

**EPS, TP and Rating changes**

(% change)	EPS		TP		Rating
	T+1	T+2	Chg	Up/Dn	
TPK Holdings	12	19	31	18	O (O)
Wintek	21	13	7	18	O (O)

**C<sup>3</sup>: Connecting clients to corporates**
**Hong Kong**

**Cafe de coral (0341.HK)**  
 Date 03 December, Hong Kong  
 Coverage Analyst Phoebe Tse

**Sina (SINA.OQ)**  
 Date 06 December, Hong Kong  
 Coverage Analyst Wallace Cheung

**Petron (PCOR.PS)**  
 Date 10 December, Hong Kong  
 Coverage Analyst Dante Tinga

**OCI Company Ltd (010060.KS)**  
 Date 12-14 December, Hong Kong  
 Coverage Analyst A-Hyung Cho

**Yue Yuen Industrial Holding (0551.HK)**  
 Date 24-25 January, Hong Kong  
 Coverage Analyst Adrian Chan

**Singapore**

**Jammu and Kashmir Bank (JKBK.BO)**  
 Date 07 December, Singapore  
 Coverage Analyst Ashish Gupta

**Petron (PCOR.PS)**  
 Date 09 December, Singapore  
 Coverage Analyst Dante Tinga

**OCI Company Ltd (010060.KS)**  
 Date 14-16 December, Singapore  
 Coverage Analyst A-Hyung Cho

**US**

**Hana Financial Group (086790.KS)**  
 Date 06-07 December, US  
 Coverage Analyst Sokmo Yun

**Sobha Developers (SOBH.BO)**  
 Date 06-08 December, US  
 Coverage Analyst Anand Agarwal

**Sparkle Roll (0970.HK)**  
 Date 06-08 December, US  
 Coverage Analyst Kenny Lau

**Europe**

**Minmetals Resources (1208.HK)**  
 Date 02-07 December, Europe  
 Coverage Analyst Trina Chen

**Hana Financial Group (086790.KS)**  
 Date 08-09 December, London  
 Coverage Analyst Sokmo Yun

**Others**

**OCI Company Ltd (010060.KS)**  
 Date 16 December, Seoul  
 Coverage Analyst A-Hyung Cho

**Taiwan Conference 2011**  
 Date 13-14 January, Taiwan

**14th Asian Investment Conference**  
 Date 21-25 March, Hong Kong

Contact [cseq.events@credit-suisse.com](mailto:cseq.events@credit-suisse.com) or Your usual sales representative.

**Top of the pack ...**

**Singapore Banks Sector – Maintain MW** Sanjay Jain (3)  
 New report: 2011 Outlook – Challenging year for growth

**India Financials Sector – Maintain MW** Ashish Gupta (4)  
 New report: Margins peaking

**Asia Foundry Sector** Randy Abrams, CFA (5)  
 New report: CS Global Tech Conference Day 2 - TSMC upbeat, PCs stable by 1Q11

**China Property Sector – Maintain UW** Jinsong Du (6)  
 Public housing impact: Sell property stocks, buy home appliance plays

**... and the whole pack**
**Regional**

**Asia Quants Strategy** Jahanzeb Naseer (7)  
 New report: Will 2011 be the year of momentum?

**Asia Small Cap Sector** Kenny Lau, CFA (8)  
 20 Davids for 2011 – part II

**China**

**China Property Sector – Maintain UW** Jinsong Du (6)  
 Public housing impact: Sell property stocks, buy home appliance plays

**China Port Sector** Ingrid Wei (9)  
 Shanghai port: Strong November container volume and 2011 CHC hike confirmed

**Hong Kong**

**Kosmopolito Hotels International Ltd. (2266 HK) – Maintain O** Gabriel Chan, CFA (10)  
 Agreement to sell and manage 'the Mercer' should crystallise value

**India**

**India Financials Sector – Maintain MW** Ashish Gupta (4)  
 New report: Margins peaking

**Bharti Airtel Ltd. (BHARTI IN) – Maintain O** ★ Focus list stock ★ Bhuvnesh Singh (11)  
 Takeaways from SingTel investor day

**Coal India (COAL IN) – Maintain O** Neelkanth Mishra (12)  
 Visible pick-up in 2H offtake; E-auction pricing strong

**L&T (LT IN) – R** Venugopal Garre (13)  
 Takeaways from recent NDR

**Japan**

**SWD** Hitoshi Hayakawa (14)  
 Three topics: Corporate day, index performance and Aichi Steel earnings upgrade

**Malaysia**

**Malaysia Market Strategy** Tan Ting Min (15)  
 6th consecutive month of net foreign buying

**Malaysia Construction Sector** Danny Goh (16)  
 2011 outlook: Beneficiary of roll-out of 10th MP and Economic Transformation Programme

**Singapore**

**Singapore Banks Sector – Maintain MW** Sanjay Jain (3)  
 New report: 2011 Outlook – Challenging year for growth

**Singapore Property Sector** Tricia Song (17)  
 Proposed change to Residential Act could weigh on luxury properties

**Asian indices - performance**

(% change)	Latest	1D	1W	3M	YTD
ASX300	4,685	1.9	1.8	3.3	(3.8)
CSEALL	6,539	(0.3)	2.0	11.2	93.1
Hang Seng	23,449	0.9	1.7	11.8	7.2
H-SHARE	13,087	1.1	1.2	11.2	2.3
JCI	3,695	2.1	(0.2)	16.8	45.8
KLSE	1,503	1.2	0.4	4.7	18.1
KOSPI	1,950	1.1	1.2	9.6	15.9
KSE100	11,344	1.1	1.9	16.2	20.8
NIFTY	6,012	0.9	3.7	9.6	15.6
PCOMP	4,149	3.6	0.6	11.1	35.9
RED CHIP	4,212	1.4	1.5	3.1	3.7
SET	1,032	1.4	3.6	11.0	40.5
STI	3,198	0.5	1.2	6.5	10.4
TWSE	8,586	0.8	2.8	9.6	4.9
VNINDEX	457	1.7	4.0	(0.3)	(7.5)

Thomson Financial Datastream

**Asian currencies (vs US\$)**

(% change)	Latest	1D	1W	3M	YTD
A\$	1.0	0.4	1.1	7.2	8.4
Bt	30.0	0.0	0.6	3.9	11.0
D	19,498.0	0.0	0.0	0.0	(5.2)
NT\$	30.4	(0.1)	0.5	5.1	5.3
P	43.7	0.0	1.3	2.2	5.5
PRs	85.9	0.2	(0.3)	(0.2)	(1.9)
Rp	9,000.0	(0.1)	0.1	0.0	4.3
Rs	45.3	(0.3)	1.1	3.0	2.7
S\$	1.3	(0.3)	1.1	3.1	7.3
SLRs	111.3	0.1	0.2	1.3	2.7
W	1,143.1	(0.1)	1.8	3.0	1.2

Thomson Financial Datastream

**Global indices**

(% change)	Latest	1D	1W	3M	YTD
DJIA	11,354	0.9	1.5	10.0	8.9
S&P 500	1,219	1.1	1.7	11.8	9.3
NASDAQ	2,573	0.9	1.2	17.0	13.4
SOX	409	1.5	2.6	26.5	13.6
EU-STOX	2,564	1.5	1.0	2.2	(0.8)
FTSE	5,768	2.2	1.2	7.4	6.6
DAX	6,958	1.3	1.1	14.4	16.8
CAC-40	3,747	2.1	(0.4)	3.2	(4.8)
NIKKEI	10,169	1.8	0.9	11.6	(3.6)
TOPIX	877	1.3	0.9	6.5	(3.3)
10 YR LB	2.98	0.4	2.4	13.5	(22.4)
2 YR LB	0.52	(1.5)	(1.5)	6.1	(53.9)
US\$E	1.32	0.1	(0.3)	2.8	(8.4)
US\$Y	83.8	0.4	(0.1)	0.9	10.3
BRENT	89.8	1.4	5.2	17.9	16.3
GOLD	1,387.6	0.0	0.9	10.9	26.5
VIX	19.5	(8.8)	(0.5)	(16.0)	(10.2)

Thomson Financial Datastream

**MSCI Asian indices – valuation & perf.**

MSCI Index	EPS grth.		P/E (x)		Performance		
	10E	11E	10E	11E	1D	1M	YTD
Asia F X Japan	39	13	14.3	12.7	0.0	(2.0)	12.8
Asia Pac F X J.	31	15	14.6	12.7	0.0	(3.1)	9.2
Australia	6	20	13.1	11.7	3.0	(3.4)	3.1
China	24	19	14.6	12.3	1.3	(2.8)	5.2
Hong Kong	25	6	19.1	17.9	0.4	0.9	21.3
India	24	22	18.8	15.4	1.1	(4.5)	15.4
Indonesia	20	21	16.9	14.0	2.5	(1.2)	34.0
Korea	56	6	10.1	9.5	1.6	0.6	16.9
Malaysia	28	15	17.4	15.1	1.4	(2.2)	28.2
Pakistan	27	14	8.2	7.2	0.7	5.0	10.5
Philippines	23	12	16.5	14.7	3.9	(9.6)	27.1
Singapore	21	11	15.7	14.1	0.5	(1.6)	15.9
Sri Lanka	11	109	27.4	21.8	(0.2)	(0.2)	73.3
Taiwan	93	11	14.4	12.9	1.2	3.4	8.7
Thailand	19	18	14.8	12.5	2.3	2.2	52.4

\* IBES estimates

**South Korea**

**Korea Auto Sector – Maintain UW** Henry Kwon (18)  
 Korean brand performance in the US in November

**Cheil WorldWide (030000 KS) – Maintain O** Sonia Kim (19)  
 Decision on collaborative broadcaster likely by year-end; positive for top ad agencies

**Taiwan**

**Taiwan Financial Sector** Chung Hsu, CFA (20)  
 October 2010 system loan growth of 7.2%

**Asia Foundry Sector** Randy Abrams, CFA (5)  
 New report: CS Global Tech Conference Day 2 - TSMC upbeat, PCs stable by 1Q11

**TPK Holdings (3673 TT) – Maintain O** Robin Cheng (21)  
 Stronger 4Q10 propels more bullish 2011 outlook

**Wintek (2384 TT) – Maintain O** Robin Cheng (22)  
 Stronger-than-expected near-term momentum

**Thailand**

**Thailand Residential Property Sector** Chai Techakumpuch (23)  
 Rate hike has little impact on homebuyers

**Bumrungrad Hospital Pcl (BH TB) – Maintain N** Thaniya Kevallee (24)  
 Looking for growth opportunities via M&A

**Siam Commercial Bank (SCB TB) – Maintain O** ★ Focus list stock ★ Dan Fineman (25)  
 Group analyst meeting: management 2011 target in line with our expectation

**O=Outperform N=Neutral U=Underperform R=Restricted OW= Overweight MW=Market Weight UW=Underweight**
**Research mailing options**

 To make any changes to your existing research mailing details, please e-mail us directly at [asia.research@credit-suisse.com](mailto:asia.research@credit-suisse.com)

Sales Contact	Hong Kong 852 2101 6218	Singapore 65 6212 3052	London 44 20 7888 4367	New York 1 212 325 5955	Boston 1 617 556 5634
---------------	-------------------------	------------------------	------------------------	-------------------------	-----------------------

Top of the pack ...

Singapore Banks Sector ----- Maintain MARKET WEIGHT

New report: 2011 Outlook – Challenging year for growth

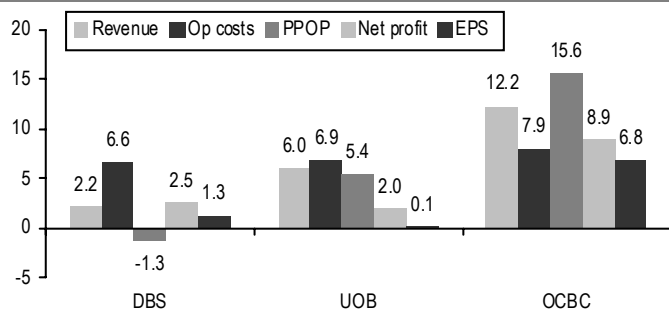
Sanjay Jain / Research Analyst / 65 6212 3017 / sanjay.jain@credit-suisse.com

Anand Swaminathan / Research Analyst / 65 6212 3012 / anand.swaminathan@credit-suisse.com

- We highlight three themes for 2011: 1) Growth moderation – EPS growth in 2011 for Singapore banks could slow to 1-7% from 20-30% in 2010E; 2) Singapore may be the only banking market in Asia where net interest margins remain under pressure; 3) We could see more clarity on Basel 3, but Singapore banks remain comfortable (equity tier 1 of 11.2-13.0%).
- All earnings drivers could weaken in 2011, except fee income: 1) weaker economic growth could mean loan growth moderation, 2) margins should remain under pressure, 3) fee income could be helped by capital market conditions, and 4) DBS should see the biggest turnaround from falling credit costs.
- Singapore bank valuations are attractive but not compelling and banks lack catalysts. We are MARKET WEIGHT Singapore banks in both the Singapore market and Asian financials context. OCBC is our top pick for 2011 – has niche wealth management strategy and is the most aggressive on growth. In DBS, we like its new CEO's strategy (but will take 12-18 months for results) and DBS will gain the most when the SIBOR starts rising in 2012.

2011 – The year of zero growth?

Figure 1: Key P&L items 2011E growth (YoY%) (CS est.)



Source: Credit Suisse estimates

Three key themes for 2011

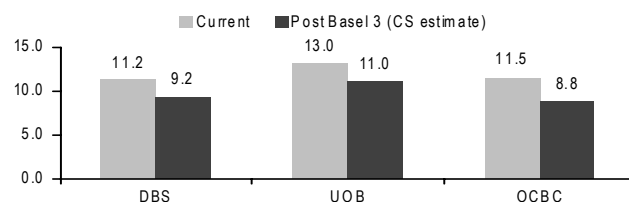
1) No earnings growth in 2011E? After 20-30% EPS growth in 2010E, we now forecast 1-7% EPS growth for Singapore banks in 2011. Singapore may be the only banking market in Asia where net interest margins remain under pressure next year (following a compression in 2010E). There will be less support from falling credit costs, and treasury+investment gains may be lower than 2010.

2) Monetary normalisation across the region, but Singapore banks may not gain: Central banks across the region have started to normalise monetary conditions, but the SIBOR generally moves with the USD-LIBOR. Unlike other markets, this means Singapore banks will not gain in margins, except in their overseas operations (Malaysia+Indonesia in UOB and OCBC, Thailand in UOB).

3) Comfortable on capital unless MAS wants to emulate SNB/FSA: Singapore banks are comfortable on capital even under Basel 3, well above the 7.0% minimum requirement. Equity tier 1 under Basel 2 as of 3Q10 for DBS stood at 11.2%, UOB 13.0% and OCBC 11.5%. We estimate Basel 3 to shave off 1.5-2.0% for DBS/UOB and 2.5-3.0% for OCBC. All three banks continue to boost capital through scrip dividend. But MAS may want to maintain larger

counter-cyclical and 'systemically important' buffers. Swiss National Bank has imposed 19% while UK FSA is contemplating 15%.

Figure 2: Effect of Basel 3 (CS estimates)



Source: Company data, Credit Suisse estimates

All earnings drivers could weaken in 2011

Figure 3: Singapore banks – summary of forecasts

	DBS			UOB			OCBC		
	10E	11E	12E	10E	11E	12E	10E**	11E	12E
YoY growth (%)									
Net int income	-3.9	6.0	15.0	-3.5	1.9	11.2	4.4	13.6	13.4
Fee income	0.4	12.0	10.0	16.0	12.0	10.0	37.0	15.0	10.0
Trading income	103.5	-31.9	8.3	-35.6	40.8	16.7	1.2	8.0	8.0
Total non-int inc	23.8	-4.9	9.3	4.8	14.5	10.5	26.1	10.5	8.3
Total revenue	4.3	2.2	13.1	-1.0	6.0	10.9	12.6	12.2	11.3
Operating costs	11.1	6.6	5.7	6.2	6.9	8.1	24.9	7.9	9.2
Pre-prov op profit	-0.5	-1.3	19.3	-5.6	5.4	13.0	4.6	15.6	12.8
Provisions	-43.0	-42.2	8.2	-66.4	-21.3	32.4	-68.0	16.9	21.5
Operating profit	29.0	11.3	21.1	27.0	9.1	11.0	18.0	15.5	12.3
Pre-tax profit	-11.3	51.1	19.9	31.3	3.1	10.5	23.5	10.1	12.5
Core net profit	24.1	2.5	21.1	32.0	2.0	10.9	26.8	8.9	13.4
Gross loans	17.5	12.0	8.0	11.0	10.0	8.0	28.0	12.0	8.0
Deposits	4.0	8.0	5.0	12.5	8.0	6.0	20.0	10.0	6.0
Ratios (%)									
Core RoA	0.95	0.92	1.05	1.23	1.16	1.22	1.06	1.03	1.10
Core RoE	9.7	9.5	10.9	13.3	12.2	12.6	12.3	12.2	12.9
Net int margin	1.83	1.75	1.89	2.14	2.01	2.11	1.99	2.00	2.11
Loan-dep ratio	81	84	86	81	82	84	86	88	90
Cost-inc ratio	43.8	45.7	42.7	42.1	42.5	41.4	43.7	42.0	41.3
Credit cost (bp)	60	30	30	35	25	30	15	14	16
Equity Tier 1	10.6	10.2	10.1	13.3	13.6	13.7	11.4	11.6	11.8

Note:\*\*Bank of Singapore acquisition added 5% to loans and 2% to profits in 2010E.

Source: Company data, Credit Suisse estimates.

OCBC top pick in 2011; DBS on a 12-18 month view

Figure 4: Singapore banks: Rating summary

01-Dec-10	DBS			UOB			OCBC		
Price (S\$)	14.02			18.50			9.99		
Target (S\$)	16.00 (OP)			22.50 (N)			11.60 (OP)		
Upside	14.1%			21.6%			16.1%		
	'10E	'11E	'12E	'10E	'11E	'12E	'10E	'11E	'12E
P/E (x)	13.4	13.2	10.9	11.8	11.8	10.7	15.0	14.0	12.4
EPS g'th	19.7	1.3	20.6	30.5	0.1	10.2	22.7	6.8	12.7
P/B (x)	1.22	1.17	1.11	1.50	1.40	1.31	1.76	1.64	1.53
ROE (%)	9.7	9.5	10.9	13.3	12.2	12.6	12.3	12.2	12.9

Source: Bloomberg, Credit Suisse estimates

**India Financials Sector ----- Maintain MARKET WEIGHT**

**New report: Margins peaking**

Ashish Gupta / Research Analyst / 91 22 6777 3895 / ashish.gupta@credit-suisse.com

Deepak Ramineedi / Research Analyst / 91 22 6777 3942 / deepak.ramineedi@credit-suisse.com

- We are cutting our earnings estimate for Indian banks by 7-10% for FY12 as we lower our NIM forecast by 10-15 bp for FY12.
- Deposit rates have moved up 150-350 bp over the past few months, well ahead of the 150 bp policy rate hike. Incremental deposit costs are up 150 bp even factoring benefit of low cost deposits.
- While the increase in loan yields has not kept pace with the rise in deposit costs, NIMs expanded 50-100 bp as deposit re-pricing comes through with a lag. Spreads on investments have collapsed from a high of 3%+ to virtually negative currently.
- Favourable shift in asset and deposit mix had aided the NIM expansion; this will now reverse with LDRs peaking and contribution of low cost deposits falling to 35% (65% over past year).
- Indian banks are up 34% YTD and trading well above their historic average multiples. We recommend UNDERPERFORM on SBI (largest likely adverse shift in asset and deposit mix) and wholesale funded financials (Yes). ICICI Bank (beneficiary of falling credit costs) is our top pick in the sector.

Figure 1: Valuation metrics

Company	Ticker	CS rating	Price		P/E (x)		P/B (x)
			local	target	FY11E	FY12E	FY12E
Axis Bank	AXSB IN	O	1,427	1,680	19.5	17.0	2.9
HDFC Bank	HDFCB IN	O	2,365	2,682	28.4	22.0	3.8
ICICI	ICICIBC IN	O	1,166	1,304	21.6	15.2	2.2
BOB	BOB IN	O	961	1,138	10.5	9.8	1.8
BOI	BOI IN	N	483	477	11.0	8.3	1.5
PNB	PNB IN	O	1,262	1,454	10.3	8.5	1.7
SBI	SBIN IN	U	3,088	2,804	12.8	11.2	1.7
UnionBank	UNBK IN	O	375	395	9.9	8.3	1.6
Yes	YES IN	U	330	291	17.0	13.9	2.5
HDFC	HDFC IN	N	700	702	23.0	19.9	4.4
IDFC	IDFC IN	N	189	226	19.2	16.7	2.2

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM

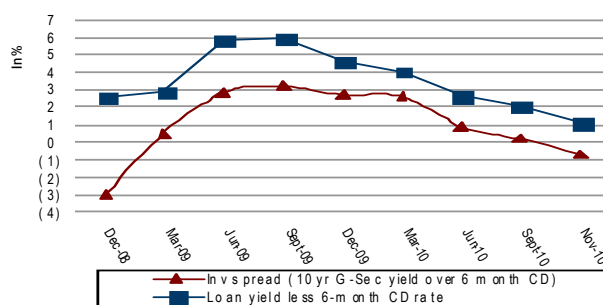
**Rates rising sharper than forecast**

One year wholesale deposit rates are up 350 bp and retail term deposit rates are up 100-250 bp since January 2010. We estimate that incremental deposit costs have moved up by 150 bp for the banks from its lows, even taking into account the benefit of the mix. However, as repricing of the existing deposit base is slow, cost of deposits on the balance sheet rose by 10 bp in the last quarter. As the higher incremental cost of deposits starts to now feed through to the deposit base, we expect a sharp increase in funding cost for banks in the coming quarters.

**Incremental spreads have contracted**

The domestic yield curve has also witnessed a quick flattening and over the last eight months and incremental spreads for the banks on their investment book (a large 25-30% of assets owing to SLR needs) have dramatically collapsed in 2010 from a high of 3%+ to virtually a negative carry now. The increase in loan yields has also not kept pace with the rise in deposit costs. The incremental spreads on loans have dropped to under 200 bp from over 400 bp in March 2010 if we impute the incremental wholesale borrowing rate as the funding cost. While, the increase in loan yields has not kept pace with the rise in deposit costs, NIMs expanded 50-100 bp as deposit repricing comes through with a lag.

Figure 2: Investment and loan spreads are on a sharp decline

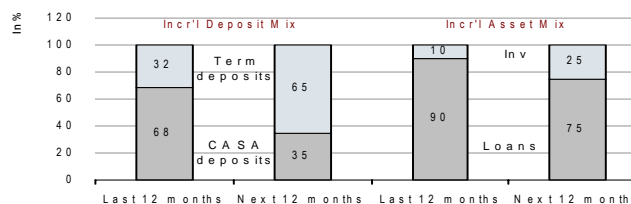


Source: Company data, Credit Suisse estimates

**Shift in mix will weigh on NIMs**

Incremental LDR for the banks was 100% over the past year. We estimate this to drop to a more sustainable 75%, in line with the reserve requirements. With investment spreads nearly 200 bp lower than loan spreads, a 25 p.p. moderation in incremental LDR will lead to a 50 bp contraction in spread on incremental assets. Even on the funding side, banks were enjoying benefits of the low cost CASA deposits comprising 65% of the incremental deposits over the past year. With rising rates, as the share of low-cost deposits normalises to about 35%, a 30 p.p. shift in mix towards term deposits will lead to 1.5% rise in incremental cost of deposits.

Figure 3: Both incremental asset and deposit mix to weigh further on margins



Source: Company data, Credit Suisse estimates

**Little room for rerating**

We are cutting our earnings estimate for Indian banks by 7-10% for FY12 as we lower our NIM forecast by 10-15 bp for FY12. Indian banks, particularly the government banks, have YTD witnessed big rerating and at 1.8x book trading 2.0 standard deviations higher than their historic range. Valuations for the government banks also do not appear cheap factoring in estimated pension provisions. (10-15% of book value). Private banks at 3.0x book are trading 1.0 s.d. ahead. We believe that Indian banks have exited the "sweet spot" of rising rates leading to UNDERPERFORM on SBI (largest adverse shift asset and deposit mix shift) and wholesale funded banks (Yes). ICICI (beneficiary of falling credit costs) is our top pick in the sector.

## Asia Foundry Sector -----

### New report: CS Global Tech Conference Day 2 - TSMC upbeat, PCs stable by 1Q11

Randy Abrams, CFA / Research Analyst / 886 2 2715 6366 / randy.abrams@credit-suisse.com

Tony Wu / Research Analyst / 8862 2715 6335 / tony.wu.2@credit-suisse.com

- Day two of the tech conference featured positive retail reads from Visa/Mastercard, PC updates from Atheros, AMD, Marvell and Micron and an upbeat presentation from TSMC.
- PCs still muted but inventory working down. PC suppliers pointed to muted demand and some cannibalisation of tablets. As a silver lining, PC suppliers see inventory depletion running its course and returning to track muted demand trends by 1Q11.
- Black Friday tone positive. Visa and Mastercard pointed to positive spending, up double digits YoY. Microsoft cited its best Xbox Black Friday ever with 2.5 mn Kinect units in the first 25 days.
- TSMC upbeat. TSMC affirmed 4Q10 is tracking well and 1Q11 orders down 0-5% QoQ at this stage. Management is confident on outsourcing trends and customer checks at the conference point to still strong bleeding edge share in 2011.
- Stock picks. We maintain our positive view on TSMC and NT\$77 target on still intact competitive position and valuation. Tech picks remain centered on tablets, corporate/China and restructuring.

Day two of the tech conference featured retail reads from Visa/Mastercard, PC reads from Atheros, AMD, Marvell and Micron and an upbeat presentation from TSMC on its business trends and industry position.

#### PC demand muted, but inventory working its way down in 4Q10.

The PC suppliers pointed to still mixed trends in the PC chain due to more muted demand and some cannibalisation of tablets. As a silver lining, PC suppliers on hand (Atheros, AMD, and Marvell) see business returning to track consumption after the 2H10 inventory adjustments.

#### Black Friday spending reads encouraging

Visa and Mastercard both pointed to better broad based spending, with companies anecdotally noting channel inventory should exit the year lean. Key products include Microsoft Kinect (2.5 mn units in first 25 days and now stocking out), tablets and smartphones.

#### TSMC presentation upbeat.

We believe TSMC's 4Q10 is tracking to the top end of guidance. The company affirmed that its current customer orders are flat to down 5% QoQ in 1Q11, better than our and street expectations for a high single-digit decline. We believe the above seasonal is being driven by still good smartphone related momentum supplemented by new projects (CDMA iPhone, Tegra/Snapdragon tablets, Fusion Ontario). Beyond near term, the company is upbeat on IDM outsourcing ramping from 15% to 20% in 2011. Customer checks at the conference point to a still strong position on 40nm/28nm into 2011 across wireless, PLDs, graphics and networking.

#### Stock outlook

We maintain selective positioning in tech on companies with better product cycle momentum (smartphones – HTC, Unimicron, Wintek, TPK), corporate/China (Lenovo, Synnex), restructuring stories (Pegatron) and quality large caps that have lagged including TSMC.

#### Other takeaways from US Technology Conference Day 2

**AMD – update on Fusion and graphics holding its own.** AMD expects PC inventory to exit 4Q10 clean and targets +10-15% YoY unit growth in 2011. The company noted 100 design wins for Fusion (graphics+processor integrated) but believes discrete graphics retains its penetration as it enhances the onboard integrated graphics and cited Intel's Sandy Bridge graphics is still generations behind discrete.

**Atmel – bullish on touch.** Atmel cited a ramp to US\$140 mn in touch panel silicon, with penetration in 7 of the top 10 smartphones including HTC, Samsung Galaxy, Motorola, HTC and Nokia. The company grows from US\$2-3 content in smartphones to \$10-14 in tablets.

**Marvell – multiple growth drivers.** Marvell sees strength from connectivity chips (growing at a 30% YoY pace), application processors into new verticals (TD-SCDMA in 2011 and into XBOX Kinect), HDD gains into Hitachi this year and STX in 1Q11 and SSDs offsetting slowdown in HDD growth. The company sees potential for an above seasonal 1Q.

**Micron – nearing a bottoming out.** Micron indicated contract pricing could take another step down in December from current US\$1.1 but sees potential to bottom out driven by capacity additions limited to shrinks and increase in bits/box with new INTC Sandy Bridge platforms in 1Q11. The company noted a very recent upswing in NAND demand and some recovery in China whitebrands for NOR.

**Microsoft Kinect – the hot holiday product.** Microsoft's Interactive Entertainment COO heading up Xbox was bullish on Xbox, citing the best black Friday ever and 2.5 mn units sold in the first 25 days, driving stock-outs. The Kinect set-up in the conference atrium proved its popularity with our software analysts.

**TI manufacturing – aggressive on 300mm.** TI's manufacturing SVP discussed its opportunities to use its newly acquired 300mm capacity in the US and capacity purchased from SMIC and Spansion to outgrow the industry. The company believes it has US\$4.5 bn of equipment capacity now, with potential to reach US\$9.0 bn if the clean room space is fully built out. Management targets a mid-teens CAGR, twice the industry CAGR, giving it 3-4 years of growth off its US\$6 bn analog base if it adds US\$1 bn per year of growth.

**Visa / Mastercard – good holiday trends.** Visa cited US payments up 13% YoY with credit up 9% YoY and debit up 17% YoY, with Mastercard citing similar robust trends, with cross border volume up 19% YoY compared to 15% in 3Q10 and globally processed transactions (excluding some deconversions) up 18% YoY).

**Outlook for the final day.** Day three closes out the conference with semiconductor presentations from ADI, Amkor, Intersil, Anadigics, Silicon Labs and Entropic, with key downstream companies from Juniper, Sony, Logitech, Flextronics and NetApp. Please see [the full report](#) for takeaways from the day two presentations.

**China Property Sector ----- Maintain UNDERWEIGHT**

**Public housing impact: Sell property stocks, buy home appliance plays**

Jinsong Du / Research Analyst / 852 2101 6589 / jinsong.du@credit-suisse.com  
 Vincent Chan / Research Analyst / 852 2101 6568 / vincent.chan@credit-suisse.com  
 Kevin Yin / Research Analyst / 852 2101 7655 / kevin.yin@credit-suisse.com

- According to provincial governments' websites, the Ministry of Housing and Urban-Rural Development (MOHURD) has set a 10 mn unit target for 2011 public housing development, up 72% from the 2010 target of 5.8 mn units. As a reference point, China's historical high for new housing sales volume was 2009's around 9 mn units.
- If the government's plan is strictly implemented, we expect more than 5 mn units of public housing to be delivered in 2012E, and affect both the pricing and the transaction volumes of China's property market. Therefore, we expect home buyers' sentiment to be further weakened by this news.
- On the other hand, basic materials and the home appliance sector may gain support from the surge in public housing development, according to Credit Suisse China Strategist, Vincent Chan, although it may take time to quantify the incremental demand in these sectors.
- We maintain our UNDERWEIGHT rating for China property sector, and our UNDERPERFORM ratings on COLI and CR Land.

Yunhe Homeland in the city of Hangzhou, a municipal relocation project we visited early this week, was designed back in 2004, started construction in 2006 and nearly completed in 2008, but so far it has not even been handed over to the government – one of the reasons is that the infrastructure for public utilities still has not been completed.

Therefore, the surge in supply of public housing should come in 2012 or later, in our view. Nevertheless, we believe the anticipated surge in private housing supply in the next six months, plus the potential public housing supply from 2012 onwards, could further affect the home buyers' sentiments.

On a relative basis, we continue to believe China Vanke (000002.SZ, Rmb8.22, Outperform, TP Rmb12.30) should outperform its peers, as it has a superior asset turnover strategy and is actively participating in public housing projects. We maintain our UNDERPERFORM rating on COLI (0688.HK, HK\$15.36, Underperform, TP HK\$16.00) and CR Land (1109.HK, HK\$14.18, Underperform, TP HK\$15.70), as public housing development may affect their margins and asset turnovers.

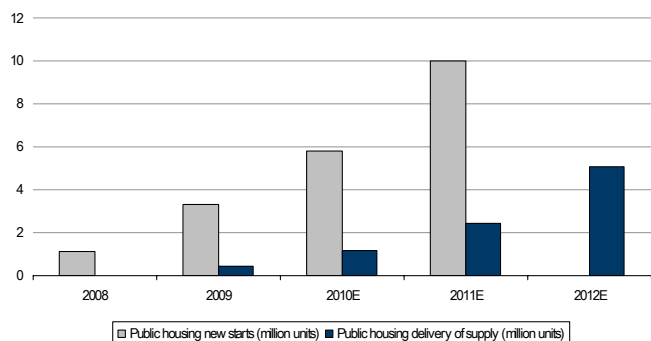
**A boon for home appliance players?**

According to Credit Suisse China consumer analyst Kevin Yin, around 50-70% home appliance consumption in China is driven by new home purchases.

The property pre-sales surge in 2009 and 2010 is likely to lead to strong growth in new home delivery in 2011E, and public housing development should boost the new home delivery in 2012E. Moreover, the occupancy rate in public housing projects should be higher than that in commodity (private) housing projects. The major selling items at GOME (0493.HK, HK\$3.15, Outperform, TP HK\$3.20) and Suning (002024.SZ, Rmb13.75, Not Rated) retail stores are basic home appliances, the necessity for new homes, although it may take time to quantify the incremental demand.

Credit Suisse China Strategist, Vincent Chan, also believes the public housing plan should be negative to China property sector, but support the demand for steel, cement and home appliances. He believes the following are among the top beneficiaries of the public housing plan – China Resources Cement (1313.HK, HK\$5.88, Outperform, TP HK\$5.40), Baosteel (600019.SS, Rmb6.29, Outperform, TP Rmb8.50), Skyworth (0751.HK, HK\$4.10, Outperform, TP HK\$6.70) and GOME.

Figure 1: Public housing supply may surge to in 2012E, if the government plan is strictly implemented



Source: Company data, Credit Suisse estimates

**The government is committed to the path of public housing development, despite the historical issues**

We learned from our contacts at the Ministry of Housing and Urban-Rural development that even though the total new starts in public housing construction should meet or even exceed the targeted 5.8 mn this year, most of them may not be delivered until 1H01 or even later. These new public housing projects in 2011 should be delivered even later.

The majority of the planned public housing projects are public rental housing and old village / old town resettlement / relocation projects. Public rental housing is a new concept, so may be easy to build but takes time to allocate. Resettlement / relocation projects historically have often suffered from delays, and the situation is unlikely to improve.

This is in line with our takeaways in public housing trips in key cities recently. For example, Chongqing's first public rental housing project (which we visited in September) can only have people start moving in in mid 2011 the earliest, let alone the subsequent projects. Also,

Regional

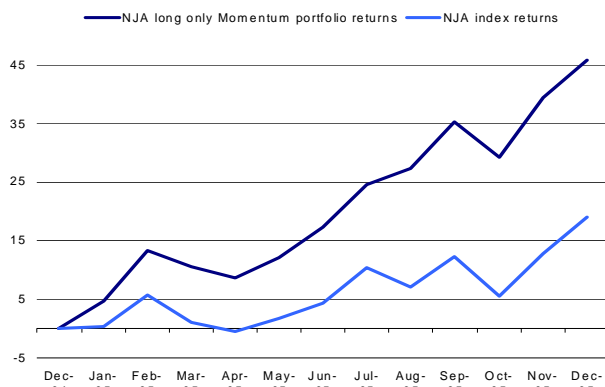
Asia Quants Strategy

New report: Will 2011 be the year of momentum?

Jahanzeb Naseer / Research Analyst / 852 2101 6554 / jahanzeb.naseer@credit-suisse.com

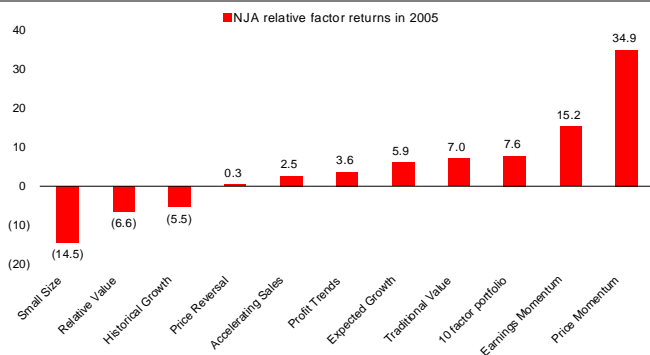
- What if 2011 does turn out to be like 2005? Our macro view is that it will. Both are third years of recovery after a recession, and so far the paths of the markets for the first two years have tracked each other quite closely. Third years are defined by a recovery in IP momentum post a slowdown and a return of confidence.
- That means momentum is back. Expansion and confidence means that investors start to believe in an earnings recovery. This usually tends to drive stocks with higher Earnings Momentum. It also means that stocks that have been winners tend to continue to do well and that is captured by our Price Momentum indicator.
- Earnings and Price Momentum were the best factors in 2005. Not only should these factors do well logically, they also have history on their side. They did very well in 2005, with Price Momentum generating 35% return and Earnings Momentum 15% return over the year.
- Stock picks. We highlight the stocks that look good on our models on these two factors. A number of automobile, capital goods and materials stocks make the list. This again ties in well with our macro view that 2011 could be the year where cyclical sectors make a comeback.
- For full report, [click here](#).

Figure 1: NJA Momentum long only factor perf. in 2005



Source: Credit Suisse Quantitative Equity Research

Figure 2: NJA long only factor portfolios relative returns (MSCI Apx.J) in 2005



Source: Credit Suisse Quantitative Equity Research

Figure 3: Stocks scoring high on Momentum factors in Asia

RIC code	Name of company	Industry	Price (Icl ccy.)	Target price	Rating*
<b>Australia</b>					
ILU.AX	Iluka Resources	Materials	8	9	O
OZL.AX	Oz Minerals Ltd	Materials	2	1	U
FMG.AX	Fortescue Metals G	Materials	6	6	U
MGX.AX	Mount Gibson Iron	Materials	2	3	O
<b>China</b>					
600031.SS	Sany Heavy Ind Co	Capital goods	21	23	O
000338.SZ	Weichai Power Co	Capital goods	122		NR
601818.SS	China Everbright B		4		NR
600362.SS	Jiangxi Copper Co	Materials	35		NR
601111.SS	Air China Ltd	Transportation	12		NR
<b>Hong Kong</b>					
0880.HK	Sjm Holdings Ltd.	Cons. services	12	14	O
0868.HK	Xinyi Glass Hldgs	Automobiles	6		NR
1313.HK	China Res Cement	Materials	6	5	O
0027.HK	Galaxy Entertainment	Cons. services	8	7	N
0013.HK	Hutchison Whampoa	Capital goods	81	103	O
<b>India</b>					
TAMO.BO	Tata Motors Ltd.	Capital goods	1288	1496	O
CNBK.BO	Canara Bank	Banks	744		NR
JYPE.BO	Jaypee Infratech L	Transportation	75		NR
CRBK.BO	Corporation Bank	Banks	720		NR
UBBW.BO	United Breweries L	F & B	402		NR
BOB.BO	Bank of Baroda	Banks	955	1073	O
<b>Indonesia</b>					
HRUM.JK	Harum Energy Tbk	Energy	7150		NR
BNGA.JK	Bk Cimb Niaqa	Banks	1670		NR
<b>Japan</b>					
5019	Idemitsu Kosan Co	Energy	7830	9000	O
7270	Fuji Heavy Inds	Automobiles	613		NR
9101	Nippon Yusen Kk	Transportation	373		NR
7202	Isuzu Motors	Automobiles	376		NR
5471	Daido Steel Co	Materials	453		NR
<b>Malaysia</b>					
AIRA.KL	Airasia Bhd	Transportation	3	4	O
GENT.KL	Genting Bhd	Cons. services	10	13	O
GENP.KL	Genting Plantation	F & B	9	6	U
<b>Philippines</b>					
AEV.PS	Aboitiz Equity Ven	Capital goods	38		NR
DMC.PS	Dmci Hldgs Inc	Capital goods	32		NR
AGI.PS	Alliance Global Gp	Retailing	12	4	N
<b>Singapore</b>					
YAZG.SI	Yangzijiang Shipbu	Capital goods	2	2	O
GENS.SI	Genting Singapore	Cons. services	2	3	O
IFAR.SI	Indofood Agri Re	F & B	3	2	U
FRNM.SI	Fraser & Neave Ltd	Capital goods	6		NR
COSC.SI	Cosco Corporation	Capital goods	2	2	U
SCMN.SI	Sembcorp Marine	Capital goods	5	6	O
<b>South Korea</b>					
009540.KS	Hyundai Heavy Inds	Capital goods	378000	327000	N
034730.KS	Sk C&C Co Ltd	Softwares	90500		NR
000150.KS	Doosan Corporation	Capital goods	142500		NR
010060.KS	Oci Company Ltd	Materials	300000	395000	O
009830.KS	Hanwha Chemical	Materials	33350	17000	U
<b>Taiwan</b>					
2384.TW	Wintek Corp	Technology	54	60	O
2201.TW	Yulon Motor	Automobiles	62		NR
2912.TW	President Chain St	Retailing	125	128	O
1301.TW	Formosa Plastic	Materials	94	91	N
2498.TW	Htc Corporation	Technology	860	850	O
2618.TW	EVA AIRWAYS	Transportation	35	37	O
<b>Thailand</b>					
IVL.BK	Indorama Ventures	Cons. durables	57		NR

\*Ratings: O = Outperform, U=Underperform, N=Neutral, NR=Not Rated, Prices as of 01 December, Source: Credit Suisse Quantitative Equity Research.

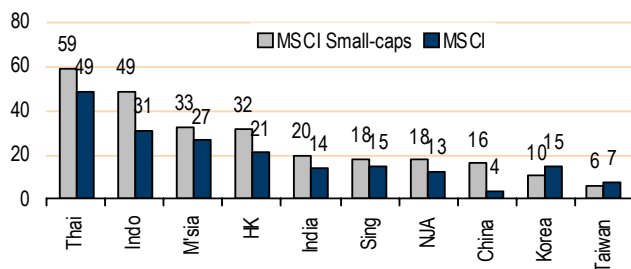
**Asia Small Cap Sector**

**20 Davids for 2011 – part II**

Kenny Lau, CFA / Research Analyst / 852 2101 7914 / kenny.lau@credit-suisse.com

- Contrary to consensus, the MSCI China Index has performed the worst in the region YTD. Small caps of Thailand, Indonesia and Malaysia stand out with YTD returns of 33-59% on domestic recovery and liquidity. Small caps of the export-driven Korea and Taiwan markets are disappointing with their underperformance.
- Korea small caps are the least expensive at 9.6x 2011E P/E, followed by Taiwan at 9.9x and Hong Kong-listed China at 10.5x 2011E P/E. Hong Kong small caps also look interesting with their 29% discount to large caps. Given their underperformance in 2010 and/or attractive valuation, we see potential for China, Taiwan, Korea and Hong Kong small caps in 2011.
- We have picked 20 value small caps in the region with an average 12-month potential upside of 36% and market cap of US\$1.4 bn. At an average 2011E P/E of 9.5x, they are 31% less expensive than the MSCI Asia ex. Japan. Twelve of the picks are from Greater China and Korea, with the most attractive valuations in the region.
- For full report, [click here](#).

Figure 1: YTD returns of MSCI large and small caps in Asia (%)



Source: Datastream, Credit Suisse estimates

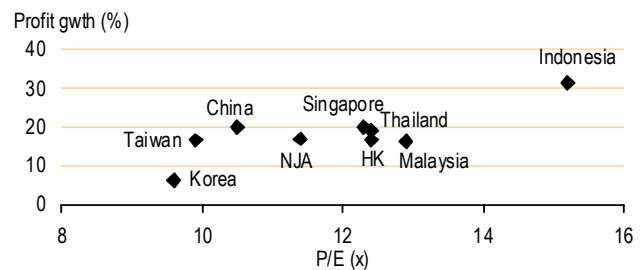
**A year of anti-consensus**

Contrary to market consensus of China stocks extending their outperformance into 2010, the MSCI China Index has performed the worst in the region, with only 4% return year-to-date. Small caps of three south-east Asian markets – Thailand, Indonesia and Malaysia – stand out with year-to-date returns of 33-59% versus the 18% of the MSCI Asia ex. Japan small caps, on domestic recovery and liquidity. The two disappointing markets are the export-driven Korea and Taiwan, where small caps have underperformed the broader market by 4% and 2%, respectively.

**Greater China and Korea small caps see potential in 2011**

Asian small caps are now trading at 11.4x 2011E P/E, with a trailing yield of 1.8%. Korea small caps are the least expensive at 9.6x 2011E P/E, followed by Taiwan at 9.9x and Hong Kong-listed China at 10.5x 2011E P/E. Small caps in China and Taiwan seem to have the best value in terms of P/E valuation and earnings growth for 2011, in our view. When we take into account the P/E valuation discount to the large caps, Hong Kong small caps also look interesting as they are 29% less expensive. Given their underperformance in 2010 and/or attractive valuation, we see potential for China, Taiwan, Korea and Hong Kong small caps in 2011.

Figure 2: Projected profit growth and P/E's of Asian small caps in 2011



Source: Credit Suisse estimates

**The top picks in the region for 2011**

We have picked 20 value small caps in the region with 12-month potential upside of 19-65%, or an average of 36%. They come from different sectors, each with a unique story, with an average market cap of US\$1.4 bn and average daily turnover of US\$7 mn. Undemanding valuations are a prerequisite for a small cap stock to perform, given the usual inherent risk of lower trading liquidity and business volatility. They are trading at an average 2011E P/E of 9.5x, 31% less expensive than the 13.8x of the MSCI Asia ex. Japan Index. 12 of the picks are from China, Hong Kong, Korea and Taiwan, with the most attractive valuations in the region.

Figure 3: 20 Asia small-cap top picks for 2011

Stock code	Company	Price (loc cur)	Mkt cap (US\$ mn)	6M ADTV (US\$ mn)	CY11E P/E (x)	Pot. up (%)
<b>China</b>						
2300.HK	AMVIG	6.57	781	1.5	9.8	19.5
0751.HK	Skyworth	4.11	1,344	23.9	7.2	63.0
2678.HK	Texhong	5.92	674	0.9	5.2	35.1
3378.HK	Ximen Int'l Port	1.53	537	0.8	11.2	27.5
<b>Hong Kong</b>						
0041.HK	Great Eagle	23.20	1,860	2.4	12.4	56.9
0303.HK	VTech	84.50	2,700	4.6	11.4	20.7
<b>India</b>						
APLO.BO	Apollo Tyres	71.65	797	1.7	7.1	39.2
EVED.BO	Everonn Education	647.05	216	3.3	10.9	31.4
<b>Korea</b>						
020560.KS	Asiana Airlines	9,500	1,460	17.6	4.5	28.4
095660.KQ	Neowiz Games	47,500	872	9.6	9.4	57.9
082640.KS	Tong Yang	11,900	1,113	1.4	6.8	59.7
<b>Malaysia</b>						
AIRA.KL	AirAsia	2.60	2,277	5.2	10.0	65.4
GAMU.KL	Gamuda	3.90	2,512	9.4	16.4	21.5
<b>Singapore</b>						
CDLT.SI	CDL Hosp Trust	2.04	1,493	3.2	16.7	23.5
WTHS.SI	Wing Tai	1.74	1,055	2.1	6.1	24.1
<b>Taiwan</b>						
2603.TW	Evergreen Marine	26.05	2,627	19.4	5.3	19.0
2548.TW	Huaku	90.10	767	5.0	6.6	18.8
2887.TW	Taishin	14.45	2,809	10.4	10.2	21.1
<b>Thailand</b>						
AP.BK	Asian Property	6.05	472	6.1	6.5	50.4
BGH.BK	Bangkok Dusit	37.50	1,555	2.7	15.4	38.7
<b>Average</b>			<b>1,396</b>	<b>6.6</b>	<b>9.5</b>	<b>36.1</b>

Source: Company data, Credit Suisse estimates

China

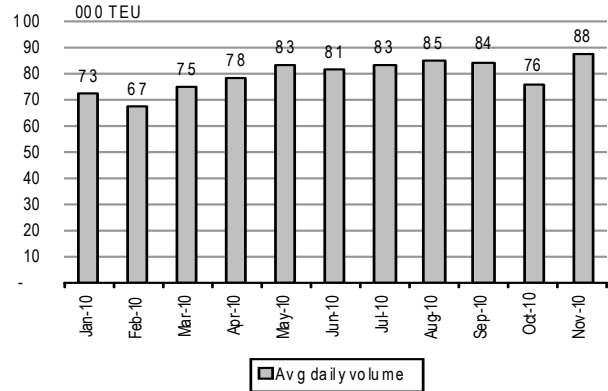
China Port Sector

Shanghai port: Strong November container volume and 2011 CHC hike confirmed

Ingrid Wei / Research Analyst / 86 21 3856 0379 / ingrid.wei@credit-suisse.com

- Our latest discussion with Shanghai port revealed that its November container volume rebounded strongly with a 11.4% MoM rise and YoY growth recovering to 21.9% YoY from 8.8% in October. Daily volume in November also reached 88,000 TEU, a YTD high (Figure 2).
- Management attributed this partly to the effect of Shanghai Expo, which closed on 30 October and during which cargo inspection and customs clearance may have been stricter and slower, leading to some traffic shifting to nearby ports. If this is the case, it may indicate that Shanghai's volume growth in 4Q10 or 2011 may be stronger than our expectation.
- Negotiation on 2011 container handling charges (CHC) came to an end, according to management, with an over 10% YoY hike at Yangshan terminal and a 3%-5% rise at Waigaoqiao terminal.
- Further, leading indicators (the latest China PMI new export order and less severe employment and consumption data in the US) showed signs of improvement. We maintain our view that the industry fundamentals look solid driven by modest volume growth and ASP improvement. CMHI and CP remain our top picks.

Figure 2: November 2010 daily volume at Shanghai reached a YTD high

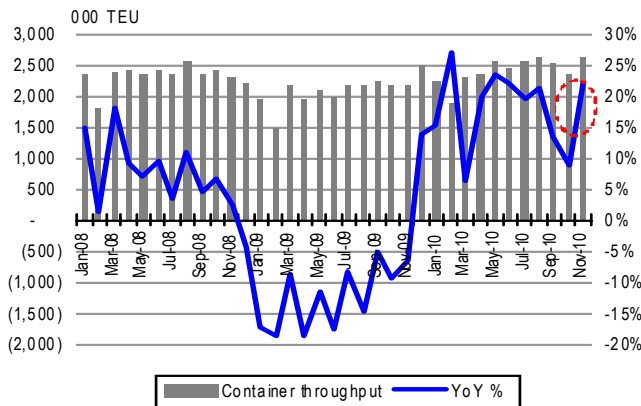


Source: Company data.

Positive leading indicators

China's November PMI new export order index improved to 53.2 from 52.6 in October. This index usually leads China's export and container throughput growth by one-two months. Moreover, the latest released employment and consumption data in the US also showed signs of improvement with October consumer confidence index improving to 50.2 from 48.6 in September and weekly jobless claims in the week of 20 November falling further.

Figure 1: Shanghai's November container volume rebounded strongly

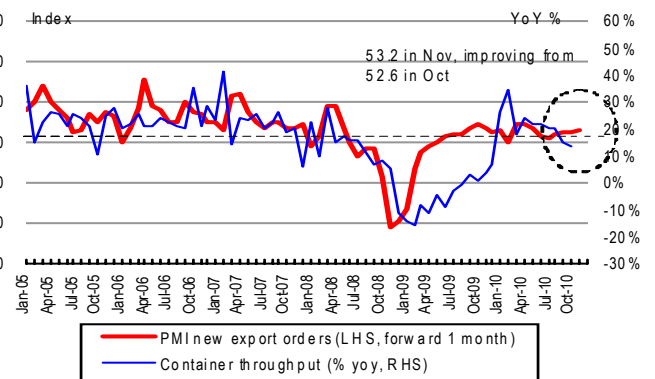


Source: Company data, MOT.

Shanghai's Nov. container throughput surprisingly strong

November container volume at Shanghai port was up 21.9% YoY or 11.4% MoM (Figure 1). The YoY growth rebounded strongly from 8.8% in October. Daily volume in November reached a YTD high (Figure 2). 11M volume was up 17.8% YoY, versus our full-year forecast of 15.8%.

Figure 3: China's November PMI new export order index improved to 53.2



Source: CLIC, Credit Suisse estimates

Valuation metrics

Company	Ticker	CS Rating	Price		Year T	EPS Chg(%)		TP (%) Chg	Up/dn (%)	EPS		EPS grth (%)		P/E (x)		Div. yld (%) T+1	ROE (%)	P/B (x)
			Local	Target		T+1	T+2			T+1	T+2	T+1	T+2	T+1	T+2			
CMHI	144 HK	O	30.55	36.60	12/09	0	0	0	20	1.7	1.9	26	15	18.1	15.7	2.4	11.7	2.0
CP	1199 HK	O	12.34	15.10	12/09	0	0	0	22	0.1	0.1	83	(9)	11.4	12.4	2.3	11.4	1.2
DP	2880 HK	N	3.42	3.60	12/09	0	0	0	5	0.2	0.2	3	(7)	13.6	14.6	2.2	9.1	1.2
TPD	3382 HK	N	1.90	1.95	12/09	0	0	0	3	0.1	0.1	n.a	14	19.7	17.3	2.0	6.9	0.9
XIPC	3378 HK	O	1.51	1.95	12/09	0	0	0	29	0.1	0.1	39	12	12.4	11.1	5.4	7.2	0.9
SCW	200022 CH	O	13.47	15.60	12/09	0	0	0	16	1.0	1.1	53	11	11.7	10.5	4.3	21.2	2.3
SIPG	600018 CH	N	3.96	4.86	12/09	0	0	0	23	0.2	0.2	37	(8)	16.1	17.5	3.3	15.5	2.4

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM

Source: Company data, Credit Suisse estimates

**Hong Kong**
**Kosmopolito Hotels International Ltd. ----- Maintain OUTPERFORM**
**Agreement to sell and manage 'the Mercer' should crystallise value**
**EPS: ◀▶ TP: ◀▶**

Gabriel Chan, CFA / Research Analyst / 852 2101 6523 / gabriel.chan@credit-suisse.com

Phoebe Tse / Research Analyst / 852 2101 7109 / phoebe.tse@credit-suisse.com

- Kosmopolito (KHI) has entered into agreement to sell *The Mercer by Kosmopolito*, a 55-room boutique hotel in Sheung Wan, Hong Kong, for a total consideration of HK\$290 mn minus all related outstanding debt. Management expects to record a one-off gain of HK\$90 mn, which should be booked 2HFY3/11.
- The consideration was in line with the valuation certified by independent valuer as stated in the IPO prospectus, which implies a price per room of HK\$5.3 mn, which is higher than our GAV per room projection of only HK\$3.7 mn.
- KHI has also entered into a hotel management agreement with the purchaser for the Mercer. We expect annual revenue of HK\$2-3 mn from the Mercer after it commences operations in April 2011.
- We believe the transaction has once again proved KHI's ability to create value by its flexible "acquire-and-redevelop" strategy, which also highlights its recognition being a hotel manager. Note we have yet to revise our earnings forecast, pending completion of the transaction. Maintain OUTPERFORM.

Bbg/RIC	2266 HK / 2266.HK	Price (01 Dec 10, HK\$)	1.94		
Rating (prev. rating)	O (O) [V]	TP (Prev. TP HK\$)	2.56 (2.56)		
Shares outstanding (mn)	2,000.00	Est. pot. % chg. to TP	32		
Daily trad vol - 6m avg (mn)	18.7	52-wk range (HK\$)	2.05 - 1.62		
Daily trad val - 6m avg (US\$ mn)	4.5	Mkt cap (HK\$/US\$ mn)	3,880.0 / 499.5		
Free float (%)	27.0	<b>Performance</b>			
Major shareholders	Far East Consortium (0035.HK)	Absolute (%)	1M	3M	12M
		Relative (%)	19.8	—	—
			25.2	—	—
<b>Year</b>	<b>3/09A</b>	<b>3/10A</b>	<b>3/11E</b>	<b>3/12E</b>	<b>3/13E</b>
Revenues (HK\$ mn)	682	616	816	1,278	1,709
EBITDA (HK\$ mn)	276.8	201.2	341.7	584.2	839.4
Net profit (HK\$ mn)	86.7	45.8	123.2	251.9	409.6
EPS (HK\$)	0.05	0.03	0.06	0.13	0.20
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (HK\$)	n.a.	n.a.	0	0	0
EPS growth (%)	n.a.	(42.6)	114.0	104.5	62.6
P/E (x)	38.7	67.4	31.5	15.4	9.5
Dividend yield (%)	0	0	1.1	2.3	3.7
EV/EBITDA (x)	24.3	36.4	21.1	12.7	8.3
P/B (x)	34.0	21.1	1.4	1.3	1.2
ROE (%)	47.5	32.4	8.4	8.8	13.1
Net debt (net cash)/equity (%)	2,893.9	1,869.3	120.3	118.9	94.0

*Note 1: Kosmopolito Hotels International currently operates a portfolio of boutique, value to upscale hotels in Hong Kong, China and Malaysia.*

**HK\$90 mn one-off disposal gain from "The Mercer"**

KHI has entered into agreement with an independent third-party to sell *The Mercer by Kosmopolito*, a 55-room boutique hotel in Sheung Wan, Hong Kong, which is scheduled to commence operations in April 2011, for a total consideration of HK\$290 mn minus all related outstanding debt. Management expects to record a one-off gain of HK\$90 mn, which should be booked 2HFY3/11.

The consideration was in line with the valuation certified by independent valuer as stated in the IPO prospectus, which implies a price per room of HK\$5.3 mn, which is higher than our gross asset value (GAV) per room projection of only HK\$3.7 mn. The valuation difference highlighted the market's optimism on the Hong Kong hotel industry, as well as the high demand for quality assets.

**Management contract gained a true recognition**

Besides, KHI has also entered into a hotel management agreement with the purchaser for the Mercer. According to management, KHI will share 50% of the hotel's gross operating profit (GOP) if it is above a certain predetermined level. We expect annual revenue of HK\$2-3 mn from the Mercer after it commences operations in April 2011. The Mercer will become the first hotel that is managed and but not owned by KHI, with potentially three more in the pipeline with one in Guangxi, China (management commences in 1Q11), one in Huangshi, China (management commences in 2013), and one in Singapore (it is currently under development by KHI, but the company has entered into preliminary discussion to sell it and obtain a management contract, which is expect to open in 2013).

**Strong momentum lingers on**

With both the overall hotel industry and KHI seeing across-the-board improvement in occupancy rate, we believe hotels have gained enough pricing power to raise room rates further, which should drive further RevPAR and EBITDA margin improvement over the next 18 months. Management indicated that its three-star hotels achieved about HK\$900 ARR in October and November, which is a record high and above the YTD average range of HK\$600-700.

**Reiterate OUTPERFORM rating**

We believe the transaction has once again proved KHI's ability to create value by its flexible "acquire-and-redevelop" strategy, which also highlight its recognition being a hotel manager. Note we have yet to revise our earnings forecast, pending completion of the transaction.

Our sum-of-the-parts (SOTP) valuation suggests a fair FY3/12E NAV of HK\$8.5 bn, or HK\$4.27/share, and we set our target price at HK\$2.56, based on a 40% discount to its FY3/12E NAV (implies 17.3x/11.1x CY11/12E EV/EBITDA, or 23.3x/13.8x CY11/12E P/E).

While our implied CY11E earnings-based valuation discount for KHI versus its peers may not look significant, investors should take into account that KHI has already assumed debt and spent capex for its future expansion, while these new hotel properties are not going to provide full-year earnings contributions until FY3/13E. Also, note that our cash flow analysis suggests KHI has secured enough financing to complete its outstanding projects, while loan covenants should not be a significant concern. With 32% potential upside, we maintain our OUTPERFORM rating on KHI.

**India**
**Bharti Airtel Ltd. ----- Maintain OUTPERFORM**

EPS: ◀▶ TP: ▶▶

**Takeaways from SingTel investor day**

Bhuvnesh Singh / Research Analyst / 65 6212 3006 / bhuvnesh.singh@credit-suisse.com  
 Sunil Tirumalai / Research Analyst / 91 22 6777 3714 / sunil.tirumalai@credit-suisse.com  
 Sagar Rastogi / Research Analyst / 91 22 6777 3851 / sagar.rastogi@credit-suisse.com

- We attended SingTel's investor day event in Bangalore, where we met Bharti Airtel management.
- India's tariff situation continues to remain stable. Early indications for the Dec-10 quarter are for strong growth similar to the levels seen in the Jun-10 quarter.
- Airtel is expected to launch 3G services in a few weeks' time. Management expects pricing to remain rational in 3G, going by the price points of operators that have already launched.
- In Africa, management expects margins to start improving in a couple of quarters' time. The initial cost savings could be from network opex (managed services contracts) and G&A costs (call centres and IT) – which could reflect in about two to three quarters. After that, passive infra sharing and S&M cost improvements could help margins four to five quarters from now.
- We continue to rate Bharti an OUTPERFORM on stable pricing and strong EBITDA growth in India business. The Africa business could start showing margin improvements from mid-2011.

Bharti expects to launch 3G in the coming weeks. Management indicated that the pricing announced by Tata Docomo (not listed) indicates that 3G pricing would be rational.

Initial experience from MNP in Haryana shows that the uptake is very small – with total churn-outs for each operator in the first week in single digits.

**Subscriber reverification nearing end**

Our visit to an Airtel store in Bangalore where we met senior sales personnel from the Karnataka circle (one of the largest for Bharti and accounting for 10% of India subscribers), indicated that the subscriber reverification drive is nearing completion. The company has less than half a million subscribers left who are yet to submit documents (against a subscriber base of 13.5 mn in the circle). Most of these residual subscribers are at the lower end of the ARPU level, as the company attracted higher end subscribers to submit documents by offering short-term (one to two month) tariff incentives.

Company representatives also showcased 3G products in the run-up to the launch of services. Airtel could launch 3G services only in Bangalore (the state capital) in the first phase.

**Africa – margin action expected starting in two quarters**

While management agreed that restructuring costs are leading to short-term margin pressure, it highlighted that elasticity has surprised more than expected.

Addressing areas of cost savings, management explained that the first savings could start flowing from network opex over the next two to three quarters, as benefits from revised rates on managed services contracts start flowing in. Management explained that the previous management had outsourced very few countries, and even these were at very high rates. Simultaneously, the recent call centre and IT outsourcing deals could start showing savings in two quarters.

Following this, management expects savings from tower sharing (not related to the separation of the tower company) to start impacting four to five quarters from now, along with savings in S&M costs.

Management also explained that future tariff interventions would be measured.

Bbg/RIC	BHARTI IN / BRTI.BO	Price (01 Dec 10 , Rs)	350.40		
Rating (prev. rating)	O (O)	TP (Prev. TP Rs)	415 (415)		
Shares outstanding (mn)	3,797.53	Est. pot. % chg. to TP	18		
Daily trad vol - 6m avg (mn)	8.2	52-wk range (Rs)	373.15 - 255.00		
Daily trad val - 6m avg (US\$ mn)	51.9	Mkt cap (Rs/US\$ bn)	1,330.7 / 29.3		
Free float (%)	32.6	Performance	1M 3M 12M		
Major shareholders	Promoters 67.4%	Absolute (%)	4.4 4.0 15.3		
		Relative (%)	7.0 (4.6) (0.1)		
<b>Year</b>	<b>3/09A</b>	<b>3/10A</b>	<b>3/11E</b>	<b>3/12E</b>	<b>3/13E</b>
Revenues (Rs mn)	369,615	418,472	623,904	731,119	842,458
EBITDA (Rs mn)	151,677	167,633	225,555	295,456	359,685
Net profit (Rs mn)	84,699	91,638	74,139	105,593	139,669
EPS (Rs)	22.3	24.2	19.5	27.8	36.8
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	19.5	23.0	28.7
EPS growth (%)	26.3	8.2	(19.1)	42.4	32.3
P/E (x)	15.7	14.5	17.9	12.6	9.5
Dividend yield (%)	0.6	0.3	1.7	3.4	5.1
EV/EBITDA (x)	9.3	8.4	8.8	6.8	5.5
P/B (x)	4.4	3.2	2.8	2.5	2.2
ROE (%)	27.2	20.5	13.6	17.3	20.3
Net debt (net cash)/equity (%)	19.1	5.7	126.4	116.6	95.4

*Note 1: Bharti Airtel Ltd, a part of Bharti Enterprises, provides telecommunications services throughout India. It provides GSM Mobile Services, broadband, fixed-line telephone services, long-distance services (international & national) & enterprise services.*

We attended SingTel's investor day event in Bangalore, where we met Bharti Airtel management led by Mr Manik Jhangiani (the Group CFO). We also visited some of Bharti's facilities in the city.

**Stability in India business continues**

Management reiterated that the tariff environment in India remains stable, as has been the case for the last three to four quarters. Incumbents continue to see a return of minute market share lost to challengers.

While the Sep-10 quarter was weak due to seasonality, performance over the past couple of months indicates that the Dec-10 quarter could be strong like the Jun-10 one (when revenue grew 6% QoQ).

**Coal India ----- Maintain OUTPERFORM**

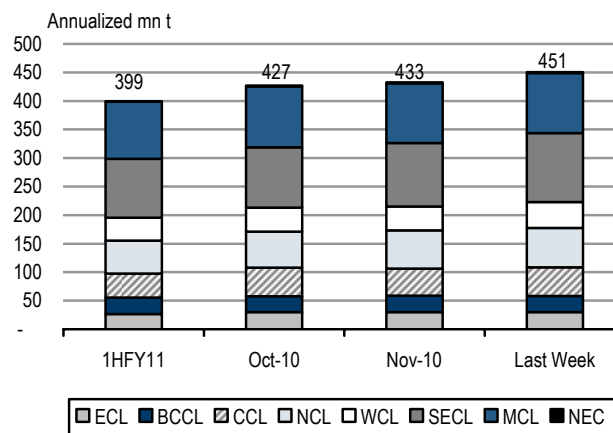
Visible pick-up in 2H offtake; E-auction pricing strong

EPS: ◀▶ TP: ◀▶

Neelkanth Mishra / Research Analyst / 9122 6777 3716 / neelkanth.mishra@credit-suisse.com  
 Riya Bhattacharya / Research Analyst / 91 22 6777 3839 / riya.bhattacharya@credit-suisse.com

- Last week, post results, we flagged 1H apparent weakness was due to seasonality. Encouragingly, strong 2H seasonality is already showing up: versus 1H FY11 annualised sales of 399 mt, Oct was 427 mt, Nov so far is 433 mt, and last week annualised (perhaps a bit of a stretch) is 451 mt (Fig 1). FY11 guidance is 445 mt (CS: 435). 4Q should show a stronger pick-up: historically, 4Q has been the strongest quarter for CIL, and this year should be no different.
- Volumes drive EBITDA/t, given high fixed costs. A 20% rise in volumes HoH (as seems likely) would improve EBITDA/t by Rs76/t, and a 25% jump by Rs91/t (equiv. to a 7-8% price hike).
- That said, even pricing is improving. E-Auction percentage (data available only till Sep-10, so already part of reported 1H) was 13% in Sep, vs 8-9% in May-Jun. This trend if maintained (we see no reason it should not) would push up average realisations significantly. Further, E-Auction prices are already ~90% above notified prices.
- We believe the market has prematurely hung up on this multi-year story. While the rerating we expected is almost done, strong earnings expectations are yet to be priced in. Maintain O/P.

Figure 1: Off-take volumes steadily increasing in Oct-Nov



Source: Company Data

**Rise in E-Auction volumes and premiums**

Further adding to the strong 2H seasonality is the sharp pick-up in E-auction sales as a percentage of production (from 9% in May-Jun to 13% in Sep), and the premium of E-Auction prices over the notified price. This data is available only till Sep-10, so already part of 1H results, but likely that this trend has continued – there seems to be little seasonality in E-Auctions as % of volumes. The increase in price premium over notified prices is even more encouraging: the average premium for CIL was 90% in Sep vs 70% in May-Jun – much higher than in prior years.

Bbg/RIC	COAL IN / COAL BO	Price (01 Dec 10, Rs)	321.30		
Rating (prev. rating)	O (O) [V]	TP (Prev. TP Rs)	350 (350)		
Shares outstanding (mn)	6,316.36	Est. pot. % chg. to TP	9		
Daily trad vol - 6m avg (mn)	24.8	52-wk range (Rs)	348.30 - 245.00		
Daily trad val - 6m avg (US\$ mn)	180.4	Mkt cap (Rs/US\$ bn)	2,029.4/ 44.8		
Free float (%)	10.0	Performance	1M 3M 12M		
Major shareholders	Government (90%)	Absolute (%)	31.1 — —		
		Relative (%)	— — —		
Year	3/09A	3/10A	3/11E	3/12E	3/13E
Revenues (Rs mn)	387,888	446,153	500,250	566,289	620,331
EBITDA (Rs mn)	47,322	106,911	126,816	146,710	179,295
Net profit (Rs mn)	40,628	98,294	113,052	134,247	154,689
EPS (Rs)	6.4	15.6	17.9	21.3	24.5
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	17.7	20.3	22.8
EPS growth (%)	(5.2)	141.9	15.0	18.8	15.2
P/E (x)	50.0	20.6	18.0	15.1	13.1
Dividend yield (%)	0.8	1.1	1.3	1.5	1.7
EV/EBITDA (x)	37.1	15.5	12.2	9.9	7.5
P/B (x)	10.7	7.9	5.9	4.5	3.6
ROE (%)	22.4	43.8	37.4	33.7	30.3
Net debt (net cash)/equity (%)	(144.9)	(143.0)	(138.6)	(127.9)	(119.9)

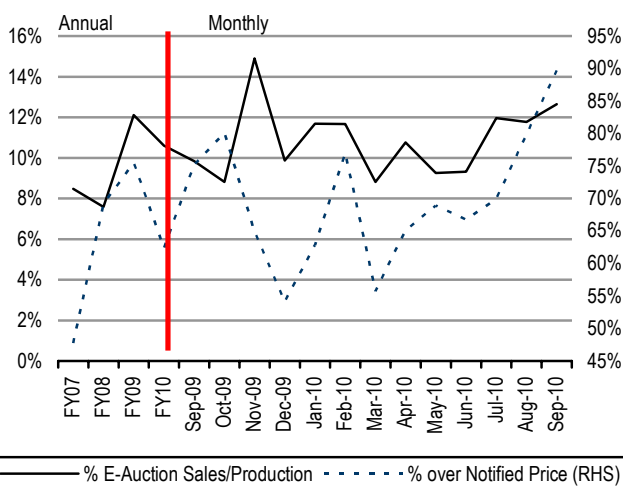
Note 1: Coal India is the largest Coal Miner in the world.

**2H signalling better days ahead: visible pick-up in off-take**

Our expectation that 2H will show substantial improvement for CIL is already showing up in off-take volumes. 1H FY11 showed an annualised rate of 399 mt, but Oct was 427 mt, Nov so far is 433 mt, and if we were to annualise last week's off-take (perhaps a bit of a stretch), it is 451 mt. The company's target is 445 mt in FY11, and we are at 435. Note that historically 4Q has been the strongest quarter for CIL.

Our focus on volumes is not so much an obsession with the last decimal point on forecasts, but is derived from high operating leverage. Note that 53% of 1H costs were personnel costs, which are unlinked to volumes. A 20% rise in volumes HoH would improve EBITDA/t by as much as Rs76/t, and a 25% jump by Rs91/t. This is equivalent to the impact of a 7-8% increase in prices.

Figure 2: % E-Auction volumes and price premium rising



Source: Company data, Credit Suisse estimates.

**Expect positive surprise on EBITDA/t and volume recovery**

The focus on Coal India's poor 1H FY11 results has been worrying the market – prematurely so, we continue to believe. We remain confident of CIL achieving our FY11 sales estimates of 435 mn t with substantial improvements in EBITDA/t.

L&T -----RESTRICTED

Takeaways from recent NDR

Venugopal Garre / Research Analyst / 91 22 6777 3872 / venugopal.garre@credit-suisse.com  
 Saurabh Mishra / Research Analyst / 91 22 6777 3894 / saurabh.mishra@credit-suisse.com

- Credit Suisse hosted a non deal road show with L&T last week in Hong Kong. Broadly, management highlighted opportunities in nuclear, railways and defence and indicated that pace of ordering in roads and railways still remains slow.
- On the power equipment segment, management highlighted that 1) its assumptions call for 70% of private utility orders to be awarded to China/Korea, 2) Chinese vendors have a 20% price advantage and 3) expect oversupply in India in five years. Management expects 5-6% EBITDA margins, growing to mid-teens over the next few years (versus BHEL's current margins at 19%).
- Guidance for FY11 was maintained (20% revenue growth, 25% order growth, flat margins). Revenue guidance implies over 25% growth in 2H. While management targets to maintain margins, 1H margins have increased 80 bp.
- Management also stressed on IDPL being the key growth engine for the company. On completion of the projects, IDPL balance sheet will be 2x of E&C business.

Bbg/RIC	LT IN / LART.BO	Price (01 Dec 10 , Rs)	2,036.00		
Rating (prev. rating)	R (R)	TP (Prev. TP Rs)	—		
Shares outstanding (mn)	607.81	Est. pot. % chg. to TP	—		
Daily trad vol - 6m avg (mn)	4.35	52-wk range (Rs)	2180.00 - 1397.30		
Daily trad val - 6m avg (US\$ mn)	97.8	Mkt cap (Rs/US\$ bn)	1,237.5/ 27.3		
Free float (%)	86.1	Performance	1M	3M	12M
Major shareholders	—	Absolute (%)	(2.1)	11.0	25.1
		Relative (%)	0.4	1.8	8.3
Year	3/09A	3/10A	3/11E	3/12E	3/13E
Revenues (Rs mn)	339,264	370,348	—	—	—
EBITDA (Rs mn)	44,003	56,349	—	—	—
Net profit (Rs mn)	27,048	30,694	—	—	—
EPS (Rs)	46.2	51.0	—	—	—
- Change from prev. EPS (%)	n.a.	n.a.	—	—	—
- Consensus EPS (Rs)	n.a.	n.a.	—	—	—
EPS growth (%)	32.2	10.5	n.a.	n.a.	n.a.
P/E (x)	44.1	39.9	—	—	—
Dividend yield (%)	0.5	0.6	—	—	—
EV/EBITDA (x)	29.5	23.0	—	—	—
P/B (x)	9.6	6.7	—	—	—
ROE (%)	21.7	17.3	—	—	—
Net debt (net cash)/equity (%)	7.2	(14.2)	—	—	—

Note 1: L&T is India's largest engineering and construction company, with exposure to the petrochemicals, metals and infrastructure space.

**Power segment: mid-teen margins in medium term**

Management highlighted that it expects EBITDA margins to be 5-6% initially, as import content is higher (80-85%) but expects EBITDA margins to trend to 14-15% range in a few years (as localisation increases) and typical EPC margins in power to range 10-12%. This compares with BHEL's current margins at 19%.

**Expect 70% of private orders to be awarded to China/Korea**

Management highlighted that its upfront assumption is that 70% of orders from private utilities will be awarded to Chinese/Korean vendors. Chinese vendors have a 20% price advantage and as such management highlights that there has been no resolution on the import duty front. (Recent news articles, highlight that the duty could be decided during in the annual budget in February) Management expects overcapacity in five years in the domestic market.

**Delay in road awards; not much exposed though**

Management highlighted that overall bidding/awards in roads continue to get delayed. L&T though highlighted that it has been selective on bidding for road projects and of the 38 projects that were up for award, it has bid for only six.

**Railways: pace of ordering slows**

Management highlighted that ordering in the rail segment continues to get delayed. Overall, there are five sets of opportunities that railways offer: 1) JV for locomotives/wagons, 2) Track laying (capacity of 100 km per year), 3) Freight corridor (US\$10 bn opportunity for 2, 600Km), 4) Station re-development and 5) Railway sidings.

Management highlights that there would be opportunities in metro rails in other cities (currently there is a tender for five underground tunnels in Chennai metro). For the monorail planned in Bangalore, management cited low visibility on the order.

**Nuclear segment: positioned to capture outsourced orders**

Management highlighted that the cost of Nuclear per GW is US\$3 bn as per the cost structure of the foreign vendors, however NPCIL is planning for a cost of US\$2 bn/GW which would ensure that outsourcing is done to bring down costs. Management highlighted that L&T captures the entire value chain of nuclear power plants as it is involved in civil construction too and hopes to get orders from all the vendors. (Of note, the nuclear power project in Jaitiapur where Areva is expected to set up a power plant has received environment approval).

**Guidance reiterated; 20% revenue growth, 25% for orders**

Management reiterated its guidance of 20% revenue growth, implying over 25% revenue growth in 2H. Historical trends suggest that L&T has typically delivered 2H growth ranging 11-43% in the past. Order guidance stays at 25% YoY. Hyderabad metro order has not yet been booked, as financial closure process continues. Management has also maintained margin guidance for the year, i.e., flat margins YoY. 1H is however, tracking ahead of management guidance

**IDPL balance sheet to be 2x standalone E&C business**

Management highlighted that post completion of the current plan for IDPL, overall balance sheet at L&T IDPL will be 2x of E&C business. IRR hurdle for projects remains at 18%.

Figure 1: IDPL project cost US\$13 bn, 1:3 D/E

	Details	Value US\$ bn
Roads and bridges	15 projects(7 operational)	2.9
Power	3 projects , 2259 MW	3.5
Ports	3 Projects (45 Mtpa)	1.2
Metro rail	1 project (72 Kms)	3.3
Urban infra	14 projects, 23 mn sq ft	1.7

Source: Company data

Japan

SWD

Three topics: Corporate day, index performance and Aichi Steel earnings upgrade

Hitoshi Hayakawa / Research Analyst / 813 4550 9952 / hitoshi.hayakawa@credit-suisse.com  
 Hideyuki Maekawa / Research Analyst / 813 4550 9723 / hideyuki.maekawa@credit-suisse.com  
 Kunihiko Kanno / Research Analyst / 813 4550 9721 / kunihiko.kanno@credit-suisse.com  
 Shunsuke Tsuchiya / Research Analyst / 81 3 4550 9740 / shunsuke.tsuchiya@credit-suisse.com  
 Shinya Yamada / Research Analyst / 813 4550 9910 / shinya.yamada@credit-suisse.com

- On 30 November, we invited NEC, CHI, Pioneer and KDDI to SWD Corporate Day to discuss the smart phone devices era.
- Credit Suisse SWD Index has generated a return of 13.02% on an absolute basis and 4.84% relative to the benchmark, as of 30 November close.
- With the inclusion of Aichi Steel (5482) on 11 November, the index now constitutes of 19 firms including six Japanese stocks.
- We believe Aichi Steel's smartphone electronic compass business is approaching a period of rapid growth. We also expect the core specialty steel business to beat its FY3/11 earnings targets on strong sales volume and falling steel scrap prices.
- With fundamentals improving, we reiterate our OUTPERFORM rating and ¥600 target price on Aichi Steel.
- For full report, [click here](#).

confirmed that its mobile phone strategy (including the organisational structure) has shifted from feature phones to smartphones. We gained the impression that smartphones are likely to account for a substantial share of FY3/12 sales. Click [here](#) for full note.

**SWD Index performance:** As of the 30 November market close, the index's absolute performance was 13.02% and its relative performance was 4.84% (against a benchmark comprising approximately 100 related firms). Relative return on an annualised basis was 21.16%. US stocks continued to be the main driver in November. Stocks posting strong absolute performances include Research In Motion (RIMM) +38.4%, Agilent (A) +29.8%, Apple (AAPL) +27.9%, Sintek Photronic (3049.TW) +24.4%, and Softbank (9984) +20.2%. On 11 November, we expanded the index to 19 firms with the inclusion of Aichi Steel (5482). Note that smart wireless devices include smartphones and tablet PCs. Click [here](#) for full note.

Figure 1: SWD Index: Individual stock performance (as of 30 Nov)

Stock code	Constituents	CS rating	Performance since inception (%)
RIMM	Research In Motion	OUTPERFORM	38.40
A	Agilent Technology	OUTPERFORM	29.85
AAPL	Apple	Not rated	27.99
3049.TW	Sintek Photronic	Not rated	24.45
8069.TWO	E Ink	OUTPERFORM	23.50
GOOG	Google	OUTPERFORM	23.49
9984	Softbank	OUTPERFORM	20.28
094190.KQ	Elk	Not rated	19.01
6146	Disco	OUTPERFORM	16.21
6754	Anritsu	Not rated	15.31
5482	Aichi Steel	OUTPERFORM	10.94
6502	Toshiba	OUTPERFORM	10.38
BRTI.BO	Bharti Airtel	OUTPERFORM	10.02
005930.KS	Samsung Electronics	OUTPERFORM	9.26
TLSN.ST	Teliasonera	NEUTRAL	1.98
ERICB.ST	Ericsson	OUTPERFORM	1.19
RCIB.TO	Rogers Communication	OUTPERFORM	-1.95
0941.HK	China Mobile	OUTPERFORM	-2.15
9427	eAccess	OUTPERFORM	-21.57

Source: Bloomberg, Credit Suisse

**SWD Corporate Day:** NEC focused on software's greater potential than hardware. The SWD era has increased the possibility of expanding business by developing the NetCracker-based (acquired in 2008) service platform overseas. LTE and Femtocell demand is also ahead of the medium-term forecasts. Overseas orders for PasaLink (mainly iPasaLink) are firm: NEC targets roughly 400,000 units in the medium term. CHI Group (Unlisted) explained that it will be the only company in Japan to operate the hybrid bookstore (from marketing to systems) selling both physical and e-books. This unique business model is likely to attract interest, given the importance accorded to how to build user interfaces. Pioneer's focus was on smartphone-based car navigation. The company is leveraging its lead in "Real-time Probe" systems to shift to a hardware/content combination when hardware sales are exhausted. It plans to launch a smartphone system in 1H11, and targets a profit contribution in FY3/12. KDDI

**Aichi Steel to attract attention as a smartphone play:** Manufacturing volume for smartphone electronic compasses is now running roughly 10 times above the level in 1H, so we expect Aichi Steel to attract attention as a smartphone play. The main electronic compass markets are Japan, Taiwan, South Korea, Europe, and the US. Aichi Steel's compasses offer high performance and the potential for lower prices, so we believe market share could eventually expand beyond the current 20%. We revise up our full-year OP forecast modestly, from ¥15.1 bn to ¥16 bn. Although magnetic products could fall slightly short, we expect any negative impact from this to be offset by gains in specialty steel and forged products. Click [here](#) for full note.

Figure 2: Aichi Steel (5482): Financial and valuation metrics

Year	3/10A	3/11E	3/12E	3/13E
Revenue (¥ bn)	174.3	213.5	222.0	234.0
Operating profit (¥ bn)	4.3	16.0	17.5	22.5
Recurring profit (¥ bn)	3.9	15.0	16.5	21.5
Net income (¥ bn)	6.6	15.0	9.6	12.6
EPS (¥)	33.00	76.45	48.93	64.22
Change from previous EPS (%)	n.a.	82.9	1.1	0.8
Consensus EPS (¥)	n.a.	63.25	42.80	—
EPS growth (%)	—	131.7	-36.0	31.2
P/E (x)	15.4	6.7	10.4	7.9
Dividend yield	2.0	2.0	2.0	2.0
EV/EBITDA(x)	7.1	4.4	3.4	2.7
P/B (x)	0.94	0.83	0.77	0.70
ROE(%)	6.3	13.1	7.6	9.2
Net debt/equity (%)	24.3	22.0	10.9	1.4

Source: Company data, Thomson Reuters, IFIS, Credit Suisse estimate

Malaysia

Malaysia Market Strategy

6th consecutive month of net foreign buying

Tan Ting Min / Research Analyst / 603 2723 2080 / tingmin.tan@credit-suisse.com

- The FBMKLCI has risen 18% YTD (29% performance in USD).
- Foreign participation in the Malaysian stock market has seen six consecutive net inflow of foreign funds, but the momentum appears to be decelerating – RM0.9 bn in November, RM1.8 bn in October, RM4.4 bn in September, RM3.0 bn in August, RM2.3 bn in July and RM1.8 bn in June.
- We remain positive on the Malaysian outlook for 2011, as we believe that the stock market will be driven by liquidity, supported by a robust economy, rising commodity prices, stronger ringgit, pump-priming before the General Elections, a boost from the ETP, and rising cross-border investments from Singapore. We expect interest rates to remain low in Malaysia.

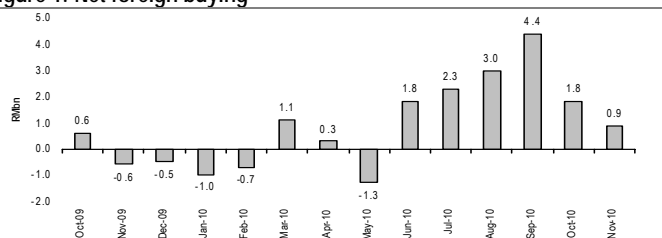
Among our coverage, we believe that the stocks with the highest net foreign shareholding (in percentage) are AirAsia, CIMB, IJM, Genting and Genting Malaysia.

We expect liquidity to drive performance in 2011

We remain positive on the Malaysian outlook for 2011, as we believe that the stock market will be driven by liquidity, supported by the following factors:

- We forecast that Malaysia's 2010 and 2011 real GDP growth will remain robust at 7.5% and 5.2%, respectively.
- High palm oil and rubber prices should be a big boost to the rural economy. YTD, palm oil and rubber prices have risen 16% YoY and 58% YoY, respectively.
- The ringgit is expected to strengthen further. CS's forex team expects the ringgit to appreciate further to RM2.93 within a 12-month period.
- Najib needs to pump prime the economy to cement a political win in the next general elections.
- The Economic Transformation Programme (ETP) may surprise on the upside. There appears to be significant follow-through made since the launch of the ETP. The ETP could bring the much needed boost to FDIs
- Warming ties between Malaysia and Singapore should encourage more cross-border investments from Singapore.
- Interest rates in Malaysia continue to remain low.
- Malaysia's exports-to-GDP ratio is one of the highest in Asia. CS's global strategy team believes that global IP shows signs of bottoming with China, Chicago and the European PMI all rising in October/November 2010. Malaysia will be a beneficiary of this trend as it has a high export-to-GDP ratio.

Figure 1: Net foreign buying

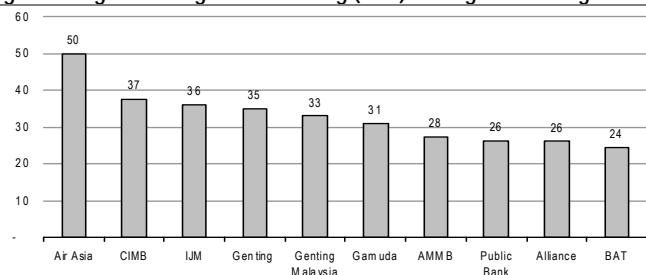


Source: Bursa.

6th consecutive month of foreign buying

The FBMKLCI has risen 18% YTD (close to 29% performance in USD). Foreign participation in the Malaysian stock market has seen six consecutive net inflow of foreign funds, but the momentum appears to be decelerating – RM0.9 bn in November, RM1.8 bn in October, RM4.4 bn in September, RM3.0 bn in August, RM2.3 bn in July and RM1.8 bn in June.

Figure 2: Highest foreign shareholding (in %) among CS coverage



Source: Company data, Credit Suisse estimates

Figure 3: Valuation matrix

Name	Ticker	Year end	Current price	Rating	Target price	Market cap (RM mn)	Avg daily val traded (RM mn)	P/E			P/B t+1	Div yield t+1	ROE t+1
								t	t+1	t+2			
CIMB	CIMB MK	Dec-09	8.38	O/P	10.80	62,287	86.2	21.1	16.5	13.7	2.6	3.6%	15.6%
Tenaga	TNB MK	Aug-10	8.47	O/P	10.90	36,930	62.9	14.5	12.1	11.7	1.2	3.1%	9.8%
Genting	GENT MK	Dec-09	10.18	O/P	13.00	37,798	55.8	37.8	21.0	13.9	2.5	0.6%	12.4%
Gamuda	GAM MK	Jul-10	3.64	O/P	4.74	7,442	30.1	26.1	17.8	12.9	2.3	2.5%	13.2%
IJM	IJM MK	Mar-10	5.80	O/P	5.80	7,836	21.2	24.0	18.0	13.7	1.4	1.7%	8.5%
UEM Land	ULHB MK	Dec-09	2.13	O/P	3.60	7,758	20.6	67.6	64.1	58.7	3.0	0.0%	4.6%
AirAsia	AIRA MK	Dec-09	2.58	O/P	4.30	7,150	18.0	13.0	7.8	9.9	2.0	0.0%	25.9%
Public Bank	PBKF MK	Dec-09	12.80	O/P	14.50	45,209	16.7	18.0	15.0	12.2	3.4	4.5%	22.5%

Source: Company data, Credit Suisse estimates.

**Malaysia Construction Sector**

**2011 outlook: Beneficiary of roll-out of 10th MP and Economic Transformation Programme**

Danny Goh / Research Analyst / 603 2723 2083 / danny.goh@credit-suisse.com

- We remain OVERWEIGHT on Malaysian contractors in 2011. We expect positive news flow on implementation of mega projects to drive rerating of the sector. Over the next 12 months, the government has identified public-private partnership (PPP) projects to be implemented that could generate some RM125 bn of construction works for the sector.
- Key projects earmarked for implementation in 2011 that have major implications for stocks under our coverage are: 1) Greater KL MRT project, 2) West Coast Highway, 3) continued spending to upgrade infrastructure in the Iskandar region.
- We believe Malaysia and India could potentially sign a memorandum of understanding in early 2011 to enable Malaysian contractors to negotiate exclusively with the Indian government on certain identified highway stretches worth US\$2-7 bn.
- Our top pick in the sector is Gamuda. We expect some positive near term developments on the KL MRT project and confirmation of Gamuda's involvement to be a major rerating catalyst.

the prelude to similar exercises to purchase concession assets. In order to curb inflation, we believe the government would welcome similar efforts by government-linked investment arms to take over concessions with impending contractual increase in rates or tariffs. Therefore, contractors with privatised infrastructure projects such as toll roads or water assets (e.g., Gamuda, IJM) could be presented with opportunities to cash out.

**Valuations undemanding.** Malaysian contractors trade on an average 2011 P/E of 12x versus market's 16x and historical average of 15-16x. At the height of a construction sector boom, stocks have historically traded up to 20x P/E. Prices of construction stocks are highly reactive to announcement of job awards, and as such we expect the sector's price performance in 2011 to be driven by positive news flow on implementation of mega projects under the 10<sup>th</sup> Malaysia Plan and Economic Transformation programme.

**Stock picks.** Our top pick in the sector with the most upside potential to price target is Gamuda. We expect some positive near-term developments on the Greater KL MRT project and confirmation of Gamuda's involvement to be a major rerating catalyst for the stock. Other stocks we like in the sector are IJM (front runner for West Coast Highway and strong presence in India), Sunway (cheapest exposure to the sector), MMC (Gamuda's partner for MRT and likely beneficiary of Iskandar developments).

**Figure 1: Valuation comparison**

Stock Recommendation	Gamuda OP	IJM OP	Muhibbah UP	Sunway OP	WCT NR	Sector average	MMC OP
Price (RM)	3.64	5.80	1.29	2.25	3.09		2.75
Mkt cap (US\$ mn)	2,361	2,486	163	432	766	6,209	2,657
Target price (RM)	4.74	5.80	0.70	2.60	na		3.80
2011 EPS growth	54%	32%	10%	5%	24%		48%
P/E – CY2010E	22.4	19.2	9.2	11.6	16.0	15.7	22.6
P/E – CY2011E	14.5	14.5	8.4	11.0	12.9	12.3	15.3
P/E-to-growth (x)	0.4	0.6	0.9	2.2	0.7	1.0	0.5
P/B (x)	2.3	1.5	1.0	2.1	1.8	1.7	1.3

Source: Company data, Thomson consensus for WCT, Credit Suisse estimates

We remain OVERWEIGHT on Malaysian contractors in 2011 as we expect price performance to be fuelled by the following:

**Roll-out of 10<sup>th</sup> Malaysia Plan (10MP) projects should drive order book expansion:** We expect positive news flow on implementation of mega projects to drive rerating of the sector. Over the next 12 months, the government has identified public-private partnerships (PPP) projects to be implemented that would involve private investments of RM12.5 bn and will allocate RM1 bn to facilitate execution of these projects. Key projects earmarked for implementation in 2011 that have major implications for stocks under our coverage are: 1) Greater KL MRT project, 2) West Coast Highway, 3) continued spending to upgrade infrastructure in the Iskandar region. Gamuda and MMC are front runners for the MRT project, while IJM is well-positioned to secure the West Coast Highway project. Nevertheless, given that the PPP projects to be implemented in 2011 could generate some RM125 bn of construction works, we expect the entire sector to benefit.

**Improving bilateral ties with India.** We understand that Malaysia and India could potentially sign a memorandum of understanding in early 2011 to enable Malaysian contractors to negotiate exclusively with Indian government on certain identified highway stretches worth US\$2-7 bn. This could be another source of order flow for Malaysian contractors who are active in India such as IJM and Sunway.

**Possible windfall from opportunities to divest infrastructure assets.** The offer by EPF and Khazanah to take over PLUS could be

**Figure 2: List of mega projects**

Projects	Public/private sector funding	Estimated value (RM bn)
<u>Water and sewerage</u>		
Greater Kuching water supply scheme	Private	1.5
Klang Valley pipe rehabilitation	Public	7
Pahang-Selangor interstate water pipeline	Public	3-4
<u>Public transport</u>		
West Coast Highway	Private	4-5
Penang Outer Ring Road	Private	1
Penang monorail	Public	1.1
Johor monorail	Public	1-1.5
Southern Double Tracking Railway	Public+private	3-4
KL-Singapore Bullet Train	Public+private	12-16
LRT extension for STAR & PUTRA	Public	7
Greater KL MRT - tunnelling portion	Public	14
Greater KL MRT - other structural works	Public	22
<u>Other mega projects</u>		
Warisan Merdeka	Public	5
KL International Financial District	Private	26
Sungei Buloh RRI development	Public+private	10
Northern corridor (other projects)	Public+private	>20
Iskandar Region	Public	10-12
Penang Sentral	Private	2
Penang Global City Centre	Private	18

Source: Company data, Credit Suisse estimates

Singapore

Singapore Property Sector

Proposed change to Residential Act could weigh on luxury properties

Tricia Song / Research Analyst / 65 6212 3141 / tricia.song@credit-suisse.com

- The 30 November *Business Times* article "New rule may weigh on prices of luxury condos" highlighted that the amendment to the Residential Property Act entails new hefty penalties for almost all developers who seek extensions to a stipulated project completion period (PCP) for private land, other than the current forfeiture of 10% bankers' guarantee on the land cost.
- The market was surprised as this came amid other rules targeted at better differentiating ownership privileges of restricted residential land (vacant land/landed properties) by foreigners, PRs and Singapore citizens. Given the "foreign" developer, definition includes companies that have even one non-Singaporean shareholder or director, it effectively covers all listed developers.
- Assuming the rule will apply retrospectively, six years of PCP, one to close the collective sale process, and one year free extension offered in Budget 2009, BT suggested that developers that bought private land in 2006-07, would have until 2014-2015 to complete the projects, or incur 8% of land price p.a. for every year of extension (assumes alignment with GLS rules).
- We expect more clarification from the authorities later. In the meanwhile, while sentiments could weigh on luxury home prices in the near term, we still see limited supply beyond 2014, especially as developers turn more cautious in future land banking.

Several points are still unclear

We are still seeking further clarification from the Ministry of Law, as the wording is not clear on the penalties, and inquiring if the rule would be retrospective. Our channel checks show that the impact is not significant on developers under our coverage who still own luxury landbank acquired during the peak 2006-07 collective sale period: i.e., Wing Tai, CDL, CapitalLand as either they have till 2016-17 to capture sales and can start construction first and sell later (2 years' window after completion), or they have already started construction and should complete within the time frame. For example, Wing Tai has already started construction for Anderson 18 (JV with CDL) and Le Nouvel Ardmore, and should complete these by end-2013.

Background: Residential Property Act and Amendment

The Singapore Residential Property Act imposes restrictions on ownership of certain residential property (vacant land and landed property) by foreign individuals or corporations which are not

Singapore companies. The Amendment Bill read the first time in Parliament on 18 Oct 2010 seeks to amend the Act to implement a number of changes including:

- (1) Reducing the period of sale of residential property belonging to a deceased person which a foreign person would have inherited from ten to five years;
  - (2) requiring former citizens and PRs to sell their residential property to a citizen or approved purchaser within two years from the date of cessation of their citizenship or PR status;
  - (3) empowering the Controller to impose extension charges when extending the time for development of residential property or land.
- Click the link to access the [Residential Property Act](#).

Figure 1: Major prime projects (>50 units) that received Provisional Permission (not under construction, not launched/sold as of end-Sep 10)

Project name	District	Street name	Developer	Total units	PP date
Keppel Bay Plot 3	4	Keppel Bay Drive	KepLand 30%/Kep Corp	307	Oct-97
Keppel Bay Plot 6	4	Keppel Bay Drive	70%	94	Dec-01
Keppel Bay Plot 4	4	Harbourfront Avenue/Telok Blangah Road	KepLand 12%/KepCorp 27%/Mapletree	234	Sep-01
Unnamed (Regent Gardens)	5	West Coast Road	Allgreen	131	Aug-08
South Beach	7	Beach Road	CDL/Elad/Istithmar	171	Jan-09
Unnamed	9	St. Thomas Walk	Bukit Sembawang	221	Oct-08
Unnamed (Futura)	9	Leonie Hill Road	CDL	82	Jan-07
The Scotts Tower	9	Scotts/Carinhill Rd	Far East	67	Aug-06
Unnamed	9	Lloyd Road	Pulau Properties	62	Mar-04
Unnamed	9	Grange Road	Lee Tat Property	60	Feb-08
Leedon Residence	10	Leedon Heights	Guocoland	432	Aug-07
RV Residences	10	River Valley Road	Allgreen	248	Apr-07
Unnamed (Lucky Towers)	10	Grange Road	CDL	174	Aug-08
Unnamed (Westwood Apts)	10	Orchard Boulevard	YTL	89	Aug-10
Strata housing development	10	Holland Link	Clydesbuilt (Holland Link) Pte Ltd	82	Mar-08
The Biltmore (Boulevard Hotel)	10	Cuscaden Road/Orchard Boulevard	Granmil Holdings Pte Ltd (CDL 40/Hong Leong 41/Lea Invtis 19)	74	Jun-06
Unnamed	10	Ewe Boon Road	MCL Land (Prime) Pte Ltd	73	Dec-08
Unnamed (ANA Hotel)	10	Nassim Hill	CapitalLand	55	Feb-07
Unnamed	10	Balmoral Road	Hong Leong Holdings	54	Jul-07

Source: URA Realis, Credit Suisse. PP: Provisional Permission

Valuation metrics

Company	Ticker	CS rating	Price		RNAV	EPS chg (%)		TP (%)	Up/dn (%)	EPS (S\$)		EPS grth (%)		P/E (x)		Div. yld (%)	ROE (%)	P/B (x)
			Local	Target		T+1	T+2			T+1	T+2	T+1	T+2	T+1	T+2			
Allgreen	AG SP	O	1.16	1.62	2.02	0	0	0	39	0.1	0.1	4	34	10.9	8.1	3.4	7.0	0.7
CapitalLand	CAPL SP	O	3.66	4.43	4.92	0	0	0	21	0.1	0.1	(43)	(4)	24.5	25.5	2.2	4.7	1.2
CDL	CIT SP	O	12.62	17.16	15.60	0	0	0	36	0.7	0.7	14	2	18.3	17.9	0.6	10.6	1.8
KepLand	KPLD SP	N	4.84	4.48	5.33	0	0	0	(7)	0.4	0.3	79	(26)	11.1	15.0	1.7	17.3	1.8
Wing Tai	WINGT SP	O	1.70	2.16	2.70	0	0	0	27	0.3	0.3	38	0	6.0	6.0	4.2	12.6	0.7
OUE	OUE SP	O	3.29	4.20	4.67	0	0	0	28	0.1	0.1	87	23	33.2	27.0	1.5	4.4	1.3

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM; Source: Company data, Credit Suisse estimates

South Korea

**Korea Auto Sector ----- Maintain UNDERWEIGHT**

**Korean brand performance in the US in November**

Henry Kwon / Research Analyst / 822 3707 3732 / henry.kwon@credit-suisse.com  
 Seungwoo Hong / Research Analyst / 822 3707 3795 / seungwoo.hong@credit-suisse.com

- The U.S. November Industry SAAR reached 12.3 mn units, unchanged from October. YTD sales performances of the Korean brands were in line with expectation for FY10. We did not find any significant surprises to make changes to our existing forecasts.
- HMC's market share improved on a MoM basis due largely to the strong sales performance of the Santa Fe SUV despite a 5% MoM decline. The increase came as a result of Santa Fe's production normalisation following transition from Alabama to Kia's Georgia plant, with a healthy de-stocking effect on retail inventory. We expect a normalised level of output for the Santa Fe, going forward. HMC's YTD unit sales reached 493,000 units, on track with our FY10 forecast of 536,000 units for the brand.
- Kia's unit sales fell by 15% MoM resulting in its market share deteriorating to 3.0% from 3.3% in October largely on the back of weak SUV sales. YTD sales reached 326,000 units, in line with our FY10 forecast of 345,000 units for the brand.
- We maintain our preference for suppliers over final assemblers in the Korea auto sector.

**Valuation metrics**

Company	Ticker	CS Rating	Price		Year T	P/E (x)		P/B (x)
			Local	Target		T+1	T+2	
Hyundai Motor	005380 KS	U	179,000	125,000	12/09	9.2	12.1	1.5
KIA Motors	000270 KS	N	50,500	39,000	12/09	9.6	13.6	2.0
Hyundai Mobis	012330 KS	O	288,500	327,000	12/09	12.4	13.8	2.8
Mando	060980 KS	O	131,500	148,000	12/09	10.7	9.7	1.8

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM  
 Source: Company data, Credit Suisse estimates

**Production shift in the US for HMC Group**

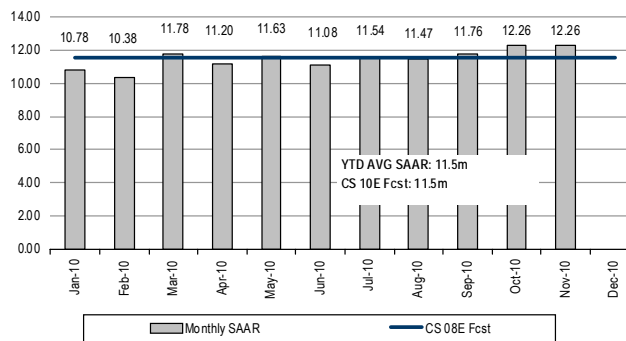
With Kia's Georgia plant in full operation, the group has shifted the production of Santa Fe over to Georgia, while planning to add the compact Elantra to Alabama plant's output beginning in November. The sales pick up of the Santa Fe in November, per our discussion with the company, reflects this production normalisation.

**Figure 1: YTD US industry demand, Korean share and FY10 forecast**

('000 units)	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	YTD 09	YTD 10	FY 10E
US light vehicle sales	984	1,050	997	959	950	873	9,400	10,444	11,400
Hyundai	51	54	54	47	43	41	401	493	536
Share	5.2%	5.2%	5.4%	4.9%	4.5%	4.7%	4.3%	4.7%	4.7%
Kia	32	35	32	30	31	27	279	326	345
Share	3.2%	3.4%	3.3%	3.1%	3.3%	3.0%	3.0%	3.1%	3.0%
Korean brands	83	90	86	77	74	67	680	819	881
Share	8.4%	8.5%	8.6%	8.0%	7.8%	7.7%	7.2%	7.8%	7.7%

Source: Autodata, Credit Suisse estimates

**Figure 2: US Industry SAAR vs. FY10 Forecast**



Source: Autodata, Credit Suisse estimates

**Figure 3: Korean brands' share by segment in the U.S.**

('000 units)	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	YTD 09	YTD 10
<b>Industry car sales</b>	503	528	502	475	448	406	4,977	5,247
Hyundai	40	43	44	39	35	30	303	379
Car share	7.9%	8.1%	8.7%	8.2%	7.8%	7.4%	6.1%	7.2%
Kia	17	20	17	14	15	13	167	172
Car share	3.3%	3.8%	3.4%	3.0%	3.4%	3.3%	3.4%	3.3%
<b>Small cars</b>	169	184	166	150	143	131	1,759	1,750
Hyundai	19	22	19	15	15	13	170	168
Segment share	11.1%	12.0%	11.5%	10.0%	10.4%	9.7%	9.7%	9.6%
Kia	16	18	15	12	14	12	128	147
Segment share	9.3%	10.0%	9.3%	8.1%	9.6%	9.1%	7.3%	8.4%
<b>Mid-size - luxury cars</b>	334	343	336	325	305	275	3,218	3,497
Hyundai	21	20	25	24	20	17	133	210
Segment share	6.2%	5.9%	7.3%	7.4%	6.6%	6.3%	4.1%	6.0%
Kia	1	2	2	2	2	1	39	25
Segment share	0.3%	0.5%	0.5%	0.6%	0.5%	0.5%	1.2%	0.7%
<b>Industry lt truck sales</b>	480	522	495	484	502	467	4,423	5,197
Hyundai	12	12	10	7	8	11	99	115
Lt truck share	2.4%	2.2%	2.0%	1.5%	1.5%	2.3%	2.2%	2.2%
Kia	15	15	15	16	16	13	112	154
Lt truck share	3.1%	2.9%	3.1%	3.3%	3.2%	2.8%	2.5%	3.0%

Source: Autodata

As of close of business on 1 December 2010, Credit Suisse Securities (Europe) Limited, Seoul Branch performs the role of liquidity provider on the warrants of which underlying assets are Hyundai Motor/ Hyundai Mobis/ KIA Motors and holds 23,683,110/ 10,199,310/ 20,363,410 of warrants concerned, respectively. These may be covered warrants that constitute part of a hedged position.

**Cheil WorldWide----- Maintain OUTPERFORM**

Decision on collaborative broadcaster likely by year-end; positive for top ad agencies

EPS: ◀▶ TP: ◀▶

Sonia Kim / Research Analyst / 822 3707 3764 / seunghyun.kim@credit-suisse.com

Soyeon Hong / Research Analyst / 822 3707 3740 / soyeon.hong@credit-suisse.com

- We discussed with a few media industry players on the potential impact of collaborative broadcasters (*Jong-Pyun*) that the Korean Broadcast Committee is reviewing now. The key issues of the debate appear to be the number of collaborative broadcasters, the channels they will occupy and, as a result, where home-shopping channels could be placed.
- Our view is that this deregulation is more positive for the ad agencies. We believe the addition of collaborative broadcasters may expedite deregulation in the media industry, which could lead to higher ad market growth and commission rates to the ad agencies.
- Decisions on the collaborative broadcasters may be taken by year-end, with execution from late 2011. Though a longer-term impact, we believe this may impact the longer-term multiple expansion for the sector.
- We believe Cheil WorldWide may raise its share of the ad market when there's a more deregulated environment. We maintain our OUTPERFORM rating.

six applications. These are: three consortia led by major news agencies, Chosun, JoongAng, Dong A and two news program providers and economics daily that are Maekyung, Hankyung, and consortium led by Taekwang which owns the number two multi-system operator (T-Broad).

Industry players believe the decision should be taken by around year-end. Also, the committee may come up with more than two as there could be issues of favouritism if only one is selected. Industry players state they expect the new collaborative broadcasters to start from year-end 2011 after a year of preparation.

**Mid-longer term positive for the ad market, in our view**

We believe this should be more positive for the ad market because collaborative broadcasting may expedite deregulation in the terrestrial TV ad market.

The key difference collaborative broadcasters have against the terrestrial TV is that the collaborative broadcasters can: 1) have longer hours of operations, 24 hours versus terrestrial TV 19 hours; 2) have intermediate ads within the programs, whereas on terrestrial TV there are no intermediate ads; 3) possibility of increasing or decreasing ad air time depending on on-peak/off-peak times, whereas on the terrestrial TV ad air time is 10% of a program; and 4) no existence of Kobaco (government media rep), which controls the ad slots and ad rates.

As such, if collaborative broadcasters prove to be successful, they may trigger higher viewership and take some share from the current terrestrial TV ad share. The terrestrial TVs may face more competition and will need to find ways to keep their content quality and talent. As the revenue side of the terrestrial TV is currently largely restricted, terrestrial TVs may become more progressive in pursuing the deregulation of the TV ad market. Furthermore, as the Constitutional Court in end-2008 has allowed for additional media reps, there's also little rationale to defend the Kobaco's monopolistic existence.

Particularly for Cheil, this may be a good opportunity because: 1) TV ad market size may increase; and 2) there may be a positive mix shift. The commissions Cheil gets from cable TV are much higher (17-18%) versus terrestrial TV (10.5-11%).

**Reiterate OUTPERFORM**

We believe the Korean broadcasting and media industry will see further deregulation. With this, we believe Cheil may raise its market share in the Korean ad market, its commissions on billings may rise from mix change and higher share, and the ad market size may also grow faster than GDP (now about 0.7% of the GDP versus the historical peak 1.3% and past 20 years average of 1%). Amid the changes, we believe top ad agencies such as Cheil may benefit.

Bbg/RIC	030000 KS / 030000.KS	Price (02 Dec 10 , W)	13,150.00		
Rating (prev. rating)	O (O)	TP (Prev. TP W)	15,000 (15,000)		
Shares outstanding (mn)	115.00	Est. pot. % chg. to TP	14		
Daily trad vol - 6m avg (mn)	0.5	52-wk range (W)	14240 - 10540		
Daily trad val - 6m avg (US\$ mn)	6.0	Mkt cap (W/US\$ bn)	1,512.8/ 1.3		
Free float (%)	65.4	<b>Performance</b>			
Major shareholders	Samsung Corp: 12.6	Absolute (%)	1M	3M	12M
		Relative (%)	7.8	(2.6)	6.0
			6.0	(11.3)	(13.5)
<b>Year</b>	<b>12/08A</b>	<b>12/09A</b>	<b>12/10E</b>	<b>12/11E</b>	<b>12/12E</b>
Revenues (W bn)	575.3	540.3	669.1	695.7	739.9
EBITDA (W bn)	39.3	55.2	71.9	84.8	88.0
Net profit (W bn)	87.5	91.0	88.4	98.4	109.7
EPS (W)	20,494	858	833	927	1,034
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (W)	n.a.	n.a.	823	903	1,002
EPS growth (%)	47.5	(95.8)	(2.9)	11.3	11.5
P/E (x)	0.6	15.3	15.8	14.2	12.7
Dividend yield (%)	60.8	2.6	2.7	2.9	3.0
EV/EBITDA (x)	32.7	22.1	19.6	17.6	17.6
P/B (x)	0.1	2.6	2.6	2.3	2.1
ROE (%)	18.3	16.9	15.5	16.2	16.4
Net debt (net cash)/equity (%)	(14.1)	(9.2)	(8.2)	(9.6)	(17.5)

*Note1: Cheil Worldwide provides a wide range of marketing services such as new product development and advertisement, brand management, advertising budget analysis, and advertising effectiveness evaluation. Note2: \*Cheil conducted 1 to 25 stock split on May 9th 2010. We reflect the change from 2009.*

**What is a collaborative broadcaster?**

A collaborative broadcaster (*Jong-pyun*) is a program provider ("PP") that can plan, produce, and air different genres of programs in the pay-TV market. Currently, the program providers are restricted to specific genres (i.e., news, drama, culture/entertainments, sports, etc). However, collaborative broadcasters can produce or program all or diverse genres with much fewer restrictions. Their key revenue sources will likely be ad revenues.

**Selection and terms may emerge around year-end**

In July 2009, the National Assembly passed a bill related to media deregulation. One of the biggest changes was to allow conglomerates or news agencies to own up to 30% of the collaborative broadcasters.

The Korean Broadcasting Committee is now reviewing the potential candidates to become collaborative broadcasters, and has received

**Ratings history (030000 KS)**

Date	Old rating	New rating	Old Target price	New target price
May 28, 2010	NEUTRAL	OUTPERFORM	W13,520	W15,000

Taiwan

Taiwan Financial Sector

October 2010 system loan growth of 7.2%

Chung Hsu, CFA / Research Analyst / 8862 2715 6362 / chung.hsu@credit-suisse.com

Michelle Chou, CFA / Research Analyst / 886 2 2715 6363 / michelle.chou@credit-suisse.com

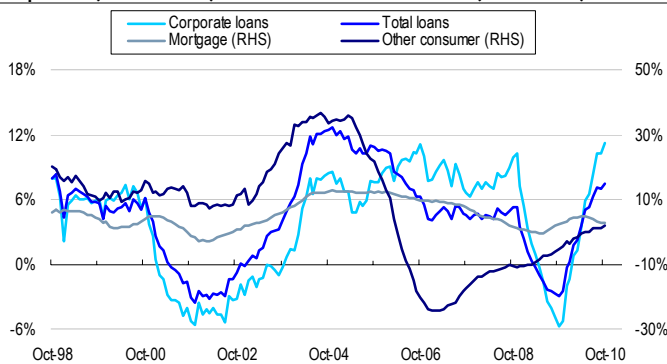
- According to CBC's data, system loans grew by 7.2% YoY in October, driven by strength in corporate (+11.2% YoY) and other consumer loans (+7.8% YoY). Meanwhile, mortgage's growth rate continued to decelerate to just 2.7% YoY and most banks have guided for moderate growth into 2011 owing to CBC's control measures.
- System's deposit growth in October has trended up slightly to 5.2% YoY, although this is still a slowdown from 6% in 2009 and 9% in 2008. Most notably, system's time deposits have continued to decline since last year, though at a slower pace in the past few months. Yet, this could turn in the coming months with CBC's rate increase to widen the gap between time and demand deposit.
- Asset quality has further improved with an NPL ratio of 0.73% and coverage ratio of 136%. We believe this will support banks to see another year of decent profit improvement with credit cost to stay well below cycle average.
- The FSC also released 10M10 pretax profit for 37 domestic banks with an annualised ROE of 9.4%. This is the second highest for the sector since 2001 (see figure 5 ). With our view that the sector is likely to manage its credit cost at a relatively low level next year, profit in 2011 is likely to see another 22% growth and could be the best profit for the sector since 2001.

Figure 1: Top picks

	Last close (NT\$)	CS Rating	TP (NT\$)	Upside (%)	EPS (NT\$)	11E P/E (x)	11E P/B (x)	11E ROE (%)
Taishin FHC	14.45	O	17.5	21.1	1.4	12.3	1.1	10.7
Chinatrust FHC	19.10	O	23.0	20.4	1.8	13.7	1.4	12.8

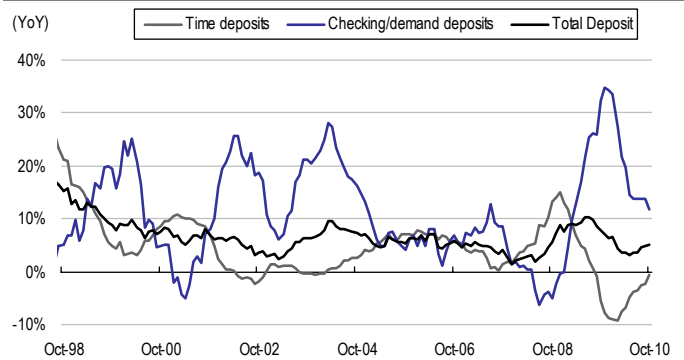
Source: Company data, Credit Suisse estimates

Figure 2: System loans grew 7.2% YoY in Sept, driven by strength in corporate (+11.2% YoY) and other consumer loans (+7.8% YoY)



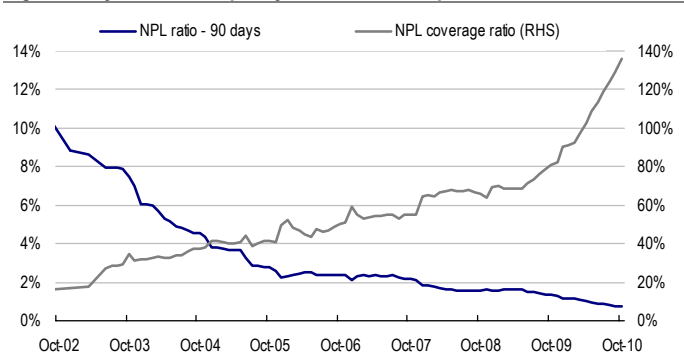
Source: CBC, CEIC, Credit Suisse Research

Figure 3: System's time deposits have continued to decline since last year, though at a slower pace in the past few months



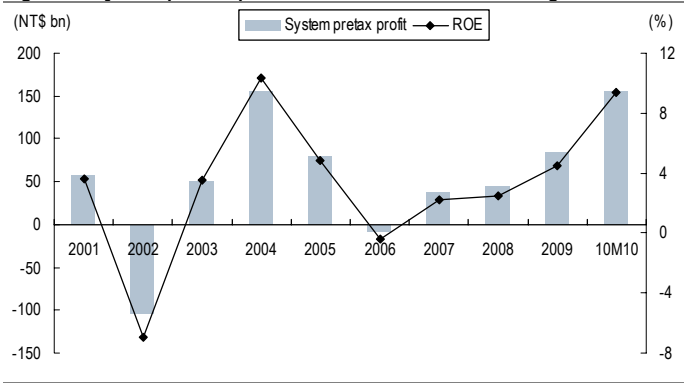
Source: CBC, CEIC, Credit Suisse Research

Figure 4: System asset quality continues to improve



Source: TEJ, Credit Suisse Research

Figure 5: System pre-tax profit in 10M10 reached record high since 2004



Source:FSC, Credit Suisse Research, 10M10 ROE is annualised

**TPK Holdings ----- Maintain OUTPERFORM**
**Stronger 4Q10 propels more bullish 2011 outlook**

EPS: ▲ TP: ▲

Robin Cheng / Research Analyst / 886 2 2715 6386 / robin.cheng@credit-suisse.com

Jimmy Huang / Research Analyst / 886 2 2715 6352 / jimmy.huang.2@credit-suisse.com

- On the back of stronger October sales and expectation of further growth in November, we raise our 4Q revenue estimates by 28% from NT\$19.6 bn to NT\$25 bn (up 46% QoQ). We also expect gross margin to improve slightly in 4Q on improved yield.
- The company expects sales to slow a bit in December and expects 10-15% sequential sales decline in 1Q11, mostly on seasonality. We expect momentum to resume in 2Q11 and still expect the top line to grow 71% in 2011.
- We raise our 2010E and 2011E earnings by 12% and 19%, respectively, based on stronger 4Q10 momentum and more bullish unit growth assumptions for 2011. Our 2011E EPS is now 12% above consensus.
- We raise our target price from NT\$623 to NT\$816, based on 22x 2011E P/E (up from 20x). We think TPK's valuation premium is justified given: 1) robust earnings growth and ROE, 2) strong management and execution, 3) exposure to strong product cycles; and 4) scarcity value on limited free float.

Bbg/RIC	3673 TT / 3673.TW	Price (02 Dec 10)	691.00		
Rating (prev. rating)	O (O) [V]	TP (Prev. TP)	816 (623)		
Shares outstanding (mn)	224.07	Est. pot. % chg. to TP	18		
Daily trad vol - 6m avg (mn)	2.85	52-wk range	694.0 - 473.0		
Daily trad val - 6m avg (mn)	49.8	Mkt cap (bn)	154.8 / 5.1		
Free float (%)	11.0	Performance	1M 3M 12M		
Major shareholders	Chairman (30%)	Absolute (%)	46.1 — —		
		Relative (%)	42.0 — —		
Year	12/08A	12/09A	12/10E	12/11E	12/12E
Revenues (mn)	12,942	18,709	57,849	98,779	125,582
EBITDA (mn)	992	3,312	6,811	12,250	14,705
Net profit (mn)	388	2,317	4,643	8,349	10,097
EPS	2.1	12.0	22.1	37.1	44.9
- Change from prev. EPS (%)	n.a.	n.a.	12	19	15
- Consensus EPS	n.a.	n.a.	19.0	32.9	41.2
EPS growth (%)	140.7	485.5	83.2	68.2	20.9
P/E (x)	336.2	57.4	31.3	18.6	15.4
Dividend yield (%)	0	0	0	2.7	3.2
EV/EBITDA (x)	157.7	46.9	22.5	12.3	10.1
P/B (x)	40.3	25.1	8.9	7.6	6.1
ROE (%)	13.1	54.2	42.9	45.3	43.9
Net debt (net cash)/equity (%)	47.2	10.8	(9.2)	(20.2)	(24.7)

Note 1: Founded in 2004, TPK provides innovative touch solutions for international customers with various panel sizes from small to large..

**Better 4Q momentum**

On the back of stronger October sales and expectation of further growth in November, we raise our 4Q revenue estimates by 28% from NT\$19.6 bn to NT\$25 bn (up 46% QoQ). We also expect gross margin to improve slightly in 4Q on improved yield. As such, net income in 4Q should expand significantly over 3Q10.

**Seasonal decline in 1Q11**

The company expects sales to slow a bit in December and expects 10-15% sequential sales decline in 1Q11, mostly on seasonality. We expect momentum to resume in 2Q11 and still expect the top line to grow 71% in 2011.

**Figure 1: Quarterly P&L from 3Q10 to 4Q11**

NT\$ mn	3Q10	4Q10E	1Q11E	2Q11E	3Q11E	4Q11E
Revenue	17,213	25,046	21,286	22,685	25,377	29,431
Gross profit	2,457	3,651	3,254	3,507	3,860	4,545
Operating profit	1,316	2,348	2,062	2,259	2,591	3,221
Net profit	1,130	2,067	1,710	1,868	2,134	2,637
EPS (NT\$)	5.37	9.82	7.60	8.30	9.48	11.72
Gross margin (%)	14.3	14.6	15.3	15.5	15.2	15.4
Operating margin (%)	7.6	9.4	9.7	10.0	10.2	10.9
Net margin (%)	6.6	8.3	8.0	8.2	8.4	9.0

Source: Company data, Credit Suisse estimates

**Touch panel oversupply in 2011?**

We believe supply-demand is not a big issue in touch panel, relative to capital-intensive business like LCD or DRAM, for the following reasons:

1) The touch panel designs are highly customised, and each customer has its own specifications. With no spot market to sell into, fluctuation in pricing will not be as volatile, relative to LCD panels or DRAM.

2) Touch panel is not a capital-intensive industry, with capex-to-sales in mid-single digits and low depreciation costs. Touch panel manufacturers can run at 30-40% utilisation and still remain profitable with reasonable pricing and acceptable yield. Thus, the incentive to slash prices to maintain full utilisation is low.

3) Lamination process captures 60-70% of the overall value in a touch panel. Only a few firms have good enough lamination capability to capture the Apple business so far, having sensor capacity does not guarantee any orders.

**Reiterate OUTPERFORM**

We raise our 2010E and 2011E earnings by 12% and 19%, respectively, based on stronger 4Q10 momentum and more bullish unit growth assumptions for 2011. Our 2011E EPS is now 12% above consensus. We raise our target price from NT\$623 to NT\$816, based on 22x 2011E P/E (from 20x). We think TPK's valuation premium is justified, given: 1) robust earnings growth and ROE, 2) strong management and execution, 3) exposure to strong product cycles, and 4) scarcity value on limited free float.

**Figure 2: Earnings revision for TPK**

NT\$ mn	2010E			2011E		
	New	Old	Diff. (%)	New	Old	Diff. (%)
Revenue	57,849	52,434	10	98,779	88,138	12
Operating profit	5,364	4,678	15	10,133	8,109	25
Net income	4,643	4,159	12	8,349	7,015	19
EPS	22.05	19.75	12	37.09	31.17	19
Gross margin (%)	16.0	16.1		15.4	14.8	
Operating margin (%)	9.3	8.9		10.3	9.2	
Net margin (%)	8.0	7.9		8.5	8.0	

Source: Company data, Credit Suisse estimates

**Wintek** ----- **Maintain OUTPERFORM**

**Stronger-than-expected near-term momentum**

EPS: ▲ TP: ▲

Robin Cheng / Research Analyst / 886 2 2715 6386 / robin.cheng@credit-suisse.com  
 Jimmy Huang / Research Analyst / 886 2 2715 6352 / jimmy.huang.2@credit-suisse.com

- We raise our 4Q revenue estimates by 21% from NT\$21.5 bn to NT\$26.1 bn, based on stronger-than-expected October and November sales. Our new estimates imply a 37% YoY growth in 4Q sales. Wintek expects margins to remain stable in 4Q10.
- Wintek expects 1Q11 revenue to decline about 10% QoQ, driven mainly by seasonal adjustment in smartphones and consumer products. However, Wintek still expects mid-size touch panel demand to remain strong, with the potential launch of new table PC models in 1Q/2Q10.
- Wintek has received shareholders' approval on the issuance of GDR of US\$290-387 mn. The deal should take place in late-1Q11 or early-2Q10. Based on the latest share price, the share dilution should amount to 12-17%.
- We raise our FY10/11E earnings by 21% and 13%, respectively. We raise our target price from NT\$60 to NT\$64, based on 15x FY11E P/E, with an additional 10% discount to factor in the potential GDR issuance. We maintain our OUTPERFORM rating.

Figure 1: Quarterly P&L from 3Q10 to 4Q11

NT\$ mn	3Q10	4Q10E	1Q11E	2Q11E	3Q11E	4Q11E
Net sales	19,050	26,119	22,834	23,627	25,382	27,463
Gross profit	2,054	2,898	2,730	2,689	2,832	3,075
Operating profit	1,241	1,854	1,816	1,696	1,817	1,976
Pretax profit	1,360	1,854	1,786	1,666	1,787	1,946
Net profit	1,240	1,576	1,518	1,417	1,519	1,654
EPS (NT\$)	1.03	1.31	1.18	1.10	1.18	1.29
Gross margin (%)	10.8	11.1	12.0	11.4	11.2	11.2
Operating margin (%)	6.5	7.1	8.0	7.2	7.2	7.2
Net margin (%)	6.5	6.0	6.6	6.0	6.0	6.0

Source: Company data, Credit Suisse estimates

**Share dilution from GDR in 1H11**

Wintek has received shareholders' approval on the issuance of GDR of US\$290-387 mn. Based on the latest share price, the share dilution should amount to 12-17%. The company expects GDR to be issued in 1H11. The majority of the proceeds will be used for touch panel capacity expansion. Wintek expects its monthly capacity to increase from around 2 mn currently to 5.2 mn units (10") by mid-2011.

Bbg/RIC	2384 TT / 2384.TW	Price (01 Dec 10)	54.20		
Rating (prev. rating)	O (O) [V] TP (Prev. TP)		64.00 (60.00)		
Shares outstanding (mn)	1,296.07	Est. pot. % chg. to TP	18		
Daily trad vol - 6m avg (mn)	57.5	52-wk range	57.0 - 20.6		
Daily trad val - 6m avg (mn)	82.0	Mkt cap (mn)	70,246.8 / 2,311.1		
Free float (%)	81.0	Performance	1M 3M 12M		
Major shareholders	Chairman (4.73%)	Absolute (%)	4.0 27.4 163.1		
		Relative (%)	2.3 14.6 136.2		
Year	12/08A	12/09A	12/10E	12/11E	12/12E
Revenues (mn)	32,280	27,399	65,624	99,306	109,109
EBITDA (mn)	3,420	3,815	8,480	13,422	14,169
Net profit (mn)	(2487)	(2704)	2,129	6,108	6,722
EPS	(2.17)	(2.37)	1.76	4.76	5.24
- Change from prev. EPS (%)	n.a.	n.a.	21	13	8
- Consensus EPS	n.a.	n.a.	1.67	4.60	5.00
EPS growth (%)	n.a.	n.a.	n.a.	170.1	10.0
P/E (x)	NM	NM	30.7	11.4	10.3
Dividend yield (%)	0	0	0	2.2	2.4
EV/EBITDA (x)	26.9	23.4	11.1	6.8	5.8
P/B (x)	2.4	2.7	2.2	2.1	1.8
ROE (%)	(9.1)	(11.0)	8.2	19.5	18.6
Net debt (net cash)/equity (%)	84.3	81.4	82.2	62.9	31.4

Note 1: Wintek is a STN and TFT-LCD panel manufacturer focusing on small/medium-size mobile displays. The company began the touch panel business in 2007 and saw rapid growth in this segment in 2008 and 2009.

**Stronger-than-expected momentum in 4Q10**

We raise our 4Q revenue estimates by 21% from NT\$21.5 bn to NT\$26.1 bn, based on stronger-than-expected October and November sales. The company actually sees further growth in December. Our new estimates imply a 37% YoY growth in 4Q sales. Wintek expects margins to remain stable in 4Q10.

**Seasonal correction to take place in 1Q11**

Looking ahead to 1Q11, Wintek expects revenue to decline about 10% QoQ, driven mainly by seasonal adjustment in smartphones and consumer products. The company still expects mid-size touch panel demand to remain strong, with the potential launch of new table PC model in 1Q/2Q10.

Figure 2: Potential GDR issuance implies 12-17% dilution

Total amount (US\$)	US\$290~387 mn
Implied amount in NT\$	NT\$8.7~11.6 bn
Current share price	NT\$ 54.2
Potential new shares	161~214 mn
Current outstanding shares	1,294 mn
Potential dilution	12-17 %

Source: Company data, Credit Suisse estimates

**OLED venture unlikely to contribute in the near term**

Wintek indicated that part of the proceeds from GDR will be used to invest in the OLED space. However, we do not expect any contributions in the near term, given the existing yield issues of OLED panel production.

**Raise estimates and target price**

We raise our FY10/11E earnings by 21% and 13%, respectively. We raise our target price from NT\$60 to NT\$64, based on 15x FY11E P/E, with an additional 10% discount to factor in the potential GDR issuance, different from the previous SOTP methodology. We maintain our OUTPERFORM rating.

Figure 3: Earnings revision for Wintek

NT\$ mn	2010E			2011E		
	New	Old	Diff. (%)	New	Old	Diff. (%)
Revenue	65,624	61,025	8	99,306	83,885	18
Gross profit	5,563	5,329	4	11,325	9,910	14
Operating profit	2,413	2,384	1	7,305	6,504	12
Net income	2,129	1,755	21	6,108	5,428	13
EPS	1.76	1.45	21	4.76	4.23	13
Gross margin (%)	8.5	8.7		11.4	11.8	
Operating margin (%)	3.7	3.9		7.4	7.8	
Net margin (%)	3.2	2.9		6.2	6.5	

Source: Company data, Credit Suisse estimates

Thailand

Thailand Residential Property Sector

Rate hike has little impact on homebuyers

Chai Techakumpuch / Research Analyst / 662 614 6211 / chai.techakumpuch@credit-suisse.com

- The Bank of Thailand hiked the benchmark repo rate by another 25 bp on Wednesday, which led to a sell-down in property stocks.
- But we note despite the last six months' uptick in interest rates, overall interest rate remains very low. And for property related, the magnitude of change in the mortgage rate is much less than the change seen in the benchmark rate.
- Furthermore, when we applied this change in interest rates to our affordability index calculation, we find the impact on home buyers is almost nil. Even if the rate hits last few years' high again, we still expect the impact to be minimal.
- The recent corrections in share prices of major property developers are unjustified, in our view. We take this correction as a buying opportunity and reiterate our OUTPERFORM call on AP, LPN and QH.

Valuation metrics

Company	Ticker	CS Rating	Price		Year T	P/E (x)		P/B (x)
			Local	Target		T+1	T+2	
Asian Property	AP TB	O	6.30	9.10	12/09	8.0	6.7	1.6
Land and Houses	LH TB	U	6.85	6.60	12/09	19.7	16.1	2.6
L.P.N.	LPN TB	O	9.80	12.10	12/09	8.7	6.6	2.3
Preuksa	PS TB	U	20.20	17.80	12/09	13.7	12.8	3.0
Quality Houses	QH TB	O	2.10	3.30	12/09	8.4	6.6	1.3

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM  
Source: Company data, Credit Suisse estimates

25 bp increase in benchmark rate

The Bank of Thailand (BOT), on Wednesday hiked the repo rate by another 25 bp, the third increase since June this year, which in effect raised the benchmark rate from 1.25% to 2.0% currently.

But the rate remains very low

Despite being the third time in six months that the BOT has increased the repo rate, the rate at 2% is still very low. During 2006-08 before BOT's tightening control on policy rate, the average repo rate during that period at 3.95% was nearly double that of the current rate.

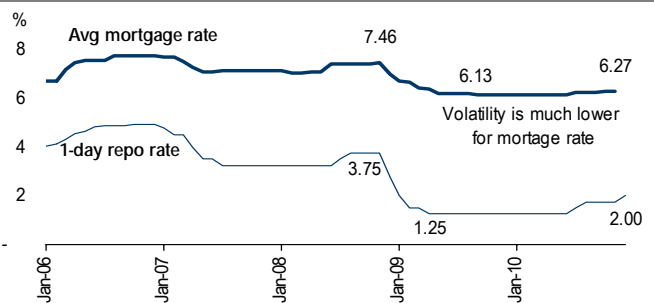
And change in mortgage rate to be less

One interesting point to note is that the magnitude of change in the repo rate is much higher than the change in the average mortgage rate. For example:

- During November 2008 and April 2009, when the repo rate fell sharply by 250 bp, the average mortgage rate in Thailand dropped by only half of that or by just 129 bp.
- Or the last time of rate increase in the middle of 2008, when the repo rate was hiked 50 bp, the average mortgage rate responded with a mere 8 bp increase.

And so far this round, where the repo rate has gone up 75 bp in the last six months, the average mortgage rate has responded with just 14 bp increase.

Figure 1: Repo rates vs average mortgage rates



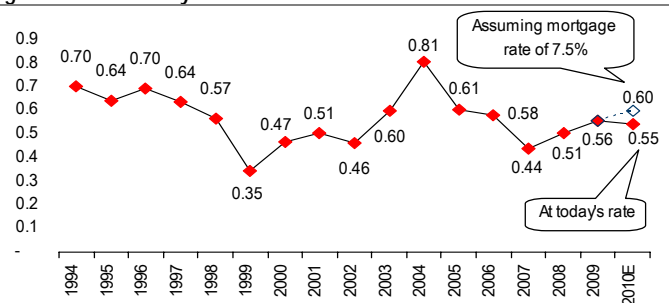
Source: Real Estate Information Centre (REIC)

Impact on affordability is small

Increase in interest rates impacts the affordability of home buyers; thus, we turn to affordability index for guidance. We construct our own affordability index using average household income divided by estimated mortgage payment based on average house prices and mortgage rates during each period. The reading is the lower the number of the index, the more affordable it is.

At today's interest rate, our index this year is 0.55, which is pretty much in the middle of the range for this decade and slightly below the historical average since 1994. This suggests the recent rate hike should have little to no impact on home buyers. Even if the benchmark rate goes up another 300 bp, which could raise the average mortgage rate to its previous high of 7.5%, the affordability index would go up to only 0.6, still tracking the historical average level.

Figure 2: Affordability Index



Source: Credit Suisse estimates

Recent share price corrections unjustified

Share prices of the big five developers under our coverage corrected 3.1% on average since the BOT's announcement of rate hike the other day. We believe this is an over-reaction on the part of investors, as we have illustrated above that such increases have little impact on the property market and affordability of home buyers. We take this correction as a buying opportunity and reiterate our OUTPERFORM call on AP, LPN and QH.

**Bumrungrad Hospital Pcl ----- Maintain NEUTRAL**

Looking for growth opportunities via M&A

EPS: ◀▶ TP: ◀▶

Thaniya Kevallee / Research Analyst / 662 614 6219 / thaniya.kevallee@credit-suisse.com  
 Siriporn Sothikul, CFA / Research Analyst / 662 614 6217 / siriporn.sothikul@credit-suisse.com

- In our conversation with management, BH expects that the existing hospital in Bangkok to remain the key focus for the next four-five years. Nonetheless, growth would not be outstanding. Thus, BH has started looking for M&A opportunities in the region as a way to enhance its growth prospects.
- BH has expressed interest in Hong Kong, Vietnam and Middle East, but Hong Kong provides the most promising outlook, according to management. Hong Kong government has changed its healthcare policy and would like private sector to increasingly serve demand from middle to high-end markets. BH is bidding for a government land plot to develop a high-end hospital there.
- However, it is likely that Hong Kong government may finalise the bidding process only in 4Q11. We see no other share price drivers until then.
- We maintain our NEUTRAL rating on BH and continue to prefer BGH for cheaper valuation and better earnings growth prospect. BH looks attractive though versus its Singaporean comparables.

believes this is the most promising market for the company in the foreseeable future.

**Hong Kong government has shifted its healthcare policy**

The government accounts for about 90% of healthcare market in Hong Kong, a high ratio by international standards (60%:40% or 70%:30%). Nonetheless, the government has recently shifted its strategy to allow much greater private sector participation. Under the plan, the government would continue servicing low-income segment while private operators would serve demand from middle to high-end markets. Early this year, the government has put up 4 land plots (to be developed into hospitals) for auction. BH, along with other 20 parties, has submitted bids. BH said, however, that the opportunities there are not limited to these four new hospital sites. The government could also put up some of its existing hospitals for auction going forward.

**Development of 500-bed high-end hospital**

Should BH win one of the four sites, it plans to build a high-end hospital with a capacity of 500 beds (equivalent to its existing hospital in Bangkok). Nonetheless, BH would plan to team up with its partner, Asian Financial Holding (Not Rated), with potential ownership structure of 60%:40%.

**Market has to wait until 4Q11 to know the outcome**

While the Hong Kong market looks interesting from the shift in the government policy perspective, the cost is another determining factor if this could become a good investment. BH said that its investment decision is based upon a hurdle rate of 20%, which is in line with its existing ROE. BH expects that the Hong Kong government would finalise the entire bidding process and announce the winners of the four sites by 4Q11.

**BGH – our preferred choice**

The route that BH plans to take has been undertaken by BGH for several years. Although BH would only focus on high-end markets in big cities, we find BGH's diversified exposure (i.e., including provincial cities in Thailand) able to generate impressive returns, which are underappreciated by the market. According to our estimate, BGH's ROE should catch up with BH's by 2014.

Bbg/RIC	BH TB / BH.BK	Price (01 Dec 10 , Bt)	31.75		
Rating (prev. rating)	N (N)	TP (Prev. TP Bt)	34.00 (34.00)		
Shares outstanding (mn)	728.34	Est. pot. % chg. to TP	7		
Daily trad vol - 6m avg (mn)	0.9	52-wk range (Bt)	37.00 - 28.25		
Daily trad val - 6m avg (US\$ mn)	0.9	Mkt cap (Bt/US\$ mn)	23,124.7 / 769.5		
Free float (%)	34.0	Performance	1M	3M	12M
Major shareholders	Bangkok Insurance Plc (13.19%)	Absolute (%)	(7.3)	0.8	12.4
		Relative (%)	(8.6)	(8.9)	(21.6)
Year	12/08A	12/09A	12/10E	12/11E	12/12E
Revenues (Bt mn)	8,757	9,201	9,880	10,764	11,675
EBITDA (Bt mn)	2,037	2,122	2,310	2,569	2,786
Net profit (Bt mn)	1,160	1,193	1,240	1,478	1,606
EPS (Bt)	1.34	1.38	1.43	1.70	1.85
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Bt)	n.a.	n.a.	1.62	1.88	2.08
EPS growth (%)	3.9	2.9	3.9	19.2	8.7
P/E (x)	23.7	23.1	22.2	18.6	17.1
Dividend yield (%)	2.5	2.7	3.2	3.5	3.8
EV/EBITDA (x)	12.1	11.5	12.4	11.0	10.0
P/B (x)	5.7	5.0	4.5	4.0	3.5
ROE (%)	25.2	23.1	21.3	22.6	21.9
Net debt (net cash)/equity (%)	30.8	22.5	16.9	9.0	3.0

Note 1: Bumrungrad Hospital (BH) is the second largest private hospital in Thailand, with 554 beds and over 30 specialty centers.

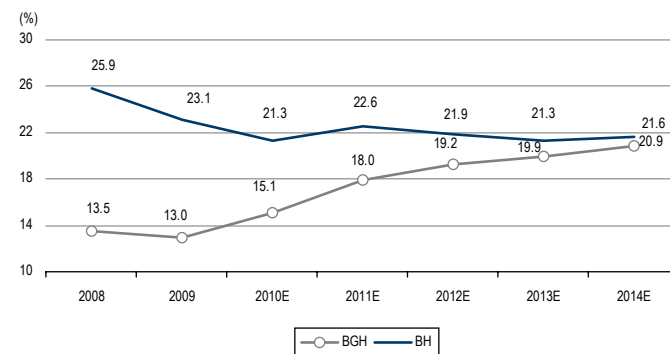
**Organic growth prospect stable but unexciting**

Management expects that its single hospital in Bangkok should continue to be the main source of earnings and cash flow over the next 4-5 years. Earnings growth should be in line with the historical pattern, implying that growth would be steady but not really exciting. This is in line with our expectation that BH would see only half earnings growth that BGH would enjoy (2010-4 EPS CAGR of 22%). Management admits that additional growth has to be generated only through acquisitions.

**Eyeing overseas opportunities; Hong Kong most promising**

The company has been identifying M&A opportunities in various overseas markets, including Vietnam, the Middle East and Hong Kong. For Vietnam, BH is likely to move in a slow and small step, i.e., perhaps setting up clinics rather than a full-fledged hospital initially in order to study the market and the regulatory environment as well as to train medical personnel. The same is true for the Middle East. It is the Hong Kong market that gains most attention from management, which

Figure 1: BGH's ROE should catch up with BH's – but valuation at deep discount



Source: Company data, Credit Suisse estimates

**Siam Commercial Bank ----- Maintain OUTPERFORM**

Group analyst meeting: management 2011 target in line with our expectation

EPS: ◀▶ TP: ◀▶

Dan Fineman / Research Analyst / 662 614 6218 / dan.fineman@credit-suisse.com

Thaniya Kevalae / Research Analyst / 662 614 6219 / thaniya.kevalae@credit-suisse.com

- After attending a group analyst meeting with management, we feel confident that SCB can meet our forecasts. Their 2011 operating performance targets are mostly in line with our estimates.
- SCB expects loan growth of 10-12% (CS:11%), driven by its retail-focused strategy and more aggressive move in SME lending. Fee income growth target of 15% (CS:14%) would come from the SME and corporate segments. Provision should come off further in line with our view. The key difference is its conservative NIM target but SCB would not rule out the possibility of beating its own target.
- SCB has initiated a mild form of management reshuffle, which we believe should not disrupt its operations. The objective is to motivate its senior management members to be more flexible and willing to think out of the box.
- We reiterate our view that banks with a strong retail focus should generate higher returns than the sector average and maintain our OUTPERFORM rating on SCB. We also prefer KBANK, TISCO and BAY to BBL and KTB.

retail-based fee income, management believes growth will be driven more by corporate and SME, for which the growth targets are 17% and 30%, respectively. Between 1Q09 and 3Q10, fee income generated from corporate and SME rose steadily from 22% to 26% of its total fee income. SCB believes it will be able to raise the ratio further to 30% in the medium term.

**Provisioning target in line, difference is in NIM**

SCB has stronger confidence in the asset quality picture and believes provision (as a percentage of loans) could drop further from this year, though it did not provide a specific target. Again, this is in line with our expectation. Management took a more cautious stance on NIM, and forecast a flat NIM of 3.6%; we are going for a 25 bp expansion. We believe SCB is overly cautious when setting its margin target in light of political pressure on bank margin. In a rising rate environment, NIM generally expands and that coupled with better growth in retail and SME lending, SCB should be able to achieve our estimates.

**Minor management reshuffle unlikely to disrupt operations**

Management is shifting its large SME customers (combined loans of about Bt80 bn) into the responsibility of the head of the corporate division. It has also transferred the head of the HP division to lead the credit card business and let the head of the credit card business to lead the HP division. Management explained the aim of the reshuffle is to motivate some senior management members to be more flexible and enhance their abilities to think out of the box. Since this does not involve the entire change in business platforms that SCB implemented in 2009, we believe the reshuffle should not disrupt its operations.

**Overweight retail-focused banks; SCB remains our top pick**

We reiterate our preference for retail-focused banks who we believe will outperform the rivals focusing on corporate and SME lending. SCB remains one of our top picks in the sector, along with KBANK and TISCO. We also like BAY and recommend switching from BBL and KTB into these names.

Bbg/RIC	SCB TB / SCB.BK	Price (01 Dec 10 , Bt)	106.00		
Rating (prev. rating)	O (O)	TP (Prev. TP Bt)	132 (132)		
Shares outstanding (mn)	3,392.62	Est. pot. % chg. to TP	25		
Daily trad vol - 6m avg (mn)	11.0	52-wk range (Bt)	114.00 - 78.25		
Daily trad val - 6m avg (US\$ mn)	33.3	Mkt cap (Bt/US\$ bn)	359.6/ 12.0		
Free float (%)	53.0	Performance	1M	3M	12M
Major shareholders	Crown Property Bureau (23.74%) Vayupak Fund (23.16%)	Absolute (%)	1.4	9.3	26.2
		Relative (%)	0.0	(1.3)	(12.0)
Year	12/08A	12/09A	12/10E	12/11E	12/12E
Pre-prov Op profit (Bt mn)	35,349	31,889	35,973	42,870	50,406
Net profit (Bt mn)	21,413	20,760	23,661	28,489	33,771
EPS (Bt)	6.3	6.1	7.0	8.4	9.9
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Bt)	n.a.	n.a.	7.0	8.1	9.3
EPS growth (%)	23.4	(3.1)	14.0	20.4	18.5
P/E (x)	16.8	17.4	15.2	12.6	10.7
Dividend yield (%)	1.9	2.4	3.1	4.0	5.4
BVPS (Bt)	37.4	41.5	45.2	49.3	53.5
P/B (x)	2.8	2.6	2.3	2.1	2.0
ROE (%)	18.0	15.5	16.1	17.7	19.3
ROA (%)	1.8	1.6	1.8	2.1	2.2
Tier 1 (%)	11.0	12.3	13.1	13.0	12.8

Note1: Siam Commercial Bank is Thailand's fourth largest universal bank with loan size of Bt 971 bn, deposit size of Bt 927 bn, total assets of Bt 1,266 bn, 17,686 employees and 999 branches as of 2Q10.

**Loan growth of 10-12% for next year**

With loan growth of 9.8% achieved in the first nine months, SCB expects to end 2010 with 12% growth, compared with our forecast of 10%. For next year, SCB believes it will continue gaining market share and set the target loan growth at 10-12%, in line with our forecast of 11%. Growth will be driven by its focus on retail lending and aggressive move in the SME segment. For instance, SCB set 25% and 20% loan growth target for hire purchase and SME loans for next year. As 2010 is the first year that SCB has launched new platforms for hire purchase and SME, management believes momentum should remain strong, helped in part by relatively low bases.

**Fee income growth to be driven by SME and corporate**

SCB aims to grow its fee income next year by 15%, which is slightly better than our forecast of 14%. Since SCB is already the leader in

Figure 1: SCB 2011 targets are mostly in line with our expectations

%	9M10	2010E	2011E	2011E (CS)
ROE	17	16 +	16-18	17.7
ROA	1.8	1.8 +	1.8-2	2
NIM	3.69	3.6	3.6 +	3.85
Loan growth	9.8	12	10-12	11
NII growth	14.3	17 +	n.a.	13.7
Fee income growth	15.1	15	15+	14
Cost-to-income	49.2	50	50	49
NPL	3.98	3.9 -	2.9	3.3
Branches/ATMs	1,005/7,678	1,025/8,177	1,050/9,250	1,100/8,729

Source: Company data, Credit Suisse estimates

<b>Recently Published Research</b>				
<b>Date</b>	<b>Title</b>	<b>Author(s)</b>	<b>Tel.</b>	<b>E-mail</b>
Thu 2 Dec	AIA Group	Arjan van Veen Frances Feng Paul Lloyd	852 2101 7508 852 2101 6693 44 20 7883 8820	arjan.vanveen@credit-suisse.com frances.feng@credit-suisse.com paul.lloyd@credit-suisse.com
Thu 2 Dec	Asia Quants Strategy	Jahanzeb Naseer	852 2101 6554	jahanzeb.naseer@credit-suisse.com
Thu 2 Dec	Asia Tech Sector Semiconductors	Randy Abrams	8862 2715 6366	randy.abrams@credit-suisse.com
Thu 2 Dec	NJA Insurance Weekly	Arjan van Veen	852 2101 7508	arjan.vanveen@credit-suisse.com
Thu 2 Dec	Singapore Banks Sector	Sanjay Jain Anand Swaminathan	65 6212 3017 65 6212 3012	sanjay.jain@credit-suisse.com anand.swaminathan@credit-suisse.com
Wed 1 Dec	Asia Small Cap Sector	Kenny Lau, CFA Adrian Chan Su Tye Chua Foong Wai Loke Teddy Oetomo Minseok Sinn Chai Techakumpuch Sunil Tirumalai Eva Wang Sidney Yeh	852 2101 7914 852 2101 6469 65 6212 3014 603 2723 2082 6221 2553 7911 822 3707 8898 662 614 6211 91 22 6777 3714 852 2101 7365 886 2 2715 6368	kenny.lau@credit-suisse.com adrian.c.chan@credit-suisse.com sutye.chua@credit-suisse.com foongwai.loke@credit-suisse.com teddy.oetomo@credit-suisse.com minseok.sinn@credit-suisse.com chai.techakumpuch@credit-suisse.com sunil.tirumalai@credit-suisse.com eva.wang@credit-suisse.com sidney.yeh@credit-suisse.com
Wed 1 Dec	Asian Semiconductors	Randy Abrams, CFA John W. Pitzer Satya Kumar Philip Winslow, CFA Stephanie Sun Tony Wu	886 2 2715 6366 212 538 4610 415 249 7928 212 325 6157 212 538 8196 8862 2715 6335	randy.abrams@credit-suisse.com john.pitzer@credit-suisse.com satya.kumar@credit-suisse.com philip.winslow@credit-suisse.com stephanie.sun@credit-suisse.com tony.wu.2@credit-suisse.com
Wed 1 Dec	China PMI Analysis	Asia Research Team	852 2101 6568	vincent.chan@credit-suisse.com
Wed 1 Dec	Korea Market Strategy	Seok Yun	822 3707 3730	seok.yun@credit-suisse.com
Tue 30 Nov	Havells India Ltd	Venugopal Garre Saurabh Mishra	91 22 6777 3872 91 22 6777 3894	venugopal.garre@credit-suisse.com saurabh.mishra@credit-suisse.com
Tue 30 Nov	Maxis Berhad	Foong Wai Loke	603 2723 2082	foongwai.loke@credit-suisse.com
Tue 30 Nov	MicroPort Scientific	Jinsong Du	852 2101 6589	jinsong.du@credit-suisse.com
Tue 30 Nov	Pakistan Fertiliser Sector	Farhan Rizvi, CFA	65 6212 3036	farhan.rizvi@credit-suisse.com

**Companies mentioned**

Advanced Micro Devices, Inc. (AMD, \$7.29, NEUTRAL [V], TP \$7.00)  
 Agilent Technologies Inc. (A, \$35.02, OUTPERFORM, TP \$36.00)  
 Aichi Steel (5482, ¥509, OUTPERFORM, TP ¥600, MARKET WEIGHT)  
 AirAsia (AIRA.KL, RM2.58, OUTPERFORM, TP RM4.30)  
 Alliance Financial Group BHD (ALFG.KL, RM3.08, OUTPERFORM, TP RM3.70)  
 Amkor Technology Inc. (AMKR, \$6.96, OUTPERFORM [V], TP \$9.60)  
 AMMB Holdings (AMMB.KL, RM6.19)  
 AMVIG Holdings (2300.HK, HK\$6.57, OUTPERFORM [V], TP HK\$7.85)  
 ANADIGICS Inc. (ANAD, \$6.40, NEUTRAL [V], TP \$6.00)  
 Analog Devices Inc. (ADI, \$36.66, NEUTRAL, TP \$31.00)  
 Anritsu (6754, ¥578)  
 Apollo Tyres (APLO.BO, Rs71.65, OUTPERFORM [V], TP Rs99.72)  
 Apple Inc. (AAPL, \$311.15)  
 Areva T&D India Ltd (AREV.NS, Rs315.00, UNDERPERFORM, TP Rs206.50)  
 Asian Property Development (AP.BK, Bt6.05, OUTPERFORM [V], TP Bt9.10)  
 Asiana Airlines (020560.KS, W9,500, OUTPERFORM [V], TP W12,200)  
 Atheros Communications Inc. (ATHR, \$32.56)  
 Atmel Corporation (ATML, \$10.39)  
 Axis Bank Limited (AXBK.BO, Rs1427.20, OUTPERFORM [V], TP Rs1680.00)  
 Bangkok Bank (BBLf.BK, Bt151.00, NEUTRAL, TP Bt175.00)  
 Bangkok Dusit Medical Services (BGH.BK, Bt37.50, OUTPERFORM, TP Bt52.00)  
 Bank of Ayudhya (BAY.BK, Bt23.30, OUTPERFORM, TP Bt29.00)  
 Bank of Baroda (BOB.BO, Rs961.00, OUTPERFORM, TP Rs1138.00)  
 Bank of India (BOI.BO, Rs482.65, NEUTRAL [V], TP Rs477.00)  
 Baoshan Iron & Steel (600019.SS, Rmb6.29, OUTPERFORM [V], TP Rmb8.50)  
 BAT Malaysia (BATO.KL, RM44.18, UNDERPERFORM, TP RM35.50)  
 Bharat Heavy Electricals (BHEL.BO, Rs2214.65, NEUTRAL, TP Rs2212.45)  
 Bharti Airtel Ltd (BRTI.BO, Rs350.40, OUTPERFORM, TP Rs415.00)  
 Bridgepoint Education (BPI, \$15.30, NEUTRAL [V], TP \$16.00)  
 Bumrungrad Hospital Pcl (BH.BK, Bt31.75, NEUTRAL, TP Bt34.00)  
 CDL Hospitality Trusts (CDLT.SI, S\$2.04, OUTPERFORM, TP S\$2.52)  
 Cheil Worldwide (030000.KS, W13,200, OUTPERFORM, TP W15,000)  
 China Merchant Holdings (0144.HK, HK\$30.55, OUTPERFORM, TP HK\$36.60)  
 China Mobile Limited (0941.HK, HK\$78.10, OUTPERFORM, TP HK\$116.00)  
 China Overseas Land & Investment (0688.HK, HK\$15.36, UNDERPERFORM [V], TP HK\$16.00)  
 China Resources Cement Holdings Ltd (1313.HK, HK\$5.88, OUTPERFORM, TP HK\$5.40)  
 China Resources Land Ltd (1109.HK, HK\$14.18, UNDERPERFORM, TP HK\$15.70)  
 China Vanke Co Ltd-A (000002.SZ, Rmb8.22, OUTPERFORM [V], TP Rmb12.30)  
 Chinatrust Financial Holding (2891.TW, NT\$19.1, OUTPERFORM, TP NT\$23.00)  
 CIMB Group Holdings Bhd (CIMB.KL, RM8.38, OUTPERFORM, TP RM10.80)  
 Cisco Systems Inc. (CSCO, \$19.16, OUTPERFORM [V], TP \$27.00)  
 COSCO Pacific (1199.HK, HK\$12.34, OUTPERFORM [V], TP HK\$15.10)  
 Cymer Inc. (CYMI, \$38.05, OUTPERFORM, TP \$40.00)  
 Dalian Port (PDA) Co (2880.HK, HK\$3.42, NEUTRAL, TP HK\$3.60)  
 DBS Group (DBSM.SI, S\$14.02, NEUTRAL, TP S\$16.00)  
 Disco (6146, ¥4,875, OUTPERFORM [V], TP ¥6,150, MARKET WEIGHT)  
 E Ink Holdings Inc (8069.TWO, NT\$59.20, OUTPERFORM [V], TP NT\$67.00)  
 eAccess (9427, ¥50,700, OUTPERFORM [V], TP ¥70,000, OVERWEIGHT)  
 Entropic Communications Inc. (ENTR, \$8.94, NEUTRAL [V], TP \$9.00)  
 Ericsson (ERIC, \$10.32, OUTPERFORM, TP \$13.47)  
 Evergreen Marine (2603.TW, NT\$26.05, OUTPERFORM, TP NT\$31.00)  
 Everonn Education Ltd (EVED.BO, Rs647.05, OUTPERFORM [V], TP Rs850.00)  
 Flextronics International (FLEX, \$7.37, OUTPERFORM [V], TP \$8.00)  
 Gamuda (GAMU.KL, RM3.64, OUTPERFORM, TP RM4.74)  
 Genting (GENT.KL, RM10.18, OUTPERFORM, TP RM13.00)  
 Genting Malaysia Bhd (GENM.KL, RM3.22, UNDERPERFORM, TP RM2.50)  
 GOME Electrical Appliances Holding Limited (0493.HK, HK\$3.15, OUTPERFORM [V], TP HK\$3.20)  
 Google, Inc. (GOOG, \$555.71, OUTPERFORM, TP \$700.00)  
 Great Eagle Hdg. (0041.HK, HK\$23.20, OUTPERFORM, TP HK\$36.40)  
 HDFC Bank (HDBK.BO, Rs2365.00, OUTPERFORM, TP Rs2682.00)  
 Housing Development Finance Corp (HDFC.BO, Rs700.15, NEUTRAL, TP Rs702.00)  
 HTC Corp (2498.TW, NT\$860.00, OUTPERFORM, TP NT\$850.00)  
 Huaku Development Co Ltd (2548.TW, NT\$90.10, OUTPERFORM, TP NT\$107.00)  
 Hyundai Mobis (012330.KS, W288,500, OUTPERFORM, TP W327,000)  
 Hyundai Motor (005380.KS, W179,000, UNDERPERFORM, TP W125,000)  
 ICICI Bank (ICBK.BO, Rs1165.50, OUTPERFORM [V], TP Rs1304.00)  
 IJM Corporation Berhad (IJMS.KL, RM5.80, OUTPERFORM [V], TP RM5.80)

Infineon Technologies (IFXGn.DE, Eu7.04)  
 Infrastructure Development Finance Co Ltd (IDFC.BO, Rs188.80, NEUTRAL, TP Rs226.00)  
 Inotera Memories Inc. (3474.TW, NT\$13.45, NEUTRAL [V], TP NT\$22.00)  
 Intersil Corp. (ISIL, \$12.75, NEUTRAL, TP \$14.00)  
 Juniper Networks (JNPR, \$34.02, NEUTRAL, TP \$30.00)  
 Kasikornbank (KBANf.BK, Bt122.00, OUTPERFORM, TP Bt147.00)  
 Kia Motors (000270.KS, W50,500, NEUTRAL [V], TP W39,000)  
 Krung Thai Bank (KTB.BK, Bt17.10, UNDERPERFORM, TP Bt14.50)  
 L.P.N. Development (LPN.BK, Bt9.80, OUTPERFORM [V], TP Bt12.10)  
 Land and Houses (LH.BK, Bt6.85, UNDERPERFORM [V], TP Bt6.60)  
 Larsen & Toubro (LART.BO, Rs2036.00, RESTRICTED)  
 Logitech International S.A. (LOGN.VX, SFr20.06, OUTPERFORM, TP SFr25.00, OVERWEIGHT)  
 Mando Corp (060980.KS, W131,500, OUTPERFORM [V], TP W148,000)  
 Marvell Technology Group Ltd. (MRVL, \$19.28, OUTPERFORM [V], TP \$22.00)  
 MasterCard, Inc. (MA, \$237.03, OUTPERFORM, TP \$275.00)  
 Micron Technology Inc. (MU, \$7.27, OUTPERFORM [V], TP \$15.00)  
 Microsoft Corp. (MSFT, \$25.26, OUTPERFORM, TP \$36.00)  
 MMC Corporation Bhd (MMCB.KL, RM2.75, OUTPERFORM, TP RM3.80)  
 Motorola Inc. (MOT, \$7.66, OUTPERFORM [V], TP \$11.00)  
 Muhibbah Engineering (M) Bhd (MUHI.KL, RM1.29, UNDERPERFORM, TP RM.70)  
 Neowiz Games Corp (095660.KQ, W47,500, OUTPERFORM [V], TP W75,000)  
 NetApp Inc. (NTAP, \$50.93)  
 NetLogic Microsystems Inc. (NETL, \$31.20)  
 Nokia Corporation (NOK, \$9.23, UNDERPERFORM [V], TP \$8.39)  
 Oversea-Chinese Banking Corporation (OCBC.SI, S\$9.99, OUTPERFORM, TP S\$11.60)  
 Pegatron (4938.TW, NT\$42.60, OUTPERFORM [V], TP NT\$52.00)  
 Preuksa Real Estate (PS.BK, Bt20.20, UNDERPERFORM [V], TP Bt17.80)  
 Public Bank (PUBMe.KL, RM12.80, OUTPERFORM, TP RM14.50)  
 Punjab National Bank Ltd (PNBK.BO, Rs1262.00, OUTPERFORM, TP Rs1454.00)  
 Quality Houses (QH.BK, Bt2.10, OUTPERFORM [V], TP Bt3.30)  
 Research In Motion Limited (RIMM, \$61.85, OUTPERFORM [V], TP \$75.00)  
 Rogers Communications (NVS) (RCIb.TO, C\$36.29, OUTPERFORM, TP C\$42.00)  
 Samsung Electronics (005930.KS, W820,000, OUTPERFORM, TP W940,000)  
 Semiconductor Manufacturing International Corp. (0981.HK, HK\$5.58)  
 Shanghai International Port Group (600018.SS, Rmb3.96, NEUTRAL, TP Rmb4.86)  
 Shenzhen Chiwan Wharf Holdings Ltd (200022.SZ, HK\$13.47, OUTPERFORM, TP HK\$15.60)  
 Siam Commercial Bank (SCB.BK, Bt106.00, OUTPERFORM, TP Bt132.00)  
 Silicon Laboratories Inc. (SLAB, \$42.48)  
 Skyworks Solutions Inc. (SWKS, \$25.45)  
 Skyworth Digital (0751.HK, HK\$4.10, OUTPERFORM [V], TP HK\$6.70)  
 Softbank (9984, ¥2,943, OUTPERFORM, TP ¥4,000, OVERWEIGHT)  
 Sony (6758, ¥3,015, OUTPERFORM, TP ¥3,600, MARKET WEIGHT)  
 State Bank Of India (SBI.BO, Rs3088.00, UNDERPERFORM, TP Rs2804.00)  
 Suning Appliance Co., Ltd (002024.SZ, Rmb13.75, NOT RATED)  
 Sunway Holdings Berhad (SGWM.KL, RM2.25, OUTPERFORM, TP RM2.60)  
 Taekwang Industrial Co. Ltd (003240.KS, W1,386,000, NOT RATED)  
 Taishin Financial Holding (2887.TW, NT\$14.45, OUTPERFORM, TP NT\$17.50)  
 Taiwan Semiconductor Manufacturing (2330.TW, NT\$64.60, OUTPERFORM, TP NT\$77.00)  
 TeliaSonera (TLSN.ST, SKr54.45, NEUTRAL, TP SKr55.00, MARKET WEIGHT)  
 Tenaga Nasional (TENA.KL, RM8.47, OUTPERFORM, TP RM10.90)  
 Texas Instruments Inc. (TXN, \$31.80, OUTPERFORM, TP \$35.00)  
 Texhong Textile Group (2678.HK, HK\$5.92, OUTPERFORM [V], TP HK\$8.00)  
 Tianjin Port Developments Holdings Ltd (3382.HK, HK\$1.90, NEUTRAL [V], TP HK\$1.95)  
 Tisco Financial Group (TISCO.BK, Bt44.00, OUTPERFORM, TP Bt49.00)  
 Tong Yang Life Insurance (082640.KS, W11,900, OUTPERFORM, TP W19,000)  
 Toshiba (6502, ¥439, OUTPERFORM [V], TP ¥540, MARKET WEIGHT)  
 TPK Holdings (3673.TW, NT\$694.00, OUTPERFORM [V], TP NT\$623.00)  
 UEM Land Holdings Bhd (ULHB.KL, RM2.13, OUTPERFORM [V], TP RM3.60)  
 Unimicron Technology Corp (3037.TW, NT\$57.00, OUTPERFORM [V], TP NT\$62.00)  
 Union Bank of India (UNBK.BO, Rs375.10, OUTPERFORM, TP Rs395.00)  
 United Overseas Bank (UOBH.SI, S\$18.50, NEUTRAL, TP S\$22.50)  
 Visa Inc. (V, \$73.85, OUTPERFORM, TP \$110.00)  
 VTech Holdings (0303.HK, HK\$84.50, OUTPERFORM, TP HK\$102.00)  
 WCT Berhad (WCTE.KL, RM3.02)  
 Wing Tai Holdings (WTHS.SI, S\$1.74, OUTPERFORM, TP S\$2.16)  
 Wintek Corp (2384.TW, NT\$54.20, OUTPERFORM [V], TP NT\$60.00)  
 Xiamen International Port Co. (3378.HK, HK\$1.53, OUTPERFORM [V], TP HK\$1.95)  
 Yes Bank Ltd (YESB.BO, Rs329.70, UNDERPERFORM [V], TP Rs291.00)

## Disclosure Appendix

### Important Global Disclosures

The analysts identified in this report each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities.

#### Analysts' stock ratings are defined as follows:

**Outperform (O):** The stock's total return is expected to outperform the relevant benchmark\* by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

**Neutral (N):** The stock's total return is expected to be in line with the relevant benchmark\* (range of  $\pm 10-15\%$ ) over the next 12 months.

**Underperform (U):** The stock's total return is expected to underperform the relevant benchmark\* by 10-15% or more over the next 12 months.

*\*Relevant benchmark by region: As of 29<sup>th</sup> May 2009, Australia, New Zealand, U.S. and Canadian ratings are based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe\*\*, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry factors. For Latin American, Japanese, and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; for European stocks, ratings are based on a stock's total return relative to the analyst's coverage universe\*\*. For Australian and New Zealand stocks a 22% and a 12% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively, subject to analysts' perceived risk. The 22% and 12% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively, subject to analysts' perceived risk.*

*\*\*An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

**Restricted (R):** In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

**Volatility Indicator [V]:** A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

#### Analysts' coverage universe weightings are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe\* versus the relevant broad market benchmark\*\*:

**Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

**Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

*\*An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

*\*\*The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

#### Credit Suisse's distribution of stock ratings (and banking clients) is:

	Global Ratings Distribution	
Outperform/Buy*	45%	(61% banking clients)
Neutral/Hold*	41%	(60% banking clients)
Underperform/Sell*	12%	(53% banking clients)
Restricted	2%	

*\*For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: [http://www.csfb.com/research-and-analytics/disclaimer/managing\\_conflicts\\_disclaimer.html](http://www.csfb.com/research-and-analytics/disclaimer/managing_conflicts_disclaimer.html)

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

### Important Regional Disclosures

Singapore recipients should contact a Singapore financial adviser for any matters arising from this research report.

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit [http://www.csfb.com/legal\\_terms/canada\\_research\\_policy.shtml](http://www.csfb.com/legal_terms/canada_research_policy.shtml).

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at anytime after that.

Please find the full reports, including disclosure information, on Credit Suisse's Research and Analytics Website (<http://www.researchandanalytics.com>)

---

### **Important Credit Suisse HOLT Disclosures**

With respect to the analysis in this report based on the Credit Suisse HOLT methodology, Credit Suisse certifies that (1) the views expressed in this report accurately reflect the Credit Suisse HOLT methodology and (2) no part of the Firm's compensation was, is, or will be directly related to the specific views disclosed in this report.

The Credit Suisse HOLT methodology does not assign ratings to a security. It is an analytical tool that involves use of a set of proprietary quantitative algorithms and warranted value calculations, collectively called the Credit Suisse HOLT valuation model, that are consistently applied to all the companies included in its database. Third-party data (including consensus earnings estimates) are systematically translated into a number of default variables and incorporated into the algorithms available in the Credit Suisse HOLT valuation model. The source financial statement, pricing, and earnings data provided by outside data vendors are subject to quality control and may also be adjusted to more closely measure the underlying economics of firm performance. These adjustments provide consistency when analyzing a single company across time, or analyzing multiple companies across industries or national borders. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes the baseline valuation for a security, and a user then may adjust the default variables to produce alternative scenarios, any of which could occur. Additional information about the Credit Suisse HOLT methodology is available on request.

The Credit Suisse HOLT methodology does not assign a price target to a security. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes a warranted price for a security, and as the third-party data are updated, the warranted price may also change. The default variables may also be adjusted to produce alternative warranted prices, any of which could occur.

CFROI®, HOLT, HOLTfolio, HOLTSelect, ValueSearch, AggreGator, Signal Flag and "Powered by HOLT" are trademarks or service marks or registered trademarks or registered service marks of Credit Suisse or its affiliates in the United States and other countries. HOLT is a corporate performance and valuation advisory service of Credit Suisse.

Additional information about the Credit Suisse HOLT methodology is available on request.

---

### **Important MSCI Disclosures**

The MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates.

The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of Morgan Stanley Capital International Inc. and Standard & Poor's. GICS is a service mark of MSCI and S&P and has been licensed for use by Credit Suisse.

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at [www.credit-suisse.com/researchdisclosures](http://www.credit-suisse.com/researchdisclosures) or call +1 (877) 291-2683.

Disclaimers continue on next page.

**Disclaimers**

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse AG, the Swiss bank, or its subsidiaries or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates.

The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients as its customers by virtue of their receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you. CS does not offer advice on the tax consequences of investment and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change.

CS believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. Information and opinions presented in the other sections of the report were obtained or derived from sources CS believes are reliable, but CS makes no representations as to their accuracy or completeness. Additional information is available upon request. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, a trading call regarding this security. Trading calls are short term trading opportunities based on market events and catalysts, while stock ratings reflect investment recommendations based on expected total return over a 12-month period as defined in the disclosure section. Because trading calls and stock ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the stock rating. In addition, CS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. CS is involved in many businesses that relate to companies mentioned in this report. These businesses include specialized trading, risk arbitrage, market making, and other proprietary trading.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgement at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in instruments such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk.

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase.

Some investments discussed in this report have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment, in such circumstances you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed.

This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk.

This report is issued and distributed in Europe (except Switzerland) by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is regulated in the United Kingdom by The Financial Services Authority ("FSA"). This report is being distributed in Germany by Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht ("BaFin"). This report is being distributed in the United States by Credit Suisse Securities (USA) LLC ; in Switzerland by Credit Suisse AG; in Canada by Credit Suisse Securities (Canada), Inc.; in Brazil by Banco de Investimentos Credit Suisse (Brasil) S.A.; in Mexico by Banco Credit Suisse (México), S.A. (transactions related to the securities mentioned in this report will only be effected in compliance with applicable regulation); in Japan by Credit Suisse Securities (Japan) Limited, Financial Instrument Firm, Director-General of Kanto Local Finance Bureau (Kinsho) No. 66, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan; elsewhere in Asia/Pacific by whichever of the following is the appropriately authorised entity in the relevant jurisdiction: Credit Suisse (Hong Kong) Limited, Credit Suisse Equities (Australia) Limited , Credit Suisse Securities (Thailand) Limited, Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse AG, Singapore Branch, Credit Suisse Securities (India) Private Limited, Credit Suisse Securities (Europe) Limited, Seoul Branch, Credit Suisse AG, Taipei Securities Branch, PT Credit Suisse Securities Indonesia, and elsewhere in the world by the relevant authorised affiliate of the above. Research on Taiwanese securities produced by Credit Suisse AG, Taipei Securities Branch has been prepared by a registered Senior Business Person. Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn. Bhd., to whom they should direct any queries on +603 2723 2020.

In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. U.S. customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the U.S.

Please note that this report was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA or in respect of which the protections of the FSA for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report.

Any Nielsen Media Research material contained in this report represents Nielsen Media Research's estimates and does not represent facts. NMR has neither reviewed nor approved this report and/or any of the statements made herein.

If this report is being distributed by a financial institution other than Credit Suisse AG, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by Credit Suisse to the clients of the distributing financial institution, and neither Credit Suisse AG, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content.

Copyright 2010 CREDIT SUISSE AG and/or its affiliates. All rights reserved.