Global Equity Research

Asia

Equity Strategy

Regions & Sectors

UBS Investment Research

Morning Expresso - Asia

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Morning Expresso

This report has been prepared by UBS Securities Asia Limited

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 19.

Morning Meeting Agenda

Global Risk Radar

	Strategist: Jeffrey Palma	Tel: +1-203-719 1135

Risk appetite improves slightly; still in negative territory

- Risk Appetite Indicator rises to -0.36 from -0.49 The UBS Equity Risk Appetite Indicator was up slightly last week even as the MSCI AC World index declined 0.7%. Each component of the indicator moved higher, led by the Credit & FX component which benefited from a contraction in corporate credit spreads. The indicator remains in negative territory at -0.36 after beginning the week at -0.49.
- Credit & FX component higher The Credit and FX component was the biggest contributor to the indicator's move last week as Moody's BAA rate contracted to 290bps versus the US 10-year Treasury yield, from 306bps the week prior. This is the narrowest spread since late May. There was little movement to interest rate swap spreads or FX volatility.
- Equity positioning improves The equity positioning component moved modestly higher despite the decline across global equity markets. The divergence was driven from cyclical sectors, particularly Materials & Tech outperforming Defensives, notably Healthcare and Utilities. Regionally, GEM and Japan outperformed while Europe and Pacific ex. Japan underperformed.
- Equity volatility little changed The VIX index fluctuated during the week, finally dropping to 25.5 from 26.2 at the beginning of last week.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 23 August 2010

China COSCO	Rating: Neutral	Target: HK$9.60	Price: HK$8.78	RIC: 1919.HK
	Prior: Unchanged	Prior: HK$9.22	Mkt Cap: HK$53.9bn	BBG: 1919 HK
Marine Transport	Analyst: Richard Wei, CFA		Tel: +8621-3866 8875	

1H10 profit to significantly beat consensus

- Container profit will likely surprise on the upside in 1H10 China Cosco will report 1H10 results this Thursday, and we expect far better than consensus profit in 1H10 due to a turnaround in container division from Q2 in terms of significant freight rate recovery and strong volume growth. For 1H10, we now forecast Rmb3.2bn net profit (vs. Rmb2.9bn consensus profit forecast for FY10). We believe share price may be supported by this earning surprise in the near term.
- Expect 4Q will see potential downside risk for container freight rates We believe 3Q is traditionally peak season for container shipping, with rates and volume continuing to be strong, especially for Transpacific route. However, we see increasing risk in 4Q due to demand growth slowing down in Europe and US and increased container capacity, which we expect will cause lower freight rates.
- Raise EPS to Rmb0.55/0.59/0.83 for 2010E-2012E Reflecting strong recovery in container shipping business, we raised our freight rate and volume assumptions. We now expect container business GP margin to reach 13%/13%/14% for 2010-2012, much higher than previous single-digit GP margin estimates. Accordingly, we raise our EPS forecast for 2010-2012 from Rmb0.37/0.43/0.70 to Rmb0.55/0.59/0.83.
- Valuation: Maintain Neutral, PT raised to HK$9.6 from HK$9.22 Fuelled by strong growth from its liner business, we believe share price will have near-term upside potential. However, given we expect container freight rates peaking in Q3, and also dry bulk business may not perform well, we maintain our Neutral rating. Our new price target of HK$9.6 is derived using a previous target P/BV of 1.77.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$8.78 on 23 Aug 2010 23:39 BST

CSCL	Rating: Sell	Target: HK$2.73	Price: HK$2.92	RIC: 2866.HK
	Prior: Unchanged	Prior: HK$1.60	Mkt Cap: HK$27.3bn	BBG: 2866 HK
Marine Transport	Analyst: Richard Wei, CFA		Tel: +8621-3866 8875	

1H10 results likely to beat consensus

- We forecast Rmb16bn revenue and Rmb999m profit for 1H10 With strong rate recovery in transpacific route and also strong container volume growth, we expect CSCL to report much better than consensus 1H10 profit this Thursday, and we now forecast Rmb1bn profit for 1H10 versus Rmb526m consensus profit forecast for FY10. We expect share price may be supported by this earnings surprise in the near term.
- 2H10 may be stronger than 1H10 due to peak season in 3Q We think the transpacific route will be the major earnings driver for 2H10, with current freight rate at least 30% higher than early 2010. However, considering new capacity addition pressure, potential weak volume demand for Europe and US due to sluggish economic recovery, we believe freight rate will be weaker in Q4.
- Raise EPS to Rmb0.19/0.21/0.24 from Rmb-0.03/0.03/0.08 for 10/11/12E We believe CSCL 1H10 earnings will surprise on the upside, and we sharply raise 2010/11/12 EPS estimates to reflect 1) strong freight rates recovery and volume growth, we increase our revenue per TEU estimates for 2010/11/12 by 18%/17%/17%, respectively, and volume growth estimates is also raised by 2%. 2) Better operating cost control due to stable vessel charter-in cost and fuel hedging.
- Valuation: Raise PT to HK$2.73, maintain Sell Applying the sustainable-ROE-implied-PB valuation approach, we raise our PT from HK$1.6 to HK$2.73, as we raise our target P/B from 0.63x to 0.97x due to increasing our sustainable ROE assumption from 8% to 10%. We believe current valuation of 1.1x 2011E PB has largely reflected the earnings recovery story.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$2.92 on 23 Aug 2010 23:39 BST

Zhongsheng	Rating: Buy Prior: Unchanged	Target: HK$14.50 Prior: Unchanged	Price: HK$12.40 Mkt Cap: HK$23.7bn	RIC: 0881.HK BBG: 881 HK
Retailers, Specialty	Analyst: Erica Poon Werkun, CFA		Tel: +8621-3866 8865	

Executing growth plans

- H110 results: strong sales and margin growth Zhongsheng reported H110 NPAT of Rmb380m, up 153% YoY and was 9% above our Rmb348m forecast. About 90% of H1 sales and profits were generated from the 47 dealerships of 2009. This set of results shows that management continues to execute its growth plans and deliver on key metrics.
- 69 dealerships with more to come; back-end loaded sales volume growth Zhongsheng currently has 69 dealerships (it opened 10 and acquired 12 in H1)— 17 luxury and 52 mid/high-end. Another 13 stores are under construction. We maintain our year-end target of 95 stores. We expect sales volume growth to be back-end loaded in 2010, with new Corolla and Prado models gaining momentum.
- Favourable brand mix and healthy inventory allow margin surprises Gross margins came in much stronger than expected at 10.6% (6.8% for new auto sales). We believe it suggests Zhongsheng's high-end brand portfolio, particularly with the launch of Mercedes-Benz, has strengthened its pricing power. And that market concerns on inventory build-up and Toyota recalls have been overblown.
- Valuation: maintain Buy rating and HK$14.5 price target (10.4% WACC) Zhongsheng is trading at 13.6x 2011E PE, around a 25% premium against China automakers. We think valuation is undemanding considering an estimated 51% earnings CAGR. We expect continued execution of its growth plan to instil investor confidence and drive multiple expansions. We would view potential M&A as positive catalysts. We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers with UBS's VCAM tool.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$12.40 on 23 Aug 2010 23:39 HKT

CN Construction Bank	Rating: Neutral Prior: Unchanged	Target: HK$7.45 Prior: Unchanged	Price: HK$6.54 Mkt Cap: HK$1,528bn	RIC: 0939.HK BBG: 939 HK
Banks, Ex-S&L	Analyst: Sarah Wu		Tel: +852 29717157	

Slow deposit growth, but LDR improvement

- Pre-provision profit in line, provision charge lower than expected CCB reported H110 net attributable profit of Rmb 70.7bn, up 27% YoY. This is c3% ahead of our forecast and 2% ahead of consensus. The main difference came through a lower than expected provision charge in Q2. CCB has achieved 54% of our full year forecast.
- Liability growth challenges While loans grew by 5.4% QoQ, overall balance sheet only grew by 1% QoQ due to the below system deposit growth. Deposits only grew by 1.7% QoQ, vs system growth of 5.6%. We believe this has been driven by the intensifying deposit market competition.
- Margin up 4bp QoQ, credit quality a non-issue this quarter We estimate margin expanded by 4bp QoQ to 2.43%. The faster loan growth would have helped on asset mix as loan to deposit ratio increased from 60% to 62.3%. Elsewhere, NPLs fell by 5% QoQ and NPL ratio fell to 1.22%. Provision charge annualised at 37bp of loans compared to 41bp in Q110. Similar to the other smaller banks, the question remains whether this lower level of provisioning is sustainable.
- Valuation: Price target unchanged at HK$7.45 We do not expect these numbers to drive significant changes to consensus estimates or share price in the near term. The read through for the other larger banks would be the slower liability growth during the quarter. That said, given the larger banks do have room to increase their loan to deposit ratios (opposite issue for the smaller banks), this could help to support their margins more than the smaller banks in H210. CCB-H currently trades at 11x 2010E PE & 2.1x 2010E P/BV with forecast ROE of 21% in 2010. We set our price target using a three-stage Gordon Growth methodology.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$6.54 on 20 Aug 2010 23:40 HKT

Bawang International	Rating: Sell Prior: Unchanged	Target: HK$4.30 Prior: Unchanged	Price: HK$4.31 Mkt Cap: HK$12.5bn	RIC: 1338.HK BBG: 1338 HK
Household Products, Non-Durable	Analyst: Spencer Leung		Tel: +852-2971 7459	

Expect the street to revise down

- Surprisingly weak 1H10 results Though the market fully anticipated a substantial deterioration in 2H10 due to the Dioxane scandal, a set of weak 1H10 numbers came as a negative surprise. Sales grew 36.7% to RMB931m. However, 1H10 YoY earnings growth of 47.1% was rather disappointing given 1H09 was a weak half year.
- Limited shelf space seems to be a constraint on Royal Wind We note that Royal Wind (RW) contributed sales of merely RMB186m in 1H10 compared with a 7-month contribution of RMB293m in 2009. In our previous note, we highlighted that some supermarkets have not provided more shelf space to Bawang, which could have limited RW's expansion.
- Analyst briefing at 10:45am An analysts' briefing will be held at 10:45am today. Apart from the reasons behind weak RW sales, we also expect management to share impact of the Dioxane scandal on recent shampoo sales.
- Valuation - Earnings cuts likely to come; our Sell rating is reiterated We are positive on the personal care sector but maintain our Sell rating on Bawang. Our current 2010/11 earning estimates are 24%/26% lower than consensus of RMB465m and RMB616m. Given 1H10 only delivered 31% of FY2010 consensus and Bawang will unlikely catch up in 2H10, we expect the street to revise down estimates in the near term. We derive our PT using a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS' VCAM tool.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$4.31 on 20 Aug 2010 23:40 EST

China Resources Pwr	Rating: Buy	Target: HK$20.60	Price: HK$17.12	RIC: 0836.HK
	Prior: *Unchanged*	Prior: *Unchanged*	Mkt Cap: HK$80.3bn	BBG: 836 HK
Electric Utilities	Analyst: Stephen Oldfield		Tel: +852-2971 7140	

1H10 earnings beat our expectations

- First half earnings of HK$2.42bn vs. our forecast of HK$1.91bn Earnings were up 8% YoY, thanks to better than expected earnings from both the power and coal segments. Revenues from power were in line with expectations but segmental earnings beat our forecasts, thanks to lower depreciation and other costs. Earnings from the coal segment beat our forecasts, including higher revenues than we expected. The analyst briefing will be after market close today. CR Power remains our preferred Chinese IPP and we maintain our Buy rating.
- Coal earnings surprise Late in 2009, the company announced the acquisition of stakes in a portfolio of operating coal mines in Shanxi. We think many investors have been reluctant to give the company credit for the benefits of these investments because of an earlier unsuccessful investment in an Inner Mongolian greenfield coal development project. We like the coal investments because they should give CR Power better security of supply, improved margins and lower coal cost risks. We think these results could lead to a re-evaluation of the Shanxi investments.
- Top pick among the Chinese IPPs We believe that CR Power is unique among Chinese IPPs in that it earns its cost of capital. Higher returns improve self-financing capacity of new projects and lower sensitivity to adverse cost movements.
- Valuation: 3-stage DCF-based target of HK$20.6, using an 8.9% WACC We use explicit cash flows to 2014E, a medium-term growth rate of 6.0% and 9.0% ROIC for 10 years, and a terminal growth rate of 5.0% at a 9.0% ROIC.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$17.12 on 20 Aug 2010 23:40 BST

Longyuan Power	Rating: Buy	Target: HK$10.40	Price: HK$8.06	RIC: 0916.HK
	Prior: *Unchanged*	Prior: HK$10.10	Mkt Cap: HK$60.2bn	BBG: 916 HK
Electric Utilities	Analyst: Stephen Oldfield		Tel: +852-2971 7140	

Lifting forecasts after interim 2010 results

- Increasing price target to HK$10.4 and increasing earnings estimates We are lifting our full-year earnings forecasts – 2010e, 10%; 2011e, 8% and 2012e, 10% – after stronger-than-expected H1 2010, which demonstrated continued strong project implementation and good operational and capital cost control. The earning changes mainly reflect lower depreciation, cash costs and interest expense. We forecast Rmb1.76bn of 2010 recurring earnings (up 97% YoY) and Rmb1.93bn of reported earnings (up 115% YoY), with one-off gains mainly including the estimated c. Rmb200m from the recent listing of its associate Yantai Longyuan.
- Potential for upside on capacity additions forecast and downside on costs Management reiterated their intention to add at least 2GW of wind capacity in 2010. Longyuan completed only 49.5MW in H1, less than we expected, as the ground was frozen longer than normal last winter, causing a 5-6 weeks' construction delay. Most additions normally happen towards end of calendar year due to construction cycles.
- Positive guidance by management Management highlighted several encouraging factors: good progress in transmission lines that should help improve utilisation rates, construction costs could be down 10% YoY for 2010 (we assume only 3%) and some of the new CDM projects have prices for carbon as high as €12.5/t, including VAT (we had assumed around €11/t). In light of the baseline tariffs for Heilongjiang, Gansu, Shandong, and Hebei set by the CDM EB, we have allowed for slightly less CDM approval in the longer term.
- Valuation: new DCF-based price target of HK$10.4, Buy rating We use a WACC of 8.3%, CF to 2020, a 5% terminal growth rate with 9.25% ROIC.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$8.06 on 20 Aug 2010 23:40 BST

Agile Property	Rating: Buy	Target: HK$11.76	Price: HK$9.43	RIC: 3383.HK
	Prior: *Unchanged*	Prior: HK$10.72	Mkt Cap: HK$33.5bn	BBG: 3383 HK
Real Estate	Analyst: Haiyun Zhang		Tel: +8621-3866 8816	

H110 results review

- H110 core profit in line Agile Property Holdings (Agile) booked 0.85m sqm of GFA in H110 at Rmb8,122/sqm, and reported Rmb7.1bn turnover (7% above our estimate of Rmb6.6bn). Core profit reached Rmb1.13bn (our estimate Rmb1.12bn), and core EPS was Rmb0.32. It achieved a 34% post-land appreciation tax gross margin and 16.3% core net margin, and declared a 6.1 HK cents interim dividend. According to management, Hainan accounted for 26% of revenue.
- Financials Agile sold 1.03m sqm of GFA and achieved Rmb10.5bn of contract sales in H110. As of June, Agile had Rmb4.2bn in cash (excluding Rmb3.85bn that was restricted), Rmb2.9bn of short-term debt, and Rmb13.7bn of long-term debt. Net gearing was 71%, up from 51% in 2009. This was partly due to the company buying back 102.786m shares in H110.
- 4.75m sqm GFA available for sale in H210, versus 1m sqm sold in H110 As of June, Agile had 31.15m sqm of landbank, and Rmb1.33bn in outstanding land costs. With such a long-term (approximately eight years) landbank on hand, Agile stopped adding land after April. A total of 4.75m sqm of GFA will be available for sale in H210, and we believe such large-scale launches will increase pressure on its financials due to construction capex. We estimate net gearing will rise to 88% by end-2010, well above management's comfort zone of 60-70%.
- Valuation: trading at 48% discount to 2011 NAV estimate of HK$18.10 Due to the higher net gearing, we increase our target NAV discount from the previous 30% to 35%, and derive our new price target of HK$11.76. Our price target implies 13.0x/12.0x 2010/11E PE, and 2.3x/2.0x 2010/11E P/BV. We maintain our Buy rating.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$9.43 on 20 Aug 2010 23:40 HKT

Giordano	Rating: Neutral Prior: Sell	Target: HK$4.34 Prior: HK$2.00	Price: HK$4.18 Mkt Cap: HK$6.24bn	RIC: 0709.HK BBG: 709 HK
Retailers, Apparel	Analyst: Erica Poon Werkun, CFA		Tel: +8621-3866 8865	

Recovery on firmer ground

- We look for 5% sales growth in H110; new CFO appointed Giordano's Q2 trends show continued improvement in retail sales. All key markets experienced YoY sales growth including China, which had recorded negative growth in Q1. While H109 provided a low base, we note that improved consumer sentiment, improved merchandise, and a restructured BSX also helped fuel the growth. Mr. Rudy Io, Giordano's CFO of less than a year, recently resigned. Mr. Dominic Leo Richard Irwin, who joined from Johnson Electric, has been appointed CFO effective 1 August.
- Step function in gross margin drives earnings growth Gross margin was 56.5% in Q110, and even higher in Q210. Compared to 48.2% in H109, we expect a step function in gross margin to be the main driver of earnings growth in H110. We believe control over sourcing, less discounting, and price adjustment could help Giordano maintain its gross margin at this higher level.
- Earnings estimates revision; H1 earnings preview The single most important update is our gross margin assumption. We raise our 2010/11 EPS estimates by 53%/56% from HK$0.17/0.18 to HK$0.26/0.28. We also forecast 81-83% payout in 2010-12. For H1, we forecast NPAT of HK$178m (46% of our FY estimate).
- Valuation: upgrade from Sell to Neutral, raise price target to HK$4.34 From a 'survival mode' with uncertain payouts in 2009, Giordano has emerged with strong earnings momentum and greater visibility in dividend payments. Recent positive movements in its share price place Giordano in the upper band of its PE range since September 2008, which we believe is justified by a strengthening of fundamentals. We upgrade Giordano to Neutral rating based on our new price target of HK$4.34 (HK$2.00 previously).
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$4.18 on 23 Aug 2010 18:10 HKT

YingLi Green Energy	Rating: Buy Prior: Unchanged	Target: US$15.00 Prior: US$13.00	Price: US$10.92 Mkt Cap: US$1.62bn	RIC: YGE.N BBG: YGE US
Electric Components & Equipment	Analyst: Lu Yeung		Tel: +852 6081 0223	

Raising PT to $15 on more positive 2011

- Raising PT to $15; more positive on 1H11 We raise our PT from $13 to $15 based on our more positive view on 2011. We expect YGE's margin to remain steady despite upcoming subsidy cut and we see in-house poly, if executed on schedule, could add upside to our margin assumption of 30%. We see current 2H10 margin concerns as entry-point, and possibly little equity offering overhang until shares are trading closer to our PT of $15.
- Higher expenses to taper off in 4Q10; Jury still out on World Cup Investors are concerned that higher operating expense associated with World Cup advertising and up-start fees of 2nd-gen. products/in-house poly, most of which should taper off by end of year. YGE has been a price leader in the past and the latest campaign could help supporting ASP in '11 against upcoming subsidy cuts
- Potential equity offering needed to keep up with robust industry growth We expect YGE to incur an additional capex of $300-350mn in 2H10 (600-660mn in 2010). With continued robust growth, we expect a capex of $300-400mn in 2011 for another 400MW expansion, which should be furnished by equity offering, operating cash flow (likely $50-80mn/quarter) and untapped credit line.
- Valuation We are raising our FY10 and FY11 EPS by 16% to 40% to CNY6.33 and CNY8.37 based on ASP/Shipments of $1.69/969MW and $1.47/1300MW in '10/'11. YGE trades at 9.7x '11 EPS and we believe the Street has somewhat discounted in a down-cycle scenario. Our new $15 PT is based on UBS VCAM model, and implies a 13x '11 P/E which is at the lower end of mid-cycle P/E of 13-17x.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of US$10.92 on 23 Aug 2010 20:11 EDT

GCL Poly	Rating: Buy Prior: Unchanged	Target: HK$2.20 Prior: HK$2.08	Price: HK$1.85 Mkt Cap: HK$20.5bn	RIC: 3800.HK BBG: 3800 HK
Electric Components & Equipment	Analyst: Lu Yeung		Tel: +852 6081 0223	

1H10 earnings preview; Raise PT to HK$2.2

- Positive ahead of results; Raise PT to HK$2.2 We reiterate Buy on GCL and raise PT to HK$2.2 (from HK$2.08) ahead of 1H results on Aug 25th. We are more positive based on: (1) our upgraded 2011 industry forecast of 19GW (from 15GW); (2) Strong wafer shipment from faster-than-expected wafer capacity ramp; (3) recently completed hydrogenation plant enables cost reduction closer to $30/kg by 4Q10 from $35/kg in 1Q10
- Strong wafer business not priced-in We believe investors have overlooked the strong ramp of wafer business which capacity quickly grew to 1.2GW in 2Q10 and possibly 2GW by 4Q10 from a mere 700MW in 1Q10. We have higher confidence of GCL filling that aggressive capacity ramp with its wafer-slicing facilities closer to customer sites of STP, TSL, CSIQ etc. We expect shipment of 600MW in 2H10 and 1160MW in 2011.
- Cost reduction tracking better-than-expected Recent completion of the hydrogenation plant reinforced our confidence on continue poly cost reduction to $30/kg by 4Q10 from $35/kg in 1Q10. Our bottom-up model projects a poly price of $45/kg exiting '11, which implies GM to remain healthy with cost trending below $30/kg in '11. Wafer cost is among the industry best at $0.30/W currently and expected to reduce to less than $0.30/w by 4Q10
- Valuation undemanding at 9.5x ' 11 EPS despite recent run-up; Buy We raise our FY10E/FY11E EPS by 8.3% and 8.8% based on resilient ASP and stronger wafer business. Our UBS VCAM PT of HK$2.2 implies 13x our '11E EPS, consistent with the mid-cycle multiples of 12-14x for upstream solar manufacturers
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$1.85 on 23 Aug 2010 23:39 EDT

Global I/O: Solar Industry

Solar	Analyst: Stephen Chin	Tel: +1-212-713 4111

Strong 2H10 likely continues into 1H11

- **Input: Steep supply and demand growth in 2011 ahead** We raise our 2010 global demand estimate by 32% to 16.4GW (prior 12.4GW) and our 2011 global demand to 19.2GW (prior 15GW) on stronger than expected European markets (mainly Germany). Visibility for 2011 demand is improving and we expect tier-1 suppliers to confirm this trend at PVSEC in Valencia (Sept 6-10). Despite that, our supply model suggests significant overcapacity again in 2H11.
- **KGI: Solar module prices steady in 2H10 with normal declines in 2011-12** We adjusted our 2010 global solar module average selling price (ASP) to $1.90/W (prior: $1.65/W) as 2H10 remains firm. We estimate module ASPs decline -21% to $1.50/W in 2011 and are $1.28 in 2012, accounting for feed-in tariff reductions. Our "stress test" for module maker margins in 2011 favors First Solar and Yingli.
- **Polysilicon prices robust through 1H11; decline to $45/Kg in 2H11** We estimate 2010 total polysilicon demand at 140K metric tons (MT) compared to total supply of 135K MT. Spot poly prices are expected to remain stable around $60/kg in 2H10 (up 20% versus 1H10). However, while we expect demand to increase to 155K MT in 2011, supply will grow to 193K MT by year-end 2011, which will cause a decline in poly spot prices to $45/kg exiting 2011, in our view.
- **Output: Most Preferred Solar Stocks are First Solar, SMA, and Yingli** In the U.S., we upgrade First Solar to a Buy rating given 20% higher sales to Italy/France and more conviction that it can sell its Agua Caliente project. In Europe, we favour SMA as it benefits from higher solar module volumes and attractive valuation (8.5x our 2010 EPS estimate). In Asia, we favour Yingli which likely sees strong margin expansion from starting its own polysilicon production.

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 22 August 2010

ITM

ITM	Rating: Neutral	Target: Rp42,800	Price: Rp40,100	RIC: ITMG.JK
	Prior: Buy	Prior: Unchanged	Mkt Cap: Rp45,310bn	BBG: ITMG IJ
Coal	Analyst: Andreas Bokkenheuser		Tel: +65-6495 5803	

Switch to Neutral on strong performance

- **Superior outperformance throughout 2010** ITM has outperformed the Indonesian coal sector this year, gaining 24% versus the sector's 9%, and is now trading within 7% of our price target. Amidst investor concerns directed at other Indonesian coal miners, we believe ITM's good corporate governance and high-quality operations have stood out among its peers.
- **H110 net profit 40% and sales volume 48% of our full-year forecasts** Its H110 net profit of US$134m was 40% and 41% of our and consensus' full-year forecasts, respectively, while sales volume was 48% of our full-year estimate. We expect further earnings growth momentum in 2011 on account of the 6-12 month contract lag based on the 40% YoY increase in contract prices this year.
- **Near-term macro risk but remain positive on the company** Heavy rain in China has boosted reservoirs and hydropower production, which has led to reduced coal demand and recent coal price weakness. Consequently, we downgrade our rating for ITM from Buy to Neutral, as weakness could carry into Q410 before demand picks up ahead of the winter. We reiterate our bullish view on thermal coal owing to its strong fundamentals, and think that ITM's risk is to the upside due to its high-quality coal, strong production growth and good corporate governance.
- **Valuation: parent company Banpu Thailand looks attractive** Given our downgrade of ITM, we think ITM's parent company, Banpu Thailand, looks attractive on account of its higher reserve life and diversified operations. We derive our price target for ITM using a target PE of 13.2 and a WACC of 11.6%.
- **Notes:**

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of Rp40,100 on 20 Aug 2010 23:40 SGT

Indonesia Plantations Sector

Agriculture	Analyst: Felicia Tandiyono	Tel: +62-21-2554 7037

Indonesia's rains support bullish CPO price

- **We estimated Indonesia CPO production to grow 3-5%YoY in 2010-11E** Our proprietary Indonesia crude palm oil (CPO) supply model estimated production to grow at 3%/5% YoY in 2010/11E. This implies 0.6m and 0.9m tonnes additional production for 2010 and 2011, respectively. Near-term productions are lower than 2009's, which grew at 8% YoY and added 1.5m tonnes.
- **Productivity challenges ahead** We believe the effects of the rains so far in 2010 may compromise Indonesian CPO companies' initial targets for annual production volume this year. Continuing rain as in the first half of this year may present several productivity challenges associated with pollination, harvesting, and logistics. We think productivity challenges ahead may potentially lower volume production and operating margin near term for Indonesian CPO producers.
- **Maintain bullish CPO price assumption for 2011** We maintain our benchmark CPO price assumption estimate at US$782/tonne in 2010 and an increase of 14% YoY to US$882/tonne in 2011. Potential disappointment in Indonesia supply supports our price view. The CPO benchmark price average year to date is US$780/tonne.
- **Preferred pick—London Sumatra** We prefer London Sumatra (LSIP) in the Indonesian plantation sector due to potential upside on efficiency and growth from underperforming estates in South Sumatra. Our new price targets for Astra Agro (AALI) and LSIP of Rp25,950 and Rp12,100 are calculated using target EBIT/EV yield of 7 and 8%, respectively.
- **Notes:**

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 23 August 2010

Korea Market Strategy

	Analyst: Young Chang	Tel: +82-2-3702 8803

Value stocks with firm fundamentals

- **Value has substantially outperformed nearly every year with high success rate** Given the macro view is mixed on the street, we have revisited valuation by sector and company. As highlighted earlier, value has substantially outperformed nearly every year since 1999 in Korea—value sectors outperformed on average 37% pa with a 79% success rate (Chart 1, Table 1). We define value as sectors that are cheap compared with other sectors as well as their own historical range.
- **Banks, tech and Hyundai Development are in deep value** Our value picks are banks, tech and Hyundai Development (charts 2-3). Our stock picks are IBK and KEB from banks, Samsung, and Hyundai Development. We also note that these names are at or near our Buy rating by implied ROE (charts 4-6).
- **Also backed by firm fundamentals** All these names are Buy-rated by our analysts owing to their fundamental backdrop. Our banks analyst, Scott Lee, believes that banks' NPLs should stabilise following four years of deceleration in lending, the net interest margin is expected to remain stable, and provisioning looks excessive. Our construction analyst, Yongsuk Son, believes the property market will recover from late 2010/early 2011, given a sharp drop in supply; he also thinks Hyundai Development looks inexpensive following a 75% correction from the peak. Our tech analyst, Nicolas Gaudois, prefers Samsung given: 1) improving smartphone momentum; 2) remarkable execution in memory; and 3) valuation.
- **Changes to our preferred list** We add Hyundai Development to our preferred list, but remove SK Energy that has outperformed the Kospi 20% over the past few months. See Table 3 for our preferred list.
- **Notes:**

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 23 August 2010

KEPCO

KEPCO	Rating: Buy	Target: Won42,000	Price: Won30,900	RIC: 015760.KS
	Prior: Unchanged	*Prior: Unchanged*	Mkt Cap: Won19,799bn	BBG: 015760 KS
Electric Utilities	Associate Analyst: Sera Oh		Tel: +82-2-3702 8808	

Takeaways from CEO meeting

- **KEPCO targets US$26bn overseas revenue by 2020** KEPCO CEO, Mr. Kim Ssang-Soo, hosted an IR meeting with analysts and institutional investors to present KEPCO's long-term vision of achieving annual overseas revenue of US$26bn by 2020 and become one of the top five energy & engineering companies globally. CEO Kim also held a Q&A session to answer business-related questions. (i.e. fuel cost-pass through, nuclear projects etc.)
- **Key takeaways from the Q&A session** 1) Targets a return to profitability in 2010E; 2) fuel-cost pass through scheme on track to be implemented from July 2011; 3) negotiate with the government for another tariff hike in 1H11; 4) management would do its utmost to pay dividend this year; 5) achieve self sufficiency rate of 60% on fuel supply by 2020; 6) Saudi Arabia, Malaysia, and India are among the countries that KEPCO sees possibility of receiving nuclear power plant orders; 7) 10% stake sale in KPS in 2H10.
- **Positive catalysts from 2011E and onwards** We continue to remain positive on KEPCO given several possible catalysts ahead: 1) tariff hike in 2H10 and 2011E should have positive earnings impact; 2) improving fuel generation mix should help reduce costs from 2011E; 3) new fuel-cost pass through scheme should lead to earnings stability; and 4) potential gain from sale of stake in subsidiaries (KPS, KOPEC etc).
- **Valuation: maintain Buy rating** Our target price of Won42,000 is based on DCF, assuming a WACC of 5.9% and terminal growth of 3%.
- **Notes:**

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of Won30,900 on 23 Aug 2010 21:37 EDT

Malayan Banking

Malayan Banking	Rating: Buy	Target: RM8.90	Price: RM8.13	RIC: MBBM.KL
	Prior: Unchanged	*Prior: Unchanged*	Mkt Cap: RM57.5bn	BBG: MAY MK
Banks, Ex-S&L	Analyst: Khairul Rifaie		Tel: +60 32 781 1166	

Positive operating performance

- **Reiterate Buy: Most preferred among the large caps** Maybank's core operating performance continues to support our view that its transformation is producing results with sustainable high non interest income. In addition, we believe it is conservative in provisioning and as a result there could be a positive impact when FRS 139 is implemented. This is coupled with the possibility of strong dividend payouts in the future. We think all these factors have not been fully reflected in the share price and therefore we reiterate our Buy rating.
- **FY10 core results lower than forecasts but PPOP in line** Maybank reported FY10 net profit growth of 452% YoY to RM3,549m driven by lower impairments on goodwill, higher contribution from BII, higher non interest income. Excluding one-off items, we estimate the FY10 earnings are equivalent to 95% of our FY10 forecasts. The slightly lower than expected core earnings were driven by higher-than-expected loan loss provisions and effective tax rate.
- **High dividend payout of 77%** Maybank announced net dividend of 33 sen which was significantly better than our forecast of 26 sen. This is equivalent to a dividend payout of 77% versus our forecast of 50%. We believe Maybank is able to announce high dividend payout due to the dividend reinvestment plan. Management has guided dividend payout for FY11 of between 40-60%.
- **Valuation** We derive our RM8.90 price target using the Gordon Growth Model, with an average FY10-12E ROE of 15.2% and cost of equity of 9.2%.
- **Notes:**

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of RM8.13 on 20 Aug 2010 23:40 EST

Delta Electronics	Rating: Buy (CBE) Prior: *Unchanged*	Target: NT$135.00 Prior: NT$126.00	Price: NT$117.50 Mkt Cap: NT$280bn	RIC: 2308.TW BBG: 2308 TT
Electric Components & Equipment	Analyst: Arthur Hsieh		Tel: +8862-8722 7348	

Q210 preview—continue to execute

- Q210 net income could be a record high We expect Delta to report Q210 net income of NT$3.89bn, up 11.9%YoY, and reach a new quarterly record high, beating the consensus estimate of NT$3.69bn. Due to increasing sales contribution from high-margin products such as components and industrial automation (IA), we estimate Delta could improve its Q2 operating margin to 10.6% from 9.6% in Q1 and 8.9% a year ago.
- Set to benefit from a diversified product portfolio Even though there is increasing uncertainty in PC demand, Delta's power supply products in game console, TV, and telecom applications registered accelerated sales in July. IA and solar businesses also showed strong momentum. We think Delta's defensive business model stands out in this volatile environment.
- Ongoing branding initiatives to enhance profitability We think the strong IA sales are a testimony to the initial success of Delta's brand-building initiative. Management remains confident of achieving US$1bn IA sales in four years. We believe better brand recognition could help the company leverage the support from distributors and achieve its market-share gain strategy.
- Valuation: reiterate Buy; raise price target to NT$135 We raise our all-in EPS estimates for 2010/2011/2012 from NT$6.45/NT$7.53/NT$9.04 to NT$6.76/NT$8.05/NT$9.62 given the better operating leverage and the solid progress in the high-margin products' sales. We raise our price target from NT$126 to NT$135 to reflect our revised earnings estimates. We derive our price target using DCF-based methodology and explicitly forecast long-term valuation drivers with UBS's VCAM tool.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of NT$117.50 on 23 Aug 2010 22:10 EDT

Cathay FHC	Rating: Buy Prior: *Unchanged*	Target: NT$66.00 Prior: *Unchanged*	Price: NT$48.90 Mkt Cap: NT$476bn	RIC: 2882.TW BBG: 2882 TT
Insurance, Life	Analyst: Pandora Lee		Tel: +886-2-8722 7351	

Worst is over; earnings inflection ahead

- Loss-making in H110; turned profitable in July Cathay reported a net loss of NT$1bn in H110, driven by: 1) a one-time provisioning of NT$1.8bn in Q110 for the existing traditional and health policies due to changes in regulation; 2) a loss of NT$1.25bn from the DTA adjustment; and 3) higher-than-expected hedging cost in Q110 (NT$4.2bn in Q1 and NT$0.8bn in Q2). Management expects to book a cash dividend of NT$5bn in H210.
- FYP growth remains strong; cash position is falling Cathay Life reported 74% YoY growth in first-year premium (FYP), which was NT$180.7bn in H110; market share maintained at 32%. Traditional and health products (high margin) accounted for 49.2% of total FYP (versus 35.8% in H109). According to management, the investment return of 3.1% for H110 is on track to meet the FY target of 3.7% as: 1) cash dividend in H210 will lift equity returns; 2) the company would continue to deploy cash into the international bond market and domestic equity with a focus on high-dividend-yield stocks. Cash position dropped to 16.7% of the total investment fund in Q210 from 19.2% in Q1.
- Cathay bank reported net earnings of NT$6.4bn for H110, up 54% YoY NIM declined slightly by 1bp QoQ to 1.06% in Q210 despite strong loan growth of 5.7% QoQ. Fee income grew 42% YoY mainly driven by strong sales in wealth management products. Management expects negative credit cost for this year (gross provisioning amounted to NT$0.9bn while the recovery in NPL was NT$1.3bn in H110).
- Valuation: sum-of-the-parts; reiterate Buy rating on Cathay We value the life business at 1.2x P/EV (versus the historical average of 1.5x) and the bank at 1.1x P/BV. Our price target of NT$66.0 represents 1.4x 2010E P/adj. NAV.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of NT$48.90 on 20 Aug 2010 23:40 HKT

FPCC	Rating: Neutral Prior: *Unchanged*	Target: NT$72.00 Prior: *Unchanged*	Price: NT$73.80 Mkt Cap: NT$661bn	RIC: 6505.TW BBG: 6505 TT
Chemicals, Commodity	Analyst: John Chung		Tel: +852-3712 4783	

Q210 earnings slightly below consensus

- Stronger refining earnings offset by weaker olefin spreads FPCC reported its Q210 net profit of NT$10.2bn (EPS of NT$1.08), which is 7% below market consensus but 7% higher than our estimates. Q210 net profit declined 7% QoQ, mainly due to lower olefin spreads and slower seasonality for its utilities business in Q210. Management will host a Q210 results conference call on 27 August.
- Refining profits up on higher utilisation and stronger margins Operating profits from refining operations in Q210 increased 22% QoQ as the utilisation rate has increased to 97% in Q210 from 85% in Q110 after the scheduled maintenance shutdowns in March-April. On the other hand, operating profit from olefins declined 10% QoQ due to lower spreads and utilisation rate.
- Q310E earnings likely to weaken substantially We expect FPCC's Q310E net profit to decline 45% QoQ to NT$5.6bn or EPS of NT$0.6. Owing to its fire incidents in July, we estimate that the refining utilisation rate is likely to drop to the 65-70% level and the olefin utilisation rate is also likely to decline in Q310 as Olefin No.1 (24% of FPCC's total ethylene capacity) is likely to remain shut for the whole quarter after the fire broke out in early July.
- Valuation: Neutral rating, NT$72 price target We maintain our Neutral rating and price target of NT$72 for FPCC. Given the weak Q310E earnings ahead, we see more downside risk in the near term. FPCC is trading at 3.1x 2010E P/BV, which is at a premium to its historical average and regional peers' average. We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers with UBS's VCAM tool.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of NT$73.80 on 23 Aug 2010 20:11 EDT

UBS Global I/O: Technology Weekly

Technology	Analyst: Nikos Theodosopoulos	Tel: +1-212-713 3286

M&A - Tech's Best Hope for Solid 2H10?

- Input: M&A increasing; see more cross-sector deals in tech Despite macro uncertainty, tech M&A is on pace to meet or exceed 2009 levels. Given maturing large caps in tech hold record cash balances while trading at low relative valuation levels and faced with new competitive threats in a converged consumer and cloud-based enterprise, we expect to see increasing cross-sector M&A with a greater number of deals outside core businesses (e.g. Intel/McAfee), which will make predicting potential M&A combinations all the more problematic.
- 2010 biggest year ever for tech deal premiums & percentage of cash paid 2010 is proving to be the biggest year ever for tech premiums paid and all-cash deals. We attribute this to strong sector earnings & balance sheets affording acquirees the opportunity to wait for buyers that will pay sizable cash premiums. Yet despite higher premiums, deal multiples remain below the historic average as cash-rich tech firms seek to unlock value where investors have not seen it this year.
- Output: look to software as a sector with significant takeout potential Though predicting deals will prove difficult, the software industry's capital efficiency and sector-best margin structure suggest it will be a key M&A focus. As many cash-rich US tech firms have substantial reserves outside the US, we detail a number of attractive M&A candidates in software in Europe, as well as the US.
- Tech 10 list: Add Autodesk to most preferred; SAIC to least preferred We are adding Autodesk to our Tech 10 list as a most preferred name given potential upside to estimates and SAIC as a least preferred name on its sizable exposure to the US Gov't and our concerns over weaker public sector spending.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 23 August 2010

Rating & PT Changes

Key Rating and Price Target Changes:

Company Name	Directional Indicator/Rationale	Reuters Code	Current Share Price	New Rating	New PT	Prior Rating	Prior PT
Giordano	Upgrade to Neutral, increase PT	0709.HK	HK$ 4.18	Neutral	HK$ 4.34	Sell	HK$ 2
Indo Tambangraya Megah (ITM)	Downgrade to Neutral, PT unch	ITMG.JK	Rp 40450	Neutral	Rp 42800	Buy	Rp 42800
Agile Property Holdings	Reiterate Buy, increase PT	3383.HK	HK$ 9.17	Buy	HK$ 11.76	Buy	HK$ 10.72
China Longyuan Power Group	Reiterate Buy, increase PT	0916.HK	HK$ 7.9	Buy	HK$ 10.4	Buy	HK$ 10.1
GCL Poly Energy	Reiterate Buy, increase PT	3800.HK	HK$ 1.85	Buy	HK$ 2.2	Buy	HK$ 2.08
Yingli Green Energy Holding Company	Reiterate Buy, increase PT	YGE.N	US$ 10.99	Buy	US$ 15	Buy	US$ 13
China COSCO Holdings	Maintain Neutral, increase PT	1919.HK	HK$ 8.78	Neutral	HK$ 9.6	Neutral	HK$ 9.22
China Shipping Container Lines	Retain Sell, increase PT	2866.HK	HK$ 2.92	Sell	HK$ 2.73	Sell	HK$ 1.6
Astra Agro Lestari	Reiterate Buy, lower PT	AALI.JK	Rp 20000	Buy	Rp 25950	Buy	Rp 34000
London Sumatra Indonesia	Reiterate Buy, lower PT	LSIP.JK	Rp 9300	Buy	Rp 12100	Buy	Rp 13500
PLUS Expressways	Maintain Neutral, increase PT	PLUE.KL	RM 4.1	Neutral	RM 3.95	Neutral	RM 3.6
Delta Electronics	Reiterate Buy, increase PT	2308.TW	NT$ 117.5	Buy (CBE)	NT$ 135	Buy (CBE)	NT$ 126
Epistar Corporation	Reiterate Buy, increase PT	2448.TW	NT$ 86.5	Buy (CBE)	NT$ 138	Buy (CBE)	NT$ 135

Source: UBS. Priced as at market close on 23 August 2010.

Markets, Events and Newsflow

Today's Company Events:

Company Name	Events	Reuters Code	Rating	PT	Price	Notes
Asia						
Belle International	H110 results	1880.HK	Neutral-ST Buy	HK$ 13.5	HK$ 13.16	
SINOMA	H110 results	1893.HK	Buy	HK$ 7.5	HK$ 5.95	
China Power Intl	H110 results	2380.HK	Sell	HK$ 1.6	HK$ 1.73	
China Yurun Food	H110 results	1068.HK	-	-	HK$ 26.3	
CP	H110 results	1199.HK	Buy	HK$ 13	HK$ 10.32	
Country Garden	H110 results	2007.HK	Buy	HK$ 2.83	HK$ 2.39	
Fiberhome	H110 results	600498.SS	Buy	Rmb 36	Rmb 27.21	
Guangshen Railway	H110 results	0525.HK	Buy	HK$ 3.6	HK$ 2.79	
Guangshen Railway A	H110 results	601333.SS	Neutral	Rmb 3.95	Rmb 3.72	
Hidili Industry	H110 results	1393.HK	Neutral	HK$ 6.67	HK$ 6.89	
Ping An Insurance	H110 results	2318.HK	Neutral	HK$ 66.5	HK$ 64.35	
Ping An - A	H110 results	601318.SS	Buy	Rmb 59.2	Rmb 46.81	
Salt Lake Potash	Q210 results	000792.SZ	Buy	Rmb 63	Rmb 54.26	
Raffles Education	Q410 results	RLSE.SI	Buy	S$ 0.51	S$ 0.295	
Shimao	H110 results	0813.HK	Sell	HK$ 10.18	HK$ 13.88	
Sinopharm	H110 results	1099.HK	Buy	HK$ 36.5	HK$ 29.9	
Want Want	H110 results	0151.HK	Neutral	HK$ 6.18	HK$ 6.14	
HK & China Gas	H110 results	0003.HK	Sell	HK$ 17.5	HK$ 18.74	
Trauson Holdings	H110 results	0325.HK	Buy	HK$ 4.29	HK$ 3.6	
IOI Corporation	H210 results	IOIB.KL	Buy	RM 6.58	RM 5.17	
KLCC Property	Q111 results	KCCP.KL	Buy	RM 3.7	RM 3.34	
RHB Capital	H110 results	RHBC.KL	Buy	RM 7.6	RM 6.63	
Robinsons Land	Q310 results	RLC.PS	Buy	P 16	P 14.4	
China Airlines	H110 results	2610.TW	Sell (CBE)	NT$ 6	NT$ 21.2	
Quanta	Q210 results	2382.TW	Neutral	NT$ 59	NT$ 52.2	
Silitech	Q210 results	3311.TW	Buy	NT$ 121.4	NT$ 93.2	
Taishin FHC	H110 results	2887.TW	-	-	NT$ 13.4	
Global						
WPP	H110 results	WPP.L	Buy	p 740	p 667	

Source: Bloomberg, UBS. Priced as at market close on 23 August 2010.

Macroeconomic Events:

Country	Indicator		Time (HKT)	UBS forecast	Previous	Consensus
Today						
Korea	External Short-Term Debt (Q2)		14:30		$154.6B	
Europe	Industrial New Orders SA (MoM)	JUN	18:00	0.044	0.038	1.50%
Europe	Industrial New Orders SA (YoY)	JUN	18:00	0.214	0.227	24.20%
United States	Existing Home Sales	JUL	23:00		5.37M	4.63M
United States	Existing Home Sales MoM	JUL	23:00		-0.051	-13.90%
United States	Richmond Fed Manufact. Index	AUG	23:00		16	12
Wednesday (Aug 25)						
Korea	SK Consumer Confidence (Aug)		18:00		112	
Philippines	Total Imports (Jun)	y-o-y	20:30		0.314	
Philippines	Total Monthly Imports (Jun)		20:30		$4753.4M	
Philippines	Trade Balance (Jun)		21:00		-$513M	
Taiwan	Money Supply M2 Daily Avg (Jul)	y-o-y	21:00		0.0381	
Taiwan	Money Supply M1B Daily Avg (Jul)	y-o-y	9:35		0.1322	
Thailand	Benchmark Interest Rate		7:00		0.015	
United States	ABC Consumer Confidence	22-Aug	06:00		-45	
United States	MBA Mortgage Applications	20-Aug	20:00		0.13	
United States	Durable Goods Orders	JUL	21:30		-0.01	0.03
United States	Durables Ex Transportation	JUL	21:30		-0.006	0.005
United States	Cap Goods Orders Nondef Ex Air	JUL	21:30		0.002	
United States	Cap Goods Ship Nondef Ex Air	JUL	21:30		0.005	
United States	New Home Sales	JUL	23:00		330K	330K
United States	New Home Sales MoM	JUL	23:00		0.236	0
United States	House Price Purchase Index QoQ	2Q	23:00		-0.019	
United States	House Price Index MoM	JUN	23:00		0.005	

Source: Standard and Poor's, UBS estimates

Latest Market Movements:

Country/Region	Market	Latest Price/Last Close	1-day % Change
Asia			
China	Shanghai SE Composite Index	2639.37	-0.11%
China	Hang Seng H-Share	11670.39	-0.93%
Hong Kong	Hang Seng Index	20889.01	-0.44%
India	Sensex	18409.35	0.04%
Indonesia	JCI	3128.73	0.35%
Korea	KOSPI	1767.71	-0.44%
Malaysia	KLCI	1403.15	0.58%
Philippines	PHS Composite	3613.37	0.55%
Singapore	Straits Times	2925.99	-0.36%
Thailand	SET Index	894.78	0.10%
Taiwan	TSE Weighted	7975.93	0.61%
Rest of World			
United States	Dow Jones	10174.41	-0.38%
United States	S&P 500	1067.36	-0.40%
United States	Nasdaq	2159.63	-0.92%
Europe	FTSEuro First 300	1036.51	0.67%
Japan	Nikkei 225	9116.69	-0.68%

Source: UBS, Reuters. Prices as at market close on 23 August 2010. Prices In Japan and Hong Kong as at 05:00 BST on 24 August 2010.

Latest FX Movements

Name	Currency	Latest Price/Last Close	1-day % Change	1-month % Change	YTD % Change
China	Rmb/$	0.147	0.00%	-0.3%	0.4%
Hong Kong	HKD/$	0.129	0.01%	-0.1%	-0.3%
India	Rs/$	0.021	-0.14%	0.6%	-0.5%
Indonesia	IDR/$	0.111	0.02%	0.7%	5.0%
South Korea	Won/$	0.846	-0.02%	1.4%	-1.4%
Malaysia	MYR/$	0.319	-0.06%	2.1%	9.3%
Philippines	PHP/$	0.022	0.07%	2.9%	3.3%
Singapore	SGD/$	0.737	-0.12%	1.1%	3.3%
Taiwan	TWD/$	0.031	-0.05%	0.5%	0.4%
Thailand	Bt/$	0.032	-0.02%	2.4%	5.9%
Japan	JPY/$	1.175	0.05%	2.5%	8.9%
Euro	€/$	1.265	0.03%	-1.9%	-12.1%
United Kingdom	£/$	1.550	-0.47%	0.9%	-4.3%
Australia	AUD/$	0.891	-0.01%	-0.6%	-1.0%

Source: UBS, Reuters. Prices as at market close on 23 August 2010.

UBS Asia Key Call

Live Key Call Portfolio

Company Name	Reuters Code	Rating	PT	Launch date	Analyst
Renhe Commercial	1387.HK	Buy	HK$2.65	12-Jan-10	Eric Wong
Samsung Electronics	005930.KS	Buy	Won1,100,000	02-Feb-10	Nicolas Gaudois
Wynn Macau	1128.HK	Buy	HK$17.3	08-Apr-10	Grant Chum
DBS Group Holdings	DBSM.SI	Buy	S$17	27-May-10	Jaj Singh
Sun Hung Kai P.	0016.HK	Buy	HK$171.70	10-Jun-10	Eric Wong
Adaro Energy	ADRO.JK	Buy	Rp2,700	22-Jun-10	Andreas Bokkenheuser
Li & Fung	0494.HK	Sell	HK$33	29-Jun-10	Spencer Leung

Source: UBS. Priced as at market close on 23 August 2010.

Today's UBS Event

UBS

UBS Conference Call

Welcome Back to Emerging Markets

After a two-month hiatus for the summer holidays, we want to resume the weekly EM call series with the broadest possible overview of macro themes - so please join me for a punchy review of the "kitchen sink": growth, inflation, "decoupling", policies, trade, financing, key regions, countries, asset classes, etc. And don't forget to bring your questions.

Speakers:

Jonathan Anderson - Global Emerging Market Economist

Date & Time:

Tuesday 24th Aug – 21:00 Hong Kong / 14:00 London / 09:00 New York

Pre-registration:

https://eventreg1.conferencing.com/webportal3/reg.html?Acc=941985&Conf=173196

Toll-Free Dial In (Passcode: 867411)

Hong Kong 800 9620 99 / Singapore 800 1204 400
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Australia 1800 9889 41 / Japan 012 0998 921
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Hong Kong Toll 852-3018-4552 / Singapore Toll 65 6622 1306
Australia +61 2 8223 9748 / India 000 800 100 3597
UK Toll 020 7031 4064 / Toll Free 0800 358 1860
US Toll 1 954 334 0342/ Toll Free 1 888 365 0240

Replay available from 11:00 pm HKT 24 August to 7:00 am HKT 3 September 2010

Recent UBS Event

UBS

UBS Conference Call

HSBC bids for Nedbank

HSBC proposing an offer for a controlling stake in Nedbank What does this mean for the SA banks sector? Is FirstRand also still in play? We have today upgraded FirstRand and RMB Holdings to Buy. And is Standard Chartered also interested? What is in it for Old Mutual? Please join our financials team for their views on the proposed offer for Nedbank and the implications for SA banks and Old Mutual. On the call will be Stephan Potgieter, JP Crutchley, and Michael Christelis

Speakers:

Stephan Potgieter – SA Banks Analyst
John-Paul Crutchley – Co-Head of European Banks
Michael Christelis – SA Insurance

Date & Time:

Monday 23rd Aug – 22:00 Hong Kong // 15:00 London // 10:00 New York

Replay Passcode: 873845

Hong Kong 852-3011 4552 / Singapore 65 66221306
India 8001003597 / Australia 61(0)2 82239748
United Kingdom 020 7031 4064 / United States 1-954-334-0342
Switzerland 41 (0) 225927181 / Germany 49 (0) 30726167224

*Replay will be kept for a week.

Recent UBS Event

UBS

UBS Conference Call

Q-Series®: Thai Structural Themes

Speakers:

Ian Gisbourne - Head of Thailand Research
Edward Teather - Senior ASEAN Economist

Date & Time:

Monday 23rd Aug – 5pm Hong Kong // 10am London // 5am New York

Dial In Details: Passcode: 8489322

Thailand Toll Free 001-800-1206-65615 / Malaysia Toll Free 1-800-80-2103
China Toll 86-400-810-4731 // Toll Free 10800-712-1470 / Hong Kong Toll 852-3001-3802
Taiwan Toll 886-2-2795-7315 // Toll Free 00801-137-864 /
Singapore Toll 65-6883-9177 // Toll Free 800-120-5226
Korea Toll 82-2-6744-1032 // Toll Free 00798-14800-6056
India Toll Free 000-800-852-1197 // 000-800-001-6231 / Indonesia Toll Free 001-803-011-3749
Philippines Toll 63-2-858-3662 / Australia Toll 61-2-8211-1366 // Toll Free 1-800-750-141
USA Toll 1-210-795-0512 // Toll Free 866-844-9413
United Kingdom Toll 44-20-7108-6382 // Toll Free 0800-917-6808

Replay Passcode: 2570

Hong Kong Toll 852-3018-4118
UK Toll 020-7970-4966 // Toll Free 0800-018-2250
US Toll 1-203-369-0217 // Toll Free 1-866-365-2448

*Replay will be kept for a week.

Further Information

Morning Expresso – Asia

Welcome to the *Morning Expresso*, an early morning summary of the key ideas and issues presented from UBS for the day ahead. Its contents include:

- **key items from UBS' Asian Morning Meeting**
- **highlighted recommendation and price target changes**
- **today's anticipated company, sector and macro-economic catalysts from the *APAC Contextual Diary***
- **company and client events, conferences and conference calls from UBS**
- **overnight global market movements**

Morning Expresso is designed to give you all that you 'need to know' each morning.

Data presented is accurate as at 07:00 on 24 August 2010.

Contacts & Feedback

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	**Buy**	54%	41%
Neutral	**Hold/Neutral**	37%	32%
Sell	**Sell**	9%	24%
UBS Short-Term Rating	**Rating Category**	**Coverage[3]**	**IB Services[4]**
Buy	**Buy**	less than 1%	22%
Sell	**Sell**	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	**Definition**
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.
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Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Agile Property Holdings[5, 18]	3383.HK	Buy	N/A	HK$9.17	23 Aug 2010
Astra Agro Lestari	AALI.JK	Buy	N/A	Rp20,000	23 Aug 2010
Autodesk Inc.[16b]	ADSK.O	Buy	N/A	US$28.11	20 Aug 2010
Bawang International Group	1338.HK	Sell	N/A	HK$4.10	23 Aug 2010
Cathay Financial Holding[4]	2882.TW	Buy	N/A	NT$49.60	23 Aug 2010
China Construction Bank[2, 5, 16a, 16b]	0939.HK	Neutral	N/A	HK$6.47	23 Aug 2010
China COSCO Holdings[13, 16a, 16b]	1919.HK	Neutral	N/A	HK$8.78	23 Aug 2010
China Longyuan Power Group[2, 4, 16a]	0916.HK	Buy	N/A	HK$7.90	23 Aug 2010
China Resources Power	0836.HK	Buy	N/A	HK$17.34	23 Aug 2010
China Shipping Container Lines[16b]	2866.HK	Sell	N/A	HK$2.92	23 Aug 2010
Delta Electronics[20]	2308.TW	Buy (CBE)	N/A	NT$117.50	23 Aug 2010
First Solar Inc[13, 16b]	FSLR.O	Buy	N/A	US$125.03	20 Aug 2010
Formosa Petrochemical Corporation	6505.TW	Neutral	N/A	NT$73.80	23 Aug 2010
GCL Poly Energy[4]	3800.HK	Buy	N/A	HK$1.85	23 Aug 2010
Giordano	0709.HK	Neutral	N/A	HK$4.18	23 Aug 2010
Hyundai Development Co.[20]	012630.KS	Buy (CBE)	N/A	Won27,100	23 Aug 2010
Indo Tambangraya Megah (ITM)	ITMG.JK	Neutral	N/A	Rp40,450	23 Aug 2010
Industrial Bank of Korea[2, 4]	024110.KS	Buy	N/A	Won14,750	23 Aug 2010
KEPCO[16b]	015760.KS	Buy	N/A	Won30,900	23 Aug 2010
Korea Exchange Bank[5]	004940.KS	Buy	N/A	Won12,800	23 Aug 2010
London Sumatra Indonesia	LSIP.JK	Buy	N/A	Rp9,300	23 Aug 2010
Malayan Banking	MBBM.KL	Buy	N/A	RM8.14	23 Aug 2010
SAIC Inc.[6, 7, 16b]	SAI.N	Neutral	N/A	US$15.55	20 Aug 2010
Samsung Electronics[16b, 22, 23a, 23c, 23d, 23g, 23h]	005930.KS	Buy	N/A	Won790,000	23 Aug 2010
SK Energy[23b, 23e, 23f, 23i]	096770.KS	Neutral	N/A	Won128,000	23 Aug 2010
SMA Solar Technology AG	S92G.DE	Buy	N/A	€84.41	23 Aug 2010
Yingli Green Energy Holding Company[16b]	YGE.N	Buy	N/A	US$10.99	23 Aug 2010
Zhongsheng Group Holdings[2, 4]	0881.HK	Buy	N/A	HK$12.40	23 Aug 2010

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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Additional Prices: Adaro Energy, Rp2,075 (23 Aug 2010); DBS Group Holdings Ltd., S$13.80 (23 Aug 2010); Li & Fung, HK$38.05 (23 Aug 2010); Renhe Commercial Holdings, HK$1.46 (23 Aug 2010); Sun Hung Kai P., HK$111.60 (23 Aug 2010); Wynn Macau, HK$13.90 (23 Aug 2010); Source: UBS. All prices as of local market close.

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