

KEY STORY

Indonesia

Bank Rakyat Indonesia (BUY/Rp6,000/Target: Rp5,500) Page 9
Primary beneficiary of lower interest rates, so maintain BUY although valuation is no longer a bargain.

CHINA

Sector

Consumer Page 2
Reiterate BUY on Daphne given its strong potential from new brands and cheap valuation. We believe Wumart may become the Wal-Mart of China.

HONG KONG

Update

HK Exchanges and Clearing (HOLD/HK\$100.40/Fair: HK\$116.00) Page 5
To align our call on HKEx with our in-house market view, we expect market turnover to improve in May-Dec 09. Consensus is very bearish.

Li & Fung (SELL/HK\$22.00/Fair: HK\$15.60) Page 7
Share placement again, the second in less than a year. More will come over the next few years. Maintain SELL.

INDONESIA

Update

Bank Rakyat Indonesia (BUY/Rp6,000/Target: Rp5,500) Page 9
Primary beneficiary of lower interest rates, so maintain BUY although valuation is no longer a bargain.

MALAYSIA

Sector

Property Page 11
Is the worst over as there are improvements in a few indicators?

SINGAPORE

Results

ST Engineering (SELL/S\$2.63/Fair: S\$2.14) Page 13
1Q09: Net profit down 30%. Downgrade to SELL.

Update

Singapore Press Holdings (BUY/S\$2.81/Target: S\$3.90) Page 15
Page counts suggest advertising revenue is bottoming, but 3QFY09 (Mar – May 09) would likely be the worst quarter in view of last year's high base.

THAILAND

Update

LPN Development (BUY/Bt3.05/Target: Bt3.45) Page 17
2010 earnings forecast raised by 25% after LPN secured enough land to meet new launch target of at least Bt10b. Maintain BUY.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	8410.7	(0.2)	4.9	4.9	(4.2)
S&P 500	903.8	(0.4)	5.7	7.3	0.1
FTSE 100	4336.9	2.2	4.1	7.6	(2.2)
AS30	3862.2	0.4	5.2	4.5	5.5
CSI 300	2727.0	0.5	8.5	6.1	50.0
FSSTI	2074.4	2.2	14.1	12.2	17.8
HSI	16430.1	0.3	10.7	9.5	14.2
JCI	1772.1	(0.9)	11.0	16.8	30.7
KLCI	1008.9	(0.0)	2.9	9.2	15.1
KOSPI	1397.9	2.1	3.2	8.9	24.3
Nikkei 225	8977.4	1.7	1.5	2.6	1.3
SET	506.3	3.0	6.8	13.5	12.5
TWSE	6379.9	0.8	11.8	14.8	39.0
BDI	1897	5.0	6.0	26.0	145.1
CPO (RM/mt)	2848	5.1	3.3	25.4	74.7
Nymex Crude (US\$/bbl)	54	(1.2)	7.9	2.5	20.7

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (Icy)	Target Price (Icy)	Pot. +/- (%)
Top BUYs				
China Coal	1898 HK	7.81	8.80	12.7
China Life	2628 HK	28.55	31.30	9.6
China Railway	390 HK	5.56	6.00	7.9
Maanshan Iron	323 HK	3.80	4.50	18.4
PetroChina	857 HK	7.52	7.80	3.7
Zijin Mining	2899 HK	6.18	7.15	15.7
Advanced Info	ADVANC TB	80.00	94.47	18.1
Quality Houses	QH TB	1.10	1.28	16.4
Top SELLs				
China Cosco	1919 HK	7.04	4.00	(43.2)
Harbin Power	1133 HK	6.27	4.50	(28.2)
Parkson Retail	3368 HK	10.90	5.15	(52.8)
S'pore Airlines	SIA SP	11.70	8.20	(29.9)
STX Pan Ocean	STX SP	14.40	4.35	(69.8)
Amata Corp	AMATA TB	4.06	2.11	(48.0)

Key Assumptions

GDP (% yoy)	2008	2009F	2010F
US*	1.1	(2.5)	1.9
Euro Zone*	0.7	(3.3)	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	1,480	1,773
Copper* (US\$/MT)	6,884	3,754	4,400
Gold Price London* (US\$/ounce)	873	934	968
Iron Ore* (US\$/dmu)	153	102	96
CPO (US\$/MT)	818	520	685
BDI	6,338	2,500	1,500

* Bloomberg

Source: UOB, UOB Kay Hian

Corporate Events

	Venue	Beg	Close
Sino-Ocean Land Corporate Roadshow*	Singapore	8 May	8 May
Hyflux Corporate Roadshow*	Kuala Lumpur	12 May	12 May
FSLT & PST Combined Luncheon Presentation*	Singapore	14 May	14 May
EcoGreen Corporate Roadshow*	Shanghai	14 May	15 May

* by invitation only

Consumer

Weekly: Reiterate BUY on Daphne

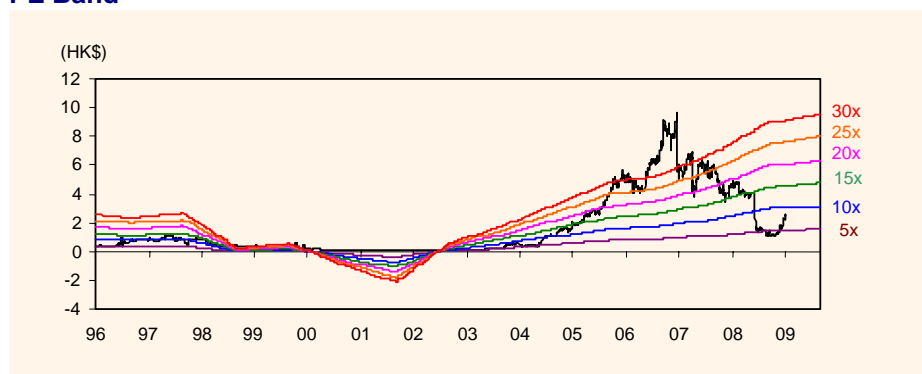
In this new consumer weekly, we reiterate our BUY on Daphne. We also have an overview on the supermarket sector, including Wumart, Lianhua and Jingkelong (please see our Blue Top for details).

LONG Daphne

The share price of Daphne had a tremendous run in 2003-07 when its ladies' shoes brand, Daphne, experienced a rapid growth through store expansion and improved profitability. Its PE expanded from single-digits to over 30x and the share price jumped by more than 10x. The stock faced a major pullback in 2008 as Daphne matured and growth slowed significantly.

Over the next few years, Shoebox will likely emerge as a new growth driver. Launched in 2004, Shoebox staged a turnaround in 2007 and tripled its profit in 2008. After reaching a critical mass, the brand is entering an initial stage of explosive growth. The brand targets the mass market, which is bigger than the ladies' shoes market. Thus, we see the potential of a major re-rating in the coming years. Our target price of HK\$3.80 is based on just 10x 2009 PE.

PE Band



Source: Bloomberg, UOB Kay Hian

China supermarket sector – who is the Wal-Mart of China?

Despite the deflation in China, some well-managed supermarket chains could achieve earnings growth through efficiency improvement and market share expansion. **We prefer Wumart (8277.HK/NOT RATED) to Lianhua (980.HK/SELL/HK\$10.30/Fair: HK\$7.85) and Beijing Jingkelong (814.HK/NOT RATED).** Unlike other supermarket chains in China which squeeze suppliers to maintain margins, Wumart achieved sales growth and margin expansion by improving operational efficiency. In 1Q09, Wumart's same-store sales (SSS) grew 2.4% yoy (vs zero for Lianhua) and gross margin rose 2ppt, due to: a) continuous optimisation of category mix, b) improvement in procurement system, and c) streamlining of supply chain.

All of these constitute the core competitiveness of a supermarket chain – providing the right products at the lowest prices. In this regard, Wumart outperformed Lianhua and Jingkelong, as seen in their operating figures like margins, return on asset, inventory turnover (see table on the right).

	Market cap (US\$m)	EPS growth (%)			PE (x)		
		2008	2009F	2010F	2008	2009F	2010F
Lianhua	827	44	13	6	13.1	11.6	11.0
Wumart	1,220	24	41	16	24.9	17.6	15.1
JKL	412	19	8	22	7.1	6.6	5.4

CHINA

Consumer

MARKET WEIGHT

UOB Kay Hian Top Consumer Picks

	Current	Target/ Fair Price (HK\$)	2009F PE (x)	
Top BUYs				
Daphne	210 HK	2.95	3.80	9.5
China Yurun	1068 HK	9.23	12.50	9.9
Top SELLs				
Parkson	3368 HK	9.85	5.15	26.3
Hengan	1044 HK	32.45	20.50	24.8
China Mengniu	2319 HK	13.90	8.89	24.0

Source: UOB Kay Hian

Operating Figures For Supermarkets

	Wumart	Lianhua	JKL
Profitability (%)			
Gross margin	8.8	13.6	14.0
EBIT margin	5.1	1.7	5.5
Net margin	3.4	1.9	2.3
ROA	5.4	3.1	2.8
Ratio (%)			
Other oper rev/Rev	11.3	9.1	5.2
Selling exp/Rev	11.5	19.7	10.2
Admin exp/Rev	3.1	2.0	2.9
Working capital			
Inventory days	28	43	42
Receivable days	2	1	47
Payable days	78	61	51
Cash recovery cycle	(48)	(17)	38

Source: UOB Kay Hian

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Key Sector Events

Influenza A (H1N1) has surfaced in 21 countries with over 1,000 cases of infection

Our view: As the influenza A may be milder than the SARS virus, share prices of consumer stocks have gone up. Some consumer stocks had dropped as much as over 30% during the SARS period. Considering the risk-reward ratio, we would switch out of the consumer sector. We recommend bottom-fishing for consumer stocks when they fall by an accumulated 20-30% from now.

Changyu's 1Q09 sales down 1% yoy and net profit dropped 10% yoy

Our view: We talked to Dynasty's CFO. Sales in March were disappointing (down by double-digit). We expect sales to drop more than 15% in 1Q09. Nonetheless, Dynasty's valuation is still the cheapest in the F&B sector. It is trading at 10.7x FY09 PE, much lower than its Hong Kong peers' 18.1x. China Foods has guided single-digit sales growth for its wine sales in 1Q09.

Tsingtao Brewery's turnover and net profit grew 6% yoy and 54% yoy to Rmb3,813m and Rmb199m respectively in 1Q09

Our view: The expanded market share of core brands in sales helped offset the negative impact from high-cost inventory. However, we are concerned about sales volume growth as consumers reduce discretionary spending. An increase in ASP may be unlikely in 2009 given deflation and intense competition. Maintain SELL given the stretched valuation of >30x 2009 PE.

Hongguo's 1Q09 turnover up 22% yoy but net profit fell 34% yoy

Our view: The earnings decline was due to heavier discounts which dragged down gross margin. Substantial quantity of inventories was cleared in 4Q08-1Q09. Inventory days fell to 160 days. Management expects gross margin to rebound from 36% in 1Q09 to 40% in 2H09. SSS growth remains positive ytd. Management guided flat or slightly lower profit for 2009. The worst may be coming to an end in the ladies' shoes segment.

Most A-share retail companies released better-than-expected 1Q09 results

Our view: The 1Q09 results of A-share listed retailers indicate that most retailers recorded high single-digit or low double-digit sales growth. Average sales growth in 1Q09 for 37 A-share listed retailers was 7.08%. In 2009, sales growth will be the key performance indicator for retailers. Maintain MARKET WEIGHT on the retail sector.

Shanghai, Nanjing and Yangzhou will lift water prices

Our view: The weak food inflation in 2009 allows local authorities to raise water prices to cover high operating costs. Since Apr 09, water prices for beverage companies in Shanghai were lifted from Rmb2.5/tonne to Rmb3.1/tonne. The Water Price Hearings fair will be held in May to evaluate water price hikes. In the short term, beverage companies' gross margins will be hurt, but they can pass on cost hike to consumers in the long term.

In view of declining sales in China in 1Q09, McDonald's (MCD US) China unit will cut new store openings from 175 to 140-150. However, the China unit has stressed its optimistic view on the China market. McDonald operates about 1,000 outlets in China.

Our view: We think McDonald's sales setback and expansion slowdown in China may not accurately reflect the current operating environment in China. Yum! Brands (YUM US), the largest restaurant operator in the world, reported 12% yoy sales growth (2% SSS growth) in local currency in China in 1Q09. Yum! Brands operates over 3,000 outlets in China.

Hennes & Mauritz AB (HMB SS), Europe's second-largest clothing retailer, plans to open at least 10 new stores in China this year

Our view: H&M's expansion will have no direct impact on Ports Design (589 HK/HOLD/Fair: HK\$9.30). With 383 stores in China, Ports is positioned in the affordable luxury goods market, with an ASP of Rmb2,500. On the other hand, H&M provides fashionable yet low-priced products with an ASP of Rmb100-300. H&M has only nine stores in China so far.

1Q09 Results of A-share Listed Retail Companies

Name	1Q09 Sales Growth (%)	1Q09 Net profit Growth (%)
Wuhan Zhongnan	0.29	24.49
Lanzhou Minbai	11.06	(46.63)
Changsha Tong	13.95	0.39
Shang Join Buy	(13.70)	(43.90)
Zhongxing Shen	(1.38)	(5.28)
Wuxi Commercia	26.58	(6.99)
Beijing Xidan	1.17	70.66
Nanjing Xinjie	(12.36)	(6.34)
Changchun Eura	10.95	5.14
Yinchuan Xinhua	6.16	32.08
Fujian Dongbai	2.37	(9.20)
Chengdu People's	9.35	(18.72)
Guangzhou Gran	(2.16)	3.60
Chongqing Dept	6.51	1.35
Shang Yimin De	50.17	1.35
Wuhan Dept Store	12.29	36.10
Silvertie Holdin	12.89	305.07
Shang New Worl	1.01	(7.38)
Guangzhou Frie-A	0.08	2.94
Hefei Dept St0-A	13.78	58.16
Beijing Wangfuji	(0.71)	(5.30)
Shanghai Baili-A	7.47	3.81
	7.08	17.97

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Ticker	Market cap (US\$m)	Rating	Current price	Target price	PE (x)			EPS CAGR 09-10	PEG (x) 2009	P/B (x) 2008	ROE (%) 2008	
					2008	2009F	2010F					
DEPT STORES												
PARKSON RETAIL	3368 HK	3,935	SELL	HKD 10.90	HKD 5.15	31.8	29.1	25.9	10.7	2.7	6.8	27.0
GOLDEN EAGLE	3308 HK	1,557	Under review	HKD 6.80	Under review	17.6	18.7	15.0	8.3	2.3	5.7	40.8
LIFESTYLE INTL	1212 HK	1,756	HOLD	HKD 8.13	HKD 5.60	14.9	15.6	12.5	9.3	1.7	2.4	18.9
INTIME	1833 HK	653	n.a.	HKD 2.81	n.a.	11.4	14.4	11.8	-0.2	n.a.	1.2	15.8
NEW WORLD DEPT	825 HK	1,099	n.a.	HKD 5.05	n.a.	16.8	17.0	14.9	8.0	2.1	2.0	19.2
Avg						18.5	18.9	16.0	7.2	2.2	3.6	24.3
F&B												
CHINA FOODS LTD	506 HK	1,397	BUY	HKD 3.88	HKD 4.07	22.4	16.9	12.9	31.6	0.5	2.0	10.0
CHINA MENGNIU	2319 HK	3,022	SELL	HKD 15.00	HKD 8.89	Loss	25.9	21.0	n.a.	n.a.	4.0	-19.8
TSINGTAO BREW-H	168 HK	3,443	SELL	HKD 20.40	HKD 11.70	33.6	31.0	28.1	9.4	3.3	3.6	12.1
DYNASTY	828 HK	215	BUY	HKD 1.34	HKD 1.68	11.7	10.3	8.9	14.2	0.7	0.9	8.7
CHINA YURUN	1068 HK	1,954	BUY	HKD 9.89	HKD 12.50	11.7	10.6	9.2	13.0	0.8	2.5	24.3
CHINA HUIYUAN	1886 HK	1,027	SELL	HKD 5.42	HKD 2.60	54.2	36.7	29.8	34.8	1.1	1.5	1.9
SYNEAR FOOD	SYNF SP	40	HOLD	SGD 0.23	SGD 0.14	6.4	8.0	6.9	-3.8	n.a.	0.5	7.9
PEOPLE'S FOOD	PFH SP	417	BUY	SGD 0.55	SGD 0.88	4.1	3.6	3.2	12.2	0.3	0.5	15.1
TINGYI HLDG CO	322 HK	7,122	n.a.	HKD 9.88	n.a.	27.4	22.8	18.7	20.8	0.9	5.4	23.3
UNI-PRESIDENT	220 HK	1,834	n.a.	HKD 3.95	n.a.	36.4	17.3	15.3	54.1	0.3	2.0	6.3
WANT WANT	151 HK	6,731	n.a.	HKD 3.95	n.a.	25.5	21.2	17.0	22.5	0.9	5.9	32.4
Average						23.3	18.6	15.6	20.9	1.0	2.6	11.1
CATERING												
TAO HEUNG	573 HK	274	BUY	HKD 2.09	HKD 2.50	11.2	9.3	7.3	23.7	0.4	2.1	19.3
LITTLE SHEEP	968 HK	402	n.a.	HKD 3.03	n.a.	19.7	17.1	13.8	19.3	0.9	2.7	20.9
AJISEN CHINA HOL	538 HK	541	n.a.	HKD 4.01	n.a.	17.1	14.1	11.5	21.8	0.6	1.6	19.7
CAFE DE CORAL	341 HK	1,055	n.a.	HKD 14.80	n.a.	18.3	17.2	15.1	13.5	1.3	3.4	19.2
FAIRWOOD HLDGS	52 HK	103	n.a.	HKD 6.31	n.a.	8.4	7.1	5.7	18.8	0.4	1.7	28.7
Average						14.9	13.0	10.7	19.4	0.7	2.3	21.6
CONSUMER STAPLES												
HENGAN INTL	1044 HK	4,964	SELL	HKD 33.45	HKD 20.50	28.5	25.5	23.7	9.7	2.6	5.2	22.7
VINDA INTL HLDGS	3331 HK	463	n.a.	HKD 3.97	n.a.	34.3	13.1	11.1	39.3	0.3	1.9	10.4
Average						31.4	19.3	17.4	24.5	1.5	3.5	16.6
ELECTRONIC RETAILERS												
GOME ELECTRICAL	493 HK	1,844	n.a.	HKD 1.12	n.a.	12.2	5.9	5.4	48.6	0.1	1.1	11.1
Average						12.2	5.9	5.4	48.6	0.1	1.1	11.1
LUXURY GOODS												
LUK FOOK HLDGS I	590 HK	149	BUY	HKD 2.35	HKD 5.60	3.7	3.7	6.9	-27.0	n.a.	0.9	32.5
CHOW SANG SANG	116 HK	388	n.a.	HKD 4.99	n.a.	6.4	6.9	6.4	-0.1	n.a.	0.9	13.8
XINYU HENGDELI	3389 HK	630	n.a.	HKD 1.97	n.a.	9.3	10.4	9.4	-0.3	n.a.	1.8	23.7
Average						6.5	7.0	7.6	-9.1	n.a.	1.2	23.3
SUPERMARKETS												
LIANHUA SUPERM-H	980 HK	827	SELL	HKD 10.30	HKD 7.85	14.6	17.1	14.9	-0.8	n.a.	2.0	16.4
WUMART STORES	8277 HK	1,134	n.a.	HKD 7.20	n.a.	25.9	18.2	15.8	28.1	n.a.	2.9	21.5
BEIJING JINGKELO	814 HK	173	n.a.	HKD 3.25	n.a.	7.5	6.7	5.7	14.7	0.5	0.7	11.2
Average						16.0	14.0	12.1	14.0	0.5	1.8	16.4
FOOTWEAR												
BELLE	1880 HK	6,497	SELL	HKD 5.97	HKD 3.20	22.1	20.6	18.6	8.8	2.3	2.9	15.9
DAPHNE	210 HK	602	BUY	HKD 2.85	HKD 3.80	9.5	8.9	7.5	12.4	0.7	2.1	30.5
HONGGUO	HGUO SP	42	HOLD	SGD 0.16	SGD 0.16	2.7	3.0	2.7	-1.3	n.a.	0.4	19.9
WALKER	1386 HK	39	n.a.	HKD 0.49	n.a.	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	19.9
STELLA INTERNATI	1836 HK	1,002	n.a.	HKD 9.78	n.a.	8.1	10.4	9.7	-8.4	n.a.	1.3	16.8
Average						9.1	10.7	9.6	2.9	1.5	1.7	20.6
APPAREL												
ESPRIT HLDGS	330 HK	8,210	SELL	HKD 51.15	HKD 26.30	9.8	12.8	13.8	-15.6	n.a.	3.9	46.0
GIORDANO INTL	709 HK	302	HOLD	HKD 1.57	HKD 2.06	7.5	39.3	24.9	-45.0	n.a.	1.2	16.4
PORTS DESIGN	589 HK	1,010	HOLD	HKD 13.96	HKD 9.60	18.6	16.6	15.0	11.3	1.5	5.1	41.3
Average						12.0	22.9	17.9	-16.4	1.5	3.4	34.6
SPORTSWEAR												
LI NING CO LTD	2331 HK	2,231	HOLD	HKD 16.68	HKD 11.10	21.1	19.1	17.0	11.3	1.7	6.2	39.6
CHINA DONGXIANG	3818 HK	2,975	HOLD	HKD 4.07	HKD 3.50	14.9	15.2	13.8	3.9	3.9	2.6	21.7
CHINA HONGXING	CHHS SP	267	SELL	SGD 0.16	SGD 0.11	4.1	4.5	4.3	-2.9	n.a.	0.4	12.1
CHINA SPORTS INT	CSPORT SP	50	HOLD	SGD 0.11	SGD 0.12	1.9	2.8	2.6	-15.3	n.a.	0.4	27.0
ANTA SPORTS PROD	2020 HK	2,403	n.a.	HKD 7.48	n.a.	18.2	15.4	13.1	18.2	0.8	3.3	20.7
XTEP INTERNATIONAL	1368 HK	823	n.a.	HKD 2.90	n.a.	9.5	9.6	7.9	10.0	1.0	2.0	34.8
POU SHENG INTL	3813 HK	385	n.a.	HKD 0.84	n.a.	3.7	10.8	6.8	-25.7	n.a.	0.6	17.9
Average						10.5	11.1	9.3	-0.1	1.8	2.5	26.0

Source: Bloomberg, UOB Kay Hian

Hong Kong Exchanges and Clearing

Transforming from bear to bull

To align our call on HKEx with our in-house market view, we expect market turnover to improve in May-Dec 09 by assuming HK\$64.5b ADT. Consensus, currently bearish, is under pressure to turn bullish.

HKEx - Historical Market Statistics

Period	Average Daily Turnover (HK\$b)	yoy % chg	Total Market Cap (HK\$b)	yoy % chg	Annualised Turnover Velocity (%)
Nov 07	143.3	197.6	21,202	73.8	166.3
Dec 07	101.5	123.3	20,697	55.2	120.6
Jan 08	123.3	105.4	17,221	29.1	174.7
Feb 08	88.1	67.9	18,207	37.7	118.0
Mar 08	91.1	78.6	16,938	25.0	131.3
Apr 08	90.2	53.5	18,860	32.4	116.7
May 08	78.1	17.3	18,379	22.7	103.7
Jun 08	67.3	(26.2)	16,356	3.2	100.3
Jul 08	63.8	(29.7)	16,559	(5.1)	94.0
Aug 08	60.5	(37.9)	15,302	(13.8)	96.5
Sep 08	69.9	(41.0)	12,548	(37.4)	135.9
Oct 08	64.8	(63.5)	9,521	(58.7)	166.1
Nov 08	46.7	(67.4)	9,682	(54.3)	117.8
Dec 08	42.8	(57.8)	10,299	(50.2)	101.4
Jan 09	47.4	(61.6)	9,600	(44.3)	120.5
Feb 09	39.7	(54.9)	9,284	(49.0)	104.3
Mar 09	46.1	(49.5)	10,128	(40.2)	111.0
Apr 09	61.3	(32.1)	11,458	(39.2)	130.5

Source: HKEx, UOB Kay Hian

Corporate Events

To align our call on HK Exchanges and Clearing (HKEx) with our in-house market view, we have raised our assumption on annualised turnover velocity for May-Dec 09 from 76% to 154%. As a result, we have raised our 2009 average daily turnover (ADT) assumption from HK\$34.9b to HK\$64.5b (assuming ADT of HK\$72.3b in May-Dec 09). We have also raised our 2010 ADT assumption from HK\$29.1b to HK\$72.3b.

Earnings Revision

We have raised our 2009, 2010 and 2011 earnings forecasts by 57%, 89% and 95% respectively.

Sensitivity Analysis – ADT To EPS And Fair Price

2009 ADT (HK\$b)	2009 EPS (HK\$)	Fair 2009 PE	Fair Price (HK\$)
100.0	6.04	32.1	193.9
80.0	5.02	27.4	137.8
64.5	4.23	22.8	96.4
50.0	3.49	18.2	63.3
30.0	2.47	13.5	33.3

Source: HKEx, UOB Kay Hian

HONG KONG

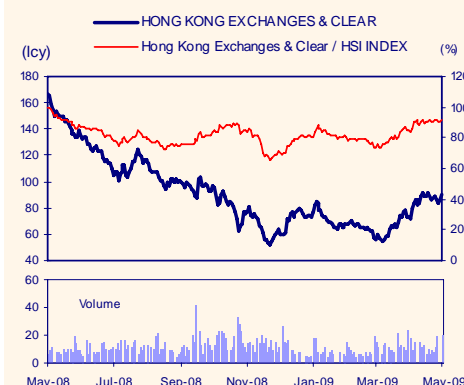
HK Exchanges and Clearing (388 HK)

UPGRADE TO HOLD

Current Price: HK\$100.40
Fair Price: HK\$116.00
(Previous: HK\$49.00)

Sector	Exchange
52-Wk Avg Daily Vol. ('000)	10,795
Market Cap (HK\$m)	107,957.8
(US\$m)	13,930.0
Major Shareholders (%)	
Exchange Fund	5.9
Book NTA per Share (HK\$)	6.80
ROE (%)	65.5
Net Cash per Share (HK\$)	4.40
Results Due	
1Q: May	2Q: Aug
3Q: Nov	Final: Mar

Price Chart



Source: Bloomberg

Analyst

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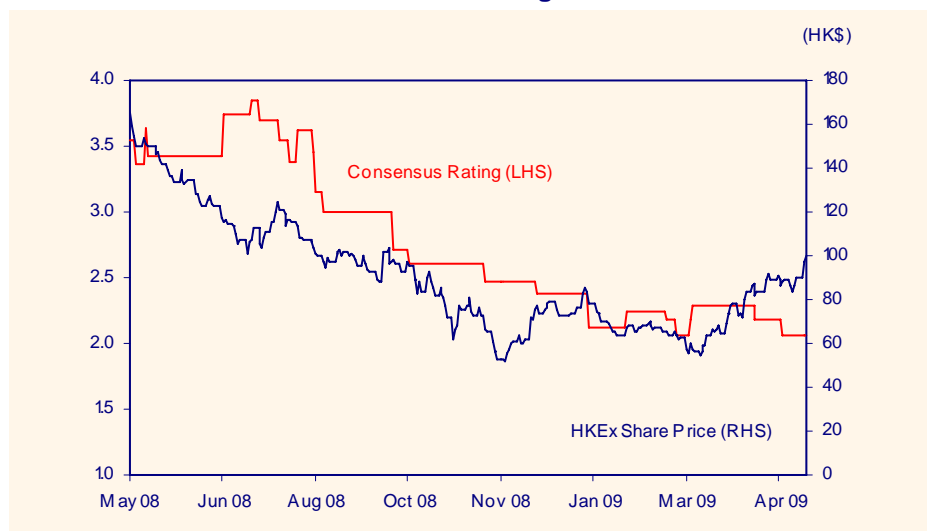
Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (HK\$)	Yield (%)
2007	7,147	6,160	6,169	5.78	143.9	17.4	16.7	5.19	5.2
2008	6,481	5,168	5,129	4.78	(17.3)	21.0	20.0	4.29	4.3
2009F	6,038	4,796	4,542	4.23	(11.6)	23.7	21.5	3.79	3.8
2010F	6,571	5,319	4,999	4.65	10.0	21.6	19.4	4.18	4.2
2011F	6,839	5,581	5,228	4.87	4.6	20.6	18.5	4.37	4.3

Consensus Net Profit – 2009: HK\$3,724m
– 2010: HK\$4,126m

Valuation/Recommendation

Consensus is bearish as reflected in the lowest consensus ratings (see chart below) and lowest consensus estimates (see chart in right-hand column) in the past 12 months. Our 2009 revised earnings forecasts (based on 2009 ADT of HK\$64.5b) are 22% above consensus. Consensus fair price is HK\$58.00. We believe consensus is forecasting about HK\$40b (similar to the ADT in 1Q09). With ADT of HK\$61.3b in Apr 09, there is upward pressure on consensus earnings and ratings. To further align our HKEx call with our in-house market outlook, we have raised our fair 2009 PE from 18.2x (bear market PE) to 27.4x (bull market PE). As a result, we have substantially raised our fair price from HK\$49.00 to HK\$116.00. **Upgrade from SELL to HOLD. Entry price is HK\$95.00.**

HKEx – Share Price and Consensus Rating



Source: UOB Kay Hian, Bloomberg

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	7,147	6,481	6,038	6,571	6,839
EBIT	5,953	4,929	4,545	5,068	5,330
Pre-tax Profit	7,191	5,928	5,250	5,778	6,043
Net Profit	6,169	5,129	4,542	4,999	5,228
Av Daily Turnover (HK\$b)	88.1	72.1	64.5	72.3	75.9

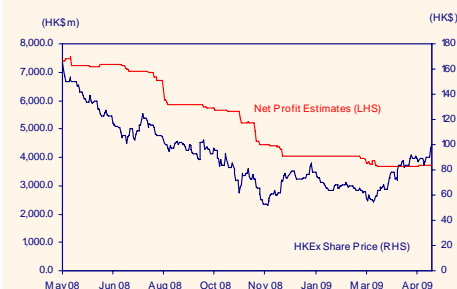
Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	85,259	68,354	67,087	67,848	68,512
Total Assets	87,944	70,997	69,730	70,492	71,155
Current Liabilities	77,907	62,042	60,624	60,696	60,731
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	8,377	7,295	7,446	8,136	8,764
Total Equity & Liabilities	87,944	70,997	69,730	70,492	71,155

Cash Flow

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	8,472	13,213	4,050	4,548	5,127
Investing	(3,333)	48	(251)	(251)	(251)
Financing	(2,710)	(15,016)	(948)	(8,375)	(6,638)
Net Cash In/(Out) Flow	2,429	(1,754)	2,852	(4,078)	(1,762)
Begin Cash & Cash Equiv.	2,224	4,745	4,756	4,756	4,756
End'g Cash & Cash Equiv.	4,745	4,756	4,756	4,756	4,756

Share Price And 2009 Consensus Net Profit Estimates



Source: Bloomberg, UOB Kay Hian

HKEx - Sensitivity Analysis

	2009 PE (x)	Fair Price (HK\$)
Historical Highest PE	48.1	203.2
Historical High PE*	32.1	135.7
Bull Market PE	27.4	116.0
Historical Average PE	22.8	96.4
Bear market PE	18.2	76.7
Historical Low PE**	13.5	57.1
Historical Lowest PE	10.7	45.3

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

Li & Fung

Share placement again, more to come

L&F issued 120.29m new shares at HK\$22.55 each via a top-down placement. We expect more share placements or fund raising to finance the Group's aggressive M&A appetite. Maintain SELL.

Corporate Events

Share placement to raise HK\$2.68b ... Via a top-down placement, Li & Fung (L&F) issued 120.29m new shares (3.3% of share capital) at HK\$22.55/share to raise HK\$2.68b. After the placement, the total number of shares would increase from around 3,636m to 3,756m. This is the second placement within a year and the sixth in five years.

... for M&As and debt repayment. According to the announcement, the net proceeds of HK\$2.68b will be used for M&As. However, we believe some will be used to repay debt. As at end-08, the Group had HK\$7.77b of debt. Netting off HK\$2.275b cash, the Group still had HK\$5.5b of net debt (41% of equity). The Group is expected to repay over HK\$1.6b of debt within a year and another HK\$1.2b in two years. We estimate the Group's net debt to equity ratio will drop to 20% by end-09.

Stock Impact

We believe the Group's strategy of acquisitions via issuing shares may lead to one-off earnings increase in the short term. However, this is unlikely to lead to sustainable growth for two reasons: a) the potential targets are likely to suffer sustained earnings setback amid declining US consumption, and b) the Group will need to finance its acquisitions via either share issues or debt raising, which would dilute EPS.

The potential M&A targets for L&F may include sourcing companies, the procurement arms of retailers in developed countries or even onshore businesses in the US. All of them will likely experience a profit setback in the coming years, dragged by weakening consumption in the US. For example, Talbot, the US retailer which stated its intention to outsource its procurement operation to L&F, expects to see a mid-20% yoy drop in sales in 1Q09.

Given the gloomy industry outlook, L&F would need to launch aggressive M&As to achieve its target of 19% sales CAGR from 2009-11, which makes continuous fund raising necessary. L&F has negative free cash flow since 2006 due to skyrocketing investments. The gap was filled by either share issues or borrowings, which diluted EPS. Moving forward, we expect more share placements to come.

Earnings Risk

A further contraction in retail sales in the US and Europe, a result of deleveraging by consumers, could prompt the Group's customers to further cut orders. The potential bankruptcy of the Group's customers would result in unexpected write-off in trade receivables.

HONG KONG

Li & Fung (494 HK)

SELL

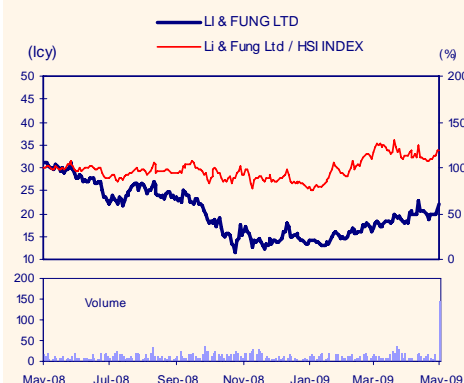
Current Price: HK\$22.00

Fair Price: HK\$15.60

(Previous: HK\$11.70)

Sector	Export
52-Wk Avg Daily Vol. ('000)	12,024
Market Cap (HK\$m)	79,979
(US\$m)	10,254
Major Shareholders (%)	
William Fung	29.17
Book NTA per Share (HK\$)	(0.33)
ROE (%)	20.8
Net Debt per Share (HK\$)	1.51
Results Due	
Interim	Aug
Final	Apr

Price Chart



Source: Bloomberg

Analyst

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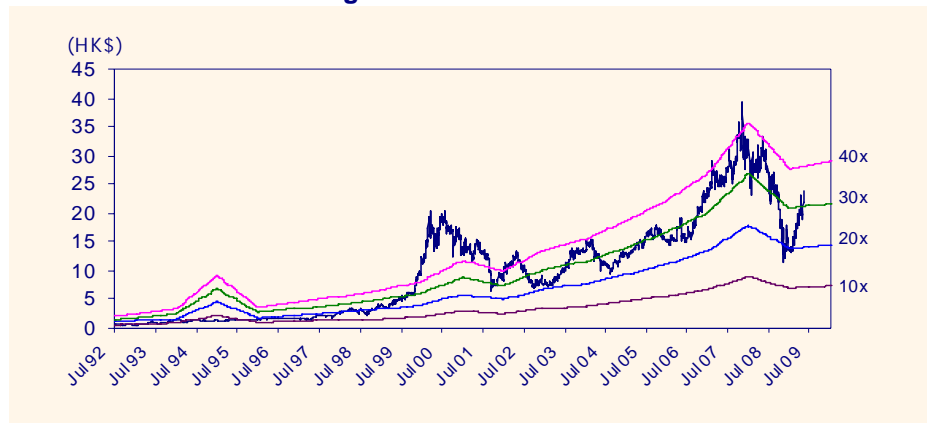
Year to 31 Dec	Turnover (HK\$m)	EBITDA (HK\$m)	Net Profit (HK\$m)	EPS (HK\$)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (HK\$)	Yield (%)
2007	92,460	3,450	2,603	0.761	33	28.9	24.6	0.710	3.2
2008	110,722	3,566	2,422	0.693	(9)	31.7	23.8	0.570	2.6
2009F	119,580	3,827	2,631	0.724	4	30.4	22.2	0.595	2.7
2010F	129,146	4,133	2,841	0.782	8	28.1	20.5	0.643	2.9
2011F	142,061	4,546	3,125	0.860	10	25.6	18.7	0.707	3.2

Consensus Net Profit – FY09 : HK\$3,832m
 – FY10: HK\$4,693m

Valuation/Recommendation

Based on our earnings forecasts, L&F is trading at 30x 2010 PE, the mid-point PE during the bull market in 2003-08. Excluding the market boom periods in 1999-2000 and 2006-07 when PE multiples reached 30-40x, the historical average PE should be 20x. Given that market sentiment has returned to normal, we set our target PE at 20x instead of 15x previously, translating into a fair price of HK\$15.60. Maintain SELL.

PE Band Chart of Li & Fung



Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	92,460	110,722	119,580	129,146	142,061
EBIT	3,187	3,084	3,348	3,616	3,978
Pre-tax Profit	2,857	2,683	2,870	3,100	3,409
Net Profit	2,603	2,422	2,631	2,841	3,125

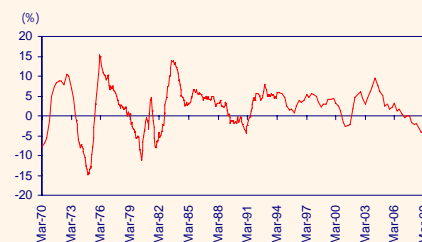
Balance Sheet

Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	19,067	21,466	23,183	25,038	27,542
Total Assets	31,789	37,509	40,226	43,081	46,585
Current Liabilities	16,346	17,848	19,276	20,818	22,900
Long-Term Loans	5,528	6,143	6,143	6,143	6,143
Shareholders' Funds	9,895	13,412	13,938	14,506	15,132
Total Equity & Liabilities	31,789	37,509	40,226	43,081	46,585

Cash Flow

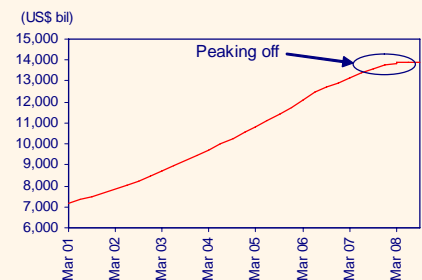
Year to 31 Dec (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	3,802	3,679	3,994	4,314	4,745
Investing	(5,248)	(3,950)	(1,300)	(1,000)	(1,000)
Financing	(589)	1,074	(3,147)	(3,350)	(3,500)
Net Cash Inflow/(Outflow)	(2,035)	803	(452)	(36)	245
Begin Cash & Cash Equiv.	3,508	1,472	2,275	1,823	1,787
End'g Cash & Cash Equiv.	1,472	2,275	1,823	1,787	2,033

US Leading Indicator



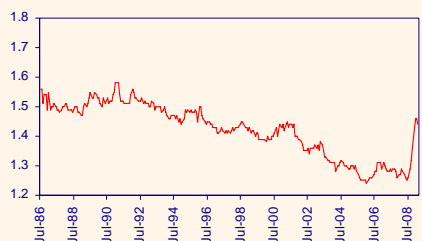
Source: Bloomberg

US Households' Debt



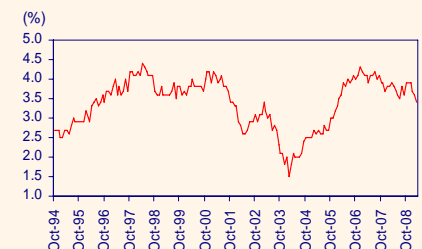
Source: Bloomberg

Inventory-to-Sales Ratio in the US



Source: Bloomberg

US Average Hour Earnings



Source: Bloomberg

Bank Rakyat Indonesia

Steady as a rock but no longer a bargain

We visited the company and feel assured the increase in NPL would be manageable. BRI is a primary beneficiary of lower interest rates, so maintain BUY although valuation is no longer a bargain.

Corporate Events

We met up with Bank Rakyat Indonesia's (BRI) management for an update on the company's latest performance and feel assured the concern over the hike in KUR (government-backed micro lending scheme) loans' NPL has been overblown. The KUR loan base has declined from Rp11t to Rp6.4t (a mere 4% of total loans) currently due to repayments.

Stock Impact

Micro loan NPL overstated. BRI saw its micro loan non-performing loan (NPL) ratio rise to 1.55% at Mar 09 from 1.02% as at Dec 08. This, however, included NPL for KUR loans, which stood at about 4% of outstanding KUR loans. Stripping out KUR NPL, NPL for the micro segment remained steady at 1.2%. Overall NPL ratio stood at 3.24% in Mar 09, up slightly from 2.80% in Dec 08.

Time lag in settlement of KUR NPL. Management stated there is a time lag in the settlement of KUR NPL by state creditor insurers ASKRINDO and JAMKRINDO. BRI is only able to file claims with the insurers when the KUR exposure is downgraded to doubtful accounts (over nine months overdue) and then it may take a few more months for administrative work to be completed before the NPL is eventually repaid. BRI has received about Rp10b from the insurers out of a total of Rp17b claimed and expects all claims to be settled. As a result, the concern over BRI's exposure to KUR appears to be overdone.

Loan growth remained robust, driven by micro exposure. BRI saw loan growth of 2.5% qoq and 41% yoy in 1Q09. Seasonally, 1Q is the weakest quarter in terms of loan growth as generally corporate and SME borrowers only draw down their working capital needs in 2H. Micro loans were still up 4% qoq in 1Q09, salary installment loans up 8% qoq while commercial and corporate borrowers saw flat loan growth. This confirms our view that the micro segment is resilient in the global economic crisis.

NIM to trend up as asset mix favours lower rates... BRI still paid high time deposit rates in 1Q09 but under the suasion of the central bank, BRI has been lowering deposit rates by 100-200bp over the past few months. The bank is a chief beneficiary of the prevailing falling interest rates as about 41% of its earnings assets mix are fixed-rate loans (primarily micro loans, salary installment loans and fixed-rate bonds). Thus, BRI should benefit as asset yields remain high while funding costs decline.

... coupled with improving deposit mix. Also, the improving deposit mix should also support margin. High-cost time deposits constituted 41% of total deposits in Mar 09, higher than the 36% seen in Dec 08. Seasonally, 1Q is the slowest quarter for low-cost savings and demand deposits. We expect BRI's savings and demand deposits to increase over the next few quarters, partly helped by the bank's role as state treasurer.

INDONESIA

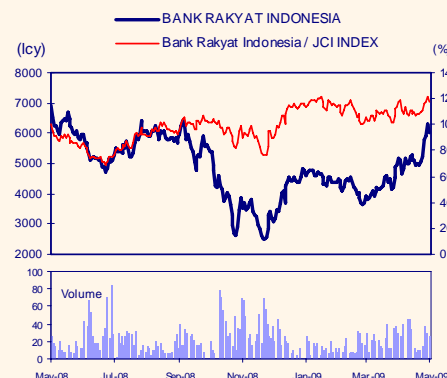
Bank Rakyat Indonesia (BBRI IJ)

BUY

Current Price: Rp6,000
Target Price: Rp5,500

Sector	Banking
52-Wk Avg Daily Vol. ('000)	20,930
Market Cap (Rp)	73,986.7
(US\$m)	7,110.7
Major Shareholders (%)	
The Republic of Indonesia	56.8
Book NTA per Share (Rp)	1,961
ROE (%)	28.5
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	9,499	4,838	393	13.6	15.3	1,578	3.8	173	2.9
2008	11,190	5,958	483	23.1	12.4	1,814	3.3	196	3.3
2009F	12,634	6,577	534	10.5	11.2	2,117	2.8	169	2.8
2010F	13,690	8,209	666	24.8	9.0	2,495	2.4	267	4.4
2011F	15,716	10,102	820	23.1	7.3	2,956	2.0	333	5.6

Consensus Net Profit – FY09: Rp6,320.1b
– FY10: Rp7,323.9b

Lower dividend payout to boost CAR

We expect BRI to follow in the footsteps of its peer Bank Mandiri and pay out a lower dividend of 35% of its 2008 earnings vs 50% in general so that the state-owned bank could retain capital in an uncertain macro environment. The bank estimates the lower payout would boost its capital adequacy ratio (CAR) by about 0.5% in 2009.

Earnings Revision

We are reviewing our earnings forecasts to reflect the slightly better than expected 1Q09 numbers.

Valuation/Recommendation

BRI's share price has risen 30% ytd, outperforming the Indonesian banking sector, which was up 22%, and JCI index, which rose 24%. Valuation is no longer compelling and the stock is trading at the median of its historical trading band. However, as we expect interest rates to continue to trend down and given that BRI is a primary beneficiary, we maintain our BUY rating.

Profit & Loss

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Net Interest Income	16,688	19,648	22,557	25,248	28,997
Non-Interest Income	1,775	2,484	2,075	2,364	2,696
Gross Income	18,463	22,132	24,632	27,612	31,693
Non-Interest Expenses	(8,964)	(10,942)	(11,997)	(13,921)	(15,977)
Pre-provision Profit	9,499	11,190	12,634	13,690	15,716
Provisions	(1,943)	(2,844)	(3,293)	(2,023)	(1,351)
Non-operating Income	224	476	55	61	67
Minority Interests	-	-	-	-	-
Tax	(2,942)	(2,864)	(2,819)	(3,518)	(4,330)
Net Profit	4,838	5,958	6,577	8,209	10,102

Balance Sheet

Year to 31 Dec (Rpb)	2007	2008	2009F	2010F	2011F
Total Assets	203,735	246,077	257,295	288,640	331,227
Total Liabilities	184,297	223,720	232,281	258,969	295,887
Total Equities	19,438	22,357	25,014	29,671	35,340
Gross Loan	113,973	161,108	180,407	209,831	244,357
Total Deposit	165,600	201,537	207,729	232,656	267,554

Peer Comparison

Ticker	Name	Price 5 May 09 (Rp)	----- PE -----			----- P/B -----			ROE 2009F (%)	Yield 2009F (%)
			2007 (x)	2008 (x)	2009F (x)	2007 (x)	2008 (x)	2009F (x)		
BBCA	Bank Central Asia	3,500	19.2	14.9	13.6	4.2	3.7	3.3	25.5	3.0
BBNI	Bank Negara Indonesia	1,350	23.0	16.9	10.0	1.2	1.3	1.2	12.5	2.1
BBRI	Bank Rakyat Indonesia	6,000	15.3	12.4	11.2	3.8	3.3	2.8	27.2	2.8
BDMN	Bank Danamon	3,350	8.0	11.0	13.4	1.6	1.6	1.8	15.7	2.7
BMRI	Bank Mandiri	2,875	13.7	11.3	10.6	2.0	2.0	1.7	16.8	3.1

Source: Bloomberg, UOB Kay Hian

PBV



Source: Bloomberg

PE Band



Source: Bloomberg

Property

Is the worst over?

The recent rebound in a few indicators do not necessarily point to a recovery in the property market. Take profit on the recent run-up, although long-term investors can still accumulate some deep-value stocks.

Sector Events

Recent indicators point to a bottoming out and recovery of the property market.

Residential loan approval rebounded in March. The latest mortgage approval figures unveiled by Bank Negara showed a 49.1% mom increase in residential property loans as buying activities resumed. For the very first time in six months, residential property loan approvals rose yoy (by 10.7%).

MIER RPI gained. The Malaysian Institute of Economic Research's Residential Property Index (MIER RPI) gained. The index, a leading survey indicator of property sector activities, jotted 79.1 points in 1Q09, rebounding from an all-time low of 69.3 points in 4Q08 (up 9.8 points qoq). Traditionally, the index is highly correlated with the KLCI Property Index.

Overwhelming response to developers' promotions and incentives. Major developers claim that their marketing campaigns have successfully lured house buyers despite the current poor economic conditions. SP Setia, the largest developer, has clinched RM500m sales within three months for its 5/95 scheme that requires buyers to make upfront payment of only 5% of the house selling prices and nothing else until the end of the two-year construction period. Meanwhile, Mah Sing and Sime Darby Property have also achieved RM140m and RM500m sales respectively since the launch of their innovative marketing schemes in January.

Outlook

However, we reckon the pick-up in property activities is not sustainable due to the following reasons:

- **Economic fundamentals still weak.** The physical property market remains bearish and there are more downtick risks to property prices and volumes. Historically, prices and volumes of Malaysian residential properties lag slightly behind the economy. During the 1997/98 Asian financial crisis, property prices and transactions pulled back more than the economy, although the property sector should be more resilient this time round as Malaysia has not been directly affected by the global financial crisis.

As our economics team expects gross domestic product (GDP) to contract 2.5% in 2009, residential property prices and transactions could experience downside pressure in 2009. We expect to see a significant contraction in property transactions as developers cut new launches and consumer demand for big-ticket items weakens amid the deteriorating economic outlook and job security concerns.

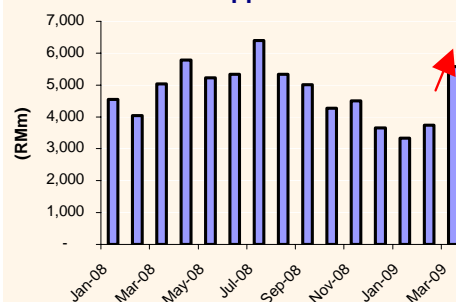
However, we believe the fall in property prices, particularly for landed mass residential properties, will be less than the drop in the overall economy as property prices have been lagging behind economic growth since 2001. The 2005-07 run-up extended mainly to high-end condos in the KLCC and Mon't Kiara areas.

MALAYSIA

Property

MARKET WEIGHT

Residential Loan Approval



Source: BNM, UOB Kay Hian

MIER RPI vs KLCI Property Index



Source: MIER, UOB Kay Hian

KLCI vs KL Property Index



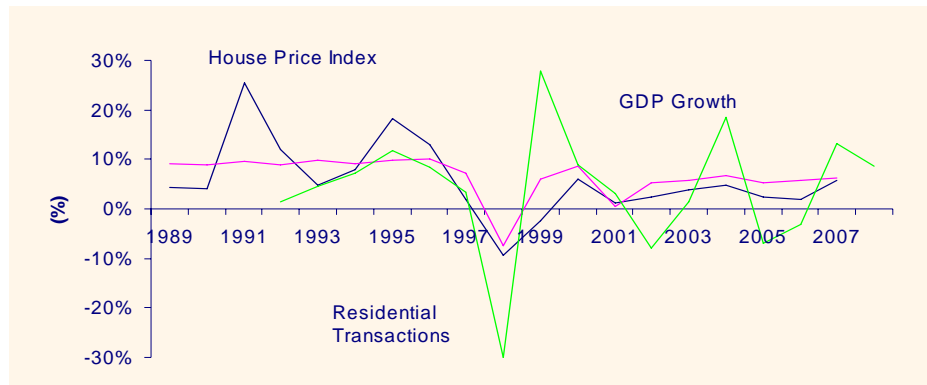
Source: Bloomberg, UOB Kay Hian

Analyst

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Key points to note include:

Residential Prices and Transactions vs GDP Growth



Source: NAPIC, UOB Kay Hian

- **Mortgage approval also driven by refinancing.** The higher residential loan approvals showed good consumer response to developers' aggressive sales promotions. The strong figures were also driven by mortgage refinancing exercises, with mortgage rates falling to as low as 3.5% (5.5% base lending rate minus 2ppt) after Bank Negara Malaysia slashed the overnight policy rate to an all-time low of 2%.
- **Still bearish sentiment.** Although the MIER RPI improved in 1Q09, the index was still down 44 points yoy and remained below the 100-point threshold, suggesting that house buyers' confidence and sentiment remained weak and generally bearish.
- **New bookings may not fully translate into sales.** We assess that only 50-60% of 'sales' achieved by developers during the innovative marketing campaign would translate into actual Sales & Purchase Agreements as they are subject to bank loan approvals and margin of financing requirements. Furthermore, developers' margins could drop by 3ppt from 20% currently, with developers absorbing buyers' interest costs during the two-year construction period.

Recommendation

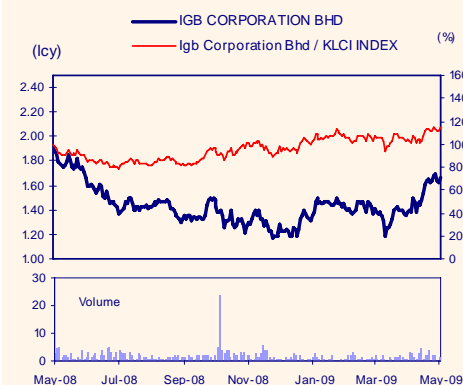
Maintain MARKET WEIGHT on the sector as it is still too early to expect re-rating catalysts. For now, we prefer developers that own large commercial properties with defensive earnings and resilient recurring income from property investments. Our top stock picks are **KLCC Property (BUY/Target: RM3.40)** and **IGB Corporation (BUY/Target: RM2.28)**, which have seen their share prices increase 23% and 30% respectively since we initiated coverage in Dec 08. **Sunway City's (NOT RATED)** deep discount to its NTA makes it an attractive long-term play. However, **SP Setia (NOT RATED)** is vulnerable to a selldown given its rich valuation - 1.5x FY09 P/B against the sector average of 0.8x, and average P/B of 1.6x that is at the higher end of its historical 10-year range.

Peer Comparison

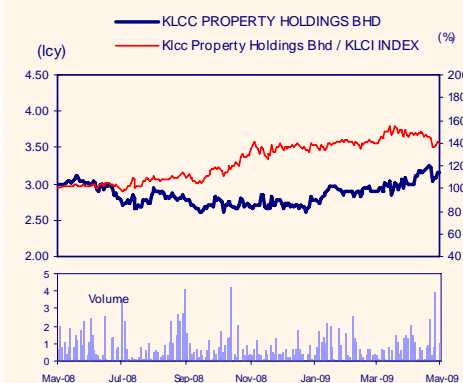
Company	Ticker	Rec	Share Price 5 May 09 (RM)	YE	Net Profit			EPS			PE			Market Cap (RMm)	NTA ps (RM)	Price/ NTA ps (x)	Yield (%)	
					2008 (RMm)	2009F (RMm)	2010F (RMm)	2008 (sen)	2009F (sen)	2010F (sen)	2008 (x)	2009F (x)	2010F (x)					ROE (%)
KLCC Property	KLCC	BUY	3.20	3/08	441.6	225.2	242.2	47.3	24.1	25.9	6.8	13.3	12.3	10.6	2,989.1	3.96	0.8	3.9
IGB Corp.	IGB	BUY	1.73	12/08	155.0	172.5	179.0	10.4	11.6	12.0	16.6	15.0	14.4	5.4	2,555.4	1.79	1.0	1.4
UEM Land	ULHB	BUY	1.10	12/08	74.2	95.1	105.4	3.1	3.9	4.3	36.0	28.1	25.3	79.0	2,671.0	0.50	2.2	0.0
MRCB	MRC	SELL	1.20	12/08	(56.6)	36.0	63.1	(6.2)	4.0	7.0	(19.2)	30.3	17.2	7.1	1,089.0	0.75	1.6	0.0
Mah Sing	MSGB	SELL	1.75	12/08	93.1	93.0	94.4	14.9	14.8	15.0	11.7	11.8	11.6	14.1	1,097.8	1.10	1.6	4.6
SP Setia	SPSB	NR	3.42	10/08	213.4	184.3	191.5	21.0	17.5	18.0	16.3	20.3	19.7	11.2	3,477.5	1.94	1.8	5.0
Sunway City	Scity	NR	2.22	06/08	261.9	170.7	161.5	56.0	32.5	31.3	4.0	6.7	7.0	16.9	1,029.2	3.58	0.6	2.7

Source: Bloomberg, UOB Kay Hian

Price Chart



Source: Bloomberg



Source: Bloomberg

ST Engineering

1Q09: Net profit drops 30%. Downgrade to SELL

1Q09's 50% yoy drop in aerospace earnings is not palatable and suggests the division is facing cost pressures amid falling sales. Until this is changed, we believe the market will accord it a lower PE rating. Downgrade to SELL.

4Q08 Results

	1Q09 S\$m	yoy %chg	Remarks
Turnover S(\$)	1318.2	0.2	Mainly from Electronics & Marine segments
EBITDA S(\$)	128.2	(27.7)	Due to higher cost of sales
Pretax Profit S(\$)	111.3	(29.0)	Lower investment income offset by higher other income
Tax S(\$)	(24.0)	(30.6)	
Net Profit S(\$)	87.4	(30.5)	
EPS¢	2.8	(30.5)	
EBITDA margin (%)	9.7		

Source: ST Engineering, UOB Kay Hian

Results

The 30% drop in net profit was sharply lower than consensus full-year expectations of flat earnings. This was due to a 52% yoy decline in pre-tax profit from aerospace operations. Coming on the back of 4Q's guidance of flat to marginally higher net profit for 2009, this is cause for concern.

The drop in earnings from the aerospace division was due to:

- absence of MD11 freighter conversion redeliveries,
- maturity of investment income,
- higher financial expenses, and
- losses from B757 PTF work.

Stock impact

We had expected the jobs credit and a potential reversion to profit on ST Aerospace's B757 Passenger to Freighter (PTF) programme to lead to earnings growth in 1H09. Management has been indicating for three consecutive quarters that the PTF programme would eventually be earnings-accretive. The company has delivered eight of the 87 PTF's thus far to Fed Ex and has indicated that 2009 will see profits from the PTF contract. Management has guided lower pre-tax profit for 1H09 for the aerospace and land systems segments. We have now lowered our FY09 and FY10's net profit forecasts by 11% and 6% respectively.

SINGAPORE

ST Engineering (STE SP)

DOWNGRADE TO SELL

Current Price: S\$2.63

Fair Price: S\$2.14

(Previous: S\$2.82)

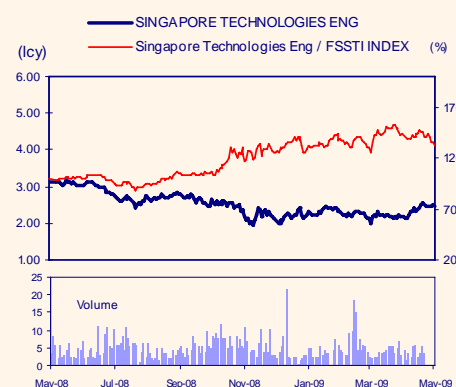
Sector: Aviation
Bloomberg: STW SP
Website: www.stengg.com

52-Wk Avg Daily Vol. ('000): 4656
Market Cap (S\$m): 7899
(US\$m): 5372

Book NTA per Share (S\$): 0.60
ROE (%): 30.0
Net cash per Share (S\$): 0.16

Results Due: 3Q:Nov, 4Q:Dec
1Q:May, 2Q:Aug

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 (S\$)	Yield (%)
2007	4,485.8	684.4	445.1	16.9	12.0	15.6	11.6	16.9	6.4
2008	5,051.0	672.3	503.5	15.8	(6.5)	16.6	11.9	15.8	6.0
2009F	5,551.2	709.8	457.6	15.3	-3.4	17.2	11.2	14.8	5.6
2010F	5,828.2	740.4	497.5	16.6	8.7	15.8	10.8	16.0	6.1
2011F	5,950.1	800.8	551.4	18.4	10.8	14.3	10.0	16.0	6.1

Consensus Net Profit: FY08: S\$474.0
FY09: S\$503.2

Pre-tax Profit By Segment

	1Q09 (S\$m)	1Q08 (S\$m)	yoy % chg
Aerospace	39.8	82.6	(51.8)
Electronics	21.7	20.1	8.0
Land Systems	26.4	32.9	(19.8)
Marine	20.7	17.4	19.0
Others	2.7	3.4	(20.6)
Total	111.3	156.4	(28.8)

Source: ST Engineering

Valuation/Recommendation

The job credit scheme netted STE S\$11.8m in 1Q09, but this was not sufficient to offset the higher overheads and losses from PTF conversions. We are also disappointed that an earlier analyst briefing in March did not highlight cost pressures. We downgrade the stock to SELL and peg a 14x PE multiple on the stock, providing a fair price of S\$2.14.

Profit & Loss

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Turnover	4,485.8	5,051.0	5,551.2	5,828.2	5,950.1
EBITDA	684.4	672.3	709.8	740.4	800.8
Pre-tax Profit	564.3	638.1	568.9	620.2	686.2
Net Profit	445.1	503.5	457.6	497.5	551.4

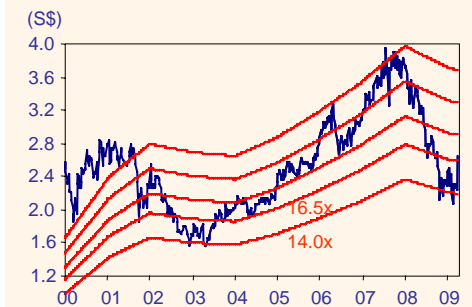
Balance Sheet

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Current Assets	3,580.5	3,951.4	4,119.8	4,387.4	4,573.2
Total Assets	5,577.8	6,043.3	6,205.8	6,463.5	6,669.4
Current Liabilities	3,280.0	3,751.4	3,615.3	3,795.8	3,874.8
Long-Term Liabilities	272.9	2.7	289.2	289.2	289.2
Shareholder Funds	1,565.4	1,632.5	1,644.5	1,682.6	1,780.6
Total Equity & Liabilities	5,577.8	6,043.3	6,205.8	6,463.5	6,669.4

Cash Flow

Year to 31 Dec (S\$m)	2007	2008	2009F	2010F	2011F
Operating	460.4	661.3	463.4	462.4	526.3
Investing	(361.9)	6.1	91.0	94.8	64.9
Financing	(142.7)	(513.0)	(573.7)	(541.8)	(569.1)
Net Cash In/(Out) Flow	(44.2)	154.4	(19.3)	15.4	22.1
Begin Cash & Cash Equiv.	1,198.2	1,141.3	1,178.5	1,152.7	1,161.7
End'g Cash & Cash Equiv.	1,141.3	1,282.8	1,152.7	1,161.7	1,177.3

PE Band



Source: UOB Kay Hian

Singapore Press Holdings

3QFY09 would likely be the worst quarter

Page counts suggest advertising revenue is bottoming, but 3QFY09 (Mar – May 09) would likely be the worst quarter in view of last year's high base.

Corporate Events

UOB Kay Hian's page counts of *The Straits Times* suggest Singapore Press Holdings' (SPH) advertising revenue (AR) is finding a bottom. However, 3QFY09 (Mar – May 09) would likely be the worst quarter in the current economic downturn in view of last year's high base. Our page counts indicate AR contractions of 22% and 16% in Mar 09 and Apr 09 respectively. May 09 would likely register an equally sharp contraction in view of May 08's high base. However, sequential monthly AR trend appears to be bottoming. Recruitment ad volume has halved from a year ago.

Monthly Page Counts Of The Straits Times

Month	Recruit	YoY	Classified	YoY	Display	YoY	Total Pages	YoY
Jan 08	439	10	914	18	2,733	1	4,086	6
Feb 08	332	10	734	27	2,320	2	3,386	7
Mar 08	439	(6)	985	14	2,984	(3)	4,408	0
Apr 08	412	4	925	17	2,534	(0)	3,871	4
May 08	414	(5)	960	16	2,906	(4)	4,280	(0)
Jun 08	329	(27)	822	(6)	2,815	0	3,966	(4)
Jul 08	355	(17)	899	(0)	2,773	(0)	4,027	(2)
Aug 08	408	(3)	922	4	2,650	(3)	3,980	(2)
Sep 08	365	(11)	785	(14)	2,558	(3)	3,708	(6)
Oct 08	303	(24)	799	(13)	2,740	(1)	3,842	(6)
Nov 08	275	(23)	823	(26)	2,778	(2)	3,876	(10)
Dec 08	172	(41)	684	(18)	2,518	(12)	3,374	(15)
Jan 09	219	(50)	619	(32)	2,348	(14)	3,186	(22)
Feb 09	292	(12)	920	25	2,204	(5)	3,416	1
Mar 09	230	(48)	750	(24)	2,438	(18)	3,418	(22)
Apr 09	224	(46)	706	(24)	2,330	(8)	3,260	(16)

Source: UOB Kay Hian

Stock Impact/Earnings Forecasts

- SPH's 2QFY09 newspaper AR contracted by 20.1%. Print revenue, however, was down 13.5% as newspaper AR contraction was cushioned by more resilient magazine revenue. Our earnings forecasts assume 13% fall in print revenue in FY09 and flat in FY10 before rebounding by 10% in FY11. We maintain our earnings forecasts pending May 09's page counts.

SINGAPORE

Singapore Press Holdings (SPH SP)

BUY

Current Price: **S\$2.81**

Target Price: **S\$3.90**

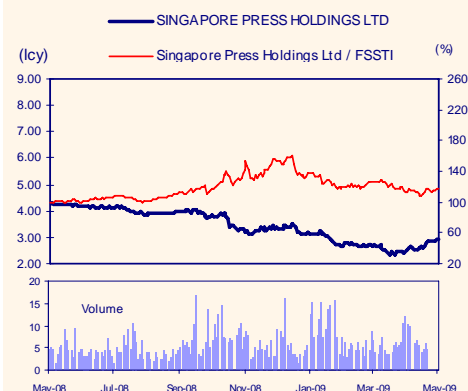
Sector	Media
52-Wk Avg Daily Vol. ('000)	5,433
Market Cap (S\$m)	4,519.6
(US\$m)	3,013.1

Major Shareholders (%)
No substantial shareholders

Book NTA per Share (S\$)	1.12
ROE (%)	20.8
Net Cash per Share (S\$)	0.16#

Results Due
1Q: Jan
2Q: Apr
3Q: Jul
Final: Oct
Includes short-term investment of S\$329.464m as of Feb 09

Price Chart



Source: Bloomberg

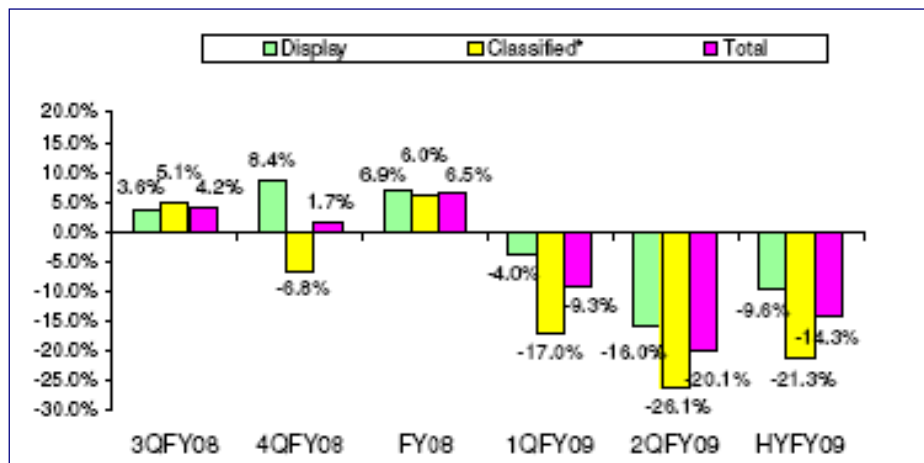
Analyst

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Year to 31 Aug	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (¢)	Yield (%)
2007	1,160.2	506.0	499.1	31.1	15.9	9.0	9.1	26.0	9.3
2008	1,301.0	582.7	437.4	27.2	(12.6)	10.3	7.9	27.0	9.6
2009F	1,303.2	579.5	376.0	23.4	(14.1)	12.0	7.9	23.0	8.2
2010F	1,330.1	611.7	475.0	29.5	26.3	9.5	7.5	25.0	8.9
2011F	1,192.3	497.0	400.0	24.9	(15.8)	11.3	9.2	25.0	8.9

Consensus Net Profit – FY09: S\$396.8m
– FY10: S\$393.7m

AR Growth



Source: SPH

Valuation/Recommendation

SPH still offers high dividend yields of 8.2-8.9%. We expect the commencement of Singapore's two mega Integrated Resorts in end-09/10 to reverse SPH's weak AR. Maintain BUY and our target price of S\$3.90, which is based on our sum-of-the-parts (SOTP) valuation of S\$3.94/share.

Profit & Loss

Year to 31 Aug (S\$m)	2007	2008	2009F	2010F	2011F
Turnover	1,160.2	1,301.0	1,303.2	1,330.1	1,192.3
EBIT	454.9	520.8	513.5	543.7	427.0
Pre-tax Profit	576.3	522.0	449.8	561.7	477.0
Net Profit	499.1	437.4	376.0	475.0	400.0

Balance Sheet

Year to 31 Aug (S\$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,126.0	1,138.3	1,251.7	1,248.3	1,250.3
Total Assets	3,138.4	3,150.7	3,262.1	3,258.7	3,260.6
Current Liabilities	340.1	367.4	407.4	447.4	487.4
Long-Term Loans	671.8	682.0	801.4	771.4	741.4
Shareholders' Funds	2,123.1	2,088.9	2,040.8	2,027.3	2,019.4
Total Equity & Liabilities	3,138.3	3,150.6	3,262.1	3,258.7	3,260.6

Cash Flow

Year to 31 Aug (S\$m)	2007	2008	2009F	2010F	2011F
Operating	56.9	24.4	49.6	85.9	13.9
Investing	16.2	64.9	(155.7)	(80.0)	0.0
Financing	(32.3)	(0.4)	127.4	(22.0)	(22.0)
Net Cash In/out flow)	40.8	88.9	21.4	(16.1)	(8.1)
Begin Cash & Cash Equiv.	81.4	122.1	211.0	232.4	216.3
End'g Cash & Cash Equiv.	122.1	211.0	232.4	216.3	208.2

LPN Development

Secured sufficient land to meet 2009 new launch target

2010 earnings forecast raised by 25% after LPN secured enough land to meet this year's new launch target of at least Bt10b. LPN trades at 4.3x 2009 PE, 0.9x P/B and attractive dividend yield of 12%. Maintain BUY.

Corporate Events

LPN Development (LPN) has secured sufficient land for the launch of 5-6 new projects this year. Recently, it bought two plots of land in the Pinklao and Ratburana areas for Bt500m to develop projects worth Bt3b in all. Also, it acquired a 10-rai land parcel in Ram Indra km8 for Bt200m.

Average sales per week have already risen to Bt140m, up from Bt100m per week in the first two months. Presales in 1Q09 stood at Bt1.6b, +60% qoq but -45% yoy.

Stock Impact

So far this year, LPN has launched Ville RamIndra-Laksi worth Bt700m. In 2Q09, it plans to launch the Bt1.5b Ville Prachacheun. The Rama IX phase II project worth Bt2.6b will be launched in 3Q09, with over 70% of the first phase already pre-sold. Three projects - Pinklao, Ratburana and Ram Indra km8 - are scheduled to be launched in the latter half of this year. Thus, LPN's target of Bt10b-12b new launches this year is likely to be met.

In terms of demand, we are more upbeat. Recently, new condominium projects launched by Quality Houses and Sansiri Plc sold like hot cakes, indicating that demand for branded condominiums in good locations remains firm.

Earnings Revision

We had originally assumed in the worst-case scenario this year that LPN would launch only three new projects - Rama IX phase II, RamIndra-Laksi and Prachacheun - developed on land in hand. But as LPN has managed to buy three additional land parcels for new projects to be launched in 2H09, we have to raise our 2010-11 earnings estimates.

We maintain our 2009 net profit forecast at Bt1b (-13% yoy) as the majority of this year's top line is already in hand. Including three new projects to be launched in 2H09, we raise our 2010 net profit forecast by 25% to Bt783m while 2011 profit is expected to be flat at about Bt795m. Nevertheless, our 2010 profit forecast remains 20% below consensus estimate.

Recommendation

Despite all the negatives seen early this year, LPN has proven it can comfortably weather the downturn given its strong management capabilities and solid financial strength. The pace of sales has improved gradually, leading to a decline in inventory level. LPN expects to clear its inventory by mid-09. The commencement of new projects remains on track thus far.

Based on our new assumptions, we raise our target price to Bt3.45 using the discounted cash flow approach (12% discount rate). At the current price, LPN trades at 4.3x 2009 PE and 0.9x P/B with attractive 12% dividend yield. Maintain BUY.

THAILAND

LPN Development (LPN TB)

BUY

Current Price: Bt3.05

Target Price: Bt3.45

(Previous: Bt2.96)

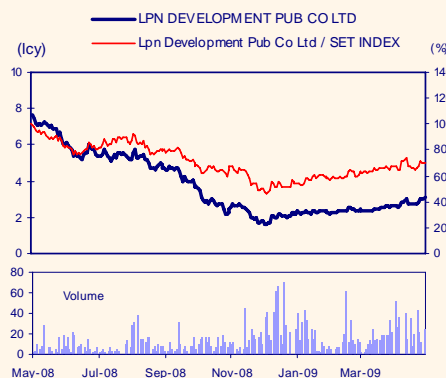
Sector	Property
52-Wk Avg Daily Vol. ('000)	13,240
Market Cap (Btm)	4,498.8
(US\$m)	128.5

Major Shareholders (%)	
Thai NVDR	23.1

Book NTA per Share (Bt)	3.04
ROE (%)	29.0
Net debt/share (Bt)	0.61

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

Price Chart



Source: Bloomberg

Analyst

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Year to	Turnover	EBITDA	Net Profit	EPS	EPS Growth	PE	P/B	EV/EBITDA	DPS	Yield
31 Dec	(Btm)	(Btm)	(Btm)	(Bt)	(%)	(x)	(x)	(x)	(Bt)	(%)
2007	6,754	1,612	928	0.63	21.3	4.8	1.18	3.6	0.32	10.5
2008	7,232	1,682	1,206	0.82	30.0	3.7	1.00	3.2	0.42	13.8
2009F	6,674	1,423	1,053	0.71	(12.7)	4.3	0.91	3.0	0.36	11.7
2010F	6,082	1,032	783	0.53	(25.6)	5.7	0.87	3.0	0.27	8.7
2011F	7,322	1,040	795	0.54	1.4	5.7	0.81	0.6	0.27	8.8

Consensus Net profit -- FY09: Bt1090m
 -- FY10: Bt976m

Profit & Loss

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Turnover	6,754	7,232	6,674	6,082	7,322
EBIT	1,647	1,717	1,483	1,098	1,114
Pre-tax Profit	1,644	1,707	1,483	1,098	1,114
Net Profit	928	1,206	1,053	783	795
EPS (Bt)	0.63	0.82	0.71	0.53	0.54

Balance Sheet

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Current Assets	5,676	7,228	5,039	5,148	5,501
Total Assets	7,176	8,846	6,885	7,072	7,425
Current Liabilities	2,828	3,812	1,955	1,885	1,835
Long-Term Loans	501	531	0	0	0
Shareholders' Funds	3,827	4,485	4,918	5,175	5,578
Total Equity & Liabilities	7,176	8,847	6,886	7,073	7,426

Cash Flow

Year to 31 Dec (Btm)	2007	2008	2009F	2010F	2011F
Operating	79	936	2,259	1,856	2,900
Investing	100	(1,087)	(558)	(98)	(20)
Financing	439	336	(2,588)	-	-
Net Cash In/out flow)	180	185	(1,506)	1,232	2,489
Begin Cash & Cash Equiv.	275	455	1,690	184	1,415
End'g Cash & Cash Equiv.	455	640	184	1,415	3,904

Project Summary

(Btm)	Project Value	Launch	Sold (%) Mar08	Complete
Place:Thapra	1,500	2Q06	91	1Q08
Town:Bodindeja	2,800	1Q07	93	2Q08
Ville:Laksi	1,300	3Q07	97	4Q08
Ville:Pongpetch	1,350	3Q07	98	1Q09
Town:Rattatibet	1,550	4Q07	57	2Q09
Suite:Pinklao III	1,300	4Q07	100	3Q09
Town:Ram 26	1,350	1Q08	76	2Q09
Ville-Rama XIII	2,300	1Q08	64	3Q09
Place: Rama IX	2,600	2Q08	71	4Q09
Ville: Bangkae	300	4Q08	70	2Q10
Ville: Laksi ph II	700	1Q09	40	2Q10
Place: Rama IX phII	2,600	3Q09	n.a.	2010
Ville:Pongpetch phII	1,500	2Q09	n.a.	3Q10
Pinklao	2,000	2H09	n.a.	2010-11
Ratburana	1,000	2H09	n.a.	2010
Ram Indra km8	n.a.	2H09	n.a.	2011

Source: LPN

P/B & Standard Deviation



Source: SETSMART, UOB Kay Hian

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