CREDIT SUISSE

Thursday, 20 May 2010

Asian Daily (Asia Edition)

C³: Connecting clients to corporates

Hong Kong

Cathay Financial Holding (2882.TW) NDR
Date: 19-20 May, Hong Kong
Coverage Analyst: Chung Hsu

"A Date with David" – China Wireless (2369.HK)
Date: 20 May, Hong Kong
Coverage Analyst: Kenny Lau

Bonjour (0653.HK) NDR
Date: 25 May, Hong Kong
Coverage Analyst: Marisa Ho

Industry Expert Meetings : China Property Expert - Prof. Jianhai CAO
Date: 26 May, Hong Kong
Coverage Analyst: Jinsong Du

Frasers Commercial Trust (FRCR.SI) NDR
Date: 01 June, Hong Kong
Coverage Analyst: Tricia Song

I.T. (0999.HK) Post Results NDR
Date: 03 June, Hong Kong
Coverage Analyst: Phoebe Tse

Johnson Electric Hdg. (0179.HK) Post Results NDR
Date: 03 June, Hong Kong
Coverage Analyst: Kenny Lau

Comba Telecom Systems (2342.HK) NDR
Date: 07 June, Hong Kong
Coverage Analyst: Terry Chan

Singapore

Tat Hong (TAT.SI) Post FY10 Results
Date: 25 May, Singapore
Coverage Analyst: Su Tye Chua

Industry Expert Meetings : China Property Expert - Prof. Jianhai CAO
Date: 27 May, Singapore
Coverage Analyst: Jinsong Du

US

Huaneng Power International Inc (0902.HK) NDR
Date: 04-20 May, US
Coverage Analyst: Edwin Chen

REXLot Holdings (0555.HK) Post Results NDR
Date: 17-21 May, US
Coverage Analyst: Gabriel Chan

Europe

Singapore Telecom (STEL.SI) NDR
Date: 17-20 May, Europe
Coverage Analyst: Sean Quek

Taiwan Fertilizer (1722.TW) NDR
Date: 17-21 May, Europe
Coverage Analyst: Sidney Yeh

Sina (SINA.OQ) NDR
Date: 24-25 May, UK
Coverage Analyst: Wallace Cheung

Standard Chartered (2888.HK) NDR
Date: 24-26 May, Europe
Coverage Analyst: Sanjay Jain

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Asian indices - performance

(% change)	Latest	1D	1W	3M	YTD
ASX300	4,381	(1.9)	(4.1)	(5.4)	(10.0)
CSEALL	4,244	(0.3)	0.3	12.6	25.3
Hang Seng	19,579	(1.8)	(3.1)	(1.6)	(10.5)
H-SHARE	11,125	(2.6)	(3.4)	(1.2)	(13.0)
JCI	2,729	(3.7)	(3.0)	6.9	7.7
KLSE	1,308	(1.6)	(2.7)	4.0	2.8
KOSPI	1,630	(0.8)	(2.0)	2.3	(3.1)
KSE100	10,050	(0.3)	(1.7)	1.5	7.1
NIFTY	4,920	(2.9)	(4.6)	1.5	(5.4)
PCOMP	3,222	(1.3)	(1.4)	8.2	5.6
RED CHIP	3,618	(3.1)	(3.1)	(7.6)	(10.9)
SET	766	0.7	(1.1)	9.3	4.2
STI	2,775	(2.5)	(3.7)	0.6	(4.2)
TWSE	7,559	(0.3)	(0.6)	1.6	(7.7)
VNINDEX	495	(2.6)	(4.8)	(2.4)	0.0

Thomson Financial Datastream

Asian currencies (vs US$)

(% change)	Latest	1D	1W	3M	YTD
A$	1.2	(3.8)	(6.2)	(6.3)	(6.3)
Bt	32.4	0.1	(0.1)	2.3	2.8
D	19,025.0	(0.1)	0.0	(0.7)	(2.9)
NT$	32.0	0.0	(1.1)	0.1	(0.2)
P	45.9	1.1	(2.4)	0.5	0.4
PRs	84.5	(0.1)	(0.3)	0.7	(0.3)
Rp	9,238.0	1.3	(1.7)	0.6	1.6
Rs	46.4	1.8	(2.7)	(0.4)	0.3
S$	1.4	1.0	(1.4)	0.7	0.2
SLRs	113.7	(0.1)	(0.1)	0.5	0.6
W	1,174.8	2.9	(3.9)	(2.3)	(1.5)

Thomson Financial Datastream

Global indices

(% change)	Latest	1D	1W	3M	YTD
DJIA	10,434	(0.7)	(4.2)	0.3	0.1
S&P 500	1,114	(0.6)	(4.9)	0.4	(0.1)
NASDAQ	2,297	(0.9)	(5.3)	2.4	1.2
SOX	350	0.4	(6.6)	2.0	(2.6)
EU-STOX	2,387	(2.9)	(4.8)	(5.4)	(7.7)
FTSE	5,158	(2.8)	(4.2)	(3.7)	(4.7)
DAX	5,989	(2.7)	(3.2)	4.7	0.5
CAC-40	3,512	(2.9)	(6.0)	(6.8)	(10.8)
NIKKEI	10,187	(0.5)	(2.0)	0.6	(3.4)
TOPIX	911	(0.4)	(2.4)	2.4	0.3
10 YR LB	3.35	0.0	(6.3)	(11.3)	(12.8)
2 YR LB	0.76	4.4	(12.3)	(17.4)	(33.3)
US$:E	1.24	1.7	(1.6)	(9.0)	(14.0)
US$:Y	91.6	(0.5)	1.3	(0.4)	0.8
BRENT	72.3	(0.8)	(10.7)	(7.3)	(6.4)
GOLD	1,193.2	(2.6)	(3.7)	6.6	8.8
VIX	35.6	6.2	39.6	78.0	64.3

Thomson Financial Datastream

MSCI Asian indices – valuation & perf.

	EPS grth.		P/E (x)		Performance		
MSCI Index	10E	11E	10E	11E	1D	1M	YTD
Asia F X Japan	36	13	12.4	11.0	0.0	(5.6)	(4.2)
Asia Pac F X J.	30	15	12.8	11.1	0.0	(8.0)	(6.1)
Australia	8	23	14.6	11.9	(5.5)	(18.8)	(15.8)
China	25	17	12.6	10.8	(2.7)	(9.2)	(11.3)
Hong Kong	20	10	15.1	13.8	(1.0)	(9.8)	(7.9)
India	28	22	16.5	13.5	(4.5)	(9.3)	(5.2)
Indonesia	21	18	13.9	11.7	(4.9)	(6.5)	4.4
Korea	48	7	9.1	8.5	(2.4)	(8.6)	(3.9)
Malaysia	25	14	15.2	13.3	(2.9)	(2.9)	6.9
Pakistan	41	14	7.8	6.9	0.0	(6.2)	4.9
Philippines	23	13	14.6	13.0	(2.1)	(2.1)	3.0
Singapore	19	10	14.0	12.7	(3.1)	(7.8)	(5.0)
Taiwan	77	13	13.2	11.6	(1.1)	(6.1)	(9.5)
Thailand	19	18	10.5	8.8	0.8	4.1	7.4

* IBES estimates

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

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Top of the pack ...

Asia Equity Strategy ---

Are we seeing signs of capitulation?

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- Heading towards one of the biggest months ever for net foreign selling. Net foreign selling in Emerging Asia (ex. China, ex. Malaysia) has reached US$8.3 bn as of 18 May. This already makes May 2010 the biggest month for net foreign selling since October 2008 (which was associated with US$11.3 bn). However, if we assume the same selling rate continues for the rest of May (eight more trading days), we are potentially looking at net foreign selling of US$14 bn. The record month previously for net foreign selling was US$17.5 bn in August 2007.
- Prior to 2008, most tactical corrections associated with US$2.4 bn to US$14.5 bn. While the bear market of 2007/08 was associated with a year of net foreign selling, most tactical corrections (10-15%) in MXASJ (MSCI Asia ex. Japan) were associated with net foreign selling ranging from US$2.4 bn in May 2004 to US$14.5 bn in May-July 2006. Tactical corrections were associated with net foreign selling ranging from 0.1% to 0.7% of market capitalisation versus 0.2% so far in May 2010.
- MXASJ of 430, we believe, provides an attractive entry level. With Asian sovereign balance sheets in good shape, a fair degree of foreign investor capitulation, we believe a 15% correction to 430 on MXASJ (currently 458) provides an attractive entry level to the Credit Suisse house view of no global double dip.

Figure 1: Net foreign selling in Emerging Asia (ex. China), US$ mn

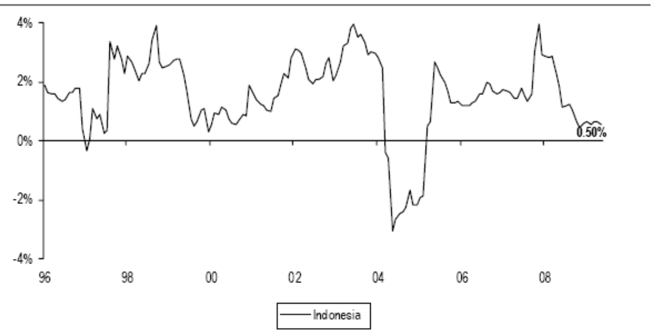
Tactical corrections	Net foreign selling (US$ mn)	Net foreign selling (as a % of market cap)
May 2004	-2,444	-0.2
March-April 2005	-4,530	-0.3
October 2005	-4,351	-0.3
May-July 2006	-14,451	-0.7
March 2007	-3,442	-0.1
February 2010	-2,598	-0.1
Average	-5,303	-0.3
May 2010	-8,322	-0.2

Source: Various stock exchanges, Credit Suisse estimates

Who is under-owned on a flow basis?

While we believe Korea is under-owned on a stock basis, we believe Indonesia is the most under-owned on a flow basis. We define flow basis as cumulative net foreign buying over the last 12 months as a percentage of market capitalisation. On this measure, Indonesia stands at 0.5% versus the Philippines and Thailand at 0.6%.

Figure 2: Cumulative 12-month net foreign buying as a % of market capitalisation



Source: Various stock exchanges, Credit Suisse estimates

While India has seen only US$769 mn of net foreign selling as of 18 May, or only 9% of net foreign selling in Emerging Asia ex. China of US$8.3 bn, on a rolling 12-month basis, cumulative net foreign buying is 1.5% of market cap.

While Korea has already seen net foreign selling of US$3.9 bn, or almost half of the net foreign selling out of Emerging Asia this month, we note that over the last 12 months, Korea has received the largest inflows as a percentage of market capitalisation. Cumulative net foreign buying over the last 12 months is now 2.9% of market cap, down from 3.5% last month.

On a flow basis, Taiwan is the second highest, at 2.1% of market cap, for cumulative net foreign buying over the last 12 months.

Figure 3: Net foreign buying/selling in Emerging Asia (ex. China), US$ mn

	India	Indonesia	Korea	Philippines	Taiwan	Thailand	EM Asia ex. China & Malaysia
Monthly data							
9-Jul	2,284	306	4,680	44	2,629	265	10,208
9-Aug	1,008	135	3,030	-16	281	88	4,526
9-Sep	3,811	94	4,138	200	4,564	680	13,487
9-Oct	1,948	-330	1,354	-174	-307	20	2,510
9-Nov	1,183	190	1,683	93	725	-395	3,480
9-Dec	2,199	406	1,991	29	3,294	-136	7,783
10-Jan	-94	46	605	48	-12	-227	367
10-Feb	270	-215	-24	65	-2,856	164	-2,598
10-Mar	4,372	536	4,747	44	3,501	1,371	14,571
10-Apr	2,099	169	4,883	197	3,802	-127	11,023
10-May	-769	-130	-3,853	56	-2,574	-1,051	-8,322
Annual data							
2010 (YTD)	5,877	406	6,358	411	1,860	130	15,042
2009	17,176	1,303	24,386	408	15,611	1,110	59,994
2008	-15,674	2,893	-35,531	-1,060	-15,743	-4,845	-69,960
2007	17,236	3,531	-29,294	1,243	2,066	1,610	-3,609
2006	8,006	1,823	-12,657	1,351	16,611	1,857	16,991
2005	10,546	-1,741	-3,584	355	24,389	2,976	32,940

Last update: 18 May 2010

Source: Various stock exchanges, Credit Suisse estimates

(This is an extract from Sakthi Siva's Asia Equity Strategy report Are we seeing signs of capitulation? published on 19 May 2010. For details, please see the CS Research & Analytics website.)

China Market Strategy --- Maintain OVERWEIGHT

New report: Manageable property price correction

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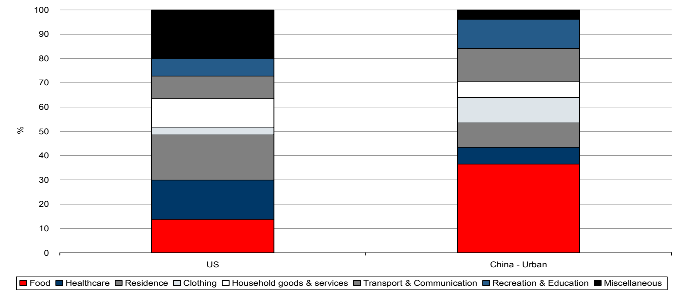
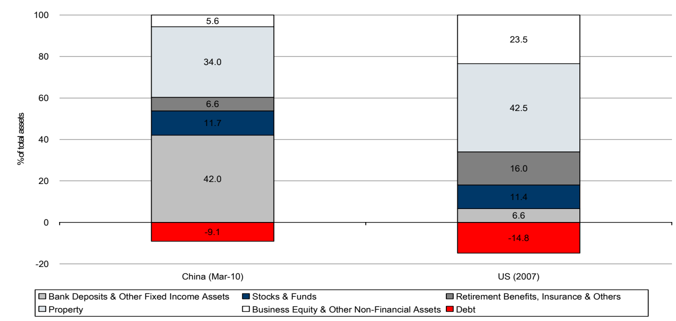
- We believe the recent government measures to cool down the property market are necessary to prevent the emergence of a damaging property bubble, and we think the negative impact on the economy from these measures is manageable:
- A very "basic" consumption and household balance sheet helps: Compared with developed economies such as the US, Chinese consumption has a much smaller discretionary component. Also, the balance sheet of Chinese households is less leveraged, more liquid and less sensitive to property compared with US consumers.
- Local government reliance on property is overstated. The conventional calculation of land sales as a percentage of local government revenue, usually at about 40%, is wrong for three reasons: 1) the denominator does not include land sales revenue, 2) fiscal transfer from central government is not included in the calculation and 3) the costs associated with land acquisition, about 50% of land sales revenue, are not included. The actual ratio should be less than 20%, we believe.
- Good for the market, bad for property stocks: 1) it means market concerns on the Chinese economy because of these tightening polices is overstated, 2) these policies could last longer than the market expects, which would be negative for property stocks, and 3) there would be an adverse impact on the banking system, but they should still be profitable without any solvency risks.

Figure 1: China: a more basic consumption pattern



Source: CEIC, Credit Suisse estimates

Figure 2: Comparison of balance sheets of China and US households



Source: CEIC, WIND Database, Federal Reserve, Credit Suisse estimates.

Figure 3: Local government financing is not very dependent on land sales

(2010 budget)	Total (Rmb bn)	Central government (Rmb bn)	Central government % of total	Local governments (Rmb bn)	Local governments % of total	Local governments % of local
Revenue	9,273	1,010	10.9	8,263	89.1	100.0
Fiscal revenue	7,393	3,806	51.5	3,587	48.5	43.4
Transfer of budget stabilisation fund	10	10	100.0	0	0.0	0.0
Net fiscal transfer	0	-3,061	N/A	3,061	N/A	37.0
Fund budgetary revenue	1,870	255	13.7	1,615	86.3	19.5
Within which: land sales proceeds	1,366	0	0.0	1,366	100.0	16.5

Source: Ministry of Finance (MOF), Credit Suisse estimates.

Figure 4: China's consumption based on GDP statistics

(2007)	Urban (Rmb bn)	Urban % of total	Urban Sensitive to property price decline?	Rural (Rmb bn)	Rural % of total	Rural Sensitive to property price decline?	Total (Rmb bn)	Total % of total
Household consumption	6,969	74.5	Partly	2,391	25.5	No	9,360	100.0
Food	2,129	22.7	No	977	10.4	No	3,105	33.2
Clothing	596	6.4	Yes	136	1.5	No	732	7.8
Residence	1,043	11.1	No	437	4.7	No	1,480	15.8
Household facility & service	345	3.7	Yes	105	1.1	No	450	4.8
Health care	620	6.6	No	154	1.6	No	774	8.3
Transport & communication	775	8.3	Yes	231	2.5	No	1,006	10.8
Recreation, edu. & cultural	767	8.2	Yes	215	2.3	No	982	10.5
Financial & insurance service	475	5.1	No	83	0.9	No	558	5.9
Others	218	2.3	No	54	0.6	No	272	2.9

Source: CEIC, Credit Suisse estimates.

Korea Auto Sector -- Maintain UNDERWEIGHT

New report: European markets for Korean automakers: a closer look

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- Since September 2009, we have been arguing that European demand contraction in 2010 will likely keep global demand growth at a more decelerated pace relative to Korean stock market expectations (see, *Hyundai Motor Group* – *a time for a breather*, 4 September 2009).
- Historically, Korean automakers have tended to make losses in the European markets. Although parent level revenue flow may remain positive, given that the basic strategy of Korean automakers is to keep domestic utilisation rates high, declining unit sales at the retail level would suggest European losses may continue at the consolidated level.
- We have never said demand will contract on a global basis for Korean automakers in 2010. Instead, we have been stressing that growth will likely come in at a much lower level than bullish consensus expectations. That disappointment, in our view, will likely be sufficient to lead to a healthy correction in share prices.

Valuation metrics

Company	Ticker	CS Rating	Price Local	Price Target	Year T	P/E (x) T+1	P/E (x) T+2	P/B (x)
Hyundai Motor	005380 KS	U	135,500	88,000	12/09	11.5	13.8	1.3
KIA Motors	000270 KS	N	29,250	24,000	12/09	10.8	14.1	1.3

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

Global and European demand outlook revisited

Since September 2009, we have been arguing that European demand contraction in 2010 will likely keep global demand growth at a more decelerated pace relative to Korean stock market expectations (see, *Hyundai Motor Group – a time for a breather* 4 September 2009). We also believe that our projected level of demand growth is not out of sync with stock market consensus expectations in relevant markets, and the current share price should already reflect these expectations.

Impact of government subsidies

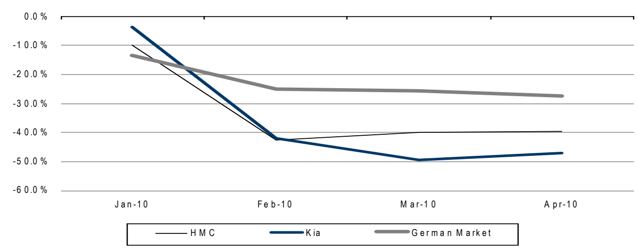
Government subsidies are not designed to stimulate demand out of thin air. Instead, they are designed to stimulate future demand to smooth out the shock of economic downturns. This means that at some point in the future, the stock market should expect weaker demand in economies that have significantly stimulated replacement demand, as in the mature markets of Western Europe. This is because unlike in growth economies like China, where new demand is greater than replacement demand, mature economies by definition run almost exclusively on the basis of replacement demand.

Thus far into the year, three of the top five automotive economies in Western Europe have concluded their subsidy programmes. This is significant since the top five automotive economies of France, Germany, Italy, Spain and the UK currently comprise 70% of European demand, including Russia.

Germany – a case of sharper pullback than market post subsidy programme completion

The impact of post-subsidy demand flow can most readily be seen in the German market, where the government subsidy programme ended in December 2009. We have been arguing that small cars were major beneficiaries of subsidy programmes in Europe, which means that the small car segment is likely to be where demand is most front-loaded. YTD, HMC Group's German sales have been declining at a much faster rate than the rest of the market. We believe this pattern supports our view that strong market share gains, achieved as a beneficiary of the government subsidy programme, will likely witness a sharper pullback relative to the market when the subsidy programme ends.

Figure 1: Demand growth in Germany: mkt versus HMC & Kia on YTD basis, 2010



Source: KBA.

UK – case of share gains with subsidy benefits

YTD, the top five European markets combined have witnessed flat YoY growth, mainly due to the positive impact from the UK government's auto subsidy programme, which applied to vehicles purchased in January-February and registered within four months. In conjunction with these government incentives, HMC also conducted an aggressive incentive campaign in the UK market, which we believe greatly helped the company gain market share during the first four months of the year. This has masked the underlying weakness in demand that the company has been seeing in Germany and France YTD.

However, based on our observation, the rate of growth in the UK market has been decelerating steadily since January, when HMC witnessed 286% YoY growth in new car registrations. Since then, on a YTD basis, as of April, the growth has decelerated to 168% YoY. We expect this rate of growth to continue decelerating in the coming months, given that we expect weaker additions from late registrations in May and June from the January-February period. In our view, we will likely witness a sharp deterioration in market share statistics for Korean automakers in 2H10, based on observations from Germany.

As of close of business on 18 May 2010, Credit Suisse Securities (Europe) Limited, Seoul Branch performs the role of liquidity provider on the warrants of which underlying assets are Hyundai Motor/ KIA Motors and holds 19,412,470/ 13,158,190 of warrants concerned, respectively. These may be covered warrants that constitute part of a hedged position.

Skyworth -- Maintain OUTPERFORM

Back to double-digit growth after inventory digestion

EPS: ◄► TP: ◄►

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

- Skyworth saw its China flat-panel TV sales volume grow 57% MoM and 19% YoY to 456,400 units in April 2010, improving from the 15% YoY growth in March 2010.
- Some misinterpret the recent slow sell-in as the retreat of China LCD TV end-demand, without referring to the strong YTD sell-through growth of 102% YoY. We consider Skyworth's soft sell-in in the past two months as a result of over-drafting the post-CNY demand in its aberrantly strong pre-CNY sell-in.
- Thanks to the satisfactory Labour Day sell-through, Skyworth is seeing its May sell-in returning to the normal good double-digit growth. It is confident that its full-year LCD TV sales volume growth target of 25% to 7.5 mn units is achievable.
- Skyworth is progressing well to expand its LED TV sales mix to 9% and is ranked number two in China with a market share of 17%. It believes that its blended ASP and margins will improve with the help of LED TVs, whose gross margin is about 35-40% and selling prices are 40-50% higher than the traditional CCFL LCD TVs.

Bbg/RIC	751 HK / 0751.HK	Price (19 May 10 , HK$)	5.85
Rating (prev. rating)	O (O) [V]	TP (Prev. TP HK$)	10.80 (10.80)
Shares outstanding (mn)	2,529.14	Est. pot. % chg. to TP	85
Daily trad vol - 6m avg (mn)	24.2	52-wk range (HK$)	9.91 - 0.93
Daily trad val - 6m avg (US$ mn)	23.5	Mkt cap (HK$/US$ mn)	14,795.5/ 1,897.5

Free float (%)	66.7	Performance	1M	3M	12M
Major shareholders	Stephen Wong (33%)	Absolute (%)	(28.3)	(24.8)	529.0
		Relative (%)	(23.5)	(25.7)	444.1

Year	3/08A	3/09A	3/10E	3/11E	3/12E
Revenues (HK$ mn)	13,939	15,387	22,437	29,334	35,572
EBITDA (HK$ mn)	822	867	1,799	2,601	3,146
Net profit (HK$ mn)	457	460	1,175	1,780	2,186
EPS (HK$)	0.20	0.20	0.49	0.70	0.86
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (HK$)	n.a.	n.a.	0.51	0.70	0.82
EPS growth (%)	256.7	1.0	142.2	44.3	22.8
P/E (x)	29.3	29.0	12.0	8.3	6.8
Dividend yield (%)	0.8	1.4	2.9	4.3	5.1
EV/EBITDA (x)	18.2	17.3	8.3	5.7	4.6
P/B (x)	3.4	3.0	2.7	2.1	1.7
ROE (%)	11.6	10.5	21.2	25.6	25.4
Net debt (net cash)/equity (%)	(3.1)	(2.5)	(3.5)	(4.5)	(9.4)

Note1:Ord/ADR=1.0000.Note2:Skyworth is the leading TV brand in China under its own brand Skyworth. It also manufactures OEM TVs. Other business units cover digital set-top boxes, car electronics, security monitors, LCD modules and IC packaging..

Figure 1: Skyworth's TV sales volume in April ('000 units)

TV type	April 2010	April 2009	Change (%)
China	510	495	3
Flat panel TV	456	383	19
- LED LCD TV	39	-	n.a.
- CCFL LCD TV	417	383	9
CRT TV	54	113	(52)
Overseas	182	103	77

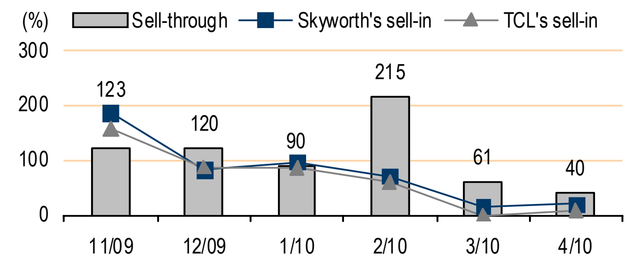
Source: Company data, Credit Suisse estimates

China LCD TV sell-through strong, albeit concerns

Ahead of the Labour Day holiday, Skyworth saw its China flat-panel TV sales volume grow 57% MoM and 19% YoY to 456,400 units in April 2010, improving from the 15% YoY growth in March 2010, when inventory digestion was in effect.

The over-optimism of TV makers about CNY sales resulted in inventory in the channel, and thus the softer-than-usual post-CNY sell-in in March and April 2010. Some misinterpret it as the retreat of China LCD TV end-demand, without referring to the strong YTD sell-through growth of 102% YoY – the monthly sell-through grew 40-215% YoY from January to April 2010 (Figure 2), and Labour Day sales also increased 45% YoY. We maintain our view of a fast-growing Chinese LCD TV market and consider Skyworth's "soft" sell-in growth of 15-19% YoY in the past two months as seasonal and a result of over-drafting the post-CNY demand in its aberrantly strong pre-CNY sell-in.

Figure 2: Monthly YoY volume growth of LCD TVs in China



Source: All View Consulting, Credit Suisse estimates

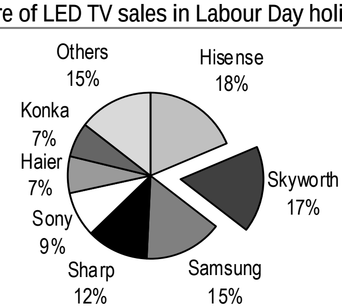
May sales back to the good double-digit growth track

Thanks to the satisfactory Labour Day sell-through and hence industry low inventory, Skyworth is seeing its May sell-in accelerate to return to the normal good double-digit growth. In view of its April and month-to-date sales, it is confident that its full-year LCD TV sales volume growth target of 25% to 7.5 mn units with 30% sales mix from the higher-priced and higher-margin LED TVs is achievable.

LED TV picking up fast, surpassing global brands

Skyworth is progressing well to expand its LED TV sales mix to 9% in April 2010 from 4-5% in the past few months. It is now ranked number two in China LED TV sales with a market share of 17% (TCL: 3%). With 60% of the new models being LED TVs and a well-planned product launching campaign, Skyworth should gain flat-panel TV market share from its domestic competitors if the current fast-growth rate of LED TVs in China persists. Skyworth believes that its blended ASP and margins will improve with the help of LED TVs, whose gross margin is about 35-40% and selling prices are 40-50% higher than the traditional CCFL LCD TVs with gross margin of 20-22%.

Figure 3: Market share of LED TV sales in Labour Day holiday



Source: All View Consulting, Credit Suisse estimates.

China

Peak Sports -- Maintain OUTPERFORM

Takeaways from 4Q10/1Q11 trade fair: more moves to narrow gaps with competitors EPS: ◄► TP: ◄►

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- We attended Peak's recent 4Q10/1Q11 trade fair in Xiamen this week, with positive takeaways from continued improvements that it is making to its product portfolio. Key markets, as evident from accoladed distributors and retailing stores at the trade fair, also appeared to be performing well. Its plans of taking stake in distribution channels of weaker markets remain in the pipeline and more details may be made available by 2H10.
- Peak's commitment to improve its focus on basketball remains evident: new marketing resources have been added with the signing of Serbia National Basketball Team (runner-up for 2009 European Championships), renewal of its sponsorship of the Stanković Continental Champions' Cup, a basketball tournament that is held annually in China and a reality-like TV programme that works around competing basketball teams across China.
- We see YoY order books growth from this trade fair at more than 30% and will wait for confirmation in a few weeks. The stock is currently trading at undemanding valuations of 12.9x 10P/E, 10.4x 11 P/E and remains one of our preferred picks in the sector.

Bbg/RIC	1968 HK / 1968.HK	Price (18 May 10 , HK$)	5.75
Rating (prev. rating)	O (O) [V]	TP (Prev. TP HK$)	8.00 (8.00)
Shares outstanding (mn)	2,097.90	Est. pot. % chg. to TP	39
Daily trad vol - 6m avg (mn)	23.8	52-wk range (HK$)	6.48 - 3.35
Daily trad val - 6m avg (US$ mn)	9.7	Mkt cap (Rmb/US$ mn)	10,562.3/ 1,547.1
Free float (%)	39.1		
Major shareholders	Xu family (60.9%)		

Performance	1M	3M	12M
Absolute (%)	(10.0)	11.4	—
Relative (%)	(1.6)	13.3	—

Year	12/08A	12/09A	12/10E	12/11E	12/12E
Revenues (Rmb mn)	2,042	3,095	4,156	5,449	6,909
EBITDA (Rmb mn)	423	728	992	1,266	1,593
Net profit (Rmb mn)	376	628	816	1,017	1,251
EPS (Rmb)	0.18	0.34	0.39	0.48	0.60
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rmb)	n.a.	n.a.	0.39	0.49	0.58
EPS growth (%)	126.5	89.9	14.3	24.6	23.0
P/E (x)	28.1	14.8	12.9	10.4	8.4
Dividend yield (%)	1.8	2.1	2.0	2.5	3.1
EV/EBITDA (x)	24.5	12.6	9.1	6.7	4.9
P/B (x)	13.7	3.5	3.8	3.1	2.5
ROE (%)	48.6	20.9	26.2	26.4	26.2
Net debt (net cash)/equity (%)	(25.0)	(46.0)	(50.4)	(53.0)	(57.4)

Note1:Peak is involved in marketing, branding, research and development of its self-owned PEAK sporting goods in China, to which it is also directly involved in manufacturing a portion of the footwear and apparel products..

Making adjustments as seasonal changes become less distinct Peak held its 4Q10/1Q11 trade fair in Xiamen from 18-19 May 2010. This trade fair showcased Peak's upcoming products for the forthcoming winter season in 2010 as well as those meant for early spring 2011, a season that has been losing its distinction over the last few years for the softlines retailers. Our recent meeting with Dongxiang (3818.HK, HK$4.80, Not rated) for instance revealed that product lines for the winter season has increasingly been extended to include more spring products, while traditional spring product lines have been shortened further to include summer lines. This also drove Peak to combine its 4Q10 event with that for 1Q11 though management will continue to monitor the market conditions and execute the 1Q11 order books as per previous practices.

Product portfolio continues to improve as Peak narrows its gap with peers. Similar to previous trade fairs, the team has brought on board another approximately 10% new SKUs to the product portfolio. Like its peers, Peak has adopted greater use of fibres/fabric technologies to differentiate its product to consumers, such as environmental-protection materials by Dupont, i.e., Sorona® polymer, made partially with agricultural feedstocks instead of petrochemicals, reducing the traditional dependency of fibres on oil; as well as Thinsulate™ by 3M™, a synthetic fibre thermal insulation also used quite commonly now by the Chinese sports brands. Peak has also developed a new series of superlight weight basketball shoes that comes at a fraction of the price that by international brands.

Key markets performing on target as relevant distributors, retailers and store managers get rewarded. What had stood out the most for us from this trade fair was the award ceremony for performing distributors and their retailers. Six awards, involving the consideration of retail sales achieved, contribution to successful local and nationwide marketing campaigns etc, were given out to more than some 62 individuals and their teams. These recipients received rewards in cash and prizes included real gold ornaments. Among the recipients, teams from Guangdong, Guangxi, Shandong, Beijing and Fujian regions continued to stand out as markets that Peak have greater presence in. We will continue to monitor the progress of the rest of the markets and look forward to seeing them among the top performing markets ahead.

Adding on new sponsorships and marketing programs to build distinction in basketball. Peak Sport will supply the New Zealand Olympic Teams with professional sports gear for the 2010 Youth Olympic Games 2010 Commonwealth Games and into 2012 Summer Olympic Games. In addition, Peak also signed an agreement with the Serbia National Basketball Team (former Yugoslavia National Basketball Team) and has renewed its sponsorship for the Stanković Continental Champions' Cup, an international basketball tournament held annually in China. It is one of the most notable intercontinental basketball tournaments for Chinese basketball fans, and one of the highest ranking international basketball tournaments in China. In a new move, Peak is expected to launch a TV programme named "The Legend"(一戰成名) with Jiangsu Broadcasting Corporation in this year. Being linked up with Peak Sport's key brand promotional campaign, "2010 Peak 5 Vs 5 Basketball Challenge", the TV programme will describe how young basketball players struggle physically and psychologically to win a tournament and make their basketball dreams come true. The programme will also exhibit the young Chinese players' enthusiasm towards basketball sport from different perspectives. Through a series of competitions, talented basketball players will be selected to receive special training. The final three winners will be sent to the US where they will receive professional basketball training, interact with NBA players, and be assimilated into the NBA competitions and culture. We like the concept of the programme and look forward to the ratings and feedback when it is aired.

ICICI Bank -- Maintain NEUTRAL

Bank of Rajasthan merger – an expensive acquisition

EPS: ◄► TP: ◄►

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- ICICI Bank is acquiring troubled Bank of Rajasthan (BoR), a small private bank with 466 branches and US$4 bn in assets. The RBI was keen for a management change at BoR, as it had uncovered operational irregularities and recently ordered a special audit of its financials.
- The acquisition would add just 7% to ICICI's deposits and lead to a 23% jump in its branch network. Productivity of these branches is low though (one-fifth of ICICI's branches). Integration of 4,075 (10% of ICICI's headcount) unionised employees will also be a challenge.
- At a swap ratio of 1:4.7, the acquisition is expensive, at 5.0x book or a US$680 mn cost to acquire 466 branches. This is surprisingly high, as it had organically added 400+ branches last year at a fraction of this cost.
- Any erosion to book that the special audit may uncover would add to this cost. While the merger is expensive, given its small size (results in 3.1% dilution for ICICI), we do not see it as significant enough to change our view on the stock. Maintain NEUTRAL.

Bbg/RIC	ICICIBC IN / ICBK.BO	Price (17 May 10 , Rs)	899.25
Rating (prev. rating)	N (N) [V]	TP (Prev. TP Rs)	826 (826)
Shares outstanding (mn)	1,114.98	Est. pot. % chg. to TP	(8)
Daily trad vol - 6m avg (mn)	0.4	52-wk range (Rs)	997.65 - 626.80
Daily trad val - 6m avg (US$ mn)	5.4	Mkt cap (Rs/US$ bn)	1,002.6/ 22.0
Free float (%)	100.0		
Major shareholders	Life Insurance Corporation of India 7.95%		

Performance	1M	3M	12M
Absolute (%)	(2.3)	7.0	56.4
Relative (%)	2.1	4.5	13.1

Year	3/08A	3/09A	3/10E	3/11E	3/12E
Pre-provisioning profit (Rs mn)	58,425	81,761	80,134	90,964	106,150
Net profit (Rs mn)	41,577	37,581	40,250	45,931	57,529
EPS (Rs)	40.6	33.2	35.6	40.6	50.8
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (Rs)	n.a.	n.a.	36.1	44.7	56.0
EPS growth (%)	19.1	(18.2)	7.0	14.0	25.3
P/E (x)	22.1	27.0	25.3	22.2	17.7
Dividend yield (%)	1.2	1.2	1.3	1.4	1.6
BVPS (Rs)	418	445	463	489	525
P/B (x)	2.2	2.0	1.9	1.8	1.7
ROE (%)	11.8	7.8	8.0	8.7	10.2
ROA (%)	1.1	1.0	1.1	1.2	1.3
Tier 1 (%)	11.8	11.8	14.0	11.7	10.5

Note1:ICICI Bank is India's second largest bank with total assets of Rs3973 bn at March 2009. ICICI Bank also has a significant presence in life and general insurance, asset management, private equity and investment banking businesses..

ICICI Bank to acquire the troubled Bank of Rajasthan

Bank of Rajasthan (BoR) is a relatively small private bank with a 466 branch network (300 branches in Rajasthan) and a US$4 bn asset base. The acquisition would not be material in terms of ICICI's balance sheet size, as it adds only 7% to its deposit base and 4% to loans. However, it will lead to a 23% jump in ICICI's current 2,000 branch network. The productivity of these branches is estimated to be one-fifth of ICICI's own branches, and the key challenge for ICICI would be to ramp this up. Another challenge for the bank is likely to be managing the integration with a 4,075 employee base of BoR (adds about 10% to ICICI's head count), which is unionised and about half of which are below the executive (officer) grade.

Regulators were pushing for a management change

While BoR did not appear to be in distress on the basis of its FY09 financials, with its 21% reported ROE in FY09 and 2% gross NPLs, it was in need of capital, with Tier-I relatively thin at just 6.2% as of March 2009, and this would have dipped further in the past 12 months. Moreover, its operating performance deteriorated sharply over the last financial year (a US$2 mn loss for 9M FY10, compared to a US$26 mn profit for 9M FY08). Also, the regulators had uncovered several operational irregularities in running the bank over the past couple of years, including violations in property transactions, anti-money laundering norms, irregularities in the conduct of accounts of a corporate group, and failure to provide certain documents sought by the RBI. The RBI had therefore appointed five directors to its 16-member board, as well as a CEO. It had also recently ordered a special audit of the bank's financials (the result of which is not public yet), and this may lead to a significant revision to earlier reported financials.

Figure 1: Key parameters pre and post merger

(Rs mn)	ICICI (as at March 2010)	BOR (as at March 2009)	Merged entity	% chg. (YoY/bps)
Assets	3,633,997	172,351	3,806,348	4.7
Deposits	2,020,166	151,872	2,172,038	7.5
Loans	1,812,056	77,808	1,889,864	4.3
No of branches	2,000	466	2,466	23.3
No of employees	35,500	4,075	39,575	11.5

Source: Company data

Acquisition is expensive

At the announced swap ratio of 25:118, the acquisition is expensive at 5.0x book (ex. revalued reserves). Moreover, the true book value of the bank may change significantly post the audit report. At ICICI's current price, this implies a US$680 mn cost for ICICI to acquire the 466 branch network. The capital needs to fill any book erosion that the audit may uncover, which could add to this cost. ICICI, with its 14% Tier-I, is also comfortably capitalised to absorb BOR even if write-downs post the special audit report erode its capital base further. Even assuming 5% of loans at BOR become NPLs, the post-merger capital adequacy for ICICI Bank would still be comfortable at 13.6%. Although the acquisition is expensive and there are additional risks to book/asset quality at the bank, given its relatively small size (leads to 3.1% dilution for ICICI Bank), we do not see it as significant enough to change our view on the stock.

Singapore

Singapore Market Strategy --- Maintain MARKET WEIGHT

14 consecutive months of consensus EPS increase

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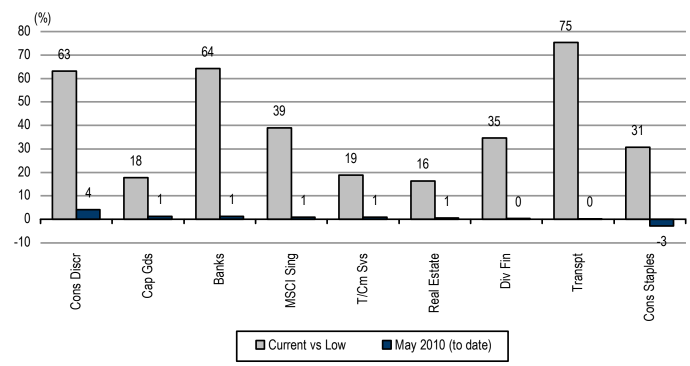
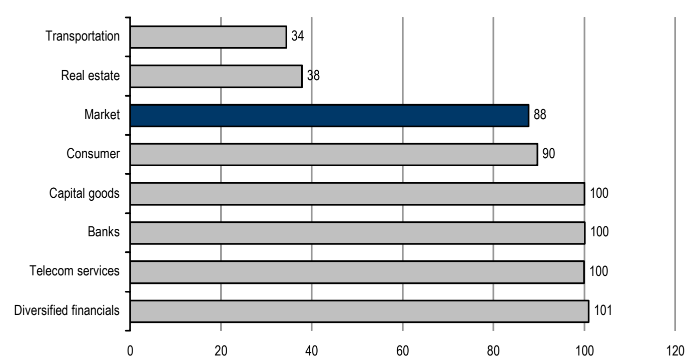
- Consensus has raised its 12-month forward EPS estimates by another 1%, so far, in May, following a 2.7% increase in April. With the exception of consumer staples (-2.8%), the latest increase was driven by all sectors. The consumer discretionary sector saw the largest increase (+4.1%).
- Given the 2010 consensus earnings estimates are still down 27% since March 2008 and at 88% of their 2007 peak, we see further scope for upward revisions to consensus estimates. We continue to expect upward estimate revisions in transport – CY10 and CY11 consensus earnings estimates are only 34% and 62% of their CY07 peaks, respectively.
- On a P/E basis, the market (CS coverage stocks) is trading at 15x 2010E and 13x 2011E earnings, versus the five-year average P/E of 14x. CS projected earnings growth is 13% in FY10 and 16% in FY11.
- Our 12-month STI target of 3,180 (+15% potential upside) is based on a five-year average P/B. The corresponding MSCI Index target is 388 (or +17%).
- Regionally, we stay MARKET WEIGHT on Singapore, mainly on valuations. YTD, Singapore has fallen 2%, versus the region's 4%.
- Overall, transport (top picks: SIA, NOL) and banks (DBS,OCBC) are still our largest OVERWEIGHTs, followed by financials (SGX), real estate (CapitaLand) and telecoms (SingTel). We are UNDERWEIGHT on capital goods (prefer Keppel), consumer discretionary (SPH) and consumer staples (Olam).

Figure 1: MoM consensus EPS estimates, by sector (%)



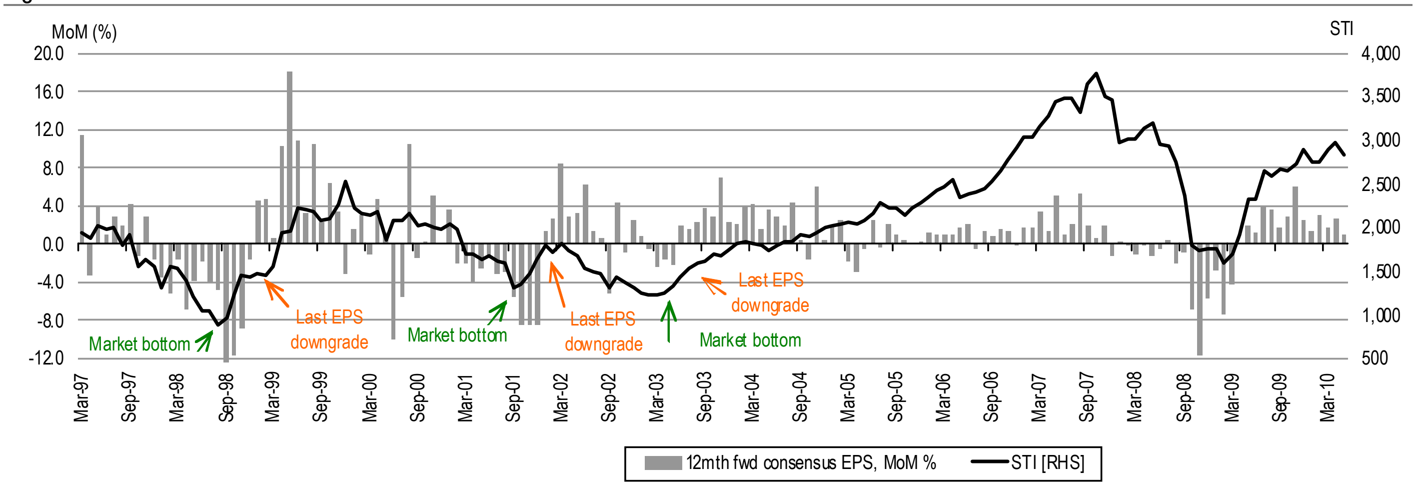
Source: Datastream

Figure 2: MSCI Singapore consensus 2010 net profit estimates versus the recent peaks



Source: Datastream, company data, Credit Suisse estimates

Figure 3: Consensus 12-month forward EPS MoM estimate revisions versus STI



Source: Datastream

Taiwan

Taiwan Economics

GDP growth likely surged in 1Q10, but sequential performance is becoming more subdued

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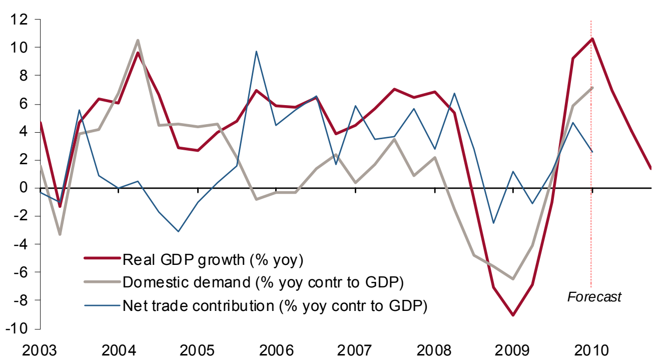
- GDP growth likely surged by 10.7% YoY in 1Q10, the fastest growth in 22 years. But on a QoQ basis, growth is actually moderating, rising by about 0.8% after seasonal adjustments.
- The low base effect from 2009 largely contributes to the high YoY figure, but the QoQ figure provides a clearer picture about Taiwan's growth momentum.
- Still, annual growth looks likely to exceed 5% this year. Exports are still rising strongly, but are offset by imports. Meanwhile, we see steady consumption demand and a sharp uptick in investment.
- There should be no immediate policy implications; the authorities would prefer to keep TWD relatively soft in support of exports and should not feel any pressure to tighten monetary policy yet.

Figure 1: 1Q GDP growth hits 22-year high in YoY terms, but set to moderate ...

% YoY contribution to overall GDP growth



Source: Directorate-general of Budget, Accounting and Statistics, Credit Suisse.

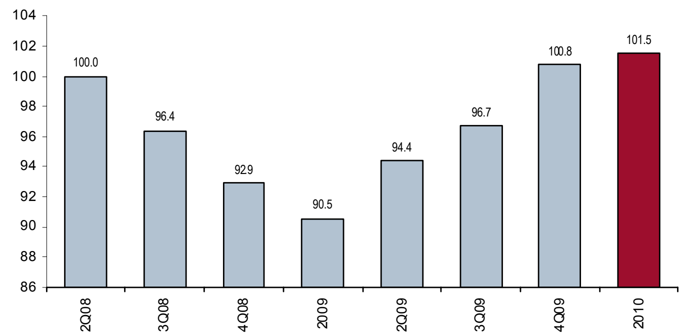
We expect that Taiwan's economy grew about 10.7% year on year or 0.8% quarter on quarter (after seasonal adjustment) over 1Q10. While headlines are likely to report this as the fastest growth in 22½ years, we note that it would actually represent the slowest sequential growth in four quarters, which averaged 3.6% in the previous three quarters. In level terms, Taiwan's GDP will be about 1.2% above its previous pre-recession high.

1Q's YoY growth reflects the deep statistical base effect from 1Q09. At that point, GDP had declined by 9.1% YoY, which was the worst quarterly performance on record (about 50 years of data). In the context of the steep 2008-09 recession, 1Q10 GDP's performance was still respectable, but unless YoY growth is in excess of 14% YoY, then we are seeing a moderation in growth momentum for Taiwan. But the current pace should still see Taiwan's GDP record annual growth of 5% or better over this year, after a 1.9% decline in 2009.

Still, there should be no immediate policy reaction. The Taiwan government will consider policy action premature at this point, so the slower growth momentum should justify the continuation of cautiously accommodative policy in the near term. While the authorities may well like to talk up the strength of the recovery, the reality is that they are still worried about the sustainability of domestic demand.

Figure 2: ... as sequential growth momentum seems to be entering a much flatter phase

Index rebased to 2Q08 = 100



Source: DGBAS, Credit Suisse.

With inflation still largely subdued, we expect policymakers to feel there is no real urgency to adjust policy in any direction, despite recent media attention to policy exit strategy. This should mean further intervention to keep TWD stable (or relative depreciation against RMB), while the prospect of interest rate hikes still lies late into 2H10 unless risk factors change.

Looking at 1Q growth and how this may pertain to Taiwan's outlook, much of the moderation should be attributable to a reduced contribution from net trade. Export growth is up substantially (1Q10 exports rose by 52.5% YoY in USD terms compared to 16.9% YoY in 4Q09). However, its net contribution will be limited by even faster import growth (up 78.4% YoY in 1Q compared to 18.1% YoY in 4Q).

On the other hand, private consumption should be holding up reasonably well in 1Q, but the main improvement should come from fixed investment, which we expect expanded in excess of 20% YoY in 1Q (from 11.1% YoY in 4Q09), again thanks to an absolute collapse last year (down by a 29.4% YoY contraction in 1Q09).

Where there might be some disappointment will be the continued flatness of inventories, which suggests that while corporates are upgrading, they remain cautious about the macro outlook.

Taiwan Hardware Sector--

April NPD showing slower YoY shipment growth; Apple's strong momentum benefits Asian supply chain

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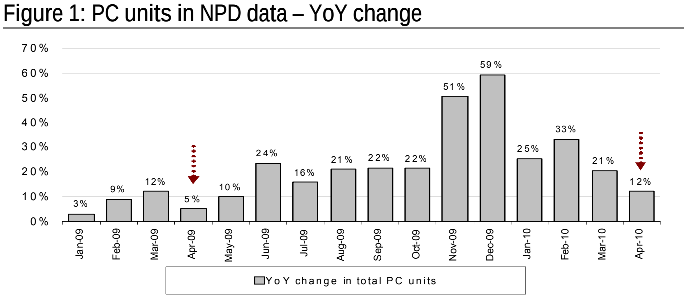
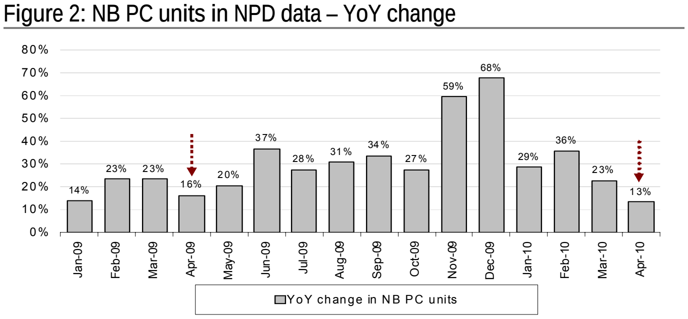
- NPD data showed a slower seasonal pick-up in April. PC units rose only 12% YoY in April, below 21% growth in March and the trailing three-month average of 27% growth. Revenues and ASP grew 12% and 3% YoY, the first time that ASP has shown a positive change since 2007, implying a milder ASP drop in 2010.
- The NPD only represents part of US retail channels and is an indication of near-term sell-through. April is normally a slow month in the US retail market and both Dell and HPQ showed a drop in units. But Apple showed a strong 32% YoY growth in April due to the launch of refreshed notebook models recently.
- Asian brands, including Acer, Asustek and Lenovo, reported solid YoY growth in April, given a lower base last year, but are showing their increased exposure in the US market.
- Taiwan NB ODMs also showed slower momentum in April and May, largely due to the conservative Europe market. Apple is the only exception and benefits its main suppliers, Hon Hai and Quanta. Quanta is the only NB ODM with MoM shipment growth in April and expects 15-20% QoQ unit growth in 2Q10.
- We maintain our conservative view on the downstream space, especially PC brands (refer to our report: *Switch from PC brands to ODMs* dated March 19). Our top picks: Hon Hai and Quanta.

Figure 1: PC units in NPD data – YoY change



Source: The NPD Group Retail Tracking Service

Figure 2: NB PC units in NPD data – YoY change



Source: The NPD Group Retail Tracking Service

What does NPD data stand for?

NPD (National Purchase Diary) data for PCs, MP3 players, printing hardware and cartridges, covers the US commercial reseller and retail channels. The primary value of NPD data is that it provides data on sell-through trends, whereas other third-party data firms measure sell-in (i.e., 'channel fill'). This is particularly important when channel inventory trends are less certain.

April PC units grew a slower 12% YoY but ASP up YoY

NPD data showed a slower seasonal growth in April. PC units increased only 12% YoY in April, way below the 21% growth in March and the trailing three-month average of 27% growth. Revenues grew 12% YoY and ASP increased 3% YoY. This is the first time that ASP has shown a positive change since 2007.

April is normally a slow month in the US retail market and both Dell and HPQ showed a drop in unit sales. But Apple clocked a strong 32% YoY growth in April due to the launch of refreshed notebook models recently.

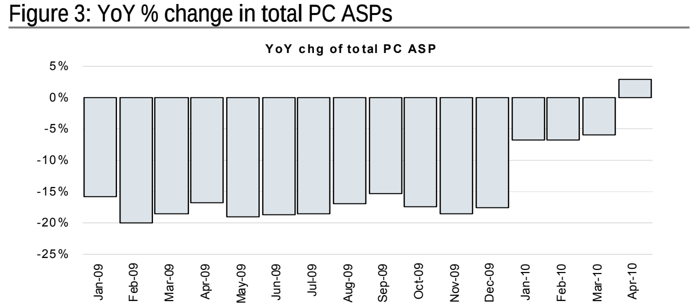
Implication to Asia PC supply chain

Asian brands performed relatively better. Acer, Asustek and Lenovo reported solid YoY growth in April, given a lower base last year, but still showed their increasing exposure to the US market.

The slower April NPD data is not contrary to what we heard from the supply chain. Taiwan NB ODMs indicated a slower momentum in April and May but expect a strong rebound in June. Apple's strong momentum benefits its main suppliers, Hon Hai and Quanta. Quanta is the only NB ODM reporting strong April shipments and expects 15-20% QoQ unit growth in 2Q10. (NB ODM April shipment: Quanta up 10% MoM, Wistron down 21% MoM and Compal down 7%.)

We maintain our conservative view on the downstream space, especially for PC brands (refer to our hardware report: *Switch from PC brands to ODMs* published on March 19). Our top picks are Hon Hai and Quanta.

Figure 3: YoY % change in total PC ASPs



Source: The NPD Group Retail Tracking Service

Figure 4: Total PC units – YoY change

YoY chg. in unit	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
Others	82%	83%	75%	102%	66%	74%	66%	183%	36%	21%	37%	95%
HPQ	-4%	16%	-3%	-8%	10%	20%	32%	30%	0%	5%	-2%	-9%
Apple	-4%	16%	3%	12%	26%	8%	35%	32%	36%	41%	9%	32%
Toshiba	30%	50%	90%	86%	29%	21%	46%	107%	52%	49%	21%	-7%
Sony	-35%	-45%	11%	-15%	-45%	13%	88%	6%	11%	20%	83%	70%
Acer	17%	42%	4%	30%	21%	37%	86%	65%	28%	33%	17%	27%
Dell	38%	42%	21%	54%	9%	-21%	34%	84%	38%	47%	19%	-14%
Lenovo	3%	5%	15%	5%	13%	42%	41%	20%	24%	29%	49%	39%
Asustek	460%	544%	454%	501%	546%	132%	183%	300%	235%	247%	177%	106%
Wyse	1%	18%	-13%	-19%	40%	-23%	-8%	48%	5%	16%	55%	29%
Panasonic	-36%	-7%	-36%	-30%	37%	16%	29%	-18%	15%	24%	38%	0%
Total	14%	24%	16%	21%	22%	22%	51%	59%	25%	33%	21%	16%

Source: The NPD Group Retail Tracking Service

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Companies mentioned
Axis Bank Limited (AXBK.BO, Rs1267.00, OUTPERFORM [V], TP Rs1510.00)
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Bank of India (BOI.BO, Rs327.10, NEUTRAL [V], TP Rs363.00)
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ICICI Bank (ICBK.BO, Rs899.25, NEUTRAL [V], TP Rs826.00)
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Peak Sports Products Co.Ltd. (1968.HK, HK$5.75, OUTPERFORM [V], TP HK$8.00)
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