Apr 09 PMI

PMI improves further in April

DATA RELEASED (PMI in Apr 09): 53.5
PREVIOUS DATA (PMI in Mar 09): 52.4

PMI rose for the fifth consecutive month. China's Purchase Management Index (PMI) strengthened to 53.5 in Apr 09 from 52.4 in March, increasing the likelihood of the economy improving on both qoq and yoy basis in 2Q09.

Production resumed further as new order index rose. Among the sub-indices, the production index rose to 57.4 in April as both new order and new export order indices improved. However, for some sectors such as steel, the output index had exceeded 50 but the new order index was still below 50. This indicates the production resumption was not based on new orders but on expectation. Similar to March, the machinery and equipment sector led the production expansion. Production index for non-ferrous metals was above 50 as the industry benefitted from the government accumulating inventory. However, without a solid improvement in end-user demand, excess capacity could rise.

External demand improved but still below 50. New export order gained to 49.1 in April. More than half of sub-sector indices including clothing, footwear and textiles were below 50. Exports could remain sluggish before the G3 economies recover.

Continued rise in input prices reduces deflationary pressure. The input index exceeded 50 for the first time since Aug 08. The rebound in the global commodity prices from a bottom has translated into higher input prices for China's manufacturers, which reduces deflationary pressure and can revoke re-stocking. This could suggest inflation coming back earlier than expected. It could also mean investment having a more positive contribution to the economy ahead.

PMI Details

	Output	New Order	New Export Order	Input Prices	Employment	Overall
2008						
Jan 00 008	56.1	55.2	49	67.7	49.7	53
Feb 08	55.4	56.9	51.3	70.1	49.8	53.4
Mar	55.3	63.8	59.1	74.6	53.4	58.4
Apr	66.5	65.0	58.9	75.1	52.9	59.2
May	55.7	55.4	53.4	73.9	51.2	53.3
Jun	54.2	52.6	50.2	75.7	50.3	52
Jul	47.4	46.2	46.7	71.3	50.6	48.4
Aug	48.7	46.0	48.4	57.8	50.7	48.4
Sep	54.6	51.3	48.8	44.7	50.3	51.2
Oct	44.3	41.7	41.4	32.3	47	44.6
Nov	35.5	32.2	29	26.6	44.3	38.8
Dec	39.4	37.3	30.7	32.7	43.3	41.2
2009						
Jan	45.5	45	33.7	41.5	43	45.3
Feb	51.2	50.4	43.4	46.5	46.1	49
Mar	56.9	54.6	47.5	48.3	48.6	52.4
Apr	57.4	56.6	49.1	51.3	50.3	53.5

Source: CEIC

CHINA

Economics

Analyst

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Strategy

A sustainable rally in 2H09

Sustainable rally in China H shares in 2H09. We raise 2009 year-end HSCEI target from 9,500 to 10,800. Upgrade property and metals to OVERWEIGHT. Downgrade telecom to UNDERWEIGHT. Biggest bets on cyclical sectors.

A young bull is emerging. The current rally in China H shares is sustainable in 2H09 and possibility in 2010 because:

- **GDP growth to pick up from 2Q09 onwards**. GDP growth had hit bottom at 6.1% yoy in 1Q09 and will improve steadily from 2Q09 as the impact of the government's aggressive infrastructure spending gathers steam. The growth momentum is sustainable in 2010 as capital investment of the private sector is set to improve on the heels of an improving housing market.
- **Earnings prospects are improving**. The corporate earnings downgrade cycle was reversed in April. In early March, we estimated EPS growth of -3% for UOB Kay Hian China universe of stocks; in early April, the EPS growth rate was revised up to -1%. Following the release of 1Q09 results for some major Chinese companies, the EPS growth rate has been revised up to +3%. Given the improving economic outlook, we see the possibility of a further earnings upgrade in the coming months. In 2010, we expect a nice recovery of 15% earnings growth, thanks to a broad-based economic recovery. The improving earnings prospects will keep the market on an uptrend in 2H09.
- **Undemanding valuation**. Valuation remains attractive compared to historical ranges. In particular, the yield gap between the HSCEI and bonds remains high. This suggests that the recent rally is not excessive and stock prices are far from their peak.

Taking cues from the history of HSI. As the history of the HSCEI is short and the index was dominated by many low quality cyclical stocks before 2003, it is meaningless to look at its longer history and judge the fair valuations and average historical returns. As such, we take cues from the HSI because a) the HSCEI is fast becoming a new benchmark index for the Hong Kong market while the HSI is the old index, and b) many large-capped H-share companies are the constituent stocks of both the HSI and the HSCEI. We have the following three observations:

- **PEs rose to 12–17x in 12 months**. The Hong Kong market experienced three major corrections (or bear markets) in the past 15 years - 1994, 1997/1998 and 2002/2003 and the HSI traded at a PE of 7.2–12.8x at the bottom. During the subsequent recovery years, the PEs expanded to the range of 12.8–17.3x in 12 months. This should be good reference for us to gauge the fair PE for the HSCEI in the first year of recovery.
- **Average return of 65%.** The average return of the recovery years stands at 65%. In the recent bear market, the HSI hit the low at 11,344 on 9 March and has risen 34.5% since then. This suggests that the HSI could move higher in the coming months. As the HSI and the HSCEI are highly correlated, we can reasonably believe that there is upside in the HSCEI in the coming months.
- **"Sell in May and go away" does not work in the first year**. As we are now at the beginning of May, many investors are concerned that the market may experience a major pullback as "sell in May and go away" may work again this year. However, looking at the last three recovery years after major bear markets, there was only one mild pullback in May 1999. The index subsequently recovered in June. In the other two cycles, the HSI was firm from May through September. In other words, "sell in May and go away" does not work in the first year of recovery.

CHINA

Strategy

China

Sector Ratings

Sector	Rating
Agriculture	Overweight
Banking	Market Weight
Coal	Overweight
Consumer	Market Weight
Food & Beverage	Underweight
Infrastructure	Overweight
Insurance	Overweight
Metal	Overweight
Oil & Gas	Overweight
Power	Market Weight
Power Equipment	Underweight
Property	Overweight
Shipping	Underweight
Telecommunications	Underweight

Source: UOB Kay Hian

Top BUYs

	Price (HK$)	Target Price (HK$)	FY09 PE (x)
Angang (347)	9.36	12.40	25.40
China Coal Energy (1898)	6.74	8.80	10.40
China Life (2628)	27.35	31.30	26.80
China Shenhua (1088)	21.75	25.00	13.40
China Resources Land (1109)	14.04	Under Review	30.90
CRG (390)	5.35	6.00	18.00
GZ R&F (2777)	12.68	14.00	14.80
Maanshan Steel (323)	3.19	4.50	19.10
PetroChina (857)	6.86	7.80	10.60
Sinopec (386)	6.08	6.60	6.90

Source: UOB Kay Hian

Top SELLs

	Price (HK$)	Target Price (HK$)	FY08 PE (x)
Harbin Power (1133)	5.89	4.50	11.10
PICC (2328)	4.43	3.95	17.80
Parkson (3368)	9.85	5.15	25.30
Shanghai Electric (2727)	2.80	2.50	18.90

Source: UOB Kay Hian

Analyst

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2003 vs 2009. The following table shows similarities between the bear markets in 2002/2003 and 2008/2009.

2002/2003	2008/2009
• There was a SARS epidemic in 1H03;	• There was a H1N1 flu in 1H09;
• The Fed took aggressive expansionary monetary policy after the bursting of Internet bubble;	• The Fed took aggressive expansionary monetary policy because of the credit market crisis;
• China's economy hit the trough in 2Q03 at 7.9%. The central government took measures to support growth because of the negative impact of SARS.	• China's economy may have hit the trough in 1Q09 at 6.1%. The central government is taking aggressive fiscal and monetary policies to support growth.
• Small- and mid-caps recovered strongly after the market hit bottom in April 03.	• There has been a broad-based recovery in small- and mid-caps since the market hit bottom in Mar 09.

Source: UOB Kay Hian

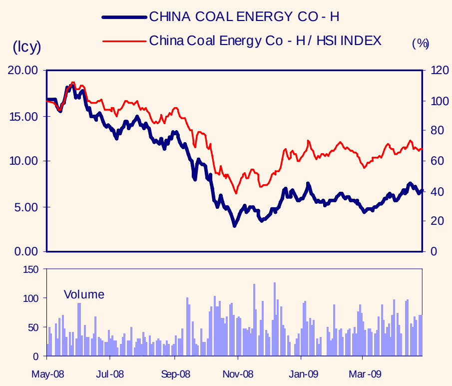
Upgrade year-end target of HSCEI. We upgrade the 2009 year-end target of the HSCEI from 9,500 to 10,800. Our old target was based on a PE of 13x for 2009, which is the average PE of the HSCEI in the last seven years. Our new target is based on 15x our revised earnings for 2009. We believe that 15x is achievable by the end of this year because a) we estimate a 15% EPS growth in 2010, and b) the PE of the HSI expanded to the range of 12.8–17.3x in recovery years. The new target represents a 5.5% premium to our DDM-based target of 10,241 and points to an upside of 19% from now till the end of this year.

Upgrade property and metal stocks to OVERWEIGHT. Cyclical stocks will benefit significantly from a pick-up in GDP growth from 2Q09 and the improving capital investment as a result of the strong housing market. We upgrade both property and metals from MARKET WEIGHT to OVERWEIGHT. We put our biggest bets on property, metals, coal and energy. We also favour growth sectors like infrastructure and life insurance given the strong secular outlook. We downgrade telecom from MARKET WEIGHT to UNDERWEIGHT because we are concerned with the poor earnings outlook for telcos and have become less upbeat on telecom equipment following the rally in ZTE Corp.

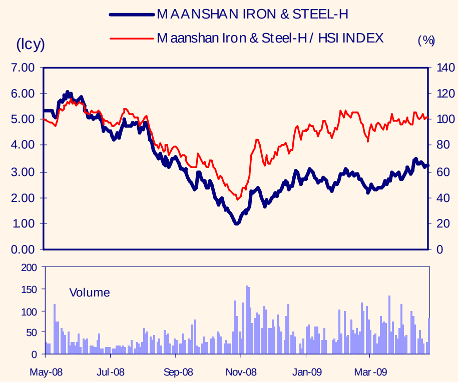
Top stock picks. Our top SELLs and BUYs are shown in the right-hand column on the previous page. Our BUYs include Maanshan Steel, Angang, China Resources Land, GZ R&F, PetroChina. Sinopec, China Coal Energy, China Shenhua, China Life and CRG. Our SELLs include Harbin Power, Shanghai Electric, Parkson, and PICC.

Pair trading strategy. We recommend two pair trading ideas. The first is LONG CCS (552) and SHORT ZTE (763). We believe CCS is likely to outperform ZTE in the near term because of a) more attractive valuation, b) lower overseas exposures, and c) an expected slowdown of 3G equipment-related capex from 2010. The second is LONG CNBM (3323) and SHORT Anhui Conch (914). CNBM is likely to keep outperforming Anhui Conch because of improving margins, better profitability and easing credit conditions in China that bodes well for CNBM.

Price Chart



Source: Bloomberg



Source: Bloomberg

China COSCO

1Q09: Net loss of Rmb3.35b, worse than expectations

CCH announced a net loss (PRC GAAP) of Rmb3,351m in 1Q09. The disappointing results were mainly due to margin contraction and declining freight rates.

1Q09 Results (PRC GAAP)

Year to 31 Dec (Rmbm)	1Q08	1Q09	yoy % chg
Revenue	29,697	10,758	(63.8)
COGS	(22,059)	(13,367)	(39.4)
Gross profit	7,638	(2,609)	n.a.
Operating profit	8,150	(2,326)	n.a.
Profit before tax	8,243	(3,272)	n.a.
Taxation	(1,804)	130	n.a.
Net profit	**6,139**	**(3,351)**	**n.a.**
EPS (Rmb)	0.60	(0.33)	
Profitability (%)			
Gross margin	25.7	-24.3	
Operating margin	27.4	-21.6	
Net margin	20.7	-31.1	

Source: China COSCO, UOB Kay Hian

Results

Net loss of Rmb3,351m in 1Q09, worse than expectations. China COSCO (CCH) announced the first quarter results (PRC accounting standards). Total revenue dropped 64% yoy to Rmb10,758m but net loss reached Rmb3,351m in 1Q09 (2H08: net loss of Rmb3,505m). The disappointing results were due to the provision of onerous contracts (Rmb982m), worsening negative gross margin and declining freight rates.

Stock Impact

CCH's sharply deteriorating top line suggests its dry bulk and container shipping business is facing pressure on freight rates amid falling cargo volume. CCH's net margin of -31.1% in 1Q09 (vs 20.7% in 1Q08) also meant a very tough time for the shipping business. Therefore, CCH also issued a profit warning that 1H09 net profit is expected to drop by more than 50%yoy.

Declining dry bulk freight rates. Currently, CCH has a fleet of 433 vessels (212 owned and 221 chartered-in) with capacity of 34.2m dwt. CCH's time charter equivalent (TCE) rate dropped 77% yoy to US$12,461/day while revenue days were up 4% yoy to 37,917 days in 1Q09. CCH's revenue generated from dry bulk business declined significantly in 1Q09 in light of the falling freight rates. As we believe the BDI and dry bulk freight rates will continue to remain weak, CCH is struggling to make a profit this year.

Disappointing container shipping business. Total revenue for CCH's container shipping arm COSCON decreased by 55.6% yoy to Rmb4,422m in 1Q09. It was mainly due to declining shipping volume (-29.7% yoy to 0.99m TEUs) and decreasing average freight rates (-37.8% yoy). COSCON's Asia-Europe lane was hardest hit (volume dropped 34.7% yoy and average freight rate decreased by 55.5% yoy). As a result, COSCON's average freight rate decreased by 37.8% yoy to Rmb4,307/TEU.

CHINA

China COSCO (1919 HK)

SELL

Current Price: HK$6.39
Fair Price: HK$4.00

Sector	Transport
52-Wk Avg Daily Vol. ('000)	60,604
Market Cap (HK$m)	16,490
(US$m)	2,114
Major Shareholders (%)	
COSCO Group	53.6
Book NTA per Share (RMB)	4.6
ROE (%)	23.4
Net Cash per Share (RMB)	0.0
Results Due	
Interim	August
Final	April

Price Chart

Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Rmb)	Yield (%)
2007	112,233	28,226	19,482	2.18	109.5	2.6	3.5	0.20	3.6
2008	130,872	18,163	11,617	1.14	(47.9)	4.9	7.5	0.29	5.2
2009F	95,471	4,423	564	0.06	(95.1)	101.4	17.7	0.01	0.2
2010F	83,942	4,804	1,367	0.13	142.2	41.8	16.7	0.03	0.6
2011F	89,717	4,676	2,116	0.21	54.8	27.0	5.2	0.05	0.9

Consensus Net Profit – FY09: Rmb311m
– FY10: Rmb537m

Valuation/Recommendation

The stock is currently trading at 1.1x 2010 P/B (historical average of 1.9x P/B). Our fair price of HK$4.00 is equivalent to 0.7x 2010 P/B (higher than -1 standard deviation P/B). We regard its valuation as demanding.

Operating Data

Total revenue of container shipping routes (Rmb'000)	1Q08	1Q09	% YoY
Trans-Pacific	2,954,491	1,587,100	(46.3)
Europe / Mediterranean	3,732,387	1,083,413	(71.0)
Intra-Asia (incl. Australia)	1,579,163	788,382	(50.1)
Other Int'l (incl. Trans-Atlantic)	510,110	204,204	(60.0)
China domestic	1,026,811	620,437	(39.6)
Sub-total	**9,802,962**	**4,283,536**	**(56.3)**
Chartered out / (Unallocated)	152,175	138,100	(9.2)
Total	**9,955,137**	**4,421,636**	**(55.6)**
Volume (TEU)			
Trans-Pacific	322,465	220,003	(31.8)
Europe / Mediterranean	363,360	237,172	(34.7)
Intra-Asia (incl. Australia)	351,954	243,404	(30.8)
Other Int'l (incl. Trans-Atlantic)	55,478	42,797	(22.9)
China domestic	322,114	251,122	(22.0)
Total	**1,415,371**	**994,498**	**(29.7)**
Freight rate (Rmb/TEU)			
Trans-Pacific	9,162	7,214	(21.3)
Europe / Mediterranean	10,272	4,568	(55.5)
Intra-Asia (incl. Australia)	4,487	3,239	(27.8)
Other Int'l (incl. Trans-Atlantic)	9,195	4,771	(48.1)
China domestic	3,188	2,471	(22.5)
Average	**6,926**	**4,307**	**(37.8)**

Source: China COSCO, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Turnover	112,233	130,872	95,471	83,942	89,717
EBIT	24,094	14,443	1,075	1,783	1,949
Pre-tax Profit	26,113	15,670	1,504	2,463	3,813
Net Profit	19,482	11,617	564	1,367	2,116
EPS (Rmb)	2.18	1.14	0.06	0.13	0.21

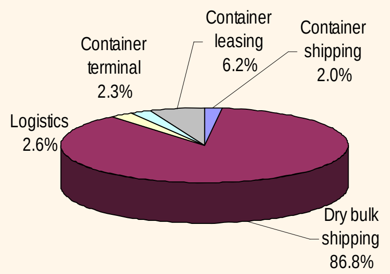
Balance Sheet

Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Current Assets	54,558	44,156	16,803	11,444	13,126
Total Assets	117,360	118,413	99,718	99,214	104,462
Current Liabilities	43,178	28,565	28,658	27,684	31,610
Long-Term Loans	17,025	27,602	23,975	20,638	17,310
Shareholders' Funds	46,600	52,492	47,085	50,893	55,542
Total Equity & Liabilities	117,360	118,413	99,718	99,214	104,462

Cash Flow

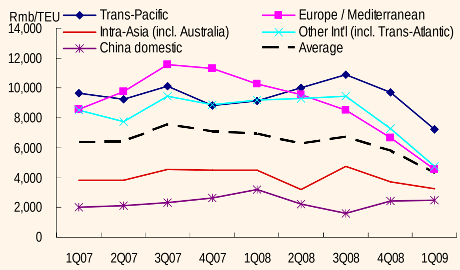
Year to 31 Dec (Rmbm)	2007	2008	2009F	2010F	2011F
Operating	24,157	25,391	6,771	8,151	6,521
Investing	(20,456)	(22,560)	(15,009)	(9,847)	(7,867)
Financing	23,709	(7,519)	(17,290)	4,080	4,621
Net Cash Inflow/(Outflow)	27,410	(4,688)	(25,528)	2,384	3,275
Begin Cash & Cash Equiv.	10,912	37,625	31,582	5,326	7,710
End'g Cash & Cash Equiv.	37,595	31,582	5,326	7,710	10,985

Operating Profit Breakdown In 2008



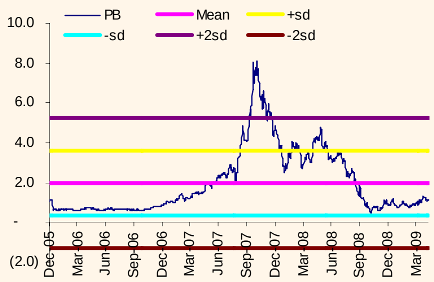
Source: China COSCO, UOB Kay Hian

CCH's Container Freight Rates



Source: China COSCO, UOB Kay Hian

P/B



Source: Bloomberg, UOB Kay Hian

Lenovo

Not a recovery play

Acer's 1QFY09 results and guidance support our negative views on Lenovo. Lenovo is the major loser in the rising demand for netbook and CULV notebook. Maintain SELL.

Corporate Events

Acer's 1QFY09 results and guidance. Acer posted 1Q09 net profit of NT$2.0b, -29% qoq and -31% yoy. Operating margin declined to 2.2% from 2.9% in 4Q08. Acer maintained its 2Q guidance of notebook unit shipment growth at 35-40% yoy and 5-10% yoy decline in desktop unit shipment. It also lowered its 2009 netbook shipment forecast to 10-12m from 12-15m and Consumer Ultra Low Voltage (CULV) notebook ASP to US$599-699 from US$699-899. Acer also expects operating margin to be flat from 1QFY09 level at 2.2% for the remaining quarters. It targets to expand market share in China to 10% by end-09 vs current 6-7%.

Top-line growth is a concern. According to iSuppli, about 13.2m netbooks were shipped in 2008. iSuppli is forecasting global netbook shipments to reach 22.2m units and 31m units in 2009 and 2010 respectively. Despite the strong netbook shipment growth, Acer's conservative guidance on the margin trend indicates that the operating environment for the PC industry remains challenging. We still believe Lenovo is the major loser in the rising demand for netbook as it is a latecomer to the netbook market. Compared with its peers including Acer, HP and Dell, Lenovo has a higher operating expense ratio. A rigid cost structure implies that Lenovo's profitability is more vulnerable to top-line growth. It is difficult for Lenovo to reduce its expense/revenue ratio in the near term as it has limited exposure to the growing segment.

Lagging behind in launching new products. Acer has a first-mover advantage in launching products based on CULV platform. The Group pointed out that the order backlog for CULV notebook is strong and the reduction in ASP of the "Timeline" series is expected to put pressure on its competitors. HP and Dell are close to launching new products based on CULV platform. However, we have not seen signs of Lenovo developing products based on CULV platform.

Rising balance sheet risk. We expect Lenovo to report a net loss of HK$705m and operating cash flow is expected to be negative in 2010. Its balance sheet will deteriorate further given a reduction in net cash position. The increase in investment in consumer segment will lead to a higher working capital requirement.

Earnings Risk

A massive slowdown in global IT spending, further margin erosion, sector de-rating and a massive economic slowdown in China.

CHINA

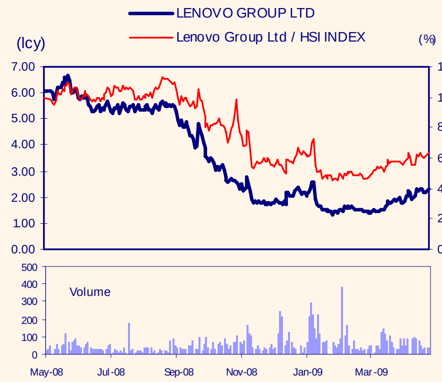
Lenovo (992 HK)

SELL

Current Price: HK$2.13
Fair Price HK$1.83

Sector	Technology
52-Wk Avg Daily Vol. (m)	54.6
Market Cap (HK$m)	19,620.2
(US$m)	2,351.6
Major Shareholders (%)	
Legend Holdings	45.1
Book NTA per Share (HK$)	1.3
ROE (%)	35.7
Net Cash per Share (HK$)	0.7
Results Due	
Interim	December
Final	June

Price Chart



Source : Bloomberg

Analyst

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Year to 31 Mar	Turnover (HK$m)	EBITDA (HK$m)	Net Profit (HK$m)	EPS (HK¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (HK¢)	Yield (%)
2007	109,031	1,749	1,257	14.6	635.1	14.6	13.2	5.2	2.4
2008	127,542	4,374	3,777	43.8	200.5	4.9	8.5	15.8	7.4
2009F	121,601	(676)	(1,981)	(21.4)	n.a.	n.a.	n.a.	3.2	1.5
2010F	118,020	181	(705)	(7.6)	n.a.	n.a.	89.7	3.0	1.4
2011F	130,853	2,830	1,906	20.6	n.a.	10.3	4.7	6.2	2.9

Consensus Net Profit – FY09: HK$(1,150m)
– FY10: HK$180m

Valuation/Recommendation

Lenovo has underperformed the market ytd. We believe it is too early to turn positive on Lenovo despite an improvement in sentiment. Limited exposure to consumer segment, behind the curve in launching new products and a rigid cost restructure are our concerns. Acer's 1Q09 results and guidance support our negative view on Lenovo. Maintain SELL with a fair price of HK$1.83 based on 1.9x FY09 P/B or 50% of the global average. The discount is justified as Lenovo has lower profitability given a higher expense/revenue ratio.

Peer Comparison

Company	Ticker	Price (LC)	PE (x) FY09F	PE (x) FY10F	P/B (x)
Lenovo	992 HK	2.13	-	-	1.6
Dell	DELL US	11.25	11.0	9.3	5.1
HPQ	HPQ US	36.45	11.1	9.1	2.2
Acer	2353 TT	63.3	13.5	11.8	2.0
Apple	AAPL US	125.14	23.1	20.3	4.6
IBM	IBM US	104.04	11.5	10.5	10.1

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Mar (HK$m)	2007	2008	2009F	2010F	2011F
Turnover	109,031	127,542	121,601	118,020	130,853
EBIT	1,196	3,758	(1,392)	(635)	1,914
Pre-tax Profit	1,205	4,000	(1,981)	(705)	1,906
Net Profit	1,257	3,777	(1,981)	(705)	1,906

Balance Sheet

Year to 31 Mar (HK$m)	2007	2008	2009F	2010F	2011F
Current Assets	23816	36470	30913	29087	34117
Total Assets	42400	55927	50790	49089	54195
Current Liabilities	27434	35010	33432	32499	36029
Long-Term Loans	6145	8567	8463	8400	8625
Shareholders' Funds	8820	12350	8895	8190	9541
Total Equity & Liabilities	42400	55927	50790	49089	54195

Cash Flow

Year to 31 Mar (HK$m)	2007	2008	2009F	2010F	2011F
Operating	4442	7467	(2386)	(193)	4171
Investing	(1592)	(4995)	2753	(976)	(674)
Financing	(2513)	1927	(1541)	(84)	(516)
Net Cash Inflow/(Outflow)	337	4399	(1174)	(1254)	2982
Begin Cash & Cash Equiv.	7832	8289	12688	11514	10260
End'g Cash & Cash Equiv.	8289	12688	11514	10260	13242

Technical Analysis

Denway Motors (203): HK$3.27

Risk on the upside

Since 29 Oct 08, Denway has been riding upward, mostly along the 50-day moving average as shown from the chart below.

The recent decline from the high of HK$3.54 finally found support near the 50-day moving average in a "hammer" candlestick formation – a reversal signal.

The reversal signal of the hammer was then confirmed with the closing of Denway in a long white candlestick on strong volume last Thursday.

With added evidence from the breakout of the RSI, we expect the stock to test the uptrend resistance near HK$3.70 after penetrating the previous high of HK$3.54.

CHINA

Technical Analysis

Analyst

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Hammer Formation Of Denway

Source: HKET Net

Next Media

A new era in Taiwan

The capital inflow from mainland China to Taiwan through relaxed regulation bodes well for companies with strong Taiwan presence. Global peers have started to rebound. Attractive valuation.

Next Media - Historical P/B*

Year to 31 Mar (x)	2003	2004	2005	2006	2007	2008	Average
Highest P/B	2.3	3.6	3.1	3.8	3.3	2.5	3.1
Average P/B	2.0	2.5	2.6	3.0	2.6	1.9	2.4
Lowest P/B	1.6	1.5	2.0	2.3	1.8	1.4	1.8

**Since the injection of key publication titles from the major shareholder*
Source: Bloomberg, UOB Kay Hian

Global Newspaper Publishers - Share Price Change

Company	Mkt Cap (US$m)	5-day (%)	1-mth (%)	3-mth (%)	6-mth (%)	12-mth (%)
WASHINGTON POST -CL B	3,873	(1.6)	15.4	5.5	(3.5)	(37.2)
SINGAPORE PRESS HOLDINGS LTD	3,160	(2.4)	14.6	3.2	(6.7)	(32.9)
GANNETT CO	870	20.6	73.2	(34.0)	(65.4)	(86.7)
FAIRFAX MEDIA LTD	1,901	4.9	16.7	(9.1)	(33.5)	(63.5)
DAILY MAIL&GENERAL TST-A NV	1,810	14.1	45.7	29.4	17.2	(18.3)
ARNOLDO MONDADORI EDITORE	949	3.3	18.7	(18.1)	0.5	(50.4)
NEXT MEDIA LTD	**299**	**(2.8)**	**27.2**	**17.0**	**(20.2)**	**(63.5)**
Global Weighted Average*		**4.2**	**22.7**	**1.5**	**(13.3)**	**(47.0)**

**Newspaper publishers with market cap over US$100m*
Source: Bloomberg, UOB Kay Hian

Corporate Events

Following the announcement of China Mobile buying a 12% stake of Far EasTone Telecommunications and the agreement between mainland China and Taiwan for closer co-operation in financial services, direct link and stock investments, we expect the ailing Taiwan economy to receive a boost. Next Media should benefit from the improvement in Taiwan's economy as over 40% of the Group's turnover is derived from Taiwan.

Earnings Revision

Taiwan's consumer market has shown further deterioration in recent months. Thus, we cut our FY09, FY10 and FY11 earnings forecasts by 8%, 4% and 4% respectively.

Valuation/Recommendation

The stock is trading at 0.8x historical P/B. Before the global economic recession, the lowest ever recorded P/B was 1.4x. If we assume the fair P/B is 1.0x, the current share price implies that Next Media will lose HK$1.4b of advertising income (two-thirds of its total annual advertising income). We believe this is unlikely to happen. Maintain BUY. Our target price remains unchanged. The current share price provides a good entry level to accumulate the shares of Next Media, the market leader in the Chinese print arena in Hong Kong and Taiwan. Global peers have rebounded recently.

HONG KONG

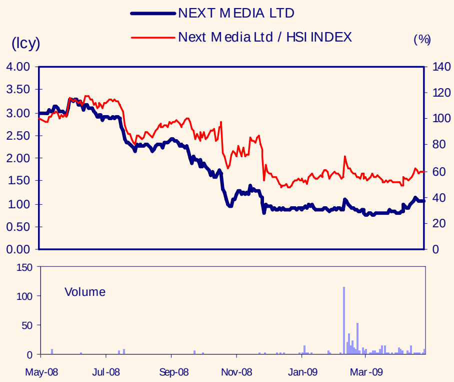
Next Media (282 HK)

BUY

Current Price: HK$1.03
Target Price: HK$1.30

Sector	Media
52-Wk Avg Daily Vol. (m)	3.1
Market Cap (HK$m)	2,484
(US$m)	299
Major Shareholders (%)	
Jimmy Lai	73.9
Book NTA per Share (HK$)	0.88
ROE (%)	15.4
Net Cash per Share (HK$)	0.23
Results Due	
Interim: Dec	Final: Jun

Price Chart



Source : Bloomberg

Analyst

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Year to 31 Mar	Turnover (HK$m)	EBITDA (HK$m)	Net Profit (HK$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2007	3,245	620	344	17.5	(37.3)	5.9	3.3	21.5	20.9
2008	3,522	824	521	21.6	23.2	4.8	2.4	24.0	23.3
2009F	3,454	563	266	11.0	(49.1)	9.4	3.6	4.6	4.5
2010F	3,287	514	218	9.0	(17.8)	11.4	3.4	3.8	3.7
2011F	3,311	506	213	8.8	(2.3)	11.7	2.6	4.5	3.6

Consensus Net Profit – FY09: HK$364m
– FY10: HK$409m

Landmark deal since the civil war six decades ago. China Mobile agreed to buy a 12% stake of Far EasTone Telecommunications Co., the first investment by a Chinese state-owned enterprise (SOE) in Taiwan since the civil war ended six decades ago. It signals improving political relations between Taiwan and mainland China, leading to closer economic ties

Relations between China and Taiwan have improved. Relations between China and Taiwan have improved since the Kuomintang party's Ma Ying-jeou took office in May last year as the island's president and dropped the pro-independence stance of his predecessor, Chen Shui-bian.

Closer co-operation in financial services, direct link and stock investments. China and Taiwan will set up a supervisory mechanism enabling their financial services companies to operate in each other's markets, according to an agreement signed in late April following talks in the eastern Chinese city of Nanjing. They also agreed to more than double the direct weekly flights to 270 from 108. Taiwan's Financial Supervisory Commission announced it will begin accepting applications from Chinese institutional investors to buy securities in the island.

Profit & Loss

Year to 31 Mar (HK$m)	2007	2008	2009F	2010F	2011F
Turnover	3,245	3,522	3,454	3,287	3,311
EBIT	406	607	344	292	281
Pre-tax Profit	414	619	357	309	308
Net Profit	344	521	266	218	213

Balance Sheet

Year to 31 Mar (HK$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,646	1,596	1,541	1,794	2,069
Total Assets	4,599	4,410	4,214	4,323	4,451
Current Liabilities	635	456	452	454	460
Long-Term Liabilities	286	286	286	286	286
Shareholder Funds	3,354	3,345	3,152	3,260	3,382
Total Equity & Liabilities	4,599	4,410	4,214	4,323	4,451

Cash Flow

Year to 31 Mar (HK$m)	2007	2008	2009F	2010F	2011F
Operating	622	627	473	426	599
Investing	(167)	(78)	(78)	(78)	(78)
Financing	(264)	(455)	(464)	(111)	(87)
Net Cash In/(Out) Flow	191	94	(69)	236	435
Begin Cash & Cash Equiv.	676	868	961	892	1,128
End'g Cash & Cash Equiv.	868	961	892	1,128	1,563

Peer Comparison – Global Newspaper Publishers

Company	Mkt Cap (US$m)	P/B* (x)	ROE* (%)
WASHINGTON POST	3,873	1.3	2.1
SINGAPORE PRESS HOLDINGS LTD	3,160	2.2	20.8
GANNETT CO	870	0.7	(132.0)
FAIRFAX MEDIA LTD	1,901	0.6	7.9
DAILY MAIL&GENERAL	1,810	2.4	0.0
ARNOLDO MONDADORI EDITORE	949	1.4	19.2
NEXT MEDIA LTD	**299**	**0.7**	**15.4**
Global Weighted Average*		**1.7**	**4.2**

**Historical P/B and ROE*
***Newspaper publishers with market cap over US$100m*
Source: UOB Kay Hian, Bloomberg

Aneka Tambang

Poor 1Q09

As expected, ANTM's 1Q09 net profit fell 86.7% yoy due to low nickel prices and volume, partly offset by higher sales from the gold division. Maintain HOLD. Nickel prices however rebounded and are now slightly above cash cost.

1Q09 Results

Year to 31 Dec	1Q09 (Rpb)	qoq % chg	yoy % chg	Remarks
Turnover	2,641.6	31.1	26.3	Substantial increase in gold trading offset lower ASP and sales volume for nickel division
Gross Profit	162.1	n.a.	(84.9)	Higher raw materials due to high trading activities for gold
Pre-tax Profit	106.9	n.a.	(88.7)	
Net Profit	89.9	n.a.	(86.7)	
Margins				
Gross Margin	6.1	n.a.	(45.1)	
Operating Margin	2.1	n.a.	(42.7)	
Net Margin	3.4	n.a.	(28.9)	
Segmental Breakdown				
Nickel	396.1	(56.6)	(73.6)	Lower ASP and sales volume
Gold and Refinery	2,224.7	110.2	286.8	Higher gold trading
Others	20.9	(52.3)	12.4	

Source: Aneka Tambang, UOB Kay Hian

Results

Net profit declined 86.7% yoy. As expected**,** Aneka Tambang (ANTM) reported an 86.7% yoy net profit plunge in 1Q09. Nickel division incurred an operating loss in 1Q09 due to low nickel prices and high production cost.

Becoming more of a gold miner. Gold and refinery division became the largest contributor of ANTM's total sales, which accounted for about 84% of its 1Q09 sales vs only 28% in 1Q08, driven by higher sales volume (+211% yoy) from the gold mining division as well as higher gold trading activities. The gold trading activities accounted for 88% of the gold division's sales during 1Q09.

Profit only came from gold and refinery division. While nickel division and others division incurred an operating loss in 1Q09 due to the decline in average sellinjg price (ASP) and higher production cost, only the gold and refinery division made an operating profit with an 8% yoy increase. Due to higher purchases of gold scraps for sale for gold trading activities, operating margin of gold and refinery declined sharply from 32% in 1Q08 to only 9% in 1Q09.

Strong balance sheet with net cash position. Despite a 28.0% yoy decline in total cash, the company posted net cash of Rp2.4t in 1Q09, with debt-to-equity level maintained at 0.11x. With net cash position, it may help ANTM to finance its expansion amid unfavourable global market conditions.

INDONESIA

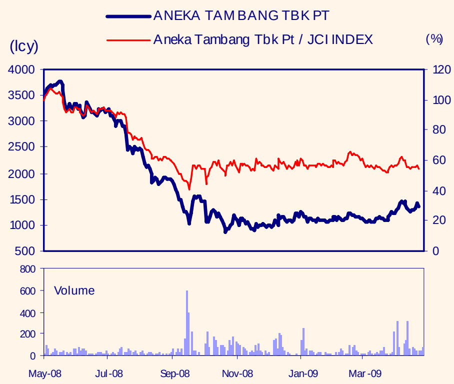
Aneka Tambang (ANTM IJ)

HOLD

Current Price: Rp1,370
Fair Price: Rp1,200

Sector	Metal Mining
52-Wk Avg Daily Vol. ('000)	56,287
Market Cap (Rpb)	13,067.7
(US$m)	1,232.8
Major Shareholders (%)	
The Government of the Republic of Indonesia	65.0
Book NTA per Share (Rp)	846
ROE (%)	16
Net Cash per Share (Rp)	255
Results Due	
1Q: Apr	2Q: Aug
3Q: Oct	Final: Mar

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Rp)	Yield (%)
2007	12,008.2	7,206.9	5,119.0	537	229.7	2.6	1.5	215	15.7
2008	9,592.0	1,961.3	1,368.1	143	(73.3)	9.6	5.4	58	4.2
2009F	7,090.0	1,523.5	936.5	98	(31.6)	14.0	7.0	39	2.9
2010F	7,163.1	1,650.3	990.0	104	5.7	13.2	6.4	42	3.0
2011F	7,460.9	1,813.4	1,036.4	109	4.7	12.6	5.8	44	3.2

Consensus Net Profit – FY09: Rp668.2b
– FY10: Rp869.5b

Stock Impact

Nickel price now above cash cost. The LME nickel price has increased from the lowest US$9,374/tonne in Mar 09 to about US$11,626/tonne currently, which has already exceeded Antam's cash cost of about US$10,141/tonne as of 1Q09. While we expect international nickel prices to be relatively lacklustre due to weak global demand for stainless steel (about 65% of global nickel consumption) and higher inventory level of nickel stocks, we think the worst is behind us.

Gold trading activities to offset lower nickel sales. We expect ANTM's intensive gold trading activities to contribute more to overall profit, offsetting a lower ferronickel production target to 12,000 tonnes for 2009. However, as the company is conducting intensive gold trading activities with lower margin, we believe its margin would remain depressed.

Would ANTM get a stake in Newmont? This should be a positive catalyst. The minister of state-owned enterprises Sofyan Djalil had indicated that he wanted state miners including ANTM to take a stake in the planned divestment of gold miner Newmont, which has to be completed in Oct 09. However, the pricing is still unknown and it is also uncertain at this stage if ANTM managed to obtain financing.

Valuation/Recommendation

Maintain HOLD. We maintain HOLD recommendation on ANTM with a fair price of Rp1,200, based on DCF valuation (WACC of 18.4% and 3% long-term growth). The fair price also represents 1.3x 2009 PB and 12.2x 2009 PE. ANTM is trading at 14.0x 2009 PE, lower than its closest peer International Nickel Indonesia with 16.9x 2009 PE. Our entry price is Rp1,000.

Profit & Loss

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Turnover	12,008.2	9,592.0	7,090.0	7,163.1	7,460.9
Gross Profit	7,329.4	2,651.2	1,895.8	1,944.2	2,068.5
Operating Profit	6,776.8	1,454.1	1,085.3	1,148.3	1,231.9
Pre-tax Profit	7,282.4	1,929.7	1,342.2	1,420.7	1,486.0
Net Profit	5,119.0	1,368.1	936.5	990.0	1,036.4

Balance Sheet

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Current Assets	8,048.1	5,819.5	5,440.8	5,425.0	5,564.5
Total Assets	12,043.7	10,245.0	9,949.1	10,313.9	10,776.9
Current Liabilities	1,818.1	725.9	538.1	504.6	344.2
Non-Current Liabilities	1,475.5	1,456.0	960.0	743.9	728.0
Shareholder's fund	8,750.1	8,063.1	8,450.9	9,065.4	9,704.8
Total Equity and Liabilities	12,043.7	10,245.0	9,949.1	10,313.9	10,776.9

Cash Flow

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Cash Flow from Operating	4,815.9	1,351.0	1,703.4	1,474.1	1,598.1
Cash Flow from Investing	(262.5)	(601.7)	(995.1)	(861.1)	(873.9)
Cash Flow from Financing	(947.8)	(2,209.0)	(962.4)	(607.3)	(588.6)
Net Cash Inflow/(Outflow)	3,605.7	(1,459.7)	(254.1)	5.6	135.6
Begin Cash & Cash Equiv.	1,138.2	4,743.9	3,284.2	3,030.1	3,035.7
Ending Cash & cash Equiv.	4,743.9	3,284.2	3,030.1	3,035.7	3,171.3

Kalbe Farma

1Q09: Recovery on the way

Results largely in line with expectation. Operational performance improved with recovery of consumer health products and higher margin. Despite strong share price, it is still trading at 23% discount to historical PE. Maintain BUY.

1Q09 Results

Year to 31 Dec	1Q09 (Rpb)	qoq % chg	yoy % chg	Remarks
Sales	1,989	(7.9)	14.1	Qoq drop due to seasonality factor. Strong yoy growth driven by the recovery of consumer health products
Gross profit	957	(4.4)	16.3	Gross margin improvement led to strong yoy growth
Operating profit	308	(5.2)	15.4	
Pretax Profit	346	4.3	21.8	Boosted by forex gain
Net profit	213	4.9	24.0	
Gross margin (%)	48.1	1.8	0.9	
Operating margin (%)	15.5	0.4	0.2	
Pretax margin (%)	17.4	2.0	1.1	
Net margin (%)	10.7	1.3	0.9	

Source: Kalbe Farma, UOB Kay Hian

Results

Kalbe Farma (Kalbe) reported 1Q09 net profit of Rp213b, up 24% yoy, driven by strong sales growth and margin improvement.

Sales grew by 14.1% yoy. The growth in consolidated sales was mainly driven by the recovery of consumer health products sales (+26.1% yoy). This was a result of the successful launch of the new energy drink Fatigon Hydro that offset last year's sluggish performance of the top brand Extra Joss. The growth in other divisions, particularly ethical drugs (+12.4% yoy) and distribution & packaging division (11.9% yoy) were largely in line with expectation. Only nutritional products showed a slowdown of 9.2% yoy after a strong 20.5% yoy growth in 2008.

Improvement in gross margin. As the pressure from rising raw material costs and rupiah depreciation subsided, gross margin improved to 48.1% from 47.2% a year ago and 46.3% in the previous quarter.

Stronger bottom-line growth on higher forex gain. The rupiah's depreciation benefited the company as it had net monetary asset position of around US$92m. This had resulted in a higher forex gain of Rp29b (+295.7% yoy) which consequently drove net profit growth higher compared to operational profit growth.

Balance sheet position remains strong. Kalbe has a strong balance sheet position with debt-to-equity ratio of only 10.9% and net cash represented 31.3% of total equity.

INDONESIA

Kalbe Farma (KLBF IJ)

BUY

Current Price: Rp880
Target Price: Rp970

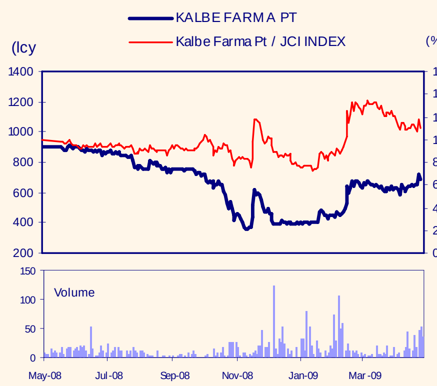
Sector	Pharmaceutical
52-Wk Avg Daily Vol. ('000)	13,455
Market Cap (Rpb)	8,937.3
(US$m)	843.1

Major Shareholders (%)	
Gira Sole Prima	9.5
Santa Seha Sanadi	9.0

Book NTA per Share (Rp)	367.9
ROE (%)	20.2
Net Cash per Share (Rp)	115.3

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rpb)	Operating Profit (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	ROE (%)	DPS (Rp)	Yield (%)
2007	7,005	1,129	706	69.5	4.3	12.7	22.1	10.0	1.1
2008	7,877	1,143	707	69.6	0.2	12.6	20.2	10.0	1.1
2009F	8,740	1,282	774	76.2	9.5	12.7	19.5	10.4	1.2
2010F	10,000	1,478	868	85.5	12.2	11.3	18.6	11.4	1.2
2011F	11,350	1,694	1,042	102.6	20.0	9.5	18.9	12.8	1.3

Consensus Net Profit – FY09: Rp740.8b
– FY10: Rp891.3b

Stock Impact

Sales are historically higher in the second half of the year. The 1Q09 sales of Kalbe represented only 22.8% of our 2009 sales estimates. However, as sales are historically higher in the second half of the year driven by stronger performance of distribution & packaging division, we maintain our estimates.

Stable outlook for gross margin. We expect gross margin to remain strong at 48.4% in 2009, driven by lower raw material costs and the rupiah's appreciation.

Lower financing charges will be offset by possible forex loss. Kalbe plans to repay its bond obligation amounted to Rp261b at end-Jun 09. This will reduce its financing charges for this year. However, as we assume the rupiah will appreciate for the rest of this year, its net monetary asset position will result in a forex loss.

Valuation/Recommendation

Kalbe's share price has jumped significantly by 45% over the past month, outperforming the JCI index by 118%. Despite this, we maintain BUY recommendation as it is still trading at 2009 PE of 11.3x, lower than its five-year historical PE of 14.7x. Our target price of Rp970 represents 2009 PE of 12.7x.

Profit & Loss

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Turnover	7,005	7,877	8,740	10,000	11,350
Gross Profit	3,552	3,804	4,227	4,848	5,518
Operating Profit	1,129	1,143	1,282	1,478	1,694
Pre-tax Profit	1,159	1,178	1,293	1,454	1,731
Net Profit	706	707	774	868	1,042
Gross Margin (%)	50.7	48.3	48.4	48.5	48.6
Operating Margin (%)	16.1	14.5	14.7	14.8	14.9
Net Margin (%)	10.1	9.0	8.9	8.7	9.2

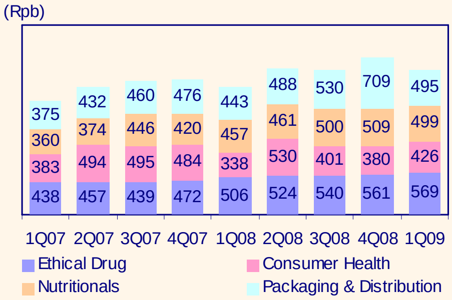
Balance Sheet

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Current Assets	3,760	4,168	4,749	5,497	6,619
Total Assets	5,138	5,704	6,323	7,166	8,397
Current Liabilities	755	1,250	1,125	1,128	1,347
Total Debt	314	406	162	185	210
Total Liabilities	1,122	1,359	1,236	1,252	1,486
Shareholders' Equity	3,387	3,622	4,299	5,051	5,963

Cash Flow

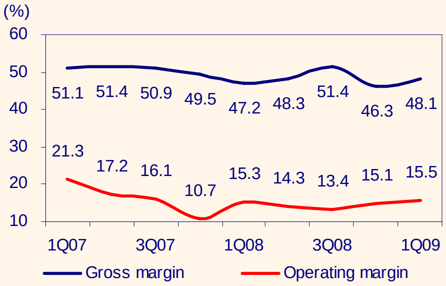
Year to 31 Dec (US$m)	2007	2008	2009F	2010F	2011F
Cash Flow from Operations	368	696	820	676	1,071
Cash Flow from Investments	(212)	(238)	(320)	(373)	(423)
Cash Flow from Financing	(301)	(252)	(289)	(17)	(20)
Change in Cash	(145)	205	211	286	627

Quarterly Sales Breakdown



Source: Kalbe Farma

Quarterly Margins



Source: Kalbe Farma

KLBF's Share Price And Standard Deviation

Source: Kalbe Farma

Semen Gresik

1Q09: Strike it while it's hot

Semen Gresik posted strong 1Q09 net profit, up 31% yoy, beating consensus and our expectation due to higher ASP. Maintain BUY as it is still trading on cheap EV per tonne of US$103.

1Q09 Results

Year to 31 Dec	1Q08 (Rpb)	1Q09 (Rpb)	yoy % chg	Remarks
Sales	2,558	3,228	26.2	Boosted by ASP growth of 28% yoy
Gross profit	1,086	1,378	26.9	Higher margin from its cement sales
Operating profit	704	866	22.9	Driven by high operating cost
Net profit	519	681	31.3	Higher interest income
Gross margin (%)	42	43		
Op margin (%)	28	27		
Net margin (%)	20	21		

Source: Semen Gresik, UOB Kay Hian

Results

1Q09 earnings still strong due to high ASP. Semen Gresik's (SMGR) 1Q09 revenue and net profit rose 26% yoy and 31% on yoy respectively. The results were better than consensus and our earnings forecasts, mainly due to the high average cement selling price (ASP) in the first quarter despite softening sales volume. SMGR's ASP was up 28% yoy while volume was down 2% yoy, well above the industry ASP growth of 17% as reported by the cement association.

Slight margin decline due to higher opex. Gross and EBIT margins of SMGR fell slightly to 42.7% and 26.8% respectively in 1Q09 compared to 2008, in line with our expectation, led by higher operating expenses, primarily higher transportation and advertising costs.

Stronger cash position in 1Q09. SMGR's net cash position increased further by 12.5% in 1Q09, signalling its strong operating cash flow. SMGR has a standing loan facility of US$545m from Bank Mandiri, ear-marked for capacity expansion and a new power plant, which we assumed will be partly disbursed starting 4Q09.

Stock Impact

Expansion plan intact. We think SMGR should not have problems in funding its capacity expansion and power plant development while maintaining its leverage level conservatively. We expect the company to deliver its new capacity in 2011 from its Sulawesi plant.

Cement demand outlook is still soft. We forecast SMGR's volume to decline 4% in 2009 against the backdrop of difficult financing conditions preventing property developers and infrastructure companies from aggressive executions. Admittedly, there is upside risk in our estimate as we have yet to factor in the increased demand from the government's stimulus package to our number. We think the lower interest rates will start to kick in only in 4Q09 as there is generally a lag.

INDONESIA

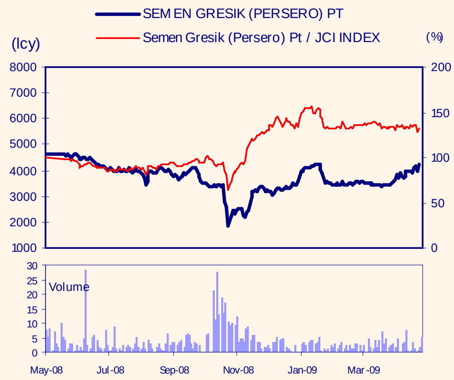
Semen Gresik (SMGR IJ)

BUY

Current Price: Rp4,150
Target Price: Rp4,950

Sector	Cement
52-Wk Avg Daily Vol. ('000)	3,514
Market Cap (Rpb)	24,615.8
(US$m)	2,290
Major Shareholders (%)	
The Government of Indonesia	51.0
Book NTA per Share (Rp)	1,937
ROE (%)	34.3
Net Cash per Share (Rp)	687
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Feb

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Rp)	Yield (%)
2007	9,600.8	2,847.2	1,775.4	302.8	37.0	13.5	7.6	109.2	2.7
2008	12,209.8	3,867.0	2,523.5	430.4	42.1	9.5	5.4	149.7	3.7
2009F	12,462.3	3,710.9	2,448.0	417.6	(3.0)	9.8	5.6	212.7	5.2
2010F	13,506.5	4,266.5	2,593.2	442.3	5.9	9.3	5.3	206.4	5.0
2011F	14,550.9	4,804.3	2,749.2	469.0	6.0	8.7	4.8	218.6	5.3

Consensus Net Profit – FY09: Rp2,218.4b
– FY10: Rp2,531.0b

Raise ASP assumption at 6.5% growth yoy in 2009. Unlike our previous expectation, cement companies still enjoyed strong pricing power in 1Q09 with SMGR's ASP still up 28% yoy (partly due to lower base before cement prices were raised in late-08). Thus, we raise our ASP assumption to 6.5% from 0% previously.

Earnings Revision/Risk

We raise our 2009 earnings estimate by 17% and by 8% for 2010, mainly attributed to a higher 2009 ASP growth assumption of 6.5% from flat growth assumption previously as well as a smaller decline in 2009 sales volume assumption from -7.0% to -4.2%.

Valuation/Recommendation

We maintain BUY recommendation on SMGR with a target price of Rp4,950, implying 2009 PE of 11.8x. Currently, SMGR is trading at 9.9x 2009 PE and 2.0x 2009 PBV, well below the regional cement sector's average of 16.4x 2009 PE. SMGR is also trading at cheap EV per tonne of US$103 vs its replacement cost of US$150-200.

Peer Comparison

Company	Ticker	Price (Rp) as of 1 May 09	Production Capacity (m tonnes)	EV/Tonne (US$)	Market Cap (US$m)	----- P/BV ----- 2009F (x)	2010F (x)	EV/EBITDA 2009F (x)	2010F (x)	------- PE ------- 2009F (x)	2010F (x)
Indonesia											
Semen Gresik	SMGR IJ	4,150	19	103	2,290	2.2	2.0	3.4	3.1	9.9	9.4
Indocement Tunggal Prakarsa	INTP IJ	5,800	19	102	2,010	2.1	1.8	6.4	6.5	14.3	11.7
Holcim Indonesia	SMCB IJ	690	9	86	498	1.9	1.7	6.9	8.4	19.6	17.4
Indonesia Sector Average					**4,797**	**2.2**	**1.9**	**5.0**	**5.1**	**12.8**	**11.2**

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Turnover	9,600.8	12,209.8	12,462.3	13,506.5	14,550.9
Gross Profit	4,000.7	5,354.6	5,374.4	5,915.6	6,366.3
Operating Profit	2,396.8	3,387.2	3,185.4	3,591.9	3,948.1
Pre-tax Profit	2,560.2	3,589.5	3,526.3	3,733.7	3,957.0
Net Profit	1,775.4	2,523.5	2,448.0	2,593.2	2,749.2
Gross Margin (%)	41.7	43.9	43.1	43.8	43.8
Operating Margin (%)	25.0	27.7	25.6	26.6	27.1
Net Margin (%)	18.5	20.7	19.6	19.2	18.9

Balance Sheet

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Current Assets	5,267.9	7,083.4	7,835.9	9,217.8	10,837.5
Total Assets	8,515.2	10,603.0	12,413.8	16,905.1	20,418.6
Current Liabilities	1,445.9	2,092.1	1,759.8	1,870.8	1,911.4
Long-Term Liabilities	1,888.0	2,533.4	3,163.1	6,285.3	8,346.2
Shareholder Funds	6,627.3	8,069.6	9,250.7	10,619.8	12,072.4
Total Equity & Liabilities	8,515.2	10,603.0	12,413.8	16,905.1	20,418.6

Cash Flow

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Operating	1,977.2	2,628.3	2,744.3	3,217.2	3,426.3
Investing	(302.8)	(561.8)	(1,584.0)	(3,784.0)	(2,750.0)
Financing	(595.7)	(1,177.7)	(325.0)	1,717.6	694.1
Net Cash In/(Out) Flow	1,078.7	888.8	835.4	1,150.9	1,370.4
Begin Cash & Cash Equiv.	1,743.6	2,822.3	3,800.6	4,636.0	5,786.8
End'g Cash & Cash Equiv.	2,822.3	3,800.6	4,636.0	5,786.8	7,157.2

CapitaCommercial Trust

1Q09: Outperforming peers

Momentum for positive rental reversion has slowed due to deterioration in the office market. However, CCT offers quality, diversified portfolio and its valuation is more attractive compared to peers.

1Q09 Results

Year to 31 Dec	1Q09 (S$m)	4Q08 (S$m)	1Q08 (S$m)	qoq % chg	yoy % chg
Gross Revenue	97.5	97.2	71.2	0.3	36.9
Net Property Income	69.9	65.6	49.6	6.5	40.8
Distributable Income	45.4	38.0	36.8	19.6	23.5
DPU (cents)	3.24	2.71	2.59	19.6	25.1

Source: UOB Kay Hian

Results

CapitaCommercial Trust (CCT) reported DPU of 3.24 cents, an increase of 25.1% yoy and representing annualised yield of 15.9%. The results were better than our DPU forecast of 3.04 cents.

Impact from positive rental reversion reaching limit. Gross revenue increased 0.3% qoq and 36.9% yoy to S$97.5m due to the acquisition of One George Street and Wilkie Edge as well as positive rental reversion for its office properties. Current average monthly office rent is S$7.73psf, 3.9% higher than S$7.44psf in 4Q08. CCT has been renewing leases ahead of expiry. It has signed new or renewed leases for 335,800sf of space in 4M09. 89% of forecast rental income for 2009 is already locked in under committed leases.

Improvement in occupancy. Committed occupancy on a portfolio basis was 97.7% in Apr 09 compared to 96.2% at Dec 08. The improvement came from Robinson Point and the newly completed Wilkie Edge at Selegie Road.

Stock Impact

Cushioned by long-term leases. The average lease term to expiry for CCT's Top 10 tenants is 6.4 years. They account for about 50% of gross rental income and provide some defensive shelter. Tenant RC Hotels provides minimum rent of S$38m p.a. (5.9% of 4Q08 gross revenue). The minimum rent will progressively step up to S$44m p.a. by Nov 11. CCT has locked in a seven-year lease for HSBC Building commencing Apr 12 at S$8.50psf pm. For One George Street, vendor CapitaLand provides yield protection with minimum net property income of S$49.5m p.a. for five years till 2013.

Continuing to secure refinancing. CCT has obtained a commitment letter for a three-year secured term loan of up to S$160m to refinance S$156m term loan due Jun 09. The facility is secured against HSBC Building with all-in margin at 3.0%. CCT has completed all refinancing for 2009. The next major refinancing is S$650m two-year secured term loan due Jun 10.

SINGAPORE

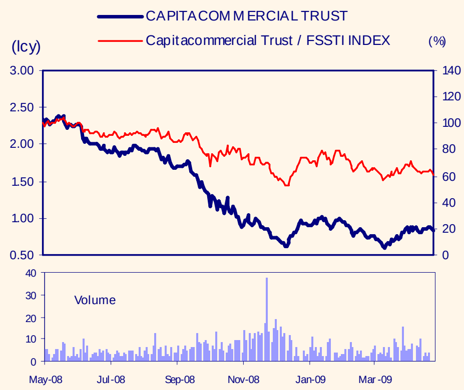
CapitaComm Trust (CCT SP)

BUY

Current Price: S$0.855
Target Price: S$0.93
(Previous: S$0.96)

Sector	REITs
52-Wk Avg Daily Vol. ('000)	5,738
Market Cap (S$m)	1,197.4
(US$m)	809.7
Major Shareholders (%)	
Capitaland	30.5
Book NTA per Share (S$)	2.91
ROE (%)	3.0
Net Debt per Share (S$)	1.81
Results Due	
1Q: Apr	2Q: Jul
3Q:Oct	Final: Feb

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (S$m)	EBIT (S$m)	Net Income (S$m)	EPU (¢)	EPU Growth (%)	PE (x)	DPU (¢)	Yield (%)
2007	240.1	156.6	116.2	8.4	17.1	10.2	9.4	11.0
2008	335.3	203.4	123.2	8.9	5.5	9.6	11.1	13.0
2009F	370.7	236.9	132.1	9.4	6.1	9.1	11.9	13.9
2010F	316.3	198.9	83.1	5.9	(37.6)	14.6	8.5	10.0
2011F	277.5	174.8	48.9	3.4	(41.6)	24.9	6.0	7.0

Consensus Net Profit – FY08: S$142.5m
– FY09: S$136.1m

Earnings Revision

The office market is affected by concerns over consolidation in the financial services industry, tenants downsizing after retrenchments and new supply coming on stream. We expect rents for Grade A office space at Raffles Place to correct two-thirds from their peak to S$6psf pm. We have factored in a drop in office occupancy to 82% in our forecast. For CCT's retail component at the Raffles City, Golden Shoe and Market Street car parks, we expect occupancy to decline to 90% and rents to drop by 15% from existing levels.

Valuation/Recommendation

CCT focuses on Grade A office space and has a market share of 9% of the private office stock within Downtown Core. Reiterate BUY as CCT provides 2009 distribution yield of 13.9%. Our target price of S$0.93 is based on the dividend discount model (required rate of return: 9.0%, terminal growth: 2.5%).

Profit & Loss

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Turnover	240.1	335.3	370.7	316.3	277.5
Net Property Income	174.0	233.5	262.8	220.1	193.0
EBIT	156.6	203.4	236.9	198.9	174.8
Distributable Income	130.0	155.7	167.0	120.8	84.8
DPU (S cents)	9.4	11.1	11.9	8.5	6.0

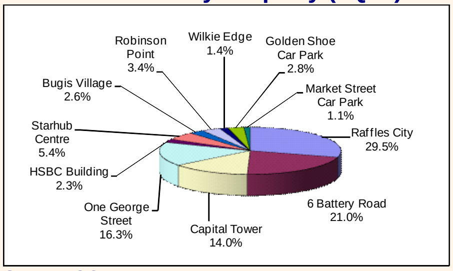
Balance Sheet

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Current Assets	40.4	85.4	34.3	21.6	8.7
Total Assets	5278.7	6871.4	4995.7	4206.1	3873.9
Current Liabilities	220.7	819.7	393.8	408.1	421.3
Long-Term Liabilities	1097.5	1514.8	1941.4	1941.4	1941.4
Shareholder Funds	3937.6	4154.9	2275.7	1469.1	1121.0
Total Equity & Liabilities	5278.7	6871.4	4995.7	4206.1	3873.9

Cash Flow

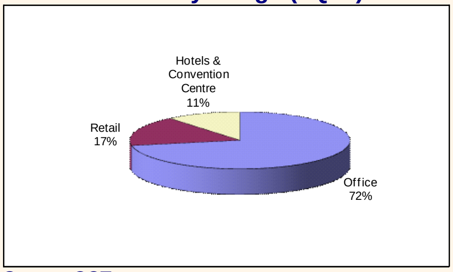
Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Operating	177.6	300.0	216.4	196.7	175.4
Investing	(82.1)	(1339.3)	(31.0)	0.0	0.0
Financing	(102.0)	1071.5	(226.4)	(208.1)	(187.4)
Net Cash In/(Out) Flow	(6.4)	32.2	(41.1)	(11.4)	(12.0)
Begin Cash & Cash Equiv.	40.9	34.5	66.7	25.6	14.3
End'g Cash & Cash Equiv.	34.5	66.7	25.6	14.3	2.3

Gross Revenue By Property (1Q09)



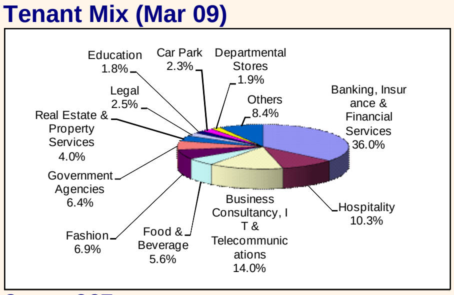
Source: CCT

Rental Income By Usage (1Q09)



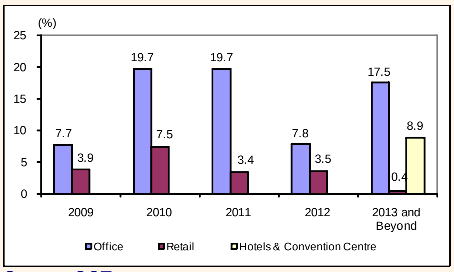
Source: CCT

Tenant Mix (Mar 09)



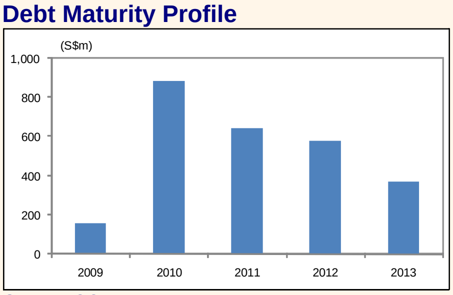
Source: CCT

Lease Expiry Profile By Gross Rental Income



Source: CCT

Debt Maturity Profile



Source: CCT

CDL Hospitality Trusts

1Q09: Results in line; refinancing overhang removed

CDREIT's 1Q09 results were in line with expectations. We continue to see value in CDREIT, offering an attractive 11% yield despite factoring in a steep fall in RevPAR.

1Q09 Results

Year to 31 Dec	1Q09 (S$m)	qoq % chg	yoy % chg	Remarks
Gross Revenue	22.5	(19.9)	(19.2)	Jan-Mar 09 arrivals: -13.7% yoy
Net Property Income	20.6	(5.3)	(21.2)	Decline in tourist arrivals
EBIT	18.4	(5.2)	(21.2)	
Distributable Income	16.5	10.4	(29.9)	90% distribution
DPU	1.97	9.4	(31.1)	

Source: CDREIT, UOB Kay Hian

Results

CDL Hospitality Trusts' (CDREIT) 1Q09 results were in line with estimates. Distributable income per unit (DPU) of 2.18 cents (-23.8% yoy, +21.1% yoy) represents 25.3% of our full-year forecast. After working capital deduction of 1.97 cents (-31.1% yoy, +9.4% qoq), DPU implies payout ratio of 90%. Gross revenue declined 19.2% yoy and 19.9% qoq to S$22.5m, and net property income fell 21.2% yoy and 5.3% qoq to S$20.6m. Results were adversely impacted by significantly weaker tourist arrivals during the quarter (-13.7%), cost containment on the part of corporate clients, and the absence of crowd-pulling events such as the Singapore Airshow.

Stock Impact

Refinancing overhang removed. CDREIT has successfully secured refinancing for S$297m of outstanding borrowings maturing Jul 09 through a S$350m secured facility from DBS Bank, at an interest rate of the Singapore swap offer rate plus interest margin of 2.6% p.a. The 3-year loan comprises a S$270m term loan and a S$80m revolving credit facility. Drawdown is expected in 3Q09 and no further refinancing is required until 2012. Post-refinancing, debt-to-asset ratio is expected to increase marginally to 19.8% from 18.3% as at end-1Q09.

Lowering of RevPAR estimates. Overall RevPAR fell 28% yoy to S$150 in 1Q09 due to a 9.6ppt drop in occupancy and 18.6% decline in ADR. Although tourist arrivals should enjoy a boost from the opening of the integrated resorts in 2009 and 2010, we believe CDREIT will come under pressure from the substantial supply of new hotel rooms coming on stream in 2009-11. As such, we have cut our RevPAR estimates for 2009-11 by 18.5-22.3%. Our revised RevPAR estimates account for a 21.8-23.3% reduction in ADR and a 5ppt increase in occupancy in FY11.

SINGAPORE

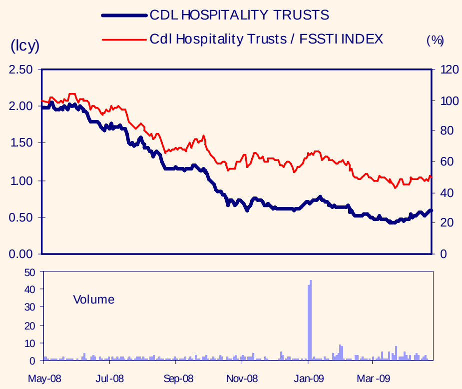
CDL Hospitality Trusts (CDREIT SP)

BUY

Current Price: S$0.58
Target Price: S$1.00
(Previous: S$1.29)

Sector	REITs
52-Wk Avg Daily Vol. ('000)	1,815
Market Cap (S$m)	481.7
(US$m)	325.6
Major Shareholders (%)	
Hospitality Hldgs P/L	37.8
Book NTA per Share (S$)	1.39
ROE (%)	5.3
Net Debt per Share (S$)	0.35
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)	EPS (S cts)	EPS Growth (%)	PE (x)	DPU (S cts)	Yield
2007	90.6	70.6	54.7	7.1	10.0	8.2	9.0	15.5
2008	114.7	91.5	78.4	10.3	45.1	5.6	10.6	18.3
2009F	86.3	67.6	55.3	6.6	(35.8)	8.8	6.4	11.1
2010F	87.5	69.4	57.3	6.8	2.3	8.6	6.4	11.0
2011F	93.1	74.9	62.8	7.3	8.4	7.9	6.9	11.8

Consensus Net Profit – FY09: S$59.0m
– FY10: S$58.2m

Earnings Revision

We lower our DPU estimates by 22.5-25.6%, factoring in the downward revision in RevPAR.

Valuation/Recommendation

CDREIT offers an attractive yield of 11.1% despite the downward revision to our DPU estimates. Maintain BUY but we lower our target price by 22.5% to S$1.00 based on a two-stage dividend discount model (cost of equity: 9.0%, terminal growth: 2.5%)

Impact Of Changes In 2009-11 RevPAR Assumptions On Target Price

		Scenarios	
CDL Hospitality Trusts	Base Case	Asian Financial Crisis	SARS
Average Blended RevPAR 2009-2011 (S$)	146	98	76
Target Price (S$)	1.00	0.74	0.64

Source: CDREIT, UOB Kay Hian

Impact Of Write-down In Asset Values On Gearing

		Scenarios			
CDL Hospitality Trusts	Base Case	A	B	C	D
Write-down in Asset Values (%)	-	10	20	30	40
Gearing (Debt/Assets) (%)	19.8	22.0	24.7	28.3	33.0

Source: CDREIT, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Turnover	90.6	114.7	86.3	87.5	93.1
EBIT	70.6	91.5	67.6	69.4	74.9
Pre-tax Profit	54.7	78.4	55.3	57.3	62.8
Net Profit	54.7	78.4	55.3	57.3	62.8
Income avail for distribution	61.8	87.9	65.5	67.4	73.2
DPU (¢)	9.0	10.6	6.4	6.4	6.9
EPU (¢)	7.1	10.3	6.6	6.8	7.3

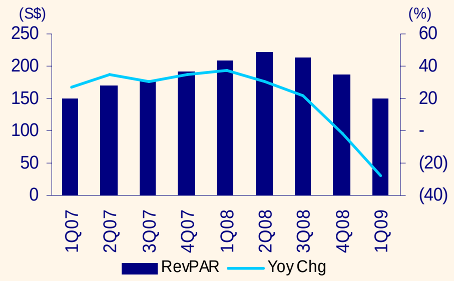
Balance Sheet

Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Current Assets	28.0	20.7	49.4	52.2	50.9
Total Assets	1,656.9	1,501.7	1,530.4	1,533.2	1,531.9
Current Liabilities	67.6	45.7	26.0	30.0	30.0
Long-Term Liabilities	291.4	275.0	300.0	300.0	300.0
Shareholder Funds	1,325.5	1,177.0	1,202.4	1,202.2	1,200.9
Total Equity & Liabilities	1,656.9	1,501.7	1,530.4	1,533.2	1,531.9

Cash Flow

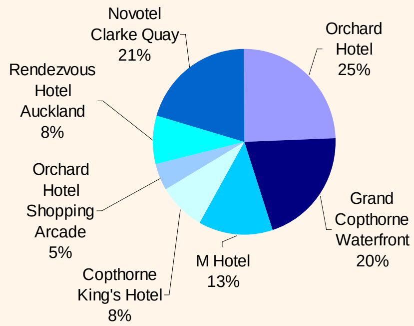
Year to 31 Dec (S$m)	2007	2008	2009F	2010F	2011F
Operating	79.7	107.2	72.4	78.5	81.3
Investing	(200.2)	(5.0)	(2.2)	(2.2)	(2.3)
Financing	118.7	(109.0)	(42.8)	(74.5)	(80.3)
Net Cash In/(Out) Flow	4.0	(6.8)	27.5	1.8	(1.3)
Begin Cash & Cash Equiv.	9.7	13.7	6.9	34.4	36.2
End'g Cash & Cash Equiv.	13.7	6.9	34.4	36.2	34.9

RevPAR



Source: CDREIT, UOB Kay Hian

Revenue By Property (1Q09)



Source: CDREIT, UOB Kay Hian

http://research.uobkayhian.com

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