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REGIONAL

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Results

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1Q09: Weaker performance but still a steal.

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1Q09: Sales picking up slowly.

Pacific Shipping Trust (BUY/US\$0.165/Target: US\$0.22)

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1Q09: Declares DPU of 0.98 US cents, which represents an annualised yield of 24%. Negatives are priced in.

THAILAND

Sector

Banking

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Sector's 1Q09 core operating earnings deteriorate from lower loan volume and NIM contraction. More headwinds to come from rising provisions.

Update

BEC World (SELL/Bt19.00/Fair: Bt14.70)

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A recent rise in its market share to 30% is insufficient to drive its share price. Sluggish GDP will continue to put pressure on adex. Valuations remain rich.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	7886.6	(1.0)	(1.8)	8.4	(10.1)
S&P 500	843.6	(0.8)	(1.0)	9.8	(6.6)
FTSE 100	4030.7	1.1	1.6	4.9	(9.1)
AS30	3627.2	(0.2)	(1.8)	4.1	(0.9)
CSI 300	2576.3	(3.7)	(4.1)	5.6	41.7
FSSTI	1843.4	(2.3)	(3.3)	10.8	4.6
HSI	14878.5	(2.7)	(5.0)	10.6	3.4
JCI	1615.2	(0.8)	1.4	14.8	19.2
KLCI	968.6	0.2	1.2	10.3	10.5
KOSPI	1356.0	1.4	1.7	13.0	20.6
Nikkei 225	8727.3	0.2	(0.2)	6.2	(1.5)
SET	460.6	(1.2)	1.5	5.1	2.4
TWSE	5886.1	0.1	0.2	14.9	28.2
BDI	1869	4.0	21.8	4.9	141.5
CPO (RM/mt)	2606	(0.4)	4.0	26.1	59.9
Nymex Crude (US\$/bbl)	49	0.6	(0.8)	(4.3)	9.5

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (Icy)	Target Price (Icy)	Pot. +/- (%)
Top BUYs				
China Coal	1898 HK	6.49	8.50	31.0
China Life	2628 HK	26.55	31.30	17.9
China Railway	390 HK	5.00	5.90	18.0
Maanshan Iron	323 HK	3.14	4.50	43.3
Sinopec	386 HK	5.85	6.60	12.8
Zijin Mining	2899 HK	5.64	7.15	26.8
DBS Group	DBS SP	9.05	10.55	16.6
SingTel	ST SP	2.47	2.95	19.4
Advanced Info	ADVANC TB	77.25	101.73	31.7
Quality Houses	QH TB	0.93	1.28	37.6
Top SELLs				
Harbin Power	1133 HK	6.32	3.50	(44.6)
Parkson Retail	3368 HK	9.60	5.15	(46.4)
Spore Airlines	SIA SP	10.60	8.20	(22.6)
STX Pan Ocean	STX SP	13.70	4.35	(68.2)
Amata Corp	AMATA TB	3.60	2.52	(30.0)

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	8.3
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	107	97
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

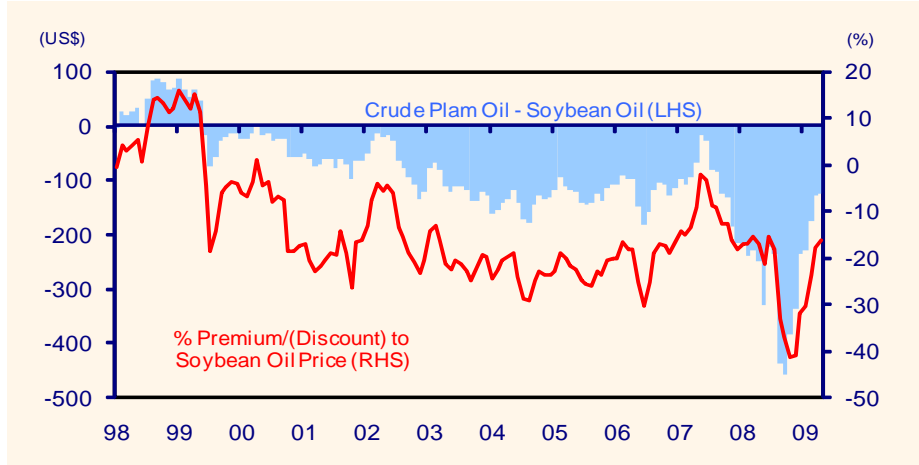
* by invitation only

Plantation

Protectionism would distort CPO prices

Demand destruction would be the key factor for 2H09. We are starting to see the introduction of protectionism in emerging countries to safeguard domestic industries – too bad these are CPO-consuming countries.

Discount Gap to Soybean Oil Back to Norm – Switching To Slow Down



Source: Malaysian Palm Oil Board (MPOB), Oil World, UOB Kay Hian

Key Events

- Russia to impose import duty on palm oil.

Impact on Sector

Russia is only a small player in the palm oil market, accounting for 2-3% of global demand. However, this move could be the start of protectionism in emerging countries.

This is negative for palm oil for the following reasons:

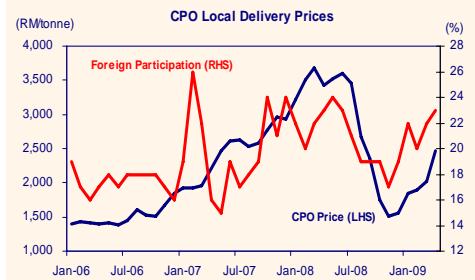
- Emerging countries are the main target markets for palm oil**, eg China, India and Pakistan accounted for 30% of total palm oil consumption in 2008. If others start to follow suit, demand could contract in 2009, vs our current expectation of slight growth of 3m-4m tonnes for 2009.
- Palm oil all-in prices have to be lowered to stay competitive.** As the discount gap to soybean oil and rapeseed oil has narrowed to the usual level and to stay competitive, palm oil f.o.b. price has to be lowered to factor in the import duty at the recipient countries. Crude palm oil (CPO) price weakness is expected to come in 2H09.

India demand to slow. Also, in our earlier note dated 13 Apr 09, we highlighted potential demand destruction from India due to excessive buying from India since Nov 08. India is overstocking at this point in time. Indian port stocks of palm oil were unusually large at about 500,000 tonnes as of 31 Mar 09 (usual: 300,000 tonnes). Thus, palm oil purchases from India are likely to slow down.

Next in line could be the reintroduction of import duty by Indian government. It was reported that India will continue with its duty-free vegetable oil imports, but we still think a small import duty could be reintroduced after the new government is formed in Jun 09. With refining margin narrowing, there could be louder protests from refiners seeking the reintroduction of import duty to protect local refiners. Before the abolishment, CPO was taxed at 20%.

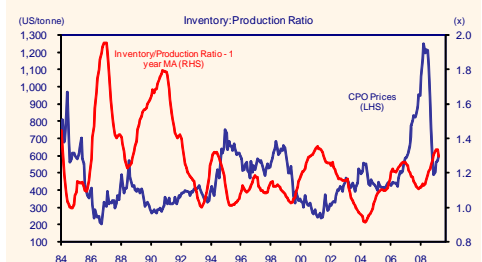
REGIONAL Plantation OVERWEIGHT

Price Volatility Increasing As More Foreign Institutions Participate In Future Market



Source: Bursa Malaysia, MPOB

Improving Inventory: Production Ratio Priced In



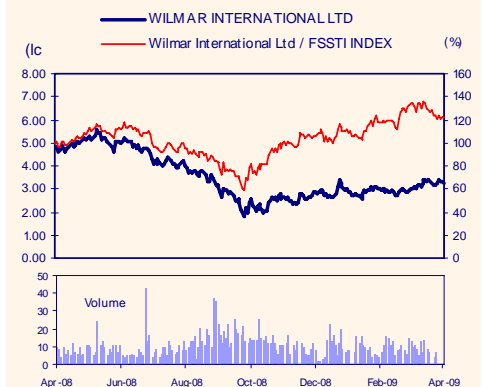
Source: MPOB

2H09: High Production To Come in Aug

	1H	2H	1H	2H
	(m tonnes)		(% of total)	
07	6.68	9.14	0.42	0.58
08	8.20	9.53	0.46	0.54
09E	8.26	10.18	0.45	0.55

Source: MPOB, UOB Kay Hian

Price Chart



Source: Bloomberg

Analyst

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Dynasty Fine Wines

2008: Results below expectation but valuation is attractive

Net profit surged 13.5% yoy to HK\$143m, below our expectation. The company is cash rich and has had no bank loans over the past four years. Dividend payout ratio is maintained at 47%.

2008 Results

Year to 31 Dec (HK\$m)	2007	2008	yoy % chg	Remark
Sales	1,123	1,361	21.15	Driven by surge in sales volume
COGS	(544)	(639)	17.39	Grape juice price dropped
Gross profit	579	722	24.68	
Other income	47	29	(38.46)	Decline in interest income and government grant
Selling Expenses	(339)	(442)	30.38	Increase in advertising expenses
Admin Expenses	(105)	(91)	(13.51)	No foreign currency exchange loss in 2008
Operating profit	181	217	19.90	
Tax	(55)	(73)	34.03	More expenses not tax deductible in 2008
Effective tax rate (%)	30.17	33.73	11.82	
Net profit	126	143	13.32	

Source: Dynasty, UOB Kay Hian

Results

Net profit surged 13.5% yoy to HK\$143m. Dynasty's sales increased 21.2% yoy to HK\$1,361m due to an increase in sales volume and a slight increase in average selling prices (ASP) in 2008. Operating profit surged 19.9% yoy due to improved gross margin and lower administration expenses.

Gross margin rose 1.5%. The cost of grapes and grape juice is the key component of cost of sales and accounted for 39% and 38% of total cost of sales in 2006 and 2007 respectively. Due to a decline in grape and grape juice prices and increasing ASPs of red wine products, gross margin improved 1.5% in 2008.

Stock impact

Top-line growth will be key driver for 2009 earnings. In 1Q09, Dynasty's sales are expected to have dropped slightly due to the deteriorating economic conditions in coastal cities. However, sales will likely turn around in the remaining months, driven by low-end wine products. Some A-share listed alcohol producers have reported surprising positive sales growth in 1Q09 mainly due to a surge in the sales of low-end products. We maintain our sales growth forecast for Dynasty at 8% in 2009.

High dividend yield in 2009. Over the past three years, Dynasty's dividend payout ratio has been maintained at 47%. Management has guided its payout ratio will be unchanged in 2009 due to HK\$999m cash on hand and the absence of bank loans.

CHINA

Dynasty (828 HK)

BUY

Current Price: HK\$1.33

Target Price: HK\$1.68

(Previous: HK\$1.41)

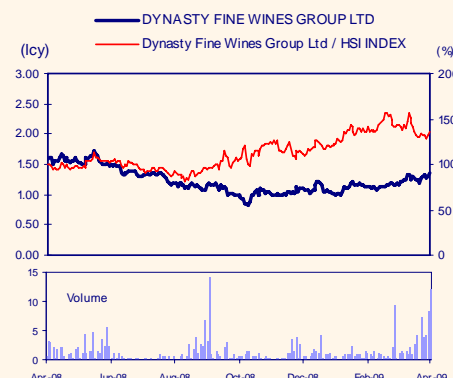
Sector	Food & Beverage
52-Wk Avg Daily Vol. ('000)	1,275
Market Cap (HK\$m)	1,655
(US\$m)	212

Major Shareholders (%)	
Tianjin Development	44.82
Remy Concord Ltd	27.03

Book NTA per Share (HK\$)	1.25
ROE (%)	8.2
Net Cash per Share (HK\$)	0.67

Results Due	
Interim	September
Final	April

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (HK\$ m)	EBITDA (HK\$ m)	Net Profit (HK\$ m)	EPS (HK cents)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK cents)	Yield (%)
2007	1,123	219	127	10.17	10.6	13.1	4.2	4.8	3.6
2008	1,361	263	143	11.50	13.1	11.6	2.9	5.4	4.1
2009F	1,470	260	155	12.48	8.5	10.7	3.1	5.9	4.4
2010F	1,690	298	182	14.62	17.1	9.1	2.5	6.9	5.2
2011F	1,893	336	208	16.71	14.3	8.0	2.0	7.9	5.9

Consensus Net Profit – FY09: HK\$160.5m
 -- FY10: HK\$172.0m

Gross margin will be stable in 2009. Dynasty's grapes and grape juice are mainly purchased from major domestic grape juice suppliers. If grape juice prices surge due to changes in weather conditions, Dynasty can import grape juice from Australia. With the Australian dollar depreciating, the cost of grapes and grape juice can fall significantly in 2009. The Australian dollar has depreciated by over 20% in 2009, which will lift Dynasty's gross margin by 1-2%.

Earnings Revision

We cut our earnings forecasts by 12.2% for 2009 and 12.6% for 2010 to factor in the worse-than-expected 2008 results, as well as slower sales growth in 2009 and a better sales mix.

Valuation/Recommendation

We use a 20% discount to the food and beverage (F&B) sector's FY09 PE to value this stock, which implies this stock should be trading at 13.4x 2009 PE. Our target price is HK\$1.68, which implies 26.3% upside. The current share price reflects the inherent weakness of state-owned entities and slow sales growth because PE (10x FY09) and P/B (0.95x FY09) ratios were much lower than Hong Kong peers' (16.8x FY09 PE and 3.2x FY09 P/B). The F&B sector is more defensive than other sectors in a deteriorating economic environment and deserves a premium valuation. Also, Dynasty's high dividend yield and ample cash on hand implies the current share price is undervalued. **Maintain BUY.**

Hong Kong Listed F&B Peers Comparison

Ticker	Name	Market Cap (HK\$)	Price (HK\$)	Gross Margin (%)	Net Margin (%)	P/B (x)	PE (x)	ROE (%)	FY09 PE	FY10 PE
322 HK	TINGYI	52,348	9.37	32.18	6.18	5.60	25.94	23.30	21.98	18.60
151 HK	WANT WANT	50,325	3.81	38.39	15.92	6.97	24.58	32.38	20.48	16.39
168 HK	TSINGTAO	29,699	17.80	31.75	4.08	3.37	29.35	12.07	23.63	19.56
2319 HK	CHINA MENGNIU	21,176	13.56	19.57	1.63	4.18	N/A	(19.81)	25.81	19.88
1068 HK	CHINA YURUN	15,372	10.04	12.98	9.7	2.95	13.49	24.33	12.37	10.52
606 HK	CHINA AGRI	14,843	4.13	12.34	4.77	1.09	5.65	21.87	7.44	6.51
220 HK	UNI-PRESIDENT	11,158	3.10	34.15	3.49	1.71	28.58	6.29	13.80	12.20
506 HK	CHINA FOODS	10,189	3.65	24.57	8.92	2.00	21.07	10.02	15.27	12.76
828 HK	DYNASTY	1,656	1.33	51.53	10.69	0.95	11.62	8.53	10.47	10.64
Average				28.61	7.26	3.20	20.04	13.22	16.81	14.12

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	1,123	1,361	1,470	1,690	1,893
EBIT	181	217	224	262	300
Pre-tax Profit	182	217	224	262	299
Net Profit	127	143	155	182	208
EPS (Rmb)	10.2	11.5	12.5	14.6	16.7

Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,421	1,626	1,672	1,841	2,018
Total Assets	1,868	2,153	2,202	2,368	2,544
Current Liabilities	275	389	368	423	474
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	1,561	1,729	1,797	1,906	2,029
Total Equity & Liabilities	1,868	2,153	2,202	2,368	2,544

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	134	271	97	164	194
Investing	(32)	(80)	(35)	(30)	(30)
Financing	(60)	(60)	(67)	(73)	(86)
Net Cash In/(Out) Flow	41	131	(6)	61	79
Begin Cash & Cash Equiv.	789	830	962	956	1,018
End'g Cash & Cash Equiv.	830	962	956	1,018	1,096

Margin

(%)	2007	2008	% chg
GP margin	51.53	53.03	1.50
OP margin	16.13	15.97	(0.17)
OP margin, excl other inc	11.99	13.86	1.87
NP margin	11.24	10.51	(0.73)
NP margin, excl other inc	7.09	8.41	1.31
Selling / Turnover	30.20	32.50	2.30
Admin / Turnover	9.35	6.67	(2.67)

Source: Dynasty, UOB Kay Hian

Earnings Breakdown

(HK\$m)	1H07	2H07	1H08	2H08
Sales	662.3	461.0	725.2	635.6
COGS	(324.9)	(219.6)	(338.0)	(301.2)
Gross profit	337.4	241.4	387.3	334.4
Other income	19.8	26.8	17.2	11.4
Selling Exp	(168.3)	(170.9)	(194.1)	(248.2)
Admin Exp	(48.9)	(56.1)	(44.4)	(46.4)
Op. profit	140.1	41.1	166.0	51.3
Tax	(39.7)	(14.9)	(45.1)	(28.2)
Effective tax rate (%)	28.4	36.3	27.2	55.0
Net profit	100.0	26.2	120.1	23.0

Source: Dynasty, UOB Kay Hian

Margins Breakdown

(%)	1H07	2H07	1H08	2H08
GP margin	50.9	52.4	53.4	52.6
OP margin	21.1	8.9	22.9	8.1
OP margin, excl other income	18.2	3.1	20.5	6.3
NP margin	15.1	5.7	16.6	3.6
NP margin, excl other income	12.1	(0.1)	14.2	1.8
Selling / Turnover	25.4	37.1	26.8	39.0
Admin / Turnover	7.4	12.2	6.1	7.3

Source: Dynasty, UOB Kay Hian

Huaneng Power International

1Q09: In-line results; fairly valued acquisitions from parent

Huaneng reported 1Q09 net profit of Rmb550m (+127% yoy). Despite raising 2009-10 earnings estimates by 7-15% to reflect acquisitions of two power generation units, maintain SELL on demanding valuation. Prefer CR Power.

1Q09 Results (Under PRC GAAP)

Year to 31 Dec	1Q09 (Rmbm)	yoy % chg	Remarks
Turnover	16,116	19	Driven by combination of: a) 9% yoy decrease in power generation volume, b) 11% tariff hike in 3Q08, and c) acquisition of Tuas Power in end-Mar 08
Operating expenses	13,839	12	Mainly due to a 13% decrease in unit fuel cost
Finance cost	1,249	111	Driven by a combination of: a) easing of interest capitalisation of new power plants, b) Exchange losses and higher finance cost from Tuas Power, c) increasing loans
Operating profit	604	100	Due to lower coal cost and higher top line
Pre-tax profit	629	86	
Net profit	550	127	
EPS (Rmb/share)	0.05	150	

Source: UOB Kay Hian

Results

Huaneng Power International (Huaneng) reported 1Q09 results under PRC GAAP. Its net profit went up strongly by 127% yoy to Rmb550m on the back of an 11% power tariff hike in 3Q08 and a 13% decrease in unit fuel cost vs 2008 average. The Rmb550m net profit accounts for 20% of our full-year estimate.

Notably, Huaneng's net finance cost jumped 111% yoy, largely due to higher debt and exchange rate losses associated with Tuas Power.

Stock Impact

Net profit improvement expected by market. We believe the 127% net profit improvement from Huaneng came as no surprise since domestic coal prices have already fallen significantly and the market has already factored it. Going forward, we believe domestic coal prices will stabilise with no earnings upside surprise from a coal price weakness and a reduction in coal costs anymore.

Utilisation hours down by 7% yoy this year. Huaneng's utilisation hours were 1,099 in 1Q09, down by 12% yoy. Management still guided 4,900 utilisation hours for this year, down by 7% yoy, in line with the industry average.

Heavy capex will raise gearing, interest expense and drag earnings. Huaneng's debt/asset ratio stood at 75% in 1Q09 (under PRC GAAP). Going forward, its aggressive capex plan vs other Independent Power Providers (IPPs) will place more pressure on its gearings and debt obligations, which will weigh down its earnings. Management guided it would try to maintain debt/asset ratio at less than 80% with no current plan for equity financing.

CHINA

Huaneng Power International (0902 HK)

SELL

Current Price: HK\$5.26

Fair Price: HK\$4.80

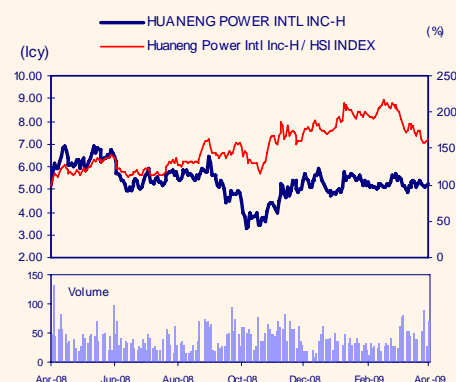
Sector Utility/Power
 Bloomberg 902.HK
 Reuters 0902.HK
 Website www.hpi.com.cn

52-Wk Avg Daily Vol. (m) 30.9
 Market Cap (HK\$m) 63,411
 (US\$m) 8,130

Book NTA per Share (Rmb \$) 2.6
 ROE (%) (9)
 Net Debt per Share (Rmb\$) 6.8

Results Due Interim August
 Final March

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	49,768	16,100	6,161	0.51	1	9.3	6.4	0.30	6.3
2008	67,564	7,166	(3,938)	(0.33)	n/a	n/a	18.9	0.10	2.1
2009F	75,231	19,255	3,006	0.25	n/a	19.0	8.1	0.15	3.1
2010F	80,201	18,700	3,026	0.25	1	18.9	9.1	0.15	3.1
2011F	87,378	19,776	2,977	0.25	(2)	19.2	8.27	0.14	3.1

Consensus Net Profit – FY09: Rmb3,463.7m
 – FY10: Rmb4,437.3m

Acquisition of two power plants at fair price. Huaneng announced the acquisition of two power plants, 55% stake in YLQ Co-generation and 41% stake in Beijing Co-generation respectively from its parent company. The total consideration is Rmb2,345m, representing a 37% premium to the attributed net asset value. Since Huaneng is trading at 1.3x 2009 P/B, we believe the acquisition cost is reasonable.

Acquisition Of Two Power Plants

Year to 31 Dec (Rmbm)	YLQ	Beijing
Installed capacity (MW)	1200	845
Stake (%)	55	41
Equity capacity (MW)	660	346
Net asset (Rmbm)	1,585	2,027
Appraised value (Rmbm)	1,918	3,042
Consideration (Rmbm)	1,076	1,272
Premium (%)	21	50

Source: Huaneng Power

Valuation/Recommendation

After factoring in earnings contribution from the two newly acquired power plants, we raise our 2009-10 earnings forecasts by 7% and 15% respectively. We maintain our SELL rating for the stock as we believe the company's current valuation of 19x 2010 PE is demanding compared to its historical average PE of 15x. Our new DCF-based fair price of HK\$4.80 implies a 5% discount to NAV/share (WACC=9.6%, growth=3%). We still prefer CR Power for its best-in-sector cost control as well as capex discipline.

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	49,768	67,564	75,231	80,201	87,378
EBIT	8,874	(553)	9,260	9,152	8,875
Pre-tax Profit	7,319	(4,792)	3,780	3,851	3,789
Net Profit	6,161	(3,938)	3,006	3,026	2,977
EPS (Rmb)	0.51	(0.33)	0.25	0.25	0.25

Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	18,551	20,018	20,188	21,634	30,385
Total Assets	124,296	165,918	184,723	203,687	216,162
Current Liabilities	31,377	52,486	52,109	52,888	54,070
Long-Term Loans	40,840	70,872	89,462	104,537	105,434
Shareholders' Funds	52,080	42,560	44,652	45,979	47,155
Total Equity & Liabilities	124,296	165,918	184,723	203,687	216,162

Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	9,352	5,186	12,046	12,129	13,862
Investing	(16,257)	(47,957)	(30,000)	(25,000)	(5,243)
Financing	11,021	41,255	16,623	13,028	(1,107)
Net Cash Inflow	4,115	(1,516)	(1,331)	157	7,512
Begin Cash & Equiv.	3,207	7,312	5,766	4,435	4,593
End'g Cash & Equiv.	7,312	5,766	4,435	4,593	12,105

Technical Analysis

H-share Index: 8721

The H-share index paused ahead of the 50% retracement level of the decline from 14783 to 4792 after touching a high at 9447 in a dark-cloud cover candlestick.

The H-share index breached the uptrend support to close at 8721 yesterday on strong volume in a bearish engulfing candlestick pattern.

Despite the index at near the Middle Bollinger Band, given the bearish engulfing pattern and the overbought MACD, we expect the index to at least decline to 8282 or the 38% retracement level of the advance from 6404-9447. That said, the gaps at 8659-8688 and 8271-8345 are in the process of being closed.

Any rebound from the current levels would have to test the resistance at the previous high of 9447.

Glossary:

- **Dark-Cloud Cover.** In an uptrend, a long white candlestick is followed by a black candlestick that opens above the prior white candlestick's high and then closes well into the white candlestick's real body.
- A bearish engulfing pattern occurs when selling pressure overwhelms buying force as reflected by a long black real body engulfing a small white real body.

Retracement Levels and MACD of H-share Index



Source: HKETnet

CHINA

Technical Analysis

Analyst

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Technical Analysis

Shanghai A-share Index: 2,583

Since Oct 08, Shanghai A-share Index has been trading within the upward channel between 2,860 and 2,372.

The upward momentum of the index did slowdown as we suggested on 6 April. Until yesterday when the index closed lower at 2,583, the index has narrowed its trading range to between 2,497 and 2,684.

Latest index movement tells increasing odds of a pullback to reverse to refill the previous upside gaps.

The index is likely to find support near the previous low of 2,447 before resuming steam to head towards the channel top of 2,860.

CHINA

Technical Analysis

Analyst

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Upward Channel Of Shanghai A-share Index



Source: Bloomberg

Ascott Residence Trust

1Q09: Weaker performance but still a steal

Results were in line with our expectation. However, overall RevPAU fell more than expected. We continue to see value in ART and believe it is trading at unjustifiably low valuations.

1Q09 Results

Year to 31 Dec	1Q09 (S\$m)	yoy % chg	4Q08 (S\$m)	qoq % chg	Remarks
Gross Revenue	42.1	(7.7)	47.7	(11.7)	Weaker performance from China and Singapore
Gross Profit	19.9	(15.3)	20.9	(4.8)	
EBIT	17.4	(17.1)	18.0	(3.2)	
Distributable Income	10.8	(23.9)	10.3	4.9	
DPU (cts)	1.8	(24.0)	1.7	4.7	

Source: ART and UOB Kay Hian

Results

Ascott Residence Trust (ART) declared DPU of 1.77 cents for 1Q09, down 24.0% yoy (+4.7% qoq). DPU was in line with our 2009 projection, accounting for 23.6% of our full-year estimate. Distributable income for 1Q09 fell 23.9% yoy (+4.9% qoq) due mainly to weaker demand for serviced residences in Singapore and China, where revenue contributions deteriorated by 27.2% and 18.0% respectively. For the quarter, Singapore and China were the two segments most heavily affected as demand for serviced residences declined on the back of lower corporate travel spending. Performance in China was hurt further by post-Olympics oversupply in Beijing. As a result, RevPAU in Singapore and China fell 32.7% yoy and 18.7% yoy respectively. RevPAU for Australian properties fell 23.2% yoy due to the depreciation of the Australian dollar. Weaker demand also affected Philippines (1Q09 RevPAU: -6.1% yoy) and Vietnam (1Q09 RevPAU: -4.9% yoy). Indonesia emerged unscathed in 1Q09 with RevPAU staying flat.

Stock Impact

Overall RevPAU declined 14.9% yoy to S\$120/day in 1Q09, more than expected. The extended-stay business model aspects of serviced residences are likely to lend RevPAU stability in comparison to hotels. However, we believe the onslaught of new hotel rooms coming on stream in 2009-11 will tilt demand-supply dynamics to ART's detriment to some degree. Accordingly, we have revised our overall RevPAU assumption for 2009F-11 by 24-33%.

Earnings Revision

We have lowered our DPU estimates for 2009F-11 by 24.0-33.3%, factoring in the downward revision in RevPAU.

Valuation/Recommendation

In spite of the cuts in our estimates, ART still offers an attractive yield of 12.3%. We maintain our BUY call and lower our target price to S\$0.67, based on our two-stage dividend discount model (required rate of return: 9.0%, terminal growth: 2.5%).

SINGAPORE

Ascott Residence Trust (ART SP)

BUY

Current Price: S\$0.465
Target Price: S\$0.67
(Previous: S\$1.06)

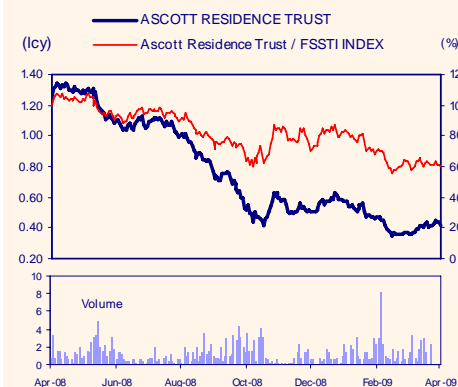
Sector	REITs
52-Wk Avg Daily Vol. ('000)	1,183
Market Cap (S\$m)	285.3
(US\$m)	189.6

Major Shareholders (%)	
Capitaland Ltd	46.6

Book NTA per Share (S\$)	1.51
ROE (%)	9.7
Net Debt per Share (S\$)	0.97

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (S\$m)	EBIT (S\$m)	Net Profit# (S\$m)	EPU (¢)	EPU Growth (%)	PE (x)	DPU (¢)	Yield (%)
2007	154.8	75.7	24.0	4.1	29.8	11.2	7.7	16.6
2008	192.4	84.1	52.2	8.7	110.1	5.3	8.8	18.9
2009F	133.0	57.5	19.7	3.2	(63.0)	14.4	5.7	12.3
2010F	127.6	55.1	17.4	2.8	(11.7)	16.4	5.6	12.1
2011F	128.8	55.3	18.9	3.1	8.1	15.1	5.6	12.1

Consensus Net Profit – FY09: S\$39.5m
– FY10: S\$39.0m

Earnings exclude revaluation gains and losses

Profit & Loss

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Turnover	154.8	192.4	133.0	127.6	128.8
EBIT	75.7	82.7	57.5	55.1	55.3
Pre-tax Profit	52.1	56.9	36.0	33.3	33.3
Net Profit	24.0	52.2	19.7	17.4	18.9
Income avail for distribution	45.1	53.7	35.1	34.6	34.5
DPU (¢)	7.7	8.8	5.7	5.6	5.6
EPU (¢)	4.1	6.7	3.2	2.8	3.1

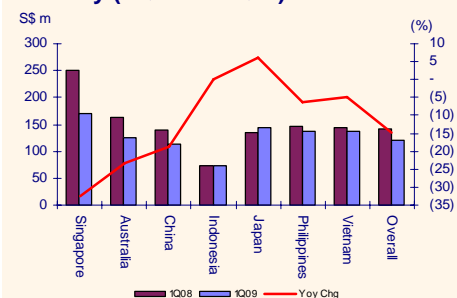
Balance Sheet

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	102.6	88.3	90.3	94.4	95.0
Total Assets	1,689.1	1,687.6	1,706.2	1,713.0	1,714.4
Current Liabilities	257.1	196.5	99.0	110.0	110.0
Long-Term Liabilities	379.4	506.9	647.0	651.0	661.0
Shareholder Funds	1,038.6	997.7	956.7	948.5	939.9
Total Equity & Liabilities	1,689.1	1,687.6	1,706.2	1,713.0	1,714.4

Cash Flow

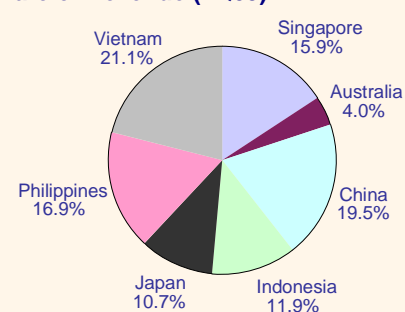
Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	69.4	70.4	55.5	58.0	62.2
Investing	(400.7)	(42.5)	(29.1)	(14.3)	(15.9)
Financing	360.2	(39.6)	(18.4)	(45.6)	(45.7)
Net Cash In/(Out) Flow	28.9	9.2	8.0	(2.0)	0.7
Begin Cash & Cash Equiv.	18.7	46.9	56.1	41.5	39.6
End'g Cash & Cash Equiv.	46.9	56.1	41.5	39.6	40.2

Serviced Residence RevPAU by Country (1Q09 vs 1Q08)



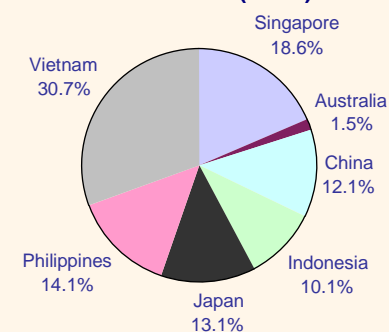
Source: ART, UOB Kay Hian

Share of Revenue (1Q09)



Source: ART, UOB Kay Hian

Share of Gross Profit (1Q09)



Source: ART, UOB Kay Hian

Keppel Land

1Q09: Sales picking up slowly

Keppel Land has benefited from the pick up in the homebuying sentiment recently. It has strong holding power with 0.52x gearing, healthy cash balance of S\$627m and unutilised credit facilities of S\$1.8b.

1Q09 Results

Year to 31 Dec	1Q09 (S\$m)	1Q08 (S\$m)	yoy % chg	Remarks
Turnover	145.7	273.1	(46.6)	
EBITDA	34.3	72.8	(52.9)	
Pre-tax Profit	55.7	83.0	(32.9)	
Tax	9.9	14.5	(31.4)	
Net Profit	36.9	60.3	(38.8)	Lower level of project completion and weaker residential sales
EPS (¢)	5.1	8.4	(39.3)	
EBITDA Margin (%)	23.5	26.6		
Segment Breakdown	1Q09 (S\$m)	1Q08 (S\$m)	yoy % chg	Remarks
Property Trading	31.70	49.00	-35.3	Poor property sales
Property Investment	9.60	7.70	24.7	Increased rental income
Fund Management	4.60	4.20	9.5	Contribution from Alpha Partners
Hotels / Resorts	0.10	0.10	0.0	
Others	-9.10	-0.70	nm	
Total	36.90	60.30	-38.8	

Source: Keppel Land, UOB Kay Hian

Results

Keppel Land reported 1Q09 net profit of S\$36.9m, down 39% yoy. The results are within our expectation, excluding imputed provisions. The decline in earnings was mostly due to lower contribution from the property trading segment (-35%) as a result of slower completion of several projects in Singapore and overseas and weaker residential sales in difficult market conditions. The property investment segment reported robust 1Q09 earnings growth (+25%) due to increased rental income from Singapore and Vietnam as well as a higher share of profit from K-REIT Asia. Earnings from the fund management segment (+10%) were higher due to increased fee income from Alpha Investment Partners.

Stock Impact

- Sales picking up slowly.** Keppel Land has benefitted from the recent improvement in homebuyers' sentiment, selling 15 units each at average selling prices (ASP) of S\$1,200 psf and S\$1,300 psf for its Park Infinia and The Tresor projects respectively. It plans to launch the next phase of Reflections at Keppel Bay during the year. Also, Keppel Land has deferred the construction of Marina Bay Suites and Madison Residences with an estimated capital expenditure of S\$140m to preserve capital and take advantage of falling construction costs.

SINGAPORE

Keppel Land (KPLD SP)

BUY

Current Price: S\$1.76

Target Price: S\$2.10

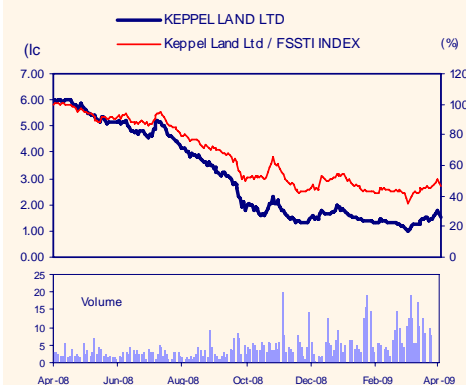
Sector	Property
52-Wk Avg Daily Vol. ('000)	4,239
Market Cap (S\$m)	1,269.5
(US\$m)	842.5

Major Shareholders (%)	
Keppel Corporation Ltd	52.7

Book NTA per Share (S\$)	3.39
ROE (%)	9.9
Net Debt per Share (S\$)	2.07

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	1407.9	321.8	779.7	101.7	267.0	1.6	8.6	8.0	5.3
2008	842.2	239.4	227.7	31.6	(68.9)	5.6	11.5	8.0	5.3
2009F	551.6	114.4	99.1	12.9	(56.5)	12.8	24.2	4.0	2.3
2010F	844.4	111.4	138.9	18.1	40.1	9.1	24.8	7.0	4.0
2011F	918.2	145.7	218.7	28.5	57.4	5.8	19.0	7.0	4.0

Consensus Net Profit – FY09: S\$182.9m
 – FY10: S\$190.3m

- **Limited impact from asset value write-downs.** The Group has cheap Singapore landbank bought early in the cycle prior to 2006. The investment properties' write-downs are likely to be low as the carrying values are at the lower end of the market range.
- **Deferment of office supply will alleviate oversupply concerns.** Consensus data now compared with office supply pipeline estimates as of Jun 08 indicate that 15% of office supply has been deferred from 2010-11 to 2012 and beyond. Also, Marina Bay Financial Centre is 61% pre-committed - Phase 1 at 66% and Phase 2 at 55% - with mostly long-term leases of up to 12 years. The tenant mix is also well-diversified.

Earnings Revision

We maintain our earnings estimates.

Valuation/Recommendation

Keppel Land has strong holding power with 0.52x gearing, healthy cash balance of S\$627m and unutilised credit facilities of S\$1.8b. We maintain our BUY recommendation with a target price of S\$2.10, pegged at a 15% discount to 2009 RNAV of S\$2.48/share.

Profit & Loss

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Turnover	1,407.9	842.2	551.6	844.4	918.2
EBIT	312.3	231.7	100.2	98.2	131.9
Pre-tax Profit	531.7	314.0	133.7	189.6	285.9
Net Profit	779.7	227.7	99.1	138.9	218.7

Balance Sheet

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	4,578.2	2,656.2	5,091.4	5,156.7	5,079.7
Total Assets	6,115.3	6,122.1	6,892.8	7,179.1	7,417.8
Current Liabilities	1,384.9	1,160.9	776.0	1,054.1	1,158.3
Long-Term Liabilities	2,086.6	2,064.2	2,647.2	2,618.1	2,613.9
Shareholder Funds	2,643.7	2,896.9	2,987.2	3,104.1	3,315.7
Total Equity & Liabilities	6,115.3	6,122.1	6,892.8	7,179.1	7,417.8

Cash Flow

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	438.1	473.0	(377.8)	37.0	(35.5)
Investing	203.0	(32.0)	(18.9)	(19.7)	(23.4)
Financing	(339.0)	(121.8)	(23.0)	(40.3)	(40.3)
Net Cash In/(Out) Flow	302.1	319.3	(419.8)	(23.0)	(99.2)
Begin Cash & Cash Equiv.	723.1	1,006.4	1,325.6	905.8	882.8
End'g Cash & Cash Equiv.	1,006.4	1,325.6	905.8	882.8	783.6

RNAV

	2009F Cap. Value (\$m)
Asset Valuation	
Total Investment Properties	812.6
Estimated book value of investment properties	1332.9
Surplus/ (deficit) to book (1)	(520.3)
NPV of Development Profits (2)	1233.2
Contribution from Fund Management business (3)	379.4
Surplus/ (deficit) to book from associates (4)	(469.2)
Write-downs/Defaults (5)	(97.7)
Net Book Value (6)	2,442.6
RNAV	1,916.8
Fully diluted no. of shares	768.7
Fully diluted RNAV per share S\$ (1+2+3+4+5+6)	2.48

Source: Keppel Land, UOB Kay Hian

Pacific Shipping Trust

1Q09: Negatives are priced in

PST is distributing 1Q09 DPU of 0.98 US cents, implying a yield of 24% p.a. It has no loan-to-value covenants. All loans are amortising.

1Q09 Results

Year to 31 Dec	1Q09 (US\$m)	yoy % chg	4Q08 (US\$m)	qoq % chg	Remarks
Turnover	15.2	72.3	14.5	4.9	Contributions from new vessels
EBITDA	13.6	65.7	12.9	5.9	
Depreciation	(4.1)	67.5	(3.9)	6.4	Depreciation of new vessels
EBIT	9.5	64.8	9.0	5.6	
Interest income	0.0	(41.0)	0.1	(66.7)	Lower interest rates
Interest Expense	(0.8)	(39.8)	(1.9)	(57.2)	Loan repayment
Interest Expense - rate swaps	(2.1)	(47.6)	(0.8)	151.2	
PBT	6.6	>100.0	6.4	3.7	
Tax	(0.0)	0.0	(0.0)	(77.3)	Lower taxable interest income
Net Profit	6.6	>100.0	6.3	4.0	Contributions from new vessels
Net Profit (ex Gains/Losses on interest rates swaps)	8.7	94.7	7.2	21.1	
Distributable Income	5.8	76.8	5.5	5.4	90% payout ratio
DPU (US cents)	0.98	1.0	0.93	5.4	

Source: PST, UOB Kay Hian

Results

Pacific Shipping Trust (PST) reported a higher net profit of US\$6.6m for 1Q09 (4Q08: US\$6.4m). This was due to full quarter contribution from four vessels delivered in 2008. Excluding the losses from interest rate swaps, earnings would have been US\$8.7m (+94.7% yoy; 7.2% qoq).

The current distributable profit of US\$5.8m is 76.8% higher than that of the US\$3.3m distributed in 1Q08. PST is paying DPU of 0.98 US cents, or 90% of distributable cash flow for 1Q09, which represents 29% of our 2009 DPU forecast of 3.3 US cents due to lower-than-expected interest expense.

Stock Impact

On 16 Apr 09, PST announced that one of its two charterers, Compania Sud Americana de Vapores S.A. (CSAV), indicated it would require ship owners to offer a temporary 30% reduction of charter hire payment as part of its restructuring plan to raise US\$750m. Factoring the 30% reduction in charter rates, 2010 DPU would be 3.2 US cents, or 19.5% yield. Excluding charter contributions from these two CSAV vessels, DPU would be 1.9 US cents, or 11.5% yield in 2010.

Earnings Revision

No change to our earnings forecasts.

SINGAPORE

Pacific Shipping Trust (PST SP)

BUY

Current Price: US\$0.165
Target Price: US\$0.22

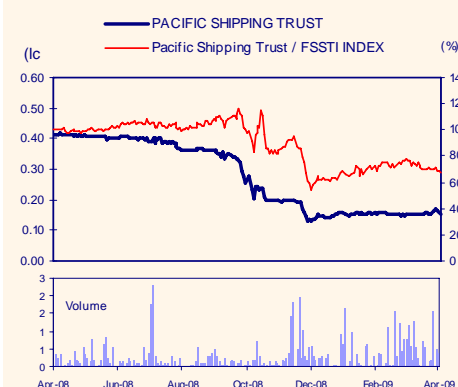
Sector	Shipping
52-Wk Avg Daily Vol. ('000)	282
Market Cap (S\$m)	146.0
(US\$m)	97.3

Major Shareholders (%)	
Pacific Int'l Lines	59.2%

Book NTA per Share (US\$)	0.38
ROE (%)	10.0
Net Debt per Share (S\$)	0.36

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

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)	DPS (US¢)	Yield (%)
2007	34.5	32.5	10.5	3.1	(7.6)	5.3	9.5	4.3	26.0
2008	44.6	40.6	18.3	4.6	47.2	3.6	7.6	4.1	24.7
2009F	57.7	49.1	21.3	3.6	(20.8)	4.6	6.3	3.3	20.3
2010F	56.2	47.5	20.8	3.5	(2.7)	4.7	6.5	3.2	19.5
2011F	56.0	47.1	21.3	3.6	2.6	4.6	6.5	3.2	19.7

Consensus Net Profit – FY09: US\$20.8m
– FY10: US\$20.8m

Valuation/Recommendation

Based on a DPU forecast of 3.2 US cents for 2010, PST offers a dividend yield of 19.5%. However, if one were to exclude the CSAV vessels' earnings completely, PST's 2010 DPU would be 1.9 US cents, or 11.5% yield.

PST has no loan-to-value covenants in its loan documents. All loans are amortising. All of its vessels are fully financed and there are no further financial commitments. Its share price has discounted a major risk. Reiterate BUY on PST with a target price of US\$0.22, based on discounted cash flow at a discount rate of 11% (US 5-year risk-free rate: 1.81%; market risk premium: 5.5%; annual vessel depreciation: 3.3%).

Profit & Loss

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Turnover	34.5	44.6	57.7	56.2	56.0
EBIT	20.4	28.2	31.5	29.9	29.5
Pre-tax Profit	10.5	18.4	21.4	20.9	21.4
Net Profit	10.5	18.3	21.3	20.8	21.3
Distributable Profit	14.5	19.2	21.9	21.0	21.3

Balance Sheet

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Current Assets	8.5	13.8	15.9	17.9	19.9
Total Assets	259.7	476.9	461.3	445.8	430.1
Current Liabilities	17.6	40.5	24.9	25.3	25.5
Long-Term Loans	97.3	212.9	195.5	177.9	159.9
Shareholders' Funds	144.8	223.5	240.8	242.6	244.8
Total Equity & Liabilities	259.7	476.9	461.3	445.8	430.1

Cash Flow

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Operating	32.1	40.8	48.9	47.3	46.9
Investing	0.5	(223.2)	0.5	0.6	0.7
Financing	(32.9)	187.9	(47.3)	(45.9)	(45.5)
Net Cash In/(Out) Flow	(0.3)	5.4	2.1	2.0	2.0
Begin Cash & Cash Equiv.	8.6	8.4	13.8	15.9	17.9
End'g Cash & Cash Equiv.	8.4	13.8	15.9	17.9	19.9

Banking

Sector's 1Q09 core operating performance indicates deterioration

1Q09 results indicate deterioration in sector's earnings momentum as reflected by contraction in core operating profit. We expect more earnings headwinds in upcoming quarters from higher provisions.

Sector Events

The seven banks under our coverage reported a 24% yoy drop in earnings in 1Q09. The main culprit behind the decline was the across-the-board drop in revenue from all key areas. Lower spread income resulting from loan contraction and narrow net interest margin (NIM) and slowing fee income led to a moderate 6% drop in operating revenue. Together with higher operating costs, the sector's operating profit before provisions plunged 20% yoy. Provisions started to rise moderately as non-performing loans (NPL) increased.

Sector Impact

Operating performance weakened across the board. The sector's operating profits before provisions fell 20% yoy on weaker top-line and higher cost. Bank of Ayudhya (BAY) was the only bank that managed to increase operating profit on the back of moderate income growth and good cost control.

The sector's overall total income declined almost 6%, dragged down by lower loan volume and weaker fee income performance.

Weaker loan demand. The slowing economic activities caused loan volume to contract over 2% in 1Q09, the first quarterly contraction since 2005. Leading the fall was TMB Bank whose loans fell over 6% as the bank is now undergoing internal operational restructuring. Krung Thai Bank (KTB) was the only bank showing decent loan growth (+1.7%), thanks to an increase in demand for short-term loans from the state.

Lower spread income. Apart from slowing loan volume, falling interest rates caused the sector's NIM to narrow across the board to 3.2%, a contraction of 42bp yoy or 28bp qoq. Lower loan volume and narrowing NIM resulted in a 4% yoy drop in spread income. We expect spread income to remain under pressure from further decline in margins from the recent rounds of interest rate cuts amid weaker loan demand.

Non-interest income down on lower gains and slowing fee. The sector's non-interest income also dropped over 9% from the previous year due partly to the absence of sizeable gains booked by some banks last year (mostly from capital market transactions and VISA's initial public offering). Fee income growth also slowed materially, down to only 2% in 1Q09 vs over 20% growth last year.

Provisions yet to increase. The sector's aggregate provisions dipped slightly yoy, pulled back by lower provisions at Siam City Bank (SCIB) and provisions write-back at TMB. Larger banks' provisions jumped over 25% from last year's.

Yet, average credit costs were only about 70bp in this quarter, still lower than the 80bp seen in 2008. We expect provisions to increase in the following quarters. For the year, we continue to assume a higher credit cost of 110bp for the sector. This will be another major earnings headwind in 2H09.

Rising NPLs. NPLs started to rise across all banks in 1Q09. The seven banks' NPL balance climbed moderately by 6% qoq. Bangkok Bank (BBL) witnessed the biggest increase in NPLs (+8.5% qoq) in the quarter. However, this is well protected by its strong reserve position, as reflected by its high 103% coverage ratio.

THAILAND

Banking

UNDERWEIGHT

Operating Profit

Btm	1Q08	4Q08	1Q09	% yoy	% qoq
BBL	9,891	9,488	9,098	(8.0)	(4.1)
KTB	7,700	6,975	5,003	(35.0)	(28.3)
KBANK	8,304	6,442	7,827	(5.7)	21.5
SCB	10,360	7,102	8,729	(15.7)	22.9
BAY	2,609	2,150	3,284	25.9	52.8
SCIB	2,379	766	1,706	(28.3)	122.7
TMB	2,478	(124)	(664)	(126.8)	434.6
SUM	43,720	32,799	34,983	(20.0)	6.7

Source: Banks, UOB KayHian

Net Profit

Btm	1Q08	4Q08	1Q09	% yoy	% qoq
BBL	5,658	5,221	4,869	(14.0)	(6.7)
KTB	4,240	2,210	2,513	(40.7)	13.7
KBANK	4,438	2,789	3,800	(14.4)	36.2
SCB	6,787	3,983	5,547	(18.3)	39.3
BAY	1,030	844	1,028	(0.2)	21.8
SCIB	1,257	446	927	(26.2)	108.1
TMB	1,590	(3,991)	436	(72.6)	(110.9)
SUM	25,001	11,502	19,120	(23.5)	66.2

Source: Banks, UOB KayHian

Loan

Btm	1Q09	% yoy	% qoq	% ytd
BBL	1,138,108	5.0	(3.6)	(3.6)
KTB	1,063,527	6.1	1.7	1.7
KBANK	877,142	9.7	(3.0)	(3.0)
SCB	901,885	5.1	(1.6)	(1.6)
BAY	535,126	(0.6)	(3.9)	(3.9)
SCIB	278,215	10.7	0.0	0.0
TMB	397,171	(11.4)	(6.4)	(6.4)
SUM	5,191,173	4.2	(2.2)	(2.2)

Source: Banks, UOB KayHian

Net Interest Income

Btm	3Q07	2Q08	3Q08	% yoy	% qoq
BBL	12,783	13,501	12,144	(5.0)	(10.1)
KTB	11,918	11,129	10,982	(7.9)	(1.3)
KBANK	10,220	10,829	10,756	5.2	(0.7)
SCB	10,997	11,007	10,425	(5.2)	(5.3)
BAY	5,712	6,855	6,050	5.9	(11.7)
SCIB	3,268	3,150	3,015	(7.7)	(4.3)
TMB	4,218	3,489	3,229	(23.4)	(7.4)
SUM	59,115	59,960	56,602	(4.3)	(5.6)

Source: Banks, UOB KayHian

Net interest margins

%	1Q08	4Q08	1Q09	Bp yoy	bp qoq
BBL	3.29	3.37	2.96	(0.34)	(0.41)
KTB	4.04	3.54	3.39	(0.64)	(0.15)
KBANK	4.18	3.83	3.67	(0.51)	(0.16)
SCB	3.95	3.84	3.45	(0.49)	(0.39)
BAY	3.42	3.92	3.38	(0.04)	(0.54)
SCIB	3.36	3.16	3.02	(0.34)	(0.14)
TMB	2.78	2.41	2.21	(0.57)	(0.20)
SUM	3.57	3.44	3.15	(0.42)	(0.28)

Source: Banks, UOB KayHian

Analyst

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Thursday, April 23, 2009

Overall, the sector's asset quality remained manageable with average coverage ratio standing relatively stable at 70%. KTB's coverage ratio remained at the low end of the sector at 43%.

Asset Quality

	NPL (Btb)				NPL Coverage Ratio (%)		
	4Q07	4Q08	1Q09	% qoq	4Q07	4Q08	1Q09
BBL	81.7	54.6	59.3	8.5	82	109	103
KTB	96.1	85.2	90.5	6.3	39	43	43
KBANK	31.9	30.6	31.9	4.0	76	93	93
SCB	47.5	44.6	45.1	1.2	89	88	89
BAY	53.7	38.2	40.0	4.7	55	62	62
SCIB	18.3	23.4	24.8	6.0	86	64	61
TMB	72.4	66.1	70.4	6.5	70	67	61
Sum/Avg.	401.6	342.8	362.0	5.6	66	72	70

Source: Banks, UOB Kay Hian

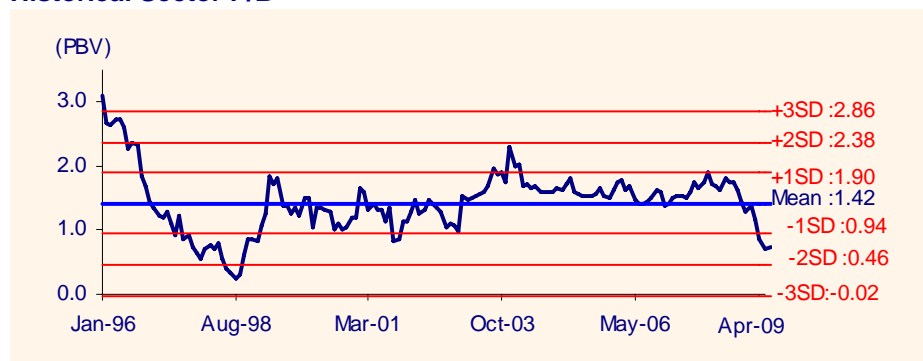
Recommendation

The recent run in share prices was driven mainly by stronger-than-expected liquidity flow rather than changes in the sector's outlook. This should be short-lived. Therefore, we maintain our UNDERWEIGHT rating on Thai banks as we expect the overall operating performance during the rest of the year to face more headwinds from weaker loan volume, rising NPLs and higher provisions.

On stock selection, we continue to like BBL based on its strong balance sheet. However, with over 20% run-up in share prices over the last three months, upside potential has become limited. Thus, we downgrade BBL from BUY to HOLD. Our entry level is below Bt70.

We also downgrade SCIB from BUY to SELL after over a 90% advance in its share price since we rated the stock as a BUY last October.

Historical Sector P/B



Source: Bloomberg

Peer Comparison

Bank	Rec	Price	Target Price	%+/-	-----Net Profit (Btm)-----			-----PE (x)-----			-----P/B (x)-----			-----ROE (%)-----		
					2008	2009F	2010F	2008	2009F	2010F	2008	2009F	2010F	2008	2009F	2010F
BBL	HOLD	76.25	78.00	2.3	20,243	19,088	21,584	7.2	7.6	6.7	0.8	0.8	0.7	11.9	10.5	11.0
KTB	SELL	5.75	3.90	(32.2)	12,053	6,918	9,563	5.3	9.3	6.7	0.6	0.6	0.6	12.4	6.8	9.1
KBANK	SELL	48.25	39.00	(19.2)	15,333	10,279	13,519	7.5	11.2	8.5	1.0	1.0	0.9	14.4	8.8	10.9
SCB	SELL	55.00	50.25	(8.6)	21,414	17,505	21,460	8.7	10.6	8.6	1.5	1.3	1.2	17.9	13.3	15.0
BAY	BUY	9.50	10.10	6.3	4,896	5,327	7,303	11.8	10.9	7.9	0.7	0.7	0.6	6.0	6.1	8.0
SCIB	SELL	9.65	8.05	(16.6)	3,821	2,648	3,509	5.3	7.7	5.8	0.5	0.5	0.5	10.0	6.4	8.2
TMB	SELL	0.49	0.45	(8.2)	424	1,460	2,951	50.3	14.6	7.2	0.5	0.5	0.4	1.0	3.2	6.2
SUM								7.8	9.6	7.6	0.9	0.8	0.8	10.5	7.9	9.8

Source: UOB Kay Hian

Fee Income

Btm	1Q08	4Q08	1Q09	% yoy	% qoq
BBL	4,863	4,395	4,712	(3.1)	7.2
KTB	1,722	2,175	2,099	21.9	(3.5)
KBANK	3,889	4,594	4,228	8.7	(8.0)
SCB	4,387	4,109	4,387	0.0	6.8
BAY	1,709	1,623	1,899	11.1	17.0
SCIB	634	649	566	(10.7)	(12.8)
TMB	1,350	1,153	1,034	(23.4)	(10.4)
SUM	18,554	18,698	18,925	2.0	1.2

Source: Respective companies, UOB Kay Hian

Non-int. Income

Btm	1Q08	4Q08	1Q09	% yoy	% qoq
BBL	6,375	5,713	6,686	4.9	17.0
KTB	3,749	3,219	2,815	(24.9)	(12.5)
KBANK	5,828	6,474	5,671	(2.7)	(12.4)
SCB	7,501	5,551	6,425	(14.3)	15.7
BAY	1,844	849	2,431	31.8	186.2
SCIB	1,145	1,097	986	(13.9)	(10.1)
TMB	2,282	1,327	1,024	(55.1)	(22.8)
SUM	28,724	24,229	26,038	(9.4)	7.5

Source: Respective companies, UOB Kay Hian

SG&A

Btm	1Q08	4Q08	1Q09	% yoy	% qoq
BBL	9,267	9,726	9,732	5.0	0.1
KTB	7,968	7,373	8,795	10.4	19.3
KBANK	7,744	10,861	8,600	11.1	(20.8)
SCB	8,138	9,455	8,121	(0.2)	(14.1)
BAY	4,947	5,555	5,197	5.0	(6.4)
SCIB	2,033	3,480	2,295	12.9	(34.0)
TMB	4,021	4,940	4,918	22.3	(0.4)
SUM	44,118	51,391	47,657	8.0	(7.3)

Source: Respective companies, UOB Kay Hian

Cost/Income

%	1Q08	2Q08	3Q08	4Q08	1Q09
BBL	48	51	57	51	52
KTB	51	53	57	51	64
KBANK	48	52	52	63	52
SCB	44	47	51	57	48
BAY	65	59	64	72	61
SCIB	46	57	59	82	57
TMB	62	66	77	103	116
SUM	50	53	57	61	58

Source: Respective companies, UOB Kay Hian

Provisions

Btm	1Q08	4Q08	1Q09	% yoy	% qoq
BBL	1,564	2,389	1,971	26.1	(17.5)
KTB	1,500	4,700	1,500	0.0	(68.1)
KBANK	1,876	2,084	2,360	25.8	13.2
SCB	927	1,376	1,462	57.7	6.3
BAY	1,591	1,303	1,978	24.3	51.8
SCIB	658	(271)	373	(43.4)	(237.7)
TMB	803	3,860	(1,112)	(238.5)	(128.8)
SUM	8,919	15,441	8,531	(4.3)	(44.7)

Source: Respective companies, UOB Kay Hian

BEC World

Lack of catalyst to drive share price

Its share price has so far underperformed the SET. Even a recent increase in its market share to its last peak of 30% could not boost its share price. Sluggish GDP will continue to put pressure on adex. Valuations remain rich.

Corporate Events

Since we downgraded BEC World (BEC) to SELL last month, its share price has underperformed the SET, staying in the range of Bt18.5-19.0 despite a 10% increase in the SET index. Even a recent increase in its market share to its previous peak of 30% could not boost its share price. Coming from a high base last year, we see no factor to drive its profitability. Adex growth, which is 80% correlated to GDP, remains sluggish. Its valuations are also unattractive with a hefty P/B of about 5x, vs 4x in 1998. We keep our 2009 net profit estimate of Bt2.36b (-18% yoy), or 15% below consensus, assuming a worst-case scenario that adex will fall 9-10%, similar to the decline at the height of the Asian financial crisis in 1998.

Stock Impact

Ad spend share already reached its last peak of 30%. In 1Q09, BEC and MCOT stole market share from channel 7, a market leader. BEC's and MCOT's market share increased 2ppt from 2008 to 30% and 20% respectively, while channel 7's dropped to 27% from 31% in 2008. Unilever, Thailand's biggest ad spender, has recently reduced its spending with Channel 7 after a conflict over discounts on new ad rates. It should be noted that BEC's current market share has already reached its last peak of 30% (before the emergence of TiTV in 2004). In an attempt to lure back advertisers, channel 7 is now undergoing a major programme restructuring by improving morning news programmes to directly compete with both BEC and MCOT, as well as adjusting its post prime-time variety shows.

Adex slipped 2.5% yoy in 1Q09. Adex in February and March were sluggish, falling 5-6% yoy after a brief pick-up of 4.5% in Jan 09 (due to a low base in Jan 08 when Thailand was mourning the death of the King's sister). Adex for April is likely to be dull amid heightened political turmoil. We reaffirm our view that adex outlook will remain weak throughout this year. UOB Bank has recently cut Thailand's GDP growth from -1.6% to -5.2% but we still keep our assumption that adex will fall 9-10% this year.

1Q09 results to weaken both yoy and qoq. Consensus estimates BEC's 1Q09 net profit at Bt664m, -1% yoy and -8% qoq. A yoy slowdown will clearly be seen starting from 2Q09. Hence, we expect to see a downward revision in the consensus estimates going forward as economic numbers are turning south.

Valuation/Recommendation

Re-iterate SELL. Amid the weak economic outlook and unclear political scene, BEC is vulnerable to a sell-down given its rich valuations at 16x FY09F PE and 5.4x FY09F P/B. Our fair price of Bt14.7 is pegged to P/B of 4.2x, -2SD from its mean P/B of 6.6x. BEC traded at this level at the height of the Asian financial crisis in 1998.

THAILAND

BEC World (BEC TB)

SELL

Current Price: Bt19.00

Fair Price: Bt14.70

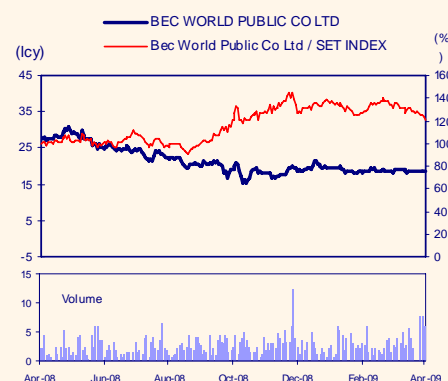
Sector	Media
52-Wk Avg Daily Vol. ('000)	2,428
Market Cap (Btm)	37,400.0
(US\$m)	1,068.6

Major Shareholders (%)	
Maleenont family	56.6

Book NTA per Share (Bt)	3.54
ROE (%)	42.37
Net cash/share (Bt)	2.21

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Btm)	EBITDA (Btm)	Net Profit (Btm)	EPS (Bt)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	P/B (x)	DPS (Bt)	Div Yield (%)
2007	7,786	4,726	2,252	1.13	37.1	16.9	7.3	5.8	1.05	5.5
2008	8,798	5,589	2,875	1.44	27.7	13.2	6.0	5.4	1.30	6.8
2009F	8,377	4,790	2,355	1.18	(18.1)	16.1	6.9	5.4	1.12	5.9
2010F	8,994	5,181	2,596	1.30	10.2	14.6	6.3	5.2	1.23	6.5
2011F	9,815	5,762	2,984	1.49	14.9	13.3	5.7	5.1	1.36	7.2

Consensus Net profit – FY09: Bt2,797m
 – FY10: Bt2,959m

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	7,786	8,798	8,377	8,994	9,815
EBIT	3,328	4,237	3,483	3,838	4,375
Pre-tax Profit	3,354	4,210	3,483	3,838	4,375
Net Profit	2,252	2,875	2,355	2,596	2,984
EPS (Bt)	1.13	1.44	1.18	1.30	1.49

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	4,744	5,339	5,869	6,475	7,181
Total Assets	8,197	8,675	8,990	9,410	9,938
Current Liabilities	1,558	1,467	1,847	2,009	2,186
Long-Term Loans	0	0	0	0	0
Shareholders' Funds	6,500	7,073	6,994	7,238	7,572
Total Equity & Liabilities	8,197	8,675	8,990	9,410	9,938

Cash Flow

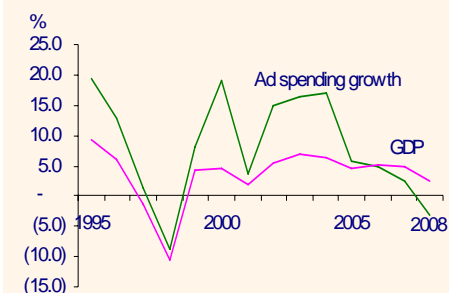
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	4,279	4,182	3,906	4,121	4,544
Investing	(1,228)	(1,750)	(1,262)	(1,326)	(1,380)
Financing	(1,806)	(2,305)	(2,405)	(2,337)	(2,634)
Net Cash In/out flow	1,245	126	239	457	529
Begin Cash & Cash Equiv.	1,994	3,201	3,328	3,567	4,024
End'g Cash & Cash Equiv.	3,239	3,328	3,567	4,024	4,553

Advertising Expenditure

	---TV Adex---		---Total Adex---	
	Btm	% chg	Btm	% chg
2006	53,296	6.5	89,840	5.0
2007	53,484	0.0	92,010	2.5
1Q08	11,778	-7.7	20,687	-3.7
2Q08	13,509	+6.4	23,145	+4.8
3Q08	13,246	-4.7	22,729	-4.2
4Q08	13,124	-7.2	22,868	-7.7
2008	51,136	-4.4	89,489	-2.8
1Q09	12,055	+2.3	20,316	-2.5

Source: Nielsen Media Research

Adex Growth vs GDP



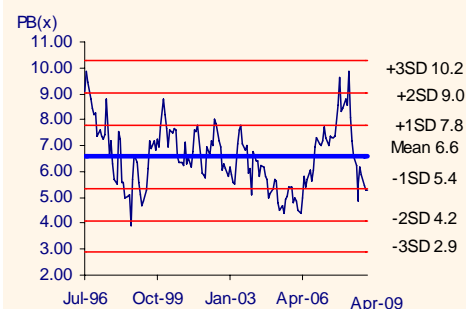
Source: Nielsen Media Research, NESDB

Ad Spend Share

(%)	2006	2007	2008	1/09	2/09	3/09
Ch 3 (BEC)	22	25	28	31	30	30
Ch 5	16	17	20	20	20	20
Ch7	28	27	31	27	27	26
Ch9 (MCOT)	14	14	18	17	18	20
Ch11	3	2	4	4	4	4

Source: Nielsen Media Research

BEC: P/B (x) & Standard Deviation



Source: SETSMART, UOB Kay Hian

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