KEY STORY

China

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Among companies with financial strength, we like China Dongxiang, Sa Sa, Huabao, China Mobile, CNOOC and PetroChina.

Indonesia

Ramayana Lestari Sentosa (BUY/Rp710/Target: Rp1,000) **Page 11**

A defensive play in domestic retailing with strong cash and zero debt. Initiate coverage with a BUY.

Singapore

Banking **Page 13**

OCBC has relatively more exposure to Marina Bay Sands than DBS. Maintain BUY for DBS but downgrade OCBC to HOLD.

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Survival of the fittest.

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Strategy **Page 3**

Among companies with financial strength, we like China Dongxiang, Sa Sa, Huabao, China Mobile, CNOOC and PetroChina.

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The government announces a strong set of supportive policies for the property sector- a catalyst for property stocks in the near term.

Results

CITIC Resources Holdings (SELL/HK$0.61/Fair: HK$0.53) **Page 7**

Downgrade to SELL on further currency and commodity hedging loss, high gearing and declining commodity prices.

Huaneng Power International (BUY/HK$4.49/Target: HK$5.60) **Page 9**

3Q08: Net loss widens to Rmb2.16b, higher than expected, but raises the possibility of additional power tariff hikes. Maintain BUY.

INDONESIA

Update

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SINGAPORE

Sector

Banking **Page 13**

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Property **Page 15**

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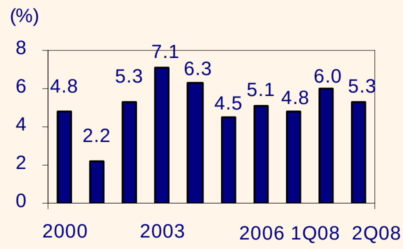
TALKING POINT

Thailand – GDP Growth



Source: Bank of Thailand

TDRI advises BOT to lower 2009 GDP growth forecast for Thailand

The Thailand Development Research Institute (TDRI) has recommended the Bank of Thailand (BoT) to trim its economic forecast for next year, saying the economy will expand by a mere 2.2% due to the global credit crunch. According to TDRI, the central bank's growth projection of between 3.8-5% for 2009 is too optimistic given the likely sharp decline of exports, slow state budget disbursement, and poor domestic consumption. The BoT cut its 2008 GDP growth projection last week from 5.8% to 4.3%.

During the dot-com crisis, weakening demand from the US led to a 6.8% decline in export growth bringing GDP growth down to 2.2% in 2001 vs 2000 GDP growth of 4.8%. Market consensus along with official think tanks like the Fiscal Policy Office, the NESDB and the Bank of Thailand is forecasting export growth of between 7-10% for year 2009. Average consensus GDP growth forecast for 2009 is 4%. If export growth, deteriorate too deeply, we may see GDP wiped off by 2ppt. The expected slowdown in exports can not be made up by domestic consumption and investment as both are currently negatively affected by political instability and foreign investors' lack of confidence in the country.

***Total investment grew just 1.9% in 2Q08 vs 5.4% in 1Q08**. Public sector investment went from positive growth of 2% yoy in 1Q08 to negative growth of -5.2% yoy in 2Q08. Private sector investment also slowed from 6.5% yoy growth in 1Q08 to 4.3% yoy in 2Q08. Political instability has led to a 26.3% yoy decline in Board of Investment applications value to Bt294b during 8M08 vs Bt398.8b in 8M07.*

***Domestic consumption remains muted** with private consumption growing 2.4% yoy in 2Q08 vs 2.6% yoy growth in 1Q08. Government consumption showed negative growth in both 1Q08 and 2Q08 at -0.1% yoy and -2.4% yoy respectively.*

Strategy

Go for companies with financial strength

Amid the global financial tsunami and the expected economic downturn in developed countries, only those companies with financial strength will surely survive. We have carried out an exercise to screen companies with financial strength based on two key indicators: a) net cash/share as a percentage of share price and b) the Altman Z-score. Companies which appear on top of our list are China Dongxiang, Sa Sa, and Huabao. Among large caps, CNOOC, PetroChina and China Mobile stand out in terms of financial strength.

Top Stock Picks Based On Net Cash Position And Altman Z-Score

Large Caps	
PetroChina	• Refining margin is improving, thanks to declining oil prices. • Turnover growth will not be affected by an economic slowdown in China because the country relies on oil imports. • It is trading at just 1.7x 2008 P/B and 6x 2009 PE with a dividend yield of 7%.
China Mobile	• It faces the least 3G development risk because of its strong balance sheet and its 3G capex will be borne by parent company. • We expect +10% EPS growth over the next few years, given the stable 2G business as well as benefits of economies of scale. • It is trading at 9.2x 2009 PE with a dividend yield of almost 5%.
CNOOC	• The stock is trading at 1.8x 2008 P/B, which is lower than the trough valuation of 2.3x 2003 P/B. Dividend yield stands at 6%. • It is one of few oil companies that can deliver strong output growth over the next few years. This makes it a good play on the long-term positive trend of oil prices.
Mid Caps	
China Dongxiang	• It has very strong operating cash flow because of the asset-light model. It trades 10x price/free cash flow for 2009. • It will deliver growth of +25% over the next two years. The current valuation has priced in just single-digit growth. • It has a net cash/share of HK$1. Excluding net cash, the stock is trading at just 5x FY09 PE.
Sa Sa	• It is a market leader with good corporate governance. Transparency is high as it provides monthly operating figures. • Dividend yield stands at 17%. Payout ratio has been above 100% in the past eight years, suggesting robust cash flow. • It is trading 7X FY09 PE. Net cash/share stands at HK$0.50 (vs share price of HK$1.37).
Huabao	• It supplies flavour to the tobacco industry, which is insensitive to economic swings. • We expect 20 – 30% p.a. growth over the next few years as it benefits from the consolidation of the tobacco industry. • It is trading at 11.6 FY09 PE and 9.2x FY10 PE, undemanding given the robust earnings growth.

Source: UOB Kay Hian

Companies with high net cash. Unsurprisingly, many companies which appear on our list are consumer-related (such as retailers). These companies usually have an asset-light business model which does not require heavy capital investment. As such, they usually have strong free cash flow and high ROE. Among the companies with high net cash, our favourites are China Dongxiang and Sa Sa.

CHINA

Strategy

Analyst

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Companies With High Net Cash

Company Name	Stock Code	Market Cap (HK$m)	Net Cash (HK$m)	Net Cash/Market Cap (%)	Current PE (X)	Recommendation
Suchuan Xinhua	811 HK	1,441.78	2,721	149	4.1	NOT RATED
Guangdong Nanyue	3399 HK	593.05	656	104	3.3	BUY
Lianhua Supermarket	980 HK	5,853.02	5,022	79	15.8	SELL
Bosideng	3998 HK	7,352.82	5,238	69	5.6	NOT RATED
Dynasty Fine Wines	828 HK	1,245.00	830	65	8.7	SELL
Dickson Concept	113 HK	759.52	567	65	3.6	NOT RATED
Oriental Press	18 HK	1,774.46	1,247	64	6.2	NOT RATED
Travelsky Technology	696 HK	4,973.69	3,153	62	7.1	NOT RATED
Midland Holding	1200 HK	2,313.85	1,119	61	5.9	NOT RATED
Aeon Stores	984 HK	2,418.00	1,551	58	10.1	NOT RATED
China Motor Bus	26 HK	2,234.14	1,332	56	n.a.	NOT RATED
China LotSynergy	8161 HK	1,043.71	666	52	5.4	NOT RATED
I.T.	999 HK	635.27	414	50	3.9	NOT RATED
Galaxy Entertainment	27 HK	3,465.59	1,782	46	n.a.	NOT RATED
Ajisen China	538 HK	3,405.92	1,682	46	13.2	NOT RATED
Luks	366 HK	1,214.60	542	45	7.6	NOT RATED
China Molybdenum	3993 HK	11,410.24	6,140	43	4.5	BUY
China Dongxiang	3818 HK	11,331.60	5,513	42	11.8	BUY

Source: Bloomberg, UOB Kay Hian

Companies with high Altman Z-score. Among the stocks with high Z-score, many are rated BUY by our analysts. The top five companies with a BUY rating are China Dongxiang, Huabao, Hidili, Yanzhou Coal and Sa Sa. For stocks with a large market cap (above HK$100b) we have included CNOOC, China Mobile and PetroChina.

Companies With High Altman Z-score

Company Name	Stock Code	Altman Z-score	Market Cap (HK$m)	Recommendation	PE 2008 (x)	PE 2009 (x)	P/B 2008 (x)	Yield 2009 (%)
Denway	203 HK	85.52	15,263	HOLD	5.6	5.3	2.86	8.50
China Dongxiang	3818 HK	59.42	11,332	BUY	10.0	7.7	1.77	4.03
Huabao	336 HK	29.01	12,307	BUY	19.2	14.8	25.19	2.03
Esprit	330 HK	14.36	50,220	SELL	7.9	7.4	3.88	10.75
Hidili	1393 HK	14.29	2,843	BUY	1.9	1.8	0.90	12.96
Alibaba	1688 HK	14.08	23,241	HOLD	18.3	13.4	5.91	0.00
TVB	511 HK	12.47	12,264	HOLD	9.9	9.2	2.38	6.85
Yanzhou Coal	1171 HK	11.21	39,894	BUY	3.4	3.0	1.53	8.58
Sa Sa	178 HK	11.15	2,017	BUY	5.6	5.6	1.88	17.02
China Bluechem	3983 HK	11.11	15,121	BUY	7.1	7.1	2.13	3.60
Belle	1880 HK	10.77	29,857	HOLD	12.5	9.8	3.29	3.06
Phoenix	8002 HK	10.05	3,518	BUY	11.7	10.0	2.79	3.23
Zijin Mining	2899 HK	9.86	53,215	BUY	8.6	5.3	6.45	9.51
Kingdee	268 HK	8.86	2,020	BUY	10.5	7.6	3.28	3.87
CNOOC	883 HK	8.57	278,289	BUY	5.4	5.6	2.13	6.06
Li Ning	2331 HK	7.81	12,795	BUY	16.5	12.8	10.82	3.90
China Yurun	1068 HK	7.77	13,933	BUY	12.5	10.4	3.23	2.00
Hengan	1044 HK	7.55	26,514	BUY	22.1	18.5	5.29	3.71
Hopefluent	733 HK	7.51	230	BUY	4.9	3.0	0.44	16.00
China Flavour	3318 HK	7.2	513	HOLD	4.0	3.4	1.14	11.68
PetroChina	857 HK	7.1	2,322,054	BUY	7.0	6.2	1.83	7.27
Shandong Weigao	8199 HK	7.08	10,055	HOLD	24.7	17.4	15.07	1.55
China Shipping	1138 HK	7.02	25,879	BUY	2.6	2.4	1.24	15.96
China Mengniu	2319 HK	6.97	12,759	SELL	-25.2	31.6	2.45	0.00
China Mobile	941 HK	6.68	1,339,426	BUY	10.7	9.2	3.72	4.67
Giordano	709 HK	6.62	2,058.47	HOLD	5.8	5.3	1.08	15.36
Daphne	210 HK	6.46	2,866.31	BUY	6.1	5.2	2.81	4.38
Luk Fook	590 HK	6.21	911.14	BUY	3.7	2.9	1.06	15.55
Jiangxi Copper	358 HK	5.87	26,855.35	HOLD	2.6	2.6	0.83	9.88
Li & Fung	494 HK	5.81	58,071.60	SELL	16.0	12.1	9.85	6.62

Source: Bloomberg, UOB Kay Hian

Property

The government announces a supportive package for property sector

We expect the improved macro policy environment to lift property stocks' current distressed valuations in the near term. But it will still take time to restore home buyers' confidence.

Sector Events

The PBOC and Ministry of Finance announced detailed rules to support the property market last night. The major policies include:

a) The down payment ratio of the first house purchase is lowered from 30% to 20%.
b) The mortgage rates for the first ordinary house is subject to a higher discount to the benchmark rates from the previous 10% to 30%. The current five-year-and-above benchmark rate is at 7.47%. Hence, the preferential mortgage rate is only at 5.23%.
c) The interest rate for public-housing loans is reduced by 27bp. Thus, the five-year-and-above housing fund rate is now 4.59%;
d) To reduce home purchasing costs, deed tax is reduced from 1.5% to 1% for the first house with size at 90sqm and below. Stamp tax and personal LAT (normally 0-1% levied by local governments) are exempted for housing purchase. Meanwhile, the government also allows local governments to release their supportive policies on reduction of transaction costs.

Implications

In our view, this is a strong set of housing stimulation policies which will lower home buyers' interest expenses and transaction costs, and enhance housing affordability. The government's policies are aimed to boost end-user demand, while the down payment ratio and interest rate policies for a second house purchase remain unchanged.

This is the first action by the government to turn around from the tightening measures to support the property sector. We believe the policy change should help to improve home buyers' confidence in the housing market. On the other hand, given the slow economic outlook, vanished wealth effect due to stock market slump and current prevailing price corrections in major cities, we expect it will take time to restore home buyers' confidence and see a sustainable sales recovery. In addition, developers' tight balance sheets remain largely unchanged given the sluggish sales and banks' cautious lending to developers on the fear of credit risks. Hence, we think the government might need to relax the tightening controls on developers so as to support the long-term growth of the property market.

Recommendation

Property stocks prices have fallen by 80-90% on average and are trading at more than a 60% discount to NAVs as well as at 0.7x-0.8x P/B. We expect the improved macro policy environment on the back of the government's new measures to lift the current distressed valuations in the near term. We continue to favour government-backed companies, China Overseas Land (COLI) and China Resources Land (CRL), while R&F and Shimao are the picks for bolder investors.

CHINA

Property

MARKET WEIGHT

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Valuation Of Chinese Property Companies

	Bloomberg Code	Rating	Share price 22/10/08 (HK$)	EPS 2008F (Rmb)	EPS 2009F (Rmb)	PE FY08F (X)	PE FY09F (X)	Yield FY08F (%)	Yield FY09F (%)	NAV (HK$)	Discount to NAV (%)	Net gearing (%)
Agile	3383	HOLD	2.95	1.46	0.57	2.0	5.2	6.8	7.4	9.20	(67.9)	56
China Overseas Land	688	BUY	8.51	0.68	0.88	13.2	10.2	1.9	2.6	12.70	(33.0)	51
China Resources Land	1109	BUY	8.45	0.31	0.51	26.1	15.8	0.8	1.3	16.86	(49.9)	55
Greentown	3900	SELL	2.69	0.9	1.23	3.4	2.5	9.2	10.0	12.02	(77.6)	118
Guangzhou R&F	2777	BUY	4.97	1.10	1.23	5.4	4.8	7.0	7.9	17.37	(71.4)	142
Hopson	754	SELL	3.08	1.4	1.3	2.7	2.9	7.1	7.5	17.00	(81.9)	60
Poly HK	119	BUY	1.90	0.12	0.51	18.3	4.3	2.2	3.0	8.55	(77.8)	72
Shanghai Forte Land	2337	SELL	1.33	0.25	0.32	4.2	3.3	3.6	4.6	2.97	(55.2)	110
Shimao Property	813	BUY	3.94	0.72	1.17	5.2	3.2	5.7	7.9	15.99	(75.4)	52
Sino-Ocean Land	3377	HOLD	2.20	0.23	0.36	9.3	6.0	5.1	5.3	7.42	(70.4)	40

Source: UOB Kay Hian

Local Governments' Supportive Measures

Beneficiary	Measure	City
Home Buyers	Fiscal subsidy of housing purchase	Nanjing, Xi'an, Chengdu, Shenyang, Changsha, Suqian
	Lower down payment ratio for housing provident fund mortgage	Nanjing, Changsha, Shenyang, Chengdu, Henan Province, Changzhou, Wuhu, Hangzhou, Shijiazhuang
	Increase up-limit of housing provident fund loan	Hangzhou, Shanghai, Hui'an, Shijiazhuang
	Allowed conversion of commercial mortgage to housing fund loan	Changzhou, Huai'an
	Lower mortgage rates	Chengdu
	Longer mortgage term	Chengdu, Shenyang, Changsha, Fuzhou, Hangzhou
	Lower transaction fees and taxes	Nanjing, Chengdu, Changsha, Shenyang, Fuzhou, Chongqing, Henan, Wuhu, Hangzhou, Shijiazhuang
	Lower home buyers' income tax	Chengdu
	Loosen restrictions on second house purchase	Hangzhou
	Provide home buyers with permanent residence permit (Hukou)	Xia'men, Hangzhou
Property Developers	Flexible payment term of land premium	Hangzhou
	Extended project commencement or completion date	Hangzhou
	Lower payment on infrastructure annexes fees or urban construction fees	Xi'an, Nanjing, Shijiazhuang
	Pre-collection of income tax on lowest assumption rates	Hangzhou
	Lower deposit for land auctions and construction	Wuhu
	Flexibility on presale launches	Shijiazhuang
	Cancellation of restriction on the pricing of properties	Nanjing

Source: UOB Kay Hian

CITIC Resources

Downgrade to SELL on various negatives

Despite disclosed exchange loss is not significant, it does raise concerns CRH may be exposed to further commodity/currency hedging or speculation risk. Downgrade to SELL also on high gearing and earnings downgrade.

Corporate Events

Macarthur Coal (MCC.ASX), in which CITIC Resources (CRH) holds a 20.4% stake, released excellent 1Q09 results on 22 October (net profit up 10 times and sales up 40% yoy). It also faced a A$68m or US$46m currency loss from hedging contracts. It is the company's policy to undertake hedging arrangements as fixed-price US$-sales are entered into. We view this currency loss as a normal hedging practice. Without these hedge contracts, earnings would have been higher but the risk would be amplified in the same time. However, it does raise concerns for us.

- Besides coal, CRH also holds stakes in aluminium smelting and trading businesses in Australia. Given the sharp decline of the A$, any improper hedging on currency volatility risk would potentially result in an unexpected loss.
- CRH has diversified commodities exposure, i.e. crude oil, coal, manganese and aluminium. Again, any inappropriate hedging position on commodities price will be a negative for the company.
- Beyond that, a 160% net debt ratio is very risky for investors. Despite the parent's strong background, we believe refinancing will be difficult under current credit crunch background.
- Amid the global economic slowdown and financial system turmoil, CRH's exposure in several countries and regions is also a negative.

Stock Impact

We believe the market will continue to dislike the stock due to the above risks despite share price trading at only 10% of last year's high.

Earnings Revision

With commodities prices falling sharply on concerns of a global economic growth slowdown, we believe CRH's earnings is peaking in 2008. We cut our oil price benchmark forecast to US$85/bbl from US$100/bbl for 2009 and 2010. We also trim our price targets on coal, manganese and aluminium. As a result, we slash CRH's net profit in 2009 and 2010 by 29% and 47%. We do expect CRH to pay any dividends in 2009-10 and it will cut its capex aggressively from HK$2b to HK$800m in 2009.

Recommendation

National oil companies, like PetroChina and Sinopec, are trading 1.1x of FY09 P/B. We think the valuation of CRH needs to be more conservative given various risks CRH is facing. We apply a FY09 P/B of 0.5x on CRH, or a fair price of HK$0.53. Downgrade to SELL.

CHINA

CITIC Resources (1205 HK)

DOWNGRADE TO SELL

Current Price: HK$0.61
Fair Price: HK$0.53
(Previous: HK$4.55)

52-Wk Avg Daily Vol. ('000)	15.9
Market Cap (HK$m)	3,688
(US$m)	472
Major Shareholders (%)	
CITIC Group	53.5
Book NTA per Share (HK$)	1.06
ROE (%)	4.7
Net Debt per Share (HK$)	1.94
Results Due	
Interim	September
Final	April

12-Month Call History

Date	Rec	Target/Fair Price (HK$)
23/10/08	SELL	0.53
28/07/08	BUY	4.55

Price Chart

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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 (%)
2006	6,835	703	201	0.05	(9)	12.2	10.3	0.00	0.0
2007	10,008	1,601	283	0.06	19	10.2	7.8	0.00	0.0
2008F	17,888	3,041	679	0.13	138	4.7	3.8	0.00	0.0
2009F	15,867	2,423	568	0.11	(16)	5.5	4.4	0.00	0.0
2010F	14,738	2,286	543	0.11	(4)	5.6	4.4	0.00	0.0

Consensus Net Profit – FY08:HK$1,232.3m
-- FY09:HK$1,613.3m

Profit & Loss

Year to 31 Dec (HK$m)	2006	2007	2008F	2009F	2010F
Turnover	6,835	10,008	17,888	15,867	14,738
EBIT	467	1,274	2.325	1,975	1,890
Pre-tax Profit	316	731	1,252	1,076	1,042
Net Profit	201	283	679	568	543

Balance Sheet

Year to 31 Dec (HK$m)	2006	2007	2008F	2009F	2010F
Current Assets	4,955	5,785	2,650	2,985	3,002
Total Assets	9,328	22,772	21.271	22,744	24,059
Current Liabilities	2,855	4,070	1,980	2,077	2,301
Long-Term Liabilities	3,248	12,631	12,545	12,850	13,118
Shareholder Funds	3,225	6,071	6,746	7,589	8,680
Total Equity & Liabilities	9,328	22,772	21,271	22,744	24,059

Cash Flow

Year to 31 Dec (HK$m)	2006	2007	2008F	2009F	2010F
Operating	(170)	796	1,571	754	750
Investing	(2,396)	(1,959)	(2,000)	(800)	(600)
Financing	1,897	2,387	800	350	300
Net Cash In/(Out) Flow	(669)	1,224	371	254	450
Begin Cash & Cash Equiv.	1,520	851	2,074	2,445	2,699
End'g Cash & Cash Equiv.	851	2,074	2,445	2,699	3,149

Huaneng Power International

3Q08: Net loss widens to Rmb2.16b; dire need for tariff hikes

Net loss widens to Rmb2.16bn in 3Q08 (under China GAAP), higher than our expectation (over Rmb1b), but raises the possibility of additional power tariff hikes. Maintain BUY with target price cut to HK$5.60.

3Q08 Results

	3Q08 (Rmbm)	yoy % chg	Remarks
Turnover	19,329	47	Driven by capacity expansion and contribution from SinoSing Power
Costs of sales	(20,463)	94	Due to surge in coal cost
Gross loss	(1,135)	n/a	Mainly due to surge in coal cost
Administrative cost	(515)	38	
Finance cost	(1,177)	109	Ceasing of interest capitalisation of newly-commenced power plants, interest rate hikes and exchange losses
Investment gain	165	(41)	
Operating profit	(2,599)	n/a	Mainly due to surge in coal cost and finance cost
Pre-tax loss	(2,554)	n/a	
Net loss	(2,160)	n/a	
EPS(Rmb/sh)	(0.18)	n/a	
Operating margin	(13.4%)		Mainly due to surge in coal cost and finance cost

Source: Huaneng Power, UOB Kay Hian

Results

Net losses escalated to Rmb2.16b. Huaneng Power reported a net loss of Rmb2.16b (under China GAAP), up by 290% qoq and much lower than our previous expectation of over Rmb1b. The main reason was a continued upsurge in coal cost and finance cost.

Unit fuel cost up by 25.5% qoq in 3Q08, but retreated in Sep 08. Huaneng Power's average coal price went up 21.9% to Rmb685.07/tonne in 3Q08. However, Huaneng's average coal price retreated to Rmb659.2/tonne in Sep 08, down by Rmb66.8/tonne and Rmb7.4/tonne from Aug 08 and Jul 08 respectively. Meanwhile, management has guided that coal cost in Oct 08 continues to trend lower. We attribute this to weakening domestic demand for coal.

Finance cost up by 109% yoy. Finance cost doubled mainly on the back of the following: a) interest rate hikes, b) exchange losses, and c) ceasing of interest capitalisation of newly-commenced power plants. In the meantime, the increasing amount of short-term debt (due to cash flow shortage) also contributed in part to the upsurge in finance cost. Going forward, we expect a series of interest rate cuts from the central bank to keep finance costs down.

Stock Impact

Poor financial performance raises possibility of additional tariff hikes We still expect the government to raise power tariffs by year-end. We believe the significantly worse-than-expected financial results from Huaneng Power, the bellwether of the industry, suggest that the whole industry has been significantly weakened and cannot afford to incur huge losses anymore.

CHINA

Huaneng Power International (0902.HK)

BUY

Current Price: HK$4.49
Target Price: HK$5.60
(Previous: HK$6.80)

Sector	Utility/Power
Bloomberg	902.HK
Reuters	0902.HK
Website	www. hpi.com.cn
52-Wk Avg Daily Vol. (m)	32
Market Cap (HK$m)	13,718
(US$m)	1,759
Book NTA per Share (Rmb $)	4.3
ROE (%)	12
Net Debt per Share (Rmb$)	2.9
Results Due	
Interim	August
Final	March

12-Month Call History

Date	Rec	Target/Fair Price (HK$)
23/10/08	BUY	5.60
28/08/08	BUY	6.80
30/07/08	BUY	6.50
17/07/08	HOLD	5.20
02/05/08	SELL	5.20
12/03/08	HOLD	5.60
02/05/08	SELL	5.20
12/03/08	HOLD	5.60
03/12/07	HOLD	8.20

Price Chart

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Year to 31 Dec	Turnover (Rmbm)	EBITDA (Rmbm)	Net Profit (Rmbm)	EPS (Rmb)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (Rmb)	Yield (%)
2006	44,301	15,390	6,071	0.50	25	8.0	6.1	0.28	6.9
2007	49,768	16,100	6,161	0.51	1	7.9	5.8	0.30	7.4
2008F	65,495	6,839	(3,481)	(0.29)	n/a	n/a	13.1	0	0
2009F	83,071	13,644	1,371	0.11	n/a	35.5	7.1	0.07	1.7
2010F	95,531	15,665	2,404	0.20	75	20.3	5.9	0.12	2.9

We continue to expect weakening coal cost

According to the National Bureau of Statistics's (NBS) newly-revised figures, total thermal power output was only 2.7% higher yoy in Sep 08, while it was only 1.8% in Aug 08, down from over 10% in 5M08. In the meantime, local press has indicated that steelmakers also want to cut production volume to sustain steel prices. All these tend to significantly reduce domestic demand for coal. Therefore, we expect the coal price to soften over the next 6-12 months, suggesting alleviated coal cost pressure for power companies.

Earnings Revision

We raise our unit fuel cost increase for 2008 to 50% from 36% previously. Meanwhile, we build into our model an 8% yoy decrease in unit fuel cost and a 5% power tariff hike for 2009 to factor in our expectation of additional power tariff hike by the end of this year and weakening domestic coal price. Accordingly, we estimate a net loss of Rmb3.48bn for 2008 and cut net profit forecast for 2009 by 13% to Rmb1.37b. Our new NAV/share is HK$5.94/share.

Valuation/Recommendation

We believe 3Q08 should be the worst quarter for Huaneng Power and expect an improvement from 4Q08 onwards. We cut our target price from HK$6.80 to HK$5.60, based on a 5% discount to the new NAV/share (WACC=9.6%, g=3%). Maintain BUY.

Profit & Loss

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Turnover	44,301	49,768	65,495	83,071	95,531
EBIT	8,670	8,874	(1,899)	4,125	5,307
Pre-tax Profit	8,017	7,319	(4,125)	1,723	3,060
Net Profit	6,071	6,161	(3,481)	1,371	2,404
EPS (Rmb)	0.50	0.51	(0.29)	0.11	0.20

Balance Sheet

Year to 31 Dec (Rmbm)	2006	2007	2008F	2009F	2010F
Current Assets	13,226	18,551	26,732	33,398	42,930
Total Assets	113,939	124,296	141,221	152,084	161,987
Current Liabilities	26,843	31,377	54,497	52,359	58,167
Long-Term Loans	36,487	40,840	40,770	50,315	52,736
Shareholders' Funds	50,609	52,080	45,953	49,410	51,084
Total Equity & Liabilities	113,939	124,296	141,221	152,084	161,987

Cash Flow

Year to 31 Dec (Rmbm)	2006	2007F	2008F	2009F	2010F
Operating	11,495	12,907	6,673	10,403	12,599
Investing	(15,916)	(13,322)	(12,322)	(15,273)	(6,509)
Financing	4,980	4,520	9,243	7,714	533
Net Cash Inflow	560	4,105	3,593	2,844	6,623
Begin Cash & Equiv.	2,648	3,207	7,312	10,906	13,750
End'g Cash & Equiv.	3,207	7,312	10,906	13,750	20,373

Monthly Power Output

(b kWh)	Thermal	yoy % chg	Hydro	yoy % chg
Jan 07	224	28	22	-13
Feb 07	172	3	20	-16
Mar 07	216	17	25	-3
Apr 07	212	20	29	-1
May 07	219	24	34	-8
Jun 07	219	21	46	5
Jul 07	235	16	49	12
Aug 07	239	12	53	41
Sep 07	216	10	53	53
Oct 07	223	14	44	31
Nov 07	235	15	32	19
Dec 07	261	15	27	8
Jan 08	250	12	25	15
Feb 08	203	18	23	15
Mar 08	254	17	28	10
Apr 08	237	11	37	29
May 08	242	11	44	32
Jun 08	231	5	55	20
Jul 08	251	7	60	22
Aug 08	243	2	64	21
Sep 08	224	3	58	6

Source: CEIC, NSB

Ramayana Lestari Sentosa

Defensive play in domestic retail

We initiate coverage on Ramayana Lestari Sentosa with a BUY. We believe Ramayana is strong enough to weather the storm of high inflation and decreasing purchasing power. With 30 years experience in the retail industry (including surviving the worst financial crisis in 1997/98), a solid strategy to maintain growth, and strong financial position, Ramayana is our favourite in the local retail sector. It is attractively trading at 13.2x FY08 PE, at the low end of its PE cycle since 2004. Our target price of Rp1,000 is derived from DCF model and represents 15.1x FY09 PE and 12.9x FY10 PE, lower than its 5-year average PE of 18x.

A solid strategy to defend growth. Ramayana has proven that it could survive the worst financial crisis and still maintain a profitable business. One of its key success factors is flexibility. By leasing most of its stores (about 80% of total gross store space), the company can easily close the unprofitable stores and move to better locations, which are not difficult to find as its target markets, the low- to middle- income communities, are spread across the country and dominate the population of 237m people. Currently, its strategy is to open stores in new markets in the rural areas outside the increasingly saturated markets in Java Island. These new markets are usually located in areas possessing natural resources, enjoy economic growth above the national average, and lack significant competition.

A cash-rich and debt-free company. Ramayana's strong cash position has helped the company to realise its expansion plans. Moreover, its debt-free status has raised its profitability profile compared to other publicly listed retailers. As of 30 Jun 08, its cash and short-term investment totaled around Rp1t. This represented 34% of total assets and 21% of market capitalisation, which could fully cover all its liabilities.

Beneficiary of new tax regulation. As of 30 Jun 08, the public held 40.2% stake in Ramayana, a slight increase from 38.8% in the previous quarter after its major shareholder Ramayana Makmur Sentosa reduced its share ownership from 57.6% to 56.1%. The increase in public shareholding is meant to benefit the company from the new tax incentives scheme where public companies with a free float of more than 40% are given a 5% tax cut starting 2009. Based on this new tax regulation, Ramayana's effective tax rate is set to reduce from 30% currently to a maximum of 23% in 2009 and 20% in 2010.

Promising long-term outlook. Indonesia offers great potential for those in the retail industry. Data from the Central Bureau of Statistics indicate that about 95m people out of the country's 222m population were in the productive age and working in 2006. Indonesia's Gross National Income per capita (adjusted by Purchasing Power Parity) grew at a CAGR of 7.9% during 2004-07. This figure may become slightly lower as the Economist Intelligence Unit (EIU) expects the Indonesian economy to grow by 5.5- 5.8% in 2008-10.

INDONESIA

Ramayana Lestari Sentosa (RALS IJ)

BUY

Current Price: Rp710
Target Price: Rp1,000

Sector	Retaill
52-Wk Avg Daily Vol. ('000)	3,103
Market Cap (Rpb)	5,015.4
(US$m)	506.9
Major Shareholders (%)	
Ramayana Makmur Sentosa	56.13
Book NTA per Share (Rp)	287.1
ROE (%)	17.9
Net Cash per Share (Rp)	148.9

Results Due

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

12-Month Call History

Date	Rec	Target Price (Rp)
22/10/08	BUY	1,000

Price Chart

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Year to 31 Dec	Turnover (Rpb)	EBITDA (Rpb)	Net Profit (Rpb)	EPS (Rp)	EPS Growth (%)	PE (x)	EV/ EBITDA (%)	DPS (Rp)	Yield (%)
2006	4,478.2	448.3	312.6	44.2	2.9	16.0	8.9	21.9	3.1
2007	4,892.6	469.4	366.8	51.9	17.4	13.7	8.5	22.0	3.1
2008F	5,608.3	549.3	379.2	53.7	3.4	13.2	7.3	31.2	4.4
2009F	6,438.8	655.3	469.1	66.4	23.7	10.7	6.1	32.2	4.5
2010F	7,261.4	765.3	548.9	77.7	17.0	9.1	5.2	39.8	5.6

Consensus Net Profit – FY08: Rp400.4b
-- FY09: Rp457.9b

Initiate coverage with BUY recommendation. The stock is trading at 13.2x FY08 PE, at the low end of its PE cycle since 2004. Besides its current low valuation, we also like its resilient business model, supported by an experienced management team and strong financial position, prompting us to initiate coverage with BUY recommendation. Our target price of Rp1,000 is derived from DCF model with WACC of 16.8% and terminal growth rate of 5%. The target price represents a 15.1x FY09 PE and 12.9x FY10 PE, lower than its 5-year average PE of 18x. Compared to other Indonesian retailers, Ramayana has a premium valuation, justified by its high ROE of 17.9% compared to below 10% of others as we see a positive correlation between PE and ROE. With its clean balance sheet, it also has lower financial risk compared to its peers.

Peer Comparison

Stock Code	Price 22/10/08 (Local Curncy)	Mkt. Cap (US$m)	PE FY07 (x)	PE FY08 (x)	PE FY09 (x)	ROE FY07 (%)	Debt/ Equity FY07 (x)	Net Cash (Debt)/ Equity FY07 (x)
RALS IJ	710.0	506.9	13.7	13.2	10.7	17.9	-	0.6
MPPA IJ	530.0	252.4	12.9	10.7	8.9	6.7	0.8	0.1
MAPI IJ	480.0	80.5	6.9	5.1	4.3	9.8	0.7	(0.4)
METRO SP	0.4	176.7	4.0	8.2	6.8	7.9	0.2	0.0
ISET SP	2.7	74.3	7.5	na	na	8.3	-	0.5
BIGC TB	37.5	871.8	12.0	9.9	8.8	16.6	0.1	(0.0)
ROBINS TB	8.0	257.8	10.3	na	na	16.4	0.0	0.3
3308 HK	5.1	1,195.7	24.1	17.0	13.8	28.9	0.6	0.7
3368 HK	7.6	2,739.7	31.2	23.8	19.1	24.2	1.3	(0.3)

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rpb)	2006	2007	2008F	2009F	2010F
Turnover	4,478.2	4,892.6	5,608.3	6,438.8	7,261.4
Gross Profit	1,229.4	1,324.1	1,517.8	1,759.0	1,998.6
Operating Profit	357.1	367.5	424.2	503.4	582.6
Pre-tax Profit	400.5	467.6	497.6	586.5	664.1
Net Profit	312.6	366.8	379.2	469.1	548.9
Gross Margin (%)	27.5	27.1	27.1	27.3	27.5
Operating Margin (%)	8.0	7.5	7.6	7.8	8.0
Net Margin (%)	7.0	7.5	6.8	7.3	7.6

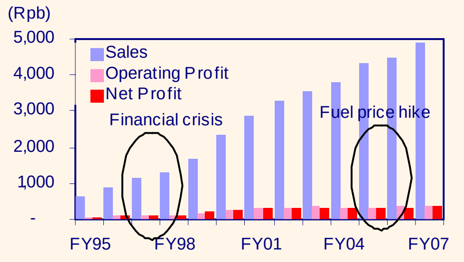
Balance Sheet

Year to 31 Dec (Rpb)	2006	2007	2008F	2009F	2010F
Current Assets	1,510.8	1,836.0	1,830.4	2,044.7	2,142.8
Total Assets	2,527.9	2,917.5	3,110.6	3,538.5	3,844.8
Current Liabilities	474.9	654.5	670.2	834.9	848.1
Total Liabilities	582.3	763.5	800.3	986.7	1,025.5
Shareholders' Equity	1,945.6	2,154.0	2,310.3	2,551.8	2,819.3

Cash Flow

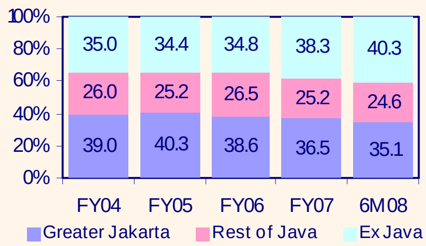
Year to 31 Dec (Rpb)	2006	2007	2008F	2009F	2010F
Cash Flow from Operations	510.2	507.8	584.3	526.0	808.8
Cash Flow from Investments	(195.3)	(257.7)	(310.7)	(349.8)	(374.2)
Cash Flow from Financing	(130.5)	(155.4)	(220.1)	(227.5)	(281.4)
Change in Cash	184.4	94.8	53.6	(51.2)	153.2

Revenue, Operating Profit and Net Profit



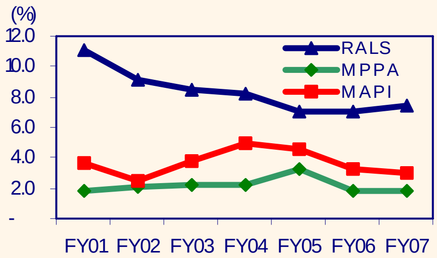
Source: Ramayana Lestari Sentosa

Gross Space by Region



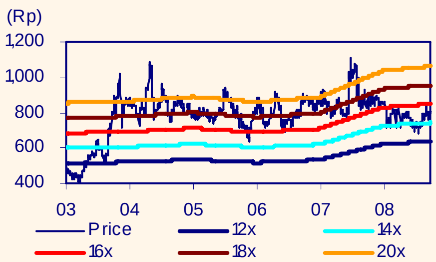
Source: Ramayana Lestari Sentosa, UOB Kay Hian

Net Margin (RALS, MPPA, MAPI)



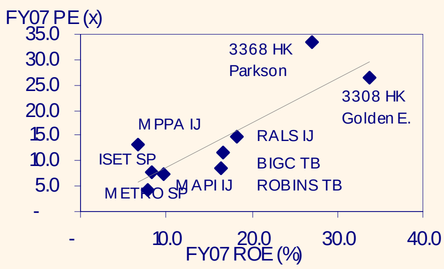
Source: Bloomberg, UOB Kay Hian

PE Band



Source: Bloomberg, UOB Kay Hian

PE vs ROE



Source: Bloomberg, UOB Kay Hian

Banking

Risk from potential credit losses at Marina Bay Sands

Las Vegas Sands is under distress, putting development of Marina Bay Sands at risk. OCBC has relatively more exposure than DBS. Valuation-wise, DBS is more attractive. Maintain BUY for DBS but downgrade OCBC to HOLD.

SINGAPORE

BANKING

OVERWEIGHT

DBS (DBS SP)

BUY

Current Price: S$11.60
Target Price: S$15.90

OCBC (OCBC SP)

Downgrade to HOLD

Current Price: S$5.90
Fair Price: S$6.55

UOB (UOB SP)

NOT RATED

Current Price: S$14.52

Analyst

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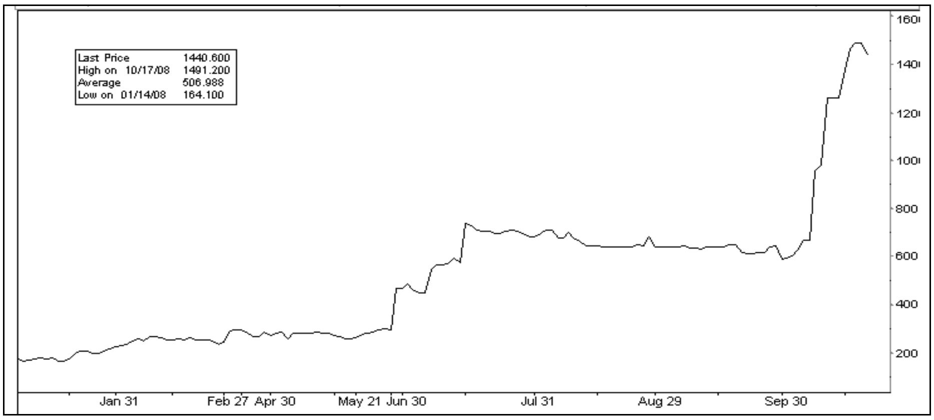
Corporate Events

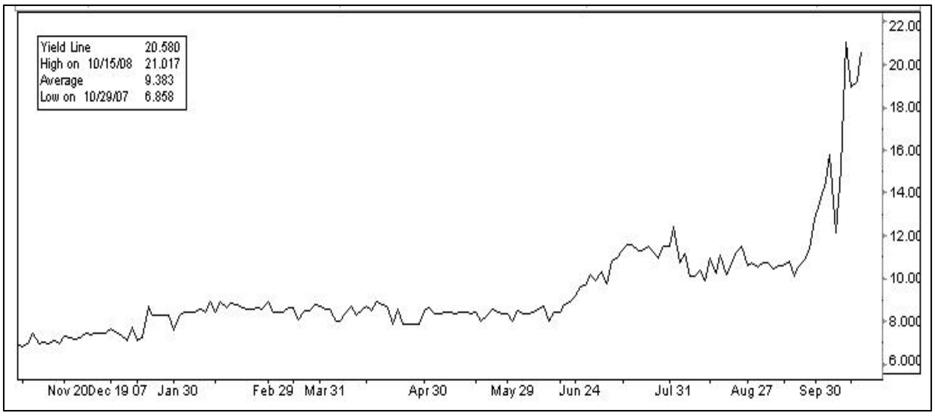
Las Vegas Sands under distress. Credit default spread and bond yield for Las Vegas Sands are starting to show signs of distress. Credit default spread for three-year senior debt is currently trading at 1440, meaning it costs $1,440 to insure against default for debt of $10,000. Yield for 6.375% bond due 15 Feb 2015 has surged from 10% to 20.6% over the past two months. Share price for Las Vegas Sands has collapsed 88.3% ytd to US$12.43.

Credit Default Spread For Three-year Senior Debt



Source: Bloomberg

Yield For 6.375% Bond Due 15 Feb 2015



Source: Bloomberg

Las Vegas Sands sank into losses of US$8.8m in 2Q08. Its financials are weak with debt/equity ratio at 3.9x and interest cover at only 0.83x. Chairman and CEO Sheldon Adelson and his family have invested US$475m for convertible senior note with coupon of 6.5% as at end-Sep 08. This was done possibly to prevent breaching loan covenants for a US$5b credit facility.

The Chinese government has barred mainlanders from using the same visa to visit both Macau and Hong Kong since 1 Sep 08. This has reduced the number of visitors from mainland China at Sands Macao and Venetian Macao. Las Vegas Sands seeks financing from Asian banks, those less affected by the credit crisis, and plans to raise funds by selling non-core assets.

Stock Impact

All three Singapore banks - DBS, OCBC and UOB - participated in the S$5.4b credit facility for Marina Bay Sands. There were a total of 19 banks participating in the syndication. Singapore banks were the lead arrangers and took the lion's share of allocation during the syndication. We understand they are still holding the bulk of term loans allocated. The only exception could be UOB as it participated through UOB Asia, its investment banking arm. UOB could have distributed a portion of its term loans to some other foreign banks.

Singapore banks do not disclose precise exposure to individual customers due to banking secrecy and client confidentiality. Based on industry sources, we understand that allocations to Singapore banks are as follows:

Exposure to Marina Bay Sands

(S$m)	Term Loans	Revolving Credit Facility
DBS	768.3	122.0
OCBC	640.8	101.7
UOB	495.5	76.3
Total	1,904.6	300.0

Source: UOB Kay Hian

Earnings Revision

We have cut our FY09 earnings forecasts for DBS and OCBC by 28.7% and 23.9%, factoring in allowance for credit losses at 90bp. We have also assumed allowance for credit losses at 40bp in FY10.

Valuation/Recommendation

Maintain BUY for DBS. DBS is trading below NAV and its valuation is more attractive with PE at 8.8x for FY09 and 6.4x for FY10. DBS provides a higher dividend yield of 6.9% for FY09 compared with OCBC's 4.4%. Our target price for DBS is S$15.90 based on a P/B ratio of 1.11x, which is derived from the Gordon Growth Model (ROE: 12.5%, payout ratio: 45%, required return: 8.2% and constant growth: 3.0%).

DBS sold structured products with Lehman as a reference entity to 4,700 customers in Singapore and Hong Kong who invested a total of S$360m. In Singapore, there were 1,400 customers who invested S$103m in High Notes 5. DBS estimates total customer compensation in Singapore and Hong Kong will be in the range of S$70m-80m based on the number of cases reviewed.

Downgrade OCBC from BUY to HOLD. OCBC trades at a higher PE of 12.0x for FY09 and 8.9x for FY10. It could also have higher exposure to Marina Bay Sands relative to other local banks. We have reduced our fair price for OCBC to S$6.55 based on a P/B ratio of 1.19x, which is derived from the Gordon Growth Model (ROE: 12.0%, payout ratio: 45%, required return: 8.2% and constant growth: 3.5%).

Peer Comparison – Singapore Banks

Company	Rec	Price @ 23-Oct	Target	Mkt Cap (S$m)	-----------PE (x) ----------- Hist.	Current	Forward	P/B (x)	ROE (%)	Div Yield (%)
DBS	BUY	11.60	S$15.90	17,642.6	7.2	7.1	8.8	0.91	11.7	6.9
OCBC	BUY	5.90	S$6.55	18,446.7	9.2	9.2	12.0	1.28	15.2	4.7
UOB	Not Rated	14.52	n.a.	22,127.5	10.5	10.3	9.8	1.39	13.0	5.1
					9.0	8.9	10.2	1.2	13.3	5.6

Source: UOB Kay Hian

Property

Survival of the fittest

SINGAPORE

Property

OVERWEIGHT

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We look at some of the key concerns surrounding the property developers under our coverage given the recent rout in the global equity markets.

Solvency risks remain near-term focus. We examine the debt positions and the Altman Z-scores for the property developers under our coverage. Overall, we rate CapitaLand, City Developments and Wheelock as having low risk profile, while GuocoLand and SC Global have a moderate/high risk profile.

Investment property revaluation and land valuation the next shoe to drop. Most developers are susceptible to revaluation losses due to peaking capital values. City Developments is the sole exception as it carries investment properties at historical cost less depreciation. Also, land valuation write-downs are back on the table, with purchases made in 2007 being the most susceptible. Our sensitivity analysis, based on a 30% downward revaluation of investment properties and a 10-30% land valuation write-downs for plots purchased in the last three years, suggests a potential 18% and 15% drop in RNAVs at Allgreen and SC Global respectively. City Developments suffers the smallest drop of 1%.

Customer defaults on purchases under DPS. There is a high probability of default by buyers if property prices remain way below purchase prices at the time of completion (three years later) when the remaining 80% of the payment is due. We estimate the units sold under the Deferred Payment Scheme (DPS) make up 50% of the units sold in projects launched in the last three years. Based on our stress test scenario of a default rate of 50%, CapitaLand would be least affected with a 1% drop in RNAV. SC Global and Ho Bee will be the hardest hit, with RNAV falling 19% and 9% respectively.

Remain OVERWEIGHT on property; top picks: CapitaLand and City Developments. We have cut our RNAVs and target prices by 25% and 38% respectively to factor in the following: a) 20% write-down of land values and investment properties, b) a default rate of 20% on DPS, c) a 10-30%increase in the discount to RNAV, d) another 15% decline in average selling prices, and e) a 1-2% increase in financing costs. Despite the revisions, we continue to see good value in property stocks, especially after the recent sharp correction in share prices.

Please refer to our Blue Top report dated 22 Oct 08 for more details.

Stock Recommendations

Company	Bloomberg Code	Rec	Price 17 Oct 08 (S$)	PE Hist (x)	PE Curr (x)	PE Fwd (x)	ROE (%)	ROA (%)	Market Cap. (S$m)	Book NTA ps (S$)	Price/ NTA ps (x)	RNAV ps (S$)	Target Price (S$)	Prem/ Disc) to Target Price (%)	Upside to Target Price (%)
Allgreen	AG SP	**Buy**	0.45	1.4	6.8	6.9	27.0	15.6	715.7	1.38	0.3	1.41	0.85	(40)	88.0
CapitaLand	CAPL SP	**Buy**	2.85	2.9	8.0	10.8	31.9	11.9	8,046.3	3.47	0.8	4.60	3.70	(20)	29.8
City Devt	CIT SP	**Buy**	6.72	8.6	9.6	10.2	14.6	6.2	6,110.5	5.77	1.2	10.19	8.15	(20)	21.3
GuocoLand	GUOL SP	**Hold**	1.40	6.9	10.1	7.1	9.6	3.5	1,242.4	2.50	0.6	2.53	1.50	(40)	7.1
Ho Bee	HOBEE SP	**Buy**	0.45	1.2	3.3	1.8	41.5	18.0	328.1	1.16	0.4	1.37	0.80	(40)	77.7
Keppel Land	KPLD SP	**Buy**	1.80	1.7	5.8	5.2	40.2	13.7	1,298.4	3.13	0.6	4.14	2.90	(30)	61.0
SC Global	SCGD SP	**Hold**	0.45	5.5	3.6	1.8	9.4	2.3	178.2	0.97	0.5	1.00	0.50	(50)	11.1
Wheelock	WP SP	**Buy**	0.78	2.6	5.2	6.6	17.3	12.6	933.3	1.72	0.5	2.23	1.35	(40)	73.0
Wing Tai	WINGT SP	**Buy**	0.70	2.3	3.9	3.1	14.8	7.2	555.4	2.02	0.3	2.13	1.30	(40)	85.7

Source: UOB Kay Hian

Stress Test Scenarios

		Capita Land	City Developments	Keppel Land	Guoco Land	Wheelock	Wing Tai	Allgreen	Ho Bee	SC Global
Share Price (S$) as of 17 Oct 08	2.85	6.72	1.80	1.40	0.78	0.70	0.45	0.45	0.45	
RNAV (S$)		4.60	10.19	4.14	2.53	2.23	2.13	1.41	1.37	1.00
Assumptions (%)	**Decline from End-07 Level**									
Singapore Residential	(40)	(3)	(8)	(5)	(9)	(17)	(12)	(16)	(17)	(20)
Singapore Office	(40)	(3)	(8)	(15)	(3)	(5)	(5)	(6)	(5)	(4)
Singapore Retail	(40)	(5)	(3)	(2)	-	(3)	(2)	(9)	(1)	-
China	(40)	(8)	-	(6)	(17)	-	(2)	(2)	-	-
Vietnam	(40)	(2)	-	(9)	(3)	-	-	(1)	-	-
Listed Investments	(70)	(9)	(6)	(5)	(5)	(9)	(5)	-	-	(2)
Asset Write-down (Devt Pty)		(1)	(1)	(1)	(7)	-	(4)	(4)	(10)	(14)
Asset Write-down (Invt Pty)		(11)	-	(7)	(3)	(11)	(9)	(15)	(5)	(1)
Deferred Payment Scheme		(1)	(3)	(2)	(4)	(3)	(3)	(3)	(9)	(19)
Total		**(41)**	**(27)**	**(51)**	**(49)**	**(48)**	**(42)**	**(56)**	**(48)**	**(60)**
Stressed RNAV(S$)		**2.70**	**7.42**	**2.04**	**1.28**	**1.15**	**1.24**	**0.62**	**0.71**	**0.40**
Share Price Discount/Premium (%)		**5.6**	**(9.5)**	**(11.9)**	**9.4**	**(32.3)**	**(43.4)**	**(27.1)**	**(36.6)**	**12.2**

Source: UOB Kay Hian

Ascott Residence Trust

3Q08: Extended stay business model provides earnings visibility

ART's gearing is at a manageable level with limited refinancing risks. We continue to see attractive value in ART as the market has priced in an overly bearish scenario of a 60% fall from current RevPAU levels.

3Q08 Results

Year to 31 Dec	3Q08 (S$m)	yoy % chg	9M08 (S$m)	yoy % chg	Remarks
Gross Revenue	53.1	25.4	144.7	29.3	Higher Average Daily Rates
Gross Profit	27.9	48.9	74.6	47.6	
EBIT	24.6	50.3	66.1	45.3	
Distributable Income	15.9	32.2	43.4	35.1	
DPU (cents)	2.61	31.2	7.12	27.5	

Source: ART and UOB Kay Hian

Results

3Q08 DPU of 2.61 cents is slightly ahead of our projections, representing 32% of our full year FY08 DPU projection of 7.9 cents.

Stock Impact

- **Active asset management strategy.** ART has indicated that it will continue to focus on active management of its properties to maximise asset yields to deliver stable returns to unit holders, despite the difficult economic conditions. Through reconfiguration of properties such as Ascott Beijing, ART has managed to increase available inventory.
- **Continued focus on extended term stay business provides earnings visibility.** Despite the flexibility to cater for short-term stay in most markets, ART has been focusing on the niche market, i.e., from one month's to one year's stay, by allocating 60-70% room inventory to longer stay. Currently ART's length of stay is more than 7 months on average, which will provide a certain degree of earnings visibility.
- **Manageable gearing and limited refinancing risks.** ART's gearing ratio (Debt/Asset) stood at 34.9% as of 3Q08, with 73% of its debt on fixed interest rate terms. ART has reiterated that it has sufficient cash and bank facilities to meet refinancing needs, including S$84.9m, or 15% of the total debt that will mature by FY08. More than 80% of ART's debt is only due for refinancing in 2011 and beyond.

Earnings Revision

We revise our FY08 DPU estimates upwards by 20% on expectations of a strong 4Q08 performance. Maintain FY09-11 estimates.

Valuation/Recommendation

We see value in ART as the market is pricing in an overly bearish scenario - a 60% fall from current RevPAU levels. **Maintain BUY.** Our target price of S$1.06 is based on a two-stage dividend discount model (required rate of return: 9.0%, terminal growth: 2.5%).

SINGAPORE

Ascott Residence Trust (ART SP)

BUY

Current Price: S$0.475
Target Price: S$1.06

Sector	REITs
52-Wk Avg Daily Vol. ('000)	1,056
Market Cap (S$m)	289.0
(US$m)	195.5
Major Shareholders (%)	
Capitaland Ltd	46.6
Book NTA per Share (S$)	1.58
ROE (%)	2.9
Net Debt per Share (S$)	0.87
Results Due	
1Q: Apr	2Q: Jul
3Q: Oct	Final: Jan

12-Month Call History

Date	Rec	Target Price (S$)
08/10/08	BUY	1.06
30/09/08	BUY	1.22
12/06/08	BUY	1.57
17/04/08	BUY	1.77

Price Chart

Analyst

Singapore Research Team
research@uobkayhian.com

Year to 31 Dec	Turnover (S$m)	EBIT (S$m)	Net Profit# (S$m)	EPU (¢)	EPU Growth (%)	PE (x)	DPU (¢)	Yield (%)
2006^	89.8	40.5	14.9	3.2	n.a	11.3	4.9	13.6
2007	154.8	75.7	24.0	4.1	28.5	11.5	7.7	16.2
2008F	205.9	86.0	43.2	7.1	71.2	6.7	9.5	20.1
2009F	166.2	69.7	29.6	4.9	(31.5)	9.8	7.5	15.7
2010F	173.3	73.2	32.2	5.3	8.3	9.0	8.2	17.2

Consensus Net Profit – FY08: S$40.6m
-- FY09: S$44.2m

^ For the period 31 Mar 06 to 31 Dec 06
 # Earnings exclude revaluation gains and losses

Impact of Changes in 09-11 RevPAU Assumptions on Target Price

		Scenarios			
Ascott Residence Trust	**Base Case**	**A**	**B**	**C**	**D**
Avg Blended RevPAU 2009-2011 (S$)	112	98	84	69	55
Target Price (S$)	1.06	0.92	0.78	0.64	0.50

Source: ART and UOB Kay Hian

Impact of Change in Refinancing costs on target price

		Scenarios			
Ascott Residence Trust	**Base Case**	**A**	**B**	**C**	**D**
Refinancing at higher interest rates (%)	3.5	4.0	4.5	5.0	5.5
Target Price (S$)	1.06	1.03	1.02	0.99	0.97

Source: ART and UOB Kay Hian

Impact of Write-down in Asset Values on Gearing

		Scenarios			
Ascott Residence Trust	**Base Case**	**A**	**B**	**C**	**D**
Write-down in Asset Values (%)	-	10	20	30	40
Gearing (Debt/Assets) (%)	34.9	36.2	40.7	46.6	54.3

Source: ART and UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2006	2007	2008F	2009F	2010F
Turnover	89.8	154.8	205.9	166.2	173.3
EBIT	40.5	75.7	86.0	69.7	73.2
Pre-tax Profit	27.3	52.1	67.9	51.0	54.3
Net Profit	14.9	24.0	43.2	29.6	32.2
Income avail for distribution	24.6	45.1	58.1	45.6	50.1
DPU (¢)	4.9	7.7	9.5	7.5	8.2
EPU (¢)	3.2	4.1	7.1	4.9	5.3

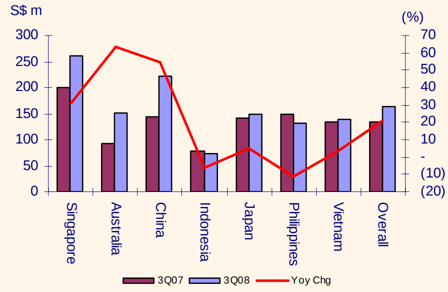
Balance Sheet

Year to 31 Dec (S$m)	2006	2007	2008F	2009F	2010F
Current Assets	68.2	102.6	95.3	94.4	97.4
Total Assets	1,077.7	1,689.1	1,687.2	1,693.7	1,703.4
Current Liabilities	67.6	257.1	90.0	99.0	110.0
Long-Term Liabilities	291.5	379.4	545.7	546.7	550.7
Shareholder Funds	715.0	1,038.6	1,048.0	1,044.5	1,039.2
Total Equity & Liabilities	1,077.7	1,689.1	1,687.2	1,693.7	1,703.4

Cash Flow

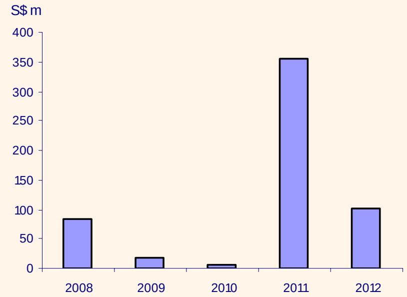
Year to 31 Dec (S$m)	2006	2007	2008F	2009F	2010F
Operating	10.2	69.4	81.4	70.5	74.6
Investing	(94.3)	(400.7)	(17.8)	(19.3)	(20.9)
Financing	120.4	360.2	(73.2)	(57.1)	(56.8)
Net Cash In/(Out) Flow	36.2	28.9	(9.6)	(5.9)	(3.0)
Begin Cash & Cash Equiv.	0.0	36.2	64.5	54.9	48.9
End'g Cash & Cash Equiv.	36.2	64.5	54.9	48.9	45.9

Serviced Residence RevPAU by Country (3Q08 Vs 3Q07)



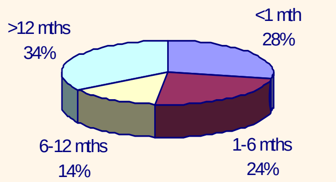
Source: ART, UOB Kay Hian

Debt Maturity Profile (3Q08)



Source: ART, UOB Kay Hian

Rental Income by Length of Stay (9M08)



Source: ART, UOB Kay Hian

Asset Enhancements

Properties	Somerset Gordon Heights, Melbourne	Ascott Beijing	Somerset Olympic Tower Property, Tianjin
Asset	Rebranding into a Somerset and refurbishment of the property	73 new one-bedroom units created from 35 larger apartment units	20 two-bedroom units created from 10 penthouse duplex units and 9 one-bedroom units created from 6 two-bedroom units
Increase in Inventory	NIL	38 units	13 units
Renovation Cost	A$0.7m	US$2.5m	US$0.7m
Payback Period	3 years	3 years	4 years

Source: ART, UOB Kay Hian

Keppel Land

3Q08: Healthy balance sheet

Results are in line with expectations. Keppel Land has a healthy balance sheet to weather the weak property market. It is slowly progressing with its launches.

3Q08 Results

Year to 31 Dec	3Q08 (S$m)	yoy % chg	9M08 (S$m)	yoy % chg	Remarks
Turnover	185.8	-51	644.8	-38	
EBITDA	44.8	-57	189.4	-20	
Pre-tax Profit	60.1	-45	219	-21	
Tax	4.0	-81	30.8	-38	
Net Profit	46.2	-44	159.1	-23	Completion of several trading
EPS (S$ cents)	6.4	-44	22.1	-23	projects
EBITDA Margin (%)	24.1		29.3		

Source: Keppel Land and UOB Kay Hian

Results

Keppel Land reported 3Q08 net profit of S$46.2m, -44% yoy, largely due to the completion of several projects. The results are in line with our expectation with 3Q08 earnings representing 21% of our full-year below-consensus forecast of S$224.8m.

Stock Impact

- Earnings from property trading declined 37% to S$122.3m mainly due to completion of several projects. The Group sold 14 units at Reflections at Keppel Bay at an ASP of $2,000psf, and 28 units at Park Infinia and The Tresor at ASP of $1,500-1,600psf during the quarter. The launch of Marina Bay Suites has been deferred to next year. The progressive profit recognition from Marina Bay Residences, Sixth Avenue residences and Estella in Vietnam will drive earnings forward.
- Earnings from property investment declined 7% yoy to S$24.1m due to a writeback of a tax provision in 2007. Rental income was boosted by positive rental reversions in Equity Plaza and Ocean Towers. The pre-lease momentum is going strong at Marina Bay Financial Centre with 61% pre-committed ahead of the opening 2-3 years later.
- Keppel Land is well capitalised with a 0.54x gearing, average interest rate of borrowings at 2.5%, interest cover of 9.57x and average debt maturity of 2.06 years.

Valuation/Recommendation

Maintain BUY with a target price of S$2.90 pegged at a 30% discount to FY09 RNAV of S$4.14/share.

SINGAPORE

Keppel Land (KPLD SP)

BUY

Current Price: S$1.80
Target Price: S$2.90

Sector	Property
52-Wk Avg Daily Vol. ('000)	3,189
Market Cap (S$m)	1298.0
(US$m)	878.2
Major Shareholders (%)	
Keppel Corporation Ltd	52.7
Book NTA per Share (S$)	3.26
ROE (%)	27.2
Net Debt per Share (S$)	1.97
Results Due	
1Q: May	1H: Aug
3Q: Nov	Final: Feb

12-Month Call History

Date	Rec	Target Price (S$)
22/10/08	BUY	2.90
31/07/08	BUY	6.95
12/06/08	BUY	8.00
30/01/08	BUY	8.86
30/10/07	BUY	9.82

Price Chart

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 (%)
2006	947.9	215.3	200.3	27.9	27.9	6.5	12.6	5.0	2.8
2007	1407.9	321.9	779.7	108.3	288.2	1.7	8.4	8.0	4.4
2008F	1235.3	366.0	224.8	29.3	(72.9)	5.8	7.4	8.0	4.4
2009F	1328.5	344.7	251.7	32.8	12.0	5.2	7.9	8.0	4.4
2010F	1958.4	445.6	265.6	34.7	5.5	4.9	6.1	8.0	4.4

Consensus Net Profit – FY08: S$262.4m
-- FY09: S$286.9m

RNAV

Asset Valuation	Cap. Value (S$m) 2009F
SINGAPORE	
Investment Properties	
Total Investment Properties	**$812.63**
Estimated book value of investment properties	**$823.71**
Surplus/ (deficit) to book (1)	$(11.08)
Development Properties - Singapore	
NPV of Development Profits (2)	**672.4**
NPV of MBFC Office (3)	**336.4**
NPV of OFC redevelopment (4)	**224.4**
Contribution from Fund Management business (5)	**182.0**
Listed Subsidiary/Associates	
Market Value of Quoted Associates	**139.6**
Book Value of Quoted Associates	244.6
Surplus/ (deficit) to book (6)	**(105.0)**
Write-downs/Defaults (7)	**(33.4)**
Net Book Value (8)	**1,915.3**
RNAV	3,181.0
Fully diluted no. of shares	768.7
Fully diluted RNAV per share S$ (1+2+3+4+5+6+7+8)	**4.14**

Source: Keppel Land and UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2006	2007	2008F	2009F	2010F
Turnover	947.9	1,407.9	1,235.3	1,328.5	1,958.4
EBIT	204.1	312.3	352.0	330.5	432.5
Pre-tax Profit	263.4	531.7	336.0	403.5	466.3
Net Profit	200.3	779.7	224.8	251.7	265.6

Balance Sheet

Year to 31 Dec (S$m)	2006	2007	2008F	2009F	2010F
Current Assets	3,013.9	3,693.5	4,335.5	4,367.2	4,870.3
Total Assets	5,261.5	6,115.3	6,762.6	7,066.4	7,779.3
Current Liabilities	1,385.0	1,384.9	1,206.7	1,338.9	1,829.9
Long-Term Liabilities	2,145.5	2,086.6	2,706.0	2,640.4	2,609.0
Shareholder Funds	1,901.0	2,643.7	2,849.9	3,087.1	3,340.4
Total Equity & Liabilities	5,261.5	6,115.3	6,762.6	7,066.4	7,779.3

Cash Flow

Year to 31 Dec (S$m)	2006	2007	2008F	2009F	2010F
Operating	138.1	438.1	697.7	68.8	463.0
Investing	(174.6)	203.0	(32.0)	(3.9)	(1.7)
Financing	390.4	(339.0)	(121.8)	(46.1)	(46.1)
Net Cash In/(Out) Flow	353.9	302.1	544.0	18.8	415.2
Begin Cash & Cash Equiv.	354.8	723.1	1,006.4	1,550.3	1,569.1
End'g Cash & Cash Equiv.	723.1	1,006.4	1,550.3	1,569.1	1,984.3

Stress Test

		Keppel Land
Share Price (S$)		1.82
RNAV (S$)		4.14
Assumptions (%)	**Decline from End-07 Level**	
Singapore residential	(40)	(5)
Singapore office	(40)	(15)
Singapore retail	(40)	(2)
China	(40)	(6)
Vietnam	(40)	(9)
Listed investments	(40)	(5)
Asset Write-down (Devt Pty)		(1)
Asset Write-down (Invt Pty)		(7)
Deferred payment Scheme		(2)
Total		**(51)**
Stressed RNAV(S$)		2.04
Share Price Discount/Premium (%)		(11.9)

Source: Keppel Land, UOB Kay Hian

Singapore Petroleum Company

3Q08: Huge impact from inventory loss

Inventory loss hit 3Q08's earnings led to a net loss at its refinery. Despite the strong E&P business, loss may continue into 4Q08 if oil price drops below US$60/bbl by the end of this year.

Quarterly Highlight

(S$m)	3Q07	2Q08	3Q08	yoy % chg	qoq % chg	Remarks
Turnover	2,261.0	3,251.0	3,306.3	46	2	
Cost of Sales	2,115.3	2,969.3	3,237.8	53	9	
Gross Profit	145.7	281.73	68.5	-53	-76	Lower GRM at US$4.bbl vs US$13/bbl in 2Q08
SG&A	22.1	32.4	27.6	25	-15	
Operating profit	115.6	240.84	28.6	-75	-88	
Interest expense	5.0	15.5	13.7	173	-12	
Tax	12.5	45.14	14.4	15	-68	E&P tax rate is above 40%
Net Profit	98.1	180.2	0.5	-99	-100	Huge impact from inventory loss of S$125m, lower GRM and weak US$
EPS (cts)	19.04	34.96	0.12	-99	-100	
Gross Margin	6.4%	8.7%	2.1%	-68	-76	

Source: SPC, UOB Kay Hian

SPC reported 3Q08 net profit of only S$0.5 m, declining 99% yoy and 100% qoq, due to:

a) huge inventory loss at S$125m (oil price dropped from US$133/bbl to US$94/bbl in 3Q08 causing huge stock loss),

b) lower GRM at US$4.0/bbl vs US$13.0/bbbl in 2Q08, and

c) Weak US dollar.

However, earnings from E&P remained strong and buffered the loss from refinery. E&P activities contributed operating profit of S$43.6m while downstream business contributed operating loss S$18.9m.

3Q08 results was below our expectation as SPC's recorded refinery margin of US$4/bbl vs market GRM at US$5.5/bbl. However, the results are likely to be better than peers'. We forecast Thai Oil (TOP) will report a net loss of Bt3.8m, -251% yoy, and PTT Aromatics and Refining a net loss of BT4.2m, -202% yoy.

Valuation/Recommendation

Maintain BUY. We cut our target price to S$4.20/share (4.5x FY09 PE and 1.05x FY09 P/B) to reflect new oil price assumptions and weakend refinery earnings. Our target price is based on sum-of-the-parts valuation using stress test values for the Refinery. We arrive at the replacement value of S$7.00/share (S$6.00/share for Refinery and S$1.00/share for E&P). Currently, SPC is trading at more than 50% below replacement value and at 4.5x FY09 PE, a 34% discount to regional refiners', with dividend yield of 11%. Despite the cyclical downturn, SPC is attractive because of its high dividend yield and cheap valuation.

SINGAPORE

Singapore Petroleum Company (SPC SP)

BUY

Current Price: S$3.08
Target Price: S$4.20
(Previous: S$7.60)

Sector	Oil & Gas
52-Wk Avg Daily Vol. ('000)	2,290
Market Cap (S$m)	1,589.3
(US$m)	2,256.8
Major Shareholders (%)	
Temasek Holdings Pte Ltd	46.0
Book NTA per Share (S$)	3.37
ROE (%)	30.3
Net Debt per Share (S$)	0.98

Results Due

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

12-Month Call History

Date	Rec	Target Price (S$)
22/10/08	BUY	4.20
09/11/08	BUY	7.60

Price Chart

Analyst

Singapore Research Team
researcg@uobkayhian.com

Year to 31 Dec	Turnover (S$m)	EBITDA (S$m)	Net Profit (S$m)	EPS (¢)	EPS Growth (%)	PE (x)	EV/ EBITDA (x)	DPS (¢)	Yield (%)
2006	8,574.2	380.0	284.6	0.55	(35.0)	5.6	4.2	35.0*	11.4
2007	8,766.7	643.5	508.3	0.99	78.5	3.1	3.0	60.0	19.5
2008F	12,162.4	421.0	295.6	0.57	(41.8)	5.4	4.9	34.5	11.2
2009F	11,071.7	478.5	355.8	0.69	20.3	4.5	3.8	41.5	13.5
2010F	11,120.8	609.0	459.5	0.89	29.2	3.4	2.6	53.6	17.4

Consensus Net Profit – FY08: S$505.5m
-- FY09: S$456.0m

** Includes special dividend 15¢*

Lower oil price will continue in short term

We cut our average Dubai oil price assumptions from US$108/bbl to US$96/bbl for FY08 and from US$105/bbl to US$75/bbl for FY09 but maintain the long-term price at US$85/bbl. Our long-term price assumes the operating cost of E&P business at US$50-60/bbl, and thus oil price should trade between US$60 and US$90/bbl.

Downturn in Refinery has started

Additional supply from Reliance Industries expected to start in Nov 08 will hit GRM significantly starting late-FY08 into FY10. Weakening refinery demand from the US and China will also pressure GRM. We cut our gross refining margin (GRM) forecast for FY09 from US$5.5/bbl to US$4.0/bbl but maintain our long-term GRM forecast at US$5.0/bbl. Breakeven GRM for a new refinery is US$5.0-7.0/bbl. Thus, our long-term GRM forecast of US$5.00/bbl is attainable. Contribution from the Refinery section will be supportive as operating cash cost is US$2.5-2.6/bbl. Based on new oil price and GRM forecasts, we cut 2009 net profit forecast of SPC by 20%.

Robust E&P volume growth ahead

SPC has a different earnings profile that includes investments in the E&P business, unlike other refiners that have more exposure to the petrochemical industry, eg Thai Oil (TOP), GS Holdings and SK Energy. Over 90% of its production volume are liquid, which allows SPC to benefit from the continued crude oil price hikes in the long term. SPC's E&P volume is expected to grow from 5,293boed in 2007 to 11,000boed in 2008 and 30,000boed by 2011. SPC's exploration fields are in areas where there are proven commercialisation of oil and gas.

Profit & Loss

Year to 31 Dec (S$m)	2006	2007	2008F	2009F	2010F
Turnover	8,574.2	8,766.7	12,162.4	11,071.7	11,120.8
EBIT	324.4	552.3	321.7	375.1	501.9
Pre-tax Profit	338.5	581.4	339.1	408.0	541.7
Net Profit	284.6	508.3	295.6	355.8	459.5

Balance Sheet

Year to 31 Dec (S$m)	2006	2007	2008F	2009F	2010F
Current Assets	1,981.1	2,764.1	4,388.1	4,380.4	4,589.0
Total Assets	3,140.2	4,308.2	5,910.3	5,874.2	6,042.1
Current Liabilities	1,458.8	2,358.6	3,006.7	2,829.4	2,815.1
Long-Term Liabilities	0.0	0.0	836.8	836.8	836.8
Shareholder Funds	1,570.4	1,790.0	1,908.3	2,050.6	2,234.4
Total Equity & Liabilities	3,140.2	4,308.2	5,910.3	5,874.2	6,042.1

Cash Flow

Year to 31 Dec (S$m)	2006	2007	2008F	2009F	2010F
Operating	374.8	386.9	105.0	543.0	535.8
Investing	(78.9)	(392.8)	(64.0)	(60.0)	(50.0)
Financing	(129.8)	59.8	659.4	(213.5)	(275.7)
Net Cash In/(Out) Flow	166.1	53.9	700.3	269.6	210.1
Begin Cash & Cash Equiv.	255.1	421.2	475.1	1,175.4	1,445.0
End'g Cash & Cash Equiv.	421.2	475.1	1,175.4	1,445.0	1,655.1

Key Assumptions

Key Assumptions	2008F	2009F	L-T
Dubai crude oil (US$/bbl)	96	75	85
WTI crude oil (US$/bbl)	100	80	90
E&P Volume (Boed)	11,000	15,000	-
E&P ASP (US$/bbl)	98	77	82
Refining Capacity (bpd)	145,000	145,000	-
Singapore Refining Margin (US$/bbl)	6.5	4.5	5.0
SPC Refining Margin (US$/bbl)	6.0	4.0	5.0

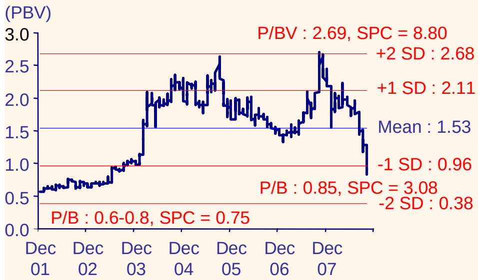
Source: UOB Kay Hian

Earnings Revision

	-------- Old --------		------ New ------	
(S$m)	2008F	2009F	2008F	2009F
Net Profit	510	445	296	356
EPS (S$)	0.99	0.87	0.57	0.69
Sales	11,867	11,153	12,162	11,072
EBITDA	676	593	421	479

Source: UOB Kay Hian

SPC Stress Test - P/B Approach



Source: Bloomberg, UOB Kay Hian

Asia-Pacific Refinery Comparables

Company Name	PE 2009F	P/BV 2009F	Div Yield 2009F
SK Holdings	5.71	0.51	2.28
S-Oil	9.46	1.85	7.67
GS Holdings	4.96	0.67	4.72
Singapore Petroleum ***	**4.46**	**0.77**	**13.47**
Caltex Australia	7.02	0.83	7.11
Reliance Industries	11.47	1.78	1.09
Formosa Petrochemical	12.95	2.52	6.62
PTT	5.12	1.00	6.77
PTT Aromatics & Refining	3.79	0.49	10.18
Thai Oil	3.58	0.67	14.57
Pakistan Refinery	3.45	n.a.	1.38
Pakistan State Oil	5.18	1.43	12.87
Attock Petroleum	4.88	1.94	6.88
Shell Refining (F.O.M.)	11.81	1.39	5.59
Average	6.70	1.22	7.23
SPC vs Regional	(33.5%)	(36.6%)	86.3%

*Source: Bloomberg, UOB Kay Hian ****

Thanachart Capital

3Q08: Results down on poor capital market items and higher provisions

*TCAP's weak 3Q08 results was mainly due to poor capital market-related income. With the over 60% drop in share price this year, valuation looks distressed. **Maintain BUY**.*

3Q08 Results

Year to 31 Dec (Btm)	3Q07	2Q08	3Q08	% yoy	% qoq	Remark
Net interest income	2,467	3,019	3,003	21.7	(0.5)	Qoq, loan +3.8%, NIM-18bp
Non-interest income	3,259	3,346	2,709	(16.9)	(19.0)	Due to poor capital mkt.
Total income	5,726	6,365	5,712	(0.2)	(10.3)	
SG&A	(3,324)	(3,978)	(3,728)	12.2	(6.3)	
Pre-provision profit	2,402	2,387	1,984	(17.4)	(16.9)	
Provisions	(667)	(1,021)	(1,157)	73.3	13.3	To cover potential rise in HP NPLs.
Net profit	824	761	576	(30.1)	(24.3)	
EPS- Bt	0.6	0.6	0.4	(30.1)	(24.3)	

Source: TCAP and UOB KayHian

Net profit dropped 30% yoy and 24% qoq to Bt576m in 3Q08. Weak results were due to:

- **Non-interest income down 17% yoy.** This is due mainly to the falling brokerage income (-31% yoy) and lower investment gains (Bt40m loss vs. almost Bt700m gains last year). Fee from core operations rose 7%.
- **Lower NIM.** Net interest margin (NIM) slipped 18bp qoq on higher funding costs (+20bp). As a result, spread income was flat qoq, in spite of a 3.8% qoq loan growth.
- **Higher provisions.** To cope with the rising risk profile of HP loans, credit costs rose to 170bp of total loans in 3Q08 vs. 2Q08's 150bp and 3Q07's 120bp.

Earnings Revision

To reflect the poor stock market performance and the rapidly deteriorating macro environment, we have cut our FY08 earning estimate by 17% to Bt3.7b. We have also slashed our 2009 forecast by 37% to Bt1.6b mainly on lower loan growth assumption (9% vs. 18% previously) and higher credit cost (150bp vs. 90bp previously).

THAILAND

Thanachart Capital (TCAP TB)

BUY

Current Price: Bt6.80
Target Price: Bt8.55
(Previous: Bt21.80)

Sector	Finance
52-Wk Avg Daily Vol. ('000)	4,206.2
Market Cap (Bt b)	9.1
(US$m)	266.6
Major Shareholdrs (%)	
Com Link Ltd.	10.4
MBK	10.0
Book NTA per Share (Bt)	19.7
ROE (%)	11.6

Results Due

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

12-Month Call History

Date	Rec	Target Price (Bt)
23/10/08	BUY	8.55
05/05/08	BUY	21.80
23/01/08	BUY	16.00

Price Chart

Analyst

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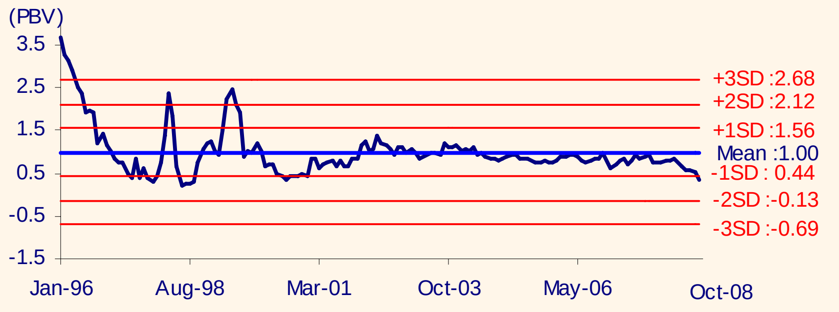
Year to 31 Dec	Pre-Provision Profit (Bt m)	Net Profit (Bt m)	EPS (Bt)	EPS Growth (%)	PE (x)	DPS (Bt)	BV (Bt)	P/BV (x)	ROE (%)
2006	3,509	1,468	1.1	(52.7)	6.2	0.8	16.9	0.4	6.5
2007	6,925	2,818	2.1	92.0	3.2	0.9	19.7	0.3	11.6
2008F	11,140	3,698	2.8	31.2	2.5	1.4	21.5	0.3	13.5
2009F	9,709	1,591	1.2	(57.0)	5.7	0.5	21.3	0.3	5.6
2010F	11,877	2,400	1.8	50.9	3.8	0.8	22.6	0.3	8.2

Valuation/Recommendation

Having fallen 60% this year, TCAP is now trading at only 0.3x FY09 P/B vs. 10yr mean of 1x. At this level (slightly below 1SD), most of the market concerns regarding earnings and NPL risks should have already been priced in. **Reiterate BUY**.

However, to reflect the significant increase in market risk perception, we have revised our target price downward to Bt8.55 (Bt21.80 previously), pegged at target P/B of 0.4x using (ROE-g)/(COE-g) valuation assuming 9% average ROE against 13.5% COE and normalised 6% growth. Our revised target price still offers 26% upside potential.

Distressed P/B Valuation



Source: Bloomberg and UOB KayHian

Quarterly Ratio

Ratios (%)	3Q07	4Q07	1Q08	2Q08	3Q08
Avg. earnings yields	6.4	6.1	6.3	6.1	6.1
Avg. funding costs	(3.5)	(3.0)	(3.1)	(3.0)	(3.2)
NIM	3.3	3.6	3.6	3.6	3.4
ROA	1.1	1.0	1.2	0.9	0.6
ROE	13.5	12.1	15.1	11.2	8.7

Profit & Loss

Year to 31 Dec (Btm)	2006	2007	2008F	2009F	2010F
Net interest income	6,909	9,099	12,059	13,447	15,389
Non-interest income	7,643	10,676	14,558	13,548	15,740
Total income	14,552	19,774	26,617	26,995	31,128
SG&A	(11,043)	(12,849)	(15,477)	(17,287)	(19,251)
Pre-provision profit	3,509	6,925	11,140	9,709	11,877
Provisions	(924)	(2,052)	(4,146)	(4,544)	(4,085)
Tax	(965)	(1,705)	(2,098)	(1,549)	(2,338)
Net profit	1,468	2,818	3,698	1,591	2,400
EPS (Bt)	1.1	2.1	2.8	1.2	1.8

Balance Sheet

Year to 31 Dec (Btm)	2006	2007	2008F	2009F	2010F
Net loans	201,319	231,034	266,311	288,396	321,949
Deposits	248,069	271,840	324,023	366,770	416,062
Equity	22,565	26,208	28,705	28,447	30,132
Total assets	286,229	321,256	372,608	406,740	453,820

http://research.uobkayhian.com

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