

**The Goldman Sachs Group, Inc.**

This document contains comments related to the following stocks:

- Allgreen Properties (AGRN.SI)
- Bank Mandiri (BMRI.JK)
- CapitaLand (CATL.SI)
- Caicher Technology (2474.TW)
- China Merchants Securities (600999.SS)
- China Southern Airlines (H) (1055.HK)
- China Yurun Food Group (1068.HK)
- CITIC Securities (600030.SS)
- City Developments (CTDM.SI)
- COSCO Pacific (1199.HK)
- Daqin Railway (601006.SS)
- Dish TV India (DSTV.BO)
- Genting Singapore Plc (GENS.SI)
- HDFC Bank (HDBK.BO)
- HSBC Holdings (0005.HK)
- Hutchison Whampoa (0013.HK)
- Hyundai Steel (004020.KS)
- ICICI Bank (ICBK.BO)
- Jilin Ji En Nickel Industry (600432.SS)
- Keppel Land (KLAN.SI)
- Kia Motors (000270.KS)
- Kweichow Moutai (600519.SS)
- Nestle India (NEST.BO)
- Piramal Healthcare (PIRA.BO)
- POSCO (005490.KS)
- Reliance Industries (RELI.BO)
- Reliance Industries (GDR) (RELQ.L)
- Samsung C&T (000830.KS)
- Sembcorp Marine (SCMN.SI)
- Shandong Hualu-Hengsheng Chemical (600426.SS)
- Shun Tak Holdings (0242.HK)
- SinoPac Holdings (2890.TW)
- Standard Chartered Bank (2888.HK)
- Sun TV Network (SUTV.BO)
- UOL Group (UTOS.SI)
- Wing Tai Holdings (WTHS.SI)
- Wistron (3231.TW)

For further product information, contact:

**Asia-Pacific Investment Research**  
+852-2978-1000

Analysts employed by non-US affiliates are not registered/qualified as research analysts with FINRA in the U.S.

**Global Investment Research**

## Focus Items

- Wistron (3231.TW) Buy:** The ultimate survivor of the margin storm; Add to Conv. Buy list 1
- Piramal Healthcare (PIRA.BO): Off CL;** retain Buy on strong long-term positioning in domestic mkt 2
- India: Media: Valuations now reflect thesis of cyclical recovery;** D/G Zee, Sun 3
- Asia Pacific: Banks: HSBC & STAN in Asia/China/India: Franchise build-out & earnings progression surprises** 4
- SinoPac Holdings (2890.TW): Capital mgmt initiative in USA subsidiary signals asset quality risk** 5
- Genting Singapore Plc (GENS.SI): Competition at the gate, MBS opening a negative catalyst, CL Sell** 6

## Key Data Changes

### Investment List Additions

Company	Ticker	Investment List Additions
Sun TV Network	SUTV.BO	Asia Pacific Sell List
Wistron	3231.TW	Asia Pacific Conviction Buy List

### Investment List Removals

Company	Ticker	Investment List Removals
Dish TV India	DSTV.BO	Asia Pacific Sell List
Piramal Healthcare	PIRA.BO	Asia Pacific Conviction Buy List
Zee Entertainment Enterprises	ZEE.BO	Asia Pacific Buy List

### Rating and price target changes

Company	Ticker	Rating/Coverage view		Price Target			Estimates		
		New	Old	New	Old	% chg	Current Year	Next Year	Fiscal y/e
China Southern Airlines (A)	600029.SS	N/N	unch	↓ Rmb7.10	Rmb7.40	(4.1%)	Rmb0.29	Rmb0.36	Dec
China Southern Airlines (ADS)	ZNH	N/N	unch	↓ US\$19.87	US\$21.15	(6.1%)	Rmb0.29	Rmb0.36	Dec
China Southern Airlines (H)	1055.HK	N/N	unch	↓ HK\$3.10	HK\$3.30	(6.1%)	Rmb0.29	Rmb0.36	Dec
Dish TV India	DSTV.BO	↑ N/N	S/N	↑ Rs36.00	Rs35.00	2.9%	(Rs2.39)	(Rs1.23)	Mar
ICICI Bank	ICBK.BO	N/N	unch	↑ Rs1,010.00	Rs960.00	5.2%	Rs44.80	Rs58.37	Mar

The Goldman Sachs Group, Inc. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification, see the end of the text. Other important disclosures follow the Reg AC certification, or go to [www.gs.com/research/hedge.html](http://www.gs.com/research/hedge.html). This report is intended for distribution to GS institutional clients only.

Yantai Wanhua Polyurethanes  
(600309.SS)  
Zee Entertainment Enterprises  
(ZEE.BO)

Jilin Ji En Nickel Industry	600432.SS	N/N	unch	↓ Rmb29.00	Rmb30.20	(4.0%)	Rmb0.56	Rmb0.89	Dec
Kweichow Moutai	600519.SS	B/N	unch	↓ Rmb175.00	Rmb181.00	(3.3%)	Rmb6.25	Rmb7.64	Dec
Nestle India	NEST.BO	S/N	unch	↓ Rs2,227.00	Rs2,376.00	(6.3%)	Rs81.69	Rs97.63	Dec
Samsung C&T	000830.KS	N/N	unch	↑ W69,000	W66,000	4.5%	W3,128	W3,010	Dec
Sembcorp Marine	SCMN.SI	B/N	unch	↑ S\$4.90	S\$4.60	6.5%	S\$0.27	S\$0.28	Dec
SinoPac Holdings	2890.TW	S/N	unch	↓ NT\$10.50	NT\$11.50	(8.7%)	NT\$0.13	NT\$0.45	Dec
Sun TV Network	SUTV.BO	↓ S/N	N/N	↑ Rs333.00	Rs331.00	0.6%	Rs11.71	Rs15.12	Mar
Wistron	3231.TW	B/N	unch	↑ NT\$82.00	NT\$71.00	15.5%	NT\$6.59	NT\$7.98	Dec
Zee Entertainment Enterprises	ZEE.BO	↓ N/N	B/N	↑ Rs301.00	Rs295.00	2.0%	Rs15.07	Rs17.64	Mar

### Estimate changes

Company	Ticker	Rating/ Coverage view	Current Year			Next Year			Fiscal y/e
			New	Old	% chg	New	Old	% chg	
Catcher Technology	2474.TW	B/N	↓ NT\$6.53	NT\$6.64	(1.7%)	↓ NT\$8.20	NT\$8.21	(0.2%)	Dec
China Southern Airlines (A)	600029.SS	N/N	↓ Rmb0.29	Rmb0.32	(9.1%)	↓ Rmb0.36	Rmb0.38	(5.2%)	Dec
China Southern Airlines (ADS)	ZNH	N/N	↓ Rmb0.29	Rmb0.32	(9.1%)	↓ Rmb0.36	Rmb0.38	(5.2%)	Dec
China Southern Airlines (H)	1055.HK	N/N	↓ Rmb0.29	Rmb0.32	(9.1%)	↓ Rmb0.36	Rmb0.38	(5.2%)	Dec
Dish TV India	DSTV.BO	N/N	↑ (Rs2.39)	(Rs2.77)	13.8%	↑ (Rs1.23)	(Rs1.40)	12.0%	Mar
ICICI Bank	ICBK.BO	N/N	↑ Rs44.80	Rs43.58	2.8%	↑ Rs59.37	Rs58.26	1.9%	Mar
Jilin Ji En Nickel Industry	600432.SS	N/N	↓ Rmb0.56	Rmb0.58	(4.9%)	↓ Rmb0.89	Rmb0.90	(2.0%)	Dec
Kweichow Moutai	600519.SS	B/N	↓ Rmb6.25	Rmb6.45	(3.1%)	↓ Rmb7.64	Rmb7.83	(2.4%)	Dec
Nestle India	NEST.BO	S/N	↓ Rs81.69	Rs87.06	(6.2%)	↓ Rs97.63	Rs104.28	(6.4%)	Dec
Samsung C&T	000830.KS	N/N	↑ W3,128	W2,164	44.5%	↑ W3,010	W2,888	4.2%	Dec
Sembcorp Marine	SCMN.SI	B/N	↑ S\$0.27	S\$0.26	4.0%	↑ S\$0.28	S\$0.27	1.8%	Dec
SinoPac Holdings	2890.TW	S/N	NT\$0.13	unch	--	↓ NT\$0.45	NT\$0.53	(15.2%)	Dec
Sun TV Network	SUTV.BO	S/N	Rs11.71	unch	--	↑ Rs15.12	Rs15.03	0.6%	Mar
Wistron	3231.TW	B/N	↑ NT\$6.59	NT\$5.95	10.8%	↑ NT\$7.98	NT\$6.98	14.3%	Dec
Yantai Wanhua Polyurethanes	600309.SS	N/C	↓ Rmb1.26	Rmb1.30	(3.0%)	Rmb1.48	unch	--	Dec
Zee Entertainment Enterprises	ZEE.BO	N/N	↑ Rs15.07	Rs14.75	2.1%	↑ Rs17.64	Rs17.06	3.4%	Mar

## Other Headlines

### Portfolio Strategy

Pan-Asia Alpha: CSI 300 futures: heavy day-trading drives outsized volumes	7
Asia-Pacific Weekly Kickstart: Global de-risking with EM underperforming DM	8
Korea Weekly Kickstart: KOSPI +0.1% this week, up 8 weeks in a row on a strong auto sector performance	9
China Weekly Kickstart: Your 5-minute investment guide for Chinese equity markets: Apr 19 - Apr 23	10

### Basic Materials

Yantai Wanhua Polyurethanes (600309.SS): Below expectations on slower-than-expected price hikes; Neutral	11
Jilin Ji En Nickel Industry (600432.SS): In line with expectations, ytd ASP growth not sustainable, Neutral	12
Shandong Hualu-Hengsheng Chemical (600426.SS): In line with expectations; healthy set of results	13

South Korea: Steel: Price hikes of as much as 25% top expectations; Buy POSCO, HSC	14
<b>Consumer Cyclicals</b>	
Kia Motors (000270.KS): In line with expectations, maintain Neutral	15
<b>Consumer Staples</b>	
Kweichow Moutai (600519.SS): Below expectations: Consumption tax charge surprisingly higher	16
Nestle India (NEST.BO): Below expectations; Cost pressures temper EPS growth; Sell, CL	17
China Yurun Food Group (1068.HK): Management call post placement; positive update on 1Q10	18
<b>Energy</b>	
Reliance Industries (RELI.BO): Below expectation: Higher recouped costs, low GRM lowers profits	19
<b>Financial Services</b>	
China: Brokers & Asset Managers: 1Q10 funds watch: Total AUM declined, despite inflows to equities	20
HDFC Bank (HDBK.BO): First Take: HDFC Bank 4QFY10 results in line	21
Singapore: Real Estate Developers: Home prices rise 5.6%, now 1.4% below peak; sub-sales taper off	22
ICICI Bank (ICBK.BO): In line with expectations: Higher treasury, other inc offset lower NII	23
Bank Mandiri (BMRI.JK): In line with expectations; higher credit cost offset by lower opex	24
<b>Industrials</b>	
Samsung C&T (000830.KS): Above expectations on one-off items; marginally raise TP	25
Asia Pacific: Conglomerates: Conglo Catch-up: Your 2-min guide to estimates, valuations, events	26
Sembcorp Marine (SCMN.SI): Estimate/PT changes following recent new contract wins & rig sale	27
<b>Technology</b>	
Catcher Technology (2474.TW): Below expectations: Stock appears to have bottomed for now; Buy	28
<b>Transportation</b>	
China Southern Airlines (H) (1055.HK): Below expectations: Traffic mix dampens 1Q recovery	29
Daqin Railway (601006.SS): In line with expectations: On track for margin expansion in 2010	30

## Focus Items

### Wistron (3231.TW) Buy: The ultimate survivor of the margin storm; Add to Conv. Buy list

1

3231.TW, NT\$59.60		
Market cap	US\$3,352 mn	
Target price	NT\$82.00	
Fiscal y/e Dec	2010E	2011E
Net inc. (NT\$)	12,203 mn	14,763 mn
EPS (NT\$)	6.59	7.98
EPS growth	27.2%	21.0%
P/E	9.0X	7.5X
Dividend yield	5.3%	6.4%
Investment Lists		
	Asia Pacific Buy List	
	Asia Pacific Conviction Buy List	
Coverage view	Neutral	

**Henry King** (Hong Kong): henry.king@gs.com, +852-2978-0748

Goldman Sachs (Asia) L.L.C.

**Kevin Lu** (Taipei): kevin.lu@gs.com, +886(2)2730-4187

Goldman Sachs (Asia) L.L.C., Taipei Branch

#### Source of opportunity

In contrast to expectations of its NB shipment being in line with industry growth, Wistron expects shipments of most of its non-NB product lines (LCD TV, desktop, monitor, handheld) to double (or more) in 2010E. Diversification into higher margin business should help Wistron offset the margin pressure in NB. Given Wistron expects its non-NB sales contribution to reach 50% in 2011E (vs. our forecast of 62%/59% in 2010E/11E), we expect Wistron to hold its GM/OPM better than peers. Separately, as Wistron has low netbook exposure and is the main supplier for Dell's low-end and Lenovo's corporate NBs, we think Wistron's NB margin should be less affected than competitors as well.

#### Catalyst

Wistron's 1Q10 earnings of NT\$2.7 bn (-13% qoq, +90% yoy) was above our/Reuters consensus estimate by 24%/20% due to better operating efficiency. Wistron's OPM slightly improved by 0.1ppt from 4Q09 to 2.2% (vs. GSe: 1.9%). Unlike peers, we expect Wistron's OPM to stabilize in the coming 2-3 years on the basis of its product diversification, with the potential to even trend up if R&D cost decelerates. That said, although Wistron's NB sales growth in 2010E may trail that of its peers, its EPS growth may outgrow other ODMs. We believe the market will begin to recognize Wistron's long-term strategies and solid execution, with less concern over margin erosion risks. As such, we maintain our Buy rating and add Wistron to our Conviction list. We raise our 2010E/11E/12E sales by 3%/5%/10%, and EPS by 11%/14%/20% to reflect 1Q results and our new sales/margin assumptions. Wistron has underperformed TWSE/TWELEC by 3%/6% in the past 6 months.

#### Valuation

We raise our 12m TP to NT\$82 (12X NTM EPS) from NT\$71 (12X '10E EPS).

#### Key risks

High FINI holdings (75% as end of Apr 23) and potential fund raising.

### Piramal Healthcare (PIRA.BO): Off CL; retain Buy on strong long-term positioning in domestic mkt

2

PIRA.BO, Rs510.50		
Market cap	US\$2,402 mn	
Target price	Rs523.00	
Fiscal y/e Mar	2010E	2011E
Net inc. (Rs)	4,892 mn	6,358 mn
EPS (Rs)	23.41	30.42
EPS growth	54.7%	30.0%
P/E	21.8X	16.8X
Dividend yield	1.5%	1.9%
Investment Lists		
	Asia Pacific Buy List	
Coverage view	Neutral	

**Balaji V. Prasad** (Mumbai): balaji.prasad@gs.com, +91(22)6616-9179

Goldman Sachs India SPL

**Vikram Sahu** (Singapore): vikram.sahu@gs.com, +65-6889-2482

Goldman Sachs (Singapore) Pte

**Rishi Jhunjhunwala** (Mumbai): rishi.jhunjhunwala@gs.com, +91(22)6616-9039

Goldman Sachs India SPL

#### What happened

We remove Piramal Healthcare from the Asia Pacific Conviction Buy List as the stock is now close to our 12-month Director's Cut-based target price of Rs523. Since we added it to the Conviction Buy List on Jan 25, 2010, Piramal has risen by 41.5% vs. a 5.4% rise by the Sensex. In the past 12 months, the stock rose by 146.0% vs. the Sensex at 58.9%. Our FY10-12 EPS estimates and target price of Rs523 are unchanged. We retain our Buy rating on relative grounds, as the stock is currently trading at 16.8X on FY11E P/E and 12.2X on FY11E EV/EBITDA, representing discounts of 12% and 8% to its Indian peers (excluding Ranbaxy), respectively.

#### Current view

We maintain our thesis that Piramal is one of the top picks in the domestic pharma space and believe Piramal will continue to deliver strong revenue and earnings growth of 15% and 26% CAGR during FY10E-FY12E, respectively. We reiterate our Buy rating for the following reasons:

- 1) We forecast the company's domestic formulations area to grow by 21% in FY10E. We noted that Piramal has launched 18 drugs in 1HFY10 in the domestic market.
- 2) We expect a resurgence in contract manufacturing solutions as we believe global re-stocking of inventory has bottomed out and will pick up. We forecast this segment's growth to accelerate and to post a 14%

revenue CAGR over FY2010E-FY2012E.

3) We maintain our expectations of EBIT margin improvement by 170 bp over FY10E-12E, driven by the closure of the Huddersfield unit and improved profitability from the Indian formulations business.

Key downside risks include: (1) Inability to realize margin expansion from the Huddersfield unit closure; (2) Adverse drug pricing measures by the NPPA.

## India: Media: Valuations now reflect thesis of cyclical recovery; D/G Zee, Sun

3

**Ishan Sethi** (Mumbai): ishan.sethi@gs.com, +91(22)6616-9048

Goldman Sachs India SPL

**Vaishnavi Kandalla** (Bangalore): vaishnavi.kandalla@gs.com, +91(80)6637-8660

Goldman Sachs India SPL

### Industry context

Three themes: (1) Our earlier-held thesis of a strong cyclical recovery in ad spending now seems to be playing out, but stock valuations have also moved to above-median. (2) There is more risk in the industry in the form of competition and alternate platforms this year – we downgrade Zee Entertainment to Neutral from Buy and Sun TV to Sell from Neutral. (3) Digital subscriber growth remains strong – we upgrade Dish TV to Neutral from Sell.

### Source of opportunity

Ad-spending in India has started to pick up strongly over the past 6 months (Exhibit 14). We continue to expect about 15% yoy growth in advertising revenue for companies in our coverage universe. Despite this improving scenario, given strong share price performance over the past 12 months, we believe current valuations already factor in this improvement.

In addition, we believe GEC broadcasters will find it difficult to retain ad-spend share vs. sports and other platforms due to the strong sports pipeline over the next 12 months (Exhibit 15). As a consequence, we downgrade Zee to Neutral from Buy and Sun TV to Sell from Neutral.

We continue to believe in strong growth and increasing penetration rates for digital platforms in India (we estimate 39% CAGR for subscribers over FY10E-FY12E), although we expect distribution companies such as Dish TV to face pressure when it comes to retaining market share while stabilizing ARPU due to the highly competitive environment. However, given Dish TV's recent share price correction (down 22% in the past 3 months), we raise our rating on the stock to Neutral from Sell as we now see these risks as balanced vs. continued growth and the possibility of an improvement in ARPU.

### Valuation

We continue to value Zee and Sun TV on 20X and 22X FY11E EPS, respectively. Our 12-month target price of Rs36 (up from Rs35) for Dish TV is based on DCF methodology. We revise our FY10E-FY12E EPS estimates for our coverage universe by 1%-18% and our 12-month target prices by 1%-3%.

### Risks

Downside risk: (1) Continued fragmentation in broadcasting industry. Upside risks: (1) Lower price-based competition among DTH companies; and (2) faster-than-expected recovery in ad-spending.

## Asia Pacific: Banks: HSBC & STAN in Asia/China/India: Franchise build-out & earnings progression surprises

4

**Roy Ramos** (Hong Kong): roy.ramos@gs.com, +852-2978-0457

Goldman Sachs (Asia) L.L.C.

**Gurpreet Singh Sahi** (Hong Kong): gurpreet.s.sahi@gs.com, +852-2978-1287

Goldman Sachs (Asia) L.L.C.

**Frederik Thomasen** (London): frederik.thomasen@gs.com, +44(20)7552-9363

Goldman Sachs International

### HSBC & STAN in Asia/China/India revisited

In this report, we (1) reassess HSBC's and STAN's Asia/China/India franchise build-outs and NPAT / ROA progression over the past several years and (2) highlight some of the likely challenges and opportunities/wins for both in Asia ahead.

### STAN: "Pan-Asia banking play" theme intact; the benefits of consistent focus/buildout

STAN remains arguably the purest play on pan Asia banking, with Asia/Middle East at 81%, 83% and 83% of group FY09 revenues, pretax profits and loans. With 17% revenue and 16% pretax profit CAGR in Asia from 2000-2009 (we expect similar CAGR through 2012), STAN is now the largest foreign bank in Singapore,

Korea and Indonesia, with YE09 loan mkt shares of 15.7%, 4.5% and 2.6%, respectively. India is a particularly bright spot, now STAN's second largest profit generator with US\$1.06bn pretax profits in 2009 (21% of group, just US\$2mn shy of STAN HK) with a near industry-leading pretax ROA of 3.4%. Another surprise: STAN is now even larger than HSBC in Asia ex HK ex China affiliate (BoCom/ Ping An/Ind Bk) earnings, on most key metrics.

#### HSBC: strong positioning/promise in China; still wishing for more in Rest of Asia

HSBC's Asia appeals are well-known as HK's leading bank and China's leading foreign bank, with US\$13.4bn unrealized gains to boot from its BoCom/Ping An/Ind Bk strategic equity stakes. We also point to the prospect of c.2%+ market share in China in c.10 years' time and c.US\$12.5bn NPAT streams then, i.e. another HongkongBank-style decades-long secular growth driver.

The broader Asia story/gearing and track record are a more mixed bag however, with Asia/Middle East at just 29% of group revenues and 23% of loans, with a more modest 2000-2009 CAGR of 10% for revenues, 8% for pretax profits. ROAs for HK/Rest of Asia have also fallen by c.30%-50% from 2007-2009, reflecting sharp falls in margins/ deposit spreads, plus outright loan and revenue declines in 2009. We await signs of better revenue progression for HSBC in Asia and overall, helped along by rate hikes/NIM recovery in due course. We maintain Buy on STAN (2888.HK) and our Neutral but constructive 'waiting for revenue/ earnings recovery' stance on HSBC (0005.HK).

DISCLAIMER RELATED TO STANDARD CHARTERED: NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN, TRANSMITTED OR RETRANSMITTED IN OR INTO INDIA OR REDISTRIBUTED, DIRECTLY OR INDIRECTLY, IN INDIA. ANY FORWARDING, TRANSMISSION, RETRANSMISSION, DISTRIBUTION OR REPRODUCTION OF THIS REPORT IN WHOLE OR IN PART IN INDIA IS UNAUTHORISED. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF INDIAN REGULATIONS.

## SinoPac Holdings (2890.TW): Capital mgmt initiative in USA subsidiary signals asset quality risk

5

2890.TW, NT\$10.70		
Market cap	US\$2,391 mn	
Target price	NT\$10.50	
Fiscal y/e Dec	2009E	2010E
Net inc. (NT\$)	521.1 mn	3,140 mn
EPS (NT\$)	0.13	0.45
EPS growth	124.9%	240.7%
P/E	81.3X	23.9X
Dividend yield	0.6%	2.1%
Investment Lists	Asia Pacific Sell List	
Coverage view	Neutral	

**Vincent Chang** (Hong Kong): [vincent.chang@gs.com](mailto:vincent.chang@gs.com), +852-2978-6681  
Goldman Sachs (Asia) L.L.C.

#### What's changed

Sinopac FHC made two announcements on Apr 23 after the market close. (1) It will inject NT\$3.1bn capital into its 100%-owned subsidiary, Bank Sinopac; (2) Subsequently, Far Eastern National Bank (FENB), Bank Sinopac's 100%-owned subsidiary bank in US, will receive no more than US\$235m (NT\$7.4bn) capital injection in the form of preferred shares, to strengthen its capital adequacy. FENB's outstanding loan balance was NT\$41bn (as of 4Q09), 6.2% of SinoPac's total loan book, 49% of its total equity value; FENB's capital adequacy ratio was 11.9% as of 4Q09.

#### Implications

The announcement signals potential severe asset quality deterioration issue at FENB - its NPL ratio rose to 10% in 1Q10 (from 6.9% in 4Q09), while loss coverage dropped to 47% (from 69%). We now assume 20% of its FENB loan book turns problematic by 2010 year-end, 50% expected recovery ratio, implying an additional NT\$2bn provision expense in 2010. On the other hand, SinoPac's fee income growth momentum appears to be strong thanks to the reviving wealth management and trade finance businesses. On the back of this, we revise down our 2010E EPS by 15%, but increase 2011-12E EPS by 14% to reflect robust fee income growth. We also slightly update our share count to reflect latest results; we made minor change to 2009 EPS.

#### Valuation

We lower our 12-m SOTP-based TP to NT\$10.5 (from NT\$11.5), which we derive by using 0.8X P/B for its banking subsidiary (Camelot-based), and 1.0X for its securities subsidiary (peer comparison-based). We maintain our Sell rating on the stock.

#### Key risks

Substantial NIM expansion and better-than-expected asset quality improvement.

**Genting Singapore Plc (GENS.SI): Competition at the gate, MBS opening a negative catalyst, CL Sell**

6

<b>GENS.SI, S\$0.86</b>		
Market cap	US\$7,289 mn	
Target price	S\$0.73	
Fiscal y/e Dec	2010E	2011E
Net inc. (S\$)	252.4 mn	454.3 mn
EPS (S\$)	0.02	0.04
EPS growth	265.9%	80.0%
P/E	41.2X	22.9X
Dividend yield	--	--
Investment Lists		
	Asia Pacific Conviction Sell List	
	Asia Pacific Sell List	
Coverage view	Neutral	

**David Ng, CFA** (Singapore): david.k.ng@gs.com, +65-6889-2483

Goldman Sachs (Singapore) Pte

**Michelle Lee** (Singapore): michelle.wl.lee@gs.com, +65-6889-2462

Goldman Sachs (Singapore) Pte

**News**

Even as Singapore celebrates on Saturday the opening of its iconic spiral-shaped pedestrian bridge at Marina Bay, The Helix, Marina Bay Integrated Resort look set to open on April 27, with its first phase launch having 963 hotel rooms (out of 2,560 hotel rooms), restaurants, and part of shopping mall and convention center open. Though Marina Bay Sands (MBS) has also on plan to open its casino, this is still subject to regulatory approvals. MBS will be looking to host its first major event, The Inter-Pacific Bar Association's annual conference on May 2.

**Analysis**

We see the opening of MBS and its casino as key negative catalyst. Our early assessment forecast Resorts World Sentosa (RWS) casino generating daily mass market casino wins of S\$3.6mn, and unless Singapore gaming market can grow by 44% overnight (no easy feat considering Sands Macau debut back in 2004 only grew Macau by 18% hoh in 2H04), and Genting Singapore retaining at least 53% market share, we see potential for earnings disappointment risk. We will be watchful of any potential property polarization risk developing, which SG being a duopoly market, such threat may develop and undermine the weaker casino profitability.

**Implications**

Not to be compared against Singapore's strong tourism market potential, we have long downplayed Singapore's gaming market size relative to market's expectations. Though there seems to be less of a pushback from investors now, following early assessments of RWS casino performance, we still think there is downside risk to Genting Singapore shares (Conv Sell, 12-m SOTP-based TP of S\$0.73) as we think the market will be negatively surprised of the intense competition. Considering significant project capex incurred, we think Singapore casino operators will be hard-pressed to drive returns, and will look to outdo each other. This intense competition risk, in our view, will further de-rate the EV/EBITDA multiple that investors be willing to pay for Genting Singapore. Upside risk: better SG casino performance.

**Other Headlines****Portfolio Strategy****Pan-Asia Alpha: CSI 300 futures: heavy day-trading drives outsized volumes**

7

**Jason Lui** (Hong Kong): jason.lui@gs.com, +852-2978-6613

Goldman Sachs (Asia) L.L.C.

**Christopher Eoyang** (Tokyo): christopher.eoyang@gs.com, +81(3)6437-9888

Goldman Sachs Japan Co., Ltd.

Since their 16-Apr inception, CSI 300 futures have become one of the most active contracts globally with avg daily turnover of Rmb117bn (US\$17bn). We think the contract has become a preferred trading vehicle for retail; granting access to institutions will diversify the market participants.

**Outsized volumes; undersized open interest**

Trading in the CSI 300 futures has been active during the first week. Daily trading volume has averaged Rmb117bn (US\$17bn) notional, equivalent to 57% of avg daily turnover of the overall A-share market. However, the low level of open interest (Rmb7bn, US\$1bn), shows volume is driven by intra-day trading.

**"T+0" + low trading costs + leverage = preferred trading vehicle**

The high volumes are likely driven by the ability to day-trade, the trading cost advantage of CSI 300 futures, and the 6.7X leverage. Combined with a long trading bias, the contract has been trading expensive (70-100 bps) to fair value. Low open interest, heavy retail day-trading, and small trade sizes imply very little institutional flow, limiting the impact on cash market.

**Next step: gradual institutional investor access**

In our view, the gradual opening of the futures to institutional investors will help promote longer term investor interest and diversify the market participants. We would expect futures mispricings to decline as the CSI 300

futures attract greater capital and activity from index arbitrageurs.

## Asia-Pacific Weekly Kickstart: Global de-risking with EM underperforming DM

8

**Timothy Moe, CFA** (Hong Kong): timothy.moe@gs.com, +852-2978-1328

Goldman Sachs (Asia) L.L.C.

**Christopher Eoyang** (Tokyo): christopher.eoyang@gs.com, +81(3)6437-9888

Goldman Sachs Japan Co., Ltd.

**Richard Tang** (Hong Kong): richard.tang@gs.com, +852-2978-0722

Goldman Sachs (Asia) L.L.C.

**Praveen B** (Bangalore): praveen.b@gs.com, (212) 934-8370

Goldman Sachs India SPL

**Ramasubramanian Dharmaraj** (Bangalore): ramasubramanian.d@gs.com, (212) 934-9678

Goldman Sachs India SPL

MXAPJ -1.5%, Greater China and Australia hurt the most (-1% to -5%), ASEAN more defensive Asia ex Japan is tracking 109% of full year estimates Net foreign inflows reduced to US\$0.5 bn, outflow in Taiwan

### Price performance

- MXAPJ -1.5%, Greater China and Australia hurt the most (-1% to -5%), ASEAN more defensive
- Cons disc had solid gains (+1.5%), materials and health care pulled back
- LGE and autos contributed to strong gains in Korea's cons disc (+6%)
- Commodities were flat through the week; aluminum dropped 4%

### Flows, positioning and risk appetite

- Net foreign inflows reduced to US\$0.5bn; Taiwan had US\$0.2bn of outflow
- Cash turnover fell across most exchanges
- Futures turnover in Korea fell 7%, rose elsewhere in Asia
- Risk appetite has moderated slightly from previous highs

### Earnings and valuations

- MXAPJ P/E at 13.2X, P/B at 2.1X
- I/B/E/S consensus estimates have been steadily revised up, now only 2pp below GS top-down forecast (28% vs. 30%)
- India earnings were revised down

### Rates and currency

- No significant changes in Asian FX
- Rates were mostly stable, India's 10Y -9 bp

### Upcoming events

- US FOMC rate decision (Apr 28), GDP (Apr 30), C&S home price index (Apr 27) KR GDP (Apr 27-28), IP (Apr 30) SG IP (Apr 26)
- Earnings: PetroChina, Bank of China (Apr 27), China Telecom, Bharti Airtel, Sinopec (Apr 28), LG Elec, Reliance Infra (Apr 29), DLF, Samsung Elec (Apr 30)

## Korea Weekly Kickstart: KOSPI +0.1% this week, up 8 weeks in a row on a strong auto sector performance

9

**Goohoon Kwon, CFA** (Seoul): goohoon.kwon@gs.com, +82(2)3788-1775

Goldman Sachs (Asia) L.L.C., Seoul Branch

**Hyunwoo Nam** (Seoul): hyunwoo.nam@gs.com, +82(2)3788-1704

Goldman Sachs (Asia) L.L.C., Seoul Branch

- KOSPI ended at 1,737, +0.1% this week, KOSDAQ at 517, +1.6% this week
- KOSPI consensus '10E PE at 10.2X; consensus '10E EPS growth at 45.7%
- Continued equity fund redemptions; 2010E Earnings momentum (EM) down
- USD/KRW 1,110, -0.1% this week, KTB 3-yr yield at 3.76%

### Market performance

- KOSPI +0.1% this week, +3.2% ytd; KOSDAQ +1.6% this week, +0.6% ytd
- Transport Equip. +5.3%, Paper & Wood +3.4%, Chemicals +2.8% this week
- Electricity & Gas -3.2%, Construction -2.0%, Distribution -1.9% this week

### Valuation and earnings

- KOSPI consensus '10E PE at 10.2X, '11E PE at 9.1X; '10E PB at 1.3X
- KOSPI consensus '10E EPS growth at 45.7% (up from 44.4% a week ago), '11E EPS growth at 11.6% (down from 12% a week ago)
- Earnings

momentum (EM) for both 2010 and 2011 started declining

#### Fund flows, turnover and sentiment

• Foreigners W428bn inflow; Institutions W469bn outflow; Individuals W175bn inflow from W39bn outflow a week ago • Foreign inflow continued in the past 8 consecutive weeks, albeit at a decelerated pace • Equity fund redemptions decelerated

#### FX, rates and commodities

• USDKRW 1,109, -0.1% this week • Korea 3-yr Treasury bond yield fell further to 3.76%, from 3.8% a week ago • BDIY slightly rebounded +0.2% this week, but down 5.4% from a month ago

#### Key events

• Consumer Confidence, Q1 GDP at Constant Price, Current Account, April 27-28.

## China Weekly Kickstart: Your 5-minute investment guide for Chinese equity markets: Apr 19 - Apr 23

10

**Kinger Lau, CFA** (Hong Kong): kinger.lau@gs.com, +852-2978-1224

Goldman Sachs (Asia) L.L.C.

**Timothy Moe, CFA** (Hong Kong): timothy.moe@gs.com, +852-2978-1328

Goldman Sachs (Asia) L.L.C.

**Sunil Koul** (Hong Kong): sunil.koul@gs.com, +852-2978-0924

Goldman Sachs (Asia) L.L.C.

Both H and A share markets saw a sharp pullback this week retreating 3% and 5%, respectively, mainly on the back of intensified tightening measures in the property and banking sectors. Banks, property stocks saw a sell-off while healthcare stocks outperformed. FY09 yoy EPS growth has been 30% / 21% for A / H shares. We believe current market weakness provides a long-term strategic buying opportunity.

#### Performance summary and our latest views

Chinese equities extended their weakness from last week as both H and A share markets pulled back 3% and 5%, respectively, mainly due to heightened policy risks in the property sector (banks to stop extending mortgages to third home buyers and NPL recognition), and more stringent regulations regarding loans to local govt. finance platforms companies (LGPs). FY09 earnings season is approaching its end. As of April 22, 2010, over 96% of offshore-listed market cap (247 companies with over US\$1bn) and around 85% of A-share market cap (526 companies with over US\$1bn) have reported full-year FY09 earnings. A and H share markets have posted 30% and 21% yoy EPS growth, respectively, in line with market expectations. While we envisage further policy headwinds, we believe current market weakness provides long-term strategic buying opportunity and we see strong fundamental support for HSCEI and CSI300 at 11,800 and 2,900, respectively.

#### Sector performance and allocation

Banks and property stocks dropped significantly on policy concerns. Our analyst believes large banks with prudent risk management are less exposed to policy risk. We highlight CCB (0939.HK, Buy, CL) based on better risk management. In the property sector, we feel downside risk is priced in (A / H trading at 36% discount to NAV) and highlight R. & Healthcare stocks rose (+5%) in the A-share market due to high earnings visibility and low sensitivity to tightening risk. We highlight our healthcare basket: GSGHHEAL1 (refer to Page 2 footnote). F (2777.HK, Buy, CL) as our top pick.

#### Valuation

MXCN: 13.7X 10E P/E; 25.4% 10E EPS growth. CSI300: 17.6X 10E P/E; 31.7% 10E EPS growth.

#### Key events

Earnings: BOC, PetroChina (Apr 27); Sinopec, CMB, CNCB (Apr 28); CCB, BoCom, CU, Ping An (Apr 29).

## Basic Materials

**Yantai Wanhua Polyurethanes (600309.SS): Below expectations on slower-than-expected price hikes; Neutral**

11

**Jessie Pinglun Lai** (Beijing): jessie.p.lai@ghsl.cn, +86(10)6627-3461

Beijing Gao Hua Securities Company Limited

**Carol Jin** (Beijing): carol.jin@ghsl.cn, +86(10)6627-3467

Beijing Gao Hua Securities Company Limited

**What surprised us**

Yantai Wanhua reported 1Q10 net profit of Rmb251mn (+31% yoy), accounting for just 12% and 15% of our 2010E full-year estimates and Wind estimates respectively. Key variance came from lower-than-expected revenue and gross margins, as MDI price increases in 1Q10E were smaller-than-expected, while input costs rose sharply with higher oil prices. While the rate of price hikes has lagged expectations, MDI prices have risen steadily 13% over the last two months. We expect MDI prices will continue its ascent as we enter a seasonally stronger 2Q season, further supported by tight supply as several MDI producers will shut down for maintenance in the coming weeks.

**What to do with the stock**

We revise our '10E/'11E/'12E EPS by -3%/0%/+2% to account for lower ASPs and margins in 1Q10 for all years; for 2012E, we reflect a slight increase in operating rate assumptions for the new MDI plant. Our 12-month target price is unchanged at Rmb20.00, still based on 5X 2010E P/B. Remain Neutral. Key risks: new capacity ramp-up progress (upside); irrational competition (downside).

**Jilin Ji En Nickel Industry (600432.SS): In line with expectations, ytd ASP growth not sustainable, Neutral**

**12**

**Jim Hung** (Beijing): jim.hung@ghsl.cn, +86(10)6627-3191

Beijing Gao Hua Securities Company Limited

**Rowena Chang** (Beijing): rowena.chang@ghsl.cn, +86(10)6627-3054

Beijing Gao Hua Securities Company Limited

**What surprised us**

Ji En Nickel released 4Q09 net earnings of Rmb42mn, up from a net loss of Rmb151mn in 4Q08, but down 27% qoq. The company's 2009 net earnings of Rmb119mn reached 92% of our full year estimate, largely in line with our expectations but is 18% below the Bloomberg consensus estimate. While we attribute the 71% qoq revenue growth in 4Q09 to volume increase, but with slight qoq decline in product prices (i.e. Shanghai Changjiang nickel plate price down 3% qoq), we note a 27% qoq decline in net earnings due to rising finance costs (with the company's short-term borrowings up 40% qoq on funding needs for overseas acquisitions and working capital needs).

**What to do with the stock**

We see 46% and 35% growth in LME nickel price and Shanghai Changjiang nickel plate price year-to-date, on the back of re-stocking by stainless steel makers and supply disruptions. However, we do not view this price rally as sustainable given: (1) our industry checks have led us to believe that the re-stocking demand may be coming to a close; and (2) increasing nickel supply in 2H10 to lead to an oversupply situation, according to our GS JBWere commodity team. We lower our 2009-2012E net earnings estimates by 2%-8% to reflect the 2009 actual numbers and cut our 12-m EV/GCI-based TP from Rmb30.2 to Rmb29.0. We maintain our Neutral rating on the stock. Key upside/downside risk: lower/higher-than-expected nickel supply increase to lead to higher/lower-than-expected nickel prices.

**Shandong Hualu-Hengsheng Chemical (600426.SS): In line with expectations; healthy set of results**

**13**

**Jessie Pinglun Lai** (Beijing): jessie.p.lai@ghsl.cn, +86(10)6627-3461

Beijing Gao Hua Securities Company Limited

**Carol Jin** (Beijing): carol.jin@ghsl.cn, +86(10)6627-3467

Beijing Gao Hua Securities Company Limited

**What surprised us**

HLHS reported 1Q10 net profit of Rmb96mn (+3% yoy), in line with our expectations, accounting for 16% of our estimate and 17% of Wind consensus. Revenue was slightly ahead, accounting for 23% of our full-year forecast, despite a slower start to the Spring planting season in China on the back of adverse weather. However, gross margin came in 3ppt below our expectation on lower-than-expected acetic acid and urea prices during the period, offsetting the better-than-expected topline performance. Balance sheet also remained healthy, with low inventories and receivables, suggesting robust sales momentum.

**What to do with the stock**

We keep our estimates, Buy rating (on Conviction list) and 12-month P/B-based price target of Rmb27.80 unchanged. Key risks are sharp volatilities in chemical and urea prices and sharper-than-expected hike in coal contract prices in 2H2010E.

**South Korea: Steel: Price hikes of as much as 25% top expectations; Buy POSCO, HSC**

14

**Rajeev Das** (Tokyo): rajeev.das@gs.com, +81(3)6437-9935

Goldman Sachs Japan Co., Ltd.

**Rosa Kim** (Seoul): rosa.kim@gs.com, +82(2)3788-1722

Goldman Sachs (Asia) L.L.C., Seoul Branch

**First price hikes in a year**

POSCO (005490.KS) announced price hikes today ranging from 10%-25% across most of its major products. Hyundai Steel (HSC; 004020.KS) also matched these prices immediately.

While price hikes were expected by the market, we believe that these are at the high-end of expectations, if not above them. We expect this to be a surprise, especially as the market believed there to be some pressure on POSCO not to raise them to such an extent, given the high raw material cost hikes. Furthermore, a strengthening Won had already made POSCO's pricing quite high in US\$ terms, even without changing the Won-denominated price.

Price for benchmark HRC will now be up 25% to W850,000/t (US\$767), while CR coil prices will rise 23% to W965,000 (US\$871). Both these prices are about 7% above regional spot prices. We think both seem quite aggressive in that POSCO has generally tended to price products at a discount to regional prices in order to compete with imports. HSC's price hike was also expected by the market given the high cost of scrap, although its hike is also quite aggressive, in our view.

Even after the news, which came in during market hours, POSCO shares closed down 0.4% on Friday (although HSC was up 2.8%).

**Most actionable ideas: Buy POSCO, HSC; Sell Dongkuk**

We maintain Buy on both Hyundai Steel and POSCO. We continue to believe as a high-beta, high-leverage company, HSC will probably benefit even more from rising prices. Dongkuk Steel remains a Sell; it may be able to raise plate prices in line with POSCO, but the small 10% hike reflects the tough demand-supply situation for heavy shipbuilding plates, where we expect margins to decline.

**Consumer Cyclical****Kia Motors (000270.KS): In line with expectations, maintain Neutral**

15

**000270.KS, W26,400**

Market cap	US\$8,767 mn	
Target price	W18,800	
Fiscal y/e Dec	2010E	2011E
Net inc. (W)	1,276 bn	1,345 bn
EPS (W)	3,147	3,318
EPS growth	(20.2%)	5.4%
P/E	8.4X	8.0X
Dividend yield	1.5%	1.9%
Investment Lists	Neutral	
Coverage view	Neutral	

**Rajeev Das** (Tokyo): rajeev.das@gs.com, +81(3)6437-9935

Goldman Sachs Japan Co., Ltd.

**Rosa Kim** (Seoul): rosa.kim@gs.com, +82(2)3788-1722

Goldman Sachs (Asia) L.L.C., Seoul Branch

**What surprised us**

Kia's 1Q was in line with market expectations at the OP level, but was slightly higher at the net level. There was a slightly worse qoq decline in OP and margin relative to what HMC (005380.KS; Neutral; April 23 close: W130,000) had announced the previous day. Further, the strength of the Won also had some negative impact. On a yoy basis, there was a strong improvement on last year's low base; the main improvements came from the product-mix, which caused Kia's domestic ASP to rise 23% yoy. Margin improvement was also helped by reduction of SG&A expenses such as warranty provisioning and overseas marketing expenses. Equity method gains were strong (as in case of HMC) with China J/V posting strong gains (Kia's sales were up 152% yoy in China). Kia just managed to remain FCF positive on parent basis. Still, the company reduced its net debt by another W173 bn; net D/E is now 32% (parent-basis), down from 36% at end-2009.

**What to do with the stock**

We maintain our Neutral rating and our 12-month P/B-based target price of W18,800. We believe if Kia continues the virtuous cycle of generating better cash flows and reducing leverage it can create a lot of value for shareholders. It has some catalysts in upcoming product launches, but has also planned a big rise in R&D spending this year. Key risks: weaker/stronger than expected sales, FX fluctuation, rise in marketing expenses.

## Consumer Staples

**Kweichow Moutai (600519.SS): Below expectations: Consumption tax charge surprisingly higher**

16

**Yifan Deng** (Hong Kong): yifan.deng@gs.com, +852-2978-0528

Goldman Sachs (Asia) L.L.C.

**Joey Zeng** (Beijing): joey.zeng@ghsl.cn, +86(10)6627-3129

Beijing Gao Hua Securities Company Limited

**What surprised us**

Kweichow Moutai (KM) reported 1Q2010 result with net profit growing 4% yoy to Rmb1,266mn, below our full-year trend line growth of 37%, mainly on much higher-than-expected business tax charges (business tax to sales ratio was 17.8% in 1Q2010 vs. 9.3% in 1Q09). Key takeaways from the results: (1) 1Q sales grew 21% yoy, slightly below our full-year trend line of 35%, partly due to delayed impact from price hike, which was effective since Jan 2010, and partly due to higher customer advances on yoy basis. The sales growth boost from higher selling price is likely to start taking effect in 2Q. (2) The higher business tax charge was a result of the announcement of the new consumption tax rule in Aug '09. We also observed sharp increase in consumption tax for other key Chinese spirit companies in 1Q, but KM experienced the biggest change in terms of magnitude. (3) Customer advances balance slightly declined to Rmb3.1bn in 1Q10 from Rmb3.5bn in 4Q09, but was still substantially above Rmb1.8bn in 1Q09. Adjusting for this, 1Q2010 sales and net profit growth would have been +68%/+55% yoy.

**What to do with the stock**

We cut our 2010-2012 EPS estimates by 2%-3% to reflect higher consumption tax to sales ratio (new assumption is 12.6% vs. previous estimate of 10.6% in 2010E). Our 12m target price moves to Rmb175.0 (from Rmb181.0), based on 28X 2010E P/E (unchanged). Maintain Buy. Key risks: weaker-than-expected demand of high-end spirit products; sharp increase in consumption tax.

**Nestle India (NEST.BO): Below expectations; Cost pressures temper EPS growth; Sell, CL**

17

**NEST.BO, Rs2,865.05**

Market cap	US\$6,200 mn
Target price	Rs2,227.00
Fiscal y/e Dec	2010E 2011E
Net inc. (Rs)	7,876 mn 9,413 mn
EPS (Rs)	81.69 97.63
EPS growth	20.2% 19.5%
P/E	35.1X 29.3X
Dividend yield	2.0% 2.4%
Investment Lists	
	Asia Pacific Conviction Sell List
	Asia Pacific Sell List
Coverage view	Neutral

**Vishnu Gopal** (Mumbai): vishnu.gopal@gs.com, +91(22)6616-9046

Goldman Sachs India SPL

**Aditya Soman** (Mumbai): aditya.soman@gs.com, +91(22)6616-9345

Goldman Sachs India SPL

**What surprised us**

Nestle India reported 1QCY10 results on April 22. Net sales were Rs14.8bn (+16.9% yoy) vs. Bloomberg consensus of Rs15bn and our estimate of Rs15.2bn. Net income reported was Rs2,019 mn (+2.3% yoy), 11.1% lower than Bloomberg consensus of Rs2,270 mn and 18.5% lower than our estimate of Rs2,477 mn. EPS reported was Rs20.94 (+2.3% yoy) vs. our estimate of Rs25.69. While domestic sales were volume led, export sales were adversely affected by the strength of the Rupee. The bottom line was significantly affected by record commodity price levels. According to Nestle India, milk, sugar and wheat prices were at the highest levels for the past 10 years. We believe Nestle India's ability to pass on costs to consumers may be constrained in the current environment, with consumers already facing the burden of general food inflation and core inflation.

**What to do with the stock**

We lower our EPS for CY10E, CY11E and CY12E by 6%, reflecting higher cost assumptions. Accordingly, we revise our 12-month target price to Rs2,227 (based on 26X March 2011E time-weighted EPS) from Rs2,376. While we believe Nestle India is well placed in the long run to deliver high growth, our Sell rating is based on valuation grounds. We believe margin expansion may be hard to come by in the current challenging environment and envisage a flattening in Nestle India's cash returns. Upside risks include significantly better top-line growth than our forecasts on the back of strong domestic demand, increased penetration, new launches and higher exports; and a fall in input costs that could result in much better margin expansion than we estimate.

**China Yurun Food Group (1068.HK): Management call post placement; positive update on 1Q10**

18

**Yifan Deng** (Hong Kong): yifan.deng@gs.com, +852-2978-0528

Goldman Sachs (Asia) L.L.C.

**Joey Zeng** (Beijing): joey.zeng@ghsl.cn, +86(10)6627-3129

## Beijing Gao Hua Securities Company Limited

**News**

Yurun held a conference call on Friday morning (April 23), following its placement on April 22, 2010. (See more details in our note "Placement of both new and old shares; mildly EPS dilutive" dated April 22, 2010). The chairman Mr. Zhu and the CFO joined the call.

**Analysis**

## Key takeaways:

(1) Reason and timing of the new share placement. Yurun will use the HK\$2.1bn new capital to fund its capex in 2010E (mgmt guidance of HK\$2bn unchanged), while the company will repay some of its short-term loans (HK\$3.9bn at March 2010) during the year given the tightening in Chinese banks, potentially higher interest rates and possibility of further Rmb appreciation. Moreover, Mr. Zhu believes industry consolidation will continue in 2010 and Yurun should be positioned for that.

(2) The sale of old shares by the chairman. Mr. Zhu explained this was for personal financial needs and he feels comfortable with his current 30% stake. He also mentioned his other businesses are all in good shape and he is seeking to list the property business in Hong Kong this year.

(3) Business update. Management is satisfied with the business performance year-to-date and remains positive on the 2010 outlook. Slaughtering volume rose 59% yoy in 1Q10 (vs. full-year guidance 30%+) and the contribution from high-margin products continued to rise. Hog prices have stabilized recently with purchases from government reserves. Yurun's cheap downstream inventory can support its production until September 2010, the cost of which is around 50% lower than the current market price.

**Implications**

We retain our 2010-2012E EPS estimates and our 12-month target price of HK\$22.40 (based on 19X 2010E P/E). We maintain our Neutral rating. Key upside/downside risks: unexpected price movements and supply changes in live hogs and pork.

## Energy

### Reliance Industries (RELI.BO): Below expectation: Higher recouped costs, low GRM lowers profits

19

<b>RELI.BO, Rs1,087.35</b>		
Market cap	US\$80,409 mn	
Target price	Rs1,200.00	
Fiscal y/e Mar	2010E	2011E
Net inc. (Rs)	198,703 mn	270,523 mn
EPS (Rs)	60.48	82.34
EPS growth	20.4%	36.1%
P/E	18.0X	13.2X
Dividend yield	0.6%	0.7%

#### Investment Lists

Asia Pacific Buy List  
Asia Pacific Conviction Buy List

Coverage view Neutral

<b>RELI.L, US\$48.60</b>		
Market cap	US\$79,839 mn	
Target price	US\$53.00	
Fiscal y/e Mar	2010E	2011E
Net inc. (US\$)	3,877 mn	5,738 mn
EPS (US\$)	2.36	3.49
EPS growth	9.5%	48.0%
P/E	20.6X	13.9X
Dividend yield	0.6%	0.7%

#### Investment Lists

Asia Pacific Buy List  
Asia Pacific Conviction Buy List

Coverage view Neutral

**Nilesh Banerjee** (Mumbai): nilesh.banerjee@gs.com, +91(22)6616-9045

Goldman Sachs India SPL

**Nishant Baranwal** (Mumbai): nishant.baranwal@gs.com, +91(22)6616-9158

Goldman Sachs India SPL

#### What surprised us

Reliance Industries (RIL) reported 4QFY10 adjusted PAT of Rs47.1 bn, up 19% yoy, below our estimate and Bloomberg consensus of Rs49.6 bn, primarily owing to higher non-cash charges and lower than expected refining margins. RIL's 4Q cash profit of Rs84.1bn (up 43% yoy) was above our estimate of Rs 82.6bn. 4Q EBITDA of Rs91.4bn, up 60% yoy, came in below our estimate of Rs93.7 bn as reported refining margin of US\$7.5/bbl was lower than our estimate of US\$8/bbl. Petrochemical and E&P performance came largely in-line with our estimates. High 4Q recouped costs of Rs33.9bn (vs. our estimate of Rs30.0bn) was partly offset by lower interest expense and higher other income.

With refining cycle passing through trough, D-6 gas ramp-up in the next few quarters and a likely patchem trough in FY11E, we see multiple growth drivers in the medium term for RIL. We estimate PAT CAGR of 15% between FY10E-13E. Moreover, we believe RIL would likely pursue inorganic growth in its businesses, as it will generate more than US\$20bn of excess cash flow for FY11E-14E after its committed capex.

#### What to do with the stock

We retain RIL on our Conviction Buy list with 12-m SOTP-based TP of Rs1,200, implying upside of 11%. Potential resolution of court case, decrease in E&P costs and improvement in light-heavy oil price spreads are key stock catalysts in our view. Key risks 1) Delay in D-6 ramp-up from pipeline bottle-neck; 2) over-paying for further acquisitions; 3) risks associated with non-core investments; 4) continued court case overhang.

## Financial Services

### China: Brokers & Asset Managers: 1Q10 funds watch: Total AUM declined, despite inflows to equities

20

**Richard Xu, CFA** (Beijing): richard.xu@ghsl.cn, +86(10)6627-3192

Beijing Gao Hua Securities Company Limited

**Ning Ma** (Hong Kong): ning.ma@gs.com, +852-2978-1677

Goldman Sachs (Asia) L.L.C.

**Bowel Cheng** (Beijing): bowel.cheng@ghsl.cn, +86(10)6627-3095

Beijing Gao Hua Securities Company Limited

#### Notable outflows from MM funds partly offset by equity funds

China fund companies recently released detailed 1Q10 AUM trend data. Some key trends: 1) sizable cash outflow from money market (MM) funds, as some temporary year-end money exited; 2) resumption of cash inflow into equity and blended funds (particularly from blended funds) following modest net outflow in 4Q09 despite choppy equity market; and 3) mutual fund transactions moderated on a qoq and yoy basis.

#### Equity positions relatively stable; financial positions remained low

Fund managers modestly trimmed positions in 1Q10, and equity positions declined to 84% and 74% of

investable assets at China equity and blended funds, respectively, from 87% and 76% at the end of 4Q09. Financial sector allocation remained low as mutual funds allocated 11.1%, 2.4% and 1.1% of their total equity positions to banks, insurance and brokers, vs. 14.1%, 3.8% and 4.0% contribution in free-flow market cap, respectively. Moreover, the notable weakness in banking stock performance (down 9.4% month to date vs. 4.3% for CSI300) could imply further reduction by major mutual funds.

#### Total AUM growth could be pressured near term, but L/T positive

Despite the resumption of inflows to equity and blended funds, total AUM at mutual funds declined 7% qoq. We believe the recent weakness in the equity market could lead to further pressure on AUM growth in the near term. Positively, our Asia portfolio strategy team's expectation of medium-term healthy, albeit volatile, equity market return and potential continued AUM inflow from institutional clients could drive continued AUM growth in the China fund industry. As such, we continue to see CITIC Securities (600030.SS, Buy; Rmb28.94 as of Apr 22) and China Merchants Securities (600999.SS, Neutral; Rmb26.60) as the main beneficiaries of this trend, given their high net income contributions from asset mgmt business (c. 17% and 15%, respectively, of total net income in 2010E).

#### Weaker fund sales fees, partly offset by bankassurance sales

While the weaker mutual fund transaction volume could lead to weaker mutual fund sales fees at China banks, we believe strong bankassurance sales fees and higher fee rate on sales of loan-based wealth management products (higher loan yield given better pricing power, but stable yield offered on wealth management products sold to retail clients owing to stable deposit rates) could more than offset this pressure.

## HDFC Bank (HDBK.BO): First Take: HDFC Bank 4QFY10 results in line

21

### HDBK.BO, Rs1,944.35

Market cap US\$18,616 mn

Target price Rs2,120.00

Fiscal y/e Mar 2010E 2011E

Net inc. (Rs) 29,389 mn 38,373 mn

EPS (Rs) 68.02 84.29

EPS growth 28.4% 23.9%

P/E 28.6X 23.1X

Dividend yield 0.7% 0.9%

Investment Lists

Asia Pacific Buy List  
Asia Pacific Conviction Buy List

Coverage view Neutral

**Tabassum Inamdar, CFA** (Mumbai): tabassum.inamdar@gs.com, +91(22)6616-9052

Goldman Sachs India SPL

**Neha Agrawal** (Mumbai): neha.agrawal@gs.com, +91(22)6616-9161

Goldman Sachs India SPL

#### News

HDBK reported 4QFY10 net profit growth of 32.6% yoy to Rs8.37bn, 2% ahead of our estimate. As expected, NII growth was robust - up 27% yoy driven by strong loan growth of 27% yoy and 10bp qoq expansion in net interest margin to 4.4% as CASA remained high at 52%. Retail loans evidenced momentum at up 18% yoy (10% in 3Q) to Rs723bn (57% of total), buoyed by growth in car loans (27% yoy). However, the growth in fee income was disappointing (up 6% qoq, 7% yoy), likely due to subdued distribution fees and base effect from one-time fees last year. Provisions (0.9% of loans) were down 54% yoy (55% lower than our estimate) as asset quality continued to improve, and the bank saw lumpy corporate recovery. HDBK has taken this opportunity to make one-off contingency provision of Rs1.64 bn (annualized 0.54% of loans). The bank has one of the cleanest books among peers: gross NPLs at 1.43% (down 8% qoq and 9% yoy in 4Q), restructured loans of 0.3%, net NPLs at 0.3% of loans and provision coverage at 74.8%.

#### Analysis

HDFC Bank continued to report strong performance on key metrics, i.e NIM, NII growth, loan growth, CASA and NPLs. The key disappointment this quarter was the lower growth in fee income (up only 6% qoq and 7% yoy), though management is focused on qoq growth trajectory and indicated that the yoy growth is distorted by one-time fees last year. On the positive front, the key surprise was the NPL provisions (0.9% of loans vs. 1.5%-2.5% in the previous quarters) which were 55% lower than what we expected.

#### Implications

There is no change to our target price.

## Singapore: Real Estate Developers: Home prices rise 5.6%, now 1.4% below peak; sub-sales taper off

22

**Paul Lian** (Singapore): paul.lian@gs.com, +65-6889-2464

Goldman Sachs (Singapore) Pte

**Rishab Bengani** (Bangalore): rishab.bengani@gs.com, (212) 934-6394

Goldman Sachs India SPL

#### Home prices up 5.6%, now 1.4% below peak; sub-sales taper off

Private resi prices reported by URA rose 5.6% in 1Q10, despite the second installment of property measures introduced by the govt (Feb-19), though moderating from a 7.4% rise in 4Q09. Rising home prices were broad based; by region for non landed, prices were up 4.4% in Core Central (vs. 7.3% in 4Q09), 7.9% in Rest

of Central (vs. 9.5% in 4Q), and 4.3% in Outside Central (vs. 6.3% in 4Q). New sales for 1Q totaled 4,380 units vs. 1,860 units in 4Q, this accounts for nearly 30% of 2009's near record sales. Importantly, sub-sales, a measure of speculation, fell. On Office, we note a 0.4% uptick in Office rentals vs. 3.3% decline in 4Q; this marked a turnaround after 6 qtrs of decline. Downtown office vacancy improved, now at 10.5% vs. 12.3% in 4Q.

#### Points to note

(1) The residential price index is now just 1.4% below the recent peak in 2Q2008 and has recovered by 31% since bottoming out in 2Q2009. Prime prices however are still 7% below recent peak levels, with mid (+2%) and mass prices (+8%).

(2) For 1Q10, new homes sales were concentrated in CCR with 1,927 (44%) units sold as developers brought forward launch schedules, followed by OCR with 1,728 (39%) while RCR lagged with 725 (17%) units respectively.

(3) Resale market remained stable with 4,261 units sold in 1Q vs. 4,001 in 4Q. Islandwide sub sales, an indication of speculative activity, fell to 8.5% in 1Q from 11.6% in 4Q (mass sub-sales now 5.9% down from 10.1% in 4Q). URA's rental index maintained its uptrend, rising 4.7% vs. 0.6% 4Q09.

(4) Sentiment in Office continues uptrend; net demand for office space was 236,808sf in 1Q vs. 301,392sf in 4Q09. Islandwide vacancy rates were up at 12.5% vs. 12.1% in 4Q; however, the more important Downtown Core improved with vacancy falling to 10.5% vs. 12.3% in 4Q as "flight to quality" continues. JLL est Grade A office vacancy rates are now 3% from 4% in 4Q09.

#### CIT for Residential and CCT as a prime office laggard

We like City Dev with 70% of its resi land bank in the high end. The stock trades at 1.6x 2010E P/B, below the 20-year mean range of 1.7x; could see +1SD of 2.4x P/B if restocking cycle returns; peers CapitaLand and Keppel already trade close to +1SD P/B ranges. With Office stocks having already re-rated, we prefer prime office laggard CCT on valuation, trades at 0.8x 2010E P/B, 6.3% yield.

## ICICI Bank (ICBK.BO): In line with expectations: Higher treasury, other inc offset lower Nil

23

ICBK.BO, Rs975.75	
Market cap	US\$24,450 mn
Target price	Rs1,010.00
Fiscal y/e Mar	2011E 2012E
Net inc. (Rs)	49,944 mn 66,188 mn
EPS (Rs)	44.80 59.37
EPS growth	24.1% 32.5%
P/E	21.8X 16.4X
Dividend yield	1.4% 1.7%
Investment Lists	Neutral
Coverage view	Neutral

**Tabassum Inamdar, CFA** (Mumbai): tabassum.inamdar@gs.com, +91(22)6616-9052

Goldman Sachs India SPL

**Neha Agrawal** (Mumbai): neha.agrawal@gs.com, +91(22)6616-9161

Goldman Sachs India SPL

#### What surprised us

ICICI Bank (ICBK) reported 4QFY10 net profit growth of 35% yoy to Rs10.06 bn, in line with our estimate. Key takeaways: (1) Loan growth (up 1% qoq, down 17% yoy), was 6% lower than our estimate due to run-down of retail loans. However, disbursement growth in retail loans in 4Q (at Rs70 bn, 4.6x increase yoy) is now strong and this should reflect in asset growth. (2) Saving deposits registered 4% qoq and 30% yoy growth, while total deposits declined by 7.5% yoy (up 2% qoq). Consequently, CASA ratio improved 200bp to 41.7%. (3) Despite high CASA, lower loan growth and yields pulled down Nil by 5% yoy and 1% qoq. This was offset by higher fees and treasury gains. (4) ICBK made NPL provisions of 2.2% in 4Q (-1.2% qoq, +8.7% yoy) and is on track to meet the RBI extended deadline for 70% provision coverage by March 2011 (from September 2010). (5) ICICI Prudential Life reported statutory profit of Rs2.58 bn in FY2010 vs. loss of Rs7.8 bn in FY2009—we think it is still early to assume a break-even.

#### What to do with the stock

We raised our FY11-13 EPS estimates by 2%-3% to factor in lower provisions and raised our 12m SOTP based TP to Rs1010 from Rs960. Retain Neutral rating. The stock is trading at 2X FY11E BVPS and 1.5X FY2011E stand-alone BVPS. Given improving liability profile, and high CAR ratio, we think ICBK is well-poised to deliver a 370bp improvement in RoE to 13.1% by FY13E on group basis (about 15% on a stand-alone basis), in our view. However, we believe this is reflected in its share price, and we remain concerned of ICBK's re-entry strategy in the retail segment (at likely lower RoE) and high restructured loans. Downside risks: (1) dependence on bulk, and (2) slippages from economic slowdown. Upside risks: Faster growth in retail/CASA deposits

**Bank Mandiri (BMRI.JK): In line with expectations; higher credit cost offset by lower opex**

24

<b>BMRI.JK, Rp5,300</b>		
Market cap	US\$12,332 mn	
Target price	Rp6,000	
Fiscal y/e Dec	2010E	2011E
Net inc. (Rp)	9,456 bn	10,397 bn
EPS (Rp)	450	494
EPS growth	31.7%	9.6%
P/E	11.8X	10.7X
Dividend yield	3.0%	3.3%
Investment Lists	Asia Pacific Buy List	
Coverage view	Neutral	

**Vincent Chang** (Hong Kong): [vincent.chang@gs.com](mailto:vincent.chang@gs.com), +852-2978-6681  
Goldman Sachs (Asia) L.L.C.

**What surprised us**

Bank Mandiri reported 1Q10 net earnings of Rp 2.0tn (43% yoy growth, but 21% qoq decline), in line with our estimate. QoQ loan growth was modest at 2% due to seasonality issue (12% yoy), while 20bp NIM contraction was primarily driven by lower forex loan yield. Gross NPL ratio is down to 2.6% due to Rp 1.45tn write-off; however, we note its new NPL formation has risen across all loan segments in 1Q10 and reached Rp1.14tn (vs. Rp0.48-0.7tn in 2Q09-4Q09), leading to a higher net credit cost of 152 bp (annualized). Cost to income ratio remains low at 43%; capital adequacy / tier 1 ratio remains robust at 19% /15% after inclusion of operation risk in risk-weighted asset calculation.

**What to do with the stock**

We note that qoq loan/deposit growth trend in 1Q10 for Indonesian banks is generally softer, as many customers repay their debt in the first quarter, and most corporates have not started spending on their annual capex budget yet. We keep our 20% loan growth target in 2010E. The rising NPL formation is indeed noticeable but should be manageable, in our view, we remain optimistic on the asset quality outlook, given the improving macro economy. NIM should gradually improve on higher growth in wider-margin consumer/micro segments. Bank Mandiri is also the primary beneficiary if BI starts raising rates, as 21% of its earnings asset is on floating-rate government bond.

Valuation: Trading at 2.7X '10E BVPS and 11.8X '10E EPS on 24%-25% ROE in 2010E-12E, we believe the risk/reward is still attractive (vs. industry avg. ROE 26%, P/B 3.2X, P/E 13.5X). Our 12-m Camelot-based TP is Rp 6,000. Risks: Investors reducing EM exposure; substantial yield/NIM decline.

**Industrials****Samsung C&T (000830.KS): Above expectations on one-off items; marginally raise TP**

25

<b>000830.KS, W57,800</b>		
Market cap	US\$8,147 mn	
Target price	W69,000	
Fiscal y/e Dec	2010E	2011E
Net inc. (W)	489 bn	470 bn
EPS (W)	3,128	3,010
EPS growth	58.9%	(3.8%)
P/E	18.5X	19.2X
Dividend yield	0.9%	1.0%
Investment Lists	Neutral	
Coverage view	Neutral	

**Sean Choi** (Seoul): [sean.choi@gs.com](mailto:sean.choi@gs.com), +82(2)3788-1791

Goldman Sachs (Asia) L.L.C., Seoul Branch

**William Shim** (Seoul): [william.shim@gs.com](mailto:william.shim@gs.com), +82(2)3788-1729

Goldman Sachs (Asia) L.L.C., Seoul Branch

**What surprised us**

Samsung C&T reported strong 1Q10 preliminary results. Although EBIT of W57bn was 33% below our estimate (31% below consensus), net profit of W310bn was 244% above our estimate (269% above consensus). Revenue of W2.9 tn was 6% above our estimate (3% above consensus). The strong bottom-line was driven largely by a one-off gain of approx. W160 bn from disposal of its stake in Samsung Networks (not listed) during Samsung Networks' merger with Samsung SDS (not listed). The gain was non-cash as it was effectively converted into Samsung SDS stake.

**What to do with the stock**

We do not believe that weak 1Q10 EBIT is a reason for concern as quarterly earnings fluctuations are common for E&C companies. Reflecting factors such as the asset disposal gain, additional details of 2009 results, and higher raw material (mostly steel) cost assumptions, we raise our 2010E and 2011E EPS estimates by 45% and 4%, respectively. Our 12-month target price rises by 4.5% to W69,000. Our target price is based on NAV with a holding company discount of 20%. The company's core E&C business is valued on the peer group average mid-cycle P/E of 14.0X and adjusted for potential losses from outstanding PF guarantees. We maintain our Neutral rating on the stock. Key risks to our target price and investment view include potential risk to overseas project margins as overseas business grows in size, which in turn tests project management capability, NAV discount volatility, and performance of affiliates and companies in which SC&T has equity stakes.

**Asia Pacific: Conglomerates: Conglo Catch-up: Your 2-min guide to estimates, valuations, events**

26

**Simon Cheung, CFA** (Hong Kong): [simon.cheung@gs.com](mailto:simon.cheung@gs.com), +852-2978-6102

Goldman Sachs (Asia) L.L.C.

**David Ng, CFA** (Singapore): [david.k.ng@gs.com](mailto:david.k.ng@gs.com), +65-6889-2483

Goldman Sachs (Singapore) Pte

**Ming Eng, CFA** (Hong Kong): ming.eng@gs.com, +852-2978-1206

Goldman Sachs (Asia) L.L.C.

**Michelle Lee** (Singapore): michelle.wl.lee@gs.com, +65-6889-2462

Goldman Sachs (Singapore) Pte

### Stocks of the week: Shun Tak Holdings and China ports

Shun Tak Holdings (0242.HK, Buy): On April 21, Shun Tak reported FY2009 headline net profit of HK\$2.87 bn. Excluding property revaluation and exceptionals, underlying earnings of HK\$1.19 bn were above our estimate of HK\$940 mn. Key highlights: (1) Shun Tak targets to launch two major projects in 2010, including One Central Serviced Apartment in mid-2010 and Chatham Garden in 2H2010. We believe successful execution on these upcoming property projects could support the stock to rerate in the next 6-12 months. (2) According to the company, its SkyCity Marriott Hotel began to generate positive operating profit from 4Q09, with improving occupancy rate and room rate in 1Q10. (3) Management is satisfied with One Central retail mall's performance to date and indicated some tenants have begun to pay turnover rents.

We reiterate Buy on the stock and our 12-m NAV-based TP of HK\$7. The stock looks attractively valued, trading at 46% discount to 2010E NAV (vs. historical average of 31% since 2005) and at 0.7X P/B (vs. historical average of 1.1X since 2000). Key risks: slower-than-expected recovery of Macau's property market.

China ports: China Ministry of Transport released the March throughput data this week. Throughput grew 14% yoy to 11 mn TEU in March 2010, concluding 1Q10 with a solid 22% yoy increase. By region, Pearl River Delta led the growth with a 27% yoy increase in 1Q10, followed by Yangtze River's 17% and Bohai's 12%. Based on the current run rate, we estimate throughput will only need to grow 9% yoy from April to December in order to achieve our projected 12% growth for 2010E. We maintain our view that throughput recovery will continue in the coming months as: (1) the restocking cycle typically lasts for 6-12 months; (2) strong retail sales continue in the US (+9% yoy in March); and (3) US retail inventory-to-sales ratio remains low at 1.36X in Feb (vs 1.5X historical average since 2001).

Among the stocks under our coverage with port exposure, we continue to prefer Hutchison Whampoa (0013.HK) and Cosco Pacific (1199.HK), both rated Buy. Hutch is attractively valued at 33% discount to 2010E NAV vs its long-term average of 18% since 2001. As for Cosco, we believe it should continue to benefit from its exposure to the fast-growing Bohai Rim region as well as narrower losses at its newer ports. It is trading at 18X 2010E P/E (vs 20X historical average since 2005).

## Sembcorp Marine (SCMN.SI): Estimate/PT changes following recent new contract wins & rig sale

27

### SCMN.SI, S\$4.33

Market cap	US\$6,546 mn	
Target price	S\$4.90	
Fiscal y/e Dec	2010E	2011E
Net inc. (S\$)	567.0 mn	569.8 mn
EPS (S\$)	0.27	0.28
EPS growth	(20.3%)	0.5%
P/E	15.8X	15.7X
Dividend yield	3.2%	3.2%

#### Investment Lists

Asia Pacific Buy List

Coverage view Neutral

**David Ng, CFA** (Singapore): david.k.ng@gs.com, +65-6889-2483

Goldman Sachs (Singapore) Pte

**Michelle Lee** (Singapore): michelle.wl.lee@gs.com, +65-6889-2462

Goldman Sachs (Singapore) Pte

### What's changed

We have raised our 2010E/11E estimates by 4/2% respectively, following Sembcorp Marine's recent CJ70 jack-up rig sale, and to largely reflect recent new contract wins. Sembcorp Marine recently announced it will be selling its harsh environment CJ70 jack-up drilling rig to Seadrill, which in our view, the sale is a positive outcome after earlier termination of the CJ70 jack-up drilling rig order last year when its buyer Petroprod filed for bankruptcy. Also, Sembcorp Marine has secured some S\$680mn worth of new contracts, comprising (1) S\$550mn EPC contract from ConocoPhillips to build accommodation topside for Greater Ekofisk (North Sea) redevelopment project off Norway, and (2) S\$130mn pre-FPSO conversion contract from Petrobras.

### Implications

We see both the recent rig sale and new contract wins as positive signs for the offshore & marine sector as a whole, and continues to reinforce our view that the cycle is turning up. In Keppel's results briefing last week, Keppel (KPLM.SI, Neutral, S\$10.06) was also noticeably more optimistic, citing orders are starting to return to the sector, a positive change from last year's very weak market situation. We continue to like Sembcorp Marine, given its pure leverage to the cycle upturn. Retain Buy.

### Valuation

Post the earnings changes, we are revising our 12-month target price to S\$4.90 (previous S\$4.60), still based on mid-cycle P/B valuation. In the past, Sembcorp Marine has traded between 1X to 8.4X P/B, with mid-cycle P/B of 4.7X. The stock is currently trading at 4.2X 2010E P/B.

### Key risks

Key downside risks to our view and price target are poor execution and lower-than-expected new orders.

## Technology

**Catcher Technology (2474.TW): Below expectations: Stock appears to have bottomed for now; Buy**

28

**2474.TW, NT\$84.10**

Market cap	US\$1,782 mn	
Target price	NT\$97.00	
Fiscal y/e Dec	2010E	2011E
Net inc. (NT\$)	4,339 mn	5,451 mn
EPS (NT\$)	6.53	8.20
EPS growth	30.7%	25.6%
P/E	12.9X	10.3X
Dividend yield	1.8%	2.2%

## Investment Lists

Asia Pacific Buy List

Coverage view Neutral

**Henry King** (Hong Kong): henry.king@gs.com, +852-2978-0748

Goldman Sachs (Asia) L.L.C.

**Kevin Lu** (Taipei): kevin.lu@gs.com, +886(2)2730-4187

Goldman Sachs (Asia) L.L.C., Taipei Branch

**What surprised us**

Catcher posted 1Q10 earnings of NT\$567mn (-40% qoq, -14% yoy), 11%/6% below GSe/Reuters consensus. OPM declined by 2.7 pp to 16.8% (vs. GSe 17.8%) from 4Q09 due to the lack of operating leverage. We expect Catcher's 2Q GM/OPM to improve on both a qoq and yoy basis on strong 2Q sales growth (GSe: +53% qoq). We believe the market will now look past the poor results and focus on Catcher's outlook for the next 12 months. We regard this share price level as attractive and suggest investors add to positions.

**What to do with the stock**

We believe Catcher's sales bottomed out in 1Q2010. In the NB space, Catcher – the key casing supplier for Apple Macbook Pro Refresh as at April 13 – should benefit from potentially strong MacBook Pro sales in April/May due to the easing of the component shortages in early April. Also, we expect Catcher to benefit from existing OEM customers with the new Calpella-based NB. Handsets, on the other hand, may outgrow NBs in 2010. Our channel checks suggest Catcher might be the light metal casing supplier for all of HTC's smartphone models, as of 2Q. Catcher should also gain market share from tier-1 handset OEMs (e.g., Motorola, Nokia). Catcher may also be the casing supplier for the new iPhone made by Pegatron in late 2010/early 2011 (see our update of March 31). Separately, Catcher's margin is likely to expand as the labor shortage/limited capacity should enable it to select orders with favorable margins. Although Catcher currently trades at 13X 2010E EPS, we believe the market will focus on its potentially strong sales momentum in the coming 12 months and the valuation appears attractive to us at 11X NTM EPS. We fine-tune our 2010E/11E sales/EPS. We retain our Buy rating on Catcher, with a 12-month target price of NT\$97, still based on 13X NTM EPS. Risks: High sales/margins volatility; potential GDR offering (filed in Oct 2009) still active.

## Transportation

**China Southern Airlines (H) (1055.HK): Below expectations: Traffic mix dampens 1Q recovery**

29

**1055.HK, HK\$4.09**

Market cap	US\$3,457 mn	
Target price	HK\$3.10	
Fiscal y/e Dec	2010E	2011E
Net inc. (Rmb)	2,326 mn	2,876 mn
EPS (Rmb)	0.29	0.36
EPS growth	852.9%	23.6%
P/E	12.4X	10.0X
Dividend yield	--	--

## Investment Lists

Neutral

Coverage view Neutral

**Hino Lam** (Hong Kong): hino.lam@gs.com, +852-2978-0526

Goldman Sachs (Asia) L.L.C.

**Tom Kim** (Hong Kong): tom.kim@gs.com, +852-2978-0856

Goldman Sachs (Asia) L.L.C.

**Ricky Tsang** (Hong Kong): ricky.tsang@gs.com, +852-2978-6631

Goldman Sachs (Asia) L.L.C.

**What surprised us**

On April 23 after market close, China Southern Airlines (CSA) reported unaudited 1Q10 results. 1Q10 pre-exceptional net profit of Rmb297 mn was below our and Bloomberg consensus expectations of Rmb640 mn and Rmb428 mn. This excludes exceptional gains of Rmb1,106 mn from the disposal of its 50% equity stake of its MTU Maintenance JV. 1Q10 pre-exceptional net margins came in at 1.8% vs China Eastern Airline's (CEA) and Air China's (AC) margins of 4.9% and 8.0%, respectively.

**What to do with the stock**

In our view, the worse than expected 1Q10 earnings were largely attributable to: 1) Weaker than expected pricing recovery of -0.6% yoy vs. our expectation of +1.0% yoy, 2) CSA's relatively lower exposure to international routes which have shown a sharp traffic recovery ytd. We cut our 2010E-2012E EPS by 9.1%/5.2%/4.3%, as we lower our 2010E yield growth forecasts to +4.5% from +6.3% yoy to reflect a slower recovery in CSA's yields. We maintain our Neutral rating on the stock as the shares are fully valued at 1.08X current EV/FV vs. its peer group average of 1.09X.

**Valuations**

We cut our 12m SOTP TP to HK\$3.10/US\$19.87 (from HK\$3.30/US\$21.15) based on new target EV/FV of 1.03X (from 1.05X), underpinned by a lower 2010E-11E ROF of 8.7% (from 8.8%) and WACC of 8.6%. We also cut our 12m SOTP TP for CSA (A) to Rmb7.10 from Rmb7.40 on new target multiple of 1.39X (from

1.41X) on a lower ROF of 8.7% (from 8.8%). Risks: Upside: Stronger-than-expected Rmb appreciation. Downside: significant traffic diversion to High Speed Rail.

## Daqin Railway (601006.SS): In line with expectations: On track for margin expansion in 2010

30

601006.SS, Rmb9.18		
Market cap	US\$17,448 mn	
Target price	Rmb13.00	
Fiscal y/e Dec	2010E	2011E
Net inc. (Rmb)	8,351 mn	8,094 mn
EPS (Rmb)	0.64	0.62
EPS growth	26.7%	(3.1%)
P/E	14.3X	14.7X
Dividend yield	3.5%	3.4%
Investment Lists		
	Asia Pacific Buy List	
Coverage view	Neutral	

**Hino Lam** (Hong Kong): hino.lam@gs.com, +852-2978-0526

Goldman Sachs (Asia) L.L.C.

**Tom Kim** (Hong Kong): tom.kim@gs.com, +852-2978-0856

Goldman Sachs (Asia) L.L.C.

**Ricky Tsang** (Hong Kong): ricky.tsang@gs.com, +852-2978-6631

Goldman Sachs (Asia) L.L.C.

### What surprised us

On April 24, Daqin Railway (DQ) reported unaudited 1Q10 pre-exceptional profit of Rmb2,461 mn, which were in-line with both our and Bloomberg consensus expectations of Rmb2,250 mn and Rmb2,226 mn, respectively. On a qoq basis, pre-exceptional net margins improved to 37.4% from 29.1% in 4Q09, largely attributable to lower operating expenses which came in 23% lower than 4Q09 levels.

### What to do with the stock

We reiterate our Buy rating on the stock as we believe DQ is on track to deliver 2010E EPS of Rmb0.64. We continue to expect margin expansion in 2010 due to positive operating leverage, underpinned by: 1) Strong 2010E throughput, which we expect to grow 19% yoy; and 2) High utilization rates which came in at 95% in 1Q10. We have increased our 2010E-12E EPS marginally on the back of slightly higher-than-expected 1Q10 revenue.

### Valuation

There is no change to our 12-month target price of Rmb13.00, based on a P/E multiple of 20.0X our 2010E EPS forecast, underpinned by the average P/E of the stock since 2008. Risks: Deceleration of China's growth and infrastructure constraints resulting in increased coal imports.

## Analyst Certification Disclaimer

Each equity and strategy research report excerpted herein was certified under Reg AC by the analyst primarily responsible for such report as follows: I, Name of Analyst, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

## Investment Profile

The Goldman Sachs Investment Profile provides investment context for a security by comparing key attributes of that security to its peer group and market. The four key attributes depicted are: growth, returns, multiple and volatility. Growth, returns and multiple are indexed based on composites of several methodologies to determine the stocks percentile ranking within the region's coverage universe.

The precise calculation of each metric may vary depending on the fiscal year, industry and region but the standard approach is as follows:

**Growth** is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. **Return** is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. **Multiple** is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book. **Volatility** is measured as trailing twelve-month volatility adjusted for dividends.

## Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

## Disclosures

### Coverage group(s) of stocks by primary analyst(s)

Compendium report: please see disclosures at <http://www.gs.com/research/hedge.html>. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research.

Option Specific Disclosures

**Price target methodology:** Please refer to the analyst's previously published research for methodology and risks associated with equity price targets.

**Pricing Disclosure:** Option prices and volatility levels in this note are indicative only, and are based on our estimates of recent mid-market levels. All prices and levels exclude transaction costs unless otherwise stated.

**Buying Options** - Investors who buy call (put) options risk loss of the entire premium paid if the underlying security finishes below (above) the strike price at expiration. Investors who buy call or put spreads also risk a maximum loss of the premium paid. The maximum gain on a long call or put spread is the difference between the strike prices, less the premium paid.

**Selling Options** - Investors who sell calls on securities they do not own risk unlimited loss of the security price less the strike price. Investors who sell covered calls (sell calls while owning the underlying security) risk having to deliver the underlying security or pay the difference between the security price and the strike price, depending on whether the option is settled by physical delivery or cash-settled. Investors who sell puts risk loss of the strike price less the premium received for selling the put. Investors who sell put or call spreads risk a maximum loss of the difference between the strikes less the premium received, while their maximum gain is the premium received.

**For options settled by physical delivery**, the above risks assume the options buyer or seller, buys or sells the resulting securities at the settlement price on expiry.

### Company-specific regulatory disclosures

Compendium report: please see disclosures at <http://www.gs.com/research/hedge.html>. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research.

### Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	30%	54%	16%	48%	46%	38%

As of April 1, 2010, Goldman Sachs Global Investment Research had investment ratings on 2,821 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by NASD/NYSE rules. See Ratings, Coverage groups and views and related definitions' below.

### Price target and rating history chart(s)

Compendium report: please see disclosures at <http://www.gs.com/research/hedge.html>. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research.

### Regulatory disclosures

#### Disclosures required by United States laws and regulations

See company-specific regulatory disclosures above for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; for equity securities, market making and/or specialist role. Goldman Sachs usually makes a market in fixed income securities of issuers discussed in this report and usually deals as a principal in these securities.

The following are additional required disclosures: **Ownership and material conflicts of interest:** Goldman Sachs policy prohibits its analysts, professionals reporting to analysts and members of their households from owning securities of any company in the analyst's area of coverage. **Analyst**

**compensation:** Analysts are paid in part based on the profitability of Goldman Sachs, which includes investment banking revenues. **Analyst as officer or director:** Goldman Sachs policy prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director, advisory board member or employee of any company in the analyst's area of coverage. **Non-U.S. Analysts:** Non-U.S. analysts may not be associated persons of Goldman Sachs & Co. and therefore may not be subject to NASD Rule 2711/NYSE Rules 472 restrictions on communications with subject company, public appearances and trading securities held by the analysts.

**Distribution of ratings:** See the distribution of ratings disclosure above. **Price chart:** See the price chart, with changes of ratings and price targets in prior periods, above, or, if electronic format or if with respect to multiple companies which are the subject of this report, on the Goldman Sachs website at <http://www.gs.com/research/hedge.html>.

#### Additional disclosures required under the laws and regulations of jurisdictions other than the United States

The following disclosures are those required by the jurisdiction indicated, except to the extent already made above pursuant to United States laws and regulations. **Australia:** This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. **Canada:** Goldman Sachs & Co. has approved of, and agreed to take responsibility for, this research in Canada if and to the extent it relates to equity securities of Canadian issuers. Analysts may conduct site visits but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. **Hong Kong:** Further information on the securities of covered companies referred to in this research may be obtained on request from Goldman Sachs (Asia) L.L.C. **India:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (India) Securities Private Limited; **Japan:** See below. **Korea:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (Asia) L.L.C., Seoul Branch. **Russia:** Research reports distributed in the Russian Federation are not advertising as defined in the Russian legislation, but are information and analysis not having product promotion as their main purpose and do not provide appraisal within the meaning of the Russian legislation on appraisal activity. **Singapore:** Further information on the covered companies referred to in this research may be obtained from Goldman Sachs (Singapore) Pte. (Company Number: 198802165W). **Taiwan:** This material is for reference only and must not be reprinted without permission. Investors should carefully consider their own investment risk. Investment results are the responsibility of the individual investor. **United Kingdom:** Persons who would be categorized as retail clients in the United Kingdom, as such term is defined in the rules of the Financial Services Authority, should read this research in conjunction with prior Goldman Sachs research on the covered companies referred to herein and should refer to the risk warnings that have been sent to them by Goldman Sachs International. A copy of these risks warnings, and a glossary of certain financial terms used in this report, are available from Goldman Sachs International on request.

**European Union:** Disclosure information in relation to Article 4 (1) (d) and Article 6 (2) of the European Commission Directive 2003/126/EC is available at [http://www.gs.com/client\\_services/global\\_investment\\_research/europeanpolicy.html](http://www.gs.com/client_services/global_investment_research/europeanpolicy.html) which states the European Policy for Managing Conflicts of Interest in Connection with Investment Research.

**Japan:** Goldman Sachs Japan Co., Ltd. is a Financial Instrument Dealer under the Financial Instrument and Exchange Law, registered with the Kanto Financial Bureau (Registration No. 69), and is a member of Japan Securities Dealers Association (JSDA) and Financial Futures Association of Japan (FFAJ). Sales and purchase of equities are subject to commission pre-determined with clients plus consumption tax. See company-specific disclosures as to any applicable disclosures required by Japanese stock exchanges, the Japanese Securities Dealers Association or the Japanese Securities Finance Company.

#### Ratings, coverage groups and views and related definitions

**Buy (B), Neutral (N), Sell (S)** -Analysts recommend stocks as Buys or Sells for inclusion on various regional Investment Lists. Being assigned a Buy or Sell on an Investment List is determined by a stock's return potential relative to its coverage group as described below. Any stock not assigned as a Buy or a Sell on an Investment List is deemed Neutral. Each regional Investment Review Committee manages various regional Investment Lists to a global guideline of 25%-35% of stocks as Buy and 10%-15% of stocks as Sell; however, the distribution of Buys and Sells in any particular coverage group may vary as determined by the regional Investment Review Committee. Regional Conviction Buy and Sell lists represent investment recommendations focused on either the size of the potential return or the likelihood of the realization of the return.

**Return potential** represents the price differential between the current share price and the price target expected during the time horizon associated with the price target. Price targets are required for all covered stocks. The return potential, price target and associated time horizon are stated in each report adding or reiterating an Investment List membership.

**Coverage groups and views:** A list of all stocks in each coverage group is available by primary analyst, stock and coverage group at <http://www.gs.com/research/hedge.html>. The analyst assigns one of the following coverage views which represents the analyst's investment outlook on the coverage group relative to the group's historical fundamentals and/or valuation. **Attractive (A).** The investment outlook over the following 12 months is favorable relative to the coverage group's historical fundamentals and/or valuation. **Neutral (N).** The investment outlook over the following 12 months is neutral relative to the coverage group's historical fundamentals and/or valuation. **Cautious (C).** The investment outlook over the following 12 months is unfavorable relative to the coverage group's historical fundamentals and/or valuation.

**Not Rated (NR).** The investment rating and target price have been removed pursuant to Goldman Sachs policy when Goldman Sachs is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances. **Rating Suspended (RS).** Goldman Sachs Research has suspended the investment rating and price target for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon. **Coverage Suspended (CS).** Goldman Sachs has suspended coverage of this company. **Not Covered (NC).** Goldman Sachs does not cover this company. **Not Available or Not Applicable (NA).** The information is not available for display or is not applicable. **Not Meaningful (NM).** The information is not meaningful and is therefore excluded.

#### Global product; distributing entities

The Global Investment Research Division of Goldman Sachs produces and distributes research products for clients of Goldman Sachs, and pursuant to certain contractual arrangements, on a global basis. Analysts based in Goldman Sachs offices around the world produce equity research on industries and companies, and research on macroeconomics, currencies, commodities and portfolio strategy. This research is disseminated in Australia by Goldman Sachs JBWere Pty Ltd (ABN 21 008 797 897) on behalf of Goldman Sachs; in Canada by Goldman Sachs & Co. regarding Canadian equities and by Goldman Sachs & Co. (all other research); in Hong Kong by Goldman Sachs (Asia) L.L.C.; in India by Goldman Sachs (India) Securities Private Ltd.; in Japan by Goldman Sachs Japan Co., Ltd.; in the Republic of Korea by Goldman Sachs (Asia) L.L.C., Seoul Branch; in New Zealand by Goldman Sachs JBWere (NZ) Limited on behalf of Goldman Sachs; in Russia by OOO Goldman Sachs; in Singapore by Goldman Sachs (Singapore) Pte. (Company Number: 198802165W); and in the

United States of America by Goldman Sachs & Co. Goldman Sachs International has approved this research in connection with its distribution in the United Kingdom and European Union.

European Union: Goldman Sachs International, authorized and regulated by the Financial Services Authority, has approved this research in connection with its distribution in the European Union and United Kingdom; Goldman Sachs & Co. oHG, regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, may also distribute research in Germany.

### General disclosures

This research is for our clients only. Other than disclosures relating to Goldman Sachs, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Goldman Sachs conducts a global full-service, integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by our Global Investment Research Division. Goldman Sachs & Co., the United States broker dealer, is a member of SIPC (<http://www.sipc.org>).

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

We and our affiliates, officers, directors, and employees, excluding equity and credit analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options disclosure documents which are available from Goldman Sachs sales representatives or at <http://www.theocc.com/publications/risks/riskchap1.jsp>. Transactions cost may be significant in option strategies calling for multiple purchase and sales of options such as spreads. Supporting documentation will be supplied upon request.

All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is Goldman Sachs responsible for the redistribution of our research by third party aggregators. For all research available on a particular stock, please contact your sales representative or go to <http://360.gs.com>.

Disclosure information is also available at <http://www.gs.com/research/hedge.html> or from Research Compliance, One New York Plaza, New York, NY 10004.

Copyright 2010 The Goldman Sachs Group, Inc.

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of The Goldman Sachs Group, Inc.