UBS

Global Equity Research

Asia

UBS Investment Research

Morning Expresso - Asia

Equity Strategy

Regions & Sectors

4 March 2011

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Friday 04 March 2011

Morning Expresso

Morning Meeting Agenda

Macro Keys

	Economist: Larry Hatheway	Tel: +44-20-7568 4053

Corporate Credit: Dialling down risk

- Late last week we dialled down our view on Corporate Credit. In the US we reduced High Yield to neutral from overweight but stuck with a modest overweight on Investment Grade. In Europe we shifted our focus away from hi-beta cyclicals and positioned for a decompression between EU cross-over credits and US high yield credits (an up-in-quality trade). Simply put, we believe higher energy prices and political unrest outside the US and EU will likely serve as a tax on growth. The cumulative effect should increase volatility and risk premiums and push hi-beta credit spreads wider over the coming weeks.
- Political uncertainties in the Middle East and North Africa (MENA) accelerated last week. Following in the wake of Egypt's revolution, unrest in Libya threatened to topple the government as Muammar Qaddafi lost control of much of the country's oil–rich east and signs suggest supply may be halted. Investors are casting a wary eye towards Algeria and other key oil–producing nations in the area. Libya and Algeria are both significant players; however the promise made by Saudi Arabia to dip into OPEC spare capacity does appear to serve as a significant counterweight.
- Stronger economic growth and robust corporate profits support the fundamental backdrop (Chart 1); however, rising oil prices – if sustained – pose risks to global growth. Our colleagues in UBS's Global Economics team estimate a sustained $10/barrel increase in oil prices could shave as much as 0.3 percentage points off global GDP growth; a similar comparison can be made to US GDP growth. The combination of rising food and oil prices also raises the spectre of more aggressive monetary policy tightening by emerging market central banks and also, possibly, the UK and Europe. The sell–off in emerging market stocks should be a warning to investors as markets rarely decouple over the medium term.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

Asia Equity Strategy

	Strategist: Niall MacLeod	Tel: +852-2971 6186

Where are the risks to earnings?

- Are analysts forecasting slowing growth and rising costs? Slowing economic growth momentum and the rise in commodity prices have led to questions whether these are reflected in consensus forecasts. We look at where the forecasts stand today and the potential risks in this note.
- Aggregate earnings in Asia ex Japan continue to look fine At the Asia ex Japan market level, we remain comfortable with earnings. Analysts are forecasting 13.4% EPS growth in 2011 and 15% in 2012, which are in line with the long-run historical average. The uplift in growth since Nov 2010 (chart below) has been driven by higher revenues, which are now above our NGDP forecasts as it has been the norm historically. The margin and ROE continue to be stable.
- Forecasts in India show the greatest risks Specific areas of the market could see greater earnings risk, notably India. Despite slower growth momentum, consensus is forecasting accelerating top line growth. Margins are forecasted to expand at an accelerated pace against higher commodity cost and signs of deteriorating pricing power. The sharply higher interest rates since Q4 also do not seem to be have been fully incorporated in the forecasts.
- Peaking US leading indicators better reflected in Taiwan than Korea Taiwan and Korea could see their earnings momentum fade as leading indicators are in our view peaking in the US. This appears to be reflected to a greater extent by consensus in Taiwan than Korea.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 4 March 2011

Global Equity Strategy

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

Global Profit Picture: February 2011

- Fundamental backdrop remains constructive The economic recovery is firmly intact and the corporate sector is in good health. As our Global Profit Picture data reflect, earnings growth and profitability remain strong, valuations reasonable and dividends and ROE continue to recover.
- Trends are decelerating as recovery matures Earnings growth is decelerating from near 36% in 2010 to 15.5% this year. Similarly, growth differentials between cyclical and defensive sectors are moderating. In 2010, Cyclical growth outpaced Defensives by 57%. In 2011, that gap is forecast to narrow to 16%. While normal for this point in the recovery, this trend does have implications for expected market returns
- Earnings estimates aggressive Continued margin expansion is the key assumption underpinning current earnings expectations. However top-down trends suggest little room for further margin expansion while bottom-up data show margin flattening. We see this is a potential headwind for markets.
- Re-leveraging support ROE is still well off the highs seen in the prior cycle. We believe a secular corporate re-leveraging trend could drive ROEs higher. With cash at multi-decade highs and the relative cost of equity versus debt near record wides, we believe the corporate sector has both the ability and incentive to re-lever.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

Global Emerging Markets Strategy

	Strategist: Nicholas Smithie	Tel: +1 212 713 8679

GEM Profit Picture: March 2011 Earnings estimates revised up

- 2011E earnings growth is now 17% GEM aggregate earnings growth was revised up three percent to 17% growth for 2011. This marks a deceleration from 40% earnings growth we saw in 2010, which was mainly driven by base effects and is more in line with the 2004-7 average. We believe 17% growth, two-thirds of which is driven by top-line growth, is achievable.
- Spots of strength and areas of weakness The Materials and Energy sectors saw the largest upward revisions, with 2011e earnings up 8.8% and 6.8%, respectively. There were also some weak spots, earnings growth in Korea (9%) and Taiwan (1%) remain weak and revisions are still negative in Taiwan. Financials have also suffered earnings downgrades due to interest rate uncertainty and higher reserve requirements.
- De-rating presents a value opportunity GEM has de-rated from 11.6 times 2011E PE in November to 10.8 times today. 10.8 times forward PE is a 10% discount to the World on 12.9 times, below the GEM long run average of 13.3 times and well below our fair PE assumption for the asset class of 16.0 times. We continue to believe there is a lot of value in GEM equities in spite of short term headwinds to performance caused by political uncertainty in the MENA region and higher oil prices.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

Anhui Conch Cement

Anhui Conch Cement	Rating: Buy (CBE)	Target: HK$65.00	Price: HK$38.95	RIC: 0914.HK
	Prior: Unchanged	*Prior:* HK$50.00	Mkt Cap: HK$138bn	BBG: 914 HK
Building Materials	Analyst: Mick Mi		Tel: +8621-3866 8863	

Raise 2011 EPS forecast to Rmb3.03

- Stronger-than-expected cement price indicates improved profitability In the Greater Eastern Region (to contribute over 60% revenue for Anhui Conch in 2011E, according to our estimate), on an average, cement price is about Rmb150/t higher than the level at this time last year. The strong cement prices directly translate to higher-than-expected gross profit (GP) per tonne. We believe Anhui Conch's (Conch) Q111 GP/t could double YoY.
- Raise earnings estimates, but we believe risk is still on the upside We raise our 2010/2011/2012 earnings estimates for Anhui Conch from Rmb1.60/2.40/3.22/ to Rmb1.68/3.03/4.16/ on higher cement prices and our higher GP/t assumption. However, our GP/t assumption for 2011 is similar to our estimate for Q111; we therefore believe our margins assumptions for Conch still have upside risks.
- UBS estimates versus consensus Our 2011 EPS forecast is over 50% higher than consensus. We believe the Street has underestimated the impact of market consolidation and structural changes in the industry due to the supply constraints. We believe the strong cement prices could be sustainable and the Street has materially underestimated the potential improvement in Conch's margin.
- Valuation: maintain Buy rating and raise price target to HK$65.00 We raise our price target for Conch from HK$50.00 to HK$65.00. We continue to derive our price target from a DCF-based methodology, explicitly forecasting long-term valuation drivers with UBS's VCAM tool (a WACC of 9.75%, beta of 1.0x).
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$38.95 on 02 Mar 2011 23:38 HKT

China Construction Sector

Industrial	Analyst: Hubert Tang, CFA	Tel: +8621-3866 8858

Reengineering

- Time to revisit the China E&C sector Investors have been diversifying from the China engineering and construction (E&C) sector on valid concerns of slowing new contracts and deteriorating margins since H109. Valuations have remained at historical lows, but we expect margins and ROE to recover and China construction companies to deliver stronger earnings growth than their Asian peers. We think a re-rating is likely if policy visibility improves in China.
- China and global E&C industry: transforming The industry in China is transforming along with the country's economic transition in the 12th Five-year Plan (FYP). We forecast a 3% CAGR for fixed asset investment (FAI) in China's infrastructure in 2011-15, compared with 24% in 2006-10. We favour the urban rail and affordable housing segments as they move into upcycles. China firms should also gain from their leading positions in some emerging markets, with the highest spending growth in infrastructure.
- Construction firms: refocusing on profitability While domestic and overseas order inflow seems to have regained momentum, construction firms are refocusing from growth to profit. We expect the margin recovery trend to continue in 2011 and 2012. Risks to our view include rising raw material and labour costs, as well as draconian measures by governments to control inflation.
- Stock picks: we prefer CCC and CRC We initiate coverage of five China construction companies. We value them on a sum-of-the-parts methodology. We see more upside potential in CCC as we expect its major subsidiary to turn around and in CRC for its superior risk-reward profile.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

CRCC	Rating: Buy	Target: HK$13.36	Price: HK$8.09	RIC: 1186.HK
	Prior: Not Rated	Prior: Not Rated	Mkt Cap: HK$99.8bn	BBG: 1186 HK
Heavy Construction	Analyst: Hubert Tang, CFA		Tel: +8621-3866 8858	

Attractive risk-reward profile

- Initiate coverage of CRC with a Buy rating Following a significant de-rating since August 2009, China Railway Construction (CRC) is now trading at 2.9x 2011E total EV/EBITDA, or a 1.8x standard deviation below its historical average. We believe CRC is attractive at the current level, as we forecast a 23% earnings CAGR for 2010-12 if we exclude the loss from the Mecca project in 2010, due to continuing investment in railways that is helping CRC's margin recovery.
- Focusing on the domestic railway market CRC's 99% YoY growth in new domestic railway construction contracts in 9M10 suggests success in defending its share in this important market and, in our view, bodes well for earnings growth in the next two years. Although we think revenue from highways will come under pressure, CRC is shifting some capacity to higher-margin businesses to offset this.
- Margin recovery on track We believe CRC's margins are on a steady recovery trend. Margins in 2010 would have rebounded if we exclude the one-off loss from the Mecca project. We are confident about further margin improvement in the next two years, as normalised revenue growth would allow CRC to focus on cost management.
- Valuation: price target of HK$13.36 We value CRC on a SOTP methodology by applying relevant EV/EBITDA multiples to value its different businesses. Our price target implies a 2011E EV/EBITDA of 5.5x, ex-net cash PE of 12.3x, and P/BV of 2.1x with an ROE of 15.4%.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$8.09 on 02 Mar 2011 23:38 HKT

CCCC	Rating: Buy	Target: HK$7.07	Price: HK$5.64	RIC: 1800.HK
	Prior: Not Rated	Prior: Not Rated	Mkt Cap: HK$83.6bn	BBG: 1800 HK
Heavy Construction	Analyst: Hubert Tang, CFA		Tel: +8621-3866 8858	

Better diversified, more upside potential

- Orders in 2011 could surprise on the upside We believe China Communications Construction's (CCC) diversified business mix should help it manage normalised new order growth better than peers. We see areas of strength in the port and road/bridge segments and expect their contracts to contribute 12%/11% YoY growth to total construction orders and 4.5/3.7 years of backlog in 2011/2012. A strong recovery in the overseas market could also provide upside risk.
- Margin improvement is likely to be sustainable While the recovery of the construction segment's gross margin could take time, we believe the more profitable businesses, such as design and dredging, should rebound faster due to CCC's efforts on cost management and cuts in subcontracting. The loss at Zhenghua Heavy Industry (ZPMC) was the main drag on the overall margin, and CCC expects this to turn around in 2011.
- Risks: costs, currency and political unrest We believe rising raw material and labour costs could pose a risk to a margin recovery, while a strengthening renminbi would add pressure to the company's overseas business. Political unrest in some overseas markets could also be disruptive. Our sensitivity analysis suggests a 1% absolute change in the gross margin will swing CCC's EPS by 20.8%.
- Valuation: initiate coverage with a Buy rating and a PT of HK$7.07 We apply an EV/EBITDA multiple of 6.2x to CCC's construction-related segments and 20.0x to its machinery manufacturing segment to derive our SOTP-based price target of HK$7.07. This implies a 2011E EV/EBITDA of 7.2x, or 8.4x PE. Our price target is 25% above the current share price and we rate CCC Buy.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$5.64 on 02 Mar 2011 23:38 HKT

CRG	Rating: Neutral	Target: HK$5.40	Price: HK$4.89	RIC: 0390.HK
	Prior: Not Rated	Prior: Not Rated	Mkt Cap: HK$104bn	BBG: 390 HK
Heavy Construction	Analyst: Hubert Tang, CFA		Tel: +8621-3866 8858	

Fairly valued

- Initiate coverage of CRG with a Neutral rating Following the spike in the number of new contracts and the substantial compression of margins in 2009, we believe China Railway Group (CRG) is undergoing a 'mean reversion', as indicated by lower revenue growth and a gradual margin recovery. We forecast a 24% earnings CAGR for 2010-12. Trading at 5.5x 2011E EV/EBITDA and 8.6x PE with 15.7% ROE, we think CRG is fairly valued at the current level.
- Gradual margin recovery on normalised revenue growth We attribute CRG's margin trough in 2009 to insufficient project evaluation, a high level of subcontracting and weak cost control, a result of a sharp rise in projects due to the stimulus package, and tight schedules. With revenue growth normalised, we expect CRG's construction margin to gradually improve after the rebound in 2010.
- Well positioned to benefit from growing urban rail market We expect urban rail construction to move into an upcyle in 2011, and believe CRG is well positioned to benefit from this, given its expertise, dominant market share, and national network. We also expect growth in urban railways to help CRG offset slowing investment in railways and highways, particularly in the second half of the 12th FYP.
- Valuation: price target of HK$5.40 We value CRG on a SOTP methodology, using EV/EBITDA to value the company. Our price target implies a 2011E EV/EBITDA of 6.1x, and PE of 9.4x with ROE of 15.7%.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$4.89 on 02 Mar 2011 23:38 HKT

CSCI	Rating: Neutral	Target: HK$7.40	Price: HK$7.18	RIC: 3311.HK
	Prior: Not Rated	Prior: Not Rated	Mkt Cap: HK$21.1bn	BBG: 3311 HK
Heavy Construction	Analyst: Hubert Tang, CFA		Tel: +8621-3866 8858	

Twin engines of growth

- Upcycle in Hong Kong infrastructure and China affordable housing We believe China State Construction International (CSCI) is well positioned to benefit from the upcycle in Hong Kong's 10 major infrastructure projects, and accelerating affordable housing construction on the mainland in 2011-15. We forecast a 40% earnings CAGR over 2010-12, which should more than offset its tepid business in Macau and the overseas market.
- Moving to a more profitable business model While maintaining its leading position in the Hong Kong market, CSCI aims to leverage its balance sheet strength to address construction's low margin from the mainland business by selectively undertaking BT/BOT/TOT projects, including affordable housing in several provincial cities. This should help it expand margins steadily.
- Risks: payment collection We believe CSCI's entry into affordable housing also entails some risks, including funding the large initial upfront capital commitment, and local governments' ability to pay once these projects completed. Our sensitivity analysis suggests a 100bp change in the gross margin would swing EPS by 14.9%.
- Valuation: initiate coverage with a Neutral rating and a PT of HK$7.40 We base our price target on a SOTP methodology. We apply an EV/EBITDA multiple of 11.5x to CSCI's construction and related businesses. This is an 85% premium to the China E&C sector average, based on our peer comparison. Our price target implies 15.8x PE with 25.5% ROE in 2011E. We think the stock is fully valued at the current level and rate it Neutral.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$7.18 on 02 Mar 2011 23:38 HKT

MCC - H	Rating: Neutral	Target: HK$3.50	Price: HK$3.20	RIC: 1618.HK
	Prior: Not Rated	Prior: Not Rated	Mkt Cap: HK$61.2bn	BBG: 1618 HK
Heavy Construction	Analyst: Hubert Tang, CFA		Tel: +8621-3866 8858	

Expanding into urban development

- Property and affordable housing are potential new drivers Metallurgical Corporation of China (MCC) is diversifying from its core metallurgical E&C business into non-metallurgical segments such as property development with a focus on affordable housing. We are concerned about the delays in some of its overseas mining projects, although we expect them to remain medium- to long-term earnings growth drivers.
- Upgrading metallurgical E&C As FAI growth in the ferrous and non-ferrous metal industries slowed from 2009, MCC's new contracts from the metallurgical E&C segment also fell from 67% of total E&C in 2008, to 41% in 2009 and 34% in 2010E. However, we believe this segment should stabilise, or even surprise on the upside, because of consolidation and upgrading of the steel industry.
- Risk: uncertainties in overseas operations and high financial costs We believe the main risks to MCC include uncertainty in its overseas markets as this could slow overseas E&C and, in particular, delay the development of mining projects. The high financial burden is another concern.
- Valuation: initiate coverage with a Neutral rating and PT of HK$3.50 We use a SOTP methodology, applying: 5.0x EV/EBITDA to the E&C business; 12.8x to equipment manufacturing, 5.4x to others, and NAV its resource and property development segments. Our price target of HK$3.50 implies 7.1x 2011E EV/EBITDA, or 8.4x PE with 15.6% ROE.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$3.20 on 02 Mar 2011 23:38 HKT

SOHO China	Rating: Buy	Target: HK$7.21	Price: HK$5.65	RIC: 0410.HK
	Prior: *Unchanged*	Prior: HK$6.79	Mkt Cap: HK$29.3bn	BBG: 410 HK
Real Estate	Analyst: Alex Choi, CFA		Tel: +852-2971 5658	

Good div. yield, net cash with strong acq.

- 2010 pre-x net profit reached Rmb3.5bn, up 108% yoy SOHO's turnover in 2010 was Rmb18.2bn, up 146% yoy, due to increase of area booked (409k sqm vs. 177k sqm in 09). ASP in 2010 was 9% higher yoy (Rmb44.5k psm vs. Rmb41.0k psm in 09).With 2010 contract sales of Rmb23.8bn, SOHO expects target sales in 2011 will be in line with last year.
- Keeping same sales scale while increasing investment holdings SOHO will keep its sales scale at the current level, while more properties will be kept for leasing to take benefits from LAT saving, assets appreciation in inflationary environment and more stable and visible income sources. There will be a gap in revenue booking in 11, as projects with significant sizes will be completed in 12/13. However, 2011 contract sales will be strong to provide enough cashflow to ensure steady growth in absolute dividend payment (2010 div yield: 5.4%).
- Strong net cash position for active acq. with further NAV increment With strong net cash position (net debt to equity: -57% in end-10), SOHO is ready to launch its Rmb15bn acq. pipeline in BJ/SH this year. We think there is good upside for further NAV increment as SOHO purchases quick-flip projects.
- Valuation: trading at 37% discount to 2011E NAV of HK$9.02 We lower our 11/12/13 EPS estimates by 21%/21%/4% to reflect the latest project booking schedule (with some pushed to 2014E). We also adjust the cap rate of SOHO's investment portfolio from 8% to 7% to better reflect the market value. We raise our price target from HK$6.79 to HK$7.21, based on 20% discount to 2011E NAV of HK$9.02 (from HK$8.48). SOHO remains our top pick with Buy rating.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of HK$5.65 on 02 Mar 2011 23:38 EST

Suntech Power	Rating: Buy Prior: *Unchanged*	Target: US$13.00 Prior: *Unchanged*	Price: US$9.81 Mkt Cap: US$1.51bn	RIC: STP.N BBG: STP US
Electric Components & Equipment	Analyst: Lu Yeung		Tel: +852-6081 0223	

Expect 4Q EPS beat from GSF

- Expect strong 4Q EPS beat from GSF gain We look for upside potential from our 4Q EPS est. of $0.33 vs. consensus of $0.29 from GSF as close to 90MW of projects are being connected vs. 10MW in 3Q10 (which STP booked $20mn). This should add on to c $15mn gain from Glory's integration. We expect 4Q revenue of $869mn on shipment of 455MW at $1.75-1.80/W. We expect 1Q11 shipment to grow sequentially with a minimal ASP decline of 3-4%. We raise our estimates 8-9% on better 4Q10 and 1Q11 outlook. STP will report on March 8th 6pm EST (+1-800-435-1261, passcode Suntech).
- Wafer integration accretive starting in 2Q11 Blended poly/wafer input cost was $80/kg and $0.90/W in 4Q and remain flattish in 1Q11, but we expect larger cost savings in 2Q11. STP should have 800MW of internal wafer by 1Q11 and 1200MW by 3Q11. Sourcing from low-cost producers like GCL Poly is limited at c.300MW in 2011, while MEMC is still at c.500MW.
- Pluto shipment remains limited in 1Q11 Pluto shipment appears limited in 1Q11 as bottlenecks are still being resolved. However other vendors using off-the-rack selective emitter equipment are able to reach close to 19% on mono-wafers and we question whether most second-generation technology can prove higher efficiency at similar cost.
- De-rating at the end of its course? Our thesis with STP is based on room for further cost reduction from wafer integration vs. other integrated peers that already garnered the "low-hanging fruits" of cost savings. At 0.9x P/B, STP trades at a lower-end of peer range, but its diversified channels is key to defend against European markets saturation in '12. Our VCAM-based PT of $13 implies 1.2x P/B.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of US$9.81 on 02 Mar 2011 23:38 HKT

European Solar Industry		
Advanced Industrial Equipment	Analyst: Patrick Hummel, CFA	Tel: +41 44 239 7923

Italy FiT: Still overall negative

- Conto Energia 3 should end on June 1st '11 Today the Italian cabinet decided, as we expected, to remove the clause freezing the FiT payments for new projects after 8GW of cumulative installations. A new FiT is to be announced on April 30th and should be effective on June 1st. Projects have to be connected by May 31st '11 to receive the current feed-in-tariff, which may limit further module shipments to Italy in our view.
- Good Q2 seems priced in, volumes have to be redirected to Germany now Installers increased modules inventories in Q1 '11 in anticipation of a strong Italian market in Q2. We believe modules already in inventory have now to be redirected to Germany at c15% lower prices to drive demand in Q2. Also, installations in Germany could now be higher than expected previously, increasing the risk of a FiT cut on July 1st.
- A hard cap on installations to be defined on April 30th The limitation of installations on agricultural land is still at the final draft stage but it also includes an annual cap which is to be defined on Apr 30th. Even if the lobby is successful in replacing this by a soft cap, we estimate that the limitation of installations on agricultural land could limit the installations to 1-2GW p.a
- Stock impact: more negative than it seems at first glance We expect the situation in Italy to have a material negative impact for the entire sector. However, downstream stocks should be more affected than upstream stocks or companies with little direct exposure to Italy (Wacker Chemie, Meyer Burger, GCL Poly, First Solar).
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

China Auto Sector		
Automobile Manufacturers	Analyst: Guoxi Chen, CFA	Tel: +8621-3866 8831

Slower passenger vehicle capacity growth

- Passenger vehicle production capacity may hit 18.14m in 2013 Based on our top-down tabulation for the capacities of 26 passenger vehicle makers, they accounted for 89% of the 13.76m passenger vehicles sold in 2010. As at end-2010, their combined capacity stood at 12.9m vehicles, with capacity utilisation rate of 96%. We estimate 5.24m of new capacity will be added over the next three years, bringing the total to 18.14m vehicles, up 41% from end-2010.
- Proprietary brands expand capacity faster than joint venture brands Of the 5.24m projected new capacity, we expect joint venture/proprietary brands to contribute 2.31m/2.93m, growing 32%/51%, respectively. Six enterprises (Chery, BYD, Great Wall, Chang'an Automobile, Haima and JAC) will add capacity of 2.52m vehicles, or 86% of new proprietary brand capacity and 48% of total new capacity.
- Pace of proprietary brand capacity expansion eases We think the proprietary brand manufacturers have already slowed their capacity expansion pace, and the increase is very likely to come in lower than expectations in the next three years. Reasons include: (1) Poor sales and earnings in 2010 have weakened the motivation of proprietary brand passenger vehicle makers to expand capacity; (2) The current cash flow and balance sheet positions of proprietary brand manufacturers have constrained their ability to boost capacity.
- Passenger vehicle capacity growth may miss expectations in next 3 years Supported by steadily growing demand, we believe the magnitude of the current capacity expansion will not lead to overcapacity. Besides, proprietary brands lack strong motivation and ability to expand capacity. Capacity may grow slower than expected in the next three years, and the market is unduly concerned about the risk of future overcapacity in passenger vehicle makers. SAIC remains our top pick, with a price target set at Rmb20.16 (12.0x 2011E PE).
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

China ITS (Holdings)

Industrial, Diversified	Analyst: Edwin Chen	Tel: +852-2971 8007

A leading ITS supplier in China

- Company background
- China ITS (Holdings) (China ITS) is a leading intelligent transportation system (ITS) technology solution and service provider in China in the expressway, railway and urban traffic sectors. It has a dominant share of niche markets in which it operates; for example, over a 60-70% share in the expressway and railway communication system markets.
- Industry trends OC&C (an independent research institute) forecasts total ITS expenditure CAGRs for expressways, railways and urban rapid transit systems in China of 28%, 10% and 12%, respectively, from 2009 to 2012. And, based on our channel checks, ITS investment growth is expected to come mainly from: 1) new projects in western/central China and system replacement/upgrades in eastern China for expressways; 2) high-speed railway network expansion and normal railway network upgrades in the railway sector; and 3) urban rapid transit construction and urban roadway upgrades for the urban traffic sector. Regarding the recent Ministry of Railways (MoR) leadership changes, comments by China ITS suggest this should have little impact on the railway ITS communication system industry, as: 1) railway ITS communication system providers usually do not deal directly with the MoR in project bidding; 2) contracts in-hand will proceed according to schedule; and 3) investment in railway ITS communication systems lags railway projects' fixed asset investment (FAI) by three to four years. Therefore, railway communication system contracts/sales are not expected to be impacted materially by the changes for the next three years.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

CP All

CP All	Rating: Buy	Target: Bt44.00	Price: Bt38.75	RIC: CPALL.BK
	Prior: Neutral	Prior: *Unchanged*	Mkt Cap: Bt174bn	BBG: CPALL TB
Retailers, Broadline	Analyst: Salinee Poopoksakul		Tel: +662-613-5770	

Quality earnings growth

- Growth outlook remains intact; we forecast 21% 2011 earnings growth We believe CP All's (CPALL) recent share price weakness does not reflect the company's solid profitability and earnings growth outlook. We estimate CPALL's 2011 earnings will grow 21% and we forecast a 15% CAGR over 2011-13 due to continued store expansion and operating margin improvements.
- Further ROE expansion suggests a potential valuation re-rating CPALL's share price has performed well with its ROE expansion since the company started its business restructuring in 2008. We believe further profitability improvements will result in higher share prices. We estimate CPALL's ROE will expand 4.8ppt this year from its solid earnings growth due to high asset turnover, and this should be supportive of its future valuation.
- Changing margin driver; operating efficiency is key CPALL's continued emphasis on food sales should raise its overall gross margins, while a new specialty concept and localisation strategy could bring additional future margin upside. We believe CPALL's growing bargaining power and better operating efficiency should also help drive its margin expansion in the near future.
- Valuation: Bt44.00 price target implies 14% upside We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool. We assume an 8.3% WACC and 6% long-term growth. Our price target implies 24x 2011E PE and 21x 2012E PE. We think consistent earnings growth, improving earnings quality, and superior ROE are key drivers of CPALL's share price performance. We upgrade our rating from Neutral to Buy as our price target implies a 14% upside to the current share price.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of Bt38.75 on 02 Mar 2011 18:35 SGT

Mitra Adiperkasa

Mitra Adiperkasa	Rating: Buy	Target: Rp2,995	Price: Rp2,425	RIC: MAPI.JK
	Prior: Not Rated	Prior: Not Rated	Mkt Cap: Rp4,026bn	BBG: MAPI IJ
Retailers, Broadline	Associate Analyst: Ronald Liem		Tel: +62-21-570 7032	

All stars aligned

- Turnaround story continues We initiate coverage of PT Mitra Adiperka (MAPI) with a Buy rating. MAPI is the largest lifestyle retailer in Indonesia by number of brands. Over 2010-12 we forecast a sales CAGR of 18% and increases of 112bp in gross margin, 124bp in operating margin and 200bp in net profit margin, implying a 44% earnings CAGR. We expect the capex-to-sales ratio to decline from 6.7% in 2010 to 5.6% in 2012 as brands mature. We consider the stock attractively valued at 9.4x 2012E PE.
- Positive on transformation initiatives The company began a transformation programme in 2010, focusing on: expanding its higher-margin businesses, reducing days in inventory, and its existing profitable brands. As a result, we expect: 1) margin expansion; 2) stronger ROIC from a lower capex-to-sales ratio; and 3) stronger cash flow due to lower working capital requirements for inventory, resulting in less need for debt.
- Expect strong Q111 results in March Management has guided for 17% same store sales (SSS) growth for January. This is a strong number: the last time the company recorded 20% SSS growth was in July 2008, when sales grew 24% YoY.
- Valuation: Rp2,995 price target We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool. We assume a 12.2% WACC, a 7.8% risk-free rate and a 5% equity risk premium. Our price target implies 15x/12x 2011E/2012E PE.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS estimates based on a share price of Rp2,425 on 02 Mar 2011 23:38 HKT

Global Semiconductors

Semiconductors	Analyst: Nicolas Gaudois	Tel: +82-2-3702 8801

Clarifying Samsung's AP sourcing strategy

- Galaxy S2 likely to multi-source application processors (AP) According to the press (ITProportal), Samsung will be using Nvidia's Tegra 2 into some of its Galaxy S2 smartphones. Our checks confirm that this is likely the case. We believe Samsung will, however, primarily source internally (Exinos - known as Orion bef.). Both are dual core, Cortex A9 based SoCs. It is possible shipments with either application processors will be split geographically.
- LSI capacity ramp may trail demand We believe the key rationale for the decision comes from anticipations of strong shipments of Galaxy S2 (a positive for Samsung). Meanwhile Samsung is ramping up LSI capacity (Austin - 40k wpm 300mm) but considering a sizeable portion of this may be allocated to the manufacturing of Apple A5 appl processor, we believe Samsung needs to put in place contingency plans till capacity fully ramps up.
- Multi-sourcing reflects strong smartphone ramp Samsung traditionally multi-sources for its mobile phones business; in the smartphones space, this reflects also strong exp. (UBS-e 60mil units '11E with upside to 70mil or over). Our checks indicate over 50% of smartphones and tablet volumes at Samsung are likely to be using Samsung's own single and dual core appl processors. Nvidia Tegra 2 is also the processor for the 10.1 Tab. Our checks also indicate that Qualcomm is used in all coming lower end Galaxy smartphones.
- Samsung Buy-rated; Nvidia Neutral-rated We estimate that c. 55% of '11E Samsung OP will come from smartphones and tablet PCs sales & components.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

Bulks

Mining & Metals	Analyst: Tom Price	Tel: +612 9324 2189

What weighs on iron ore's spot?

- Relative costs, economic constraints, oil price... Iron ore's spot signals have slipped from mid-Feb's record-highs, because imports are now relatively expensive for China's mills to import (some of whom can switch to local ores); China's key steel prices are falling too (deterring production at the margin); its central govt is constraining economic activity; and, all markets are concerned by socio-political instability in the Middle East – and the implications this has for the oil price & stable global economic growth.
- ...but relax - actual trade support still exists We do not regard iron ore's price fall as the start of a collapse in trade. While bear factors exist, but we still see a robust price floor for iron ore above US$150/t fob, probably until China's seasonal restocking event ends by Apr-May. China is set to produce 660Mt of crude steel in 2011 (Cost push, 13-Dec-10), requiring 80Mt/month of ore. Most of this can only be imported – a necessary trade that has the capacity to support iron ore's current high prices, at least during 2011H1.
- Stick with the pure-plays for now, but re-think in April Buoyant spot prices year-to-date for iron ore has been positive for the value of the entire trade, because spot pricing also forms the basis of the producers' various contract prices. We like iron ore's pure-plays: Fortescue, Gindalbie, Mt Gibson and also Murchison – partly because these equities tend to lift when the trade is seasonally tight, as it is now. It follows, though – that these positions should be re-considered when China's restocking event seasonally eases in Apr-May.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

European Economic Focus

	Economist: Stephane Deo	Tel: +44-20-7568 8924

ECB preview (3).What it means for our interest rate view?

- An ECB preview We do not expect the March 3rd meeting to mark a sharp turn in ECB policy, but three key elements have changed recently: the increase in the oil price, the likely rate hike from the BoE in Q2 and the forthcoming change in the EFSF at the end of March. These are key changes; we though it was time to revisit our long standing ECB call in detail. We published three papers this week, one on our ECB call two days ago, one on the "two speed monetary policy" yesterday, and the present one on our interest rate view.
- What it means for the curve Looking at the past two rate hike cycles we find that a 100bp hike of the ECB refi triggers an increase of the 3 month rate of 88bp, the impact on the 10 year is 58bp. This means that the 3M-10Y flattens by 30bp for every 100bp rate hike.
- Our yield forecast We review our yield forecast and amend to take into account the recent sell off.
- Notes:

Source: The content presented above reflects a front page summary of UBS Research content, UBS commentary as at 3 March 2011

Rating & PT Changes

Key Rating and Price Target Changes:

Company Name	Directional Indicator/Rationale	Reuters Code	Current Share Price	New Rating	New PT	Prior Rating	Prior PT
Anhui Conch Cement	Reiterate Buy, increase PT	0914.HK	HK$ 40.7	Buy (CBE)	HK$ 65	Buy (CBE)	HK$ 50
Anhui Conch Cement - A	Reiterate Buy, increase PT	600585.SS	Rmb 34.94	Buy	Rmb 61.6	Buy	Rmb 48.2
China Communications Construction	Initiate with Buy	1800.HK	HK$ 5.76	Buy	HK$ 7.07	Not Rated	Not Rated
China Railway Construction	Initiate with Buy	1186.HK	HK$ 8.36	Buy	HK$ 13.36	Not Rated	Not Rated
China Railway Group	Initiate with Neutral	0390.HK	HK$ 5.04	Neutral	HK$ 5.4	Not Rated	Not Rated
China State Construction International	Initiate with Neutral	3311.HK	HK$ 7.23	Neutral	HK$ 7.4	Not Rated	Not Rated
Metallurgical Corporation of China - H	Initiate with Neutral	1618.HK	HK$ 3.07	Neutral	HK$ 3.5	Not Rated	Not Rated
SOHO China	Reiterate Buy, increase PT	0410.HK	HK$ 5.84	Buy	HK$ 7.21	Buy	HK$ 6.79
PT Mitra Adiperkasa Tbk	Initiate with Buy	MAPI.JK	Rp 2450	Buy	Rp 2995	Not Rated	Not Rated
CP All Plc	Upgrade to Buy, PT unch	CPALL.BK	Bt 39	Buy	Bt 44	Neutral	Bt 44

Source: UBS estimates. Priced as at market close on 03 March 2011.

Markets, Events and Newsflow

Today's Company Events:

Company Name	Events	RIC	Rating	PT	Price	Notes
Asia						
Zhaojin Mining Industry	FY10 Results	1818.HK	Buy	HK$30	HK$18.32	
Aboitiz Power	FY10 Results	AP.PS	Buy	P33	P19.72	
Global						
Hermès International SCA	Q410 Results	HRMS.PA	Sell	€120	€138.4	
WPP	FY10 Results	WPP.L	Neutral	p775	p691.5	

Source: Bloomberg, UBS. Priced as at market close on 03 March 2011.

Macroeconomic Events:

Country	Indicator		Time (HKT)	UBS forecast	Previous	Consensus
Today						
Indonesia	Bank Indonesia Reference Rate				6.75%	
Malaysia	Exports YoY%(Jan)	Y-o-Y	18:01		4.60%	
Malaysia	Imports YoY%(Jan)	Y-o-Y	18:01		11.50%	
Malaysia	Trade Balance(Jan)		18:01		9.69B	
Philippines	Consumer Price Index (Feb)	Y-o-Y	09:00		3.50%	
Taiwan	Foreign Exchange Reserves-US$B(Feb)		16:20		$387.11B	
Thailand	Forward Contracts		15:30			
Thailand	Foreign Reserves		15:30			
UK	New Car Registrations (Feb)	Y-o-Y			-11.50%	
US	Change in Nonfarm Payrolls(Feb)		21:30	175K	36K	
US	Change in Private Payrolls(Feb)		21:30	160K	50K	
US	Change in Manufact. Payrolls(Feb)		21:30		49K	
US	Unemployment Rate(Feb)		21:30	9.10%	9.00%	
US	Avg Hourly Earning MOM All Emp(Feb)		21:30	0.20%	0.40%	
US	Avg Hourly Earning YOY All Emp(Feb)		21:30		1.90%	
US	Avg Weekly Hours All Employees(Feb)		21:30	34.3	34.2	
US	Factory Orders(Jan)		23:00		0.20%	
US	ICSC Chain Store Sales YoY(Feb)				4.80%	
Monday (Mar 07)						
Indonesia	Money Supply - M1 (Jan)	Y-o-Y		- -	17.40%	
Indonesia	Money Supply - M2 (Jan)	Y-o-Y		- -	15.30%	
Malaysia	Foreign Reserves		17:30	- -	- -	
Philippines	Foreign Reserves(Feb)			- -	$63.6B	
Singapore	Foreign Reserves(Feb)		17:00	- -	$227.11B	
Taiwan	CPI YoY%(Feb)	Y-o-Y	16:00	- -	1.11%	
Taiwan	Total Trade Bal in US$ Billion(Feb)		16:00	- -	$1.88B	
Taiwan	Total Exports (Feb)	Y-o-Y	16:00	- -	16.60%	
Taiwan	Total Imports (Feb)	Y-o-Y	16:00	- -	21.90%	
Taiwan	WPI YoY%(Feb)	Y-o-Y	16:00	- -	1.64%	

Source: Bloomberg, UBS

Latest Market Movements:

Country/Region	Market	Latest Price/Last Close	1-day % Change	YTD % Change
Asia				
China	Shanghai SE Composite Index	2902.98	-0.37%	3.38%
China	Hang Seng H-Share	12658.18	1.21%	-0.27%
Hong Kong	Hang Seng Index	23122.42	0.32%	0.38%
India	Sensex	18489.76	0.23%	-9.85%
Indonesia	JCI	3494.54	0.24%	-5.64%
Korea	KOSPI	1970.66	2.20%	-3.92%
Malaysia	KLCI	1506.88	0.51%	-0.79%
Philippines	PHS Composite	3834.05	1.60%	-8.74%
Singapore	Straits Times	3037.35	0.33%	-4.79%
Thailand	SET Index	990.08	0.25%	-4.13%
Taiwan	TSE Weighted	8738.37	1.37%	-2.61%
Rest of World				
United States	Dow Jones	12258.2	1.59%	5.88%
United States	S&P 500	1330.97	1.72%	5.83%
United States	Nasdaq	2798.74	1.84%	5.50%
Europe	FTSEuro First 300	1155.94	0.19%	3.06%
Japan	Nikkei 225	10586.02	0.89%	3.49%

Source: UBS, Reuters. Prices as at market close on 03 March 2011. Prices In Japan and Hong Kong as at 05:00 BST on 04 March 2011.

Latest FX Movements

Name	Currency	Latest Price/Last Close	1-day % Change	1-month % Change	YTD % Change
China	Rmb/$	6.57	0.00%	-0.2%	0.3%
Hong Kong	HKD/$	7.79	0.02%	0.0%	-0.2%
India	Rs/$	44.88	0.37%	1.5%	-0.4%
Indonesia	IDR/$	8795.00	0.06%	2.7%	2.7%
South Korea	Won/$	1115.90	0.13%	-0.2%	0.4%
Malaysia	MYR/$	3.03	0.00%	0.4%	1.7%
Philippines	PHP/$	43.38	-0.05%	1.3%	0.6%
Singapore	SGD/$	1.27	0.05%	0.3%	1.2%
Taiwan	TWD/$	29.50	0.00%	-1.6%	-1.3%
Thailand	Bt/$	30.47	0.05%	1.2%	-1.4%
Japan	JPY/$	82.45	-0.38%	-1.2%	-1.4%
Euro	€/$	0.72	0.14%	1.2%	4.3%
United Kingdom	£/$	0.61	-0.23%	0.5%	4.6%
Australia	AUD/$	0.99	-0.16%	0.7%	-0.3%

Source: UBS, Reuters. Prices as at market close on 03 March 2011.

UBS Asia Key Call

Live Key Call Portfolio

Company Name	Reuters Code	Rating	PT	Launch date	Analyst
LG Display	034220.KS	Buy	Won50000	06-Dec-10	Sean Kim
ICBC	1398.HK	Buy	HK$7.53	01-Dec-10	Sarah Wu
Shriram Transport Finance	SRTR.BO	Buy	Rs 950	22-Nov-10	Ajitesh Nair
OCBC	OCBC.SI	Buy	S$ 11.3	21-Oct-10	Jaj Singh
Bangkok Bank	BBL.BK	Buy	Bt 200	14-Sep-10	Butsakon Khoosuwan
Cheung Kong Infrastructure	1038.HK	Buy	HK$ 45.5	14-Sep-10	Stephen Oldfield
CNBM	3323.HK	Buy	HK$30.0	14-Sep-10	Mick Mi
Lanco Infratech	LAIN.BO	Buy	Rs70	14-Sep-10	Pankaj Sharma
Sun Hung Kai P.	0016.HK	Buy	HK$227.8	10-Jun-10	Eric Wong

Source: UBS estimates. Priced as at market close on 03 March 2011.

Today's UBS Event

UBS

UBS Conference Call

Research Mega Theme – The Return of the Political Economy in the Middle East & North Africa

Given the recent events in the Middle East and North Africa and important tactical changes to our house calls (Neutral Equities, cautious commodities), we wanted to provide you with an interactive platform to discuss the key talking points and our current market views.

As such, we invite you to a conference call hosted by **George Magnus** and **Jon Anderson** featuring many of the leading thinkers at UBS on Asset Allocation, Equity and Credit Strategy, Economics, FX, Rates, Oil and Commodities with a Q&A session to finish.

Date & Time:

Thursday 04th , March 2011 02:00 New York / 07:00 London / 15:00 Hong Kong

Dial-In Details (Conference ID number: 889815)

Hong Kong Toll-Free 800 903 869 // Australia Toll-Free 1800 029 953
Japan Toll-Free 663 381 2559 // USA Toll-Free 1 877 491 0065
UK Toll +44 20 7162 0135 // Switzerland Toll +41 [0] 434569262
Germany Toll +49 [0] 69589990508 // France Toll +33 170 993 209

Instant Replay details – (Passcode: 889815)

Hong Kong Toll +852 3011 4552 // Singapore Toll +65 6622 1306
India 000 800 100 3597 // USA Toll Free 1 888 365 0240 // UK Toll Free 0800 358 1860

Recent UBS Event

UBS

UBS Conference Call

Research Mega Theme – The Return of the Political Economy in the Middle East & North Africa

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Date & Time:

Thursday 03rd , March 2011 10:00 New York / 15:00 London / 23:00 Hong Kong

Dial-In Details (Conference ID number: 889814)

Hong Kong Toll-Free 800 903 870 // Australia Toll-Free 1800 029 956
Japan Toll-Free 663 381 2557 // USA Toll-Free 1 877 491 0063
UK Toll +44 20 7162 0135 // Switzerland Toll-Free 0800 001 741
Germany Toll-Free 0800 000 6561 // France Toll +33 170 993 213

Instant Replay details – (Passcode: 889814)

Hong Kong Toll +852 3011 4552 // Singapore Toll +65 6622 1306
India 000 800 100 3597 // USA Toll Free 1 888 365 0240 // UK Toll Free 0800 358 1860

Recent UBS Event

UBS

UBS Conference Call

UBS EM Conference Call:

India and Fear

Hosted by:
Jonathan Anderson – Global Emerging Market Economist

Speaker(s):
Philip Wyatt – South Asian Economist
Suresh Mahadevan – India Equities Head
Sid Mathur – Asia Fixed Income Strategist

Topics of Discussion:

Indian equity and currency markets were hit hard over the past months, amidst fears of runaway inflation, a slowing economy, weakening corporate performance, governance scandals and a yawning external deficit. How afraid should we be? Is this the unravelling of the hitherto ironclad Indian story, or a nice tactical entry point back into Indian assets (or neither)? Please join senior India economist Philip Wyatt, India equities head Suresh Mahadevan and regional fixed income strategist Sid Mathur for a lively discussion of the issues!

Date & Time:
Tuesday 22nd , February 2011 09:00 New York / 14:00 London / 22:00 HK/SG

Dial-In Details (Conference ID number: 881486)
Hong Kong 800 9620 99 // Australia 1800 9889 41
China (N) 10 800 7121 463 // China (S) 10 800 1201 463
Singapore 800 1204 400 // India 000 8001 0035 51 // Korea 007981 4800 7090
USA +1 877 491 0064 // UK 0500 5510 79 // Switzerland 0800 0009 96

Instant Replay details – (Passcode: 881486)
Hong Kong Toll +852 3011 4552 // Singapore Toll +65 6622 1306
India 000 800 100 3597 // USA Toll Free 1 888 365 0240 // UK Toll Free 0800 358 1860

** Available from 1:00 am HKT 23 February to 8:00 am HKT 4 March 2011*

Further Information

Morning Expresso – Asia

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

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

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

Data presented is accurate as at 07:00 on 04 March 2011.

Contacts & Feedback

For further details concerning today's *Morning Expresso - Asia* note, please visit www.ubs.com/investmentresearch or speak to your UBS contact. This note is not intended to be static and it will evolve over time. Feedback welcomed on email to bill.sohn@ubs.com or herman.chan@ubs.com

■ Statement of Risk

Forecasting earnings and corporate financial behaviour is difficult because it is affected by a wide range of economic, financial, accounting and regulatory trends, as well as changes in tax policy.

■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; 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 by that research analyst in the research report.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	**Buy**	49%	40%
Neutral	**Hold/Neutral**	42%	35%
Sell	**Sell**	8%	21%
UBS Short-Term Rating	**Rating Category**	**Coverage[3]**	**IB Services[4]**
Buy	**Buy**	less than 1%	14%
Sell	**Sell**	less than 1%	0%

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

Source: UBS. Rating allocations are as of 31 December 2010.

UBS Investment Research: Global Equity Rating Definitions

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

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.
Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).
Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.
Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.
Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.
Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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UBS Securities Asia Limited: Herman Chan; Alex Chang; Bill Sohn.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Anhui Conch Cement[20]	0914.HK	Buy (CBE)	N/A	HK$40.70	03 Mar 2011
China Communications Construction[5b, 16a, 16b]	1800.HK	Buy	N/A	HK$5.76	03 Mar 2011
China Railway Construction[16a, 16b]	1186.HK	Buy	N/A	HK$8.36	03 Mar 2011
China Railway Group[2, 4, 5b, 16a]	0390.HK	Neutral	N/A	HK$5.04	03 Mar 2011
China State Construction International[16b]	3311.HK	Neutral	N/A	HK$7.23	03 Mar 2011
CP All Plc	CPALL.BK	Buy	N/A	Bt39.00	03 Mar 2011
First Solar Inc[13, 16b]	FSLR.O	Buy	N/A	US$145.64	02 Mar 2011
Fortescue Metals Group Ltd[16b]	FMG.AX	Buy	N/A	A$6.48	03 Mar 2011
GCL Poly Energy[5b]	3800.HK	Buy	N/A	HK$3.80	03 Mar 2011
Gindalbie Metals Ltd[2, 4, 5a]	GBG.AX	Buy	N/A	A$1.12	03 Mar 2011
Metallurgical Corporation of China - H	1618.HK	Neutral	N/A	HK$3.07	03 Mar 2011
Meyer Burger Technology AG[5b, 13, 18c]	MBTN.S	Neutral	Buy	CHF31.25	03 Mar 2011
Mount Gibson Iron Limited	MGX.AX	Buy	N/A	A$1.98	03 Mar 2011
Murchison Metals Limited	MMX.AX	Buy	N/A	A$1.40	03 Mar 2011
NVIDIA Corporation[16b]	NVDA.O	Neutral	N/A	US$20.75	02 Mar 2011
PT Mitra Adiperkasa Tbk	MAPI.JK	Buy	N/A	Rp2,450	03 Mar 2011
SAIC Motor	600104.SS	Buy	N/A	Rmb18.45	03 Mar 2011
Samsung Electronics[16b, 23a, 23b, 23c, 23d]	005930.KS	Buy	N/A	Won923,000	03 Mar 2011
SOHO China[18b]	0410.HK	Buy	N/A	HK$5.84	03 Mar 2011
Suntech Power Holdings[6, 7, 16b]	STP.N	Buy	N/A	US$9.81	03 Mar 2011
Wacker Chemie[18a]	WCHG.DE	Neutral	N/A	€135.75	03 Mar 2011

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

2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past 12 months.

4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.

5a. UBS AG, Australia Branch or an affiliate expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.

5b. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.

6. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and non-investment banking securities-related services are being, or have been, provided.

7. Within the past 12 months, UBS Securities LLC has received compensation for products and services other than investment banking services from this company/entity.

13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company`s common equity securities as of last month`s end (or the prior month`s end if this report is dated less than 10 days after the most recent month`s end).

16a. UBS Securities (Hong Kong) Limited is a market maker in the HK-listed securities of this company.

16b. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

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18b. The equity analyst covering this company or a member of his or her team may maintain a personal portfolio of Hong Kong and/or China residential and/or commercial property which may be bought or sold at any time.

18c. UBS AG, its affiliates or subsidiaries beneficially owns more than 5% of the total issued share capital of this company.

20. Because UBS believes this security presents significantly higher-than-normal risk, its rating is deemed Buy if the FSR exceeds the MRA by 10% (compared with 6% under the normal rating system).

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Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

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Additional Prices: Bangkok Bank, Bt163.00 (03 Mar 2011); Cheung Kong Infrastructure, HK$36.35 (03 Mar 2011); China National Building Materials, HK$21.30 (03 Mar 2011); Industrial & Commercial Bank of China, HK$6.07 (03 Mar 2011); Lanco Infratech, Rs38.00 (03 Mar 2011); LG Display, Won36,250 (03 Mar 2011); OCBC, S$9.25 (03 Mar 2011); Shriram Transport Finance, Rs775.90 (03 Mar 2011); Sun Hung Kai P., HK$126.10 (03 Mar 2011); Source: UBS. All prices as of local market close.

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