.3	11.5	3.5	28.5
Net Property Income	10.8	11.8	9.1	(8.4)	18.4
Distributable Income	15.7	17.4	11.4	(10.1)	37.3
DPU (cents)	2.38	2.67	6.58	(10.7)	(63.8)

Source: UOB Kay Hian

Results

K-REIT Asia's 1Q09 DPU of 2.38 cents was in line with expectations.

Lower occupancy. Contributions from Keppel Towers & GE Tower and Bugis Junction Towers increased 3.4% and 8.0% qoq respectively, but contracted 3.7% qoq for Prudential Tower. Average gross rental rates gained another 5.9% qoq to S\$8.06psf pm due to positive rental reversion. Higher rentals collected came at the expense of lower occupancy, especially for Bugis Junction Towers and Prudential Tower. On a portfolio basis, occupancy declined from 99% as at Dec 08 to 95.8% in Mar 09.

Committed Occupancy By Building

Buildings	31 Dec 08	31 Mar 09
Prudential Tower	92.3%	87.7%
Keppel Towers and GE Tower	99.2%	95.9%
Bugis Junction Towers	100.0%	91.5%
One Raffles Quay (1/3 stake)	100.0%	100.0%
K REIT Asia's Portfolio	99.0%	95.8%

Source: K-REIT

Minimal refinancing risk. Gearing was low at 27.6% as at Mar 09. There is minimal refinancing risk as existing loans will only mature in 2011.

Stock Impact

Leases representing only 9.4% of portfolio by net lettable area (NLA) will expire in 2009. This will limit the negative impact of the correction in office rentals. Income from K-REITs one-third interest in One Raffles Quay is sustainable as income support will last till end-11.

Earnings Revision

The office market weakened significantly in 1Q09. According to CB Richard Ellis, average prime and Grade A monthly rents declined 34.4% and 34.0% yoy to S\$10.50psf and S\$12.30psf pm respectively. Demand for office space is expected to remain weak for the rest of 2009.

We expect rents for Grade A office space to correct two-thirds from the peak to S\$6psf pm for Raffles Place (previous: S\$9psf pm). We have assumed portfolio occupancy would taper off from the current 95.8% to 82.0% by 4Q10. We have therefore cut our 2009 DPU forecast by 5.5% to 8.6 cents.

SINGAPORE

K-REIT Asia (KREIT SP)

BUY

Current Price: S\$0.68

Target Price: S\$0.94

(Previous: S\$1.18)

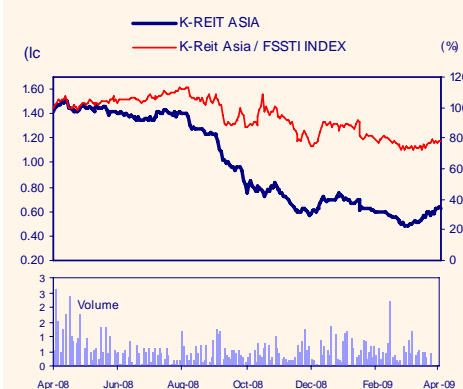
Sector	REITs
52-Wk Avg Daily Vol. ('000)	445
Market Cap (S\$m)	447.1
(US\$m)	298.1

Major Shareholders (%)	
Keppel Land	43.6
Keppel Corporation	31.5

Book NTA per Share (S\$)	2.20
ROE (%)	1.7
Net Debt per Share (S\$)	0.83

Results Due	
1Q: Apr	2Q: Jul
3Q: Oct	Final: Feb

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (\$m)	EBIT (\$m)	Net Income (\$m)	EPU (¢)	EPU Growth (%)	PE (x)	DPU (¢)	Yield (%)
2007	40.1	21.8	12.5	4.8	48.7	14.1	8.2	12.1
2008	52.6	32.2	20.5	4.3	(11.4)	15.9	13.0	19.1
2009F	55.6	35.9	20.8	3.1	(26.5)	21.7	8.6	12.6
2010F	39.0	30.3	14.3	2.1	(32.6)	32.1	6.9	10.2
2011F	29.1	26.4	11.8	1.7	(18.4)	39.4	4.8	7.1

Consensus Net Profit – FY09: S\$30.1m
 – FY10: S\$15.5m

Valuation/Recommendation

While the outlook for the office market remains grim, the current depressed share price does provide an attractive 2009 distribution yield of 12.6%. Our target price of S\$0.94 is based on a dividend discount model (required rate of return: 9.6%, growth: 2.5%).

Profit & Loss

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Turnover	40.1	52.6	55.6	39.0	29.1
Net Property Income	28.3	39.7	38.9	26.3	19.2
EBIT	21.8	32.2	35.9	30.3	26.4
Net Profit	12.5	20.5	20.8	14.3	11.8
EPU (S cents)	4.8	4.3	3.1	2.1	1.7
DPU (S cents)	8.2	13.0	8.6	6.9	4.8

Balance Sheet

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	26.3	53.6	34.0	31.6	26.6
Total Assets	2,088.1	2,092.3	1,751.2	1,268.1	1,197.5
Current Liabilities	955.9	19.4	17.6	15.2	13.9
Long-Term Liabilities	189.3	577.1	577.6	577.6	577.6
Shareholder Funds	933.8	1,485.7	1,145.5	663.9	593.6
Total Equity & Liabilities	2,088.1	2,092.3	1,751.2	1,268.1	1,197.5

Cash Flow

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	29.3	80.8	48.4	54.0	38.7
Investing	(939.9)	9.1	7.8	7.8	7.8
Financing	916.7	(68.8)	(70.7)	(62.8)	(50.5)
Net Cash In/(Out) Flow	6.1	21.0	(14.5)	(1.1)	(4.1)
Begin Cash & Cash Equiv.	16.8	22.9	44.0	29.4	28.4
End'g Cash & Cash Equiv.	22.9	44.0	29.4	28.4	24.3

Bank of Ayudhya

1Q09: Solid operating performance

BAY's operating profit rose a strong 26% in 1Q09. With in-organic growth, operating performance should continue to improve in the following quarters.

1Q09 Results

Year to 31 Dec (Btm)	1Q08	4Q08	1Q09	% yoy	% qoq	Remark
Net interest income NIM	5,712	6,855	6,050	5.9	(11.7)	qoq decline on narrowing (-54bp)
Non-interest income yoy	1,844	849	2,431	31.8	186.2	Resilient fee income, +11 % and 17% qoq.
Total income SG&A from	7,556 (4,947)	7,705 (5,555)	8,481 (5,197)	12.2 (5.0)	10.1 (6.4)	Cost/ratio dropped to 61% from
Pre-provision profit and	2,609	2,150	3,284	25.9	52.8	4Q08's 72% Boosted by strong top-line and well-contained cost

Source: BAY, UOB Kay Hian

BAY's 1Q09 net profit came in at Bt1.02b, flat yoy but up a strong 22% qoq. This is a strong set of results as core operating profit jumped 26% yoy, supported by healthy revenue expansion and well-contained operating costs.

Stock Impact

Strong operating income. Total income expanded healthily, up 12% yoy and 10% qoq. A major boost came from a strong rebound in non-interest income as there were no investment losses (mark-to-market and CDO provisions). Core operating income also expanded nicely. Spread income grew 6% yoy while fee income rose 11%.

Loans growth to pick up in 2Q09. Along with the economic contraction, loans fell 4% qoq. However, with the AIG acquisition completed in April, loans will likely grow 4% in 2Q09.

Margins temporarily under pressure. NIM fell 54bp qoq to 3.4% (flat yoy) due partly to the successive reductions in interest rate. In addition, the bank has built up excess liquidity in preparation for the acquisition of the two financial units of AGI Group (AIG Retail Bank and AIG Credit Card) in 2Q09. Deposits have gone up almost 4% since 3Q08, resulting in a dip in L/D ratio from 95% to 88%.

The completion of the AIG Retail Bank acquisition in April will allow BAY to enjoy a near 4% loans growth in 2Q09. This should enable NIM to rebound back to 3.7-3.8% in the coming quarters.

Manageable NPLs. Consolidated outstanding NPLs inched up slightly by 2% while coverage ratio remained stable at around 60%. Credit cost rose to 148bp, in line with our forecast.

THAILAND

Bank of Ayudhya (BAY TB)

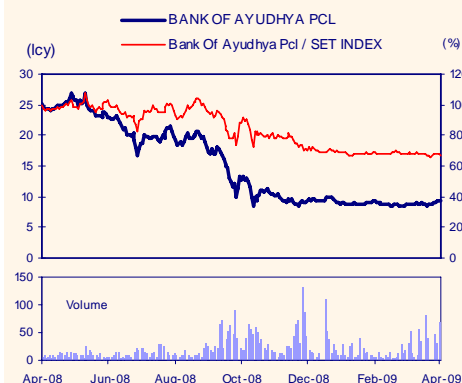
BUY

Current Price: Bt9.50
Target Price: Bt10.10

Sector	Bank
52-Wk Avg Daily Vol. ('000)	9,724.3
Market Cap (Btm) (US\$m)	54,666.0 1,561.9
Major Shareholders (%)	
GE Capital	34.7
Book NTA per Share (Bt)	14.0
ROE (%)	6.0

Results Due	
1Q: Apr	2Q: Jul
3Q: Oct	Final: Jan

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Pre-Provision Profit (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	DPS (Bt)	BV (Bt)	P/BV (x)	ROE (%)
2007	8,504	(3,992)	(0.8)	(230.9)	(12.5)	0.0	13.5	0.7	(6.4)
2008	11,514	4,896	0.8	210.8	11.3	0.3	14.0	0.7	6.0
2009F	16,179	5,327	0.9	4.2	10.8	0.3	14.6	0.7	6.1
2010F	17,239	7,303	1.2	37.1	7.9	0.4	15.5	0.6	8.0
2011F	20,170	9,725	1.6	33.2	5.9	0.6	16.7	0.6	9.9

Consensus: FY09: Bt5,949m
FY10: Bt7,180m

Valuation/Recommendation

1Q09 net profit accounts for 20% of our full-year estimate. However, the bank's in-organic growth strategy will play a major role in supporting earnings in the upcoming quarters. We, therefore, keep our earnings estimates unchanged. Maintain BUY.

Quarterly Ratio

(%)	1Q08	2Q08	3Q08	4Q08	1Q09
Avg. earnings yields	5.3	6.1	6.5	6.2	5.4
Avg. funding costs	(2.1)	(2.3)	(2.5)	(2.5)	(2.3)
NIM	3.4	4.0	4.2	3.9	3.4
ROA	0.6	1.1	0.6	0.5	0.6
ROE	5.2	10.0	4.9	4.0	4.8

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net interest income	19,622	26,737	28,391	29,641	32,700
Non-interest income	7,547	6,001	9,808	11,690	13,780
Total income	27,169	32,738	38,199	41,330	46,480
SG&A	(18,665)	(21,224)	(22,020)	(24,092)	(26,309)
Pre-provision profit	8,504	11,514	16,179	17,239	20,170
Provisions	(12,365)	(6,060)	(8,570)	(7,096)	(6,664)
Net profit	(3,992)	4,896	5,327	7,303	9,725
EPS (Bt)	(0.8)	0.8	0.9	1.2	1.6

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net loans	417,000	526,453	535,151	576,898	622,743
Deposits	499,627	537,354	554,674	617,019	666,381
Equity	77,854	85,270	88,774	94,213	101,381
Total assets	652,387	745,320	768,526	828,344	886,902

Krung Thai Bank

1Q09: Operating profit dives on weak top-line and higher costs

Operating performance remained lacklustre. Bottom line was cushioned by low provisioning policy. Looking ahead, asset quality will continue to be the main concern which will weigh down earnings in 2009.

1Q09 Results

Year to 31 Dec (Btm)	1Q08	4Q08	1Q09	% yoy	% qoq	Remark
Net interest income	11,918	11,129	10,982	(7.9)	(1.3)	NIM down 65bp yoy to 3.39%
Non-interest income	3,749	3,219	2,815	(24.9)	(12.5)	Declined yoy on lower investment gain
Total income	15,667	14,348	13,797	(11.9)	(3.8)	
SG&A	(7,968)	(7,373)	(8,795)	10.4	19.3	Driven by higher personnel expenses
Pre-provision profit	7,700	6,975	5,003	(35.0)	(28.3)	
Provisions	(1,500)	(4,700)	(1,500)	0.0	(68.1)	Credit cost @ 56bp
Net profit	4,240	2,210	2,513	(40.7)	13.7	
EPS- Bt	0.4	0.2	0.2	(40.7)	13.7	

Source: UOB Kay Hian

Results

KTB's 1Q09 net profit plunged 41% yoy to Bt2.5b as operating performance was significantly weakened by a weak top-line. Despite a decent loans growth, operating profit before provisions and tax fell 35%, held back by lower spread income and the absence of sizeable investment gains.

Stock Impact

Poor operating performance. Operating profit collapsed 35% yoy on rising operating costs and weak top-line as margins deteriorated.

Substantial NIM squeeze. In spite of a decent 1.6% qoq loans growth, spread income fell 8% yoy as net interest margin collapsed 65bp yoy to 3.39%. This was due partly to the drop in dividend income from the Vayupak Fund from Bt1.2b in 1Q08 to around Bt450m in 1Q09 amid the poor stock market performance.

Non-interest income fell 25% attributed to the poor capital market outlook. The bank recorded sizeable investment gains of around Bt1.5b last year. However, fee income was surprisingly strong, up 22% yoy, driven by traditional banking fee operations (card business and loan-related fees).

THAILAND

Krung Thai Bank (KTB TB)

SELL

Current Price: Bt5.60

Fair Price: Bt3.90

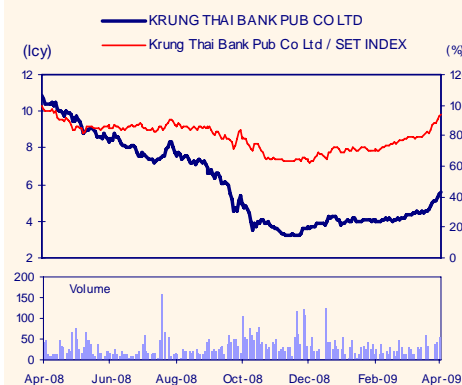
Sector	Bank
Bloomberg	KTB.TB
Reuters	KTB.BK
Website	www.ktb.co.th

52-Wk Avg Daily Vol. ('000)	30,398
Market Cap (Bt m)	43,174.1
(US\$m)	1,233.5

Book NTA per Share (Bt)	9.0
ROE (%)	12.4

Results Due	
Interim	June
Final	December

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Pre-Provision Profit (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	DPS (Bt)	BV (Bt)	P/BV (x)	ROE (%)
2007	26,613	6,113	0.5	(55.7)	10.2	0.3	8.4	0.7	6.6
2008	26,153	12,053	1.1	97.2	5.2	0.4	9.0	0.6	12.4
2009F	24,255	6,918	0.6	(42.6)	9.1	0.3	9.2	0.6	6.8
2010F	27,249	9,563	0.9	38.2	6.5	0.4	9.8	0.6	9.0
2011F	28,886	12,997	1.2	35.9	4.8	0.6	10.5	0.5	11.5

Consensus Net Profit – FY09: Bt9,735m
 – FY10: Bt10,568m

Higher cost/income ratio. The ratio rose to 64% in 1Q09 (2008: 53%) on lower top-line and higher expenses. Operating expenses rose 10% yoy and nearly 20% qoq, driven by a strong jump in personnel expenses (+12% yoy and +52% qoq).

Coverage ratio remained low at 42%. Outstanding NPLs climbed 6% qoq to Bt90.5b or 7.5% of total loans.

Valuation/Recommendation

On a sequential basis, overall profitability continued to weaken. Bottom line was cushioned by the bank's low provisioning policy. Credit cost was only 56bp for KTB in 1Q09 which seems low compared with 80-110bp at the other banks. Under the current economic circumstance, provisioning risk remains high for KTB. Maintain SELL.

Quarterly Ratio

Ratios (%)	1Q08	2Q08	3Q08	4Q08	1Q09
Avg. earnings yields	5.5	5.2	5.5	5.3	4.9
Avg. funding costs	(1.6)	(1.6)	(1.7)	(1.8)	(1.5)
NIM	4.0	3.7	3.8	3.5	3.4
ROA	1.3	0.6	1.1	0.7	0.7
ROE	17.2	8.3	15.0	8.8	9.8

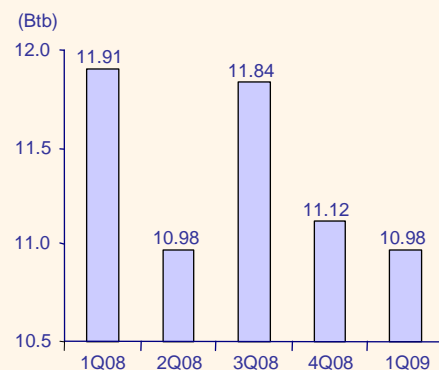
Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net interest income	44,273	45,878	45,414	49,120	51,511
Non-interest income	10,043	9,780	10,397	11,073	12,282
Total income	54,316	55,658	55,811	60,193	63,793
SG&A	(27,703)	(29,505)	(31,555)	(32,944)	(34,906)
Pre-provision profit	26,613	26,153	24,255	27,249	28,886
Provisions	(19,500)	(10,700)	(14,263)	(13,186)	(10,582)
Net profit	6,113	12,053	6,918	9,563	12,997
EPS (Bt)	0.5	1.1	0.6	0.9	1.2

Balance Sheet

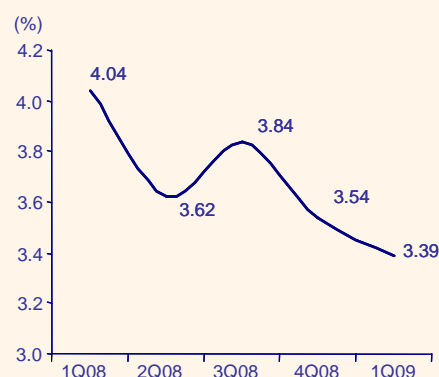
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net loans	926,323	1,015,526	1,017,450	1,046,949	1,114,053
Deposits	1,002,098	1,063,532	1,094,867	1,132,792	1,212,088
Equity	93,701	101,091	103,088	109,192	117,407
Total assets	1,211,330	1,327,184	1,316,920	1,359,439	1,442,669

Spread Income



Source: UOB Kay Hian

Net Interest Margin



Source: UOB Kay Hian

Siam City Bank

1Q09: Operating profit weakens substantially

SCIB's 1Q09 results were in line with industry trend as operating performance was weakened by weaker top-line and higher costs. Bottom line was cushioned by lower provisions.

1Q09 Results

(non-conso)-(Btm)	1Q08	4Q08	1Q09	% yoy	% qoq	Remark
Net interest income	3,268	3,150	3,015	(7.7)	(4.3)	NIM weakened 34bp yoy
Non-interest income	1,145	1,097	986	(13.9)	(10.1)	Fee -11% yoy
Total income	4,412	4,246	4,001	(9.3)	(5.8)	
SG&A	(2,033)	(3,480)	(2,295)	12.9	(34.0)	57% cost/income
Pre-provision profit	2,379	766	1,706	(28.3)	122.7	58bp credit cost
Provisions	(658)	271	(373)	(43.4)	(237.7)	
Net profit	1,257	446	927	26.2	108.1	
EPS (Bt)	0.6	0.2	0.4	26.2	108.2	

Source: SCIB, UOB Kay Hian

Results

Siam City Bank (SCIB) reported a 26% increase in 1Q09 net profit, supported mainly by a sharp 43% drop in provisions. Pre-provisioning, operating profit fell 28% on weaker core operational revenue and rising operating costs.

Stock Impact

Lower spread income on poorer NIM. Loans stayed virtually flat qoq but spread income fell 4% (almost 8% yoy) as net interest margin declined to 3%, a contraction of 34bp yoy and 15bp qoq. Apart from falling interest rates, we attribute the weaker NIM to the fall in loan yields (-60bp yoy) as the bank has aggressively expanded its housing loans which generate relatively low yields.

Non-interest income also down 14% on lower fee income. Fee income was below expectations, down 11% yoy.

Lower revenue, higher expenses. Overall, total income fell over 9% yoy. With a 13% increase in operating expenses (driven mainly by staff and other expenses), operating profit fell 28% yoy.

Lower provision boosted bottom line. Provisions fell 43% yoy which is the major factor for the 26% jump in earnings.

Asset quality the key concern. NPLs rose 6% to Bt24.8b or 7.9% of total loans. This is the key concern going forward as NPLs have been steadily rising since end-07. Conversely, coverage ratio has fallen from 85% at end-07 to 61% in 1Q09.

THAILAND

Siam City Bank (SCIB TB)

DOWNGRADE TO SELL

Current Price: Bt9.90

Fair Price: Bt8.05

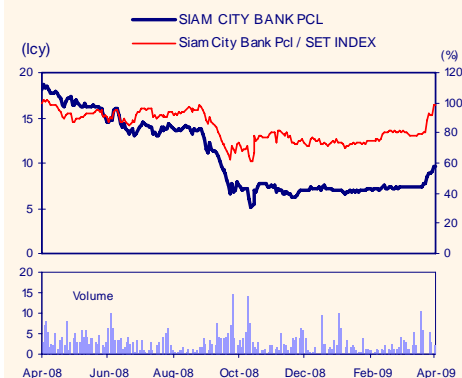
Sector	Bank
52-Wk Avg Daily Vol. ('000)	3,157.0
Market Cap (Bt m)	14,579.7
(US\$m)	416.5

Major Shareholders (%)	
FIDF	47.6

Book NTA per Share (Bt)	19.3
ROE (%)	10.0

Results Due	
1Q: Apr	2Q: Jul
3Q: Oct	Final: Jan

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Pre-Provision Profit (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	DPS (Bt)	BV (Bt)	P/BV (x)	ROE (%)
2007	4,963	(2,097)	(1.0)	(149.4)	(10.0)	0.0	17.1	0.6	(5.8)
2008	6,511	3,821	1.8	282.2	5.5	0.7	19.3	0.5	10.0
2009F	5,515	2,648	1.3	(30.7)	7.9	0.6	19.8	0.5	6.4
2010F	6,694	3,509	1.7	32.5	6.0	0.7	20.9	0.5	8.2
2011F	7,386	4,308	2.0	22.7	4.9	0.9	22.2	0.4	9.5

Consensus Net Profit – FY09: Bt3,221m
 – FY10: Bt3,666m

Valuation/Recommendation

1Q09 net profit account for 35% of our full-year forecast which we are keeping it unchanged. The steady rise in NPLs and sequential drop in coverage ratio have effectively raised the provisioning risk going forward.

Since we upgraded the stock to BUY last October, share price has advanced over 90% and exceeding our target price by a large margin. Lock in profit. **Downgrade to SELL.**

Quarterly Ratio

(%)	1Q08	2Q08	3Q08	4Q08	1Q09
Avg. earnings yields	5.5	5.2	5.4	5.6	4.8
Avg. funding costs	(2.3)	(2.3)	(2.4)	(2.6)	(2.0)
NIM	3.4	3.1	3.2	3.2	3.0
ROA	1.2	0.9	1.1	0.4	0.9
ROE	13.5	10.1	12.6	4.5	9.1

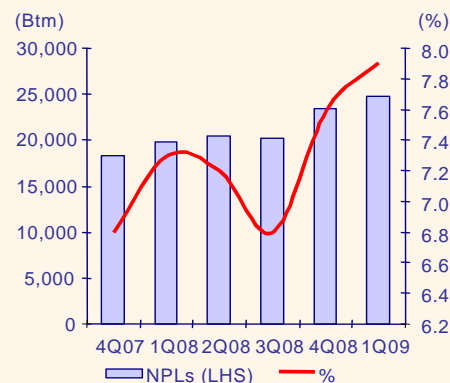
Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net interest income	11,953	12,659	11,417	12,566	13,322
Non-interest income	3,499	3,991	3,695	4,202	4,787
Total income	15,451	16,650	15,112	16,767	18,109
SG&A	(10,488)	(10,139)	(9,597)	(10,073)	(10,723)
Pre-provision profit	4,963	6,511	5,515	6,694	7,386
Provisions	(7,060)	(958)	(1,982)	(1,680)	(1,232)
Net profit	(2,097)	3,821	2,648	3,509	4,308
EPS (Bt)	(1.0)	1.8	1.3	1.7	2.0

Balance Sheet

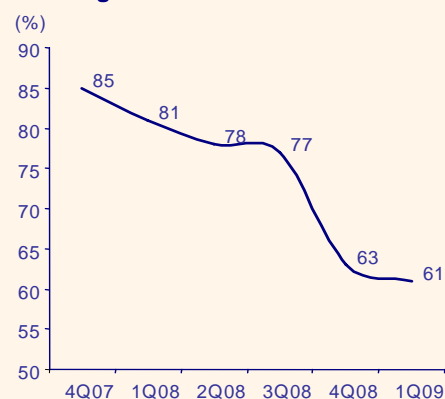
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net loans	236,175	264,363	249,032	263,300	290,243
Deposits	333,509	343,846	330,275	329,498	362,448
Equity	36,093	40,703	41,872	44,190	46,918
Total assets	406,628	414,400	396,884	402,752	441,337

NPLs



Source: UOB Kay Hian

Coverage Ratio



Source: UOB Kay Hian

Thanachart Capital

1Q09: Core operating profit down significantly

1Q09 earnings was boosted by sizeable one-off gains while core operating performance was severely hit by significantly higher operating expenses and provisions.

1Q09 Results

Year to 31 Dec (Btm)	1Q08	4Q08	1Q09	% yoy	% qoq	Remark
Net interest income	2,926	2,959	3,256	11.3	10.0	Supported by wider NIM (+24 bp qoq) Boosted by one-off gains
Non-interest income	3,201	2,650	6,220	94.3	134.7	
Total income	6,127	5,609	9,476	54.7	68.9	
SG&A	(3,679)	(4,492)	(4,613)	25.4	2.7	
Pre-provision profit	2,448	1,116	4,863	98.7	335.6	
Provisions	(726)	(690)	(1,258)	73.3	82.5	
Net profit	1,015	416	2,190	115.8	427.0	Core earnings down 50% yoy
EPS (Bt)	0.8	0.3	1.6	115.8	427.0	

Source: TCAP, UOB Kay Hian

Results

TCAP reported a higher net profit of Bt2.2b, boosted by one-time non-operational income. Core profit, however, dropped over 50%, suppressed by significantly higher operating costs and provisions.

Stock Impact

One-off gains boosted bottom line. TCAP's 116% net profit growth was underpinned mainly by sizeable gains (Bt2.8b) from the sale of TBANK shares to Scotiabank. In 1Q09, TCAP disposed additional TBANK shares to its strategic partner- Scotiabank (now holds 49% of TBANK). The transaction resulted in a massive Bt2.8b gain for TCAP, and accounting for 77% of its 1Q09 pre-tax profit.

Core profit significantly squeezed by a sharp surge in opex and provision. Excluding the massive gain, we estimate core earnings would have dropped by over 50% yoy. The main culprits for the significantly poor core operating profit are the sharp surge in operating expenses and provisions. Opex jumped 25% yoy, driven by staff cost (+38%) and premise expenses (+20%). Provisions also shot up 73% yoy, implying a credit cost of nearly 180bp, well above our assumption of 150bp for the year. This could indicate the weakening outlook in asset quality going forward.

Valuation/Recommendation

Supported by a high dividend yield and low valuation, share price has surged nearly 100% since Dec 08. Any further upside from current level should be limited, especially with an expected 35% drop in earnings next year from lower profit contribution from TBANK (TCAP's stake in TBANK has come down to 51% from 75% following the latest share disposal to Scotia).

Downgrade the stock to SELL.

THAILAND

Thanachart Capital (TCAP TB)

DOWNGRADE TO SELL

Current Price: Bt10.90

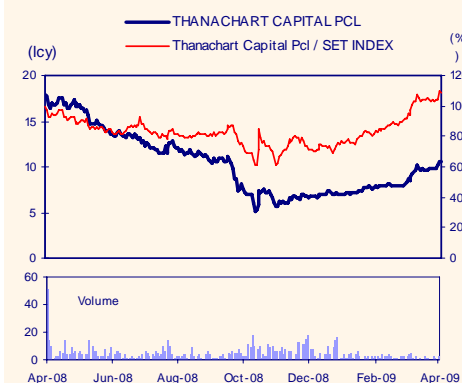
Fair Price: Bt8.50

Sector	Finance
52-Wk Avg Daily Vol. ('000)	4,883.9
Market Cap (Bt b)	9.5
(US\$m)	270.4
Major Shareholders (%)	
Com Link Ltd.	10.4
MBK	10.0
Book NTA per Share (Bt)	19.9
ROE (%)	10.5

Results Due

1Q: Apr	2Q: Jul
3Q: Oct	Final: Jan

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Pre-Provision Profit (Bt m)	Net Profit (Bt m)	EPS (Bt)	EPS Growth (%)	PE (x)	DPS (Bt)	BV (Bt)	P/BV (x)	ROE (%)
2007	6,925	2,818	2.1	92.0	5.2	0.9	19.7	0.6	11.6
2008	7,935	2,768	2.1	(1.8)	5.2	0.9	19.9	0.5	10.5
2009F	10,723	3,299	2.5	19.2	4.4	1.1	21.5	0.5	11.9
2010F	9,538	2,152	1.6	(34.8)	6.8	0.7	22.0	0.5	7.4
2011F	10,935	2,874	2.2	33.6	5.1	1.0	23.4	0.5	9.5

Consensus Net Profit - FY09: Bt3,178m
- FY10: Bt2,216m

Quarterly Ratio

(%)	4Q07	1Q08	2Q08	3Q08	4Q08
Avg. earnings yields	6.3	6.1	6.1	6.1	5.7
Avg. funding costs	(3.1)	(3.0)	(3.2)	(3.4)	(2.7)
NIM	3.6	3.6	3.4	3.1	3.4
ROA	1.2	0.9	0.6	0.4	2.2
ROE	15.1	11.2	8.7	6.3	31.7

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net interest income	9,099	11,906	13,002	14,203	15,562
Non-interest income	10,676	11,907	14,863	14,230	16,380
Total income	19,774	23,814	27,865	28,433	31,943
SG&A	(12,849)	(15,878)	(17,183)	(18,962)	(21,012)
Pre-provision profit	6,925	7,935	10,682	9,471	10,931
Provisions	(2,052)	(3,593)	(4,207)	(3,762)	(3,311)
Tax	(1,705)	(1,000)	(1,813)	(1,598)	(2,134)
Net profit	2,818	2,768	3,299	2,152	2,873
EPS (Bt)	2.1	2.1	2.5	1.6	2.2

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Net loans	231,034	269,766	268,619	285,489	312,420
Deposits	271,840	342,486	348,016	375,143	408,075
Equity	26,208	26,592	28,506	29,174	31,079
Total assets	321,256	394,136	395,708	418,407	451,450

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