

KEY STORY

China

Oil & Gas

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Oil majors need cash to finance their capex in 2009. However, sector re-rating should still be the dominating factor.

CHINA

Sector

Oil & Gas

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Oil majors need cash to finance their capex in 2009. However, sector re-rating should still be the dominating factor.

HONG KONG

Update

Sa Sa International (BUY/HK\$2.79/Target: HK\$3.90)

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Underpinned by robust growth in visitor arrivals from China, Sa Sa has been able to deliver solid growth amid slump in the consumer market.

Quantitative Analysis

The laggards are likely to play catch-up.

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MALAYSIA

Strategy

Site visit to Sabah

Page 8

Higher representative in federal cabinet and recent visit by Prime Minister to Kota Kinabalu could be good signs for more development projects.

SINGAPORE

Results

COSCO Corporation (S) (SELL/S\$1.23/Fair: S\$0.89)

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1Q09: Excluding net fair value loss on forward currency contracts, earnings down 14.2% yoy. Expect more cancellations/delays.

Wing Tai Holdings (HOLD/S\$1.24/Fair: S\$1.40)

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3QFY09: High-end residential not out of the woods yet.

Key Indices

Key Indices	Prev Close	1D %	1W %	1M %	YTD %
DJIA	8409.9	(1.2)	3.0	8.0	(4.2)
S&P 500	907.4	(1.3)	4.0	11.3	0.5
FTSE 100	4398.7	0.0	5.0	11.9	(0.8)
AS30	3912.1	1.9	4.5	9.7	6.9
CSI 300	2767.1	0.1	6.2	11.6	52.2
FSSTI	2241.6	2.9	21.2	25.7	27.3
HSI	17217.9	2.3	15.1	19.0	19.7
JCI	1828.9	1.7	6.2	24.8	34.9
KLCI	1023.5	(0.0)	5.8	12.7	16.7
KOSPI	1401.1	0.5	7.8	11.0	24.6
Nikkei 225	9385.7	4.5	7.8	9.2	5.9
SET	527.7	0.9	11.6	19.0	17.3
TWSE	6572.9	0.1	17.1	20.7	43.2
BDI	2194	6.2	22.8	49.7	183.5
CPO (RM/mt)	2830	0.6	5.8	24.9	73.6
Nymex Crude (US\$/bbl)	57	0.7	10.9	15.4	27.2

Source: Bloomberg

Top BUYs/SELLs

	Ticker	Current Price (Icy)	Target Price (Icy)	Pot. +/- (%)
Top BUYs				
China Coal	1898 HK	8.52	8.80	3.3
China Life	2628 HK	29.25	31.30	7.0
China Railway	1186 HK	10.86	13.50	24.3
Maanshan Iron	323 HK	3.79	4.50	18.7
Zijin Mining	2899 HK	6.17	7.15	15.9
Advanced Info	ADVANC TB	79.25	94.47	19.2
Quality Houses	QH TB	1.20	1.28	6.7
Top SELLs				
China Cosco	1919 HK	8.38	4.00	(52.3)
Harbin Power	1133 HK	6.63	4.50	(32.1)
Parkson Retail	3368 HK	11.32	5.15	(54.5)
S'pore Airlines	SIA SP	13.22	8.20	(38.0)
STX Pan Ocean	STX SP	14.46	4.35	(69.9)
Amata Corp	AMATA TB	4.52	2.11	(53.3)

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

Oil & Gas

Financing being a concern; ongoing sector re-rating

Oil majors need to raise money for their capex in 2009. Equity financing is least likely. Sector re-rating is still ongoing, driven by strong rebound of oil price, and resuming demand for refined oil and petrochemicals.

Sector Events

PetroChina released minutes of 2008 shareholder meeting, which it disclosed that it needs Rmb150b to meet working capital and capex requirements. The other two oil majors, Sinopec and CNOOC, may also need to raise funds to pay hefty capex bill in 2009.

Operating cash flow fails to meet capex spending this year. The economic slowdown and low oil price have not changed China oil majors' capex for 2009. PetroChina and Sinopec expect their capex to remain flat compared with that of 2008 but CNOOC would grow by 19%. However, for 2009, the earnings of CNOOC and PetroChina are decreasing yoy. As a result, all three oil majors' free cash flow will turn negative in 2009. They may need to raise money to finance their capex.

Capex, Operating Cash Flow And Debt Ratio For Oil Majors

(Rmbb)	PetroChina	Sinopec	CNOOC
Capex (Est.)	232.2	111.8	35.2
Operating cash flow in 09 (Est.)	130.7	65.8	24.8
Free cash flow (Est.)	(101.5)	(46.0)	(10.4)
Debt/Equity ratio (%)	15.9	50.2	8.7

Source: Respective companies; UOB Kay Hian

Equity financing is least likely. CNOOC held approximately Rmb20b cash on hand at the beginning of 2009. Therefore, it is not in as urgent need as the other two to raise funds. Between PetroChina and Sinopec, PetroChina is more likely to raise funds given its much bigger capex size. Since its debt ratio is still very low, it is unlikely to issue shares at this stage. Sinopec may have the incentive to issue shares because of its high gearing ratio compared to the other two. However, we do not believe the government will allow it to do so given the fragile market sentiment towards fund-raising.

Cash flow will improve from 2010 onwards. In 2008 and 2009, a bigger portion of Sinopec and PetroChina's investment will be on gas pipeline and downstream projects. From 2010 onwards, these investments are expected to decrease substantially. Meanwhile, with the recovery of oil price, operating cash flow for exploration & development (E&P) will increase correspondingly. These two factors are expected to bring all three oil majors' free cash flow into positive territory in 2010.

Stock Impact

Oil price rebounded strongly, triggering a re-rating on E&P. In 4Q08 and 1Q09, we liked Sinopec because of improvement in refining margin. Now, with the strong oil price recovery, we like upstream more. We believe exploration & production is undergoing a re-rating. PetroChina and CNOOC will benefit from this re-rating despite both earnings turning south in 2009.

Peer Comparison

Company	Rec	Ticker	Price 21 Apr 09 (HK\$)	Net Profit			EPS			PE			ROE 2008 (%)	PB 2008 (x)	Yield 2008 (%)
				2008 (Rmbm)	2009F (Rmbm)	2010F (Rmbm)	2008 (Rmb)	2009F (Rmb)	2010F (Rmb)	2008 (x)	2009F (x)	2010F (x)			
PetroChina	BUY	857 HK	7.98	114,431	105,959	128,712	0.63	0.58	0.70	11.1	12.1	10.0	22.2	1.6	3.1
Sinopec	BUY	386 HK	6.27	29,769	67,840	67,856	0.34	0.78	0.78	16.2	7.1	7.1	13.6	1.5	2.6
CNOOC	HOLD	883 HK	9.78	44,375	25,506	33,478	0.99	0.57	0.75	8.7	15.1	11.4	27.7	2.4	2.4

Source: UOB Kay Hian

CHINA

Oil & Gas

OVERWEIGHT

PetroChina (857 HK)

BUY

Current Price: HK\$7.98
Target Price: HK\$9.80
(Previous: HK\$7.80)

Sinopec (386 HK)

BUY

Current Price: HK\$6.27
Target Price: HK\$7.80
(Previous: HK\$6.60)

CNOOC (883 HK)

HOLD

Current Price: HK\$9.78
Fair Price: HK\$10.26
(Previous: HK\$6.85)

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Demand for refined oil and petrochemicals continue to pick up. In April, China's refining utilisation had surpassed 80%, the first time since Oct 08. Wholesale price on gasoline and diesel are continuing to move up in almost all regions across the country. The kicking in of new infrastructure projects will further boost fuel consumption in the months ahead. Demand for petrochemicals is also strong as the price of ethylene, the most important chemical intermediate, has gone up for six consecutive weeks in the eastern China market.

Diesel and gasoline prices will be revised up soon, which will be positive for Sinopec and PetroChina. PetroChina disclosed that the government will leave the 5% profit for refiners. Based on this, we believe a fuel price hike is underway. Currently, Sinopec's refining breakeven level is approximately US\$52/bbl. Under current oil price, the government may raise fuel price by approximately Rmb300/tonne.

Recommendation/Valuation

China oil majors are not cheap compared with international peers, but we expect share price to remain strong. China oil majors are trading at an average 10.2x 2010 PE and 1.8x P/B, which is already higher than international peers. However, we believe they will outperform international peers because of stronger recovery in demand for downstream products and positive newsflow, such as fuel price hike and further stimulus policies.

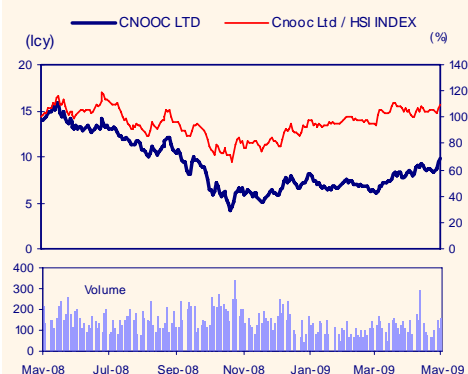
Raise target prices - PetroChina is still our top pick in the sector. To reflect the sector's re-rating, we raise our target prices for all three oil companies. PetroChina, Sinopec and CNOOC's target prices are raised to HK\$9.80, HK\$7.80 and HK\$10.26 respectively, representing 2.0x, 1.7x and 2.5x P/B. We maintain **OVERWEIGHT** rating for the sector. PetroChina is still our top pick in the sector, which will benefit both from an oil price rally and recovery in downstream demand. For CNOOC, we maintain **HOLD** rating, entry price is HK\$7.50.

Peer Valuation

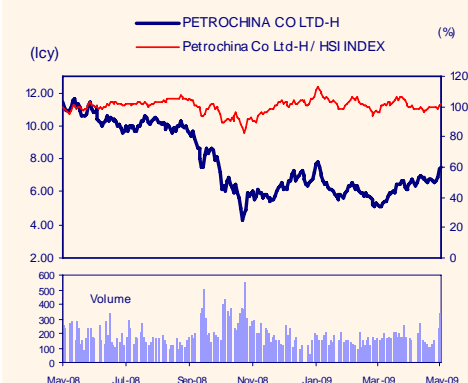
Company name	Market cap (US\$m)	2008 PE	20 09 PE*	2010 PE *	2008 PB	ROE%	Divd. Yield%
ExxonMobil	3,346,505	9.4	17.9	12.2	3.1	16.5	2.4
BP	1,460,986	9.1	12.2	8.7	1.6	13.3	7.1
Shell	1,502,635	4.9	12.1	8.5	0.9	11.0	7.0
Chevron	1,365,382	7.1	15.8	9.9	1.6	9.4	3.9
ConocoPhillips	655,114	5.0	14.6	7.8	1.2	8.1	4.3
Avg.		7.1	14.5	9.4	1.7	11.7	4.9
PetroChina	308,465	11.3	13.7	10.9	1.6	10.8	3.1
Sinopec	115,872	15.9	9.9	8.5	1.5	13.9	2.6
CNOOC	56,370	8.6	15.0	11.2	2.4	14.3	2.4
Avg.		11.9	12.9	10.2	1.8	13.0	2.7

*PE based on consensus earnings
Source: Bloomberg; UOB Kay Hian

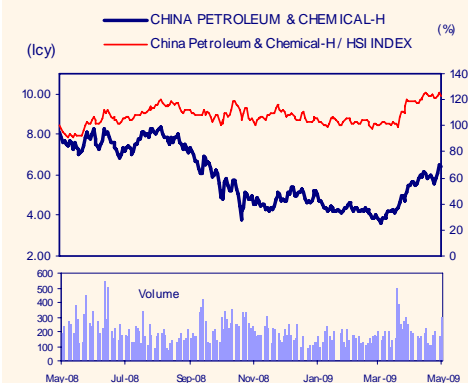
Price Chart



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Sa Sa International

Sustainable growth amid consumer slump

Underpinned by robust growth in visitor arrivals from China and swift change in product suit, Sa Sa has been able to deliver solid growth amid slump in overall consumer market. Upside risk to our earnings forecasts.

Sa Sa's Retail Sales Performance In Hong Kong And Macau

Period	Retail Sales Growth (%)	Same-Store Sales Growth (%)
1 Apr – 30 Sep 08	13.4	9.0
1 Oct 07 – 31 Mar 08	23.5	16.1
1 Apr – 30 Jun 08	16.3	5.2
1 Jul – 30 Sep 08	8.5	5.1
1 Oct – 31 Dec 08	10.1	4.0
1 Jan – 28 Feb 09	About 10%	Low-single-digit growth
1 Mar – 31 Mar 09	High-single-digit growth	> 5%
1 Apr – 30 Apr 09	High-single-digit growth	Mid-single-digit growth

*preliminary

Source: Sa Sa, UOB Kay Hian

Corporate Events

Sa Sa International (Sa Sa) continued to deliver solid sales growth in Hong Kong (about +10% yoy in Jan-Feb 09 and high-single-digit in Mar 09) despite the decline in retail sales in Hong Kong (-2.1% yoy in Jan-Feb and -7.7% yoy in March). Growth was due to the robust sales from mainland visitors (accounting for 45-50% of its current retail sales in Hong Kong). This ratio has been growing and management believes it will continue to grow. Spending from mainland visitors will continue to drive sales growth. Meanwhile, the company noticed a pic-up in spending from local consumers.

Meanwhile, there are signs that sales growth of private label/exclusively licensed branded products (35-36% of total retail sales) has lagged behind overall retail sales growth. The company will broaden its private-label product suite and launch health drinks/food in FY10, which will help boost gross margin.

Earnings Revision

Sa Sa's FY09 gross margin looks more resilient than expected. Hence, we raise our FY09 net profit forecasts by 5%. In addition, we are now more confident about the Group's sales growth sustainability as visitor arrivals from China continue to be robust (+12.6% yoy ytd) and China will continue to loosen its rein on outbound travel to Hong Kong. As a result, we lift our FY10 and FY11 net profit forecasts by 13% and 15% respectively, representing earnings growth of 5% in FY10 and 10% in FY11, which look achievable in view of the sustainable growth in visitor arrivals from China. There could be upside risk to our earnings forecasts as we forecast a further 0.5ppt decline in the core Hong Kong & Macau wholesale and retail EBIT margin in FY10.

HONG KONG

Sa Sa International (178 HK)

UPGRADE TO BUY

Current Price: HK\$2.79

Target Price: HK\$3.90

(Previous: HK\$2.30)

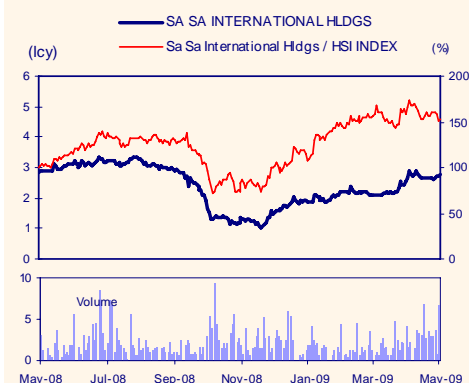
Sector	Retailing
52-Wk Avg Daily Vol. ('000)	2,039
Market Cap (HK\$m)	3,853.7
(US\$m)	497.2

Major Shareholders (%)	
Sunrise Height Inc	50.4
Green Ravine Ltd	14.6

Book NTA per Share (HK\$)	0.75
ROE (%)	33.8
Net Cash per Share (HK\$)	0.47

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	2,889	305	222	16.4	18.0	17.0	10.1	17.0	6.1
2008	3,453	401	348	25.3	54.5	11.0	8.0	21.0	7.5
2009F	3,701	392	273	19.8	(22.0)	14.1	8.2	18.0	6.5
2010F	4,103	408	286	20.7	4.7	13.5	7.8	18.8	6.8
2011F	4,520	456	315	22.8	10.3	12.2	6.9	20.8	7.5

Consensus Net Profit – FY09: HK\$270m
 – FY10: HK\$285m

Valuation/Recommendation

We raise our fair FY10 PE from 12.7x (low-end historical PE in FY00-08) to 18.9x (historical average PE in FY00-09). As a result, we lift our target price from HK\$2.30 to HK\$3.90. We like Sa Sa for its market leadership (30% market share in Hong Kong), market adaptability and initial success for its regional franchisee (as evident in Malaysia), good corporate governance, high transparency and consistently high dividend payout (not less than 100% of ex-exceptional profit). Dividend yield of 7% adds further appeal to the stock. **Upgrade from HOLD to BUY.**

Historical PE Range

Year to 31 Mar (x)	2005	2006	2007	2008	2009	Average
Highest PE	27.1	32.5	20.8	18.5	17.9	25.8
Average PE	20.5	26.6	16.9	14.7	11.6	18.9
Lowest PE	13.9	20.7	13.1	10.9	5.3	11.9

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Mar (HK\$m)	2007	2008	2009F	2010F	2011F
Turnover	2,889	3,453	3,701	4,103	4,520
EBIT	247	394	313	321	359
Pre-tax Profit	272	420	329	345	381
Net Profit	222	348	273	286	315

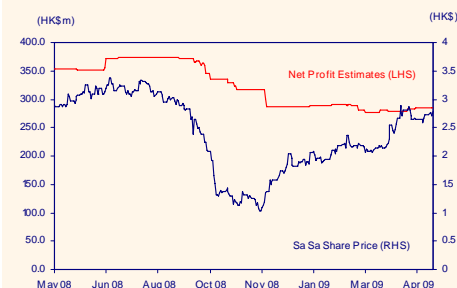
Balance Sheet

Year to 31 Mar (HK\$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,173	1,221	1,277	1,377	1,506
Total Assets	1,423	1,443	1,511	1,582	1,674
Current Liabilities	445	325	368	405	446
Long-Term Liabilities	0	0	0	0	0
Shareholder Funds	951	1,108	1,133	1,168	1,219
Total Equity & Liabilities	1,423	1,443	1,511	1,582	1,674

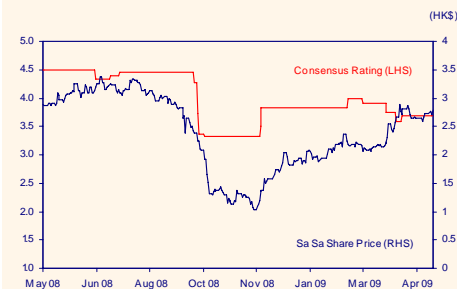
Cash Flow

Year to 31 Mar (HK\$m)	2007	2008	2009F	2010F	2011F
Operating	207	388	289	324	360
Investing	(57)	(48)	(90)	(59)	(59)
Financing	(149)	(385)	(217)	(235)	(245)
Net Cash In/(Out) Flow	0	(44)	(17)	30	56
Begin Cash & Cash Equiv.	696	696	652	634	664
End'g Cash & Cash Equiv.	696	652	634	664	721

Share Price and FY10 Consensus Net Profit Estimates



Source: Bloomberg, UOB Kay Hian



Source: Bloomberg, UOB Kay Hian

Number Of Retail Outlets

As at 31 Mar	2006	2007	2008	Now
Hong Kong & Macau	52	53	58	63
Mainland China*	2	5	16	34
Taiwan	8	11	14	13
Singapore	11	13	13	14
Malaysia	10	14	21	26
Total	83	96	122	146

*including 22 department store counters
Source: Sa Sa, UOB Kay Hian

Hong Kong & Macau Retail and Wholesale Business (as % of sales)

YE Mar (%)	2007	2008	2009F
Gross profit margin	42.3	43.1	43.1
Rental costs	10.2	10.0	10.8
Frontline staff costs	9.7	9.7	10.0
Back office staff costs	3.4	3.5	3.9
A&P expenses	1.7	1.5	1.8
Depreciation	2.1	1.7	1.6
Others	3.8	4.1	4.1
EBIT margin	11.4	12.6	10.9

Source: Sa Sa, UOB Kay Hian

Quantitative Analysis

Laggards of Hang Seng Index likely to play catch-up

The Hang Seng Index bottomed on 27 Oct 08 to begin a dramatic rally. We tabulate the major stocks' performance (as of yesterday vs 27 Oct 08) including the constituents of the Hang Seng Index, H-shared Index and Red-Chip Index and the stocks covered by our analysts.

Stocks that outperform the Hang Seng Index, the proxy of the market, are grouped as leaders in the current rally. Stocks that underperform the Hang Seng Index are classified as laggards.

Since 27 Oct 08, Hang Seng Index has gained 56.3% as of yesterday.

We found that the key driver of the leaders during the rally has been the beta, with the Hang Seng Index as the benchmark. The average beta of the leaders is 0.98, larger than the average beta of 0.63 of the laggards.

If we believe the laggards will play catch-up, we suggest buying those laggards with adjusted beta larger than the raw beta.

In fact, adjusted beta is an estimate of a stock's future beta. Adjusted beta is derived from the raw beta, but modified by the assumption that the stock's raw beta moves towards the market average over time. Adjusted beta is calculated using the formula: adjusted beta = 0.67 x raw beta plus 0.33 x 1, the market beta.

In the table below, the estimated average adjusted beta for the leaders stays unchanged at 0.98. On the other hand, the forecast average adjusted beta of the laggards rises from 0.63 to 0.75.

In view of the higher average adjusted beta of the laggards vs the leaders', we expect the laggards will play catch-up.

Leaders and Laggards

	Short Name	Beta_6M	Adj Beta 6M	Change (%)
3323 HK	China Natl Bdg-H	1.46	1.31	881.2%
2689 HK	Nine Dragons Pap	1.36	1.24	537.5%
1393 HK	Hidilii Ind Intl	1.39	1.26	433.8%
754 HK	Hopson Dev	1.52	1.35	386.5%
200 HK	Melco Intl Devt	1.37	1.24	383.0%
604 HK	Shenzhen Inv	1.33	1.22	358.1%
2899 HK	Zijin Mining Grp	1.05	1.04	334.5%
2314 HK	Lee & Man Manufa	1.21	1.14	322.8%
489 HK	Dongfeng Motor-H	1.14	1.09	318.2%
2777 HK	Guangzhou R&F -H	1.70	1.47	315.9%
3393 HK	Wasion Group	0.43	0.62	308.7%
323 HK	Maanshan Iron-H	1.39	1.26	294.8%
347 HK	Angang Steel-H	1.64	1.43	284.1%
267 HK	Citic Pacific	0.79	0.86	282.5%
358 HK	Jiangxi Copper-H	1.64	1.42	282.5%
2355 HK	Baoye Group Co-H	1.07	1.05	280.5%
27 HK	Galaxy Entertain	0.97	0.98	270.7%
914 HK	Anhui Conch-H	1.33	1.22	268.0%
3377 HK	Sino Ocean Land	1.38	1.26	263.1%
1053 HK	Chongqing Iron-H	1.12	1.08	252.6%
3898 HK	Zhuzhou Csr	0.72	0.81	252.2%
1205 HK	Citic Resources	1.39	1.26	248.8%
3383 HK	Agile Property	1.57	1.38	235.5%
182 HK	China Windpower	0.72	0.81	234.7%
2866 HK	China Shipping-H	1.54	1.36	227.7%
2600 HK	Aluminum Corp-H	1.61	1.40	222.6%
2038 HK	Foxconn Intl Hld	1.45	1.30	221.8%
1919 HK	China Cosco Ho-H	1.81	1.54	219.8%
384 HK	China Gas Hldg	0.80	0.87	215.2%
123 HK	Guangzhou Invest	1.30	1.20	207.7%
763 HK	ZTE Corp-H	0.54	0.70	207.5%

	Short Name	Beta_6M	Adj Beta 6M	Change (%)
1171 HK	Yanzhou Coal-H	1.55	1.37	205.3%
3993 HK	China Molybdenum	1.42	1.28	204.6%
38 HK	First Tractor-H	0.90	0.94	202.9%
1688 HK	Alibaba.Com	0.79	0.86	199.5%
3378 HK	Xiamen Port-H	0.98	0.98	198.0%
1088 HK	China Shenhua -H	1.24	1.16	194.3%
1898 HK	China Coal Energy	1.55	1.37	192.8%
697 HK	Shougang Intl	1.31	1.20	184.6%
903 HK	TPV Technology	0.78	0.85	181.6%
1114 HK	Brilliance China	0.91	0.94	181.0%
420 HK	Fountain Set Hldg	0.81	0.88	177.2%
242 HK	Shun Tak Holding	1.29	1.20	176.4%
3900 HK	Greentown China	1.27	1.18	174.8%
2319 HK	China Mengniu	0.67	0.78	172.6%
368 HK	Sinotrans Ship	1.02	1.01	172.0%
569 HK	China Automation	0.30	0.53	171.1%
813 HK	Shimao Property	1.37	1.24	169.3%
2883 HK	China Oilfield-H	1.48	1.32	169.2%
363 HK	Shang Indus Hldg	0.68	0.79	169.1%
2328 HK	Picc Property &	1.29	1.20	167.6%
1800 HK	China Com Cons-H	1.23	1.15	164.3%
506 HK	China Foods	0.41	0.61	162.0%
8199 HK	Shandong Weig-H	0.13	0.42	160.7%
753 HK	Air China -H	1.54	1.36	160.1%
285 HK	Byd Electronic	0.73	0.82	152.5%
1199 HK	Cosco Pac	1.35	1.23	148.5%
203 HK	Denway Motors	1.03	1.02	148.2%
1133 HK	Harbin Power-H	1.35	1.23	147.4%
3818 HK	China Dongxiang	0.53	0.68	147.1%
1138 HK	China Ship-H	1.89	1.59	144.4%
1882 HK	Haitian Intl	0.43	0.62	143.9%

HONG KONG

Quantitative Analysis

Analyst

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Cont'd.....

... Cont'd Table: Leaders and Laggards

	Short Name	Beta_6M	Adj Beta 6M	Change (%)		Short Name	Beta_6M	Adj Beta 6M	Change (%)
300 HK	Shenji Group-H	0.84	0.90	141.8%	902 HK	Huaneng Power-H	0.80	0.86	60.9%
1813 HK	Kwg Property	1.35	1.24	141.3%	3968 HK	China Merch Bk-H	1.24	1.16	60.4%
338 HK	Sinopec Shang-H	1.04	1.02	141.1%	2343 HK	Pacific Basin	1.46	1.31	59.9%
178 HK	Sa Sa Intl Hldgs	0.44	0.63	138.5%	101 HK	Hang Lung Prop	1.21	1.14	59.2%
2727 HK	Shanghai Elect-H	1.14	1.10	138.0%	2380 HK	China Power	0.63	0.75	58.3%
17 HK	New World Dev	1.31	1.21	135.0%	392 HK	Beijing Ente	0.43	0.62	56.9%
1880 HK	Belle Internatio	0.70	0.80	135.0%	3 HK	Hong Kg China	0.48	0.65	56.5%
4 HK	Wharf Hldg	1.29	1.19	134.9%	Leader Beta		0.98	0.98	
733 HK	Hopefluent Group	0.99	0.99	132.5%	HSI Index	Hang Seng Index	1.00	1.00	56.3%
883 HK	CNOOC	1.16	1.11	130.7%					
2338 HK	Weichai Power-H	0.90	0.93	127.4%					
1122 HK	Qingling Motor-H	0.70	0.80	126.7%					
210 HK	Daphne Internati	0.60	0.74	125.7%					
855 HK	China Water	0.59	0.73	125.3%					
148 HK	Kingboard Chem	0.85	0.90	117.3%	552 HK	China Comm Ser-H	0.82	0.88	54.9%
3368 HK	Parkson Retail	0.64	0.76	117.3%	910 HK	China Grand For	0.77	0.84	53.5%
659 HK	Nws Holdings	0.59	0.73	116.3%	511 HK	Television Broad	0.42	0.62	51.5%
606 HK	China Agri-Ind	0.85	0.90	115.4%	1083 HK	Towngas China Lt	0.55	0.70	51.4%
3399 HK	Gd Nan Yu Logi-H	0.35	0.57	114.3%	1097 HK	I-Cable Comm	0.72	0.81	51.2%
589 HK	Ports Design Ltd	0.94	0.96	114.0%	66 HK	MTR Corp	0.52	0.68	51.1%
152 HK	Shenz Intl Hldg	0.87	0.91	113.6%	16 HK	Sun Hung Kai Prop	1.08	1.05	50.6%
2318 HK	Ping An Insa-H	1.25	1.16	113.3%	268 HK	Kingdee Intl Sft	0.67	0.78	46.2%
308 HK	China Travel HK	1.05	1.03	111.5%	1 HK	Cheung Kong	1.02	1.01	46.2%
119 HK	Poly Hong Kong	0.99	1.00	109.3%	1186 HK	China Railway-H	0.58	0.72	45.6%
135 HK	Cnpc Hong Kg	0.74	0.83	107.0%	2388 HK	BOC Hong Kong	0.87	0.92	44.8%
576 HK	Zhejiang Express	0.74	0.83	106.7%	966 HK	China Insurance	0.81	0.87	44.4%
23 HK	Bank East Asia	1.04	1.03	104.7%	13 HK	Hutchison Whampo	0.89	0.93	44.1%
2331 HK	Li Ning Co	0.73	0.82	103.1%	293 HK	Cathay Pac Airways	0.74	0.83	39.9%
2688 HK	Xinao Gas Hlds	0.50	0.67	101.9%	14 HK	Hysan Develop	0.57	0.72	38.4%
3808 HK	Sinotruk HK	0.71	0.81	96.1%	161 HK	China Mobile	0.90	0.94	38.0%
494 HK	Li & Fung	0.83	0.89	95.6%	836 HK	China Res Power	0.60	0.73	36.1%
3328 HK	Bank Of Com-H	1.19	1.12	94.8%	809 HK	Global Bio-Chem	0.82	0.88	34.5%
700 HK	Tencent Holdings	0.72	0.82	94.5%	3318 HK	China Flavor Fra	0.29	0.53	34.4%
688 HK	China Overseas	1.07	1.04	93.7%	297 HK	Sinofert Holding	0.89	0.93	34.3%
1109 HK	China Res Land	0.98	0.98	93.1%	345 HK	Vitasoy Intl Hldg	0.29	0.52	33.8%
882 HK	Tianjin Dev Hldg	0.90	0.93	92.9%	282 HK	Next Media	0.60	0.73	33.0%
817 HK	Franshion Prop	1.05	1.03	92.7%	1068 HK	China Yurun Food	0.35	0.56	32.3%
728 HK	China Telecom-H	0.94	0.96	92.0%	18 HK	Oriental Press	0.29	0.53	31.1%
1212 HK	Lifestyle Intl	0.60	0.73	92.0%	11 HK	Hang Seng Bk	0.79	0.86	29.6%
1766 HK	China South-H	0.68	0.79	91.0%	2300 HK	Amvig Holdings	0.31	0.54	27.8%
939 HK	China Const Ba-H	1.07	1.05	90.5%	1052 HK	Gzi Transport	0.63	0.75	24.5%
83 HK	Sino Land Co	1.33	1.22	89.7%	177 HK	Jiangsu Expres-H	0.67	0.78	23.2%
3382 HK	Tianjin Port Dev	0.93	0.96	88.2%	980 HK	Lianhua Superm-H	0.36	0.57	21.6%
410 HK	Soho China	0.91	0.94	88.0%	2 HK	Clp Hldgs	0.18	0.45	20.4%
857 HK	Petrochina Co-H	1.12	1.08	87.8%	6 HK	Hong Kg Elec	0.16	0.44	14.2%
590 HK	Luk Fook Hldgs	0.71	0.81	87.2%	3313 HK	Meadville Holdin	0.49	0.66	12.4%
2341 HK	Ecogreen Fine	0.37	0.58	84.9%	197 HK	Heng Tai Consuma	1.05	1.03	12.1%
1071 HK	Huadian Power-H	0.93	0.96	84.5%	551 HK	Yue Yuen Ind	0.45	0.63	9.3%
998 HK	China Citic Bk-H	1.06	1.04	84.4%	929 HK	IPE Group	0.51	0.67	8.8%
270 HK	Guangdong Invest	0.49	0.66	83.4%	762 HK	China Unicom Hon	1.00	1.00	6.8%
330 HK	Esprit Hldgs	0.80	0.87	83.4%	992 HK	Lenovo Group	1.11	1.07	-3.5%
2337 HK	Shanghai Forte	1.04	1.03	83.2%	5 HK	Hsbc Hldgs Plc	1.20	1.13	-6.3%
2008 HK	Phoenix Satellit	0.41	0.61	82.5%	255 HK	Lung Kee Hldg	0.01	0.34	-9.2%
388 HK	Hong Kong Exch	1.28	1.19	82.1%	1886 HK	China Huiyuan	0.24	0.49	-30.5%
179 HK	Johnson Electric	0.94	0.96	81.9%	Laggard Beta		0.63	0.75	
34 HK	Kowloon Dvlp Co	0.60	0.74	80.1%					
683 HK	Kerry Properties	1.06	1.04	77.9%					
3988 HK	Bank Of China-H	0.85	0.90	77.8%					
336 HK	Huabao Internati	0.12	0.41	77.7%					
1044 HK	Hengan Intl	0.18	0.45	77.5%					
709 HK	Giordano Intl	0.51	0.67	77.3%					
991 HK	Datang Intl -H	1.07	1.04	77.0%					
694 HK	Beijing Cap Ai-H	1.20	1.13	76.7%					
927 HK	Fujikon Ind Hldg	0.90	0.94	76.0%					
2628 HK	China Life-H	1.07	1.05	75.1%					
12 HK	Henderson Land D	1.16	1.11	74.8%					
3983 HK	China Bluechem-H	0.73	0.82	73.2%					
144 HK	China Merchant	1.39	1.26	72.9%					
390 HK	China Railway-H	0.97	0.98	72.9%					
303 HK	Vtech Hldgs	0.51	0.67	72.9%					
573 HK	Tao Heung	0.49	0.66	72.0%					
168 HK	Tsingtao Brew-H	0.55	0.70	71.8%					
1398 HK	Ind & Comm Bk -H	0.95	0.96	71.4%					
828 HK	Dynasty Fine Win	0.55	0.70	69.0%					
41 HK	Great Eagle	0.64	0.76	67.5%					
3308 HK	Golden Eagle	0.48	0.65	67.5%					
386 HK	China Petroleu-H	1.09	1.06	66.8%					
291 HK	China Res Ent	1.04	1.03	62.7%					
19 HK	Swire Pacif 'A'	0.97	0.98	62.7%					

Source: Bloomberg, UOB Kay Hian

Strategy

Sabah receiving more attention from the federal government

Sabah's political contribution has been rewarded with more appointments of ministers and deputy ministers into the federal cabinet. Expect more development projects to drive economic activities.

Events

A visit to Sabah – the Land Beneath the Wind. Companies visited: Coastal Contract, Hap Seng Group, Karambrunai, Suria Capital.

Impact

Rising political importance to BN. The recent appointments of four Sabah leaders as ministers and five as deputies reflect the federal government's recognition of Sabah's contributions to the Barisan Nasional (BN). This is an increase from three ministers and three deputy ministers respectively under the previous administration.

Development projects are coming. The appointment of Datuk Shafie Afdal as the Rural Development Ministry is deemed to be most appropriate as it gives a great sense of urgency to develop the rural areas in East Malaysia. The Prime Minister's (PM) recent visit to Kota Kinabalu has been well received by the locals. From our ground checks, the locals are expecting more infrastructure projects to materialise in 2H, i.e. new and upgrades of roads, airport upgrades and the potential roll-out of petrochemical hub in Kimanis. Under the 2009 budget, RM3b was allocated for various infrastructure projects in Sabah.

However, economic activities slowing down. Speaking to locals, business activities have slowed down since Oct 08, with declining tourist arrivals (by approximately 10-15% ytd) and the plunge in CPO prices. Sabah's economy very much depends on agriculture (33% of GDP) and tourism (c.15-20% of GDP). Taxi drivers' businesses have probably dropped by about 20% and hotel occupancy rate has fallen from >75% to 65-70% for 5-star hotels, and 60% (down from 70%) for 3-4 stars hotels. Suria Capital's container business (mainly for consumer products) has dropped by 30% ytd.

Property is the only segment holding up. This could be due to the strong cash flow generated by the locals over the last two years from the superb CPO price run in 2007 and 1H08. We note that there have been fewer new launches since 4Q08 although there has been no sign of weakness in property prices. Developer Karambrunai Corporation still managed to lock in RM1,100psf (considered as high end in Kota Kinabalu) for its beach-fronting condominium units two months ago.

Potential Beneficiaries

Among the companies visited, **Suria Capital Holdings Berhad (SURIA MK/Not Rated)** (46.2% owned by Sabah State Government) stands out from three potential share price catalysts, i.e.

- (1) Start of Jesselton Waterfront project (RM1.5b), which is only pending land title conversion from industrial to mix development;
- (2) Potential tie-up with a foreign port operator, especially for the key palm oil port - Sandakan Port and another kicker to come if Suria manage to takeover the control of POIC (palm oil downstream hub) Lahad Datu jetty; and
- (3) Potential contracts win from the development of Kimanis as next petrochemical hub after Bintulu for oils and gas production off-Sabah shore.

Suria is currently trading at 9.3x and 9.0x FY09 and FY10 consensus EPS.

MALAYSIA

Strategy

Key Info for Sabah

Sabah is a Malaysian state located on the northern portion of the island of Borneo. It is the second-largest state in Malaysia after Sarawak, which it borders on its Southwest. It also shares a border with the province of East Kalimantan of Indonesia in the south

Sabah, one of the 13 states in Malaysia, produces about 33% of Malaysian output from the 1.2m ha of oil palm plantation.

Capital	Kota Kinabalu
Population	3.39m (c. 2007)
GDP Growth	2008 : 4.6%
	2007 : 6.3%
Breakdown	Agriculture 33%
	Manufacturing 16%
	Mining 7%
	Construction 4%
	Others 40%
Tourist Arrivals	2008 : 2.3m
	2007 : 2.5m
Breakdown	Asia 88%
	Europe 8%
	North America 2%
	Oceania 2%
	Others 2%

Map Of Sabah



Source: POIC

Analyst

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Other Beneficiaries

Infrastructure projects: WCT Berhad (WCT MK) - contractor, Hap Seng Consolidation (HAP MK) – building materials

Property and Tourism: Karambunai Corp (KRNB MK), Hap Seng Consolidation (HAP MK)

Key Highlights For Sabah-based Companies

	Coastal Contracts	Hap Seng Consol	Hap Seng Plant	Karambunai	Suria Capital
Company Background	Shipbuilder with wide range of marine services and vessels, operates shipyards cover more than 90 acres of land Sandakan town of Sabah	Conglomerate with exposure to plantation (via Hap Seng Plant), business in property investment and development, credit financing, trading of fertilizers and automotive, as well as building materials and stone quarries.	Pure plantation company operates a contiguous block of planted land of 36,354ha between Lahad Datu and Sandakan in Sabah and operates four mills	Property developer and hotel operator owns approximately 1,500 acres of prime tourism property, known as "Nexus" in Kota Kinabalu, Sabah.	Port operator monopoly major ports in Sbaha. Besides containers, dry bulk cargo and general cargo, also handles a substantial amount of liquid cargo, mainly palm oil
Earning Drivers	- Orderbook RM1.5b last till 1H11	- Plantation: driven by CPO price and improve yield - Quarry: demand to come from infrastructure projects in Sabah. 50% of Sabah market share	- CPO prices & improve yield - Lower cost as fertiliser price ease	- Hospitality - Property	- Monopoly of Sabah's 8 ports
Potential Catalyst	- More E&P with new oil fields - Petronas requires 60 units of new support vessels	- Roll-out of Infrastructure projects in Sabah - Higher CPO	- Cost cutting by raising yields - Landbank expansion in Sabah and Sarawak	- Leverage on Sabah tourism - recovery in property demand	- Potential port tariff hike - Potential tie-up with a foreign port operator - Potential takeover the operation of POIC port - More contract from developing petrochemical hub at Kimanis
Key Concerns	- Collapse / lower crude oil price - Cancellation of contracts due to stringent financing requirement - Low new contract replenishment	- Lower CPO prices - Slower car sales	- Excess global palm oil supplies - Threat of palm oil substitutes - Changes in weather conditions	- Slowdown in economic	- Ports volume effected by slowdown in global economy

Source: Respective companies, UOB Kay Hian

Peer Comparison

Bloomberg Ticker	Company	Share Price (RM)	Mkt Cap (RMm)	FY08 PE (x)	FY09F PE (x)	FY10F PE (x)	P/BV (x)	6m Avg Vol ('000)	52-wk high (RM)	52-wk low (RM)
HAP MK	Hap Seng Conso	2.63	1,526	4.4	17.5	14.4	0.6	180	2.91	1.43
KRBN MK	Karambunai	0.09	183	n.m	n.a.	n.a.	0.2	1,889	0.10	0.04
HAPL MK	Hap Seng Plant	2.03	1,616	12.4	9.5	8.5	0.8	315	3.14	1.25
COCO MK	Coastal Contract	1.56	551	5.7	5.9	5.8	1.1	202	2.50	0.79
SURIA MK	Suria Capital	1.04	343	9.2	9.3	9.0	0.5	487	2.63	0.63

Source: Bloomberg, consensus forecast

COSCO Corporation (S)

1Q09: Expect more cancellations/delays

Excluding net fair value loss on forward currency contracts, earnings fell 14.2% yoy due to weak dry bulk shipping freight rates and higher operational costs. Expect more cancellations/delays.

1Q09 Results

Year to 31 Dec	1Q09 (S\$m)	yoy % chg	4Q08 (S\$m)	qoq % chg	Remarks
COSCO Shipyard Group	664.4	1.7	654.5	1.5	Progressive revenue recognition
Dry Bulk Shipping	42.9	(27.6)	64.6	(33.6)	Weak dry bulk freight rates
Shipping Agency & Others	7.1	32.3	4.4	62.4	
Total Turnover	714.4	(0.5)	723.5	(1.3)	
EBITDA	75.4	(56.4)	196.1	(61.6)	Higher operational costs
Tax	(10.7)	n.m	35.8	n.m	
NPAT	38.8	(69.6)	(62.3)	n.m	Weaker charter rates & higher operational costs
NPATMI	33.2	(60.5)	(23.9)	n.m	
EPS (cents)	1.5	n.m.	(1.1)	n.m	
EBITDA Margin (%)	10.6		27.1		

Source: UOB Kay Hian

Results

COSCO (S) Corp (COSCO (S)) reported 1Q09 net profit of S\$33.2m, -60.5% yoy, due to lower charter-hire rates and higher operational costs. Excluding net fair value loss on forward currency contracts of S\$38.8m, earnings would have been S\$72.0m, within our expectation.

According to management, gross margin for the dry bulk shipping segment has fallen from 60% in 2008 to 40% in 1Q09 due to weaker dry bulk freight rates. Three ships are on time charter contracts at a daily rate of US\$50,000. Two of these will expire in Jun 09 and the remaining one in Aug 09. The other 7 dry bulk vessels are on voyage charter.

Total borrowings rose from S\$520.2m to S\$1.2b in 1Q09 to fund the expansion of its shipyards. COSCO (S) has net cash of S\$955.6m. The bulk of the gross cash is customers' deposits.

Stock Impact

COSCO (S) has 110 dry bulk carriers in its orderbook. Ytd, there are 26 delays and five cancellations. Construction has begun for 31 vessels. COSCO (S) expects to deliver 15, 30 and 49 ships in 2009, 2010 and 2011 respectively. The Group's gross orderbook currently stands at US\$7.0b with progressive deliveries through 1H12. We expect more cancellations and delays going forward. Management did not rule out the possibility of cancellations by its sister company, China COSCO.

SINGAPORE

COSCO Corporation (COS SP)

SELL

Current Price: S\$1.23

Fair Price: S\$0.89

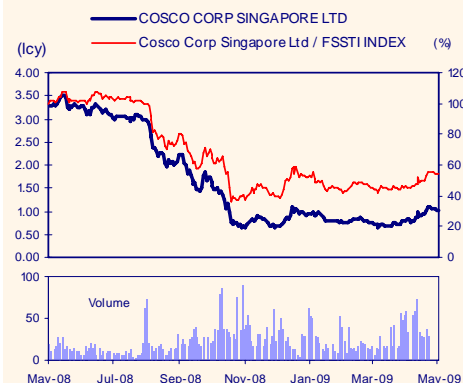
Sector Offshore & marine
52-Wk Avg Daily Vol. ('000) 23,276
Market Cap (S\$m) 2,754.3
(US\$m) 1,880.4

Major Shareholders (%)
China Ocean Shipping Grp 53.4

Book NTA per Share (S\$) 0.55
ROE (%) 29.0
Net Cash per Share (S\$) 0.43

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

Price Chart



Source: Bloomberg

Analyst

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Year to 31 Dec	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS* (¢)	Yield (%)
2007	2,261.7	534.9	336.6	15.0	61.8	8.2	4.2	4.0	3.3
2008	3,476.0	804.2	302.6	13.5	(10.1)	9.1	2.8	4.0	3.3
2009F	3,615.9	553.5	266.7	11.9	(11.8)	10.3	4.1	4.0	3.3
2010F	4,224.5	564.5	250.8	11.2	(6.0)	11.0	4.0	4.0	3.3
2011F	4,696.3	618.7	295.0	13.2	17.6	9.3	3.7	4.0	3.3

Consensus Net Profit – FY09: S\$228.5m
– FY10: S\$236.2m

* Exclude special dividend of 3 cents for 2007 & 2008.

Earnings Risk

More cancellations and delays. In view of the current global trade finance crunch, COSCO (S)'s clients may face difficulties in securing credit to finance the new builds. This will lead to potential payment and vessel delivery delays, as well as order cancellations.

Weak dry bulk shipping environment. We estimate shipping earnings made up 55% of COSCO (S)'s 1Q09 net profit. The current weak dry bulk shipping market will continue to affect its earnings. At the current Baltic Dry Index (BDI) level of 2,194, COSCO (S)'s dry bulk shipping business would barely break even in the spot shipping market. Its breakeven level is between 1,500 and 2,500.

Valuation/Recommendation

We maintain our earnings forecasts. COSCO (S)'s current share price is trading at a 38% premium to our fair price. In view of more cancellations/delays going forward and a weak dry bulk shipping market, we maintain SELL on COSCO (S) with a fair price of S\$0.89. We value COSCO (S)'s shipyard business at a reasonable long-term sustainable annual contract wins of S\$2.0b (2007: S\$9.0b; 2008: S\$1.6b) and a sustainable annual net profit of S\$230m at a PE of 8.0x, in line with small-cap shipyards' valuations prior to the offshore & marine boom in 2003-08. Our contract wins assumption effectively implies COSCO's orderbook will be halved. COSCO (S)'s dry bulk shipping business is valued at 0.4x P/B, which is the typical cyclical trough valuation for the shipping sector.

Profit & Loss

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Turnover	2,261.7	3,476.0	3,615.9	4,224.5	4,696.3
EBITDA	534.9	804.2	553.5	564.5	618.7
Pre-tax Profit	498.1	451.4	423.2	416.5	451.5
Net Profit	336.6	302.6	266.7	250.8	295.0

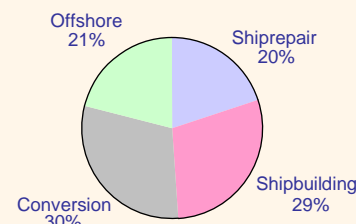
Balance Sheet

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	2,431.8	4,596.0	3,734.2	4,555.5	5,225.5
Total Assets	3,967.2	6,799.3	5,862.9	6,675.2	7,326.2
Current Liabilities	2,557.0	4,572.2	3,603.1	4,275.7	4,747.4
Long-Term Liabilities	64.9	611.4	500.0	500.0	300.0
Shareholder Funds	939.9	1,144.2	1,142.1	1,212.8	1,327.8
Total Equity & Liabilities	3,967.1	6,799.3	5,862.9	6,675.2	7,326.2

Cash Flow

Year to 31 Dec (\$m)	2007	2008	2009F	2010F	2011F
Operating	1,594.1	1,075.1	(175.2)	549.9	457.6
Investing	(447.5)	(634.1)	(136.0)	(136.0)	(146.0)
Financing	(334.3)	301.3	(238.0)	(258.7)	(257.7)
Net Cash In/(Out) Flow	812.3	742.3	(549.2)	155.2	53.9
Begin Cash & Cash Equiv.	273.6	1,085.9	1,828.2	1,279.0	1,434.2
End'g Cash & Cash Equiv.	1,085.9	1,828.2	1,279.0	1,434.2	1,488.1

1Q09 Shipyard Revenue Breakdown



Source: COSCO (S)

Sum-of-the-Parts Valuation

	S\$m	Valuation Yardstick
Shipyard	1,840.00	Sustainable net profit of S\$230m (\$2b contracts p.a.) at PE 8x
Dry bulk shipping	60.88	0.4x book value
Cash	83.96	Cash at company level
Total Value	1,984.84	
No. of shares (m)	2,239.24	
SOP/ Share (\$)	0.89	

Source: COSCO (S), UOB Kay Hian

Wing Tai Holdings

3QFY09: High-end residential not out of the woods yet

While the rise in liquidity is aiding the establishment of base property prices at better-than-anticipated levels, the oversupply situation in the high-end remains a concern.

3QFY09 Results

Year to 30 Jun	3Q09 (S\$m)	yoy % chg	9M09 (S\$m)	yoy % chg	Remarks
Turnover	89.6	-19	315.9	-2	
EBITDA	41.7	9	110.3	-10	
Pre-tax Profit	26.1	-17	96.5	-41	
Tax	4.1	80	16.7	45	
Net Profit	21.4	-23	74.9	-44	Lower contribution from VisionCrest
EPS (¢)	2.74	-22	9.54	-46	
EBITDA Margin (%)	47		35		

Source: Wing Tai, UOB Kay Hian

Results

Wing Tai Holdings' (Wing Tai) 3QFY09 net profit declined 23% yoy to S\$21.4m, bringing 9MFY09 net profit to S\$74.9m. Excluding imputed provisions, results are within our expectation but below consensus estimates. Revenue and profit were mainly recognised from the units sold in Helios Residences, The Riverine by the Park and Belle Vue Residences in Singapore. The weak results are attributed to the steep 44% yoy decline in share of profits of associates due to lower contribution from VisionCrest on the sale of residential units and the absence of a S\$26.6m one-off gain of an available-for-sale financial asset in 9MFY08.

Stock Impact

- Rise in liquidity aiding the establishment of base property prices at better-than-anticipated levels.** Sales volume for the private residential segment saw a strong rebound in 1Q09, underpinned by a seven-fold qoq resurgence in mid-tier and mass market sales. Deals have also started flowing in the office segment after a nine-month lull. The recent data points are indicative of base formation for the residential and office property prices at an average decline of 30-40% from the peak prices in end-07. This is a better level than our model assumption of a 50% average decline for residential and commercial properties.
- High-end residential not out of the woods.** We expect the supply of residential properties in the high-end to heavily exceed demand from 2009 onwards on the back of a huge incoming supply. Also, the risk of customer defaults is heightened at present by the progressive roll-out of developments/units sold under the Deferred Payment Scheme. As a result, consumer confidence in the high-end segment is expected to remain weak. Wing Tai derives nearly 50% of its value from the high-end segment.

SINGAPORE

Wing Tai Holdings (WINGT SP)

HOLD

Current Price: S\$1.24
Fair Price: S\$1.40
(Previous: S\$1.05)

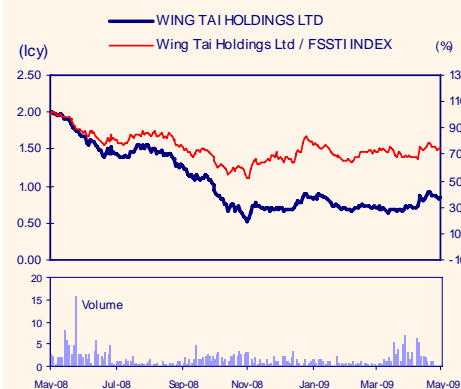
Sector	Property
52-Wk Avg Daily Vol. ('000)	1,711
Market Cap (S\$m)	983.8
(US\$m)	670.2

Major Shareholders (%)	
Wing Sun Devt P/L	28.0
Winlyn Investment P/L	9.27

Book NTA per Share (S\$)	2.12
ROE (%)	14.8
Net Debt per Share (S\$)	0.82

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

Price Chart



Source: Bloomberg

Analyst

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Year to 30 June	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	DPS (¢)	Yield (%)
2007	981.6	414.7	381.8	52.7	197.8	2.4	3.9	6.0	4.8
2008	428.2	201.6	229.4	28.7	(45.5)	4.3	8.1	6.0	4.8
2009F	483.1	111.3	74.7	9.4	(67.4)	13.2	14.7	4.0	3.2
2010F	372.5	99.8	82.8	10.4	10.8	12.0	16.4	2.0	1.6
2011F	751.0	189.1	127.4	16.0	53.9	7.8	8.6	4.0	3.2

Consensus Net Profit – FY09: S\$118.7m
– FY10: S\$98.5m

Earnings Revision

We raise our FY10-11 net profit estimates by 4-22%, factoring in the current base formation levels.

Valuation/Recommendation

In line with the base property price levels forming at a 40% decline from end-07 peak levels vs a 50% decline in our model, we raise our FY10 RNAV by 34% to S\$2.00, factoring in: a) a 40% average decline from end-07 levels in the residential and commercial property ASPs, b) a 40% writedown of land values and investment properties, and c) a default rate of 30% on units purchased under the Deferred Payment Scheme resold at 40% discount to the original sale prices. Maintain HOLD with a fair price of S\$1.40, pegged at a 30% discount to FY09 RNAV of S\$2.00/share.

Profit & Loss

Year to 30 Jun (\$m)	2007	2008	2009F	2010F	2011F
Turnover	981.6	428.2	483.1	372.5	751.0
EBIT	409.6	196.7	106.3	94.8	184.2
Pre-tax Profit	499.9	300.4	130.8	95.6	151.8
Net Profit	381.8	229.4	74.7	82.8	127.4

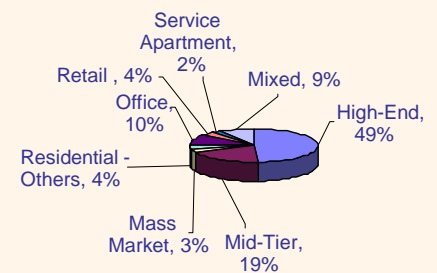
Balance Sheet

Year to 30 Jun (\$m)	2007	2008	2009F	2010F	2011F
Current Assets	1,561.4	1,587.4	1,649.2	1,584.3	1,671.4
Total Assets	3,133.2	3,233.6	3,343.0	3,302.9	3,406.3
Current Liabilities	367.5	193.1	427.4	359.8	373.3
Long-Term Liabilities	864.4	1,077.3	911.3	861.3	811.3
Shareholder Funds	1,489.3	1,605.5	1,654.9	1,725.0	1,852.4
Total Equity & Liabilities	3,133.2	3,233.6	3,343.0	3,302.9	3,406.3

Cash Flow

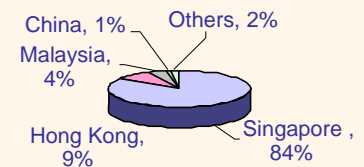
Year to 30 Jun (\$m)	2007	2008	2009F	2010F	2011F
Operating	381.2	138.0	(82.9)	(45.7)	224.2
Investing	248.7	37.7	9.5	9.3	8.9
Financing	(191.6)	(138.3)	(172.5)	(156.2)	(152.6)
Net Cash In/(Out) Flow	438.2	37.4	(245.9)	(192.6)	80.5
Begin Cash & Cash Equiv.	308.5	410.8	439.7	193.8	1.2
End'g Cash & Cash Equiv.	746.9	445.1	193.8	1.2	81.7

Gross RNAV by Sector



Source: Wing Tai, UOB Kay Hian

Gross RNAV by Geography



Source: Wing Tai, UOB Kay Hian

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