

### KEY STORY

#### China

**Gold** **Page 3**  
China adds to gold's allure. BUY Zijin Mining (2899). Trading-oriented investors can consider Jiangxi Copper (358) and Zhaojin Mining (1818).

#### Singapore

**Keppel Land** (BUY/S\$1.76/Target: S\$2.50) **Page 25**  
**Keppel Corp** (SELL/S\$5.89/Fair: S\$4.85)  
Keppel Land's rights issue strongly supported by Keppel Corp.

#### Thailand

**Amata Corporation** (SELL/Bt3.76/Fair: Bt2.11) **Page 27**  
Outlook remains lacklustre as every business unit is still performing poorly. We modestly cut our earnings forecasts and fair price.

### CHINA

#### Sector

**Gold** **Page 3**  
China adds to gold's allure. BUY Zijin Mining (2899). Trading-oriented investors can consider Jiangxi Copper (358) and Zhaojin Mining (1818).

**Property** **Page 5**  
Different lending policies on second home in the main cities. Recent tightening in Shanghai does not imply a change in the government's supportive stance.

#### Results

**China Construction Bank** (HOLD/HK\$4.42/Fair: HK\$4.65) **Page 7**  
1Q09: Net profit down 18% yoy; asset quality continues to improve.

**China Merchants Bank** (HOLD/HK\$15.20/Fair: HK\$14.46) **Page 9**  
2008: Results in line; low Tier-1 ratio to constrain RWA growth in 2009. Downgrade from BUY to HOLD with fair price of HK\$14.46.

**China Shipping Development** (SELL/HK\$8.69/Fair: HK\$4.85) **Page 11**  
1Q09: Profit below estimates; 1H profit to decline more than 50%.

**Shanghai Electric Group** (SELL/HK\$3.06/Fair: HK\$2.50) **Page 13**  
2008: Net profit down by 10% yoy; down 16.5% yoy in 1Q09

### INDONESIA

#### Results

**Bank Danamon** (SELL/Rp2,675/Fair: Rp2,400) **Page 15**  
1Q09: Concerns over rising NPLs and declining NPL coverage.

### SINGAPORE

#### Sector

**Property - Residential** **Page 17**  
Sales volume picks up.

#### Results

**CapitaLand** (BUY/S\$2.59/Target: S\$3.35) **Page 19**  
1Q09: Banking on a stronger second half.

**Rickmers Maritime** (HOLD/S\$0.36/Fair: S\$0.44 (US\$0.29)) **Page 21**  
1Q09: Declares DPU of 2.14 US cents, implying an annualised yield of 35.6%. The US\$700m capex relating to four vessels remains unfunded.

### Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	8076.3	1.5	(0.7)	3.9	(8.0)
S&P 500	866.2	1.7	(0.4)	6.2	(4.1)
FTSE 100	4156.0	3.4	1.5	6.6	(6.3)
AS30	3668.2	(0.7)	(1.6)	1.5	0.2
CSI 300	2572.9	(0.8)	(2.9)	3.0	41.5
FSSTI	1852.9	(0.4)	(2.3)	6.1	5.2
HSI	15258.9	0.3	(2.2)	8.1	6.1
JCI	1591.3	(0.1)	(2.7)	8.8	17.4
KLCI	992.7	1.4	2.9	12.1	13.2
KOSPI	1354.1	(1.1)	1.9	9.4	20.4
Nikkei 225	8708.0	(1.6)	(2.2)	0.9	(1.7)
SET	474.1	1.7	3.8	7.5	5.4
TWSE	5880.8	0.1	2.2	9.1	28.1
BDI	1873	(1.3)	11.4	6.5	142.0
CPO (RM/mt)	2668	1.8	4.7	26.1	63.7
Nymex Crude (US\$/bbl)	51	(1.0)	11.2	(2.6)	14.4

Source: Bloomberg

### Top BUYs/SELLs

	Ticker	Current Price (Icy)	Target Price (Icy)	Pot. +/- (%)
<b>Top BUYs</b>				
China Coal	1898 HK	6.81	8.50	24.8
China Life	2628 HK	27.50	31.30	13.8
China Railway	390 HK	5.49	5.90	7.5
Maanshan Iron	323 HK	3.26	4.50	38.0
Sinopec	386 HK	5.97	6.60	10.6
Zijin Mining	2899 HK	6.23	7.15	14.8
DBS Group	DBS SP	9.04	10.55	16.7
Advanced Info	ADVANC TB	78.00	101.73	30.4
Quality Houses	QH TB	1.01	1.28	26.7
<b>Top SELLs</b>				
Harbin Power	1133 HK	6.35	3.50	(44.9)
Parkson Retail	3368 HK	9.54	5.15	(46.0)
S'pore Airlines	SIA SP	10.60	8.20	(22.6)
STX Pan Ocean	STX SP	14.00	4.35	(68.9)
Amata Corp	AMATA TB	3.76	2.11	(43.9)

### 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
Kerry Properties Presentation	via videoconference	30 Apr	30 Apr
Sino-Ocean Land Corporate Roadshow*	Singapore	8 May	8 May

\* by invitation only

*Monday, April 27, 2009***Update****Golden Agri-Resources (BUY/S\$0.38/Target: S\$0.45) Page 23**

Growth sustained through capacity expansion and huge immature area. We raise our target price to S\$0.45 on sturdy CPO prices.

**Keppel Land (BUY/S\$1.76/Target: S\$2.50)****Keppel Corp (SELL/S\$5.89/Fair: S\$4.85) Page 25**

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**THAILAND****Update****Amata Corporation (SELL/Bt3.76/Fair: Bt2.11) Page 27**

Outlook remains lacklustre as every business unit is still performing poorly. We modestly cut our earnings forecasts and fair price.

**Gold**

**China adds to gold's allure**

China's revelation of a 75% rise in gold holdings will likely reignite the role of gold as a reserve asset among central banks with huge forex reserves. The news is a long-term positive for gold stocks. *Maintain BUY.*

**Sector Events**

The State Administration for Foreign Exchange (SAFE) head Hu Xiaolian revealed China has built up gold holdings of 1,054 tonnes, up 454 tonnes.

**Sector Implications**

**Country with biggest reserve has smallest share of gold.** The news is something the world has been dying to know. So, not surprisingly, when China revealed its holdings, the news made headlines around the world and buoyed sentiment towards the metal.

**Still less than 2% of reserves in gold.** Despite the 75% rise to 1,054 tonnes, China's gold holdings account for only 1.6% of its foreign exchange (forex) reserves, based on the ytd gold price of US\$905/oz. The country with the world's biggest forex reserves still has the smallest share of gold in its portfolio.

**Gold: Still A Tiny Portion Of Total Forex Reserves**

China's Mar 09 foreign reserves (US\$b)	1,953	
Year-to-date gold price (US/oz)	905	
<b>China's gold holdings</b>	<b>Tonne</b>	<b>Vol chg</b>
Since end-02	600	na
At 1.6% of reserves (current holdings)	1,054	454
At 2% of reserves	1,343	286
At 3% of reserves	2,014	671
At 4% of reserves	2,685	671
At 5% of reserves	3,357	671

Source: Bloomberg, WGC, UOB Kay Hian

**Gold holdings below 10% international average.** The International Monetary Fund noted the international average of gold holdings in members' reserves is about 10%. China may have the world's fifth highest gold holdings, but its puny portion in the forex reserves is fuelling speculation it will add more in the coming years, especially after Premier Wen Jiabao expressed concern about the stability of the US dollar ahead of the G20 meeting last month.

**Orderly and quiet buying likely.** The table above shows how much gold China can add to its portfolio if it raises gold holdings to 2-5% of its forex reserves at the current gold price. Just to raise it to 2% to 1,343 tonnes is an addition of 286 tonnes amounting to about the country's entire annual production. We expect China to continue buying gold in the quiet manner it has done since 2002. This will not disrupt the global gold market and may ensure that it can continue to buy gold at attractive price levels.

**Valuations**

Code	Name	Market Cap HK\$ b	24 Apr 09 Price (HK\$)	Beta x	----- PE Ratio -----		----- P/B Ratio -----		Yield %
					2009F	2010F	2009F	2010F	
2899	Zijin Mining	140	6.23	1.49	23.3	22	4.1	4.1	2.1
1818	Zhaojin Mining	15.8	10.9	1.25	20.9	19.9	3.1	2.8	1.7
358	Jiangxi Copper	55.8	8.92	1.46	23.7	22.3	1.1	1.0	2.1

Source: Bloomberg, UOB Kay Hian

**CHINA**

**Gold**

**OVERWEIGHT**

**Zijing Mining (2899 HK)**

**BUY**

Current Price: HK\$6.23

Target Price: HK\$7.15

**Jiangxi Copper (358 HK)**

**HOLD**

Current Price: HK\$8.82

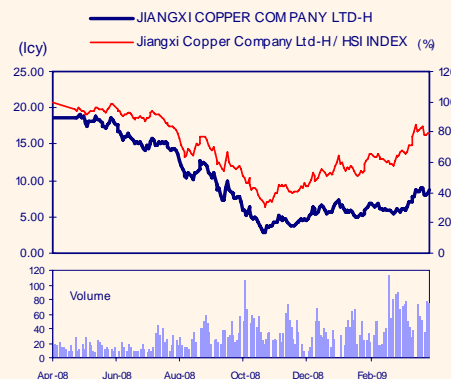
Fair Price HK\$10.00

**Zhaojin Mining (1818 HK)**

**NOT RATED**

Current Price: HK\$10.90

**Price Chart**



Source: Bloomberg

**Analyst**

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**China's Gold Output**

(tonne)	2002	2003	2004	2005	2006	2007	2008
Production	190	201	212	225	225	270	282
Yoy chng	4.4%	5.7%	5.5%	5.8%	0.0%	20.4%	4.3%

Source: CEIC

**Countries with big reserves have little gold.** The table below shows that other than China, countries with huge reserves still hold little gold in their reserves. China's move is likely to spark their interest in the metal as well.

**Gold Under-represented in Countries with Biggest Reserves**

US\$b	Reserves	Reserves as % of world	Gold as % of reserves
China	1953.7	29.3	1.6
Japan	989.7	14.9	2.2
Russia	383.8	5.8	4.0
Taiwan	300.0	4.5	4.2
India	241.9	3.6	4.2
South Korea	206.3	3.1	n.a
Hong Kong	186.2	2.8	0.0
Singapore	166.1	2.5	2.2

Source: Bloomberg, WGC

**Stock Impact**

Although there are five gold plays listed in the Hong Kong market, only two – Zijin Mining (2899 HK) and Zhaojin (1818 HK) – are traded more actively. Jiangxi Copper (358 HK), although more a copper play, does produce gold as a copper by-product and should benefit from higher gold prices as well.

**Still prefer Zijin.** Zijin has underperformed Zhaojin on a three-month and six-month basis and remains our top BUY. On a one-month basis, though, Zhaojin has underperformed Zijin. The trading-oriented may consider Jiangxi Copper which has lower P/B valuations.

**China's Gold Producers**

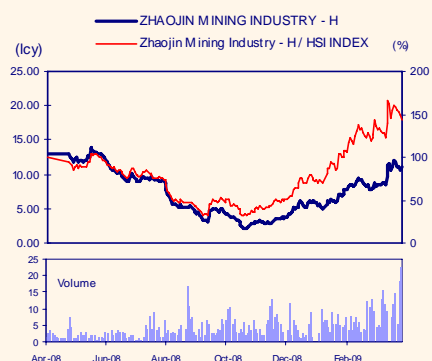
(kg)	Zhaojin Mining 2008	Zijin Mining 2008	Jiangxi Copper 2008
<b>Gold output</b>	<b>17,619</b>	57,313	16,300
Own mines	7,753	28,474	5,400
External purchase	2,022	n.a.	
Tolling	7,797	28,839	10,900
Share of gold from mines	44%	50%	33%

Source: Respective companies

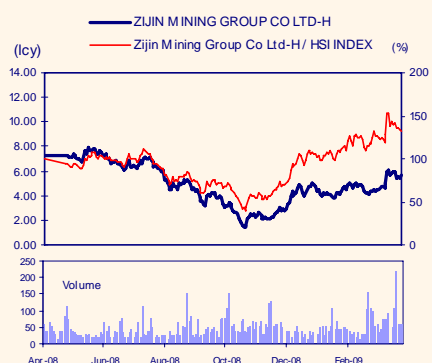
**Price of Gold and Gold-Related Stocks**

		24 Apr 09			Price Change (%)		
		Price (HK\$)	ID	5D	1M	3M	6M
2899 H Equity	Zijin Mining	6.23	7.2	1.0	5.8	65.3	291.8
1818 HK Equity	Zhaojin Mining	10.9	9.0	13.5	(9.0)	78.7	402.3
358 HK Equity	Jiangxi Copper	8.92	0.9	(8.2)	0.1	81.3	162.4
3330 H Equity	Lingbao Gold	3.07	5.5	10.0	(0.3)	86.1	248.9
1862 H Equity	Sino Gold	29.5	4.6	4.6	(2.6)	32.9	84.4
246 H Equity	Real Gold	6.15	7.9	8.7	4.9	n.a.	n.a.

Source: Bloomberg, UOB Kay Hian



Source: Bloomberg



Source: Bloomberg

**Global Gold Holdings (Mar 09)**

Country	Tonne	% of Reserves
US	8,134	78.9
Germany	3,413	71.5
IMF	3,217	na
France	2,487	72.6
Italy	2,452	66.5
<b>China</b>	<b>1,054</b>	1.6
Switzerland	1,040	41.1
<b>Japan</b>	<b>766</b>	2.2
Netherlands	613	61.7
ECB	537	23.7
Russia	524	4.0
<b>Taiwan</b>	<b>424</b>	4.2
Portugal	383	90.2
Venezuela	364	35.5
<b>India</b>	<b>358</b>	4.2
UK	310	16.7
Lebanon	287	30.0
<b>World</b>	<b>29,682</b>	<b>na</b>

Source: WGC

## Property

Our channel checks on second home mortgage policy

Our channel checks show that while Shanghai and Beijing have tightened down payment ratio, they are still charging discount mortgage rate for second homes. More importantly, we believe the government has not altered its supportive stance on the property sector.

### Sector Event

**CBRC Shanghai branch urged adherence to second-home policy.** In light of the general relaxation of second home mortgages by banks in Shanghai, the local banking regulatory agency recently issued a notice to urge banks to strictly adhere to the original mortgage policy for second homes – a minimum 40% down payment and 10% premium to benchmark rates.

### Impact

**Banks in Shanghai are tight on downpayment but loose on mortgage rate.** We checked with the major banks in Shanghai on their latest mortgage policy for second homes and the results are shown in the table. While most banks have lifted minimum down payment from the previous 20-30% to 40%, many are still providing up to a 30% discount on benchmark mortgage rate.

### Channel Checks On Second Home Policy In Shanghai

Bank	Down payment	Mortgage rates
CCB	20-30%	Up to 30% discount
BoComm	30-40%	Up to 30% discount
ICBC	40%	Up to 30% discount
Agriculture Bank	40%	10% premium
Everbright Bank	40%	TBD by headquarter
Pudong Development Bank	40%	No discount

Source: UOB Kay Hian

**Varied practices in other cities.** Indeed, Shanghai was not the first city alerted by CBRC regarding the second home policy. According to the media, CBRC also urged banks in Beijing on 31 March to stick to the rules. We have contacted banks in Beijing and most of them are now requiring at least a 40% down payment for second homes. However, they are still charging a 10-30% discount to the benchmark rate.

On the other hand, our channel checks in Guangzhou and Shenzhen showed that second home buyers can still get almost the same preferential treatments as first home buyers, i.e. 20-30% down payment and up to 30% discount on mortgage rate. Moreover, according to the media, second home policy is generally loose in the second-tier cities, such as Nanjing, Wuhan, Chengdu and Chongqing.

### Implications

**CBRC's move to discourage speculative activities.** We believe CBRC's move was not only because they were concerned about banks' loans quality in view of the rapid loans growth in 1Q09, but they also want to discourage speculative activities in the property market. We do not believe CBRC's action implied the central government is changing its supportive stance on the housing market. We based this on the fact that there has been no requirement for banks to take away the discount on mortgage rate, which would have a more detrimental impact on housing demand.

### Mortgage rate more critical than down payment ratio for home purchase.

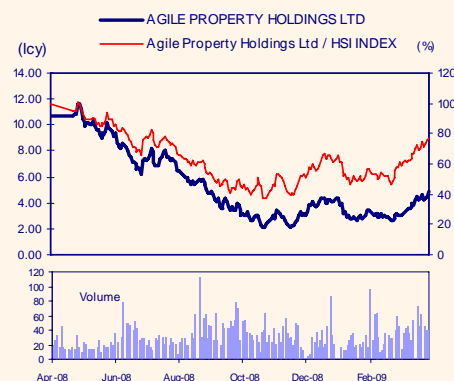
First, lower mortgages rate enhances housing affordability. Second, anecdotal evidence suggests even not all second home buyers are sensitive to down payment ratio. SOHO China (410 HK), for example, reported that some 30-40% of second home buyers of its high-end properties pay cash for their purchases.

## CHINA

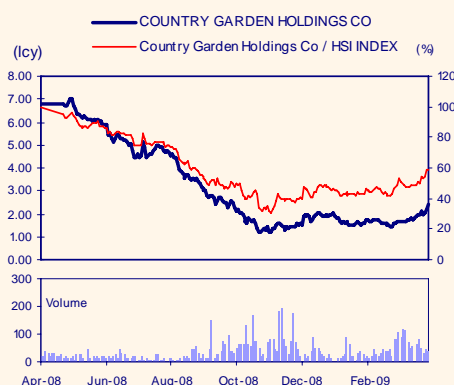
### Property

## MARKET WEIGHT

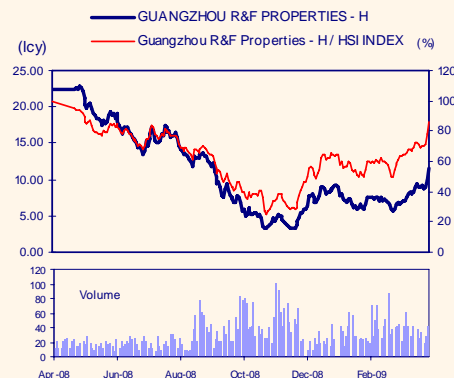
### Price Charts



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

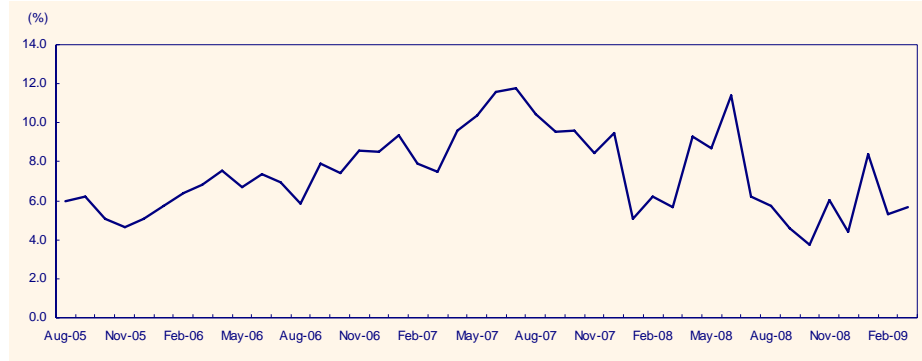
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**Limited impact on overall housing market.** Second-home purchases normally focus on high-end properties. Data show that the portion of high-end transactions in Shanghai as a percentage of total sales has not seen a substantial increase in recent months, leading us to believe that the increase in demand has been mainly driven owner-occupiers as opposed to investors or speculators. Hence, tightening of the down payment ratio alone might not have such an adverse impact on overall housing market.

**Percentage of High-end Property Transactions in Shanghai**



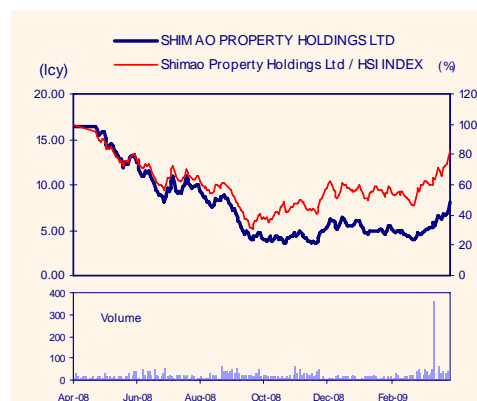
Note: High-end properties are defined as that priced above Rmb15,000/sqm as in Mar 07  
Source: Fangdi.com, UOB Kay Hian

**A supportive government stance still in place.** We believe CBRC's requirement for banks to strictly follow the down payment policy on second homes does not signal a change in the government's underlying supportive stance on the property sector. We would not be surprised to see volatility on the sector in the near term after the heavy rally. But on a medium to long-term prospective, we continue to like Guangzhou R&F (BUY/Target: HK\$14.00), Agile (BUY/Target: HK\$6.20) and Shimao (BUY/Target: HK\$8.50). Meanwhile, laggards such as Country Garden (2007 HK, NOT RATED) might catch up.

**Valuation Of China Developers**

	Bloomberg Code	Rating	Share price 24/04/09 (HK\$)	----- EPS -----		----- PE -----		----- Yield -----		NAV (HK\$)	Discount to NAV (%)
				2008F (Rmb)	2009F (Rmb)	FY08F (X)	FY09F (X)	FY08F (%)	FY09F (%)		
Agile	3383 HK	BUY	5.57	1.47	0.51	3.4	9.7	6.8	3.7	9.10	(38.8)
China Overseas Land	688 HK	HOLD	12.88	0.45	0.68	25.3	16.8	1.0	1.4	12.44	3.5
China Resources Land	1109 HK	BUY	13.34	0.42	0.40	28.4	29.3	0.9	0.9	16.33	(18.3)
Greentown	3900 HK	SELL	4.40	0.48	0.89	8.1	4.4	3.1	4.4	11.21	(60.7)
Guangzhou R&F	2777 HK	BUY	11.78	1.06	0.86	9.8	12.1	0.0	1.9	17.37	(32.2)
Hopson	754 HK	SELL	5.85	1.18	1.29	4.4	4.0	5.6	6.7	14.32	(59.1)
KWG	1813 HK	HOLD	2.92	0.14	0.18	18.5	14.4	1.2	1.7	4.76	(38.7)
Poly HK	119 HK	BUY	2.50	0.10	0.17	21.3	13.0	2.0	1.2	6.47	(61.4)
Shanghai Forte Land	2337 HK	SELL	1.52	0.04	0.12	33.6	10.9	1.5	1.5	2.45	(38.0)
Shimao Property	813 HK	BUY	7.39	0.52	0.64	12.6	10.2	2.6	2.9	13.70	(46.1)
Sino-Ocean Land	3377 HK	BUY	5.33	0.31	0.28	15.2	16.8	1.6	1.7	7.25	(26.5)
SOHO	410 HK	BUY	3.45	0.08	0.23	40.2	13.3	3.3	3.3	5.40	(36.1)
Average						18.4	12.9	2.5	2.6		(38.2)

Source: UOB Kay Hian



Source: Bloomberg

## China Construction Bank

1Q09: Net profit down 18% yoy; asset quality continues to improve

CCB's 1Q09 net profit fell 18% yoy to Rmb26.3b. Asset quality improved as NPL balance dropped 2.3%. However, NIM was compressed by 68bp on PBOC's rate cuts. Maintain HOLD.

### 1Q09 Results

	1Q09 (Rmbm)	yoy % chg	Remarks
Net interest income	50,870	(6.6)	Dropped yoy due to the numerous rounds of interest-rate cuts in 4Q08
Net fee and commission income	11,842	10.4	
Income before provisions	42,971	(0.9)	Decrease in net interest income offset by income from investments
Provision for impairment	(8,995)	478.5	Due to substantial jump in provisions for bad loans as coverage ratio now raised to 141.75%
Net Profit	26,256	(18.3)	Due to NIM compression, increased provisions and high base in 1Q08
<b>Financial Indicators (qoq change)</b>			
NPL ratio	1.90	-31bp	
NPL balance	81,936	-2.3%	Asset quality began to stabilise after a weak 4Q08
Coverage Ratio	141.75	10.17%	Rose from 131.6% for end-08
NIM	2.58	-68bp	Full impact of rate cuts by PBOC over 4Q08 were reflected in 1Q09
CAR	12.37	21bp	Due to issuance of sub-debt of Rmb40b in Feb 09

Source: UOB Kay Hian

### Results

**Earnings on pace to exceed our forecasts as asset quality continued to improve.** CCB reported 1Q09 net profit of Rmb26.3b, down 18% yoy, which was not surprising given the high base of 1Q08, increased provisioning and the rate cuts over 4Q08 having the full impact on CCB's NIM. Despite the higher-than-expected NIM compression, it is becoming increasingly likely that asset quality will be much better than expected in 2009. CCB's 1Q09 net profit puts it on pace to exceed our original net profit forecast of Rmb85.9b.

### Stock Impact

**NIM compression worse than expected, but should stabilise in the year.** CCB's NIM narrowed significantly by 68bp in 1Q09 due to the consecutive rounds of interest rate cuts by the PBOC over 4Q08 and the continued shift of deposits from demand into time deposits. However, we expect CCB's NIM to stabilise over the next three quarters as it is very unlikely that the PBOC will continue to cut rates aggressively.

**Concerns over severe deterioration in asset quality subsided.** CCB's NPL balance improved notably in 1Q09, reflecting its improving asset quality. The probability of a severe deterioration in asset quality in 2009 is now relatively remote, particularly given the stronger-than-expected loans growth this year.

## CHINA

### China Construction Bank (939 HK)

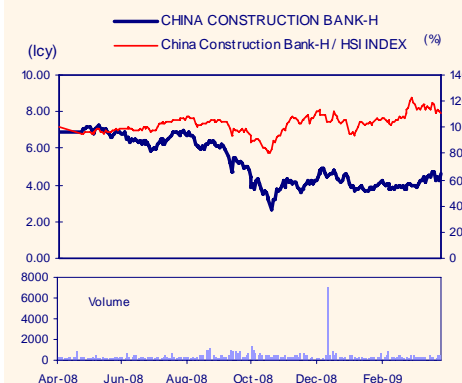
### HOLD

Current Price: HK\$4.42

Fair Price: HK\$4.65

Sector	Banking
52-Wk Avg Daily Vol. (m)	445
Market Cap (HK\$m)	1,037,600
(US\$m)	133,026
Major Shareholders (%)	
Huijin	59.1
Book NTA per Share (Rmb)	1.97
ROE (%)	20.7
Results Due	
Interim	August
Final	March

### Price Chart



Source: Bloomberg

### Analyst

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Year to 31 Dec	Operating Income (Rmbm)	PPOP (Rmbm)	Net Profit (Rmbm)	EPS (Rmbm)	EPS Growth (%)	PE (x)	P/B (x)	DPS (Rmb)	Yield (%)
2007	220,717	128,390	68,993	0.30	32.8	13.2	2.22	0.20	4.1
2008	269,747	170,554	92,642	0.40	34.3	10.0	2.00	0.19	4.0
2009F	262,886	172,844	91,071	0.39	-1.7	10.2	1.60	0.19	4.0
2010F	310,859	202,365	107,480	0.46	18.0	8.7	1.42	0.23	4.7
2011F	354,375	223,426	123,398	0.53	14.8	7.5	1.27	0.34	7.0

Consensus Net Profit – FY09: Rmb97,317m  
 – FY10: Rmb106,296m

However, there remains the risk that asset quality may deteriorate in later years as some of the new loans this year may be given to unprofitable projects.

**Earnings Risk**

Deterioration in asset quality and NIM compression.

**Valuation/Recommendation**

Given the improvement in asset quality in 1Q09, we lower our assumption for NPL formation in 2009 to +10% yoy (down from +40%) or +13% over 1Q09. We continue to assume that CCB will work towards a coverage ratio target of 150% by end-09. Given the magnitude of CCB's NIM compression in 1Q09, we also lower our 2009 NIM assumption to 2.59%, or 64bp lower than in end-08. We expect NIM to improve slightly over the next three quarters as the low-yielding discounted bills issued in 1Q09 slowly translate into higher-yielding credit loans. However, we remain cautious and assume CCB's NPL balance may increase by over 20% in 2010 and 2011.

As a result, we increase our 2009 net profit estimate by 6% to Rmb91b as earnings are highly sensitive to an improvement in credit costs which more than offset a higher rate of NIM compression. In the short term, the expiry of BoA's lock-up on 6 May may be a temporary overhang as BoA can sell 13.5b CCB shares.

We maintain our fair price of HK\$4.65, reflecting 1.7x 2009F P/NTA, as we leave our sustainable ROE unchanged. CCB currently trades at 10.2x 2009F PE, 1.6x 2009F P/B and 1.65x 2009F P/NTA. We suggest entry at levels below HK\$4.10.

**Profit & Loss**

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Net interest income	192,775	224,920	201,280	230,328	248,264
Operating expenses	(92,327)	(99,193)	(90,042)	(108,494)	(130,950)
Pre-provision profit	128,390	170,554	172,844	202,365	223,426
Net profit	68,993	92,642	91,071	107,480	123,398

**Balance Sheet**

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Cash and Balance with Central Banks	967,106	1,247,450	1,250,444	1,413,001	1,596,691
Total Gross Loans	3,137,366	3,630,782	4,175,947	4,646,099	5,171,293
Total Assets	6,581,898	7,555,452	8,395,455	9,261,036	10,231,017
Deposits	3,491,121	4,006,046	4,692,843	5,307,797	6,304,793
Total Liabilities	6,161,885	7,089,486	7,814,484	8,606,147	9,495,054
Total Shareholder's Equity & Liabilities	6,581,898	7,555,452	8,395,455	9,261,036	10,231,017

## China Merchants Bank

2008: Results in line; low Tier-1 ratio to constrain RWA growth in 2009

2008 net profit was in line at Rmb21.1b. However, NIM compression was steeper than expected and Tier-1 ratio fell to 6.56%. Expect 1Q09 results to continue to be weak and RWA growth to be constrained. Downgrade to HOLD.

### 2008 Results

	FY08 (Rmbm)	yoy % chg	Remarks
Net interest income	46,885	38.3	NII growth slowed in 4Q08 as PBOC cut interest rates
Net fee and commission income	7,744	20.3	Fee income increased on sale of bancassurance products which offset lower fund sales
Income before provisions	31,902	31.2	
Provision for impairment	(5,154)	55.9	Due to provisions for loans, with Rmb594m related to goodwill of WLB
Net Profit	21,077	38.3	Net profit growth slowed on higher provisions and NIM compression in 4Q08
<b>Financial Indicators (qoq change unless stated otherwise)</b>			
NPL ratio	1.11	-9bp	
NPL balance	9,677	+5.8%	Asset quality began to stabilise after weak 4Q08
Coverage Ratio	223.29	2.57%	Ratio rose from 220.72% in 3Q08
NIM	3.44	hoh	Due to the consecutive rounds of interest rate cuts by the PBOC over 4Q08
Tier 1	6.56%	-144bp	Due to goodwill deduction of Rmb9.6b from reserves
CAR	11.34%	-148bp	
NTA/TA	4.3%	-90bp	Due to goodwill of Rmb9.6b related to WLB

Source: UOB Kay Hian

### Results

While CMB's net profit of Rmb21.1b was in line with our forecasts, its pre-provision operating profit was 10% below forecast, which was offset by a less-than-expected impairment charge. CMB made an impairment charge of Rmb1.7b related to goodwill and investments, of which Rmb579m was related to the goodwill on its WLB purchase.

### Stock Impact

CMB's NIM narrowed 22bp over 2H08 to 3.44% as the PBOC began a series of interest-rate cuts over 4Q08 and CMB increased discount-bill lending to preserve asset quality. Asset quality remained steady with only a mild 5.8% rise in NPL balance. CMB continued to boast an outstanding coverage ratio of 223.3%, making it very resilient to credit-cost increases in 2009.

CMB's tier-1 ratio declined to 6.56%, the lowest among banks under our coverage, mainly due to a goodwill deduction for Rmb9.6b that remains on CMB's book. Following the issuance of Rmb30b subordinated debt, CMB's CAR stood at 11.34%.

### Earnings Risk

Significant rise in NPL formation from SMEs and worse-than-expected NIM compression.

## CHINA

### China Merchants Bank (3968 HK)

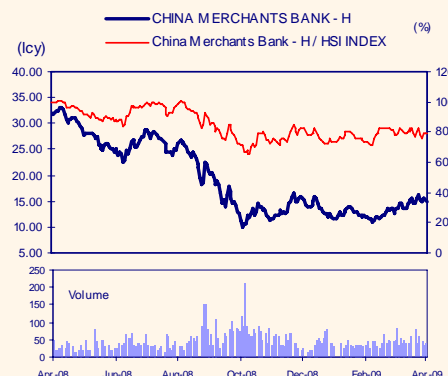
#### DOWNGRADE TO HOLD

Current Price: HK\$15.20

Fair Price: HK\$14.46

Sector	Banking
52-Wk Avg Daily Vol. (m)	51.5
Market Cap (HK\$m)	249,250
(US\$m)	31,955
Major Shareholders (%)	
China Merchants	18.0
COSCO	10.0
Book NTA per Share (Rmb)	6.04
ROE (%)	28.6
Results Due	
Interim	August
Final	April

### Price Chart



Source: Bloomberg

### Analyst

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Year to 31 Dec	Operating Income (Rmbm)	Pre-Provisioning Profit (Rmbm)	Net Profit (Rmbm)	EPS (Rmbm)	EPS Growth (%)	PE (x)	P/B (x)	DPS (Rmb)	Yield (%)
2007	41,048	24,310	15,243	1.04	91.3	13.2	2.96	0.28	2.0
2008	55,644	31,902	21,077	1.43	38.3	9.6	2.53	0.55	4.0
2009F	54,610	27,825	19,340	1.32	(8.2)	10.4	1.98	0.51	3.7
2010F	69,635	38,545	23,486	1.60	21.4	8.6	1.54	0.62	4.5
2011F	87,431	51,330	30,691	2.09	30.7	6.6	1.20	0.81	5.9

Consensus Net Profit – FY09: Rmb19,929m  
 – FY10: Rmb22,557m

**Recommendation/Valuation**

**Overall results were disappointing**, particularly with respect to NIM compression and its low tier-1 ratio of 6.56%. For 1Q09, we expect NIM to narrow further by more than 90bp to below 2.54%, largely due to the high proportion of discounted bills issued during the period. However, NIM will stabilise and possibly recover over the next three quarters as some of the discounted bills migrate into actual credit loans. We expecting at least an 80bp NIM compression for the full year.

**Credit costs will fall on stable NPL formation and high existing coverage ratio.** Asset quality will remain resilient for 2009, and we revised down our assumption for NPL-balance growth to 11% as strong loans growth and the high percentage of discounted bills will help maintain healthy asset quality. However, we do see a deterioration in asset quality in 2010, and assume NPL-balance growth of 25% and 30% for 2010 and 2011 respectively. We expect a steep drop in credit costs to 11bp as CMB begins to utilise the high coverage ratio it has built up.

**Impairment charges on WLB to pick up pace.** CMB wrote off only Rmb579m in goodwill from its WLB acquisition (bought 53.12% from Wu family), leaving Rmb9.6b remaining on its books. We assume the remaining portion will be written off evenly over five years (about Rmb1.92b per year). A goodwill of Rmb7.2b resulting from the general offer was written off directly from equity in 2008.

**Downgrade to HOLD on poor tier-1 ratio, steep NIM compression, and continued weakness with 1Q09 results.** CMB's low tier-1 ratio of 6.56% will renew concerns over a potential round of capital raising, although we believe the scenario remains unlikely. CMB is able to organically recoup its capital by steadily impairing goodwill, but it will also come at the cost of reduced risk-weighted asset (RWA) growth. The reduced RWA growth will go contrary to CMB's story as a high-growth bank. NIM compression for CMB in 2009 will also be the greatest among the banks under our coverage given the high proportion of discounted bills issued. As a result, we expect 1Q09 results to be challenging for CMB. We cut our 2009 and 2010 net profit forecasts by 20% to Rmb19.3b and Rmb23.5b respectively. However, our NTA/share for 2009 remains little changed as the remaining goodwill will not be written off from P/L over five years. We maintain our fair price of HK\$14.46, reflecting 2.3x 2009F P/NTA, and downgrade the stock from BUY to HOLD as we believe it is currently fully valued. Enter at levels below HK\$13.50.

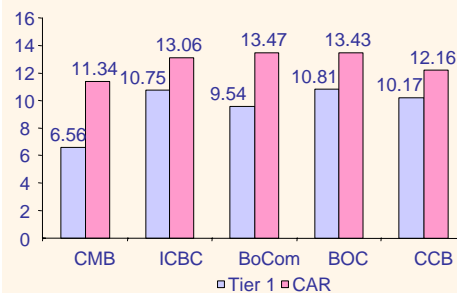
**Profit & Loss**

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Net interest income	33,902	46,885	43,411	55,173	68,667
Operating expenses	(16,738)	(23,742)	(26,785)	(31,090)	(36,102)
Pre-provision profit	24,310	31,902	27,825	38,545	51,330
Net profit	15,243	21,077	19,340	23,486	30,691

**Balance Sheet**

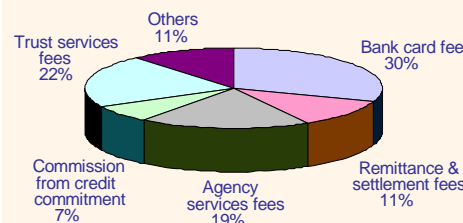
Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Total Gross Loans	620,891	778,596	910,267	1,046,610	1,190,605
Total Assets	1,310,552	1,571,797	1,873,314	2,195,072	2,259,424
Total Liabilities	1,242,568	1,492,016	1,771,132	2,063,988	2,091,072
Total Shareholder's Equity	1,310,552	1,571,795	1,873,314	2,195,072	2,259,424

**Tier 1 and CAR for H-share Banks**



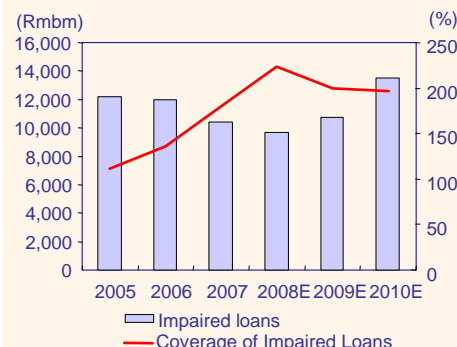
Source: Company data, UOB Kay Hian

**Fee Income Breakdown**



Source: China Merchants Bank, UOB Kay Hian

**NPL Balance and Coverage Ratio**



Source: China Merchants Bank, UOB Kay Hian

## China Shipping Development

1Q09: Profit below estimates; 1H's to decline more than 50%

CSD's 1Q09 net profit was below expectations due to a sharp margin contraction and lower freight volume. CSD expects 1H09 earnings to decline more than 50%.

### 1Q08 Results (PRC GAAP)

Period to 31 Mar (Rmbm)	1Q08	1Q09	yoy %	Remarks	
Sales	4,497	2,127	(52.7)	Lower freight volume and rates	
Less: sales allowance					
Net Sales	4,497	2,127	(52.7)	Lower bunker costs	
Less: Cost of sales	(2,415)	(1,661)	(31.2)		
Sales taxes	(92)	(45)	(51.5)		
Gross profit	1,990	421	(78.8)		
Add: Other operating income				Less income from the three JCEs	
Non-monetary transaction					
Sales expenses	(9)	(8)	(11.1)		
General & admin. expenses	(57)	(40)	(30.5)		
Financial expenses	(47)	(6)	(86.5)		
Operating profit	1,877	367	(80.4)		
Add: Income on investment	164	12	(92.9)		
Subsidies					
Non-operating income	(98)	0	(100.0)		Fair value loss on equity
investments					
Less: Non operating expense	178	25	(86.1)		
Total profit	2,120	404	(81.0)		
Less: Income tax	(440)	(85)	(80.8)		
Less: Minority interest					
<b>Net profit</b>	<b>1,680</b>	<b>319</b>	<b>(81.0)</b>		
<b>Profitability (%)</b>					
Gross margin	45.2	20.2		Margin decline due to lower rates	
Operating margin	42.6	17.6			
Net margin	38.1	15.3			

Source: CSD, UOB Kay Hian

### Results

China Shipping Development's (CSD) 1Q09 revenue fell 52.7% yoy to Rmb2,127m and net profit plunged 81% yoy to Rmb319m (based on PRC GAAP), worse than our forecast and market expectations. 1Q09 net profit represents only 15% of our full-year forecast. CSD expects 1H09 earnings to decline more than 50%.

### Stock Impact

The disappointing results was dragged down by:

- domestic bulk shipping rates declining 39.2% yoy in 1Q09,
- lower freight volume due to slow demand for bulk shipments, and
- less income on investment income.

### Valuation/Recommendation

The stock is trading at 13.6x 2010F PE (historical average of 22.5x PE) and 1.1x 2010F P/B (historical average of 1.5x). We regard its valuations as demanding. Our fair price of HK\$4.85 is based on 0.6x 2010F P/B as the dry bulk shipping sector is still in a downcycle. Maintain SELL.

## CHINA

### China Shipping Development (1138 HK)

#### SELL

Current Price: HK\$8.69

Fair Price: HK\$4.85

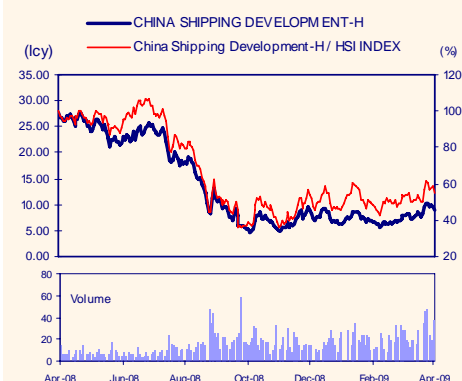
Sector	Transport
52-Wk Avg Daily Vol. ('000)	14,654
Market Cap (H-share) (HK\$m)	8,994
(US\$m)	1,153

Major Shareholders (%)	
China Shipping Corp	46

Book NTA per Share (Rmb)	6.3
ROE (%)	26.4
Net Debt per Share (HK\$)	1.68

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 (%)
2006	9,204	4,527	2,758	0.83	2	9.2	6.4	0.30	3.9
2007	12,395	6,828	4,546	1.37	65	5.6	4.3	0.51	6.7
2008	17,214	8,152	5,373	1.59	16	4.8	3.8	0.30	3.9
2009F	9,812	4,380	2,107	0.62	(61)	12.4	7.0	0.12	1.6
2010F	10,822	4,451	1,924	0.57	(9)	13.6	6.6	0.11	1.4

Consensus Net Profit – FY09 : Rmb2,553m  
 – FY10 : Rmb2,825m

**More revenue from oil shipments**

Oil shipping rates are more stable than that of coal shipping. In 1Q09, revenue generated from oil shipments accounted for more than 50% of CSD's total turnover. CSD has a dominant position in the domestic dry bulk shipping market and has rising exposure to the domestic oil shipment business. As such, CSD is expected to outperform its peers in terms of earnings and profitability.

**Margins contraction**

CSD's margins have been contracting on all fronts. Gross, operating and net margin fell by more than 20ppt yoy in 1Q09 due to lower freight rates. Freight rates and freight volume for bulk shipment are expected to decline. Therefore, margins may continue to fall in the next two years.

**Profit & Loss**

Year to 31 Dec (Rmbm)	2006	2007	2008	2009F	2010F
Turnover	9,204	12,395	17,214	9,812	10,822
EBIT	3,338	5,335	5,985	2,335	2,283
Pre-tax Profit	3,293	5,328	6,433	2,586	2,570
Net Profit	2,758	4,546	5,373	2,107	1,924
EPS (Rmb)	0.83	1.37	1.59	0.62	0.57

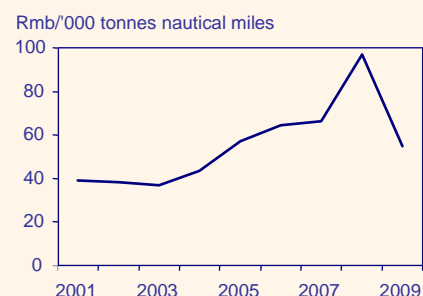
**Balance Sheet**

Year to 31 Dec (Rmbm)	2006	2007	2008	2009F	2010F
Current Assets	2,313	2,438	3,195	2,138	3,082
Total Assets	17,000	23,607	29,928	29,207	30,436
Current Liabilities	2,653	1,712	1,834	970	1,008
Long-Term Loans	1,741	5,823	6,740	5,797	5,473
Shareholders' Funds	12,605	16,072	21,354	22,439	23,955
Total Equity & Liabilities	17,000	23,607	29,928	29,207	30,436

**Cash Flow**

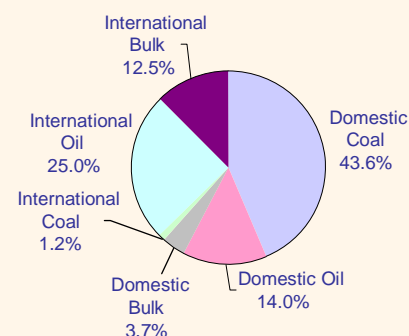
Year to 31 Dec (Rmbm)	2006	2007	2008	2009F	2010F
Operating	3,171	5,611	5,797	3,670	3,404
Investing	(4,183)	(6,924)	(6,133)	(2,000)	(2,000)
Financing	407	1,956	894	(2,321)	(564)
Net Cash Inflow/(Outflow)	(604)	643	558	(652)	840
Begin Cash & Cash Equiv.	1,099	475	1,080	1,858	1,207
End'g Cash & Cash Equiv.	475	1,080	1,858	1,207	2,047

**CSD's Domestic Coal Contract Freight Rate**



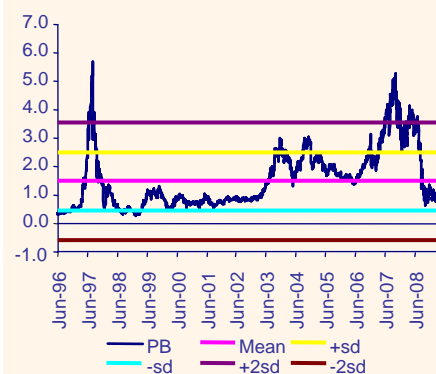
Source: CSD, UOB Kay Hian

**Revenue Breakdown In 2008**



Source: CSD, UOB Kay Hian

**P/B**



Source: Bloomberg, UOB Kay Hian

## Shanghai Electric Group

2008: Net profit falls 10%; more earnings downside ahead

Net profit amounts to Rmb2,534m in 2008, down 10% yoy and in line with our forecast. The 16.5% yoy decline in earnings in 1Q09 further indicates an industry downcycle. Maintain SELL with a fair price of HK\$2.50.

### 2008 Results

Year to 31 Dec	2008 (Rmbm)	yoy % chg	Remarks
Turnover	58,907	5.3	Driven by a) about Rmb5b higher EPC sales; b) record high elevator sales, c) 70% higher heavy machinery sales
Cost of sales	48,924	4.4	Driven by a combination of higher revenue and stringent cost control
Gross profit	9,983	10	Due to better cost control last year
Other income	947	(47.5)	Mainly due to significantly lower income from securities investment last year on the back of weak financial market
Selling expenses	1,661	21.1	Higher revenue growth
Administrative expenses	3,694	5.8	Higher revenue growth
Profit before taxation	4,035	(28.0)	Mainly due to higher administrative cost and lower other income
Net profit	2,534	(9.9)	
Basic EPS (Rmb/sh)	0.21	(10.3)	
DPS (Rmb/sh)	0.06		

Source: UOB Kay Hian

### Results

Shanghai Electric reported a net profit of Rmb2,534m in 2008, down 10% yoy and basically in line with our forecast of Rmb2,523m. The company proposed a dividend of Rmb763m, representing a payout ratio of 30% and a DPS of Rmb0.06.

Meantime, the company also announced its 1Q09 results under PRC GAAP, with turnover and net profit down by 5.5% and 16.5% yoy to Rmb12,937m and Rmb610m respectively.

### Stock Impact

We believe the weak financial results indicate a downcycle in the industry.

**a) Power equipment division.** In 2008, power equipment revenue, accounting for 58% of total, rose 1.6% yoy, largely driven by the low-margin Engineering, Procurement and Construction (EPC) business (revenue was over Rmb10b in 2008 vs Rmb5.2b in 2007; margins were in the single digits). Excluding EPC, the company's power equipment sales were down by 15% yoy, which should be mainly dragged down by delayed product delivery since late-08 on the back of the weakening demand from independent power producers (IPP). In addition, the continued profit decline in 1Q09 provides further evidence of an industry downcycle. This year, we forecast a 35% decline in power equipment sales, in line with our forecast of 30-35% yoy decrease in thermal power capacity additions for this year.

## CHINA

### Shanghai Electric Group (2727 HK)

#### SELL

Current Price: HK\$3.06

Fair Price: HK\$2.50

(Previous: HK\$1.40)

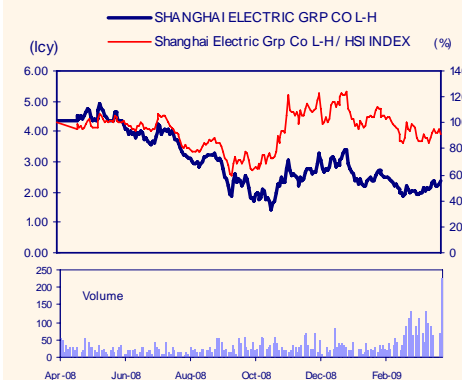
Sector Power Equipment  
 Bloomberg 2727 HK  
 Reuters 2727 HK  
 Website www.shanghai-electric.com/cn

52-Wk Avg Daily Vol. (m) 50.2  
 Market Cap (HK\$m) 38,274  
 (US\$m) 4,907

Book NTA per Share (HK\$) 6.5  
 ROE (%) 8.3  
 Net cash per Share (HK\$) 1.0

Results Due  
 Interim Aug.  
 Final Apr.

### Price Chart



Source: Bloomberg

### Analyst

Yan Shi  
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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	56,437	5,076	2,815	0.24	37.4	11.9	5.2	0.06	2.1
2008	58,907	3,812	2,534	0.21	(9.9)	13.2	6.7	0.06	2.3
2009F	38,327	2,850	1,696	0.14	(36.1)	20.7	8.9	0.04	1.5
2010F	37,734	2,761	1,762	0.14	3.9	19.9	8.8	0.04	1.5
2011F	38,624	2,663	1,711	0.14	(2.9)	20.5	9.0	0.04	1.5

Consensus Net Profit – FY09:Rmb2,349.1m  
 – FY10:Rmb2,257.6m

- b) Electromechanical division.** In 2008, sales of electromechanical equipment (representing 22% of total revenue) were up by 7.4% yoy, thanks to record elevator sales totalling 30,000 units. This year, we built into our model a 10% yoy revenue decline in the segment due to slowing new property construction and weak demand from machine tool and printing & packaging equipment.
- c) Heavy machinery.** Unlike other business divisions, heavy machinery saw sales surge strongly by 70% yoy due to robust sales growth for heavy machinery and nuclear equipment. Going forward, we believe the nuclear boom in China will continue to boost the company's earnings. However, given the insignificant revenue exposure (8.7% of total) of the division and long construction period of nuclear equipment (4-5 years), we only expect limited earnings contribution from the segment.
- d) Transport equipment.** Revenue from this division grew 6.4% yoy thanks to steady growth in city metro sales. We expect fast-expanding city metro construction and the government spending on infrastructures to sustain healthy sales growth for the segment, but earnings contribution will be marginal given its insignificant revenue contribution (7.6%) last year.

#### Valuation/Recommendation

Although there was continued steady earnings growth from the heavy machinery and transport equipment divisions, Shanghai Electric's heavily-exposed power equipment unit will be affected by the industry downcycle and drag down the company's earnings. Meanwhile, we have not found any sign of recovery in the power equipment industry at the moment due to severe overcapacity problems in the domestic power industry. We maintain SELL and our fair price of HK\$2.50 is based on 0.8x 2010 P/B. We will review our earnings forecasts and rating pending the company's announcement of a share placement, which may affect its assets and operations.

#### Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	56,437	58,907	38,327	37,734	38,624
EBIT	4,207	3,001	1,987	1,868	1,740
Pre-tax Profit	5,615	4,035	2,506	2,604	2,529
Net Profit	2,815	2,534	1,696	1,762	1,711
EPS (Rmb)	0.24	0.21	0.14	0.14	0.14

#### Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	59,401	63,737	45,742	46,105	47,507
Total Assets	76,397	77,361	59,384	59,614	61,167
Current Liabilities	45,876	50,624	26,022	24,415	24,186
Long-Term Loans	3,011	3,230	1,221	1,239	1,254
Shareholders' Funds	27,511	30,389	32,141	33,960	35,727
Total Equity & Liabilities	76,397	77,361	59,384	59,614	61,167

#### Cash Flow

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	3,501	3,837	796	2,201	2,274
Investing	(242)	739	150	(876)	(1,174)
Financing	651	(1,575)	(786)	(499)	(495)
Net Cash Inflow	3,911	3,001	159	826	605
Begin Cash & Equiv.	6,945	10,808	13,809	13,968	14,795
End'g Cash & Equiv.	10,808	13,809	13,968	14,795	15,400

## Bank Danamon

1Q09: Risks remain

Net profit in 1Q09 dropped 30.1% yoy due to a jump in provision expenses and flat growth in net interest income. Profit represents just 18.8% and 19.6% of our and consensus' respective full-year estimates. Maintain SELL.

### 1Q09 Results

Year to 31 Dec	1Q09 (Rpb)	qoq % chg	yoy % chg	Remarks
Net Interest Income	2,320	(3.2)	2.6	Sluggish growth due to excess liquidity
Non-Interest Income	236	(417.1)	15.8	Negative figure in 4Q08 due to forex loss
Gross Income	2,556	10.1	3.7	
Non-Interest Exp.	(1,383)	(8.2)	7.9	
Pre-provision Profit	1,173	43.9	(0.9)	
Provisions	(443)	(57.7)	79.8	4Q08: including Rp800b provision for loss from derivative contracts; 1Q09: mostly from rising NPLs
Non-oprt Income	(70)	(174.8)	52.8	
Minority Interest	(79)	(5.8)	65.7	
Tax	(187)	1,568.3	(33.3)	
Net Profit	393	(268.7)	(30.1)	
Loan	61,592	(5.2)	13.2	
Deposit	73,745	(0.3)	23.4	
Net Interest Margin (%)	10.0	(0.3)	(1.3)	
Cost to Income Ratio (%)	52.7	(1.5)	2.9	
LDR (%)	83.5	(4.3)	(7.1)	
Gross NPL (%)	3.0	0.6	0.6	
Loan Loss Coverage (%)	92.4	(10.1)	(33.0)	
Demand Dpst/Ttl Dpst (%)	8.6	(0.8)	(2.5)	
Saving Dpst/Ttl Dpst (%)	16.9	(0.5)	(2.3)	
Time Dpst/Ttl Dpst (%)	74.5	1.2	4.8	

Source: Bank Danamon, UOB Kay Hian

### Results

**Loans quality worsened with declining coverage ratio.** NPL ratio rose to 3.0% as at end-Mar 09 mainly due to the downgrade of one loan account (business in export trading) in BDMN's wholesale segment Even with a79.8% increase in provision expenses, NPL coverage ratio still fell to 92.4%.

**Net interest income depressed by excess liquidity.** Net interest income grew only 2.6% yoy but fell 3.2% qoq with NIM dropping to 10.0% in 1Q09. This was caused by the company's efforts to retain liquidity by holding back its loans expansion while trying hard to grow its third-party funds which mostly came from expensive time deposits. LDR has fallen continuously from 90.6% as at 30 Mar 08 to 83.5% as at end-Mar 09. The decision to increase liquidity was partly due to the urge to repay its sub-debt maturing in Mar 09.

## INDONESIA

### Bank Danamon (BDMN IJ)

#### SELL

Current Price: Rp2,675

Fair Price: Rp2,400

Sector	Banking
52-Wk Avg Daily Vol. ('000)	8,744
Market Cap (Rpb)	22,365.8
(US\$m)	2,073.8

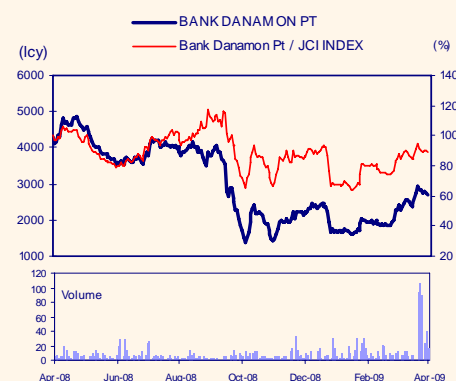
Major Shareholders (%)	
Asia Financial (Indonesia)	67.9

Book NTA per Share (Rp)	2,132
ROE (%)	14.3
Net Debt per Share (Rp)	n.a.

#### Results Due

1Q: Apr	2Q: Aug
3Q: Oct	Final: Mar

#### Price Chart



Source: Bloomberg

#### Analyst

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Year to 31 Dec	Pre-Provision Profit (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	BPS (Rp)	PB (x)	DPS (Rp)	Yield (%)
2007	4,540	2,117	420.6	57.0	6.4	2,086	1.3	132	4.9
2008	4,401	1,530	303.2	(27.9)	8.8	2,047	1.3	210	7.8
2009F	5,046	2,090	249.9*	(17.6)	10.7	1,901*	1.4	90*	3.4
2010F	5,664	2,649	316.8*	26.8	8.4	2,095*	1.3	125*	4.7
2011F	6,024	3,062	366.2*	15.6	7.3	2,303*	1.2	158*	5.9

Consensus Net Profit – FY09: Rp2,010.1b  
 – FY10: Rp2,489.3b

\* Ex-right figures

**Stock Impact**

**Sluggish growth in net interest income to be temporary.** We expect the sluggish growth in net interest income to be temporary as the Rp4 trillion proceeds from the bank's recent rights issue can be used to accelerate loans growth again. The declining rate environment also benefitted BDMN as most of its funding (more than 70% of total deposits) are in rate-sensitive time deposits.

**Declining NPL coverage ratio is major concern during uncertain economic condition.** With the possibility of NPLs rising further during uncertain economic condition, especially when its special mention loans also increased significantly from Rp5.4 trillion (8.3% of total loans) in 4Q08 to Rp7.8 trillion (9.7% of total loans) in 1Q09. We are concerned over the bank's declining coverage ratio of below 100% as a low coverage ratio means the bank has to provide higher level of provisioning to maintain adequate coverage on its bad loans.

**Valuation/Recommendation**

Maintain SELL considering the bank's weakening fundamentals amid the uncertain economic condition. BDMN is also trading at an unattractive 10.7x 2009F PE, 1.4x P/B and 15.7% ROE compared with the more profitable Bank Rakyat Indonesia's 9.3x, 2.4x and 27.8% respectively.

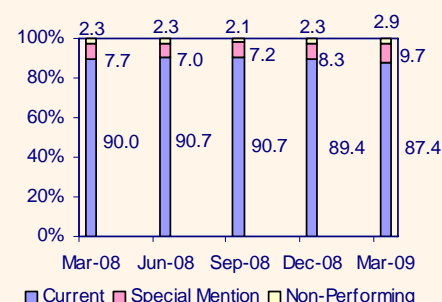
**Profit and Loss**

Year to 31 Dec (Rpb)o	2007	2008	2009F	2010F	2011F
Net Interest Income	8,103	9,658	10,685	12,013	13,084
Non-Interest Income	1,030	635	605	679	767
Gross Income	9,133	10,293	11,290	12,693	13,850
Non-Interest Expenses	(4,593)	(5,892)	(6,245)	(7,029)	(7,826)
Pre-provision Profit	4,540	4,401	5,046	5,664	6,024
Provisions	(1,020)	(1,819)	(1,794)	(1,552)	(1,274)
Non-operating Income	(207)	95	(55)	(61)	(67)
Minority Interests	(153)	(272)	(148)	(187)	(216)
Tax	(1,044)	(876)	(959)	(1,216)	(1,405)
Net Profit	2,117	1,530	2,090	2,649	3,062

**Balance Sheet**

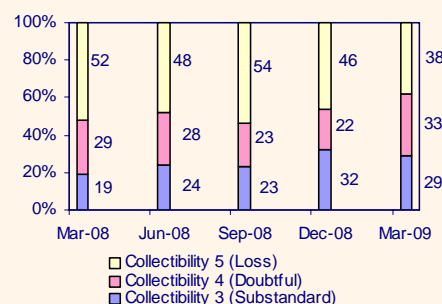
Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Government Bonds	15,808	13,083	8,316	6,020	4,372
Gross Loans	53,330	66,898	72,275	79,335	87,481
Total Assets	89,410	107,268	110,964	122,294	137,854
Customer Deposits	57,804	73,969	78,844	86,729	95,402
Shareholders' Equity	10,833	10,579	16,059	17,601	19,255

**Loans Collectability as % of Outstanding Loans**



Source: Bank Danamon

**Non-Performing Loans Breakdown - % of Non Performing Loans**



Source: Bank Danamon

## Property – Residential

Sales volume picks up

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

### Sector Events

Urban Redevelopment Authority's (URA) quarterly statistics for 1Q09 indicate that private residential prices declined 14.1% qoq to 139.9 points, steeper than the flash estimate of a 13.8% decrease released earlier. Private home prices are 22.9% below the 2Q96 peak levels. The Housing and Development Board's (HDB) price index declined 0.8% qoq (flash estimate: 0.6% qoq) after nine quarters of growth to 138.6 points. Public housing prices are still 1% above the 4Q96 peak levels. As highlighted earlier, the price index is catching up with the actual price decline levels as the price index has a laggard effect due to the normalisation procedure used. We estimate the actual price decline is a lot steeper at 30-40% from the end-07 levels compared with the reported full-year decline of 21.2% from the peak.

### Sector Impact

- **Buyers back in the market.** Sales volumes in the primary market leapt nearly sixfold to 2,596 units mostly due to sales in the mass market and mid-tier segments and represent nearly 60% of the full-year developer sales recorded last year. Transactions in the secondary market also noted a 10.7% qoq increase. The data points suggest base formation for developer sales in the mass market and mid-tier segments at the early-06 resale price levels. Continued sales momentum would support base formation and help in improving homebuying sentiment, leading to a more sustainable recovery.
- **Further deferment of supply should support market.** Supply in the pipeline saw further deferments during the quarter, with a reduction in the total number of units in the pipeline. While the total number of home completions expected in 2009 has increased 6.2%, taking the 2,230 completed units in the first quarter into account, the number of units due for completion in 2010 has been cut by 15% to 5,952 units. Expected completions for 2010-13 have all been adjusted downwards, deferred to beyond 2013.

### Private Residential Supply in the Pipeline (units)

	2009	2010	2011	2012	2013	>2013	Total
As at 4Q08	10,448	7,012	13,544	13,907	12,115	7,956	64,982
As at 1Q09	11,102	5,952	12,599	13,807	11,972	10,950	64,152
(% change)	6.2%	-15.1%	-7.0%	-0.7%	-1.2%	37.6%	-1.3%

Source: URA, UOB Kay Hian

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

## SINGAPORE

### Property – Residential

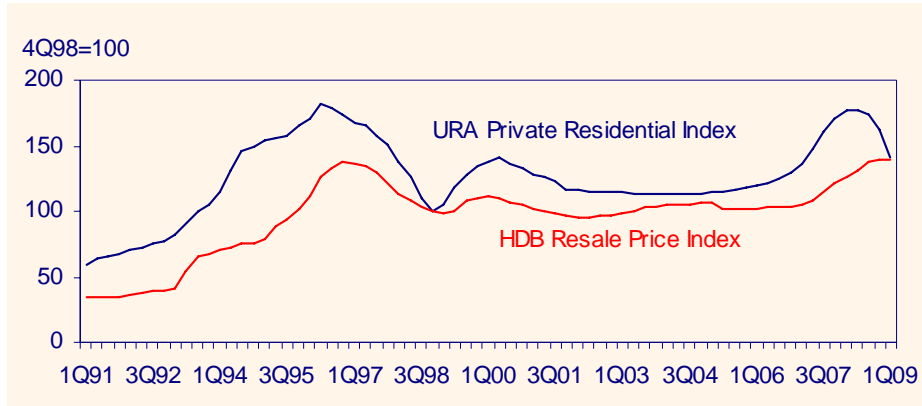
## OVERWEIGHT

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**Valuation/Recommendation**

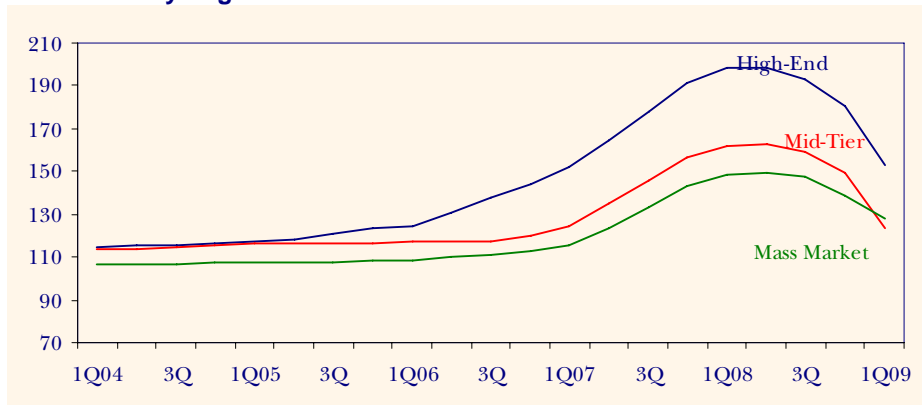
Based on URA's latest quarterly statistics, the physical market is moving towards price points that are drawing buyers back, in our view. The moderation of projects in the pipeline should serve to support the market further. As such, we continue to see value in the property sector with City Developments and Allgreen being the key beneficiaries of the increased sales momentum and the improved homebuying sentiment in the mass market and mid-tier segments.

**URA Private Residential Index vs HDB Resale Price Index**



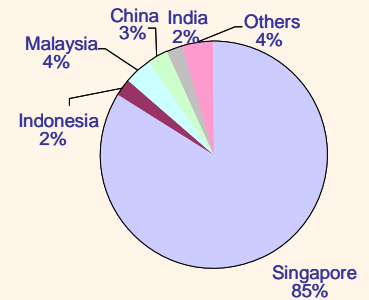
Source: HDB, URA, UOB Kay Hian

**Price Index by Segment**



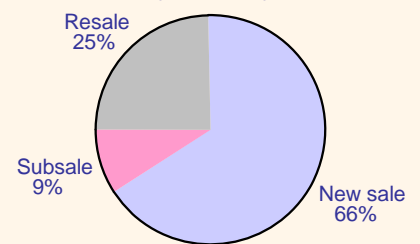
Source: UOB Kay Hian

**Private Residential Buyers by Nationality (1Q09)**



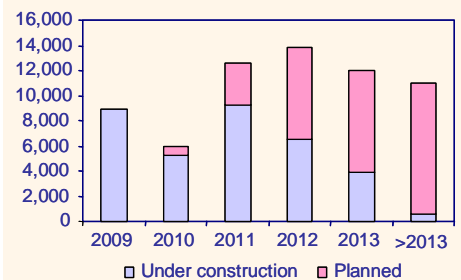
Source: URA, UOB Kay Hian

**Transactions by Sales Type (1Q09)**



Source: URA, UOB Kay Hian

**URA Supply Pipeline Forecasts (1Q09)**



Source: URA, UOB Kay Hian

## CapitaLand

1Q09: Banking on a stronger second half

We expect better core earnings contribution in the latter half of this year to offset the weak first quarter results. CapitaLand is well capitalised to ride out the weak property market and take advantage of opportunities.

### 1Q09 Results

Year to 31 Dec	1Q09 (S\$m)	1Q08 (S\$m)	yoy % chg	Remarks
Turnover	487.0	631.3	(22.9)	
EBITDA	191.3	410.9	(53.4)	
Pre-tax profit	74.2	266.9	(72.2)	
Tax	-17.8	16.8	nm	
Net Profit	42.9	247.5	(82.7)	Comp. of devt projects and absence of divestment, fair value and forex gains
EPS (¢)	1.2	7.3	(83.6)	
EBITDA Margin (%)	39.3	65.1		

Segment Breakdown	Revenue		EBIT		Remarks
	1Q09 (S\$m)	yoy % chg	1Q08 (S\$m)	yoy % chg	
Residential Singapore	80.8	-16	20.0	-49.4	Comp. of devt projects
China Holdings	72.5	-23.6	21.2	-67.2	Absence of divestment and fair value gains
Commercial	31.6	-41.3	32.5	-76.2	Lower unrealised forex gains
Retail	53.3	52.1	37.1	-36.2	Absence of divestment gains
Ascott	85.8	-18.7	12.4	-68.6	
Financial	41	37.1	29.2	57.9	
Others	121.9	-43.5	24.0	-43	
<b>Total</b>	<b>487</b>	<b>-22.9</b>	<b>176.4</b>	<b>-55.8</b>	

Source: CapitaLand, UOB Kay Hian

### Results

CapitaLand reported 1Q09 net profit of S\$42.9m, -83% yoy, while revenue declined 23% yoy to S\$487.0m. Earnings were below our and consensus estimates mainly due to slower-than-expected sales and earnings recognition from development projects, weaker serviced residences business and a weaker Australian dollar. We expect better contribution in the latter half to offset the weak first quarter results. Overseas operations accounted for 48% of EBIT, with China and Australia being the major contributors. We are hosting a post-results luncheon presentation on 27 April and will provide a further update after the presentation.

### Stock Impact

- Well positioned to take advantage of opportunities.** CapitaLand's financial position stands out in comparison with regional peers, with cash reserves of S\$5.5b, healthy gearing of 0.32x and average debt maturity of 4.2 years. The strong balance sheet acts as a buffer against potential asset write-downs and provides the necessary firepower to once again demonstrate the acquisition of distressed assets as done in the past purchases in China.

## SINGAPORE

### CapitaLand (CAPL SP)

#### BUY

Current Price: S\$2.59  
Target Price: S\$3.35

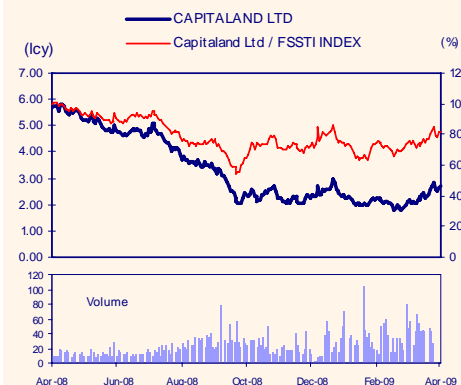
Sector	Property
52-Wk Avg Daily Vol. ('000)	23,232
Market Cap (S\$m)	10,993.2
(US\$m)	7,377.0

Major Shareholders (%)	
Temasek Hldgs	41.7

Book NTA per Share (S\$)	2.84
ROE (%)	12.2
Net Debt per Share (S\$)	1.07

Results Due	
1Q: Apr	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	3,792.7	3,868.6	2,759.3	93.9	169.6	2.7	3.3	15.0	5.8
2008	2,752.3	1,895.6	1,260.1	41.5	(54.7)	5.8	6.8	7.0	2.7
2009F	2,680.9	1,337.6	304.2	10.0	(75.9)	24.0	9.7	6.0	2.3
2010F	2,817.8	1,371.1	460.5	15.1	51.4	15.9	9.4	7.0	2.7
2011F	3,508.6	1,630.6	540.3	17.8	17.3	13.5	7.9	7.0	2.7

Consensus Net Profit – FY09: S\$460.5m  
– FY10: S\$495.5m

**Pre-sold projects to drive earnings forward.** CapitaLand is working to get the Gillman Heights site to be ready for launch in 2010. The Group expects revenue recognition from sales achieved in prior years to drive earnings in 2009, with maiden contributions from The Seafront on Meyer and The Orchard Residences projects towards the latter half of the year.

**Beneficiary of supportive policy initiatives in China.** The supportive policy initiatives by the Chinese government are helping to improve home buying sentiment, with most Chinese cities reporting significant increases in sales volumes in 1Q09. CapitaLand derives nearly 22% of its value from China and is likely to benefit from these initiatives to boost the property sector.

#### Earnings Revision

No revisions to our earnings estimates.

#### Valuation/Recommendation

We expect better core earnings contribution in the latter half to offset the weak first quarter results. CapitaLand is well capitalised to ride out the weak property market conditions and take advantage of opportunities. Maintain BUY with a target price of S\$3.35 pegged at a 20% premium to 2009F RNAV of S\$2.79.

#### Profit & Loss

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Turnover	3,792.7	2,752.3	2,680.9	2,817.8	3,508.6
EBIT	3,824.0	2,213.5	1,288.7	1,320.9	1,578.4
Pre-tax Profit	3,420.5	1,697.2	865.1	900.5	1,164.6
Net Profit	2,759.3	1,260.1	304.2	460.5	540.3

#### Balance Sheet

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	10,262.8	9,544.6	11,425.7	11,578.2	12,459.2
Total Assets	26,603.0	26,275.9	28,241.8	28,558.2	29,501.0
Current Liabilities	5,142.3	4,692.8	4,403.8	4,480.8	5,094.6
Long-Term Liabilities	8,833.6	8,403.0	8,403.0	8,303.0	8,203.0
Shareholder Funds	9,940.9	10,681.7	12,690.9	12,993.3	13,375.5
Total Equity & Liabilities	26,603.0	26,275.9	28,241.8	28,558.2	29,501.0

#### Cash Flow

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	555.2	1,170.0	655.1	782.6	1,165.5
Investing	37.5	(936.4)	34.3	(9.5)	6.9
Financing	1,082.3	(387.5)	1,236.3	(705.9)	(722.0)
Net Cash In/(Out) Flow	1,671.1	(127.6)	1,925.6	67.2	450.5
Begin Cash & Cash Equiv.	2,684.9	4,356.0	4,228.4	6,154.0	6,221.3
End'g Cash & Cash Equiv.	4,356.0	4,228.4	6,154.0	6,221.3	6,671.8

## Rickmers Maritime

1Q09: Attractive yields but risks remain

RMT is distributing 1Q09 DPU of 2.14 US cents, implying a yield of 35.6% p.a. With US\$700m unfunded capex and falling asset prices, we reduce our fair price by 36% to S\$0.44.

### 1Q09 Results

Year to 31 Dec	1Q09 (US\$m)	yoy % chg	4Q08 (US\$m)	qoq % chg	Remarks
Charter revenue	32.5	45.7	29.6	10.1	Contribution from five new vessels
Charter revenue less operating expenses	25.8	46.4	23.5	10.0	Lower lubricant oil expenses
EBITDA	25.0	53.2	22.7	10.5	
PBT	11.0	31.6	7.2	53.8	
NPAT	11.0	31.6	7.2	53.8	Highest quarterly profit since May 07
DPU	2.14	0.0	2.25	(4.9)	46% payout ratio
EBITDA Margin (%)	77.0		76.7		

Source: RMT, UOB Kay Hian

### Results

Rickmers Maritime (RMT) reported a net profit of US\$11.0m for 1Q09 (+31.6% yoy; 53.8% qoq), accounting for 25.6% of our 2009 forecast, and thus within our expectation (+31.6% yoy; 53.8% qoq). The increase in earnings was mainly due to an increase in fleet by five vessels and lower-than-expected lubricant oil expenses.

Income available for distribution is US\$19.6m (+ 60.0% yoy) for 1Q09. RMT is paying DPU of 2.14 US cents, or 46% of distributable cash flow (4Q08: 60%). A reduction in its payout ratio is mainly to conserve cash for financial flexibility in view of the current credit crunch.

### Stock Impact

Seven vessels are expected to join its current fleet of 16 containerships between Aug 09 and Dec 10. Three vessels worth US\$207m have secured financing. The remaining four 13,100 TEU vessels (delivery between Jul-Sep 10), which cost US\$700m in total, remain unfunded. However, these vessels have secured 10-year charter contracts with Maersk effective 2H10 at a daily time charter rate of US\$56,491 (Annual revenue of US\$21m per vessel). RMT is still evaluating financing options for these four vessels. There is a US\$130m bullet payment due in Apr 10. RMT is seeking to re-finance a major portion of the loan and top up the rest with cash.

As of Mar 09, RMT's gross debt totalled US\$782.2m. The company has a net gearing of 2.0x.

### Earnings Revision/Risk

The charter contract of Maersk Djibouti, one of RMT's 16 vessels, is due in Feb 10. We factor in the lay-up of this vessel in view of the current poor charter market. Hence, we reduce our net profit forecasts by 2-13%.

## SINGAPORE

### Rickmers Maritime (RMT SP)

#### HOLD

Current Price: S\$0.36  
Fair Price: S\$0.44 (US\$0.29)  
(Previous: S\$0.69 (US\$0.46))

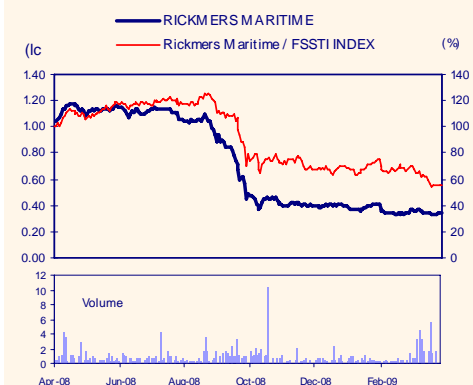
Sector	Shipping
52-Wk Avg Daily Vol. ('000)	878
Market Cap (S\$m)	131.9
(US\$m)	88.5

Major Shareholders (%)	
Rickmers Hldgs GMBH	20.2
Pacific Hldgs Int'l	18.1
Fidelity Management	11.7

Book NTA per Share (US\$)	0.72
ROE (%)	9.0
Net Debt per Share (S\$)	1.67

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

### 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#	37.6	28.2	20.6	5.3	n.a.	4.5	28.5	5.6	23.5
2008	102.1	77.7	34.4	8.5	60.2	2.8	10.3	9.0	37.5
2009F	154.3	115.5	41.9	9.9	17.0	2.4	7.0	8.1	33.7
2010F	194.8	145.8	44.3	8.7	(12.1)	2.8	5.5	7.9	32.9
2011F	250.7	191.6	63.9	8.3	(4.1)	2.9	4.2	7.9	33.1

Consensus Net Profit – FY09: US\$37.4m  
– FY10: US\$46.7m

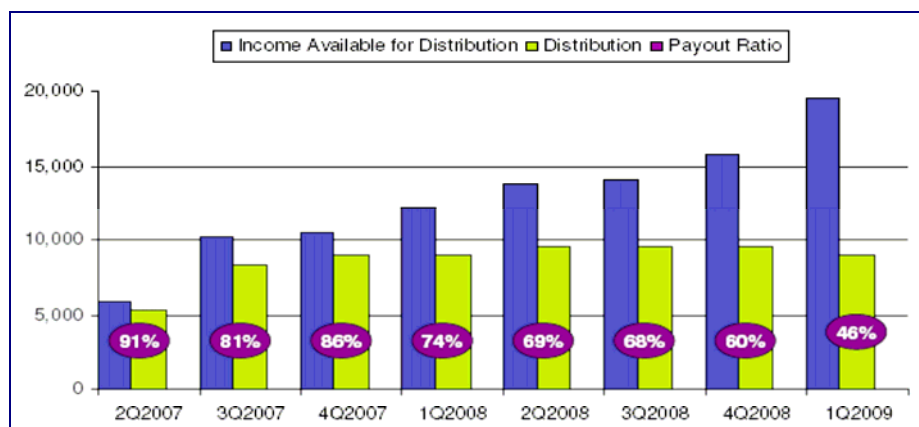
# For the period 4 May 07 to 31 Dec 07

We do not rule out a breach in its loan-to-value (LTV) covenant of 90% in view of the recent collapse in ship values. That said, RMT is in discussion with its bankers on the possible waiver of the LTV covenants. Should asset prices continue to fall and RMT is unable to obtain a waiver of its LTV covenants, bankers may require the trust to reduce dividend payout in order to partially pay down its loans. The other risk is re-negotiation of charter rates by RMT's charterers.

**Valuation/Recommendation**

We forecast 33.7% and 32.9% DPU yield for 2009 and 2010 respectively. However, there is downside risk in our forecasts. Maintain HOLD in view of the unfunded US\$700m capex due in 2010 and risk of falling asset prices that may breach LTV covenants. We reduce our fair price from S\$0.69 (US\$0.46) to S\$0.44 (US\$0.29) on a higher discount rate of 14% (13% previously) in our discounted cash flow valuation.

**RMT's Distribution Payout**



Source: RMT

**Profit & Loss**

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Turnover	37.6	102.1	154.3	194.8	250.7
EBIT	23.5	55.7	82.1	101.5	132.7
Pre-tax Profit	20.6	34.4	41.9	44.3	63.9
Net Profit	20.6	34.4	41.9	44.3	63.9

**Balance Sheet**

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Current Assets	14.9	13.3	33.1	39.7	79.1
Total Assets	723.7	995.8	1,328.1	2,057.0	2,036.1
Current Liabilities	-	-	-	-	-
Long-Term Loans	242.0	517.1	849.9	1,297.5	1,276.1
Shareholders' Funds	418.7	348.0	443.2	727.0	730.0
Total Equity & Liabilities	723.7	995.8	1,328.1	2,057.0	2,036.1

**Cash Flow**

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Operating	29.9	78.0	115.5	145.8	191.6
Investing	(519.8)	(293.4)	(350.9)	(768.0)	0.9
Financing	503.1	213.2	257.5	628.8	(153.0)
Net Cash In/(Out) Flow	13.2	(2.2)	22.2	6.6	39.4
Begin Cash & Cash Equiv.	-	13.2	11.0	33.1	39.7
End'g Cash & Cash Equiv.	13.2	11.0	33.1	39.7	79.1

## Golden Agri-Resources

Sustained volume growth supported by expansion

Capacity expansion and huge immature area may sustain Golden Agri-Resources' (GGR) production volume growth. We raise our target price to S\$0.45. Maintain BUY.

### Corporate Events

Key highlights from company visit.

### Stock Impact

**Sturdy CPO prices.** CPO prices remained strong owing to the bigger-than-expected decline in the palm oil stock in Malaysia and Indonesia on the back of strong demand and lower CPO production. As most of GGR's CPO are sold mainly in the spot market, the company will benefit from the current sturdy CPO prices.

**Growth underpinned by volume growth.** We expect higher production volume from both upstream and downstream due to capacity expansion as well as huge immature area as a result of aggressive new planting in the last three years. Management expects CPO production volume to grow 10% yoy in 2009. However, FFB yield is likely to decline in 2009 because of the large new matured area.

**Production cost (ex-mill) to ease in 2H09 on lower fertiliser cost.** We believe there is no significant change in production cost in 1Q09 from 4Q08 due to the carry-over of fertiliser inventory. As such, management indicated that nucleus production cost (ex-mill) is expected to edge up slightly to US\$260/tonne in 2009 from US\$247/tonne in 2008. In 4Q08, the company posted higher nucleus production cost of US\$277/tonne.

**Scaled down new planting activities to conserve cash.** To conserve cash under current market condition, the company slowed down its new planting target to about 20,000ha for 2009. Last year, the company expanded new planted area by 32,000ha. The investment cost for new planting up to maturity (during third year of planting) is about US\$6,000/ha with a composition of 50%, 30% and 20% for the first, second and third year respectively.

**Capex of US\$200m mostly for upstream activities.** This year, the company plans to spend US\$200m in capital expenditure- US\$150m for upstream activities and US\$50m for downstream activities. Meanwhile, besides completing the mill in Kalimantan which has an annual capacity of 200,000 tonnes, GGR plans to build three new mills by 2010- two in Kalimantan and one in Sumatra with annual capacity of 825,000 tonnes.

## SINGAPORE

### Golden Agri-Resources (GGR SP)

#### BUY

Current Price: S\$0.38

Target Price: S\$0.45

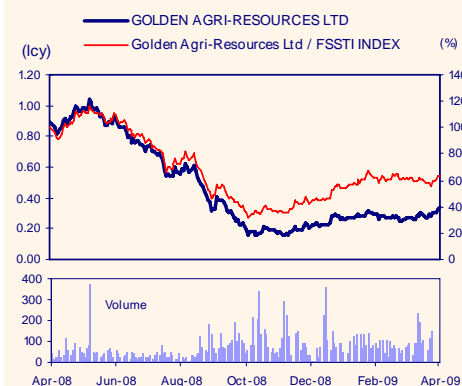
(Previous: S\$0.33)

Sector	Plantation
52-Wk Avg Daily Vol. ('000)	72,497
Market Cap (S\$m)	3,942.5
(US\$m)	2,645.6
Major Shareholders (%)	
Widjaja Family	48.6
Book NTA per Share (US\$)	0.518
ROE (%)	9.2
Net Debt per Share (US\$)	0.048

#### Results Due

1Q: Apr	2Q: Aug
3Q: Oct	Final: Mar

#### 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	1,873.4	534.7	352.6	3.5	213.8	7.2	5.5	0.5	2.0
2008	2,985.9	597.2	362.5	3.6	2.8	7.0	5.0	0.4	1.4
2009F	2,237.3	483.6	270.7	2.6	(28.2)	9.8	6.3	0.0	0.0
2010F	2,770.9	610.9	376.5	3.6	39.1	7.0	5.0	0.4	1.4
2011F	2,904.1	657.0	396.1	3.8	5.2	6.7	4.7	0.4	1.5

Consensus Net Profit – FY09: US\$225.9m – FY10: US\$354.6m  
 Note: \*Exclude changes in fair value of biological assets

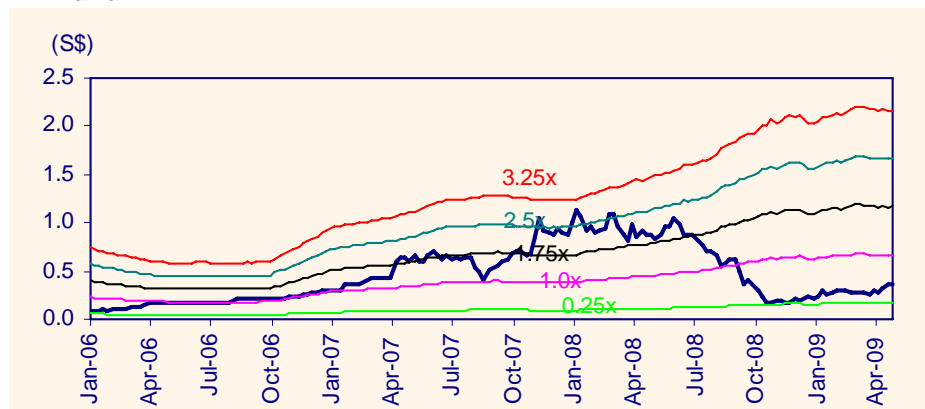
**Earning Revision**

To reflect our new margin assumptions, we cut our net profit forecast by 9.1% for 2009 and 14.9% for 2010 to US\$270.7m and US\$376.5m respectively.

**Valuation/Recommendation**

**Undemanding valuation among regional peers.** Maintain BUY with target price of S\$0.45, based on 11x 2009F PE for integrated players. This target price implies 2009F P/B of 0.6x. Currently, GGR trades at 9.8x 2009F PE, which is undemanding vs its closest peers listed in Singapore- Indofood Agri Resources' (IFAR) 10.1x and Wilmar's 13.9x.

**PB Band**



Source: UOB Kay Hian

**Profit & Loss**

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Turnover	1,873.4	2,985.9	2,237.3	2,770.9	2,904.1
Gross Profit	658.3	876.1	643.9	815.9	869.6
Operating Profit	473.5	529.1	434.5	555.0	594.0
Pre-tax Profit	1,802.9	1,947.1	408.0	567.6	597.1
Reported Net Profit	1,164.8	1,382.5	270.7	376.5	396.1
Adjusted Net Profit*	352.6	362.5	270.7	376.5	396.1

Note: \*Exclude changes in fair value of biological assets

**Balance Sheet**

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Current Assets	741.8	702.9	768.0	922.4	1,050.4
Total Assets	5,012.8	6,825.5	6,990.2	7,267.9	7,502.2
Current Liabilities	517.8	548.0	588.1	610.4	567.4
Total Liabilities	1,113.8	1,570.7	1,446.7	1,356.5	1,270.1
Shareholders' Equity	3,302.6	4,613.7	4,857.3	5,196.2	5,552.7
Total Equity & Liabilities	5,012.8	6,825.5	6,990.2	7,267.9	7,502.2

**Cash Flow**

Year to 31 Dec (US\$m)	2007	2008	2009F	2010F	2011F
Cash Flow from Operating	159.0	584.7	500.4	432.7	485.1
Cash Flow from Investing	(532.4)	(540.3)	(229.4)	(291.9)	(289.9)
Cash Flow from Financing	367.5	(35.7)	(152.3)	(144.3)	(102.9)
Net Cash Inflow/(Outflow)	(5.9)	8.7	118.6	(3.5)	92.2
Begin Cash & Cash Equiv.	130.4	124.5	133.2	251.8	248.3
Ending Cash & cash Equiv.	124.5	133.2	251.8	248.3	340.5

## Keppel Land, Keppel Corp

Keppel Land's rights issue strongly supported by Keppel Corp

*Post-rights, Keppel Land will be well positioned to take advantage of opportunities with a 0.22x gearing and healthy cash balance of S\$1.34b. Keppel Corp is sufficiently robust to fund Keppel Land's rights issue.*

### Corporate Events

Keppel Land has announced a fully underwritten renounceable 9-for-10 rights issue at S\$1.09/share, a 42% discount to its last closing price of S\$1.88 on 23 April and a 53.7% discount to adjusted NTA of S\$2.35/share.

**Use of Proceeds.** The rights issue will raise S\$712.3m via the issuance of up to 653.5m new ordinary shares, which will be used for development expenditure, capital management and pursuit of strategic acquisition opportunities.

**Strong support from parent.** Temasek-linked Keppel Corp holds 52.6% of Keppel Land. Keppel Corp has given Keppel Land an undertaking to subscribe in full its entitlement of rights shares for S\$373m (scenario 1). It has also agreed to underwrite 90% of the remaining rights shares. Including these shares, the total consideration would be S\$678m (scenario 2).

### Stock Impact

#### Keppel Land

- **Well positioned to take advantage of opportunities.** Post-rights issue, its pro-forma net debt-to-equity ratio is expected to improve from 0.52x to 0.22x with pro-forma cash of S\$1.34b. The strong balance sheet acts as a buffer against potential asset write-downs and provides the necessary firepower to take advantage of arising opportunities. Post rights, KepLand's NTA/share will be diluted by 32.9% to S\$2.35.
- **Rights issue overhang out of the way.** As highlighted earlier, the risk of a cash call had existed for Keppel Land due to the gearing level and deteriorating earnings outlook. With the formal announcement of the rights issue, the cash call risk will no longer be a drag on the share price. The concerns over the development expenditure towards the completion of MBFC and OFC are also removed.

#### Keppel Corp

- **Balance sheet is sufficiently robust to support rights issue.** As of end-1Q09, Keppel Corp had gross cash of S\$2.2b, gross debt S\$2.0b and net cash of S\$174m. With shareholders' funds at S\$4.9b, Keppel Corp's balance sheet is sufficiently robust for Keppel Land's rights issue. However, we believe a substantial portion of its gross cash belongs to Keppel Offshore & Marine (KOM) and part of KOM's cash is customer deposits for its rig projects. With an outstanding orderbook of S\$9.5b, KOM would want to keep a large cash position as client defaults in contract payments remain a risk amid the current credit crunch.

At the company level, Keppel Corp's net cash was only S\$379m as of end-1Q09. We reckon it would likely fund its rights share entitlement with a combination of debt and cash. Under scenario 1, Keppel Corp's stake would remain at 52.64%, but under scenario 2, its stake would increase to 72.63%. Under scenario 1, our earnings forecasts would be unchanged. However, under scenario 2, our FY10 and FY11 net profit forecasts would be raised by 3-6%.

### SINGAPORE

#### Keppel Land (KPLD SP)

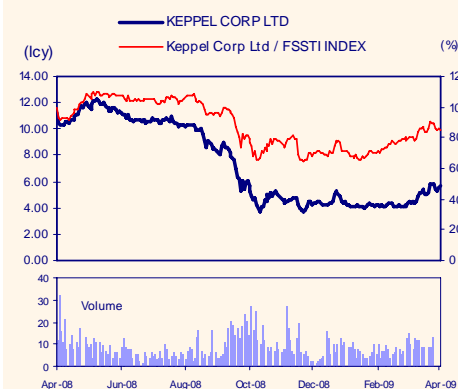
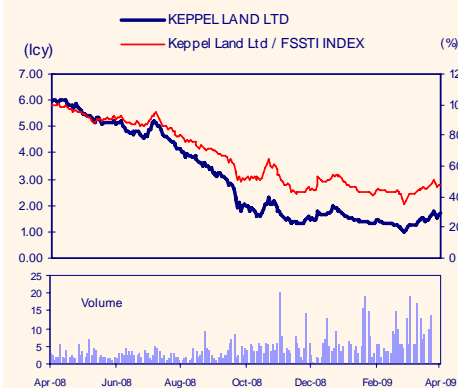
#### BUY

**Current Price: S\$1.76**  
**Target Price: S\$2.50**  
**(Previous: S\$2.10)**

#### Keppel Corp (KEP SP)

#### SELL

**Current Price: S\$5.89**  
**Fair Price: S\$4.85**  
**(Previous: S\$4.80)**



#### Analyst

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**Valuation/Recommendation**

**Keppel Land (BUY/S\$1.76/Target: S\$2.50)**

Post-rights, Keppel Land will be well positioned to take advantage of opportunities with a 0.22x gearing, healthy cash balances of S\$1.34b and unutilised credit facilities of S\$1.8b. Maintain BUY and we raise our target price from S\$2.10 to S\$2.50 (S\$1.70 ex-rights), pegged at parity (vs 15% discount previously) to FY09 RNAV of S\$2.48/share.

**Keppel Corp (SELL/S\$5.89/Fair: S\$4.85)**

As our cum-rights target price for Keppel Land is raised from S\$2.10 to S\$2.50, our target price for Keppel Corp is accordingly raised from S\$4.80 to S\$4.85 on a higher sum-to-the-parts valuation. Maintain SELL as share price is at a 21% premium to our revised fair price.

**Share Price Performance Of Temasek-linked Companies After Rights Announcement**

	1 mth prior to announcement	Ann to Ex-Rights	Ann to trading of Rights Shares	Trading of Rights Shares + 1 month
<b>DBS</b>	22 Nov 08 - 22 Dec 08	22 Dec 08 - 29 Dec 08	22 Dec 08 - 02 Feb 09	02 Feb 09 - 02 Mar 09
price performance (%)	-2.4	6.4	5.2	-12.8
relative to STI (%)	-7.4	4.4	7.6	-2.7
<b>CapitaLand</b>	09 Jan 09 - 09 Feb 09	09 Feb 09 - 19 Feb 09	09 Feb 09 - 23 Mar 09	23 Mar 09 - 23 Apr 09
price performance (%)	-18.9	9.0	12.5	20.5
relative to STI (%)	-12.1	12.1	13.6	8.7
<b>CapitaMall trust</b>	09 Jan 09 - 09 Feb 09	09 Feb - 04 Mar 09	09 Feb 09 - 03 Apr 09	03 Apr 09 - present
price performance (%)	-15.2	-10.4	14.9	-17.6
relative to STI (%)	-8.4	-2.2	6.7	-16.7

Source: UOB Kay Hian

**DBS**



**CapitaLand**



**CapitaMall Trust**



## Amata Corporation

### Another round of earnings revision

Outlook remains lacklustre as every business unit is still performing poorly. We see no sign of recovery in the short to medium term. We modestly cut our earnings forecasts and fair price. Maintain SELL.

### Corporate Events

In our recent meeting with AMATA, we found its outlook is still very gloomy with weak industrial land sales of only 50rai in 1Q09, sluggish rental and utilities income as well as lower profit contribution from its subsidiary in Vietnam. To manage its internal cash flow, AMATA looks to cut its capex by more than half from the original budget of Bt1b-2b, reschedule its debt repayment term and cut dividend payout.

AMATA sold only 50rai of industrial land in 1Q09 (4Q08: 200rai) to existing customers. New investors are adopting a wait-and-see stance and some even decided to go to other countries, particularly Malaysia. Management admits that the current situation with a global economic crisis and internal political turmoil is worse than during the 1997-8 Asian economic crisis.

The Board of Investment (BOI) of Thailand looks to cut this year's target by 40% from Bt650b to Bt400b, still optimistic compared with the average annual BOI investment of Bt260b during the last crisis in 1998-2003. Hence, we expect to see another round of cut in the latter part of this year as the economy worsens.

Rental income and utilities income are also sluggish. Newly-built rental factories with a combined space of 20,000sqm (current total space 60,000sqm) remain empty. Utilities income (raw water sales, and waste water treatment) has weakened in line with a sharp decline in industrial capacity utilisation from 70% in mid-08 to 55% in Feb 09.

Annual profit contribution from its subsidiary in Vietnam will plunge this year from US\$8m-9m to only US\$2m after changes in the accounting standards announced by the Vietnamese government in an attempt to reduce profit remittance by foreign firms.

### Earnings Revision

We had earlier estimated AMATA's 2009 land sales to drop 40% yoy to 525rai, the level achieved in the dot-com crisis in 2001. However, as things are looking weaker, we slash our land sales forecast by half to 263rai (-70% yoy), lower profit contribution from its subsidiary in Vietnam and trim its recurring income. With these new assumptions, we cut our 2009 net profit forecast by 20% to Bt424m, -64% yoy.

### Recommendation

Re-iterate SELL. The pace of sales contraction is more than expected while other business units also face a sharp slowdown. We see no sign of recovery in the short to medium term. Following our earnings downgrade, we cut our fair price to Bt2.11 based on its trough P/B of 0.45x (average P/B between 1997 to early-02).

## THAILAND

### Amata Corporation (AMATA TB)

### SELL

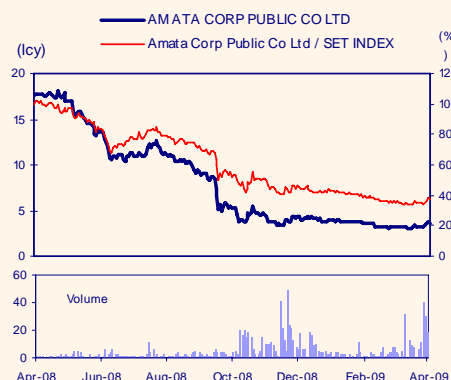
Current Price: Bt3.76

Fair Price: Bt2.11

(Previous Bt2.52)

Sector	Property
52-Wk Avg Daily Vol. ('000)	4,837
Market Cap (Btm)	4,011.9
(US\$m)	114.6
Major Shareholders (%)	
Mr. Vikrom Kromdit	23.9
Book NTA per Share (Bt)	4.60
ROE (%)	26.0
Net debt/share (Bt)	3.50
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

### 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)	Yield (%)
2007	4,314	1,745	1,027	0.96	31.5	3.9	4.0	0.9	0.55	14.6
2008	3,859	1,784	1,192	1.12	16.1	3.4	4.9	0.8	0.61	16.3
2009F	2,218	855	424	0.40	(64.4)	9.5	9.1	0.8	0.12	3.2
2010F	2,109	842	386	0.36	(9.1)	10.4	8.4	0.8	0.11	2.9
2011F	2,102	854	348	0.33	(9.7)	11.5	7.7	0.7	0.10	2.6

Consensus Net profit – FY09: Bt464m  
 – FY10: Bt436m

**Profit & Loss**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	4,314	3,859	2,218	2,109	2,102
EBIT	1,599	1,812	768	708	660
Pre-tax Profit	1,366	1,562	583	544	507
Net Profit	1,027	1,192	424	386	348
EPS (Bt)	0.96	1.12	0.40	0.36	0.33

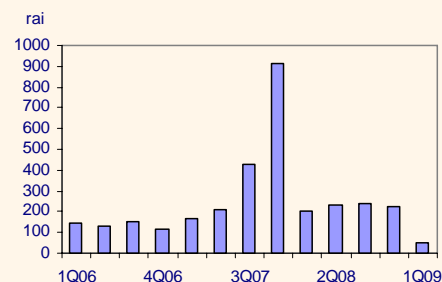
**Balance Sheet**

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	4,944	6,247	5,019	5,068	5,480
Total Assets	9,755	12,359	11,040	10,995	11,367
Current Liabilities	2,575	3,391	2,695	2,809	2,858
Long-term Loans	2,116	3,251	2,500	2,000	2,000
Shareholders' Funds	4,861	5,584	5,770	6,111	6,433
Total Equity & Liabilities	9,755	12,359	11,041	10,994	11,366

**Cash Flow**

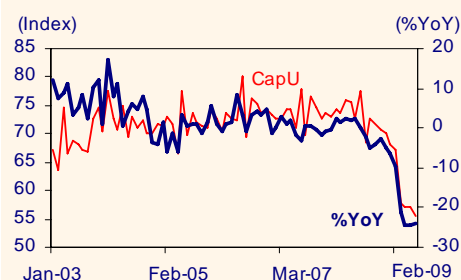
Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	1,639	(110)	1,360	875	798
Investing	(1,037)	(1,127)	(125)	(169)	(275)
Financing	(707)	1,417	(1,742)	(537)	(22)
Net Cash Inflow/(Outflow)	(105)	180	(508)	168	501
Begin Cash & Cash Equiv.	582	477	657	149	317
End'g Cash & Cash Equiv.	477	657	149	317	818

**Quarterly Industrial Land Sales**



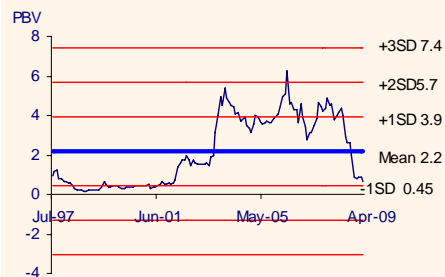
Source: AMATA

**Industrial Capacity Utilisation**



Source: Bank of Thailand

**AMATA's Share Price and Standard Deviation**



Source: SETSMART, UOB Kay Hian

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