

**The Goldman Sachs Group, Inc.**

This document contains comments related to the following stocks:

- Ambow Education Holding Ltd. (AMBO)
- AMMB Holdings (AMMB.KL)
- Anhui Conch Cement (A) (600585.SS)
- Anhui Conch Cement (H) (0914.HK)
- AutoNavi Holdings Ltd. (AMAP)
- China National Building Material (3323.HK)
- China Resources Enterprise (0291.HK)
- China Wireless Technologies (2369.HK)
- Compal Electronics (2324.TW)
- Daewoo Securities (006800.KS)
- Focus Media (FMCN)
- GCL-Poly Energy Holdings (3800.HK)
- Godrej Properties (GODR.BO)
- Larsen & Toubro (LART.BO)
- LIG Insurance Co. (002550.KS)
- Longtop Financial Technologies (LFT)
- LS Corp. (006260.KS)
- Melco Crown Entertainment Limited (MPEL)
- Netease (NTES)
- NHN (035420.KS)
- Noble Group Limited (NOBG.SI)
- POSCO (005490.KS)
- Tata Power Company (TTPW.BO)

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**Global Investment Research**

## Focus Items

**China: Construction: Cement: Punitive provincial tariff benefits Conch/CNBM; CL-Buy on Conch-H** 1

**GCL-Poly Energy Holdings (3800.HK): Oversold; reiterate Buy rating on fundamentals** 2

## Key Data Changes

### Investment List Removals

Company	Ticker	Investment List Removals
Longtop Financial Technologies	LFT	Asia Pacific Buy List

### Rating and price target changes

Company	Ticker	Rating/Coverage view		Price Target			Estimates		
		New	Old	New	Old	% chg	Current Year	Next Year	Fiscal y/e
Ambow Education Holding Ltd.	AMBO	B/N	unch	↓ US\$11.00	US\$12.00	(8.3%)	Rmb4.22	Rmb5.06	Dec
AMMB Holdings	AMMB.KL	S/N	unch	↓ RM5.55	RM5.85	(5.1%)	RM0.48	RM0.55	Mar
China Resources Enterprise	0291.HK	N/N	unch	↓ HK\$34.00	HK\$34.90	(2.6%)	HK\$1.06	HK\$1.18	Dec
China Wireless Technologies	2369.HK	N/N	unch	↓ HK\$2.30	HK\$3.50	(34.3%)	HK\$0.19	HK\$0.27	Dec
Compal Electronics	2324.TW	N/N	unch	↑ NT\$32.00	NT\$30.00	6.7%	NT\$3.86	NT\$4.48	Dec
Godrej Properties	GODR.BO	S/A	unch	↓ Rs523.00	Rs527.00	(0.8%)	Rs23.21	Rs36.31	Mar
Larsen & Toubro	LART.BO	B/N	unch	↑ Rs2,006.00	Rs1,987.00	1.0%	Rs83.77	Rs104.65	Mar
LIG Insurance Co.	002550.KS	S/N	unch	↓ W22,500	W23,000	(2.2%)	W1,880	W3,530	Mar
Longtop Financial Technologies	LFT	RS	B/N	--	US\$45.00	--	--	--	Mar
Melco Crown Entertainment Limited	MPEL	N/N	unch	↑ US\$11.90	US\$11.30	5.3%	US\$0.25	US\$0.34	Dec
Netease	NTES	N/N	unch	↑ US\$53.00	US\$52.00	1.9%	US\$3.50	US\$3.81	Dec
Tata Power Company	TTPW.BO	B/C	unch	↓ Rs1,436.00	Rs1,477.00	(2.8%)	Rs84.84	Rs109.41	Mar

### Estimate changes

Company	Ticker	Rating/Coverage view	Current Year			Next Year			Fiscal y/e
			New	Old	% chg	New	Old	% chg	
Ambow Education Holding Ltd.	AMBO	B/N	↑ Rmb4.22	Rmb3.86	9.2%	↑ Rmb5.06	Rmb4.52	11.9%	Dec
AMMB Holdings	AMMB.KL	S/N	↑ RM0.48	RM0.47	2.1%	↑ RM0.55	RM0.54	1.0%	Mar
China Resources	0291.HK	N/N	↓ HK\$1.06	HK\$1.07	(0.2%)	↓ HK\$1.18	HK\$1.24	(5.4%)	Dec

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Enterprise									
China Wireless Technologies	2369.HK	N/N	↓ HK\$0.19	HK\$0.26	(29.5%)	↓ HK\$0.27	HK\$0.32	(16.2%)	Dec
Compal Electronics	2324.TW	N/N	↑ NT\$3.86	NT\$3.81	1.4%	↑ NT\$4.48	NT\$4.26	5.2%	Dec
Godrej Properties	GODR.BO	S/A	↓ Rs23.21	Rs23.27	(0.3%)	↑ Rs36.31	Rs35.04	3.6%	Mar
Larsen & Toubro	LART.BO	B/N	↑ Rs83.77	Rs83.45	0.4%	↑ Rs104.65	Rs104.16	0.5%	Mar
LIG Insurance Co.	002550.KS	S/N	↑ W1,880	W1,481	27.0%	↓ W3,530	W3,701	(4.6%)	Mar
Melco Crown Entertainment Limited	MPEL	N/N	↓ US\$0.25	US\$0.27	(6.9%)	↑ US\$0.34	US\$0.29	16.6%	Dec
Netease	NTES	N/N	↑ US\$3.50	US\$3.25	7.6%	↑ US\$3.81	US\$3.46	10.1%	Dec
NHN	035420.KS	S/N	↑ W10,757	W10,712	0.4%	↑ W11,120	W11,076	0.4%	Dec
Tata Power Company	TTPW.BO	B/C	↓ Rs84.84	Rs86.31	(1.7%)	↓ Rs109.41	Rs113.49	(3.6%)	Mar

## Other Headlines

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## Focus Items

### China: Construction: Cement: Punitive provincial tariff benefits Conch/CNBM; CL-Buy on Conch-H

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#### News

According to Xinhua News, Zhejiang province will implement two new policies from June 1 to ease power shortages: (1) to impose a punitive power tariff of Rmb0.1-0.3/kwh on energy-intensive companies whose unit energy consumption exceeds the national standard; (2) to increase the magnitude of power rationing for industrial users from 2.4GW to 3.0GW.

#### Analysis

We believe the market mis-read the first news item by assuming higher power costs for Anhui Conch Cement 'H' (CL-Buy; HK\$31.90) and China National Building Material (Buy; HK\$14.60), which led to a 3%/2% intra-day share price correction for Conch-H and CNBM respectively. On the contrary, we believe Conch and CNBM will not be subject to the punitive tariff because both companies' unit energy consumption is much lower than the national standard of 105kwh/tonne of cement.

Moreover, we believe both Conch and CNBM will benefit from the new policies, for three key reasons: (1) Even tighter supply in Eastern China in the seasonally strong 2Q, as more small cement producers will be subject to power suspension; (2) Higher production costs to potentially support even higher cement prices: a Rmb0.1-0.3/kwh tariff hike would translate into Rmb27-30 higher production cost per tonne of cement; (3) Both companies to enjoy a wider cost advantage due to the use of cogeneration on most of their cement lines. Cogeneration capacity can supply 30%-40% of the electricity needed to produce one tonne of cement by utilizing the residual heat from the production of one tonne of clinker, which can save about a third of the total power cost.

Cement prices in Eastern China have advanced 32% ytd over the 2010 average, largely thanks to the disciplined supply and strong pricing power of Conch and CNBM, which combined account for over 60% of the market share there. We expect further potential upside to cement pricing in Eastern China in 2Q11, as many construction projects (esp. in social housing) are due to start before the summer months.

#### Implications

We believe the market has wrongly punished Conch and CNBM for the tariff policy. We recommend investors accumulate shares in both before the market realizes they could be the largest beneficiaries of this policy.

### GCL-Poly Energy Holdings (3800.HK): Oversold; reiterate Buy rating on fundamentals

2

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#### What's changed

GCL-Poly (GCL)'s share price has corrected by 23% since the release of 1Q11 results on May 12. This was mainly due to macro concerns regarding continuous ASP erosion affecting the solar value chain, which could impact GCL's profitability. We believe this concern is overdone. In our view, the sharp correction was mainly due to weak market sentiment on the solar sector's near-term outlook.

#### Implications

GCL should be able to maintain its gross margin and expand market share, even in a downcycle, in our view. Its continuous cost reduction policy should allow the company to continue to offer wafer ASP discounts to customers, while maintaining gross margins.

Most importantly, its "always low pricing strategy" should allow the company to establish a strong client franchise, which is mainly comprised of top-tier cell/module makers. In a highly commoditized and cyclical industry, supply chain management is extremely important, as well as a committed and sustainable supplier. From our channel checks, for many tier-1 cell/module makers, GCL appears to be the first choice among

long-term wafer suppliers, which has enhanced our view on its earnings visibility.

#### Valuation

We maintain our CROCI-based 12-month target price of HK\$6, with a 47% potential upside. Our EPS estimates for 2011E/2012E/2013E are HK\$0.60/HK\$0.68/HK\$0.79 respectively, which are 3%/15%/28% higher than Bloomberg consensus. The stock is trading at 7X 2012E P/E and 4.3X 2012E EV/EBITDA.

#### Key risks

Lower-than-expected new capacity/production due to execution risk; worse-than-expected module ASP erosion negatively impacting the sector.

## Other Headlines

### Basic Materials

#### Noble Group Limited (NOBG.SI): Injecting Donaldson into Gloucester Coal; "recycling" capital

3

<b>NOBG.SI, S\$2.08</b>		
Market cap	US\$10,391 mn	
Target price	S\$2.60	
Fiscal y/e Dec	2011E	2012E
Net inc. (US\$)	812.7 mn	1,038 mn
EPS (US\$)	0.13	0.16
EPS growth	48.7%	26.6%
P/E	13.3X	10.5X
Dividend yield	3.3%	4.0%
Investment Lists	Asia Pacific Buy List	
Coverage view	Neutral	

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#### News

On May 16, Noble's ASX-listed subsidiary Gloucester Coal (GCL) announced on ASX (Australian Securities Exchange) a proposal to acquire Donaldson Coal (100% owned by Noble) for A\$360mn in shares, and also 100% of coal miner Monash Group for a base price of A\$30mn in cash (and additional new shares subject to achievement of milestones). GCL will also undertake a A\$230mn equity raising to fund the Monash acquisition and repay debt owed by Donaldson to Noble. The proposals are subject to various approvals, including those of regulators and shareholders.

#### Analysis

The Donaldson acquisition will be via an issue of new GCL shares, while GCL will also assume about A\$225mn in debt, of which \$186mn is due to Noble Group (to be repaid).

Noble Group will not be taking up its entitlement under the equity raising, and post the transaction the company expects that its shareholding in GCL will be slightly diluted to 63.4% (from 65.4%).

As at end-March 2011, Donaldson's book value was US\$108mn, while the book value attributable to the GCL shares to be issued to Noble is US\$265mn. However, given that Noble's stake in GCL is largely unchanged, this may be treated like an internal reorganization and there may not be a significant gain recognized in the P&L.

#### Implications

This transaction consolidates Noble's Australian productive coal mining assets under GCL, which may improve economies of scale. While Noble's stake in GCL is largely unchanged, this transaction also enables the company to free up capital (e.g. with the repayment of shareholder loans to Donaldson), which is in line with the company's strategy to "recycle" the capital invested in supply chain assets (like Donaldson). We make no change to our earnings or target price on the stock. Maintain Buy.

**POSCO (005490.KS): Major milestone reached in India, but land acquisition will take time**

4

<b>005490.KS, W454,500</b>		
Market cap	US\$36,425 mn	
Target price	W524,000	
Fiscal y/e Dec	2011E	2012E
Net inc. (W)	4,029 bn	4,348 bn
EPS (W)	46,216	49,867
EPS growth	(3.6%)	7.9%
P/E	9.8X	9.1X
Dividend yield	1.3%	1.3%
Investment Lists	Asia Pacific Buy List	
Coverage view	Neutral	

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**What's changed**

After several fits and starts, on May 18, the local state government in Odisha restarted the process of acquiring land for the POSCO project. Land acquisition had stopped in the fall of 2010, under a directive of the Environment Ministry, and in the face of protests. Though the Ministry has now cleared the project, there are still some lingering issues, such as opposition by certain political parties as well as some villagers. Although the process of land acquisition has started again, given the experience of other companies, we expect this to be a long, drawn-out process, possibly taking well over a year to acquire all the land required for the project. (As an indicator, Tata Steel's Odisha project has yet to acquire all its land, two years after it started purchasing land for its project.) Still, we regard this as a major milestone for POSCO in its quest to get the India project going.

POSCO too appears to be speeding up the project by modifying its original plans. Instead of constructing the 12m t plant in four phases, it plans to do so in three. However, construction can only start once the land is acquired.

**Implications**

While the Indian project is still a long way from fruition, and unlikely to be priced in by the markets now, we see this as a positive development. But, as we stated in our note on May 16, we expect news flow on the sector in the near term to be unexciting and unlikely to provide any catalysts.

**Valuation**

We maintain our Buy rating and our P/B-based 12-month price target of W524,000/US\$126 (ADR). POSCO remains our preferred name in the Korean steel sector, and at 0.9X book, the only Korean steel stock in our coverage that is still trading below its mid-cycle multiple.

**Key risks**

Risks: corporate actions, rising costs, a weak KRW.

**Consumer Cyclical****Focus Media (FMCN): 1Q11 Preview: Strong quarter demonstrates demand and execution**

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<b>FMCN, US\$32.79</b>		
Market cap	US\$4,757 mn	
Target price	US\$43.00	
Fiscal y/e Dec	2011E	2012E
Net inc. (US\$)	224.4 mn	287.0 mn
EPS (US\$)	1.56	1.95
EPS growth	28.2%	25.4%
P/E	21.1X	16.8X
Dividend yield	--	--
Investment Lists	Asia Pacific Buy List	
Coverage view	Neutral	

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**What we expect**

Focus Media will report 1Q11 results on May 24 after market close. We expect revenue growth of 39% yoy and non-GAAP EPS growth of 61% yoy. Our revenue is 1% above consensus (at top end of guidance) and EPADS is a penny below consensus though within guidance. For 2Q11, we expect revenue/non-GAAP EPS yoy growth of 29%/20%, in-line with consensus.

**What could surprise us**

(1) We expect Focus to report a strong quarter, exceeding consensus. We believe revenue momentum was robust in 1Q, mainly driven by the core FMCG category (about 40% of revenue) and newer categories such

as e-commerce, group buying and car rentals, reflecting positive ad market trends towards TV alternatives, as well as Focus' efforts to better manage weaker 1Q seasonality around the CNY holiday in Feb. We expect Focus to observe weaker auto ad trends, but overall impact to be limited. We expect 2Q guidance to also exceed consensus, on the back of better 1Q results, and upside to prior indicated 20%-25% FY11 growth. (2) We forecast non-GAAP gross margin improving 1.2ppt yoy to 54.3%, demonstrating positive leverage from the largely fixed cost model, with attention to trends for the more competitive Poster Frame segment. We model non-GAAP operating margin improving 2.2ppt yoy to 29.8%, though lower SBC, amortization and one-offs as a percentage of revenue partly mask GAAP margin improvement of 12ppt yoy. We think amortization of intangibles could be higher due to VISN stake. Non-GAAP net margin will benefit from comparison against tax over-provision in 1Q10 (ensuing tax benefit recognized in 2Q10). We look for more color on the tax rate negotiation (current 15%-16% expectation). Our target price is unchanged.

## Ambow Education Holding Ltd. (AMBO): Above expectations: Career enhancements leading growth

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<b>AMBO, US\$7.02</b>		
Market cap	US\$500.4 mn	
Target price	US\$11.00	
Fiscal y/e Dec	2011E	2012E
Net inc. (Rmb)	322.7 mn	393.7 mn
EPS (Rmb)	4.22	5.06
EPS growth	(5.5%)	20.0%
P/E	10.8X	9.0X
Dividend yield	--	--
Investment Lists	Asia Pacific Buy List	
Coverage view	Neutral	

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### What surprised us

Ambow reported 1Q results above Bloomberg consensus though below our estimates. 1Q revenue (+30% yoy) and non-GAAP net profit (+72% yoy) were in-line/8% above consensus but 1%/5% below our estimates. We lower our non-GAAP 2011/12/13E EPS estimates by 6%/3%/1% based on results takeaways (softer 1Q and lower gross margin going into 2Q): (1) Career enhancements revenue grew 116% yoy (83% organically with 5 acquisitions made in 1Q), driven by strong vocational demand, which we expect to largely sustain for rest of 2011; (2) Tutoring revenue grew 25% yoy driven by 12% enrollment and 11% ASP growth, with management emphasizing enrollments by opening 30 learning centers from 2Q-4Q11; (3) More regulated colleges and K-12 school segments' revenue grew 7% and declined 2%, respectively; (4) Gross margin was stable yoy at 51%, but under pressure from acquisitions and expansion going into 2Q; (5) Operating margin ex-SBC was 7.4%, up 1.4ppt yoy mainly from slower growing S&M spend; (6) 2Q11 revenues guided to Rmb490-500mn, implying 23%-25% yoy growth, with career enhancements and tutoring the major drivers.

### What to do with the stock

We remain positive on Ambow's exposure to the large appetite for supplementary education, for both after-school tutoring and vocational training. We believe that shares will perform better as investors better appreciate and gain confidence in the company's execution, considering historically substantial M&A. We lower our 12-month SOTP-based target price from \$12 to \$11 based off the lower estimates. On a blended basis, our target price implies 17X 2011 P/E, off 22% 2011-14E earnings CAGR. Risks: disruptions from M&A integration, competition, and cost inflation.



**Netease (NTES): Below expectations: Looking ahead to StarCraft II and Cataclysm**

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<b>NTES, US\$45.94</b>		
Market cap	US\$5,954 mn	
Target price	US\$53.00	
Fiscal y/e Dec	2011E	2012E
Net inc. (US\$)	436.8 mn	486.9 mn
EPS (US\$)	3.50	3.81
EPS growth	28.8%	8.9%
P/E	13.1X	12.1X
Dividend yield	--	1.2%
Investment Lists	Neutral	
Coverage view	Neutral	

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**What surprised us**

Netease reported mixed results, with better-than-expected headline earnings (non-GAAP EPADS of US\$0.90, versus Bloomberg consensus of US\$0.74) but weaker-than-expected revenue (5%/3% below us/consensus), especially for advertising. Our takeaways: (1) Game revenue grew 28% yoy in 1Q, mainly off WWJ2 and WoW, in our estimation; (2) Starcraft II commercially launched in April to positive gamer feedback, management commented, which should help spur growth in seasonally better 2Q. We estimate revenue contribution of Rmb390mn/Rmb720mn in 2011/2012. Starcraft II in China has already become one of the largest communities for the title globally and tournaments will be hosted near-term to promote the game. (3) Netease will release a series of expansion packs for its major in-house titles over 2Q/3Q11, which we expect to drive sequential revenue growth in better seasonality. We expect World of Warcraft expansion pack Cataclysm to be released in 3Q11 pending regulatory approval. (4) We expect gross margin to be maintained at stable levels from 1Q (65.7%) but operating margin to trend lower from more marketing activities for new games and content, following limited promotions in 1Q. (5) NetEase announced the resignation of COO Mr. Zhonghui Zhan effective May 2011.

**What to do with the stock**

We raise 2011-2012E EPS by 8%-10% on lower tax rate and slightly higher interest income assumptions, and raise 2013E EPS by 16% as legacy titles appear to be more sustainable. We maintain our Neutral rating on generally fair valuation. Our 12-month SOTP-based target price rises from US\$52 to US\$53, on 13X 2011E game NOPAT, 22X advertising, 10X WVAS and 15% discount to net cash, as a result of the change to earnings. Risks: existing game trend, timetable for Cataclysm, and performance of new games.

**Netease (NTES): First Take: Headline earnings beat on tax benefit; revenues below**

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<b>NTES, US\$45.94</b>		
Market cap	US\$5,954 mn	
Target price	US\$52.00	
Fiscal y/e Dec	2011E	2012E
Net inc. (US\$)	412.6 mn	453.3 mn
EPS (US\$)	3.25	3.46
EPS growth	19.7%	6.5%
P/E	14.1X	13.3X
Dividend yield	--	1.1%
Investment Lists	Neutral	
Coverage view	Neutral	

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**News**

Netease reported headline 1Q11 non-GAAP EPADS of US\$0.90 (+6% qoq, +75% yoy), 12%/21% higher than our estimates/Bloomberg consensus, helped by the recognition of a tax benefit and forex gains which contributed US\$0.08 per ADS. Excluding the tax benefit and forex gain, non-GAAP EPS would have been \$0.82, 11% above consensus and in-line with our estimate. Total revenue of Rmb1,500mn/US\$229mn (-8% qoq, +29% yoy) was 5%/3% below our/consensus estimates (4% below consensus on a USD basis). Netease does not give quarterly guidance.

**Analysis**

(1) Online game revenue of Rmb1,360mn, up 28% yoy but down 3% qoq, was broadly in line with our expectations. Management stated Fantasy Westward Journey and Westward Journey Online II (WJ2) continued to perform well, helped by content updates. WJ2 achieved record high quarterly revenue in 1Q11 and a record high PCUs over the May Labor Day holiday. World of Warcraft dipped slightly in the seasonally



weak 1Q. Starcraft II was launched commercially in April, starting to contribute revenue from 2Q11; management commented that feedback has been positive so far. Also in April, Ghost commenced the closed beta testing.

(2) Advertising revenue declined 46% qoq due to weak seasonality and the absence of Guangzhou's Asian Games, but grew 39% yoy due to strong demand from the autos and Internet service sectors, below our forecast.

(3) Gross margin was 65.7%, down 2.1ppt yoy and 3.6ppt qoq, attributed to weak advertising revenue qoq and changing revenue mix. Operating margin ex-SBC was 48.7%, down 2.5ppts qoq but up 1.2ppts yoy, which was in line. Operating expenses grew 29% yoy, 13% below our forecast on 27% lower S&M spend due to reduced promotion expenses, although marketing spend is likely to pick up over then next few quarters.

#### Implications

Our estimates and TP are under review pending further details from mngt.

## Financial Services

### LIG Insurance Co. (002550.KS): Above expectations: 4Q strong but FY3/12 guidance ??aggressive

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<b>002550.KS, W22,150</b>		
Market cap	US\$1,222 mn	
Target price	W22,500	
Fiscal y/e Mar	2011E	2012E
Net inc. (W)	113 bn	212 bn
EPS (W)	1,880	3,530
EPS growth	(37.3%)	87.7%
P/E	11.8X	6.3X
Dividend yield	1.8%	3.4%
Investment Lists	Asia Pacific Sell List	
Coverage view	Neutral	

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#### What surprised us

LIG Insurance posted 4QFY3/11 adj. NP of W65bn (+33% yoy), above our expectation of W41bn and IBES consensus of W46bn, which was mainly due to better-than-expected auto loss ratios (4QFY3/11 auto loss ratio 74%, vs. GS estimate 82%). However, for the full year FY3/11, LIG Insurance missed its original FY3/11 guidance (actual adj. NP W113bn vs. guidance adj. NP of W196bn) by the widest margin among peers (missed by 42% vs. peers 2-19%), which is attributable to higher than guided auto loss ratios and long-term loss ratios. We believe the newly released guidance of FY3/12 (K-GAAP adj. NP of W238bn vs. our original estimate of W222bn) also looks aggressive on 1) auto loss ratio assumptions and 2) protection initial premium growth of 28% (eg. Samsung FM's 7%).

#### What to do with the stock

We maintain our Sell rating but cut our FY3/12-FY3/13 EPS by 4%-5%, after reflecting recent operation trends (raised long-term loss ratio assumption). Accordingly, we also cut our 12m target price from W23,000 to W22,500 (target P/B of 0.8x). Among non-life insurers, we prefer Samsung F&M (000810.KS, W212,000, Buy) for better earnings visibility and better control over underwriting profitability. We also introduce our FY3/14E EPS. Risks: Better/worse auto loss ratios/investment yields.

**Godrej Properties (GODR.BO): Current valuations pricing in high expectations; retain Sell**

10

<b>GODR.BO, Rs681.60</b>		
Market cap	US\$1,054 mn	
Target price	Rs523.00	
Fiscal y/e Mar	2012E	2013E
Net inc. (Rs)	1,621 mn	2,536 mn
EPS (Rs)	23.21	36.31
EPS growth	23.9%	56.4%
P/E	29.4X	18.8X
Dividend yield	0.7%	0.9%
Investment Lists	Asia Pacific Sell List	
Coverage view	Attractive	

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**What's changed**

Godrej Properties (GPL) gross debt increased by Rs2.4 bn in FY2011. 4QFY11 saw revenue booking of Rs3.3 bn, which was a sharp increase from Rs0.48 bn in 3QFY11. Receivables increased to Rs2.9 bn in 4QFY11 as compared to Rs1 bn as at end-3QFY11 as receipts from customers did not match revenues booked. Qoq revenue booking in several projects was high, with GGC-Phase I (36% completed at Dec 2010 to 58% at Mar 2011), GGC-Phase II (0% to 25%) and Godrej Frontier Phase 1 (7% to 32%) clocking large completion. Management attributed this sharp increase to advances towards construction, while receipts are construction linked.

**Implications**

The increase in debt has led to FY11 ROIC remaining depressed at 14.5% as compared with 15.6% in FY2010. Total invested capital grew by Rs4 bn largely due to an increase in current assets. GPL interest expense stayed low at Rs34 mn vs. average FY2011 debt level of Rs8.3 bn. For GPL, interest was less than 1% of average debt due to: (1) interest capitalization, and (2) interest income from loans and advances. GPL had net operating cash outflow of Rs3.2 bn as compared to Rs4.1 bn in FY2010. We believe that FY12-13E PAT growth will be constrained by accelerated revenue booking in 4QFY11, increases in minorities and capitalized interest.

**Valuation**

While our view on the business model and dividend policy remains positive, our Sell rating is based on expensive valuations (FY12E P/E of 29X vs. sector P/E of 11X). We lower our 12-m NAV based TP from Rs527 to Rs523 factoring in higher debt. We revise our FY12E/FY13E EPS by -0.3%/+3.6% adjusting for faster sales recognition. Our FY12E/FY13E EPS is 9%/3% below Bloomberg consensus. We introduce FY14E EPS of Rs47.33.

**Key risks**

Increase in other operating income on account of sale of stake in SPVs, new land deals and additional land transactions with Godrej group.

**AMMB Holdings (AMMB.KL): In line with expectations: Decent FY11 earnings, low ROE guidance**

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<b>AMMB.KL, RM6.44</b>		
Market cap	US\$6,376 mn	
Target price	RM5.55	
Fiscal y/e Mar	2012E	2013E
Net inc. (RM)	1,459 mn	1,644 mn
EPS (RM)	0.48	0.55
EPS growth	8.7%	12.7%
P/E	13.3X	11.8X
Dividend yield	3.0%	3.4%
Investment Lists	Asia Pacific Sell List	
Coverage view	Neutral	

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**What surprised us**

AMMB reported inline FY11 net profit of MYR 1.3bn, +33% yoy. Choosing to compete in more profitable segments, AMMB underperformed the sector by only growing its loan book by 8% in FY11. This helped its net interest income grow by 12% yoy; when combined with higher non-interest income (+8% yoy), largely reflecting AMMB's ongoing efforts to grow its fee income/treasury business, AMMB produced solid 15% PPOP growth. Provisions were also significantly lower, notwithstanding adoption of more stringent FRS139 and NPL staying low. In the results conference call, AMMB lowered its FY12-14 ROE target range to 14-16% (previously 15-18%) under its Medium Term Aspirations plan, in which AMMB attributes to higher Core Tier 1 requirements under Basel III. Other takeaways, which are more P&L-related: 1) Despite keeping a tight lid on costs in FY11, AMMB guided cost-to-income to rise to less than 42% in 2012/13, vs. the current 40%, even as it continues to invest; 2) AMMB retained its credit cost guidance of 50-55bps for FY12-13, which will be an improvement from FY11's 69bps; and 3) Likely continued NIM pressures given competition, though recent rate hike will likely see NIM rise in next quarter.

**What to do with the stock**

The lower ROE targets are likely a disappointment to market, reinforcing our earlier views of AMMB being

unlikely to meet them, given low capital ratios. We raise our FY12/13E EPS by 2%/1%, adjusting for 4Q results and fine-tuning across most lines; we introduce FY14E estimates. We lower our 12m CAMELOT-based TP to MYR5.55 (previous MYR5.85) as we roll over our CAMELOT valuation to include 2014 forecasts; retain Sell. Upside risk includes stronger top line growth and better than expected capital levels.

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## South Korea: Brokers & Asset Managers: May money flow barometer: equity fund flow back to positive MTD

12

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### MTD equity fund flow turning positive vs. massive outflow in April

Total AUM stand at W303.4tn May TD, slightly up from 301.0tn in April. Onshore AUM increased by W2.5tn MTD to W243.0tn while offshore AUM remains flat mom at W60.4tn. A positive trend seen for most asset types: (1) Post April's YTD largest outflow of -W2.9tn, onshore equity fund flows (pure and hybrid combined) turned positive, with a net inflow of +W903bn MTD. Although, offshore equity fund flows are negative with W60bn of outflow MTD, the magnitude of decline has become much smaller relative to April 2011, -W1.7tn. (2) Bond funds also show an increasing trend, with net inflow of +W219bn MTD vs. net outflow of -W760bn in April 2011. (3) MMF has also risen by W696bn vs. -W763bn in April. (4) Other types of funds (such as derivatives/commodities/real estate) are up by W414bn MTD vs. net inflow of +W66bn/W542bn in last two months.

### Our constructive view on recovery of fund flow remains intact

We believe the MTD trend continues to support our long-held view that equity fund redemption pressure should fade away as the pace of outflow decelerates, with more retail investors increasingly viewing the market weakness as a good re-entry point to increase their exposure to indirect equity investments. In fact, when the KOSPI retracted by 6.3%/4.1% mom in Feb/May, we saw a net inflow of W1.8tn/W772bn for equity funds. However, when the KOSPI rose by 4.1% mom in April, we saw net outflow of -W2.9tn. The accumulated amount for redeemed onshore equity funds since the global financial crisis (Oct 2008) is now estimated to be W30tn, up closer to the accumulated inflow of W31tn during the last market upturn from 2006-2008. With no rate hike by the Bank of Korea in May, we also note the estimated real interest rate continues to stay within negative territory at -1.0%. Among asset managers, Mirae continues to lose market share for equity funds, down by -.2ppt to 24.7%, whereas KIH/Samsung are gaining market share, 0.2ppt/0.4ppt to 11.1%/8.0% MTD.

### Wrap account continues to rise but magnitude down again

The total wrap account balance increased by W2.5tn to W46.6tn in April from W44.1tn in March. We note the magnitude of the rise continues to decline when compared to increase of W3.8tn in Mar. Advisory wrap accounts now consist of 18% of total wrap accounts with the balance rising by W340bn mom to W8.5tn in Apr. No changes to our preference of KIH over Samsung for having more diversified revenue portfolio and attractive valuation.

## Industrials

### Melco Crown Entertainment Limited (MPEL): Below expectation: Solid volume growth, but lower hold rate

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<b>MPEL, US\$10.10</b>		
Market cap	US\$5,368 mn	
Target price	US\$11.90	
Fiscal y/e Dec	2011E	2012E
Net inc. (US\$)	134.9 mn	179.3 mn
EPS (US\$)	0.25	0.34
EPS growth	1,381.6%	32.9%
P/E	39.8X	30.0X
Dividend yield	--	--
Investment Lists	Neutral	
Coverage view	Neutral	

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#### What surprised us

MPEL's 1Q11 EBITDA fell 9% qoq to US\$121mn, 6% below our estimate mainly due to lower VIP hold rate of 2.6% (vs 2.9% in 4Q10). Adjusted for hold rate, EBITDA would have been US\$174mn, up 30% qoq. Rolling volume and mass-market GGR were broadly inline, up 18% and 17% qoq. Mass-mkt win rate at COD improved modestly to 22.5%, though still behind Venetian Macao and Wynn Macau at 27.9% probably reflecting the shorter length of stay by players. By property, COD and Altira's EBITDA fell 12% and 11% qoq, partly offset by a sharp 31% qoq jump in Mocha Club.

Key takeaways from the results: (1) While we concur with mgmt's comment that the opening of Galaxy Macau could draw more traffic to Cotai, we are cautious and believe it may also have some impact on COD's mass-market segment. On the other hand, the addition of a new junket next month should help defend its VIP market share; (2) There is little update on the shareholding dispute on Macau Studio. MPEL stated it is open to any potential partnership opportunities. (3) Mgmt has not decided on the use of the vacant site next to COD, originally planned for building an apart-hotel. With 1.5mn sq ft GFA, it may be developed into another 800-hotel tower or new casino hall, if approved.

#### What to do with the stock

We raise our 2011-13E EBITDA by 3%-5% and 12m TP to US\$11.9 (from US\$11.30), after factoring in higher rolling volume with the addition of new junket next month. We revise our EPS estimates by -7% to +16% to reflect latest operating run rate. We believe the 1Q11 results highlight the operating leverage at COD, which could magnify the earnings impact should it lose any gaming volume to Galaxy Macau. Maintain Neutral. Risks: upside – accretive projects; downside – intense competition from new casino openings

### LS Corp. (006260.KS): First Take: In line 1Q; LS Nikko and Mtron to drive growth; Buy

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<b>006260.KS, W109,000</b>		
Market cap	US\$3,226 mn	
Target price	W131,000	
Fiscal y/e Dec	2010E	2011E
Net inc. (W)	255 bn	370 bn
EPS (W)	7,913	11,487
EPS growth	17.8%	45.2%
P/E	13.8X	9.5X
Dividend yield	0.9%	0.9%
Investment Lists	Asia Pacific Buy List	
Coverage view	Neutral	

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#### News

LS Corp. reported in-line 1Q11 IFRS consolidated results.

#### Analysis

1Q IFRS consolidated net profit was W64bn, up 13% yoy, in line with our KGAAP parent net profit estimate of W61bn. The company did not disclose full year IFRS quarterly numbers for 2010. While LS Cable and LS Industrial Systems' consolidated EBIT declined 4%/10% yoy, LS Mtron's consolidated EBIT rose 60% yoy, and equity method gain of LS Corp rose 35% yoy, which mainly came from LS Nikko Copper.

LS Cable: 4% yoy EBIT decline was due to low-margin domestic cable orders received last year. However, LS expects margins to recover from 2H due to better mix of orders, and guided to a flat to slightly negative yoy EBIT growth for 2011. SPSX turned to operating income of US\$11m from operating loss of US\$5m in 1Q10, mainly on reduced structuring cost. Hongqi Electric recorded an operating loss of W1bn, but the company maintained 2011 guidance of US\$290m revenues with 5% OP margin.

LS Nikko Copper: Strong TC/RC in 1Q was the main reason for earnings growth. LS said that current spot copper TC/RC is 70/7 to 80/8. We think favorable TC/RC will be maintained in the coming quarters; 1) on May 19, Bloomberg reported that Pan Pacific won 29% higher TC/RC (c.90/9) contract with BHP for 2H; 2) Our GS&PA colleagues forecast 80/8 for 2011.

LS Mtron: 60% EBIT increase was driven by 1) consolidation of Daesung Electric and 2) sales increases of tractor and auto component. LS guided to W70-80bn in EBIT for 2011, implying 80-106% yoy EBIT growth.

#### Implications

We are positive on the results. We think the company's growth trend is on track, driven by LS Nikko Copper and LS Mtron. Our target price is unchanged.

## China Resources Enterprise (0291.HK): In line with expectation: Cost pressure in beer; SSS growth in retail

15

<b>0291.HK, HK\$30.45</b>		
Market cap	US\$9,362 mn	
Target price	HK\$34.00	
Fiscal y/e Dec	2011E	2012E
Net inc. (HK\$)	2,553 mn	2,822 mn
EPS (HK\$)	1.06	1.18
EPS growth	(55.0%)	10.6%
P/E	28.6X	25.9X
Dividend yield	1.4%	1.6%
Investment Lists	Neutral	
Coverage view	Neutral	

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### What surprised us

Earnings from core businesses grew 34% yoy to HK\$660mn in 1Q11, running at 26% of our full-year estimate, in line with the trend in the past years. Group EBITDA increased by 16% yoy, driven by solid performance from its retail division (+28%) on 12.7% SSS growth (vs. 8.5% in 2010). On the other hand, beer EBITDA fell 3% yoy as the 8% ASP hike was not sufficient to cover the escalating costs, leading to 2.3ppt EBITDA margin decline to 9.8% in 1Q. Beer volume was up 10% yoy to 1.9 kl.

Key takeaways from the analyst briefing: (1) Cost increase in its beer division was mainly attributed to higher staff (+20% yoy) and packaging (+10% yoy) expenses, as well as the urban construction tax and education surcharge which represent 3% of COGS. Barley cost, which accounts for 15% of its COGS, was flat yoy. As much of its lower-cost inventory has been consumed, we expect higher barley price would impose further margin pressure on its beer business in the coming quarters. Spot barley price has risen 30% yoy. By way of sensitivity, every 10% barley and packaging cost increase would cut CRE's group EBITDA by 2% and 4%, respectively; (2) On a positive note, its retail SSS growth sustained at low-teen % yoy in April-May, similar to the pace recorded in 1Q11.

### What to do with the stock

We lower our '11-13E EPS by 0%-5% and its 12m NAV-based TP to HK\$34 (from HK\$34.9) after factoring in higher cost in beer division. While we are positive on its retail division for higher SSS growth, inflation could also present earnings risks for its beer business, as the group has not been able to pass through the cost increase. In our view, the stock looks fully valued at 31x core P/E and 12x EV/EBITDA (adjusted for CR Snow) in 2011E (vs. historical avg. of 24x and 11x since 2004). Risks: accretive acquisitions (upside); cost pressure (downside).

## Larsen & Toubro (LART.BO): In line with expectations on execution; strong order inflows; Buy

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<b>LART.BO, Rs1,594.90</b>		
Market cap	US\$20,714 mn	
Target price	Rs2,006.00	
Fiscal y/e Mar	2012E	2013E
Net inc. (Rs)	51,523 mn	64,368 mn
EPS (Rs)	83.77	104.65
EPS growth	21.6%	24.9%
P/E	19.0X	15.2X
Dividend yield	0.7%	0.7%
Investment Lists	Asia Pacific Buy List	
Coverage view	Neutral	

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### What surprised us

L&T reported 4QFY11 sales of Rs153.8bn and adj. net profit of Rs15bn – mostly in line with our and Bloomberg consensus estimates. The key surprise was the order inflows – at Rs302bn – significantly higher than our estimate of Rs270bn, which in turn was higher than market expectations. Total order inflows for the year grew by 15% yoy. FY11 results on a consolidated company basis were also mostly in line with our estimates. The company recognized about Rs59bn in orders from the Hyderabad Metro project in 4QFY11. The company guided for 25% yoy revenue growth and 15%-20% yoy order inflow growth in FY12. It expects the Infrastructure and Hydrocarbon sectors to be the key drivers for order inflows.

### What to do with the stock

Though industry-wide order inflows could remain weak at least through 2QFY12E, the impact of any such weakness on L&T could be muted, in our view, given its strong order backlog. This, coupled with stabilization



in the execution cycle to about 30 months in FY12E, improving returns over FY11-13E, and attractive current valuations (19% discount to the 5-year median 12-month forward P/E), underpins our Buy rating on the stock. We revise our FY12E-13E EPS by 0.4%-0.5%, adjusting for the better-than-expected margins seen in 4QFY11. Thus, we revise our 12-m SOTP-based TP to Rs2,006 (from Rs1,987). We continue to factor in a 50bp decline in EBIT margins in FY12E vs. FY11, in line with the company's guidance. We also introduce FY14E EPS.

Key risks: 1) aggressive bidding for projects; 2) longer-than-expected delay in order inflow pick-up; and 3) volatile commodity prices.

## Technology

### AutoNavi Holdings Ltd. (AMAP): Above expectations: High-end auto sales in strong momentum; Buy

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#### What surprised us

AutoNavi reported 1Q11 revenues/GAAP net income of US\$25.4 mn/US\$10.6mn, achieving 21%/29% of our full-year forecasts, above our expectations of US\$24.0mn/US\$7.3mn. 60% of the US\$3.4mn difference in net income was from one-time gains on re-measurement of equity investment and forward contract. AutoNavi kept its 2011 revenue guidance of US\$117-120mn. Highlights: 1) High-end auto sales saw strong momentum and seemed largely resilient to the Japan earthquake. AutoNavi's automotive revenue grew 56% yoy and 15% qoq to US\$19.1mn; 2) AutoNavi will leverage its experience in telematics and NDS to reinforce its competitiveness in the high-end in-dash market. The company debuted a "eMotion" telematics system in May, and the first nationwide map in China in the NDS format will come out by year-end; 3) mgmt expects to aggressively build up its Amap user base via free pre-installation and channel promotions; 4) GM and OPM rose to 71%/34% in 1Q11 from 65%/29% in 4Q10, which supports our view that AutoNavi's guidance of flat OPM in 2011 on its 4Q10 earnings call could be conservative.

#### What to do with the stock

We maintain our 2011E-2013E non-GAAP diluted EPS estimates of US\$0.75/0.97/1.20, as we see front-loaded demand on high-end autos, earthquake impact on mid-level brands, and already incorporated the forward contract gains into our full-year estimates. We reiterate our Buy rating and 12m TP of US\$22, still based on 28X NTM non-GAAP P/E. Downside risks: Earthquake impact on down-stream; competition with NavInfo.

### Compal Electronics (2324.TW): Benefit from Dell and HP's commercial NBs; maintain Neutral

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#### 2324.TW, NT\$32.65

Market cap US\$5,025 mn

Target price NT\$32.00

Fiscal y/e Dec 2011E 2012E

Net inc. (NT\$) 17,133 mn 19,881 mn

EPS (NT\$) 3.86 4.48

EPS growth (28.3%) 16.0%

P/E 8.5X 7.3X

Dividend yield 8.1% 5.9%

Investment Lists

Neutral

Coverage view

Neutral

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#### What's changed

We think Compal's exposure to Dell's and HP's commercial NBs can partly offset weakness from its high exposure to Acer's consumer NBs (which is losing market share). On May 17, Dell posted FY1Q12 non-GAAP OP of US\$1.4bn, 22% above Bloomberg consensus, while HP posted FY2Q11 operating profit of US\$2.9bn, 17% below Bloomberg consensus. Although HP and Dell's results were different, both companies indicated weaker consumer demand (-7% yoy for Dell, -23% for HP) but continue to see strong corporate demand (+6% yoy for Dell, +13% for HP). Dell/HP account for 15%-20%/5%-10% of Compal's total NB shipment vs. Acer's 40%-45% in 2011E.

#### Implications

Currently, Compal has 90% of Dell's higher margin commercial NB orders, which has been showing steady order growth (+2%-3% qoq every quarter since 2H10) and helping its blended margin. Apart from Dell,



Compal had also obtained HP's commercial orders starting from 2H10, for which we expect to see steady shipment growth through 2011E (also +2%-3% qoq). While Acer's order weakness continues to be a drag on Compal's share price performance, we see signs of margin improvement starting from 2Q, thanks to higher utilization rate and better product mix with: 1) higher commercial NB contribution; 2) increased scale in tablet shipments; 3) some of the lower margin netbook orders from Acer could shift to Quanta in 2H11, according to our supply chain checks; and 4) higher non-NB business growth (we expect TV to show high growth in 2H11 on seasonality trends). We fine-tune our 2011E/12E/13E EPS 1%/5%/1% to reflect contribution from new products (tablets, AIOs) starting in 2011E.

#### Valuation

We maintain our Neutral rating and slightly raise our 12-m TP to NT\$32 (from NT\$30), still based on 7X NTM EPS, to reflect the higher earnings.

#### Key risks

Risks: Acer NB shipments (upside); wage increase in China (downside).

### NHN (035420.KS): In line with expectations; game revenues to slow further

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<b>035420.KS, W195,000</b>		
Market cap	US\$8,627 mn	
Target price	W175,000	
Fiscal y/e Dec	2011E	2012E
Net inc. (W)	518 bn	535 bn
EPS (W)	10,757	11,120
EPS growth	4.8%	3.4%
P/E	18.1X	17.5X
Dividend yield	--	--
Investment Lists	Asia Pacific Sell List	
Coverage view	Neutral	

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#### What surprised us

NHN's 1Q IFRS consolidated net profit was in line with our and expectations. Game revenue rose 34% qoq on seasonality, but grew just 1% yoy despite new game launches. Management lowered its 2011 game revenue growth guidance to 10%-15% yoy from 15%-20% yoy mainly due to worse-than-expected sales of Tera. It lowered its annual sales guidance for Tera by W10bn-W20bn from the prior guidance of W80bn-W100bn. Search ad revenue increased 24% yoy mainly due to 1) recognition of gross revenue at NBP (vs. net revenue previously) under IFRS; and 2) 22% yoy increase in PPC, offsetting fewer clicks in the quarter. Display ad revenue rose 18% yoy on the back of increases in shopping ad and overseas revenues. NHN maintained its plans for an e-commerce launch by the end of this year. The company generated an average of about W70m/day in mobile research revenues (annualized run rate of W20-W30bn); mobile query currently contributes 17%-18% of total queries for NHN.

#### What to do with the stock

We adjust our forecasts based on the 1Q IFRS consolidated results. We raise our 2011E/12E/13E revenue by 5% to reflect 1) gross search ad revenues from NBP and higher-than-expected PPC; 2) inclusion of more subsidiaries in consolidated operations; and 3) lower game revenue assumptions mainly from Tera. As a result, we marginally adjust our 2011E/12E/13E EPS. We maintain our Sell rating on the stock relative to our Korea Internet coverage. We maintain our 12m target price of W175,000 based on 2011E P/E of 16.3X. Key risk: Higher-than-expected revenues from new games scheduled for launch in 2H11.

**China Wireless Technologies (2369.HK): Profit warning highlights difficult China handset demand dynamics**

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**2369.HK, HK\$1.99**

Market cap	US\$523.2 mn	
Target price	HK\$2.30	
Fiscal y/e Dec	2011E	2012E
Net inc. (HK\$)	419.1 mn	603.5 mn
EPS (HK\$)	0.19	0.27
EPS growth	(19.1%)	44.0%
P/E	10.7X	7.4X
Dividend yield	2.8%	4.0%
Investment Lists	Neutral	
Coverage view	Neutral	

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**What's changed**

After market close on May 18, China Wireless Technologies (CW) released a profit warning for 1H11. CW indicated that its 1H11 net earnings could be down yoy (1H10 net earnings: HK\$272mn; prior GSe 1H11 net earnings: HK\$165mn, -39% yoy). CW attributes the yoy decline to GM erosion resulted from intensifying competition from peers.

**Implications**

We attribute CW's weak GM performance to: 1) a delay in new product launches in 1H. CW expects to launch 10+ Android smartphone models this year that carry better ASP and GM than its mid-to-low end product lines. However, the high entry barrier of producing customised Android smartphones has led to a delayed launch schedule and thus an unfavorable product mix with lower GM; and 2) affordability over design for Chinese consumers. Chinese handset consumers are more price sensitive rather than spec focused. In this case, we believe CW's efforts in product differentiation may not give it an additional advantage in price premiums and value creation for Chinese operators that are eager to drive 3G subs growth. Despite the near-to medium-term challenges, we believe CW continues to be a rising Chinese handset OEM with volume growth and brand awareness. While the current China handset market dynamic is not in its favor in spite of the strong 3G upgrade cycle, we expect CW to deliver a better earnings profile when Chinese consumers enter into a natural replacement cycle likely beginning in 2013. We maintain our Neutral rating on the stock.

**Valuation**

We cut our 2011E/12E/13E EPS by 30%/16%/11% to reflect lower ASP and GM assumptions. Thus, our new 12-m TP of HK\$2.3, on 2.2X 2011E P/B (prior HK\$3.5, 2.6X on change of ROE estimate), implies 12.4X 2011E P/E.

**Key risks**

Upside: Better-than-expected handset demand; downside: worse-than-expected price pressure.

**Longtop Financial Technologies (LFT): Rating Suspended**

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**What happened**

On May 18, 2011, Longtop announced that it will not release its 4QFY2011 results on Monday May 23, 2011 as previously scheduled. The company plans to announce a new reporting date but timing is uncertain. Trading in Longtop shares has been suspended since May 17th.

**Implications**

We have suspended our investment rating, price target and earnings estimates on Longtop Financial Technologies because there is not currently a sufficient basis for determining an investment rating or price target for this company. Our previous investment rating, target price and earnings estimates are no longer in effect and should not be relied upon. We will continue to evaluate Longtop's fundamentals and to monitor developments related to the trading suspension and the delay in reporting.

## Utilities

### Tata Power Company (TTPW.BO): In line with expectations: Execution to gain momentum in FY12E

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<b>TTPW.BO, Rs1,217.25</b>		
Market cap	US\$6,348 mn	
Target price	Rs1,436.00	
Fiscal y/e Mar	2011E	2012E
Net inc. (Rs)	20,596 mn	25,931 mn
EPS (Rs)	84.84	109.41
EPS growth	19.9%	29.0%
P/E	14.3X	11.1X
Dividend yield	1.4%	1.8%
Investment Lists	Asia Pacific Buy List	
Coverage view	Cautious	

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#### What surprised us

Tata Power (TTPW) reported FY11 PAT of Rs20.6bn, in line with GS estimate and marginally higher than Bloomberg consensus estimate of Rs19.6bn. The higher realizations at Bumi for 4QFY11 of US\$87.6/ton vs. US\$73/ton in 3QFY11 and US\$62.7/ton in 4QFY10 was offset by lower production of 58mt vs. our estimate of 62mt. Merchant realizations were Rs5/kwh for the Trombay unit 8 and Rs3.45/kwh for the Haldia unit. Management indicated in the conference call that: 1) Unit 1 of Maithon would be commissioned in June and Unit 2 in October; 2) Mundra is on track for 3QFY11; and 3) it would seek exemption from the Indonesian government for a minimum price obligation given its fixed price contract with Bumi for Mundra falls under an integrated investment mechanism. If exemption is not granted, it would likely have to pay about US\$30-US\$35/ton more for 2.6mn tons of coal that it could receive from Bumi under the fixed price contract.

#### What to do with the stock

We reiterate our Buy rating on Tata Power. We lower our 12m SOTP-based TP to Rs1,436 (from Rs1,477) and FY12E/13E EPS by 4% primarily to reflect higher fuel costs for the Mundra power plant, pending the decision of the Indonesian government. We believe Tata Power is best positioned to withstand a high fuel cost environment, and news flow on commissioning of 5GW of projects under construction and 6GW of projects under development would be key catalysts for the stock. Key risk: Delay in receipt of execution milestone approvals.

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Goldman Sachs Investment Research global coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
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