

Asian Year Ahead 2012

Stock Ideas for the Year of the Dragon



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See page 499 for analyst certification and important disclosures, including non-US analyst disclosures.

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Asian Year Ahead—Stocks for the Year of the Dragon

What to own

- **Banks:** ASEAN, India, China*
- **CD:** China, India, ASEAN, Hong Kong
- **Tech:** Cheap smartphones, cloud infrastructure and automation
- **Insurance:** China
- **Infrastructure:** China*, ASEAN
- **Conglomerates:** Philippines
- **Real Estate:** ASEAN
- **Utilities:** Korea, Malaysia, China and Natural gas
- **Telecom:** Companies with large increase in network capacity
- **Smaller sectors in countries:** Gaming, Internet

Focus on sectors within countries rather than country recommendations

(* There is a conflict between strategy team and sector view. Please see strategy and sector pages for details)

What to avoid

- **Banks:** Taiwan, Hong Kong, Singapore
- **Consumer Staples:** Australia
- **Real Estate:** China, Hong Kong
- **Energy:** Australia

The resultant country allocation

- **OW:** ASEAN
- **UW:** Australia, Taiwan and Hong Kong

A detailed view on our country and sector recommendation within Asia Pacific ex Japan is available on page 9. For more detail please see country and sector pages

107 top picks

(See pages 153 to 367)

Examples of top picks

Top picks - examples	Country	Potential upside to our PT (%)
Orient Overseas Int'l Ltd	Hong Kong	108
Indust. & Comm. Bank of China - H	China	87
China Minsheng Banking - H	China	74
Larsen & Toubro	India	70
CSR Corp Ltd.	China	69
ICICI Bank	India	65

Source: J.P. Morgan estimates. Note: To PT = Returns to analyst price target as at 15 Nov 2011. Stocks with 3m average trading value greater than US\$20 million.

52 stocks to avoid

(See pages 369 to 473)

Examples of stocks to avoid

Stocks to avoid - examples	Country	Potential downside to PT (%)
Hengan International Group Ltd	China	(30)
Astra International	Indonesia	(27)
Formosa Plastics Corp	Taiwan	(26)
SMIC	China	(24)
PetroChina	Hong Kong	(17)
Hero Motocorp Ltd.	India	(14)

Source: J.P. Morgan estimates. Note: To PT = Returns to analyst price target as at 15 Nov 2011. Stocks with 3m average trading value greater than US\$20 million.

The year-ahead process

The goal of this document is to present our key strategy themes for 2012 using our most and least favored stocks from the 1097 and 590 stocks in emerging markets and developed Asia covered by J.P. Morgan.

Both J.P. Morgan equity research analysts and our macroeconomic team have been involved in the production of this document. The process started with the Strategy Team briefing analysts on our key themes and macroeconomic forecasts for 2012. Analysts then reviewed their earnings models and presented their top picks and stocks to avoid to both their sector and country strategists. The sector and country teams then produced their list of top long and short ideas. These ideas form the core of this document.

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Year of the Dragon: Finally on Fire

The potential drivers

1. As policy shifts from fighting inflation to supporting growth, valuation de-rating reverses.
2. Valuations are consistent with positive forward returns.
3. DM outperformed EM in 2011; this should reverse with monetary policy shift plus euro-area recession and a poor outlook for US export earnings.
4. Wide potential outcomes for China's economy and market.

Investment themes

1. More supportive policy; OW domestic cyclicals and interest-rate-sensitives.
2. Sell defensives; no more marginal buyers.
3. Understand the reward. In this report each country and sector analyst states the conditions for a powerful rally. Cheap stocks plus those that suffered the largest derating may offer the best reward.
4. Be flexible. Trading volumes are low. Volatility is high. Fear and hopes are discounted rapidly. Manage positions around long-term themes.
5. Wide range of potential outcomes in China. The bulls argue that policy will become highly supportive (not our base case). The other extreme is that the property bubble deflation's economic impact is underestimated, resulting in a year-on-year decline in investment. Stay underweight exposure to FAI.

(See page 4 for details)

Key issues for Dragon – briefing notes

1. Demographics driving China's economic rebalancing
2. EM valuations – P/E trends rather than mean reverts + varies with ownership and sector
3. EM historical performance analysis – The long-term investor did well
4. EM exposure to developed world demand
5. China's financial plumbing

Potential returns

MSCI APxJ end-2012 target 475 (+15%)

- Current MSCI APxJ forward P/E 10.7x.
- Consensus 2013E MSCI APxJ EPS is 44. Our strategy team believes the risk of downgrades in EPS forecasts for materials and exporters is high. Domestic cyclicals and interest-rate-sensitives may benefit from upgrades. To be conservative, our strategy 2012 EPS forecast is 38. This assumes no EPS growth in material and exporters companies.
- Forward P/E 12x, a 12% re-rating.

(See page 10 for range of possible returns)

Risks

Market risks

- “Risk-off” Trade: Round 2
- Re-acceleration in global growth
- China's policy response to global slowdown
- Sticky inflation

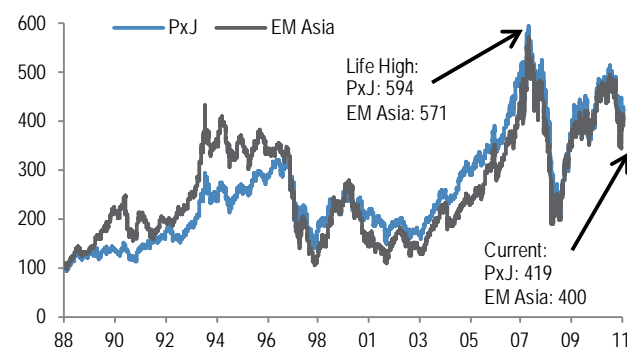
Drivers of volatility

- DM sovereign leverage
- Out of policy bullets and clear leadership
- Income inequality and corporate profitability
- Euro crisis

(See page 16 for details)

Market performance

Figure 1: MSCI PxJ and EM Asia index performance



Source: Bloomberg, 15 November 2011.

Equity Strategy - Year of the Dragon: Finally on Fire

Emerging Asian economies offer premium nominal growth and stronger fundamentals than developed economies. In 2011 policy flexibility was a moot point as countries fought inflation. This is likely to change in 2012; hence our constructive outlook. The end 2012 MSCI APxJ forecast is 475. Please see page 10 for why we see this forecast as conservative.

Valuations provide a cushion: 2012 returns potentially combine P/E rerating and EPS growth. The outlook for EM FX is more mixed. If we are correct on the outperformance of EM as capital returns, EM FX appreciation may exceed current modest forecasts.

Investors are disillusioned with the larger emerging Asian markets: poor relative performance; governance concerns. **This realism also offers a cushion.**

The 2012 Year Ahead report highlights conditions that could drive a strong rally for each market. **Our objective is to highlight potential reward if risk fades.** We are not blind to the many challenges in the region (these are documented on page 16). But remember that documented risks are likely to be discounted.

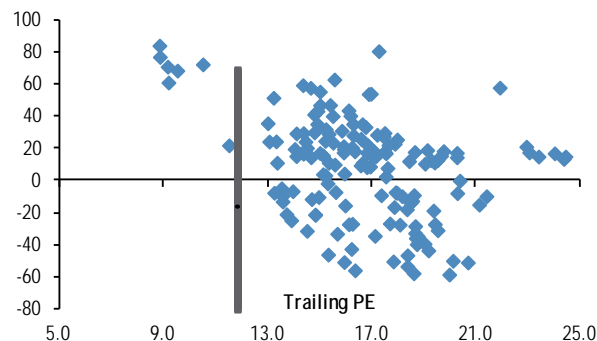
Inflation remains key to the EM call: Our base case is that EM inflation will fall in 2012. This is reasonable for countries with slower growth plus a more favorable base effect for commodities. It is important to remember that a limited post-crisis inflation history means that investors confidence in econometric inflation models should be low. Note how inflation forecasts for this year were too low (see Table 1). Factors including China's demographic transition's impact on wage inflation, Brazil's indexation of wages plus skilled labor shortage, and India's rural employment schemes are new and thus unpredictable. For equity investors, the key difference between today and a year ago is the 20% derating in MSCI EM discounting inflation concerns.

The policy change argues for an underweight in defensives and overweight in domestic cyclicals plus interest-rate-sensitives. It also supports an overweight in EM vs DM.

In 2011, country asset allocation favored countries with modest inflation, notably ASEAN. **There is no clear macro driver of country asset allocation unless inflation proves more stubborn.** Our call that disillusioned global investors may return favors BRICs.

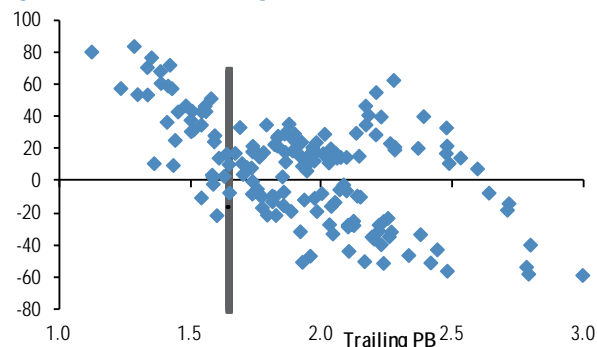
The political calendar in 2012 is full (see page 17). There is likely to be unscheduled political change in Europe. US politics is polarized. To avoid a 2% fiscal drag in 2012 Capitol Hill must act soon, but this appears unlikely. China's leadership tends to be inward-looking during periods of transition.

Figure 2: MSCI APxJ Trailing P/E vs 12-month forward return



Source: MSCI, Datastream, 14 November 2011, Note: Grey line indicates current valuations.

Figure 3: MSCI APxJ Trailing P/BV vs 12-month forward return



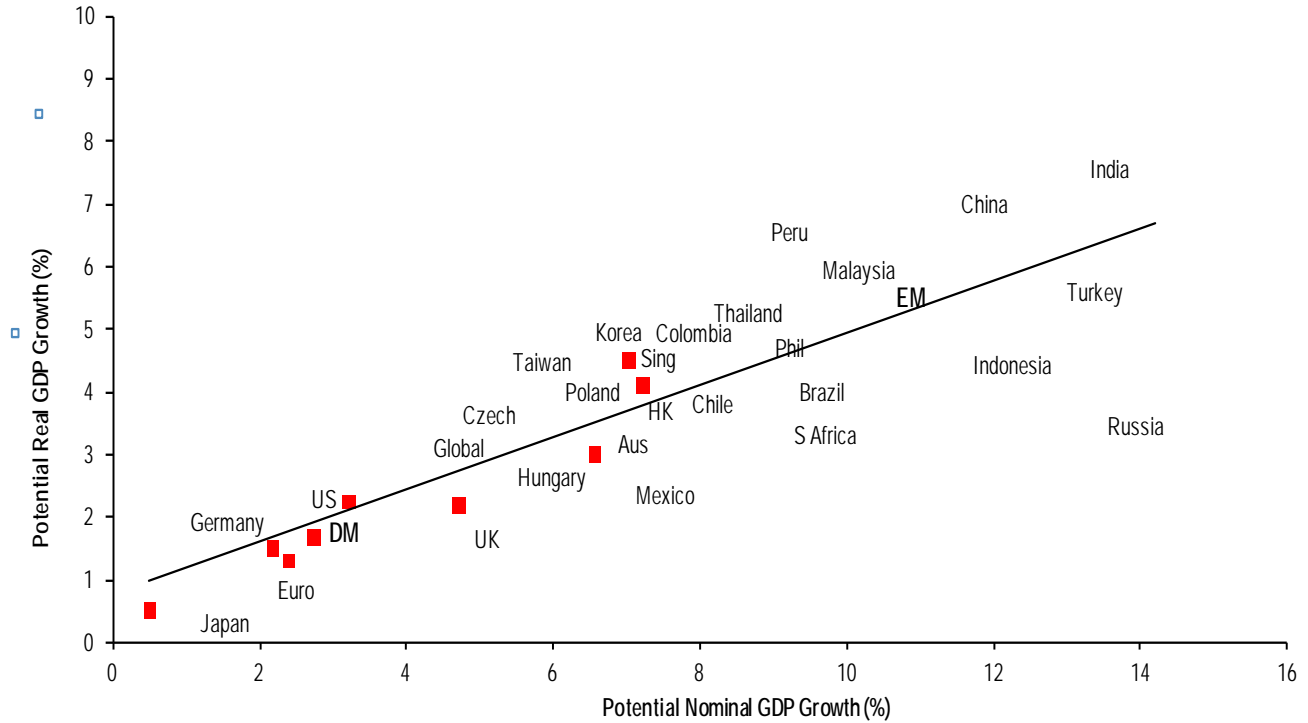
Source: MSCI, Datastream, 14 November 2011, Note: Grey line indicates current valuations.

Table 1: APxJ inflation forecast track record

Country	CY11 Forecasts		CY11 CPI Peak	CY 12E CPI (%ooya)
	Nov 2010	Present		
Australia	3.6	3.8	3.6	3.3
China	2.7	4.6	6.5	3.7
Hong Kong	2.3	5.1	7.9	4.4
India	10.2	8.7	9.8	7.8
Indonesia	5.3	3.2	7.0	4.0
Korea	3.3	3.5	5.3	3.5
Malaysia	1.7	2.4	3.5	1.3
Philippines	2.3	4.6	5.2	4.0
Singapore	1.8	4.9	5.7	2.8
Taiwan	1.8	1.4	2.0	2.4
Thailand	1.9	3.5	4.3	3.5

Source: Bloomberg, J.P. Morgan.

Figure 4: EM is where the growth is: EM and DM nominal and real potential GDP growth



Source: J.P. Morgan.

Table 2: EM policy rates

Country/Region	Central Bank Inflation Target	Current CPI (YoY)	Food CPI (YoY)	Current Policy Rate	05-07 avg	Change since (bp)		JPM 1Q 2012 Forecast
						Peak	Trough	
Developed				0.71	-266	-351	17	On Hold
United States	na	3.9	4.6	0.125	-430	-513	0	On Hold
Euro Area	Under 2%	3.0	2.8	1.25	-164	-300	25	On Hold
Japan	na	0.0	-0.9	0.05	-15	-47	0	On Hold
Australia	2 - 3	3.5	6.4	4.5	-139	-275	150	On Hold
Hong Kong	na	5.8	-10.5	0.5	-542	-625	0	On Hold
EM Asia				5.75	-10	-119	148	On Hold
China	0.04	5.5	11.9	6.56	48	-91	125	On Hold
Korea	3.0 (±1)	3.9	2.2	3.25	-85	-200	125	On Hold
Indonesia	4 - 6%	4.4	5.8	6	-387	-675	-50	Easing
India	0.07	9.7	11.1	8.5	164	-50	375	On Hold
Malaysia	na	3.4	5.0	3	-22	-50	100	On Hold
Philippines	3-5%	5.2	5.0	4.5	-257	-300	50	On Hold
Thailand	3.5 - 5.5	4.2	9.9	3.5	-25	-150	225	On Hold
Taiwan	1.85	1.2	1.0	1.875	-62.5	-175	62.5	On Hold
Latin America				7.9	-323	-581	178	Easing
Brazil	4.5 (±2)	7.0	8.5	11.5	-390	-825	275	Easing
Colombia	3.0 (±1)	4.0	6.6	4.5	-274	-550	150	On Hold
Mexico	3.0 (±1)	3.2	5.1	4.5	-342	-525	0	Easing
Peru	2.0 (±1)	4.2	6.4	4.25	24	-225	300	Easing
Chile	3.0 (±1)	3.7	6.5	5.25	63	-300	475	Easing
Europe/Africa					-201	-331	26	On Hold
Czech Republic	2.0 (±1)	2.3	5.4	0.75	-160	-300	0	On Hold
Hungary	0.03	3.9	5.0	6	-119	-500	75	Easing
Poland	1.5 - 3.5%	4.3	3.2	4.5	-6	-200	100	Easing
Russia	6-7%	7.2	6.3	3.75	173	-350	100	On Hold
South Africa	3-6%	5.7	8.7	5.5	-265	-650	0	On Hold
Turkey	6.5 (±2)	7.7	1.8	5.75	-1014	-1175	0	On Hold

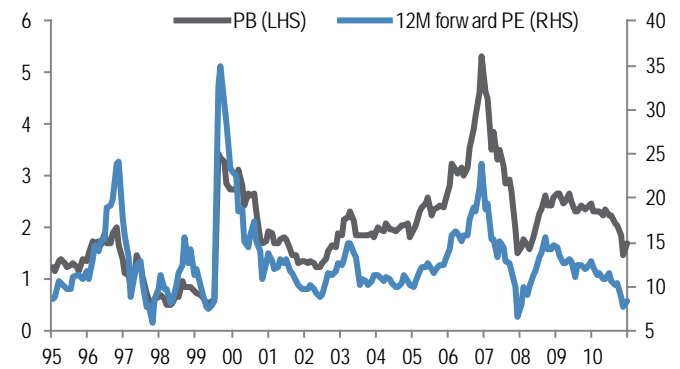
Source: Bloomberg, J.P. Morgan.

China's wide range of outcomes

China is likely to be the most volatile BRIC. Lower inflation and a potential cut in bank reserve ratios argue for a rerating. But the primary property market and a FAI funding crisis are a real fundamental risk. Our bias is a structural UW, but we are willing to tactically move to OW, either after sharp underperformance or when inflation is falling and easing speculation rising.

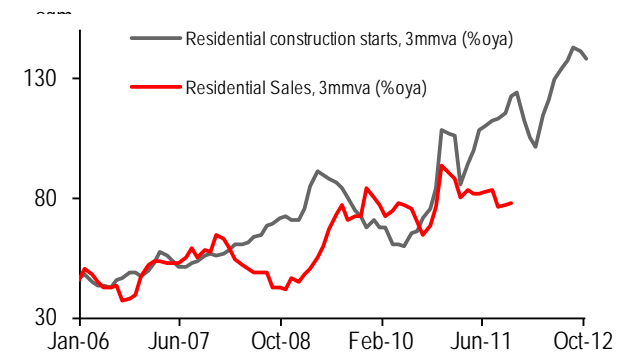
Will China have a hard or soft-landing? It is difficult to answer this question as investors' definition of a hard-landing varies. The economy will probably continue to grow in 2012. Wage inflation combined with lower income tax should support consumption, but remember private consumption is just 35% of GDP. Government consumption should also be robust; 15% of GDP. **The debate is the outlook for the other half of the economy, which is investment.** The bulls have complete confidence in the power of the Beijing policy put. Current monetary conditions are very tight. Investors should focus on the micro impact of a weak residential property market and policy to address the railways and local government funding crisis. The game theory risk of a rolling property market and its multiplier effect on a public sector refinancing debt from the 2008/9 stimulus is potentially large. Beijing may not be able to counter this. These issues have worried us throughout 2011. Financials, particularly property stocks, underperformed significantly in the past year, partly discounting the concern. The forward iron ore price fell from a year-high of \$178 to a low of \$116. Chinese government policy sensibly remains focused on halting the inflation of the property bubble to avoid the long-term economic and social costs. This argues for a structural underweight in sectors exposed to fixed investment: property, banks, building materials, and global resources. But after the decline in FAI stocks and bulk commodities, our conviction in the call is lower. As demonstrated in October these stocks do experience vicious short-covering rallies. The catalysts can be a decline in price of cabbage, ginger or pork and interpreting attempts to address the local government and railways funding crisis as evidence of easing. China does not have unlimited financial resources. On page 66 we review the options for altering China's financial plumbing.

Figure 5: MSCI China 12M forward P/E and Price to Book



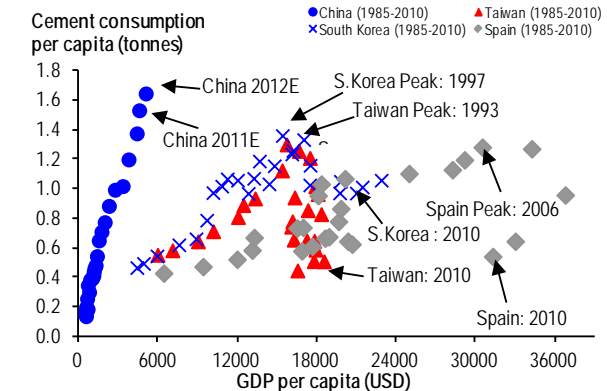
Source: Datastream, IBES.

Figure 6: China residential construction starts vs sales (sqm mn)



Source: CEIC, October 2011. Note: Construction starts and sales are seasonally adjusted.

Figure 7: Per capita cement consumption



Source: J.P. Morgan

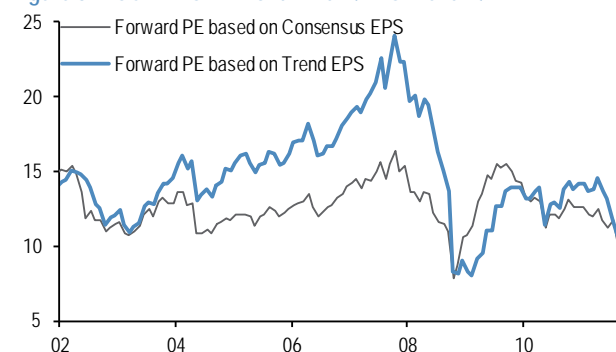
Investors are disillusioned with EM including

emerging Asia: As is often the case with risk assets, this starts with the poor absolute and relative performance. As already discussed, inflation was the primary driver of the derating. In acknowledging the prime driver, one should not dismiss a more realistic understanding of the governance weakness in EMs. The fall from fashion of the BRICs is notable. The derating from peak post global financial crisis P/E to 4 October 2011 trough was 42%, 55%, 31%, 50% for Brazil, Russia, India and China respectively. What are the issues with BRIC governance? The answer varies by country.

With 61 companies in the Fortune 500 list, China is in third place behind the United States (133) and Japan (68). Note that India has just eight, Brazil seven, and Russia seven. The ownership structure distinguishes China; 55 are SoEs (38 SASAC enterprises), 10 are state-owned financial institutions, while seven are owned by the local government. The fortune 500 SoE's revenue is US\$2.7 trillion (38% of GDP). The six non-government companies include three Hong Kong companies (Hutchison Whampoa, plus the Singapore-listed Noble Group and Jardine Matheson). That leaves three companies: Ping An Insurance; Huawei; and Lenovo Group. China's recent successful growth model is broad China Inc strategy. This sits uncomfortably with private capital which rates return and risk based on industry position, management track record, and treatment of minority shareholders. Part of the solution to the local government and railway funding crisis is to ask "cash-rich" SoEs to help. From Beijing's perspective this is logical reallocation of capital within China Inc., but the minority shareholders are demanding a national service discount for the stock. SoEs are 77% of MSCI China. Add to this, capital flight from Russia ahead of the decision on who would run for president was large. This is reflected in Russia sub 5 P/E. Small changes in government rhetoric could boost its tarnished image. Prior to previous capital-raising Russia has promoted more market-friendly policies. Please see page 14 for more on how EM valuations vary with ownership and sector.

India's corruption cases slow an already bureaucratic decision-making process. A commendably vocal media exposed the cases. Public disapproval of the system is evident. Paralysis rather than a robust shift to transparency has marked the response so far. Most investors lament the situation. The bar for an improvement is now set very low. See page 68 for a discussion on the impact of corruption and politics on the Indian infrastructure sector.

Figure 8: MSCI APxJ 12-month fwd P/E vs Trend P/E



Source: MSCI, IBES, Datastream, 14 November 2011

Table 3: Government companies or SoEs trade at a discount

Forward PE	Government	Non-Government	MSCI Index P/E
Russia	3.9	6.8	5.0
Brazil	7.3	9.7	9.1
China	8.6	10.1	8.8
India	9.5	13.6	13.0
EM	7.6	10.6	9.5
APXJ	9.7	11.2	11

Source: Datastream, IBES, J.P. Morgan strategy.

Brazil successfully defeated hyperinflation and benefited from the global commodity boom. As noted by *The Economist*, the development of pre-sal could be half of 2010 GDP. But the tough structural reforms remain politically too expensive: notably a bloated civil service, wage indexation, and inadequate investment in infrastructure. National service risk increased in both Vale and Petrobras in 2011. Despite record-high commodity prices Brazil still runs a current account deficit. Against this unfavorable policy and macro backdrop, Brazil's private sector companies enjoy high RoEs and good nominal EPS growth.

Beyond the BRICs there are issues. Indonesia's growth is threatened by a failure to develop adequate infrastructure. The main legal hurdle is that the land acquisition bill is stranded in parliament. Additional barriers are transparency and lack of long-term funding. In South Africa growth the social benefits of BE policy may be subverted by those wishing to enrich themselves at the cost of minority investors. Mexico's anti-trust legislation is positive for developing a more competitive economy. But with oligopolies accounting for more than half the market the near-term impact is negative.

Why dwell on the issues above? First, to highlight that valuations reflect these concerns. These negatives are addressable. Global investors are aware of them. Solving DM structural problems is a greater challenge. A modest change in EM policy could reduce risk premiums.

Impact of developed economies

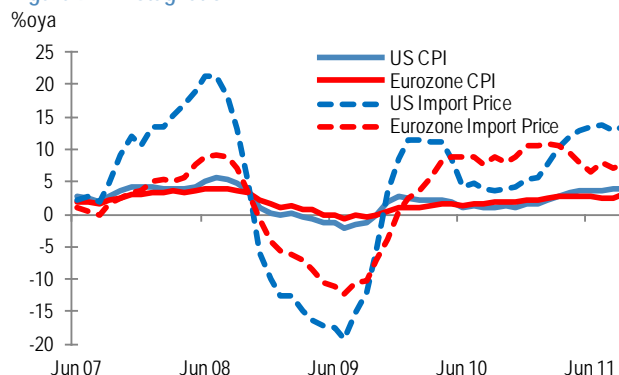
Stagflation marked 2011 in DM: US and European CPI were 3.9%oya and 3%oya respectively in September. Their imported inflation were 12.9%oya and 7.8%oya respectively. With job and income growth slow inflation drives the volatility in real income growth and thus the market for EM's manufactured exports. Hopefully a base effect and slower Chinese commodity demand could result in a swing from imported inflation to deflation. This would be a good outcome for DM households.

US politics is a source of volatility: The near-term priority for key Republicans is to angle for votes in their primaries. This may prevent cooperation with the Democrat White House in repealing or delaying the 2% fiscal drag implicit in current legislation. If they fail, 1Q12 recession risk will rise.

Europe is a growth crisis: A solution is a pro-growth central bank which back-stops bank recapitalization. Adequately capitalized banks absorb a haircut on peripheral debt that reduces the countries debt profile to a manageable level. Ideology and constitutional barriers prevent this for now. Our base case is that the economical and financial environment will get more desperate before tough choices are implemented. Why is it a growth crisis? The 23 October "grand agreement" combines the deflationary impact of a fiscal drag with a legislated monetary contraction. Europe has failed to learn the lesson from the US financial crisis. In the US TARP money was eventually used to force recap all major banks. The European plan is an unrealistic expectation that banks trading below book will raise private capital. If they cannot raise private capital then capital with stigma and conditions is available from national governments (threatening sovereign credit ratings), and if capital is not available "locally" EFSF capital is available but with pan-European stigma and conditions. The more rational action from euro-area banks is to reduce risk-weighted asset to meet regulatory capital targets. Consider that the alternative to raising €100 billion of bank capital is disposing of €1.1 trillion of risk-weighted assets. The price for the real economy is high. EM exposure to the euro underperformed in 2011. This trend is likely to continue to 2012.

Our advice is to reduce exposure to exporters including technology into currently higher-than-expected US economic data.

Figure 9: DM stagflation



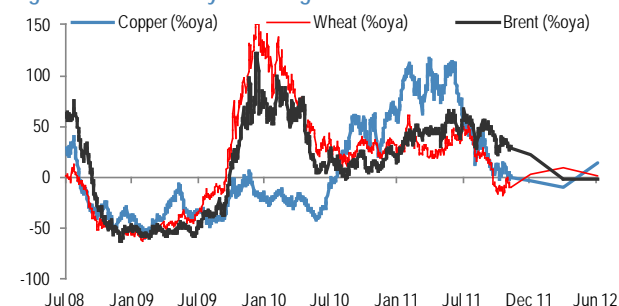
Source: J.P. Morgan economics

Table 4: EM exports to regions (2010)

	EU-12	US	Japan	UK	EM	APxJ
Turkey	31.1	3.4	0.2	6.3	8.5	4.5
Russia	28.9	5.6	3.4	1.5	14.7	10.4
South Africa	19.4	9.8	8.5	6.9	27.8	28.1
Brazil	18.0	9.6	3.5	2.3	26.3	23.0
China	14.3	17.9	7.6	2.5	17.8	29.4
India	13.9	10.6	2.2	2.9	19.8	23.5
Indonesia	9.0	9.1	16.3	1.1	38.0	48.0
Malaysia	7.4	10.0	8.6	1.9	37.1	54.4
Thailand	7.3	10.4	10.5	1.9	29.9	42.9
Korea	6.5	10.6	6.0	1.2	39.3	43.0
Mexico	3.7	80.0	0.6	0.6	3.6	2.8

Source: J.P. Morgan economics

Figure 10: Year-over-year change in commodities with forecasts



Source: Bloomberg, J.P. Morgan commodities research.

Focus on sectors within countries rather than country recommendations

The table below provides a summary of our views on sectors within countries. Financials are 33% of APxJ. All recommendations are relative to APxJ. The Industrials sector consists of an eclectic group of stocks. We do not rate the sector.

Country/Sector	Wt	Rec	Demand Classific- ation	Performance (USD Returns)				PE		EPS Growth (%)		EPS CAGR	EPS CAGR	PEG	DY (%)	ROE (%)
				Jan 06 to date	EM low to date	12M	YTD	11E	12E	11E	12E	(06-11)	by SD	Ratio	11E	11E
APxJ	100.0	--		35	104	-11	-13	11.8	10.5	9.5	11.1	6.7	0.4	1.7	4.0	13.3
Australia	26.1	UW		27	86	-6	-10	12.0	10.5	9.8	9.6	3.6	0.3	3.3	5.0	13.7
Australia Fin	11.3	N	DD	4	70	-3	-8	10.6	10.0	1.9	7.3	0.4	0.0	NM	6.9	12.5
Australia Materials	7.2	UW	GPT	69	141	-13	-17	10.6	8.5	21.0	12.9	8.4	0.4	1.2	2.7	20.6
Australia CS	2.7	UW	DD	95	116	0	0	16.6	15.1	12.7	9.0	10.3	1.3	1.5	4.8	14.8
Australia Energy	1.8	UW	GPT	50	77	-7	-12	19.1	17.2	17.6	16.0	13.9	0.4	1.5	3.0	7.9
Australia Indust.	1.1	N	DD	-15	50	-1	-4	25.0	16.7	50.6	20.6	-6.1	0.0	NM	4.1	6.8
China	17.9	N		93	108	-20	-15	9.4	8.4	11.9	11.7	14.4	0.9	0.6	3.5	16.6
China Financials	6.1	UW	DD	116	87	-29	-22	7.1	6.1	15.2	13.5	25.0	1.2	0.3	4.6	18.1
China Energy	3.6	N	GPT	132	219	-3	-4	9.2	9.3	15.3	4.9	12.3	0.7	0.7	4.0	19.1
China Telecom	2.4	N	DD	112	54	4	6	11.9	11.2	7.3	7.1	9.6	1.0	1.3	3.5	14.7
China Industrials	1.2	N	50% DD	16	66	-38	-33	10.2	9.2	-12.9	14.7	8.4	0.1	0.8	2.9	10.4
China CS	1.0	OW	DD	225	162	-16	-9	22.4	18.7	-16.8	22.2	11.5	0.6	1.4	1.9	16.5
China Materials	1.0	UW	GPT	60	201	-28	-25	8.4	7.1	43.2	11.8	6.4	0.1	1.2	2.4	15.6
China CD	1.0	OW	DD	66	165	-28	-15	12.6	11.0	1.4	17.9	10.8	0.5	1.1	2.5	18.6
Korea	15.3	N		26	158	1	-7	10.0	8.6	13.7	12.4	10.3	0.3	0.9	1.3	12.3
Korea IT	4.5	*	GC/C	24	185	15	0	15.0	10.6	-20.2	21.4	8.8	0.0	1.0	0.1	11.1
Korea Industrials	2.2	N	60% DD	40	165	-15	-22	9.4	8.7	7.2	15.3	8.8	0.3	1.0	1.4	12.1
Korea Financials	2.1	N	DD	-31	59	-12	-24	6.5	7.0	63.4	-3.1	2.7	0.1	3.8	3.5	12.7
Korea CD	2.8	N	GC	80	342	17	16	9.6	7.7	33.6	15.2	28.9	0.6	0.4	0.8	15.4
Korea Materials	2.0	UW	GPT	157	226	-10	-12	8.9	7.0	13.2	13.0	13.2	2.1	0.7	1.8	13.7
Taiwan	11.2	UW		6	80	-9	-19	16.5	13.5	-20.3	24.9	1.3	0.0	10.8	4.5	10.2
Taiwan IT	6.1	*	GC/C	-12	68	-13	-22	19.5	13.9	-38.5	47.3	-2.1	0.0	-7.7	4.3	9.2
Taiwan Financials	1.7	UW	DD	-6	91	-9	-24	10.9	10.8	49.7	-5.6	17.7	0.0	0.7	3.5	10.0
Taiwan Materials	1.7	UW	GPT	79	105	-2	-10	13.3	12.7	-0.2	13.7	3.0	0.1	3.7	7.0	12.8
India	7.1	N		57	101	-26	-26	15.4	13.3	11.5	15.9	11.7	0.8	1.3	1.6	15.8
India Financials	1.9	OW	DD	62	98	-31	-28	15.1	12.3	22.3	19.7	17.4	2.1	0.9	1.4	13.4
India IT	1.2	N	GC	52	124	-14	-24	19.7	17.5	18.6	15.1	12.7	1.6	1.6	1.6	25.6
India Energy	0.9	N	GPT	113	69	-26	-25	11.7	10.6	9.4	8.2	9.2	0.9	1.4	1.6	17.0
Hong Kong	8.2	UW		29	95	-18	-15	12.2	14.1	19.5	-10.9	3.7	0.1	2.8	3.2	9.6
HK Financials	4.9	UW	DD	53	100	-22	-19	12.5	13.5	11.8	-4.1	5.7	0.3	1.7	3.3	7.7
HK Utilities	1.2	N	DD	55	75	9	12	16.4	15.6	12.4	5.0	3.6	0.3	4.8	3.2	14.0
HK Consumer Dis	1.0	OW	GC	6	96	-22	-22	19.2	15.0	8.8	9.7	5.0	0.3	4.3	2.3	14.5
HK Industrials	0.9	N	GPT	-8	108	-20	-15	6.2	13.7	65.6	-50.0	-0.1	0.0	-55.6	3.3	14.3
Singapore	5.0	N		50	97	-15	-15	12.3	12.4	-0.1	6.4	1.8	0.1	6.0	12.4	11.3
Singapore Fin	2.3	UW	DD	37	72	-15	-15	11.2	12.2	0.5	2.9	-0.4	0.0	-27.6	3.9	10.4
Singapore Indust	1.2	N	GC	64	125	-21	-24	12.5	12.0	-14.5	9.7	3.2	0.1	3.0	41.8	11.3
Malaysia	3.4	OW		99	99	-2	-5	15.4	13.3	7.3	12.6	7.3	0.3	2.1	3.2	13.7
Indonesia	3.0	OW		237	270	3	7	14.7	12.9	20.4	15.0	17.8	1.1	0.8	2.4	25.1
Thailand	1.9	OW		80	190	-6	-6	11.5	9.6	18.0	12.0	11.3	0.4	0.9	3.6	18.0
Philippines	0.7	OW		104	137	1	-2	15.2	13.4	7.2	12.4	5.4	0.3	2.7	3.0	16.3

Source: MSCI, IBES, Bloomberg, J.P. Morgan, 16 November 2011. Note: **Outperformance of more than 2% vs. MSCI APxJ.** **Underperformance of more than 2% vs MSCI APxJ.** DD=Domestic Demand, GPT=Global Price Takers, GC/C=Global Capex/Consumer, GC=Global Consumer, GCP =Global Capex..*: Tech rally to fade in 1Q12

Potential Returns and Earnings Estimates

End 2012 strategy team index forecasts

- MSCI APxJ 475 (+15%)

Base case

- Current MSCI APxJ forward P/E is 10.7x.
- Consensus 2013 MSCI APxJ EPS is 44. The strategy team believes the risk of downgrades in EPS forecasts for materials and exporters is high. Domestic cyclicals and interest-rate-sensitives may benefit from upgrades. To be conservative, the strategy 2012 EPS forecast is 38. This assumes no EPS growth in material and exporters companies.
- Forward P/E is 12x, a 12% re-rating.

Statistical warning

EM equity markets' valuations trend rather than mean-revert. Indices also evolve with the sector composition changing. The growth characteristics of stocks, and thus their valuations, also change. Prior to the mid-90s current account crisis, fixed exchange rates and high nominal growth supported high valuations. Investors should be wary of statistical justification for index targets.

Pick your methodology

To illustrate the impact of different methodologies on potential returns, we calculate index targets using six assumptions:

- Current earnings to bond yield ratio using September 2012 yield forecast and end-2013 EPS.
- Five-year average earnings to bond yield ratio using September 2012 yield forecast and end-2013 EPS.
- Current forward P/E multiplied by 2013 EPS based on the lower of 2013 EPS growth or potential nominal GDP.
- Current forward P/E multiplied by 2013 EPS forecast.
- Three-year average P/E multiplied by 2013 EPS forecast.
- Gordon Growth Model theoretical P/E multiplied by 2013 EPS. This generates P/E in excess of 30x for six markets as local bond yields in these countries are very low relative to nominal GDP growth and RoE.

Table 5: Current forward P/E with standard deviation ranges

Index	Current				Top Decile	Bottom Decile
	Fwd P/E (x)	Avg 10Y	+1 SD	-1 SD		
APxJ	10.7	12.7	14.2	11.2	14.9	11.0
EM Asia	10.2	11.6	13.4	9.7	13.9	9.3
Australia	10.7	13.8	15.6	12.1	15.8	11.1
China	8.5	12.4	15.0	9.8	15.6	9.7
Hong Kong	13.6	15.8	17.8	13.8	17.8	13.2
India	13.1	14.3	17.4	11.2	17.9	10.4
Indonesia	12.5	10.5	13.6	7.4	14.0	6.4
Korea	9.0	9.4	11.1	7.7	11.7	7.1
Malaysia	13.8	14.1	15.4	12.7	15.9	12.3
Philippines	13.9	13.6	15.5	11.8	16.4	11.6
Singapore	12.1	14.5	16.7	12.3	16.8	12.5
Taiwan	13.7	14.3	18.0	10.5	20.4	11.5
Thailand	9.6	10.4	11.7	9.1	12.2	8.9

Source: MSCI, IBES, Datastream, 15 November 2011.

Table 6: Consensus earnings growth forecast (%)

Index	Consensus Earning Growth (%)			EPS growth CAGR 12/ 07
	11E	12E	13E	
APxJ	9.6	11.1	12.5	8.6
Australia	13.0	9.7	8.5	2.0
Hong Kong	19.5	(10.9)	13.5	(3.3)
Singapore	0.8	6.4	11.4	0.5
Korea	12.7	12.4	12.3	10.3
Taiwan	(20.9)	25.1	20.4	(2.9)
China	12.8	11.7	13.4	11.9
India	9.5	15.9	14.1	9.4
Malaysia	8.7	12.6	11.5	2.0
Thailand	16.8	12.0	11.5	25.6
Indonesia	20.4	15.0	15.1	12.6
Philippines	7.2	12.4	9.9	7.8

Source: MSCI, Datastream, IBES, J. P. Morgan, 15 November 2011

Table 7: Pick your methodology and thus your return: Percentage return to end 2012 targets based on multiple methodologies

		(1)	(2)	(3)	(4)	(5)				(6)	
	Index Level	Current EY/BY	5yr avg EY/BY	FWD PE 2013 EPS = GDP	Current FWD PE	3year average FWD PE	Median	Max	Min	Range of returns	Gordon Growth PE
APxJ	414	5	49	13	16	36	16	49	5	44	187
Australia	870	(2)	49	7	13	34	13	49	(2)	51	87
China	56	6	43	13	14	58	14	58	6	52	298
Hong Kong	10351	(43)	24	5	11	21	11	24	(43)	67	136
India	670	32	32	15	20	37	32	37	15	21	175
Indonesia	4817	11	63	12	18	15	15	63	11	52	170
Korea	536	16	68	10	15	30	16	68	10	58	290
Malaysia	544	18	28	10	16	22	18	28	10	17	158
Philippines	719	(9)	13	10	14	15	13	15	(9)	24	91
Singapore	322	14	88	8	10	25	14	88	8	81	178
Taiwan	266	20	58	9	26	51	26	58	9	49	179
Thailand	393	(4)	18	9	9	19	9	19	(4)	23	237

Source: MSCI, IBES, Datastream, Bloomberg, J.P. Morgan, 15 November 2011

Note: All returns are local currency; please email EM_Equity_Strategy@jpmorgan.com for the assumptions

Table 8: Consensus EPS estimates and revisions since the beginning of 2011

Index	Actual		Current consensus EPS			Consensus EPS beginning of this year			Revision in Consensus EPS (%)		
	09	10	11E	12E	13E	11E	12E	13E	11E	12E	13E
APxJ	25	32	35	39	44	37	42	46	(3.9)	(6.1)	(4.8)
Australia	60	65	73	80	87	76	84	91	(3.9)	(3.8)	(4.3)
Hong Kong	516	708	846	754	856	725	813	904	16.7	(7.2)	(5.4)
Singapore	20	25	25	27	30	27	29	32	(6.0)	(8.7)	(8.5)
Korea	34	48	54	61	68	57	64	68	(5.1)	(5.7)	1.1
Taiwan	11.0	20	16	20	25	24	27	26	(31.7)	(24.4)	(5.2)
China	3.76	5.19	5.81	6.49	7.36	5.62	6.53	7.53	3.4	(0.7)	(2.3)
India	34	42	47	55	62	51	60	75	(7.3)	(9.6)	(16.8)
Malaysia	25	33	35	39	44	37	42	42	(6.7)	(6.0)	3.2
Thailand	23	31	37	41	46	33	39	46	9.7	6.5	0.2
Indonesia	220	269	324	373	430	320	369	441	1.4	1.0	(2.5)
Philippines	33	43	46	52	57	47	54	56	(1.6)	(3.7)	2.0

Source: MSCI, Datastream, IBES, J. P. Morgan, 15 November 2011

Dissection of Asia Pacific ex-Japan EPS growth

The objective

Disaggregate the Asia Pacific ex-Japan EPS growth into countries, sectors and key sectors in countries.

Main observations on 2012E EPS growth

- MSCI APxJ weighted and median EPS growth is 11% and 14% respectively. This is in line with our economists' 2012 nominal GDP growth forecast of 11%.
- Information Technology and Financials are the highest contributors to 2012 earnings growth
- The contribution from healthcare and industrials is the lowest (see Table 10).
- Three sectors contribute c20% of MSCI APxJ 2012E EPS growth; Australia Diversified Metals & Mining, Korea Semiconductors and Taiwan Semiconductors sectors.
- Note that the weighted EPS growth for APxJ IT is high at 33% (primarily due to losses or low profits at TSMC, Samsung Electronics, Hynix Semiconductor, Mediatek, Compal Electronics, and LG Innotek in 2011). The median EPS growth is 17%.

Dataset

IBES EPS forecasts for MSCI Asia Pacific ex-Japan constituents.

Calculation

The index's calendar year EPS is calculated using the profit-weight of the constituents.

$$\text{Index EPS} = I \times \left(\frac{C\text{-EPS} \times \text{FFS}}{\text{FFS} \times P} \right)$$

Where C-EPS = Index constituent's EPS, FFS = free float shares for the constituents, I = index level and P = current market price

The check

Median EPS growth of the index constituents: Reviewing the median helps identify sectors in which a single stock's impact on weighted EPS growth is large. This could be due its large weight in the index or moving from loss to profit.

Table 9: Asia Pacific ex-Japan earnings growth and contribution

Country	Mkt Cap Weight	Earnings weights (%)			Index EPS Growth			Median EPS Growth			Contribution to Earning growth (%)		
		2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Australia	26.2	26.2	26.2	25.1	13.0	9.7	8.5	6.7	9.2	10.9	34	26	17
China	17.6	21.6	21.6	21.8	12.8	11.7	13.4	15.9	15.7	18.2	30	22	23
Korea	15.1	18.1	18.4	18.3	12.7	12.4	12.3	18.9	15.3	12.6	26	21	18
Taiwan	11.1	7.8	8.9	9.6	(20.9)	25.1	20.4	3.4	14.3	12.8	(26)	19	14
India	7.3	5.9	6.0	6.1	9.5	15.9	14.1	12.1	16.2	16.1	9	8	7
Indonesia	2.9	2.3	2.4	2.5	20.4	15.0	15.1	19.8	17.2	14.3	5	3	3
Malaysia	3.4	2.6	2.6	2.6	8.7	12.6	11.5	11.4	10.4	11.6	2	3	3
Singapore	5.1	4.6	4.4	4.4	0.8	6.4	11.4	4.7	5.0	11.0	0	2	4
Thailand	1.9	2.0	2.0	2.0	16.8	12.0	11.5	17.0	14.3	12.5	3	2	2
Philippines	0.7	0.5	0.5	0.5	7.2	12.4	9.9	11.1	4.5	12.2	0	0	1
Hong Kong	8.3	7.9	6.4	6.4	19.5	(10.9)	13.5	11.9	10.1	13.6	16	(7)	6

Source: IBES, Datastream, J.P. Morgan calculations. Note: Sorted by 2012E earnings growth contribution.

Table 10: Asia Pacific ex-Japan sector earnings growth and contribution

APxJ Sectors	Mkt Cap Weight	Earnings weights (%)			Index EPS Growth (%)			Median EPS Growth (%)			Contribution to earnings growth (%)		
		2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Information Technology	12.8	8.7	10.4	11.1	(25.4)	32.5	20.3	0.8	17.5	16.4	(36)	26	17
Financials	33.4	38.5	36.9	36.7	14.9	6.1	12.2	13.4	11.8	13.4	61	22	35
Materials	13.5	15.5	16.0	15.7	21.6	14.1	10.7	15.5	14.3	12.5	33	20	13
Consumer Discretionary	7.9	7.6	7.8	7.8	16.5	13.7	13.2	12.5	14.4	13.8	13	10	8
Energy	7.7	8.5	8.2	7.9	21.1	7.3	8.7	18.5	10.7	10.3	18	6	6
Consumer Staples	6.5	4.4	4.5	4.5	9.1	13.0	11.8	14.9	16.3	12.8	4	5	4
Utilities	3.0	2.1	2.3	2.3	2.2	21.6	13.5	5.1	11.5	9.3	1	4	2
Telecommunication Services	5.3	4.9	4.8	4.6	3.8	7.5	8.7	4.6	9.7	10.3	2	3	3
Industrials	8.5	8.8	8.2	8.5	2.1	3.4	16.4	11.1	13.0	14.3	2	3	11
Health Care	1.4	0.9	0.9	1.0	8.8	12.2	14.0	16.5	13.3	16.2	1	1	1
APxJ	100	100.0	100.0	100.0	9.6	11.1	12.5	12.0	14.3	13.6	100	100	100

Source: IBES, Datastream, J.P. Morgan calculations. Note: Sorted by 2012E earnings growth contribution.

Table 11: Countries sub-industry contributing 70% of APxJ earnings growth

Country Sub-Industry	Mkt Cap Weight	Earnings weights (%)			Index EPS growth (%)			Median EPS growth (%)			Contribution to earnings growth (%)		
		2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Australia Div. Metals & Mining	5.1	6.4	6.5	6.1	34.8	12.8	6.4	34.8	9.2	10.1	20	8	3
Korea Semiconductors	3.5	3.2	3.4	3.3	(24.2)	19.2	10.6	(38.9)	28.3	16.9	(12)	6	3
Taiwan Semiconductors	2.9	1.8	2.1	2.3	(41.2)	30.0	23.9	(13.6)	18.2	20.4	(15)	5	4
China Diversified Banks	3.7	6.9	6.7	6.8	19.7	7.4	14.2	18.7	8.2	14.3	14	5	7
Australia Diversified Banks	7.7	8.8	8.3	7.8	8.6	5.4	5.7	8.4	5.4	6.2	8	4	4
China Real Estate Development	0.7	1.3	1.4	1.5	12.4	21.0	20.0	22.3	20.0	19.1	2	3	2
Taiwan Computer Hardware	0.8	0.6	0.8	0.8	(30.0)	42.7	14.0	12.8	13.8	13.4	(3)	3	1
Australia Prop. & Casualty Insu.	1.0	1.0	1.1	1.1	18.6	24.2	10.1	20.0	32.1	11.6	2	2	1
China Life & Health Insurance	1.1	0.7	0.8	0.9	(11.0)	31.0	20.7	(19.8)	33.3	20.8	(1)	2	1
Korea Auto Manufacturer	1.6	2.1	2.1	2.1	45.1	9.6	13.5	48.6	10.0	13.4	8	2	2
Korea Electronic Components	0.4	0.3	0.5	0.4	(8.8)	56.1	3.8	(25.4)	58.4	32.3	(0)	2	0
Korea Electric Utilities	0.2	-0.1	0.1	0.2	NM	NM	87.5	NM	NM	87.5	(1)	2	1
Korea Commodity Chemicals	0.8	1.1	1.1	1.1	35.1	17.2	10.8	38.3	12.5	5.8	3	2	1
India Diversified Banks	1.2	0.9	1.0	1.0	16.8	18.4	17.1	17.7	20.1	18.2	2	2	1
Taiwan Electronic Mfg. Services	0.8	0.6	0.7	0.8	(2.0)	24.4	31.1	(6.0)	22.7	22.2	(0)	1	2
Australia Steel	0.3	0.4	0.5	0.6	31.5	39.2	30.8	31.2	31.4	25.4	1	1	1
Taiwan Commodity Chemicals	1.0	1.1	1.1	1.1	6.7	14.1	9.1	9.3	11.1	11.5	1	1	1
Australia Gold	0.8	0.5	0.6	0.6	16.5	31.0	14.1	16.5	31.0	14.1	1	1	1
Indonesia Diversified Banks	1.0	0.7	0.8	0.8	11.5	21.0	17.3	8.1	25.0	20.0	1	1	1
Korea Steel	0.9	1.3	1.3	1.3	(7.2)	11.6	10.1	25.1	12.7	9.2	(1)	1	1
Korea Consumer Electronics	0.2	0.1	0.2	0.2	NM	189	23.0	NM	189	23.0	2	1	0
Australia Hypermarkets	1.1	0.8	0.8	0.8	20.8	17.3	7.6	20.8	17.3	7.6	2	1	1
Hong Kong Div. Real Estate	2.0	1.7	1.6	1.6	4.9	8.0	7.9	4.4	13.4	4.7	1	1	1
China Integrated Oil & Gas	1.3	1.7	1.7	1.5	4.7	7.8	4.0	5.1	7.7	3.8	1	1	1
China Integrated Telecom Svs	0.6	0.3	0.4	0.4	16.3	48.5	34.4	20.0	33.3	25.0	0	1	1
Korea Auto Parts & Equipment	0.7	0.8	0.8	0.9	25.7	16.5	15.1	28.2	27.2	20.6	2	1	1
Taiwan Diversified Banks	1.0	0.9	0.9	0.8	19.0	14.0	2.6	21.6	22.5	0.0	2	1	0
India Thrifts & Mortgage Finance	0.5	0.5	0.6	0.6	98.6	24.5	23.2	11.2	24.5	23.2	3	1	1
Australia Oil & Gas E&P	1.1	0.7	0.7	0.7	19.3	18.4	15.4	20.5	16.6	12.5	1	1	1
Hong Kong Life & Health Ins.	0.8	0.5	0.6	NA	(19.3)	27.8	NA	(19.3)	27.8	NA	(1)	1	NA
India It Consulting & Other Svs	1.2	0.7	0.8	0.8	18.7	15.6	15.4	21.6	15.8	15.6	1	1	1
China Coal & Consumable Fuels	0.9	0.9	0.9	0.9	16.7	11.3	12.0	17.5	13.9	13.4	2	1	1
Korea Construction & Eng.	0.6	0.6	0.6	0.7	85.2	16.1	14.9	34.9	16.5	16.3	3	1	1
Australia Construction & Eng.	0.1	0.0	0.1	0.1	(30.4)	NM	14.1	(30.4)	NM	14.1	(0)	1	0
China Internet Software & Svs	0.7	0.4	0.4	0.4	33.2	26.6	25.9	31.9	22.1	20.5	1	1	1

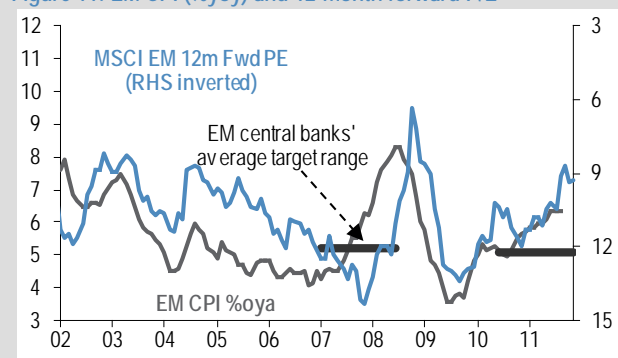
Source: IBES, Datastream, J.P. Morgan calculations. Note: Sorted by 2012E earnings growth contribution.

EM valuations – P/E trends rather than mean reverts + varies by ownership and sector

The P/E range of emerging market companies is wide. Valuations across sectors range from low for energy and resources to high for domestic consumer. Another factor is the ownership structure. Government-owned firms generally trade at a discount to the benchmark. China's valuation discount to India can be explained due to a higher presence of government ownership in Chinese firms. State owned enterprises constitute 77% of MSCI China free float market cap and only 12% of MSCI India. 55% of MSCI Russia is SOEs mainly driven by government owned Gazprom which comprises 28% of MSCI Russia market cap. 31% of MSCI Brazil is government owned. Petrobras and Vale trade at a significant discount of 18% and 48% to MSCI Brazil respectively. Why the SoE discount? National service risk, or the fear that government policy rather than maximizing shareholder value may drive strategy.

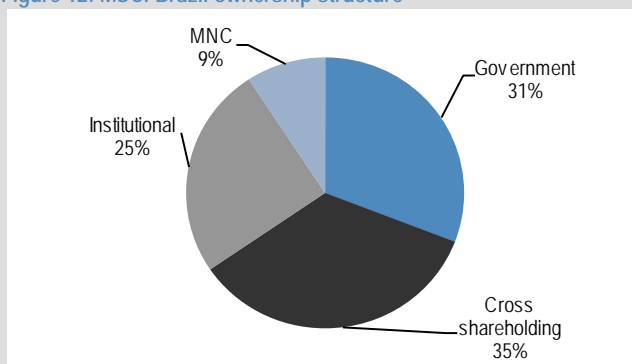
MSCI EM 12month forward P/E de-rated 20% in the past year. When inflation is benign and growth healthy EM P/Es typically trend higher. But if inflation rises above the central bank target range P/Es de-rate (see Figure 11).

Figure 11: EM CPI (%yoy) and 12-month forward P/E



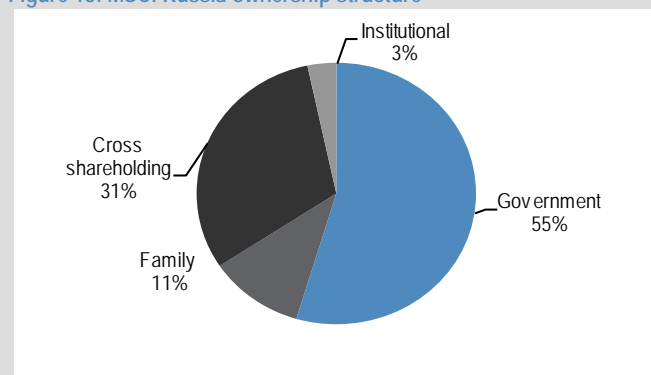
Source: Datastream, MSCI, J.P. Morgan economics. Note: EM CPI data is as of August 2011.

Figure 12: MSCI Brazil ownership structure



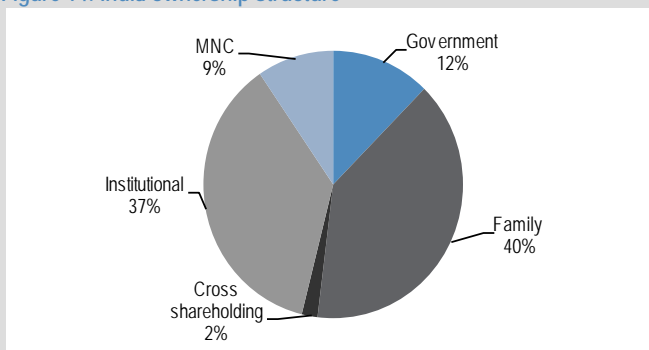
Source: MSCI, Datastream, J.P. Morgan strategy.

Figure 13: MSCI Russia ownership structure



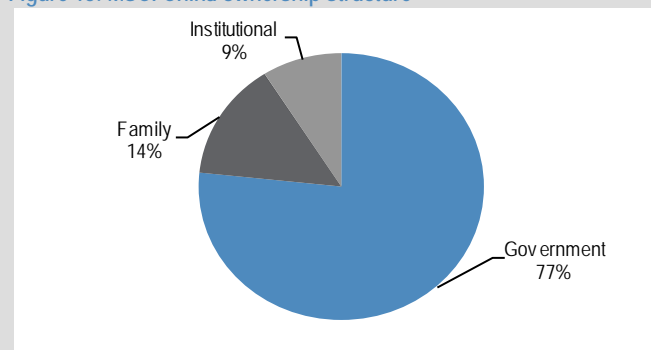
Source: MSCI, Datastream, J.P. Morgan strategy.

Figure 14: India ownership structure



Source: MSCI, Datastream, J.P. Morgan strategy.

Figure 15: MSCI China ownership structure



Source: MSCI, Datastream, J.P. Morgan strategy.

EM historical performance analysis – The long-term investor did well

Study

Return and characteristic of the return from the start of the previous economic cycle: end 2002.

Calculations

Dissection of Performance:

FX returns=(1+% returns in USD)/(1+%returns in local currency)-1

PE Re/De-rating=% change in 12-month forward P/E

EPS returns=(1+% returns in local currency)/(1+% change in P/E Re/De-rating)-1

Historical probability of outperformance:

Number of days of three month rolling outperformance / Total number of days.

Sustenance of Outperformance:

Number of continuous days of three-month rolling outperformance to EM

Results

Indonesia was the best performing market; the returns combined EPS CAGR of 18% and PE re-rating CAGR of 9%.

The highest EPS growth was in Indonesia, China and India (18%, 18% and 17% respectively). The largest FX appreciation was the Brazilian Real; 8% CAGR.

Malaysia, Chile, Philippines and Mexico were defensives with 85%, 76%, 75% and 73% probability of outperformance when MSCI EM declines.

Brazil, Indonesia and Turkey outperformance 71, 68% and 66% when MSCI EM increases (see Table 12).

Table 12: Historical probability of outperformance relative to EM

Country	Total Probability	EM Rising	EM Falling
Indonesia	70	68	73
Brazil	62	71	43
Mexico	57	50	73
India	57	61	46
Turkey	56	66	34
Chile	55	47	76
Czech Republic	54	52	58
South Africa	53	50	61
Thailand	53	47	66
Philippines	52	42	75
Poland	51	56	39
Hungary	50	56	37
Korea	50	53	43
Russia	49	52	41
China	48	47	51
Malaysia	44	27	85
Taiwan	35	29	51

Source: MSCI, Datastream

Table 13: Performance

Country	Returns (USD)		CAGR (%)		
	Abs (%)	CAGR (%)	PE Re/De - rating	EPS Return	Fx Return
Indonesia	845	28	9	18	(0)
Brazil	671	25	6	10	8
Latam	470	21	2	15	4
Chile	459	21	1	15	4
China	385	19	(2)	18	3
India	349	18	2	17	(1)
Czech	326	17	(0)	12	5
Thailand	325	17	0	13	4
Turkey	319	17	3	14	0
Philippines	317	17	1	13	2
Mexico	281	16	4	15	(3)
EM	227	14	1	12	2
South Africa	218	14	3	10	1
Russia	201	13	(4)	18	1
EMEA	198	13	(2)	13	1
EM Asia	179	12	1	10	1
Korea	175	12	2	9	0
Malaysia	170	12	1	8	2
APxJ	163	11	(1)	9	3
Singapore	159	11	(1)	9	3
Australia	157	11	(3)	7	7
Poland	121	9	(2)	10	2
Hong Kong	109	9	0	8	0
Hungary	69	6	(2)	9	(0)
Taiwan	59	5	(1)	4	2
Global	57	5	(4)	8	2
DM	49	5	(4)	8	2
EU	40	4	(6)	8	2
US	37	4	(4)	8	-
Japan	37	4	(5)	4	5

Source: MSCI, Datastream

The longest continuous rally was in China. It outperformed MSCI EM on every day from February 2006 to March 2007.

Table 14: Sustained periods of outperformance relative to EM

Country	Continuous Days of Outperformance		Maximum Outperformance	
	Maximum	Average	Start Date	End Date
China	296	14	31-Jan-06	21-Mar-07
Brazil	205	16	19-Oct-07	1-Aug-08
Hungary	158	19	24-Feb-04	1-Oct-04
Mexico	157	15	6-Jan-04	12-Aug-04
CZ	157	16	5-Oct-04	12-May-05
Turkey	149	18	8-Sep-03	2-Apr-04
Indonesia	148	20	7-Apr-11	1-Nov-11
India	147	15	10-Jul-03	2-Feb-04
Philippines	141	14	22-Apr-11	7-Nov-11
Chile	132	19	31-May-10	1-Dec-10
Malaysia	119	16	27-Dec-06	12-Jun-07
South Africa	117	15	7-Dec-06	21-May-07
Korea	113	10	30-Mar-07	5-Sep-07
Russia	113	16	7-Feb-03	16-Jul-03
Poland	107	11	18-Oct-04	16-Mar-05
Thailand	103	16	9-Aug-10	30-Dec-10
Taiwan	77	9	24-Nov-10	11-Mar-11

Source: MSCI, Datastream

Risks to our strategy

Our strategy is overweight interest-rate-sensitives and domestic cyclicals except China. We are underweight domestic defensives, exporters, commodities, and energy. The key risks to our strategy are as follows.

“Risk-off” trade: Round 2

EM equities fell 20% in September, underperforming DM equities that fell 11%. US dollar cash is usually the best asset during extreme financial stress. The markets are not discounting a breakup of the euro area. If this occurred it would be the first breakup of a significant monetary union. The lack of a “play-book” combined with the potential of severe economic dislocation could generate a collapse in risk appetites. EM equities would suffer, in our view.

Re-acceleration in global growth

Global cyclicals, commodities and energy declined in September. Growth expectations are now modest (see Table 16). Economic deceleration is forecast into 2012. This may be avoided if the US extends tax concessions and DM import inflation falls.

China's policy response to global slowdown

Our base case is that the policy priority is price stability rather than growth. Investors generally under-appreciate the willingness of policymakers to maintain tight policy. The “Beijing put” is that when faced with a slowdown, the Chinese government will immediately stimulate growth. The preferred method is commodity-friendly expansion in fixed-asset investment; this put was exercised in 2003 and November 2008 in response to SARS and global financial crisis respectively.

Monetary conditions in China are tight. A reduction in deposit reserve requirements is likely in order to avoid a credit crunch. To manage the risk of a rally post an RRR cut we are currently neutral in China.

Sticky inflation

Inflation drove the derating in EM in 2011. The magnitude of the rise in inflation was not forecast. Today slower growth is leading to lower inflation. This permits an easing in policy; interest rates are declining in Brazil, Indonesia and Turkey. Our economists forecast that inflation has peaked in India, Korea and Russia.

Table 15: EM inflation forecasts

Country	CY 11 Forecast		CY11 CPI Peak	CY 12E CPI (%oya)
	1Y Ago	Present		
Brazil	5.4	6.5	7.3	5.3
China	2.7	4.6	6.5	3.7
India	10.2	8.7	9.8	7.8
Indonesia	5.3	3.8	7.0	6.0
Korea	3.3	3.5	5.3	3.5
Malaysia	1.7	2.4	3.5	3.0
Mexico	3.9	3.2	3.6	3.5
Russia	7.8	7.0	9.6	7.0
South Africa	4.4	6.2	5.7	6.4
Taiwan	1.8	1.4	2.0	2.4
Thailand	1.9	4.0	4.3	4.0
Turkey	6.9	8.9	7.7	6.3

Source: Bloomberg, J.P.Morgan Economics

Table 16: J.P. Morgan 2011 and 2012 GDP growth revisions

	As of		Current		Change (bps)	
	1 Jan 2011		2011	2012	2011	2012
	2011	2012				
Thailand	5.0	4.8	1.9	2.2	(310)	(260)
Japan	1.5	1.8	(0.6)	1.9	(210)	10
Australia	3.3	4.2	1.4	3.5	(190)	(70)
United Kingdom	2.5	3.1	1.0	0.8	(150)	(230)
Brazil	4.5	4.5	3.0	3.1	(150)	(140)
United States	3.3	3.0	1.8	1.7	(150)	(130)
India	8.8	8.4	7.4	7.7	(140)	(70)
DM	2.4	2.5	1.4	0.9	(100)	(160)
Russia	4.5	5.0	3.6	3.0	(90)	(200)
Global	3.4	3.5	2.6	2.1	(80)	(140)
Taiwan	5.0	5.3	4.4	3.0	(60)	(230)
Mexico	4.5	3.5	4.0	2.5	(50)	(100)
Korea	4.2	4.5	3.8	3.8	(40)	(70)
Latin America	4.5	4.2	4.1	3.1	(40)	(110)
Asia ex Japan	7.4	7.5	7.1	6.4	(30)	(110)
Emerging markets	5.9	6.0	5.7	4.7	(20)	(130)
Malaysia	4.2	4.4	4.0	1.5	(20)	(290)
Philippines	4.2	5.2	4.1	4.0	(10)	(120)
Euro area	1.7	1.9	1.6	(0.6)	(10)	(250)
Emerging Europe	4.0	4.6	4.0	2.4	0	(220)
Germany	3.0	2.2	3.0	0.3	0	(190)
China	9.0	9.0	9.0	8.3	0	(70)
South Africa	3.1	3.5	3.1	2.7	0	(80)
France	1.6	2.0	1.6	(0.2)	0	(220)
Canada	2.0	2.7	2.2	2.2	20	(50)
Indonesia	5.4	6.7	6.3	5.2	90	(150)
Turkey	4.5	5.0	7.0	2.2	250	(280)

Source: J.P. Morgan estimates

A short post-crisis economic history results in statistically weak econometric models for inflation. The impact of wage and property inflation is poorly understood. Current inflation forecast may prove too optimistic. Higher inflation than forecast may result in P/E de-rating and would be negative for our OW in domestic cyclical and interest-rate-sensitive stocks.

Drivers of volatility

DM sovereign leverage

Sovereign leverage adds volatility to equities through both economic data and policy response. A small change in growth expectations results in a large move in equity valuations.

Out of policy bullets and clear leadership

A DM double-dip is frightening as policy responses are limited. The risk that the US and euro area enter a Japan-style deflationary slump cannot be dismissed.

Income inequality and corporate profitability

The global financial crisis increased income inequality. High corporate profits to GDP ratio adds to the sense of social injustice. It is reasonable that governments respond to the concerns of the majority. In EM the national service risk in government-owned companies will rise. Polarized US politics reduce the chance of a credible solution to the deficits. Fiscal austerity in Europe could generate real hardship. It may prove politically expedient for some countries to exit the monetary union. Many of these risks are partly discounted in valuations.

Euro crisis

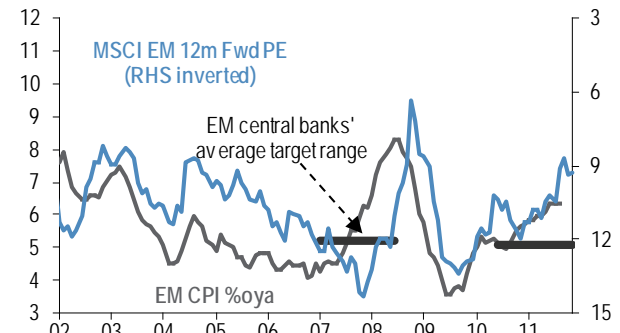
This combines DM leverage, lack of palatable policy options with conflicting political priorities across the regions 17 governments. Markets are likely to continue to swing on euro-area political news flow.

Table 17: EM election calendar

Jan	Feb	Mar	Apr
Taiwan Presidential & Legislative	Malaysia General elections (Tentative)	Russia Presidential	South Korea Parliamentary
Egypt Parliamentary & Legislative		Egypt Presidential	
May	Jun	Jul	Aug
India Uttar Pradesh, Goa state elections (Tentative)			
Sep	Oct	Nov	Dec
Hong Kong Legislative	China Leadership change	USA Presidential & Legislative	Russia Parliamentary
	Czech Republic Legislative	India Gujarat, Himachal Pradesh state elections (Tentative)	South Korea Presidential

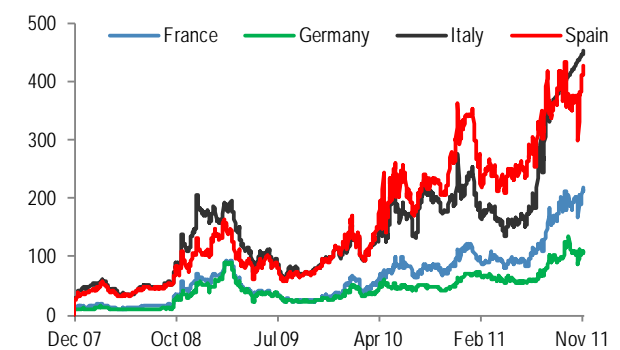
Source: IFES

Figure 16: EM CPI vs. earnings yield



Source: MSCI, Datastream, J.P. Morgan

Figure 17: Sovereign stress in Europe



Source: Bloomberg; 14 November 2011, Note: Chart shows 10 Year CDS.

None of these events reflect an official J.P. Morgan view; they are intended to stimulate discussion

Surprises for 2012

Strong developed world growth riding on private investments

Strong developed world growth. Cash-rich private businesses invest. Resultant job growth combined with a fall in inflation boosts real income and consumption. ECB under the new leadership of (Super) Mario Draghi joins the Fed, BoE and BoJ in adopting much needed pro-growth policies helping offset fiscal drag. This is combined with a US TARP forced capital injection into all Euro area banks. The result is a pro-growth expansion in bank assets. Global equities rally 30%.

EM core inflation forecasts prove to be optimistic

EM core inflation is underestimated. Inflation forecasts prove to be optimistic, as they did in 2011. EM PE derating resumes.

Euro block's unity threatened

Are you in or are you out? Northern European ultimatum to Euro area member, accept reduced sovereignty and fiscal union or leave Euro block. Markets panic ahead of 17 referendums. Euro falls to parity. Swiss Central Bank places 5% tax on deposits from Euro area citizens. Lawyers benefit (as they usually do) as businesses modify all contracts with Euro breakup clauses.

Anti-corruption movement bears fruit in India...boosts investment

Senior Indian businessmen and politicians are jailed for corruption. IT companies develop an online bidding and application process. The resultant transparency in both financial information and pace of decision making unleashes a wave of much needed investment. GDP growth exceeds 10%.

Beijing bets big...property bubble re-inflates

Beijing bets big. China leaders are unwilling to follow through with anti inflation and anti-property bubble measures. All policies are reversed. Local capital rushes into the property market, re-inflating the bubble.

Countries woo Japanese companies looking for second source factories

Countries woo Japan to be awarded "number two" status. Japanese businesses whose supply chain was disrupted by the Tsunami and then the Thai floods look for new locations for second source factories. Countries promote the fact that they are the second best place to locate in the region.

China cracks down on capital flight

China cracks down on capital flight. Embarrassed by news stories of ostentatious consumption by Chinese citizens abroad, Beijing cracks down on capital flight. Luxury goods retailers are hit hard. Regional gaming hit even harder.

Indonesia hits growth buffers

Indonesia hits growth buffers. Insufficient investment in infrastructure finally results in inflation and inefficiencies that slow growth.

Damage from Thai floods proves long term

Damage from Thai floods proves long term. Some companies do not reopen factories. Lack of insurance forces families to use savings to repair damage to their property. The result is a weaker growth. Yellow shirts try to exploit the dissatisfaction by calling for a new government. Political instability compounds the economic weakness.

Vietnam embraces reform...opens the domestic economy

Vietnam slowly embraces reform. Similar to China in the 1990s, Vietnam accepts the need for an opening of the domestic economy. Private businesses expand where inflation is high and margins healthy. The new capacity lowers prices and finally ends the chronic inflation problem.

Japanification Scare and Investment Opportunities

We believe Japan is approaching a turning point that appears only once in 20 years, because there is now a real possibility that the country will free itself from the grip of deflation. First, Japan's deflation can be explained by the following simultaneous equations: (1) the US inflation rate minus the Japanese inflation rate equals around 2% (Figure 18); (2) The US inflation rate equals or is less than 2%. From (1) and (2) follows that the Japanese inflation rate equals or is less than 0%. (1) is an empirical fact, while (2) is a result of the US's unofficial inflation target of 2%.

From the above follows that an escape from deflation requires either analysis of the factors behind (1) and elimination of the structural difference between the inflation rates of the two countries, or (2) pressure on the US to change its inflation target. The discussion has not yet even begun on (1). Requesting the US to act on (2) would be a nonstarter, we believe. This leads us to the conclusion that an escape from deflation is impossible. In Japan, there are two competing schools of thought as far as the escape from deflation is concerned. They are the reflation camp, which focuses on the responsibility of the BoJ, and the growth strategy camp, which focuses on raising the potential rate of economic growth. While we can understand the reasoning of the two camps, it is unsatisfactory because both of them look at domestic factors only.

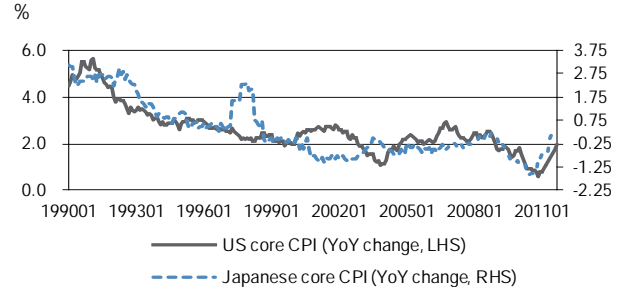
While asking the US to act on (2) would be asking too much; there is a possibility that the US has voluntarily abandoned its inflation target already. A crucial step in this direction was the FOMC meeting of August 9, 2011. Even though the US rate of inflation (core CPI) was already approaching the critical 2% mark, the FOMC members decided to stick with their zero interest rate policy until 2013. When weighing the pros and cons of the time axis effect and the inflation target, the FOMC members appear to have opted in favor of the time axis effect. This means that the tacitly agreed inflation target has in effect been shelved. Three FOMC members voiced their opposition to that important policy switch.

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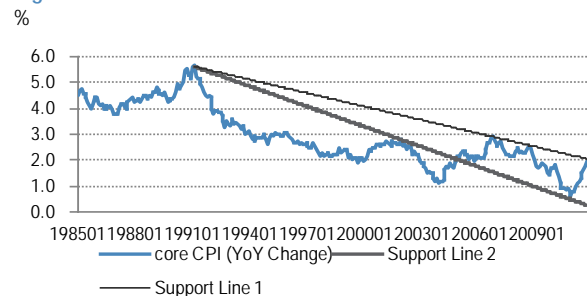
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Figure 18: Japan-US Price Divergence



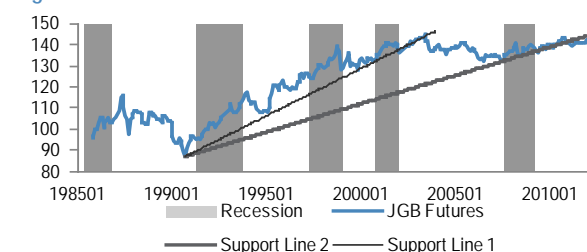
Source: AURORA, J.P. Morgan

Figure 19: US Inflation Rate



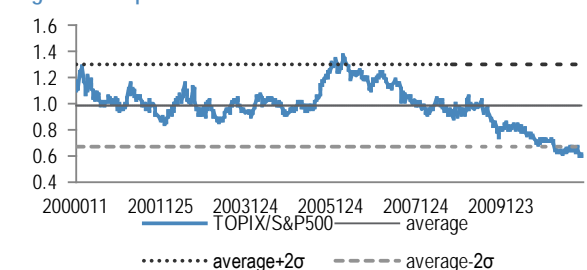
Source: AURORA, J.P. Morgan

Figure 20: JGB Futures



Source: AURORA, J.P. Morgan.

Figure 21: Japan-US Relative Share Prices



Source: AUORA, J.P. Morgan.

Figure 19 shows the US rate of inflation. A look at the chart suggests a decision by the FRB to the effect that it would be fine even if the rate of inflation broke above its 20-year resistance line. Figure 20 shows JGB futures, which are the mirror image of Figure 19. Here, the picture is one of the price crossing below its 20-year support line. It indicates a rise in interest rates as a result of a rise in the rate of inflation.

Next, the question arises as to why the FRB may have shelved its inflation target. We believe it was probably because it feared that the US was headed for 'Japanification.' Once the economy has slipped into deflation, it is no longer possible to lower real interest rates. Consequently, this risk, though low, needs to be thoroughly eliminated. Logically, the risk exists, even if one understands that there is no real danger of that risk materializing. In his Congressional testimony on July 21, 2010, FRB Chairman Ben Bernanke clearly denied any concern that the US could 'turn Japanese,' pointing out the following three factors that distinguished Japan's case from that of the US: (1) low productivity, (2) a declining working-age population, and (3) the problems of the country's banks.

The sum of factors (1) and (2) gives the rate of potential growth, which equals the natural rate of interest. Japan's natural rate of interest is comparatively low. In addition, one of the banks' problems is that interest rates are now determined by global demand and supply as a result of the liberalization of capital markets. In other words, factor (3) above means that Japan is forced to apply relatively high interest rates. The combination of factors

(1), (2) and (3) has the same effect as monetary tightening. This gives rise to concern over deflation. Could these three factors really apply to the US? If the answer is 'yes,' then the US will 'turn Japanese,' if it is 'no,' then any concern over 'Japanification' will turn out to have been unfounded. With the answer 'no' in mind, Fed Chairman Bernanke probably feels it probably necessary to react to the onslaught of concerns over a possible economic downturn year in and year out, in our view.

Incidentally, in Japan, there is concern over possible Japanification of the US in a different context from the above. The concern is that the US could be faced with the same kind of balance sheet recession as Japan. However, the US has not slipped into the kind of consumer spending recession predicted by the proponents of this concern. Since the end of the housing boom, the ratio of personal consumption to GDP has stayed above the 70% mark, which is considered anomalous by that school of thought. We believe this is because there has been a more severe slump in capital spending, which forms part of the denominator GDP. In 2009 and 2009, growth in US capital stock fell to a rate close to zero. The rate of growth in capital stock is supposed to agree with the rate of potential economic growth. American entrepreneurs have already factored in a downward trend in the rate of growth. This kind of sharp reduction in capital spending must be seen against the background of the GDP gap and concern over deflation.

Derivatives

Option Strategies for EM versus DM Outperformance

What signs to look for to anticipate an equity market recovery

With EM policy priority shifting from anti-inflation to a growth focus, our equity strategists have recently initiated an overweight position in EM versus DM equities. We see similarities with the post-Lehman period. In October 2008, EM equities started outperforming their DM counterparts, as EM policy makers started focusing on stimulating their economies. Just as then, EM policy priorities are shifting from inflation to growth. Going into 2012, the outperformance of EM versus DM equities remains one of our key trades with high conviction.

Although our equity strategists are overall positive on Asia and EM in 2012, given the Euro sovereign debt crisis remains largely in place, the downside risk of this event could potentially lead to prolonged risk-off periods and volatility spikes, derailing our bullish outlook. Hence, we continue to prefer using options to manage our risk and to express our directional views in the current uncertain world.

To implement the view of EM versus DM relative value trade with options, we suggest using call switch or **outperformance option** strategies. In terms of underlyings, for Asian indices with EM exposure, we can consider MSCI EM Asia (MXMS) for the long leg. On the short leg, we can consider S&P 500 (SPX) as our proxy benchmark for DM. For the option tenor, we believe 6M is an appropriate maturity for this thematic trade to play out. The table below shows the indicative offers for the various MXMS versus SPX option strategies for a notional size of USD 50 Mn.

Looking at the 6M MXMS versus SPX rolling relative performance over the past ten years, the magnitude of outperformance of MXMS versus SPX is much greater than the magnitude of underperformance, particularly during bullish periods.

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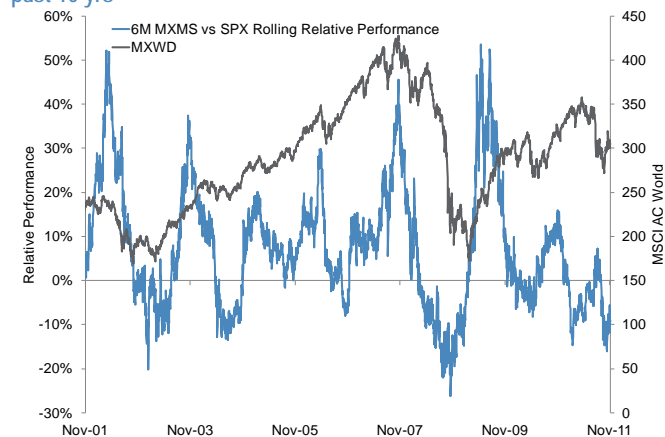
J.P. Morgan Securities (Asia Pacific) Limited

Table 18: Indicative pricing for various MXMS vs SPX option strategies

Call Switch (Long MXMS vs Short SPX)	Option Premium
6M ATM Call Switch	1.40%
6M 105% Call Switch	1.50%
6M 105%-120% Call Spread Switch	0.60%
Outperformance Options (Long MXMS vs Short SPX)	Option Premium
6M ATM outperformance option	6.85%
6M 105% outperformance option	4.80%

Source: J.P. Morgan Equity Derivatives Strategy.

Figure 22: 6M MXMS vs SPX rolling relative performance over past 10 yrs



Source: J.P. Morgan Equity Derivatives Strategy.

Call switch: For this strategy, investors are going long call options on MXMS while going short call options on SPX to implement the relative value trade between EM and DM on the upside. This type of option spread trade can capture the relative cheapness/richness of volatility in their pricing and, as a spread trade, perhaps entails less outright market-directional risk compared to a single index option strategy arising from the potential collapse of currently elevated volatility.

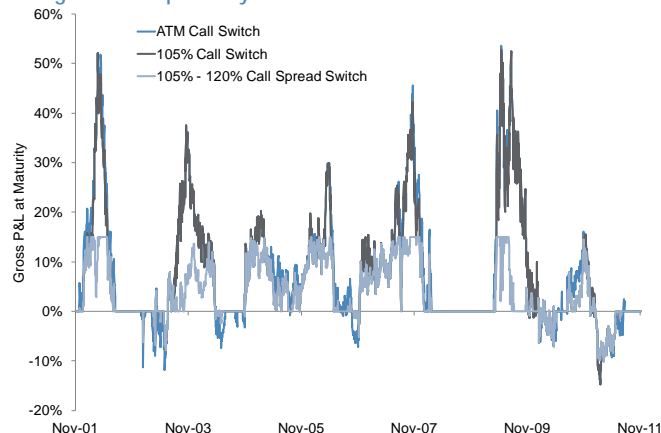
Due to the higher volatility levels in MXMS, the call switch strategy is not zero cost. To reduce the option premium outlay, investors can consider an option switch strategy with call spreads. For example, using 6M 105%-120% call spreads in place of the 6M 105% calls on both legs can reduce the option premium outlay by 60%.

In terms of downside risk, the losses on the option switch strategy with calls can be unlimited if SPX rallies substantially more than MXMS while the losses on the option switch strategy with call spreads are limited. However, the upside potential for the option switch strategy with calls is also greater and unlimited as well. Unlike a long/short pair trade with index futures or swaps, the option switch strategy with either calls or call spreads will provide zero return at maturity if MXMS outperforms SPX on the downside.

Outperformance options: For this strategy, investors are going long an option which provides a payoff based on the relative performance between two assets, minus the strike. Unlike the call switch strategy but similar to a long/short pair trade with index futures or swaps, the outperformance option will provide the relative performance exposure both on the upside and on the downside. While the option premium outlay is high, losses are limited only to the premium paid should SPX outperform MXMS substantially.

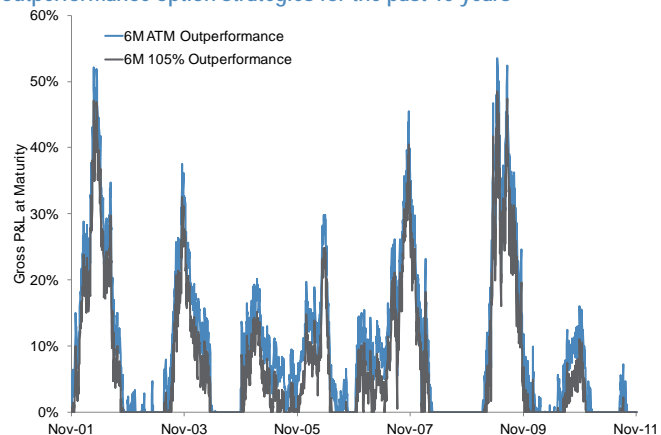
Strategy backtesting: The following figures highlight the historical gross profit and loss at maturity for the various MXMS versus SPX call switch and outperformance option strategies over the past ten years. The backtest results are also summarized in the table below.

Figure 23: Rolling performance of 6M MXMS vs SPX call switch strategies for the past 10 years



Source: J.P. Morgan Equity Derivatives Strategy

Figure 24: Rolling performance of 6M MXMS vs SPX outperformance option strategies for the past 10 years



Source: J.P. Morgan Equity Derivatives Strategy

Table 19: Backtest results of various 6M MXMS vs SPX option strategies for the past 10 years (based on 6M rolling returns)

	ATM Call Switch	105% Call Switch	105% - 120% Call Spread Switch	6M ATM Outperformance Option	6M 105% Outperformance Option
Avg Return	7.9%	7.3%	3.8%	9.7%	6.7%
Avg Gains	14.5%	14.2%	8.3%	14.6%	12.6%
Avg Losses	-4.1%	-4.0%	-3.8%	N/A	N/A
Max Return	53.6%	52.7%	15.0%	53.6%	48.6%
Min Return	-14.7%	-14.7%	-10.1%	0.0%	0.0%
Current Option Prem	1.40%	1.50%	0.60%	6.85%	4.80%
% Occur Gain	58.8%	54.0%	49.7%	66.3%	53.3%
% Occur Losses / No Return	41.2%	46.0%	50.3%	33.7%	46.7%

Source: J.P. Morgan Equity Derivatives Strategy.

Note: Return figures are based on gross P&L at maturity, excluding historical option costs

Looking at the backtest results over the past ten years, the average returns of the option switch strategies with calls are similar to the average returns of the outperformance option strategies. The average return of the option switch strategy with call spreads is the lowest due to the capping feature of the call spreads. Not surprisingly, its maximum return is also the lowest among all the option strategies.

On the other hand, the average/maximum losses of the option switch strategies with calls are greater than those of the option switch strategy with call spreads, which is in line with our expectation. In terms of percentage of the times when the strategy has positive gross profit and loss at maturity, the 6M ATM outperformance option strategy is slightly better than the other strategies.

Trade recommendation: While the call switch strategy is more risky than the outperformance option, due to the substantially lower premium outlay, we prefer the call switch strategy over the outperformance option at the moment to implement our overweight EM versus DM view. Against the backdrop of our strategists' bullish outlook, the risk of SPX rallying and outperforming MXMS on the upside is small, in our view, especially when SPX has already outperformed MXMS greatly over the past six months. For investors who want further savings on option premium, the switch strategy with call spreads is also very attractive.

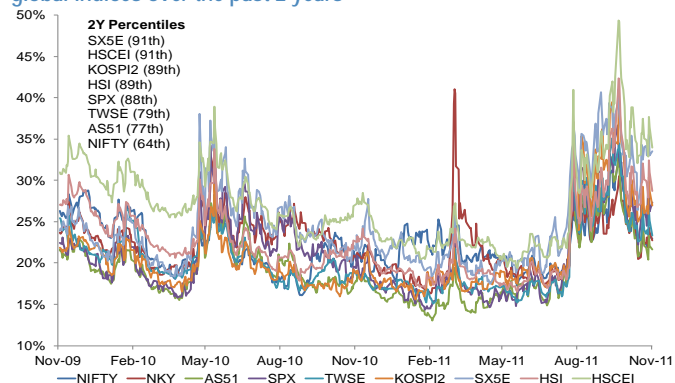
Bullish Positioning with Long Dated Far OTM Index Call Options

In the summer of 2011, the macro shocks have quickly brought the market into a high volatility regime. Historically, volatility increases of this magnitude have taken significant time to revert. Looking at the past 6 market crises, when the VIX reached 40, it took an average of 124 days to drop to 24, and 266 days to drop to 20. In addition, the first outburst of volatility was typically followed by another one, after an average of 36 days. We think the market will take some time to revert to the low-volatility regime of H1.

Where can we find attractive upside hedges? Although it is important to remember that macro risks are easing rather than evaporating, missing out on the upside is equally worrying for many investors, particularly given the strength of the recent rallies. While implied volatilities across the globe have come off from their elevated levels amid the rebound of risky assets in October, implied volatilities of some Asian indices are still quite elevated relative to their past history (see the

figure below), making outright call options quite expensive. Options are not cheap in high volatility environments, especially for short dated tenors on high beta indices even though term structures have become less inverted recently.

Figure 25: 3M implied volatilities and percentiles across major global indices over the past 2 years



Source: J.P. Morgan Equity Derivatives Strategy

Table 20: Implied volatility, skew and term structure across major global indices

Index	3M ATM		3M Skew		3M-12M	
	Imp Vol	Skew	2Y %tile	Term Structure	12M ATM Imp Vol	12M 120% Imp Vol
NKY	22.7%	9.1%	82%	0.5%	22.2%	18.7%
AS51	21.7%	9.3%	89%	-1.5%	23.1%	19.0%
SPX	27.4%	12.5%	99%	0.4%	26.9%	20.7%
NIFTY	23.0%	7.8%	75%	-1.2%	24.2%	20.9%
KOSPI2	27.0%	8.7%	86%	2.3%	24.7%	21.2%
TWSE	23.4%	7.2%	90%	-0.4%	23.7%	21.4%
HSI	28.7%	9.7%	96%	3.3%	25.4%	22.0%
SX5E	33.5%	9.8%	78%	4.2%	29.3%	24.2%
HSCEI	34.0%	9.7%	98%	3.8%	30.2%	26.3%

Source: J.P. Morgan Equity Derivatives Strategy

Looking closely at the volatility surface across global indices, we think there are still pockets of value remaining in certain indices. In particular, due to the steep skews and inverted term structures, long dated upside call options look relatively cheap. With relatively muted responses to the recent risk-off period as compared to their historical percentiles, long dated volatilities are more immune to volatility collapses should the risky asset rally continue.

Given the wide range of target index returns depending on the valuation methodology, investors can consider using long dated far OTM call options to gain leverage upside exposure at low premium cost outlay to implement our bullish views across the region. If the Euro sovereign debt crisis or other macro factors worsen, we expect the long dated implied volatilities to significantly increase, which will also benefit the long-dated OTM call option positions.

Looking at the table above, among the major global indices, **Nikkei 225 and ASX 200** 12M 120% implied volatilities stand out as the cheapest with levels trading below 20%. For the other indices with 3M implied volatilities higher than 25%, **S&P 500, Hang Seng and KOSPI 200** all have 12M 120% implied volatilities trading in the low 20's levels.

Identifying the value embedded in long dated upside options: We can look at the following measures – **cheapest upside exposure based on option premium and return on call option premium under a bullish blue sky scenario**, such as our strategists' maximum potential year end return estimate or the highs since 2008. For this analysis, we are using 12M 120% index call options and we have also included Nikkei 225 index options because its cheapness caught our attention.

- Based on the measure of absolute premium levels, **Nikkei 225** is the cheapest, followed by **ASX 200 and Taiwan TAIEX**.
- Based on the measure of potential return on premium under a blue sky scenario using our strategists' maximum potential year end return estimate, **Taiwan TAIEX** stands out from the pack, followed by **KOSPI 200 and ASX 200**.
- Based on the measure of potential return on premium under a blue sky scenario assuming the equity markets return to the highs since 2008, **Nikkei 225** ranks at the top, followed by **ASX 200 and Hang Seng**.

Using the ASX 200 120% call option as an example, the table above highlights a scenario analysis of the potential return on call option premium based on different volatility and underlying spot scenarios and assuming 1M into the trade with no changes to dividends and interest rate. This scenario analysis highlights the value in long dated far OTM call options and their high sensitivities to the movements of both the underlying spot as well as implied volatility. With the relative cheapness in long dated volatility and our overall positive regional outlook, we think far OTM index call options are ideal for placing bullish market calls in the current environment

Table 21: Year end return est., 12M 120% call option indicative prem. and potential return on option premium under blue sky scenarios

MSCI Region / Country	Index	Potential Year End Return Est.*					Option Prem. Vs. Upside		
		Median	Max	Min	Range of returns since 2008	Dist to Highs	12M 120% Call Prem	Return on Prem**	Return on Prem***
APxJ	MXAPJ	16%	49%	5%	44%	27%	N/A	N/A	N/A
Japan	NKY	N/A	N/A	N/A	N/A	72%	1.85%	N/A	27.1X
Australia	AS51	13%	49%	-2%	51%	48%	1.95%	13.9X	13.5X
Taiwan	TWSE	26%	58%	9%	49%	24%	1.95%	18.5X	1.1X
Hong Kong	HSI	11%	24%	-43%	67%	43%	2.54%	0.6X	7.9X
Korea	KOSPI2	16%	68%	10%	58%	20%	3.09%	14.5X	-1.0X
India	NIFTY	32%	37%	15%	21%	25%	3.59%	3.7X	0.3X
China	HSCEI	14%	58%	6%	52%	52%	4.20%	8.0X	6.6X

Source: J.P. Morgan Equity Derivatives Strategy

Note: Return on option premium represents the mark-to-market % change in option premium.

*Please refer to the section called Potential Returns and Earnings Estimates compiled by our equity strategists for more details.

**Return on option premium based on our strategists' max potential year end return est.

*** Return on option premium if equity markets revert back to their highs since 2008

Table 22: Scenario analysis of the return on premium for a 12M 120% call option on ASX 200 assuming 1M into the trade

Volatility Move	Underlying Move →						
	-10%	0%	+10%	+20%	+30%	+40%	+50%
-10%	-1.0X	-0.9X	-0.5X	1.1X	4.3X	8.6X	13.3X
-8%	-1.0X	-0.9X	-0.2X	1.6X	4.7X	8.8X	13.4X
-6%	-1.0X	-0.7X	0.1X	2.0X	5.1X	9.0X	13.5X
-4%	-0.9X	-0.5X	0.5X	2.5X	5.5X	9.3X	13.7X
-2%	-0.8X	-0.3X	0.9X	2.9X	5.9X	9.6X	13.9X
0%	-0.7X	-0.1X	1.2X	3.4X	6.3X	10.0X	14.1X
+2%	-0.6X	0.2X	1.6X	3.8X	6.8X	10.4X	14.4X
+4%	-0.4X	0.5X	2.0X	4.3X	7.2X	10.8X	14.7X
+6%	-0.2X	0.8X	2.4X	4.7X	7.7X	11.2X	15.1X
+8%	0.0X	1.1X	2.8X	5.2X	8.1X	11.6X	15.4X
+10%	0.2X	1.4X	3.2X	5.6X	8.6X	12.0X	15.8X

Source: J.P. Morgan Equity Derivatives Strategy

Note: Return on option premium represents the mark-to-market % change in option premium.

Financial Sector Focus Derivatives Strategies

Despite the macro headwinds, our Asia financials team prefers banks that could benefit from policy easing and/or improving domestic liquidity via lower credit demand. Within their regional bank model portfolio, the two Overweight countries with the largest model portfolio weightings are China and India. China remains the largest beneficiary of “incremental” easing, with the October CPI print of +5.5% Y/Y supporting recent measures from VAT reform to increased loan quotas to government guarantees on MOR debt issuance. There’s a saying in the US: “Don’t Fight the Fed.” It should also apply to the State Council & PBOC. In India, similar to China, policy easing is a compelling thesis in the face of weaker fundamental data. India is a close call, but with a sharp growth deceleration and poor external environment, the RBI could surprise consensus.

For the 2012 year ahead, our strategists have a strong preference for sectors that are beneficiaries of changing policy and have de-rated significantly. Hence, on the back of our bullish regional outlook, the Chinese and Indian banks may provide strong upside potential.

How to obtain sector exposure: Investors who agree with our bullish sector view on the Chinese and Indian banks can implement their directional views through sector indices or thematic baskets. For exposure to the Chinese banks, investors can consider J.P. Morgan Chinese Bank Basket (JPHCHBNK <Index>), which is composed of the 8 Chinese banks listed on the HKEx. The basket is equally weighted with the component shares established as of 27-Sep-10. For exposure to the Indian banks, investors can use CNX Bank Index (CNXBANK <Index>), which is a free float market capitalization weighted index comprised of the most liquid and large bank stocks in India.

The tables below show the components and weightings of J.P. Morgan Chinese Bank Basket and CNX Bank Index.

Table 23: Components and weightings for J.P. Morgan Chinese Bank Basket

Ticker	Name	Weighting (%)
998 HK	CHINA CITIC BANK CORP LTD-H	15.5
1988 HK	CHINA MINSHENG BANKING-H	13.9
1288 HK	AGRICULTURAL BANK OF CHINA-H	13.5
1398 HK	IND & COMM BK OF CHINA-H	12.1
939 HK	CHINA CONSTRUCTION BANK-H	11.8
3968 HK	CHINA MERCHANTS BANK-H	11.8
3988 HK	BANK OF CHINA LTD-H	11.0
3328 HK	BANK OF COMMUNICATIONS CO-H	10.3

Source: J.P. Morgan Equity Derivatives Strategy

Table 24: Components and weightings for CNX Bank Index

Ticker	Name	Weighting (%)
ICICIBC IS	ICICI BANK LTD	28.5
HDFCB IS	HDFC BANK LIMITED	26.5
SBIN IS	STATE BANK OF INDIA	13.9
AXSB IS	AXIS BANK LTD	8.2
KMB IS	KOTAK MAHINDRA BANK LTD	5.7
BOB IS	BANK OF BARODA	4.0
PNB IS	PUNJAB NATIONAL BANK	3.8
IIB IS	INDUSIND BANK LTD	2.8
CBK IS	CANARA BANK	2.0
BOI IS	BANK OF INDIA	1.9
UNBK IS	UNION BANK OF INDIA	1.5
IDBI IS	IDBI BANK LTD	1.1

Source: J.P. Morgan Equity Derivatives Strategy

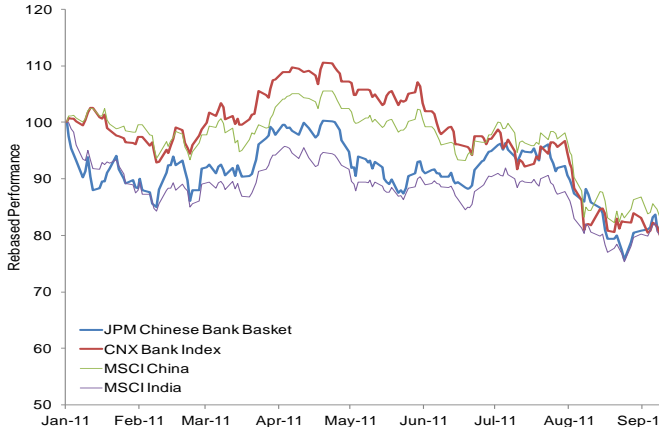
Delta-one strategy (long total return swaps): Investors can gain long exposure to the Chinese and Indian bank sector performance via total return swaps. The indicative pricing for the long 1-year USD total return swap on J.P. Morgan Chinese Bank Basket is at a financing spread of 3-month USD LIBOR + 50 bps and normal execution fees apply. The indicative pricing for the long 1-year USD total return swap on CNX Bank Index is at a financing spread of 3-month USD LIBOR - 50 bps and normal execution fees apply.

Bloomberg subscribers can use the ticker JPHCHBK2 <Index> to access tracking information on the basket created by the J.P. Morgan Delta One desk to leverage the theme discussed in this report. Over time, the performance of JPHCHBK2 <Index> could diverge from returns quoted in our research, because of differences in methodology. J.P. Morgan Research does not provide research coverage of this basket and investors should not expect continuous analysis or additional reports relating to it. For more information, please contact your J.P. Morgan salesperson or the Delta One Desk.

Please also see our Bloomberg page JPTH <GO> or request for our Bloomberg Launchpad Monitor for the complete list of J.P. Morgan thematic/sector baskets.

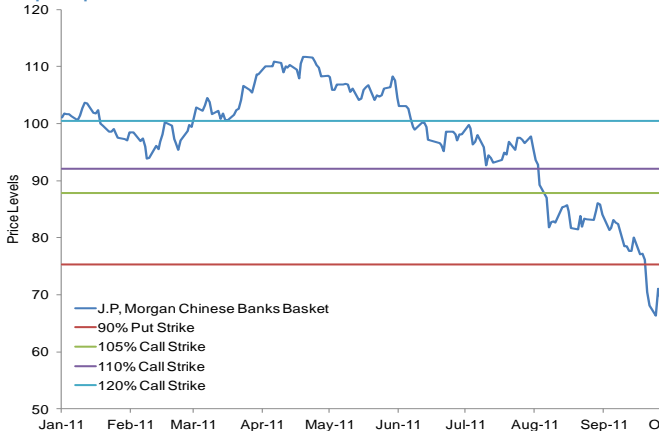
Options strategy (sell put and buy call/call spread): With decent liquidity in both the stock and options markets for the underlying components, options are now available on J.P. Morgan Chinese Bank Basket. To position for further upside in the sector over the next months, investors can consider selling risk reversals (sell put and buy call) on the basket to obtain leverage upside exposure. Selling puts to finance upside participation is an effective strategy to extract the value from the elevated skew of the basket, which in turn is a result of the elevated skew in the underlying components. Indicatively, investors can sell a 6M 90% put on J.P. Morgan Chinese Bank Basket to finance a 6M 110% call and receive a credit of 0.13%, effectively getting paid to go long. Alternatively, for zero cost, investors can sell a 6M 90% put on the basket to finance a 6M 105% - 120% call spread

Figure 26: YTD performance of J.P. Morgan Chinese Bank Basket, CNX Bank Index versus MSCI country benchmarks



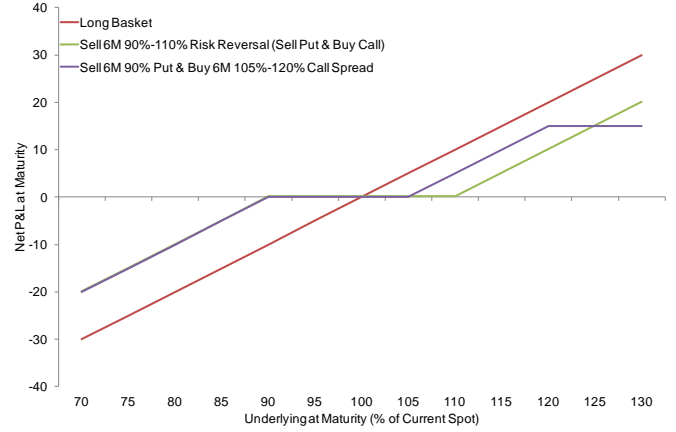
Source: J.P. Morgan Equity Derivatives Strategy

Figure 27: J.P. Morgan Chinese Bank Basket versus various call and put option strikes



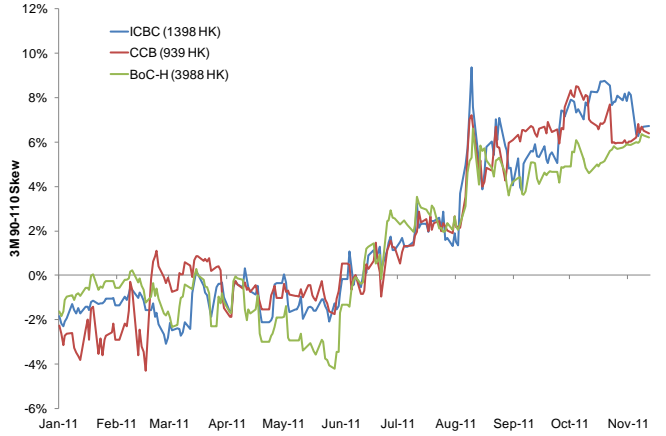
Source: J.P. Morgan Equity Derivatives Strategy

Figure 28: Net P&L at maturity for selling put & buying call/call spread



Source: J.P. Morgan Equity Derivatives Strategy

Figure 29: 90-110 skews for some of the components in the basket



Source: J.P. Morgan Equity Derivatives Strategy

Thematic Stock Baskets for the Year Ahead

We have divided a shortlist of stocks in the Year Ahead into five thematic baskets:

1. **ASEAN Momentum** (JPHAXASN <Index>): Top Picks from the Year Ahead report that our analysts believe will benefit from the ASEAN growth story.
2. **APxJ Top Picks** (JPHAXTOP <Index>): Top picks from the Year Ahead report, selected by country strategists.
3. **Bargain Basement** (JPHAXCHP <Index>): Top Picks from the Year Ahead report that are trading one standard cheaper compared to 10 year average forward PE.
4. **Downgrade Dogs in 2011 that have their day in 2012** (JPHAXEPS <Index>): Top picks which suffered EPS downgrades in 2011 and now have low earning expectations. The downgrade dogs may offer the potential of EPS upgrades in 2012.
5. **Policy Swing Pod** (JPHAXINF <Index>): With policy focus moving from fighting inflation to growth we are OW domestic cyclicals and interest rate sensitives. The Policy Swing Pod is composed of the Top Picks from the countries and sectors that benefit from easing domestic policy and lower inflation.

The tables below summarize the basket constituents and liquidity (based on 1/3 of stocks' daily turnover). The baskets are equally weighted with the component shares established as of 14 November 2011. Investors can track the performance of these J.P. Morgan Thematic Baskets (**JPTH <GO>**) on Bloomberg using the tickers in brackets above. For more information, please contact your J.P. Morgan salesperson or the Equity Derivatives & Delta One Strategy team.

Table 25: J.P. Morgan 2012 ASEAN Momentum Basket (JPHAXASN <Index>) – Basket Daily Liquidity: USD 8.5Mn

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X) 2011E	P/E (X) 2012E	EPS (LC) 2011E	EPS (LC) 2012E	Yield (%) 2012E	ROE (%) 2012E
Top Picks												
Asian Property Development	4.7	8.5	80.1	AP TB	OW	432	5.8	5.3	0.8	0.9	6.8	20.4
PTT Public Company	303	460	51.8	PTT TB	OW	28095	8.9	7.6	34.0	39.6	4.3	19.0
Security Bank Corporation	98	124	26.6	SECB PM	OW	1135	9.6	8.6	10.2	11.4	2.6	19.0
Siam Commercial Bank	110	170	55.3	SCB TB	OW	12061	9.9	9.2	11.1	12.0	3.7	21.1
Tambang Batubara Bukit Asam	17850	22500	26.1	PTBA U	OW	4594	11.4	9.5	1567	1871	5.2	44.2
Bank Rakyat Indonesia	6850	7500	9.5	BBRI U	OW	18875	12.5	10.0	547	684	1.7	31.1
CIMB Group Holdings	7.2	10.0	39.7	CIMB MK	OW	16902	13.0	10.2	0.5	0.7	4.9	19.7
Siam Cement	326	336	3.1	SCC TB	OW	12699	12.0	11.5	27.1	28.3	4.3	21.3
Alam Sultera	455	485	6.6	ASRI U	OW	908	15.0	11.7	30.4	39.0	1.8	24.8
Bank of the Philippine Islands (BPI)	58.2	69.0	18.6	BPI PM	OW	4773	15.5	13.3	3.7	4.4	4.5	17.4
Media Prima Berhad	2.6	3.0	13.6	MPR MK	OW	892	14.4	13.7	0.2	0.2	4.7	14.4
Indocement	15300	16100	5.2	INTP U	OW	6291	16.0	13.7	955	1120	2.0	24.2
Ayala Corporation	294	390	32.5	AC PM	OW	3920	17.6	13.9	16.7	21.2	1.4	10.3
Sime Darby Berhad	8.9	10.2	14.5	SIME MK	OW	17005	14.5	14.0	0.6	0.6	3.6	15.3
Metro Pacific Investments Corp.	3.3	4.1	22.8	MPI PM	OW	1894	15.2	14.6	0.2	0.2	1.3	8.5
United Tractors	26500	28000	5.7	UNTR U	OW	11041	17.4	15.0	1523	1770	2.7	24.1
UM Corporation	6.0	7.0	17.6	UM MK	OW	2600	25.0	16.9	0.2	0.4	2.2	9.3
Home Product Center Pcl	9.9	12.4	25.3	HMPRO TB	OW	1875	23.7	18.3	0.4	0.5	3.8	32.7
Ayala Land	16.8	24.0	42.6	ALI PM	OW	5045	31.1	25.0	0.5	0.7	1.3	13.4
Dialog Group Bhd	2.4	3.2	33.9	DLG MK	OW	1519	30.8	25.6	0.1	0.1	1.6	28.9

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 11, 2011. Sorted in ascending order of 2012E P/E

Table 26: J.P. Morgan 2012 APxJ Top Picks Basket (JPHAXTOP <Index>) – Basket Daily Liquidity: USD 23Mn

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X) 2011E	P/E (X) 2012E	EPS (LC) 2011E	EPS (LC) 2012E	Yield (%) 2012E	ROE (%) 2012E
Australia												
Rio Tinto Limited	67.8	105.0	54.8	RIO AU	OW	109470	7.9	6.9	8.6	9.9	1.9	21.3
Stockland	3.2	3.9	20.8	SGP AU	OW	7689	10.2	10.2	0.3	0.3	7.3	7.8
Suncorp Group Ltd	8.5	10.7	25.9	SUN AU	OW	11143	24.1	11.4	0.4	0.7	5.6	7.5
ASX Ltd	30.2	36.0	19.3	ASX AU	OW	5378	15.0	14.1	2.0	2.1	6.4	12.2
Santos Limited	13.4	18.7	39.2	STO AU	OW	12164	15.8	22.1	0.8	0.6	2.2	6.3
China												
China Minsheng Banking - H	6.6	11.2	71.0	1988 HK	OW	24885	6.5	5.8	1.0	1.1	2.1	20.7
Sinopec Corp - H	8.3	9.4	12.8	386 HK	OW	100977	9.2	9.0	0.9	0.9	2.8	16.5
China Shenhua Energy - H	36.7	44	18.5	1088 HK	OW	89592	15.8	14.0	2.3	2.6	2.5	20.5
Brilliance China Automotive	8.9	12.5	41.2	1114 HK	OW	5683	25.1	16.7	0.4	0.5	1.2	30.2
China Mengniu Dairy Co. Ltd.	27.1	33.0	22.0	2319 HK	OW	6128	28.1	24.0	1.0	1.1	0.9	16.7
Hong Kong												
Cheung Kong Holdings	94	105	12.2	1 HK	OW	27860	8.9	9.4	10.5	10.0	3.5	2.7
I.T Ltd.	5	8	72.0	999 HK	OW	729	14.1	10.9	0.3	0.4	2.7	24.7
Hutchison Whampoa	71	94	33.2	13 HK	OW	38653	5.2	12.7	13.5	5.5	3.3	6.5
Sands China Ltd	22	33	49.4	1928 HK	OW	22498	20.6	13.3	1.1	1.6	0.0	26.9
AIA Group Ltd	24	32	32.5	1299 HK	OW	37379	22.2	14.1	1.1	1.7	1.8	12.2
India												
Tata Motors	181	1380	661.0	TTMT IN	OW	10540	6.4	6.9	28.4	26.2	2.2	8.7
Hindalco Industries	126	170	34.4	HNDL IN	OW	4786	8.4	8.3	15.0	15.3	1.7	9.7
ICICI Bank	814	1300	59.6	ICICIB IN	OW	18547	18.2	13.7	44.7	59.6	2.3	12.0
Larsen & Toubro	1339	2100	56.9	LT IN	OW	16168	19.1	15.6	70.1	85.7	0.0	17.8
Tata Consultancy Services	1133	1210	6.8	TCS IN	OW	43840	25.4	20.9	44.5	54.3	1.1	36.0
Indonesia												
Tambang Batubara Bukit Asam	17850	22500	26.1	PTBA UJ	OW	4594	11.4	9.5	1567	1871	5.2	44.2
Bank Rakyat Indonesia	6850	7500	9.5	BBRI UJ	OW	18875	12.5	10.0	547	684	1.7	31.1
Alam Sulara	455	485	6.6	ASRI UJ	OW	908	15.0	11.7	30	39	1.8	24.8
Indocement	15300	16100	5.2	INTP UJ	OW	6291	16.0	13.7	955	1120	2.0	24.2
United Tractors	26500	28000	5.7	UNTR UJ	OW	11041	17.4	15.0	1523	1770	2.7	24.1
Korea												
KB Financial Group	38850	60000	54.4	105560 KS	OW	13317	5.2	6.1	7475	6400	3.3	10.4
Hyundai Motor Company	228500	280000	22.5	005380 KS	OW	44657	8.0	7.3	28386	31118	0.7	20.1
Samsung Electronics	997000	1300000	30.4	005930 KS	OW	130297	11.7	9.5	85192	104889	0.0	16.0
Neowiz Games	67400	85000	26.1	095660 KS	OW	1311	15.4	10.2	4378	6590	0.0	37.6
GS Engineering & Construction	96200	130000	35.1	006360 KS	OW	4353	9.1	10.7	10606	8962	1.0	10.1
Malaysia												
CIMB Group Holdings	7.2	10.0	39.7	CIMB MK	OW	16902	13.0	10.2	0.5	0.7	4.9	19.7
Media Prima Berhad	2.6	3.0	13.6	MPR MK	OW	892	14.4	13.7	0.2	0.2	4.7	14.4
Sime Darby Berhad	8.9	10.2	14.5	SIME MK	OW	17005	14.5	14.0	0.6	0.6	3.6	15.3
UM Corporation	6.0	7.0	17.6	UM MK	OW	2600	25.0	16.9	0.2	0.4	2.2	9.3
Dialog Group Bhd	2.4	3.2	33.9	DLG MK	OW	1519	30.8	25.6	0.1	0.1	1.6	28.9
Philippines												
Security Bank Corporation	98.0	124.0	26.6	SECB PM	OW	1135	9.6	8.6	10.2	11.4	2.6	19.0
Bank of the Philippine Islands (BPI)	58	69	18.6	BPI PM	OW	4773	15.5	13.3	3.7	4.4	4.5	17.4
Ayala Corporation	294.4	390.0	32.5	AC PM	OW	3920	17.6	13.9	16.7	21.2	1.4	10.3
Metro Pacific Investments Corp.	3.3	4.1	22.8	MPI PM	OW	1894	15.2	14.6	0.2	0.2	1.3	8.5
Ayala Land	16.8	24.0	42.6	ALI PM	OW	5045	31.1	25.0	0.5	0.7	1.3	13.4
Singapore												
CapitaMalls Asia	1.4	2.4	69.7	CMA SP	OW	4172	27.7	21.3	0.1	0.1	2.9	8.2
DBS Group Holdings	12.9	20.0	55.2	DBS SP	OW	23417	10.3	10.0	1.3	1.3	4.2	10.9
Keppel Corporation	9.3	12.8	38.2	KEP SP	OW	12804	11.8	11.3	0.8	0.8	4.5	18.8
Wilmar International Limited	5.2	6.5	24.8	WIL SP	OW	25857	21.0	18.1	0.2	0.3	1.1	13.3
Global Logistic Properties Ltd	1.8	2.5	36.2	GLP SP	OW	6538	24.5	23.8	0.1	0.1	0.0	9.4
Taiwan												
Quanta Computer Inc.	62.6	80.0	27.8	2382 TT	OW	7958	10.4	8.2	6.0	7.6	6.9	22.3
Cheng Shin Rubber Industry Co., Ltd	64.4	82.0	27.3	2105 TT	OW	5272	12.9	9.4	5.0	6.8	3.9	29.0
TSMC	75.5	77.0	2.0	2330 TT	N	64785	14.6	13.1	5.2	5.8	4.0	22.3
MediaTek Inc.	315.5	420.0	33.1	2454 TT	OW	11491	24.1	15.1	13.1	20.9	3.5	19.5
Yulon Motor Co., Ltd.	63.4	80.0	26.2	2201 TT	OW	3302	22.1	17.2	2.9	3.7	1.8	8.6
Thailand												
Asian Property Development	5	9	80.1	AP TB	OW	432	5.8	5.3	0.8	0.9	6.8	20.4
PTT Public Company	303.0	460.0	51.8	PTT TB	OW	28095	8.9	7.6	34.0	39.6	4.3	19.0
Siam Commercial Bank	110	170	55.3	SCB TB	OW	12061	9.9	9.2	11.1	12.0	3.7	21.1
Siam Cement	326.0	336.0	3.1	SCC TB	OW	12699	12.0	11.5	27.1	28.3	4.3	21.3
Home Product Center Pcl	9.9	12.4	25.3	HMPRO TB	OW	1875	23.7	18.3	0.4	0.5	3.8	32.7

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 11, 2011. Sorted in ascending order of 2012E P/E

Table 27: J.P. Morgan 2012 Bargain Basement Basket (JPHAXCHP <Index>) – Basket Daily Liquidity: USD 21Mn

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X) 2011E	P/E (X) 2012E	Yield (%) 2012E	ROE (%) 2012E	P/E (X) 10yr Avg.	No. of SD
Top Picks												
Fubon Financial Holdings	31.9	42.0	31.7	2881 TT	OW	9518	7.1	8.6	4.7	12.9	13.9	(3.0)
Hutchison Whampoa	71	94	33.2	13 HK	OW	38653	5.2	12.7	3.3	6.5	22.6	(2.1)
KB Financial Group	38850.0	60000.0	54.4	105560 KS	OW	13317	5.2	6.1	3.3	10.4	8.3	(1.7)
Trinity Limited	6.0	10.0	65.8	891 HK	OW	1316	20.1	17.0	4.1	18.8	25.8	(1.5)
Cheung Kong Holdings	94	105	12.2	1 HK	OW	27860	8.9	9.4	3.5	2.7	15.9	(1.5)
AsiaInfo-Linkage Inc.	8	21	148.5	ASIA US	OW	608	8.7	9.2	0.0	6.5	23.1	(1.5)
Kingboard Chemical	23.7	49.0	106.8	148 HK	OW	2603	5.4	4.8	5.0	14.3	9.1	(1.4)
Samsung Life Insurance	85000.0	135000.0	58.8	032830 KS	OW	15083	13.4	11.9	1.8	8.4	15.3	(1.4)
Stockland	3.2	3.9	20.8	SGP AU	OW	7689	10.2	10.2	7.3	7.8	13.7	(1.4)
Tata Motors	181	1380	661.0	TTMT IN	OW	10540	6.4	6.9	2.2	8.7	12.5	(1.3)
Rio Tinto Limited	68	105	54.8	RIO AU	OW	109470	7.9	6.9	1.9	21.3	12.6	(1.3)
ASX Ltd	30	36	19.3	ASX AU	OW	5378	15.0	14.1	6.4	12.2	19.2	(1.3)
DBS Group Holdings	13	20	55.2	DBS SP	OW	23417	10.3	10.0	4.2	10.9	12.9	(1.2)
Longfor Properties Co. Ltd.	8.7	13.0	48.9	960 HK	OW	5783	9.0	8.1	3.1	24.5	11.8	(1.2)
Reliance Infrastructure Ltd	423	575	35.8	RELI IN	OW	2237	7.3	12.2	0.0	3.9	16.0	(1.2)
Asian Property Development	4.7	8.5	80.1	AP TB	OW	432	5.8	5.3	6.8	20.4	9.3	(1.2)
China Minsheng Banking - H	7	11	71.0	1988 HK	OW	24885	6.5	5.8	2.1	20.7	8.5	(1.0)
Industrial and Commercial Bank of Chi	5	9	82.4	1398 HK	OW	231988	7.8	6.6	5.8	24.0	12.7	(1.0)
Sands China Ltd	21.8	32.5	49.4	1928 HK	OW	22498	20.6	13.3	0.0	26.9	26.0	(1.0)
Air China	7	11	59.1	753 HK	OW	14585	9.8	16.4	0.0	10.2	14.8	(0.9)
Ping An Insurance Group - A	39.4	54.0	37.1	601318 CH	OW	54294	15.7	12.3	1.7	17.2	22.6	(0.8)
NetEase	44	58	30.9	NTES US	OW	5766	12.7	11.3	0.0	24.1	17.5	(0.8)

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 11, 2011. Sorted in ascending order of number of standard deviation from 10 year average P/E

Table 28: J.P. Morgan 2012 Downgrade Dogs in 2011 that have their day in 2012 Basket (JPHAXEPS <Index>) – Basket Daily Liquidity: USD 14Mn

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X) 2011E	P/E (X) 2012E	Yield (%) 2012E	ROE (%) 2012E	FY2 Earnings Revision YTD (%)
Top Picks											
Orient Overseas Int'l Ltd	36	75	110.7	316 HK	OW	2863	12.6	23.1	1.1	2.9	(69)
Pacific Basin Shipping	3.5	6.0	72.9	2343 HK	OW	864	33.3	15.4	3.3	3.6	(67)
KEPCO	24200.0	30000.0	24.0	015760 KS	OW	13784	NM	NM	0.0	(0.9)	(51)
MediaTek Inc.	316	420	33.1	2454 TT	OW	11491	24.1	15.1	3.5	19.5	(45)
Wistron Corporation	37.7	50.0	32.6	3231 TT	OW	2603	7.9	6.1	6.7	17.3	(36)
LG Display	24350	32000	31.4	034220 KS	OW	7730	NM	11.1	0.0	7.5	(35)
Hindalco Industries	126.5	170.0	34.4	HNDL IN	OW	4786	8.4	8.3	1.7	9.7	(29)
Tenaga	5.8	6.5	11.3	TNB MK	OW	10121	63.8	14.3	1.8	7.1	(19)
Larsen & Toubro	1339	2100	56.9	LT IN	OW	16168	19.1	15.6	0.0	17.8	(18)
CIMB Group Holdings	7	10	39.7	CIMB MK	OW	16902	13.0	10.2	4.9	19.7	(17)
CapitaMalls Asia	1.4	2.4	69.7	CMA SP	OW	4172	27.7	21.3	2.9	8.2	(17)
Air China	7	11	59.1	753 HK	OW	14585	9.8	16.4	0.0	10.2	(16)
Reliance Infrastructure Ltd	423	575	35.8	RELI IN	OW	2237	7.3	12.2	0.0	3.9	(15)
Reliance Industries Ltd	873	1140	30.6	RIL IN	OW	56485	13.5	11.9	1.1	17.2	(14)
Hutchison Whampoa	71	94	33.2	13 HK	OW	38653	5.2	12.7	3.3	6.5	(14)
Tata Motors	181.4	1380.0	661.0	TTMT IN	OW	10540	6.4	6.9	2.2	8.7	(13)
Indocement	15300	16100	5.2	INTP UJ	OW	6291	16.0	13.7	2.0	24.2	(13)
Kingboard Chemical	23.7	49.0	106.8	148 HK	OW	2603	5.4	4.8	5.0	14.3	(12)
CSR Corp Ltd.	5	9	67.0	1766 HK	OW	9624	20.4	15.9	1.3	13.6	(11)
Asian Property Development	5	9	80.1	AP TB	OW	432	5.8	5.3	6.8	20.4	(11)

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 11, 2011. Sorted in ascending order of FY2 earnings revision * Essar Ports (ESRS IN) and Cebu Air (CEB PM) excluded due to low liquidity

Table 29: J.P. Morgan 2012 Policy Swing Pod Basket (JPHAXINF <Index>) – Basket Daily Liquidity: USD 8Mn

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X) 2011E	P/E (X) 2012E	EPS (LC) 2011E	EPS (LC) 2012E	Yield (%) 2012E	ROE (%) 2012E
Top Picks												
Asian Property Development	5	9	80.1	AP TB	OW	432	5.8	5.3	0.8	0.9	6.8	20.4
Tata Motors	181	1380	661.0	TTMT IN	OW	10540	6.4	6.9	28.4	26.2	2.2	8.7
Skyworth Digital Holdings	4.2	6.0	41.8	751 HK	OW	1440	9.6	7.0	0.4	0.6	4.4	21.5
Security Bank Corporation	98	124	26.6	SECB PM	OW	1135	9.6	8.6	10.2	11.4	2.6	19.0
Siam Commercial Bank	110	170	55.3	SCB TB	OW	12061	9.9	9.2	11.1	12.0	3.7	21.1
Bank Rakyat Indonesia	6850	7500	9.5	BBRI UJ	OW	18875	12.5	10.0	547	684	1.7	31.1
CIMB Group Holdings	7.2	10.0	39.7	CIMB MK	OW	16902	13.0	10.2	0.5	0.7	4.9	19.7
Alam Sutera	455	485	6.6	ASRI UJ	OW	908	15.0	11.7	30.4	39.0	1.8	24.8
Bank of the Philippine Islands (BPI)	58	69	18.6	BPI PM	OW	4773	15.5	13.3	3.7	4.4	4.5	17.4
Focus Media	23.8	39.0	63.7	FMCN US	OW	3222	17.1	13.5	1.4	1.8	0.0	12.8
Media Prima Berhad	2.6	3.0	13.6	MPR MK	OW	892	14.4	13.7	0.2	0.2	4.7	14.4
ICICI Bank	814.4	1300.0	59.6	ICICIB IN	OW	18547	18.2	13.7	44.7	59.6	2.3	12.0
Ayala Corporation	294	390	32.5	AC PM	OW	3920	17.6	13.9	16.7	21.2	1.4	10.3
Metro Pacific Investments Corp.	3.3	4.1	22.8	MPI PM	OW	1894	15.2	14.6	0.2	0.2	1.3	8.5
Brilliance China Automotive	9	13	41.2	1114 HK	OW	5683	25.1	16.7	0.4	0.5	1.2	30.2
Home Product Center Pcl	9.9	12.4	25.3	HMPRO TB	OW	1875	23.7	18.3	0.4	0.5	3.8	32.7
Ayala Land	16.8	24.0	42.6	ALI PM	OW	5045	31.1	25.0	0.5	0.7	1.3	13.4
Golden Eagle Retail Group Ltd	16.8	24.0	42.7	3308 HK	OW	4203	27.3	23.7	0.6	0.7	2.1	29.8

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 11, 2011. Sorted in ascending order of 2012E P/E *Agung Podomoro (APLN UJ) excluded due to low liquidity

Risks of Common Option Strategies

Risks to Strategies: Not all option strategies are suitable for investors; certain strategies may expose investors to significant potential losses. We have summarized the risks of selected derivative strategies. For additional risk information, please call your sales representative for a copy of “Characteristics and Risks of Standardized Options.” We advise investors to consult their tax advisors and legal counsel about the tax implications of these strategies. Please also refer to option risk disclosure documents.

Put Sale. Investors who sell put options will own the underlying asset if the asset’s price falls below the strike price of the put option. Investors, therefore, will be exposed to any decline in the underlying asset’s price below the strike potentially to zero, and they will not participate in any price appreciation in the underlying asset if the option expires unexercised.

Call Sale. Investors who sell uncovered call options have exposure on the upside that is theoretically unlimited.

Call Overwrite or Buywrite. Investors who sell call options against a long position in the underlying asset give up any appreciation in the underlying asset’s price above the strike price of the call option, and they remain exposed to the downside of the underlying asset in the return for the receipt of the option premium.

Booster. In a sell-off, the maximum realized downside potential of a double-up booster is the net premium paid. In a rally, option losses are potentially unlimited as the investor is net short a call. When overlaid onto a long position in the underlying asset, upside losses are capped (as for a covered call), but downside losses are not.

Collar. Locks in the amount that can be realized at maturity to a range defined by the put and call strike. If the collar is not costless, investors risk losing 100% of the premium paid. Since investors are selling a call option, they give up any price appreciation in the underlying asset above the strike price of the call option.

Call Purchase. Options are a decaying asset, and investors risk losing 100% of the premium paid if the underlying asset’s price is below the strike price of the call option.

Put Purchase. Options are a decaying asset, and investors risk losing 100% of the premium paid if the underlying asset’s price is above the strike price of the put option.

Straddle or Strangle. The seller of a straddle or strangle is exposed to increases in the underlying asset’s price above the call strike and declines in the underlying asset’s price below the put strike. Since exposure on the upside is theoretically unlimited, investors who also own the underlying asset would have limited losses should the underlying asset rally. Covered writers are exposed to declines in the underlying asset position as well as any additional exposure should the underlying asset decline below the strike price of the put option. Having sold a covered call option, the investor gives up all appreciation in the underlying asset above the strike price of the call option.

Put Spread. The buyer of a put spread risks losing 100% of the premium paid. The buyer of higher-ratio put spread has unlimited downside below the lower strike (down to zero), dependent on the number of lower-struck puts sold. The maximum gain is limited to the spread between the two put strikes, when the underlying is at the lower strike. Investors who own the underlying asset will have downside protection between the higher-strike put and the lower-strike put. However, should the underlying asset’s price fall below the strike price of the lower-strike put, investors regain exposure to the underlying asset, and this exposure is multiplied by the number of puts sold.

Call Spread. The buyer risks losing 100% of the premium paid. The gain is limited to the spread between the two strike prices. The seller of a call spread risks losing an amount equal to the spread between the two call strikes less the net premium received. By selling a covered call spread, the investor remains exposed to the downside of the underlying asset and gives up the spread between the two call strikes should the underlying asset rally.

Butterfly Spread. A butterfly spread consists of two spreads established simultaneously – one a bull spread and the other a bear spread. The resulting position is neutral, that is, the investor will profit if the underlying is stable. Butterfly spreads are established at a net debit. The maximum profit will occur at the middle strike price; the maximum loss is the net debit.

Pricing Is Illustrative Only: Prices quoted in the above trade ideas are our estimate of current market levels, and are not indicative trading levels.

Technical Analysis

MXAPJ View; Asia Technicals Strategy

- **SHORT-TERM** (Daily Charts) - Even as the market continues to seek a resolution of the longer-term trend, the narrow range (channel/flag), yet volatile outcome will necessarily cause indicators to whipsaw in the short-term. MACD has negative portends as does the RSI set up.
- **MEDIUM-TERM** – Primary trend (monthly charts) remains bearish. Intermediate trend (weekly charts) faces headwinds 10% above current levels.
- **WHAT WILL CHANGE BEARISH VIEW** – A successful move up past the falling down-trendline on weekly charts, or claw-back of up-trendline (from end 2008) or moving average cross-over on monthly charts will require rethink of bearish primary trend. Levels to watch – 460-500.

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Conflicting signals on short-term charts suggest whipsaws will make short-term trading tough. Trading in the direction of the bearish intermediate trend may thus be a better strategy. The "mini-bounce" is likely to face headwinds at every step.

- **Short-Term View** – The index's channel/ flag formation potentially appears to be wave "b" of the a-b-c corrective (bearish impulse from Apr '11 to Oct '11). This will suggest a wave "c" that could eventually push the index close to 450 (c10% above). Shorter-term resistance at 433/443 (10% higher).
- **Medium-Term View** (see page 2 for charts) – Monthly chart - despite the reversal month in Oct, the follow through appears weak - MACD, RSI, moving averages remain weakly positioned. Weekly chart - 437 is immediate resistance. MACD's positive cross-over in early Nov appears to be in danger of creating a whipsaw. RSI is neutral at 41 but downward biased. **Intermediate trend is bearish.**

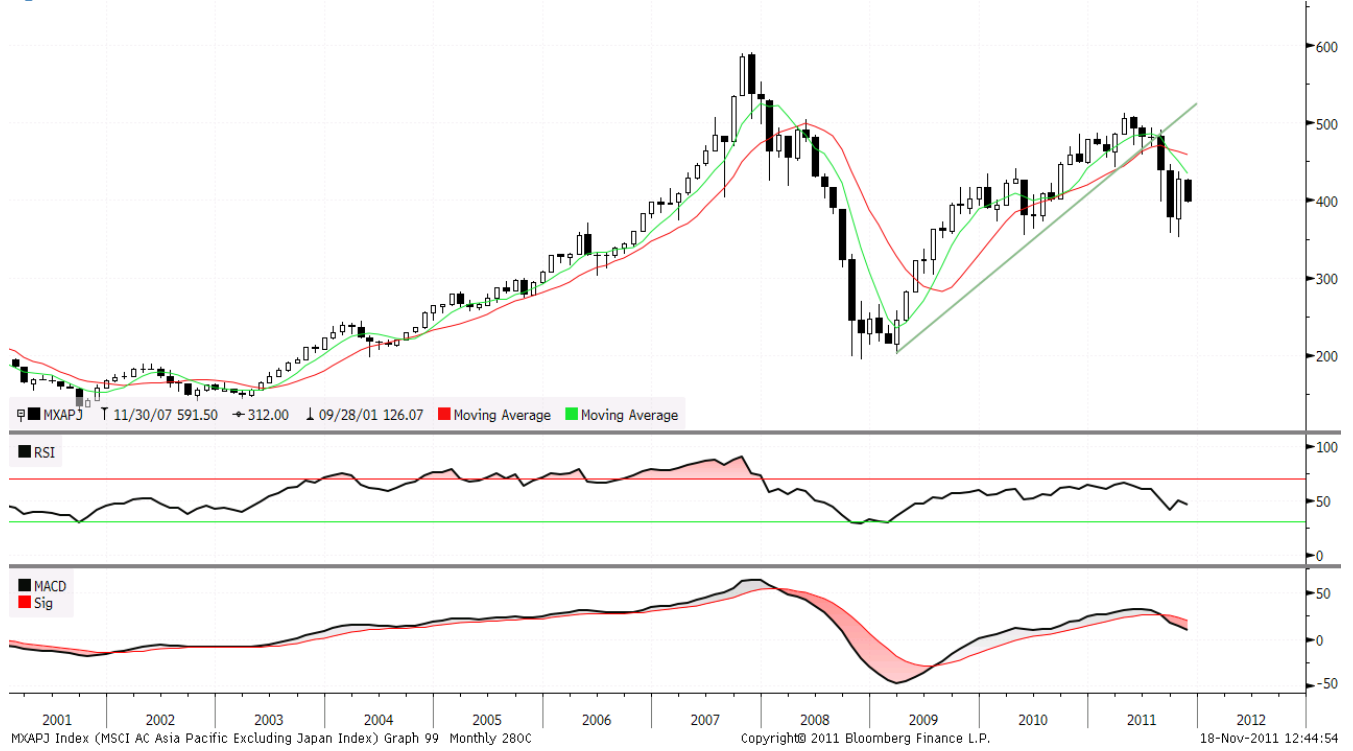
Figure 30: MSCI Asia Pacific (MXAPJ) – DAILY CHART



Source: Bloomberg.
 Priced on 18 Nov 2011.

MXAPJ – MEDIUM-TERM CHARTS

Figure 31: MXAPJ – MONTHLY with RSI & MACD



Source: Bloomberg.

Figure 32: MXAPJ – WEEKLY with RSI & MACD



Source: Bloomberg.

Quantitative Strategy

Making a case for value in 2012

Of all the popular investment styles try to exploit, the most disappointing in 2011 were those strategies based on Valuation metrics. Obviously there are many ways to define 'Value' and not all had a disaster, however it is fair to say that the famous 'value anomaly' was M.I.A. in Asia ex-Japan for much of 2011 and deeper value approaches such as the classical Price to Book approach performed particularly badly. Aside from the very obvious reason that markets are looking cheap versus history right now - **Why should 2012 be any different for Value than 2011?**

Value typically works

After a year like 2011 it would be easy to give up on Value all together. However it's important not to get too carried away by very recent history. Whilst it is often a bit of a surprise – even to Asia's investment veterans – there is no question in our mind that **favoring value is the clear winner over the long term**, however you slice it.

Dispersion (finally) looks favorable

We (and many others) have highlighted that value dispersion is key when considering the outlook for Value. As the chart on the right shows, dispersion (measured in this case as the difference between the 75th and 25th percentile when ranking on P/BV), has been relatively benign for most of the year. The rationale for considering the dispersion is a simple one. If growth is only slightly more expensive than value, then why not buy growth? If on the other hand some stocks are trading on P/Es of 4x and others on P/Es of 50x, the case for considering the cheaper stocks on a relative basis is a strong one.

Right now dispersion looks very attractive after a decent increase in the second half of 2011. Whilst there was some reversion through October, November looks like it may well be another bad month for value, leaving the factor potentially poised to start the New Year with a rally. Don't forget that Value (and especially more high-beta oriented) deep value strategies have a habit of starting the year strongly in Asia.

Time is on our side

The problem with using value dispersion as a trigger is that things can certainly get worse before they get better. **The nice thing about this document is that we have an entire year to be right.**

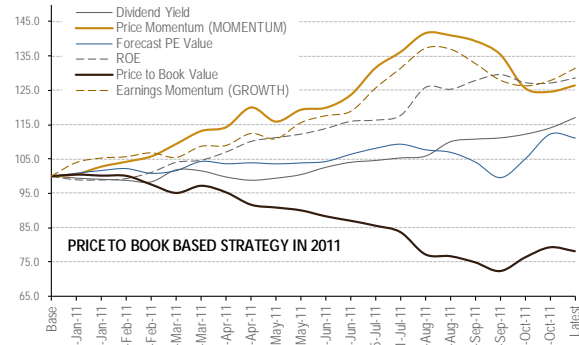
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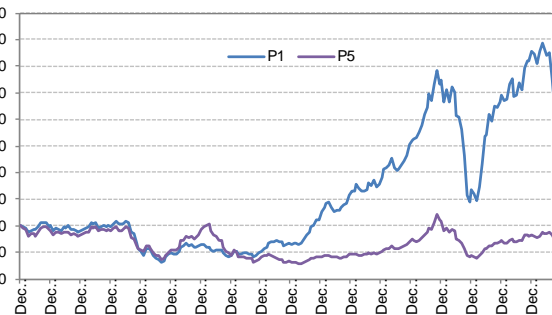
J.P. Morgan Securities (Asia Pacific) Limited

L/S performance of popular investment styles in 2011. Value – and deep value in particular – has had a year to forget



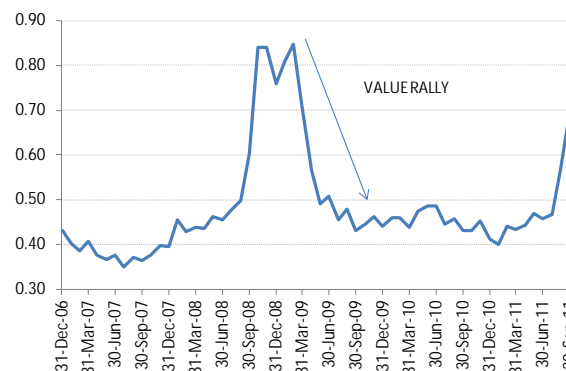
Source: MSCI, J.P. Morgan Quant

Performance of cheapest 20% of the universe (P1) vs most expensive 20% of the universe (P5) using a blended Value composite over the long term in Asia Ex Japan – Favoring cheap makes money



Source: MSCI, J.P. Morgan Quant

Value dispersion - In this case the 75th percentile less the 25th percentile on P/BV. After a year in which the case for Value has been weak we finally see some dispersion in the market and right now the case for value finally looks interesting



Source: MSCI, J.P. Morgan Quant

Asia...where the streets are paved with Alpha

Well not quite of course... though there is no question in our minds that Asian markets offer some of the best opportunities for stock pickers globally.

We spend a lot of time investigating how stock selection approaches (or 'styles') perform when placed under the microscope of our testing environment and can use this information to get a good perspective on the nuances between the different markets we study.

It occurred to us recently that we haven't formally collated this information and so we take the opportunity here to present a short market-by-market synopsis that can (hopefully!) help those looking to 'stock-pick' Asian markets in the year ahead.

Obviously we need to make generalizations and clearly it is unreasonable to expect the same style to work all of the time, but we believe that an understanding of the key long-term drivers is valuable. Is China a 'momentum market' where buying the 'winners' makes sense? How effective is targeting growth stocks in Korea? Does a high-yield approach outperform in Thailand? If these are questions you'd like to know answers to, read on.

About the analysis – Test process

For the purpose of this report we ran a series of standard tests investigating the performance of a basic set of stock-picking styles within Asia's key markets. For consistency all testing was based on a one-month rebalance frequency and we restricted ourselves to large caps (MSCI members) and focused on the last 10 years. Tests involve ranking stocks based on their style exposures and forming five equally sized portfolios (or 3 if limited by breadth). The key styles tested are listed below (see the end of the report for fuller definitions).

Investment styles tested

- High Yield vs. Low Yield
- Large cap vs. Small
- High Beta vs. Low Beta
- High Growth vs. Low Growth
- Improving vs. Declining (consensus) Outlook
- Cheap versus Expensive
- Long term Winners versus Losers
- Reversion (Short-term Losers versus Winners)
- Analyst's Top vs. Bottom Picks (consensus)
- Good quality vs. Poor quality

- Best vs. Worst on PB & ROE
- Best vs. Worst cash generators
- Best on our Composite Q Score model*

We present the key results by market below with a short commentary for each to summarize our findings. If you would like more information on our methodology please let us know. Similarly feel free to contact us if you have any bespoke back-testing requirements either in Asia or other global markets. Of course the styles presented here are by no means exhaustive and we have many thousands of data items available for testing.

Markets investigated

- MSCI Asia Pacific x Japan
- MSCI Korea
- MSCI Hong Kong
- MSCI China
- MSCI Singapore
- MSCI Taiwan
- MSCI India
- MSCI Malaysia
- MSCI Indonesia
- MSCI Thailand
- MSCI Philippines

Assessing style performance

Typically we employ a range of metrics to help us to evaluate the usefulness of a style. (Please see one of our factor reference series of publications for more detail on how we interpret style test results). We summarise the key metrics used employed below.

- **Annualised Return %:** Measured over the (10 year) life of the test on a Long / Short basis
- **Annualised Volatility %:** Measured over the (10 year) life of the test
- **Sharpe Ratio:** Calculated as Annualised Return % divided by Annualised Volatility % (note this is NOT adjusted for risk free rate)
- **I.C.:** The average correlation between the start of month style rankings and end of month returns. A useful measure of a style's 'predictive power'
- **T-Stat:** A measure of the statistical significance of the result where values $> \pm 2$ generally indicate that the possibility of the result being down to 'chance' is very small
- **Success Rate:** The percentage of months over the test that the style's Long/Short return was positive

* The Q-Score model is a 10 factor blend of popular styles.

It is important to emphasize that when running these tests we are not trying to build a real world ‘portfolio simulation’ with realistic constraints and transaction costs, borrow costs etc. In fact we try to keep portfolio construction out of the test as much as we can as at this stage we are focused on measuring information content not building a portfolio (this is a very important distinction).

Key conclusions

The focus of this report is to show how a range of popular styles perform *within* specific country markets but we thought it would be interesting to summarise some of the key findings upfront.

Size. Across Asia the size anomaly is alive in well. Whilst to us it is certainly more of a risk factor than an alpha driver there is plenty of evidence in the results that (over the long term) an investment approach based on favouring small caps outperforms in Asia.

Value. Several of the styles tested fall into the value style category. Despite many investors believing the contrary to be true, most of the markets we tested in here shown strong evidence of a value anomaly. Interestingly though, the more growth oriented valuation metric of PB & ROE was the standout performer from this category.

Beta. Another popular misconception about Asia’s markets (and markets in general) is that a portfolio tilt towards higher Beta will perform over the long term. Whilst there are of course periods when high beta does outperform, on average over the last 10 years a systematic bias towards high beta was a loss-making strategy in many of the markets investigated.

Growth. It seems investors in Asia are obsessed with buying growth however the evidence presented here strongly suggests that despite this obsession (or perhaps even because of it?), a systematic bias towards stocks that are forecast to deliver high growth is rarely profitable and is more often that not alpha destructive.

Improving Outlook. Whilst explicit growth forecasts are quickly priced in (and as suggested above generally over priced), the results indicate a style bias towards those stocks with an improving outlook as measured by observing analyst behaviour in relation to earnings and recommendation changes, continues to be a very strong return driver here in Asia.

Consensus Top Picks Although changes in recommendations matter, we find little evidence that having a style bias towards consensus buys and against

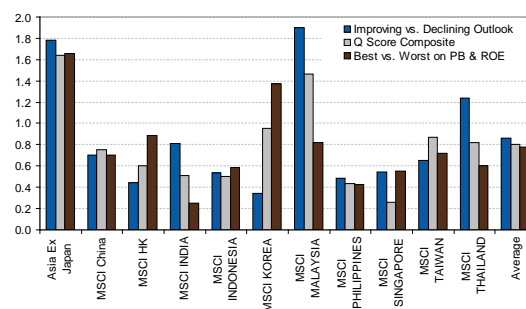
sells is profitable and the approach was observed to be loss making in several markets.

Quality. Despite financial statement analysis being the core pass-time of many investment professionals there is unfortunately little evidence to support the thesis that having a systematic bias towards ‘quality’ is profitable in Asia markets. Although the proxy of ROE used here was complimentary with value, in isolation it was a poor performer. Whilst it is fair to argue that this metric is too simplistic, in other analysis/experience we have found it frustratingly difficult to identify any reliable fundamental metrics that perform consistently well in Asia.

Top 3 styles across the region

The chart below highlights the three most effective styles across the region (of those tested). These were found to be **Improving vs. Declining outlook**, the **Q-Score composite** and the **PB & ROE** valuation approach.

Figure 33: Sharpe ratios of the 3 most consistent Alpha styles



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

What Works Where? – Quick Summary

See the table below for a brief summary and the detailed individual country results are in the pages that follow.

Table 30: Summary of test results (Sharpe ratio)

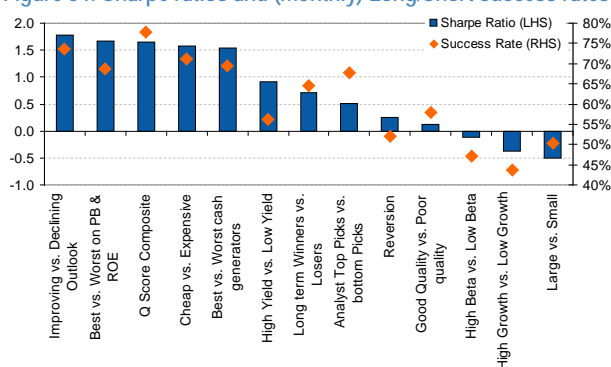
Style	Asia Ex Japan	MSCI China	MSCI HK	MSCI INDIA	MSCI INDONESIA	MSCI KOREA	MSCI MALAYSIA	MSCI PHILIPPINES	MSCI SINGAPORE	MSCI TAIWAN	MSCI THAILAND	Average
Improving vs. Declining Outlook	1.8	0.7	0.4	0.8	0.5	0.3	1.9	0.5	0.5	0.6	1.2	0.9
Q Score Composite	1.6	0.8	0.6	0.5	0.5	1.0	1.5	0.4	0.3	0.9	0.8	0.8
Best vs. Worst on PB & ROE	1.7	0.7	0.9	0.2	0.6	1.4	0.8	0.4	0.5	0.7	0.6	0.8
Cheap vs. Expensive	1.6	0.8	0.2	0.4	0.8	0.9	1.2	0.5	0.6	0.5	0.2	0.7
Best vs. Worst cash generators	1.5	0.7	0.3	0.8	0.5	0.1	0.9	0.5	0.3	0.6	0.4	0.6
High Yield vs. Low Yield	0.9	0.4	0.8	0.5	0.5	0.4	0.5	-0.4	0.5	0.5	0.0	0.4
Long term Winners vs. Losers	0.7	0.5	0.3	0.2	0.2	0.4	0.2	0.2	0.1	0.0	-0.1	0.2
Analyst Top Picks vs. bottom Picks	0.5	0.4	-0.1	-0.3	0.5	0.1	0.5	0.2	-0.3	0.4	0.0	0.2
Reversion	0.3	-0.2	0.0	-0.3	0.3	0.3	-0.1	0.3	-0.2	0.3	0.0	0.1
High Beta vs. Low Beta	-0.1	-0.4	0.0	-0.3	0.3	-0.1	-0.2	0.5	0.0	-0.3	0.0	0.0
Good Quality vs. Poor quality	0.1	0.3	-0.1	-0.5	0.0	-0.4	0.2	-0.3	-0.2	0.5	-0.3	-0.1
High Growth vs. Low Growth	-0.4	-0.3	-0.1	-0.6	0.1	0.1	-0.1	-0.1	-0.2	-0.2	-0.3	-0.2
Large vs. Small	-0.5	-0.5	-0.4	-0.4	-0.1	-0.6	0.1	-0.5	-0.7	-0.2	-0.3	-0.4

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

The AxJ region – Oozing opportunity

The regional results confirm our earlier comments regarding Asia ex Japan being a strong Alpha universe and several styles tested produced strong results. Across the region our composite Q-Score model had the best monthly success rate though was edged into third spot when ranking by Sharpe ratio. On this basis a regional strategy of biasing towards stocks with an improving (versus declining) consensus outlook was the winning style. In second came the approach based on identifying the most attractive stocks using a balanced combination of (high) ROE and (low) Price to Book ratio.

Figure 34: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Contrary to popular belief amongst many investors, investing in those stocks with the higher growth forecasts is a loss-making strategy and investing in higher quality stocks delivered only a marginally better result than a coin toss. (The irony here is that many investors in Asia seem to be obsessed with forecasting growth and pouring over the intricacies of the financial statements.) Focusing on high beta (versus low beta) has also delivered (slightly) negative returns – perhaps also a surprise for many investors that seem to tackle stock-picking in Asia with a thirst for buying high beta.

Table 31: Summary of test results sorted by Sharpe ratio

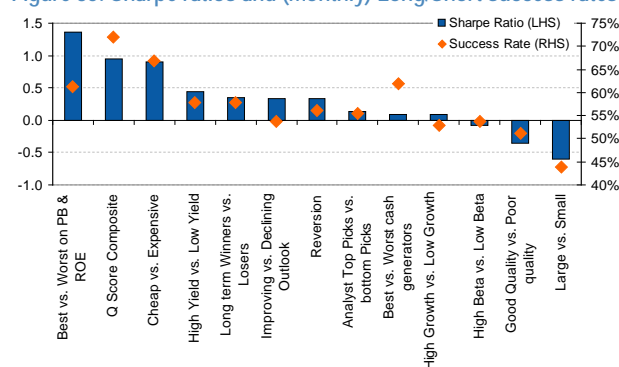
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Improving vs. Declining Outlook	14.5%	8.1%	1.8	4.8%	5.4	74%
Best vs. Worst on PB & ROE	16.0%	9.6%	1.7	3.7%	5.1	69%
Q Score Composite	17.7%	10.8%	1.6	5.8%	5.0	78%
Cheap vs. Expensive	16.5%	10.5%	1.6	3.8%	4.8	71%
Best vs. Worst cash generators	14.8%	9.6%	1.5	3.3%	4.7	69%
High Yield vs. Low Yield	10.4%	11.4%	0.9	3.2%	2.9	56%
Long term Winners vs. Losers	7.7%	10.8%	0.7	2.6%	2.4	64%
Analyst Top Picks vs. bottom Picks	4.5%	8.9%	0.5	2.2%	1.7	68%
Reversion	3.5%	13.8%	0.3	1.1%	1.0	52%
Good Quality vs. Poor quality	1.3%	10.6%	0.1	1.2%	0.6	58%
High Beta vs. Low Beta	-2.4%	20.2%	-0.1	-1.5%	-0.1	47%
High Growth vs. Low Growth	-2.7%	7.2%	-0.4	-0.9%	-1.1	44%
Large vs. Small	-6.5%	12.8%	-0.5	-0.9%	-1.4	50%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Korea – Where cash is king

Korea’s credentials as a value market were well reflected in the results as and our prior observations regarding Korea being a good quant market were also reinforced. A bias towards a balanced combination of ROE (high) and Price to Book ratio (low) was again a strong performer though as was the case in the regional results a composite approach such as our Q-Score factor was more consistent generating a very health 72% success rate. Generally speaking, favouring higher dividend yield generators and the cheaper stocks on both a relative to cash and relative to earnings basis was the best long term approach.

Figure 35: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Historically we have flagged Korea as having strong month-to-month reversion and this was again observed. We have also flagged Korea as a strong cash market (we find that even just buying companies on an absolute cash generation basis is highly profitable – especially in small caps). Also interesting is the strong bias against the large caps. Finally, just as was found to be the case across the region, investment styles based on forecast growth, quality and high beta failed to impress, though interestingly this is one of the very few markets we have ever found where a PEG ratio approach performs well.

Table 32: Summary of test results sorted by Sharpe ratio

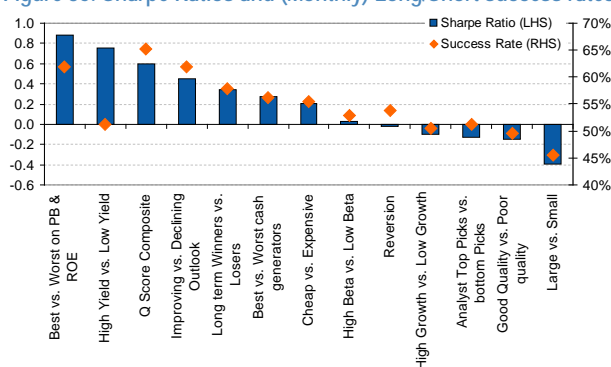
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Best vs. Worst on PB & ROE	25.6%	18.7%	1.4	5.6%	4.2	61%
Q Score Composite	23.0%	24.2%	1.0	7.4%	3.2	72%
Cheap vs. Expensive	19.6%	21.7%	0.9	5.0%	3.0	67%
High Yield vs. Low Yield	9.9%	22.5%	0.4	3.1%	1.7	58%
Long term Winners vs. Losers	7.2%	20.5%	0.4	2.4%	1.4	58%
Improving vs. Declining Outlook	7.3%	21.4%	0.3	4.2%	1.4	54%
Reversion	12.3%	36.2%	0.3	3.3%	1.5	56%
Analyst Top Picks vs. bottom Picks	2.9%	22.1%	0.1	2.8%	0.8	55%
Best vs. Worst cash generators	2.8%	29.9%	0.1	3.5%	0.9	62%
High Growth vs. Low Growth	1.7%	17.6%	0.1	0.8%	0.6	53%
High Beta vs. Low Beta	-2.3%	28.4%	-0.1	-1.8%	-0.2	54%
Good Quality vs. Poor quality	-9.6%	27.1%	-0.4	0.5%	-0.7	51%
Large vs. Small	-14.3%	23.7%	-0.6	-2.2%	-1.6	44%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Hong Kong – Steady as she goes...

In absolute terms Hong Kong was not seen to be as strong a stock-picking universe as the region (or Korea) although the results are certainly still very respectable by global standards. Once again the PB&ROE style came out on top but again we saw the Q-Score composite approach post a higher percentage of successful months. High yield investing showed strongly in Hong Kong – perhaps not too surprising given the strong property bias. However as the relatively low success rate indicator in the chart below shows it was not consistently profitable and benefited from some isolated strong return periods.

Figure 36: Sharpe Ratios and (Monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

As is often the case in developed markets we saw the approach based on investing in analyst top picks and against their bottom picks moved from not just being ineffective to in fact being a *loss-making strategy*. Interestingly we also find HK does not exhibit the short-term reversal properties seen in markets such as Korea and Japan. Investing in long-term winners and against long-term losers to exploit the momentum anomaly was observable but surprisingly (given the strength of the PB&ROE signal) buying cheap stocks over expensive on an earnings basis was only moderately successful.

Table 33: Summary of test results sorted by Sharpe ratio

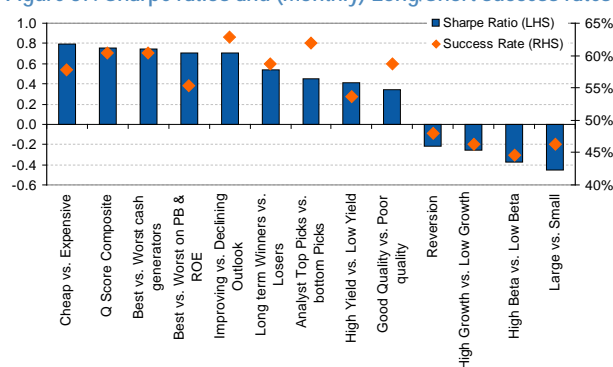
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Best vs. Worst on PB & ROE	16.2%	18.3%	0.9	8.1%	2.9	62%
High Yield vs. Low Yield	11.1%	14.6%	0.8	5.0%	2.5	51%
Q Score Composite	9.2%	15.3%	0.6	7.5%	2.1	65%
Improving vs. Declining Outlook	5.6%	12.5%	0.4	5.9%	1.6	62%
Long term Winners vs. Losers	5.5%	16.0%	0.3	4.5%	1.3	58%
Best vs. Worst cash generators	4.2%	15.1%	0.3	1.8%	1.1	56%
Cheap vs. Expensive	3.2%	16.1%	0.2	1.6%	0.9	55%
High Beta vs. Low Beta	0.6%	21.9%	0.0	0.0%	0.4	53%
Reversion	-0.4%	16.0%	0.0	1.8%	0.2	54%
High Growth vs. Low Growth	-1.3%	13.3%	-0.1	0.2%	-0.1	50%
Analyst Top Picks vs. bottom Picks	-1.7%	12.8%	-0.1	1.4%	-0.2	51%
Good Quality vs. Poor quality	-2.5%	16.9%	-0.1	3.1%	-0.2	50%
Large vs. Small	-6.5%	16.7%	-0.4	-2.2%	-1.0	45%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

China – Value-oriented? Surely not!

The performance of value-oriented styles in the China universe might surprise many, but it is hard to refute. Investing in cheap and against the expensive glamour names worked well – again this is (arguably) because of the growth obsession that investors seem to possess in relation to this market – we will always be disappointed in the long run. That’s not to say that some more ‘growthy’ oriented strategies don’t do well, however. For example, favouring those stocks with an improving outlook (measured by positive revisions in earnings and forecasts and upgraded recommendations) is very strong.

Figure 37: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

On that basis it is no surprise to find that our composite approach (i.e. blending value with some more growthy styles) does very well. One of the more interesting results is in relation to momentum. In particular these (MSCI based) test results suggest that buying the long-term winners is successful, but there is little evidence of short-term reversion. Ironically this is in contrast to testing conducted in China A shares. There we find no evidence of a reward to long-term winners but it is strongly reverting month to month. In fact, China A-share test results look much more like Japan’s than MSCI China’s.

Table 34: Summary of test results sorted by Sharpe ratio

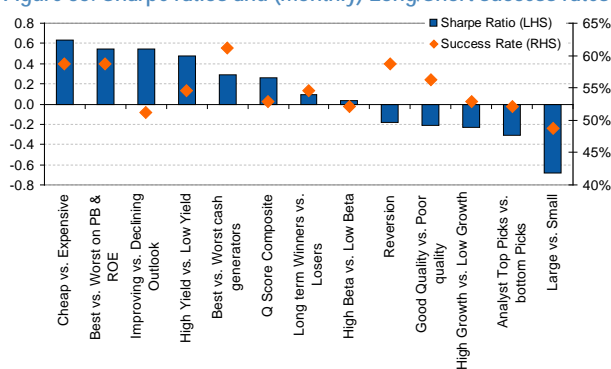
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Cheap vs. Expensive	16.1%	20.1%	0.8	5.0%	2.7	58%
Q Score Composite	17.2%	22.7%	0.8	7.3%	2.6	60%
Best vs. Worst cash generators	16.4%	21.9%	0.7	4.6%	2.5	60%
Best vs. Worst on PB & ROE	16.5%	23.4%	0.7	3.4%	2.4	55%
Improving vs. Declining Outlook	12.0%	17.0%	0.7	5.2%	2.4	63%
Long term Winners vs. Losers	13.3%	24.6%	0.5	4.1%	2.0	59%
Analyst Top Picks vs. bottom Picks	9.0%	20.2%	0.4	4.8%	1.7	62%
High Yield vs. Low Yield	7.1%	17.4%	0.4	3.0%	1.5	54%
Good Quality vs. Poor quality	6.8%	19.8%	0.3	4.1%	1.4	59%
Reversion	-5.0%	22.6%	-0.2	0.8%	-0.4	48%
High Growth vs. Low Growth	-4.9%	19.1%	-0.3	-1.2%	-0.5	46%
High Beta vs. Low Beta	-8.8%	23.7%	-0.4	-3.1%	-0.9	45%
Large vs. Small	-11.6%	25.5%	-0.5	-1.6%	-1.1	46%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Singapore... Asia “lite”?

Given its ‘developed’ status, Singapore has historically been the second most popular market in Asia Ex for systematic style investors so it is interesting to see that relative to the other markets mentioned so far the results here are fairly ordinary (in fact the results look very similar to those we see in many western/developed markets globally). There is certainly a strong value bias evident over the long term and there is a strong bias against the big names. As in HK investing in analyst’s top picks was loss making and favouring stocks with high growth forecasts was also a bad long term strategy.

Figure 38: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Again, similar to Hong Kong, a High Yield bias is productive (though again the alpha stream is very ‘lumpy’ with the results being dominated by return spikes in 2002, 2004 and 2008). Also like HK, month-to-month reversion is not evident (actually the annual return is actually negative, suggesting that there is short-term continuation in Singapore and therefore it is probably not the going to be the top choice for running a pairs-based approaches). Favoring long-term winners and positioning against long-term losers is also conspicuously absent as a positive return driver.

Table 35: Summary of test results sorted by Sharpe ratio

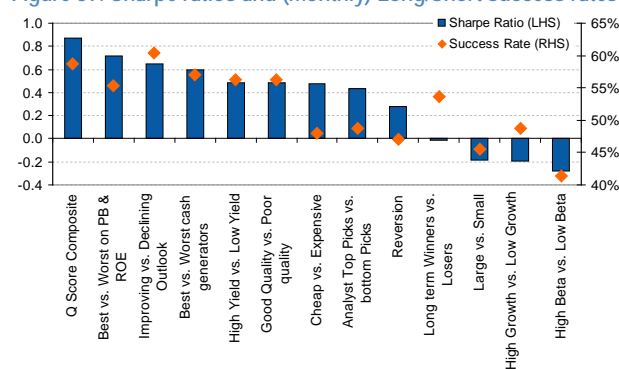
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Cheap vs. Expensive	9.4%	14.9%	0.6	4.1%	2.2	59%
Best vs. Worst on PB & ROE	7.7%	14.0%	0.5	3.4%	1.9	55%
Improving vs. Declining Outlook	7.4%	13.6%	0.5	5.0%	1.9	60%
High Yield vs. Low Yield	7.2%	15.0%	0.5	4.6%	1.7	57%
Best vs. Worst cash generators	4.3%	14.8%	0.3	2.2%	1.1	56%
Q Score Composite	4.1%	15.7%	0.3	5.0%	1.1	56%
Long term Winners vs. Losers	1.4%	14.9%	0.1	1.4%	0.5	48%
High Beta vs. Low Beta	0.5%	16.8%	0.0	-1.8%	0.4	49%
Reversion	-2.7%	15.1%	-0.2	0.0%	-0.3	47%
Good Quality vs. Poor quality	-3.7%	17.5%	-0.2	1.2%	-0.4	54%
High Growth vs. Low Growth	-3.0%	13.0%	-0.2	-2.6%	-0.5	45%
Analyst Top Picks vs. bottom Picks	-4.7%	15.4%	-0.3	0.5%	-0.7	49%
Large vs. Small	-9.9%	14.5%	-0.7	-4.0%	-2.0	41%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Taiwan ...Where quality counts

One of the interesting results that we can see from our Taiwan testing is that it is one of the very few Asia/EM markets where we find that a Quality-driven approach is successful. If you are going to spend time dissecting the financial statements then it seems this market might give you the reward all that hard work deserves. That’s not to say that it is the best approach to this market though: with our composite Q-Score approach, the ROE & PB strategy, the improving outlook strategy, favoring strong cash generators and favoring high yield were also all highly rewarding approaches.

Figure 39: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Although not shown here, we have spent quite a lot of time focusing on Taiwan, and it is a fascinating market. While the ‘dividend season’ shows up over the long term, our investigations have previously shown that the 4-6 week run-up period into the ex dates is another strongly observable anomaly (it seems Taiwan investors just love those dividends) and in a related analysis we also find that periodic (monthly) seasonality is another strong factor. Arguably this signal is acting as a proxy for future sales momentum – another important driver here. Lastly, note how favoring high beta was a bad idea.

Table 36: Summary of test results sorted by Sharpe ratio

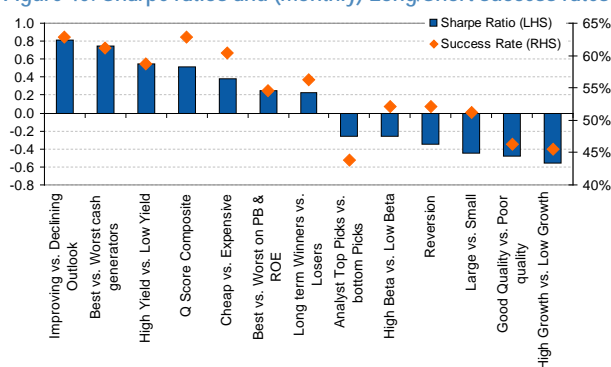
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Q Score Composite	14.8%	17.0%	0.9	5.4%	2.9	65%
Best vs. Worst on PB & ROE	14.6%	20.3%	0.7	4.2%	2.5	59%
Improving vs. Declining Outlook	10.2%	15.7%	0.6	4.1%	2.2	60%
Best vs. Worst cash generators	12.0%	20.2%	0.6	3.9%	2.1	57%
High Yield vs. Low Yield	9.7%	19.9%	0.5	5.2%	1.8	60%
Good Quality vs. Poor quality	10.1%	20.9%	0.5	5.2%	1.8	60%
Cheap vs. Expensive	8.4%	17.6%	0.5	3.3%	1.7	56%
Analyst Top Picks vs. bottom Picks	7.1%	16.3%	0.4	3.8%	1.6	65%
Reversion	6.3%	22.3%	0.3	1.3%	1.2	55%
Long term Winners vs. Losers	-0.4%	20.8%	0.0	2.1%	0.3	55%
Large vs. Small	-3.9%	21.2%	-0.2	1.5%	-0.3	53%
High Growth vs. Low Growth	-2.9%	14.8%	-0.2	-0.8%	-0.4	47%
High Beta vs. Low Beta	-6.9%	24.7%	-0.3	-3.0%	-0.5	42%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

India – Analysts in abundance

Given its status as the most covered market in the world in terms of sell-side analysts (an average of 24 analysts per stock), it may be of some relief for those who pay their wages to find that the analyst-driven strategy tops the list of successful styles in the India market. Favoring the stocks with recently upgraded earnings and recoms was worth 16% p.a. on an L/S basis over the 10-year test. Value-oriented styles were also observable, though there is a strong cyclicity in the returns with a value-based approach failing to inspire in the bull-market years and having gone off like a rocket since the end of 2007.

Figure 40: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Again it's not shown in the charts but we thought it worth flagging that we find that the strong momentum bias exhibited here – especially from '04-'07 – is far less observable as we move down the cap spectrum, and our test results in the broader indices such as the BSE 200 exhibit a much stronger value bias. What is consistent across both of these universes however is that, as in most the markets mentioned so far, a systematic bias towards high-growth names is far more likely to detract from portfolio performance than reward – a hard pill to swallow as this may be.

Table 37: Summary of test results sorted by Sharpe ratio

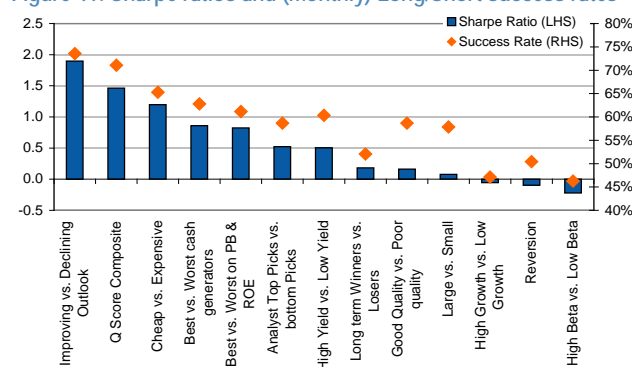
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Improving vs. Declining Outlook	16.1%	19.7%	0.8	6.0%	2.7	63%
Best vs. Worst cash generators	18.9%	25.1%	0.8	3.6%	2.6	61%
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Long term Winners vs. Losers	5.9%	26.0%	0.2	3.3%	1.1	56%
Analyst Top Picks vs. bottom Picks	-4.5%	17.3%	-0.3	0.8%	-0.6	44%
High Beta vs. Low Beta	-8.4%	32.4%	-0.3	-3.5%	-0.4	52%
Reversion	-9.7%	27.7%	-0.3	1.1%	-0.7	52%
Large vs. Small	-10.6%	23.6%	-0.4	-0.5%	-1.1	51%
Good Quality vs. Poor quality	-10.3%	21.6%	-0.5	-1.6%	-1.2	46%
High Growth vs. Low Growth	-13.1%	23.5%	-0.6	-2.4%	-1.5	45%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Malaysia ... Truly alpha

We've referred to the Malaysia market as the style investors' dream alpha universe for a number of years, and the updated set of results shown below does nothing to change our opinion. While from Aug 2008 to Feb 2009 we saw the wheels come off many stock-selection approaches, the Malaysian market has been quick to bounce back, and the combination of strong alpha and relatively benign volatility versus some of the more 'roller-coaster ride' markets in the region results in Malaysia topping the charts on a range of our test metrics.

Figure 41: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

As in India, we see sell-side analyst behavior affecting returns, with the revisions-based strategy standing out. Indeed the Sharpe ratio of 1.9 delivered by this approach is the single best result across all of the strategies and markets tested. Value-oriented styles are no slouches here either, with the (earnings-based) 'cheap vs. expensive' approach also delivering a tasty helping of alpha. Obviously, investing in Malaysia is not without its challenges for many international investors, and this is arguably contributing to the inefficiencies – but at the end of the day these numbers speak for themselves.

Table 38: Summary of test results sorted by Sharpe ratio

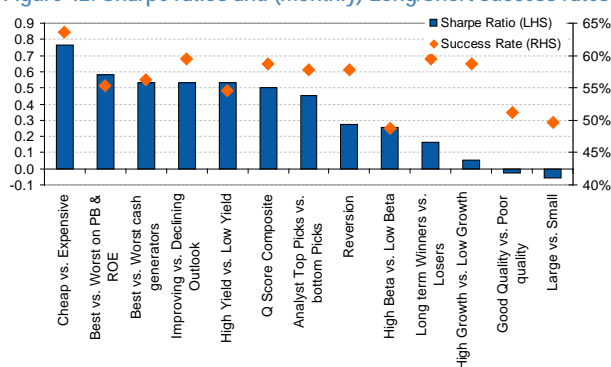
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Improving vs. Declining Outlook	21.0%	11.1%	1.9	9.4%	5.7	74%
Q Score Composite	20.6%	14.1%	1.5	10.5%	4.5	71%
Cheap vs. Expensive	15.4%	12.9%	1.2	6.1%	3.8	65%
Best vs. Worst cash generators	13.8%	16.0%	0.9	5.7%	2.8	63%
Best vs. Worst on PB & ROE	12.6%	15.3%	0.8	3.6%	2.7	61%
Analyst Top Picks vs. bottom Picks	6.9%	13.3%	0.5	3.9%	1.8	59%
High Yield vs. Low Yield	11.0%	21.9%	0.5	6.2%	1.9	60%
Long term Winners vs. Losers	3.1%	17.1%	0.2	2.8%	0.8	52%
Good Quality vs. Poor quality	3.0%	18.8%	0.2	3.5%	0.8	59%
Large vs. Small	1.7%	21.2%	0.1	2.5%	0.6	58%
High Growth vs. Low Growth	-0.7%	13.2%	-0.1	-0.1%	0.0	47%
Reversion	-1.7%	17.3%	-0.1	0.0%	0.0	50%
High Beta vs. Low Beta	-5.1%	23.2%	-0.2	-1.6%	-0.4	46%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Indonesia – The adrenalin rush

Clearly ‘style investing’ in a market like Indonesia with fairly limited breadth can reasonably be expected to be volatile, and that is certainly the case when we look at the results. The 19% p.a. return delivered by investing in cheap over expensive is ‘Malaysianesque’ but the 25% volatility that also comes as part of the package clearly is not. Whilst many of the style results are not for the faint-hearted, it is very interesting to see that even in what is often perceived to be a strong Beta market it appears there is still some very reasonable alpha opportunities that can be reaped via a bias to certain investment styles.

Figure 42: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

We find our more ‘growthy’ valuation factor PB & ROE does well, as does the cash-flow-based value strategy. Contrary to many of the results elsewhere, investing based on sell-side analyst consensus top picks and against their bottom picks actually worked (Indonesian analysts please take a bow). Some may be surprised given this market’s reputation that a momentum bias towards previous winners doesn’t appear higher up the table. Indeed it would have done had we concluded the test in 2007. Unfortunately this approach lost a spine-tingling 75% L/S from Aug 2007 to July 2009. Ouch!

Table 39: Summary of test results sorted by Sharpe ratio

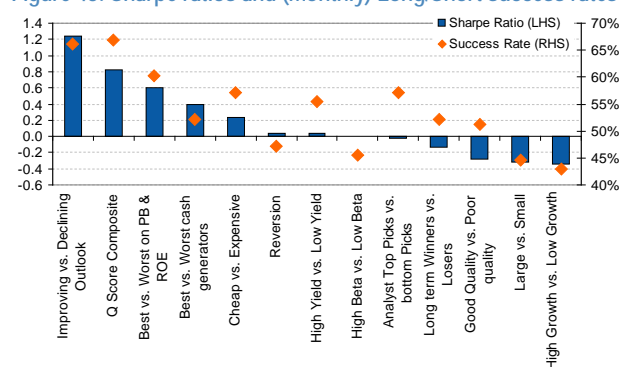
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Cheap vs. Expensive	19.1%	25.1%	0.8	11.0%	2.6	64%
Best vs. Worst on PB & ROE	14.1%	24.2%	0.6	6.3%	2.1	55%
Best vs. Worst cash generators	15.3%	28.6%	0.5	7.8%	2.0	56%
Improving vs. Declining Outlook	10.6%	19.9%	0.5	5.5%	1.9	60%
High Yield vs. Low Yield	11.4%	21.5%	0.5	1.6%	1.9	55%
Q Score Composite	12.0%	23.8%	0.5	8.8%	1.9	59%
Analyst Top Picks vs. bottom Picks	9.8%	21.4%	0.5	6.5%	1.7	58%
Reversion	6.5%	23.7%	0.3	0.3%	1.2	58%
High Beta vs. Low Beta	5.9%	23.3%	0.3	4.3%	1.1	49%
Long term Winners vs. Losers	4.6%	27.7%	0.2	5.4%	1.0	60%
High Growth vs. Low Growth	1.1%	21.7%	0.1	-1.3%	0.5	59%
Good Quality vs. Poor quality	-0.6%	21.1%	0.0	0.0%	0.2	51%
Large vs. Small	-1.3%	23.4%	-0.1	1.3%	0.2	50%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Thailand - A right royal result

We haven’t done a great deal of Thailand-specific testing before, and again breadth poses a few challenges, but we managed to get some very interesting results regardless. Once more it was sell-side analysts taking centre stage, though it was the approach based on their changes rather than their suggested buys and sells that was the focus this time. Aside from a ‘blip’ in 2008, the strategy of tilting towards those stocks with an improving outlook and against those whose recommendations and earnings numbers were being downgraded has been a remarkably consistent strategy in this market over the last 10 years.

Figure 43: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

In terms of success rate it was the composite approach that managed to top the chart (just) and, as in Indonesia, (once again putting 2008 aside) there was strong evidence to suggest combining both a value-oriented and momentum-based approach was a winning investment style. Most unlike Indonesia however were the results of investing in long-term winners. While in Indonesia the approach worked very well for a long time before blowing up in a spectacular manner, the approach of buying the winners in Thailand just delivered noise, and there is no observable evidence of reversion either.

Table 40: Summary of test results sorted by Sharpe ratio

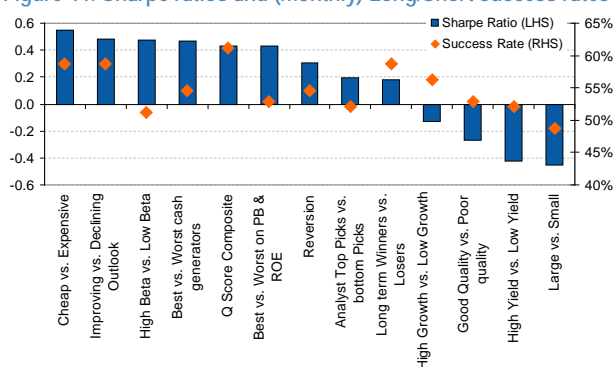
Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Improving vs. Declining Outlook	21.1%	17.0%	1.2	8.7%	3.9	66%
Q Score Composite	19.9%	24.3%	0.8	9.8%	2.8	67%
Best vs. Worst on PB & ROE	9.9%	16.5%	0.6	6.0%	2.1	60%
Best vs. Worst cash generators	8.1%	20.4%	0.4	2.5%	1.5	52%
Cheap vs. Expensive	5.7%	24.1%	0.2	6.6%	1.2	57%
Reversion	0.8%	20.3%	0.0	1.1%	0.4	47%
High Yield vs. Low Yield	0.8%	20.0%	0.0	3.9%	0.5	55%
High Beta vs. Low Beta	-0.1%	24.9%	0.0	-2.5%	0.3	45%
Analyst Top Picks vs. bottom Picks	-0.5%	21.6%	0.0	2.9%	0.3	57%
Long term Winners vs. Losers	-2.5%	17.9%	-0.1	3.6%	-0.2	52%
Good Quality vs. Poor quality	-6.7%	23.8%	-0.3	2.7%	-0.5	51%
Large vs. Small	-5.9%	18.4%	-0.3	-1.1%	-0.8	45%
High Growth vs. Low Growth	-5.8%	17.0%	-0.3	-2.9%	-0.8	43%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Philippines –The final frontier

Testing styles in the Philippines market is really pushing the boundaries, with on average only 15 stocks to work with. It is therefore not surprising to see the significance of many of our tests on the low side. Remarkably, though, there are still some interesting alpha takeaways. The 16.5% reward to earnings-based value investing was statistically significant and topped the table. Obviously – just like in Indonesia – the volatility is extreme, but the approach was surprisingly consistent, especially during the period 2002 to 2009 when it was never under water on a 12-month rolling basis.

Figure 44: Sharpe ratios and (monthly) Long/Short success rates



Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Another interesting result was in response to the size style. While many of the results presented so far highlight that this anomaly is alive and well, the strong underperformance from the biggest names was very stark in this market. The behavior-based ‘improving vs. declining outlook’ style is also worth flagging, though interestingly in this case we find that the return is primarily driven by the short side. In other words, upgrading analysts won’t move the price, but when they downgrade it’s time to pay close attention.

Table 41: Summary of test results sorted by Sharpe ratio

Style	Annual Active %	Annual Volatility	Sharpe Ratio*	I.C.	T-Stat	Success Rate
Cheap vs. Expensive	16.5%	30.0%	0.5	7.5%	2.1	59%
Improving vs. Declining Outlook	10.5%	21.6%	0.5	6.3%	1.8	59%
High Beta vs. Low Beta	11.8%	24.8%	0.5	4.2%	1.8	51%
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Reversion	8.1%	26.7%	0.3	3.3%	1.3	55%
Analyst Top Picks vs. bottom Picks	4.5%	22.7%	0.2	2.9%	1.0	52%
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High Growth vs. Low Growth	-2.6%	20.7%	-0.1	2.9%	-0.1	56%
Good Quality vs. Poor quality	-7.5%	27.6%	-0.3	-1.1%	-0.4	53%
High Yield vs. Low Yield	-11.6%	27.6%	-0.4	-0.3%	-0.9	52%
Large vs. Small	-12.0%	26.7%	-0.5	-0.2%	-1.1	49%

Source: J.P. Morgan, MSCI, Barra, Thomson Reuters, Bloomberg

Style definitions

High Yield vs. Low Yield

Style portfolios are formed by ranking stocks on their 12-month trailing dividend yield (sourced from MSCI).

Large vs. Small

Style portfolios are formed by ranking stocks on their market cap (sourced from Barra).

High Beta vs. Low Beta

Style portfolios are formed by ranking stocks on their fundamental stock Beta (sourced from Barra).

High Growth vs. Low Growth

Style portfolios are formed by ranking stocks on their EPS growth forecast based on the consensus mean of analyst estimates for FY1 and FY2 (sourced from Thomson).

Improving vs. Declining (consensus) Outlook

Style portfolios are formed by ranking stocks on a combination of:

- The average of the three-month change in FY1 and FY2 EPS (divided by estimate dispersion)
- The three-month change consensus mean recommendation
- The net revisions made to EPS FY2 calculated as street upgrades less downgrades / changes made

(Sourced from Thomson)

Cheap versus Expensive

Style portfolios are formed by ranking stocks on three variations of earnings-based value metrics where the ‘E’ is the consensus 12-month forward mean in all cases.

- P/E versus the market
- P/E versus their Sector
- P/E versus their own three-year history

(Sourced from Thomson)

Long-term Winners versus Losers

Style portfolios are formed by ranking stocks by a combination of their 12-month total return *and* their six-month price acceleration calculated as the change in the slope of the a regression line through the return series (sourced from MSCI).

Reversion (Short-term Losers versus Winners)

Style portfolios are formed by ranking stocks by their one-month total return (inverted) (sourced from MSCI).

Analyst Top Picks vs. bottom Picks (consensus)

Style portfolios are formed by ranking stocks by the consensus mean recommendation (sourced from Thomson).

Good Quality vs. Poor quality

Style portfolios are formed by ranking stocks by a combination of their trailing ROE and their Earnings Certainty (calculated as the average of the co-efficient of variation of consensus FY1 and FY2 EPS) (sourced from Thomson).

Best vs. Worst on PB & ROE

Style portfolios are formed by ranking stocks by a combination of their trailing ROE and their (inverted) trailing price to book ratio (sourced from MSCI).

Best versus Worst cash generators

Style portfolios are formed by ranking stocks by their trailing 12-month Cash Earnings (sourced from MSCI).

Composite Q Score model

The Q-Score is generated by evaluating the companies' prospects based on combining 10 such factors categorized into four factor families.

These families are current **valuation**, recent success or **momentum**, **quality** attributes and a consideration of recent changes in **earnings and sentiment**. The detail for each factor family is shown in the table below.

For more detail on factor definitions, the testing process or for any other quant related service please contact Steve Malin (steven.j.malin@jpmorgan.com) or Robert Smith (robert.z.smith@jpmorgan.com).

Table 42: Q-Score Model components – four family composites, using a total of 10 input factors

Value Q-score	Earnings Q-score
<p>Many quant researchers have explored the 'Value Anomaly' and it is widely recognized that low P/E stocks outperform high P/E stocks over the long term. Similar analysis has shown consistent results using P/Sales, P/Dividend and P/Book ratios. Our studies have also shown that Earnings Growth can complement straight Value factors in many markets.</p> <p>Component Factors 12M Forward P/E Vs Market (34%) 12M Forward P/E Vs Country Sector (33%) EPS Growth; forecast FY1 mean to FY2 mean (33%)</p>	<p>The market is not efficient at incorporating new information and a window of opportunity exists to exploit recent analyst revisions in earnings and recommendations. Similarly analyst behavioral biases lead to subsequent changes suggesting an exploitable serial correlation in earnings upgrades/downgrades.</p> <p>Component Factors Earnings Momentum 3M avg FY1&FY2, Risk Adjusted (34%) 1M change in consensus recommendations (33%) Net Revisions (upgrades-downgrades) to mean FY2 EPS (33%)</p>
Momentum Q-score	Quality Q-score
<p>Momentum theory for stock prices suggests that companies that do well in one (long term) investment period will continue to do well in the subsequent investment horizon. Over short time frames (<1month) studies have also highlighted the tendency of stocks to overreact leading to short term reversion. We have widely observed these phenomenon in our own testing</p> <p>Component Factors 12M Price Momentum (75%) 1M Price Reversion (25%)</p>	<p>Whilst arguably less readily observable than some other factors, it is generally accepted that it is desirable to tilt portfolios towards highly profitable and good quality businesses. Similarly over the long term the market also appears to reward 'earnings certainty' and penalize those stocks that carry a large degree of earnings risk.</p> <p>Component Factors Trailing ROE: (50%) Earnings Risk: Variation in FY1 and FY2 forecast EPS (50%)</p>

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Japan Economic Outlook

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- **The U.S. and European economies are likely to get off to a sluggish start in 2012, owing to fiscal austerity and heightened financial stress.**
- **Japan's economy, though, is likely to grow faster than its potential growth rate thanks to domestic demand – in particular fiscal spending to rebuild the Tohoku region.**
- **Nevertheless, we see many downside risks for Japan's economy, including a further downturn in external demand and yen appreciation.**
- **For the longer term, it remains to be seen whether politicians can rise to the challenge of seriously addressing the many structural issues for Japan's economy, such as a falling birthrate, an aging population, and an unsustainable fiscal structure.**

Sluggish start for the U.S. and European economies

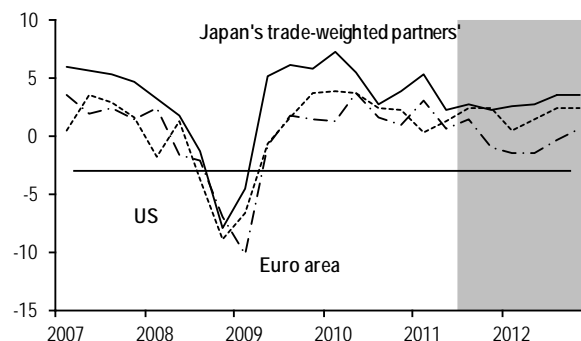
The US and European economies are likely to get off to a sluggish start in 2012. There are still many uncertainties in the US, depending on how the fiscal debate plays out between Democrats and Republicans during the rest of the year, but fiscal drag is likely to weigh on the economy because of the winding down of post-financial crisis economic stimulus policies and the expiration of payroll tax cuts implemented at the start of 2011. The firming of growth that has taken shape in 2H 2011 is likely to lose momentum in early 2012. The uncertainties are even greater for Europe. At a summit meeting, European leaders came up with a comprehensive plan on October 26 to deal with the region's fiscal and financial crises, but it is difficult to tell how effective it will be. Even if a crisis is averted, fiscal austerity and deleveraging by European financial institutions (reductions of assets and credit) are all but certain to drag down European economic growth. The euro zone is already in at least a mild recession.

For our main scenario, though, we are not overly pessimistic; we expect recovery to some extent in the latter half of the year. The US economy's fundamentals

have not worsened further, thanks partly to a strong corporate sector at a time of ultra-accommodative financial conditions. If the fiscal drag substantially eases, we do not think it would be difficult for economic growth to be in line with the Fed's perception of the potential growth rate (2.5% annualized). We think European policymakers will be able to come up with more far-reaching policy measures to avert a crisis and the region's economic growth will resume at the end of next year. Meanwhile, growth should remain solid in China and other emerging countries. For Japan, external demand is likely to slow substantially in the first half of 2012 and then rebound to some extent in the second half.

Real GDP

%q/q, saar



Source: CEIC and J.P. Morgan estimates.

Economic forecast summary

%ch saar (except as noted)

	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	2010	2011	2012	
Real GDP	5.5	2.0	1.8	1.5	1.3	1.3	4.0	-0.6	1.9	
Real private consumption	2.0	0.8	0.5	0.5	0.5	0.5	1.8	-0.6	0.7	
Real capex	5.0	4.5	4.0	3.5	3.5	3.5	2.1	-0.1	3.5	
Net trade contribution to GDP growth	2.5	0.3	-0.1	-0.3	-0.1	0.0	1.8	-0.4	0.1	
IP	17.0	3.0	2.0	1.0	2.0	2.5	16.6	-3.2	2.7	
Core CPI (oya)	0.2	-0.2	-0.4	-0.8	-0.7	-0.6	-1.0	-0.3	-0.6	
Unemployment rate (%)	4.4	4.3	4.2	4.2	4.2	4.2	5.0	4.5	4.2	
BoJ Policy rates (% p.a.)	0.0-0.1 0.0-0.1 0.0-0.1 0.0-0.1 0.0-0.1 0.0-0.1									
General gov net lending (% of GDP)								-8.1	-8.9	-9.5

Source: Cabinet office, METI (Ministry of Economy, Trade and Industry), MIC (Ministry of Internal Affairs and Communication), Bank of Japan, J.P. Morgan.

Support for Japan's economy from reconstruction demand

We think Japan's economy will continue to recover moderately, mainly because of fiscal spending to rebuild the Tohoku region, as provided for by the third

supplementary budget, which is almost certain to be approved. We forecast real GDP growth of 1.9% in 2012, with nearly all coming from domestic final demand and only a net 0.1ppt from external demand. We expect the direct contribution of government spending to account for 0.8ppt of domestic final demand. On a sequential basis, our forecast looks for real GDP growth above 1.5% in the first half and then slow to just over 1% in the second half as the impact of fiscal spending diminishes.

Growth above 1% would narrow the output gap, and thus lead to a decline in deflation pressure, given that the potential growth rate is about 0.5% in Japan. Still, we do not expect deflation to end in 2012 partly because energy prices have stabilized. The BOJ is unlikely to modify its ultra-accommodative policy through next few years.

Many downside risks, though

We see many downside risks for Japan's economy, though. As our main scenario, we expect a European financial crisis to be averted, but the basis for our view is not that strong. The same goes for the US, but with "dysfunction" in Washington hampering policymaking, economic growth may worsen further. We think the US economy is vulnerable to further shocks from balance sheet adjustments by consumers and financial institutions. Considering that the likelihood of another major global recession is not at all low, we believe Japan's economy could be hit by not only a decline in exports but also further yen appreciation from risk-off moves in financial markets. In such a situation, we would like to believe that the government and the BOJ will come up with bold policy measures, but we find it difficult to have conviction in the specifics and the effectiveness of the measures.

Fundamental changes needed for Japan's economy

Japan's economy faces many long-term structural issues, such as a falling birthrate and aging population, an unsustainable fiscal structure, and dealing with the rise of emerging economies. We believe these challenges must be addressed by bolstering the sustainable growth potential (raising the potential growth rate), which in turn requires fundamental social and economic changes. Not only the Trans-Pacific Partnership free-trade pact, social security reforms, and other near-term issues but also the longer-term future for Japan's economy and society should be discussed, in our view. In this regard, politicians face high expectations.

Asian Economic Outlook

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Asia still outperforming rest of EM, even as GDP growth takes another step down

For 2012, J.P. Morgan's macro research team forecasts that real GDP across EM Asia will grow a decent 6.5%yoy, extending further the recovery trend that began in early 2009. Importantly, China and India should again lead the region, with growth expected to be 8.3% and 7.7%, respectively. Compared to previous years, our 2012 GDP forecast represents another year or relatively slower growth, with the pace of economic expansion for 2011 estimated to be 7.1%, which was down from 9.1% in 2010. We would also point out that consensus forecasts for Asian GDP growth in 2012 look a bit too high (as was the case in 2011), so we would expect the market is in for some growth disappointments next year.

But even with more moderate growth in 2012, EM Asia will again outperform other EM regions. Excluding the regional heavyweights of China and India, the more cyclical economies in the region are forecast to grow 3.5%yoy next year, outpacing Latin America (3.2%) and Emerging Europe (2.5%). Of course, if China and India are included, then the gap between Asia and the rest widens significantly. Worries about economic "hard landing" were present for much of 2011, with comments about 6% growth or even lower not uncommon. It would not be surprising to hear those same commentators reset their China hard landing forecasts for 2012, but our view is that such expectations will again be proven wrong.

Current account surpluses coming down further

Sturdy domestic demand growth in EM Asia, combined with sluggish exports to DM markets, should produce yet another year of decline in the region's current account (CA) surpluses. By our forecasts, the CA surplus in China will drop decisively below 3% of GDP in 2012, well down from the double-digit rate in 2008. Meanwhile, in Indonesia, the CA balance should finally flip from a small surplus to a deficit just over 1% of GDP by next year. In India, the CA deficit should decline, but remain above 2% of GDP in 2012. Importantly, even though CA balances in most of the region are expected to decline, surpluses should still be the rule, not the exception. That

said, the padding of these CA surpluses that many countries in the region in 2011 should be lower next year.

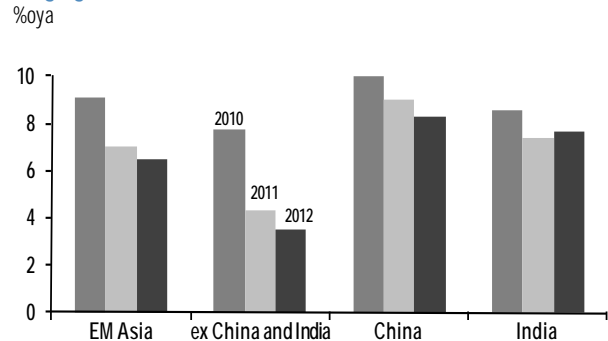
Headline inflation decline still has further to run

One macro fixture of 2011 that is not expected to be present in EM Asia for much of 2012 is rising inflation and inflation expectations. As the food and energy-driven rise in inflation gets flushed out of the system, our long-held view that inflation will roll down in 3Q11 is playing out and we expect that trend to continue into next year. Excluding China and India, headline CPI inflation should ease from 4%yoy in 2011 to 3.2% in 2012, with more dramatic drops in China (from 5.5% to 3.7%) and India (from 8.9% to 7.8%). Our forecast for moderate economic EM Asia growth next year, in the context of a tight underlying labor market, is consistent with a gradual increases in wages, even in the face of substantial external demand uncertainty. As always, the very large caveat in our forecast of a softening of inflation concerns in EM Asia is the assumption that commodity prices are well behaved. The J.P. Morgan commodity research team currently expects prices for Brent to stay in a \$100-120/bbl range through 2012, with similarly flattish forecasts for agricultural commodities like corn, wheat, and soybeans. Given our view that inflation dynamics in the region are dominated by food and energy prices, any significant change in our commodity price assumptions would prompt us to revise our inflation forecasts.

A bit of policy rate trimming, a little less FX appreciation

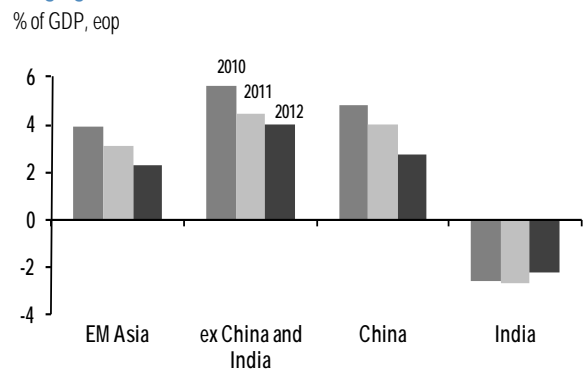
In 2011, EM Asia led other central banks in reversing about 60% of their post-Lehman emergency policy rate cuts, but it seems very clear that Asia will not be a leader when it comes to reversing any policy normalization that had been achieved. To put this discussion into context, it is important to understand that, at the end of 2011, EM Asia will have fulfilled its role as the reluctant global leader in policy normalization, having unwound a bit less than 60% of the emergency rate cuts deployed during the global financial crisis.

Emerging Asia: Real GDP



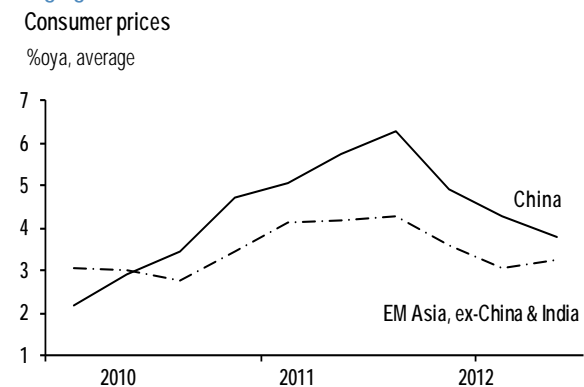
Source: CEIC and J.P. Morgan estimates.

Emerging Asia: Current account balance



Source: CEIC and J.P. Morgan estimates.

Emerging Asia: Inflation



Source: CEIC and J.P. Morgan estimates.

This is more than double the unwind seen in Latin America. Now, with global conditions again deteriorating, we are expecting Latin American central banks to go fully into reverse, with cuts forecasted in Brazil, Mexico, Chile, and Peru. In contrast, although Indonesia has cut rates already and is expected to do more in 2012, we do not see BI as a leading indicator for the rest of EM Asia. For key countries, including China, India, and Korea, we do not expect any policy rate cuts in 2012. Indeed, our view is that in all three countries the risk of increases is higher than that of cuts. Our forecast is based on a view that EM Asia has economic fundamentals that are stronger than those of other regions and at the same time the region also has more policy flexibility to ease, outside of cutting policy rates, if growth needs to be supported. That said, if external economic and financial conditions deteriorate further next year, across the board, EM Asia has the policy headroom to reverse course and substantially cut rates, if needed.

From a monetary conditions point of view, Asian policymakers also tightened by allowing their currencies to gradually appreciate. Even during the recent bouts of global risk aversion, Asia FX has depreciated less than other EM currencies. As noted in the section that details our Asia FX forecasts for 2012, we expect another year of gradual FX, with CNY again being a key call. In aggregate, we are forecasting a 2-3% appreciation of the ADXY basket against the USD. With current account surpluses and capital inflows still generally the rule (though both lower than in 2011), more gradual FX reserve accumulation is expected in EM Asia next year.

Fiscal positions strong and ready to be deployed

While EM Asia has the ability to cut policy rates and spend FX reserves as buffers against DM stress that extends through 2012, it is more likely that policymakers will use fiscal policy as a first line of defense. Budget deficits remain small and are expected to average 2% of GDP in 2012, about the same as in 2011. Excluding China and India, our forecast is for EM Asia budget deficits to average a mere 0.5% of GDP. Governments were conservative with revenue projections in 2011, resulting in revenue outperformance, while expenditures have generally run under target. India remains the exception, with our forecast calling for needed fiscal consolidation to take the budget deficit below 5% of GDP.

Emerging Asia: Foreign Reserves

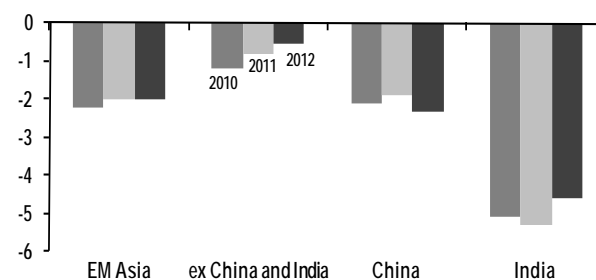
9 month change, eop, US\$bn

Country	10-Dec	11-Sep	Change
EM Asia	4,750	5,218	468
EM Asia ex CN	1,903	2,016	113
China	2,847	3,202	355
Hong Kong	269	278	9
India	297	311	14
Indonesia	96	115	19
Korea	292	303	11
Malaysia	106	131	25
Philippines	62	75	13
Singapore	226	234	8
Taiwan	382	389	7
Thailand	172	180	8

Source: CEIC and J.P. Morgan estimates.

Emerging Asia: Fiscal Deficit

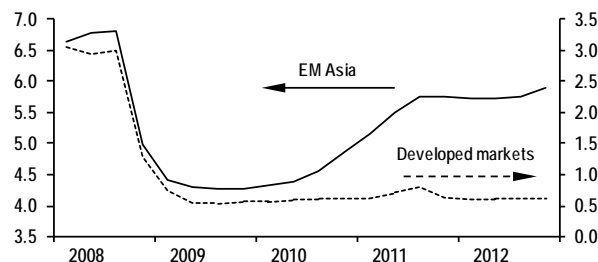
% of GDP, eop



Source: CEIC and J.P. Morgan estimates.

Developed Markets and EM Asia: Policy Rates

%p.a., eop, both scales



Source: CEIC and J.P. Morgan estimates.

China Economic Outlook

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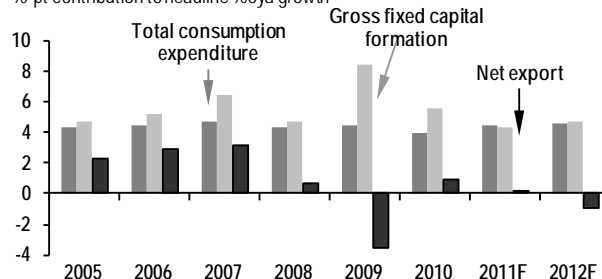
J.P. Morgan's baseline scenario calls for China's real GDP growth to decelerate modestly from 9.0%oya this year to 8.3% in 2012. Regarding the growth trajectory, our latest forecasts look for China's real GDP to grow at a steady 8.0%q/q saar in 4Q, similar to 7.9%q/q saar in 3Q. Going into 2012, headline GDP growth is likely to slow to around 8%oya in the first two quarters, followed by a slight pick up in the second half.

The main drag to China's growth in the coming quarters will be external headwinds, in our view, especially regarding weaker final demand growth from the DM world, with net exports expected to subtract 0.9%-pt from headline growth next year. However, on the domestic side, consumption should remain supported by solid employment growth and broad-based wage gains, while growth of fixed asset investment (FAI) will likely moderate but remain solid next year. In particular, we expect real FAI growth to moderate only from 17% this year to 15% in 2012, as the slowdown in investment in the areas targeted by tightening measures (such as private real estate investment) will be largely offset by more investment in sectors with strong government support (such as public affordable housing, water conservation, subway systems and services). Indeed, with growing concerns over the external environment, fiscal policy will likely turn more supportive of growth going ahead, allowing for expansion in infrastructure investment projects, especially in the central and western regions of the country, consistent with the 12th Five-Year Plan's goal of urbanization and regional growth rebalancing.

On the inflation front, October CPI came in largely in line with expectations at 5.5%oya, with broad-based easing in prices across food and non-food categories. We expect China's CPI inflation to continue easing. While the base effect is likely to turn increasingly favorable in the coming months, the moderation in global commodity prices will further mitigate the inflation pressure in China, as highlighted by the recent notable easing in the PPI, and the sharp fall in the PMI input cost component. Our expectation for China's headline CPI inflation to end the year at about 4.5%oya seems to be well on track. And we expect 2012 CPI inflation to average at a moderate 3.6%oya.

China: contribution to headline GDP growth

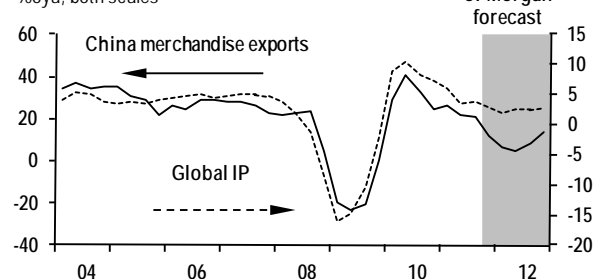
%-pt contribution to headline %oya growth



Source: CEIC and J.P. Morgan estimates.

Global IP and China merchandise exports

%oya, both scales



Source: CEIC and J.P. Morgan estimates.

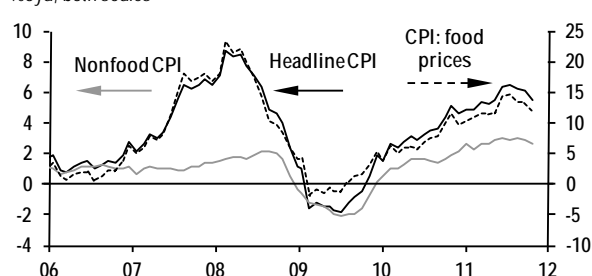
China nominal fixed asset investment breakdown

	2009 2010 2011ytd 2012f				
	%share	%oya	%oya	%oya	%oya
Total	100.0	30.5	24.5	24.9	18.0
Primary industry	2.3	49.9	18.2	25.5	25.0
Textile and related	2.3	16.5	28.5	34.7	15.0
Metal and commodities	12.1	25.0	21.9	25.5	15.0
Machinery & electronic equipment	9.4	32.9	34.9	39.6	25.0
Transportation equipment	2.8	31.3	31.7	32.1	15.0
Electricity, gas, and water production	4.6	28.5	7.3	3.7	12.0
Real estate	25.5	19.9	33.5	32.6	10.0
Transport infrastructure & construction	10.0	48.9	21.3	9.2	20.0
Water conservation, environment manag.	8.1	45.1	24.5	17.2	35.0
Healthcare, social security, education, etc.	3.6	45.4	17.4	21.1	25.0

Source: CEIC and J.P. Morgan estimates.

China: headline CPI, food prices and non-food CPI

%oya, both scales



Source: CEIC and J.P. Morgan estimates.

With inflation on a moderating path, and in the face of increased external concerns, the Chinese authorities have adopted some "selective easing" measures recently.

These include a mix of fiscal and credit measures, such as a favorable tax treatment for selected service sectors, credit support for SMEs and the aggressive affordable housing program. Fiscal and credit support has also been committed to fund new FAI projects, such as in water conservation and the subway system. On monetary and credit policy, while we expect the central bank to hold policy rates unchanged, the authorities will likely ease bank credit controls and liquidity in the coming months, and to cut RRR—a stronger signal of monetary easing—sometime in 1Q12.

While the housing market has received heightened market attention, in our view, China's house market correction has just started. We expect house prices to fall by 5-10% at the national level in the next 12-18 months. Housing market adjustment will cause the economy to grow at a slower, but still solid pace. While private real estate investment is likely to slow alongside housing prices and new housing starts in 2012, the construction of affordable housing should provide additional meaningful support. We believe such housing market adjustments will not cause major stress for the banking system.

Indian Economic Outlook

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Activity

Economic activity in India is currently slowing down on account of a policy-induced moderation of domestic demand in conjunction with a moderation of external demand. With corporate investment growth remaining relatively muted since the global financial crisis, and capacity constraints increasingly binding across sectors, we had expected the private capex cycle to start accelerating towards the end of this fiscal year (1Q2012). However, stubbornly high inflation and more recent fears of significant fiscal slippage have resulted in macroeconomic uncertainty staying high. This, in conjunction with a variety of governance and regulatory issues, has contributed to vitiating the investment climate. As a result, we now expect a pick-up in the private capex cycle to be delayed until the second half of 2012. Additionally, export growth is showing signs of slowing after sizzling for most of the last year. Consumption

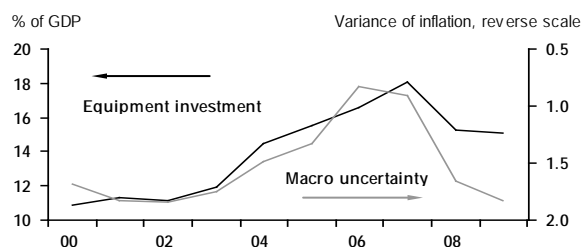
growth, too, is showing signs of moderating—on account of both high inflation squeezing purchasing power and interest rate rises inducing a moderation in demand. However, we still expect consumption growth to hold up relatively well, given strong wage growth in the rural economy.

Given all this, we expect growth to slow sequentially over the next few quarters, before beginning to re-accelerate in the middle of 2012. We therefore expect GDP growth to slow to about 7.4 % in FY12 (year ending March 2012) before re-accelerating to about 7.7 % in FY13 (year ending March 2013) on the back of a pick-up in the private investment cycle and a re-acceleration of export growth as the global economy recovers in the second half of 2012.

Inflation and monetary policy

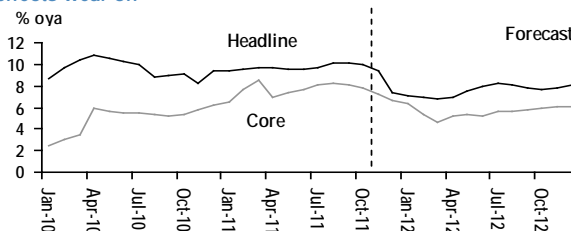
Inflationary pressures and expectations remain strong in India. Inflation has stayed above 9% for all of 2011 thus far. Food inflation has again climbed above 10%, the depreciating currency has increased the domestic cost of tradables, and demand has still not slowed to the point at which pricing power has abated across the board.

Rise in macro uncertainty has been driver of investment slowdown



Source: CEIC and J.P. Morgan estimates.

Inflation expected to tick back up in 2012 after the favorable base effects wear off



Source: CEIC and J.P. Morgan estimates.

That said, we do expect year-on-year inflation rates to moderate appreciably from December 2011 onwards, but only because there is a large, favorable base effect that starts that month and runs until March 2012. The large base effect is expected to ensure that inflation moderates to about the 7% level by March 2012. However, unless the momentum of inflation slows further, we expect inflation to tick back up above the 8% mark in the second half of 2012.

After raising policy rates 13 times over the last 18 months, the RBI signaled a near-term pause in rate increases. With the RBI diluting its anti-inflationary stance somewhat in the last policy review and with inflation expected to moderate to the 7% levels by March 2012, we expect the central bank to be in pause mode until March. However, with inflation expected to tick back up after that, we cannot rule out more rate rises in the latter half of 2012. Specifically, the RBI may be forced to increase policy rates by another 50bp in the second half of 2012 given our projected inflation trajectory.

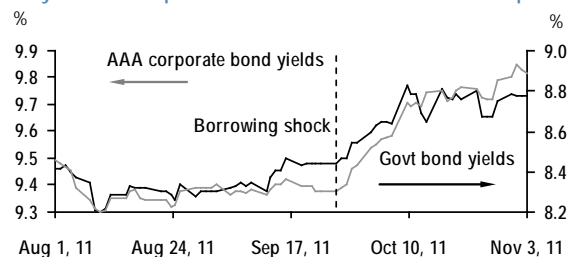
Fiscal Policy

The government budgeted for a fiscal deficit of 4.6 % of GDP in FY12, but there are growing fears in the market that fiscal slippage could be significant. These fears were exacerbated when authorities unexpectedly announced additional bond issuance of 0.6 % of GDP for the second half of the year, because other sources of financing the deficit had not materialized. Since that announcement at the end of September 2011, government bond yields have spiked 60bp and pushed up corporate bond yields by 30-40bp.

The market believes that the fiscal deficit for FY12 will print close to 5.5 % of GDP as tax revenues will slow, non-tax revenues (disinvestment proceeds) are likely to severely disappoint, and budgeted subsidies are likely to overshoot. However, we believe the eventual fiscal slippage will be contained, and the deficit will print below 5% of GDP as cost over-runs in some programs will be offset by savings in others. Net of asset sales, this would still constitute a meaningful fiscal consolidation over the previous year, though.

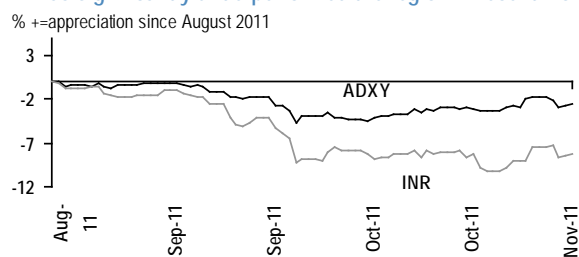
It is imperative that the FY13 budget, to be presented in February 2012, commit to credible fiscal consolidation. Absent that, bond yields, crowding out fears and macroeconomic uncertainty could stay high, pushing out the investment cycle even further.

India: yields have spiked since the fiscal shock in late September



Source: CEIC and J.P. Morgan estimates.

INR has significantly underperformed the region in recent months



Source: CEIC and J.P. Morgan estimates.

INR and the external sector

After demonstrating remarkable resilience for the first half of 2011, the INR has depreciated sharply in recent months (12 % since August 2011) and significantly underperformed the region. This is typical of the INR's "high-beta" behavior during periods of global stress, given that it is the only current account deficit country in the region, and therefore reliant on external capital flows for financing.

We expect the INR will exhibit "binary" behavior. If global stress remains elevated, the INR could remain weak and continue to under-perform the region. However, with trade fundamentals likely to get more supportive (see below) if global risk aversion were to abate and domestic sentiment towards the currency improves, the currency could mean revert relatively quickly – as has been the case in the past.

As alluded to above, manufacturing export growth has sizzled for most of 2011 reflect India's increasing product and geographical diversity. However, softening global demand has finally induced a downshift in manufacturing exports in October and export growth could stay relatively tepid in the coming months before re-accelerating in 2012 as the global economy gathers steam.

While import growth has stayed solid, we expect it to moderate in the coming months to reflect a slowing economy. As such, the trade and current account deficit

is expected to narrow in the coming months. Given elevated crude prices however, we expect the current account deficit will widen to about 2.9 % of GDP in FY12 from 2.6 % in FY11. However, we still expect it to be financed as a pick-up in FDI and external commercial borrowings is expected to offset a slowdown in portfolio flows.

Korean Economic Outlook

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We expect real GDP to rise 3.8% y/y in 2012, about the same pace as in 2011. However, the details will be different, in our view, with growth leadership likely to move more in favor of domestic demand and growth momentum to concentrate more in the second half. Given that policy factors in the US and Europe remain uncertain, clouding the medium-term global growth outlook, J.P. Morgan's current forecast assumes a mild recession for the euro zone, a sluggish but still positive growth for the US, and a trend growth for China, while Korea's macroeconomic policies should turn relatively supportive, taking a deep breather on their exit from previous stimulus.

Growth leadership to rotate

Custom exports increased 9.3% oya only in October, decelerating from the average 23.6% rise for the first nine months. Such a slowdown will continue for now, in our view, keeping the 2012 full-year exports gain far lower than in 2011. Much of this will be due to the decline in the export shipments to the euro area, while Korea's exports to China and other Asia are expected to stay relatively firm. By product, vessel exports should slow the most, with the orders having peaked in 2008 to decline sharply in 2009 and the usual time lag between order placement and deliver being about 2-3 years.

However, we expect domestic demand to stay relatively firm, to increase its contribution to the headline GDP growth. Among all, construction investment is likely to improve the most, with its full-year growth likely to turn positive after having dipped into the red in 2010 and 2011. Supporting this view, construction orders started picking up in the middle of this year, although through heavy monthly volatility. Fiscal policies are also expected to turn supportive for now. In the first three

quarters of this year, fiscal spending has been slower than previously planned even as tax revenues outperformed the target, implying that the Korea government has ample resources to help the economy in 4Q11. In 2012, budget plan itself does not look such expansionary, but the government is expected to front-load the spending in the first half to cushion against possible headwinds from DM economies.

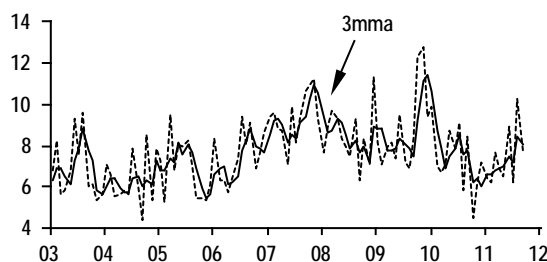
Key expenditure components of GDP



Source: CEIC and J.P. Morgan estimates.

Domestic construction orders

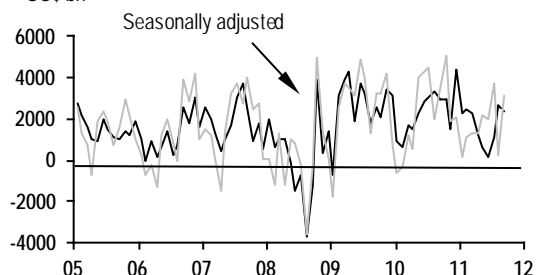
trillion KRW, sa



Source: CEIC and J.P. Morgan estimates.

Current account balance

US\$ bn



Source: CEIC and J.P. Morgan estimates.

Current account surplus to narrow, but external position to remain healthy

As domestic demand should play a better growth leadership in 2012, we expect Korea's current account surplus to decline. However, such deterioration is unlikely to cause any concerns about Korea's fx debt

insolvency. Indeed, we maintain the view that Korea's external position will remain far healthier than in 2008. First, Korea's short-term fx debts stayed lower than in 2008, with the government having regulated the banking sector's fx borrowing and forward position over the past three years. Second, Korea's official FX reserves have steadily increased, pushing their ratio to the country's short-term FX debt to 203% at end-2Q11, up from 126% in 3Q08.

Inflation to decelerate further in 1H12

Consumer price inflation peaked in August, and has decelerated since September, mainly due to food prices that have unwound much of the rise in previous months as weather conditions have turned favorable. The weather impact on fresh food appears to be over, and the possible secondary impact on manufactured food and eating-out prices would be to constrain headline CPI. On top of this, the base effect is likely to stay favorable in 1H12, decelerating the over-year-ago inflation to the mid-point of the Bank of Korea's target band. One risk factor to this view would be a currency move, with about 10% of a trade-weighted KRW tending to raise overall consumer prices by 0.7-0.8%.

Bank of Korea to stay put

The Bank of Korea kept the policy rate on hold for five straight months, after having raised it 125bp since July 2010. The Bank of Korea's comments remain hawkish, delivering the message that its no-rate-action decision is a temporary breather but not a termination of policy rate normalization. Still, based on the governor's comments on the three conditions for the resumption of policy rate increases, we expect the Bank of Korea to take a long pause on its policy rate normalization, with Korea growth is unlikely to exceed its potential growth anytime soon and inflationary expectations to eventually come down as actual prices would ease for now. However, any move to an easing bias would require further deterioration in economic conditions at home and abroad, especially as key policymakers are concerned that a lower policy rate may accelerate the pace of household sector debt gain. Against this backdrop, we expect the Bank of Korea to stay on hold in 2012, possibly shifting its policy stance to neutral by early next year.

Gradual pace of KRW appreciation to continue but through heavy volatility

We maintain the view that a gradual pace of KRW appreciation will continue in the medium term. Valuations, balance of payment dynamics and policy makers' preference for stable inflation in the year of two key elections (April and December) continue to support

KRW value. However, in the near term, KRW will be vulnerable to the progress of global risk aversion, which itself is linked to the euro area's struggle to solve the periphery's debt problems.

Taiwan Economic Outlook

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Taiwan's 3Q GDP report confirms further slowing in the real economy, with real GDP rising at slower-than-expected 3.4% oya. The Directorate General of Budget, Accounting and Statistics estimates that, seasonally-adjusted, real GDP contracted 1.1% q/q, saar in 3Q11 following the modest gain at 0.6% q/q, saar gain in 2Q. In particular, the impact of sluggish external demand had shown up on the Taiwan economy during 3Q, with exports of goods and services contracting 5.6% q/q, saar. On the domestic front, fixed investment was dragged by the uncertain business outlook, with imports of capital goods falling 49.0% q/q, saar in 3Q, while private consumption held up well, rising 3.6% q/q, saar.

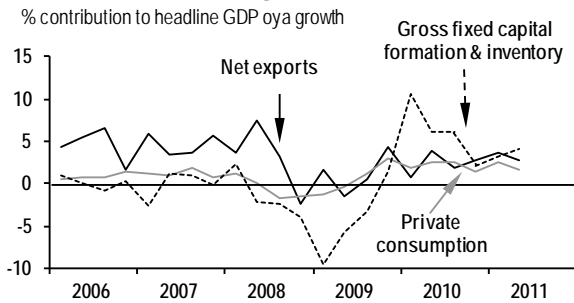
Looking ahead, the Taiwan economy – in particular the export sector and the manufacturing industry – will continue to face external headwinds, in the form of weak global final demand, led by the DM world, as well as the near-term pressure on the global manufacturing from the inventory correction cycle. In Taiwan, the manufacturing PMI fell further in October to reach 43.7, the lowest level since January 2009, with the export orders component falling to 39.9. Overall, we expect some sluggish growth momentum in the Taiwan economy in the near term. Our full-year 2011 GDP growth forecast now stands at 4.4% oya, with the full-year 2012 GDP forecast at 3.0% oya.

Meanwhile, compared with the last global recession starting in 2H08, Taiwan's domestic economy appears to be in a better shape this time. During the economic recovery from the global financial crisis, Taiwan's domestic demand has been supported by the broad-based benefits to the economy, not only in trade activity, but also in service sectors (including tourism) and investment flows, arising from intensifying cross-strait economic links. Interestingly, recent surveys suggest that household confidence in employment opportunities six months ahead continued to reach new decade-high. As a result,

while we expect external headwinds to exert drags on the labor market, especially regarding industrial employment going ahead, the impact on domestic demand and the overall economy will likely be more modest compared to the last global recession of 2008-09.

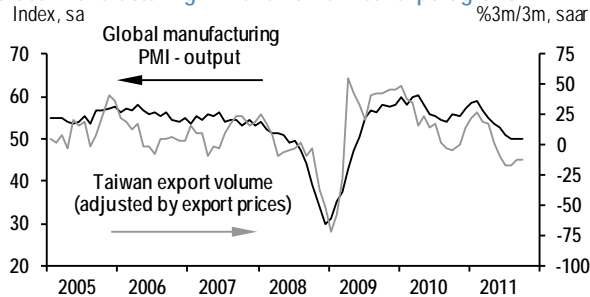
Taiwan's CPI inflation figures have been largely well-behaved and rather modest in the latest round of economic expansion. On monetary policy, considering the ongoing global economic uncertainty and the potential impact on the Taiwan economy, along with the outlook that Taiwan's CPI inflation will be well-contained (the DBGAS forecast for 2012 CPI inflation has been revised down to 1.12% oya, from 1.21% oya previously), we expect the Taiwan central bank to keep major policy rates on hold at the December quarterly policy meeting. Policy rates will likely be on hold through the course of next year as well.

Taiwan: contribution to GDP growth



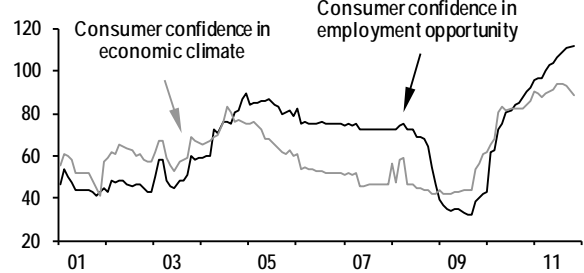
Source: CEIC and J.P. Morgan estimates.

Global manufacturing PMI and Taiwan real export growth



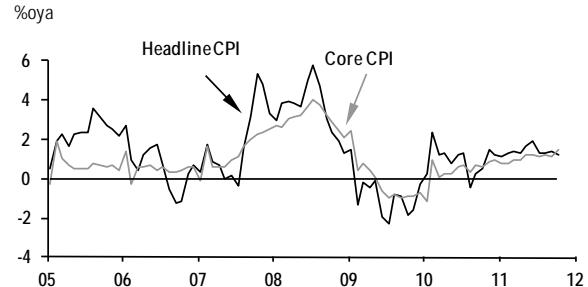
Source: CEIC and J.P. Morgan estimates.

Taiwan: consumer confidence index – six-month outlook



Source: CEIC and J.P. Morgan estimates.

Taiwan: headline and core CPI



Source: CEIC and J.P. Morgan estimates.

ASEAN Economic Outlook

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Following the strong post-crisis rebound in 2009 and 2010, 2011 ended up being a more challenging year for growth. 2012 is expected to be no better and possibly worse than 2011, reflecting the combined headwinds of fiscal austerity in DM and potentially more challenging financial and credit conditions more broadly. What this also implies is that the growth dispersion within the region will increase, with the smaller more open ASEAN economies likely slowing more than the larger, less open economies in the region.

With financial conditions also expected to be challenging, the balance of payments outlook will also be important given the potential transmission through the capital account into domestic liquidity conditions. Here, countries with large current account surpluses and lower foreign liabilities will likely be less affected by a further tightening in external financial conditions.

Despite the challenges in the external environment, policy makers have some policy flexibility, either through fiscal or monetary channels, and its impact will vary depending on the fiscal headroom and inflation outlook. Nonetheless, these policies will not fully offset the potential weakness in DM, in our view, given that the region continues to be very open and remains a global price taker.

Indonesia – balance of payments in focus

While 2012 growth in Indonesia is expected to be come in at the top of the ASEAN pack, at 5.2%oya, the main concern will be the impact of less supportive external financial conditions. This focal point reflects the forecast of the emergence of a current account deficit and more volatile capital flows. While the overall balance of payments is still expected to end the year above zero, the volatility is expected to rise. In this context, the policy response in the recent past to market volatility has been commendable, in our view, and suggests that the risk of a boom-bust in its asset markets has been reduced through more active policy intervention. Nonetheless, with US\$ funding expected to tighten in 2012, this could pose a challenge for domestic banks that have lent aggressively in foreign currency.

That said, the economy has been and will likely continue to be resilient and steady expansion in private consumption is expected to continue underpinning growth in spite of developments in the external environment.

Malaysia – limited fiscal headroom

While Malaysia is ostensibly one of the most open countries in the region, the direct transmission from the slowdown in external demand to be domestic economy has declined. This likely reflects a relative shift in the composition of exports, with commodities bulking larger. Commodity income effects have thus helped buffer consumption, which has also benefited from firm credit expansion. The interplay of domestic demand and inflationary risks is forecast to keep the central bank firmly on hold until inflationary risks abate, which itself will to a degree take its cue from the commodity complex and credit availability. One potential fly in the policy ointment is the self-imposed domestic debt ceiling of 55% of GDP. This suggests that any fiscal response to an external slowing will either come through the Government Linked Corporations and targeted fiscal expansion. In this context, the further expansion of the Economic Transformation Program could also provide a fillip to domestic demand. Aside from economic

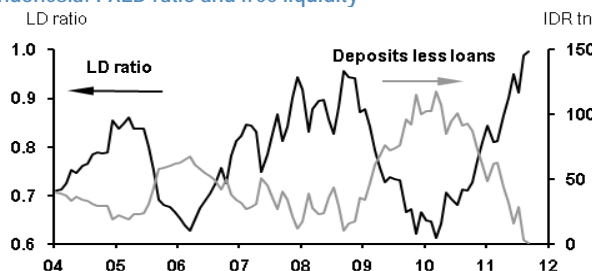
developments, the near-term focus will be on the outcome of the upcoming parliamentary elections. This will set the policy tone over the medium term.

ASEAN ex ID GDP and global PMI new orders



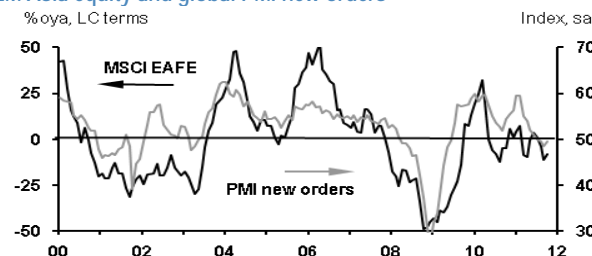
Source: CEIC and J.P. Morgan estimates.

Indonesia: FXLD ratio and free liquidity



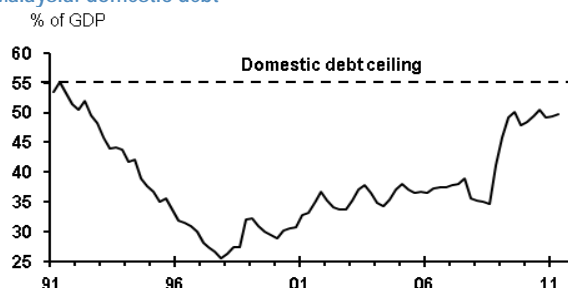
Source: CEIC and J.P. Morgan estimates.

EM Asia equity and global PMI new orders



Source: CEIC and J.P. Morgan estimates.

Malaysia: domestic debt



Source: CEIC and J.P. Morgan estimates.

Philippines – buffers in place for a slowdown

Growth is expected to slow modestly in 2012 but the Philippines is better positioned than most of its neighbors to withstand a slowdown in global growth. Remittances remain key as continued growth in inflows from overseas foreign workers will underpin the country's current account and balance of payment surpluses in 2012 as

well as support private consumption (75% of GDP). Moreover, inflation is expected to slow to at least the midpoint of BSP's 3%-5% target range by midyear from 5.2% oya in October, giving BSP the room to ease monetary policy if needed. And unlike previous years, the government has massively under spent this year, providing fiscal flexibility for additional stimulus (if the government can get spending out the door).

Singapore – bracing for volatility

As the most open economy in the region to trade, Singapore is the most vulnerable to shifts in global growth. Singapore's push to diversify into finance and tourism may not prove to be as beneficial as hoped. If global demand falters, growth in these sectors will suffer too. Global growth trends aside, Singapore's economic cycle has become more volatile due to the increasing presence of the biomedical cluster, which can jolt growth back and forth from quarter to quarter. As a result, sequential growth in 2012 is likely to be volatile while annual growth is likely to be slow (1.5% GDP forecast currently). As growth slows, core inflation (ex accommodation and private transport) should too. However, due to technical methodological factors related to imputed rents in the CPI and deliberate government policy to reduce COE supply, headline CPI will stay high in early 2012 before slowing gradually later in the year. This will leave the MAS in a difficult position. Barring a more significant slowdown in the global economy, monetary policy will likely remain on tightening path.

Thailand – beyond the floods

Growth in 2012 is expected to be slightly better than the other open ASEAN economies and this reflects the combined impact of the post-flood reconstruction and also an increase in fiscal transfers to the public, either through an increase in public sector wages or through the implementation of the rice reserve price scheme. These policies could also be inflationary in the near term which could delay an aggressive policy response from the monetary authorities until inflation peaks in 1Q12.

Vietnam- bucking the trend as greater stability ahead

The government has struggled to establish economic stability this year. However, the government has spent most of the year tightening policy across multiple policy levers and recent signs of success have finally begun to show. In 2012, we expect further success as inflation slows from its current rate of 21.6% (peaked at 23.0% in August) and as the trade deficit remains easily financed by sticky remittance and FDI inflows. Importantly, the combination of lower inflation and high domestic interest rates will eventually make VND assets more attractive to residents, leading to conversion of savings from USD and gold. This will support the balance of payments position and lead to higher FX reserve levels and a more stable VND. The quality of assets on bank balance sheets remains a concern, but with growth likely to pick up modestly in 2012 from an estimated 5.5% in 2011, we view the banking system as a medium-term concern.

Asia Credit Outlook

- A challenging year in 2011 as the market was essentially driven by European risks
- ACI has managed to turn in a 4% total return ytd, but this was largely due to US treasury moves while credit spreads widened
- Looking forward, we expect macro risk from Europe to remain an overhang
- Valuations have corrected significantly, factoring in most of the micro risks, though we think the credit cycle has probably peaked
- Stay defensive in IG corporate sector and select bank papers, and remain very selective in HY segment

A disappointing year in 2011 for spreads

We started the year with expectation of a slow grinding year due to tight valuation but were still caught by surprise over the extreme volatility in the market. After a decent start early in the year, the market took a turn for the worse as the European sovereign crisis deepened. While the market managed to turn in a positive 4% total return up until November 11 as measured by JP Morgan Asia Credit Index (“JACI”), the return was entirely driven by a positive treasury move as US yields gapped down by 110bp and 124bp for 5- and 10-year respectively. Credit spreads over treasury actually widened by 134bp to 365bp and z-spread by 126bp to 337bp.

A big divergence in segmental performance

The positive headline number also masked the big divergence in performance for the various segments of the market. Sovereign credits were the best performer, turning in close to 9% in total return. This can be largely attributed to more favorable technical factors due to dwindling EM sovereign supply and positive rating actions for several Asian countries such as Indonesia. On the other end of the spectrum, HY corporates chalked up -6.1% in total return as risk aversion caused investors to lower their exposures. IG corporates fared slightly better, returning 5.4%, while financial names were also held back by widening in credit spreads for financials globally.

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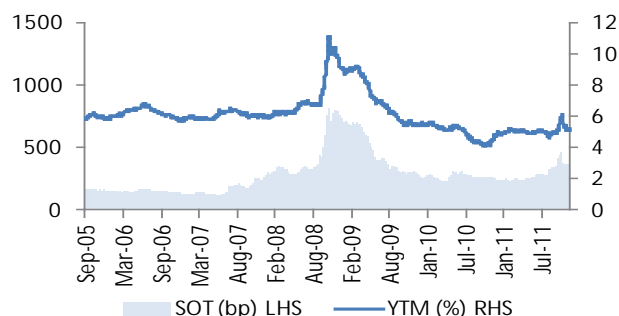
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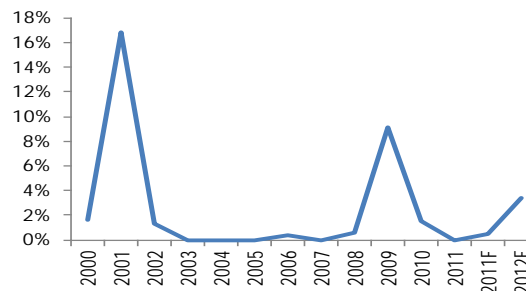
J.P. Morgan Securities (Asia Pacific) Limited

JACI – YTM and Spread over treasury (% and bp)



Source: J.P. Morgan

Asia credit default rate (%)



Source: J.P. Morgan

Weighed down by macro risks and weak technicals

The worsening European sovereign crisis and softer US economic numbers have been putting pressure on risk assets. Sizeable outflow from EM funds in 3Q11 – though proven later to be short-lived – also led to some concerns. As a higher beta asset class, EM corporate bonds took the brunt of the selloff. For Asia, the downward pressure was further amplified by lack of local sponsorships, especially for Chinese HY names.

Some micro factors were also in play

Economic conditions in China were also in focus. A stubbornly high inflation number, tightening liquidity conditions and on-going debate on a soft or hard landing of the economy raised some flags for investors. In particular, the China property developers, the most prolific issuers in the HY segment were under further pressure by the government's measures to cool the property sector. Heavy new issuance in the industrial space also did not help as investors realized later that there were more risks that were not factored in. The Sino-Forest saga put another stain on China HY names.

Credit cycle has probably peaked

In our view, we have probably seen the peak of the credit cycle in 2011. While the 12-month rolling upgrade to downgrade ratio is still above one, the trend has been tapering off since middle of the year. A slower economic outlook and tightening domestic credit conditions have started to take its toll on credit fundamentals, and this is most apparent in the HY space. We do expect the negative trend to continue in the coming 12 months.

Expect some gradual pick in default

Leading from that, we expect a slight pick-up in the default rate in the coming 12 months. We will probably end the year with zero default among US\$ Asia credit against our earlier estimate of 0.5%, but we think this ratio will creep up to 3.7% of total outstanding issuance universe in 2012. One mitigating factor that could cap the default rate is low refinancing risk, as the bulk of refinancing requirement would be in the IG space which should still have decent access to alternative funding sources. Refinancing requirements for HY issuers account for less than USD1.3 billion out of USD21 billion total bonds maturing in 2012 for Asia.

Macro risks keep us defensive

Overall, we see an improved risk-return equation going into 2012 and a more favorable technical backdrop. However, we are advocating investors to stay more defensive going into the New Year mainly due to the lingering European sovereign crisis that is increasingly being compounded by policy reversals by politicians. We have an Underweight recommendation for the EM corporate asset class, and within that, we are recommending investors to stay Underweight in Asia vis-à-vis the other EM regions.

Valuations are mixed for the various segments

In our view, the potential rise in default rate that pertains more specifically to HY names is more than reflected in the current level of HY bond prices. Asia HYs are currently providing 937bp yield pick-up over US treasury, which is factoring in close to 10% default probability rates on assumption of 30% recovery rate and 2% liquidity premium. This could surpass the 2009 level, which we view as a tail risk on a catastrophic outcome for the EU crisis. On the other hand, we see valuations for IG corporates are trading at their fair value relative to the US IG names. On the rich side are sovereign, quasi-sovereigns, and financials, as compared to their peers globally.

Technical is more favorable

We see more balanced technicals for Asia credits. Based on our discussions with investors, we believe Asian credits are under-owned globally by both dedicated EM corporate as well as crossover accounts, which are also keeping higher-than-normal cash balances. We also believe that the Street is staying very light on inventories, given the market volatility. This thus creates room for increased exposures as risk appetite returns. On the supply side, we expect net supply to be roughly on par with 2011. We forecast new issuances to taper off to around USD51 billion in 2012. After deducting close to USD41 billion of inflow from maturities and coupon receipts, net supply would work up to USD10 billion against an estimated USD14 billion supply in 2011.

Top picks

Within Asia, we are recommending an Overweight on IG corporates and Underweight HY corporates. We stay Neutral on sovereign and quasi-sovereigns, which trade tight vis-à-vis other regions, but enjoy favorable technicals due to a shrinkage of supply. We are also Neutral on financials given the potential market contagion from the global macro risks.

In terms of specific trade recommendations, we like defensive infrastructure/utilities names such as Hutch 6% perps c15s (Baa2/BBB, 99.25, z+515, 6.2% ytc), NTPC 5.625% '21s (Baa3/BBB-, 103.25, z+319, 5.3% ytm), Xinao Gas 6% '21s (Baa3/BBB-, 106, z+307, 5.2% ytm). We also stick with high quality names such as KDB 3.875% 2017 (T+302bp) and callable LT2 with undemanding valuations including the OCBCSP 3.75% 22/17c (T+335bp) and BNKEA 6.375% 22/17c (T+530bp). In HY, we remain very selective, and see value in names such as Country Garden 11.125% '18s (Ba3/BB-, 85.5, 14.9% ytw), Liansu 7.875% '16s (Ba2/NR/BB, 85.5, 12.2% ytw) in China, and Bumi Resources 12% '16s (Ba3/BB, 106.25, 10.4% ytc) and Gajah Tunggal 6% '14s (B3/B, 91, 12% ytm) in Indonesia.

Asia FX 2012: Less appreciation, more divergence

Asia FX rolls into 2012 with an outlook that is increasingly mixed. Strength in the region should come from external surpluses that stay strong, while support should stem from continued RMB appreciation and G3 alternatives that are weaker in relative terms. However, vulnerabilities are underscored by slowing growth and a turn in monetary cycles, while uncertainty will stay high driven by sentiment in core markets particularly in Europe.

Regional FX appreciation to slow in this environment

As the external environment leans against the region, individual FX performances will likely be more mixed and more dependent on domestic drivers than before. Currencies with long-term supports for strength will likely remain resilient, but currencies with underlying vulnerabilities will likely lag or see outright depreciation. On aggregate, our point forecast projects ADXY to rise by a below trend pace of about 3% next year, helped in large part by CNY which is a large component.

Key views and themes

1) *External surpluses to stay positive.* Despite a weaker external environment, current accounts in the region are expected to stay in surplus, in the absence of an outright collapse in global trade. Inflows to the region are also expected to stay positive albeit at a slower-than-record pace, as EM diversification continues in the lack of credible G3 alternatives and in view of still underweight positions by long-term investor groups.

2) *Rmb appreciation to continue, albeit at a slower pace.* We expect the trend of RMB appreciation to continue in view of the long-term need to address excessive liquidity inflows, the desire to reduce reliance on persistent US Treasury buying, and political motivation to promote RMB as a strong alternative among global reserve currencies.

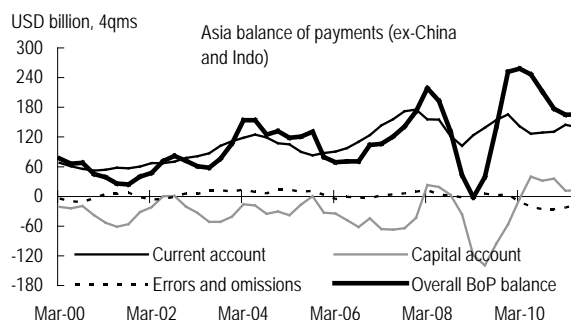
3) *However, growth is less supportive and monetary cycles are turning.* We expect Asia ex-Japan GDP growth to slow to 6.5% from 7.1% in this year and 9.1% in 2010. Though this remains insufficient to reverse the general path of trend Asia appreciation, net support will soften. Central banks in the region, helped by softening inflation prints, should also see scope to undo some policy rate hikes.

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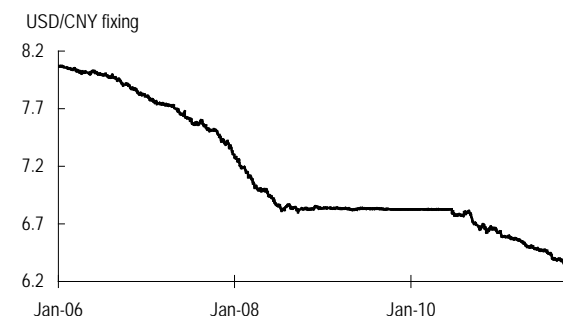
JPMorgan Chase Bank, N.A., Singapore Branch

Asia balance of payments fundamentals still robust



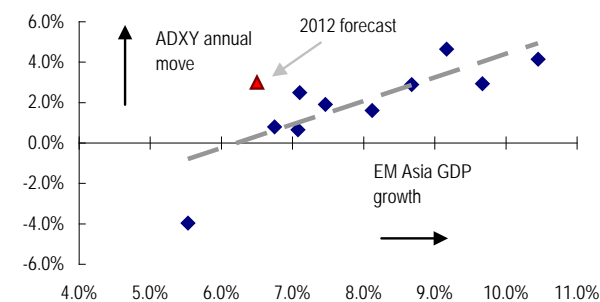
Source: CEIC and J.P. Morgan estimates.

Long march of CNY appreciation



Source: CEIC and J.P. Morgan estimates.

Slower growth but no outright ADXY depreciation



Source: CEIC and J.P. Morgan estimates.

4) *European financing stresses to drag on as policymakers muddle through.* The French Presidential election is one risk within the 2012 calendar, among others.

Potential winners and losers in EM Asia

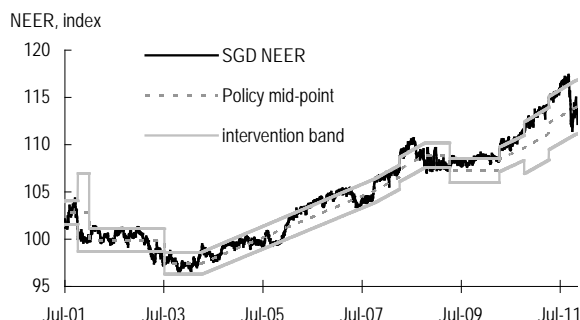
The external environment stays hostile. Currencies with longer-term support for strength will likely remain resilient, but currencies with underlying vulnerabilities will likely lag or see outright depreciation.

Within the region, **we are positive on the CNY, SGD and PHP, where there are long-term fundamental/structural supports or where there are explicit/implicit policy mandates for currency strength:**

1) CNY appreciation is likely to stay as economic and policy rebalancing continues; 2) SGD should also remain on an appreciation path. The MAS has so far avoided an outright easing of monetary policy (or reversal of the SGD appreciation stance) as the long-term inflation path is expected to stay somewhat elevated. Policy flexibility built into the wider NEER bands also precludes the need to pre-empt uncertain recession risks and; 3) PHP supports remain strong from a persistent current account surplus bolstered by sticky remittances and BPO inflows (rather than potentially more volatile merchandise trade flows).

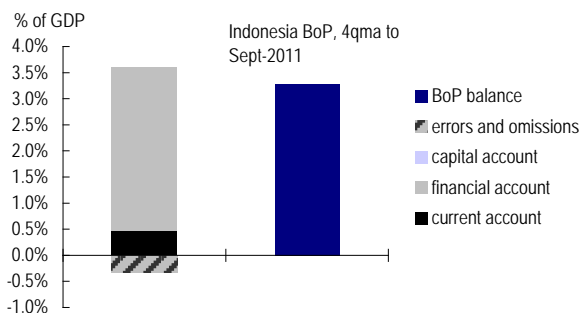
However, vulnerabilities in markets such as the INR, IDR and THB may be exposed to a less conducive external environment: 1) INR may continue to lag or even depreciate as capital inflow pulls back during risk aversion to leave the current account deficit exposed; 2) THB may be weighed down by economic and monetary policy uncertainty following the economic damage from the floods and; 3) fundamental IDR supports have been weakening due to a trend decline in the current account surplus following the recent rise in income outflows (which follows the recent accumulation of FDI's). Importantly, BI will continue to be motivated by a desire to build reserves as the capital account dominates the BoP, suggesting a bias to buy USD on any sustained decline on USD/IDR.

MAS continues to target nominal SGD appreciation



Source: CEIC and J.P. Morgan estimates.

IDR balance of payments support narrowly based



Source: CEIC and J.P. Morgan estimates.

Asia FX forecasts

JPM forecasts						
	Spot	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
CNY	6.3472	6.30	6.25	6.20	6.10	6.05
HKD	7.7814	7.76	7.80	7.80	7.80	7.80
INR	50.18	48.50	48.00	47.00	45.50	44.50
IDR	9,000	8,900	9,100	9,000	9,100	9200
KRW	1,130	1,090	1,120	1,080	1,060	1050
MYR	3.1528	3.00	3.03	2.97	2.94	2.90
PHP	43.335	42.00	42.00	41.25	41.00	40.25
SGD	1.2933	1.23	1.24	1.21	1.19	1.18
THB	30.82	31.00	31.50	31.00	30.75	30.50
TWD	30.179	29.85	30.25	29.80	29.50	29.40

Source: CEIC and J.P. Morgan estimates.

Risks

Europe and growth are main risks to the view. Though our point forecasts are for modest Asia FX appreciation, an outright growth collapse, financial crisis or China hard landing are risks. These remain outside our main scenarios, but any of these triggers are sufficient to drive an outright reversal of existing views. In addition, risk premia of these events may from time to time be priced into markets, suggesting potential volatility in short-term price action. In this environment, higher-beta FX such as INR and KRW will be at risk, as with those with limited current account support like IDR (and INR again).

Strategy bias

Overall, we expect modest trend appreciation amid volatile trends in USD/Asia. Individual performances will likely be more divided. Overall, the strategy theme will be to: 1) keep outright USD/Asia risks more tactical and sensitive to global sentiment swings; 2) allocate risks to intra-Asia crosses to cross out uncertain USD risks and; 3) opportunistically build insurance positions against potential risk off moves.

- In an environment of large volatility against modest trends, FX positionings in 2012 will likely have to be less long-term and more tactical than before. Outright USD/Asia risks should be managed more nimbly against volatility induced by global sentiment swings. The exception, however, is USD/RMB where we expect steady and gradual appreciation through 2012. For long-term USD/RMB positions, levels in long-dated 1Y NDFs or digitals in option space are attractive.
- **To buffer against global market and USD risks, look also to position for intra-regional divergences in 2012.** Crosses that appear attractive include SGD/INR or PHP/THB (SGD vs INR and PHP vs THB make sense in view of relative betas and fundamental divergences).
- **To navigate uncertain market risks, consider also insurance trades in Asia that could benefit in a risk-off move.** This includes being long USD/IDR NDF points, or long USD/CNH outright or against USD/CNY for a potential re-widening of onshore-offshore spreads. Option exposures in risk sensitive and higher beta FX like USD/KRW may also make sense, though this would be highly contingent on lower spot and implied vol levels, with potential entry to be highly opportunistic and level dependent.

EM exposure to developed world demand

Our base case is a US fiscal drag and a recession in Europe. EM exports to exposure DM is in the pie charts and the tables. Within BRIC, Russia has the largest exposure to EU-12.

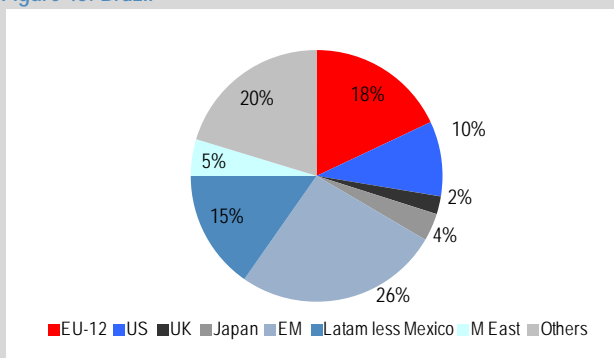
50% of Russia's exports are to Europe. On the other hand, China's biggest export partners are the US and EM at 18% each, followed by Developed Asia and EU-12. 20% of India's exports are to the Middle East. Argentina is Brazil's biggest export partner in Latin America.

Table 43: EM exports to regions in 2010

	EU-12	US	Japan	UK	EM	APxJ
Russia	28.9	5.6	3.4	1.5	14.7	10.4
Turkey	31.1	3.4	0.2	6.3	8.5	4.5
SA	19.4	9.8	8.5	6.9	27.8	28.1
Brazil	18.0	9.6	3.5	2.3	26.3	23.0
India	13.9	10.6	2.2	2.9	19.8	23.5
China	14.3	17.9	7.6	2.5	17.8	29.4
Indonesia	9.0	9.1	16.3	1.1	38.0	48.0
Thailand	7.3	10.4	10.5	1.9	29.9	42.9
Malaysia	7.4	10.0	8.6	1.9	37.1	54.4
Korea	6.5	10.6	6.0	1.2	39.3	43.0
Mexico	3.7	80.0	0.6	0.6	3.6	2.8

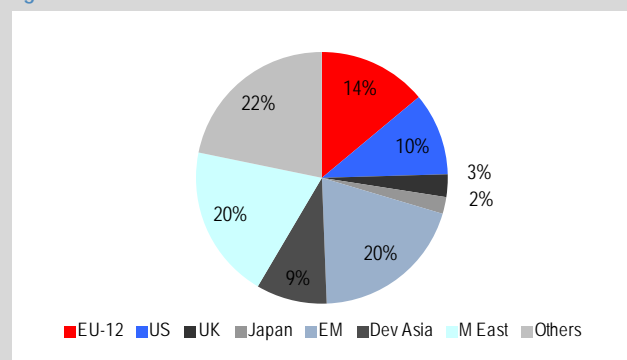
Source: J.P. Morgan economics.

Figure 45: Brazil



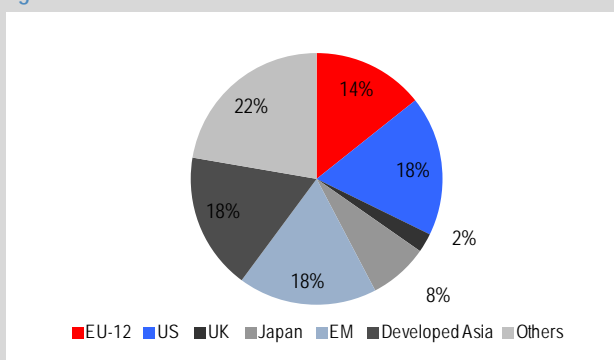
Source: J.P. Morgan Economics

Figure 47: India



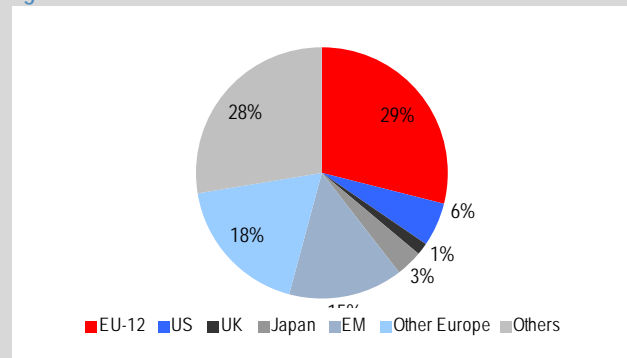
Source: J.P. Morgan economics.

Figure 46: China



Source: J.P. Morgan economics.

Figure 48: Russia



Source: J.P. Morgan Economics

Table 44: EM exports to EU in 2010

	EU-12	France	Germany	Spain	Portugal	Greece	Ireland	Italy
Turkey	31.1	5.3	10.1	3.1	0.4	1.3	0.3	5.7
Russia	28.9	3.2	8.3	1.7	0.1	1.3	0.0	3.5
South Africa	19.4	1.2	7.1	1.4	0.2	0.1	0.1	3.0
Brazil	18.0	1.8	4.0	1.9	0.7	0.1	0.1	2.1
China	14.3	1.8	4.3	1.2	0.2	0.3	0.1	2.0
India	13.9	2.2	2.7	1.0	0.2	0.1	0.1	1.9
Indonesia	9.0	0.7	1.9	1.5	0.1	0.1	0.0	1.5
Malaysia	7.4	0.8	2.2	0.2	0.1	0.0	0.1	0.4
Thailand	7.3	0.9	1.7	0.6	0.1	0.1	0.1	0.9
Korea	6.5	0.6	2.3	0.4	0.2	0.3	0.1	0.8
Mexico	3.7	0.2	1.2	1.3	0.1	0.0	0.1	0.2

Source: J.P. Morgan economics.

Demographics driving China's economic rebalancing

- Wage inflation is new and driven by demographics
- Non-graduate 15-to-39-year-old population is declining at 4%pa. The result is manufacturing and construction wage inflation

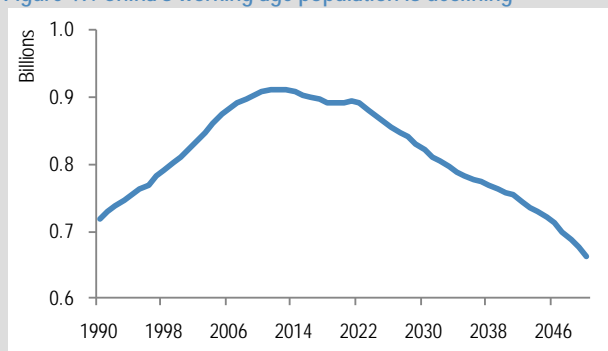
China's one-child policy started in 1979. The policy results in a 2% decline in the working age population this decade. The smaller workforce is better educated. In the past decade the population with a university degree increased from 3.6% to 8.9%. That is an increase of 74 million graduates, more than the population of Thailand (see Table 45). In the 2000s the non-graduate working age population expanded by 30 million. This is a swing of 130 million. Wage inflation in manufacturing and construction is structural. China's workforce for agriculture, construction and manufacturing will fall.

China's official GDP growth target and inflation rate for this decade are 7% and 4%, respectively. Considering a 10.5% GDP CAGR in 2000-2010 with just 2% inflation, this lower target appears conservative. To achieve the 7% target China requires circa 10% labor productivity. China's investment in physical infrastructure is legendary. We believe investors are underestimating the investment in human capital. This provides China with the ability to maintain high growth through shifting labor from manufacturing, construction and agriculture to services (see Figure 50). But it cannot continue the investment driven growth model of the 2000s. China's leaders acknowledge this in the 12th Five Year Plan with its focus on rebalancing the economy from investment to consumption plus rebalancing of income distribution from profits to household income.

If we assume a return to the consumption/investment ratio in 2000 and 7% GDP growth, the consumption CAGR accelerates from 8.5% to 8.9%. Fixed investment CAGR falls from 12.7% to 4.8%. Commodity bulls take note. The 12th Five-Year Plan aims to rebalance. But it is China's 1979 one-child policy that is driving economic change today.

The inflationary implications of the demographic changes are significant. Historical wage inflation data is poor. The National Bureau of Statistics revised its methodology for monitoring wage data in 2009. We are concerned that historical data's low correlation with inflation results in complacency on the impact of today's wage inflation on CPI.

Figure 49: China's working age population is declining



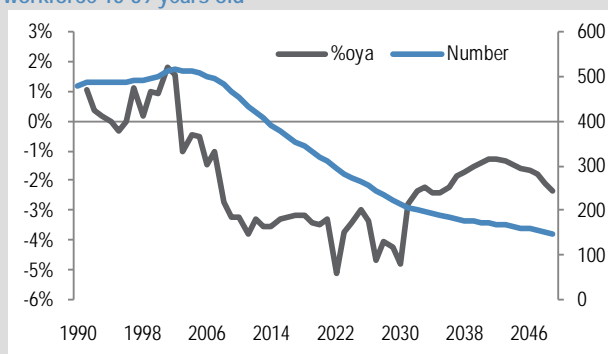
Source: US Census

Table 45: Calculation of the change in the number of graduates in China 2000 to 2010 based on Census data

Year	Ratio	Population	Graduates
2000	3.61%	1,265,824,852	45,708,935
2010	8.93%	1,339,724,852	119,637,429
Change	5.32%	73,900,000	73,928,494

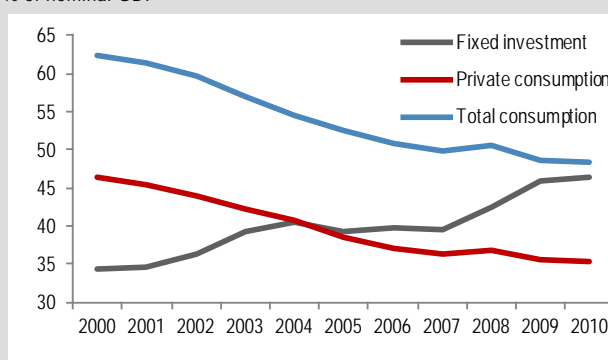
Source: PRC National Bureau of Statistics; November 2010 Census.

Figure 50: China needs jobs for graduates, not in pouring concrete or manufacturing: Change in the non-graduate available workforce 15-39 years old



Source: PRC NBS, Ministry of Education PRC, US Census, J.P. Morgan calculation

Figure 51: Demographic transition to reverse unbalanced growth % of nominal GDP



Source: IMF, Datastream, J.P. Morgan calculation

The challenge for China is maintaining a high level of productivity growth. The arguments in favor of maintaining high productivity growth are:

- Investment in human capital:** In the past decade the ratio of the population with a university degree increased from 3.6% to 8.9%. That is an increase of 74 million graduates, more than the population of Thailand. A third of 19-year-olds (circa 21 million) are undergraduates. If China can generate service sector jobs, the migration from manufacturing to service will boost productivity.
- Low cost of capital:** The 12-month best lending rate is 6.31%. A real rate of 2.3% assuming the new CPI target of 4%. The discount to nominal GDP growth target is 3.7%. The low cost of capital relative to growth lowers the hurdle rate for productive capex.
- Economies of scale and clustering:** The large scale of manufacturing facilities in China permits the investment in R&D for customized automation.
- Infrastructure:** Huge investment in infrastructure increases logistic efficiency. Shorter delivery times and superior inventory management allow for premium pricing.

The winners and losers from China's economic rebalancing are listed below:

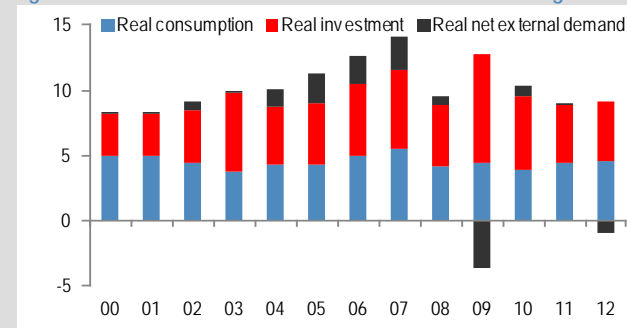
The winners are:

1. Consumers and consumer companies
2. Automation
3. Service sector growth
4. The environment
5. Countries with better demographics

The losers are

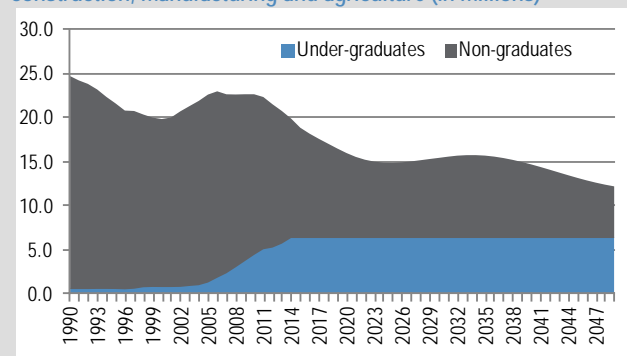
1. Intensity of commodity demand
2. Low value added labor intensive industries

Figure 52: Too much investment contribution to real GDP growth



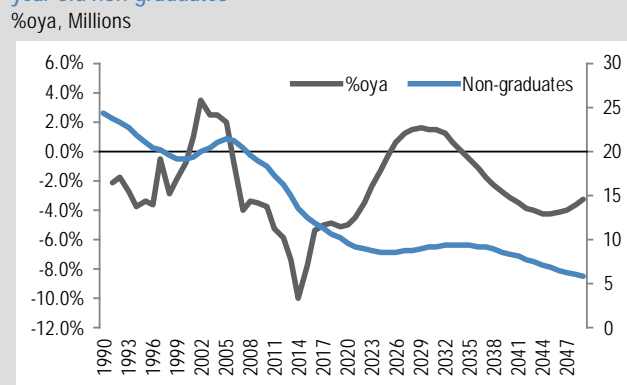
Source: J.P. Morgan economics

Figure 53: More 19 years old in tertiary education - Less for construction, manufacturing and agriculture (in millions)



Source: PRC NBS, Ministry of Education PRC, US Census, J.P. Morgan calculation.
 Note: Assumes no increase in higher education places

Figure 54: Already falling fast: Change and absolute number of 19 year old non-graduates



Source: PRC NBS, Ministry of Education PRC, US Census, J.P. Morgan calculation

Table 46: Key population statistics

Size (million)	1990	2000	2010	2020	2030
Population	1,148	1,264	1,330	1,385	1,391
Working age population	724	819	921	905	830
Over 60 population	63	86	115	172	239
Over 60 population (%)	5%	7%	9%	12%	17%
Urban population (%)	26%	36%	50%	62%	68%
Urban population	299	455	665	851	950

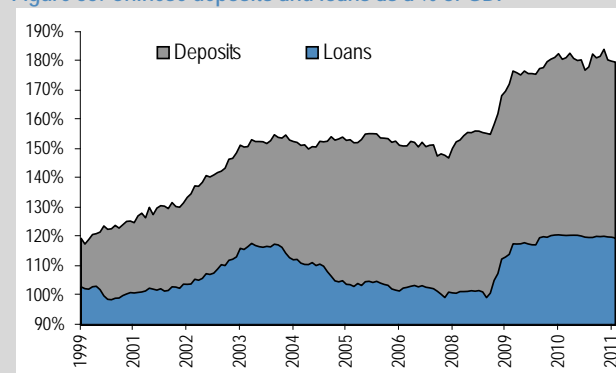
Source: NBS China, US Census, J.P. Morgan calculation

China's financial plumbing

China's financial resources are finite. The financial system is relatively simple, dominated by the state-owned banks. In 3Q11 Renminbi bank loans were 74% of social financings; corporate bonds are just 8%. Deposits are 177% of GDP. The main bank assets expressed as a percentage of deposits are loans (67%), reserve ratio (21.5% for major banks, but not all deposits are included) and bonds (18%).

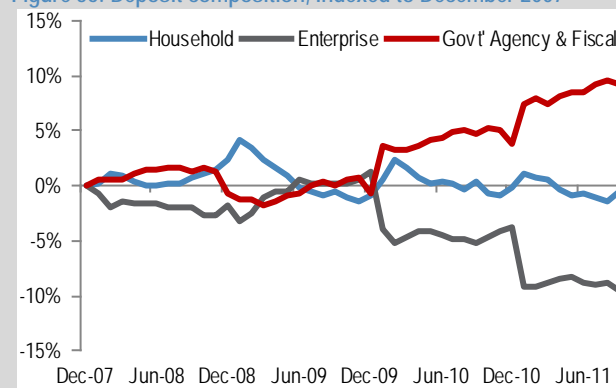
There is a hangover from the 2008/9 stimulus. The Ministry of Railroads' liabilities are Rmb2.1 trillion. These liabilities need to be refinanced before the Rmb2.8 trillion of new railroad spending can be considered. The liabilities include unpaid bills to contractors and building material suppliers. Assuming the Beijing Shanghai high-speed rail was operating at its full stated capacity of 220,000 passengers per day the interest-only burden per ticket would be US\$30. The Jiangxi Provincial Railway Investment Group bond prospectus stated an average RoI for railway projects of 3%; half the best lending rates and a quarter of the 11% rate now charged by China Construction Bank for railway projects. CCB also now require HQ approval for new project loans. The Chinese government has the financial capacity to subsidize the railways. But this reduces ongoing financial flexibility. The same is true for many local government projects. Infrastructure rarely generates a commercial return. Tax payers subsidize from Boston to Beijing. After the 2008 stimulus LGFVs debt increase to Rmb10.7 trillion (end 2010). Half of this debt matures within a year. These off-balance-sheet liabilities are coming on balance sheet as banks require local government guarantees to roll the loans. National tax revenues are strong, but local government income from property is declining with the property market. Recent bond issues by the MoR and a trial reopening of local government bonds market are viewed by some as signs of a new stimulus, they may simply be stop gap measures to address a funding crisis. The FT China Confidential estimated that at least 15 major rail projects, with a combined investment of more than RMB1trillion are either suspended or delayed due to a lack of funding (China Confidential, 20 October). This is causing real hardship for suppliers and the danger of social unrest if workers are not paid.

Figure 55: Chinese deposits and loans as a % of GDP



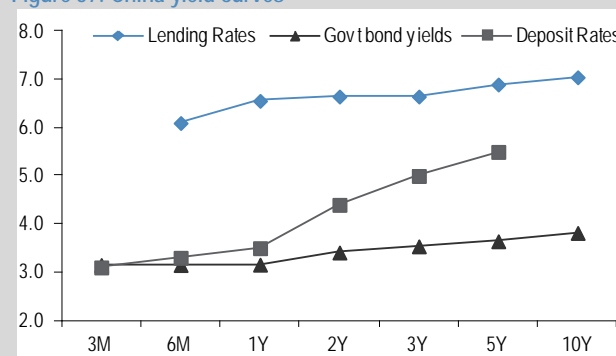
Source: Bloomberg.

Figure 56: Deposit composition, Indexed to December 2007



Source: CEIC, September 2011.

Figure 57: China yield curves



Source: Bloomberg, CEIC.

Is the bond market the solution? The total bond market is small at 46% of GDP (see Table 48). Banks own 68% of the bond market. Government bonds, including local, are just 16%. LGFVs debt is 27% of GDP. If LGFVs debt is repaid with bond issues the impact on the banks is lower RoA but a perceived improvement in asset quality. It is a perceived improvement as assets and liabilities are triangular between state owned banks, local and central government entities. The broader Chinese government is unlikely to default on itself. Why will RoA fall? Bond yields are half the best lending rate (see Figure 57: China yield curves). Note bond yields are lower than deposit yields.

The LGFVs and MoR funding crunch is in sync with a rolling property market. The state dominates the economy. Beijing has significant financial strength from strong tax receipts and ownership profitable SoEs and all the major banks. However if investment growth slows then the profitability of industries who have built capacity on the assumption of ever increasing demand will fall. Bad debts and industrial debts will increase. The result is a decline in government financial flexibility as the economy falters. China's economic track record is strong. It is reasonable to assume that policy makers will wish to avoid inflating bubbles and liabilities. The result would be much slower real investment growth than in the past decade.

Table 47: Chinese bond issuers

By issue type	Rmb trillion	US\$ trillion	% of total	% of GDP
Total	20.7	3.3	100.0%	45.9%
Government	7.3	1.1	35.2%	16.2%
Treasury	6.4	1.0	30.9%	14.2%
Savings	0.3	0.0	1.4%	0.7%
Local gov	0.5	0.1	2.4%	1.1%
PBoC	2.1	0.3	10.1%	4.7%
Policy banks	6.4	1.0	30.9%	14.2%
CDB	4.5	0.7	21.7%	10.0%
Ex/Im Bank	0.8	0.1	3.9%	1.8%
AgDB	1.2	0.2	5.8%	2.7%
Gov supporting	0.1	0.0	0.5%	0.2%
Commercial banks	0.8	0.1	3.9%	1.8%
NBFC	0.1	0.0	0.3%	0.1%
Corporate	1.6	0.3	7.7%	3.5%
SoE	0.9	0.1	4.3%	2.0%
Local Corporate	0.7	0.1	3.4%	1.6%
Commercial Paper	0.6	0.1	2.9%	1.3%
Middle term notes	1.8	0.3	8.7%	4.0%

Source: www.chinabond.com.cn

Table 48: Who owns the Chinese bond market?

Ownership	Rmb trillion	US\$ trillion	% of total	% of GDP
Total	20.7	3.3	100.0%	45.9%
Commercial Bank	14.0	2.2	67.7%	31.0%
Insurance Institutions	2.0	0.3	9.5%	4.4%
Special Members	1.7	0.3	8.4%	3.8%
Other	1.5	0.2	7.3%	3.3%
Funds	1.2	0.2	5.8%	2.7%
Credit coop banks	0.5	0.1	2.3%	1.1%
Credit Cooperative Banks	0.4	0.1	2.0%	0.9%
Individuals	0.3	0.1	1.6%	0.7%
Exchanges	0.3	0.0	1.4%	0.6%
OTC Market	0.2	0.0	0.8%	0.4%
Security companies	0.1	0.0	0.7%	0.3%
NBFC	0.1	0.0	0.4%	0.2%
Non-financial institutions	0.0	0.0	0.2%	0.1%
Interbank	0.0	0.0	0.2%	0.1%

Source: www.chinabond.com.cn

Indian infrastructure and politics

Corruption in India, involving politicians and corporates, is widely known and documented. Transparency International's 2010 corruption perception index ranking of the BRICS is Brazil (rank 69, score 3.7), China (rank 78, score 3.5), India (rank 87, score 3.3) and Russia (rank 154, score 2.1). The "2G scam" exposed in 2H10 allegedly involved many senior politicians and businessmen. The Baba Ramdev movement, which seeks to rid India of corruption, has gained an unprecedented following in India.

What are equity investors thinking?

Investors fear that India is between a rock and a hard place. In theory there is a great opportunity to clean up, and the result would probably be a re-rating. But if the government is serious about reforming the system, it would likely open a Pandora's box of scams. Corruption allegations have spared no one, and the fear of being subjected to closer scrutiny is jeopardizing business confidence and decisions. India's bureaucratic civil service now has a risk-reward profile that favors no decision over approval of much need investment.

Flight of capital

Over the past year, Indian companies (including Adanis, ADAG, Jindals, Lanco and GVK) invested in mining and transportation infrastructure opportunities in Australia, Indonesia and Africa. The markets reacted negatively to these purchases. The promoters cited frustration with obstacles to infrastructure investments in India, plus fuel security, as the reasons

Why are politics / government important?

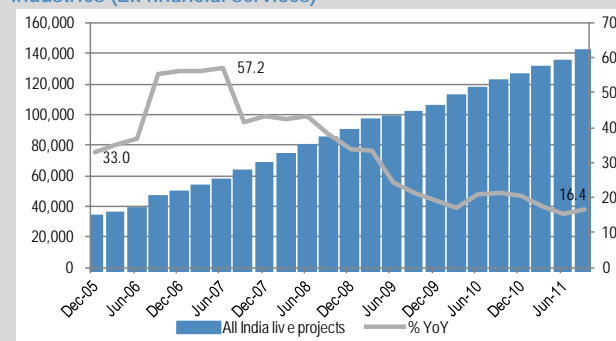
- 50% of infrastructure investment is private but contracts are mostly awarded by the government and PSUs.
- Policies and regulations are still evolving. The result is considerable subjectivity.
- Government is known for populist decisions before elections, an opportunity for private players (i.e. increase purchases of spot power before elections by state governments to avoid blackouts), more construction contracts, etc.

But why blame only politics?

Several factors derailed infrastructure projects last year: delays in environmental clearance, land acquisition, fuel scarcity, regulatory uncertainties and high funding cost. The government is trying to resolve these issues. The landmark land acquisition bill is critical. But experts

believe the current version of the Bill will only inflate project cost with limited benefit. A relaxation of environmental norms for coal mining projects is being debated.

Figure 58: Analysis of all LIVE projects outstanding across industries (Ex financial services)



Source: CMIE, Note: Project values (on LHS axis) are in Rs billion.

Table 49: Latest FII ownership in infra stocks

Company	FII %	Change oya
JSW Steel	21.51%	-8.06%
Lanco Infratech	13.23%	-6.95%
Jaiprakash Associates	18.59%	-5.48%
GVK Power	21.11%	-5.35%
GMR Infra	12.16%	-0.88%
JSW Energy	4.16%	-0.76%
Larsen & Toubro	15.94%	-0.71%
Reliance Communications	7.91%	-0.51%
Reliance Infra	15.03%	-0.47%
Jaypee Infratech	0.42%	-0.26%

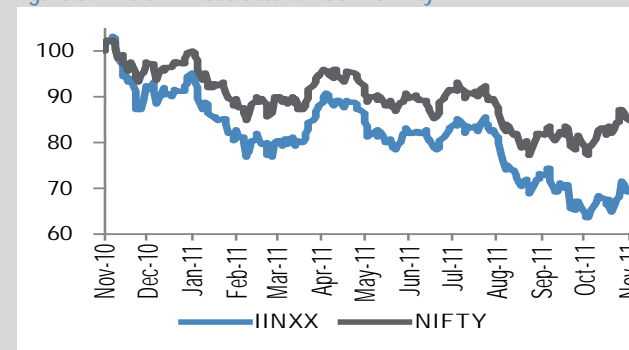
Source: BSE

Table 50: Landmark infrastructure projects and key issues

Project	Investment (US\$ B)	Key issue
No-Go mines	30	Environment problems
New Ultra Mega Power projects	16	Land delay, environment and fuel
POSCO steel project	15	Environment problems
Hyderabad Metro	3	Land acquisition delays

Source: J.P. Morgan.

Figure 59: Indian infrastructure index vs Nifty



Source: Bloomberg

Economic Forecasts

GDP and CPI growth forecasts

	Real GDP % over a year ago			Real GDP % over previous period, saar						Consumer Prices % over a year ago				
	2010	2011E	2012E	1Q11	2Q11	3Q11	4Q11E	1Q12E	2Q12E	3Q12E	2Q11	4Q11E	2Q12E	4Q12E
The Americas														
United States	3.0	1.8	1.7	0.4	1.3	2.5	2.5	0.5	1.5	2.5	3.3	3.3	1.5	1.2
Canada	3.2	2.2	2.2	3.6	-0.4	1.8	2.4	2.6	2.6	2.4	3.4	2.6	1.6	1.7
Latin America	6.0	4.1	3.1	5.6	4.2	2.9	2.0	1.6	4.8	4.9	6.7	7.2	6.4	6.1
Argentina	9.2	7.0	3.0	13.1	10.2	4.0	2.0	0.0	6.0	4.0	9.7	11.0	10.0	9.0
Brazil	7.5	3.0	3.1	5.0	3.1	0.4	1.3	2.9	5.0	5.3	6.6	6.7	5.2	5.2
Chile	5.2	6.5	4.0	6.4	5.7	3.5	2.5	3.5	4.5	5.0	3.3	3.6	3.6	3.4
Colombia	4.3	5.3	3.7	2.9	8.5	3.5	1.5	3.0	4.0	5.0	3.0	3.9	3.0	2.9
Ecuador	3.6	6.0	3.0	7.1	9.1	2.0	1.0	2.0	3.5	4.0	4.1	3.9	3.6	3.5
Mexico	5.4	4.0	2.5	2.4	4.5	5.7	2.6	-1.7	4.1	4.8	3.3	3.2	3.5	3.5
Peru	8.8	6.7	4.5	6.9	4.5	3.7	2.7	4.5	5.0	6.2	3.1	4.0	3.6	2.7
Venezuela	-1.5	3.5	4.0	14.7	-3.2	3.0	4.0	6.0	6.0	4.0	24.6	28.6	26.7	25.3
Asia/Pacific														
Japan	4.0	-0.6	1.9	-3.7	-2.1	5.5	2.0	1.8	1.5	1.3	-0.4	-0.1	-0.7	-0.5
Australia	2.7	1.4	3.5	-3.4	4.8	2.1	2.2	4.1	3.4	4.8	3.6	3.8	3.2	3.3
New Zealand	1.7	2.3	2.8	3.5	0.4	5.7	2.4	-0.2	6.5	3.7	5.3	2.9	2.2	2.5
Asia ex Japan	9.1	7.1	6.4	9.0	5.7	5.9	5.5	6.7	6.5	7.1	5.7	5.0	4.1	4.1
China	10.4	9.0	8.3	9.0	7.9	7.9	8.0	8.2	8.2	8.9	5.7	4.9	3.8	3.5
Hong Kong	7.0	5.0	3.0	13.0	-1.6	0.4	1.5	3.5	4.0	5.5	5.2	5.2	4.3	4.5
India	8.5	7.4	7.7	8.3	7.7	7.3	7.0	6.9	7.3	8.5	8.9	8.6	7.6	7.8
Indonesia	6.1	6.3	5.2	6.8	5.4	6.2	5.5	5.0	4.5	5.0	5.9	3.2	3.6	4.0
Korea	6.2	3.8	3.8	5.4	3.6	3.0	4.2	3.0	4.0	4.0	4.2	3.7	3.1	3.5
Malaysia	7.2	4.0	1.5	5.5	3.2	2.0	0.0	1.0	1.0	2.0	3.3	2.4	1.5	1.3
Philippines	7.6	4.1	4.0	7.8	2.4	4.1	2.4	2.4	7.4	5.3	5.0	4.9	3.9	4.0
Singapore	14.5	4.8	1.5	27.2	-6.5	1.6	-3.9	2.0	6.1	6.1	4.7	5.6	4.0	2.8
Taiwan	10.9	4.4	3.0	14.5	0.6	-1.1	2.5	3.5	4.3	4.6	1.6	2.2	2.0	2.4
Thailand	7.8	1.9	2.2	8.1	-0.8	1.8	-15.0	20.0	1.0	1.3	4.1	3.5	3.9	3.5
Africa/Middle East														
Israel	4.8	4.3	2.9	4.8	3.7	2.6	1.3	0.8	3.2	6.1	4.1	2.8	2.3	2.5
South Africa	2.8	3.1	2.7	4.5	1.3	1.0	3.9	2.3	2.6	2.8	4.6	6.2	6.4	6.1
Europe														
Euro area	1.8	1.6	-0.6	3.1	0.7	1.2	-1.0	-1.5	-1.5	-0.3	2.8	2.9	1.8	1.4
Germany	3.6	3.0	0.3	5.5	0.5	3.0	-0.5	-0.3	-0.3	0.5	2.5	2.7	1.7	1.3
France	1.4	1.6	-0.2	3.7	0.0	1.5	-1.0	-0.8	-0.8	0.5	2.2	2.4	1.5	1.2
Italy	1.2	0.5	-1.6	0.5	1.2	-0.5	-2.0	-2.5	-2.5	-1.0	2.9	3.8	2.7	1.7
Norway	2.1	2.2	0.7	1.9	4.1	1.5	0.5	0.0	0.0	1.0	1.4	1.1	1.2	1.3
Sweden	5.4	4.1	0.4	3.1	3.6	2.0	0.0	-0.5	-0.5	0.5	2.9	2.5	1.1	1.1
United Kingdom	1.8	1.0	0.8	1.6	0.4	2.0	1.0	0.5	-1.0	2.5	4.4	4.9	2.8	1.8
Emerging Europe	4.5	4.0	2.4	3.6	1.2	2.5	1.0	2.7	2.7	3.5	7.1	6.2	5.6	5.7
Bulgaria	0.2	2.8	2.4	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	2.3	2.0	0.6	3.5	0.3	0.3	-0.3	0.0	0.8	2.0	1.8	1.8	2.5	2.8
Hungary	1.2	1.2	0.5	1.2	-0.2	0.0	-0.3	0.0	0.8	1.5	4.0	3.7	4.4	5.1
Poland	3.8	4.0	2.7	4.5	4.5	3.5	2.0	2.0	2.5	3.0	4.6	3.9	2.5	2.7
Romania	-1.3	1.5	0.8	...	...	...	...	...	...	...	8.2	4.0	3.5	3.5
Russia	4.0	3.6	3.0	3.7	0.4	2.8	1.0	4.0	3.5	4.5	9.6	7.1	6.3	7.3
Turkey	9.0	7.0	2.2	...	...	...	...	...	...	...	5.9	8.3	7.8	6.0
Global														
Developed markets	2.7	1.4	0.9	0.9	0.7	2.4	1.1	0.1	0.4	1.5	2.7	2.8	1.4	1.2
Emerging markets	7.3	5.7	4.7	7.2	4.5	4.4	3.8	4.7	5.4	5.9	6.1	5.7	5.0	4.9
Memo:														
Global- PPP weighted	4.9	3.5	2.9	3.8	2.6	3.5	2.6	2.4	2.8	3.6	4.3	4.1	3.0	2.8

Source: Datastream, J.P. Morgan estimates, 11 November 2011.

Note: For some emerging economies, 2011-2012 quarterly forecasts are not available and/or seasonally adjusted GDP data are estimated by J.P. Morgan.

Sources of GDP Growth

Country	Share of Real GDP				Contribution to Real GDP growth				GDP Deflator Y/Y			
	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E
USA Real GDP					-3.5	3.0	1.8	1.7	1.6	1.4	1.5	1.3
Consumption	91.1	90.0	89.6	88.8	-1.4	1.6	1.2	0.7				
Fixed investment	11.6	13.2	13.5	14.3	-3.8	1.9	0.7	1.1				
Net external demand	-2.7	-3.2	-3.1	-3.1	1.7	-0.5	-0.1	-0.1				
UK Real GDP					-4.4	1.8	1.0	0.8	1.6	2.8	2.6	2.9
Consumption	87.3	86.8	85.6	84.8	-2.3	1.1	-0.4	-0.2				
Fixed investment	14.3	15.7	-70.0	15.7	-3.2	1.7	-0.1	0.4				
Net external demand	-1.6	-2.5	84.4	-0.5	1.1	-1.0	1.5	0.5				
Euro Real GDP					-4.2	1.8	1.6	-0.6	0.9	0.8	1.2	1.3
Consumption	79.3	78.5	77.6	77.5	-0.6	0.6	0.3	-0.5				
Fixed investment	19.7	20.1	-56.4	20.3	-2.9	0.7	1.0	-0.5				
Net external demand	1.0	1.4	78.8	2.1	-0.6	0.5	0.4	0.4				
Japan Real GDP					-6.3	4.0	-0.6	1.9	-0.4	-2.2	-2.1	-1.7
Consumption	77.4	75.9	76.4	75.7	-0.1	1.8	0.4	0.9				
Fixed investment	19.6	19.2	19.1	19.8	-3.6	0.0	-0.1	1.1				
Net external demand	3.0	4.9	4.5	4.5	-2.6	2.2	-0.9	-0.1				
Australia Real GDP					1.4	2.7	1.4	3.5	-0.7	4.9	5.0	2.9
Consumption	71.1	71.3	72.5	71.6	0.8	2.1	2.1	1.6				
Fixed investment	27.7	28.9	30.3	30.9	-1.4	2.0	1.8	1.7				
Net external demand	1.3	-0.2	-2.8	-2.6	1.9	-1.5	-2.6	0.2				
Brazil Real GDP					-0.6	7.5	3.0	3.1	5.7	7.3	6.3	5.2
Consumption	81.7	80.7	81.9	82.2	3.2	5.1	3.6	2.9				
Fixed investment	17.6	21.0	20.8	21.2	-3.9	5.0	0.4	1.1				
Net external demand	0.7	-1.7	-2.7	-3.4	0.1	-2.5	-1.1	-0.9				
China Real GDP					9.2	10.4	9.0	8.3	-0.5	4.5	4.8	4.0
Consumption	48.6	47.5	47.7	48.2	4.4	3.9	4.5	4.5				
Fixed investment	46.4	47.1	47.2	48.0	8.4	5.6	4.4	4.7				
Net external demand	5.0	5.4	5.1	3.8	-3.6	0.9	0.2	-0.9				
Czech Republic Real GDP					-4.1	2.3	2.0	0.6	2.5	-1.2	1.0	2.0
Consumption	71.8	70.2	68.5	68.2	0.4	0.1	-0.4	0.2				
Fixed investment	26.3	27.7	27.4	27.9	-4.1	2.0	0.3	0.6				
Net external demand	1.9	2.2	4.1	3.9	-0.4	0.3	2.0	-0.2				
Hong Kong Real GDP					-2.7	7.0	5.0	3.0	-0.6	0.7	1.5	1.8
Consumption	71.2	70.5	70.9	72.3	0.6	4.1	4.0	3.5				
Fixed investment	21.3	22.2	22.7	22.8	0.5	2.5	1.6	0.8				
Net external demand	7.5	7.3	6.4	4.9	-3.7	0.3	-0.6	-1.3				
Hungary Real GDP					-6.7	1.2	1.2	0.5	4.4	2.9	3.0	4.0
Consumption	75.6	73.3	72.5	71.5	-4.3	-1.5	0.1	-0.7				
Fixed investment	17.5	17.2	16.6	16.1	-6.7	0.0	-0.5	-0.4				
Net external demand	6.9	9.5	10.9	12.4	4.3	2.7	1.6	1.5				
India Real GDP					8.0	8.5	7.4	7.7	8.7	10.8	8.5	7.0
Consumption	75.9	75.5	75.9	74.5	6.6	6.0	6.0	4.3				
Fixed Investment	31.9	30.6	30.8	32.6	2.2	1.3	2.5	4.3				
Net external demand	-7.8	-6.1	-6.7	-7.1	-0.8	1.2	-1.1	-0.9				
Indonesia Real GDP					4.6	6.1	6.3	5.2	8.3	8.0	6.5	6.5
Consumption	66.3	65.1	65.3	64.7	4.1	2.7	4.4	2.7				
Fixed investment	23.4	24.5	25.7	25.2	-0.7	2.7	2.7	0.9				
Net external demand	10.3	10.4	9.0	10.1	1.2	0.8	-0.8	1.6				
Korea Real GDP					0.3	6.2	3.8	3.8	3.4	3.7	3.0	3.0
Consumption	66.6	65.1	64.5	64.0	0.7	2.6	1.8	1.9				
Fixed investment	26.2	27.9	27.6	27.7	-3.2	3.5	0.7	1.2				
Net external demand	7.2	6.9	7.9	8.3	2.8	0.1	1.3	0.7				
Malaysia Real GDP					-1.6	7.2	4.0	1.5	-6.9	5.1	4.0	2.0
Consumption	67.8	66.6	66.5	66.5	0.9	3.6	2.6	1.0				
Fixed investment	18.6	24.0	24.5	20.6	-2.9	7.1	1.4	-3.6				
Net external demand	13.6	9.4	9.0	12.9	0.4	-3.5	0.0	4.0				
Mexico Real GDP					-6.1	5.4	4.0	2.5	4.0	4.4	3.8	4.0
Consumption	80.9	80.4	80.2	80.7	-4.6	3.8	3.1	2.6				
Fixed investment	20.7	21.0	20.6	20.3	-3.7	1.4	0.5	0.3				
Net external demand	-1.6	-1.3	-0.8	-1.1	2.2	0.2	0.5	-0.3				

Sources of GDP Growth (cont'd)

Country	Share of Real GDP				Contribution to Real GDP growth				GDP Deflator Y/Y			
	2009	2010	2011E	2012E	2009	2010	2011E	2012E	2009	2010	2011E	2012E
Philippine Real GDP					1.1	7.6	4.1	4.0	2.8	4.2	4.0	4.0
Consumption	82.4	79.2	79.5	79.9	2.7	2.8	3.6	3.6				
Fixed investment	17.0	20.8	20.7	21.4	-1.6	5.4	0.7	1.6				
Net external demand	0.6	0.0	-0.2	-1.3	0.1	-0.6	-0.2	-1.1				
Poland Real GDP					1.6	3.8	4.0	2.7	3.7	1.5	3.0	2.5
Consumption	79.4	79.1	78.8	79.2	1.6	2.6	2.8	2.6				
Fixed investment	22.5	23.5	23.9	22.8	-2.9	1.9	1.3	-0.5				
Net external demand	-1.9	-2.6	-2.7	-2.0	2.9	-0.7	-0.2	0.6				
Russia Real GDP					-7.8	4.0	3.6	3.0	1.9	11.4	12.5	6.0
Consumption	69.8	68.8	69.5	69.9	-2.3	1.8	3.2	2.5				
Fixed investment	14.5	18.0	20.6	21.4	-10.7	4.2	3.4	1.4				
Net external demand	15.7	13.2	9.9	8.7	5.2	-2.0	-3.0	-0.9				
Singapore Real GDP					-0.8	14.5	4.8	1.5	0.3	-0.5	3.0	3.0
Consumption	49.2	45.4	45.7	47.2	0.4	2.8	2.5	2.2				
Fixed investment	23.3	21.4	21.6	21.3	-5.8	1.2	1.3	0.0				
Net external demand	27.5	33.2	32.6	31.5	4.6	10.5	1.0	-0.7				
South Africa Real GDP					-1.7	2.8	3.1	2.7	7.2	8.1	5.5	5.5
Consumption	84.1	85.5	86.5	87.4	-0.3	3.7	3.8	3.2				
Fixed investment	19.8	19.8	19.9	20.0	-1.4	0.6	0.7	0.6				
Net external demand	-3.9	-5.3	-6.4	-7.4	0.1	-1.5	-1.4	-1.1				
Taiwan Real GDP					-1.9	10.9	4.4	3.0	0.8	-1.7	1.5	2.0
Consumption	70.1	65.3	64.8	65.1	1.1	2.3	2.4	2.3				
Fixed investment	15.5	19.5	19.1	18.7	-4.2	6.2	0.4	0.2				
Net external demand	14.4	15.2	16.1	16.2	1.2	2.4	1.7	0.6				
Thailand Real GDP					-2.3	7.8	1.9	2.2	3.3	3.3	5.0	1.0
Consumption	62.9	61.3	61.4	60.4	0.1	3.2	1.2	0.4				
Fixed investment	18.9	22.3	22.5	19.8	-5.8	5.1	0.7	-2.3				
Net external demand	18.2	16.4	16.1	19.7	3.4	-0.5	0.0	4.1				
Turkey Real GDP					-4.8	9.0	7.0	2.2	5.3	6.3	10.0	7.5
Consumption	82.2	79.9	79.4	79.7	-0.8	5.0	5.0	2.1				
Fixed investment	17.7	24.0	25.7	26.4	-6.8	8.4	3.5	1.3				
Net external demand	0.1	-3.9	-5.1	-6.0	2.7	-4.4	-1.5	-1.1				

Source: Datastream, J.P. Morgan estimates.

Interest Rate Forecasts

	Official interest rate	Current (%pa)	Change since (bp)			Next meeting	Forecast next change	Dec- 11E	Mar- 12E	Jun- 12E	Sep- 12E	Dec- 12E	
			05-07 avg	Peak*	Trough*								Last change
Global		2.08	-224	-293	44			1.99	1.96	1.95	1.95	1.98	
excluding US		2.85	-149	-239	58			2.72	2.68	2.66	2.66	2.71	
Developed		0.71	-266	-351	17			0.62	0.61	0.61	0.60	0.60	
Emerging		5.88	-117	-209	116			5.80	5.68	5.64	5.67	5.80	
Latin America		7.90	-323	-581	178			7.56	7.18	7.15	7.15	7.15	
CEEMEA		4.40	-179	-438	44			4.37	4.32	4.19	4.30	4.55	
EM Asia		5.75	-10	-119	148			5.74	5.69	5.69	5.69	5.82	
The Americas		1.38	-401	-463	33			1.33	1.27	1.27	1.27	1.27	
United States	Federal funds rate	0.125	-430	-513	0	16 Dec 08 (-87.5bp)	13-Dec-11	On hold	0.125	0.125	0.125	0.125	0.125
Canada	Overnight funding rate	1.00	-269	-350	75	8 Sep 10 (+25bp)	6-Dec-11	On hold	1.00	1.00	1.00	1.00	1.00
Brazil	SELIC overnight rate	11.50	-390	-825	275	19 Oct 11 (-50bp)	30-Nov-11	30 Nov 11 (-50bp)	11.00	10.50	10.50	10.50	10.50
Mexico	Repo rate	4.50	-342	-525	0	17 Jul 09 (-25bp)	2-Dec-11	2 Dec 11 (-25bp)	4.25	4.00	4.00	4.00	4.00
Chile	Discount rate	5.25	63	-300	475	14 Jun 11 (+25bp)	15-Nov-11	Jan 12 (-25bp)	5.25	4.50	4.00	4.00	4.00
Colombia	Repo rate	4.50	-274	-550	150	29 Jul 11 (+25bp)	25-Nov-11	On hold	4.50	4.50	4.50	4.50	4.50
Peru	Reference rate	4.25	24	-225	300	12 May 11 (+25bp)	7-Dec-11	7 Dec 11 (-25bp)	4.00	3.75	3.75	3.75	3.75
Europe/Africa		1.72	-201	-331	26			1.54	1.52	1.49	1.49	1.53	
Euro area	Refi rate	1.25	-164	-300	25	3 Nov 11 (-25bp)	8-Dec-11	8 Dec 11 (-25bp)	1.00	1.00	1.00	1.00	1.00
United Kingdom	Repo rate	0.50	-444	-525	0	5 Mar 09 (-50bp)	8-Dec-11	On hold	0.50	0.50	0.50	0.50	0.50
Sweden	Repo rate	2.00	-50	-275	175	5 Jul 11 (+25bp)	20-Dec-11	20 Dec 11 (-25bp)	1.75	1.50	1.25	0.75	0.75
Norway	Deposit rate	2.25	-81	-350	100	12 May 11 (+25bp)	14-Dec-11	14 Dec 11 (-25bp)	2.00	1.75	1.50	1.25	1.25
Czech Republic	2-week repo rate	0.75	-160	-300	0	6 May 10 (-25bp)	21-Dec-11	On hold	0.75	0.75	0.75	0.75	0.75
Hungary	2-week deposit rate	6.00	-119	-500	75	24 Jan 11 (+25bp)	29-Nov-11	3Q 12 (-25bp)	6.00	6.00	6.00	5.75	5.50
Israel	Base rate	3.00	-124	-250	250	26 Sep 11 (-25bp)	28-Nov-11	28 Nov 11 (-25bp)	2.50	2.50	2.50	3.00	3.50
Poland	7-day intervention rate	4.50	-6	-200	100	8 Jun 11 (+25bp)	7-Dec-11	1Q 12 (-25bp)	4.50	4.25	3.75	3.75	3.75
Romania	Base rate	6.25	-225	-400	0	4 May 10 (-25bp)	5-Jan-12	1Q 12 (-25bp)	6.25	5.75	5.50	5.25	5.25
Russia	1-week deposit rate	3.75	173	-350	100	14 Sep 11 (+25bp)	11-Nov-11	3Q 12 (+25bp)	3.75	3.75	3.75	4.00	4.25
South Africa	Repo rate	5.50	-265	-650	0	18 Nov 10 (-50bp)	19-Jan	2Q 12 (-50bp)	5.50	5.50	5.00	5.00	5.00
Turkey	1-week repo rate	5.75	-1014	-1175	0	4 Aug 11 (-50bp)	23-Nov-11	Oct 12 (+25bp)	5.75	5.75	5.75	5.75	6.50
Asia/Pacific		3.57	-54	-125	58			3.56	3.54	3.54	3.54	3.61	
Australia	Cash rate	4.50	-139	-275	150	1 Nov 11 (-25bp)	5-Dec-11	On hold	4.50	4.50	4.50	4.50	4.50
New Zealand	Cash rate	2.50	-482	-575	0	10 Mar 11 (-50bp)	8-Dec-11	Mar 12 (+25bp)	2.50	2.75	3.00	3.50	3.50
Japan	Overnight call rate	0.05	-15	-47	0	5 Oct 10 (-5bp)	16-Nov-11	On hold	0.05	0.05	0.05	0.05	0.05
Hong Kong	Discount window base	0.50	-542	-625	0	17 Dec 08 (-100bp)	14-Dec-11	On hold	0.50	0.50	0.50	0.50	0.50
China	1-year working capital	6.56	48	-91	125	6 Jul 11 (+25bp)	-	4Q 12 (+25bp)	6.56	6.56	6.56	6.56	6.81
Korea	Base rate	3.25	-85	-200	125	10 Jun 11 (+25bp)	8-Dec-11	On hold	3.25	3.25	3.25	3.25	3.25
Indonesia	BI rate	6.00	-387	-675	-50	10 Nov 11 (-50bp)	8-Dec-11	8 Dec 11 (-25bp)	5.75	5.00	5.00	5.00	5.00
India	Repo rate	8.50	164	-50	375	25 Oct 11 (+25bp)	11-Dec-11	On hold	8.50	8.50	8.50	8.50	8.50
Malaysia	Overnight policy rate	3.00	-22	-50	100	5 May 11 (+25bp)	31-Jan-12	On hold	3.00	3.00	3.00	3.00	3.00
Philippines	Reverse repo rate	4.50	-257	-300	50	5 May 11 (+25bp)	1-Dec	On hold	4.50	4.50	4.50	4.50	4.50
Thailand	1-day repo rate	3.50	-25	-150	225	24 Aug 11 (+25bp)	30-Nov-11	On hold	3.50	3.50	3.50	3.50	3.50
Taiwan	Official discount rate	1.875	-62.5	-175	62.5	30 Jun 11 (+12.5bp)	4Q 11	On hold	1.875	1.875	1.875	1.875	1.875

Source: J.P. Morgan, 11 November 2011.

Note: *Refers to peak rate between 2007-08 and trough rate from 2009-present

Exchange Rate Forecasts

Country	FX rate vs US dollar annual average						FX rate vs US dollar*** Quarter end forecasts						
	2007	2008	2009	2010	2011E	2012E	1Q11	2Q11	3Q11	Current	1Q12E	2Q12E	3Q12E
Euro	1.39	1.48	1.40	1.32	1.14	1.40	1.42	1.45	1.34	1.38	1.38	1.40	1.42
Sterling	2.00	1.78	1.57	1.54	1.15	1.59	1.60	1.60	1.56	1.61	1.58	1.58	1.60
Yen	117	101	94	87	79	73	83	81	77	77	74	73	72
Australia	0.85	0.83	0.81	0.93	1.00	1.08	1.03	1.07	0.97	1.03	1.06	1.08	1.10
China	7.54	6.88	6.83	6.72	6.42	6.08	6.55	6.46	6.38	6.34	6.20	6.10	6.00
Hong Kong	7.80	7.77	7.75	7.77	7.78	7.77	7.78	7.78	7.78	7.78	7.76	7.76	7.76
India	40.7	44.6	48.1	45.1	45.9	44.4	44.5	44.7	49.0	50.0	44.5	44.0	44.5
Indonesia	9176	9730	10207	9021	8719	8600	8708	8577	8790	8968	8800	8600	8500
Korea	929	1127	1248	1154	1109	1053	1097	1067	1181	1127	1090	1060	1030
Malaysia	3.41	3.34	3.51	3.17	3.05	2.94	3.03	3.02	3.19	3.14	2.96	2.94	2.92
Philippines	45.24	45.26	47.63	44.77	42.9	40.25	43.46	43.34	43.73	43.31	40.75	40.25	40.00
Singapore	1.49	1.40	1.45	1.35	1.24	1.16	1.26	1.23	1.31	1.28	1.17	1.16	1.15
Taiwan	32.79	31.44	32.69	31.11	29.15	27.69	29.41	28.73	30.47	30.18	28.00	27.75	27.50
Thailand	34.37	33.39	34.07	31.31	30.26	28.44	30.25	30.73	31.09	30.80	28.75	28.50	28.25
Argentina	3.12	3.19	3.79	3.93	4.18	4.61	4.06	4.11	4.21	4.26	4.50	4.55	4.70
Brazil	1.90	1.90	1.95	1.73	1.72	1.80	1.63	1.56	1.88	1.74	1.80	1.80	1.80
Chile	519	538	544	506	478	456	478	467	521	498	445	460	460
Colombia	2053	2045	2168	1889	1843	1775	1872	1769	1930	1911	1775	1775	1775
Mexico	10.93	11.42	13.48	12.57	12.48	12.09	11.90	11.71	13.90	13.49	12.25	12.50	11.80
Peru	3.11	2.97	2.99	2.81	2.76	2.71	2.81	2.75	2.77	2.70	2.72	2.71	2.70
Venezuela	2.148	2.147	2.147	4.295	4.296	4.300	4.295	4.295	4.295	4.295	4.300	4.300	4.300
South Africa	7.00	8.41	8.05	7.14	7.42	8.21	6.77	6.77	8.10	7.89	8.10	8.15	8.30
Czech Republic	19.92	16.94	18.72	19.15	17.82	18.10	17.32	16.78	18.44	18.65	18.77	18.21	17.71
Hungary	179	169	200	210	205	222	188	183	219	226	232	225	215
Poland	2.69	2.43	3.10	3.03	3.00	3.05	2.84	2.74	3.30	3.19	3.15	3.14	2.96
Russia	25.29	25.53	31.36	30.46	29.76	30.45	28.45	27.93	32.19	30.37	30.74	30.51	30.28
Turkey	1.27	1.34	1.55	1.52	1.70	1.78	1.55	1.62	1.86	1.78	1.82	1.80	1.75

Source: Datastream, J.P. Morgan estimates, 11 November 2011.

Commodity Forecasts

	Current	4Q11E	1Q12E	2Q12E	3Q12E	4Q12E	2010	2011E	2012E
WTI oil \$/bbl	102.6	98.0	108.0	105.0	110.5	116.0	79.6	96.0	110.0
Brent Crude \$/bbl	113.8	112.0	115.0	110.0	115.0	120.0	80.3	111.5	115.0
Natural gas \$/mmbtu	3.11	3.75	3.95	3.50	4.25	4.70	4.38	4.18	4.10
Gold (\$/oz)	1769	2150	1925	1875	1850	1825	1228	1696	1869
Silver (\$/oz)	34.5	35.8	35.0	34.1	33.6	33.2	20.2	36.4	34.0
Platinum (\$/oz)	1628	1900	1900	1900	1925	1935	1614	1822	1915
Palladium (\$/oz)	655	800	820	840	860	880	530	783	850
Copper (\$/metric ton)	7709	7250	8250	8500	9250	9000	7548	8791	8750
Aluminum (\$/metric ton)	2050	2200	2350	2450	2550	2600	2178	2448	2500
Zinc (\$/metric ton)	1951	1900	2000	2100	2150	2200	2163	2215	2113
Nickel (\$/metric ton)	18178	18000	20000	21000	22000	22000	21823	22860	21250
Corn (\$/bushel)	6.4	6.4	6.7	7.0	6.8	6.3	4.3	6.8	6.7
Wheat (\$/bushel)	6.2	6.5	6.9	7.2	7.1	7.3	5.9	7.2	7.1
Soybeans (\$/bushel)	11.7	12.7	13.1	13.4	13.2	12.7	10.5	13.4	13.1

Source: J.P. Morgan. Current as of 16 November 2011.

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Australia

Drivers of an equity market recovery

The Aussie market trades at a modest discount to our base-case valuation, which assumes a soft landing in both the Australian and Chinese economies. On the domestic side, the key to narrowing this discount is a reduction in inflation risk and lower short rates. Our concern is that investors anticipate a lot of this and the Reserve Bank may keep them waiting until the non-commodity economy has shown more signs of slack. A soft landing for commodity prices requires an orderly deceleration in Chinese investment activity, particularly housing. In our view the mechanisms and risks of this adjustment remain too opaque for an early re-rating in resources stocks.

Stock multiples and scope for re-rating

MSCI Australia trades on a forward PE of 11x, 20% below its 10-year average. However this in part reflects a maturing of earnings growth prospects. Many listed companies are oligopolies facing a plateau in returns at best, and the Mining sector is valued for an eventual fade of commodity prices. Our fair value for the index is around 955.

Factors that are different in this recovery

We see this as very different from the March 2009 opportunity. Valuation dispersion is not as stretched and lower multiples reflect not just risk aversion but also a more subdued outlook for margins. In addition, the two largest sectors sit on top of credit cycles: for Banks, a two-decade rise in house prices and leverage, for Miners a three-year growth spurt in Chinese investment. Until a soft landing for each of these cycles is assured, the market is likely to trade cheaply relative to its history.

Positioning for a recovery; top picks and avoids

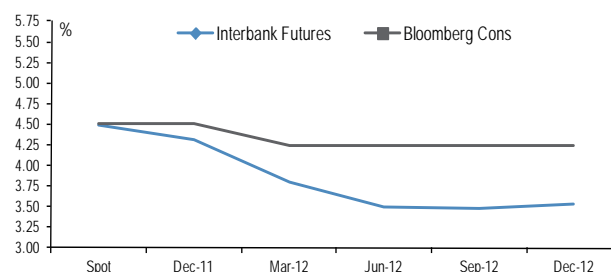
We are happy to write cover on the domestic cycle: our confidence in an Aussie soft landing is higher for the fact that credit growth peaked four years ago. SUN and SGP represent this. RIO gives us reasonably priced exposure to any commodity rebound; WES is one of the few beneficiaries of the 'weaker market power' theme, while ASX has been hit too hard by it. On the cautious side, JHX looks to be pricing US recovery quite fully, WPL is struggling to validate its growth options and QRN looks expensive in a sector and market with value opportunities, and is over-earning on regulated assets.

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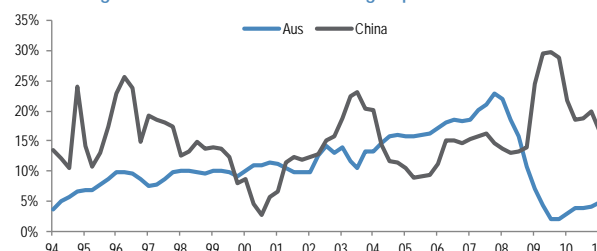
J.P. Morgan Securities Australia Limited

Interbank 1-month rate futures vs. consensus cash rate forecast



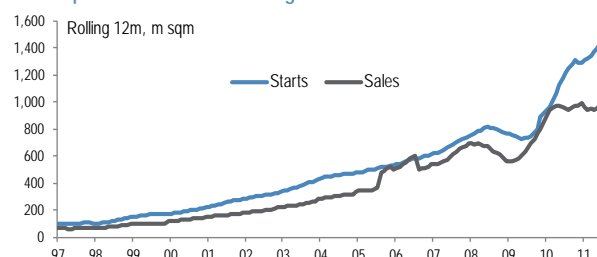
Source: Bloomberg.

Bank credit growth as % nominal GDP rolling 4 qtrs – Australia vs. China



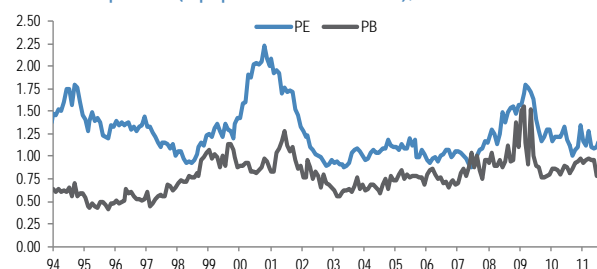
Source: ABS, Bloomberg, RBA, SSB.

Chinese private residential housing starts vs. sales



Source: CEIC.

Valuation dispersion (top quintile-bottom / mean), Australia ex Resources



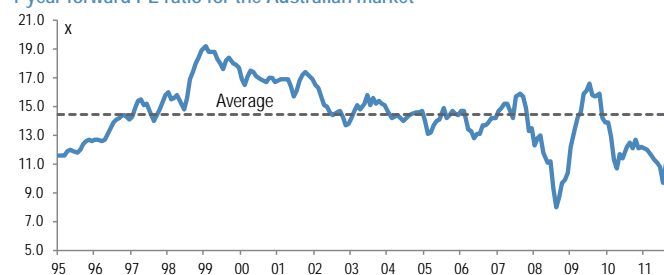
Source: Bloomberg, I/B/E/S.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
ASX	30.21	ASX	OW	5,124	14.90	14.21	2.03	2.13	1.93	12%
Rio Tinto	69.24	RIO	OW	104,820	8.31	7.30	8.34	9.48	1.24	21%
Stockland	3.22	SGP	OW	7,263	10.19	10.20	0.32	0.32	0.24	8%
Santos	13.00	STO	OW	11,293	23.99	21.45	0.54	0.61	0.30	6%
Suncorp Group	8.54	SUN	OW	10,633	17.20	10.68	0.50	0.80	0.48	6%
Stocks to avoid										
James Hardie	6.13	JHX	UW	2,606	23.73	20.12	0.26	0.30	0.06	na
QR National	3.32	QRN	UW	7,859	32.73	19.12	0.10	0.17	0.08	6%
Woodside Petroleum	36.10	WPL	UW	28,288	16.82	16.15	2.15	2.23	1.12	12%

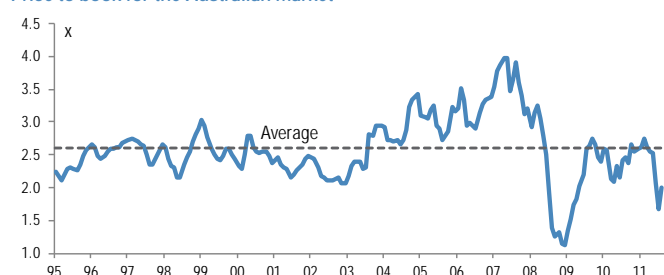
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 7 November 2011.

1-year forward PE ratio for the Australian market



Source: MSCI

Price to book for the Australian market



Source: MSCI

MSCI AUSTRALIA Relative to MXAPJ – WEEKLY CHART



Source: Bloomberg.

- MSCI Australia, relative to MXAPJ, has been in a relatively narrow 10% range for nearly 2 years and needs to break out of this to establish clear direction. We believe a large part of this directional indecision is linked to a currency that is now in a narrow, volatile range.
- The longer-term monthly chart is constructive to the extent the 12 and 26 month moving averages are supportive – although whipsaws are a risk in a sideways market.
- We believe a clear view on the A\$ is needed and monthly charts are weak, suggesting a negative bias to the MSCI Australia relative index.

A clear directional move is needed after nearly 2 years of narrow range relative moves. We see the A\$ as providing the lead. Longer-term charts on the currency are negative suggesting a risk to the downside.

China

Drivers of an equity market recovery

Inflation is falling. Lower PPI and agricultural produce prices set the condition for easier monetary policy. Look for a series of selective easing policies, including a RRR cut. This should China equities' near-term performance. That said, we are unlikely to see a sustainable rally in MSCI China until the negative real interest rate has moved to positive territory.

Stock multiples and scope for re-rating

MSCI China's trailing P/B ratio is inexpensive at 1.7 (November 2008 trough was 1.5). Assuming an end 2012 P/B at a 15% discount to the long term average of 2.1 then MSCI China could be 72; a return of 25%.

Factors that are different in this recovery

Compared to the post 2008 global financial crisis recovery, we believe an upcoming economic recovery is unlikely to be driven by (a) a synchronized global economic recovery (b) a surge in investment in China's private housing sector, or (c) stimulus-induced growth in China autos. This is because of: (1) the mounting EU debt problem and a possible slow-down in the US economy once its fiscal stimulus is phased out; and (2) an ongoing crackdown on the property sector; (3) the penetration rate of cars is already at a fairly high level at 55 cars per one thousand people (by end-FY11). In short, we expect the government is most likely to adopt a series of policies in its effort to develop a more balanced economy, i.e. economic re-balancing away from investment to consumption and services.

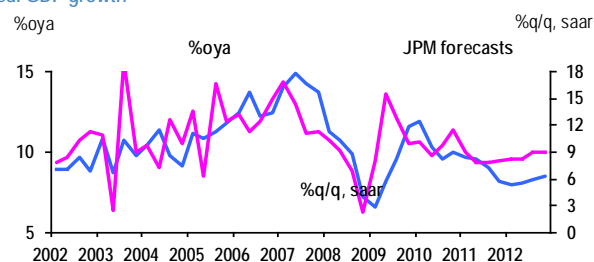
Positioning for a recovery; top picks and avoids

We are OW: 1) life insurance; 2) luxury consumption; 3) internet, 4) city gas; 5) W-CDMA focused China Unicom; 6) Sinopec (new oil product pricing mechanism beneficiary); 7) IPPs. We are UW property, exporters, materials, shipping, power equipment, autos (except for the luxury car segment), construction machinery, TD-WCDMA focused China Mobile, solar, and railway. We are neutral on consumer staples, banks, coal, and Oil.

Frank Li^{AC}

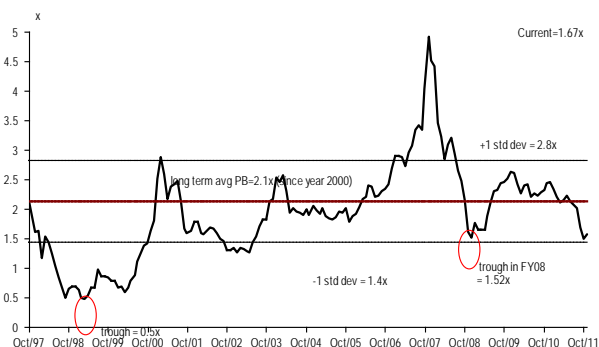
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 J.P. Morgan Securities (Asia Pacific) Limited

Real GDP growth



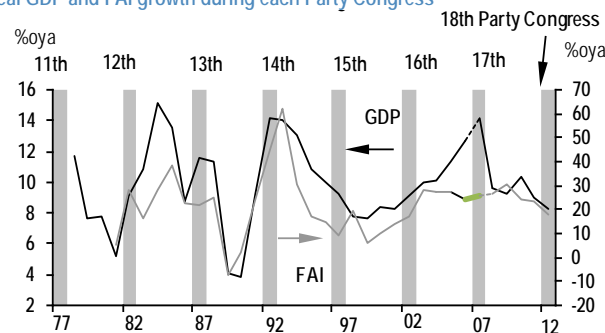
Source: J. P. Morgan economics estimates.

MSCI-China trailing P/B ratio



Source: Bloomberg, J. P. Morgan.

Real GDP and FAI growth during each Party Congress



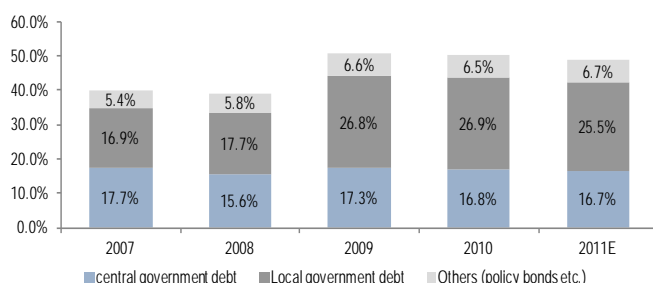
Source: CEIC, J. P. Morgan economics team estimates.

Top picks and stocks to avoid

	Price (HK\$)	Code	Rating	Mkt cap (US\$M)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Brilliance China Automotive	9.08	1114.HK	OW	5,841	21.0	14.0	0.4	0.5	1.4	30.2
Sinopec Corp - H	7.92	0386.HK	OW	98,829	7.0	6.7	0.9	1.0	3.8	16.5
China Shenhua Energy - H	36.6	1088.HK	OW	86,943	12.8	11.4	2.3	2.6	3.1	20.5
China Mengniu Dairy Co. Ltd.	26	2319.HK	OW	5,900	22.1	18.8	1.0	1.1	1.2	16.7
China Minsheng Banking - H	6.64	1988.HK	OW	25,687	5.3	4.7	1.0	1.2	2.6	21.3
Stocks to avoid										
Sino-Ocean Land	3.3	3377.HK	UW	2,406	5.7	5.0	0.5	0.5	5.7	8.6
Angang Steel - H	5	0347.HK	N	5,955	56.5	14.6	0.1	0.3	3.5	3.7

Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of November 4, 2011.

China: Debt to GDP ratio



Source: CEIC, J.P. Morgan estimates.

China's one-year real interest rate forecast

	One-year deposit rate (%)	Headline CPI (%oya)	Real one-year deposit rate (%)
Sep-11	3.50	6.1	-2.6
Oct-11	3.50	5.5	-2.0
Nov-11	3.50	4.5	-1.0
Dec-11	3.50	4.5	-1.0
Jan-12	3.50	4.6	-1.1
Feb-12	3.50	3.7	-0.2
Mar-12	3.50	4.2	-0.7
April-12	3.50	4.0	-0.5
May-12	3.50	3.6	-0.1
Jun-12	3.50	3.2	0.3
July-12	3.50	3.0	0.5

Source: CEIC, J.P. Morgan estimates

MSCI CHINA Relative to MXAPJ – WEEKLY CHART



Source: Bloomberg.

- MSCI China's relative under-performance (vs. MXAPJ) is potentially reversing as the relative index attempts to claw out of the two-year down-channel.
- A positive MACD cross-over and RSI set up support a move up. The relative index has broken past its 12 and 26 week moving averages, supporting a more constructive view.
- The relative index is resting on the upper-bound of the down channel – a successful break will see an acceleration in the reversal.

Hold long positions relative to MXAPJ. Add to positions when channel breached. Reverse long positions if relative index fails to break out of channel.

Hong Kong

Drivers of an equity market recovery

Factors that would help HK are (1) stable Chinese growth, (2) recovery in financial services revenue, (3) no change in Chinese visa restrictions for HK and Macau, and (4) more modest NPLs for HK banks cross-border loans than feared.

Stock multiples and scope for re-rating

NAV stocks trade at 34% discount to NAV, compared to trough of 47% in 2008. PE stocks trade at 11.6x 12m EPS, 17% higher than trough of 9.9x in 2008. Blended valuation is 2% above trough in 2008 and 25% below historical average. Valuation will revert to mean if market conditions return to normal.

Factors that are different in this recovery

Property stocks are already discounting a very weak market. A modest decline is already better than market expectations. Casinos and consumer stock performance is contingent on further growth in tourist arrivals and retail sales, which remained resilient throughout 2011. Banks will face more headwinds than 2009 as Operation Twist and deposit competition hurt net interest margins.

Positioning for a recovery; top picks and avoids

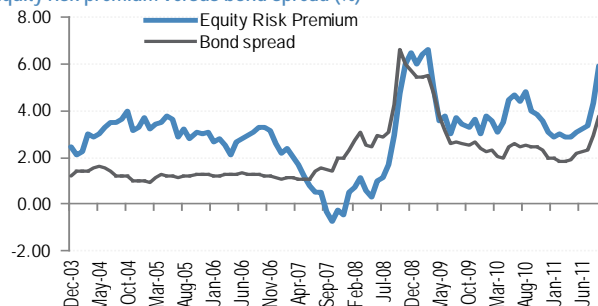
If a recovery is sustained, we prefer high beta stocks with quality fundamentals. We prefer (1) Sands China with upcoming launch in 1H12; (2) Cheung Kong with solid sales achieved in 2011 and deep pockets to benefit from lower land prices; (3) AIA with previous mark-to-market losses reversing and continuously strong NBV growth; (4) Hutchison with NAV discount close to trough and solid turnaround of 3G business; and (5) I.T Ltd with strong SSS growth and where management expects the sales area in China will increase by 30% in FY12E. We avoid utilities (HK&C Gas), hotel exposure (Great Eagle) and banks (HSB: weak capital, falling payout).

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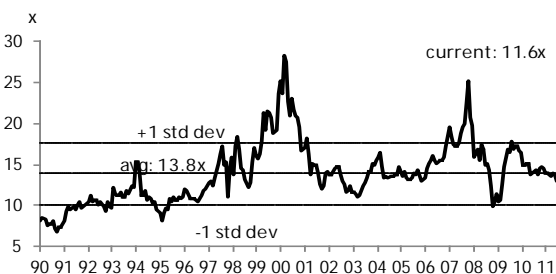
J.P. Morgan Securities (Asia Pacific) Limited

Equity risk premium versus bond spread (%)



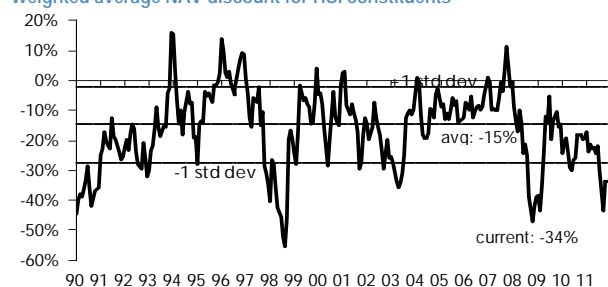
Source: Bloomberg

Weighted average 12m forward PER for HSI constituents



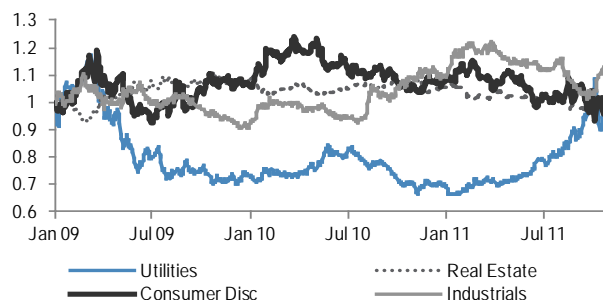
Source: Datastream, J.P. Morgan estimates

Weighted average NAV discount for HSI constituents



Source: Datastream, J.P. Morgan estimates

MSCI HK sector performance relative to MSCI Hong Kong



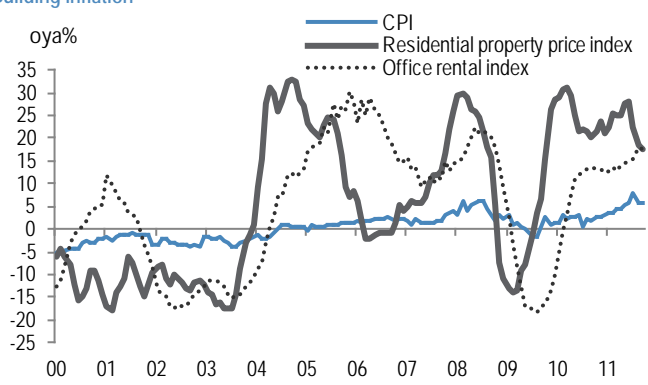
Source: Datastream.

Top picks and stocks to avoid

	Price (HK\$)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (HK\$)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Hutchison	72.1	13	OW	39,510	5.3	13.0	13.5	5.5	3.3	6.3
AIA	24.3	1299	OW	37,618	22.3	14.2	1.1	1.7	1.8	11.7
Cheung Kong	94.3	1	OW	28,074	9.0	9.5	10.5	10.0	3.5	6.8
Sands China	24.95	1928	OW	25,813	23.6	15.2	1.1	1.6	0.0	23.7
I.T	4.93	999	OW	773	14.9	11.6	0.3	0.4	2.6	22.8
Stocks to avoid										
Hang Seng Bank	99.05	11	N	24,340	12.3	12.3	8.1	8.0	5.4	19.4
HK&C Gas	17.94	3	N	18,218	23.0	22.4	0.8	0.8	2.1	15.5
Great Eagle	16.86	41	UW	1367	7.2	8.1	2.3	2.1	3.6	3.9

Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 4 November 2011.

Building inflation



Source: CEIC, J.P. Morgan.

MSCI HONG KONG Relative to MXAPJ – MONTHLY CHART



Source: Bloomberg.

- MSCI HK relative index is in a large triangle formation over the last 4 years and needs to break-out to establish direction. Short-term bias is negative.
- Relative index is below both 12 and 26-week moving averages and these are trending down as well.
- Weekly chart is also sideways but with a negative bias based on positioning relative to moving averages.

MSCI HK relative index needs to break out of its sideways trend before any meaningful directional trades can be recommended. We would have a negative bias in the near-term.

India

Drivers of an equity market recovery

Inflation rolling over and the RBI signaling an end to monetary tightening should help set a floor for valuations. Key re-rating triggers from there on could be 1) a meaningful correction in global commodity prices – important for fiscal flexibility and to kick-start the investment cycle, against the backdrop of a slowing economy and weak tax collections, and 2) progress on key policy reforms awaiting legislative action, particularly those pertaining to the financial sector and the investment cycle.

Given India's dependence on external capital, stability in international financial markets would also be a key to market performance.

Stock multiples and scope for re-rating

India equities currently trade at 12 x forward earnings, a 15% discount to the long-term average. Monetary easing, policy reforms and a bottoming out of the earnings downgrade cycle would mark an inflection point in market performance, in our view.

Factors that are different in this recovery

In the aftermath of the global financial crises, the government stimulated the economy by boosting consumption. Currently the consumption cycle is running ahead of the investment cycle. Supply-side constraints in the economy are manifesting themselves through sustained high core inflation levels. Consequently we expect the government's policy to be biased towards reviving the investment cycle, not only to sustain growth, but also to curb inflation.

Positioning for a recovery; top picks and avoids

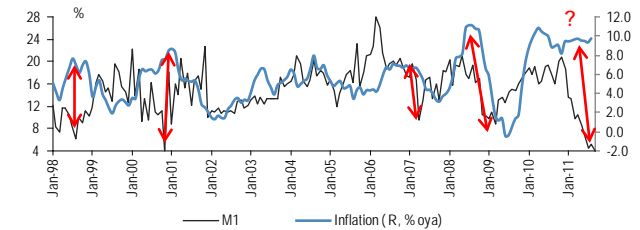
A recovery would call for shedding the defensive bias in portfolios, in our view. Our recommended stocks to avoid are Hindustan Unilever, Hero Motocorp and Coal India. Add beta through cyclicals – both local rate sensitives and international cyclicals. Our top picks to play a potential recovery are ICICI Bank, L&T, Tata Motors, TCS and Hindalco.

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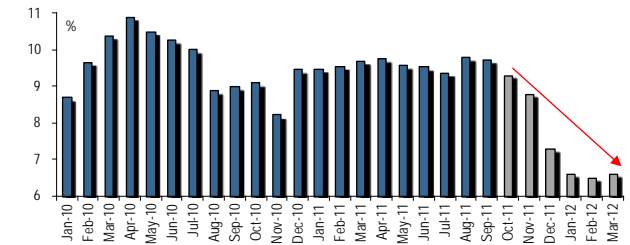
J.P. Morgan India Private Limited

Narrow Money Growth (M1, % oya) and Inflation



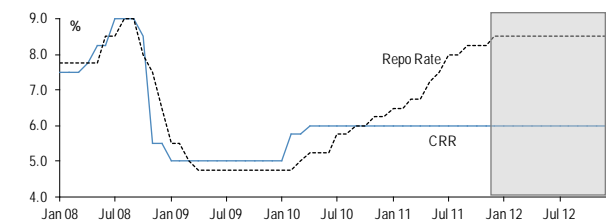
Source: J.P. Morgan

Inflation trajectory



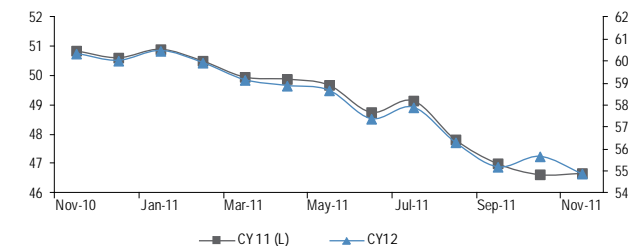
Source: J.P. Morgan

Interest rate trend and J.P. Morgan expectations



Source: J.P. Morgan, Bloomberg

MSCI India EPS expectation trend



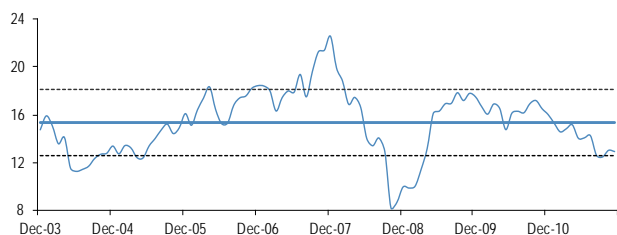
Source: MSCI, IBES

Top picks and stocks to avoid

	Price (Rs)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (Rs)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
ICICI BANK	884	ICICIB IN	OW	20,754	15	12	60	72	1.8	12
TATA CONSULTANCY SVS.	1,100	TCS IN	OW	43,836	20	17	54	63	1.6	36
LARSEN & TOUBRO	1,394	LT IN	OW	17,365	16	14	86	99	1.1	18
TATA MOTORS	188	TTMT IN	OW	10,310	7	6	26	31	2.0	9
HINDALCO INDUSTRIES	139	HNDL IN	OW	5,429	9	9	15	16	1.3	10
Stocks to avoid										
HERO MOTOCORP	2,114	HMCL IN	UW	8,596	18	16	121	134	3.4	67
HINDUSTAN UNILEVER	380	HUVR IN	UW	16,707	32	27	12	14	2.1	86
COAL INDIA	326	COAL IN	UW	41,972	13	12	25	28	1.6	40

Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of November 4, 2011.

MSCI India – 12-month Fwd P/E



Source: MSCI, IBES, Datastream

Sensex EPS and P/E multiple matrix

EPS Integer	EPS CAGR – FY 11-13E (%)					
	(10)	(5)	0	5	10	15
1,025	830	925	1,025	1,130	1,240	1,356
PE						
8	6,642	7,401	8,200	9,041	9,922	10,845
12	9,963	11,101	12,300	13,561	14,883	16,267
14	11,624	12,951	14,350	15,821	17,364	18,978
16	13,284	14,801	16,400	18,081	19,844	21,689
20	16,605	18,501	20,500	22,601	24,805	27,111

Source: MSCI, IBES, Datastream

MSCI INDIA Relative to MXAPJ – MONTHLY CHART



Source: Bloomberg.

- MSCI India broke down from a 10-year monthly out-performance trend, in 1Q 2011. The risk of continued under-performance is high.
- The relative index has fallen below both 6 and 12 month moving averages, which themselves are trending down, supporting a negative view of the primary trend.
- The intermediate trend (weekly charts) shows a sideways move within a narrow range, but approaching the lower bound of the range. A break down from this range will accelerate the under-performance.

Hold relative short positions in MXIN (relative to MXAPJ). Increase short positions when weekly range is broken – a 20% under-performance potential exists.

Indonesia

Drivers of an equity market recovery

Within 10% of its all-time high, we believe Indonesia is being carried towards 2012 by tailwinds from fundamentals and policy action. Blue-sky drivers include: growth remaining robust at c6.5%, with inflation contained at 5% or so. Stable energy and commodity prices keep the fiscal situation healthy, but also support the current account and domestic demand. The BoP is further cushioned by healthy direct and portfolio flows – hence biasing the Rp/\$ Rate, which we believe could go to 8,400 or higher. All of this happens in a context of BI having started easing, and communicating a willingness to cut rates further along with the possibility of sovereign rating upgrades finally coming through. Lastly, evidence of progress on reforms and infrastructure development, as we move to the last two years of President SBY's administration, should help keep investor interest in Indonesia at elevated levels.

Stock multiples and scope for re-rating

MSCI Indonesia trades at 13x 12M forward PE, within 1SD above its 5-year average of 12.6x, offering some scope for rerating when factoring in the current long bond yields of 6.3% and FY12E EPS of 16%. However, a 19% PE premium to APxJ and over a 30% premium to the EM index may limit rerating upside, in our view.

Factors that are different in this recovery

A wider investor understanding of Indonesia, and crisis management protocols put in after the GFC have curbed volatility in FX and bonds so far, compared to the crisis. At the same time inflation is more muted, allowing policy flexibility from a more assertive Central Bank, which has begun cutting rates proactively.

Positioning for a recovery; top picks and avoids

We see a multiyear upside in property, and ASRI is our top pick. INTP also offers exposure, with a bonus if infrastructure reforms come through. Our favoured commodity plays, UNTR & PTBA, both have more leverage to coal volumes rather than price, and we like BRI among the Banks. PGAS & ANTM are our two avoids.

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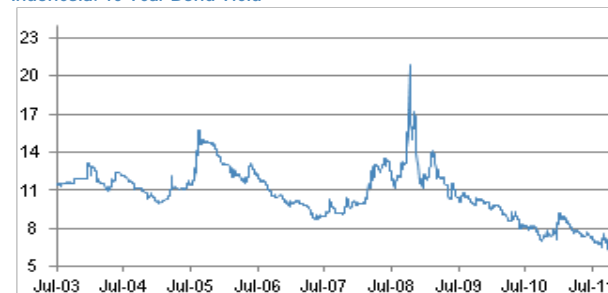
PT J.P. Morgan Securities Indonesia

Indonesia: 12M Forward PE Absolute (x) and rel to APxJ (% RHS)



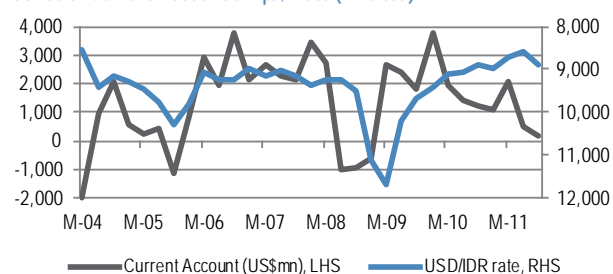
Source: MSCI, Bloomberg.

Indonesia: 10 Year Bond Yield



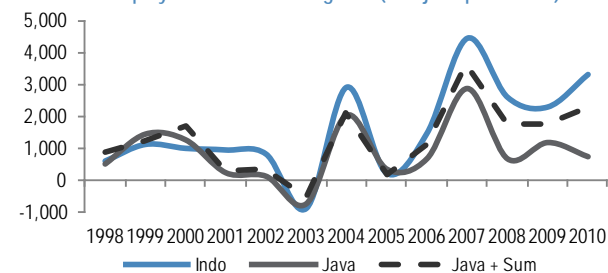
Source: Bloomberg.

Indonesia: Current Account & Rp/\$ Rate (inverted)



Source: CEIC.

Increase in employment National & regional ('000 jobs per annum)



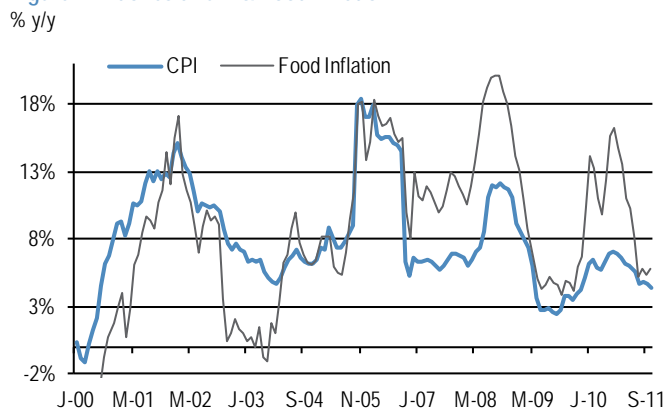
Source: BPS

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Alam Sutera	450	ASRI IJ	OW	899	14.8	11.5	30	39	1.8	24.8
Bank Rakyat	6800	BBRI IJ	OW	18754	12.4	9.9	548	687	1.7	31.1
IndoCement	15500	INTP IJ	OW	6384	16.2	13.8	957	1,123	2.0	24.2
Bukit Asam	18150	PTBA IJ	OW	4680	11.6	9.7	1,565	1,871	5.1	44.2
United Tractors	24650	PTBA IJ	OW	9175	16.2	13.9	1,522	1,773	2.9	24.1
Stocks to avoid										
Perusahaan Gas	3050	PGAS IJ	UW	8181	12.2	13.2	250	231	4.3	31.6
Aneka Tambang	1720	ANTM IJ	UW	1836	7.2	7.9	239	218	5.5	17.6

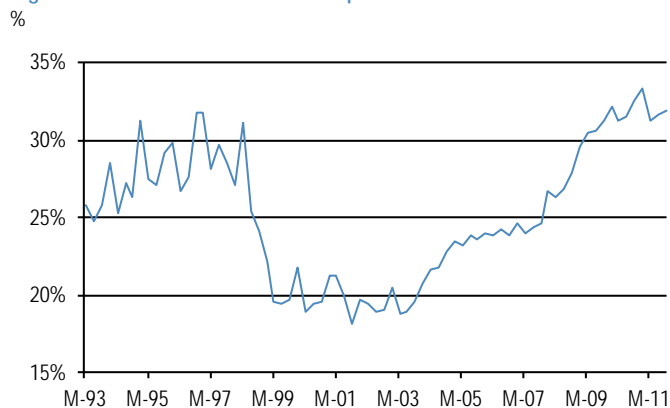
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 4 Nov 2011.

Figure 1: Indonesia: CPI & Food Inflation



Source: CEIC

Figure 2: Indonesia: Gross Fixed Capital Formation/GDP



Source: BPS, CEIC

MSCI INDONESIA Relative to MXAPJ – MONTHLY CHART



Source: Bloomberg.

- MSCI Indonesia's decade old outperformance trend (relative to MXAPJ) appears to be losing momentum as suggested by a RSI that didn't create a new high, even as the relative index did.
- The relative index is above both 6- and 12-month moving averages, suggesting that the primary trend is still up - but with weakening momentum.
- On the shorter-term chart, once the Jan11 trendline was broken, this has acted as a resistance level, yet again displaying momentum weakness.

MSCI Indonesia's primary trend remains up but is facing the risk of a reversal, following momentum weakness. We would protect any long positions with stops 5% below. Short on monthly moving average break.

Malaysia

Drivers of an equity market recovery

We believe a sustained stock market performance in 2012 would be based on the following conditions. 1) Acceleration of private investments and FDIs, lending credence to the M\$1.4T Economic Transformation Programme (ETP), still viewed with intense skepticism. 2) Public sector spending on major domestic-driven public infrastructure gains traction. 3) Petronas' major M\$300B oil and gas capex (over five years) is rolled out more quickly. 4) Broadening and deepening of the market attracts capital through measures such as a gradual sell-down in government-linked companies (25 identified) including major IPOs such as Felda and Integrated Healthcare. 5) Appreciation of the MYR given relatively sound BOP and Yuan tracking (presumably on China's dominance in trade-weighted basket). 6) More stable political conditions after the elections (potential for early elections) if PM Najib is able to solidify his position. Key risks: 1) BN loses even a simple majority; 2) ETP relies too much on private investments which could be set back in an economic downturn, in which case we think a Supplementary Budget is probable.

Stock multiples and scope for re-rating

P/E valuation works best in valuing the Malaysian market. Trough valuations are at 9x and under normal conditions, trade at 15x on average vs 13.2x currently. Valuations in Malaysia tend to mean revert.

Factors that are different in this recovery

The recovery, if it takes place, will be spearheaded by growth in private investments (as ETP slowly gains traction), as well as major public spending in public infrastructure and Petronas' major capex, a two-pronged growth.

Positioning for a recovery; top picks and avoids

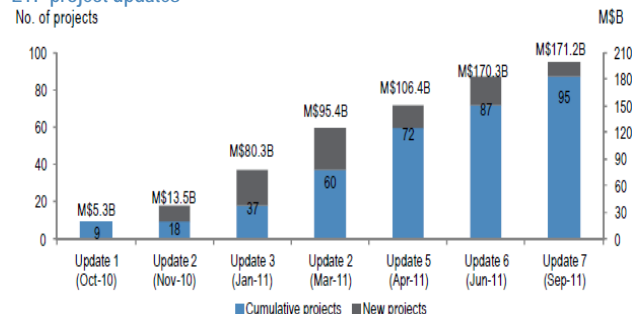
Our top OWs in a recovery environment are CIMB, IJM Corp, Media Prima, Dialog and Sime Darby. Our top stocks to avoid are Maxis, IOI and BAT.

Mak Hoy Kit^{AC}

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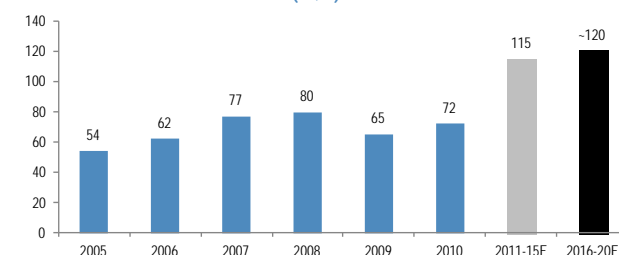
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ETP project updates



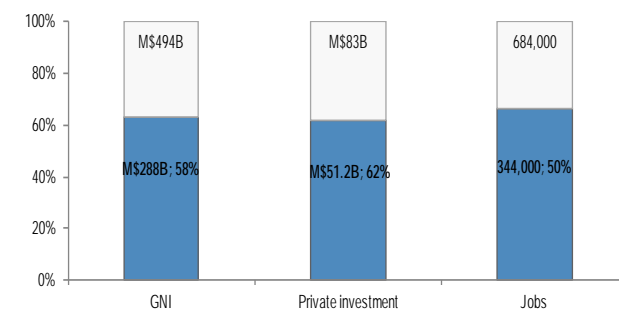
Source: PEMANDU

Private investments levels to rise (M\$B)



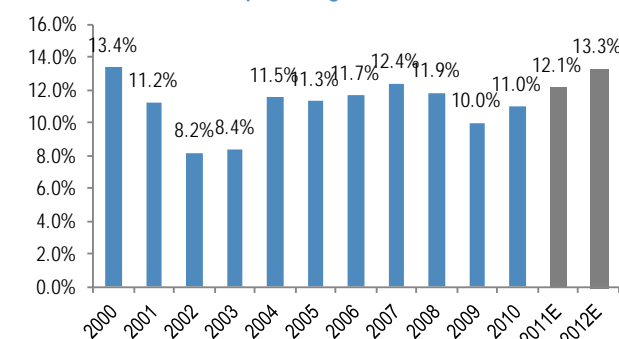
Source: PEMANDU; Department of Statistics; Ministry of Finance

ETP: 1H11 performance vs 2011 targets



Source: PEMANDU

Private investments as a percentage of GDP



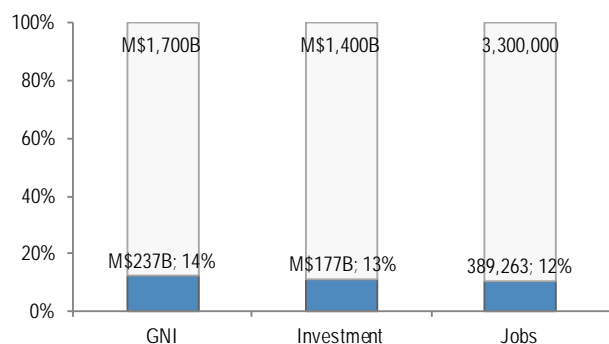
Source: J.P. Morgan estimates. Malaysia Statistics

Top picks and stocks to avoid

	Price (M\$)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (M\$)		Div. yield 12E (%)	ROE 12E (%)
					12E	13E	12E	13E		
Top picks										
CIMB	7.36	CIMB MK	OW	17,566	10.5	8.3	0.70	0.88	4.8%	19.7
IJM Corp	5.68	IJM MK	OW	2,509	16.6	13.2	0.34	0.43	2.3%	9.3
Media Prima	2.50	MPR MK	OW	854	13.9	13.5	0.18	0.19	4.9%	14.4
Dialog	2.35	DLG MK	OW	1,508	25.5	21.5	0.09	0.11	1.6%	29.1
Sime Darby	8.80	SIME MK	OW	16,981	13.9	13.1	0.63	0.67	3.6%	15.3
Top avoids										
Maxis	5.26	MAXIS MK	N	12,667	15.6	15.1	0.34	0.35	7.9%	32.8
IOI	5.21	IOI MK	UW	10,744	17.3	16.0	0.30	0.32	3.2%	15.4
BAT	46.18	ROTH MK	UW	4,234	18.3	17.5	2.53	2.63	4.9%	141.7

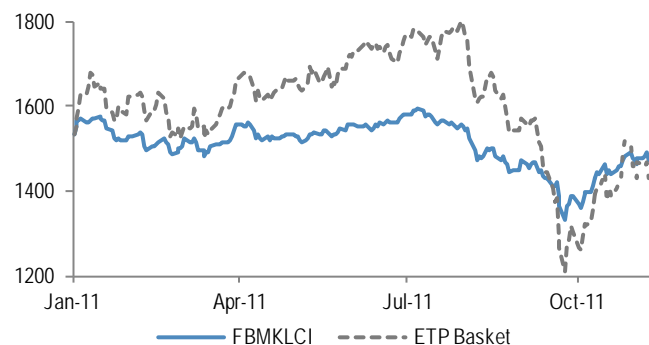
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 4 Nov 2011.

NKEAs tracking to 2020 Targets



Source: PEMANDU

FBMKLCI vs ETP Basket



Source: J.P. Morgan estimates, Bloomberg.

MSCI MALAYSIA Relative to MXAPJ – WEEKLY CHART



Source: Bloomberg.

- MSCI Malaysia relative index (relative to MXAPJ) is tenuously holding on to an uptrend – just above its 26 week moving average.
- Longer-term charts for MXMY (relative to MXAPJ) remain in an uptrend and similarly with somewhat weakening momentum.
- Shorter-term charts are weak on trend line break and negative moving average positioning.

MSCI Malaysia's medium-term outperformance uptrend is facing a fade similar to Indonesia and Thailand. Shorter-term charts are also weak. We would be under-weight Malaysia.

Philippines

Drivers of an equity market recovery

The Philippines should benefit from the long awaited infrastructure-led investments we expect to take place in 2012. The government has a markedly improved fiscal position, leaving it well positioned to increase investments and also push through its public private partnership (PPP) programme. Note that that the government is targeting an infrastructure to GDP ratio of 3.0% in 2012, on its way to more than doubling the ratio when the Aquino government term ends in 2016.

Especially crucial is the US\$17bn in projects planned under PPP over the next five years, where execution would be watched closely.

Stock multiples and scope for re-rating

As the market has held up well in 2011 due to its fairly limited external exposure, Philippine's PER of 13x for FY12E is not that attractive regionally, nor against the historical average of 14x. Thus we think the materialisation of infrastructure investments is crucial to drive a more balanced GDP that is not too dependent on consumption (nearly 80% of GDP). This should potentially boost corporate earnings, where we forecast growth of 12% in 2012.

Factors that are different in this recovery

Political stability is a key difference from years past, and this has already helped to achieve a decent fiscal position. This has improved the business climate, making conditions ideal for investments and capex acceleration. Good execution on PPP would be a big bonus, especially with investor expectations relatively low.

Positioning for a recovery; top picks and avoids

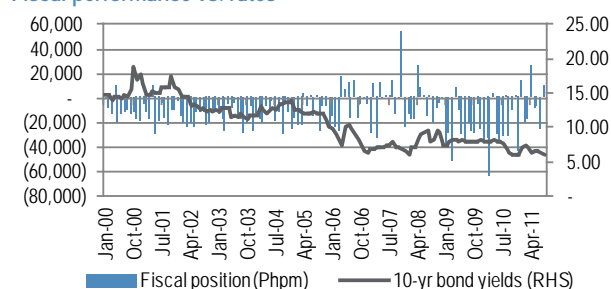
Top picks are those which benefit from increased investments, especially infrastructure. We think these include Metro Pacific, Ayala Land, Security Bank, BPI, and Ayala Corp. Stocks to avoid are those unlikely to participate positively in this environment; we identify Meralco and PNB.

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Fiscal performance vs. rates



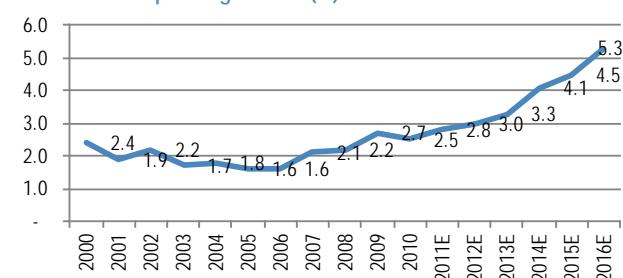
Source: Bloomberg, Dept. of Finance

Asia investment rates

	Ave '94-'97	Ave '98-'03	'04	'05	'06	'07	'08	'09	'10
China	39	37	43	42	42	42	36	44	42
Hong Kong	33	25	22	21	22	21	20	23	20
India	26	26	33	37	38	41	41	42	35
Indonesia	31	20	24	25	25	25	28	31	24
Korea	31	31	30	30	30	29	31	26	27
Malaysia	42	25	23	20	21	22	19	15	22
Philippines	24	19	17	15	15	15	15	15	19
Singapore	34	27	22	20	21	21	30	27	25
Taiwan	26	23	24	23	23	22	23	17	19
Thailand	40	23	27	31	28	26	29	22	21
Vietnam	27	31	36	36	37	43	43	52	41

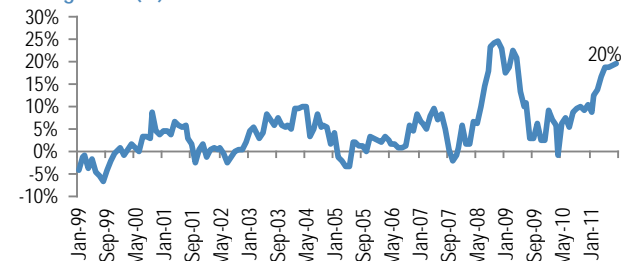
Source: CEIC

Infrastructure spending to GDP (%)



Source: Dept. of Finance

Loan growth (%)



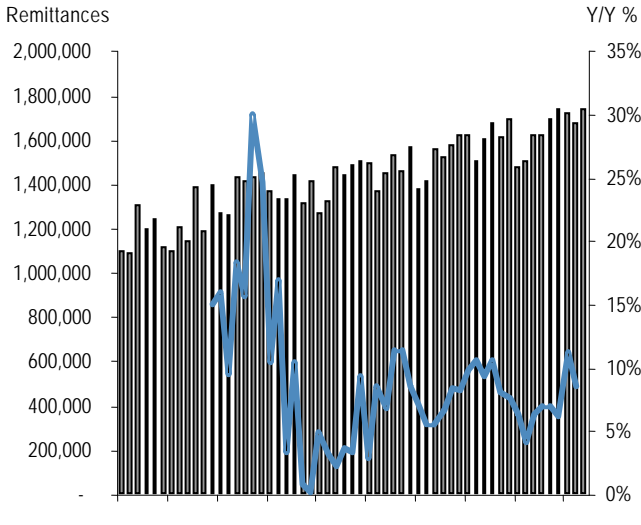
Source: CEIC.

Top picks and stocks to avoid

	Price (Php)	BBG Code	Rating	Mkt cap (US\$MM)	PER (x)		EPS (Php)		Div yield (%) 12E	ROE (%) 12E
					11E	12E	11E	12E		
Top Picks										
Metro Pacific Investments	3.31	MPI PM	OW	1,787	15.6	15.7	0.2	0.2	1.3	9.2
Ayala Land	15.66	ALI PM	OW	4,716	29.2	23.4	0.5	0.7	1.4	14.1
Security Bank	89.20	SECB PM	OW	3,105	13.2	10.7	5.3	6.6	4.0	12.4
Bank of the Phil. Islands	57.40	BPI PM	OW	4,442	15.3	13.1	3.8	4.4	4.6	20.0
Ayala Corp	289.00	AC PM	OW	3,973	17.3	13.7	16.7	21.2	1.4	11.5
Stocks to avoid										
Meralco	241.20	MER PM	UW	6,208	16.9	16.6	14.3	14.5	3.0	19.8
Phil. National Bank	53.50	PNB PM	UW	686	7.2	6.3	4.1	4.8	4.1	13.8

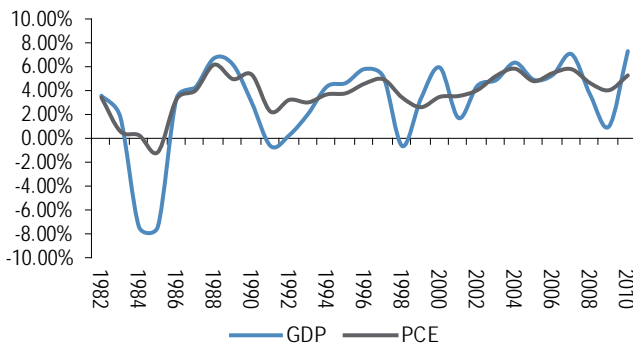
Source: Bloomberg, J.P. Morgan estimates. Priced at 10 November 2011.

Remittances



Source: CEIC.

Personal Consumption Expenditure and GDP



Source: CEIC.

MSCI PHILIPPINES Relative to MXAPJ - WEEKLY CHART



Source: Bloomberg.

- MSCI Philippines relative index (relative to MXAPJ) is critically poised on important support levels, based on weekly charts. A break below the 390-395 level would suggest substantial underperformance.
- A negative MACD cross-over on weekly charts makes the intermediate outlook weak. However, given that the 26 week moving average remains upward sloping, we need more evidence to recommend negative positions.
- Shorter-term trend is sideways.

We think MSCI Philippines is better positioned relative to ASEAN peers. While there are downside risks, we need more confirmation to recommend underweights.

Singapore

Drivers of an equity market recovery

Singapore's open, trade and capital-flow dependent economy means that global and regional influences are very significant stock market price factors. As country specific indicators go, a return of corporate investment and a capex cycle (perhaps measured by sentiment or investment surveys) could be a lead indicator, as may be greater policy leeway with inflationary pressures moderating.

Stock multiples and scope for re-rating

The Singapore market is trading at 12.5x FY12 EPS on our estimates (a slight premium to the MSCI Asia ex-Japan index), with high single digit growth factored in. As the market transforms with regional/global growth proxies becoming more dominant within the market, we expect the outlook to be propelled by the growth factor and expectations thereof, whilst the market multiple compresses towards the regional average.

Factors that are different in this recovery

Singapore's new growth industries are primarily those that are integral or tightly connected to regional/global value/supply chains: the commodities complex (ranging from the oil services companies to commodity supply chain managers), business and financial services, and social or logistics infrastructure development in the region. We expect stocks in these sectors will be more likely to generate growth in a recovery scenario and potentially re-rate as growth prospects improve, whilst the more traditional Singapore bellwether stocks could get left behind.

Positioning for a recovery; top picks and avoids

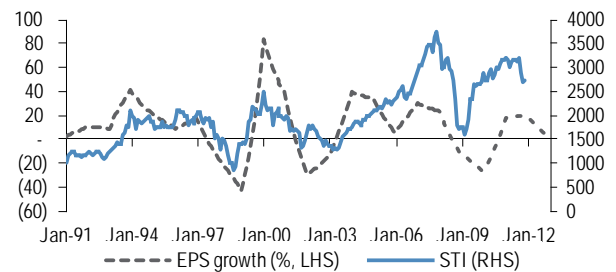
Stocks in three key capital intensive sectors that we believe are key pillars of Singapore's stock market and are beneficiaries of a recovery: CapitaMalls Asia, DBS, Global Logistic Properties, Olam and Wilmar. We believe investors should avoid ST Engineering and M1, stocks that have held up well because of specific growth drivers that we believe may not hold up as well going forward.

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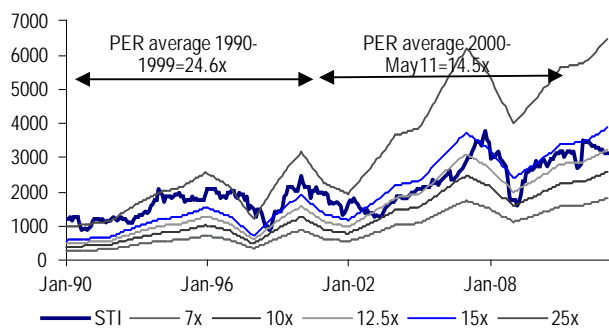
J.P.Morgan Securities Singapore Private Limited

FTSE Straits Times Index vs EPS growth (%)



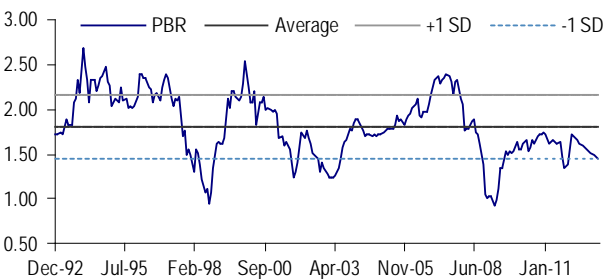
Source: Bloomberg, J.P. Morgan.

Singapore Market P/E band chart



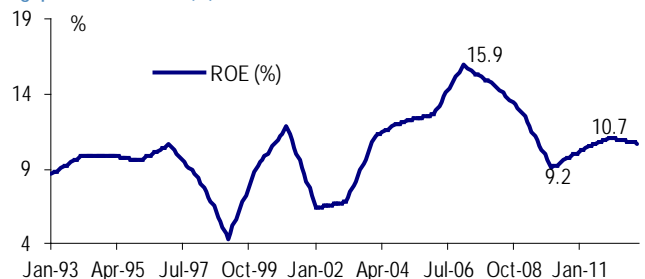
Source: Bloomberg, J.P. Morgan.

Singapore market P/B



Source: Bloomberg, J.P. Morgan.

Singapore market ROE (%)



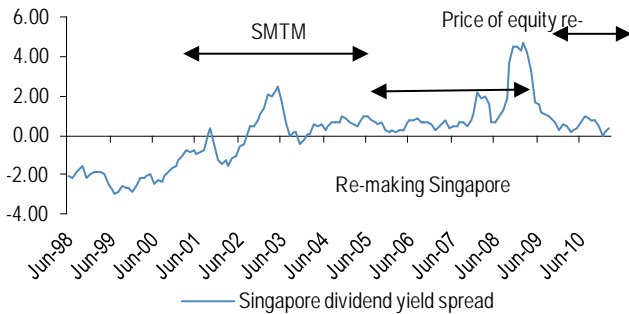
Source: J.P. Morgan.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
CapitaMalls Asia	1.38	CMA SP	OW	4,154	8.7	9.7	0.16	0.14	2.9%	8.2%
DBS Group	12.95	DBS SP	OW	23,511	10.3	10.0	1.26	1.29	4.2%	10.9%
Global Logistic Props	1.87	GLP SP	OW	6,659	9.4	10.2	0.15	0.14	0.0%	9.4%
Keppel Corp	9.26	KEP SP	OW	13,018	11.8	11.3	0.79	0.82	4.5%	18.8%
Wilmar Intl	5.27	WIL SP	OW	26,138	16.5	14.2	0.25	0.29	0.8%	13.3%
Stocks to avoid										
M1	2.48	M1 SP	N	1,745	13.2	13.1	0.19	0.19	6.2%	53.0%
ST Engineering	2.87	STE SP	N	6,796	17.2	17.6	0.17	0.16	4.8%	28.6%

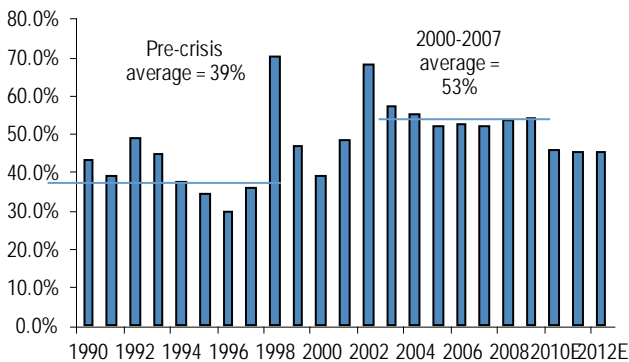
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 14 Nov 2011.

Singapore dividend yield spread



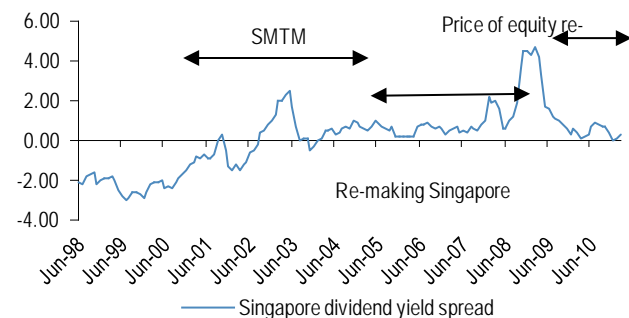
Source: Bloomberg, J.P. Morgan.

Singapore market dividend payout ratio



Source: J.P. Morgan.

Singapore equity risk premium



Source: Bloomberg, J.P. Morgan.

MSCI SINGAPORE Relative to MXAPJ – WEEKLY CHART



Source: Bloomberg.

- MSCI Singapore relative index (relative to MXAPJ) failed to pierce the 2007 high and has since broken down from the 2009 uptrend.
- The 12/26 week moving average is dangerously close to delivering a death cross, which would suggest further weakness/ underperformance for MXSG.
- On shorter-term charts, the relative index is negatively positioned relative to all moving averages.

MSCI Singapore runs the risk of continued underperformance following a failure to break new ground. We have an underweight/ sell position on the relative index.

South Korea

Drivers of an equity market recovery

As a small open economy focusing on exports, Korea could be on a bumpy road for some time due to current macro uncertainties, which could inevitably make the share prices of Korean equities vulnerable. In our opinion, a sustained KOSPI performance in 2012 would be led by favorable developments in three areas—(1) headline inflation managed within the BoK's inflation target ($3\pm 1\%$), (2) KRW gradually appreciating over US\$ toward 1,030 level, and (3) residential property market staying firm. On top of that, we anticipate regulatory pressure to lower prices on domestic goods and services should ease after the general election in April 2012 amidst reducing inflation pressure.

Stock multiples and scope for re-rating

Considering the adoption of K-IFRS from 2011 and currency-led earnings volatility, P/BV looks a better valuation metric for Korean equities for now. As has been tested during the GFC and recent sell-off, 1x P/BV appears the trough valuation of the market. We expect continuing rotational price movements between the exports and the domestics throughout 2012, but the market should be on a gradually rising trajectory.

Factors that are different in this recovery

Two major elections will take place in 2012—the general election in April and the presidential election in December. Regardless of the outcome of the elections, we expect the big picture of policy direction to shift from the “export-priority policy over the domestics” towards balanced growth between “the exporters” and “the domestics”, as the voters seem to require politicians to lay out a sensible plan for creating more jobs locally, instead of only focusing on economic growth as measured by the GDP. Hence, we expect the domestics to start seeing strong growth momentum from 2012.

Positioning for a recovery; top picks and avoids

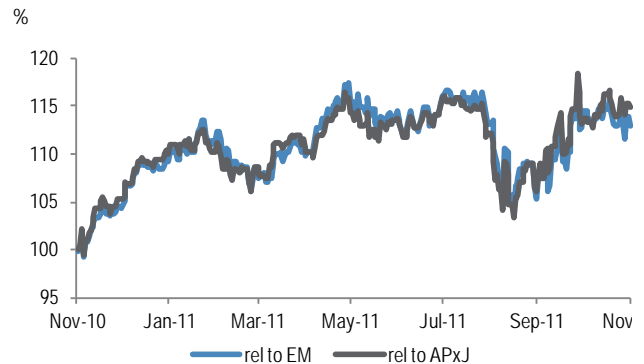
Our top buy ideas for 2012 include Samsung Electronics, Hyundai Motor, GS Engineering, Neowiz Games and KB Financial Group. We recommend investors to avoid Hyundai Heavy Industry, S-Oil and LG Uplus.

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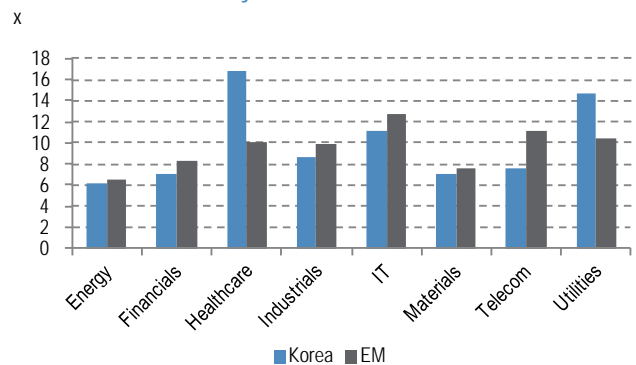
J.P. Morgan Securities (Far East) Ltd., Seoul Branch

MSCI Korea—Relative to APxJ and EM



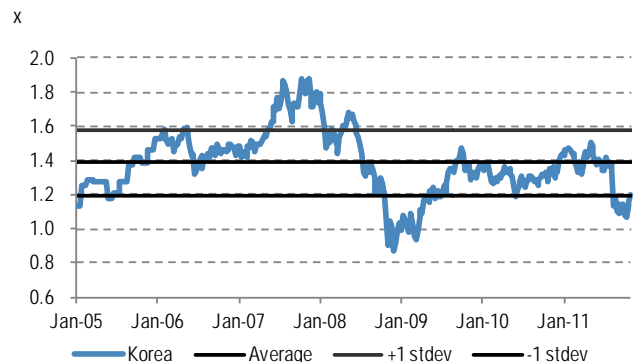
Source: Bloomberg, MSCI.

MSCI Korea—2012 P/E by sector



Source: Datastream, J.P. Morgan estimates.

MSCI Korea—Forward P/B chart



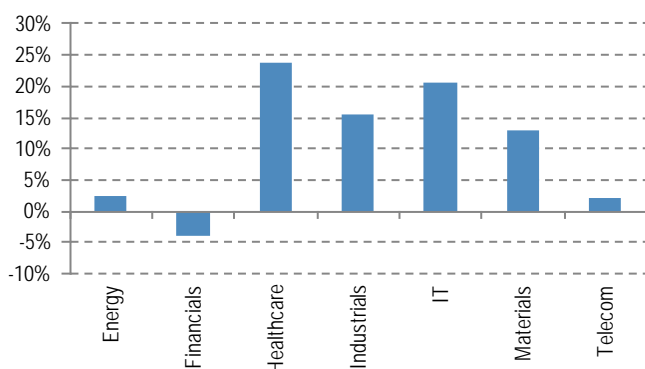
Source: Datastream, J.P. Morgan estimates..

Top picks and stocks to avoid

	Price (₩)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
GS E&C	97,500	006360 KS	OW	4,477	9.2	10.9	10,606	8,962	1.0%	10.1%
Hyundai Motor Company	238,000	005380 KS	OW	47,201	8.4	7.6	28,386	31,118	0.7%	20.1%
KB Financial	41,700	105560 KS	OW	14,505	5.6	6.5	7,475	6,400	3.1%	10.4%
Neowiz Games	69,400	095660 KS	OW	1,369	16.0	10.5	4,346	6,590	0.0%	37.6%
Samsung Electronics	1,005,000	005930 KS	OW	133,282	11.8	9.6	85,192	104,889	1.0%	16.0%
Stocks to avoid										
Hyundai Heavy	288,500	009540 KS	N	19,741	6.0	6.3	48,234	45,498	2.4%	16.2%
LG Uplus	6,830	032640 KS	UW	3,166	16.8	14.1	407	486	5.1%	6.2%
S-Oil	123,500	010950 KS	UW	12,518	10.6	12.1	11,657	10,165	3.2%	20.0%

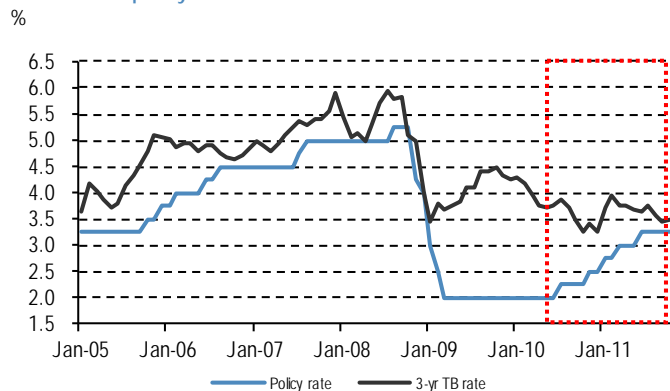
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of Nov. 4, 2011.

2012 EPS growth estimates



Source: Datastream, J.P. Morgan estimates

Korea—BoK policy rate trend



Source: Bank of Korea.

- The BoK is expected to shift its policy stance to neutral, possibly within three months to signal that it would stand pat for long period of time. Yet, any changes on an easing bias are likely to require further deterioration of growth conditions. We expect the BoK would stand pat throughout 2012, pushing back the timing of next rate hike action by two quarters to early 2013.

MSCI KOREA Relative to MXAPJ – MONTHLY CHART



Source: Bloomberg.

- MSCI Korea's outperformance (relative to MXAPJ), since early 2009 remains in place on longer-term monthly charts.
- The relative index is above both 6 and 12 month moving averages with the latter also rising, supporting a constructive primary trend view.
- Support for the trend at the 12-month moving average as well as uptrend line.

We recommend holding long positions relative to MXAPJ. A negative MACD cross-over or break of uptrend line would cause a reversal – hence these should be used as triggers to stop and reverse.

Taiwan

Drivers of an equity market recovery

Looking forward to 2012, we reckon a recovery in Taiwan's stock market would be stimulated by the following three conditions: 1) ruling party KMT victory in presidential election on Jan 14, meaning a continuity of the existing administration and China policy; 2) further decline in commodity prices, easing inflation and helping margin expansion even without meaningful demand-driven top-line growth; 3) stronger-than-expected DM economy, especially the US, giving optimism to the export business.

In terms of sector selection, we see risk-reward relatively more attractive in technology in 2012 for four reasons: 1) fundamentals are expected to hit bottom in 1H12, with upstream foundry around April-12 and downstream PC/NB in late 2Q12; 2) consensus earnings downgrade YTD is similar to the level in May-Nov 2008 downturn. On the non tech side, especially consumer-related, we have not seen second order impact on earnings, which is evidenced by disappointing 3Q11 results; 3) investor position is very toward UW tech and OW consumer judging by fund flows YTD. EM fund managers collectively are 3% UW Taiwan relative to benchmark.

Stock multiples and scope for re-rating

Taiwan market is currently trading at 13x 2012E P/E vs. the historical average of 15x since 2000. In addition to macro factors (US economy and commodity prices), cross-Strait relations between Taiwan and China play an important role not only on capital flow but also political risk premium. Measured by TWSE's relative volatility to the region, we find a smoother cross-Strait relation has directly led to a lower volatility or political risk premium; hence, our prerequisite of KMT victory in Jan election.

Factors that are different in this recovery

Lower political risk premium with KMT victory in Jan presidential election will differentiate Taiwan's recovery from other regional markets, if we see such recovery in DM. In that case, Taiwan should benefit more as it did in 2009, given its export-driven economy.

Positioning for a recovery; top picks and avoids

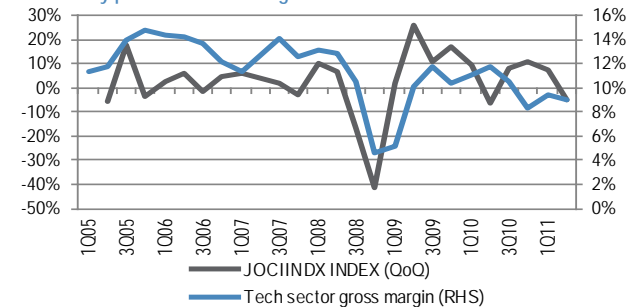
Top 5 picks: MediaTek (OW), TSMC (N), Quanta (OW), Cheng Shin Rubber (OW), and Yulon Motor (OW).
 Three to avoid: Formosa Plastic (UW), E-Ink (UW), and Shinkong FHC (N).

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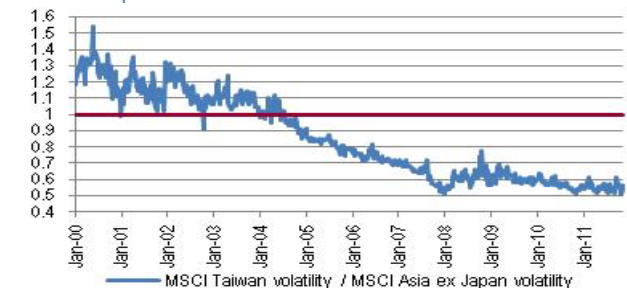
J.P. Morgan Securities (Taiwan) Limited

Commodity prices vs. Tech margins



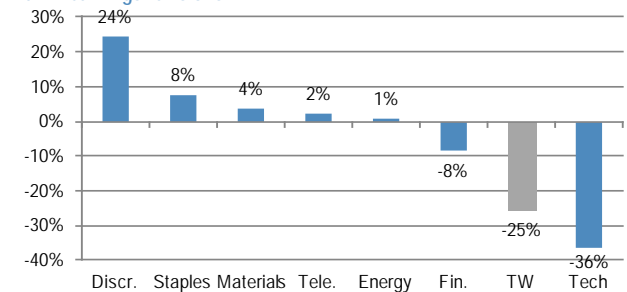
Source: Bloomberg, Taiwan Economic Journal, J.P. Morgan.

Political risk premium in Taiwan



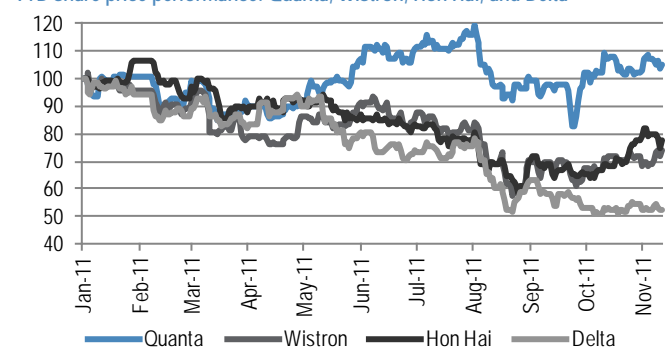
Source: Bloomberg, J.P. Morgan.

2012E earnings revisions YTD



Source: Bloomberg, Datastream and J.P. Morgan estimates

YTD share price performance: Quanta, Wistron, Hon Hai, and Delta



Source: Bloomberg, J.P. Morgan.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
MediaTek Inc	36	2454 TT	OW	11,678	2.7	1.7	13.11	20.93	31.0%	19%
TSMC	74	2330 TT	N	64,337	14.2	12.7	5.17	5.77	4.1%	22%
Quanta Computer	63	2382 TT	OW	7,948	10.5	8.3	6.02	7.60	6.9%	22%
Cheng Shin Rubber	68	2105 TT	OW	5,636	13.6	10.0	5.00	6.85	3.7%	29%
Yulon Motor Co	66	2201 TT	OW	3,371	22.9	17.8	2.86	3.69	1.7%	9%
Stocks to avoid										
Formosa Plastic	88	1301 TT	UW	17,967	12.2	11.9	7.22	7.43	6.6%	17%
E Ink Holdings	65	8069 TT	UW	2,289	9.6	10.6	6.73	6.09	6.6%	22%
Shin Kong FHC	9	2888 TT	N	2,603	11.6	11.8	0.80	0.78	0.0%	7%

Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 4 November 2011.

Funds flow by sector

Sector (US\$m; %)	2011 YTD	% of total
Tech	(6,965)	79%
Telecom	(559)	6%
Financials	(701)	8%
Materials	(655)	7%
Industrials	(270)	3%
Consum Disc.	424	-5% (net inflow)
Consum Staples	49	-1% (net inflow)
Others	(92)	1%
Total	(8,770)	100%

Source: Taiwan Economic Journal, J.P. Morgan.

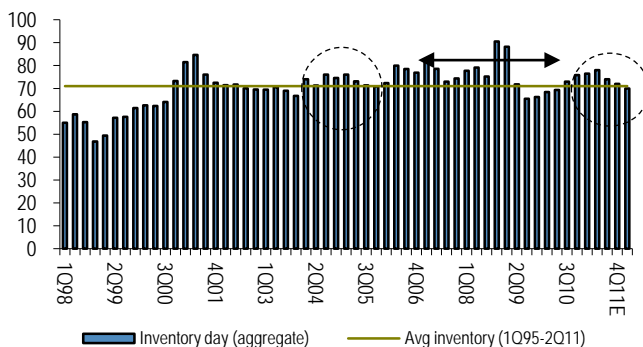
Share price performance during past three presidential elections

	Mar-2000		Apr-2004		Mar-2008	
	-3M	+3M	-3M	+3M	-3M	+3M
Absolute						
TWSE	12%	-7%	8%	-22%	7%	-7%
Tech	16%	-17%	8%	-28%	-3%	-5%
Financial	-13%	15%	12%	-17%	27%	-8%
Relative						
TWSE*	-1%	-5%	7%	-8%	24%	-8%
Tech	4%	-10%	-1%	-7%	-10%	2%
Financial	-28%	32%	4%	11%	30%	-3%

Source: Bloomberg.

*Note: TWSE relative performance is compared to MSCI Asia ex Japan Index.

Semiconductor inventory trend (day)*



Source: Company data, J.P. Morgan estimates.

*A total of 38 major chipmakers are monitored excluding memory, discrete and opto.

MSCI TAIWAN Relative to MXAPJ – WEEKLY CHART



Source: Bloomberg.

- MSCI Taiwan relative index (relative to MXAPJ) has broken down from a large triangle formation, formed over most of 2011. This suggests a 15% under-performance potential from current levels.
- Relative index is below both 12 and 26 week moving averages. RSI is neutral /MACD is negatively positioned.
- Longer-term charts (monthly) show a sideways move within a 10-15% range, over the last three years, following a substantial under-performance post the bursting of the tech bubble in 2000. The low of this move at 194 is 9% below.

Taiwan relative index is stuck in a narrow range and we see downside (under-performance) of 10-15% from here. Holding the Nov-07 low will be critical. Recommend short/under-weight positions.

Thailand

Drivers of an equity market recovery

We believe reconstruction spending and output recovery driving a sharp snapback in economic growth in 1H12 will underpin equity performance in 2012. Near-term increases in food inflation are likely, but the BOT is likely to adopt an easier stance based on a benign medium-term CPI outlook, with potential for outright policy easing. The Baht should resume its appreciation trend, as a recovery in exports and tourism should boost current-account flows in 2012. Key risks are: 1) economic disruption is extended and permanent FDI losses are sustained; and 2) the political equilibrium deteriorates, leading to a new election.

Stock multiples and scope for re-rating

We believe P/E valuations work best in Thailand. Trough valuation is around 9x forward earnings, excluding the 2008 crisis, when the P/E fell to 5.5x. Average P/E over the past seven years has been 10.3x, with a tendency to mean reversion from around +/- 1 S.D. The current valuation is at 9.7x, -0.5 S.D. Property is cheap at 7.5x P/E, compared to average ratings of 11.5x, even assuming flood-related downgrade of 20%.

Factors that are different in this recovery

Thailand has not de-rated to the same extent as during the GFC in 2008, hence we do not expect as sharp a recovery. However, structural growth factors support continued re-rating. In banks, the ongoing recovery of the capex cycle is likely to drive the deepening of the non-consumer loan book, while lower corporate taxes should also raise returns. We believe retailers have passed a threshold that is likely to drive increasing economies of scale and margins, with the expansion to continue as the large 'gray' economy is tapped.

Positioning for a recovery; top picks and avoids

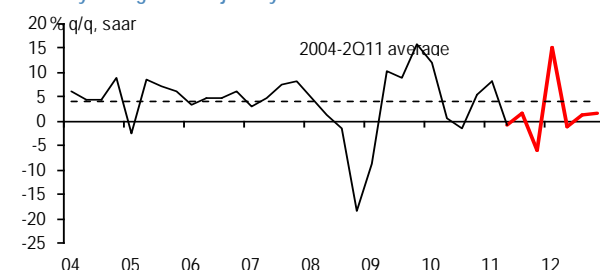
OWs are SCB (recovery in loans, lower corporate tax), AP (rising condo transfers, lower interest rates), HMPRO (beneficiary of post-flood reconstruction, economies of scale), PTT (recovery in gas demand, leverage to global oil/petrochemicals demand), and SCC (beneficiary of reconstruction demand, lower corporate tax). Avoids are TMB (weak capital, poor business mix), ROBINS (weak discretionary demand in 1H12), and RATCH (defensive, low leverage to growth rebound).

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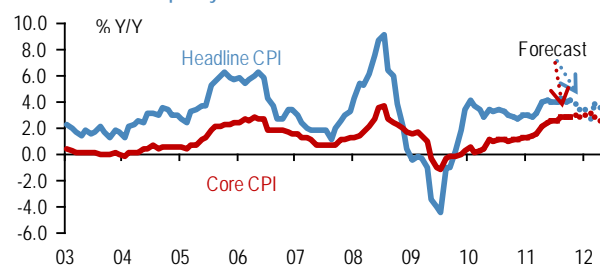
JPMorgan Securities (Thailand) Ltd.

Quarterly GDP growth trajectory



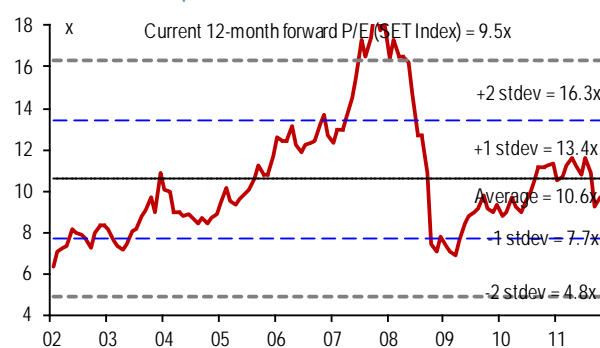
Source: National Economic & Social Development Board (NESDB), J.P. Morgan estimates.

CPI inflation and the policy rate



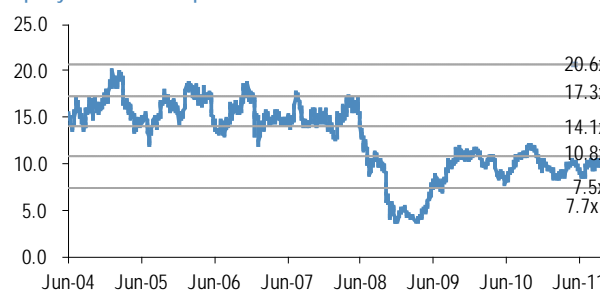
Source: Ministry of Commerce, J.P. Morgan estimates.

Thai valuation: P/E dispersion



Source: J.P. Morgan.

Property sector: P/E dispersion



Source: J.P. Morgan.

Top picks and stocks to avoid

	Price (Bt)	Code	Rating	Mkt cap (US\$MM)	Core P/E (x)		Core EPS (Bt)		Div. yield 11E (%)	ROE 11E (%)
					11E	12E	11E	12E		
Top picks										
Siam Commercial Bank	111.50	SCB.BK	OW	12,284	10.1	9.3	11.1	12.0	3.1	22.5
Asian Property Development	4.48	AP.BK	OW	410	5.2	5.1	0.9	0.9	7.2	20.4
Home Product Center	9.75	HMPR.BK	OW	1,847	16.1	18.0	0.6	0.5	3.1	40.9
PTT	296.00	PTT.BK	OW	27,450	8.7	7.5	34.2	39.6	4.1	18.6
Siam Cement	322.00	SCCf.BK	OW	12,545	11.9	11.4	27.1	28.3	4.1	22.9
Stocks to avoid										
Ratchaburi Electricity	41.00	RATC.BK	UW	1,930	11.7	11.3	3.5	3.6	5.5	10.8
Robinson Department Store	33.50	ROBI.BK	UW	1,208	25.3	22.6	1.3	1.5	2.0	17.6
TMB Bank	1.34	TMB.BK	UW	1,894	13.7	10.1	0.1	0.1	2.7	8.3

Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 9 Nov 2011.

Japanese investment in Thailand



Source: Board of Investment, CEIC.
 * Annualized

Should Thailand trade at a discount to the region?



Source: MSCI, I/B/E/S, J.P. Morgan calculations.

MSCI THAILAND Relative to MXAPJ – MONTHLY CHART



Source: Bloomberg.

- Much like Indonesia, MSCI Thailand is also in a primary uptrend that appears to be displaying weakening momentum.
- The relative index is above both 6- and 12-month moving averages suggesting that the primary trend is still up - but with weakening momentum based on RSI's failure to match new highs.
- On the shorter-term chart, the 300 level (2% below) is critical to protect – this is also where the monthly uptrend is.

MSCI Thailand's relative trend is up but with fading momentum. A convincing break below 300 (2% below) should be a trigger to aggressively short the market.

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Auto and Auto Parts

Drivers of an equity market recovery

The key signs to look for include: (a) monetary easing policies on moderating inflationary pressures, such as potential RRR cuts in China, rate cuts in Indonesia, and India; (b) rising disposable income and spending on a recovering economy; (c) falling fuel & raw material costs.

Stock multiples and scope for re-rating

In general, we see limited room for multiples expansion among regional autos: (a) Astra International – trading at 16x FY11E EPS, and at a record premium to the local index; (b) Korean autos trading at 7x 1-yr PER for OEMs, versus a long-term average of 7.5x; (c) China’s passenger vehicle producers are trading at around 8-9x FY12E PER, which are not attractive, given the potential margins-erosion risk in FY12 when the latest round of capacity expansions of auto JVs are to come on stream.

Factors that are different in this recovery

We believe penetration rate, consumer behavior change, currency changes, product line-ups, and the capacity addition cycle will be key growth factors driving the regional autos. Notably, the luxury segment in China may be the only bright spot among China autos because of: (1) its low penetration; (2) the powerful trend of “consumption upgrade” of Chinese consumers from the upper-middle-end cars to luxury cars. Meanwhile, as global OEMs are aggressively focusing on the Indian market, competition is more intense than in prior cycles.

Positioning for a recovery; top picks and avoids

We believe the best way to play a recovery in regional autos is to buy Brilliance China and Tata Motors, two key plays on the luxury consumption theme.. We also like (a) Yulon Motor, given that it continues to beat expectations on its own brand sales in Taiwan and China markets. Its land development in Taipei from 1H12 can be another share price catalyst; and (b) Hankook Tire.

Our regional auto stocks to avoid include: (a) Astra International, due to the concern that a slowing economy in FY12 and a weaker environment for offshore funding may cut credit availability, which are not reflected in the stock’s current valuations; and (b) DongFeng Motor, as we foresee multiple compression risk, given the slowdown in sales volume growth and rising margin risk.

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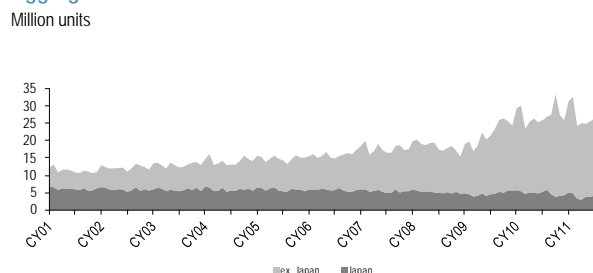
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Share price performance of the top pick stocks



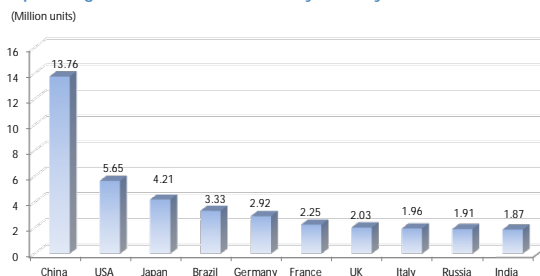
Source: Bloomberg.

Aggregate SAAR sales volume in Asia



Source: JAMA, KAMA, CAAM, SIAM, China Motor, Hotai Motor, Taiwan Economic Journal, Astra International, J.P. Morgan estimates: .US, W. Europe.

Global passenger vehicle sales volume by country in 2010



Source: Euromonitor.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Market cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Brilliance China	9.26	1114 HK	OW	5,755	21.5	14.3	0.35	0.53	1.4%	30%
Yulon Motor	66.60	2201 TT	OW	3,402	23.3	18.0	2.86	3.69	1.7%	9%
Tata Motor	188.10	TTMT IN	OW	11,233	7.2	6.0	26.15	31.29	1.5%	10%
Hankook Tire	47,600	000240 KS	OW	6,342	17.4	11.3	2,743	4,214	0.7%	20%
Stocks to avoid										
Astra	67,850	ASII IJ	UW	30,953	17.3	16.0	3,928	4,231	2.5%	27%
DongFeng Motor	12.98	489 HK	UW	13,882	8.0	8.3	1.33	1.27	2.4%	21%

Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of November 7, 2011. Share prices and valuations of Tata Motor are as of November 4, 2011

Table 20: Global ranking of passenger vehicle sales volume in 2010

Rank	Country	Sales volume (mn units)	% Y/Y
1	China	13.76	33.2%
2	USA	5.65	3.6%
3	Japan	4.21	7.4%
4	Brazil	3.33	10.6%
5	Germany	2.92	-23.4%
6	France	2.25	-2.2%
7	UK	2.03	1.8%
8	Italy	1.96	-9.2%
9	Russia	1.91	30.0%
10	India	1.87	31.0%

Source: Euromonitor.

Banks

Drivers of an equity market recovery

On the one hand, we're increasingly focused on rising capacity constraints for Asia Banks. LDRs ex-China are up 6% the past year to 86%, with fx-LDRs seeing a more dramatic increase, up 15% to 101%. The rapid rise in leverage fuels deposit competition while external issues (Europe) pressure fx-liquidity. We believe banks with excess liquidity stand to benefit if stress continues; HSBC saw NIMs +9bps Q/Q in HK while smaller bank NIMs remain under pressure. But tight conditions benefit a few excess liquidity banks; a larger rally is likely to require further policy easing -- particularly in China and India -- which should help ease credit quality fears. China is actually seeing some easing, with the October CPI print of +5.5% Y/Y supporting measures from VAT reform to increased quotas to government guarantees on MOR debt issuance.

Stock multiples and scope for re-rating

While China offered significant value in early October at-or-below 1x book, there is not a large dislocation today. Instead, we're probably going to see EPS movements -- with downgrade risk from NIM compression, slower loan growth, or rising credit costs -- than de- or re-rating driving stocks.

Factors that are different in this recovery

Our main focus on external issues relates to (i) fx-funding costs, particularly given the surge in fx-LDRs in the past two years -- and recent volatility in funding on swap; and (ii) the potential for tighter on-shore credit, driven by European and US banks pulling back both interbank and non-bank exposure in the region. Fortunately, US and European bank claims are low at 3.8% and 3.2% of domestic credit in EM Asia. In short, given the surge in fx lending and increase in leverage, USD funding pressure is an incremental negative headwind to NIMs. Finally, the secondary risk to tighter fx-liquidity is borrower stress.

Positioning for a recovery; top picks and avoids

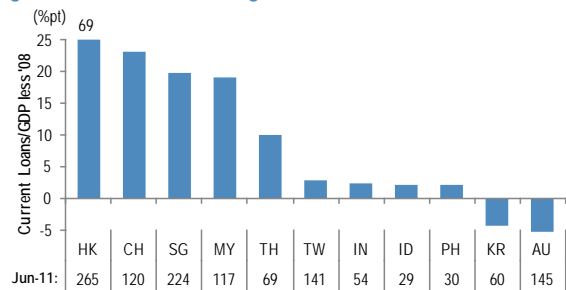
We're focused on a barbell strategy of high quality, defensive deposit franchises (ICBC, DBS, SCB), and despite macro headwinds, names that could benefit from policy easing and/or improving domestic liquidity (ICICI). We also see structural opportunities in the Philippines and micro-lending (Bank Rakyat). Stocks we would avoid have (i) rising NPLs and/or a legacy NPL overhang (e.g. low coverage), like Sinopac and TMB, and (ii) rising capacity constraints in terms of capital and funding (Hang Seng Bank).

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Figure 1: Loans/GDP: Change Since '08



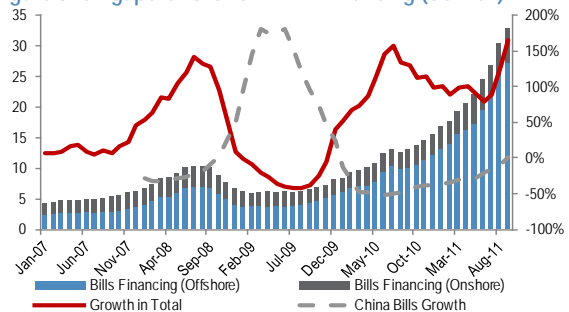
Source: CEIC.

Figure 2: China: ROE & Capital Sensitivity to Higher Provisions

	Normalizing China Bank ROEs for Higher Provisions					
	2008	2009	2010	2011E	2012E	2013E
Base Case Assumptions						
ROA	1.07%	1.05%	1.15%	1.31%	1.39%	1.45%
Provisions	0.92%	0.59%	0.53%	0.55%	0.51%	0.50%
ROE	18.7%	19.4%	20.7%	21.9%	22.1%	21.9%
RWA Growth	20%	28%	21%	20%	15%	13%
Chg in Provision Est						
Adj Provisions	0.00%	-0.20%	-0.40%	-0.60%	-0.80%	-1.00%
2012E Adj ROE						
	22.1%	19.6%	17.2%	14.7%	12.3%	9.8%
2013E Adj ROE						
	21.9%	19.6%	17.3%	15.0%	12.6%	10.3%
Tier 1, 2013E						
	10.7%	10.5%	10.3%	10.1%	9.9%	9.7%

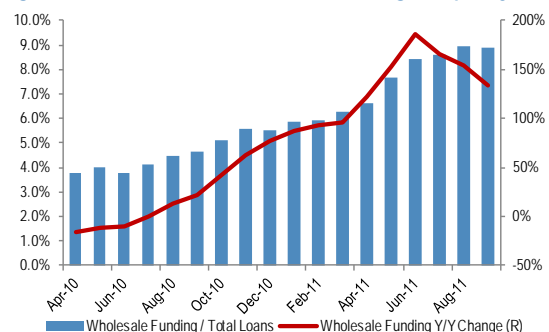
Source: J.P. Morgan estimates.

Figure 3: Singapore: Growth in Bill Financing (USD bn)



Source: CEIC

Figure 4: HK: Growth in Wholesale Funding = Capacity Risk



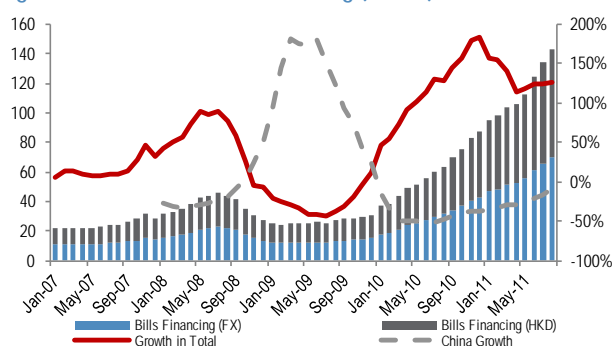
Source: CEIC Note: Wholesale funding includes CDs and other borrowings

Top picks and stocks to avoid

	Price (11-11)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
ICBC	4.84	1398 HK	OW	231,345	6.4	5.3	0.6	0.7	7.1	24.3
SCB	109.5	SCB TB	OW	12,050	9.9	9.2	11.1	12.0	3.7	21.1
DBS	12.64	DBS SP	OW	22,961	10.0	9.7	1.3	1.3	4.3	10.9
ICICI	821	ICICIBC IN	OW	18,842	13.8	11.3	59.3	72.3	2.8	13.4
BBRI	6850	BBRI IJ	OW	18,843	12.5	10.0	547.2	684.4	1.7	31.1
Stocks to avoid										
TMB	1.35	TMB TB	UW	1,906	13.0	10.2	0.1	0.1	3.5	10.6
Sinopac	8.9	2890 TT	N	2,156	11.4	9.9	0.8	0.9	3.6	5.4
Hang Seng Bank	96.45	11 HK	N	23,693	12.0	12.0	8.1	8.0	5.5	20.1

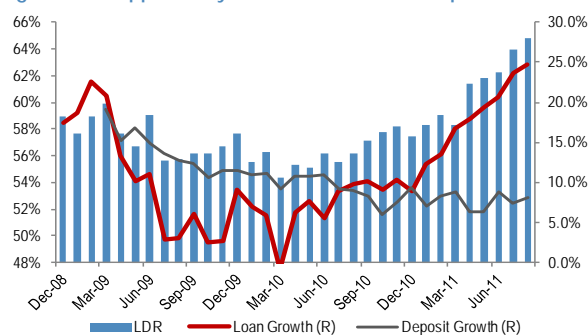
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of November 10, 2011.

Figure 5: HK: Growth in Bill Financing (US\$bn)



Source: CEIC

Figure 6: Philippines: System LDR; Loan and Deposit Growth



Source: CEIC

Figure 7: India: Bank Exposure and CASA Funding Mix FY11

	Infra	Power	Textile	Retail	Rest'd	CASA
Axis	7.5%	3.2%	2.2%	19%	1.5%	41%
ICICI	10.4%	5.1%	0.8%	37%	0.9%	45%
HDFCB	3.4%	2.1%	1.0%	50%	0.4%	53%
Kotak	3.2%	<2%	n.a.	56%	0.2%	32%
IndusInd	0.4%	0.4%	0.7%	44%	0.3%	27%
Yes	7.7%	4.5%	0.8%	2%	0.2%	10%
SBI	8.9%	4.1%	5.2%	21%	4.5%	45%
PNB	14.7%	9.9%	2.9%	10%	6.6%	38%
BOI	10.8%	7.6%	4.8%	8%	4.9%	25%
BOB	12.6%	8.1%	4.9%	14%	3.1%	29%

Source: Company Data

Table 1: Thailand: FY12 Estimates Change Pre/Post Flood

	Loan Growth		Fee Growth		LLP / Loans	
	Pre	Post	Pre	Post	Pre	Post
BAY	10.0%	5.1%	10.0%	10.0%	1.40%	1.40%
BBL	8.0%	6.3%	15.0%	8.0%	0.50%	0.55%
KBANK	12.4%	6.0%	20.0%	15.0%	0.55%	0.70%
KK	18.6%	16.6%	8.2%	8.2%	0.70%	0.80%
KTB	12.1%	5.3%	12.0%	12.0%	0.50%	0.60%
TCAP	8.0%	8.0%	15.2%	15.2%	0.55%	0.55%
SCB	12.2%	6.0%	15.0%	15.0%	0.40%	0.50%
TISCO	15.0%	15.0%	7.8%	11.6%	0.80%	0.75%
TMB	7.0%	7.1%	15.0%	10.0%	0.45%	0.80%

Source: Company data, J.P. Morgan

Conglomerates

Drivers of an equity market recovery

The major factors in 2012 that might drive the conglomerates' earnings and NAV include: 1) continued low discount rates to underpin capital values and support high growth premiums for secular growth stories such as domestic consumption; 2) M&A opportunities for those cash-rich conglomerates; 3) easing domestic inflation as a potential upside surprise to those that have been hardest hit previously by input cost pressure. We favor those conglomerates with positive earnings revision momentum or changes in investors' perception which can potentially drive stock re-rating.

Stock multiples and scope for re-rating

We see a potential for NAV discounts to mean-revert in 2012 on the back of solid ROE and continued EPS growth (see charts on the right). Overall, the Asia conglomerate sector is trading at below-historical-average valuations of 25% NAV discount, 12.3x recurring 12E P/E and 1.5x 12E P/B (see sector valuation table on the next page). Company-specific catalysts and events might also provide upside to our EPS/NAV estimates and further drive share price performances.

Factors that are different in this recovery

Considering a milder correction in property prices and rents in the current down-cycle versus the global financial crisis in 2008, and cap rates unlikely to compress much further from current levels, we believe property revaluation gains will likely play a smaller part in this recovery in 2012.

Positioning for a recovery; top picks and avoids

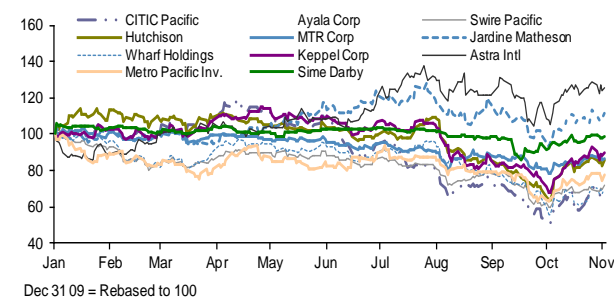
Best picks (in alphabetical order) are: (1) Ayala Corp – a dark horse in winning government projects. (2) Hutch – favorable risk-reward. (3) Keppel Corp – next leg of demand from North Sea and potential rig orders from Petrobras in 1H12; (4) Metro Pacific – deployment of new capital and use of debt capacity for new return-enhancing acquisitions. (5) Sime Darby – stock has not built in any significant positive expectations of a recovery. Stocks to avoid are: (1) Astra – risks to vehicle sales and rich valuations; (2) MTR – property profits offer little upside and response to future land tenders is likely to be lukewarm, in our view.

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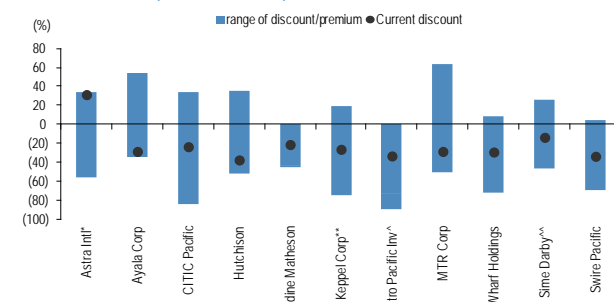
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Share Price Performances – 2011 Ytd



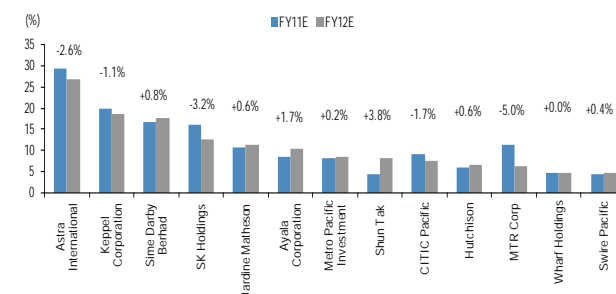
Source: Bloomberg.

Discount to NAV (since Jan 2001)



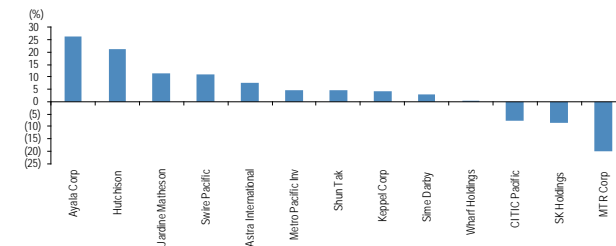
Source: J.P. Morgan estimates. *from Jan 03; ** from Aug 02; ^from Sep 09; ^^from Nov 07

Recurring ROE, FY12E vs FY11E (%)



Source: J.P. Morgan estimates.

Recurring EPS growth, FY12E vs FY11E (%)



Source: J.P. Morgan estimates...

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Ayala Corp (PHP)	289.00	AC PM	OW	3,887	17.3	13.7	16.74	21.17	1.4	10.3
Hutchison Whampoa (HKD)	72.80	13 HK	OW	39,949	15.9	13.1	4.57	5.54	3.2	6.5
Keppel Corp (SGD)	9.40	KEP SP	OW	13,243	11.9	11.5	0.79	0.82	4.5	18.8
Metro Pacific Invest (PHP)	3.38	MPI PM	OW	1,927	15.2	14.6	0.22	0.23	1.3	8.5
Sime Darby (MYR)	8.80	SIME MK	OW	16,985	14.4	13.5	0.61	0.63	3.7	17.6
Stocks to avoid										
Astra International (IDR)	68,300	ASII IJ	UW	30,936	17.4	16.1	3,927.96	4,230.50	2.5	26.8
MTR (HKD)	25.15	66 HK	N	18,729	14.4	18.0	1.75	1.40	3.0	6.3

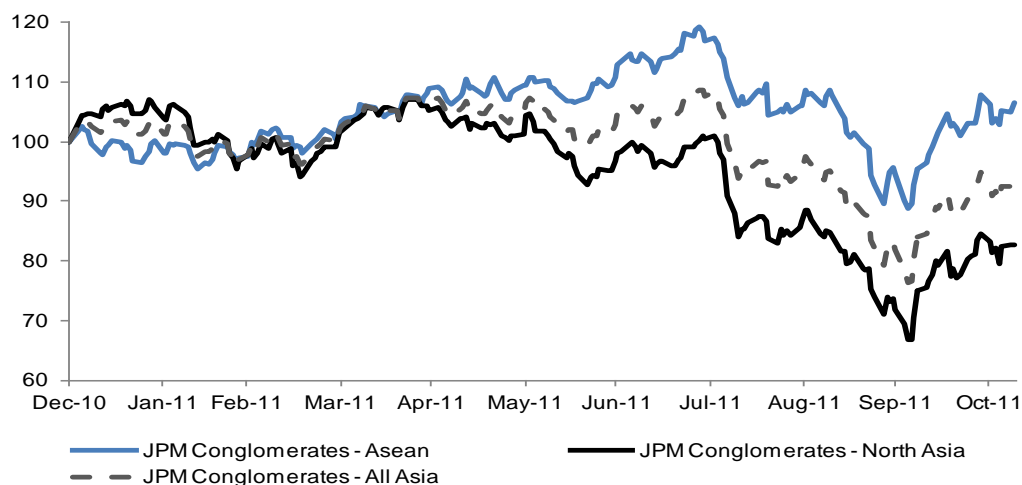
Source: Bloomberg, J.P. Morgan estimates. Note: Share price as at 4 Nov 2011 except for Hutchison Whampoa and Metro Pacific Investment, which are priced as at 9 Nov 2010.

Regional sector valuation table

Companies	Ticker	Mkt Cap (US\$m)	Rating	Curr.	Price (LC)	Price target (LC)	Upside/downside (%)	2012E NAV (LC)	Price vs. NAV (%)	Recurring ROE (%)			Recurring EPS growth (%)			Recurring P/E (x)			Dividend yield (%)			P/B (x)			
										2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	
Conglomerates																									
China/HK Conglomerates																									
Hutchison Whampoa	13 HK	39,949	OW	HKD	72.80	94.0	29.1	112.9	(35.5)	4.7	5.8	6.5	nm	40.8	21.3	22.4	15.9	13.1	2.6	2.9	3.2	1.0	0.9	0.8	
MTR Corp	66 HK	18,729	N	HKD	25.15	23.2	(7.8)	33.1	(24.0)	10.8	11.3	6.3	17.3	16.4	(20.3)	16.7	14.4	18.0	2.4	3.0	3.0	1.2	1.1	1.1	
Swire Pacific	19 HK	18,094	OW	HKD	94.75	90.5	(4.5)	139.2	(31.9)	5.4	4.2	4.6	32.8	(15.0)	11.2	12.8	15.1	13.6	3.7	3.3	3.7	0.7	0.6	0.6	
Wharf Holdings	4 HK	16,379	N	HKD	42.00	33.2	(21.0)	59.3	(29.1)	4.3	4.6	4.6	17.8	7.1	0.2	16.3	15.2	15.2	2.4	2.4	2.5	0.7	0.6	0.6	
CITIC Pacific	267 HK	6,718	N	HKD	14.30	10.9	(23.8)	18.5	(22.8)	6.5	9.1	7.4	(2.5)	64.2	(7.6)	12.4	7.6	8.2	3.1	3.1	3.1	0.8	0.6	0.6	
Wheelock & Co.	20 HK	6,042	UW	HKD	23.10	17.1	(26.0)	31.2	(25.9)	5.6	6.3	4.3	8.7	31.0	(28.9)	9.4	7.2	10.1	0.5	0.7	0.7	0.5	0.4	0.4	
Beijing Enterprises	392 HK	6,026	N	HKD	41.15	43.2	5.0	43.2	(4.7)	6.6	6.5	7.0	10.0	3.0	15.4	17.7	17.2	14.9	1.7	1.8	2.1	1.1	1.1	1.0	
Shun Tak	242 HK	1,040	OW	HKD	3.72	5.60	50.5	9.8	(62.0)	3.1	4.3	8.1	(62.6)	42.8	98.5	17.3	12.1	6.1	1.7	3.3	7.5	0.5	0.5	0.5	
Asean Conglomerates																									
Jardine Strategic	JS SP	35,167	N	USD	31.40	22.7	(27.7)	44.7	(29.7)	9.9	9.2	9.8	32.1	7.7	12.6	13.5	12.6	11.2	0.7	0.7	0.8	1.2	1.1	1.1	
Jardine Matheson	JM SP	34,025	N	USD	51.61	60.0	16.3	65.5	(21.2)	11.2	10.8	11.3	32.9	6.6	11.5	13.6	12.8	11.4	2.2	2.4	2.7	1.4	1.3	1.2	
Astra International	ASII IJ	30,936	UW	IDR	68,300	52,000	(23.9)	52,000	31.3	32.2	29.4	26.8	43.1	10.7	7.7	19.2	17.4	16.1	2.1	2.3	2.5	5.6	4.7	4.0	
Sime Darby Berhad	SIME MK	16,985	OW	MYR	8.80	10.2	15.9	10.2	(13.6)	14.7	16.7	17.6	31.5	15.8	3.0	16.1	13.9	13.5	2.3	3.5	3.7	2.4	2.1	2.0	
Genting	GENT MK	12,886	N	MYR	10.80	9.80	(11.1)	13.7	(21.3)	15.0	17.4	16.0	123.4	11.7	8.1	15.3	13.7	12.7	0.7	0.7	0.7	3.4	2.8	2.3	
Keppel Corporation	KEP SP	13,243	OW	SGD	9.40	12.8	36.2	12.8	(26.3)	22.3	19.8	18.8	11.4	(2.2)	4.1	11.8	11.9	11.5	4.5	4.5	4.5	2.5	2.3	2.1	
SM Investments Corp	SM PM	7,992	N	PHP	560.50	474.00	(15.4)	527.0	6.4	13.9	13.6	13.7	15.2	8.6	11.7	18.5	17.1	15.3	1.4	1.6	1.8	2.4	2.2	2.0	
ST Engineering	STE SP	6,881	N	SGD	2.85	2.60	(8.8)	na	na	30.8	30.7	28.6	9.7	10.4	9.1	17.8	16.8	17.8	4.9	4.9	4.9	5.4	5.1	4.9	
Sembcorp Industries	SCI SP	5,891	OW	SGD	4.19	3.50	(16.5)	3.5	19.4	12.9	na	na	6.5	na	na	13.1	na	na	4.3	na	na	1.6	na	na	
Ayala Corporation	AC PM	3,887	OW	PHP	289.00	390.00	34.9	521.0	(44.5)	10.5	8.6	10.3	36.9	(10.7)	26.5	15.4	17.3	13.7	1.4	1.4	1.4	1.6	1.4	1.4	
DMCI Holdings	DMCI PM	2,332	N	PHP	37.70	43.5	15.4	51.0	(26.1)	33.2	30.2	30.2	67.2	17.9	27.2	12.7	10.8	8.5	1.3	1.9	2.4	3.1	2.5	2.0	
Metro Pacific Investment	MPI PM	1,927	OW	PHP	3.38	4.10	21.3	4.1	(29.7)	5.4	8.3	8.5	24.7	56.5	3.7	23.7	15.2	14.6	0.3	1.3	1.3	1.0	1.0	1.0	
Korean Conglomerates																									
LG Corp	003550 KS	8,975	OW	WON	57,900	88,700	53.2	169,889	(65.9)	18.2	18.7	19.0	na	29.6	19.7	6.2	4.8	4.0	1.8	1.8	1.8	1.0	0.8	0.7	
SK Holdings	003600 KS	6,243	N	WON	148,000	170,000	14.9	277,105	(46.6)	8.8	15.9	12.7	127.5	100.1	(8.4)	10.7	5.4	5.9	1.1	1.1	1.1	0.8	0.7	0.6	
Doosan Corp	000150 KS	3,335	OW	WON	148,000	165,000	11.5	252,625	(41.4)	13.6	12.3	14.8	12.8	(16.8)	11.0	14.0	16.8	15.1	1.3	1.3	1.3	1.8	2.4	2.1	
Sector										(24.8)	13.0	13.4	13.0	28.4	19.8	10.8	15.1	13.2	12.3	2.1	2.3	2.6	1.8	1.7	1.5

Source: Bloomberg, Company data, J.P. Morgan estimates. Share price as at 4 Nov 2011 except for Hutchison Whampoa and Metro Pacific Investment, which are priced as at 9 Nov 2010. Note: (1) Beijing Enterprises, Jardine Matheson, Jardine Strategic, LG Corp and Wheelock are Jun-12 NAV; (2) Astra International's Jun-12E NAV has put in price target instead of 2011E NAV; (1) SK Holdings and SM Investments Corp are Dec-11E NAV.

J.P. Morgan Asia Conglomerate Indices, 2011 YTD



Source: Bloomberg, J.P. Morgan research

Consumer

Drivers of an equity market recovery

For recovery in consumer sector we would be looking for reacceleration in economic growth, improvement in consumer confidence. Reacceleration in same store sales growth at discretionary companies would be a main data point that we would focus on as well.

Stock multiples and scope for re-rating

We mostly focus on P/E valuations. The trough levels in 08/09 were at c9x P/E for Asia-ex Japan consumer discretionary and at c12x P/E for Asia-ex staples. Currently Asia-ex Japan consumer discretionary and the staples space trade at 12x P/E and 19x P/E, respectively vs a historical average of 13.5x P/E and 18x P/E, respectively. We believe the discretionary universe is trading at attractive multiples vs staples now, especially after our earnings cuts in the HK/China space. However, we believe there could still be some pressure on discretionary stock prices over the next few months as companies have just started to talk about the slowdown which is yet to be built into consensus estimates (which are c10% above our estimates for the HK/China discretionary space). Therefore we would recommend to trim down positions in staples and start rotating into discretionary, especially once consensus estimates start coming down - that is when we expect the re-rating to start in discretionary. We do not expect a further re-rating in staples as stock prices have been resilient reflecting the sector's defensive nature as well as margin improvement that will come over the next few quarters on the back of easing in input costs.

Factors that are different in this recovery

On the demand side, which mostly relates to discretionary, the slowdown we are seeing now is not getting close to the levels of 08/09, therefore we do not expect the rebound to be as pronounced as well. Similarly on the staples front, input cost corrections are not as deep as we have seen back in 2009 as well.

Positioning for a recovery; top picks and avoids

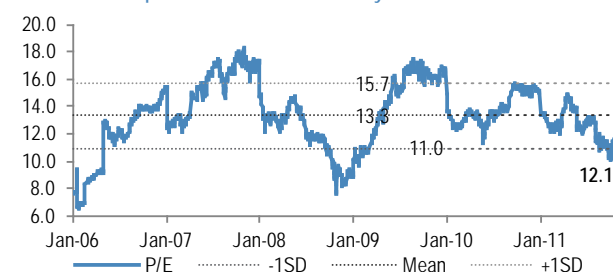
Our top picks are Golden Eagle, I.T. Limited, Trinity, Amorepacific and HDS. Our top avoids are Hindustan Lever, Hengan, PCSC.

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J.P. Morgan Securities (Asia Pacific) Limited

MSCI Asia ex Japan Consumer Discretionary Index- PE chart



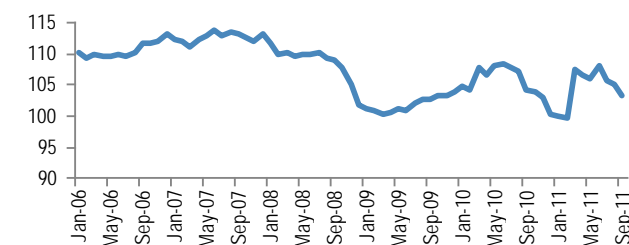
Source: Bloomberg, J.P. Morgan.

MSCI Asia ex Japan Consumer Staples Index- PE chart



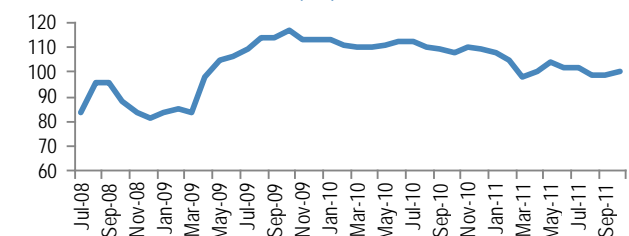
Source: Bloomberg, J.P. Morgan.

China Consumer Confidence Index



Source: CEIC, J.P. Morgan

Korea Consumer Sentiment Index (CSI)



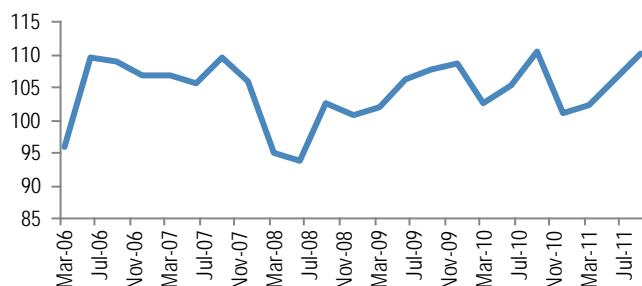
Source: CEIC, J.P. Morgan

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Golden Eagle	17.9	3308 HK	OW	4,477	23.9	20.6	0.61	0.71	2.4	29.8
I.T Ltd	4.5	999 HK	OW	712	10.7	8.9	0.43	0.51	3.3	25.0
Trinity	5.9	891 HK	OW	1,279	19.8	16.5	0.30	0.36	4.2	18.8
Amorepacific	1,152,000	090430 KS	OW	5,941	20.9	17.8	55,083	64,797	0.8	16.5
Hyundai Department Stores	163,500	069960 KS	OW	3,376	9.3	8.9	17,490	18,358	0.4	15.5
Stocks to avoid										
Hengan	69.3	1044 HK	UW	10,937	31.1	24.3	2.23	2.85	2.7	28.5
PCSC	156.0	2912 TT	N	5,366	22.3	19.3	7.00	8.10	3.6	35.0
Hindustan Unilever	392.9	HUVR IN	UW	16,915	33.0	27.9	11.89	14.08	2.2	79.2

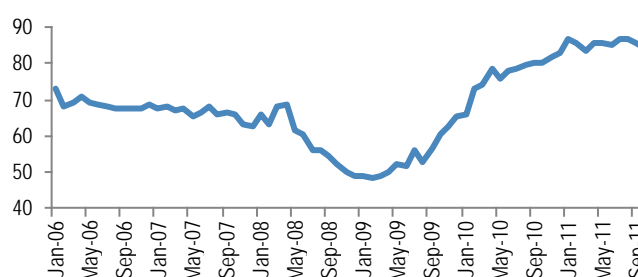
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 10 Nov 2011.

Indonesia Consumer Tendency Index



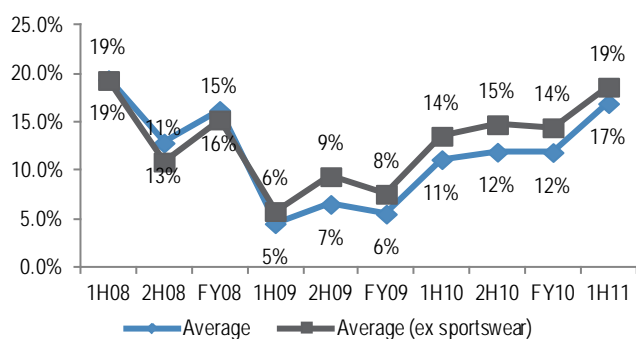
Source: CEIC, J.P. Morgan.

Taiwan Consumer Confidence Index: next 6 mth



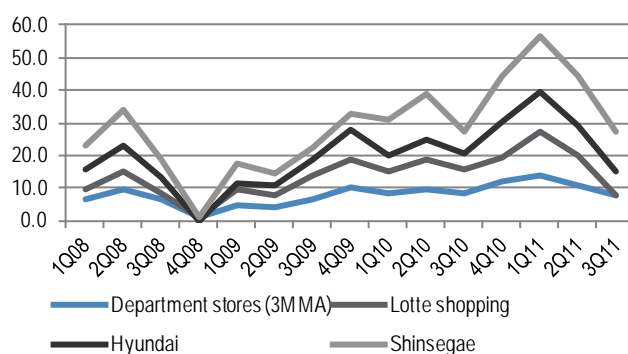
Source: CEIC, J.P. Morgan.

China same store sales growth (SSS) trend



Source: Company data, J.P. Morgan.

Korea department stores same store sales (SSS) growth



Source: Company, J.P. Morgan.

Gaming

Drivers of an equity market recovery

Macau gaming revenue has historically shown a very strong correlation with share price performance. We expect gaming revenue to grow by 25% in 2012. On top of the usual drivers such as strong economic growth, Rmb appreciation, and liquidity, we see four important engines for 2012: **(1) Quality supply:** Opening of Sands Cotai Central in 2012/2013. **(2) Strong junket liquidity and operator balance sheet:** Junket RoE is at 40-50%. **(3) Luxury spending boom:** Demonstrated by the strong sales of China luxury cars and high-end brands in China. **(4) Healthy visit growth; deeper penetration:** We expect Chinese visitation to grow by 20% in 2012. Similar macro-led drivers should benefit the Singapore gaming space as well - 1) **Quality supply** with the opening of West Zone at Resorts World Sentosa, 2) **Potential junket licensing** and 3) **Luxury spending boom and stronger tourist arrivals.**

Stock multiples and scope for re-rating

Despite the strong growth track record and solid fundamentals, on a P/E basis, Macau names are still trading at a low-teen 2012E P/E. As a result, we argue that share prices priced in low expectation for 2012. For the MAL/SIN plays, valuations are even more compelling at up to 30% discount to its Macau peers.

Factors that are different in this recovery

Sector fundamentals including casino operators' balance sheet strength, customer base, industry supply outlook, Guangdong economy are much stronger this time around.

Positioning for a recovery; top picks and avoids

Top pick **Sands China (1928.HK)** for its defensiveness in mass market exposure, undemanding valuation with new casino opening as catalysts. We also like **MGM China (2282.HK)** for its undemanding valuation. After building a solid growth track record after IPO, we expect a gradual re-rating of the name, similar to Sands China and Wynn Macau in 2009/2010. We like **Genting Malaysia (GM)** for its resilient domestic earnings profile and see potential re-rating catalysts from 1) stronger-than-expected Aqueduct numbers, and 2) positive surprises from Miami's casino liberalization.

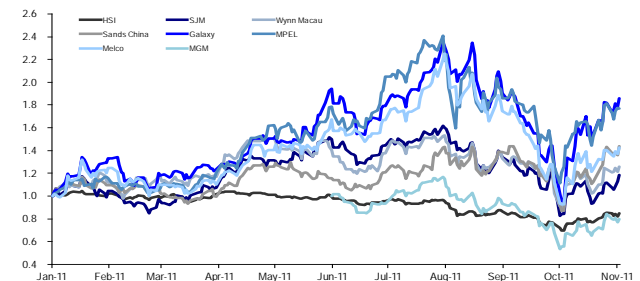
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May Yee So AC

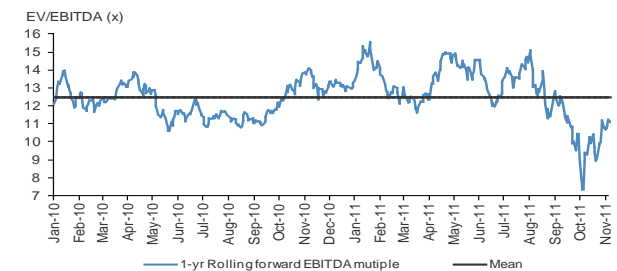
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 JPMorgan Securities (Malaysia) Sdn. Bhd. (18146-X)

Share Price Performances – 2011 Ytd



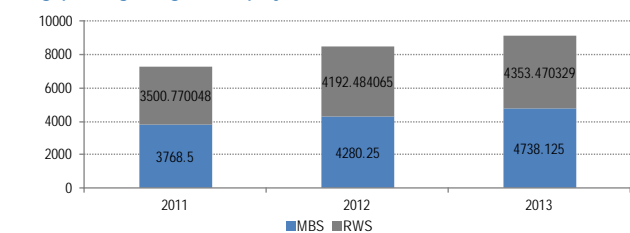
Source: Bloomberg.

Macau rolling EV/EBITDA - Consensus EV/EBITDA (market cap wgt)



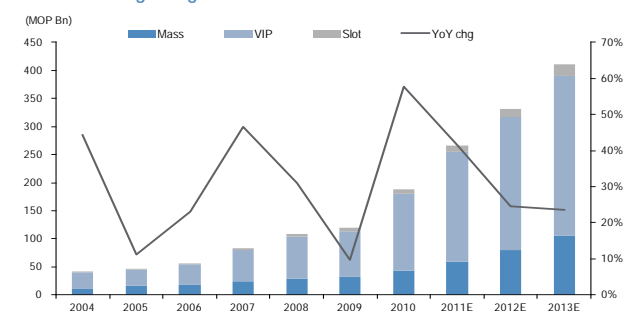
Source: Bloomberg, Bloomberg consensus.

Singapore's gaming market projections (\$SMM)



Source: DICJ, J.P. Morgan estimates.

Macau market gaming revenue and forecast



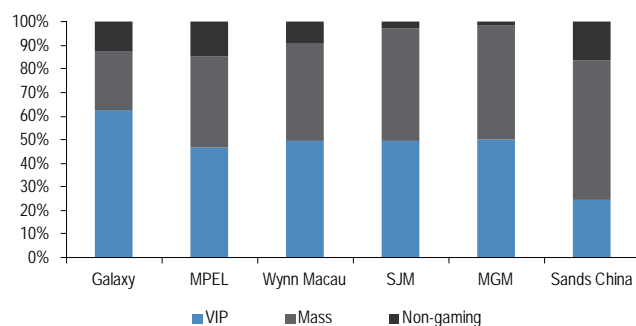
Source: DICJ, J.P. Morgan estimates.

Top picks

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Sands China (HKD)	24.95	1928 HK	OW	25,854	23.7	15.2	1.06	1.64	0.0	26.9
Genting Malaysia (MYR)	3.84	GENM MK	OW	7,254	15.7	12.9	0.24	0.30	1.6	1.5
MGM China (HKD)	12.26	2282 HK	OW	5,996	12.7	10.5	0.97	1.17	0.0	60.2

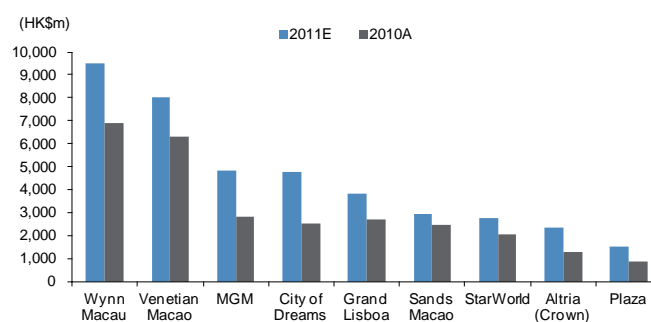
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 4 November 2011.

Macau casino operator 2011E EBITDA mix



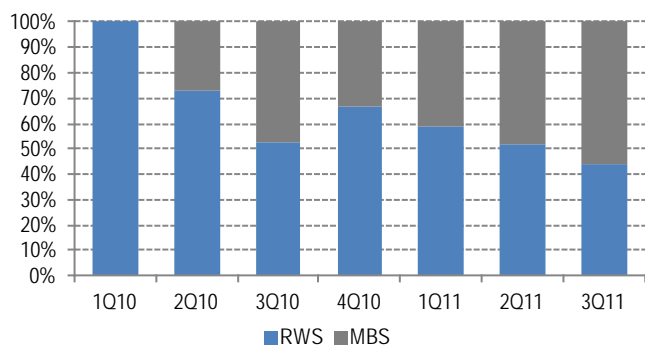
Source: Company reports, J.P. Morgan estimates.

Macau flagship property EBITDA comparison



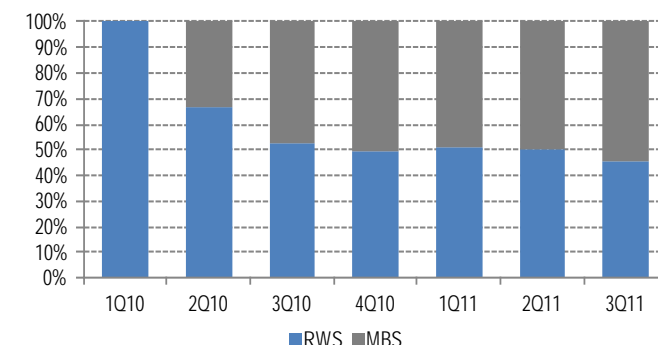
Source: Company reports, J.P. Morgan estimates.

Singapore - Quarterly VIP market share split



Source: Company reports, J.P. Morgan estimates.

Singapore - Quarterly mass market share split



Source: Company reports, J.P. Morgan estimates.

Gaming valuation comparison

	Bloomberg code	Rating	Mkt Cap (US\$MM)	Share price (LC)	PT (LC)	Potential upside	EV/EBITDA (x)			P/E (x)		
							11E	12E	13E	11E	12E	13E
Sands China Ltd	1928 HK	OW	25,854	24.95	32.5	30%	17.0	11.4	7.3	23.7	15.2	10.2
Genting Singapore	GENS SP	N	16,091	1.73	1.95	12.7%	11.4	9.2	7.3	19.1	16.3	13.7
Wynn Macau	1128 HK	OW	15,427	23.10	31.8	38%	14.1	12.0	9.5	17.5	14.4	11.4
Genting	GENT MK	N	12,967	10.80	9.60	-11.1%	8.3	6.9	5.9	13.7	12.7	11.4
SJM	880 HK	OW	10,763	15.14	22.0	45%	9.5	8.0	6.0	16.1	12.2	9.6
Galaxy	27 HK	OW	9,285	17.28	22.8	32%	14.1	9.2	6.8	23.7	13.3	10.5
Genting Malaysia	GENM MK	OW	7,254	3.84	4.10	6.8%	8.7	6.5	5.9	15.7	12.9	12.8
MGM China	2282 HK	OW	5,996	12.26	20.0	63%	9.7	7.6	5.0	12.7	10.5	7.6
Berjaya Sports Toto	BST MK	OW	1,826	4.27	5.05	18.3%	10.6	9.7	9.2	16.4	15.1	14.3
Melco	200 HK	OW	1,062	6.70	11.0	64%	NM	NM	NM	10.1	6.6	5.3

Source: Bloomberg, J.P. Morgan estimates, share prices as at 4 November 2011.

Healthcare

Drivers of an equity market recovery

Although there may well be a couple more rounds of drug price cuts in 1H12, we think investors should have more or less expected the magnitude of price cuts of about 20%. We are looking for signs of negative impact on the quality and availability of essential drugs to raise doubt on Anhui Model of drug tendering. The disclosure of the list of EDL drugs under unified pricing by NDRC may alleviate further concerns. Drug sales volume and value expansion with full implementation of 2009 NDRL may help recovery of healthcare sector.

Stock multiples and scope for re-rating

We believe that the key improvements in returns would come from adding new equipment to new hospitals as a part of building community health centers and rural clinics. The government has also budgeted Rmb36B to upgrade county-level hospitals that retain purchase decisions. The full implementation of 2009 national drug reimbursement list should drive drug sales volume up tremendously while the main uncertainty for companies in this sector is to what extent price cuts would affect the sales value growth of individual companies. We expect re-rating of healthcare names, especially for distribution and device names after the headlines turn a bit more positive.

Factors that are different in this recovery

Re-rating of the sector may be more selective this time around. Strong companies may benefit disproportionately from the healthcare reform. Small distributors and manufacturers may finally give way to emergence of large and competitive large players.

Positioning for a recovery; top picks and avoids

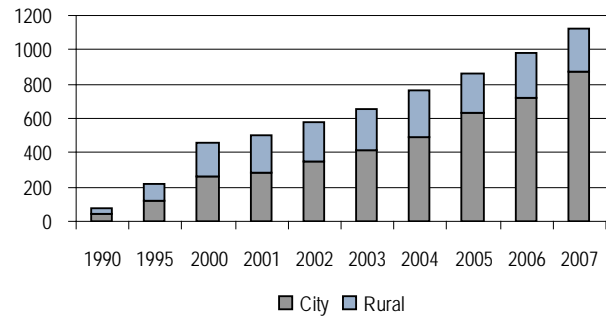
Our key OWs are stocks that we believe will have the maximum exposure to sales volume increases in 2011 and will be least impacted by the NDRC study on margins – Sino Biopharmaceutical and Sinopharm.

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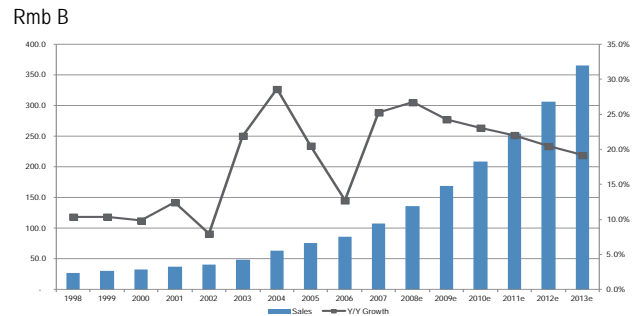
J.P. Morgan Securities (Asia Pacific) Limited

Rural versus city spending (Rmb B) suggests considerable room to grow as Rural Co-op insurance takes off



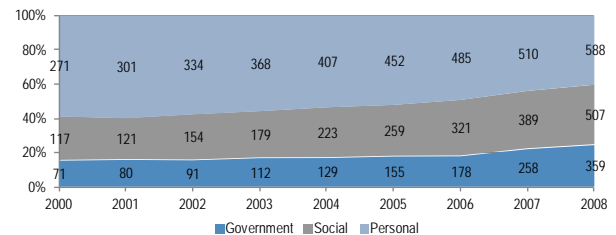
Source: Ministry of Health

Hospital sales to continue growing at a robust pace



Source: IMS China.

Personal contribution to healthcare spending declining but still the lion's share



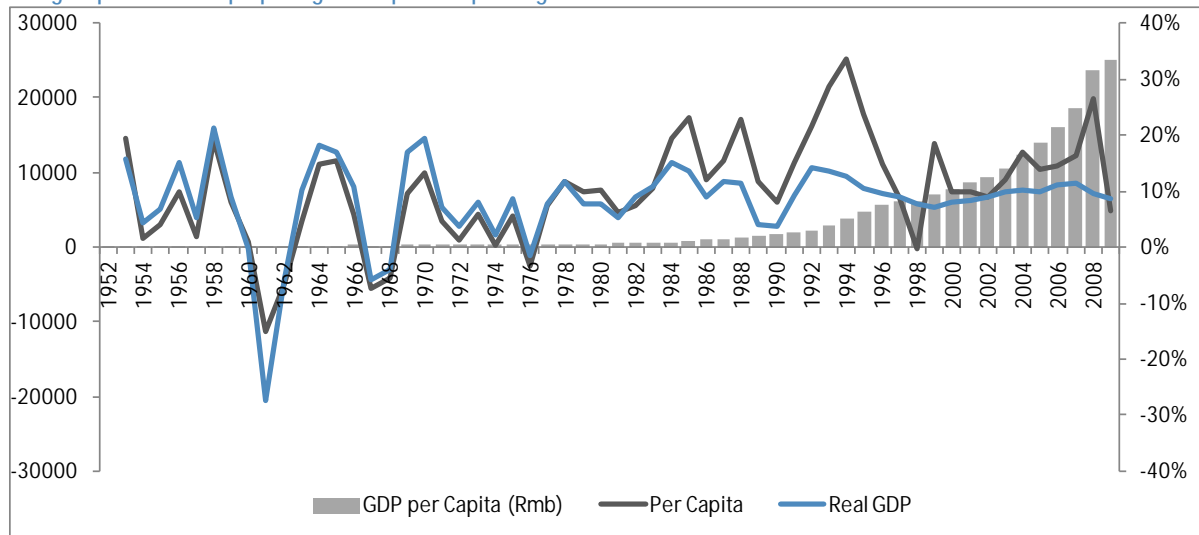
Source: CEIC and J.P. Morgan estimates.

Top picks

	Price (HK\$)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Sinopharm	18.48	1099 HK	OW	5,372	23.8	19.5	Rmb0.63	Rmb0.77	1.3	11.4
Sino Biopharmaceutical	2.32	1177 HK	OW	1,47	21.0	18.2	HK\$0.11	HK\$0.13	3.8	16.1

Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of Nov. 17, 2011.

Rising disposal income propelling out-of-pocket spending on healthcare



Source: Statistics Bureau; J.P. Morgan estimates.

India IT Services

Drivers of an equity market recovery

With front-line stocks such as TCS/Infosys already at 20x FY12 and 17x FY12, we believe that revenue momentum in CY12 must continue for current valuations to hold. In a globally uncertain environment, we find the environment for IT Services spending is not so uncertain. Client firms are spending on technology to cut costs, restructure business processes/operations, globalize and become more competitive. In this respect, we think the larger Indian IT firms such as TCS/Infosys/Wipro should gain from this trend and continue to notch up market share gains. The secular growth story theme is intact. Infra Management, BPO, SI are service lines that provide multi-year growth themes. New engagement models (transaction- and outcome-based) gather momentum.

Stock multiples and scope for re-rating

We value the sector on P/E. Currently, valuations are at the 5-year median for Tier-1 Indian IT players, which we believe are unlikely to expand. However, the weak INR boosts EPS which is likely to prop up stocks.

Factors that are different in this recovery

Since this is a global sector depending on global growth, spending could suffer with sharp, sudden downturn in global economies (US/Europe) hurtling into recession. IT spending is likely to suffer in such a scenario and though Indian IT should continue to gain share due to their strong offshoring proposition, current market expectations may not be met.

Positioning for a recovery; top picks and avoids

We continue to believe that TCS (OW) represents the best way to play the sector because of better growth prospects. Wipro (OW) represents a turnaround candidate wherein we estimate the probability of turnaround as bright. Also, Wipro trades at a 15%+ discount to TCS/Infosys on P/E (FY12). We would avoid Infosys (Neutral) as we believe that the market has extrapolated the most recent quarter of out-performance.

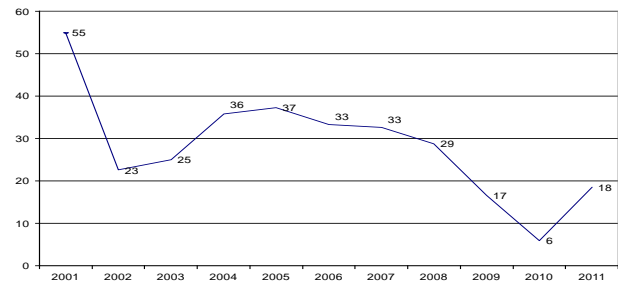
That said, if the INR continues to weaken, Infosys might be a good tactical option as it is relatively the least hedged among its peers thus extracting more from the weakening INR for its bottom-line than peers.

Viju K George^{AC}

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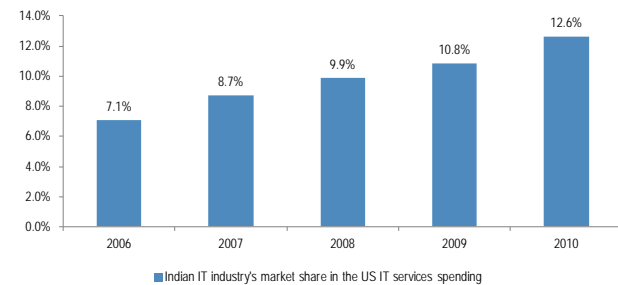
J.P. Morgan India Private Limited

Annual growth rate of the industry (exports) since 2001



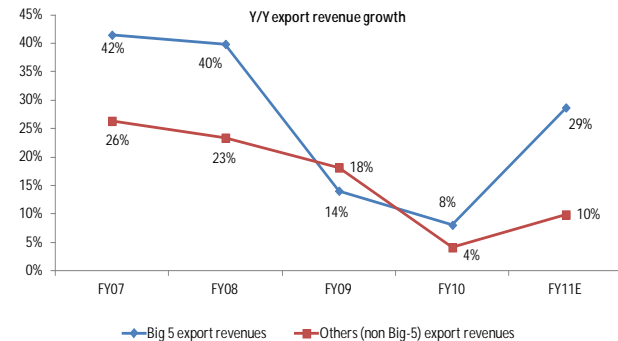
Source: Nasscom, J.P. Morgan

Indian IT's share in US IT Services spending is continually rising



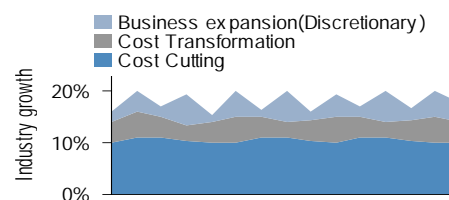
Source: J.P. Morgan

The larger IT companies' export revenues have grown ahead of other companies in all of the last 5 years except FY09



Source: J.P. Morgan

Three phases of growth in Indian IT – Catering to needs of clients beyond cost cutting provides the top-up



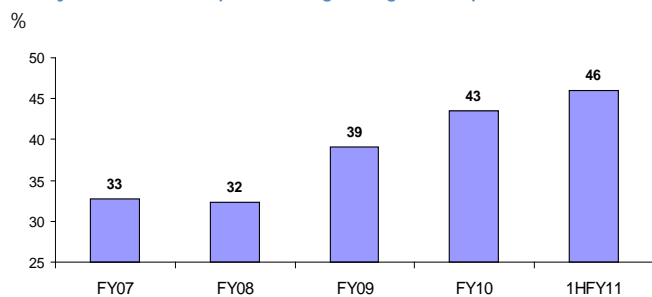
Source: J.P. Morgan

Top picks and stocks to avoid

	Price	Code	Rating	Mkt cap (US\$Bn)	P/E (x)		EPS		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
TCS	1,115	TCS.BO	OW	43.5	20.5	17.6	54.4	63.5	1.5	36.5
Wipro	370	WPRO.BO	OW	24.1	16.8	14.9	22.6	25.5	1.6	20.6
Stocks to avoid										
Infosys	2,760	INFO.BO	Neutral	31.2	19.7	17.2	139.6	159.6	1.3	25.7

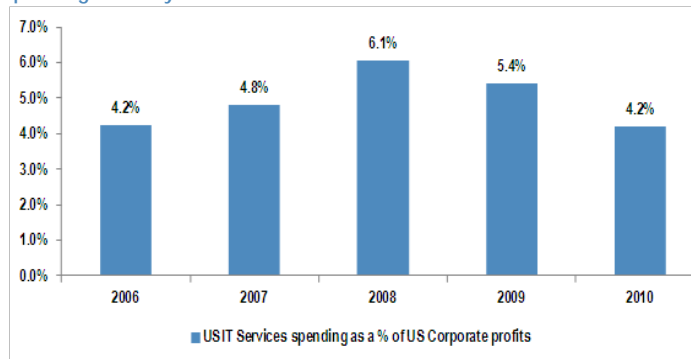
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of November 16 2011.

Non-UK now comprises almost half of Europe's contribution to Infosys; Indian IT companies are growing in Europe



Source: Company reports.

US IT services spend as % of corporate profits has also moved down after the downturn in CY08; there does not seem to be "excess" spending in the system



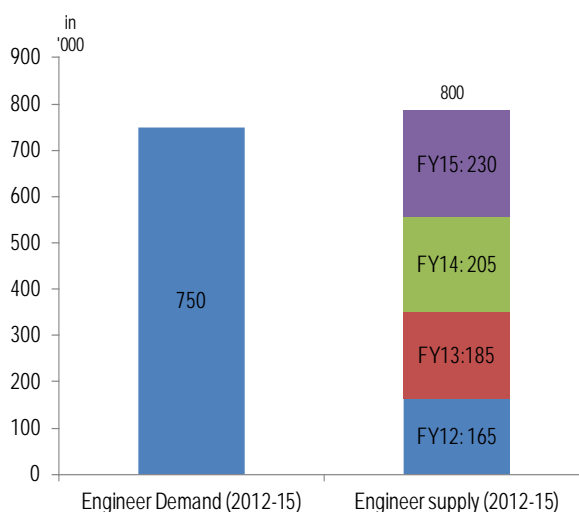
Source: J.P. Morgan

US Corporate profits continue to grow; witnessed 3.1% growth in 1QFY12 (2QCY11)



Source: BEA

Supply of engineering and non-engineering talent should exceed demand by healthy margin



Source: Nasscom, J.P. Morgan

Infrastructure

Drivers of an equity market recovery

Infra capex may be returning as a counter cyclical tool. In China, we are looking for signs that suggest the inflation rate is peaking which would allow policy to shift towards easing. Rail infra E&C names have been benefiting from favorable policy supports unveiled in 4Q11. In the region, governments in ASEAN have made plans to increase infra spend as investment-to-GDP ratios are still lower now vs. those in China and East Asia, in part via PPP programs which should also benefit the private sector.

Tollroads are defensive plays with solid cash generation, healthy balance sheet and decent yield. Lifting of policy overhang, likely in 1H2012, may help drive the sector's re-rating; Indonesian tollroad operators can also benefit from land reform, while Bangkok Exy has been returning to a growth track. **Recovery for ports and airports** is likely to be triggered by signs of sustainable trade recovery (for ports), or tariff hikes (for airports).

Stock multiples and scope for re-rating

Asia infra sectors generally are trading near trough valuations. Re-rating may be triggered by the above-mentioned factors for each sector.

Factors that are different in this recovery

On infra capex side, structurally we expect infra spending to continue rising in ASEAN but wind down in China particularly on civil work front. **For ports**, we expect drivers for the region's trade growth will become more balanced and less reliant on exports to US/Europe.

Positioning for a recovery; top picks and avoids

For China infra capex play, we favor late cycle plays, with CSR as our top pick. IJM is our pick to benefit from increased infra spending in Malaysia. India-based Essar Port offers defensive growth on its take-or-pay contracts. We think GS E&C is in an excellent position to benefit from the bottoming out of housing cycle in Korea as well as solid order flow in the Middle East.

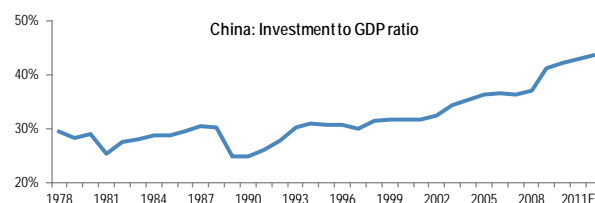
Stocks to avoid include China Merchants and Adani Enterprise.

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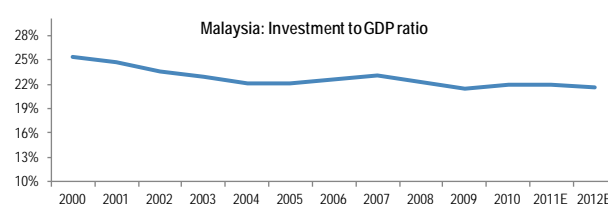
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China's investment to GDP ratio (1978 – 2012E)



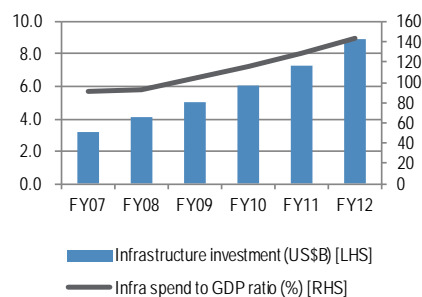
Source: J.P. Morgan Asia strategy team.

Malaysia's investment to GDP ratio (2000 – 2012E)



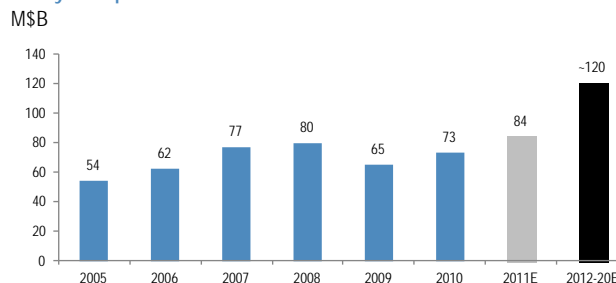
Source: J.P. Morgan Asia strategy team.

India's infrastructure spend and investment to GDP ratio



Source: Planning Commission.

Malaysia's private investments



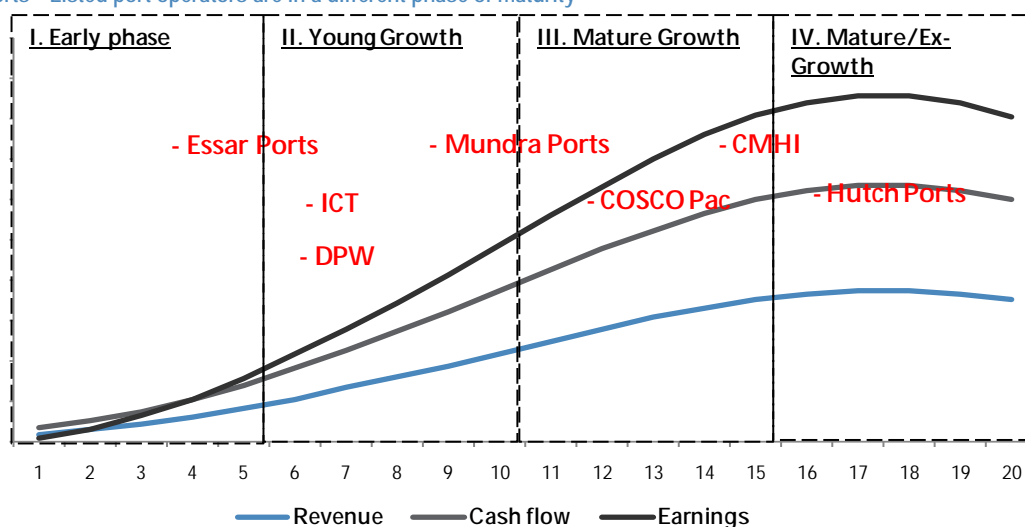
Source: PEMANDU, J.P. Morgan estimates.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
CSR	4.8	1766 HK	OW	9,599	15.8	12.3	0.25	0.32	1.6	13.6
IJM	5.8	IJM .MK	OW	2,546	17.1	13.5	0.34	0.43	1.7	11.2
Essar Port	82.7	ESRS IN	OW	676	31.8	11.9	2.59	6.93	0.0	11.6
GS E&C	91700	6360 KS	OW	4,149	8.6	10.2	10605.7	8961.6	1.1	10.1
Reliance Infra	468.8	RELI.IN	OW	5,495	9.5	8.3	49.27	56.27	0.0	4.0%
Stocks to avoid										
China Merchant	21.8	144 HK	UW	6,926	11.5	11.6	1.90	1.88	3.7	10.6
Adani Enterprises	460.6	ADE IN	UW	10,094	14.9	12.4	31.00	37.26	0.4	18.1

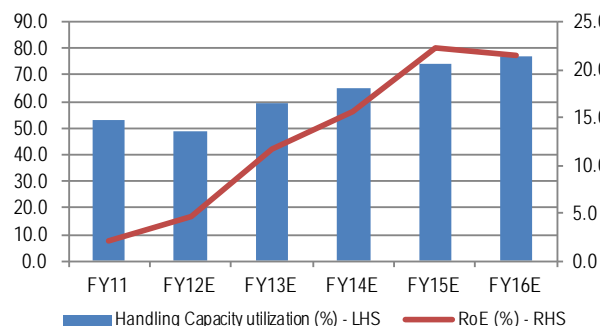
Source: Bloomberg, J.P. Morgan estimates. Note: For Reliance Infra, Essar Port, IJM and Adani, next FY taken because FY ends in Mar. Share prices and valuations are as of Nov.11.2011.

Asia ports—Listed port operators are in a different phase of maturity



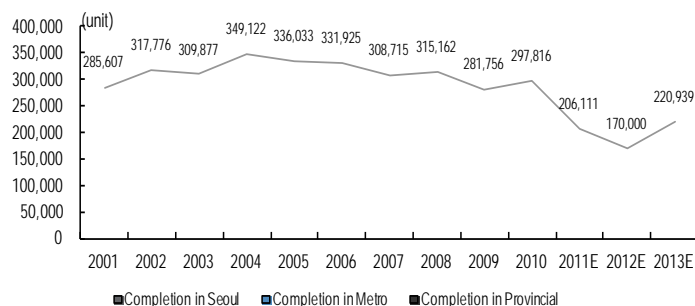
Source: J.P. Morgan.

Essar Ports—Asset Utilization to drive ROE improvement.



Source: Company, J.P. Morgan estimates

Korea Construction – Housing completion has been falling



Source: MLTM, J.P. Morgan estimates

Asian Insurance

Drivers of an equity market recovery

We think a recovery in equity markets on a better global economic growth outlook would drive a re-rating as insurers' earnings, book value and capital position depend heavily on equity prices. Declining interest rate, while negative, often has a lag effect as insurers take time to rollover their bond holdings. We expect less emphasis on interest rate movement this time except for markets where negative spread book problems remain prevalent. With regards to underwriting performance, strong premium growth is a sign of strong NBV growth (for life insurers) and underwriting profit growth (for non-life insurers). For China and Korea, a revival in premium growth should generate excitement while in Taiwan, it is the quality of business, i.e. increased contribution of protection-type products, that matters.

Stock multiples and scope for re-rating

The Chinese insurers are trading at one standard deviation below their historical P/EV average, while the Korean and Taiwanese insurers are trading at zero and two standard deviations below their P/BV average respectively. That said, we see more room for the Chinese and Korean insurers to re-rate given stronger growth outlook and capital position.

Factors that are different in this recovery

The difference between now and in 2008 is that the non-life insurers are in the opposite stage of the underwriting cycle. The Chinese insurers are seeing the best combined ratio (vs. the worst in 2008) and vice versa for the Korean insurers. Investors' emphasis on capital strength has only increased and will likely remain as a key investment decision in view of how vulnerable the insurers can be to capital market fluctuation.

Positioning for a recovery; top picks and avoids

We have a slight preference for life names over non-life names. We continue to favor life insurers with distribution advantage and strong growth outlook (i.e. AIA Group, Ping An and Samsung Life). We like Fubon for its diversified operation and Hyundai M&F for strong earnings growth. In addition to having weak capitalization for the insurers selected as stocks to avoid, we dislike PICC for limited underwriting improvement and both Shin Kong FHC and Tong Yang Life for unattractive market positioning.

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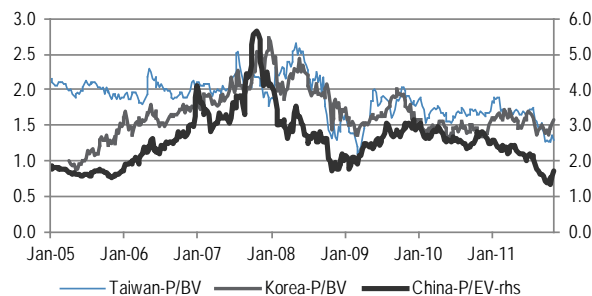
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Share price recovery varied substantially among the Asian insurers during the previous financial crisis in 2008

Name	Ticker	Absolute Perf. (%)			Rel. Perf. (vs. local MSCI) (%)		
		3m	6m	12m	3m	6m	12m
China Life – A	601628 CH	7	29	64	21	43	61
China Life – H	2628 HK	2	36	81	16	50	78
Ping An – A	601318 CH	27	75	147	41	89	144
Ping An – H	2318 HK	7	52	118	21	66	115
CPIC – A	601601 CH	18	51	114	32	65	111
CTIH	966 HK	-44	-27	56	-30	-13	53
PICC	2328 HK	73	115	183	87	129	180
Samsung F&M	000810 KS	-2	6	32	-3	-12	-10
Hyundai M&F	001450 KS	16	44	118	15	26	76
Dongbu Ins.	005830 KS	15	113	198	13	94	157
Korean Re	003690 KS	34	72	57	33	53	15
Cathay	2882 TT	-9	5	62	5	-14	19
Shinkong	2888 TT	-10	24	59	4	5	16
Fubon	2881 TT	1	29	85	15	9	41

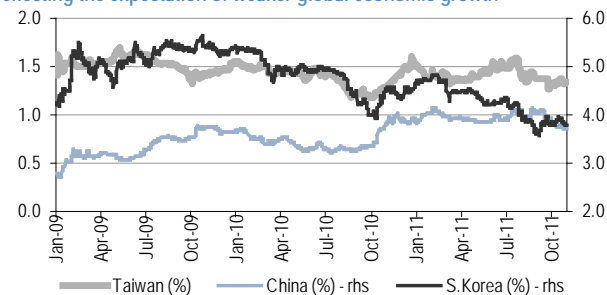
Source: Bloomberg. Note: Relative performance from November 1, 2008, which marked the bottom of most equity markets in Asia.

The Taiwanese insurers appear to have de-rated the most in recent years vs. the insurers in Korea and China



Source: Bloomberg. Note: Based on the share price movement of Cathay, Shin Kong, Fubon in Taiwan; SFM, HMF, Dongbu Ins and Korean Re in Korea; China Life, Ping An, CPIC in China.

10-year government bond yields have trended lower in recent months reflecting the expectation of weaker global economic growth



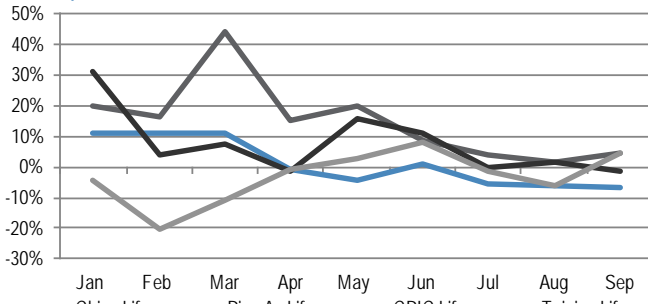
Source: Bloomberg. Note: up to Nov 9, 2011.

Top picks and stocks to avoid

	B'berg code	Price 10/11/11	Rating	PT	Mkt cap US\$m	P/E		P/BV		P/EV		Implied NBM	
						11e	12e	11e	12e	11e	12e	11e	12e
Top picks													
AIA	1299 HK	23.90	OW	32.00	37,071	21.9	14.0	1.8	1.6	1.4	1.3	12.2	7.5
Ping An - H	2318 HK	59.00	OW	84.00	53,361	19.1	15.0	2.8	2.4	1.6	1.4	7.9	4.9
Samsung Life	032830 KS	82,600	OW	135,000	14,906	13.0	11.6	1.0	0.9	0.7	0.6	-6.1	-7.9
Hyundai M&F	001450 KS	32,550	OW	43,000	2,673	7.3	6.3	1.7	1.4	0.8	0.7	-2.6	-4.1
Fubon	2881 TT	31.65	OW	42.00	9,645	7.0	8.5	1.1	1.1	1.4	1.1	3.1	1.4
Stocks to avoid													
PICC	2328 HK	11.04	N	12.50	16,095	11.9	12.4	3.4	2.7	n.a.	n.a.	n.a.	n.a.
Shin Kong FHC	2888 TT	8.81	N	10.00	2,496	11.0	11.3	0.8	0.8	0.4	0.4	-9.5	-10.9
Tong Yang Life	082640 KS	14,200	N	14,900	1,355	8.6	7.9	1.2	1.1	0.7	0.7	-4.2	-5.7

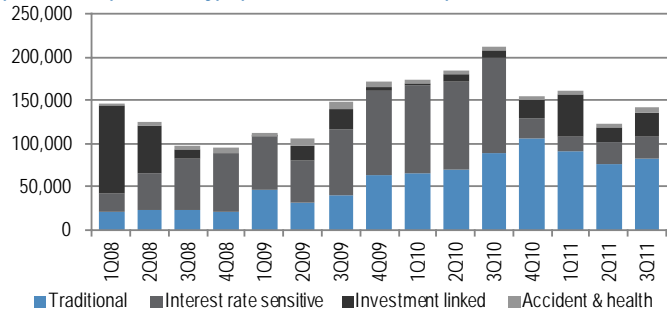
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 10-11-2011.

Premium growth momentum has been weak for the Chinese insurers in 2011 but we expect a revival in 2012



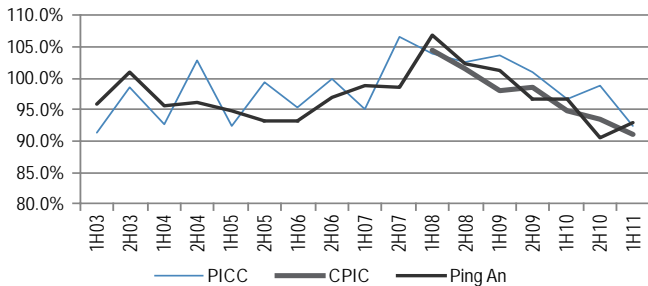
Source: Company data. Note: We continue to use old premium definition for Ping An & CTIH.

There has been a shift from savings type products (i.e. interest rate sensitive products) to protection type products (i.e. traditional products)



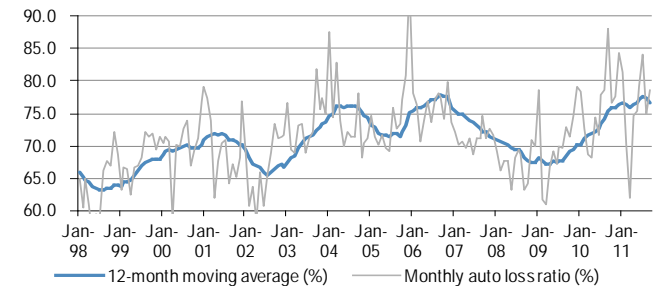
Source: Cathay FHC, Fubon FHC and Shin Kong FHC.

Combined ratio trend for the Chinese insurers suggests future improvement (if any) likely to be very modest



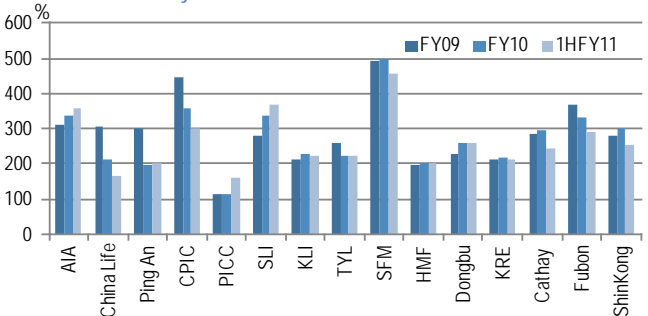
Source: PICC, Ping An, CPIC.

Room for combined ratio to improve exists in view of an underwriting cycle of 3 to 4 years each in Korea



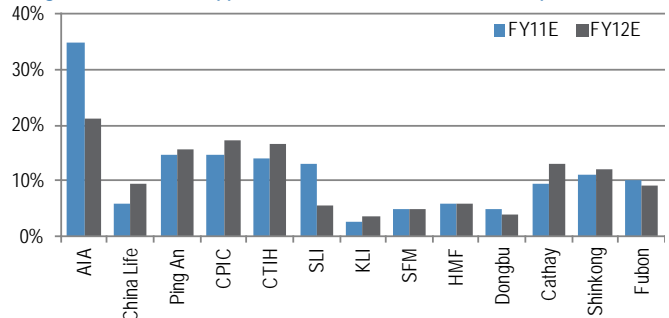
Source: Samsung F&M.

Solvency margin ratio/RBC ratio varies substantially even among players within the same country



Source: Company data. Note: 10FY11 data for SLI and TYL instead of 1HFY11 data; RBC ratios for Taiwanese and most Korean insurers; cross-country comparison is not feasible given different requirements.

NBV growth momentum appears weak across Asia with the exception of AIA



Source: J.P. Morgan estimates.

Internet & New Media

Drivers of an equity market recovery

Internet stocks are likely to be driven by signs of improvement in economic growth, as well as auto sales/car model launches. Ad spending is closely related to economic growth; auto ads account for a significant portion of internet brand ads.

We also view IPO activity as a stock catalyst, as many listed companies have the potential to unlock value through spinning-off divisions. Pre-IPO companies are also driving ad spending over the internet.

Market consolidation and mobile internet usage: Leading internet companies are investing and expanding into competitors' businesses and mobile internet. Share prices are likely to improve, in our view, with signs of new initiatives generating meaningful profit, or lower-tier players losing market share.

Stock multiples and scope for re-rating

PE and the PE growth ratios are the primary valuation ratios for the sector. We see trough valuations of internet leaders tracking around 15x forward PE.

We believe if market conditions return to normal, the sector can trade close to 1x-1.2x PEG, from around 0.6-0.8x PEG at present.

Factors that are different in this recovery

We see recovery for the segment similar to that after the last financial crisis: online advertising is likely to see rapid growth, in line with economic growth, with online games to be titles driven. We see the emergence of mobile internet adding new growth to the sector.

Positioning for a recovery; top picks and avoids

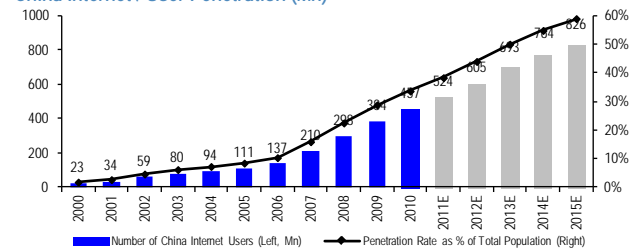
Our top-picks are Tencent, NetEase and Neowiz - on strong online games growth. Tencent and Baidu are the key beneficiaries of mobile internet growth in China. We expect Baidu to exert its market dominance and good execution to sustain a high grow rate. Focus Media has high operating leverage – and could outperform in an economic recovery.

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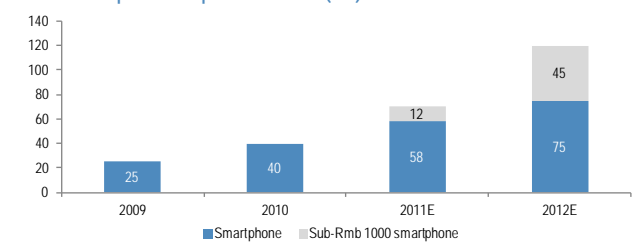
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China Internet / User Penetration (Mn)



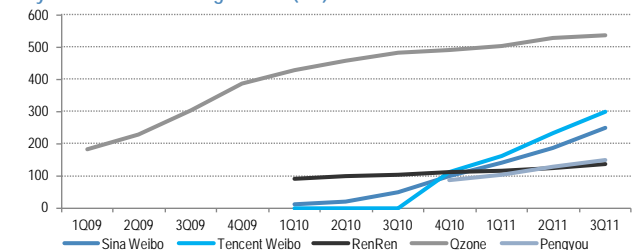
Source: CNNIC.

China Smartphone Shipment Growth (Mn)



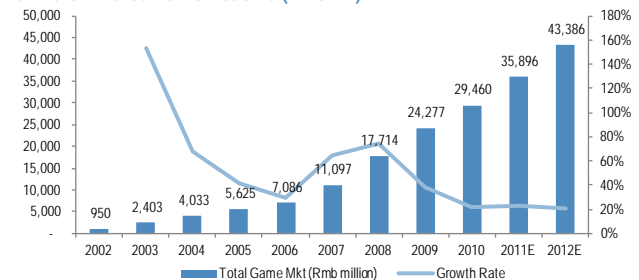
Source: J.P. Morgan estimates.

Key Social Network Usage Trend (Mn)



Source: Company Reports. * Qzone & Pengyou data are active user #

China Online Game Market Size (Rmb Mn)



Source: IDC, J.P. Morgan estimates.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Tencent	157.7	700 HK	OW	37,396	21.7	17.6	7.28	8.97	0.35	36.0
Baidu	137.8	BIDU US	OW	48,473	46.3	32.3	2.98	4.26	0	55.0
Focus Media	23.4	FMCN US	OW	3,160	16.8	13.3	1.39	1.76	0	16.6
NetEase	44.6	NTES US	OW	5,801	12.2	10.9	3.65	4.10	0	24.1
Neowiz	68,100	095660 KR	OW	1,345	4,378	6,590	15.6	10.3	0	37.6
Stocks to avoid										
Alibaba	9.1	1688 HK	N	5,856	19.2	17.1	0.47	0.53	2.42	18.4

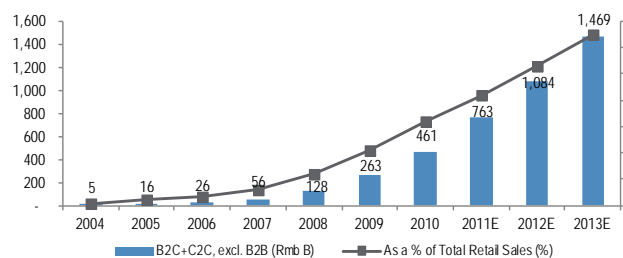
Source: Bloomberg, J.P. Morgan estimates. * Note: Share prices and valuations are as of Nov.11 2011

Table 2: China Online Advertising Market Forecast

	2006	2007	2008	2009	2010	2011E	2012E
Brand Advertising (RMB M)	3,377	4,559	6,428	6,942	9,025	11,462	14,442
Search Advertising (RMB M)	1,442	2,851	5,309	7,213	12,015	18,427	24,751
Other Online Format (RMB M)	109	122	135	135	135	135	135
Total Online ad market (RMB M):	4,928	7,533	11,872	14,290	21,175	30,023	39,328
Total Online ad market (US\$M)	621	999	1,721	2,083	3,100	4,448	5,826
Growth Rate (Rmb, %)	54.62%	60.78%	72.27%	21.07%	48.81%	43.47%	30.99%
Total China ad market (Rmb M)	105,712	116,422	139,707	142,501	165,301	190,096	216,709
Growth Rate (Rmb, %)	16.55%	10.13%	20.00%	2.00%	16.00%	15.00%	14.00%
Ad market as % of GDP	0.48%	0.44%	0.46%	0.42%	0.42%	0.44%	0.45%
Online ad as % of Total ad market	4.66%	6.47%	8.50%	10.03%	12.81%	15.79%	18.15%

Source: iResearch, CNNIC, J.P. Morgan estimates. *Note: Growth rates are in Rmb terms.

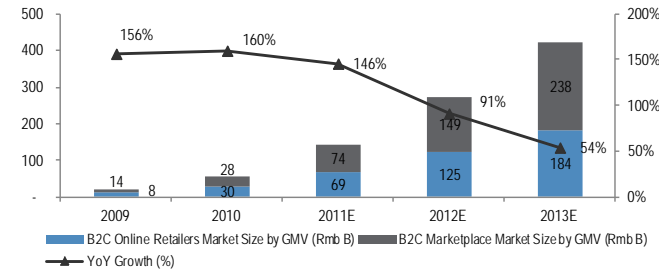
China eCommerce Market Size by GMV



Source: iResearch (2011).

*Note: Transactions for virtual goods and online utility payment are not included.

China B2C eCommerce Market Size by GMV



Source: iResearch (2011).

Metals and Mining

Drivers of an equity market recovery

We see three areas to track the sector's recovery. **First, an economic soft landing with continued solid growth in China and a recovery in the US and EU.** China is the world's largest and most significant 'base load' consumer of commodities, so resilience in FAI data is important for global demand. The US and EU economic recoveries will be important in boosting overall market confidence and potentially investor fund flows. As macro fears fade, a weaker dollar should resume, lifting US dollar-denominated commodity prices. **Secondly, evidence of continued supply tightness** in commodity markets with further concentration from increased M&A activity is likely to reinforce the 'stronger for longer' thesis. In a more positive macro backdrop, improved utilisation rates could also see some pricing influence return to aluminium and steel producers. **Finally, strong earnings and free cash generation,** given commodity producers' powerful operating leverage to prices.

Stock multiples and scope for re-rating

Stocks are currently trading at 30%-40% discount to historical valuations (P/E, P/B, EV/EBITDA and P/NPV).

Factors that are different in this recovery

The secular trend of urbanisation and industrialisation across Asia, particularly China and India, has provided powerful support for demand of commodities over the past decade. This trend has the **potential to be boosted further by China's westward investment push** into rural areas, and from **India delivering on its growth promises.** Asia's traditional exporters may also play a lesser role with Indonesia and Vietnam domestic demand growth potentially suppressing their ability to export coal.

Positioning for a recovery; top picks and avoids

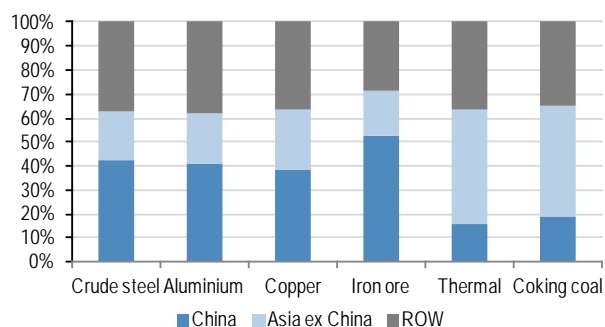
Our strategy is to OW producers of commodities that are currently in shortage in China, or the world. In this category, we identify **Shenhua** and **PTBA** in coal, **Rio Tinto** in iron ore and **PanAust** in copper. We also like **Hindalco** for its turnaround success in Novelis and re-rating potential. We recommend avoiding stocks exposed to commodities in surplus, including **Angang** in steel and **ANTM** in nickel, and stocks with potential financing issues such as **Murchison Metals.**

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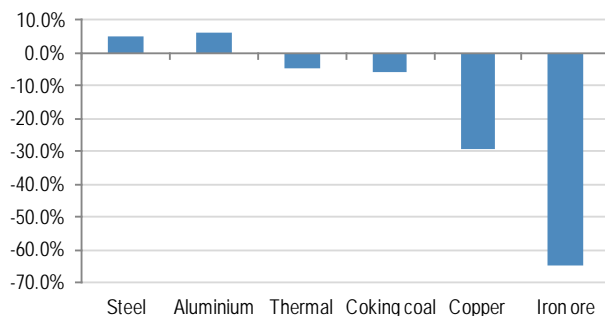
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China and the rest of Asia drive global commodities demand



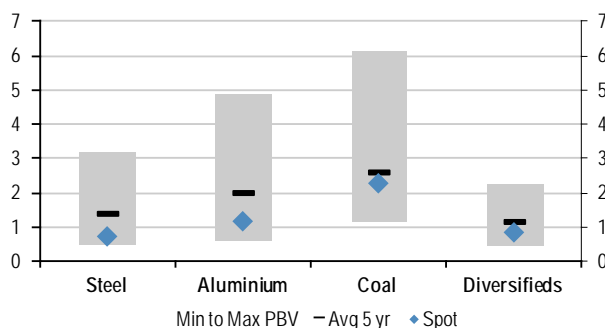
Note: Global commodities demand for 2010.
 Source: Brook Hunt, AME, J.P. Morgan estimates.

Go long where China is short - China commodity surplus/(deficit)



Note: Commodity surplus/(deficit) shown as a % of 2012E consumption.
 Source: J.P. Morgan estimates.

Scope for re-rating—Asia sector P/B valuations below five-year averages



Note: Diversifieds (BHP and RIO) use a P to NPV as a proxy for PBV.
 Source: J.P. Morgan estimates.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Shenhua	34.80	1088 HK	OW	85,237	12.2	10.8	2.33	2.62	3.2	20.5
Rio Tinto	68.88	RIO AU	OW	108,781	8.0	7.1	8.65	9.84	1.9	22.5
PanAust	3.30	PNA AU	OW	1,979	13.3	7.1	0.25	0.47	0.0	26.7
Hindalco	134.50	HNDL IN	OW	5,130	8.8	8.5	15.25	15.83	1.8	9.2
PTBA	17,750	PTBA IJ	OW	4,539	11.3	9.5	1,567	1,871	5.2	44.2
Stocks to avoid										
Angang	5.18	347 HK	N	5,917	60.4	15.1	0.07	0.28	3.3	3.7
ANTM	1,660	ANTM IJ	UW	1,757	7.0	7.6	238	217	5.7	17.6
Murchison	0.27	MMX AU	UW	121	11.3	90.0	0.02	0.00	0.0	0.5

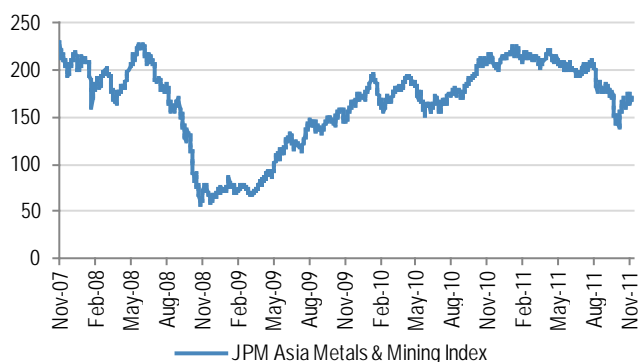
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 10 November 2011.

Global commodity price forecasts

		2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	2013E	2014E	LT Real
Bulks										
Thermal coal (Newcastle)	(USD/t)	123	124	130	124	124	126	129	115	95
Thermal coal (QHD)	(RMB/t)	818	862	869	837	837	851	831	749	619
Hard Coking Coal (Global)	(USD/t)	291	280	260	260	250	263	254	200	150
Iron ore fines	(USD/t)	164	165	165	165	165	165	165	139	80
Steel										
China HRC	(USD/t)	727	807	788	761	721	769	797	748	493
China Rebar	(USD/t)	744	790	771	743	703	752	779	731	430
East Asia HRC	(USD/t)	708	784	766	739	700	748	774	727	452
East Asia Rebar	(USD/t)	696	758	739	713	674	721	747	701	406
Base Metals										
Aluminium	(USD/t)	2,426	2,350	2,450	2,550	2,600	2,488	2,650	2,650	2,200
Copper	(USD/t)	8,750	8,250	8,500	9,250	9,000	8,750	9,000	8,500	5,500
Nickel	(USD/t)	22,771	20,000	21,000	22,000	22,000	21,250	23,000	23,000	18,000
Zinc	(USD/t)	2,192	2,000	2,100	2,150	2,200	2,113	2,350	2,500	2,000
Lead	(USD/t)	2,400	2,175	2,250	2,275	2,300	2,250	2,450	2,600	2,000
Precious Metals										
Gold	(USD/oz)	1,688	1,925	1,875	1,850	1,825	1,869	1,750	1,600	1,300
Silver	(USD/oz)	36.3	35.0	34.1	33.6	33.2	34.0	33.7	29.1	17.5

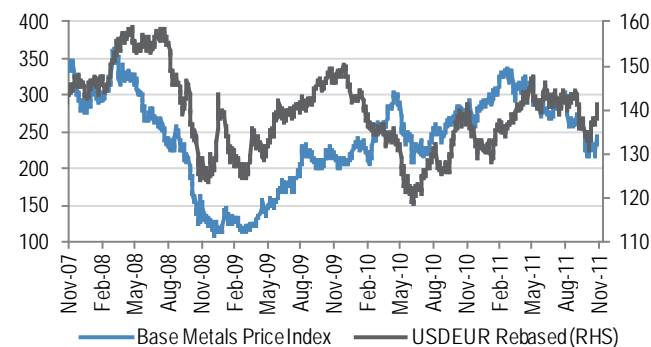
Source: J.P. Morgan estimates.

JPM Asia Metals & Mining Index Performance



Source: Bloomberg, J.P. Morgan.

USD remains a dominant influence on metals prices



Source: Bloomberg, J.P. Morgan.

Oil and Gas

Drivers of an equity market recovery

With oil prices and refining margins still high (due to one-off events throughout the year), we don't see a recovery pushing these drivers further up as it should still be offset by one-offs on the supply side easing (Libya). For petrochem this could be different as margins have contracted in response to the slowdown and second half 2012 could stage comeback on a recovery. In the event we do get an increase in oil prices on a recovery, it may actually have the impact of reversing or shortening the duration and strength of any recovery. EM demand will be major data point to look for, in addition to on the oil supply side data points from Libya and Iraq. Refining data points would be specific to diesel demand growth and how capacity additions materialize. As for petchems, we believe the major triggers for reversing margin trends are China easing credit (re-stocking) and Korean producers cutting run rates on negative cash margins, signaling a bottom.

Stock multiples and scope for re-rating

Asia as a region focuses mostly on PE, with some reference to PB/ROE in the more cyclical space (ref & petchem). Low PEs generally reflect a more uncertain earnings outlook (Sinopec) while high PB generally reflect high ROE expectations. We see most energy stocks having de-rated to levels at or below historical averages, but don't see this necessarily as cheap as the expectations on oil price and margins are probably still too high (even in a recovery). Re-rating may be greater for stocks with company specific improvements, and less pronounced for stocks with negative company specifics.

Factors that are different in this recovery

This potential recovery could, as mentioned above, come from much higher oil price and margin levels, hence we believe the beneficiaries in terms of stocks will not be the high beta names (some of which have other issues as it is) seen in late 2009 to 2010.

Positioning for a recovery; top picks and avoids

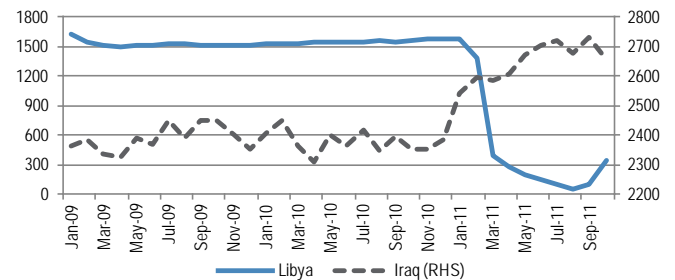
We are OW Sinopec (re-rating on refining profits from lower oil), PTT (earnings growth on nat gas growth), RIL (positive newsflow re upstream), LG Chem (new business for free) and China BlueChem (operational growth) while UW PetroChina (weakening fundamentals), S-Oil (high expectations priced in) and Formosa Plastics (high capex with no growth).

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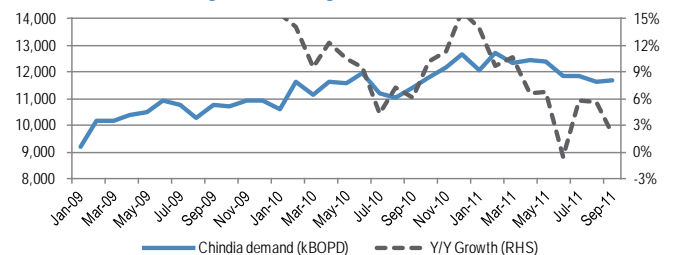
J.P.Morgan Securities (Asia Pacific) Limited

Libya coming back on and Iraq ramping up crude production - kBOPD



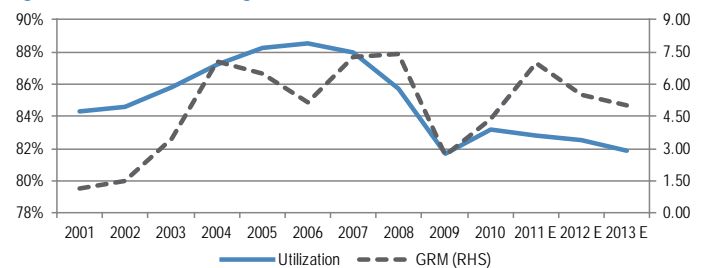
Source: Bloomberg.

China and India demand growth slowing - kBOPD



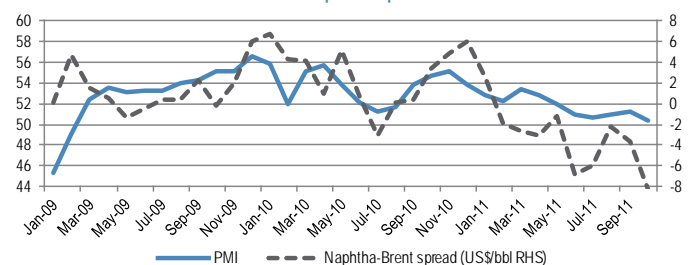
Source: Bloomberg and PPAC.

Regional GRM (US\$/bbl) and global utilization



Source: JPMorgan estimates and Bloomberg.

China PMI weakness coincides with Naphtha spread weakness



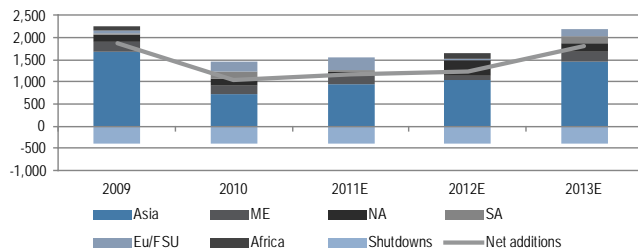
Source: Bloomberg.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Sinopec	8.13	386 HK	OW	90,371	7.4	7.2	0.90	0.92	3%	16%
PTT	306	PTT TB	OW	28,535	9.0	7.7	34.2	39.6	4%	19%
RIL	883.7	RIL IS	OW	58,921	12.1	11.1	73.3	79.9	1%	16%
LG Chem	363,500	051910 KS	OW	21,689	11.0	9.6	32,998	37,681	1%	24%
China BlueChem	6.48	3983 HK	OW	4,430	13.0	10.3	0.41	0.52	4%	19%
Stocks to avoid										
PetroChina	10.24	857 HK	UW	240,274	11.3	11.2	0.74	0.75	4%	13%
S-Oil	123,000	010950 KS	UW	12,468	10.6	12.1	11,657	10,165	3%	20%
Formosa Plastics	87.4	1301 TT	UW	17,819	12.1	11.8	7.2	7.4	7%	17%

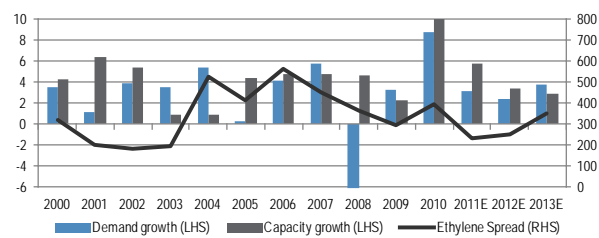
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 08 Nov 2011.

Refinery additions to outpace demand growth - kBOPD



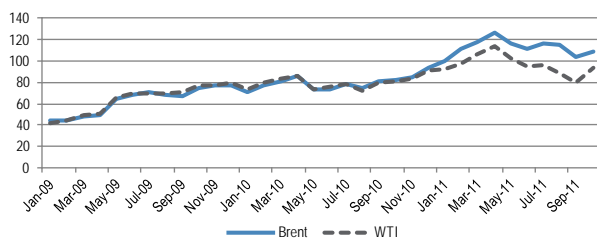
Source: JPMorgan estimates and industry data.

Ethylene spreads likely to be weak in 2012E - mn TPY and US\$/ton



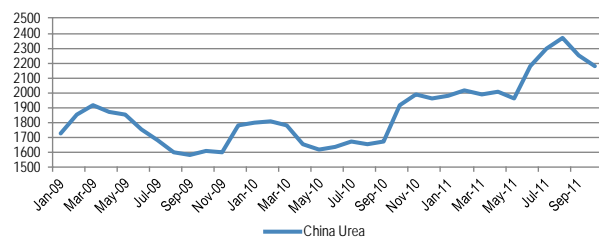
Source: CMAI, JPMorgan estimates.

Diverging oil prices due to Iraq outage - Brent vs WTI



Source: Bloomberg.

Increasing China urea prices (Rmb/ton) on higher coal prices



Source: CEIC.

Real Estate

Drivers of an equity market recovery

Real estate stocks have generally preceded changes in the physical price index as well as general consumer and producer price indices. With inflation running above central bank comfort zones, Asian real estate has labored under a significant (and ever-tighter) policy overhang in the past two years. Not until inflationary pressures come under control of regional central banks will there be sufficient policy leeway for an easing of the specific administrative measures on the sector, in our view.

Stock multiples and scope for re-rating

Asian real estate is in the de-rating and downgrade phase of the cycle, and the property clocks in most of Asia ex-Japan's markets have moved past midnight, and the initial rounds off NAV and earnings cuts have taken place. Not until the market is comfortable that inflationary pressures in the region are contained and the growth outlook has stabilized will this sector move into a convincing re-rating mode, in our view. The sector is trading at a relatively wide 32% discount to current NAV, but NAV estimates have only been reduced by 7% from the recent peak, as compared with a peak-to-trough drop of 52% from 2007-mid 2009.

Factors that are different in this recovery

Traditional homebuilder development models in Asia are likely to be less important given the likely continued policy overhang in this space. Investment grade real estate in Asia suitable for institutional ownership remains in a state of scarcity, and where total returns from such assets are still attractive relative to the risks, we believe such assets (and the stocks that provide exposure to those assets) should trade at relative premium valuations.

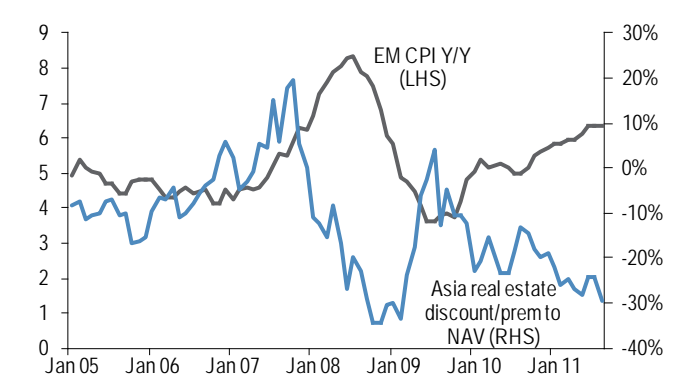
Positioning for a recovery; top picks and avoids

We remain structurally positive on sectors like investment grade retail and industrial property portfolios in the region, and position ourselves in stocks such as CapitaMalls Asia and Global Logistic Properties to obtain exposure. In emerging ASEAN, the property cycles are generally positive (short, mild down-cycles, if any, whilst the uptrend is structurally supported); our preference remains Indonesian developers such as Alam Sutera and Agung Podomoro Land.

Christopher Gee, CFA^{AC}

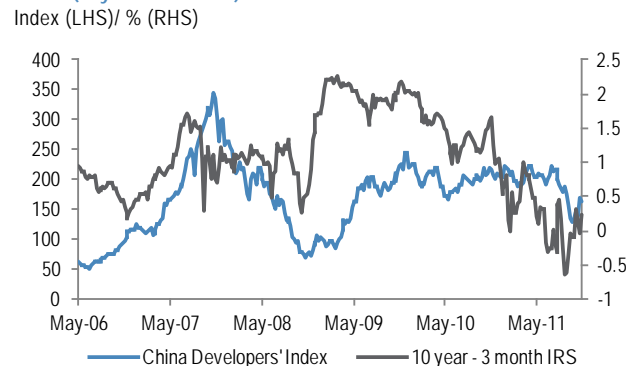
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EM CPI (% Y/Y) and Asia real estate stock disc/prem to NAV



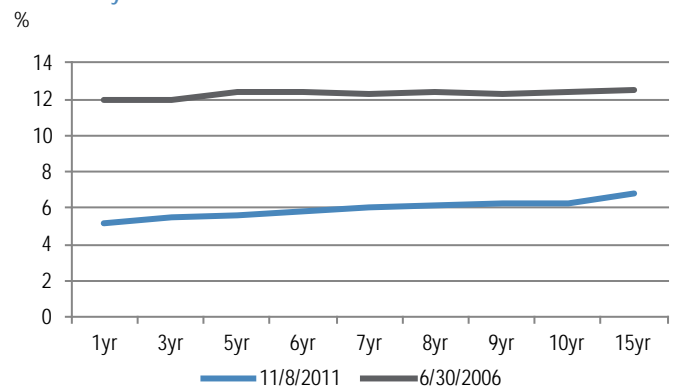
Source: J.P. Morgan estimates.

J.P. Morgan custom China developer price index vs. China yield curve (10yr-3month IRS)



Source: J.P. Morgan, Bloomberg.

Indonesia yield curves: 30 Jun 06 vs. 08 Nov 2011



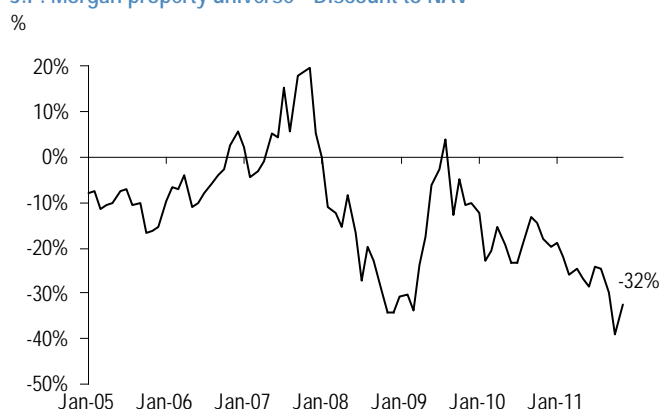
Source: Bloomberg.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
CapitaMalls Asia	1.355	CMA	OW	4,144	8.54	9.56	0.16	0.14	3.0%	8.2%
Global Logistic Properties	1.835	GLP	OW	6,639	11.92	12.91	0.15	0.14	0.0%	9.4%
Longfor Properties	9.06	960	OW	6,011	9.32	8.38	0.97	1.08	3.0%	24.5%
Alam Sutera	450	ASRI	OW	900	14.81	11.53	30.4	39.0	1.8%	24.8%
Agung Podomoro	330	APLN	OW	758	12.13	10.15	27.2	32.5	0.0%	14.1%
Stocks to avoid										
Sino-Ocean Land	3.22	3377	UW	2,346	8.29	7.03	0.39	0.46	4.8%	8.6%
Poly (HK) Investments	3.54	119	UW	1,644	6.43	6.01	0.55	0.59	3.3%	8.1%

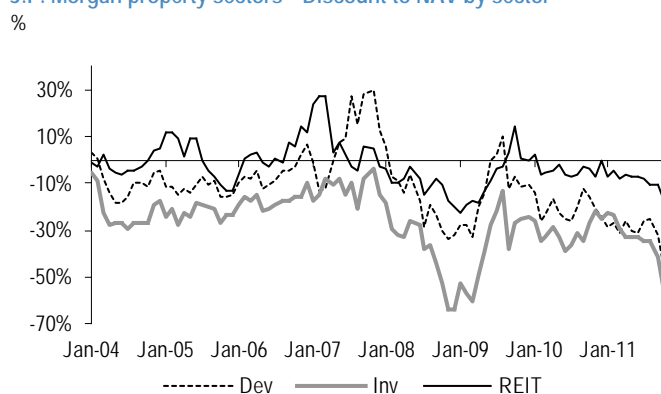
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 09 Nov 2011.

J.P. Morgan property universe—Discount to NAV



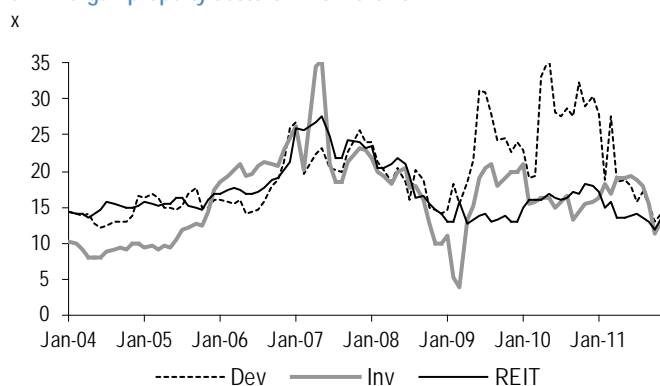
Source: J.P. Morgan estimates.

J.P. Morgan property sectors—Discount to NAV by sector



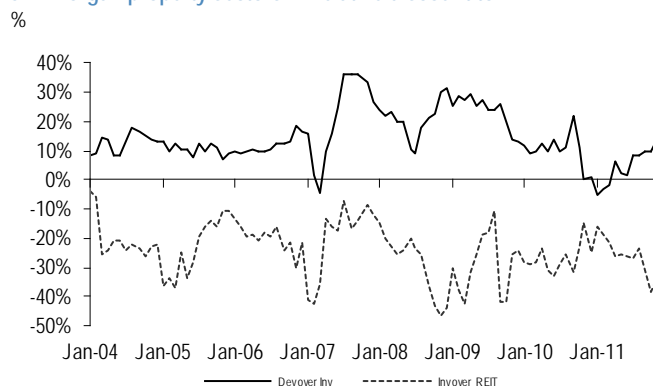
Source: J.P. Morgan estimates.

J.P. Morgan property sectors— Forward P/E



Source: J.P. Morgan estimates.

J.P. Morgan property sectors— Relative discount to NAV



Source: J.P. Morgan estimates.

Semiconductors

Memory market outlook

Global memory revenue momentum is expected to increase 6% Y/Y in 2012E, from an 11% decline in 2011E. We expect the momentum of DRAM price decline to slow down by early 2012E, but see only a limited recovery due to weak PC end-demand and muted PC DRAM content growth. From 2Q12E onwards, we expect the global DRAM market to witness sequential growth thanks to the seasonal upticks in demand and an increasing portion of mobile DRAM. For NAND, we continue to expect sequential price decline for NAND, but its price elasticity should help expand NAND's penetration. We expect NAND to continuously witness a strong shipment growth of 75%+Y/Y for 2012E.

Display market outlook

In the TFT-LCD industry, TFT-LCD panel makers experienced stabilization in process for both IT and TV panels. As TV panel prices neared cash costs or fell below cash costs for particular sizes, panel prices finally stopped declining in early November. However, end-demand visibility remains limited; hence, we foresee TV panel prices remaining sideways in 1H12. If end-demand from the year-end holidays turns out to be stronger than expected, there could be restocking demand that supports an upward trend of the panel prices.

Foundry & OSAT market outlook

We expect a fundamental bottom in 1Q12 with a recovery to start from 2Q12E, suggesting the SCM stocks could rally beforehand, likely in early 1Q, when demand/inventory picture gets clear. We believe the outlook for 2012 doesn't look exciting on an annual comparison, as we expect the chip sales (ex-memory) to grow only in mid-single-digits Y/Y. But quarterly volatility should catalyze the SCM stocks on the upside, as we expect chip sales growth to accelerate in 2H, partially due to a low base. Longer term, our key story of a structural IDM outsourcing remains intact, where we are envisioning a multi-year market-share-gain cycle for the SCM sector, with foundries to gain share against IDMs on lack of investment, and Taiwan OSAT to gain share against overseas peers on Cu market expansion.

Recommendations

Since we believe the macro economy will likely remain uncertain in the near future, we like to stay with tier one players in respective sectors. Hence, our preferred names are **Samsung Electronics**, **TSMC**, and **LG Display** while we have only one name, **SMIC**, in the avoid category.

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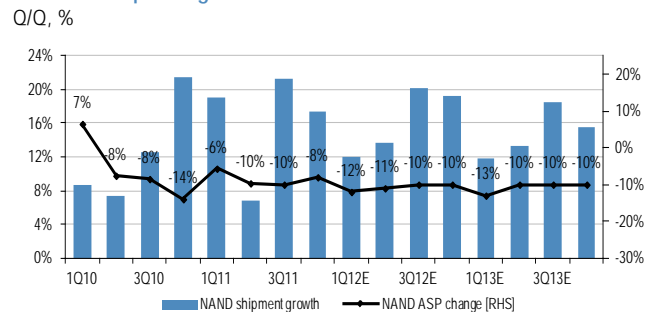
J.P. Morgan Securities (Far East) Ltd, Seoul Branch

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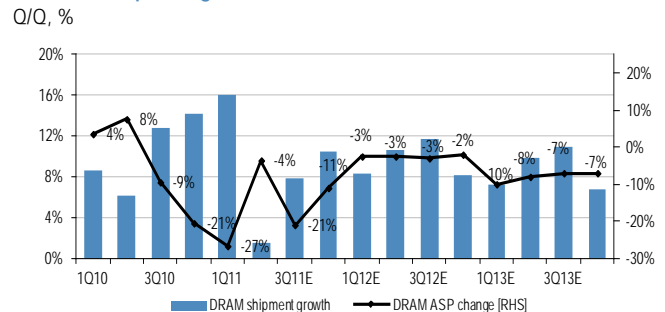
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NAND bit shipment growth and ASP trend



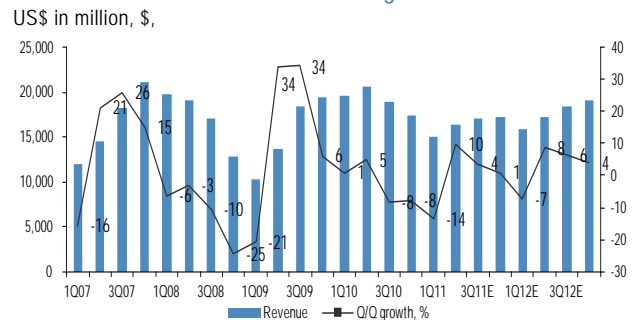
Source: Company data, J.P. Morgan estimates.

DRAM bit shipment growth and ASP trend



Source: Company data, J.P. Morgan estimates.

Total LCD Panel revenue and Q/Q change



Source: Company data, J.P. Morgan estimates.

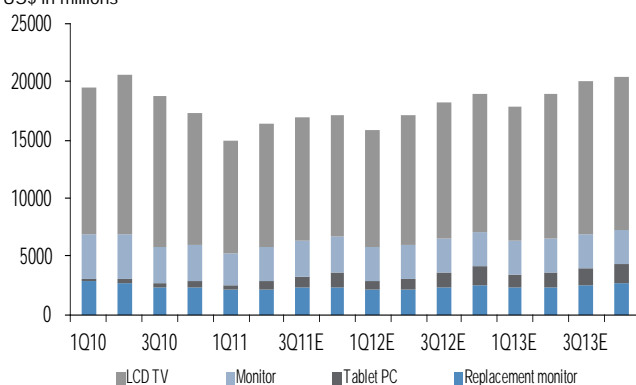
Top picks and stocks to avoid

Company	Ticker	Rating	Price (LC)	Market cap (US\$ B)	P/E(x)		EPS (LC)		Div.yield 12E (%)	ROE 12E
					11E	12E	11E	12E		
Top picks										
SEC	005930 KS	OW	983,000	129.3	9.9	8.1	99,011	121,903	1.7	16.0
LGD	000660 KS	OW	22,400	7.2	na	10.2	- 2,842	2,200	2.2	7.5
TSMC	2330 TT	N	73.4	63.1	14.2	12.7	5.2	5.8	4.1	21.2
Stocks to avoid										
SMIC	0981 HK	UW	0.40	1.4	nm	nm	-0.6	-0.5	0.0	-6.7

Source: Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of November 11, 2011.

LCD revenue by application

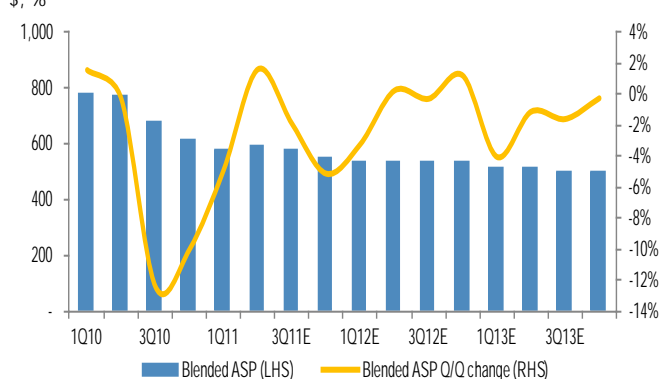
US\$ in millions



Source: Company data, J.P. Morgan estimates.

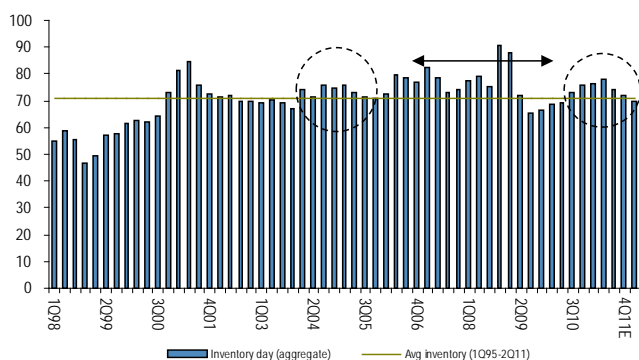
LCD Panel Blended ASP and ASP change

\$, %



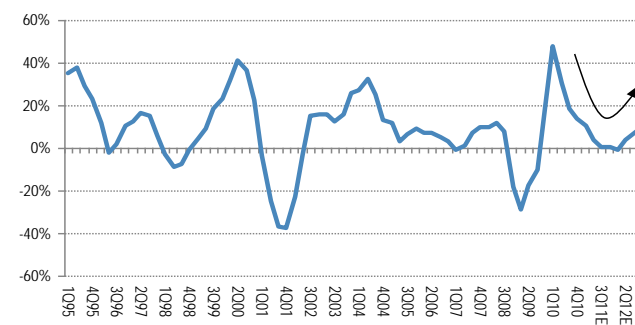
Source: Bloomberg, J.P. Morgan estimates.

Semiconductor inventory trend (day)*



Source: Company data, J.P. Morgan estimates. * A total of 38 major chipmakers are monitored excluding memory, discrete and opto.

Quarterly semiconductor cycle ex-memory*



Source: WSTS, J.P. Morgan estimates. * In terms of dollar sales Y/Y growth.

SMID Caps

Drivers of an equity market recovery

SMID-Caps are an amalgamation of different industries with different dynamics. Generally, those SMID-Caps that cater to fast growing domestic consumers offer the best opportunities. The tighter credit environment in Asia in 2011 has crimped funding for SMID-Caps but has been even more damaging to their distributors and other SME customers. A reversal of this trend is the key to improvement in this segment and we look for margin expansion as a sign for companies to outperform.

Stock multiples and scope for re-rating

Many SMID –Caps have fallen precipitously from April to Aug 11 and they bottomed at a trough forward PE of around 5-6x. This is the trough PE seen in the previous downturn in 2008. In a recovery situation, we see potential for SMID-Caps industrial companies to reach 12-15x before the next downturn begins. That still leaves significant upside from current levels as most SMID-Caps still trade in the 6-8x 2012E PE range.

Factors that are different in this recovery

Based on our discussions with various SMID-Cap companies, the key negative factor for 2011 was not the lack of demand but the lack of pricing power. Most companies actually achieved strong sales growth but this was more than offset by falling margins as costs soared. There has been some reprieve in cost reductions since June as commodity prices have fallen. In many cases, producers lifted prices in 3Q and may not pass on cost savings to their customers due to supply shortages caused by the exit of smaller producers earlier in the year.

Positioning for a recovery; top picks and avoids

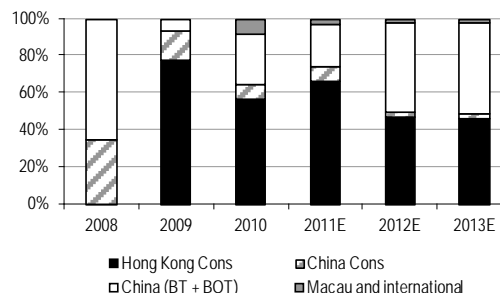
Our top picks in HK/China include China State Construction, China's leading builder of affordable housing, Skyworth Digital which is benefiting from China's rural demand for flat TVs, and Kingboard Chemicals, an all-in play on China's economic recovery. Regionally, we highlight Hiwin from Taiwan as a leading provider of factory automation components as well as Havells India, a leading provider of electrical and power distribution equipments from India.

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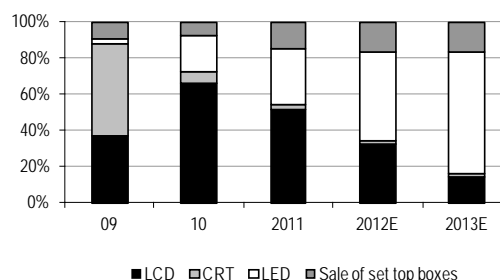
J.P. Morgan Securities (Asia Pacific) Limited

China State Construction : Migration to a China Play



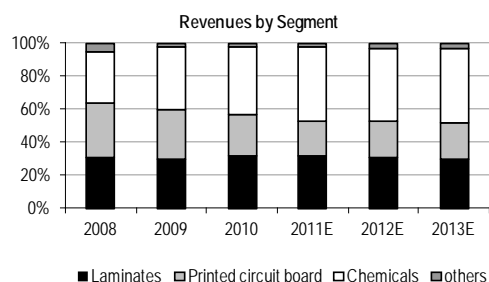
Source: Company, J.P. Morgan estimates.

Skyworth: Migration to higher margin LED TVs



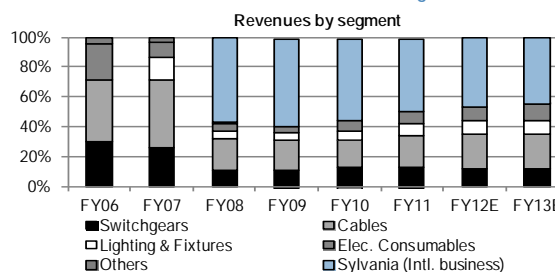
Source: Company, J.P. Morgan estimates.

Kingboard Chemicals: Diversified play on China's domestic growth



Source: Company, J.P. Morgan estimates.

Havells India: Domestic business to drive revenue growth



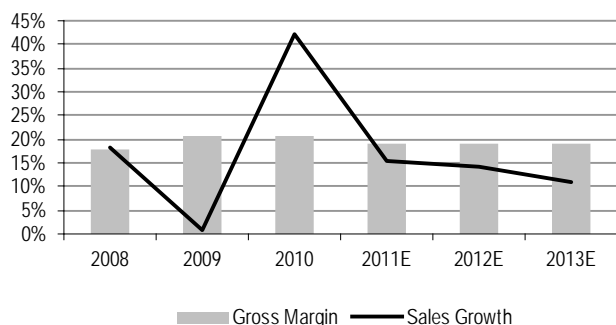
Source: Company, J.P. Morgan estimates.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
CSC	6.46 (10)	3311 HK	OW	3,209	16.6	10.1	0.39	0.64	3.0	23.4
KB CHEMICAL	27.05 (49)	148 HK	OW	3,797	6.1	5.5	4.40	4.96	4.7	14.3
HIWIN	282 (420)	2049 TT	OW	2,305	16.8	12.2	16.77	23.12	2.4	32.4
SKYWORTH	4.26 (6)	751 HK	OW	1,867	7.5	6.3	0.57	0.68	4.6	20.4
HAVELLS	418.55 (550)	HAVL IN	OW	1,282	15.2	12.1	27.49	34.47	0.9	42.0
Stocks to avoid										
LEE & MAN PAPER	3.40 (4.5)	2314 HK	N	1,923	8.6	7.5	0.39	0.37	3.3	16.5
ROBINSON DEPT STORE	31.75 (26)	ROBINS TB	UW	1,090	23.9	21.5	1.33	1.48	2.2	17.9

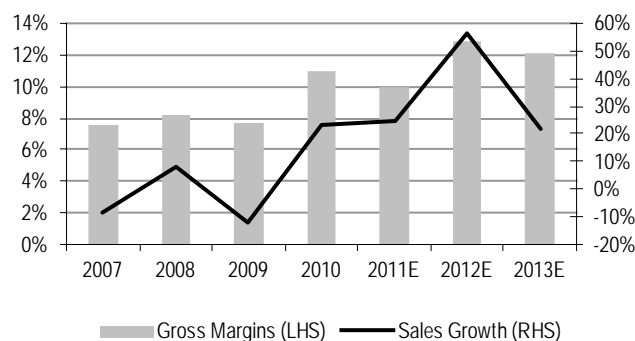
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 4 Nov 2011.

Kingboard Chemicals



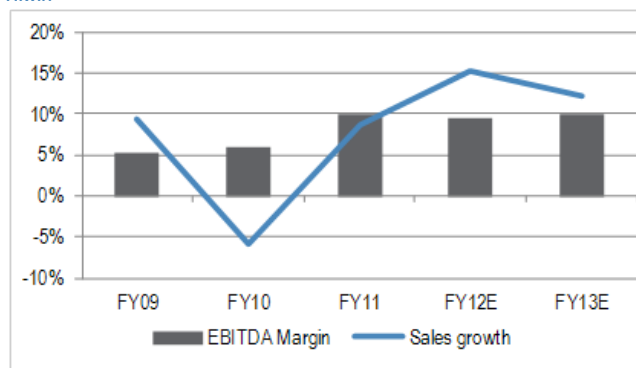
Source: Company, J.P. Morgan estimates.

China State Construction



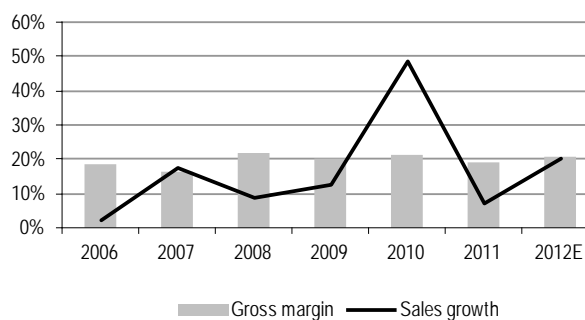
Source: Company, J.P. Morgan estimates.

Hiwin



Source: Company, J.P. Morgan estimates.

Skyworth Digital



Source: Company, J.P. Morgan estimates.

Technology Hardware

Drivers of an equity market recovery

Even the “hot” items, such as tablets and smartphones, are suffering from very weak order rates going into the holiday season. The **iPad supply chain** and **HTC** are particularly affected. It is not just weak sell-through, in our view, but also a reluctance by operators/ channels to hold inventory. Just as this is a sign of a “demand meltdown”, a return of demand in these discretionary items could also be an early sign of recovery. A short squeeze for inventory replenishment may occur in 1Q12, just like in 1Q09.

Stock multiples and scope for re-rating

Given the lack of earnings visibility, P/BV is probably the better valuation measure to time the bottom; most large-cap tech hardware names are trading at 1.5 standard deviations below the historical range. In the last financial crisis, P/BV did dip below 2 standard deviations for some stocks, but this lasted less than three months, and they quickly bounced back – mostly to above-mean levels.

Factors that are different in this recovery

Technology hardware stocks are facing a tougher earnings growth outlook than when it came out of the last financial crisis - high-end smartphones, which have fueled strong growth for some names, is getting saturated, while labor and environmental cost increases are likely secular headwinds. There are some new bright spots such as cheap smartphones, cloud infrastructure and automation, but the winner list is shorter than the loser list, in our view.

Positioning for a recovery; top picks and avoids

We have picked five stocks that outperformed in 2009 – 1) Mediatek: cheap smartphone cycle; 2) HiWin: share gain on strong Yen; 3) Lenovo – winning share when the two global giants are distracted; 4) AsiaInfo: expansion out of China; 5) Wistron: plenty of growth potential if capital is available.

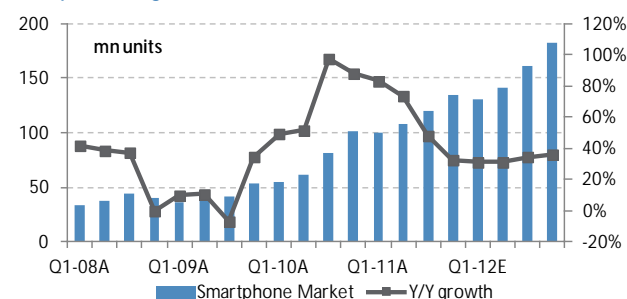
We pick two stocks to avoid that are still trading around mean valuation, with a growth outlook that we believe is capped – 1) Asustek: Amazon “eating its lunch” in tablets; 2) Tripod: dilemma in no growth or relocation challenges.

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Smartphone Y/Y growth



Source: Company data and J.P. Morgan estimates

Hon Hai: Trailing P/BV



Source: Company data, Bloomberg and J.P. Morgan estimates

HTC: Trailing P/BV



Source: Company data, Bloomberg and J.P. Morgan estimates

Mediatek: Trailing P/BV



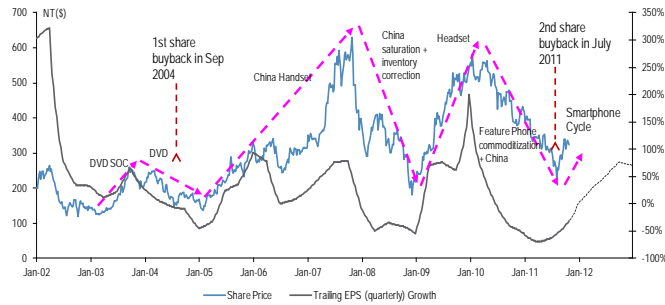
Source: Company data, Bloomberg and J.P. Morgan estimates.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Mediatek	317	2454 TT	OW	11,598	24.2	15.1	13.11	20.93	3.5%	19.5%
Lenovo	5.51	992 HK	OW	7,318	12.4	10.8	0.06	0.07	3.7%	31.1%
Hiwin	271	2049 TT	OW	2,115	16.2	11.7	16.77	23.12	2.5%	50.1%
Wistron	37.6	3231 TT	OW	2,607	8.1	6.1	4.67	6.20	6.6%	17.3%
Asialfno Linkage	7.76	ASIA US	OW	558	5.0	4.6	1.56	1.70	0.0%	20.6%
Stocks to avoid										
Asustek	213.0	2357 TT	N	5,333	9.8	9.3	21.82	22.97	5.6%	14.3%
Tripod	84.1	3044 TT	N	1,470	9.2	9.4	9.2	9.0	3.7%	20.0%

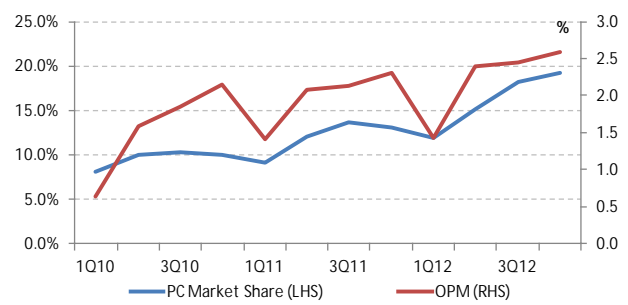
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of Nov 8, 2011.

Mediatek: Quarterly EPS Y/Y growth vs share price



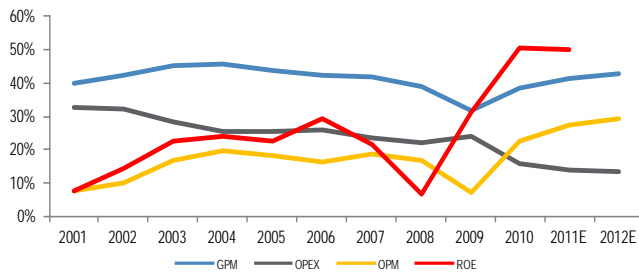
Source: Company data and J.P. Morgan estimates.

Lenovo: Market share gain and margin expansion



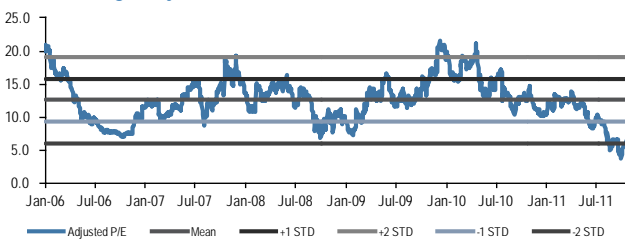
Source: Company data and J.P. Morgan estimates.

Hiwin: Better margins to drive ROE to 50%+



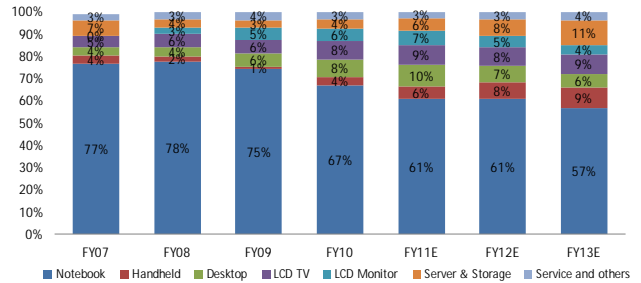
Source: Company data and J.P. Morgan estimates.

Asialfno Linkage: Adjusted P/E



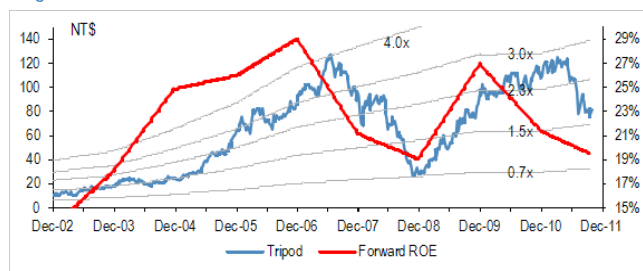
Source: Company data, Bloomberg and J.P. Morgan estimates

Wistron: Revenue mix



Source: Company data and J.P. Morgan estimates.

Tripod: Valuation premium may not be sustained when ROE falls on lower margins



Source: Company data, Bloomberg and J.P. Morgan estimates

Telecommunications

Drivers of an equity market recovery

The best time to buy a Telco stock is just after a large network expansion, as the operator will drive incremental revenue at little incremental cost. Stocks within this “Honeymoon” period, in our view, include **China Unicom** (100mn subscriber capacity network, 20% full), **DTAC** and **AIS** (just starting data sales). Post Honeymoon period, the company with the best cost structure will take a large part of industry returns (particularly true given the lack of operating leverage inherent in wireless data as a product). Winners post Honeymoon include **PLDT** (large spectrum advantage, integrated infrastructure), **ISAT** (large spectrum advantage), and **SingTel** (structural cost base advantage due to NBN economics), in our view.

Stock multiples and scope for re-rating

Our “What’s Working in Asian Telecoms/Internet” series has shown that Asian Telecom stocks consistently show a higher share price correlation to earnings revisions than any absolute or relative valuation metric. We see the largest potential for positive earnings revisions for 2012 at **DTAC** (JPMe 20% ahead of consensus), **ISAT** (10%).

Factors that are different in this recovery

We believe that telco earnings / share prices will be driven by their remaining honeymoon period and subsequent differential cost structures. Post honeymoon period we believe there are two key ways to have a structural cost advantage, spectrum (**PLDT** vs. **Globe**, **ISAT** vs. **EXCL**) and/or an integrated asset base (**KT** vs. **LGU+**, **PLDT** vs. **Globe**).

Positioning for a recovery; top picks and avoids

Our model portfolio (for complete data please see our [Investing our Recommendations](#) report series) provides exposure to earnings revision (**DTAC**), early Honeymoon period plays (**Unicom**, **China Tel**, **DTAC**) and structurally better cost bases driven by spectrum and integrated models (**PLDT**, **ST**). All of our avoids are either nearing the end of a honeymoon period with inferior post honeymoon economics (**LGU+**, **M1**) or have not yet entered honeymoon periods due to technical problems (**China Mobile**).

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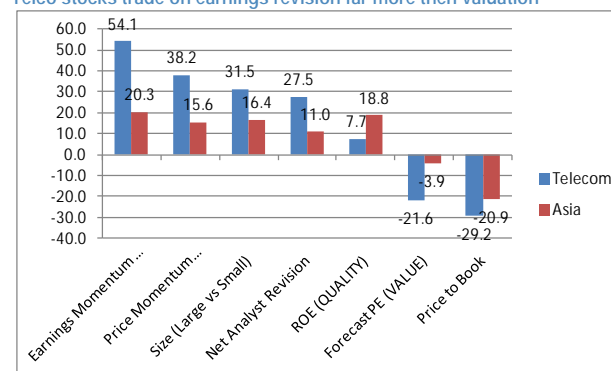
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“Honeymoon” Telco Investment Strategy

Period	Honeymoon period begins	Network capacity close to full	End of Honeymoon period
Pricing	Low, based on market expansion goals and very low incremental costs	Rising as companies begin to look through to long term incremental costs	Pricing moves to long term incremental cost, implying a differential between firms
Revenue Growth	High, based on product user growth and rising ARPU	Slowing as elasticity and rising prices hit usage	Varies by pricing strategies, which are driven by cost base
Earnings Growth	High, based on revenue growth	Slowing, based on revenue growth	Varies based on cost base differentials

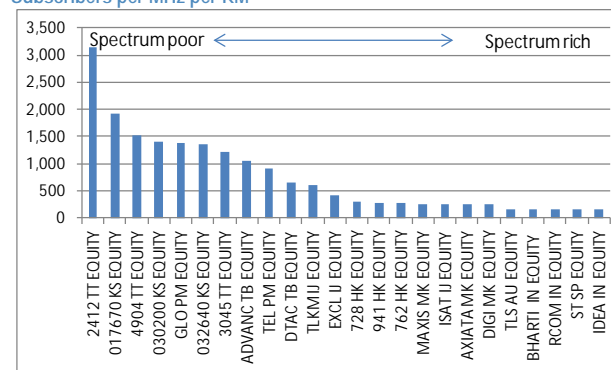
Source: J.P. Morgan.

Telco stocks trade on earnings revision far more than valuation



Source: MSCI, Factset, Reuters Thomson, Bloomberg, J.P. Morgan.

Subscribers per MHz per KM²



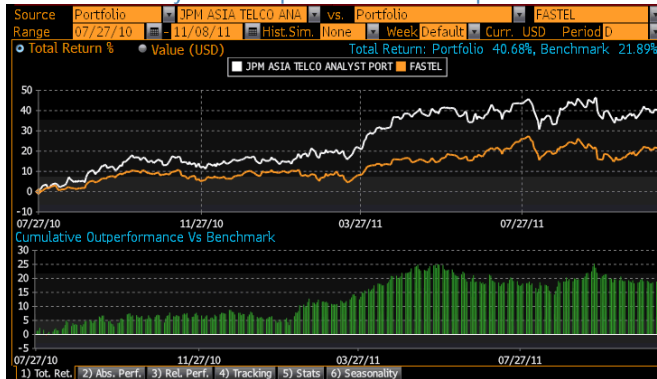
Source: J.P. Morgan, Company reports .

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
China Unicom	16.56	762 HK	OW	50,030	66.1	38.7	0.21	0.35	1.4%	3.9
China Telecom	4.76	728 HK	OW	49,601	18.3	17.1	0.21	0.23	1.7%	7.2
DTAC	74.5	DTAC TB	OW	5,753	14.6	15.2	5.1	5.1	6.9	15.0
PLDT	2,360	TEL PM	OW	11,008	10.9	10.9	219	216	9.1	42.0
Singapore Telecom	3.19	ST SP	OW	39,661	12.9	11.3	0.25	0.28	6.0	16.5
Stocks to avoid										
China Mobile	75.25	941 HK	N	193,634	9.7	9.3	6.36	6.66	4.7%	18.3
LGU+	6,830	032640 KS	UW	3,130	16.8	14.1	407	486	5.1	6.2
Mobile One	2.47	M1 SP	N	1,766	13.2	13.1	0.19	0.19	6.1	51%

Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 4th November 2011.

JPM Asia Telco Analyst Portfolio performance since inception

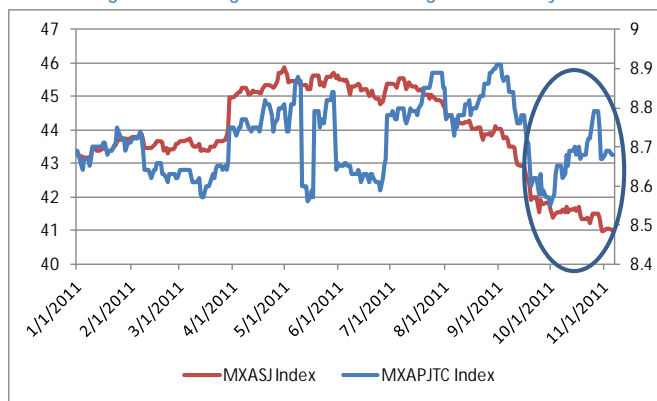


Telcos hit 20% PE premium to the region early October, back to parity now



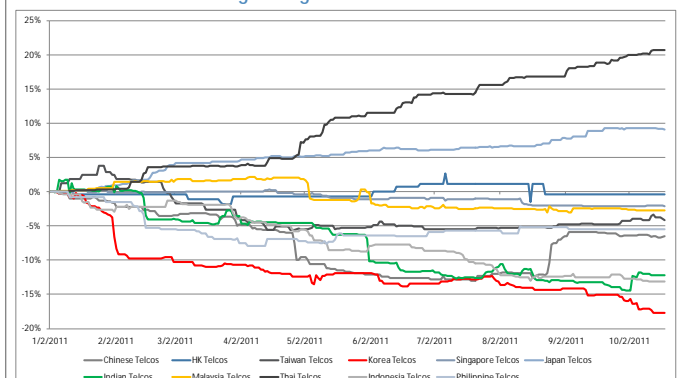
Source: J.P. Morgan, Bloomberg.

Telcos seeing better earnings revisions than the region since early October



Source: J.P. Morgan, Bloomberg.

Thailand, Japan only markets with positive earnings revisions; Korea, Indonesia and India saw largest negative revisions



Source: J.P. Morgan, Bloomberg.

Transportation

Drivers of an equity market recovery

Airlines: Passenger traffic demand weakens and bottoms, airlines cut planned cargo capacity and improve profitability, fuel prices fall (given airlines' low hedging), home currencies appreciate (as they have more USD costs than revenue and USD capex), debt. **Container Shipping:** Key share price turning points to watch for are better industry capacity discipline (eg increased idle capacity) which could lend support to freight rates, stronger than expected Europe/US demand, a rebound in leading economic indicators (e.g. PMI, export orders). **Bulk Shipping:** Upside surprises could come from actual vessel deliveries continuing to fall short, as existing orderbook numbers are likely overstated, accelerated scrapping, narrowing the gap between imported and domestic iron ore prices, which could spur China's imports, India's rising power plant capacity boosting coal import needs, and the rising ton-mile effect.

Stock multiples and scope for re-rating

We prefer to use Price/Forward BV to value the transportation sector as earnings and cash flows tend to be highly volatile and sometimes negative. We believe transport stocks are looking more attractive following their c.35% correction ytd. However, valuations are still c.33% above trough levels and risk further de-rating as earnings expectations remain too optimistic, and if demand weakens more than expected. We therefore remain cautious and recommend sticking with the stronger players with low funding risks.

Factors that are different in this recovery

Transportation is a cyclical sector and tends to outperform the market in a demand recovery and this cycle should be similar. Historically, Asian airlines' traffic tends to grow 1.6x their economies' real GDP growth, container shipping volume 3.0x global real GDP growth, and dry bulk shipping 1.9x.

Positioning for a recovery; top picks and avoids

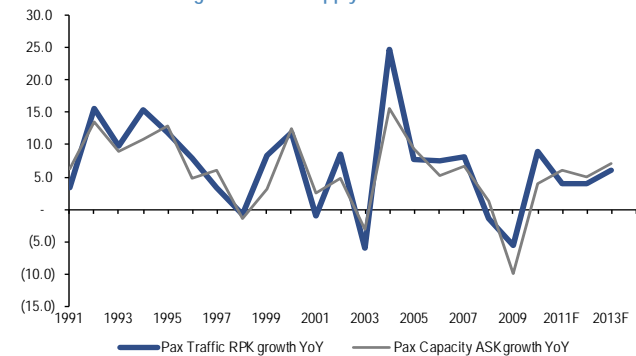
Our top airline picks are Air China and Cebu Air. In container and bulk shipping, we believe OOIL and PacBasin offer the best risk-reward. In land transport, our top pick is JR East. Our recommended stocks to avoid are Cathay Pacific, Hanjin Shipping and ST Engineering.

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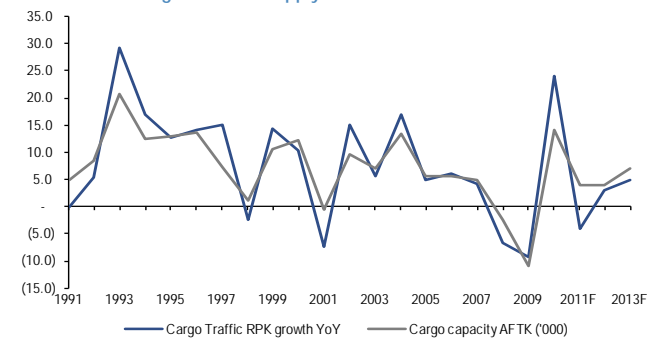
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Asian Airlines Passenger Demand-Supply Growth



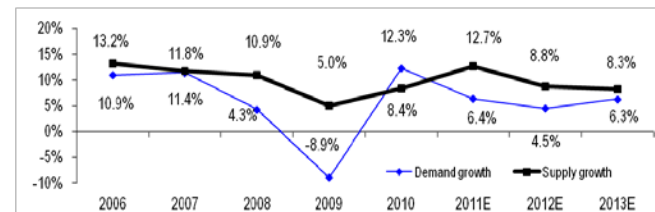
Source: J.P. Morgan estimates.

Asian Airlines Cargo Demand-Supply Growth



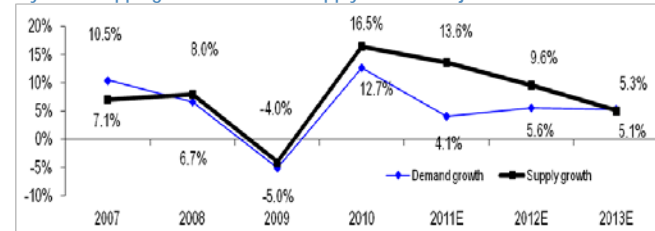
Source: J.P. Morgan estimates.

Container Shipping Sector Demand-Supply Growth Projection



Source: J.P. Morgan estimates.

Dry Bulk Shipping Sector Demand-Supply Growth Projection



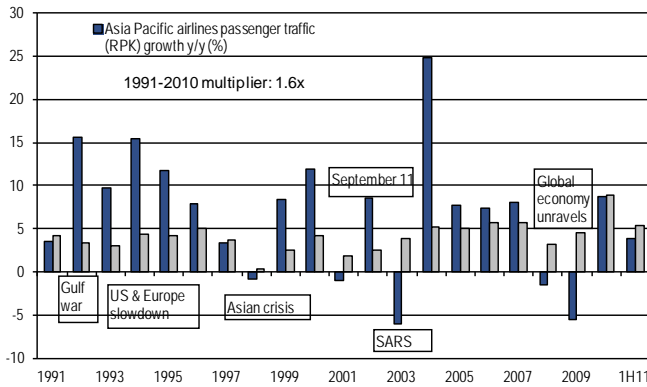
Source: J.P. Morgan estimates.

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
Air China	6.33	753 HK	OW	14,633	7.7	12.8	0.67	0.40	0.0	10.2
Cebu Pacific Air	76.00	CEB PM	OW	1,078	10.3	10.2	7.40	7.48	0.0	19.0
East Japan Railway	4,710.00	9020 JP	OW	24,107	16.3	11.5	289.4	410.1	2.7	8.4
Orient Overseas	35.80	316 HK	OW	2,884	12.7	23.3	0.36	0.20	1.1	2.9
Pacific Basin	3.61	2343 HK	OW	900	34.7	16.0	0.01	0.03	3.2	3.6
Stocks to avoid										
Cathay Pacific	13.90	293 HK	UW	7,040	10.4	16.3	1.34	0.85	3.1	5.8
Hanjin Shipping	10,800	117930 KS	UW	1,215	nm	nm	(7,117)	(3,560)	0.0	-22.0
ST Engineering	2.85	STE SP	N	6,881	17.1	17.5	0.17	0.16	4.9	28.6

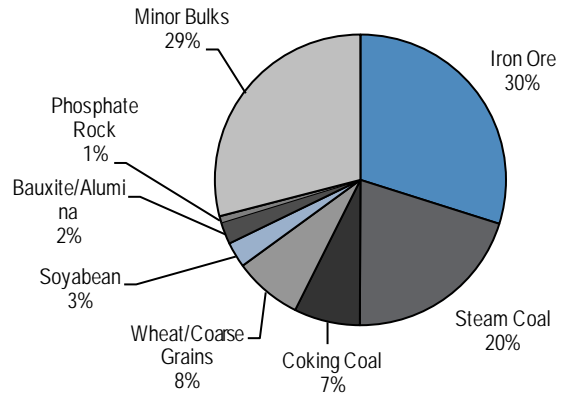
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 4th Nov, 2011.

Asian Airlines Pax Traffic Growth vs Real GDP Growth Of Source Markets



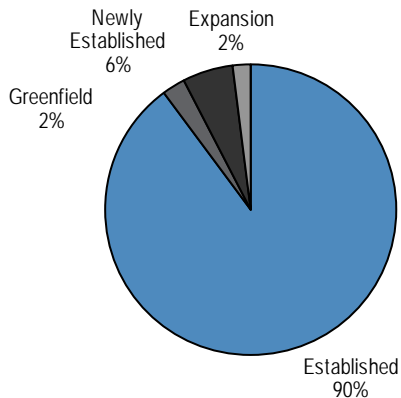
Source: AAPA, IATA, company reports, CEIC, J.P. Morgan.

Dry Bulk Shipping Trade: Cargo Breakdown In 2010

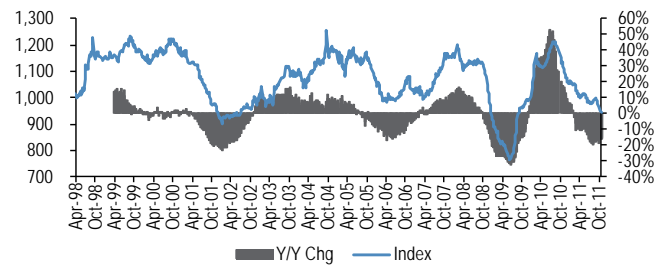


Source: Clarksons, J.P. Morgan.

Bulk Shipping Orderbook Distribution In New And Established Yards (Oct 2011) China - ROW Spot Freight Rates (Container - CCFI)



Source: Clarksons, J.P. Morgan.



Source: China Container Freight indices, J.P. Morgan.

Utilities & Power Equipment

Drivers of an equity market recovery

Key areas of potential recovery in the utilities space are 1) volume upside thanks to stronger-than-expected demand or recovery of fuel supply disruptions, 2) margin improvements thanks to price decline for certain fuels, 3) potential tariff hikes in light of the peaking CPI and 4) other company specific factors.

Stock multiples and scope for re-rating

Korean utilities, China IPPs and Malaysian utilities have all fallen below trough valuation (based on 1-year forward P/B) in the GFC, as the market seems disappointed with delays in tariff hikes (to make up for the fuel cost surges). We believe some of these names will be re-rated once these catalysts materialize. At the same time, while some sectors (e.g. China city gas distributors & water utilities) are above GFC valuations, there is still room for more upside as market revise up estimates on more positive surprises.

Factors that are different in this recovery

While share prices of power utilities in Asia are more driven by fuel cost volatility/event driven catalysts (i.e. tariff hikes) than demand growth, it is worth highlighting that per capita natural gas consumption and wastewater treatment rates in China are way below international standards and hence there is more room for further growth going forward. In particular, gas supplies in China have significantly improved since the GFC, which implies more room for further growth this time.

Positioning for a recovery; top picks and avoids

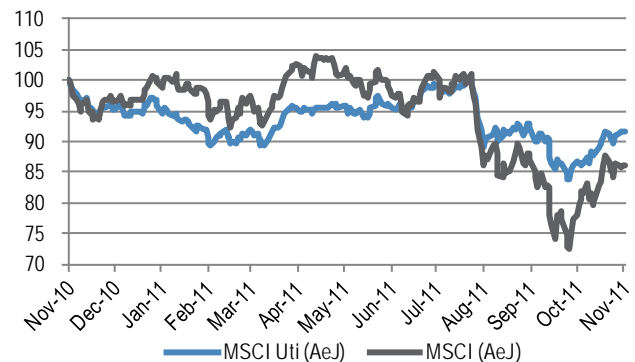
Top picks include 1) BJ Enterprises Water on >25% wastewater treatment CAGR from 2011-15E; 2) ENN on potential upside from increased gas sales to industrial users in industrial development zones; 3) Dongfang Electric on potential revival of nuclear project approvals and improved operating CF, 4) KEPCO on potential tariff hike as CPI eases off and easing LNG costs; and 5) Tenaga on recovery from gas supply disruptions and potential tariff hikes. Stocks to avoid include 1) PGAS on uncertainty of further price increases on existing gas supply contracts and 2) China High Speed on likely further delays in wind gearbox delivery as the Government tightens new project approvals.

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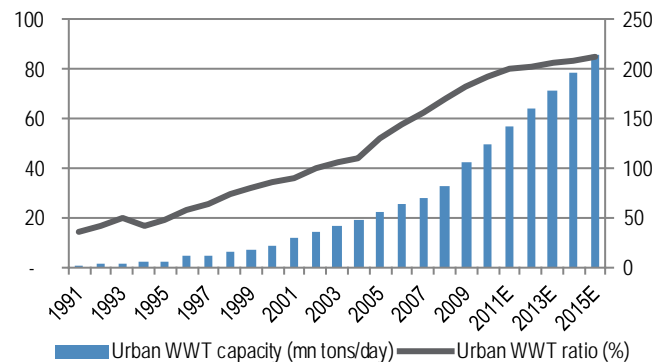
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MSCI Utilities and MSCI Utilities relative to MSCI Asia Pacific ex-Japan Utilities (rebased at 100)



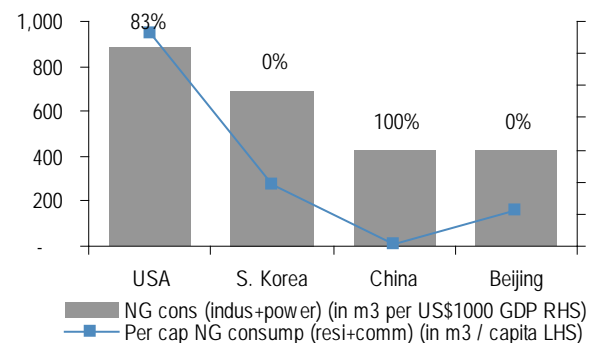
Source: Bloomberg

China urban wastewater treatment capacity and treatment ratio



Source: NDRC, CEIC, J.P. Morgan estimates

Cross country comparison of unit city gas consumption (2010)



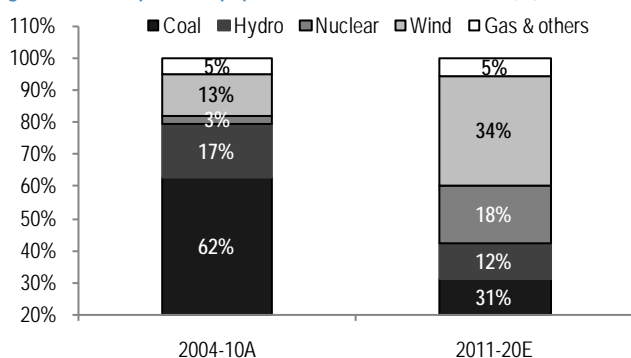
Source: CEIC, BP, BJ Government Statistics. % figures represent % of natural gas sourced domestically

Top picks and stocks to avoid

	Price (LC)	Code	Rating	Mkt cap (US\$MM)	P/E (x)		EPS (LC)		Div. yield 12E (%)	ROE 12E (%)
					11E	12E	11E	12E		
Top picks										
ENN	27.45	2688 HK	OW	3,708	18.1	14.4	1.2	1.6	1.7	21.3
BJE Water	1.98	371 HK	OW	1,758	17.2	16.8	0.12	0.12	1.8	10.1
DF Electric	24.8	1072 HK	OW	7,855	12.6	12.4	1.6	1.6	0.8	20.6
KEPCO	23,300	015760 KS	OW	13,317	NA	NA	(1,550)	(570)	0	NA
Tenaga	5.79	TNB MK	OW	10,073	NA	14.1	0.05	0.41	1.1	8.5
Stocks to avoid										
PGAS	3,125	PGAS IJ	UW	8,399	12.5	13.6	250.3	230.3	4.2	31.6
Ch. High Speed	4.44	658 HK	N	778	7.2	9.2	0.51	0.4	3.7	6.7

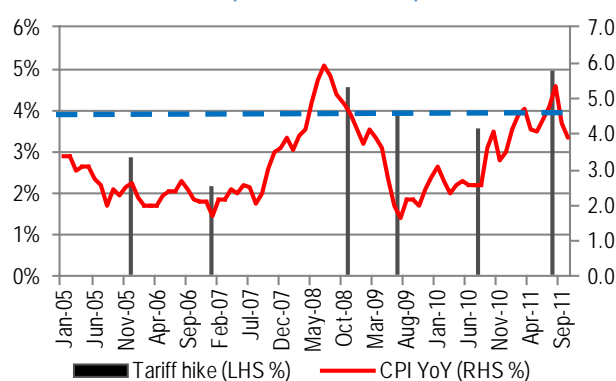
Source: Bloomberg, J.P. Morgan estimates. Note: Share prices and valuations are as of 10 Nov 2011.

Figure 8: China power equipment market: Revenue mix (%) *



Source: J.P. Morgan estimates (excluding overseas market opportunities)

Figure 9: Korea: Relationship between CPI and power tariff hike



Source: CEIC, KEPCO

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Asia Pacific Equity Research
19 November 2011

J.P.Morgan

Stocks for the Year of the Dragon

Top Picks by country strategists

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X)		EPS (LC)		Yield (%) 2012E	ROE (%) 2012E
							2011E	2012E	2011E	2012E		
Australia												
Rio Tinto Limited	68	105	54.3	RIO AU	OW	106696	7.9	6.9	8.6	9.9	1.9	21.3
Stockland	3.2	3.9	22.7	SGP AU	OW	7483	10.0	10.1	0.3	0.3	7.5	7.8
Suncorp Group Ltd	8.6	10.7	24.5	SUN AU	OW	11131	24.4	11.5	0.4	0.7	5.6	7.5
ASX Ltd	30.0	36.0	19.9	ASX AU	OW	5291	14.9	14.0	2.0	2.1	6.4	12.2
Santos Limited	13.1	18.7	42.0	STO AU	OW	11781	11.6	21.3	1.1	0.6	2.3	6.3
China												
China Minsheng Banking - H	6.4	11.2	76.4	1988 HK	OW	24334	6.3	5.7	1.0	1.1	2.2	20.7
Sinopec Corp - H	8.0	9.4	16.9	386 HK	OW	98190	8.9	8.7	0.9	0.9	2.9	16.5
China Shenhua Energy - H	35.2	44	23.6	1088 HK	OW	86434	15.1	13.4	2.3	2.6	2.6	20.5
Brilliance China Automotive	8.6	12.5	45.5	1114 HK	OW	5512	24.4	16.2	0.4	0.5	1.2	30.2
China Mengniu Dairy Co. Ltd.	27.5	33.0	20.2	2319 HK	OW	6215	28.5	24.4	1.0	1.1	0.9	16.7
Hong Kong												
Cheung Kong Holdings	90	114	26.7	1 HK	OW	26756	8.5	8.7	10.5	10.3	3.7	2.9
I.T Ltd.	4	8	78.2	999 HK	OW	704	13.6	10.6	0.3	0.4	2.8	24.7
Hutchison Whampoa	69	94	36.7	13 HK	OW	37642	5.1	12.4	13.5	5.5	3.4	6.5
Sands China Ltd	22	33	46.1	1928 HK	OW	23000	21.1	13.6	1.1	1.6	0.0	26.9
AIA Group Ltd	24	32	34.7	1299 HK	OW	36735	21.8	13.9	1.1	1.7	1.8	12.2
India												
Tata Motors	175	203	15.9	TTMT IN	OW	10085	6.1	5.8	28.5	30.0	2.3	7.3
Hindalco Industries	123	170	38.4	HNDL IN	OW	4617	8.2	8.0	15.0	15.3	1.7	9.7
ICICI Bank	778	1300	67.1	ICICIB IN	OW	17604	17.4	13.1	44.7	59.6	2.4	12.0
Larsen & Toubro	1233	2100	70.4	LT IN	OW	14789	17.6	14.4	70.1	85.7	0.0	17.8
Tata Consultancy Services	1115	1210	8.5	TCS IN	OW	42842	25.0	20.5	44.5	54.3	1.2	36.0
Indonesia												
Tambang Batubara Bukit Asam	17800	22500	26.4	PTBA IJ	OW	4524	11.4	9.5	1567	1871	5.2	44.2
Bank Rakyat Indonesia	6800	7500	10.3	BBRI IJ	OW	18505	12.4	9.9	547	684	1.7	31.1
Alam Sutera	450	485	7.8	ASRI IJ	OW	887	14.8	11.5	30	39	1.8	24.8
Indocement	15750	16100	2.2	INTP IJ	OW	6396	16.5	14.1	955	1120	1.9	24.2
United Tractors	25900	28000	8.1	UNTR IJ	OW	10658	17.0	14.6	1523	1770	2.7	24.1
Korea												
KB Financial Group	38250	60000	56.9	105560 KS	OW	13043	5.1	6.0	7475	6400	3.4	10.4
Hyundai Motor Company	226500	280000	23.6	005380 KS	OW	44034	8.0	7.3	28386	31118	0.7	20.1
Neowiz Games	60600	85000	40.3	095660 KS	OW	1172	13.8	9.2	4378	6590	0.0	37.6
Samsung Electronics	980000	1300000	32.7	005930 KS	OW	127402	11.5	9.3	85192	104889	0.0	16.0
GS Engineering & Construction	95100	130000	36.7	006360 KS	OW	4281	9.0	10.6	10606	8962	1.1	10.1
Malaysia												
CIMB Group Holdings	6.9	10.0	45.6	CIMB MK	OW	16167	12.5	9.8	0.5	0.7	5.1	19.7
Media Prima Berhad	2.6	3.0	15.4	MPR MK	OW	877	14.1	13.5	0.2	0.2	4.8	14.4
Sime Darby Berhad	8.9	10.2	14.6	SIME MK	OW	16933	14.5	14.0	0.6	0.6	3.6	15.3
IJM Corporation	6.0	7.0	17.6	IJM MK	OW	2592	25.0	16.9	0.2	0.4	2.2	9.3
Dialog Group Bhd	2.5	3.2	30.1	DLG MK	OW	1558	31.7	26.7	0.1	0.1	1.5	28.9
Philippines												
Security Bank Corporation	95.8	124.0	29.4	SECB PM	OW	1108	9.4	8.4	10.2	11.4	2.7	19.0
Bank of the Philippine Islands	55	69	24.5	BPI PM	OW	4537	14.8	12.6	3.7	4.4	4.7	17.4
Ayala Corporation	297	390	31.3	AC PM	OW	3949	17.7	14.0	16.7	21.2	1.3	10.3
Metro Pacific Investments Corp.	3.4	4.1	22.0	MPI PM	OW	1903	15.3	14.7	0.2	0.2	1.2	8.5
Ayala Land	16.9	24.0	41.5	ALI PM	OW	5074	31.3	25.1	0.5	0.7	1.3	13.4
Singapore												
DBS Group Holdings	12.8	20.0	56.1	DBS SP	OW	23200	10.2	9.9	1.3	1.3	4.2	10.9
Keppel Corporation	9.1	12.8	40.2	KEP SP	OW	12586	11.6	11.2	0.8	0.8	4.6	18.8
Wilmar International Limited	5.2	6.5	24.8	WIL SP	OW	25777	21.0	18.1	0.2	0.3	1.1	13.3
CapitaMalls Asia	1.3	2.4	75.4	CMA SP	OW	4024	26.8	20.6	0.1	0.1	3.0	8.2
Global Logistic Properties Ltd	1.8	2.5	38.1	GLP SP	OW	6429	24.1	23.5	0.1	0.1	0.0	9.4
Taiwan												
Quanta Computer Inc.	62.0	80.0	29.0	2382 TT	OW	7880	10.3	8.2	6.0	7.6	7.0	22.3
Cheng Shin Rubber Ind.Co., Ltd	64.4	82.0	27.3	2105 TT	OW	5271	12.9	9.4	5.0	6.8	3.9	29.0
TSMC	75.7	77.0	1.7	2330 TT	N	64936	14.6	13.1	5.2	5.8	4.0	22.3
MediaTek Inc.	309	420	36.1	2454 TT	OW	11800	23.5	14.7	13.1	20.9	3.6	19.5
Yulon Motor Co., Ltd.	60.5	75.0	24.0	2201 TT	OW	3150	25.4	19.4	2.4	3.1	1.6	7.4
Thailand												
Asian Property Development	5	9	75.6	AP TB	OW	442	5.9	5.5	0.8	0.9	6.6	20.4
PTT Public Company	307	460	49.8	PTT TB	OW	28383	9.0	7.7	34.0	39.6	4.2	19.0
Siam Commercial Bank	108	170	57.4	SCB TB	OW	11862	9.8	9.0	11.1	12.0	3.7	21.1
Siam Cement	323	336	4.0	SCC TB	OW	12546	11.9	11.4	27.1	28.3	4.4	21.3
Home Product Center Pcl	10.0	12.4	24.0	HMPRO TB	OW	1889	23.9	18.5	0.4	0.5	3.8	32.7

Source: Datastream, MSCI, IBES, J.P. Morgan estimates.

Note: Prices and valuations as of November 17, 2011. Sorted in ascending order of 2012E PE.

Stocks to avoid by country strategists

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X)		EPS (LC)		Yield (%) 2012E	ROE (%) 2012E
							2011E	2012E	2011E	2012E		
Australia												
Woodside Petroleum	35.2	44.9	27.4	WPL AU	UW	28554	15.9	15.2	2.2	2.3	3.3	12.3
QR National	3.5	3.2	(7.5)	QRN AU	UW	8542	23.4	20.0	0.1	0.2	2.4	5.7
James Hardie Industries SE	6.5	5.8	(10.5)	JHX AU	UW	2856	NM	21.5	(0.8)	0.3	1.0	NM
China												
Sino-Ocean Land	2.9	3.4	14.3	3377 HK	UW	2130	6.2	5.4	0.5	0.5	5.3	8.6
Angang Steel - H	5.1	5.5	7.2	347 HK	N	5746	71.0	18.3	0.1	0.3	2.8	3.7
Hong Kong												
Great Eagle	16.2	13.5	(16.7)	41 HK	UW	1312	6.9	7.8	2.3	2.1	3.8	4.0
Hang Seng Bank	95.3	105.0	10.2	11 HK	N	23399	11.8	11.9	8.1	8.0	5.6	20.1
Hong Kong & China Gas	18.0	18.0	0.0	3 HK	N	18263	23.1	22.4	0.8	0.8	2.1	14.2
India												
Coal India	305	325	6.6	COAL IN	UW	37809	17.7	12.4	17.2	24.6	2.0	40.1
Hero Motocorp Ltd.	2119	1810	(14.6)	HMCL IN	UW	8305	21.9	17.6	97	121	3.7	67.3
Hindustan Unilever Limited	391	347	(11.2)	HUVR IN	UW	16573	39.6	32.9	9.9	11.9	1.9	86.2
Indonesia												
PT Aneka Tambang Tbk	1690	1600	(5.3)	ANTM IJ	UW	1778	8.0	8.9	212	190	5.0	15.6
Perusahaan Gas Negara	3125	2600	(16.8)	PGAS IJ	UW	8357	12.5	13.6	250	230	4.2	31.6
Korea												
Hyundai Heavy Industries	280500	340000	21.2	009540 KS	N	18815	5.8	6.2	48234	45498	2.5	16.2
S-Oil Corp	118500	105000	(11.4)	010950 KS	UW	11774	10.2	11.7	11657	10165	3.4	20.4
LG Uplus	6360	5300	(16.7)	032640 KS	UW	2890	15.6	13.1	407	486	5.5	6.2
Malaysia												
Maxis Berhad	5.4	5.7	6.5	MAXIS MK	N	12704	17.4	15.9	0.3	0.3	7.7	32.8
IOI Corp.	5.1	4.6	(9.6)	IOI MK	UW	10349	16.6	16.9	0.3	0.3	3.3	15.4
British American Tobacco (M) Bhd	46.3	44.4	(4.1)	ROTH MK	UW	4186	18.5	17.4	2.5	2.7	5.2	148.7
Philippines												
Philippine National Bank	55.6	38.0	(31.6)	PNB PM	UW	847	17.7	11.9	3.1	4.7	0.0	8.6
Manila Electric Company	239	200	(16.3)	MER PM	UW	6203	16.7	16.5	14.3	14.5	3.0	20.7
Singapore												
M1	2.5	2.5	0.4	M1 SP	N	1747	13.3	13.2	0.2	0.2	6.2	53.0
ST Engineering	2.8	2.6	(7.5)	STE SP	N	6638	16.8	17.3	0.2	0.2	4.9	28.6
Taiwan												
E Ink Holdings Inc.	60.9	60.0	(1.5)	8069 TT	UW	2177	9.1	10.0	6.7	6.1	7.0	22.1
Shin Kong Financial Holdings	8.8	10.0	13.6	2888 TT	N	2457	11.0	11.3	0.8	0.8	0.0	7.0
Formosa Plastics Corp	85.2	65.0	(23.7)	1301 TT	UW	17263	11.8	12.3	7.2	6.9	6.8	16.1
Thailand												
TMB Bank Public Company Ltd	1.4	1.5	8.7	TMB TB	UW	1944	14.1	10.4	0.1	0.1	3.4	10.6
Ratchaburi Electricity Generating Holding	42.5	36.0	(15.3)	RATCH TB	UW	1995	12.1	11.7	3.5	3.6	5.5	10.7
Robinson Department Store	35.0	26.0	(25.7)	ROBINS TB	UW	1258	26.4	23.7	1.3	1.5	2.1	17.9

Source: Datastream, MSCI, IBES, J.P. Morgan estimates.

Note: Prices and valuations as of November 17, 2011. Sorted in ascending order of 2012E PE.

Top Picks by Sector Heads

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X)		EPS (LC)		Yield (%) 2012E	ROE (%) 2012E
							2011E	2012E	2011E	2012E		
Auto												
Tata Motors	175	203	15.9	TTMT IN	OW	10085	6.1	5.8	28.5	30.0	2.3	7.3
Hankook Tire	44250	48000	8.5	000240 KS	OW	5946	16.1	10.5	2743	4214	0.8	822.3
Brilliance China Automotive	9	13	45.5	1114 HK	OW	5512	24.4	16.2	0.4	0.5	1.2	30.2
Yulon Motor Co., Ltd.	60.5	75.0	24.0	2201 TT	OW	3150	25.4	19.4	2.4	3.1	1.6	7.4
Banks												
Industrial and Commercial Bank of China - H	4.6	8.7	90.0	1398 HK	OW	228467	7.5	6.3	0.6	0.7	6.0	24.0
Siam Commercial Bank	108	170	57.4	SCB TB	OW	11862	9.8	9.0	11.1	12.0	3.7	21.1
DBS Group Holdings	12.8	20.0	56.1	DBS SP	OW	23200	10.2	9.9	1.3	1.3	4.2	10.9
Bank Rakyat Indonesia	6800	7500	10.3	BBRI IJ	OW	18505	12.4	9.9	547	684	1.7	31.1
ICICI Bank	778	1300	67.1	ICICIBC IN	OW	17604	17.4	13.1	44.7	59.6	2.4	12.0
Conglomerates												
Keppel Corporation	9.1	12.8	40.2	KEP SP	OW	12586	11.6	11.2	0.8	0.8	4.6	18.8
Hutchison Whampoa	69	94	36.7	13 HK	OW	37642	5.1	12.4	13.5	5.5	3.4	6.5
Ayala Corporation	297	390	31.3	AC PM	OW	3949	17.7	14.0	16.7	21.2	1.3	10.3
Sime Darby Berhad	9	10	14.6	SIME MK	OW	16933	14.5	14.0	0.6	0.6	3.6	15.3
Metro Pacific Investments Corp.	3.4	4.1	22.0	MPI PM	OW	1903	15.3	14.7	0.2	0.2	1.2	8.5
Consumer												
Hyundai Department Stores	153000	224000	46.4	069960 KS	OW	3160	8.7	8.3	17490	18358	0.4	15.5
I.T Ltd.	4.5	8.0	78.2	999 HK	OW	704	13.6	10.6	0.3	0.4	2.8	24.7
Trinity Limited	6	10	66.1	891 HK	OW	1313	20.0	16.9	0.3	0.4	4.1	18.8
Amorepacific Corp	1128000	1430000	26.8	090430 KS	OW	5820	20.5	17.4	55083	64797	0.8	16.5
Golden Eagle Retail Group Ltd	17.5	24.0	37.1	3308 HK	OW	4370	28.4	24.7	0.6	0.7	2.0	29.8
Energy												
Sinopec Corp - H	8.0	9.4	16.9	386 HK	OW	98190	8.9	8.7	0.9	0.9	2.9	16.5
PTT Public Company	307	460	49.8	PTT TB	OW	28383	9.0	7.7	34.0	39.6	4.2	19.0
LG Chem Ltd	355000	540000	52.1	051910 KS	OW	20764	10.8	9.4	32998	37681	1.4	24.4
Reliance Industries Ltd	810	1140	40.7	RIL IN	OW	52060	12.5	11.1	64.6	73.3	1.2	17.2
China BlueChemical Ltd	7	8	16.9	3983 HK	OW	3848	15.9	12.6	0.4	0.5	3.5	19.1
Gaming												
MGM China Holdings Ltd	10.1	20.0	98.0	2282 HK	OW	4929	10.5	8.6	1.0	1.2	0.0	60.2
Genting Malaysia	4	4	7.3	GENM MK	OW	7163	15.6	12.8	0.2	0.3	1.5	13.2
Sands China Ltd	22.3	32.5	46.1	1928 HK	OW	23000	21.1	13.6	1.1	1.6	0.0	26.9
Healthcare												
Sino Biopharmaceutical	2.3	3.5	50.9	1177 HK	OW	1472	20.4	17.3	0.11	0.13	4.0	16.1
Sinopharm	18	30	62.3	1099 HK	OW	5702	29.1	23.9	0.6	0.8	1.0	11.4
Infrastructure												
GS Engineering & Construction	95100	130000	36.7	006360 KS	OW	4281	9.0	10.6	10606	8962	1.1	10.1
Reliance Infrastructure Ltd	417	575	37.9	RELI IN	OW	2189	7.2	12.0	58.0	34.8	0.0	3.9
CSR Corp Ltd.	4.9	8.5	72.4	1766 HK	OW	9266	19.8	15.4	0.2	0.3	1.3	13.6
IJM Corporation	6.0	7.0	17.6	IJM MK	OW	2592	25.0	16.9	0.2	0.4	2.2	9.3
Essar Ports	73.3	135.0	84.3	ESRS IN	OW	590	90.1	28.2	0.8	2.6	0.0	4.7
Insurance												
Hyundai Marine & Fire Insurance	35000	43000	22.9	001450 KS	OW	2762	7.8	6.8	4481	5139	2.7	23.9
Fubon Financial Holdings	30.9	42.0	36.1	2881 TT	OW	9202	6.8	8.3	4.5	3.7	4.8	12.9
Samsung Life Insurance	85000	135000	58.8	032830 KS	OW	15004	13.4	11.9	6336	7126	1.8	8.4
Ping An Insurance Group - H	57.4	84.0	46.3	2318 HK	OW	51117	22.8	17.9	2.5	3.2	1.1	17.2
AIA Group Ltd	24	32	34.7	1299 HK	OW	36735	21.8	13.9	1.1	1.7	1.8	12.2
Internet												
Neowiz Games	60600	85000	40.3	095660 KS	OW	1172	13.8	9.2	4378	6590	0.0	37.6
NetEase	47.8	58.0	21.3	NTES US	OW	6221	13.7	12.2	3.5	3.9	0.0	24.1
Focus Media	25.3	39.0	54.1	FMCN US	OW	3424	18.2	14.4	1.4	1.8	0.0	12.8
Tencent	154	230	49.4	700 HK	OW	36332	27.9	22.2	5.5	6.9	0.5	37.5
Baidu.com	136.6	200.0	46.5	BIDU US	OW	47625	46.9	32.5	2.9	4.2	0.0	45.9
Metals & Mining												
Rio Tinto Limited	68	105	54.3	RIO AU	OW	106696	7.9	6.9	8.6	9.9	1.9	21.3
PanAust Limited	3.4	4.4	28.3	PNA AU	OW	2049	14.3	7.9	0.2	0.4	0.0	24.4
Hindalco Industries	123	170	38.4	HNDL IN	OW	4617	8.2	8.0	15.0	15.3	1.7	9.7
Tambang Batubara Bukit Asam	17800	22500	26.4	PTBA IJ	OW	4524	11.4	9.5	1567	1871	5.2	44.2
China Shenhua Energy - H	35	44	23.6	1088 HK	OW	86434	15.1	13.4	2.3	2.6	2.6	20.5
Real Estate												
Longfor Properties Co. Ltd.	8.7	13.0	49.4	960 HK	OW	5760	9.0	8.0	1.0	1.1	3.1	24.5
CapitaMalls Asia	1.3	2.4	75.4	CMA SP	OW	4024	26.8	20.6	0.1	0.1	3.0	8.2
Agung Podomoro Land	335	470	40.3	APLN IJ	OW	758	12.2	10.3	27.4	32.4	0.0	14.0
Alam Sutera	450	485	7.8	ASRI IJ	OW	887	14.8	11.5	30.4	39.0	1.8	24.8
Global Logistic Properties Ltd	1.8	2.5	38.1	GLP SP	OW	6429	24.1	23.5	0.1	0.1	0.0	9.4

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							2011E	2012E	2011E	2012E		
SMID Caps												
Kingboard Chemical	22.9	49.0	114.0	148 HK	OW	2514	5.2	4.6	4.4	5.0	5.2	14.3
Skyworth Digital Holdings	4.2	6.0	43.9	751 HK	OW	1419	9.4	6.9	0.4	0.6	4.5	21.5
China State Construction	5.8	10.0	73.9	3311 HK	OW	2649	14.9	9.0	0.4	0.6	3.3	23.4
Hiwin	278	420	51.1	2049 TT	OW	2160	16.6	12.0	16.8	23.1	2.4	51.1
Havells India Ltd	410	550	34.0	HAVL IN	OW	1005	16.7	14.3	24.6	28.6	0.7	44.1
Technology - Hardware												
Wistron Corporation	37.9	50.0	32.1	3231 TT	OW	2612	8.0	6.1	4.8	6.2	6.6	17.3
AsialInfo-Linkage Inc.	9.1	21.0	131.0	ASIA US	OW	654	9.3	9.9	1.0	0.9	0.0	6.5
Hiwin	278	420	51.1	2049 TT	OW	2160	16.6	12.0	16.8	23.1	2.4	51.1
MediaTek Inc.	309	420	36.1	2454 TT	OW	11800	23.5	14.7	13.1	20.9	3.6	19.5
Lenovo Group Limited	5.4	6.6	23.4	992 HK	OW	7093	24.3	16.4	0.2	0.3	0.3	25.6
Technology - Semiconductors												
Samsung Electronics	980000	1300000	32.7	005930 KS	OW	127402	11.5	9.3	85192	104889	0.0	16.0
LG Display	24800	32000	29.0	034220 KS	OW	7832	NM	11.3	(2842)	2200	0.0	7.5
TSMC	76	77	1.7	2330 TT	N	64936	14.6	13.1	5.2	5.8	4.0	22.3
Technology - IT Services												
Wipro Ltd.	368	440	19.7	WPRO IN	OW	17737	16.9	16.2	21.7	22.6	2.3	21.2
Tata Consultancy Services	1115	1210	8.5	TCS IN	OW	42842	25.0	20.5	44.5	54.3	1.2	36.0
Telecoms												
Philippine Long Distance Telephone Co.	2390	2600	8.8	TEL PM	OW	11802	10.9	11.1	220	216	9.0	41.5
Singapore Telecom	3.2	3.6	13.9	ST SP	OW	38935	13.2	12.6	0.2	0.3	5.4	15.9
Total Access Communication	78	85	9.0	DTAC TB	OW	5978	15.2	13.9	5.1	5.6	7.2	17.0
China Telecom Corporation Limited	5	6	15.7	728 HK	OW	50306	22.7	21.2	0.2	0.2	1.4	7.4
China Unicom (Hong Kong) Limited	16.7	18.6	11.1	762 HK	OW	50661	81.5	47.7	0.2	0.4	1.1	3.9
Transportation												
Cebu Air, Inc.	71	90	26.8	CEB PM	OW	996	16.4	18.1	4.3	3.9	0.0	11.4
East Japan Railway (9020)	4875	6500	33.3	9020 JT	OW	25322	25.3	15.2	193	322	2.3	6.9
Pacific Basin Shipping	3.4	6.0	79.1	2343 HK	OW	833	32.2	14.9	0.1	0.2	3.4	3.6
Air China	6	11	69.4	753 HK	OW	14039	9.2	15.4	0.7	0.4	0.0	10.2
Orient Overseas Int'l Ltd	35.4	75.0	112.2	316 HK	OW	2841	12.5	23.0	2.8	1.5	1.1	2.9
Utilities												
Tenaga	5.7	6.5	15.0	TNB MK	OW	9761	61.7	13.8	0.1	0.4	1.8	7.1
Dongfang Electric Corporation Limited - H	25.7	27.1	5.7	1072 HK	OW	7681	16.0	15.7	1.6	1.6	0.6	20.6
Beijing Enterprises Water	2.0	2.5	23.8	371 HK	OW	1792	17.5	17.2	0.1	0.1	1.7	8.7
ENN Energy Holdings Limited	27.5	32.0	16.4	2688 HK	OW	3712	22.2	17.7	1.2	1.6	1.4	16.4
KEPCO	24100	30000	24.5	015760 KS	OW	13655	NM	NM	(1550)	(570)	0.0	(0.9)

Source: Datastream, MSCI, IBES, J.P. Morgan estimates.

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							2011E	2012E	2011E	2012E		
Auto												
DongFeng Motor Co., Ltd.	12.4	13.3	6.9	489 HK	UW	13765	9.4	9.8	1.3	1.3	2.0	21.2
Astra International	69400	52000	(25.1)	ASII IJ	UW	30994	17.7	16.4	3928	4230	2.4	26.8
Banks												
Sinopac Financial Holdings	8.9	10.0	12.5	2890 TT	N	2152	11.3	10.3	0.8	0.9	3.5	7.0
TMB Bank Public Company Limited	1.4	1.5	8.7	TMB TB	UW	1944	14.1	10.4	0.1	0.1	3.4	10.6
Hang Seng Bank	95	105	10.2	11 HK	N	23399	11.8	11.9	8.1	8.0	5.6	20.1
Conglomerates												
Astra International	69400	52000	(25.1)	ASII IJ	UW	30994	17.7	16.4	3928	4230	2.4	26.8
MTR	24.7	23.2	(6.1)	66 HK	N	18349	10.4	17.7	2.4	1.4	3.0	6.3
Consumer												
President Chain Store Corp.	161	186	15.9	2912 TT	N	5523	23.0	19.9	7.0	8.1	3.5	35.4
Hengan International Group Ltd	73	51	(30.2)	1044 HK	UW	11530	32.6	25.5	2.2	2.9	2.5	28.5
Hindustan Unilever Limited	391	347	(11.2)	HUVR IN	UW	16573	39.6	32.9	9.9	11.9	1.9	86.2
Energy												
S-Oil Corp	118500	105000	(11.4)	010950 KS	UW	11774	10.2	11.7	11657	10165	3.4	20.4
Formosa Plastics Corp	85	65	(23.7)	1301 TT	UW	17263	11.8	12.3	7.2	6.9	6.8	16.1
PetroChina	10.2	8.5	(16.5)	857 HK	UW	280066	13.8	13.7	0.7	0.7	3.3	13.0
Infrastructure												
Adani Enterprises Ltd	352	475	35.1	ADE IN	UW	7589	15.6	11.3	22.5	31.0	0.5	17.8
China Merchants Holdings Int'l	22.1	20.0	(9.3)	144 HK	UW	6998	11.7	11.7	1.9	1.9	3.7	10.6
Insurance												
Tong Yang Life Insurance	14350	15000	4.5	082640 KS	N	1362	13.5	9.5	1061	1514	3.3	12.9
Shin Kong Financial Holdings	8.8	10.0	13.6	2888 TT	N	2457	11.0	11.3	0.8	0.8	0.0	7.0
PICC Property and Casualty	11	13	11.2	2328 HK	N	16083	14.9	15.5	0.8	0.7	0.9	24.3
Internet												
Alibaba.com Limited	9	8	(11.1)	1688 HK	N	5772	27.6	24.3	0.3	0.4	0.0	18.4
Metals & Mining												
PT Aneka Tambang Tbk	1690	1600	(5.3)	ANTM IJ	UW	1778	8.0	8.9	212	190	5.0	15.6
Murchison Metals Ltd	0.3	0.2	(41.4)	MMX AU	UW	129	NM	12.3	(0.0)	0.0	0.0	(2.5)
Angang Steel - H	5.1	5.5	7.2	347 HK	N	5746	71.0	18.3	0.1	0.3	2.8	3.7
Real Estate												
Poly (HK) Investments Limited	3.1	3.0	(4.2)	119 HK	UW	1450	5.7	5.3	0.6	0.6	3.8	8.1
Sino-Ocean Land	2.9	3.4	14.3	3377 HK	UW	2130	6.2	5.4	0.5	0.5	5.3	8.6
SMID Caps												
Lee & Man Paper Manufacturing	3.1	4.5	43.8	2314 HK	N	1885	8.0	8.5	0.4	0.4	3.4	13.4
Robinson Department Store	35.0	26.0	(25.7)	ROBINS TB	UW	1258	26.4	23.7	1.3	1.5	2.1	17.9
Technology - Hardware												
Tripod Technology Corp	80.7	90.0	11.5	3044 TT	N	1404	8.8	9.0	9.2	9.0	3.9	20.0
ASUSTek Computer	206	220	6.8	2357 TT	N	5133	9.4	9.0	21.8	23.0	5.8	14.3
Technology - Semiconductors												
SMIC	0.40	0.30	(25.0)	981 HK	UW	1412	NM	NM	(0.0)	(0.0)	0.0	(5.7)
Technology - IT Services												
Infosys	2754	2800	1.7	INFO IN	N	31035	23.2	19.7	119	140	1.7	27.0
Telecoms												
China Mobile Limited	77	85	11.0	941 HK	N	197444	12.0	11.5	6.4	6.7	3.9	19.4
M1	2	3	0.4	M1 SP	N	1747	13.3	13.2	0.2	0.2	6.2	53.0
LG Uplus	6360	5300	(16.7)	032640 KS	UW	2890	15.6	13.1	407	486	5.5	6.2
Transportation												
Cathay Pacific	13	14	5.9	293 HK	UW	6679	9.9	15.5	1.3	0.9	3.2	5.8
ST Engineering	2.8	2.6	(7.5)	STE SP	N	6638	16.8	17.3	0.2	0.2	4.9	28.6
Hanjin Shipping Co Ltd	9080	10000	10.1	117930 KS	UW	1002	NM	NM	(7117)	(3560)	0.0	(22.0)
Utilities												
China High Speed Transmission	4.1	3.0	(26.5)	658 HK	N	714	8.1	10.3	0.5	0.4	3.2	6.7
Perusahaan Gas Negara	3125	2600	(16.8)	PGAS IJ	UW	8357	12.5	13.6	250	230	4.2	31.6

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 17, 2011. Sorted in ascending order of 2012E PE

Large Cap Stocks

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X)		EPS (LC)		Yield (%) 2012E	ROE (%) 2012E
							2011E	2012E	2011E	2012E		
Top Picks												
China Minsheng Banking - H	6	11	76.4	1988 HK	OW	24334	6.3	5.7	1.0	1.1	2.2	20.7
Tata Motors	175	203	15.9	TTMT IN	OW	10085	6.1	5.8	28.5	30.0	2.3	7.3
KB Financial Group	38250	60000	56.9	105560 KS	OW	13043	5.1	6.0	7475	6400	3.4	10.4
Industrial & Commercial Bank of China - H	4.6	8.7	90.0	1398 HK	OW	228467	7.5	6.3	0.6	0.7	6.0	24.0
Rio Tinto Limited	68.1	105.0	54.3	RIO AU	OW	106696	7.9	6.9	8.6	9.9	1.9	21.3
Hyundai Motor Company	226500	280000	23.6	005380 KS	OW	44034	8.0	7.3	28386	31118	0.7	20.1
PTT Public Company	307	460	49.8	PTT TB	OW	28383	9.0	7.7	34.0	39.6	4.2	19.0
Longfor Properties Co. Ltd.	9	13	49.4	960 HK	OW	5760	9.0	8.0	1.0	1.1	3.1	24.5
Hindalco Industries	123	170	38.4	HNDL IN	OW	4617	8.2	8.0	15.0	15.3	1.7	9.7
Quanta Computer Inc.	62	80	29.0	2382 TT	OW	7880	10.3	8.2	6.0	7.6	7.0	22.3
Fubon Financial Holdings	31	42	36.1	2881 TT	OW	9202	6.8	8.3	4.5	3.7	4.8	12.9
Hyundai Department Stores	153000	224000	46.4	069960 KS	OW	3160	8.7	8.3	17490	18358	0.4	15.5
MGM China Holdings Ltd	10.1	20.0	98.0	2282 HK	OW	4929	10.5	8.6	1.0	1.2	0.0	60.2
Sinopec Corp - H	8	9	16.9	386 HK	OW	98190	8.9	8.7	0.9	0.9	2.9	16.5
Cheung Kong Holdings	90	114	26.7	1 HK	OW	26756	8.5	8.7	10.5	10.3	3.7	2.9
Siam Commercial Bank	108	170	57.4	SCB TB	OW	11862	9.8	9.0	11.1	12.0	3.7	21.1
Samsung Electronics	980000	1300000	32.7	005930 KS	OW	127402	11.5	9.3	85192	104889	0.0	16.0
Cheng Shin Rubber Industry Co., Ltd	64	82	27.3	2105 TT	OW	5271	12.9	9.4	5.0	6.8	3.9	29.0
LG Chem Ltd	355000	540000	52.1	051910 KS	OW	20764	10.8	9.4	32998	37681	1.4	24.4
Tambang Batubara Bukit Asam	17800	22500	26.4	PTBA IJ	OW	4524	11.4	9.5	1567	1871	5.2	44.2
CIMB Group Holdings	6.9	10.0	45.6	CIMB MK	OW	16167	12.5	9.8	0.5	0.7	5.1	19.7
DBS Group Holdings	12.8	20.0	56.1	DBS SP	OW	23200	10.2	9.9	1.3	1.3	4.2	10.9
Bank Rakyat Indonesia	6800	7500	10.3	BBRI IJ	OW	18505	12.4	9.9	547	684	1.7	31.1
Stockland	3.2	3.9	22.7	SGP AU	OW	7483	10.0	10.1	0.3	0.3	7.5	7.8
Hankook Tire	44250	48000	8.5	000240 KS	OW	5946	16.1	10.5	2743	4214	0.8	822.3
GS Engineering & Construction	95100	130000	36.7	006360 KS	OW	4281	9.0	10.6	10606	8962	1.1	10.1
Reliance Industries Ltd	810	1140	40.7	RIL IN	OW	52060	12.5	11.1	64.6	73.3	1.2	17.2
Philippine Long Distance Telephone Co.	2390	2600	8.8	TEL PM	OW	11802	10.9	11.1	219.6	215.5	9.0	41.5
Keppel Corporation	9.1	12.8	40.2	KEP SP	OW	12586	11.6	11.2	0.8	0.8	4.6	18.8
LG Display	24800	32000	29.0	034220 KS	OW	7832	NM	11.3	(2842)	2200	0.0	7.5
Siam Cement	323	336	4.0	SCC TB	OW	12546	11.9	11.4	27.1	28.3	4.4	21.3
Suncorp Group Ltd	8.6	10.7	24.5	SUN AU	OW	11131	24.4	11.5	0.4	0.7	5.6	7.5
NetEase	47.8	58.0	21.3	NTEUS US	OW	6221	13.7	12.2	3.5	3.9	0.0	24.1
Samsung Life Insurance	85000	135000	58.8	032830 KS	OW	15004	13.4	11.9	6336	7126	1.8	8.4
Hutchison Whampoa	68.8	94.0	36.7	13 HK	OW	37642	5.1	12.4	13.5	5.5	3.4	6.5
China BlueChemical Ltd	7	8	16.9	3983 HK	OW	3848	15.9	12.6	0.4	0.5	3.5	19.1
Singapore Telecom	3.2	3.6	13.9	ST SP	OW	38935	13.2	12.6	0.2	0.3	5.4	15.9
Bank of the Philippine Islands (BPI)	55	69	24.5	BPI PM	OW	4537	14.8	12.6	3.7	4.4	4.7	17.4
Genting Malaysia	3.8	4.1	7.3	GENM MK	OW	7163	15.6	12.8	0.2	0.3	1.5	13.2
ICICI Bank	778	1300	67.1	ICICIBC IN	OW	17604	17.4	13.1	44.7	59.6	2.4	12.0
TSMC	76	77	1.7	2330 TT	N	64936	14.6	13.1	5.2	5.8	4.0	22.3
China Shenhua Energy - H	35.2	43.5	23.6	1088 HK	OW	86434	15.1	13.4	2.3	2.6	2.6	20.5
Sands China Ltd	22.3	32.5	46.1	1928 HK	OW	23000	21.1	13.6	1.1	1.6	0.0	26.9
Tenaga	5.7	6.5	15.0	TNB MK	OW	9761	61.7	13.8	0.1	0.4	1.8	7.1
Total Access Communication	78	85	9.0	DTAC TB	OW	5978	15.2	13.9	5.1	5.6	7.2	17.0
AIA Group Ltd	24	32	34.7	1299 HK	OW	36735	21.8	13.9	1.1	1.7	1.8	12.2
Sime Darby Berhad	8.9	10.2	14.6	SIME MK	OW	16933	14.5	14.0	0.6	0.6	3.6	15.3
Ayala Corporation	297	390	31.3	AC PM	OW	3949	17.7	14.0	16.7	21.2	1.3	10.3
ASX Ltd	30	36	19.9	ASX AU	OW	5291	14.9	14.0	2.0	2.1	6.4	12.2
Indocement	15750	16100	2.2	INTP IJ	OW	6396	16.5	14.1	955	1120	1.9	24.2
Larsen & Toubro	1233	2100	70.4	LT IN	OW	14789	17.6	14.4	70.1	85.7	0.0	17.8
Focus Media	25	39	54.1	FMCN US	OW	3424	18.2	14.4	1.4	1.8	0.0	12.8
United Tractors	25900	28000	8.1	UNTR IJ	OW	10658	17.0	14.6	1523	1770	2.7	24.1
MediaTek Inc.	309	420	36.1	2454 TT	OW	11800	23.5	14.7	13.1	20.9	3.6	19.5
East Japan Railway (9020)	4875	6500	33.3	9020 JT	OW	25322	25.3	15.2	193	322	2.3	6.9
Air China	6	11	69.4	753 HK	OW	14039	9.2	15.4	0.7	0.4	0.0	10.2
CSR Corp Ltd.	4.9	8.5	72.4	1766 HK	OW	9266	19.8	15.4	0.2	0.3	1.3	13.6
Dongfang Electric Corporation Limited - H	25.7	27.1	5.7	1072 HK	OW	7681	16.0	15.7	1.6	1.6	0.6	20.6
Brilliance China Automotive	9	13	45.5	1114 HK	OW	5512	24.4	16.2	0.4	0.5	1.2	30.2
Wipro Ltd.	368	440	19.7	WPRO IN	OW	17737	16.9	16.2	21.7	22.6	2.3	21.2
Lenovo Group Limited	5.4	6.6	23.4	992 HK	OW	7093	24.3	16.4	0.2	0.3	0.3	25.6

Large Cap Stocks (cont'd)

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X)		EPS (LC)		Yield (%) 2012E	ROE (%) 2012E
							2011E	2012E	2011E	2012E		
Amorepacific Corp	1128000	1430000	26.8	090430 KS	OW	5820	20.5	17.4	55083	64797	0.8	16.5
ENN Energy Holdings Limited	28	32	16.4	2688 HK	OW	3712	22.2	17.7	1.2	1.6	1.4	16.4
Ping An Insurance Group - H	57	84	46.3	2318 HK	OW	51117	22.8	17.9	2.5	3.2	1.1	17.2
Wilmar International Limited	5.2	6.5	24.8	WIL SP	OW	25777	21.0	18.1	0.2	0.3	1.1	13.3
Yulon Motor Co., Ltd.	61	75	24.0	2201 TT	OW	3150	25.4	19.4	2.4	3.1	1.6	7.4
Tata Consultancy Services	1115	1210	8.5	TCS IN	OW	42842	25.0	20.5	44.5	54.3	1.2	36.0
CapitaMalls Asia	1.3	2.4	75.4	CMA SP	OW	4024	26.8	20.6	0.1	0.1	3.0	8.2
China Telecom Corporation Limited	4.8	5.6	15.7	728 HK	OW	50306	22.7	21.2	0.2	0.2	1.4	7.4
Santos Limited	13.1	18.7	42.0	STO AU	OW	11781	11.6	21.3	1.1	0.6	2.3	6.3
Tencent	154	230	49.4	700 HK	OW	36332	27.9	22.2	5.5	6.9	0.5	37.5
Global Logistic Properties Ltd	1.8	2.5	38.1	GLP SP	OW	6429	24.1	23.5	0.1	0.1	0.0	9.4
Sinopharm	18.5	30.0	62.3	1099 HK	OW	5702	29.1	23.9	0.6	0.8	1.0	11.4
China Mengniu Dairy Co. Ltd.	27.5	33.0	20.2	2319 HK	OW	6215	28.5	24.4	1.0	1.1	0.9	16.7
Golden Eagle Retail Group Ltd	17.5	24.0	37.1	3308 HK	OW	4370	28.4	24.7	0.6	0.7	2.0	29.8
Ayala Land	17	24	41.5	ALI PM	OW	5074	31.3	25.1	0.5	0.7	1.3	13.4
Baidu.com	137	200	46.5	BIDU US	OW	47625	46.9	32.5	2.9	4.2	0.0	45.9
China Unicom (Hong Kong) Limited	16.7	18.6	11.1	762 HK	OW	50661	81.5	47.7	0.2	0.4	1.1	3.9
KEPCO	24100	30000	24.5	015760 KS	OW	13655	NM	NM	(1550)	(570)	0.0	(0.9)
Stocks to Avoid												
Hyundai Heavy Industries	280500	340000	21.2	009540 KS	N	18815	5.8	6.2	48234	45498	2.5	16.2
ASUSTek Computer	206	220	6.8	2357 TT	N	5133	9.4	9.0	21.8	23.0	5.8	14.3
DongFeng Motor Co., Ltd.	12.4	13.3	6.9	489 HK	UW	13765	9.4	9.8	1.3	1.3	2.0	21.2
Adani Enterprises Ltd	352	475	35.1	ADE IN	UW	7589	15.6	11.3	22.5	31.0	0.5	17.8
China Mobile Limited	76.6	85.0	11.0	941 HK	N	197444	12.0	11.5	6.4	6.7	3.9	19.4
S-Oil Corp	118500	105000	(11.4)	010950 KS	UW	11774	10.2	11.7	11657	10165	3.4	20.4
China Merchants Holdings Int'l	22	20	(9.3)	144 HK	UW	6998	11.7	11.7	1.9	1.9	3.7	10.6
Hang Seng Bank	95	105	10.2	11 HK	N	23399	11.8	11.9	8.1	8.0	5.6	20.1
Formosa Plastics Corp	85	65	(23.7)	1301 TT	UW	17263	11.8	12.3	7.2	6.9	6.8	16.1
Coal India	305	325	6.6	COAL IN	UW	37809	17.7	12.4	17.2	24.6	2.0	40.1
Perusahaan Gas Negara	3125	2600	(16.8)	PGAS IJ	UW	8357	12.5	13.6	250	230	4.2	31.6
PetroChina	10.2	8.5	(16.5)	857 HK	UW	280066	13.8	13.7	0.7	0.7	3.3	13.0
Woodside Petroleum	35.2	44.9	27.4	WPL AU	UW	28554	15.9	15.2	2.2	2.3	3.3	12.3
PICC Property and Casualty	11.2	12.5	11.2	2328 HK	N	16083	14.9	15.5	0.8	0.7	0.9	24.3
Cathay Pacific	13.2	14.0	5.9	293 HK	UW	6679	9.9	15.5	1.3	0.9	3.2	5.8
Maxis Berhad	5.4	5.7	6.5	MAXIS MK	N	12704	17.4	15.9	0.3	0.3	7.7	32.8
Astra International	69400	52000	(25.1)	ASII IJ	UW	30994	17.7	16.4	3928	4230	2.4	26.8
Manila Electric Company	239	200	(16.3)	MER PM	UW	6203	16.7	16.5	14.3	14.5	3.0	20.7
IOI Corp.	5	5	(9.6)	IOI MK	UW	10349	16.6	16.9	0.3	0.3	3.3	15.4
ST Engineering	2.8	2.6	(7.5)	STE SP	N	6638	16.8	17.3	0.2	0.2	4.9	28.6
British American Tobacco (M) Bhd	46.3	44.4	(4.1)	ROTH MK	UW	4186	18.5	17.4	2.5	2.7	5.2	148.7
Hero Motocorp Ltd.	2119	1810	(14.6)	HMCL IN	UW	8305	21.9	17.6	97	121	3.7	67.3
MTR	24.7	23.2	(6.1)	66 HK	N	18349	10.4	17.7	2.4	1.4	3.0	6.3
Angang Steel - H	5.1	5.5	7.2	347 HK	N	5746	71.0	18.3	0.1	0.3	2.8	3.7
Infosys	2754	2800	1.7	INFO IN	N	31035	23.2	19.7	119	140	1.7	27.0
President Chain Store Corp.	161	186	15.9	2912 TT	N	5523	23.0	19.9	7.0	8.1	3.5	35.4
QR National	3.5	3.2	(7.5)	QRN AU	UW	8542	23.4	20.0	0.1	0.2	2.4	5.7
Hong Kong & China Gas	18	18	0.0	3 HK	N	18263	23.1	22.4	0.8	0.8	2.1	14.2
Alibaba.com Limited	9.0	8.0	(11.1)	1688 HK	N	5772	27.6	24.3	0.3	0.4	0.0	18.4
Hengan International Group Ltd	73	51	(30.2)	1044 HK	UW	11530	32.6	25.5	2.2	2.9	2.5	28.5
Hindustan Unilever Limited	391	347	(11.2)	HUVR IN	UW	16573	39.6	32.9	9.9	11.9	1.9	86.2

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 17, 2011. Large cap are stocks with market cap over US\$ 3 billion. Sorted in ascending order of 2012E PE

Mid Cap Stocks

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X)		EPS (LC)		Yield (%) 2012E	ROE (%) 2012E
							2011E	2012E	2011E	2012E		
Top Picks												
Kingboard Chemical	22.9	49.0	114.0	148 HK	OW	2514	5.2	4.6	4.4	5.0	5.2	14.3
Wistron Corporation	37.9	50.0	32.1	3231 TT	OW	2612	8.0	6.1	4.8	6.2	6.6	17.3
Hyundai Marine & Fire Insurance	35000	43000	22.9	001450 KS	OW	2762	7.8	6.8	4481	5139	2.7	23.9
Skyworth Digital Holdings	4.2	6.0	43.9	751 HK	OW	1419	9.4	6.9	0.4	0.6	4.5	21.5
PanAust Limited	3.4	4.4	28.3	PNA AU	OW	2049	14.3	7.9	0.2	0.4	0.0	24.4
Security Bank Corporation	96	124	29.4	SECB PM	OW	1108	9.4	8.4	10.2	11.4	2.7	19.0
China State Construction	5.8	10.0	73.9	3311 HK	OW	2649	14.9	9.0	0.4	0.6	3.3	23.4
Neowiz Games	60600	85000	40.3	095660 KS	OW	1172	13.8	9.2	4378	6590	0.0	37.6
Reliance Infrastructure Ltd	417	575	37.9	RELI IN	OW	2189	7.2	12.0	58.0	34.8	0.0	3.9
Hiwin	278	420	51.1	2049 TT	OW	2160	16.6	12.0	16.8	23.1	2.4	51.1
Havells India Ltd	410	550	34.0	HAVL IN	OW	1005	16.7	14.3	24.6	28.6	0.7	44.1
Metro Pacific Investments Corp.	3.4	4.1	22.0	MPI PM	OW	1903	15.3	14.7	0.2	0.2	1.2	8.5
IJM Corporation	6.0	7.0	17.6	IJM MK	OW	2592	25.0	16.9	0.2	0.4	2.2	9.3
Trinity Limited	6.0	10.0	66.1	891 HK	OW	1313	20.0	16.9	0.3	0.4	4.1	18.8
Beijing Enterprises Water	2.0	2.5	23.8	371 HK	OW	1792	17.5	17.2	0.1	0.1	1.7	8.7
Sino Biopharmaceutical	2	4	50.9	1177 HK	OW	1472	20.4	17.3	0.1	0.1	4.0	16.1
Cebu Air, Inc.	71	90	26.8	CEB PM	OW	996	16.4	18.1	4.3	3.9	0.0	11.4
Home Product Center Pcl	10.0	12.4	24.0	HMPRO TB	OW	1889	23.9	18.5	0.4	0.5	3.8	32.7
Orient Overseas Int'l Ltd	35.4	75.0	112.2	316 HK	OW	2841	12.5	23.0	2.8	1.5	1.1	2.9
Dialog Group Bhd	2	3	30.1	DLG MK	OW	1558	31.7	26.7	0.1	0.1	1.5	28.9
Stocks to Avoid												
Poly (HK) Investments Limited	3.1	3.0	(4.2)	119 HK	UW	1450	5.7	5.3	0.6	0.6	3.8	8.1
Sino-Ocean Land	2.9	3.4	14.3	3377 HK	UW	2130	6.2	5.4	0.5	0.5	5.3	8.6
Great Eagle	16.2	13.5	(16.7)	41 HK	UW	1312	6.9	7.8	2.3	2.1	3.8	4.0
Lee & Man Paper Manufacturing	3.1	4.5	43.8	2314 HK	N	1885	8.0	8.5	0.4	0.4	3.4	13.4
PT Aneka Tambang Tbk	1690	1600	(5.3)	ANTM IJ	UW	1778	8.0	8.9	212	190	5.0	15.6
Tripod Technology Corp	80.7	90.0	11.5	3044 TT	N	1404	8.8	9.0	9.2	9.0	3.9	20.0
Tong Yang Life Insurance	14350	15000	4.5	082640 KS	N	1362	13.5	9.5	1061	1514	3.3	12.9
E Ink Holdings Inc.	60.9	60.0	(1.5)	8069 TT	UW	2177	9.1	10.0	6.7	6.1	7.0	22.1
Sinopac Financial Holdings	8.9	10.0	12.5	2890 TT	N	2152	11.3	10.3	0.8	0.9	3.5	7.0
TMB Bank Public Company Limited	1.4	1.5	8.7	TMB TB	UW	1944	14.1	10.4	0.1	0.1	3.4	10.6
Shin Kong Financial Holdings	8.8	10.0	13.6	2888 TT	N	2457	11.0	11.3	0.8	0.8	0.0	7.0
Ratchaburi Electricity Generating Holding	43	36	(15.3)	RATCH TB	UW	1995	12.1	11.7	3.5	3.6	5.5	10.7
LG Uplus	6360	5300	(16.7)	032640 KS	UW	2890	15.6	13.1	407	486	5.5	6.2
M1	2.5	2.5	0.4	M1 SP	N	1747	13.3	13.2	0.2	0.2	6.2	53.0
James Hardie Industries SE	6.5	5.8	(10.5)	JHX AU	UW	2856	NM	21.5	(0.8)	0.3	1.0	NM
Robinson Department Store	35.0	26.0	(25.7)	ROBINS TB	UW	1258	26.4	23.7	1.3	1.5	2.1	17.9
SMIC	0.4	0.3	(25.0)	981 HK	UW	1412	NM	NM	(0.0)	(0.0)	0.0	(5.7)
Hanjin Shipping Co Ltd	9080	10000	10.1	117930 KS	UW	1002	NM	NM	(7117)	(3560)	0.0	(22.0)

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 17, 2011. Mid cap are stocks with market cap between US\$1billion & US\$3billion. Sorted in ascending order of 2012E PE

Small Cap Stocks

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X)		EPS (LC)		Yield (%) 2012E	ROE (%) 2012E
							2011E	2012E	2011E	2012E		
Top Picks												
Asian Property Development	4.8	9	75.6	AP TB	OW	442	5.9	5.5	0.8	0.9	6.6	20.4
AsiaInfo-Linkage Inc.	9.1	21.0	131.0	ASIA US	OW	654	9.3	9.9	1.0	0.9	0.0	6.5
Agung Podomoro Land	335	470	40.3	APLN IJ	OW	758	12.2	10.3	27.4	32.4	0.0	14.0
I.T Ltd.	4.5	8	78.2	999 HK	OW	704	13.6	10.6	0.3	0.4	2.8	24.7
Alam Sutera	450	485	7.8	ASRI IJ	OW	887	14.8	11.5	30.4	39.0	1.8	24.8
Media Prima Berhad	2.6	3.0	15.4	MPR MK	OW	877	14.1	13.5	0.2	0.2	4.8	14.4
Pacific Basin Shipping	3	6	79.1	2343 HK	OW	833	32.2	14.9	0.1	0.2	3.4	3.6
Essar Ports	73	135	84.3	ESRS IN	OW	590	90.1	28.2	0.8	2.6	0.0	4.7
Stocks to Avoid												
Murchison Metals Ltd	0.3	0.2	(41.4)	MMX AU	UW	129	NM	12.3	(0.0)	0.0	0.0	(2.5)
China High Speed Transmission	4.1	3.0	(26.5)	658 HK	N	714	8.1	10.3	0.5	0.4	3.2	6.7
Philippine National Bank	55.6	38.0	(31.6)	PNB PM	UW	847	17.7	11.9	3.1	4.7	0.0	8.6

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 17, 2011. Small cap are stocks with market cap less than US\$1billion. Sorted in ascending order of 2012E PE

2011 losers picked to be 2012 winners (Stocks with relative underperformance end 2010 to date and top picks)

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X)		Yield (%) 2012E	ROE (%) 2012E	Performance end 10 to date (%)	
							2011E	2012E			Absolute	Rel to Region
Top Picks												
Kingboard Chemical	22.9	49.0	114.0	148 HK	OW	2514	5.2	4.6	5.2	14.3	(50.9)	(35.9)
Tata Motors	175	203	15.9	TTMT IN	OW	10085	6.1	5.8	2.3	7.3	(41.2)	(26.2)
KB Financial Group	38250	60000	56.9	105560 KS	OW	13043	5.1	6.0	3.4	10.4	(36.4)	(21.4)
Wistron Corporation	37.9	50.0	32.1	3231 TT	OW	2612	8.0	6.1	6.6	17.3	(35.5)	(20.5)
Industrial & Commercial Bank of China - H	4.6	8.7	90.0	1398 HK	OW	228467	7.5	6.3	6.0	24.0	(21.0)	(6.1)
Rio Tinto Limited	68	105	54.3	RIO AU	OW	106696	7.9	6.9	1.9	21.3	(21.6)	(6.7)
PanAust Limited	3	4	28.3	PNA AU	OW	2049	14.3	7.9	0.0	24.4	(24.1)	(9.2)
Longfor Properties Co. Ltd.	9	13	49.4	960 HK	OW	5760	9.0	8.0	3.1	24.5	(19.7)	(4.8)
Hindalco Industries	123	170	38.4	HNDL IN	OW	4617	8.2	8.0	1.7	9.7	(56.3)	(41.3)
Fubon Financial Holdings	30.9	42.0	36.1	2881 TT	OW	9202	6.8	8.3	4.8	12.9	(21.9)	(6.9)
Cheung Kong Holdings	90.0	114.0	26.7	1 HK	OW	26756	8.5	8.7	3.7	2.9	(25.1)	(10.1)
China State Construction	5.8	10.0	73.9	3311 HK	OW	2649	14.9	9.0	3.3	23.4	(18.6)	(3.7)
Tambang Batubara Bukit Asam	17800	22500	26.4	PTBA IJ	OW	4524	11.4	9.5	5.2	44.2	(23.0)	(8.1)
CIMB Group Holdings	6.9	10.0	45.6	CIMB MK	OW	16167	12.5	9.8	5.1	19.7	(21.2)	(6.3)
AsialInfo-Linkage Inc.	9.1	21.0	131.0	ASIA US	OW	654	9.3	9.9	0.0	6.5	(45.4)	(30.4)
I.T Ltd.	4	8	78.2	999 HK	OW	704	13.6	10.6	2.8	24.7	(23.9)	(8.9)
GS Engineering & Construction	95100	130000	36.7	006360 KS	OW	4281	9.0	10.6	1.1	10.1	(18.2)	(3.2)
Reliance Industries Ltd	810	1140	40.7	RIL IN	OW	52060	12.5	11.1	1.2	17.2	(32.8)	(17.8)
LG Display	24800	32000	29.0	034220 KS	OW	7832	NM	11.3	0.0	7.5	(37.8)	(22.9)
Samsung Life Insurance	85000	135000	58.8	032830 KS	OW	15004	13.4	11.9	1.8	8.4	(17.2)	(2.3)
Reliance Infrastructure Ltd	417	575	37.9	RELI IN	OW	2189	7.2	12.0	0.0	3.9	(56.6)	(41.6)
ICICI Bank	778	1300	67.1	ICICIB IN	OW	17604	17.4	13.1	2.4	12.0	(40.3)	(25.3)
Tenaga	5.7	6.5	15.0	TNB MK	OW	9761	61.7	13.8	1.8	7.1	(17.7)	(2.8)
ASX Ltd	30.0	36.0	19.9	ASX AU	OW	5291	14.9	14.0	6.4	12.2	(21.6)	(6.6)
Larsen & Toubro	1233	2100	70.4	LT IN	OW	14789	17.6	14.4	0.0	17.8	(45.3)	(30.3)
MediaTek Inc.	309	420	36.1	2454 TT	OW	11800	23.5	14.7	3.6	19.5	(28.7)	(13.7)
Pacific Basin Shipping	3.4	6.0	79.1	2343 HK	OW	833	32.2	14.9	3.4	3.6	(35.3)	(20.4)
Air China	6.2	11	69.4	753 HK	OW	14039	9.2	15.4	0.0	10.2	(29.1)	(14.1)
CSR Corp Ltd.	4.9	8.5	72.4	1766 HK	OW	9266	19.8	15.4	1.3	13.6	(51.8)	(36.9)
Dongfang Electric Corporation Ltd. - H	26	27	5.7	1072 HK	OW	7681	16.0	15.7	0.6	20.6	(33.5)	(18.5)
Wipro Ltd.	368	440	19.7	WPRO IN	OW	17737	16.9	16.2	2.3	21.2	(34.3)	(19.3)
Trinity Limited	6.0	10.0	66.1	891 HK	OW	1313	20.0	16.9	4.1	18.8	(26.6)	(11.7)
Beijing Enterprises Water	2.0	2.5	23.8	371 HK	OW	1792	17.5	17.2	1.7	8.7	(16.2)	(1.2)
Sino Biopharmaceutical	2	4	50.9	1177 HK	OW	1472	20.4	17.3	4.0	16.1	(19.9)	(4.9)
Ping An Insurance Group - H	57	84	46.3	2318 HK	OW	51117	22.8	17.9	1.1	17.2	(34.1)	(19.1)
Cebu Air, Inc.	71.0	90.0	26.8	CEB PM	OW	996	16.4	18.1	0.0	11.4	(36.1)	(21.1)
Tata Consultancy Services	1115	1210	8.5	TCS IN	OW	42842	25.0	20.5	1.2	36.0	(16.0)	(1.0)
CapitaMalls Asia	1.3	2.4	75.4	CMA SP	OW	4024	26.8	20.6	3.0	8.2	(31.5)	(16.5)
Orient Overseas Int'l Ltd	35.4	75.0	112.2	316 HK	OW	2841	12.5	23.0	1.1	2.9	(41.6)	(26.6)
Global Logistic Properties Ltd	2	3	38.1	GLP SP	OW	6429	24.1	23.5	0.0	9.4	(16.9)	(1.9)
Sinopharm	18	30	62.3	1099 HK	OW	5702	29.1	23.9	1.0	11.4	(31.9)	(17.0)
Essar Ports	73	135	84.3	ESRS IN	OW	590	90.1	28.2	0.0	4.7	(48.9)	(33.9)
KEPCO	24100	30000	24.5	015760 KS	OW	13655	NM	NM	0.0	(0.9)	(20.4)	(5.4)

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 17, 2011. Sorted in ascending order of 2012E PE

2011 winners picked to be 2012 losers (Stocks with relative outperformance end 2010 to date and stocks to avoid)

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap, US\$ MM	P/E (X)		Yield (%) 2012E	ROE (%) 2012E	Performance end 10 to date (%)	
							2011E	2012E			Absolute	Rel to Region
Stocks to Avoid												
ASUSTek Computer	206	220	6.8	2357 TT	N	5133	9.4	9.0	5.8	14.3	(12.5)	2.5
Tong Yang Life Insurance	14350	15000	4.5	082640 KS	N	1362	13.5	9.5	3.3	12.9	22.9	37.9
DongFeng Motor Co., Ltd.	12.4	13.3	6.9	489 HK	UW	13765	9.4	9.8	2.0	21.2	(7.3)	7.6
E Ink Holdings Inc.	61	60	(1.5)	8069 TT	UW	2177	9.1	10.0	7.0	22.1	(0.6)	14.4
China Mobile Limited	77	85	11.0	941 HK	N	197444	12.0	11.5	3.9	19.4	(0.9)	14.0
S-Oil Corp	118500	105000	(11.4)	010950 KS	UW	11774	10.2	11.7	3.4	20.4	27.9	42.8
Ratchaburi Electricity Generating Holding	42.5	36.0	(15.3)	RATCH TB	UW	1995	12.1	11.7	5.5	10.7	8.5	23.5
Philippine National Bank	55.6	38	(31.6)	PNB PM	UW	847	17.7	11.9	0.0	8.6	(11.8)	3.2
Coal India	305.0	325.0	6.6	COAL IN	UW	37809	17.7	12.4	2.0	40.1	(14.9)	0.1
LG Uplus	6360	5300	(16.7)	032640 KS	UW	2890	15.6	13.1	5.5	6.2	(11.5)	3.5
M1	2.5	2.5	0.4	M1 SP	N	1747	13.3	13.2	6.2	53.0	6.6	21.6
PetroChina	10.2	9	(16.5)	857 HK	UW	280066	13.8	13.7	3.3	13.0	0.0	15.0
PICC Property and Casualty	11.2	12.5	11.2	2328 HK	N	16083	14.9	15.5	0.9	24.3	(0.3)	14.6
Maxis Berhad	5	6	6.5	MAXIS MK	N	12704	17.4	15.9	7.7	32.8	(1.6)	13.4
Astra International	69400	52000	(25.1)	ASII IJ	UW	30994	17.7	16.4	2.4	26.8	26.2	41.2
Manila Electric Company	239	200	(16.3)	MER PM	UW	6203	16.7	16.5	3.0	20.7	5.7	20.7
IOI Corp.	5.1	5	(9.6)	IOI MK	UW	10349	16.6	16.9	3.3	15.4	(14.6)	0.4
British American Tobacco (M) Bhd	46	44	(4.1)	ROTH MK	UW	4186	18.5	17.4	5.2	148.7	1.0	15.9
Hero Motocorp Ltd.	2119	1810	(14.6)	HMCL IN	UW	8305	21.9	17.6	3.7	67.3	(6.4)	8.6
MTR	25	23	(6.1)	66 HK	N	18349	10.4	17.7	3.0	6.3	(12.9)	2.1
President Chain Store Corp.	161	186	15.9	2912 TT	N	5523	23.0	19.9	3.5	35.4	15.1	30.1
QR National	3.5	3	(7.5)	QRN AU	UW	8542	23.4	20.0	2.4	5.7	24.5	39.5
James Hardie Industries SE	6.5	5.8	(10.5)	JHX AU	UW	2856	NM	21.5	1.0	NM	(5.9)	9.0
Hong Kong & China Gas	18.0	18.0	0.0	3 HK	N	18263	23.1	22.4	2.1	14.2	7.9	22.9
Robinson Department Store	35.0	26	(25.7)	ROBINS TB	UW	1258	26.4	23.7	2.1	17.9	37.8	52.8
Hengan International Group Ltd	73	51	(30.2)	1044 HK	UW	11530	32.6	25.5	2.5	28.5	8.8	23.7
Hindustan Unilever Limited	391	347	(11.2)	HUVR IN	UW	16573	39.6	32.9	1.9	86.2	9.7	24.6

Source: Datastream, MSCI, IBES, J.P. Morgan estimates

Note: Prices and valuations as of November 17, 2011. Sorted in ascending order of 2012E PE

Running with 2011 winners (Stocks with relative outperformance end 2010 to date and top picks)

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Mkt Cap. US\$ MM	P/E (X)		Yield (%) 2012E	ROE (%) 2012E	Performance end 10 to date (%)	
							2011E	2012E			Absolute	Rel to Region
Top Picks												
Asian Property Development	4.8	8.5	75.6	AP TB	OW	442	5.9	5.5	6.6	20.4	(2.2)	12.8
China Minsheng Banking - H	6	11	76.4	1988 HK	OW	24334	6.3	5.7	2.2	20.7	(4.7)	10.3
Hyundai Marine & Fire Insurance	35000	43000	22.9	001450 KS	OW	2762	7.8	6.8	2.7	23.9	33.6	48.5
Skyworth Digital Holdings	4.2	6.0	43.9	751 HK	OW	1419	9.4	6.9	4.5	21.5	(9.7)	5.3
Hyundai Motor Company	226500	280000	23.6	005380 KS	OW	44034	8.0	7.3	0.7	20.1	30.3	45.3
PTT Public Company	307.0	460.0	49.8	PTT TB	OW	28383	9.0	7.7	4.2	19.0	(6.3)	8.7
Quanta Computer Inc.	62	80	29.0	2382 TT	OW	7880	10.3	8.2	7.0	22.3	(2.3)	12.7
Hyundai Department Stores	153000	224000	46.4	069960 KS	OW	3160	8.7	8.3	0.4	15.5	9.5	24.4
Security Bank Corporation	96	124	29.4	SECB PM	OW	1108	9.4	8.4	2.7	19.0	36.7	51.7
Sinopec Corp - H	8	9	16.9	386 HK	OW	98190	8.9	8.7	2.9	16.5	7.9	22.8
Siam Commercial Bank	108	170	57.4	SCB TB	OW	11862	9.8	9.0	3.7	21.1	1.9	16.9
Neowiz Games	60600	85000	40.3	095660 KS	OW	1172	13.8	9.2	0.0	37.6	31.6	46.6
Samsung Electronics	980000	1300000	32.7	005930 KS	OW	127402	11.5	9.3	0.0	16.0	3.1	18.0
Cheng Shin Rubber Industry Co., Ltd	64	82	27.3	2105 TT	OW	5271	12.9	9.4	3.9	29.0	14.7	29.7
LG Chem Ltd	355000	540000	52.1	051910 KS	OW	20764	10.8	9.4	1.4	24.4	(9.4)	5.6
DBS Group Holdings	12.8	20.0	56.1	DBS SP	OW	23200	10.2	9.9	4.2	10.9	(11.2)	3.7
Bank Rakyat Indonesia	6800	7500	10.3	BBRI J	OW	18505	12.4	9.9	1.7	31.1	28.5	43.5
Stockland	3.2	3.9	22.7	SGP AU	OW	7483	10.0	10.1	7.5	7.8	(13.1)	1.9
Agung Podomoro Land	335	470	40.3	APLN J	OW	758	12.2	10.3	0.0	14.0	(13.6)	1.3
Hankook Tire	44250	48000	8.5	000240 KS	OW	5946	16.1	10.5	0.8	822.3	39.1	54.1
Philippine Long Distance Telephone Co.	2390	2600	8.8	TEL PM	OW	11802	10.9	11.1	9.0	41.5	(2.7)	12.3
Keppel Corporation	9.1	12.8	40.2	KEP SP	OW	12586	11.6	11.2	4.6	18.8	(12.0)	3.0
Siam Cement	323	336	4.0	SCC TB	OW	12546	11.9	11.4	4.4	21.3	(7.5)	7.5
Alam Sutera	450	485	7.8	ASRI J	OW	887	14.8	11.5	1.8	24.8	51.4	66.3
Suncorp Group Ltd	8.6	10.7	24.5	SUN AU	OW	11131	24.4	11.5	5.6	7.5	(1.7)	13.2
NetEase	47.8	58.0	21.3	NTES US	OW	6221	13.7	12.2	0.0	24.1	26.4	41.4
Hiwin	278	420	51.1	2049 TT	OW	2160	16.6	12.0	2.4	51.1	83.0	97.9
Hutchison Whampoa	69	94	36.7	13 HK	OW	37642	5.1	12.4	3.4	6.5	(14.2)	0.8
China BlueChemical Ltd	6.5	7.6	16.9	3983 HK	OW	3848	15.9	12.6	3.5	19.1	16.5	31.5
Singapore Telecom	3.2	3.6	13.9	ST SP	OW	38935	13.2	12.6	5.4	15.9	6.1	21.0
Bank of the Philippine Islands (BPI)	55	69	24.5	BPI PM	OW	4537	14.8	12.6	4.7	17.4	(5.3)	9.7
Genting Malaysia	3.8	4.1	7.3	GENM MK	OW	7163	15.6	12.8	1.5	13.2	9.8	24.8
TSMC	76	77	1.7	2330 TT	N	64936	14.6	13.1	4.0	22.3	2.9	17.8
China Shenhua Energy - H	35	44	23.6	1088 HK	OW	86434	15.1	13.4	2.6	20.5	7.8	22.8
Media Prima Berhad	3	3	15.4	MPR MK	OW	877	14.1	13.5	4.8	14.4	(2.5)	12.4
Sands China Ltd	22.3	32.5	46.1	1928 HK	OW	23000	21.1	13.6	0.0	26.9	30.1	45.0
Total Access Communication	78	85	9.0	DTAC TB	OW	5978	15.2	13.9	7.2	17.0	81.4	96.3
AIA Group Ltd	23.8	32.0	34.7	1299 HK	OW	36735	21.8	13.9	1.8	12.2	8.5	23.5
Sime Darby Berhad	8.9	10.2	14.6	SIME MK	OW	16933	14.5	14.0	3.6	15.3	(1.4)	13.5
Ayala Corporation	297	390	31.3	AC PM	OW	3949	17.7	14.0	1.3	10.3	(8.8)	6.2
Indocement	15750	16100	2.2	INTP J	OW	6396	16.5	14.1	1.9	24.2	(2.0)	12.9
Havells India Ltd	410	550	34.0	HAVL IN	OW	1005	16.7	14.3	0.7	44.1	(9.0)	5.9
Focus Media	25	39	54.1	FMCN US	OW	3424	18.2	14.4	0.0	12.8	16.6	31.6
United Tractors	25900	28000	8.1	UNTR J	OW	10658	17.0	14.6	2.7	24.1	12.3	27.3
Metro Pacific Investments Corp.	3	4	22.0	MPI PM	OW	1903	15.3	14.7	1.2	8.5	(12.9)	2.1
East Japan Railway (9020)	4875	6500	33.3	9020 JT	OW	25322	25.3	15.2	2.3	6.9	(1.9)	13.1
Brilliance China Automotive	9	13	45.5	1114 HK	OW	5512	24.4	16.2	1.2	30.2	44.6	59.6
Lenovo Group Limited	5.4	6.6	23.4	992 HK	OW	7093	24.3	16.4	0.3	25.6	7.3	22.2
IJM Corporation	6.0	7.0	17.6	IJM MK	OW	2592	25.0	16.9	2.2	9.3	(6.9)	8.1
Amorepacific Corp	1128000	1430000	26.8	090430 KS	OW	5820	20.5	17.4	0.8	16.5	(1.2)	13.8
ENN Energy Holdings Limited	27.5	32.0	16.4	2688 HK	OW	3712	22.2	17.7	1.4	16.4	18.1	33.0
Wilmar International Limited	5.2	6.5	24.8	WIL SP	OW	25777	21.0	18.1	1.1	13.3	(8.2)	6.8
Home Product Center Pcl	10.0	12.4	24.0	HMPRO TB	OW	1889	23.9	18.5	3.8	32.7	48.0	62.9
Yulon Motor Co., Ltd.	60.5	75.0	24.0	2201 TT	OW	3150	25.4	19.4	1.6	7.4	(5.4)	9.6
China Telecom Corporation Limited	4.8	5.6	15.7	728 HK	OW	50306	22.7	21.2	1.4	7.4	18.7	33.7
Santos Limited	13.1	18.7	42.0	STO AU	OW	11781	11.6	21.3	2.3	6.3	(1.7)	13.3
Tencent	154	230	49.4	700 HK	OW	36332	27.9	22.2	0.5	37.5	(9.0)	5.9
China Mengniu Dairy Co. Ltd.	27.5	33.0	20.2	2319 HK	OW	6215	28.5	24.4	0.9	16.7	33.0	48.0
Golden Eagle Retail Group Ltd	17.5	24.0	37.1	3308 HK	OW	4370	28.4	24.7	2.0	29.8	(8.8)	6.1
Ayala Land	16.9	24.0	41.5	ALI PM	OW	5074	31.3	25.1	1.3	13.4	3.7	18.6
Dialog Group Bhd	2.5	3.2	30.1	DLG MK	OW	1558	31.7	26.7	1.5	28.9	34.0	48.9
Baidu.com	137	200	46.5	BIDU US	OW	47625	46.9	32.5	0.0	45.9	43.1	58.0
China Unicom (Hong Kong) Limited	16.7	18.6	11.1	762 HK	OW	50661	81.5	47.7	1.1	3.9	50.3	65.3

Source: Datastream, MSCI, IBES, J.P. Morgan estimates. Note: Prices and valuations as of November 17, 2011. Sorted in ascending order of 2012E PE

Non-consensus top picks and stocks to avoid

Name	Share Price (LC)	Price Target 2012 (LC)	% Change to target	Bloomberg Code	JPM Rating	Bloomberg Rating	Mkt Cap, US\$ MM	P/E (X)		Yield (%)	ROE (%)
								2011E	2012E	2012E	2012E
Stocks to Avoid											
Poly (HK) Investments Limited	3.1	3.0	(4.2)	119 HK	UW	OW	1450	5.7	5.3	3.8	8.1
Sino-Ocean Land	2.9	3.4	14.3	3377 HK	UW	OW	2130	6.2	5.4	5.3	8.6
Hyundai Heavy Industries	280500	340000	21.2	009540 KS	N	OW	18815	5.8	6.2	2.5	16.2
PT Aneka Tambang Tbk	1690	1600	(5.3)	ANTM IJ	UW	OW	1778	8.0	8.9	5.0	15.6
ASUSTek Computer	206	220	6.8	2357 TT	N	OW	5133	9.4	9.0	5.8	14.3
Tripod Technology Corp	80.7	90.0	11.5	3044 TT	N	OW	1404	8.8	9.0	3.9	20.0
Tong Yang Life Insurance	14350	15000	4.5	082640 KS	N	OW	1362	13.5	9.5	3.3	12.9
DongFeng Motor Co., Ltd.	12.4	13.3	6.9	489 HK	UW	OW	13765	9.4	9.8	2.0	21.2
E Ink Holdings Inc.	60.9	60.0	(1.5)	8069 TT	UW	OW	2177	9.1	10.0	7.0	22.1
Sinopac Financial Holdings	8.9	10.0	12.5	2890 TT	N	OW	2152	11.3	10.3	3.5	7.0
China High Speed Transmission	4.1	3.0	(26.5)	658 HK	N	OW	714	8.1	10.3	3.2	6.7
Adani Enterprises Ltd	351.6	475.0	35.1	ADE IN	UW	OW	7589	15.6	11.3	0.5	17.8
China Mobile Limited	76.6	85.0	11.0	941 HK	N	OW	197444	12.0	11.5	3.9	19.4
S-Oil Corp	118500	105000	(11.4)	010950 KS	UW	OW	11774	10.2	11.7	3.4	20.4
Ratchaburi Electricity Generating Holding	42.5	36.0	(15.3)	RATCH TB	UW	OW	1995	12.1	11.7	5.5	10.7
China Merchants Holdings Int'l	22.1	20.0	(9.3)	144 HK	UW	OW	6998	11.7	11.7	3.7	10.6
Hang Seng Bank	95	105	10.2	11 HK	N	OW	23399	11.8	11.9	5.6	20.1
Philippine National Bank	56	38	(31.6)	PNB PM	UW	OW	847	17.7	11.9	0.0	8.6
Formosa Plastics Corp	85.2	65.0	(23.7)	1301 TT	UW	OW	17263	11.8	12.3	6.8	16.1
Coal India	305	325	6.6	COAL IN	UW	OW	37809	17.7	12.4	2.0	40.1
LG Uplus	6360	5300	(16.7)	032640 KS	UW	OW	2890	15.6	13.1	5.5	6.2
M1	2.5	2.5	0.4	M1 SP	N	OW	1747	13.3	13.2	6.2	53.0
Perusahaan Gas Negara	3125	2600	(16.8)	PGAS IJ	UW	OW	8357	12.5	13.6	4.2	31.6
PetroChina	10.2	8.5	(16.5)	857 HK	UW	OW	280066	13.8	13.7	3.3	13.0
Woodside Petroleum	35.2	44.9	27.4	WPL AU	UW	OW	28554	15.9	15.2	3.3	12.3
PICC Property and Casualty	11.2	12.5	11.2	2328 HK	N	OW	16083	14.9	15.5	0.9	24.3
Cathay Pacific	13	14	5.9	293 HK	UW	OW	6679	9.9	15.5	3.2	5.8
Maxis Berhad	5.4	5.7	6.5	MAXIS MK	N	OW	12704	17.4	15.9	7.7	32.8
Astra International	69400	52000	(25.1)	ASII IJ	UW	OW	30994	17.7	16.4	2.4	26.8
ST Engineering	2.8	2.6	(7.5)	STE SP	N	OW	6638	16.8	17.3	4.9	28.6
British American Tobacco (M) Bhd	46.3	44.4	(4.1)	ROTH MK	UW	OW	4186	18.5	17.4	5.2	148.7
MTR	24.7	23.2	(6.1)	66 HK	N	OW	18349	10.4	17.7	3.0	6.3
Infosys	2754	2800	1.7	INFO IN	N	OW	31035	23.2	19.7	1.7	27.0
President Chain Store Corp.	161	186	15.9	2912 TT	N	OW	5523	23.0	19.9	3.5	35.4
QR National	3	3	(7.5)	QRN AU	UW	OW	8542	23.4	20.0	2.4	5.7
James Hardie Industries SE	6.5	5.8	(10.5)	JHX AU	UW	OW	2856	NM	21.5	1.0	NM
Robinson Department Store	35	26	(25.7)	ROBINS TB	UW	OW	1258	26.4	23.7	2.1	17.9
Hengan International Group Ltd	73.1	51.0	(30.2)	1044 HK	UW	OW	11530	32.6	25.5	2.5	28.5
Hanjin Shipping Co Ltd	9080	10000	10.1	117930 KS	UW	OW	1002	NM	NM	0.0	(22.0)

Source: Datastream, MSCI, Bloomberg, J.P. Morgan estimates

Note: Prices and valuations as of November 17, 2011. Sorted in ascending order of 2012E PE.

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Asia Pacific Equity Research
21 November 2011

J.P.Morgan

Top Picks

Agung Podomoro Land

www.agungpodomoroland.com

Company description

Agung Podomoro Land, a subsidiary of Agung Podomoro group, is the pioneer of Jakarta's high-rise apartments and mixed-use developments, and has more than 50% market share in apartments. The company focuses mainly on developments in Jakarta areas, but it also has a mixed-use development project in the city of Bandung, West Java. The company's current projects include: Podomoro City, Greenlake, Greenbay Pluit, Kuningan City, and Lavande. It also has minority interest in Lindeteves Trade Center and Senayan City.

Key drivers of performance in an equity market recovery

The stock has been de-rated on concerns about sustainability, as the market appears to doubt whether the company can acquire new landbank in strategic areas. We think the company needs to deliver on this, as well as announce new mixed-use development projects in order to drive outperformance.

How much recovery has already been priced in, what are the key metrics?

We do not think any recovery has been priced in to the stock, as it has not been re-rated despite better-than-expected earnings and marketing sales. The key valuation metric is the discount to NAV, as the company has recently de-rated on concerns over sustainability.

Where's the earnings risk for 2012?

We see upside earnings risk in 2012 as the company's marketing sales have been better than expected in the past few quarters. The company will also book the construction progress of its new projects (Greenlake, Green Permata and Grand Taruma).

Price target and key recovery risks

We maintain our OW for APLN with Dec-12 PT of Rp470, based on 15% discount to NAV of Rp9.2tr and Rp2.1tr for asset enhancement potential. Key risks: (1) Lack of new project launches, as APLN's new projects are key for its outperformance relative to its peers; (2) delay on projects; and (3) lack of transparency on potential asset injections.

Agung Podomoro Land (Reuters: APLN.JK, Bloomberg: APLN IJ)

Rp in bn, year-end Dec	FY08A	FY09A	FY10A	FY11E	FY12E
Revenue (Rp bn)	810	856	1,939	3,263	3,339
Net Profit (Rp bn)	-12.4	35.1	241.9	561.7	664.8
EPS (Rp)	(604.88)	1,712.20	11,799.25	27,397.80	32,428.38
DPS (Rp)	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	64.4%	5.7%	126.5%	68.3%	2.3%
EPS growth (%)	-0%	-0%	0%	0%	0%
ROCE	-6.1%	1.1%	6.7%	11.2%	12.4%
ROE	-4.2%	3.7%	9.4%	13.6%	14.0%
P/E (x)	-0.6	0.2	0.0	0.0	0.0
P/BV (x)	11.6	5.3	1.8	1.6	1.4
EV/EBITDA (x)	-14.1	48.8	0.2	0.3	-0.9
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rp335

Price Target: Rp470

Indonesia

Real Estate

Liliana Bambang^{AC}

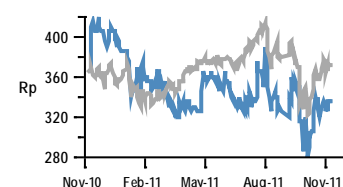
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PT J.P. Morgan Securities Indonesia

Price Performance



	YTD	1m	3m	12m
Abs	-13.0%	11.7%	-1.5%	-8.2%
Rel	-15.0%	1.4%	0.4%	-10.3%

Source: Bloomberg.

Company Data

Shares O/S (mn)	20,500
Market cap (Rp mn)	6,867,500
Market cap (\$ mn)	766
Price (Rp)	335
Date Of Price	07 Nov 11
Free float (%)	30.0%
3-mth trading volume (mn)	-
3-mth trading value (Rp mn)	-
3-mth trading value (\$ mn)	-
IN	

Agung Podomoro Land: Summary of Financials

Profit and Loss Statement						Cash flow statement					
Rp in billions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	Rp in billions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Revenues	810	856	1,939	3,263	3,339	EBIT	-50	25	293	729	910
% change Y/Y	64.4%	5.7%	126.5%	68.3%	2.3%	Depr. & amortization	1	2	3	49	117
EBIT	-50	25	293	729	910	Change in working capital	5	-103	-149	95	-55
% change Y/Y	335.7%	NM	1087.8%	148.5%	24.9%	Others	278	403	-154	54	283
EBIT margin (%)	-6.2%	2.9%	15.1%	22.3%	27.3%	Cash flow from operations	766	-727	-298	1,353	1,409
Net Interest	22	40	25	-3	-32	Capex	-1,137	-523	-847	-1,574	-301
Earnings before tax	-19	70	383	772	937	Disposal/(purchase)	0	0	0	0	0
% change Y/Y	-244.4%	-466.2%	445.2%	101.4%	21.4%	Net Interest	0	0	0	0	0
Tax	-6	-42	-101	-175	-209	Free cash flow	-372	-1,249	-1,145	-221	1,108
as % of EBT	30.2%	60.3%	26.3%	22.7%	22.4%	Equity raised/(repaid)	62	659	2,321	0	0
Net income (reported)	-12.4	35.1	241.9	561.7	664.8	Debt raised/(repaid)	608	633	270	823	-300
% change Y/Y	-200.0%	-383.1%	589.1%	132.2%	18.4%	Other	0	0	0	0	0
Core net profit	-12	35	242	562	665	Dividends paid	0	0	0	0	0
% change Y/Y	-186.1%	-383.1%	589.1%	132.2%	18.4%	Beginning cash	63	350	391	1,879	2,516
Shares outstanding	20,500,000	20,500,000	20,500,000	20,500,000	20,500,000	Ending cash	350	391	1,879	2,516	3,386
EPS (reported)	(604.88)	1,712.20	11,799.25	27,397.80	32,428.38	DPS	0.00	0.00	0.00	0.00	0.00
% change Y/Y	(200.0%)	(383.1%)	589.1%	132.2%	18.4%						
DPS	0.00	0.00	0.00	0.00	0.00						
% change Y/Y	-	-	-	-	-						
Balance sheet						Ratio Analysis					
Rp in billions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	Rp in billions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	350	391	1,879	2,516	3,386	EBIT Margin	-6.2%	2.9%	15.1%	22.3%	27.3%
Accounts receivable	154	158	416	489	501	Operating margin	(6.2%)	2.9%	15.1%	22.3%	27.3%
Inventories	804	1,865	2,240	1,598	1,082	Net margin	-1.5%	4.1%	12.5%	17.2%	19.9%
Others	44	185	161	94	119	SG&A/Sales	-	-	-	-	-
Current assets	1,352	2,599	4,696	4,697	5,088	Sales per share growth	64.4%	5.7%	126.5%	68.3%	2.3%
LT investments	154	50	270	234	234	Sales growth	64.4%	5.7%	126.5%	68.3%	2.3%
Net fixed assets	1,229	1,752	2,599	4,173	4,474	Net profit growth	-200.0%	-383.1%	589.1%	132.2%	18.4%
Total Assets	2,735	4,401	7,565	9,104	9,796	EPS growth	(200.0%)	(383.1%)	589.1%	132.2%	18.4%
Liabilities						Interest coverage (x)	-	-	-	283.21	32.44
ST Loans	0	0	0	0	0	Net debt to total capital	84.7%	55.9%	1.5%	3.9%	-12.5%
Payables	197	243	324	428	409	Net debt to equity	116.9%	99.9%	1.7%	5.7%	-18.1%
Others	28	24	29	27	27	Sales/assets	0.59	0.24	0.32	0.39	0.35
Total current liabilities	225	267	353	455	436	Assets/equity	4.62	3.43	1.96	2.07	1.93
Long-term debt	1,041	1,674	1,944	2,768	2,468	ROE	(4.2%)	3.7%	9.4%	13.6%	14.0%
Other liabilities	766	1,066	1,132	1,155	1,437	ROCE	-6.1%	1.1%	6.7%	11.2%	12.4%
Total Liabilities	2,033	3,007	3,430	4,377	4,341						
Shareholders' equity	592	1,285	3,851	4,409	5,074						
BVPS	28.86	62.66	187.86	215.07	247.50						

Source: Company reports and J.P. Morgan estimates.

AIA Group

www.investors.aia.com/

Company description

AIA Group offers life insurance, accident and health insurance as well as wealth management solution across 15 geographical markets in the Asia Pacific region.

Key drivers of performance in an equity market recovery

AIA Group under the new management team has delivered strong NBV growth (21% in 1QFY11, 43% in 2QFY11 and 53% in 3QFY11). With on-going product mix and agent productivity improvement, we see no reason why it would not be able to sustain NBV growth of ~20% in the coming few years. In addition, it has surplus capital of ~US\$6bn and is able to produce ~US\$2bn per annum for the next five years, implying plenty of room for capital management initiatives.

How much recovery has already been priced in, what are the key metrics?

At the peak of its share price performance since listing, it commanded 1.7x P/EV, 23.7x implied new business multiple and 21x P/E. It is currently trading at 1.5x P/EV, 13.7x implied new business multiple and 20x P/E (as of Nov 4, 2011). The de-rating is driven by the volatile equity market performance, a rapid decline in government bond yields across Asia and a temporary reversal of USD weakening trend but we expect all these factors to diminish into 2012. The overhang concern from further stake disposal by AIG, a 33%-owner of AIA, would eventually resolve by the end of 2012.

Where's the earnings risk for 2012?

AIA Group classifies most of its equity investments as held for trading securities and any fluctuation in prices would have an immediate impact on earnings. Based on our estimate, every 10% decline in equity prices would reduce its earnings by 17%. Should it lower its investment yield and risk discount rate assumption by 50bps to reflect the lower interest rates, we see a 3.5% and 2.1% decline in EV and NBV respectively.

Price target and key recovery risks

Our Dec- PT of HK\$32 is derived by incorporating a multi-stage growth model to project NBV for each market which yielded an implied blended P/EV of 1.7x and blended new business multiple of 20x for the group. Key recovery risks include loss of senior management and sustained low interest rate environment.

AIA Group Ltd (Reuters: 1299.HK, Bloomberg: 1299 HK)

\$ in mn, year-end Nov	FY09A	FY10A	FY11E	FY12E	FY13E
EPS (\$)	0.15	0.22	0.14	0.22	0.26
EPS growth (%)	329.1%	53.7%	-37.6%	57.0%	16.9%
Net Profit (\$ mn)	1,754.0	2,701.0	1,686.6	2,646.8	3,094.6
BVPS (\$)	1.24	1.62	1.72	1.89	2.07
DPS (\$)	0.00	0.00	0.04	0.05	0.07
EV per share (\$)	1.741	2.055	2.163	2.393	2.646
NBV per share (\$)	0.045	0.055	0.075	0.090	0.107
P/E (x)	21.4	13.9	22.3	14.2	12.2
P/BV (x)	2.5	1.9	1.8	1.7	1.5
P/EV	1.8	1.5	1.4	1.3	1.2
Dividend Yield	0.0%	0.0%	1.4%	1.8%	2.2%
ROE	14.7%	15.7%	8.4%	12.2%	13.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$24.30

Price Target: HK\$32.00

Hong Kong

Insurance

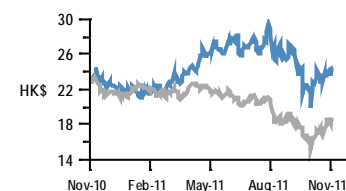
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



	YTD	1m	3m	12m
Abs	11.2%	21.9%	-13.7%	6.1%
Rel	25.1%	-0.2%	-4.4%	25.2%

Source: Bloomberg.

Company Data

Shares O/S (mn)	12,044
Market cap (\$ mn)	37,678
Market cap (\$ mn)	37,678
Price (HK\$)	24.30
Date Of Price	04 Nov 11
Free float (%)	67.1%
3mth Avg daily volume	42.24
3M - Average daily Value (HK\$ mn)	1,028.47
Average 3m Daily Turnover (\$ mn)	142.31
HSI	20,014
Exchange Rate	7.77
Fiscal Year End	Nov

AIA Group: Summary of Financials

Income statement (US\$m)	FY09	FY10	FY11E	FY12E	FY13E	AFYP breakdown	FY09	FY10	FY11E	FY12E	FY13E
Total weighted premium income	11,632	13,013	14,677	16,650	18,962	AFYP: Hong Kong	21%	22%	23%	23%	23%
Annualised first-year premiums	1,878	2,025	2,485	2,908	3,375	AFYP: Thailand	20%	21%	21%	21%	21%
Premiums and fee income	10,433	11,557	13,035	14,787	16,840	AFYP: Singapore	9%	10%	12%	12%	12%
Net premiums and fee income	10,102	11,079	12,670	14,373	16,386	AFYP: Malaysia	6%	6%	6%	6%	5%
Net ins. & invest. contract benefits	(13,563)	(12,080)	(11,276)	(13,338)	(15,304)	AFYP: China	10%	10%	10%	10%	11%
Total expenses	(2,629)	(2,584)	(3,104)	(3,464)	(3,883)	AFYP: others	35%	31%	29%	28%	27%
Commission expenses	(1,648)	(1,438)	(1,774)	(2,027)	(2,294)	Capital strength	FY09	FY10	FY11E	FY12E	FY13E
Operating expenses	(981)	(1,146)	(1,330)	(1,437)	(1,589)	S'holders' funds / ins. liabilities	21%	22%	21%	21%	21%
Underwriting profit	(6,090)	(3,585)	(1,710)	(2,429)	(2,802)	Solvency margin ratio	311%	337%	289%	308%	317%
Investment return	8,843	7,240	4,088	6,119	7,138	Free surplus	4,011	4,992	5,678	6,162	6,428
Recurrent return	3,127	3,557	4,198	4,799	5,419	Profitability measure	FY09	FY10	FY11E	FY12E	FY13E
Realised & unreal. gains/(losses)	5,716	3,683	(110)	1,319	1,718	Loss expense	134.3%	109.0%	89.0%	92.8%	93.4%
Other income and expenses	(342)	(106)	(84)	(95)	(104)	Expense ratio	26.0%	23.3%	24.5%	24.1%	23.7%
Profit/(loss) before tax	2,411	3,549	2,294	3,594	4,232	Combined ratio	160.3%	132.4%	113.5%	116.9%	117.1%
Tax expense	(654)	(839)	(596)	(935)	(1,121)	Recurrent investment yield	4.7%	4.3%	4.3%	4.4%	4.4%
Net profit before m. interests	1,757	2,710	1,697	2,660	3,110	Total investment yield	13.2%	8.7%	4.2%	5.6%	5.7%
Minority interests	(3)	(9)	(11)	(13)	(16)	Effective tax rate	27.1%	23.6%	26.0%	26.0%	26.5%
Attributable net profit	1,754	2,701	1,687	2,647	3,095	ROA	2.2%	2.7%	1.5%	2.1%	2.2%
Operating profit	1,781	2,102	2,202	2,428	2,668	ROE	14.7%	15.7%	8.4%	12.2%	13.0%

Balance sheet (US\$m)	FY09	FY10	FY11E	FY12E	FY13E	Per share data	FY09	FY10	FY11E	FY12E	FY13E
Bonds	52,201	62,207	71,981	81,784	92,475	EPS (US\$)	0.15	0.22	0.14	0.22	0.26
Equities	16,178	22,054	22,720	25,740	28,981	Y/Y	328.3%	54.0%	-37.6%	56.9%	16.9%
Deposits	4,297	3,501	5,164	5,616	5,928	BVPS (US\$)	1.24	1.62	1.72	1.89	2.07
Other investments	2,984	3,165	3,408	3,861	4,347	DPS (US\$)	0.00	0.00	0.04	0.05	0.07
Total investments	75,660	90,927	103,272	117,001	131,731	Payout ratio	0%	0%	30%	25%	27%
DAC assets	10,976	12,006	12,726	13,490	14,299	EV per share (US\$)	1.74	2.05	2.16	2.39	2.65
Other assets	4,023	4,932	2,785	1,372	763	No. of shares (mn)	12,044	12,044	12,044	12,044	12,044
Total assets	90,659	107,865	118,784	131,863	146,793	Actuarial data	FY09	FY10	FY11E	FY12E	FY13E
Insurance contract liabilities	63,255	73,205	80,300	88,349	97,525	Embedded value (EV)	20,965	24,748	26,051	28,822	31,864
Investment contract liabilities	7,780	9,091	11,091	13,391	16,036	EV growth	n.m.	18%	5%	11%	11%
Total liabilities	75,700	88,230	97,962	109,043	121,706	New business value (NBV)	545	667	899	1,088	1,292
Minority interest	51	80	91	104	119	NBV growth	n.m.	22%	35%	21%	19%
Shareholders' funds	14,959	19,635	20,822	22,820	25,087	New business margin	28.3%	32.6%	36.2%	37.4%	38.3%

Income statement growth	09, Y/Y	10, Y/Y	11E, Y/Y	12E, Y/Y	13E, Y/Y	Balance sheet growth	09, Y/Y	10, Y/Y	11E, Y/Y	12E, Y/Y	13E, Y/Y
Total weighted premium income	-5%	12%	13%	13%	14%	Bonds	23.3%	19.2%	15.7%	13.6%	13.1%
Annualised first-year premiums	n.a.	8%	23%	17%	16%	Equities	85.0%	36.3%	3.0%	13.3%	12.6%
Premiums and fee income	-2%	11%	13%	13%	14%	Deposits	-10.9%	-18.5%	47.5%	8.8%	5.6%
Net ins. & invest. contract benefits	1022%	-11%	-7%	18%	15%	Other investments	14.3%	6.1%	7.7%	13.3%	12.6%
Commission expenses	5%	-13%	23%	14%	13%	Total investments	29.3%	20.2%	13.6%	13.3%	12.6%
Operating expenses	-10%	17%	16%	8%	11%	DAC assets	9.2%	9.4%	6.0%	6.0%	6.0%
Total expenses	-1%	-2%	20%	12%	12%	Total assets	25.9%	19.0%	10.1%	11.0%	11.3%
Underwriting profit	-195%	-41%	-52%	42%	15%	Insurance contract liabilities	21.3%	15.7%	9.7%	10.0%	10.4%
Investment return	-226%	-18%	-44%	50%	17%	Investment contract liabilities	58.8%	16.9%	22.0%	20.7%	19.8%
Profit/(loss) before tax	-7634%	47%	-35%	57%	18%	Total liabilities	20.0%	16.6%	11.0%	11.3%	11.6%
Attributable net profit	330%	54%	-38%	57%	17%	Minority interests	410.0%	56.9%	13.5%	14.3%	15.0%
Operating profit	-5%	18%	5%	10%	10%	Shareholders' funds	67.7%	31.3%	6.0%	9.6%	9.9%

Source: Company data, J.P. Morgan estimates.

Air China

www.airchina.com

Company description

Air China is the national flag carrier of China, providing domestic and international passenger and cargo transportation services. It is a member of the Star Alliance group. Its 1H11 revenue breakdown was: passenger: 85%, cargo services: 11% and others: 4%. Air China also owns a 29.9% stake in Cathay Pacific which in turn owns a 19.5% stake in Air China.

Key drivers of performance in an equity market recovery

Rising travel penetration in China, increased traffic feed from Star Alliance partners, more synergies from tie-up with Cathay Pacific, further liberalization of direct China-Taiwan air links, falling fuel prices, Rmb appreciation, industry M&A.

How much recovery has already been priced in, what are the key metrics?

We expect Air China to continue to outperform its regional sector peers given its lower US/Europe exposure and above-sector-average profitability in FY12E. Current valuations remain attractive at 1.2x P/BV, 49% below its historical average since listing.

Where's the earnings risk for 2012?

Key risks would be lower than expected growth in China resulting in industry oversupply, competition from high-speed rail and Cathay Pacific's 2012E EPS falls short of our HK\$0.85 forecast which is already c.48% below consensus.

Price target and key recovery risks

Our Dec-12 PT of HK\$10.5 is based on 2x P/BV, similar to Air China's average valuation since listing excluding the M&A speculation period. Key downside risks: 1) global economic recovery stalls, 2) rising competition from high-speed rail expansion, 3) volatile fuel prices, 4) rising labor costs, and 5) Cathay Pacific's 2012E EPS falls short of our HK\$0.85 forecast which is already c.48% below consensus.

Air China (Reuters: 0753.HK, Bloomberg: 753 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	51,393	82,488	94,896	98,243	104,563
Net Profit (Rmb mn)	4,854	12,005	8,768	5,253	5,480
EPS (Rmb)	0.41	1.01	0.67	0.40	0.42
DPS (Rmb)	0.00	0.00	0.00	0.00	0.00
Revenue Growth (%)	-2.9%	60.5%	15.0%	3.5%	6.4%
EPS Growth (%)	-152.6%	147.3%	-33.8%	-40.1%	4.3%
ROCE	6.9%	10.2%	7.2%	5.2%	4.8%
ROE	22.1%	36.7%	19.5%	10.2%	9.7%
P/E	12.6	5.1	7.7	12.8	12.3
P/BV	2.6	1.5	1.4	1.2	1.1
EV/EBITDA	14.7	10.1	10.0	10.8	10.2
Div Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$6.33

Price Target: HK\$10.50

Hong Kong

Transportation

Corrine Png^{AC}

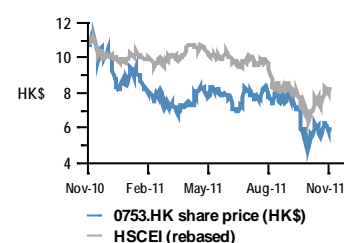
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Bloomberg JPMA PNG <GO>

J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-35.3%	14.5%	-22.8%	-45.5%
Rel	-16.4%	-2.6%	-7.9%	-21.1%

Source: Bloomberg.

Company Data

Shares O/S (mn)	4,563
Market Cap (Rmb mn)	23,574
Market Cap (\$ mn)	3,718
Price (HK\$)	6.33
Date Of Price	04-Nov-11
Free float (%)	31.0%
Avg daily volume (mn)	79.35
Avg daily value (HK\$ mn)	112.10
Avg daily value (\$ mn)	14.43
HSCEI	10,705
Exchange Rate	8
Fiscal Year End	Dec

Air China: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	51,393	82,488	94,896	98,243	104,563	EBIT	5,501	10,928	9,355	7,076	6,924
% change YY	(2.9%)	60.5%	15.0%	3.5%	6.4%	Depr. & amortization	7,051	8,569	10,137	11,275	12,413
EBITDA	12,552	19,497	19,492	18,351	19,337	Change in working capital	-644	678	1,582	427	806
% change YY	-464.7%	55.3%	-0.0%	-5.9%	5.4%	Taxes	28	-503	-1819	-1077	-1123
EBIT	5,501	10,928	9,355	7,076	6,924	Cash flow from operations	5,465	18,366	18,546	16,009	18,034
% change YY	NM	98.7%	NM	NM	NM	Capex	-6,767	-9,645	-18,195	-18,195	-18,195
EBIT Margin	10.7%	13.3%	9.9%	7.2%	6.6%	Disposal/(purchase)	486	190	0	0	0
Net Interest	-1,174	-1,389	-1,039	-1,076	-1,096	Net Interest	-1,174	-1,389	-1,039	-1,076	-1,096
Earnings before tax	5,066	14,834	10,803	6,393	6,669	Other	-5,021	-6,159	0	0	0
% change YY	-146.2%	192.8%	-27.2%	-40.8%	4.3%	Free cash flow	-1,302	8,720	351	-2,186	-161
Tax	-263	-2,498	-1,819	-1,077	-1,123	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	5.2%	16.8%	16.8%	16.8%	16.8%	Debt raised/(repaid)	11,405	22,431	-1,308	1,558	539
Net income (reported)	4,854	12,005	8,768	5,253	5,480	Other	-4,485	-15,044	-	-	-
% change YY	-152.5%	147.3%	-27.0%	-40.1%	4.3%	Dividends paid	0	0	0	0	0
Shares outstanding	11,837	11,837	13,050	13,050	13,050	Beginning cash	2,987	2,707	14,402	13,445	12,817
EPS (reported)	0.41	1.01	0.67	0.40	0.42	Ending cash	2,707	14,402	13,445	12,817	13,195
% change YY	(152.6%)	147.3%	(33.8%)	(40.1%)	4.3%	DPS	0.00	0.00	0.00	0.00	0.00
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	2,707	14,402	13,445	12,817	13,195	EBITDA margin	24.4%	23.6%	20.5%	18.7%	18.5%
Accounts receivable	3,288	5,394	6,203	6,422	6,834	Operating margin	10.7%	13.3%	9.9%	7.2%	6.6%
Inventories	1,385	1,609	1,851	1,916	2,040	Net margin	9.5%	14.5%	9.2%	5.4%	5.2%
Others	1,172	1,575	1,575	1,575	1,575	Sales per share growth	(2.6%)	60.5%	4.4%	3.5%	6.4%
Current assets	8,551	22,979	23,074	22,730	23,643	Sales growth	(2.9%)	60.5%	15.0%	3.5%	6.4%
LT investments	14,399	18,140	19,119	19,513	20,353	Net profit growth	-152.5%	147.3%	-27.0%	-40.1%	4.3%
Net fixed assets	84,969	117,654	125,713	132,633	138,415	EPS growth	(152.6%)	147.3%	(33.8%)	(40.1%)	4.3%
Total Assets	107,919	158,774	167,906	174,876	182,412	Interest coverage (x)	10.69	14.04	18.76	17.06	17.65
Liabilities						Net debt to equity	254.1%	173.3%	146.7%	136.5%	124.2%
Short-term loans	20,615	27,706	27,706	17,223	17,223	Sales/assets	0.49	0.62	0.58	0.57	0.59
Payables	13,889	21,501	24,134	24,845	26,186	Assets/equity	4.58	4.44	4.27	3.24	3.07
Others	2,695	3,182	3,513	2,897	3,008	ROE	22.1%	36.7%	19.5%	10.2%	9.7%
Total current liabilities	37,199	52,389	55,353	44,965	46,416	ROCE	6.9%	10.2%	7.2%	5.2%	4.8%
Long-term debt	42,868	58,486	57,178	69,219	69,757						
Other liabilities	3,898	6,528	6,528	6,528	6,528						
Total Liabilities	83,965	117,403	119,059	120,711	122,701						
Shareholders' equity	23,916	41,438	48,698	53,951	59,431						
BVPS	2.02	3.50	3.73	4.13	4.55						

Source: Company reports and J.P. Morgan estimates.

Alam Sutera

www.alam-sutera.com

Company description

Alam Sutera (ASRI) was established in 1993. The company is an integrated property developer, with focus on residential areas, commercial, management of shopping centers, offices, and recreation offices. The company has 1,216ha of landbank and its landbank is mainly located in the Greater Jakarta areas. The company plans to expand its business into condotels in Bali.

Key drivers of performance in an equity market recovery

The stock has been an outperformer with regards to the JCI index, due to the excitement over its new Pasar Kemis launch. Better-than-expected marketing sales and ASP increase in Pasar Kemis will drive ASRI's outperformance, in our view.

How much recovery has already been priced in, what are the key metrics?

We think that the recovery scenario has been priced into the stock, as the market continues to be bullish on ASRI's new project launch and better-than-expected ASP.

Where's the earnings risk for 2012?

We think earnings risk for ASRI is on the upside as we expect marketing sales in FY11 to exceed the target by more than 50%. Also, ASP continues to be better than expectations.

Price target and key recovery risks

Our June-12 price target of Rp485 is based on a 20% discount to our Jun-12 NAV per share of Rp600 (15-20% discount to NAV is based on average discount of CTRA & SMRA during property upcycle). Key risks to our rating and earning estimates are: (1) unsuccessful launch of Pasar Kemis in 4Q11; (2) weaker-than-expected occupancy rates on its new retail malls, which are due to open in FY12; and (3) higher-than-expected operating expenses on the run-up to marketing sales and wider diversification.

Alam Sutera (Reuters: ASRI.JK, Bloomberg: ASRI IJ)

Rp in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rp bn)	404	765	1,374	1,734	2,119
Net Profit (Rp bn)	94.0	290.5	542.6	697.2	846.2
EPS (Rp)	5.26	16.26	30.37	39.03	47.37
DPS (Rp)	1.05	0.54	4.04	8.27	10.87
Revenue growth (%)	-7.3%	89.6%	79.5%	26.2%	22.2%
EPS growth (%)	53.3%	209.0%	86.8%	28.5%	21.4%
ROCE	4.3%	12.2%	20.0%	22.8%	25.5%
ROE	5.1%	14.1%	22.2%	24.8%	27.0%
P/E (x)	87.4	28.3	15.1	11.8	9.7
P/BV (x)	4.3	3.7	3.1	2.8	2.5
EV/EBITDA (x)	63.3	19.2	10.4	8.1	6.3
Dividend Yield	0.2%	0.1%	0.9%	1.8%	2.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rp460

Price Target: Rp485

Indonesia

Real Estate

Liliana Bambang^{AC}

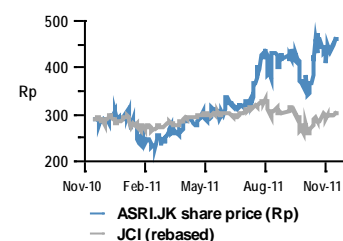
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Bloomberg JPMA BAMBANG <GO>

PT J.P. Morgan Securities Indonesia

Price Performance



	YTD	1m	3m	12m
Abs	50.8%	0.0%	7.0%	58.6%
Rel	48.5%	-2.3%	10.5%	54.8%

Source: Bloomberg.

Company Data

Shares O/S (mn)	17,863
Market cap (Rp mn)	8,217,026
Market cap (\$ mn)	916
Price (Rp)	460
Date Of Price	16 Nov 11
Free float (%)	50.5%
3mth Avg daily volume	124.13
3M - Avg daily Value (Rp mn)	53,094.22
3M - Avg daily Value (USD) (\$ mn)	5.79
JCI	3,814
Exchange Rate	8,967.00
Fiscal Year End	Dec

Alam Sutera: Summary of Financials

Profit and Loss Statement					Cash flow statement				
Rp in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rp in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	765,213	1,373,826	1,734,235	2,118,616	EBIT	343	633	808	966
% change Y/Y	89.6%	79.5%	26.2%	22.2%	Depr. & amortization	3	3	3	3
EBIT	343	633	808	966	Change in working capital	451	440	100	197
% change Y/Y	210.1%	84.6%	27.6%	19.6%	Others	504	1	1	1
EBIT margin (%)	44.8%	46.1%	46.6%	45.6%	Cash flow from operations	797	986	851	1,124
Net Interest	-4	-6	-4	7	Capex	-357	-859	-655	-450
Earnings before tax	330,182	612,204	788,666	957,507	Disposal/(purchase)	-	-	-	-400
% change Y/Y	180.3%	85.4%	28.8%	21.4%	Net Interest	-	-	-	-
Tax	39	69	90	110	Free cash flow	440,300	126,986	196,476	673,550
as % of EBT	11.9%	11.2%	11.4%	11.5%	Equity raised/(repaid)	0	0	0	0
Net income (reported)	290.5	542.6	697.2	846.2	Debt raised/(repaid)	135	105	-80	-100
% change Y/Y	209.0%	86.8%	28.5%	21.4%	Other	6	-	-	-
Core net profit	290,484	542,589	697,227	846,235	Dividends paid	-10	-72	-148	-194
% change Y/Y	209.0%	86.8%	28.5%	21.4%	Beginning cash	431	732	892	861
Shares outstanding	17,863	17,863	17,863	17,863	Ending cash	732	892	861	1,240
EPS (reported)	16.26	30.37	39.03	47.37	DPS	0.54	4.04	8.27	10.87
% change Y/Y	209.0%	86.8%	28.5%	21.4%					
DPS	0.54	4.04	8.27	10.87					
% change Y/Y	-48.8%	651.3%	104.8%	31.4%					
Balance sheet					Ratio Analysis				
Rp in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rp in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	732,357	891,980	860,679	1,240,062	EBIT Margin	44.8%	46.1%	46.6%	45.6%
Accounts receivable	11	20	26	31	Operating margin	44.8%	46.1%	46.6%	45.6%
Inventories	2,186	1,759	1,664	1,475	Net margin	38.0%	39.5%	40.2%	39.9%
Others	63	63	63	63	SG&A/Sales	-	-	-	-
Current assets	3,165	2,906	2,786	2,981	Sales per share growth	89.6%	79.5%	26.2%	22.2%
LT investments	-	-	-	-	Sales growth	89.6%	79.5%	26.2%	22.2%
Net fixed assets	164	564	1,069	1,569	Net profit growth	209.0%	86.8%	28.5%	21.4%
Total Assets	4,588	5,186	5,667	6,234	EPS growth	209.0%	86.8%	28.5%	21.4%
Liabilities					Interest coverage (x)	88.28	106.86	203.81	-
ST Loans	-	-	-	-	Net debt to total capital	-8.4%	-9.2%	-9.6%	-21.6%
Payables	26	48	58	72	Net debt to equity	-10.7%	-10.8%	-11.5%	-24.5%
Others	31	31	31	31	Sales/assets	0.19	0.28	0.32	0.36
Total current liabilities	1,702	1,713	2,023	2,288	Assets/equity	2.08	1.93	1.93	1.87
Long-term debt	669	774	694	594	ROE	14.1%	22.2%	24.8%	27.0%
Other liabilities	-	-	-	-	ROCE	12.2%	20.0%	22.8%	25.5%
Total Liabilities	2,372	2,487	2,717	2,881					
Shareholders' equity	2,208,305	2,690,007	2,939,310	3,340,772					
BVPS	123.62	150.59	164.55	187.02					

Source: Company reports and J.P. Morgan estimates.

Amorepacific Corp.

www.amorepacific.com

Company description

Amorepacific is the leading cosmetic and personal-care company in Korea with roughly 35% market share. It generates 83% of its sales from cosmetics and 17% from mass cosmetics (household and personal goods).

Key drivers of performance in an equity market recovery

We expect better earnings momentum in 2012 with: 1) strong top line growth in domestic cosmetics and China; and 2) a moderate rebound in consolidated OPM from 2011. Also, we believe Amorepacific is the most-leveraged Korean cosmetics company to structural changes in Chinese consumer spending patterns and income growth with: (1) the ongoing expansion of the distribution channel; (2) strong brand recognition as a result of the marketing efforts; and (3) wider-range brand line-up.

How much recovery has already been priced in, what are the key metrics?

A slowdown in sales in the discount store channel started in 1H, while the door-to-door sales channel sales slowdown came with some time-lag in 3Q11. Given that the department store channel has been resilient during the economic downturn, a further slowdown in door-to-door channel going into 2012 will be the key focus for the share price move.

Where's the earnings risk for 2012?

Earnings risks for 2012 lies on the downside. The pace of door-to-door channel moderation should be watched carefully, given that it is: 1) relatively less resilient during the economic downturn compared with the department store channel; and 2) the biggest contributor to operating profit as a distribution channel with the highest operating margin.

Price target and key recovery risks

Our Dec-12 price target of W1,430,000 is based on a target P/E of 22.0x FY12E EPS; 22.0x P/E is at a 20% premium to the global cosmetic companies' average of 18x, given Amorepacific's dominant market share in the Korean cosmetic market and growth potential in the China market. Risks are: (1) lower-than-expected OPM in domestic cosmetics; and (2) a slowdown in the sales growth in China due to stricter import regulations.

Amorepacific Corp (Reuters: 090430.KS, Bloomberg: 090430 KS)

Year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	1,940	2,252	2,613	2,976	3,331
Operating Profit (W bn)	309	356	422	482	544
Operating Margin	15.9%	15.8%	16.1%	16.2%	16.3%
Net Profit (W bn)	226	284	322	379	444
EPS (W)	38,639	48,664	55,083	64,797	75,960
BVPS (W)	188,320	225,738	315,816	393,512	455,165
Revenue growth	15.6%	16.1%	16.0%	13.9%	12.0%
Operating growth	25.5%	15.1%	18.5%	14.2%	13.1%
EPS growth	32.7%	25.9%	13.2%	17.6%	17.2%
ROE	18.7%	19.9%	17.4%	16.5%	16.7%
P/E (x)	29.8	23.7	20.9	17.8	15.2
P/BV (x)	6.1	5.1	3.6	2.9	2.5

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: 1,152,000

Price Target: 1,430,000

South Korea

Cosmetics & Personal Care

Youna Kim^{AC}

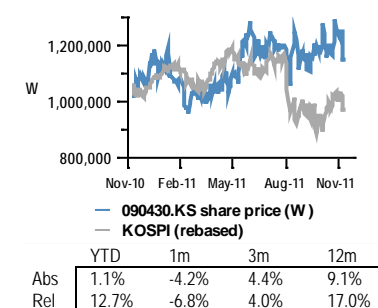
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Bloomberg JPMA YKIM <GO>

J.P. Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



Source: Bloomberg.

Company Data	
52-week Range (W)	1,325,000 - 952,000
Market cap (W bn)	6,735
Market cap (\$ mn)	6,030
Shares O/S (mn)	6
Fiscal Year End	Dec
Price (W)	1,152,000
Date Of Price	10 Nov 11
Free float (%)	53.8%
3M Avg daily value (W bn)	14.77
3M Avg daily value (\$ mn)	13.25
3M Avg daily vol	0.01
KOSPI	1813.25
Exchange Rate	1,116.85

Amorepacific Corp: Summary of financials

Won in billions, year-end December

Profit & Loss	2009	2010	2011E	2012E	2013E	Balance Sheet	2009	2010	2011E	2012E	2013E
Net sales	1,940	2,252	2,613	2,976	3,331	Total Assets	1,754	1,754	2,024	2,826	3,170
Cosmetics	-	-	1,858	2,069	2,242	Current Assets	636	636	711	894	1,226
Premium	-	-	1,212	1,319	1,422	Cash & Cash Equivalents	220	220	155	307	591
Mass	-	-	646	750	820	Current Financial Assets	158	158	154	150	177
Overseas	-	-	344	432	540	Trade and Other Current Receiva.	83	83	170	182	182
MB&S	-	-	411	475	549	Inventory	160	160	204	206	226
COGS	539	578	678	770	889	Others	99	99	197	52	52
Gross Profit	1,401	1,674	1,935	2,206	2,442	Non-current Assets	1,118	1,118	1,314	1,932	1,943
SG&A	1,092	1,318	1,513	1,725	1,898	Investment Assets	78	78	82	13	13
Operating Profit	309	356	422	482	544	Tangible Assets	940	940	1,156	1,790	1,832
Cosmetics	-	-	369	406	440	Intangible Assets	27	27	30	68	78
MB&S	-	-	45	53	63	Others	43	43	41	37	-4
Overseas	-	-	8	23	42	Total Liabilities	454	454	466	692	703
Interest income	9	12	14	31	53	Current Liabilities	285	285	303	440	440
Interest expense	2	2	1	0	0	Trade and Other Current Payable.	229	229	250	85	86
Pre-tax profit	300	361	422	494	579	St. Debt	20	20	13	19	19
Income Taxes	74	76	100	115	135	Current portion of LT debt	0	0	0	0	0
Tax rate	24.7%	21.2%	23.6%	23.3%	23.3%	Non-current Liabilities	169	169	163	252	263
Net Profit	226	284	322	379	444	Total Stockholders' Equity	1,300	1,300	1,558	2,134	2,466
<i>Growth</i>						Paid-in Capital	35	35	35	35	35
Net sales	15.6%	16.1%	16.0%	13.9%	11.9%	Common Stock	29	29	29	29	29
Operating profit growth	25.5%	15.1%	18.5%	14.2%	13.1%	Preferred Stock	5	5	5	5	5
Net profit growth	32.7%	25.9%	13.2%	17.6%	17.2%	Capital Surplus	713	713	719	720	720
						Capital Adjustment	-2	-2	-2	-2	-2
						Retained Earnings	530	530	776	1,381	1,713
Cash Flow	2009	2010	2011E	2012E	2013E	Ratio	2009	2010	2011E	2012E	2013E
Cash Flows from Operation	358	364	518	534	559	Margin					
Net profit	226	284	322	379	444	GPM	72.2%	74.3%	74.0%	74.1%	73.3%
Additions	124	129	210	247	271	OPM	15.9%	15.8%	16.1%	16.2%	16.3%
Depreciation	76	75	88	108	110	Cosmetics	-	-	19.9%	19.6%	19.6%
Amortization	10	10	0	0	0	MB&S	-	-	10.9%	11.1%	11.4%
Prov for Severance	24	27	21	24	27	Overseas	-	-	2.4%	5.2%	7.7%
Deductions	5	15	13	32	54	NPM	11.6%	12.6%	12.3%	12.7%	13.3%
Chg. in Assets/Liab. from Operating	13	-35	31	-61	-103	EPS (Won)	38,639	48,664	55,083	64,797	75,960
Decr. in trade and other receivable	-26	2	3	-27	-23	BVPS (Won)	188,320	225,738	309,268	357,361	413,711
Decr. in Inventory	12	-44	3	-21	-102	DPS (Won)	5,500	6,000	8,019	9,433	10,000
Incr. in Accounts Payable	45	18	4	0	36	RoE (%)	18.7%	19.9%	17.4%	16.5%	16.7%
Retirement Pay	-18	-34	-13	-13	-14	NP/PBT (x)	0.8	0.8	0.8	0.8	0.8
Others	0	23	0	0	0	PBT/EBIT (x)	1.0	1.0	1.0	1.0	1.1
Cash Flows from Investing	-250	-399	-330	-203	-153	EBIT/sales (%)	15.9%	15.8%	16.1%	16.2%	16.3%
Capex	-202	-310	-277	-150	-100	Sales/assets (x)	1.2	1.2	1.1	1.0	1.0
Cash Flows from Financing	-41	-27	-40	-47	-55	Assets/equity (x)	1.4	1.3	1.3	1.3	1.3
ST borrowing	4	0	2	0	0	Net debt/equity (%)	-15.3%	-9.1%	-13.5%	-23.2%	-32.3%
Dividends	-35	-38	-41	-47	-55	Total Liab./Equity	0.3	0.3	0.3	0.3	0.3
Others	-10	11	0	0	0						
Increase in Cash	65	-64	148	284	351						
Cash at the Beginning	154	220	155	276	571						
Cash at the End	220	155	276	571	922						

Source: Company, J.P. Morgan estimates, Note: 2009 and 2010 are K-GAAP Consolidated base. 2011 and forecast for 2012 and 2013 are K-IFRS Consolidated base.

AsiaInfo-Linkage Inc.

www.asiainfo.com

Company description

AsiaInfo-Linkage (ASIA) is the dominant provider of telecom infrastructure software (billing, CRM business intelligence and operation support system) with approximately 55% market share in China. It entered the Southeast Asian market in 2009. Key customers are China Mobile (941 HK), China Unicom (762 HK) and China Telecom (728 HK).

Key drivers of performance in an equity market recovery

1) Overseas expansion on track: ASIA believes that markets in Thailand, Nepal and the Philippine look promising in the near-term and it will likely adopt a managed service model, one that builds software & systems to secure recurring revenue. Revenue will be recognized starting in 2012. 2) Defensive telco capex in China, talent bottleneck improving. 3) Enhancing R&D efforts in the next 12-18 months to deliver best-in-class solutions, which should benefit ASIA in the long-term.

How much recovery has already been priced in, what are the key metrics?

The company is trading at ~2std below average adjusted P/E valuation, with what we see as sustainable growth potential. Hence we think very little recovery has been priced in.

Where's the earnings risk for 2012?

1) telcos reducing the pace of their upgrades; 2) higher-than-expected wage inflation; 3) stronger-than-expected overseas projects. We estimate that every new overseas account could result in an 80bp drop in adjusted operating margins for 3-4 quarters.

Price target and key recovery risks

Our DCF-based, Dec-12 target price is US\$21 which implies 12.4x adjusted PE (excluding share-based compensation expenses and amortization of other acquired intangible assets), in line with its 5-year historical mean and Amdocs (DOX US), an industry peer. Risks to price target: Telecom operators reduce the pace of their upgrades; 2) Longer DSOs resulting in lower FCF per share; 3) Glitches in integration process and 4) Higher-than-expected wage inflation 5) cost overrun of new overseas project.

Bloomberg ASIA US, Reuters ASIA

(Year-end Dec, \$ mn)	FY09	FY10	FY11E	FY12E	FY13E		FY09	FY10	FY11E	FY12E	FY13E	52-Week range	\$22.91 - 6.21
Sales	249	343	480	565	659	P/E (x)	9.8	8.4	7.9	8.4	5.6	Market Cap	US\$558MM
Gross Profit	135	170	250	279	326	P/BV (x)	1.3	0.6	0.6	0.5	0.5	Enterprise Value	\$456MM
Operating Profit	37	60	56	72	111	EV/EBITDA (x)	12.1	5.7	4.4	3.3	2.1	Share Out. (Com)	72MM
EBITDA	40	85	104	116	141	Div. Yield (%)	0.0	0.0	0.0	0.0	0.0	Free float	61.6%
Pre-Tax Profit	41	63	63	80	119	ROE (%)	14.8	9.3	7.4	6.5	9.1	Avg daily val (US\$)	11.54MM
Net profit	35.9	56.2	70.9	66.7	103.4	ROIC (%)	14.1	11.4	16.8	13.9	13.4	Avg daily vol.	1.2MM
EPS (\$)	0.79	0.92	0.98	0.92	1.40	WC Turns (x)	-2.83	3.71	2.35	1.97	1.67	Dividend yield (%)	0.0
BPS (\$)	5.82	12.77	13.72	14.68	16.11	Net Debt/Equity	-86.6%	-24.8%	-26.9%	-31.2%	-35.1%	Hang Seng Index	2,695

Company data, Bloomberg, J. P. Morgan estimates. Note: In Net Debt/Equity, NM means company has net cash

Overweight

Price: \$7.76

Price Target: \$21.00

China

eBusiness/IT Services

Qin Zhang, CFA^{AC}

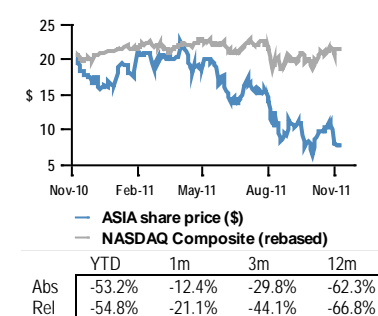
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Bloomberg JPMA ZHANG <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

AsiaInfo-Linkage Inc.: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	249	343	480	565	659	Gross margin	54.1%	49.4%	52.0%	49.4%	49.4%
Cost of goods sold	114	174	230	286	334	EBITDA margin	16.0%	24.8%	21.7%	20.5%	21.5%
Gross Profit	135	170	250	279	326	Operating margin	14.9%	17.5%	11.7%	12.8%	16.9%
R&D expenses	-39	-36	-51	-73	-79	Net margin	14.4%	16.4%	14.8%	11.8%	15.7%
SG&A expenses	-60	-73	-81	-89	-97	R&D/sales	15.8%	10.5%	10.6%	13.0%	12.0%
Operating profit (EBIT)	37	60	56	72	111	SG&A/Sales	24.0%	21.3%	16.9%	15.8%	14.7%
EBITDA	40	85	104	116	141	Sales growth	42.0%	37.7%	39.8%	17.7%	16.7%
Interest income	2	3	3	3	3	Operating profit growth	92.4%	61.9%	-6.9%	29.3%	53.6%
Interest expense	0	-	0	0	0	Net profit growth	90.8%	56.8%	26.2%	-5.9%	54.9%
Investment income (Exp.)	2	3	3	3	3	EPS (reported) growth	89.4%	16.0%	6.1%	(5.8%)	51.8%
Non-operating income (Exp.)	-	-	-	-	-	Interest coverage (x)	-	-	-	-	-
Earnings before tax	41	63	63	80	119	Net debt to total capital	-86.6%	-24.8%	-26.9%	-31.2%	-35.1%
Tax	-5	-10	7	-14	-17	Net debt to equity	-86.6%	-24.8%	-26.9%	-31.2%	-35.1%
Net income (reported)	35.9	56.2	70.9	66.7	103.4	Asset turnover	0.62	0.40	0.37	0.41	0.43
EPS (reported)	0.79	0.92	0.98	0.92	1.40	Working capital turns (x)	-2.83	3.71	2.35	1.97	1.67
BVPS	5.82	12.77	13.72	14.68	16.11	ROE	14.8%	9.3%	7.4%	6.5%	9.1%
DPS	0.00	0.00	0.00	0.00	0.00	ROIC	14.1%	11.4%	16.8%	13.9%	13.4%
Shares outstanding	47	73	72	73	75	ROIC (net of cash)	86.1%	18.2%	22.4%	19.3%	19.7%
Balance sheet						Cash flow statement					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	239	238	270	341	427	Net income	35.9	56.2	70.9	66.7	103.4
Accounts receivable	132	264	333	412	491	Depr. & amortization	3	25	48	44	30
Inventories	10	10	12	14	17	Change in working capital	3	-87	-51	-47	-54
Others	97	117	121	127	132	Other	-	-	-	-	-
Current assets	436	587	693	852	1,025	Cash flow from operations	52	48	49	52	61
Intangibles & Goodwill	26	643	595	555	529	Capex	-1	-2	-13	-13	-12
LT investments	5	6	6	6	6	Disposal/(purchase)	-	-	-	-	-
Net fixed assets	3	6	17	29	42	Cash flow from investing	-6	-56	-16	-16	-16
Others	12	12	12	12	12	Free cash flow	51	45	35	39	49
Total Assets	482	1,253	1,324	1,454	1,613	Equity raised/(repaid)	18	6	-52	8	8
Liabilities						Debt raised/(repaid)	0	0	0	0	0
ST Loans	0	0	0	0	0	Other	2	-6	44	27	34
Payables	76	90	100	124	145	Dividends paid	0	0	0	0	0
Others	125	166	177	189	197	Cash flow from financing	20	0	-8	35	42
Total current liabilities	201	256	277	313	342	Net change in cash	66	-8	24	71	86
Long-term debt	0	0	0	0	0	Beginning cash	172	239	238	270	341
Other liabilities	-	-	-	-	-	Ending cash	239	238	270	341	427
Total Liabilities	204	313	336	376	407						
Shareholders' equity	275	938	985	1,075	1,203						

Source: Company reports and J.P. Morgan estimates.

Asian Property Development

www.ap-thai.co.th

Company description

AP is one of the leading residential developers in Thailand. AP has a very broad product range, mainly targeting the mid-upper end of the market. AP originally had significant presence in the townhouse/townhome market. In recent years, however, there has increasingly been a move towards the development of condo and single detached houses. AP aims to maintain a 50:50 mix of revenue from high-rise and landed properties.

Key drivers of performance in an equity market recovery

With the Bank of Thailand having stopped hiking interest rates, and with the potential for future interest rate reductions, the property sector could be a key beneficiary. We believe AP, which targets the mid-upper end, is more leveraged to an interest rate reduction than the low-income and high-end housing segments. This could likely bring AP's leverage ratio down to a more normal level (1x net D/E) after net D/E hit 1.3x in 3Q11.

How much recovery has already been priced in, what are the key metrics?

The property sector has been largely ignored by the market during the past 12 months on the back of rising interest rates and concerns about condo supply. Most property stocks, including AP, are trading on below-average PE multiples. With interest rates stable or declining, and as the market realizes that property demand remains robust, we believe that there is a significant re-rating probability.

Where's the earnings risk for 2012?

Risks on FY12 earnings would mainly come from two sources 1) an increase in construction costs and wages, 2) sustained weak demand for landed property after the flooding situation of 4Q11.

Price target and key recovery risks

Our Dec12 PT for AP is Bt8.5 which is based on 9.5x of FY12E EPS. The target PE is based on the pre-2008 crisis average PE of AP. Risks are a weaker-than-expected take up rate of new launches, higher than expected marketing expenses, and an inability to pass through higher construction costs.

Asian Property Development Public Company Limited (Reuters: AP.BK, Bloomberg: AP TB)

Bt in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Bt mn)	12,520	13,692	17,308	19,453	23,670
Net Profit (Bt mn)	1,927.5	2,227.7	2,307.7	2,506.7	3,130.0
EPS (Bt)	0.83	0.95	0.81	0.88	1.10
DPS (Bt)	0.29	0.18	0.29	0.32	0.40
Revenue growth (%)	28.4%	9.7%	26.1%	12.3%	21.5%
EPS growth (%)	17.7%	15.1%	-14.4%	8.6%	24.9%
ROCE	19.0%	17.7%	16.4%	15.9%	17.8%
ROE	26.0%	25.4%	22.0%	20.4%	22.2%
P/E (x)	5.4	4.7	5.5	5.0	4.0
P/BV (x)	1.3	1.1	1.1	1.0	0.8
EV/EBITDA (x)	7.0	7.3	7.1	6.8	5.6
Dividend Yield	6.6%	4.1%	6.6%	7.2%	9.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Bt4.44

Price Target: Bt8.50

Thailand

Property

Anne Jirajariyavech^{AC}

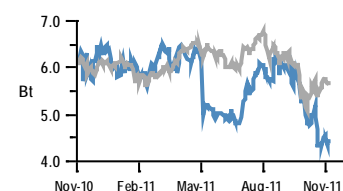
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JPMA JIRAJARIYAVECH <GO>

JPMorgan Securities (Thailand) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-24.1%	-8.6%	-26.0%	-27.2%
Rel	-15.9%	-20.5%	-11.2%	-20.0%

Source: Bloomberg.

Company Data

Shares O/S (mn)	2,821
Market cap (Bt mn)	12,527
Market cap (\$ mn)	409
Price (Bt)	4.44
Date Of Price	04 Nov 11
Free float (%)	65.0%
3mth Avg daily volume	20,232,180.00
3M - Avg daily Value (Bt mn)	113.03
3M - Avg daily Value (USD)	3.69
(\$ mn)	
SET	957
Exchange Rate	30.63
Fiscal Year End	Dec

Asian Property Development: Summary of Financials

Profit and Loss Statement					Cash flow statement				
Bt in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	13,692	17,308	19,453	23,670	EBIT	3,203	3,518	3,818	4,724
% change Y/Y	9.7%	26.1%	12.3%	21.5%	Depr. & amortization	178	30	30	30
EBIT	3,203	3,518	3,818	4,724	Change in working capital	-3,833	-2,399	-2,785	-2,478
% change Y/Y	9.8%	9.8%	8.5%	23.7%	Others	4,417	4,308	4,678	5,835
EBIT margin (%)	23.1%	20.1%	19.4%	19.8%	Cash flow from operations	-491	920	818	2,015
Net Interest	-103	-219	-235	-250	Capex	-511	-	-	-
Earnings before tax	3,024	3,239	3,523	4,414	Disposal/(purchase)	-	-	-	-
% change Y/Y	12.6%	7.1%	8.8%	25.3%	Net Interest	-	-	-	-
Tax	-977	-990	-1,075	-1,342	Free cash flow	-1,002	920	818	2,015
as % of EBT	32.3%	30.6%	30.5%	30.4%	Equity raised/(repaid)	0	492	0	0
Net income (reported)	2,227.7	2,307.7	2,506.7	3,130.0	Debt raised/(repaid)	2,031	4,200	1,000	500
% change Y/Y	15.6%	3.6%	8.6%	24.9%	Other	-	-	-	-
Core net profit	2,045	2,248	2,447	3,069	Dividends paid	-747	-422	-831	-902
% change Y/Y	9.6%	9.9%	8.9%	25.4%	Beginning cash	1,708	355	515	357
Shares outstanding	2,343	2,835	2,835	2,835	Ending cash	355	515	357	406
EPS (reported)	0.95	0.81	0.88	1.10	DPS	0.18	0.29	0.32	0.40
% change Y/Y	15.1%	(14.4%)	8.6%	24.9%					
DPS	0.18	0.29	0.32	0.40					
% change Y/Y	-38.8%	62.8%	8.6%	24.9%					
Balance sheet					Ratio Analysis				
Bt in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	355	515	357	406	EBIT Margin	23.1%	20.1%	19.4%	19.8%
Accounts receivable	9	9	9	9	Operating margin	22.6%	19.8%	19.1%	19.5%
Inventories	21,347	23,753	26,545	29,029	Net margin	16.1%	13.2%	12.8%	13.1%
Others	1,510	1,510	1,510	1,510	SG&A/Sales	-	-	-	-
Current assets	23,221	25,786	28,421	30,954	Sales per share growth	9.3%	4.3%	12.3%	21.5%
LT investments	156	156	156	156	Sales growth	9.7%	26.1%	12.3%	21.5%
Net fixed assets	737	707	677	647	Net profit growth	15.6%	3.6%	8.6%	24.9%
Total Assets	24,114	26,649	29,254	31,757	EPS growth	15.1%	(14.4%)	8.6%	24.9%
Liabilities					Interest coverage (x)	32.95	16.20	16.40	19.04
ST Loans	3,860	226	226	226	Net debt to total capital	57.0%	50.0%	49.5%	46.4%
Payables	711	711	711	711	Net debt to equity	108.4%	93.4%	90.8%	81.7%
Others	2,938	2,938	2,938	2,938	Sales/assets	0.64	0.69	0.70	0.78
Total current liabilities	7,509	3,875	3,875	3,875	Assets/equity	1.65	1.44	2.24	2.10
Long-term debt	6,807	11,007	12,007	12,507	ROE	25.4%	22.0%	20.4%	22.2%
Other liabilities	285	285	285	285	ROCE	17.7%	16.4%	15.9%	17.8%
Total Liabilities	14,600	15,167	16,167	16,667					
Shareholders' equity	9,514	11,482	13,087	15,090					
BVPS	4.06	4.05	4.62	5.32					

Source: Company reports and J.P. Morgan estimates.

ASX Limited

www.asxgroup.com.au

Company description

ASX Group is a vertically integrated exchange group, offering listing services, cash equity and derivative trading, clearing and settlement and market data and access. ASX Group is the 8th largest cash equity market in the world (on free-float market capitalisation) with ~A\$1.3 trillion market capitalisation and ~ A\$5 billion average daily trading value.

Key drivers of performance in an equity market recovery

While the cash equity trading revenue line is facing competition from new entrant Chi-X Australia, increased regulatory focus following the GFC and “flash-crash” has slowed down market structure changes, assisting the exchange in repositioning its business offering. As a vertically integrated, diversified exchange, the business model has a number of revenue lines to offset the expected revenue decline associated with the introduction of competition in cash market trading (although this revenue line only accounts for ~6% of revenue). Over the next 12 months, we expect to see the exchange unbundle its offerings (clearing, market data) which will better segment the customer base and lead to increased revenue.

How much recovery has already been priced in, what are the key metrics

ASX is currently trading on a 13.5x 1-year forward consensus P/E and generates a fully franked dividend yield of 6.7%, compared to the 22.6x average for listed Asia Pacific exchanges.

Where's the earnings risk for 2012

Earnings risks in 2012 include sustained weakness in investment markets impacting corporate activity, increased or non-commercial competition in trade execution, operational risks (technology and systems) eventuating and impacting on participant confidence and ability to realise potential revenue growth.

Price target and key recovery risks

We have a 31 December 2012 share price target of A\$36.00 based on our DCF valuation of A\$34.57 (WACC: 11.13%, Forecast period: 15 years, Terminal value: assumes the company does not generate ROIC above WACC in perpetuity). The main risks to our share price target include 1) Sustained weakness in investment markets and corporate activity, 2) Changes to pricing, 3) Competition in trade execution, 4) Introduction of new products, and 5) Regulatory change.

ASX Limited (Reuters: ASX.AX, Bloomberg: ASX AU)

Year-end Jun (A\$)	FY10A	FY11A	FY12E	FY13E	FY14E
Total Revenue (A\$ mn)	588.2	617.6	647.5	701.8	746.1
EBITDA (A\$ mn)	462.1	491.9	512.6	564.3	604.6
Net profit after tax (A\$ mn)	328.1	352.3	374.4	416.6	449.0
EPS (A\$)	1.904	2.016	2.138	2.379	2.563
P/E (x)	15.8	15.0	14.1	12.7	11.8
EV/EBITDA	10.5	9.8	9.3	8.4	7.8
Dividend (A\$)	1.731	1.832	1.925	2.258	2.435
Net Yield (%)	5.7%	6.1%	6.4%	7.5%	8.1%
Normalised* EPS (A\$)	1.919	2.028	2.126	2.364	2.546
Normalised* EPS chg (%)	5.6%	5.7%	4.8%	11.2%	7.7%
Normalised* P/E (x)	15.7	14.9	14.2	12.8	11.8

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: A\$30.14

Price Target: A\$36.00

Australia

Diversified Financials

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Bloomberg JPMA GILL <GO>

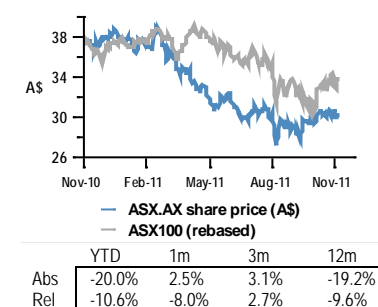
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J.P. Morgan Securities Australia Limited

Price Performance



Source: Bloomberg.

Company Data

52-week range (A\$)	39.18 - 25.83
Market capitalisation (A\$ bn)	5.28
Market capitalisation (\$ bn)	5.48
Fiscal Year End	Jun
Price (A\$)	30.14
Date Of Price	04 Nov 11
Shares outstanding (mn)	175.1
ASX100	3,491.3
ASX200-Ind	5,743.1
NTA/Sh (A\$)	4.28
Net Debt [^] (A\$ bn)	-0.50

ASX Limited

Profit & Loss Statement (A\$m)	FY11	FY12E	FY13E	FY14E
Revenue	617.6	647.5	701.8	746.1
Expenses	(135.6)	(144.0)	(148.2)	(153.6)
EBITDA	482.1	503.6	553.6	592.5
Depreciation and amortisation	(23.3)	(25.3)	(28.2)	(29.2)
EBIT	458.8	478.2	525.4	563.3
Net interest	37.6	44.6	55.3	61.6
Dividend revenue	9.9	9.0	10.7	12.1
Pre-tax profit	506.2	531.9	591.4	637.0
Tax	(149.7)	(157.5)	(174.8)	(188.1)
NPAT before Abnormals	356.6	374.4	416.6	449.0
NPAT after Abnormals	352.3	374.4	416.6	449.0

Cash Flow Statement (A\$m)	FY11	FY12E	FY13E	FY14E
EBITDA	476.0	503.6	553.6	592.5
Change In working capital	0.5	(24.3)	(2.7)	(2.7)
Net Interest	36.2	44.6	55.3	61.6
Tax paid	(141.8)	(157.5)	(174.8)	(188.1)
Other Operating Items	10.3	14.9	13.7	15.2
Operating Cash Flow	381.1	381.3	445.1	478.5
Capex & investments	(47.1)	(37.2)	(32.5)	(33.8)
Asset sales	0.0	0.0	0.0	0.0
Other investing items	0.0	0.0	0.0	0.0
Investing Cash Flow	(47.1)	(37.2)	(32.5)	(33.8)
Borrowings and equity	45.8	0.0	0.0	0.0
Dividends	(303.6)	(326.6)	(369.5)	(411.1)
Change in Cash Balance	0.0	(17.5)	(43.1)	(33.5)
Financing Cash Flow	(258.6)	(344.1)	(412.7)	(444.6)
Net Inc/(Dec) in Cash	75.4	0.0	0.0	0.0

Division Revenue (A\$m)	FY11	FY12E	FY13E	FY14E
Listings and Issuer Services	150.4	137.9	161.5	174.8
Cash Market	133.9	132.5	133.4	140.7
Derivatives	172.2	206.3	226.1	241.1
Information Services	70.9	70.8	75.3	78.3
Technical Services	40.4	47.5	50.4	53.3
Austraclear Services	33.8	35.7	37.4	39.2
Other	16.1	16.9	17.8	18.7
Total Revenue	617.6	647.5	701.8	746.1

Balance Sheet (A\$m)	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	1,951.6	2,135.5	2,369.1	2,620.8
Available-for-sale financial assets	1,367.0	1,564.9	1,791.5	2,050.9
Receivables	266.9	230.1	245.3	260.6
Other current assets	7.7	7.9	8.4	8.9
Total Current Assets	3,593.2	3,938.4	4,414.4	4,941.2
Investments	214.0	214.0	214.0	214.0
Property, plant and equipment	57.1	67.1	68.7	70.5
Goodwill and intangibles	2,318.2	2,320.0	2,322.6	2,325.6
Other non-current assets	0.0	0.0	0.0	0.0
Total Non-Current Assets	2,589.3	2,601.1	2,605.3	2,610.0
Total Assets	6,182.4	6,539.5	7,019.7	7,551.3

	FY11	FY12E	FY13E	FY14E
Payables	258.2	197.2	210.3	223.4
Amount owing to participants	2,433.9	2,786.3	3,189.8	3,651.7
Provisions and other	89.9	91.5	93.3	95.0
Total Current Liabilities	2,782.0	3,075.1	3,493.3	3,970.1
Amount owing to participants	82.5	94.4	108.1	123.8
Borrowings	250.0	250.0	250.0	250.0
Provisions and other	46.8	51.1	52.4	53.7
Total Non-Current Liabilities	379.3	395.6	410.5	427.5
Total Liabilities	3,161.4	3,470.7	3,903.9	4,397.5
Issued equity	2,483.2	2,483.2	2,483.2	2,483.2
Retained Earnings	368.3	416.1	463.2	501.0
Restricted Capital Reserve	71.5	71.5	71.5	71.5
Reserves	98.0	98.0	98.0	98.0
Total Equity	3,021.1	3,068.8	3,115.9	3,153.7

Ratio Analysis	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	78.1%	77.8%	78.9%	79.4%
EBIT margin (%)	74.3%	73.9%	74.9%	75.5%
Revenue growth (%)	5.0%	4.8%	8.4%	6.3%
Normalised EPS (cps)	202.8¢	212.6¢	236.4¢	254.6¢
Normalised EPS growth (%)	5.7%	4.8%	11.2%	7.7%
DPS (cps)	183.2¢	192.5¢	225.8¢	243.5¢
Dividend yield (%)	6.1%	6.4%	7.5%	8.1%
ROE (%)	12.0%	12.3%	13.4%	14.3%

Source: Company, J.P. Morgan estimates.

Ayala Corporation

www.ayala.com.ph

Company description

Ayala Corp. (AC) is one of the largest conglomerates in the Philippines with a diversified investment portfolio that includes real estate (Ayala Land), banking (Bank of the Philippine Islands), and telecoms (Globe). The other investments are integrated in AC Capital, which includes water utility (Manila Water), contract manufacturing (Integrated Microelectronics), and business process outsourcing (LiveIT Solutions).

Key drivers of performance in an equity market recovery

AC is a dark horse in the participation and bidding of the government's Public Private Partnership (PPP) program. In our view, the conglomerate has the management depth, financial capability, wealth of experience, and reputation that will give it the competitive advantage in securing new business wins from the PPP scheme. AC is one of the three pre-qualified bidders for the 4km Daang-Hari Expressway. Other key catalysts include BPI's consistent delivery of above peer RoE, Globe's recovery from the market share loss to Sun and Smart, and profit growth of Ayala Land.

How much recovery has already been priced in, what are the key metrics?

AC continues to trade at a wide discount to its NAV, whether market price-based NAV or fair value-based NAV, and in our view, this is primarily because of the lack of new long-term business/earnings driver. We believe that a major business win in the infrastructure space should be the key catalyst that will narrow the discount to NAV.

Where's the earnings risk for 2012?

Earnings risk for AC in 2012 hinges on the earnings risk of Ayala Land (ALI) and BPI, which combined accounts for 60% of total earnings. ALI could see downward earnings revision should real estate demand slows down while BPI has an upside risk if NIM does not contract and loan growth continues to trend higher.

Price target and key recovery risks

Our Dec-12 PT of Php390 was derived after applying a 25% conglomerate discount to our SOTP NAV of Php521. Our PT for ALI is based on a 10% discount to NAV, for BPI based on a 2-stage dividend discount model, for MWC based on DCF, and for Globe based on target return. Key risks are major disappointment in the operating performance of its subsidiaries, ALI's failure to deliver long-term profit and RoE targets, and continued losses of LiveIt.

Ayala Corporation (Reuters: AC.PS, Bloomberg: AC PM)

Php in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Php mn)	76,294	98,071	99,606	112,574	124,115
Net Profit (Php mn)	8,154.3	11,161.1	9,743.5	12,320.5	14,770.5
EPS (Php)	13.70	18.75	16.74	21.17	25.38
DPS (Php)	4.00	4.00	4.00	4.00	4.00
Revenue growth (%)	-3.6%	28.5%	1.6%	13.0%	10.3%
EPS growth (%)	0.6%	36.9%	-10.7%	26.5%	19.9%
ROCE	10.5%	14.6%	11.5%	13.4%	14.6%
ROE	8.2%	10.5%	8.6%	10.3%	11.5%
P/E (x)	21.6	15.7	17.6	13.9	11.6
P/BV (x)	1.7	1.6	1.5	1.4	1.3
EV/EBITDA (x)	9.6	6.4	6.6	4.9	3.6
Dividend Yield	1.4%	1.4%	1.4%	1.4%	1.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Php295.20

Price Target: Php390.00

Philippines

Diversified conglomerates

Jeanette G Yutan^{AC}

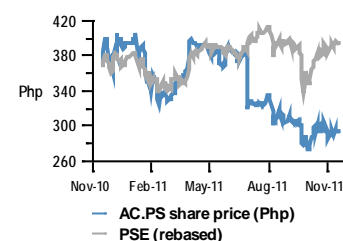
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J.P. Morgan Securities Philippines Inc.

Price Performance



	YTD	1m	3m	12m
Abs	-25.3%	1.1%	-4.8%	-20.2%
Rel	-28.3%	-3.4%	-4.1%	-26.9%

Source: Bloomberg.

Company Data

Shares O/S (mn)	577
Market cap (Php mn)	170,465
Market cap (\$ mn)	3,940
Price (Php)	295.20
Date Of Price	16 Nov 11
Free float (%)	38.0%
3mth Avg daily volume	0.25
3M - Avg daily Value (Php mn)	73.82
3M - Avg daily Value (USD) (\$ mn)	1.83
PSE	4,342
Exchange Rate	43.27
Fiscal Year End	Dec

Ayala Corporation: Summary of Financials

Income Statement						Cash flow statement					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	76,294	98,071	99,606	112,574	124,115	EBIT	16,326	23,642	19,190	23,054	26,235
% change Y/Y	(3.6%)	28.5%	1.6%	13.0%	10.3%	Depr. & amortization	3,346	2,048	2,356	2,688	3,035
EBITDA	19,672	25,690	21,546	25,742	29,270	Change in working capital	252	-115	-1,330	-3,343	-3,357
% change Y/Y	-6.1%	30.6%	-16.1%	19.5%	13.7%	Taxes	-1,407	-2,900	-2,776	-3,234	-3,672
EBIT	16,326	23,642	19,190	23,054	26,235	Cash flow from operations	6,677	8,194	5,694	6,628	8,568
% change Y/Y	NM	44.8%	NM	20.1%	13.8%	Capex	-2,489	-3,000	-3,200	-3,500	-3,500
EBIT Margin	21.4%	24.1%	19.3%	20.5%	21.1%	Disposal/(purchase)	-	-	-	-	-
Net Interest	-3,822	-4,756	-3,172	-3,147	-3,126	Net Interest	-3,822	-4,756	-3,172	-3,147	-3,126
Earnings before tax	12,504	18,886	16,019	19,907	23,110	Other	-89	20,837	19,969	17,693	23,135
% change Y/Y	-4.4%	51.0%	-15.2%	24.3%	16.1%	Free cash flow	4,189	5,194	2,494	3,128	5,068
Tax	-1,699	-2,900	-2,776	-3,234	-3,672	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	13.6%	15.4%	17.3%	16.2%	15.9%	Debt raised/(repaid)	13,303	-1,051	-388	0	0
Net income (reported)	8,154.3	11,161.1	9,743.5	12,320.5	14,770.5	Other	-10,205	0	-0	1	1
% change Y/Y	0.6%	36.9%	-12.7%	26.5%	19.9%	Dividends paid	-3,626	-3,100	-3,914	-4,754	-5,553
Shares outstanding	595	595	582	582	582	Beginning cash	42,886	45,657	67,537	85,698	101,766
EPS (reported)	13.70	18.75	16.74	21.17	25.38	Ending cash	45,657	67,537	85,698	101,766	124,418
% change Y/Y	0.6%	36.9%	(10.7%)	26.5%	19.9%	DPS	4.00	4.00	4.00	4.00	4.00
Balance sheet						Ratio Analysis					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	45,657	67,537	85,698	101,766	124,418	EBITDA margin	25.8%	26.2%	21.6%	22.9%	23.6%
Accounts receivable	25,233	25,233	25,233	25,233	25,233	Operating margin	21.4%	24.1%	19.3%	20.5%	21.1%
Inventories	10,797	10,797	10,797	10,797	10,797	Net margin	10.7%	11.4%	9.8%	10.9%	11.9%
Others	6,547	6,547	6,547	6,547	6,547	Sales per share growth	(3.6%)	28.5%	3.9%	13.0%	10.3%
Current assets	88,234	110,114	128,275	144,343	166,994	Sales growth	(3.6%)	28.5%	1.6%	13.0%	10.3%
LT investments	-	-	-	-	-	Net profit growth	0.6%	36.9%	-12.7%	26.5%	19.9%
Net fixed assets	7,772	8,724	9,568	10,381	10,846	EPS growth	0.6%	36.9%	(10.7%)	26.5%	19.9%
Total Assets	232,479	244,233	249,586	261,506	275,391	Interest coverage (x)	5.15	5.40	6.79	8.18	9.36
Liabilities						Net debt to equity	10.6%	-10.8%	-29.3%	-40.5%	-54.8%
Short-term loans	5,092	5,218	1,631	1,631	1,631	Sales/assets	0.34	0.41	0.40	0.44	0.46
Payables	27,665	27,665	27,665	27,665	27,665	Assets/equity	2.19	2.15	2.15	2.11	2.07
Others	3,328	3,328	3,328	3,329	3,329	ROE	8.2%	10.5%	8.6%	10.3%	11.5%
Total current liabilities	36,084	36,211	32,623	32,624	32,624	ROCE	10.5%	14.6%	11.5%	13.4%	14.6%
Long-term debt	51,432	50,381	49,993	49,993	49,993						
Other liabilities	42,703	47,320	50,819	55,172	59,839						
Total Liabilities	130,219	133,912	133,436	137,789	142,457						
Shareholders' equity	102,260	110,321	116,150	123,717	132,935						
BVPS	171.78	185.32	199.57	212.57	228.41						

Source: Company reports and J.P. Morgan estimates.

Ayala Land

www.ayalaland.com.ph

Company description

Ayala Land (ALI) is the largest and most diversified developer in the Philippines, with exposure in residential, retail, office, and hotel properties. It is also involved in construction and property management. It is best known for being the developer and landlord of Philippines' premier financial district, the Makati CBD. In the residential segment, it is best known for its high end products, but is moving more into the low end segments. It has a good mix of vertical and horizontal projects, with a land bank of over 4,000 ha.

Key drivers of performance in an equity market recovery

We consider Ayala Land to be an indirect beneficiary of increased investments in the Philippines, especially infrastructure. This should improve the attraction of its ongoing projects, especially by way of better accessibility. The persistence of record low interest rates (mortgage rates at below 6%) helps support demand for ALI's projects. Thus we forecast net profit growth in 2012 of 25% behind equally robust revenues.

How much recovery has already been priced in, what are the key metrics?

With a slight but consistent underperformance against the market during the past year, ALI has yet to factor in a recovery in our view. It is trading at an NAV discount of 40%, nearly 1 standard deviation below its historical average NAV discount of 28%.

Where's the earnings risk for 2012?

Earnings risk faces some downside risk in 2012. This may happen if sales take-up in the residential sector slows sharply due to rising competition flooding the market with a lot of new supply. Note that our 2012 forecasts are 10% above consensus and the street's highest.

Price target and key recovery risks

We have a Dec-12 PT of PhP23.95, based on a 10% discount to our NAV estimate of PhP26.60. Key risks are erosion of buyer confidence due to political instability, a rapid increase in rates, and a sharp remittances slowdown.

Ayala Land, Inc. (Reuters: ALI.PS, Bloomberg: ALI PM)

Php in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Php mn)	26,842	33,765	42,416	49,856	56,943
Net Profit (Php mn)	4,039.3	5,458.1	7,001.8	8,724.2	9,994.3
EPS (Php)	0.31	0.42	0.54	0.67	0.77
DPS (Php)	0.10	0.09	0.15	0.22	0.30
Revenue growth (%)	-8.4%	25.8%	25.6%	17.5%	14.2%
EPS growth (%)	-16.1%	35.1%	28.3%	24.6%	14.6%
ROCE	9.2%	9.8%	12.1%	14.2%	14.9%
ROE	8.0%	10.0%	11.8%	13.4%	14.1%
P/E (x)	53.9	39.9	31.1	25.0	21.8
P/BV (x)	4.2	3.8	3.5	3.2	2.9
EV/EBITDA (x)	33.2	28.6	22.7	18.7	16.8
Dividend Yield	0.6%	0.6%	0.9%	1.3%	1.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Php16.80

Price Target: Php23.95

Philippines

Property

Gilbert Lopez^{AC}

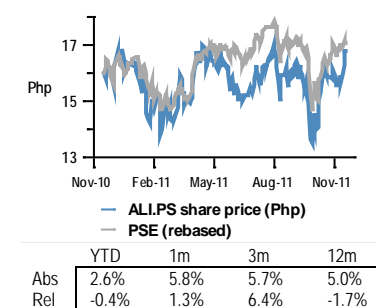
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Bloomberg JPMA LOPEZ <GO>

J.P. Morgan Securities Philippines Inc.

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	13,023
Market cap (Php mn)	218,792
Market cap (\$ mn)	5,057
Price (Php)	16.80
Date Of Price	16 Nov 11
Free float (%)	46.0%
3mth Avg daily volume	8.61
3M - Avg daily Value (Php mn)	134.31
3M - Avg daily Value (USD) (\$ mn)	3.01
PSE	4,342
Exchange Rate	43.27
Fiscal Year End	Dec

Ayala Land: Summary of Financials

Income Statement						Cash flow statement					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	26,842	33,765	42,416	49,856	56,943	EBIT	6,305	7,273	9,457	11,674	13,114
% change Y/Y	(8.4%)	25.8%	25.6%	17.5%	14.2%	Depr. & amortization	0	0	0	0	0
EBITDA	6,305	7,273	9,457	11,674	13,114	Change in working capital	-1,920	5,370	1,923	-3,428	-1,021
% change Y/Y	4.4%	15.4%	30.0%	23.4%	12.3%	Taxes	-1165	-1572	-2470	-3135	-3567
EBIT	6,305	7,273	9,457	11,674	13,114	Cash flow from operations	4,349	12,445	12,633	9,806	14,396
% change Y/Y	4.4%	15.4%	30.0%	23.4%	12.3%	Capex	-7,332	-6,535	-16,549	-9,673	-9,030
EBIT Margin	23.5%	21.5%	22.3%	23.4%	23.0%	Disposal/(purchase)	-2,013	1,900	3,305	1,868	-606
Net Interest	-1,427	-318	-161	-52	81	Net Interest	-1,427	-318	-161	-52	81
Earnings before tax	5,846	7,860	10,515	13,084	14,961	Other	-	-	-	-	-
% change Y/Y	-21.5%	34.5%	33.8%	24.4%	14.3%	Free cash flow	-2,983	5,911	-3,916	134	5,366
Tax	-1,165	-1,572	-2,470	-3,135	-3,567	Equity raised/(repaid)	17	77	0	0	0
as % of EBT	19.9%	20.0%	23.5%	24.0%	23.8%	Debt raised/(repaid)	2,061	2,077	-3,975	0	0
Net income (reported)	4,039.3	5,458.1	7,001.8	8,724.2	9,994.3	Other	2,142	-1,441	-3,984	-2,665	-3,284
% change Y/Y	-16.1%	35.1%	28.3%	24.6%	14.6%	Dividends paid	-1,350	-1,034	-1,910	-2,801	-3,926
Shares outstanding	12,963	12,963	12,963	12,963	12,963	Beginning cash	12,655	10,529	20,214	9,735	6,270
EPS (reported)	0.31	0.42	0.54	0.67	0.77	Ending cash	10,529	18,019	9,735	6,270	3,820
% change Y/Y	(16.1%)	35.1%	28.3%	24.6%	14.6%	DPS	0.10	0.09	0.15	0.22	0.30
Balance sheet						Ratio Analysis					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	16,449	20,214	9,735	6,270	3,820	EBITDA margin	23.5%	21.5%	22.3%	23.4%	23.0%
Accounts receivable	16,655	17,942	19,272	22,615	25,972	Operating margin	18.2%	20.6%	21.9%	23.3%	23.2%
Inventories	9,022	13,615	13,777	16,144	18,416	Net margin	15.0%	16.2%	16.5%	17.5%	17.5%
Others	4,014	4,860	4,860	4,860	4,860	Sales per share growth	(8.4%)	25.8%	25.6%	17.5%	14.2%
Current assets	46,140	56,631	47,644	49,890	53,068	Sales growth	(8.4%)	25.8%	25.6%	17.5%	14.2%
LT investments	40,799	44,969	52,878	57,186	63,794	Net profit growth	-16.1%	35.1%	28.3%	24.6%	14.6%
Net fixed assets	21,133	20,702	29,314	32,636	34,950	EPS growth	(16.1%)	35.1%	28.3%	24.6%	14.6%
Total Assets	108,071	122,302	129,837	139,712	151,812	Interest coverage (x)	4.42	22.86	58.66	225.04	-
Liabilities						Net debt to equity	4.5%	1.3%	11.7%	15.8%	17.8%
Short-term loans	2,009	5,218	1,631	1,631	1,631	Sales/assets	0.26	0.29	0.34	0.37	0.39
Payables	19,309	25,892	28,845	30,686	34,870	Assets/equity	1.89	1.86	1.87	2.06	2.05
Others	2,374	2,104	2,567	3,009	3,432	ROE	8.0%	10.0%	11.8%	13.4%	14.1%
Total current liabilities	23,692	33,215	33,043	35,326	39,933	ROCE	9.2%	9.8%	12.1%	14.2%	14.9%
Long-term debt	16,804	15,753	15,365	15,365	15,365						
Other liabilities	8,381	7,865	9,824	10,268	10,293						
Total Liabilities	48,877	56,832	58,233	60,959	65,591						
Shareholders' equity	52,392	56,857	61,949	67,872	73,941						
BVPS	4.04	4.39	4.78	5.24	5.70						

Source: Company reports and J.P. Morgan estimates.

Baidu.com

www.baidu.com

Company description

Baidu is a leading internet search provider in China with a focus on Chinese web pages. Baidu is also the # 1 site in China in terms of traffic reach, according to Alexa. It has a 78% search-market share as of 3Q11; the distant number 2 is Google China with 18%. The company generates the majority of its revenue through pay-per-click advertising and customized search solutions. As of 3Q11, Baidu has 304k active paying customers and quarterly ARPU of Rmb 13,700. It has a wide range of investments in addition to the core business: Online video (Qiyi), eCommerce platform (Rakuten) and travel vertical search engine.

Key drivers of performance in an equity market recovery

1) More social features on the Baidu site; 2) strategic investments in social network and other industries; 3) further upside in Phoenix Nest monetization; 4) large advertisers increasing spending on Baidu, leading to upside in ARPU; and (5) an increase in mobile internet usage.

How much recovery has already been priced in, what are the key metrics?

We believe the street expects a slowdown in SME customer spending, so is not expecting a strong recovery scenario. The number of customers is likely to be a key indicator of that.

Where's the earnings risk for 2012?

1) Slower-than-expected search revenue growth; 2) larger-than-expected infrastructure spending, leading to margin decline, and 3) an increase in revenue concentration.

Price target and key recovery risks

Our Dec-12 price target of US\$200 is based on 10-year DCF valuation, with 20% long-term growth from 2016-2022E. Our base case DCF valuation is based on WACC of 12% and 0% terminal growth. Our PT implies 67.2x FY11E, 46.9x FY12E, and 33.3x FY13E diluted EPS, and a PEG of 1.3x (FY12E PE vs. longer term growth of 35%) or a PEG of 1x (FY13E PE vs. longer term growth of 35%). Key recovery risks include weakness in SME advertisement spend and regulatory risks.

Bloomberg BIDU US, Reuters BIDU

(Year-end Dec, \$ mn)	FY09	FY10	FY11E	FY12E	FY09	FY10	FY11E	FY12E			
Net Sales	651.4	1,177.1	2,253.6	3,406.8	ROE(%)	40	55	55	46	52-Week range	165.96 - 94.33
Operating Profit (EBIT)	235.1	588.7	1,174.6	1,695.4	ROIC(%)	39	54	53	44	Shares Outstg	271MN
EBITDA	296.0	671.6	1,316.9	1,908.2	Cash	670.9	1,218.9	2,266.5	3,843.0	Market Cap(US)	US\$48,289.64MN
Pre Tax Profit	246.5	603.9	1,199.3	1,766.0	Equity	696.1	1,250.0	2,520.2	4,157.8	Free float	76.3%
Reported Net profit	217.5	524.2	1,025.4	1,515.5	Qtr GAAP EPS (\$)	1Q	2Q	3Q	4Q	Avg daily vol.	9.7MM shares
Reported EPS (US\$)	0.62	1.50	2.91	4.20	EPS (10)	0.20	0.35	0.45	0.50	Avg daily val (\$)	1,280.81MN
P/E (x)	217.2	90.4	46.6	32.3	EPS (11) E	0.47	0.72	0.84	0.89	Dividend Yield	0.0%
Adj. EPS *	0.66	1.54	2.98	4.26	EPS (12) E	0.82	1.03	1.15	1.20	Index (NASD)	2,625
Adj. P/E (X)	205.2	88.0	45.6	31.8		1M	3M	12M		Price Target	200.00
EV/EBITDA (x)	157.9	69.6	35.5	24.5	Abs. Perf.(%)	8.9%	-3.6%	21.5%		Price Date	10 Nov 11
P/B (x)	67.7	37.8	19.9	11.8	Rel. Perf.(%)	6.6%	(13.9%)	19.7%			
Y/E BPS (US\$)	2.00	3.59	6.80	11.47							

Source: Company, J. P. Morgan estimates, Bloomberg. * Note: Excluding share-based compensation expense.

Overweight

Price: US\$135.68

Price Target: US\$200

China

Internet

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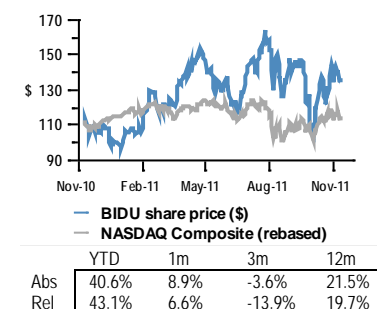
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Baidu.com: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	651.4	1,177.1	2,253.6	3,406.8	4,768.2	Gross margin	63.8%	72.9%	73.3%	71.8%	71.2%
Cost of goods sold	235.8	318.7	601.1	962.1	1,375.4	EBITDA margin	45.5%	57.1%	58.4%	56.0%	56.9%
Gross Profit	415.6	858.4	1,652.6	2,444.7	3,392.8	Operating margin	36.1%	50.0%	52.1%	49.8%	50.3%
R&D expenses	-55.9	-99.3	-195.7	-310.0	-433.9	Net margin	33.4%	44.5%	45.5%	44.5%	45.2%
SG&A expenses	-112.1	-156.5	-259.8	-415.7	-534.0	R&D/sales	8.6%	8.4%	8.7%	9.1%	9.1%
Share-based Expenses	-12.6	-13.9	-22.5	-23.6	-28.3	SG&A/Sales	17.2%	13.3%	11.5%	12.2%	11.2%
Operating profit (EBIT)	235.1	588.7	1,174.6	1,695.4	2,396.5	Sales growth	40.0%	80.7%	91.5%	51.2%	40.0%
EBITDA	296	672	1,317	1,908	2,711	Operating profit growth	47.3%	150.5%	99.5%	44.3%	41.3%
Interest income, net	5	10	43	70	115	Net profit growth	42.6%	141.0%	95.6%	47.8%	42.3%
Investment income (Exp.)	0.0	0.0	0.0	0.0	0.0	Diluted EPS growth	42.4%	140.3%	94.1%	44.2%	41.2%
Other income (Exp.)	6.7	5.2	-18.3	0.6	0.6	Net debt to total capital	-96.4%	-97.5%	-89.9%	-92.4%	-94.7%
Earnings before tax	246.5	603.9	1,199.3	1,766.0	2,512.0	Net debt to equity	-96.4%	-97.5%	-89.9%	-92.4%	-94.7%
Tax	-29.0	-79.7	-174.0	-250.5	-355.6	Asset turnover	0.88	0.93	0.86	0.75	0.70
Net income (Reported)	217.5	524.2	1,025.4	1,515.5	2,156.4	Working capital turns (x)	1.64	1.65	1.65	1.36	1.13
Net income (Adjusted)*	230	538	1,048	1,539	2,185	ROE	40.1%	55.0%	54.8%	45.9%	41.3%
US\$						ROIC	39.4%	54.2%	53.0%	44.2%	39.5%
Diluted EPS (GAAP)	0.62	1.50	2.91	4.20	5.93						
Adj. Diluted EPS*	0.66	1.54	2.98	4.26	6.01						
BVPS	2.00	3.59	6.80	11.47	17.95						
DPS	0.00	0.00	0.00	0.00	0.00						
Shares outstanding (mn)	348.10	349.18	351.95	360.87	363.57						
Balance sheet						Cash flow statement					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	671	1,219	2,266	3,843	6,092	Net income	217.5	524.2	1,025.4	1,515.5	2,156.4
Accounts receivable	24	44	115	191	268	Depr. & amortization	48	69	120	189	286
Inventories	0	0	0	0	0	Change in working capital	70	123	158	156	254
Others	15	43	70	97	136	Other	13	14	22	24	28
Current assets	709	1,306	2,451	4,131	6,496	Cash flow from operations	348	730	1,325	1,884	2,725
LT investments	2	43	70	71	71	Capex	-82	-170	-865	-403	-565
Net fixed assets	146	241	427	646	925	Other investing cashflow	-0	-41	-25	0	0
Others LT assets	44	53	625	631	631	Cash flow from investing	-82	-210	-890	-403	-565
Total Assets	902	1,643	3,573	5,478	8,122	Free cash flow	267	560	460	1,481	2,160
Liabilities						Equity raised/(repaid)	17	5	168	73	89
ST Loans	0	0	0	0	0	Debt raised/(repaid)	0	0	0	0	0
Payables	110	196	337	480	678	Other	-3	13	391	-0	-0
Others	95	184	310	431	604	Dividends paid	0	0	0	0	0
Total current liabilities	205	379	647	911	1,281	Cash flow from financing	14	18	559	73	89
Long-term debt	0	0	0	0	0	Net change in cash	283	548	1,048	1,577	2,249
Other liabilities	1	14	405	410	410	Beginning cash	388	671	1,219	2,266	3,843
Total Liabilities	206	393	1,053	1,321	1,691	Ending cash	671	1,219	2,266	3,843	6,092
Shareholders' equity	696	1,250	2,520	4,158	6,431						

Source: Company reports and J.P. Morgan estimates. *Note: Excluding share-based compensation expenses.

Bank of the Philippine Islands (BPI)

www.bpi.com.ph

Company description

BPI is the third-largest bank in the Philippines with an asset base of PhP878bn. Historically, its strengths have been in top corporate and consumer lending, but has seen gains in recent years in the SME and middle-market segments. It is controlled by Ayala Corporation, with DBS also a significant shareholder.

Key drivers of performance in an equity market recovery

BPI should be one of the key beneficiaries of a sustained period of strong loans growth, in a country where credit penetration has been quite low and corporates very under-leveraged. Having one of the highest tier 1 capital levels in the sector, as well as an LDR that is lower than average, we consider BPI to be well positioned in an environment of improved demand for loans. A big bonus is the possibility of a loan demand boost coming from needed infrastructure spending via public private partnership (PPP).

How much recovery has already been priced in, what are the key metrics?

We believe the recovery has yet to be priced in, as BPI has been an underperformer throughout much of the past year. BPI is trading at a premium valuation of 2.0x P/B for 2012E, but this is justified by one of the sector's highest ROEs. Also adding to the bank's attraction is a fairly high dividend yield that is well supported by a very comfortable capital position.

Where's the earnings risk for 2012

We believe there is a potential upside risk to earnings in 2012E, which could very well materialize via much stronger loans growth than the 15% rise that we are forecasting. This may very well come from infrastructure projects taking off in the Philippines. Elsewhere, BPI also has fairly good cost efficiency but has room to lower deposit costs further, given its recognised deposit franchise.

Price target and key recovery risks

We rate BPI an OW and have a Dec-12 PT of PhP69 based on DDM. Key risks are a sharp slowdown in loans growth, severe pressure to NIMs, and an inability to improve cost efficiencies.

Bank of the Philippine Islands (Reuters: BPI.PS, Bloomberg: BPI PM)

Year-end Dec (Php in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (Php mn)	14,719	18,043	20,108	22,958	26,014
Net Profit (Php mn)	8,516	11,312	13,335	15,591	17,649
Cash EPS (Php)	2.62	3.38	3.75	4.38	4.96
Fully Diluted EPS (Php)	2.62	3.38	3.75	4.38	4.96
DPS (Php)	1.80	2.70	2.23	2.62	3.07
EPS growth (%)	32.6%	28.6%	11.1%	16.9%	13.2%
ROE	13.1%	15.3%	15.9%	17.4%	18.4%
P/E	22.1	17.2	15.5	13.2	11.7
BVPS (Php)	20.6	22.8	24.3	26.1	28.0
P/BV	2.82	2.54	2.38	2.22	2.07
Div. Yield	3.1%	4.7%	3.8%	4.5%	5.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Php57.95

Price Target: Php69.00

Philippines

Banks

Gilbert Lopez^{AC}

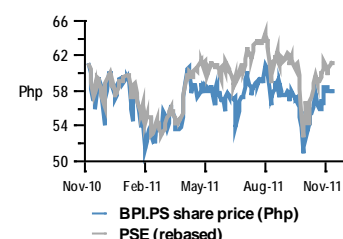
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J.P. Morgan Securities Philippines Inc.

Price Performance



	YTD	1m	3m	12m
Abs	-1.8%	4.4%	-1.0%	-4.9%
Rel	-4.5%	-2.4%	-0.6%	-5.3%

Source: Bloomberg.

Company Data

52-wk range (Php)	61.30 - 50.00
Market cap (Php mn)	206,091
Market cap (\$ mn)	4,804
Shares outstanding (mn)	3,556
Fiscal Year End	Dec
Price (Php)	57.95
Date Of Price	08 Nov 11
Avg daily value (Php mn)	79.9
Avg daily value (\$ mn)	1.9
Avg daily vol (mn)	0.4
PSE	4,315
Exchange Rate	42.90

Bank of the Philippine Islands (BPI): Summary of Financials

Income Statement						Growth Rates							
Php in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E		FY08	FY09	FY10	FY11E	FY12E		
NIM (as % of avg. assets)	3.3%	3.4%	3.2%	3.1%	3.1%	Loans	16.9%	2.7%	15.6%	17.0%	14.9%		
Earning assets/assets	89.6%	91.4%	93.3%	93.9%	94.1%	Deposits	5.2%	7.2%	24.2%	10.0%	10.0%		
Margins (% of earning assets)	3.0%	3.1%	2.9%	2.9%	2.9%	Assets	4.6%	8.7%	21.2%	12.7%	11.9%		
						Equity	-10.1%	6.1%	21.3%	6.7%	7.2%		
Net Interest Income	19,463	21,402	23,628	27,552	30,437	RWA	15.4%	4.4%	14.2%	15.0%	15.0%		
Total Non-Interest Income	10,321	12,993	15,369	14,595	15,517	Net Interest Income	2.7%	10.0%	10.4%	16.6%	10.5%		
Fee Income	3,056	3,430	4,160	4,493	4,852	Non-Interest Income	-24.1%	25.9%	18.3%	-5.0%	6.3%		
Dealing Income	-	-	-	-	-	of which Fee Grth	11.3%	12.2%	21.3%	8.0%	8.0%		
Other Operating Income	6,069	6,343	5,469	5,797	6,145	Revenues	(17.5%)	4.5%	(13.8%)	6.0%	6.0%		
Total operating revenues	30	34	39	42	46	Costs	0.0%	7.4%	6.5%	5.2%	4.3%		
						Pre-Provision Profits	-	-	-	-	-		
Operating costs	-18,312	-19,676	-20,954	-22,039	-22,997	Loan Loss Provisions	54.4%	31.4%	36.3%	-14.5%	-0.7%		
						Pre-Tax	-26.6%	27.7%	19.7%	17.6%	16.7%		
Pre-Prov. Profits	11,472	14,719	18,043	20,108	22,958	Attributable Income	-35.9%	32.6%	32.8%	17.9%	16.9%		
Provisions	-1,930	-2,535	-3,454	-2,954	-2,933	EPS	-35.9%	32.6%	28.6%	11.1%	16.9%		
Other Inc/Exp.	-	-	-	-	-	DPS	6.4%	-27.5%	49.9%	-17.5%	17.9%		
Exceptionals	-	-	-	-	-								
Disposals/ other income	-	-	-	-	-								
Pre-tax	10	12	15	17	20	Balance Sheet Gearing		FY08	FY09	FY10	FY11E	FY12E	
Tax	2,985	3,519	3,110	3,602	4,205	Loan/deposit	59.3%	56.5%	52.6%	56.0%	58.5%		
Minorities	134	149	167	217	228	Investment/assets	29.4%	35.2%	33.3%	32.5%	31.9%		
Other Distbn.	-	-	-	-	-	Loan/Assets	48.0%	45.2%	43.1%	44.8%	46.0%		
Attributable Income	6,423	8,516	11,312	13,335	15,591	Customer deposits/liab.	89.6%	88.3%	90.4%	87.8%	85.9%		
						LT debt/liabilities	1.5%	5.3%	4.0%	3.7%	3.5%		
Per Share Data Php		FY08	FY09	FY10	FY11E	FY12E	Asset Quality/Capital		FY08	FY09	FY10	FY11E	FY12E
EPS		1.98	2.62	3.38	3.75	4.38	Loan loss reserves/loans	2.3%	2.7%	2.6%	2.6%	2.5%	
DPS		2.48	1.80	2.70	2.23	2.62	NPLs/loans	3.9%	3.9%	3.2%	2.6%	2.3%	
Payout		80.5%	91.0%	106.2%	70.0%	70.0%	Loan loss reserves/NPLs	58.8%	68.6%	83.4%	98.4%	111.4%	
Book value		19.39	20.58	22.79	24.31	26.07	Growth in NPLs	-4.8%	2.2%	-5.9%	-2.2%	-1.5%	
Fully Diluted Shares		3,245.18	3,245.18	3,350.98	3,556.36	3,556.36	Tier 1 Ratio	13.3%	13.3%	14.1%	13.1%	12.2%	
PPOP per share		3.54	4.54	5.38	5.65	6.46	Total CAR	14.2%	14.7%	15.4%	14.3%	13.2%	
Key Balance sheet Php in millions						Du-Pont Analysis							
Net Loans	320,216	327,474	378,728	443,112	509,579	NIM (as % of avg. assets)	3.3%	3.4%	3.2%	3.1%	3.1%		
LLR	-7,517	-8,956	-10,242	-11,831	-13,196	Earning assets/assets	89.6%	91.4%	93.3%	93.9%	94.1%		
Gross Loans	327,733	336,430	388,970	454,943	522,774	Margins (as % of Avg. Assets)	3.0%	3.1%	2.9%	2.9%	2.9%		
NPLs	12,776	13,059	12,288	12,019	11,841	Non-Int. Rev./ Revenues	0.2%	0.2%	0.3%	0.3%	0.3%		
Investments	195,836	254,685	292,339	321,573	353,730	Non IR/Avg. Assets	1.6%	1.9%	1.9%	1.6%	1.5%		
Other earning assets	51,490	42,180	42,287	46,516	51,167	Revenue/Assets	4.6%	4.9%	4.9%	4.5%	4.4%		
Avg. IEA	584,025	635,974	747,542	877,335	986,537	Cost/Income	61.5%	57.2%	53.7%	52.3%	50.0%		
Goodwill	-	-	-	-	-	Cost/Assets	84.8%	288.6%	-8.8%	5.0%	5.0%		
Assets	666,612	724,420	878,146	989,700	1,107,867	Pre-Provision ROA	89.4%	293.5%	-4.0%	9.5%	9.4%		
						LLP/Loans	-0.6%	-0.8%	-1.0%	-0.7%	-0.6%		
Deposits	540,352	579,471	719,766	791,743	870,917	Loan/Assets	46.6%	47.8%	45.3%	45.2%	46.6%		
Long-term bond funding	9,934	38,602	35,197	36,957	38,805	Other Prov. Income/ Assets	-	-	-	-	-		
Other Borrowings	5,000	5,000	5,000	5,000	5,000	Operating ROA	89.1%	293.2%	-4.4%	9.2%	9.1%		
Avg. IBL	534,553	584,180	686,518	791,831	869,211	Pre-Tax ROA	89.1%	293.2%	-4.4%	9.2%	9.1%		
Avg. Assets	651,949	695,516	801,283	933,923	1,048,783	Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%		
Common Equity	62,934	66,798	81,031	86,447	92,704	Minorities & Outside Distbn.	0.0%	0.0%	0.0%	0.0%	0.0%		
RWA	405,016	422,646	482,788	555,206	638,487	ROA	1.0%	1.2%	1.4%	1.4%	1.5%		
Avg. RWA	378,019	413,831	452,717	518,997	596,847	RORWA	1.6%	2.0%	2.3%	2.4%	2.4%		
						Equity/Assets	10.2%	9.3%	9.2%	9.0%	8.5%		
						ROE	9.7%	13.1%	15.3%	15.9%	17.4%		

Source: Company reports and J.P. Morgan estimates.

Bank Rakyat Indonesia

www.bri.co.id

Company description

Bank Rakyat Indonesia is now Indonesia's largest bank by loans. More than 50% of its lending is to individuals – via payroll loans and through a highly successful microbanking franchise – operated through a network of over 6,000 micro outlets spread across Indonesia.

Key drivers of performance in an equity market recovery

Topline growth, margins and asset quality are the key drivers of performance – we see BRI's topline being driven by high margin business, which are also generally lower delinquency – and should continue to boost stock performance especially if domestic liquidity remains ample.

How much recovery has already been priced in, what are the key metrics?

BRI's price to book value at 2.7x FY12E PBV appears reasonable relative to history, and against peers when adjusted for RoE differentials. We see a recovery as key to maintaining healthy asset quality, and NPL's have started declining in 3Q.

Where's the earnings risk for 2012?

We see BRI as defensive to the credit cycle, and slower credit growth could be margin positive – due to changes in asset mix. Downside risks to earnings could come from higher time deposit rates, and if inflation or commodity fluctuations threaten asset quality.

Price target and key recovery risks

Our June 2012 DDM derived based PT on BBRI stands at Rp 7,500. This would imply the stock trading at 3.0x JPME FY12E book value. BRI's credit to corporate, which has crept up over 20% last quarter and continued asset quality issues in SME's are potential risks to our PT.

Overweight

Price: Rp 6,800

Price Target: Rp 7,500

Indonesia

Banks

Aditya Srinath^{AC}

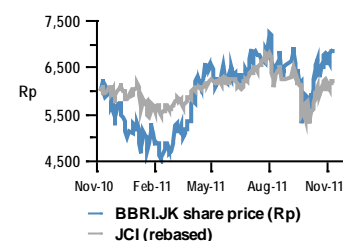
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PT. J.P. Morgan Securities Indonesia

Price Performance



	YTD	1m	3m	12m
Abs	30.5%	18.1%	5.4%	13.7%
Rel	27.7%	7.0%	6.6%	10.8%

Source: Bloomberg.

Bank Rakyat Indonesia (Reuters: BBRI.JK, Bloomberg: BBRI IJ)

Year-end Dec (Rp in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (Rp bn)	14,344,807	22,338,765	24,384,321	30,138,927	34,651,561
Net Profit (Rp bn)	7,308,292	11,472,486	13,489,457	16,871,749	21,685,837
Cash EPS (Rp)	296.48	465.40	547.23	684.44	879.73
Fully Diluted EPS (Rp)	296.48	465.40	547.23	684.44	879.73
DPS (Rp)	192.03	88.92	97.46	116.31	136.89
EPS growth (%)	22.6%	57.0%	17.6%	25.1%	28.5%
ROE	29.5%	35.9%	32.1%	31.1%	31.1%
P/E	22.9	14.6	12.4	9.9	7.7
BVPS (Rp)	1,105.75	1,487.72	1,916.63	2,484.76	3,173.81
P/BV	6.1	4.6	3.5	2.7	2.1
Div. Yield	2.8%	1.3%	1.4%	1.7%	2.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

52-wk range (Rp)	7,250 - 4,525
Market cap (Rp bn)	167,750
Market cap (\$ mn)	18,768
Shares outstanding (mn)	24,669
Fiscal Year End	Dec
Price (Rp)	6,800
Date Of Price	04-Nov-11
Avg daily value (Rp mn)	95,601.6
Avg daily value (\$ mn)	10.7
AVG_	

Bank Rakyat Indonesia: Summary of Financials

Income Statement						Growth Rates				
Rp in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	FY09	FY10	FY11E	FY12E	FY13E
NIM (as % of avg. assets)	9.6%	11.8%	11.2%	11.2%	11.3%	Loans	29.2%	26.5%	18.6%	12.0%
Earning assets/assets	80787.2%	77126.3%	79025.8%	84242.4%	83130.2%	Deposits	27.0%	30.4%	4.5%	15.3%
Margins (% of earning assets)	7787.9%	9116.3%	8850.9%	9468.9%	9368.8%	Assets	28.8%	27.6%	5.3%	17.0%
						Equity	21.9%	34.5%	28.8%	29.6%
Net Interest Income	21,924,411	32,887,870	36,715,209	43,725,570	50,229,936	RWA	22.3%	36.9%	21.3%	17.0%
Total Non-Interest Income	4,393,778	5,562,598	5,071,147	6,142,761	6,836,466	Net Interest Income	16.9%	50.0%	11.6%	19.1%
Fee Income	4,393,778	5,562,598	5,071,147	6,142,761	6,836,466	Non-Interest Income	30.0%	26.6%	-8.8%	21.1%
Dealing Income	-	-	-	-	-	of which Fee Grth	30.0%	26.6%	-8.8%	21.1%
Other Operating Income	-	-	-	-	-	- Costs	9.3%	34.6%	8.0%	13.6%
Total operating revenues	26,318	38,450	41,786	49,868	57,066	Pre-Provision Profits	20.1%	45.8%	6.2%	20.6%
						Loan Loss Provisions	104.4%	37.2%	1.8%	17.3%
Operating costs	-11,973,382	-16,111,703	-17,402,036	-19,729,405	-22,414,841	Pre-Tax	12.1%	50.7%	12.3%	27.6%
						Attributable Income	22.7%	57.0%	17.6%	25.1%
Pre-Prov. Profits	21,021	30,642	32,553	39,271	44,880	Pre-Tax	22.6%	57.0%	17.6%	25.1%
Provisions	5,784,148	7,935,414	8,080,461	9,480,304	7,617,030	DPS	95.6%	-53.7%	9.6%	19.3%
Other Inc/Exp.	1,330,569	504,980	437,288	698,021	767,824					
Exceptionals	-	-	-	-	-					
Disposals/ other income	-	-	-	-	-	Balance Sheet Gearing				
						FY09	FY10	FY11E	FY12E	FY13E
Pre-tax	9,460	14,617	14,376	10,217,596	8,429,733	Loan/deposit	81.3%	78.9%	89.5%	91.0%
Tax	2,582,936	3,435,845	3,246,402	4,484,895	6,116,518	Investment/assets	6385.3%	0.0%	0.0%	0.0%
Minorities	0	0	5,289	0	0	Loan/Assets	62078.0%	61646.7%	68947.7%	69183.1%
Other Distbn.	-	-	-	-	-	Customer deposits/liab.	88345.7%	90764.2%	92118.6%	92030.5%
Attributable Income	7,308,292	11,472,486	13,489,457	16,871,749	21,685,837	LT debt/liabilities	6715.4%	3875.9%	4374.2%	3739.3%
Per Share Data Rp						Asset Quality/Capital				
	FY09	FY10	FY11E	FY12E	FY13E	FY09	FY10	FY11E	FY12E	FY13E
EPS	296.48	465.40	547.23	684.44	879.73	Loan loss reserves/loans	5.5%	5.3%	5.9%	5.8%
DPS	192.03	88.92	97.46	116.31	136.89	NPLs/loans	3.5%	2.9%	3.5%	3.4%
Payout	64.8%	19.1%	17.8%	17.0%	15.6%	Loan loss reserves/NPLs	0.0%	0.0%	0.0%	0.0%
Book value	1,105.75	1,487.72	1,916.63	2,484.76	3,173.81	Growth in NPLs	60.2%	4.8%	44.0%	13.8%
Fully Diluted Shares	-	-	-	-	-	Tier 1 Ratio	13.5%	13.9%	15.2%	17.2%
						Total CAR	14.9%	17.8%	18.4%	19.3%
Key Balance sheet Rp in millions						Du-Pont Analysis				
	FY09	FY10	FY11E	FY12E	FY13E	FY09	FY10	FY11E	FY12E	FY13E
Net Loans	196,754,420	249,223,154	293,503,379	344,511,468	384,512,123	NIM (as % of avg. assets)	9.6%	11.8%	11.2%	11.2%
LLR	-11,368,148	-13,991,454	-18,545,504	-21,107,709	-25,034,509	Earning assets/assets	80787.2%	77126.3%	79025.8%	84242.4%
Gross Loans	208,122,568	263,214,608	312,048,883	365,619,177	409,546,632	Margins (as % of Avg. Assets)	7787.9%	9116.3%	8850.9%	9468.9%
NPLs	7,231,660	7,577,530	10,909,120	12,416,299	13,908,060	Non-Int. Rev / Revenues	16694.8%	14466.9%	12135.9%	12318.0%
Investments	20,237,869	0	0	0	0	Non IR/Avg. Assets	1.6%	1.5%	1.2%	1.3%
Other earning assets	19,313,466	25,890,225	31,277,168	33,839,373	58,039,751	Revenue/Assets	7789.4%	9117.9%	8852.1%	9470.2%
Avg. IEA	227,425,717	278,126,517	327,943,886	389,057,217	445,567,251	Cost/Income	45.5%	41.9%	41.6%	39.6%
Goodwill	-	-	-	-	-	Cost/Assets	4.3%	4.5%	4.2%	4.3%
Assets	316,947	404,277	425,690	497,971	574,004	Pre-Provision ROA	7793.7%	9122.3%	8856.3%	9474.5%
						LLP/Loans	3.1%	3.4%	2.8%	2.8%
Deposits	255,928,261	333,652,399	348,552,193	401,850,218	455,051,813	Loan/Assets	65579.9%	65352.4%	69311.6%	73367.6%
Long-term bond funding	21,284,192	15,669,306	18,620,516	18,620,516	18,957,145	Other Prov. Income/ Assets	0.5%	0.1%	0.1%	0.2%
Other Borrowings	2,678,422	9,367,576	11,487,928	11,487,928	11,467,928	Operating ROA	5.1%	6.2%	5.9%	6.5%
Avg. IBL	241,480	307,244	347,819	382,334	435,762	Pre-Tax ROA	9846.8%	11324.9%	10804.1%	11528.9%
Avg. Assets	281,512	360,612	414,983	461,830	535,987	Tax rate	26113.4%	23046.5%	19397.9%	21000.0%
	27,257,381	36,673,111	47,246,181	61,250,924	78,236,417	Minorities & Outside Distbn.	0.0%	0.0%	0.0%	0.0%
RWA	171,721,962	235,082,150	285,212,386	333,640,402	414,117,987	ROA	2.6%	3.2%	3.3%	3.7%
Avg. RWA	156,042,671	203,402,056	260,147,268	309,426,394	373,879,195	RORWA	4.7%	5.6%	5.2%	5.5%
						Equity/Assets	8.8%	8.9%	10.1%	11.7%
						ROE	29.5%	35.9%	32.1%	31.1%

Source: Company reports and J.P. Morgan estimates.

Beijing Enterprises Water

www.bewg.com.hk

Company description

Beijing Enterprises Water (BEW) is the water subsidiary of Beijing Enterprises Holdings, which owns 44% of BEW. BEW is predominately involved in constructing and operating wastewater treatment plants in China. The company has 7.3mn tons of treatment capacity in its portfolio. Management has guided for a 2mn ton of capacity growth pa going forward.

Key drivers of performance in an equity market recovery

Potential upside from M&A: BEW may consider M&A opportunities amid the current financial crisis. We estimate BEW could potentially gain 4-11% upside from acquiring other companies with enterprise value of HK\$1-3bn. **A growth stock backed by strong policy support:** Of the China water stocks, BEW has the best growth track record, in our view, and should outperform its peers and the market as investors' risk appetite widens for stocks in the China water space.

How much recovery has already been priced in, what are the key metrics?

BEW shares traded at a 20-25x P/E during the 2009-10 market recovery vs current valuation of 16x FY12 P/E. We believe shares have room to move to a P/E of 21x, or share price of HK\$2.5, which is our price target.

Where's the earnings risk for 2012?

Lower than expected earnings from construction projects, low utilization rates of projects and high operating costs.

Price target and key recovery risks

Our Jun-12 PT is determined based on a sum-of-the-parts valuation, using a P/E multiple of 7x (construction contractors' average) to derive the valuation of the build-transfer segment and a DCF with a WACC of 9.4% and a terminal growth rate of 1% to value the remaining water segment. Key risks: delays of payment from BT projects; high interest rates, inability to pass on higher operating costs via tariff hikes.

Beijing Enterprises Water (Reuters: 0371.HK, Bloomberg: 371 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	1,730	6,348	3,838	6,045	6,717
Net Profit (HK\$ mn)	192.7	512.5	660.4	812.0	946.4
EPS (HK\$)	0.06	0.13	0.12	0.12	0.14
DPS (HK\$)	0.00	0.00	0.03	0.04	0.04
Revenue growth (%)	412.3%	266.9%	-39.5%	57.5%	11.1%
EPS growth (%)	60.0%	108.4%	-9.6%	2.1%	16.6%
ROCE	9.0%	9.7%	8.2%	8.2%	8.6%
ROE	7.7%	12.7%	9.4%	8.7%	9.5%
P/E (x)	32.4	15.6	17.2	16.9	14.5
P/BV (x)	2.6	2.3	1.8	1.6	1.5
EV/EBITDA (x)	28.3	17.5	10.6	8.6	8.2
Dividend Yield	0.0%	0.0%	1.7%	1.8%	2.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$1.98

Price Target: HK\$2.50

China

Water

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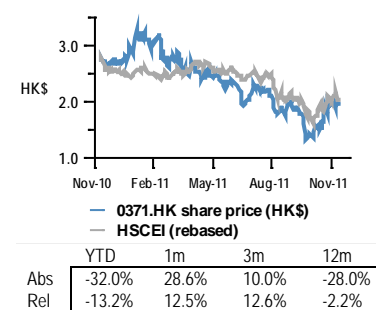
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	6,909
Market cap (HK\$ mn)	13,680
Market cap (\$ mn)	1,761
Price (HK\$)	1.98
Date Of Price	10 Nov 11
Free float (%)	43.0%
3mth Avg daily volume	9.11
3M - Avg daily Value (HK\$ mn)	15.68
3M - Avg daily Value (USD) (\$ mn)	2.11
HSCEI	10,918
Exchange Rate	7.77
Fiscal Year End	Dec

Beijing Enterprises Water: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	1,730	6,348	3,838	6,045	6,717	EBIT	398	929	1,375	1,693	1,914
% change Y/Y	412.3%	266.9%	(39.5%)	57.5%	11.1%	Depr. & amortization	29	39	39	38	37
EBITDA	427	968	1,414	1,731	1,951	Change in working capital	-175	-4,245	-773	-597	-1,837
% change Y/Y	246.6%	126.5%	46.1%	22.4%	12.7%	Taxes	-44	-18	-144	-177	-206
EBIT	398	929	1,375	1,693	1,914	Others	-1,219	291	586	503	533
% change Y/Y	242.4%	133.5%	48.0%	23.1%	13.1%	Cash flow from operations	-1,132	-3,238	595	857	-202
EBIT Margin	23.0%	14.6%	35.8%	28.0%	28.5%	Capex	-61	-25	-9	-9	-10
Net Interest	-119	-228	-467	-503	-533	Disposal/(purchase)	0	0	0	0	0
Associates	-	-	-	-	-	Free cash flow	-1,193	-3,263	586	848	-212
Other Income	-	-	-	-	-	Net Interest	-119	-228	-467	-503	-533
Earnings before tax	277	695	886	1,090	1,271	Other	-75	-806	-1,382	123	141
% change Y/Y	403.1%	150.6%	27.5%	23.0%	16.6%	Cash flow from investing	-136	-831	-1,391	114	132
Tax	-49	-131	-160	-196	-229	Equity raised/(repaid)	0	706	3,391	0	0
as % of EBT	17.5%	18.8%	18.0%	18.0%	18.0%	Debt raised/(repaid)	1,156	4,624	2,317	796	928
Exceptional items	-	-	-	-	-	Others	153	-223	-507	-626	-675
Net income (reported)	192.7	512.5	660.4	812.0	946.4	Dividends paid	0	-6	-198	-244	-284
% change Y/Y	522.0%	166.0%	28.8%	23.0%	16.6%	Cash flow from financing	1,309	5,101	5,003	-74	-31
Shares outstanding	3,482	4,567	6,909	6,909	6,909	Beginning cash	835	877	1,962	6,169	7,066
EPS (reported)	0.06	0.13	0.12	0.12	0.14	Ending cash	877	1,962	6,169	7,066	6,965
% change Y/Y	60.0%	108.4%	(9.6%)	2.1%	16.6%	DPS	0.00	0.00	0.03	0.04	0.04
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	877	1,962	6,169	7,066	6,965	EBITDA margin	24.7%	15.3%	36.9%	28.6%	29.0%
Accounts receivable	237	4,126	3,741	2,913	3,170	Operating margin	23.0%	14.6%	35.8%	28.0%	28.5%
Inventories	7	13	17	21	25	Net profit margin	11.1%	8.1%	17.2%	13.4%	14.1%
Others	775	2,720	2,975	3,422	4,028	Net profit growth					
Current assets	1,896	8,820	12,902	13,422	14,187	Sales per share growth	31.8%	187.5%	(57.6%)	30.8%	11.1%
						Sales growth					
LT investments	3,055	4,583	6,589	8,130	9,890	Net profit growth	522.0%	166.0%	28.8%	23.0%	16.6%
Net fixed assets	-	-	-	-	-	EPS growth	60.0%	108.4%	(9.6%)	2.1%	16.6%
Total Assets	7,424	17,225	23,283	25,315	27,814	Interest coverage (x)	3.58	4.24	3.03	3.44	3.66
Liabilities						Net debt to equity	57.6%	129.6%	52.0%	47.5%	53.9%
Short-term loans	1,291	5,296	6,735	7,229	7,805	Sales/assets	0.28	0.52	0.19	0.25	0.25
Payables	445	2,638	358	425	528	Assets/equity	2.46	3.40	2.59	2.63	2.68
Others	515	683	2,785	3,303	4,014	ROE	7.7%	12.7%	9.4%	8.7%	9.5%
Total current liabilities	2,251	8,617	9,878	10,958	12,347	ROCE	9.0%	9.7%	8.2%	8.2%	8.6%
Long-term debt	1,320	3,231	4,109	4,411	4,762	ROA	3.2%	4.2%	3.3%	3.3%	3.6%
Other liabilities	841	309	309	309	309						
Total Liabilities	4,412	12,157	14,296	15,677	17,418						
Shareholders' equity	3,012	5,068	8,988	9,638	10,396						
BVPS	0.75	0.85	1.13	1.21	1.30						

Source: Company reports and J.P. Morgan estimates.

Brilliance China

www.brilliance-auto.com

Company description

Brilliance China is a key luxury-car producer in China focusing on the manufacture and sales of BMW-branded cars. It currently produces and sells 3 series and 5 series BMW cars in China and plans to produce BMW X1 series in FY12 through its 50%-owned BMW JV, which contributes most of its consolidated profit. Meanwhile, Brilliance China is also a major minibus producer in China. The company's products include Jinbei Haise minibus, which is based on the technology of Toyota.

Key drivers of performance in an equity market recovery

Brilliance China, as our top pick in China autos, boasts highly visible strong earnings growth from FY11 to FY15 as its BMW sales volume is expected to rise from 108k in FY11 to over 500k in FY15. Key drivers: (1) its solid line-up of competitive new car models to be rolled out from FY12 to FY14, such as BMW X1, new 3 series, and a new front-wheel-driven model to be rolled out in late FY13; (2) the powerful consumption upgrade of Chinese consumers switching from the mid-upper-end cars to luxury cars; and (3) the low penetration rate of luxury cars in China.

How much recovery has already been priced in, what are the key metrics?

At HK\$9.26 Brilliance China's stock is trading at 14.3x FY12E P/E and lower at 10.9x FY13E P/E. We believe its current valuations have not priced in its highly visible strong growth from FY11 to FY15.

Where's the earnings risk for 2012?

(1) The possible slowdown in the sales volume growth of luxury car segment, should China suffer a hard landing in its economy; (2) The possible decline in demand for minibuses due to the slowdown in China's economic growth.

Price target and key recovery risks

Our Dec-11 price target of HKD12.5 is based on a 50% discount to our NAV estimate of HKD25, translating into 20x FY12E PER. Our NAV estimate is based on our normalized sales volume forecast of its BMW cars in 2016. We assign a 50% discount to reflect the un-matured stage at the moment. Key price target risks: (1) the slowdown in China's luxury car sales growth next year if China has a hard economic landing; (2) China keeps tightening its monetary policy to hurt the luxury car demand.

Key risks include: (1) weaker-than-expected sales of minivans and BMW sedans; and (2) a sharper-than-expected price cut in China's auto market.

Brilliance China Automotive (Reuters: 1114.HK, Bloomberg: 1114 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	6,149	8,949	10,014	11,146	12,279
Net Profit (Rmb mn)	(1,640)	1,271	1,760	2,651	3,463
EPS (Rmb)	(0.37)	0.25	0.35	0.53	0.69
DPS (Rmb)	-	0.00	0.07	0.11	0.14
Revenue growth (%)	12.4%	45.5%	11.9%	11.3%	10.2%
ROE	NM	22.4%	25.0%	30.2%	30.8%
P/E (x)	NM	27.6	19.9	13.2	10.1
P/BV (x)	6.3	5.5	4.5	3.6	2.8
Dividend Yield	-	0.0%	1.0%	1.5%	2.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$8.57

Price Target: HK\$12.5

China

Auto and auto parts

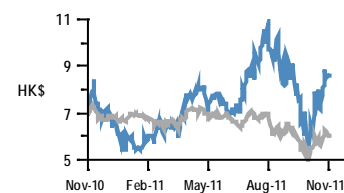
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Bloomberg JPMA FLI <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



	YTD	1m	3m	12m
Abs	46.5%	57.2%	-18.2%	23.7%
Rel	58.2%	39.9%	-4.9%	36.1%

Source: Bloomberg.

Company Data	
52-week Range (HK\$)	10.98 - 5.09
Shares O/S (mn)	4,994
Market Cap (HK\$ mn)	42,299
Market Cap (US) (\$ mn)	5,449
Price (HK\$)	8.57
Date Of Price	01 Nov 11
Free float (%)	61.0%
3mth Avg daily volume	26.74
Average 3m Daily Turnover (US) (\$ mn)	27.34
R-CHIP	3,843
Exchange rate (HK\$/US\$)	7.76

Brilliance China Automotive: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	6,149	8,949	10,014	11,146	12,279	EBIT	326	523	704	770	841
% change Y/Y	12.4%	45.5%	11.9%	11.3%	10.2%	Depreciation & amortization	324	107	696	760	821
Gross Profit	855	1,224	1,390	1,536	1,690	Change in working capital	1,245	634	-548	-205	-251
						Others	-934	-93	222	241	262
EBIT	326	523	704	770	841	Cash flow from operations	962	1,171	1,075	1,566	1,673
% change Y/Y	17.7%	60.5%	34.6%	9.4%	9.1%	Capex	-631	-378	-850	-800	-800
EBIT Margin	5.3%	5.9%	7.0%	6.9%	6.9%	Free cash flow	331	792	225	766	873
Net Interest	-63	-92	-97	-89	-81	Equity raised/(repaid)	0	0	0	0	0
Earnings before tax	-5	1,465	2,103	3,143	4,106	Debt raised/(repaid)	-1,091	-558	35	0	0
% change Y/Y	NM	NM	43.6%	49.5%	30.6%	Dividends paid	0	0	0	-352	-530
Tax	-41	54	0	0	0	Other	1,753	-342	0	0	0
Net income (core)	(1,640)	1,271	1,760	2,651	3,463	Cash flow from financing	661	-900	35	-352	-530
% change Y/Y	NM	NM	38.5%	50.7%	30.6%	Beginning cash	1,244	1,609	428	874	1,425
Shares Outstanding	4,480	4,994	4,994	4,994	4,994	Ending cash	1,609	428	874	1,425	1,909
						ST Bank deposit	1,269	2,197	2,147	2,097	2,047
EPS (core) (Rmb)	(0.37)	0.25	0.35	0.53	0.69	Cash and ST bank deposit	2,878	2,625	3,021	3,522	3,956
% change Y/Y	NM	NM	38.5%	50.6%	30.6%	DPS (Rmb)	-	0.00	0.07	0.11	0.14
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	% , year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	2,878	2,625	3,021	3,522	3,956	Gross margin	5.3%	5.9%	7.0%	6.9%	6.9%
Accounts receivable	927	1,473	1,648	1,834	2,021	Net margin	NM	14.2%	17.6%	23.8%	28.2%
Inventories	1,350	791	892	937	1,026						
Others	1,415	2,210	1,956	2,081	2,207	Sales per share growth	(8.0%)	30.6%	11.9%	11.3%	10.2%
Current assets	6,571	7,098	7,517	8,375	9,209	Sales growth	12.4%	45.5%	11.9%	11.3%	10.2%
						Net profit growth	NM	NM	38.5%	50.7%	30.6%
Net fixed assets	1,342	1,585	2,940	4,797	7,525	EPS growth	NM	NM	38.5%	50.6%	30.6%
Other LT assets	3,552	4,537	3,838	3,888	3,888	Sales/assets	53.6%	67.7%	70.1%	65.3%	59.5%
Total Assets	11,465	13,220	14,295	17,060	20,623	Assets/equity	228.3%	209.0%	184.9%	173.1%	163.4%
ST loans	723	165	200	200	200	ROE	NM	22.4%	25.0%	30.2%	30.8%
Payables	3,395	5,626	4,916	5,067	5,217						
Others	3,194	2,170	2,170	2,170	2,170						
Total current liabilities	7,312	7,962	7,286	7,437	7,587						
Long term debt	0	0	0	0	0						
Other LT liabilities	425	2	2	2	2						
Total non-current liabilities	425	2	2	2	2						
Total Liabilities	7,736	7,964	7,288	7,439	7,589						
Shareholders' equity	5,022	6,325	7,733	9,854	12,624						
Minority Interest	-1,293	-1,069	-726	-234	409						
BVPS	1.12	1.27	1.55	1.97	2.53						

Source: Company reports and J.P. Morgan estimates.

CapitaMalls Asia

www.capitamallsasia.com/

Company description

CapitaMalls Asia is an integrated real estate company purely focused on the development, operation and investment management of shopping malls across Asia. CMA has interests in and manages a portfolio of 94 retail properties across 49 cities in Singapore, China, Malaysia, Japan and India. CMA is part of the CapitaLand group.

Key drivers of performance in an equity market recovery

We believe that the performance of CMA's China portfolio will be the key share price driver in the coming year. With 3 malls, accounting for 28% of CMA's China NAV, to be opened by 4Q11, more than 40% of the group's China NAV will be operational in 2012. This together with stable and strong same store NPI growth of c. 20% and a stabilizing cost base, we do see the group more than double its China income in 2012 and achieving a 30% core earnings growth in 2012.

How much recovery has already been priced in, what are the key metrics?

The stock is currently trading at a 42% discount to our SOTP valuation of S\$2.35/unit, and 0.9x historical book. In fact, if we were to value the listed part of CMA at current market value, the implied discount to the unlisted book is 27%, an undemanding level that has priced in certain execution risk in our view.

Where's the earnings risk for 2012?

Our call is predicated on the view that the operation in CMA's China portfolio will start to stabilize in the next 12 months with cost well contained. The challenging operating environment for the sector and the risks of further cost escalation would be the key risks in our view for the group's earnings outlook.

Price target and key recovery risks

Our Dec-12 price target is based off our SOTP valuation at S\$2.35/share. Key risks to our rating and price target include the group's inability to turn around the China operations in the next 6-12 months and the group's inability to deploy surplus capital.

CapitaMalls Asia (Reuters: CMAL.SI, Bloomberg: CMA SP)

S\$ in mn, year-end Dec	FY10A	FY11E	FY12E	FY13E	FY14E
Revenue (\$ mn)	245	242	233	284	-
Net Profit (\$ mn)	422	616	550	655	787
EPS (\$)	0.109	0.159	0.142	0.169	0.203
Core EPS (\$)	0.074	0.050	0.065	0.076	0.099
DPS (\$)	0.020	0.030	0.040	0.050	0.050
P/E	12.5	8.5	9.6	8.0	6.7
Core P/E (x)	18.3	27.3	20.9	17.9	13.7
EPS growth (%)	36.9%	-33.2%	30.4%	17.2%	30.6%
P/BV (x)	0.9	0.8	0.8	0.7	0.7
Dividend Yield	1.5%	2.2%	2.9%	3.7%	3.7%
ROE	7.2%	9.7%	8.2%	9.1%	0.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: S\$1.36

Price Target: S\$2.35

Singapore

Property

Joy Wang^{AC}

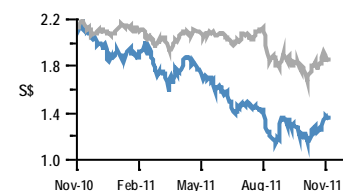
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J.P. Morgan Securities Singapore Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-29.1%	11.1%	1.5%	-36.4%
Rel	-15.9%	3.9%	11.7%	-23.5%

Source: Bloomberg.

Company Data

Shares O/S (mn)	3,885
Market cap (\$ mn)	5,264
Market cap (\$ mn)	4,239
Price (\$)	1.36
Date Of Price	03 Nov 11
Free float (%)	34.0%
3m Avg daily Volume	9.20
Average 3m Daily Turnover (\$ mn)	11.32
Average 3m Daily Turnover (\$ mn)	8.97
FTSTI	2,835
Exchange Rate	1.24
Fiscal Year End	Dec

CapitaMalls Asia: Summary of Financials

Income Statement					Cash flow statement				
S\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E	S\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	245	242	233	284	EBIT	472	699	617	741
% change Y/Y	7.2%	(1.5%)	(3.7%)	22.1%	Depr. & amortization	7	0	0	0
EBIT	472	699	617	741	Change in working capital	19	0	0	0
% change Y/Y	NM	47.9%	NM	20.1%	Others	-444	-655	-596	-669
EBIT Margin (%)	192.5%	289.1%	265.2%	260.8%	Cash flow from operations	55	44	21	72
Net Interest	-26	-42	-50	-52	Capex	-235	-181	-149	-53
Earnings before tax	447	657	567	689	Disposal/(purchase)	760	-1,573	-233	-199
% change Y/Y	9.1%	46.9%	-13.7%	21.6%	Others	91	187	261	284
Tax	-17	-31	-6	-23	Free cash flow	586	-1,710	-361	-179
as % of EBT	3.9%	4.7%	1.1%	3.4%	Equity raised/(repaid)	0	0	0	0
Net income (reported)	422	616	550	655	Debt raised/(repaid)	159	504	236	50
% change Y/Y	8.7%	46.0%	-10.7%	19.0%	Other	-23	-52	-61	-63
Core net profit	288	192	251	295	Dividends paid	-39	-78	-117	-155
% change Y/Y	36.8%	-33.2%	30.5%	17.3%	Beginning cash	544	1,318	170	128
Shares outstanding	3,884	3,884	3,884	3,884	Ending cash	1,318	170	128	64
EPS (reported)	0.109	0.159	0.142	0.169	DPS	0.020	0.030	0.040	0.050
% change Y/Y	8.7%	46.0%	(10.7%)	19.0%					
DPS	0.020	0.030	0.040	0.050					
% change Y/Y	100.0%	50.0%	33.3%	25.0%					
Balance sheet					Ratio Analysis				
S\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E	S\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	1,318	170	128	64	EBITDA margin	195.5%	289.1%	265.2%	260.8%
Accounts receivable	498	498	498	498	Operating margin	192.5%	289.1%	265.2%	260.8%
Inventories	0	0	0	0	Net margin	171.9%	254.9%	236.4%	230.4%
Others	0	0	0	0	Sales per share growth	7.3%	(1.6%)	(3.7%)	22.2%
Current assets	1,817	668	626	563	Sales growth	7.2%	(1.5%)	(3.7%)	22.1%
LT investments	4,559	6,421	6,925	7,392	Net profit growth	8.7%	46.0%	-10.7%	19.0%
Net fixed assets	593	936	1,119	1,282	EPS growth	8.7%	46.0%	(10.7%)	19.0%
Total Assets	6,982	8,038	8,683	9,250	Interest coverage (x)	18.5	16.6	12.2	14.2
Liabilities					Net debt to total capital	-8.9%	12.9%	15.1%	15.4%
Short-term loans	12	240	240	240	Net debt to Equity	-10.6%	16.4%	19.5%	19.9%
Payables	295	348	362	418	Sales/assets	3.5%	3.0%	2.7%	3.1%
Others	58	58	58	58	Assets/equity	119.8%	127.0%	129.2%	128.8%
Total current liabilities	366	646	660	716	ROE	7.2%	9.7%	8.2%	9.1%
Long-term debt	688	964	1,200	1,250	ROCE	8.1%	8.4%	6.8%	7.6%
Other liabilities	40	40	40	40					
Total Liabilities	1,094	1,650	1,901	2,007					
Minorities	60	60	60	60					
Shareholders' equity	5,829	6,328	6,723	7,183					
BVPS	1.501	1.629	1.731	1.849					

Source: Company reports and J.P. Morgan estimates.

Cebu Air, Inc.

www.cebupacificair.com

Company description

Cebu Air Inc is a Philippines-based low cost carrier with a 45% market share on domestic routes and 16% market share on international routes. 1H11 revenue breakdown: passenger 83%, cargo services 6% and ancillary revenue 11%.

Key drivers of performance in an equity market recovery

Better than expected international route expansion and profitability, decision to rationalize route network by PAL which will likely lift Cebu Air's market share, continued growth in ancillary revenue, more aggressive business expansion plans given strong cash flows, differentiation from regional LCC competitors and peso appreciation.

How much recovery has already been priced in, what are the key metrics?

We believe Cebu Air can still achieve above sector average profitability despite the rising competition risks (2011E EBITDAR margin 29% vs. sector's 23%).

Where's the earnings risk for 2012?

Key risks would be uncertainties regarding int'l route expansion, inability to secure financing for aircraft deliveries at attractive interest rates, rising LCC competition, potential mark-to-market losses on financial assets.

Price target and key recovery risks

Our Dec-12 price target of PHP110 is based on 8.5x 12M fwd adj. EV/EBITDAR, at the upper end of global LCC valuations given Cebu Air's above sector average profitability and more resilient travel demand (supported by overseas Filipino workers). Key downside risks: uncertainties regarding int'l route expansion, rising fuel prices, inability to secure financing for aircraft deliveries at attractive interest rates, weaker peso and rising LCC competition.

Overweight

Price: Php76.00

Price Target: Php110.00

Philippines Transportation

Corrine Png^{AC}

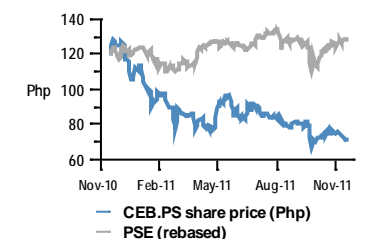
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Bloomberg JPMA PNG <GO>

J.P. Morgan Securities Singapore Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-37.3%	-4.5%	-11.0%	-40.5%
Rel	-40.3%	-9.0%	-10.3%	-47.2%

Source: Bloomberg.

Cebu Air, Inc. (Reuters: CEB.PS, Bloomberg: CEB PM)

Php in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Php mn)	23,311	29,089	32,475	38,281	45,349
Net Profit (Php mn)	3,258	6,922	2,643	2,392	2,893
EPS (Php)	5.59	11.78	4.32	3.91	4.73
Adj EPS (Php)	4.06	9.81	4.35	3.91	4.73
DPS (Php)	0.00	0.00	0.00	0.00	0.00
Revenue Growth (%)	18.4%	24.8%	11.6%	17.9%	18.5%
EPS Growth (%)	NM	110.6%	NM	NM	21.0%
Adj EPS Growth (%)	121%	142%	NM	NM	21%
ROCE	13.7%	21.3%	8.2%	7.5%	8.0%
ROE	57.9%	55.0%	14.0%	11.4%	12.2%
P/E	13.6	6.5	17.6	19.4	16.1
P/B (x)	6.1	2.5	2.3	2.1	1.8
EV/EBITDA	12.2	6.3	9.8	9.2	8.1
Div Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

Shares O/S (mn)	609
Mkt Cap (Php mn)	46,278
Mkt Cap (\$ mn)	1,066
Price (Php)	76.00
Date Of Price	04 Nov 11
Free float (%)	35.0%
Avg Daily Volume (mn)	5.20
Avg Daily Value (Php mn)	664.10
Avg Daily Value (\$ mn)	15.30
IN	

Cebu Air, Inc.: Summary of Financials

Income Statement						Cash flow statement					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	23,311	29,089	32,475	38,281	45,349	EBIT	3,164	6,450	3,134	3,146	3,843
% change Y/Y	18.4%	24.8%	11.6%	17.9%	18.5%	Depr. & amortization	1,918	2,101	2,608	3,152	3,871
EBITDA	5,082	8,551	5,742	6,298	7,714	Change in working capital	1,828	2,173	1,014	1,738	2,116
% change Y/Y	55.2%	68.3%	-32.9%	9.7%	22.5%	Taxes	-	-	-92	-87	-105
EBIT	3,164	6,450	3,134	3,146	3,843	Cash flow from operations	6,644	10,024	5,896	7,238	8,829
% change Y/Y	83.1%	103.9%	NM	0.4%	22.2%	Capex	-3,207	-2,199	-7,863	-8,961	-13,311
EBIT Margin	13.6%	22.2%	9.7%	8.2%	8.5%	Disposal/(purchase)	-	-	-	-	-
Net Interest	-1,004	-694	-419	-711	-896	Net Interest	-1,004	-694	-419	-711	-896
Earnings before tax	3,238	6,940	2,735	2,478	2,998	Free cash flow	3,437	7,824	-1,967	-1,723	-4,482
% change Y/Y	-201.8%	114.3%	-60.6%	-9.4%	21.0%	Equity raised/(repaid)	0	3,732	0	0	0
Tax	20	-18	-92	-87	-105	Debt raised/(repaid)	-846	1,323	1,500	2,000	5,000
as % of EBT	156.9%	123.2%	210.0%	254.1%	257.3%	Other	476	-3,233	0	0	0
Net income (reported)	3,258	6,922	2,643	2,392	2,893	Dividends paid	-	-	0	0	0
% change Y/Y	-199.9%	112.5%	-61.8%	-9.5%	21.0%	Beginning cash	646	3,841	9,763	9,296	9,573
Shares outstanding	583	588	611	611	611	Ending cash	3,841	9,763	9,296	9,573	10,092
EPS (reported)	5.59	11.78	4.32	3.91	4.73	DPS	0.00	0.00	0.00	0.00	0.00
% change Y/Y	NM	111%	NM	NM	21%						
Adj EPS	4.06	9.81	4.35	3.91	4.73						
% change Y/Y	121%	142%	NM	NM	21%						
Balance sheet						Ratio Analysis					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	3,841	9,763	9,296	9,573	10,092	EBITDA margin	21.8%	29.4%	17.7%	16.5%	17.0%
Accounts receivable	936	862	963	1,135	1,344	Operating margin	13.6%	22.2%	9.7%	8.2%	8.5%
Inventories	349	370	413	487	577	Net margin	14.0%	23.8%	8.1%	6.3%	6.4%
Others	200	264	295	348	412	Sales per share growth	(6.8%)	23.7%	7.3%	17.9%	18.5%
Current assets	5,554	15,139	14,496	15,072	15,954	Sales growth	18.4%	24.8%	11.6%	17.9%	18.5%
LT investments	366	370	408	451	501	Net profit growth	-199.9%	112.5%	-61.8%	-9.5%	21.0%
Net fixed assets	29,155	33,986	39,241	45,049	54,490	EPS growth	NM	111%	NM	NM	21%
Total Assets	35,323	49,937	54,587	61,015	71,387	Interest coverage (x)	5.06	12.32	13.72	8.86	8.61
Liabilities						Net debt to equity	179.8%	26.8%	35.8%	39.7%	52.9%
Short-term loans	1,863	2,056	2,056	2,056	2,056	Sales/assets	0.69	0.68	0.62	0.66	0.69
Payables	5,000	5,598	6,250	7,368	8,728	Assets/equity	4.87	2.79	2.75	2.74	2.84
Others	3,543	4,642	5,178	6,097	7,217	ROE	57.9%	55.0%	14.0%	11.4%	12.2%
Total current liabilities	10,405	12,296	13,484	15,521	18,001	ROCE	13.7%	21.3%	8.2%	7.5%	8.0%
Long-term debt	15,247	16,377	17,877	19,877	24,877						
Other liabilities	2,415	3,357	3,357	3,357	3,357						
Total Liabilities	28,068	32,030	34,718	38,755	46,234						
Shareholders' equity	7,255	17,907	19,869	22,260	25,153						
BVPS	12.45	30.47	32.51	36.42	41.15						

Source: Company reports and J.P. Morgan estimates.

Cheng Shin Rubber

www.cst.com.tw

Company description

Cheng Shin Rubber (CSR) is the largest tire manufacturer in Taiwan and the 10th largest maker in the world. CSR produces tires for bicycles, motorcycles, passenger cars, trucks, agriculture and industrial equipment. The company sells replacement tires under two brands: “Cheng Shin” and “MAXXIS”, which accounts for 80% of consolidated revenue. CSR generates the remaining 20% of revenue from OEM business for global top auto companies. CSR has production plants in Taiwan, China, Thailand, and Vietnam.

Key drivers of performance in an equity market recovery

Revenue growth and continued margin expansion should be the key positive stock driver for CSR to ride on this equity market rally. In China, the replacement tire demand cycle usually lags auto production cycle by 2-3 years; new auto sales growth peaked in 2009/10, so we expect to see strong tire demand in 2012. CSR is well-positioned to tap the growth momentum with new capacity in Taiwan and China, which is scheduled for mass production from 4Q11, earlier than most competitors by 1 year. In addition, natural rubber has corrected from the peak of US\$6,000/ton in Feb-11 to US\$3,150/ton in Nov-11. CMAI expects annual price of natural rubber to stay at US\$3,800/ton in 2012, much lower than US\$4,700/ton in 2011. Declining raw material costs should support CSR’s profitability growth through margin improvement.

How much recovery has already been priced in, what are the key metrics?

We believe the market has not fully priced in strong growth momentum in 2012, which is driven by strong replacement demand in China and mass production of new capacity. The market still has concerns about potential overcapacity, which are overdone, in our view, as we believe most of capacity expansion announced by major competitors will only be completed in 2013 at the earliest.

Where’s the earnings risk for 2012?

While over 60% of total revenue is generated from China, weak replacement demand in China represents downside risk to our earnings. Shortage in natural rubber and synthetic rubber may also push up raw material costs and hurt gross margins.

Price target and key recovery risks

Our Dec-12 price target of NT\$82 is based on 12x FY12E EPS of NT\$6.85. We expect easing raw material prices and widening margins to be near-term catalysts; looking forward, rising utilization of new plants in 2012 should act as a long-term catalyst. The main risks to our PT are 1) surging rubber prices in short term, 2) slowdown of China demand for replacement tires and 3) ramp-up of new capacity slower than expected.

Cheng Shin Rubber Industry Co., Ltd (Reuters: 2105.TW, Bloomberg: 2105 TT)

NT\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (NT\$ mn)	84,501	99,970	123,868	141,562	177,838
Net Profit (NT\$ mn)	13,431.3	10,315.0	12,354.6	16,932.8	32,039.0
EPS (NT\$)	6.52	5.01	5.00	6.85	12.96
DPS (NT\$)	1.00	2.00	2.00	2.50	3.42
Revenue growth (%)	14.6%	18.3%	23.9%	14.3%	25.6%
EPS growth (%)	278.6%	-23.2%	-0.2%	37.1%	89.2%
ROCE	26.9%	16.7%	18.2%	22.1%	34.9%
ROE	38.8%	24.3%	25.3%	29.0%	42.4%
P/E (x)	10.1	13.1	13.1	9.6	5.1
P/BV (x)	3.3	3.0	3.0	2.5	1.8
EV/EBITDA (x)	7.8	9.9	8.8	6.8	3.8
Dividend Yield	1.5%	3.1%	3.1%	3.8%	5.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: NT\$65.60

Price Target: NT\$82

Taiwan

Tire

Caren Huang^{AC}

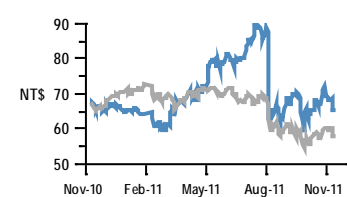
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Bloomberg JPMA CHUANG <GO>

J.P. Morgan Securities (Taiwan) Limited.

Price Performance



	YTD	1m	3m	12m
Abs	0.2%	-0.2%	-0.6%	-2.2%
Rel	19.2%	1.0%	4.9%	11.3%

Source: Bloomberg.

Company Data	
Shares O/S (mn)	2,472
Market cap (NT\$ mn)	162,194
Market cap (\$ mn)	5,402
Price (NT\$)	65.60
Date Of Price	10 Nov 11
Free float (%)	60.7%
3mth Avg daily volume	7.22
3M - Avg daily Value (NT\$ mn)	479.65
3M - Avg daily Value (USD) (\$ mn)	17.45
TSE	7,309
Exchange Rate	30.02
Fiscal Year End	Dec

Cheng Shin Rubber: Summary of financials

Profit and loss statement

NT\$ in millions, year-end Dec	2010	2011E	2012E	2013E
Net Sales	99,970	123,868	141,562	177,838
Gross Profit	20,940	26,559	35,364	57,410
Operating Expenses	9,012	11,024	14,298	18,139
Operat. Expense-SG&A	7,420	9,042	11,466	14,583
Operat. Expense-R&D	1,591	1,982	2,831	3,557
Operating Income	11,928	15,534	21,066	39,270
Interest Income	129	265	263	475
Investment Income	36	30	30	32
Total Non-Op. Income	1,228	595	616	858
Interest Expenses	626	1,114	1,131	1,311
Investment Loss	0	0	0	0
Total Non-Op. Exp.	844	1,184	1,212	1,423
Pre-Tax Income	12,313	14,946	20,470	38,706
Income Tax Expense	1,956	2,541	3,480	6,580
Net Income Before Minority	10,357	12,405	16,990	32,126
Net Income for Minority	42	50	69	130
Net Income	10,315	12,355	16,921	31,995
Adj. EPS	5.01	5.00	6.85	12.96
Weighted AVE.-ADJ	2,060	2,472	2,472	2,472
EBIT - including minority	12,939	16,060	21,615	40,069
EBITDA - including minority	19,086	22,058	28,068	46,929
Growth (%)				
Sales	18%	24%	14%	26%
PAT	-23%	20%	37%	89%
EPS	-23%	20%	37%	89%

Cash flow statement

NT\$ in millions, year-end Dec	2010	2011E	2012E	2013E
Net Income	10,315	12,355	16,933	32,039
Depreciation	5,647	5,998	6,454	6,860
Amortization	499	0	0	0
Dec(Inc)-A/R	(547)	(1,127)	(3,090)	(3,839)
Dec(Inc)-Inventory	(4,492)	(2,117)	(1,583)	(3,194)
Inc(Dec)-A/P	1,502	1,018	311	1,092
Other adj.	1,309	0	0	0
Cash Flow-Operating	14,234	16,127	19,024	32,958
Sales (Purchase) LT Invest	2	0	0	0
Sales (Purchase) of FA	(13,528)	(17,000)	(10,000)	(10,000)
Others	(2,118)	100	119	180
Cash Flow-Inv.	(15,644)	(16,900)	(9,881)	(9,820)
Free cash flow (Opt CF+Inv CF)	(1,410)	(773)	9,143	23,138
Proceed fmNewIssue	0	0	0	0
Dividend Paid	(3,297)	(4,121)	(6,177)	(8,466)
Inc(Dec)-S-T Debt	2,132	0	0	0
Inc(Dec)-L-T Debt	3,439	0	0	0
Others	3,661	0	0	0
Cash Flow-Financing	5,937	(4,121)	(6,177)	(8,466)
Cash Equiv.-Begin	11,870	15,708	10,814	13,780
Cash Equiv.-End	15,708	10,814	13,780	28,452

Balance sheet

NT\$ in millions, year-end Dec	2010	2011E	2012E	2013E
Cash & Equivalent	15,708	10,814	13,780	28,452
Marketable Security	92	92	92	92
A/R & N/R	6,985	8,112	11,202	15,040
Inventories	15,212	17,329	18,912	22,106
Total Current Assets	40,211	38,560	46,199	67,904
Long-term Investment	500	500	500	500
Total Fixed Assets	63,065	74,068	77,614	80,754
Total Other Assets	3,624	3,624	3,624	3,624
Total Assets	107,401	116,753	127,938	152,783
Short-term Borrow.	6,596	6,596	6,596	6,596
Bills Issued	0	0	0	0
A/P & N/P	7,430	8,448	8,759	9,850
Total Current Liab.	27,647	28,665	28,976	30,068
L-T Liabilities	32,747	32,747	32,747	32,747
Total Liabilities	62,220	63,288	63,649	64,790
Common Stocks	20,604	24,725	24,725	24,725
Preferred Stocks	0	0	0	0
Reserves	4,839	6,075	7,768	10,972
Retaining Earnings	18,819	21,697	30,759	51,128
Others	539	539	539	539
Minority Equity	380	430	499	630
Total Equity	45,181	53,465	64,290	87,993

Ratio analysis

	2010	2011E	2012E	2013E
Financial structure				
Total debt / total asset	41%	38%	35%	30%
Total debt / total equity	98%	83%	70%	52%
Net debt to equity	63%	63%	50%	22%
Liquidity				
Current ratio	1.5	1.3	1.6	2.2
Quick ratio	0.8	0.7	0.8	1.4
Interest cover (x)	20.7	14.4	19.1	30.5
Margins				
Gross margin	21%	21%	25%	32%
Operating margin	12%	13%	15%	22%
Net margin -excluding minority	10%	10%	12%	18%
Asset management				
A/R days	24.5	22.2	24.9	26.9
Inventory days	59.9	61.0	62.3	62.2
A/P days	30.8	29.8	29.6	28.2
Fixed asset utilization (x)	1.6	1.7	1.8	2.2
Total asset utilization (x)	0.9	1.1	1.1	1.2
Profitability				
ROE	24.3%	25.3%	29.3%	43.6%
ROA	10.4%	11.0%	13.9%	23.1%
Asset Turnover	1.2	1.3	1.3	1.5
Others				
BV per share	21.9	25.9	30.6	41.3
Cash dividend (NT\$)	2.0	2.0	3.0	4.1

Source: TEJ, J.P. Morgan estimates.

Cheung Kong Holdings

www.ckh.com.hk

Company description

Cheung Kong (CK) is the flagship company controlled by Chairman Li Ka Shing (who holds 42.8% of the company). CK is the largest homebuilder by volume in Hong Kong and is primarily engaged in property development in Hong Kong, China and Singapore. It also develops commercial properties which are held under four REITs, and owns 49.97% of Hutchison Whampoa (0013.HK, HK\$72.20, rated OW by Benjamin Lo).

Key drivers of performance in an equity market recovery

CK is the least leveraged company in the HK property space; we expect its gearing by end FY11E will remain below 10% even after the latest acquisition, and hence we think it is best-positioned for acquiring land at lower land cost in 2012E, given its strong cash position. CK adopts capital recycling model; a potential recovery in the equity market (and positive impact on the housing market) would speed up CK's asset turnover which, in turn, could help narrow the discount to its property NAV (excl Hutch). CK holds the largest landbank among HK developers and can best benefit from recovery. We believe Hutchison's share price performance, which could be buoyed by a market recovery, is a key determinant of CK's NAV growth.

How much recovery has already been priced in, what are the key metrics?

We believe the market has priced in a 10-15% decline in price and recession risks in the Euro Zone which could affect the Hong Kong housing market outlook, while a recovery in the market and housing prices are not factored in.

Where's the earnings risk for 2012?

Key swing to our earnings forecasts stems from the sales and delivery of projects in Hong Kong, especially the selling prices of mass-end projects for which we have incorporated a 15% decline in ASP. Also, CK's share of Hutchison's earnings may become CK's main earnings contributor.

Price target and key recovery risks

We have an OW rating on CK with a Dec-12 PT of HK\$114 based on a 50% discount to stub value, which is 1 s.d. below the LT average property stub discount, and Hutch at HK\$94, which is the PT recommended by J.P. Morgan's Conglomerate Team. We adopt a wider-than-average NAV discount for Hong Kong property developers, given the land and housing price downside risks. Risks to our PT: share price performance of Hutch, housing price declines exceeding our expectations.

Cheung Kong Holdings (Reuters: 0001.HK, Bloomberg: 1 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	24,293	32,863	41,885	32,420	29,406
Net Profit (HK\$ mn)	15,412	21,121	24,407	23,815	24,198
Core Profit (HK\$ mn)	16,522	17,430	21,433	23,815	24,198
EPS (HK\$)	6.65	9.12	10.54	10.28	10.45
Core EPS (HK\$)	7.13	7.53	9.25	10.28	10.45
Core EPS growth (%)	-0.1%	5.5%	23.0%	11.1%	1.6%
DPS (HK\$)	2.70	3.00	3.20	3.30	3.50
ROE	4.0%	3.7%	4.2%	2.9%	-
P/E (Core)	12.7	12.1	9.8	8.8	8.7
P/BV (x)	0.9	0.8	0.6	0.6	-
BVPS (HK\$)	106.60	116.36	142.18	146.81	-
RNAV/Share (HK\$)	-	-	135.80	136.40	-
Dividend Yield	3.0%	3.3%	3.5%	3.6%	3.9%

Source: Company data, Bloomberg, J.P. Morgan estimates. Note: Core profit refers to profit excl revaluation & one-off items.

Overweight

Price: HK\$90.80

Price Target: HK\$114

Hong Kong

Property

Lucia Kwong^{AC}

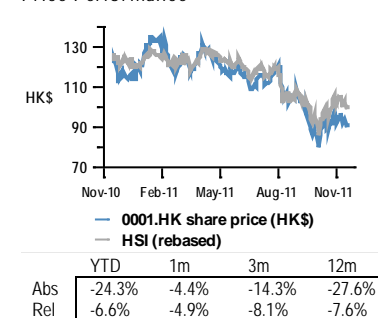
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Bloomberg JPMA KWONG <GO>

J.P. Morgan Securities (Asia) Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	2,316
Market cap (HK\$ mn)	210,308
Market cap (\$ mn)	27,020
Price (HK\$)	90.80
Date Of Price	16 Nov 11
Free float (%)	53.9%
3M - Average daily volume	5.28
3M - Average daily Value (HK\$ mn)	501.07
Average 3m Daily Turnover (\$ mn)	64.38
HSI	18,961
Exchange Rate (HK\$/US\$)	7.78
Fiscal Year End	Dec

Cheung Kong Holdings: Summary of Financials

Profit and Loss Statement					Cash Flow Statement				
HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	32,863	41,885	32,420	29,406	EBIT	13,013	15,856	13,110	8,729
% change Y/Y	35.3%	27.5%	-22.6%	-9.3%	Depr. & amortization	384	422	465	511
EBIT	13,013	15,856	13,110	8,729	Change in working capital	-173	-	-	-
% change Y/Y	NM	21.9%	NM	NM	Others	-	-	-	-
EBIT margin (%)	39.6%	37.9%	40.4%	29.7%	Cash flow from operations	13,765	18,496	10,727	5,821
Net Interest	-222	-331	-276	-400	Capex	-	-	-	-
Earnings before tax	24,750	27,677	27,014	26,024	Disposal/(purchase)	-173	-	-	-
% change Y/Y	33.2%	11.8%	-2.4%	-3.7%	Net Interest	-	-	-	-
Tax	-3,306	-3,108	-2,955	-1,784	Free cash flow	13,765	18,496	10,727	5,821
as % of EBT	13.4%	11.2%	10.9%	6.9%	Equity raised/(repaid)	0	0	0	0
Net income (reported)	21,121	24,407	23,815	24,198	Debt raised/(repaid)	3,000	3,000	3,000	3,000
% change Y/Y	37.1%	15.6%	-2.4%	1.6%	Other	0	0	0	0
Core net profit	17,430	21,433	23,815	24,198	Dividends paid	-6,948	-7,412	-7,643	-8,107
% change Y/Y	5.5%	23.0%	11.1%	1.6%	Beginning cash	-	-	-	-
Shares outstanding (mn)	2,316	2,316	2,316	2,316	Ending cash	-	-	-	-
EPS (reported) (HK\$)	9.12	10.54	10.28	10.45	DPS (HK\$)	3.00	3.20	3.30	3.50
% change Y/Y	37.1%	15.6%	-2.4%	1.6%					
Core EPS (HK\$)	7.53	9.25	10.28	10.45					
% change Y/Y	5.5%	23.0%	11.1%	1.6%					
Balance Sheet					Ratio Analysis				
HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E	%, year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	25,147	24,555	28,296	28,171	EBIT Margin	39.6%	37.9%	40.4%	29.7%
Accounts receivable	2,459	2,459	2,459	2,459	Operating margin	38.9%	37.1%	39.6%	28.3%
Inventories	65,679	110,415	114,915	119,415	Net margin	64.3%	58.3%	73.5%	82.3%
Others	334	334	334	334	SG&A/Sales	-	-	-	-
Current assets	93,877	138,021	146,262	150,637	Sales per share growth	35%	27%	-23%	-9%
LT investments	-	-	-	-	Sales growth	35.3%	27.5%	-22.6%	-9.3%
Net fixed assets	31,569	32,190	32,820	33,457	Net profit growth	37.1%	15.6%	-2.4%	1.6%
Total Assets	332,448	392,394	404,361	412,266	EPS growth	37.1%	15.6%	-2.4%	1.6%
Liabilities					Interest coverage (x)	60.35	49.19	49.10	23.13
ST Loans	15,127	13,158	13,158	13,158	Net debt to total capital	4.0%	3.4%	2.4%	2.7%
Payables	18,298	19,298	19,298	19,298	Net debt to equity	4.4%	3.5%	2.6%	2.9%
Others	1,280	1,280	1,280	1,280	Sales/assets	0.10	0.12	0.08	0.07
Total current liabilities	34,705	33,736	33,736	33,736	Assets/equity	1.25	1.19	1.19	1.19
Long-term debt	22,027	23,128	24,285	25,499	ROE	3.7%	4.2%	2.9%	7.0%
Other liabilities	2,390	2,390	2,390	2,390	ROCE	4.4%	4.7%	3.5%	2.3%
Total Liabilities	59,122	59,254	60,411	61,625					
Shareholders' equity	269,511	329,312	340,027	346,825					
BVPS	116.36	142.18	146.81	149.74					

Source: Company reports and J.P. Morgan estimates.

China BlueChemical Ltd

www.chinabluechem.com.cn

Company description

China BlueChem is one of the largest urea and methanol producers in China. Being pure natural-gas-based with generally long-term contracts from sister company, CNOOC Ltd, CBC enjoys stable operating costs. CBC has 1.8 mn TPY of urea production capacity in two locations (Tianye and Hainan) in addition to 1.6 mn TPY of Methanol capacity, and MAP/DAP capacity of 500 kTPY with integration into phosphate mines.

Key drivers of performance in an equity market recovery

China's urea prices are cut off from international prices for most of the year (due to export tariffs) so a recovery will have less impact on CBC's urea profitability. However, coal prices are the main driver of domestic urea prices which should underpin domestic urea prices at current levels and possibly generate upward momentum (in the event coal prices increase). Methanol may well see higher price levels on the back of recovery as demand increases, bringing production up on the cost curve (there is still overcapacity).

How much recovery has already been priced in, what are the key metrics?

CBC never really got de-rated too much during the downturn due to its expected strong operational (organic) growth generating earnings growth expectations. Defensive high margins on low gas-based feedstock (and controlled urea environment) also generate more predictable earnings. We don't expect a **significant multiple** change for CBC, but expect earnings growth with stable margins on capacity expansion.

Where's the earnings risk for 2012?

Methanol would be the main area of downside risk to earnings should we have a major correction in this product. Having cheap feedstock (high margins) yields low sensitivity to this, hence we would expect the impact to be smaller and temporary.

Price target and key recovery risks

We have an OW rating and a Dec-12 price target of HK\$7.60, which is based on 0.5PEG (implying 12x 2012E EPS), as we forecast a CAGR in EPS of 24% until 2013. Risks to rating and price target are lower prices and/or operational issues. We expect this earnings growth to come primarily from a doubling in capacity across all three products from 2010 levels and starting up of the POM plant.

China BlueChemical Ltd (Reuters: 3983.HK, Bloomberg: 3983 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	5,795	6,867	9,429	12,125	13,818
EBITDA (Rmb mn)	2,024	2,430	3,602	4,441	5,438
Net Profit (Rmb mn)	985	1,175	1,883	2,377	2,914
EPS (Rmb)	0.21	0.25	0.41	0.52	0.63
DPS (Rmb)	0.12	0.10	0.14	0.23	0.28
Revenue growth (%)	5%	19%	37%	29%	14%
EPS growth (%)	(40%)	19%	60%	26%	23%
ROCE	13%	16%	23%	26%	30%
ROE	10%	12%	17%	19%	21%
P/E	24.7	20.7	12.9	10.2	8.4
P/BV	2.5	2.3	2.1	1.9	1.6
EV/EBITDA	13.5	11.2	7.5	5.9	4.3
Dividend Yield	2.2%	1.9%	2.6%	4.3%	5.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$6.46

Price Target: HK\$7.60

China

Oil, Gas and Petrochemicals

Brynjar Bustnes^{AC}

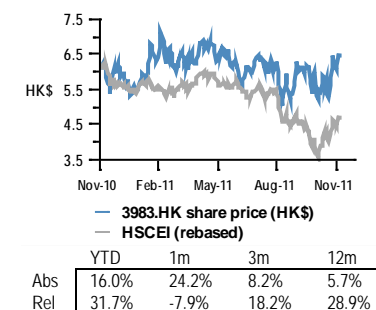
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Bloomberg JPMA BUSTNES <GO>

J.P.Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares Outstanding (mn)	4,610
Market Cap (HK\$ mn)	34,413
Market Cap (\$ mn)	4,430
Price (HK\$)	6.46
Date Of Price	04 Nov 11
Free float (%)	35.0%
3-mth trading value (HK\$ mn)	36.21
3-mth trading value (\$ mn)	4.66
3-mth trading volume (mn)	8.32
HSCEI	10,686
Exchange Rate	7.77
Fiscal Year End	Dec

China BlueChemical Ltd: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	5,795	6,867	9,429	12,125	13,818	EBIT	1,295	1,686	2,676	3,307	4,262
% change Y/Y	5%	19%	37%	29%	14%	Depr. & amortization	729	744	926	1,134	1,176
EBITDA	2,024	2,430	3,602	4,441	5,438	Change in working capital	-24	-205	-218	74	46
% change Y/Y	(23%)	20%	48%	23%	22%	Taxes	-177	-236	-561	-661	-854
EBIT	1,295	1,686	2,676	3,307	4,262	Cash flow from operations	1,790	1,990	2,822	3,853	4,630
% change Y/Y	(36%)	30%	59%	24%	29%	Capex	-1,259	-1,414	-2,000	-2,000	-500
EBIT Margin	22%	25%	28%	27%	31%	Disposal/(purchase)	-	-	-	-	-
Net Interest	18	-1	-3	-0	9	Net Interest	18	-1	-3	-0	9
Earnings before tax	1,312	1,686	2,673	3,306	4,272	Other	-1,936	36	0	0	0
% change Y/Y	(36%)	28%	59%	24%	29%	Free cash flow	531	576	822	1,853	4,130
Tax	-198	-316	-561	-661	-854	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	15.1%	18.8%	21.0%	20.0%	20.0%	Debt raised/(repaid)	-358	296	0	0	0
Net income (reported)	985	1,175	1,883	2,377	2,914	Other	7	30	-3	-0	10
% change Y/Y	(40%)	19%	60%	26%	23%	Dividends paid	-546	-460	-641	-1,039	-1,281
Shares outstanding	4,610	4,610	4,610	4,610	4,610	Beginning cash	4,177	1,945	2,387	2,566	3,380
EPS (reported)	0.21	0.25	0.41	0.52	0.63	Ending cash	1,945	2,387	2,566	3,380	6,239
% change Y/Y	(40%)	19%	60%	26%	23%	DPS	0.12	0.10	0.14	0.23	0.28
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	1,945	2,387	2,566	3,380	6,239	EBITDA margin	35%	35%	38%	37%	39%
Accounts receivable	226	150	959	1,233	1,406	Operating margin	21%	24%	28%	27%	31%
Inventories	798	984	644	829	944	Net margin	17%	17%	20%	20%	21%
Others	512	297	670	862	982	Sales per share growth	5%	19%	37%	29%	14%
Current assets	3,480	3,817	4,840	6,304	9,571	Sales growth	5%	19%	37%	29%	14%
LT investments	-	-	-	-	-	Net profit growth	(40%)	19%	60%	26%	23%
Net fixed assets	8,060	9,601	10,675	11,540	10,864	EPS growth	(40%)	19%	60%	26%	23%
Total Assets	12,523	14,468	16,565	18,894	21,485	Interest coverage (x)	-	4,111.47	1,190.41	10,340.35	-
Liabilities						Net debt to equity	(20%)	(19%)	(19%)	(23%)	(40%)
Short-term loans	0	0	0	0	0	Sales/assets	0.48	0.51	0.61	0.68	0.68
Payables	1,428	1,906	2,532	3,256	3,710	Assets/equity	1.26	1.28	1.32	1.44	1.45
Others	1,452	2,025	2,650	3,374	3,829	ROE	10%	12%	17%	19%	21%
Total current liabilities	1,452	2,025	2,650	3,374	3,829	ROCE	13%	16%	23%	26%	30%
Long-term debt	1	336	336	336	336						
Other liabilities	249	244	244	244	244						
Total Liabilities	1,702	2,605	3,231	3,954	4,409						
Shareholders' equity	9,686	10,566	11,808	13,146	14,779						
BVPS	2.10	2.29	2.56	2.85	3.21						

Source: Company reports and J.P. Morgan estimates.

China Mengniu Dairy Co. Ltd.

www.mengniuir.com

Company description

Mengniu is a leading dairy producer in China. Its major products include liquid milk products and ice cream. In 2010, Mengniu maintained its top position in drinking milk products with a 23% value share, according to Euromonitor.

Key drivers of performance in an equity market recovery

We believe Mengniu's product mix improvement could continue for several years, leading to a structural margin expansion. We compared Mengniu with the global dairy companies and found that Nestlé and Danone have a higher operating margin of 11-14% compared to Mengniu's 4-5% because Nestlé and Danone have higher exposure to nutrition enhancement products. We expect by 2014, yogurt and ice cream could reach 28% of Mengniu sales and its EBIT margin can reach 7.1%, from 4.8% in 2010.

How much recovery has already been priced in, what are the key metrics

Mengniu is currently trading at 2012E P/E of 20x, which is at a discount to the China consumer staples sector average of 22x and has not yet fully reflected the long-term potential of margin expansion, in our view. We expect high-end, high-margin products, such as ice cream and yogurt, to account for 24% of sales in 2012, up from 19% in 2010, driving the margin to increase.

Where's the earnings risk for 2012

We expect raw milk price to be stable and to increase 5% y/y in 2012, supported by the increase in number of cows in China and government policies. Our sensitivity analysis suggests that for every 5% increase in the raw milk price, Mengniu would need a 2.5% increase in ASP in order to maintain gross margin.

Price target and key recovery risks

Our Dec-12 target price of HK\$33.0 is based on 1x PEG with a two-year (2012-14) EPS CAGR of 24%. Key risks to our call would be a shortage of raw milk supply or a raw milk scandal in China.

China Mengniu Dairy Co. Ltd. (Reuters: 2319.HK, Bloomberg: 2319 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	25,710	30,265	38,024	44,260	54,374
Net Profit (Rmb mn)	1,115.8	1,237.3	1,690.4	1,980.8	2,553.1
EPS (Rmb)	0.68	0.71	0.96	1.13	1.45
DPS (Rmb)	0.15	0.16	0.21	0.25	0.32
Revenue growth (%)	7.7%	17.7%	25.6%	16.4%	22.9%
EPS growth (%)	-206.7%	4.3%	35.4%	17.2%	28.9%
ROE	17.1%	13.5%	16.2%	16.7%	18.8%
P/E (x)	32.5	31.2	23.1	19.7	15.3
P/BV (x)	4.5	3.9	3.5	3.1	2.6
EV/EBITDA (x)	-2.3	-2.7	-2.2	-2.1	-2.1
Dividend Yield	0.7%	0.7%	1.0%	1.1%	1.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$27.20

Price Target: HK\$33.00

China

Consumer

Jessica Hong^{AC}

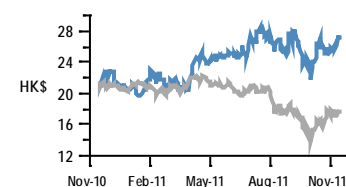
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



	YTD	1m	3m	12m
Abs	32.0%	0.6%	1.3%	27.4%
Rel	47.2%	-7.4%	6.2%	45.1%

Source: Bloomberg.

Company Data

Shares O/S (mn)	1,763
Market cap (Rmb mn)	39,101
Market cap (\$ mn)	6,165
Price (HK\$)	27.20
Date Of Price	16 Nov 11
Free float (%)	80.0%
Avg daily value (HK\$ mn)	129
Avg daily value (\$ mn)	17
Avg daily volume (mn)	10
MSCI-Cnx	5,727
Exchange Rate	7.78
Fiscal Year End	Dec

China Mengniu Dairy Co. Ltd.: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	25,710	30,265	38,024	44,260	54,374	PBT	1,346	1,538	2,231	2,704	3,611
% change Y/Y	7.7%	17.7%	25.6%	16.4%	22.9%	Depreciation & amortization	641	713	994	1,355	1,758
Gross Profit	6,852	7,786	9,921	11,754	14,643	Change in working capital	376	28	126	190	98
EBITDA	1,944	2,168	3,096	3,915	5,202	Others	-	-	-	-	-
% change Y/Y	-493.1%	11.5%	42.8%	26.5%	32.9%	Cash flow from operations	2,132	2,485	3,020	3,807	5,044
EBITDA Margin	7.6%	7.2%	8.1%	8.8%	9.6%	Capex	-584	-1,381	-1,800	-1,890	-1,985
EBIT	1,303	1,455	2,101	2,560	3,443	Free cash flow	1,547	1,104	1,220	1,917	3,060
% change Y/Y	NM	11.7%	44.4%	21.8%	34.5%	Others	-	-	-	-	-
EBIT Margin	5.1%	4.8%	5.5%	5.8%	6.3%	Cashflow from investing	-1,836	-2,204	-1,963	-2,084	-2,238
Net Interest	24	43	79	94	117	Equity raised/(repaid)	2,696	-	-	-	-
Earnings before tax	1,346	1,538	2,231	2,704	3,611	Debt raised/(repaid)	-	-	-	-	-
% change Y/Y	-224.0%	14.2%	45.1%	21.2%	33.5%	Dividends paid	0	-245	-327	-409	-505
Tax	-126	-182	-327	-464	-712	Other	-	-	-	-	-
as % of EBT	9.4%	11.8%	14.7%	17.2%	19.7%	Cashflow from financing	2,816	364	-148	-264	-271
Net income	1,115.8	1,237.3	1,690.4	1,980.8	2,553.1	Net change in cash	3,112	644	910	1,458	2,536
% change Y/Y	-217.6%	10.9%	36.6%	17.2%	28.9%	DPS	0.15	0.16	0.21	0.25	0.32
Option expense	-	-	-	-	-	EPS (reported)	0.68	0.71	0.96	1.13	1.45
Net Income ex option expense	1,320	1,567	1,908	2,168	2,653	EPS ex option expense	-0.577	0.806	0.900	1.086	1.234
No. of shares o/s	1,637	1,741	1,757	1,757	1,757	Balance sheet					
EPS (reported)	0.68	0.71	0.96	1.13	1.45	Ratio Analysis					
EPS ex option expense	-0.577	0.806	0.900	1.086	1.234	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Balance sheet						Gross margin	26.7%	25.7%	26.1%	26.6%	26.9%
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	EBITDA margin	7.6%	7.2%	8.1%	8.8%	9.6%
Cash and cash equivalents	6,150	6,698	7,607	9,066	11,601	Operating margin	5.1%	4.8%	5.5%	5.8%	6.3%
Trade & other receivable	527	555	697	771	900	Net margin	4.3%	4.1%	4.5%	4.5%	4.7%
Inventories	715	1,176	1,478	1,634	1,907	Sales growth	7.7%	17.7%	25.6%	16.4%	22.9%
Others	622	1,235	1,297	1,362	1,430	Net profit growth	-217.6%	10.9%	36.6%	17.2%	28.9%
Total current assets	8,014	9,664	11,199	13,119	16,317	EPS growth	(206.7%)	4.3%	35.4%	17.2%	28.9%
Net fixed assets	4,920	5,380	6,186	6,721	6,947	Net debt to equity	-53.5%	-61.5%	-62.4%	-66.3%	-74.7%
Others	-	-	-	-	-	Sales/assets	2.02	1.93	2.06	2.11	2.27
Total Assets	14,096	17,306	19,691	22,193	25,664	Assets/equity	1.86	1.59	1.77	1.76	1.76
Liabilities						ROE	17.1%	13.5%	16.2%	16.7%	18.8%
Short-term loans	1,211	551	551	551	551	ROCE	16.0%	14.1%	18.9%	20.4%	24.1%
Trade & other payables	1,531	2,061	2,538	2,895	3,485	Liabilities					
Others	1,811	3,626	3,828	4,029	4,346	Short-term loans	1,211	551	551	551	551
Total current liabilities	4,554	6,238	6,917	7,475	8,382	Trade & other payables	1,531	2,061	2,538	2,895	3,485
Long-term debt	350	150	150	150	150	Others	1,811	3,626	3,828	4,029	4,346
Total Liabilities	5,184	7,088	7,946	8,649	9,790	Total current liabilities	4,554	6,238	6,917	7,475	8,382
Minorities	336	459	673	932	1,277	Long-term debt	350	150	150	150	150
Shareholders' equity	8,576	9,758	11,072	12,612	14,597	Total Liabilities	5,184	7,088	7,946	8,649	9,790
BVPS	4.94	5.62	6.37	7.26	8.40	Minorities	336	459	673	932	1,277

Source: Company reports and J.P. Morgan estimates.

China Minsheng Banking- H

www.cmbc.com.cn

Company description

Founded in Beijing by primarily non-state-owned private enterprises in 1996, Minsheng is the newest bank among major banks in China. Currently it's the ninth-largest bank in China in terms of total assets and the only truly private one among top 10 largest commercial banks in China. We believe private ownership fuels a relatively strong commercial culture and tradition for change. Since 2006, Minsheng has achieved a "soft-landing" in its balance sheet growth, without major asset quality deterioration. It is well-positioned in the SME market and retail banking.

Key drivers of performance in an equity market recovery

1) Focus on "shangdaitong" (personal business loans) in new lending has continued to build a long-term structural advantage in preserving NIM. YTD (and in the past two years too), 66% of new loans were for this segment, allowing higher credit pricing. 2) Rigorous risk management through collateral/guarantee and deep client knowledge is reflected in its mere 11bps NPL ratio in this segment. 2) Very strong momentum in fee growth. 3) Potential for lower credit costs in 2012 to sustain solid profit growth. We believe Minsheng may have a 67bps credit cost this year, almost entirely driven by collective impairment to boost its LLR level. A potential decline in general provisioning may offset provisioning pressure. 4) Once investors' concern about a "hard landing" eases as CPI trends down and economic data point to soft-landing, it may receive a larger re-rating, in our view.

How much recovery has already been priced in, what are the key metrics

The share price rebounded by 45% from the post-IPO trough on Oct 4, 2011. However it is still trading at 1x FY11E P/B, which is still over 1.5x standard deviation below its historical mean. The implied ROE at current valuation is only 11% vs. our estimated long-term sustainable ROE of 14.0% and forecasted ROE of 19-20% for 2012/2013E.

Downside risks to 2012 earning

Prolonged tightening on property sector may lead to downside risks to property development loans. Any downside to deposit growth may also constrain loan growth.

Price target and key recovery risks

Our PT (Dec-12, DDM-derived) of HK\$ 11.2 implies a P/BV of 1.6x and P/E of 8.1x (FY12E). Key downside risks include further slowdown in deposit growth and an unexpected sharp deterioration in the asset quality of its *Shangdaitong* business.

China Minsheng Banking - H (Reuters: 1988.HK, Bloomberg: 1988 HK)

Year-end Dec (Rmb in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (Rmb mn)	16,010	28,515	43,824	51,799	59,158
Net Profit (Rmb mn)	12,104	17,581	27,229	34,065	39,647
Cash EPS (Rmb)	0.51	0.66	1.00	1.12	1.22
Fully Diluted EPS (Rmb)	0.30	0.66	1.00	1.12	1.22
DPS (Rmb)	0.04	0.10	0.12	0.14	0.16
EPS growth (%)	50.5%	29.1%	52.5%	11.8%	9.2%
ROE	17.1%	18.3%	22.4%	20.7%	19.1%
P/E	10.3	8.0	5.2	4.7	4.3
BVPS (Rmb)	3.30	3.90	4.91	5.87	6.95
P/BV	1.6	1.3	1.1	0.9	0.8
Div. Yield	0.8%	1.9%	2.3%	2.7%	3.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$6.44

Price Target: HK\$ 11.20

China Banks

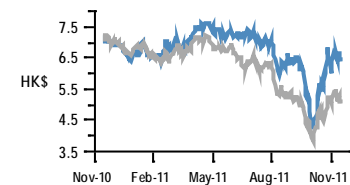
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J.P.Morgan Securities (Asia Pacific)
Limited

Price Performance



	YTD	1m	3m	12m
Abs	-3.2%	13.2%	2.4%	-9.9%
Rel	21.6%	7.4%	11.0%	18.7%

Source: Bloomberg.

Company Data

52-wk range (HK\$)	7.75 - 4.24
Market cap (HK\$ mn)	26,579
Market cap (\$ mn)	3,417
Shares outstanding (mn)	4,127
Fiscal Year End	Dec
Price (HK\$)	6.44
Date Of Price	16 Nov 11
3mth Avg daily volume	41
3M - Average daily Value (HK\$ mn)	236.85
Average 3m Daily Turnover (\$ mn)	30.71
H-SHARE	13,767
Exchange Rate	7.78

China Minsheng Banking - H: Summary of Financials

Income Statement						Growth Rates					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E		FY09	FY10	FY11E	FY12E	FY13E
NIM (as % of avg. earning assets)	2.59%	2.94%	3.04%	3.14%	3.10%	Loans	34.1%	19.8%	13.7%	13.1%	13.2%
Earning assets/assets	100.4%	95.9%	102.1%	98.1%	98.4%	Deposits	43.5%	25.6%	12.8%	13.5%	13.8%
Margins (% of avg assets)	2.60%	2.82%	3.10%	3.08%	3.05%	Assets	35.3%	27.9%	22.3%	14.7%	13.4%
						Equity	63.4%	18.3%	33.7%	36.4%	18.5%
Net Interest Income	32,240	45,873	62,871	73,823	83,088	RWA	29.4%	28.9%	23.6%	17.9%	13.4%
Total Non-Interest Income	4,918	8,895	17,389	21,078	25,334						
Fee Income	4,664	8,289	15,317	19,283	23,843	Net Interest Income	6.1%	42.3%	37.1%	17.4%	12.6%
Dealing Income	231	509	1,961	1,655	1,310	Non-Interest Income	6.1%	80.9%	95.5%	21.2%	20.2%
Net Insurance Income	0	0	0	0	0	of which Fee Grth	4.6%	77.7%	84.8%	25.9%	23.7%
Other Operating Income	23	97	112	139	181	Revenues	6.1%	47.4%	46.5%	18.2%	14.2%
Total operating revenues	37,158	54,768	80,261	94,901	108,422	Costs	16.9%	24.1%	38.8%	18.3%	14.3%
Operating costs	-21,148	-26,253	-36,437	-43,102	-49,265	Pre-Provision Profits	-5.4%	78.1%	53.7%	18.2%	14.2%
						Loan Loss Provisions	-15.7%	10.7%	43.0%	-14.0%	-1.5%
Pre-Prov. Profits	16,010	28,515	43,824	51,799	59,158	Pre-Tax	49.3%	46.8%	56.6%	24.9%	16.5%
Loan Loss Provisions	-4,792	-5,303	-7,581	-6,517	-6,422	Attributable Income	53.5%	45.3%	54.9%	25.1%	16.4%
Other Provisions	-515	-201	-219	-278	-324	EPS	50.5%	29.1%	52.5%	11.8%	9.2%
Other Inc/Exp.	4,953	-35	-35	-37	-39	DPS	-35.6%	140.1%	20.0%	16.7%	14.3%
Exceptionals	0	0	0	0	0						
Disposals/ other income	-	-	-	-	-	Balance Sheet Gearing	FY09	FY10	FY11E	FY12E	FY13E
Pre-tax	15,656	22,976	35,990	44,967	52,372	Loan/deposit	78.3%	74.6%	75.2%	74.9%	74.6%
Tax	-3,548	-5,288	-8,494	-10,567	-12,308	Investment/assets	11.0%	9.9%	9.6%	9.4%	9.2%
Minorities	-4	-107	-268	-334	-418	Loan/assets	60.8%	56.9%	52.7%	51.9%	51.8%
Attributable Income	12,104	17,581	27,229	34,065	39,647	Customer deposits/liab.	84.3%	82.5%	76.5%	76.7%	77.3%
						LT debt/liabilities	1.6%	1.2%	3.6%	3.2%	2.8%
Per Share Data Rmb	FY09	FY10	FY11E	FY12E	FY13E	Asset Quality/Capital	FY09	FY10	FY11E	FY12E	FY13E
EPS	0.51	0.66	1.00	1.12	1.22	Loan loss reserves/loans	1.7%	1.9%	2.2%	2.3%	2.4%
DPS	0.04	0.10	0.12	0.14	0.16	NPLs/loans	0.8%	0.7%	0.6%	0.7%	0.7%
Payout	9.2%	15.2%	12.5%	13.3%	13.1%	Loan loss reserves/NPLs	59.2%	48.8%	43.0%	37.0%	35.1%
BVPS	3.30	3.90	4.91	5.87	6.95	Growth in NPLs	-6.6%	-0.8%	4.9%	26.3%	17.1%
PPOP per share	0.67	1.07	1.62	1.71	1.83	Tier 1 Ratio	8.9%	8.1%	8.7%	10.1%	10.6%
Shares outstanding (restated) (MM)	26,714	26,714	28,365	32,365	32,365	Total CAR	10.8%	10.4%	11.2%	12.4%	12.7%
Key Balance sheet Rmb in millions	FY09	FY10	FY11E	FY12E	FY13E	Du-Pont Analysis	FY09	FY10	FY11E	FY12E	FY13E
Net Loans	867,738	1,037,723	1,175,536	1,327,234	1,502,087	Margins (% of avg assets)	2.60%	2.82%	3.10%	3.08%	3.05%
LLR	-15,241	-19,848	-26,520	-31,869	-36,921	Non-Int. Rev./ Revenues	13.2%	16.2%	21.6%	22.2%	23.3%
Gross Loans	882,979	1,057,571	1,202,056	1,359,103	1,539,009	Non IR/Avg. Assets	0.4%	0.5%	0.9%	0.9%	0.9%
NPLs	7,397	7,339	7,698	9,726	11,384	Revenue/assets	3.0%	3.4%	4.0%	4.0%	4.0%
Investments	156,366	180,818	212,864	239,019	267,387	Cost/Income	-56.9%	-47.9%	-45.4%	-45.4%	-45.4%
Other earning assets	361,182	541,961	747,630	879,507	999,326	Cost/assets	-1.70%	-1.62%	-1.80%	-1.80%	-1.81%
Avg. IEA	1,244,851	1,558,093	2,069,410	2,348,079	2,683,509	Pre-Provision ROA	1.29%	1.75%	2.16%	2.16%	2.17%
Goodwill	0	0	0	0	0	LLP/Loans	-0.62%	-0.55%	-0.67%	-0.51%	-0.44%
Other assets	33,457	53,597	80,396	96,475	113,840	Loan/assets	62.1%	59.7%	55.8%	53.5%	53.1%
Assets	1,426,392	1,823,737	2,229,751	2,556,489	2,898,271	Other Prov. Income/ Assets	0.40%	-0.00%	-0.00%	-0.00%	-0.00%
						Pre-Tax ROA	1.30%	1.42%	1.79%	1.89%	1.94%
Deposits	1,127,938	1,416,939	1,598,275	1,814,136	2,064,254	Tax rate	22.7%	23.0%	23.6%	23.5%	23.5%
Other Debt	23,060	21,829	81,026	81,026	81,026	Minorities & Outside Distbn.	0.00%	0.01%	0.01%	0.01%	0.02%
of which: sub-debt	10,885	15,401	25,026	25,026	25,026	ROAA	0.98%	1.08%	1.34%	1.42%	1.45%
Avg. IBL	1,175,429	1,448,255	1,928,715	2,169,209	2,452,690	RORWA	1.37%	1.55%	1.90%	1.98%	1.99%
Avg. Assets	1,240,371	1,625,065	2,026,744	2,393,120	2,727,380	Equity/assets	6.17%	5.71%	6.24%	7.43%	7.76%
Common Equity	88,034	104,108	139,201	189,862	224,978	ROAE	17.1%	18.3%	22.4%	20.7%	19.1%
RWA	993,773	1,280,847	1,583,123	1,866,237	2,115,738						
Avg. RWA	880,834	1,137,310	1,431,985	1,724,680	1,990,987						

Source: Company reports and J.P. Morgan estimates.

China Shenhua Energy - H

www.csec.com

Company description

China Shenhua Energy (CSE) is China's leading largest integrated coal-based energy company with production of 225Mt of commercial coal in 2010. The company has a vertically integrated mine-rail-port network to sell coal products to its primarily domestic customer base, along with a power generation business. Its primary shareholder is its state-owned parent company Shenhua Group.

Key drivers of performance in an equity market recovery

CSE's defensive attributes of a uniquely integrated, low cost coal model have already been well recognized this year with its shares outperforming the HSI. The key drivers of continued outperformance are likely to be growth through brownfield expansions in both its coal and rail/port infrastructure assets and acquisitions.

How much recovery has already been priced in, what are the key metrics?

The market is continuing to price CSE with a bearish bias, given consensus 2012E PE is at 11.5x compared to the five-year average of 15.4x. With strong thermal coal market fundamentals providing firm pricing support in addition to operational and logistical competitive advantages, we see continued valuation upside in CSE.

Where's the earnings risk for 2012?

We view upside risk to 2012 earnings primarily from CSE likely to be a beneficiary of an incrementally positive parent asset injection. A hike in domestic coal contracts (we currently forecast a rollover in contract prices) will also add to earnings. In addition with an under-utilized balance sheet, we believe CSE is strongly positioned to grow both organically and through acquisitions. Of course, control of cost pressures is the main earnings risk to the downside (production costs rose 8% yoy in 9M11).

Price target and key recovery risks

Our H-share Dec-12 PT assumes a 13.5x FY12E PE derived from a blended average of PB-ROE, NPV and earnings multiples. Key risks include potential parent asset injections, coal price movements and adverse policy changes.

China Shenhua Energy - H (Reuters: 1088.HK, Bloomberg: 1088 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	121,312	152,063	204,473	226,630	239,494
Net Profit (Rmb mn)	31,706.0	38,132.0	46,345.6	52,136.2	57,000.3
EPS (Rmb)	1.59	1.92	2.33	2.62	2.87
DPS (Rmb)	0.53	0.75	0.82	0.92	1.00
Revenue growth (%)	13.2%	25.4%	34.5%	10.8%	5.7%
EPS growth (%)	19.0%	20.3%	21.5%	12.5%	9.3%
ROCE	20.1%	21.7%	24.9%	25.0%	24.3%
ROE	19.9%	20.3%	21.0%	20.5%	19.5%
P/E (x)	18.6	15.5	12.7	11.3	10.3
P/BV (x)	3.5	2.9	2.5	2.2	1.9
EV/EBITDA (x)	11.7	9.5	7.4	6.4	5.6
Dividend Yield	1.8%	2.5%	2.8%	3.1%	3.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HKD36.20

Price Target: HKD43.50

China

Metals & Mining

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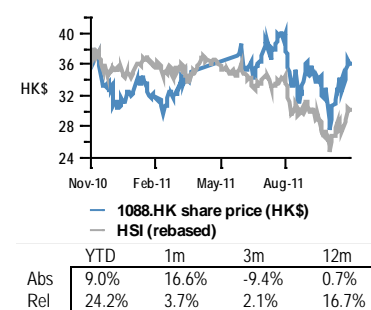
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Bloomberg JPMA ZHANG<GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	3,399
Market cap (Rmb mn)	100,789
Market cap (\$ mn)	15,847
Price (HK\$)	36.20
Date Of Price	31 Oct 11
Free float (%)	27.0%
3mth Avg daily volume	20.71
3M - Avg daily Value (HK\$ mn)	694.51
3M - Avg daily Value (USD) (\$ mn)	89.46
HSI	20,019
Exchange Rate	7.76
Fiscal Year End	Dec

China Shenhua Energy - H: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	121,312	152,063	204,473	226,630	239,494	EBIT	47,108	56,451	71,864	80,404	87,338
% change Y/Y	13.2%	25.4%	34.5%	10.8%	5.7%	Depr. & amortization	11,422	13,329	15,183	16,362	17,908
Gross Margin	46.0%	42.9%	40.5%	40.8%	41.8%	Change in working capital	832	-5,018	8,702	3,169	754
EBITDA	58,530	69,780	87,046	96,765	105,246	Taxes	-	-	-	-	-
% change Y/Y	19.3%	19.2%	24.7%	11.2%	8.8%	Cash flow from operations	53,345	57,209	70,231	71,667	75,664
EBITDA margin	48.3%	45.9%	42.6%	42.7%	44.0%	Capex	-30,229	-26,147	-36,200	-35,000	-20,000
EBIT	47,108	56,451	71,864	80,404	87,338	Disposal/(purchase)	0	0	0	0	0
% change Y/Y	18.7%	19.8%	27.3%	11.9%	8.6%	Net Interest	-2,038	-2,313	-2,092	-1,910	-1,515
EBIT Margin	38.8%	37.1%	35.2%	35.5%	36.5%	Free cash flow	23,116	31,062	34,031	36,667	55,664
Net Interest	-2,038	-2,313	-2,092	-1,910	-1,515	Equity raised/(repaid)	-	-	-	-	-
Earnings before tax	45,812	54,753	70,554	79,369	86,774	Debt raised/(repaid)	2,115	-12,459	0	0	0
% change Y/Y	23.9%	19.5%	28.9%	12.5%	9.3%	Other	1,994	-2,377	-	-	-
Tax	-9,626	-11,184	-17,600	-19,799	-21,647	Dividends paid	-12,349	-10,541	-14,917	-16,221	-18,248
as % of EBT	21.0%	20.4%	25.0%	25.0%	25.0%	Beginning cash	59,054	72,321	77,212	97,297	117,743
Net income (reported)	31,706.0	38,132.0	46,345.6	52,136.2	57,000.3	Ending cash	65,944	77,212	97,297	117,743	155,160
% change Y/Y	19.0%	20.3%	21.5%	12.5%	9.3%	DPS	0.53	0.75	0.82	0.92	1.00
Shares outstanding	-	-	-	-	-						
EPS (reported)	1.59	1.92	2.33	2.62	2.87						
% change Y/Y	19.0%	20.3%	21.5%	12.5%	9.3%						
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	65,944	77,212	97,297	117,743	155,160	Gross margin	46.0%	42.9%	40.5%	40.8%	41.8%
Accounts receivable	8,781	11,424	15,361	17,026	17,992	EBITDA margin	48.3%	45.9%	42.6%	42.7%	44.0%
Inventories	7,727	11,574	16,230	17,889	18,588	Net profit margin	26.1%	25.1%	22.7%	23.0%	23.8%
Others	10,007	19,251	24,162	26,239	27,444	SG&A/Sales	6.6%	5.4%	4.9%	4.9%	4.9%
Current assets	92,459	119,461	153,051	178,896	219,184	Sales growth	13.2%	25.4%	34.5%	10.8%	5.7%
						Net profit growth	19.0%	20.3%	21.5%	12.5%	9.3%
LT investments	3,503	3,789	2,818	2,818	2,818	Current ratio	1.66	1.55	1.54	1.66	1.97
Net fixed assets	163,645	188,061	202,795	222,130	239,415	Quick ratio	-	-	-	-	-
Total Assets	311,677	372,131	425,767	470,251	512,630	Interest coverage (x)	28.72	30.17	41.60	50.66	69.46
Liabilities						Total debt to total asset	36.7%	36.2%	36.9%	35.2%	33.0%
Short-term loans	22,252	15,317	15,317	15,317	15,317	Net debt to equity	6.0%	-4.7%	-12.5%	-18.4%	-28.1%
Payables	13,890	19,661	25,022	27,578	28,657	Sales/assets	0.41	0.44	0.51	0.51	0.49
Others	19,542	41,948	58,795	64,807	67,353	Assets/equity	1.83	1.81	1.80	1.73	1.65
Total current liabilities	55,684	76,926	99,133	107,702	111,327	ROE	19.9%	20.3%	21.0%	20.5%	19.5%
Long-term debt	53,931	52,311	52,311	52,311	52,311	ROA	10.8%	11.2%	11.6%	11.6%	11.6%
Total Liabilities	114,259	134,704	156,911	165,480	169,107						
Shareholders' equity	170,661	205,113	236,542	272,457	311,209						
BVPS	8.58	10.31	11.89	13.70	15.65						

Source: Company reports and J.P. Morgan estimates.

China State Construction

www.csci.com.hk

Company description

CSC was spun off from China Overseas Land in 2005 and is the one of the largest contractors in Hong Kong and Macau. It expanded into the Chinese construction market in 2008, and also invested in Chinese infrastructure projects starting 2009. The company is transforming from a construction company into a construction service and infrastructure BOT company.

Key drivers of performance in an equity market recovery

CSC maintains guidance of a minimum 1% market share for affordable housing or at least 360,000 units from 2011 to 2015. So far in 2011, CSC has signed HK\$6.5bn in AH projects or about 25 thousand units, a fraction of its 5 year target.

How much recovery has already been priced in, what are the key metrics?

The backlog of projects of HK\$50.5bn gives an order visibility of at least two years. CSC announced that at the end of Sept, the company has a backlog of HK\$50.5bn, comprising HK\$18.1bn for BT projects and HK\$32.4 bn in regular cash construction contracts. A disappointing development is that no new BT projects were signed in August and September but we are still comfortable to maintain our estimate of HK\$22.4bn of contracts to be signed in 2011 (HK\$16bn signed from Jan to Sept 11).

Where's the earnings risk for 2012?

We have seen a slowdown in infrastructure-related projects in 2H11 as a result of the tighter credit situation in China. We expect HK\$4-5bn in new infrastructure projects to be signed in 2012 as credit becomes available. A longer than expected period of tougher credit conditions for infrastructure projects could impact on 2012 sales and profits.

Price target and key recovery risks

Our DCF-based price target (Dec-12) of HK\$10.0 implies a CY13E P/E of 12x. The key recovery risks to our PT are falling affordable housing construction activity in China and lower than expected returns on BT projects in China.

China State Construction (Reuters: 3311.HK, Bloomberg: 3311 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	9,706	11,983	14,960	23,382	28,429
Net Profit (HK\$ mn)	674.1	1,036.3	1,364.0	2,314.1	2,962.9
EPS (HK\$)	0.24	0.34	0.39	0.64	0.81
DPS (HK\$)	0.07	0.11	0.11	0.19	0.24
Revenue growth (%)	-11.9%	23.5%	24.9%	56.3%	21.6%
EPS growth (%)	25.6%	41.6%	13.1%	65.0%	28.0%
ROCE	21.8%	23.7%	11.0%	14.9%	15.5%
ROE	22.4%	25.5%	19.9%	23.4%	25.2%
P/E (x)	26.3	18.6	16.4	9.9	7.8
P/BV (x)	5.3	4.0	2.5	2.1	1.8
EV/EBITDA (x)	25.4	13.9	12.9	8.9	7.3
Dividend Yield	1.1%	1.7%	1.8%	2.9%	3.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$ 6.32

Price Target: HK\$ 10.0

Hong Kong

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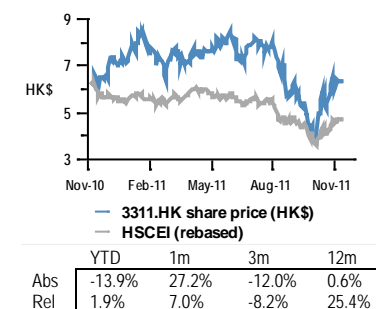
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	3,587
Market cap (HK\$ mn)	22,668
Market cap (\$ mn)	2,918
Price (HK\$)	6.32
Date Of Price	08 Nov 11
Free float (%)	35.0%
3mth Avg daily volume	12.51
3M - Avg daily Value (HK\$ mn)	71.20
3M - Avg daily Value (USD) (\$ mn)	9.24
HSCEI	10,647
Exchange Rate	7.77
Fiscal Year End	Dec

China State Construction: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	9,706	11,983	14,960	23,382	28,429	EBIT	493	987	1,348	2,378	3,001
% change Y/Y	19.7%	21.5%	24.9%	56.3%	21.6%	Depr. & amortization	119	126	188	195	214
Gross Profit	750	1,316	1,497	3,007	3,457	Change in working capital	598	-1,004	323	1,703	1,465
% change Y/Y	-17.6%	75.6%	13.8%	100.8%	15.0%	Taxes	-71	-72	-213	-200	-368
EBITDA	635	1,133	1,536	2,573	3,215	Cash flow from operations	1,162	57	1,645	4,076	4,312
% change Y/Y	31.3%	23.6%	35.5%	67.6%	25.0%	Capex	-654	-1,425	-5,365	-7,041	-4,596
EBIT	493	987	1,348	2,378	3,001	Net Interest	26	32	-111	-197	-281
% change Y/Y	36.5%	26.7%	36.5%	76.4%	26.2%	Other	-	-	-	-	-
EBIT Margin	4.9%	5.1%	9.0%	10.2%	10.6%	Free cash flow	567	735	-3,865	-3,193	-581
Net Interest	26	32	-111	-197	-281	Equity raised/(repaid)	-	-	-	-	-
Earnings before tax	801	1,333	1,623	2,786	3,616	Debt raised/(repaid)	-237	1,462	0	1,500	1,500
% change Y/Y	40.2%	66.5%	21.7%	71.7%	29.8%	Other	3,776	-2,239	3,510	-	-
Tax	-72	-213	-200	-368	-522	Dividends paid	-187	-259	-363	-539	-774
as % of EBT	10.0%	10.0%	12.3%	13.2%	14.4%	Beginning cash	1,900	5,858	3,728	3,354	1,637
Net income (reported)	674.1	1,036.3	1,364.0	2,314.1	2,962.9	Ending cash	5,858	3,728	3,354	1,637	2,514
% change Y/Y	29.2%	23.9%	31.6%	69.7%	28.0%	DPS	0.07	0.11	0.11	0.19	0.24
Shares outstanding	2,802	3,042	3,540	3,639	3,639						
EPS (reported)	0.24	0.34	0.39	0.64	0.81						
% change Y/Y	28.7%	23.4%	13.1%	65.0%	28.0%						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	5,858	3,728	3,354	1,637	2,514	Gross margin	8.0%	8.2%	10.0%	12.9%	12.2%
Accounts receivable	3,065	4,163	5,198	8,124	9,878	EBITDA margin	6.5%	9.5%	10.3%	11.0%	11.3%
Inventories	44	118	147	230	279	Operating margin	4.9%	5.1%	9.0%	10.2%	10.6%
Others	1,098	908	1,472	1,518	1,780	Net margin	6.9%	8.6%	9.1%	9.9%	10.4%
Current assets	10,064	8,917	10,171	11,509	14,452	Sales per share growth	19.3%	21.0%	7.3%	52.0%	21.6%
LT investments	4,127	8,317	13,470	20,228	24,573	Sales growth	19.7%	21.5%	24.9%	56.3%	21.6%
Net fixed assets	1,121	1,445	1,470	1,558	1,595	Net profit growth	29.2%	23.9%	31.6%	69.7%	28.0%
Total Assets	15,313	18,679	25,111	33,294	40,620	EPS growth	28.7%	23.4%	13.1%	65.0%	28.0%
Liabilities						Interest coverage (x)	-	-	13.88	13.08	11.44
Short-term loans	249	0	0	0	0	Net debt to equity	-54.6%	-57.0%	22.0%	48.6%	45.5%
Payables	3,626	4,810	6,605	11,356	13,808	Working Capital to Sales	(5.3%)	(4.4%)	(8.4%)	(12.8%)	(12.8%)
Others	3,860	3,422	3,505	3,606	4,755	Sales/assets	1.65	1.76	0.68	0.80	0.77
Total current liabilities	7,735	8,232	10,110	14,962	18,563	Assets/equity	3.01	2.92	2.76	3.10	3.17
Long-term debt	3,640	5,351	5,351	6,851	8,351	ROE	26.6%	28.0%	19.9%	23.4%	25.2%
Other liabilities	274	473	556	753	884	ROCE	21.8%	23.7%	11.0%	14.9%	15.5%
Total Liabilities	11,649	14,056	16,018	22,566	27,798						
Shareholders' equity	3,510	4,619	9,093	10,728	12,822						
BVPS	1.19	1.56	2.55	3.01	3.60						

Source: Company reports and J.P. Morgan estimates.

China Telecom

www.chinatelecom-h.com/eng/company/company_overview.htm

Company description

China Telecom (CT) is a consolidated service provider offering both nationwide CDMA and EVDO services, and fixed-line local voice, long distance and broadband internet services in 20 southern provinces of China. China Telecom is the fixed-line incumbent in 20 southern provinces and a challenger in 10 northern provinces. By the end of 1H11, the company had 108 million CDMA wireless subs (12% market share), and among it were 22mn EVDO 3G subs (27% market share in 3G). CT had 172 million fixed line subs and 70 million broadband subs by the end of 1H11. The parentco and other relevant parties hold a 71% stake in the company with the remaining 29% as free float.

Key drivers of performance in an equity market recovery

We expect CT's mobile business momentum will continue to drive the share price to outperform in a market recovery. We believe CT is set to benefit from the 'thousand Rmb smartphone' proliferation in China, which helps to drive 3G subs growth and to improve economics. The potential iPhone launch in 1Q12 could also be sentimentally positive for the share price and a long-term positive to help CT take high-end customers from CM. The scheduled CDMA network acquisition into listco in 2012 is going to be EBITDA accretive starting in 2012 and very much EPS accretive starting in 2014, in our view.

How much recovery has already been priced in, what are the key metrics?

CT's current share price only reflects the value of its fixed-line business based on 4x 2012E EV/EBITDA, in our view, which means investors are getting CDMA plus an iPhone option for free. We value the CDMA business at HK\$1 per share (DCF-based) and expect a CDMA iPhone launch could add an incremental contribution of HK\$0.3-0.5 per share. We think more upside on 3G subs and mobile top line is likely in light of the expected exponential take-off of 3G demand in 2012 and a continuous 'thousand Rmb smartphone' proliferation.

Where's the earnings risk for 2012?

We believe likely higher handset subsidies post the iPhone launch in 2012, higher personnel expenses (incentive bonus) would result in a delayed operating leverage effect and potential EPS downward revision in 2012. CDMA network acquisition, thought to be positive in the long term, would result in negative EPS impact in 2012E-2013E as well.

Price target and key recovery risks

We maintain our Overweight rating with a Dec-12 SOTP-based PT of HK\$5.6, which is composed of fixed-line value of HK\$4.7 (4x 2012Ex EV/EBITDA) and HK\$0.9 for the mobile business. The stock is currently trading at 17.2x 2012E P/E and 5.4x 2012E EV/EBITDA, respectively. Downside risks include a delayed CDMA iPhone launch.

China Telecom Corporation Limited (Reuters: 0728.HK, Bloomberg: 728 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	208,219	219,367	242,694	264,981	287,133
EBITDA (Rmb mn)	74,503	75,314	78,346	81,601	109,080
EBITDA growth (%)	-8.2%	1.1%	4.0%	4.2%	33.7%
Net Profit (Rmb mn)	14,024	15,401	17,223	18,484	19,908
EPS (Rmb)	0.17	0.19	0.21	0.23	0.25
EPS growth (%)	-30.1%	9.8%	11.8%	7.3%	7.7%
DPS (Rmb)	0.07	0.07	0.07	0.07	0.07
EV/EBITDA (x)	5.0	4.7	4.2	5.3	3.8
P/E	22.8	20.8	18.6	17.3	16.1
Dividend Yield	1.9%	1.9%	1.7%	1.7%	1.9%
FCF to mkt cap (%)	63.2%	62.0%	45.4%	50.4%	48.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$4.84

Price Target: HK\$5.60

China

Telecommunications

Lucy Liu^{AC}

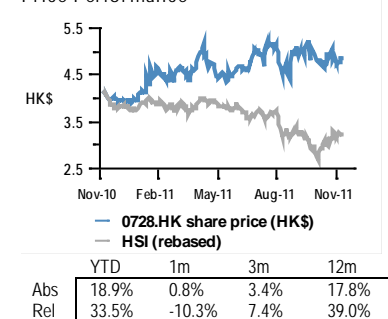
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Bloomberg JPMA LLIU <GO>

J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



Source: Bloomberg.

Company Data	
52-wk range (HK\$)	5.28 - 3.84
Mkt Cap (Rmb mn)	305,466.42
Mkt Cap (\$ mn)	48,181
Shares O/S (Plug) (mn)	80,932.0
Free float (%)	17.1%
3-mth avg trading volume	79.03
- Local (HK\$ mn)	383.88
HSI	19,678
Exchange Rate	7.77
Price (HK\$)	4.84
Date Of Price	08 Nov 11

China Telecom Corporation Limited: Summary of financials

P&L					Balance Sheet				
RMB MM, Y/E Dec	2010	2011E	2012E	2013E	RMB MM, Y/E Dec	2010	2011E	2012E	2013E
Revenue - adjusted	219,367	242,694	264,981	287,133	Cash and equivalents	27,792	50,048	50,931	18,262
EBITDA - adjusted	75,314	78,346	81,601	109,080	Accounts receivable	17,328	19,171	20,931	22,681
Depreciation & Amortization	(51,656)	(52,335)	(53,991)	(77,361)	Inventories	3,170	3,507	3,829	4,149
EBIT	23,658	26,010	27,611	31,719	Others	6,955	7,695	8,401	9,104
Interest income	303	225	419	426	Total current assets	55,245	80,420	84,093	54,195
Interest expense	(3,903)	(3,620)	(3,614)	(5,782)	ST loans	31,027	20,802	73,703	20,802
Associates	0	0	0	0	Others	95,896	105,492	114,884	124,308
Profit before tax	20,411	22,768	24,832	26,745	Total current liabilities	126,923	126,294	188,587	145,110
Tax	(5,031)	(5,717)	(6,208)	(6,686)	Net working capital	(71,678)	(45,873)	(104,494)	(90,915)
Net profit - adjusted	15,401	17,223	18,484	19,908	Net fixed assets	275,248	268,319	388,354	388,865
Shares O/S (mn)	80,932	80,932	80,932	80,932	Other long term assets	76,862	82,702	81,639	81,674
EPS (Rmb) (Adjusted)	0.190	0.213	0.228	0.246	Total LT assets	352,110	351,021	469,992	470,539
DPS (HK\$)	0.085	0.085	0.085	0.087	Total assets	407,355	431,441	554,085	524,735
DPS payout ratio	39%	31%	29%	30%	Long term debt	42,549	55,582	102,471	102,261
Adj Revenue growth	5.4%	10.6%	9.2%	8.4%	Other liabilities	5,919	5,744	5,873	6,122
Adj EBITDA growth	1.1%	4.0%	4.2%	33.7%	Total liabilities	175,391	187,619	296,931	253,493
Adj Net profit growth	9.8%	11.8%	7.3%	7.7%	Shareholders' equity	231,964	243,822	257,155	271,241
Adj EPS growth	9.8%	11.8%	7.3%	7.7%	Total liabs and equity	407,355	431,441	554,085	524,735
DPS growth	0.0%	0.0%	0.0%	1.8%	Net debt	47,752	28,304	127,211	106,769
					Book value per share	3.49	3.67	3.87	4.08
Operating KPIs									
Mobile Subs ('000)	90,520	125,680	164,355	202,642					
Mobile service ARPU (Rmb)	54	50	49	48					
Mobile MOU (min)	336	318	324	327					
Data as % of total	32%	34%	37%	40%					
Ratio analysis					Cash Flow				
%, Y/E Dec	2010	2011E	2012E	2013E	RMB MM, Y/E Dec	2010	2011E	2012E	2013E
EBITDA margin (Adj)	34.3%	32.3%	30.8%	38.0%	Cash flow from operations	75,571	74,711	77,859	102,854
FCF yield	11.1%	8.1%	9.0%	8.7%	Capex	(41,597)	(49,842)	(50,244)	(76,289)
ROE	6.8%	7.2%	7.4%	7.5%	Cash flow from investing	(45,734)	(49,842)	(171,334)	(76,289)
ROIC	5.0%	5.4%	4.3%	5.0%	Cash flow from financing	(38,771)	(2,613)	94,358	(59,234)
ROA	3.7%	4.1%	3.8%	3.7%	Change in cash for year	(8,934)	22,256	883	(32,669)
Tax rate	24.1%	25.0%	25.0%	25.0%	Beginning cash	34,804	25,824	48,080	48,963
Capex/sales	19.0%	20.5%	19.0%	26.6%	FX effect	(46)	0	0	0
Debt/capital	24.1%	23.9%	40.7%	31.2%	Closing cash	25,824	48,080	48,963	16,294
Net debt/equity	20.6%	11.6%	49.5%	39.4%					
Interest cover (X)	6.6	7.7	8.6	5.9					

Source: Company reports and J.P. Morgan estimates.

China Unicom (Hong Kong) Limited

www.chinaunicom.com.hk/en/home/default.html

Company description

China Unicom (CU) is a consolidated service provider offering nationwide GSM and WCDMA services, fixed-line and broadband internet services in China. CU is the fixed-line incumbent in 10 northern provinces and a challenger in 20 southern provinces. By the end of 1H11, CU had 182 million mobile subs, 24MM of which were WCDMA 3G subs, representing 20% and 30% market share in total China mobile and 3G market, respectively. CU had 95 million fixed-line subs and 52MM broadband subs by the end of 1H11. The parentco group and Telefonica each hold a 72% and 9.6% stake in the company, respectively, and the remaining 18% is free float.

Key drivers of performance in an equity market recovery

We expect CU's share price to outperform thanks to strong business momentum and specific bottom-up catalysts: **(a)** CU is best positioned to ride a faster-than-expected 3G demand take-off in China, when the real data user penetration reaches 10% inflection point in mid-2012. **(b)** We see CU as the key beneficiary of the 'thousand Rmb smartphone' proliferation in China, which could help drive 3G subs growth. We expect CU to add 40MM 3G subs in 2012. **(c)** We expect a higher-than-consensus 3G service revenue in 2012 in light of favorable data pricing power thanks to its 3G technology and network advantages. **(d)** We expect operating leverage to continue to kick in (with the exception of employee cost) in 2012 and thus drive a stable service EBITDA margin and strong EPS growth. **(e)** 2012 should be a year for CU to enjoy the favorable regulatory and competitive environment to balance the industry landscape.

How much recovery has already been priced in, what are the key metrics?

We expect higher-than-consensus 3G subs growth in 2012 in light of the expected exponential take-off of 3G demand in 2H and continuing thousand-Rmb smartphone proliferation. We expect an ARPU contribution of above Rmb100 from thousand-Rmb smartphones, and thus forecast higher-than-consensus 3G service revenue in 2012.

Where's the earnings risk for 2012?

We see upside risk to CU's capex in 2012, as CU aims to expand 3G outdoor/indoor coverage as well as increase capacity in certain high-data traffic areas with utilization rate over 60% (overall 3G network utilization is 22%). Potentially higher personnel cost in 2012 in order to narrow the payroll gap between CU and CM would slightly mitigate the operating leverage the company is expected to demonstrate in 2012.

Price target and key recovery risks

CU is our top pick in the Chinese telco space due to its business momentum, and the favorable time window the company enjoys for the regulatory and 3G competitive environment. We stay OW on CU with a Dec-12 PT of HK\$18.60. Our SOTP-based price target implies 5.1x 2012E EV/EBITDA, while the stock is currently trading at 4.9x. Our SOTP valuation consists of HK\$4.9 for the fixed-line business and HK\$13.7 for the mobile business. Key downside risks include higher-than-expected capex rise.

China Unicom (Hong Kong) Limited (Reuters: 0762.HK, Bloomberg: 762 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	153,455	171,106	214,576	255,229	296,498
EBITDA (Rmb mn)	58,118	59,400	65,226	74,172	85,611
EBITDA growth (%)	-15.3%	2.2%	9.8%	13.7%	15.4%
Net Profit (Rmb mn)	8,138	3,659	4,837	8,274	13,150
EPS (Rmb)	0.34	0.16	0.21	0.35	0.56
EPS growth (%)	-56.7%	-54.6%	32.2%	71.1%	58.9%
DPS (Rmb)	0.16	0.08	0.11	0.18	0.29
EV/EBITDA (x)	5.7	5.7	5.2	4.4	3.6
P/E	38.5	84.9	64.2	37.6	23.6
Dividend Yield	1.2%	0.6%	0.8%	1.4%	2.2%
FCF to mkt cap (%)	-6.6%	-3.0%	1.8%	5.0%	9.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$16.16

Price Target: HK\$18.60

China

Telecommunications

Lucy Liu^{AC}

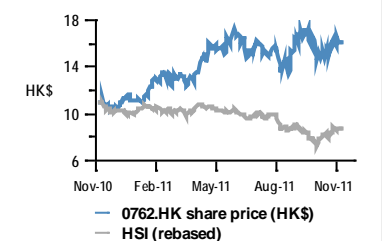
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J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



	YTD	1m	3m	12m
Abs	45.3%	6.2%	13.2%	46.4%
Rel	59.9%	-4.9%	17.2%	67.6%

Source: Bloomberg.

Company Data	
52-wk range (HK\$)	17.68 - 10.24
Mkt cap (Rmb mn)	310,820
Mkt cap (\$ mn)	49,025
Shares O/S (mn)	23,565
Free float (%)	19.7%
3-mth avg trading value:	44.54
- Local (HK\$ mn)	689.62
HSI	19,678
Exchange Rate	7.77
Price (HK\$)	16.16
Date Of Price	08 Nov 11

China Unicom (Hong Kong) Limited: Summary of financials

P&L statement					Balance Sheet				
Rmb in mn, year-end Dec	2010	2011E	2012E	2013E	Rmb in mn, year-end Dec	2010	2011E	2012E	2013E
Revenue - adjusted	171,106	214,576	255,229	296,498	Cash and cash equivalents	22,495	17,433	28,622	33,846
EBITDA - adjusted	59,400	65,226	74,172	85,611	Accounts receivable	9,286	10,927	12,487	14,506
Depreciation & Amortization	54,433	58,831	63,635	69,350	Inventories	3,728	3,850	4,579	5,320
EBIT	4,967	6,395	10,537	16,261	Others	6,699	8,163	9,207	10,891
Interest income	142	370	296	475	Total current assets	42,208	40,372	54,895	64,562
Interest expense	(1,749)	(2,136)	(2,022)	(1,935)	Net fixed assets	366,060	381,231	391,252	393,424
Profit before tax	4,581	6,056	10,359	16,463	Other long term assets	33,185	37,615	38,765	39,932
Tax	(922)	(1,219)	(2,085)	(3,314)	Total assets	441,453	459,218	484,911	497,918
Net profit - Adjusted	3,659	4,837	8,274	13,150	ST loans	36,727	50,000	50,000	50,000
Shares O/S (mn)	23,562	23,562	23,562	23,562	Others	161,510	153,282	190,070	196,376
EPS (Rmb) - Adjusted	0.19	0.25	0.43	0.68	Total current liabilities	198,237	203,282	240,070	246,376
DPS (Rmb)	0.08	0.11	0.18	0.29	Long term debt	16,462	16,413	463	1
DPS payout ratio	52%	52%	53%	53%	Other liabilities	20,913	31,361	32,287	33,206
Adj Revenue growth	11.5%	25.4%	18.9%	16.2%	Total liabilities	235,612	251,056	272,821	279,583
Adj EBITDA growth	2.2%	9.8%	13.7%	15.4%	Shareholders' equity	205,841	208,162	212,091	218,335
Adj Net profit growth	-3.2%	0.1%	1.0%	1.2%	Total liabilities and equity	441,453	459,218	484,911	497,918
Adj EPS growth	-54.6%	32.2%	71.1%	58.9%	Net (debt)/cash	(79,865)	(74,631)	(63,569)	(42,004)
DPS growth	-50.0%	35.6%	81.4%	58.9%	Book value per share	10.6	10.8	11.0	11.3
Operating KPIs					Cash Flow Statement				
Mobile Subs ('000)	167,426	198,306	239,090	275,922	Rmb in mn, year-end Dec	2010	2011E	2012E	2013E
Mobile service ARPU (Rmb)	44	49	51	54	Cash flow from operations	66,344	79,761	89,064	99,993
Mobile MOU (min)	281	300	325	345	Capex	(75,555)	(74,002)	(73,656)	(71,522)
Data as % of total mobile revenue	29%	25%	25%	26%	Cash flow from investing	(76,614)	(77,714)	(73,479)	(71,913)
Ratio analysis					Cash flow from financing				
% , year-end Dec	2010	2011E	2012E	2013E	Cash flow from financing	19,824	(7,109)	(4,395)	(22,856)
EBITDA margin (Adj)	34.7%	30.4%	29.1%	28.9%	Cash flow from discontinued operations	5,121	0	0	0
FCF margin	-6.3%	3.5%	6.2%	9.5%	Change in cash for year	14,675	(5,062)	11,189	5,224
ROE	1.8%	2.3%	3.9%	6.1%	Beginning cash	7,820	22,495	17,433	28,622
ROIC	3.0%	1.3%	1.8%	3.0%	Closing cash	22,495	17,433	28,622	33,846
ROA	0.9%	1.1%	1.8%	2.7%					
Tax rate	20.1%	20.1%	20.1%	20.1%					
Capex / adjusted sales	44.2%	34.5%	28.9%	24.1%					
Debt / capital	27.0%	24.2%	23.8%	18.8%					
Net debt (cash) / equity	38.8%	35.9%	30.0%	19.2%					
Interest cover (X)	2.8	3.0	5.2	8.4					

Source: Company data and J.P. Morgan estimates.

CIMB Group Holdings

www.cimb.com/

Company description

CIMB Group is Malaysia's second largest financial services provider and one of Southeast Asia's leading universal banking groups. It has moved rapidly from being a Malaysian centric bank with a strong IB franchise to becoming one of the best placed banks leveraging on Asean's growth.

Key drivers of performance in an equity market recovery

CIMB is one of the most leveraged beneficiaries of the Economic Transformation Program (ETP) in our view, and we expect debt and equity capital markets business to provide significant revenue opportunities on both sides of the bank's balance sheet. CIMB is already seeing a marked increase in bridge loan facilities as well as bond mandates as the ETP makes headway. Beyond Malaysia, we expect the Group to benefit from the continued growth of its Indonesian subsidiary having lagged its peers YTD, which we believe should reverse in due course.

CIMB has also recently embarked on a cost management exercise, minimising overheads and removing any duplication of responsibilities. We expect increased efficiency and structurally higher pre-provision operating profit (PPOP) to result from this increased focus on cost management.

How much recovery has already been priced in, what are the key metrics

We think CIMB is the most prepared of its peers to weather a downturn as it shifted to a cautious stance earlier this year, increasing standards of margins, credit risk, liquidity as well as managing its foreign currency book. However, the risk to this strategy is muted growth for a couple of quarters if the macro environment surprises positively.

Earnings risk for 2012

Concerns remain over potential ownership limits on Indonesia bank holdings. Recent news suggests ownership limits may be more focused on individual owners rather than institutional. Any clarity on the issue would be positive (expected closer to end-2011).

Price target and key recovery risks

We have an Overweight rating with a Jun-12 PT of M\$10.0. We have calculated our (2-stage DDM) Jun-12 PT using a normalized RoE of 18.7% and a CoE of 12.1%. The key risks to our rating include delayed launch in the ETP projects, lower than expected revenue pick up from bond underwriting fees and slower corporate loan growth.

CIMB Group Holdings (Reuters: CIMB.KL, Bloomberg: CIMB MK)

Year-end Dec (M\$ in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (M\$ mn)	4,952	5,285	5,841	7,800	10,025
Net Profit (M\$ mn)	2,807	3,521	4,008	5,215	6,551
Cash EPS (M\$)	0.39	0.49	0.55	0.70	0.88
Fully Diluted EPS (M\$)	0.39	0.49	0.55	0.70	0.88
DPS (M\$)	0.12	0.28	0.29	0.35	0.44
EPS growth (%)	40.6%	25.2%	11.0%	28.0%	25.6%
ROE	15.0%	16.2%	16.6%	19.7%	22.3%
P/E	18.6	14.9	13.4	10.5	8.3
BVPS (M\$)	2.88	3.23	3.38	3.73	4.18
P/BV	2.6	2.3	2.2	2.0	1.8
Div. Yield	1.7%	3.8%	4.0%	4.8%	5.9%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: M\$7.36

Price Target: M\$10.00

Malaysia

Banks

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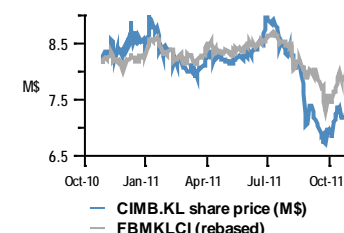
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JPMorgan Securities (Malaysia) Sdn. Bhd. (18146-X)

Price Performance



	YTD	1m	3m	12m
Abs	-12.2%	6.4%	-10.2%	-8.9%
Rel	-8.8%	-1.6%	-5.7%	-7.7%

Source: Bloomberg.

Company Data

52-wk range (M\$)	9.17 - 6.56
Market cap (M\$ mn)	54,705
Market cap (\$ mn)	17,566
Shares outstanding (mn)	7,433
Fiscal Year End	Dec
Price (M\$)	7.36
Date Of Price	04 Nov 11
Avg daily value (M\$ mn)	77.5
Avg daily value (\$ mn)	24.9
Avg daily vol (mn)	7.5
FBMKLCI	1,478
Exchange Rate	3.11

CIMB Group Holdings: Summary of Financials

Income statement - M\$ m						Growth Rates					
	2009	2010	2011E	2012E	2013E		2009	2010	2011E	2012E	2013E
Margins (% of Earning Assets)	3.00%	2.81%	2.53%	2.65%	2.72%	Loans	21.1%	11.9%	16.5%	21.7%	21.5%
Earning Assets/Assets	90%	91%	92%	92%	93%	Deposits	21.8%	11.7%	15.3%	21.5%	22.6%
NIM (as % of avg. Assets)	2.71%	2.57%	2.32%	2.45%	2.54%	Assets	15.9%	12.2%	13.6%	18.6%	19.8%
Net Interest Income	6,069	6,537	6,671	8,202	10,126	Equity	20.4%	7.3%	7.7%	10.0%	11.5%
Total Non-Interest Revenue	4,414	5,273	6,092	7,476	8,952	Net Interest Income	30.2%	7.7%	2.0%	23.0%	23.5%
Fee income	1,511	1,546	1,861	2,178	2,498	Non-Interest Income	43.3%	19.5%	15.5%	22.7%	19.7%
FX/Trading gains	1,185	1,350	1,349	1,551	1,782	of which Fee Growth	6.8%	2.3%	20.4%	17.0%	14.7%
Other operating income	806	1,330	1,729	2,421	3,147	Revenues	35.4%	12.7%	8.1%	22.8%	21.7%
Total operating revenues	10,483	11,811	12,762	15,678	19,078	Costs	34.2%	18.0%	6.1%	13.8%	14.9%
Operating costs	-5,531	-6,526	-6,922	-7,878	-9,053	Pre-Provision Provisions	36.8%	6.7%	10.5%	33.6%	28.5%
Operating profit	4,952	5,285	5,841	7,800	10,025	Loan Loss Provisions	28.7%	-40.6%	-20.3%	93.6%	51.3%
Loan Loss Provisions	-1,023	-607	-484	-937	-1,419	Pre-Tax	40.4%	21.9%	14.1%	28.4%	25.6%
Other provisions	-151	-127	-150	-150	-150	Attributable Income	43.8%	25.4%	13.8%	30.1%	25.6%
Exceptionals	0	0	0	0	0	EPS	40.6%	25.2%	11.0%	28.0%	25.6%
Disposals/ Other income	34	96	96	96	96	DPS	100.0%	118.6%	5.2%	21.7%	25.0%
Pre-tax profit	3,812	4,647	5,303	6,809	8,553	Balance Sheet Growth					
Tax	-765	-957	-1,140	-1,396	-1,753	Loan/Deposit	79%	80%	80%	81%	80%
Minorities/preference dividends	-240	-169	-154	-198	-249	Investment/Assets	19%	17%	16%	14%	12%
Attributable net income	2,807	3,521	4,008	5,215	6,551	Loan/Assets	59%	59%	61%	62%	63%
Pref Dividends	-	-	-	-	-	Customer deposits/	75%	74%	75%	77%	79%
Profits to ordinary S'holders	2,807	3,521	4,008	5,215	6,551	LT Debt/Liabilities	5%	6%	6%	6%	5%
Per Share Data						Asset Quality/Cap					
EPS (SG\$/ share)	0.4	0.5	0.5	0.7	0.9	Loan loss reserves	-4.7%	-5.2%	-4.4%	-3.9%	-3.5%
DPS (SG\$/ share)	0.1	0.3	0.3	0.4	0.4	NPLs/loans	5.0%	6.1%	5.0%	3.8%	2.8%
Payout	31.7%	55%	52%	50%	50%	Loan loss reserves/	90.8%	81.1%	85.8%	98.6%	121.0%
BVPS	2.9	3.2	3.4	3.7	4.2	Growth in NPLs	22.5%	38.7%	-6.5%	-8.1%	-10.6%
Avg. Shares Issued	7,108	7,123	7,304	7,423	7,426	Tier 1 Ratio	13.0%	11.4%	10.8%	10.2%	9.5%
Key balance sheet - S\$ m						Du-Pont Analysis					
Net Customer Loans	142,192	159,181	185,431	225,622	274,139	NIR/Avg. Assets	2.71%	2.57%	2.32%	2.45%	2.54%
Loans loss reserves	6,732	8,342	8,245	8,714	9,565	Non IR/Avg. Assets	1.97%	2.07%	2.12%	2.23%	2.24%
Gross Loans	148,924	167,524	193,677	234,337	283,704	Non IR/Total Rev	42.1%	44.6%	47.7%	47.7%	46.9%
Investments	44,838	46,666	49,000	51,450	54,022	Total Rev/Avg. Assets	4.69%	4.64%	4.44%	4.69%	4.78%
Other Earning Assets	31,501	40,342	47,170	60,120	79,463	Cost/Income	52.8%	55.3%	54.2%	50.2%	47.5%
Average Earning Assets	202,193	232,360	263,895	309,397	372,408	Cost/Assets	2.47%	2.56%	2.41%	2.35%	2.27%
Goodwill	-	-	-	-	-	Goodwill Amort.	-	-	-	-	-
Total assets	239,984	269,365	306,108	363,032	434,924	Operating ROAA	1.8%	1.84%	1.86%	2.05%	2.16%
Interbank funding	10,132	13,092	15,711	18,067	20,777	LLP/Loans	-0.8%	-0.38%	-0.27%	-0.44%	-0.55%
Customer deposits	178,882	199,846	230,493	280,055	343,353	Loan/Assets	60.8%	62.1%	62.8%	64.0%	64.9%
Long-term bond funding	10,893	14,444	15,804	17,299	18,943	Other inc.provs	0.07%	0.05%	0.05%	0.04%	0.04%
Other Interest Bearing Liabilities	12,936	12,849	12,849	13,489	14,162	Pre-tax ROAA	1.7%	1.82%	1.84%	2.04%	2.14%
Average Interest Bearing Assets	185,750	213,943	244,728	288,748	349,280	Tax	-20.1%	-20.6%	-21.5%	-20.5%	-20.5%
Average Assets	223,537	254,675	287,737	334,570	398,978	Minority interests	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Shareholders' equity	22,647	24,303	26,178	28,795	32,096	ROAA	1.3%	1.38%	1.39%	1.56%	1.64%
Risk Weighted Assets	154,382	168,364	194,378	232,340	282,701	RoRWA	1.9%	2.18%	2.21%	2.44%	2.54%
Average Risk Weighted Assets	146,908	161,373	181,371	213,359	257,521	Equity/Assets	8.4%	8.6%	8.4%	7.9%	7.4%
						ROE	15.0%	16.2%	16.6%	19.7%	22.3%

Source: Company reports and J.P. Morgan estimates

CSR Corp Ltd.

www.csrgc.com.cn

Company description

CSR is a leading supplier of transportation equipment in China with >50% market share in the Chinese locomotive and rail car industry. CSR offers a comprehensive range of rail vehicle products, including locomotives, multiple units (MU, for high-speed rails) and rapid transit vehicles (RTVs, for city metro-rails).

Key drivers of performance in an equity market recovery

China's railway investments have grounded to a halt since 2Q11 as a result of the train crashes and lack of funding. A number of important policies unveiled in early-October indicated strong support from central government for continuing railway investment. As long as China intends to complete the railway projects under construction, CSR's growth from the railway side looks secure, given the domestic railway equipment industry is a duopoly structure with high entry barriers and stringent regulatory requirements. Furthermore, CSR has achieved greater market share gains and better profitability than its peer, CNR given its lead in technology.

How much recovery has already been priced in, what are the key metrics?

CSR-H was the worst performing in the entire Asia infra space in September 2011, down c70% in the first nine months. Since favorable policies were announced in early October, CSR-H had a swift rebound, but still is trading at 40% below the levels and 50% lower YTD.

Where's the earnings risk for 2012?

CSR is a late cycle player on China's railway capex. Though the gross rail capex may remain flattish on an annual basis over 2011-2015, we believe the mix will start rebalancing from 2012, with the portion tilting much more towards the trains and equipment. On a medium- to longer-term basis, China's HSR travel may eventually match the MU density levels as seen in Japan/Germany on rising consumption levels. High speed rail travel has various benefits over air travel on costs and time saving, as long as safety concerns can be downplayed or eliminated. Further upside against our existing estimates exists on higher spend on subways, overseas and new businesses.

Price target and key recovery risks

We use DCF to derive the fair value of CSR. Our Dec-2012 SOTP-based PT is HK\$8.50 based on a 5% risk free rate, 7.0% market risk premium and 2% terminal growth. The WACC comes to 10.9% with a target 20% D/E ratio. In addition, we factor in dilution from the A-share placement, which targets to issue no more than 1.963 billion new A shares at Rmb4.46 per A share (assuming the placement to complete by end-FY11). Key risks to our price target are unexpected changes in government's investment in railway development, major fluctuations in raw material costs, and potential capacity constraints.

CSR Corp Ltd. (Reuters: 1766.HK, Bloomberg: 1766 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Total Revenue (Rmb mn)	45,621	63,912	79,874	96,061	111,215
Net Profit (Rmb mn)	1,678.2	2,531.4	3,439.6	4,413.4	5,808.4
EPS (Rmb)	0.14	0.21	0.25	0.32	0.42
DPS (Rmb)	0.04	0.04	0.05	0.06	0.08
Revenue growth (%)	30.0%	40.1%	25.0%	20.3%	15.8%
EPS growth (%)	-9.9%	50.9%	16.6%	28.3%	31.6%
ROE	10.1%	13.8%	13.8%	13.6%	15.9%
P/E (x)	28.9	19.1	16.4	12.8	9.7
P/BV (x)	2.4	2.0	1.6	1.4	1.2
EV/EBITDA (x)	11.1	8.3	7.5	4.9	3.9
Dividend Yield	1.0%	1.0%	1.2%	1.6%	2.1%
ROCE	10.8%	13.0%	12.8%	12.7%	15.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$5.02

Price Target: HK\$8.50

China

Engineering

Karen Li^{AC}

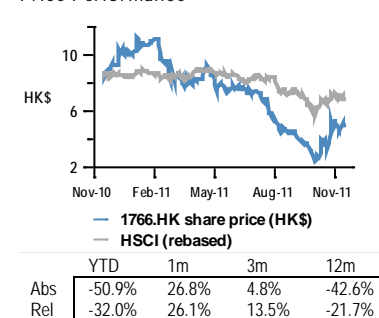
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Bloomberg JPMA KLI<GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares O/S (mn)	2,024
Market Cap (HK\$ mn)	65,693.9
Market Cap (\$ mn)	8,446
Price (HK\$)	5.02
Date Of Price	16 Nov 11
Free float (%)	41.5%
3mth Avg daily volume	30.94
3M - Average daily Value (HK\$ mn)	129.99
Average 3m Daily Turnover (\$ mn)	16.72
HSCI	2,687
Exchange Rate	7.78
Fiscal Year End	Dec

CSR Corp Ltd.: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	45,621	63,912	79,874	96,061	111,215	EBIT	2,322	3,370	5,285	6,892	8,695
% change Y/Y	30.0%	40.1%	25.0%	20.3%	15.8%	Depr. & amortization	1,013	1,282	1,596	1,984	2,249
Gross Profit	7,167	10,968	14,026	17,061	19,975	Change in working capital	1,111	-1,000	-18,536	6,885	-3,472
EBITDA	3,335	4,652	6,881	8,876	10,944	Other adjustment	147	138	8,876	581	683
% change Y/Y	12.1%	39.5%	47.9%	29.0%	23.3%	Taxes	-269	-369	-914	-1244	-1783
EBITDA Margin	7.3%	7.3%	8.6%	9.2%	9.8%	Cash flow from operations	4,403	3,716	-3,602	15,117	6,592
EBIT	2,322	3,370	5,285	6,892	8,695	Capex	-4,779	-5,937	-7,700	-5,000	-4,000
% change Y/Y	6%	45%	57%	30%	26%	Disposal/(purchase)	68	126	184	156	126
EBIT Margin	5.1%	5.3%	6.6%	7.2%	7.8%	Other adjustments	170	183	-82	-92	68
Net Interest	-169	-259	-634	-885	-770	Cash flow from investing	-4,541	-5,628	-7,598	-4,936	-3,806
Earnings before tax	2,401	3,665	5,376	6,911	8,914	Free cash flow	-309	-2,095	-11,118	10,272	2,718
% change Y/Y	24.4%	52.6%	46.7%	28.5%	29.0%	Equity raised/(repaid)	17,577	12,046	12,755	4,000	4,000
Tax	-285	-415	-914	-1,244	-1,783	Debt raised / (repaid)	-16,643	-7,426	-42	-5,704	-5,000
as % of EBT	11.9%	11.3%	17.0%	18.0%	20.0%	Other adjustments	-306	712	-579	-837	-747
Net income	1,678.2	2,531.4	3,439.6	4,413.4	5,808.4	Dividends paid	-379	0	-688	-883	-1,162
% change Y/Y	21.2%	50.8%	35.9%	28.3%	31.6%	Cash flow from financing	104	4,661	11,238	-3,661	-3,185
Shares outstanding	11,840	11,840	13,803	13,803	13,803	Net changes in cash	-35	2,749	39	6,519	-399
EPS	0.14	0.21	0.25	0.32	0.42	Beginning cash	11,033	10,998	13,708	13,747	20,266
% change Y/Y	(9.9%)	50.9%	16.6%	28.3%	31.6%	Ending cash	10,998	13,708	13,747	20,266	19,867
						DPS	0.04	0.04	0.05	0.06	0.08
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	10,998	13,708	13,747	20,266	19,867	Gross margin	15.7%	17.2%	17.6%	17.8%	18.0%
Accounts receivable	12,278	17,801	30,637	19,738	19,805	EBITDA margin	7.3%	7.3%	8.6%	9.2%	9.8%
Inventories	11,415	17,733	21,649	23,808	24,997	Operating margin	5.1%	5.3%	6.6%	7.2%	7.8%
Others	1,996	882	1,843	1,714	1,639	Net profit margin	3.7%	4.0%	4.3%	4.6%	5.2%
Current assets	36,687	50,124	67,875	65,527	66,308						
Other LT investments	3,711	4,809	5,117	5,419	5,614	EBITDA / Interest Paid (x)	19.76	17.98	10.85	10.03	14.21
Net fixed assets	13,509	17,066	23,368	26,598	28,576	Net debt to total capital	-24.8%	-12.8%	16.7%	1.3%	0.2%
Total Assets	55,238	73,566	97,961	99,168	102,141	Net debt to equity	-32.5%	-19.4%	29.1%	2.1%	0.3%
Liabilities						Sales/assets	0.91	0.99	0.93	0.97	1.10
Short-term loans	3,193	5,778	14,677	13,484	12,784	Assets/equity	3.19	3.82	3.19	2.89	2.62
Trade Payables	18,652	24,884	24,072	22,370	21,329	ROE	10.1%	13.8%	13.8%	13.6%	15.9%
Others	8,222	12,000	11,990	11,709	10,459	ROA	3.3%	3.9%	4.0%	4.5%	5.8%
Total current liabilities	30,067	42,662	50,739	47,563	44,572	Accounts receivable % Sales	-	-	-	-	-
Long-term debt	2,172	4,204	8,018	7,506	7,206	Accounts payable % COGS	-	-	-	-	-
Other liabilities	2,679	2,859	3,139	3,479	3,843	Inventory % COGS	-	-	-	-	-
Total Liabilities	34,917	49,725	61,895	58,549	55,622	Asset Turnover (%)	0.91	0.99	0.93	0.97	1.10
Minority interests	2,991	4,597	5,315	6,338	7,591	Net WC to sales ratio	0.1	0.1	0.2	0.2	0.2
Shareholders' equity	17,330	19,244	30,751	34,282	38,928						
BVPS	1.72	2.01	2.61	2.94	3.37						

Source: Company reports and J.P. Morgan estimates.

DBS Group Holdings

www.dbs.com

Company description

DBS is a leading financial services company in Asia, and the largest in Singapore with asset base of S\$339 billion. DBS is a market leader in Singapore with over four million customers and also has a growing presence in the three key Asian axes of growth, namely, Greater China, Southeast Asia and South Asia. The bank's strong capital position, as well as "AA-" and "Aa1" credit ratings that are among the highest in the Asia-Pacific region.

Key drivers of performance in an equity market recovery

DBS is delivering on its turnaround. If markets recover, we expect higher contribution from non-interest income, which is leveraged to both capital markets and higher economic activity. If the recovery leads to higher rates, the bank will be a significant beneficiary as margins will expand.

How much recovery has already been priced in, what are the key metrics?

DBS is trading at 1x 2012 book, which shows that the stock is not factoring in recovery as of now. The 17% bounce from bottom in early October merely reverses overly pessimistic outcome.

Where's the earnings risk for 2012?

We do not expect significant risks to DBS earnings for 2012 as the bank's margins have already bottomed out in 3Q11. From here on, credit costs will increase and loan growth will slow down but these factors are already included in current street estimates.

Price target and key recovery risks

We maintain our OW rating on the stock with Dec-12 PT of S\$20. We use 2-stage DDM to arrive at our PT. We use a fair P/B based multiple of 1.50x, with a normalized RoE of 11.5%. Key risks to the call include a value eroding acquisition and higher than expected credit costs.

DBS Group Holdings Ltd (Reuters: DBSM.SI, Bloomberg: DBS SP)

Year-end Dec (\$\$ in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (\$\$ mn)	3,999	4,141	4,357	4,902	5,484
Net Profit (\$\$ mn)	2,041	1,632	3,024	3,143	3,549
Cash EPS (\$\$)	0.87	0.69	1.26	1.30	1.44
Fully Diluted EPS (\$\$)	0.87	0.69	1.26	1.30	1.44
DPS (\$\$)	0.54	0.54	0.54	0.54	0.58
EPS growth (%)	(29.2%)	(20.6%)	83.8%	2.7%	11.3%
ROE	9.1%	6.3%	11.1%	10.9%	11.5%
P/E	14.5	18.3	9.9	9.7	8.7
BVPS (\$\$)	11.0	11.4	12.0	12.6	13.3
P/BV	1.13	1.09	1.04	0.99	0.94
Div. Yield	4.3%	4.3%	4.3%	4.3%	4.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: S\$12.49

Price Target: S\$20

Singapore

Banks

Harsh Wardhan Modi^{AC}

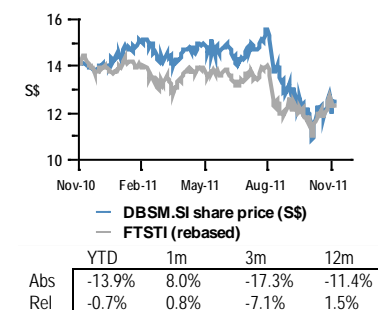
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Bloomberg JPMA MODI <GO>

J.P.Morgan Singapore Securities Private Limited

Price Performance



Source: Bloomberg.

Company Data

52-wk range (\$\$)	15.73 - 10.81
Market cap (\$\$ mn)	29,264
Market cap (\$ mn)	23,126
Shares outstanding (mn)	2,343
Fiscal Year End	Dec
Price (\$\$)	12.49
Date Of Price	03 Nov 11
Avg daily value (\$\$ mn)	144.2
Avg daily value (\$ mn)	114.0
Avg daily vol (mn)	11.1
FTSTI	2,867
Exchange Rate	1.27

DBS Group Holdings: Summary of Financials

Income Statement						Growth Rates					
S\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E		FY08	FY09	FY10	FY11E	FY12E
NIM (as % of avg. assets)	2.1%	2.0%	1.8%	1.8%	1.8%	Loans	18.7%	3.8%	16.1%	23.8%	10.0%
Earning assets/assets	84.9%	85.6%	86.6%	86.9%	86.1%	Deposits	1.6%	6.0%	10.4%	21.9%	9.3%
Margins (% of earning assets)	1.8%	1.7%	1.6%	1.5%	1.5%	Assets	10.2%	0.8%	9.7%	21.0%	8.4%
						Equity	-3.3%	28.4%	4.9%	6.2%	6.4%
Net Interest Income	4,301	4,455	4,318	4,797	5,467	RWA	-1.0%	-3.0%	3.1%	19.3%	9.2%
Total Non-Interest Income	1,752	2,148	2,748	2,847	3,049	Net Interest Income	4.7%	3.6%	-3.1%	11.1%	14.0%
Fee Income	1,274	1,394	1,397	1,607	1,639	Non-Interest Income	-14.7%	22.6%	27.9%	3.6%	7.1%
Dealing Income	23	433	895	716	823	of which Fee Grth	-12.9%	9.4%	0.2%	15.0%	2.0%
Other Operating Income	-	-	-	-	-	Revenues	(178.5%)	908.6%	701.2%	817.4%	817.4%
Total operating revenues	6,053	6,603	7,066	7,644	8,516	Costs	1.4%	-1.9%	12.3%	12.4%	10.0%
						Pre-Provision Profits	-	-	-	-	-
Operating costs	-2,655	-2,604	-2,925	-3,287	-3,614	Loan Loss Provisions	241.9%	94.0%	-33.2%	-18.6%	52.8%
						Pre-Tax	-	-	-	-	-
Pre-Prov. Profits	3,398	3,999	4,141	4,357	4,902	Attributable Income	-15.3%	5.8%	-20.0%	85.3%	3.9%
Provisions	653	1,267	846	689	1,053	EPS	-15.5%	-29.2%	-20.8%	84.5%	2.8%
Other Inc/Exp.	-160	-219	-981	114	73	DPS	-8.6%	-22.8%	0.2%	0.1%	0.1%
Exceptionals	-235	-285	-65	-50	-50						
Disposals/ other income	-	-	-	-	-	Balance Sheet Gearing	FY08	FY09	FY10	FY11E	FY12E
Pre-tax	3,891	5,047	4,006	5,160	6,028	Loan/deposit	67.4%	66.0%	69.4%	70.5%	70.9%
Tax	446	285	454	515	549	Investment/assets	18.5%	20.7%	17.3%	15.7%	16.3%
Minorities	210	187	228	243	231	Loan/Assets	49.0%	50.2%	53.5%	54.8%	55.6%
Other Distbn.	-	-	-	-	-	Customer deposits/liab.	82.0%	88.2%	89.1%	87.6%	88.2%
Attributable Income	1,929	2,041	1,632	3,024	3,143	LT debt/liabilities	3.5%	3.0%	2.8%	2.2%	2.0%
Per Share Data S\$	FY08	FY09	FY10	FY11E	FY12E	Asset Quality/Capital	FY08	FY09	FY10	FY11E	FY12E
EPS	1.21	0.86	0.68	1.26	1.29	Loan loss reserves/loans	2.1%	2.6%	2.1%	1.9%	2.1%
DPS	0.70	0.54	0.54	0.54	0.54	NPLs/loans	1.9%	3.2%	2.1%	1.6%	1.9%
Payout	57.5%	62.6%	79.2%	43.0%	41.9%	Loan loss reserves/NPLs	114.2%	82.5%	99.5%	122.6%	111.6%
Book value	12.87	11.01	11.41	12.00	12.58	Growth in NPLs	65.9%	76.4%	-23.8%	-7.2%	32.1%
Fully Diluted Shares	-	-	-	-	-	Tier 1 Ratio	10.1%	13.1%	15.1%	12.3%	12.0%
PPOP per share	-	-	-	-	-	Total CAR	14.0%	16.7%	18.4%	15.3%	14.5%
Key Balance sheet S\$ in millions	FY08	FY09	FY10	FY11E	FY12E	Du-Pont Analysis	FY08	FY09	FY10	FY11E	FY12E
Net Loans	125,841	129,973	151,698	188,169	206,639	NIM (as % of avg. assets)	2.1%	2.0%	1.8%	1.8%	1.8%
LLR	-2,732	-3,480	-3,197	-3,656	-4,393	Earning assets/assets	84.9%	85.6%	86.6%	86.9%	86.1%
Gross Loans	128,573	133,453	154,895	191,825	211,032	Margins (as % of Avg. Assets)	1.8%	1.7%	1.6%	1.5%	1.5%
NPLs	2,392	4,219	3,213	2,981	3,938	Non-Int. Rev./ Revenues	28.9%	32.5%	38.9%	37.3%	35.8%
Investments	47,584	53,620	49,088	53,997	60,476	Non IR/Avg. Assets	0.7%	0.8%	1.0%	0.9%	0.9%
Other earning assets	39,878	23,352	25,588	39,661	42,834	Revenue/Assets	2.5%	2.6%	2.6%	2.4%	2.4%
Avg. IEA	207,890	220,645	234,707	272,369	307,754	Cost/Income	43.9%	39.4%	41.4%	43.0%	42.4%
Goodwill	-	-	-	-	-	Cost/Assets	1.1%	1.0%	1.1%	1.0%	1.0%
Assets	256,718	258,644	283,710	343,212	371,976	Pre-Provision ROA	3.6%	3.6%	3.7%	3.5%	3.4%
						LLP/Loans	0.5%	1.0%	0.6%	0.4%	0.5%
Deposits	190,799	202,170	223,236	272,173	297,573	Loan/Assets	48.4%	50.8%	53.2%	55.3%	56.3%
Long-term bond funding	9,085	7,702	8,053	7,489	7,489	Other Prov, Income/ Assets	-0.1%	-0.1%	-0.4%	0.0%	0.0%
Other Borrowings	-	-	-	-	-	Operating ROA	1.4%	1.6%	1.5%	1.4%	1.4%
Avg. IBL	198,344	204,878	220,581	255,475	292,362	Pre-Tax ROA	3.8%	4.0%	3.6%	3.7%	3.7%
Avg. Assets	244,841	257,681	271,177	313,461	357,594	Tax rate	-	-	-	-	-
Common Equity	19,572	25,126	26,352	27,991	29,786	Minorities & Outside Distbn.	0.1%	0.1%	0.1%	0.1%	0.1%
RWA	182,685	177,222	182,694	217,940	238,064	ROA	0.8%	0.8%	0.6%	1.0%	0.9%
Avg. RWA	183,643	179,954	179,958	200,317	228,002	RORWA	1.1%	1.1%	0.9%	1.5%	1.4%
						Equity/Assets	8.1%	8.7%	9.5%	8.7%	8.1%
						ROE	9.7%	9.1%	6.3%	11.1%	10.9%

Source: Company reports and J.P. Morgan estimates.

Dialog

www.dialogasia.com/

Company description

Dialog is one of Malaysia's leading integrated specialist technical service providers to the oil, gas and petrochemicals industry. Main focus: (1) the distribution of base oil fluid for offshore drilling; (2) catalyst handling; (3) tank farms; (4) plant maintenance; and (5) EPCC. New growth area from Marginal Oil Fields contracts.

Key drivers of performance in an equity market recovery

Dialog's effective tank farm capacity will grow from 404,680 m³ currently, to 2.85MM m³, or a 6x increase in seven years. Near-term earnings are mainly driven by EPCC contracts to build the tank farms. Key potential re-rating catalysts for Dialog include: 1) announcement of more marginal field contracts (one in the bag); 2) positive earnings surprises; and 3) EPCC contracts from Petronas from the M\$60B Rapid project.

How much recovery has already been priced in, what are the key metrics

The stock is up 22.4% from its trough in Sept, but is pricing in only 22% of Pengerang. SoTP is the main share price driver, in our view, and the stock is currently trading at a 26% discount to its SoTP valuation. We believe the recent M\$3B marginal oil field risk service contract secured has yet to be priced in.

Where's the earnings risk for 2012

We see minimal earnings risk as 82% of earnings are recurring in nature. Where we do see risk is from the execution of EPCC works for the M\$5B Pengerang project. On balance, we expect upside earnings revision bias on potential positive margin surprise as the company has been consistently delivering on execution. Further upside surprise could come from more marginal oil field contracts secured.

Price target and key recovery risks

At our Dec-12 PT of M\$3.20, the stock would be trading at an FY13E P/E of 29x, above 1SD P/E of 26x, but below 2SD of 33x. For this stock to perform badly in a recovery, there would have to be poor execution, in our view, and we do not expect this to be the case with Dialog). We believe SoTP valuation best captures the diverse business mix. A key downside risk to our PT is if oil prices stay protractedly low.

Dialog Group Bhd (Reuters: DIAL.KL, Bloomberg: DLG MK)

M\$ in mn, year-end Jun	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (M\$ mn)	1,139	1,208	1,559	1,835	1,746
EBITDA (M\$ mn)	137	185	202	258	296
Net Profit (M\$ mn)	118.3	152.2	184.3	223.4	276.9
EPS (M\$)	0.06	0.08	0.09	0.11	0.14
DPS (M\$)	0.03	0.03	0.04	0.04	0.06
Revenue growth (%)	3.1%	6.1%	29.0%	17.7%	-4.9%
EPS growth (%)	28.4%	29.8%	19.1%	21.2%	24.0%
ROCE	22.7%	26.5%	22.7%	23.2%	21.2%
ROE	25.8%	28.7%	28.9%	29.4%	30.4%
P/E	39.4	30.3	25.5	21.0	16.9
P/BV	9.7	7.9	6.8	5.7	4.7
EV/EBITDA	32.7	24.1	22.9	18.4	16.2
Dividend Yield	1.2%	1.3%	1.6%	1.9%	2.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: M\$2.35

Price Target: M\$3.20

Malaysia

Oil Services & Equipment

Hoy Kit Mak^{AC}

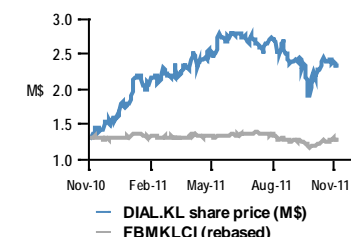
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Bloomberg JPMA MAK <GO>

JPMorgan Securities (Malaysia) Sdn. Bhd.
(18146-X)

Price Performance



	YTD	1m	3m	12m
Abs	25.7%	4.0%	-13.6%	78.0%
Rel	28.4%	-4.5%	-9.1%	80.3%

Source: Bloomberg.

Company Data

Shares O/S (mn)	1,999
Market Cap (M\$ mn)	4,697
Market Cap (\$ mn)	1,508
Price (M\$)	2.35
Date Of Price	04 Nov 11
Free float (%)	59.6%
3-mth trading value (M\$ mn)	5.5
3-mth trading value (\$ mn)	1.8
3-mth trading volume (mn)	3.6
FBMKLCI	1,478
Exchange Rate	3.11
Fiscal Year End	Jun

Dialog Group Bhd: Summary of Financials

Income Statement						Cash flow statement					
M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E
Revenues	1,139	1,208	1,559	1,835	1,746	Earnings before tax	150	200	228	277	337
% change Y/Y	3.1%	6.1%	29.0%	17.7%	(4.9%)	Depr. & amortization	18	20	29	45	61
Gross Margin	12.4%	15.6%	13.1%	13.6%	15.4%	Change in working capital	53	-30	-30	-30	-30
EBITDA	137	185	202	258	296	Taxes	-23	-41	-34	-42	-46
% change Y/Y	20.8%	35.5%	9.4%	27.7%	14.7%	Others	3	19	9	-8	-32
EBITDA Margin	12.0%	15.3%	13.0%	14.1%	17.0%	Cash flow from operations	169	133	147	179	188
EBIT	119	165	173	214	235	Capex	-54	-95	-100	-150	-150
% change Y/Y	22.3%	39.1%	5.0%	23.3%	10.1%	Others	-3	-35	-129	-121	-72
EBIT Margin	10.4%	13.7%	11.1%	11.6%	13.5%	Disposal/(purchase)	0	0	0	0	0
Net Interest	-2	-3	-4	-5	-6	Free cash flow	113	2	-82	-92	-33
Earnings before tax	150	200	228	277	337	Equity raised/(repaid)	-27	15	0	0	0
% change Y/Y	21.5%	33.6%	13.7%	21.5%	21.8%	Debt raised/(repaid)	23	35	35	35	35
Tax	-25	-40	-34	-42	-46	Other	2	0	0	0	0
as % of EBT	16.9%	20.2%	15.0%	15.2%	13.7%	Dividends paid	-55	-62	-74	-89	-111
Net income (reported)	118.3	152.2	184.3	223.4	276.9	Beginning cash	179	261	274	208	125
% change Y/Y	28.7%	28.7%	21.1%	21.2%	23.9%	Ending cash	261	274	208	125	118
Shares outstanding	1,981	1,965	1,996	1,996	1,996	DPS	0.03	0.03	0.04	0.04	0.06
EPS (reported)	0.06	0.08	0.09	0.11	0.14						
% change Y/Y	28.4%	29.8%	19.1%	21.2%	24.0%						
Balance sheet						Ratio Analysis					
M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	261	278	208	125	118	EBITDA margin	12.0%	15.3%	13.0%	14.1%	17.0%
Accounts receivable	261	299	386	455	432	Net margin	10.4%	12.6%	11.8%	12.2%	15.9%
Inventories	21	65	22	26	24	Sales per share growth	3.0%	6.9%	27.0%	17.7%	(4.9%)
Others	34	17	14	14	14	Sales growth	3.1%	6.1%	29.0%	17.7%	(4.9%)
Current assets	577	660	630	619	588	Net profit growth	28.7%	28.7%	21.1%	21.2%	23.9%
LT investments	143	148	322	449	515	EPS growth	28.4%	29.8%	19.1%	21.2%	24.0%
Others	20	50	54	58	62	Interest coverage (x)	62.57	60.59	51.28	52.31	48.92
Net fixed assets	154	224	345	470	608	Net debt to total capital	-35.5%	-27.0%	-8.6%	5.8%	9.1%
Total Assets	894	1,082	1,351	1,596	1,773	Net debt to equity	-38.9%	-28.9%	-9.5%	6.5%	10.1%
Liabilities						Sales/assets	1.38	1.22	1.28	1.25	1.04
Short-term loans	10	92	110	132	158	Assets/equity	1.64	1.49	1.95	1.93	1.78
Payables	286	326	433	507	472	ROE	25.8%	28.7%	28.9%	29.4%	30.4%
Others	14	21	33	24	19	ROCE	22.7%	26.5%	22.7%	23.2%	21.2%
Total current liabilities	310	439	576	664	650						
Long-term debt	66	18	32	46	60						
Other liabilities	6	4	4	4	4						
Total Liabilities	382	462	613	714	714						
Shareholders' equity	477	583	694	828	994						
Minorities	35	37	45	54	66						
BVPS	0.24	0.30	0.35	0.41	0.50						

Source: Company reports and J.P. Morgan estimates.

Dongfang Electric Corporation Limited - H

www.dec-ltd.cn

Company description

Dongfang Electric is one of the top three power equipment manufacturers in China, capturing about one-third of the market share, with annual production capacity of over 25,000MW. It is currently owned by the state-owned Dongfang Electric Group

Key drivers of performance in an equity market recovery

Nuclear project approval resumption will be the main catalyst given that local press (China Securities Journal) reported in Sep that the Chinese Government might resume new nuclear project approvals in early 2012 following the impending announcement of the revised safety plan. In addition, earlier-than-expected interest rate reduction in China would be another driver as the company will be able to accelerate the repayment from China IPPs with high gearing.

How much recovery has already been priced in, what are the key metrics?

We believe expectation on recovery has not been priced in given weak operating CF numbers in 3Q11. Improving operating CF and working capital position, along with the nuclear project approval resumption will be the key metrics, in our view.

Where's the earnings risk for 2012?

Deteriorating operating CF and increase in receivables & inventory provision due to delay in repayment from China IPPs would be key earning risks. In addition, we view overseas projects delay especially from India as another risk as certain Indian projects are encountering challenges in coal supplies, onerous PPAs and funding gaps.

Price target and key recovery risks

Our June-12 price target of HK\$27.1 is based on 10.8x the three-year forward "through-cycle" EPS in 2011-13E (10.8x is due to 5-year historical average 1-year forward P/E). Downside risk to our PT includes slower than expected delays on nuclear projects under construction after the Japan earthquake.

Dongfang Electric Corporation Limited - H (Reuters: 1072.HK, Bloomberg: 1072 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	32,775	37,604	42,544	45,638	48,778
Net Profit (Rmb mn)	1,679.1	2,600.7	3,220.1	3,268.3	3,341.7
EPS (Rmb)	0.94	1.30	1.61	1.63	1.67
DPS (Rmb)	0.09	0.13	0.15	0.16	0.16
Revenue growth (%)	18.3%	14.7%	13.1%	7.3%	6.9%
EPS growth (%)	68.8%	38.5%	23.8%	1.5%	2.2%
ROCE	20.9%	23.1%	23.0%	19.4%	36.8%
ROE	31.1%	26.4%	25.5%	20.6%	38.1%
P/E (x)	22.3	16.1	13.0	12.8	12.6
P/BV (x)	4.3	3.8	2.9	2.4	-
EV/EBITDA (x)	-1.6	-0.8	-0.5	-0.5	1.7
Dividend Yield	0.4%	0.6%	0.7%	0.7%	0.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$25.55

Price Target: HK\$27.10

China

Industrial Machinery

Boris Kan^{AC}

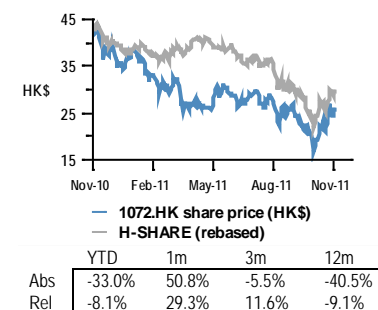
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Bloomberg JPMA KAN <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	340
Market cap (Rmb mn)	7,117
Market cap (\$ mn)	1,119
Price (HK\$)	25.55
Date Of Price	03 Nov 11
Free float (%)	55.0%
3mth Avg daily volume	2.51
3M - Avg daily Value (HK\$ mn)	59.10
3M - Avg daily Value (USD) (\$ mn)	7.41
H-SHARE	13,455
Exchange Rate	7.76
Fiscal Year End	Dec

Dongfang Electric Corporation Limited - H: Summary of Financials

Income Statement					Cash flow statement				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	37,604	42,544	45,638	48,778	EBIT	2,907	3,501	3,578	3,685
% change Y/Y	14.7%	13.1%	7.3%	6.9%	Depr. & amortization	860	976	1,025	1,076
Gross Margin	18.9%	20.2%	20.0%	19.9%	Change in working capital	-1,252	-3,870	-3,207	-1,711
EBITDA	3,767	4,477	4,603	4,761	Taxes	-262	-252	-294	-341
% change Y/Y	49.5%	18.9%	2.8%	3.4%	Others	664	130	127	124
EBITDA margin	10.0%	10.5%	10.1%	9.8%	Cash flow from operations	2,889	456	1,213	2,831
EBIT	2,907	3,501	3,578	3,685	Capex	-2,673	-1,000	-1,000	-500
% change Y/Y	48.1%	20.4%	2.2%	3.0%	Disposal/(purchase)	6	0	0	0
EBIT Margin	7.7%	8.2%	7.8%	7.6%	Cash outflow on investing activities	-2,742	-1,000	-1,000	-500
Net Interest	-119	-130	-127	-124	Free cash flow	216	-544	213	2,331
Earnings before tax	2,880	3,472	3,562	3,682	Equity raised/(repaid)	-	-	-	-
% change Y/Y	69.7%	20.6%	2.6%	3.4%	Debt raised/(repaid)	1,415	-83	-58	-41
Tax	-180	-252	-294	-341	Other	-2,600	-130	-127	-124
as % of EBT	6.3%	7.2%	8.3%	9.3%	Cash flow from financing act.	-1,185	-213	-184	-165
Net income (reported)	2,600.7	3,220.1	3,268.3	3,341.7	Increase (decrease) in cash	-1,038	-757	28	2,167
% change Y/Y	54.9%	23.8%	1.5%	2.3%	Beginning cash	14,958	13,801	13,044	13,072
Shares outstanding	2,004	2,004	2,004	2,004	Ending cash	13,801	13,044	13,072	-
EPS (reported)	1.30	1.61	1.63	1.67	DPS	0.13	0.15	0.16	0.16
% change Y/Y	38.5%	23.8%	1.5%	2.2%					
Balance sheet					Ratio Analysis				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Inventories	32,187	38,048	42,066	-	EBITDA margin	10.0%	10.5%	10.1%	9.8%
Trade debtors	19,523	24,069	27,070	-	Operating margin	7.7%	8.2%	7.8%	7.6%
Bank balances and cash	13,801	13,044	13,072	-	Net profit margin	6.9%	7.6%	7.2%	6.9%
Other current assets	4,159	3,920	4,092	-	Sales growth	14.7%	13.1%	7.3%	6.9%
Current assets	69,670	79,081	86,300	-	Net profit growth	54.9%	23.8%	1.5%	2.3%
Net fixed assets	12,766	12,790	12,765	-	EPS growth	38.5%	23.8%	1.5%	2.2%
Other non-current assets	-	-	-	-	Net debt to total capital	-81.6%	-62.3%	-52.8%	-
Total Assets	82,436	91,870	99,065	-	Net debt to equity	-101.1%	-73.5%	-60.3%	-
Liabilities					Sales/assets	0.48	0.49	0.48	0.98
Short-term loans	2,366	2,366	2,366	-	Assets/equity	8.32	6.75	5.65	-
Payables	-	-	-	-	ROE	26.4%	25.5%	20.6%	38.1%
Others	67,180	73,477	77,461	-					
Total current liabilities	69,546	75,843	79,827	-					
Long-term debt	276	193	135	-					
Other liabilities	830	830	830	-					
Total Liabilities	70,652	76,867	80,793	-					
Shareholders' equity	11,038	14,258	17,526	-					
BVPS	5.51	7.12	8.75	-					

Source: Company reports and J.P. Morgan estimates.

East Japan Railway

www.jreast.co.jp

Company description

East Japan Railway (JR East) is a passenger railway company that covers the area from Tokyo west through the Koshin region and northeast through the Tohoku region. Operations in greater Tokyo center on local conventional lines; in Tohoku, on the Tohoku Shinkansen “bullet train.” In addition to its railway network, the company also operates (1) shopping centers within station buildings and (2) nearby office buildings.

Key drivers of performance in an equity market recovery

Belying company fundamentals, which have recovered rapidly from the earthquake (March 11), JR East's share price has yet to revive. While it is certainly possible that some market observers are skeptical about prospects for a sustained recovery in demand, we do expect the share price to gradually rise as demand steadily reaccumulates.

How much recovery has already been priced in, what are the key metrics

We focus on the stability of a recovery in rail passenger traffic on both local conventional lines and the Tohoku Shinkansen. As for local lines, there remain some self-imposed restraints on travel and, within that mindset, demand is still somewhat slow. As for the Tohoku Shinkansen, however, demand, overlaid with quake reconstruction demand itself, has been brisk. Here, we await a return to pre-earthquake levels for local lines and a revival in momentum on the Shinkansen line.

Where's the earnings risk for 2012

Earnings remain the primary risk, and this boils down to the possibility of a drop-off in reconstruction demand. It is hard to imagine that demand on local conventional lines would fall much further than it already has, at least under normal conditions.

Price target and key recovery risks

We base our Oct-12 ¥6,500 price target on a target P/B of 1.4x, based on the correlation between P/B and RoE. Risk factors include natural disasters and a sharp decline in demand.

East Japan Railway Company (Reuters: 9020.T, Bloomberg: 9020 JT)

Consolidated	2010/3	2011/3	2012/3 E	2012/3 Co E	2013/3 E	2014/3 E
Sales (¥ bn)	2,573.7	2,537.4	2,512.7	2,499.0	2,968.5	3,045.6
Operating Profit (¥ bn)	344.8	345.1	332.0	307.0	385.9	414.5
Recurring Profit (¥ bn)	235.1	254.6	233.0	214.0	296.4	328.6
Net Profit (¥ bn)	120.2	76.2	127.2	105.0	173.9	192.6
EPS (¥)	303.9	192.7	321.6	265.4	439.6	486.8
P/E (x)	16.2	25.6	15.3	17.6	11.2	10.1
P/B (x)	1.1	1.1	1.0	-	1.0	0.9
EV/EBITDA (x)	7.4	7.2	7.1	-	6.6	6.4

Source: Company data and J.P. Morgan estimates

Overweight

Price: ¥4,710

Price Target: ¥6,500

Japan

Transportation

Hitoshi Hosoya^{AC}

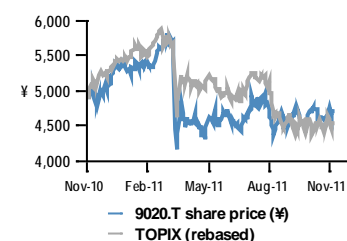
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Bloomberg JPMA HOSOYA <GO>

JPMorgan Securities Japan Co., Ltd

Price Performance



Source: Bloomberg.

Consolidated Profit and Loss Statement

¥ billion

	3/07	3/08	3/09	3/10	3/11	3/12E	3/13E	3/14E	3/15E
Operating Revenue	2,657.3	2,703.6	2,697.0	2,573.7	2,537.4	2,512.7	2,968.5	3,045.6	3,097.5
Transportation	1,882.9	1,916.7	1,889.0	1,808.7	1,772.5	1,742.1	1,822.6	1,830.1	1,844.8
Shinkansen	479.2	490.8	474.8	439.4	431.5	426.2	450.1	452.3	456.5
Conventional	1,223.2	1,241.3	1,233.9	1,201.1	1,177.4	1,150.7	1,205.2	1,210.0	1,219.6
Others	180.5	184.6	180.3	168.2	163.6	165.2	167.2	167.8	168.6
Station Space Utilization	414.3	420.6	433.1	400.0	399.9	403.4	419.7	430.9	442.6
Shopping Centers & Office Buildings	205.9	214.1	231.6	235.8	232.8	240.3	251.8	258.4	268.4
Others	526.3	541.8	545.1	528.1	535.4	501.8	549.6	602.4	619.0
Elimination	-372.2	-389.5	-401.8	-398.9	-403.2	-380.5	-75.3	-76.1	-77.3
Operating Cost	2,229.2	2,258.4	2,264.6	2,228.9	2,192.3	2,180.8	2,582.5	2,631.0	2,656.4
Operating Income	428.1	445.2	432.4	344.8	345.1	332.0	385.9	414.5	441.1
Margin	16.1%	16.5%	16.0%	13.4%	13.6%	13.2%	13.0%	13.6%	14.2%
Transportation	319.0	331.8	309.2	231.3	227.2	221.7	268.6	288.1	309.4
Station Space Utilization	33.2	36.3	38.2	33.3	31.4	33.5	33.4	35.1	36.9
Shopping Centers & Office Buildings	58.6	59.8	70.0	69.3	64.2	64.0	66.6	72.1	74.5
Others	17.9	17.3	17.3	13.5	23.1	11.3	16.6	18.4	19.4
Elimination	-0.7	-0.1	-2.1	-2.6	0.7	0.7	0.8	0.9	0.9
Non operating income	30.2	22.6	21.1	15.9	19.7	9.5	10.0	8.8	8.7
Dividend	2.0	3.1	3.8	2.6	3.6	3.2	4.0	2.8	2.7
Non operating losses	158.3	131.2	124.1	125.6	110.2	108.4	99.6	94.8	90.3
Interest	131.4	126.0	120.4	112.6	105.9	100.6	95.6	90.8	86.3
Recurring profit	300.1	336.6	329.5	235.1	254.6	233.0	296.4	328.6	359.5
Margin	11.3%	12.4%	12.2%	9.1%	10.0%	9.3%	10.0%	10.8%	11.6%
Extraordinary income	113.9	117.3	81.0	79.2	49.5	30.0	0.0	0.0	0.0
Extraordinary losses	107.2	125.8	88.1	99.5	156.6	46.5	0.0	0.0	0.0
EBIT	306.7	328.1	322.5	214.9	147.4	216.5	296.4	328.6	359.5
Taxes	128.4	136.6	133.1	92.5	69.9	90.9	124.5	138.0	151.0
Minority income	2.4	1.8	2.1	2.2	1.3	1.6	2.0	2.0	2.0
Net income	175.9	189.7	187.3	120.2	76.2	127.2	173.9	192.6	210.5
Margin	6.6%	7.0%	6.9%	4.7%	3.0%	5.1%	5.9%	6.3%	6.8%
Operating margin	16.1%	16.5%	16.0%	13.4%	13.6%	13.2%	13.0%	13.6%	14.2%
Transportation	16.9%	17.3%	16.4%	12.8%	12.8%	12.7%	14.7%	15.7%	16.8%
Station space utilization	8.0%	8.6%	8.8%	8.3%	7.8%	8.3%	8.0%	8.1%	8.3%
Shopping centers & Office buildings	28.5%	27.9%	30.2%	29.4%	27.6%	26.6%	26.4%	27.9%	27.7%
Others	3.4%	3.2%	3.2%	2.6%	4.3%	2.3%	3.0%	3.1%	3.1%
Elimination	0.2%	0.0%	0.5%	0.7%	-0.2%	-0.2%	-1.1%	-1.2%	-1.2%
EPS (¥)	440.1	474.6	468.7	303.9	192.7	321.6	439.6	486.8	532.2
BPS (¥)	3,725.1	3,994.8	4,301.1	4,455.9	4,574.1	4,775.2	5,084.9	5,421.6	5,783.8
DPS (¥)	85.0	100.0	110.0	110.0	110.0	110.0	130.0	150.0	170.0
ROE	12.2%	12.1%	11.1%	6.8%	4.3%	6.9%	8.9%	9.3%	9.5%
Net margin	6.6%	7.0%	6.9%	4.7%	3.0%	5.1%	5.9%	6.3%	6.8%
Asset turnover	4.8	4.4	4.0	3.9	3.8	3.7	3.5	3.3	3.2
Financial leverage	0.39	0.39	0.39	0.37	0.36	0.36	0.43	0.4	0.4
ROA	6.2%	6.4%	6.3%	5.0%	5.0%	4.8%	5.6%	6.0%	6.3%

Source: Company data and J.P. Morgan estimates.

ENN Energy Holdings Limited

www.xinaogas.com

Company description

ENN Energy distributes gas in China, with operations in over 90 cities and districts, and covering a total urban population of over 46 million as of Dec 2010. The group focuses on piped-gas project cities with a strong industrial and commercial background. The company has one of the most established track records in the China city gas sector amongst its listed peers.

Key drivers of performance in an equity market recovery

We believe gas sales volume, in particularly strong industrial demand, will be the key driver going forward with a recovery of the economy in China. Moreover, with the completion of Sichuan-East pipeline in 2010 and W-E Pipeline No. 2 in 2011, ENN will benefit the most from improved gas supply, in our view.

How much recovery has already been priced in, what are the key metrics?

We believe the market has yet to price expectation on strong gas sales volume going forward into the stock. We believe ENN has a high possibility of expanding its valuation premium over its peers as they gradually transform from a pure organic growth model to an organic + M&A (new industrial zone projects) growth model.

Where's the earnings risk for 2012?

Earnings risks include piped gas sales margin pressure, which was mainly driven by: (1) increased gas sales to new C&I customers along the W-E No. 2 Pipeline through CNG/LNG trucks (30% more expensive), and (2) more new projects (generally lower profit margin in the first year) came online this year.

Price target and key recovery risks

We believe players with strong execution capacity like ENN will likely benefit more from the new project opportunities. Our June-12 PT of HK\$32 is based on DCF with a 10.1% WACC and a 2% terminal growth. Risks to our PT include lower-than-expected gas sales and new household connections.

ENN Energy Holdings Limited (Reuters: 2688.HK, Bloomberg: 2688 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	8,413	11,215	13,389	16,717	20,151
EBIT (Rmb mn)	1,712	2,122	2,568	3,110	3,629
EPS (Rmb)	0.78	0.96	1.24	1.55	1.85
Net profit growth (%)	27.3%	26.2%	28.2%	25.7%	19.2%
EPS growth (%)	24.5%	24.1%	28.2%	25.7%	19.2%
ROE (%)	13.6%	14.5%	15.7%	16.4%	16.2%
P/E (x)	28.8	23.2	18.1	14.4	12.1
EV/EBITDA (x)	13.8	11.4	9.4	7.5	6.1
P/BV (x)	3.6	3.1	2.6	2.2	1.8

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$27.50

Price Target: HK\$32.00

China

China city gas distributors

Boris Kan^{AC}

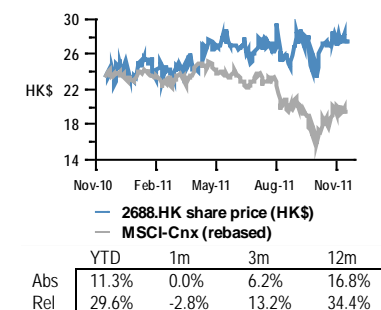
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	1,051
Market cap (Rmb mn)	23,571
Market cap (\$ mn)	3,717
Price (HK\$)	27.50
Date Of Price	17 Nov 11
Free float (%)	68.0%
Average 3m Daily Turnover (\$ mn)	6.35
MSCI-Cnx	5,603
Exchange Rate	7.78
Fiscal Year End	Dec

ENN Energy Holdings Limited: Summary of Financials

Income Statement					Cash flow statement				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	11,215	13,389	16,717	20,151	EBIT	2,122	2,568	3,110	3,629
% change Y/Y	33.3%	19.4%	24.9%	20.5%	Depr. & amortization	409	471	533	596
Gross Margin	26.9%	27.5%	26.9%	26.2%	Change in working capital	864	617	935	1,038
EBITDA	2,531	3,040	3,643	4,225	Taxes	431	513	645	769
% change Y/Y	22.4%	20.1%	19.9%	16.0%	Others	474	511	596	689
EBIT	2,122	2,568	3,110	3,629	Cash flow from operations	3,146	3,367	4,283	4,963
% change Y/Y	24.0%	21.1%	21.1%	16.7%	Capex	-2,151	-2,000	-2,000	-2,000
EBIT Margin	18.9%	19.2%	18.6%	18.0%	Disposal/(purchase)	0	0	0	0
Net Interest	-311	-300	-258	-232	Free cash flow	995	1,367	2,283	2,963
Earnings before tax	1,811	2,269	2,851	3,397	Net Interest	-311	-300	-258	-232
% change Y/Y	30.9%	25.3%	25.7%	19.2%	Equity raised/(repaid)	0	0	0	0
Tax	-410	-513	-645	-769	Debt raised/(repaid)	1,202	-811	-811	0
as % of EBT	22.6%	22.6%	22.6%	22.6%	Others	-	-	-	-
Net income (reported)	1,013	1,299	1,633	1,945	Cash flow from financing act.	-172	-1,064	-1,136	-408
% change Y/Y	26.2%	28.2%	25.7%	19.2%	Net Inc (dec) in cash	139	-511	244	1,554
Shares outstanding	1,050	1,050	1,050	1,050	Effect of exchange rate	-	-	-	-
EPS (reported)	0.96	1.24	1.55	1.85	Beginning cash	2,713	2,851	2,341	2,584
% change Y/Y	24.1%	28.2%	25.7%	19.2%	Ending cash	2,852	2,340	2,585	4,138
					DPS	0.24	0.31	0.39	0.46
Balance sheet					Ratio Analysis				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	2,851	2,341	2,584	4,139	EBITDA margin	22.6%	22.7%	21.8%	21.0%
Accounts receivable	1,356	1,619	2,021	2,436	Operating margin	18.9%	19.2%	18.6%	18.0%
Inventories	249	297	371	447	Net profit margin	9.0%	9.7%	9.8%	9.7%
Others	-	-	-	-	SG&A/Sales	12.3%	12.1%	11.7%	11.3%
Current assets	5,079	4,939	5,750	7,889	Sales per share growth	31.1%	19.4%	24.9%	20.5%
LT investments	-	-	-	-	Sales growth	-	-	-	-
Net fixed assets	11,512	13,041	14,507	15,912	Net profit growth	26.2%	28.2%	25.7%	19.2%
Total Assets	19,640	21,299	23,846	27,660	EPS growth	24.1%	28.2%	25.7%	19.2%
Liabilities					Interest coverage (x)	8.14	10.14	14.11	18.21
Short-term loans	2,379	2,379	2,379	2,379	Net debt to total capital	24.7%	21.5%	13.2%	2.8%
Payables	3,573	4,338	5,508	6,750	Net debt to equity	45.3%	34.4%	18.8%	3.8%
Others	-	-	-	-	Sales/assets	0.62	0.65	0.74	0.78
Total current liabilities	7,488	8,456	9,934	11,527	Assets/equity	2.54	2.30	2.18	2.10
Long-term debt	3,884	3,073	2,262	2,262	ROE	14.5%	15.7%	16.4%	16.2%
Other liabilities	-	-	-	-					
Total Liabilities	12,100	12,257	12,923	14,516					
Shareholders' equity	7,540	9,042	10,923	13,144					
BVPS	7.18	8.61	10.40	12.52					

Source: Company reports and J.P. Morgan estimates.

Essar Ports

www.essar.com

Company description

Essar Ports is India's second-largest private sector port operator, with a current gross capacity of 88MTPA, being ramped up to 158MTPA by ~FY14. It is 83.7% owned by the US\$14bn Essar Group, which has a proven track record of execution of complex EPC projects. Among listed peers in India, Essar Ports appears to be most cost efficient at the operating level. Estimated traffic growth CAGR of ~30% over FY11-15 and efficiencies from improving utilization of port capacity are expected to drive healthy bottom-line growth. Essar Ports has tied up a significant portion of its port capacity in long-term T/P contracts with established Essar Group companies (Essar Oil, Essar Steel and Essar Power) at defined tariffs. These T/P contracts provide revenue visibility of ~85% over FY12-13E and mitigate traffic risk.

Key drivers of performance in an equity market recovery

~54MTPA of projects under implementation are held up on account of delays in securing environmental/forest clearances. A favorable decision especially for Hazira port, the most scalable asset in Essar's portfolio, is expected in 2012— a key stock price driver in our view. A pick up in third-party cargo volumes at Hazira would support a more positive view of the long term growth.

How much recovery has already been priced in, what are the key metrics?

Post Sep-q results two key investor concerns depressing price performance since listing, were addressed- (a) The inter-group T/P contract was tested successfully twice to Essar Port's benefit, and (b) SEBI approved listing of Essar Shipping- an event which would support fair price discovery for the ports business, in our view. Though easy pickings are passé, at 7.5x FY13 EV/EBITDA the stock is trading at a significant discount to its domestic peers, despite comparable high operating growth prospects.

Where's the earnings risk for 2012?

Dilution of T/P contract terms and delay in pick-up of refining through-put at Vadinar (post expansion to 18MTPA from 10.5MTPA by Dec-11) in FY13 are key earning risks.

Price target and key recovery risks

Our Mar-12 SOP based PT of Rs135/share implies significant upside. We value individual ports using DCF over the concession period with WACC ranging from 11.5%-13.00% for operational and under construction projects. Further push back in clearances for projects under implementation is a key recovery risk.

Essar Ports (Reuters: ESRS.BO, Bloomberg: ESRS IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (Rs mn)	4,350	7,327	11,540	15,873	22,864
Net Profit (Rs mn)	-720	334	1,067	2,846	4,412
EPS (Rs)	(1.68)	0.81	2.60	6.93	10.75
Revenue growth (%)	12.5%	68.4%	57.5%	37.6%	44.1%
Net profit growth (%)	123%	-146%	220%	167%	55%
ROCE	5.6%	7.1%	9.0%	11.5%	14.7%
ROE	-8.4%	2.2%	4.7%	11.6%	15.7%
P/E (x)	-50.4	104.3	32.6	12.2	7.9
P/BV (x)	4.2	1.6	1.5	1.3	1.1
EV/EBITDA (x)	18.5	13.6	9.9	7.3	4.9

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rs84.80

Price Target: Rs135.00

India

India Infrastructure & Capital Goods

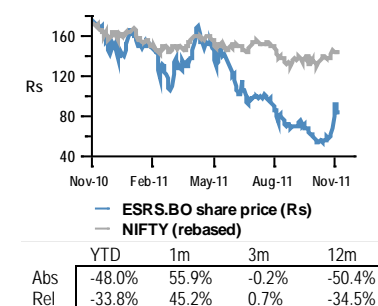
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Bloomberg JPMA KISHORE <GO>

J.P. Morgan India Private Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares O/S (mn)	410
Market cap (Rs mn)	34,807
Market cap (\$ mn)	709
Price (Rs)	84.80
Date Of Price	04 Nov 11
Free float (%)	16.3%
3mth Avg daily volume	0.29
3M - Average daily Value (Rs mn)	23.57
Average 3m Daily Turnover (\$ mn)	0.48
NIFTY	5,284
Exchange Rate	49.11
Fiscal Year End	Mar

Essar Ports: Summary of Financials

Income Statement						Cash flow statement					
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Revenues	4,350	7,327	11,540	15,873	22,864	EBIT	1,892	3,656	6,571	9,727	13,176
% change Y/Y	12.5%	68.4%	57.5%	37.6%	44.1%	Depreciation & Amortization	1,375	1,684	2,226	2,529	3,521
EBITDA	3,267	5,340	8,798	12,256	16,697	Tax	49	-132	-494	-964	-1,393
% change Y/Y	4.2%	63.5%	64.8%	39.3%	36.2%	Other income	0	0	0	0	0
EBITDA Margin	75.1%	72.9%	76.2%	77.2%	73.0%	Decrease in WC	2,047	-5,016	0	0	0
EBIT	1,892	3,656	6,571	9,727	13,176	Operating CF	5,363	192	8,303	11,293	15,303
% change Y/Y	NM	93.3%	79.7%	48.0%	35.4%	Capex	-8,643	-9,010	-17,965	-7,785	0
EBIT Margin	43.5%	49.9%	57.0%	61.3%	57.6%	Change in investments	0	-1,048	0	0	0
Other income	-	-	-	-	-	Investing CF	-8,643	-10,058	-17,965	-7,785	0
Net Interest	-2,647	-3,064	-4,765	-5,574	-6,936	Free cash flow	-3,280	-8,818	-9,662	3,508	15,303
Earnings before tax	-755	593	1,806	4,153	6,240	Change in equity	174	313	0	0	0
% change Y/Y	71.5%	-178.5%	204.7%	129.9%	50.2%	Change in debt	5,119	16,669	11,566	7,318	-4,494
Tax	49	-132	-494	-964	-1,393	Other financing activities	-1,924	-2,582	-4,765	-5,574	-6,936
as % of EBT	6.5%	22.3%	27.4%	23.2%	22.3%	Financing CF	3,369	14,401	6,801	1,744	-11,430
Net income	-720	334	1,067	2,846	4,412	Change in cash	0	4,534	-2,860	5,252	3,873
% change Y/Y	123%	-146%	220%	167%	55%	Opening cash	0	0	4,534	1,674	6,926
Adjusted profit	-720	334	1,067	2,846	4,412	Closing cash	0	4,534	1,674	6,926	10,799
% change Y/Y	123.1%	-146.4%	219.7%	166.7%	55.0%						
Shares outstanding	428	411	411	411	411						
EPS	(1.68)	0.81	2.60	6.93	10.75						
% change Y/Y	114.0%	(148.4%)	219.7%	166.7%	55.0%						
Adjusted EPS	-1.68	0.81	2.60	6.93	10.75						
% change Y/Y	114.0%	-148.4%	219.7%	166.7%	55.0%						
Balance sheet						Ratio Analysis					
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Goodwill	2,117	14,473	14,473	14,473	14,473	Revenue growth	12.5%	68.4%	57.5%	37.6%	44.1%
Net fixed assets	27,701	31,650	50,364	47,835	69,104	EBITDA growth	4.2%	63.5%	64.8%	39.3%	36.2%
CWIP	16,294	19,980	17,005	24,790	0	PAT growth	123%	-146%	220%	167%	55%
Investments	-	1,048	1,048	1,048	1,048	EPS growth	114.0%	(148.4%)	219.7%	166.7%	55.0%
Cash and bank balances	-	4,534	1,429	6,338	9,775	EBITDA margin	75.1%	72.9%	76.2%	77.2%	73.0%
Net current assets ex-cash	-9,462	-4,446	-4,446	-4,446	-4,446	Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Total Assets	36,649	67,239	79,873	90,038	89,955	Sales/GFA (x)	0.13	0.14	0.16	0.19	0.25
Total Debt	28,021	44,690	56,256	63,575	59,080	GFA/Equity (x)	4.25	3.06	3.46	3.48	2.97
Paid-up common stock	4,284	4,105	4,105	4,105	4,105	Debt/Equity (x)	3.25	2.03	2.44	2.45	1.95
Reserves and surplus	4,344	17,888	18,955	21,801	26,213	Net debt/Equity (x)	324.8%	182.6%	237.8%	220.9%	162.6%
Shareholders' fund	8,628	21,993	23,060	25,907	30,318	ROE (%)	(8.4%)	2.2%	4.7%	11.6%	15.7%
Deferred tax liability	-	-31	-31	-31	-31	ROCE (%)	5.6%	7.1%	9.0%	11.5%	14.7%
Minority interests	-	587	587	587	587						
Total Liabilities	28,021	44,659	56,226	63,544	59,050						
BVPS (Rs)	20.14	53.57	56.17	63.10	73.85						

Source: Company reports and J.P. Morgan estimates.

Focus Media

www.focusmedia.cn

Company description

Focus Media is China's leading multi-platform digital media company, with the largest out-of-home audiovisual digital display advertising network, and also a leading provider of movie, outdoor billboard marketing solutions. The company's advertising media platforms include flat panel TV displays in commercial/public buildings and retail stores, poster frames (traditional and digital) in residential complexes, movie theatres, and outdoor billboard networks.

Key drivers of performance in an equity market recovery

1) Revenue upside in interactive screens – expected to reach 100k screens by 1Q12; 2) margin improvements in the frame media business, as Focus Media gains in scale; 3) higher ad rates in satellite TV with a limited number of entertainment TV shows on satellite TV – likely to benefit from rate increases in the FMCN network; and 4) further share buybacks.

How much recovery has already been priced in, what are the key metrics?

From the share price performance, we don't see much recovery has been priced in. We expect news on budget formation in early 2012 will be one of the leading metrics.

Where's the earnings risk for 2012?

Macroeconomic slowdown leading to reduced ad spend and margin reduction, given large fixed costs.

Price target and key recovery risks

Our Dec-11 price target of US\$39 is based on DCF and implies 28x 11E, and 22.2x 12E dil. adj. PE. Our 10-year DCF valuation is based on WACC of 12.9% and 0% terminal growth. We expect its good execution track record to lead to multiples expansion. Key recovery risks include: 1) increased competition in frame media, which could lead to lower pricing power; 2) potential increase in concession fees in the hypermarket business line; and 3) further sell down by Fosun.

Bloomberg FMCN US, Reuters FMCN

(Year-end Dec, \$ mn)	FY09	FY10	FY11E	FY12E		FY09	FY10	FY11E	FY12E			
Net Sales	505.0	580.1	711.4	779.6	ROE(%)	-12	19	17	15	52-Week range	37.58 - 15.76	
Operating Profit (EBIT)	-154.7	123.1	193.3	212.1	ROIC(%)	-05	13	17	15	Shares Outstg	135MN	
EBITDA	-16.0	217.9	313.1	320.3	Cash	597.4	592.0	702.2	935.4	Market Cap(US)	US\$3.11MN	
Pre Tax Profit	-149.4	130.6	195.7	215.2	Equity	1,189.6	1,200.5	1,444.8	1,685.0	Free float	50.1%	
Reported Net profit	-208.8	184.3	159.0	172.9	Qtr GAAP EPS (\$)		1Q	2Q	3Q	4Q	Avg daily vol.	3.1MM shares
Reported EPS (US\$)	(1.61)	1.27	1.12	1.20	EPS (10)	-0.007	0.171	0.764	0.333	Avg daily val (\$)	80.20MN	
P/E (x)	NM	18.9	21.3	19.9	EPS (11) E	0.146	0.302	0.316	0.357	Dividend Yield	0.0%	
Adj. EPS *	0.39	1.09	1.57	1.60	EPS (12) E	0.173	0.297	0.353	0.376	Index (NASD)	2,625	
Adj. P/E (X)	61.9	21.9	15.2	14.9			1M	3M	12M	Price Target	32.00	
EV/EBITDA (x)	-159.5	11.7	8.2	8.0	Abs. Perf.(%)	0.1%	-15.4%	-5.4%		Price Date	10 Nov 11	
P/B (x)	3.0	2.9	2.4	2.1	Rel. Perf.(%)	(2.2%)	(25.6%)	(7.1%)				
Y/E BPS (US\$)	8.10	8.23	9.82	11.26								

Source: Company, J. P. Morgan estimates, Bloomberg. * Note: Excluding share-based compensation expense.

Overweight

Price: US\$23.90

Price Target: US\$32

China

Internet

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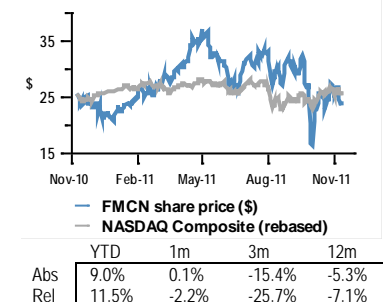
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Focus Media: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Revenues	754	505	580	711	780	Gross margin	40.8%	32.9%	53.4%	61.3%	60.4%
Cost of goods sold	446	339	270	275	309	EBITDA margin	-74.2%	-3.2%	37.6%	44.0%	41.1%
Gross Profit	308	166	310	436	471	Operating margin	(89.3%)	(30.6%)	21.2%	27.2%	27.2%
R&D expenses	0	0	0	0	0	Net margin	-103.6%	-41.3%	31.8%	22.4%	22.2%
SG&A expenses	-160	-162	-151	-191	-210	R&D/sales	0.0%	0.0%	0.0%	0.0%	0.0%
Share-based Expenses	-42	-63	-46	-63	-58	SG&A/Sales	21.3%	32.1%	26.0%	26.8%	27.0%
Operating profit (EBIT)	-674	-155	123	193	212	Sales growth	36.3%	(33.1%)	14.9%	22.6%	9.6%
EBITDA	-560	-16	218	313	320	Operating profit growth	-568.6%	-77.1%	-179.6%	57.0%	9.7%
Interest income, net	8	5	7	9	8	Net profit growth	-641.0%	-73.3%	-188.3%	-13.7%	8.7%
Investment income (Exp.)	0	0	0	0	0	Diluted EPS growth	(601.2%)	(72.9%)	(178.5%)	(11.2%)	6.8%
Other income (Exp.)	4	0	0	-6	-5	Net debt to total capital	-11.9%	-50.2%	-49.3%	-48.6%	-55.5%
Earnings before tax	-662	-149	131	196	215	Net debt to equity	-11.9%	-50.2%	-49.3%	-48.6%	-55.5%
Tax	-29	-9	-24	-37	-42	Asset turnover	0.41	0.35	0.42	0.47	0.44
Exceptional items	-90	-50	77	0	-1	Working capital turns (x)	1.38	0.90	0.88	0.92	0.79
Net income (Reported)	-781.4	-208.8	184.3	159.0	172.9	ROE	-48.4%	-12.2%	19.2%	16.8%	14.8%
Net income (Adjusted)*	180	50	159	222	231	ROIC	-40.5%	-5.0%	13.2%	17.4%	14.9%
US\$											
Diluted EPS (GAAP)	(5.96)	(1.61)	1.27	1.12	1.20						
Adj. Diluted EPS*	1.37	0.39	1.09	1.57	1.60						
BVPS	9.35	8.10	8.23	9.82	11.26						
DPS	0.00	0.00	0.00	0.00	0.00						
Shares outstanding (mn)	121.49	131.13	129.39	145.59	141.53						
Balance sheet						Cash flow statement					
\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	142	597	592	702	935	Net income	-781.4	-208.8	184.3	159.0	172.9
Accounts receivable	135	173	157	237	260	Depr. & amortization	72	76	49	56	50
Inventories	0	0	0	0	0	Change in working capital	-93	306	-48	-74	-14
Others	530	64	103	113	123	Other	971	113	-32	63	59
Current assets	808	834	852	1,052	1,318	Cash flow from operations	168	286	154	204	267
LT investments	0	0	0	58	58	Capex	-75	89	-21	-57	-43
Net fixed assets	6	78	69	69	69	Other investing cashflow	-71	0	0	-58	0
Others LT assets	718	482	463	464	456	Cash flow from investing	-146	89	-21	-115	-43
Total Assets	1,532	1,393	1,384	1,643	1,901	Free cash flow	94	375	133	147	225
Liabilities						Equity raised/(repaid)	-37	138	-215	22	9
ST Loans	0	0	0	0	0	Debt raised/(repaid)	-30	0	0	0	0
Payables	68	53	17	31	34	Other	0	-58	77	-0	-1
Others	251	143	156	158	172	Dividends paid	0	0	0	0	0
Total current liabilities	319	197	173	188	206	Cash flow from financing	-67	80	-138	22	9
Long-term debt	0	0	0	0	0	Others - F/X and disposals	-354	0	0	0	0
Other liabilities	16	7	11	10	10	Net change in cash	-398	455	-5	110	233
Total Liabilities	335	204	184	198	216	Beginning cash	541	142	597	592	702
Shareholders' equity	1,198	1,190	1,200	1,445	1,685	Ending cash	142	597	592	702	935

Source: Company reports and J.P. Morgan estimates. *Note: Excluding share-based compensation expenses.

Fubon Financial Holdings

www.fubon.com

Company description

Fubon Financial Holdings (Fubon) is principally engaged in banking, life insurance, securities, investment consulting, and asset management sectors. Fubon has a relatively balanced business mix between life/non-life insurance and banking segment. Fubon Bank (HK) was delisted and became a 100% subsidiary of Fubon in 1Q11. Its 19.99% stake in Xiamen City Bank is directly owned by the holding parent.

Key drivers of performance in an equity market recovery

Fubon has a diversified business mix to capture market recovery across different financial fields in greater China and its stronger capital base can support both insurance and bank for growth opportunities without capital raising concerns. Fubon brokerage and insurance would be the direct beneficiary of equity market recovery.

How much recovery has already been priced in, what are the key metrics?

Fubon's share price underperformed the boarder Taiwan index by 9% since 2H11 due to its euro fixed income investment exposure (=107% of its equity). The market remains concerned about the EUR fiscal crisis and doesn't factor in a recovery possibility. In our view, any credible resolution to Europe's fiscal problems could also prompt a relief rally.

Where's the earnings risk for 2012

A prolonged EUR fiscal crisis may further push down the benchmark interest rate and fixed income yield. Investment yield of life insurance business may decrease as a result. A volatile equity market may also cause unrealized mark-to-market loss.

Price target and key recovery risks

Our Dec-12 price target is NT\$42 (SOTP-based). Downside risks to our PT: 1) a prolonged economic slowdown drive down interest rate; 2) mark-to-market losses on equity investments; and 3) EUR fiscal issue creates write-off on Fubon's NT\$21 billion corporate bond holdings in Spain and Italy.

Fubon Financial Holdings (Reuters: 2881.TW, Bloomberg: 2881 TT)

Year-end Dec (NT\$ in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (NT\$ mn)	22,125	21,770	42,672	38,377	42,969
Net Profit (NT\$ mn)	19,938	19,905	38,710	33,399	37,727
EPS (NT\$)	2.52	2.38	4.52	3.71	4.19
DPS (NT\$)	2.05	1.03	1.81	1.48	1.68
EPS Growth	78.6%	-5.3%	89.9%	-18.0%	13.0%
ROE	11.3%	9.4%	16.6%	12.9%	13.4%
P/E	13.1	13.8	7.3	8.9	7.8
BVPS (NT\$)	25.65	25.40	27.55	29.87	32.69
P/BV	1.3	1.3	1.2	1.1	1.0
Div. Yield	6.3%	3.1%	5.5%	4.5%	5.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: NT\$32.85

Price Target: NT\$42

Taiwan

Insurance

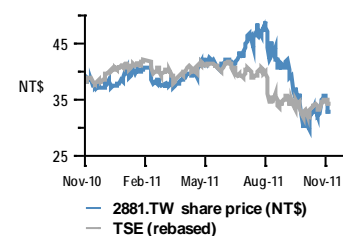
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J.P.Morgan Securities (Taiwan) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-17.9%	9.3%	-30.3%	-13.9%
Rel	-1.0%	2.9%	-18.5%	-3.8%

Source: Bloomberg.

Company Data	
52-wk range (NT\$)	46.48 - 29.00
Market cap (NT\$ mn)	296,014
Market cap (\$ mn)	9,834
Shares outstanding (mn)	9,011
Fiscal Year End	Dec
Price (NT\$)	32.85
Date Of Price	03 Nov 11
Avg daily value (NT\$ mn)	1,503.2
Avg daily value (\$ mn)	49.9
Avg daily vol (mn)	42.3
TSE	7,309
Exchange Rate	30.10

Fubon Financial Holdings: Summary of Financials

Fubon (2881. TW)

NTS in millions, year-end Dec

Income statement - NTS mn						Growth Rates					
	2009	2010	2011E	2012E	2013E		2009	2010	2011E	2012E	2013E
NIMs (as % of Avg. IEA)	1.83%	1.82%	1.92%	1.99%	2.06%	Loans	9.6%	3.2%	6.7%	5.3%	5.2%
Avg. IEA/Avg. Assets	92.3%	83.8%	87.5%	90.9%	91.3%	Deposits	13.0%	6.9%	3.5%	4.8%	5.7%
Margins (as % of Avg. Assets)	1.69%	1.52%	1.68%	1.81%	1.88%	Assets	52.5%	12.8%	-0.4%	7.5%	11.9%
Interest Earned	52,477	57,854	69,161	78,973	92,363	Equity	45.1%	4.3%	14.1%	8.4%	9.4%
Interest Suspended	0	0	0	0	0	RWA	-1.4%	11.3%	-3.4%	1.8%	4.9%
Interest Expense	-9,754	-8,235	-11,366	-14,519	-18,745						
Net Interest Income	42,723	49,619	57,795	64,454	73,618	Net Interest Income	47.0%	16.1%	16.5%	11.5%	14.2%
Non-Interest Income	29,389	26,411	53,270	52,628	60,183	Non-Interest Income of which Fee Grth	59.4%	-10.1%	101.7%	-1.2%	14.4%
Fees	14,707	14,608	16,744	17,919	18,979	Revenues	40.5%	-0.7%	14.6%	7.0%	5.9%
Insurance	-3,196	-4,868	6,100	14,885	18,450	Costs	51.8%	5.4%	46.1%	5.4%	14.3%
Dealing	18,111	11,731	21,660	14,855	17,440	Pre-Provision Profits	50.5%	-12.6%	84.2%	-7.7%	14.0%
Other Revenues	-232	4,939	8,765	4,969	5,314	Loan Loss Provisions	-28.6%	-74.1%	-167.4%	-157.1%	208.6%
Total Revenues	72,112	76,030	111,066	117,082	133,801	Pre-Tax	87.5%	-1.6%	96.0%	-10.1%	12.0%
Costs	-46,051	-53,240	-69,081	-78,313	-89,619	Attributable Income	83.3%	-0.2%	94.5%	-13.7%	13.0%
Pre-Prov. Profits	26,062	22,790	41,984	38,769	44,182	EPS	78.6%	-5.3%	89.8%	-18.0%	13.0%
Provisions	-3,937	-1,020	688	-393	-1,212	DPS	nm	-50.1%	76.3%	-18.0%	13.0%
Other Inc/Exp.	0	0	0	0	0						
Exceptionals	0	0	0	0	0						
Disposals/ Other income	0	0	0	0	0						
Pre-tax	22,125	21,770	42,672	38,377	42,969	Balance Sheet Gearing					
Tax	-2,187	-1,865	-3,768	-4,773	-5,022	Loan/Deposits	76.7%	74.0%	76.3%	76.7%	76.4%
Minorities	0	0	0	0	0	Investment/Assets	50.2%	53.9%	59.0%	59.5%	61.7%
Other Distn.	0	0	-194	-205	-220	Loan/Assets	27.8%	25.5%	27.3%	26.7%	25.1%
Attributable Income	19,938	19,905	38,710	33,399	37,727	Customer deposits/Liab.	38.5%	36.6%	38.4%	37.5%	35.3%
						LT Debt/Liabilities	2.3%	2.4%	2.6%	2.3%	2.1%
Per Share Data (NT\$/ share)						Asset Quality/Capital					
	2009	2010	2011E	2012E	2013E		2009	2010	2011E	2012E	2013E
EPS	2.52	2.38	4.52	3.71	4.19	Loan loss reserves/Loans	0.71%	0.75%	0.72%	0.72%	0.72%
DPS	2.05	1.03	1.81	1.48	1.68	NPL/Loans	0.55%	0.50%	0.41%	0.43%	0.50%
Payout	82%	43%	40%	40%	40%	Coverage	130.1%	149.3%	176.0%	168.6%	145.4%
Book Value	25.65	25.40	27.55	29.87	32.69	Growth in NPLs	-25.2%	-5.4%	-12.7%	9.5%	22.9%
Fully Diluted Shares	7,923	8,355	8,558	9,004	9,004	Tier 1 Ratio	9.72%	9.18%	10.71%	10.54%	10.18%
						Total CAR	12.0%	13.0%	15.2%	14.3%	13.5%
Key balance sheet - NTS mn						Bank: Du-Pont Analysis					
	2009	2010	2011E	2012E	2013E		2009	2010	2011E	2012E	2013E
Net Loans	852,214	879,441	938,189	988,170	1,039,844	Margins (as % of Avg. Assets)	1.85%	1.66%	1.65%	0.96%	0.92%
LLR	-6,092	-6,615	-6,812	-7,145	-7,573	Non IR/Avg. Assets	0.72%	0.87%	0.69%	0.80%	0.73%
Gross Loans	858,306	886,056	945,000	995,315	1,047,417	Non-Int. Rev./ Revenues	29.0%	35.7%	30.9%	47.1%	45.9%
NPLs	4,684	4,432	3,869	4,238	5,210	Revenue/Assets	2.48%	2.45%	2.24%	1.70%	1.59%
Investments	1,534,951	1,860,853	2,028,972	2,197,555	2,551,374	Cost/Income	45.2%	46.3%	48.7%	56.4%	60.4%
Other Earning Assets	113,514	133,202	145,689	161,222	181,150	Cost/Assets	1.12%	1.13%	1.09%	0.96%	0.96%
Avg. IEA	2,044,418	2,693,441	2,999,886	3,236,876	3,567,016	of which Goodwill Amort.	0.00%	0.00%	0.00%	0.00%	0.00%
Goodwill	9,130	9,453	0	0	0	Operating ROA	1.36%	1.31%	1.15%	0.74%	0.63%
Assets	3,060,253	3,450,747	3,438,251	3,694,822	4,136,298	Gross LLP/Loans	2.59%	1.66%	0.87%	0.64%	0.23%
Deposits	1,111,699	1,188,018	1,229,858	1,288,316	1,361,687	Loan/Assets	59.0%	60.8%	62.8%	63.0%	61.0%
Long-term bond funding	65,343	78,534	81,310	77,479	79,855	Other Prov. Income/ Assets	0.08%	0.07%	0.07%	0.10%	0.07%
Other Borrowings	75,235	102,466	100,277	92,344	87,839	Pre-Tax ROA	-0.09%	0.37%	0.67%	0.44%	0.56%
Avg. IBL	1,179,281	1,310,647	1,390,232	1,434,792	1,493,760	Tax Rate	-98.4%	-17.2%	-23.1%	-7.5%	-7.9%
Avg. Assets	2,533,487	3,255,500	3,444,499	3,566,537	3,915,560	Minorities & Outside Distn.	0.04%	0.00%	0.00%	0.00%	0.00%
Common Equity	208,468	217,390	248,041	268,955	294,323	ROA	0.04%	0.31%	0.52%	0.40%	0.51%
RWA	766,598	853,180	823,908	838,926	879,867	RoRWA	2.58%	2.46%	4.62%	4.02%	4.39%
Avg. RWA	771,958	809,889	838,544	831,367	859,346	Equity/Assets	7.08%	6.74%	6.64%	6.22%	5.86%
						ROE	0.60%	4.55%	7.79%	6.49%	8.75%

Sum-of-the-parts valuation	Methodology	Book value	Implied P/B and P/EV	Implied value	Value per share
Taipei Fubon Bank	Fair P/B	95,192	1.21	115,096	12.8
Fubon Life	EV	135,657	1.52/0.79	205,969	22.9
Fubon Securities	Fair P/B	33,293	1.00	32,958	3.7
Fubon Insurance	DDM	24,512	0.87	21,071	2.3
Fubon Bank (HK)	Fair P/B	15,364	1.00	15,209	1.7
Inter-group adjustments		-35,062	0.99	-34,709	-3.9
Dividend		24,056	1.00	24,010	2.7
Total		272,096	1.40/1.45	379,666	42

Source: Company reports, J.P. Morgan estimates.

Genting Malaysia Bhd

www.gentingmalaysia.com/

Company description

Genting Malaysia (GM) owns Resorts World Genting, the sole casino operator in Malaysia. In 2010, it took over Genting UK, the largest casino operator in the UK, from sister company, Genting Singapore. GM recently unveiled its maiden US venture, Resorts World New York (RWNY) in a solid debut. GM is also a strong contender for one of the three potential “destination resorts” licenses in South Florida if legislators pass the casino bill in Jan/Feb 2012.

Key drivers of performance in an equity market recovery

The key drivers are: **(1) Positive earnings surprises** from its maiden US venture, **(2) Its resilient domestic operations**, anchored by its solid (and loyal) day-trippers and Worldcard customer base, and **(3) Positive gaming liberalization developments in South Florida** where GM has invested >US\$500MM in waterfront properties as part of its early bird move.

How much recovery has already been priced in, what are the key metrics?

At <7x FY12E EV/EBITDA and <13x FY12E P/E (in line with five-year mean levels), we believe the market has not fully appreciated GM’s regional growth potential.

Where’s the earnings risk for 2012?

We believe that the market’s expectations for RWNY are too low. We expect more Street upgrades over the next few months, backed by strong weekly data points. We do not think the market has factored in any expectations for a successful Miami venture.

Price target and key recovery risks

Our Jun-12 price target of M\$4.10 is based upon sum-of-the-parts valuation. Key downside risks: (1) corporate governance concerns, (2) unexpected regulatory changes, (3) larger-than-expected cannibalization from Singapore’s two IRs, (4) execution risks for its new ventures in the US and UK, (5) slower-than-expected turnaround for Genting UK, and (6) health scares.

Genting Malaysia (Reuters: GENM.KL, Bloomberg: GENM MK)

M\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (M\$ mn)	4,992	5,333	6,331	7,676	7,809
Core Net Profit (M\$ mn)	1,388	1,406	1,448	1,768	1,771
Core EPS (M\$)	0.24	0.24	0.24	0.30	0.30
DPS (M\$)	0.05	0.06	0.06	0.06	0.06
Revenue growth (%)	2.2%	6.8%	18.7%	21.3%	1.7%
Core EPS growth (%)	-2.7%	1.1%	3.0%	22.1%	0.2%
ROCE	19.0%	15.7%	13.5%	15.0%	14.0%
ROE	15.0%	12.9%	11.9%	13.2%	11.9%
P/BV	2.2	2.0	1.8	1.6	1.5
Adjusted P/E	16.42	16.24	15.77	12.92	12.89
EV/EBITDA	7.4	8.5	7.6	5.7	5.1
Dividend Yield	1.4%	1.6%	1.6%	1.5%	1.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: M\$3.86

Price Target: M\$4.10

Malaysia

Gaming

May Yee Soh^{AC}

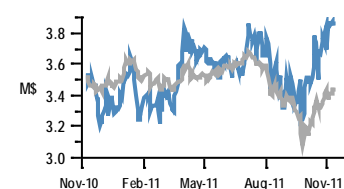
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Bloomberg JPMA SOH <GO>

JPMorgan Securities (Malaysia) Sdn. Bhd.
(18146.x)

Price Performance



	YTD	1m	3m	12m
Abs	10.0%	10.0%	13.2%	9.7%
Rel	11.9%	3.4%	12.0%	12.1%

Source: Bloomberg.

Company Data

52-week Range (M\$)	3.93 - 3.01
Mkt Cap (M\$ mn)	22,859.2
Mkt Cap (\$ bn)	7.3
Shares O/S (mn)	5,922
Price (M\$)	3.86
Date Of Price	09 Nov 11
Free float (%)	49.2%
3mth Avg daily volume	5.74
3M - Avg daily Value (M\$ mn)	20.21
Avg 3m Daily Turnover (\$ mn)	6.88
FBMKLCI	1,490
Exchange Rate	3.13
Fiscal Year End	Dec

Genting Malaysia: Summary of Financials

Income Statement						Cash flow statement					
M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	4,992	5,333	6,331	7,676	7,809	Earnings before tax	1,765	1,731	1,930	2,405	2,462
% change Y/Y	2.2%	6.8%	18.7%	21.3%	1.7%	Depr. & amortization	272	273	534	623	634
Gross Margin	40.5%	38.6%	37.5%	38.4%	38.8%	Change in working capital	71	-112	170	102	5
EBITDA	2,024	2,057	2,371	2,949	3,028	Taxes	-441	-455	-483	-637	-690
% change Y/Y	-6.8%	1.6%	15.3%	24.4%	2.7%	Others	-38	30	42	43	42
EBITDA Margin	40.5%	38.6%	37.5%	38.4%	38.8%	Cash flow from operations	1,549	1,382	2,101	2,456	2,385
EBIT	1,752	1,784	1,837	2,326	2,394	Capex	-532	-2,870	-2,258	-850	-700
% change Y/Y	NM	1.8%	3.0%	26.6%	2.9%	Free cash flow	1,017	-1,488	-157	1,606	1,685
EBIT Margin	35.1%	33.5%	29.0%	30.3%	30.7%	Equity raised/(repaid)	6	0	0	0	0
Net Interest	78	85	51	37	25	Debt raised/(repaid)	-80	-73	910	368	-90
Earnings before tax	1,765	1,731	1,930	2,405	2,462	Other	-4	302	0	0	0
% change Y/Y	56.6%	-1.9%	11.5%	24.6%	2.3%	Dividends paid	-300	-337	-355	-348	-348
Tax	-441	-455	-483	-637	-690	Beginning cash	4,555	5,272	3,762	4,210	5,873
as % of EBT	25.0%	26.3%	25.0%	26.5%	28.0%	Ending cash	5,272	3,762	4,210	5,873	7,146
Net income (reported)	1,324	1,277	1,448	1,768	1,771	DPS	0.05	0.06	0.06	0.06	0.06
% change Y/Y	108.7%	-3.6%	13.4%	22.1%	0.2%						
Shares outstanding	5,905	5,915	5,916	5,916	5,916						
EPS (reported)	0.22	0.22	0.24	0.30	0.30						
% change Y/Y	107.0%	(3.8%)	13.4%	22.1%	0.2%						
Balance sheet						Ratio Analysis					
M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	5,272	3,762	4,210	5,873	7,146	EBITDA margin	40.5%	38.6%	37.5%	38.4%	38.8%
Accounts receivable	186	413	490	594	604	Operating margin	35.1%	33.5%	29.0%	30.3%	30.7%
Inventories	62	74	96	114	115	Net margin	26.5%	23.9%	22.9%	23.0%	22.7%
Others	18	131	131	131	131	Sales per share growth	1.4%	6.7%	18.7%	21.2%	1.7%
Current assets	5,538	4,379	4,927	6,712	7,996	Sales growth	2.2%	6.8%	18.7%	21.3%	1.7%
Net fixed assets	5,808	10,405	12,584	12,933	13,127	Net profit growth	108.7%	-3.6%	13.4%	22.1%	0.2%
Total Assets	11,346	14,784	17,511	19,645	21,123	EPS growth	107.0%	(3.8%)	13.4%	22.1%	0.2%
Liabilities						Interest coverage (x)	-	-	-	-	-
Short-term loans	0	702	561	449	359	Net debt to total capital	-57.1%	-23.8%	-16.5%	-22.8%	-28.7%
Payables	635	907	1,176	1,401	1,417	Net debt to equity	-52.0%	-23.4%	-17.7%	-25.1%	-31.6%
Others	200	216	216	216	216	Sales/assets	0.48	0.41	0.39	0.41	0.38
Total current liabilities	835	1,825	1,954	2,066	1,993	Assets/equity	1.12	1.11	1.11	1.39	1.36
Long-term debt	0	346	1,396	1,876	1,876	ROE	14.3%	11.7%	11.9%	13.2%	11.9%
Other liabilities	367	1,004	1,459	1,581	1,708	ROCE	19.0%	15.7%	13.5%	15.0%	14.0%
Total Liabilities	1,202	3,176	4,809	5,523	5,577						
Shareholders' equity	10,144	11,609	12,702	14,122	15,545						
BVPS	1.72	1.96	2.15	2.39	2.63						

Source: Company reports and J.P. Morgan estimates.

Global Logistic Properties

www.glprop.com/

Company description

Global Logistics Properties Limited (GLP) is a leading provider of modern logistics facilities in China and Japan. The company develops, owns, manages and leases out a portfolio of 296 completed logistics facilities in China and Japan with a total GFA of 6.2million sqm, and has a development pipeline of 7.9million sqm in China. The group holds a 53.1% stake in Airport City Development Co Ltd, which owns 0.8million sqm of airside logistics facilities within Beijing Capital International Airport. In August 2011, the group announced the purchase of stakes in other modern logistics facilities developers such as Shanghai Yupei and Vailog.

Key drivers of performance in an equity market recovery

The group plans 1.6 million sqm of development starts in China in FY12 to complement its inorganic growth through strategic M&A deals. Leasing momentum in 1Q FY12 of 171k sqm per month implies a robust leasing/start ratio of well above 1x, a positive condition.

How much recovery has already been priced in, what are the key metrics?

The stock decline in September was coincident with China hard landing worries which have now dissipated and we've seen the stock coming back. We believe GLP's sustained growth story based on China's domestic economy is still intact, with the stock essentially delivering to justify its valuations (GLP is trading under 1.0x book).

Where's the earnings risk for 2012?

Core earnings risk is low with the group's leases to high quality credits on multi-year terms. Headline earnings volatility may result from translation of Yen and RMB-denominated earnings and assets into US\$, GLP's reporting currency.

Price target and key recovery risks

We have an Overweight rating on the stock with Jun-12 price target at S\$2.50/share, based on our FY12 sum-of-the-parts valuation for GLP after stripping out the asset origination component (S\$0.47/ share). The key risk to our view and price target is an inability to deploy its available capital in projects with IRRs above the cost of capital.

Global Logistic Properties Ltd (Reuters: GLPL.SI, Bloomberg: GLP SP)

\$ in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (\$ mn)	412	474	558	664	813
Net Profit (\$ mn)	-156.3	706.1	652.8	665.3	726.7
EPS (\$)	-	0.15	0.14	0.14	0.16
Core EPS (\$)	-	0.06	0.06	0.07	0.09
DPS (\$)	-	-	0.00	0.00	0.00
Revenue growth (%)	-	15.0%	17.8%	18.9%	22.4%
EPS growth (%)	-	-	NM	1.9%	9.2%
ROCE	13.1%	5.3%	4.5%	5.0%	5.6%
ROE	-20.0%	17.3%	9.4%	8.8%	8.8%
P/E (x)	-	9.5	10.3	10.1	9.3
Core P/E (x)	-	24.1	23.2	19.8	16.3
P/BV (x)	-	1.0	0.9	0.8	0.8
EV/EBITDA (x)	33.8	24.8	21.7	18.9	15.7
Dividend Yield	-	-	0.0%	0.0%	0.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: S\$1.86

Price Target: S\$2.50

Singapore

Property

Christopher Gee, CFA ^{AC}

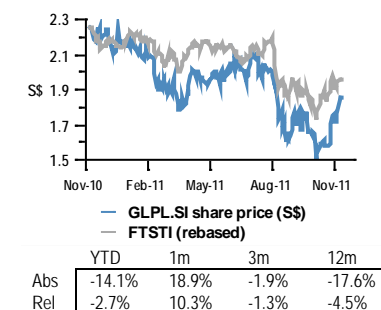
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Bloomberg JPMA GEE <GO>

J.P. Morgan Securities Singapore Private Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	4,596
Market cap (\$ mn)	6,737
Market Cap (\$ mn)	8,525
Price (S\$)	1.86
Date Of Price	08 Nov 11
Free float (%)	45.0%
3mth Avg daily volume	9.04
3M - Average daily Value (\$ mn)	14.90
Average 3m Daily Turnover (\$ mn)	11.78
IN	

Global Logistic Properties Ltd: Summary of Financials

Profit and Loss Statement					Cash flow statement				
\$ in millions, year end Mar	FY11	FY12E	FY13E	FY14E	\$ in millions, year end Mar	FY11	FY12E	FY13E	FY14E
Revenues	474	558	664	813	EBIT	406	475	558	671
% change Y/Y	15.0%	17.8%	18.9%	22.4%	Depr. & amortization	0	0	0	0
EBIT	406	475	558	671	Change in working capital	5	0	0	0
% change Y/Y	25.7%	16.8%	17.5%	20.3%	Others	-448	-446	-416	-405
EBIT margin (%)	85.8%	85.0%	84.1%	82.6%	Cash flow from operations	361	366	430	523
Net Interest	-56	-83	-83	-83	Capex	-	-	-	-
Earnings before tax	807	857	899	993	Disposal/(purchase)	-	-	-	-
% change Y/Y	-843.0%	6.1%	5.0%	10.4%	Net Interest	-	-	-	-
Tax	-85	-132	-135	-143	Free cash flow	361	366	430	523
as % of EBT	10.5%	15.4%	15.0%	14.4%	Equity raised/(repaid)	2,507	0	0	0
Net income (reported)	706.1	652.8	665.3	726.7	Debt raised/(repaid)	-364	-114	114	0
% change Y/Y	-551.6%	-7.5%	1.9%	9.2%	Other	-819	-155	-182	-206
Core net profit	279	291	340	415	Dividends paid	-135	0	0	0
% change Y/Y	56.2%	4.2%	16.9%	22.0%	Beginning cash	412	1,560	1,243	1,113
Shares outstanding	4,596	4,596	4,596	4,596	Ending cash	1,560	1,243	1,113	1,109
EPS (reported)	0.15	0.14	0.14	0.16	DPS	-	0.00	0.00	0.00
% change Y/Y	-	(7.7%)	1.9%	9.2%					
DPS	-	0.00	0.00	0.00					
% change Y/Y	-	-	-	-					
Balance sheet					Ratio Analysis				
\$ in millions, year end Mar	FY11	FY12E	FY13E	FY14E	\$ in millions, year end Mar	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	1,560	1,243	1,113	1,109	EBIT Margin	85.8%	85.0%	84.1%	82.6%
Accounts receivable	91	91	91	91	Operating margin	-	-	-	-
Inventories	-	-	-	-	Net margin	149.0%	116.9%	100.2%	89.4%
Others	-	-	-	-	SG&A/Sales	-	-	-	-
Current assets	1,650	1,334	1,203	1,200	Sales per share growth	-	17.5%	18.9%	22.4%
LT investments	482	501	573	605	Sales growth	15.0%	17.8%	18.9%	22.4%
Net fixed assets	9,078	10,001	10,920	11,697	Net profit growth	-551.6%	-7.5%	1.9%	9.2%
Total Assets	11,700	12,325	13,185	13,991	EPS growth	-	(7.7%)	1.9%	9.2%
Liabilities					Interest coverage (x)	7.32	5.73	6.73	8.10
ST Loans	937	937	937	937	Net debt to total capital	28.0%	22.1%	23.0%	21.5%
Payables	527	527	527	527	Net debt to equity	32.2%	32.1%	32.5%	29.8%
Others	28	28	28	28	Sales/assets	0.05	0.05	0.05	0.06
Total current liabilities	1,492	1,492	1,492	1,492	Assets/equity	1.77	1.69	1.66	1.61
Long-term debt	2,755	2,641	2,755	2,755	ROE	17.3%	9.4%	8.8%	8.8%
Other liabilities	468	555	636	714	ROCE	5.3%	4.5%	5.0%	5.6%
Total Liabilities	4,716	4,688	4,883	4,962					
Shareholders' equity	6,619	7,272	7,937	8,664					
BVPS	1.44	1.58	1.73	1.89					

Source: Company reports and J.P. Morgan estimates.

Golden Eagle

www.getail.com

Company description

Golden Eagle Retail Group is the biggest department store chain operator in the Jiangsu province of China. Its flagship store Nanjing Xinjiekou Store, its first store, was set up in April 1996 at Nanjing. The company was listed on the Hong Kong Stock Exchange in March 2006. The company operates 20 chain department stores in 13 cities with an aggregate gross floor area of over 677,000 sqm.

Key drivers of performance in an equity market recovery

Key performance drivers we watch for in a market recovery are SSSG and gross margin trends. The company had strong 28% SSSG in 1H11. For 2012 we are incorporating the weak macro-economic environment in our estimates and expect 13-14% SSSG. Therefore in a recovery cycle SSG would be the main parameter to follow and gross margins should reflect the extent of promotions. It is worth highlighting that Golden Eagle had some slowdown in SSSG in 2008/09 but still weathered the crisis better than its peers given its low exposure to tier 1 cities and also its regional dominance.

How much recovery has already been priced in, what are the key metrics?

The stock currently trades at 22.5x 1-yr forward PE, which is a 6.5% discount to its long term average PE of 24.1x. We do not believe recovery has been priced in but we also believe that before the stock starts to re-rate on the back of recovery cycle first we might see some weak performance as consensus brings down earnings estimates. Under a normalized scenario we believe the stock deserves a premium to its LT average given its strong growth momentum, larger scale now and solid track record.

Where's the earnings risk for 2012?

We do not see major risk to our earnings estimates. However, as mentioned, we are already building in a weak macro into our forecasts for the full year and in 2H11 if we see recovery kicking in we might have some upside risk for 2H11. On the other hand if the slowdown turns out to be deeper than we expected we might have downside risk for 1H12.

Price target and key recovery risks

Our Dec-12 PT of HK\$24 based on 1x PEG and 27% two-year earnings CAGR post 2012. The main downside risk is execution risk at opening new stores and on the upside is better control on operating costs.

Golden Eagle Retail Group Ltd (Reuters: 3308.HK, Bloomberg: 3308 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	1,850	2,450	3,284	4,235	5,676
Net Profit (Rmb mn)	251	959	1,198	1,376	1,761
EPS (Rmb)	0.14	0.49	0.62	0.71	0.91
Recurring EPS (Rmb)	0.38	0.49	0.61	0.71	0.91
DPS (Rmb)	0.11	0.15	0.31	0.35	0.45
Revenue growth (%)	29.7%	32.5%	34.0%	29.0%	34.0%
Net profit growth (%)	-59.1%	282.3%	24.9%	14.9%	28.0%
Recurring profit growth (%)	44.0%	34.7%	25.7%	16.1%	28.0%
ROE	11.0%	29.1%	30.1%	29.8%	32.6%
P/E (x)	106.8	29.6	23.7	20.6	16.1
P/BV (x)	9.2	7.7	6.6	5.7	4.9
EV/EBITDA (x)	23.7	18.2	14.8	13.0	10.3
Dividend Yield	0.8%	1.0%	2.1%	2.4%	3.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$19.14

Price Target: HK\$24.00

China

Broaderlines/Department Stores

Ebru Sener Kurumlu^{AC}

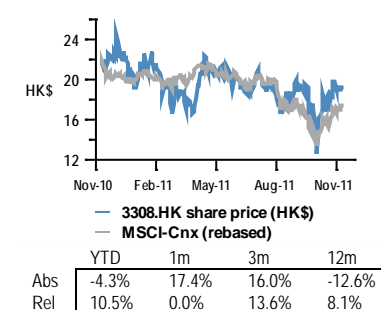
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Bloomberg JPMA KURUMLU <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares O/S (mn)	1,944
Market cap (Rmb mn)	28,438
Market cap (\$ mn)	4,486
Price (HK\$)	17.92
Date Of Price	10 Nov 11
Free float (%)	31.7%
3mth Avg daily volume	5.37
3M - Average daily Value (HK\$ mn)	95.05
Average 3m Daily Turnover (\$ mn)	12.68
MSCI-Cnx	5,847
Exchange Rate	7.77
Fiscal Year End	Dec

Golden Eagle Retail Group Ltd: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Gross Sales	8,192	10,949	14,909	19,111	25,374	PBT	504	1,296	1,619	1,860	2,380
Revenues	1,850	2,450	3,284	4,235	5,676	Depr. & amortization	98	119	164	212	306
% change Y/Y	29.7%	32.5%	34.0%	29.0%	34.0%	Change in working capital	580	852	574	618	791
Gross Profit	1,451	1,925	2,541	3,187	4,198	Tax	-236	-337	-421	-484	-619
% change Y/Y	30.8%	32.6%	32.0%	25.4%	31.7%	Other	473	-34	-50	-39	-24
Gross margin	17.7%	17.6%	17.0%	16.7%	16.5%	Cash flow from operations	1,418	1,897	1,887	2,167	2,835
EBITDA	1,057	1,365	1,720	2,033	2,662	Capex	-535	-1,796	-2,100	-2,400	-2,900
% change Y/Y	35.2%	29.2%	26.0%	18.2%	31.0%	Sale of assets	-	-	-	-	-
EBITDA Margin	12.9%	12.5%	11.5%	10.6%	10.5%	Acquisition of subsidiaries/intangibles	-183	-13	0	0	0
EBIT	958	1,246	1,556	1,821	2,356	Other	-444	-205	60	52	37
% change Y/Y	35.0%	30.0%	24.9%	17.1%	29.3%	Cash flow from investing	-1,162	-2,015	-2,040	-2,348	-2,863
EBIT Margin	11.7%	11.4%	10.4%	9.5%	9.3%	Equity raised/(repaid)	0	0	0	0	0
Net Interest	-6	33	50	39	24	Debt raised/(repaid)	269	189	385	0	0
Share of JVs	0	1	1	0	0	Dividends paid	-545	-291	-599	-688	-880
Earnings before tax	504	1,296	1,619	1,860	2,380	Other	-0	18	-10	-13	-13
% change Y/Y	-39.9%	157.3%	24.9%	14.9%	28.0%	Cash flow from financing	-276	-84	-225	-702	-893
Minorities	0	0	0	0	0	Net change in cash	-20	-202	-378	-882	-922
Other income/(exp)	-449	17	12	0	0	Ending cash flow	2,021	1,819	1,441	-174	-695
Tax	-253	-337	-421	-484	-619	DPS	0.11	0.15	0.31	0.35	0.45
as % of EBT	50.2%	26.0%	26.0%	26.0%	26.0%						
Net income (reported)	251	959	1,198	1,376	1,761						
% change Y/Y	-59.1%	282.3%	24.9%	14.9%	28.0%						
Recurring Net Income	699	942	1,185	1,376	1,761						
% change Y/Y	44.0%	34.7%	25.7%	16.1%	28.0%						
EPS (reported)	0.14	0.49	0.62	0.71	0.91						
% change Y/Y	(59.5%)	260.8%	24.9%	14.9%	28.0%						
Recurring EPS	0.38	0.49	0.61	0.71	0.91						
% change Y/Y	42.4%	27.1%	25.7%	16.1%	28.0%						
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	2,290	2,747	2,368	1,486	564	Gross margin	17.7%	17.6%	17.0%	16.7%	16.5%
Accounts receivable	107	211	204	262	348	EBITDA margin	12.9%	12.5%	11.5%	10.6%	10.5%
Inventories	156	213	295	287	405	Operating margin	11.7%	11.4%	10.4%	9.5%	9.3%
Others	15	27	27	27	27	Net margin	3.1%	8.8%	8.0%	7.2%	6.9%
Current assets	2,568	3,197	2,894	2,061	1,343	Recurring net profit margin	8.5%	8.6%	7.8%	7.4%	7.4%
Intangible assets	26	252	252	252	252	Gross Sales growth	31.1%	33.7%	36.2%	28.2%	32.8%
Long term investments	0	39	39	39	39	Sales growth	29.7%	32.5%	34.0%	29.0%	34.0%
Net fixed assets	2,378	2,722	4,658	6,846	9,440	Net profit growth	-59.1%	282.3%	24.9%	14.9%	28.0%
Other assets	1,011	1,770	1,770	1,770	1,770	Recurring net profit growth	44.0%	34.7%	25.7%	16.1%	28.0%
Total Assets	5,983	7,979	9,613	10,968	12,844	EPS growth	(59.5%)	260.8%	24.9%	14.9%	28.0%
Liabilities						Net debt to equity	-69.2%	-62.2%	-35.6%	-12.9%	4.8%
Short-term loans	269	458	843	843	843	Sales/assets	0.34	0.35	0.37	0.41	0.48
Trade & other payables	1,293	1,719	2,369	3,037	4,032	Assets/equity	2.59	2.46	2.24	2.21	2.20
Others	1,433	2,027	2,027	2,027	2,027	ROE	11.0%	29.1%	30.1%	29.8%	32.6%
Total current liabilities	2,995	4,204	5,239	5,907	6,902	ROCE	33.6%	34.0%	33.6%	33.3%	37.7%
Long-term debt	0	0	0	0	0						
Others	70	95	95	95	95						
Total Liabilities	3,065	4,299	5,334	6,001	6,997						
Minorities	0	0	0	0	0						
Shareholders' equity	2,919	3,680	4,279	4,967	5,848						
BVPS	1.59	1.90	2.20	2.56	3.01						

Source: Company reports and J.P. Morgan estimates.

GS E&C

www.gsconstir.co.kr

Company description

GS Engineering & Construction Corp. contracts civil engineering and architectural works, residential and commercial building constructions, and plant installations. The company also builds educational, leisure, distribution, and environmental facilities.

Key drivers of performance in an equity market recovery

In our view, GS E&C is in an excellent position to benefit from: 1) the bottoming out of the housing cycle in Korea (the highest exposure to housing PF liabilities of W2.5tn among all Korean E&C companies in Korea); and 2) solid refinery & petrochemical tenders in Middle East (the largest track record in Middle East refinery segment among all Korean E&C companies).

How much recovery has already been priced in, what are the key metrics?

The stock is trading at 11x P/E, 1x P/B for 2012E, and our price target implies 37% potential upside from the current share price. Although our price target of 1.4x PB for 2012E is at the relative upper end of the valuation range since 2008, we see it as highly achievable because the company has been discounted for its heavy exposure to PF liabilities since 2008. Based on 3Q11 results we think its provisioning cycle is at an inflection point, and multiple housing indicators are suggesting an improving housing market environment. Although we believe the housing new-order cycle will still be in a trough in 2012E, we forecast its housing-related discount to narrow, a key driver to push the stock to 1.4x PB, our target multiple.

Where's the earnings risk for 2012?

Slower-than-expected provisioning from unsold housing units; stronger-than-expected competition with European engineering firms; delay of preplanned Middle East investment in oil, gas and petrochemicals on falling oil price.

Price target and key recovery risks

Our Jun-12 price target of W130,000 is based on: 1) 2012E consolidated BV of W4.7tn; and 2) 1.4x P/B multiple. Key risks to our price target are: 1) slower-than-expected recovery of domestic housing sector; 2) consistent margin decline due to stronger competition among global engineering peers.

GS Engineering & Construction (Reuters: 006360.KS, Bloomberg: 006360 KS)

Year-end Dec	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	8,324	8,849	9,869	10,732
Operating Profit (W bn)	594	800	621	735
Net Profit (W bn)	411	541	457	561
EPS (W)	8,053	10,606	8,962	11,009
BVPS (W)	74,995	84,631	92,622	102,661
Revenue growth	9.3%	6.3%	11.5%	8.7%
EPS growth	6.5%	31.7%	-15.5%	22.9%
ROE	11.2%	13.3%	10.1%	11.3%
ROIC	14.9%	15.9%	10.5%	11.8%
P/E (x)	11.8	8.9	10.6	8.6
P/BV (x)	1.3	1.1	1.0	0.9
EV/EBITDA (x)	6.2	5.3	6.4	5.1
Dividend Yield	1.1%	1.1%	1.1%	1.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: W94,800

Price Target: W130,000

South Korea

Construction

Jinmook Kim^{AC}

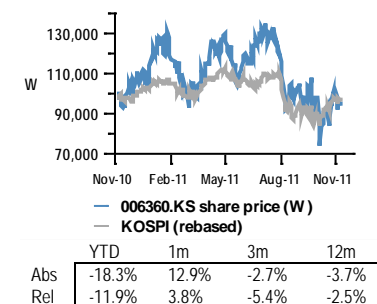
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Bloomberg JPMA KIM <GO>

J.P. Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



Source: Bloomberg.

Company Data

52-week Range (W)	136,500 - 72,200
Market cap (W bn)	4,835
Market cap (\$ mn)	4,353
Shares O/S (mn)	51
Fiscal Year End	Dec
Price (W)	94,800
Date Of Price	07 Nov 11
Free float (%)	50.6%
3M Avg daily Value (W bn)	57.16
3M Avg daily Value (\$ mn)	51.47
3M Avg daily vol	1
KOSPI	1,919
Exchange Rate	1,110.70

GS Engineering & Construction: Summary of financials

Won in billions, year-end December

Balance Sheet					Profit and Loss				
	2010	2011E	2012E	2013E		2010	2011E	2012E	2013E
Assets	10,449.7	11,831.7	12,372.9	13,048.0	Net Sales	8,323.6	8,849.0	9,869.4	10,731.7
Current Assets	6,918.1	8,209.2	8,674.0	9,250.0	Growth(%)	9.3	6.3	11.5	8.7
Cash and Cash Equivalents	1,463.9	1,394.7	1,118.4	1,112.1	Cost of Sales	7,202.5	7,823.5	8,789.5	9,561.2
Trade Receivables	205.3	218.2	243.4	264.7	Gross Profit on Sales	1,121.1	1,025.5	1,080.0	1,170.5
Inventories	433.6	461.0	514.1	559.1	Gross Margin(%)	13.5	11.6	10.9	10.9
Others	4,815.3	6,135.3	6,798.0	7,314.2	Operating Expenses	527.0	225.8	458.7	435.4
Non-Current Assets	3,531.6	3,622.5	3,698.9	3,797.9	Research & Development	69.0	71.1	73.2	75.4
Property, Plant and Equipment	2,761.4	2,832.2	2,888.4	2,966.5	SG&A	527.0	566.8	594.4	610.4
Intangible Assets	0.7	(0.2)	(1.1)	(1.8)	Other Operating Income	0.0	800.0	457.0	399.9
Investments in Associates	54.5	66.1	77.6	89.1	Other Operating Expenses	0.0	459.0	321.3	224.9
Others	715.0	724.4	734.1	744.1	Operating Income	594.1	799.7	621.3	735.1
Liabilities	6,624.9	7,515.5	7,649.2	7,812.2	Growth(%)	(2.7)	34.6	(22.3)	18.3
Current Liabilities	5,083.6	5,425.8	6,003.0	6,396.7	Operating Margin(%)	7.1	9.0	6.3	6.8
Trade Payables	1,606.9	1,745.5	1,961.0	2,133.1	Interest Income	52.7	50.2	49.0	49.0
Short-term debts	1,039.1	1,057.3	1,076.0	1,095.2	Interest Expenses	71.1	76.2	77.2	53.2
Others	2,437.5	2,623.1	2,966.1	3,168.3	Gains(L) in Equity Method	(6.8)	12.0	12.0	12.0
Non-Current Liabilities	1,541.3	2,089.7	1,646.2	1,415.6	Others	(27.2)	(72.3)	(2.3)	(2.4)
Long-term debts	468.7	968.7	468.7	168.7	Income Before Inc. Taxes	541.7	713.4	602.8	740.5
Non-Cur. Employee Provisions	53.3	54.9	56.6	58.3	Income Taxes Expenses	131.0	172.5	145.7	179.0
Others	1,019.3	1,066.1	1,120.9	1,188.6	Tax Rate (%)	24.2	24.2	24.2	24.2
Stockholders' Equity	3,824.7	4,316.2	4,723.7	5,235.7	Net Income(Non-Controlling)	9.1	12.0	10.2	12.5
Capital Stock	255.0	255.0	255.0	255.0	Net Income(Owners)	401.6	528.9	446.9	549.0
Retained Earnings	2,546.8	3,026.2	3,423.6	3,923.1	Growth(%)	6.1	31.7	(15.5)	22.8
Others	1,022.9	1,035.0	1,045.1	1,057.6	EBITDA	637.6	781.0	572.4	636.7
Owners of Parent Equity	3,572.6	4,051.9	4,449.3	4,948.8	Growth(%)	(2.6)	22.5	(26.7)	11.2
Non-Controlling Interests Equity	252.2	264.2	274.4	286.9	Adj. OP(K-GAAP)	594.1	458.7	485.6	560.1
Total Debt	1,507.8	2,025.9	1,544.6	1,263.9	Adj. Pre-tax Net Income	534.8	423.4	502.8	590.5
Net Debt(Cash)	(948.1)	(390.4)	(626.1)	(932.2)	Adj. Net Income(Owners)	396.4	313.9	372.7	437.8
Cash Flow					Key ratios				
	2010	2011E	2012E	2013E		2010	2011E	2012E	2013E
Cash Flows from Operating	331.3	649.0	(599.2)	(99.5)	EPS (won)	8,053	10,606	8,962	11,009
Net Income(Net Loss)	410.7	540.9	457.0	561.5	Adj. EPS (won)	8,053	10,606	8,962	11,009
Depreciation	42.6	49.8	49.5	50.0	BPS (won)	74,995	84,631	92,622	102,661
Other Amortization	0.9	1.5	1.7	1.6	CFPS (won)	15,362	19,876	6,422	11,709
Losses(G) in FC Translation	(2.0)	35.0	(10.5)	(7.3)	DPS (won)	1,000	1,000	1,000	1,000
Losses(G) on Disposal of Assets	1.1	(220.0)	0.0	0.0	PER (x)	12.0	9.1	10.8	8.8
(Recovery)Impairment Asset Loss	3.2	(70.0)	(100.0)	(150.0)	Adj. PER (x)	12.0	9.1	10.8	8.8
Losses(G) in Equity Method	9.4	8.0	8.0	8.0	PBR (x)	1.3	1.1	1.0	0.9
Change in Working Capital	(452.1)	(212.4)	(808.1)	(556.8)	PCR (x)	5.9	4.9	15.0	8.3
Payments of Income Taxes	0.0	(152.7)	(118.7)	(139.9)	EV/ EBITDA (x)	6.2	5.3	6.4	5.1
Others	317.4	669.0	(78.2)	133.4	EV/ EBIT (x)	6.1	5.7	6.9	5.4
Cash Flows from Investing	(265.0)	(124.6)	(109.4)	(134.4)	Dividend Yield (%)	1.1	1.0	1.0	1.0
Dec(Inc) in Financial Assets	(93.0)	0.0	0.0	0.0	Profitability				
Dec(Inc) in Associates, ETC.	(29.7)	0.0	0.0	0.0	EBITDA Margin (%)	7.7	8.8	5.8	5.9
Dec(Inc) in Property, equipment	(158.2)	(120.6)	(105.6)	(128.1)	Operating Margin (%)	7.1	9.0	6.3	6.8
Dec(Inc) in Intangible Assets	(1.6)	(0.6)	(0.7)	(1.0)	Net Margin (%)	4.9	6.1	4.6	5.2
Others	17.5	(3.4)	(3.0)	(5.2)	ROA (%)	4.0	4.9	3.8	4.4
FCF	66.3	524.4	(708.6)	(233.9)	ROE (%)	11.2	13.3	10.1	11.3
Cash Flows from Financing	(112.3)	(593.7)	432.3	227.6	ROIC (%)	14.9	15.9	10.5	11.8
inc(Dec) in Total Debt	447.4	(518.1)	481.3	280.8	Stability				
Dividends Paid	(50.0)	(49.5)	(49.5)	(49.5)	Liability to Equity Ratio (%)	173.2	174.1	161.9	149.2
Sale(Purchase) of Treasury	0.0	0.0	0.0	0.0	Net Debt to Equity Ratio (%)	(24.8)	(9.0)	(13.3)	(17.8)
Others	(509.7)	(26.1)	0.5	(3.7)	Cash Ratio (%)	28.8	25.7	18.6	17.4
Change of Consolidated Scope	8.7	0.0	0.0	0.0	Interest Coverage (x)	8.4	10.5	8.1	13.8
Difference by Changes in FX	0.0	0.0	0.0	0.0	Activity				
Inc(Dec) in Cash	(49.5)	(69.3)	(276.3)	(6.3)	Working Capital Turnover (x)	416.9	12.0	7.5	7.2
Cash at The Beginning	1,513.5	1,463.9	1,394.7	1,118.4	Inventory Turnover (days)	20.9	18.5	18.0	18.3
Cash at The End	1,463.9	1,394.7	1,118.4	1,112.1	Receivables Turnover (days)	9.1	8.7	8.5	8.6

Source: Company data, J.P. Morgan estimates. *K-IFRS consolidated-basis.

Hankook Tire

www.hankooktire.com

Company description

Hankook Tire is the seventh-largest tire company in the world (based on 2010A new tire sales revenue) and the dominant producer of automobile tire in Korea with an annual capacity of 46M units and 53% market share in Korea's replacement tire market. Aggregate capacity including China (Jiangsu and Jiaying) and Hungary is at 82M units (2010A).

Key drivers of performance in an equity market recovery

HKT remains our long-term sector top pick. We expect that pricing power, improving customer access, regulatory benefits, and capacity addition will continue to drive earnings growth.

How much recovery has already been priced in, what are the key metrics?

Tire stocks have had a significant run in FY11, outperforming the KOSPI by 50-160% and pushing forward PER multiples to over 10x. Strong share price performance mainly came from: (1) successful cost transfer; (2) woes at a competitor which rendered bigger domestic O/E market share for HKT and Nexen Tire. In FY12, we believe: (1) earnings growth led by cost moderation; (2) regulatory benefits; (3) overseas OE traction will continue to support the share price.

Where's the earnings risk for 2012?

We expect earnings upside could come from fast falling natural and synthetic rubber prices. Downside could come from stagnant shipment growth of OE tires in the event recessionary pressure intensifies.

Price target and key recovery risks

Our Dec-12 price target of W48,000 is based on 11x FY12E EPS. Since 2003, the stock has traded at between 6x and 15x one-yr forward EPS, excluding loss-making periods. Our target multiple of 11x represents a slight premium to the mid-cycle multiple, as we see (1) stronger competitive positioning; (2) higher growth opportunity over peers; (3) a stronger balance sheet. The key risks to our price target are volatility in RM price and end demand.

Hankook Tire (Reuters: 000240.KS, Bloomberg: 000240 KS)

Year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	5,145	5,813	6,378	7,025	7,795
Operating Profit (W bn)	620	670	531	839	984
Net Profit (W bn)	376	477	408	622	735
EPS (W)	2,357	3,016	2,743	4,214	4,993
Revenue growth	15.3%	13.0%	9.7%	10.2%	11.0%
Operating Profit growth	197.0%	8.1%	-20.7%	57.9%	17.3%
EPS growth	1514.6%	27.1%	NM	52.3%	18.2%
ROA	7.2%	8.9%	8.3%	9.5%	10.1%
ROE	719.1%	763.5%	792.4%	822.3%	853.0%
P/E (x)	18.8	14.7	16.1	10.5	8.9
P/BV (x)	3.0	2.5	2.2	1.8	1.8
EV/EBITDA (x)	8.6	8.1	8.8	6.6	5.8

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: W44,250

Price Target: W48,000

South Korea

Korean Autos

Wansun Park^{AC}

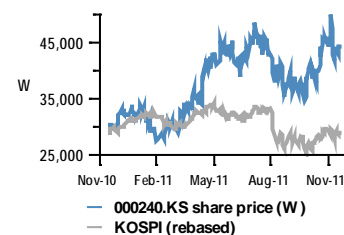
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Bloomberg JPMA WPARK <GO>

J.P. Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



	YTD	1m	3m	12m
Abs	33.3%	10.5%	6.9%	52.1%
Rel	42.6%	9.9%	7.7%	53.2%

Source: Bloomberg.

Company Data

52-week Range (W)	50,000 - 27,200
Market cap (W bn)	6,737
Market cap (\$ mn)	5,980
Shares O/S (mn)	152
Fiscal Year End	Dec
Price (W)	44,250
Date Of Price	17 Nov 11
Free float (%)	44.1%
3M Avg daily Value (W bn)	53.37
3M Avg daily Value (\$ mn)	45.56
3M Avg daily vol	1
KOSPI	1,877
Exchange Rate	1,126.61

Hankook Tire: Consolidated summary of financials

Won in billions, year-end December

Income statement

	FY10	FY11E	FY12E	FY13E
Revenues	5,813	6,378	7,025	7,795
% change Y/Y	13%	10%	10%	11%
Gross Margin (%)	29.4%	25.5%	29.0%	29.5%
EBITDA	1,492	969	1,294	1,440
% change Y/Y	4%	-35%	33%	11%
EBITDA Margin (%)	25.7%	15.2%	18.4%	18.5%
EBIT	670	531	839	984
% change Y/Y	8%	-21%	58%	17%
EBIT Margin (%)	11.5%	8.3%	11.9%	12.6%
Net Interest	-24	-38	-39	-37
Earnings before tax	647	536	817	965
% change Y/Y	26%	-17%	52%	18%
Tax	170	128	195	230
as % of EBT	26%	24%	24%	24%
Net Income	477	408	622	735
Owners of Parent Equity	438	398	612	725
% change Y/Y	28%	-9%	54%	18%
Non-Controlling Interests				
Equity	40	10	10	10
EPS (reported)	3,016	2,743	4,214	4,993
% change Y/Y	28%	-9%	54%	18%

Balance sheet

	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	603	552	539	702
ST financial instruments	416	416	416	416
Accounts receivable	761	805	854	914
Inventories	978	1,122	1,292	1,498
Others	234	249	267	287
Current assets	2,993	3,145	3,368	3,818
LT investments	47	47	47	47
Fixed asset	2,555	2,971	3,370	3,668
Intangible assets	33	33	33	33
Other non-current assets	130	130	130	130
Total assets	5,758	6,326	6,949	7,696
ST loans	1,583	1,851	1,851	1,851
Payables	498	541	591	650
Others	629	671	719	777
Total current liabilities	2,710	3,063	3,161	3,277
Total non-current liabilities	518	423	276	907
Total liabilities	3,228	3,487	3,437	4,184
Shareholders' equity	2,531	2,839	3,512	3,512
BVPS (w)	17,429	19,557	24,189	23,077

Cash flow statement

	FY10	FY11E	FY12E	FY13E
EBIT	670	531	839	984
Add: dep./amortization	821	438	455	456
Less: tax paid	-170	-128	-195	-230
Interest paid	-24	-38	-39	-37
Gross cash flow	1,298	804	1,060	1,173
Capital expenditures	-516	-850	-850	-750
Investments	-3	0	0	0
Change in working capital	-89	-144	-170	-207
Free cash flow	690	-190	40	216
Dividends paid	-53	-53	-53	-53
New shares issued	0	0	0	0
Other	138	193	0	0
Net cash flow	331	-51	-13	163

Ratio analysis

	FY10	FY11E	FY12E	FY13E
EBITDA margin	25.7%	15.2%	18.4%	18.5%
Operating margin	11.5%	8.3%	11.9%	12.6%
Net profit margin	8.2%	6.4%	8.9%	9.4%
SG&A/sales	17.9%	17.1%	17.0%	16.8%
Sales growth	13%	10%	10%	11%
Operating profit growth	8%	-21%	58%	17%
Net profit growth	27%	-15%	52%	18%
EPS growth	28%	-9%	54%	18%
Interest coverage (x)	0.0	0.1	0.0	0.0
Debt to total capital	44%	43%	38%	38%
Net debt to equity	38%	43%	35%	30%
Sales/assets	101%	101%	101%	101%
Assets/equity	228%	223%	198%	219%
ROE	20.6%	15.2%	19.6%	20.9%
ROA	8.9%	6.8%	9.4%	10.0%

Source: Company data, J.P. Morgan estimates.

Havells India Limited

www.havells.com

Company description

Havells India Ltd. is one of the largest electrical and power distribution equipment manufacturers in India. Its products include switchgears, cables and wires, lighting & fixtures and electrical durables. In April 2007, Havells acquired the lightning business of Sylvania worldwide (excluding brand rights in NA and Oceania), which is the world's 4th largest lighting and fixture brand having presence in Europe and Latin America

Key drivers of performance in an equity market recovery

We believe that steady growth in the domestic market, continued turnaround in margins for overseas business (Sylvania) and lower raw materials costs (copper and aluminum) are likely to be key drivers for Havells. The street has tempered its growth expectations for Havells, factoring in risk to European growth and potential slowdown in consumer durables in the domestic market. We expect Havells to surprise positively – margin expansion in Sylvania is on track and domestic growth is holding out; being buoyed by new product launches.

How much recovery has already been priced in, what are the key metrics?

HAVL stock has seen some recovery post 2QFY12 results, which surprised positively. However, the stock is still trading 30% below its historic mean P/E valuations and we believe that sustained earnings performance is likely to drive stock re-rating.

Where's the earnings risk for 2012?

We see upside potential to earnings in 2012, driven by better than expected performance of the overseas business (Sylvania) and new product launches in the domestic business. Recent correction in key raw material prices, copper and aluminum bodes well for margins. Every 1% decline in copper or aluminum prices positively impacts earnings by 1.2%, based on our estimates.

Price target and key recovery risks

Our Mar-12 TP of Rs550 is based on 15x FY13E P/E, at 10% premium to domestic peer group given Havells' superior growth and capital returns. Key risks include a sharp deterioration in European business, a rise in raw materials prices, inability to scale up new products, rising competitive intensity, and F/X fluctuations.

Havells India Ltd (Reuters: HVEL.NS, Bloomberg: HAVL IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Adjusted EPS (Rs)	5.57	24.08	28.62	36.42	42.20
EPS growth (%)	68.5%	332.1%	18.9%	27.3%	15.9%
Adjusted P/E	63.8	14.8	12.4	9.8	8.4
Revenue (Rs mn)	51,626	56,126	64,676	72,552	79,193
Revenue growth (%)	-5.8%	8.7%	15.2%	12.2%	9.2%
EBITDA (Rs mn)	3,222	5,571	6,602	7,504	8,305
EBITDA margin	6.2%	9.9%	10.2%	10.3%	10.5%
Net Profit (Rs mn)	695.7	3,070.5	3,574.7	4,548.5	5,269.7
DPS (Rs)	1.85	2.50	2.91	3.70	4.29
Dividend Yield	0.5%	0.7%	0.8%	1.0%	1.2%
EV/EBITDA (x)	18.8	10.9	9.1	7.7	6.6
P/BV (x)	11.1	6.8	4.6	3.2	2.4

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rs355.45

Price Target: Rs550

India

Electrical Equipment

Princy Singh^{AC}

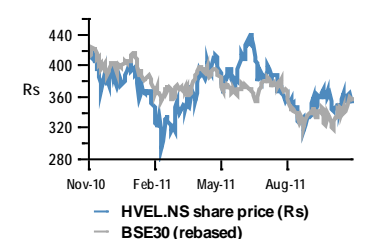
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Bloomberg JPMA SINGH <GO>

J.P. Morgan India Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-10.3%	-2.7%	0.3%	-13.7%
Rel	3.4%	-10.3%	3.6%	-0.7%

Source: Bloomberg.

Company Data

Shares O/S (mn)	125
Market cap (Rs mn)	44,351
Market cap (\$ mn)	909
Price (Rs)	355.45
Date Of Price	31 Oct 11
Free float (%)	34.7%
3-mth trading value (Rs mn)	90.9
3-mth trading value (\$ mn)	1.9
3-mth trading volume	259,429.0
BSE30	17,705
Exchange Rate	48.77
Fiscal Year End	Mar

Havells India Ltd: Summary of Financials

Income Statement						Cash flow statement					
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Revenues	51,626	56,126	64,676	72,552	79,193	PBT	1,628	4,102	4,924	6,115	7,005
% change Y/Y	(5.8%)	8.7%	15.2%	12.2%	9.2%	Depr. & amortization	837	804	881	940	999
Gross Profit	19,222	20,374	24,296	26,900	29,015	Change in working capital	2,369	-2,013	-1,330	-1,174	-905
% change Y/Y	-12.8%	6.0%	19.3%	10.7%	7.9%	Other	-1,087	569	1,055	720	585
EBITDA	3,222	5,571	6,602	7,504	8,305	Cash flow from operations	3,087	2,575	4,181	5,034	5,949
% change Y/Y	11.7%	72.9%	18.5%	13.7%	10.7%	Capex	-1,444	-1,647	-2,032	-1,666	-1,668
EBIT	2,385	4,766	5,722	6,564	7,306	Net Interest	-979	-902	-1,055	-720	-585
% change Y/Y	20.4%	99.9%	20.0%	14.7%	11.3%	Other	483	-71	0	0	0
EBIT Margin	4.6%	8.5%	8.9%	9.0%	9.2%	Free cash flow	1,643	928	2,149	3,368	4,280
Net Interest	-979	-902	-1,055	-720	-585	Equity raised/(repaid)	0	0	0	0	0
Earnings before tax	1,628	4,102	4,924	6,115	7,005	Debt raised/(repaid)	-1,993	454	-1,000	-2,000	-2,000
% change Y/Y	100.0%	152.0%	20.0%	24.2%	14.6%	Other	-872	-819	-1,055	-720	-585
Tax	-932	-1,031	-1,349	-1,566	-1,735	Dividends paid	-265	-207	-422	-537	-622
as % of EBT	57.3%	25.1%	27.4%	25.6%	24.8%	Beginning cash	2,485	1,494	1,779	1,450	1,561
Net income	695.7	3,070.5	3,574.7	4,548.5	5,269.7	Ending cash	1,480	1,779	1,450	1,561	2,634
% change Y/Y	80.8%	341.4%	16.4%	27.2%	15.9%	DPS	1.85	2.50	2.91	3.70	4.29
Shares outstanding	-	-	-	-	-						
EPS (reported)	5.58	24.61	28.65	36.45	42.23						
% change Y/Y	68.9%	341.4%	16.4%	27.2%	15.9%						
Balance sheet						Ratio Analysis					
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	1,480	1,779	1,450	1,561	2,634	Gross margin	37.2%	36.3%	37.6%	37.1%	36.6%
Accounts receivable	6,982	7,724	8,891	9,976	10,906	EBITDA margin	6.2%	9.9%	10.2%	10.3%	10.5%
Inventories	8,246	10,860	12,501	14,026	15,334	Operating margin	4.6%	8.5%	8.9%	9.0%	9.2%
Others	1,848	1,715	1,974	2,215	2,421	Net margin	1.4%	5.5%	5.5%	6.3%	6.7%
Current assets	18,556	22,077	24,816	27,777	31,296	Sales per share growth	(12.0%)	8.7%	15.2%	12.2%	9.2%
LT investments	0	0	0	0	0	Sales growth	(5.8%)	8.7%	15.2%	12.2%	9.2%
Net fixed assets	9,210	10,204	11,355	12,082	12,751	Net profit growth	80.8%	341.4%	16.4%	27.2%	15.9%
Total Assets	30,978	35,635	39,525	43,213	47,401	EPS growth	68.9%	341.4%	16.4%	27.2%	15.9%
Liabilities						Interest coverage (x)	3.29	6.18	6.26	10.42	14.19
Payables	15,555	16,722	18,395	20,001	21,464	Net debt to equity	229.5%	143.7%	90.1%	48.3%	19.3%
Others	321	639	703	773	850	Working Capital to Sales	(0.6%)	3.3%	4.6%	5.5%	6.0%
Total current liabilities	15,876	17,361	19,098	20,774	22,314	Sales/assets	1.62	1.69	1.72	1.75	1.75
Long-term debt	10,664	11,173	10,173	8,173	6,173	Assets/equity	7.74	5.45	4.08	3.16	2.58
Other liabilities	434	559	559	559	559	ROAE	13.7%	58.3%	44.1%	38.9%	32.9%
Total Liabilities	26,974	29,092	29,829	29,506	29,046	ROACE	14.4%	29.4%	30.5%	31.5%	31.5%
Shareholders' equity	4,002	6,537	9,686	13,694	18,338						
BVPS	32.07	52.39	77.63	109.75	146.97						

Source: Company reports and J.P. Morgan estimates.

Hindalco

www.hindalco.com

Company description

Hindalco has 3 key business segments- upstream alumina and aluminum operations in India with captive bauxite, copper smelting (with partial ownership of copper mines in Australia) and a downstream aluminum business (in 100% owned- Novelis). HNDL is expanding capacity in both upstream and downstream.

Key drivers of performance in an equity market recovery

Hindalco has successfully completed the turnaround for Novelis (100% sub), and a large part of earnings in our view are de-linked from the LME. We believe that HNDL is not a pure aluminium play (LME linked earnings accounting for ~29% of EBITDA in FY11 vs 78% in FY09) and the relatively stable earnings profile of Novelis (FY12/FY13E EBITDA of \$1.06bn and \$1.1bn) should help the company in a uncertain commodity price environment. We believe the stable cash flow and cash fungibility from Novelis ensures a comfortable balance sheet.

How much recovery has already been priced in, what are the key metrics?

HNDL is currently trading at an adj. EV/EBITDA of 4.3x, ~30% below the last 10-year average. Given the LME de-linked earnings stream of Novelis and the stability of the Novelis earnings profile, we believe HNDL should trade at higher multiples compared to its historical averages. While Novelis is not fully shielded from the slowing economic conditions in western markets, we believe its product portfolio puts it in a much better shape to face any weakness. One of the key concerns has been the economics of the \$2.2bn Mahan smelter project. We believe that the Utkal refinery project will start production and supply to Mahan in FY14E and do not anticipate further delays. We believe with Utkal alumina, Mahan's cost of production, even without captive coal, would be a comfortable \$1700-\$1750 and that Mahan will be EPS accretive in FY14E.

Where's the earnings risk for 2012?

A key risk to HNDL's aluminium business is lower availability of cheap coal from Coal India and the possibility of further coal price hikes. While the sector is likely to remain challenging in India, we believe HNDL's India operation will remain profitable. A GFC-like decline in end demand for Novelis's products if economic conditions worsen further is another risk to HNDL.

Price target and key recovery risks

We are OW on HNDL and our Sep-12 TP of Rs170 is based on FY13E SOTP. We value Novelis at 6.3x FY13 EV/EBITDA, India ally multiple 5.5x and India copper operations at 5x (building in significantly lower LME for copper). Key risks are a) collapse in Novelis end market demand in cans and profitability; b) large delays in Utkal project and c) sharp decline in LME aluminum prices.

Hindalco Industries (Reuters: HALC.BO, Bloomberg: HNDL IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E
Net Sales (Rs mn)	607,221	720,779	753,827	796,718
Net Profit (Rs mn)	14,519.7	28,793.5	29,206.9	30,311.1
EPS (Rs)	7.58	15.04	15.25	15.83
Net profit growth (%)	16.7%	98.3%	1.4%	3.8%
ROE	7.8%	11.4%	9.6%	9.2%
P/E (x)	18.4	9.3	9.1	8.8
P/BV (x)	1.2	0.9	0.8	0.8
EV/EBITDA (x)	7.1	6.5	6.4	6.6

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rs139.25

Price Target: Rs170

India

Metal & Mining

Pinakin Parekh, CFA^{AC}

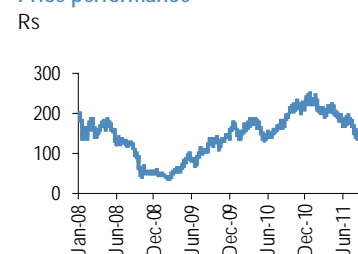
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J.P. Morgan India Private Limited

Price performance



Source: Bloomberg

Performance

	1M	3M	12M
Absolute (%)	9%	-18%	-38%
Relative (%)	1%	-15%	-23%

Source: Bloomberg

Company Data

52-week Range (Rs)	252.85 - 119.30
Market cap (Rs mn)	266,598
Market cap (\$ mn)	5,428
Price (Rs)	139.25
Date Of Price	04 Nov 11
3-mth trading volume (mn)	3.6
3-mth trading value (\$ mn)	5.0
Shares O/S (mn)	1,915
BSE30	17,563

Hindalco Industries: Summary of Financials

Income Statement						Cash flow statement					
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Revenues	656,252	607,221	720,779	753,827	796,718	Net Income (Pre exceptionals)	12,441.0	14,519.7	28,793.5	29,206.9	30,311.1
% change Y/Y	9.4%	(7.5%)	18.7%	4.6%	5.7%	Depr. & amortization	30,378	27,836	27,500	29,777	31,526
EBITDA	38,726	68,459	80,017	83,926	88,349	Change in working capital	17,321	-39,679	-7,826	-37,259	-5,489
% change Y/Y	-41.6%	76.8%	16.9%	4.9%	5.3%	Cash flow from operations	60,140	2,677	48,468	23,606	58,229
EBITDA Margin	5.9%	11.3%	11.1%	11.1%	11.1%	Net Capex	-39,441	-33,486	-90,888	-82,573	-96,243
EBIT	8,348	40,623	52,517	54,148	56,823	Free cash flow	20,699	-30,809	-42,420	-58,967	-38,014
% change Y/Y	NM	386.6%	29.3%	3.1%	4.9%	Equity raised/(repaid)	-24,668	45,424	49,338	-1,880	-1,880
EBIT Margin	1.3%	6.7%	7.3%	7.2%	7.1%	Debt raised/(repaid)	-40,427	-25,295	36,801	42,551	60,000
Net Interest	-5,445	-7,814	-14,085	-13,429	-14,586	Other	51,856	13,746	-36,764	45,988	0
Earnings before tax	2,903	32,809	38,432	40,719	42,237	Dividends paid	-2,708	-3,034	-3,345	-4,032	-4,704
% change Y/Y	-90.3%	1030.0%	17.1%	5.9%	3.7%	Beginning cash	17,169	21,918	21,954	25,563	49,223
Tax	-9,538	18,289	9,638	9,632	10,046	Ending cash	21,918	21,954	25,563	49,223	64,625
as % of EBT	328.5%	55.7%	25.1%	23.7%	23.8%	DPS	1.59	1.58	1.75	2.11	2.46
Net Income (Pre exceptionals)	12,441.0	14,519.7	28,793.5	29,206.9	30,311.1						
% change Y/Y	-52.6%	16.7%	98.3%	1.4%	3.8%						
Shares outstanding	-	-	-	-	-						
EPS (reported)	7.31	7.58	15.04	15.25	15.83						
% change Y/Y	(65.8%)	3.7%	98.3%	1.4%	3.8%						
Balance sheet						Ratio Analysis					
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Cash and cash equivalents	21,918	21,954	25,563	49,223	64,625	EBITDA margin	5.9%	11.3%	11.1%	11.1%	11.1%
Accounts receivable	66,733	65,437	79,996	-	-	Operating margin	-	-	-	-	-
Inventories	85,241	112,754	140,956	-	-	Net margin	1.9%	2.4%	4.0%	3.9%	3.8%
Others	0	0	0	0	0	Sales growth	9.4%	(7.5%)	18.7%	4.6%	5.7%
Current assets	192,708	231,884	279,848	268,724	298,221	Net profit growth	-52.6%	16.7%	98.3%	1.4%	3.8%
LT investments	104,308	112,455	108,549	57,977	57,977	EPS growth	(65.8%)	3.7%	98.3%	1.4%	3.8%
Net fixed assets	263,602	269,252	332,640	385,435	450,151	Interest coverage (x)	7.11	8.76	5.68	6.25	6.06
Total Assets	644,668	692,353	843,758	835,658	929,872	Net debt to total capital	55.7%	51.6%	50.8%	46.5%	47.8%
Liabilities						Net debt to equity	164.7%	109.5%	92.7%	91.3%	97.5%
Short-term loans	0	0	0	0	0	Sales/assets	0.95	0.91	0.94	0.90	0.90
Payables	94,097	97,420	129,805	-	-	Assets/equity	5.00	4.23	4.03	2.65	2.73
Others	-	-	-	-	-	ROE	7.5%	7.8%	11.4%	9.6%	9.2%
Total current liabilities	162,602	162,350	199,156	124,236	132,843	ROCE	1.8%	8.9%	9.9%	8.8%	8.2%
Long-term debt	283,098	257,803	294,604	337,155	397,155						
Other liabilities	-	-	-	-	-						
Total Liabilities	486,132	476,908	553,526	520,256	588,857						
Shareholders' equity	158,536	215,446	290,233	315,407	341,014						
BVPS	93.21	112.52	151.58	164.73	178.10						

Source: Company reports and J.P. Morgan estimates.

Hiwin

www.hiwin.com.tw/

Company description

Established in 1989, Hiwin is the third largest linear motion product vendor in the world. Its products include ball screws, linear guideways, and industry robots. Customers are diversified. Machine tools and IT industry are two major application areas, which together contribute around 60% of total revenue.

Key drivers of performance in an equity market recovery

Hiwin's business is highly related to CAPEX. Therefore, the key driver will be recovering capex demand. In addition, by providing sustained support/service in the economic downturn, Hiwin has expanded/improved its customer base. The market share gain could be another strong catalyst when the market recovers.

How much recovery has already been priced in, what are the key metrics?

Hiwin is still trading at 12x FY12E PE, much lower than Japanese competitors' historical 20-25x PE in 2006-2008, when they were seeing strong growth. We do not think the recovery is priced in.

Where's the earnings risk for 2012?

Key risks are macroeconomic deterioration, an increase in global peers' localized manufacturing, rising material prices, and NT\$ appreciation.

Price target and key recovery risks

Our Dec-12 price target of NT\$420 is based on 18x 2012E P/E, supported by our forecast of 30% Y/Y EPS growth. Our valuation multiple of 18x factors in industry headwinds. Key risks are macroeconomic deterioration, increasing global peers' localized manufacturing, rising material prices, and NT\$ appreciation.

Bloomberg 2049 TT, Reuters 2049.TW

(Year-end Dec, NT\$ bn)	FY09	FY10	FY11E	FY12E	FY09	FY10	FY11E	FY12E	Target Price (NT\$)	420	
Sales	4.37	9.49	16.79	21.88	New TW GAAP P/E	223.0	37.6	16.2	11.7	52-Week range (NT\$)	388.35 - 99.03
Operating Profit	0.32	2.14	4.68	6.35	P/BV (x)	13.7	10.4	7.3	5.1	Share Outstanding	235mn
EBITDA	0.83	2.70	5.39	7.45	ROE (%)	06.5	31.5	53.2	51.1	Free float	65.0%
Pretax Profit	0.28	1.97	4.69	6.31	Cash Div (NT\$)	0.6	0.3	2.9	6.8	Avg daily volume	-mn
Adj. Net Profit (New TW GAAP)	0.28	1.69	3.94	5.43	Quarterly EPS (NT\$)	1Q	2Q	3Q	4Q	Avg daily val (USD)	94.19mn
New TW GAAP EPS (NT\$)	1.22	7.20	16.77	23.12	EPS (10)	0.96	1.32	2.44	2.47	Dividend Yield (2011)	1.1%
Net Debt / Equity	81.5%	54.8%	71.0%	43.4%	EPS (11) E	3.34	3.75	4.63	5.05	QFII Holding (%)	19.9%
Y/E BPS (NT\$)	19.83	25.96	37.12	53.45	EPS (12) E	5.06	5.55	6.13	6.38	Market Cap(USD)	2,118mn

Source: Company data, Bloomberg, J. P. Morgan estimates. Note: In Net Debt/Equity, NM means company has net cash

Overweight

Price: NT\$271

Price Target: NT\$420.0

Taiwan

Technology - Hardware

William Chen^{AC}

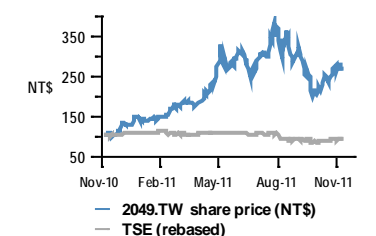
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J.P. Morgan Securities (Taiwan) Limited

Price Performance



	YTD	1m	3m	12m
Abs	95.2%	18.9%	-8.1%	159.7%
Rel	111.0%	16.2%	-8.7%	169.5%

Source: Bloomberg.

Hiwin: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Revenues	6,444	4,374	9,488	16,787	21,882	Gross margin	39.1%	31.5%	38.4%	39.6%	40.5%
Cost of goods sold	-3,925	-2,994	-5,848	-10,140	-13,011	EBITDA margin	23.0%	18.9%	28.4%	32.1%	34.0%
Gross Profit	2,519	1,380	3,640	6,647	8,870	Operating margin	16.8%	7.4%	22.6%	27.9%	29.0%
R&D expenses	-178	-127	-237	-311	-438	Net margin	12.4%	6.4%	17.8%	23.5%	24.8%
SG&A expenses	-1,259	-930	-1,261	-1,658	-2,079	R&D/sales	2.8%	2.9%	2.5%	1.8%	2.0%
Operating profit (EBIT)	1,082	323	2,142	4,678	6,354	SG&A/Sales	19.5%	21.3%	13.3%	9.9%	9.5%
EBITDA	1,482	828	2,696	5,393	7,446						
Interest income	1	2	1	0	18	Sales growth	16.5%	(32.1%)	116.9%	76.9%	30.3%
Interest expense	-93	-74	-55	-58	-77	Operating profit growth	5.1%	-70.2%	563.6%	118.4%	35.8%
Investment income (Exp.)	-92	-72	-55	-58	-59	Net profit growth	-14.7%	-65.3%	507.4%	132.9%	37.8%
Non-operating income (Exp.)	-150	-40	-174	14	-45	EPS (reported) growth	(14.7%)	(67.9%)	492.5%	132.9%	37.8%
Earnings before tax	932	282	1,968	4,692	6,309						
Tax	-131	-4	-278	-756	-883	Interest coverage (x)	16.20	11.48	49.45	92.59	126.42
Net income (reported)	801.3	278.2	1,690.0	3,936.4	5,425.7	Net debt to total capital	59.1%	42.4%	34.5%	45.5%	29.1%
Net income (adjusted)	801	278	1,690	3,936	5,426	Net debt to equity	124.3%	81.5%	54.8%	71.0%	43.4%
EPS (reported)	3.79	1.22	7.20	16.77	23.12	Asset turnover	0.67	0.43	0.79	0.92	0.86
EPS (adjusted)	3.79	1.22	7.20	16.77	23.12	Working capital turns (x)	-	-	-	-	-
BVPS	18.30	19.83	25.96	37.12	53.45	ROE	21.5%	6.5%	31.5%	53.2%	51.1%
DPS	1.52	0.59	0.29	2.91	6.78	ROIC	-	-	-	-	-
Shares outstanding	212	235	235	235	235	ROIC (net of cash)	-	-	-	-	-
Balance sheet						Cash flow statement					
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	365	408	1,062	1,790	2,717	Net income	801.3	278.2	1,690.0	3,936.4	5,425.7
Accounts receivable	1,024	976	1,955	3,317	4,026	Depr. & amortization	401	506	553	715	1,092
Inventories	1,466	1,218	2,026	3,068	3,724	Change in working capital	-435	303	391	20	48
Others	233	172	181	240	291	Other	-180	-160	722	1,443	483
Current assets	3,088	2,775	5,224	8,415	10,759	Cash flow from operations	767	1,087	2,635	4,671	6,566
LT investments	135	278	328	292	306	Capex	-1,685	-450	-1,935	-6,235	-4,223
Net fixed assets	6,747	6,691	8,073	13,593	16,724	Disposal/(purchase)	-	-	-	-	-
Others	286	269	282	311	311	Cash flow from investing	-1,714	-576	-1,998	-6,228	-4,237
Total Assets	10,256	10,013	13,907	22,610	28,099	Free cash flow	-918	637	700	-1,564	2,343
Liabilities						Equity raised/(repaid)	0	0	0	0	0
ST Loans	1,171	475	1,290	1,955	1,814	Debt raised/(repaid)	1,526	-976	201	3,570	190
Payables	681	848	2,304	3,284	4,215	Other	-180	643	-117	-601	0
Others	485	264	995	2,497	3,031	Dividends paid	-322	-134	-67	-684	-1,592
Total current liabilities	2,336	1,587	4,589	7,737	9,060	Cash flow from financing	1,024	-467	17	2,285	-1,402
Long-term debt	4,005	3,726	3,111	6,015	6,347						
Other liabilities	43	48	115	147	147	Net change in cash	77	44	654	728	927
Total Liabilities	6,385	5,360	7,815	13,900	15,554	Beginning cash	288	365	408	1,062	1,790
Shareholders' equity	3,871	4,653	6,092	8,711	12,544	Ending cash	365	408	1,062	1,790	2,717

Source: Company reports and J.P. Morgan estimates.

Home Product Center

www.homepro.co.th

Company description

Listed in Oct FY01, HMPRO was established by the Land & Houses Group (now with a 50.5% stake) initially as a one-stop shopping outlet to serve its property buyers, a role it has long since outgrown. After experimenting with the do-it-yourself concept (DIY) until FY02, similar to the West, HMPRO has successfully repositioned itself as one-stop shopping for BIY (buy-it-yourself). It is still in the expansion phase and is targeting 70 branches (from 40 at the end of FY10). Expansion could be 4-5 each year except in FY12 when it could open eight. HMPRO is well placed to capture the largest market share in the modern home improvement segment of the Thai retail space with no real direct competitor for its one-stop shopping proposition.

Key drivers of performance in an equity market recovery

We see HMPRO as marginally affected by negative developments in the general equity market environment. To the extent that the interest rate level influences the purchase of new property it is well-placed to pick up additional demand from the marginal home buyer should the Bank of Thailand stop or reverse its tight monetary policy.

How much recovery has already been priced in, what are the key metrics?

Although HMPRO has outperformed the SET we still think the benefits from incremental purchases in new properties tied to the interest rate environment have not been factored in.

Where's the earnings risk for 2012?

We expect HMPRO to see an earnings upgrade in FY12 as the widespread damage of the recent flooding situation, the worst in 50 years, has affected a relatively well-off part of the country, i.e. the Central Region, which could translate into higher demand from repair and reconstruction.

Price target and key recovery risks

Our Dec 12 PT of Bt12.4 is derived using a Gordon growth approach at 5% perpetuity growth and 8.4% cost of equity. The cost of equity captures 4.2% risk free rate and 6.2% market risk premium. HMPRO's ROE generation is deemed healthy, but that notwithstanding, a rise in market risk premium poses a downside risk to our price target. A continued rate tightening stance by the BOT could discourage the buying of new property at the margin, creating a potential share price overhang, which is also a downside risk to our rating.

Home Product Center Pcl (Reuters: HMPR.BK, Bloomberg: HMPRO TB)

Bt in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Bt mn)	20,329	24,073	27,853	32,900	39,281
Net Profit (Bt mn)	1,130.9	1,638.4	2,125.8	2,745.4	3,471.8
EPS (Bt)	0.31	0.38	0.42	0.54	0.68
DPS (Bt)	0.21	0.04	0.29	0.38	0.48
Revenue growth (%)	10.0%	18.9%	15.3%	18.1%	19.4%
EPS growth (%)	-38.5%	23.3%	11.2%	29.1%	26.5%
ROCE	23.1%	29.3%	33.5%	36.9%	40.4%
ROE	22.1%	28.5%	30.3%	32.7%	35.4%
P/E (x)	31.0	25.1	22.6	17.5	13.8
P/BV (x)	6.6	6.6	6.2	5.3	4.5
EV/EBITDA (x)	19.2	14.9	11.7	9.3	7.3
Dividend Yield	2.3%	0.4%	3.1%	4.0%	5.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Bt 9.45

Price Target: Bt12.40

Thailand

Construction / Consumer /
Agrifoods / Small Caps

Maria Lapiz^{AC}

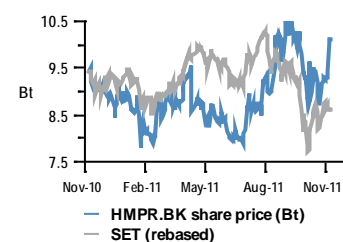
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JPMorgan Securities (Thailand) Limited

Price Performance



	YTD	1m	3m	12m
Abs	14.1%	14.8%	12.2%	6.9%
Rel	22.4%	9.6%	24.8%	15.8%

Source: Bloomberg.

Company Data

Shares O/S (mn)	5,835
Market cap (Bt mn)	55,143
Market cap (\$ mn)	1,800
Price (Bt)	9.45
Date Of Price	04-Nov-11
Free float (%)	42.6%
3mth Avg daily volume	17.18
3M - Avg daily Value (Bt mn)	151.08
3M - Avg daily Value (USD) (\$ mn)	4.93
SET	956
Exchange Rate	30.63
Fiscal Year End	Dec

Home Product Center Pcl: Summary of Financials

Income Statement						Cash flow statement					
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	20,329	24,073	27,853	32,900	39,281	EBIT	1,742	2,407	3,139	4,062	5,113
% change Y/Y	10.0%	18.9%	15.3%	18.1%	19.4%	Depr. & amortization	805	860	1,063	1,363	1,627
EBITDA	2,546	3,267	4,202	5,424	6,740	Change in working capital	470	90	304	469	595
% change Y/Y	15.0%	28.3%	28.6%	29.1%	24.3%	Taxes	-532	-696	-942	-1219	-1534
EBIT	1,742	2,407	3,139	4,062	5,113	Cash flow from operations	2,485	2,662	3,565	4,675	5,801
% change Y/Y	17.2%	38.2%	30.4%	29.4%	25.9%	Capex	-827	-1,960	-3,169	-4,380	-2,320
EBIT Margin	8.0%	9.3%	10.5%	11.5%	12.1%	Disposal/(purchase)	-	-	-	-	-
Net Interest	-113	-103	-102	-140	-153	Net Interest	-113	-103	-102	-140	-153
Earnings before tax	1,629	2,303	3,037	3,922	4,960	Other	-1,760	-591	-725	0	0
% change Y/Y	20.5%	41.4%	31.9%	29.2%	26.5%	Free cash flow	1,658	701	395	295	3,481
Tax	-498	-665	-911	-1,177	-1,488	Equity raised/(repaid)	1,798	677	725	0	0
as % of EBT	30.6%	28.9%	30.0%	30.0%	30.0%	Debt raised/(repaid)	-485	562	-742	1,200	-700
Net income (reported)	1,130.9	1,638.4	2,125.8	2,745.4	3,471.8	Other	-1,760	-591	-725	0	0
% change Y/Y	17.9%	44.9%	29.7%	29.2%	26.5%	Dividends paid	-872	-677	-592	-1,488	-1,922
Shares outstanding	3,704	4,353	5,078	5,078	5,078	Beginning cash	846	1,417	382	291	1,043
EPS (reported)	0.31	0.38	0.42	0.54	0.68	Ending cash	846	1,417	382	291	1,043
% change Y/Y	(38.5%)	23.3%	11.2%	29.1%	26.5%	DPS	0.21	0.04	0.29	0.38	0.48
Balance sheet						Ratio Analysis					
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	846	1,417	382	291	1,043	EBITDA margin	11.7%	12.6%	14.1%	15.4%	16.0%
Accounts receivable	129	164	205	253	310	Operating margin	8.0%	9.3%	10.5%	11.5%	12.1%
Inventories	2,905	3,714	4,124	4,825	5,707	Net margin	5.2%	6.3%	7.1%	7.8%	8.2%
Others	421	594	685	809	966	Sales per share growth	(42.6%)	1.2%	(1.2%)	18.1%	19.4%
Current assets	4,301	5,889	5,396	6,178	8,026	Sales growth	10.0%	18.9%	15.3%	18.1%	19.4%
LT investments	-	-	-	-	-	Net profit growth	17.9%	44.9%	29.7%	29.2%	26.5%
Net fixed assets	9,506	10,634	12,766	15,783	16,476	EPS growth	(38.5%)	23.3%	11.2%	29.1%	26.5%
Total Assets	13,866	16,592	18,230	22,030	24,570	Interest coverage (x)	22.51	31.57	41.14	38.79	43.97
Liabilities						Net debt to equity	25.3%	21.2%	20.8%	32.2%	13.8%
Short-term loans	650	735	500	500	500	Sales/assets	1.60	1.70	1.72	1.75	1.81
Payables	4,217	4,937	5,482	6,414	7,585	Assets/equity	2.63	2.66	2.35	2.44	2.32
Others	1,575	1,963	2,264	2,674	3,192	ROE	22.1%	28.5%	30.3%	32.7%	35.4%
Total current liabilities	6,442	7,634	8,245	9,587	11,278	ROCE	23.1%	29.3%	33.5%	36.9%	40.4%
Long-term debt	1,530	2,007	1,500	2,700	2,000						
Other liabilities	621	713	713	713	713						
Total Liabilities	8,593	10,354	10,458	13,000	13,990						
Shareholders' equity	5,273	6,238	7,772	9,029	10,580						
BVPS	1.42	1.43	1.53	1.78	2.08						

Source: Company reports and J.P. Morgan estimates.

Hutchison Whampoa

www.hutchison-whampoa.com/eng/index.htm

Company description

Hutchison Whampoa (Hutch) is a Hong Kong-based international conglomerate and one of the largest port/retail operators in the world. It is also a telecommunications operator with extensive 3G networks in a number of countries including Hong Kong, the UK, and Italy. It has significant interests in property, infrastructure and energy.

Key drivers of performance in an equity market recovery

Investors, now preoccupied by the European debt crisis, are naturally uncomfortable with Hutch's exposure to Europe, which accounts for 40%/25% of its revenue/EBITDA in 1H11 from its infrastructure, retail, ports and 3G. Its recent 3Q data confirms a softening trend in Europe but is not declining at an alarming rate – its UK infrastructure (regulated utilities assets) and Europe retail (mainly drugstores) are relatively defensive businesses. With valuations beaten down and after consensus earnings cut, street expectations are low. Acquisitions are also likely to be a bigger upside risk going forward as Hutch's balance sheet (29% net gearing at Jun-11) is now at its strongest since 2001.

How much recovery has already been priced in, what are the key metrics?

We believe little growth expectations have been priced in – With a share price similar to where it was five years ago, its fundamental improvements since then have been largely neglected, including an increased contribution from the secularly-growing infrastructure and retail divisions to almost half of total EBIT, 3G achieving breakeven, the timely monetization of port assets in 1Q11, a much-improved net gearing, and free cash flow turning positive. The stock is trading at 36% NAV discount, versus historical average of 8% since 2001. The improved fundamentals should justify a lower discount.

Where's the earnings risk for 2012?

Ports is the division most vulnerable to a global slowdown. We have factored in a recession scenario for HPH Trust (throughput growth at 3~5% p.a. over FY11-15E) and Europe ports (15%-20% throughput decline in 12E). For the property division, we have factored in a 20% decline in office spot rents and residential prices.

Price target and key recovery risks

Based on 17% discount (ie. half a SD below mean) to our Dec-12 NAV of \$113, our Dec-12 PT is \$94. Downside risks: 3G capex over-spend and weaker global trade.

Hutchison Whampoa (Reuters: 0013.HK, Bloomberg: 13 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	208,808	209,180	212,915	229,347	248,556
Recurring net profit (HK\$ mn)	(230)	13,827	19,471	23,608	29,870
EPS (HK\$)	3.20	4.70	13.54	5.54	7.01
P/E (x)	22.8	15.5	5.4	13.1	10.4
Recurring EPS (HK\$)	(0.05)	3.24	4.57	5.54	7.01
Recurring EPS growth (%)	NM	NM	40.8%	21.3%	26.5%
Recurring P/E (x)	NM	22.4	15.9	13.1	10.4
DPS (HK\$)	1.73	1.92	2.10	2.35	2.90
Dividend Yield	2.4%	2.6%	2.9%	3.2%	4.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$72.80

Price Target: HK\$94.00

Hong Kong

Conglomerates & Multi-industry

Benjamin Lo, CFA^{AC}

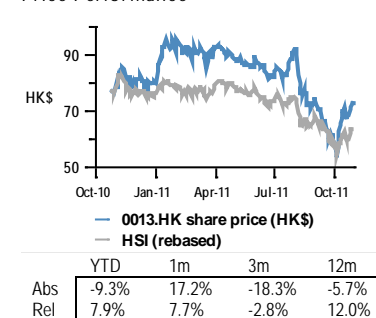
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J.P. Morgan Securities (Asia Pacific) Ltd

Price Performance



Source: Bloomberg.

Company Data

52-week Range (HK\$)	97.45 - 53.60
Market cap (HK\$ mn)	310,373
Market cap (\$ mn)	39,949
Shares O/S (mn)	4,263
Price (HK\$)	72.80
Date Of Price	09-Nov-11
3mth Avg daily volume	11.31
Avg 3m Daily t/o (\$ mn)	104.41
Exchange Rate	7.77
HSI	20,014

Hutchison Whampoa: Summary of financials

Income statement (HK\$m)					
HK\$ in millions, year end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue	208,808	209,180	212,915	229,347	248,556
+ / - %	-11.3%	0.2%	1.8%	7.7%	8.4%
EBITDA	25,588	30,558	36,413	42,571	48,304
Depreciation & amortisation	(16,258)	(14,932)	(18,196)	(19,060)	(19,761)
EBIT	9,330	15,626	18,217	23,511	28,543
Net interest	(6,290)	(8,388)	(8,904)	(8,288)	(7,801)
Net operating profit	3,040	7,238	9,313	15,223	20,742
Associates	12,119	17,620	23,937	22,351	24,382
Exceptional items	14,135	6,455	38,276	0	0
Profit before taxation	29,294	31,313	71,526	37,575	45,124
Taxation	(8,094)	(5,735)	(9,693)	(9,353)	(10,186)
Minority interests	(7,569)	(5,540)	(4,086)	(4,613)	(5,069)
Net profit	13,631	20,038	57,747	23,608	29,870
+ / - %	7.5%	47.0%	188.2%	-59.1%	26.5%
Recurring net profit	(230)	13,827	19,471	23,608	29,870
+ / - %	nm	nm	40.8%	21.3%	26.5%
EPS, (reported) (HK\$)	3.20	4.70	13.54	5.54	7.01
+ / - %	7.7%	47.0%	188.2%	-59.1%	26.5%
Recurring EPS (HK\$)	(0.05)	3.24	4.57	5.54	7.01
+ / - %	nm	nm	40.8%	21.3%	26.5%
DPS (HK\$)	1.73	1.92	2.10	2.35	2.90

Cashflow (HK\$m)					
HK\$ in millions, year end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
PBT	29,294	31,313	71,526	37,575	45,124
Associates profits	(12,119)	(17,620)	(23,937)	(22,351)	(24,382)
Dividends from associates	7,677	12,142	14,825	13,498	16,080
Depreciation & amortisation	16,258	14,932	18,196	19,060	19,761
Taxation	(2,866)	(2,617)	(2,493)	(2,579)	(2,239)
Increase/(decrease) in provisions	0	0	0	0	0
Loss/(profit) on sale of F.A.	(592)	0	0	0	0
Other	(13,852)	(5,522)	(38,446)	(169)	(180)
Gross cashflow	23,800	32,628	39,671	45,033	54,164
Capex	(19,082)	(21,737)	(23,278)	(22,083)	(18,699)
Interest capitalised as F.A.	276	158	170	169	180
(Incr)/decr in working investment	(4,514)	(3,015)	(1,175)	(1,223)	(856)
Free cash flow	480	8,034	15,389	21,896	34,788
Acq of subs/other investments	(157)	(25,553)	(9,500)	0	0
Minority interests	(4,016)	5,640	(1,752)	(1,943)	(2,122)
Dividends paid	(7,375)	(7,375)	(8,953)	(10,019)	(12,364)
Proceeds from disp of FA/subsids	34,676	12,495	46,360	0	0
Others	1,675	913	(524)	0	0
Net cash flow	25,283	9,618	41,019	9,934	20,303
New / (repayment) of loans	54,818	40,940	0	0	0
(repayment) of loans	(73,394)	(41,124)	0	0	0
Long-term bonds & notes	26,846	(8,018)	(9,104)	0	(34,902)
Others	1,682	(2,285)	524	0	0
Incr/dec in cash & equivalents	35,235	(869)	32,439	9,934	(14,599)

Balance Sheet					
HK\$ in millions, year end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Intangible fixed assets	106,959	108,530	106,604	104,681	102,783
Fixed assets	247,706	238,652	245,060	249,406	249,642
Long-term investments	140,570	168,691	173,559	177,368	180,627
Other LT assets	14,657	14,105	12,105	10,105	8,105
Long-term assets	509,892	529,978	537,328	541,560	541,157
Cash equivalents	92,521	91,652	124,091	134,026	119,426
Liquid funds	23,213	24,585	24,585	24,585	24,585
ST Bank and other loans	(9,214)	(14,545)	(14,545)	(14,545)	(14,545)
LT bank and other loans	(90,353)	(87,767)	(87,767)	(87,767)	(87,767)
Loan from MI	(13,424)	(13,493)	(13,493)	(13,493)	(13,493)
LT bonds	(160,873)	(148,944)	(140,364)	(140,364)	(105,462)
Net cash/(debt)	(158,130)	(148,512)	(107,493)	(97,559)	(77,256)
Inventories	16,593	17,733	17,523	18,542	19,880
Debtors	47,710	57,033	57,478	59,436	61,724
Creditors	(72,994)	(80,829)	(81,999)	(83,753)	(86,524)
Working capital	(6,691)	(6,063)	(6,998)	(5,775)	(4,920)
Other liabilities	(23,159)	(22,701)	(19,007)	(18,137)	(18,440)
Net assets	319,912	352,702	403,829	420,090	440,542
Share capital	1,066	1,066	1,066	1,066	1,066
Reserves	281,433	292,831	341,625	355,214	372,720
Perpetual capital securities	0	15,600	15,600	15,600	15,600
Shareholders fund	282,499	309,497	358,291	371,880	389,386
Minority interests	37,413	43,205	45,539	48,210	51,157
Equity	319,912	352,702	403,829	420,090	440,542
BVPS	66.26	72.59	84.04	87.23	91.33

Ratio Analysis					
	FY09A	FY10A	FY11E	FY12E	FY13E
EBITDA margin (%)	12.3%	14.6%	17.1%	18.6%	19.4%
Net operating margin (%)	1.5%	3.5%	4.4%	6.6%	8.3%
Net margin (%)	6.5%	9.6%	27.1%	10.3%	12.0%
Revenue growth (%)	-11.3%	0.2%	1.8%	7.7%	8.4%
Net profit growth (%)	7.5%	47.0%	188.2%	-59.1%	26.5%
Recurring net profit growth (%)	nm	nm	40.8%	21.3%	26.5%
EPS growth (%)	7.7%	47.0%	188.2%	-59.1%	26.5%
Interest coverage (x)	1.5	1.9	2.0	2.8	3.7
Net debt to equity (%)	49.4%	42.1%	26.6%	23.2%	17.5%
Assets/equity (x)	2.4	2.3	2.1	2.1	2.0
ROE (%)	4.9%	6.8%	17.3%	6.5%	7.8%
Recurring ROE (%)	nm	4.7%	5.8%	6.5%	7.8%
ROCE (%)	7.1%	7.9%	15.4%	8.6%	9.9%
ROA (%)	2.0%	2.9%	7.9%	3.1%	3.9%

Source: Company data, J.P. Morgan estimates.

Hutchison Whampoa - Dec 2012E NAV breakdown

Division	Valuation methodology	2012E NAV		
		Total HK\$m	Per share HK\$	% of NAV
Retail	11x 2011E EV/EBITDA	149,717	35.1	25.8%
Infrastructure & Energy		129,703	30.4	22.3%
Husky Energy (33.4%) (HSE CN; UW)	Market value	51,594	12.1	8.9%
CKI (81.5%) (1038 HK; OW)	Market value	78,109	18.3	13.4%
Properties & Hotels		105,707	24.8	18.2%
Investment properties	Yield cap. (O: 6%; C: 6.25%)	65,549	15.4	11.3%
Development properties	DCF @ WACC HK 8.5%, China 9.5%	27,991	6.6	4.8%
Hotel properties	Per room valuation @ HK\$2m	8,865	2.1	1.5%
Hutchison Harbour Ring (71%) (715 HK; NR)	Market value	3,302	0.8	0.6%
Ports		91,899	21.6	15.8%
All terminals ex-HPH Trust	DCF implied 12x EV/EBITDA & 19x P/E	79,432	0.0	0.0%
HPHT Trust (27.6%) (HPHT SP; OW)	Market value	12,468	0.0	0.0%
Telecom - non 3 Group		20,325	4.8	3.5%
Hutchison Tel. Australia (88%) (HTA AU; NR)	Market value	5,978	1.4	1.0%
Hutch Asia Tel (previously HTIL -- privatised)	EV implied from privatisation	6,382	1.5	1.1%
HTHKKH (54%) (215 HK; NR)	Market value	7,965	1.9	1.4%
Total Gross Asset Value before 3G and debt		497,352	116.7	103.3%
Head office net cash/(debt)	Y/E estimate	(99,385)	(23.3)	-20.6%
Total NAV before 3 Group		397,967	93.3	82.7%
Telecom - 3 Group	DCF-implied matured EV/EBITDA of 5x	83,530	19.6	17.3%
Total NAV		481,496	112.9	100.0%

Source: J.P. Morgan estimates

Hutchison Whampoa - NAV chart



Source: Bloomberg, J.P. Morgan

Hyundai Department Store

www.ehyundai.com

Company description

Hyundai Department Store (HDS) is the second largest department store chain in Korea with 20% M/S as of 2010. HDS operates six stores directly and five by OMA (Operation Management Agreement) and expects to add seven more stores by 2015.

Key drivers of performance in an equity market recovery

Strongest revenue momentum expected throughout 2013 among the major retailers, on the back of aggressive floor space expansion. We expect gradual margin improvement throughout 2013 on growing scale, and FCF generation from 2012 is likely to lead to the balance sheet turning to net cash by 2013. It has the cheapest valuation in the sector, despite having the strongest earnings momentum.

How much recovery has already been priced in, what are the key metrics?

The stock used to trade at a meaningful discount to the MSCI Korea and it has started to trade at a small premium lately, on the back of accelerating growth momentum. Nonetheless, it is still trading at a meaningful discount to domestic peers that are expected to show weaker growth, implying there is still material upside left.

Where's the earnings risk for 2012?

Earnings risks for 2012 include a slowdown in GDP growth leading to smaller than expected SSS growth, delay in the opening of new stores, slowdown in the number of inbound tourists and lower than expected sales from newly opened stores. These are generic points and we don't see any major risk that is company specific at this point.

Price target and key recovery risks

Our Dec-12 price target of W224,000 is based on 2012E PE of 12.2X, which represents the average multiple seen during the valuation peak in 1Q06. We believe strong revenue growth and margin expansion will drive the valuation re-rating to a peak level over the next 12 months or so. Key downside risks to our PT are a slowdown in GDP growth negatively impacting overall consumption, failure to generate expected sales from new stores, and government intervention leading to a material reduction in its margins.

Hyundai Department Stores (Reuters: 069960.KS, Bloomberg: 069960 KS)

W in bn, year-end Dec	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	4,523	5,391	6,358	7,075
Net Recurring Profit (W bn)	0	409	476	545
EPS (W)	12,852	17,490	18,358	21,292
DPS (W)	600	600	600	600
Revenue growth	11.8%	19.2%	17.9%	11.3%
Net Recurring Profit growth	-	-	16.3%	14.6%
EPS growth	23.0%	36.1%	5.0%	16.0%
ROE	19.3%	17.0%	15.5%	15.5%
P/E (x)	12.8	9.4	9.0	7.7
P/BV (x)	1.5	1.3	1.1	1.0
EV/EBITDA (x)	5.3	7.0	5.8	4.8
Dividend Yield	0.4%	0.4%	0.4%	0.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: W164,500

Price Target: W224,000

South Korea

Broadlines/Department Stores

Sungmin Chang, CFA^{AC}

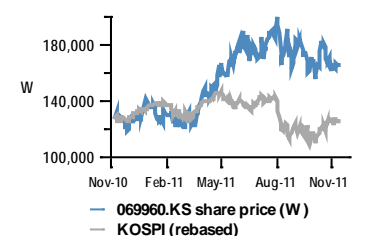
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Bloomberg JPMA CHANG <GO>

JP Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



	YTD	1m	3m	12m
Abs	20.8%	0.6%	0.3%	28.8%
Rel	28.7%	-7.4%	-5.6%	30.9%

Source: Bloomberg.

Company Data	
Shares O/S (mn)	23
Market cap (W bn)	3,850
Market cap (\$ mn)	3,394
Price (W)	164,500
Date Of Price	11 Nov 11
Free float (%)	62.4%
3M - Avg daily Volume (mn)	0.12
3M - Avg daily Value (W mn)	21,293.05
3M - Avg daily Value (\$ mn)	18.77
KOSPI	1,863
Exchange Rate (Won/US\$)	1,134.38
Fiscal Year End	Dec

HDS: Summary of consolidated financials

Won in billions, year-end December

Profit & loss statement					Cash flow statement				
	FY10	FY11E	FY12E	FY13E		FY10	FY11E	FY12E	FY13E
Managerial sales	4,523	5,391	6,358	7,075	Current assets	707	614	636	691
Net sales	2,849	1,489	1,744	1,957	Cash and Cash Equivalents	85	10	15	65
Gross profit	1,810	1,219	1,415	1,594	St. Investment Assets	80	125	130	135
SG & A	1,234	728	828	917	Account Receivable	461	414	416	406
Labor	229	128	154	179	Accrued Receivable	0	0	0	0
Marketing	308	111	121	128	Inventories	27	31	36	41
Commission paid	167	102	120	144	Other current assets	55	34	39	44
Dep. & Amort.	130	73	92	101	Fixed assets	3,223	3,736	4,147	4,518
Others	399	314	343	365	Investment assets	674	926	934	975
EBITDA	745	575	691	790	Tangible assets	2,496	2,774	3,177	3,507
Operating profit	576	502	599	689	Intangible assets	53	36	36	36
Non-operating income	188	79	19	19	Others	0	0	0	0
Interest income	43	6	6	6	Total assets	3,931	4,350	4,783	5,209
Forex gains	4	0	0	0	Current liabilities	1,127	960	960	950
Derivatives gains	5	0	0	0	Accounts payable	439	414	421	428
Other	136	73	13	13	Short-term borrowings	14	79	49	9
Non-operating expenses	54	14	15	12	Current portion of long-term debt	192	32	32	12
Interest expenses	23	14	15	12	Other current liabilities	483	435	458	501
Forex losses	6	0	0	0	Long-term liabilities	347	515	546	512
Derivatives losses	4	0	0	0	Bonds	100	240	240	190
Other	22	0	0	0	Long-term debt	0	0	0	-14
Pre-tax profit	711	601	633	726	Other long-term liabilities	247	276	306	336
Taxes	199	149	157	180	Total liabilities	1,474	1,476	1,506	1,462
Net profit	513	453	476	545	Capital stock	114	114	114	114
NP of Parent	292	397	417	484	Capital surplus	496	496	496	496
NP of Minority Interests	221	56	59	62	Retained earnings	1,385	1,768	2,171	2,641
EPS (Won)	12,852	17,490	18,358	21,292	Capital adj. and others	463	497	497	497
					Total equity	2,457	2,874	3,277	3,747
Balance sheet					Ratio Analysis				
	FY10	FY11E	FY12E	FY13E		FY10	FY11E	FY12E	FY13E
Operating cash flow	n.a.	614	587	693	Growth (% Y/Y)				
Net profit	n.a.	453	476	545	Gross sales	11.8%	19.2%	17.9%	11.3%
Dep. & Amort.	n.a.	73	92	101	Operating profit	9.6%	-12.9%	19.3%	15.1%
Forex losses (gains)	n.a.	0	0	0	Recurring profit	25.4%	-15.4%	5.2%	14.7%
Associate losses (gains)	n.a.	0	0	0	Net profit	24.3%	-11.7%	5.1%	14.6%
Others	n.a.	50	0	0	EBITDA	9.2%	-22.8%	20.2%	14.4%
Chg in working capital	n.a.	39	20	47	EPS	23.0%	36.1%	5.0%	16.0%
Investment cash flow	n.a.	-765	-538	-506	Margins (%)				
Capex	n.a.	-536	-525	-460	Operating profit	12.7%	9.3%	9.4%	9.7%
Chg in investment assets	n.a.	-252	-8	-41	Recurring profit	15.7%	11.2%	10.0%	10.3%
Other	n.a.	22	-5	-5	Net profit	11.3%	8.4%	7.5%	7.7%
Financing cash flow	n.a.	76	-44	-138	EBITDA	16.5%	10.7%	10.9%	11.2%
Chg in short-term debt	n.a.	-94	-30	-60	Ratios (%)				
Chg in long-term debt	n.a.	140	0	-64	ROE	19.3%	17.0%	15.5%	15.5%
Inc (dec) in common shares	n.a.	0	0	0	ROA	11.9%	10.9%	10.4%	10.9%
Inc (dec) in share premium reserve	n.a.	0	0	0	Net debt/equity	5.7%	7.5%	5.4%	-0.1%
Dividend paid	n.a.	-14	-14	-14	Interest coverage (x)	-28.7	59.7	66.3	109.8
Others	n.a.	43	0	0	Per share data (Won)				
Cash flow from Others	n.a.	0	0	0	Sales	125,428	65,577	76,774	86,170
Chg in cash	n.a.	-75	5	50	Book value	108,171	126,538	144,296	164,988
Cash at beg of year	n.a.	85	10	15	DPS	600	600	600	600
Cash at end of year	n.a.	10	15	65	EBITDA	32,799	25,306	30,406	34,779

Source: Company, J.P. Morgan estimates.

Hyundai Marine & Fire Insurance

www.hi.co.kr

Company description

Hyundai Marine & Fire Insurance (HMF) is the second-largest non-life insurer in Korea, with a market share of 16.9% (including Hi-Car Direct) in terms of direct written premiums in FY10. The company has achieved A- (Excellent) credit rating by A.M.Best for eight consecutive years. HMF has 100% ownership of Hi-Car Direct online auto insurance as a subsidiary.

Key drivers of performance in an equity market recovery

HMF's consistent and strong new business sales in term-life products led earnings surprise in 1Q11 (Apr-11 to Jun-11). Together with high operational leverage in its auto line, strong top line growth with stabilization in underwriting efficiencies should yield sustainable earnings with strong growth outlook. Also, a meaningful earnings turnaround in Hi-Car Direct should support further earnings increase and valuation multiple expansion going forward.

How much recovery has already been priced in, what are the key metrics?

Despite continuous earnings re-rating, HMF is trading at only 0.9x FY10 EV, which is 10%~20% lower than its peers under no growth assumption in new business. Coupled with over 10% of initial premium growth outlook in private health insurance and annuity with an expectation on ROE over 20%, HMF allows a reasonable upside.

Where's the earnings risk for 2012?

Given that company's market share in auto insurance is ~18% including the on-line direct auto line, an unexpected auto premium cut before/after the election in 2012 is likely to affect negatively for 2012 and 2013 earnings.

Price target and key recovery risks

Our Jun-12 price target is based on SOTP valuation with 1.0x FY12E P/BV (derived from our DDM model) for the non-life business and 1.0x FY12E P/EV for the life business. Key risks to our price target include: (1) a relatively weak capital position among peers; (2) possible auto premium cut; (3) IFRS phase II implementation.

Hyundai Marine & Fire Insurance (Reuters: 001450.KS, Bloomberg: 001450 KS)

W in bn, year-end Mar	FY10A	FY11E	FY12E	FY13E
Direct Premium Written (bn)	7,543	8,656	9,818	11,138
DPW growth (%)	17.4%	14.8%	13.4%	13.4%
Net Profit (W bn)	159	401	459	564
EPS (W)	1,784	4,481	5,139	6,310
EPS growth	-13.5%	151.2%	14.7%	22.8%
BVPS (W)	15,667	19,179	23,843	29,571
DPS (W)	600	850	950	1,200
P/E (x)	18.2	7.3	6.3	5.2
P/BV (x)	2.1	1.7	1.4	1.1
ROE (%)	12.9%	25.7%	23.9%	23.6%
Dividend Yield	1.8%	2.6%	2.9%	3.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: W32,550

Price Target: W43,000

South Korea

Insurance

MW Kim^{AC}

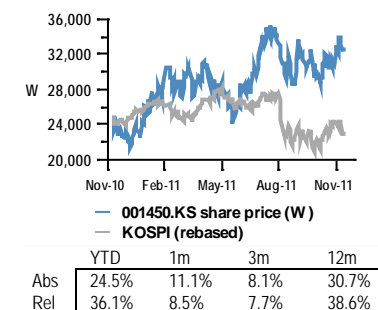
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Bloomberg JPMA MKIM <GO>

J.P. Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



Source: Bloomberg.

Company Data

52-week Range (W)	36,350 - 21,300
Market cap (W bn)	2,910
Market cap (\$ mn)	2,620
Shares O/S (mn)	89
Fiscal Year End	Mar
Price (W)	32,550
Date Of Price	10 Nov 11
Free float (%)	59.6%
3M Avg daily Value (W bn)	13.89
3M Avg daily Value (\$ mn)	12.75
3M Avg daily vol	0
KOSPI	1,813
Exchange Rate	1,110.70

Hyundai Marine & Fire Insurance: Summary of financials

Won in billions, Year-end March

Income statement	FY10	FY11E	FY12E	FY13E
Net premium earned	6,634	7,747	8,819	10,073
(% Y/Y)	18%	17%	14%	14%
Direct premium written	7,543	8,656	9,818	11,138
(% Y/Y)	17%	15%	13%	13%
General	808	876	929	984
(% Y/Y)	2%	8%	6%	6%
LT	4,809	5,704	6,731	7,909
(% Y/Y)	21%	19%	18%	18%
Auto	1,926	2,076	2,159	2,245
(% Y/Y)	15%	8%	4%	4%
Total incurred losses	5,297	6,283	7,155	8,162
General	139	185	170	183
LT	3,836	4,607	5,447	6,369
Auto	1,321	1,492	1,538	1,609
Underwriting expense	1,496	1,420	1,629	1,843
Underwriting profit	-204	44	-19	12
Investment profit	657	499	579	686
Net profit before tax	215	530	614	754
Income tax	56	130	155	190
Net profit	159	401	459	564
(% Y/Y)	-13.5%	151.2%	14.7%	22.8%

Ratio analysis

	FY10	FY11E	FY12E	FY13E
Claim loss ratio	79.8%	81.1%	81.1%	81.0%
General	58.8%	67.2%	62.0%	62.0%
LT	81.2%	82.4%	82.5%	82.1%
Auto	79.0%	79.3%	79.2%	79.7%
Expense ratio	22.5%	18.3%	18.5%	18.3%
Combined ratio	102.4%	99.4%	99.6%	99.3%
Investment yield	6.9%	4.7%	4.6%	4.6%

Per share data

	FY10	FY11E	FY12E	FY13E
EPS (W)	1,784	4,481	5,139	6,310
(% Y/Y)	-13.5%	151.2%	14.7%	22.8%
BVPS (W)	15,667	19,179	23,843	29,571
DPS (w)	600	850	950	1,200
Payout ratio	33.6%	19.0%	18.5%	19.0%

Source: Company data, J.P. Morgan estimates.

Balance sheet	FY10	FY11E	FY12E	FY13E
Cash & cash equivalent	338	474	540	612
Loan	2,638	3,082	3,510	3,981
Stock	136	264	301	341
Bond	5,831	6,689	7,617	8,639
Overseas securities	263	371	422	479
Real estate	845	1,110	1,264	1,433
Invested asset	10,313	12,308	14,014	15,896
Total assets	13,639	16,220	18,469	20,949
Policy reserve	9,724	11,182	12,859	27,648
Outstanding loss reserve	750	795	838	839
LT savings reserve	8,030	9,439	11,071	25,859
Unearned premium reserve	889	891	891	891
Policyholder dividend reserve	55	57	59	59
Total liabilities	12,239	14,505	16,338	18,306
Paid In Capital	45	45	45	45
Capital Surplus	115	115	115	115
Retained Earnings	1,037	1,362	1,737	2,193
Catastrophe reserve	404	454	508	564
Capital Adjustments	204	193	236	291
Total shareholders' equity	1,401	1,715	2,132	2,644

ROE decomposition

	FY10	FY11E	FY12E	FY13E
ROA(a*b)	1.7%	2.7%	2.6%	2.9%
Equity multiplier (c)	7.7	9.6	9.0	8.3
ROE (a*b*c)	12.7%	25.7%	23.9%	23.6%

Key SOTP assumptions

	(Won in billion, % X)
Risk free rate:	4.6%
Market risk premium:	6.0%
Beta:	1.2
Cost of equity	11.7%
Terminal 'g':	2.0%
Life Operation (FY12E)	
ANW	1,304
VIF	1,880
NBV	337
Goodwill Multiple	0.0x
Auto Operation (FY12E)	
BV	437
ROE	10.4%
P/BV (Target)	0.9x
General Operation (FY12E)	
BV	450
ROE	16.7%
P/BV (implied)	1.5x
Discount	20%
P/BV (Target)	1.2x

Source: J.P. Morgan estimates

Hyundai Motor Company

www.hyundai.com

Company description

Hyundai Motor Company is the largest automaker in Korea, with 50% domestic market share. HMC owns 38% in KIA Motors, the second-largest auto maker in Korea, and together they have over 80% of the Korean market. HMC/KIA are the world's fifth-largest auto manufacturers, based on annual sales volume, and operate 14 manufacturing and assembly operations in eight countries.

Key drivers of performance in an equity market recovery

(1) Strong model cycle (Europe/China); (2) channel diversification (corporate fleet market entrance in WE); (3) other sales infra investment (dealers and financing) will create better-than-expected growth factors for HMC.

How much recovery has already been priced in, what are the key metrics?

We believe the market is pricing in large concerns about the changes in competitive dynamics and demand contraction. The stock is trading at 7.6x FY12, c.4% below the long-term average PER. Assuming there were to be volatility in the share price, we believe it would be from the stock pricing in demand contraction in key markets in 2012, causing the shares to fall below W200,000 (stress-tested EPS * 7.5x long-term normalized PER). For our trough valuation, we have assumed: (1) a 10% Y/Y decline in US/Europe sales; (2) flat China sales; (3) margins deterioration from stagnant to falling utilizations and rising cost base (e.g. incentives).

Where's the earnings risk for 2012?

We expect that margin downside could come from: (1) rising supply in China; (2) increase in incentive costs in the US in case of competition.

Price target and key recovery risks

HMC is our preferred OEM pick as we see the biggest dislocation between low valuation and FY12 outlook. Our Dec-2012 price target of W280,000 is based on 8.5x FY12E EPS. Our target multiple of 8.5x represents a 10% premium to the long-term average trading multiple of 7.5x. Key downside risks include sharp F/X volatilities and competitive dynamics (incentives/model launching) in the US and China.

Hyundai Motor Company (Reuters: 005380.KS, Bloomberg: 005380 KS)

Year-end Dec	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	112,590	76,965	80,760	85,258
Operating Profit (W bn)	9,118	7,963	8,432	9,015
Net Profit (W bn)	7,983	8,207	8,949	9,635
Adjusted EPS (W)	20,063	28,386	31,118	33,643
Revenue growth	23.1%	-31.6%	4.9%	5.6%
Operating Profit growth	62.2%	-12.7%	5.9%	6.9%
Adjusted EPS growth	83.2%	41.5%	9.6%	8.1%
ROA	7.2%	6.4%	7.3%	7.6%
ROE	24.3%	21.4%	20.1%	19.6%
P/E (x)	11.8	8.3	7.6	7.0
P/BV (x)	1.3	1.2	1.0	1.1
EV/EBITDA (x)	6.9	8.0	7.2	6.4

Source: Company data, Bloomberg, J.P. Morgan estimates. *Note= Price target is calculated based on adjusted EPS for pref. shares (2011E W30,198; 2012E W32,928; 2013E W35,451)

Overweight

Price: W237,000

Price Target: W280,000

South Korea

Korean Autos

Wansun Park^{AC}

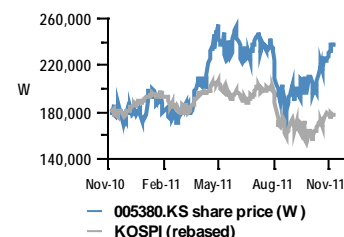
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J.P. Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



	YTD	1m	3m	12m
Abs	36.6%	18.5%	18.8%	31.3%
Rel	43.0%	9.4%	16.1%	32.5%

Source: Bloomberg.

Company Data

52-week Range (W)	257,000 - 161,500
Market cap (W bn)	52,206
Market cap (\$ mn)	47,002
Shares O/S (mn)	220
Fiscal Year End	Dec
Price (W)	237,000
Date Of Price	07 Nov 11
Free float (%)	62.9%
3M Avg daily Value (W bn)	226.76
GPS_AU	

Hyundai Motor Company: Summary of financials

Won in billions, year-end December

Income statement

	FY10	FY11E	FY12E	FY13E
Revenues	112,590	76,965	80,760	85,258
% change Y/Y	23%	-32%	5%	6%
Gross Margin (%)	23.6%	23.9%	24.0%	24.0%
EBITDA	9,939	10,115	10,845	11,546
% change Y/Y	54%	2%	7%	6%
EBITDA Margin (%)	8.8%	13.1%	13.4%	13.5%
EBIT	9,118	7,963	8,432	9,015
% change Y/Y	62%	-13%	6%	7%
EBIT Margin (%)	8.1%	10.3%	10.4%	10.6%
Net Interest	-351	-32	-30	56
Earnings before tax	10,452	10,687	11,653	12,545
% change Y/Y	88%	2%	9%	8%
Tax	2,469	2,479	2,703	2,911
as % of EBT	24%	23%	23%	23%
Net Income	7,983	8,207	8,949	9,635
Owners of Parent Equity	5,441	7,707	8,449	9,135
% change Y/Y	83%	42%	10%	8%
Non-Controlling Interests				
Equity	2,542	500	500	500
EPS (reported)	20,063	28,386	31,118	33,643
% change Y/Y	98%	3%	9%	8%

Balance sheet

	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	9,391	6,898	9,720	12,687
ST financial instruments	8,562	8,318	8,318	8,318
Accounts receivable	7,556	3,542	3,575	3,631
Inventories	11,525	6,289	6,599	6,966
Others	4,334	23,829	24,024	24,255
Current assets	41,368	48,875	52,235	55,857
LT investments	7,934	29,388	30,857	32,400
Fixed asset	28,878	19,062	19,061	18,941
Intangible assets	3,948	2,588	2,588	2,588
Other non-current assets	1,337	2,215	2,215	2,215
Total assets	118,078	102,129	106,957	112,002
ST loans	20,816	15,917	15,917	15,917
Payables	10,412	7,605	7,980	8,424
Others	14,377	11,300	11,857	12,517
Total current liabilities	45,604	34,822	35,754	36,859
Total non-current liabilities	35,460	27,404	21,933	25,874
Total liabilities	81,342	62,226	57,687	62,733
Shareholders' equity	36,736	39,902	49,270	49,270
BVPS (w)	175,802	190,672	235,435	223,672

Cash flow statement

	FY10	FY11E	FY12E	FY13E
EBIT	9,118	7,963	8,432	9,015
Add: dep./amortization	821	2,152	2,413	2,532
Less: tax paid	-2,469	-2,479	-2,703	-2,911
Interest paid	-351	-32	-30	56
Gross cash flow	7,119	7,604	8,111	8,692
Capital expenditures	-4,038	-3,800	-3,500	-3,846
Investments	-2,024	-2,399	-1,469	-1,543
Change in working capital	1,021	7,127	10	-5
Free cash flow	2,079	8,532	3,152	3,298
Dividends paid	-328	-428	-330	-330
New shares issued	0	0	0	0
Other	2,540	-7,834	0	0
Net cash flow	1,172	270	2,822	2,968

Ratio analysis

	FY10	FY11E	FY12E	FY13E
EBITDA margin	8.8%	13.1%	13.4%	13.5%
Operating margin	8.1%	10.3%	10.4%	10.6%
Net profit margin	7.1%	10.7%	11.1%	11.3%
SG&A/sales	15.5%	13.9%	13.8%	13.7%
Sales growth	23%	-32%	5%	6%
Operating profit growth	62%	-13%	6%	7%
Net profit growth	97%	3%	9%	8%
EPS growth	98%	3%	9%	8%
Interest coverage (x)	9.6	15.0	15.9	17.0
Debt to total capital	57%	51%	45%	45%
Net debt to equity	83%	64%	46%	40%
Sales/assets	95%	75%	76%	76%
Assets/equity	321%	256%	217%	227%
ROE	24.3%	21.4%	20.1%	19.6%
ROA	7.2%	7.5%	8.6%	8.8%
EBITDA margin	8.8%	13.1%	13.4%	13.5%
Operating margin	8.1%	10.3%	10.4%	10.6%
Net profit margin	7.1%	10.7%	11.1%	11.3%
SG&A/sales	15.5%	13.9%	13.8%	13.7%

Source: Company data, J.P. Morgan estimates.

I.T Ltd.

www.ithk.com/

Company description

I.T is a multi-brand, multi-format and multi-layer integrated fashion retailer in Greater China. I.T offers a wide range of fashion apparels and accessories from international labels and in-house brands, via multi-brand or mono-brand stores, targeting diversified customers with varying spending power. I.T sells over 300 international designer labels in Hong Kong and the PRC, and also owns 10 in-house brands. As of Aug 2011, in-house brands and international brands accounted for 56% and 41% of the company's total retail sales, respectively, with remaining 3% from licensed brands. As of Aug 2011, I.T had a total of 503 directly operated stores with an aggregated GFA of near 1.2 million sqft in Greater China, including FCUK stores.

Key drivers of performance in an equity market recovery

SSSG and gross margins should be the two foremost drivers to benefit from a market recovery. Footfall should rise on the back of improved economy outlook together with adequate inventory supply. In addition, gross margins should expand on reduced discount activities as well as potential trade-up from consumers.

How much recovery has already been priced in, what are the key metrics?

The stock was de-rated to 8.9x Feb-13 PE. We have reset a more conservative earnings base for next year, factoring into halved SSSG assumptions as well as 1ppt. dilution in gross margins. Our current earnings forecast based on a slow-down case suggests 20% y/y increase for FY13. We have seen consensus projections come down over the past few weeks, and are now in line with our estimates. On the other hand, the stock price is still below the level of the FY11 earnings announcement in May-2011, despite the expanded earnings base. Therefore we expect the stock to re-rate on a market recovery.

Where's the earnings risk for 2012?

We lowered earnings forecasts by 12% for FY13E (YE: Feb), reflecting a slowdown scenario. Together with operating leverage, potential market recovery could suggest at least 10% earnings upside to our current forecasts.

Price target and key recovery risks

Our Aug-12 PT of HK\$8 is based on a two-year EPS CAGR of 23% and a revised target PEG of 0.8x, 20% discount to our big-cap average of 1x due to small-cap discount. Key downside risks include higher than expected operating expenses.

I.T Ltd. (Reuters: 0999.HK, Bloomberg: 999 HK)

HK\$ in mn, year-end Feb	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (HK\$ mn)	2,996	3,834	5,424	6,268	7,676
Net Profit (HK\$ mn)	263	388	500	602	754
Recurring EPS (HK\$)	0.23	0.34	0.43	0.51	0.64
DPS (HK\$)	0.11	0.15	0.13	0.15	0.19
Revenue growth (%)	9.6%	28.0%	41.5%	15.6%	22.5%
Recurring profit growth (%)	132.3%	51.4%	25.6%	20.3%	25.3%
ROE	19.5%	23.3%	24.7%	25.0%	26.2%
P/E (x)	20.0	13.8	10.7	8.9	7.1
P/BV (x)	3.5	2.9	2.4	2.0	1.7
EV/EBITDA (x)	12.1	9.3	7.3	5.8	4.5
Dividend Yield	2.3%	3.3%	2.8%	3.4%	4.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$4.54

Price Target: HK\$8.00

Hong Kong

Consumer Goods

Elsa Yang^{AC}

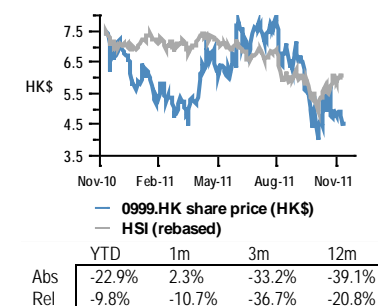
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Bloomberg JPMA YANG <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	1,221
Market cap (HK\$ mn)	5,542
Market cap (\$ mn)	713
Price (HK\$)	4.54
Date Of Price	10 Nov 11
Free float (%)	36.0%
3mth Avg daily volume	8.48
3M - Average daily Value (HK\$ mn)	45.00
Average 3m Daily Turnover (\$ mn)	6.03
HSI	20,014
Exchange Rate	7.77
Fiscal Year End	Feb

I.T Ltd.: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Feb	FY10	FY11	FY12E	FY13E	FY14E	HK\$ in millions, year end Feb	FY10	FY11	FY12E	FY13E	FY14E
Revenues	2,996	3,834	5,424	6,268	7,676	PBT	315	481	625	763	969
% change Y/Y	9.6%	28.0%	41.5%	15.6%	22.5%	Depr. & amortization	127	134	162	198	233
Gross Profit	1,819	2,429	3,396	3,908	4,886	Change in working capital	-38	-98	-217	-115	-160
% change Y/Y	12.9%	33.5%	39.8%	15.1%	25.0%	Tax	-45	-71	-125	-160	-213
Gross margin	60.7%	63.3%	62.6%	62.4%	63.7%	Other	7	4	-24	-31	-33
EBITDA	435	604	775	943	1,183	Cash flow from operations	366	450	421	654	797
% change Y/Y	71.6%	39.0%	28.1%	21.7%	25.5%	Capex	-138	-489	-286	-361	-356
EBITDA Margin	14.5%	15.8%	14.3%	15.0%	15.4%	Sale of assets	0	0	-	-	-
EBIT	308	471	612	745	950	Acquisition of subsidiaries/intangibles	0	-14	0	0	0
% change Y/Y	115.5%	53.0%	30.1%	21.6%	27.6%	Other	1	-5	5	6	6
EBIT Margin	10.3%	12.3%	11.3%	11.9%	12.4%	Cash flow from investing	-137	-508	-281	-355	-350
Net Interest	3	2	-7	-6	-6	Equity raised/(repaid)	0	26	0	0	0
Share of JVs	5	16	19	25	25	Debt raised/(repaid)	-47	267	0	0	0
Earnings before tax	315	481	625	763	969	Dividends paid	0	-88	-150	-181	-226
% change Y/Y	300.0%	52.6%	29.8%	22.2%	27.0%	Other	0	-0	0	0	0
Tax	-53	-93	-125	-160	-213	Cash flow from financing	-47	204	-150	-181	-226
as % of EBT	16.7%	19.4%	20.0%	21.0%	22.0%	Net change in cash	182	146	-10	119	221
Minorities	-	-0	0	-1	-2	FX gain/(loss)	-1	7	0	0	0
Other income/(exp)	-0	-8	0	0	0	Ending cash	622	775	765	884	1,105
Net income (reported)	263	388	500	602	754	DPS	0.11	0.15	0.13	0.15	0.19
% change Y/Y	517.3%	47.7%	28.9%	20.3%	25.3%						
Recurring Net Income	263	398	500	602	754						
% change Y/Y	132.3%	51.4%	25.6%	20.3%	25.3%						
EPS (reported)	0.23	0.33	0.43	0.51	0.64						
% change Y/Y	517.9%	45.1%	29.0%	20.3%	25.3%						
Recurring EPS	0.23	0.34	0.43	0.51	0.64						
% change Y/Y	132.3%	48.7%	25.6%	20.3%	25.3%						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Feb	FY10	FY11	FY12E	FY13E	FY14E	HK\$ in millions, year end Feb	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	622	776	765	884	1,105	Gross margin	60.7%	63.3%	62.6%	62.4%	63.7%
Accounts receivable	120	121	172	198	243	EBITDA margin	14.5%	15.8%	14.3%	15.0%	15.4%
Inventories	395	737	1,063	1,237	1,462	Operating margin	10.3%	12.1%	11.3%	11.9%	12.4%
Others	150	239	239	239	239	Net margin	8.8%	10.1%	9.2%	9.6%	9.8%
Current assets	1,287	1,873	2,240	2,559	3,049	Recurring net profit margin	8.8%	10.4%	9.2%	9.6%	9.8%
Intangible assets	260	371	366	362	358	Sales growth	9.6%	28.0%	41.5%	15.6%	22.5%
Long term investments	39	64	83	108	133	Net profit growth	517.3%	47.7%	28.9%	20.3%	25.3%
Net fixed assets	233	727	855	1,022	1,149	Recurring net profit growth	132.3%	51.4%	25.6%	20.3%	25.3%
Other assets	153	251	251	251	251	EPS growth	517.9%	45.1%	29.0%	20.3%	25.3%
Total Assets	1,972	3,286	3,795	4,301	4,940	Net debt to equity	-36.5%	-9.8%	-7.8%	-11.1%	-16.2%
Liabilities						Sales/assets	1.63	1.46	1.53	1.55	1.66
Short-term loans	47	215	215	215	215	Assets/equity	1.33	1.78	1.73	1.64	1.57
Trade & other payables	149	361	520	605	716	ROE	19.5%	23.3%	24.7%	25.0%	26.2%
Others	232	437	437	437	437	ROCE	7.9%	8.8%	23.4%	24.8%	27.3%
Total current liabilities	429	1,012	1,172	1,257	1,368						
Long-term debt	35	379	379	379	379						
Others	31	51	51	51	51						
Total Liabilities	494	1,442	1,602	1,687	1,797						
Minorities	-	-4	-4	-3	-2						
Shareholders' equity	1,478	1,847	2,197	2,617	3,144						
BVPS	1.28	1.57	1.87	2.23	2.67						

Source: Company reports and J.P. Morgan estimates.

ICICI Bank

www.icicibank.com

Company description

ICICI Bank is one of India's largest banks, with significant market share in most retail loan segments. After a period of consolidation, it is back on a growth path, with continued caution on pricing and credit controls. ICICI also has significant interest in life and general insurance and investment banking.

Key drivers of performance in an equity market recovery

The key drivers for the stock are a) asset quality – ICICI went through some stress in FY08 and FY09 from its unsecured retail portfolio, but is now back on track after it tightened credit standards. There are persistent worries about its infrastructure exposure, though. b) margins – ICICI has somewhat recovered from its previous sub-par margins and is expected to do even better in FY12 as its losses on securitised pools wind down c) retail loan growth – ICICI is struggling to re-enter some segments after vacating the market in 2009-10.

How much recovery has already been priced in, what are the key metrics

No recovery is priced in for ICICI Bank – its PBV is 17% below historic mean. The key valuation metrics are P/B (1.6x on FY 13 book), Return on Equity (normalized ROE of 22.4%) and net NPA ratio (1.38% for 2011-12e on a 2 year lag basis).

Where's the earnings risk for 2012

We estimate weak earnings for 1Q CY12 and the recovery to come in the 2H CY12e. We are 2.5% ahead of the Bloomberg consensus on EPS 2011-12e. Our estimate of EPS 2011-12e is at Rs55.5 against Bloomberg consensus at Rs54.1.

Price target and key recovery risks

Our Mar-12 PT for ICICI Bank of Rs1,300/share is based on 2 stage Gordon growth model implying 2.4x (2.5x excluding the subsidiaries) FY13 book and Rs208/share valuation for the subsidiaries. Our valuations factor in Cost of Equity at 14.3%, Normalized ROE of ~22.4% and terminal growth of 5%. The key risks are large losses from their infrastructure-related exposures and a slow ramp-up in retail lending.

ICICI Bank (Reuters: ICBK.BO, Bloomberg: ICICIBC IN)

Year-end Mar (Rs in mn)	FY10A	FY11A	FY12E	FY13E	FY14E
Operating Profit (Rs mn)	88,658	92,498	110,039	136,686	170,114
Net Profit (Rs mn)	40,248	51,514	68,678	83,480	103,345
Cash EPS (Rs)	36.10	44.72	59.63	72.48	89.72
Fully Diluted EPS (Rs)	28.33	46.48	57.02	69.87	87.12
DPS (Rs)	12.00	14.00	18.66	22.69	28.09
EPS growth (%)	6.9%	23.9%	33.3%	21.6%	23.8%
ROE	8.0%	9.7%	12.0%	13.4%	15.2%
P/E	24.5	19.8	14.8	12.2	9.9
BVPS (Rs)	462.99	478.29	516.08	562.01	618.88
P/BV	1.9	1.8	1.7	1.6	1.4
Div. Yield	1.4%	1.6%	2.1%	2.6%	3.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rs884.30

Price Target:Rs1,300.00

India

Financials

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Bloomberg JPMA SEN <GO>

J.P. Morgan India Private Limited

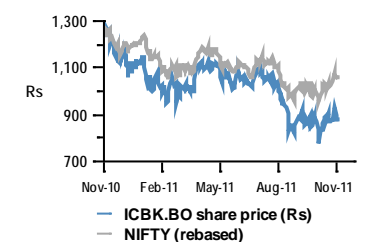
Dibin Korath, CFA

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J.P. Morgan India Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-23.3%	4.6%	-12.4%	-29.1%
Rel	-9.1%	-4.0%	-9.8%	-14.6%

Source: Bloomberg.

Company Data

52-wk range (Rs)	1,278.00 - 761.40
Market cap (Rs mn)	1,019,100
Market cap (\$ mn)	20,751
Shares outstanding (mn)	1,152
Fiscal Year End	Mar
Price (Rs)	884.30
Date Of Price	04 Nov 11
Avg daily value (Rs mn)	2,297.2
Avg daily value (\$ mn)	46.8
AVG_	

ICICI Bank: Summary of Financials

Income Statement						Growth Rates					
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E		FY10	FY11	FY12E	FY13E	FY14E
NIM (as % of avg. assets)	2.3%	2.5%	2.5%	2.6%	2.7%	Loans	-16.4%	19.9%	21.8%	21.7%	21.7%
Earning assets/assets	93.2%	94.3%	95.2%	95.5%	95.5%	Deposits	0.4%	7.8%	18.6%	22.2%	22.4%
Margins (% of earning assets)	2.2%	2.3%	2.4%	2.5%	2.6%	Assets	-4.2%	11.8%	20.0%	21.3%	21.1%
						Equity	4.2%	6.7%	7.9%	8.9%	10.1%
Net Interest Income	81,141	90,169	107,748	134,235	167,644	RWA	-17.5%	16.1%	22.0%	22.0%	22.0%
Total Non-Interest Income	66,115	68,501	80,489	95,782	113,981	Net Interest Income	-3.0%	11.1%	19.5%	24.6%	24.9%
Fee Income	52,001	59,259	69,630	82,859	98,603	Non-Interest Income	5.0%	3.6%	17.5%	19.0%	19.0%
						of which Fee Grth	-12.8%	14.0%	17.5%	19.0%	19.0%
Other Operating Income	14,114	9,242	10,859	12,923	15,378	Revenues	(7.4%)	11.6%	25.1%	26.7%	25.2%
Total operating revenues	147,256	158,670	188,238	230,017	281,624	Costs	-16.8%	12.9%	18.2%	19.4%	19.5%
						Pre-Provision Profits	16.3%	4.3%	19.0%	24.2%	24.5%
Operating costs	-58,598	-66,172	-78,199	-93,331	-111,511	Loan Loss Provisions	15.5%	-48.0%	-14.3%	25.2%	24.6%
						Pre-Tax	-	-	-	-	-
Pre-Prov. Profits	88,658	92,498	110,039	136,686	170,114	Attributable Income	7.1%	28.0%	33.3%	21.6%	23.8%
Provisions	-43,969	-22,868	-19,600	-24,541	-30,569	EPS	6.9%	23.9%	33.3%	21.6%	23.8%
Other Inc/Exp. (treasury income)	8,662	-2,023	3,000	3,000	3,000	DPS	9.1%	16.7%	33.3%	21.6%	23.8%
Exceptionals	0	0	0	0	0						
						Balance Sheet Gearing					
							FY10	FY11	FY12E	FY13E	FY14E
Pre-tax	53,351	67,607	93,439	115,145	142,545	Loan/deposit	92.5%	99.3%	96.7%	92.8%	90.3%
Tax	13,103	16,093	24,761	31,665	39,200	Investment/assets	14.4%	17.1%	15.9%	14.6%	13.5%
Minorities	-	-	-	-	-	Loan/Assets	49.9%	53.3%	54.2%	54.5%	54.9%
Other Distbn.	-	-	-	-	-	- Customer deposits/liab.	64.8%	64.3%	65.9%	67.9%	69.4%
Attributable Income	40,248	51,514	68,678	83,480	103,345	LT debt/liabilities	25.9%	27.0%	26.2%	25.0%	23.9%
Per Share Data Rs						Asset Quality/Capital					
	FY10	FY11	FY12E	FY13E	FY14E		FY10	FY11	FY12E	FY13E	FY14E
EPS	36.10	44.72	59.63	72.48	89.72	Loan loss reserves/loans	-3.0%	-3.4%	-3.2%	-3.0%	-2.8%
DPS	12.00	14.00	18.66	22.69	28.09	NPLs/loans	5.1%	4.5%	4.1%	3.8%	3.5%
Payout	33.2%	31.3%	31.3%	31.3%	31.3%	Specific loan loss reserves/NPLs	-59.5%	-76.0%	-78.0%	-78.0%	-78.0%
Book value	462.99	478.29	516.08	562.01	618.88	Growth in NPLs	-1.8%	5.8%	12.3%	12.1%	13.1%
Fully Diluted Shares	1,114.89	1,151.82	1,151.82	1,151.82	1,151.82	Tier 1 Ratio	14.0%	13.2%	12.9%	11.6%	10.6%
						Total CAR	19.4%	19.5%	19.7%	18.1%	16.6%
Key Balance sheet Rs in millions						Du-Pont Analysis					
	FY10	FY11	FY12E	FY13E	FY14E		FY10	FY11	FY12E	FY13E	FY14E
Net Loans	1,924,847	2,316,197	2,815,402	3,417,403	4,151,776	NIM (as % of avg. assets)	2.3%	2.5%	2.5%	2.6%	2.7%
LLR	56,395	76,269	87,869	98,506	111,450	Earning assets/assets	93.2%	94.3%	95.2%	95.5%	95.5%
Gross Loans	1,868,451	2,239,928	2,727,533	3,318,896	4,040,326	Margins (as % of Avg. Assets)	2.2%	2.3%	2.4%	2.5%	2.6%
NPLs	94,807	100,333	112,652	126,290	142,885	Non-Int. Rev./ Revenues	41.0%	40.8%	40.4%	39.4%	38.4%
Investments	523,247	696,384	774,316	862,103	963,870	Non IR/Avg. Assets	1.8%	1.8%	1.8%	1.8%	1.7%
Other earning assets	192,807	163,476	171,650	216,410	269,386	Revenue/Assets	4.0%	4.1%	4.2%	4.3%	4.3%
Avg. IEA	3,461,539	3,630,570	4,252,569	5,149,616	6,241,950	Cost/Income	39.8%	41.7%	41.5%	40.6%	39.6%
Goodwill	-	-	-	-	-	Cost/Assets	-1.6%	-1.7%	-1.7%	-1.7%	-1.7%
Assets	3,634,655	4,062,336	4,874,811	5,913,365	7,161,216	Pre-Provision ROA	2.4%	2.4%	2.5%	2.5%	2.6%
						LLP/Loans	-2.1%	-1.1%	-0.8%	-0.8%	-0.8%
Deposits	2,020,826	2,256,021	2,821,707	3,574,576	4,475,246	Loan/Assets	55.2%	53.4%	55.6%	56.1%	56.3%
Long-term bond funding	942,635	1,095,543	1,274,827	1,480,029	1,709,960	Other Prov, Income/ Assets	0.2%	-0.1%	0.1%	0.1%	0.0%
Other Borrowings	252,559	312,172	357,172	402,172	447,172	Operating ROA	2.4%	2.4%	2.5%	2.5%	2.6%
Avg. IBL	3,039,247	3,157,512	3,724,049	4,575,570	5,619,906	Pre-Tax ROA	1.4%	1.8%	2.1%	2.1%	2.2%
Avg. Assets	3,713,832	3,848,496	4,468,574	5,394,088	6,537,290	Tax rate	-	-	-	-	-
Common Equity	516,184	550,909	594,434	647,340	712,836	Minorities & Outside Distbn.	0.0%	0.0%	0.0%	0.0%	0.0%
RWA	2,941,806	3,414,980	4,166,276	5,082,856	6,201,085	ROA	1.1%	1.3%	1.5%	1.5%	1.6%
Avg. RWA	3,253,218	3,178,393	3,790,628	4,624,566	5,641,970	RORWA	1.2%	1.6%	1.8%	1.8%	1.8%
						Equity/Assets	13.6%	13.9%	12.8%	11.5%	10.4%
						ROE	8.0%	9.7%	12.0%	13.4%	15.2%

Source: Company reports and J.P. Morgan estimates.

IJM Corporation

www.ijm.com/

Company description

IJM is a construction conglomerate in Malaysia with a footprint in large-scale infrastructure and building developments. The company has a respectable presence in construction in India and the Middle East. IJM, via its listed subsidiaries of IJM Land and IJM Plantations, also has significant interests in property and plantation businesses. The acquisition of Road Builder in 2007 also paved the way for toll and port concessions, in addition to its Indian power concession and Indian toll roads.

Key drivers of performance in an equity market recovery

IJM should benefit from major infrastructure spending by the government to improve public transportation. Key potential catalysts for the stock are the awarding of the West Coast Expressway and the New Pantai Highway extension (close to M\$1B), and other projects such as the M\$12B worth of non-tunneling MRT works for Phase 1.

How much recovery has already been priced in, what are the key metrics

The stock has tumbled 33% from its peak on 1 Jul but has rebounded 30%. At 13.3x FY13 P/E (Mar FY), the stock is trading at a 21% discount to its historical average P/E of 16.8x. Based on our M\$2B new construction orders for FY12, if IJM delivers just M\$1B incrementally higher, we estimate it would add M\$0.24 (+3.4%) to our SoTP valuation, suggesting the stock is under-pricing the West Coast Expressway.

Where's the earnings risk for 2012

Earnings risk could come from the execution of projects, particularly if building material prices surge. On balance, we expect upside earnings revision bias on potential construction order flows.

Price target and key recovery risks

At our Dec-12 PT of M\$7.00, IJM would be trading on an FY13E P/E of 16.3x and a forward P/BV of 1.7x, within the long-term mean P/E of 16.8x. Key risks to our PT include slower-than-expected construction project rollout, and a significant rise in input prices again, as was the case in FY09.

IJM Corporation Berhad (Reuters: IJMS.KL, Bloomberg: IJM MK)

M\$ in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (M\$ mn)	4,014	3,721	5,067	5,983	7,107
Reported Net Profit (M\$ mn)	300	321	476	605	723
FD EPS (M\$)	0.24	0.24	0.34	0.43	0.51
Net DPS (M\$)	0.10	0.11	0.13	0.13	0.13
Revenue growth (%)	-12.8%	-7.3%	36.2%	18.1%	18.8%
FD EPS growth (%)	3.0%	0.5%	44.0%	25.4%	18.4%
ROE (%)	6.2%	6.5%	9.3%	11.2%	12.3%
ROCE (%)	7.2%	9.7%	11.8%	13.2%	14.0%
Adj P/E (x)	24.0	20.0	16.5	13.2	11.1
P/B (x)	1.5	1.5	1.5	1.4	1.2
EV/EBITDA (x)	11.0	8.0	6.5	5.5	4.6
Net Div yield (%)	1.8%	1.9%	2.3%	2.3%	2.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: M\$5.68

Price Target: M\$7.00

Malaysia

Construction

Hoy Kit Mak^{AC}

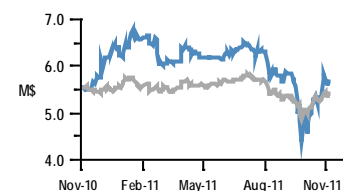
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Bloomberg JPMA MAK <GO>

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Price Performance



	YTD	1m	3m	12m
Abs	-8.3%	24.9%	-9.7%	2.5%
Rel	-5.6%	16.4%	-5.2%	4.8%

Source: Bloomberg.

Company Data

Shares O/S (mn)	1,375
Market cap (M\$ mn)	7,799
Market cap (\$ mn)	2497
Price (M\$)	5.67
Date Of Price	04 Nov 11
Free float (%)	71.8%
3mth Avg daily volume	3.24
3M - Average daily Value (M\$ mn)	17.96
Average 3m Daily Turnover (\$ mn)	5.72
FBMKLCI	1,462
Exchange Rate	3.12
Fiscal Year End	Mar

IJM Corporation: Summary of Financials

Income Statement						Cash flow statement					
M\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Revenues	4,014	3,721	5,067	5,983	7,107	Operating profit	613	824	985	1,118	1,262
% change Y/Y	(12.8%)	(7.3%)	36.2%	18.1%	18.8%	Depr. & amortization	146	152	163	168	176
EBITDA	759	976	1,148	1,287	1,438	Change in working capital	-358	217	-177	-231	-283
% change Y/Y	-3.6%	28.5%	17.6%	12.1%	11.7%	Taxes	-130	-197	-225	-265	-304
EBIT	613	824	985	1,118	1,262	Cash flow from operations	311	827	631	699	769
% change Y/Y	NM	34.4%	19.5%	13.6%	12.9%	Capex	-131	-440	-240	-235	-228
EBIT Margin	15.3%	22.1%	19.4%	18.7%	17.8%	Disposal/(purchase)	-	-	-	-	-
Net Interest	-122	-107	-115	-92	-81	Net Interest	-122	-107	-115	-92	-81
Earnings before tax	521	738	899	1,058	1,216	Other	-73	-59	0	0	0
% change Y/Y	-1.7%	41.5%	21.9%	17.7%	14.9%	Free cash flow	58	280	276	372	460
Tax	-130	-197	-225	-265	-304	Equity raised/(repaid)	1	111	1	1	1
as % of EBT	25.0%	26.7%	25.0%	25.0%	25.0%	Debt raised/(repaid)	-	-	-	-	-
Core net profit	300	382	476	605	723	Other	293	-107	-315	0	0
% change Y/Y	3.0%	27.3%	24.6%	27.1%	19.5%	Dividends paid	-122	-91	-107	-125	-125
Shares outstanding	1,269	1,351	1,351	1,351	1,352	Beginning cash	946	1,222	1,507	1,501	1,857
EPS (reported)	0.24	0.24	0.35	0.45	0.53	Ending cash	1,222	1,507	1,501	1,857	2,295
% change Y/Y	3.0%	0.5%	48.2%	27.1%	19.4%	DPS	0.10	0.11	0.13	0.13	0.13
Balance sheet						Ratio Analysis					
M\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	1,222	1,507	1,501	1,857	2,295	EBITDA margin	18.9%	26.2%	22.7%	21.5%	20.2%
Accounts receivable	2,227	2,136	2,652	3,113	3,680	Operating margin	15.3%	22.1%	19.4%	18.7%	17.8%
Inventories	529	584	795	939	1,116	Net margin	7.5%	8.6%	9.4%	10.1%	10.2%
Others	1,621	1,622	2,284	2,682	3,170	Sales per share growth	(12.8%)	(12.9%)	36.2%	18.1%	18.7%
Current assets	5,599	5,849	7,232	8,591	10,260	Sales growth	(12.8%)	(7.3%)	36.2%	18.1%	18.8%
LT investments	393	128	128	128	128	Net profit growth	3.0%	7.0%	48.3%	27.1%	19.5%
Net fixed assets	1,610	1,614	1,654	1,690	1,717	EPS growth	3.0%	0.5%	48.2%	27.1%	19.4%
Total Assets	12,558	12,580	14,214	15,640	17,372	Interest coverage (x)	6.20	9.13	9.99	13.98	17.72
Liabilities						Net debt to equity	50.5%	37.8%	30.8%	22.1%	13.1%
Short-term loans	1,300	818	1,100	1,100	1,100	Sales/assets	0.33	0.30	0.38	0.40	0.43
Payables	1,267	1,454	1,979	2,337	2,777	Assets/equity	2.40	2.45	2.41	2.78	2.82
Others	369	414	532	600	683	ROE	6.2%	6.5%	9.3%	11.2%	12.3%
Total current liabilities	2,936	2,686	3,611	4,037	4,559	ROCE	7.2%	9.7%	11.8%	13.2%	14.0%
Long-term debt	2,400	2,597	2,000	2,000	2,000						
Other liabilities	1,375	781	1,749	2,130	2,601						
Total Liabilities	6,711	6,063	7,361	8,167	9,160						
Shareholders' equity	4,910	5,047	5,186	5,618	6,167						
BVPS	3.87	3.74	3.84	4.16	4.56						

Source: Company reports and J.P. Morgan estimates.

Indocement

www.indocement.co.id

Company description

INTP, part of Heidelberg Cement, is the second-largest cement producer in Indonesia after Semen Gresik Group. The company currently has two factories in West Java and East Kalimantan with a total capacity of 18.6MM MT as of end-FY10. Its FY11 EBITDA/MT is among the highest in the region, on our estimates.

Key drivers of performance in an equity market recovery

We see INTP as a good recovery play as cement sales volumes could beat expectations. We estimate the market is currently pricing in cement sales growth of 8% Y/Y in FY12E, a slowdown from around 15% in FY11. ASP could also improve in a better-than-expected demand environment.

How much recovery has already been priced in, what are the key metrics?

Cement stocks have recently re-rated as the market appears to believe that Indonesian domestic demand growth should not be impacted by the global environment. We think some of the recovery has been priced into Indocement. Further P/E re-rating to previous 3-year average of 16-17x could be possible once the market believes ASP improvement is likely and growth is secured. [

Where's the earnings risk for 2012?

We see upside earnings risk if volume growth in FY12E is better than 8%. There could be downside earnings risk if the coal price remains resilient.

Price target and key recovery risks

Our Jun-12 price target of Rp16,100 is based on DCF methodology, assuming a risk-free rate of 9.0% and a market risk premium of 5.5%. Our price target implies FY11E P/E of 16.9x and FY12 P/E of 14.4x. Recovery risks to our price target include: (1) sharp spike in energy costs; (2) higher-than-expected inflation rate and sharp rises in SBI rates; and (3) disruption in the oligopoly market.

Indocement Tunggal Prakasa Tbk (Reuters: INTP.JK, Bloomberg: INTP IJ)

Rp in bn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rp bn)	10,576	11,138	13,169	14,740	15,915
Net Profit (Rp bn)	2,737.9	3,224.7	3,515.8	4,123.9	4,574.0
EPS (Rp)	743.74	875.98	955.05	1,120.26	1,242.52
DPS (Rp)	150.00	238.00	280.31	305.62	358.48
Revenue growth (%)	8.1%	5.3%	18.2%	11.9%	8.0%
EPS growth (%)	56.9%	17.8%	9.0%	17.3%	10.9%
ROCE	36.3%	33.0%	30.6%	29.9%	27.2%
ROE	28.5%	27.2%	24.6%	24.2%	22.7%
P/E (x)	20.9	17.8	16.3	13.9	12.5
P/BV (x)	5.4	4.4	3.7	3.1	2.6
EV/EBITDA (x)	13.2	11.7	10.4	8.8	7.6
Dividend Yield	1.0%	1.5%	1.8%	2.0%	2.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rp15,550

Price Target: Rp16,100

Indonesia

Cement

Liliana Bambang^{AC}

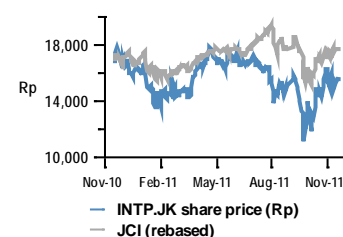
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PT J.P. Morgan Securities Indonesia

Price Performance



	YTD	1m	3m	12m
Abs	-3.1%	5.1%	3.7%	-8.5%
Rel	-5.4%	2.8%	7.2%	-12.3%

Source: Bloomberg.

Company Data

Shares O/S (mn)	3,681
Market cap (Rp mn)	57,243,160
Market cap (\$ mn)	6,384
Price (Rp)	15,550
Date Of Price	16 Nov 11
Free float (%)	49.0%
3mth Avg daily volume	3.45
3M - Avg daily Value (Rp mn)	49,533.86
3M - Avg daily Value (USD) (\$ mn)	5.78
JCI	3,814
Exchange Rate	8,967.00
Fiscal Year End	Dec

Indocement: Summary of Financials

Income Statement						Cash flow statement					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	10,576	11,138	13,169	14,740	15,915	EBIT	3,693	4,020	4,425	5,090	5,481
% change YY	8.1%	5.3%	18.2%	11.9%	8.0%	Depr. & amortization	569	600	594	564	602
EBITDA	4,263	4,620	5,019	5,654	6,083	Change in working capital	252	806	-1,078	-70	-90
% change YY	40.9%	8.4%	8.6%	12.7%	7.6%	Taxes	-1048	-1024	-1172	-1375	-1525
EBIT	3,693	4,020	4,425	5,090	5,481	Cash flow from operations	3,765	3,353	3,032	4,618	5,086
% change YY	50.1%	8.9%	10.1%	15.0%	7.7%	Capex	-745	-529	-200	-1,060	-200
EBIT Margin	34.9%	36.1%	33.6%	34.5%	34.4%	Disposal/(purchase)	-	-	-	-	-
Net Interest	39	167	253	398	608	Net Interest	39	167	253	398	608
Earnings before tax	3,786	4,248	4,688	5,499	6,099	Other	-	-	-	-	-
% change YY	62.3%	12.2%	10.3%	17.3%	10.9%	Free cash flow	3,020	2,824	2,832	3,558	4,886
Tax	-1,048	-1,024	-1,172	-1,375	-1,525	Equity raised/(repaid)	-	-	-	-	-
as % of EBT	27.7%	24.1%	25.0%	25.0%	25.0%	Debt raised/(repaid)	-648	64	-337	0	0
Net income (reported)	2,737.9	3,224.7	3,515.8	4,123.9	4,574.0	Other	0	0	0	0	1
% change YY	56.9%	17.8%	9.0%	17.3%	10.9%	Dividends paid	-552	-876	-1,032	-1,125	-1,320
Shares outstanding	3,681	3,681	3,681	3,681	3,681	Beginning cash	793	2,625	4,652	6,115	8,547
EPS (reported)	743.74	875.98	955.05	1,120.26	1,242.52	Ending cash	2,625	4,652	6,115	8,547	12,113
% change YY	56.9%	17.8%	9.0%	17.3%	10.9%	DPS	150.00	238.00	280.31	305.62	358.48
ASP/Tonne	802,313.4	821,493.2	859,597.5	879,772.9	899,106.6						
Cash cost/Tonne	478,944.5	480,760.9	531,983.2	542,286.1	555,465.1						
EBITDA/Tonne	323,368.9	340,732.3	327,614.3	337,486.8	343,641.6						
EBITDA/Tonne (USD)	31.0	36.8	37.7	39.2	40.0						
Domestic Sales	11,588.0	12,582.0	14,343.5	15,777.8	16,724.5						
Domestic Sales growth	(3.8%)	8.6%	14.0%	10.0%	6.0%						
Export Sales	1,594.4	976.0	976.0	976.0	976.0						
Cement Capacity	18,600.0	18,600.0	18,600.0	20,600.0	20,600.0						
Balance sheet						Ratio Analysis					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	2,623	4,685	6,115	8,547	12,113	EBITDA margin	40.3%	41.5%	38.1%	38.4%	38.2%
Accounts receivable	1,361	74	1,322	1,500	1,617	Operating margin	34.9%	36.1%	33.6%	34.5%	34.4%
Inventories	1,269	1,340	1,683	1,801	1,949	Net margin	25.9%	29.0%	26.7%	28.0%	28.7%
Others	101	1,417	1,417	1,417	1,417	Sales per share growth	8.1%	5.3%	18.2%	11.9%	8.0%
Current assets	5,355	7,516	10,537	13,266	17,098	Sales growth	8.1%	5.3%	18.2%	11.9%	8.0%
LT investments	-	-	-	-	-	Net profit growth	56.9%	17.8%	9.0%	17.3%	10.9%
Net fixed assets	7,773	7,703	7,309	7,805	7,403	EPS growth	56.9%	17.8%	9.0%	17.3%	10.9%
Total Assets	13,276	15,346	17,973	21,197	24,627	Interest coverage (x)	-	-	-	-	-
Liabilities						Net debt to equity	-22.0%	-33.2%	-39.4%	-46.1%	-55.6%
Short-term loans	235	225	0	0	0	Sales/assets	0.86	0.78	0.79	0.75	0.69
Payables	662	573	488	529	574	Assets/equity	1.18	1.16	1.14	1.14	1.13
Others	874	550	1,148	1,333	1,463	ROE	28.5%	27.2%	24.6%	24.2%	22.7%
Total current liabilities	1,771	1,348	1,636	1,862	2,037	ROCE	36.3%	33.0%	30.6%	29.9%	27.2%
Long-term debt	38	113	0	0	0						
Other liabilities	763	785	785	785	785						
Total Liabilities	2,572	2,246	2,422	2,647	2,822						
Shareholders' equity	10,681	13,077	15,528	18,527	21,781						
BVPS	2,901.43	3,552.49	4,218.20	5,032.85	5,916.90						

Source: Company reports and J.P. Morgan estimates.

Industrial and Commercial Bank of China- H

www.icbc.com.cn

Company description

Since its foundation in 1984 to take over the commercial banking function of PBOC, ICBC has been the nation's largest bank by total assets. With over 17,000 branch offices in China and overseas, it accounted for over 15% of system assets. ICBC reformed the shareholding system in 2005 and successfully listed in Shanghai and Hong Kong simultaneously in 2006. With one of the largest branch networks and a strong relationship with the central government and large corporates, ICBC has managed to preserve its market share and customer base in key focus growth areas. Since 2009, it has consistently been the largest bank globally in terms of net profits, deposits as well as market capitalization.

Key drivers of performance in an equity market recovery

1) More NIM upside, driven by improved credit pricing and loan mix change. Nearly 40% of its loans have yet to be re-priced. ICBC has also been increasing small enterprise loans more aggressively in the past two years. 2) Strength in investment banking, cards, settlement, custody as well as WM, which are likely to continue to drive fee growth and sustain revenue momentum. ICBC has produced consistent earnings growth through an ongoing transformation of its business model. 3) Asset quality improvement and strong risk control, continuing its track record of the past eight years. 4) An under-utilized balance sheet and rising capital ratio through internal capital generation, making it among the most resilient banks to economic uncertainty. 5) Rising earnings contribution from high-growth emerging markets, where it has been actively expanding.

How much recovery has already been priced in, what are the key metrics?

The share price has rebounded by 25% from the trough seen in early Oct 4, 2011, and trades at more than 1.5x standard deviations below historical mean. The implied ROE at current valuation is only 11.6% vs. our estimated normalized ROE of 16.5% and estimated ROE of 23-24% for 2012/2013E.

Downside risks to 2012E earnings.

Prolonged tightening in the property sector may lead to downside risks to property development loans. Unexpected aggressive loosening monetary policy may add NIM downside, although neither are our base case.

Price target and key recovery risks

Our PT (Dec-12, DDM-derived) of HK\$8.7 implies a P/BV of 2.17x and P/E of 9.8x (FY12E). Key risks are higher capital requirement by CBRC and an unexpected massive loosening in monetary policy.

Industrial and Commercial Bank of China - H (Reuters: 1398.HK, Bloomberg: 1398 HK)

Year-end Dec (Rmb in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (Rmb mn)	188,592	241,268	309,449	372,516	420,672
Net Profit (Rmb mn)	128,645	165,156	211,861	256,328	294,640
Cash EPS (Rmb)	0.39	0.48	0.61	0.73	0.83
Fully Diluted EPS (Rmb)	0.39	0.48	0.61	0.73	0.83
DPS (Rmb)	0.17	0.18	0.23	0.27	0.32
EPS growth (%)	16.1%	25.9%	25.2%	20.0%	14.0%
ROE	20.2%	22.1%	23.7%	24.0%	23.1%
P/E	10.1	8.0	6.4	5.3	4.7
BVPS (Rmb)	2.02	2.35	2.77	3.28	3.89
P/BV	1.9	1.6	1.4	1.2	1.0
Div. Yield	4.4%	4.8%	5.9%	7.1%	8.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: 4.75

Price Target: HK\$8.70

China Banks

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J.P.Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

52-wk range (HK\$)	6.75 - 3.46
Market cap (HK\$ mn)	412,272
Market cap (\$ mn)	53,006
Shares outstanding (mn)	86,794
Fiscal Year End	Dec
Price (HK\$)	4.75
Date Of Price	01 Nov 11
3mth Avg daily volume	421
3M - Average daily Value (HK\$ mn)	1,919.57
Average 3m Daily Turnover (\$ mn)	246.80
Index 1	-
Exchange Rate	7.78

Industrial and Commercial Bank of China - H: Summary of Financials

Income Statement						Growth Rates					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E		FY09	FY10	FY11E	FY12E	FY13E
NIM (as % of avg. earning assets)	2.26%	2.44%	2.61%	2.71%	2.71%	Loans	25.3%	18.5%	14.9%	12.1%	11.2%
Earning assets/assets	100.8%	98.5%	96.8%	96.4%	96.5%	Deposits	18.8%	14.1%	11.7%	10.9%	10.0%
Margins (% of avg assets)	2.28%	2.40%	2.53%	2.61%	2.62%	Assets	20.8%	14.2%	14.6%	10.9%	10.6%
						Equity	11.8%	21.7%	18.0%	20.4%	18.5%
Net Interest Income	245,821	303,749	364,521	425,326	471,289	RWA	24.7%	20.1%	19.3%	13.9%	11.6%
Total Non-Interest Income	63,590	76,999	109,608	138,786	167,379						
Fee Income	55,147	72,840	104,194	132,110	159,789	Net Interest Income	-6.6%	23.6%	20.0%	16.7%	10.8%
Dealing Income	5,889	1,051	1,355	1,627	1,873	Non-Interest Income	34.8%	21.1%	42.4%	26.6%	20.6%
Net Insurance Income	0	0	500	600	600	of which Fee Grth	25.3%	32.1%	43.1%	26.8%	21.0%
Other Operating Income	2,554	3,108	3,560	4,449	5,117	Revenues	(0.3%)	23.1%	24.5%	19.0%	13.2%
Total operating revenues	309	381	474	564	639	Costs	8.5%	15.5%	18.1%	16.3%	13.8%
						Pre-Provision Profits	-5.2%	27.9%	28.3%	20.4%	12.9%
Operating costs	-120,819	-139,480	-164,680	-191,596	-217,996	Loan Loss Provisions	-40.6%	28.6%	27.0%	15.8%	-10.3%
						Pre-Tax	15.1%	28.8%	28.2%	20.9%	15.7%
Pre-Prov. Profits	188,592	241,268	309,449	372,516	420,672	Attributable Income	16.1%	28.4%	28.3%	21.0%	15.0%
Loan Loss Provisions	-21,682	-27,888	-35,424	-41,005	-36,794	EPS	16.1%	25.9%	25.2%	20.0%	14.0%
Other Provisions	-1,603	-100	-220	-237	-525	DPS	3.0%	8.2%	25.4%	18.9%	15.0%
Other Inc/Exp.	1,987	2,146	2,468	2,838	3,122						
Exceptionals	0	0	0	0	0						
Disposals/ other income	-	-	-	-	-	Balance Sheet Gearing	FY09	FY10	FY11E	FY12E	FY13E
Pre-tax	167,294	215,426	276,273	334,112	386,475	Loan/deposit	58.6%	60.9%	62.7%	63.4%	64.0%
Tax	-37,898	-49,401	-63,543	-76,846	-90,822	Investment/assets	30.6%	27.7%	25.0%	24.1%	24.2%
Minorities	-751	-869	-869	-939	-1,014	Loan/Assets	47.4%	49.2%	49.3%	49.8%	50.1%
Attributable Income	128,645	165,156	211,861	256,328	294,640	Customer deposits/liab.	88.0%	88.2%	86.1%	86.6%	86.6%
						LT debt/liabilities	0.8%	0.9%	1.3%	1.0%	1.2%
Per Share Data Rmb	FY09	FY10	FY11E	FY12E	FY13E	Asset Quality/Capital	FY09	FY10	FY11E	FY12E	FY13E
EPS	0.39	0.48	0.61	0.73	0.83	Loan loss reserves/loans	2.5%	2.5%	2.5%	2.6%	2.6%
DPS	0.17	0.18	0.23	0.27	0.32	NPLs/loans	1.5%	1.1%	0.9%	1.0%	1.0%
Payout	44.1%	38.9%	38.0%	38.0%	38.0%	Loan loss reserves/NPLs	51.4%	56.4%	48.9%	38.5%	29.0%
BVPS	2.02	2.35	2.77	3.28	3.89	Growth in NPLs	-15.3%	-17.2%	-3.1%	20.8%	15.5%
PPOP per share	0.56	0.71	0.89	1.06	1.18	Tier 1 Ratio	10.5%	10.6%	10.5%	11.1%	11.8%
Shares outstanding (restated) (MM)	334,019	349,050	349,050	355,077	355,077	Total CAR	12.4%	12.3%	12.4%	12.7%	13.7%
Key Balance sheet Rmb in millions	FY09	FY10	FY11E	FY12E	FY13E	Du-Pont Analysis	FY09	FY10	FY11E	FY12E	FY13E
Net Loans	5,583,174	6,623,372	7,608,084	8,517,556	9,469,323	Margins (% of avg assets)	2.28%	2.40%	2.53%	2.61%	2.62%
LLR	-145,452	-167,134	-194,456	-227,142	-252,947	Non-Int. Rev./ Revenues	20.4%	20.1%	23.0%	24.4%	26.0%
Gross Loans	5,728,626	6,790,506	7,802,541	8,744,698	9,722,270	Non IR/Avg. Assets	0.6%	0.6%	0.8%	0.9%	0.9%
NPLs	88,467	73,241	70,942	85,682	98,929	Revenue/Assets	2.9%	3.0%	3.3%	3.5%	3.5%
Investments	3,604,931	3,732,268	3,861,186	4,111,992	4,580,945	Cost/Income	-39.0%	-36.6%	-34.7%	-34.0%	-34.1%
Other earning assets	2,337,175	2,794,086	3,599,454	4,054,584	4,394,491	Cost/Assets	-1.12%	-1.11%	-1.14%	-1.18%	-1.21%
Avg. IEA	10,858,844	12,431,871	13,979,834	15,672,207	17,381,568	Pre-Provision ROA	1.75%	1.91%	2.15%	2.29%	2.33%
Goodwill	-24,621	-27,369	-26,121	-26,121	-26,121	LLP/Loans	-0.42%	-0.45%	-0.49%	-0.50%	-0.40%
Other assets	164,089	205,484	248,790	302,519	356,354	Loan/Assets	47.8%	49.6%	50.5%	50.9%	51.3%
Assets	11,785,053	13,458,622	15,424,029	17,098,491	18,915,189	Other Prov. Income/ Assets	0.02%	0.02%	0.02%	0.02%	0.02%
						Pre-Tax ROA	1.56%	1.70%	1.91%	2.05%	2.15%
Deposits	9,771,277	11,145,557	12,447,699	13,799,127	15,184,707	Tax rate	22.7%	22.9%	23.0%	23.0%	23.5%
Other Debt	98,604	117,644	196,950	177,535	220,249	Minorities & Outside Distbn.	0.01%	0.01%	0.01%	0.01%	0.01%
of which: sub-debt	75,000	100,410	138,696	116,696	156,696	ROAA	1.19%	1.31%	1.47%	1.58%	1.64%
Avg. IBL	10,159,519	11,601,100	13,259,854	14,233,428	15,673,524	RORWA	2.41%	2.53%	2.72%	2.83%	2.88%
Avg. Assets	10,771,100	12,621,838	14,441,325	16,261,260	18,006,840	Equity/Assets	5.72%	6.10%	6.28%	6.82%	7.30%
Common Equity	673,893	820,430	968,103	1,165,677	1,381,709	ROAE	20.2%	22.1%	23.7%	24.0%	23.1%
RWA	5,921,330	7,112,357	8,483,216	9,660,647	10,781,658						
Avg. RWA	5,335,112	6,516,844	7,797,786	9,071,932	10,221,153						

Source: Company reports and J.P. Morgan estimates.

KB Financial Group

www.kbfng.com

Company description

KB Financial Group (KBG) owns the largest banking operations among the four large bank-centric financial holding companies (FHCs) in Korea. It has nine subsidiaries under the holding company structure, including Kookmin Bank (KMB), KB Card, KB Investment & Securities, KB Life Insurance and KB Asset Management. The company transformed into the current holding company structure in 2008.

Key drivers of performance in an equity market recovery

We expect KBG to post higher earnings growth than peers in 2012 thanks to its more prudent employee compensation management as well as a preemptive asset clean-up implemented in 2010. KBG has a strong balance sheet with 11.1% of core tier I CAR and 7.8% of TCE ratio for 2012E based on our estimates.

How much recovery has already been priced in, what are the key metrics

Despite KBG's substantial earnings recovery this year after the execution of a large-scale early retirement program at KMB and conservative provisioning in 2010, ongoing macro and regulatory uncertainties along with market concerns over its cost control management seem the main reasons behind its underperformance vs peers YTD.

Where's the earnings risk for 2012

Credit cost is the biggest swing factor for earnings in the Korean banking industry in 2012 amid global economic slowdown. Moreover, regulatory pressures to lower fees and commissions could result in weaker-than-expected earnings in 2012.

Price target and key recovery risks

We set KBG's DDM-based PT at W60,000 (Dec-12), which implies 1.0x FY12E tangible NAV and 9.4x FY12E earnings. The PT multiple is derived by assuming a sustainable ROE of 9.9% and cost of equity of 10.2%. Key risks to our view are unexpected regulatory changes, especially for the household sector, which could positively/negatively affect our view on the company given its strong presence in retail banking operations in Korea.

KB Financial Group (Reuters: 105560.KS, Bloomberg: 105560 KS)

Year-end Dec	FY10A	FY11E	FY12E	FY13E
Pre-provision OP (W bn)	2,890	5,157	5,066	5,409
*Attrib. net profit (W bn)	88	2,743	2,473	2,648
Fully Diluted EPS (W)	257	7,475	6,400	6,855
Cash DPS (W)	120	1,400	1,300	1,400
EPS growth (%)	(84.7%)	2803.1%	(14.4%)	7.1%
ROE (%)	0.5%	13.5%	10.4%	10.2%
P/E (x)	162.0	5.6	6.5	6.1
**Tangible NAV/share (W)	51,778	54,859	59,867	65,026
***Adjusted BV/share (W)	52,196	55,230	60,238	65,397
P/Tangible NAV (x)	0.8	0.8	0.7	0.6
P/Adjusted BV (x)	0.8	0.8	0.7	0.6
Div. Yield (%)	0.3%	3.4%	3.1%	3.4%

Source: Company data, Bloomberg, J.P. Morgan estimates. Note: *excluding preferred dividends and interest expense on hybrid capital. **Subtracting goodwill, capitalized loan loss reserve, preferred shares and hybrid capital from shareholder's equity. ***Subtracting capitalized loan loss reserve, preferred shares and hybrid capital from shareholder's equity

Overweight

Price: 41,700

Price Target: 60,000

South Korea

Banks/Bank-centric FHCs

Scott Seo^{AC}

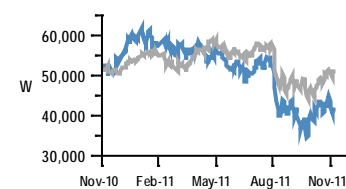
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Bloomberg JPMA SEO <GO>

J.P. Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



	YTD	1m	3m	12m
Abs	-30.5%	6.6%	-13.7%	-19.2%
Rel	-24.5%	-6.4%	-9.2%	-18.5%

Source: Bloomberg.

Company Data	
52-wk range (W)	62,100 - 34,100
Market cap (W bn)	16,111
Market cap (\$ mn)	14,505
Shares outstanding (mn)	386
Fiscal Year End	Dec
Price (W)	41,700
Date Of Price	04 Nov 11
3M Avg daily Value (W bn)	117.21
3M Avg daily Value (\$ mn)	105.53
3M Avg daily Vol (mn shares)	2.84
KOSPI	1,928
Exchange Rate (KRW/US \$)	1,110.70

KB Financial Group: Summary of Financials

Income Statement					Growth Rates				
W in billions, year end Dec	FY10	FY11E	FY12E	FY13E		FY10	FY11E	FY12E	FY13E
NIM (as % of avg. assets)	2.50%	2.79%	2.80%	2.81%	Loans	1.0%	6.6%	6.0%	6.0%
Earning assets/assets	93.4%	92.6%	91.3%	91.5%	Deposits	22.1%	3.5%	7.5%	7.5%
Margins (% of earning assets)	2.33%	2.58%	2.56%	2.57%	Assets	-0.1%	9.1%	6.1%	6.1%
					Equity	1.8%	28.1%	8.7%	8.6%
Net Interest Income	6,113	7,073	7,542	8,018	RWA	0.2%	6.8%	6.1%	6.1%
Total Non-Interest Income	2,298	3,227	2,877	3,041	Net Interest Income	13.7%	15.7%	6.6%	6.3%
Fee Income	1,626	1,797	1,703	1,838	Non-Interest Income	5.9%	40.4%	-10.9%	5.7%
Dealing Income	376	646	336	322	of which Fee Grth	-3.5%	10.6%	-5.3%	8.0%
Other Operating Income	0	0	0	0	Revenues	-	-	-	-
Total operating revenues	8,411	10,299	10,419	11,059	Costs	17.5%	-6.9%	4.1%	5.5%
					Pre-Provision Profits	1.4%	78.5%	-1.8%	6.8%
Operating costs	-5,521	-5,142	-5,353	-5,649	Loan Loss Provisions	19.5%	-47.8%	23.0%	6.0%
					Pre-Tax	-96.5%	19083.1%	-9.2%	7.1%
Pre-Prov. Profits	2,890	5,157	5,066	5,409	Attributable Income	-83.6%	3006.2%	-9.9%	7.1%
Provisions	-2,747	-1,434	-1,764	-1,870	EPS	-84.7%	2803.1%	-14.4%	7.1%
Other Inc/Exp.	-123	-41	40	40	DPS	-47.8%	1066.7%	-7.1%	7.7%
Exceptionals	0	0	0	0					
Disposals/ other income	0	0	0	0	Balance Sheet Gearing	FY10	FY11E	FY12E	FY13E
Pre-tax	2,428	3,202	3,342	3,579	Loan/deposit	110.2%	113.5%	111.9%	110.3%
Tax	81	-879	-820	-878	Investment/assets	14.6%	13.3%	13.5%	13.7%
Minorities	12	59	49	53	Loan/Assets	75.0%	74.0%	73.8%	73.6%
Preferred dividend and hybrid capital interest expense	0	0	0	0	Customer deposits/liab.	74.9%	71.9%	73.1%	74.2%
Attributable Income	88	2,743	2,473	2,648	LT debt/liabilities	16.9%	16.3%	15.0%	13.8%
Per Share Data W	FY10	FY11E	FY12E	FY13E	Asset Quality/Capital	FY10	FY11E	FY12E	FY13E
EPS	257	7,475	6,400	6,855	Loan loss reserves/loans	2.1%	1.2%	1.4%	1.6%
DPS	120	1,400	1,300	1,400	NPLs/loans	1.9%	1.5%	1.6%	1.7%
Payout	46.6%	19.7%	20.3%	20.4%	Provisions/Avg loans	1.4%	0.7%	0.8%	0.8%
Adjusted Book value	52,196	55,230	60,238	65,397	Growth in NPLs	50.7%	-15.8%	12.3%	11.8%
Tangible NAV	51,778	54,859	59,867	65,026	Tier 1 Ratio	9.7%	10.9%	11.4%	12.0%
Fully Diluted Shares (mn)	343.03	367.02	386.35	386.35	Total CAR	13.1%	13.8%	14.2%	14.7%
Key Balance sheet W in billions	FY10	FY11E	FY12E	FY13E	Du-Pont Analysis	FY10	FY11E	FY12E	FY13E
Net Loans	196,545	211,456	223,636	236,547	NIM (as % of avg. assets)	2.50%	2.79%	2.80%	2.81%
LLR	-4,282	-2,569	-3,230	-3,932	Earning assets/assets	93.4%	92.6%	91.3%	91.5%
Gross Loans	200,827	214,025	226,867	240,479	Margins (as % of Avg. Assets)	2.33%	2.58%	2.56%	2.57%
NPLs	3,863	3,253	3,655	4,085	Non-Int. Rev./ Revenues	27.3%	31.3%	27.6%	27.5%
Investments	38,256	38,102	40,960	44,032	Non IR/Avg. Assets	0.9%	1.2%	1.0%	1.0%
Other earning assets	11,358	16,946	18,004	19,085	Revenue/Assets	3.2%	3.8%	3.5%	3.5%
Avg. IEA	244,654	253,613	268,918	285,781	Cost/Income	64.7%	49.9%	51.4%	51.1%
Goodwill	143	143	143	143	Cost/Assets	2.1%	1.9%	1.8%	1.8%
Assets	262,008	285,859	303,170	321,533	Pre-Provision ROA	5.3%	5.6%	5.4%	5.4%
					LLP/Loans	-1.4%	-0.7%	-0.8%	-0.8%
Deposits	182,305	188,601	202,746	217,952	Loan/Assets	76.3%	75.7%	74.9%	74.8%
Borrowings	44,312	46,440	45,475	44,254	Other Prov. Income/ Assets	-0.0%	-0.0%	0.0%	0.0%
of which:sub-debt	3,593	2,942	2,942	2,942	Operating ROA	1.1%	1.9%	1.7%	1.7%
Avg. IBL	228,645	233,736	245,213	259,065	Pre-Tax ROA	4.2%	5.1%	4.8%	4.8%
Avg. Assets	262,088	273,933	294,514	312,351	Tax rate	422.0%	23.9%	24.5%	24.5%
Common Equity	18,440	23,619	25,679	27,889	Minorities & Outside Distbn.	0.0%	0.0%	0.0%	0.0%
RWA	183,078	195,540	207,381	219,943	ROA	0.0%	1.0%	0.8%	0.8%
Avg. RWA	182,871	189,309	201,460	213,662	RORWA	0.0%	1.4%	1.2%	1.2%
					Equity/Assets	7.0%	7.7%	8.4%	8.6%
					ROE	0.5%	13.5%	10.4%	10.2%

Source: Company reports and J.P. Morgan estimates.

KEPCO

www.kepco.co.kr

Company description

KEPCO is an integrated electric-utility company in Korea with 100% market share in transmission and distribution, and a 94% of market share in generation. With a total capacity of 67GWh, KEPCO is the largest listed utility in Asia Pacific by installed capacity. The government holds 51% of outstanding shares, which is the minimum government holding required under the KEPCO Act.

Key drivers of performance in an equity market recovery

KEPCO should be affected positively by changes in macro variables such as declining CPI, strengthening KRW and commodity prices as well as a deteriorating supply and demand situation for electricity in Korea. As demand growth continues to outstrip supply growth, it is more likely that the government will be incentivized to allow price hikes to curb demand.

How much recovery has already been priced in, what are the key metrics

We believe the stock is in the early stage of re-rating from the recent bottom on KRW normalization and stable commodity price. Should it obtain a mid to high single digit price hike in 1H12, we believe the stock will recover further to our price target or more.

Where's the earnings risk for 2012?

The biggest earnings risk for 2012 in our view is KEPCO not winning a sufficient price hike, higher than expected rise in commodity prices and higher interest rate. Stronger than expected demand growth could also be a burden on earnings.

Price target and key recovery risks

We set our Jun-12 PT at W30,000 based on 2012E PB of 0.5X, which represents a 25% discount to the peak multiple and 47% premium to bottom over the past three years. Key risks to our price target include a less than required price hike in 1H12 for regulatory reasons and higher than expected increase in fuel prices.

Overweight

Price: W23,300

Price Target: W30,000

South Korea

Utilities

Sungmin Chang, CFA^{AC}

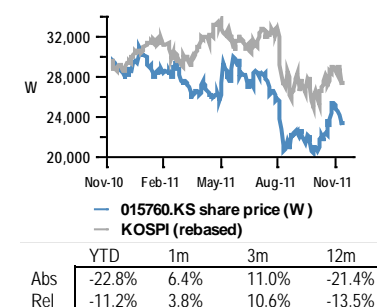
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JP Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



Source: Bloomberg.

Korea Electric Power Corporation (Reuters: 015760.KS, Bloomberg: 015760 KS)

Year-end Dec	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	39,190	44,501	48,947	53,701
Operating Profit (W bn)	-1,787	486	1,790	1,835
Net Profit (W bn)	-69	-965	-355	-392
EPS (W)	-111	-1,550	-570	-629
Revenue growth	15.3%	13.6%	10.0%	9.7%
Operating Profit growth	-204%	-127%	268%	3%
EPS growth	-29%	1299%	-63%	10%
ROA	-0.1%	-0.9%	-0.3%	-0.3%
ROE	-0.2%	-2.4%	-0.9%	-1.0%
P/E (x)	NM	NM	NM	NM
P/BV (x)	0.3	0.4	0.4	0.4
EV/EBITDA (x)	14.4	11.3	9.8	9.9

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

52-week Range (W)	31,300 - 19,600
Market cap (W bn)	14,958
Market cap (\$ mn)	13,467
Shares O/S (mn)	642
Fiscal Year End	Dec
Price (W)	23,300
Date Of Price	10 Nov 11
Free float (%)	40.9%
3M Avg daily Value (W bn)	34.50
3M Avg daily Value (\$ mn)	32.77
3M Avg Daily vol (mn)	1.5
KOSPI	1,813
Exchange Rate	1,110.70

KEPCO: Summary of consolidated financials

Won in billions, year-end December

Income statement					Balance sheet				
	2010	2011E	2012E	2013E		2010	2011E	2012E	2013E
Sales	39,190	44,501	48,947	53,701	Current assets	12,389	13,582	14,975	15,785
Industrial	18,125	23,525	23,525	26,303	Cash & equivalents	2,084	2,085	2,086	2,087
Commercial	9,637	11,831	11,831	13,001	Financial goods	616	616	1,633	1,700
Residential	7,574	8,739	8,739	9,293	Marketable securities	3,696	4,009	4,429	4,877
Other	3,854	406	4,852	5,104	Accounts receivable	1,331	1,449	1,565	1,690
Operating expenses	40,977	44,683	46,825	51,535	Inventories	3,480	4,044	4,021	4,192
Fuel	19,000	22,083	21,958	22,888	Other current assets	1,181	1,378	1,241	1,240
Power purchase for resale	5,506	7,599	9,305	12,460	Fixed assets	87,222	98,960	102,764	105,009
Maintenance	2,317	2,410	2,554	2,708	Investment assets	7,867	9,893	10,430	10,633
Depreciation	5,714	5,714	5,772	5,887	Tangible assets	78,900	88,198	91,355	93,377
Other	8,439	6,267	6,608	6,945	Intangible assets	456	869	979	999
Operating profit	-1,787	486	1,790	1,835	Total assets	99,610	112,542	117,738	120,795
Non-operating income	3,129	198	278	264	Current liabilities	11,587	13,230	13,860	14,320
Interest income	84	132	110	110	Accounts payable	2,425	1,980	2,500	2,600
Forex gains	173	0	93	72	Short-term borrowings	457	1,700	1,700	1,800
Other	2,872	66	75	82	CPLTD	6,312	7,400	7,400	7,400
Non-operating expenses	1,494	2,125	2,598	2,684	Other current liabilities	2,393	2,150	2,260	2,520
Interest expenses	1,122	2,125	2,298	2,384	Long-term liabilities	46,534	58,789	63,719	66,707
Forex losses	89	0	0	0	Bonds	30,025	40,025	44,025	46,025
Other	283	0	300	300	Long-term debt	3,083	4,540	5,240	5,640
Recurring profit	-152	-1,441	-530	-585	Other long-term liabilities	13,427	14,224	14,454	15,042
Extraordinary income	0	0	0	0	Total liabilities	58,122	72,019	77,579	81,027
Extraordinary expenses	0	0	0	0	Capital stock	3,208	3,208	3,208	3,208
Pre-tax profit	-152	-1,441	-530	-585	Capital surplus	14,765	14,765	14,765	14,765
Taxes	-83	-475	-175	-193	Retained earnings	23,333	22,368	22,013	21,621
Net profit	-69	-965	-355	-392	Capital adjustments	-742	-742	-750	-750
EBITDA	3,927	6,201	7,562	7,722	Total equity	41,489	40,523	40,160	39,768
EPS (Won)	-111	-1,550	-570	-629					
Cash flow					Financial ratios				
	2010	2011E	2012E	2013E		2010	2011E	2012E	2013E
Operating cash flow	5,638	4,259	8,750	8,613	Growth (% y-y)				
Net profit	-72	-965	-355	-392	Revenue	15.3	13.6	10.0	9.7
Dep. & Amort.	6,346	5,714	5,772	5,887	Operating profit	n.m	n.m	268.2	2.5
Forex losses (gains)	-91	0	-93	-72	Recurring profit	n.m	n.m	-63.2	10.3
Associate losses (gains)	-75	-578	-635	-699	Net profit	n.m	n.m	n.m	n.m
Chg in working capital	-1,974	-913	335	49	EBITDA	-45.9	57.9	22.0	2.1
Other	1,505	1,000	3,727	3,840	EPS	n.m	n.m	n.m	n.m
Investment cash flow	-10,889	-18,058	-13,450	-11,112	Margins (%)				
Capex	-10,814	-11,544	-13,170	-14,189	Operating profit	-4.6	1.1	3.7	3.4
Chg in investment assets	-1,440	-2,027	-536	-203	Recurring profit	-0.4	-3.2	-1.1	-1.1
Other	1,366	-4,487	257	3,280	Net profit	-0.2	-2.2	-0.7	-0.7
Financing cash flow	5,852	13,788	4,700	2,500	EBITDA	10.0	13.9	15.4	14.4
Chg in short-term debt	-5,946	2,331	0	100	ROE	-0.2	-2.4	-0.9	-1.0
Chg in long-term debt	11,777	11,457	4,700	2,400	ROA	-0.1	-0.9	-0.3	-0.3
Chg in bonds	0	0	0	0	Ratios				
Chg in current maturities	0	0	0	0	Net debt/equity (%)	89.6	125.8	136.1	143.5
Dividends	-32	0	0	0	Liabilities/equity (%)	140.1	177.7	193.2	203.7
Other	53	0	0	0	Interest coverage (x)	-1.7	0.2	0.8	0.8
Cash flow from Others	6	0	0	0	Receivables turnover (x)	11.4	11.6	11.6	11.5
Chg in cash	608	-12	1	1	Per share data (Won)				
Cash at beg of year	1,489	2,097	2,085	2,086	Sales	62,942	71,472	78,613	86,248
Cash at end of year	2,097	2,085	2,086	2,087	Book value	66,634	65,083	64,499	63,870
					DPS	0	0	0	0
					EBITDA	6,308	9,959	12,145	12,403

Source: Company, J.P. Morgan estimates.

Keppel Corporation

www.keppcorp.com

Company description

Keppel Corporation's key businesses include Offshore & Marine, Property and Infrastructure. Its offshore and marine business is the global market leader in the construction of offshore rigs i.e. jack-ups and semi-submersibles. On the property side, it is involved in property development primarily via 53%-owned Keppel Land. Its infrastructure business comprises environmental engineering, power generation, logistics and network engineering.

Key drivers of performance in an equity market recovery

With the return of the "new-build" rig demand seen in 2011, we believe we will see the next leg of demand from the North Sea indicating the return of deepwater demand. Additionally, we see Keppel as well positioned to win 3-6 rigs of the remaining 21 rigs tendered by Petrobras. However, we believe we will see eventual award of these rigs in early to mid 2012.

How much recovery has already been priced in, what are the key metrics?

While we saw the stock correct by 35-40% (over period of Jul- Sep), we have also seen a quick recovery of over 30% i.e. we have seen the stock recover a large amount of its initial losses. With a steep recovery in oil prices, we have seen Keppel trend oil prices in that regard. Clearly, oil prices will remain a key driver for stock performance.

Where's the earnings risk for 2012?

With an order book of US\$8.7 billion (providing earnings visibility for next 6-7 quarters), strong execution history and upside risk from its "non-offshore" businesses we see limited downside risk to its 2012 earnings.

Price target and key recovery risks

Our SOTP-based Dec-12 PT implies 15.6x 2012E earnings, and 3.3% dividend yield. The key risk to our SOTP based PT remains worse-than-expected delay in new orders and collapse in oil prices.

Keppel Corporation (Reuters: KPLM.SI, Bloomberg: KEP SP)

S\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E
Revenue (\$ mn)	12,247	9,783	11,486	11,990
Core Profit (\$ mn)	1,265	1,419	1,402	1,459
Core EPS (\$)	0.72	0.80	0.79	0.82
Core EPS growth (%)	4.4%	11.4%	-2.2%	4.1%
DPS (\$)	0.38	0.42	0.42	0.42
P/E (Recurring)	12.9	11.5	11.8	11.3
P/BV (x)	2.7	2.4	2.2	2.0
Dividend Yield	4.1%	4.5%	4.5%	4.5%
Net Debt (\$ mn)	-1,178	-178	-1,317	-1,960
ROE (%)	23.9%	22.3%	19.8%	18.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price S\$9.27

Price Target: S\$12.80

Singapore

Conglomerates & Multi-Industry

Ajay Mirchandani^{AC}

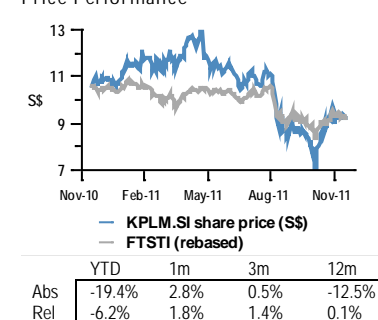
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J.P. Morgan Securities Singapore Private Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	1,783
Market cap (\$ mn)	16,533
Market cap (\$ mn)	12,917.38
Price (\$)	9.27
Date Of Price	16 Nov 11
Free float (%)	78.0%
3mth Avg daily volume	9.04
3M - Average daily Value (\$ mn)	76.47
FTSTI	2,812
Exchange Rate	1.28

Keppel Corporation: Summary of Financials

Income Statement					Cash flow statement				
S\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	S\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E
Revenues	12,247	9,783	11,486	11,990	EBIT	1,505	1,756	1,788	1,817
EBITDA	1,679	1,945	1,939	1,973	Depreciation & amortization	174	189	151	157
% change Y/Y	21.9%	15.8%	NM	1.8%	Change in working capital	-910	-1,302	695	-38
EBITDA Margin	13.7%	19.9%	16.9%	16.5%	Other non-cash items	29	44	154	165
EBIT	1,505	1,756	1,788	1,817	Cash flow from operations	670	450	2,487	1,841
% change Y/Y	21.5%	16.7%	1.8%	1.6%	Capex	-427	-815	-431	-450
EBIT Margin	12.3%	18.0%	15.6%	15.2%	Disposal/(purchase)	-	-	-	-
Net Interest	29	55	29	75	Cash flow from investments	424	-761	-431	-450
Associates	322	215	141	152	Equity raised/(repaid)	8	74	0	0
Exceptionals	361	204	0	0	Debt raised/(repaid)	197	3,221	0	0
Earnings before tax	2,178	2,687	1,958	2,044	Other	-8	-1,046	-169	0
% change Y/Y	35.3%	23.4%	-27.1%	4.4%	Dividends paid	-574	-627	-749	-749
Tax	-348	-581	-317	-321	Cash flow from financing	-377	1,621	-918	-749
as % of EBT	16.0%	21.6%	16.2%	15.7%	Net change in cash	717	1,311	1,139	642
Minority Interests	-205	-484	-239	-263	Beginning cash	2,217	2,934	4,246	5,384
Net income (reported)	1,625	1,623	1,402	1,459	Ending cash	2,934	4,245	5,384	6,027
Net income (recurring)	1,265	1,419	1,402	1,459	Free cash flow	1,244	-884	1,918	1,196
Shares outstanding	1,754	1,766	1,783	1,783	DPS	0.38	0.42	0.42	0.42
EPS (Recurring)	0.72	0.80	0.79	0.82					
EPS (reported)	0.72	0.80	0.79	0.82					
Balance sheet					Ratio Analysis				
S\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	S\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	2,936	4,246	5,384	6,027	Gross margin	15.5%	20.6%	17.2%	17.2%
Accounts receivable	1,727	1,959	1,918	2,002	EBITDA margin	13.7%	19.9%	16.9%	16.5%
Inventories	3,178	4,441	4,696	4,902	EBIT margin	12.3%	18.0%	15.6%	15.2%
Others	744	842	842	842	Net margin	13.3%	16.6%	12.2%	12.2%
Current assets	8,586	11,488	12,840	13,772	Sales growth	3.7%	(20.1%)	17.4%	4.4%
LT investments	3,203	3,507	3,507	3,507	EBIT growth	21.5%	16.7%	1.8%	1.6%
Net fixed assets	2,157	2,243	2,692	2,985	Net profit growth	48.0%	(0.1%)	(13.6%)	4.1%
Total Assets	17,307	20,981	22,782	24,007	EPS growth	4.4%	11.5%	(2.2%)	4.1%
Short-term loans	839	392	392	392	Interest coverage (x)	30.3	27.1	11.7	11.9
Payables	4,052	4,343	4,600	4,801	Net debt to equity	(13.5%)	(1.8%)	(12.4%)	(16.9%)
Total current liabilities	7,264	7,123	8,031	8,283	Sales/assets	71.9%	51.1%	52.5%	51.2%
Long-term debt	918	3,676	3,676	3,676	Assets/equity	321.8%	300.9%	309.7%	302.0%
Other liabilities	412	459	459	459	ROE	23.9%	22.3%	19.8%	18.8%
Total Liabilities	8,594	11,258	12,166	12,418	ROCE	15.9%	14.7%	12.5%	11.9%
Shareholders' equity	8,713	9,724	10,616	11,589					
Total Liabilities and equity	17,307	20,981	22,782	24,007					
BVPS	3.41	3.82	4.15	4.54					

Source: Company reports and J.P. Morgan estimates.

Kingboard Chemical

www.kingboard.com

Company description

Kingboard Chemical was listed in 1993 and is the world's largest maker of laminates, the largest maker of printed circuit boards in China and one of the largest makers of industrial chemicals (methanol, formalin, acetic acid). The company is using its vertically integrated operations with more than 40 plants nationwide to achieve the most competitive cost of production.

Key drivers of performance in an equity market recovery

KBC has been able to offset the weakness in its downstream laminates and PCB businesses with a superior performance of the chemicals business. The key driver for performance is the turnaround in price for acetic acid as well as near record prices for phenol and acetone. The current prices that KBC is able to charge (inclusive of VAT) of Rmb13,500 per ton for phenol, Rmb9,200 per ton for acetone and Rmb3,000 per ton for methanol are all about 10-15% higher than what we have factored into our 2H11 estimates.

How much recovery has already been priced in, what are the key metrics?

Recovery in 3Q11 thanks to normalization of component supply from Japan has only partially been priced in. The improvement will enable downstream electronics assemblers in China to resume production.

Where's the earnings risk for 2012?

Laminates business may continue to suffer margin pressures in FY12.

Price target and key recovery risks

Our DCF-based Dec-12 price target of HK\$49 is based on estimated cash flows until 2015 (WACC 12.4%) and terminal growth of 3%. The key risks to our PT are sharp fluctuations in the cost of copper and oil-based chemicals, and a fall in demand from electronics exporters

Kingboard Chemical (Reuters: 0148.HK, Bloomberg: 148 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	23,863	33,891	39,130	44,624	49,451
Net Profit (HK\$ mn)	2,396.0	3,620.2	3,837.4	4,333.2	5,464.3
EPS (HK\$)	2.81	4.25	4.40	4.96	6.26
DPS (HK\$)	0.74	1.08	1.05	1.19	1.50
Revenue growth (%)	0.8%	42.0%	15.5%	14.0%	10.8%
EPS growth (%)	44.0%	51.1%	3.4%	12.9%	26.1%
ROCE	10.2%	14.0%	13.8%	14.5%	16.4%
ROE	11.7%	15.3%	14.1%	14.3%	16.1%
P/E (x)	8.7	5.8	5.6	4.9	3.9
P/BV (x)	1.0	0.8	0.7	0.6	0.6
EV/EBITDA (x)	4.0	3.2	3.0	2.6	2.1
Dividend Yield	3.0%	4.4%	4.3%	4.9%	6.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$24.50

Price Target: HK\$49.00

China

HK/ China SMID Caps

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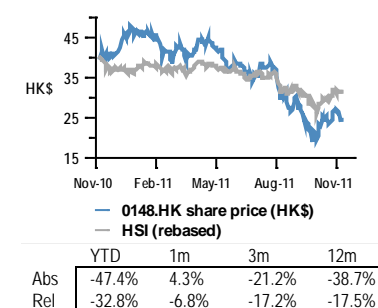
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	855
Market cap (HK\$ mn)	20,939
Market cap (\$ mn)	2,696
Price (HK\$)	24.50
Date Of Price	08 Nov 11
Free float (%)	65.9%
3-mth trading volume (mn)	1
3-mth trading value (HK\$ mn)	42
3-mth trading value (\$ mn)	5
HSI	19,678
Exchange Rate	7.77
Fiscal Year End	Dec

Kingboard Chemical: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	23,863	33,891	39,130	44,624	49,451	EBIT	3,148	4,979	5,395	6,060	7,452
% change Y/Y	0.8%	42.0%	15.5%	14.0%	10.8%	Depr. & amortization	3,560	3,981	4,182	4,564	4,972
Gross Profit	4,925	6,990	7,464	8,488	9,336	Change in working capital	-307	-4,471	-2,207	-1,988	-1,668
% change Y/Y	15.9%	41.9%	6.8%	13.7%	10.0%	Taxes	-194	-248	-516	-642	-781
EBITDA	6,708	8,960	9,577	10,623	12,424	Cash flow from operations	4,506	2,440	5,054	6,194	8,174
% change Y/Y	61.6%	33.6%	6.9%	10.9%	17.0%	Capex	-3,987	-3,311	-4,585	-4,555	-4,842
EBIT	3,148	4,979	5,395	6,060	7,452	Net Interest	-221	-304	-324	-324	-324
% change Y/Y	17.2%	58.2%	8.4%	12.3%	23.0%	Other	-	-	-	-	-
EBIT Margin	13.2%	14.7%	13.8%	13.6%	15.1%	Free cash flow	298	-1,016	145	1,315	3,009
Net Interest	-221	-304	-324	-324	-324	Equity raised/(repaid)	-	-	-	-	-
Earnings before tax	3,214	5,166	5,351	6,013	7,432	Debt raised/(repaid)	1,716	1,119	-124	0	0
% change Y/Y	38.3%	60.7%	3.6%	12.4%	23.6%	Other	-	-	-	-	-
Tax	-248	-516	-642	-781	-1,040	Dividends paid	-587	-629	-922	-921	-1,040
as % of EBT	7.7%	10.0%	12.0%	13.0%	14.0%	Beginning cash	4,225	5,652	5,144	4,242	4,636
Net income (reported)	2,396.0	3,620.2	3,837.4	4,333.2	5,464.3	Ending cash	5,652	5,144	4,242	4,636	6,605
% change Y/Y	40.5%	51.1%	6.0%	12.9%	26.1%	DPS	0.74	1.08	1.05	1.19	1.50
Shares outstanding	852	852	873	873	873						
EPS (reported)	2.81	4.25	4.40	4.96	6.26						
% change Y/Y	44.0%	51.1%	3.4%	12.9%	26.1%						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	5,652	5,144	4,242	4,636	6,605	Gross margin	20.6%	20.6%	19.1%	19.0%	18.9%
Accounts receivable	6,246	7,959	9,189	10,479	11,612	EBITDA margin	28.1%	26.4%	24.5%	23.8%	25.1%
Inventories	3,455	4,023	4,645	5,297	5,870	Operating margin	13.2%	14.7%	13.8%	13.6%	15.1%
Others	3,270	6,623	12,110	13,308	13,803	Net margin	10.0%	10.7%	9.8%	9.7%	11.1%
Current assets	18,623	23,749	30,186	33,721	37,891	Sales per share growth	3.3%	42.0%	12.6%	14.0%	10.8%
LT investments	6,903	9,944	10,143	10,346	10,553	Sales growth	0.8%	42.0%	15.5%	14.0%	10.8%
Net fixed assets	17,847	17,574	19,045	20,077	21,299	Net profit growth	40.5%	51.1%	6.0%	12.9%	26.1%
Total Assets	43,375	51,267	59,374	64,144	69,742	EPS growth	44.0%	51.1%	3.4%	12.9%	26.1%
Liabilities						Interest coverage (x)	30.32	29.47	29.55	32.78	38.33
Short-term loans	3,827	5,242	2,750	2,750	2,750	Net debt to equity	26.8%	27.9%	25.0%	21.2%	13.3%
Payables	4,474	4,369	4,540	5,177	5,737	Working Capital to Sales	21.9%	22.5%	23.8%	23.8%	23.8%
Others	4,629	8,106	8,480	8,871	9,292	Sales/assets	0.57	0.72	0.71	0.72	0.74
Total current liabilities	9,471	12,475	15,770	16,798	17,779	Assets/equity	2.02	1.99	2.07	2.01	1.93
Long-term debt	7,592	7,086	8,670	8,670	8,670	ROE	11.7%	15.3%	14.1%	14.3%	16.1%
Other liabilities	0	0	0	0	0	ROCE	10.2%	14.0%	13.8%	14.5%	16.4%
Total Liabilities	17,250	19,685	24,439	25,467	26,449						
Shareholders' equity	21,506	25,770	28,686	31,980	36,133						
BVPS	25.66	30.75	34.23	38.16	43.11						

Source: Company reports and J.P. Morgan estimates.

Larsen and Toubro

www.larsentoubro.com

Company description

L&T is an India capex story. The company is the market leader in turnkey engineering and construction for infrastructure, power, hydrocarbons, and several other verticals and sells electrical / machinery products. It has a listed finance sub aiming for a banking license, an infrastructure development sub, and an IT sub.

Key drivers of performance in an equity market recovery

The current year has been disappointing – industrial and infrastructure capex is weak, order flow estimates have been guided down, and margins will tank. A low-base advantage, recovery in business confidence, and investment cycle augur well for L&T's stock performance, which is strongly co-related to the capex cycle.

How much recovery has already been priced in, what are the key metrics

At 14x FY13E (adjusted) P/E, a scenario of weak orders and margin decline for FY12 seems to be built in. It appears unlikely that the current year will turn out any better than what management is guiding for/investors are expecting. However, an order / margin recovery in FY13 will, in our view, lead to improved stock performance.

Where's the earnings risk for 2012

The risk is that of continued margin downturn and weakness in capex cycle, extending into FY13.

Price target and key recovery risks

Our Mar-12 PT of Rs2,100, based on SOP, includes Rs408 for the IT, finance and infra subs and Rs1,692 for the core businesses. Fear of a belated capex cycle and margin recovery are the key risks to stock performance in margins.

Overweight

Price: Rs1,393.7

Price Target: Rs 2,100

India

Engineering

Shilpa Krishnan^{AC}

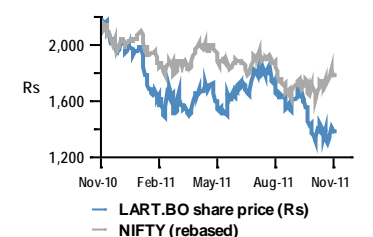
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Bloomberg JPMA KRISHNAN <GO>

J.P. Morgan India Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-29.8%	2.4%	-21.2%	-33.3%
Rel	-15.5%	-4.0%	-16.5%	-19.2%

Source: Bloomberg.

Larsen & Toubro (Reuters: LART.BO, Bloomberg: LT IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E
Revenue (Rs mn)	439,698	520,891	638,181	736,196
Net Profit (Rs mn)	34,967.5	42,384.2	51,850.1	59,679.8
EPS (Rs)	58.07	70.06	85.71	98.65
Revenue growth (%)	8.9%	18.5%	21.3%	15.0%
EPS growth (%)	13.4%	20.7%	22.3%	15.1%
ROCE	15.2%	13.6%	13.2%	13.2%
ROE	18.8%	17.4%	17.8%	17.2%
P/E (x)	23.9	19.8	16.2	14.1
P/BV (x)	7.6	6.3	5.3	4.5
EV/EBITDA (x)	16.9	14.8	13.1	11.6
Dividend Yield	-	-	-	-

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

Shares O/S (mn)	611
Market cap (Rs mn)	849,544
Market cap (\$ mn)	17,421
Price (Rs)	1,390.05
Date Of Price	01 Nov 11
Free float (%)	-
3mth Avg daily volume	2.34
3M - Avg daily Value (Rs mn)	3,508.85
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Larsen & Toubro: Summary of Financials

Income Statement					Cash flow statement				
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E
Revenues	439,698	520,891	638,181	736,196	EBIT	62,190	73,583	87,331	101,500
% change Y/Y	8.9%	18.5%	21.3%	15.0%	Depreciation & Amortization	9,793	13,189	14,579	15,357
EBITDA	71,983	86,771	101,910	116,857	Change in working capital	-29,170	-44,616	-36,477	-37,130
% change Y/Y	28.5%	20.5%	17.5%	14.7%	Taxes	-20,388	-23,010	-24,151	-28,114
EBITDA Margin	16.1%	16.4%	15.9%	15.8%	Others	-	-	-	-
EBIT	62,190	73,583	87,331	101,500	Cash flow from operations	32,317	-3,736	23,474	27,548
% change Y/Y	27.7%	18.3%	18.7%	16.2%	Capex	-40,878	-9,136	-51,870	-26,369
EBIT Margin	13.9%	13.9%	13.6%	13.7%	Free cash flow	-8,560	-12,872	-28,396	1,179
Other income	-	-	-	-					
Net Interest	-6,919	-8,309	-11,330	-13,706	Equity raised/ (repaid)	33	6	0	0
Earnings before tax	55,271	65,274	76,001	87,794	Debt raised/ (repaid)	42,595	119,742	45,951	55,802
% change Y/Y	27.2%	18.1%	16.4%	15.5%	Other	-	-	-	-
Tax	-20,388	-23,010	-24,151	-28,114	Dividends paid	-	-	-	-
as % of EBT	36.9%	35.3%	31.8%	32.0%	Change in cash	18,626	31,489	-10,144	32,761
Net Income	34,967.5	42,384.2	51,850.1	59,679.8	Beginning cash	14,590	33,216	64,705	54,561
% change Y/Y	16.5%	21.2%	22.3%	15.1%	Ending cash	33,216	64,705	54,561	87,322
Shares outstanding	-	-	-	-	DPS	-	-	-	-
EPS	58.07	70.06	85.71	98.65					
% change Y/Y	13.4%	20.7%	22.3%	15.1%					
Balance sheet					Ratio Analysis				
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E
Cash and cash equivalents	33,216	64,705	54,561	98,049	EBITDA margin	16.1%	16.4%	15.9%	15.8%
Accounts receivable	-	-	-	-	EBIT margin	13.9%	13.9%	13.6%	13.7%
Inventories	-	-	-	-	Net profit margin	7.8%	8.0%	8.1%	8.1%
Others	-	-	-	-					
Current assets	146,105	190,721	227,198	264,328	Sales growth	8.9%	18.5%	21.3%	15.0%
					Net profit growth	16.5%	21.2%	22.3%	15.1%
Total Investments	99,279	174,665	202,364	226,584	EPS growth	13.4%	20.7%	22.3%	15.1%
Net fixed assets	189,789	182,606	226,375	237,018					
Total Assets	468,389	612,696	710,498	825,979	Debt to total capital	1.11	1.31	1.24	1.19
Liabilities					Net debt/Equity (x)	96.4%	106.2%	106.5%	93.0%
Payables	-	-	-	-	Sales/assets	1.09	0.98	0.97	0.96
Others	-	-	-	-	Assets/equity	2.50	2.35	2.24	2.19
Total current liabilities	-	-	-	-	ROE (%)	18.8%	17.4%	17.8%	17.2%
Total Debt	246,073	346,400	392,351	448,395	ROCE (%)	15.2%	13.6%	13.2%	13.2%
Other liabilities	1,530	946	946	704					
Total Liabilities	247,604	347,346	393,297	449,099					
Shareholders' equity	220,785	265,351	317,201	376,880					
BVPS	183.32	219.32	262.17	311.50					

Source: Company reports and J.P. Morgan estimates.

Lenovo Group Limited

www.lenovo.com

Company description

Lenovo is the second largest PC brand globally with strong positioning in the global commercial market and No. 1 market share in China. It has been the fastest growing major PC brand over the last two years and has recently concluded acquisitions of two PC businesses. Lenovo is also expanding into the smartphone and tablet market, particularly in China.

Key drivers of performance in an equity market recovery

Margin improvement driven by scale and OPEX efficiency: We expect Lenovo's margin improvement to continue in 2012, driven by better scale (from Medion and Japan acquisitions) and higher OPEX efficiency, especially as the promotional expenses spent on rebranding in 2011 start coming down. **Strong growth, especially in China, fuelled by affordable broadband:** We expect a re-acceleration in China PC growth, led by smaller tier cities as broadband becomes more affordable in these regions over the next two years. Home broadband penetration in China is still only 30%, suggesting meaningful room for upside. **Smartphone story taking share in RMB1,000 segment:** Lenovo has taken the lead in the RMB1,000 segment, with its flagship product, A60. We expect the lead to persist in 2012, with more models coming out and wider operator/channel reach.

How much recovery has already been priced in, what are the key metrics

Almost all of the outperformance of Lenovo has been driven by earnings revisions in 2011. We expect earnings revisions to continue in 2012 as margins continue to surprise and also expect some re-rating for the stock as Lenovo gets more successful in the smartphone segment.

Where's the earnings risk for 2012

Commercial PC refresh cycle is still only half-way through. If we see a sharp slowdown in commercial PCs in 2012, say due to a US recession, then the margin improvement could be halted.

Price target and key recovery risks

Our Sep-12 PT is HK\$6.6, based on 14x 12M forward EPS. We expect strong share gains to continue over the next 12 months and expect margin expansion to accelerate as M&A integration benefits accrue and smartphone losses narrow. Key downside risks are (1) weak execution in the two acquisitions, and (2) a sharp slowdown in commercial PC demand.

Bloomberg 992 HK, Reuters 0992.HK

(Year-end Mar, \$ mn)	FY10	FY11	FY12E	FY13E		FY10	FY11	FY12E	FY13E	Target Price (HK\$)	6.6
Sales	16,605	21,594	28,599	33,452	P/E	48.7	24.6	15.5	12.2	52-Week range (HK\$)	6.04 - 3.90
Operating Profit	136	382	574	773	P/BV (x)	4.1	3.6	3.7	3.1	Share Outstanding	10,322mn
EBITDA	460	740	960	1,145	ROE(%)	08.9	15.9	25.6	31.1	Free float	43.0%
Pretax Profit	187	362	570	768	Cash Div (\$)	0.008	0.013	0.018	0.024	Avg daily volume	12mn
Adj. Net Profit	108	266	461	606	Quarterly EPS (\$)	1Q	2Q	3Q	4Q	Avg daily val (USD)	29.25mn
EPS (\$)	0.014	0.028	0.045	0.057	EPS (11)	0.005	.008	.010	0.004	Dividend Yield (FY2012)	2.6%
Net Cash	1,536	2,433	2,511	3,392	EPS (12) E	0.011	.014	.013	0.006	Index (HSI)	5,727
Y/E BPS (\$)	0.17	0.19	0.19	0.23	EPS (13) E	0.014	.016	.017	0.009	Market Cap(USD)	7,193mn

Source: Company data, Bloomberg, J. P. Morgan estimates. Priced as of 15-Nov 2011

Overweight

Price: HK\$5.46

Price Target: HK\$6.60

China

Technology Hardware

Gokul Hariharan^{AC}

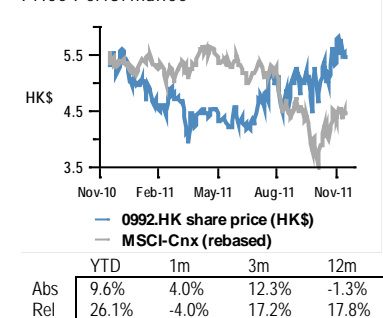
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Bloomberg JPMA HARIHARAN <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Lenovo Group Limited: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
\$ in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	\$ in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Revenues	14,901	16,605	21,594	28,599	33,452	Gross margin	12.3%	10.8%	11.0%	12.0%	11.7%
Cost of goods sold	13,066	14,815	19,230	25,178	29,534	EBITDA margin	1.0%	2.8%	3.4%	3.4%	3.4%
Gross Profit	1,835	1,790	2,364	3,421	3,918	Operating margin	(1.3%)	0.8%	1.8%	2.0%	2.3%
R&D expenses	-220	-214	-303	-402	-449	Net margin	-1.5%	0.8%	1.3%	1.6%	1.8%
SG&A expenses	-1	-1	-2	-2	-3	R&D/Sales	1.5%	1.3%	1.4%	1.4%	1.3%
Operating profit (EBIT)	-193	136	382	574	773	SG&A/Sales	9.3%	7.4%	7.3%	7.9%	7.6%
EBITDA	144	460	740	960	1,145	Sales growth	(10.7%)	11.4%	30.0%	32.4%	17.0%
Interest income	60	20	25	39	41	Operating profit growth	-141.7%	-170.1%	181.7%	50.2%	34.8%
Interest expense	-43	-52	-45	-43	-46	Net profit growth	-150.4%	-157.4%	111.2%	68.9%	31.4%
Investment income (Exp.)	17	-32	-20	-3	-5	EPS (reported) growth	(149.3%)	(156.1%)	97.9%	58.7%	27.6%
Non-operating income (Exp.)	-	-	-	-	-	Interest coverage (x)	-	14.57	36.22	278.52	229.98
Earnings before tax	-175	187	362	570	768	Net debt to total capital	-58.8%	-66.6%	-103.3%	-108.6%	-127.1%
Tax	-39	-47	-85	-98	-137	Net debt to equity	-89.7%	-95.7%	-132.6%	-141.6%	-159.3%
Net income (reported)	-225.6	129.4	273.2	461.4	606.3	Asset turnover	2.21	2.18	2.20	2.42	2.46
Net income (adjusted)	-254	108	266	461	606	Working capital turns (x)	-	-	-	-	-
EPS (reported)	(0.03)	0.01	0.03	0.04	0.06	ROE	(15.4%)	8.9%	15.9%	25.6%	31.1%
EPS (adjusted)	-0.03	0.01	0.03	0.04	0.06	ROIC	-	-	-	-	-
BVPS	0.15	0.17	0.19	0.19	0.23	ROIC (net of cash)	-	-	-	-	-
DPS	0.004	0.008	0.013	0.018	0.024						
Shares outstanding	8,914	9,493	9,419	9,419	9,419						
Balance sheet						Cash flow statement					
\$ in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	\$ in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Cash and cash equivalents	1,863	2,238	2,954	3,051	3,932	Net income	-225.6	129.4	273.2	461.4	606.3
Accounts receivable	811	1,407	1,761	2,258	2,543	Depr. & amortization	337	325	359	387	372
Inventories	450	879	804	1,129	1,272	Change in working capital	-189	195	610	566	334
Others	662	1,712	2,418	2,498	2,813	Other	-	-	-	-	-
Current assets	3,787	6,236	7,936	8,935	10,559	Cash flow from operations	-389	181	1,025	458	1,183
LT investments	-	-	-	-	-	Capex	-	-	-	-	-
Net fixed assets	2,521	2,720	2,769	3,960	3,769	Disposal/(purchase)	2	-1	-44	-0	0
Others	-	-	-	-	-	Cash flow from investing	-66	-67	-195	-611	-27
Total Assets	6,308	8,956	10,706	12,895	14,328	Free cash flow	-389	181	1,025	458	1,183
Liabilities						Equity raised/(repaid)	0	0	0	0	0
ST Loans	458	502	521	540	540	Debt raised/(repaid)	162	14	-181	19	0
Payables	-	-	-	-	-	Other	42	80	112	764	0
Others	3,649	5,917	7,511	8,980	10,057	Dividends paid	-36	-69	-125	-195	-275
Total current liabilities	4,106	6,419	8,033	9,520	10,597	Cash flow from financing	168	26	-194	587	-275
Long-term debt	230	200	0	0	0	Net change in cash	-287	140	636	435	881
Other liabilities	661	731	838	1,602	1,602	Beginning cash	2,191	1,863	2,238	2,954	3,051
Total Liabilities	4,997	7,350	8,871	11,122	12,199	Ending cash	1,863	2,238	2,954	3,051	3,932
Shareholders' equity	1,311	1,606	1,835	1,773	2,129						

Source: Company reports and J.P. Morgan estimates.

LG Chem

www.lgchem.com

Company description

LGC is one of the largest and most diversified petrochemical producers in Asia. Its products, which tend to be more specialized, range from PE to synthetic rubber which is consumed by various industries. LGC also has an Electronics division that makes Lithium Ion batteries for tablets, notebook computers, mobile phones and LCD polarizers/3D retarders for the LCD panel industry. New businesses include HEV/EV RB and LCD glass.

Key drivers of performance in an equity market recovery

Aside from continued investment in existing petrochemicals, we think the key drivers for earnings growth in the next 2-3 years will be its HEV/EV RB and LCD glass business. Longer-term, the company has announced a new Ethylene cracker in Kazakhstan for 2016 start-up which will be based on cheaper natural gas feedstock.

How much recovery has already been priced in, what are the key metrics

At the current valuation, we believe the market is assigning zero value to the new businesses. Positive share price catalysts are likely to be an acceleration of GM VOLT sales in 2012 which has been hampered by product issues this year and the successful commercial production of LCD glass by the end of 2011.

Where's the earnings risk for 2012

Main downside risk to earnings for LGC will be weaker than expected margins for the petrochemical industry, especially the Ethylene chain which we are relatively bearish on (we have assumed flat margins Y/Y). However, this could be offset by the continued capacity expansion in batteries and the new LCD Glass line ramping up production better than expected in 2012.

Price target and key recovery risks

Our Dec-12 PT of W540,000 is based on SOTP, including the existing core business (2.5x 2012 BV) and the new HEV/EV RB and LCD glass businesses (DCF). Downside risks are a prolonged downcycle in petrochemical spreads due to weak global economic growth, and execution risk of the LCD glass business as it is new.

LG Chem Ltd (Reuters: 051910.KS, Bloomberg: 051910 KS)

W in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (W mn)	15,520,813	19,471,450	22,734,050	24,982,414	27,420,660
EBITDA (W mn)	2,730,218	3,452,450	3,661,114	4,171,025	5,110,026
Net Profit (W bn)	1,481	2,127	2,187	2,497	3,148
EPS (W)	21,748	32,101	32,998	37,681	47,509
DPS (W)	3,500.00	4,000.00	4,500.00	5,000.00	5,500.00
Revenue growth	6.6%	25.5%	16.8%	9.9%	9.8%
EPS growth	65.7%	47.6%	2.8%	14.2%	26.1%
ROCE	30.7%	33.2%	28.9%	28.4%	29.7%
ROE	27.7%	31.5%	26.0%	24.4%	24.8%
P/E (x)	17.1	11.6	11.3	9.9	7.8
P/BV (x)	4.4	3.2	2.7	2.2	1.8
EV/EBITDA (x)	12.3	9.6	9.0	7.8	6.1
Dividend Yield	0.9%	1.1%	1.2%	1.3%	1.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: W372, 500

Price Target: W540,000

South Korea

Petrochemical

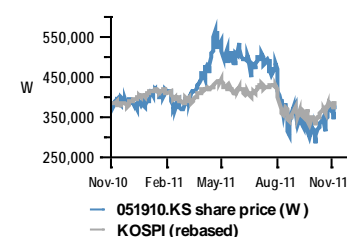
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Bloomberg JPMA SLEE <GO>

J.P. Morgan Securities (Asia Pacific) Ltd.

Price Performance



	YTD	1m	3m	12m
Abs	-4.7%	26.7%	-10.5%	-3.6%
Rel	1.3%	13.7%	-6.0%	-2.9%

Source: Bloomberg.

Company Data

52-week Range (W)	583,000 - 276,000
Market Cap (W bn)	24,686
Market Cap (\$ mn)	22,343
Shares O/S (mn)	66
Fiscal Year End	Dec
Price (W)	372,500
Date Of Price	04 Nov 11
Free float (%)	68.0%
3M Avg daily Value (W mn)	201,327.00
3M Avg daily Value (\$ mn)	179.28
3M Avg daily vol	0.58
KOSPI	1,928
Exchange Rate	1,104.88

LG Chem Ltd: Summary of Financials

Income Statement						Cash flow statement					
W in millions, year end						W in millions, year end					
Dec	FY09	FY10	FY11E	FY12E	FY13E	Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	15,520,813	19,471,450	22,734,050	24,982,414	27,420,660	EBIT	2,241,418	2,839,921	2,898,437	3,293,348	4,117,349
% change Y/Y	6.6%	25.5%	16.8%	9.9%	9.8%	Depr. & amortization	488,800	612,529	762,677	877,677	992,677
EBITDA	2,730,218	3,452,450	3,661,114	4,171,025	5,110,026	Change in working capital	253,830	-509,040	-33,907	-322,648	-401,081
% change Y/Y	56.5%	26.5%	6.0%	13.9%	22.5%	Taxes	-	-	-	-	-
EBIT	2,241,418	2,839,921	2,898,437	3,293,348	4,117,349	Cash flow from operations	2,211,105	2,507,190	2,950,284	3,090,663	3,782,380
% change Y/Y	69.7%	26.7%	2.1%	13.6%	25.0%	Capex	-1,062,062	-1,612,151	-2,350,000	-2,300,000	-2,300,000
EBIT Margin	14.4%	14.6%	12.8%	13.2%	15.0%	Disposal/(purchase)	37,271	5,080	-	-	-
Net Interest	-84,803	-34,560	1,049	8,603	24,009	Net Interest	-84,803	-34,560	1,049	8,603	24,009
Earnings before tax	2,015,392	2,818,437	2,899,486	3,301,950	4,141,358	Other	0	-61,972	-	-	-
% change Y/Y	70.1%	39.9%	2.9%	13.9%	25.4%	Free cash flow	1,149,043	895,039	600,284	790,663	1,482,380
Tax	-443,179	-618,672	-636,463	-724,808	-909,065	Equity raised/(repaid)	-	-	-	-	-
as % of EBT	22.0%	22.0%	22.0%	22.0%	22.0%	Debt raised/(repaid)	-157,805	-347,851	-270,142	-214,297	-172,686
Net income (reported)	1,481	2,127	2,187	2,497	3,148	Other	26,149	3,437	-	-	-
% change Y/Y	51.1%	43.6%	2.8%	14.2%	26.1%	Dividends paid	-210,584	-279,988	-295,953	-332,900	-369,846
Shares outstanding	66	66	66	66	66	Beginning cash	514,297	1,099,791	1,360,631	1,394,821	1,638,287
EPS (reported)	21,748	32,101	32,998	37,681	47,509	Ending cash	1,099,791	1,360,631	1,394,821	1,638,287	2,578,136
% change Y/Y	65.7%	47.6%	2.8%	14.2%	26.1%	DPS	3,500.00	4,000.00	4,500.00	5,000.00	5,500.00
Balance sheet						Ratio Analysis					
W in millions, year end						W in millions, year end					
Dec	FY09	FY10	FY11E	FY12E	FY13E	Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	1,106,596	1,368,034	1,394,821	1,638,287	2,578,136	EBITDA margin	17.6%	17.7%	16.1%	16.7%	18.6%
Accounts receivable	2,451,409	2,607,977	3,044,965	3,346,107	3,672,682	Operating margin	14.4%	14.6%	12.8%	13.2%	15.0%
Inventories	1,597,571	2,182,484	2,548,177	2,800,188	3,073,482	Net margin	9.6%	10.9%	9.6%	10.0%	11.5%
Others	121,193	130,988	130,988	130,988	130,988	Sales per share growth	17.0%	29.0%	16.8%	9.9%	9.8%
Current assets	5,277,147	6,291,677	7,120,925	7,917,348	9,456,888	Sales growth	6.6%	25.5%	16.8%	9.9%	9.8%
LT investments	241,684	217,755	222,026	226,383	230,827	Net profit growth	51.1%	43.6%	2.8%	14.2%	26.1%
Net fixed assets	3,860,461	4,537,909	6,116,226	7,529,543	8,827,860	EPS growth	65.7%	47.6%	2.8%	14.2%	26.1%
Total Assets	10,530,592	12,673,459	14,658,864	16,872,961	19,715,262	Interest coverage (x)	32.19	99.90	-	-	-
Liabilities						Net debt to equity	13.2%	4.8%	0.8%	-3.4%	-10.6%
Short-term loans	1,293,145	1,259,887	1,133,898	1,020,508	918,458	Sales/assets	1.53	1.68	1.66	1.58	1.50
Payables	1,095,966	1,302,563	1,550,890	1,692,250	1,814,159	Assets/equity	1.50	1.42	1.36	1.49	1.40
Others	2,613,693	3,017,505	3,786,279	4,016,785	4,215,573	ROE	27.7%	31.5%	26.0%	24.4%	24.8%
Total current liabilities	3,906,838	4,277,392	4,920,177	5,037,293	5,134,031	ROCE	30.7%	33.2%	28.9%	28.4%	29.7%
Long-term debt	577,917	480,510	336,357	235,450	164,815						
Other liabilities	119,148	71,722	71,722	71,722	71,722						
Total Liabilities	4,603,903	4,829,624	5,328,256	5,344,465	5,370,568						
Shareholders' equity	5,809,214	7,703,473	9,148,737	11,305,116	14,079,806						
BVPS	84,719.17	115,666.24	137,474.60	170,013.35	211,882.13						

Source: Company reports and J.P. Morgan estimates.

LG Display

www.lgdisplay.com

Company description

LG Display develops and manufactures digital display products. The company's products include thin-film transistor-liquid crystal displays (TFT-LCD) for notebooks, desktop computer monitors, TVs, mobile phones, and medical equipment.

Key drivers of performance in an equity market recovery

We believe the key swing factor of LGD would be its ongoing growth in mobile display. Its mobile display showed a meaningful growth, accounting for almost 20% of the total revenue in 3Q11 from 11% a year ago. As LGD is a major supplier to both Apple and Amazon, its mobile-display could offset a potential shortfall in the large-sized display.

How much recovery has already been priced in, what are the key metrics?

LGD is currently trading at 0.8x 2012E P/BV, below book value, and our price target implies 35%+ potential upside. Although the macro economy remains a concern, we expect LGD's earnings to bottom out in 4Q11 and show a gradual recovery in 2012. Also, the increasing proportion of mobile display and ongoing market share gain in its TV business will differentiate LGD from other panel makers, in our view.

Where's the earnings risk for 2012?

TFT-LCD panel makers witnessed stabilization process for both IT and TV panels in early November. However, end-demand visibility should stay limited; hence we foresee TV panel price to stay sideways in the near term. Lower-than-expected panel prices would slow down LGD's earnings and profitability recovery.

Price target and key recovery risks

Our P/BV-based Dec-12 price target is W32,000 and implies 1.1x FY12E book and 0.9x FY13E book. Key downside risks to our price target are lower-than-expected TV panel prices and margins, and prolonged uncertainty around end-demand/inventories. An upside risk is a recovery in global consumption.

Overweight

Price: W23,950

Price Target: W32,000

South Korea

Semiconductor

JJ Park^{AC}

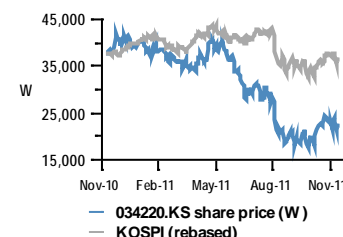
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J.P.Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



	YTD	1m	3m	12m
Abs	-45.2%	5.2%	3.2%	-40.4%
Rel	-35.2%	1.4%	0.7%	-37.7%

Source: Bloomberg.

Bloomberg 034220 KS, Reuters 034220.KS

(YE Dec, W bn)	FY10	FY11E	FY12E	FY13E		FY10	FY11E	FY12E	FY13E	Date of Price	11 Nov 11
Sales	25,512	24,034	26,221	27,394	Sales growth	27%	-6%	9%	4%	52-Week range	W42,500 - 17,300
Operating Profit	1,310	-853	889	1,488	OP growth	30%	NM	NM	67%	Market Cap	W8,015B
EBITDA	4,236	2,764	4,745	4,950	NP growth	4%	NM	NM	70%	Market Cap	US\$7,114MM
Net profit	1,159	-1,017	787	1,335	Quarterly EPS (W)	1Q	2Q	3Q	4Q	Share Out. (Com)	358MM
EPS	3,240	-2,842	2,200	3,732	EPS (10)	1,813	1,429	627	-629	Free float	57.0%
BPS (W)	30,912	28,276	30,476	34,208	EPS (11) E	-1,062	60	-1,923	83	Avg daily val	W78.9B
P/E (x)	6.9	NM	10.2	6.0	EPS (12) E	-71	626	818	828	Avg daily val (US\$)	70.00MM
P/BV (x)	0.7	0.8	0.7	0.7	Price Target	32,000				Avg daily vol.	3.7MM shares
ROE (%)	10.9	-9.6	7.5	11.5	Consensus PT	26,846				Dividend yield (%)	0.0
Net Debt	1,510	2,164	2,402	1,788	Difference (%)	19.2				Exchange Rate	1,126.61

Source: Company data, Bloomberg, J.P. Morgan estimates.

LG Display: Summary of Financials

Income Statement					Balance sheet				
W in billions, year end Dec	FY10	FY11E	FY12E	FY13E	W in billions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	25,512	24,034	26,221	27,394	Cash and cash equivalents	3,134	2,302	1,667	1,780
COGS	-21,781	-22,620	-22,893	-23,202	Accounts receivable	3,001	2,401	1,614	1,677
Depreciation	-2,926	-3,617	-3,856	-3,462	Inventories	2,215	2,098	2,222	2,309
Gross Profit	3,731	1,414	3,328	4,192	Others current assets	491	618	647	672
EBIT	1,310	- 853	889	1,488	Current assets	8,840	7,418	6,150	6,438
Net Interest Income	-53	-18	-157	-138	LT investments	1,662	1,827	1,892	1,961
Pre-tax Profit	1,266	-903	847	1,444	Net fixed assets	12,815	13,377	13,521	14,059
Tax Expense/(Credit)	-106	-114	-59	-108	Other long term assets	-	-	-	-
Net income	1,159	- 1,017	787	1,335	Total Assets	23,858	23,136	22,036	22,914
Shares outstanding (mil.)	358	358	358	358	ST Debt and CPLTD	2,101	1,602	1,305	1,203
EPS (W)	3,240	- 2,842	2,200	3,732	Account Payables	2,962	2,970	2,675	2,829
Sequential Growth					Other current liabilities	3,819	4,391	3,417	3,551
Revenues	27%	- 6%	9%	4%	Total current liabilities	8,882	8,963	7,397	7,583
Gross Profit	46%	- 62%	135%	26%	Long-term debt	2,543	2,864	2,764	2,364
EBIT	30%	NM	NM	67%	Other Long term liabilities	1,372	1,192	971	726
Pre-tax Profit	25%	- 171%	- 194%	71%	Total Liabilities	12,797	13,019	11,132	10,673
EPS	4%	NM	NM	70%	Shareholders' equity	11,061	10,117	10,905	12,240
Cash flow statement					Total Liabilities and Equity	23,858	23,136	22,036	22,914
W in billions, year end Dec	FY10	FY11E	FY12E	FY13E	BVPS (W)	30,912	28,276	30,476	34,208
Net income	1,159	- 1,017	787	1,335	Ratio Analysis				
Depr. & amortization	2,926	3,617	3,856	3,462	(%)	FY10	FY11E	FY12E	FY13E
Other non-cash items	1,439	572	-974	134	Gross margin	15%	6%	13%	15%
Change in working capital	1,740	1,170	-635	112	EBIT margin	5.1%	-3.6%	3.4%	5.4%
Cash flow from operations	5,826	3,770	4,008	4,909	Net profit margin	5%	- 4%	3%	5%
Disposal/(purchase)	-274	26	40	19	COGS/sales	- 85%	- 94%	- 87%	- 85%
Cash flow from investing	-6,783	-4,318	-4,025	-4,051	Sales per share growth	27%	- 6%	9%	4%
Equity raised/(repaid)	-60	0	0	0	Sales growth	27%	- 6%	9%	4%
Debt raised/(repaid)	1,043	-358	-618	-746	EBIT growth	30%	NM	NM	67%
Other charges	-254	73	-0	-0	Net profit growth	4%	NM	NM	70%
Cash dividends	0	0	0	0	EPS growth	4%	NM	NM	70%
Cash flow from Financing	729	-285	-618	-746	Interest coverage (x)	79.44	155.33	30.20	35.81
Net Changes in Cash	-228	-832	-635	113	Inventory Turnover (x)	11.52	11.46	11.80	11.86
Beginning cash	3,362	3,134	2,302	1,667	Net debt to total capital	10%	14%	16%	12%
Ending cash	3,134	2,302	1,667	1,780	Net debt to equity	14%	21%	22%	15%
DPS (W)	0	0	0	0	Sales/assets	1.2	1.0	1.2	1.2
Quarterly Data					Assets/equity	1.81	2.29	2.02	1.87
	1Q11E	2Q11E	3Q11E	4Q11E	ROE	11%	- 10%	7%	12%
Sales	5,366	6,047	6,269	6,352	Quarterly Data	1Q12E	2Q12E	3Q12E	4Q12E
Net income	-380	21	-688	30	Sales	6,251	6,590	6,727	6,652
EPS (W)	- 1,062	60	- 1,923	83	Net income	-25	224	293	296
					EPS (W)	- 71	626	818	828

Source: Company reports and J.P. Morgan estimates.

Longfor Properties

www.longfor.com

Company description

Longfor Properties (0960.HK) was listed in Sep 2009. The company is a high-end residential property developer with focus in Western China (40%), Yangtze River Delta (20%) and the Bohai Rim (40%). The company is keen to build an investment property portfolio and targets to have this sector contributing 10% of revenue by 2015. Inclusive of investment properties, total landbank size is around 33 mn sqm.

Key drivers of performance in an equity market recovery

Longfor has a well-balanced model that enables it to increase market share in the recent adverse operating environment. As a result, should a recovery scenario occur, Longfor's strategy would enable it to benefit more than its peers in our view. The two key differentiating elements of Longfor are: **(1) Good brand name:** this could help Longfor gain market share when supply increases as there are more for buyers to choose from; **(2) Healthy cash flow and strong balance sheet:** We expect Longfor to achieve positive free cash flow starting 2011E. Under the current credit tight situation, with ample cash on hand, Longfor may be able to buy land cheaply as there is less competition. This also enables it to borrow at a cheaper rate than its peers.

How much recovery has already been priced in, what are the key metrics?

We believe recent strength in share price strength has reflected the expectation on potential relaxation of monetary environment in China, which may benefit the real estate sector somehow. However stock valuation is still 45% below mid-cycle valuation.

Where's the earnings risk for 2012?

Longfor has locked-in about 70% of its 2012E earnings as of end-Oct. That said, the biggest earnings risk is on: (1) Deeper than expected price-cut which may harm margin. We expect 8% to 15% decrease in price for overheated cities; (2) Potential delay in delivery, in case sales are bad Longfor may slow down construction.

Price target and key recovery risks

Our Dec-12 price target of HK\$13.00 is based on 10.0x 2012E P/E, at the high-end of among mid cap developers due to the lower risk business model. Key downside risks to PT are lower than expected sales and delivery volume.

Longfor Properties Co. Ltd. (Reuters: 0960.HK, Bloomberg: 960 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	11,374	15,093	27,041	31,715	37,099
Net Profit (Rmb mn)	2,209	4,130	5,009	5,576	6,433
Core Profit (Rmb mn)	1,351	2,055	4,383	5,576	6,433
EPS (Rmb)	0.53	0.80	0.97	1.08	1.25
Core EPS (Rmb)	0.327	0.399	0.850	1.082	1.248
Core EPS growth (%)	431.7%	22.0%	113.2%	27.2%	15.4%
DPS (Rmb)	0.08	0.10	0.21	0.27	0.31
ROE	17.7%	14.6%	24.0%	24.5%	23.4%
P/E (Core)	22.3	18.3	8.6	6.8	5.9
P/BV (x)	3.1	2.4	1.8	1.5	1.3
BVPS (Rmb)	2.36	3.10	3.99	4.85	5.83
RNAV/Share (HK\$)	-	-	17.45	18.27	-
Dividend Yield	1.1%	1.4%	2.9%	3.7%	4.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$8.96

Price Target: HK\$13.00

China

Property

Ryan Li, CFA^{AC}

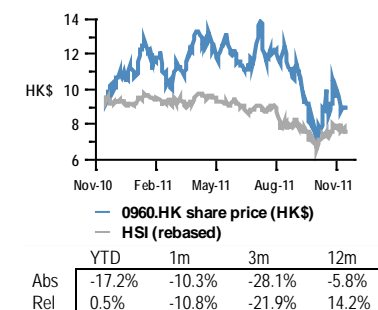
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares O/S (mn)	5,155
Market cap (Rmb mn)	37,663
Market cap (\$ mn)	5,939
Price (HK\$)	8.96
Date Of Price	16 Nov 11
Free float (%)	24.0%
3M - Average daily volume	7.88
3M - Average daily Value (HK\$ mn)	72.22
Average 3m Daily Turnover (\$ mn)	9.52
HSI	19,348
Exchange Rate (HK\$/US\$)	7.78
Fiscal Year End	Dec

Longfor Properties Co. Ltd.: Summary of Financials

Profit and Loss Statement					Cash Flow Statement				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	15,093	27,041	31,715	37,099	EBIT	4,367	8,240	9,991	11,710
% change Y/Y	32.7%	79.2%	17.3%	17.0%	Depr. & amortization	24	28	43	67
EBIT	4,367	8,240	9,991	11,710	Change in working capital	5,109	16,094	12,558	14,428
% change Y/Y	63.0%	88.7%	21.3%	17.2%	Others	-906	-1,602	-2,402	-2,891
EBIT margin (%)	28.9%	30.5%	31.5%	31.6%	Cash flow from operations	7,620	19,908	16,884	19,433
Net Interest	-7	-33	-43	-14	Capex	-27	-80	-100	-125
Earnings before tax	4,544	8,528	10,284	12,352	Disposal/(purchase)	-12,859	-17,500	-3,000	0
% change Y/Y	60.2%	87.7%	20.6%	20.1%	Net Interest	-	-	-	-
Tax	-1,913	-3,613	-4,105	-5,214	Free cash flow	-5,115	1,541	12,823	18,570
as % of EBT	42.1%	42.4%	39.9%	42.2%	Equity raised/(repaid)	13	0	0	0
Net income (reported)	4,130	5,009	5,576	6,433	Debt raised/(repaid)	7,557	2,001	-568	-221
% change Y/Y	87.0%	21.3%	11.3%	15.4%	Other	956	0	0	0
Core net profit	2,055	4,383	5,576	6,433	Dividends paid	-349	-516	-1,096	-1,394
% change Y/Y	52.1%	113.3%	27.2%	15.4%	Beginning cash	6,802	9,863	12,890	24,049
Shares outstanding (mn)	5,155	5,155	5,155	5,155	Ending cash	9,863	12,890	24,049	41,004
EPS (reported) (Rmb)	0.80	0.97	1.08	1.25	DPS (Rmb)	0.10	0.21	0.27	0.31
% change Y/Y	49.9%	21.2%	11.3%	15.4%					
Core EPS (Rmb)	0.40	0.85	1.08	1.25					
% change Y/Y	22.0%	113.2%	27.2%	15.4%					
Balance Sheet					Ratio Analysis				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	% , year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	9,863	12,890	24,049	41,004	EBIT Margin	28.9%	30.5%	31.5%	31.6%
Accounts receivable	2,516	2,642	2,774	2,913	Operating margin	-	-	-	-
Inventories	416	499	599	719	Net margin	27.4%	18.5%	17.6%	17.3%
Others	35,641	47,445	46,078	43,062	SG&A/Sales	-	-	-	-
Current assets	48,436	63,475	73,500	87,698	Sales per share growth	6.4%	79.1%	17.3%	17.0%
LT investments	7,183	8,483	9,908	11,470	Sales growth	32.7%	79.2%	17.3%	17.0%
Net fixed assets	16,095	17,490	19,733	22,655	Net profit growth	87.0%	21.3%	11.3%	15.4%
Total Assets	71,714	89,449	103,140	121,824	EPS growth	49.9%	21.2%	11.3%	15.4%
Liabilities					Interest coverage (x)	665.45	252.92	232.02	848.25
ST Loans	2,860	4,568	7,221	4,958	Net debt to total capital	22.4%	4.5%	-26.1%	-62.5%
Payables	-	-	-	-	Net debt to equity	46.7%	7.7%	-40.6%	-90.9%
Others	35,430	45,406	54,077	66,546	Sales/assets	0.26	0.34	0.33	0.33
Total current liabilities	38,289	49,973	61,298	71,504	Assets/equity	4.49	4.35	4.12	4.05
Long-term debt	14,464	9,897	6,676	8,718	ROE	14.6%	24.0%	24.5%	23.4%
Other liabilities	1,594	7,115	7,621	8,312	ROCE	15.8%	24.1%	27.0%	28.3%
Total Liabilities	54,348	66,985	75,594	88,533					
Shareholders' equity	15,980	20,545	25,026	30,065					
BVPS	3.10	3.99	4.85	5.83					

Source: Company reports and J.P. Morgan estimates.

Media Prima Berhad

www.mediaprima.com.my/

Company description

Media Prima is Malaysia's sole integrated media investment group with a reach across television, print, radio, outdoor, as well as online media. Media Prima is also involved with content creation, event and talent management. Media Prima has a dominant market leadership in free-to-air TV and a solid foothold in the fastest growing Malay newspaper segment with "Harian Metro".

Key drivers of performance in an equity market recovery

Improvement in consumer sentiment amid clearer signs of a sustained global recovery should improve ad visibility and spending which, in turn, paves the way for positive earnings surprises. This, alongside higher-than-expected dividends (backed by Media Prima's solid cash flow generation), are potential re-rating catalysts for the stock.

How much recovery has already been priced in, what are the key metrics

To the contrary, we believe the stock has priced in prospects of slowing adex growth over the near-term, having corrected 16% from its peak. At current levels, the stock is pricing in 2.5% GDP growth for 2012 – below our strategist's base case assumption of 3.5%. Given adex's leveraged play on GDP growth, we see upside bias in the event of a sustained global recovery.

Where's the earnings risk for 2012

A sustained global recovery would easily lift adex growth ahead of our 6% estimate for 2012 (upside from both higher GDP growth and adex/GDP multiple expansion), further helped by 2012's adex-boosting events – 1) General Elections, 2) Euro 2012 and to a lesser extent, 3) more traction on the Economic Transformation Programme (ETP).

Price target and key recovery risks

Our Dec-12 PT of M\$3.00 is based on a 20% discount to the SoTP of 1) its discounted cash flow value of its media business and 2) its cash balance and cash proceeds from warrant conversion. Our PT implies FY12E/13E P/E of 17.4x and 16.7x, <+1SD from its 5-year mean. Key risks 1) Sharp downturn in the economy affected adex growth, and 2) Higher than expected content and newsprint costs.

Media Prima Berhad (Reuters: MPRM.KL, Bloomberg: MPR MK)

M\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (M\$ mn)	744	1,547	1,702	1,834	1,989
Reported Net Profit (M\$ mn)	251.4	243.7	194.9	204.2	211.0
Core Net Profit (M\$ mn)	73	185	195	204	211
Basic EPS (M\$)	0.29	0.25	0.18	0.19	0.20
FD EPS (M\$)	0.09	0.19	0.17	0.18	0.19
DPS (M\$)	0.10	0.10	0.11	0.12	0.13
Revenue growth (%)	-3.2%	107.9%	10.0%	7.8%	8.5%
Core EPS growth (%)	-39.7%	118.6%	-2.2%	4.8%	3.3%
ROCE	9.1%	18.0%	18.4%	17.9%	17.5%
ROE	33.3%	22.3%	15.0%	14.4%	14.0%
Adjusted P/E (x)	29.2	13.4	14.6	13.9	13.5
P/BV (x)	2.2	2.0	1.9	1.8	1.7
EV/EBITDA (x)	18.4	7.1	6.2	5.7	5.1
Dividend Yield	4.0%	4.0%	4.4%	4.8%	5.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: M\$2.51

Price Target: M\$3.00

Malaysia

Consumer

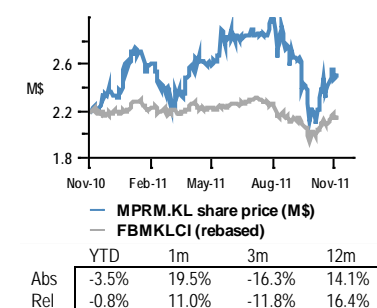
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JPMorgan Securities (Malaysia) Sdn. Bhd.
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Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	1,064
Market cap (M\$ mn)	2,670
Market cap (\$ mn)	854
Price (M\$)	2.51
Date Of Price	04 Nov 11
Free float (%)	56.9%
3mth Avg daily volume	1.78
3M - Average daily Value (M\$ mn)	4.50
Average 3m Daily Turnover (\$ mn)	1.41
FBMKLCI	1,462
Exchange Rate	03.13
Fiscal Year End	Dec

Media Prima Berhad: Summary of Financials

Income Statement						Cash flow statement					
M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	744	1,547	1,702	1,834	1,989	EBIT	105	263	295	308	317
% change Y/Y	(3.2%)	107.9%	10.0%	7.8%	8.5%	Depr. & amortization	50	100	107	107	107
Gross Margin	-	-	-	-	-	Change in working capital	-180	-141	-116	-95	-83
EBITDA	156	363	402	415	424	Taxes	-44	-52	-68	-71	-74
% change Y/Y	-25.3%	133.2%	10.8%	3.1%	2.2%	Others	154	158	210	178	220
EBITDA Margin	20.9%	23.5%	23.6%	22.6%	21.3%	Cash flow from operations	86	328	429	427	487
EBIT	105	263	295	308	317	Capex	-55	-55	-100	-120	-140
% change Y/Y	NM	149.8%	12.3%	4.2%	2.9%	Disposal/(purchase)	2	16	-	-	-
EBIT Margin	14.1%	17.0%	17.4%	16.8%	15.9%	Free cash flow	33	289	329	307	347
Net Interest	-24	-33	-28	-28	-28	Equity raised/(repaid)	-	-	-	-	-
Earnings before tax	275	295	273	286	295	Debt raised/(repaid)	111	-195	-70	2	2
% change Y/Y	72.9%	7.2%	-7.4%	4.6%	3.2%	Other	31	111	-21	-17	-12
Tax	-24	-45	-68	-71	-74	Dividends paid	-81	-95	-117	-128	-138
as % of EBT	8.7%	15.1%	25.0%	25.0%	25.0%	Beginning cash	44	139	249	370	534
Net income (reported)	251.4	243.7	194.9	204.2	211.0	Ending cash	139	249	370	534	734
% change Y/Y	113.6%	-3.1%	-20.0%	4.8%	3.3%	DPS	0.10	0.10	0.11	0.12	0.13
Core NI	73	185	195	204	211						
% change Y/Y	-39.1%	152.5%	5.2%	4.8%	3.3%						
Shares outstanding	854	986	1,060	1,060	1,060						
EPS (reported)	0.29	0.25	0.18	0.19	0.20						
% change Y/Y	111.6%	(16.1%)	(25.6%)	4.8%	3.3%						
Adjusted EPS	0.09	0.19	0.17	0.18	0.19						
% change Y/Y	-	118.7%	-8.5%	4.7%	3.3%						
Balance sheet						Ratio Analysis					
M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	150	318	370	534	734	EBITDA margin	20.9%	23.5%	23.6%	22.6%	21.3%
Accounts receivable	325	345	378	407	409	Operating margin	-	-	-	-	-
Inventories	123	109	121	131	142	Net margin	33.8%	15.8%	11.5%	11.1%	10.6%
Others	2	24	23	23	23						
Current assets	600	795	892	1,095	1,307	Sales per share growth	(4.2%)	80.0%	2.3%	7.7%	8.5%
						Sales growth	(3.2%)	107.9%	10.0%	7.8%	8.5%
LT investments	64	58	58	46	37	Net profit growth	113.6%	-3.1%	-20.0%	4.8%	3.3%
Net fixed assets	768	729	741	769	812	EPS growth	111.6%	(16.1%)	(25.6%)	4.8%	3.3%
Intangibles	403	382	373	327	273						
Others	251	272	283	234	191	Interest coverage (x)	6.37	11.14	14.17	14.61	14.92
Total Assets	2,086	2,235	2,347	2,471	2,620	Net debt to total capital	24.3%	-0.3%	-4.3%	-13.6%	-24.0%
						Net debt to equity	29.2%	-0.3%	-5.1%	-16.0%	-28.0%
Liabilities						Sales/assets	0.46	0.72	0.74	0.76	0.78
Short-term loans	49	14	99	99	99	Assets/equity	2.18	1.82	1.70	1.69	1.69
Payables	306	311	304	332	387	ROE	33.3%	22.3%	15.0%	14.4%	14.0%
Others	167	113	101	101	101	ROCE	9.1%	18.0%	18.4%	17.9%	17.5%
Total current liabilities	522	438	504	532	587						
Long-term debt	381	300	201	201	201						
Other liabilities	84	247	241	251	261						
Total Liabilities	986	985	946	984	1,050						
Minorities	141	23	23	23	23						
Shareholders' equity	958	1,227	1,377	1,464	1,548						
BVPS	1.12	1.24	1.30	1.38	1.46						

Source: Company reports and J.P. Morgan estimates.

Mediatek Inc.

www.mediatek.com

Company description

Mediatek is a top 5 global fabless company, with a particular focus on emerging markets. It is known for its turnkey business model, and replicated this to PC optical storage, consumer DVD, feature phones, GPS, Digital TV and become top 3 globally within 3 years of market entry. The next focus would be 3G/ 4G, smartphone and WLAN.

Key drivers of performance in an equity market recovery

IC design is all about product cycles and Mediatek's prospects over the next 3 years is all about smartphone – we estimate its smartphone shipment to rise from 10mn in 2011 up to 60/100mn in 2012/13. Smartphone ASP is 4-5x higher than feature phone, and profit contribution will likely exceed feature phone by early 2013. The cheaper good proposition has helped it grow even much faster in poor economy, as it was seen in 2009 when earnings grew 90% and stock outperformed TWSE by 75%.

How much recovery has already been priced in, what are the key metrics?

Strength of 6573 chip/ China Unicom shipments is well discussed and likely priced in. Yet, we think there are 2 key drivers that are not yet in the price: 1) Export market emerging much earlier in smartphone than in feature phone, this includes India (Micromax, Spice & Lava), Indonesia (Nexian), Brazil (ZTE), etc; 2) 6575 is ahead of plan and already in the process of design by Lenovo. 6575 (Cortex A9) is double the speed of 6573 (ARM11), and 2 generations ahead of Qualcomm's competing parts like 7225A/ 7227A (Cortex A5) in ARM architecture. Share price direction is highly correlated with Y/Y momentum, and these 2 drivers should sustain the acceleration for another 4 quarters at least.

Where's the earnings risk for 2012?

The market at times underestimates earnings in a product up-cycle, and overestimates earnings in a product down-cycle, by at least 30% since 2007. We acknowledge its feature phone is still under very severe pressure esp with the rise of MStar - this is widely known in the market though. The smartphone success has been a surprise to many and we tend to think it is already in a product up-cycle judging by strong Y/Y acceleration – in fact, revenue is up Y/Y in Oct for first time, after falling for the past 18 months.

Price target and key recovery risks

Our Dec-12 price target is NT\$420 and is based upon 20x FY12E earnings, versus the historical range of 8-30x. On a DCF basis, our Dec-12 fair value estimate is NT\$462 based on a 10-year revenue CAGR of 14% in 2010-2018E at an average NOPAT margin of 28% and average ROIC of 94.0% versus the historical average of 23% NOPAT margin, 62% ROIC, and revenue CAGR of 21% in 2002-2009. We always assume zero growth in free cash flow in our terminal value. Key risk to our view is earlier-than-expected Qualcomm migration to Cortex-A9 products to low-end market, and thus creating more price competition for Mediatek.

Bloomberg 2454 TT, Reuters 2454.TW

(Year-end Dec, NT\$ bn)	FY09	FY10	FY11E	FY12E	FY09	FY10	FY11E	FY12E	Target Price (NT\$)	420	
Sales	115.51	113.52	89.00	119.12	New TW GAAP P/E	9.1	11.0	23.6	14.8	52-Week range (NT\$)	437.00 - 221.00
Operating Profit	36.39	31.08	13.75	23.15	P/BV (x)	3.1	3.0	3.0	2.7	Share Outstanding	1,100mn
EBITDA	38.80	31.77	14.46	23.87	ROE(%)	38.5	28.1	12.8	19.5	Free float	81.9%
Pretax Profit	37.43	32.31	14.85	24.51	Cash Div (NT\$)	13.9	25.9	21.7	11.2	Avg daily volume	13mn
Adj. Net Profit (New TW GAAP)	36.71	30.96	14.27	23.01	Quarterly EPS (NT\$)	1Q	2Q	3Q	4Q	Avg daily val (USD)	153.26mn
New TW GAAP EPS (NT\$)	33.85	28.26	13.11	20.93	EPS (10)	10.19	8.27	6.35	3.48	Dividend Yield (2011)	7.0%
Net Debt / Equity	NM	NM	NM	NM	EPS (11) E	3.01	3.02	3.68	3.55	QFII Holding (%)	39.0%
Y/E BPS (NT\$)	100.42	101.97	102.67	113.23	EPS (12) E	3.87	4.55	6.47	6.04	Market Cap(USD)	11,339mn

Source: Company data, Bloomberg, J. P. Morgan estimates. Note: In Net Debt/Equity, NM means company has net cash

Overweight

Price: NT\$309.50

Price Target: NT\$420

Taiwan

Asian Technology

Alvin Kwock^{AC}

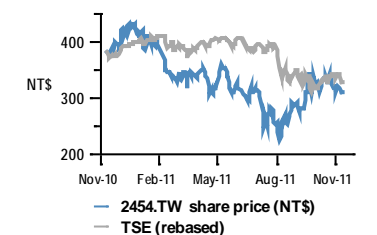
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J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-25.4%	-3.3%	20.9%	-18.8%
Rel	-6.4%	-2.1%	26.4%	-5.3%

Source: Bloomberg.

MediaTek Inc.: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	115,512	113,522	89,000	119,119	127,591	Gross margin	58.7%	53.7%	45.1%	46.1%	48.3%
Cost of goods sold	47,695	52,614	48,888	64,192	66,010	EBITDA margin	33.6%	28.0%	16.3%	20.0%	23.3%
Gross Profit	67,817	60,908	40,112	54,926	61,581	Operating margin	31.5%	27.4%	15.5%	19.4%	22.8%
R&D expenses	-16,261	-23,311	-21,056	-24,941	-25,518	Net margin	31.8%	27.3%	16.0%	19.3%	22.5%
SG&A expenses	-5,867	-6,519	-5,304	-6,831	-7,017	R&D/sales	14.1%	20.5%	23.7%	20.9%	20.0%
Operating profit (EBIT)	36,387	31,078	13,751	23,154	29,045	SG&A/Sales	5.1%	5.7%	6.0%	5.7%	5.5%
EBITDA	38,798	31,771	14,463	23,866	29,756	Sales growth	28.0%	(1.7%)	(21.6%)	33.8%	7.1%
Interest income	585	576	763	975	1,092	Operating profit growth	64.3%	-14.6%	-55.8%	68.4%	25.4%
Interest expense	0	0	0	0	0	Net profit growth	91.3%	-15.7%	-53.9%	61.3%	24.8%
Investment income (Exp.)	585	576	763	975	1,092	EPS (reported) growth	88.0%	(16.5%)	(53.6%)	59.6%	24.7%
Non-operating income (Exp.)	1,043	1,232	1,099	1,361	1,556	Interest coverage (x)	-	-	-	-	-
Earnings before tax	37,430	32,310	14,850	24,515	30,600	Net debt to total capital	-62.8%	-41.3%	-35.7%	-44.0%	-46.4%
Tax	-725	-1,350	-584	-1,504	-1,893	Net debt to equity	NM	NM	NM	NM	NM
Net income (reported)	36,705.0	30,960.0	14,266.0	23,011.1	28,707.5	Asset turnover	1.01	0.85	0.65	0.80	0.77
Net income (adjusted)	36,705	30,960	14,266	23,011	28,707	Working capital turns (x)	3.03	2.74	2.45	2.92	2.54
EPS (reported)	33.85	28.26	13.11	20.93	26.10	ROE	38.5%	28.1%	12.8%	19.5%	22.2%
EPS (adjusted)	33.85	28.26	13.11	20.93	26.10	ROIC	38.0%	27.6%	12.2%	18.7%	21.5%
BVPS	100.42	101.97	102.67	113.23	121.65						
DPS	13.86	25.87	21.70	11.17	17.83						
Shares outstanding	1,092	1,100	1,100	1,100	1,100						
Balance sheet						Cash flow statement					
NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	59,833	45,574	39,851	51,989	59,885	Net income	36,705.0	30,960.0	14,266.0	23,011.1	28,707.5
Accounts receivable	2,890	4,016	10,860	13,609	14,644	Depr. & amortization	2,411	693	712	712	712
Inventories	5,070	6,443	7,814	9,155	9,611	Change in working capital	6,615	-6,250	-3,572	995	362
Others	1,397	3,541	4,505	5,644	6,074	Other	4,922	-2,546	1,111	3,393	1,278
Current assets	69,190	59,573	63,030	80,397	90,213	Cash flow from operations	45,731	25,404	11,405	24,717	29,781
LT investments	48,208	59,535	61,407	61,794	62,257	Capex	-3,064	-1,541	-1,320	-2,000	-2,000
Net fixed assets	5,896	6,745	7,353	8,641	9,929	Disposal/(purchase)	0	0	0	0	0
Others	9,622	8,788	8,531	8,531	8,531	Cash flow from investing	-15,302	-12,036	-2,934	-2,386	-2,463
Total Assets	132,916	134,641	140,320	159,362	170,930	Free cash flow	42,667	23,862	10,085	22,717	27,781
Liabilities						Equity raised/(repaid)	7,518	3,919	12,495	2,085	186
ST Loans	0	0	0	0	0	Debt raised/(repaid)	196	489	98	0	0
Payables	7,529	6,323	9,856	11,547	12,122	Other	0	0	0	0	0
Others	16,239	15,837	17,911	22,444	24,151	Dividends paid	-15,024	-28,343	-23,605	-12,279	-19,608
Total current liabilities	23,768	22,159	27,767	33,991	36,273	Cash flow from financing	-7,311	-23,936	-11,013	-10,193	-19,422
Long-term debt	0	0	0	0	0	Net change in cash	23,118	-10,568	-2,541	12,138	7,896
Other liabilities	279	768	866	866	866	Beginning cash	38,654	59,833	45,574	39,851	51,989
Total Liabilities	24,047	22,927	28,633	34,857	37,139	Ending cash	59,833	45,574	39,851	51,989	59,885
Shareholders' equity	108,869	111,714	111,688	124,506	133,791						

Source: Company reports and J.P. Morgan estimates.

Metro Pacific Investments

www.mpic.com.ph

Company description

Metro Pacific Investments (MPI) is an investment holding company that focuses on infrastructure business in the Philippines. The company has assembled a portfolio of quality infrastructure assets including water utility, Maynilad Water Services, electricity distribution utility, Manila Electric Co. (Meralco), tollroad company, Metro Pacific Tollways Corp. (MPTC), and a group of healthcare facilities.

Key drivers of performance in an equity market recovery

A key catalyst for MPI is the deployment of new capital and use of debt capacity for new return-enhancing acquisitions, e.g. Skyway or South Luzon Expressway that will address the lingering overhang following the successive share placements done in the last two years. Another catalyst is the significant roll-out of government infrastructure program, Public Private Partnership (PPP) program next year where MPI is poised to be the main contender to make new business wins.

How much recovery has already been priced in, what are the key metrics?

MPI continues to trade at a large discount to its NAV (~30% currently) which is due to the lingering overhang post the US\$200m share placement in July. We believe that the market is not pricing in any new business wins for MPI and is imputing a discount for the dilution risk.

Where's the earnings risk for 2012?

Earnings risk for MPI in 2012 is biased on the downside as the tollway group may see vehicle traffic growth plunge following the imposition of VAT on toll fees. We have imputed a 6% vehicle traffic growth in 2012.

Price target and key recovery risks

Our Dec-12 PT of Php4.10 was derived after applying a 15% discount to our SOTP NAV of Php4.81. Our NAV was derived from the SOTP of MPI's major business units. Beacon's valuation was based on its SOTP which includes its 45% stake in Meralco based on JPM DCF valuation. Maynilad and MPTC, on the other hand, were valued based on their DCF until the end of the concession while the hospital assets were valued at 15x FY12E earnings. Key risks: disappointment in key operating metrics of the business units, vehicle traffic for MPTC, tariff adjustments for Meralco, non-deployment of capital and use of debt capacity for return-accretive new projects.

Metro Pacific Investments Corp. (Reuters: MPI.PS, Bloomberg: MPI PM)

Php in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Php mn)	16,108	18,564	22,519	25,332	27,588
Net Profit (Php mn)	2,299.7	2,871.1	4,947.7	5,686.0	6,738.4
EPS (Php)	0.11	0.14	0.22	0.23	0.27
DPS (Php)	0.00	0.01	0.04	0.04	0.04
Revenue growth (%)	219.5%	15.3%	21.3%	12.5%	8.9%
EPS growth (%)	52.8%	24.7%	56.5%	3.7%	18.5%
ROCE	8.4%	9.1%	12.7%	12.6%	13.7%
ROE	6.6%	5.4%	8.3%	8.5%	9.3%
P/E (x)	29.1	23.4	14.9	14.4	12.1
P/BV (x)	1.1	1.0	1.0	1.0	0.9
EV/EBITDA (x)	10.8	8.7	6.2	5.4	4.5
Dividend Yield	0.0%	0.3%	1.3%	1.3%	1.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Php3.33

Price Target: Php4.10

Philippines

Diversified conglomerates

Jeanette G Yutan^{AC}

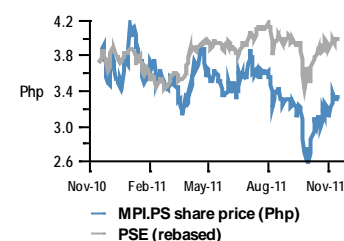
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J.P. Morgan Securities Philippines, Inc.

Price Performance



	YTD	1m	3m	12m
Abs	-19.8%	11.0%	-1.5%	-11.0%
Rel	-22.8%	6.5%	-0.8%	-17.7%

Source: Bloomberg.

Company Data

Shares O/S (mn)	24,593
Market cap (Php mn)	81,895
Market cap (\$ mn)	1,893
Price (Php)	3.33
Date Of Price	16 Nov 11
Free float (%)	45.0%
3mth Avg daily volume	31.81
3M - Avg daily Value (Php mn)	97.66
3M - Avg daily Value (USD) (\$ mn)	2.11
PSE	4,342
Exchange Rate	43.27
Fiscal Year End	Dec

Metro Pacific Investments Corp.: Summary of Financials

Income Statement						Cash flow statement					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	16,108	18,564	22,519	25,332	27,588	EBIT	6,037	8,074	11,271	12,180	13,524
% change Y/Y	219.5%	15.3%	21.3%	12.5%	8.9%	Depr. & amortization	3,291	2,535	3,436	3,874	4,363
EBITDA	9,328	10,609	14,707	16,054	17,887	Change in working capital	2,801	2,048	-3,343	89	92
% change Y/Y	254.1%	13.7%	38.6%	9.2%	11.4%	Taxes	-26	-85	-1,316	-1,452	-1,825
EBIT	6,037	8,074	11,271	12,180	13,524	Cash flow from operations	12,678	14,187	5,519	10,205	11,668
% change Y/Y	391.9%	33.7%	39.6%	8.1%	11.0%	Capex	-5,045	-9,203	-4,471	-6,137	-5,682
EBIT Margin	37.5%	43.5%	50.1%	48.1%	49.0%	Disposal/(purchase)	0	0	0	0	0
Net Interest	-3,513	-3,969	-3,291	-2,821	-2,255	Net Interest	-3,513	-3,969	-3,291	-2,821	-2,255
Earnings before tax	4,332	5,413	9,037	10,290	12,006	Other	-	-	-	-	-
% change Y/Y	368.0%	25.0%	67.0%	13.9%	16.7%	Free cash flow	7,633	4,984	1,048	4,068	5,986
Tax	-70	102	1,316	1,452	1,825	Equity raised/(repaid)	14,343	66	6,600	0	0
as % of EBT	1.6%	1.9%	14.6%	14.1%	15.2%	Debt raised/(repaid)	11,100	-10,401	91	482	-6,762
Net income (reported)	2,299.7	2,871.1	4,947.7	5,686.0	6,738.4	Other	0	12	-	-	-
% change Y/Y	337.6%	24.9%	72.3%	14.9%	18.5%	Dividends paid	0	0	-939	-1,040	-1,040
Shares outstanding	20,128	20,152	22,182	24,582	24,582	Beginning cash	2,206	6,380	4,942	6,751	11,190
EPS (reported)	0.11	0.14	0.22	0.23	0.27	Ending cash	6,380	4,942	6,751	11,190	10,174
% change Y/Y	52.8%	24.7%	56.5%	3.7%	18.5%	DPS	0.00	0.01	0.04	0.04	0.04
Balance sheet						Ratio Analysis					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	6,380	4,942	6,751	11,190	10,174	EBITDA margin	57.9%	57.2%	65.3%	63.4%	64.8%
Accounts receivable	13,475	2,381	2,162	2,348	2,499	Operating margin	37.5%	43.5%	50.1%	48.1%	49.0%
Inventories	96	159	69	97	102	Net margin	14.3%	15.5%	22.0%	22.5%	24.4%
Others	1,368	3,422	3,782	2,710	2,710	Sales per share growth	11.6%	15.1%	10.2%	1.5%	8.9%
Current assets	18,127	25,806	11,272	11,692	16,345	Sales growth	219.5%	15.3%	21.3%	12.5%	8.9%
LT investments	27,836	36,125	37,207	38,226	39,118	Net profit growth	337.6%	24.9%	72.3%	14.9%	18.5%
Net fixed assets	62,820	70,771	74,114	80,071	85,551	EPS growth	52.8%	24.7%	56.5%	3.7%	18.5%
Total Assets	129,400	131,376	133,992	148,834	148,391	Interest coverage (x)	2.66	2.67	4.47	5.69	7.93
Liabilities						Net debt to equity	64.4%	45.4%	35.4%	27.3%	17.6%
Short-term loans	0	0	0	0	0	Sales/assets	0.15	0.14	0.17	0.18	0.19
Payables	6,412	6,218	7,711	8,061	8,776	Assets/equity	2.52	2.42	2.07	2.14	1.97
Others	11,435	5,441	7,064	4,794	4,883	ROE	6.6%	5.4%	8.3%	8.5%	9.3%
Total current liabilities	11,659	14,805	12,855	13,659	14,371	ROCE	8.4%	9.1%	12.7%	12.6%	13.7%
Long-term debt	41,828	29,569	29,660	30,142	23,380						
Other liabilities	15,637	21,723	15,601	24,512	24,420						
Total Liabilities	69,124	66,097	58,116	68,312	62,171						
Shareholders' equity	51,265	54,218	64,815	69,461	75,159						
BVPS	2.99	3.24	3.42	3.28	3.51						

Source: Company reports and J.P. Morgan estimates.

MGM China Holdings Ltd

www.mgmchinaholdings.com/en

Company description

MGM China Holdings Limited through its subsidiary, MGM Grand Paradise, owns MGM Grand, one of the leading casinos in Macau. The company is also exploring growth opportunities in Cotai, the other key area of casino gaming development in Macau. It has identified a site of approximately 17.8 acres in Cotai and has submitted an application to the Macau Government which is awaiting approval.

Key drivers of performance in an equity market recovery

Looking forward, we see triple growth drivers from: **1) organic growth** through better capacity utilization; **2) margin expansion/catch-up** through operating leverage improvement; and **3) a new casino opening in Cotai**. Trading at a 10x 2012E P/E, investors are effectively getting the future Cotai option for free, in our view. Since its IPO, MGM is gradually building up an extended track record of sustainable market share and growth momentum. We believe its valuation gap with peers will gradually narrow as investors' confidence builds. A similar situation applied to Wynn and Sands' IPO in 2010.

How much recovery has already been priced in, what are the key metrics?

At a 10x 2012 P/E and a 11% free cash flow yield, MGM has priced in low earnings growth expectations, in our view.

Where's the earnings risk for 2012?

We believe that the Street is overly concerned about MGM's recent market share loss as a result of its mass gaming floor restructuring. Since its premium mass area (platinum area) was opened in September, we have already seen MGM regain its high margin mass market share. Moving into 2012, when it gradually opens more junket and direct VIP facilities, we expect to see further upside in Street earnings estimates.

Price target and key recovery risks

Our Jun-12 PT of HK\$20.0 is based on our SOTP valuation, applying a 13x 2012E EBITDA multiple. Downside risks include (1) policy risks such as travel restrictions that could slow down visits to Macau, and (2) a China economic slowdown that might affect discretionary customer spending.

MGM China Holdings Ltd (Reuters: 2282.HK, Bloomberg: 2282 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	7,727	12,435	19,579	22,115	26,866
EBITDA (HK\$ mn)	1,179	2,831	4,753	5,469	7,073
Net Profit (HK\$ mn)	-167	1,566	3,672	4,440	6,150
EPS (HK\$)	(0.04)	0.41	0.97	1.17	1.62
DPS (HK\$)	0.00	0.00	0.00	0.00	0.00
ROE	(49.9%)	180.8%	110.7%	60.2%	48.6%
P/E (x)	NM	29.8	12.7	10.5	7.6
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/EBITDA (x)	44.8	17.9	9.7	7.6	5.0
EBITDA margin	15.3%	22.8%	24.3%	24.7%	26.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$12.26

Price Target: HK\$20.00

Hong Kong

Gaming

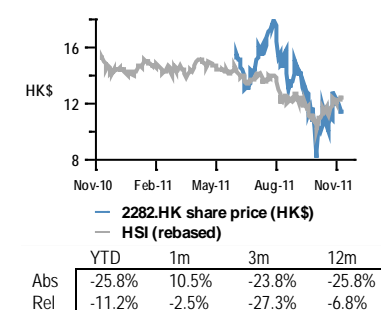
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

52-week Range (HK\$)	18.20 - 8.05
Market cap (HK\$ mn)	46,588
Market cap (\$ mn)	5,996
Shares O/S (mn)	3,800
Price (HK\$)	12.26
Date Of Price	04-Nov-11
3mth Avg daily volume	11.39
Average 3m Daily Turnover (\$ mn)	18.46
Exchange Rate	7.77
IN	

MGM China Holdings Ltd: Summary of financials

Year to December (HK\$m)	2009A	2010A	2011E	2012E	2013E	Year to December (HK\$m)	2009A	2010A	2011E	2012E	2013E
Profit & Loss						Balance Sheet					
Revenue						Non Current Assets					
Casino	10,041	16,309	26,578	29,742	35,896	Property and equipment	5,794	5,351	5,096	5,124	4,812
Less: Promotional allowances	(2,585)	(4,182)	(7,135)	(7,756)	(9,112)	Land use right premium	390	371	352	332	313
Net gaming revenue	7,456	12,127	19,443	21,986	26,785	Construction in progress	21	29	116	136	224
Rooms	288	360	382	420	462	Other non-current assets	5	6	5	4	3
Food & beverage	352	406	420	462	508	Total Non Current Assets	7,512	6,931	6,616	6,518	6,147
Other	39	46	46	55	60	Current Assets					
Less: Promotional allowances	(409)	(504)	(712)	(808)	(950)	Cash and restricted cash	1,976	1,923	6,269	10,694	16,534
Net non-gaming revenue	271	308	136	129	81	Account receivable	841	1,137	1,319	1,689	2,027
Total Revenue	7,727	12,435	19,579	22,115	26,866	Inventories	44	64	64	65	66
EBITDA	1,179	2,831	4,753	5,469	7,073	Prepaid exp and other current assets	95	169	171	172	174
Depreciation	(793)	(778)	(753)	(769)	(809)	Total Current Assets	2,956	3,293	7,823	12,620	18,801
EBIT	386	2,053	4,001	4,700	6,265	Current Liabilities					
Interest income	0	1	40	125	269	Loan from shareholders	0	12	0	0	0
Interest expense	(532)	(451)	(324)	(350)	(353)	Other payables - incl gaming tax & chips	1,735	2,706	3,247	3,605	3,965
Net Interest Income/(Expense)	(531)	(449)	(284)	(225)	(84)	Other current liabilities	210	139	153	160	168
Non-recurring items	0	0	0	0	0	Total Current Liabilities	3,008	2,857	3,507	4,474	4,679
Pre-opening costs	0	0	0	0	0	Non Current Liabilities					
Property charges and other	(22)	(33)	(30)	(20)	(20)	Interest bearing debts	5,659	5,887	5,779	5,070	4,525
Net foreign currency diff	1	(5)	(5)	(5)	(5)	Other long term payables	0	0	0	0	0
Other non-recurring items	0	0	0	0	0	Total Non Current Liabilities	7,209	5,887	5,779	5,070	4,525
Pre-tax Profits	(166)	1,566	3,682	4,450	6,156	Shareholders Equity					
Tax	(1)	(0)	(10)	(10)	(6)	Share Capital	194	194	194	194	194
Net Profit	(167)	1,566	3,672	4,440	6,150	Share premium	778	778	778	778	778
Non recurring items	0	0	0	0	0	Retained earnings/ (deficits)	(1,352)	214	3,886	8,327	14,477
Recurring Net Profit	(167)	1,566	3,672	4,440	6,150	Equity reserve	630	294	294	294	294
Per share and key ratios						Total Shareholders Equity					
Shares issued at year end (m)	3,800	3,800	3,800	3,800	3,800	251	1,481	5,153	9,593	15,743	
EPS (HK\$)	(0.04)	0.41	0.97	1.17	1.62	Year to December (HK\$m)					
yoy change (%)	nm	134.5%	20.9%	38.5%		Cashflow Statement					
BVPS (HK\$)	0.07	0.39	1.36	2.52	4.14	Net income	(167)	1,566	3,672	4,440	6,150
yoy change (%)		489.2%	248.0%	86.2%	64.1%	Depreciation & amortization	793	778	753	769	809
DPS (HK\$)	0.00	0.00	0.00	0.00	0.00	Interest expenses	532	451	324	350	353
P/E (x)	nm	29.8	12.7	10.5	7.6	Working capital adjustment	(248)	432	371	(7)	28
PTBV (x)	185.4	31.5	9.0	4.9	3.0	Others	103	133	0	0	0
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	Cashflow from Operating Activities	1,013	3,360	5,119	5,552	7,340
EV/EBITDA (x)	44.8	17.9	9.7	7.6	5.0	Investing cashflows					
RoE	-49.9%	180.8%	110.7%	60.2%	48.6%	Purchase of fixed assets	(140)	(90)	(50)	(50)	(50)
Net debt/(cash)	6,296	3,976	(382)	(4,914)	(11,464)	Payment of construction in progress	(104)	(167)	(388)	(620)	(388)
Group EBITDA	1,179	2,831	4,753	5,469	7,073	Others	0	3	0	0	0
Net debt/EBITDA	5.3	1.4	(0.1)	(0.9)	(1.6)	Net Investing Cashflows	(243)	(255)	(438)	(670)	(438)
EBITDA margin	15%	23%	24%	25%	26%	Financing Cashflows					
Capex breakdown						Proceed from borrowings	1,773	7,426	-	-	-
MGM Macau	243	247	438	670	438	Repayment of borrowings	(1,519)	(8,074)	-	(107)	(709)
MGM Cotai	-	-	-	-	-	Share issuance	-	-	-	-	-
Total capex	243	247	438	670	438	Interest paid	(532)	(451)	(324)	(350)	(353)
						Dividend	-	-	0	0	0
						Others	35	(40)	0	0	0
						Net Financing Cashflows	(242)	(3,157)	(335)	(457)	(1,062)
						Net Cashflow	527	(53)	4,346	4,425	5,841

Source: Company data, J.P. Morgan estimates.

MGM China – Target valuation

Valuation Methodology	NAV HK\$m	Per share HK\$	Comp in %	
MGM Grand Macau	13x 2012E EBITDA	71,092	18.7	94%
Less net debt/(cash)	End-2012E forecast	4,914	1.3	6%
Price target by Jun-2012	76,143	20.00	100%	

Source: J.P. Morgan estimates

MGM China – one-year rolling forward EV/EBITDA



Source: Bloomberg, J.P. Morgan

Neowiz Games

www.neowizgames.com

Company description

Neowiz Games is the third-largest online game service provider in Korea in terms of revenue with a focus on advanced casual games. Neowiz has been generating the strongest revenue growth among major game portals in Korea since 2009. In order to maintain the growth, the company is looking to penetrate more foreign markets and expand its game portfolio through acquisitions as well as internal development.

Key drivers of performance in an equity market recovery

Eleven new games in the pipeline throughout 2013, of which six (2 MMORPG included) are internally developed by Neowiz or jointly with partners. Divergence between KRW and JPY/CNY implies better earnings, as half of its revenue comes from overseas, mostly China and Japan. Potential acquisitions could accelerate growth momentum.

How much recovery has already been priced in, what are the key metrics

The stock is up over 40% year to date on strong earnings growth and some expansion in its P/E multiple. However, it is still trading at a steep discount to its peers and peak multiple on smaller market cap and lack of own IPs as a publisher. As strong growth continues and internally developed games are launched over the next few quarters, we believe the re-rating process will most likely continue.

Where's the earnings risk for 2012

Key earnings risks are weaker-than-expected performance or delay in introduction of new games in the pipeline and degree of earnings accretion of any future acquisitions.

Price target and key recovery risks

We derive our Sep-12 PT of W85,000 based on 2012E P/E of 12.9x, representing a 29% discount to the global sector average of 18.2x and an 8% discount to the peak multiple of 14x. We apply a discount to global peers to account for Neowiz's smaller market cap and lack of its own IP as a publisher, and to its peak to account for the relative slowdown in growth as the base gets larger. We believe, however, this discount will narrow over time, as earnings visibility improves on a diversifying revenue stream

Neowiz Games (Reuters: 095660.KS, Bloomberg: 095660 KS)

Year-end Dec	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	423	620	823	929
Operating Profit (W bn)	30	146	185	207
Net Profit (W bn)	34	103	158	176
EPS (W)	1,134	4,346	6,590	7,332
Revenue growth	52.7%	46.6%	32.6%	13.0%
Operating profit growth	-60.3%	377.8%	27.1%	12.1%
EPS growth	-27.9%	182.8%	50.5%	11.3%
ROE	14.6%	35.7%	37.6%	30.0%
P/E (x)	60.5	15.8	10.4	9.4
P/BV (x)	6.9	4.7	3.3	2.4
EV/EBITDA (x)	37.9	9.4	6.9	5.8

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: W68,600

Price Target: W85,000

South Korea

Internet

Sungmin Chang, CFA^{AC}

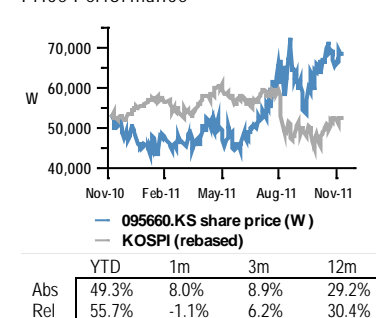
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Bloomberg JPMA CHANG <GO>

JP Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



Source: Bloomberg.

Company Data

52-week Range (W)	75,400 - 42,300
Market cap (W bn)	1,503
Market cap (\$ mn)	1,354
Shares O/S (mn)	22
Fiscal Year End	Dec
Price (W)	68,600
Date Of Price	07 Nov 11
Free float (%)	42.3%
3M Avg daily Value (W bn)	24.40
3M Avg daily Value (\$ mn)	21.96
3M Avg daily vol	0
KOSPI	1,919
Exchange Rate	1,110.70

Neowiz Games: Summary of financials

Won in billions, year-end December

Profit & loss statement					Cash flow statement				
	FY10	FY11E	FY12E	FY13E		FY10	FY11E	FY12E	FY13E
Revenues	423	620	823	929	Net Income	19	103	158	176
Web Board games	118	154	163	172	Depreciation & amortization	0	0	0	0
Domestic publishing	147	163	167	178	Other non-cash items	143	0	0	0
Overseas publishing	162	307	411	494	Change in working capital	-78	-62	-26	-30
Operating cost	402	537	638	722	Cash flow from operations	94	60	154	169
Payroll	84	157	193	215	Change in current assets	111	-21	-31	-40
Commission	200	312	383	439	Capex	-10	-5	-5	-5
Operating profit	30	146	185	207	Change in investments	-155	-45	-15	-77
EBITDA	41	165	208	232	Cash flow from investing	-54	-83	-61	-118
Pre-tax Profit	36	136	199	221	Equity raised/(repaid)	0	0	0	0
Tax Expense/(Credit)	2	30	41	45	Debt raised/(repaid)	0	149	-27	-50
Net Income	34	103	158	176	Other charges	-20	149	-20	-44
Shares outstanding	22	24	24	24	Cash dividends	0	0	0	0
EPS	1,134	4,346	6,590	7,332	Cash flow from Financing	0	0	0	0
Sequential Growth					Net Changes in Cash	31	126	70	5
Revenues	52.7%	46.6%	32.6%	13.0%	Beginning cash	24	54	180	250
Operating profit	7.2%	23.5%	22.5%	22.3%	Ending cash	54	180	250	255
Pre-tax Profit	-39.7%	278.6%	45.7%	11.3%					
EPS	-46.7%	283.4%	51.6%	11.3%	DPS (Won)	0	0	0	0
Balance sheet					Ratio Analysis				
	FY10	FY11E	FY12E	FY13E		FY10	FY11E	FY12E	FY13E
Cash and Cash Equivalents	54	180	250	255	EBIT Margin (%)	7.2%	23.5%	22.5%	22.3%
ST investments	15	36	67	107	EBITDA margin (%)	9.7%	26.6%	25.2%	24.9%
Accounts receivable	6	6	6	6	Net profit margin (%)	8.0%	16.6%	19.2%	18.9%
Inventories	0	0	0	0	Operating cost/sales (%)	94.9%	86.5%	77.5%	77.7%
Others current assets	9	12	22	42					
Total Current Assets	143	307	428	489	Sales per share growth (%)	46.7%	36.4%	30.2%	13.0%
LT investments	158	178	186	218	Sales growth (%)	52.7%	46.6%	32.6%	13.0%
Net fixed assets	24	29	34	39	OP growth (%)	-60.3%	377.8%	27.1%	12.1%
Other long term assets	109	134	140	185	Net profit growth (%)	-25.0%	204.1%	53.2%	11.3%
Total Long Term Assets	291	341	360	442	EPS growth (%)	-46.7%	283.4%	51.6%	11.3%
Total Assets	434	647	788	931					
ST Debt and CPLTD	0	0	0	0	Net debt (cash) to total Capital (%)	-29.1%	-16.1%	-35.5%	-42.9%
Account Payables	60	110	113	128	Net debt (cash) to equity (%)	-30.9%	-19.1%	-34.0%	-29.1%
Other current liabilities	42	38	41	40	Sales/Assets (%)	97.6%	95.9%	104.4%	99.8%
Total Current Liabilities	193	155	161	175	Assets/Equity (%)	182.9%	190.0%	158.0%	137.9%
Long term debt	0	149	122	72	ROE (%)	14.6%	35.7%	37.6%	30.0%
Other Long term liabilities	3	3	6	9	ROA (%)	7.8%	15.9%	20.0%	18.9%
Total Long Term Liabilities	3	152	128	81					
Total Liabilities	197	307	289	256					
Shareholder's equity	237	341	499	675					
Total Liabilities and Equity	434	647	788	931					
BVPS (Won)	9,879	14,443	20,777	28,110					

Source: Company data, J.P. Morgan estimates.

NetEase

www.corp.163.com/

Company description

Netease is one of the leading online gaming companies in China. It earns its revenues by collecting usage fees on its online games, and online advertising on its internet portal. Some of the popular games operated by the company are Westward Journey 2, Fantasy Westward Journey, World of Warcraft and Ghost. The company earned revenues and net profits of US\$816.3Mn and US\$346.0Mn, respectively, in 2010.

Key drivers of performance in an equity market recovery

1) Success in new game "Ghost", Fantasy WWJ, and WoW: Cataclysm upgrade; 2) the launch of other Blizzard licensed hit games such as Diablo III; 3) solid upgrades/pipeline from in-house developed games (Heroes of Tang Dynasty, WWJ: Genesis; Legend of Fairy); and 4) upgrades in franchise games Fantasy WWJ, WWJ2 and Tianxia2.

How much recovery has already been priced in, what are the key metrics?

We believe investors have not expected much impact on games revenue due to macro uncertainties. Key metrics to watch include subs and the ARPU trend for major games.

Where's the earnings risk for 2012?

1) Intense competition, resulting in a negative industry environment; 2) delays in game launches; 3) a revenue decline for legacy games.

Price target and key recovery risks

Our Dec-11PT of US\$58 implies 15.9x '11E, and 14.2x '12E adjusted EPS. If we exclude cash of US\$12.3 per share (or US\$1.6B net cash), our price target implies 12.5x '11E, and 11.1x '12E ex-cash PE. We view NetEase as the top online games developer in China, which is likely to continue expanding its pipeline. Key recovery risks include: intense competition resulting in negative industry environment, delays in game launches, hacking or pirated server issues limiting user growth, and risks of losing operating rights for licensed games (such as WoW).

Overweight

Price: \$43.80

Price Target: \$58.00

China

Internet

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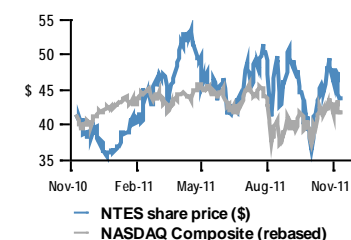
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



	YTD	1m	3m	12m
Abs	21.2%	1.4%	-2.7%	6.4%
Rel	23.7%	-0.9%	-13.0%	4.6%

Source: Bloomberg.

Bloomberg NTES US, Reuters NTES

(Year-end Dec, \$ mn)	FY09	FY10	FY11E	FY12E	FY09	FY10	FY11E	FY12E			
Net Sales	550.2	816.3	1,078.3	1,276.9	ROE(%)	29	27	28	24	52-Week range	55.00 - 35.20
Operating Profit (EBIT)	296.3	377.1	490.0	587.1	ROIC(%)	27	26	26	23	Shares Outstg	130MN
EBITDA	322.0	421.6	557.2	671.8	Cash	1,045.6	1,425.7	2,024.3	2,634.3	Market Cap(US)	US\$6.06MN
Pre Tax Profit	314.9	381.9	528.2	627.5	Equity	1,087.4	1,441.1	2,017.5	2,633.6	Free float	51.1%
Reported Net profit	269.0	330.8	464.9	536.3	Qtr GAAP EPS (\$)	1Q	2Q	3Q	4Q	Avg daily vol.	1.0MM shares
Reported EPS (US\$)	2.07	2.54	3.50	3.92	EPS (10)	0.509	0.551	0.662	0.828	Avg daily val (\$)	45.25MN
P/E (x)	21.1	17.2	12.5	11.2	EPS (11) E	0.861	0.913	0.854	0.895	Dividend Yield	0.0%
Adj. EPS *	2.11	2.66	3.65	4.10	EPS (12) E	0.939	0.949	1.001	1.031	Index (NASD)	2,625
Adj. P/E (X)	20.8	16.5	12.0	10.7		1M	3M	12M		Price Target	58.00
EV/EBITDA (x)	13.8	10.6	8.0	6.6	Abs. Perf.(%)	1.4%	-2.7%	6.4%		Price Date	10 Nov 11
P/B (x)	5.0	3.8	2.8	2.2	Rel. Perf.(%)	(0.9%)	(13.0%)	4.6%			
Y/E BPS (US\$)	8.84	11.45	15.68	20.03							

Source: Company, J. P. Morgan estimates, Bloomberg. * Note: Excluding share-based compensation expense.

NetEase: Summary of Financials

Profit and Loss Statement					Ratio Analysis				
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E
Revenues	550.2	816.3	1,078.3	1,276.9	Gross margin	74.9%	68.4%	67.4%	68.3%
Cost of goods sold	173.0	283.1	306.8	306.8	EBITDA margin	58.5%	52.3%	51.7%	52.6%
Gross Profit	412.1	558.6	726.5	872.3	Operating margin	53.9%	46.2%	45.4%	46.0%
R&D expenses	-32.3	-41.7	-60.4	-70.2	Net margin	48.9%	40.5%	43.1%	42.0%
SG&A expenses	-78.9	-124.6	-156.9	-191.0	R&D/Sales	5.9%	5.1%	5.6%	5.5%
Share-based Expenses	-4.6	-15.2	-19.3	-24.0	SG&A/Sales	14.3%	15.3%	14.5%	15.0%
Operating profit (EBIT)	296.3	377.1	490.0	587.1	Sales growth	28.7%	48.4%	32.1%	18.4%
EBITDA	322	427	557	672	Operating profit growth	15.2%	27.3%	29.9%	19.8%
Interest income, net	18.8	20.9	33.4	40.4	Net profit growth	24.3%	23.0%	40.5%	15.4%
Investment income (Exp.)	0.1	0.0	0.1	0.0	Diluted EPS growth	23.7%	22.5%	37.9%	11.9%
Other income (Exp.)	-0.2	-16.2	4.7	0.0					
Earnings before tax	314.9	381.9	528.2	627.5	Net debt to total capital	-96.2%	-98.9%	-100.3%	-100.0%
Tax	-46.0	-51.1	-63.3	-91.2	Net debt to equity	-96.2%	-98.9%	-100.3%	-100.0%
Net income (Reported)	269.0	330.8	464.9	536.3	Asset turnover	0.50	0.54	0.53	0.47
Net income (Adjusted)*	273.6	346.0	484.1	560.3	Working capital turns (x)	0.64	0.72	0.67	0.59
Diluted Reported EPS (US\$)	2.07	2.54	3.50	3.92	ROE	28.9%	27.2%	27.5%	24.1%
Adj. Diluted EPS* (US\$)	2.11	2.66	3.65	4.10	ROIC	27.3%	25.9%	26.0%	22.7%
BVPS (US\$)	8.84	11.45	15.68	20.03					
DPS (US\$)	0.00	0.00	0.00	0.00					
Shares outstanding (mn)	129.01	129.86	129.00	129.69					
Balance sheet					Cash flow statement				
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	1,046	1,426	2,024	2,634	Net income	269.0	330.8	464.9	536.3
Accounts receivable	27	38	45	52	Depr. & amortization	21	34	48	61
Inventories	0	0	0	0	Change in working capital	11	41	43	18
Others	94	108	126	146	Other	3	15	17	24
Current assets	1,167	1,571	2,196	2,832	Cash flow from operations	306	421	575	639
LT investments	0	0	0	0	Capex	-88	-54	-67	-85
Net fixed assets	82	112	132	157	Other investing cashflow	0	0	0	0
Others LT assets	40	30	35	35	Cash flow from investing	-88	-54	-67	-85
Total Assets	1,289	1,714	2,363	3,024	Free cash flow	218	368	508	554
Liabilities					Equity raised/(repaid)	6	-5	31	49
ST Loans	0	0	0	0	Debt raised/(repaid)	0	0	0	0
Payables	85	86	104	115	Other	-0	35	-4	0
Others	117	182	237	270	Dividends paid	0	0	0	0
Total current liabilities	202	267	341	386	Cash flow from financing	6	-0	33	49
Long-term debt	0	0	0	0					
Other liabilities	0	5	4	4	Net change in cash	224	367	541	573
Total Liabilities	202	273	345	390	Beginning cash	822	1,046	1,412	1,929
Shareholders' equity	1,087	1,441	2,017	2,634	Ending cash	1,046	1,413	1,952	2,503

Source: Company reports and J.P. Morgan estimates. *Note: Excluding share-based compensation expenses. The difference between beginning cash and ending cash balance is due to the different foreign exchange rate of each year.

Orient Overseas Int'l Ltd

www.ooilgroup.com

Company description

OOIL provides container shipping and logistics services. 9M11 container shipping revenue breakdown: Transpacific: 34%, Asia-Europe: 20%, Intra-Asia/Australasia: 34% and Transatlantic: 12%.

Key drivers of performance in an equity market recovery

Profitability beats peers due to superior revenue and cost management. Positive catalysts include greater industry capacity discipline which will help lift the depressed freight rates, falling unit costs with the delivery of larger newbuild vessels, sustained growth in container shipping volumes, lower than expected industry supply growth and lower fuel prices.

How much recovery has already been priced in, what are the key metrics?

We believe OOIL has been oversold, with valuations down to 0.7x P/BV. Book value is well supported by its high vessel ownership structure and young fleet. We do not expect OOIL to incur losses that erode 30% of equity.

Where's the earnings risk for 2012?

Key risks would be weakening global container shipping demand growth, volatile fuel prices and limited pass-through, prolonged industry oversupply.

Price target and key recovery risks

Our Dec-12 target price of HK\$75 is based on 1.4x P/V, two std dev above OOIL's historical average valuation. Key risks: global container shipping demand growth stalls or weakens, US and EU economies remain fragile, rising fuel prices, limited pass-through, prolonged industry oversupply and cascading of capacity into intra-Asia trade.

Orient Overseas Int'l Ltd (Reuters: 0316.HK, Bloomberg: 316 HK)

\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (\$ mn)	4,350	6,033	5,962	5,762	5,939
Net Profit (\$ mn)	-402	1,867	227	124	194
EPS (\$)	(0.64)	2.98	0.36	0.20	0.31
DPS (\$)	0.00	2.84	0.09	0.05	0.08
Revenue Growth (%)	-33.4%	38.7%	-1.2%	-3.4%	3.1%
EPS Growth (%)	-247.7%	-564.0%	-87.8%	-45.5%	56.2%
ROCE	-5.0%	12.5%	3.4%	2.2%	3.2%
ROE	-9.7%	39.2%	4.6%	2.9%	4.3%
P/E	-7.2	1.5	12.7	23.3	14.9
P/BV	0.7	0.5	0.7	0.7	0.6
EV/EBITDA	-262.4	26.4	58.6	68.6	56.6
Div Yield (%)	0.0%	61.6%	2.0%	1.1%	1.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$35.80

Price Target: HK\$75.00

Hong Kong Transportation

Corrine Png^{AC}

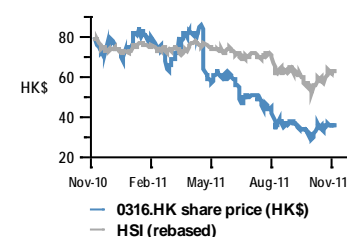
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Bloomberg JPMA PNG <GO>

J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-51.7%	15.3%	-8.1%	-54.1%
Rel	-37.1%	4.2%	-2.0%	-32.9%

Source: Bloomberg.

Company Data

Shares O/S (mn)	626
Market Cap (\$ mn)	2,884
Market Cap (\$ mn)	2,884
Price (HK\$)	35.80
Date Of Price	04-Nov-11
Free float (%)	-
Avg daily volume (mn)	0.11
Avg daily value (HK\$ mn)	78.48
Avg daily value (\$ mn)	10.10
IN	

Orient Overseas Int'l Ltd: Summary of Financials

Income Statement						Cash flow statement					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	4,350	6,033	5,962	5,762	5,939	EBIT	-332	919	262	153	226
% change Y/Y	(33.4%)	38.7%	(1.2%)	(3.4%)	3.1%	Depr. & amortization	204	255	297	330	363
EBITDA	-128	1,174	559	483	590	Change in working capital	-169	70	96	6	-2
% change Y/Y	-122.1%	-1018.0%	-52.4%	-13.6%	22.2%	Taxes	-14	-29	-12	-7	-10
EBIT	-332	919	262	153	226	Cash flow from operations	-354	1,175	612	452	547
% change Y/Y	NM	NM	NM	NM	48.2%	Capex	-340	-184	-800	-800	-800
EBIT Margin	-7.6%	15.2%	4.4%	2.7%	3.8%	Disposal/(purchase)	24	30	0	0	0
Net Interest	-35	-29	-30	-30	-30	Net Interest	-35	-29	-30	-30	-30
Earnings before tax	-362	899	240	131	205	Free cash flow	-694	991	-188	-348	-253
% change Y/Y	-212.2%	-348.4%	-73.3%	-45.4%	56.2%	Equity raised/(repaid)	0	0	0	0	0
Tax	-14	-29	-12	-7	-10	Debt raised/(repaid)	347	22	0	0	0
as % of EBT	3.9%	3.2%	5.0%	5.0%	5.0%	Other	-72	-53	1,482	44	40
Net income (reported)	-402	1,867	227	124	194	Dividends paid	-28	-322	-1,482	-44	-40
% change Y/Y	-247.7%	-564.0%	-87.8%	-45.4%	56.2%	Beginning cash	1,805	1,225	3,852	2,181	1,788
Shares outstanding	626	626	626	626	626	Ending cash	1,225	3,852	2,181	1,788	1,496
EPS (reported)	(0.64)	2.98	0.36	0.20	0.31	DPS	0.00	2.84	0.09	0.05	0.08
% change Y/Y	(247.7%)	(564.0%)	(87.8%)	(45.5%)	56.2%						
Balance sheet						Ratio Analysis					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	1,225	3,852	2,181	1,788	1,496	EBITDA margin	-2.9%	19.5%	9.4%	8.4%	9.9%
Accounts receivable	-	-	-	-	-	Operating margin	(7.6%)	15.2%	4.4%	2.7%	3.8%
Inventories	-	-	-	-	-	Net margin	-9.3%	30.9%	3.8%	2.2%	3.3%
Others	1,781	704	698	679	695						
Current assets	3,006	4,556	2,879	2,468	2,191	Sales per share growth	(33.4%)	38.7%	(1.2%)	(3.4%)	3.1%
						Sales growth	(33.4%)	38.7%	(1.2%)	(3.4%)	3.1%
LT investments	150	155	155	155	155	Net profit growth	-247.7%	-564.0%	-87.8%	-45.4%	56.2%
Net fixed assets	3,798	3,860	4,364	4,834	5,271	EPS growth	(247.7%)	(564.0%)	(87.8%)	(45.5%)	56.2%
Total Assets	7,330	9,072	7,907	7,975	8,144	Interest coverage (x)	3.62	40.37	18.32	15.84	19.35
Liabilities											
Short-term loans	432	248	248	248	248	Net debt to equity	34.0%	-21.3%	11.2%	19.9%	25.7%
Payables	601	758	847	835	850	Sales/assets	0.58	0.74	0.70	0.73	0.74
Others	159	18	18	18	18	Assets/equity	1.74	1.72	1.83	1.81	1.79
Total current liabilities	1,192	1,024	1,113	1,101	1,115	ROE	(9.7%)	39.2%	4.6%	2.9%	4.3%
Long-term debt	2,136	2,416	2,416	2,416	2,416	ROCE	-5.0%	12.5%	3.4%	2.2%	3.2%
Other liabilities	34	53	53	53	53						
Total Liabilities	3,362	3,493	3,582	3,570	3,584						
Shareholders' equity	3,945	5,573	4,318	4,397	4,551						
BVPS	6.30	8.91	6.90	7.03	7.27						

Source: Company reports and J.P. Morgan estimates.

Pacific Basin Shipping

www.pacbasin.com

Company description

Pacific Basin Shipping provides dry bulk shipping, towage and RoRo services. It has a large, young and uniformly-sized fleet of shallow-draft Handysize and Handymax vessels. 1H11 revenue breakdown: Handysize TCE: 67% and Handymax TCE: 33%.

Key drivers of performance in an equity market recovery

Pacific Basin's strong balance sheet should help it weather the industry downturn better than its peers, remains committed to paying at least c.50% of full year profits ex-disposal gains, rebound in dry bulk shipping volumes and freight rates, less dependent on spot cargo market given its substantial cargo cover for 2011-12 and Handysize segment faces less industry oversupply.

How much recovery has already been priced in, what are the key metrics?

Notwithstanding its recent rebound, we believe PacBasin's current 0.6x P/B valuation (only 10% above its GFC trough) still over-discounts the industry risks. We believe that PacBasin will continue to outperform its sector peers given its diversified cargo base, strong direct customer relationships, secured cargo cover, improving long-term cost structure, resilient balance sheet and attractive valuations.

Where's the earnings risk for 2012?

Key risks would be industry overcapacity given large global vessel orderbook, prolonged weakness in the RoRo business, potential counterparty risks.

Price target and key recovery risks

Our Dec-12 PT of HK\$6.0 is based on 1.0x P/BV, a 26% discount to Pacific Basin Shipping's average valuation since listing. Key downside risks: 1) weaker Handysize market. 2) opportunistic capital-raising. 3) delayed recovery in the Ro-Ro market beyond 2013.

Overweight

Price: HK\$3.37

Price Target: HK\$6.00

Hong Kong Transportation

Corrine Png^{AC}

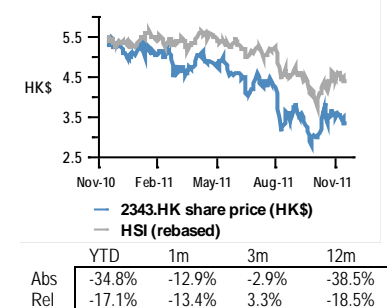
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Bloomberg JPMA PNG <GO>

J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



Source: Bloomberg.

Pacific Basin Shipping (Reuters: 2343.HK, Bloomberg: 2343 HK)

\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (\$ mn)	950	1,269	1,149	1,276	1,391
Net Profit (\$ mn)	110.3	104.3	26.0	56.2	112.5
EPS (\$)	0.06	0.05	0.01	0.03	0.06
DPS (\$)	0.03	0.00	0.01	0.01	0.03
Revenue growth (%)	-43.8%	33.5%	-9.5%	11.1%	9.0%
EPS growth (%)	-75.6%	-8.9%	-75.2%	116.4%	100.3%
ROCE	6.1%	5.7%	3.0%	4.0%	5.8%
ROE	8.3%	7.0%	1.7%	3.6%	7.0%
P/E (x)	7.3	8.0	32.3	14.9	7.5
P/BV (x)	0.6	0.5	0.5	0.5	0.5
EV/EBITDA (x)	68.9	64.7	81.3	63.5	48.9
Dividend Yield	7.1%	0.0%	1.5%	3.4%	6.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

Shares O/S (mn)	1,937
Market cap (\$ mn)	839
Market cap (\$ mn)	839
Price (HK\$)	3.37
Date Of Price	16 Nov 11
Free float (%)	-
3mth Avg daily volume	4.52
3M - Avg daily Value (HK\$ mn)	15.51
3M - Avg daily Value (USD) (\$ mn)	2.10
HSI	19,348
Exchange Rate	7.78
Fiscal Year End	Dec

Pacific Basin Shipping: Summary of Financials

Income Statement						Cash flow statement					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	950	1,269	1,149	1,276	1,391	EBIT	135	134	73	101	153
% change YY	(43.8%)	33.5%	(9.5%)	11.1%	9.0%	Depr. & amortization	41	58	81	96	102
EBITDA	176	192	154	197	255	Change in working capital	8	-12	4	-11	-7
% change YY	-44.9%	9.5%	-20.1%	27.9%	29.6%	Taxes	-2	-0	-0	-0	-0
EBIT	135	134	73	101	153	Cash flow from operations	145	199	122	146	207
% change YY	NM	NM	NM	38.6%	52.2%	Capex	-252	-524	-159	-111	-120
EBIT Margin	14.2%	10.6%	6.3%	7.9%	11.0%	Disposal/(purchase)	23	0	0	0	0
Net Interest	-27	-31	-36	-39	-41	Net Interest	-27	-31	-36	-39	-41
Earnings before tax	112	105	26	56	113	Other	74	76	0	0	0
% change YY	-72.8%	-6.4%	-75.1%	116.5%	100.2%	Free cash flow	-106	-325	-37	35	87
Tax	-2	-0	-0	-0	-0	Equity raised/(repaid)	87	16	0	0	0
as % of EBT	1.5%	0.4%	0.4%	0.4%	0.4%	Debt raised/(repaid)	38	-10	0	0	0
Net income (reported)	110.3	104.3	26.0	56.2	112.5	Other	-49	-52	13	29	57
% change YY	-73.1%	-5.4%	-75.1%	116.5%	100.2%	Dividends paid	-20	-50	-13	-29	-57
Shares outstanding	1,857	1,929	1,937	1,937	1,937	Beginning cash	975	1,049	690	700	766
EPS (reported)	0.06	0.05	0.01	0.03	0.06	Ending cash	1,049	690	700	766	858
% change YY	(75.6%)	(8.9%)	(75.2%)	116.4%	100.3%	DPS	0.03	0.00	0.01	0.01	0.03
Balance sheet						Ratio Analysis					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	1,049	690	700	766	858	EBITDA margin	18.5%	15.2%	13.4%	15.4%	18.3%
Accounts receivable	90	111	101	112	122	Operating margin	14.2%	10.6%	6.3%	7.9%	11.0%
Inventories	34	40	36	40	44	Net margin	11.6%	8.2%	2.3%	4.4%	8.1%
Others	37	10	10	10	10	Sales per share growth	(49.0%)	28.5%	(9.8%)	11.1%	9.0%
Current assets	1,210	852	847	929	1,034	Sales growth	(43.8%)	33.5%	(9.5%)	11.1%	9.0%
LT investments	-	-	-	-	-	Net profit growth	-73.1%	-5.4%	-75.1%	116.5%	100.2%
Net fixed assets	998	1,519	1,596	1,612	1,630	EPS growth	(75.6%)	(8.9%)	(75.2%)	116.4%	100.3%
Total Assets	2,470	2,555	2,619	2,710	2,835	Interest coverage (x)	6.43	6.17	4.24	5.05	6.24
Liabilities						Net debt to equity	-11.9%	11.0%	14.1%	13.5%	11.2%
Short-term loans	55	166	166	166	166	Sales/assets	0.40	0.50	0.44	0.48	0.50
Payables	112	127	117	121	128	Assets/equity	0.92	1.21	1.27	1.29	1.73
Others	14	9	9	9	9	ROE	8.3%	7.0%	1.7%	3.6%	7.0%
Total current liabilities	181	302	292	296	303	ROCE	6.1%	5.7%	3.0%	4.0%	5.8%
Long-term debt	822	694	754	814	876						
Other liabilities	12	15	15	15	15						
Total Liabilities	1,014	1,010	1,060	1,124	1,193						
Shareholders' equity	1,456	1,545	1,558	1,586	1,642						
BVPS	0.78	0.80	0.80	0.82	0.85						

Source: Company reports and J.P. Morgan estimates.

PanAust Limited

www.panaust.com.au

Company description

PanAust is a copper and gold producer with operations in Southeast Asia and organic growth projects in Laos and Chile. Its key producing asset is the Phu Kham copper-gold operation. In Mar-11 the company acquired the Inca de Oro project in Chile.

Key drivers of performance in an equity market recovery

Unsurprisingly, copper was one of the first metals to crack in recent sell-off, falling from ~450c/lb to ~300c/lb in 8 weeks. Conversely, we would expect a sustained market recovery to be led by copper. The market balance remains attractive, albeit deficits are moderating from levels seen in 2010-11, with the supply side still vulnerable to shocks. The commissioning and ramp-up of Ban Houayxai and the Phu Kham expansion should refocus attention on PNA's strong, self-funded growth profile and the earlier-stage development options within the portfolio. We believe valuation also remains attractive, with the shares trading at a small discount to our base-case NPV and a 23% discount to our price target, making it the cheapest of the regional copper plays.

How much recovery has already been priced in, what are the key metrics

PNA's discount to NPV compares to a more typical premium of ~20%, suggesting substantial upside in a market recovery situation. Our base case NPV assumes Phu Kham expansion, Ban Houayxai and Inca de Oro are executed. It excludes further expansions of Phu Kham and Inca de Oro or upside from regional exploration program. A more confident market is likely to ascribe some value to these longer-term options.

Where's the earnings risk for 2012

We believe the risk to spot commodity prices lies to the upside given recent indications of slackening Chinese monetary/fiscal policy and our expectation of steadily improving macroeconomic conditions elsewhere around the world. The ramp-up of the Phu Kham expansion and Ban Houayxai represent risks, both to the upside and downside.

Price target and key recovery risks

Our June 2012 PT of A\$4.40/sh is based on the average of our base case NPV and an upside case involving project de-risking. Our PT implies a P/NPV multiple of ~1.2x which is in-line with historic trading multiples for copper producers. Risks: Downside to copper prices; Civil unrest in Laos causing disruption at the key Phu Kham and Ban Houayxai operations; Delays and/or cost overruns at the Ban Houayxai, Phu Kham upgrade and Inca de Oro projects.

PanAust Limited (Reuters: PNA.AX, Bloomberg: PNA AU)

Year-end Dec (\$)	FY10A	FY11E	FY12E	FY13E
Total Revenue (\$ mn)	573	580	843	828
EBITDA (\$ mn)	283.2	290.8	489.3	439.2
Net profit after tax (\$ mn)	143.35	148.05	280.07	226.24
EPS (\$)	0.260	0.240	0.434	0.423
P/E (x)	13.9	15.1	8.3	8.5
Cash flow per share (\$)	0.448	0.391	0.555	0.550
Dividend (\$)	0.000	0.000	0.000	0.000
Net Yield (%)	0.0%	0.0%	0.0%	0.0%
Normalised* EPS (\$)	0.240	0.244	0.434	0.423
Normalised* EPS chg (%)	475.4%	1.5%	77.8%	-2.4%
Normalised* P/E (x)	15.0	14.8	8.3	8.5

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: A\$3.38

Price Target: A\$4.40

Australia

Metals

Fraser Jamieson^{AC}

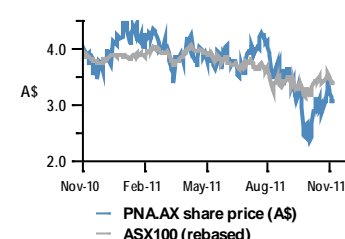
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Bloomberg JPMA JAMIESON <GO>

J.P. Morgan Securities Australia Limited

Price Performance



	YTD	1m	3m	12m
Abs	-31.6%	30.2%	-22.1%	-20.5%
Rel	-20.0%	23.2%	-18.7%	-9.0%

Source: Bloomberg.

Company Data

52-week range (A\$)	4.55 - 2.24
Market capitalisation (A\$ bn)	2.01
Market capitalisation (\$ bn)	2.15
Fiscal Year End	Dec
Price (A\$)	3.38
Date Of Price	04 Nov 11
Shares outstanding (mn)	593.9
ASX100	3,491.3
ASX200-Ind	5,621.9
NTA/Sh [^] (\$)	1.49
Net Debt [^] (\$ bn)	0.01

Rio Tinto - December year end (US\$m)						
Profit & Loss	2010A	2011E	2012E	2013E	2014E	2014E
Revenue	60,323	67,337	74,071	77,343	77,197	71,553
Costs	-33,684	-36,330	-39,228	-38,610	-40,532	-41,015
EBITDA	26,639	31,007	34,843	38,733	36,665	30,538
Depreciation & Amortisation	-6,505	-5,341	-5,916	-6,355	-6,688	-6,783
EBIT	20,134	25,666	28,927	32,378	29,977	23,755
Other	0	0	0	0	0	0
Interest	-474	-652	-863	-400	107	401
PBT	19,660	25,013	28,064	31,978	30,084	24,155
Tax	-5,901	-8,656	-9,873	-11,037	-10,133	-8,136
Minorities & other	227	362	222	589	486	744
NPAT - adjusted	13,986	16,719	18,413	21,531	20,437	16,764
Exceptional items	337	-194	0	0	0	0
NPAT - reported	14,323	16,525	18,413	21,531	20,437	16,764
Shares outstanding (millions)	1,964	1,935	1,872	1,864	1,864	1,864
EPS - adjusted	711.9	864.7	983.7	1,154.8	1,096.2	899.2
EPS - reported	730.5	858.0	987.5	1,159.3	1,100.4	902.6
DPS	108.0	120.0	129.0	136.0	143.0	149.0
Segmented EBIT	2010A	2011E	2012E	2013E	2014E	2014E
Iron ore	15,612	20,910	22,143	23,811	20,811	16,412
Aluminium	855	1,052	1,225	2,496	2,264	2,158
Copper	3,938	3,141	4,750	4,413	3,931	3,861
Energy	1,932	1,863	2,342	3,176	4,290	2,819
Diamonds & Minerals	338	613	835	1,092	1,268	908
Other items	-2,541	-1,914	-2,368	-2,609	-2,587	-2,403
Underlying EBIT	20,134	25,666	28,927	32,378	29,977	23,755
Items excluded	661	-75	0	0	0	0
Reported EBIT	20,795	25,591	28,927	32,378	29,977	23,755
Attributable Sales (Key Comn)	2010A	2011E	2012E	2013E	2014E	2014E
Alumina - kt	9,088	9,119	11,470	11,757	11,757	11,757
Aluminium - kt	3,787	3,854	3,953	3,957	3,971	3,975
Hard coking coal - kt	8,966	8,661	10,508	12,387	17,312	22,263
Other coal - Australia - kt	21,506	20,655	20,434	21,055	21,100	21,100
Other coal - US - kt	42,295	2,104	2,196	2,190	2,190	2,190
Copper - mine - kt	678	512	684	688	701	725
Copper - refined - kt	393	329	367	366	366	366
Diamond - kcts	13,843	12,558	13,798	19,236	17,082	17,082
Iron ore - kt	184,629	190,060	193,692	200,612	225,634	234,309
Molybdenum - kt	13	16	14	19	22	22
Titanium dioxide - kt	1,392	1,412	1,391	1,387	1,387	1,387
Uranium - klbs	11,379	7,394	11,782	8,688	8,688	11,654
Price Assumptions	2010A	2011E	2012E	2013E	2014E	2014E
Iron ore fines (US\$/dmu)	169	258	262	263	220	182
Hard coking coal (US\$/t)	191	291	263	254	260	165
Thermal coal contract (US\$/t)	95	125	126	129	132	105
Uranium (US\$/lb)	46	59	61	63	75	66
Aluminium (US\$/lb)	1.00	1.11	1.13	1.20	1.20	1.22
Copper (US\$/lb)	3.45	3.97	3.97	4.08	3.86	3.86
Lead (US\$/lb)	0.98	1.08	1.02	1.11	1.18	1.22
Nickel (US\$/lb)	10.14	10.34	9.64	10.43	10.43	10.43
Zinc (US\$/lb)	0.98	1.00	0.96	1.07	1.13	1.18
Gold (US\$/oz)	1,233.13	1,597.86	1,677.10	1,391.37	1,242.30	1,192.61
Silver (US\$/oz)	20.40	36.26	33.98	33.70	29.10	23.60
WTI (US\$/bbl)	80.30	97.29	113.75	120.00	105.38	99.05
A\$/US\$ FX rate	0.92	1.04	1.09	0.90	0.88	0.80
Sensitivity Analysis	2010A	2011E	2012E	2013E	2014E	2014E
% change in eps for a 10% change in:						
Copper	1.9%	1.8%	2.0%	2.2%	3.1%	3.1%
Aluminium	3.3%	3.1%	3.5%	3.8%	5.3%	5.3%
Gold	0.3%	0.3%	0.4%	0.4%	0.6%	0.6%
Moly	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%
Iron Ore	12.7%	12.2%	13.6%	14.7%	20.8%	20.8%
Australian dollar	3.1%	3.0%	3.3%	3.6%	5.1%	5.1%
Canadian dollar	0.9%	0.9%	1.0%	1.1%	1.5%	1.5%
Cashflow	2010A	2011E	2012E	2013E	2014E	2014E
EBITDA	26,639	31,007	34,843	38,733	36,665	30,538
Interest	-696	-519	-251	226	749	1,059
Tax	-4,100	-8,398	-9,873	-11,037	-10,133	-8,136
Other	-3,566	-3,392	-2,014	-2,116	-1,126	-738
Cash from operations	18,277	18,697	22,704	25,807	26,155	22,723
Cap-ex	-4,591	-13,016	-11,000	-6,447	-6,626	-6,786
Other	2,880	-3,905	0	0	0	0
Cash from investing	-1,711	-16,921	-11,000	-6,447	-6,626	-6,786
Proceeds from borrowings	-9,398	-879	-6,260	-8,540	0	0
Proceeds from equity	92	-4,925	-2,000	0	0	0
Dividends	-1,754	-2,285	-2,382	-2,470	-2,600	-2,712
Other	450	251	0	0	0	0
Cash from financing	-10,610	-7,839	-10,642	-11,010	-2,600	-2,712
Total cash flow	5,956	-6,063	1,062	8,350	16,929	13,225
Impact of FX	-139	104	0	0	0	0
Changes in cash	5,817	-5,959	1,062	8,350	16,929	13,225
Cash at start of period	4,142	9,959	4,000	5,062	13,412	30,341
Cash at end of period	9,959	4,000	5,062	13,412	30,341	43,566
Free cash flow	13,686	5,681	11,704	19,360	19,529	15,936
Balance Sheet	2010A	2011E	2012E	2013E	2014E	2014E
Cash and cash equivalents	9,948	4,003	5,065	13,415	30,344	43,569
Trade and other receivables	5,582	6,145	6,739	7,177	6,829	6,298
Inventories	4,756	4,758	5,126	5,151	5,408	5,542
Other	1,173	1,142	1,142	1,142	1,142	1,142
Total current assets	21,459	16,048	18,072	26,885	43,723	56,551
Total non-current assets	90,943	106,382	112,812	114,400	115,754	116,937
Total assets	112,402	122,430	130,884	141,285	159,477	173,488
Trade and other payables	2,773	2,047	2,047	2,047	2,047	2,047
Other current liabilities	9,022	8,790	8,556	8,590	8,950	9,138
Total current liabilities	11,795	10,837	10,603	10,637	10,997	11,185
Interest bearing liabilities	13,277	14,051	8,540	0	0	0
Other non-current liabilities	22,056	22,813	22,813	22,813	22,813	22,813
Total non-current liabilities	35,333	36,864	31,353	22,813	22,813	22,813
Total liabilities	47,128	47,700	41,956	33,450	33,810	33,998
Net assets	65,274	74,730	88,928	107,835	125,667	139,489
Share capital	10,105	10,417	10,417	10,417	10,417	10,417
Retained earnings	48,228	57,765	71,795	90,856	108,693	122,746
Minorities	0	0	0	0	0	0
Other	6,941	6,548	6,716	6,563	6,557	6,327
Total equity	65,274	74,730	88,928	107,835	125,667	139,489
Net cash/(debt)	-4,382	-10,800	-3,478	13,412	30,341	43,566
Total debt	14,341	14,800	8,540	0	0	0
Valuation (10% d.r.)	2010A	2011E	2012E	2013E	2014E	2014E
Iron ore	107,406	105,396	102,611	99,997	97,806	99,516
Aluminium	15,489	17,195	18,021	17,110	16,174	15,195
Copper	20,432	19,696	18,463	17,472	17,050	16,051
Energy	16,719	17,578	18,157	18,505	19,061	19,759
Diamonds & Minerals	5,654	5,972	6,257	5,908	5,404	5,133
Business Units	165,700	165,837	163,509	158,993	155,495	155,653
Return on unallocated capital	0	4,021	9,477	9,477	9,477	9,477
Other operations	2,275	2,272	2,291	2,306	2,317	2,324
Other items	-5,618	-5,633	-5,289	-5,324	-5,350	-5,366
Other	-5,805	-5,680	-5,727	-5,765	-5,793	-5,810
Total NPV	156,552	160,818	164,262	159,687	156,147	156,278
Net debt	4,382	10,800	3,478	-13,412	-30,341	-43,566
Ivanhoe stake	4,198	7,025	7,427	7,160	7,339	7,979
Equity NPV	156,368	157,043	168,211	180,259	193,827	207,823
per share valuation - US\$	79.70	83.20	90.57	97.06	104.36	111.90
per share valuation - A\$	93.50	99.30	109.01	117.71	127.13	138.89
Key Ratios	2010A	2011E	2012E	2013E	2014E	2014E
Sales revenue growth	37.0%	11.6%	10.0%	4.4%	-0.2%	-7.3%
EBITDA / sales margin	44.2%	46.0%	47.0%	50.1%	47.5%	42.7%
EBIT / sales margin	33.4%	38.1%	39.1%	41.9%	38.8%	33.2%
ROA (EBIT/Assets)	19.2%	21.9%	22.8%	23.8%	19.9%	14.3%
ROE (NPAT/Equity)	25.2%	23.9%	22.5%	21.9%	17.5%	12.6%
Net debt / net debt + equity	6.3%	12.6%	3.8%	-14.2%	-31.8%	-45.4%
Net interest cover	42.5	39.3	33.5	80.9	-281.5	-59.3

Source: J.P.Morgan, Company data

Philippine Long Distance Telephone Company

www.pldt.com.ph

Company description

PLDT is the largest integrated Telco in the Philippines; with the acquisition of Digitel it has 70% and 52% share of wireless and fixed line subscribers. The wireless division contributes around 61% to group revenues and is also the largest contributor to EBITDA given its ~60% margin. It is the market leader in the growing broadband service business with a total sub base of close to 2.3MM at 3Q11.

Key drivers of performance in an equity market recovery

We believe PLDT will outperform in a recovery as: 1) PLDT trading at 330 bps spread to Philippines government bond yield is close to historical highs. 2) It would be the biggest beneficiary of the change in industry structure post Digitel acquisition.

How much recovery has already been priced in, what are the key metrics?

PLDT's price is down 3% YTD, underperforming the SET index by 5%. This has been driven by 1) Overhang regarding Digitel deal approval. 2) Concerns on inability to flex industry pricing packages post the transaction. 3) 10 MHz 3G of frequency divestment. P/E and dividend yield spread to Philippines government bonds are the key metrics.

Where's the earnings risk for 2012?

We are largely in-line with the Street for PLDT on earnings. The biggest downside risk to our earnings estimates remains substitution of high margin SMS by low margin real data. While better than expected contribution from Meralco is an upside risk.

Price target and key recovery risks

We believe share prices are driven by earnings estimates and valuation re-rating, an assumption holding true for all of our coverage companies around the region. Our Dec-12 PT at Php2,600 is based on a sum of: 1) potential upside/(downside) to consensus EPS vs. JPM EPS ests at 3%; and 2) our estimated multiple expansion/(contraction) at +5% based on peak P/E multiple of 12.0x. At our price target, PLDT would trade at a 2011E/12E adjusted PER of 12.0x/12.1x and EV/EBITDA of 6.8x/6.7x. It would be providing a dividend yield of 8.3%/8.3%. The main risks that could prevent the stock from achieving our price target and rating are excessive competition from San Miguel and potential inability to flex unlimited packages.

Philippine Long Distance Telephone Company (Reuters: TEL.PS, Bloomberg: TEL PM)

Php in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Php mn)	147,993	144,459	142,469	146,043	150,815
EBITDA (Php mn)	83,489	81,833	81,249	82,664	84,706
EBITDA growth (%)	-1.5%	-2.0%	-0.7%	1.7%	2.5%
Recurring profit (Php mn)	39,395	39,710	40,330	40,254	40,921
Recurring EPS (Php)	211	213	216	216	219
EPS growth (%)	11.1%	0.9%	1.6%	(0.2%)	1.7%
DPS (Php)	217.95	222.00	215.95	215.54	219.11
EV/EBITDA (x)	6.2	6.3	6.4	6.4	6.3
P/E	11.3	11.2	11.0	11.0	10.9
Dividend Yield	9.2%	9.3%	9.1%	9.1%	9.2%
FCF to mkt cap (%)	9.2%	9.6%	7.0%	7.5%	8.9%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Php2,360

Price Target: Php2,600

Philippines Telecom Services

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Bloomberg JPMA SULLIVAN <GO>

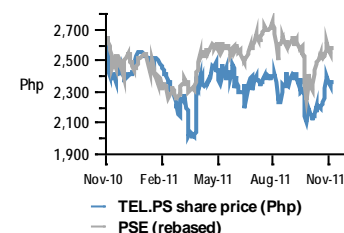
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J.P. Morgan Securities Singapore Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-7.6%	9.9%	-1.7%	-11.0%
Rel	-9.3%	-1.6%	3.4%	-8.1%

Source: Bloomberg.

Company Data	
52-wk range (Php)	2,496-1,990
Mkt cap (Php mn)	510,358
Mkt cap (\$ mn)	11,896
Price (Php)	2,360
Date of Price	04-Nov-11
Shares O/S (mn)	214
Free float (%)	51.6%
3-mth avg trading volume:	0
Avg 3m Daily Turnover (\$mn)	6.86
PSE	4,346
Exchange Rate	42.90

Philippine Long Distance Telephone Company: Summary of Financials

Profit and Loss Statement						Balance Sheet statement					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenue	147,993	144,459	142,469	146,043	150,815	Cash and equivalents	38,319	36,678	18,641	21,456	24,035
EBITDA	83,489	81,833	81,249	82,664	84,706	Accounts receivable	14,729	16,428	16,202	16,608	17,151
Depreciation & Amortization	(25,607)	(26,277)	(26,320)	(27,471)	(28,241)	Others	9,130	6,273	6,151	6,338	6,574
EBIT	57,882	55,556	54,929	55,193	56,465	Total Current assets	64,343	61,598	43,164	46,648	50,102
Interest income	1,539	1,200	1,174	597	687	ST loans	12,714	13,801	18,801	48,801	63,801
Interest Expense	(6,556)	(6,698)	(6,374)	(5,860)	(6,567)	Others	41,579	42,610	41,803	43,042	44,610
Profit before tax	54,839	53,685	55,365	55,794	56,708	Total current liabilities	73,894	82,215	85,828	117,958	135,650
Tax	(14,744)	(13,426)	(13,889)	(15,065)	(15,311)	Net working capital	(9,551)	(20,617)	(42,665)	(71,310)	(85,548)
Minorities	(314)	(42)	(7)	(20)	(20)	Net fixed assets	161,256	163,184	170,869	176,224	176,211
Net profit - reported	39,324	39,759	41,014	40,254	40,921	Other long term assets	11,571	12,235	12,235	12,235	12,235
Net profit - adjusted	39,395	39,710	40,330	40,254	40,921	Total non-current assets	215,805	216,217	226,030	234,597	237,964
Shares Outstanding (mn)	187	187	187	187	187	Total Assets	280,148	277,815	269,194	281,245	288,066
EPS (Php) (Reported)	210	213	220	216	219	Long-term debt	86,079	75,888	63,647	43,599	32,274
EPS (Adjusted)	211	213	216	216	219	Other liabilities	14,438	13,567	13,567	13,567	13,567
DPS (Php)	218	222	216	216	219	Total Liabilities	181,023	180,430	171,802	183,884	190,251
DPS payout ratio	104%	104%	98%	100%	100%	Shareholders' equity	98,575	97,069	97,069	97,018	97,452
Revenue growth	1.7%	(2.4%)	(1.4%)	2.5%	3.3%	Total liabilities and equity	280,148	277,815	269,194	281,245	288,066
EBITDA growth	(1.2%)	(2.0%)	(0.7%)	1.7%	2.5%	Net debt/(cash)	60,474	53,011	63,807	70,944	72,040
Adj Net profit growth	10.3%	0.8%	1.6%	(0.2%)	1.7%						
Adj EPS growth	11.1%	0.9%	1.6%	(0.2%)	1.7%						
DPS growth	9.3%	1.9%	(2.7%)	(0.2%)	1.7%						
Ratio Analysis						Cash flow statement					
%, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
EBITDA margin	56.4%	56.7%	57.0%	56.6%	56.2%	Cash flow from operations	74,386	77,260	69,463	71,240	73,393
FCF margin	31.8%	34.1%	24.9%	26.3%	30.0%	Capex	(27,378)	(28,056)	(34,005)	(32,826)	(28,228)
ROE	38.6%	40.6%	41.6%	41.5%	42.1%	Cash flow from other investing	(25,996)	(68)	0	0	0
ROC	30.7%	28.9%	30.0%	29.9%	29.5%	Cash flow from financing	(20,293)	(55,322)	(55,086)	(36,668)	(43,836)
ROA	14.8%	14.2%	14.8%	14.6%	14.4%	Change in cash for year	4,635	(1,641)	(18,037)	2,815	2,579
Tax rate	26.9%	25.0%	25.1%	27.0%	27.0%	Beginning cash	33,684	38,319	36,678	18,641	21,456
Capex to sales	(18.5%)	(19.4%)	(23.9%)	(22.5%)	(18.7%)	Closing cash	38,319	36,678	18,641	21,456	24,035
Debt/Capital	50.1%	48.0%	45.9%	48.8%	49.6%						
Net debt or (cash) to equity	61.4%	54.6%	65.7%	73.1%	73.9%						
Interest cover (x)	16.6	14.9	15.6	15.7	14.4						

Source: Company reports and J.P. Morgan estimates.

Ping An Insurance Group

www.pingan.com/

Company description

Ping An is one of the few financial conglomerates in China which provides insurance (both life and non-life), banking, securities, trust and asset management services.

Key drivers of performance in an equity market recovery

We continue to see Ping An having the best life insurance franchise in terms of profitability and positioning for growth. With the risk of hard landing in China slowly dissipating given monetary easing, we expect a revival in insurance sales and see Ping An well-positioned to capture this recovery. Moreover, we see non-life insurance operation continues to gain market share. Equity raising need likely to stay as a concern given its aggressive expansion plan but the issuance of sub-debts at both its life and banking operation should help to satisfy near-term capital need.

How much recovery has already been priced in, what are the key metrics?

Ping An started the year with trading multiple of 2.7x P/EV, 22x implied new business multiple (NBM) and is currently trading at 1.7x P/EV and 10x NBM (as of Nov 4, 2011). Besides the poor earnings given weak A-share market performance, its life insurance operation also suffers weak premium growth. We expect a revival of sales with banks no longer needing to retain deposits to satisfy the on-going RRR hikes and its agency channel continues to see productivity and head count increase. We see stronger earnings in 2012 in the absence of equity investment impairment losses and the need to set aside more reserves as discount rates start to trend upward.

Where's the earnings risk for 2012?

Ping An is vulnerable to A-share market movement because of the need to recognize impairment losses should equity prices stay low. Its earnings are also vulnerable to a possible deterioration in combined ratio and worsening of asset quality.

Price target and key recovery risks

Our Ping An-H Dec-12 PT of HK\$84 (SOTP-based) is derived by applying appraisal value approach for the life insurance business, P/BV approach for the non-life insurance and banking business, P/E approach for the securities business and a 20% discount to holding company capital. Key recovery risks are delay in Shenzhen Development Bank integration, further equity raising plans and weak premium growth.

Ping An Insurance Group - H (Reuters: 2318.HK, Bloomberg: 2318 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Net Profit (Rmb mn)	13,883.0	17,311.0	19,548.8	25,359.7	29,405.8
EPS (Rmb)	1.89	2.31	2.51	3.20	3.71
BVPS (Rmb)	11.57	14.66	17.30	19.86	22.87
DPS (Rmb)	0.45	0.56	0.61	0.65	0.70
EV per share (Rmb)	21.1	26.3	30.4	35.3	41.2
NBV per share (Rmb)	1.61	2.03	2.24	2.59	2.97
P/E (x)	27.0	22.1	20.3	15.9	13.7
P/BV (x)	4.4	3.5	2.9	2.6	2.2
P/EV	2.4	1.9	1.7	1.4	1.2
Dividend Yield	0.9%	1.1%	1.2%	1.3%	1.4%
ROE	18.6%	17.6%	15.7%	17.2%	17.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$62.45

Price Target: HK\$84

China

Insurance

Baoling Chan^{AC}

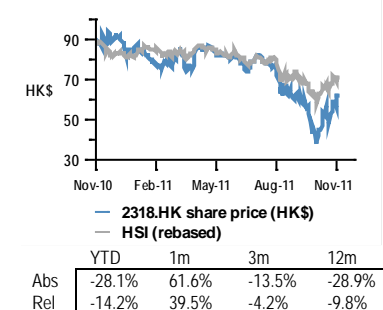
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Bloomberg JPMA BCHAN <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	3,130
Market cap (Rmb mn)	159,530
Market cap (\$ mn)	25,162
Price (HK\$)	62.45
Date Of Price	04 Nov 11
Free float (%)	53.7%
3mth Avg daily volume	19,501,530.00
3M - Average daily Value (HK\$ mn)	1,090.78
Average 3m Daily Turnover (\$ mn)	140.43
HSI	19,843
Exchange Rate	7.77
Fiscal Year End	Dec

Ping An Insurance Group: Summary of Financials

Income statement (Rmb in millions)						Capital strength					
2009	2010	2011E	2012E	2013E		2009	2010	2011E	2012E	2013E	
Life insurance premiums	73,439	96,877	123,270	154,689	191,902	Shareholders' funds/insurance liab.	16.8%	17.4%	21.8%	21.0%	20.3%
Non-life insurance premiums	38,774	62,507	82,421	107,579	135,871	Solvency margin ratio (group)	302%	198%	172%	161%	156%
GWP & policy fees	112,213	159,384	205,691	262,268	327,773	Solvency margin ratio (life)	227%	180%	192%	181%	169%
Net earned premiums	100,383	141,124	183,901	233,915	292,012	Solvency margin ratio (non-life)	144%	180%	208%	196%	180%
Benefits and claims	(36,906)	(45,032)	(64,723)	(83,417)	(105,049)						
Increase in policyholders' reserves	(47,040)	(70,045)	(84,453)	(109,029)	(136,771)	First-year premiums					
Acquisition costs	(11,444)	(14,545)	(18,058)	(24,369)	(31,785)	2009	2010	2011E	2012E	2013E	
G&A expenses	(24,086)	(31,769)	(46,081)	(62,901)	(76,352)	Single premiums	37,309	35,714	37,308	41,667	46,102
Underwriting profit	(19,093)	(20,267)	(29,415)	(45,802)	(57,944)	Regular premiums	27,675	40,336	42,914	49,830	57,348
Net investment income	19,076	25,972	33,389	41,299	49,836	FYPs (exclu. premium deposits)	64,984	76,050	80,222	91,497	103,450
Realized & unreal. investment income	12,947	5,111	980	7,303	9,979	Y/Y	43.1%	17.0%	5.5%	14.1%	13.1%
Net interest income	4,210	5,934	17,593	35,182	42,521	Profitability measure					
Net fee income	2,781	4,934	6,746	8,835	10,530	2009	2010	2011E	2012E	2013E	
Loan loss provisions	(228)	(626)	(2,574)	(4,526)	(5,258)	Loss expense	83.6%	81.5%	81.1%	82.3%	82.8%
Other income/expenses	226	1,289	3,372	542	715	Expense ratio	35.4%	32.8%	34.9%	37.3%	37.0%
Pre-tax profit	19,919	22,347	30,091	42,833	50,379	Combined ratio	119.0%	114.4%	116.0%	119.6%	119.8%
Tax	(5,437)	(4,409)	(7,524)	(10,062)	(12,047)	Net investment yield	3.6%	3.8%	4.0%	4.1%	4.2%
Minorities	(599)	(627)	(3,019)	(7,411)	(8,926)	Total investment yield	6.1%	4.6%	4.1%	4.9%	5.0%
Net profit	13,883	17,311	19,549	25,360	29,406	ROA	1.7%	1.6%	1.2%	1.1%	1.4%
						ROE	18.6%	17.6%	15.7%	17.2%	17.4%

Balance sheet (Rmb in millions)						Per share data					
2009	2010	2011E	2012E	2013E		2009	2010	2011E	2012E	2013E	
Bonds	351,432	451,882	528,449	653,211	780,295	EPS (Rmb)	1.89	2.26	2.47	3.20	3.71
Equities	63,576	74,288	109,334	152,416	221,083	Y/Y	879.1%	19.8%	9.0%	29.7%	16.0%
Deposits	160,339	218,915	241,446	239,511	247,093	EPS (HK\$)	2.15	2.68	3.06	3.97	4.60
Other investments	14,366	17,868	31,889	43,547	52,020	Y/Y	880.6%	24.7%	14.2%	29.7%	16.0%
Total investments	589,713	762,953	911,119	1,088,685	1,300,491	DPS (Rmb)	0.45	0.55	0.60	0.65	0.70
Total assets	935,712	1,171,627	2,111,858	2,474,784	1,654,206	Payout ratio	24%	24%	24%	20%	19%
Insurance contract liabilities	488,773	593,557	709,692	850,182	1,017,563	BVPS (Rmb)	11.57	14.66	17.30	19.86	22.87
Investment contract liabilities	28,951	29,991	32,701	36,894	42,096	Y/Y	31.7%	26.7%	18.1%	14.8%	15.2%
Non-life insurance reserves	29,881	46,390	58,636	75,485	96,817	No. of shares (mn)	7,345	7,644	7,916	7,916	7,916
Subordinated debts	4,990	7,540	13,540	13,540	13,540	Life operation embedded value (Rmb)	13.71	15.84	17.20	20.63	24.58
Total liabilities	843,969	1,054,744	1,937,007	2,272,307	1,418,938	Group embedded value (Rmb)	21.14	26.29	30.36	35.30	41.17
Retained profit	15,219	28,609	43,408	63,622	87,487	New business value (Rmb)	1.61	2.03	2.24	2.59	2.97
Minority interest	6,773	4,853	37,872	45,283	54,209	Group embedded value (Rmb mn)	155,258	200,986	240,353	279,421	325,919
Shareholders' funds	91,743	116,883	174,852	202,477	235,268	New business value (Rmb mn)	11,805	15,507	17,767	20,538	23,536

Income statement growth rates						Balance sheet growth rates					
09, Y/Y	10, Y/Y	11E, Y/Y	12E, Y/Y	13E, Y/Y		09, Y/Y	10, Y/Y	11E, Y/Y	12E, Y/Y	13E, Y/Y	
Life insurance premiums	18.3%	31.9%	27.2%	25.5%	24.1%	Bonds	22.5%	28.6%	16.9%	23.6%	19.5%
Non-life insurance premiums	43.5%	61.2%	31.9%	30.5%	26.3%	Equities	74.8%	16.8%	47.2%	39.4%	45.1%
GWP & policy fees	25.9%	42.0%	29.1%	27.5%	25.0%	Deposits	21.2%	36.5%	10.3%	-0.8%	3.2%
Net earned premiums	22.0%	40.6%	30.3%	27.2%	24.8%	Total investments	26.9%	29.4%	19.4%	19.5%	19.5%
Net investment income	2.4%	36.2%	28.6%	23.7%	20.7%	Total assets	32.8%	25.2%	80.3%	17.2%	-33.2%
Benefits and claims	-5.3%	22.0%	43.7%	28.9%	25.9%	Insurance contract liabilities	24.6%	21.4%	19.6%	19.8%	19.7%
Increase in policyholders' reserves	168.2%	48.9%	20.6%	29.1%	25.4%	Investment contract liabilities	17.7%	3.6%	9.0%	12.8%	14.1%
Acquisition costs	32.0%	27.1%	24.1%	35.0%	30.4%	Total liabilities	32.4%	25.0%	83.6%	17.3%	-37.6%
G&A expenses & commissions	57.9%	31.9%	45.1%	36.5%	21.4%	Shareholders' funds	36.6%	27.4%	49.6%	15.8%	16.2%
Underwriting profit	-1145.6%	6.1%	45.1%	55.7%	26.5%						
Net interest income	-3.1%	41.0%	196.5%	100.0%	20.9%	Economic value growth rates					
Pre-tax profit	-1440.4%	12.2%	34.7%	42.3%	17.6%	09, Y/Y	10, Y/Y	11E, Y/Y	12E, Y/Y	13E, Y/Y	
Net profit	879.1%	24.7%	12.9%	29.7%	16.0%	Life operation EV / share (Rmb)	44.6%	15.5%	8.6%	20.0%	19.2%
						NBV / share (Rmb)	38.2%	26.2%	10.6%	15.6%	14.6%

Source: Company data, J.P. Morgan estimates.

PTT Public Company

www.pttplc.com

Company description

PTT is Thailand's national oil and gas company with interests in upstream E&P and downstream oil refining and petrochemicals (via its listed associates). The company itself owns and operates the country's gas pipelines and gas separation plants, as well as the nation's biggest network of petrol stations. PTT is 67% owned by the Royal Thai government (directly and indirectly).

Key drivers of performance in an equity market recovery

We believe PTT shares have been supported fundamentally by resilient oil prices. Being the biggest and most liquid stock in Thailand also allows PTT to attract investors' inflow into the Thai market.

How much recovery has already been priced in, what are the key metrics?

We believe PTT shares do not currently reflect the full potential of a global economic recovery. The stock remains well below our price target of Bt460/share, which is based on LT oil prices (Brent crude) of US\$85/bbl. Natural gas volume growth will also be positive and generate earnings growth for 2012.

Where's the earnings risk for 2012?

Petrochemical spreads have been consistently weak since late 2Q this year. If this spread continues to contract (or stay at the current depressed level), we see substantial downside risks to our petrochemical companies earnings. Given that petrochemicals account for around 18% of PTT's consolidated earnings (via associate income from PTTGC and IRPC), this would be a negative for the company.

Price target and key recovery risks

Our Jun-12 price target of Bt460/share is based on SOTP valuation (FY12E SOTP breakdown: oil marketing & trading 10%; gas 43%; E&P 25%; assoc, major 15%; others 7%). We also apply a 10% holding company discount to this estimated SOTP value to derive our price target. This method best captures the values of PTT's disparate business divisions, in our opinion. Key risks to our price target: (1) Low petroleum prices (if recovery is not sustained) that would hurt PTT's upstream E&P cash flows, (2) Low gas demand (if the domestic economy slows) that would hurt gas cash flows and (3) Regulatory risks such as the current price caps on CNG.

PTT Public Company Limited (Reuters: PTT.BK, Bloomberg: PTT TB)

Bt in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Bt mn)	1,586,174	1,900,004	2,506,496	2,389,791	2,443,996
Net Profit (Bt mn)	59,547.0	83,088.0	96,975.7	112,952.0	125,736.3
EPS (Bt)	21.01	29.16	34.04	39.65	44.13
DPS (Bt)	8.50	10.25	12.00	13.00	14.00
Revenue growth (%)	-20.7%	19.8%	31.9%	-4.7%	2.3%
EPS growth (%)	14.8%	38.8%	16.7%	16.5%	11.3%
ROCE	15.1%	15.3%	18.5%	20.8%	21.1%
ROE	14.6%	18.1%	18.5%	19.0%	18.6%
P/E (x)	13.8	10.0	8.5	7.3	6.6
P/BV (x)	1.9	1.7	1.5	1.3	1.2
EV/EBITDA (x)	7.1	5.9	5.1	4.3	3.7
Dividend Yield	2.9%	3.5%	4.1%	4.5%	4.8%
Adjusted EPS (Bt)	19.65	24.94	34.21	39.65	44.13
Adjusted P/E	14.81	11.67	8.51	7.34	6.59

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Bt291

Price Target: Bt451

Thailand

Integrated oils

Sukit Chawalitakul^{AC}

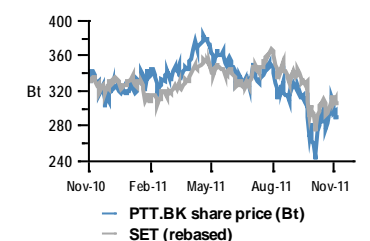
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Bloomberg JPMA CHAWALITAKUL <GO>

JPMorgan Securities (Thailand) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-11.8%	20.2%	-14.4%	-12.1%
Rel	-3.6%	8.3%	0.4%	-4.9%

Source: Bloomberg.

Company Data

Shares O/S (mn)	2,856
Market cap (Bt mn)	831,183
Market cap (\$ mn)	27,136
Price (Bt)	291.00
Date Of Price	04 Nov 11
Free float (%)	30.0%
3mth Avg daily volume	7,285,980.00
3M - Avg daily Value (Bt mn)	2,238.87
3M - Avg daily Value (USD) (\$ mn)	73.09
SET	957
Exchange Rate	30.63
Fiscal Year End	Dec

PTT Public Company: Summary of Financials

Income Statement						Cash flow statement					
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	1,586,174	1,900,004	2,506,496	2,389,791	2,443,996	EBIT	107,319	127,297	163,498	190,821	201,857
% change Y/Y	(20.7%)	19.8%	31.9%	(4.7%)	2.3%	Depr. & amortization	43,150	51,223	55,056	60,705	63,803
Gross Margin (%)	12.0%	11.7%	10.1%	12.0%	12.2%	Change in working capital	-8,059	18,436	5,300	6,345	3,980
EBITDA	150,469	178,520	218,554	251,526	265,660	Taxes	-31,654	-34,426	-48,464	-54,715	-55,916
% change Y/Y	11.2%	18.6%	22.4%	15.1%	5.6%	Cash flow from operations	80,331	138,741	147,534	176,285	187,862
EBITDA Margin (%)	9.5%	9.4%	8.7%	10.5%	10.9%	EBIT	107,319	127,297	163,498	190,821	201,857
EBIT	107,319	127,297	163,498	190,821	201,857	Capex	-141,982	-103,432	-158,671	-108,912	-65,745
% change Y/Y	4.1%	18.6%	28.4%	16.7%	5.8%	Disposal/(purchase)	0	0	0	0	0
EBIT Margin (%)	6.8%	6.7%	6.5%	8.0%	8.3%	Net Interest	-12,299	-13,364	-12,821	-12,927	-9,662
Net Interest	-12,299	-13,364	-12,821	-12,927	-9,662	Free cash flow	-61,651	35,309	-11,138	67,372	122,117
Earnings before tax	96,468	122,319	164,276	192,001	207,054	Equity raised/(repaid)	1,848	3,184	0	0	0
% change Y/Y	-13.6%	26.8%	34.3%	16.9%	7.8%	Debt raised/(repaid)	112,690	25,680	-55,879	-16,500	-65,700
Tax	-31,654	-34,426	-48,464	-54,715	-55,916	Other	22,348	21,602	21,677	3,260	2,134
as % of EBT	156.0%	146.0%	133.0%	131.0%	128.3%	Dividends paid	-17,003	-26,362	-32,764	-35,613	-38,462
Core net income (reported)	55,672	71,051	97,469	112,952	125,736	Beginning cash	92,037	112,859	157,416	52,882	72,561
% change Y/Y	5.1%	27.6%	37.2%	15.9%	11.3%	Ending cash	112,859	157,416	52,882	72,561	83,777
Shares outstanding	2,834	2,849	2,849	2,849	2,849	DPS - (Bt)	8.50	10.25	12.00	13.00	14.00
Core EPS (reported) - (Bt)	19.65	24.94	34.21	39.65	44.13						
% change Y/Y	4.8%	26.9%	37.2%	15.9%	11.3%						

Balance sheet						Ratio Analysis					
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	112,859	157,416	52,882	72,561	83,777	EBITDA margin	9.5%	9.4%	8.7%	10.5%	10.9%
Accounts receivable	129,818	141,322	185,481	176,845	180,856	Operating margin	6.8%	6.7%	6.5%	8.0%	8.3%
Inventories	24,523	43,109	58,584	54,672	55,809	Net profit margin	3.8%	4.4%	3.9%	4.7%	5.1%
Others	27,414	22,493	17,994	14,396	11,516						
Current assets	294,614	364,340	314,941	318,473	331,958	Sales growth	(20.7%)	19.8%	31.9%	(4.7%)	2.3%
LT investments	204,578	222,295	246,045	269,278	294,467	Net profit growth	15.2%	39.5%	16.7%	16.5%	11.3%
Net fixed assets	474,587	526,796	630,411	678,619	680,560	EPS growth	14.8%	38.8%	16.7%	16.5%	11.3%
Total Assets	1,103,589	1,249,145	1,349,465	1,415,929	1,458,588						
Liabilities						Interest coverage (x)	12.23	13.36	17.05	19.46	27.50
ST loans	40,894	45,101	33,165	31,515	24,945	Net debt to equity	58.0%	46.9%	50.2%	38.4%	23.0%
Payables	102,634	138,190	184,765	172,427	176,014	Sales/assets (x)	1.60	1.62	1.93	1.73	1.70
Others	79,153	87,202	101,061	103,598	106,260	Assets/equity (x)	2.20	2.19	2.09	2.24	2.03
Total current liabilities	222,681	270,493	318,992	307,540	307,219	ROE	14.6%	18.1%	18.5%	19.0%	18.6%
Long-term debt	320,954	342,427	298,485	283,635	224,505	ROCE	15.1%	15.3%	18.5%	20.8%	21.1%
Other liabilities	61,864	64,913	87,295	90,554	92,688						
Total Liabilities	605,499	677,833	704,771	681,728	624,412						
Shareholders' equity	429,180	490,923	555,135	632,475	719,749						
BVPS - (Bt)	151.45	172.31	194.85	222.00	252.63						

Source: Company reports and J.P. Morgan estimates.

Quanta Computer Inc.

www.quantatw.com

Company description

Quanta Computer Inc. manufactures and markets notebook computers and related peripheral equipment. It is the largest notebook ODM company in the world. Besides high growth, high quality and high value creation in notebook computers, Quanta has extended into enterprise network systems, home entertainment, mobile communication, automotive electronics and digital home markets. Its customers include Apple, HP, Dell etc.

Key drivers of performance in an equity market recovery

Strong growth in tablets and servers, which could help non-notebook revenues account for >30% in 2012. The whitebox data center infrastructure and server business should see strong growth in 2012. In our view, Quanta is poised to expand its customer set from two customers (Google and Facebook) in 2011 to multiple customers (Amazon, Rackspace, Chinese Internet operators, Telecom carriers like AT&T) in 2012, with added impetus from expanded product lines (especially storage). We also expect Quanta to be a key vendor on the Amazon tablet front, which should help drive revenue growth and better OP margins.

How much recovery has already been priced in, what are the key metrics?

We believe strong growth on the tablet front, especially the upside in revenues from Amazon Kindle, has already priced in. However, we believe Quanta's growth potential in cloud computing/whitebox data center hardware has more upside than is currently estimated and could be the major driver for 2012 growth.

Where's the earnings risk for 2012?

Right now the competition in whitebox servers is limited to Wistron but it could increase further in 2012 as the business is showing attractive growth potential. We also expect an increase in margins in 2012 but Quanta's last commentary on weak 2H11 margin outlook may raise more concerns on 2012 margins, especially if it fails to see a recovery in notebook ODM margins.

Price target and key recovery risks

Our Jun-12 price target is NT\$80, which based on 10x FY12E P/E. Our PT implies a Dec-11 P/BV multiple of 2.5x versus 2011 ROE of 20% and Dec-12 P/B multiple of 2.2x versus 2012 ROE of 22%. Key downside risks are 1) more competition in white box servers, and 2) notebook ODM margins not recovering in 2012.

Bloomberg 2382 TT, Reuters 2382.TW

(Year-end Dec, NT\$ bn)	FY09	FY10	FY11E	FY12E	FY09	FY10	FY11E	FY12E	Target Price (NT\$)	80	
Sales	839.79	1,124.73	1,111.19	1,188.44	New TW GAAP P/E	10.0	12.5	10.1	8.0	52-Week range (NT\$)	73.00 - 48.10
Operating Profit	22.02	15.99	21.90	29.55	P/BV (x)	2.2	2.1	1.9	1.7	Share Outstanding	3,839mn
EBITDA	26.78	21.01	20.57	25.37	ROE(%)	23.2	17.1	19.6	22.3	Free float	-
Pretax Profit	28.42	26.72	31.21	37.03	Cash Div (NT\$)	3.4	3.7	3.6	4.3	Avg daily volume	22mn
Adj. Net Profit (New TW GAAP)	22.31	18.60	23.13	29.18	Quarterly EPS (NT\$)	1Q	2Q	3Q	4Q	Avg daily val (USD)	29.71mn
New TW GAAP EPS (NT\$)	6.09	4.88	6.02	7.60	EPS (10)	1.48	1.38	1.57	0.64	Dividend Yield (2011)	5.9%
Net Debt / Equity	NM	NM	NM	NM	EPS (11) E	1.51	1.49	1.75	1.86	QFII Holding (%)	-
Y/E BPS (NT\$)	28.19	29.11	32.51	35.72	EPS (12) E	1.69	1.76	2.24	2.28	Market Cap(USD)	7,814mn

Source: Company data, Bloomberg, J. P. Morgan estimates. Note: In Net Debt/Equity, NM means company has net cash

Overweight

Price: NT\$61.10

Price Target: NT\$80.00

Taiwan

Computer Hardware

Gokul Hariharan^{AC}

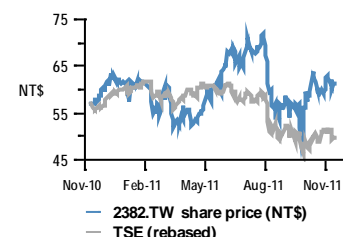
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Bloomberg JPMA HARIHARAN <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



	YTD	1m	3m	12m
Abs	-0.2%	-4.1%	7.8%	7.2%
Rel	17.7%	-3.7%	12.4%	19.9%

Source: Bloomberg.

Quanta Computer Inc.: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
NT\$ in millions, year end Dec						NT\$ in millions, year end Dec					
	FY08	FY09	FY10	FY11E	FY12E		FY08	FY09	FY10	FY11E	FY12E
Revenues	818,738	839,791	1,124,728	1,111,193	1,188,441	Gross margin	5.1%	5.4%	3.5%	3.6%	4.2%
Cost of goods sold	776,708	794,088	1,085,908	1,071,259	1,138,578	EBITDA margin	2.8%	3.2%	1.9%	1.8%	2.1%
Gross Profit	42,030	45,703	38,820	39,933	49,863	Operating margin	2.3%	2.6%	1.4%	2.0%	2.5%
R&D expenses	-6,009	-7,190	-7,580	-8,106	-12,763	Net margin	2.5%	2.7%	1.7%	2.1%	2.5%
SG&A expenses	-15,691	-14,504	-13,107	-14,817	-14,527	R&D/sales	0.7%	0.9%	0.7%	0.7%	1.1%
Operating profit (EBIT)	18,466	22,024	15,986	21,898	29,547	SG&A/Sales	1.9%	1.7%	1.2%	1.3%	1.2%
EBITDA	22,607	26,783	21,005	20,573	25,365	Sales growth	7.5%	2.6%	33.9%	(1.2%)	7.0%
Interest income	1,637	575	1,548	6,354	9,368	Operating profit growth	-7.7%	19.3%	-27.4%	37.0%	34.9%
Interest expense	-2,205	-1,021	-1,496	-4,778	-6,536	Net profit growth	8.1%	10.3%	-16.6%	24.3%	26.2%
Investment income (Exp.)	-568	-445	53	1,576	2,831	EPS (reported) growth	6.4%	8.6%	(19.9%)	23.5%	26.2%
Non-operating income (Exp.)	9,144	6,391	10,733	16,215	17,268	Interest coverage (x)	39.82	60.16	-	-	-
Earnings before tax	27,610	28,415	26,718	31,207	37,034	Net debt to total capital	-22.0%	-23.5%	-4.8%	-0.1%	-0.7%
Tax	-6,485	-5,074	-7,378	-7,684	-7,852	Net debt to equity	NM	NM	NM	NM	NM
Net income (reported)	20,229.6	22,313.1	18,601.8	23,130.0	29,182.4	Asset turnover	2.60	2.47	2.53	1.75	1.53
Net income (adjusted)	20,229	22,313	18,601	23,130	29,182	Working capital turns (x)	58.27	64.18	34.60	19.22	16.37
EPS (reported)	5.61	6.09	4.88	6.02	7.60	ROE	23.3%	23.2%	17.1%	19.6%	22.3%
EPS (adjusted)	5.61	6.09	4.88	6.02	7.60	ROIC	15.4%	14.5%	8.4%	5.6%	5.1%
BVPS	23.59	28.19	29.11	32.51	35.72	ROIC (net of cash)	31.0%	32.2%	19.9%	17.9%	19.3%
DPS	3.37	3.45	3.70	3.58	4.34						
Shares outstanding	3,650	3,782	3,834	3,840	3,840						
Balance sheet						Cash flow statement					
NT\$ in millions, year end Dec						NT\$ in millions, year end Dec					
	FY08	FY09	FY10	FY11E	FY12E		FY08	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	87,204	101,777	171,642	374,256	402,952	Net income	6	1	8	0	4
Accounts receivable	103,563	154,562	183,158	180,794	185,571	Depr. & amortization	4,140	4,759	5,019	5,580	5,600
Inventories	50,317	53,946	81,374	125,609	128,928	Change in working capital	15,374	-13,443	-25,409	-25,208	-4,389
Others	5,561	9,093	12,147	14,206	14,084	Other	4,481	-1,527	694	2,021	-265
Current assets	246,644	319,378	448,321	694,865	731,535	Cash flow from operations	40,640	14,657	-1,050	3,896	30,393
LT investments	10,792	10,841	12,102	9,034	9,209	Capex	0	0	0	0	0
Net fixed assets	39,032	38,448	48,233	49,716	54,116	Disposal/(purchase)	0	0	0	0	0
Others	7,127	8,737	3,328	3,102	3,102	Cash flow from investing	-9,662	-5,834	-10,657	-3,769	-10,176
Total Assets	303,595	377,404	511,984	756,717	797,962	Free cash flow	40,640	14,657	-1,050	3,896	30,393
Liabilities						Equity raised/(repaid)	1,743	1,324	519	63	0
ST Loans	37,148	64,803	131,176	335,186	357,901	Debt raised/(repaid)	12,610	8,548	95,928	212,751	25,340
Payables	119,787	162,499	192,420	207,062	211,034	Other	-12,915	7,488	-1,496	3,008	-208
Others	153,078	197,795	231,464	250,186	253,771	Dividends paid	-11,267	-11,609	-13,379	-13,335	-16,654
Total current liabilities	190,226	262,599	362,641	585,372	611,673	Cash flow from financing	-9,830	5,750	81,571	202,487	8,479
Long-term debt	19,847	0	29,784	38,726	41,351	Net change in cash	21,148	14,573	69,865	202,614	28,696
Other liabilities	7,446	8,186	7,956	7,757	7,757	Beginning cash	66,056	87,204	101,777	171,642	374,256
Total Liabilities	217,520	270,784	400,381	631,855	660,780	Ending cash	87,204	101,777	171,642	374,256	402,952
Shareholders' equity	86,075	106,619	111,603	124,862	137,182						

Source: Company reports and J.P. Morgan estimates.

Reliance Industries Limited

www.ril.com

Company description

RIL is a conglomerate with interests in refining, petrochemical, E&P, retail and infrastructure development. RIL is India's largest company by market cap, and is a dominant player in the domestic petrochemical market. It has refining capacity of 1.2mbpd. Over FY11-14E we estimate RIL's EPS will grow at a 14% CAGR.

Key drivers of performance in an equity market recovery

An economic recovery should spur performance in RIL's cyclical refining and petrochemical segments (~70% of EBITDA). A swift ramp-up in Libyan oil supplies, coupled with weaker global oil demand due to slow growth has led to fears that GRMs for complex refiners will be compressed. Stronger growth (leading to stronger oil demand) may help sustain refining strength; although we do incorporate downside from high 2011 levels, petrochemical spreads would more likely recover from current levels.

How much recovery has already been priced in, what are the key metrics?

With newsflow on the E&P business (CAG report, lack of production growth) having dominated, the stock has not reflected the continuing resilience in its refining/petchem business lines (~70% of EBITDA). Key metrics to watch are benchmark GRMs, and key petrochemical spreads (polyester, PE, PX). E&P ramp-up/ revised development plans with BP involvement in the east coast fields will also be an important driver.

Where's the earnings risk for 2012?

With gas production ramp up slower than expected, RIL earnings are leveraged to global economic growth – any weakness would impact cyclical businesses. Harsh regulatory action in the E&P business is a downside earnings risk as well.

Price target and key recovery risks

Our Sep-12 PT for RIL is Rs1140 – implying an FY12/13E P/E of 15.6/14.3x. Our PT is SOTP derived using a 7.5x EV/EBITDA multiple for the refining business and 7x for petrochemicals. We build in a peak production rate of 90mmcmd for the KG-D6 field in FY15E. Key downside risks are a global slowdown impacting the refining or petrochemical sectors, and harsh regulatory action on the E&P business.

Reliance Industries Ltd (Reuters: RELI.BO, Bloomberg: RIL IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (Rs mn)	2,037,400	2,658,106	3,148,268	2,993,618	2,959,725
Net Profit (Rs mn)	158,180.00	192,715.20	218,471.91	238,077.25	288,615.39
EPS (Rs)	53.12	64.65	73.29	79.86	96.82
DPS (Rs)	7.00	8.00	10.00	10.00	10.00
Revenue growth (%)	34.7%	30.5%	18.4%	-4.9%	-1.1%
EPS growth (%)	-4.2%	21.7%	13.4%	9.0%	21.2%
ROCE	12.0%	13.0%	12.4%	12.4%	13.9%
ROE	16.5%	17.5%	17.2%	16.4%	17.5%
P/E	16.6	13.6	12.0	11.0	9.1
P/BV	2.6	2.2	1.9	1.7	1.5
EV/EBITDA	9.7	7.4	6.5	6.1	4.9
Dividend Yield	0.8%	0.9%	1.1%	1.1%	1.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rs879.95

Price Target: Rs1,140

India

Integrated Oils

Pradeep Mirchandani^{AC}

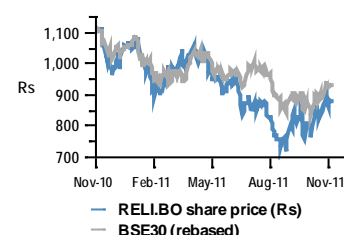
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Bloomberg JPMA PMIRCHANDANI <GO>

J.P. Morgan India Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-16.6%	14.0%	8.3%	-20.4%
Rel	-2.0%	3.3%	9.0%	-4.5%

Source: Bloomberg.

Company Data

Shares O/S (mn)	3,275
Market Cap (Rs mn)	2,881,406
Market Cap (\$ mn)	59,086
Price (Rs)	879.95
Date Of Price	04 Nov 11
Free float (%)	50.2%
3-mth trading value (Rs mn)	2,307.97
3-mth trading value (\$ mn)	47.33
3-mth trading volume (mn)	1.38
IN	

Reliance Industries Ltd: Summary of Financials

Income Statement						Cash flow statement					
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Revenues	1,512,245	2,037,400	2,658,106	3,148,268	2,993,618	EBIT	181,123	199,480	239,228	259,374	276,271
% change Y/Y	13.3%	34.7%	30.5%	18.4%	(4.9%)	Depr. & amortization	56,510	109,460	141,208	119,873	125,750
Gross Margin	27.3%	24.1%	23.1%	56.2%	57.6%	Change in working capital	-46,221	-143,128	25,257	-100,798	2,231
EBITDA	237,633	308,940	380,436	379,246	402,021	Taxes	-12740	-31250	-44124	-58436	-65733
% change Y/Y	6.5%	30.0%	23.1%	-0.3%	6.0%	Others	-	-	-	-	-
EBITDA Margin	15.7%	15.2%	14.3%	12.0%	13.4%	Cash flow from operations	159,502	210,573	359,180	226,918	344,797
EBIT	181,123	199,480	239,228	259,374	276,271	Capex	-437,983	-219,210	-150,474	-176,400	-267,600
% change Y/Y	3.7%	10.1%	19.9%	8.4%	6.5%	Disposal/(purchase)	-	-	-	-	-
EBIT Margin	12.0%	9.8%	9.0%	8.2%	9.2%	Free cash flow	-278,481	-8,638	208,705	374,518	77,197
Net Interest	-2,720	87,320	1,321	20,628	30,873	Equity raised/(repaid)	68,056	-116,128	-1,973	0	0
Earnings before tax	175,123	372,860	240,550	280,002	307,144	Debt raised/(repaid)	398,046	-116,511	195,007	-41,916	-31,801
% change Y/Y	-35.6%	112.9%	-35.5%	16.4%	9.7%	Other	-	-	-	-	-
Tax	-29,190	-42,560	-47,834	-61,530	-69,066	Dividends paid	-22,195	-24,286	-34,729	-34,729	-34,729
as % of EBT	16.7%	11.4%	19.9%	22.0%	22.5%	Beginning cash	-	-	-	-	-
Net income (reported)	152,492.60	158,180.00	192,715.20	218,471.91	238,077.25	Ending cash	-	-	-	-	-
% change Y/Y	-0.1%	3.7%	21.8%	13.4%	9.0%	DPS	6.90	7.00	8.00	10.00	10.00
Shares outstanding	2,749	2,978	2,981	2,981	2,981						
EPS (reported)	55.46	53.12	64.65	73.29	79.86						
% change Y/Y	5.6%	(4.2%)	21.7%	13.4%	9.0%						
Balance sheet						Ratio Analysis					
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Cash and cash equivalents	227,421	138,908	301,390	547,764	520,403	EBITDA margin	15.7%	15.2%	14.3%	12.0%	13.4%
Accounts receivable	48,450	100,829	156,952	110,553	105,297	Operating margin	12.0%	9.8%	9.0%	8.2%	9.2%
Inventories	201,096	343,933	385,194	419,916	396,947	Net margin	10.1%	7.8%	7.2%	6.9%	8.0%
Others	110,494	107,409	137,273	139,952	142,699	Sales per share growth	19.8%	24.4%	30.3%	18.4%	(4.9%)
Current assets	651,816	822,203	1,324,271	1,617,631	1,602,819	Sales growth	13.3%	34.7%	30.5%	18.4%	(4.9%)
LT investments	-	-	-	-	-	Net profit growth	-0.1%	3.7%	21.8%	13.4%	9.0%
Net fixed assets	1,498,880	1,375,761	1,385,028	1,117,555	1,259,405	EPS growth	5.6%	(4.2%)	21.7%	13.4%	9.0%
Total Assets	2,150,696	2,197,964	2,709,299	2,735,186	2,862,225	Interest coverage (x)	87.36	-	-	-	-
Liabilities						Net debt to total capital	35.2%	22.6%	10.6%	-7.1%	-8.5%
Short-term loans	83,675	66,192	131,886	131,662	131,662	Net debt to equity	52.1%	36.9%	16.6%	-10.9%	-12.4%
Payables	-	-	-	-	-	Sales/assets	0.87	0.94	1.08	1.16	1.07
Others	483,833	532,815	685,329	575,546	552,298	Assets/equity	1.84	1.67	1.53	1.43	1.86
Total current liabilities	567,508	599,007	817,215	707,208	683,960	ROE	19.8%	16.5%	17.5%	17.2%	16.4%
Long-term debt	678,891	579,863	709,176	667,484	635,683	ROCE	13.6%	12.0%	13.0%	12.4%	12.4%
Other liabilities	0	0	0	0	0						
Total Liabilities	1,246,399	1,178,870	1,526,391	1,374,692	1,319,643						
Shareholders' equity	904,296	1,019,093	1,182,908	1,360,494	1,542,581						
BVPS	328.91	342.20	396.81	456.39	517.47						

Source: Company reports and J.P. Morgan estimates.

Reliance Infrastructure

www.rinfra.com

Company description

Reliance Infrastructure distributes electricity in Mumbai and Delhi, and also has a generating capacity of around 933MW. The EPC business carries out turnkey power generation and transmission projects, and its current order book is mainly comprised of 38.4% associate Reliance Power. RELI also has an infrastructure portfolio including Mumbai / Delhi Metros, road and transmission projects.

Key drivers of performance in an equity market recovery

The stock is off ~60% over the past 20 months. Execution issues around power and infrastructure projects, regulatory uncertainties around electricity distribution, distcom receivables, ADAG overhang and lack of balance sheet transparency contributed to this substantial de-rating. A turnaround in execution and management credibility are the key catalysts for improved stock performance.

How much recovery has already been priced in, what are the key metrics?

The stock price reflects investor skepticism of a turnaround. Barring the value of RPWR, which is listed, the remaining businesses of RELI are available at 4.8x FY12E EV/EBITDA, which we think is cheap.

Where's the earnings risk for 2012?

FY13 growth is predicated upon a) a pick-up in EPC execution, led by Reliance Power and b) pick-up in traffic at road BOTs and metros. Potential disappointment on these key metrics constitutes the downside risk to earnings.

Price target and key recovery risks

Our Mar-12 SOP-based PT is Rs575, including 51% from 38.4% stake in RPWR, 28% from electricity distribution and generation, 7.5% from EPC, 36% from BOT portfolio and -20% holding-company discount. The ongoing CBI probe into ADAG executives' role in the 2G scam could be a stock overhang, while continued weak execution and traffic are the key risks to a stock price recovery.

Reliance Infrastructure Ltd (Reuters: RLIN.BO, Bloomberg: RELI IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (Rs mn)	148,649	154,083	180,787	206,919	223,498
Adjusted Profit (Rs mn)	15,194	15,516	9,225	13,054	15,040
Adjusted EPS (Rs)	62.04	58.01	34.82	49.27	56.77
Revenue growth (%)	18.9%	3.7%	17.3%	14.5%	8.0%
Adjusted profit growth (%)	12.3%	2.1%	-40.6%	41.5%	15.2%
ROCE	3.7%	4.4%	2.9%	4.0%	4.9%
ROE	8.1%	7.0%	3.9%	5.3%	5.8%
Adjusted P/E (x)	7.51	8.03	13.37	9.45	8.20
P/BV (x)	0.6	0.5	0.5	0.5	0.5
EV/EBITDA (x)	3.4	4.4	6.6	5.4	3.4

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rs465.65

Price Target: Rs575

India

Infrastructure

Shilpa Krishnan^{AC}

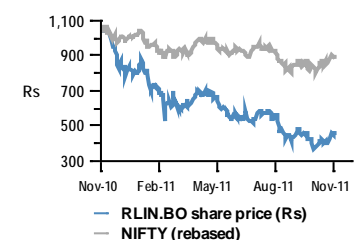
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J.P. Morgan Securities Singapore Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-44.8%	23.2%	-17.0%	-55.3%
Rel	-30.6%	14.6%	-14.4%	-40.8%

Source: Bloomberg.

Company Data

Shares O/S (mn)	267
Market cap (Rs mn)	124,524
Market cap (\$ mn)	2,553
Price (Rs)	465.65
Date Of Price	03 Nov 11
Free float (%)	42.5%
3mth Avg daily volume	1.61
3M - Average daily Value (Rs mn)	711.64
NIFTY	5,258.45
Exchange Rate	48.77
Fiscal Year End	Mar

Reliance Infrastructure Ltd: Summary of Financials

Income Statement					Cash flow statement				
Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E
Revenues	154,083	180,787	206,919	223,498	EBIT	14,343	10,993	16,711	21,189
% change Y/Y	3.7%	17.3%	14.5%	8.0%	Depreciation & Amortization	4,825	10,817	11,343	13,348
EBITDA	19,168	21,810	28,054	34,537	Tax	-1,268	-984	-1,284	-1,208
% change Y/Y	26.1%	13.8%	28.6%	23.1%	Other income	-	-	-	-
EBITDA Margin	12.4%	12.1%	13.6%	15.5%	Decrease in WC	-7,331	-4,447	1,395	3,657
EBIT	14,343	10,993	16,711	21,189	Operating CF	33,516	18,391	31,803	43,164
% change Y/Y	36.9%	NM	52.0%	26.8%	Capex	-81,039	-61,589	-32,768	-4,221
EBIT Margin	9.3%	6.1%	8.1%	9.5%	Change in investments	304	-500	-500	-500
Other income	5,565	5,565	4,452	3,895	Investing CF	-80,735	-62,089	-33,268	3,721
Net Interest	-6,350	-8,362	-10,464	-15,015	Free cash flow	-47,523	-43,198	-965	38,943
Earnings before tax	13,559	8,196	10,699	10,069	Change in equity	16,476	-1,837	0	0
% change Y/Y	0.6%	-39.6%	30.5%	-5.9%	Change in debt	37,213	35,408	18,254	-1,421
Tax	-1,268	-984	-1,284	-1,208	Other financing activities	-	-	-	-
as % of EBT	9.4%	12.0%	12.0%	12.0%	Financing CF	50,734	33,098	12,006	-14,747
Net income	15,516	9,225	13,054	15,040	Change in cash	3,515	-10,599	10,541	32,138
% change Y/Y	2.1%	-40.6%	41.5%	15.2%	Opening cash	75,848	79,362	68,763	79,304
Adjusted profit	15,516	9,225	13,054	15,040	Closing cash	79,362	68,763	79,304	111,441
% change Y/Y	2.1%	-40.6%	41.5%	15.2%					
Shares outstanding	267	265	265	265					
EPS	58.01	34.82	49.27	56.77					
% change Y/Y	(6.5%)	(40.0%)	41.5%	15.2%					
Adjusted EPS	58.01	34.82	49.27	56.77					
% change Y/Y	-6.5%	-40.0%	41.5%	15.2%					
Balance sheet					Ratio Analysis				
Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E
Net fixed assets	87,459	173,062	188,168	233,017	Revenue growth	3.7%	17.3%	14.5%	8.0%
CWIP	100,301	65,471	71,790	9,373	EBITDA growth	26.1%	13.8%	28.6%	23.1%
Investments	64,934	65,434	65,934	66,434	PAT growth	2.1%	-40.6%	41.5%	15.2%
Cash and bank balances	79,362	68,763	79,304	111,441	EPS growth	(6.5%)	(40.0%)	41.5%	15.2%
Net current assets ex-cash	29,935	34,382	32,987	29,330	EBITDA margin	12.4%	12.1%	13.6%	15.5%
Miscellaneous	-	-	-	-	Dividend payout ratio	-	-	-	-
Total Assets	361,992	407,112	438,183	449,596					
Total Debt	123,052	158,459	176,713	175,292	Sales/GFA (x)	0.47	0.47	0.49	0.50
Paid-up common stock	2,675	2,649	2,649	2,649	GFA/Equity (x)	1.70	1.69	1.74	1.70
Reserves and surplus	233,401	238,609	249,456	262,290	Debt/Equity (x)	0.52	0.66	0.70	0.66
Shareholders' fund	236,076	241,258	252,106	264,939	Net debt/Equity (x)	(0.12)	0.13	0.15	0.02
Deferred tax liability	988	988	988	988	ROE (%)	7.0%	3.9%	5.3%	5.8%
Minority interests	1,876	1,876	1,876	1,876	ROCE (%)	4.4%	2.9%	4.0%	4.9%
Total Liabilities	124,039	163,977	184,201	182,780					
BVPS (Rs)	882.63	910.62	951.57	1,000.01					

Source: Company reports and J.P. Morgan estimates.

Rio Tinto Limited

www.riotinto.com

Company description

RIO is a diversified mining company whose operations span iron ore, aluminium, copper, met coal, thermal coal, uranium, diamonds and other specialty metals.

Key drivers of performance in an equity market recovery

RIO's main commodity exposure is iron ore (~80% of EBIT). Given recent falls in spot prices and sentiment pricing in even more significant downside, we would expect the shares to outperform the global diversified peer group in a sustained recovery. Additionally, we continue to prefer RIO vs. its Australian-listed peer, BHP, on valuation grounds: RIO trades ~20% cheaper on a P/NPV basis and ~6% on near-term earnings multiples. We also believe the market continues to under appreciate the strength of cashflow (FCF yield ~11.0% vs. an average ~5% across its diversified peers) and the associated growth and capital management opportunities that it presents. Finally, we believe RIO will deliver more value-accretive growth over the next five year than the peer group, with the Pilbara expansion, Simandou (both iron ore), Oyu Tolgoi (copper) and Riversdale (coal) all representing truly world class projects.

How much recovery has already been priced in, what are the key metrics

The ~40% discount to NPV at which RIO is currently trading stands in stark contrast to the historical average P/NPV multiple for the global peers of >1.2x, indicating the market is assuming commodity prices well below consensus estimates. In fact, even assuming an immediate reversion to long-term pricing delivers an NPV ~25% above the current share price. As such, we see considerable share price upside in a recovery.

Where's the earnings risk for 2012

We believe the risk to spot commodity prices lies to the upside given indications of recent slackening of Chinese monetary and fiscal policy and our expectation of steadily improving macroeconomic conditions elsewhere around the world. A recovery in output at Escondida and Grasberg and potential divestments/restructuring within the aluminium business offer more company-specific opportunities for upside.

Price target and key recovery risks

Our June 2012 price target of A\$105.00/share is based on the average of 10x 1-year forward earnings, 1.15x NPV (10% WACC) and 12x LT earnings. Risks to our price target include a stall/reversal of the global recovery which would put our assumption of increasing commodity prices through 2012 under pressure. Production, capital expenditure and potential changes to taxation legislation and regimes in operating countries.

Rio Tinto Limited (Reuters: RIO.AX, Bloomberg: RIO AU)

Year-end Dec (US\$)	FY09A	FY10A	FY11E	FY12E	FY13E
Total Revenue (\$ mn)	44,049.4	60,323.0	67,337.0	74,070.7	77,343.0
EBITDA (\$ mn)	13,172.0	25,978.0	31,081.7	34,842.6	38,733.3
Net profit after tax (\$ mn)	4,872.0	14,323.0	16,524.9	18,412.6	21,530.7
EPS (\$)	3.017	7.305	8.580	9.875	11.593
P/E (x)	24.8	10.2	8.7	7.6	6.5
Cash flow per share (\$)	6.626	9.304	9.767	12.177	13.842
Dividend (\$)	0.450	1.080	1.200	1.290	1.360
Net Yield (%)	0.6%	1.5%	1.7%	1.8%	1.9%
Normalised* EPS (\$)	3.571	7.119	8.647	9.837	11.548
Normalised* EPS chg (%)	-55.5%	99.4%	21.5%	13.8%	17.4%
Normalised* P/E (x)	21.0	10.5	8.7	7.6	6.5

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: A\$69.97

Price Target: A\$105.00

Australia

Mining

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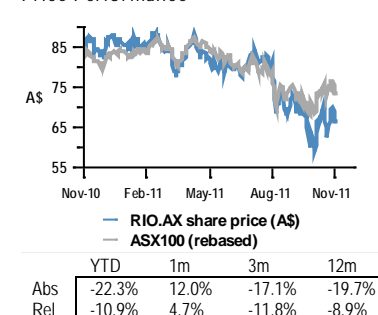
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J.P. Morgan Securities Australia Limited

Price Performance



Source: Bloomberg.

Company Data

52-week range (A\$)	89.04 - 58.52
Market capitalisation (A\$ bn)	30.49
Market capitalisation (\$ bn)	32.63
Fiscal Year End	Dec
Price (A\$)	69.97
Date Of Price	04 Nov 11
Shares outstanding (mn)	435.8
ASX100	3,491.3
ASX200-Res	4,920.4
NTA/Sh [^] (\$)	26.50
Net Debt [^] (\$ bn)	10.80

Rio Tinto - December year end (US\$m)						
Profit & Loss	2010A	2011E	2012E	2013E	2014E	2014E
Revenue	60,323	67,337	74,071	77,343	77,197	71,553
Costs	-33,684	-36,330	-39,228	-38,610	-40,532	-41,015
EBITDA	26,639	31,007	34,843	38,733	36,665	30,538
Depreciation & Amortisation	-6,505	-5,341	-5,916	-6,355	-6,688	-6,783
EBIT	20,134	25,666	28,927	32,378	29,977	23,755
Other	0	0	0	0	0	0
Interest	-474	-652	-863	-400	107	401
PBT	19,660	25,013	28,064	31,978	30,084	24,155
Tax	-5,901	-8,656	-9,873	-11,037	-10,133	-8,136
Minorities & other	227	362	222	589	486	744
NPAT - adjusted	13,986	16,719	18,413	21,531	20,437	16,764
Exceptional items	337	-194	0	0	0	0
NPAT - reported	14,323	16,525	18,413	21,531	20,437	16,764
Shares outstanding (millions)	1,964	1,935	1,872	1,864	1,864	1,864
EPS - adjusted	711.9	864.7	983.7	1,154.8	1,096.2	899.2
EPS - reported	730.5	858.0	987.5	1,159.3	1,100.4	902.6
DPS	108.0	120.0	129.0	136.0	143.0	149.0
Segmented EBIT	2010A	2011E	2012E	2013E	2014E	2014E
Iron ore	15,612	20,910	22,143	23,811	20,811	16,412
Aluminium	855	1,052	1,225	2,496	2,264	2,158
Copper	3,938	3,141	4,750	4,413	3,931	3,861
Energy	1,932	1,863	2,342	3,176	4,290	2,819
Diamonds & Minerals	338	613	835	1,092	1,268	908
Other items	-2,541	-1,914	-2,368	-2,609	-2,587	-2,403
Underlying EBIT	20,134	25,666	28,927	32,378	29,977	23,755
Items excluded	661	-75	0	0	0	0
Reported EBIT	20,795	25,591	28,927	32,378	29,977	23,755
Attributable Sales (Key Com)	2010A	2011E	2012E	2013E	2014E	2014E
Alumina - kt	9,088	9,119	11,470	11,757	11,757	11,757
Aluminium - kt	3,787	3,854	3,953	3,957	3,971	3,975
Hard coking coal - kt	8,966	8,661	10,508	12,387	17,312	22,263
Other coal - Australia - kt	21,506	20,655	20,434	21,055	21,100	21,100
Other coal - US - kt	42,295	2,104	2,196	2,190	2,190	2,190
Copper - mine - kt	678	512	684	688	701	725
Copper - refined - kt	393	329	367	366	366	366
Diamond - kcts	13,843	12,558	13,798	19,236	17,082	17,082
Iron ore - kt	184,629	190,060	193,692	200,612	225,634	234,309
Molybdenum - kt	13	16	14	19	22	22
Titanium dioxide - kt	1,392	1,412	1,391	1,387	1,387	1,387
Uranium - kilbs	11,379	7,394	11,782	8,688	8,688	11,654
Cashflow	2010A	2011E	2012E	2013E	2014E	2014E
EBITDA	26,639	31,007	34,843	38,733	36,665	30,538
Interest	-696	-519	-251	226	749	1,059
Tax	-4,100	-8,398	-9,873	-11,037	-10,133	-8,136
Other	-3,566	-3,392	-2,014	-2,116	-1,126	-738
Cash from operations	18,277	18,697	22,704	25,807	26,155	22,723
Cap-ex	-4,591	-13,016	-11,000	-6,447	-6,626	-6,786
Other	2,880	-3,905	0	0	0	0
Cash from investing	-1,711	-16,921	-11,000	-6,447	-6,626	-6,786
Proceeds from borrowings	-9,398	-879	-6,260	-8,540	0	0
Proceeds from equity	92	-4,925	-2,000	0	0	0
Dividends	-1,754	-2,285	-2,382	-2,470	-2,600	-2,712
Other	450	251	0	0	0	0
Cash from financing	-10,610	-7,839	-10,642	-11,010	-2,600	-2,712
Total cash flow	5,956	-6,063	1,062	8,350	16,929	13,225
Impact of FX	-139	104	0	0	0	0
Changes in cash	5,817	-5,959	1,062	8,350	16,929	13,225
Cash at start of period	4,142	9,959	4,000	5,062	13,412	30,341
Cash at end of period	9,959	4,000	5,062	13,412	30,341	43,566
Free cash flow	13,686	5,681	11,704	19,360	19,529	15,936
Balance Sheet	2010A	2011E	2012E	2013E	2014E	2014E
Cash and cash equivalents	9,948	4,003	5,065	13,415	30,344	43,569
Trade and other receivables	5,582	6,145	6,739	7,177	6,829	6,298
Inventories	4,756	4,758	5,126	5,151	5,408	5,542
Other	1,173	1,142	1,142	1,142	1,142	1,142
Total current assets	21,459	16,048	18,072	26,885	43,723	56,551
Total non-current assets	90,943	106,382	112,812	114,400	115,754	116,937
Total assets	112,402	122,430	130,884	141,285	159,477	173,488
Trade and other payables	2,773	2,047	2,047	2,047	2,047	2,047
Other current liabilities	9,022	8,790	8,556	8,590	8,950	9,138
Total current liabilities	11,795	10,837	10,603	10,637	10,997	11,185
Interest bearing liabilities	13,277	14,051	8,540	0	0	0
Other non-current liabilities	22,056	22,813	22,813	22,813	22,813	22,813
Total non-current liabilities	35,333	36,864	31,353	22,813	22,813	22,813
Total liabilities	47,128	47,700	41,956	33,450	33,810	33,998
Net assets	65,274	74,730	88,928	107,835	125,667	139,489
Share capital	10,105	10,417	10,417	10,417	10,417	10,417
Retained earnings	48,228	57,765	71,795	90,856	108,693	122,746
Minorities	0	0	0	0	0	0
Other	6,941	6,548	6,716	6,563	6,557	6,327
Total equity	65,274	74,730	88,928	107,835	125,667	139,489
Net cash/(debt)	-4,382	-10,800	-3,478	13,412	30,341	43,566
Total debt	14,341	14,800	8,540	0	0	0
Valuation (10% d.r.)	2010A	2011E	2012E	2013E	2014E	2014E
Iron ore	107,406	105,396	102,611	99,997	97,806	99,516
Aluminium	15,489	17,195	18,021	17,110	16,174	15,195
Copper	20,432	19,696	18,463	17,472	17,050	16,051
Energy	16,719	17,578	18,157	18,505	19,061	19,759
Diamonds & Minerals	5,654	5,972	6,257	5,908	5,404	5,133
Business Units	165,700	165,837	163,509	158,993	155,495	155,653
Return on unallocated capital	0	4,021	9,477	9,477	9,477	9,477
Other operations	2,275	2,272	2,291	2,306	2,317	2,324
Other items	-5,618	-5,633	-5,289	-5,324	-5,350	-5,366
Other	-5,805	-5,680	-5,727	-5,765	-5,793	-5,810
Total NPV	156,552	160,818	164,262	159,687	156,147	156,278
Net debt	4,382	10,800	3,478	-13,412	-30,341	-43,566
Ivanhoe stake	4,198	7,025	7,427	7,160	7,339	7,979
Equity NPV	156,368	157,043	168,211	180,259	193,827	207,823
per share valuation - US\$	79.70	83.20	90.57	97.06	104.36	111.90
per share valuation - A\$	93.50	99.30	109.01	117.71	127.13	138.89
Sensitivity Analysis	2010A	2011E	2012E	2013E	2014E	2014E
% change in eps for a 10% change in:						
Copper	1.9%	1.8%	2.0%	2.2%	3.1%	3.1%
Aluminium	3.3%	3.1%	3.5%	3.8%	5.3%	5.3%
Gold	0.3%	0.3%	0.4%	0.4%	0.6%	0.6%
Moly	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%
Iron Ore	12.7%	12.2%	13.6%	14.7%	20.8%	20.8%
Australian dollar	3.1%	3.0%	3.3%	3.6%	5.1%	5.1%
Canadian dollar	0.9%	0.9%	1.0%	1.1%	1.5%	1.5%
Key Ratios	2010A	2011E	2012E	2013E	2014E	2014E
Sales revenue growth	37.0%	11.6%	10.0%	4.4%	-0.2%	-7.3%
EBITDA / sales margin	44.2%	46.0%	47.0%	50.1%	47.5%	42.7%
EBIT / sales margin	33.4%	38.1%	39.1%	41.9%	38.8%	33.2%
ROA (EBIT/Assets)	19.2%	21.9%	22.8%	23.8%	19.9%	14.3%
ROE (NPAT/Equity)	25.2%	23.9%	22.5%	21.9%	17.5%	12.6%
Net debt / net debt + equity	6.3%	12.6%	3.8%	-14.2%	-31.8%	-45.4%
Net interest cover	42.5	39.3	33.5	80.9	-281.5	-59.3

Source: J.P.Morgan, Company data

Samsung Electronics

www.samsung.com/sec/

Company description

Samsung Electronics Co., Ltd. manufactures a wide range of consumer and industrial electronics equipment and products, such as semiconductors, TFTLCD panels, handsets, televisions, and home appliances.

Key drivers of performance in an equity market recovery

Despite SEC's undemanding valuation, our major concern was a lack of earnings momentum and the prolonged downturn cycle in the DRAM market. Due to the ongoing strength in its handset business, we expect SEC's Y/Y earnings momentum to finally return in 4Q11 and the much higher-than-expected handset OPM to fully offset the shortfall in the DRAM business, in our view.

How much recovery has already been priced in, what are the key metrics

SEC's management had previously been providing cautious guidance, pointing to the macro headwinds and below-normal seasonal demand. However, management provided encouraging 4Q11 guidance, anticipating a sequential improvement in all major operations except DRAM. Accordingly, driven by improvement in operations as well as one-time gains, we forecast SEC to achieve historically high quarterly earnings in 4Q11. Despite the strong rally in SEC's share price recently (up +46% from its through levels in August 2011), owing to robust strength in handset, NAND, System LSI and OLED businesses, we believe SEC's share price would continue to trend higher in 2012, driven by our forecasts of historically high annual earnings in 2012.

Where's the earnings risk for 2012

Given our expectations of further downside to DRAM prices in coming quarters, coupled with negative commentary by PC supply chain on potential shortage of HDD due to Thailand floods, we expect some dilution of investor sentiment in the near-term. However, given the growing earnings contribution by other operations, we believe SEC's earnings will be less affected by the DRAM cycle. It is also worth noting that its DRAM price decline and profitability are disconnected from its global peers.

Valuation, price target and risks

Our Dec-12 PT of W1,300,000 is based on 1.6x FY13E book with an upward trend in ROE. Our target multiple is based on mid-cycle valuation. Key downside risks to our price target are sudden and substantial changes in DRAM and LCD prices, global economy, and higher-than-expected end-demand for PC, handset, and TVs. A key upside risk is further increase in memory prices.

Bloomberg 005930 KS, Reuters 005930.KS

(YE Dec, W bn)	FY10	FY11E	FY12E	FY13E	FY10	FY11E	FY12E	FY13E	Date of Price	07 Nov 11	
Sales	154,630	163,913	183,182	203,512	Sales growth	13.4%	6.0%	11.8%	52-Week range	W1,014,000 - 672,000	
Operating Profit	17,297	16,052	19,652	22,501	OP growth	58.3%	-7.2%	22.4%	Market Cap	W146,268B	
EBITDA	28,295	28,968	34,125	38,528	NP growth	65.4%	-9.7%	23.1%	Market Cap	US\$131,690MM	
Net profit	16,147	14,584	17,956	20,714	Quarterly EPS (W)	1Q	2Q	3Q	4Q	Share Out. (Com)	147MM
EPS (inc. pref.)	94,318	85,192	104,889	120,996	EPS (10)	23,329	24,983	26,026	19,980	Free float	78.6%
BPS (W)	521,921	602,024	708,907	832,061	EPS (11) E	16,267	20,482	20,104	28,340	Avg daily val	W367.4B
P/E (x)	10.5	11.7	9.5	8.2	EPS (12) E	22,027	24,309	29,212	29,341	Avg daily val (US\$)	330.77MM
P/BV (x)	1.9	1.6	1.4	1.2	Price Target	1,300,000				Avg daily vol.	0.5MM shares
ROE (%)	19.5	15.1	16.0	15.7	Consensus PT	1,081,897				Dividend yield (%)	0.0
Net Debt	-12,829	-13,105	-18,160	-28,509	Difference (%)	20.2				Exchange Rate	1,110.70

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: W993,000

Price Target: W1,300,000

South Korea

Semiconductor

JJ Park^{AC}

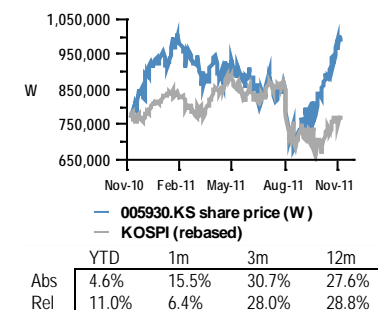
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Bloomberg JPMA JJ PARK <GO>

J.P.Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



Source: Bloomberg.

Samsung Electronics: Summary of financials

Won in billions, year-end December

Income Statement

	FY10	FY11E	FY12E	FY13E
Revenues	154,630	163,913	183,182	203,512
% change	13.4	6.0	11.8	11.1
Gross margin(%)	33.6	32.2	32.8	33.3
EBITDA	28,295	28,968	34,125	38,528
% change	31.4	2.4	17.8	12.9
EBITDA margin (%)	18.3	17.7	18.6	18.9
EBIT	17,297	16,052	19,652	22,501
% change	58.3	-7.2	22.4	14.5
EBIT margin (%)	11.2	9.8	10.7	11.1
Net interest	-23	96	371	621
Earnings before tax	19,329	17,601	21,898	25,261
% change	58.5	-8.9	24.4	15.4
Tax	-3,182	-3,017	-3,942	-4,547
as % of EBIT	18.4	18.8	20.1	20.2
Net income	16,147	14,584	17,956	20,714
% change	65.4	-9.7	23.1	15.4
Shares outstanding (mn)	147.3	147.3	147.3	147.3
EPS (Won)	94,318	85,192	104,889	120,996

Balance Sheet

	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	22,480	19,943	20,760	29,148
Accounts receivable	19,153	22,309	24,219	26,361
Inventories	13,365	15,463	16,787	18,272
Others	6,405	7,512	7,600	8,272
Current assets	61,403	65,228	69,366	82,054
LT investments	11,375	12,895	14,514	16,367
Net fixed assets	52,965	58,935	68,008	72,541
Total Assets	134,289	146,123	161,321	180,778
Liabilities				
ST Bank loans	8,430	4,672	1,914	459
Payables	9,149	9,096	9,865	9,923
Others	22,366	23,578	24,354	24,992
Total current liabilities	39,945	37,346	36,132	35,374
Long term debt	1,222	2,166	687	180
Other liabilities	3,773	3,549	3,142	2,781
Total liabilities	44,940	43,061	39,961	38,335
Shareholder's equity	89,349	103,062	121,360	142,443
BVPS (Won)	521,921	602,024	708,907	832,061

Quarterly Data

	1Q	2Q	3Q	4Q
2011E				
Sales	36,985	39,439	41,274	46,216
Net Profit	2,785	3,506	3,442	4,852
EPS (Won)	16,267	20,482	20,104	28,340

Cash Flow Statement

	FY10	FY11E	FY12E	FY13E
EBIT	17,297	16,052	19,652	22,501
Depreciation & Amortization	10,998	12,916	14,473	16,026
Change in working capital	3,054	-5,203	-1,777	-3,604
Taxes	-3,182	-3,017	-3,942	-4,547
Cash flow from operations	30,198	22,297	30,653	33,136
CAPEX	-20,402	-18,886	-23,546	-20,560
Disposal / (Purchase)	-5,490	-2,135	-2,358	-2,857
Net Interest	-23	96	371	621
Cash flow from investments	-25,916	-20,925	-25,532	-22,796
Equity raised / (repaid)	-880	0	0	0
Debt raised / (repaid)	257	-2,813	-4,238	-1,961
Other	-2,063	-1,096	-66	9
Dividends	0	0	0	0
Beginning cash	20,884	22,480	19,943	20,760
Ending cash	22,480	19,943	20,760	29,148
DPS (Won)	10,000	10,000	10,000	10,000

Ratio Analysis

%	FY10	FY11E	FY12E	FY13E
EBITDA margin (%)	18.3	17.7	18.6	18.9
Operating margin (%)	11.2	9.8	10.7	11.1
Net profit margin (%)	10.4	8.9	9.8	10.2
SG&A / sales (%)	22.4	22.4	22.1	22.3
Sales per share growth (%)	13.4	6.0	11.8	11.1
Sales growth (%)	13.4	6.0	11.8	11.1
Net profit growth (%)	65.4	-9.7	23.1	15.4
EPS growth (%)	65.4	-9.7	23.1	15.4
Interest coverage (x)	752.7	net cash	net cash	net cash
Net debt to total capital (%)	net cash	net cash	net cash	net cash
Net debt to equity (%)	net cash	net cash	net cash	net cash
Sales / Assets (%)	115.1	112.2	113.6	112.6
Assets / Equity (%)	150.3	141.8	132.9	126.9
ROE (%)	19.5	15.1	16.0	15.7
ROIC (%)	20.3	16.1	11.0	11.0

	1Q	2Q	3Q	4Q
2012E				
Sales	41,338	44,532	47,139	50,173
Net Profit	3,771	4,162	5,001	5,023
EPS (Won)	22,027	24,309	29,212	29,341

Source: Company reports, Bloomberg, J.P. Morgan estimates.

Samsung Life Insurance

www.samsunglife.com

Company description

Samsung Life Insurance (SLI) is the largest life insurer in Korea with a 25.9% market share (by insurance income in FY10). Established in 1957, SLI offers a wide range of life and health insurance, annuity products and services to individual customers. It also provides pension plans and group life insurance products to corporate clients.

Key drivers of performance in an equity market recovery

SLI has differentiated itself from other life insurers by focusing on the retirement market and high-net-worth individuals (HNWIs). Along with Korean baby boomers' retirement and a growing concern on tax-efficient investment and wealth transfer for HNWIs, there is ample room for further growth in those segments. Also, with visible turnaround in APE in 1Q11, mainly driven by the profitable protection-type products, further NBV growth is expected going forward.

How much recovery has already been priced in, what are the key metrics?

The major issue with its sluggish share price performance relates to the uncertainties on overhang. However, the major shareholders, who are also the Samsung group affiliates, have provided guidance on how to manage SLI shares that they currently hold, easing investors' concern. The low interest rate environment has also been priced into SLI's current share price and hence interest rate normalization would drive re-rating. The stock is now trading at 0.82x FY10 EV.

Where's the earnings risk for 2012?

We see risk of a rise in Korean government CDS spread hurting its earnings as SLI has to recognize valuation losses (under K-IFRS accounting) on its W1.2T of credit-linked notes (CLNs) backed by the Korean government. Another possible dent on its earnings to come from a prolonged flattening or lowering of long-term bond yields. The two aforementioned macro factors are the likely risks to earnings in FY12.

Price target and key recovery risks

Based on our RoEV estimate of 11.9% for FY11E (Mar-13) and FY12E NBV multiple of 2.7x, a 1.13x FY12E P/EV multiple is applied to derive Jun-12 price target of W135,000. Key risks to our price target include: (1) a prolonged low interest rate environment; (2) less agile channel dynamics; and (3) IFRS Phase II implementation.

Samsung Life Insurance (Reuters: 032830.KS, Bloomberg: 032830 KS)

Year-end Mar	FY10A	FY11E	FY12E	FY13E
Net profit (W bn)	1,925	1,310	1,593	1,794
Net Profit growth	112.4%	-31.9%	21.6%	12.6%
EPS (W)	9,624	6,550	7,965	8,972
P/E (x)	8.6	12.6	10.4	9.2
BVPS (W)	76,950	79,069	85,534	92,806
P/BV (x)	1.1	1.0	1.0	0.9
ROE	14.0%	8.4%	9.7%	10.1%
ROA	1.4%	0.9%	1.0%	1.0%
DPS (W)	2,000	1,300	1,500	1,700
Dividend Yield	2.4%	1.6%	1.8%	2.1%
EV per share (W)	106,625	117,960	130,484	143,854
P/EV (x)	0.8	0.7	0.6	0.6

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: W82,600

Price Target: W135,000

South Korea

Insurance

MW Kim^{AC}

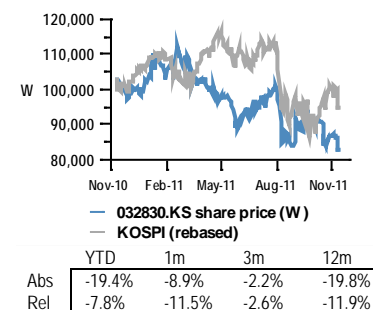
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Bloomberg JPMA MKIM <GO>

J.P. Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



Source: Bloomberg.

Company Data

52-week Range (W)	113,500 - 81,000
Market cap (W bn)	16,520
Market cap (\$ mn)	14,874
Shares O/S (mn)	200
Fiscal Year End	Mar
Price (W)	82,600
Date Of Price	10 Nov 11
Free float (%)	38.7%
3M Avg daily value (W bn)	48.03
3M Avg daily value (\$ mn)	44.47
3M Avg daily vol	1
KOSPI	1,813
Exchange Rate	1,110.70

Samsung Life Insurance: Summary of financials

Won in billions, year-end March

Income Statement	FY10	FY11E	FY12E	FY13E
Written premium (General account)	14,589	14,896	15,483	16,166
-1st premium	1,511	1,883	2,391	2,917
-Recurring premium	13,078	13,014	13,092	13,249
Reinsurance profit	-22	-24	-24	-24
Claims payment	1,655	1,701	1,775	1,846
Refund	7,736	8,113	8,323	8,439
Policyholder dividend	114	120	126	132
Insurance provision	7,009	7,083	7,253	7,420
Total expense	3,391	3,046	3,406	3,799
- Underwriting expense	1,535	1,120	1,239	1,374
- DAC amortization	1,856	1,926	2,168	2,425
Underwriting profit	-5,338	-5,191	-5,425	-5,495
Investment profit	6,982	6,221	6,719	7,047
Non-operating profit	966	657	748	748
Pre-tax profit	2,610	1,687	2,042	2,300
Tax	685	377	449	506
Net profit	1,925	1,310	1,593	1,794

Growth Rate - Income Statement	FY10	FY11E	FY12E	FY13E
Written premium (General account)	0.5	2.1	3.9	4.4
-1st premium	22.1	24.6	27.0	22.0
-Recurring premium	-1.5	-0.5	0.6	1.2
Total expense	4.5	-10.2	11.8	11.5
- Underwriting expense	-12.7	37.0	-9.6	-9.9
- DAC amortization	-2.5	3.7	12.6	11.9
Underwriting profit	N/A	N/A	N/A	N/A
Investment profit	26.9	-10.9	8.0	4.9
Net profit	112.4	-31.9	21.6	12.6

Growth Rate - Balance Sheet	FY10	FY11E	FY12E	FY13E
Invested assets	10.7	7.6	5.5	5.9
Non-invested assets	-0.8	-3.1	24.6	-5.2
DAC	-1.5	-2.0	25.6	-4.5
Separate account	9.9	6.8	9.4	13.7
Total assets	10.0	7.0	6.8	6.6
Total liabilities	8.3	7.5	6.6	6.4
Total shareholders' equity	26.8	2.8	8.2	8.5

Balance sheet	FY10	FY11E	FY12E	FY13E
Cash & cash equivalent	4,467	6,905	7,015	7,146
Loan	24,201	25,215	26,600	28,179
Stock	30,880	34,459	36,351	38,510
Bond	53,910	55,518	58,835	62,614
Real estate	5,198	5,529	5,833	6,179
Invested asset	118,656	127,628	134,634	142,628
Non-invested assets	6,231	6,038	7,526	7,131
DAC	3,850	3,774	4,741	4,528
Separate account	21,467	22,932	25,087	28,526
Total assets	146,354	156,598	167,247	178,285
Policy reserve	99,133	106,360	113,614	121,034
Other liabilities	31,830	34,424	36,526	38,690
Total liabilities	130,964	140,785	150,140	159,724
Paid In Capital	100	100	100	100
Capital Surplus	6	6	6	6
Retained Earnings	7,809	8,383	9,676	11,130
Capital Adjustments	13	0	0	0
AOCl	7,461	7,325	7,325	7,325
Total shareholders' equity	15,390	15,814	17,107	18,561

Per share data (Won)	FY10	FY11E	FY12E	FY13E
Avg # of O/S shares(mil shares)	200	200	200	200
EPS	9,624	6,550	7,965	8,972
BVPS	76,950	79,069	85,534	92,806
DPS	2,000	1,300	1,500	1,700
EVPS	106,625	117,960	130,484	143,854

Ratio	FY10	FY11E	FY12E	FY13E
P/E (x)	9.0	13.2	10.8	9.6
P/B (x)	1.1	1.1	1.0	0.9
P/EV(x)	0.8	0.7	0.7	0.6
ROE (%)	14.0	8.4	9.7	10.1
ROA (%)	1.4	0.9	1.0	1.0
ROEV (%)	12.3	11.9	12.0	11.6

Source: Company data, Bloomberg, J. P. Morgan estimates. Note: Price of W86,200 as of November 8, 2011.

Sands China Ltd

www.sandschinaltd.com/sands/en/home

Company description

Sands China is the leading developer, owner, and operator of integrated resorts and casinos in Macau. The group's strategy is to develop Cotai and to leverage its integrated resort business model to create Asia's premier gaming, leisure, and convention destination. The group owns the Sands Macao, the Venetian Macao and The Plaza, and plans to open Sands Cotai Central in 2012 and 2013.

Key drivers of performance in an equity market recovery

The key drivers are: **(1) Market share gain:** We expect Sands to gain VIP market share after its VIP facilities upgrades over the next six months. We see further upside when its new property Sands Cotai Central opens. **(2) New casino opening:** Casino names have historically rallied 3-6 months ahead of new projects' openings. Phase 1&2 of Sands Cotai is scheduled to open in 1Q and 3Q12, respectively. **(3) Strong mass market performance.** We expect mass market as a key driver for 2012 gaming revenue on infrastructure improvement and China luxury consumption boom. Sands has the highest exposure to mass and mass traffic driven non-gaming segments.

How much recovery has already been priced in, what are the key metrics?

At a low-teen 2012 P/E (even without the full contribution of its new project), we believe the market has priced in low earnings expectations for Sands.

Where's the earnings risk for 2012?

We believe that the Street's expectation of the earnings power of Sands Cotai Central is too low. We expect more Street upgrades over the next few months towards its opening, similar to what we observed with Galaxy Macau in 2011.

Price target and key recovery risks

Our Jun-12 PT of HK\$32.5 is based on our SOTP valuation, applying a 13x-15x 2012E EBITDA multiple. For its future casino project, we applied a 10x 2013E multiple, discounted back by one year at 12%. Downside risks include regulatory risks from China, project delays, and credit risk around its direct VIP business.

Sands China Ltd (Reuters: 1928.HK, Bloomberg: 1928 HK)

\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (\$ mn)	3,303	4,142	4,866	7,175	10,536
EBITDA (\$ mn)	797	1,189	1,548	2,207	3,140
Net Profit (\$ mn)	213	666	1,089	1,695	2,546
EPS (\$)	0.03	0.08	0.14	0.21	0.32
DPS (\$)	0.00	0.00	0.00	0.00	0.00
ROE	8.6%	16.6%	22.2%	26.9%	30.2%
P/E (x)	121.2	38.8	23.7	15.2	10.2
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/EBITDA (x)	34.7	22.8	17.0	11.4	7.3
EBITDA margin	24.1%	28.7%	31.8%	30.8%	29.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$24.95

Price Target: HK\$32.50

Hong Kong

Gaming

Kenneth Fong, CFA^{AC}

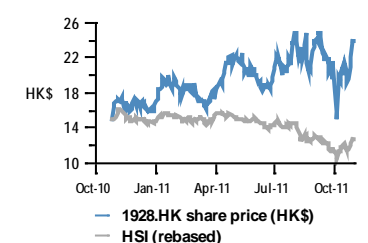
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J.P. Morgan Securities (Asia Pacific) Ltd

Price Performance



	YTD	1m	3m	12m
Abs	39.9%	11.4%	2.1%	59.5%
Rel	54.4%	2.8%	14.8%	74.5%

Source: Bloomberg.

Company Data	
52-week Range (HK\$)	26.60 - 14.90
Market cap (HK\$ mn)	200,827
Market cap (\$ mn)	25,854
Shares O/S (mn)	8,049
Price (HK\$)	24.95
Date Of Price	04-Nov-11
3mth Avg daily volume	20.54
Average 3m Daily Turnover (\$ mn)	56.89
Exchange Rate	7.77
HSI	19,678

Sands China: Summary of financials

Year to December (US\$m)	2009A	2010A	2011E	2012E	2013E	Year to December (US\$m)	2009A	2010A	2011E	2012E	2013E
Profit & Loss						Balance Sheet					
Revenue						Non Current Assets					
Casino	3,499	4,543	5,184	7,798	11,490	Property and equipment	5,305	5,503	6,003	6,931	7,251
Sands Macao	1,213	1,445	1,633	1,792	2,129	Investment properties	677	760	760	760	760
Venetian Macao	2,028	2,497	2,864	3,627	4,412	Intangible asset	41	35	35	35	35
Four Seasons	259	602	687	847	995	Total non-current assets	622	58	58	59	59
Site 5&6	-	-	-	1,532	3,954	Total Non Current Assets	6,105	6,355	6,856	7,785	8,105
Less: Promotional allowances	(609)	(878)	(897)	(1,535)	(2,290)	Current Assets					
Net gaming revenue	2,890	3,666	4,287	6,263	9,200	Cash and restricted cash	926	1,819	2,301	2,312	4,152
Rooms	220	254	282	408	671	Account receivable	295	292	350	420	441
Food & beverage	107	127	138	242	425	Inventories	10	9	9	9	9
Retain, Mall, convention and others	200	222	279	488	626	Total Current Assets	1,231	2,119	2,660	2,741	4,602
Less: Promotional allowances	(148)	(175)	(170)	(281)	(441)	Current Liabilities					
Ferry and other operations	35	48	50	55	55	Accounts payable	801	951	1,245	1,619	1,781
Net non-gaming revenue	413	477	579	912	1,336	Accounts payable to related co.	17	9	9	9	9
Total Revenue	3,303	4,142	4,866	7,175	10,536	Borrowings	87	387	1,059	528	352
EBITDA by property						Other current liabilities	0	4	4	4	4
Sands Macao	243	318	365	418	476	Total Current Liabilities	905	1,351	2,318	2,160	2,146
Venetian Macao	552	810	1,021	1,255	1,554	Non Current Liabilities					
Four Seasons	39	114	211	249	289	Interest bearing debts	2,733	2,746	1,731	1,203	851
Site 5&6	-	-	-	355	896	Other long-term liabilities	13	15	15	16	16
Ferry and other operations	(26)	(25)	(18)	(30)	(30)	Total Non Current Liabilities	2,746	2,761	1,746	1,219	868
Group EBITDA	797	1,189	1,548	2,207	3,140	Shareholders Equity					
EBITDA by operations						Share Capital	80	80	80	80	80
Casino	562	942	1,252	1,755	2,442	Share reserves	2,251	2,248	2,248	2,248	2,248
Hotels	182	200	221	343	581	Retained earnings	1,354	2,034	3,123	4,818	7,364
Mall and convention	90	99	125	178	192	Total Shareholders Equity	3,685	4,362	5,452	7,147	9,693
Ferry and other operations	(26)	(25)	(18)	(30)	(30)	Year to December (US\$m)	2009A	2010A	2011E	2012E	2013E
Group EBITDA	797	1,189	1,548	2,205	3,140	Cashflow Statement					
Depreciation	(320)	(314)	(308)	(380)	(549)	Net income	213	666	1,089	1,695	2,546
Land lease amortization	(13)	0	0	0	0	Depreciation & amortization	333	314	308	380	549
EBIT	464	875	1,240	1,827	2,591	Interest income	(1)	(3)	(7)	(21)	(44)
Interest income	1	3	7	21	44	Interest expenses	135	97	96	102	59
Interest expense	(150)	(119)	(96)	(102)	(59)	Working capital adjustment	(96)	133	236	304	141
Net Interest Income/(Expense)	(150)	(115)	(89)	(81)	(15)	Others	119	155	-	-	-
Non-recurring items						Cashflow from Operating Activities	704	1,363	1,723	2,459	3,250
Share based payment	(8)	(10)	(15)	(15)	(15)	Investing cashflows					
Corporate expenses	(12)	(27)	(32)	(40)	(45)	Purchase of fixed assets	(386)	(347)	(808)	(1,308)	(868)
Pre-opening expenses	(82)	(28)	(30)	(20)	0	Interest received	1	3	7	21	44
Other non-recurring items	(10)	(52)	(10)	(10)	(10)	Others	6	6	-	-	-
Pre-tax Profits	214	670	1,095	1,701	2,552	Net Investing Cashflows	(379)	(338)	(801)	(1,287)	(824)
Tax	(0)	(4)	(6)	(6)	(6)	Financing Cashflows					
Net Profit	213	666	1,089	1,695	2,546	Proceed from borrowings	10	749	-	-	-
Per Share and key ratios						Repayment of borrowings	(680)	(618)	(343)	(1,059)	(528)
Shares issued at year end (m)	8,048	8,048	8,048	8,048	8,048	Borrowings from related co.	659	-	-	-	-
EPS	0.03	0.08	0.14	0.21	0.32	Repayment to related co.	(1,392)	-	-	-	-
yoy change	21%	212%	63%	56%	50%	Share issuance	1,701	-	-	-	-
BVPS	0.46	0.54	0.68	0.89	1.20	Interest paid	#REF!	(148)	(96)	(102)	(59)
yoy change	195%	18%	25%	31%	36%	Dividend	(145.7)	-	-	-	-
DPS	0.00	0.00	0.00	0.00	0.00	Others	(92.6)	(112.1)	-	-	-
EV per share	3.44	3.36	3.26	3.13	2.83	Net Financing Cashflows	59	(129)	(440)	(1,161)	(586)
yoy change	-8%	-2%	-3%	-4%	-9%	Net Cashflow	384	896	482	11	1,840
EBITDA per share	0.10	0.15	0.19	0.27	0.39	Fixed assets and capex					
yoy change	19%	49%	30%	43%	42%	Capex breakdown					
P/E	121.2	38.8	23.7	15.2	10.2	Venetian	19	40	50	100	40
P/BV	7.0	5.9	4.7	3.6	2.7	Sands	6	6	20	20	10
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	Plaza Macao	248	35	30	30	10
EV/EBITDA	34.7	22.8	17.0	11.4	7.3	Ferry operation	22	3	3	3	3
RoE	8.6%	16.6%	22.2%	26.9%	30.2%	Parcels 5 and 6	90	255	700	1,150	800
Net debt/(cash)	1,911	1,324	498	(572)	(2,940)	Other	2	7	5	5	5
Net debt /EBITDA	2.4	1.1	0.3	(0.3)	(0.9)	Total capex	387	347	808	1,308	868
Group EBITDA margin	24.1%	28.7%	31.8%	30.7%	29.8%						

Source: Company data, J.P. Morgan estimates.

Sands China - SOTP valuation

Divisions	Valuation Methodology	2012E NAV US\$m	Per share US\$	Per share HK\$
Sands Macao	13x 2012E EBITDA	5,433	0.68	5.27
Venetian Macao	15x 2012E EBITDA	18,823	2.34	18.24
Four Seasons	13x 2012E EBITDA	3,239	0.40	3.14
Ferry business	13x 2012E EBITDA	(387)	(0.05)	(0.38)
Less: Corporate expense	13x 2012E EBITDA	(410)	(0.05)	(0.40)
Gross Asset Value		26,697	3.32	25.88
Add net cash	End 2012E forecast	572	0.07	0.55
Net Asset Value ex-site 5&6		27,270	3.39	26.43
Four Seasons service	Assume salable GFA of 0.87mn sq ft with a selling price of HK\$9,000/sq ft.			
Apartment sale	Apply a 50% discount to reflect uncertainty of selling	502	0.06	0.49
Site 5 & 6	10x 13F EBITDA of USD896, less US\$800mn capex discount back 1 yr at 10%	7,400	0.92	7.17
Price target by Dec-2012		35,171	4.37	34.09
Price target by Jun-2012	Discount back 1/2 yr at 10%	33,535	4.17	32.50

Source: J.P. Morgan estimates

Sands China - one-year rolling forward EV/EBITDA



Source: Bloomberg, J.P. Morgan

Santos

www.santos.com

Company description

Santos (STO AU) is an oil and gas exploration and production (E&P) company with assets primarily in Australia, and various Asian countries. Santos is pursuing a transformational liquefied natural gas (LNG) strategy with interests in a number of LNG projects, including the two sanctioned projects – the Exxon-operated PNG LNG project, and the flagship GLNG project in Queensland involving the conversion of coal seam gas (CSG) into LNG. It also has a longer-dated Floating LNG project in the Timor Sea with GDF Suez (Bonaparte LNG).

Key drivers of performance in an equity market recovery

Execution of the GLNG and PNG LNG projects is the key to share price performance. Additionally, the drilling of Hides GWC well should provide catalysts in 4Q11/1H12.

How much recovery has already been priced in, what are the key metrics

At current price levels, we think investors are not even paying for the foundation PNG LNG development in its entirety (worth ~\$5/share), let alone further value from the GLNG project – for which capex is known and is fully contracted (worth \$4/share), and a potential third PNG LNG train with its strong brownfield economics (worth A\$2.30/share).

Where's the earnings risk for 2012

The key earnings risks are oil prices and domestic gas prices, and execution risk for smaller domestic gas expansion projects.

Price target and key recovery risks

Our Jun-12 price target for STO is A\$18.67/share, reflecting our DCF valuation inclusive of full value for PNG LNG T1&2, 80% of estimated value for GLNG T1&2, and 50% of estimated value of PNG LNG T3. We employ a WACC of 9.0% for STO.

Key recovery risks are LNG execution and negative CSG regulation; and oil prices.

Santos Limited (Reuters: STO.AX, Bloomberg: STO AU)

Year-end Dec (A\$)	FY09A	FY10A	FY11E	FY12E	FY13E
Total Revenue (A\$ mn)	2,249.0	2,337.0	2,571.3	2,985.5	3,123.3
EBITDA (A\$ mn)	1,150.3	1,244.0	1,414.8	1,698.3	2,011.9
Net profit after tax (A\$ mn)	432.3	500.0	745.5	541.8	770.6
EPS (A\$)	0.549	0.593	0.846	0.606	0.856
P/E (x)	23.9	22.1	15.5	21.6	15.3
Cash flow per share (A\$)	1.501	1.502	1.621	1.388	1.545
Dividend (A\$)	0.420	0.370	0.300	0.300	0.300
Net Yield (%)	3.2%	2.8%	2.3%	2.3%	2.3%
Normalised* EPS (A\$)	0.319	0.446	0.542	0.606	0.856
Normalised* EPS chg (%)	-63.2%	39.6%	21.6%	11.8%	41.1%
Normalised* P/E (x)	41.1	29.4	24.2	21.6	15.3

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: A\$13.12

Price Target: 18.67

Australia

Energy and Steel

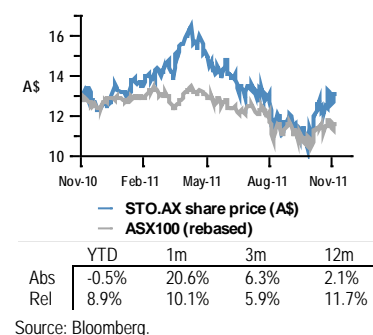
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Bloomberg JPMA WILSON <GO>

J.P. Morgan Securities Australia Limited

Price Performance



Company Data

52-week range (A\$)	16.90 - 10.11
Market capitalisation (A\$ bn)	11.69
Market capitalisation (\$ bn)	12.13
Fiscal Year End	Dec
Price (A\$)	13.12
Date Of Price	04 Nov 11
Shares outstanding (mn)	891.2
ASX100	3,491.3
ASX200-Res	4,920.4
NTA/Sh [^] (A\$)	9.21
Net Debt [^] (A\$ bn)	0.50

Santos Limited

Overweight

Y/E Dec

Shares: 879.3m

M'cap: A\$11536m

Price: A\$13.12

Profit & Loss Statement

(A\$ millions)	CY09A	CY10A	CY11E	CY12E	CY13E
Sales revenue	2,181	2,228	2,490	2,929	3,068
Other revenue	68	109	83	65	64
Total revenue	2,249	2,337	2,573	2,994	3,132
Production costs	(530)	(540)	(554)	(548)	(540)
Gas purchase costs	(117)	(162)	(250)	(331)	(214)
Pipeline tariffs	(91)	(95)	(98)	(77)	(79)
Royalties, excise	(61)	(51)	(51)	(52)	(56)
Movt in stock	(10)	(22)	42	-	-
SG&A operating expense	(87)	(94)	(100)	(101)	(104)
Other	-	-	-	-	-
Total Operating Costs	(897)	(964)	(1,011)	(1,109)	(993)
EBITDAX	1,352	1,373	1,563	1,885	2,139
Exploration write-off	(202)	(129)	(147)	(77)	(119)
EBITDA	1,150	1,244	1,416	1,706	2,020
Depreciation & amortisation	(619)	(600)	(596)	(624)	(627)
EBIT	531	644	820	1,082	1,393
Net Interest Expense	(13)	7	34	-	-
Pre-Tax Profit	518	651	854	1,082	1,393
Corporate Tax	(185)	(224)	(269)	(361)	(437)
PRRT post tax	(78)	(51)	(106)	(179)	(183)
Significant items (after tax)	177	124	268	-	-
Reported NPAT	432	500	747	541	772
NPAT (pre-sig items)	255	376	479	541	772
NPAT (pre-sig, post prefs)	246	376	479	541	772
EBITDAX margin (%)	60.1%	58.7%	60.7%	63.0%	68.3%
Effective tax rate (%)	35.7%	34.4%	31.5%	33.4%	31.4%
EPS reported post prefs (cps)	54.7	59.1	84.5	60.4	85.6
EPS pre-sig post prefs (cps)	31.8	44.4	54.2	60.4	85.6
DPS (cps)	42	37	30	30	30
Payout ratio (%)	132%	83%	55%	50%	35%
Franking (%)	100%	100%	100%	100%	100%

Cashflow Statement

(A\$ millions)	CY09A	CY10A	CY11E	CY12E	CY13E
Net op cash flow	1,155	1,267	1,428	1,240	1,395
Acquisitions	(380)	(4)	(8)	-	-
Exploration & Evaluation	(98)	(156)	(274)	(350)	(150)
Capex	(1,285)	(1,544)	(2,862)	(1,525)	(2,396)
Asset Sales	12	-	-	-	-
Other investing cash flows	(660)	693	163	-	-
Dividends	(297)	(316)	(79)	(187)	(188)
Debt Proceeds/(Repayment)	(1,868)	1,596	247	180	181
Equity funding	3,003	490	4	-	-
Other financing cash flows	1,116	60	-	-	-
Net cashflow	698	2,086	(1,382)	(642)	(1,158)
GCFFPS (cps)	150.1	150.2	162.1	138.9	155.2
Free cashflow	(227.9)	(433.0)	(1,708.2)	(634.6)	(1,150.2)
FCF/share (cps)	(29.6)	(51.3)	(193.9)	(71.1)	(127.9)

Balance Sheet

(A\$ millions)	CY09A	CY10A	CY11E	CY12E	CY13E
Current assets	3,519	5,271	4,428	3,826	2,675
Exploration & Development	923	962	1,156	1,436	1,982
Propert, Plant & Equip.	6,517	6,914	8,562	9,353	10,606
Other non current assets	402	622	499	499	499
Total assets	11,361	13,769	14,645	15,114	15,762
Total liabilities	4,394	6,166	6,439	6,554	6,619
Shareholder funds	6,967	7,603	8,206	8,560	9,143
Total debt	1,813	3,157	3,409	3,588	3,769
Cash	2,240	4,319	2,912	2,270	1,113
Net debt	(427)	(1,162)	496	1,318	2,657
Operational working capital	481	166	551	655	778
Ave diluted shares (m)	769	843	881	881	881

Production by Product

(million BOE)	CY09A	CY10A	CY11E	CY12E	CY13E
Gas	38.0	36.3	34.5	38.6	43.9
Oil	8.4	6.5	6.9	8.3	7.0
Condensate	3.0	2.7	2.8	2.9	3.5
LPG	2.0	1.8	1.8	1.8	1.9
LNG	2.8	2.6	2.7	2.9	2.9
Total	54.2	49.9	48.5	54.5	59.3

Production Volumes

(million BOE)	CY09A	CY10A	CY11E	CY12E	CY13E
Cooper	19.5	16.0	16.5	15.6	14.6
Surat/Denison (incl GLNG)	5.6	6.0	4.2	4.3	7.2
Amadeus	2.0	0.4	0.3	0.2	0.2
Otway	3.5	3.3	3.5	3.6	3.4
Gippsland - Patricia Baleen	(0.0)	-	-	-	-
John Brookes/East Spar	7.9	8.6	8.3	8.9	8.9
Jabiru/Challis	0.1	0.1	-	-	-
Legendre	0.3	0.2	-	-	-
Mutineer/Exeter	1.0	0.6	0.7	0.9	0.2
Thevenard	0.3	0.3	0.2	0.2	0.2
Barrow	0.6	0.6	0.5	0.5	0.5
Stag	1.6	1.4	1.7	1.5	1.3
Bayu-Undan	5.0	4.5	4.6	4.8	4.7
Indonesia	5.8	7.2	6.7	6.8	4.7
SE Gobe	0.1	0.1	0.1	0.1	0.1
Vietnam	-	-	0.4	2.1	1.7
Bangladesh	1.0	0.7	0.6	0.2	-
Reindeer	-	-	0.2	4.1	6.8
Greater East Spar	-	-	0.2	0.8	1.7
Kipper	-	-	-	-	3.4
PNG LNG	-	-	-	-	-
Total	54.2	49.9	48.5	54.5	59.3

Key Commodity Price Assumptions

	CY09A	CY10A	CY11E	CY12E	CY13E
Aust dollar (US\$)	0.792	0.921	1.046	1.078	1.046
WTI Oil (US\$/bbl)	81.8	79.5	94.1	97.5	113.0
Tapis Oil (US\$/bbl)	85.2	83.8	119.0	120.8	126.1
East Coast gas (A\$/Gj)	3.80	4.48	4.42	4.63	4.72
West Coast gas (A\$/Gj)	4.29	4.36	4.62	4.72	4.81
LNG price (Bayu, US\$/t fob)	234	277	462	469	491
LPG price (A\$/t)	676	820	887	861	930

Financial Ratios

	CY09A	CY10A	CY11E	CY12E	CY13E
PE reported (x)	23.9	22.1	15.5	21.6	15.3
PE normalised (x)	41.2	29.5	24.2	21.7	15.3
EV/EBITDAX (x)	8.3	8.2	7.2	6.0	5.3
P/GCFPS (x)	8.7	8.7	8.1	9.4	8.5
Dividend yield (%)	3.2%	2.8%	2.3%	2.3%	2.3%
ROE (%)	6.2%	6.6%	9.1%	6.3%	8.4%
ROIC (%)	6.6%	7.8%	8.6%	5.5%	6.5%
Gearing (ND/(ND+E), %)	-6.5%	-18.0%	5.7%	13.3%	22.6%
Interest cover	40.9	(92.0)	n/c	n/c	n/c

NPV Valuation at 9%

cashflows from Jul-11, LT US\$90/bbl & 0.8US\$/A\$	A\$m	A\$
Cooper Basin	1,621	1.84
Surat/Denison ex Fairview	262	0.30
Amadeus	54	0.06
Otway	248	0.28
John Brookes	669	0.76
Jabiru/Challis/Legendre	-	-
Mutineer/Exeter	87	0.10
Thevenard	32	0.04
Barrow	277	0.32
Stag	273	0.31
Bayu-Undan	1,356	1.54
Kipper	348	0.40
SE Gobe	17	0.02
Oyong	92	0.11
Maleo	37	0.04
Reindeer	963	1.10
Greater East Spar	316	0.36
Vietnam	601	0.68
PNG LNG	4,600	5.23
GLNG / Fairview (risked)	2,860	3.25
Other	(105)	(0.12)
Corp & Unallocated	(603)	(0.69)
Growth projects incl PNG LNG T3 (risked)	1,117	1.27
Exploration	360	0.41
Market value of ESG stake	157	0.18
PEL 238 (Gunnedah) 35%	297	0.34
Post-tax proceeds from GDF sale	27	0.03
40% interest in BLNG	163	0.18
Net Debt	290	0.33
Group NPV	16,418	18.67
Share price prem(disc) to NPV		-29.7%

Source: J.P. Morgan Estimates and Company Data

Security Bank Corporation

www.securitybank.com.ph

Company description

Security Bank (SECB) is the 12th largest bank in the Philippines, with an asset base of PhP167bn. It is focussed on the middle market and SME segments, especially among Filipino-Chinese businesses, but also has a significant top corporate exposure. SECB is a unique niche player, especially since it is not affiliated with any of the large Philippine conglomerates.

Key drivers of performance in an equity market recovery

We expect SECB to continue to participate in the Philippines' accelerating loan growth, which it at its highest in the last 20 years at 20%. Despite its fairly small size, SECB is well positioned due to its robust capital (tier 1 of 16% as of 9M11), good cost efficiency (only bank with CIR within the 40% range), and the lowest NPLs in the sector (0.9% as of 3Q11). A big boost to loan volumes may come by way of a successful roll out of the public private partnership (PPP) infrastructure programme.

How much recovery has already been priced in, what are the key metrics?

We believe the recovery has yet to be priced in, as SECB has not only underperformed the Philippines market over the past 12 months but is also quite attractively valued with a P/B of 1.4x on an ROE of 19% for FY12E.

Where's the earnings risk for 2012?

The earnings risk for SECB for 2012 is on the upside, in our view, as we consider our forecast of 15% loan growth to be conservative should infrastructure projects take off in the Philippines. We have also assumed an acceleration in operating expenses, which could very well surprise positively based on the bank's good track record of cost efficiency.

Price target and key recovery risks

We have a Dec-12 PT of PhP124 based on DDM that implies 1.9x P/B for 2012E. Key risks would be poor lending execution, intensified competition, and its small size being a disadvantage in terms of growth opportunities.

Security Bank Corporation (Reuters: SECB.PS, Bloomberg: SECB PM)

Year-end Dec (Php in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (Php mn)	3,964	8,129	6,244	6,979	7,893
Net Profit (Php mn)	3,062	7,160	5,128	5,727	6,474
Cash EPS (Php)	6.81	14.25	10.21	11.40	12.89
Fully Diluted EPS (Php)	6.81	14.25	10.21	11.40	12.89
DPS (Php)	1.48	1.66	3.56	2.55	2.85
EPS growth (%)	16.6%	109.2%	(28.4%)	11.7%	13.0%
ROE	20.1%	33.8%	19.5%	19.0%	18.5%
P/E	13.1	6.3	8.8	7.8	6.9
BVPS (Php)	39.58	48.96	55.61	64.46	74.49
P/BV	2.3	1.8	1.6	1.4	1.2
Div. Yield	1.7%	1.9%	4.0%	2.9%	3.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Php89.40

Price Target: Php124.00

Philippines

Banks

Gilbert Lopez^{AC}

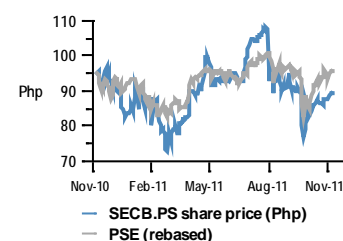
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J.P. Morgan Securities Philippines Inc.

Price Performance



	YTD	1m	3m	12m
Abs	4.3%	4.0%	-4.4%	-6.3%
Rel	1.6%	-2.8%	-4.0%	-6.7%

Source: Bloomberg.

Company Data

52-wk range (Php)	97.24 - 58.84
Market cap (Php mn)	44,911
Market cap (\$ mn)	1,043
Shares outstanding (mn)	502
Fiscal Year End	Dec
Price (Php)	89.40
Date Of Price	08 Nov 11
Avg daily value (Php mn)	47.0
Avg daily value (\$ mn)	1.1
Avg daily vol (mn)	0.6
PSE	4,285
Exchange Rate	43.05

Security Bank Corporation: Summary of Financials

Income Statement						Growth Rates					
Php in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E		FY08	FY09	FY10	FY11E	FY12E
NIM (as % of avg. assets)	3.9%	4.4%	4.1%	3.9%	3.9%	Loans	27.8%	3.3%	4.3%	16.2%	14.4%
Earning assets/assets	96.6%	96.7%	96.2%	96.2%	96.2%	Deposits	9.1%	5.0%	1.9%	10.0%	10.0%
Margins (% of earning assets)	3.7%	4.2%	3.9%	3.7%	3.8%	Assets	7.1%	6.1%	13.8%	11.9%	11.1%
						Equity	0.6%	40.2%	38.3%	13.6%	15.9%
Net Interest Income	5,000	6,003	6,100	6,585	7,368	RWA	30.0%	30.0%	10.2%	20.0%	20.0%
Total Non-Interest Income	1,609	1,896	6,751	4,467	4,696	Net Interest Income	7.4%	20.1%	1.6%	8.0%	11.9%
Fee Income	900	790	799	862	931	Non-Interest Income	-51.0%	17.9%	256.1%	-33.8%	5.1%
Dealing Income	-	-	-	-	-	of which Fee Grth	8.6%	-12.2%	1.1%	8.0%	8.0%
Other Operating Income	557	387	406	406	406	Revenues	(5.7%)	(30.6%)	4.9%	0.0%	0.0%
Total operating revenues	6,609	7,899	12,850	11,052	12,064	Costs	-10.6%	16.9%	20.0%	1.8%	5.8%
						Pre-Provision Profits	-	-	-	-	-
Operating costs	-3,368	-3,936	-4,721	-4,808	-5,085	Loan Loss Provisions	-	-	-	-	-
						Pre-Tax	-16.9%	29.1%	127.1%	-23.5%	11.7%
Pre-Prov. Profits	3,241	3,964	8,129	6,244	6,979	Attributable Income	-14.7%	32.6%	133.9%	-28.4%	11.7%
Provisions	-	-	-	-	-	EPS	-14.7%	16.6%	109.2%	-28.4%	11.7%
Other Inc/Exp.	-	-	-	-	-	DPS	-0.0%	-11.0%	12.6%	114.2%	-28.4%
Exceptionals	-	-	-	-	-						
Disposals/ other income	-	-	-	-	-	Balance Sheet Gearing	FY08	FY09	FY10	FY11E	FY12E
Pre-tax	3,241	3,964	8,129	6,244	6,979	Loan/deposit	65.2%	64.4%	67.4%	71.7%	74.9%
Tax	366	414	732	905	1,011	Investment/assets	32.9%	35.1%	22.5%	21.7%	21.1%
Minorities	17	0	1	1	1	Loan/Assets	48.9%	47.8%	44.8%	46.8%	48.4%
Other Distbn.	-	-	-	-	-	Customer deposits/liab.	83.1%	85.0%	78.4%	77.3%	77.0%
Attributable Income	2,310	3,062	7,160	5,128	5,727	LT debt/liabilities	5.8%	7.0%	13.0%	12.1%	11.3%
Per Share Data Php	FY08	FY09	FY10	FY11E	FY12E	Asset Quality/Capital	FY08	FY09	FY10	FY11E	FY12E
EPS	5.84	6.81	14.25	10.21	11.40	Loan loss reserves/loans	6.2%	5.7%	3.7%	3.0%	2.4%
DPS	1.66	1.48	1.66	3.56	2.55	NPLs/loans	3.4%	2.8%	1.2%	0.9%	0.8%
Payout	24.2%	28.7%	27.3%	25.0%	25.0%	Loan loss reserves/NPLs	181.1%	208.8%	310.2%	330.5%	316.7%
Book value	32.10	39.58	48.96	55.61	64.46	Growth in NPLs	-10.5%	-16.8%	-55.4%	-11.1%	-2.3%
Fully Diluted Shares	395.21	449.32	502.36	502.36	502.36	Tier 1 Ratio	19.3%	15.8%	19.4%	18.0%	16.7%
PPOP per share	8.20	8.82	16.18	12.43	13.89	Total CAR	22.8%	18.4%	21.8%	20.1%	18.4%
Key Balance sheet Php in millions	FY08	FY09	FY10	FY11E	FY12E	Du-Pont Analysis	FY08	FY09	FY10	FY11E	FY12E
Net Loans	67,372	69,901	74,505	87,170	100,246	NIM (as % of avg. assets)	3.9%	4.4%	4.1%	3.9%	3.9%
LLR	-4,439	-4,260	-2,826	-2,676	-2,505	Earning assets/assets	96.6%	96.7%	96.2%	96.2%	96.2%
Gross Loans	71,811	74,160	77,331	89,846	102,751	Margins (as % of Avg. Assets)	3.7%	4.2%	3.9%	3.7%	3.8%
NPLs	2,451	2,040	911	810	791	Non-Int. Rev./ Revenues	22.5%	22.9%	50.9%	39.0%	37.7%
Investments	45,306	51,340	37,384	40,375	43,605	Non IR/Avg. Assets	1.2%	1.3%	4.3%	2.5%	2.4%
Other earning assets	2,894	4,042	5,326	5,858	6,444	Revenue/Assets	5.0%	5.6%	8.2%	6.3%	6.1%
Avg. IEA	128,731	137,294	150,486	169,569	189,132	Cost/Income	51.0%	49.8%	36.7%	43.5%	42.1%
Goodwill	-	-	-	-	-	Cost/Assets	2.5%	2.8%	3.0%	2.7%	2.6%
Assets	137,843	146,250	166,492	186,243	206,976	Pre-Provision ROA	7.5%	8.3%	11.2%	9.0%	8.7%
						LLP/Loans	-	-	-	-	-
Deposits	103,312	108,525	110,593	121,653	133,818	Loan/Assets	48.0%	51.4%	48.4%	47.4%	49.0%
Long-term bond funding	7,923	10,240	21,589	22,453	23,351	Other Prov. Income/ Assets	-	-	-	-	-
Other Borrowings	3,924	3,924	3,996	3,996	3,996	Operating ROA	2.4%	2.8%	5.2%	3.5%	3.5%
Avg. IBL	105,781	115,000	125,474	138,144	150,637	Pre-Tax ROA	7.5%	8.3%	11.2%	9.0%	8.7%
Avg. Assets	133,246	142,047	156,371	176,367	196,610	Tax rate	13.6%	11.9%	9.3%	15.0%	15.0%
Common Equity	12,684	17,783	24,597	27,935	32,380	Minorities & Outside Distbn.	0.0%	0.0%	0.0%	0.0%	0.0%
RWA	88,215	114,679	126,427	151,712	182,055	ROA	1.7%	2.2%	4.6%	2.9%	2.9%
Avg. RWA	78,036	101,447	120,553	139,070	166,884	RORWA	3.0%	3.0%	5.9%	3.7%	3.4%
						Equity/Assets	9.5%	10.7%	13.6%	14.9%	15.3%
						ROE	18.3%	20.1%	33.8%	19.5%	19.0%

Source: Company reports and J.P. Morgan estimates.

Siam Cement

www.siamcement.com

Company description

SCC is Thailand's leading industrial conglomerate. The company currently derives only 28% of its earnings from its traditional cement business. The rest is driven by petrochemicals, pulp & paper, and building products. SCC is 30% owned by the Crown Property Bureau (CPB).

Key drivers of performance in an equity market recovery

SCC robust share price recovery from its trough in early October was driven purely by domestic factors, and not related to any global equity market recovery. The company is seen as a key beneficiary from the potential re-construction efforts in Thailand after the current flooding situation eases. SCC is the country's biggest provider of cement and building materials.

How much recovery has already been priced in, what are the key metrics?

With recent share price recovery, we believe that recovery has been materially built into the SCC share price (current P/B of 2.2x is not particularly cheap). However, if re-construction demand (especially for building materials) is well above our expectations, this could provide the key catalyst for more performance next year, in our view.

Where's the earnings risk for 2012?

Petrochemicals account for 38% of SCC's FY12E EBITDA. Hence, if petrochemical spreads continue to contract (or stay at the current depressed levels), we see risks to our forecasts for SCC could be affected.

Price target and key recovery risks

Jun-12 PT of Bt336/share is based on SOTP valuation. This method best captures the values of the company's various business divisions, which are quite different. Key downside risks to our PT: (1) Low petrochemical spreads (if the global economy does not recover) that would hurt SCC's petrochemical EBITDA and values, (2) Soft cement margin (possible if domestic demand is poor) hurting SCC's cement EBITDA and (3) poor investment choices that destroy values.

Siam Cement (Reuters: SCC.BK, Bloomberg: SCC TB)

Bt in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Bt mn)	238,664	301,323	370,819	378,485	383,247
Net Profit (Bt mn)	24,346.0	37,382.0	32,487.1	33,930.4	36,069.2
EPS (Bt)	20.29	31.15	27.07	28.28	30.06
DPS (Bt)	8.50	12.50	13.30	14.14	15.03
Revenue growth (%)	-18.6%	26.3%	23.1%	2.1%	1.3%
EPS growth (%)	45.2%	53.6%	-13.1%	4.4%	6.3%
ROCE	14.2%	11.6%	13.6%	15.8%	17.4%
ROE	25.4%	31.5%	22.9%	21.3%	20.3%
P/E (x)	15.5	10.1	11.6	11.1	10.4
P/BV (x)	3.6	2.8	2.5	2.2	2.0
EV/EBITDA (x)	11.1	11.0	9.4	8.4	7.7
Dividend Yield	2.7%	4.0%	4.2%	4.5%	4.8%
Adjusted EPS (Bt)	20.33	22.85	27.07	28.28	30.06
Adjusted P/E	15.44	13.74	11.60	11.11	10.45

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Bt314.00

Price Target: Bt336.00

Thailand

Cement

Sukit Chawalitakul^{AC}

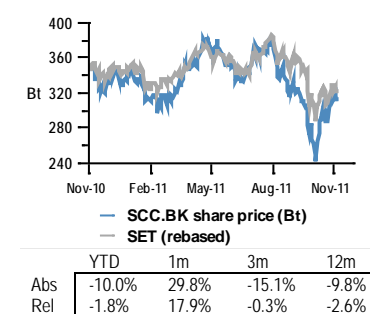
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JPMorgan Securities (Thailand) Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	1,200
Market cap (Bt mn)	376,800
Market cap (\$ mn)	12,302
Price (Bt)	314.00
Date Of Price	04 Nov 11
Free float (%)	50.0%
3mth Avg daily volume	3,786,126.00
3M - Avg daily Value (Bt mn)	1,175.64
3M - Avg daily Value (USD) (\$ mn)	38.38
SET	957
Exchange Rate	30.63
Fiscal Year End	Dec

Siam Cement: Summary of Financials

Income Statement					Cash flow statement						
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	238,664	301,323	370,819	378,485	383,247	EBIT	34,747	31,471	37,844	42,055	44,533
% change Y/Y	(18.6%)	26.3%	23.1%	2.1%	1.3%	Depr. & amortization	12,208	12,478	12,909	13,101	13,292
Gross Margin (%)	27.4%	21.9%	19.9%	20.8%	21.5%	Change in working capital	3,122	-696	-363	-579	-371
EBITDA	46,955	43,949	50,753	55,156	57,825	Taxes	-5,169	-5,889	-6,288	-7,382	-8,241
% change Y/Y	35.3%	-6.4%	15.5%	8.7%	4.8%	Cash flow from operations	36,351	30,688	37,696	41,149	43,923
EBITDA Margin (%)	19.7%	14.6%	13.7%	14.6%	15.1%						
EBIT	34,747	31,471	37,844	42,055	44,533	Capex	-26,518	-12,073	-6,028	-6,250	-6,250
% change Y/Y	54.2%	NM	20.3%	11.1%	5.9%	Disposal/(purchase)	0	0	0	0	0
EBIT Margin (%)	14.6%	10.4%	10.2%	11.1%	11.6%	Net Interest	-1,357	1,714	1,925	2,367	3,113
Net Interest	-1,357	1,714	1,925	2,367	3,113	Free cash flow	9,833	18,615	31,668	34,899	37,673
Earnings before tax	33,390	33,185	39,769	44,422	47,645						
% change Y/Y	62.1%	-0.6%	19.8%	11.7%	7.3%	Equity raised/(repaid)	0	0	0	0	0
Tax	-5,169	-5,889	-6,288	-7,382	-8,241	Debt raised/(repaid)	2,948	3,068	-32,818	-26,800	-31,000
as % of EBT	140.6%	132.4%	127.6%	124.2%	121.4%	Other	-546	14,780	1,095	0	0
Core net income (reported)	24,398	27,419	32,487	33,930	36,069	Dividends paid	-6,600	-11,400	-16,200	-16,146	-17,393
% change Y/Y	48.8%	12.4%	18.5%	4.4%	6.3%	Beginning cash	26,714	28,937	69,827	41,757	32,373
Shares outstanding	1,200	1,200	1,200	1,200	1,200	Ending cash	28,937	69,827	41,757	32,373	20,699
Core EPS (reported) - (Bt)	20.33	22.85	27.07	28.28	30.06	DPS - (Bt)	8.50	12.50	13.30	14.14	15.03
% change Y/Y	48.8%	12.4%	18.5%	4.4%	6.3%						

Balance sheet					Ratio Analysis						
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	28,937	69,827	41,757	32,373	20,699	EBITDA margin	19.7%	14.6%	13.7%	14.6%	15.1%
Accounts receivable	24,077	26,766	31,520	32,171	32,576	Operating margin	14.6%	10.4%	10.2%	11.1%	11.6%
Inventories	30,986	36,917	46,060	46,433	46,606	Net profit margin	10.2%	12.4%	8.8%	9.0%	9.4%
Others	5,989	7,885	7,000	7,000	7,000						
Current assets	89,989	141,395	126,336	117,977	106,881	Sales growth	(18.6%)	26.3%	23.1%	2.1%	1.3%
LT investments	63,923	54,975	73,813	79,874	85,888	Net profit growth	45.2%	53.5%	-13.1%	4.4%	6.3%
Net fixed assets	151,804	151,399	144,518	137,667	130,625	EPS growth	45.2%	53.6%	(13.1%)	4.4%	6.3%
Total Assets	315,993	359,218	356,928	349,912	339,463	Interest coverage (x)	34.60	-	-	-	-
Liabilities						Net debt to equity	116.0%	62.7%	52.3%	36.4%	22.4%
ST loans	19,738	40,754	36,130	28,090	18,790	Sales/assets (x)	0.79	0.89	1.04	1.07	1.11
Payables	17,189	22,969	29,716	29,957	30,069	Assets/equity (x)	3.16	2.99	2.80	2.08	1.82
Others	15,317	19,357	25,259	25,463	25,558	ROE	25.4%	31.5%	22.9%	21.3%	20.3%
Total current liabilities	52,244	83,080	91,104	83,510	74,417	ROCE	14.2%	11.6%	13.6%	15.8%	17.4%
Long-term debt	130,445	112,497	84,303	65,543	43,843						
Other liabilities	1,883	4,069	4,000	4,000	4,000						
Total Liabilities	184,572	199,646	179,408	153,053	122,260						
Shareholders' equity	104,510	133,123	150,574	168,358	187,035						
BVPS - (Bt)	87.09	110.94	125.48	140.30	155.86						

Source: Company reports and J.P. Morgan estimates.

Siam Commercial Bank

www.scb.co.th

Company description

Siam Commercial Bank is the third-largest bank in Thailand. SCB is the strongest retail bank in Thailand and is second to Bangkok Bank in corporate lending. SME lending is still behind that of other banks but the bank has set itself to expand more into this market. SCB has the largest branch and ATM network in Thailand. This has brought the bank a significant retail client and income base.

Key drivers of performance in an equity market recovery

Since SCB has a strong footprint in both consumer and corporate segments, the bank should enjoy a higher rate of loan growth. Also the bank's expansion into the SME area should lead to an improvement in SME market share and asset yield.

How much recovery has already been priced in, what are the key metrics?

While the market has priced in a certain growth premium on SCB, we believe there remain areas in which SCB can improve further, e.g. SME, and wholesale-related non-NII. Therefore, we still see potential upside to market expectations on SCB's profitability, especially in FY12 when we believe both private and public investments will be strong after the floods in 4Q11.

Where's the earnings risk for 2012?

Risks lie in funding competition and funding costs. This is especially so when the credit outlook is strong and Thai banks are running on relatively high LDRs.

Price target and key recovery risks

Our Dec12 PT of Bt170 is based on DDM with a 20.3% ROE, 12.0% COE, and 8.0% growth. Key risks are higher-than-expected operating expenses and an increase in competition, especially for funding.

Siam Commercial Bank (Reuters: SCB.BK, Bloomberg: SCB TB)

Year-end Dec (Bt in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (Bt mn)	32,658	36,935	50,230	59,675	64,690
Net Profit (Bt mn)	20,756	24,205	37,649	40,667	45,936
Cash EPS (Bt)	6.11	7.12	11.08	11.96	13.51
Fully Diluted EPS (Bt)	6.11	7.12	11.08	11.96	13.51
DPS (Bt)	2.50	3.00	3.50	4.00	4.50
EPS growth (%)	(1.9%)	16.6%	55.5%	8.0%	13.0%
ROE	15.6%	16.5%	22.6%	21.1%	20.8%
P/E	18.0	15.4	9.9	9.2	8.1
BVPS (Bt)	41.23	45.40	52.97	60.94	69.95
P/BV	2.7	2.4	2.1	1.8	1.6
Div. Yield	2.3%	2.7%	3.2%	3.6%	4.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Bt110.00

Price Target: Bt170.00

Thailand

Banks

Anne Jirajariyavech^{AC}

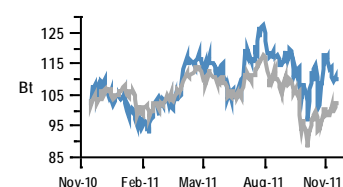
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JPMorgan Securities (Thailand) Limited

Price Performance



	YTD	1m	3m	12m
Abs	5.3%	-2.7%	-6.0%	6.8%
Rel	9.6%	-7.0%	1.4%	7.2%

Source: Bloomberg.

Company Data	
52-wk range (Bt)	128.50 - 92.00
Market cap (Bt mn)	373,248
Market cap (\$ mn)	12,122
Shares outstanding (mn)	3,393
Fiscal Year End	Dec
Price (Bt)	110.00
Date Of Price	16 Nov 11
Avg daily value (Bt bn)	0.7
Avg daily value (\$ mn)	23.5
Avg daily vol (mn)	10.1
SET	997
Exchange Rate	30.79

Siam Commercial Bank: Summary of Financials

Income Statement					Growth Rates				
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E		FY09	FY10	FY11E	FY12E
NIM (as % of avg. assets)	3.1%	3.0%	3.3%	3.3%	Loans	2.5%	12.6%	19.4%	6.0%
Earning assets/assets	95.9%	95.2%	95.4%	96.3%	Deposits	4.9%	14.2%	4.0%	10.0%
Margins (% of earning assets)	3.0%	2.9%	3.1%	3.2%	Assets	4.2%	14.1%	21.5%	7.8%
					Equity	10.2%	10.1%	16.7%	15.0%
Net Interest Income	37,526	39,753	51,097	59,009	RWA	0.8%	13.8%	18.8%	7.9%
Total Non-Interest Income	23,106	27,717	35,014	40,134	Net Interest Income	-8.2%	5.9%	28.5%	15.5%
Fee Income	17,083	20,563	26,321	30,269	Non-Interest Income	6.6%	20.0%	26.3%	14.6%
Dealing Income	4,233	5,002	6,282	7,166	of which Fee Grth	14.5%	20.4%	28.0%	15.0%
Other Operating Income	1,790	2,152	2,410	2,700	Revenues	(306.7%)	1128.0%	2762.7%	1513.4%
Total operating revenues	60,631	67,470	86,111	99,143	Costs	5.5%	9.2%	17.5%	10.0%
					Pre-Provision Profits	-	-	-	-
Operating costs	-27,973	-30,535	-35,880	-39,468	Loan Loss Provisions	6.7%	-11.1%	-1.0%	40.1%
					Pre-Tax	-	-	-	-
Pre-Prov. Profits	32,658	36,935	50,230	59,675	Attributable Income	-2.0%	16.6%	55.5%	8.0%
Provisions	-5,285	-4,699	-4,652	-6,518	EPS	-2.0%	16.6%	55.5%	8.0%
Other Inc/Exp.	552	1,655	5,624	0	DPS	25.0%	20.0%	16.7%	14.3%
Exceptionals	0	0	0	0					
Disposals/ other income	-	-	-	-	Balance Sheet Gearing	FY09	FY10	FY11E	FY12E
Pre-tax	27,925	33,891	51,202	53,157	Loan/deposit	98.5%	97.1%	111.4%	107.3%
Tax	-7,076	-9,563	-13,312	-12,226	Investment/assets	12.8%	10.4%	15.6%	14.5%
Minorities	-93	-123	-240	-264	Loan/Assets	69.5%	69.0%	68.1%	66.9%
Other Distbn.	-	-	-	-	Customer deposits/liab.	82.9%	82.6%	70.4%	72.4%
Attributable Income	20,756	24,205	37,649	40,667	LT debt/liabilities	8.2%	7.5%	17.7%	16.4%
Per Share Data Bt	FY09	FY10	FY11E	FY12E	Asset Quality/Capital	FY09	FY10	FY11E	FY12E
EPS	6.11	7.12	11.08	11.96	Loan loss reserves/loans	4.6%	3.9%	3.4%	3.5%
DPS	2.50	3.00	3.50	4.00	NPLs/loans	4.8%	3.7%	3.3%	3.4%
Payout	40.9%	42.1%	31.6%	33.4%	Loan loss reserves/NPLs	95.7%	107.3%	103.9%	103.4%
Book value	41.23	45.40	52.97	60.94	Growth in NPLs	-10.7%	-13.5%	8.2%	9.1%
Fully Diluted Shares	3,399.19	3,399.19	3,399.19	3,399.19	Tier 1 Ratio	12.3%	11.6%	11.7%	12.9%
PPOP per share	-	-	-	-	Total CAR	16.5%	15.5%	15.0%	15.9%
Key Balance sheet Bt in millions	FY09	FY10	FY11E	FY12E	Du-Pont Analysis	FY09	FY10	FY11E	FY12E
Net Loans	898,984	1,018,803	1,222,203	1,294,077	NIM (as % of avg. assets)	3.1%	3.0%	3.3%	3.3%
LLR	-42,894	-41,595	-43,589	-47,290	Earning assets/assets	95.9%	95.2%	95.4%	96.3%
Gross Loans	941,878	1,060,398	1,265,792	1,341,367	Margins (as % of Avg. Assets)	3.0%	2.9%	3.1%	3.2%
NPLs	44,805	38,752	41,933	45,731	Non-Int. Rev./ Revenues	37.0%	39.8%	39.6%	39.4%
Investments	165,419	153,746	279,818	279,818	Non IR/Avg. Assets	1.8%	2.0%	2.1%	2.2%
Other earning assets	55,881	80,675	68,574	68,574	Revenue/Assets	4.8%	4.9%	5.3%	5.3%
Avg. IEA	1,216,148	1,318,348	1,560,422	1,796,673	Cost/Income	-46.1%	-45.3%	-41.7%	-39.8%
Goodwill	0	0	0	0	Cost/Assets	-2.2%	-2.2%	-2.2%	-2.1%
Assets	1,293,990	1,476,735	1,794,479	1,935,308	Pre-Provision ROA	2.6%	2.7%	3.1%	3.2%
					LLP/Loans	-0.6%	-0.5%	-0.4%	-0.5%
Deposits	955,920	1,092,109	1,136,202	1,249,822	Loan/Assets	73.4%	72.3%	71.1%	69.9%
Long-term bond funding	105,721	110,649	316,811	316,811	Other Prov. Income/ Assets	0.0%	0.1%	0.3%	0.0%
Other Borrowings	0	0	0	0	Operating ROA	2.6%	2.7%	3.1%	3.2%
Avg. IBL	1,042,206	1,132,199	1,327,885	1,509,823	Pre-Tax ROA	2.2%	2.5%	3.1%	2.8%
Avg. Assets	1,267,815	1,385,362	1,635,607	1,864,894	Tax rate	-	-	-	-
Common Equity	140,140	154,316	180,068	207,138	Minorities & Outside Distbn.	-0.0%	-0.0%	-0.0%	-0.0%
RWA	928,878	1,057,431	1,256,136	1,354,716	ROA	1.6%	1.7%	2.3%	2.2%
Avg. RWA	925,304	993,155	1,156,783	1,305,426	RORWA	2.1%	2.1%	2.9%	2.9%
					Equity/Assets	10.5%	10.6%	10.2%	10.4%
					ROE	15.6%	16.5%	22.6%	21.1%

Source: Company reports and J.P. Morgan estimates.

Sime Darby Berhad

www.simedarby.com/

Company description

Sime Darby is the largest listed plantations company on Bursa after its merger with Golden Hope and Kumpulan Guthrie, completed in Nov-07. The group's six core businesses are plantations, property, heavy equipment, auto, energy & utilities. Plantations segment is the largest contributor at 60% of profits for FY12E.

Key drivers of performance in an equity market recovery

Positive earnings momentum or prospects for upside surprises in quarterly profits or operational trends we believe is a key catalyst for Sime as market remains skeptical and cautious in estimates and expectations for the stock given past disappointments. New management however has shown positive signs of execution since coming on board in Aug-10 (i.e. disposal of loss-making O&G segment, set-up of subsidiary boards, and encouraging performance and above market results in the last two quarters).

How much recovery has already been priced in, what are the key metrics?

The stock has not built in any significant positive expectations of a recovery. PE valuations are at 20% below historical mean levels of 16x. The stock is pricing in CPO prices at just below M\$2,600/t for 2012E versus our base case forecast of M\$2,850/t where we see an upside bias in the event of a sustained global recovery.

Where's the earnings risk for 2012?

A sustained global recovery however we believe could lift CPO prices to M\$3,200/t by 2H12, and raise our earnings by an estimated 13% pa. We have also built in a 12% drop in profits from both property and auto units, as well as flat profits from heavy equipment. Hence, a sustained global recovery could likely lift these estimates as well.

Price target and key recovery risks

Our Dec-12E PT of M\$10.20 is based on sum-of-the-parts. Key risk are set-backs in execution/delivery by new management in terms of sustaining operational improvements (especially for plantations division), and also execution and pricing risk for overseas expansion into upstream and downstream palm oil.

Sime Darby Berhad (Reuters: SIME.KL, Bloomberg: SIME MK)

M\$ in mn, year-end Jun	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (M\$ mn)	32,952	41,859	44,036	46,747	48,936
Reported Net Profit (M\$ mn)	727	3,684	3,815	4,023	4,235
FD EPS (M\$)	0.12	0.61	0.63	0.67	0.70
Net DPS (M\$)	0.10	0.30	0.32	0.33	0.35
Revenue growth (%)	6.3%	27.0%	5.2%	6.2%	4.7%
FD EPS growth (%)	-68.1%	406.7%	3.5%	5.5%	5.2%
ROE (%)	3.5%	16.6%	15.3%	14.9%	14.6%
ROCE (%)	7.0%	19.1%	17.7%	17.4%	17.5%
Adj P/E (x)	19.2	14.0	14.0	13.2	12.6
P/B (x)	2.6	2.2	2.1	1.9	1.8
EV/EBITDA (x)	19.1	8.1	8.6	8.2	7.7
Net Div yield (%)	1.2%	3.4%	3.6%	3.8%	4.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: M\$8.86

Price Target: M\$10.20

Malaysia

Conglomerates

Simone Yeoh^{AC}

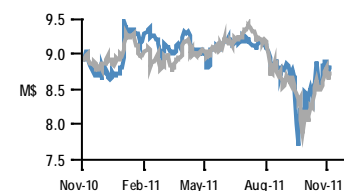
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(18146-X)

Price Performance



	YTD	1m	3m	12m
Abs	-1.7%	6.5%	-3.3%	-1.5%
Rel	1.0%	-2.0%	1.2%	0.8%

Source: Bloomberg.

Company Data

Shares O/S (mn)	6,009
Market cap (M\$ mn)	53,244
Market cap (\$ mn)	17026
Price (M\$)	8.86
Date Of Price	10 Nov 11
Free float (%)	48.9%
3mth Avg daily volume	7.89
3M - Average daily Value (M\$ mn)	67.75
Average 3m Daily Turnover (\$ mn)	22.01
FBMKLCI	1,490
Exchange Rate	3.13
Fiscal Year End	Jun

Sime Darby Berhad: Summary of Financials

Income Statement						Cash flow statement					
M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E
Revenues	32,952	41,859	44,036	46,747	48,936	Operating profit	2,276	5,514	5,591	5,840	6,210
% change Y/Y	6.3%	27.0%	5.2%	6.2%	4.7%	Depr. & amortization	967	1,027	1,027	1,027	1,027
EBITDA	2,879	6,659	6,708	6,966	7,340	Change in working capital	1,784	-2,171	-1,027	-286	-230
% change Y/Y	-27.7%	131.3%	0.7%	3.9%	5.4%	Taxes	-887	-1602	-1437	-1426	-1595
EBIT	1,912	5,632	5,681	5,940	6,313	Cash flow from operations	4,140	2,767	4,154	5,155	5,413
% change Y/Y	NM	194.6%	0.9%	4.6%	6.3%	Capex	-2,341	-2,699	-6,000	-2,500	-2,499
EBIT Margin	5.8%	13.5%	12.9%	12.7%	12.9%	Disposal/(purchase)	-541	1,276	64	25	27
Net Interest	-170	-182	-239	-289	-273	Net Interest	-170	-182	-239	-289	-273
Earnings before tax	1,742	5,450	5,442	5,651	6,040	Other	0	0	0	0	0
% change Y/Y	-43.3%	212.9%	-0.1%	3.8%	6.9%	Free cash flow	1,089	1,162	-2,021	2,391	2,668
Tax	-887	-1,602	-1,437	-1,426	-1,595	Equity raised/(repaid)	-1,051	1,709	0	0	0
as % of EBT	50.9%	29.4%	26.4%	25.2%	26.4%	Debt raised/(repaid)	1,983	-527	127	-145	-138
Core net profit	2,775	3,797	3,815	4,023	4,234	Other	-6	-36	-22	0	1
% change Y/Y	26.0%	36.8%	0.5%	5.5%	5.2%	Dividends paid	-611	-1,813	-1,907	-2,012	-2,117
Shares outstanding	6,010	6,010	6,010	6,010	6,011	Beginning cash	3,687	5,033	5,528	1,705	-
EPS (reported)	0.12	0.61	0.63	0.67	0.70	Ending cash	5,033	5,528	1,705	1,939	-
% change Y/Y	(68.1%)	406.7%	3.5%	5.5%	5.2%	DPS	0.10	0.30	0.32	0.33	0.35
Balance sheet						Ratio Analysis					
M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	5,033	5,528	1,705	1,939	2,353	EBITDA margin	8.7%	15.9%	15.2%	14.9%	15.0%
Accounts receivable	5,263	4,906	7,924	8,412	8,806	Operating margin	6.9%	13.2%	12.7%	12.5%	12.7%
Inventories	5,217	7,355	6,552	6,956	7,282	Net margin	2.2%	8.8%	8.7%	8.6%	8.6%
Others	2,733	2,809	2,809	2,809	2,809	Sales per share growth	6.3%	27.0%	5.2%	6.2%	4.7%
Current assets	18,798	23,213	21,605	22,730	23,864	Sales growth	6.3%	27.0%	5.2%	6.2%	4.7%
LT investments	7,161	6,059	5,996	5,996	5,996	Net profit growth	-68.1%	406.8%	3.5%	5.5%	5.3%
Net fixed assets	10,844	12,517	17,490	18,963	20,436	EPS growth	(68.1%)	406.7%	3.5%	5.5%	5.2%
Total Assets	37,926	42,857	46,248	48,921	51,602	Interest coverage (x)	16.92	36.53	28.06	24.10	26.87
Liabilities						Net debt to equity	12.5%	6.4%	21.1%	18.3%	15.2%
Short-term loans	3,302	3,055	2,902	2,757	2,619	Sales/assets	0.90	1.04	0.99	0.98	0.97
Payables	6,919	8,648	9,835	10,440	10,929	Assets/equity	1.71	1.68	1.78	1.75	1.72
Others	1,136	794	794	794	795	ROE	3.5%	16.6%	15.3%	14.9%	14.6%
Total current liabilities	11,689	13,191	14,226	14,686	15,038	ROCE	7.0%	19.1%	17.7%	17.4%	17.5%
Long-term debt	4,287	4,008	4,287	4,287	4,287						
Other liabilities	819	840	819	819	819						
Total Liabilities	17,476	18,826	20,310	20,972	21,536						
Shareholders' equity	20,450	24,030	25,938	27,949	30,067						
BVPS	3.40	4.00	4.32	4.65	5.00						

Source: Company reports and J.P. Morgan estimates.

Singapore Telecom

www.info.singtel.com/

Company description

SingTel provides Internet, IPTV, mobile and fixed line telephony services domestically and it also owns 100% of the Australian telco Optus. Other major regional associate investments include Bharti (India), Telkomsel (Indonesia), Advanced (Thailand) and Globe (Philippines).

Key drivers of performance in an equity market recovery

We believe SingTel will outperform in a recovery as; 1) it has the highest margins on NBN in Singapore; this would help cement its dominance of the fixed line market 2) MioTV is likely to be competitive in the future as subscribers move from fiber and cross carriage regulations bite. 3) Regional assets contributions to improve (we expect 12% growth in FY12) if the Singapore dollar does not appreciate much further.

How much recovery has already been priced in, what are the key metrics?

SingTel has outperformed the FSSTI index by 20% YTD given its defensive nature and dividend yield support. P/E and dividend yield spread to government bonds are the key valuation metrics. SingTel is now trading close to its peak spread (320 bps) to government bond yields post its increased payout guidance of 70%.

Where's the earnings risk for 2012?

Less than expected take-up of NBN and further appreciation of the Singapore dollar are the key risks to our earnings estimates for SingTel. We expect NBN to account for 13% of the total fixed line market by 2012 with 271k subs.

Price target and key recovery risks

We believe that share prices are driven by earnings estimates and valuation re-rating, an assumption valid for all of our coverage companies around the region. Our Mar-13 PT at S\$3.6 is based on a sum of: 1) potential upside/ (downside) to consensus EPS vs. JPM EPS estimates at +6%; and 2) our estimated multiple expansion/(contraction) at +9% based on peak P/E multiple of 13.0x. If our price target were achieved, SingTel would be trading at 2010E/11E P/E of 14.5x/12.8x and EV/EBITDA of 11.9x/12.3x and provide a 4.7%/5.3% yield. Less than expected NBN and pay TV market share in Singapore is a key downside risk. Further appreciation of the Singapore dollar is also a risk.

Singapore Telecoms Ltd (Reuters: STEL.SI, Bloomberg: ST SP)

S\$ in mn, year-end Mar	FY08A	FY09A	FY10A	FY11A	FY12E
Revenue (\$ mn)	14,845	14,934	16,871	18,070	18,755
EBITDA (\$ mn)	4,531	4,432	4,846	5,116	5,166
EBITDA growth (%)	5.8%	-2.2%	9.3%	5.6%	1.0%
Recurring profit (\$ mn)	3,681	3,455	3,910	3,800	3,942
Recurring EPS (\$)	0.23	0.22	0.25	0.24	0.25
EPS growth (%)	5.8%	(6.2%)	13.2%	(2.9%)	3.7%
DPS (\$)	0.13	0.12	0.14	0.16	0.17
EV/EBITDA (x)	12.5	12.8	11.5	10.8	10.6
P/E	13.8	14.7	13.0	13.4	12.9
Dividend Yield	3.9%	3.9%	4.5%	5.1%	5.3%
FCF to mkt cap (%)	7.0%	6.4%	6.7%	7.9%	6.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: S\$3.2

Price Target: S\$3.6

Singapore

Asian Telecommunications

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Bloomberg JPMA SULLIVAN <GO>

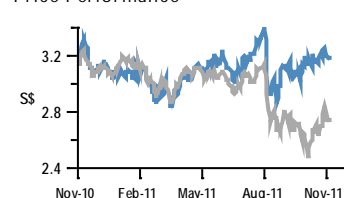
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J.P. Morgan Securities Singapore Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	3.9%	0.3%	-3.9%	1.3%
Rel	17.1%	-6.9%	6.3%	14.2%

Source: Bloomberg.

Company Data

52-wk range (S\$)	3.30 - 2.75
Mkt cap (S\$ mn)	50,852
Mkt cap (\$ mn)	40,943
Shares O/S (mn)	15,941
Free float (%)	45.5%
3-mth avg trading volume:	29
Average 3m Daily Turnover (\$ mn)	72.90
FTSTI	2,835
Exchange Rate	1.24
Price (S\$)	3.19
Date Of Price	03 Nov 11

Singapore Telecom: Summary of Financials

Profit and Loss Statement					Balance Sheet statement						
S\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E S\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	
Revenue	16,871	18,070	18,755	18,287	18,795	Cash and equivalents	1,614	2,738	2,965	2,731	2,403
EBITDA	4,846	5,116	5,166	5,053	5,209	Accounts receivable	3,172	3,449	3,580	3,491	3,588
Depreciation	(1,878)	(1,969)	(2,000)	(1,952)	(1,986)	Others	359	368	368	368	368
Amortization	0	0	0	0	0	Total Current assets	5,144	6,555	6,913	6,590	6,359
EBIT	2,968	3,147	3,166	3,101	3,223						
Interest income	22	50	27	30	27	ST loans	1,528	2,699	2,699	2,699	2,699
Interest expense	(312)	(376)	(398)	(398)	(398)	Others	5,307	5,842	6,011	5,895	6,020
Associates	2,410	2,141	2,387	3,108	3,884	Total current liabilities	6,835	8,541	8,709	8,594	8,719
Profit before tax	5,042	4,991	5,249	5,841	6,736						
Tax	(1,136)	(1,171)	(1,260)	(1,343)	(1,549)	Net working capital	(1,691)	(1,986)	(1,796)	(2,005)	(2,361)
Minorities	1	3	-4	-4	-4						
Net profit - reported	3,906	3,823	3,985	4,494	5,183	Net fixed assets	10,750	11,113	11,379	11,653	11,850
Net profit - adjusted	3,910	3,800	3,942	4,494	5,183	Other long term assets	22,057	21,615	22,502	24,082	26,179
						Total non-current assets	32,807	32,727	33,882	35,735	38,029
Shares Outstanding (mn)	15,912	15,918	15,931	15,931	15,931						
EPS (\$\$) (Reported)	0.25	0.24	0.25	0.28	0.33	Total Assets	37,952	39,282	40,795	42,324	44,388
EPS (Adjusted)	0.25	0.24	0.25	0.28	0.33						
DPS (\$\$)	0.14	0.16	0.17	0.19	0.22	Long-term debt	5,351	4,587	4,587	4,587	4,587
DPS payout ratio	58%	68%	68%	68%	68%	Other liabilities	2,250	1,805	1,805	1,805	1,805
						Total Liabilities	14,436	14,932	15,101	14,985	15,111
Revenue growth	13.0%	7.1%	3.8%	(2.5%)	2.8%						
EBITDA growth	9.3%	5.6%	1.0%	(2.2%)	3.1%	Shareholders' equity	23,493	24,328	25,668	27,310	29,244
Adj Net profit growth	13.2%	(2.8%)	3.7%	14.0%	15.3%						
Adj EPS growth	13.2%	(2.9%)	3.7%	14.0%	15.4%	Total liabilities and equity	37,952	39,282	40,795	42,324	44,387
DPS growth	13.5%	15.6%	3.8%	12.8%	15.3%						
						Net debt/(cash)	5,266	4,548	4,320	4,555	4,883
						Book value per share	1.48	1.53	1.61	1.71	1.84

Ratio Analysis					Cash flow statement						
% , year end Mar	FY10	FY11	FY12E	FY13E	FY14E S\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	
EBITDA margin	28.7%	28.3%	27.5%	27.6%	27.7%	Cash flow from operations	5,329	6,043	5,633	5,334	5,598
FCF margin	20.2%	22.4%	18.0%	17.0%	18.2%	Capex	(1,923)	(2,005)	(2,266)	(2,225)	(2,184)
ROE	17.8%	15.9%	15.8%	17.0%	18.3%	Cash flow from other investing	(256)	(755)	(96)	(94)	(96)
ROC	10.2%	10.2%	9.8%	9.2%	9.1%	Cash flow from financing	(2,634)	(2,141)	(3,043)	(3,250)	(3,647)
ROA	11.0%	9.8%	9.9%	10.8%	12.0%						
Tax rate	22.5%	23.5%	24.0%	23.0%	23.0%	Change in cash for year	538	1,125	227	(234)	(328)
Capex to sales	(11.4%)	(11.1%)	(12.1%)	(12.2%)	(11.6%)						
Debt/Capital	22.7%	23.1%	22.1%	21.1%	19.9%	Beginning cash	1,076	1,614	2,738	2,965	2,731
Net debt or (cash) to equity	22.4%	18.7%	16.8%	16.7%	16.7%	Closing cash	1,614	2,738	2,965	2,731	2,403
Interest cover (x)	16.70	15.72	13.94	13.72	14.06						

Source: Company reports and J.P. Morgan estimates.

Sino Biopharmaceutical

www.sinobiopharm.com/viewHome.do

Company description

Sino Biopharmaceutical (SB) produces medicines in two core therapeutic categories: cardio cerebral diseases and hepatitis. The company is extending its development efforts to oncology, analgesic and respiratory medicines in order to meet the increasing demand from medical practitioners and patients.

Key drivers of performance in an equity market recovery

SBP operates the No.1 hepatitis franchise with 20% market share. It also has the No.1 position for alprostadil, a top-5 drug in China, with 75% market share. SBP has several newly-launched products and a strong product pipeline, including raltitrexed and Kaifen patch, which have the potential to become blockbuster drugs with total sales of over Rmb100MM, in our view.

How much recovery has already been priced in, what are the key metrics?

Sino Biopharma shares have dropped by 14% in past three months and 30% year-to-date, but have managed to outperform MSCI China Healthcare Index by 12.5%. We believe that the stock's decline may have been due to the investors' concerns about continued SG&A deleveraging and apprehension about management's lack of focus. We believe Sino Biopharma shares will perform when the market recovers, as the company has shown continued strength with its products sales, apparently shouldering price cuts better than most competitors. The key drivers for the company going forward are: 1) Good acquisitions to complement growth; and 2) Strong performance by new products.

Where's the earnings risk for 2012?

We are expecting sales growth of 24% and net profit growth of 15% in 2012. We believe our estimates are conservative given the new product performance so far. We have continued expected SG&A deleveraging, which the company may be able to improve. Larger than expected retail ceiling price cuts for hepatitis drugs is key downside risk to our top-line estimates.

Price target and key recovery risks

SBP is currently trading at 16.6x 2012E P/E, while it targets 30% top-line growth and 15%-20% recurring EPS growth. Thus, we believe the stock is currently undervalued. Our DCF-based Dec-12 PT of HK\$3.5 implies 27.5x FY12E P/E. Key risks to our PT are the timing of commercialization of new drugs and pricing pressure from regulators.

Sino Biopharmaceutical (Reuters: 1177.HK, Bloomberg: 1177 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	3,244	4,086	5,429	6,741	7,991
Net Profit (HK\$ mn)	397.0	566.9	546.5	630.6	814.8
EPS (HK\$)	0.09	0.12	0.11	0.13	0.16
DPS (HK\$)	0.05	0.08	0.08	0.09	0.11
Revenue growth (%)	42.2%	26.0%	32.9%	24.2%	18.5%
EPS growth (%)	33.3%	33.2%	-5.6%	15.3%	29.3%
ROCE	33.3%	34.9%	28.8%	31.6%	38.9%
ROE	16.9%	18.5%	14.6%	16.1%	19.7%
P/E (x)	25.9	19.4	20.6	17.8	13.8
P/BV (x)	4.2	3.1	2.9	2.8	2.6
EV/EBITDA (x)	9.4	6.4	6.5	5.8	4.6
Dividend Yield	2.1%	3.5%	3.3%	3.8%	5.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$2.27

Price Target: HK\$3.50

China

Healthcare

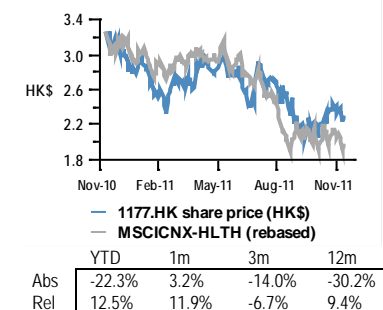
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Bloomberg JPMA SWU <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	4,941
Market cap (HK\$ mn)	11,217
Market cap (\$ mn)	1,442
Price (HK\$)	2.27
Date Of Price	11 Nov 11
Free float (%)	45.1%
3mth Avg daily volume	7,048,935.00
3M - Avg daily Value (HK\$ mn)	16.09
3M - Avg daily Value (USD) (\$ mn)	2.07
MSCICNX-HLTH	104
Exchange Rate	7.78
Fiscal Year End	Dec

Sino Biopharmaceutical: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	3,244	4,086	5,429	6,741	7,991	EBIT	801	1,095	1,123	1,295	1,691
% change Y/Y	42.2%	26.0%	32.9%	24.2%	18.5%	Depr. & amortization	58	88	140	182	227
Gross Profit	2,604	3,301	4,245	5,165	6,237	Change in working capital	-51	-539	-474	-443	-361
% change Y/Y	44.0%	26.8%	28.6%	21.7%	20.8%	Taxes	-118	-135	-228	-247	-285
EBITDA	859	1,183	1,262	1,478	1,917	Cash flow from operations	689	508	560	788	1,272
% change Y/Y	31.7%	37.7%	6.7%	17.0%	29.8%	Capex	-340	-426	-567	-635	-694
EBIT	801	1,095	1,123	1,295	1,691	Net Interest	-3	-6	-17	-19	-21
% change Y/Y	31.5%	36.7%	2.5%	15.4%	30.5%	Other	-	-	-	-	-
EBIT Margin	24.7%	26.8%	20.7%	19.2%	21.2%	Free cash flow	337	152	-23	134	558
Net Interest	-3	-6	-17	-19	-21	Equity raised/(repaid)	-	1,137	-	-	-
Earnings before tax	799	1,088	1,123	1,295	1,691	Debt raised/(repaid)	-85	-101	20	20	20
% change Y/Y	33.2%	36.0%	3.2%	15.4%	30.5%	Other	-19	-	-	-	-
Tax	-135	-228	-247	-285	-380	Dividends paid	-308	-389	-381	-403	-495
as % of EBT	16.9%	21.0%	22.0%	22.0%	22.5%	Beginning cash	1,875	1,739	2,338	1,789	1,349
Net income (reported)	397.0	566.9	546.5	630.6	814.8	Ending cash	1,739	2,338	1,789	1,349	1,182
% change Y/Y	33.4%	42.8%	-3.6%	15.4%	29.2%	DPS	0.05	0.08	0.08	0.09	0.11
Shares outstanding	4,526	4,854	4,956	4,956	4,956						
EPS (reported)	0.09	0.12	0.11	0.13	0.16						
% change Y/Y	33.3%	33.2%	(5.6%)	15.3%	29.3%						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	1,739	2,338	1,789	1,349	1,182	Gross margin	80.3%	80.8%	78.2%	76.6%	78.1%
Accounts receivable	479	626	832	1,033	1,224	EBITDA margin	26.5%	29.0%	23.3%	21.9%	24.0%
Inventories	211	369	490	609	722	Operating margin	24.7%	26.8%	20.7%	19.2%	21.2%
Others	57	0	0	0	0	Net margin	12.2%	13.9%	10.1%	9.4%	10.2%
Current assets	2,551	4,030	4,323	4,570	5,032	Sales per share growth	42.1%	17.5%	30.1%	24.2%	18.5%
LT investments	231	231	231	230	230	Sales growth	42.2%	26.0%	32.9%	24.2%	18.5%
Net fixed assets	895	1,243	1,670	2,123	2,591	Net profit growth	33.4%	42.8%	-3.6%	15.4%	29.2%
Total Assets	3,766	5,621	6,224	6,923	7,853	EPS growth	33.3%	33.2%	(5.6%)	15.3%	29.3%
Liabilities						Interest coverage (x)	309.85	203.84	75.38	78.70	92.18
Short-term loans	1	28	32	36	39	Net debt to equity	-70.2%	-59.9%	-42.2%	-28.7%	-22.6%
Payables	123	160	212	263	312	Working Capital to Sales	17.5%	20.5%	20.5%	20.5%	20.5%
Others	560	908	937	987	1,094	Sales/assets	0.92	0.87	0.92	1.03	1.08
Total current liabilities	687	1,096	1,181	1,285	1,445	Assets/equity	1.52	1.54	1.63	1.72	1.84
Long-term debt	0	127	143	160	176	ROE	16.9%	18.5%	14.6%	16.1%	19.7%
Other liabilities	51	97	97	97	97	ROCE	33.3%	34.9%	28.8%	31.6%	38.9%
Total Liabilities	738	1,319	1,421	1,542	1,718						
Shareholders' equity	2,474	3,648	3,820	4,019	4,275						
BVPS	0.55	0.74	0.77	0.81	0.86						

Source: Company reports and J.P. Morgan estimates.

Sinopec Corp - H

www.english.sinopec.com

Company description

Sinopec is the second-largest oil company in China. Sinopec is integrated with E&P, R&M and Chemicals. In 2010, crude production was 0.9 mn BOPD and natural gas 0.2 mn BOEPD, refining throughout was 4.3 mn BOPD, ethylene production 9 mn tonnes. Sinopec has SEC-proven reserves of 3.9 bn BOE (25% is natural gas, 85% of crude is developed). Sinopec operates 30,000 retail stations in China.

Key drivers of performance in an equity market recovery

Despite a recovery, we still expect lower oil prices, which would benefit refining but hurt upstream. Main positive drivers for Sinopec are a reversal in losses related to refining, generating earnings growth, and hence increasing returns above 15% ROE (from 10-12% historically).

How much recovery has already been priced in, what are the key metrics?

Sinopec is the cheapest of the three oil majors in China and hence we believe has not re-rated enough to reflect a potential recovery, let alone the improving fundamentals of the company in a better (ie, lower) oil price environment. We believe a 20-25% multiple expansion is justified, considering 15-18% ROE generation capacity in the next couple of years. Further comfort in re-rating would come from a new policy of re-regulating transport fuel altogether as is currently being discussed.

Where's the earnings risk for 2012?

Earnings downside risk lies with higher oil prices not offset by higher product prices from the NDRC. In the event we get higher oil prices without hitting refining profits (i.e., some NDRC price hike), it should generate better earnings and ROEs and will be positive. Petrochemical profitability may also be at risk in a less-than-positive recovery scenario.

Price target and key recovery risks

We have an OW rating and a Dec-12 price target of HK\$9.40, which is based on 5x 2012E EV/EBITDA, similar to our valuation for PetroChina. Risks to our Sinopec-H rating and price target are higher oil prices and/or NDRC cutting product prices below profitability levels. We prefer Sinopec over CNOOC and PetroChina in the Chinese oil-major space.

Sinopec Corp - H (Reuters: 0386.HK, Bloomberg: 386 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	1,345,052	1,913,182	2,634,625	2,385,530	2,377,818
Net Profit (Rmb mn)	61,760	71,800	79,816	84,118	80,556
EPS (Rmb)	0.71	0.83	0.92	0.97	0.93
DPS (Rmb)	0.18	0.21	0.23	0.25	0.24
Revenue Growth (%)	(10%)	42%	38%	(9%)	(0%)
EPS Growth (%)	117%	16%	11%	5%	(4%)
ROCE	16%	19%	19%	19%	16%
ROE	18%	18%	18%	16%	14%
P/E	9.1	7.8	7.0	6.7	7.0
P/BV	1.5	1.3	1.2	1.0	0.9
EV/EBITDA	5.3	4.2	3.9	3.7	3.4
Dividend Yield	2.8%	3.3%	3.6%	3.8%	3.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$7.92

Price Target: HK\$9.40

China

Oil, Gas and Petrochemicals

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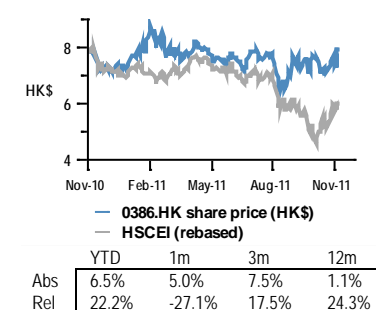
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J.P.Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares Outstanding (mn)	86,702
Market Cap (Rmb mn)	684,082
Market Cap (\$ mn)	107,899
Price (HK\$)	7.92
Date Of Price	04 Nov 11
Free float (%)	19.6%
Avg Daily Volume (mn)	205
Avg Daily Value (HK\$ mn)	1,098
Avg Daily Value (\$ mn)	141
HSCEI	10,705
Exchange Rate	7.77
Fiscal Year End	Dec

Sinopec Corp - H: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	1,345,052	1,913,182	2,634,625	2,385,530	2,377,818	EBIT	84,431	105,004	117,437	124,676	118,511
% change Y/Y	(10%)	42%	38%	(9%)	(0%)	Depr. & amortization	50,487	59,223	61,929	64,987	67,069
EBITDA	134,918	164,227	179,366	189,663	185,580	Change in working capital	15,571	-1,109	-19,421	-83	92
% change Y/Y	86%	22%	9%	6%	(2%)	Taxes	-4027	-25689	-26947	-29341	-28001
EBIT	84,431	105,004	117,437	124,676	118,511	Cash flow from operations	152,075	170,333	130,010	157,505	156,558
% change Y/Y	221%	24%	12%	6%	(5%)	Capex	-112,875	-97,637	-121,320	-121,703	-70,963
EBIT Margin	3%	3%	2%	3%	2%	Disposal/(purchase)	594	16,126	0	0	0
Net Interest	-7,105	-7,312	-10,656	-10,785	-9,567	Net Interest	-7,105	-7,312	-10,656	-10,785	-9,567
Earnings before tax	80,568	103,693	108,772	118,435	113,027	Other	-	-	-	-	-
% change Y/Y	264%	29%	5%	9%	(5%)	Free cash flow	39,200	72,696	8,691	35,802	85,596
Tax	-16,084	-25,689	-26,947	-29,341	-28,001	Equity raised/(repaid)	-	-	-	-	-
as % of EBT	20.0%	24.8%	24.8%	24.8%	24.8%	Debt raised/(repaid)	-4,116	11,687	5,000	5,000	5,000
Net income (reported)	61,760	71,800	79,816	84,118	80,556	Other	-	-	-	-	-
% change Y/Y	117%	16%	11%	5%	(4%)	Dividends paid	-13,559	-16,391	-20,241	-21,332	-20,428
Shares outstanding	86,702	86,702	86,702	86,702	86,702	Beginning cash	7,008	8,728	17,008	10,458	29,929
EPS (reported)	0.71	0.83	0.92	0.97	0.93	Ending cash	8,750	17,004	10,458	29,929	100,096
% change Y/Y	117%	16%	11%	5%	(4%)	DPS	0.18	0.21	0.23	0.25	0.24
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	8,750	17,008	10,458	29,929	100,096	EBITDA margin	5%	4%	3%	4%	4%
Accounts receivable	26,592	43,093	59,343	53,732	53,559	Operating margin	3%	3%	2%	3%	2%
Inventories	141,611	156,546	215,578	195,196	194,565	Net margin	2%	2%	2%	2%	2%
Others	23,091	42,450	58,458	52,931	52,759	Sales per share growth	(10%)	42%	38%	(9%)	(0%)
Current assets	201,280	260,229	344,969	332,919	402,111	Sales growth	(10%)	42%	38%	(9%)	(0%)
LT investments	-	-	-	-	-	Net profit growth	117%	16%	11%	5%	(4%)
Net fixed assets	584,968	630,299	682,021	730,686	726,125	EPS growth	117%	16%	11%	5%	(4%)
Total Assets	877,842	995,154	1,133,606	1,174,765	1,243,479	Interest coverage (x)	18.99	22.46	16.83	17.59	19.40
Liabilities						Net debt to equity	42%	32%	31%	24%	11%
Short-term loans	58,898	17,019	17,019	17,019	17,019	Sales/assets	3.25	4.09	4.95	4.13	3.93
Payables	97,749	132,528	165,830	151,186	150,777	Assets/equity	2.22	2.23	2.37	2.17	2.07
Others	156,772	186,859	225,425	208,467	207,992	ROE	18%	18%	18%	16%	14%
Total current liabilities	313,419	336,406	408,275	376,672	375,788	ROCE	16%	19%	19%	19%	16%
Long-term debt	108,828	136,465	141,465	146,465	151,465						
Other liabilities	56,742	71,915	71,915	71,915	71,915						
Total Liabilities	478,989	544,786	621,655	595,052	599,168						
Shareholders' equity	375,661	419,047	478,623	541,409	601,536						
BVPS	4.33	4.83	5.52	6.24	6.94						

Source: Company reports and J.P. Morgan estimates.

Sinopharm

www.sinopharm.com/

Company description

Sinopharm was established in 2003 and is the largest pharmaceutical distributor in China with approximately 11%-12% market share. China National Pharmaceutical Group (CNPG), along with Fosun Pharmaceutical, indirectly owns 65.52% share of Sinopharm through Sinopharm Industrial Investment, and CNPG owns 0.12% directly. Products are sold directly to hospitals or through local third-party distributors. Sinopharm also has small operations of drug retailing and manufacturing businesses.

Key drivers of performance in an equity market recovery

As the only drug distributor owned by the Chinese Central Government until China Resources started rolling up distribution assets recently, Sinopharm is in a unique position to influence government policies, in our view. Sinopharm should benefit from the favorable policies which support industry consolidation and the emergence of 1-3 distributors with sales above Rmb100B. Having the largest network should enable it to win a high share of business from manufacturers seeking scale and to obtain more exclusive distribution rights for premium imported drugs.

How much recovery has already been priced in, what are the key metrics?

Sinopharm shares have not performed well recently. It is down close to 30% year to date, thanks to de-rating of China healthcare names. We believe Sinopharm shares will perform well when the market recovers and re-rating of healthcare stocks starts. The key drivers for the company going forward are: 1) M&A success; 2) receding price pressures; and 3) financial results showing SG&A leveraging and finance cost in control.

Where's the earnings risk for 2012?

We are expecting sales growth of 24.8% and net profit growth of 22% in 2012. We believe our estimates are conservative as we see more M&A to provide upside. We are still seeing a bit of deleveraging of SG&A. Sooner than expected materialization of SG&A leverage should provide significant upside.

Price target and key recovery risks

Sinopharm trades at 22x 2012E EPS. While not exactly cheap, we think Sinopharm deserves a price premium to its peers given its scale, market leadership and competitive advantages. Our DCF-based Dec-12 PT of HK\$30 implies CY12E P/E of 32x, well within the historical P/E trading range, and supported by accelerating earnings growth in prospect. Key risks include: (1) unexpected industry-wide slowdown; (2) acquisitions becoming prohibitively expensive; and (3) finance cost stays high for longer than expected.

Sinopharm (Reuters: 1099.HK, Bloomberg: 1099 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	52,668	69,234	96,416	120,302	149,057
Net Profit (Rmb mn)	967.2	1,208.8	1,471.6	1,859.2	2,454.5
EPS (Rmb)	0.54	0.52	0.63	0.77	1.02
DPS (Rmb)	0.35	0.13	0.16	0.19	0.26
Revenue growth (%)	37.9%	31.5%	39.3%	24.8%	23.9%
EPS growth (%)	51.3%	-4.3%	21.7%	22.0%	32.0%
ROCE	18.8%	16.8%	17.3%	17.3%	19.3%
ROE	13.7%	10.3%	10.7%	11.4%	13.6%
P/E (x)	29.3	30.6	25.2	20.6	15.6
P/BV (x)	3.2	3.1	2.4	2.2	2.0
EV/EBITDA (x)	14.3	12.1	8.2	6.5	5.1
Dividend Yield	2.2%	0.8%	1.0%	1.2%	1.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$19.58

Price Target: HK\$30.00

China

Healthcare

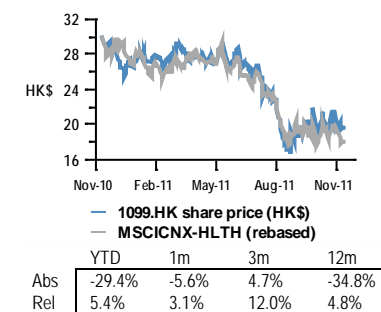
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Bloomberg JPMA SWU <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	828
Market Cap (Rmb mn)	35,600.99
Market Cap (\$ mn)	5372.31
Price (HK\$)	19.58
Date Of Price	11 Nov 11
Free float (%)	26.1%
3-mth trading volume (mn)	13
3-mth trading value (HK\$ mn)	103
3-mth trading value (US\$) (\$ mn)	13
MSCICNX-HLTH	104
Exchange Rate	7.78
Fiscal Year End	Dec

Sinopharm: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	52,668	69,234	96,416	120,302	149,057	EBIT	1,892	2,409	3,407	4,402	5,630
% change Y/Y	37.9%	31.5%	39.3%	24.8%	23.9%	Depr. & amortization	190	204	366	384	409
Gross Profit	4,407	5,836	7,857	9,754	12,010	Change in working capital	-3,240	-697	-1,565	-1,287	-1,438
% change Y/Y	45.2%	32.4%	34.6%	24.1%	23.1%	Taxes	-259	-465	-568	-743	-943
EBITDA	2,082	2,613	3,773	4,787	6,039	Cash flow from operations	-1,649	1,179	1,013	1,910	2,727
% change Y/Y	54.6%	25.5%	44.4%	26.9%	26.2%	Capex	-355	-411	-508	-583	-667
EBIT	1,892	2,409	3,407	4,402	5,630	Net Interest	-231	-172	-626	-847	-931
% change Y/Y	61.4%	27.3%	41.4%	29.2%	27.9%	Other	-205	-266	-346	-437	-558
EBIT Margin	3.6%	3.5%	3.5%	3.7%	3.8%	Free cash flow	-2,004	768	506	1,326	2,060
Net Interest	-231	-172	-626	-847	-931	Equity raised/(repaid)	8,786	-	2,875	-	-
Earnings before tax	1,909	2,398	3,032	3,831	4,999	Debt raised/(repaid)	459	2,103	5,109	1,000	3,000
% change Y/Y	76.8%	25.6%	26.4%	26.4%	30.5%	Other	-	-	-	-	-
Tax	-	-	-	-	-	Dividends paid	-366	-465	-335	-416	-539
as % of EBT	-	-	-	-	-	Beginning cash	1,712	7,568	7,475	13,258	14,200
Net income (reported)	967.2	1,208.8	1,471.6	1,859.2	2,454.5	Ending cash	7,568	7,475	13,258	14,200	17,624
% change Y/Y	64.6%	25.0%	21.8%	26.3%	32.0%	DPS	0.35	0.13	0.16	0.19	0.26
Shares outstanding	2,400	2,238	2,403	2,403	2,403						
EPS (reported)	0.54	0.52	0.63	0.77	1.02						
% change Y/Y	51.3%	(4.3%)	21.7%	22.0%	32.0%						
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	7,568	7,475	13,258	14,200	17,624	Gross margin	8.4%	8.4%	8.2%	8.1%	8.1%
Accounts receivable	11,980	17,752	24,840	30,955	38,307	EBITDA margin	4.0%	3.8%	3.9%	4.0%	4.1%
Inventories	5,301	7,530	10,537	13,131	16,250	Operating margin	3.6%	3.5%	3.5%	3.7%	3.8%
Others	4,258	2,106	3,537	4,667	5,939	Net margin	1.8%	1.8%	1.5%	1.6%	1.7%
Current assets	29,107	34,863	52,173	62,953	78,120	Sales per share growth	26.8%	0.7%	39.2%	20.5%	23.9%
LT investments	1,588	3,820	5,845	6,377	6,916	Sales growth	37.9%	31.5%	39.3%	24.8%	23.9%
Net fixed assets	1,952	3,331	3,473	3,672	3,930	Net profit growth	64.6%	25.0%	21.8%	26.3%	32.0%
Total Assets	32,647	42,104	61,491	73,002	88,966	EPS growth	51.3%	(4.3%)	21.7%	22.0%	32.0%
Liabilities						Interest coverage (x)	9.02	15.20	6.02	5.65	6.49
Short-term loans	1,668	3,344	6,476	7,226	9,476	Net debt to equity	-49.3%	-34.5%	-29.5%	-26.7%	-26.4%
Payables	13,703	19,831	27,617	34,459	42,696	Working Capital to Sales	6.8%	7.9%	8.1%	8.0%	8.0%
Others	2,047	2,579	3,874	5,019	6,495	Sales/assets	2.16	1.85	1.86	1.79	1.84
Total current liabilities	17,418	25,754	37,968	46,704	58,668	Assets/equity	2.75	3.60	3.92	4.27	4.70
Long-term debt	50	91	2,159	2,409	3,159	ROE	13.7%	10.3%	10.7%	11.4%	13.6%
Other liabilities	1,106	1,450	1,450	1,450	1,450	ROCE	18.8%	16.8%	17.3%	17.3%	19.3%
Total Liabilities	18,624	27,386	41,577	50,563	63,277						
Shareholders' equity	11,867	11,711	15,690	17,084	18,925						
BVPS	4.94	5.23	6.53	7.11	7.88						

Source: Company reports and J.P. Morgan estimates.

Skyworth Digital

www.skyworth.com.hk

Company description

Skyworth Digital is the largest LCD TV manufacturer (~15% China's market share) and the second largest TV maker by revenue. The company, founded in 1988 and listed in Hong Kong in 2000, has manufacturing facilities in Shenzhen, Guangzhou Inner Mongolia, China. Skyworth has a diversified distribution channel and manufactures OEM and ODM TVs.

Key drivers of performance in an equity market recovery

LED TV became a significant sales segment in 2010 but profitability was crimped by a shortage of LED components and heavy upfront marketing costs. Skyworth provides detailed monthly unit sales figures and also overall sales growth. For the first six months of FY12 (Mar-12 YE), unit sales and ASPs have beaten our expectations. We have increased our annual unit sales for China in FY12 from 7.0m to 7.2m and export sales from 2.0m to 2.2m based on unit sales that have been achieved to date.

How much recovery has already been priced in, what are the key metrics?

Skyworth recorded solid sales growth during the Oct Golden Week holidays. The stock price rose by more than 70% since bottoming in early Oct. Should Skyworth be able to maintain a high LED TV sales proportion (accounting for over 60% of the total LCD TV sales volume), we believe there is still around 40% upside for the stock from current levels, given our PT of HK\$6.0.

Where's the earnings risk for 2012?

We believe the removal of the government subsidies should have less impact on TVs than on other appliances because there is a real need to upgrade TVs from CRTs to flat panels due to the removal of analog signals by 2015.

Price target and key recovery risks

Our DCF-based price target (Dec-12) of HK\$6.0 (WACC 13.2% and terminal growth of 3%) implies a CY13E P/E of 8.1x. The key recovery risks are a greater-than-expected impact from the removal of subsidies and an increase in panel costs.

Skyworth Digital Holdings (Reuters: 0751.HK, Bloomberg: 751 HK)

HK\$ in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (HK\$ mn)	22,769	24,339	29,266	31,917	33,836
Net Profit (HK\$ mn)	1,251.0	1,174.0	1,640.7	1,912.9	2,040.0
EPS (HK\$)	0.49	0.44	0.61	0.70	0.72
DPS (HK\$)	0.13	0.14	0.19	0.21	0.22
Revenue growth (%)	48.5%	6.9%	20.2%	9.1%	6.0%
EPS growth (%)	146.1%	-10.7%	37.7%	14.9%	3.7%
ROCE	17.8%	13.4%	18.2%	18.9%	17.6%
ROE	24.6%	18.3%	21.5%	21.6%	19.9%
P/E (x)	8.7	9.7	7.0	6.1	5.9
P/BV (x)	1.8	1.6	1.4	1.2	1.1
EV/EBITDA (x)	6.2	5.0	4.0	3.4	3.1
Dividend Yield	3.1%	3.2%	4.4%	5.0%	5.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price:HK\$4.28

Price Target: HK\$ 6.0

China

HK/ China SMID Caps

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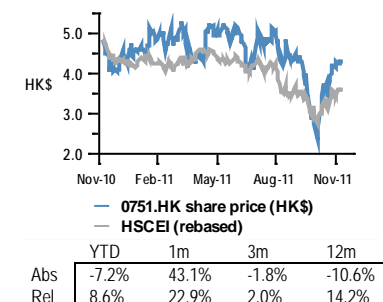
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J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	2,650
Market cap (HK\$ mn)	11,341
Market cap (\$ mn)	1,460
Price (HK\$)	4.28
Date Of Price	08 Nov 11
Free float (%)	64.9%
3-mth trading volume (mn)	15
3-mth trading value (HK\$ mn)	52
3-mth trading value (\$ mn)	7
HSCEI	10,647
Exchange Rate	7.77
Fiscal Year End	Mar

Skyworth Digital Holdings: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	HK\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Revenues	22,769	24,339	29,266	31,917	33,836	EBIT	1,660	1,604	2,215	2,556	2,626
% change Y/Y	48.5%	6.9%	20.2%	9.1%	6.0%	Depr. & amortization	214	200	273	320	359
Gross Profit	4,873	4,663	5,998	6,589	6,755	Change in working capital	-5,426	-323	-1,645	-907	-611
% change Y/Y	57.5%	-4.3%	28.6%	9.9%	2.5%	Taxes	-124	-226	-213	-351	-408
EBITDA	1,874	1,804	2,487	2,876	2,985	Cash flow from operations	-3,676	1,255	629	1,618	1,967
% change Y/Y	113.9%	-3.7%	37.9%	15.6%	3.8%	Capex	-240	-480	-1,005	-658	-707
EBIT	1,660	1,604	2,215	2,556	2,626	Net Interest	-122	-139	-129	-133	-133
% change Y/Y	137.1%	NM	38.1%	15.4%	2.8%	Other	-	-	-	-	-
EBIT Margin	7.3%	6.6%	7.6%	8.0%	7.8%	Free cash flow	-4,038	636	-505	827	1,126
Net Interest	-122	-139	-129	-133	-133	Equity raised/(repaid)	-	-	-	-	-
Earnings before tax	1,552	1,494	2,121	2,461	2,655	Debt raised/(repaid)	5,130	83	217	0	0
% change Y/Y	165.8%	-3.7%	41.9%	16.0%	7.9%	Other	-	-	-	-	-
Tax	-226	-213	-351	-408	-466	Dividends paid	-258	-347	-432	-544	-605
as % of EBT	14.6%	14.3%	16.6%	16.6%	17.6%	Beginning cash	1,385	2,191	2,524	1,757	1,988
Net income (reported)	1,251.0	1,174.0	1,640.7	1,912.9	2,040.0	Ending cash	2,191	2,524	1,757	1,988	2,516
% change Y/Y	172.0%	-6.2%	39.8%	16.6%	6.7%	DPS	0.13	0.14	0.19	0.21	0.22
Shares outstanding	2,529	2,657	2,697	2,736	2,815						
EPS (reported)	0.49	0.44	0.61	0.70	0.72						
% change Y/Y	146.1%	(10.7%)	37.7%	14.9%	3.7%						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	HK\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	2,191	2,524	1,757	1,988	2,516	Gross margin	21.4%	19.2%	20.5%	20.6%	20.0%
Accounts receivable	6,938	7,251	8,719	9,509	10,080	EBITDA margin	8.2%	7.4%	8.5%	9.0%	8.8%
Inventories	3,298	2,657	3,195	3,484	3,694	Operating margin	7.3%	6.6%	7.6%	8.0%	7.8%
Others	4,705	3,611	4,046	4,566	5,029	Net margin	5.5%	4.8%	5.6%	6.0%	6.0%
Current assets	17,132	16,043	17,716	19,547	21,319	Sales per share growth	34.4%	1.8%	18.5%	7.5%	3.0%
LT investments	336	629	909	917	949	Sales growth	48.5%	6.9%	20.2%	9.1%	6.0%
Net fixed assets	1,754	2,003	2,448	2,769	3,076	Net profit growth	172.0%	-6.2%	39.8%	16.6%	6.7%
Total Assets	19,222	18,645	21,073	23,232	25,344	EPS growth	146.1%	(10.7%)	37.7%	14.9%	3.7%
Liabilities						Interest coverage (x)	15.36	12.98	19.28	21.57	22.39
Short-term loans	6,721	3,577	3,823	3,823	3,823	Net debt to equity	78.5%	25.9%	35.3%	28.0%	19.5%
Payables	5,189	5,162	6,207	6,769	7,176	Working Capital to Sales	22.2%	19.5%	19.5%	19.5%	19.5%
Others	954	1,292	1,191	1,321	1,461	Sales/assets	1.50	1.29	1.47	1.44	1.39
Total current liabilities	12,864	10,031	11,222	11,914	12,461	Assets/equity	3.33	2.64	2.57	2.44	2.31
Long-term debt	0	778	832	832	832	ROE	24.6%	18.3%	21.5%	21.6%	19.9%
Other liabilities	504	504	504	504	504	ROCE	17.8%	13.4%	18.2%	18.9%	17.6%
Total Liabilities	13,368	11,396	12,557	13,250	13,796						
Shareholders' equity	5,773	7,074	8,212	9,539	10,955						
BVPS	2.42	2.72	3.16	3.57	3.98						

Source: Company reports and J.P. Morgan estimates.

Stockland

www.stockland.com.au

Company description

SGP is a diversified property group with three main divisions (three 'R's): 1) Commercial Property – \$8bn portfolio; 2) Residential – Australia's largest residential communities' developer (note not a builder) with over 90,000 land lots; and 3) Retirement – Australia's third largest retirement operator.

Key drivers of performance in an equity market recovery

Further divestment of investment assets and on market share buyback should support pricing. Growth in residential market share likely to continue as SGP focuses on small and more affordable lots – it is a clear market leader.

How much recovery has already been priced in, what are the key metrics

We believe SGP is trading very attractively relative to its historic ranges – SGP's current 12% discount to NTA compares with its average 20 year average of a 34% premium. Similarly its current 10x PE compares with its 16 year average of 13.4x.

Where's the earnings risk for 2012

SGP has reliable earnings, with ~70% coming from rent and its residential pre-sales give near term visibility, so material step changes in earnings are not expected.

Price target and key recovery risks

Our June 2012 Price Target for SGP is \$3.90. Our price target is calculated as an average of our \$3.72 NAV and the one year roll forward of our \$4.09 NPV (derived from our AFFO forecasts). Our NPV uses a discount rate of 8.4% and a long-term growth rate of 3.7%. Our NAV uses an average cap rate of 7.6% on our FY12 NOI forecasts as well as the residential communities at 1.3x book (based on DCF), retirement on 12x EBIT and the rest of the development business (Apartments, non res and Halladale) at a 10% discount to book.

Key risks to the target include major changes in interest rates or property cap rates, a considerable change in residential demand, further economic stimulus or M&A activity.

Stockland (Reuters: SGP.AX, Bloomberg: SGP AU)

Year-end Jun (A\$)	FY10A	FY11A	FY12E	FY13E
Net Property Rental (A\$ mn)	553	555	575	611
Net profit after tax (A\$ mn)	460.2	754.6	742.2	752.6
Normalised* EPU (A\$)	0.291	0.316	0.316	0.321
Normalised* P/E (x)	11.1	10.2	10.2	10.1
Normalised* EPU chg (%)	-20.3%	8.6%	-0.0%	1.6%
DPU (A\$)	0.218	0.237	0.237	0.247
Net Yield (%)	6.8%	7.3%	7.3%	7.7%
NTA per share (A\$)	3.59	3.65	3.72	3.88
Price To NTA (A\$)	0.90	0.89	0.87	0.83

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: A\$3.23

Price Target: A\$3.90

Australia

REITs

Richard Jones, CFA^{AC}

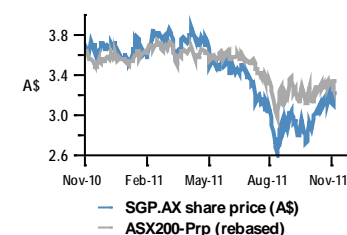
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J.P. Morgan Securities Australia Limited

Price Performance



	YTD	1m	3m	12m
Abs	-10.3%	9.1%	11.4%	-11.5%
Rel	-4.7%	2.8%	8.6%	-2.8%

Source: Bloomberg.

Company Data

52-week range (A\$)	3.89 - 2.52
Market capitalisation (A\$ bn)	7.55
Market capitalisation (\$ bn)	7.84
Fiscal Year End	Jun
Price (A\$)	3.23
Date Of Price	04 Nov 11
Shares outstanding (mn)	2,339.0
ASX200-Prp	792.4
ASX100	3,491.3
NPV (A\$)	4.08

Stockland: Summary of financials

Stockland Group (ASX: SGP)					J.P.Morgan				
P&L Statement Summary (A\$m)	FY11A	FY12E	FY13E	FY14E	Cash Flow Summary (A\$m)	FY11A	FY12E	FY13E	FY14E
Trust					Cash flows from Operations (EBIT)	788.4	781.6	822.4	894.7
Retail Op Profit	286.4	311.7	339.3	383.0	- Net borrowing costs	(144.6)	(177.7)	(216.4)	(243.5)
Commercial Op Profit	182.8	179.3	187.2	193.4	- Tax paid	0.0	-13.0	-11.3	-15.1
Industrial Op Profit	76.9	78.4	78.7	81.3	Other	204.9	-2.6	4.6	5.8
Investment income	8.1	5.4	5.5	5.7	Cash flow from operations	848.7	588.2	599.3	641.9
Total Op Profit	554.2	574.8	610.8	663.3	- Acquisition & net investments	(512.7)	(281.0)	0.0	0.0
Other income	0.7	-	-	-	- Capex investments	(281.4)	(347.0)	(274.0)	(79.0)
Trust expenses	13.1	12.5	13.0	13.6	- Capex maintenance	(47.8)	(49.9)	(52.6)	(55.2)
Trust EBIT	541.8	562.3	597.8	649.8	Other	-38.0	437.5	150.0	0.0
% growth	0.6%	3.8%	6.3%	8.7%	Cash flow from investing	(879.8)	(240.4)	(176.6)	(134.2)
Net interest expense	(130.7)	(149.4)	-128.5	-106.2	+ Capital Raisings	0.0	(113.6)	0.0	0.0
Trust net income	672.5	711.7	726.2	756.0	+ increase / (dec) Debt	(140.1)	431.0	450.0	350.0
Trust EPS	28.2	30.3	31.0	32.2	- Distributions paid	(543.3)	(560.2)	(566.8)	(595.4)
Trust % EPS growth	4.6%	7.2%	2.2%	4.0%	Other	(1.5)	0.0	0.0	0.0
Corporation					Cash flow from financing	(684.9)	(242.8)	(116.8)	(245.4)
Resi Communities Op Profit	232.6	223.9	236.4	252.0	Increase/ (decrease) in cash	(716.0)	105.0	306.0	262.3
Apartments Op Profit	28.6	3.4	0.3	1.0					
Retirement Op Profit	53.5	59.0	66.1	73.2	Balance Sheet Summary	FY11A	FY12E	FY13E	FY14E
Retail Projects Op Profit	6.8	7.0	7.1	7.3	Cash	195	300	606	868
C&I Projects Op Profit	0.0	0.0	0.0	0.0	Current Inventory	968	968	968	968
Halladale Op Profit	0.0	7.7	0.0	0.0	Other Current	510	295	313	331
Other net income	(74.9)	(81.7)	-85.2	-88.6	Non-Current Inventory	1,602	1,901	1,916	1,932
Corp Op Profit	246.6	219.3	224.6	245.0	Investment Properties	10,482	10,869	11,468	11,888
Net interest expense	144.7	175.8	187.0	194.7	Intangibles	117	117	117	117
Corporation PBT	101.9	43.5	37.6	50.3	Other NC	699	699	735	774
Tax	22.0	13.0	11.3	15.1	Total Assets	14,571	15,148	16,121	16,878
Corporation net income	79.9	30.4	26.4	35.2	Accounts Payable	562	585	608	633
Corporation EPS	3.4	1.3	1.1	1.5	Debt	2,407	2,838	3,288	3,638
Corp % EPS growth	61.1%	-61.4%	-13.3%	33.5%	Ret'ment resident obligations	1,629	1,678	1,734	1,796
Group					Def Tax Liabilities	55	55	55	55
Revenue	2335.5	2101.7	1940.9	2111.2	Other	1,118	1,163	1,210	1,259
EBIT	788.4	781.6	822.4	894.7	Total Liabilities	5,772	6,319	6,896	7,382
Operating Profit	752.4	742.2	752.6	791.2	Unitholders Equity	8,799	8,829	9,225	9,496
Per Share Ratios (A\$ cents)	FY11A	FY12E	FY13E	FY14E	Leverage	FY11A	FY12E	FY13E	FY14E
DPS	23.7	23.7	24.7	25.7	Balance Sheet Gearing	18.8%	21.3%	23.0%	24.3%
DPS % growth	8.7%	0.0%	4.4%	4.0%	Balance Sheet Debt/Equity	27.4%	32.1%	35.6%	38.3%
EPS	31.6	31.6	32.1	33.7	Interest Cover	6.3	4.9	4.2	4.0
EPS % growth	8.6%	0.0%	1.6%	5.0%					
AFFO	27.6	26.4	26.3	27.9	Valuation & Ratios (x)	FY11A	FY12E	FY13E	FY14E
AFFO % growth	5.4%	-4.7%	-0.4%	6.1%	NPV	4.10			
Payout ratio	75.0%	75.0%	77.1%	76.4%	Premium (discount) to NPV	-21.5%			
AFFO Payout ratio	85.7%	89.9%	94.2%	92.3%	NTA per security (c)	364.6	371.6	388.0	399.1
					Price To NTA	0.88	0.87	0.83	0.81
NAV review					P/E Multiple	10.2	10.2	10.0	9.6
Assumed Trust Cap rate	7.6%				Div idend Yield	7.4%	7.4%	7.7%	8.0%
Trust valuation	8,143				AFFO Yield	8.6%	8.2%	8.2%	8.7%
Corp valuation	3,747				EBIT Multiple	12.6	13.3	13.2	12.5
Net debt & other assets & liabilities	-3,017								
Total Value	8,874				Closing # of Securities	2,381	2,345	2,348	2,351
NAV	\$ 3.73				Average Ordinary Securities	2,381	2,350	2,346	2,349
Premium (discount) to NAV	-13.6%								

Source: J.P. Morgan estimates

Suncorp Metway

www.suncorp.com.au

Company description

Suncorp Group Limited offers a range of financial products and services across Australia and New Zealand. Suncorp is structured as a non-operating holding company, with main operations of: (1) Suncorp General Insurance (with a portfolio of personal and commercial insurance brands); (2) Suncorp Bank (Core & Non-Core - Australia's fifth largest listed bank) and (3) Suncorp Life Insurance (life insurance, superannuation and investment, asset management and financial advice).

Key drivers of performance in an equity market recovery

Key positive share price drivers include: (1) targeted FY12 GI underlying margins of 12% appears likely; (2) GI to take steps to further increase premium rates in Australia and New Zealand, ahead of main competitor IAG; (3) further margin uplift from "Building Blocks" initiatives, much of the upside to be felt in 2013 onwards (4) flat net interest margin and very low bad debt charge in the Core Bank; (5) lack of negative surprise in the Non-Core Bank at last result likely to increase investor confidence; and (6) strong capital position with surplus capital of \$1.2bn at 27 October 2011 AGM above its target with market uncertainty main factor holding back capital return.

How much recovery has already been priced in, what are the key metrics

SUN is a recovery story. Concern started in 2008, mainly centred around the Bank (funding issues and concerns on bad debts). The stock has been in recovery since. Historically, the average 1 year forward P/E and 1 year forward dividend yields over 2003 to 2007 were 12.68 & 5.1% respectively. Currently, post the GFC, the same metrics have recovered to 1 yr forward P/E of 9.81 & 1 yr forward dividend yield of 6.7%. The stock has potential for margin recovery and we expect it will continue to recover towards pre-GFC levels.

Where's the earnings risk for 2012

Some Qld CTP issues arising appear set to put a little bit of pressure on margins as regulator reduces price ceilings (at which nearly all market prices). This is a very profitable class for SUN and makes up 7% of its Group GWP so windback would be a headwind for the stock. 4% margin pressure on the class would be 0.28% headwind to margins at a Group level.

Price target and key recovery risks

Our June 2012 price target of \$10.73 per share is based on a discounted cash flow model, with an equity risk discount rate of 13%, franking credits being valued at 30% of face value, and a terminal growth rate of 3%. The method is consistent with all stocks in our coverage universe. Key risks to the Overweight recommendation include (1) consensus expectations being a little high for FY12, and (2) the Non-Core bank having trouble disposing of some of its troubled assets.

Suncorp Group Ltd (Reuters: SUN.AX, Bloomberg: SUN AU)

Year-end Jun (A\$)	FY09A	FY10A	FY11A	FY12E	FY13E
Net profit after tax (A\$ mn)	348.0	780.4	453.0	912.3	1,103.2
EPS (A\$)	0.315	0.615	0.353	0.709	0.858
P/E (x)	27.0	13.8	24.1	12.0	9.9
Dividend (A\$)	0.400	0.350	0.350	0.480	0.560
Net Yield (%)	4.7%	4.1%	4.1%	5.7%	6.6%
Franking (%)	100.0%	100.0%	100.0%	100.0%	100.0%
Normalised* Profit (A\$ mn)	745.0	836.4	637.6	1,029.1	1,196.7
Normalised* EPS (A\$)	0.675	0.659	0.497	0.800	0.930
Normalised* EPS chg (%)	-29.0%	-2.4%	-24.6%	61.1%	16.3%
Normalised* P/E (x)	12.6	12.9	17.1	10.6	9.1

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: A\$8.50

Price Target: A\$10.73

Australia

Insurance

Siddharth Parameswaran^{AC}

(61-2) 9220 1596

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Bloomberg JPMA PARAMESWARAN
<GO>

Uma Joshi

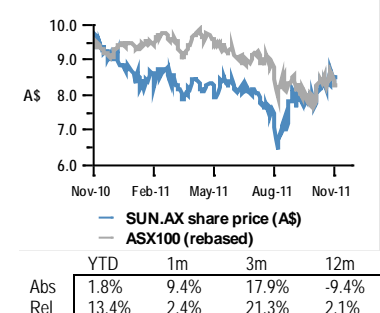
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J.P. Morgan Securities Australia Limited

Price Performance



Source: Bloomberg.

Company Data

52-week range (A\$)	9.76 - 6.03
Market capitalisation (A\$ bn)	10.94
Market capitalisation (\$ bn)	11.70
Fiscal Year End	Jun
Price (A\$)	8.50
Date Of Price	03 Nov 11
Shares outstanding (mn)	1,286.6
ASX100	3,402.9
ASX200-Ins	2,764.4
NTA/Sh (A\$)	6.44

Suncorp Metway: Summary of financials

Summary P&L - After Tax

(\$ millions)

	FY11A	1H12F	2H12F	FY12F	FY13F	FY14F
General Insurance	392	415	242	657	564	604
Banking - represented by:	84	78	100	178	262	295
Core	259	143	145	288	297	316
Non-Core	-175	-65	-45	-110	-35	-20
Life / Wealth Management	149	95	88	183	184	195
Other	0	0	0	0	0	0
Profit after tax from line of Business	625	588	430	1018	1010	1095
Inv Earnings Group Capital	13	20	13	33	26	26
Adjusted Profit	638	608	443	1051	1036	1121
Goodwill Amortisation	-149	-58	-58	-117	-93	-75
Net Other Items (inc Merger Implementation Costs) after Tax	-32	0	0	0	0	0
Minority Interests	-4	0	0	0	0	0
Reported Profit	453	550	385	934	942	1046
Earnings Contributions						
General Insurance	61%	68%	55%	62%	54%	54%
Banking	13%	13%	23%	17%	25%	26%
Life / Wealth Management & Other	25%	19%	23%	21%	20%	20%

Detailed Divisional P&L

(\$ millions)

	FY11A	1H12F	2H12F	FY12F	FY13F	FY14F
General Insurance						
Gross Written Premium (GWP)	7,280	3,733	3,894	7,627	7,936	8,253
Net Earned Premium (NEP)	6,277	3,321	3,464	6,786	7,060	7,342
Net Claims Expense	-4,750	-2,398	-2,470	-4,868	-5,059	-5,261
Operating Expenses	-1,623	-956	-991	-1,947	-1,922	-1,999
Underwriting Result	-96	-33	3	-30	79	83
Investment Income on Insurance Funds	508	507	266	773	549	571
Insurance Trading Result	412	474	270	743	628	653
Managed Scheme Net Income	18	15	16	31	33	35
Joint Venture Income	16	0	0	0	0	0
Investment Income - Shareholder Funds	206	141	101	243	225	254
Capital Funding	-89	-46	-46	-92	-92	-92
Other Net Revenue	0	0	0	0	0	0
Operating Profit Before Tax	563	584	341	925	794	851
Operating Profit After Tax	392	415	242	657	564	604
Banking (Total)						
Core Net Interest Income	837	450	458	909	946	1,001
Core Fee Income	101	49	52	101	110	114
Core Expenses	-492	-267	-279	-546	-581	-611
Core BDC	-51	-29	-24	-53	-50	-53
Core Pre Tax Profit	395	204	207	411	424	451
Non Core Net Interest Income	73	24	16	40	20	11
Non Core Fee Income	27	7	5	11	5	3
Non Core Expenses	-76	-27	-18	-45	-27	-16
Non Core BDC	-274	-97	-66	-163	-48	-26
Non Core Pre Tax Profit	-250	-93	-64	-156	-50	-29
Core Post Tax Profit	259	143	145	288	297	316
Non Core Post Tax Profit	-175	-65	-45	-110	-35	-20
Life / Wealth Management						
Life Insurance Operating Earnings	46	37	43	80	92	100
Funds Management Operating Earnings	55	18	18	36	37	38
Investment Income on Surplus Funds	48	41	27	68	55	58
Post Tax Profit	149	95	88	183	184	195
Per Share Ratios						
Reported EPS (cps)	35.3	43.1	30.2	72.6	73.2	81.3
Adjusted EPS (cps)	49.7	47.7	34.7	81.7	80.5	87.1
Net Asset Value per Share (AS)	10.98	11.23	11.37	11.37	11.66	11.98
Net Tangible Assets per share (AS)	5.98	6.28	6.46	6.46	6.82	7.19
Adjusted DPS (cps)	35.00	18.00	30.00	48.00	56.00	59.00

Shareholders Funds & Capital Position

(\$ millions)

	FY11A	FY12F	FY13F	FY14F
Assets				
Cash & Liquid Assets	1,271	1,401	1,545	1,703
Investments	28,966	31,935	35,208	38,817
Loans, Advances, Receivables	48,865	45,158	44,998	46,448
Reinsurance & Other Recoveries	8,054	8,054	8,054	8,054
Deferred Insurance Assets	671	671	671	671
Property, Plant & Equipment	351	351	351	351
Intangible Assets	6,310	6,193	6,100	6,025
Other Assets	1,000	973	952	937
Total Assets	95,488	94,736	97,880	103,007
Liabilities				
Deposits and ST Borrowings	38,858	35,896	35,769	36,927
Accounts Payable	2,224	2,405	2,602	2,814
Provisions	0	0	0	0
Deferred Tax Liabilities	0	0	0	0
Bonds, Notes, LT Borrowings	10,031	10,850	11,735	12,692
Subordinated Notes	1,524	1,524	1,524	1,524
Securitized Liabilities	3,532	3,675	3,823	4,056
Other Liabilities	25,301	25,872	27,544	29,701
Total Liabilities	81,470	80,222	82,997	87,715
Net Assets	14,018	14,514	14,883	15,293
Share Capital	12,662	12,662	12,662	12,662
Preference Share Capital	0	0	0	0
Reserves	33	33	33	33
Retained Profits	1,306	1,802	2,171	2,581
Outside Equity Interests	17	17	17	17
Total Equity	14,018	14,514	14,883	15,293

Key Operating Metrics

	FY11A	FY12F	FY13F	FY14F
General Insurance				
Claims Ratio	75.7%	71.7%	71.7%	71.7%
Expense Ratio	25.9%	28.7%	27.2%	27.2%
Combined Ratio	101.5%	100.4%	98.9%	98.9%
Insurance Margin	6.6%	11.0%	8.9%	8.9%
Growth in GWP	6.8%	4.8%	4.0%	4.0%
Growth in NEP	4.9%	8.1%	4.0%	4.0%
Banking				
Core NIM	1.90%	1.97%	1.97%	1.97%
Non Core NIM	0.38%	0.41%	0.41%	0.41%
Core BDDC / Non Housing GLA	0.00%	0.00%	0.00%	0.00%
Non Core BDDC / Non Housing GLA	2.88%	3.76%	1.98%	2.21%
Core Cost to Income Ratio	52.5%	54.1%	55.1%	54.8%
Non Core Cost to Income Ratio	76.0%	87.6%	108.8%	120.0%
Core Loan growth	5.8%	3.6%	4.2%	6.3%
Non Core Loan growth	-33.8%	-54.5%	-44.0%	-51.0%
Suncorp Life				
FUM	7,694	8,282	8,915	9,596
In-force Premiums	818	885	957	1,035
Life Insurance Margins on IF Premium	5.7%	9.4%	10.0%	10.0%
Wealth Operating Margins on FUM	0.34%	0.45%	0.43%	0.41%
Capital Position				
Group MCR multiple	1.37 (x)	1.43 (x)	1.48 (x)	1.51 (x)

Source: J.P. Morgan estimates, Company data.

Tambang Batubara Bukit Asam

ptba.co.id/en/home

Company description

PTBA is a state-owned company in which the Government of Indonesia owns 65%. The company's main coal mine is in Tanjung Enim, South Sumatra. PTBA also owns several mines in South Sumatra (Ombilin and Cerenti mines) and the IPC mine in Kalimantan. In total, PTBA's minable reserves stand at 1.9B tons. Currently, PTBA is embarking in on several projects that could increase its annual production volume from 15.0MM tons in FY11 to 40 MM tons by FY15E. Those projects are: (1) expansion of Tanjung Enim - Kertapati railways.; (2) Banjarsari mine mouth power plant project; (2 x 100MW); (3) Coal-bed methane project; (4) mine acquisitions in Kalimantan; (5) South Sumatra - Lampung railway projects; and (6) Adani railway - Tanjung Enim to Palembang.

Key drivers of performance in an equity market recovery

(1) Volume ramp-up from 15MM tons in FY11E to 18MM tons in FY12E. (2) 19% earnings growth in FY12E. (3) Potential higher coal price due to the economic recovery. (4) Continued progress in the construction of the existing PT Kereta Api railways. (5) Continued progress in the Transpacific railways and other projects (Banjarsari, etc). (6) Realization in Kalimantan acquisitions.

How much recovery has already been priced in, what are the key metrics?

We believe the share price is currently pricing in a potential decline in coal price. Given a potential recovery, coal price could recover in 2H11. The key metrics to watch for are the ASP realization of the sales to PLN (65% of volume) and volume delivery.

Where's the earnings risk for 2012?

The earnings risk could be downwards on the back of execution risk in term of volume delivery and lower-than-expected ASP.

Price target and key recovery risks

We maintain our OW rating and Jun-12 PT of Rp22,500 on the back of volume ramp up(from 15MM ton to 18Mm tons) in FY12E due to the realization of the expansion in PT Kereta Api railway. Our price target is derived using the SOTP method. The SOTP incorporated DCF value of each project that PTBA is embarking. The FY12E coal price used is US\$126 per ton and due to calorific value difference, PTBA's average overall ASP (excluding brisket) is forecasted to be at US\$97 per ton. The total cost per ton is forecasted to average US\$57 per ton. The DCF method is derived using a risk free rate of 7%, equity risk premium of 7.25% and terminal growth rate of 5.5%. We did not incorporate any value to PTBA's reserve. **Risks to our PT** are an execution risk such as project delay, and a decline in coal price.

Tambang Batubara Bukit Asam (Reuters: PTBA.JK, Bloomberg: PTBA IJ)

Rp in bn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rp bn)	8,948	7,909	13,309	17,369	22,696
Net Profit (Rp bn)	2,728	2,009	3,612	4,311	5,764
EPS (Rp)	1,183.53	871.63	1,567.40	1,870.56	2,500.98
DPS (Rp)	437.14	536.21	514.22	924.68	1,103.53
Revenue growth (%)	24.0%	-11.6%	68.3%	30.5%	30.7%
EPS growth (%)	59.7%	-26.4%	79.8%	19.3%	33.7%
ROCE	73.1%	38.1%	52.0%	45.0%	52.5%
ROE	56.2%	33.3%	47.6%	44.2%	47.6%
P/E	15.5	21.1	11.7	9.8	7.3
P/BV	7.4	6.6	4.8	4.0	3.1
EV/EBITDA	7.9	11.9	6.1	5.0	3.6
Dividend Yield	2.4%	2.9%	2.8%	5.0%	6.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rp18,350

Price Target: Rp22,500

Indonesia

Indonesia Coal Mining

Stevanus Juanda^{AC}

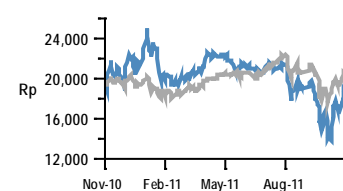
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Bloomberg JPMA JUANDA <GO>

PT. J.P. Morgan Securities Indonesia

Price Performance



	YTD	1m	3m	12m
Abs	-23.4%	9.2%	-14.3%	-6.1%
Rel	-25.1%	2.4%	-4.7%	-10.1%

Source: Bloomberg.

Company Data	
Shares O/S (mn)	2,304
Market Cap (Rp bn)	42,281
Market Cap (\$ mn)	4,796
Price (Rp)	18,350
Date Of Price	31 Oct 11
Free float (%)	35.0%
3-mth trading value (Rp mn)	82,361.02
3-mth trading value (\$ mn)	9.34
3-mth trading volume (bn)	0.00
JCI	3,791
Exchange Rate	8,815
Fiscal Year End	Dec

Tambang Batubara Bukit Asam: Summary of Financials

Income Statement						Cash flow statement					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	8,948	7,909	13,309	17,369	22,696	EBIT	3,548	2,304	4,986	6,180	8,463
% change Y/Y	24.0%	(11.6%)	68.3%	30.5%	30.7%	Depr. & amortization	80	59	70	78	90
EBITDA	3,628	2,364	5,056	6,257	8,553	Change in working capital	-152	249	-368	-130	-319
% change Y/Y	41.3%	-34.9%	113.9%	23.8%	36.7%	Taxes	-1033	-601	-1163	-1289	-1746
EBIT	3,548	2,304	4,986	6,180	8,463	Cash flow from operations	2,760	2,490	3,880	4,432	5,687
% change Y/Y	42.3%	NM	116.4%	23.9%	36.9%	Capex	-62	-488	-3,316	-2,479	-2,795
EBIT Margin	39.7%	29.1%	37.5%	35.6%	37.3%	Disposal/(purchase)	-	-	-	-	-
Net Interest	202	243	88	-85	-93	Net Interest	202	243	88	-85	-93
Earnings before tax	3,762	2,600	4,833	5,853	7,903	Other	-23	-311	-77	-84	-93
% change Y/Y	47.4%	-30.9%	85.9%	21.1%	35.0%	Free cash flow	2,698	2,002	564	1,953	2,892
Tax	-1,033	-601	-1,208	-1,463	-1,976	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	27.5%	23.1%	25.0%	25.0%	25.0%	Debt raised/(repaid)	14	-0	3,987	0	0
Net income (reported)	2,728	2,009	3,612	4,311	5,764	Other	-30	-109	-47	-85	-102
% change Y/Y	59.7%	-26.4%	79.8%	19.3%	33.7%	Dividends paid	-1,007	-1,236	-1,185	-2,131	-2,543
Shares outstanding	2,305	2,305	2,305	2,305	2,305	Beginning cash	3,042	4,709	5,054	6,512	6,092
EPS (reported)	1,183.53	871.63	1,567.40	1,870.56	2,500.98	Ending cash	4,709	5,054	6,512	6,092	6,206
% change Y/Y	59.7%	(26.4%)	79.8%	19.3%	33.7%	DPS	437.14	536.21	514.22	924.68	1,103.53
Balance sheet						Ratio Analysis					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	4,709	5,054	6,512	6,092	6,206	EBITDA margin	40.6%	29.9%	38.0%	36.0%	37.7%
Accounts receivable	1,491	997	1,564	1,884	2,398	Operating margin	39.7%	29.1%	37.5%	35.6%	37.3%
Inventories	410	424	600	746	915	Net margin	30.5%	25.4%	27.1%	24.8%	25.4%
Others	173	171	268	323	411	Sales per share growth	24.0%	(11.6%)	68.3%	30.5%	30.7%
Current assets	6,783	6,646	8,944	9,045	9,930	Sales growth	24.0%	(11.6%)	68.3%	30.5%	30.7%
LT investments	446	515	2,336	2,449	2,534	Net profit growth	59.7%	-26.4%	79.8%	19.3%	33.7%
Net fixed assets	372	794	4,041	6,443	9,148	EPS growth	59.7%	(26.4%)	79.8%	19.3%	33.7%
Total Assets	8,079	8,723	16,166	18,865	22,634	Interest coverage (x)	-	-	-	73.70	92.41
Liabilities						Net debt to equity	-82.4%	-79.2%	-28.5%	-19.6%	-16.3%
Short-term loans	14	13	0	0	0	Sales/assets	1.26	0.94	1.07	0.99	1.09
Payables	58	60	85	106	130	Assets/equity	1.93	2.19	2.04	2.10	2.13
Others	1,309	1,074	1,522	1,892	2,320	ROE	56.2%	33.3%	47.6%	44.2%	47.6%
Total current liabilities	1,381	1,148	1,607	1,998	2,450	ROCE	73.1%	38.1%	52.0%	45.0%	52.5%
Long-term debt	0	0	4,000	4,000	4,000						
Other liabilities	912	1,134	1,575	1,948	2,372						
Total Liabilities	2,293	2,281	7,182	7,946	8,822						
Shareholders' equity	5,701	6,367	8,804	10,687	13,531						
BVPS	2,473.75	2,762.44	3,819.95	4,636.89	5,871.13						

Source: Company reports and J.P. Morgan estimates.

Tata Consultancy Services

www.tcs.com

Company description

TCS is Asia's largest IT services company with significant experience across vertical domains (BFSI, manufacturing, telecom, energy & utilities and healthcare) and technology platforms. TCS serves 1000+ clients. It has the widest portfolio of service offerings in the Indian IT space and its skill-set straddles the entire IT services value chain – from pure IT outsourcing to traditional application development and maintenance to package implementation to consulting assignments to complex turnkey projects to BPO.

Key drivers of performance in an equity market recovery

TCS has unmatched full-service positioning with specific focus on 'bread-and-butter' service lines such as ADM, testing, infrastructure management, which constitute more than 70% of total IT services spending. Moreover, TCS is highly proactive in playing in relatively less addressed and new markets/themes such as SMB (small and medium businesses) to drive revenue growth. TCS' versatile business model is likely help the company gain market share in the future quarters.

How much recovery has already been priced in, what are the key metrics?

The stock is currently trading at ~18x one year forward P/E multiple, which is meaningfully below historical average of ~20x. However, TCS is structurally a better company than before substantiated by superior revenue growth and meaningful margin improvement in the last several quarters; hence deserving a higher (than historical) multiple. We believe that current stock price reflects low-to-mid teens earnings growth expectation for FY13/CY12, which appears relatively conservative compared to TCS' recent performance. The stock has decent upside, in our view, given macro environment holds/improves and demand environment remains healthy.

Where's the earnings risk for 2012?

The key risk for TCS' earnings is meaningful decline in IT spending due to macro weakness/event. Pricing decline, meaningful rupee appreciation and supply-side pressures are the other key risks for earnings.

Price target and key recovery risks

We are OW on TCS with Mar-12 price target of Rs 1,210, which is based on a one year forward P/E multiple of 19.0x, a modest premium to Infosys' target multiple of 18x. TCS has exhibited a much better revenue growth profile over the last several quarters than Infosys; top-line growth has been accompanied by improved profitability, which we believe justifies the premium. The risk to our price target is weakness in demand environment, significant rupee appreciation and increase in supply side pressures.

Bloomberg TCS IN, Reuters TCS.BO

(Year-end Mar, Rs mn)	FY10	FY11	FY12E	FY13E	FY10	FY11	FY12E	FY13E				
Revenue	300,288	373,245	482,199	562,370	ROE(%)	36.8	37.0	36.0	32.6	52-Week range	1,247.00 - 902.00	
Operating Profit	79,590	104,769	133,052	152,305	CORE ROIC(%)	44.5	48.7	46.8	45.7	Share Out. (Com)	1,957MN	
EBITDA	83,975	109,692	139,409	159,994	Quarterly EPS (Rs)	1Q	2Q	3Q	4Q	Market Cap	2,183.87BN	
Net profit (Reported)	68,727.8	87,163.6	106,310.8	124,188.6	EPS (12) E	12.16	12.46	14.80	15.03	Market Cap(US)	US\$44,782MN	
EPS	35.12	44.53	54.32	63.45	EPS (13) E	14.34	15.29	16.41	17.41	Free float	23.5%	
P/E (x)	31.8	25.1	20.5	17.6	Local	1M	3M	12M		Avg daily val (Rs)	236MN	
EV/EBITDA (x)	9.6	7.3	5.3	4.2	Abs. Perf.(%)	-	-	-		Dividend Yield	1.2%	
Cash	46,774	50,905	111,230	182,237	Rel. Perf.(%)	(0.9%)	0.3%	18.3%		Index	5,361	
Equity	213,568	257,191	332,801	429,369	Target Price (31 Mar 12)				Rs	1210.00	Exchange rate	48.77

Source: Company data, Bloomberg, J.P. Morgan estimates. Share price as of close of 16 November 2011.

Overweight

Price: Rs1,115.80

Price Target: Rs1,210.00

India

Technology, Software & IT services

Viju K George^{AC}

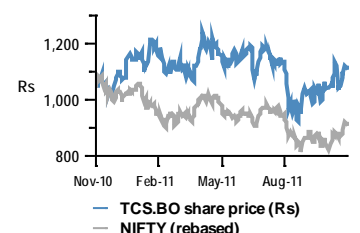
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Bloomberg JPMA VGEOGE <GO>

J.P. Morgan India Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-4.3%	7.6%	-1.7%	5.9%
Rel	8.9%	-0.2%	1.7%	18.8%

Source: Bloomberg.

Tata Consultancy Services: Summary of Financials

Profit and Loss Statement					Ratio Analysis						
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Revenues	278,129	300,288	373,245	482,199	562,370	Gross margin	44.5%	46.2%	45.3%	45.5%	44.7%
Cost of goods sold	154,420	157,678	185,562	219,776	311,161	EBITDA margin	25.0%	28.0%	29.4%	28.9%	28.4%
Gross Profit	123,709	138,660	168,948	219,355	251,209	Operating margin	23.7%	26.5%	28.1%	27.6%	27.1%
R&D expenses	0	0	0	0	0	Net margin	18.6%	22.9%	23.4%	22.1%	22.1%
SG&A expenses	-57,694	-59,069	-64,180	-86,303	-98,904	R&D/sales	0.0%	0.0%	0.0%	0.0%	0.0%
Operating profit (EBIT)	66,015	79,590	104,769	133,052	152,305	SG&A/Sales	20.7%	19.7%	17.2%	17.9%	17.6%
EBITDA	69,520	83,975	109,692	139,409	159,994						
Interest income	1,041	2,097	5,085	8,061	12,586	Sales growth	23.4%	8.0%	24.3%	29.2%	16.6%
Interest expense	-523	-536	-774	-207	0	Operating profit growth	29.4%	20.6%	31.6%	27.0%	14.5%
Investment income (Exp.)	518	1,561	4,310	7,854	12,586	Net profit growth	3.5%	32.9%	26.8%	22.0%	16.8%
Non-operating income (Exp.)	-4,672	2,255	5,324	7,850	12,586	EPS (reported) growth	3.5%	32.9%	26.8%	22.0%	16.8%
Earnings before tax	61,343	81,846	110,093	140,902	164,890						
Tax	-9,011	-12,088	-21,739	-33,570	-39,574	Interest coverage (x)	-	-	-	-	-
Net income (reported)	51,720.5	68,727.8	87,163.6	106,310.8	124,188.6	Net debt to total capital	-3.7%	-22.6%	-21.3%	-35.0%	-45.2%
Net income (adjusted)	52,332	69,757	88,354	107,333	125,317	Net debt to equity	-3.5%	-20.3%	-19.7%	-31.4%	-40.8%
EPS (reported)	26.43	35.12	44.53	54.32	63.45	Asset turnover	1.38	1.20	1.24	1.28	1.18
EPS (adjusted)	26.74	35.64	45.14	54.84	64.03	Working capital turns (x)	8.04	7.07	6.39	5.85	5.76
BVPS	79.98	107.05	129.80	167.70	217.04	ROE	36.2%	36.8%	37.0%	36.0%	32.6%
DPS	8.22	23.52	9.41	12.94	14.11	ROIC	42.5%	44.5%	48.7%	46.8%	45.7%
Shares outstanding	1,957	1,957	1,957	1,957	1,957	ROIC (net of cash)	-	-	-	-	-
Balance sheet					Cash flow statement						
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Cash and cash equivalents	13,440	46,774	50,905	111,230	182,237	Net income	51,720.5	68,727.8	87,163.6	106,310.8	124,188.6
Accounts receivable	60,463	58,098	82,016	114,166	132,013	Depr. & amortization	3,505	4,385	4,924	6,357	7,689
Inventories	14,814	12,011	13,489	22,006	25,446	Change in working capital	2,110	-2,758	-16,194	-30,563	-15,251
Others	21,037	23,237	22,536	30,070	34,770	Other	0	0	0	0	0
Current assets	109,753	140,120	168,946	277,473	374,466	Cash flow from operations	57,946	71,384	77,084	83,126	117,754
LT investments	-	-	-	-	-	- Capex	0	0	0	0	0
Net fixed assets	37,495	41,706	51,996	62,152	66,464	Disposal/(purchase)	0	0	0	0	0
Others	-	-	-	-	-	- Cash flow from investing	-	-	-	-	-
Total Assets	226,858	274,546	327,883	424,083	531,388	Free cash flow	57,946	71,384	77,084	83,126	117,754
Liabilities						Equity raised/(repaid)	0	0	0	0	0
ST Loans	5,151	34	328	6,810	6,810	Debt raised/(repaid)	1,798	-4,496	-3,050	6,479	-0
Payables	0	0	0	0	0	Other	1,170	3,912	2,164	-3,114	-1,128
Others	56,558	50,834	59,335	76,973	87,708	Dividends paid	-16,094	-46,034	-18,413	-25,318	-27,620
Total current liabilities	61,709	50,868	59,663	83,783	94,519	Cash flow from financing	-16,316	-16,345	-43,518	-28,771	-28,748
Long-term debt	2,762	3,383	39	35	35						
Other liabilities	2,743	6,727	10,991	7,465	7,465	Net change in cash	3,065	33,334	4,131	60,326	71,006
Total Liabilities	67,214	60,978	70,692	91,283	102,019	Beginning cash	10,376	13,440	46,774	50,905	111,230
Shareholders' equity	159,644	213,568	257,191	332,801	429,369	Ending cash	13,440	46,774	50,905	111,230	182,237

Source: Company reports and J.P. Morgan estimates.

Tata Motors

www.tatamotors.com

Company description

Tata Motors is one of India's largest auto OEM's, with a dominant presence in the CV segment (it has a market share of c.60%). Besides, it also manufactures passenger cars and utility vehicles. The company has acquired the British luxury OEM - Jaguar Land Rover (JLR), which manufactures luxury cars & SUVs for the global markets. International sales now account for c.60% of Tata Motors consolidated sales.

Key drivers of performance in an equity market recovery

We expect the ramp up of the recently launched 'Evoque' to be a key driver of earnings in 2012. Management has highlighted that the product has potential to achieve annual sales of c.80,000-100,000 units (which is c.30% of total volumes). Further, JLR is scaling up its distribution network in China - this market currently accounts for c.15% of volumes and is likely to witness healthy growth over the near term, given the demand for luxury SUV's. JLR is ramping up its distribution network here, given that it has been a late entrant in this high growth market. We expect sales growth in the Indian market to pick up in 2012, given a potential rise in infrastructure investments.

How much recovery has already been priced in, what are the key metrics

The stock currently trades at a c.10% discount to its last two year average forward PE multiple. Higher than expected industry growth, driven by its new product line up, along with a pick up in global growth will likely warrant a re-rating. Further, we think Tata Motors is better positioned in the current cycle (as compared to the prior cycle) as it has significantly improved its gearing ratios and liquidity position, driven by healthy cash flow generation at JLR, equity fund raising and loan refinancing.

Where's the earnings risk for 2012

Earnings risk for 2012 could come from a slowdown in China and unfavorable currency movements. Furthermore, a delayed recovery in India could impact earnings.

Price target and key recovery risks

We have a Sum of the parts based Mar'12 target price of Rs203. We value JLR on 3x EV/EBITDA (at c.20% discount to global luxury OEMs) and the core business at 7.5x EV/EBITDA. Key risks are a sharp slowdown in the developed markets, adverse currency movements and slower growth in domestic markets.

Tata Motors Ltd (Reuters: TAMO.BO, Bloomberg: TTMT IN)

Rs in mn, year-end Mar	FY09A	FY10A	FY11A	FY12E	FY13E
Sales-standalone (Rs mn)	254,712	355,931	480,405	527,358	596,664
Sales-Consolidated (Rs mn)	709,389	925,193	1,231,333	1,406,844	1,522,126
Net Profit (Rs mn)	10,011	22,402	18,118	16,676	19,958
Net profit - Consolidated (Rs mn)	-22,338	28,476	90,888	92,854	98,524

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price:Rs 188.10

Price Target: Rs203.20

India

Autos

Aditya Makharia^{AC}

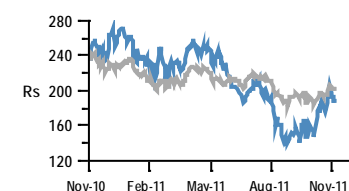
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Bloomberg JPMA MAKHARIA <GO>

J.P. Morgan India Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-27.9%	22.9%	1.7%	-20.4%
Rel	-13.7%	14.3%	4.3%	-5.9%

Source: Bloomberg.

Company Data

52-week Range (Rs)	276.40 - 137.55
Shares O/S (mn)	2,692
Market cap (\$ mn)	10,309
Price (Rs)	188.10
Date Of Price	04 Nov 11
3mth Avg daily volume	19.02
Average 3m Daily Turnover (\$ mn)	63.80
NIFTY	5,284

Tata Motors: Summary of Financials

Income Statement					Cash flow statement				
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E
Revenues	355,931	480,405	527,358	596,664	EBIT	31,446	34,105	30,761	36,202
% change Y/Y	39.7%	35.0%	9.8%	13.1%	Depr. & amortization	10,339	13,608	15,030	16,676
EBITDA	41,785	47,713	45,791	52,879	Dec/(Inc) in Working Capital	46,560	-34,694	20,448	4,285
% change Y/Y	167.4%	14.2%	-4.0%	15.5%	Taxes	533	1299	-4433	-6653
EBITDA margin	11.7%	9.9%	8.7%	8.9%	Cash flow from operations	85,662	15,234	62,986	51,798
Other Income	517	1,833	2,423	2,665	Extra ordinary Items	9,508	0	0	0
Depreciation	-10,339	-13,608	-15,030	-16,676	Others	-2,293	146	-76	0
EBIT	31,446	34,105	30,761	36,202	Net Capex	-	-	-	-
Net Interest	-11,038	-11,440	-10,931	-10,879	Net Interest (Paid)/ Recd	-11,038	-11,440	-10,931	-10,879
Earnings before tax	28,297	21,965	21,109	26,610	Free cash flow	85,662	15,234	62,986	51,798
Tax	-5,895	-3,847	-4,433	-6,653	Income from Investments	-	-	-	-
as % of EBT	20.8%	17.5%	21.0%	25.0%	-(Inc) / Dec in LT Investment	-	-	-	-
Exceptionals	-	-	-	-	Equity raised/ (repaid)	14,870	47,030	-0	0
Net income (Adjusted)	22,402	18,118	16,676	19,956	Debt raised/(repaid)	32,963	-7,273	0	0
% change Y/Y	123.8%	-19.1%	-8.0%	19.7%	Other	-93,688	-2,873	0	0
Shares Outstanding	571	638	638	638	Dividends paid	-3,457	-9,919	-14,670	-14,361
EPS (adjusted)	39.26	28.41	26.15	31.29	Cash generated	6,114	6,757	12,385	1,558
% change Y/Y	101.6%	-27.6%	-8.0%	19.7%	Beginning cash	11,418	17,533	24,289	36,674
					Ending cash	17,532	24,290	36,674	38,231
Balance sheet					Ratio Analysis				
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	% , year end Mar	FY10	FY11	FY12E	FY13E
Cash and cash equivalents	17,533	24,289	36,674	38,231	EBITDA margin	11.7%	9.9%	8.7%	8.9%
Accounts receivable	23,919	26,029	38,812	43,923	Net profit margin	6.3%	3.8%	3.2%	3.3%
Inventories	29,356	38,914	45,999	52,057	Sales growth	39.7%	35.0%	9.8%	13.1%
Others	44,572	51,674	59,424	68,338	EPS growth	101.6%	-27.6%	-8.0%	19.7%
Current assets	115,380	140,906	180,909	202,549	PE (x)	7.0	6.1	7.2	6.0
LT Investments	223,369	226,242	226,242	226,242	EV/EBITDA (x)	13.9	11.8	12.1	10.4
Net fixed assets	164,361	174,756	184,726	193,050	ROE	10.7%	10.1%	8.7%	10.1%
Total Assets	504,727	541,905	591,977	621,941	ROCE	10.7%	10.1%	8.7%	10.1%
Liabilities					Consolidated				
Payables	128,634	113,587	158,122	178,944	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E
Others	45,092	48,965	52,188	55,733	Sales Consolidated	925,193	1,231,333	1,406,844	1,522,126
Total current liabilities	173,726	162,552	210,310	234,677	Net Profit Consolidated	28,476	90,888	92,854	98,524
Total debt	166,260	158,988	158,988	158,988	EPS Consolidated	51.1	142.5	145.6	154.5
Other liabilities	15,086	20,232	20,232	20,232	PE (x) Consolidated	15.7	5.6	5.5	5.2
Total Liabilities	355,072	341,772	389,529	413,897	ROE Consolidated	35.5%	48.4%	34.4%	27.8%
Shareholders' equity	149,655	200,133	202,448	208,044	Net debt to Equity Consolidated	4.3	1.7	1.4	1.1
BVPS	262.28	313.83	317.46	326.24					

Source: Company reports and J.P. Morgan estimates.

Tenaga

www.tnb.com.my

Company description

Tenaga is Malaysia's national utility for Peninsula Malaysia and Sabah in East Malaysia. It holds the monopoly in distribution and transmission, and a 50% market share of the grid's generation capacity with the remaining controlled by the IPPs.

Key drivers of performance in an equity market recovery

We believe the recovery of gas supplies from Petronas (Bekok) will play an important role in share price performance over the next six months. Recall that the company suffered a total additional fuel cost of M\$2.5B from burning of oil, distillate and coal in the last two quarters because of this issue. In addition, the long-awaited tariff review (this coming December) should be another important share price driver. The current tariff only reflects coal price of US\$85/ton, vs. the actual coal price of US\$117/ton in the latest quarter.

How much recovery has already been priced in, what are the key metrics?

We believe the market has yet to price in any potential upside from (1) potential tariff increase, and (2) recovery of gas curtailment as evidenced by the weak share price performance. Our base case assumptions are that (1) Tenaga will not obtain any compensation from the IPPs / the Government due to the gas curtailment, (2) there will be no tariff increases, and (3) gas supplies will recover to 1,050 mm scfd for FY12, compared to management guidance of 1,150 mmscfd.

Where's the earnings risk for 2012?

Earnings risks include slower-than-expected recovery of gas curtailment issues, slower-than-expected tariff increases, and higher-than-expected coal costs.

Price target and key recovery risks

As the stock is still trading near its trough at a P/BV of 1x, we believe downside risk is limited. Our Dec-12 PT of M\$6.50 is based on a 10-year DCF assuming a WACC of 8% and a 2.5% terminal growth. Key downside risks to our PT are a faster-than-expected increase in coal costs and longer-than-expected gas curtailment.

Tenaga Nasional Bhd (Reuters: TENA.KL, Bloomberg: TNB MK)

M\$ in mn, year-end Aug	FY09A	FY10A	FY11A	FY12E	FY13E
Revenue (M\$ mn)	28786	30317	32207	34820	35960
Reported Net Profit (M\$ mn)	918	3,202	500	2,217	2,759
FD EPS (M\$)	0.17	0.59	0.09	0.41	0.51
Net DPS (M\$)	0.10	0.01	0.04	0.10	0.13
Revenue growth (%)	11.8%	5.3%	6.2%	8.1%	3.3%
FD EPS growth (%)	-64.6%	248.8%	-84.4%	344.0%	24.5%
ROE (%)	3.6%	11.4%	1.7%	7.1%	8.3%
ROCE (%)	7.6%	8.4%	2.3%	7.1%	7.5%
Adj P/E (x)	14.6	12.3	106.9	14.2	11.4
P/B (x)	1.2	1.0	1.0	1.0	0.9
EV/EBITDA (x)	7.3	6.1	9.9	6.4	6.0
Net Div yield (%)	1.7%	0.2%	0.8%	1.8%	2.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: M\$5.76

Price Target: M\$6.50

Malaysia

Electric Utilities

Hoy Kit Mak ^{AC}

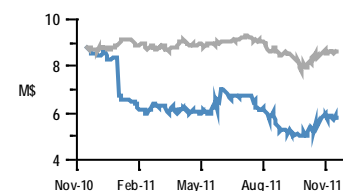
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Bloomberg JPMA MAK <GO>

JPMorgan Securities (Malaysia) Sdn. Bhd.(18146-X)

Price Performance



	YTD	1m	3m	12m
Abs	-14.4%	3.4%	-2.0%	-34.3%
Rel	-10.7%	2.6%	-0.6%	-32.5%

Source: Bloomberg.

Company Data

Shares O/S (mn)	5,457
Market cap (M\$ mn)	31,430
Market cap (\$ mn)	10003
Price (M\$)	5.76
Date Of Price	16 Nov 11
Free float (%)	40.6%
3mth Avg daily volume	4.23
3M - Average daily Value (M\$ mn)	22.92
Average 3m Daily Turnover (\$ mn)	7.73
FBMKLCI	1,477
Exchange Rate	3.14
Fiscal Year End	Aug

Tenaga: Summary of Financials

Income Statement						Cash flow statement					
M\$ in millions, year end Aug	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Aug	FY10	FY11	FY12E	FY13E	FY14E
Revenues	30,317	32,207	34,820	35,960	37,362	Op profit before forex loss/(gain)	4,180	1,156	3,594	3,921	4,158
% change YY	5.3%	6.2%	8.1%	3.3%	3.9%	Depr. & amortization	3,950	4,041	4,456	4,716	5,028
EBITDA before forex gain/loss	8,130	5,197	8,049	8,637	9,186	Change in working capital	-2,248	-708	-250	-109	-134
% change YY	12.0%	-36.1%	54.9%	7.3%	6.4%	Taxes	-823	-40	-554	-690	-736
EBITDA margin	26.8%	16.1%	23.1%	24.0%	24.6%	Others	382	532	485	485	485
Op profit before forex gain/loss	4,180	1,156	3,594	3,921	4,158	Operating Cashflow	5,441	4,981	7,730	8,323	8,323
% change YY	13.0%	NM	210.9%	9.1%	6.1%	Capex	-4,258	-4,500	-5,500	-7,000	-6,500
EBIT Margin	13.8%	3.6%	10.3%	10.9%	11.1%	Disposal/(purchase)	-	-	-	-	-
Net Interest	-689	-296	-505	-512	-520	Interest Expense	-1,071	-828	-990	-997	-1,005
Earnings before tax	4,021	402	2,771	3,449	3,678	Other	-	-	-	-	-
% change YY	160.5%	-90.0%	589.7%	24.4%	6.7%	Free cash flow	113	-347	1,240	325	818
Tax	-823	-40	-554	-690	-736	Equity raised/(repaid)	-	-	-	-	-
as % of EBT	20.5%	10.0%	20.0%	20.0%	20.0%	Debt raised/(repaid)	-1,352	-2,210	0	-1,727	-1,727
Core Net Income	2,546	294	2,217	2,759	2,943	Other	2,680	-3,643	-887	-120	730
% change YY	18.0%	-88.5%	655.1%	24.4%	6.7%	Dividends paid	-546	-137	-154	-560	-700
Shares outstanding	5,451	5,451	5,451	5,451	5,451	Beginning cash	6,216	8,383	4,245	4,431	4,063
FD EPS (core) - M\$	0.47	0.05	0.41	0.51	0.54	Ending cash	8,464	4,255	4,443	4,075	4,910
% change YY	18.0%	-88.5%	654.6%	24.5%	6.7%	DPS - M\$	0.01	0.04	0.10	0.13	0.14
Balance sheet						Ratio Analysis					
M\$ in millions, year end Aug	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Aug	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	8,464	4,255	4,443	4,075	4,910	EBITDA margin	26.8%	16.1%	23.1%	24.0%	24.6%
Accounts receivable	5,200	6,022	6,511	6,724	6,986	Operating margin	13.8%	3.6%	10.3%	10.9%	11.1%
Inventories	2,450	2,646	2,861	2,954	3,069	Net profit margin	10.6%	1.6%	6.4%	7.7%	7.9%
Others	39	291	-	0	0	SG&A/sales	-	-	-	-	-
Current assets	16,115	12,923	13,815	13,753	14,966	Sales per share growth	5.3%	6.2%	8.1%	3.3%	3.9%
LT investments	871	1,119	992	1,029	1,066	Sales growth	5.3%	6.2%	8.1%	3.3%	3.9%
Net fixed assets	58,895	60,570	61,614	63,898	65,370	Net profit growth	248.8%	-84.4%	343.8%	24.4%	6.7%
Total Assets	75,881	74,611	76,420	78,680	81,402	EPS growth	248.6%	(84.4%)	344.0%	24.5%	6.7%
Liabilities						Interest coverage (x)	11.81	17.57	15.93	16.86	17.67
Short-term loans	3,163	1,727	1,727	1,727	1,727	Net debt to total capital	25.6%	29.4%	29.1%	28.6%	25.9%
Payables	6,549	6,823	6,485	6,683	6,926	Net debt to equity	42.5%	49.0%	45.3%	43.5%	38.6%
Others	-	-	-	-	-	Sales/assets (x)	0.41	0.43	0.46	0.46	0.47
Total current liabilities	9,712	8,550	8,212	8,410	8,653	Assets/equity (x)	2.70	2.61	2.37	2.28	2.22
Long-term debt	18,101	17,327	17,327	17,327	17,327	ROE	11.4%	1.7%	7.1%	8.3%	8.3%
Other liabilities	17,923	18,554	18,638	18,502	18,738	ROCE	8.4%	2.3%	7.1%	7.5%	7.6%
Total Liabilities	45,736	44,431	44,178	44,239	44,718	ROA	4.4%	0.7%	2.9%	3.6%	3.7%
Shareholders' equity	30,145	30,180	32,243	34,441	36,684						
BVPS - M\$	5.53	5.54	5.92	6.32	6.73						

Source: Company reports and J.P. Morgan estimates.

Tencent

www.tencent.com/

Company description

Tencent is a leading internet media company in China. The company's QQ IM software has more than 600 million active users in China, making it the largest online community in China. Tencent operates one of the most visited portals in China, QQ.com (second only to Baidu in terms of traffic), China's No 1 social networking website, Qzone, and a popular casual gaming portal, QQ Games. It is also a leading player in advanced casual game and MMORPG game segments.

Key drivers of performance in an equity market recovery

1) Potential upside in gaming revenue, with new title (League of Legend in 2H11) and Blade & Soul in mid-2012; 2) new open-platform applications across QQ products, which also creates synergies in the QQ ecosystem; 3) better-than-expected ad growth with online video and targeted advertising; and 4) mobile-related services (a likely medium-term driver).

How much recovery has already been priced in, what are the key metrics?

We don't believe investors have factored in a strong correlation between games and macro slowdown. As such, the stock has not reflected market-recovery driven upside.

Where's the earnings risk for 2012?

1) Higher-than-expected costs from investments in open platform, Tencent Microblog, eCommerce, search, mobile platform, online videos and online security services; 2) revenue growth slowdown from older game revenue.

Price target and key recovery risks

Our Dec-12 PT is HK\$230, as we expect the stock to trade at 1x PEG. Our FY12 adjusted EPS estimate is Rmb7.42. Our DCF-based PT implies 25.4x FY12E, and 20.2x FY13E adj. EPS, on the back of 26.6%/26% 12E/13E EPS growth. We advise investors to accumulate on the recent weakness, as we expect Tencent to become a dominant player in the fast growing mobile internet market. Key recovery risks include possible regulatory changes and longer-than-expected investment return period.

Bloomberg 700 HK, Reuters 0700.HK

(Year-end Dec, Rmb mn)	FY10	FY11E	FY12E	FY13E	FY10	FY11E	FY12E	FY13E			
Net Sales	19,646.0	28,355.1	35,868.7	44,144.9	ROE(%)	47	41	37	34	52-Week range	230.80 - 139.90
Operating Profit (EBIT)	9,544.2	11,596.6	15,173.5	19,317.9	ROIC(%)	42	33	31	29	Shares Outstg	1,834MN
EBITDA	10,818.0	14,055.5	17,370.5	21,799.5	Cash	22,134.0	20,295.2	32,258.1	47,370.8	Market Cap(US)	US\$38,932.47MN
Pre Tax Profit	9,837.4	12,445.0	15,925.4	20,465.7	Equity	21,756.9	28,558.7	41,601.8	58,198.3	Free float	51.5%
Reported Net profit	8,053.6	10,322.3	13,140.0	16,999.2	Qtr GAAP EPS (Rmb)	1Q	2Q	3Q	4Q	Avg daily vol.	6.0MM shares
Reported EPS (Rmb)	4.33	5.52	6.92	8.86	EPS (10)	0.96	1.03	1.16	1.18	Avg daily val (HK\$)	1,041.71MN
P/E (x)	30.0	23.6	18.8	14.7	EPS (11) E	1.54	1.26	1.31	1.41	Dividend Yield	0.4%
Adj. EPS (Rmb)*	4.66	5.86	7.42	9.35	EPS (12) E	1.56	1.68	1.79	1.88	Index (NASD)	20,014
Adj. P/E (X)	27.9	22.2	17.5	13.9		1M	3M	12M		Price Target	230.00
EV/EBITDA (x)	22.5	16.6	13.3	10.6	Abs. Perf.(%)	-2.6%	-9.6%	-8.3%		Price Date	10 Nov 11
P/B (x)	10.9	8.4	5.9	4.2	Rel. Perf.(%)	-15.6%	(13.1%)	10.7%			
Y/E BPS (Rmb)	11.89	15.44	22.26	30.81							

Source: Company, J. P. Morgan estimates, Bloomberg. *Note: Excluding share-base compensation, amortization from acquisition and one-time items.

Overweight

Price: HK\$159.40

Price Target: HK\$230.00

China

Internet

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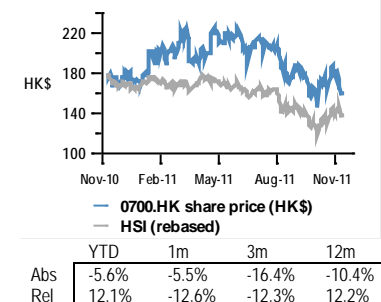
Bloomberg JPMA WEI <GO>

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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Tencent: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	12,440.0	19,646.0	28,355.1	35,868.7	44,144.9	Gross margin	68.7%	67.8%	64.9%	64.8%	65.3%
Cost of goods sold	3,889.5	6,320.2	9,944.7	12,624.7	15,335.9	EBITDA margin	54.7%	55.1%	49.6%	48.4%	48.3%
Gross Profit	8,550.5	13,325.8	18,410.4	23,244.0	28,809.1	Operating margin	47.8%	48.6%	40.9%	42.3%	43.8%
S&M Expenses	-581.5	-945.4	-1,605.2	-1,972.8	-2,428.0	Net margin	41.4%	41.0%	36.4%	36.6%	38.5%
G&A Expenses	-2,026.3	-2,836.2	-5,208.6	-6,097.7	-7,063.2	S&M/sales	4.7%	4.8%	5.7%	5.5%	5.5%
Others	0.0	0.0	0.0	0.0	0.0	G&A/Sales	16.3%	14.4%	18.4%	17.0%	16.0%
Operating profit (EBIT)	5,942.7	9,544.2	11,596.6	15,173.5	19,317.9	Sales growth	73.9%	57.9%	44.3%	26.5%	23.1%
EBITDA	6,801.3	10,818.0	14,055.5	17,370.5	21,328.2	Operating profit growth	89.6%	60.6%	21.5%	30.8%	27.3%
Interest income	77.8	294.0	807.4	751.9	1,147.8	Net profit growth	85.2%	56.2%	28.2%	27.3%	29.4%
Investment income (Exp.)	0.0	0.0	0.0	0.0	0.0	Diluted EPS growth	84.8%	55.1%	27.4%	25.3%	28.2%
Non-operating income (exp.)	-2.0	-0.8	41.0	0.0	0.0	Net debt to total capital	-90.1%	-62.2%	-35.8%	-50.7%	-60.9%
Earnings before tax	6,018.5	9,837.4	12,445.0	15,925.4	20,465.7	Net debt to equity	-91.6%	-77.4%	-45.1%	-59.7%	-68.7%
Tax	-819.1	-1,797.9	-1,948.2	-2,459.5	-3,140.6	Asset turnover	0.91	0.74	0.67	0.63	0.59
Net income (Reported)	5,155.6	8,033.6	10,322.3	13,140.0	16,999.2	Working capital turns (x)	1.91	1.88	2.37	2.07	1.45
Net income (adjusted)	5,609.0	8,658.8	10,958.3	14,101.9	17,930.3	ROE	53.7%	47.5%	41.0%	37.5%	34.1%
Diluted Reported EPS (Rmb)	2.79	4.33	5.52	6.92	8.86	ROIC	55.8%	42.1%	32.6%	30.5%	28.8%
Adj. Diluted EPS* (Rmb)	3.04	4.66	5.86	7.42	9.35						
BPS (Rmb)	6.73	11.89	15.44	22.26	30.81						
DPS (Rmb)	0.35	0.48	0.56	0.71	0.91						
Diluted shares outstanding (MM)	1,844.89	1,858.17	1,869.45	1,899.61	1,917.63						
Balance sheet						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	11,354	22,134	20,295	32,258	47,371	Net income	5,155.6	8,033.6	10,322.3	13,140.0	16,999.2
Accounts receivable	1,229	1,715	2,538	3,160	3,877	Depr. & amortization	537	778	1,827	1,726	2,010
Inventories	0	0	0	0	0	Change in working capital	1,833	1,926	-3,146	354	356
Others	574	1,524	6,044	7,470	9,161	Other	365	482	806	797	797
Current assets	13,157	25,374	28,877	42,888	60,409	Cash flow from operations	7,891	11,239	9,810	16,017	20,162
LT investments	972	5,272	8,573	8,573	8,573	Capex	-943	-2,586	-8,615	-3,160	-3,850
Net fixed assets	2,623	3,680	5,851	7,285	9,124	Other investing cashflow	-584	-4,300	-3,301	0	0
Others LT assets	753	1,505	6,121	6,121	6,121	Cash flow from investing	-1,526	-6,886	-11,916	-3,160	-3,850
Total Assets	17,506	35,830	49,423	64,867	84,228	Free cash flow	6,949	8,653	1,194	12,857	16,313
Liabilities						Equity raised/(repaid)	255	1,808	-2,401	746	826
ST Loans	202	5,299	7,407	7,407	7,407	Debt raised/(repaid)	202	5,097	2,108	0	0
Payables	697	1,380	2,138	2,631	3,196	Other	43	401	1,593	-326	-326
Others	3,664	6,343	7,781	9,690	11,889	Dividends paid	-639	-879	-1,032	-1,314	-1,700
Total current liabilities	4,563	13,022	17,327	19,728	22,492	Cash flow from financing	-140	6,427	268	-894	-1,200
Long-term debt	0	0	0	0	0	Net change in cash	6,225	10,780	-1,839	11,963	15,113
Other liabilities	764	1,051	3,537	3,537	3,537	Net Effect of Exch. Rate Chg.	0	0	0	0	0
Total Liabilities	5,327	14,073	20,864	23,265	26,030	Beginning cash	5,129	11,354	22,134	20,295	32,258
Shareholders' equity	12,179	21,757	28,559	41,602	58,198	Ending cash	11,354	22,134	20,295	32,258	47,371

Source: Company reports and J.P. Morgan estimates. *Note: Excluding share-base compensation, amortization from acquisition and one-time items.

Total Access Communication

www.dtac.co.th

Company description

DTAC is the second largest GSM mobile phone provider in Thailand after AIS. It was founded in 1989 to provide wireless telecommunication service in 800 MHz and 1800 MHz frequency bands under a 27-year "Built-Transfer-Operate" concession granted by CAT Telecom.

Key drivers of performance in an equity market recovery

We believe DTAC will outperform in a recovery as: 1) we expect street EPS estimates to go up by 23% as we believe they are under-forecasting data growth; 2) a special dividend announcement looks likely in early 2012; 3) lower tax rate for Thailand would boost bottom line growth.

How much recovery has already been priced in, what are the key metrics?

DTAC's share price is up 73% YTD, outperforming the SET index by 81%. This has been driven by 1) expectation of special dividends at DTAC post maturity of a debt with payout limit covenant of 70%; 2) increasing data growth and margin improvement; 3) positive regulatory and 3G developments. The stock has been flat since October, underperforming the SET by 13% on the risk-on curve.

Where's the earnings risk for 2012?

We are 23% ahead of the street for 2012E EPS driven by 6% higher revenues and lower tax rate of 23% (vs. street at 24%) in our numbers. Data would be the driver of revenue growth going ahead and excessive competition in data is the key earnings risk.

Price target and key recovery risks

We believe share prices are driven by earnings estimates and valuation re-rating, an assumption holding true for all of our coverage companies around the region. Our Dec-12 PT at Bt85 is based on a sum of: 1) potential upside/(downside) to consensus EPS vs. JPM EPS ests at 23%; and 2) our estimated multiple expansion/(contraction) at -8% based on peak P/E multiple of 15.0x. At our PT, DTAC would trade at a 2011E/12E adjusted PER of 16.7x/15.0x and EV/EBITDA of 6.7x/6.8x. It would offer dividend yield of 11.2%/6.6% assuming a Bt5.1/share special. Key downside risks include a smaller than expected special dividend and excessive competition in the data segment.

Total Access Communication (Reuters: DTAC.BK, Bloomberg: DTAC TB)

Bt in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Bt mn)	65,684	72,352	79,723	86,643	98,624
EBITDA (Bt mn)	20,213	25,685	27,682	27,691	32,521
EBITDA growth (%)	-12.7%	27.1%	7.8%	0.0%	17.4%
Recurring profit (Bt mn)	6,620	10,666	12,046	13,292	15,897
Recurring EPS (Bt)	2.80	4.51	5.09	5.62	6.72
EPS growth (%)	(12.3%)	61.4%	12.9%	10.3%	19.6%
DPS (Bt)	1.39	3.78	9.50	5.63	6.73
EV/EBITDA (x)	5.1	3.4	2.7	2.8	2.9
P/E	26.6	16.5	14.6	13.3	11.1
Dividend Yield	1.9%	5.1%	12.8%	7.6%	9.0%
FCF to mkt cap (%)	8.3%	11.3%	9.2%	8.3%	8.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Bt74.50

Price Target: Bt85.00

Thailand

Telecom Services

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Bloomberg JPMA SULLIVAN<GO>

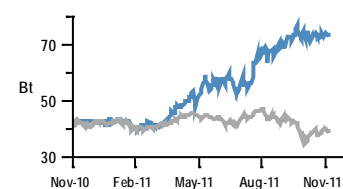
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J.P. Morgan Securities Singapore Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	75.0%	2.1%	6.5%	76.0%
Rel	82.3%	-8.1%	22.0%	81.6%

Source: Bloomberg.

Company Data

52-wk range (Bt)	78.00 - 38.25
Mkt cap (Bt mn)	176,402
Mkt cap (\$ mn)	5,759
Shares O/S (mn)	2,368
Free float (%)	16.7%
3-mth avg trading volume:	7
Average 3m Daily Turnover (\$ mn)	17.25
SET	968
Exchange Rate	30.63
Price (Bt)	74.50
Date Of Price	04-Nov-11

Total Access Communication: Summary of Financials

Profit and Loss Statement					Balance Sheet statement						
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec					
Revenue	65,684	72,352	79,723	86,643	98,624	Cash and equivalents	6,113	12,548	28,088	29,837	22,170
EBITDA	20,213	25,685	27,682	27,691	32,521	Accounts receivable	6,302	6,506	6,906	7,566	8,859
Depreciation & Amortization	(10,022)	(10,300)	(10,424)	(10,570)	(11,866)	Others	4,016	2,447	2,447	2,447	2,447
EBIT	9,971	14,788	17,099	16,961	20,495	Total Current assets	16,430	21,500	37,441	39,850	33,476
Interest income	174	203	439	786	835						
Interest Expense	(1,455)	(1,010)	(446)	(646)	(846)	ST loans	7,207	4,321	8,321	12,321	20,321
Other Income	125	257	264	160	160	Others	6,008	6,991	6,991	6,991	6,991
Profit before tax	8,854	14,558	17,357	17,262	20,645	Total current liabilities	25,709	25,200	30,339	35,976	46,176
Tax	(2,242)	(3,670)	(5,181)	(3,970)	(4,748)						
Minorities	14	14	0	0	0	Net working capital	(9,279)	(3,700)	7,102	3,874	(12,699)
Net profit - reported	6,612	10,888	12,121	13,292	15,897						
Net profit - adjusted	6,620	10,666	12,046	13,292	15,897	Net fixed assets	77,266	70,276	67,033	67,131	70,470
						Other long term assets	6,834	7,537	7,537	14,537	21,037
Shares Outstanding (mn)	2,368	2,368	2,368	2,368	2,368	Total non-current assets	84,100	77,813	74,569	81,668	91,507
EPS (Bt) (Reported)	2.79	4.61	5.13	5.62	6.72						
EPS (Adjusted)	2.80	4.51	5.09	5.62	6.72	Total Assets	100,530	99,313	112,010	121,518	124,983
DPS (Bt)	1.39	3.78	9.50	5.63	6.73						
DPS payout ratio	50%	82%	185%	100%	100%	Long-term debt	11,768	4,589	4,589	4,589	4,589
						Other liabilities	506	646	646	646	646
Revenue growth	(3.0%)	10.2%	10.2%	8.7%	13.8%	Total Liabilities	37,983	30,435	35,574	41,211	51,411
EBITDA growth	(3.0%)	25.5%	9.7%	0.0%	17.5%						
Adj Net profit growth	(12.3%)	61.1%	12.9%	10.3%	19.6%	Shareholders' equity	62,526	68,863	76,367	80,237	73,503
Adj EPS growth	(12.3%)	61.4%	12.9%	10.3%	19.6%	Minorities	22	15	15	15	15
DPS growth	(7.3%)	171.6%	151.5%	(40.7%)	19.6%	Total liabilities and equity	100,530	99,313	111,956	121,463	124,929
						Net debt/(cash)	12,862	(3,637)	(15,178)	(12,927)	2,740
Ratio Analysis					Cash flow statement						
%, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec					
EBITDA margin	30.8%	35.5%	34.7%	32.0%	33.0%	Cash flow from operations	19,108	22,832	23,338	24,839	28,670
FCF margin	22.2%	27.5%	20.3%	16.9%	14.7%	Capex	(4,552)	(2,954)	(7,180)	(10,168)	(14,206)
						Cash flow from other investing	(2,586)	1,176	0	0	0
ROE	10.9%	16.2%	16.6%	17.0%	20.7%	Cash flow from financing	(12,654)	(14,619)	(617)	(5,421)	(14,631)
ROC	11.8%	18.6%	20.5%	18.2%	21.0%						
ROA	6.5%	10.7%	11.4%	11.4%	12.9%	Change in cash for year	(685)	6,435	15,541	1,749	(7,667)
Tax rate	25.3%	25.2%	29.8%	23.0%	23.0%	Beginning cash	6,797	6,113	12,548	28,088	29,837
Capex to sales	(6.9%)	(4.1%)	(9.0%)	(11.7%)	(14.4%)	Closing cash	6,113	12,548	28,088	29,837	22,170
Debt/Capital	23.3%	11.5%	14.5%	17.4%	25.3%						
Net debt or (cash) to equity	20.6%	(5.3%)	(19.9%)	(16.1%)	3.7%						
Interest cover (x)	15.8	31.8	4,364.8	-	3,231.5						

Source: Company reports and J.P. Morgan estimates.

Trinity Limited

www.trinity-limited.com

Company description

Trinity retails high-to-luxury end menswear and accessories with a multi-brand portfolio. The company owns two brands, i.e. Kent & Curwen, Cerruti 1881 and exclusively distributes Gieves & Hawkes, D'urban, as well as Intermezzo in Greater China. It also has JVs in the retail apparel and accessories segments under the Salvatore Ferragamo brand in South Korea and various countries in Southeast Asia. As of Jun - 2011, the group operated 327 retail stores in Mainland China, 41 retail stores in Hong Kong and Macau, 39 retail stores in Taiwan, one flagship store in UK. The Group also has 41 stores in Southeast Asia and South Korea under the Salvatore Ferragamo JV.

Key drivers of performance in an equity market recovery

SSSG and gross margins should be the two foremost drivers to benefit from the market recovery. Footfalls would rise on the back of improved economy outlook together with adequate inventory supply. In addition, gross margins should expand on reduced discount activities as well as improved mark-up. Thanks to the near 50% fixed cost structure, earnings should see faster growth as a result of improved SSSG.

How much recovery has already been priced in, what are the key metrics?

The stock was derated to 16.5x 2012E. We have reset a more conservative earnings base for next year, factoring in half SSSG assumptions as well as more conservative gross margins assumptions on potential pricing pressure. Our current earnings forecast based on a slow-down case suggests 20% y/y increase for 2012.

Where's the earnings risk for 2012?

As aforementioned, we lowered down 11% for 2012 earnings forecasts, reflecting a slowdown scenario. Together with operating leverage, potential market recovery should suggest at least 11% earnings upside risk to our current forecasts.

Price target and key recovery risks

Our Dec-12 PT of HK\$10 is based on 1x targeted PEG and 28% 2-year earnings CAGR over 2012-14E. Key recover risks include higher than expected operating expenses.

Trinity Limited (Reuters: 0891.HK, Bloomberg: 891 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	1,645	2,011	2,668	3,141	3,934
Net Profit (HK\$ mn)	188	341	510	612	830
EPS (HK\$)	0.15	0.21	0.30	0.36	0.48
DPS (HK\$)	0.09	0.15	0.21	0.25	0.34
Revenue growth (%)	7.6%	22.3%	32.7%	17.7%	25.2%
Net profit growth (%)	62.3%	81.4%	49.7%	20.0%	35.5%
EPS growth (%)	54.4%	41.4%	41.3%	20.0%	35.5%
ROE	11.1%	16.0%	18.8%	18.8%	23.9%
P/E (x)	39.5	27.9	19.8	16.5	12.2
P/BV (x)	3.7	4.2	3.2	3.0	2.8
EV/EBITDA (x)	34.5	22.1	13.8	11.7	8.8
Dividend Yield	1.5%	2.5%	3.5%	4.3%	5.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: HK\$5.86

Price Target: HK\$10.00

Hong Kong

Consumer Goods

Elsa Yang^{AC}

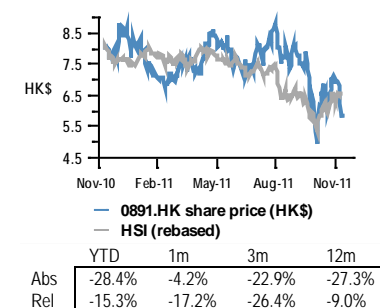
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Bloomberg JPMA YANG <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares O/S (mn)	1,698
Market cap (HK\$ mn)	9,951
Market cap (\$ mn)	1,281
Price (HK\$)	5.86
Date Of Price	10 Nov 11
Free float (%)	54.0%
3mth Avg daily volume	4.17
3M - Average daily Value (HK\$ mn)	28.40
Average 3m Daily Turnover (\$ mn)	3.74
HSI	20,014
Exchange Rate	7.77
Fiscal Year End	Dec

Trinity Limited: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	1,645	2,011	2,668	3,141	3,934	PBT	264	461	699	838	1,136
% change Y/Y	7.6%	22.3%	32.7%	17.7%	25.2%	Depr. & amortization	72	101	136	144	156
Gross Profit	1,211	1,552	2,154	2,494	3,172	Change in working capital	249	-3	-84	-139	-158
% change Y/Y	9.1%	28.2%	38.8%	15.8%	27.2%	Tax	-75	-60	-189	-226	-307
Gross margin	73.6%	77.1%	80.7%	79.4%	80.7%	Other	32	14	-52	-60	-66
EBITDA	330	509	784	922	1,226	Cash flow from operations	542	513	511	556	761
% change Y/Y	35.9%	54.2%	53.8%	17.7%	33.0%	Capex	-19	-69	-80	-100	-128
EBITDA Margin	20.1%	25.3%	29.4%	29.3%	31.2%	Acquisition of subsidiaries/intangibles	0	-131	-390	0	0
EBIT	258	408	647	778	1,071	Other	0	1	6	9	10
% change Y/Y	47.4%	57.9%	58.6%	20.3%	37.6%	Cash flow from investing	-18	-199	-463	-91	-118
EBIT Margin	15.7%	20.3%	24.3%	24.8%	27.2%	Equity raised/(repaid)	511	11	751	0	0
Net Interest	-27	-5	2	3	4	Debt raised/(repaid)	-492	-135	0	0	0
Share of JVs	28	36	50	57	62	Dividends paid	-110	-189	-357	-428	-581
Earnings before tax	264	461	699	838	1,136	Other	-27	-4	-5	-6	-6
% change Y/Y	39.4%	74.9%	51.6%	20.0%	35.5%	Cash flow from financing	-119	-317	389	-434	-587
Tax	-76	-120	-189	-226	-307	Net change in cash	405	-3	437	30	57
as % of EBT	28.7%	26.0%	27.0%	27.0%	27.0%	Ending Cash	591	515	952	982	1,039
Net income (reported)	188	341	510	612	830	DPS	0.09	0.15	0.21	0.25	0.34
% change Y/Y	62.3%	81.4%	49.7%	20.0%	35.5%						
Recurring Net Income	184	341	510	612	830						
% change Y/Y	35.3%	85.0%	49.6%	20.0%	35.5%						
EPS (reported)	0.15	0.21	0.30	0.36	0.48						
% change Y/Y	54.4%	41.4%	41.3%	20.0%	35.5%						
Recurring EPS	0.15	0.21	0.30	0.36	0.48						
% change Y/Y	31.6%	41.0%	41.3%	20.0%	35.5%						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	518	515	952	982	1,039	Gross margin	73.6%	77.1%	80.7%	79.4%	80.7%
Accounts receivable	173	215	257	303	379	EBITDA margin	20.1%	25.3%	29.4%	29.3%	31.2%
Inventories	385	421	451	567	667	Operating margin	16.0%	21.4%	24.3%	24.8%	27.2%
Others	38	200	200	200	200	Net margin	11.4%	17.0%	19.1%	19.5%	21.1%
Current assets	1,114	1,351	1,861	2,052	2,286	Recurring net profit margin	11.2%	17.0%	19.1%	19.5%	21.1%
Intangible assets	1,627	1,629	2,011	2,003	1,995	Sales growth	7.6%	22.3%	32.7%	17.7%	25.2%
Net fixed assets	121	182	133	98	78	Net profit growth	62.3%	81.4%	49.7%	20.0%	35.5%
LT Investments	222	248	298	355	417	Recurring net profit growth	35.3%	85.0%	49.6%	20.0%	35.5%
Other assets	52	60	60	60	60	EPS growth	54.4%	41.4%	41.3%	20.0%	35.5%
Total Assets	3,136	3,469	4,362	4,568	4,835	Net debt to equity	9.8%	2.9%	-11.7%	-12.0%	-12.8%
Liabilities						Sales/assets	0.54	0.61	0.68	0.70	0.84
Short-term loans	92	360	360	360	360	Assets/equity	1.56	1.54	1.38	1.36	1.34
Trade & other payables	273	431	420	441	460	ROE	11.1%	16.0%	18.8%	18.8%	23.9%
Others	12	58	58	58	58	ROCE	9.8%	14.7%	19.7%	20.3%	26.4%
Total current liabilities	376	848	837	859	878						
Long-term debt	623	220	220	220	220						
Others	121	150	150	150	150						
Total Liabilities	1,120	1,218	1,207	1,229	1,248						
Shareholders' equity	2,016	2,251	3,168	3,352	3,600						
BVPS	1.59	1.39	1.84	1.95	2.09						

Source: Company reports and J.P. Morgan estimates.

TSMC

www.tsmc.com

Company description

TSMC is the world's largest semiconductor foundry, providing not only wafer fabrication but turn-key services on semiconductor ecosystem to fabless design houses and IDM customers. It has also entered into solar and LED lighting for diversification.

Key drivers of performance in an equity market recovery

We think 28nm should be the key positive stock driver for TSMC to ride this equity market rally. We see TSMC as broadening demand base in this tech node across FPGA, GPU, CPU and AP. In the longer run, we see a multi-year market share gain on a structural IDM outsourcing as the key driver to lift ROEs and re-rate valuations. We believe this structural trend has helped enhance TSMC's market shares through technology migrations, cementing its foundry leadership.

How much recovery has already been priced in, what are the key metrics?

We believe the market has not fully priced in the next upturn in the foundry/semiconductor sector, though it is a function of the macro outlook in 2012. However, on the back of a prolonged correction, we feel it's still a bit too early for the market to start pricing in the cyclical recovery on a full scale.

Where's the earnings risk for 2012?

For a chipmaker as big and as diversified as TSMC, key earnings risk is the macro end-demand including PC, handset, TV and other hot items like smartphones and tablets. Key company-specific earnings risk is technology migration, namely 28nm ramp in 2012.

Price target and key recovery risks

Our Jun-12 PT of NT\$77 is based upon 3.3x ROE-adjusted P/BV, where we compare TSMC's projected ROE with historical average to work out a premium/discount to its historical P/BV average. We prefer this methodology as we believe it better captures TSMC's ROE trend. Key upside risk to our call is the macro demand, should it turn out stronger than expected to spur recovery stronger and faster. The flip side of this argument represents the key downside risk.

Neutral

Price: NT\$73.90

Price Target: NT\$77.00

Taiwan

Technology - Semiconductors

Rick Hsu^{AC}

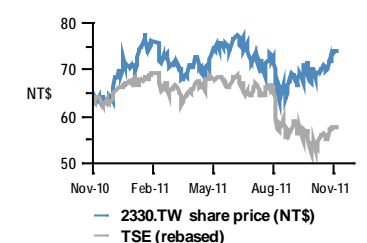
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J.P. Morgan Securities (Taiwan) Limited

Price Performance



	YTD	1m	3m	12m
Abs	3.9%	5.6%	3.5%	16.7%
Rel	19.7%	0.4%	15.0%	25.6%

Source: Bloomberg.

TSMC: Share price: NT\$74.60 (4 Nov 11) / ADR: US\$12.98 (4 Nov 11) (Reuters: 2330.TW/TSM.N, Bloomberg: 2330 TT/TSM US)

NT\$B, YE Dec.	FY10	FY11E	FY12E	FY13E	FY10	FY11E	FY12E	FY13E			
Sales	419.5	427.6	468.8	549.0	P/E (x)	12.0	14.4	12.9	10.5	52-wk range	NT\$62.2-78.3
Operating profit	159.2	142.1	162.2	201.6	P/B (x)	3.3	3.0	2.7	2.4	Shares out'g	25,914M
EBITDA	247.0	250.7	287.3	347.1	EV/EBITDA (x)	7.3	7.3	6.4	5.2	Avg daily volume	48.5M
MV of employee bonus	8.4	8.6	9.4	11.0	FCF/Mkt cap (%)	2.2	2.0	3.9	7.0	Avg daily value	US\$114.9M
Adjusted net profit	161.6	133.9	149.6	183.9	Price target					Free float	85%
Profit growth (%)	81.1	-17.1	11.7	23.0	Local					Market cap	US\$64.4B
EPS (NT\$)*	6.24	5.17	5.77	7.10	ADR					Exchange rate	NT\$30.0/US\$1
BVPS (NT\$, yr-end)	22.3	24.6	27.2	31.1	NT\$77					ADR	
Cash dividend yield (%)	4.2	4.2	4.2	4.2	US\$14					Ratio	1:5
ROE (%)	27.9	21.0	21.2	22.8	-5%					52-wk range	US\$10.71-14.05
ROIC (net of cash, %)	36.3	24.5	24.1	27.4	Quarterly EPS (NT\$)					Avg daily volume	14.8M
Net debt/equity (%)	net cash	net cash	net cash	net cash	FY10	1.30	1.55	1.81	1.57	Current prem/disc	4.5%
					FY11E	1.40	1.39	1.17	1.21	52-wk prem. range	-4.3-8.3%
					FY12E	1.11	1.34	1.66	1.65		

Source: Bloomberg, Company data, J.P. Morgan estimates.

TSMC: Summary of Financials

Income statement					Ratio Analysis				
NT\$ billion (yr-end Dec)	FY10	FY11E	FY12E	FY13E	% (yr-end Dec)	FY10	FY11E	FY12E	FY13E
Sales	419.5	427.6	468.8	549.0	Gross margin	49.4	45.4	46.2	47.9
Cost of goods sold	212.5	233.7	252.3	286.3	Operating margin	37.9	33.2	34.6	36.7
Gross profit	207.1	194.0	216.5	262.7	EBITDA margin	58.9	58.6	61.3	63.2
R&D expenses	29.7	33.5	34.4	39.0	Net margin	38.5	31.3	31.9	33.5
SG&A expenses	18.2	18.3	19.9	22.1	R&D/sales	7.1	7.8	7.3	7.1
Operating profit (EBIT)	159.2	142.1	162.2	201.6	Sales growth	41.9	1.9	9.6	17.1
EBITDA	247.0	250.7	287.3	347.1	Operating profit growth	73.1	-10.7	14.1	24.3
Interest income	1.7	1.4	1.1	1.4	Net profit growth	81.1	-17.1	11.7	23.0
Interest expense	-0.4	-0.5	-0.5	-0.5	EPS (adjusted) growth	81.1	-17.1	11.7	23.0
Investment income (loss)	2.3	1.2	1.6	2.6	Interest coverage (x)	nm	nm	nm	nm
Non-operating income (loss)	7.6	1.6	1.4	1.4	Net debt to equity	net cash	net cash	net cash	net cash
Earnings before tax	170.3	145.8	165.8	206.5	Days receivable	34	34	34	33
Income tax	-8.0	-11.4	-15.6	-21.8	Days inventory	42	42	42	42
Minority interest & extraordinary	-0.7	-0.5	-0.7	-0.8	Days payable	21	21	21	21
Net profit (reported)	161.6	133.9	149.6	183.9	Cash cycle	55	55	55	54
Net profit (adjusted)	161.6	133.9	149.6	183.9	Asset turnover	58.4	56.4	57.4	59.6
EPS (adjusted)	6.24	5.17	5.77	7.10	ROE	27.9	21.0	21.2	22.8
BVPS	22.3	24.6	27.2	31.1	ROIC (net of cash)	41.6	26.7	25.4	28.2
DPS (cash only)	3.0	3.0	3.0	3.0					
Adjusted O/S (M)	25.9	25.9	25.9	25.9					
Balance sheet					Cash flow statement				
NT\$ billion (yr-end Dec)	FY10	FY11E	FY12E	FY13E	NT\$ billion (yr-end Dec)	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	181.6	136.8	127.1	177.7	Net Income	161.6	133.9	149.6	183.9
Accounts receivable	43.0	35.9	51.9	48.9	Depreciation & amortization	87.8	108.6	125.1	145.5
Inventories	28.4	25.4	32.4	33.4	Change in receivables	-7.6	7.1	-16.0	3.0
Other current assets	8.6	8.6	8.6	8.6	Change in inventory	-7.5	3.0	-7.0	-1.0
Total current assets	261.5	206.6	219.9	268.5	Change in payables	1.3	1.0	1.0	3.0
LT investments	39.8	39.8	39.8	39.8	Other adjustments	-6.1	-1.0	-1.4	-2.2
Gross PPE	1,075.6	1,289.0	1,465.2	1,662.4	Cash flow from operations	229.5	252.6	251.3	332.2
Accumulated depreciation	773.3	877.5	996.3	1,135.3	Capex	-186.9	-213.4	-176.2	-197.2
Others	115.3	100.5	88.5	85.5	Purchase (sale) of investments	-6.7	3.7	0.0	0.0
Total assets	718.9	758.3	817.0	920.9	Other adjustments	-8.4	0.0	0.0	0.0
Short-term debts	32.9	33.6	33.3	32.8	Cash flow from investing	-202.1	-209.7	-176.2	-197.2
Accounts payable	13.0	14.0	15.0	18.0	Free cash flow	42.5	39.2	75.1	135.0
Accrued expenses & other CL	77.4	58.2	50.7	51.7	Equity raised (buyback)	0.0	0.0	0.0	0.0
Total current liabilities	123.2	105.8	99.0	102.5	Debt raised (repaid)	28.6	-1.6	-2.4	-2.1
Long term debt	12.1	10.4	8.0	5.9	Dividends paid	-77.7	-77.7	-77.7	-77.7
Total liabilities	140.2	121.5	112.3	113.8	Other adjustments	-1.6	-4.6	-4.6	-4.6
Share capital	259.1	259.1	259.1	259.1	Cash flow from financing	-50.8	-84.0	-84.8	-84.4
Reserves	141.9	158.1	171.5	186.4	Net change in cash	-23.4	-41.1	-9.7	50.6
Retained earnings	178.2	219.6	273.4	360.0	Beginning cash	171.3	147.9	106.8	97.1
Minority interest & adjustments	-0.6	0.1	0.7	1.5	Ending cash	147.9	106.8	97.1	147.7
Shareholders' equity	578.7	636.8	704.7	807.1					

Source: Company reports, J.P. Morgan estimates.

United Tractors

www.unitedtractors.com

Company description

United Tractors is a subsidiary of Astra International and part of the Jardine Matheson group. The company is the sole distributor of Komatsu, which is the market leader for heavy equipment in Indonesia. UNTR also owns 100% of Pamapersada, the largest mining contractor in Indonesia and has built up a patchwork of its own coal concessions at different stages of development, aggregating mineable reserves of over 250mMT.

Key drivers of performance in an equity market recovery

Given its equipment and contracting businesses, UNTR is largely a play on coal volumes as opposed to prices – with Komatsu delivery volumes tending to be a key short-term performance driver.

How much recovery has already been priced in, what are the key metrics?

While equipment and mining contracting volumes are probably well understood, we see two areas not fully priced in. The first is a margin recovery, and we believe that the market may be missing the ramp up in UNTR's own coal concessions that are underway (from 4.2 mMT in FY11E to 6.5-7mMT in FY12E).

Where's the earnings risk for 2012?

Our house view is for a weaker current account in FY12E, which may curb rupiah appreciation pressure. This should be an upside risk to margins and earnings. A slowdown in commodity prices may put equipment volumes at risk.

Price target and key recovery risks

Our June 2012 DCF-derived based PT on UNTR stands at Rp28,000. This would imply the stock trading at 15.9x JPME FY12E EPS, implying a mild de-rating from the 16.5x FY11E consensus P/E it trades at currently. Tighter USD liquidity affecting credit availability for equipment sales and declining coal demand are major risks to our PT.

PT United Tractors tbk (Reuters: UNTR.JK, Bloomberg: UNTR IJ)

Rp in bn, year-end Dec	FY09A	FY10E	FY11E	FY12E	FY13E
Revenue (Rp bn)	29,242	37,324	53,104	59,403	64,223
Net Profit (Rp bn)	3,817.5	3,831.3	5,426.3	6,601.7	7,111.0
EPS (Rp)	1,147.48	1,151.62	1,523.41	1,769.94	1,906.51
DPS (Rp)	458.99	465.65	609.36	707.98	762.60
Revenue growth (%)	4.8%	27.6%	42.3%	11.9%	8.1%
EPS growth (%)	-3.1%	0.4%	32.3%	16.2%	7.7%
ROCE	30.6%	26.2%	27.7%	27.3%	25.9%
ROE	30.6%	25.6%	26.1%	24.1%	22.5%
P/E (x)	21.5	21.4	16.2	13.9	12.9
P/BV (x)	5.9	5.1	3.4	3.1	2.7
EV/EBITDA (x)	0.2	0.6	-0.0	-0.2	-0.4
Dividend Yield	1.9%	1.9%	2.5%	2.9%	3.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: 24,650

Price Target: Rp 28,000

Indonesia

Heavy Equipment

Aditya Srinath^{AC}

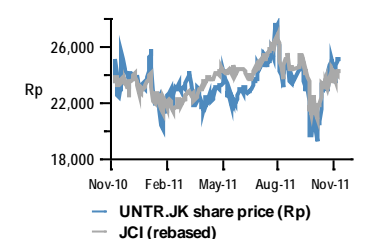
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Bloomberg JPMA SRINATH <GO>

PT J.P. Morgan Securities Indonesia

Price Performance



	YTD	1m	3m	12m
Abs	5.7%	22.1%	5.0%	6.8%
Rel	2.9%	11.0%	6.2%	3.9%

Source: Bloomberg.

Company Data

Shares O/S (mn)	3,730
Market cap (Rp mn)	91,947,830
Market cap (\$ mn)	10,287
Price (Rp)	24,650
Date Of Price	04-Nov-11
Free float (%)	40.5%
Avg daily volume (mn)	23
Avg daily value (Rp mn)	71,273
Avg daily value (\$ mn)	8
IN	

United Tractors: Summary of Financials

Income Statement						Cash flow statement					
Rp in billions, year end Dec	FY08	FY09	FY10E	FY11E	FY12E	Rp in billions, year end Dec	FY08	FY09	FY10E	FY11E	FY12E
Revenues	27,903	29,242	37,324	53,104	59,403	EBIT	5,188	5,148	5,162	7,212	8,653
% change Y/Y	53.6%	4.8%	27.6%	42.3%	11.9%	Depr. & amortization	1,742	2,206	2,857	3,116	3,532
EBITDA	6,930	7,354	8,019	10,328	12,185	Change in working capital	-761	200	-3,894	451	-811
% change Y/Y	90.4%	6.1%	9.0%	28.8%	18.0%	Taxes	-1167	-1595	-1176	-1733	-1990
EBIT	5,188	5,148	5,162	7,212	8,653	Cash flow from operations	4,714	6,328	2,974	9,091	9,420
% change Y/Y	125.2%	NM	0.3%	39.7%	20.0%	Capex	-5,718	-4,534	-4,282	-4,830	-4,832
EBIT Margin	18.6%	17.6%	13.8%	13.6%	14.6%	Disposal/(purchase)	390	347	222	330	332
Net Interest	-190	-89	-140	-97	-112	Net Interest	-190	-89	-140	-97	-112
Earnings before tax	4,822	5,444	5,009	7,169	8,602	Other	-45	-134	-318	-3,000	0
% change Y/Y	149.8%	12.9%	-8.0%	43.1%	20.0%	Free cash flow	-1,005	1,794	-1,308	4,261	4,588
Tax	-1,167	-1,595	-1,176	-1,733	-1,990	Equity raised/(repaid)	3,526	0	0	6,065	0
as % of EBT	24.2%	29.3%	23.5%	24.2%	23.1%	Debt raised/(repaid)	974	-1,092	1,942	-1,000	-1,000
Net income (reported)	3,630.6	3,817.5	3,831.3	5,426.3	6,601.7	Other	-123	410	-159	10	10
% change Y/Y	157.5%	5.1%	0.4%	41.6%	21.7%	Dividends paid	-1,065	-1,527	-1,549	-2,171	-2,641
Shares outstanding	3	3	3	4	4	Beginning cash	1,062	3,325	2,776	1,385	5,550
EPS (reported)	1,183.77	1,147.48	1,151.62	1,523.41	1,769.94	Ending cash	3,325	2,776	1,385	5,550	6,508
% change Y/Y	150.2%	(3.1%)	0.4%	32.3%	16.2%	DPS	347.12	458.99	465.65	609.36	707.98
Balance sheet						Ratio Analysis					
Rp in billions, year end Dec	FY08	FY09	FY10E	FY11E	FY12E	Rp in billions, year end Dec	FY08	FY09	FY10E	FY11E	FY12E
Cash and cash equivalents	3,325	2,776	1,385	5,550	6,508	EBITDA margin	24.8%	25.2%	21.5%	19.5%	20.5%
Accounts receivable	3,471	4,463	5,215	8,729	9,765	Operating margin	18.6%	17.6%	13.8%	13.6%	14.6%
Inventories	5,246	3,966	6,932	6,547	7,324	Net margin	13.0%	13.1%	10.3%	10.2%	11.1%
Others	842	771	1,998	1,455	1,627	Sales per share growth	49.3%	(3.4%)	27.6%	32.9%	6.8%
Current assets	12,884	11,976	15,529	22,282	25,224	Sales growth	53.6%	4.8%	27.6%	42.3%	11.9%
LT investments	207	306	443	3,443	3,443	Net profit growth	157.5%	5.1%	0.4%	41.6%	21.7%
Net fixed assets	9,505	11,836	13,261	14,977	16,280	EPS growth	150.2%	(3.1%)	0.4%	32.3%	16.2%
Total Assets	22,848	24,405	29,701	41,170	45,414	Interest coverage (x)	36.52	82.84	57.20	106.26	108.84
Liabilities						Net debt to equity	15.6%	9.7%	29.8%	-1.4%	-7.9%
Short-term loans	1,621	1,369	2,982	4,211	3,211	Sales/assets	1.56	1.24	1.38	1.50	1.37
Payables	4,367	4,164	5,531	6,547	7,324	Assets/equity	2.05	1.80	1.67	1.55	1.51
Others	1,597	1,640	1,324	3,346	3,743	ROE	43.1%	30.6%	25.6%	26.1%	24.1%
Total current liabilities	7,584	7,173	9,837	14,105	14,278	ROCE	40.5%	30.6%	26.2%	27.7%	27.3%
Long-term debt	3,240	2,400	2,730	500	500						
Other liabilities	616	533	483	583	683						
Total Liabilities	11,645	10,454	13,536	15,674	15,947						
Shareholders' equity	11,132	13,844	16,136	25,457	29,418						
BVPS	3,629.52	4,161.17	4,850.29	7,146.98	7,887.19						

Source: Company reports and J.P. Morgan estimates.

Wilmar International Limited

www.wilmar-international.com

Company description

Wilmar International is engaged in the businesses of oil palm cultivation, oilseeds crushing, edible oils refining, consumer pack edible oils processing and merchandising, specialty fats, oleochemicals, biodiesel, fertilisers and soy protein manufacturing, rice and flour milling, and grains merchandising. Its strategy involves building an integrated business model to capture the entire value chain of the agricultural commodity processing business from origination, processing and transportation to the branding, merchandising and distribution of a wide range of products.

Key drivers of performance in an equity market recovery

We think the recent revision in Indonesia export tax for CPO and refined palm products have yet to be fully factored into the share price. Wilmar is the main immediate beneficiary from the recent tax changes given its position as the largest palm oil refiner in Indonesia. We expect margin expansion in its palm & laurics segment in 2012. Coupled with demand pick-up in palm products, we see these as driving potential upside to earnings and share price.

How much recovery has already been priced in, what are the key metrics?

We believe concerns over the slowdown in demand and further weakness in commodity prices remain in general for commodity related stocks, including Wilmar. With the stock trading at around c15x forward P/E - near recent historical trough - we think little expectations of recovery have been priced in.

Where's the earnings risk for 2012?

Earnings risk for 2012 may come from the oilseeds & grains segment, where a sharp spike in soybean prices, in case of any supply tightness, may have unfavorable impact to raw material costs, compressing PBT margin per MT.

Price target and key recovery risks

Our Dec-2012 PT of S\$6.50 implies 17.7x/16.2x FY12E/FY13E P/E. Key downside risks: (1) losses from palm oil and/or oilseeds arising from wrong directional trades or a sudden spike in raw material prices; (2) margin compression from competition.

Wilmar International Limited (Reuters: WLIL.SI, Bloomberg: WIL SP)

\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (\$ mn)	23,885	30,378	42,142	46,680	52,450
Net Profit (\$ mn)	1,882	1,324	1,587	1,868	2,037
EPS (\$)	0.29	0.21	0.25	0.29	0.32
EPS (Recurring) (\$)	0.24	0.18	0.27	0.29	0.32
DPS (\$)	0.05	0.06	0.05	0.06	0.06
Revenue growth (%)	(18%)	27%	39%	11%	12%
EPS growth (%)	20%	(27%)	19%	18%	9%
EPS (Recurring) Growth	2%	(25%)	46%	9%	9%
ROE	18%	12%	13%	13%	13%
P/E (x)	15.4	21.2	17.8	15.1	13.9
P/BV (x)	2.6	2.4	2.2	1.9	1.7
Dividend Yield	1.1%	1.4%	1.1%	1.3%	1.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: S\$5.59

Price Target: S\$6.50

Singapore

Plantations

Ying-Jian Chan^{AC}

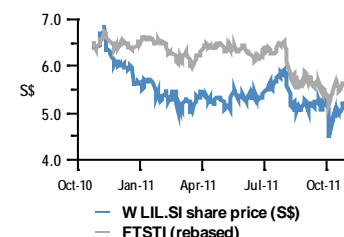
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Bloomberg JPMA YCHAN <GO>

J.P. Morgan Securities Singapore Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-7.8%	2.0%	-9.9%	-19.8%
Rel	5.4%	-0.6%	2.8%	-6.8%

Source: Bloomberg.

Company Data	
52-week Range (S\$)	6.93 - 4.38
Mkt Cap (S\$ mn)	35,782.66
Mkt Cap (\$ bn)	28.28
Price (S\$)	5.59
Date Of Price	08 Nov 11
Free float (%)	24.0%
3-mth trading volume	8.20
3-mth trading value (S\$ mn)	41.35
3-mth trading value (\$ mn)	32.68
FTSTI	2,859
Exchange Rate	1.27
Fiscal Year End	Dec

Wilmar International Limited: Summary of Financials

Income Statement						Cash flow statement					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	23,885	30,378	42,142	46,680	52,450	Profit before tax	2,294	1,644	2,101	2,473	2,696
% change Y/Y	(18%)	27%	39%	11%	12%	Depreciation & amortization	252	251	447	505	563
Gross Margin	12.6%	8.3%	8.9%	9.3%	9.1%	Change in working capital	-2,404	-3,926	-4,794	-1,422	-1,809
EBITDA	2,544	1,930	2,763	3,216	3,488	Other non-cash items	-410	-57	143	193	186
% change Y/Y	18.6%	-24.1%	43.2%	16.4%	8.5%	Cash flow from operations	-520	-2,319	-2,760	951	791
EBITDA Margin	11%	6%	7%	7%	7%	Capex	-974	-997	-1,000	-1,000	-1,000
EBIT	2,292	1,679	2,316	2,710	2,925	Disposal/(purchase)	9	111	0	0	0
% change Y/Y	19%	(27%)	38%	17%	8%	Cash flow from investing	-1,282	-2,629	-1,000	-1,000	-1,000
EBIT Margin	10%	6%	6%	6%	6%	Equity raised/(repaid)	8	12	0	0	0
Net Interest	-43	-73	-299	-377	-386	Debt raised/(repaid)	4,106	7,665	1,000	0	0
Earnings before tax	2,294	1,644	2,101	2,473	2,696	Other	-2,625	-2,337	0	0	0
% change Y/Y	28.2%	-28.3%	27.8%	17.7%	9.0%	Dividends paid	-328	-385	-317	-374	-407
Tax	-324	-190	-357	-420	-458	Cash flow from financing	1,161	4,956	683	-374	-407
as % of EBT	14.1%	11.5%	17.0%	17.0%	17.0%	Net change in cash	-642	8	-3,077	-422	-616
Minority Interest	-88	-131	-157	-184	-201	Beginning cash	2,893	5,135	6,788	3,711	3,288
Net income (reported)	1,882	1,324	1,587	1,868	2,037	Ending cash	5,135	5,143	3,711	3,288	2,672
% change Y/Y	23%	(30%)	20%	18%	9%	Free cash flow	-1,494	-3,316	-3,760	-49	-209
Net Profit (Recurring)	1,604	1,163	1,715	1,868	2,037	DPS	0.05	0.06	0.05	0.06	0.06
Shares outstanding	6,550	6,340	6,401	6,401	6,401						
EPS (reported)	0.29	0.21	0.25	0.29	0.32						
Balance sheet						Ratio Analysis					
\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash	5,135	6,788	3,711	3,288	2,672	EBITDA margin	11%	6%	7%	7%	7%
Accounts receivable	1,990	3,126	4,682	5,187	5,828	EBIT margin	10%	6%	6%	6%	6%
Inventories	3,940	6,737	10,536	11,670	13,112	Net profit margin	8%	4%	4%	4%	4%
Others	1,806	3,375	3,375	3,375	3,375	SG&A/Sales	4.7%	4.9%	4.7%	4.8%	4.8%
Current assets	12,871	20,026	22,304	23,520	24,987						
LT investments	1,082	1,270	1,270	1,270	1,270	Sales growth	(18%)	27%	39%	11%	12%
Net fixed assets	3,919	6,112	6,665	7,159	7,596	EBIT growth	19%	(27%)	38%	17%	8%
Total Assets	23,449	33,969	36,800	38,511	40,415	Net profit growth	23%	(30%)	20%	18%	9%
						EPS growth	20%	(27%)	19%	18%	9%
Short-term loans	8,374	14,904	14,904	14,904	14,904						
Payables	820	1,447	2,008	2,224	2,499	Interest coverage (x)	59	26	9	9	9
Others	1,175	1,918	1,918	1,918	1,918	Net debt to equity	38%	87%	110%	101%	95%
Total current liabilities	10,369	18,269	18,830	19,046	19,321						
Long-term debt	1,206	2,522	3,522	3,522	3,522	Sales/assets	116%	106%	119%	124%	133%
Other liabilities	463	621	621	621	621	Assets/equity	175%	166%	159%	263%	249%
Total Liabilities	12,037	21,412	22,972	23,188	23,463	ROCE	13%	7%	8%	8%	9%
Shareholders' equity	10,931	11,856	13,126	14,620	16,250	ROE	18%	12%	13%	13%	13%
Total Liabilities & equity	23,449	33,969	36,800	38,511	40,415						
BVPS	1.67	1.87	2.05	2.28	2.54						

Source: Company reports and J.P. Morgan estimates.

Wipro

www.wipro.com

Company description

Wipro is a conglomerate with FY10 revenues of over US\$6 billion, with interest in IT services, consumer care and lighting. Wipro's Global IT business contributes 75%+ of the company's revenue and 90%+ of EBIT. It has 75,000+ employees in IT services and 20,000+ employees in its BPO arm. Wipro serves nearly 900 clients with a diverse portfolio of service offerings. Wipro has also made acquisitions of over US\$1 billion in the past 2-3 years to fill gaps in its current products/ services portfolio and to enter new geographies.

Key drivers of performance in an equity market recovery

- New management team in place, sign of progress is tentatively encouraging.**
 Effective April, Wipro has a new management team for the IT division led by Mr. T.K. Kurien. The new management embarked on a four-fold initiative to reclaim growth which includes (a) restructuring of account management processes and holding account managers responsible for accounts as opposed to service heads, (b) rebuilding the profile of account managers for key accounts to create differentiation at the front-end, (c) identifying and investing in four momentum verticals (BFSI, healthcare, energy & utilities and Retail/CPG) and (d) restructuring the incentives for the sales force by incorporating more relevant parameters such as customer satisfaction scores and multi-service selling.
- Significant decline in quarterly annualized attrition is a positive:** We have repeatedly pointed out that Wipro has faced difficulties in terms of supply-side management resulting in high attrition. The company reported a 470bp decline in quarterly annualized voluntary attrition in 2QFY12. Management asserted that employee satisfaction continues to be an important focus point and attrition should moderate further in the coming quarters, which would be positive.

How much recovery has already been priced in, what are the key metrics?

The stock still trades at a 15% discount to peers (TCS/Infosys) on valuations. Key metrics to watch for include (a) the number of USD 50mn and USD 100 mn customers, (b) attrition, (c) employee hiring (as a leading indicator of business strength).

Where's the earnings risk for 2012

The key risk for Wipro' earnings is a meaningful decline in IT spending due to macro weakness/event. Developed markets in recession will impact IT budgets/spending. Pricing decline and supply-side pressures are the other key risks for earnings.

Price target and key recovery risks

Our Mar-12 price target of Rs440 is based on a one-year forward P/E multiple of 17x, a 10% discount to TCS' target P/E multiple of 19x. We think this discount is reasonable given Wipro's lower expected growth trajectory and weaker margin profile,

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(Year-end Mar, Rs mn)	FY10	FY11	FY12E	FY13E	FY10	FY11	FY12E	FY13E	Date of Price	16 Nov 11				
Revenue	271,957	310,542	371,270	429,297	26.6	24.4	21.2	20.6	52-Week range	496.80 - 310.20				
Operating Profit	52,228	57,225	62,057	73,036	30.4	29.0	23.1	21.3	Share Out. (Com)	2,458				
EBITDA	59,154	65,436	72,074	84,515	Quarterly EPS (Rs)				1Q	2Q	3Q	4Q	Market Cap	919.54BN
Net profit (Reported)	46,118.0	53,255.0	55,474.3	62,608.2	5.48	5.30	5.78	6.08	Market Cap(US)	US\$18,349MN				
EPS	18.87	21.73	22.63	25.48	6.01	6.07	6.49	6.92	Free float	19.2%				
P/E (x)	19.8	17.2	16.5	14.7	Local				1M	3M	12M	Avg daily val	132	
EV/EBITDA (x)	14.7	12.9	11.9	10.1	Abs. Perf.(%)				11.8%	8.3%	-10.9%	Dividend Yield	2.3%	
Cash	95,298	110,423	96,682	99,728	Rel. Perf.(%)				7.9%	7.7%	5.7%	Index	5,069	
Equity	196,549	240,371	283,245	325,103	Target Price (30 Mar 12)				440.00	Exchange rate	0.02			

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

Price: Rs 374.15

Price Target: Rs 440.00

India

Technology, Software & IT services

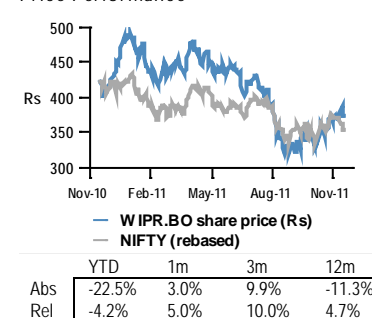
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J.P. Morgan India Private Limited

Price Performance



Source: Bloomberg.

Wipro Ltd.: Summary of Financials

Profit and Loss Statement					Ratio Analysis						
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Revenues	254,564	271,957	310,542	371,270	429,297	Gross margin	30.1%	31.5%	31.5%	29.2%	28.9%
Cost of goods sold	177,931	188,765	218,507	254,339	305,075	EBITDA margin	18.8%	21.8%	21.1%	19.4%	19.7%
Gross Profit	76,633	85,658	97,692	108,256	124,222	Operating margin	16.3%	19.2%	18.4%	16.7%	17.0%
R&D expenses	0	0	0	0	0	Net margin	15.5%	17.0%	17.2%	14.9%	14.6%
SG&A expenses	-34,824	-33,430	-40,467	-46,199	-51,186	R&D/sales	0.0%	0.0%	0.0%	0.0%	0.0%
Operating profit (EBIT)	41,390	52,228	57,225	62,057	73,036	SG&A/Sales	13.7%	12.3%	13.0%	12.4%	11.9%
EBITDA	47,759	59,154	65,436	72,074	84,515	Sales growth	28.9%	6.8%	14.2%	19.6%	15.6%
Interest income	0	4,704	6,651	8,556	8,159	Operating profit growth	22.8%	26.2%	9.6%	8.4%	17.7%
Interest expense	-1,816	-1,335	-1,932	-3,999	-3,410	Net profit growth	22.0%	17.2%	15.5%	4.2%	12.9%
Investment income (Exp.)	-1,816	3,369	4,719	4,556	4,749	EPS (reported) growth	21.8%	17.0%	15.2%	4.2%	12.6%
Non-operating income (Exp.)	-1,454	2,654	5,163	6,142	4,749	Interest coverage (x)	26.30	-	-	-	-
Earnings before tax	39,936	54,882	62,388	68,200	77,785	Net debt to total capital	-5.2%	-14.1%	-20.9%	-12.6%	-11.9%
Tax	-5,422	-9,294	-9,714	-13,093	-15,573	Net debt to equity	-6.6%	-16.7%	-24.0%	-14.1%	-13.2%
Net income (reported)	39,343.0	46,118.0	53,255.0	55,474.3	62,608.2	Asset turnover	0.99	0.88	0.89	0.92	0.92
Net income (adjusted)	34,613	46,118	53,322	55,513	62,608	Working capital turns (x)	-19.37	95.56	14.60	8.57	8.03
EPS (reported)	16.14	18.87	21.73	22.63	25.48	ROE	28.1%	26.6%	24.4%	21.2%	20.6%
EPS (adjusted)	14.20	18.87	21.76	22.65	25.48	ROIC	28.6%	30.4%	29.0%	23.1%	21.3%
BVPS	61.62	80.49	98.12	115.29	132.33	ROIC (net of cash)	-	-	-	-	-
DPS	4.71	7.06	4.70	8.47	8.45						
Shares outstanding	2,441	2,442	2,450	2,457	2,457						
Balance sheet					Cash flow statement						
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Cash and cash equivalents	65,297	95,298	110,423	96,682	99,728	Net income	39,343.0	46,118.0	53,255.0	55,474.3	62,608.2
Accounts receivable	46,217	50,928	61,627	81,546	93,380	Depr. & amortization	6,369	6,926	8,211	10,017	11,479
Inventories	8,686	7,926	9,707	10,873	12,619	Change in working capital	3,372	-23,686	-7,066	-22,814	-10,136
Others	44,522	51,362	50,557	70,466	81,782	Other	0	0	0	0	0
Current assets	164,722	205,514	232,314	259,567	287,509	Cash flow from operations	49,084	29,358	54,400	42,677	63,952
LT investments	-	-	-	-	-	Capex	0	0	0	0	0
Net fixed assets	49,862	53,458	55,094	65,205	67,726	Disposal/(purchase)	0	0	0	0	0
Others	-	-	-	-	-	Cash flow from investing	-37,237	-5,514	-22,926	-48,656	-40,156
Total Assets	290,548	329,928	371,443	437,335	493,954	Free cash flow	49,084	29,358	54,400	42,677	63,952
Liabilities						Equity raised/(repaid)	-11,754	16,737	1,509	7,782	-396
ST Loans	36,707	44,404	33,043	33,804	33,804	Debt raised/(repaid)	11,656	7,123	-9,709	4,030	0
Payables	57,844	22,396	23,523	30,695	35,625	Other	10,952	-450	3,374	1,176	396
Others	75,861	62,966	67,575	85,755	100,516	Dividends paid	-11,482	-17,253	-11,523	-20,750	-20,750
Total current liabilities	112,568	107,370	100,618	119,559	134,320	Cash flow from financing	-628	6,157	-16,349	-7,762	-20,750
Long-term debt	18,681	18,107	19,759	23,028	23,028	Net change in cash	11,219	30,001	15,125	-13,741	3,045
Other liabilities	8,882	7,902	10,695	11,503	11,503	Beginning cash	54,078	65,297	95,298	110,423	96,682
Total Liabilities	140,131	133,379	131,072	154,090	168,851	Ending cash	0	0	0	0	0
Shareholders' equity	150,417	196,549	240,371	283,245	325,103						

Source: Company reports and J.P. Morgan estimates.

Wistron Corporation

www.wistron.com

Company description

Wistron was a spin-off from Acer back in 2002, and has had a successful product diversification (being the most diversified revenue stream among Notebook ODMs) and is investing in the right technologies (in notebooks, TV and smartphones) despite coming off of a smaller scale, as it has been able to “think as a brand, and execute as an EMS”. These have allowed Wistron to grow at a faster rate in the longer term in the ODM/ EMS space.

Key drivers of performance in an equity market recovery

Wistron’s tighter balance sheet has at times hurt it during economic downturns, given 1) its fundraising history in the past, and rising cost of capital forces it to de-leverage, thus hurting ROE, 2) lower utilization, affecting asset turnover, which again hurts RoE, and 3) a shallower balance sheet capacity preventing it from reaching its full potential. In a recovery, the first two factors would unfold. On the third point, there are EPS accretive growth opportunities if capital is sufficient, including 1) smartphone ODM given most of the growth happens at a lower price point now, 2) whitebox cloud infrastructure with a new model established by Quanta, and Wistron is one of 2-3 companies that can do server/ storage ODM.

How much recovery has already been priced in, what are the key metrics?

The stock is still trading around 1x 2012E P/BV, which is not pricing in a distressed scenario, but certainly still underappreciates its value, in our view, given it is still making 13% ROE even in a trough quarter, and its cycle ROE would be about 15-20%.

Where’s the earnings risk for 2012?

The key earnings risk is that the TV business might continue to incur a small loss and might not stage a turnaround until 2013, since Hon Hai has guaranteed volume from Sony until the end of 2012, owing to its plant purchase.

Price target and key recovery risks

Our Dec-12 PT is NT\$50 based on 8x 2012E P/E, a conservative target multiple compared to its growth potential, in our view, due to the uncertain future growth outlook. Key recovery risks include a sharp fall in corporate IT spending given its higher exposure there (Blackberry, Lenovo ThinkPad, etc).

Bloomberg 3231 TT, Reuters 3231.TW

(Year-end Dec, NT\$ bn)	FY09	FY10	FY11E	FY12E	FY09	FY10	FY11E	FY12E	Target Price (NT\$)	50	
Sales	546.67	615.18	636.53	690.47	New TW GAAP P/E	7.2	5.9	7.8	6.0	52-Week range (NT\$)	60.86 - 30.40
Operating Profit	10.95	13.76	11.32	16.61	P/BV (x)	1.3	1.3	1.1	1.0	Share Outstanding	2,085mn
EBITDA	16.17	21.39	16.89	23.85	ROE(%)	20.3	21.9	15.1	17.3	Free float	94.5%
Pretax Profit	11.50	15.35	12.93	17.40	Cash Div (NT\$)	0.9	2.6	3.3	2.5	Avg daily volume	28mn
Adj. Net Profit (New TW GAAP)	9.13	12.03	9.49	12.64	Quarterly EPS (NT\$)	1Q	2Q	3Q	4Q	Avg daily val (USD)	23.97mn
New TW GAAP EPS (NT\$)	5.20	6.26	4.75	6.21	EPS (10)	1.45	1.58	1.66	1.57	Dividend Yield (2011)	8.8%
Net Debt / Equity	NM	2.2%	11.4%	4.1%	EPS (11) E	1.01	1.25	1.23	1.25	QFII Holding (%)	59.6%
Y/E BPS (NT\$)	28.47	28.71	33.88	37.53	EPS (12) E	1.30	1.35	1.91	1.64	Market Cap(USD)	2,569mn

Source: Company data, Bloomberg, J. P. Morgan estimates. Note: In Net Debt/Equity, NM means company has net cash

Overweight

Price: NT\$37.50

Price Target: NT\$50.00

Taiwan

Asian Technology

Alvin Kwock^{AC}

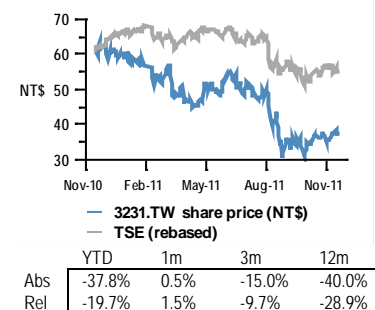
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Bloomberg JPMA KWOCK <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Wistron Corporation: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Revenues	445,118	546,666	615,185	636,530	690,472	Gross margin	5.7%	5.5%	5.6%	5.3%	5.8%
Cost of goods sold	-419,876	-516,514	-580,661	-603,140	-650,656	EBITDA margin	2.8%	3.0%	3.5%	2.7%	3.5%
Gross Profit	25,242	30,152	34,524	33,390	39,816	Operating margin	2.0%	2.0%	2.2%	1.8%	2.4%
R&D expenses	-5,831	-7,566	-9,029	-10,767	-11,353	Net margin	1.6%	1.7%	2.0%	1.5%	1.8%
SG&A expenses	-9,569	-10,605	-10,516	-10,150	-10,323	R&D/sales	1.3%	1.4%	1.5%	1.7%	1.6%
Operating profit (EBIT)	8,989	10,952	13,759	11,320	16,612	SG&A/Sales	2.2%	1.9%	1.7%	1.6%	1.5%
EBITDA	12,442	16,166	21,389	16,889	23,850	Sales growth	55.2%	22.8%	12.5%	3.5%	8.5%
Interest income	278	84	478	1,203	1,457	Operating profit growth	12.1%	21.8%	25.6%	-17.7%	46.8%
Interest expense	-939	-378	-581	-993	-2,461	Net profit growth	4.1%	32.8%	31.7%	-21.1%	33.3%
Investment income (Exp.)	-662	-294	-104	210	-1,003	EPS (reported) growth	1.2%	22.2%	20.5%	(24.1%)	30.6%
Non-operating income (Exp.)	-132	545	1,587	1,611	788	Interest coverage (x)	18.80	54.98	206.20	-	23.77
Earnings before tax	8,857	11,496	15,345	12,931	17,399	Net debt to total capital	-1.0%	-23.8%	1.5%	6.8%	2.3%
Tax	-1,958	-2,325	-3,305	-3,442	-4,755	Net debt to equity	NM	NM	2.2%	11.4%	4.1%
Net income (reported)	6,877.9	9,134.6	12,030.3	9,489.2	12,644.4	Asset turnover	3.62	3.44	3.10	2.59	2.39
Net income (adjusted)	6,878	9,135	12,030	9,489	12,643	Working capital turns (x)	29.77	39.82	31.73	23.08	21.45
EPS (reported)	4.26	5.20	6.26	4.75	6.21	ROE	19.8%	20.3%	21.9%	15.1%	17.3%
EPS (adjusted)	4.26	5.20	6.26	4.75	6.21	ROIC	16.4%	17.1%	15.2%	8.1%	-
BVPS	22.14	28.47	28.71	33.88	37.53	ROIC (net of cash)	-	-	-	-	-
DPS	2.31	0.93	2.57	3.25	2.52						
Shares outstanding	1,666	1,864	1,981	2,028	2,065						
Balance sheet						Cash flow statement					
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	13,192	20,796	40,764	54,662	62,944	Net income	6,877.9	9,134.6	12,030.3	9,489.2	12,644.4
Accounts receivable	63,752	99,415	102,102	109,213	120,318	Depr. & amortization	3,453	5,214	7,631	5,569	7,239
Inventories	31,892	27,669	33,633	54,819	61,433	Change in working capital	4,247	-1,798	-9,516	-6,876	-2,343
Others	4,729	4,130	4,674	6,632	7,432	Other	1,595	5,879	2,342	4,039	2,065
Current assets	113,565	152,010	181,172	225,325	252,127	Cash flow from operations	14,598	12,587	10,155	8,182	17,540
LT investments	4,388	5,861	7,805	9,431	11,165	Capex	-6,992	-5,694	-13,227	-15,776	-8,000
Net fixed assets	17,421	17,900	23,497	33,704	34,465	Disposal/(purchase)	0	0	0	0	0
Others	3,176	3,125	5,179	5,470	5,470	Cash flow from investing	-9,564	-7,116	-17,225	-17,692	-9,734
Total Assets	138,550	178,897	217,654	273,929	303,227	Free cash flow	7,606	6,893	-3,072	-7,595	9,540
Liabilities						Equity raised/(repaid)	2,904	11,206	2,897	3,804	1,255
ST Loans	2,875	1,885	41,846	60,324	63,990	Debt raised/(repaid)	3,291	-4,903	35,288	21,047	4,345
Payables	77,961	101,725	98,516	115,898	129,210	Other	-1,938	-2,569	-6,223	5,053	0
Others	87,543	116,586	116,264	139,642	155,820	Dividends paid	-3,731	-1,638	-4,933	-6,496	-5,124
Total current liabilities	90,418	118,471	158,110	199,967	219,810	Cash flow from financing	525	2,097	27,029	23,408	476
Long-term debt	9,858	5,765	143	2,156	2,156	Net change in cash	5,560	7,567	19,959	13,897	8,282
Other liabilities	1,402	1,581	2,531	3,087	3,766	Beginning cash	7,632	13,192	20,796	40,764	54,662
Total Liabilities	101,678	125,818	160,784	205,210	225,732	Ending cash	13,192	20,796	40,764	54,662	62,944
Shareholders' equity	36,871	53,079	56,870	68,720	77,495						

Source: Company reports and J.P. Morgan estimates.

Yulon Motor Co., Ltd.

www.yulon-motor.com.tw

Company description

Yulon Motor was established in 1953 and listed on TAIEX in 1976. The company is an OEM manufacturer for Nissan in Taiwan and also has its own brand, Luxgen. By volume, Nissan is ranked No.3 in Taiwan or 12% market share year to Oct 2011, while Luxgen is No. 7 or 4% in the same period. Besides Taiwan, Yulon has two main operations in China: one through its subsidiary Yulon Nissan (2227), which focuses on OEMs for the Nissan brand and another is a 50-50% JV with DongFeng that produces and markets Luxgen since 2H11.

Key drivers of performance in an equity market recovery

Taiwan auto market is in the middle of a 4-5 year secular upward trend (2008-13) in our view. YTD overall sales volume growth (21%) is driven by sustained discretionary spending, especially in the import luxury segment (32% growth). Likewise, solid commercial vehicle segment growth (24%) also supports a gradual recovery of the underlying economy in Taiwan. Based on current penetration rate, we forecast auto sales will continue to grow at ~10% in 2012E despite an increasing base since 2009.

How much recovery has already been priced in, what are the key metrics?

We believe Yulon Motor's share price upside will come from: 1) strong sales performance in China market, and 2) land development plan in Taipei in 1H12.

Where's the earnings risk for 2012?

Downside risks to Yulon's earnings include: 1) strong JPY leading to margin pressure as Yulon imports major CKD parts (e.g., engine, transmission) from Nissan, 2) price competition in Chinese auto market, leading to worse-than-expected sales performance for both Nissan and Luxgen brands.

Price target and key recovery risks

We maintain our Overweight on Yulon and Dec-12 PT of NT\$75 based on NAV analysis. We believe NAV approach is reasonable as it incorporates Yulon's diversified LT investments, including auto and non-auto business in Taiwan as well as its land assets in Taipei that will be developed into residential and commercial projects in the future. Risks to our analysis are worse-than-expected sales growth and earnings in both Taiwan and China.

Overweight

Price: NT\$62.80

Price Target: NT\$80.00

Taiwan

Automobile Manufacture

Nick Lai^{AC}

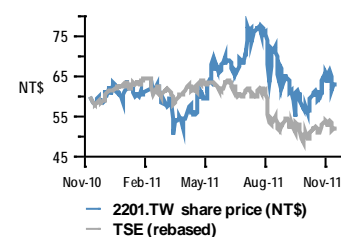
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Bloomberg JPMA LAI <GO>

J.P. Morgan Securities (Taiwan) Limited

Price Performance



	YTD	1m	3m	12m
Abs	1.8%	3.8%	-13.0%	5.5%
Rel	19.7%	4.2%	-8.4%	18.2%

Source: Bloomberg.

Yulon Motor Co., Ltd. (Reuters: 2201.TW, Bloomberg: 2201 TT)

NT\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (NT\$ mn)	20,945	31,998	40,667	46,361	52,316
Net Profit (NT\$ mn)	1,127.0	4,084.2	3,716.4	4,859.0	5,676.8
EPS (NT\$)	0.72	2.62	2.38	3.11	3.64
DPS (NT\$)	0.08	0.35	1.00	0.95	1.25
Revenue growth (%)	19.7%	52.8%	27.1%	14.0%	12.9%
EPS growth (%)	180.9%	262.4%	-9.0%	30.8%	16.8%
ROCE	2.3%	7.2%	6.9%	8.6%	9.6%
ROE	1.9%	6.7%	5.9%	7.4%	8.2%
P/E (x)	87.0	24.0	26.4	20.2	17.3
P/BV (x)	1.7	1.6	1.5	1.5	1.4
EV/EBITDA (x)	48.9	19.3	19.3	15.3	13.1
Dividend Yield	0.1%	0.6%	1.6%	1.5%	2.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
Shares O/S (mn)	1,573
Market cap (NT\$ mn)	98,779
Market cap (\$ mn)	3,273
Price (NT\$)	62.80
Date Of Price	11 Nov 11
Free float (%)	33.0%
3mth Avg daily volume	16.09
3M - Avg daily Value (NT\$ mn)	1,000.55
3M - Avg daily Value (USD) (\$ mn)	33.73
TSE	7,491
Exchange Rate	30.18
Fiscal Year End	Dec

Yulon Motor: Summary of financials

Profit and loss statement

NT\$ in millions, year-end Dec	2010	2011E	2012E	2013E
Revenue	31,998	40,667	46,361	52,316
COGS	29,209	37,542	42,608	48,070
Gross Profit	2,789	3,125	3,753	4,246
SG&A expenses	1,188	1,261	1,437	1,622
R&D expenses	242	122	232	262
Operating Income	1,369	1,602	1,934	2,213
Interest Income	22	36	38	44
Investment income	2,249	2,646	3,702	4,373
Total Non-Op.income	3,220	2,817	3,800	4,487
Interest Expenses	0	24	5	5
Investment loss	0	0	0	0
Total Non-Op. Exp.	218	47	18	21
Pre-Tax Income	4,370	4,372	5,716	6,679
Income Tax Expense	286	656	857	1,002
Net Income	4,084	3,716	4,859	5,677
Adj. EPS (NT\$)	2.6	2.4	3.1	3.6
Weighted average shares	1,561	1,561	1,561	1,561
EBIT	4,370	4,396	5,721	6,683
EBITDA	4,872	4,878	6,096	7,009
Growth (%)				
Sales	53%	27%	14%	13%
PAT	262%	-9%	31%	17%
EPS	262%	-9%	31%	17%

Balance sheet

NT\$ in millions, year-end Dec	2010	2011E	2012E	2013E
Cash and cash equivalents	7,380	7,157	8,053	9,491
Receivables	826	1,278	1,601	1,821
Inventories	4,260	5,143	6,420	7,639
Other current assets	2,190	2,150	2,150	2,150
Total current assets	14,657	15,728	18,224	21,101
LT investments	41,353	43,103	44,653	46,103
Total fixed assets	10,047	9,720	9,480	9,279
Other assets	7,428	7,343	7,343	7,343
Total assets	73,485	75,894	79,701	83,827
ST loans	239	240	240	240
Payables	3,256	3,386	3,811	4,299
Other current liabilities	2,581	2,596	2,516	2,436
Total current liabilities	6,076	6,221	6,567	6,975
Long-term debt	0	0	0	0
Other liabilities	5,162	5,282	5,382	5,382
Total liabilities	11,238	11,503	11,949	12,357
Common Stocks	15,729	15,729	15,729	15,729
Reserves	14,335	14,706	15,192	15,760
Retained earnings	22,868	24,639	27,515	30,665
Other adjustments	9,315	9,315	9,315	9,315
Shareholders' equity	62,247	64,390	67,751	71,470
Total Liab. & Equity	73,485	75,894	79,701	83,827

Cash flow statement

NT\$ in millions, year-end Dec	2010	2011E	2012E	2013E
Net income	4,084	3,716	4,859	5,677
Depreciation & amortization	502	482	375	326
Change in receivables	(59)	(451)	(323)	(220)
Change in inventory	(2,400)	(883)	(1,278)	(1,218)
Change in payables	900	129	426	488
Other adjustments	(1,715)	(741)	(386)	(276)
Cash flow from operations	1,312	2,253	3,673	4,776
(Purchase) of FA	(123)	(140)	(115)	(115)
(Purchase)/sale of investments	(471)	(1,710)	(1,550)	(1,450)
Other adjustments	576	946	386	186
Cash flow from investment	(18)	(904)	(1,279)	(1,379)
Free cash flow (Op+Inv. CF)	1,295	1,349	2,394	3,397
Equity raised (buyback)	0	0	0	0
Debt raised (repaid)	87	1	0	0
Dividend Paid	(527)	(1,573)	(1,498)	(1,958)
Other adjustments	2	0	0	0
Cash flow from financing	(438)	(1,572)	(1,498)	(1,958)
Change in Cash Flow	857	(223)	896	1,439
Beginning cash	6,523	7,380	7,157	8,053
Ending cash	7,380	7,157	8,053	9,491

Ratio analysis

year-end December	2010	2011E	2012E	2013E
Financial structure				
Total debt / total asset	0.3%	0.3%	0.3%	0.3%
Total debt / total equity	0.4%	0.4%	0.4%	0.3%
Net debt to equity	-13.1%	-12.2%	-12.9%	-14.3%
Liquidity				
Current ratio	241%	253%	278%	303%
Quick ratio	151%	151%	161%	176%
Interest cover (x)	NA	183.6	1,192.3	1,392.8
Asset management				
A/R turnover	40.2	38.7	32.2	30.6
Inventory turnover	9.5	8.0	7.4	6.8
Fixed asset utilization	3.2	4.2	4.9	5.6
Total asset utilization	0.4	0.5	0.6	0.6
Profitability				
ROE	7%	6%	7%	8%
ROA	6%	5%	6%	7%
Margin (%)				
Gross margin	9%	8%	8%	8%
Operating margin	4%	4%	4%	4%
Net margin	13%	9%	10%	11%
Others				
Adj. BPS (NT\$)	39.6	40.9	43.1	45.4
Cash dividend	0.3	1.0	1.0	1.2
Stock dividend	0.0	0.0	0.0	0.0

Source: Company data, J.P. Morgan estimates.

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Asia Pacific Equity Research
21 November 2011

J.P.Morgan

Stocks to Avoid

Adani Enterprises

www.adanigroup.com

Company description

Adani Enterprises is the holding company for the group's port and power businesses, held via listed subs MPSEZ (77.5%) and Adani Power (70.2%) respectively. Together with its subs, ADE straddles the value chain from coal mining and trading, transportation and handling, and power generation.

Key drivers of performance in an equity market recovery

Due to strong execution at port and power businesses, the stock has held up, relatively. Thus, we see few catalysts for a recovery trade. We see coal mining as a long-term catalyst, but this may not provide an immediate leg-up to stock performance.

How much recovery has already been priced in, what are the key metrics?

Barring the embedded value of the listed subs (which are already 'discovered'), we estimate the stock price implies an FY12E EV/EBITDA of 15x for the parent businesses of trading, agriculture and MDO (mining). We believe the group is getting adequate credit for strong, on-time execution of its nascent mining projects.

Where's the earnings risk for 2012?

We think strong earnings growth from the power business is built in, and disappointments due to execution slippage, fall in merchant rates, increase in coal prices and coal unavailability are key risks. At the parent level, coal trading margins / volumes present key downside risks for 2012, while execution of the coal mining business represents risk to medium-term forecasts.

Price target and key recovery risks

Our Mar-12 PT of Rs475 is SOP-based, with 27% of the value coming from Adani Power, 50% from Mundra ports, 23% from mining / trading and other smaller parent businesses and (-) 20% holdco discount. The implied target multiple is 12.7x FY13 consol. earnings. The key upside risk is that of value being unlocked in the coal mining business at higher than expected valuations.

Adani Enterprises Ltd (Reuters: ADEL.BO, Bloomberg: ADE IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (Rs mn)	258,896	264,055	392,075	515,051	659,911
Net Profit (Rs mn)	9,189.8	24,760.8	34,093.8	40,976.2	61,554.1
EPS (Rs)	18.45	22.51	31.00	37.26	55.97
DPS (Rs)	1.00	1.22	1.68	2.02	3.04
Revenue growth (%)	-1.4%	2.0%	48.5%	31.4%	28.1%
EPS growth (%)	-9.8%	22.0%	37.7%	20.2%	50.2%
ROCE	8.0%	9.5%	10.3%	10.9%	14.4%
ROE	20.3%	21.0%	17.8%	18.1%	22.4%
P/E (x)	25.1	20.6	15.0	12.4	8.3
P/BV (x)	3.8	2.9	2.5	2.1	1.7
EV/EBITDA (x)	27.0	15.0	10.5	8.0	5.9
Dividend Yield	0.2%	0.3%	0.4%	0.4%	0.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: Rs463.60

Price Target: Rs475

India

Infrastructure

Shilpa Krishnan^{AC}

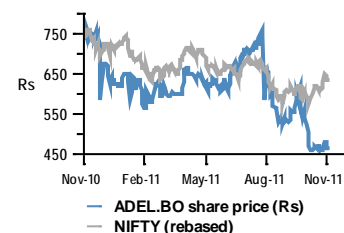
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J.P. Morgan Securities Singapore Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-28.7%	-12.0%	-27.4%	-37.3%
Rel	-14.4%	-18.4%	-22.7%	-23.2%

Source: Bloomberg.

Company Data

Shares O/S (mn)	1,100
Market cap (Rs mn)	509,872
Market cap (\$ mn)	10,455
Price (Rs)	463.60
Date Of Price	01 Nov 11
Free float (%)	16.5%
3mth Avg daily volume	0.79
3M - Avg daily Value (Rs mn)	448.13
3M - Avg daily Value (USD) (\$ mn)	12.10
NIFTY	5,327
Exchange Rate	48.77
Fiscal Year End	Mar

Adani Enterprises Ltd: Summary of Financials

Income Statement						Cash flow statement					
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Revenues	258,896	264,055	392,075	515,051	659,911	EBIT	15,373	35,390	67,241	92,201	134,911
% change Y/Y	(1.4%)	2.0%	48.5%	31.4%	28.1%	Depr. & amortization	1,515	5,586	17,418	24,594	28,371
EBITDA	16,887	40,976	84,659	116,795	163,282	Other income	335	4,213	1,039	1,524	2,205
% change Y/Y	67.3%	142.6%	106.6%	38.0%	39.8%	Change in working capital	-1,634	-17,794	-33,127	-15,203	-14,766
EBIT	15,373	35,390	67,241	92,201	134,911	Taxes	-945	-4,472	-8,010	-11,734	-19,525
% change Y/Y	65.8%	130.2%	90.0%	37.1%	46.3%	Cash flow from operations	14,686	22,388	44,562	91,382	131,197
EBIT Margin	5.9%	13.4%	17.2%	17.9%	20.4%	Capex	-92,144	-297,222	-295,408	-103,964	-126,622
Net Interest	-5,079	-6,338	-17,884	-31,288	-40,491	Net Interest	-5,079	-6,338	-17,884	-31,288	-40,491
Earnings before tax	10,672	32,731	50,396	62,437	96,626	Other	-2,343	3,766	0	0	0
% change Y/Y	82.8%	206.7%	54.0%	23.9%	54.8%	Free cash flow	-77,458	-274,833	-250,846	-12,582	4,575
Tax	-945	-4,472	-8,010	-11,734	-19,525	Equity raised/(repaid)	34,986	104,643	0	0	0
as % of EBT	8.9%	13.7%	15.9%	18.8%	20.2%	Debt raised/(repaid)	53,546	159,361	259,957	52,082	32,647
Net income (reported)	9,189.8	24,760.8	34,093.8	40,976.2	61,554.1	Other	-5,079	-6,338	-17,884	-31,288	-40,491
% change Y/Y	82.1%	169.4%	37.7%	20.2%	50.2%	Dividends paid	-581	-1,567	-2,157	-2,592	-3,894
Shares outstanding	498	1,100	1,100	1,100	1,100	Beginning cash	25,832	29,187	28,503	17,574	26,416
EPS (reported)	18.45	22.51	31.00	37.26	55.97	Ending cash	29,187	28,503	17,574	26,416	19,254
% change Y/Y	(9.8%)	22.0%	37.7%	20.2%	50.2%	DPS	1.00	1.22	1.68	2.02	3.04
Balance sheet						Ratio Analysis					
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	29,188	28,503	17,573	26,416	19,253	EBITDA margin	6.5%	15.5%	21.6%	22.7%	24.7%
Net current assets ex-cash	38,667	57,056	90,183	105,385	120,151	Operating margin	-	-	-	-	-
						Net margin	3.6%	9.4%	8.7%	8.0%	9.3%
LT investments	6,990	30,998	30,998	30,998	30,998	Sales per share growth	(51.2%)	(53.8%)	48.5%	31.4%	28.1%
Net fixed assets	179,139	407,419	685,408	764,779	863,029	Sales growth	(1.4%)	2.0%	48.5%	31.4%	28.1%
Total Assets	253,983	551,045	851,232	951,423	1,057,276	Net profit growth	82.1%	169.4%	37.7%	20.2%	50.2%
						EPS growth	(9.8%)	22.0%	37.7%	20.2%	50.2%
Liabilities						Interest coverage (x)	3.33	6.47	4.73	3.73	4.03
Short-term loans	0	0	0	0	0	Net debt to equity	240.5%	174.3%	278.2%	252.3%	217.5%
Paid-up common stock	498	1,100	1,100	1,100	1,100	Sales/assets	1.26	0.66	0.56	0.57	0.66
Reserves and surplus	59,879	174,041	205,978	244,362	302,022	Assets/equity	4.21	3.15	4.11	3.88	3.49
Minorities	18,518	35,089	43,382	53,107	68,654	ROE	20.3%	21.0%	17.8%	18.1%	22.4%
Long-term debt	174,389	333,750	593,707	645,789	678,436	ROCE	8.0%	9.5%	10.3%	10.9%	14.4%
Other liabilities	-	-	-	-	-						
Total Liabilities	175,088	340,814	600,772	652,854	685,501						
Shareholders' equity	60,377	175,141	207,078	245,462	303,122						
BVPS	121.23	159.25	188.29	223.19	275.61						

Source: Company reports and J.P. Morgan estimates.

Alibaba.com Ltd

www.alibaba.com

Company description

Alibaba.com operates the leading online business-to-business (B2B) marketplace in China. The company operates via: (1) International marketplace (www.alibaba.com), which is in English and targeting primarily at global importers and Chinese exporters; and (b) China marketplace (china.alibaba.com), which is in Chinese and focuses on suppliers and buyers trading domestically in China. Product suppliers use Alibaba's marketplaces to host their company profiles and catalogs in standardized formats, or 'storefronts', and post product and service listings and trade leads.

Key drivers of performance in an equity market recovery

1) Better-than-expected Gold Supplier and China Trustpass customer growth due to strong company execution or strong export market growth; 2) VAS penetration rate growing faster than expected; 3) upside from AliExpress and cooperation with Taobao.com; and (4) share buybacks.

How much recovery has already been priced in, what are the key metrics?

We do not see much recovery has been factored in, as street expects structurally more challenging environment in export market in the future.

Where's the earnings risk for 2012?

1) Further slowdown in Gold Supplier and China Trustpass customer growth; 2) VAS does not gain good traction as expected in both marketplaces.

Price target and key recovery risks

Without near-term drivers over the next few quarters, we value Alibaba using trough P/E valuation of 12x forward earnings, rather than DCF valuation. Our Dec-11 PT of HK\$8 implies 17.1x FY11E, and 15.1 FY12E diluted adjusted EPS, or 20.4x FY11E, and 18.0x FY12E diluted reported EPS. Our DCF-valuation for Alibaba is HK\$11.7 (WACC = 12%, with terminal growth of 0%). Key recovery risks include global macro fundamentals turning negative.

Bloomberg 1688 HK, Reuters 1688.HK

(Year-end Dec, Rmb mn)	FY10	FY11E	FY12E		FY10	FY11E	FY12E	FY13E		
Net Sales	5,557.6	6,327.5	7,416.8	ROE(%)	27	22	18	-	52-Week range	17.70 - 6.39
Operating Profit (EBIT)	1,536.5	1,782.5	2,143.5	ROIC(%)	24	19	16	-	Shares Outstg	4,994MN
EBITDA	1,994.8	2,278.3	2,694.5	Cash	9,751.7	13,224.3	16,414.3	-	Market Cap(US)	US\$5,552.61MN
Pre Tax Profit	1,706.5	2,037.0	2,429.4	Equity	5,753.2	9,528.3	12,051.2	-	Free float	26.4%
Reported Net profit	1,470.0	1,691.8	1,981.4	Qtr GAAP EPS (Rmb)	1Q	2Q	3Q	4Q	Avg daily vol.	9.1MM shares
Reported EPS (Rmb)	0.29	0.33	0.37	EPS (10)	0.06	0.07	0.07	0.08	Avg daily val (HK\$)	75.19MN
P/E (x)	25.4	22.6	19.9	EPS (11) E	0.09	0.09	0.07	0.07	Dividend Yield	0.0%
Adj. EPS (Rmb)*	0.36	0.39	0.44	EPS (12) E	0.09	0.09	0.09	0.10	Index (NASDAQ)	5,847
Adj. P/E (X)	20.7	18.8	16.8		1M	3M	12M		Price Target	8.00
EV/EBITDA (x)	15.2	13.3	11.3	Abs. Perf. (%)	25.5%	0.4%	-34.6%		Price Date	10 Nov 11
P/B (x)	6.6	4.0	3.2	Rel. Perf. (%)	9.5%	6.9%	(12.5%)			
Y/E BPS (Rmb)	1.12	1.83	2.29							

Source: Company, J. P. Morgan estimates, Bloomberg. * Note: Excluding share-based compensation expense.

Neutral

Price: HK\$9.02

Price Target: HK\$8.00

China

Internet

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Bloomberg JPMA WEI <GO>

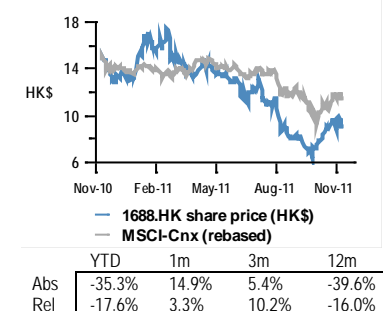
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Alibaba.com Limited: Summary of Financials

Profit and Loss Statement					Ratio Analysis				
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E
Revenues	3,875	5,558	6,327	7,417	Gross margin	86.2%	83.3%	81.0%	80.7%
Cost of goods sold	534	931	1,204	1,432	EBITDA margin	32.2%	35.9%	36.0%	36.3%
Gross Profit	3,340	4,627	5,124	5,985	Operating margin	27.7%	27.7%	28.2%	28.9%
R&D expenses	-384	-580	-643	-630	Net margin	26.1%	26.5%	26.7%	26.7%
SG&A expenses	-2,034	-2,619	-2,818	-3,359	R&D/sales	9.9%	10.4%	10.2%	8.5%
Others	151	109	120	148	SG&A/Sales	52.5%	47.1%	44.5%	45.3%
Operating profit (EBIT)	1,073	1,537	1,782	2,144	Sales growth	29.0%	43.4%	13.9%	17.2%
EBITDA	1,248	1,995	2,278	2,695	Operating profit growth	-9.1%	43.2%	16.0%	20.3%
Interest income, net	141	176	256	286	Net profit growth	-15.1%	45.1%	15.1%	17.1%
Investment income (Exp.)	-37	-6	-1	0	Diluted EPS growth	(15.3%)	44.8%	12.8%	13.3%
Other income (Exp.)	0	0	0	0					
Earnings before tax	1,176	1,706	2,037	2,429					
Tax	-163	-236	-345	-448	Net debt to total capital	-143.8%	-165.2%	-138.8%	-136.2%
Net income (Reported)	1,013.0	1,470.0	1,691.8	1,981.4	Net debt to equity	-143.8%	-167.9%	-138.8%	-136.2%
Net income (Adjusted)*	1,213	1,811	2,026	2,352	Asset turnover	0.45	0.50	0.43	0.41
Diluted Reported EPS (Rmb)	0.20	0.29	0.33	0.37	Working capital turns (x)	0.93	1.28	0.99	0.79
Adj. Diluted EPS* (Rmb)	0.24	0.36	0.39	0.44	ROE	20.3%	27.3%	22.2%	18.4%
BVPS (Rmb)	0.98	1.12	1.83	2.29	ROIC	18.0%	24.5%	19.3%	16.2%
DPS (Rmb)	0.18	0.00	0.00	0.00	ROIC (net of cash)	-53.0%	-51.2%	-47.0%	-52.7%
Shares outstanding (mn)	5,067.69	5,079.56	5,184.95	5,360.11					
Balance sheet					Cash flow statement				
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	7,216	9,752	13,224	16,414	Net income	1,013.0	1,470.0	1,691.8	1,981.4
Accounts receivable	0	0	0	0	Depr. & amortization	126	226	281	328
Inventories	0	0	0	0	Change in working capital	926	1,031	38	784
Others	926	1,288	1,251	1,445	Other	175	312	334	371
Current assets	8,143	11,040	14,475	17,859	Cash flow from operations	2,240	3,039	2,345	3,465
LT investments	4	13	11	11	Capex	-411	-294	-369	-445
Net fixed assets	783	781	914	1,063	Other investing cashflow	-487	-322	2	0
Others LT assets	527	871	1,128	1,095	Cash flow from investing	-1,222	-2,747	-669	-445
Total Assets	9,457	12,705	16,528	20,028	Free cash flow	1,829	2,745	1,976	3,020
Liabilities					Equity raised/(repaid)	-70	51	171	171
ST Loans	0	93	0	0	Debt raised/(repaid)	0	0	-93	0
Payables	24	16	37	47	Other	0	0	1,717	-0
Others	4,073	6,276	6,255	7,223	Dividends paid	-888	0	0	0
Total current liabilities	4,097	6,385	6,293	7,270	Cash flow from financing	-958	51	1,796	171
Long-term debt	0	0	0	0					
Other liabilities	342	567	707	707	Net change in cash	60	344	3,472	3,190
Total Liabilities	4,439	6,952	6,999	7,977	F/X effects and change in term deposits	544	2,192	0	0
Shareholders' equity	5,018	5,753	9,528	12,051	Beginning cash	6,612	7,216	9,752	13,224
					Ending cash	7,216	9,752	13,223	16,415

Source: Company reports and J.P. Morgan estimates. *Note: Excluding share-based compensation expenses.

Angang Steel

www.ansteel.com.cn

Company description

Angang is one of China's top steel producers with 2010 crude steel capacity of 22.5Mt and c30, 000 employees. Its listed entities trade on the Hong Kong and Shenzhen Stock Exchanges. Angang's primary operations are located in the Liaoning province (North-eastern China). The company produces 90% flat steel products and is a major finished steel supplier to the domestic automobile, ship-building and home appliance industries.

Key drivers of performance in an equity market recovery

Improving steel margins hold the key to Angang's recovery. With steel being a global commodity, this would require utilization rates (world ex China) to rise above 80% (now low 70% levels), which have historically enabled steel mills to pass on costs. Given the industry's excess capacity, even with a market recovery it may take some time before pricing power re-emerges. Domestically, commodity flat steels is where overcapacity is most acute, a category that Angang is more exposed to than its peers. Volume wise, Angang has very little growth going forward, an inferior position to its peers Baosteel and Maanshan who plan to increase output by c25% each by 2015E. Steel consolidation is required but this has been a painfully slow process in China.

How much recovery has already been priced in, what are the key metrics?

We believe the market is pricing in a return to normalized profits. In the near term, we think this is unlikely given continued margin pressure and excess industry capacity.

Where's the earnings risk for 2012?

Given the deficit situation in iron ore and coal markets and the surplus position in steel, a recovery in markets will likely see raw material prices rebound faster than steel prices, placing a further squeeze on steel margins and downside risk to earnings.

Price target and key recovery risks

Our H-share target price is based on 0.6x PB, derived from our residual income model, assuming a sustainable ROE of 7%. Key PT risks include: potential parent asset injections and fluctuations in steel and raw materials prices.

Angang Steel - H (Reuters: 0347.HK, Bloomberg: 347 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	70,057	92,212	97,229	103,015	106,564
Net Profit (Rmb mn)	748	2,054	523	2,002	4,592
EPS (Rmb)	0.10	0.28	0.07	0.28	0.63
DPS (Rmb)	0.06	0.15	0.04	0.14	0.32
Revenue growth (%)	-11.3%	31.6%	5.4%	5.9%	3.5%
EPS growth (%)	-75.0%	174.6%	-74.5%	282.9%	129.3%
ROCE	2.0%	3.7%	1.8%	4.1%	7.8%
ROE	1.4%	3.8%	1.0%	3.7%	8.0%
P/E (x)	40.1	14.6	57.4	15.0	6.5
P/BV (x)	0.6	0.5	0.6	0.5	0.5
EV/EBITDA (x)	8.5	6.3	8.6	6.5	4.8
Dividend Yield	1.5%	3.6%	0.9%	3.3%	7.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: HK\$5.09

Price Target: HK\$5.50

China

Metals & Mining

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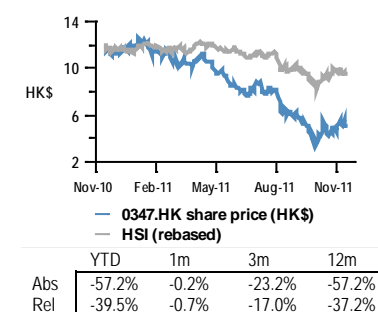
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares O/S (mn)	1,086
Market cap (Rmb mn)	4,507
Market cap (\$ mn)	711
Price (HK\$)	5.09
Date Of Price	16 Nov 11
Free float (%)	94.3%
3mth Avg daily volume	14.43
3M - Avg daily Value (HK\$ mn)	73.99
3M - Avg daily Value (USD) (\$ mn)	9.60
HSI	19,348
Exchange Rate	7.78
Fiscal Year End	Dec

Angang Steel - H: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	70,057	92,212	97,229	103,015	106,564	EBIT	1,615	3,234	1,559	3,601	7,048
% change Y/Y	(11.3%)	31.6%	5.4%	5.9%	3.5%	Depr. & amortization	6,412	7,171	6,565	7,081	7,180
Gross Margin	5.9%	7.1%	5.0%	7.1%	10.2%	Change in working capital	-3,448	-1,695	278	-55	-1,285
EBITDA	8,027	10,405	8,124	10,682	14,227	Taxes	-165	-413	-85	-667	-1,531
% change Y/Y	-13.1%	29.6%	-21.9%	31.5%	33.2%	Other	1,101	56	0	0	0
EBITDA margin	11.5%	11.3%	8.4%	10.4%	13.4%	Cash flow from operations	2,971	7,450	5,002	8,629	10,087
EBIT	1,615	3,234	1,559	3,601	7,048	Capex	-6,341	-4,851	-7,104	-8,000	-8,000
% change Y/Y	NM	100.3%	NM	131.0%	95.7%	Disposal/(purchase)	-	-	-	-	-
EBIT Margin	2.3%	3.5%	1.6%	3.5%	6.6%	Net Interest	-924	-1,307	-1,457	-1,331	-1,325
Net Interest	-924	-1,307	-1,457	-1,331	-1,325	Free cash flow	-3,370	2,599	-2,102	629	2,087
Earnings before tax	872	2,378	531	2,670	6,123	Equity raised/(repaid)	0	0	0	0	0
% change Y/Y	-77.3%	172.7%	-77.6%	402.5%	129.3%	Debt raised/(repaid)	3,056	-3,812	1,000	0	0
Tax	-165	-413	-85	-667	-1,531	Other	0	3,000	-721	0	0
as % of EBT	18.9%	17.4%	15.9%	25.0%	25.0%	Dividends paid	-1,519	-434	-1,085	-261	-1,001
Net income (reported)	748	2,054	523	2,002	4,592	Beginning cash	2,974	2,242	3,651	743	1,110
% change Y/Y	-75.0%	174.6%	-74.6%	283.0%	129.3%	Ending cash	2,242	3,651	743	1,110	2,196
Shares outstanding	7,235	7,235	7,235	7,235	7,235	DPS	0.06	0.15	0.04	0.14	0.32
EPS (reported)	0.10	0.28	0.07	0.28	0.63						
% change Y/Y	(75.0%)	174.6%	(74.5%)	282.9%	129.3%						
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	2,242	3,651	743	1,110	2,196	Operating margin	-	-	-	-	-
Accounts receivable	4,145	4,872	4,823	4,695	5,038	Net profit margin	1.1%	2.2%	0.5%	1.9%	4.3%
Inventories	10,658	13,134	15,845	15,426	16,553	SG&A/Sales	3.7%	3.8%	3.5%	3.6%	3.6%
Others	9,593	11,369	12,364	12,265	12,530	Interest coverage (x)	8.69	7.96	5.58	8.03	10.74
Current assets	26,638	33,026	33,775	33,497	36,317	Net debt to equity	56.9%	51.4%	61.0%	58.4%	53.0%
LT investments	391	922	1,046	1,046	1,046	Sales/assets	0.71	0.88	0.90	0.95	0.96
Net fixed assets	73,775	70,550	70,368	71,286	72,107	Assets/equity	1.92	1.94	2.02	1.97	1.92
Total Assets	103,254	107,119	108,248	109,289	113,330	ROE	1.4%	3.8%	1.0%	3.7%	8.0%
Liabilities											
Short-term loans	21,363	19,356	18,796	18,796	18,796						
Payables	13,733	16,726	18,389	17,688	18,138						
Others	2,732	2,400	2,099	2,099	2,099						
Total current liabilities	37,828	38,482	39,284	38,583	39,033						
Long-term debt	11,502	12,717	14,646	14,646	14,646						
Total Liabilities	49,469	51,790	54,651	53,950	54,400						
Shareholders' equity	53,785	55,329	53,598	55,339	58,930						
BVPS	7.43	7.65	7.41	7.65	8.15						

Source: Company reports and J.P. Morgan estimates.

Astra International

www.astra.co.id

Company description

Astra International is an Indonesian conglomerate with a tilt towards the Auto sector. A subsidiary of Jardine Cycle & Carriage, the company is the Indonesian partner for Toyota, Daihatsu & Isuzu (4 wheelers) and Honda (2 wheelers) and complements these lines with components and financial services. In addition it has a presence in the coal value chain through United Tractors and plantations (Astra Agro) and has built up a small portfolio of infrastructure assets comprising a 100km of tollways and a water utility.

Key drivers of performance in an equity market recovery

Vehicle sales figures are the biggest performance driver for Astra. It also has some linkage to country perception of Indonesia as a bellwether market proxy.

How much recovery has already been priced in, what are the key metrics?

Vehicle sales in Indonesia are running at near all-time high levels, rather than a recovery, we think the risk is that a slowdown is not priced in. PE multiples & Astra's premium to the index are just 0-15% off peak levels set in July-Oct 2011.

Where's the earnings risk for 2012?

Consensus builds in a 14% EPS growth for FY12E – we see downside risks from weaker commercial vehicle demand if the economy slows and commodity prices (CPO) decline. Supply chain disruptions are a wildcard on the downside. Lower rates form an upside risk, but may be balanced by policy risks to autos as Indonesia attempts to curb subsidized fuel consumption.

Price target and key recovery risks

Our June 2012 SoTP based PT on Astra stands at Rp 52,000 at which level it will trade at about 12x FY12E PE. Key risks are a further acceleration in car sales and a higher commodity prices.

Astra International Tbk (Reuters: ASII.JK, Bloomberg: ASII IJ)

Rp in bn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rp bn)	98,526	129,991	151,292	161,521	193,581
Net Profit (Rp bn)	10,040.0	14,366.0	15,900.4	17,125.0	20,167.7
EPS (Rp)	2,480.24	3,548.91	3,927.96	4,230.50	4,982.13
DPS (Rp)	994.06	1,422.38	1,571.19	1,692.20	1,992.85
Revenue growth (%)	1.5%	32.1%	16.4%	6.7%	19.8%
EPS growth (%)	12.0%	43.1%	10.7%	7.7%	17.8%
ROCE	23.9%	23.5%	20.9%	20.6%	22.8%
ROE	27.5%	32.2%	29.4%	26.8%	26.8%
P/E (x)	27.6	19.3	17.4	16.2	13.7
P/BV (x)	7.0	5.6	4.7	4.0	3.4
EV/EBITDA (x)	0.8	1.2	1.5	1.3	1.1
Dividend Yield	1.5%	2.1%	2.3%	2.5%	2.9%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: Rp 68,500

Price Target: Rp 52,000

Indonesia

Automobiles

Aditya Srinath^{AC}

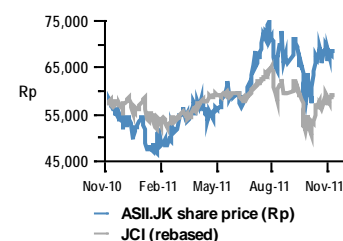
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Bloomberg JPMA SRINATH <GO>

PT J.P. Morgan Securities Indonesia

Price Performance



	YTD	1m	3m	12m
Abs	25.6%	8.3%	5.3%	19.3%
Rel	22.8%	-2.8%	6.5%	16.4%

Source: Bloomberg.

Company Data

Shares O/S (mn)	4,048
Market cap (Rp mn)	277,312,300
Market cap (\$ mn)	31,026
Price (Rp)	68,500
Date Of Price	08 Nov 11
Free float (%)	49.9%
3mth Avg daily volume	5.09
3M - Avg daily Value (Rp mn)	333,896.30
3M - Avg daily Value (USD) (\$ mn)	38.08
JCI	3,806
Exchange Rate	8,938.00
Fiscal Year End	Dec

Astra International: Summary of Financials

Income Statement						Cash flow statement					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	98,526	129,991	151,292	161,521	193,581	EBIT	14,157	16,807	18,844	21,293	25,366
% change Y/Y	1.5%	32.1%	16.4%	6.7%	19.8%	Depr. & amortization	3,302	4,074	4,559	5,013	5,565
EBITDA	17,459	20,881	23,404	26,306	30,931	Change in working capital	1,309	-2,684	-4,740	-2,974	125
% change Y/Y	8.9%	19.6%	12.1%	12.4%	17.6%	Taxes	-3958	-4027	-4195	-4745	-5713
EBIT	14,157	16,807	18,844	21,293	25,366	Cash flow from operations	14,953	15,869	15,720	19,164	19,164
% change Y/Y	4.9%	18.7%	12.1%	13.0%	19.1%	Capex	-5,998	-8,246	-7,000	-6,000	-6,000
EBIT Margin	14.3%	12.9%	12.4%	13.1%	13.0%	Disposal/(purchase)	-1,238	-943	0	0	0
Net Interest	78	18	-502	-546	-516	Net Interest	78	18	-502	-546	-516
Earnings before tax	16,402	21,031	23,165	25,627	29,904	Other	-5,816	-15,033	-13,322	-4,706	-12,361
% change Y/Y	9.6%	28.2%	10.2%	10.6%	16.7%	Free cash flow	8,955	7,623	8,720	13,164	13,164
Tax	-3,958	-4,027	-4,195	-4,745	-5,713	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	24.1%	19.2%	18.1%	18.5%	19.1%	Debt raised/(repaid)	-1,612	9,817	9,000	-3,000	-3,000
Net income (reported)	10,040.0	14,366.0	15,900.4	17,125.0	20,167.7	Other	2,324	1,658	630	630	630
% change Y/Y	12.0%	43.1%	10.7%	7.7%	17.8%	Dividends paid	-4,024	-5,758	-6,360	-6,850	-8,067
Shares outstanding	4	4	4	4	4	Beginning cash	8,944	8,771	7,078	5,745	4,983
EPS (reported)	2,480.24	3,548.91	3,927.96	4,230.50	4,982.13	Ending cash	8,771	7,078	5,745	4,983	-4,651
% change Y/Y	12.0%	43.1%	10.7%	7.7%	17.8%	DPS	994.06	1,422.38	1,571.19	1,692.20	1,992.85
Balance sheet						Ratio Analysis					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	8,732	7,005	5,645	4,883	1,943	EBITDA margin	17.6%	16.0%	15.4%	16.2%	15.9%
Accounts receivable	7,874	9,769	12,653	13,836	15,642	Operating margin	14.3%	12.9%	12.4%	13.1%	13.0%
Inventories	7,282	10,842	9,299	12,403	12,653	Net margin	10.1%	11.0%	10.5%	10.5%	10.4%
Others	2,185	3,250	5,388	5,753	6,895	Sales per share growth	1.5%	32.1%	16.4%	6.7%	19.8%
Current assets	26,112	30,939	33,086	36,975	37,233	Sales growth	1.5%	32.1%	16.4%	6.7%	19.8%
LT investments	-	-	-	-	-	Net profit growth	12.0%	43.1%	10.7%	7.7%	17.8%
Net fixed assets	23,375	27,547	29,988	30,974	31,409	EPS growth	12.0%	43.1%	10.7%	7.7%	17.8%
Total Assets	88,938	112,857	130,767	140,349	153,403	Interest coverage (x)	-	-	46.60	48.17	59.93
Liabilities						Net debt to equity	33.0%	50.0%	59.5%	47.4%	40.3%
Short-term loans	11,254	17,803	17,803	17,803	17,803	Sales/assets	1.17	1.30	1.25	1.20	1.32
Payables	7,278	9,275	8,533	9,510	10,814	Assets/equity	2.23	2.20	2.15	2.03	1.89
Others	15,307	19,143	17,883	19,560	22,883	ROE	27.5%	32.2%	29.4%	26.8%	26.8%
Total current liabilities	26,561	36,946	35,686	37,363	40,686	ROCE	23.9%	23.5%	20.9%	20.6%	22.8%
Long-term debt	10,667	13,935	22,935	19,935	16,935						
Other liabilities	1,617	1,766	1,801	1,831	1,861						
Total Liabilities	40,006	54,168	62,038	60,845	61,298						
Shareholders' equity	39,894	49,310	58,850	69,125	81,226						
BVPS	9,855.24	12,181.32	14,538.10	17,076.40	20,065.68						

Source: Company reports and J.P. Morgan estimates.

ASUSTek Computer

www.asus.com

Company description

ASUSTek is the No 5 brand PC vendor globally, with a strong market share in China and Europe and a heavy orientation towards the consumer market. ASUS has usually been more innovative in introducing new products, but has typically lacked the scale that other global players have, when it comes to competing for market share.

Key drivers of performance in an equity market recovery

We expect the stock to underperform in a market recovery, given that the market is already pricing in high expectations on new products, while not factoring in downside risks from margins in 2012.

How much recovery has already been priced in, what are the key metrics?

Given that ASUS has outperformed the market without seeing any upward revisions in earnings, we feel most of the recovery is already priced in. If we do not see continued upside in margins or topline growth, we expect the stock to continue to de-rate. Of note, margin trends have been a key metric for stock direction - we expect margins to decline in next few quarters.

Where's the earnings risk for 2012?

Market expectations are still high for ASUS regarding (1) OP Margins remaining at 5+% levels, and (2) strong growth in revenues coming from new products like tablets and Ultrabooks. We feel that both of these assumptions are at risk. (a) The higher mix of notebooks and poor momentum in motherboard is likely to continue to erode ASUS' margins. (b) ASUS tablet sales have already lost momentum, especially since the launch of Amazon Kindle Fire, while early sell-through on Ultrabooks has also been quite lackluster.

Price target and key recovery risks

Our Jun-12 PT is NT\$220 (based on 10x 2012E earnings, the mid point of recent trading history). A key upside risk is a swift take-up for Ultrabooks, while a key downside risk is further disappointment in OP margins.

Bloomberg 2357 TT, Reuters 2357.TW

(Year-end Dec, NT\$ bn)	FY09	FY10	FY11E	FY12E	FY09	FY10	FY11E	FY12E	Target Price (NT\$)	220	
Sales	248.18	321.30	345.25	369.43	New TW GAAP P/E	12.7	9.6	9.3	8.9	52-Week range (NT\$)	265.00 - 189.75
Operating Profit	4.50	13.64	18.26	18.70	P/BV (x)	0.9	1.5	1.3	1.2	Share Outstanding	753mn
EBITDA	5.74	15.14	19.86	20.30	ROE(%)	07.3	11.8	14.9	14.3	Free float	95.0%
Pretax Profit	12.84	18.75	20.18	21.14	Cash Div (NT\$)	10.9	12.0	11.8	11.9	Avg daily volume	68mn
Adj. Net Profit (New TW GAAP)	12.47	16.49	16.56	17.29	Quarterly EPS (NT\$)	1Q	2Q	3Q	4Q	Avg daily val (USD)	42.05mn
New TW GAAP EPS (NT\$)	16.05	21.22	21.82	22.97	EPS (10)	6.36	4.27	5.41	5.17	Dividend Yield (2011)	5.8%
Net Debt / Equity	NM	NM	NM	NM	EPS (11) E	4.41	4.78	6.22	5.99	QFI Holding (%)	39.7%
Y/E BPS (NT\$)	222.84	136.45	154.83	165.92	EPS (12) E	4.79	5.43	6.60	6.15	Market Cap(USD)	5,075mn

Source: Company data, Bloomberg, J. P. Morgan estimates. Note: In Net Debt/Equity, NM means company has net cash. Priced as of 15 Nov 2011

Neutral

Price: NT\$206.00

Price Target: NT\$220.00

Taiwan

Technology Hardware

Gokul Hariharan^{AC}

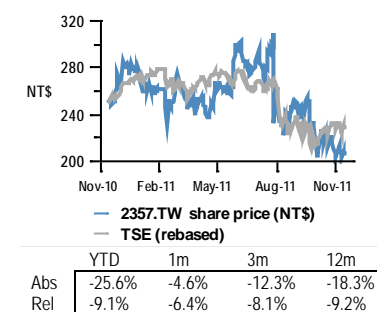
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Bloomberg JPMA HARIHARAN <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

ASUSTek Computer: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Revenues	266,880	248,177	321,298	345,253	369,435	Gross margin	14.8%	11.6%	13.6%	13.8%	13.7%
Cost of goods sold	227,471	219,348	277,546	297,533	318,815	EBITDA margin	4.6%	2.3%	4.7%	5.8%	5.5%
Gross Profit	39,409	28,829	43,752	47,720	50,620	Operating margin	4.3%	1.8%	4.3%	5.3%	5.1%
R&D expenses	-7,290	-6,570	-8,130	-7,954	-8,619	Net margin	6.2%	5.0%	5.1%	4.8%	4.7%
SG&A expenses	-19,709	-17,763	-21,981	-21,506	-23,303	R&D/sales	2.7%	2.7%	2.5%	2.3%	2.3%
Operating profit (EBIT)	11,406	4,496	13,641	18,259	18,698	SG&A/Sales	7.4%	7.2%	6.8%	6.2%	6.3%
EBITDA	12,356	5,741	15,142	19,859	20,298	Sales growth	(64.7%)	(7.0%)	29.5%	7.5%	7.0%
Interest income	1,066	858	726	528	468	Operating profit growth	-60.2%	-60.6%	203.4%	33.9%	2.4%
Interest expense	-968	-843	-667	-350	-54	Net profit growth	-40.4%	-24.2%	32.2%	0.4%	4.4%
Investment income (Exp.)	98	15	59	178	413	EPS (reported) growth	(54.5%)	(23.9%)	32.2%	2.9%	5.2%
Non-operating income (Exp.)	9,179	8,340	5,105	1,924	2,440	Interest coverage (x)	-	-	-	-	-
Earnings before tax	20,585	12,835	18,746	20,183	21,139	Net debt to total capital	-5.7%	-15.9%	-20.3%	-23.9%	-20.7%
Tax	-4,129	-365	-2,258	-3,628	-3,851	Net debt to equity	NM	NM	NM	NM	NM
Net income (reported)	16,456.0	12,470.5	16,488.0	16,555.5	17,287.9	Asset turnover	0.86	1.03	1.48	1.72	1.71
Net income (adjusted)	16,456	12,470	16,488	16,556	17,288	Working capital turns (x)	6.67	8.45	10.84	0.00	5.50
EPS (reported)	21.09	16.05	21.22	21.82	22.97	ROE	9.5%	7.3%	11.8%	14.9%	14.3%
EPS (adjusted)	21.09	16.05	21.22	21.82	22.97	ROIC	2.2%	0.4%	6.6%	21.8%	-
BVPS	214.69	222.84	136.45	154.83	165.92	ROIC (net of cash)	-	-	-	-	-
DPS	11.98	10.86	11.99	11.76	11.88						
Shares outstanding	777	777	777	753	753						
Balance sheet						Cash flow statement					
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	23,704	39,759	41,395	38,499	36,906	Net income	16,456.0	12,470.5	16,488.0	16,555.5	17,287.9
Accounts receivable	43,221	33,148	39,861	47,082	47,510	Depr. & amortization	950	1,245	1,501	1,600	1,600
Inventories	41,821	38,231	41,847	48,152	48,590	Change in working capital	24,854	20,622	-6,816	-8,452	-811
Others	10,888	8,674	17,308	19,052	19,706	Other	-8,567	-2,071	-4,560	-3,857	-432
Current assets	119,634	119,812	140,411	152,785	152,711	Cash flow from operations	42,260	34,337	11,173	9,703	18,077
LT investments	111,496	116,429	44,426	52,217	61,869	Capex	58,491	-2,045	-1,464	-1,036	-1,600
Net fixed assets	3,736	4,536	4,499	3,935	3,935	Disposal/(purchase)	7,024	-2,333	2,496	-527	0
Others	-	-	-	-	-	Cash flow from investing	-33,782	-9,311	73,035	-9,354	-11,252
Total Assets	236,474	244,718	190,781	210,909	220,487	Free cash flow	100,750	32,293	9,709	8,667	16,477
Liabilities						Equity raised/(repaid)	9,897	3,409	-62,197	1,157	0
ST Loans	12,714	10,911	10,911	9,450	9,971	Debt raised/(repaid)	-11,513	-1,803	0	-1,461	522
Payables	27,469	36,499	44,572	53,502	53,989	Other	-33,538	-1,078	-12,116	1,710	-0
Others	26,734	22,449	26,523	24,410	24,632	Dividends paid	-9,352	-8,440	-9,315	-8,918	-8,940
Total current liabilities	66,917	69,859	82,006	87,362	88,592	Cash flow from financing	-44,506	-7,912	-83,629	-7,512	-8,418
Long-term debt	0	0	0	0	0	Net change in cash	-36,029	17,115	579	-7,163	-1,594
Other liabilities	0	0	0	0	0	Beginning cash	56,998	23,704	39,759	41,395	38,499
Total Liabilities	69,652	71,534	84,738	94,361	95,591	Ending cash	23,704	39,759	41,395	38,499	36,906
Shareholders' equity	166,822	173,184	106,043	116,548	124,896						

Source: Company reports and J.P. Morgan estimates.

British American Tobacco (M) Berhad

www.batmalaysia.com/

Company description

BAT (M) manufactures and markets high-quality tobacco products. Its portfolio includes well-established international names such as Dunhill, Kent, Pall Mall and Peter Stuyvesant. It has over 60% market share in the Malaysian cigarette industry. BAT Malaysia arose from the merger of Rothmans of Pall Mall (Malaysia) Bhd and Malaysian Tobacco Company Bhd in 1999.

Key drivers of performance in an equity market recovery

We believe BAT would underperform in a recovery due to: 1) demand for cigarettes being generally inelastic, with little correlation to GDP growth, 2) BAT's low beta and defensive earnings profile and 3) its premium valuations (above mean and sector average).

How much recovery has already been priced in, what are the key metrics?

The stock has outperformed the broader market YTD, on the back of 1) its defensive earnings and decent yields, 2) the absence of an excise duty hike and 3) smaller-than-expected volume declines. The stock is currently pricing in a 2-3% volume growth assumption for FY12 (vs. our base case for a 1% contraction) – which might be too optimistic given rising illicit threat and risk of off-budget duty hikes post-election.

Where's the earnings risk for 2012?

Volumes could come under pressure on the back of rising illicit numbers (latest reading of 37.3% vs. 2010: 36.3%). Although tobacco players were spared an excise duty hike in Budget 2012, PM Najib had pointed out that the Government can raise cigarette prices any time, leaving the door open for potential non-Budget duty hikes.

Price target and key recovery risks

Our Dec-12 price target of M\$44.40 is based upon a 3-stage DDM. It implies an FY12 P/E of 18.1x - not cheap vis-à-vis historical valuations and its pedestrian EPS growth of 6%. Key risks are 1) better-than-expected control in the illicit market by the authorities and 2) stronger-than-expected volume recovery. 3) If our recovery scenario does not play out, stock could outperform on perceived defensiveness.

British American Tobacco (M) Bhd (Reuters: BATO.KL, Bloomberg: ROTH MK)

M\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (M\$ mn)	3,923.4	3,965.4	4,137.1	4,340.0	4,521.3
Core Net Profit (M\$ mn)	747	731	715	759	790
Core EPS (M\$)	2.62	2.56	2.50	2.66	2.77
DPS (M\$)	2.36	2.40	2.56	2.39	2.49
Revenue Growth (%)	-5.1%	1.1%	4.3%	4.9%	4.2%
Core Net Profit growth (%)	-8.0%	-2.1%	-2.3%	6.3%	4.1%
Core EPS growth	-8.0%	-2.1%	-2.3%	6.3%	4.1%
ROCE	96.3%	88.5%	86.9%	89.8%	87.5%
ROE	176.5%	157.3%	148.4%	148.7%	134.4%
P/BV	30.0	26.9	27.9	24.1	21.0
Adj P/E (x)	17.7	18.0	18.5	17.4	16.7
EV/EBITDA	12.3	12.9	13.2	12.4	11.9
Dividend yield (%)	5.1%	5.2%	5.6%	5.2%	5.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: M\$46.20

Price Target: M\$44.40

Malaysia

Tobacco

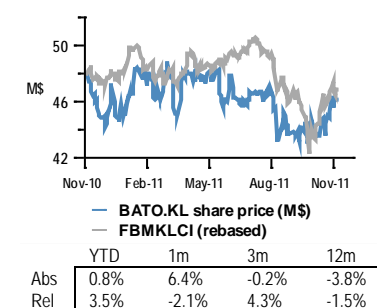
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Bloomberg JPMA SOH <GO>

JPMorgan Securities (Malaysia) Sdn. Bhd.
(18146-X)

Price Performance



Source: Bloomberg.

Company Data

52-week Range (M\$)	49.11 - 42.70
Mkt Cap (M\$ mn)	13,191.5
Mkt Cap (\$ mn)	4,235.8
Shares O/S (mn)	286
Price (M\$)	46.20
Date Of Price	08 Nov 11
Free float (%)	44.0%
3-mth trading value (M\$ mn)	17.08
3-mth trading value (\$ mn)	5.48
3-mth trading volume (mn)	0.41
FBMKLCI	1,478
Exchange Rate	3.11
Fiscal Year End	Dec

British American Tobacco (M) Bhd: Summary of Financials

Income Statement						Cash flow statement					
M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	3,923.4	3,965.4	4,137.1	4,340.0	4,521.3	EBIT	1,033	987	983	1,042	1,084
% change Y/Y	(5.1%)	1.1%	4.3%	4.9%	4.2%	Depr. & amortization	81	63	63	63	63
Gross Margin	39.4%	37.5%	36.7%	36.3%	35.7%	Change in working capital	37	101	-161	-11	-10
EBITDA	1,114	1,049	1,045	1,105	1,146	Taxes	-259	-228	-238	-253	-263
% change Y/Y	-6.5%	-5.9%	-0.4%	5.7%	3.7%	Others	-54	-64	-157	-79	-49
EBITDA Margin	28.4%	26.5%	25.3%	25.5%	25.4%	Cash flow from operations	839	858	489	762	824
EBIT	1,033	987	983	1,042	1,084	Capex	-98	-60	-60	-50	-50
% change Y/Y	NM	NM	NM	6.1%	4.0%	Disposal/(purchase)	5	5	5	5	5
EBIT Margin	26.3%	24.9%	23.8%	24.0%	24.0%	Free cash flow	741	798	429	712	774
Net Interest	-28	-27	-30	-30	-30	Equity raised/(repaid)	-	-	-	-	-
Earnings before tax	1,005	959	953	1,012	1,054	Debt raised/(repaid)	0	0	0	0	0
% change Y/Y	-7.0%	-4.6%	-0.7%	6.3%	4.1%	Other	52	48	-	-	-
Tax	-259	-228	-238	-253	-263	Dividends paid	-689	-663	-710	-698	-703
as % of EBT	25.7%	23.8%	25.0%	25.0%	25.0%	Beginning cash	59	169	357	81	100
Net income (reported)	747	731	715	759	790	Ending cash	169	357	81	100	176
% change Y/Y	-8.0%	-2.1%	-2.3%	6.3%	4.1%	DPS	2.36	2.40	2.56	2.39	2.49
Shares outstanding	286	286	286	286	286						
EPS (reported)	2.62	2.56	2.50	2.66	2.77						
% change Y/Y	(8.0%)	(2.1%)	(2.3%)	6.3%	4.1%						
Balance sheet						Ratio Analysis					
M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	169	357	81	100	176	EBITDA margin	28.4%	26.5%	25.3%	25.5%	25.4%
Accounts receivable	165	179	204	214	223	Operating margin	26.3%	24.9%	23.8%	24.0%	24.0%
Inventories	214	194	301	318	334	Net margin	19.0%	18.4%	17.3%	17.5%	17.5%
Others	4	1	1	1	1						
Current assets	552	731	587	632	734	Sales per share growth	(5.1%)	1.1%	4.3%	4.9%	4.2%
						Sales growth	(5.1%)	1.1%	4.3%	4.9%	4.2%
LT investments	433	428	428	428	428	Net profit growth	-8.0%	-2.1%	-2.3%	6.3%	4.1%
Net fixed assets	458	410	531	524	517	EPS growth	(8.0%)	(2.1%)	(2.3%)	6.3%	4.1%
Total Assets	1,442	1,569	1,546	1,585	1,679	Interest coverage (x)	40.05	38.29	34.91	36.90	38.27
Liabilities						Net debt to total capital	0.4	0.3	0.5	0.5	0.4
Short-term loans	0	0	0	0	0	Net debt to equity	109.6%	59.8%	120.5%	100.4%	75.6%
Payables	219	314	285	301	317	Sales/assets	2.68	2.63	2.66	2.77	2.77
Others	81	69	93	40	40	Assets/equity	3.12	2.78	2.54	2.89	2.68
Total current liabilities	300	383	378	341	356	ROE	176.5%	157.3%	148.4%	148.7%	134.4%
Long-term debt	650	650	650	650	650	ROCE	96.3%	88.5%	86.9%	89.8%	87.5%
Other liabilities	53	46	46	46	46						
Total Liabilities	1,003	1,079	1,074	1,037	1,052						
Shareholders' equity	439	490	473	548	628						
BVPS	1.54	1.72	1.66	1.92	2.20						

Source: Company reports and J.P. Morgan estimates.

Cathay Pacific

www.cathaypacific.com

Company description

Cathay Pacific provides passenger and cargo transportation services. It is the largest international cargo airline globally. 1H11 revenue breakdown: passenger: 68%, cargo services: 27% and other 5%. Air China owns a 29.9% stake in Cathay Pacific which in turn owns a c.19.5% stake in Air China.

Key drivers of performance in an equity market recovery

We expect Cathay to underperform its peers in the recovery given long-haul demand will likely be hurt by CX's substantial exposure to US/Europe routes and c.40% of CX's pax revenue is driven by premium traffic which faces downside risk as global growth slows.

How much recovery has already been priced in, what are the key metrics?

Cathay's share price correction ytd was mainly to discount the weaker earnings due to higher fuel prices. What has not been fully discounted, in our view, is the risk of weakening travel demand and rising competition from low-cost carriers and improving Chinese airlines on its high-yielding routes in North Asia in the longer term.

Where's the earnings risk for 2012?

Our HK\$0.85 forecast is c.48% below consensus. Key downside risks would be weaker-than-expected demand, stronger competition on short-haul routes from low-cost carriers, increased traffic diversion to Chinese airlines as they progressively improve their aircraft and service levels.

Price target and key recovery risks

Our Dec-12 PT of HK\$14 is based on 0.9x P/BV, 1 standard deviation below CX's average valuation since 1998 as we expect its operating outlook to deteriorate. However, the stock risks de-rating to its trough valuation of 0.65x if demand weakens more than expected. Key upside risks: 1) yields could surprise on the upside, 2) good catchment area given its proximity to China, 3) more synergies from tie-up with Air China, 4) falling fuel prices, 5) management's aim to reduce unit costs, 6) weaker US\$.

Cathay Pacific (Reuters: 0293.HK, Bloomberg: 293 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	66,978	89,524	97,954	101,561	112,094
Net Profit (HK\$ mn)	4,694	14,048	5,267	3,350	5,032
EPS (HK\$)	1.19	3.57	1.34	0.85	1.28
DPS (HK\$)	0.10	1.11	0.67	0.43	0.64
Revenue Growth (%)	-22.6%	33.7%	9.4%	3.7%	10.4%
EPS Growth (%)	-154.0%	199.3%	-62.5%	-36.4%	50.2%
ROCE	5.5%	12.4%	5.9%	3.3%	5.0%
ROE	11.9%	29.1%	9.5%	5.8%	8.4%
P/E	11.6	3.9	10.4	16.3	10.9
P/BV	1.3	1.0	1.0	0.9	0.9
EV/EBITDA	8.9	4.6	6.6	8.0	6.6
Div Yield (%)	0.7%	8.0%	4.8%	3.1%	4.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: HK\$13.90

Price Target: HK\$14.00

Hong Kong Transportation

Corrine Png^{AC}

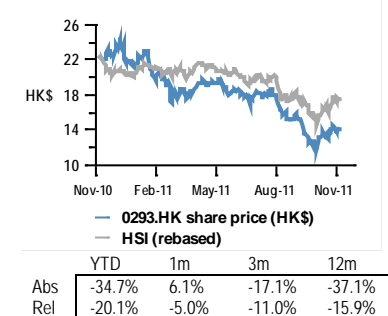
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Bloomberg JPMA PNG <GO>

J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares O/S (mn)	3,934
Market Cap (HK\$ mn)	54,680
Market Cap (\$ mn)	7,040
Price (HK\$)	13.90
Date Of Price	04-Nov-11
Free float (%)	25.0%
Avg daily volume (mn)	12.17
Avg daily value (HK\$ mn)	77.27
Avg daily value (\$ mn)	9.95
HSI	19,843
Exchange Rate	8
Fiscal Year End	Dec

Cathay Pacific: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	66,978	89,524	97,954	101,561	112,094	EBIT	4,479	11,053	5,586	3,237	5,142
% change YY	(22.6%)	33.7%	9.4%	3.7%	10.4%	Depr. & amortization	5,684	6,351	7,161	7,991	8,814
EBITDA	10,163	17,404	12,747	11,228	13,956	Change in working capital	-6,230	1,095	676	503	1,469
% change YY	-529.5%	71.3%	-26.8%	-11.9%	24.3%	Taxes	-1,743	-810	-815	-518	-779
EBIT	4,479	11,053	5,586	3,237	5,142	Cash flow from operations	2,035	17,599	12,242	10,750	14,120
% change YY	NM	146.8%	NM	NM	58.8%	Capex	-5,472	-7,430	-14,450	-14,250	-14,250
EBIT Margin	6.7%	12.4%	5.7%	3.2%	4.6%	Disposal/(purchase)	1,304	869	0	0	0
Net Interest	-847	-978	-868	-1,035	-1,168	Net Interest	-847	-978	-868	-1,035	-1,168
Earnings before tax	5,147	15,695	6,270	3,988	5,991	Other	4,249	-7,233	0	0	0
% change YY	-152.5%	204.9%	-60.1%	-36.4%	50.2%	Free cash flow	-3,437	10,169	-2,208	-3,500	-130
Tax	-283	-1,462	-815	-518	-779	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	5.5%	9.3%	13.0%	13.0%	13.0%	Debt raised/(repaid)	2,362	-3,013	0	2,000	2,000
Net income (reported)	4,694	14,048	5,267	3,350	5,032	Other	-1,597	7,930	0	0	0
% change YY	-154.0%	199.3%	-62.5%	-36.4%	50.2%	Dividends paid	-143	-177	-2,633	-1,675	-2,516
Shares outstanding	3,938	3,935	3,934	3,934	3,934	Beginning cash	15,088	16,522	24,198	19,357	16,182
EPS (reported)	1.19	3.57	1.34	0.85	1.28	Ending cash	16,522	24,198	19,357	16,182	15,535
% change YY	(154.0%)	199.3%	(62.5%)	(36.4%)	50.2%	DPS	0.10	1.11	0.67	0.43	0.64
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	16,522	24,198	19,357	16,182	15,535	EBITDA margin	15.2%	19.4%	13.0%	11.1%	12.5%
Accounts receivable	8,161	11,433	12,510	12,970	14,315	Operating margin	6.7%	12.4%	5.7%	3.2%	4.6%
Inventories	947	1,021	1,117	1,158	1,278	Net margin	7.0%	15.7%	5.4%	3.3%	4.5%
Others	0	0	0	0	0	Sales per share growth	(22.6%)	33.7%	9.4%	3.7%	10.4%
Current assets	25,630	36,652	32,983	30,311	31,129	Sales growth	(22.6%)	33.7%	9.4%	3.7%	10.4%
LT investments	22,199	25,289	26,339	27,551	28,926	Net profit growth	-154.0%	199.3%	-62.5%	-36.4%	50.2%
Net fixed assets	65,495	66,112	73,421	79,680	85,117	EPS growth	(154.0%)	199.3%	(62.5%)	(36.4%)	50.2%
Total Assets	113,324	128,053	132,743	137,542	145,172	Interest coverage (x)	12.00	17.80	14.68	10.85	11.94
Liabilities						Net debt to equity	61.8%	28.4%	35.6%	43.4%	46.0%
Short-term loans	7,828	8,704	8,704	8,704	8,704	Sales/assets	0.59	0.74	0.75	0.75	0.79
Payables	12,965	15,773	16,758	17,394	19,250	Assets/equity	2.76	2.90	2.93	2.35	2.38
Others	9,018	10,707	11,570	11,939	13,018	ROE	11.9%	29.1%	9.5%	5.8%	8.4%
Total current liabilities	29,811	35,184	37,032	38,037	40,971	ROCE	5.5%	12.4%	5.9%	3.3%	5.0%
Long-term debt	34,814	30,925	30,925	32,925	34,925						
Other liabilities	6,314	7,515	7,515	7,515	7,515						
Total Liabilities	70,939	73,624	75,472	78,477	83,411						
Shareholders' equity	42,238	54,274	56,927	58,602	61,118						
BVPS	10.74	13.80	14.47	14.90	15.54						

Source: Company reports and J.P. Morgan estimates.

China High Speed Transmission

www.chste.com

Company description

Located in Nanjing, Jiangsu Province, China High Speed Transmission is one of the leading and most established wind gearbox producers in China. The company has strong business ties with GE and is building an increasingly important presence in the global wind gearbox market. The company also produces gearboxes for other industry sectors, including marine, construction, steel and mining.

Key drivers of performance in an equity market recovery

Wind turbine demand will be the key catalyst for the stock. However; we believe deliveries delay will continue as government is tightening up on new wind project approval partly due to grid connection problems by slowing down wind power sector investment and new wind capacity installation.

How much recovery has already been priced in, what are the key metrics?

We believe market has yet to price negatives into the stock due to: (1) orders with low prices have not been recognized as revenue fully, and (2) leading operators which indicated weak power output in 3Q11 might continue to delay the repayment.

Where's the earnings risk for 2012?

We believe order delay, deteriorating cash flow and weak working capital will be the main earnings risk given the sector negatives of grid connection.

Price target and key recovery risks

Our Jun-12 price target of HK\$3 is based on DCF with a 11.9% WACC and a 2% terminal growth. Downside risk includes lower-than-expected margin on wind gearboxes due to intense market competition on wind turbine suppliers. Upside risk to our PT includes higher-than-expected demand for wind gearboxes due to weak demand for direct drive turbine technologies.

China High Speed Transmission (Reuters: 0658.HK, Bloomberg: 658 HK)

Rmb in mn, year-end Dec	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	7,393	7,512	7,374	7,232
Gross profit (Rmb mn)	2,299	1,976	1,841	1,810
Gross Margin (%)	31.1%	26.3%	25.0%	25.0%
EBIT (Rmb mn)	1,755	1,040	885	873
EBIT Margin (%)	23.7%	13.8%	12.0%	12.1%
Net Profit (Rmb mn)	1,384	691	539	529
EPS (Rmb)	1.08	0.51	0.40	0.39
Net profit growth (%)	43.2%	-50.1%	-22.0%	-1.8%
EPS growth (%)	39.1%	-53.1%	-22.0%	-1.8%
P/E (x)	3.8	8.1	10.3	10.5
P/BV (x)	0.7	0.7	0.7	-
ROE (%)	23.4%	9.1%	6.7%	6.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: HK\$4.99

Price Target: HK\$3.00

China

China Wind

Boris Kan^{AC}

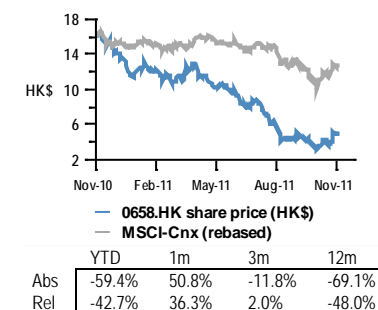
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	1,363
Market cap (Rmb mn)	5,571
Market cap (\$ mn)	876
Price (HK\$)	4.99
Date Of Price	03 Nov 11
Free float (%)	55.0%
3M - Average daily Value (HK\$ mn)	37.28
Average 3m Daily Turnover (\$ mn)	4.42
MSCI-Cnx	5,717
Exchange Rate	7.76
Fiscal Year End	Dec

China High Speed Transmission: Summary of Financials

Income Statement					Cash flow statement				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	7,393	7,512	7,374	7,232	EBIT	1,755	1,040	885	873
% change Y/Y	30.9%	1.6%	(1.8%)	(1.9%)	Depr. & amortization	322	452	536	604
Gross Margin	31.1%	26.3%	25.0%	25.0%	Change in working capital	-185	-2,098	-725	-493
EBITDA	2,077	1,492	1,421	1,477	Taxes	-200	-147	-131	-128
% change Y/Y	44.1%	-28.2%	-4.8%	3.9%	Others	-288	51	164	278
EBITDA margin	28.1%	19.9%	19.3%	20.4%	Cash flow from operations	1,634	-711	607	897
EBIT	1,755	1,040	885	873	Capex	-1,757	-1,077	-862	-690
% change Y/Y	40.4%	NM	NM	NM	Other	-275	982	0	0
EBIT Margin	23.7%	13.8%	12.0%	12.1%	Cash outflow on investing activities	-2,031	-95	-862	-690
Net Interest	-147	-244	-257	-257	Free cash flow	-123	-1,788	-255	207
Earnings before tax	1,650	837	669	657	Net Interest	-147	-244	-257	-257
% change Y/Y	41.5%	-49.3%	-20.1%	-1.8%	Equity raised/(repaid)	1,923	-	-	-
Tax	-257	-147	-131	-128	Debt raised/(repaid)	605	500	0	0
as % of EBT	15.6%	17.5%	19.6%	19.6%	Others	-477	-476	-438	-434
Net income (reported)	1,384	691	539	529	Dividends paid	-	-	-	-
% change Y/Y	43.2%	-50.1%	-22.0%	-1.8%	Net Inc (dec) in cash	1,653	-782	-692	-227
Shares outstanding	1,281	1,363	1,363	1,363	Beginning cash	471	2,124	1,342	650
EPS (reported)	1.08	0.51	0.40	0.39	Ending cash	2,124	1,342	650	423
% change Y/Y	39.1%	(53.1%)	(22.0%)	(1.8%)	DPS	0.36	0.17	0.13	0.13
Balance sheet					Ratio Analysis				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Inventories	1,258	2,307	2,669	2,915	EBITDA margin	28.1%	19.9%	19.3%	20.4%
Trade debtors	3,811	4,901	5,215	5,412	Operating margin	23.7%	13.8%	12.0%	12.1%
Bank balances and cash	3,056	1,292	600	372	Net profit margin	18.7%	9.2%	7.3%	7.3%
Other current assets	18	18	18	17	Sales growth	30.9%	1.6%	(1.8%)	(1.9%)
Current assets	8,142	8,518	8,502	8,717	Net profit growth	43.2%	-50.1%	-22.0%	-1.8%
Net fixed assets	6,789	7,414	7,740	7,826	EPS growth	39.1%	(53.1%)	(22.0%)	(1.8%)
Other non-current assets	-	-	-	-	Net debt to total capital	11.9%	28.7%	33.2%	34.0%
Total Assets	14,932	15,933	16,242	16,544	Net debt to equity	19.2%	46.9%	53.3%	53.7%
Liabilities					Sales/assets	0.59	0.49	0.46	0.44
Short-term loans	2,429	2,429	2,429	2,429	Assets/equity	2.71	2.03	1.98	1.93
Payables	2,613	2,655	2,606	2,556	ROE	23.4%	9.1%	6.7%	6.3%
Others	2,797	2,839	2,791	2,741	ROCE	18.6%	8.4%	6.8%	6.5%
Total current liabilities	5,226	5,268	5,219	5,169					
Long-term debt	2,043	2,543	2,543	2,543					
Other liabilities	148	148	148	148					
Total Liabilities	7,417	7,959	7,911	7,860					
Minority Interest	122	121	121	121					
Shareholders' equity	7,393	7,852	8,210	8,562					
BVPS	5.77	5.76	6.02	6.28					

Source: Company reports and J.P. Morgan estimates.

China Merchants Holdings Int'l

www.cmhi.com.hk

Underweight

Price: HK\$23.65

Price Target: \$20.00

Company description

CMHI is the largest port operator in China. We view the company as a proxy for China's industrial output and containerized trade flow, handling over 40% of container cargo in China. Key profit contributors are its ports located in Shanghai and Western Shenzhen Ports, including Shekou and Chiwan/Mawan.

Key drivers of performance in an equity market recovery

Factories have been migrating away from Southern China in light of cost savings. Increasing competition in the region has also given shipping liners a tactic to negotiate better terms by switching ports. While the factory migration trend seems to be accelerating since the beginning of this year, CMHI's high concentration in foreign trade and, geographically, to the Pearl River Delta region poses a concern in our view.

How much recovery has already been priced in, what are the key metrics?

CMHI's recently announced interim results validated our concerns. Excluding the one-off gains, CMHI's underlying net profit was disappointing, driven by weak throughput growth and margin squeeze as a result of cost inflation. Net profit from Shenzhen ports also fell by 25% Y/Y, while the OP-margin of the overall port segment dropped by 3 ppt. to 36% in 1H11.

Where's the earnings risk for 2012?

CMHI's business is strongly related to global trade and consumption. We are concerned about a slowdown in China's port volume throughput, particularly for ports in Southern China, including Chiwan Wharf, Mawan and MTL, all showing a substantial slowdown in 2011. If the global economy is hit by another downturn similar to the last GFC, we see further downside to our forecasts given that CMHI's net profit declined by 37% Y/Y on the back of a 13% decline in container throughput.

Price target and key recovery risks

We use SOTP valuation to derive the fair value of China Merchants given its holding company structure. Our Dec-2012 SOTP-based PT is HK\$20.0 based on the following assumptions: (1) DCF (based on WACC of c10% a terminal growth of 3%) to value its consolidated port subsidiaries; (2) DDM (Re 12% and a terminal growth 3%) to value non-consolidated port subsidiaries; (3) Lastly the market price to value its container manufacturing arm-CIMC. Key upside risks to our PT and rating are better than expected tariff and throughput changes.

China Merchants Holdings Int'l (Reuters: 0144.HK, Bloomberg: 144 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Total Revenue (HK\$ mn)	3,588	5,811	6,382	6,864	8,448
Net Profit (HK\$ mn)	2,254.0	5,876.0	4,624.0	4,574.1	4,892.7
EPS (HK\$)	0.93	2.40	1.89	1.88	2.01
DPS (HK\$)	0.57	1.03	0.81	0.81	0.86
Revenue growth (%)	-13.2%	62.0%	9.8%	7.6%	23.1%
EPS growth (%)	-36.9%	158.6%	-21.3%	-0.6%	6.9%
ROCE	2.7%	4.0%	5.1%	5.2%	5.4%
ROE	7.1%	16.2%	11.5%	10.6%	10.7%
P/E (x)	25.4	9.8	12.5	12.6	11.8
P/BV (x)	1.7	1.5	1.4	1.3	1.2
EV/EBITDA (x)	16.0	12.1	11.8	11.3	15.2
Dividend Yield	2.4%	4.4%	3.4%	3.4%	3.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

China

Port

Karen Li^{AC}

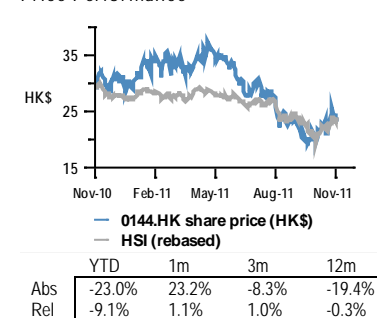
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Bloomberg JPMA KLI <GO>

J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	2,471
Market Cap (HK\$ mn)	51,776.3
Market Cap (\$ mn)	6,657
Price (HK\$)	23.65
Date Of Price	04-Nov-11
Free float (%)	45.0%
3mth Avg daily volume	6.25
3M - Average daily Value (HK\$ mn)	139.96
Average 3m Daily Turnover (\$ mn)	18.46
HSI	19,137
Exchange Rate	7.78
Fiscal Year End	Dec

China Merchants Holdings Int'l: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	3,588	5,811	6,382	6,864	8,448	EBIT	1,145	2,075	2,988	3,141	3,333
% change Y/Y	(13.2%)	62.0%	9.8%	7.6%	23.1%	Income tax paid	-147	-429	-598	-645	-736
EBITDA	1,982	3,093	4,005	4,279	4,511	Dividends received from associates & JCEs	1,279	1,254	1,199	1,201	1,276
% change Y/Y	-8.3%	56.1%	29.5%	6.8%	5.4%	Other operating cash flow	-	-	-	-	-
EBITDA Margin	55.2%	53.2%	62.8%	62.4%	53.4%	Cash flow from operations	2,759	2,918	3,135	2,956	3,022
Operating Profit	1,145	2,075	2,988	3,141	3,333	Capex spending	-1,414	-4,045	-3,130	-3,151	-2,151
% change Y/Y	-17.6%	81.2%	44.0%	5.1%	6.1%	Decr / (Incr) in other financial assets & investments	813	3,638	95	86	85
Operating Margin	31.9%	35.7%	46.8%	45.8%	39.5%	Cash flow from investing	-601	-407	-3,035	-3,066	-2,067
Net Interest	-652	-641	-669	-653	-588	Dividends paid	-1,374	-733	-2,022	-1,591	-1,574
Earnings before tax	3,243	7,238	5,717	5,690	6,134	Dividends paid to minority shareholders of subsidiaries	-211	-544	-495	-471	-505
% change Y/Y	-19.2%	123.2%	-21.0%	-0.5%	7.8%	Interest Paid	-675	-745	-382	-369	-336
Tax	-278	-558	-598	-645	-736	Issuance/(Repayment) of other financial liabilities	125	1,646	2,154	2,348	1,322
as % of EBT	8.6%	7.7%	10.5%	11.3%	12.0%	Other financing charges, net	11	898	0	0	0
Net income (reported)	2,254.0	5,876.0	4,624.0	4,574.1	4,892.7	Cash flow from financing	-2,124	522	-745	-84	-1,094
% change Y/Y	-36.7%	160.7%	-21.3%	-1.1%	7.0%	Changes in Cash	34	3,033	-645	-194	-139
Shares outstanding	2,430	2,460	2,430	2,435	2,435	Beginning cash	3,171	3,206	6,352	5,708	5,634
EPS (reported)	0.93	2.40	1.89	1.88	2.01	Effect of FX changes	-	-	-	-	-
% change Y/Y	(36.9%)	158.6%	(21.3%)	(0.6%)	6.9%	Ending cash	3,206	6,352	5,707	5,514	5,496
DPS	0.57	1.03	0.81	0.81	0.86	Free cash flow	1,345	-1,127	5	-196	870
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	3,206	6,352	5,708	5,634	5,431	EBITDA margin	55.2%	53.2%	62.8%	62.4%	53.4%
Accounts receivable	886	4,484	4,931	5,305	6,534	Operating margin	31.9%	35.7%	46.8%	45.8%	39.5%
Inventories	40	159	175	188	232	Net margin	62.8%	101.1%	72.5%	66.6%	57.9%
Others	0	2,623	0	0	0						
Current assets	4,132	13,618	10,814	11,127	12,197	Sales per share growth	(13.6%)	60.6%	9.8%	8.1%	23.0%
LT investments	11,666	14,514	14,514	14,514	14,514	Sales growth	(13.2%)	62.0%	9.8%	7.6%	23.1%
Net fixed assets	17,883	26,518	28,501	30,362	31,184	Net profit growth	-36.7%	160.7%	-21.3%	-1.1%	7.0%
Interest in associates & JCEs	18,787	23,701	24,301	24,601	24,920						
Total Assets	52,468	78,351	78,129	80,604	82,815	EPS growth	(36.9%)	158.6%	(21.3%)	(0.6%)	6.9%
Liabilities						Interest coverage (x)	3.04	4.83	5.98	6.55	7.67
Short-term loans	1,857	4,855	1,776	1,676	1,476						
Payables	1,593	4,382	2,168	2,414	3,436	Net debt to equity	23.7%	32.4%	28.9%	25.1%	19.8%
Others	3,365	2,009	2,009	2,009	2,009	Sales/assets	0.07	0.09	0.08	0.09	0.10
Total current liabilities	6,815	11,246	5,953	6,099	6,921	Assets/equity	1.57	1.56	1.53	1.82	1.76
Long-term debt	9,298	14,144	15,984	15,084	13,284	ROE	7.1%	16.2%	11.5%	10.6%	10.7%
Other liabilities	736	3,590	3,590	3,590	3,590	ROCE	2.7%	4.0%	5.1%	5.2%	5.4%
Total Liabilities	16,849	28,980	25,527	24,773	23,795						
Shareholders' equity	33,563	39,042	41,674	44,302	47,090						
BVPS	13.81	15.87	17.15	18.20	19.34						

Source: Company reports and J.P. Morgan estimates.

China Mobile Limited

www.chinamobileltd.com/index.php

Company description

China Mobile (CM) is the incumbent wireless service provider in China. The company holds the licenses to operate nationwide 2G GSM and 3G TD-SCDMA services. CM had the world's largest mobile subscriber base at 617 million by the end of 1H11, representing 67% market share. Among this, CM owns 35 million 3G TD-SCDMA customers, accounting for a 44% market share in 3G customer base. CM parentco holds 74%, with the remaining 26% as free float.

Key drivers of performance in an equity market recovery

We expect the stock to underperform the market and its Chinese telcos peers in a market recovery due to: **(a) low beta from a top-down perspective; and (b) two fundamental structural issues, from a bottom-up perspective** are expected to weigh on the share performance in 2012. Specifically, these issues are: **(a) lack of capability to accommodate and monetize the faster-than-expected data growth in China due to 3G technology and network disadvantages.** CM is lagging behind peers in 'thousand Rmb smartphone trend'. None of CM's 2G/EDGE/WIFI/TD-SCDMA network has enough pricing power, while its high-margin SMS/traditional VAS is cannibalized by low-margin data traffic; **(b) unfavorable return of 2G capex as the operator continuously invests in 2G (upside risk to capex budget) due to the fact that 2G network is extremely crowded, while 3G network utilization remains low (9%).** WIFI can help to offload data traffic but not help much on revenue monetization in the near term.

How much has already been priced in, what are the key metrics?

The stock is currently trading at 9.2x 2012E P/E and 3.1x 2012E EV/EBITDA. Despite relatively low valuations, we do not think a re-rating is likely in 2012 due to fundamental challenges and lack of positive catalysts in the next year.

Where's the earnings risk for 2012?

(1) Revenue risk as none of CM's networks (2G, EDGE, Wifi and TD-SCDMA) has enough pricing power, and therefore monetization is difficult for data traffic growth. **(2) Margin risk** when high-margin traditional SMS/VAS is getting cannibalized by low-margin data-based applications, which would hurt CM the most due to its dominance in the VAS market. **(3) A potential upside risk in capex**, in our view, to impact the bottom line negatively.

Price target and key recovery risks

We maintain our Neutral rating for CM with a Dec-12 PT of HK\$85. Our DCF-based price target (WACC=12.5%, risk free rate=4% and beta=1.25) implies 10.5x 2012E P/E and 3.7x 2012E EV/EBITDA, while the stock is currently trading at 9.2x and 3.1x, respectively. Upside risks include better-than-expected 3G utilization and downside risks include a larger-than-expected capex hike.

China Mobile Limited (Reuters: 0941.HK, Bloomberg: 941 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	452,103	485,231	526,766	570,860	612,233
EBITDA (Rmb mn)	228,967	239,320	253,916	268,119	279,797
EBITDA growth (%)	6.0%	4.5%	6.1%	5.6%	4.4%
Net Profit (Rmb mn)	115,166	119,640	127,651	133,535	140,462
EPS (Rmb)	5.74	5.96	6.36	6.66	7.00
EPS growth (%)	2.2%	3.9%	6.7%	4.6%	5.2%
DPS (Rmb)	2.47	2.58	2.74	3.00	3.29
EV/EBITDA (x)	4.4	4.1	3.6	3.1	2.7
P/E	10.6	10.2	9.6	9.1	8.7
Dividend Yield	4.1%	4.2%	4.5%	4.9%	5.4%
FCF to mkt cap (%)	9.3%	12.3%	13.4%	10.8%	11.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: HK\$74.55

Price Target: HK\$85.00

China

Telecommunications

Lucy Liu^{AC}

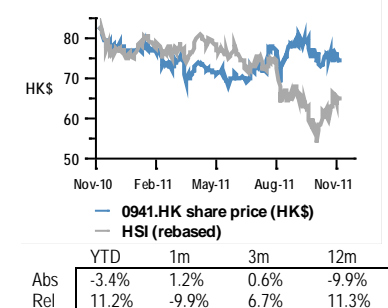
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Bloomberg JPMA LLIU <GO>

J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



Source: Bloomberg.

Company Data	
52-wk range (HK\$)	82.75 - 68.05
Mkt cap (Rmb mn)	1,221,281
Mkt cap (\$ mn)	192,631
Shares O/S (mn)	20,071
Free float (%)	25.8%
3-mth avg trading value:	27.34
- Local (HK\$ mn)	2,080.82
HSI	19,843
Exchange Rate	7.77

China Mobile Limited: Summary of financials

Profit and Loss					Balance Sheet				
Rmb MM, Y/E Dec	2009	2010	2011E	2012E	Rmb MM, Y/E Dec	2009	2010	2011E	2012E
Revenue	452,103	485,231	526,766	570,860	Cash and equivalents	264,507	292,346	354,724	431,521
EBITDA	228,967	239,320	253,916	268,119	Accounts receivable	9,895	14,708	15,967	17,304
Depreciation	(80,179)	(86,230)	(98,302)	(107,715)	Inventories	3,847	4,249	4,540	4,985
EBIT	148,788	153,090	155,614	160,404	Others	12,953	14,828	15,988	17,355
Interest income	5,940	5,658	7,309	8,868	Total current assets	287,355	321,882	386,679	466,180
Interest expense	(1,243)	(902)	(807)	(742)	Net fixed assets	360,075	385,296	387,078	387,465
Profit before tax	153,836	159,071	168,029	175,520	Other long term assets	103,938	154,757	184,315	206,386
Tax	(38,413)	(39,047)	(39,972)	(41,561)	Total non-current assets	464,013	540,053	571,393	593,851
Minorities	(257)	(384)	(406)	(424)	Total assets	751,368	861,935	958,072	1,060,031
Net profit	115,166	119,640	127,651	133,535	ST loans	0	4,981	170	450
Shares O/S (mn)	20,057	20,063	20,057	20,057	Others	209,805	250,649	276,984	302,908
EPS (Rmb)	5.7	6.0	6.4	6.7	Total current liabilities	209,805	255,630	277,154	303,358
DPS (Rmb)	2.5	2.6	2.7	3.0	Long term debt	33,551	28,615	28,615	28,165
DPS payout ratio	43%	43%	43%	45%	Other long-term liabilities	378	287	313	340
Revenue growth	10%	7%	9%	8%	Total liabilities	243,734	284,532	306,082	331,864
EBITDA growth	6%	5%	6%	6%	Shareholders' equity	507,634	577,403	651,990	728,168
Pre-tax profit growth	3%	3%	6%	4%	Total liabilities and equity	751,368	861,935	958,072	1,060,031
Net profit growth	2%	4%	7%	5%					
EPS growth	2%	4%	7%	5%					
DPS growth	2%	7%	7%	9%					
Operating KPIs									
Mobile subs ('000)	522,283	584,017	648,604	707,042	Net (debt)/cash	230,246	258,180	325,315	402,235
Mobile ARPU (Rmb)	77	73	71	70	Book value per share	25.3	28.8	32.5	36.3
Mobile MOU (min)	494	521	530	543					
Data as % of total mobile revenue	29%	31%	35%	38%					
Ratios					Cash Flow				
%, Y/E Dec	2009	2010	2011E	2012E	Rmb MM, Y/E Dec	2009	2010	2011E	2012E
EBITDA margin	51%	49%	48%	47%	Cash flow from ops	207,123	231,379	252,149	263,790
FCF margin	17%	24%	23%	23%	Capex	(115,314)	(113,203)	(132,650)	(131,726)
ROE	24%	22%	21%	19%	Cash flow from investing	(165,927)	(171,572)	(136,204)	(128,749)
ROIC	21%	20%	19%	18%	Cash flow from financing	(49,774)	(51,051)	(63,161)	(63,041)
ROA	16%	15%	14%	13%	FX effect	46	(107)	0	0
Tax rate	25%	25%	25%	25%	Change in cash for year	(8,532)	8,649	52,783	71,999
Capex to sales	29%	26%	25%	23%	Beginning cash	87,426	78,894	87,543	140,326
Debt/capital	6%	6%	4%	4%	Closing cash	78,894	87,543	140,326	212,326
Net debt/equity	-45%	-45%	-50%	-55%					
Interest cover (X)	(32)	(32)	(24)	(20)					

Source: Company reports and J.P. Morgan estimates.

Coal India

www.coalindia.in

Company description

Coal India (COAL) is the largest coal-producing company in the world (raw coal production). With coal reserves at 67bn tonnes and extractable reserves of 22bn tonnes, COAL accounts for +80% of India's coal production. Mining costs are very low given it has mostly open cast mines, but employee costs are very high with labour accounting for 50% of operating costs.

Key drivers of performance in an equity market recovery

Given that nearly 80% of volumes of COAL are below global coal prices, a global economic recovery would not positively impact COAL's earnings. Production volume growth, and continued high e-auction volume sales are 2 key drivers for earnings and on volumes we see potential for negative disappointment. The current situation in the India power sector and the current inflationary situation in the country, we believe policy uncertainty is a key risk for COAL.

How much recovery has already been priced in, what are the key metrics

COAL's volume guidance for FY13 and the XIIth Plan target for the company would be the key indicators to watch over the next few months. With volumes not meeting targets, we see downside risk to our volume growth estimates for FY12/13E. Another key risk to earnings is the ongoing wage negotiation (market pricing in a 24% increase) and COAL's ability to pass on the increase through price hike. Any diversion of volumes from e-auction to power segment would be negative for earnings.

Where's the earnings risk for 2012

A key upside risk for the stock is a one-time dividend given its large cash balance (FY11 cash of \$10bn). Upside earnings risk could come from a resolution of coal mine clearances, as faster clearances would push up production volumes.

Price target and key recovery risks

We value the company at 7x FY13E EV/EBITDA to arrive at our Sep-12 PT of Rs345. Our multiple is at a premium to global peers and given CIL's earnings visibility over the next three years, we believe an FY13E multiple is appropriate. Key upside risks are: a) one-time dividend; b) higher-than-expected volumes; b) large notified coal price increases; and d) lower cost inflation.

Coal India (Reuters: COAL.BO, Bloomberg: COAL IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Net Sales (Rs mn)	446,153	502,336	619,304	674,298	724,240
Net Profit (Rs mn)	96,224.5	108,673.5	158,132.3	175,404.6	186,645.8
EPS (Rs)	15.23	17.21	25.04	27.77	29.55
Net profit growth (%)	364.1%	12.9%	45.5%	10.9%	6.4%
ROE	42.9%	36.7%	40.4%	34.1%	28.8%
P/E (x)	21.4	19.0	13.0	11.8	11.0
P/BV (x)	8.0	6.2	4.6	3.6	2.9
EV/EBITDA (x)	19.1	13.7	9.2	7.9	6.8

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
52-week Range (Rs)	422.35 - 288.95
Market cap (Rs mn)	2,061,030
Market cap (\$ mn)	41,967
Price (Rs)	326.30
Date Of Price	04 Nov 11
3-mth trading volume (mn)	-
3-mth trading value (\$ mn)	-
Shares O/S (mn)	6,316
BSE30	17,563

Underweight

Price: Rs326.30

Price Target: Rs345

India

Metal & Mining

Pinakin Parekh, CFA^{AC}

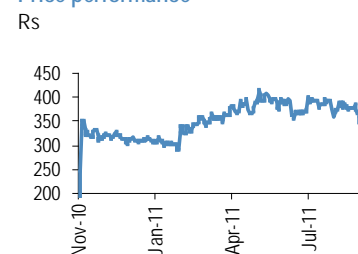
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Bloomberg JPMA PAREKH <GO>

J.P. Morgan India Private Limited

Price performance



Source: Bloomberg

Performance

	1M	3M	12M
Absolute (%)	-3%	-16%	34%
Relative (%)	-11%	-14%	49%

Source: Bloomberg

Coal India: Summary of Financials

Income Statement					Cash flow statement				
Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E
Revenues	502,336	619,304	674,298	724,240	Net Income (Pre exceptionals)	108,673.5	158,132.3	175,404.6	186,645.8
% change Y/Y	12.6%	23.3%	8.9%	7.4%	Depr. & amortization	16,729	16,888	18,163	19,225
EBITDA	140,570	201,326	221,130	237,453	Change in working capital	2,029	-38,462	-407	-2,212
% change Y/Y	34.2%	43.2%	9.8%	7.4%	Cash flow from operations	127,432	136,308	192,911	203,409
EBITDA Margin	28.0%	32.5%	32.8%	32.8%	Net Capex	-24,922	-19,750	-34,750	-34,750
EBIT	123,841	184,438	202,967	218,228	Free cash flow	102,509	116,558	158,161	168,659
% change Y/Y	35.4%	48.9%	10.1%	7.5%	Equity raised/(repaid)	-343	0	-0	0
EBIT Margin	24.7%	29.8%	30.1%	30.1%	Debt raised/(repaid)	-	-	-	-
Net Interest	47,172	53,407	59,911	69,017	Other	1,511	0	0	0
Earnings before tax	165,234	229,177	254,210	278,576	Dividends paid	-33,611	-41,747	-46,307	-49,274
% change Y/Y	17.9%	38.7%	10.9%	9.6%	Beginning cash	390,778	458,623	531,434	642,788
Tax	-55,357	-71,045	-78,805	-91,930	Ending cash	458,623	531,434	642,788	761,173
as % of EBT	33.5%	31.0%	31.0%	33.0%	DPS	3.90	5.51	6.11	6.50
Net Income (Pre exceptionals)	108,673.5	158,132.3	175,404.6	186,645.8					
% change Y/Y	12.9%	45.5%	10.9%	6.4%					
Shares outstanding	6,316	6,316	6,316	6,316					
EPS (reported)	17.21	25.04	27.77	29.55					
% change Y/Y	12.9%	45.5%	10.9%	6.4%					
Balance sheet					Ratio Analysis				
Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	458,623	531,434	642,788	761,173	EBITDA margin	28.0%	32.5%	32.8%	32.8%
Accounts receivable	30,256	37,301	40,613	43,621	Operating margin	24.7%	29.8%	30.1%	30.1%
Inventories	55,856	61,442	68,815	72,256	Net margin	21.6%	25.5%	26.0%	25.8%
Others	99,225	114,269	120,269	123,269	Sales growth	12.6%	23.3%	8.9%	7.4%
Current assets	643,960	744,445	872,484	1,000,318	Net profit growth	12.9%	45.5%	10.9%	6.4%
					EPS growth	12.9%	45.5%	10.9%	6.4%
LT investments	10,637	12,637	13,137	14,137	Interest coverage (x)	-	-	-	-
Net fixed assets	150,610	153,722	170,559	186,333	Net debt to total capital	-141.1%	-126.8%	-118.4%	-112.5%
Total Assets	813,939	919,536	1,064,912	1,209,520	Net debt to equity	-133.0%	-114.8%	-108.4%	-104.1%
					Sales/assets	0.66	0.71	0.68	0.64
Liabilities					Assets/equity	2.44	2.05	1.84	1.69
Short-term loans	0	0	0	0	ROE	36.7%	40.4%	34.1%	28.8%
Payables	8,226	9,161	9,932	10,669	ROCE	39.4%	45.3%	38.3%	32.9%
Others	440,499	428,776	444,283	450,783					
Total current liabilities	448,725	437,937	454,215	461,452					
Long-term debt	15,536	15,536	15,536	15,536					
Other liabilities	16,180	16,180	16,180	16,180					
Total Liabilities	480,441	469,652	485,931	493,168					
Shareholders' equity	333,172	449,557	578,655	716,027					
BVPS	52.75	71.17	91.61	113.36					

Source: Company reports and J.P. Morgan estimates.

DongFeng Motor Co. Ltd.

www.dfmc.com

Company description

DongFeng Motor Co Ltd is among the top three auto producers in China. It operates a comprehensive auto-related business comprising passenger vehicles, commercial vehicles, auto engines and other auto parts. It produces passenger vehicles mainly through its three major JVs, i.e. DongFeng Nissan, DongFeng Honda and DongFeng PSA, and its self-branded vehicle business.

Key drivers of performance in an equity market recovery

On one hand DongFeng Motor could benefit from a rise in China auto sales volume if China proceeds to loosen its monetary tightening policy. However, we only foresee a limited boost to China's PV sales volume due to the relatively high penetration rate of 55 cars per 1,000 people expected by end FY11. On the other hand DongFeng could be affected by: (a) margin erosion as the latest round of capacity expansion by auto JVs focusing on mid-range and upper-middle range car segments is expected to come on stream in FY12; and (b) the powerful consumption upgrade trend with China's upper middle class increasingly shifting from upper-mid-range cars to luxury cars.

How much recovery has already been priced in, what are the key metrics?

DongFeng Motor's share price has risen by 42% from October 5 to November 2, which should have already priced in the possible recovery in the equity market. At HK\$12.98, the stock is trading at 8x FY11E P/E, rising to 8.3x in FY12E. Looking ahead, we foresee multiple compression risk, given the slowdown in its sales volume growth and rising margin risks.

Where's the earnings risk for 2012?

(1) Margin erosion risks in 2012 due to increasing competition from capacity expansion by auto JVs. (2) Weaker sales volume growth due to the slowdown in China's passenger vehicle sales volume growth.

Price target and key recovery risks

Our Dec-12 price target of HK\$13.3 is based on a 25% discount to our DCF value of HK\$17.8 (WACC: 11%, cost of debt: 4.7% and COE: 13.2%), translating to 9x FY12E P/E, representing a 10% discount to its historical average prospective P/E since its listing to reflect the rising margin risk expected in FY12 when the current round of auto JVs' capacity expansions come on stream. Key downside risks to our PT include a likely breakout of a price war in China's passenger vehicle sector and a weaker-than-expected performance of DongFeng Motor's new models. An upside risk is a possible partial rebate from the local government on the city maintenance & construction tax and education tax.

DongFeng Motor Co., Ltd. (Reuters: 0489.HK, Bloomberg: 489 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	91,758	122,395	140,118	152,940	165,841
EBIT (Rmb mn)	8,105	13,837	14,652	14,238	14,860
Net Profit (Rmb mn)	6,250	10,981	11,436	10,985	11,155
EPS (Rmb)	0.73	1.27	1.33	1.28	1.29
DPS (Rmb)	0.09	0.18	0.27	0.26	0.26
Revenue growth (%)	30.0%	33.4%	14.5%	9.2%	8.4%
EPS growth (%)	58.0%	75.7%	4.1%	-3.9%	1.6%
ROE	25.3%	33.9%	27.0%	21.2%	18.4%
P/E (x)	14.0	8.0	7.7	8.0	7.9
P/BV (x)	3.2	2.3	1.9	1.6	1.3
Dividend Yield	0.9%	1.8%	2.6%	2.5%	2.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: HK\$12.48

Price Target: HK\$13.30

China

Auto and auto parts

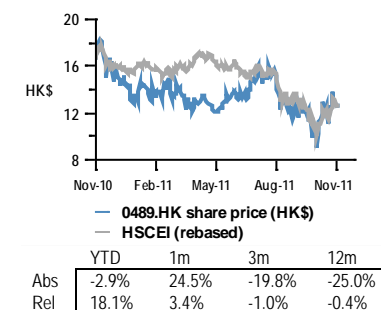
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg DongFeng Motor may have passed its fast-growth period.

Company Data	
52-week Range (HK\$)	17.00 - 8.81
Shares O/S (mn)	8,616
Market Cap (HK\$ mn)	109,425
Market Cap (US) (\$ mn)	14,059
Price (HK\$)	12.48
Date Of Price	08 Nov 11
Free float (%)	33.0%
3mth Avg daily volume	20
Average 3m Daily Turnover (US) (\$ mn)	30.98
HSCEI	10,332
Exchange rate (HK\$/US\$)	7.78

DongFeng Motor Co., Ltd.: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	91,758	122,395	140,118	152,940	165,841	Profit before tax	8,409	14,583	15,262	14,848	15,475
% change Y/Y	30.0%	33.4%	14.5%	9.2%	8.4%	Depreciation & amortization	2,689	3,985	5,444	7,311	8,254
Gross Profit	17,484	26,362	28,999	30,627	32,538	Change in working capital	11,167	4,022	3,494	2,307	2,208
% change Y/Y	47.2%	50.8%	10.0%	5.6%	6.2%	Others	-1,751	-4,687	-4,393	-4,567	-4,957
Gross Margin (%)	19.1%	21.5%	20.7%	20.0%	19.6%	Cash flow from operations	20,514	17,903	19,807	19,898	20,980
Operating Profit	8,105	13,837	14,652	14,238	14,860	Purchase of fixed assets	-3,011	-3,927	-6,000	-5,000	-5,000
% change Y/Y	68.7%	70.7%	5.9%	-2.8%	4.4%	Others	-9,983	-2,151	-600	-390	-385
Operating Margin (%)	8.8%	11.3%	10.5%	9.3%	9.0%	Cash flow from investment	-12,994	-6,078	-6,600	-5,390	-5,385
Net Interest	109	450	390	410	435	Equity raised/(repaid)	-	-	-	-	-
Earnings before tax	8,409	14,583	15,262	14,848	15,475	Debt raised/(repaid)	2,941	-2,500	4,000	500	-3,000
% change Y/Y	74.9%	73.4%	4.7%	-2.7%	4.2%	Other	87	-26	0	0	0
Tax	-1,671	-3,006	-3,205	-3,267	-3,714	Dividends paid	-388	-779	-1,551	-2,287	-2,197
as % of EBT	19.9%	20.6%	21.0%	22.0%	24.0%	Cash flow from financing	2,640	-3,305	2,449	-1,787	-5,197
Net income (reported)	6,250	10,981	11,436	10,985	11,155	Beginning cash	7,209	17,369	25,889	41,545	54,266
% change Y/Y	58.0%	75.7%	4.2%	-3.9%	1.6%	Ending cash	17,369	25,889	41,545	54,266	64,664
Net Margin	6.8%	9.0%	8.2%	7.2%	6.7%						
Wt. Avg. Shares (MM)	8,616	8,616	8,616	8,616	8,616						
Wt. Avg. EPS (Rmb)	0.73	1.27	1.33	1.28	1.29						
% change Y/Y	58.0%	75.7%	4.1%	(3.9%)	1.6%						
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	32,303	27,435	43,091	55,812	66,210	Gross margin	19.1%	21.5%	20.7%	20.0%	19.6%
Accounts receivable	1,685	2,087	2,389	2,608	2,828	Operating margin	8.8%	11.3%	10.5%	9.3%	9.0%
Inventories	8,741	13,935	16,124	17,748	19,343	Net margin	6.8%	9.0%	8.2%	7.2%	6.7%
Others	17,035	38,880	41,311	43,406	45,515	SGA/Sales	8.1%	8.2%	6.6%	7.1%	7.1%
Current assets	59,764	82,337	102,915	119,575	133,896	Sales growth	30.0%	33.4%	14.5%	9.2%	8.4%
LT investments	896	1,148	1,148	1,148	1,148	Net profit growth	58.0%	75.7%	4.2%	-3.9%	1.6%
Net fixed assets	18,703	18,551	18,076	17,684	16,324	Gross profit growth	47.2%	50.8%	10.0%	5.6%	6.2%
Other LT assets	66,090	90,923	111,070	127,501	141,557	Operating profit growth	68.7%	70.7%	5.9%	-2.8%	4.4%
Total Assets	85,689	110,622	130,294	146,334	159,029	ROE	25.3%	33.9%	27.0%	21.2%	18.4%
ST loans	7,217	3,271	5,271	5,771	4,771						
Payables	18,414	23,834	27,578	30,356	33,084						
Others	24,805	35,551	37,130	40,597	44,000						
Total current liabilities	50,436	62,656	69,979	76,724	81,855						
Long term debt	4,424	6,289	8,289	8,289	6,289						
Other LT liabilities	274	341	184	184	185						
Total non-current liabilities	4,698	6,630	8,473	8,473	6,474						
Total Liabilities	55,134	69,286	78,452	85,197	88,329						
Shareholders' equity	27,284	37,494	47,379	56,078	65,036						
Minority Interest	3,271	3,842	4,463	5,059	5,664						

Source: Company reports and J.P. Morgan estimates.

E Ink Holdings Inc.

www.eink.com/

Company description

E Ink Holdings Inc., established in 1994, is among Taiwan's first TFT producers. It used to be a sole small and medium-size panel maker, delivering <10" products for consumer electronics. In 2005, the company started its e-paper business and acquired E Ink in 2009 to become the dominant leader in the e-reader display market.

Key drivers of performance in an equity market recovery

In the case of an equity market recovery, we believe E Ink's share price may outperform in the short run given its high-beta nature. However, it is going through a structural change whereby its high-margin e-reader display sales momentum is fading, and its low-margin TFT-LCD business could see stronger demand. Hence we believe earnings disappointment will likely lead to the share price falling in the long-run.

How much recovery has already been priced in, what are the key metrics?

Despite the recent turmoil in the macro economy, E Ink's share price has fared relatively well in recent months due to strong sell-in demand for e-reader display. We believe e-readers remain a consumer discretionary product, so the sell-in demand will likely turn into high inventory in the channels. We foresee significant de-stocking following the holiday season and expect the share price to fall sharply thereafter.

Where's the earnings risk for 2012?

We believe earnings will likely see downside risk due to margin slide and decelerating e-reader growth in 2012. The growth from its TFT-LCD business is likely to outpace its e-paper business; therefore, blended margin will be substantially lower. Also, if Amazon gains more market share in the e-reader market, it will likely impose stronger pricing pressure on E Ink.

Price target and key recovery risks

Our Dec-12 PT implies a 10x 2012E P/E, based on median P/E of 2010-2011. The key upside risk to our UW call is stronger-than expected e-reader demand in new markets such as Europe and Asia-Pacific.

Bloomberg 8069 TT, Reuters 8069.TWO

(Year-end Dec, NT\$ bn)	FY10	FY11E	FY12E	FY13E		FY10	FY11E	FY12E	FY13E	Date of Price	10 Nov 11
Sales	25.2	41.2	48.3	51.4	Sales growth	56.7%	63.7%	17.2%	6.5%	52-Week range	NT\$73.30 - 40.50
Operating Profit	4.3	8.0	7.5	7.1	OP growth	-406.1%	83.9%	-5.9%	-5.0%	Market Cap	NT\$69B
EBITDA	6.7	10.5	10.6	10.6	NP growth	-457.2%	80.1%	-9.4%	-4.2%	Market Cap	US\$2,287MM
Net profit	4.0	7.3	6.6	6.3	Quarterly EPS (NT\$)	1Q	2Q	3Q	4Q	Share Out. (Com)	1,080MM
EPS	3.8	6.7	6.1	5.8	EPS (11) E	1.6	1.2	2.0	2.1	Free float	65.0%
BPS (NT\$)	22.6	26.7	28.5	30.6	EPS (12) E	1.6	1.3	1.4	1.8	Avg daily val	NT\$1.4B
P/E (x)	16.7	9.5	10.4	10.9	EPS (13) E	1.5	1.2	1.4	1.7	Avg daily val (US\$)	46.91MM
P/BV (x)	2.8	2.4	2.2	2.1	Difference (%)	-22.0				Avg daily vol.	21.3MM shares
ROE (%)	17.8	27.3	22.1	19.8	Price Target	60				Dividend yield (%)	4.2
Net Debt	1.9	3.1	2.6	0.8	Consensus PT	77				Exchange Rate	30.02

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: NT\$63.60

Price Target: NT\$60.00

Taiwan

Technology - Semiconductors

Narci Chang^{AC}

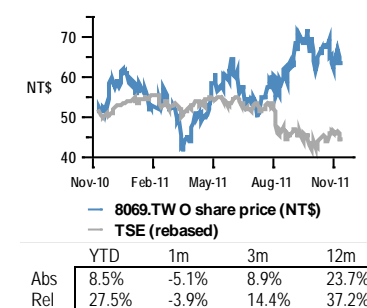
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Bloomberg JPMA NCHANG <GO>

J.P. Morgan Securities (Taiwan) Limited

Price Performance



Source: Bloomberg.

E Ink Holdings Inc.: Summary of Financials

Profit and Loss Statement					Ratio Analysis						
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Revenues	12,161	16,069	25,179	41,207	48,291	Gross margin	7.4%	3.2%	32.5%	32.2%	27.8%
Cost of goods sold	-11,266	-15,549	-17,000	-27,944	-34,861	EBITDA margin	9.2%	3.6%	26.7%	25.5%	21.9%
Gross Profit	895	520	8,179	13,263	13,430	Operating margin	(6.9%)	(8.8%)	17.2%	19.3%	15.5%
R&D expenses	-685	-905	-1,571	-1,790	-2,025	Net margin	-7.3%	-7.0%	16.0%	17.6%	13.6%
SG&A expenses	-1,054	-1,030	-2,276	-3,314	-3,611	R&D/sales	5.6%	5.6%	6.2%	4.3%	4.2%
Operating profit (EBIT)	-844	-1,415	4,332	7,968	7,498	SG&A/Sales	8.7%	6.4%	9.0%	8.0%	7.5%
EBITDA	1,115	571	6,726	10,525	10,567						
Interest income	69	43	16	39	46	Sales growth	4.5%	32.1%	56.7%	63.7%	17.2%
Interest expense	-406	-364	-295	-185	-177	Operating profit growth	-157.2%	67.7%	-406.1%	83.9%	-5.9%
Investment income (Exp.)	-336	-320	-279	-146	-130	Net profit growth	-172.6%	26.8%	-457.2%	80.1%	-9.4%
Non-operating income (Exp.)	-347	-232	510	173	108	EPS (reported) growth	(170.5%)	7.8%	(367.7%)	76.4%	(9.5%)
Earnings before tax	-1,191	-1,647	4,843	8,141	7,606						
Tax	40	80	929	964	1,031	Interest coverage (x)	3.32	1.78	24.11	72.34	81.05
Net income (reported)	-889.1	-1,127.7	4,028.0	7,255.1	6,575.2	Net debt to total capital	63.2%	27.4%	6.2%	9.0%	7.1%
Net income (adjusted)	-889	-1,128	4,028	7,255	6,575	Net debt to equity	136.5%	33.3%	7.9%	10.7%	8.3%
EPS (reported)	(1.32)	(1.42)	3.81	6.73	6.09	Asset turnover	0.64	0.55	0.66	0.92	0.97
EPS (adjusted)	-1.32	-1.42	3.81	6.73	6.09	Working capital turns (x)	-15.46	-6.23	19.91	6.45	5.13
BVPS	11.23	21.90	22.64	26.69	28.50	ROE	(11.5%)	(7.9%)	17.8%	27.3%	22.1%
DPS	0.30	0.00	0.00	2.66	4.28	ROIC	-7.8%	-5.8%	12.0%	20.7%	17.7%
Shares outstanding	678	958	1,078	1,080	1,080	ROIC (net of cash)	-9.0%	-6.2%	13.5%	23.5%	18.9%
Balance sheet					Cash flow statement						
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	2,118	2,819	5,767	4,352	2,794	Net income	-889.1	-1,127.7	4,028.0	7,255.1	6,575.2
Accounts receivable	1,186	2,605	3,487	7,402	8,516	Depr. & amortization	1,959	1,986	2,394	2,557	3,069
Inventories	3,308	4,420	6,565	11,341	12,861	Change in working capital	-1,458	-1,404	318	-5,834	-863
Others	1,327	1,158	1,853	2,783	3,083	Other	175	140	450	688	351
Current assets	7,939	11,002	17,672	25,878	27,254	Cash flow from operations	-731	-1,145	6,625	3,899	8,781
LT investments	3,606	4,397	3,889	4,523	4,518	Capex	-922	-579	-1,325	-2,408	-3,000
Net fixed assets	28,984	30,885	31,466	32,576	35,576	Disposal/(purchase)	-	-	-	-	-
Others	878	10,143	10,155	9,898	9,898	Cash flow from investing	-8,632	-10,862	-1,276	-2,601	-3,678
Total Assets	23,272	35,210	40,762	49,012	50,998	Free cash flow	-1,653	-1,724	5,300	1,491	5,781
Liabilities						Equity raised/(repaid)	0	8,340	0	0	0
ST Loans	9,070	8,495	6,115	5,294	3,801	Debt raised/(repaid)	8,014	-2,375	-1,908	39	-2,036
Payables	1,175	2,161	5,056	7,225	8,645	Other	1,138	6,742	-493	117	0
Others	1,615	1,586	2,731	4,349	5,000	Dividends paid	-201	0	0	-2,868	-4,625
Total current liabilities	11,860	12,242	13,902	16,868	17,446	Cash flow from financing	8,952	12,707	-2,401	-2,713	-6,661
Long-term debt	3,446	1,305	1,585	2,151	1,555						
Other liabilities	348	688	880	1,174	1,226	Net change in cash	-411	701	2,948	-1,415	-1,558
Total Liabilities	15,653	14,236	16,367	20,193	20,228	Beginning cash	2,529	2,118	2,819	5,767	4,352
Shareholders' equity	7,619	20,974	24,395	28,820	30,770	Ending cash	2,118	2,819	5,767	4,352	2,794

Source: Company reports and J.P. Morgan estimates.

Formosa Plastics Corporation

www.fpc.com.tw

Company description

FPC is the founding member of the Formosa group of companies, which is the largest group of petrochemical companies in Taiwan. FPC is one of the largest PVC producers and is a leading PE producer in Asia. Over the past 5 years, the company has expanded to produce various specialty chemicals as well. Unlike other Formosa sister companies, FPC is purely focused on the production of plastics and petrochemicals.

Key drivers of performance in an equity market recovery

As a major PVC producer, FPC is leveraged to strong demand from the construction sector as it drives about 70% of PVC demand historically. Better than expected economic growth in Europe would be beneficial for FPC's PE demand as China's export of finished goods to Europe would remain strong. Strong demand for petrochemicals in general would benefit FPC via. FPCC (equity income).

How much recovery has already been priced in, what are the key metrics?

At the current valuation (above historical average), we believe the market is already assuming no further downside to today's level. While 3Q earnings were weak due to one-off outages, we believe PVC and PE prices are only starting to decline in Oct as offline capacities restart and ME continue to increase exports. Furthermore, we see more downside risk to refining margins at these high levels which would be negative for FPC's equity income.

Where's the earnings risk for 2012?

We see further downside risk from our estimates due to weaker PE/PVC/refining margins, especially if Europe goes into a recession.

Price target and key recovery risks

Our Dec-12 PT of NT\$65.00 is based on a 1.6x 2012E BV, 1SD below the historical average. We believe this is fair valuation given our bearish outlook for PVC and PE in general, potential dividend payout cut due to increased CAPEX over the next 12 months (Nanya Tech equity issuance and maintenance back to more sustainable levels) and no organic revenue growth. We believe the key upside risks to our price target and rating are better than expected PE/PVC spreads and smoother operations in 2012.

Formosa Plastics Corp (Reuters: 1301.TW, Bloomberg: 1301 TT)

NT\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (NT\$ mn)	156,970	194,446	206,403	219,933	229,502
EBITDA (NT\$ mn)	21,577	36,835	35,679	36,894	41,591
Net Profit (NT\$ mn)	27,533	45,546	44,203	45,455	53,850
EPS (NT\$)	4.50	7.44	7.22	7.43	8.80
DPS (NT\$)	1.80	4.00	6.80	5.78	6.68
Revenue growth (%)	-13.8%	23.9%	6.2%	6.6%	4.4%
EPS growth (%)	30.6%	65.4%	-2.9%	2.8%	18.5%
ROCE	4.0%	9.0%	8.3%	8.6%	9.8%
ROE	13.6%	18.7%	17.1%	17.2%	19.3%
P/E	19.6	11.8	12.2	11.9	10.0
P/BV	2.3	2.1	2.1	2.0	1.9
EV/EBITDA	31.3	17.6	18.3	17.5	15.3
Dividend Yield	2.0%	4.5%	7.7%	6.6%	7.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: NT\$88.10

Price Target: NT\$65

Taiwan

Petrochemical

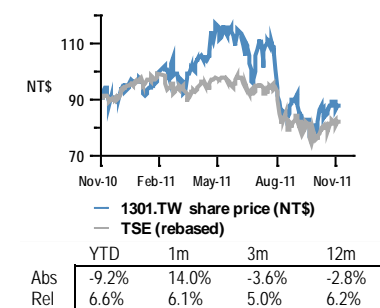
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Bloomberg JPMA SLEE <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	6,121
Market Cap (NT\$ mn)	539,252
Market Cap (\$ mn)	17,961
Price (NT\$)	88.10
Date Of Price	04 Nov 11
Free float (%)	78.6%
Avg daily value (NT\$ mn)	955
Avg daily value (\$ mn)	32
Avg daily volume (mn)	11
IN	

Formosa Plastics Corp: Summary of Financials

Income Statement						Cash flow statement					
NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	156,970	194,446	206,403	219,933	229,502	EBIT	10,540	26,653	25,539	26,792	31,526
% change Y/Y	(13.8%)	23.9%	6.2%	6.6%	4.4%	Depr. & amortization	11,038	10,182	10,141	10,102	10,065
EBITDA	21,577	36,835	35,679	36,894	41,591	Change in working capital	-456	10	1,886	1,915	1,213
% change Y/Y	16.2%	70.7%	-3.1%	3.4%	12.7%	Taxes	-1,988	-5,668	-5,431	-5,697	-6,704
EBIT	10,540	26,653	25,539	26,792	31,526	Cash flow from operations	31,117	49,312	50,529	51,868	58,383
% change Y/Y	27.9%	152.9%	NM	4.9%	17.7%	Capex	-3,086	-2,267	-4,200	-4,200	-3,000
EBIT Margin	6.7%	13.7%	12.4%	12.2%	13.7%	Disposal/(purchase)	70	224	-	-	-
Net Interest	-1,039	-888	-542	-506	-332	Net Interest	-1,039	-888	-542	-506	-332
Earnings before tax	29,522	51,214	49,633	51,152	60,554	Other	-2,379	-1,956	-3,000	-3,000	-3,000
% change Y/Y	62.8%	73.5%	-3.1%	3.1%	18.4%	Free cash flow	28,031	47,046	46,329	47,668	55,383
Tax	-1,988	-5,668	-5,431	-5,697	-6,704	Equity raised/(repaid)	-	-	-	-	-
as % of EBT	6.7%	11.1%	10.9%	11.1%	11.1%	Debt raised/(repaid)	-13,904	-9,743	872	-1,580	-6,867
Net income (reported)	27,533	45,546	44,203	45,455	53,850	Other	2	23	-	-	-
% change Y/Y	39.7%	65.4%	-2.9%	2.8%	18.5%	Dividends paid	-9,992	-24,764	-41,622	-35,362	-40,909
Shares outstanding	6,121	6,121	6,121	6,121	6,121	Beginning cash	1,197	1,438	4,928	4,953	10,514
EPS (reported)	4.50	7.44	7.22	7.43	8.80	Ending cash	1,438	4,928	4,953	10,514	13,876
% change Y/Y	30.6%	65.4%	(2.9%)	2.8%	18.5%	DPS	1.80	4.00	6.80	5.78	6.68
Balance sheet						Ratio Analysis					
NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	1,438	4,928	4,953	10,514	13,876	EBITDA margin	13.8%	18.9%	17.3%	16.8%	18.1%
Accounts receivable	23,717	31,322	33,776	35,892	36,962	Operating margin	6.7%	13.7%	12.4%	12.2%	13.7%
Inventories	12,387	13,546	14,379	15,321	15,988	Net margin	17.5%	23.4%	21.4%	20.7%	23.5%
Others	3,799	4,580	4,703	4,803	4,848	Sales per share growth	(19.4%)	23.9%	6.2%	6.6%	4.4%
Current assets	101,190	130,765	126,562	135,281	140,425	Sales growth	(13.8%)	23.9%	6.2%	6.6%	4.4%
LT investments	132,964	143,329	149,163	157,672	169,145	Net profit growth	39.7%	65.4%	-2.9%	2.8%	18.5%
Net fixed assets	67,787	60,490	55,327	50,164	43,801	EPS growth	30.6%	65.4%	(2.9%)	2.8%	18.5%
Total Assets	311,042	341,473	337,940	350,006	360,261	Interest coverage (x)	20.76	41.48	65.86	72.97	125.11
Liabilities						Net debt to equity	-2.0%	-12.5%	-9.9%	-12.4%	-15.4%
Short-term loans	12,478	7,772	9,984	27,834	13,184	Sales/assets	0.54	0.60	0.61	0.64	0.65
Payables	2,940	2,153	2,331	2,475	2,541	Assets/equity	1.43	1.34	1.30	1.29	1.25
Others	21,985	22,841	24,725	26,257	26,952	ROE	13.6%	18.7%	17.1%	17.2%	19.3%
Total current liabilities	34,463	30,612	34,709	54,091	40,136	ROCE	4.0%	9.0%	8.3%	8.6%	9.8%
Long-term debt	44,324	40,836	38,100	17,870	25,290						
Other liabilities	7,039	9,573	7,364	7,364	7,364						
Total Liabilities	85,712	80,629	80,174	79,326	72,791						
Shareholders' equity	225,330	260,844	257,766	270,681	287,469						
BVPS	38.06	42.62	42.11	44.22	46.97						

Source: Company reports and J.P. Morgan estimates.

Great Eagle

www.greateagle.com.hk

Company description

Great Eagle has gradually evolved into a hotel player over the years, owning and managing hotels. One of its more prominent hotel brands is Langham. Its major investment properties, namely Citibank Plaza and Langham Place office and shopping mall, were injected into Champion REIT in 2005 and 2008, which in turn contributes dividend income to Great Eagle.

Key drivers of performance in an equity market recovery

We believe the key drivers for Great Eagle in a market recovery will be increased hotel room rates, HK office rents and occupancy.

How much recovery has already been priced in, what are the key metrics?

The company is exposed to two cyclical sectors - global hotels and office (through Champion REIT). On Hong Kong office, we expect Central office rents to fall 20% in 2012. For the hotel segment, we expect that both business and leisure travel will slow in 2012 which in turn will drive down room rate and occupancy. Our assumption is a 10% drop in room rates in 2012. The market may need to see signs of recovery such as increased hiring expectations and a stabilizing equity market before pricing in a recovery scenario.

Where's the earnings risk for 2012?

Factoring in falling room and occupancy rates, we estimate that some of the overseas hotels will record losses as they did in the previous downcycle. Upside earnings risk will be if room rates and office rents fall less than we expect.

Price target and key recovery risks

Our Dec-12 PT of HK\$13.5 is based on 65% discount to Dec-12 NAV of HK\$38.7, which is 1.5 standard deviation below long-term average of 45% as global economic uncertainty might impact hotel performance. Upside risks to our PT and rating include better-than-expected room and occupancy rates, and office rentals dropping less than we expect.

Great Eagle Holdings Limited (Reuters: 0041.HK, Bloomberg: 41 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	3,958	4,694	4,301	4,031	4,158
Net Profit (HK\$ mn)	1,276	1,607	1,473	1,313	1,281
Core Profit (HK\$ mn)	1,187	1,394	1,473	1,313	1,281
EPS (HK\$)	2.07	2.58	2.35	2.08	2.03
Core EPS (HK\$)	1.927	2.239	2.349	2.079	2.027
Core EPS growth (%)	1.3%	16.2%	4.9%	-11.5%	-2.5%
DPS (HK\$)	0.53	0.57	0.61	0.61	0.61
ROE	5.9%	5.5%	4.8%	4.0%	3.7%
P/E (Core)	8.8	7.6	7.2	8.2	8.4
P/BV (x)	0.5	0.4	0.3	0.3	0.3
BVPS (HK\$)	35.89	46.20	51.26	52.73	56.04
RNAV/Share (HK\$)	-	-	46.76	38.68	-
Dividend Yield	3.1%	3.4%	3.6%	3.6%	3.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: HK\$16.98

Price Target: HK\$13.50

Hong Kong

Property

Amy Luk^{AC}

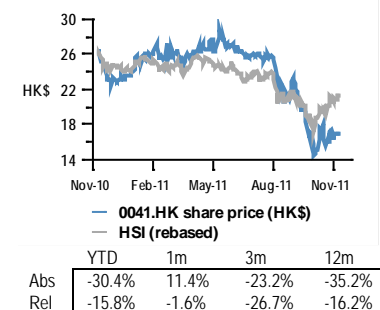
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Bloomberg JPMA LUK <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares O/S (mn)	631
Market cap (HK\$ mn)	10,713
Market cap (\$ mn)	1,379
Price (HK\$)	16.98
Date Of Price	09 Nov 11
Free float (%)	43.5%
3M - Average daily volume	1.24
3M - Average daily Value (HK\$ mn)	23.35
Average 3m Daily Turnover (\$ mn)	3.08
HSI	19,678
Exchange Rate (HK\$/US\$)	7.77
Fiscal Year End	Dec

Great Eagle: Summary of Financials

Profit and Loss Statement					Cash Flow Statement				
HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	4,694	4,301	4,031	4,158	EBIT	1,476	1,587	1,414	1,417
% change Y/Y	18.6%	-8.4%	-6.3%	3.1%	Depr. & amortization	349	229	229	229
EBIT	1,476	1,587	1,414	1,417	Change in working capital	15	-42	-240	859
% change Y/Y	24.8%	7.5%	NM	0.2%	Others	-	-	-	-
EBIT margin (%)	31.5%	36.9%	35.1%	34.1%	Cash flow from operations	756	1,089	695	1,801
Net Interest	31	45	21	-14	Capex	-34	-100	-200	-200
Earnings before tax	1,750	1,639	1,443	1,411	Disposal/(purchase)	1,173	0	0	0
% change Y/Y	31.7%	-6.4%	-11.9%	-2.2%	Net Interest	0	0	0	0
Tax	-143	-166	-130	-131	Free cash flow	727	989	495	1,601
as % of EBT	8.2%	10.1%	9.0%	9.3%	Equity raised/(repaid)	16	0	0	0
Net income (reported)	1,607	1,473	1,313	1,281	Debt raised/(repaid)	-838	0	0	0
% change Y/Y	26.0%	-8.3%	-10.8%	-2.5%	Other	0	0	0	0
Core net profit	1,394	1,473	1,313	1,281	Dividends paid	-334	-385	-385	-385
% change Y/Y	17.4%	5.7%	-10.8%	-2.5%	Beginning cash	1,850	1,553	2,680	3,364
Shares outstanding (mn)	623	632	632	632	Ending cash	1,553	2,680	3,364	5,212
EPS (reported) (HK\$)	2.58	2.35	2.08	2.03	DPS (HK\$)	0.57	0.61	0.61	0.61
% change Y/Y	24.6%	-9.0%	-11.5%	-2.5%					
Core EPS (HK\$)	2.24	2.35	2.08	2.03					
% change Y/Y	16.2%	4.9%	-11.5%	-2.5%					
Balance Sheet					Ratio Analysis				
HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E	%, year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	1,553	2,680	3,364	5,212	EBIT Margin	31.5%	36.9%	35.1%	34.1%
Accounts receivable	396	446	496	546	Operating margin	32.1%	38.0%	35.6%	33.8%
Inventories	77	70	63	56	Net margin	34.2%	34.2%	32.6%	30.8%
Others	0	0	0	0	SG&A/Sales	-	-	-	-
Current assets	2,160	3,329	4,056	5,948	Sales per share growth	17.3%	-9.0%	-7.0%	3.1%
LT investments	17,090	18,855	18,855	18,855	Sales growth	18.6%	-8.4%	-6.3%	3.1%
Net fixed assets	14,602	15,305	15,505	15,705	Net profit growth	26.0%	-8.3%	-10.8%	-2.5%
Total Assets	33,852	37,488	38,416	40,507	EPS growth	24.6%	-9.0%	-11.5%	-2.5%
Liabilities					Interest coverage (x)	-	-	-	118.91
ST Loans	798	1,679	1,679	1,679	Net debt to total capital	6.1%	2.0%	0.0%	-4.9%
Payables	843	843	843	843	Net debt to equity	6.3%	2.1%	0.0%	-5.2%
Others	843	843	843	843	Sales/assets	0.15	0.12	0.11	0.11
Total current liabilities	1,642	2,522	2,522	2,522	Assets/equity	1.35	1.16	1.15	1.14
Long-term debt	2,686	1,818	1,818	1,818	ROE	5.5%	4.8%	4.0%	3.7%
Other liabilities	760	760	760	760	ROCE	5.0%	4.7%	3.9%	3.7%
Total Liabilities	5,087	5,100	5,100	5,100					
Shareholders' equity	28,764	32,388	33,315	35,407					
BVPS	46.20	51.26	52.73	56.04					

Source: Company reports and J.P. Morgan estimates.

Hang Seng Bank

www.hangseng.com

Company description

Founded in 1933, Hang Seng Bank is one of the four largest banks in Hong Kong, along with HSBC, BOCHK and Standard Chartered. It has 12.8% stake in Industrial Bank (601166 CH). HSBC owns 62% of Hang Seng Bank.

Key drivers of performance in an equity market recovery

We expect HSB to lag the market recovery in this cycle because of NIM pressure and potential deterioration of credit quality. Dividend payout is likely to reduce so as to improve its capital ratios. Because of its stake in Industrial Bank, its capital base is 5% smaller than BEA's. Its low beta also underpins its share price underperformance in equity market rally.

How much recovery has already been priced in, what are the key metrics?

Trading at 2.3x 12m consensus P/B (1.4 sd below historical average), Hang Seng Bank share price appears to have priced in the headwinds. However, dividend yield of 5.1% and P/PPOP of 11.4x are 0.2sd above and 0.9sd below historical average, respectively. HSB's stake in Industrial Bank amounted to 21% of its book and 18% of its earnings (and thus P/B and P/E appear cheap), but only amounted to 4% of DPS and 0% of PPOP (and thus dividend yield and P/PPOP are not cheap). For investors with longer time horizon (3 years), P/B suggests cheap valuation; for investors with shorter horizon, dividend yield suggests limited upside.

Where's the earnings risk for 2012?

Consensus view is negative for Hang Seng Bank. We expect further earnings downgrade driven by NIM pressure. Credit quality assumptions are adequate for the time being. Our FY12E earnings are 9% below consensus, which was downgraded by 5% in the last month.

Price target and key recovery risks

Our DDM-derived Dec-12 PT is HK\$105. We use a fair P/B based multiple of 2.9x, with a normalised ROE of 17.6%. Key upside risk is disposal of its stake in Industrial Bank. Downside risk is further compression in NIM.

Hang Seng Bank Ltd. (Reuters: 0011.HK, Bloomberg: 11 HK)

Year-end Dec (HK\$ in mn)	FY09A	FY10A	FY11E	FY12E	FY13E	FY14E
Operating Profit (HK\$ mn)	14,136	14,475	14,686	14,965	16,493	16,991
Net Profit (HK\$ mn)	13,221	14,917	15,419	15,335	17,217	18,157
Cash EPS (HK\$)	6.92	7.80	8.06	8.02	9.01	9.50
Fully Diluted EPS (HK\$)	6.92	7.80	8.06	8.02	9.01	9.50
DPS (HK\$)	5.20	5.20	5.20	5.30	5.40	5.50
EPS growth (%)	(6.2%)	12.8%	3.4%	(0.5%)	12.3%	5.5%
ROE	26.3%	24.7%	22.0%	20.1%	20.9%	20.3%
P/E	14.4	12.8	12.4	12.4	11.1	10.5
BVPS (HK\$)	28.55	34.72	38.58	41.27	44.90	48.89
P/BV	3.5	2.9	2.6	2.4	2.2	2.0
Div. Yield	5.2%	5.2%	5.2%	5.3%	5.4%	5.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: HK\$99.75

Price Target: HK\$105

Hong Kong

Banks

Joseph Leung^{AC}

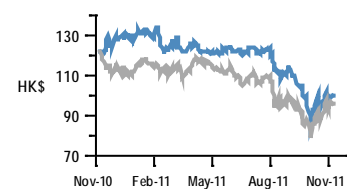
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Bloomberg JPMA JLEUNG <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



	YTD	1m	3m	12m
Abs	-21.9%	7.5%	-14.5%	-18.0%
Rel	-7.3%	-3.6%	-8.4%	3.2%

Source: Bloomberg.

Company Data

52-wk range (HK\$)	134.40 - 84.40
Market cap (HK\$ mn)	190,706
Market cap (\$ mn)	24,552
Shares outstanding (mn)	1,912
Fiscal Year End	Dec
Price (HK\$)	99.75
Date Of Price	07 Nov 11
Avg daily value (HK\$ mn)	379.6
Avg daily value (\$ mn)	48.9
Avg daily vol (mn)	9.7
HSI	19,843
Exchange Rate	7.77

Hang Seng Bank: Summary of Financials

Income Statement						Growth Rates					
HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E	FY14E		FY10	FY11E	FY12E	FY13E	FY14E
NIM (as % of avg. assets)	1.8%	1.7%	1.7%	1.8%	1.8%	Loans	36.9%	13.9%	8.2%	7.9%	6.9%
Earning assets/assets	92.1%	93.1%	93.0%	93.0%	92.8%	Deposits	7.4%	7.0%	5.0%	5.0%	5.0%
Margins (% of earning assets)	1.6%	1.6%	1.6%	1.7%	1.7%	Assets	11.0%	9.8%	4.7%	4.9%	4.9%
						Equity	21.6%	11.1%	7.0%	8.8%	8.9%
Net Interest Income	14,300	15,550	16,352	17,977	18,801	RWA	24.0%	13.4%	7.7%	7.6%	6.6%
Total Non-Interest Income	7,530	7,303	7,476	7,901	8,131	Net Interest Income	2.0%	8.7%	5.2%	9.9%	4.6%
Fee Income	4,897	5,104	5,318	5,605	5,697	Non-Interest Income	10.9%	-3.0%	2.4%	5.7%	2.9%
Dealing Income	2,355	1,925	1,848	1,940	2,037	of which Fee Grth	13.3%	4.2%	4.2%	5.4%	1.6%
Other Operating Income	-	-	-	-	-	Revenues	489.1%	468.7%	426.7%	860.0%	407.6%
Total operating revenues	21,830	22,853	23,828	25,878	26,932	Costs	10.2%	11.0%	8.5%	5.9%	5.9%
						Pre-Provision Profits	-	-	-	-	-
Operating costs	-7,355	-8,167	-8,864	-9,385	-9,941	Loan Loss Provisions	-52.0%	-10.9%	80.0%	14.5%	9.0%
						Pre-Tax	-	-	-	-	-
Pre-Prov. Profits	14,475	14,686	14,965	16,493	16,991	Attributable Income	12.8%	3.4%	-0.5%	12.3%	5.5%
Provisions	-390	-347	-625	-716	-781	EPS	12.8%	3.4%	-0.5%	12.3%	5.5%
Other Inc/Exp.	3,260	3,801	3,701	4,479	5,151	DPS	0.0%	0.0%	1.9%	1.9%	1.8%
Exceptionals	0	0	0	0	0						
Disposals/ other income	-	-	-	-	-	Balance Sheet Gearing	FY10	FY11E	FY12E	FY13E	FY14E
Pre-tax	17,345	18,140	18,041	20,256	21,361	Loan/deposit	69.4%	73.9%	76.1%	78.3%	79.7%
Tax	-2,428	-2,721	-2,706	-3,038	-3,204	Investment/assets	26.0%	24.6%	22.9%	22.1%	21.2%
Minorities	0	0	0	0	0	Loan/Assets	51.6%	53.5%	55.3%	56.9%	58.0%
Other Distbn.	-	-	-	-	-	Customer deposits/liab.	80.4%	78.4%	78.8%	79.1%	79.4%
Attributable Income	14,917	15,419	15,335	17,217	18,157	LT debt/liabilities	3.4%	4.1%	4.1%	4.2%	4.2%
Per Share Data HK\$	FY10	FY11E	FY12E	FY13E	FY14E	Asset Quality/Capital	FY10	FY11E	FY12E	FY13E	FY14E
EPS	7.80	8.06	8.02	9.01	9.50	Loan loss reserves/loans	-0.4%	-0.3%	-0.3%	-0.4%	-0.4%
DPS	5.20	5.20	5.30	5.40	5.50	NPLs/loans	0.4%	0.3%	0.3%	0.3%	0.3%
Payout	66.6%	64.5%	66.1%	60.0%	57.9%	Loan loss reserves/NPLs	-56.2%	-59.7%	-61.7%	-61.7%	-61.7%
Book value	34.72	38.58	41.27	44.90	48.89	Growth in NPLs	-20.7%	-20.0%	5.0%	10.0%	10.0%
Fully Diluted Shares	-	-	-	-	-	Tier 1 Ratio	10.8%	10.0%	10.2%	10.6%	11.1%
PPOP per share	-	-	-	-	-	Total CAR	13.6%	12.9%	12.7%	12.7%	12.8%
Key Balance sheet HK\$ in millions	FY10	FY11E	FY12E	FY13E	FY14E	Du-Pont Analysis	FY10	FY11E	FY12E	FY13E	FY14E
Net Loans	472,637	538,580	582,846	628,844	672,086	NIM (as % of avg. assets)	1.8%	1.7%	1.7%	1.8%	1.8%
LLR	-1,836	-1,722	-1,967	-2,271	-2,597	Earning assets/assets	92.1%	93.1%	93.0%	93.0%	92.8%
Gross Loans	474,473	540,303	584,813	631,114	674,683	Margins (as % of Avg. Assets)	1.6%	1.6%	1.6%	1.7%	1.7%
NPLs	1,990	1,592	1,672	1,839	2,023	Non-Int. Rev./ Revenues	34.5%	32.0%	31.4%	30.5%	30.2%
Investments	238,121	248,042	241,253	244,646	245,646	Non IR/Avg. Assets	0.9%	0.8%	0.7%	0.7%	0.7%
Other earning assets	27,972	32,672	34,097	38,674	42,629	Revenue/Assets	2.5%	2.4%	2.3%	2.4%	2.4%
Avg. IEA	802,464	895,592	958,281	1,003,563	1,050,860	Cost/Income	33.7%	35.7%	37.2%	36.3%	36.9%
Goodwill	5,394	6,203	6,203	6,203	6,203	Cost/Assets	0.8%	0.8%	0.9%	0.9%	0.9%
Assets	916,911	1,006,485	1,054,027	1,105,394	1,159,582	Pre-Provision ROA	3.3%	3.2%	3.2%	3.3%	3.3%
						LLP/Loans	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Deposits	683,628	731,482	768,056	806,459	846,782	Loan/Assets	47.1%	52.8%	54.6%	56.3%	57.7%
Long-term bond funding	30,986	41,582	43,661	45,844	48,137	Other Prov. Income/ Assets	0.0%	0.0%	0.0%	0.0%	0.0%
Other Borrowings	0	0	0	0	0	Operating ROA	1.7%	1.5%	1.5%	1.5%	1.5%
Avg. IBL	684,228	743,839	792,391	832,010	873,611	Pre-Tax ROA	3.3%	3.2%	3.1%	3.2%	3.2%
Avg. Assets	871,440	961,698	1,030,256	1,079,711	1,132,488	Tax rate	-	-	-	-	-
Common Equity	66,379	73,766	78,902	85,836	93,464	Minorities & Outside Distbn.	0.0%	0.0%	0.0%	0.0%	0.0%
RWA	313,437	355,543	382,868	411,992	439,218	ROA	1.7%	1.6%	1.5%	1.6%	1.6%
Avg. RWA	283,083	334,490	369,205	397,430	425,605	RORWA	5.3%	4.6%	4.2%	4.3%	4.3%
						Equity/Assets	7.2%	7.3%	7.5%	7.8%	8.1%
						ROE	24.7%	22.0%	20.1%	20.9%	20.3%

Source: Company reports and J.P. Morgan estimates.

Hanjin Shipping Co Ltd

www.hanjin.com

Company description

Hanjin Shipping provides mainly container shipping, dry bulk, tanker shipping and terminal services. 9M11 revenue breakdown: container transport and logistics: 80%, bulk: 17% and others: 3%.

Key drivers of performance in an equity market recovery

Hanjin Shipping is highly exposed to the US and Europe trade as it derives c.43% and c.34% volumes from these routes. Further, we expect industry overcapacity to persist in 2012 and HJS will likely remain loss-making.

How much recovery has already been priced in, what are the key metrics?

Hanjin Shipping is currently trading at 0.7x P/BV but has 36% downside risk to its historical trough levels. We expect Hanjin Shipping to post losses of W602B in 2011E (W501B net loss in 9M11) and W468B in 2012E, which would erode its BV.

Where's the earnings risk for 2012?

There is downside risk to earnings estimates, given weak container shipping demand in Europe and the US, industry oversupply and lack of capacity discipline, continued high bunker fuel prices and difficult access to financing.

Price target and key recovery risks

Our Dec-12 PT of W10,000 is based on 0.7x P/BV, a 20% discount to Hanjin Shipping's historical average valuation since listing as we expect the liner to remain loss-making in FY12-13E. However, the stock could de-rate to its historical trough valuation if losses are greater than expected. We maintain our UW rating and see better risk-reward in OOIL (316HK, HK\$3.57, OW). Key upside risks: better-than-expected volumes and freight rates, lower-than-expected capacity growth, falling fuel prices, exit of weaker industry players.

Hanjin Shipping Co Ltd (Reuters: 117930.KS, Bloomberg: 117930 KS)

W in bn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	668	9,423	8,826	9,657	11,075
Net Profit (W bn)	-86	275	-602	-468	-90
EPS (W)	(1,167.26)	3,459.64	(7,117.43)	(3,560.01)	(685.93)
DPS (W)	0.00	500.00	0.00	0.00	0.00
Revenue Growth (%)	-92.9%	1310.6%	-6.3%	9.4%	14.7%
EPS Growth (%)	-104.4%	-396.4%	-305.7%	-50.0%	-80.7%
ROCE	-0.5%	10.9%	-3.2%	0.6%	5.6%
ROE	-3.4%	12.5%	-24.8%	-22.0%	-4.9%
P/E	-9.3	3.1	-1.5	-3.0	-15.7
P/BV	0.4	0.4	0.4	0.5	0.5
EV/EBITDA	-7,426.5	5.2	52.4	19.7	9.3
Div Yield (%)	0.0%	4.6%	0.0%	0.0%	0.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: W10,800

Price Target: W10,000

South Korea

Transportation

Corrine Png^{AC}

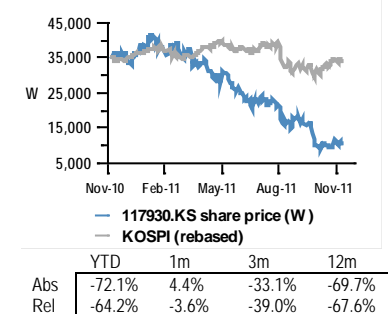
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Bloomberg JPMA PNG <GO>

J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	125
Market Cap (W mn)	1,350,000
Market Cap (\$ mn)	1,215
Price (W)	10,800
Date Of Price	04-Nov-11
Free float (%)	-
Avg daily volume (mn)	2.08
Avg daily value (W mn)	42,527.52
Avg daily value (\$ mn)	38.29
IN	

Hanjin Shipping Co Ltd: Summary of Financials

Income Statement						Cash flow statement					
W in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	W in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	668	9,423	8,826	9,657	11,075	EBIT	-30	630	-217	52	503
% change Y/Y	(92.9%)	1310.6%	(6.3%)	9.4%	14.7%	Depr. & amortization	30	373	349	382	438
EBITDA	-1	1,003	132	434	941	Change in working capital	-171	-59	80	-36	-60
% change Y/Y	-100.1%	-135835.4%	-86.8%	228.4%	116.6%	Taxes	-	-	-	-	-
EBIT	-30	630	-217	52	503	Cash flow from operations	-27	514	-172	-121	288
% change Y/Y	NM	NM	NM	NM	862.6%	Capex	-15	-990	-2,000	-1,500	-500
EBIT Margin	-4.6%	6.7%	-2.5%	0.5%	4.5%	Disposal/(purchase)	2	74	0	0	0
Net Interest	-19	-290	-351	-485	-568	Net Interest	-19	-290	-351	-485	-568
Earnings before tax	-87	306	-602	-468	-100	Free cash flow	-42	-476	-2,172	-1,621	-212
% change Y/Y	-130.2%	-450.9%	-297.1%	-22.3%	-78.6%	Equity raised/(repaid)	-0	252	0	0	0
Tax	1	-30	0	0	10	Debt raised/(repaid)	-79	-234	0	0	0
as % of EBT	0.7%	9.9%	0.0%	0.0%	9.9%	Other	-0	732	0	0	0
Net income (reported)	-86	275	-602	-468	-90	Dividends paid	0	0	0	0	0
% change Y/Y	-127.0%	-418.4%	-318.7%	-22.3%	-80.7%	Beginning cash	592	625	912	924	1,003
Shares outstanding	74	80	85	131	131	Ending cash	625	912	924	1,003	1,191
EPS (reported)	(1,167.26)	3,459.64	(7,117.43)	(3,560.01)	(685.93)	DPS	0.00	500.00	0.00	0.00	0.00
% change Y/Y	(104.4%)	(396.4%)	(305.7%)	(50.0%)	(80.7%)						
Balance sheet						Ratio Analysis					
W in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	W in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	625	912	924	1,003	1,191	EBITDA margin	-0.1%	10.6%	1.5%	4.5%	8.5%
Accounts receivable	591	643	602	659	755	Operating margin	(4.6%)	6.7%	(2.5%)	0.5%	4.5%
Inventories	231	267	250	274	314	Net margin	-13.0%	2.9%	-6.8%	-4.8%	-0.8%
Others	246	416	416	416	416	Sales per share growth	(98.8%)	1213.1%	(11.9%)	(29.5%)	14.7%
Current assets	1,707	2,323	2,277	2,437	2,762	Sales growth	(92.9%)	1310.6%	(6.3%)	9.4%	14.7%
LT investments	275	367	367	367	367	Net profit growth	-127.0%	-418.4%	-318.7%	-22.3%	-80.7%
Net fixed assets	5,889	6,449	8,100	9,217	9,279	EPS growth	(104.4%)	(396.4%)	(305.7%)	(50.0%)	(80.7%)
Total Assets	7,908	9,006	10,611	11,888	12,275	Interest coverage (x)	0.04	3.46	0.38	0.90	1.66
Liabilities						Net debt to equity	154.0%	107.1%	185.0%	316.1%	343.7%
Short-term loans	912	1,152	1,152	1,152	1,152	Sales/assets	0.08	1.11	0.90	0.86	0.92
Payables	681	710	732	777	854	Assets/equity	2.32	2.34	4.49	6.27	6.80
Others	100	72	72	72	72	ROE	(3.4%)	12.5%	(24.8%)	(22.0%)	(4.9%)
Total current liabilities	1,692	1,934	1,957	2,001	2,078	ROCE	-0.5%	10.9%	-3.2%	0.6%	5.6%
Long-term debt	2,642	2,429	4,142	5,842	6,242						
Other liabilities	1,673	2,149	2,149	2,149	2,149						
Total Liabilities	6,007	6,513	8,248	9,993	10,470						
Shareholders' equity	1,901	2,493	2,363	1,895	1,805						
BVPS	25,669.04	29,335.66	27,797.30	22,295.28	21,235.16						

Source: Company reports and J.P. Morgan estimates.

Hengan International Group Ltd

www.hengan.com

Company description

Established in 1985 and listed in Hong Kong Stock Exchange since 1998, Hengan is the leading personal hygiene products company in China with a No.1 position in the tissue paper, sanitary napkin, and diaper markets. In 2008, it entered into the snack food business through the acquisition of a 51% equity interest in QinQin Food. The key advantage of Hengan over the peers is its extensive distribution network across China, especially in rural areas.

Key drivers of performance in an equity market recovery

We do not expect Hengan to outperform when the market recovers as the demand for personal hygiene products is relatively resilient during economic downturns. In fact, there is a risk that Hengan might not be able to sustain diaper sales growth in 2012, in our view, given tough competition from international peers.

How much recovery has already been priced in, what are the key metrics?

Hengan is currently trading at 2012E P/E of 24x, which reflects the high expectation of a successful launch in the new diaper products, in our view. According to management, it is expecting to deliver better-than-industry growth for diapers in 2H11 but we do not think this is sustainable. This is because Hengan recently adopted a new selling strategy to sell diapers through a trade show. 2H11 diaper revenue would only reflect the sell-in but the actual sell-through remains uncertain, in our view.

Where's the earnings risk for 2012?

We see downside risk to diaper sales guidance in 2012 if the actual sell-through turns out to be weaker than the sell-in. In light of a challenging diaper sales outlook and a normalized growth rate for sanitary napkins, we expect Hengan's earnings volatility to increase as tissue paper contributes more going forward.

Price target and key recovery risks

Our Dec-12 target price of HK\$51.0 is based on 1.0x PEG with 2-year (2012-14) EPS CAGR of 18%. We do not believe the current valuation is sustainable and an increase in earnings volatility is likely to trigger a de-rating going forward. Key upside risks to our call would be a sudden drop in pulp prices and a faster-than-expected roll out of new diaper products.

Hengan International Group Ltd (Reuters: 1044.HK, Bloomberg: 1044 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	10,834	13,432	16,917	21,091	26,083
Net Profit (HK\$ mn)	2,116.5	2,438.3	2,735.3	3,497.5	4,130.7
EPS (HK\$)	1.77	2.00	2.24	2.87	3.39
DPS (HK\$)	1.12	1.30	1.46	1.86	2.20
Revenue growth (%)	35.4%	24.0%	26.0%	24.7%	23.7%
EPS growth (%)	50.9%	12.8%	12.4%	27.9%	18.1%
ROE	27.3%	25.0%	24.7%	28.5%	30.4%
P/E (x)	39.1	34.7	30.9	24.1	20.4
P/BV (x)	9.4	8.0	7.2	6.6	5.9
EV/EBITDA (x)	28.1	24.8	21.8	17.2	14.2
Dividend Yield	1.6%	1.9%	2.1%	2.7%	3.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: HK\$69.25

Price Target: HK\$51.0

China

Consumer

Jessica Hong^{AC}

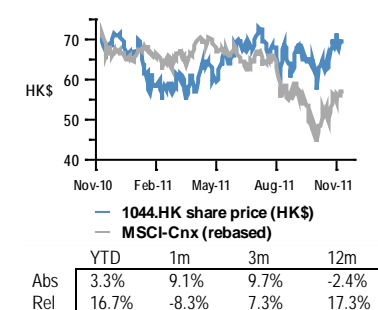
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Bloomberg JPMA JHONG <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	1,229
Market cap (HK\$ mn)	85,106
Market cap (\$ mn)	10,957
Price (HK\$)	69.25
Date Of Price	10 Nov 11
Free float (%)	59.4%
3mth Avg daily volume	3.22
3M - Avg daily Value (HK\$ mn)	209.62
3M - Avg daily Value (USD) (\$ mn)	27.54
MSCI-Cnx	5,847
Exchange Rate	7.77
Fiscal Year End	Dec

Hengan International Group Ltd: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	10,834	13,432	16,917	21,091	26,083	PBT	2,583	3,038	3,499	4,421	5,311
% change Y/Y	35.4%	24.0%	26.0%	24.7%	23.7%	Depr. & amortization	321	357	411	554	714
Gross Profit	4,980	5,945	7,128	9,087	11,391	Change in working capital	-111	-689	-699	-829	-1,053
% change Y/Y	55.5%	19.4%	19.9%	27.5%	25.4%	Tax	-295	-388	-552	-700	-840
Gross margin	46.0%	44.3%	42.1%	43.1%	43.7%	Other	-18	39	50	44	6
EBITDA	2,922	3,356	3,861	4,931	6,020	Cash flow from operations	2,516	2,280	2,660	3,446	4,133
% change Y/Y	61.4%	14.9%	15.0%	27.7%	22.1%	Capex	-951	-1,261	-1,900	-2,090	-2,299
EBITDA Margin	27.0%	25.0%	22.8%	23.4%	23.1%	Sale of assets	-	-	-	-	-
EBIT	2,601	3,000	3,450	4,377	5,305	Acquisition of subsidiaries/intangibles	-	-	-	-	-
% change Y/Y	69.9%	15.4%	15.0%	26.9%	21.2%	Other	-367	-316	-66	-67	-69
EBIT Margin	24.0%	22.3%	20.4%	20.8%	20.3%	Cash flow from investing	-1,317	-1,577	-2,009	-2,213	-2,447
Net Interest	-18	39	50	44	6	Equity raised/(repaid)	-	-	-	-	-
Share of JVs	0	0	0	0	0	Debt raised/(repaid)	1,019	2,582	46	56	2,825
Earnings before tax	2,583	3,038	3,499	4,421	5,311	Dividends paid	-826	-1,341	-1,685	-2,026	-2,479
% change Y/Y	71.0%	17.6%	15.2%	26.3%	20.1%	Other	1,452	-506	-	-	-
Tax	-417	-552	-700	-840	-1,062	Cash flow from financing	1,645	735	-1,638	-1,970	346
as % of EBT	16.1%	18.2%	20.0%	19.0%	20.0%	Net change in cash	2,839	1,539	-987	-737	2,032
Minorities	-50	-48	-64	-83	-119	FX gain/(loss)	-	-	-	-	-
Other income/(exp)	107	249	238	242	247	Ending cash	4,450	5,989	5,002	4,264	6,296
Net income (reported)	2,116.5	2,438.3	2,735.3	3,497.5	4,130.7	DPS	1.12	1.30	1.46	1.86	2.20
% change Y/Y	57.8%	15.2%	12.2%	27.9%	18.1%						
Recurring Net Income	-	-	-	-	-						
% change Y/Y	-	-	-	-	-						
EPS (reported)	1.77	2.00	2.24	2.87	3.39						
% change Y/Y	50.9%	12.8%	12.4%	27.9%	18.1%						
Recurring EPS	-	-	-	-	-						
% change Y/Y	-	-	-	-	-						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	4,450	5,989	5,002	4,264	6,296	Gross margin	46.0%	44.3%	42.1%	43.1%	43.7%
Accounts receivable	883	1,396	1,758	2,192	2,711	EBITDA margin	27.0%	25.0%	22.8%	23.4%	23.1%
Inventories	2,175	2,760	3,476	4,334	5,360	Operating margin	24.0%	22.3%	20.4%	20.8%	20.3%
Others	296	606	787	627	534	Net margin	19.5%	18.2%	16.2%	16.6%	15.8%
Current assets	7,803	10,750	11,023	11,417	14,900	Recurring net profit margin	-	-	-	-	-
Intangible assets	-	-	-	-	-	Sales growth	35.4%	24.0%	26.0%	24.7%	23.7%
Long term investments	-	-	-	-	-	Net profit growth	57.8%	15.2%	12.2%	27.9%	18.1%
Net fixed assets	2,552	4,519	6,008	7,544	9,128	Recurring net profit growth	57.8%	8.0%	32.4%	25.4%	18.0%
Other assets	3,793	3,308	3,374	3,441	3,510	EPS growth	50.9%	12.8%	12.4%	27.9%	18.1%
Total Assets	14,148	18,577	20,405	22,402	27,539	Net debt to equity	-19.1%	-6.4%	2.7%	8.1%	12.4%
Liabilities						Sales/assets	0.90	0.82	0.87	0.99	1.04
Short-term loans	2,175	3,815	3,815	3,815	5,797	Assets/equity	1.22	1.23	1.24	1.74	1.92
Trade & other payables	876	1,319	1,661	2,071	2,561	ROE	27.3%	25.0%	24.7%	28.5%	30.4%
Others	1,125	943	1,159	1,383	1,640	ROCE	26.1%	21.8%	21.0%	24.9%	26.1%
Total current liabilities	4,175	6,077	6,635	7,269	9,998						
Long-term debt	555	1,497	1,497	1,497	2,275						
Others	122	179	225	281	347						
Total Liabilities	4,852	7,753	8,357	9,047	12,620						
Minorities	280	322	387	470	589						
Shareholders' equity	9,017	10,503	11,661	12,885	14,330						
BVPS	7.40	8.61	9.56	10.57	11.75						

Source: Company reports and J.P. Morgan estimates.

Hero Motocorp

www.heromotocorp.com/

Company description

Hero Motocorp is the world's largest two wheeler company (in volume terms). The company is the market leader in India with a share of over 50% in the domestic motorbike segment and we forecast sales of over 6m units for the current year. However, the OEM has recently split with its JV partner -Honda, Japan.

Key drivers of performance in this equity market recovery

Hero Motocorp witnessed healthy volume growth in CY11 as the OEM debottlenecked capacities and benefited from sustained rural demand. We believe that Hero Motocorp's growth over CY12 will moderate off a demanding base as well as easing industry growth. Further, as Honda ramps up capacity, we expect competitive intensity to increase over the year. Lastly, as Hero has ended the JV with its foreign partner, it will have to ramp its R&D spend as well as launch new products in a competitive market.

How much recovery has already been priced in, what are the key metrics

The stock currently trades at 17.5x FY12E and 15.8x FY13E multiples, at a premium to its 5-year historical forward average earnings multiple of c.13.7x. We believe that valuations should come off from these levels given i) the OEM will now have to develop its own R&D post the split with Honda ii) Rising competitive pressures and iii) Moderation in industry growth rates due to rising inflationary pressures

Where's the earnings risk for 2012

If competitive intensity increases more sharply than expected there could be pressure on margins as Hero Motocorp will have to defend its leadership position (current market share is over 50% in the local motorbike segment).

Price target and key recovery risks

We are UW on the stock as we think the OEM will have to incur higher costs on branding, R&D, etc. from hereon. Further, as competition ramps up, we expect Hero Motocorp to cede market share over the medium term. We have a Mar'12 PT of Rs1,810 based on a PE multiple of 13.5x. **Key Risks:** higher than anticipated industry growth rates and market share gains for Hero Honda.

Hero Motocorp Ltd. (Reuters: HROM.BO, Bloomberg: HMCL IN)

Rs in mn, year-end Mar	FY09A	FY10A	FY11A	FY12E	FY13E
Net sales (Rs mn)	123,191	157,581	192,449	229,944	262,784
EBITDA (Rs mn)	17,096	26,619	22,901	27,915	31,534
Net Profit (Rs mn)	12,817	22,317	19,278	24,075	26,768
ROE	33.7%	64.4%	65.2%	67.3%	60.5%
ROCE	43.4%	76.1%	52.8%	56.3%	58.1%
EPS (Rs)	64.18	111.76	96.53	120.56	134.04
DPS (Rs)	25.38	109.99	104.49	77.86	79.92
P/E (x)	32.9	18.9	21.9	17.5	15.8
EV/EBITDA (x)	22.1	13.3	15.8	12.8	11.3

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: Rs 2,114

Price Target: Rs 1,810

India

Autos

Aditya Makharia^{AC}

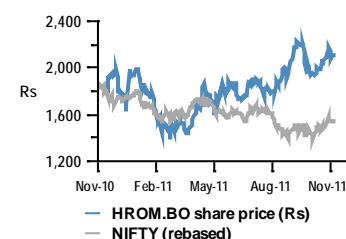
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Bloomberg JPMA MAKHARIA <GO>

J.P. Morgan India Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	6.4%	7.8%	17.2%	14.8%
Rel	20.6%	-2.9%	18.1%	30.7%

Source: Bloomberg.

Company Data

52-week Range (Rs)	2,237.00 - 1,375.75
Shares O/S (mn)	200
Market cap (\$ mn)	8,595
Price (Rs)	2,113.80
Date Of Price	04 Nov 11
3mth Avg daily volume	0.61
Average 3m Daily Turnover (\$ mn)	25.29
NIFTY	5,284

Hero Motocorp Ltd.: Summary of Financials

Income Statement					Cash flow statement				
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E
Revenues	157,581	192,449	229,944	262,784	EBIT	24,704	20,577	24,996	28,367
% change YY	27.9%	22.1%	19.5%	14.3%	Depr. & amortization	1,915	2,324	2,919	3,167
EBITDA	26,619	22,901	27,915	31,534	Dec/(Inc) in Working Capital	6,182	9,883	7,193	-1,482
% change YY	55.7%	-14.0%	21.9%	13.0%	Taxes	-5,924	10,737	-6,479	-10,184
EBITDA margin	16.9%	11.9%	12.1%	12.0%	Cash flow from operations	26,877	43,521	28,629	19,868
Depreciation	-1,915	-2,324	-2,919	-3,167	Net Capex	-2,041	-27,309	-6,000	-6,500
Other Income	3,406	4,249	4,409	4,735	Net Interest (Paid)/ Recd	206	19	150	150
Net Interest	206	19	150	150	Free cash flow	25,042	16,231	22,779	13,518
Earnings before tax	28,316	24,046	29,555	33,252	Income from Investments	3,406	4,249	4,409	4,735
% change YY	59.0%	-15.1%	22.9%	12.5%	Inc / (Dec) in Networth	1	1	0	-0
Tax	5,999	4,769	5,479	6,484	Debt raised/(repaid)	-125	-333	0	0
as % of EBT	21.2%	19.8%	18.5%	19.5%	Dividends paid	-5,878	-25,676	-24,369	-17,840
Net income (Adjusted)	22,317	19,278	24,075	26,768	Cash generated	22,446	-6,326	2,819	413
% change YY	74.1%	-13.6%	24.9%	11.2%	Beginning cash	35,883	58,329	52,003	54,822
EPS (pre exceptional)	111.76	96.53	120.56	134.04	Ending cash	58,329	52,003	54,822	55,234
% change YY	74.1%	-13.6%	24.9%	11.2%	Ratio Analysis				
Dividend Per Share	109.99	104.49	77.86	79.92	% , year end Mar	FY10	FY11	FY12E	FY13E
Dividend Payout	98.4%	108.3%	64.6%	59.6%	EBITDA margin	16.9%	11.9%	12.1%	12.0%
Balance sheet					Net profit margin	14.2%	10.0%	10.5%	10.2%
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	Sales growth	27.9%	22.1%	19.5%	14.3%
Cash and cash equivalents	58,329	52,003	54,822	55,234	Net profit growth	74.1%	-13.6%	24.9%	11.2%
Accounts receivable	1,084	1,306	1,260	1,440	EPS growth	74.1%	(13.6%)	24.9%	11.2%
Inventories	4,364	5,249	6,300	7,200	PE (x)	18.9	21.9	17.5	15.8
Others	4,306	7,775	8,015	8,416	Cash PE (x)	17.42	19.54	15.64	14.10
Current assets	68,083	66,333	70,397	72,291	EV/EBITDA (x)	13.3	15.8	12.8	11.3
Net fixed assets	17,069	42,054	45,135	48,468	EV/Sales (x)	2.25	1.88	1.56	1.36
Total Assets	85,152	108,387	115,532	120,759	Price to Book Value (x)	12.2	14.3	11.8	9.5
Liabilities					Dividend Yield	5.2%	4.9%	3.7%	3.8%
Payables	11,114	14,239	16,380	19,439	Debt to equity	0.02	0.01	0.01	0.01
Others	37,200	47,208	46,977	44,385	Sales/assets	1.85	1.78	1.99	2.18
Total current liabilities	48,314	61,448	63,356	63,824	ROE	64.4%	65.2%	67.3%	60.5%
Total debt	660	327	327	327	ROCE	76.1%	52.8%	56.3%	58.1%
Other liabilities	1,528	17,052	16,052	12,352					
Total Liabilities	50,502	78,827	79,736	76,503					
Share Capital	399	399	399	399					
Networth	34,650	29,561	35,796	44,255					
BVPS	173.51	148.03	179.25	221.61					

Source: Company reports and J.P. Morgan estimates.

Hindustan Unilever Limited

www.hul.co.in

Company description

Hindustan Unilever is India's leading consumer products company. It has dominant shares in soaps, laundry, skin care, shampoos and tea. It also has an extensive presence in toothpaste and foods segments. It is a 52.5%-owned subsidiary of Unilever Plc.

Key drivers of performance in an equity market recovery

HUL has seen headwinds on margins, especially in soaps and detergents segment for most of CY11 on account of higher palm and crude oil prices. In case of any commodity price easing in CY12E, it should provide recovery on the margin front. Given staples demand has remained quite steady in recent quarters, we do not expect any significant impact of global market recovery on demand trends going forward for HUL.

How much recovery has already been priced in, what are the key metrics

HUL's volume growth, gross margin trends and competitive spends would be key indicators to watch for over the next few quarters. Current inflationary trends pose downside risk to volume growth assumptions. However, we have built in higher gross margins, assuming stable/easing commodity costs in 2012. Another key risk to earnings is level of competitive intensity.

While we expect a recovery in margins for soaps & laundry segment (off a weak base) to support strong operating profit growth over the next two quarters, we believe the recent run-up in the share price more than adequately prices in the near-term rebound in earnings.

Where's the earnings risk for 2012

Key upside risks to earnings include: a) sharp decline in input costs, and b) lower-than-expected competitive intensity, resulting in lower marketing spends.

Price target and key recovery risks

We have a Sep'12 PT of Rs347 based on 23x one-year forward P/E, which is at a 10% discount to the past three-year historical average for the stock. We stay UW, given current rich valuations of 32x FY12E and 27x FY13E P/E and competitive risks, particularly in soaps & laundry segment.

Key risks to our PT are benign input cost environment, sharp increase in volumes/mix, and less competitive intensity than expected.

Hindustan Unilever Limited (Reuters: HLL.BO, Bloomberg: HUVR IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (Rs mn)	175,238	194,011	225,079	253,082	284,757
Net Profit (Rs mn)	20,587.1	21,563.1	25,956.8	30,746.9	35,095.0
EPS (Rs)	9.43	9.87	11.89	14.08	16.07
Revenue growth (%)	-13.4%	10.7%	16.0%	12.4%	12.5%
EPS growth (%)	-16.3%	4.7%	20.4%	18.5%	14.1%
ROE	88.6%	82.7%	86.2%	79.2%	70.7%
P/E (x)	41.4	39.5	32.8	27.7	24.3
EV/EBITDA (x)	27.9	27.5	22.0	18.1	15.5
Dividend Yield	1.7%	1.7%	1.9%	2.2%	2.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: Rs379.65

Price Target: Rs 347

India

Consumer, Retail, and Media

Latika Chopra^{AC}

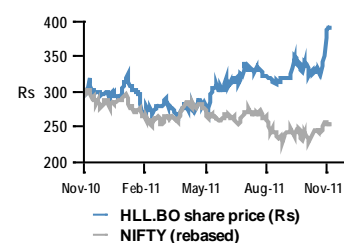
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Bloomberg JPMA CHOPRA <GO>

J.P. Morgan India Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	24.6%	16.7%	20.5%	32.4%
Rel	39.2%	8.3%	24.1%	46.5%

Source: Bloomberg.

Company Data

Shares O/S (mn)	2,161
Market cap (Rs mn)	842,882
Market cap (\$ mn)	17,309
Price (Rs)	390.05
Date Of Price	02 Nov 11
3mth Avg daily volume	3.08
3M - Avg daily Value (\$ mn)	20.04
NIFTY	5,258
Fiscal Year End	Mar

Hindustan Unilever Limited: Summary of Financials

Income Statement						Cash flow statement					
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Revenues	175,238	194,011	225,079	253,082	284,757	EBIT	27,141	27,304	33,713	40,459	46,486
% change Y/Y	(13.4%)	10.7%	16.0%	12.4%	12.5%	Depr. & amortization	1,840	2,208	2,300	2,400	2,470
EBITDA	28,981	29,513	36,013	42,859	48,956	Change in working capital	-13,035	2,738	-8,811	-5,510	-5,325
% change Y/Y	-10.7%	1.8%	22.0%	19.0%	14.2%	Taxes	-	-	-	-	-
EBIT	27,141	27,304	33,713	40,459	46,486	Cash flow from operations	36,064	22,058	37,068	38,657	42,890
% change Y/Y	NM	0.6%	23.5%	20.0%	14.9%	Capex	-5,021	-2,028	-1,249	-1,751	-1,249
EBIT Margin	15.5%	14.1%	15.0%	16.0%	16.3%	Disposal/(purchase)	-	-	-	-	-
Net Interest	1,404	2,498	3,048	3,198	3,298	Net Interest	1,404	2,498	3,048	3,198	3,298
Earnings before tax	27,071	27,302	33,710	40,457	46,483	Other	-	-	-	-	-
% change Y/Y	-10.5%	0.9%	23.5%	20.0%	14.9%	Free cash flow	31,043	20,030	35,819	36,906	41,641
Tax	-6,484	-5,739	-7,753	-9,710	-11,388	Equity raised/(repaid)	2	-22	0	0	0
as % of EBT	24.0%	21.0%	23.0%	24.0%	24.5%	Debt raised/(repaid)	0	0	0	0	0
Net income (reported)	20,587.1	21,563.1	25,956.8	30,746.9	35,095.0	Other	-	-	-	-	-
% change Y/Y	-16.1%	4.7%	20.4%	18.5%	14.1%	Dividends paid	-15,233	-15,970	-18,427	-20,884	-23,341
Shares outstanding	2,184	2,184	2,184	2,184	2,184	Beginning cash	19,526	30,573	27,805	45,196	61,218
EPS (reported)	9.43	9.87	11.89	14.08	16.07	Ending cash	30,573	27,805	45,196	61,218	79,518
% change Y/Y	(16.3%)	4.7%	20.4%	18.5%	14.1%	DPS	6.50	6.50	7.50	8.50	9.50
Balance sheet						Ratio Analysis					
Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	18,922	16,400	33,792	49,813	68,113	EBITDA margin	16.5%	15.2%	16.0%	16.9%	17.2%
Accounts receivable	6,716	9,432	9,866	10,401	11,702	Operating margin	15.5%	14.1%	15.0%	16.0%	16.3%
Inventories	21,799	28,113	31,325	32,305	36,146	Net margin	11.8%	11.1%	11.5%	12.2%	12.3%
Others	8,728	9,104	10,562	11,876	13,362	Sales per share growth	(13.7%)	10.7%	16.0%	12.4%	12.5%
Current assets	67,817	74,453	96,950	115,800	140,729	Sales growth	(13.4%)	10.7%	16.0%	12.4%	12.5%
LT investments	990	1,202	1,202	1,202	1,202	Net profit growth	-16.1%	4.7%	20.4%	18.5%	14.1%
Net fixed assets	24,361	24,682	23,631	22,982	21,761	EPS growth	(16.3%)	4.7%	20.4%	18.5%	14.1%
Total Assets	93,167	100,338	121,783	139,984	163,692	Interest coverage (x)	-	-	-	-	-
Liabilities						Net debt to equity	-118.3%	-105.6%	-133.5%	-140.0%	-143.3%
Short-term loans	-	-	-	-	-	Sales/assets	1.99	2.01	2.03	1.93	1.88
Payables	52,917	60,749	72,543	78,968	88,759	Assets/equity	3.32	2.99	3.60	3.20	2.95
Others	14,416	13,250	15,372	17,284	19,447	ROE	88.6%	82.7%	86.2%	79.2%	70.7%
Total current liabilities	67,332	73,999	87,914	96,252	108,206	ROCE	107.1%	104.7%	112.0%	104.3%	93.7%
Long-term debt	0	0	0	0	0						
Other liabilities	-	-	-	-	-						
Total Liabilities	67,332	73,999	87,914	96,252	108,206						
Shareholders' equity	25,835	26,339	33,869	43,732	55,486						
BVPS	11.83	12.06	15.51	20.02	25.41						

Source: Company reports and J.P. Morgan estimates.

Hong Kong & China Gas

www.hkcg.com

Company description

Hong Kong and China Gas is the largest downstream gas distributor in Hong Kong and China, with a monopoly position in HK and 95 city-gas projects in China. The company is also involved in upstream energy and midstream gas projects in China. It also owns a 15.8% stake in the IFC complex in HK.

Key drivers of performance in this equity market recovery

Gas volume sales growth may increase at some of its China city gas projects, where there is a large population of industrial users.

How much recovery has already been priced in, what are the key metrics?

Shares of HKCG traded at a 14-22x P/E during the 2009-10 market recovery vs. the current valuation of 22x FY12E P/E. The stock outperformed the market YTD mainly because investors sought defensive plays amid market uncertainty, in our view. However, if the market rebounds, we believe share valuations may return to 2009-10 levels.

Where's the earnings risk for 2012?

Lower-than-expected gas volume sales in Hong Kong and China; higher interest rates.

Price target and key recovery risks

Our Jun-12 PT is determined based on SOP valuation methodology, using DCF to value each segment. Upside risks: strong gas demand, potential M&A, strong earnings from upstream projects, share buyback. Downside risks: change in HK regulatory regime, inability to pass on fuel costs.

Neutral

Price: HK\$17.90

Price Target: HK\$18.00

Hong Kong

Utilities

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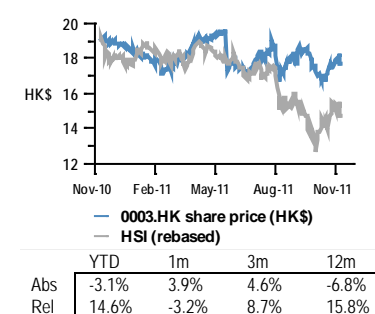
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Hong Kong & China Gas (Reuters: 0003.HK, Bloomberg: 3 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	12,352	19,375	20,011	22,402	25,240
EBITDA (HK\$ mn)	7,516	8,844	9,215	9,786	10,489
Net Profit (HK\$ mn)	5,275	5,585	5,876	6,338	6,738
EPS (HK\$)	0.73	0.78	0.78	0.80	0.85
DPS (HK\$)	0.32	0.35	0.36	0.38	0.41
Revenue growth (%)	0.0%	56.9%	3.3%	12.0%	12.7%
EPS growth (%)	13.0%	6.6%	0.2%	2.9%	6.3%
ROCE	12.8%	12.7%	12.8%	13.2%	13.2%
ROE	15.2%	14.1%	13.9%	14.2%	14.3%
P/E	24.5	23.0	23.0	22.3	21.0
P/BV	3.8	3.4	3.4	3.4	3.3
EV/EBITDA	19.8	17.2	16.8	15.8	14.8
Dividend Yield	1.8%	2.0%	2.0%	2.1%	2.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

Shares O/S (mn)	7,901
Market Cap (HK\$ mn)	141,420
Market Cap (\$ mn)	18,206
Price (HK\$)	17.90
Date Of Price	11 Nov 11
Free float (%)	60.0%
3mth Avg daily volume	7.28
3M - Avg daily Value (HK\$ mn)	128.44
3M - Avg daily Value (USD) (\$ mn)	17.43
HSI	18,964
Exchange Rate	7.77
Fiscal Year End	Dec

Hong Kong & China Gas: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	12,352	19,375	20,011	22,402	25,240	EBIT	6,680	7,692	7,907	8,385	8,998
% change Y/Y	0.0%	56.9%	3.3%	12.0%	12.7%	Depr. & amortization	836	1,152	1,308	1,401	1,490
EBITDA	7,516	8,844	9,215	9,786	10,489	Change in working capital	-82	95	-2,047	1	5
% change Y/Y	28.7%	17.7%	4.2%	6.2%	7.2%	Taxes	-624	-720	-1,184	-914	-999
EBIT	6,680	7,692	7,907	8,385	8,998	Others	-2,835	-2,984	-1,049	-2,714	-2,737
% change Y/Y	30.1%	15.2%	2.8%	6.0%	7.3%	Cash flow from operations	3,975	5,234	4,935	6,160	6,758
EBIT Margin	54.1%	39.7%	39.5%	37.4%	35.7%	Capex	-2,721	-4,200	-3,333	-3,333	-3,333
Net Interest	-520	-605	-666	-578	-656	Disposal/(purchase)	-	-	-	-	-
Associates	2,039	2,418	2,691	2,714	2,737	Free cash flow	1,254	1,034	1,601	2,827	3,425
Other Income	-	-	-	-	-	Net Interest	-520	-605	-666	-578	-656
Earnings before tax	6,160	7,087	7,242	7,807	8,343	Other	1,411	-1,675	1,346	1,252	1,323
% change Y/Y	24.3%	15.0%	2.2%	7.8%	6.9%	Cash flow from investing	-1,830	-6,481	-2,652	-2,659	-2,666
Tax	-751	-1,039	-878	-944	-1,046	Equity raised/(repaid)	-1,999	0	-	-	-
as % of EBT	12.2%	14.7%	12.1%	12.1%	12.5%	Debt raised/(repaid)	3,335	1,284	-4,117	2,891	1,019
Exceptional items	455	42	0	0	0	Others	-2,651	-795	-666	-578	-656
Net income (reported)	5,275	5,585	5,876	6,338	6,738	Dividends paid	-2,303	-2,364	-2,751	-3,004	-3,223
% change Y/Y	22.6%	5.9%	5.2%	7.9%	6.3%	Cash flow from financing	-1,619	-1,875	-7,534	-691	-2,860
Shares outstanding	6,529	7,182	7,901	7,901	7,901	Beginning cash	12,291	12,817	9,696	4,445	7,254
EPS (reported)	0.73	0.78	0.78	0.80	0.85	Ending cash	12,817	9,696	4,445	7,254	8,486
% change Y/Y	13.0%	6.6%	0.2%	2.9%	6.3%	DPS	0.32	0.35	0.36	0.38	0.41
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	13,169	11,338	4,445	7,254	8,486	EBITDA margin	60.9%	45.6%	46.1%	43.7%	41.6%
Accounts receivable	3,396	3,760	3,925	4,434	5,066	Operating margin	-	-	-	-	-
Inventories	2,617	1,303	1,396	1,410	1,424	Net profit margin	42.7%	28.8%	29.4%	28.3%	26.7%
Others	440	556	556	556	556	Sales per share growth	(7.8%)	57.9%	(1.6%)	6.9%	12.7%
Current assets	19,622	16,958	10,322	13,655	15,532	Sales growth					
LT investments	-	-	-	-	-	Net profit growth	22.6%	5.9%	5.2%	7.9%	6.3%
Net fixed assets	24,954	28,327	30,352	32,285	34,127	EPS growth	13.0%	6.6%	0.2%	2.9%	6.3%
Total Assets	67,072	72,664	68,611	74,450	78,761	Interest coverage (x)	14.46	14.61	13.85	16.94	16.00
Liabilities											
Short-term loans	4,748	9,982	5,385	6,269	6,581	Net debt to equity	19.2%	25.2%	30.4%	29.0%	27.0%
Payables	5,324	5,833	4,045	4,569	5,219	Sales/assets	0.21	0.28	0.28	0.31	0.33
Others	557	708	402	432	479	Assets/equity	1.66	1.60	1.56	1.63	1.63
Total current liabilities	10,629	16,523	9,832	11,270	12,279	ROE	15.2%	14.1%	13.9%	14.2%	14.3%
Long-term debt	15,672	11,746	12,226	14,232	14,940	ROCE	12.8%	12.7%	12.8%	13.2%	13.2%
Other liabilities	2,963	3,186	3,186	3,186	3,186	ROA	8.9%	8.0%	8.3%	8.9%	8.8%
Total Liabilities	29,264	31,456	25,244	28,689	30,405						
Shareholders' equity	37,807	41,209	43,367	45,761	48,357						
BVPS	4.68	5.22	5.19	5.19	5.45						

Source: Company reports and J.P. Morgan estimates.

Hyundai Heavy Industries

www.hhi.co.kr

Company description

Founded in 1972, Hyundai Heavy Industries builds ships for commercial and military purposes. It also produces heavy industrial machinery, electrical components for engines and power trains, and industrial vehicles.

Key drivers of performance in an equity market recovery

We believe HHI's share price in 2012 will be mostly catalyzed by: 1) one-off offshore new order momentum; and 2) quarterly earnings outlook. Unlike other yards in Korea, HHI share price has been showing a 60~70% correlation with quarterly OP and margins since 2008, when HHI's non-ship divisions showed substantial margins expansion. However, its disappointing 3Q11 non-ship earnings (2% OPM vs. 11% in 2Q11) and potential downside in 2012 does not warrant an OW rating, in our view.

How much recovery has already been priced in, what are the key metrics?

The stock is trading at 6.0x P/E, 1.1x P/B for 2012E, and our price target has a 16% upside potential from the current level. Although we believe our target multiple of 1.3x looks achievable, we foresee a narrower band in 2012 on reduced ROE expectation of 18% (vs. 28% in 2009) from lowered profitability in both shipbuilding and non-ship businesses.

Where's the earnings risk for 2012?

HHI's weak 3Q11 results will add more concern to its non-ship business' earnings going forward, because most of its businesses are highly geared to the global CAPEX cycle in both developed and selective emerging markets. Furthermore, we believe macro developments in 2012 are highly unlikely to repeat the 2009 scenario, when HHI's non-ship divisions enjoyed from; 1) strong order growth from global fiscal spending; and 2) sharp KRW depreciation.

Price target and key recovery risks

Our Jun-12 price target of W340,000 is based on 1.3x P/B multiple on 2012E BPS of W271,851. Key upside risks to our price target include: (1) faster-than-expected turnaround of global financial crisis; (2) sharp recovery of oil price above \$100/bbl level. Key downside risks include: (1) further tightening of global credit market; (2) a sharp fall in oil price below \$50/bbl level.

Hyundai Heavy Industries (Reuters: 009540.KS, Bloomberg: 009540 KS)

Year-end Dec	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	45,074	53,607	55,311	58,431
Operating Profit (W bn)	5,343	4,728	4,215	5,222
Net Profit (W bn)	3,746	3,666	3,458	4,312
EPS (W)	49,287	48,234	45,498	56,738
BVPS (W)	189,409	231,998	271,851	322,944
Revenue growth	54.1%	18.9%	3.2%	5.6%
EPS growth	75.0%	-2.1%	-5.7%	24.7%
ROE	27.6%	20.5%	16.2%	17.2%
ROIC	35.0%	19.6%	15.5%	17.2%
P/E (x)	5.8	5.9	6.3	5.0
P/BV (x)	1.5	1.2	1.1	0.9
EV/EBITDA (x)	4.5	4.6	5.2	3.8
Dividend Yield	2.4%	2.4%	2.4%	2.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: W286,500

Price Target: W340,000

South Korea

Ship Building & Repairs

Jinmook Kim^{AC}

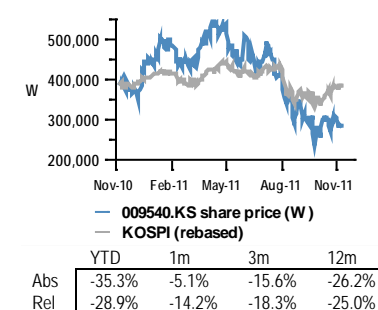
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J.P. Morgan Securities (Far East) Ltd,
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Price Performance



Source: Bloomberg.

Company Data

52-week Range (W)	554,000 - 235,500
Market cap (W bn)	21,774
Market cap (\$ mn)	19,604
Shares O/S (mn)	76
Fiscal Year End	Dec
Price (W)	286,500
Date Of Price	07 Nov 11
Free float (%)	46.4%
3M Avg daily Value (W bn)	168.79
3M Avg daily Value (\$ mn)	151.97
3M Avg daily vol	1
KOSPI	1,919
Exchange Rate	1,110.70

Hyundai Heavy Industries: Summary of financials

Won in billions, year-end December

Balance Sheet					Profit and Loss				
	2010	2011E	2012E	2013E		2010	2011E	2012E	2013E
Assets	47,000.9	50,345.3	53,459.9	56,530.0	Net Sales	45,073.6	53,607.3	55,310.6	58,430.7
Current Assets	22,718.5	25,666.3	26,270.2	28,206.5	Growth(%)	54.1	18.9	3.2	5.6
Cash and Cash Equivalents	1,878.8	1,935.5	1,797.4	2,538.6	Cost of Sales	37,432.4	46,460.4	48,706.0	50,677.6
Trade Receivables	8,753.0	10,410.2	10,741.0	11,346.9	Gross Profit on Sales	7,641.1	7,146.9	6,604.6	7,753.2
Inventories	5,039.4	5,993.5	6,184.0	6,532.8	Gross Margin(%)	17.0	13.3	11.9	13.3
Others	7,047.3	7,327.1	7,547.9	7,788.2	Operating Expenses	2,298.0	2,419.2	2,389.9	2,531.1
Non-Current Assets	24,282.3	24,679.0	27,189.7	28,323.5	Research & Development	120.9	124.5	128.2	132.1
Property, Plant and Equipment	14,670.4	15,187.0	17,684.5	18,805.8	SG&A	2,298.0	2,419.2	2,389.9	2,531.1
Intangible Assets	2,323.5	2,335.8	2,403.3	2,471.7	Other Operating Income	0.0	0.0	0.0	0.0
Investments in Associates	1,177.8	1,104.6	1,029.2	951.5	Other Operating Expenses	0.0	0.0	0.0	0.0
Others	6,110.7	6,051.6	6,072.8	6,094.5	Operating Income	5,343.2	4,727.7	4,214.7	5,222.0
Liabilities	30,905.6	30,705.9	30,501.6	29,327.0	Growth(%)	76.7	(11.5)	(10.9)	23.9
Current Liabilities	26,104.5	25,881.5	25,652.4	24,456.7	Operating Margin(%)	11.9	8.8	7.6	8.9
Trade Payables	3,895.9	4,835.5	5,069.2	5,274.4	Interest Income	268.4	280.9	284.9	304.7
Short-term debts	8,324.2	6,360.3	6,131.2	3,954.5	Interest Expenses	288.2	388.3	340.2	287.6
Others	13,884.5	14,685.7	14,452.0	15,227.8	Gains(L) in Equity Method	(82.0)	0.0	0.0	0.0
Non-Current Liabilities	4,801.1	4,824.4	4,849.2	4,870.2	Others	587.4	722.2	745.3	769.1
Long-term debts	2,895.6	2,903.2	2,911.0	2,919.0	Income Before Inc. Taxes	5,828.8	5,342.6	4,904.6	6,008.2
Non-Cur. Employee Provisions	131.3	135.3	139.3	143.5	Income Taxes Expenses	1,513.0	1,386.8	1,273.1	1,559.6
Others	1,774.2	1,786.0	1,798.9	1,807.7	Tax Rate (%)	26.0	26.0	26.0	26.0
Stockholders' Equity	16,095.2	19,639.5	22,958.3	27,203.0	Net Income(Non-Controlling)	314.2	307.5	290.0	361.7
Capital Stock	380.0	380.0	380.0	380.0	Net Income(Owners)	3,745.8	3,665.8	3,457.9	4,312.1
Retained Earnings	13,358.8	16,595.6	19,624.4	23,507.5	Growth(%)	75.0	(2.1)	(5.7)	24.7
Others	2,356.4	2,663.9	2,953.9	3,315.5	EBITDA	6,269.5	5,666.3	5,093.2	6,120.0
Owners of Parent Equity	14,395.1	17,631.8	20,660.7	24,543.7	Growth(%)	69.5	(9.6)	(10.1)	20.2
Non-Controlling Interests Equity	1,700.2	2,007.6	2,297.6	2,659.3	Adj. OP(K-GAAP)	5,343.2	4,727.7	4,214.7	5,222.0
Total Debt	11,219.8	9,263.5	9,042.2	6,873.6	Adj. Pre-tax Net Income	5,826.6	5,342.6	4,904.6	6,008.2
Net Debt(Cash)	5,153.4	3,014.8	2,802.2	(240.9)	Adj. Net Income(Owners)	3,744.4	3,665.8	3,457.9	4,312.1
Cash Flow					Key ratios				
	2010	2011E	2012E	2013E		2010	2011E	2012E	2013E
Cash Flows from Operating	58.2	883.5	2,397.3	1,680.2	EPS (won)	49,287	48,234	45,498	56,738
Net Income(Net Loss)	4,060.0	3,973.3	3,747.9	4,673.7	Adj. EPS (won)	49,268	48,234	45,498	56,738
Depreciation	797.9	863.7	795.3	812.5	BPS (won)	189,409	231,998	271,851	322,944
Other Amortization	128.4	74.8	22.5	22.4	CFPS (won)	81,689	59,800	62,023	66,986
Losses(G) in FC Translation	24.5	0.0	0.0	0.0	DPS (won)	7,000	7,000	7,000	7,000
Losses(G) on Disposal of Assets	(504.5)	0.0	0.0	0.0	PER (x)	6.2	6.3	6.7	5.4
(Recovery)Impairment Asset Loss	47.0	0.0	0.0	0.0	Adj. PER (x)	6.2	6.3	6.7	5.4
Losses(G) in Equity Method	79.2	0.0	0.0	0.0	PBR (x)	1.6	1.3	1.1	0.9
Change in Working Capital	(6,150.2)	(2,347.7)	(1,043.3)	(1,851.1)	PCR (x)	3.4	5.1	4.9	4.6
Payments of Income Taxes	0.0	(1,386.8)	(1,273.1)	(1,559.6)	EV/ EBITDA (x)	4.5	4.6	5.1	3.8
Others	1,575.9	(293.8)	148.1	(417.6)	EV/ EBIT (x)	4.6	5.0	5.6	4.0
Cash Flows from Investing	(4,199.1)	(2,221.8)	(2,403.1)	(2,773.3)	Dividend Yield (%)	2.3	2.3	2.3	2.3
Dec(Inc) in Financial Assets	16.0	0.0	0.0	0.0	Profitability				
Dec(Inc) in Associates, ETC.	(184.1)	0.0	0.0	0.0	EBITDA Margin (%)	13.9	10.6	9.2	10.5
Dec(Inc) in Property, equipment	(1,128.1)	(1,380.3)	(3,292.8)	(1,933.7)	Operating Margin (%)	11.9	8.8	7.6	8.9
Dec(Inc) in Intangible Assets	(23.8)	(87.2)	(89.9)	(90.7)	Net Margin (%)	9.0	7.4	6.8	8.0
Others	(2,879.1)	(754.3)	979.7	(748.8)	ROA (%)	9.7	8.2	7.2	8.5
FCF	(4,140.8)	(1,338.3)	(5.8)	(1,093.1)	ROE (%)	27.6	20.5	16.2	17.2
Cash Flows from Financing	3,479.5	1,419.9	(132.3)	1,834.3	ROIC (%)	35.0	19.6	15.5	17.2
inc(Dec) in Total Debt	4,105.2	1,956.3	221.3	2,168.6	Stability				
Dividends Paid	(212.2)	(429.0)	(429.0)	(429.0)	Liability to Equity Ratio (%)	192.0	156.3	132.9	107.8
Sale(Purchase) of Treasury	0.0	0.0	0.0	0.0	Net Debt to Equity Ratio (%)	32.0	15.4	12.2	(0.9)
Others	(413.5)	(107.3)	75.4	94.8	Cash Ratio (%)	7.2	7.5	7.0	10.4
Change of Consolidated Scope	593.1	0.0	0.0	0.0	Interest Coverage (x)	18.5	12.2	12.4	18.2
Difference by Changes in FX	0.0	0.0	0.0	0.0	Activity				
Inc(Dec) in Cash	(67.4)	81.6	(138.1)	741.2	Working Capital Turnover (x)	(9.6)	(30.9)	(60.3)	(102.4)
Cash at The Beginning	1,921.3	1,853.9	1,935.5	1,797.4	Inventory Turnover (days)	31.0	37.6	40.2	39.7
Cash at The End	1,853.9	1,935.5	1,797.4	2,538.6	Receivables Turnover (days)	63.2	65.2	69.8	69.0

Source: Company data, J.P. Morgan estimates. *K-IFRS consolidated-basis.

Infosys

www.infosys.com

Company description

Infosys is one of Asia's largest IT services companies with significant experience across vertical domains (BFSI, manufacturing, and telecom) and technology platforms. Infosys serves 600+ clients and has the widest portfolio of service offerings in the Indian IT space and its skill-set straddles the entire IT services value chain – from pure IT outsourcing to traditional application development and maintenance to package implementation to consulting assignments to complex turnkey projects to BPO.

Key drivers of performance in an equity market recovery

The key driver of performance is Infosys' ability to match TCS on volume growth while holding pricing. However, we believe that reasonable expectations are substantially factored in at current valuations (17.9x FY13 P/E). Notably, Infosys has recently had a change in management and restructured itself, rechristening itself as Infosys 3.0. Benefits of change will likely take time to reflect in the growth trajectory of a company of Infosys' size.

How much of a recovery has already been priced in, what are the key metrics?

We estimate 15% revenue (USD) growth in FY13 is priced in. At this point, we do not see room for notable outperformance of Infosys unless volume growth fares better than expected. That said, if the INR continues to weaken, Infosys might be a good tactical option as it is relatively the least hedged among its peers thus extracting more from the weakening INR for its bottom-line than peers.

Where's the earnings risk for 2012?

While IT Services spending is defensive and can survive uncertainties, a sharp compression of global growth tipping over to recession could have a deleterious, adverse impact on IT spending, which poses a credible earnings risk to Infosys and the Indian IT sector more broadly. Specific to Infosys, any sort of upending of Infosys' new management structure (or execution of strategy) has potential to affect CY12 earnings.

Price target and key recovery risks

Our Mar-12 PT of Rs2,800 is based on a one-yr fwd P/E of 18x, below the 5-year median of 21x to factor in macro weakness. Upside risks are continued INR depreciation and faster-than-expected global recovery (the reverse are downside risks).

Bloomberg INFO IN, Reuters INFY.BO

(Year-end Mar, Rs mn)	FY10	FY11	FY12E	FY13E	FY10	FY11	FY12E	FY13E			
Revenue	227,553	274,989	333,578	380,086	ROE(%)	28.8	26.6	27.0	25.6	52-Week range	3,499.00 - 2,161.50
Operating Profit	69,151	80,984	95,153	106,048	CORE ROIC(%)	52.0	48.9	48.8	50.9	Share Out. (Com)	574
EBITDA	78,201	89,588	104,590	115,981	Quarterly EPS (Rs)	1Q	2Q	3Q	4Q	Market Cap	1,595.31BN
Net profit (Reported)	62,214.0	68,233.3	80,150.8	89,335.3	EPS (12) E	29.96	33.15	38.53	38.00	Market Cap(US)	US\$31,833MN
EPS	108.52	118.88	139.64	155.65	EPS (13) E	36.21	37.63	39.80	42.01	Free float	78.3%
P/E (x)	25.6	23.4	19.9	17.9	Local	1M	3M	12M		Avg daily val	341
EV/EBITDA (x)	20.0	17.3	14.4	12.6	Abs. Perf.(%)	10.8%	13.7%	-9.1%		Dividend Yield	1.7%
Cash	158,587	168,097	215,518	260,259	Rel. Perf.(%)	6.9%	13.1%	7.4%		Index	5,069
Equity	240,709	273,041	320,843	378,158	Target Price (31 Mar 12)				2800.00	Exchange rate	0.02

Source: Company data, Bloomberg, J.P. Morgan estimates. Share price as of close of 16 November 2011.

Neutral

Price: Rs2,778

Price Target: Rs2,800

India

eBusiness/IT Services

Viju George^{AC}

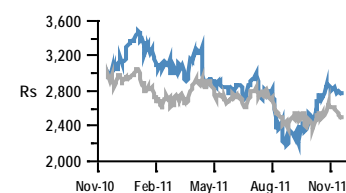
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Bloomberg JPMA VGEOGE <GO>

J.P. Morgan India Private Limited

Price Performance



	YTD	1m	3m	12m
Abs	-19.7%	1.3%	15.8%	-6.5%
Rel	-1.4%	3.3%	15.9%	9.5%

Source: Bloomberg.

Infosys: Summary of Financials

Profit and Loss Statement						Ratio Analysis					
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Revenues	216,823	227,553	274,989	333,578	380,086	Gross margin	42.2%	42.8%	42.1%	41.6%	41.0%
Cost of goods sold	125,266	130,274	159,496	188,441	224,260	EBITDA margin	33.0%	34.4%	32.6%	31.4%	30.5%
Gross Profit	91,557	97,337	115,808	138,805	155,827	Operating margin	29.5%	30.4%	29.5%	28.5%	27.9%
R&D expenses	0	0	0	0	0	Net margin	26.9%	27.3%	24.8%	24.0%	23.5%
SG&A expenses	-27,704	-28,185	-34,824	-43,653	-49,779	R&D/sales	0.0%	0.0%	0.0%	0.0%	0.0%
Operating profit (EBIT)	63,853	69,151	80,984	95,153	106,048	SG&A/Sales	12.8%	12.4%	12.7%	13.1%	13.1%
EBITDA	71,463	78,201	89,588	104,590	115,981						
Interest income	4,738	8,586	11,612	16,625	18,935	Sales growth	29.9%	5.0%	20.8%	21.3%	13.9%
Interest expense	0	0	0	0	0	Operating profit growth	38.9%	8.3%	17.1%	17.5%	11.5%
Investment income (Exp.)	4,738	8,586	11,612	16,625	18,935	Net profit growth	30.1%	6.5%	9.7%	17.5%	11.5%
Non-operating income (Exp.)	4,741	9,912	12,143	16,836	18,935	EPS (reported) growth	29.8%	6.4%	9.6%	17.5%	11.5%
Earnings before tax	68,594	79,064	93,127	111,989	124,982						
Tax	-10,183	-16,850	-24,894	-31,838	-35,647	Interest coverage (x)	-	-	-	-	-
Net income (reported)	58,410.8	62,214.0	68,233.3	80,150.8	89,335.3	Net debt to total capital	-63.1%	-73.3%	-65.4%	-72.6%	-74.5%
Net income (adjusted)	58,411	62,214	68,233	80,151	89,335	Net debt to equity	-57.3%	-65.9%	-61.6%	-67.2%	-68.8%
EPS (reported)	102.04	108.52	118.88	139.64	155.65	Asset turnover	1.08	0.91	0.93	0.98	0.96
EPS (adjusted)	102.04	108.52	118.88	139.64	155.65	Working capital turns (x)	11.21	11.47	6.98	8.82	8.16
BVPS	335.09	419.59	475.71	558.99	658.85	ROE	33.5%	28.8%	26.6%	27.0%	25.6%
DPS	22.97	25.31	59.31	47.65	50.00	ROIC	54.0%	52.0%	48.9%	48.8%	50.9%
Shares outstanding	573	574	574	574	574	ROIC (net of cash)	-	-	-	-	-
Balance sheet						Cash flow statement					
Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E	Rs in millions, year end Mar	FY09	FY10	FY11	FY12E	FY13E
Cash and cash equivalents	109,910	158,587	168,097	215,518	260,259	Net income	58,410.8	62,214.0	68,233.3	80,150.8	89,335.3
Accounts receivable	36,721	34,932	46,518	56,673	64,095	Depr. & amortization	7,610	9,050	8,604	9,438	9,933
Inventories	0	0	6,199	0	0	Change in working capital	1,014	3,176	-15,763	1,996	-8,321
Others	4,108	7,364	9,857	10,425	11,790	Other	0	0	0	0	0
Current assets	158,246	209,279	243,115	296,819	350,197	Cash flow from operations	67,035	74,440	61,074	91,584	90,947
LT investments	-	-	-	-	-	- Capex	-13,372	-6,794	-12,633	-3,430	-14,593
Net fixed assets	46,662	44,406	48,436	42,428	47,088	Disposal/(purchase)	0	0	0	0	0
Others	-	-	-	-	-	- Cash flow from investing	-16,887	-12,202	-11,279	-11,357	-14,288
Total Assets	221,951	276,135	312,646	368,269	426,003	Free cash flow	53,663	67,646	48,440	88,154	76,354
Liabilities						Equity raised/(repaid)	-9,815	1,080	-1,857	-5,002	-3,322
ST Loans	0	0	0	0	0	Debt raised/(repaid)	0	0	0	0	0
Payables	233	95	455	246	290	Other	2,349	758	-336	1,301	-48
Others	27,237	31,879	36,394	42,913	43,379	Dividends paid	-13,149	-14,510	-34,044	-27,347	-28,698
Total current liabilities	27,237	31,879	36,394	42,913	43,379	Cash flow from financing	-20,615	-12,672	-36,237	-31,047	-32,068
Long-term debt	0	0	0	0	0						
Other liabilities	2,790	3,547	3,211	4,513	4,465	Net change in cash	29,533	49,566	13,558	49,180	44,592
Total Liabilities	30,026	35,426	39,605	47,426	47,844	Beginning cash	83,082	109,910	158,587	168,097	215,518
Shareholders' equity	191,924	240,709	273,041	320,843	378,158	Ending cash	112,614	159,477	172,145	217,277	260,110

Source: Company reports and J.P. Morgan estimates.

IOI Corp

www.ioigroup.com/

Company description

IOI Corp owns a 150,000ha planted oil palm land-bank in Malaysia, and has two JVs in Indonesia (a 33% stake and 67% stake for development of 100,00ha and 66,000ha of land respectively). It is also involved in downstream manufacturing (i.e. refining, oleochemicals, specialty fats), as well as property development in Malaysia and Johor.

Key drivers of performance in an equity market recovery

We believe IOI will underperform in a recovery: 1) CPO volume growth prospects lag its peers given aging profile of its trees in Malaysia while Indonesia is not expected to contribute materially until FY13/14. 2) Its domestic downstream manufacturing unit (12% of profits) will face more intense competition following the new Indonesia export tax structure which will give refiners in Indonesia a pricing advantage of US\$45-60/t over Malaysia. 3) A less focused growth strategy compared to peers with pricing and execution risk from potential acquisitions (acquisition track record has been mixed).

How much recovery has already been priced in, what are the key metrics

The stock has built in some expectations of a recovery. The stock is pricing in CPO prices at about M\$3,200/t for 2012E versus our base case forecast of M\$2,850/t and versus spot price of M\$2,950/t. The stock's EV/ha of US\$56,000 is already at a significant premium to the range of US\$15,000-40,000 for its ASEAN peers.

Where's the earnings risk for 2012

A sustained global recovery we believe could lift CPO prices to M\$3,200/t by 2H12, and raise our earnings by an estimated 11% pa. However, we think this is already priced in, as it would lift our SoTP based PT from our base case M\$4.60/share to M\$5.10/share, which is already close to current share price levels.

Price target and key recovery risks

Our Dec-12E PT of M\$4.60 is based on SoTP. Key upside risk is stronger longer term profits from recent and potential acquisitions (i.e. recent purchase or involvement in the South Beach high-end property project in Singapore in a JV with City Developments).

IOI Corporation Berhad (Reuters: IOIB.KL, Bloomberg: IOI MK)

M\$ in mn, year-end Jun	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (M\$ mn)	12,543	16,154	16,097	17,774	18,670
Reported Net Profit (M\$ mn)	1,674	1,975	1,934	2,087	2,246
FD EPS (M\$)	0.26	0.31	0.30	0.33	0.35
Net DPS (M\$)	0.17	0.17	0.17	0.04	0.04
Revenue growth (%)	-14.1%	28.8%	-0.4%	10.4%	5.1%
FD EPS growth (%)	-6.0%	17.3%	-2.1%	7.9%	7.6%
ROE (%)	17.5%	17.3%	15.4%	15.0%	14.2%
ROCE (%)	18.5%	18.1%	15.0%	15.2%	14.9%
Adj P/E (x)	19.5	16.7	17.0	15.8	14.6
P/B (x)	3.0	2.6	2.5	2.2	0.4
EV/EBITDA (x)	11.0	10.8	11.5	10.5	9.4
Net Div yield (%)	3.3%	3.3%	3.3%	0.7%	0.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: M\$5.12

Price Target: M\$4.60

Malaysia

Plantations

Simone Yeoh^{AC}

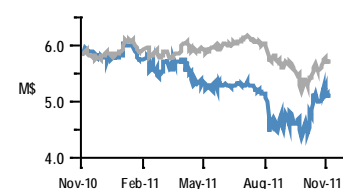
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Bloomberg JPMA YEOH <GO>

JPMorgan Securities (Malaysia) Sdn. Bhd.
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Price Performance



	YTD	1m	3m	12m
Abs	-12.2%	15.6%	0.8%	-12.6%
Rel	-9.5%	7.1%	5.3%	-10.3%

Source: Bloomberg.

Company Data	
Shares O/S (mn)	6,422
Market cap (M\$ mn)	32,881
Market cap (\$ mn)	10711
Price (M\$)	5.12
Date Of Price	04 Nov 11
Free float (%)	43.2%
3mth Avg daily volume	5.79
3M - Average daily Value (M\$ mn)	27.41
Average 3m Daily Turnover (\$ mn)	9.20
FBMKLCI	1,462
Exchange Rate	3.07
Fiscal Year End	Jun

IOI Corp.: Summary of Financials

Profit and Loss Statement					Cash flow statement						
M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E
Revenues	12,543	16,154	16,097	17,774	18,670	Operating profit	2,636	2,816	2,450	2,591	2,774
% change Y/Y	(14.1%)	28.8%	(0.4%)	10.4%	5.1%	Depr. & amortization	315	246	251	256	261
EBIT	2,725	2,986	2,646	2,827	3,010	Change in working capital	211	-1,162	966	-487	-165
% change Y/Y	58.4%	9.6%	NM	6.8%	6.5%	Taxes paid	-469	-539	-489	-524	-568
EBIT margin (%)	21.7%	18.5%	16.4%	15.9%	16.1%	Cash flow from operations	2,454	2,694	1,855	2,513	3,222
Net Interest	-174	-123	-123	-95	-71	Capex	-350	-1,320	-350	-350	-350
Earnings before tax	2,551	2,864	2,523	2,731	2,939	Net Interest	-174	-123	-123	-95	-71
% change Y/Y	64.5%	12.3%	-11.9%	8.3%	7.6%	Free cash flow	1,827	693	1,358	2,042	2,773
Tax	-486	-573	-530	-574	-617	Equity raised/(repaid)	1,484	209	0	0	0
as % of EBT	19.0%	20.0%	21.0%	21.0%	21.0%	Debt raised/(repaid)	-797	640	-609	-274	-285
Net income (reported)	1,674	1,975	1,934	2,087	2,246	Other	-250	-88	0	0	0
% change Y/Y	-3.9%	18.0%	-2.1%	7.9%	7.6%	Dividends paid	-1,085	-1,092	-1,069	-231	-248
Core net profit	1,674	1,975	1,934	2,087	2,246	Beginning cash	2,459	3,877	2,906	3,910	4,771
% change Y/Y	-3.9%	18.0%	-2.1%	7.9%	7.6%	Ending cash	3,877	2,906	3,910	4,771	6,092
Shares outstanding	6,385	6,422	6,422	6,422	6,422	DPS	0.17	0.17	0.17	0.04	0.04
Core EPS	0.26	0.31	0.30	0.33	0.35	% change Y/Y	112.5%	0.0%	-2.1%	-78.4%	7.5%
% change Y/Y	-6.0%	17.3%	-2.1%	7.9%	7.6%						
DPS	0.17	0.17	0.17	0.04	0.04						
% change Y/Y	112.5%	0.0%	-2.1%	-78.4%	7.5%						
Balance sheet					Ratio Analysis						
M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E	M\$ in millions, year end Jun	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	3,877	2,906	3,910	4,771	6,092	EBIT Margin	21.7%	18.5%	16.4%	15.9%	16.1%
Accounts receivable	1,346	1,756	1,727	1,907	2,003	Operating margin	21.0%	17.4%	15.2%	14.6%	14.9%
Inventories	1,575	2,652	2,022	2,232	2,345	Net margin	13.4%	12.2%	12.0%	11.7%	12.0%
Others	362	510	325	572	597	SG&A/Sales	-	-	-	-	-
Current assets	7,160	7,824	7,984	9,482	11,037	Sales per share growth	(16.0%)	28.0%	(0.4%)	10.4%	5.0%
						Sales growth	(14.1%)	28.8%	(0.4%)	10.4%	5.1%
LT investments	2,944	1,995	2,048	2,104	2,163	Net profit growth	-3.9%	18.0%	-2.1%	7.9%	7.6%
Net fixed assets	4,604	5,677	5,776	5,870	5,959	EPS growth	-6.0%	17.3%	-2.1%	7.9%	7.6%
Total Assets	17,343	19,776	20,214	22,017	23,875	Interest coverage (x)	17.48	26.33	23.54	32.33	46.17
Liabilities						Net debt to total capital	6.0%	15.1%	5.0%	-1.4%	-9.2%
ST Loans	409	791	483	509	524	Net debt to equity	8.2%	20.6%	6.8%	-1.7%	-11.1%
Payables	941	1,192	1,314	1,464	1,534	Sales/assets	0.75	0.87	0.81	0.84	0.81
Others	83	116	116	116	116	Assets/equity	1.86	1.74	1.56	1.48	1.42
Total current liabilities	1,433	2,288	2,102	2,278	2,363	ROE	17.5%	17.3%	15.4%	15.0%	14.2%
Long-term debt	4,348	4,606	4,306	4,006	3,706	ROCE	18.5%	18.1%	15.0%	15.2%	14.9%
Other liabilities	493	499	499	499	499						
Total Liabilities	6,274	7,394	6,907	6,784	6,568						
Minorities	289	262	321	392	467						
Shareholders' equity	10,780	12,120	12,985	14,842	16,840						
BVPS	1.72	1.94	2.07	2.37	13.12						

Source: Company reports and J.P. Morgan estimates.

James Hardie Industries SE

www.jameshardie.com

Company description

James Hardie Industries SE (JHX AU) is a building materials company focused on fibre cement products. JHX is the dominant manufacturer of fibre cement in the US, Australia, New Zealand and the Philippines. Products include fibre cement exterior siding and trim, interior flooring and backer board, and pipes.

Key drivers of performance in this equity market recovery

Home price stability; a decline in housing inventory overhang; falling unemployment; improving consumer confidence; a pick up in immigration and less onerous underwriting requirements. Unless we see a sustained improvement in all of these areas, the malaise afflicting the market is unlikely to lift.

How much recovery has already been priced in, what are the key metrics

Based on current consensus, expectations are for a significant recovery in FY13 (12-months to Mar-13) – NPAT is expected to grow by 27% to \$162m in FY13, which implies a significant recovery in both the new housing and repair and remodel markets in the US. Our current expectation is for an improvement in NPAT of only 16%.

Where's the earnings risk for 2012

In our opinion, the earnings risk for FY12/13 is to the downside. The key drivers of this are sustained softness in the US housing market and ongoing cost inflation, particularly in freight and electricity/gas costs.

Price target and key recovery risks

A key risk to our Underweight view is a possible rejection of the ATO's application for leave to appeal the Full Federal Court's judgment in favour of RCI (a JHX subsidiary). If the ATO's application is rejected, the potential upside to the share price could be c.40-60cps. Our Jun-12 \$5.80 Target Price is based on a combination of our Mar-13 Sum-of-Parts and Group DCF valuations discounted back to Jun-12 at the cost of equity and adjusted for the grossed up dividend where applicable. In addition to the risk around the RCI/ATO case (as per above), other upside risks to our Target Price include a more rapid than expected improvement in the US housing market and a decline in transportation, electricity/gas or pulp costs.

James Hardie Industries SE (Reuters: JHX.AX, Bloomberg: JHX AU)

Year-end Mar (US\$)	FY10A	FY11A	FY12E	FY13E	FY14E
Total Revenue (\$ mn)	1,124.6	1,167.0	1,182.1	1,232.6	1,352.7
EBITDA (\$ mn)	270.4	246.9	246.1	268.2	307.7
Net profit after tax (\$ mn)	-84.9	-347.0	131.4	152.7	181.2
EPS (\$)	-0.196	-0.797	0.302	0.367	0.436
P/E (x)	NM	NM	20.9	17.2	14.5
EV/EBITDA	10.7	11.4	11.6	10.2	8.4
Dividend (\$)	0.000	0.000	0.065	0.075	0.085
Net Yield (%)	0.0%	0.0%	1.1%	1.2%	0.8%
Normalised* EPS (\$)	0.307	0.268	0.316	0.367	0.436
Normalised* EPS chg (%)	32.1%	-12.8%	17.9%	16.2%	18.7%
Normalised* P/E (x)	20.5	23.5	20.0	17.2	14.5

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: A\$6.08

Price Target: \$5.80

Australia

Building Materials

Jason Steed^{AC}

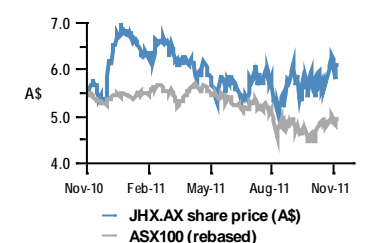
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Bloomberg JPMA STEED <GO>

J.P. Morgan Securities Australia Limited

Price Performance



	YTD	1m	3m	12m
Abs	-10.3%	11.6%	13.6%	11.6%
Rel	-0.9%	1.1%	13.2%	21.2%

Source: Bloomberg.

Company Data

52-week range (A\$)	7.12 - 4.66
Market capitalisation (A\$ bn)	2.66
Market capitalisation (\$ bn)	2.76
Fiscal Year End	Mar
Price (A\$)	6.08
Date Of Price	04 Nov 11
Shares outstanding (mn)	438.1
ASX100	3,491.3
ASX200-Ind	5,743.1
NTA/Sh (\$)	-1.15
Net Debt [^] (\$ bn)	0.10

James Hardie Industries SE: Summary of Financials

US\$ in millions, year end Mar

Income Statement	FY10	FY11	FY12E	FY13E	FY14E	Balance Sheet	FY10	FY11	FY12E	FY13E	FY14E
Total Revenue	1,124.6	1,167.0	1,182.1	1,232.6	1,352.7	Cash & Bills	19.2	18.6	18.6	21.4	191.9
Revenue Growth Y/Y	(6.5%)	3.8%	1.3%	4.3%	9.8%	Debtors	155.0	138.1	161.9	168.8	166.7
EBITDA	270.4	246.9	246.1	268.2	307.7	Investments	-	-	-	-	-
Depreciation & Amortisation	-61.7	-62.9	-60.9	-59.6	-58.4	Inventories	149.1	161.5	145.7	152.0	148.2
EBIT	208.7	184.0	185.2	208.6	249.3	Other Current Assets	141.2	139.9	139.9	139.9	139.9
Net Interest	-7.7	-11.3	-5.2	0.6	0.6	Current Assets	464.5	458.1	466.1	482.1	646.8
Pre-Tax Profit	201.0	172.7	180.0	209.2	250.0	Receivables	-	-	-	-	-
Tax	-68.0	-56.0	-48.6	-56.5	-68.7	Investments	-	-	-	-	-
Minority Interests	0.0	0.0	0.0	0.0	0.0	Inventories	-	-	-	-	-
Preference Dividends	-	-	-	-	-	PP&E	710.6	707.7	694.0	677.5	666.5
NPAT before Abnormals	133.0	116.7	131.4	152.7	181.2	Goodwill	-	-	-	-	-
NPAT after Abnormals	-84.9	-347.0	131.4	152.7	181.2	Other Intangibles	-	-	-	-	-
Normalised NPAT	133.0	116.7	131.4	152.7	181.2	Pension Fund Assets	-	-	-	-	-
# Shares Outstanding	433.1	435.6	435.6	415.8	415.8	Future Income Tax Benefits	3.2	27.3	27.3	27.3	27.3
						Other Non Current Assets	1,000.5	767.5	767.5	767.5	767.5
Cash Flow Statement	FY10	FY11	FY12E	FY13E	FY14E	Non Current Assets	1,714.3	1,502.5	1,488.8	1,472.3	1,461.3
EBIT	208.7	184.0	185.2	208.6	249.3	Total Assets	2,178.8	1,960.6	1,954.9	1,954.4	2,108.0
Depreciation & Amortisation	61.7	62.9	60.9	59.6	58.4	Creditors	100.9	106.4	97.4	92.5	100.2
Net Interest (Paid)/Recd	-7.7	-11.3	-5.2	0.6	0.6	Current Borrowings	95.0	0.0	0.0	0.0	0.0
Tax (Paid)	-	-	-	-	-	Current Lease Liabilities	-	-	-	-	-
Incl/(Dec) in Provisions	6.6	0.1	0.0	0.0	0.0	Current Provisions	48.8	47.0	47.0	47.0	47.0
(Inc)/Dec in Working Capital	-52.0	0.3	-7.3	-18.1	13.5	Other Current Liabilities	169.4	169.1	136.5	136.5	136.5
Other Operating Items	-34.2	-88.8	-90.9	-56.5	-68.7	Current Liabilities	414.1	322.5	280.9	276.0	283.7
Operating Cash Flow	183.1	147.2	142.8	194.2	253.2	Non Current Creditors	-	-	-	-	-
Gross Capex	-50.5	-50.3	-47.3	-43.1	-47.3	Non Current Borrowings	59.0	59.0	117.1	0.0	0.0
Sale of Fixed Assets	0.0	0.7	0.0	0.0	0.0	Non Current Lease Liabilities	-	-	-	-	-
Net Capex	-50.5	-49.6	-47.3	-43.1	-47.3	Non Current Provisions	18.2	20.1	20.1	20.1	20.1
Net Acquisitions	-	-	-	-	-	Pension Fund Liabilities	-	-	-	-	-
Other Investing Items	0.0	0.0	0.0	0.0	0.0	Deferred Income Tax Liability	113.5	108.1	108.1	108.1	108.1
Investing Cash Flow	-50.5	-49.6	-47.3	-43.1	-47.3	Other Non Current Liabilities	1,691.9	1,905.4	1,905.4	1,905.4	1,905.4
Equity Issued	10.1	4.9	0.0	0.0	0.0	Non Current Liabilities	1,882.6	2,092.6	2,150.7	2,033.6	2,033.6
Dividends Paid	0.0	0.0	-28.3	-31.2	-35.3	Total Liabilities	2,296.7	2,415.1	2,431.6	2,309.6	2,317.3
Incl/(Dec) in Borrowings	-170.0	-95.0	58.1	-117.1	0.0	Ordinary Shareholders Funds	261	275	150	150	150
Other Financing Items	4.1	-8.1	-125.2	0.0	0.0	Outside Equity Interests	-	-	-	-	-
Financing Cash Flow	-155.8	-98.2	-95.5	-148.2	-35.3	Other Equity	59.2	55.2	55.2	55.2	55.2
Net Cash Flow	-23.2	-0.6	0.0	2.8	170.5	Total Equity	-117.9	-454.5	-476.7	-355.2	-209.3
Per Share Data \$	FY10	FY11	FY12E	FY13E	FY14E	Valuation Metrics	FY10	FY11	FY12E	FY13E	FY14E
Reported EPS	-0.196	-0.797	0.302	0.367	0.436	Reported P/E	NM	NM	20.9	17.2	14.5
Normalised EPS	0.307	0.268	0.316	0.367	0.436	Normalised P/E	20.5	23.5	20.0	17.2	14.5
DPS	0.000	0.000	0.065	0.075	0.085	Net Yield	0.0%	0.0%	1.1%	1.2%	1.4%
NTA	-0.27	-1.04	-1.15	-0.85	-0.50	Price to Book	-23.2	-6.0	-5.8	-7.4	-12.5
						EV/EBITDA	10.7	11.4	11.6	10.2	8.4

Source: Company reports and J.P. Morgan estimates.

Segment	Valuation methodology / Comment	US\$m	A\$/share
US & Europe Fibre Cement	DCF-based valuation (ex. Changes in working capital and provisions)	3,484	8.42
Asia Pacific Fibre Cement	DCF-based valuation (ex. Changes in working capital and provisions)	588	1.42
Less: Carbon Overlay	DCF of annual costs to 2020 plus an adjusted TV	-7	-0.02
Less: Corporate and R&D	DCF-based valuation (incl. Group changes in working capital and provisions)	-786	-1.90
Enterprise Value		3,279	7.92
Less: Net Debt	Group net debt as at year-end: 2013E	21	0.05
Less: Asbestos	As per JHX financial statements at 1Q12 (after tax)	-740	-1.79
Less: ATO liability	Assumes a 50% probability that JHX will lose the ATO case.	47	0.11
Less: Provisions	Group provisions as at year-end: 2013E	-67.1	-0.16
Estimated equity value	Group SoP valuation	2,539.1	6.43

Source: J.P. Morgan estimates.

Lee & Man Paper

www.leemanpaper.com

Company description

Lee & Man Paper's (LMP) principal activities are manufacturing and selling paper and pulp. Operations are carried out in Dongguan, Changshu, Chongqing and Vietnam. The company is the second-largest producer of containerboards in China and the Top 5 globally with an annual capacity of 5.0 m tons a year.

Key drivers of performance in an equity market recovery

Since the beginning of 2011, LMP has suffered from a rise in the cost of its raw materials such as coal and old corrugated cardboard (OCC). This was in an environment of weak demand caused in part by the lack of credit at its customers which are typically small box-makers. Credit for box-makers is slowly recovering and costs are coming down but we think it will take some time for profitability to return to the healthy levels achieved in FY10.

How much recovery has already been priced in, what are the key metrics?

LMP has rebounded about 50% from the lowest price reached in early October. We believe that this rebound factors in an improvement in the credit environment of its customers and recent curtailment of input costs. However, we expect gross profit margin (GPM) to continue to fall in 1HFY12E compared to 2HFY11 and we do not see significant improvement in GPM until 1HFY13E (April to Sept 13). Longer term, we think continued consolidation of the paper industry and more closures of smaller paper mills could, in turn, help the pricing power of LMP but outperformance is unlikely in the near term.

Where's the earnings risk for 2012?

The key earnings risk for LMP is a rise in the cost of inputs such as old corrugated cardboard and coal in a weak economic environment that does not allow them to pass on higher costs to LMP's customers. In particular, coal costs remain a key concern. In the past, LMP has been able to pass on the rising cost of old corrugated cardboard (which accounted for 60% of COGS in FY11) because its customers (box-makers) are accustomed to this type of cost pass through. However, its customers have been unwilling to accept higher prices arising from higher coal prices. Rising coal prices is the key risk to next year's earnings.

Price target and key recovery risks

LMP's PT (Dec-12, DCF-derived) of HK\$4.50 implies a forward P/BV of 1.4x (CY13E) and P/E of 9.3x (CY13E). The key downside risk to our PT is a further surge in the cost of OCC and coal, and the key upside risk is LMP achieving better pricing power as smaller mills are forced to close.

Lee & Man Paper Manufacturing (Reuters: 2314.HK, Bloomberg: 2314 HK)

HK\$ in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (HK\$ mn)	11,098	14,034	16,164	18,490	21,484
Net Profit (HK\$ mn)	1,832.8	1,847.8	1,725.3	2,089.2	2,338.6
EPS (HK\$)	0.39	0.39	0.37	0.44	0.50
DPS (HK\$)	0.13	0.11	0.11	0.13	0.14
Revenue growth (%)	15.0%	26.5%	15.2%	14.4%	16.2%
EPS growth (%)	511.5%	0.8%	-6.6%	21.1%	11.9%
ROCE	12.9%	11.5%	10.2%	11.5%	12.2%
ROE	19.7%	16.5%	13.4%	14.6%	14.8%
P/E (x)	8.3	8.3	8.9	7.3	6.5
P/BV (x)	1.5	1.2	1.1	1.0	0.9
EV/EBITDA (x)	7.6	7.1	6.9	5.4	4.9
Dividend Yield	4.0%	3.5%	3.3%	4.0%	4.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: HK\$3.40

Price Target: HK\$4.50

China

Consumer Electronics

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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data	
Shares O/S (mn)	4,690
Market cap (HK\$ mn)	15,194
Market cap (\$ mn)	1,956
Price (HK\$)	3.24
Date Of Price	11 Nov 11
Free float (%)	27.6%
3-mth trading volume (mn)	3
3-mth trading value (HK\$ mn)	25
3-mth trading value (\$ mn)	3
HSI	18,964
Exchange Rate	7.77
Fiscal Year End	Mar

Lee & Man Paper Manufacturing: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	HK\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Revenues	11,098	14,034	16,164	18,490	21,484	EBIT	2,249	2,191	2,156	2,583	2,881
% change Y/Y	15.0%	26.5%	15.2%	14.4%	16.2%	Depr. & amortization	567	748	971	1,227	1,259
Gross Profit	2,786	2,582	2,606	3,115	3,526	Change in working capital	-1,712	-29	-411	-624	-798
% change Y/Y	167.2%	-7.4%	0.9%	19.6%	13.2%	Taxes	-25	-237	-136	-215	-287
EBITDA	2,816	2,939	3,127	3,810	4,140	Cash flow from operations	900	2,465	2,364	2,764	2,864
% change Y/Y	200.7%	4.4%	6.4%	21.8%	8.6%	Capex	-700	-1,700	-2,247	-1,276	-2,007
EBIT	2,249	2,191	2,156	2,583	2,881	Net Interest	-161	-112	-180	-137	-136
% change Y/Y	304.1%	NM	NM	19.8%	11.5%	Other	0	0	0	0	0
EBIT Margin	20.3%	15.6%	13.3%	14.0%	13.4%	Free cash flow	200	765	117	1,488	858
Net Interest	-161	-112	-180	-137	-136	Equity raised/(repaid)	-	-	-	-	-
Earnings before tax	2,070	1,984	1,940	2,376	2,690	Debt raised/(repaid)	-928	528	127	-428	-408
% change Y/Y	512.9%	-4.2%	-2.2%	22.5%	13.2%	Other	-	-	-	-	-
Tax	-237	-136	-215	-287	-352	Dividends paid	-392	-575	-517	-552	-641
as % of EBT	11.5%	6.9%	11.1%	12.1%	13.1%	Beginning cash	1,659	625	1,228	941	1,433
Net income (reported)	1,832.8	1,847.8	1,725.3	2,089.2	2,338.6	Ending cash	625	1,228	941	1,433	1,227
% change Y/Y	511.2%	0.8%	-6.6%	21.1%	11.9%	DPS	0.13	0.11	0.11	0.13	0.14
Shares outstanding	4,713	4,713	4,713	4,713	4,713						
EPS (reported)	0.39	0.39	0.37	0.44	0.50						
% change Y/Y	511.5%	0.8%	(6.6%)	21.1%	11.9%						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E	HK\$ in millions, year end Mar	FY10	FY11	FY12E	FY13E	FY14E
Cash and cash equivalents	625	1,228	941	1,433	1,227	Gross margin	25.1%	18.4%	16.1%	16.9%	16.4%
Accounts receivable	3,318	4,075	4,600	5,156	5,871	EBITDA margin	25.4%	20.9%	19.4%	20.6%	19.3%
Inventories	2,204	2,967	3,349	3,754	4,275	Operating margin	20.3%	15.6%	13.3%	14.0%	13.4%
Others	542	114	772	818	919	Net margin	16.5%	13.2%	10.7%	11.3%	10.9%
Current assets	6,688	8,384	9,661	11,162	12,292	Sales per share growth	15.0%	26.5%	15.2%	14.4%	16.2%
						Sales growth	15.0%	26.5%	15.2%	14.4%	16.2%
LT investments	621	737	752	767	782	Net profit growth	511.2%	0.8%	-6.6%	21.1%	11.9%
Net fixed assets	12,401	13,953	15,229	15,278	16,025	EPS growth	511.5%	0.8%	(6.6%)	21.1%	11.9%
Total Assets	20,396	23,074	25,642	27,206	29,099	Interest coverage (x)	17.52	26.26	17.40	27.87	30.34
Liabilities						Net debt to equity	70.3%	55.0%	55.8%	43.7%	37.6%
Short-term loans	2,473	2,704	2,873	2,704	2,534	Working Capital to Sales	32.1%	33.7%	32.7%	31.7%	30.7%
Payables	1,955	2,315	2,667	3,050	3,544	Sales/assets	0.57	0.65	0.66	0.70	0.76
Others	191	101	463	589	734	Assets/equity	1.98	1.88	1.90	1.81	1.75
Total current liabilities	4,618	5,120	6,003	6,343	6,813	ROE	19.7%	16.5%	13.4%	14.6%	14.8%
Long-term debt	5,285	5,285	5,616	5,285	4,954	ROCE	12.9%	11.5%	10.2%	11.5%	12.2%
Other liabilities	341	432	497	569	661						
Total Liabilities	10,245	10,775	12,116	12,196	12,428						
Shareholders' equity	10,151	12,300	13,526	15,010	16,671						
BVPS	2.23	2.70	2.97	3.30	3.66						

Source: Company reports and J.P. Morgan estimates.

LG Uplus

www.lguplus.com

Company description

LG Uplus was created through a three-way merger between LG Telecom, LG Dacom, and LG Powercomm in January 2010. It is the smallest in all business segments with current mobile market share of 18% and fixed-line voice and broadband market share of 11% and 16%, respectively. LG's mobile business is on track to transition from CDMA to the global standard of LTE over the next few years, whereas its fixed-line network is IP-centric compared to the mixture of IP and legacy PSTN network at KT.

Key drivers of performance in an equity market recovery

The stock has run recently on expectations of LTE service. The expectation has been that LG, as a first-mover into LTE, will gain market share as well as significant ARPU growth. For further performance, however, they need earnings improvement that can lead to better shareholder returns as well as FCF generation that can reduce leverage.

How much recovery has already been priced in, what are the key metrics

We believe the positives are already priced in, given competitors will soon catch up in offering LTE service and LG is now trading at a material premium to larger peers.

Where's the earnings risk for 2012

We do not think recent strong subscriber momentum is sustainable, meaning there could be downside to subscriber momentum vis-à-vis what bulls are expecting and what the current share price reflects. For share performance, lifting of the short ban will be important.

Price target and key recovery risks

We derive our Jun-12 PT of W5,300 based on 2012E EV/EBITDA of 3.4x. This is largely in line with what SKT and KT (on an adjusted basis) trade at currently. Historically, LG has traded at a discount to larger peers due to its smaller scale as well as weaker margins. Given its better growth outlook compared to larger peers, however, we believe the discount is not warranted at this juncture. However, we also do not think it deserves to trade at a premium either, considering its stretched balance sheet and absence of FCF over the next 12 months or so.

LG Uplus (Reuters: 032640.KS, Bloomberg: 032640 KS)

Year-end Dec	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	8,501	9,392	10,124	10,892
Operating Profit (W bn)	655	347	410	784
Net Profit (W bn)	570	209	250	568
EPS (W)	1,107	407	486	1,103
Revenue growth	12.0%	10.5%	7.8%	7.6%
Operating profit growth	0.2%	-47.0%	17.9%	91.3%
EPS growth	-33.6%	-63.3%	19.4%	127.1%
ROE	19.0%	5.3%	6.2%	13.3%
P/E (x)	6.2	16.8	14.1	6.2
P/BV (x)	1.0	1.1	1.0	0.9
EV/EBITDA (x)	3.6	4.3	3.9	3.5

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: W6770

Price Target: W5,300

South Korea

Telecommunications

Sungmin Chang, CFA^{AC}

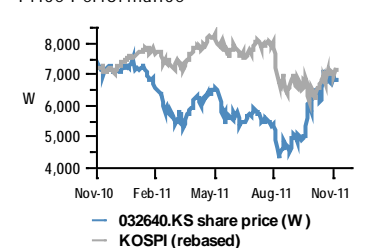
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J.P. Morgan Securities (Far East) Ltd,
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Price Performance



	YTD	1m	3m	12m
Abs	-4.7%	5.2%	33.9%	-5.4%
Rel	1.3%	-7.8%	38.4%	-4.7%

Source: Bloomberg.

Company Data

52-week Range (W)	7,520 - 4,050
Market cap (W bn)	3,516
Market cap (\$ mn)	3,182
Shares O/S (mn)	515
Fiscal Year End	Dec
Price (W)	6,830
Date Of Price	04 Nov 11
Free float (%)	45.9%
3M Avg daily Value (W bn)	21.11
3M Avg daily Value (\$ mn)	18.23
3M Avg daily vol	4
KOSPI	1,928
Exchange Rate	1,104.88

LG Uplus: Summary of financials

Won in billions, year-end December

Income statement

	2010	2011E	2012E	2013E
Sales	8,501	9,392	10,124	10,892
Service sales	6,315	6,419	6,755	7,316
- Mobile	3,479	3,400	3,615	4,020
- Fixed-line TPS	1,055	1,182	1,254	1,324
- Fixed-line Data	1,259	1,296	1,360	1,434
- Fixed-line Voice	513	517	527	539
- Other	8	25	0	0
Operating expenses	7,845	9,044	9,715	10,108
Marketing expenses	2,056	2,039	2,071	2,211
Labor costs	626	554	582	611
Depreciation	1,008	969	1,034	1,010
Other	4,156	5,482	6,028	6,277
Operating profit	655	347	410	784
Non-operating income	48	72	86	86
Interest income	41	70	83	83
Forex gains	0	0	0	0
Other	6	2	3	3
Non-operating expenses	135	169	194	184
Interest expenses	125	166	193	184
Forex losses	0	0	0	0
Other	10	3	0	0
Recurring profit	568	250	302	685
Extraordinary income	0	0	0	0
Extraordinary expenses	0	0	0	0
Pre-tax profit	568	250	302	685
Taxes	(2)	41	52	118
Net profit	570	209	250	568
EBITDA	1,412	1,571	1,721	1,838
EPS (Won)	1,107	407	486	1,103

Cash flow

	2010	2011E	2012E	2013E
Operating cash flow	1,262	1,457	1,259	1,470
Net profit	570	209	250	568
Depreciation	1,253	1,227	1,311	1,054
Severance payment	29	12	14	16
Forex losses (gains)	0	0	0	0
Associate losses (gains)	0	0	0	0
Chg in working capital	-103	123	-307	-43
Other	-488	-114	-9	-124
Investment cash flow	-1,071	-2,809	-1,030	-1,100
Capex	-1,141	-1,775	-1,325	-1,200
Chg in investment assets	0	-625	0	0
Other	69	-409	296	100
Financing cash flow	199	1,192	-135	-386
Chg in short-term debt	39	162	0	0
Chg in long-term debt	132	849	15	70
Chg in bonds	1,141	-83	0	-240
Chg in current maturities	486	406	-10	-100
Dividends	-120	-151	-130	-151
Rights issues	6	0	0	0
Other	-1,485	9	-11	36
Adjustments	0	0	0	0
Chg in cash	389	-161	94	-16
Cash at beg of year	148	538	277	277
Cash at end of year	538	277	277	277

Balance sheet

	2010	2011E	2012E	2013E
Current assets	2,160	2,629	2,822	2,963
Cash & equivalents	538	277	277	277
Financial goods	52	52	52	52
Marketable securities	0	0	0	0
Accounts receivable	1,365	1,898	1,928	1,928
Inventories	190	226	336	446
Other current assets	15	176	229	260
Fixed assets	6,365	7,669	7,424	7,444
Investment assets	978	1,603	1,603	1,603
Tangible assets	4,870	5,335	5,335	5,335
Intangible assets	517	732	487	507
Other	0	0	0	0
Total assets	8,525	10,298	10,245	10,407
Current liabilities	2,612	3,456	3,297	3,196
Accounts payable	342	600	600	559
Short-term borrowings	225	387	387	387
CPLTD	691	1,097	1,087	987
Other current liabilities	1,354	1,372	1,223	1,263
Long-term liabilities	1,965	2,835	2,871	2,717
Bonds	1,530	1,447	1,447	1,207
Long-term debt	302	1,151	1,166	1,236
Other long-term liabilities	133	238	259	274
Total liabilities	4,577	6,292	6,168	5,913
Capital stock	2,574	2,574	2,574	2,574
Capital surplus	837	837	837	837
Retained earnings	1,240	1,298	1,418	1,835
Capital adjustments	(702)	(702)	(752)	(752)
Total equity	3,949	4,007	4,077	4,494

Financial ratios

	2010	2011E	2012E	2013E
Growth (% y-y)				
Service sales	3.2	1.7	5.2	8.3
Operating profit	0.2	(47.0)	17.9	91.3
Recurring profit	(3.2)	(55.9)	20.5	127.1
Net profit	23.2	(63.3)	19.4	127.1
EBITDA	(7.7)	11.3	9.5	6.8
EPS	(33.6)	(63.3)	19.4	127.1
Margins (%)				
Operating profit	10.4	5.4	6.1	10.7
Recurring profit	9.0	3.9	4.5	9.4
Net profit	9.0	3.3	3.7	7.8
EBITDA	22.4	24.5	25.5	25.1
ROE	19.0	5.3	6.2	13.2
ROA	9.2	2.2	2.4	5.5
Ratios				
Net debt/equity (%)	54.7	93.7	92.2	77.6
Liabilities/equity (%)	115.9	157.0	151.3	131.6
Interest coverage (x)	1.9	3.6	3.7	7.8
Receivables turnover (x)	7.9	5.8	5.3	5.7
Per share data (Won)				
Sales	16,513	18,244	19,667	21,158
Book value	6,665	6,360	6,975	7,745
DPS	350	300	350	350
EBITDA	2,743	3,052	3,343	3,569

Source: Company data, J.P. Morgan estimates.

M1

www.m1.com.sg

Company description

M1 is the third largest mobile operator in Singapore, providing mobile and broadband services. As of 2Q11, it had 26% share of Singapore's wireless market, which has a 150% penetration rate.

Key drivers of performance in an equity market recovery

We believe M1 will underperform in a recovery as: 1) M1 is trading at 3% discount to FSSTI P/E vs. historically trading at a 10-25% discount; 2) M1 has lowest margins on NBN in Singapore which would limit any upside from bundling and fixed line share gains; 3) wireless market share gains have stalled out with M1 losing subscriber market share in 2Q11 after six quarters of gains.

How much recovery has already been priced in, what are the key metrics?

M1 has remained largely stable during the market downturn and has outperformed the FSSTI by 19% YTD. M1 is trading at its peak P/E of 13x. Its yield spread to Singapore government bond at ~400 bps is also close to historical average at 390bps.

Where's the earnings risk for 2012?

Excessive subsidies to gain fixed line and broadband market are the key earnings risk for M1. NBN margin is the lowest for M1 as it pays out S\$11.25/sub/month to SingTel on NBN and thus any form of aggressive pricing could be value destructive for M1.

Price target and key recovery risks

We believe that share prices are driven by earnings estimates and valuation re-rating, an assumption holding true for all of our coverage companies around the region. Our Dec-12 PT at S\$2.5 is based on a sum of: 1) potential upside/(downside) to consensus EPS vs. JPM EPS ests at -5%; and 2) our estimated multiple expansion/(contraction) at +4% based on peak P/E multiple of 13.0x. At our price target, M1 would trade at 2010E/11E P/E of 13.3x/13.2x and EV/EBITDA of 8.1x/8.0x but still provide a healthy 6.0%/6.0% yield. Excessive competition is a key downside risk. Supported by dividends, M1 tends to perform defensively in market declines and we see this as a further risk if our recovery scenario does not take place.

M1 (Reuters: MONE.SI, Bloomberg: M1 SP)

S\$ in mn, year-end Dec	FY08A	FY09A	FY10A	FY11E	FY12E
Revenue (\$ mn)	801	782	980	1,025	1,051
EBITDA (\$ mn)	316	309	314	319	320
EBITDA growth (%)	-1.5%	-2.2%	1.5%	1.6%	0.3%
Recurring profit (\$ mn)	150	150	157	171	172
Recurring EPS (\$)	0.17	0.17	0.17	0.19	0.19
EPS growth (%)	-9.2%	0.0%	0.0%	11.8%	0.6%
DPS (\$)	0.15	0.13	0.13	0.18	0.15
EV/EBITDA (x)	7.9	8.1	8.2	8.0	7.9
P/E	14.7	14.7	14.7	13.2	13.1
Dividend Yield	6.0%	5.4%	5.3%	7.3%	6.2%
FCF to mkt cap (%)	7.1%	4.6%	3.9%	7.8%	7.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: S\$2.47

Price Target: S\$2.50

Singapore

Telecom Services

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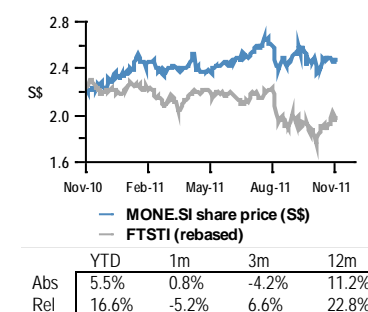
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J.P. Morgan Securities Singapore Private Limited

Price Performance



Source: Bloomberg.

Company Data

52-wk range (S\$)	2.70 - 2.18
Mkt cap (S\$ mn)	2,243
Mkt cap (\$ mn)	1,768
Shares O/S (mn)	908
Free float (%)	37.3%
3-mth avg trading volume:	1
Average 3m Daily Turnover (\$ mn)	2.17
FTSTI	2,867
Exchange Rate	1.27
Price (S\$)	2.47
Date Of Price	04-Nov-11

M1: Summary of Financials

Profit and Loss Statement					Balance Sheet statement						
\$S in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E \$S in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	
Revenue	782	980	1,025	1,051	1,085	Cash and equivalents	7	9	19	51	87
EBITDA	309	314	319	320	327	Accounts receivable	87	178	187	191	197
Depreciation & Amortization	-128	-118	-105	-106	-107	Others	46	47	47	47	47
EBIT	181	196	214	214	221	Total Current assets	141	234	252	289	331
Interest income	1	0	0	1	1						
Interest Expense	-7	-6	-7	-7	-7	ST loans	269	66	66	66	66
Other Income	0	0	0	0	0	Others current liabilities	225	234	246	253	260
Profit before tax	175	191	207	207	215	Total current liabilities	494	300	312	319	326
Tax	-25	-33	-36	-35	-37						
Minorities	0	0	0	0	0	Net working capital	-353	-66	-60	-30	5
Net profit - reported	150	157	171	172	179						
Net profit - adjusted	150	157	171	172	179	Net fixed assets	611	601	605	612	621
						Other long term assets	86	100	95	90	85
Shares Outstanding (mn)	895	935	911	911	911	Total non-current assets	697	701	700	702	706
EPS (\$\$) (Reported)	0.17	0.17	0.19	0.19	0.20						
DPS (\$\$)	0.13	0.13	0.18	0.15	0.15	Total Assets	838	935	952	991	1,037
DPS payout ratio	79.6%	77.1%	96.4%	81.6%	78.5%						
						Long-term debt	0	250	250	250	250
Revenue growth	(2.4%)	25.3%	4.7%	2.5%	3.2%	Other liabilities	88	82	82	82	82
EBITDA growth	-2.2%	1.5%	1.6%	0.3%	2.5%	Total Liabilities	581	632	643	650	658
Net profit growth	0.3%	4.5%	8.9%	0.6%	3.8%						
EPS growth	0.0%	0.0%	11.8%	0.6%	3.8%	Shareholders' equity	256	303	309	341	379
DPS growth	-9.8%	-3.1%	39.7%	-14.9%	-0.3%						
						Total liabilities and equity	838	935	952	991	1,037
						Net debt/(cash)	262	307	297	265	229
Ratio Analysis					Cash flow statement						
%, year end Dec	FY09	FY10	FY11E	FY12E	FY13E \$S in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	
EBITDA margin	39.5%	32.0%	31.1%	30.4%	30.2%	Cash flow from operations	222	187	280	280	287
FCF margin	13.2%	8.9%	17.1%	16.5%	16.2%	Capex	-119	-100	-105	-107	-111
ROE	62.8%	56.2%	55.9%	53.0%	49.6%	Cash flow from other investing	-132	-120	-105	-107	-111
ROC	36.3%	34.3%	34.3%	33.3%	32.6%	Cash flow from financing	-101	-66	-165	-140	-140
ROA	18.3%	17.7%	18.1%	17.7%	17.6%						
						Change in cash for year	-10	1	10	33	36
Tax rate	14.2%	17.5%	17.4%	17.0%	17.0%						
Capex to sales	-15.2%	-10.2%	-10.2%	-10.2%	-10.2%	Beginning cash	18	7	9	19	51
Debt/Capital	51.2%	51.1%	50.6%	48.1%	45.5%	Closing cash	7	9	19	51	87
Net debt or (cash) to equity	102.2%	101.4%	96.2%	77.6%	60.3%						
Interest cover (x)	53.28	56.00	48.47	50.66	60.39						

Source: Company reports and J.P. Morgan estimates.

Manila Electric Company

www.meralco.com.ph

Company description

Manila Electric Company (Meralco) is the Philippines' largest electricity distribution utility, with a customer base of about 5m that covers the franchise area of Metro Manila and surrounding provinces. It is planning to go into power generation, with an initial 1,500MW of capacity being slated in the next 10 years.

Key drivers of performance in an equity market recovery

With unspectacular earnings growth due to subdued tariff rates already set for the next regulatory period, we do not expect Meralco to participate in a Philippines economic and market recovery in 2012. The structure of the business also means that any benefit from an increase in investments would be muted for Meralco.

How much recovery has already been priced in, what are the key metrics?

Meralco has been an outperformer against the Philippines market in the last 12 months, in our view reflecting too much optimism on the company's power generation venture in the distant future, as well as potential shareholder changes. As a result, it has become the most expensive utility company in the Philippines with a 17x P/E for 2012E.

Where's the earnings risk for 2012?

We think the earnings risk for 2012 is slightly on the downside, as volumes could very well disappoint similar to the experience so far in 2011. Note that our electricity sales volume assumption is 5% in 2012, versus the flat expectation in 2011.

Price target and key recovery risks

We have an UW on Meralco with a Dec-12 PT of PhP200 based on DCF and implying a 14x PER for 2012E. Key upside risks are 1) improved regulatory environment; 2) faster volume growth; and 3) a highly successful power generation venture.

Underweight

Price: Php246.00

Price Target: Php200.00

Philippines Electric Utilities

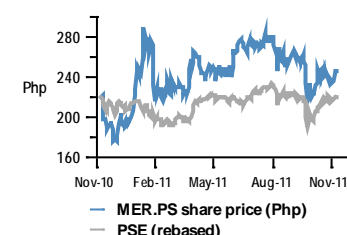
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J.P. Morgan Securities Philippines, Inc.

Price Performance



	YTD	1m	3m	12m
Abs	7.9%	5.1%	-5.4%	11.8%
Rel	5.2%	-1.7%	-5.0%	11.4%

Source: Bloomberg.

Manila Electric Company (Reuters: MER.PS, Bloomberg: MER PM)

Php in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Php mn)	178,686	239,077	231,750	246,145	262,727
Net Profit (Php mn)	6,005.0	9,685.0	15,929.7	16,148.0	17,268.1
EPS (Php)	5.39	8.69	14.29	14.49	15.49
DPS (Php)	2.53	5.55	5.45	7.15	7.24
Revenue growth (%)	-3.6%	32.8%	-2.9%	6.1%	6.6%
EPS growth (%)	112.8%	61.3%	64.5%	1.4%	6.9%
ROCE	13.5%	20.4%	30.0%	26.6%	26.0%
ROE	10.3%	15.6%	23.3%	20.7%	19.8%
P/E (x)	45.7	28.3	17.2	17.0	15.9
P/BV (x)	4.5	4.3	3.7	3.3	3.0
EV/EBITDA (x)	0.2	-0.1	-0.3	-0.6	-0.9
Dividend Yield	1.0%	2.3%	2.2%	2.9%	2.9%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

Shares O/S (mn)	1,127
Market cap (Php mn)	277,277
Market cap (\$ mn)	6,463
Price (Php)	246.00
Date Of Price	08 Nov 11
Free float (%)	10.0%
3mth Avg daily volume	0.17
3M - Avg daily Value (Php mn)	42.22
3M - Avg daily Value (USD) (\$ mn)	0.98
PSE	4,315
Exchange Rate	42.90
Fiscal Year End	Dec

Manila Electric Company: Summary of Financials

Profit & Loss statement						Balance sheet					
Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Php in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
-	-	-	-	-	-	Share capital	11,273	11,273	11,273	11,273	11,273
-	-	-	-	-	-	Reserves & Surplus	22,716	25,079	34,931	43,114	52,308
-	-	-	-	-	-	Shareholders' equity	60,834	63,196	73,511	82,217	91,986
Revenues	178,686	239,077	231,750	246,145	262,727	Minorities	-	-	-	-	-
Purchased Power	-	-	-	-	-	Long-term debt	17,234	15,498	13,498	11,498	9,498
Admin & O&M costs	-	-	-	-	-	Customer deposits	-	-	-	-	-
Cost of Generated Power	-	-	-	-	-	Other Non-current liabilities	48,355	49,132	39,211	41,400	43,771
Cost of services	-	-	-	-	-	Total Non-current liabilities	60,940	61,066	59,671	59,102	58,750
Depreciation	-5,064	-6,219	-6,458	-6,775	-7,079	Property, plant and equipment	111,336	111,608	106,177	107,981	108,972
EBITDA (excl. Associates)	13,171	21,251	30,883	29,999	31,924	Investments & advances to associates	-	-	-	-	-
Total EBITDA	15,324	22,999	32,436	31,333	33,014	Goodwill	-	-	-	-	-
EBIT	10,260	16,780	25,979	24,558	25,935	Other non-current assets	-	-	-	-	-
Interest expenses	-3,328	-493	-3,446	-3,065	-2,924	Current assets	44,685	55,757	56,613	65,135	75,932
Interest income	3,708	1,719	1,687	1,773	1,930	Cash and Bank balances	17,068	24,370	26,070	32,928	41,810
Earnings before tax	8,979	14,437	23,436	23,815	25,490	Accounts receivable	21,600	25,609	24,824	26,366	28,142
Non-recurring income	0	0	0	0	0	Other current assets	4,160	3,735	3,735	3,735	3,735
Tax	-2,623	-4,320	-7,031	-7,145	-7,647	Current liabilities	50,355	54,706	41,211	43,400	45,771
Profit after tax	6,005.0	9,685.0	15,929.7	16,148.0	17,268.1	Accounts Payables	-	-	-	-	-
Less: Minority Interest	-351	-432	-475	-523	-575	Current portion of debt	-	-	-	-	-
Recurring Net Income	-	-	-	-	-	Others	48,355	49,132	39,211	41,400	43,771
Balance sheet						Total Assets	172,129	178,968	174,394	184,719	196,507
Ratio Analysis											
EBITDA margin	8.3%	9.4%	13.6%	12.4%	12.2%	EBITDA (excl. Associates)	13,171	21,251	30,883	29,999	31,924
Operating margin	5.6%	6.8%	10.9%	9.7%	9.6%	Associate earnings	-	-	-	-	-
Sales growth	(3.6%)	32.8%	(2.9%)	6.1%	6.6%	Less: Net Interest	-	-	-	-	-
Net profit growth	114.5%	61.3%	64.5%	1.4%	6.9%	Less: Tax	-	-	-	-	-
No of shares - year end	1,115	1,115	1,115	1,115	1,115	Less: Change in working capital	22,939	169	-1,946	525	455
Recurring EPS	-	-	-	-	-	Cash flow from operations	29,277	20,358	22,401	23,688	25,094
DPS	2.53	5.55	5.45	7.15	7.24	Capital Expenditure	-8,227	-8,510	-7,955	-7,796	-7,287
Dividend payout ratio	47.0%	63.9%	38.2%	49.3%	46.8%	Investments	-662	-110	-500	-500	-500
BVPS	54.58	56.70	65.96	73.77	82.54	Cash flow from investments	-8,770	-6,292	-8,455	-8,296	-7,787
Debt / Equity	0.32	0.33	0.21	0.16	0.13	Free cash flow	21,050	11,848	14,446	15,892	17,807
Net debt to equity	3.6%	-5.2%	-14.4%	-23.6%	-33.0%	Repayment of debt	-4,209	-2,407	-5,574	-2,000	-2,000
ROE	10.3%	15.6%	23.3%	20.7%	19.8%	Dividends paid to shareholders	-2,820	-6,187	-6,078	-7,965	-8,074
ROCE	13.5%	20.4%	30.0%	26.6%	26.0%	Equity raised / write-offs / others	0	0	0	0	0
EBITDA/Net Interest	-	-	18.44	24.26	33.22	Cash flow from financing	-8,841	-6,764	-12,245	-8,534	-8,426
						Exchange rate	-	-	-	-	-
						Movement in Net debt/Net cash	11,666	7,302	1,700	6,858	8,881

Source: Company reports and J.P. Morgan estimates.

Maxis Berhad

www.maxis.com.my

Company description

Maxis is now a pure Malaysia focussed telecom operator with 36% wireless market share. The company has operations in both wireless and the fixed line segment but wireless constitutes more than 90% of total revenues.

Key drivers of performance in this equity market recovery

We believe Maxis will underperform in a recovery as; 1) Maxis is trading at a 14% premium to KLCI P/E vs. historically trading at parity. 2) We expect wireless market share losses to continue. 3) We see limited room for higher than guided dividend payments (2012 net debt/EBITDA at 1.3x).

How much recovery has already been priced in, what are the key metrics

Maxis remained highly stable during the market downturn, trading in a close P/E range of 15.8-16.4x. P/E and dividend yield spread to Malaysian government bonds are the key valuation metrics for Maxis.

Where's the earnings risk for 2012

Wireless subscriber market share loss is the biggest risk going ahead. Maxis lost ~300bps subscriber market share in 1H11 and we are forecasting its market share to stabilize in 2012. We are still 3% below the Street for 2012 revenues.

Price target and key recovery risks

We believe that share prices are driven by earnings estimates and valuation re-rating, an assumption holding true for all of our coverage companies around the region. Our Dec-12 PT at M\$5.7 is based on a sum of: 1) potential upside/ (downside) to consensus EPS vs. JPM EPS estimates at +4%; and 2) our estimated multiple expansion/(contraction) at 5% based on peak P/E multiple of 17.0x. If our price target were achieved, Maxis would be trading at 2011E/12E P/E of 18.5x/16.9x and EV/EBITDA of 10.7x/10.1x but still provide a healthy 6.8%/7.3% yield. Irrational competition in the broadband space is a key risk to our price target. With a high dividend yield support, Maxis performs defensively in market declines and we see this as a risk if our recovery scenario does not take place.

Maxis Berhad (Reuters: MXSC.KL, Bloomberg: MAXIS MK)

M\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (M\$ mn)	8,611	8,869	8,749	9,257	9,643
EBITDA (M\$ mn)	4,338	4,418	4,549	4,867	5,005
EBITDA growth (%)	-1.5%	1.8%	3.0%	7.0%	2.8%
Net Profit (M\$ mn)	2,232	2,295	2,317	2,547	2,637
EPS (M\$)	0.30	0.31	0.31	0.34	0.35
EPS growth (%)	-7.0%	2.9%	0.3%	9.9%	3.5%
DPS (M\$)	0.15	0.40	0.39	0.41	0.43
EV/EBITDA (x)	10.1	8.9	8.8	8.4	8.2
P/E	17.7	17.2	17.1	15.6	15.1
Dividend Yield	2.9%	7.6%	7.3%	7.9%	8.1%
FCF to mkt cap (%)	4.8%	6.7%	5.9%	7.3%	7.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: M\$5.26

Price Target: M\$5.70

Malaysia

Telecom Services

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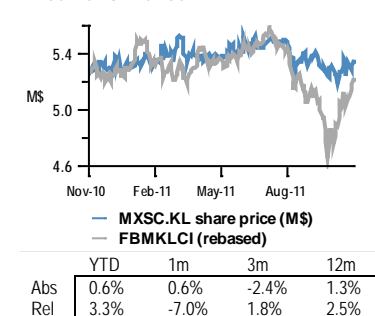
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J.P. Morgan Securities (Malaysia) Sdn. Bhd. (18146-X)

Price Performance



Source: Bloomberg.

Company Data

52-wk range (M\$)	5.69 - 5.16
Mkt cap (M\$ mn)	39,450
Mkt cap (\$ mn)	12,667
Shares O/S (mn)	7,500
Free float (%)	24.9%
3-mth avg trading value:	2.87
- Local (M\$ mn)	15.28
FBMKLCI	1,478
Exchange Rate	3.11

Maxis Berhad: Summary of Financials

Profit and Loss Statement					Balance Sheet statement						
M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	
Revenue	8,611	8,869	8,749	9,257	9,643	Cash and equivalents	1,192	898	889	1,851	1,379
EBITDA	4,338	4,418	4,549	4,867	5,005	Accounts receivable	790	936	924	977	1,018
Depreciation & Amortization	(1,283)	(1,075)	(1,155)	(1,150)	(1,239)	Others	150	269	269	269	269
EBIT	3,055	3,343	3,394	3,718	3,766	Total Current assets	2,132	2,103	2,082	3,097	2,666
Interest income	29	29	22	22	45						
Interest Expense	(77)	(240)	(282)	(342)	(294)	ST loans	38	0	0	0	0
Other Income	0	0	0	0	0	Others	3,273	3,323	3,148	3,280	3,453
Profit before tax	3,007	3,132	3,133	3,397	3,517	Total current liabilities	3,311	3,323	3,148	3,280	3,453
Tax	(775)	(837)	(815)	(849)	(879)						
Minorities	0	0	-1	-1	-1	Net working capital	(1,179)	(1,220)	(1,066)	(183)	(787)
Net profit - reported	2,232	2,295	2,317	2,547	2,637	Net fixed assets	4,555	5,007	5,194	5,350	5,404
Net profit - adjusted	2,232	2,295	2,317	2,547	2,637	Other long term assets	11,111	11,115	11,115	11,115	11,115
						Total non-current assets	15,666	16,122	16,309	16,464	16,519
EPS (M\$) (Reported)	0.30	0.31	0.31	0.34	0.35	Total Assets	17,798	18,225	18,391	19,561	19,185
EPS (Adjusted)	0.30	0.31	0.31	0.34	0.35	Long-term debt	4,992	33	1,033	2,533	2,533
DPS (M\$)	0.15	0.40	0.39	0.41	0.43	Other liabilities	550	6,203	6,203	6,203	6,203
Revenue growth	1.9%	3.0%	(1.4%)	5.8%	4.2%	Total Liabilities	8,853	9,559	10,384	12,016	12,189
EBITDA growth	(1.5%)	1.8%	3.0%	7.0%	2.8%	Shareholders' equity	8,945	8,666	8,007	7,545	6,995
Net profit growth	-7.0%	2.8%	1.0%	9.9%	3.5%	Total liabilities and equity	17,798	18,225	18,391	19,561	19,185
						Net debt/(cash)	3,838	(865)	144	682	1,154

Ratio Analysis					Cash flow statement						
% , year end Dec	FY09	FY10	FY11E	FY12E	FY13E M\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	
EBITDA margin	50.4%	49.8%	52.0%	52.6%	51.9%	Cash flow from operations	3,125	4,091	3,593	4,117	4,302
FCF margin	21.9%	29.8%	26.7%	31.1%	31.7%	Capex	(1,243)	(1,444)	(1,253)	(1,237)	(1,243)
ROE	33.7%	26.1%	27.8%	32.8%	36.3%	Cash flow from other investing	1,031	(11)	(90)	(68)	(51)
ROC	31.8%	29.5%	38.3%	38.9%	38.4%	Cash flow from financing	(3,413)	(2,930)	(2,259)	(1,851)	(3,480)
ROA	17.0%	12.7%	12.7%	13.4%	13.6%	Change in cash for year	(500)	(294)	(9)	961	(472)
Tax rate	25.8%	26.7%	26.0%	25.0%	25.0%	Beginning cash	1,692	1,192	898	889	1,851
Capex to sales	(14.4%)	(16.3%)	(14.3%)	(13.4%)	(12.9%)	Closing cash	1,192	898	889	1,851	1,379
Debt/Capital	36.0%	0.4%	11.4%	25.1%	26.6%						
Net debt or (cash) to equity	42.9%	(10.0%)	1.8%	9.0%	16.5%						
Interest cover (x)	90.4	20.9	17.5	15.2	20.1						

Source: Company reports and J.P. Morgan estimates.

MTR

www.mtr.com.hk/eng/homepage/corp_index.html

Company description

MTR is 76% owned by the Hong Kong government and is the sole rail operator in Hong Kong (HK). It often adopts the unique “rail plus property” model, by which the government offers some land development rights to subsidize the development cost for new railways. Property has been a key profit contributor along with railway-related earnings. MTR has also been gradually expanding into railway operating concessions in China (eg. Beijing, Shenzhen) and overseas (London, Stockholm and Melbourne).

Key drivers of performance in an equity market recovery

MTR remains relatively resilient and defensive during times of market volatility thanks to its steadily growing railway and retail rentals, in our view. However, we see limited upside surprise from property development profits and less enthusiastic response to future land tenders from MTR, given our cautious stance on Hong Kong home prices and an increasing land supply from the government.

How much recovery has already been priced in, what are the key metrics?

We have factored in more conservative property-related assumptions and only 1% domestic patronage growth in 12E (similar to 2009). As a result, we project a slowdown in recurring EPS growth, but recurring P/E remains at mid-teens level which looks unattractive to us. ROE is set to fall to single-digit in 12E, but stock still trades above book value.

Where's the earnings risk for 2012

Railway earnings should be steady, but property development profits should offer little upside, with potentially only one major project (Festival City in 11E and Che Kung Temple in 12E) contributing profits in each of 2011E/12E.

Price target and key recovery risks

Our Dec-12 PT of HK\$23.2 is based on a 30% discount (ie. -1 SD below historical mean) to Dec-12 NAV of \$33.1. Upside risk: more favorable property-related policies from the government. Downside risk: further delays to future project launches/tenders.

MTR (Reuters: 0066.HK, Bloomberg: 66 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	18,797	29,518	34,410	35,713	36,944
Recurring net profit (HK\$ mn)	7,303	8,657	10,181	8,229	8,897
EPS (HK\$)	1.69	2.10	2.39	1.40	1.49
P/E (x)	14.9	12.0	10.5	18.0	16.9
Recurring EPS (HK\$)	1.28	1.51	1.75	1.40	1.49
Recurring EPS growth	-11.7%	17.3%	16.4%	-20.3%	6.6%
Recurring P/E (x)	19.6	16.7	14.4	18.0	16.9
DPS (HK\$)	0.52	0.59	0.75	0.75	0.85
Dividend Yield	2.1%	2.4%	3.0%	3.0%	3.4%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: HK\$25.15

Price Target: HK\$23.20

Hong Kong

Conglomerates & Multi-industry

Benjamin Lo, CFA^{AC}

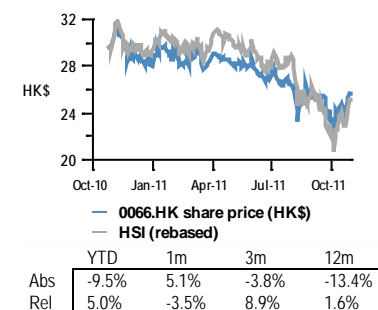
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Bloomberg JPMA BLO<GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

52-week Range (HK\$)	31.20 - 22.45
Market cap (HK\$ mn)	145,481
Market cap (\$ mn)	18,729
Shares O/S (mn)	5,785
Price (HK\$)	25.15
Date Of Price	04-Nov-11
3mth Avg daily volume	3.41
Avg 3m Daily t/o (\$ mn)	10.85
Exchange Rate	7.77
IN	

MTR: Summary of financials

Profit and Loss Statement					
HK\$ in millions, year-end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenue	18,797	29,518	34,410	35,713	36,944
% change y/y	6.6%	57.0%	16.6%	3.8%	3.4%
Expenses	(9,295)	(18,601)	(21,997)	(22,639)	(23,233)
EBITDA- Railway	9,502	10,917	12,414	13,074	13,711
Property development	3,554	4,034	4,208	1,643	1,931
Total EBITDA	13,056	14,951	16,622	14,717	15,643
Depreciation	(2,979)	(3,120)	(3,231)	(3,350)	(3,464)
EBIT	10,077	11,831	13,391	11,367	12,179
Net interest (Corporate)	(1,504)	(1,237)	(1,580)	(1,649)	(1,776)
Associates	160	139	322	427	533
Other income/(expense)	(12)	(45)	0	0	0
Exceptionals	2,798	4,074	4,408	0	0
PBT	11,519	14,762	16,541	10,145	10,937
Tax	(1,880)	(2,590)	(2,499)	(1,710)	(1,806)
MI	0	(113)	(180)	(206)	(234)
Net profit (reported)	9,639	12,059	13,862	8,229	8,897
% change y/y	16.4%	25.1%	15.0%	-40.6%	8.1%
Recurring net profit	7,303	8,657	10,181	8,229	8,897
% change y/y	-10.8%	18.5%	17.6%	-19.2%	8.1%
EPS (reported) (HK\$)	1.69	2.10	2.39	1.40	1.49
% change y/y	15.2%	23.8%	13.7%	-41.4%	6.6%
EPS (recurring) (HK\$)	1.28	1.51	1.75	1.40	1.49
% change y/y	-11.7%	17.3%	16.4%	-20.3%	6.6%
DPS (HK\$)	0.52	0.59	0.75	0.75	0.85

Balance sheet					
HK\$ in millions, year-end Dec	FY09	FY10	FY11E	FY12E	FY13E
Fixed Assets	137,634	144,057	152,279	162,283	169,672
Property management rights	31	31	31	31	31
Long-term investments	8,038	10,509	19,254	19,482	20,199
Other LT assets	570	1,088	1,088	1,088	1,088
Long term assets	146,273	155,685	172,652	182,884	190,990
Cash & cash equivalents	7,094	13,318	12,169	10,448	9,582
Held to maturity securities	227	3,912	3,912	3,912	3,912
ST & LT loans	(6,468)	(9,271)	(11,971)	(13,871)	(14,271)
Bonds and notes	(17,515)	(11,924)	(9,192)	(9,192)	(9,192)
Net Cash/(debt)	(16,662)	(3,965)	(5,082)	(8,703)	(9,969)
Working capital	1,089	(8,024)	(7,179)	(7,223)	(7,028)
Other liabilities	(24,247)	(26,403)	(31,414)	(31,790)	(32,577)
NET ASSET	106,453	117,293	128,977	135,168	141,415
Share Capital	5,728	5,773	5,846	5,925	6,005
Reserves & retained earnings	100,659	111,377	122,808	128,714	134,646
Shareholders fund	62,758	71,999	81,473	85,253	89,030
Minorities	66	143	323	529	763
Equity	106,453	117,293	128,977	135,168	141,415
BVPS (HK\$)	18.57	20.27	21.99	22.70	23.35

Source: Company data, J.P. Morgan estimates.

Cash flow statement					
HK\$ in millions, year-end Dec	FY09	FY10	FY11E	FY12E	FY13E
PBT	11,519	14,762	16,541	10,145	10,937
Associates profits	(160)	(139)	(322)	(427)	(533)
Dividends from associates	0	0	0	126	150
Depreciation & amortisation	2,979	3,120	3,231	3,350	3,464
Taxation	(1,372)	(1,011)	(2,499)	(1,710)	(1,806)
Others (incl. exceptionals, net property proceeds)	5,907	(2,189)	(3,822)	1,907	1,338
Gross cash flow	18,879	14,595	13,128	13,391	13,549
Change in working capital	(82)	879	(373)	44	(194)
Capex	(5,341)	(12,336)	(11,476)	(13,728)	(11,239)
Others (incl. merger-related payments)	(800)	11,586	(566)	(1,124)	(1,146)
Free cash flow	12,656	14,724	713	(1,417)	970
Acquisitions	2,062	0	0	0	0
Dividends paid	(1,362)	(1,814)	(2,030)	(2,204)	(2,236)
Proceeds from share issues	16	63	0	0	0
Proceeds/(disposal) of FA/subsidiaries	46	9	0	0	0
Others	0	0	0	0	0
Purchase/proceeds of held-to-maturity debt securities	236	(3,685)	0	0	0
New loans	8,454	8,153	3,000	2,000	500
Loan repayment	(8,637)	(5,390)	(100)	(100)	(100)
Bonds and notes	(7,111)	(5,778)	(2,732)	0	0
Inc/(dec) in cash & cash equivalents	6,360	6,282	(1,149)	(1,721)	(866)

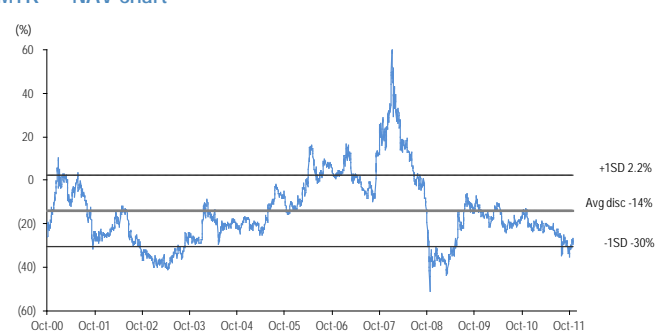
Ratio Analysis					
HK\$ in millions, year-end Dec	FY09	FY10	FY11E	FY12E	FY13E
EBITDA margin	69.5%	50.7%	48.3%	41.2%	42.3%
EBIT margin	53.6%	40.1%	38.9%	31.8%	33.0%
Pretax margin	61.3%	50.0%	48.1%	28.4%	29.6%
Net profit margin	51.3%	40.9%	40.3%	23.0%	24.1%
Revenue per share growth	5.5%	55.4%	15.4%	2.4%	2.0%
Revenue growth	6.6%	57.0%	16.6%	3.8%	3.4%
Net profit growth	16.4%	25.1%	15.0%	-40.6%	8.1%
Core net profit growth	-10.8%	18.5%	17.6%	-19.2%	8.1%
EPS growth	15.2%	23.8%	13.7%	-41.4%	6.6%
Net debt / (cash) to equity (Incl serv concession)	25.8%	15.9%	15.3%	17.3%	17.4%
Interest cover (EBIT/net interest)	6.7	9.6	8.5	6.9	6.9
Revenue/assets	0.1	0.2	0.2	0.2	0.2
Assets/equity	2.5	2.4	2.4	2.4	2.3
ROE	9.4%	10.8%	11.3%	6.3%	6.5%
ROCE	8.8%	8.2%	9.3%	9.6%	7.7%
ROA	6.6%	5.6%	6.3%	6.7%	5.5%

MTR - Dec 2012E NAV breakdown

Division	Methodology	Dec-2012E NAV			
		HK\$ m	HK\$	% of GAV	
Railway		91,752	15.5	45%	
Hong Kong - existing railways	DCF @ WACC 7.5%	78,401	13.2	38%	
China & Overseas projects	DCF 7%-8.5%	13,351	2.3	7%	
Property		67,985	11.5	33%	
Property investment	Yield (O/C) 5.75%/6%	53,513	9.0	26%	
Property development	DCF @ WACC 8.5%	14,350	2.4	7%	
Other railway related		45,238	7.6	22%	
Advertising	EV/EBITDA 8	4,958	0.8	2%	
Kiosk rental	Yield 6.0%	30,700	5.2	15%	
Property management	DCF @ WACC 8.5%	1,978	0.3	1%	
Telecom/Consultancy & others	EV/EBITDA 5	5,340	0.9	3%	
Octopus	DCF	2,262	0.4	1%	
Gross asset value		204,975	34.6	100%	
Net cash/(debt)	Y/E forecast	(8,703)	(1.5)		
NAV		196,272	33.1		

Source: J.P. Morgan estimates

MTR - NAV chart



Source: Bloomberg, J.P. Morgan

Murchison Metals

www.mml.net.au

Company description

Murchison Metals is a junior iron ore developer. Its main project is the Jack Hills mine in the mid-west region of Western Australia. Murchison has joint venture agreements with Mitsubishi over the development of the Jack Hills mine (known as the Crosslands JV) and the required infrastructure to support it (known as Oakajee Port & Rail).

Key drivers of performance in this equity market recovery

In July 2011, Murchison initiated a strategic review because the company was unable to sign foundation customers for the infrastructure and the Residual Payment from Mitsubishi would not be sufficient to cover its anticipated equity required for project development. We believe this uncertainty around future funding options and the broad development path for the company will leave the market unwilling to reflect improving iron ore prices in the equity valuation.

How much recovery has already been priced in, what are the key metrics

The stock has fallen 78% year to date to the current price of A\$0.28/share on concerns over the viability of its project. We do not think a recovery in global markets will have any meaningful impact on the stock price.

Where's the earnings risk for 2012

Near-term earnings are not relevant for Murchison Metals, in our view. However, the company is looking to refinance the US\$100m bridge loan from RCF which was secured in March 2011, has been drawn down by US\$24.75m and is due for full repayment by April 2012. MMX currently has A\$12.4m (June 2011) in cash and equivalents, but noted that the company has the ability to elect to settle interest obligations and commitment fees by way of issue of share capital.

Price target and key recovery risks

We believe the value of the company is in its intellectual property that it has developed since OPR was appointed as the preferred proponent to build the port and rail infrastructure at Oakajee. While noting that the two JV partners have spent A\$400 million on design and development work for OPR and Crosslands, it is unlikely in our view that they will see full value for that work. We have assigned a value to MMX of 50c in the dollar or A\$100m for its 50% share of the intellectual property at book value. Excluding the debt that is due to RCF of US\$25m, we arrive with a valuation for our Jun12 PT A\$0.17 per share. Risks are: 1) potential sale of either Jack Hills or OPR generating more than expected value; 2) changes to the scope of government funding for OPR; and 3) introduction of a strategic investor.

Murchison Metals Ltd (Reuters: MMX.AX, Bloomberg: MMX AU)

Year-end Jun (A\$)	FY10A	FY11A	FY12E	FY13E	FY14E
Total Revenue (A\$ mn)	0	0	0	0	0
EBITDA (A\$ mn)	-25.5	-18.3	10.0	0.6	0.0
Net profit after tax (A\$ mn)	-21.60	-16.52	10.34	1.16	1.18
EPS (A\$)	-0.050	-0.038	0.024	0.003	0.003
P/E (x)	NM	NM	12.1	109.6	105.6
Cash flow per share (A\$)	-0.020	-0.029	-0.020	0.002	0.003
Dividend (A\$)	0.000	0.000	0.000	0.000	0.000
Net Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Normalised* EPS (A\$)	-0.050	-0.038	0.024	0.003	0.003
Normalised* EPS chg (%)	-2797.0%	23.6%	162.4%	-88.8%	2.1%
Normalised* P/E (x)	NM	NM	12.1	109.6	105.6

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: A\$0.29

Price Target: A\$0.17

Australia

Mining

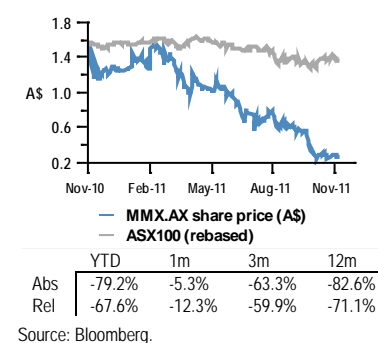
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J.P. Morgan Securities Australia Limited

Price Performance



Company Data	
52-week range (A\$)	1.63 - 0.24
Market capitalisation (A\$ bn)	0.13
Market capitalisation (\$ bn)	0.13
Fiscal Year End	Jun
Price (A\$)	0.29
Date Of Price	04 Nov 11
Shares outstanding (mn)	442.4
ASX100	3,491.3
ASX200-Ind	5,621.9
NTA/Sh [^] (A\$)	0.01
Net Debt [^] (A\$ bn)	0.02

MMX Summary Financials - June year end (A\$m)

Profit & Loss - Crosslands							Cashflow - MMX						
	2010	2011E	2012E	2013E	2014E	2015E		2010	2011E	2012E	2013E	2014E	2015E
Revenue	166	229	202	0	0	0	EBITDA	-13	-14	-10	0	0	0
Costs	-149	-188	-131	0	0	0	Net Interest	4	2	1	1	2	2
Other expenses	-8	-18	-8	0	0	0	Tax	0	0	0	0	-1	-1
EBITDA	8	23	62	0	0	0	Other	0	0	0	0	0	0
Depreciation & Amortisation	-16	-16	-8	0	0	0	Cash from operations	-9	-13	-9	1	1	1
EBIT	-8	7	54	0	0	0	Net associate cash-flow	-41	-44	0	26	0	0
JV expenses	-4	-4	0	0	0	0	Cap-ex	-17	-27	0	0	0	0
Interest	0	0	2	2	0	0	Other	0	1	0	0	0	0
PBT	-12	3	56	2	0	0	Cash from investing	-59	-69	0	26	0	0
Tax	4	0	-17	-1	0	0	Net borrowings	0	23	0	0	0	0
NPAT	-9	3	39	1	0	0	Proceeds from equity	15	0	0	0	0	0
Profit & Loss - OPR							Balance Sheet - MMX						
	2010	2011E	2012E	2013E	2014E	2015E		2010	2011E	2012E	2013E	2014E	2015E
Infrastructure revenue	0	0	0	0	0	0	Cash and cash equivalents	73	12	3	30	31	33
Costs	0	0	0	0	0	0	Trade and other receivables	1	1	1	1	1	1
EBITDA	0	0	0	0	0	0	Inventories	0	0	0	0	0	0
D&A	0	0	0	0	0	0	Other	0	1	1	1	1	1
EBIT	0	0	0	0	0	0	Total current assets	74	15	6	33	34	35
Interest	0	0	0	0	0	0	Total non-current assets	175	243	262	237	237	237
PBT	0	0	0	0	0	0	Total assets	249	258	268	270	271	273
Tax	0	0	0	0	0	0	Trade and other payables	9	6	6	6	6	6
NPAT	0	0	0	0	0	0	Other current liabilities	0	26	26	26	26	26
Profit & Loss - MMX							Key Ratios						
	2010	2011E	2012E	2013E	2014E	2015E		2010	2011E	2012E	2013E	2014E	2015E
JV revenue	0	0	0	0	0	0	PE Ratio		-7.5	11.9	107.1	104.9	99.4
Costs	-19	-18	-10	0	0	0	EV / EBITDA		5.4	2.0	NA	NA	NA
JV expenses	-2	-2	0	0	0	0	Sales revenue growth (Crosslands)		38.1%	-11.8%	-100.0%	#DIV/0!	#DIV/0!
Associate profit / loss	-4	1	20	1	0	0	EBITDA / sales margin (Crosslands)		10.1%	30.9%	NA	NA	NA
EBITDA	-26	-18	10	1	0	0	EBIT / sales margin (Crosslands)		2.9%	26.8%	NA	NA	NA
D&A	0	0	0	0	0	0	ROA (EBIT/Assets)		-7.2%	3.7%	0.1%	-0.1%	-0.1%
EBIT	-26	-19	10	0	0	0	ROE (NPAT/Equity)		-7.3%	4.4%	0.5%	0.5%	0.5%
Net interest	4	2	1	1	2	2	Net debt / net debt + equity		-5.8%	-1.5%	-14.4%	-15.1%	-15.8%
Abnormals	0	0	0	0	0	0	Net interest cover		nm	nm	nm	nm	nm
PBT	-22	-17	10	1	2	2	Sensitivity Analysis						
Tax	0	0	0	0	-1	-1		2010	2011E	2012E	2013E	2014E	2015E
Reported NPAT	-22	-17	10	1	1	1	% change in eps for a 10% change in:						
Exceptional items	0	0	0	0	0	0	Iron ore						
Adjusted NPAT	-22	-17	10	1	1	1	Australian dollar						
Shares outstanding (millions)	436	436	437	437	437	437							
EPS - adjusted (cps)	-5	-4	2	0	0	0							
EPS - reported (cps)	-5	-4	2	0	0	0							
DPS	0	0	0	0	0	0							
Attributable Sales (Mt)													
	2010	2011E	2012E	2013E	2014E	2015E							
DSO Hematite	1.8	1.6	1.3	0.0	0.0	0.0							
Magnetite concentrate	0.0	0.0	0.0	0.0	0.0	0.0							
Hematite concentrate	0.0	0.0	0.0	0.0	0.0	0.0							
Total	1.8	1.6	1.3	0.0	0.0	0.0							
Price Assumptions													
	2010	2011E	2012E	2013E	2014E	2015E							
62% Iron ore CFR spot (US\$/t)		164	172	172	155	128							
Iron ore fines (US\$/dmu)		232	264	263	249	198							
Freight WA to China (US\$/t)		9	10	10	11	11							
A\$/US\$ FX rate		0.99	1.06	1.00	0.89	0.84							
Valuation - A\$m @ 10% WACC													
	2010	2011E	2012E	2013E	2014E	2015E							
Crosslands (50%)		25	27	0	0	0							
OPR (50%)		0	0	0	0	0							
NPV Corporate		-6	0	0	0	0							
NPV MMX		18	27	0	0	0							
Net cash / (debt)		-11	-20	6	8	9							
Equity - A\$m		7	6	6	8	9							
Shares - m		436	437	437	437	437							
Equity - A\$/shr		0.02	0.01	0.01	0.02	0.02							

Perusahaan Gas Negara

www.pgn.co.id

Company description

PGAS enjoys a near monopolistic business model in which it has more than 90% market share in the gas distribution market and more than 85% market share in the gas transmission market. The distribution division historically has contributed more than 95% of its annual operating profit. Historically, PGAS share price performance has been driven by net and core income growth. Earnings wise, it will depend on volume, ASP, and cost of gas. When the Rp depreciates, reported net income could be negatively affected by foreign translation (non-cash) losses, but operating profit will benefit and visa versa.

Key drivers of performance in an equity market recovery

(1) Gas from other low-cost supplies (Conoco Phillips –US\$1.8/MMbtu and Pertamina – US\$2.0/MMbtu) are now at risks - less profit earned per MMBtu for PGAS. (2) A sizable risk to the consensus' earnings forecasts in 4Q11E and FY12E. (3) Emergence of regulatory risk and decline in ROE – potential multiple de-rating. (4) Risk to FY11E volume and slow future volume growth: 5.8% CAGR (FY11E-FY14E).

How much recovery has already been priced in, what are the key metrics?

The renegotiation price and pass-through ASP at Santos has been priced in. However, the renegotiation prices and pass-through ASPs at Conoco Phillips and Pertamina supplies have yet to be priced in and are the key metrics to watch in FY12E.

Where's the earnings risk for 2012?

The consensus FY12E forecast of Rp6.9 trillion (up 2% from FY11E) has not accounted the potential profitability pressure resulting from BP Migas renegotiation; especially on renegotiation of supplies from Conoco Phillips and Pertamina.

Price target and key recovery risks

With potential cut in consensus' earnings and de-rating of the valuation multiple, we maintain UW and Jun-12 price target of Rp2,600 on PGAS. Our price target is derived using the DCF methodology. From FY11 volume of 790MMScfd, we forecast gas volume to grow at a CAGR of 5.4% over the next 10 years. We expect ASP to grow at an 11% CAGR over the next 10 years starting at US\$6.94/MMBtu. Finally, we expect the average cost of gas to grow by an 18.8% CAGR for the next 10 years starting at US\$2.8/MMbtu in FY11. Our DCF valuation uses a risk-free rate of 7.5%, equity risk premium of 7.25% and terminal growth rate of 5.5%. Risks: unexpected sizable gas supply secured or acquired.

Perusahaan Gas Negara (PGN) (Reuters: PGAS.JK, Bloomberg: PGAS IJ)

Rp in bn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rp bn)	18,024	19,766	18,881	24,804	25,931
Net Profit (Rp bn)	6,229	6,239	6,001	5,521	4,712
EPS (Rp)	259.82	260.26	250.30	230.31	196.56
DPS (Rp)	13.25	156.11	149.06	130.61	115.30
Revenue growth (%)	40.9%	9.7%	-4.5%	31.4%	4.6%
EPS growth (%)	882.7%	0.2%	-3.8%	-8.0%	-14.6%
ROCE	35.0%	36.1%	30.6%	27.7%	22.6%
ROE	66.2%	48.7%	39.8%	31.6%	24.0%
P/E	12.0	12.0	12.5	13.6	15.9
P/BV	6.4	5.4	4.6	4.0	3.6
EV/EBITDA	8.4	6.9	7.1	8.2	9.1
Dividend Yield	0.4%	5.0%	4.8%	4.2%	3.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: Rp3,125

Price Target: Rp2,600

Indonesia

Natural Gas Pipeline and Distribution

Stevanus Juanda^{AC}

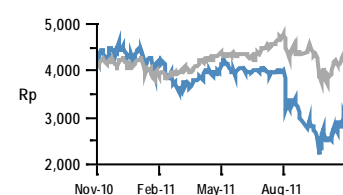
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Bloomberg JPMA JUANDA<GO>

PT J.P. Morgan Securities Indonesia

Price Performance



	YTD	1m	3m	12m
Abs	-34.1%	10.3%	-26.2%	-28.9%
Rel	-35.8%	3.5%	-16.6%	-32.9%

Source: Bloomberg.

Company Data

Shares O/S (mn)	24,242
Market Cap (Rp bn)	75,755
Market Cap (\$ mn)	8,476
Price (Rp)	3,125
Date Of Price	10 Nov 11
Free float (%)	31.0%
3-mth trading value (Rp bn)	156.36
3-mth trading value (\$ mn)	17.49
3-mth trading volume (bn)	0.02
JCI	3,784
Exchange Rate	8,938
Fiscal Year End	Dec

Perusahaan Gas Negara: Summary of Financials

Income Statement						Cash flow statement					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	18,024	19,766	18,881	24,804	25,931	EBIT	7,676	9,036	8,053	7,322	6,206
% change YY	40.9%	9.7%	(4.5%)	31.4%	4.6%	Depr. & amortization	1,621	1,680	1,923	1,274	1,370
EBITDA	9,297	10,716	9,976	8,596	7,576	Change in working capital	-461	-587	768	650	275
% change YY	46.0%	15.3%	-6.9%	-13.8%	-11.9%	Taxes	-1814	-1600	-1572	-1715	-1465
EBIT	7,676	9,036	8,053	7,322	6,206	Cash flow from operations	6,953	9,545	6,631	4,677	6,812
% change YY	64.8%	17.7%	NM	NM	NM	Capex	-1,799	-1,139	-489	-1,918	-2,197
EBIT Margin	42.6%	45.7%	42.7%	29.5%	23.9%	Disposal/(purchase)	0	0	0	0	0
Net Interest	-398	-123	63	122	148	Net Interest	-398	-123	63	122	148
Earnings before tax	8,247	8,063	7,788	7,435	6,347	Other	-25	-231	0	-2	-0
% change YY	543.6%	-2.2%	-3.4%	-4.5%	-14.6%	Free cash flow	5,153	8,406	6,142	2,759	4,616
Tax	-1,814	-1,600	-1,572	-1,715	-1,465	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	22.0%	19.8%	20.2%	23.1%	23.1%	Debt raised/(repaid)	-52	453	-2,177	-834	-798
Net income (reported)	6,229	6,239	6,001	5,521	4,712	Other	-3	-156	-37	-41	-44
% change YY	882.7%	0.2%	-3.8%	-8.0%	-14.6%	Dividends paid	-318	-3,743	-3,574	-3,131	-2,764
Shares outstanding	23,974	23,974	23,974	23,974	23,974	Beginning cash	3,500	6,593	11,066	11,456	10,082
EPS (reported)	259.82	260.26	250.30	230.31	196.56	Ending cash	6,593	11,066	11,456	10,082	11,192
% change YY	882.7%	0.2%	(3.8%)	(8.0%)	(14.6%)	DPS	13.25	156.11	149.06	130.61	115.30
Balance sheet						Ratio Analysis					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	6,593	11,066	11,456	10,082	11,192	EBITDA margin	51.6%	54.2%	52.8%	34.7%	29.2%
Accounts receivable	1,711	1,947	1,753	2,303	2,407	Operating margin	42.6%	45.7%	42.7%	29.5%	23.9%
Inventories	14	14	13	27	31	Net margin	34.6%	31.6%	31.8%	22.3%	18.2%
Others	2,237	1,961	876	1,151	1,203	Sales per share growth	40.9%	9.7%	(4.5%)	31.4%	4.6%
Current assets	10,592	14,932	14,104	13,570	14,842	Sales growth	40.9%	9.7%	(4.5%)	31.4%	4.6%
LT investments	-	-	-	-	-	Net profit growth	882.7%	0.2%	-3.8%	-8.0%	-14.6%
Net fixed assets	17,329	16,782	16,114	21,169	22,131	EPS growth	882.7%	0.2%	(3.8%)	(8.0%)	(14.6%)
Total Assets	28,670	32,087	31,022	35,794	38,077	Interest coverage (x)	23.35	87.18	-	-	-
Liabilities						Net debt to equity	43.4%	12.4%	-10.9%	-9.8%	-18.6%
Short-term loans	1,112	2,045	978	962	867	Sales/assets	0.66	0.65	0.60	0.74	0.70
Payables	828	644	615	1,234	1,415	Assets/equity	2.12	1.98	1.74	1.65	1.59
Others	1,790	1,347	865	1,734	1,989	ROE	66.2%	48.7%	39.8%	31.6%	24.0%
Total current liabilities	3,730	4,036	2,458	3,930	4,271	ROCE	35.0%	36.1%	30.6%	27.7%	22.6%
Long-term debt	10,605	10,743	8,711	7,303	6,505						
Other liabilities	1,558	2,208	2,109	4,229	4,851						
Total Liabilities	15,893	16,986	13,278	15,462	15,627						
Shareholders' equity	11,732	13,869	16,296	18,686	20,634						
BVPS	489.36	578.48	679.72	779.42	860.68						

Source: Company reports and J.P. Morgan estimates.

PetroChina

www.petrochina.com.cn/ptr

Company description

PetroChina is the largest oil company in China and one of the largest globally. PetroChina is integrated with E&P, R&C, Marketing and pipelines. In 2010, crude production was 2.35 mn BOPD and natural gas 1.06 mn BOEPD, refining throughout was 2.48 mn BOPD, olefin production 7.4 mn tonnes and it operated over 40,000 km of pipelines (crude, products and natural gas). PetroChina has SEC proven reserves of 21.8 bn BOE (48% natural gas; 70% of crude is developed). PetroChina operates 18,000 retail stations in China.

Key drivers of performance in an equity market recovery

Despite a recovery we still expect lower oil prices, which is likely to benefit refining but hurt upstream almost equally. Main negative drivers for PetroChina are losses related to natural gas imports and capex spending without generating much operational growth, hence diluting returns below 15% ROE (from 20-25% historically).

How much recovery has already been priced in, what are the key metrics?

PetroChina is the most expensive of the three oil majors in China and hence has not, in our view, de-rated enough to reflect the current downturn, let alone the deteriorating fundamentals of the company. We believe a 20-25% multiple contraction is justified, considering sub-15% ROE generation capacity in the next couple of years.

Where's the earnings risk for 2012?

Earnings upside risk lies with higher natural gas prices offsetting import losses, although necessary price hike up towards 20% in 2012 is needed in order to offset increased losses from 2011E on higher volumes (another 20% to offset 2011E losses). In the event of higher oil prices, without it hitting refining profits (ie some NDRC price hike), it should generate better earnings and ROEs, and will be positive against our expectations.

Price target and key recovery risks

We have an UW rating and Dec-12 PT of HK\$8.50. PT is based on a 10% premium to DCF (DCF is based on US\$85/bbl long term oil price and 10.6% WACC). Risks to our rating and PT are higher oil prices, natural gas prices and NDRC following up with product prices. We prefer Sinopec in the Chinese oil-major space.

PetroChina (Reuters: 0857.HK, Bloomberg: 857 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	1,019,275	1,465,415	1,418,941	1,336,341	1,342,447
Net Profit (Rmb mn)	103,387	139,992	135,037	136,387	135,422
EPS (Rmb)	0.56	0.76	0.74	0.75	0.74
DPS (Rmb)	0.27	0.29	0.33	0.34	0.33
Revenue Growth (%)	(5%)	44%	(3%)	(6%)	0%
EPS Growth (%)	(10%)	35%	(4%)	1%	(1%)
ROCE	14%	17%	15%	13%	12%
ROE	13%	16%	14%	13%	12%
P/E	14.5	10.7	11.1	11.0	11.1
P/BV	1.8	1.6	1.5	1.4	1.3
EV/EBITDA	7.0	5.6	5.6	5.5	5.3
Dividend Yield	3.3%	3.5%	4.0%	4.1%	4.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: HK\$10.04

Price Target: HK\$8.50

China

Oil, Gas and Petrochemicals

Brynjar Bustnes^{AC}

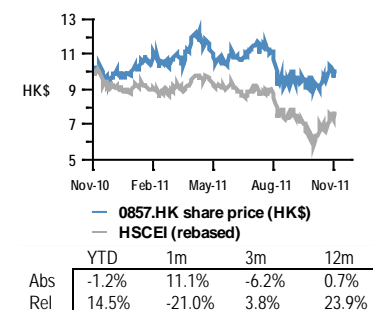
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Bloomberg JPMA BUSTNES <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares Outstanding (mn)	183,021
Market Cap (Rmb mn)	1,844,852
Market Cap (\$ mn)	290,482
Price (HK\$)	10.04
Date Of Price	04 Nov 11
Free float (%)	13.3%
Avg Daily Volume (mn)	126
Avg Daily Value (HK\$ mn)	1,411
Avg Daily Value (\$ mn)	182
HSCEI	10,686
Exchange Rate	7.77
Fiscal Year End	Dec

PetroChina: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	1,019,275	1,465,415	1,418,941	1,336,341	1,342,447	EBIT	143,444	187,777	189,234	186,780	181,129
% change Y/Y	(5%)	44%	(3%)	(6%)	0%	Depr. & amortization	92,259	113,209	129,430	147,598	160,737
EBITDA	235,703	300,986	318,664	334,378	341,866	Change in working capital	37,833	31,741	-1,031	-1,833	136
% change Y/Y	(7%)	28%	6%	5%	2%	Taxes	-16,412	-26,169	-39,888	-39,255	-38,800
EBIT	143,444	187,777	189,234	186,780	181,129	Cash flow from operations	258,159	306,348	278,452	293,440	306,834
% change Y/Y	(10%)	31%	1%	(1%)	(3%)	Capex	-277,518	-265,571	-320,000	-288,300	-213,313
EBIT Margin	14%	13%	13%	14%	13%	Disposal/(purchase)	-	-	-	-	-
Net Interest	-3,813	-4,338	-8,621	-9,703	-6,772	Net Interest	-3,813	-4,338	-8,621	-9,703	-6,772
Earnings before tax	140,032	189,305	189,941	186,930	184,761	Other	-	-	-	-	-
% change Y/Y	(14%)	35%	0%	(2%)	(1%)	Free cash flow	-19,359	40,777	-41,548	5,140	93,521
Tax	-33,473	-38,513	-39,888	-39,255	-38,800	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	23.9%	20.3%	21.0%	21.0%	21.0%	Debt raised/(repaid)	77,401	52,656	85,000	40,000	0
Net income (reported)	103,387	139,992	135,037	136,387	135,422	Other	49,037	-35,320	0	0	-20,000
% change Y/Y	(10%)	35%	(4%)	1%	(1%)	Dividends paid	-50,092	-53,198	-60,767	-61,374	-60,940
Shares outstanding	183,021	183,021	183,021	183,021	183,021	Beginning cash	33,150	86,925	45,709	28,394	12,160
EPS (reported)	0.56	0.76	0.74	0.75	0.74	Ending cash	86,925	45,709	28,394	12,160	24,741
% change Y/Y	(10%)	35%	(4%)	1%	(1%)	DPS	0.27	0.29	0.33	0.34	0.33
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	86,925	45,709	28,394	12,160	24,741	EBITDA margin	23%	21%	22%	25%	25%
Accounts receivable	33,053	50,960	49,344	46,471	46,684	Operating margin	14%	13%	13%	14%	13%
Inventories	114,781	134,888	130,610	123,007	123,569	Net margin	10%	10%	10%	10%	10%
Others	59,624	54,835	53,192	50,270	50,486	Sales per share growth	(5%)	44%	(3%)	(6%)	0%
Current assets	294,383	286,392	261,540	231,909	245,480	Sales growth	(5%)	44%	(3%)	(6%)	0%
LT investments	-	-	-	-	-	Net profit growth	(10%)	35%	(4%)	1%	(1%)
Net fixed assets	1,075,467	1,238,599	1,429,169	1,569,871	1,622,448	EPS growth	(10%)	35%	(4%)	1%	(1%)
Total Assets	1,450,288	1,656,487	1,822,205	1,933,276	1,999,423	Interest coverage (x)	61.82	69.38	36.96	34.46	50.48
Liabilities						Net debt to equity	17%	20%	29%	32%	27%
Short-term loans	148,851	102,268	102,268	102,268	82,268	Sales/assets	0.77	0.94	0.82	0.71	0.68
Payables	204,739	270,191	261,622	246,392	247,518	Assets/equity	1.56	1.66	1.72	1.78	1.72
Others	34,963	57,277	57,277	57,277	57,277	ROE	13%	16%	14%	13%	12%
Total current liabilities	388,553	429,736	421,167	405,937	387,063	ROCE	14%	17%	15%	13%	12%
Long-term debt	85,471	131,352	216,352	256,352	256,352						
Other liabilities	68,563	85,270	85,270	85,270	85,270						
Total Liabilities	542,587	646,358	722,789	747,559	728,685						
Shareholders' equity	847,223	938,926	1,013,196	1,088,209	1,162,691						
BVPS	4.63	5.13	5.54	5.95	6.35						

Source: Company reports and J.P. Morgan estimates.

Philippine National Bank

www.pnb.com.ph

Company description

Philippine National Bank (PNB) is the 5th largest bank in the Philippines, with an asset base of PhP300bn. It was formerly the government's depository bank, prior to its privatisation in 1995. As such it has a nationwide network of branches. Its major shareholder is Lucio Tan, one of the richest men in the Philippines with interests in diverse sectors like beverages, airlines, liquor, cigarettes, property, agriculture, among others.

Key drivers of performance in an equity market recovery

With an asset quality clean-up lasting well over a decade, PNB's lending operations remain weak. For this reason, it is unlikely to benefit much operationally from an improved macro environment by way of robust loan growth.

How much recovery has already been priced in, what are the key metrics?

PNB has been one of the best performers in the Philippines over the past month, outperforming the index by 6%. We consider this unwarranted, and may be due to market speculation that the bank may potentially be sold in an industry consolidation process. We note that Lucio Tan may be looking to dispose some of his businesses after selling his very first business Fortune Tobacco fairly recently to Philip Morris.

Where's the earnings risk for 2012?

Our forecast is for earnings growth of 48% in 2012, but this is mainly due to an assumed sharp decline in credit costs. However, any sign of new NPL formation is an earning risk, which is quite possible as the bank tries to resume lending once again.

Price target and key recovery risks

We have an UW on PNB with a Dec-12 PT of PhP38 based on DDM which implies a 2012 P/B of 0.7x. Note that PNB has the sector's lowest ROE on our estimates of 8.6% in 2012E, thus we think it remains far from covering its cost of capital.

Underweight

Price: Php55.05

Price Target: Php38.00

Philippines

Banks

Gilbert Lopez^{AC}

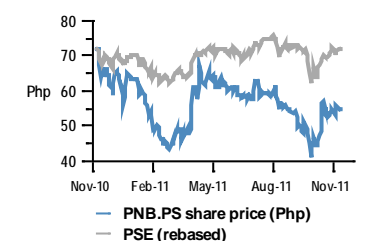
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Bloomberg JPMA LOPEZ <GO>

J.P. Morgan Securities Philippines, Inc.

Price Performance



	YTD	1m	3m	12m
Abs	-13.3%	15.9%	-4.3%	-23.3%
Rel	-16.0%	9.1%	-3.9%	-23.7%

Source: Bloomberg.

Philippine National Bank (Reuters: PNB.PS, Bloomberg: PNB PM)

Year-end Dec (Php in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (Php mn)	4,486	6,702	3,995	4,895	5,841
Net Profit (Php mn)	2,186	3,515	2,080	3,097	3,877
Cash EPS (Php)	3.30	5.30	3.14	4.67	5.85
Fully Diluted EPS (Php)	3.30	5.30	3.14	4.67	5.85
DPS (Php)	0.00	0.00	0.00	0.00	2.34
EPS growth (%)	97.3%	60.8%	(40.8%)	48.9%	25.2%
ROE	7.3%	11.0%	6.1%	8.6%	10.1%
P/E	16.7	10.4	17.5	11.8	9.4
BVPS (Php)	46.54	50.25	52.64	56.55	59.31
P/BV	1.2	1.1	1.0	1.0	0.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	4.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

52-wk range (Php)	74.50 - 41.00
Market cap (Php mn)	36,457
Market cap (\$ mn)	850
Shares outstanding (mn)	662
Fiscal Year End	Dec
Price (Php)	55.05
Date Of Price	08 Nov 11
Avg daily value (Php mn)	84.0
Avg daily value (\$ mn)	2.0
Avg daily vol (mn)	1.7
PSE	4,315
Exchange Rate	42.90

Philippine National Bank: Summary of Financials

Income Statement						Growth Rates					
Php in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E		FY08	FY09	FY10	FY11E	FY12E
NIM (as % of avg. assets)	3.2%	3.5%	3.2%	3.1%	3.1%	Loans	30.5%	-1.2%	8.6%	13.9%	9.1%
Earning assets/assets	79.7%	81.8%	83.1%	84.1%	84.1%	Deposits	12.6%	6.5%	5.7%	5.0%	5.0%
Margins (% of earning assets)	2.6%	2.8%	2.7%	2.6%	2.6%	Assets	14.9%	2.9%	6.6%	9.2%	7.5%
						Equity	-3.1%	5.7%	8.0%	4.7%	7.4%
Net Interest Income	6,619	7,879	7,802	8,350	9,036	RWA	5.3%	5.3%	3.0%	12.0%	12.0%
Total Non-Interest Income	5,542	7,333	8,825	5,806	6,464	Net Interest Income	12.6%	19.0%	-1.0%	7.0%	8.2%
Fee Income	2,353	2,260	2,125	2,125	2,379	Non-Interest Income	-35.9%	32.3%	20.3%	-34.2%	11.3%
Dealing Income	-	-	-	-	-	of which Fee Grth	-0.9%	-4.0%	-6.0%	0.0%	12.0%
Other Operating Income	1,566	2,052	2,763	1,713	1,918	Revenues	(63.6%)	31.0%	34.6%	(38.0%)	12.0%
Total operating revenues	12,161	15,212	16,627	14,157	15,499	Costs	1.1%	16.2%	-7.5%	2.4%	4.4%
						Pre-Provision Profits	-	-	-	-	-
Operating costs	-9,233	-10,726	-9,925	-10,162	-10,605	Loan Loss Provisions	-70.6%	56.2%	59.3%	-50.3%	-38.1%
						Pre-Tax	-6.9%	51.8%	44.4%	-34.9%	48.4%
Pre-Prov. Profits	2,928	4,486	6,702	3,995	4,895	Attributable Income	-25.7%	97.3%	60.8%	-40.8%	48.9%
Provisions	964	1,506	2,400	1,194	738	EPS	-30.1%	97.3%	60.8%	-40.8%	48.9%
Other Inc/Exp.	-	-	-	-	-	DPS	-	-	-	-	-
Exceptionals	-	-	-	-	-						
Disposals/ other income	-	-	-	-	-						
Pre-tax	3,892	5,993	9,102	5,188	5,633	Balance Sheet Gearing	FY08	FY09	FY10	FY11E	FY12E
Tax	844	780	767	700	1,039	Loan/deposit	51.2%	47.1%	49.0%	53.7%	56.2%
Minorities	12	14	20	20	20	Investment/assets	32.0%	34.9%	35.8%	34.4%	33.6%
Other Distbn.	-	-	-	-	-	Loan/Assets	37.4%	35.7%	36.7%	38.7%	39.6%
Attributable Income	1,108	2,186	3,515	2,080	3,097	Customer deposits/liab.	81.8%	84.9%	84.3%	80.6%	78.8%
						LT debt/liabilities	12.2%	11.7%	12.3%	11.8%	11.6%
Per Share Data Php	FY08	FY09	FY10	FY11E	FY12E	Asset Quality/Capital	FY08	FY09	FY10	FY11E	FY12E
EPS	1.67	3.30	5.30	3.14	4.67	Loan loss reserves/loans	10.7%	11.5%	10.5%	9.7%	9.0%
DPS	0.00	0.00	0.00	0.00	0.00	NPLs/loans	8.7%	7.0%	6.2%	5.2%	4.8%
Payout	0.0%	0.0%	0.0%	0.0%	0.0%	Loan loss reserves/NPLs	123.9%	163.5%	170.2%	185.8%	187.5%
Book value	44.02	46.54	50.25	52.64	56.55	Growth in NPLs	-3.1%	-20.0%	-4.3%	-4.0%	0.0%
Fully Diluted Shares	663.00	663.00	663.00	663.00	663.00	Tier 1 Ratio	11.7%	11.7%	12.8%	11.9%	11.4%
PPOP per share	4.70	6.77	10.11	6.03	7.38	Total CAR	18.8%	18.5%	19.4%	17.9%	16.7%
Key Balance sheet Php in millions	FY08	FY09	FY10	FY11E	FY12E	Du-Pont Analysis	FY08	FY09	FY10	FY11E	FY12E
Net Loans	103,120	101,041	110,940	127,581	140,339	NIM (as % of avg. assets)	3.2%	3.5%	3.2%	3.1%	3.1%
LLR	-12,397	-13,097	-13,046	-13,675	-13,797	Earning assets/assets	79.7%	81.8%	83.1%	84.1%	84.1%
Gross Loans	115,517	114,138	123,986	141,256	154,136	Margins (as % of Avg. Assets)	2.6%	2.8%	2.7%	2.6%	2.6%
NPLs	10,007	8,008	7,666	7,360	7,360	Non-Int. Rev./ Revenues	40.4%	42.5%	45.5%	36.6%	37.1%
Investments	88,251	98,929	108,146	113,554	119,231	Non IR/Avg. Assets	2.2%	2.6%	3.0%	1.8%	1.9%
Other earning assets	34,177	34,434	31,530	34,683	38,152	Revenue/Assets	4.7%	5.4%	5.7%	4.5%	4.5%
Avg. IEA	205,343	228,445	243,164	265,867	287,897	Cost/Income	75.9%	70.5%	59.7%	71.8%	68.4%
Goodwill	-	-	-	-	-	Cost/Assets	3.6%	3.8%	3.4%	3.2%	3.1%
Assets	275,421	283,300	302,133	329,911	354,519	Pre-Provision ROA	8.3%	9.3%	9.1%	7.7%	7.6%
						LLP/Loans	0.9%	1.3%	2.0%	0.9%	0.5%
Deposits	201,272	214,317	226,436	237,758	249,646	Loan/Assets	39.6%	41.1%	40.7%	42.0%	43.2%
Long-term bond funding	33,527	33,024	37,191	39,050	41,003	Other Prov. Income/ Assets	-	-	-	-	-
Other Borrowings	14,032	14,032	14,226	14,226	14,226	Operating ROA	8.7%	9.8%	9.9%	8.1%	7.8%
Avg. IBL	220,000	241,070	255,484	270,217	283,728	Pre-Tax ROA	8.7%	9.8%	9.9%	8.1%	7.8%
Avg. Assets	257,563	279,361	292,717	316,022	342,215	Tax rate	43.0%	26.2%	17.8%	25.0%	25.0%
Common Equity	29,187	30,855	33,318	34,898	37,495	Minorities & Outside Distbn.	0.5%	0.5%	0.7%	0.6%	0.6%
RWA	197,128	207,503	213,657	239,295	268,011	ROA	0.4%	0.8%	1.2%	0.7%	0.9%
Avg. RWA	192,200	202,316	210,580	226,476	253,653	RORWA	0.6%	1.1%	1.7%	0.9%	1.2%
						Equity/Assets	11.5%	10.7%	11.0%	10.8%	10.6%
						ROE	3.7%	7.3%	11.0%	6.1%	8.6%

Source: Company reports and J.P. Morgan estimates.

PICC Property and Casualty

www.picc.com/

Company description

PICC, which was listed in Hong Kong in 2003, is the biggest player in the non-life insurance sector with a premium market share of 38% in 2010.

Key drivers of performance in an equity market recovery

We see three major drivers driving its share performance in 2012, namely combined ratio trend, investment performance and capital strength. While we expect PICC to benefit from a recovery in A-share markets, we see difficulties in further lowering its combined ratio given limited room to raise premium rate while claims to escalate on inflationary pressure. The new regulations on sub-debt issuance would make it more difficult for PICC to continue to rely on sub-debts to satisfy its capital need.

How much recovery has already been priced in, what are the key metrics?

PICC traded at 2.0x P/BV at the end of 2008 with combined ratio of 103%. As of Nov 4, 2011, it is trading at 3.6x FY11E P/BV with expected combined ratio of 96%. While the current multiple is not excessive, its earnings are highly vulnerable to changes in combined ratio. Based on our estimates, a 1ppt increase in combined ratio would result in a 14% decrease in FY12E earnings.

Where's the earnings risk for 2012?

The upside earnings risk comes from a slower-than-expected increase in combined ratio as it draws down the additional reserves set aside. The CIRC might give PICC a preferential treatment by not requiring PICC to strictly adhere to the new regulations on sub-debt issuance and hence alleviating the concerns on weak capitalization which would result in either an equity capital raising or reduction in earnings given the increased use of re-insurance.

Price target and key recovery risks

Our Dec-12 PT of HK\$12.50 is based on target P/BV of 3.1x, which is derived by relating a normalized ROE to a required return with growth credited. Recovery risks are weak capital position and deterioration in auto underwriting.

PICC Property and Casualty (Reuters: 2328.HK, Bloomberg: 2328 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Net Profit (Rmb mn)	1,783.0	5,212.0	8,394.4	8,079.4	8,403.4
EPS (Rmb)	0.16	0.47	0.75	0.73	0.75
EPS growth (%)	1532.6%	192.4%	61.1%	-3.8%	4.0%
BVPS (Rmb)	1.95	2.39	2.67	3.30	3.90
DPS (Rmb)	0.00	0.00	0.23	0.10	0.15
P/E (x)	58.7	20.1	12.5	12.9	12.4
P/BV (x)	4.8	3.9	3.5	2.8	2.4
Dividend Yield	0.0%	0.0%	2.4%	1.1%	1.6%
ROE	8.6%	21.6%	29.8%	24.3%	20.9%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: HK\$11.50

Price Target: HK\$12.50

China

Insurance

Baoling Chan^{AC}

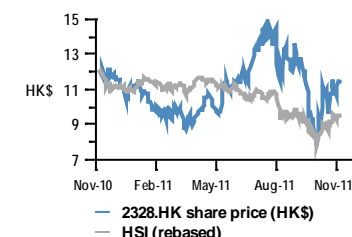
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



	YTD	1m	3m	12m
Abs	2.1%	21.4%	-2.2%	-4.2%
Rel	16.7%	10.3%	3.9%	17.0%

Source: Bloomberg.

Company Data

Shares O/S (mn)	3,456
Market cap (Rmb mn)	32,439
Market cap (\$ mn)	5,117
Price (HK\$)	11.50
Date Of Price	07 Nov 11
Free float (%)	31.0%
3mth Avg daily volume	31.04
3M - Average daily Value (HK\$ mn)	346.73
Average 3m Daily Turnover (\$ mn)	44.59
HSI	19,843
Exchange Rate	7.77
Fiscal Year End	Dec

PICC Property & Casualty: Summary of Financials

Income statement (Rmbmn)						Capital strength					
	2009	2010	2011E	2012E	2013E		2009	2010	2011E	2012E	2013E
Auto	85,529	115,759	127,335	143,888	164,033	NWPs/shareholders' funds	475%	514%	477%	437%	421%
Commercial property	9,491	10,570	11,627	12,557	13,562	Insurance reserves/shareholders' funds	452%	474%	467%	432%	416%
Liability	4,656	5,442	6,258	7,009	7,710	Solvency margin ratio	111%	115%	136%	148%	139%
Others	20,095	22,536	26,403	30,125	34,150						
Gross written premiums	119,771	154,307	171,623	193,580	219,455	Liquidity tests					
Reinsurance ceded	(16,422)	(17,618)	(29,462)	(33,127)	(36,422)	Quick liquidity (Cash & deposits/liab.)	22.4%	18.2%	28.5%	25.2%	21.2%
Net written premiums	103,349	136,689	142,161	160,453	183,033	Current liquidity (Total investment/liab.)	76.5%	85.6%	96.5%	100.7%	103.4%
Change in unearned premium reserve	(10,053)	(13,699)	(2,736)	(9,146)	(11,290)	Profitability measure					
Net earned premiums	93,296	122,990	139,425	151,307	171,743	Underwriting margin	-2.2%	2.2%	4.3%	2.4%	1.4%
Net loss incurred	(64,517)	(82,908)	(92,515)	(102,230)	(117,330)	Operating margin	2.3%	5.3%	8.0%	7.1%	6.5%
Acquisition costs	(19,795)	(23,412)	(24,120)	(27,538)	(31,687)	Loss ratio	69.2%	67.4%	66.4%	67.6%	68.3%
G&A expenses	(11,044)	(13,943)	(16,731)	(17,854)	(20,266)	- Auto loss ratio	69.5%	68.2%	68.3%	68.9%	69.2%
Underwriting results	(2,060)	2,727	6,059	3,685	2,460	Expenses ratio	33.1%	30.4%	29.3%	30.0%	30.3%
Interest & dividend income	2,866	3,968	6,015	7,464	8,681	Combined ratio	102.2%	97.8%	95.7%	97.6%	98.6%
Realized and unrealized gains/losses	1,711	1,078	385	1,044	1,493	Net investment yield (int. & div. inc.)	3.0%	3.0%	3.5%	3.6%	3.7%
Other income/expenses	(350)	(1,279)	(1,266)	(1,421)	(1,430)	Total investment yield	4.8%	3.9%	3.7%	4.1%	4.3%
Operating results	2,167	6,494	11,193	10,773	11,205	ROA	1.2%	2.8%	3.9%	3.3%	3.1%
Tax	(384)	(1,282)	(2,798)	(2,693)	(2,801)	ROE	8.6%	21.6%	29.8%	24.3%	20.9%
Net profit	1,783	5,212	8,394	8,079	8,403						

Balance sheet (Rmbmn)						Per share data					
	2009	2010	2011E	2012E	2013E		2009	2010	2011E	2012E	2013E
Bonds	61,764	94,773	104,730	125,715	148,106	EPS (Rmb)	0.16	0.47	0.75	0.73	0.75
Equities	15,327	20,612	26,903	35,601	45,571	Y/Y	1536%	192%	61%	-4%	4%
Cash & bank deposits	32,143	32,209	56,689	55,626	51,900	EPS (HK\$)	0.18	0.55	0.93	0.90	0.93
Other investments	706	3,940	3,843	5,563	7,595	Y/Y	1538%	204%	69%	-4%	4%
Total investments	109,940	151,534	192,165	222,504	253,172	DPS (Rmb)	0.00	0.00	0.23	0.10	0.15
Other assets	55,443	52,023	36,777	35,280	35,225	Y/Y	n.m.	n.m.	n.m.	-56%	50%
Total assets	165,383	203,557	228,943	257,785	288,397	BVPS (Rmb)	1.95	2.39	2.67	3.30	3.90
Insurance reserves	98,400	126,049	139,250	158,932	180,837	Y/Y	10.2%	22.3%	12.0%	23.4%	18.3%
Sub-debts	8,000	14,157	19,000	19,000	19,000	BVPS (HK\$)	2.22	2.82	3.31	4.08	4.83
Total liabilities	143,620	176,951	199,151	221,028	244,908	Payout ratio	0%	0%	24%	11%	16%
Shareholders' funds	21,763	26,606	29,791	36,757	43,489	No of shares (mn)	11,142	11,142	11,142	11,142	11,142

Income statement growth						Balance sheet growth					
	09, Y/Y	10, Y/Y	11, Y/Y	12, Y/Y	13, Y/Y		09, Y/Y	10, Y/Y	11, Y/Y	12, Y/Y	13, Y/Y
Auto	23%	35%	10%	13%	14%	Bonds	50%	53%	11%	20%	18%
Gross written premiums	18%	29%	11%	13%	13%	Equities	113%	34%	31%	32%	28%
Net premiums earned	17%	32%	13%	9%	14%	Cash & bank deposits	11%	0%	76%	-2%	-7%
Net loss incurred	6%	29%	12%	11%	15%	Other investments	-84%	458%	-2%	45%	37%
Acquisition costs	71%	18%	3%	14%	15%	Total investments	34%	38%	27%	16%	14%
G&A expenses	7%	26%	20%	7%	14%	Other assets	-11%	-6%	-29%	-4%	0%
Underwriting results	-21%	-232%	122%	-39%	-33%	Total assets	15%	23%	12%	13%	12%
Investment & dividend income	-23%	38%	52%	24%	16%	Insurance reserves	13%	28%	10%	14%	14%
Realized and unrealized gains/losses	436%	-37%	-64%	171%	43%	Sub-debts	167%	77%	34%	0%	0%
Operating results	-686%	200%	72%	-4%	4%	Total liabilities	15%	23%	13%	11%	11%
Net profit	1536%	192%	61%	-4%	4%	Shareholders' funds	10%	22%	12%	23%	18%

Source: Company data, J.P. Morgan estimates. Note: We have assumed that proportion of sub-debts to be included in solvency margin ratio calculation would be capped at 50% of shareholders funds.

Poly (HK) Investments Limited

www.polyhongkong.com.hk

Company description

Poly (HK) (119.HK) was formed via backdoor listing in 1993. Between 2006 and 2008, Poly (HK) received several rounds of asset injections from its parent company China Poly Group, which is a State Owned Enterprise, and become focused on property development business in China. Poly (HK) is a mass-end residential developer and has a total landbank of 24 mn sqm GFA. China Poly Group is the largest shareholder of Poly (HK) and most of current management of the company is related with China Poly Group or its sister Company Poly Real Estate (600048.SS).

Key drivers of performance in an equity market recovery

Upon a recovery scenario, we believe Poly (HK) is likely to underperform its peers due to the follow reasons: **(1) High net gearing:** Poly (HK) has a high net gearing due to aggressive expansions in previous years. If market recovers, such high net gearing may limit its flexibility to speed up launches and hence it may benefit less; **(2) Asset injection:** When the market improves, it may be more likely for Poly Group to reconsider assets injection to Poly (HK). However based on empirical evidence these injections may result in slower assets turnover, earnings dilution with only minimal NAV accretion. This is likely bad for the company, in our view.

How much recovery has already been priced in, what are the key metrics?

We believe the recent strength in share price strength has reflected the expectation on potential relaxation of monetary environment in China, which may benefit the real estate sector somehow. Current stock valuation is still 30% below mid-cycle valuation.

Where's the earnings risk for 2012?

Poly (HK) has not launched a large scale discount programme, and if that persist, sales in the coming months are likely to be sluggish. As a result, the key earning risk for 2012 lies on potential delay in delivery, which could be induced by sluggish sales progress.

Price target and key recovery risks

Our Dec-12 PT of HK\$3.00 is based on 5.5x 2012E P/E, at the low-end of state-owned developers due to its higher risk operating model, high net gearing and high financial costs. Key upside risk is stronger than expected demand for Poly's product.

Poly (HK) Investments Limited (Reuters: 0119.HK, Bloomberg: 119 HK)

HK\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (HK\$ mn)	7,197	8,514	13,436	17,709	19,987
Net Profit (HK\$ mn)	662	1,838	1,833	1,960	2,153
Core Profit (HK\$ mn)	632	1,267	1,720	1,960	2,153
EPS (HK\$)	0.30	0.56	0.55	0.59	0.65
Core EPS (HK\$)	0.286	0.385	0.517	0.589	0.647
Core EPS growth (%)	506.4%	34.5%	34.2%	14.0%	9.9%
DPS (HK\$)	0.06	0.16	0.10	0.12	0.13
ROE	6.1%	6.9%	7.6%	8.1%	8.3%
P/E (Core)	12.1	9.0	6.7	5.9	5.4
P/BV (x)	0.7	0.5	0.5	0.5	0.4
BVPS (HK\$)	4.90	6.61	7.00	7.49	8.02
RNAV/Share (HK\$)	-	12.45	8.16	-	-
Dividend Yield	1.7%	4.5%	3.0%	3.4%	3.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: HK\$3.87

Price Target: HK\$3.00

China

Property

Ryan Li, CFA^{AC}

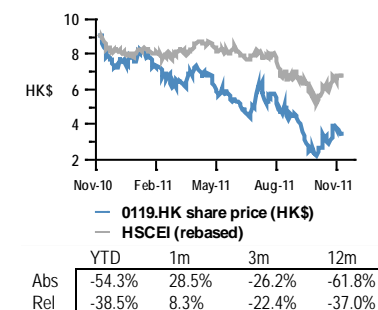
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	3,608
Market cap (HK\$ mn)	12,521
Market cap (\$ mn)	1,612
Price (HK\$)	3.47
Date Of Price	08 Nov 11
Free float (%)	49.3%
3M - Average daily volume	23.89
3M - Average daily Value (HK\$ mn)	82.09
Average 3m Daily Turnover (\$ mn)	10.57
HSCEI	10,686
Exchange Rate (HK\$/US\$)	7.77
Fiscal Year End	Dec

Poly (HK) Investments Limited: Summary of Financials

Profit and Loss Statement					Cash Flow Statement				
HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E	HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	8,514	13,436	17,709	19,987	EBIT	2,777	3,947	4,201	4,202
% change Y/Y	18.3%	57.8%	31.8%	12.9%	Depr. & amortization	83	87	92	96
EBIT	2,777	3,947	4,201	4,202	Change in working capital	-14,438	-13,974	-1,390	-68
% change Y/Y	142.0%	42.1%	6.5%	0.0%	Others	-1,683	-2,300	-2,918	-3,146
EBIT margin (%)	32.6%	29.4%	23.7%	21.0%	Cash flow from operations	-13,680	-12,109	139	1,275
Net Interest	-258	-243	-319	-356	Capex	-2,237	-317	-322	-322
Earnings before tax	2,580	3,703	3,883	3,858	Disposal/(purchase)	397	-	-	-
% change Y/Y	137.3%	43.6%	4.9%	-0.6%	Net Interest	52	-	-	-
Tax	-1,014	-1,524	-1,569	-1,480	Free cash flow	-15,917	-12,426	-183	953
as % of EBT	39.3%	41.2%	40.4%	38.4%	Equity raised/(repaid)	3,527	0	0	0
Net income (reported)	1,838	1,833	1,960	2,153	Debt raised/(repaid)	18,401	6,977	-5,877	1,700
% change Y/Y	177.7%	-0.3%	6.9%	9.9%	Other	-762	2,500	1,500	1,500
Core net profit	1,267	1,720	1,960	2,153	Dividends paid	-265	-516	-344	-392
% change Y/Y	100.6%	35.7%	14.0%	9.9%	Beginning cash	10,100	15,873	12,408	7,503
Shares outstanding (mn)	3,330	3,330	3,330	3,330	Ending cash	15,873	12,408	7,503	11,264
EPS (reported) (HK\$)	0.56	0.55	0.59	0.65	DPS (HK\$)	0.16	0.10	0.12	0.13
% change Y/Y	86.1%	(1.4%)	6.9%	9.9%					
Core EPS (HK\$)	0.38	0.52	0.59	0.65					
% change Y/Y	34.5%	34.2%	14.0%	9.9%					
Balance Sheet					Ratio Analysis				
HK\$ in millions, year end Dec	FY10	FY11E	FY12E	FY13E	% , year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	16,055	12,590	7,685	11,446	EBIT Margin	32.6%	29.4%	23.7%	21.0%
Accounts receivable	1,392	1,392	1,392	1,392	Operating margin	30.2%	27.6%	21.9%	19.2%
Inventories	43,528	62,622	68,988	75,758	Net margin	21.6%	13.6%	11.1%	10.8%
Others	1,367	1,267	1,167	1,067	SG&A/Sales	-	-	-	-
Current assets	62,352	77,881	79,242	89,673	Sales per share growth	(20.7%)	56.0%	31.8%	12.9%
LT investments	419	419	419	419	Sales growth	18.3%	57.8%	31.8%	12.9%
Net fixed assets	6,777	6,973	7,152	7,305	Net profit growth	177.7%	-0.3%	6.9%	9.9%
Total Assets	73,861	89,577	91,107	101,680	EPS growth	86.1%	(1.4%)	6.9%	9.9%
Liabilities					Interest coverage (x)	11.07	16.58	13.47	12.07
ST Loans	9,523	18,377	8,800	12,231	Net debt to total capital	35.7%	43.2%	40.1%	36.8%
Payables	3,881	3,881	3,881	3,881	Net debt to equity	62.5%	103.7%	93.1%	79.3%
Others	15,409	22,371	27,809	34,696	Sales/assets	0.15	0.16	0.20	0.21
Total current liabilities	28,813	44,629	40,490	50,809	Assets/equity	3.36	3.84	3.65	3.81
Long-term debt	20,301	18,423	22,123	20,392	ROE	6.9%	7.6%	8.1%	8.3%
Other liabilities	918	918	918	918	ROCE	7.2%	7.0%	7.2%	7.3%
Total Liabilities	50,032	63,971	63,532	72,119					
Shareholders' equity	22,010	23,327	24,943	26,704					
BVPS	6.61	7.00	7.49	8.02					

Source: Company reports and J.P. Morgan estimates.

President Chain Store

www.7-11.com.tw

Company description

PCSC is a retailing group that mainly operates 7-Eleven convenience store chains in Taiwan. The 7-Eleven chain stores provide 24-hour shopping, fresh food services, bill collection services, and ATM. The company has stakes in other retail operations such as Cosmed, Starbucks, Mister Donut, and Hankyu Department Store. PCSC also has exposure to China with drugstore operations in Guangzhou, supermarkets in Shandong, hypermarkets in Sichuan, Starbucks and 7-Eleven stores in Shanghai.

Key drivers of performance in an equity market recovery

As a domestic retailing leader, PCSC has outperformed export stocks during macro uncertainty due to its staple nature and defensive earnings. However, the growth momentum tends to slow down in the early stage of recovery because domestic consumption lags the export segment. In the later stage of recovery, PCSC would then benefit from strengthening purchasing power and consumer confidence. In addition, the joint-promotion among 7-Eleven and other subsidiaries within the group also helps boost earnings growth.

How much recovery has already been priced in, what are the key metrics?

At the current valuation (20x FY12E EPS), we believe the market has fully factored in PCSC's defensive earnings nature and scarcity premium in the Taiwan consumption space. However, disappointing 3Q11 results showed an initial sign of slowdown in domestic consumption. We believe that the second derivative impact of a weakening export sector in Taiwan could eventually hamper consumer demand further in 1H12. In addition, PCSC is still adjusting the business model of 7-Eleven in Shanghai; the breakeven timing of China investment may be delayed to 2H13 or even 2014 due to a slowing expansion process and increasing logistics investment.

Where's the earnings risk for 2012?

We see further downside risk from our estimates if 1) SSSG continues to slow down, 2) operating margin declines further due to rising rental costs or aggressive promotion expenses, and 3) expansion costs from China investment widen.

Price target and key recovery risks

Our Dec-12 PT of NT\$186 is based on a SOTP methodology. The core business is valued at NT\$137 per share based on DCF, while the remaining NT\$49 per share comes from LT investments. Our PT of NT\$186 is equivalent to 22x FY12E EPS of NT\$8.1. Upside risks: 1) Lower-than-expected expansion costs in China, 2) stronger-than-expected domestic consumption demand. Downside risks: 1) unexpected impairment loss of long-term investment, 2) weaker-than-expected SSSG.

President Chain Store Corp. (Reuters: 2912.TW, Bloomberg: 2912 TT)

NT\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (NT\$ mn)	101,756	114,664	125,010	137,928	146,068
Net Profit (NT\$ mn)	4,059.1	5,725.8	7,268.4	8,375.0	9,432.2
EPS (NT\$)	3.90	5.51	6.99	8.06	9.07
DPS (NT\$)	2.04	3.60	4.90	5.59	6.44
Revenue growth (%)	-0.4%	12.7%	9.0%	10.3%	5.9%
EPS growth (%)	15.3%	41.1%	26.9%	15.2%	12.6%
ROCE	18.2%	26.0%	34.7%	37.8%	38.8%
ROE	23.0%	29.3%	34.1%	35.4%	35.9%
P/E (x)	41.2	29.2	23.0	20.0	17.7
P/BV (x)	8.8	8.3	7.5	6.7	6.0
EV/EBITDA (x)	11.4	8.4	6.7	5.6	4.8
Dividend Yield	1.3%	2.2%	3.0%	3.5%	4.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: NT161.0

Price Target: NT\$186.00

Taiwan

Food Retailing

Caren Huang^{AC}

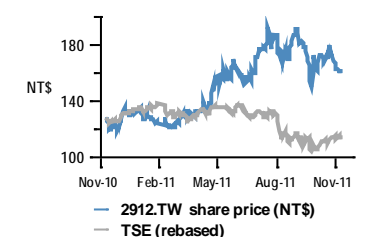
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Bloomberg JPMA CHUANG <GO>

J.P. Morgan Securities (Taiwan) Limited

Price Performance



	YTD	1m	3m	12m
Abs	19.7%	-6.7%	-6.4%	26.3%
Rel	35.4%	-11.6%	-7.3%	36.8%

Source: Bloomberg.

Company Data	
Shares O/S (mn)	1,040
Market cap (NT\$ mn)	167,379
Market cap (\$ mn)	5,575
Price (NT\$)	161.00
Date Of Price	09 Nov 11
Free float (%)	49.0%
3mth Avg daily volume	3.10
3M - Avg daily Value (NT\$ mn)	531.34
3M - Avg daily Value (USD) (\$ mn)	17.77
TSE	7,562
Exchange Rate	30.02
Fiscal Year End	Dec

President Chain Store Corp.: Summary of Financials

Income Statement						Cash flow statement					
NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	101,756	114,664	125,010	137,928	146,068	EBIT	4,685	6,663	8,785	10,128	11,417
% change Y/Y	(0.4%)	12.7%	9.0%	10.3%	5.9%	Depr. & amortization	1,865	1,905	1,245	1,283	1,166
EBITDA	6,551	8,568	10,030	11,411	12,583	Change in working capital	-	-	-	-	-
% change Y/Y	3.1%	30.8%	17.1%	13.8%	10.3%	Taxes	-585	-903	-1,489	-1,715	-1,932
EBIT	4,685	6,663	8,785	10,128	11,417	Cash flow from operations	7,445	7,462	11,565	11,173	11,463
% change Y/Y	3.3%	42.2%	31.9%	15.3%	12.7%	Capex	-1,284	-1,808	-1,977	-1,500	-500
EBIT Margin	4.6%	5.8%	7.0%	7.3%	7.8%	Disposal/(purchase)	14	37	23	0	0
Net Interest	-41	-34	60	139	249	Net Interest	-41	-34	60	139	249
Earnings before tax	4,644	6,629	8,757	10,090	11,364	Other	-105	-45	918	951	961
% change Y/Y	6.0%	42.8%	32.1%	15.2%	12.6%	Free cash flow	3,674	5,199	9,506	9,124	9,925
Tax	-585	-903	-1,489	-1,715	-1,932	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	12.6%	13.6%	17.0%	17.0%	17.0%	Debt raised/(repaid)	-2,000	-2,100	-1,900	-	3,000
Net income (reported)	4,059.1	5,725.8	7,268.4	8,375.0	9,432.2	Other	-16	-34	0	0	0
% change Y/Y	15.3%	41.1%	26.9%	15.2%	12.6%	Dividends paid	-1,867	-3,743	-5,094	-5,815	-6,700
Shares outstanding	1,040	1,040	1,040	1,040	1,040	Beginning cash	5,512	5,304	4,626	7,138	10,447
EPS (reported)	3.90	5.51	6.99	8.06	9.07	Ending cash	5,304	4,626	7,138	10,447	13,672
% change Y/Y	15.3%	41.1%	26.9%	15.2%	12.6%	DPS	2.04	3.60	4.90	5.59	6.44
Balance sheet						Ratio Analysis					
NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	NT\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	5,304	4,626	7,138	10,447	13,672	EBITDA margin	6.4%	7.5%	8.0%	8.3%	8.6%
Accounts receivable	348	458	411	479	511	Operating margin	4.8%	4.8%	5.2%	5.1%	5.2%
Inventories	2,946	2,932	3,215	3,598	3,805	Net margin	4.0%	5.0%	5.8%	6.1%	6.5%
Others	1,557	1,244	1,244	1,244	1,244	Sales per share growth	(0.4%)	12.7%	9.0%	10.3%	5.9%
Current assets	17,415	18,319	21,068	24,829	28,293	Sales growth	(0.4%)	12.7%	9.0%	10.3%	5.9%
LT investments	21,280	20,750	21,750	23,250	25,250	Net profit growth	15.3%	41.1%	26.9%	15.2%	12.6%
Net fixed assets	7,620	7,765	8,520	8,737	8,071	EPS growth	15.3%	41.1%	26.9%	15.2%	12.6%
Total Assets	48,850	49,272	53,775	59,253	64,051	Interest coverage (x)	157.87	251.96	-	-	-
Liabilities						Net debt to equity	-28.9%	-43.0%	-58.5%	-65.8%	-70.9%
Short-term loans	0	0	0	0	0	Sales/assets	2.12	2.34	2.43	2.44	2.37
Payables	10,686	9,857	14,006	16,834	18,800	Assets/equity	2.67	2.52	2.41	2.38	2.31
Others	9,550	11,635	11,635	11,635	11,635	ROE	23.0%	29.3%	34.1%	35.4%	35.9%
Total current liabilities	20,236	21,492	25,641	28,469	30,435	ROCE	18.2%	26.0%	34.7%	37.8%	38.8%
Long-term debt	7,100	5,000	3,100	3,100	3,100						
Other liabilities	-	-	-	-	-						
Total Liabilities	29,930	29,060	31,389	34,306	36,372						
Shareholders' equity	18,921	20,212	22,386	24,947	27,679						
BVPS	18.20	19.44	21.53	24.00	26.62						

Source: Company reports and J.P. Morgan estimates.

PT Aneka Tambang

www.antam.com

Company description

State-owned PT Aneka Tambang is one of the largest nickel miners in Indonesia, with an installed capacity of about 26,000 tons. Historically, its share price has tracked the outlook for nickel and gold prices, outperforming when prices rise and vice versa. Besides its ferronickel operation, ANTM also operates in gold, silver, and bauxite mining activities. Although currently small, its precious metals business is growing and the company is likely to expand this operation via exploration and acquisition. In terms of operations, nickel price and cost will be the drivers of ANTM's profit. Since the main source of its fuel is currently oil, ANTM is among the high-cost producers in the world. In the next few years, ANTM will raise its leverage, to finance its Tayan Chemical Grade Alumina, Ferronickel Halmahera and Smelter Grade Alumina.

Key drivers of performance in an equity market recovery

(1) Potential decline in gold price during economic recovery from US\$2,150 per t.oz in 4Q11E to US\$1,825 per t.oz in 4Q12E. (2) Increased leverage due to project financing – lowering profit. (3) 11% Y/Y net income decline in FY12E. (4) Execution risk in the form of project delays.

How much recovery has already been priced in, what are the key metrics?

We think that the recovery in nickel prices might have already been priced in by the market. The key metrics to watch are the price movements in nickel and gold in 1H12. Debt level will be another metric to watch.

Where's the earnings risk for 2012?

If the gold price falls below expectations of US\$1,869 per t.oz, there is a potential downside risk to our FY12 net income forecast of Rp1.8 trillion.

Price target and key recovery risks

Our price target is derived using the combination of SOTP/DCF methods. From FY11E volume of 17,500 tons, volume is expected to grow by 9.3% in the long run. The high volume growth is due to expansion of FeNI Halmahera. Nickel price is expected to average US\$22,860/ton in FY11E and the long term real average price is US\$18,000/ton (FY10E real) growing at 10% p.a starting FY15. In FY11E, cash cost is expected to be US\$12,128/ton; rise at the average rate of 1.8 CAGR% in the long term as in FY13E the switching from diesel to coal will lower the cash cost to US\$11,124/ton. The DCF method is derived using a risk-free rate of 7.5%, equity risk premium of 7.25% and terminal growth rate of 5.5%. **Risks:** (1) Rising precious metal prices generate higher profit. (2) Strong Y/Y profit growth in FY11E. (3) Unrecognized upside from joint ventures.

PT Aneka Tambang Tbk (Reuters: ANTM.JK, Bloomberg: ANTM IJ)

Rp in bn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rp bn)	8,711	8,744	10,331	9,442	9,659
Net Profit (Rp bn)	604	1,683	2,022	1,808	1,806
EPS (Rp)	63.35	176.49	211.99	189.58	189.38
DPS (Rp)	57.37	25.34	70.59	84.80	75.83
Revenue Growth (%)	-9.2%	0.4%	18.1%	-8.6%	2.3%
EPS Growth (%)	-55.8%	178.6%	20.1%	-10.6%	-0.1%
ROCE	6.7%	20.5%	22.3%	13.9%	11.6%
ROE	7.5%	19.0%	19.6%	15.6%	14.1%
P/E	26.7	9.6	8.0	8.9	8.9
P/BV	2.0	1.7	1.5	1.3	1.2
EV/EBITDA	13.1	5.2	4.6	5.1	5.7
Dividend Yield	3.4%	1.5%	4.2%	5.0%	4.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: Rp1,690

Price Target: Rp1,600

Indonesia Metal Mining

Stevanus Juanda^{AC}

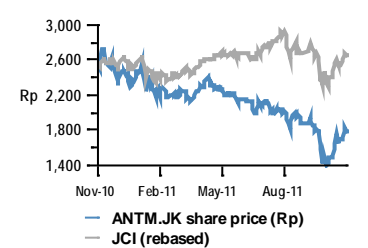
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Bloomberg JPMA JUANDA <GO>

PT J.P. Morgan Securities Indonesia

Price Performance



	YTD	1m	3m	12m
Abs	-27.7%	19.3%	-11.6%	-29.8%
Rel	-29.4%	12.5%	-2.0%	-33.8%

Source: Bloomberg.

Company Data	
Shares Outstanding (bn)	10
Market Cap (Rp bn)	16,120
Market Cap (\$ mn)	1,792
Price (Rp)	1,690
Date Of Price	17 Nov 11
Free float (%)	35.0%
Avg Daily Volume (mn)	1,642
Avg Daily Value (Rp mn)	228,432
Avg Daily Value (\$ mn)	25
JCI	3,792
Exchange Rate	8,995.00
Fiscal Year End	Dec

PT Aneka Tambang Tbk: Summary of Financials

Income Statement						Cash flow statement					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	8,711	8,744	10,331	9,442	9,659	EBIT	588	1,947	2,483	2,172	2,273
% change Y/Y	(9.2%)	0.4%	18.1%	(8.6%)	2.3%	Depr. & amortization	468	473	586	695	924
EBITDA	1,055	2,419	3,069	2,868	3,197	Change in working capital	41	-615	-391	217	-66
% change Y/Y	-51.5%	129.2%	26.9%	-6.6%	11.5%	Taxes	-243	-380	-671	-600	-599
EBIT	588	1,947	2,483	2,172	2,273	Cash flow from operations	995	2,005	2,272	2,710	2,855
% change Y/Y	NM	231.3%	27.6%	NM	4.6%	Capex	-449	-560	-2,831	-2,733	-5,710
EBIT Margin	6.7%	22.3%	24.0%	23.0%	23.5%	Disposal/(purchase)	0	0	0	0	0
Net Interest	104	46	53	80	17	Net Interest	104	46	53	80	17
Earnings before tax	784	2,273	2,683	2,399	2,396	Other	-7	99	-75	41	-17
% change Y/Y	-59.1%	189.9%	18.0%	-10.6%	-0.1%	Free cash flow	546	1,444	-559	-22	-2,855
Tax	-189	-598	-671	-600	-599	Equity raised/(repaid)	-	-	-	-	-
as % of EBT	24.1%	26.3%	25.0%	25.0%	25.0%	Debt raised/(repaid)	-233	309	139	6,318	-801
Net income (reported)	604	1,683	2,022	1,808	1,806	Other	-21	3	-27	275	-76
% change Y/Y	-55.8%	178.6%	20.1%	-10.6%	-0.1%	Dividends paid	-547	-242	-673	-809	-723
Shares outstanding	10	10	10	10	10	Beginning cash	3,285	2,774	4,309	3,057	8,799
EPS (reported)	63.35	176.49	211.99	189.58	189.38	Ending cash	2,774	4,309	3,057	8,799	4,326
% change Y/Y	(55.8%)	178.6%	20.1%	(10.6%)	(0.1%)	DPS	57.37	25.34	70.59	84.80	75.83
Balance sheet						Ratio Analysis					
Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Rp in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	2,774	4,308	3,057	8,799	4,326	EBITDA margin	12.1%	27.7%	29.7%	30.4%	33.1%
Accounts receivable	1,031	1,693	2,001	1,829	1,870	Operating margin	6.7%	22.3%	24.0%	23.0%	23.5%
Inventories	1,171	1,229	1,452	1,327	1,358	Net margin	6.9%	19.3%	19.6%	19.2%	18.7%
Others	338	363	429	392	401	Sales per share growth	(9.2%)	0.4%	18.1%	(8.6%)	2.3%
Current assets	5,313	7,594	6,938	12,347	7,955	Sales growth	(9.2%)	0.4%	18.1%	(8.6%)	2.3%
LT investments	74	165	194	178	182	Net profit growth	-55.8%	178.6%	20.1%	-10.6%	-0.1%
Net fixed assets	3,671	3,866	6,276	8,221	13,030	EPS growth	(55.8%)	178.6%	20.1%	(10.6%)	(0.1%)
Total Assets	9,940	12,311	14,221	21,487	21,925	Interest coverage (x)	-	-	-	-	-
Liabilities						Net debt to equity	-28.2%	-37.0%	-19.4%	-12.9%	15.7%
Short-term loans	240	769	908	830	849	Sales/assets	0.86	0.79	0.78	0.53	0.45
Payables	159	265	309	284	287	Assets/equity	1.33	1.39	1.38	1.48	1.40
Others	349	956	1,116	1,025	1,037	ROE	7.5%	19.0%	19.6%	15.6%	14.1%
Total current liabilities	748	1,989	2,334	2,139	2,173	ROCE	6.7%	20.5%	22.3%	13.9%	11.6%
Long-term debt	240	0	0	6,396	5,576						
Other liabilities	761	689	805	739	747						
Total Liabilities	1,748	2,710	3,138	9,273	8,496						
Shareholders' equity	8,149	9,580	11,052	12,174	13,380						
BVPS	854.32	1,004.37	1,158.63	1,276.29	1,402.70						

Source: Company reports and J.P. Morgan estimates.

QR National

www.qrnational.com.au

Company description

QR National (QRN) is a vertically integrated rail company. QRN operates the regulated Central Queensland Coal Network and provides above rail coal haulage in Queensland and NSW. QRN also offers Intermodal and bulk haulage services (eg Iron Ore, Grain).

Key drivers of performance in this equity market recovery

QRN has limited short-term earnings exposure to the economic cycle. ~52% of EBIT is from regulated below rail assets and ~38% from above rail coal (volumes secured under long term contracts). We note that weather related events can impact earnings.

Likely drivers of positive performance include: 1) Increased east coast coal production; 2) Maintaining market share in QLD coal haulage; 3) Positive regulatory outcomes for Network assets; and 4) Increased WA iron ore production (outside BHP/RIO/FMG).

How much recovery has already been priced in, what are the key metrics

QRNs long term earnings are leveraged to investment in new coal production. We believe market expectations around QRN's exposure to coal growth are too high given:

- i) potential delays in new mine or port capacity; ii) further market share loss in QLD;
- iii) regulatory change could limit above regulated returns on future network expansion.

QRNs operations are capital intensive - EV/EBIT is our primary valuation metric.

Where's the earnings risk for 2012

Downside risk to FY12 could emerge from: 1) weather events reducing coal production - relevant for contracts not under take-or-pay arrangements; 2) slower recovery in coal production after the floods; and 3) under-delivery of proposed cost savings programs.

Price target and key recovery risks

Our June 2012 Price Target is derived from a blended average of four valuation methodologies—i) SOTP: RAB (for Network) + FY12 EV/EBIT (for non-network assets); ii) SOTP: RAB + FY12 EV/EBITDA; iii) FY12 EV/EBIT; and iv) DCF.

Upside risks to our PT include: i) securing new coal haulage contracts; ii) faster ramp up of new coal production; and iii) delivery of cost savings ahead of expectations.

QR National (Reuters: QRN.AX, Bloomberg: QRN AU)

Year-end Jun (A\$)	FY10A	FY11A	FY12E	FY13E	FY14E
Total Revenue (A\$ mn)	2,903.0	3,294.3	3,763.1	4,364.4	4,594.5
EBITDA (A\$ mn)	696.0	813.3	1,169.8	1,456.1	1,498.9
Net profit after tax (A\$ mn)	-180.2	349.5	423.7	540.6	521.9
EPS (A\$)	-0.011	0.149	0.174	0.222	0.214
P/E (x)	NM	22.2	19.1	14.9	15.5
EV/EBITDA	11.6	10.8	8.1	6.9	7.1
Dividend (A\$)	0.000	0.037	0.083	0.110	0.120
Net Yield (%)	0.0%	1.1%	2.5%	3.3%	3.6%
Normalised* EPS (A\$)	0.003	0.101	0.174	0.222	0.214
Normalised* EPS chg (%)	-	3267.8%	71.2%	27.6%	-3.5%
Normalised* P/E (x)	1,103.3	32.6	19.1	14.9	15.5

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: A\$3.31

Price Target: A\$3.22

Australia

Transport

Scott Carroll^{AC}

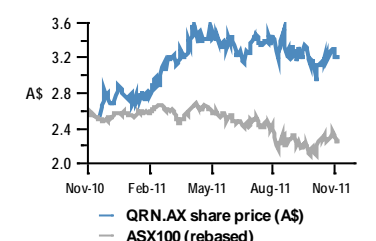
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Bloomberg JPMA BBG CARROLL <GO>

J.P. Morgan Securities Australia Limited

Price Performance



	YTD	1m	3m	12m
Abs	16.4%	4.2%	-6.2%	25.5%
Rel	28.0%	-2.8%	-2.8%	37.0%

Source: Bloomberg.

Company Data

52-week range (A\$)	3.59 - 2.53
Market capitalisation (A\$ bn)	8.08
Market capitalisation (\$ bn)	8.38
Fiscal Year End	Jun
Price (A\$)	3.31
Date Of Price	04 Nov 11
Shares outstanding (mn)	2,440.0
ASX100	3,491.3
ASX200-Ind	5,743.1
NTA/Sh (A\$)	2.97
Net Debt [^] (A\$ bn)	-

QR National: Summary of Financials

A\$ in millions, year end Jun

Income Statement	FY10	FY11	FY12E	FY13E	FY14E	Balance Sheet	FY10	FY11	FY12E	FY13E	FY14E
Total Revenue	2,903.0	3,294.3	3,763.1	4,364.4	4,594.5	Cash & Bills	0.0	117.1	324.5	375.9	367.4
Revenue Growth Y/Y	-	13.5%	14.2%	16.0%	5.3%	Debtors	525.0	473.5	537.0	610.9	652.2
EBITDA	696.0	813.3	1,169.8	1,456.1	1,498.9	Investments	-	-	-	-	-
Depreciation & Amortisation	-424.0	-446.3	-500.2	-569.5	-608.0	Inventories	167.0	177.6	225.5	256.6	273.9
EBIT	272.1	367.0	669.6	886.7	890.9	Other Current Assets	25.9	31.9	31.9	31.9	31.9
Net Interest	-225.5	-19.8	-64.4	-114.4	-145.3	Current Assets	717.8	800.1	1,118.9	1,275.4	1,325.4
Pre-Tax Profit	46.6	347.2	605.2	772.3	745.6	Receivables	0.8	0.0	2.1	2.4	2.6
Tax	2.8	-104.2	-181.6	-231.7	-223.7	Investments	0.5	0.5	0.5	0.5	0.5
Minority Interests	-	-	-	-	-	Inventories	24.2	20.7	20.7	20.7	20.7
Preference Dividends	-	-	-	-	-	PP&E	7,383.8	8,275.7	9,431.9	10,161.8	10,970.3
NPAT before Abnormals	49.4	243.0	423.7	540.6	521.9	Goodwill	39.3	24.9	24.9	24.9	24.9
NPAT after Abnormals	-180.2	349.5	423.7	540.6	521.9	Other Intangibles	-	-	-	-	-
Normalised NPAT	49.4	243.0	423.7	540.6	521.9	Pension Fund Assets	-	-	-	-	-
# Shares Outstanding	2,440.0	2,440.0	2,440.0	2,440.0	2,440.0	Future Income Tax Benefits	-	-	-	-	-
						Other Non Current Assets	46.1	39.8	39.8	39.8	39.8
Cash Flow Statement	FY10	FY11	FY12E	FY13E	FY14E	Non Current Assets	7,494.7	8,361.6	9,520.0	10,250.1	11,058.8
EBIT	272.1	367.0	669.6	886.7	890.9	Total Assets	8,212.5	9,161.7	10,638.9	11,525.5	12,384.2
Depreciation & Amortisation	424.0	446.3	500.2	569.5	608.0	Creditors	334.9	341.5	397.1	445.2	483.3
Net Interest (Paid)/Recd	0.0	0.0	-94.4	-140.3	-175.6	Current Borrowings	0.0	0.0	0.0	0.0	0.0
Tax (Paid)	0.0	-2.3	0.0	-231.7	-223.7	Current Lease Liabilities	-	-	-	-	-
Incl/(Dec) in Provisions	-	-	-	-	-	Current Provisions	-	-	-	-	-
(Inc)/Dec in Working Capital	0.0	0.0	-58.0	-57.2	-20.5	Other Current Liabilities	340.2	352.5	352.5	352.5	352.5
Other Operating Items	244.8	-256.7	-0.0	0.0	0.0	Current Liabilities	675.1	694.0	749.6	797.7	835.8
Operating Cash Flow	940.9	554.3	1,017.5	1,026.9	1,079.0	Non Current Creditors	-	-	-	-	-
Gross Capex	-825.2	-1,337.6	-1,592.1	-1,242.6	-1,352.2	Non Current Borrowings	0.0	803.2	1,773.0	2,293.1	2,880.9
Sale of Fixed Assets	9.2	37.7	0.0	0.0	0.0	Non Current Lease Liabilities	-	-	-	-	-
Net Capex	-816.0	-1,299.9	-1,592.1	-1,242.6	-1,352.2	Non Current Provisions	52.7	81.3	81.3	81.3	81.3
Net Acquisitions	0.0	-12.3	0.0	0.0	0.0	Pension Fund Liabilities	-	-	-	-	-
Other Investing Items	0.0	1.6	0.0	0.0	0.0	Deferred Income Tax Liability	346.0	243.0	424.6	424.6	424.6
Investing Cash Flow	-1,889.0	-1,310.6	-1,592.1	-1,242.6	-1,352.2	Other Non Current Liabilities	350.7	348.5	348.5	348.5	348.5
Equity Issued	0.0	0.0	0.0	0.0	0.0	Non Current Liabilities	749.5	1,476.0	2,627.4	3,147.4	3,735.3
Dividends Paid	-215.1	-86.4	-187.9	-226.9	-292.8	Total Liabilities	1,424.6	2,170.0	3,377.0	3,945.1	4,571.1
Incl/(Dec) in Borrowings	672.4	952.1	969.8	494.1	557.5	Total Ordinary Equity	6,787.9	6,991.7	7,261.9	7,580.4	7,813.1
Other Financing Items	0.0	0.0	0.0	0.0	0.0	Outside Equity Interests	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	457.3	865.7	781.9	267.2	264.7	Other Equity	-	-	-	-	-
Net Cash Flow	-490.8	109.4	207.4	51.5	-8.5	Total Equity	6,787.9	6,991.7	7,261.9	7,580.4	7,813.1
						Net Debt / (Net Debt + Equity)	0.0%	8.9%	16.6%	20.2%	24.3%
Per Share Data A\$	FY10	FY11	FY12E	FY13E	FY14E	Valuation Metrics	FY10	FY11	FY12E	FY13E	FY14E
Reported EPS	-0.011	0.149	0.174	0.222	0.214	Reported P/E	NM	22.2	19.1	14.9	15.5
Normalised EPS	0.003	0.101	0.174	0.222	0.214	Normalised P/E	1,103.3	32.6	19.1	14.9	15.5
DPS	0.00	0.04	0.08	0.11	0.12	Net Yield	0.0%	1.1%	2.5%	3.3%	3.6%
NTA	2.77	2.86	2.97	3.10	3.19	Price to Book	1.2	1.2	1.1	1.1	1.0
						EV/EBITDA	11.6	10.8	8.1	6.9	7.1

Source: Company reports and J.P. Morgan estimates.

Ratchaburi Electricity

www.ratch.co.th

Company description

RATCH is Thailand's biggest independent power producer (IPP) with operating capacity of 4,500MW. In July this year, the company ventured into Australia with a 56% purchase of Transfield Services (recently renamed Ratchaburi Australia – RAC).

Key drivers of performance in an equity market recovery

RATCH shares did not participate in the recent equity market recovery. This is not surprising. The company's business profile is highly defensive--its earnings are primarily protected from economic volatility both domestic and international.

How much recovery has already been priced in, what are the key metrics?

Given its business nature, we believe that the stock price does not move in tandem with economic expectations. Nevertheless, based on its intrinsic book value, we believe RATCH is expensive, trading at a 20% premium (compared to its estimated LT ROAE of 10.4%).

Where's the earnings risk for 2012?

Domestically, we see little earnings risk for RATCH. Due to the structure of its business (long-term, fixed rate power purchase agreements), RATCH's earnings are protected from global and local economic volatility. However, we do see some uncertainty with RAC. As a brand new investment for RATCH, contributions from this unit remain unclear and very difficult to gauge.

Price target and key recovery risks

Jun-12 PT of Bt36/share is based on DCF valuation (WACC=9%, g=0%). Given the nature of its business (long term, reliable cash flows), we believe DCF valuation is the most appropriate valuation method. Key upside risks: (1) A major and sustained decline in interest rates would automatically push up DCF values and (2) an attractive and significant acquisition could add meaningfully to RATCH's long-term values.

Ratchaburi Electricity Generating Holding (Reuters: RATC.BK, Bloomberg: RATCH TB)

Bt in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Bt mn)	35,351	42,180	44,441	45,058	45,840
Net Profit (Bt mn)	6,740.0	5,215.0	5,102.8	5,273.1	4,979.1
EPS (Bt)	4.65	3.60	3.52	3.64	3.43
DPS (Bt)	2.25	2.25	2.28	2.33	2.38
Revenue growth (%)	-16.3%	19.3%	5.4%	1.4%	1.7%
EPS growth (%)	3.8%	-22.6%	-2.2%	3.3%	-5.6%
ROCE	12.3%	10.3%	11.5%	11.6%	11.1%
ROE	15.8%	11.5%	10.8%	10.7%	9.8%
P/E (x)	8.9	11.5	11.8	11.4	12.1
P/BV (x)	1.4	1.3	1.2	1.2	1.2
EV/EBITDA (x)	6.2	6.7	6.8	6.3	6.4
Dividend Yield	5.4%	5.4%	5.5%	5.6%	5.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: Bt41.50

Price Target: Bt36.00

Thailand

Independent power producers

Sukit Chawalitakul^{AC}

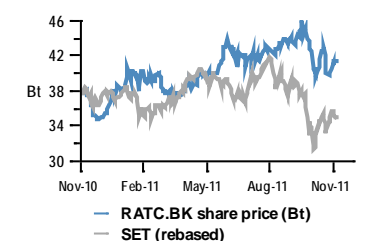
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JPMorgan Securities (Thailand) Limited

Price Performance



	YTD	1m	3m	12m
Abs	7.8%	2.5%	-2.4%	9.9%
Rel	16.0%	-9.4%	12.4%	17.1%

Source: Bloomberg.

Company Data

Shares O/S (mn)	1,450
Market cap (Bt mn)	60,175
Market cap (\$ mn)	1,965
Price (Bt)	41.50
Date Of Price	04 Nov 11
Free float (%)	45.0%
3mth Avg daily volume	1,259,019.00
3M - Avg daily Value (Bt mn)	53.77
3M - Avg daily Value (USD) (\$ mn)	1.76
SET	957
Exchange Rate	30.63
Fiscal Year End	Dec

Ratchaburi Electricity Generating Holding: Summary of Financials

Income Statement					Cash flow statement						
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	35,351	42,180	44,441	45,058	45,840	EBIT	7,850	6,540	7,625	7,983	7,554
% change Y/Y	(16.3%)	19.3%	5.4%	1.4%	1.7%	Depr. & amortization	2,795	2,723	2,803	2,793	2,763
Gross Margin (%)	27.2%	20.7%	22.9%	22.2%	21.2%	Change in working capital	1,038	2,652	-1,229	-3	-3
EBITDA	10,645	9,263	10,428	10,776	10,318	Taxes	-831	-1,272	-2,085	-2,122	-2,013
% change Y/Y	5.5%	-13.0%	12.6%	3.3%	-4.3%	Cash flow from operations	10,573	10,590	6,677	8,064	7,740
EBITDA Margin (%)	30.1%	22.0%	23.5%	23.9%	22.5%						
EBIT	7,850	6,540	7,625	7,983	7,554	Capex	-173	-431	-2,518	-1,054	-1,054
% change Y/Y	6.9%	NM	16.6%	4.7%	NM	Disposal/(purchase)	0	0	0	0	0
EBIT Margin (%)	22.2%	15.5%	17.2%	17.7%	16.5%	Net Interest	-279	-53	-436	-588	-562
Net Interest	-279	-53	-436	-588	-562	Free cash flow	10,400	10,159	4,159	7,010	6,686
Earnings before tax	7,571	6,487	7,188	7,395	6,993						
% change Y/Y	12.8%	-14.3%	10.8%	2.9%	-5.4%	Equity raised/(repaid)	0	0	0	0	0
Tax	-831	-1,272	-2,085	-2,122	-2,013	Debt raised/(repaid)	-3,191	-2,782	4,551	-4,312	-244
as % of EBT	140.6%	142.8%	145.1%	145.7%	147.6%	Other	0	0	0	0	0
Core net income (reported)	6,740	5,215	5,103	5,273	4,979	Dividends paid	-3,190	-3,263	-3,263	-3,335	-3,408
% change Y/Y	3.8%	-22.6%	-2.2%	3.3%	-5.6%	Beginning cash	10,935	12,025	13,890	9,294	7,440
Shares outstanding	1,450	1,450	1,450	1,450	1,450	Ending cash	12,025	13,890	9,294	7,440	9,355
Core EPS (reported) - (Bt)	4.65	3.60	3.52	3.64	3.43	DPS - (Bt)	2.25	2.25	2.28	2.33	2.38
% change Y/Y	3.8%	-22.6%	-2.2%	3.3%	-5.6%						
Balance sheet					Ratio Analysis						
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	12,025	13,890	9,294	7,440	9,355	EBITDA margin	30.1%	22.0%	23.5%	23.9%	22.5%
Accounts receivable	5,214	3,343	4,444	4,506	4,584	Operating margin	22.2%	15.5%	17.2%	17.7%	16.5%
Inventories	1,778	1,746	1,713	1,753	1,806	Net profit margin	19.1%	12.4%	11.5%	11.7%	10.9%
Others	179	293	411	423	443						
Current assets	19,196	19,272	15,862	14,122	16,188	Sales growth	(16.3%)	19.3%	5.4%	1.4%	1.7%
LT investments	0	0	0	0	0	Net profit growth	3.8%	-22.6%	-2.2%	3.3%	-5.6%
Net fixed assets	37,457	35,165	34,880	33,140	31,431	EPS growth	3.8%	(22.6%)	(2.2%)	3.3%	(5.6%)
Total Assets	69,341	69,445	75,794	73,530	75,007						
Liabilities						Interest coverage (x)	38.15	174.77	23.89	18.32	18.36
ST loans	2,785	3,618	2,141	1,710	1,685	Net debt to equity	17.1%	6.4%	25.1%	19.2%	14.5%
Payables	3,747	4,653	4,797	4,908	5,057	Sales/assets (x)	0.51	0.61	0.61	0.60	0.62
Others	1,430	1,387	1,200	1,200	1,200	Assets/equity (x)	1.59	1.51	1.43	1.46	1.45
Total current liabilities	7,962	9,658	8,138	7,817	7,942	ROE	15.8%	11.5%	10.8%	10.7%	9.8%
Long-term debt	16,855	13,240	19,268	15,387	15,168	ROCE	12.3%	10.3%	11.5%	11.6%	11.1%
Other liabilities	0	0	0	0	0						
Total Liabilities	24,817	22,898	27,406	23,205	23,109						
Shareholders' equity	44,524	46,501	48,341	50,279	51,851						
BVPS - (Bt)	30.71	32.07	33.34	34.68	35.76						

Source: Company reports and J.P. Morgan estimates.

Robinson Department Store

www.robinson.co.th

Company description

ROBINS is the largest department store operator in Thailand in terms of number of branches (22 as at YE10) but third in terms of revenues, based on our estimates. It has the most extensive presence with 59% of its stores in the provinces. Its key customers are those in the middle income group especially the young professionals, new families and first jobbers as well as tourists. The chain belongs to the Central Group, which also operates the wholly-owned *Central Department Store*, targeting high-end customers. ROBINS aims to open seven stores in FY11/12 and 3/4 per year onwards. The thrust of its expansion is the provincial areas.

Key drivers of performance in an equity market recovery

ROBINS has outperformed the SET by 4% in 3M and 44% in 12M possibly because of strong growth expectation in FY11, coming from expansion. We think operating risk is higher, starting in FY12, because of aggressive expansion by several players in the space, and at 22x FY12PE it is vulnerable to de-rating.

How much recovery has already been priced in, what are the key metrics?

We believe expectation has been set too high on ROBINS and that a slight deceleration in sales, especially SSSG, could have a disproportionately negative effect on the share price.

Where's the earnings risk for 2012?

We think earnings are likely to be revised downwards in FY12. The prolonged flooding is likely to cut discretionary purchases and impaired infrastructure in Central Thailand could discourage tourists (which are key customers of ROBINS' stores). Adding to the pressure is the aggressive expansion, where projects that have been announced could increase supply by 14.7%, 6.3% of that coming in this year.

Price target and key recovery risks

Our Dec 12 PT of Bt26 is based on discounted dividends. We use discounted dividend as we view the department store business as fairly mature. Upside risks to our price target include higher dividend payments and a sustained exuberant market response to the aggressive expansion program as well as high liquidity flow into the Thai stock market.

Robinson Department Store (Reuters: ROBI.BK, Bloomberg: ROBINS TB)

Bt in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Bt mn)	12,842	14,794	17,364	20,100	25,346
Net Profit (Bt mn)	981.3	1,706.9	1,473.0	1,643.6	1,982.2
EPS (Bt)	0.88	1.54	1.33	1.48	1.78
DPS (Bt)	0.42	0.62	0.66	0.74	0.89
Revenue growth (%)	3.3%	14.6%	17.9%	15.5%	25.1%
EPS growth (%)	-3.8%	73.9%	-13.7%	11.6%	20.6%
ROCE	17.3%	19.7%	20.8%	22.2%	24.7%
ROE	15.4%	23.3%	17.6%	17.9%	19.4%
P/E (x)	40.7	23.4	27.1	24.3	20.2
P/BV (x)	6.0	5.0	4.6	4.1	3.7
EV/EBITDA (x)	22.4	17.7	14.2	12.1	9.8
Dividend Yield	1.2%	1.7%	1.8%	2.1%	2.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: Bt36.00

Price Target: Bt26.00

Thailand

Broadlines Retailing

Maria Lapiz^{AC}

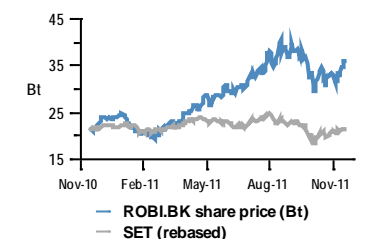
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JPMorgan Securities (Thailand) Limited

Price Performance



	YTD	1m	3m	12m
Abs	46.9%	4.3%	-10.0%	66.7%
Rel	51.2%	0.0%	-2.6%	67.1%

Source: Bloomberg.

Company Data

Shares O/S (mn)	1,111
Market cap (Bt mn)	39,984
Market cap (\$ mn)	1,299
Price (Bt)	36.00
Date Of Price	16 Nov 11
Free float (%)	31.4%
3mth Avg daily volume	1.17
3M - Avg daily Value (Bt mn)	42.35
3M - Avg daily Value (USD) (\$ mn)	1.40
SET	997
Exchange Rate	30.79
Fiscal Year End	Dec

Robinson Department Store: Summary of Financials

Income Statement						Cash flow statement					
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	12,842	14,794	17,364	20,100	25,346	EBIT	1,105	1,441	1,738	2,044	2,532
% change Y/Y	3.3%	14.6%	17.9%	15.5%	25.1%	Depr. & amortization	642	718	918	1,064	1,229
EBITDA	1,747	2,159	2,656	3,108	3,761	Change in working capital	768	92	494	525	984
% change Y/Y	3.3%	23.6%	23.0%	17.0%	21.0%	Taxes	-	-	-	-	-
EBIT	1,105	1,441	1,738	2,044	2,532	Cash flow from operations	2,217	1,912	2,677	3,015	3,980
% change Y/Y	4.1%	30.4%	20.6%	17.6%	23.9%	Capex	-1,075	-879	-1,700	-2,200	-2,200
EBIT Margin	7.9%	9.0%	9.2%	9.4%	9.3%	Disposal/(purchase)	-	-	-	-	-
Net Interest	19	23	33	36	37	Net Interest	19	23	33	36	37
Earnings before tax	1,124	1,465	1,771	2,080	2,569	Other	25	454	33	36	37
% change Y/Y	2.5%	30.3%	20.9%	17.4%	23.5%	Free cash flow	1,142	1,032	977	815	1,780
Tax	-300	-343	-478	-624	-771	Equity raised/(repaid)	0	-0	0	0	0
as % of EBT	26.7%	23.4%	27.0%	30.0%	30.0%	Debt raised/(repaid)	0	0	0	0	0
Net income (reported)	981.3	1,706.9	1,473.0	1,643.6	1,982.2	Other	-34	13	-5	-5	-6
% change Y/Y	-3.8%	73.9%	-13.7%	11.6%	20.6%	Dividends paid	-889	-933	-1,377	-1,473	-1,644
Shares outstanding	1,111	1,111	1,111	1,111	1,111	Beginning cash	-	-	-	-	-
EPS (reported)	0.88	1.54	1.33	1.48	1.78	Ending cash	2,480	3,513	3,830	3,939	4,929
% change Y/Y	(3.8%)	73.9%	(13.7%)	11.6%	20.6%	DPS	0.42	0.62	0.66	0.74	0.89
Balance sheet						Ratio Analysis					
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	2,480	3,513	3,830	3,939	4,929	EBITDA margin	12.5%	13.5%	14.1%	14.3%	13.8%
Accounts receivable	483	460	432	400	360	Operating margin	7.9%	9.0%	9.2%	9.4%	9.3%
Inventories	809	941	1,096	1,263	1,585	Net margin	7.0%	10.7%	7.8%	7.5%	7.3%
Others	256	350	412	476	596	Sales per share growth	3.3%	14.6%	17.9%	15.5%	25.1%
Current assets	4,029	5,264	5,771	6,079	7,471	Sales growth	3.3%	14.6%	17.9%	15.5%	25.1%
LT investments	1,202	1,457	1,728	2,018	2,328	Net profit growth	-3.8%	73.9%	-13.7%	11.6%	20.6%
Net fixed assets	4,983	5,145	5,927	7,062	8,033	EPS growth	(3.8%)	73.9%	(13.7%)	11.6%	20.6%
Total Assets	10,608	12,251	13,811	15,544	18,217	Interest coverage (x)	-	-	-	-	-
Liabilities						Net debt to equity	-37.2%	-44.1%	-43.8%	-40.8%	-45.6%
Short-term loans	0	0	0	0	0	Sales/assets	1.38	1.40	1.45	1.48	1.62
Payables	2,768	2,877	3,352	3,863	4,849	Assets/equity	1.62	1.67	1.71	1.61	1.68
Others	984	1,169	1,378	1,592	1,992	ROE	15.4%	23.3%	17.6%	17.9%	19.4%
Total current liabilities	3,752	4,046	4,731	5,455	6,841	ROCE	17.3%	19.7%	20.8%	22.2%	24.7%
Long-term debt	0	0	0	0	0						
Other liabilities	59	52	52	52	52						
Total Liabilities	3,811	4,098	4,782	5,507	6,893						
Shareholders' equity	6,662	7,963	8,748	9,655	10,815						
BVPS	6.00	7.17	7.88	8.69	9.74						

Source: Company reports and J.P. Morgan estimates.

Shin Kong Financial Holdings

www.skfh.com.tw

Company description

Shin Kong Financial Holdings (Shin Kong) is a life insurance-centric financial holding company. Shin Kong - HNA Life Insurance, Shin Kong Life's JV with China Hainan Airlines Group, has been operational since April 2009. Shin Kong's banking business, Shin Kong Bank, has 104 local branches. In 2Q11 Shin Kong bank opened its first overseas branch in Hong Kong.

Key drivers of performance in an equity market recovery

We foresee a slow improvement in Shin Kong's earnings even under market recovery scenario, which bars us from being more positive. The other reasons are: 1) a declining market share in the Taiwan life insurance market due to capital constraints; 2) Shin Kong's investment income is also dependent on capital market performance; and 3) its smaller earnings base is less able to cushion it against any major FX market swing.

How much recovery has already been priced in, what are the key metrics?

Shin Kong share price underperformed boarder the Taiwan index by 15% since 2H11. The market remains concerned about the weaker capital base. Its equity to asset ratio was 4% in 1H11. High leverage apparently bars investors from pricing in any recovery.

Where's the earnings risk for 2012?

Shin Kong has a relatively high European exposure in fixed income instruments due to smaller capital base. As of 1H11, Shin Kong's exposure in EUR fixed income instruments was worth 212% of its equity and 8.5% of its total assets. Downside risk would be any significant loss from Shin Kong investment pools.

Price target and key recovery risks

Our Dec-12 PT is NT\$10 (SOTP-based). Downside risks are: (1) rapid NT\$ appreciation resulting in F/X loss and 2) EUR exposure related write-off. Upside risks are: (1) liquidation of commercial real estate for capital gain,(2) equity market rally boosting investment yields, and (3) credible resolution to Europe's fiscal problems.

Shin Kong Financial Holdings (Reuters: 2888.TW, Bloomberg: 2888 TT)

Year-end Dec (NT\$ in bn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (NT\$ mn)	6,465	8,227	8,287	8,716	8,570
Net Profit (NT\$ mn)	1,129	2,543	6,730	6,586	5,892
EPS (NT\$)	0.16	0.32	0.80	0.78	0.70
DPS (NT\$)	0.00	0.00	0.00	0.00	0.00
EPS Growth	(104%)	98%	148%	(2%)	(11%)
ROE	1.8%	3.1%	7.5%	7.0%	5.9%
P/E	56.8	28.7	11.6	11.8	13.2
BVPS (NT\$)	10.06	10.34	10.88	11.55	12.13
P/BV	0.9	0.9	0.8	0.8	0.8
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: NT\$9.22

Price Target: NT\$10

Taiwan

Insurance

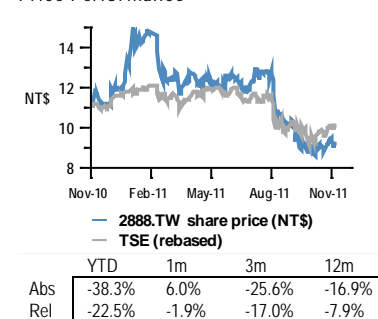
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J.P. Morgan Securities (Taiwan) Limited

Price Performance



Source: Bloomberg.

Company Data

52-wk range (NT\$)	15.05 - 8.43
Market cap (NT\$ mn)	77,784
Market cap (\$ mn)	2,584
Shares outstanding (mn)	8,436
Fiscal Year End	Dec
Price (NT\$)	9.22
Date Of Price	04 Nov 11
Avg daily value (NT\$ mn)	1,522.1
Avg daily value (\$ mn)	50.6
Avg daily vol (mn)	57.6
TSE	7,309
Exchange Rate	30.10

Shin Kong Financial Holdings: Summary of Financials

Income Statement (NT\$MM)	2009	2010	2011E	2012E	2013E
Investment Income	1,267	2,926	7,130	6,986	6,292
Shinkong Life	434	720	2,755	2,557	1,913
Shinkong Bank	560	2,005	3,983	4,032	3,875
Shinkong Securities	490	67	0	0	0
Shinkong Insurance Brokerage	40	66	72	76	80
Shinkong SITE	22	34	20	22	24
Others & Adjustments	-644	-338	0	0	0
Other Income, Net	52	-136	-150	-150	-150
Total Revenue	1,319	2,790	6,980	6,836	6,142
Total Operating Expense	-252	-241	-250	-250	-250
Pretax Profit	1,067	2,549	6,730	6,586	5,892
Tax	62	-6	0	0	0
Preferred Dividend	0	0	0	0	0
Reported Net Profit	1,129	2,543	6,730	6,586	5,892

Balance Sheet (NT\$MM)	2009	2010	2011E	2012E	2013E
Cash And Cash Equivalents	1,121	1,942	2,698	3,350	4,060
LT Investments, Net	90,685	97,842	102,663	108,663	113,964
Shinkong Life	57,045	66,773	67,856	69,740	70,980
Shinkong Bank	22,263	24,514	28,284	32,316	36,191
Shinkong Securities	5,206	73	0	0	0
Shinkong Insurance Brokerage	68	104	124	142	161
Shinkong SITE	655	588	581	587	594
Others & Adjustments	907	874	900	900	900
Other Assets	7,561	7,781	7,781	7,781	7,781
Total Assets	99,367	107,564	113,142	119,794	125,805
Total Liabilities	20,218	20,296	21,311	22,376	23,495
Total Equity	79,149	87,268	91,831	97,417	102,309

Per Share Data (NT\$)	2009	2010	2011E	2012E	2013E
EPS	0.16	0.32	0.80	0.78	0.70
DPS	0.00	0.00	0.00	0.00	0.00
Payout	0%	0%	0%	0%	0%
Book Value	10.1	10.3	10.9	11.5	12.1
Fully Diluted Shares	8,192	8,863	8,761	8,761	8,761
ROE	1.8%	3.1%	7.5%	7.0%	5.9%

Source: Company data, J.P. Morgan estimates

Sum-of-the-parts valuation	Methodology	Book value (NT\$MM)	Implied P/B and P/EV	Implied value (NT\$MM)	Value per share (NT\$)
Shinkong Life	EV	69,740	0.90/0.31	62,973	7.5
Shinkong Bank	Fair P/B	32,903	0.95	31,258	3.7
Masterlink	Fair P/B	4,978	1.00	4,978	0.6
Inter-group adjustments		-10,204	1.10	-11,245	-1.3
Dividend		0	n/a	0	0.0
Total		97,417	0.90/0.38	87,964	10
Shares O/S (mn)				8,437	
Target Price (NT\$)					10
Stock Price (NT\$)					9.25
Up-/Downside					8%

Source: J.P. Morgan estimates

Sino-Ocean Land

www.sinoceanland.com.cn

Company description

Sino-Ocean Land was listed in Hong Kong on 28 Sep 07 and is a property developer with focus in Bohai Rim of China. The company develops medium to high-end residential properties, high grade office premises, retail spaces and serviced apartments. Sino Ocean Land has an attributable landbank of 24 mn sqm, mainly in Beijing, Tianjin, Dalian, Zhongshan, Qinhuangdao, Shanghai and other 10 cities. The major shareholders are China Life Insurance (24.07%) and Nan Fung (12.84% in equity and 9.05% interest in case of conversion of convertible securities).

Key drivers of performance in an equity market recovery

We believe Sino-Ocean would unlikely get re-rated in the equity market recovery, given the strict implementation of Home Purchase Restrictions in Beijing, while in other locations price competition is getting keen. Although sales performance may improve substantially if home purchase restrictions are relaxed, we think this is unlikely until at least late 2012. Added to this is the uncertainty of its regional expansion ability; the company looks still keen to acquire land which would push up gearing further thus limiting the re-rating potential.

How much recovery has already been priced in, what are the key metrics?

We believe recent strength in share price has reflected the expectation on potential relaxation of monetary environment in China, which may benefit the real estate sector somehow. However stock valuation is still 35% below low mid-cycle valuation.

Where's the earnings risk for 2012?

Sino Ocean Land has locked-in about 50% of its 2012E earnings as of end-Oct. That said, the biggest earnings risk is on: (1) Deeper than expected price-cuts which may harm margins. We expected 8% to 15% decrease in price for overheated cities; (2) Potential delay in delivery, in case sales are bad.

Price target and key recovery risks

Our Jun-12 PT is based on 6.0x 2012E P/E, at the high-end of the P/E range applied to mid-cap developers with similar gearing levels (70-90%), due to Sino-Ocean's quasi SOE background. Key upside risk is stronger-than-expected launches from new projects.

Sino-Ocean Land (Reuters: 3377.HK, Bloomberg: 3377 HK)

Rmb in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rmb mn)	8,824	13,721	15,270	21,069	28,253
Net Profit (Rmb mn)	1,051	2,019	2,657	3,054	3,574
Core Profit (Rmb mn)	1,056	1,797	2,357	3,054	3,574
EPS (Rmb)	0.22	0.36	0.47	0.54	0.58
Core EPS (Rmb)	0.23	0.32	0.42	0.54	0.58
Core EPS growth (%)	0.9%	41.4%	31.2%	29.5%	7.3%
DPS (Rmb)	0.09	0.13	0.10	0.14	0.17
ROE	5.3%	6.6%	7.2%	8.6%	9.5%
P/E (Core)	11.4	8.1	6.2	4.8	4.4
P/BV (x)	0.6	0.5	0.4	0.4	0.4
BVPS (Rmb)	4.15	5.50	6.16	6.45	5.77
RNAV/Share (HK\$)	-	7.20	7.36	-	-
Dividend Yield	3.5%	4.9%	4.0%	5.5%	6.6%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: HK\$3.15

Price Target: HK\$3.35

China

Property

Lucia Kwong, CFA^{AC}

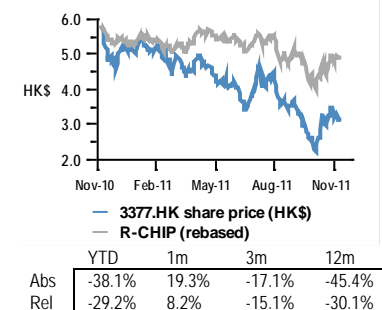
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Bloomberg JPMA KWONG <GO>

J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



Source: Bloomberg.

Company Data

Shares O/S (mn)	5,660
Market cap (Rmb mn)	14,560
Market cap (\$ mn)	2,297
Price (HK\$)	3.15
Date Of Price	08 Nov 11
Free float (%)	63.1%
3M - Average daily volume	11.27
3M - Average daily Value (HK\$ mn)	35.62
Average 3m Daily Turnover (\$ mn)	4.70
R-CHIP	3,823
Exchange Rate (HK\$/US\$)	7.77
Fiscal Year End	Dec

Sino-Ocean Land: Summary of Financials

Profit and Loss Statement					Cash Flow Statement				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	13,721	15,270	21,069	28,253	EBIT	3,252	4,411	6,522	7,097
% change Y/Y	55.5%	11.3%	38.0%	34.1%	Depr. & amortization	31	41	45	49
EBIT	3,252	4,411	6,522	7,097	Change in working capital	-17,390	-10,465	1,790	5,035
% change Y/Y	58.0%	35.6%	47.8%	8.8%	Others	-1,341	-2,035	-2,570	-2,707
EBIT margin (%)	23.7%	28.9%	31.0%	25.1%	Cash flow from operations	-17,205	-9,895	3,545	6,768
Net Interest	-107	-282	-387	-475	Capex	-682	-800	-1,100	-1,100
Earnings before tax	3,362	4,380	6,084	6,572	Disposal/(purchase)	320	300	0	0
% change Y/Y	80.9%	30.3%	38.9%	8.0%	Net Interest	53	50	50	50
Tax	-1,273	-1,758	-2,824	-2,818	Free cash flow	-17,887	-10,695	2,445	5,668
as % of EBT	37.9%	40.1%	46.4%	42.9%	Equity raised/(repaid)	-92	2,483	0	0
Net income (reported)	2,019	2,657	3,054	3,574	Debt raised/(repaid)	12,032	7,000	6,000	6,000
% change Y/Y	92.1%	31.7%	14.9%	17.0%	Other	2,797	0	0	0
Core net profit	1,797	2,357	3,054	3,574	Dividends paid	-495	-769	-703	-1,013
% change Y/Y	70.2%	31.2%	29.5%	17.0%	Beginning cash	17,620	13,977	12,065	19,876
Shares outstanding (mn)	5,649	5,649	5,649	6,670	Ending cash	13,977	12,065	19,876	30,602
EPS (reported) (Rmb)	0.36	0.47	0.54	0.58	DPS (Rmb)	0.13	0.11	0.15	0.17
% change Y/Y	59.5%	31.7%	14.9%	7.3%					
Core EPS (Rmb)	0.32	0.42	0.54	0.58					
% change Y/Y	41.4%	31.2%	29.5%	7.3%					
Balance Sheet					Ratio Analysis				
Rmb in millions, year end Dec	FY10	FY11E	FY12E	FY13E	%, year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	13,977	8,519	14,662	19,043	EBIT Margin	23.7%	28.9%	31.0%	25.1%
Accounts receivable	3,566	3,766	3,966	4,166	Operating margin	22.9%	27.0%	29.1%	23.4%
Inventories	44,273	64,565	67,465	71,191	Net margin	14.7%	17.4%	14.5%	12.7%
Others	21,519	22,519	23,519	24,519	SG&A/Sales	-	-	-	-
Current assets	84,393	100,744	111,399	121,242	Sales per share growth	29%	11%	38%	23%
LT investments	-	-	-	-	Sales growth	55.5%	11.3%	38.0%	34.1%
Net fixed assets	5,213	5,272	5,327	5,378	Net profit growth	92.1%	31.7%	14.9%	17.0%
Total Assets	92,730	110,140	121,851	132,745	EPS growth	59.5%	31.7%	14.9%	7.3%
Liabilities					Interest coverage (x)	30.73	15.80	16.96	15.04
ST Loans	9,920	7,936	7,936	7,936	Net debt to total capital	28.9%	42.2%	36.8%	35.3%
Payables	12,822	13,922	14,322	14,722	Net debt to equity	49.0%	79.5%	75.6%	75.7%
Others	29,057	35,521	38,381	40,392	Sales/assets	0.18	0.15	0.18	0.22
Total current liabilities	38,977	43,458	46,317	48,328	Assets/equity	2.72	2.64	3.34	3.45
Long-term debt	19,276	28,260	34,260	40,260	ROE	6.6%	7.2%	8.6%	9.5%
Other liabilities	1,351	1,594	2,614	3,251	ROCE	6.2%	6.7%	8.7%	8.6%
Total Liabilities	59,605	73,312	83,191	91,839					
Shareholders' equity	31,071	34,809	36,433	38,499					
BVPS	5.50	6.16	6.45	5.77					

Source: Company reports and J.P. Morgan estimates.

SinoPac Financial Holdings

www.sinopac.com

Company description

SinoPac Financial Holdings (SinoPac) is a bank-centric financial holding company with a franchise in corporate banking and mortgages. The bank has a more balanced business mix between corporate banking and the consumer segment. Bank SinoPac currently operates 128 domestic branches and three overseas branches. SinoPac Securities has around a 4-5% market share as of 1H11 in terms of market turnover.

Key drivers of performance in an equity market recovery

Our main concerns about SinoPac remain: 1) Far Eastern National Bank (FENB), the US subsidiary of SinoPac, still has a 13% NPL ratio with a 65% coverage ratio in 3Q11. The NPL cleaning process may continue in 2012 and delay earnings recovery. 2) Its NIM dropped to 1.20% in 2Q2011 from 1.24% in 3Q2010. We do not think its NIM can reverse quickly if SinoPac continues to pursue growth in lending to large corporations at a thin margin. 3) Its cost-to-income ratio (68% in 3Q11) remains higher than the industry average, considering the lower-margin mortgages and corporate loans on its books

How much recovery has already been priced in, what are the key metrics?

SinoPac's share price has underperformed the boarder Taiwan index by 10% since 2H11 on lower-than-peer earnings improvement and asset quality concerns.

Where's the earnings risk for 2012?

We believe earnings risk remains in its overseas operation where the NPL cleaning process is not yet completed. Its equity brokerage business may also add to earnings volatility.

Price target and key recovery risks

Our Dec-12 price target of NT\$10 (DDM-based). Key downside risks are: 1) NPLs at FENB continuing to trend up; 2) high costs dragging down profitability; 3) NIM contraction continuing due to its higher funding costs. Key upside risks are: 1) a better-than-expected US real estate market reducing its US subsidiary NPL; and 2) potential sale of its banking/brokerage branches.

Sinopac Financial Holdings (Reuters: 2890.TW, Bloomberg: 2890 TT)

Year-end Dec (NT\$ in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (NT\$ mn)	4,966	7,977	7,108	8,618	9,098
Net Profit (NT\$ mn)	908	5,109	5,680	6,527	6,378
Cash EPS (NT\$)	0.13	0.71	0.78	0.86	0.84
Fully Diluted EPS (NT\$)	0.13	0.71	0.78	0.86	0.84
DPS (NT\$)	0.00	0.12	0.51	0.31	0.36
EPS growth (%)	(124.4%)	462.5%	11.0%	10.3%	(2.3%)
ROE	1.1%	6.0%	6.4%	7.0%	6.5%
P/E	75.9	13.5	12.2	11.0	11.3
BVPS (NT\$)	11.84	12.37	12.43	13.09	13.59
P/BV	0.8	0.8	0.8	0.7	0.7
Div. Yield	0.0%	1.2%	5.3%	3.3%	3.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: NT\$9.52

Price Target: NT\$10

Taiwan

Banks

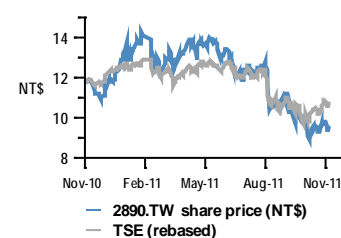
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J.P. Morgan Securities (Taiwan) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-31.3%	5.0%	-22.9%	-19.3%
Rel	-15.5%	-2.9%	-14.3%	-10.3%

Source: Bloomberg.

Company Data	
52-wk range (NT\$)	13.81 - 8.79
Market cap (NT\$ mn)	69,603
Market cap (\$ mn)	2,306
Shares outstanding (mn)	7,311
Fiscal Year End	Dec
Price (NT\$)	9.52
Date Of Price	04 Nov 11
Avg daily value (NT\$ mn)	139.1
Avg daily value (\$ mn)	4.6
Avg daily vol (mn)	14.1
TSE	7,526
Exchange Rate	30.18

Sinopac FHC: Summary of Financials

NT\$ in millions, year-end Dec

Income statement - NT\$ mn						Growth Rates					
	2009	2010	2011E	2012E	2013E		2009	2010	2011E	2012E	2013E
NIMs (as % of Avg. IEA)	1.11%	1.26%	1.25%	1.28%	1.32%	Loans	4.9%	5.5%	6.1%	2.8%	2.9%
Avg. IEA/Avg. Assets	85.5%	88.1%	90.1%	90.6%	90.4%	Deposits	3.8%	8.1%	6.2%	4.1%	1.9%
Margins (as % of Avg. Assets)	0.95%	1.11%	1.12%	1.16%	1.19%	Assets	1.7%	9.1%	4.6%	2.9%	0.5%
						Equity	1.5%	4.7%	4.8%	5.3%	3.9%
Interest Earned	19,116	19,410	22,829	25,675	28,118	RWA	3.2%	3.6%	2.9%	3.7%	-0.7%
Interest Suspended	0	0	0	0	0						
Interest Expense	-8,527	-6,346	-8,679	-10,550	-12,312	Net Interest Income	-28.9%	23.4%	8.3%	6.9%	4.5%
Net Interest Income	10,590	13,063	14,150	15,125	15,806	Non-Interest Income	96842.8%	4.5%	-8.7%	16.8%	6.3%
						of which Fee Grth	8.7%	3.8%	-8.4%	4.3%	7.2%
Non-Interest Income	7,521	7,859	7,175	8,379	8,905	Revenues	21.6%	15.5%	1.9%	10.2%	5.1%
Fees	6,300	6,539	5,991	6,250	6,701	Costs	1.1%	-1.5%	9.8%	4.7%	4.9%
Insurance	0	0	0	0	0	Pre-Provision Profits	163.0%	60.6%	-10.9%	21.2%	5.6%
Dealing	2,817	1,424	400	1,195	1,290	Loan Loss Provisions	-44.4%	-43.1%	-82.5%	225.5%	63.9%
Other Revenues	-1,596	-104	784	934	914	Pre-Tax	nm	245.1%	10.1%	11.7%	-2.3%
Total Revenues	18,110	20,922	21,326	23,504	24,711	Attributable Income	nm	462.8%	11.2%	14.9%	-2.3%
Costs	-13,145	-12,945	-14,218	-14,886	-15,613	EPS	nm	462.5%	11.0%	10.3%	-2.3%
Pre-Prov. Profits	4,966	7,977	7,108	8,618	9,098	DPS	-100.0%	nm	339.4%	-38.7%	14.9%
Provisions	-3,178	-1,809	-317	-1,030	-1,689						
Other Inc/Exp.	0	0	0	0	0	Balance Sheet Gearing	2009	2010	2011E	2012E	2013E
Exceptionals	0	0	0	0	0	Loan/Deposits	79.1%	77.2%	77.1%	76.1%	76.9%
Disposals/ Other income	0	0	0	0	0	Investment/Assets	18.0%	23.8%	24.8%	24.2%	21.8%
Pre-tax	1,787	6,168	6,791	7,587	7,409	Loan/Assets	59.4%	57.4%	58.2%	58.2%	59.5%
Tax	-879	-1,059	-1,112	-1,060	-1,032	Customer deposits/Liab.	79.1%	78.4%	79.7%	80.8%	82.3%
Minorities	-4	0	0	0	0	LT Debt/Liabilities	2.6%	2.6%	2.6%	2.5%	2.4%
Other Distbn.	4	0	0	0	0						
Attributable Income	908	5,109	5,680	6,527	6,378						
						Asset Quality/Capital	2009	2010	2011E	2012E	2013E
Per Share Data (NT\$/ share)	2009	2010	2011E	2012E	2013E	Loan loss reserves/Loans	0.81%	0.83%	0.75%	0.78%	0.84%
EPS	0.13	0.71	0.78	0.86	0.84	NPL/Loans	0.87%	0.51%	0.52%	0.64%	0.85%
DPS	0.00	0.12	0.51	0.31	0.36	Coverage	93.1%	160.9%	144.0%	122.4%	99.3%
Payout	92%	72%	40%	41%	41%	Growth in NPLs	-33.1%	-37.7%	7.6%	26.3%	36.8%
Book Value	11.84	12.37	12.43	13.09	13.59	Tier 1 Ratio	9.28%	8.89%	9.12%	9.04%	9.38%
Fully Diluted Shares	7,233	7,237	7,251	7,552	7,552	Total CAR	12.2%	11.9%	12.3%	11.8%	11.9%
Key balance sheet - NT\$ mn	2009	2010	2011E	2012E	2013E	Du-Pont Analysis	2009	2010	2011E	2012E	2013E
Net Loans	670,070	706,779	749,734	770,598	792,599	Margins (as % of Avg. Assets)	0.95%	1.11%	1.12%	1.16%	1.19%
LLR	-5,465	-5,880	-5,663	-6,084	-6,750	Non IR/Avg. Assets	0.67%	0.67%	0.57%	0.64%	0.67%
Gross Loans	675,535	712,659	755,397	776,682	799,349	Non-Int. Rev./ Revenues	41.5%	37.6%	33.6%	35.7%	36.0%
NPLs	5,867	3,655	3,933	4,969	6,797	Revenue/Assets	1.62%	1.77%	1.69%	1.80%	1.86%
Investments	202,963	292,386	319,088	321,009	290,769	Cost/Income	72.6%	61.9%	66.7%	63.3%	63.2%
Other Earning Assets	95,763	98,275	94,319	102,701	114,386	Cost/Assets	1.17%	1.10%	1.13%	1.14%	1.18%
Avg. IEA	966,522	1,038,790	1,136,062	1,184,598	1,202,448	of which Goodwill Amort.	0.00%	0.00%	0.00%	0.00%	0.00%
Goodwill	2,004	1,953	1,953	1,953	1,953	Operating ROA	0.44%	0.68%	0.56%	0.66%	0.69%
Assets	1,128,000	1,230,884	1,287,355	1,324,771	1,331,396	LLP/Loans	-0.48%	-0.26%	-0.04%	-0.13%	-0.21%
						Loan/Assets	59.6%	60.0%	59.5%	59.9%	60.6%
Deposits	847,397	915,968	972,336	1,011,996	1,031,301	Other Prov. Income/ Assets	0.00%	0.00%	0.00%	0.00%	0.00%
Long-term bond funding	27,130	30,121	31,628	30,679	29,758	Pre-Tax ROA	0.15%	0.46%	0.48%	0.57%	0.55%
Other Borrowings	39,048	76,929	73,765	69,651	56,742	Tax Rate	-49.2%	-17.2%	-16.4%	-14.0%	-13.9%
Avg. IBL	906,374	968,296	1,050,373	1,095,027	1,115,064	Minorities & Outside Distbn.	0.00%	0.00%	0.00%	0.00%	0.00%
Avg. Assets	1,118,809	1,179,442	1,259,119	1,306,063	1,328,084	ROA	0.08%	0.38%	0.40%	0.49%	0.47%
Common Equity	82,863	86,745	90,887	95,675	99,366	RoRWA	0.15%	0.83%	0.90%	1.00%	0.96%
RWA	601,325	622,735	640,986	664,740	660,202	Equity/Assets	7.18%	7.02%	6.89%	7.14%	7.19%
Avg. RWA	591,974	612,030	631,860	652,863	662,471	ROE	1.10%	6.02%	6.39%	7.00%	6.54%

SMIC

www.smics.com

Company description

SMIC is a leading semiconductor foundry in the world and the largest foundry in China by revenue scale and technology. While Taiwan peers are restricted from doing nanometer process technologies in China, SMIC has ramped up 65nm and aims to commercialize 40nm by end-11.

Key drivers of performance in an equity market recovery

We see no positive share drivers in the near term as we expect a multi-quarter loss-making operation due to the inventory correction plus some company-specific issues including one customer's 65nm transition and top management turnover. In the longer term, SMIC may benefit from any order overflows from peers, on the back of our view that foundries will gain market shares structurally against IDMs in the global semiconductor production on acceleration of IDM outsourcing for both leading-edge and mature technologies.

How much recovery has already been priced in, what are the key metrics?

We actually expect SMIC to decouple from the recovery trend, and believe there is more downside to come, given our forecast that the company will lose money throughout 2012 on the back of high break-even UTR and slow technology migration as a result of customer order transition.

Where's the earnings risk for 2012?

Multi-quarter operating losses for SMIC will be the key driver pushing down the stock, in our view, as a result of its high break-even utilizations. Macro uncertainties are the key swing factor, in our opinion, since the correction this time is somewhat complex, driven not only by inventory, but also by natural disasters and macro headwinds. Inventory is not an issue, as normalization appears intact, but normalization doesn't mean demand recovery. The macro outlook is likely to determine the duration of the correction which will in turn affect the duration of SMIC's loss-making operations.

Price target and key recovery risks

Our Jun-12 PT of HK\$0.30 is based on a 0.5x ROE-adjusted P/BV; we compare SMIC's projected ROE with TSMC's to work out a premium/discount to its historical P/BV average. We use TSMC as a benchmark due to SMIC's volatile ROE history. A key risk to our rating and PT is macro demand; if it turns out to be stronger than expected, it could spur a stronger and faster recovery. Other risks include capex discipline, competition, and technology migration.

Share price: HK\$0.42 (9 Nov 11) / ADR:US\$2.68 (8 Nov 11) (Reuters: 981.HK/SMI, Bloomberg:981 HK/SMI US)

US\$M (yr-end Dec)	FY09	FY10	FY11E	FY12E		FY09	FY10	FY11E	FY12E		
Sales	1,555	1,317	1,439	1,813	P/E (x)	109.9	nm	nm	44.6	52-wk range	HK\$0.34-0.94
Operating profit	30	-169	-118	64	P/B (x)	0.7	0.7	0.7	0.7	Shares out'g	27,371M
EBITDA	615	385	456	652	EV/EBITDA (x)	3.0	5.8	5.1	4.7	Avg daily volume	144.0M
Pre-tax profit	9	-176	-137	33	FCF/Mkt cap (%)	14.1	-48.6	-0.9	-50.5	Avg daily value	US\$11.9M
Adjusted net profit	13	-167	-137	33	Price target			Local	ADR	Free float	60%
Profit growth (%)	nm	-1,372	nm	nm	DCF value (6/2012)			HK\$0.28	US\$1.82	Market cap	US\$1.5B
EPS (US¢)*	0.05	-0.61	-0.50	0.12	PT (6/2012)			HK\$0.30	US\$1.93	Exchange rate	HK\$7.8/US\$1
BVPS (US\$, yr-end)	0.08	0.08	0.07	0.08	Diff. from consensus			-19%		ADR	
Cash dividend yield (%)	0.0	0.0	0.0	0.0	Qtrly EPS (US¢)	1Q	2Q	3Q	4Q	Ratio	1:50
ROE (%)	0.6	-7.7	-6.7	1.6	FY10	-0.81	0.39	0.12	0.25	52-wk range	US\$2.1-5.8
ROIC (net of cash, %)	1.2	-5.7	-4.0	1.6	FY11E	0.04	-0.01	-0.32	-0.31	Avg daily volume	0.2M
Net debt/equity (%)	19.1	36.9	43.9	78.8	FY12E	-0.28	-0.13	-0.06	-0.03	Current prem/disc	1.6%

Source: Bloomberg, Company, J.P. Morgan estimates.

Underweight

Price: HK\$0.45

Price Target: HK\$0.30

China

Technology - Semiconductors

Rick Hsu^{AC}

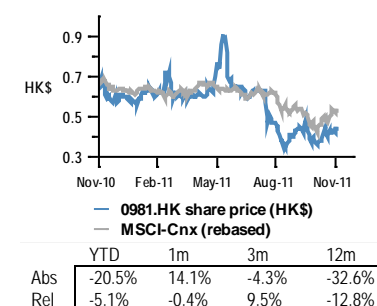
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J.P. Morgan Securities (Taiwan) Limited

Price Performance



Source: Bloomberg.

SMIC: Summary of Financials

Income statement					Ratio Analysis				
US\$M (yr-end Dec)	FY10	FY11E	FY12E	FY13E	% (yr-end Dec)	FY10	FY11E	FY12E	FY13E
Sales	1,555	1,317	1,439	1,813	Gross margin	19.9	8.5	11.0	20.8
Cost of goods sold	1,245	1,206	1,280	1,436	Operating margin	1.9	-12.8	-8.2	3.5
Gross profit	310	112	159	378	EBITDA margin	39.6	29.3	31.7	36.0
R&D expenses	181	199	184	203	Net margin	0.8	-12.6	-9.5	1.8
SG&A expenses	72	82	92	110	R&D/sales	11.7	15.1	12.8	11.2
Operating profit (EBIT)	30	-169	-118	64	SG&A/sales	4.6	6.2	6.4	6.1
EBITDA	615	385	456	652	Sales growth	45.3	-15.3	9.2	26.0
Interest income	4	4	2	3	Operating profit growth	nm	nm	30.4	154.4
Interest expense	24	20	23	36	Net profit growth	nm	nm	17.9	123.8
Investment income (loss)	0	3	0	0	EPS growth	nm	nm	17.9	123.8
Non-operating income (loss)	0	6	2	2	Interest coverage (x)	1.2	-8.5	-5.1	1.8
Earnings before tax	9	-176	-137	33	Net debt to equity	19.1	36.9	43.9	78.8
Income tax (credit)	-5	7	0	0	Days receivable	48	50	50	50
Extraordinaries & MI	-1	17	0	0	Days inventory	60	59	59	59
Net income	13	-167	-137	33	Days payable	109	108	86	76
EPS (US¢)	0.05	-0.61	-0.50	0.12	Cash cycle	-1	0	24	33
BVPS (US\$)	0.08	0.08	0.07	0.08	Asset turnover	39.8	36.7	38.1	40.2
DPS (cash only)	0.00	0.00	0.00	1.00	ROE	0.6	-7.7	-6.7	1.6
FD O/S (M)	27,282	27,459	27,459	27,459	ROIC (net of cash)	1.2	-5.7	-4.0	1.6
Balance sheet					Cash flow statement				
US\$M (yr-end Dec)	FY10	FY11E	FY12E	FY13E	US\$M (yr-end Dec)	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	518	141	157	278	Net Income	13	-167	-137	33
Accounts receivable	207	157	237	257	Depreciation & amortization	586	555	574	588
Inventories	213	173	243	223	Change in receivables	-2	50	-80	-20
Other current assets	241	100	100	100	Change in inventory	-20	40	-70	20
Total current assets	1,179	571	737	858	Change in payables	287	-315	200	-200
LT investments	10	10	10	10	Other adjustments	-169	0	0	0
Net PPE	2,431	2,769	2,781	3,401	Cash flow from operations	695	163	487	421
Other assets	283	245	245	245	Capex	-492	-865	-500	-1,150
Total assets	3,903	3,594	3,773	4,514	Purchase (sale) of investments	0	0	0	0
Short-term debts	706	443	522	531	Other adjustments	-92	0	0	0
Accounts payable	516	201	401	201	Cash flow from investing	-584	-865	-500	-1,150
Accrued expenses & other CL	178	200	200	220	Free cash flow	203	-702	-13	-729
Total current liabilities	1,399	843	1,123	952	Equity raised/ (buyback)	200	58	0	0
Long term debt	235	501	531	1,381	Debt raised/ (repaid)	-239	267	30	850
Total liabilities	1,694	1,417	1,732	2,441	Dividends paid	0	0	0	0
Share capital	11	11	11	11	Other adjustments	1	0	0	0
Share premium	3,859	3,859	3,859	3,859	Cash flow from financing	-38	325	30	850
Retained earnings	-1,699	-1,728	-1,865	-1,833	Net change in cash	73	-377	17	120
Other adjustments	38	36	37	36	Beginning cash	443	516	138	155
Shareholders' equity	2,209	2,178	2,041	2,073	Ending cash	516	138	155	275

Source: Company reports, J.P. Morgan estimates.

S-Oil Corp.

www.s-oil.com

Company description

S-Oil is one of the leading refining and marketing companies in South Korea. S-Oil has refining capacity of 669 kBOPD, petchem capacity is 1.6 mn TPY PX and 0.6 mn TPY benzene in addition to 38 kBOPD lube. S-Oil also owns retail stations with a 20% market share in South Korea. S-Oil is controlled by Saudi Aramco and a Hanjin consortium.

Key drivers of performance in this equity market recovery

We believe refining margins are currently at peak levels and with new capacity and one-offs (unexpected shutdowns and Libya unrest) during 2011 abating in 2012 we see GRMs contracting into 2012 from current high levels (even in a recovery). Market expectations are still reflecting a very strong refining environment next year.

How much recovery has already been priced in, what are the key metrics

We believe S-Oil has not de-rated sufficiently to reflect the current economic environment. This is due to expectations for next year remaining elevated (consensus is calling for earnings growth next year for S-Oil, while we expect an earnings decline). This could result in both a further de-rating and earnings downgrades resulting in underperformance for S-Oil.

Where's the earnings risk for 2012

Earnings risk versus consensus is on the downside for S-Oil, in our view, particularly on the refining side. Without another major uprising in North Africa or an earthquake in Japan, we see it as unlikely that margins will be sustained at the current level (which is reflected in consensus). Upside risks versus our number include sustained lube margins and higher PX margins.

Price target and key recovery risks

Our Dec-12 PT is W105,000, based on 7x 12E EV/EBITDA, in line with current regional peers' average. Our PT implies 9x 2011E P/E (and 10x 2012E P/E) which is in line with the regional average for refiners. Key risks to our rating and PT are higher margins and operational performance. We continue to prefer SK Innovation in the Korean refining space.

S-Oil Corp (Reuters: 010950.KS, Bloomberg: 010950 KS)

W in bn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (W bn)	17,424	20,530	30,450	27,007	24,729
EBITDA (W bn)	490	1,058	2,058	1,836	1,595
Net Profit (W bn)	224	695	1,313	1,145	976
EPS (W)	1,992	6,176	11,657	10,165	8,665
DPS (W)	1,350.00	2,500.00	5,000.00	4,000.00	4,050.00
Revenue growth	(24%)	18%	48%	(11%)	(8%)
EPS growth	(47%)	210%	89%	(13%)	(15%)
ROCE	5%	13%	24%	20%	16%
ROE	6%	16%	27%	20%	16%
P/E (x)	58.2	18.8	10.0	11.4	13.4
P/BV (x)	3.3	2.9	2.5	2.2	2.0
EV/EBITDA (x)	29.8	14.0	7.5	7.8	8.4
Dividend Yield	1.2%	2.2%	4.3%	3.5%	3.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: W116,000

Price Target: W105,000

South Korea

Independent Refiners

Brynjar Bustnes^{AC}

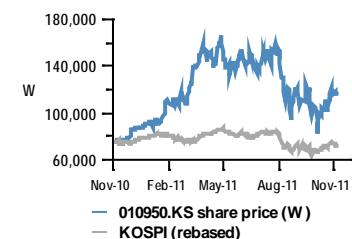
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J.P. Morgan Securities (Asia Pacific)
Limited

Price Performance



	YTD	1m	3m	12m
Abs	24.9%	23.5%	-24.9%	54.1%
Rel	34.6%	13.9%	-15.4%	57.5%

Source: Bloomberg.

Company Data

52-week Range (W)	170,000 - 72,500
Market Cap (W bn)	13,060
Market Cap (\$ mn)	11,758
Shares O/S (mn)	113
Fiscal Year End	Dec
Price (W)	116,000
Date Of Price	03 Nov 11
Free float (%)	37.0%
3M Avg daily Value (W bn)	108
3M Avg daily Value (\$ mn)	97
3M Avg daily vol	970
KOSPI	1,928
Exchange Rate	1,111

S-Oil Corp: Summary of Financials

Income Statement						Cash flow statement					
W in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	W in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	17,424	20,530	30,450	27,007	24,729	EBIT	312	869	1,796	1,568	1,329
% change Y/Y	(24%)	18%	48%	(11%)	(8%)	Depr. & amortization	177	189	262	268	266
EBITDA	490	1,058	2,058	1,836	1,595	Change in working capital	-599	-221	-1,235	428	284
% change Y/Y	(37%)	116%	95%	(11%)	(13%)	Taxes	-42	-164	-310	-270	-231
EBIT	312	869	1,796	1,568	1,329	Cash flow from operations	-292	732	332	1,857	1,541
% change Y/Y	(49%)	178%	107%	(13%)	(15%)	Capex	-656	-943	-500	-200	-200
EBIT Margin	2%	4%	6%	6%	5%	Disposal/(purchase)	2	5	0	0	0
Net Interest	-40	0	-154	-138	-107	Net Interest	-40	0	-154	-138	-107
Earnings before tax	272	869	1,642	1,430	1,222	Other	-145	448	0	0	0
% change Y/Y	(56%)	220%	89%	(13%)	(15%)	Free cash flow	-949	-211	-168	1,657	1,341
Tax	-42	-164	-310	-270	-231	Equity raised/(repaid)	0	0	0	0	0
as % of EBT	15.5%	18.9%	18.9%	18.9%	18.9%	Debt raised/(repaid)	220	-83	0	-500	0
Net income (reported)	224	695	1,313	1,145	976	Other	-19	169	19	15	16
% change Y/Y	(47%)	210%	89%	(13%)	(15%)	Dividends paid	-157	-291	-582	-466	-472
Shares outstanding	113	113	113	113	113	Beginning cash	2,133	1,229	895	164	870
EPS (reported)	1,992	6,176	11,657	10,165	8,665	Ending cash	1,229	895	164	870	1,755
% change Y/Y	(47%)	210%	89%	(13%)	(15%)	DPS	1,350.00	2,500.00	5,000.00	4,000.00	4,050.00
Balance sheet						Ratio Analysis					
W in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	W in billions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	821	853	122	828	1,713	EBITDA margin	3%	5%	7%	7%	6%
Accounts receivable	1,853	2,150	3,189	2,828	2,589	Operating margin	2%	4%	6%	6%	5%
Inventories	2,622	2,947	4,371	3,877	3,550	Net margin	1%	3%	4%	4%	4%
Others	93	13	13	13	13	Sales per share growth	(24%)	18%	48%	(11%)	(8%)
Current assets	5,798	6,005	7,737	7,588	7,908	Sales growth	(24%)	18%	48%	(11%)	(8%)
LT investments	-	-	-	-	-	Net profit growth	(47%)	210%	89%	(13%)	(15%)
Net fixed assets	2,877	3,630	3,868	3,799	3,733	EPS growth	(47%)	210%	89%	(13%)	(15%)
Total Assets	9,050	10,002	11,971	11,755	12,008	Interest coverage (x)	12.10	-	13.38	13.33	14.93
Liabilities						Net debt to equity	38%	38%	47%	21%	6%
Short-term loans	2,372	1,937	1,937	1,437	1,437	Sales/assets	2.09	2.16	2.77	2.28	2.08
Payables	2,132	2,542	3,770	3,343	3,061	Assets/equity	2.36	2.62	2.95	1.97	1.84
Others	61	113	113	113	113	ROE	6%	16%	27%	20%	16%
Total current liabilities	4,566	4,592	5,821	4,894	4,612	ROCE	5%	13%	24%	20%	16%
Long-term debt	364	684	684	684	684						
Other liabilities	201	202	202	202	202						
Total Liabilities	5,131	5,479	6,707	5,781	5,499						
Shareholders' equity	3,919	4,523	5,265	5,974	6,510						
BVPS	34,807.62	40,167.48	46,755.67	53,057.68	57,811.10						

Source: Company reports and J.P. Morgan estimates.

ST Engineering

www.stengg.com

Company description

ST Engineering is an integrated engineering group with four key segments of businesses, namely, aerospace, electronics, land systems and marine. It serves both commercial and defense customers through its global network of over 100 subsidiaries and associated companies. We estimate in FY11 commercial work will account for about 70% of group revenue, while defense will account for about 30%. Aerospace is the largest segment, expected to contribute about 40% of group net profit.

Key drivers of performance in an equity market recovery

As with previous equity market up-cycles, we believe ST Engineering may underperform into this recovery. Furthermore, the company could potentially see the recent slowdown in the airline sector resulting in orderbook momentum decline as MRO work typically lags the airline sector recovery by about 12 months.

How much recovery has already been priced in, what are the key metrics?

At 17.3x forward P/E, the company is already trading at between historical mean and -1 SD. While the general equity market recovers, the stock could potentially see long-term de-rating, closing its valuation premium gap with its peers as local cash and retained earnings reserves get drawn down and the need to further trim dividend payout from the current 90% arises in the medium term.

Where's the earnings risk for 2012?

Airlines and cargo carriers still face a challenging economic environment. Any decision to trim capacity or delay Passenger-to-Freighter conversion plans is likely to hit ST Aerospace's orderbook.

Price target and key recovery risks

Our Dec-2012 price target of S\$2.60 implies 16x FY12E P/E. Key downside risks to our price target include (1) decline in order wins, (2) further reduction in dividend payout ratio, while upside risks come from (1) pick-up in MRO contract momentum, (2) increase in dividend payout ratio.

ST Engineering Ltd (Reuters: STEG.SI, Bloomberg: STE SP)

S\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (\$ mn)	5,548	5,984	6,039	6,057	6,340
Net Profit (\$ mn)	443.9	491.0	510.2	497.0	523.8
EPS (\$)	0.15	0.16	0.17	0.16	0.17
EPS (Recurring) (\$)	0.15	0.16	0.17	0.16	0.17
DPS (\$)	0.13	0.14	0.14	0.14	0.15
Revenue growth (%)	3.8%	7.9%	0.9%	0.3%	4.7%
EPS growth (%)	-6.3%	10.6%	3.9%	-2.6%	5.4%
EPS (Recurring) Growth	(6.1%)	9.7%	3.0%	(2.6%)	5.4%
ROE	28.2%	30.8%	30.7%	28.6%	28.9%
P/E (x)	19.4	17.5	16.9	17.3	16.5
P/BV (x)	5.5	5.3	5.1	4.9	4.7
Dividend Yield	4.7%	5.1%	5.0%	4.9%	5.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: S\$2.82

Price Target: S\$2.60

Singapore

Defense

Ying-Jian Chan^{AC}

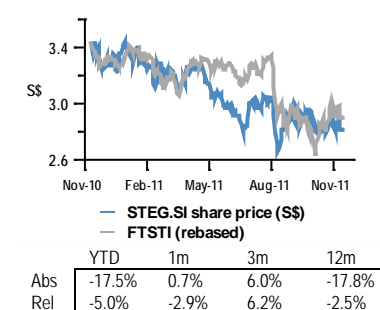
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Bloomberg JPMA YCHAN <GO>

J.P. Morgan Securities Singapore Private Limited

Price Performance



Source: Bloomberg.

Company Data

52-week Range (S\$)	3.42 - 2.64
Mkt Cap (\$ mn)	8,617.26
Mkt Cap (\$ bn)	6.79
Price (S\$)	2.82
Date Of Price	11 Nov 11
Free float (%)	48.7%
3-mth trading volume	2.75
3-mth trading value (\$ mn)	7.75
3-mth trading value (\$ mn)	6.36
FTSTI	2,787
Exchange Rate	1.27
Fiscal Year End	Dec

ST Engineering: Summary of Financials

Income Statement						Cash flow statement					
S\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	S\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Revenues	5,548	5,984	6,039	6,057	6,340	Profit before tax	547	627	629	612	644
% change Y/Y	3.8%	7.9%	0.9%	0.3%	4.7%	Depreciation & amortization	151	121	129	132	136
Gross Margin	20.7%	21.1%	21.0%	20.7%	20.7%	Change in working capital	237	102	-8	-3	-43
EBITDA	637	708	715	702	733	Other non-cash items	44	27	-57	-56	-59
% change Y/Y	-6.9%	11.0%	1.0%	-1.9%	4.4%	Cash flow from operations	900	811	591	586	574
EBITDA Margin	11.5%	11.8%	11.8%	11.6%	11.6%	Capex	-277	-324	-287	-277	-290
EBIT	486	587	586	569	597	Disposal/(purchase)	5	8	40	40	42
% change Y/Y	NM	20.6%	NM	NM	4.9%	Cash flow from investing	-485	-267	-247	-237	-248
EBIT Margin	8.8%	9.8%	9.7%	9.4%	9.4%	Equity raised/(repaid)	22	58	0	0	0
Net Interest	-46	-43	-42	-42	-42	Debt raised/(repaid)	565	3	0	0	0
Earnings before tax	547	627	629	612	644	Other	-61	-74	0	0	0
% change Y/Y	1.1%	14.8%	0.2%	-2.6%	5.2%	Dividends paid	-475	-402	-434	-422	-445
Tax	-90	-123	-102	-99	-104	Cash flow from financing	52	-415	-434	-422	-445
as % of EBT	16.5%	19.5%	16.3%	16.2%	16.1%	Net change in cash	467	128	-90	-73	-119
Minority Interest	-12	-14	-16	-16	-17	Beginning cash	819	1,514	1,592	1,502	1,429
Net income (reported)	443.9	491.0	510.2	497.0	523.8	Ending cash	1,514	1,642	1,502	1,429	1,310
% change Y/Y	-6.3%	10.6%	3.9%	-2.6%	5.4%						
Net Profit (Recurring)	-	-	-	-	-	Free cash flow	624	487	303	309	284
Shares outstanding	3,056	3,056	3,056	3,056	3,056	DPS	0.13	0.14	0.14	0.14	0.15
EPS (reported)	0.15	0.16	0.17	0.16	0.17						
Balance sheet						Ratio Analysis					
S\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E	S\$ in millions, year end Dec	FY09	FY10	FY11E	FY12E	FY13E
Cash	1,514	1,592	1,502	1,429	1,310	EBITDA margin	11.5%	11.8%	11.8%	11.6%	11.6%
Accounts receivable	1,062	1,020	1,029	1,032	1,080	EBIT margin	8.8%	9.8%	9.7%	9.4%	9.4%
Inventories	1,364	1,470	1,484	1,488	1,558	Net profit margin	8.0%	8.2%	8.5%	8.2%	8.3%
Others	626	814	814	814	814	SG&A/Sales	10.4%	9.6%	9.6%	9.6%	9.6%
Current assets	4,590	4,917	4,850	4,785	4,784	Sales growth	3.8%	7.9%	0.9%	0.3%	4.7%
LT investments	21	16	16	16	16	EBIT growth	NM	20.6%	NM	NM	4.9%
Net fixed assets	1,166	1,302	1,460	1,605	1,759	Net profit growth	-6.3%	10.6%	3.9%	-2.6%	5.4%
Total Assets	6,886	7,268	7,359	7,438	7,592	EPS growth	(6.3%)	10.6%	3.9%	(2.6%)	5.4%
Short-term loans	84	372	372	372	372	Interest coverage (x)	13.77	16.33	17.07	16.75	17.49
Payables	1,388	1,589	1,603	1,608	1,683	Net debt to equity	-6.7%	-16.8%	-10.7%	-6.2%	0.5%
Others	219	221	221	221	221	Sales/assets	0.86	0.85	0.83	0.82	0.84
Total current liabilities	3,083	3,551	3,566	3,570	3,646	Assets/equity	3.74	3.72	3.75	4.20	4.10
Long-term debt	1,349	969	969	969	969	ROCE	17.8%	19.7%	19.5%	18.5%	18.9%
Other liabilities	777	1,021	1,021	1,021	1,021	ROE	28.2%	30.8%	30.7%	28.6%	28.9%
Total Liabilities	5,209	5,541	5,556	5,561	5,636						
Shareholders' equity	1,568	1,622	1,698	1,773	1,851						
Total Liabilities & equity	6,886	7,268	7,359	7,438	7,592						
BVPS	0.51	0.53	0.56	0.58	0.61						

Source: Company reports and J.P. Morgan estimates.

TMB Bank

www.tmbbank.com

Company description

TMB is the seventh-largest commercial bank in Thailand with total assets of Bt658 billion. TMB has three major shareholders: Ministry of Finance with 26%; ING Bank with 25%; and DBS Bank with 6.8%. The loan portfolio of TMB is geared toward corporates, with a mixture of 53% corporates, 27% SME, and 20% retail.

Key drivers of performance in an equity market recovery

With the improving operating environment, TMB, similar to peer banks, is likely to enjoy higher business growth both on loans and fee income. However, TMB does not have a strong position in any particular market. Hence, growth is likely to be weaker compared to peers.

How much recovery has already been priced in, what are the key metrics?

There was a change in major shareholders in FY07 when ING bought a 26% stake in TMB from the government. This was followed by a change in management. The market has set high expectations for the bank and expects to see a significant ROE improvement. However, so far, the improvement has been relatively slow. Therefore, a valuation re-rating is unlikely. Also, the government is keen to reduce its stake from the current 30%. The market has priced in a certain premium for a possible takeover deal. However, so far, opportunities appear to be limited given the global economic weakness.

Where's the earnings risk for 2012?

As major banks compete on funding as well as on lending, TMB as a medium-sized bank without a strong niche in any segment will face risks of NIM weakness as well as growth pressure. This is likely to make the recovery phase slower.

Price target and key recovery risks

Our Dec12 PT of Bt1.5 is based on DDM with a 13.7% ROE, 13.1% COE, and 6.0% growth. Risks to our PT include success in acquiring cheap deposits and better-than-expected M&A deals.

TMB Bank Public Company Limited (Reuters: TMB.BK, Bloomberg: TMB TB)

Year-end Dec (Bt in mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Operating Profit (Bt mn)	4,024	3,999	8,093	9,148	9,907
Net Profit (Bt mn)	1,946	3,179	4,517	5,785	6,301
Cash EPS (Bt)	0.04	0.07	0.10	0.13	0.14
Fully Diluted EPS (Bt)	0.04	0.07	0.10	0.13	0.14
DPS (Bt)	0.00	0.02	0.04	0.05	0.05
EPS growth (%)	359.5%	63.3%	42.1%	28.1%	8.9%
ROE	4.3%	6.6%	8.8%	10.6%	10.8%
P/E	31.1	19.0	13.4	10.5	9.6
BVPS (Bt)	1.07	1.14	1.21	1.30	1.39
P/BV	1.3	1.2	1.1	1.1	1.0
Div. Yield	0.0%	1.1%	2.6%	3.4%	3.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: Bt1.39

Price Target: Bt1.50

Thailand

Banks

Anne Jirajariyavech^{AC}

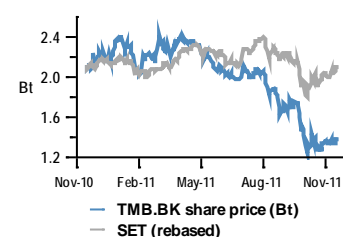
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JPMorgan Securities (Thailand) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-41.6%	0.0%	-24.9%	-33.8%
Rel	-37.3%	-4.3%	-17.5%	-33.4%

Source: Bloomberg.

Company Data

52-wk range (Bt)	2.48 - 1.22
Market cap (Bt mn)	60,505
Market cap (\$ mn)	1,965
Shares outstanding (mn)	43,529
Fiscal Year End	Dec
Price (Bt)	1.39
Date Of Price	16 Nov 11
Avg daily value (Bt bn)	0.3
Avg daily value (\$ mn)	8.6
Avg daily vol (mn)	247.3
SET	997
Exchange Rate	30.79

TMB Bank Public Company Limited: Summary of Financials

Income Statement					Growth Rates				
Bt in millions, year end Dec	FY09	FY10	FY11E	FY12E		FY09	FY10	FY11E	FY12E
NIM (as % of avg. assets)	1.9%	1.9%	2.4%	2.4%	Loans	-13.7%	-1.4%	9.2%	7.1%
Earning assets/assets	98.6%	96.3%	93.4%	92.6%	Deposits	-9.4%	1.2%	12.0%	5.5%
Margins (% of earning assets)	1.9%	1.9%	2.2%	2.2%	Assets	-9.8%	8.5%	18.0%	4.2%
					Equity	3.8%	6.6%	5.9%	7.1%
Net Interest Income	10,662	10,518	14,231	15,814	RWA	-7.4%	3.5%	12.9%	10.5%
Total Non-Interest Income	5,474	5,239	6,501	7,151	Net Interest Income	-23.5%	-1.4%	35.3%	11.1%
Fee Income	3,181	3,375	3,780	4,158	Non-Interest Income	-0.3%	-4.3%	24.1%	10.0%
Dealing Income	1,107	1,361	1,966	2,162	of which Fee Grth	-15.5%	6.1%	12.0%	10.0%
Other Operating Income	1,186	503	755	830	Revenues	(1691.6%)	(234.8%)	3157.1%	1077.2%
Total operating revenues	16,136	15,757	20,732	22,965	Costs	2.9%	-2.9%	7.5%	9.3%
					Pre-Provision Profits	-	-	-	-
Operating costs	-12,112	-11,758	-12,639	-13,817	Loan Loss Provisions	-48.2%	-37.1%	95.5%	1.8%
					Pre-Tax	-	-	-	-
Pre-Prov. Profits	4,024	3,999	8,093	9,148	Attributable Income	359.5%	63.3%	42.1%	28.1%
Provisions	-2,628	-1,654	-3,234	-3,291	EPS	359.5%	63.3%	42.1%	28.1%
Other Inc/Exp.	604	858	-285	0	DPS	-	-	142.7%	28.1%
Exceptionals	0	0	0	0					
Disposals/ other income	-	-	-	-					
Pre-tax	2,000	3,202	4,574	5,857	Balance Sheet Gearing	FY09	FY10	FY11E	FY12E
Tax	-34	-14	-46	-59	Loan/deposit	90.5%	88.1%	85.9%	87.2%
Minorities	-19	-9	-11	-13	Investment/assets	15.1%	16.1%	15.6%	15.0%
Other Distbn.	-	-	-	-	Loan/Assets	62.2%	58.3%	54.2%	55.6%
Attributable Income	1,946	3,179	4,517	5,785	Customer deposits/liab.	82.2%	76.5%	72.0%	73.0%
					LT debt/liabilities	11.3%	14.5%	16.5%	15.8%
Per Share Data Bt	FY09	FY10	FY11E	FY12E	Asset Quality/Capital	FY09	FY10	FY11E	FY12E
EPS	0.04	0.07	0.10	0.13	Loan loss reserves/loans	8.5%	5.6%	5.2%	5.3%
DPS	0.00	0.02	0.04	0.05	NPLs/loans	14.8%	9.9%	8.2%	7.4%
Payout	0.0%	20.5%	35.1%	35.1%	Loan loss reserves/NPLs	57.3%	57.0%	63.4%	71.5%
Book value	1.07	1.14	1.21	1.30	Growth in NPLs	-22.9%	-33.8%	-10.1%	-3.1%
Fully Diluted Shares	43,528.74	43,528.74	43,528.74	43,528.74	Tier 1 Ratio	12.3%	11.7%	11.1%	10.9%
PPOP per share	-	-	-	-	Total CAR	17.1%	17.2%	15.9%	15.2%
Key Balance sheet Bt in millions	FY09	FY10	FY11E	FY12E	Du-Pont Analysis	FY09	FY10	FY11E	FY12E
Net Loans	337,855	343,195	376,735	403,064	NIM (as % of avg. assets)	1.9%	1.9%	2.4%	2.4%
LLR	-31,208	-20,546	-20,552	-22,460	Earning assets/assets	98.6%	96.3%	93.4%	92.6%
Gross Loans	369,063	363,741	397,287	425,525	Margins (as % of Avg. Assets)	1.9%	1.9%	2.2%	2.2%
NPLs	54,448	36,060	32,423	31,429	Non-Int. Rev./ Revenues	31.6%	32.2%	30.3%	30.0%
Investments	82,194	94,538	108,718	108,718	Non IR/Avg. Assets	1.0%	0.9%	1.0%	1.0%
Other earning assets	16,124	33,576	57,079	57,079	Revenue/Assets	2.8%	2.8%	3.2%	3.2%
Avg. IEA	564,237	545,312	599,699	657,426	Cost/Income	-75.1%	-74.6%	-61.0%	-60.2%
Goodwill	0	0	0	0	Cost/Assets	-2.1%	-2.1%	-2.0%	-1.9%
Assets	543,142	589,200	695,443	724,826	Pre-Provision ROA	0.7%	0.7%	1.3%	1.3%
					LLP/Loans	-0.7%	-0.4%	-0.9%	-0.8%
Deposits	407,776	412,723	462,446	488,066	Loan/Assets	69.6%	64.7%	59.2%	57.9%
Long-term bond funding	61,374	85,595	114,562	114,562	Other Prov. Income/ Assets	0.1%	0.2%	-0.0%	0.0%
Other Borrowings	0	0	0	0	Operating ROA	0.7%	0.7%	1.3%	1.3%
Avg. IBL	497,531	483,734	537,663	589,818	Pre-Tax ROA	0.3%	0.6%	0.7%	0.8%
Avg. Assets	572,564	566,171	642,321	710,134	Tax rate	-	-	-	-
Common Equity	46,683	49,772	52,704	56,460	Minorities & Outside Distbn.	-0.0%	-0.0%	-0.0%	-0.0%
RWA	374,308	387,289	437,130	482,891	ROA	0.3%	0.6%	0.7%	0.8%
Avg. RWA	389,323	380,799	412,210	460,011	RORWA	0.5%	0.8%	1.0%	1.2%
					Equity/Assets	8.0%	8.5%	8.0%	7.7%
					ROE	4.3%	6.6%	8.8%	10.6%

Source: Company reports and J.P. Morgan estimates.

Tong Yang Life Insurance

www.myangel.co.kr

Company description

Tong Yang Life Insurance (TYL) is the sixth largest life insurer in Korea with a 5.2% market share by insurance income in FY10. Established in 1989, TYL is the first life insurance company to go public on the Korean Stock Exchange, in 2009.

Key drivers of performance in an equity market recovery

Aside from recent M&A expectation, TYL's improvement in fundamentals is worth taking a look at, including: (1) stable monthly initial premium sales; (2) ongoing effort to reduce dependency on bancassurance channel; (3) less pressure on long-term bond yield falling.

How much recovery has already been priced in, what are the key metrics?

TYL is currently trading at 0.8x FY10 EV. Given this current level of P/EV valuation is at the similar level of multiples to other Korean life peers, the valuation looks cheap, and more evidence of improvement in fundamentals is needed for clear upside potential. Hence, without the sector multiple expansion above 1.0x P/EV, we see limited upside potential from here.

Where's the earnings risk for 2012?

Despite a number of positive catalysts, we believe: (1) possible equity trading losses of aggregated equities classified in trading a/c, and (2) relatively high loan exposures in construction companies (7.5% of total loan, as of Mar-11) could negatively impact share price if the global financial uncertainty continues going forth in 2012.

Price target and key recovery risks

Our Jun-12 EV based price target is based on a fair EV multiple of 1.0x or W21,493/share for Mar-13. However we apply a 25% discount to that value considering weakening fundamentals and relatively smaller market cap compared with other life and/or non-life insurer under coverage. Key upside risks to our PT include: (1) fast recovery of protection-type sales; (2) better-than-expected NBV growth; and (3) acceptance of EV as a metric and recognition of value. Key downside risks are (1) worse-than-expected investment losses in risky assets; and (2) prolonged low interest rate environment; and (3) IFRS phase II implementation.

Tong Yang Life Insurance (Reuters: 082640.KS, Bloomberg: 082640 KS)

Year-end Mar	FY10A	FY11E	FY12E	FY13E
Net profit (W bn)	162	114	163	178
Net Profit growth	54.4%	-29.7%	42.7%	9.3%
EPS (W)	1,509	1,061	1,514	1,654
P/E (x)	9.4	13.4	9.4	8.6
BVPS (W)	10,482	10,913	12,639	14,476
P/BV (x)	1.4	1.3	1.1	1.0
ROE	15.1%	9.9%	12.9%	12.2%
ROA	1.4%	0.8%	1.1%	1.1%
DPS (W)	450	320	470	500
Dividend Yield	3.2%	2.3%	3.3%	3.5%
EV per share (W)	17,196	18,844	20,447	22,313
P/EV (x)	0.8	0.8	0.7	0.6

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: W14,200

Price Target: W14,900

South Korea

Insurance

MW Kim^{AC}

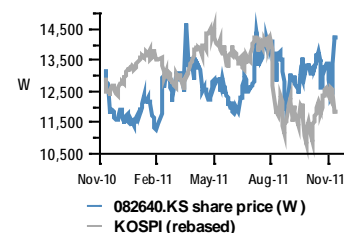
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Bloomberg JPMA MKIM <GO>

J.P. Morgan Securities (Far East) Ltd,
Seoul Branch

Price Performance



	YTD	1m	3m	12m
Abs	21.9%	6.4%	10.9%	10.5%
Rel	33.5%	3.8%	10.5%	18.4%

Source: Bloomberg.

Company Data	
52-week Range (W)	15,350 - 11,200
Market cap (W bn)	1,528
Market cap (\$ mn)	1,356
Shares O/S (mn)	108
Fiscal Year End	Mar
Price (W)	14,200
Date Of Price	10 Nov 11
Free float (%)	94.1%
3M Avg daily value (W bn)	1.66
3M Avg daily value (\$ mn)	1.47
3M Avg daily vol	124,751
KOSPI	1,903
Exchange Rate	1,126.61

Tong Yang Life Insurance: Summary of financials

Won in billions, year-end March

Income Statement	FY10	FY11E	FY12E	FY13E
Written premium (General account)	2,973	3,164	3,304	3,450
-1st premium	606	542	564	570
-Recurring premium	2,366	2,622	2,740	2,863
Reinsurance profit	0	-2	-2	-2
Claims payment	164	176	200	227
Refund	1,042	1,195	1,315	1,420
Policyholder dividend	2	2	2	3
Insurance provision	1,570	1,613	1,619	1,677
Total expense	539	556	580	589
- Underwriting expense	155	173	208	217
- DAC amortization	384	384	372	372
Underwriting profit	-345	-380	-414	-468
Investment profit	525	494	594	664
Non-operating profit	43	68	80	80
Pre-tax profit	224	182	259	276
Tax	61	44	58	61
Net profit	162	138	202	215

Growth Rate - Income Statement	FY10	FY11E	FY12E	FY13E
Written premium (General account)	30.9	6.5	4.4	4.4
-1st premium	280.9	-10.5	4.0	1.0
-Recurring premium	12.1	10.8	4.5	4.5
Total expense	2.1	3.2	4.3	1.6
- Underwriting expense	10.3	11.2	20.6	4.4
- DAC amortization	-0.9	-0.1	-3.0	0.0
Underwriting profit	N/A	N/A	N/A	N/A
Investment profit	27.0	-6.0	20.2	11.9
Net profit	54.4	-14.9	46.3	6.5

Growth Rate - Balance Sheet	FY10	FY11E	FY12E	FY13E
Invested asset	3.7	27.7	10.7	9.5
Non-invested assets	-6.1	10.6	3.8	9.5
DAC	-0.5	-0.3	4.0	2.2
Separate account	32.4	4.9	16.8	10.0
Total assets	16.3	9.8	10.0	9.5
Total liabilities	16.9	9.8	9.2	8.8
Total shareholders' equity	10.4	10.2	18.1	16.0

Balance sheet	FY10	FY11E	FY12E	FY13E
Cash & cash equivalent	178	293	504	552
Loan	2,456	3,143	3,418	3,678
Stock	1,328	1,810	1,883	2,023
Bond	3,847	4,791	5,326	5,964
Real estate	678	802	864	920
Invested asset	8,485	10,838	11,995	13,137
Non-invested assets	1,153	1,275	1,324	1,450
DAC	797	829	847	943
Separate account	1,759	2,054	2,259	2,474
Total assets	12,898	14,168	15,578	17,061
Policy reserve	9,403	11,020	12,639	14,315
Other liabilities	2,368	1,906	1,472	1,044
Total liabilities	11,771	12,926	14,111	15,360
Paid In Capital	538	538	538	538
Capital Surplus	205	205	205	205
Retained Earnings	353	378	532	695
Capital Adjustments	-19	0	0	0
AOCI	50	121	192	263
Total shareholders' equity	1,127	1,242	1,466	1,701

Per share data (Won)	FY10	FY11E	FY12E	FY13E
Avg # of O/S shares(mil shares)	108	108	108	108
EPS	1,509	1,284	1,878	2,000
BVPS	10,482	11,549	13,639	15,821
DPS	450	320	470	500
EVPS	17,196	18,965	21,019	23,389

Ratio	FY10	FY11E	FY12E	FY13E
P/E (x)	8.6	10.0	6.9	6.4
P/B (x)	1.2	1.1	0.9	0.8
P/EV(x)	0.8	0.7	0.6	0.6
ROE (%)	15.1	11.7	14.9	13.6
ROA (%)	1.4	1.0	1.4	1.3
ROEV (%)	20.2	11.6	13.3	13.7

Source: Company data, Bloomberg, J. P. Morgan estimates. Note:.

Tripod Technology Corp

www.tripod-tech.com/big5/index.asp

Company description

Tripod Technology Corp. (TWSE: 3044) designs, manufactures, and markets double and multi-layer rigid printed circuit boards (PCBs). Key customers include Samsung, Qimonda, Apple, HP, and Dell.

Key drivers of performance in an equity market recovery

HDI/automotive/servers remain the major catalysts for 2012, in our view, and we could turn more bullish on the name if we see further improvements in these sectors. HDD should start to see pull-in demand in mid-1Q12, if not earlier. We expect NB to maintain mild growth while DRAM/ TFT to be on a downward trend. We forecast the 2012 top line to grow 6% Y/Y.

How much recovery has already been priced in, what are the key metrics?

Given the gloomy outlook in the PC space, Tripod traded in line with TAIEX and might not have priced in a recovery yet. However, we see some short-term downside risk from what we believe is the market's overly optimistic view on the HDD supply chain disruption.

Where's the earnings risk for 2012?

We see manufacturing pollution as the key downside risk to our current earnings forecasts. Catcher's plant shutdown brings the environmental protection issue back to the forefront, which creates uncertainties for PCB capacity expansion in China. PCB manufacturing is a highly polluting process. Even with waste-water treatment, waste-water output is usually above the quota for the qualified vendors. While Tripod has not seen any breach, we are concerned there might be increasing costs incurred as a result of environmental protection issues (plant relocation).

Price target and key recovery risks

Our Jun-12 PT of NT\$90 is based on 2x one-year forward P/BV, which is the historical average for Tripod. We think our valuation is justified given the downward ROE trend and gloomy growth outlook. A key upside risk is a faster-than-expected recovery in Thailand HDD production, while a key downside risk is slower tablet momentum.

Tripod Technology Corp (Reuters: 3044.TW, Bloomberg: 3044 TT)

NT\$ in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (NT\$ mn)	33,424	43,016	42,449	45,296	47,720
Net Profit (NT\$ mn)	3,182.4	5,082.7	4,547.8	4,724.9	5,117.1
EPS (NT\$)	6.75	10.73	9.16	8.99	10.80
DPS (NT\$)	2.16	2.70	4.10	3.11	3.59
Revenue growth (%)	10.2%	28.7%	-1.3%	6.7%	5.4%
EPS growth (%)	1.6%	59.0%	-14.7%	-1.9%	20.1%
ROCE	15.4%	22.2%	18.3%	19.5%	19.2%
ROE	19.1%	26.9%	21.4%	20.0%	19.6%
P/E (x)	11.7	7.4	8.6	8.8	7.3
P/BV (x)	2.1	1.9	1.8	-	-
EV/EBITDA (x)	6.6	4.8	5.3	4.6	4.1
Dividend Yield	2.7%	3.4%	5.2%	3.9%	4.5%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Neutral

Price: NT\$79.00

Price Target: NT\$90.00

Taiwan

Technology - Hardware

William Chen^{AC}

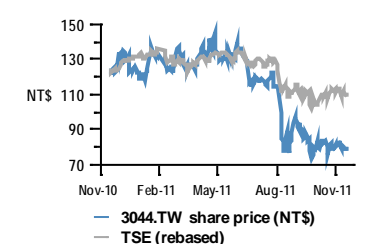
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J.P. Morgan Securities (Taiwan) Limited

Price Performance



	YTD	1m	3m	12m
Abs	-33.9%	-5.3%	-5.3%	-36.0%
Rel	-15.8%	-4.3%	0.0%	-24.9%

Source: Bloomberg.

Company Data

Shares O/S (mn)	526
Market cap (NT\$ mn)	41,523
Market cap (\$ mn)	1,376
Price (NT\$)	79.00
Date Of Price	16 Nov 11
Free float (%)	75.6%
3mth Avg daily volume	4.02
3M - Avg daily Value (NT\$ mn)	340.52
3M - Avg daily Value (USD) (\$ mn)	11.50
TSE	7,388
Exchange Rate	30.18
Fiscal Year End	Dec

Tripod Technology Corp: Summary of Financials

Profit and Loss Statement					Ratio Analysis						
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Revenues	30,332	33,424	43,016	42,449	45,296	Gross margin	18.2%	20.1%	22.0%	20.0%	19.7%
Cost of goods sold	-24,803	-26,708	-33,539	-33,947	-36,367	EBITDA margin	20.3%	22.8%	22.6%	20.6%	21.0%
Gross Profit	5,529	6,715	9,477	8,502	8,930	Operating margin	9.8%	11.5%	13.5%	11.6%	11.5%
R&D expenses	-155	-139	-204	-185	-198	Net margin	10.1%	9.5%	11.8%	10.7%	10.4%
SG&A expenses	-2,402	-2,741	-3,447	-3,389	-3,533	R&D/sales	0.5%	0.4%	0.5%	0.4%	0.4%
Operating profit (EBIT)	2,972	3,835	5,826	4,928	5,199	SG&A/Sales	7.9%	8.2%	8.0%	8.0%	7.8%
EBITDA	6,174	7,618	9,700	8,729	9,532						
Interest income	121	74	205	239	196	Sales growth	10.9%	10.2%	28.7%	(1.3%)	6.7%
Interest expense	-302	-152	-87	-21	-17	Operating profit growth	-26.2%	29.0%	51.9%	-15.4%	5.5%
Investment income (Exp.)	-180	-77	118	218	179	Net profit growth	-23.2%	3.6%	59.7%	-10.5%	3.9%
Non-operating income (Exp.)	572	-131	130	508	426	EPS (reported) growth	(24.1%)	1.6%	59.0%	(14.7%)	(1.9%)
Earnings before tax	3,544	3,704	5,956	5,436	5,625						
Tax	-481	-535	-937	-874	-900	Interest coverage (x)	34.23	98.61	-	-	-
Net income (reported)	3,073.0	3,182.4	5,082.7	4,547.8	4,724.9	Net debt to total capital	15.9%	-4.3%	-19.0%	-21.3%	-28.5%
Net income (adjusted)	3,073	3,182	5,083	4,548	4,725	Net debt to equity	22.2%	-6.0%	-24.8%	-25.5%	-30.6%
EPS (reported)	6.65	6.75	10.73	9.16	8.99	Asset turnover	0.94	0.93	1.06	0.99	1.04
EPS (adjusted)	6.65	6.75	10.73	9.16	8.99	Working capital turns (x)	6.99	6.98	9.10	8.63	8.29
BVPS	33.49	37.49	42.45	42.76	47.24	ROE	21.2%	19.1%	26.9%	21.4%	20.0%
DPS	2.23	2.16	2.70	4.10	3.11	ROIC	11.9%	16.8%	27.0%	21.1%	21.6%
Shares outstanding	467	474	474	526	526	ROIC (net of cash)	-	-	-	-	-
Balance sheet					Cash flow statement						
NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E	NT\$ in millions, year end Dec	FY08	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	6,466	7,525	13,179	8,696	10,659	Net income	3,073.0	3,182.4	5,082.7	4,547.8	4,724.9
Accounts receivable	8,157	11,275	11,960	11,729	13,207	Depr. & amortization	3,202	3,782	3,874	3,801	4,333
Inventories	2,347	2,342	3,342	4,198	4,726	Change in working capital	-1,806	-299	541	-219	-400
Others	649	1,508	1,877	2,222	2,502	Other	-333	1,355	1,191	66	997
Current assets	17,619	22,650	30,358	26,845	31,094	Cash flow from operations	4,469	6,666	9,498	8,131	8,657
LT investments	0	80	57	126	126	Capex	-3,422	-1,066	-2,557	-4,959	-4,400
Net fixed assets	17,206	14,490	13,172	14,330	14,398	Disposal/(purchase)	0	0	0	0	0
Others	-	-	-	-	-	Cash flow from investing	-3,409	-1,172	-2,641	-5,043	-4,400
Total Assets	34,911	37,332	43,808	41,536	45,853	Free cash flow	1,047	5,599	6,941	3,171	4,257
Liabilities						Equity raised/(repaid)	320	126	233	250	0
ST Loans	3,700	2,071	7,694	2,976	3,056	Debt raised/(repaid)	5,220	-3,492	1,740	-5,218	80
Payables	2,379	3,839	4,874	5,214	5,823	Other	274	-50	-1,897	-566	-737
Others	8,332	12,005	14,600	15,351	17,237	Dividends paid	-1,031	-1,018	-1,279	-2,036	-1,637
Total current liabilities	12,031	14,076	22,294	18,328	20,293	Cash flow from financing	4,782	-4,434	-1,202	-7,570	-2,294
Long-term debt	6,246	4,383	500	0	0						
Other liabilities	984	1,122	911	732	732	Net change in cash	5,842	1,059	5,654	-4,483	1,963
Total Liabilities	19,261	19,580	23,705	19,060	21,025	Beginning cash	624	6,466	7,525	13,179	8,696
Shareholders' equity	15,650	17,752	20,103	22,476	24,827	Ending cash	6,466	7,525	13,179	8,696	10,659

Source: Company reports and J.P. Morgan estimates.

Woodside Petroleum

www.woodside.com.au

Company description

Woodside Petroleum (WPL AU) is an E&P operating primarily in Australia, with a focus on LNG particularly in the North West of Australia. The company operates the A\$27 billion North West Shelf Project and is presently planning the expansion of its Pluto project. WPL is seeking to develop a further two LNG projects; Browse in Australia's Kimberley region and Sunrise off the northern coast. In addition, WPL holds interests in oil and gas assets in the Gulf of Mexico, Korea, and Brazil.

Key drivers of performance in an equity market recovery

WPL is a story leveraged to an aggressive LNG expansion program, and in our view, further delays to the delivery of Pluto-1 would negatively impact the perception of WPL's execution credentials. Furthermore, we see Pluto-2 as unlikely to reach FID before late 2012; a third party gas deal may be a more likely option now.

How much recovery has already been priced in, what are the key metrics

WPL represents reasonable value on an absolute basis, with essentially free exposure to its growth projects. We think on a relative basis, in the large cap Australian energy space, there are better risk/reward propositions.

Where's the earnings risk for 2012

The most relevant upside risk for 2012 is startup for the Pluto-1 4.3mtpa project. Oil prices are also a key risk.

Price target and key recovery risks

In our DCF analysis, we employ a WACC of 9.0% for WPL. Our Jun-12 price target is A\$44.89/share based on applying a 50% risk weighting to a theoretical Laverda oil development, 55% risk weighting to Pluto-2 assuming 90% WPL equity gas and future Hess milestone payments, a 70% risk weighting for a Browse tie-back to NWS option, and a 20% risk weighting to Sunrise. Key upside risks include oil prices, and progress toward key milestones for its LNG projects.

Recovery risks include failure of further exploration/appraisal wells for WPL's planned Pluto-2 project, Browse technical complexities, as well as capital expenditure and contractor cost escalation.

Woodside Petroleum Limited (Reuters: WPL.AX, Bloomberg: WPL AU)

Year-end Dec (US\$)	FY09A	FY10A	FY11E	FY12E	FY13E
Total Revenue (\$ mn)	3,759.2	4,246.0	4,931.4	5,911.2	6,738.9
EBITDA (\$ mn)	2,597.4	2,907.0	3,473.4	4,442.0	5,106.5
Net profit after tax (\$ mn)	1,530.6	1,564.0	1,759.4	1,892.2	2,228.6
EPS (\$)	2.176	2.023	2.218	2.318	2.690
P/E (x)	17.2	18.5	16.9	16.2	13.9
Cash flow per share (\$)	1.982	2.722	3.463	3.694	4.463
Dividend (\$)	0.950	1.050	1.130	1.160	1.350
Net Yield (%)	2.6%	2.9%	3.1%	3.2%	3.7%
Normalised* EPS (\$)	1.588	1.820	2.226	2.318	2.690
Normalised* EPS chg (%)	-29.2%	14.6%	22.3%	4.2%	16.1%
Normalised* P/E (x)	23.6	20.6	16.8	16.2	13.9

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

Price: A\$36.10

Price Target: A\$44.89

Australia

Energy and Steel

Benjamin Wilson^{AC}

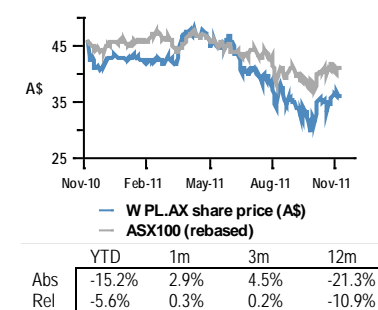
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J.P. Morgan Securities Australia Limited

Price Performance



Source: Bloomberg.

Company Data	
52-week range (A\$)	50.85 - 29.76
Market capitalisation (A\$ bn)	29.08
Market capitalisation (\$ bn)	30.17
Fiscal Year End	Dec
Price (A\$)	36.10
Date Of Price	07 Nov 11
Shares outstanding (mn)	805.7
ASX100	3,483.7
ASX200-Res	4,896.7
NTA/Sh [^] (\$)	17.43
Net Debt [^] (\$ bn)	5.29

Woodside Petroleum Limited

Underweight

Y/E Dec

Shares: 793.2m

ap: A\$28608m

Price: A\$36.67

Profit & Loss Statement

(US\$ millions)	CY09A	CY10A	CY11E	CY12E	CY13E
Sales revenue	3,722	4,193	4,871	5,850	6,676
Other revenue	37	53	60	62	63
Total revenue	3,759	4,246	4,931	5,911	6,739
Production costs	(477)	(459)	(469)	(571)	(719)
Royalties & Excise	(275)	(419)	(494)	(488)	(502)
Other Costs	(156)	(132)	(142)	(138)	(139)
EBITDAX	2,850	3,236	3,826	4,715	5,379
Exploration write-off	(252)	(329)	(353)	(273)	(273)
EBITDA	2,601	2,907	3,473	4,442	5,106
Depreciation & amortisation	(856)	(749)	(572)	(770)	(973)
EBIT	1,745	2,158	2,901	3,672	4,133
Net Interest Expense	(12)	18	(92)	(344)	(297)
Pre-Tax Profit	1,733	2,176	2,809	3,328	3,837
PRRT pre-tax (post08)	(79)	(165)	(198)	(506)	(546)
Corporate Tax	(537)	(602)	(846)	(930)	(1,062)
Significant items (after tax)	414	157	(6)	-	-
Minority interests	-	(2)	-	-	-
Reported NPAT	1,531	1,564	1,759	1,892	2,229
NPAT (pre-sig items)	1,117	1,407	1,766	1,892	2,229
EBITDA margin (%)	69.2%	68.5%	70.4%	75.1%	75.8%
Effective tax rate (%)	31.0%	27.7%	30.1%	27.9%	27.7%
EPS reported (Acps)	274.8	221.4	211.9	214.6	257.1
EPS pre-sig items (Acps)	198.3	199.2	212.6	214.6	257.1
DPS (UScps)	94	105	113	116	135
Payout ratio (%)	55%	58%	51%	50%	50%
Franking (%)	100%	100%	100%	100%	100%

Cashflow Statement

(US\$ millions)	CY09A	CY10A	CY11E	CY12E	CY13E
Net op cash flow	1,531	2,104	2,747	3,016	3,698
Acquisitions	-	-	-	-	-
Capex & Exploration	(4,755)	(3,649)	(4,138)	(1,758)	(2,337)
Asset Sales	1	-	-	-	-
Other investing cash flows	14	742	43	-	-
Dividends	(291)	(547)	(1)	(820)	(820)
Debt Repayment	-	(42)	(284)	-	(715)
Debt Proceeds	2,810	-	1,236	200	-
Equity funding	1,353	1,078	-	-	-
Other financing cash flows	291	119	8	-	-
Net cashflow	953	(195)	(389)	1,457	(175)
GCFPS (cps)	218	272	346	369	446
Free cashflow	(3,225)	(1,545)	(1,391)	1,257	1,361
FCF/share (cps)	(458.5)	(199.9)	(175.3)	154.0	164.3

Balance Sheet

(US\$ millions)	CY09A	CY10A	CY11E	CY12E	CY13E
Current assets	2,419	1,579	1,288	2,890	2,759
Oil & Gas Properties	13,857	16,517	19,543	19,411	20,753
Exploration & Evaluation	1,158	1,801	2,097	2,188	2,279
Other non current assets	319	299	309	309	309
Total assets	17,753	20,196	23,237	24,797	26,099
Total liabilities	8,485	8,510	9,728	9,396	9,290
Shareholder funds	9,268	11,686	13,509	15,401	16,810
Total debt	4,939	4,915	5,877	6,077	5,362
Cash	1,207	963	584	2,041	1,866
Net debt	3,732	3,952	5,293	4,036	3,495
Operational working capital	(574)	(677)	(453)	412	96
Ave diluted shares (m)	703	773	793	816	828

Source: J.P. Morgan Estimates and Company data

Production Volumes

(million BOE)	CY09A	CY10A	CY11E	CY12E	CY13E
NWSV	50.9	51.8	47.0	48.1	48.1
Laminaria	3.6	2.3	1.6	1.2	0.4
Legendre	-	-	-	-	-
Ohanet	2.3	2.3	1.8	-	-
Mutineer/Exeter	0.2	0.1	0.2	0.1	-
US GoM	1.9	1.3	0.3	-	-
Chinguetti entitlement	-	-	-	-	-
Otway	4.6	0.9	-	-	-
Enfield	6.3	5.7	4.2	3.7	2.8
Neptune	1.3	0.9	0.8	0.7	0.6
Stybarrow	5.7	2.1	4.1	3.8	3.1
Vincent	4.0	5.1	4.3	5.1	4.4
Pluto-1	-	-	-	17.0	34.9
Total	80.9	72.7	64.2	79.6	94.2

Key Commodity Price Assumptions

	CY09A	CY10A	CY11E	CY12E	CY13E
Aust dollar (US\$)	0.792	0.921	1.046	1.078	1.046
Brent Oil price US\$/bbl	62.1	80.2	113.0	115.0	121.3
Brent Oil price A\$/bbl	78.4	87.2	108.0	106.7	115.9
WTI Oil price US\$/bbl	61.8	79.5	94.1	97.5	113.0
WTI Oil price A\$/bbl	78.0	86.4	89.9	90.5	108.0
Domestic gas price (A\$/Gj)	4.28	3.71	4.24	3.95	4.03
LNG price (US\$/t)	325	515	600	573	558

Financial Ratios

	CY09A	CY10A	CY11E	CY12E	CY13E
PE reported (x)	13.3	16.6	17.3	17.1	14.3
PE normalised (x)	18.5	18.4	17.2	17.1	14.3
EV/EBITDAX (x)	14.7	11.1	8.3	6.5	5.9
P/GCFPS (x)	13.3	12.4	11.1	10.7	8.6
Dividend yield (%)	3.2%	3.1%	2.9%	2.9%	3.5%
ROE (%)	13.4%	12.3%	13.0%	10.5%	11.7%
ROIC (%)	9.6%	9.0%	9.4%	8.4%	9.4%
Gearing (ND/(ND+E), %)	28.7%	25.3%	28.2%	20.8%	17.2%
Interest cover	135.6	(118.7)	26.4	7.6	7.9

NPV Valuation at 9%

cashflows from Jul-11, LT US\$90/bbl & 0.8US\$/AS	A\$m	A\$	%
NWSJV ex-oil	10,221	12.89	34%
Cossack oil	586	0.74	2%
Laminaria	145	0.18	0%
Ohanet	9	0.01	0%
Enfield	698	0.88	2%
Mut/Exeter	19	0.02	0%
Neptune	110	0.14	0%
US GoM	(10)	(0.01)	0%
Stybarrow	462	0.58	2%
Vincent	1,520	1.92	5%
Pluto-1	16,691	21.04	55%
Group & Unallocated	(293)	(0.37)	
Other Fields / Projects (risked)	8,330	10.50	
Exploration	700	0.88	
Asset sale proceeds	-	-	
Other Value & Investments	627	0.79	
Net Debt	(4,209)	(5.31)	
Group NPV		35,607	44.89
Share price prem/(disc) to NPV			-18%

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Asia Pacific Equity Research
21 November 2011

J.P.Morgan

Strategy Dashboards

Asia Pacific Strategy Dashboards

Summary: Regional, Country and Sector Valuations

	11-Nov-11 MSCI Index	P/E (x)						Div. Yield (%)				P/BV (x)				Earnings growth (%)				ROE (%)			
		Hist.^ Trough	P/EPS (Trend)	Current Trailing	12m Fwd	Prospective			Hist.^ Peak	Current Trailing	Prospective		Hist.^ Trough	Current Trailing	Prospective		2009	2010	2011E	2012E	2010	2011E	2012E
Global*	320	10.0	12.1	12.4	10.7	15.9	11.7	10.5	4.1	3.1	3.0	3.2	1.3	1.5	1.5	1.4	4.6	39.7	10.1	10.6	14.6	15.0	15.4
USA*	1207	11.6	12.1	13.5	11.8	16.5	12.8	11.6	4.0	2.3	2.2	2.4	1.4	1.9	1.9	1.7	7.3	47.4	13.8	10.3	16.5	17.0	17.2
Europe*	1022	6.3	9.5	10.6	9.2	14.7	10.0	9.1	6.1	4.4	4.4	4.8	1.1	1.3	1.3	1.2	-15.8	38.7	12.5	7.5	19.1	20.2	20.7
Asia Pacific*	89	9.7	-	12.3	11.1	13.5	12.1	11.0	3.3	3.1	3.1	3.3	1.3	1.4	1.4	1.3	97.1	37.5	11.6	10.5	10.8	11.6	11.9
Asia Pacific ex-Japan	401	8.8	10.1	11.9	10.6	12.7	11.7	10.5	4.9	3.5	3.5	3.8	1.2	1.6	1.6	1.4	8.6	30.5	8.5	12.4	14.4	14.1	14.4
Pacific ex-Japan	315	5.2	9.9	12.4	11.7	13.7	12.3	11.6	5.7	4.2	4.2	4.7	1.3	1.5	1.5	1.4	-23.4	6.7	11.8	5.6	12.2	13.0	12.8
EMF Asia	595	8.5	13.8	11.5	10.3	12.5	11.4	10.2	3.4	2.8	2.9	3.0	1.0	1.7	1.7	1.5	31.1	41.2	9.6	11.8	14.9	15.3	15.7
Japan*	448	15.2	18.9	16.1	13.9	16.6	15.1	13.7	3.0	2.4	2.5	2.7	0.9	1.0	0.9	0.9	NM	NM	46.5	10.4	NM	6.2	6.5
Australia	872	11.6	12.0	12.2	10.7	13.9	12.0	10.5	6.7	5.0	5.0	5.4	1.3	1.7	1.7	1.5	4.1	18.3	15.8	14.1	13.5	15.0	15.5
China	55	7.2	8.0	9.6	8.5	10.8	9.4	8.4	5.7	3.5	3.5	3.9	0.5	1.6	1.6	1.4	16.5	34.0	14.4	12.3	17.8	17.8	17.6
Hong Kong	10248	10.6	14.8	12.6	13.9	13.5	12.4	14.2	5.7	3.1	3.1	3.3	0.9	1.2	1.2	1.1	-1.5	35.8	8.7	-12.5	10.3	10.0	8.2
India	674	9.6	15.9	15.1	13.1	16.9	14.9	12.9	2.6	1.8	1.8	1.9	1.4	2.3	2.3	2.0	13.1	25.4	13.8	15.2	15.0	16.3	16.6
Indonesia	4764	4.8	15.0	15.1	13.0	17.7	14.7	12.7	5.9	2.3	2.4	2.9	0.9	3.7	3.7	3.1	10.6	21.7	20.3	15.9	26.5	26.8	26.4
Korea	529	7.7	10.2	10.1	8.8	10.7	10.0	8.6	2.9	1.3	1.3	1.3	0.5	1.3	1.2	1.1	57.1	43.0	6.5	16.6	14.6	13.0	13.5
Malaysia	540	9.8	16.6	15.3	13.4	16.7	15.1	13.1	5.1	3.2	3.2	3.5	0.6	2.1	2.1	1.9	-19.9	27.6	10.2	15.3	13.7	14.0	15.3
Philippines	711	8.8	21.6	15.3	13.6	16.3	15.1	13.3	4.9	2.9	3.0	3.3	0.9	2.5	2.5	2.2	14.7	30.6	7.6	13.4	17.5	17.1	17.6
Singapore	317	8.4	9.4	12.0	11.7	12.0	12.1	11.7	5.9	4.1	4.1	4.3	0.9	1.4	1.4	1.3	-10.3	26.9	-0.4	3.4	13.4	11.9	11.3
Taiwan	262	12.5	13.1	15.3	13.3	12.8	15.8	13.0	7.8	4.5	4.6	4.7	1.2	1.7	1.7	1.6	54.2	83.3	-19.2	22.1	13.8	10.7	12.5
Thailand	388	7.7	7.6	11.4	9.6	13.3	11.1	9.4	5.9	3.7	3.7	4.3	0.6	2.1	2.0	1.8	35.1	33.1	19.4	18.9	19.0	19.7	20.3

Source: I/B/E/S, MSCI, J.P. Morgan. 11 Nov 2011.

Asia Pacific ex-Japan Sector Valuations

	11-Nov-11 MSCI Index	P/E (x)						Div. Yield (%)				P/BV (x)				Earnings growth (%)				ROE (%)			
		Hist.^ Trough	P/EPS (Trend)	Current Trailing	12m Fwd	Prospective			Hist.^ Peak	Current Trailing	Prospective		Hist.^ Trough	Current Trailing	Prospective		2009	2010	2011E	2012E	2010	2011E	2012E
Energy	666	6.1	7.8	11.0	10.4	13.2	10.7	10.4	6.5	3.2	3.3	3.4	1.0	1.8	1.7	1.6	0.8	30.6	23.3	3.3	15.7	17.0	15.9
Materials	370	7.9	10.0	10.8	8.9	12.5	10.5	8.6	4.8	2.9	3.0	3.2	1.0	1.8	1.8	1.6	-14.0	39.0	18.7	21.3	17.6	18.3	19.3
Industrials	136	10.6	15.7	11.3	11.1	11.6	11.3	11.1	4.4	2.8	2.8	3.0	0.9	1.3	1.3	1.2	15.1	73.6	2.8	2.1	14.0	12.0	11.3
Cons Disc	311	10.3	16.1	12.8	10.7	14.2	12.6	10.4	5.0	2.2	2.2	2.3	1.1	1.9	1.8	1.6	36.1	31.7	12.5	20.5	15.5	15.4	16.4
Cons Staples	279	14.7	17.6	18.1	16.2	19.5	17.9	15.9r	4.0	3.3	3.3	3.5	1.9	2.8	2.7	2.5	8.5	7.5	9.2	12.6	15.4	15.9	16.6
Healthcare	402	18.4	16.9	18.7	16.4	19.8	18.5	16.1	2.8	2.4	2.4	2.9	1.7	3.3	3.3	3.0	29.9	10.4	6.8	15.3	17.9	18.3	19.4
Financials	173	9.0	11.8	10.2	9.4	11.6	10.0	9.3	6.3	4.7	4.7	5.0	0.9	1.2	1.2	1.2	-0.3	19.1	16.3	7.1	12.1	12.8	12.8
Info Tech	216	10.3	13.0	16.6	13.4	12.4	17.2	12.7	4.5	2.4	2.4	2.5	1.4	2.0	1.9	1.8	133.6	76.7	-28.3	35.4	18.0	11.7	14.5
Telecoms	98	10.5	14.4	12.7	11.8	13.2	12.6	11.7	6.0	4.8	4.9	5.2	1.9	2.0	2.0	1.9	-2.6	-1.3	4.7	7.6	16.5	16.5	16.7
Utilities	171	9.9	14.3	17.2	15.1	16.9	17.2	14.8	4.7	2.8	2.9	3.1	0.9	1.4	1.4	1.4	38.4	16.0	-1.9	16.2	8.3	8.3	9.3

Source: I/B/E/S, MSCI, J.P. Morgan. Estimates as of 11 Nov 2011

* Market forecast numbers are derived from bottom-up calculations of each individual MSCI constituents using I/B/E/S estimates. US trailing PE is calculated as per reported earnings

For all other markets and sectors, forecast numbers are derived from bottom-up calculations of each individual MSCI constituents using JPM estimates for covered stocks and I/B/E/S estimates for the rest.

Companies with different yearends are calendarised to December yearends and are free float adjusted for aggregation. Historical numbers are from MSCI.

Hist.^ refers to the historically lowest valuation of the MSCI indices since Jan 1991. Trough PE represents the lowest 12 month trailing PE. For dividend yield the highest values are taken to represent the best multiple..

USA, Europe and Japan PE are I/B/E/S aggregate estimates. Japan Valuation estimates are for the financial year ending March

P / EPS (Trend) uses the trend EPS for the indices calculated by the linear regression on the natural log of trailing EPS. For more, please refer to 'Mayday call for the shorts - Perspectives and Portfolios', 5 May 2009, Mowat et al.

P / EPE (Trend)' is NM for indices where the modeled relationship is weak with a less than 0.50 R-square. The start dates China and Singapore models are modified to make them more relevant. Sector indices inputs have not been altered.

Market Performance: MSCI AC Performance by Region, Country and Sector

Last one week	Global	North America	Europe	Asia Pacific	Asia Pac ex-Japan	Pacific x J	EMF Asia	Japan	Australia	Korea	Hong Kong	Taiwan	Singapore	China	India	Malaysia	Thailand	Indonesia	Philippines
Consumer Discretionary	-0.3%	0.5%	0.2%	-2.7%	-3.7%	-5.2%	-3.2%	-3.1%	-0.7%	-2.6%	-7.1%	-3.9%	-3.6%	-5.1%	-1.1%	-1.7%	3.5%	2.4%	5.3%
Consumer Staples	0.7%	0.4%	1.4%	-0.4%	-1.0%	-0.4%	-1.6%	-0.5%	1.2%	-0.6%		-1.8%	-4.5%	-2.9%	2.0%	-1.9%	4.2%	-1.6%	
Energy	0.2%	0.0%	1.0%	0.5%	0.6%	0.4%	0.6%	-1.2%	1.2%			-3.5%	1.8%	-0.5%	0.1%		3.5%	-0.8%	
Financials	-1.2%	-0.9%	0.2%	-3.0%	-2.9%	-1.8%	-4.3%	-4.5%	-0.3%	-5.2%	-2.8%	-5.2%	-1.9%	-3.5%	-4.8%	-1.0%	-4.6%	0.3%	0.6%
Healthcare	0.8%	1.1%	0.8%	-1.5%	-0.4%	2.4%	-3.7%	-3.2%	3.2%	-3.4%				-4.7%	-1.9%			1.4%	
Industrials	-0.2%	0.5%	1.0%	-2.4%	-3.3%	-2.0%	-4.1%	-3.0%	2.2%	-4.4%	-2.3%	-5.7%	-3.7%	-3.3%	-3.9%	0.0%	5.0%	1.6%	-1.1%
Information Technology	-0.8%	-0.4%	0.3%	-2.7%	-3.5%	-4.0%	-3.5%	-2.6%	-3.6%	-2.3%	-3.6%	-2.9%		-8.1%	-0.1%				
Materials	-0.8%	-1.0%	0.5%	-2.1%	-1.8%	-0.2%	-3.8%	-4.1%	0.7%	-3.2%				-2.0%	-5.9%	1.0%	2.2%	-4.0%	
Telecommunication Services	1.1%	0.3%	2.3%	0.3%	0.1%	-0.3%	0.2%	-0.6%	0.0%	-3.0%	0.3%	-0.4%	0.9%	1.0%	0.5%	1.5%	-0.7%	-1.5%	3.1%
Utilities	0.3%	0.2%	0.8%	-0.3%	-0.8%	-0.7%	-0.9%	-0.9%	2.4%	-3.1%	-1.0%			3.7%	-1.1%	-1.6%	5.7%	0.0%	0.8%
Regional benchmark	-0.2%	0.0%	0.8%	-2.1%	-2.3%	-1.3%	-2.9%	-2.9%	0.5%	-3.0%	-3.1%	-0.8%	-2.4%	-2.2%	-2.2%	-0.7%	0.3%	-0.2%	0.7%
Change vs dollar								1.2%	-0.4%	-0.3%	-0.1%	-0.2%	-0.9%	0.2%	-1.8%	-0.1%	-0.3%	0.0%	-0.7%

YTD Performance	Global	North America	Europe	Asia Pacific	Asia Pac ex-Japan	Pacific x J	EMF Asia	Japan	Australia	Korea	Hong Kong	Taiwan	Singapore	China	India	Malaysia	Thailand	Indonesia	Philippines
Consumer Discretionary	-4.0%	3.4%	-9.3%	-11.9%	-3.6%	-18.1%	2.9%	-20.7%	-14.6%	13.7%	-22.6%	-7.5%	-11.8%	-17.2%	4.2%	-0.8%	-5.5%	27.4%	5.7%
Consumer Staples	3.7%	6.4%	1.8%	1.2%	-0.8%	-1.5%	-0.1%	-0.4%	0.5%	14.8%		5.2%	-14.1%	-12.3%	11.6%	-8.0%	22.3%	15.6%	
Energy	-1.8%	0.8%	0.0%	-9.9%	-11.0%	-12.2%	-10.7%	-5.9%	-11.8%	-0.3%		-4.8%		-5.8%	-14.3%	37.6%	-15.1%	-20.4%	
Financials	-18.8%	-15.7%	-24.1%	-17.5%	-16.3%	-12.2%	-21.2%	-24.9%	-7.3%	-26.2%	-20.0%	-22.4%	-16.5%	-24.0%	-18.9%	-8.3%	-6.7%	18.5%	-1.4%
Healthcare	4.0%	8.0%	3.4%	-12.4%	-16.6%	-14.3%	-19.6%	-15.1%	-14.3%					-35.9%	-7.6%				
Industrials	-10.9%	-3.2%	-17.0%	-17.0%	-23.3%	-15.6%	-27.6%	-16.6%	-5.1%	-25.3%	-15.3%	-30.7%	-24.5%	-35.2%	-32.8%	-5.3%	-61.2%	11.2%	-13.8%
Information Technology	-2.1%	4.0%	-3.8%	-18.4%	-16.9%	-18.9%	-16.9%	-24.6%	-24.5%	-2.1%	-11.9%	-22.1%		-12.3%	-15.2%				
Materials	-16.4%	-8.9%	-19.6%	-18.5%	-17.9%	-16.7%	-19.2%	-23.9%	-16.8%	-17.0%		-8.2%		-27.1%	-28.7%	10.9%	-6.4%	-12.0%	
Telecommunication Services	-2.3%	-1.9%	-4.7%	5.9%	4.5%	8.1%	3.6%	2.9%	12.5%	-16.2%	-10.2%	15.1%	4.6%	4.7%	-42.4%	12.5%	60.0%	-8.1%	-0.4%
Utilities	-6.3%	12.1%	-13.1%	-26.1%	-5.3%	9.8%	-17.2%	-45.8%	0.6%	-22.9%	12.6%			0.2%	-24.7%	-9.3%	18.0%	-29.9%	1.0%
Regional benchmark	-7.2%	-0.7%	-10.6%	-14.8%	-13.9%	-11.8%	-15.3%	-20.3%	-9.8%	-9.9%	-16.1%	-16.1%	-15.9%	-16.9%	-17.0%	-3.7%	-5.8%	4.8%	-3.7%
Change vs dollar								5.2%	0.6%	0.5%	-0.1%	-2.9%	0.2%	4.2%	-10.6%	-2.2%	-2.3%	0.5%	1.3%

Source: Bloomberg, MSCI as of 11 Nov 2011

Notes: Country headings sorted left to right according to relative weight within the MSCI.

Indices: Regions in US\$ and countries in local currency. Local currency movements against the dollar: depreciation / (appreciation).

Country and sector cross sections in italic black have outperformed their indices by more than 2%. Grey font indices have underperformed by more than 2% (in b&w).

Equity Markets Liquidity Monitor

Country	Stock Exchange	FF Mkt Cap (US\$ Bn)	Daily Trading Value (US\$ bn)			Daily Velocity Ratio (%)		
			1 Wk Avg	3 MMA	09 Avg	1 Wk Avg	3M Avg	09 Avg
Developed Markets								
US	NYSE + NASDAQ + AMEX	14,412	35	44	45	0.24	0.32	0.34
UK	London Stk Exchange	2,896	6.4	6.9	7.8	0.22	0.25	0.29
Japan	Tokyo Stk Exchange	2,656	13	15	16	0.50	0.54	0.56
Australia	ASX	1,185	4.0	5.0	4.5	0.34	0.43	0.40
HK	HKSE	1,485	4.7	6.2	6.5	0.31	0.42	0.42
Singapore	SSE	284	1.0	1.2	1.2	0.36	0.40	0.42
EM Asia								
China	Shanghai & Shenzhen A	1,745	16	15	26	0.92	0.87	1.69
India	BSE & NSE	399	2.6	2.7	4.1	0.65	0.66	0.88
Indonesia	JSE	160	0.4	0.6	0.5	0.23	0.35	0.45
Korea	KSE	644	5.0	5.9	4.7	0.77	0.95	0.83
Malaysia	Bursa Malaysia	160	0.5	0.5	0.4	0.28	0.31	0.32
Philippines	PSE	48	0.1	0.1	0.1	0.19	0.26	0.30
Taiwan	TWSE & OTC	509	3.3	3.8	4.4	0.64	0.74	0.84
Thailand	TSE	90	0.7	0.9	0.9	0.83	0.96	1.19
EMEA								
Russia	RTS + MICEX + DR	359	2.6	3.2	2.1	0.72	0.92	0.65
South Africa	Johannesburg Stk Exchange	477	1.2	1.8	1.6	0.25	0.38	0.35
Turkey	Istanbul Stk Exchange	72	1.0	1.3	1.6	1.43	1.81	1.93
Poland	Warsaw Stk Exchange	76	0.7	0.7	0.6	0.91	0.89	0.72
Egypt	Egyptian Exchange	28	na	na	0.1	na	na	0.19
LatAm								
Brazil	Bovespa + DR	854	4.6	5.7	5.9	0.59	0.80	0.79
Mexico	Mexico Stk Exchange + DR	237	1.2	1.0	1.1	0.51	0.45	0.48
Chile	Santiago Stk Exchange	108	0.18	0.17	0.20	0.16	0.16	0.20
Colombia	Bogota Stk Exchange	44	0.08	0.09	0.08	0.18	0.20	0.21
Peru	Lima Stk Exchange	40	0.02	0.02	0.02	0.04	0.05	0.06
Argentina	Argentina Stk Exchange	15	0.09	0.12	0.10	0.63	0.75	0.66

Source: Bloomberg, J.P. Morgan. Notes: Market cap uses all exchanges covered by Bloomberg for a specific country and primary security of company only.

The latest one week average is red (gray box in B&W, dark blue in blue scale) if less than 90% of the three month average or blue (solid black box in B&W, light blue in blue scale) if greater than 110% of the three month average.

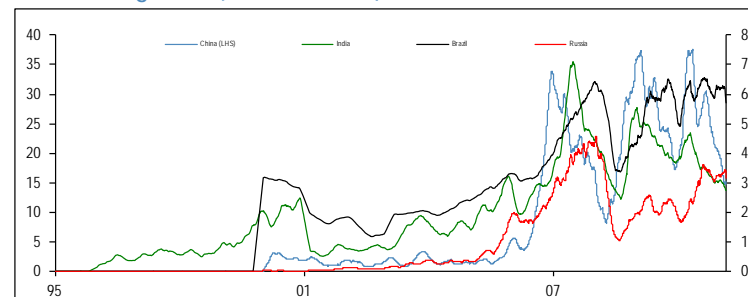
To calculate the free float we use the MSCI free float factor for all markets except for Hong Kong, Russia and South Africa where we calculate the free float for the Hong Kong Composite Index, MICEX, and JSE.

Trading value calculation for Russia, Mexico and Brazil, includes value of depository receipts traded (DR) along with local stock exchange turnover.

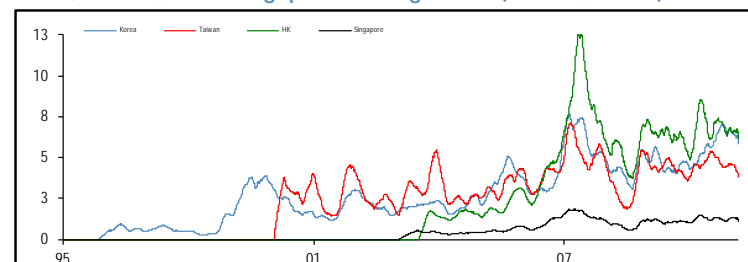
South Africa and Australia market capitalisation and trading value includes only local listed portion of dual listed stocks. Velocity Ratio = (Trading Value / Free float market cap) * 100

Updated as of 11 Nov 2011

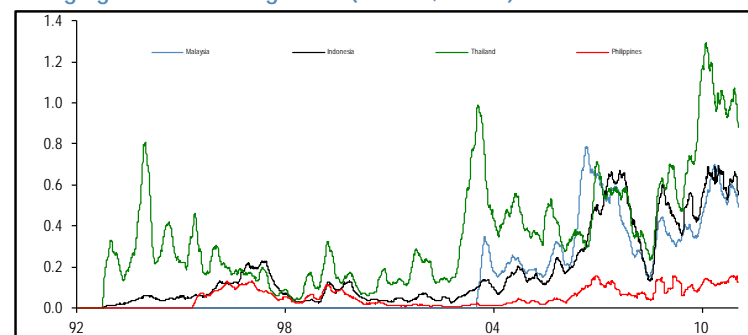
BRIC Trading value (US\$ bn, 3MMA)



Korea, Taiwan, HK & Singapore Trading Value (US\$ bn, 3MMA)



Emerging ASEAN Trading Value (US\$ bn, 3MMA)



Monitoring Inflation: The Real Threat to EM Equities

Country	Inflation Rate	CB Inflation Target (%)	JPM F'cast CY2011	CPI (YoY) Date	CPI (YoY)		Food CPI (YoY)		CPI (%)		FX (%)		Policy Rate Current	Policy Rate Last Change	Policy Rate Next Change
					Previous	Latest	Previous	Latest	MoM	3M ann	YoY	3M ann			
Developed Markets															
United States	Chained CPI	na	1.5	Sep-11	3.8	3.9	0.3	4.8	4.7	4.6	2.0	2.1	0.13	16 Dec 08 (-87.5bp)	On hold
US core PPI	Core PPI SA	na	na	Sep-11	2.5	2.5	0.2	3.0	-	-	-	-	-	-	-
US Unit Labor Cost	LC Nonfarm	na	na	Sep-11	1.8	1.2	NA	(2.6)	-	-	-	-	-	-	-
Euro Area	CPI	Under 2%	1.8	Sep-11	2.5	3.0	0.8	1.4	2.6	2.8	1.6	0.9	1.25	3 Nov 11 (-25bp)	8 Dec 11 (-25bp)
Japan	CPI	na	-0.6	Sep-11	0.2	0.0	0.0	0.8	(0.2)	(0.9)	(0.4)	(0.4)	0.05	5 Oct 10 (-5bp)	On hold
Australia	CPI	2 - 3	3.3	Sep-11	3.6	3.5	NA	2.5	6.1	6.4	na	na	4.50	1 Nov 11 (-25bp)	On hold
Hong Kong	CPI	na	4.6	Sep-11	5.7	5.8	0.4	(7.3)	(10.4)	(10.5)	7.6	(3.1)	0.50	17 Dec 08 (-100bp)	On hold
Singapore	CPI	2-3%	3.3	Sep-11	5.7	5.5	(0.2)	8.5	3.0	3.1	4.3	4.3	-	-	-
EM Asia															
China	CPI	4%	3.7	Oct-11	6.1	5.5	0.0	3.2	13.4	11.9	2.4	0.8	6.56	6 Jul 11 (+25bp)	4Q 12 (+25bp)
Korea	CPI	3.0 (±1)	3.3	Oct-11	4.3	3.9	(0.2)	3.3	4.6	2.2	3.7	1.4	3.25	10 Jun 11 (+25bp)	On hold
Indonesia	CPI	4 - 6%	3.6	Oct-11	4.6	4.4	(0.1)	4.4	5.3	5.8	4.6	3.9	6.00	10 Nov 11 (-50bp)	8 Dec 11 (-25bp)
India	WPI	7.0%	7.8	Oct-11	9.7	9.7	0.6	7.2	9.2	11.1	9.1	5.1	8.50	25 Oct 11 (+25bp)	On hold
India (CPI)	CPI Ind. Workers	na	8.9	Sep-11	9.0	10.1	1.5	18.0	na	na	na	na	-	-	-
Malaysia	CPI	na	1.5	Sep-11	3.3	3.4	0.2	2.3	4.6	5.0	2.2	2.4	3.00	5 May 11 (+25bp)	On hold
Philippines	CPI	3-5%	4.0	Oct-11	4.8	5.2	0.3	2.2	3.9	5.0	2.9	2.5	4.50	5 May 11 (+25bp)	On hold
Thailand	CPI	# 3.5 - 5.5	3.6	Oct-11	4.0	4.2	0.2	1.2	8.8	9.9	2.9	1.8	3.50	24 Aug 11 (+25bp)	On hold
Taiwan	CPI	1.85	1.7	Oct-11	1.4	1.2	0.5	2.7	1.9	1.0	1.5	2.1	1.88	30 Jun 11 (+12.5bp)	On hold
Latin America															
Argentina	CPI	na	9.0	Oct-11	9.9	9.7	0.6	9.6	8.1	7.5	na	na	-	-	-
Brazil	CPI IPCA	4.5 (±2)	5.3	Oct-11	7.3	7.0	0.4	5.5	9.9	8.5	6.9	6.3	11.50	19 Oct 11 (-50bp)	30 Nov 11 (-50bp)
Colombia	CPI	3.0 (±1)	3.0	Oct-11	3.7	4.0	0.2	1.9	5.7	6.6	na	na	4.50	29 Jul 11 (+25bp)	On hold
Mexico	CPI	3.0 (±1)	3.4	Oct-11	3.1	3.2	0.7	4.4	5.5	5.1	3.2	2.6	4.50	17 Jul 09 (-25bp)	2 Dec 11 (-25bp)
Peru	CPI	2.0 (±1)	3.3	Oct-11	3.7	4.2	0.3	3.7	5.1	6.4	2.1	2.3	4.25	12 May 11 (+25bp)	7 Dec 11 (-25bp)
Chile	CPI NSA	3.0 (±1)	3.3	Oct-11	3.3	3.7	0.5	4.7	5.8	6.5	2.2	2.0	5.25	14 Jun 11 (+25bp)	Jan 12 (-25bp)
Europe, Middle East and Africa															
Czech Republic	CPI	2.0 (±1)	2.8	Oct-11	2.0	2.3	0.1	(0.8)	3.9	5.4	(0.1)	(0.4)	0.75	6 May 10 (-25bp)	On hold
Hungary	CPI	3%	4.9	Oct-11	3.1	3.9	(0.1)	(0.8)	6.2	5.0	3.0	2.2	6.00	24 Jan 11 (+25bp)	3Q 12 (-25bp)
Poland	CPI	1.5 - 3.5%	2.9	Sep-11	4.4	3.9	0.0	(1.2)	3.2	3.2	2.6	2.5	4.50	8 Jun 11 (+25bp)	1Q 12 (-25bp)
Russia	CPI	6-7%	6.7	Oct-11	9.0	7.2	0.0	(0.8)	6.5	6.3	7.1	4.5	3.75	14 Sep 11 (+25bp)	3Q 12 (+25bp)
South Africa	CPI	3-6%	6.4	Sep-11	5.3	5.7	0.4	5.9	7.3	8.7	3.8	4.0	5.50	18 Nov 10 (-50bp)	2Q 12 (-50bp)
Turkey	CPI	6.5 (±2)	7.5	Oct-11	6.2	7.7	3.3	20.6	2.2	1.8	7.7	10.1	5.75	4 Aug 11 (-50bp)	Oct 12 (+25bp)

Source: J.P. Morgan Economics, Bloomberg. Note: Current inflation data for countries which outside/above target range is highlighted. MoM and 3 month annualized data is calculated from inflation indices.

Countries where central banks target is not available. We have given J.P. Morgan Economic estimates.

No target is available for China, but general expectation is that the Central Bank would continue raising rates when the headline CPI rises above 3.0 %

In case of Taiwan, Estimate by DGBAS. CB targets M2 growth (2.5-6.5% for 2010)

Russia's CBR is not yet in a full-fledged inflation targeting, so they can change the target during the year.

Updated as of 11 Nov 2011

Outlook: Market Drivers

Global and developed market drivers

Country	Positive	Negative
Global	Record-low interest rates, healthy corporate balance sheets, lower oil prices	Slowing global growth, European stress, high fiscal deficits and sovereign debt of Developed Markets
US	Interest rates low for long, strong corporate profits, low corporate bond yields, attractive relative valuation of equities vs. bonds	Fiscal drag, Unemployment
Europe	Cheap valuation, easing inflation, start of easing cycle by ECB & more accommodative policy stance	Intensifying political risks, weakening growth momentum, mild recession in '12 with risks to the downside
UK	Addition QE by BoE, weaker currency to benefit exporters	Fiscal drag due to austerity, persistently high inflation and weak consumer demand

Asia Pacific Market Drivers

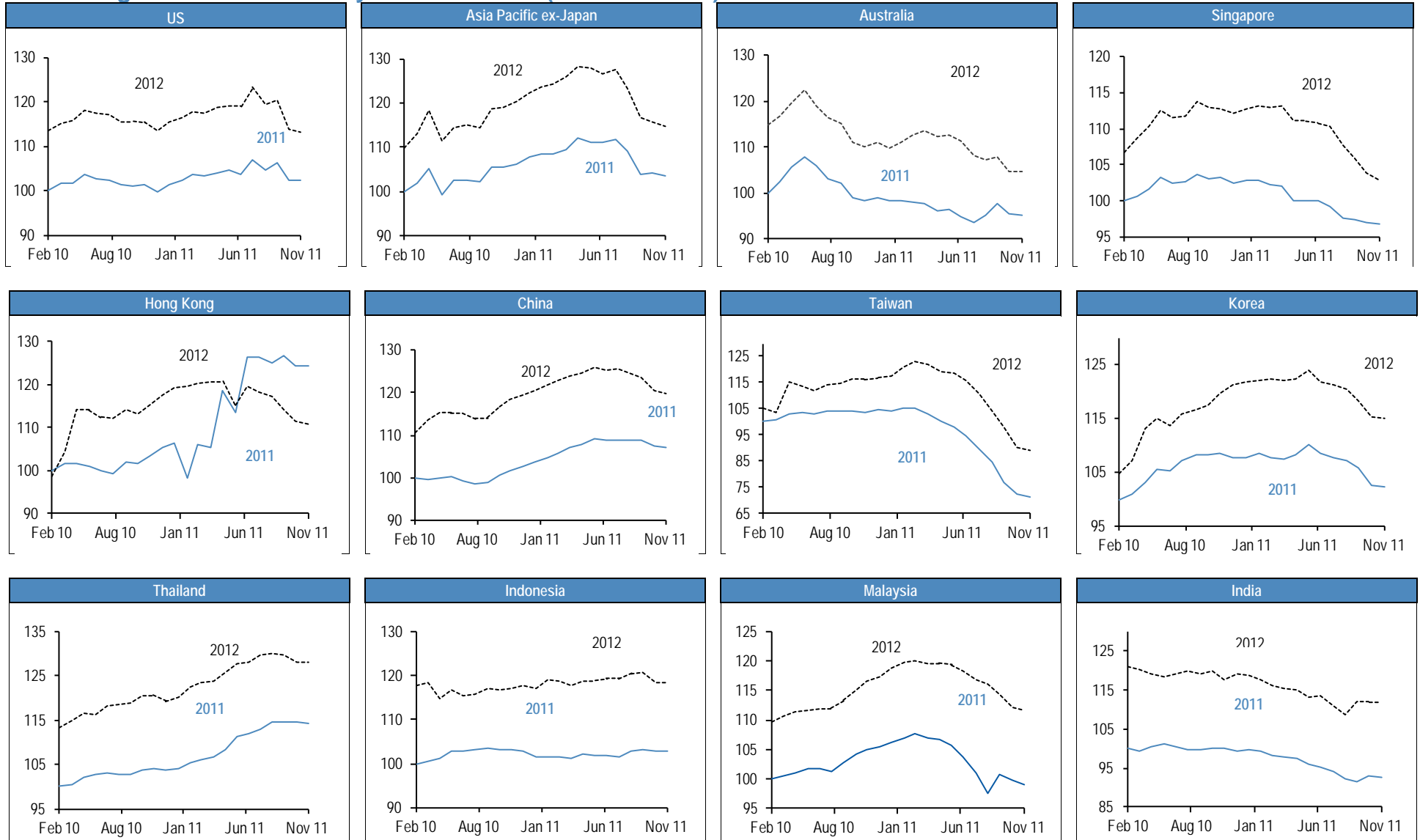
Country	Positive	Negative
Japan	Leveraged to global industrial production cycle, post earthquake rebuild spending, low valuations relative to history	Strong Yen, earthquake cost adding to fiscal deficit
Australia	Fiscal flexibility, resilient economy	Overheating risk, rising short rates with high debt levels, exposure to bulk commodity price correction
Singapore	Strong hub for intra-Asia growth, significant flexibility around monetary policy, safe haven status to underpin growth in higher-value added sectors in the long-term	Slowing growth, increasing volatility of EPS given greater dominance of global price-takers in market composition
Hong Kong	Record-low mortgage rates, leveraged to a recovery in global trade and financial services	Property tightening measures, normalization of US interest rate policy, rapid rise in cost of living, asset inflation story is consensus
China	Strong household income growth, CPI may have peaked, selective help to SMEs	Domestic liquidity remains tight, further measures designed to lower property prices, near-term economic slowdown may bring about earnings downgrades, Policy to boost household income as a share of GDP will be at the expense of profits, high growth sectors are small percentage of the index
Korea	Stabilized KRW currency, limited financial contagion risks from the Euro zone, Competitiveness in major Korean exporters (auto, IT)	Slowdown in global demand, inflationary pressure
Taiwan	Companies with exposure to China to benefit from selective and gradual monetary easing, recent US macro data (including JPM Economic Activity Surprise Index) collectively becoming constructive to exports sectors, fundamentals of upstream tech sector to bottom out around April and downstream PC around Aug 2012	Risk and reward of the presidential election in Jan 2012 not favorable to investors, EU recession to remain a concern on external demand, room for error in the US is limited (i.e. a few macro data miss could send 1Q12 growth to negative territory)
India	Correction in global commodity prices, relatively robust economic and earnings growth outlook	Policy paralysis, High and sticky inflation, current account deficit
Malaysia	Positive sound bites from ETP, domestic infrastructure and oil and gas spending, M&A, GLC listings	Political uncertainties, defensive market, 3-year peak in foreign ownership
Indonesia	Recovery in manufacturing competitiveness, policy bias shifting to easing, strong consumption, inflation threat abating	Major names well owned and discovered, bureaucratic and legislative reform momentum, infrastructure bottlenecks, narrowing CA surplus
Thailand	Post-flood rebuilding and recovery, policy announcements, rising domestic and foreign investment cycles, peak in monetary tightening cycle	Weaker-than-anticipated external demand, prolonged flood impact on GDP
Philippines	Improved confidence and steady remittances growth leading to stronger consumption, improved fiscal position resulting in overdue investment spending, underowned market.	Global economic slowdown, fiscal deficit becoming uncontrolled

Other emerging market drivers

Country	Positive	Negative
Brazil	First among BRICs to cut rates, trough level valuations, closed economy and large state, resilient consumption.	Commodity stocks half the market, capital controls, overvalued FX, stubborn inflation
South Africa	Solid earnings growth outlook; benign SA rate outlook; SA equities underowned by foreign and domestic investors	High beta currency; policy paralysis
Russia	Cheap multiples, positive secular outlook, low debt/output	Exposure to global macroeconomic risk, political risk, increased dependency on commodity prices, budget deficit
Mexico	Relatively defensive market, undervalued FX, underpenetrated credit sector	Fading US macro momentum, anti-trust reform bill (good for Mexico; bad for corporates), high valuations, vulnerable earnings
Turkey	Better-than-expected Q3 results	FX and central bank policy uncertainty
Poland	Defensive; cheap on a forward P/E basis	Euro-zone recession
Czech Republic	Low rates	Euro-zone recession, dividends at risk
Hungary	Low macro expectations.	Ongoing governance risks. €-zone recession

Source: J.P. Morgan.

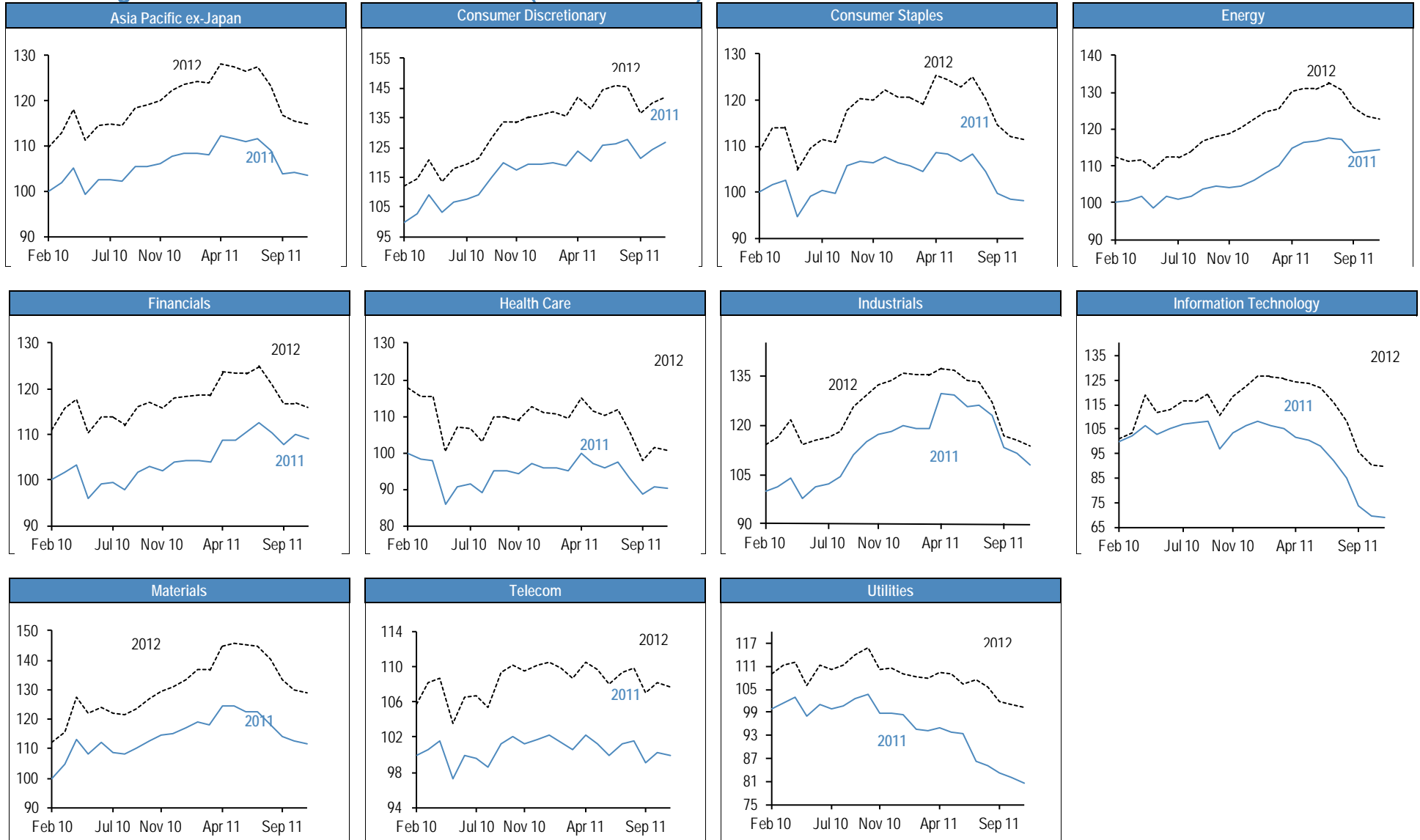
Monitoring the Trend in Country EPS Forecasts (2010 and 2011)



Source: I/B/E/S. 11 Nov 2011

Notes: All yearends are for December except Australia which is for June. EPS figures are normalized, starting at 100 on base date Feb 2008 for ease of comparison. These numbers are directly from IBES aggregate and may differ from those in the growth expectations pages where changes are made for exceptional items. This dashboard aims to show changes in earnings expectations. Countries earnings revisions are in local currencies term whereas APXJ regions earnings revisions is in US \$ term

Monitoring the Trend in Sector EPS Forecasts (2010 and 2011)



Source: I/B/E/S. 11 Nov 2011

Notes: All yearends are for December. EPS figures are normalized, starting at 100 on base date Feb 2009 for ease of comparison. These numbers are directly from IBES aggregate and may differ from those in the growth expectations pages where changes are made for exceptional items. This dashboard aims to show changes in earnings expectations. Countries earnings revisions are in local currencies term whereas APXJ regions earnings revisions is in US \$ term

Profit Outlook: Earnings Forecasts Matrix for Countries and Sectors

Asia Pacific ex-Japan								Korea								Thailand							
Weight (%)	J.P. Morgan			Consensus				Weight (%)	J.P. Morgan			Consensus				Weight (%)	J.P. Morgan			Consensus			
	Median	2011	2012	Median	2011	2012			Median	2011	2012	Median	2011	2012			Median	2011	2012	Median	2011	2012	
Total Market	100	13.7	8.5	12.4	12.3	8.9	10.5	Total Market	100	23.8	6.5	16.6	18.6	13.5	12.7	Total Market	100	21.5	19.4	18.9	23.1	16.6	12.2
Consumer Discretionary	7.8	14.2	12.5	20.5	12.8	16.4	13.3	Consumer Discretionary	18.8	20.0	17.3	23.1	12.9	32.0	16.4	Consumer Discretionary	1.8	22.7	22.7	10.2	13.3	13.3	15.6
Consumer Staples	6.6	13.8	9.2	12.6	14.6	9.0	12.6	Consumer Staples	4.6	13.2	-13.1	11.4	3.1	-14.9	14.7	Consumer Staples	10.3	16.4	18.0	83.0	18.4	16.8	13.3
Energy	7.9	17.7	23.3	3.3	18.6	21.6	7.4	Energy	3.4	76.1	63.3	-9.2	138.5	104.0	-1.9	Energy	32.1	21.2	15.7	17.1	24.9	12.7	8.9
Financials	33.2	15.2	16.3	7.1	13.8	15.0	5.3	Financials	13.9	23.6	64.0	-7.9	23.0	64.6	-3.6	Financials	33.3	40.7	36.4	15.7	30.1	34.5	11.1
Health Care	1.4	15.8	6.8	15.3	15.8	7.8	13.1	Health Care	0.6	10.6	6.2	16.8	10.6	6.2	16.8	Health Care	0.0	NA	NA	NA	NA	NA	NA
Industrials	8.4	14.0	2.8	2.1	11.8	0.9	3.8	Industrials	13.9	30.0	13.9	11.4	23.5	6.4	15.0	Industrials	0.6	-79.2	-79.2	320.0	-79.2	-79.2	320.0
Information Technology	12.8	2.8	-28.3	35.4	-1.0	-25.5	31.6	Information Technology	29.4	-4.1	NM	NM	-20.7	-21.1	23.4	Information Technology	0.0	NA	NA	NA	NA	NA	NA
Materials	13.5	18.0	18.7	21.3	14.8	21.5	14.1	Materials	13.0	36.0	7.6	27.2	43.8	11.9	13.5	Materials	14.1	21.1	18.9	8.7	20.0	17.2	13.2
Telecommunication Services	5.4	6.0	4.7	7.6	5.4	4.3	7.2	Telecommunication Services	1.2	16.3	-7.0	0.4	16.3	-7.0	0.4	Telecommunication Services	6.3	22.9	22.9	11.9	22.9	22.9	11.9
Utilities	3.0	4.8	-1.9	16.2	4.9	1.9	22.8	Utilities	1.2	78.0	NM	NM	47.6	NM	NM	Utilities	1.5	-4.6	-4.6	45.4	-19.7	-19.7	60.9

Australia								Taiwan								Malaysia							
Weight (%)	J.P. Morgan			Consensus				Weight (%)	J.P. Morgan			Consensus				Weight (%)	J.P. Morgan			Consensus			
	Median	2011	2012	Median	2011	2012			Median	2011	2012	Median	2011	2012			Median	2011	2012	Median	2011	2012	
Total Market	100	12.7	15.8	14.1	6.9	11.9	10.5	Total Market	100	9.4	-19.2	22.1	4.7	-20.8	24.3	Total Market	100	13.1	10.2	15.3	11.9	6.7	12.4
Consumer Discretionary	1.7	13.3	28.8	45.6	-4.7	-11.5	-13.5	Consumer Discretionary	3.8	9.4	-0.7	18.6	3.8	-1.2	17.3	Consumer Discretionary	12.0	18.5	22.9	12.2	7.6	1.4	12.4
Consumer Staples	10.4	7.1	23.6	10.3	4.9	7.6	10.6	Consumer Staples	2.3	7.3	-2.4	10.7	4.3	-3.9	9.7	Consumer Staples	11.6	10.8	10.6	3.0	15.1	16.1	5.2
Energy	6.9	10.9	17.3	10.5	17.0	17.0	16.6	Energy	1.0	-13.3	-13.3	12.0	-1.0	-1.0	9.0	Energy	1.1	NA	NA	7.5	NA	NA	7.5
Financials	42.9	8.2	10.1	6.9	7.1	4.4	6.9	Financials	15.0	30.2	47.4	2.3	32.3	49.4	-5.1	Financials	31.0	13.1	13.0	16.9	14.3	11.9	7.4
Health Care	3.0	4.3	2.1	12.6	3.2	3.0	9.9	Health Care	0.0	NA	NA	NA	NA	NA	NA	Health Care	0.0	NA	NA	NA	NA	NA	NA
Industrials	4.3	25.9	35.9	55.8	18.2	17.6	34.0	Industrials	3.5	-35.8	-60.4	22.3	-53.8	-59.1	19.5	Industrials	18.4	30.3	31.4	11.4	31.9	15.0	13.7
Information Technology	0.4	0.9	0.9	15.1	-3.1	-3.1	9.8	Information Technology	53.9	0.1	-35.8	38.7	-10.0	-39.1	46.8	Information Technology	0.0	NA	NA	NA	NA	NA	NA
Materials	27.8	34.4	26.9	23.8	22.1	31.1	15.2	Materials	14.9	13.0	-1.0	8.8	11.2	-0.5	13.2	Materials	5.2	7.8	24.4	22.7	7.8	24.4	22.7
Telecommunication Services	1.6	-4.9	-4.9	7.5	-4.7	-4.7	6.2	Telecommunication Services	5.6	-1.0	14.2	6.4	-1.0	14.2	6.4	Telecommunication Services	11.1	2.8	1.6	10.0	3.5	2.0	7.8
Utilities	1.0	5.1	11.3	2.5	-0.7	2.3	7.1	Utilities	0.0	NA	NA	NA	NA	NA	NA	Utilities	9.5	0.6	-31.7	41.9	-3.2	-25.3	43.5

Hong Kong								China								Indonesia							
Weight (%)	J.P. Morgan			Consensus				Weight (%)	J.P. Morgan			Consensus				Weight (%)	J.P. Morgan			Consensus			
	Median	2011	2012	Median	2011	2012			Median	2011	2012	Median	2011	2012			Median	2011	2012	Median	2011	2012	
Total Market	100	8.7	8.7	-12.5	10.0	19.2	-10.1	Total Market	100	18.0	14.4	12.3	17.9	12.3	11.7	Total Market	100	16.7	20.3	15.9	16.7	20.7	15.0
Consumer Discretionary	12.6	14.6	10.4	28.0	18.7	9.2	17.7	Consumer Discretionary	5.7	20.6	4.9	15.1	17.5	1.1	17.7	Consumer Discretionary	16.0	10.7	10.7	7.7	19.8	19.8	13.4
Consumer Staples	0.0	NA	NA	NA	NA	NA	NA	Consumer Staples	5.4	19.9	13.6	19.6	14.2	13.4	21.7	Consumer Staples	12.3	18.0	14.9	16.7	17.3	15.3	12.9
Energy	0.0	NA	NA	NA	NA	NA	NA	Energy	19.9	16.5	21.1	-1.8	16.5	15.0	4.9	Energy	11.0	108.7	105	21.9	98.5	86.9	28.8
Financials	59.7	6.1	-1.6	-7.1	13.1	12.3	-3.6	Financials	34.0	19.7	19.1	17.9	19.4	15.0	13.4	Financials	32.6	13.7	16.4	22.1	15.7	15.5	15.8
Health Care	0.0	NA	NA	NA	NA	NA	NA	Health Care	0.8	19.4	12.9	19.1	22.6	16.1	23.2	Health Care	1.8	13.7	13.7	60.6	14.6	14.6	15.4
Industrials	10.6	-2.1	49.7	-54.7	-23.1	64.0	-49.9	Industrials	6.9	8.8	-21.9	10.7	10.8	-15.0	14.5	Industrials	4.9	32.3	32.3	16.2	36.4	36.4	16.4
Information Technology	1.3	-20.5	28.6	34.5	-14.8	-14.8	-12.2	Information Technology	5.6	28.2	20.7	20.4	30.1	23.9	19.6	Information Technology	0.0	NA	NA	NA	NA	NA	NA
Materials	0.0	NA	NA	NA	NA	NA	NA	Materials	5.8	25.2	37.9	19.3	27.7	43.3	11.5	Materials	7.2	6.6	5.0	10.4	10.0	8.6	8.3
Telecommunication Services	0.6	-3.6	-3.6	19.4	-3.6	-3.6	19.4	Telecommunication Services	13.7	12.3	7.7	6.8	14.5	7.3	7.2	Telecommunication Services	10.3	16.7	6.2	9.7	16.7	6.2	9.7
Utilities	15.1	11.9	10.2	4.7	14.5	12.2	5.2	Utilities	2.1	NM	NM	NM	NM	NM	NM	Utilities	3.9	-3.8	-3.8	-8.0	4.3	4.3	3.3

Singapore								India								Philippines							
Weight (%)	J.P. Morgan			Consensus				Weight (%)	J.P. Morgan			Consensus				Weight (%)	J.P. Morgan			Consensus			
	Median	2011	2012	Median	2011	2012			Median	2011	2012	Median	2011	2012			Median	2011	2012	Median	2011	2012	
Total Market	100	6.3	-0.4	3.4	1.9	-0.8	5.4	Total Market	100	15.2	13.8	15.2	11.4	14.3	11.7	Total Market	100	9.8	7.6	13.4	11.6	6.9	12.4
Consumer Discretionary	9.7	10.5	16.2	8.2	10.5	16.7	10.1	Consumer Discretionary	8.6	4.7	-3.9	12.9	14.4	13.2	11.1	Consumer Discretionary	4.1	2.5	2.5	17.6	2.5	2.5	17.6
Consumer Staples	8.2	6.3	-25.7	6.5	26.6	33.7	10.5	Consumer Staples	7.8	18.5	17.2	16.8	19.2	18.7	18.2	Consumer Staples	0.0	NA	NA	NA	NA	NA	NA
Energy	0.0	NA	NA	NA	NA	NA	NA	Energy	13.2	11.1	11.5	10.2	8.9	8.3	8.5	Energy	0.0	NA	NA	NA	NA	NA	NA
Financials	45.1	4.9	7.1	-2.6	1.9	-1.2	2.0	Financials	26.8	15.7	20.5	22.0	11.7	24.2	7.2	Financials	42.1	17.5	14.0	20.3	14.3	11.6	16.2
Health Care	0.0	NA	NA	NA	NA	NA	NA	Health Care	4.7	17.9	20.0	16.6	17.9	20.0	16.6	Health Care	0.0	NA	NA	NA	NA	NA	NA
Industrials	24.4	6.6	-10.4	9.6	-2.4	-13.9	7.6	Industrials	6.8	24.1	28.1	16.5	21.7	16.3	19.2	Industrials	23.3	8.6	0.6	11.2	13.0	2.1	12.0
Information Technology	0.0	NA	NA	NA	NA	NA	NA	Information Technology	16.9	23.0	17.6	12.8	21.4	18.8	15.5	Information Technology	0.0	NA	NA	NA	NA	NA	NA
Materials	0.0	NA	NA	NA	NA	NA	NA	Materials	9.8	6.7	12.8	11.6	4.5	4.7	11.6	Materials	0.0	NA	NA	NA	NA	NA	NA
Telecommunication Services	12.7	9.4	3.2	10.4	8.6	1.5	7.6	Telecommunication Services	0.4	-48.3	-48.3	48.1	-47.2	-47.2	26.3	Telecommunication Services	12.9	2.5	0.4	1.2	2.5	0.4	1.2
Utilities	0.0	NA	NA	NA	NA	NA	NA	Utilities	5.0	4.7	4.0	11.2	5.5	5.4	13.3	Utilities	17.6	60.3	13.7	13.4	55.2	12.5	15.3

Source: I/B/E/S, MSCI, J.P. Morgan. 11 Nov 2011

Note: Average earnings growth calculated based on earnings aggregate of MSCI constituents. Consensus numbers are used for stocks not covered by J.P. Morgan under J.P. Morgan forecasts calculation. Median numbers are for the year 2011.

Value: Market Implied Growth Rates

	Market Implied Earnings Growth				10 Year Historic Nominal CAGR (%)		J.P. Morgan Forecast of 10-year Potential Growth Range				10 Year Risk Free Rate (%)	Payout Ratio 2011E (%)
	100% Payout Ratio		Historic Payout Ratio		EPS	GDP	EPS (%)		Nominal GDP (%)			
	Perpetual	10 year	Perpetual	10 year			Min	Max	JPM	Consensus		
Global	-3.5	-3.5	3.0	3.7	12.1	6.8	5	10	NA	4.6	2.0	31
USA	-2.6	-3.4	3.9	4.9	12.6	3.9	4	10	5.4	5.1	2.1	25
Europe	-9.5	-13.6	1.5	-2.9	12.7	8.0	5	13	NA	3.0	1.9	29
Asia Pacific	-1.4	-2.8	3.8	4.2	12.8	10.1	9	17	5.4	4.2	2.9	37
Asia Pacific ex-Japan	-0.7	-2.2	4.3	4.5	12.4	14.5	4	14	9.2	8.5	3.8	42
Pacific x J	-0.9	-0.5	3.0	4.5	10.0	13.2	4	10	6.0	5.7	3.2	52
EMF Asia	-0.6	-2.2	5.3	5.3	15.8	15.1	8	15	9.9	9.2	4.2	33
Japan	-1.6	-0.3	2.4	3.9	7.2	3.9	0	10	2.5	0.8	1.0	60
Australia	-0.2	-1.3	3.1	3.4	7.7	13.3	5	7	6.0	6.0	4.1	60
China	-2.7	-5.4	4.4	2.7	17.1	18.3	8	16	11.3	9.4	3.9	33
Hong Kong	-2.7	0.5	2.2	6.1	9.8	3.7	3	9	6.2	4.6	1.3	39
India	6.4	4.4	11.3	12.5	16.3	14.8	8	15	11.3	11.8	9.1	27
Indonesia	4.2	6.0	8.6	11.9	19.8	18.2	8	15	12.0	12.4	6.9	35
Korea	-2.2	-4.3	6.5	6.0	18.3	8.8	5	15	7.5	8.0	3.8	13
Malaysia	1.1	2.0	4.5	7.0	10.4	12.1	8	15	7.0	7.8	3.7	49
Philippines	3.6	5.4	7.2	10.7	10.7	11.9	5	25	10.1	5.7	6	45
Singapore	-2.7	-2.8	1.5	2.6	12.4	11.9	4	10	5.3	6.5	1.6	50
Taiwan	5.2	-5.4	5.2	-0.5	12.4	5.6	5	15	6.3	6.0	1.4	72
Thailand	-1.3	-2.7	3.9	3.7	19.3	12.4	5	15	8.9	7.8	3.7	42
	EPS Growth Forecasts (IBES)				P/E Ratio (IBES)			<p>The objective of this table is to compare current market implied growth with: historical earnings and nominal GDP growth, the long term risk free rate, forecast earnings and nominal GDP growth.</p> <p>We use a dividend discount model based on expected payout ratios for 2007 as well as a modified one, which assumes a 100% payout ratio, compensating for different attitudes towards dividend distribution within Asia.</p> <p>Perpetual Implied Growth Rates based on the Gordon Growth Model:</p> $g = r - d/v.$ <p>Key assumptions:</p> <ul style="list-style-type: none"> Equity risk premium of 4% Expected payout ratios for 2010 sustained for dividend discount model Terminal PE of 12 for all markets after 10 years <p>Note: Risk free rates are 10-year benchmark or nearest equivalent. EPS historic growth rates based on MSCI data from 2001 to 2011.</p>				
	Long Term	2010	2011E	2012E	2010	2011E	2012E					
Global*	11.2	39.7	10.1	10.6	15.9	11.7	10.5					
USA*	11.8	47.4	13.8	10.3	16.5	12.8	11.6					
Europe*	9.9	38.7	12.5	7.5	14.7	10.0	9.1					
Asia Pacific*	12.7	37.5	11.6	10.5	13.5	12.1	11.0					
Asia Pacific ex-Japan	12.7	30.5	8.5	12.4	12.7	11.7	10.5					
Pacific x J	12.6	6.7	11.8	5.6	13.7	12.3	11.6					
EMF Asia	14.1	41.2	9.6	11.8	12.5	11.4	10.2					
Japan*	12.7	NM	46.5	10.4	16.6	15.1	13.7					
Australia	10.7	18.3	15.8	14.1	13.9	12.0	10.5					
China	14.7	34.0	14.4	12.3	10.8	9.4	8.4					
Hong Kong	12.4	35.8	8.7	-12.5	13.5	12.4	14.2					
India	14.7	25.4	13.8	15.2	16.9	14.9	12.9					
Indonesia	17.8	21.7	20.3	15.9	17.7	14.7	12.7					
Korea	14.1	43.0	6.5	16.6	10.7	10.0	8.6					
Malaysia	11.4	27.6	10.2	15.3	16.7	15.1	13.1					
Philippines	12.4	30.6	7.6	13.4	16.3	15.1	13.3					
Singapore	8.5	26.9	-0.4	3.4	12.0	12.1	11.7					
Taiwan	12.3	83.3	-19.2	22.1	12.8	15.8	13.0					
Thailand	17.1	33.1	19.4	18.9	13.3	11.1	9.4					

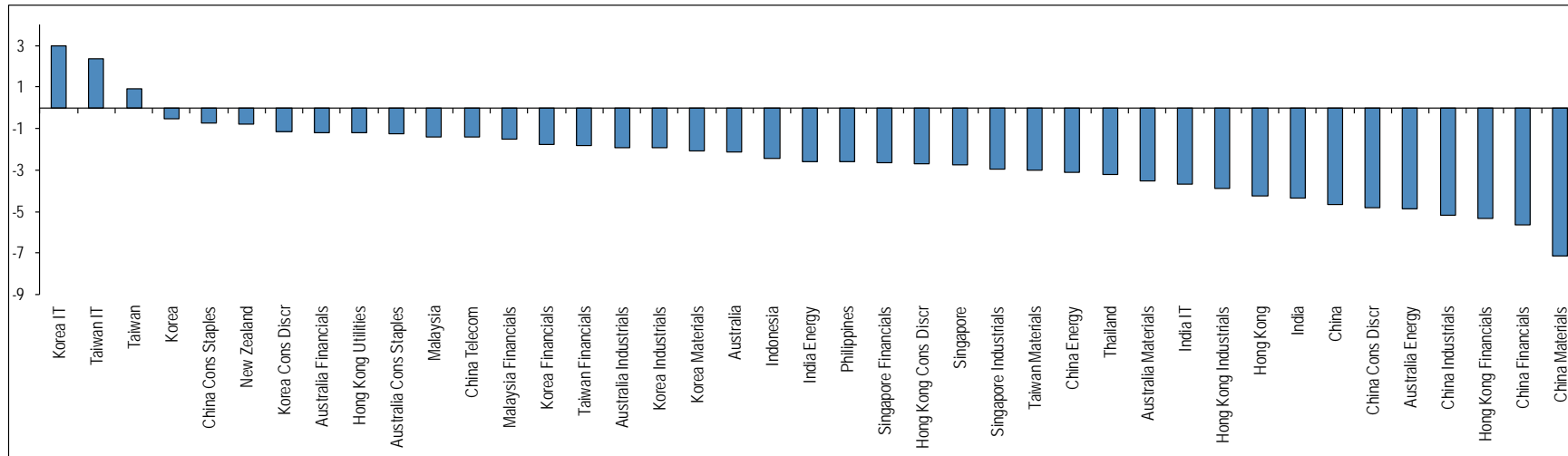
Source : Bloomberg, Consensus Economics Inc, Datastream, I/B/E/S, MSCI, J.P. Morgan. Notes: 1. Nominal GDP growth forecast is based on the range of real GDP and inflation rate forecast over the next 10 years provided by Consensus Economics Inc and EIU for Phils, Global, US and Europe. Notes to Earnings growth forecasts: * Market forecast numbers are derived from bottom-up calculations of each individual MSCI constituents using I/B/E/S estimates. For all other markets and sectors, forecast numbers are derived from bottom-up calculations of each individual MSCI constituents using JPM estimates for covered stocks and I/B/E/S estimates for the rest. Companies with different year ends are calendarised to December yearends and are free float adjusted for aggregation. 10-year CAGR from 2000-2010. Long term EPS Growth forecast is next 3-5 years IBES EPS growth expectation. 11 Nov 2011.

Value: P/E Matrix for Countries and Sectors and Change in Key Sectors' Forward P/E in the Past 12 Months

12-month forward PE	Asia Pacific ex-Japan	Australia	Hong Kong	Singapore	Korea	Taiwan	China	India	Malaysia	Indonesia	Thailand	New Zealand	Philippines
Consumer Discretionary	10.7	11.6	15.5	14.5	8.1	NM	11.2	11.2	12.5	16.6	17.1	13.4	26.8
Consumer Staples	16.2	15.1	NA	12.8	13.3	18.8	18.8	26.3	16.1	16.7	20.1	NA	NA
Energy	10.4	17.5	NA	NA	8.4	23.0	9.1	11.0	16.8	9.0	7.8	NA	NA
Financials	9.4	9.9	13.6	11.4	7.0	11.0	6.3	12.9	11.4	12.6	8.7	NA	14.8
Health Care	16.4	15.0	NA	NA	NA	NA	17.5	18.9	NA	NA	NA	NA	NA
Industrials	11.1	17.5	12.9	11.1	8.4	17.6	9.5	13.2	14.4	14.7	NA	22.2	12.4
Information Technology	13.4	14.8	20.6	NA	11.3	14.0	14.7	17.6	NA	NA	NA	NA	NA
Materials	8.9	9.1	NA	NA	7.1	11.3	7.4	8.8	13.3	11.9	10.5	10.3	NA
Telecommunication Services	11.8	10.6	9.9	11.8	7.3	16.3	11.3	11.0	16.9	11.8	14.5	11.1	11.6
Utilities	15.1	12.2	15.9	NA	NM	NA	12.0	13.2	14.0	13.3	13.6	19.8	12.7
Market Aggregate	10.6	10.7	13.9	11.7	8.8	13.3	8.5	13.1	13.4	13.0	9.6	11.3	13.6
Sector Neutral*	10.6	11.7	13.0	11.5	8.2	13.1	8.6	12.6	13.2	12.8	10.7	11.6	13.1

Source: IBES, MSCI, J.P. Morgan. Note: PEs are derived from bottom-up calculations of each individual MSCI constituents using JPM estimates for covered stocks and IBES estimates for the rest.

Re/De-rating for Asia Pacific ex-Japan Hindsight Sectors



Source: IBES, MSCI. Note: Above chart shows change in 12-month forward PE estimates in past one year, positive change indicates rerating and negative change indicates derating of PE. *Sector neutral PE are calculated by using sector weights of MSCI APXJ and sector PE of respective markets (MSCI APXJ sector PE used where country sector does not exist) 11 Nov 2011.

Value: Distribution Tables for P/E, P/BV, DY and RoE

2011E: Price to Earnings Ratio (x)						
	Weighted	Quartiles				
	Average	Min	Lower	Median	Higher	Max
Global	11.7	2.4	9.9	13.1	17.5	588
USA	12.8	2.9	11.0	14.1	18.6	588
Europe	10.0	2.4	8.6	11.4	15.0	325
Japan	15.1	3.6	11.6	14.1	19.2	209
Asia Pacific ex-Japan	11.7	2.8	9.0	12.7	17.3	439
Australia	12.0	4.6	10.9	14.1	17.0	55
China	9.4	3.1	7.1	9.6	14.5	66
Hong Kong	12.4	5.0	10.6	13.5	20.4	439.3
India	14.9	4.4	10.4	15.3	21.3	121
Indonesia	14.7	7.1	12.4	13.2	17.7	31.3
Korea	10.0	2.8	6.4	9.8	14.6	130.7
Malaysia	15.1	8.5	13.2	15.4	19.3	34.2
Philippines	15.1	11.4	12.1	15.4	17.1	30.8
Singapore	12.1	4.4	10.4	12.2	16.5	22.4
Taiwan	15.8	5.0	10.0	13.5	16.3	101
Thailand	11.1	6.6	9.0	10.6	17.3	45.9

2011E: Dividend Yield (%)						
	Weighted	Quartiles				
	Average	Min	Lower	Median	Higher	Max
Global	3.2	0.0	1.3	2.5	4.1	21
USA	2.4	0.0	0.0	1.6	3.0	15.1
Europe	4.8	0.0	2.5	3.8	5.6	15.5
Japan	2.7	0.0	1.6	2.2	2.7	8.9
Asia Pacific ex-Japan	3.5	0.0	1.5	2.7	4.5	21
Australia	5.0	0.0	2.9	4.7	6.4	11.9
China	3.5	0.0	1.6	2.6	4.1	9.2
Hong Kong	3.1	0.0	2.3	3.3	4.3	6.3
India	1.8	0.0	0.8	1.5	2.0	11.2
Indonesia	2.4	0.6	1.9	2.4	2.9	7.2
Korea	1.3	0.0	0.5	1.3	2.4	20.6
Malaysia	3.2	0.0	2.0	3.1	4.2	7.4
Philippines	3.0	0.9	1.5	2.3	3.7	8.5
Singapore	4.1	0.0	2.2	4.1	5.5	10.1
Taiwan	4.6	0.0	2.2	4.1	5.7	11.7
Thailand	3.7	1.3	3.1	3.7	4.4	6.3

2011E: Price to Book Value Ratio (x)						
	Average	Min	Lower	Median	Higher	Max
	Global	1.4	0.1	1.0	1.5	2.6	111
USA	1.7	0.2	1.3	2.0	3.3	111
Europe	1.2	0.1	0.8	1.4	2.5	20
Japan	0.9	0.3	0.7	1.0	1.3	11.6
Asia Pacific ex-Japan	1.4	0.3	1.0	1.5	2.5	27
Australia	1.5	0.3	0.9	1.4	2.3	26.7
China	1.4	0.4	0.9	1.4	2.1	10.4
Hong Kong	1.1	0.3	0.7	1.2	2.2	15.5
India	2.0	0.3	1.2	2.2	4.1	27.1
Indonesia	3.1	1.4	3.0	3.6	4.8	23.5
Korea	1.1	0.4	0.8	1.1	2.0	7.9
Malaysia	1.9	0.7	1.5	2.1	2.7	27.2
Philippines	2.2	1.4	1.9	2.9	3.3	5.1
Singapore	1.3	0.6	0.9	1.3	2.0	6.2
Taiwan	1.6	0.4	1.0	1.4	2.1	11.8
Thailand	1.8	0.6	1.2	2.1	2.9	11.3

2011E: Return on Equity (%)						
	Average	Min	Lower	Median	Higher	Max
	Global	15.0	-575	7.6	12.8	19.6	257
USA	17.0	0.2	9.1	14.9	21.8	232
Europe	20.2	0.4	8.2	13.4	19.5	257
Japan	6.2	0.3	4.6	6.7	10.2	47.8
Asia Pacific ex-Japan	14.1	-575	8.6	13.9	20.5	143
Australia	15.0	-25	6.2	9.2	15.1	102
China	17.8	-18.1	10.1	15.5	20.6	45
Hong Kong	10.0	-74.9	4.8	9.9	15.9	76
India	16.3	-0.1	12.0	16.5	23.2	77
Indonesia	26.8	6.2	20.5	24.0	30.4	77.1
Korea	13.0	-25.4	8.5	12.6	19.3	43.2
Malaysia	14.0	2.5	10.2	14.9	16.9	143
Philippines	17.1	8.4	12.1	15.4	22.2	41.2
Singapore	11.9	-9.7	9.4	11.6	17.8	29.2
Taiwan	10.7	-574.9	6.9	11.8	17.2	52.7
Thailand	19.7	2.1	12.1	17.6	23.3	62.4

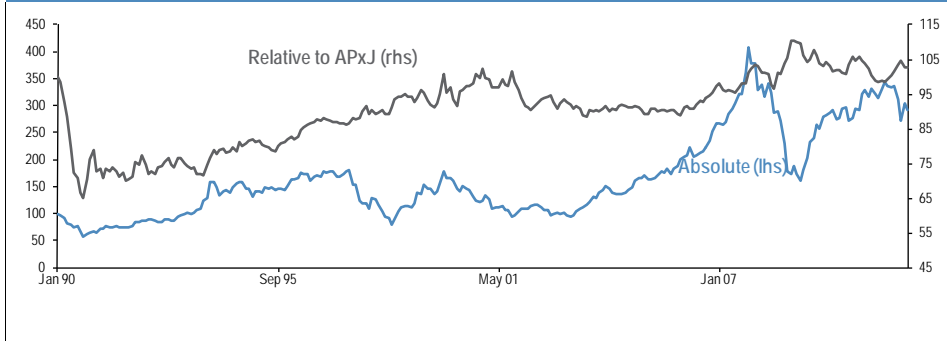
Source: Datastream, IBES, MSCI, J.P. Morgan. 11 Nov 2011.

Note: Weighted average numbers based on aggregate of MSCI constituents. Consensus numbers are used for stocks not covered by J.P. Morgan.

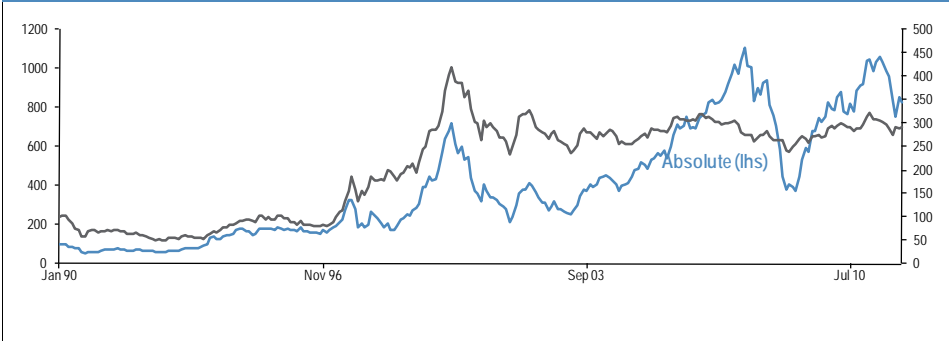
Demand Classification: MSCI Asia Pacific ex-Japan Index Composition by Country

MSCI AC Asia Pacific ex-Japan Weightings (%)	Australia	China	Hong Kong	India	Indonesia	Korea	Malaysia	New Zealand	Philippines	Singapore	Taiwan	Thailand	Total
Domestic Demand	16.1	13.0	6.2	4.2	2.5	5.7	2.6	0.3	0.7	3.5	3.4	1.2	59.4
Global Capex	0.3	0.4	0.1	1.3		2.6				0.7	3.0		8.4
Global Consumer	0.1	0.2	1.3		0.1	4.6					3.0		9.2
Global Price Takers	10.1	4.0	0.7	1.8	0.4	2.2	0.7	0.1		0.8	1.6	0.6	23.0
TOTAL	26.6	17.6	8.2	7.2	3.0	15.1	3.4	0.4	0.7	5.0	11.0	1.9	100.0

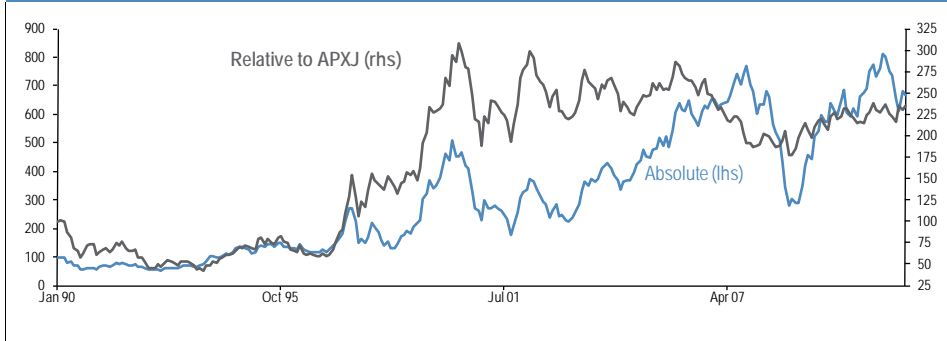
APXJ Domestic Demand Sector Absolute and relative (vs APxJ) Index



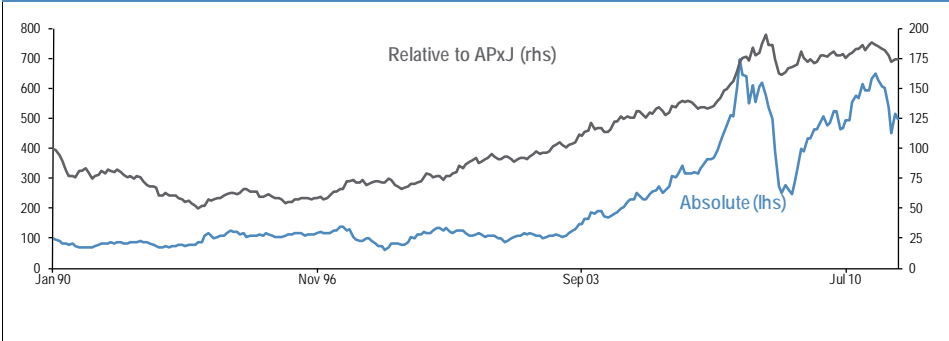
APXJ Global Capex Sector Absolute and relative (vs APxJ) Index



APxJ Global Consumer Sector Absolute and relative (vs APxJ) Index



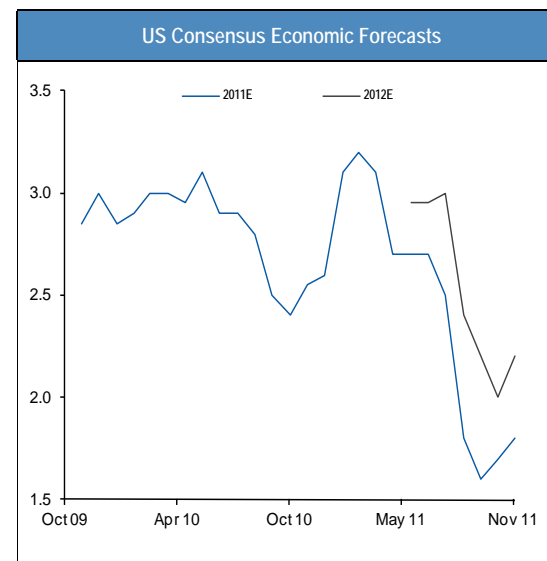
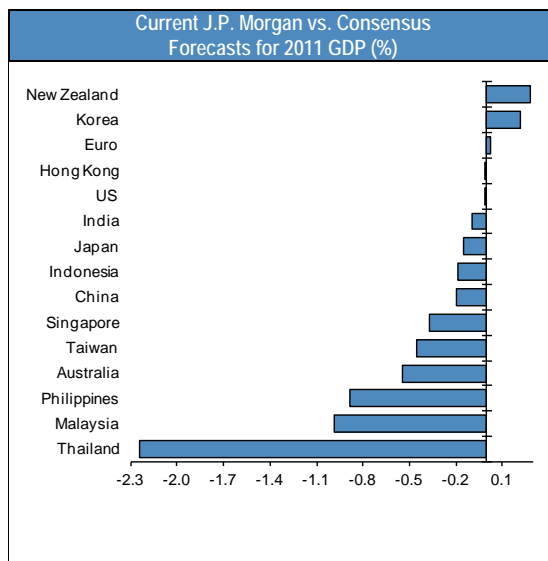
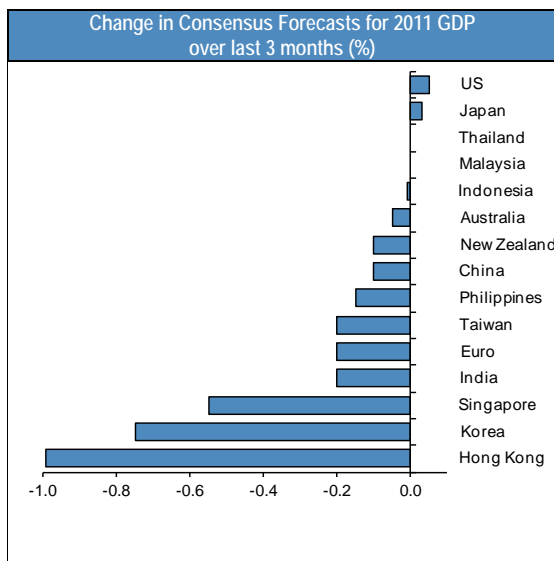
APxJ Global Price Taker Sector Absolute and relative (vs APxJ) Index



Source: MSCI, J.P. Morgan. 11 Nov 2011. Datastream, MSCI, J.P. Morgan. MSCI Asia Pacific ex Japan companies has been classified in five categories, Global Price takers, Global Capex, Global Consumer, Global Consumer/Capex and Domestic Demand. Of the five categories, In Global Consumer/Capex (Tech-Hardware) weighting is equally divided between Global consumer and Global Capex. The above table contains MSCI free float market capitalization as a percentage of MSCI APxJ market cap. Charts show the absolute and relative performance of Asia Pacific ex Japan sectors by demand classification.

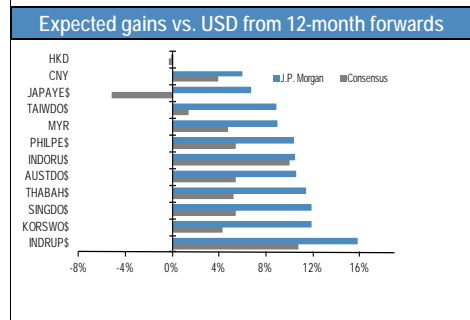
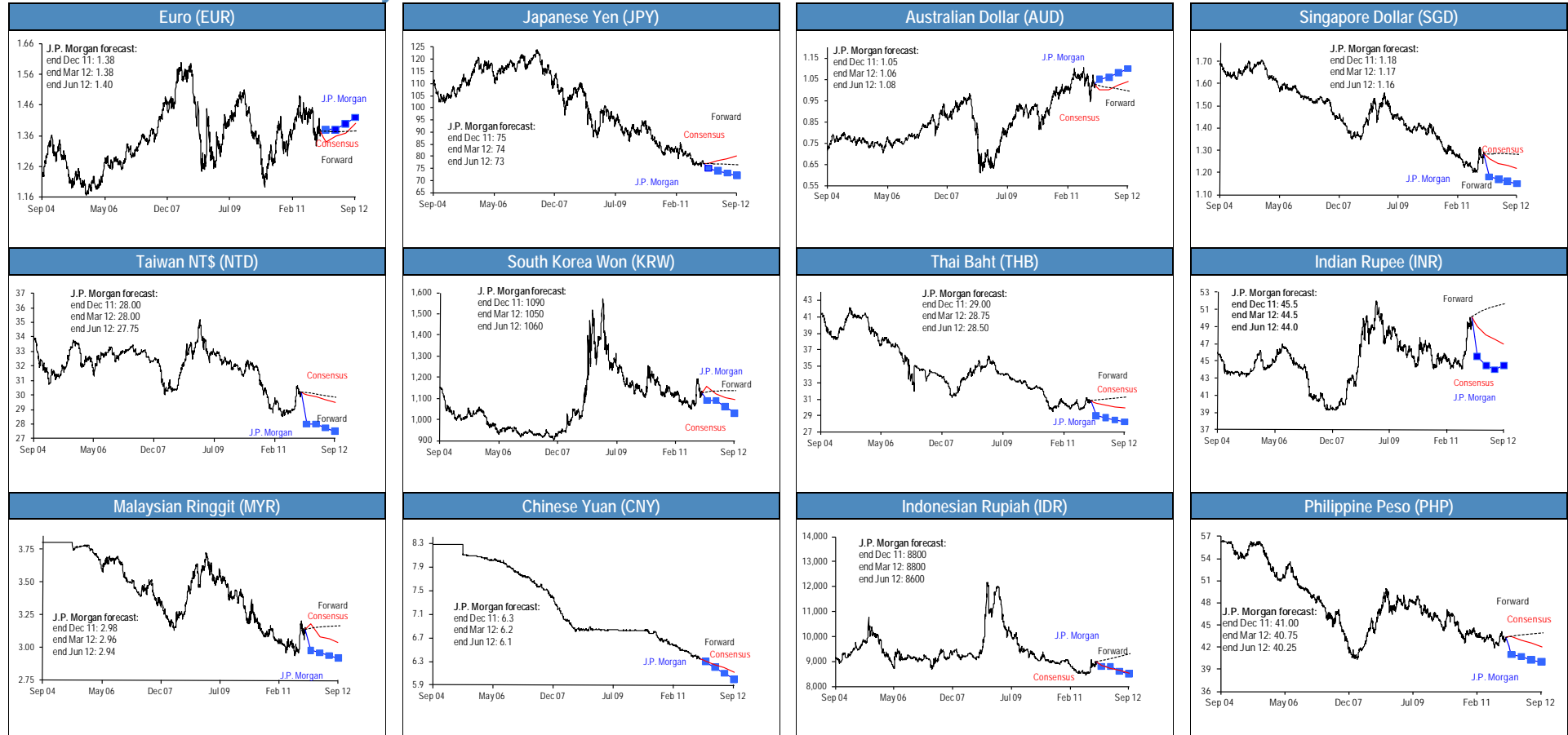
Economic Forecasts: Changes in Real GDP Forecasts

	Real GDP Growth (% Y/Y)				Change in Forecasts Past 3 months (%)				Economic Momentum			Inflation	
	J.P. Morgan		Consensus		J.P. Morgan		Consensus		GDP SAAR			(% Y/Y)	
	2011E	2012E	2011E	2012E	2011E	2012E	2011E	2012E	2Q11	3Q 11E	4Q11E	2011E	2012E
US	1.8	1.7	1.8	2.2	0.3	0.5	0.1	-0.2	1.0	1.0	1.0	3.1	1.5
Euro	1.6	-0.6	1.6	0.7	0.0	-1.5	-0.2	-0.7	0.6	0.5	-0.5	2.7	1.8
Japan	-0.6	1.9	-0.4	2.5	-0.6	-1.5	0.0	-0.4	-2.1	7.0	3.5	-0.2	-0.6
Australia	1.4	3.5	1.9	3.7	0.3	-0.4	-0.1	-0.6	4.8	2.1	2.2	3.6	3.3
New Zealand	2.3	2.8	2.0	3.9	-0.5	-1.4	-0.1	0.2	0.4	2.8	4.1	4.3	2.4
China	9.0	8.3	9.2	8.5	0.1	-0.2	-0.1	-0.3	7.0	7.5	8.5	5.5	3.7
Hong Kong	5.0	3.0	5.0	4.5	-0.2	-1.0	-1.0	-0.4	-2.0	1.5	3.5	5.2	4.6
India	7.4	7.7	7.5	8.0	-0.2	-0.8	-0.2	-0.1	7.6	7.5	7.1	8.9	7.8
Indonesia	6.3	5.2	6.5	6.6	-0.2	-1.0	0.0	-0.1	5.4	6.5	6.2	5.3	3.6
Korea	3.8	3.8	3.6	3.8	-0.2	-0.4	-0.8	-0.8	3.6	4.8	4.0	4.1	3.3
Malaysia	4.0	1.5	5.0	5.4	-0.1	-2.1	0.0	0.1	3.2	1.0	3.2	3.1	1.5
Philippines	4.1	4.0	5.0	5.7	-0.7	-1.3	-0.1	0.0	2.4	4.1	5.3	4.8	4.0
Singapore	4.8	1.5	5.2	4.9	-0.4	-2.5	-0.6	0.0	-6.5	0.0	3.2	5.2	3.3
Taiwan	4.4	3.0	4.9	5.0	-0.6	-0.8	-0.2	0.0	0.9	1.5	3.8	1.6	1.7
Thailand	1.9	2.2	4.1	4.7	-1.3	-1.5	0.0	-0.1	-0.8	2.0	3.5	3.8	3.6



Source: Datastream, Bloomberg, J.P. Morgan estimates. 11 Nov 2011.

Economic Forecasts: Currency Movements and Forecasts

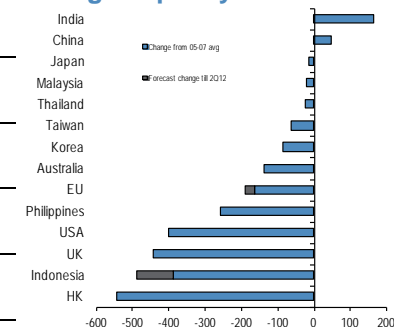


Source: Bloomberg, Datastream, J.P. Morgan estimates. 11 Nov 2011.

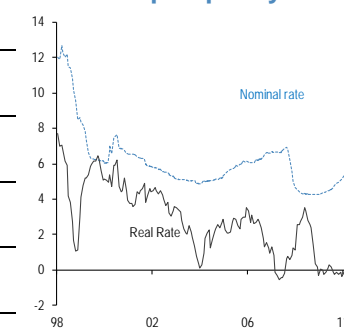
Economic Forecasts: Interest Rate Trend and Forecasts

Country		4Q'10	1Q'11	2Q'11	3Q'11	Current	4Q'11F	1Q'12F	2Q'12F	3Q'12F	Policy Rate	
											Last Change	Next Change
USA	Fed Funds	0.13	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	16 Dec 08 (-87.5bp)	On hold
	3-month	0.30	0.31	0.25	0.37	0.46	0.45	0.45	0.40	0.40		
	10-year	3.31	3.45	3.20	1.93	2.07	2.25	2.50	2.50	2.50		
UK	Repo rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	5 Mar 09 (-50bp)	On hold
	3-month	0.76	0.82	0.83	0.95	1.01	0.95	0.90	0.85	0.85		
	10-year	3.51	3.61	3.39	2.43	2.29	2.45	2.45	2.55	2.65		
EU	Refi rate	1.00	1.00	1.25	1.50	1.25	1.00	1.00	1.00	1.00	3 Nov 11 (-25bp)	8 Dec 11 (-25bp)
	3-month	1.02	1.17	1.53	1.55	1.49	0.95	0.95	0.90	0.85		
	10-year	2.96	3.30	3.03	1.75	1.89	1.75	2.00	2.10	2.15		
Japan	O/n call rate	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	5 Oct 10 (-5bp)	On hold
	3-month	0.19	0.20	0.20	0.19	0.20	0.15	0.15	0.15	0.15		
	10-year	1.12	1.22	1.15	1.03	0.97	0.85	1.00	1.10	1.10		
Australia	Cash Rate	4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.50	4.50	1 Nov 11 (-25bp)	On hold
	3-month	4.95	4.90	4.89	4.84	4.70	n.a.	n.a.	n.a.	n.a.		
	10-year	5.57	5.40	5.28	4.27	4.14	4.65	4.70	4.90	4.90		
China	1-yr working capital	5.81	6.06	6.31	6.56	6.56	6.56	6.56	6.56	6.56	6 Jul 11 (+25bp)	4 Q 12 (+25bp)
	7-day repo	2.73	2.22	1.97	3.09	3.09	3.50	3.50	3.50	3.50		
	10-year	3.91	3.92	3.89	4.08	3.61	4.10	4.10	4.10	4.10		
HK	Discount window base	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	17 Dec 08 (-100bp)	On hold
	3-month	0.00	0.24	NA	0.13	0.14	0.35	0.35	0.35	0.35		
	10-year	2.86	2.68	2.27	1.26	1.31	2.50	2.60	2.55	2.55		
India	Repo rate	6.25	6.75	7.50	8.25	8.50	8.50	8.50	8.50	8.50	25 Oct 11 (+25bp)	On hold
	3-month	7.18	7.20	8.11	8.39	8.82	8.50	8.50	8.50	8.50		
	10-year	7.91	7.99	8.35	8.44	9.10	8.30	8.10	8.20	8.20		
Indonesia	BI rate	6.50	6.75	6.75	6.75	6.00	5.75	5.00	5.00	5.00	10 Nov 11 (-50bp)	8 Dec 11 (-25bp)
	3-month	6.37	6.37	6.37	6.37	6.37	7.30	7.00	7.15	7.15		
	8-year	7.61	8.11	7.49	7.23	6.19	6.75	6.50	6.63	6.63		
Korea	O/n call rate	2.50	3.00	3.25	3.25	3.25	3.25	3.25	3.25	3.25	10 Jun 11 (+25bp)	On hold
	3-month	2.80	3.39	3.57	3.58	3.57	3.60	3.60	3.60	3.60		
	3-year	4.08	4.08	4.03	3.66	3.52	3.80	4.00	3.90	3.90		
Malaysia	O/N call rate	2.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00	5 May 11 (+25bp)	On hold
	3-month	2.96	3.00	3.22	3.25	3.25	3.40	3.40	3.40	3.40		
	10-year	4.00	4.06	3.94	3.74	3.72	3.70	3.80	3.75	3.75		
Philippines	Reverse repo rate	4.00	4.25	4.50	4.50	4.50	4.50	4.50	4.50	4.50	5 May 11 (+25bp)	On hold
	3-month	0.53	1.06	3.26	2.09	2.80	4.00	4.00	4.00	4.00		
	10-year	6.03	7.21	6.49	6.63	5.90	7.50	7.50	7.50	7.50		
Singapore	No policy rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	3-month	0.38	0.38	0.38	0.19	0.25	0.23	0.21	0.22	0.22		
	10-year	2.71	2.39	2.34	1.62	1.63	1.60	1.80	1.70	1.70		
Taiwan	Official discount rate	1.63	1.63	1.88	1.88	1.88	1.88	1.88	1.88	1.88	30 Jun 11 (+12.5bp)	On hold
	3-month	0.72	0.73	0.88	0.90	0.89	0.88	0.88	0.88	0.88		
	10-year	1.55	1.36	1.54	1.38	1.33	1.30	1.50	1.40	1.40		
Thailand	1-day repo rate	2.00	2.50	3.00	3.50	3.50	3.50	3.50	3.50	3.50	24 Aug 11 (+25bp)	On hold
	3-month	1.90	2.24	2.84	3.60	3.52	3.50	3.50	3.50	3.50		
	10-year	3.73	3.70	3.88	3.85	3.43	3.80	4.00	3.90	3.90		

Change in policy rates



Asia ex Japan policy rate

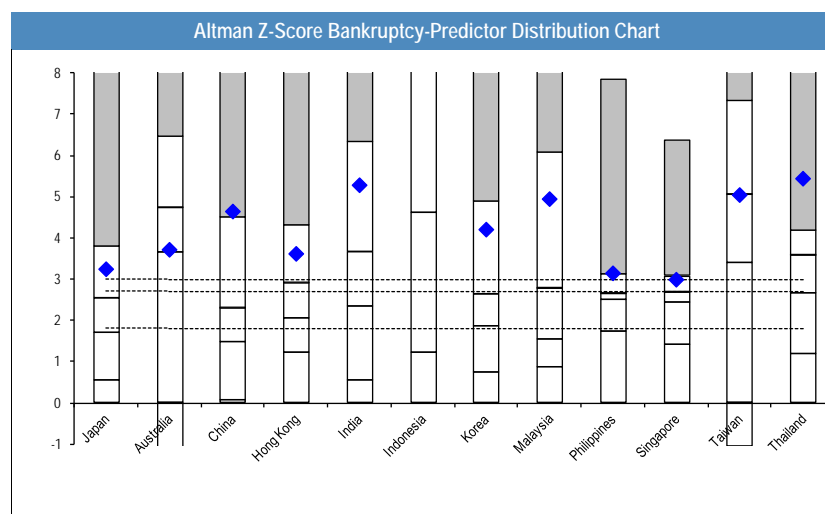
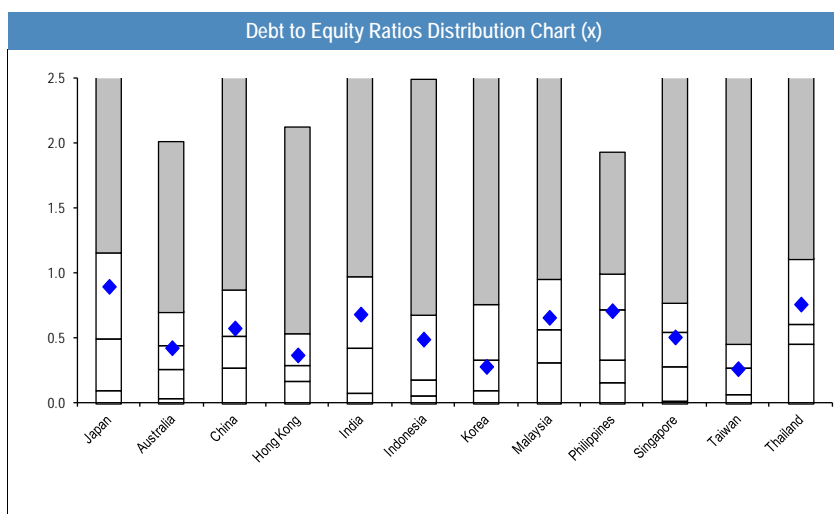


Source: J.P. Morgan Economics

Source: Datastream, Bloomberg, J.P. Morgan Economics. Bold figures on next change column indicate tightening. * China 3-month forecasts refer to offshore implied yield from NDF. 11 Nov 2011.

Perspective: Asian Balance Sheets

	Debt/Equity	Debt/Assets	Debt/Mkt. Cap	Asset Turnover	Current Ratio	Interest Coverage	Altman Z Score
Japan	0.90	0.33	0.68	0.73	1.35	6.55	3.2
Australia	0.42	0.22	0.22	0.68	1.40	7.04	3.7
China	0.57	0.26	0.59	0.69	1.06	10.07	4.6
Hong Kong	0.37	0.23	0.25	0.21	2.07	6.41	3.6
India	0.68	0.30	0.21	0.67	1.56	5.75	5.3
Indonesia	0.49	0.26	0.09	0.89	1.39	11.66	10.3
Korea	0.28	0.16	0.18	1.06	1.23	11.76	4.2
Malaysia	0.66	0.32	0.29	0.47	1.90	4.98	4.9
Philippines	0.71	0.32	0.23	0.46	1.41	5.55	3.1
Singapore	0.51	0.26	0.24	0.54	1.57	6.94	3.0
Taiwan	0.26	0.16	0.10	0.96	1.37	11.87	5.0
Thailand	0.76	0.35	0.29	1.11	1.31	7.73	5.4



Source: Datastream, Bloomberg, J.P. Morgan. Data as of 31 January 2011

Note: All ratios are calculated from latest financial reports available ex Banks, Diversified financials and Insurance sectors and calculations are based on weighted average of companies in MSCI Asia Pacific universe.

Each box indicates quartile levels and markets with values exceeding the scale are indicated by the open-ended top box.

The diamond indicates weighted average for each market. The 3 horizontal lines on the Altman z-score chart are at 1.8, 2.7 and 3.0.

Companies with scores of less than 1.8 indicates bankruptcy likely, between 1.8-2.7 bankruptcy likely within 2 years and more than 3 most likely safe from bankruptcy.

Perspective: Demographic and Key Economic Statistics

	Population and demographics				Nominal GDP				Real GDP			
	Population***		Age Dependency Ratio	Secondary School Enrollment (%) ²	2011E		10 year CAGR**		10 year CAGR**		Personal Disposable Income	
	2011 million	Growth %YoY			US\$ billion	Per capita (\$) (US\$)	Total (%)	Per capita (%)	Total (%)	Per capita (%)	10 year (%)	YoY % (%)
Japan	127	-0.1	0.5	102	6,011	47,203	3.9	3.9	0.9	0.8	0.0	-0.2
China	1,362	0.6	0.4	73	7,087	5,204	18.3	17.6	10.5	9.8	12.6	10.0
India	1,229	1.3	0.6	54	1,908	1,552	14.8	13.2	8.0	6.4	12.8	12.0
Australia	22	1.2	0.5	149	1,325	59,849	13.3	11.9	3.1	1.8	5.7	4.7
Korea	48	0.1	0.4	91	1,178	24,337	8.8	8.5	4.1	3.8	8.7	7.9
Indonesia	236	1.2	0.5	64	852	3,617	18.2	16.7	5.4	4.1	na	na
Taiwan	23	0.3	0.4	na	506	21,743	5.6	5.2	4.5	4.1	4.4	2.8
Thailand	69	0.6	0.4	77	368	5,363	12.4	11.4	4.6	3.7	na	na
Malaysia	29	2.0	0.6	76	276	9,672	12.1	10.1	4.9	3.0	8.4	13.0
Hong Kong	9	0.7	0.4	85	240	26,218	3.7	0.6	4.3	1.2	na	4.4
Singapore	5	2.5	0.3	74	270	54,205	11.9	9.7	6.2	4.1	na	na
Philippines	95	1.8	0.6	86	219	2,295	11.9	9.8	4.9	3.0	11.5	12.0
New Zealand	4	1.1	0.5	118	164	37,103	12.2	10.8	2.1	0.8	2.4	2.7
MSCI APxJ	3,102	1.1			14,393	4,596	14.5	13.3				

	External (2011)				Fiscal Position				Asia in the World			
	Foreign reserves * (US\$bil)	Current account %GDP	External debt		Fiscal deficit		Public sector Debt		Public sector debt Region	2011E		Sep 2011 Market Cap. % MSCI
			(US\$bil)	% GDP	2011E	2012E	2011E	2012E		Population % total	GDP % total	
Japan	1129	3.4	na	na	na	na	na	na	na	na	na	na
Australia	28	-5.0	na	na	na	na	na	na	na	na	na	na
New Zealand	19	-6.8	na	na	na	na	na	na	na	na	na	na
China	3202	5.9	414	7.1	-1.9	-1.8	20.0	17.1	Asia	51.2%	29.9%	20.8%
Hong Kong	282	13.2	na	na	-0.7	-0.4	na	na	Australia	0.3%	1.9%	3.2%
India	281	-1.9	297	18.2	-5.3	-4.6	45.0	73.5	China	20.2%	10.4%	2.1%
Indonesia	114	0.8	185	27.0	-1.6	-1.8	33.3	33.1	Japan	1.9%	8.8%	8.8%
Korea	311	1.8	408	41.0	0.5	1.0	47.6	44.4	CEEMEA	5.0%	6.7%	2.4%
Malaysia	126	13.9	75	34.0	-5.2	-4.5	48.5	52.7	LatAm	7.0%	7.1%	3.0%
Philippines	76	3.4	59	32.5	-3.0	-2.5	65.1	56.1	Others	23.8%	5.0%	0.0%
Singapore	0	14.5	na	na	5.0	5.0	na	na	Global	100.0%	100.0%	100%
Taiwan	393	6.9	na	na	-1.3	-1.2	na	na				
Thailand	171	2.3	72	22.2	-3.0	-3.5	35.8	38.5				

Source: CEIC, Datastream, MSCI, World Bank, UNESCO, CIA, US Bureau of Statistics, IMF, J.P. Morgan estimates. 11 Nov 2011.

Notes: Age dependency ratio defined as dependents to working-age population. Data for Gross secondary enrollment as of 2004 except for Singapore, Malaysia (2003)

*Foreign reserves as of Oct 2011 or as of latest data available. **10-year CAGR for period 2000-2011, in local currency. *** Population data based on IMF

Perspective: MSCI Asia Pacific ex-Japan Index Composition by Country and Sector 684 Companies, US\$6,733 billion total market capitalization

MSCI AC Asia Pacific ex-Japan Weightings (%)	Australia	China	Korea	Taiwan	Hong Kong	India	Singapore	Malaysia	Indonesia	Thailand	New Zealand	Philippines	Total
Consumer Discretionary	0.4	1.0	2.8	0.4	1.0	0.6	0.5	0.4	0.5	0.0	0.0	0.0	7.8
Consumer Staples	2.8	1.0	0.7	0.2		0.6	0.4	0.4	0.4	0.2			6.6
Energy	1.8	3.5	0.5	0.1		0.9		0.0	0.3	0.6			7.9
Financials	11.4	6.0	2.1	1.7	4.9	1.9	2.3	1.1	1.0	0.6		0.3	33.2
Health care	0.8	0.1	0.1			0.3			0.1				1.4
Industrials	1.1	1.2	2.1	0.4	0.9	0.5	1.2	0.6	0.1	0.0	0.1	0.2	8.4
Information Technology	0.1	1.0	4.4	5.9	0.1	1.2							12.8
Materials	7.4	1.0	2.0	1.6		0.7		0.2	0.2	0.3	0.1		13.5
Telecommunication Services	0.4	2.4	0.2	0.6	0.0	0.0	0.6	0.4	0.3	0.1	0.1	0.1	5.4
Utilities	0.3	0.4	0.2		1.2	0.4		0.3	0.1	0.0	0.0	0.1	3.0
TOTAL	26.6	17.6	15.1	11.0	8.2	7.2	5.0	3.4	3.0	1.9	0.4	0.7	100.0

Composition by Country and Sector - Daily Turnover > US\$5 million

469 Companies, US\$4,544 billion total market capitalization

MSCI AC Asia Pacific ex-Japan Weightings (%)	Australia	China	Korea	Taiwan	Hong Kong	India	Singapore	Malaysia	Indonesia	Thailand	New Zealand	Philippines	Total
Consumer Discretionary	0.5	1.0	2.9	0.3	1.0	0.6	0.5	0.3	0.5				7.7
Consumer Staples	2.8	1.0	0.7	0.3		0.6	0.4	0.3	0.2	0.2			6.5
Energy	2.0	3.8	0.6	0.1		1.0			0.4	0.6			8.4
Financials	12.3	6.2	2.2	1.4	5.1	2.0	2.4	0.8	1.0	0.7			34.0
Health care	0.9	0.1	0.1			0.3							1.4
Industrials	1.2	1.1	2.2	0.3	0.8	0.4		0.4	0.2				6.7
Information Technology	0.1	1.0	4.8	6.2	0.1	1.3							13.4
Materials	8.0	0.9	2.1	1.7		0.6		0.2	0.2	0.2	0.1		13.9
Telecommunication Services	0.5	2.6	0.2	0.7	0.1	0.0	0.6	0.3	0.3	0.1	0.1	0.1	5.5
Utilities	0.2		0.2		1.3	0.3		0.3	0.1				2.4
TOTAL	28.4	17.7	15.9	10.9	8.5	7.2	4.0	2.5	2.8	1.8	0.2	0.1	100.0

Source: MSCI, J.P. Morgan. Note: Overweight (green shading/ light shading in B&W) and underweight (red shading/ dark shading in B&W) sectors in countries is from the perspective of the regional strategy team, not country. The country recommendation is also shown with green and red shading. 11 Nov 2011.

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Samsung Life Insurance, Hutchison Whampoa, Korea Development Bank, OCBC Bank, Bank of East Asia, Country Garden Holdings, Bumi Resources.

- J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of SK Innovation Co Ltd and owns 15,709,890 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of GS Engineering & Construction and owns 7,122,080 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of Hyundai Heavy Industries and owns 13,306,460 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of Hyundai Motor Company and owns 23,649,750 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of KB Financial Group and owns 2,717,060 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of KEPCO and owns 13,849,010 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of LG Chem Ltd and owns 6,331,880 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of LG Display and owns 13,550,960 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of Samsung Electronics and owns 30,914,040 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of Samsung Life Insurance and owns 10,797,830 as of 18-Nov-11. J.P. Morgan Securities (Far East) Ltd, Seoul branch is acting as a Market Maker (Liquidity Provider) for the Equity Linked Warrants of S-Oil Corp and owns 3,450,780 as of 18-Nov-11. Please note that an affiliate of PT J.P. Morgan Securities Indonesia, J.P. Morgan plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove) (“J.P. Morgan Cazenove”), which is authorised and regulated by the Financial Services Authority, acted for Vallar Plc (the “Company”) in connection with the Company’s acquisition of 75% of PT Berau Coal Energy Tbk and 25% of PT Bumi Resources Tbk, as announced on 16 November 2010.

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Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] In our Asia (ex-Australia) and UK small- and mid-cap equity research, each stock’s expected total return is compared to the expected total return of a benchmark country market index, not to those analysts’ coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst’s coverage universe can be found on J.P. Morgan’s research website, www.morganmarkets.com.

Coverage Universe: Makharia, Aditya: Ashok Leyland (ASOK.BO), Bajaj Auto (BAJA.BO), Bosch Limited (BOSH.BO), Container Corporation of India Ltd (CCRI.BO), Hero Motocorp Ltd. (HROM.BO), Mahindra & Mahindra (MAHM.BO), Maruti Suzuki India Ltd (MRTI.BO), Tata Motors (TAMO.BO)

Srinath, Aditya: Astra Agro Lestari (AALI.JK), Astra International (ASII.JK), Bank Central Asia (BCA) (BBCA.JK), Bank Danamon (BDMN.JK), Bank Niaga (BNGA.JK), Bank Pan Indonesia (Panin) (PNBN.JK), Bank Rakyat Indonesia (BBRI.JK), London Sumatra Indonesia (LSIP.JK), PT Bakrie & Brothers, Tbk (BNBR.JK), PT Bank Internasional Indonesia (BNII.JK), PT Bank Mandiri Tbk. (BMRI.JK), PT Bank Tabungan Pensiunan Nasional Tbk (BTPN.JK), United Tractors (UNTR.JK)

Mirchandani, Ajay: COSCO Corporation (COSCO.SI), China Rongsheng Heavy Industries Group Holdings Ltd (1101.HK), Ezra Holdings Ltd (EZRA.SI), First Philippine Holdings Corporation (FPH.PS), Glencore International PLC (0805.HK), Keppel Corporation (KPLM.SI), Malaysia Marine and Heavy Engineering Holdings Bhd (MHEB.KL), Noble Group Ltd (NOBG.SI), Olam International Limited (OLAM.SI), STX OSV Holdings Ltd. (STXO.SI), Sembcorp Industries (SCIL.SI), Sembcorp Marine (SCMN.SI), Yangzijiang Shipbuilding Holdings Ltd. (YAZG.SI)

Kwock, Alvin YL: AAC Acoustic (2018.HK), ASM Pacific (0522.HK), BYD (1211.HK), BYD Electronic (0285.HK), Foxconn Int'l Holdings (2038.HK), HTC Corp (2498.TW), MediaTek Inc. (2454.TW), Silitech Technology Corp (3311.TW), Synnex (2347.TW), TPV Technology (0903.HK), Wistron Corporation (3231.TW), ZTE Corp (0763.HK)

Luk, Amy Ka Ping: Champion REIT (2778.HK), Fortune Real Estate Investment Trust (FORT.SI), Great Eagle (0041.HK), Hang Lung Group (0010.HK), Hang Lung Properties (0101.HK), Hongkong Land (HKLD.SI), Hysan Development Co (0014.HK), K Wah International Holdings (0173.HK), Kerry Properties (0683.HK), Link REIT (0823.HK), New World Development (0017.HK), Sino Land (0083.HK), The Wharf (Holdings) Limited (0004.HK)

Jirajariyavech, Anne: Asian Property Development (AP.BK), Bangkok Bank (BBLf.BK), Bank of Ayudhya (BAY.BK), KASIKORNBANK (KBANf.BK), Kiatnakin Bank (KK.BK), Krung Thai Bank (KTB.BK), LPN Development (LPN.BK), Land & Houses (LHf.BK), Pruksa Real Estate Pcl (PS.BK), Quality Houses (QH.BK), Siam Commercial Bank (SCB.BK), TMB Bank Public Company Limited (TMB.BK), Thanachart Capital (TCAP.BK), Tisco Financial Group Pcl. (TISCO.BK)

Chan, Bao Ling: AIA Group Ltd (1299.HK), CNinsure, Inc (CISG), China Life Insurance - A (601628.SS), China Life Insurance - H (2628.HK), China Pacific Insurance Group - A (601601.SS), China Pacific Insurance Group - H (2601.HK), China Taiping Insurance Holdings (0966.HK), PICC Property and Casualty (2328.HK), Ping An Insurance Group - A (601318.SS), Ping An Insurance Group - H (2318.HK)

Lo, Benjamin: CITIC Pacific (0267.HK), Hutchison Whampoa (0013.HK), Jardine Matheson (JARD.SI), Jardine Strategic (JSH.SI), MTR (0066.HK), Shanghai Industrial (0363.HK), Swire Pacific (0019.HK), Wheelock & Company Ltd (0020.HK)

Wilson, Benjamin: AWE Limited (AWE.AX), Beach Energy Ltd. (BPT.AX), BlueScope Steel (BSL.AX), Oil Search (OSH.AX), OneSteel Limited (OST.AX), ROC Oil Company Limited (ROC.AX), Santos Limited (STO.AX), Sims Metal Management Ltd (SGM.AX), Woodside Petroleum (WPL.AX)

Kan, Boris: Beijing Enterprises Holdings Limited (0392.HK), China Datang Corporation Renewable Power (1798.HK), China Gas Holdings Limited (0384.HK), China High Speed Transmission (0658.HK), China Longyuan Power Group Corp. (0916.HK), China Power International (2380.HK), China Resources Power Holdings (0836.HK), China Yangtze Power Co Ltd - A (600900.SS), Dongfang Electric Corporation Limited - A (600875.SS), Dongfang Electric Corporation Limited - H (1072.HK), ENN Energy Holdings Limited (2688.HK), Harbin Electric Company Limited (1133.HK), Huaneng Power Int'l - H (0902.HK), Shanghai Electric Group Company Limited (2727.HK), Towngas China Company Limited (1083.HK), Xinjiang Goldwind Science & Technology Co., Ltd. (2208.HK)

Bustnes, Brynjar Eirik: CNOOC (0883.HK), China BlueChemical Ltd (3983.HK), China Oilfield Services Limited (2883.HK), Inpex Corporation (1605.T), MIE Holdings Corporation (1555.HK), PetroChina (0857.HK), S-Oil Corp (010950.KS), SK Innovation Co Ltd (096770.KS), Sinopec Corp - H (0386.HK)

Huang, Caren H: Cheng Shin Rubber Industry Co., Ltd (2105.TW), Far Eastern Department Stores (2903.TW), Far Eastern New Century Corporation (1402.TW), Formosa International Hotels (2707.TW), Makalot Industrial Co. Ltd. (1477.TW), President Chain Store Corp. (2912.TW), Prince Housing & Development (2511.TW), St. Shine Optical (1565.TW), TSRC Corp (2103.TW), TTY Biopharm Co. Ltd. (4105.TW), Uni President Enterprises Corp (1216.TW)

Gee, Christopher Kok Aun: CapitaLand (CATL.SI), City Developments (CTDM.SI), Global Logistic Properties Ltd (GLPL.SI), Keppel Land (KLAN.SI), Overseas Union Enterprise Ltd (OVES.SI), Wheelock Properties (WPSL.SI), Wing Tai Holdings (WTHS.SI)

Png, Corrine: Air China (0753.HK), Cathay Pacific (0293.HK), Cebu Air, Inc. (CEB.PS), China Airlines (2610.TW), China Cosco Holdings, Ltd. (1919.HK), China Eastern Airlines (0670.HK), China Shipping Container Lines (2866.HK), China Southern Airlines (1055.HK), EVA Airways (2618.TW), Hanjin Shipping Co Ltd (117930.KS), Korean Air (003490.KS), Neptune Orient Lines (NOL) (NEPS.SI), Orient Overseas Int'l Ltd (0316.HK), PT Buana Listya Tama Tbk (BULL.JK), Pacific Basin Shipping (2343.HK), Precious Shipping (PSL.BK), SIA Engineering Company (SIAE.SI), Sincere Navigation Corporation (2605.TW), Singapore Airlines (SIAL.SI), Thoresen Thai Agencies (TTA.BK), U-Ming Marine Transport Corporation (2606.TW), Wan Hai Lines (2615.TW), Yang Ming Marine (2609.TW)

Kang, Daniel: Aluminum Corporation of China - A (601600.SS), Aluminum Corporation of China - H (2600.HK), Angang Steel - A (000898.SZ), Angang Steel - H (0347.HK), Baoshan Iron & Steel - A (600019.SS), China Coal Energy - A (601898.SS), China Coal Energy - H (1898.HK), China Hongqiao Group (1378.HK), China Shenhua Energy - A (601088.SS), China Shenhua Energy - H (1088.HK), Maanshan Iron & Steel - A (600808.SS), Maanshan Iron & Steel - H (0323.HK), Shougang Concord International (0697.HK), Yanzhou Coal Mining - A (600188.SS), Yanzhou Coal Mining - H (1171.HK)

Wei, Dick: AirMedia (AMCN), Alibaba.com Limited (1688.HK), Ambow Education (AMBO), Baidu.com (BIDU), Bona Film Group Ltd. (BONA), China Finance Online (JRJC), Focus Media (FMCN), NetEase (NTES), Shanda Games (GAME), Shanda Interactive Entertainment Ltd (SNDA), Sina Corp (SINA), Sohu.Com (SOHU), Tencent (0700.HK), The9 Limited (NCTY), VanceInfo (VIT), VisionChina (VISN), iSoftstone (ISS)

Sener, Kurumlu Ebrur: Belle International Holdings Ltd. (1880.HK), China Resources Enterprise (0291.HK), Dairy Farm International Holdings Limited (DAIR.SI), Esprit Holdings (0330.HK), Golden Eagle Retail Group Ltd (3308.HK), Li & Fung (0494.HK), Lifestyle International Holdings (1212.HK), New World Department Stores Ltd (0825.HK), Parkson Retail Group Ltd (3368.HK), Texwinca (0321.HK), Tingyi (Cayman Islands) Holding Corp (0322.HK), Tsingtao Brewery - A (600600.SS), Tsingtao Brewery - H (0168.HK), Yue Yuen Industrial (0551.HK)

Wu, Elaine: Beijing Enterprises Water (0371.HK), CLP Holdings (0002.HK), Cheung Kong Infrastructure (1038.HK), China Everbright International (0257.HK), Datang International (0991.HK), Guangdong Investment Limited (0270.HK), Hong Kong & China Gas (0003.HK), Huadian Power International - H (1071.HK), Power Assets Holdings Ltd (0006.HK), Sound Global Limited (SOGL.SI)

Yang, Elsa: Anta Sports Products Ltd. (2020.HK), China Dongxiang Group Co Ltd. (3818.HK), China Lilang Ltd. (1234.HK), Giordano (0709.HK), I.T Ltd. (0999.HK), L'Occitane International SA (0973.HK), Li Ning Co Ltd (2331.HK), Ports Design (0589.HK), Sa Sa International Holdings Limited (0178.HK), Trinity Limited (0891.HK), Xtep International Holdings Limited (1368.HK)

Jamieson, Fraser R: Alumina Limited (AWC.AX), BHP Billiton Limited (BHP.AX), Iluka Resources (ILU.AX), Ivanhoe Australia (IVA.AX), Lynas Corporation Limited (LYC.AX), Newcrest Mining (NCM.AX), OZ Minerals Limited (OZL.AX), PanAust Limited (PNA.AX), Sandfire Resources (SFR.AX)

Lopez, Gilbert Y: Aboitiz Power (AP.PS), Ayala Land (ALI.PS), Banco de Oro (BDO.PS), Bank of the Philippine Islands (BPI) (BPI.PS), China Banking Corp (CHIB.PS), Energy Development (EDC) Corporation (EDC.PS), Filinvest Land, Inc. (FLI.PS), Manila Electric Company (MER.PS), Manila Water Company Inc (MWC.PS), Megaworld Corp (MEG.PS), Metropolitan Bank (MBT.PS), Philippine National Bank (PNB.PS), Rizal Commercial Banking Corp (RCB.PS), Robinsons Land Corp (RLC.PS), SM Prime Holdings, Inc. (SMPH.PS), Security Bank Corporation (SECB.PS), Union Bank of the Philippines (UBP.PS)

Hariharan, Gokul: ASUSTek Computer (2357.TW), Acer Inc (2353.TW), Catcher Technology (2474.TW), Compal Electronics, Inc. (2324.TW), Delta Electronics, Inc. (2308.TW), Foxconn Technology (2354.TW), Hon Hai Precision (2317.TW), Lenovo Group Limited (0992.HK), Lite-On Technology Corporation (2301.TW), Pegatron Corp (4938.TW), Quanta Computer Inc. (2382.TW)

Hosoya, Hitoshi: All Nippon Airways (9202) (9202.T), Central Japan Railway (9022) (9022.T), East Japan Railway (9020) (9020.T), Kawasaki Kisen (9107) (9107.T), Mitsui O.S.K. Lines (9104) (9104.T), Nippon Yusen (9101) (9101.T), Odakyu Electric Railway (9007) (9007.T), Tobu Railway (9001) (9001.T), Tokyu (9005) (9005.T), West Japan Railway (9021) (9021.T)

Mak, Hoy Kit: Dialog Group Bhd (DIAL.KL), Gamuda (GAMU.KL), IJM Corporation (IJMS.KL), KNM Group Bhd (KNMP.KL), Malaysia Airports Holdings Berhad (MAHB.KL), PLUS Expressways (PLUE.KL), Tenaga (TENA.KL), WCT Berhad (WCTE.KL), YTL Power (YTLP.KL)

Sullivan, James: 21Vianet Group Inc. (VNET), AXIATA Group Berhad (AXIA.KL), Advanced Info Services (ADVA.BK), Digi (DSOM.KL), Globe Telecom (GLO.PS), M1 (MONE.SI), Maxis Berhad (MXSC.KL), PT Indosat Tbk (ISAT.JK), PT Telekomunikasi Indonesia Tbk (TLKM.JK), PT XL Axiata Tbk (EXCL.JK), Philippine Long Distance Telephone Company (TEL.PS), Singapore Telecom (STEL.SI), StarHub (STAR.SI), Telekom Malaysia (TLMM.KL), Total Access Communication (DTAC.BK)

Wu, James: Cathay Financial Holdings (2882.TW), Chinatrust Financial Holdings (2891.TW), E.Sun Financial (2884.TW), First Financial Holding Co Ltd (2892.TW), Fubon Financial Holdings (2881.TW), Mega Holdings (2886.TW), Shin Kong Financial Holdings (2888.TW), Sinopac Financial Holdings (2890.TW), Taishin Financial Holdings (2887.TW)

Steed, Jason: AGL Energy (AGK.AX), APA Group (APA.AX), Adelaide Brighton Limited (ABC.AX), Boral Limited (BLD.AX), CSR Limited (CSR.AX), Challenger Infrastructure Fund (CIF.AX), Contact Energy Limited (CEN.NZ), DUET Group (DUE.AX), Envestra Limited (ENV.AX), Fletcher Building Ltd (FBU.NZ), Hastings Diversified Utilities Fund (HDF.AX), Infigen Energy (IFN.AX), James Hardie Industries SE (JHX.AX), Origin Energy (ORG.AX), SP AusNet (SPN.AX), Spark Infrastructure Group (SKI.AX)

Yutan, Jeanette: Ayala Corporation (AC.PS), DMCI Holdings (DMC.PS), International Container Terminal Services, Inc. (ICT.PS), Metro Pacific Investments Corp. (MPI.PS), SM Investments Corp (SM.PS), Semirara Mining Corp (SCC.PS)

Hong, Jessica Chien Han: Ajisen China Holdings Ltd (0538.HK), Cafe de Coral Holdings Ltd (0341.HK), China Foods Ltd (0506.HK), China Huiyuan Juice Group Ltd (1886.HK), China Mengniu Dairy Co. Ltd. (2319.HK), China Yurun Food Group (1068.HK), Hengan International Group Ltd (1044.HK), Huabao International Holdings Limited (0336.HK), Tibet 5100 Water Resources Holdings Ltd (1115.HK), Uni-President China Holdings Ltd (0220.HK), Want Want China Holdings Ltd (0151.HK)

Kim, Jinmook: Daelim Industrial (000210.KS), Daewoo Shipbuilding & Marine Engineering (042660.KS), GS Engineering & Construction (006360.KS), Hyundai Development Company (012630.KS), Hyundai E&C (000720.KS), Hyundai Heavy Industries (009540.KS), KCC (002380.KS), POSCO (005490.KS), Samsung Engineering (028050.KS), Samsung Heavy Industries (010140.KS)

Park, JJ: Hynix Semiconductor (000660.KS), LG Display (034220.KS), LG Electronics (066570.KS), Samsung Electronics (005930.KS)

Leung, Joseph Man Joe: Bank of China (BOCHK) (2388.HK), Bank of East Asia (0023.HK), Capital Securities (6005.TW), Chang Hwa Bank (2801.TW), Chong Hing Bank (1111.HK), Dah Sing Banking Group (2356.HK), Dah Sing Financial (0440.HK), Hang Seng Bank (0011.HK), KGI Securities (6008.TW), Public Financial Holdings Limited (0626.HK), Sun Hung Kai & Co Ltd (0086.HK), Value Partners Group Limited (0806.HK), Wing Hang Bank (0302.HK), Yuanta Financial Holdings (2885.TW)

Wang, Joy Qianqiao: A-REIT (AEMN.SI), CDL Hospitality Trusts (CDLT.SI), CapitaCommercial Trust (CACT.SI), CapitaMall Trust (CMLT.SI), CapitaMalls Asia (CMAL.SI), CapitaRetail China Trust (CRCT.SI), Frasers Centrepoint Trust (FCRT.SI), GuocoLand (GUOC.SI), K-REIT Asia (KASA.SI), Mapletree Commercial Trust (MACT.SI), Mapletree Industrial Trust (MAPI.SI), Mapletree Logistics Trust (MAPL.SI), Singapore Press Holdings (SPRM.SI), Suntec REIT (SUNT.SI), Treasury China Trust (TRCT.SI), Yanlord Land Group Limited (YNLG.SI), Ying Li International Real Estate (YING.SI)

Li, Karen: Anhui Expressway (0995.HK), Beijing Capital International Airport (0694.HK), COSCO Pacific (1199.HK), CSR Corp Ltd. (1766.HK), China Communications Construction Co. Ltd. (1800.HK), China International Marine Containers A (000039.SZ), China International Marine Containers B (200039.SZ), China Merchants Holdings Int'l (0144.HK), China Railway Construction Corporation Limited (1186.HK), China Railway Group Limited (0390.HK), Dalian Port (2880.HK), Hutchison Port Holdings Trust (HPHT.SI), Jiangsu Expressway - H (0177.HK), Shenzhen Expressway - A (600548.SS), Shenzhen Expressway - H (0548.HK), Zhejiang Expressway (0576.HK)

Fong, Kenneth KC: 7 Days Group Holdings Limited (SVN), China Lodging Group Limited (HTHT), Galaxy Entertainment Group Limited (0027.HK), Home Inns & Hotels Management Inc. (HMIN), MGM China Holdings Ltd (2282.HK), Melco International Development (0200.HK), SJM Holdings Limited (0880.HK), Sands China Ltd (1928.HK), Shun Tak Holdings (0242.HK), Wynn Macau Ltd (1128.HK)

Chopra, Latika: Colgate-Palmolive (India) Limited (COLG.BO), Dabur India Limited (DABU.BO), GlaxoSmithKline Consumer Healthcare Limited (GLSM.BO), Godrej Consumer Products Limited (GOCP.BO), Hindustan Unilever Limited (HLL.BO), ITC Limited (ITC.BO), Nestlé India Limited (NEST.BO), Pantaloon Retail (India) Ltd (PART.BO), Titan Industries Limited (TITN.BO), United Spirits Limited (UNSP.BO), Zee Entertainment Enterprises (ZEE.BO)

Chik, Leon: China Liansu Group Holdings (2128.HK), China State Construction (3311.HK), Chu Kong Petroleum and Natural Gas Steel Pipe Holdings (1938.HK), Dah Chong Hong (1828.HK), Fufeng Group (0546.HK), Haitian International Holdings (1882.HK), Johnson Electric Holdings (0179.HK), Kingboard Chemical (0148.HK), Kingboard Laminates (1888.HK), Kingdee International (0268.HK), Lee & Man Paper Manufacturing (2314.HK), Lonking Holdings Ltd (3339.HK), NVC Lighting Holdings Ltd (2222.HK), Nine Dragons Paper Holdings Ltd (2689.HK), Shandong Chenming Paper (1812.HK), Skyworth Digital Holdings (0751.HK), Techtronic Industries (0669.HK), VTech Holdings (0303.HK), WSP Holdings (WH), Xinyi Glass (0868.HK), Yuanda China Holdings Ltd (2789.HK)

Bambang, Liliana: Agung Podomoro Land (APLN.JK), Alam Sutera (ASRI.JK), Bakrieland Development (ELTY.JK), Ciputra Development (CTRA.JK), Indocement (INTP.JK), Jasa Marga (JSMR.JK), Lippo Karawaci Tbk (LPKR.JK), Semen Gresik (Persero) Tbk (SMGR.JK), Wijaya Karya (WIKAJK)

Kwong, Lucia Yuen Kei: Agile Property Holdings Ltd (3383.HK), Cheung Kong Holdings (0001.HK), China Overseas Land & Investment (0688.HK), China Resources Land (1109.HK), China Vanke Company (200002.SZ), Frashion Properties (China) Ltd. (0817.HK), Glorious Property (0845.HK), Greentown China Holdings (3900.HK), Guangzhou R&F Properties (2777.HK), Henderson Land Development (0012.HK), Shimao Property Holdings (0813.HK), Shui On Land Ltd (0272.HK), Sino-Ocean Land (3377.HK), Sun Hung Kai Properties (0016.HK)

Liu, Lucy Yajun: China Mobile Limited (0941.HK), China Telecom Corporation Limited (0728.HK), China Unicom (Hong Kong) Limited (0762.HK), China United Network Communications (600050.SS)

Lapiz, Maria Brenda Sanchez: BEC World (BEC.BK), Big C Supercenter Pcl (BIGC.BK), CP All Pcl (CPALL.BK), Charoen Pokphand Foods (CPF.BK), Hemaraj Land & Development PCL (HEMR.BK), Home Product Center Pcl (HMPR.BK), Italian-Thai Development Plc (ITD.BK), Major Cineplex Group Plc (MAJO.BK), Robinson Department Store (ROBI.BK), Siam Makro (MAKR.BK), Sri Trang Agro Industry Plc (STA.BK), Sri Trang Agro Industry Plc (SRTA.SI), Thai Beverage Public Company Ltd. (TBEV.SI), Thai Union Frozen Products (TUF.BK)

Busuttil, Mark: Aquila Resources Ltd (AQA.AX), Atlas Iron Ltd (AGO.AX), Energy Resources of Australia Limited (ERA.AX), Fortescue Metals Group Ltd (FMG.AX), Gindalbie Metals Ltd (GBG.AX), Mount Gibson Iron Ltd (MGX.AX), Murchison Metals Ltd (MMX.AX), Paladin Energy Ltd (PDN.AX), Rio Tinto Limited (RIO.AX)

Soh, May Yee: Berjaya Sports Toto (BSTB.KL), British American Tobacco (M) Bhd (BATO.KL), Genting Berhad (GENT.KL), Genting Malaysia (GENM.KL), Genting Singapore (GENS.SI), Media Prima Berhad (MPRM.KL), Parkson Holdings Bhd (PRKN.KL), Top Glove Corporation (TPGC.KL)

Kim, MW: Dongbu Insurance (005830.KS), Hyundai Marine & Fire Insurance (001450.KS), Korea Life Insurance (088350.KS), Korean Reinsurance Company (003690.KS), Samsung Fire & Marine Insurance (000810.KS), Samsung Life Insurance (032830.KS), Tong Yang Life Insurance (082640.KS)

Chang, Narci: AU Optronics (2409.TW), Chimei Innolux Corporation (3481.TW), E Ink Holdings Inc. (8069.TWO), Epistar Corporation (2448.TW), Everlight Electronics Co., Ltd. (2393.TW), Inotera Memories, Inc. (3474.TW), Nanya Technology Corporation (2408.TW), TPK Holding Co., Ltd. (3673.TW), Wintek Corporation (2384.TW)

Lai, Nick YC: Anhui Conch Cement Company Limited - A (600585.SS), Anhui Conch Cement Company Limited - H (0914.HK), Asia Cement (1102.TW), BBMG Corp (2009.HK), China Motor (2204.TW), China National Building Material (3323.HK), China National Materials (1893.HK), China Steel Corp (2002.TW), Hung Poo Real Estate (2536.TW), Sinyi Realty (9940.TW), Taiwan Cement (1101.TW), Taiwan Fertilizer Co Ltd (1722.TW), Teco Electric & Machinery (1504.TW), Yulon Motor Co., Ltd. (2201.TW)

Parekh, Pinakin: ACC Limited (ACC.BO), Ambuja Cements Limited (ABUJ.BO), Coal India (COAL.BO), Grasim Industries Ltd (GRAS.BO), Hindalco Industries (HALC.BO), JSW Steel (JSTL.BO), National Aluminium Co Ltd (NALU.BO), Steel Authority of India Ltd (SAIL.BO), Sterlite Industries (STRL.BO), Tata Steel Ltd (TISC.BO), UltraTech Cement Ltd (ULTC.BO)

Mirchandani, Pradeep: Bharat Petroleum Corporation (BPCL) (BPCL.BO), Cairn India Limited (CAIL.BO), Essar Oil Ltd. (ESRO.BO), Gas Authority of India Limited (GAIL.BO), Gujarat Gas Ltd (GGAS.BO), Gujarat State Petronet Ltd. (GSPT.BO), Hindustan Petroleum Corporation (HPCL) (HPCL.BO), Indian Oil Corporation (IOC.BO), Indraprastha Gas (IGAS.BO), Oil India Ltd. (OILL.BO), Oil and Natural Gas Corporation (ONGC.BO), Petronet LNG Ltd. (PLNG.BO), Reliance Industries Ltd (RELI.BO)

Singh, Princy: Apollo Hospitals Enterprise Ltd. (APLH.BO), Ballarpur Industries Ltd. (BILT.BO), DB Corp Ltd. (DBCL.BO), Deepak Fertilisers & Petrochemicals Corp (DPFE.BO), Dish TV (DSTV.BO), Dr. Reddy's Laboratories Limited (REDY.BO), Entertainment Network (India) Limited (ENIL.NS), Fortis Healthcare Ltd (FOHE.BO), Glenmark Pharmaceuticals Ltd. (GLEN.NS), HT Media Ltd. (HTML.BO), Havells India Ltd (HVEL.NS), Jagran Prakashan Ltd. (JAGP.BO), Jain Irrigation Systems Ltd (JAIR.BO), Jet Airways (India) Ltd. (JET.BO), Kingfisher Airlines Limited (KING.BO), Opto Circuits (India) Ltd (OPTO.BO), Rallis India Limited (RALL.BO), S.Kumars Nationwide Limited (SKMK.BO), Sintex Industries Limited (SNTX.BO), Spicejet Ltd (SPJT.BO), Sterlite Technologies Ltd (STTE.BO), Sun Pharmaceutical Industries Ltd. (SUN.BO)

Zhang, Qin: AsiaInfo-Linkage Inc. (ASIA), Digital China (0861.HK), Spreadtrum Communications (SPRD)

Jones, Richard Barry: Australand Property Group (ALZ.AX), Charter Hall Retail REIT (CQR.AX), Goodman Group (GMG.AX), Mirvac Group (MGR.AX), Stockland (SGP.AX), Westfield Retail Trust (WRT.AX)

Hsu, Rick: Advanced Semiconductor Engineering (ASE) (2311.TW), Novatek Microelectronics Corp. (3034.TW), Powertech Technology Inc (6239.TW), Richtek Technology Corporation (6286.TW), SMIC (0981.HK), SPIL (Siliconware Precision Industries) (2325.TW), TSMC (2330.TW), UMC (2303.TW), Vanguard International Semiconductor Corporation (5347.TWO)

Gill, Russell: ASX Ltd (ASX.AX), Blackmores Limited (BKL.AX), Bravura Solutions (BVA.AX), Cabcharge Australia (CAB.AX), Campbell Brothers Limited (CPB.AX), Challenger Financial Services Group (CGF.AX), Computershare Limited (CPU.AX), Credit Corp Limited (CCP.AX), Gunns Limited (GNS.AX), Henderson Group Plc (HGG.AX), IOOF Holdings Limited (IFL.AX), IRESS Market Technology (IRE.AX), Jetset Travelworld (JET.AX), Perpetual Limited (PPT.AX), Programmed Group (PRG.AX), REA Group Ltd (REA.AX), Spotless Group (SPT.AX), Tassal Group (TGR.AX), Thinksmart Limited (TSM.AX), Tox Free Solutions (TOX.AX), Transpacific Industries (TPI.AX)

Li, Ryan: C C Land (1224.HK), Country Garden Holdings (2007.HK), Evergrande Real Estate (3333.HK), Hopson Development Holdings (0754.HK), KWG Property Holding Ltd. (1813.HK), Longfor Properties Co. Ltd. (0960.HK), Poly (HK) Investments Limited (0119.HK), Renhe Commercial Holdings (1387.HK)

Chen, Samuel: Agricultural Bank of China - H (1288.HK), Bank of China - A (601988.SS), Bank of China - H (3988.HK), Bank of Communications Co (3328.HK), China Citic Bank - H Share (0998.HK), China Construction Bank (0939.HK), China Merchants Bank - H (3968.HK), China Merchants Bank Co., Ltd - A (600036.SS), China Minsheng Banking - A (600016.SS), China Minsheng Banking - H (1988.HK), Industrial and Commercial Bank of China - A (601398.SS), Industrial and Commercial Bank of China - H (1398.HK), Noah Holdings Ltd (NOAH)

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Sen, Seshadri K: Axis Bank Ltd (AXBK.BO), Bank of Baroda (BOB.BO), Bank of India (BOI.BO), HDFC (Housing Development Finance Corporation) (HDFC.BO), HDFC Bank (HDBK.BO), ICICI Bank (ICBK.BO), IDFC (IDFC.BO), IndusInd Bank (INBK.BO), Kotak Mahindra Bank (KTKM.BO), Punjab National Bank (PNBK.BO), Reliance Capital (RLCP.BO), SKS Microfinance (SKSM.BO), State Bank of India (SBI.BO), Yes Bank (YESB.BO)

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Juanda, Stevanus: Adaro Energy (ADRO.JK), Bumi Resources (BUMI.JK), Bumi Resources Mineral (BRMS.JK), Indika Energy (INDY.JK), Indofood (INDF.JK), Kalbe Farma (KLBK.JK), Medco Energi (MEDC.JK), PT Aneka Tambang Tbk (ANTM.JK), PT Berau Coal Energy Tbk (BRAU.JK), PT Indo Tambangraya Megah (ITMG.JK), PT International Nickel Indonesia (INCO.JK), Perusahaan Gas Negara (PGAS.JK), Tambang Batubara Bukit Asam (PTBA.JK), Unilever Indonesia Tbk (UNVR.JK)

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Chang, Sung Min: CJ O Shopping (035760.KQ), Daum (035720.KQ), E-Mart (139480.KS), Hyundai Department Stores (069960.KS), KEPCO (015760.KS), KT Corp. (030200.KS), Kangwon Land (035250.KS), Korea Gas Corporation (036460.KS), LG Uplus (032640.KS), Lotte Shopping (023530.KS), NCSOft (036570.KS), NHN (035420.KS), Neowiz Games (095660.KS), SK Telecom (017670.KS), Shinsegae (004170.KS)

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Chen, William: Advantech (2395.TW), AirTAC (1590.TW), Chicony Electronics (2385.TW), Chroma ATE (2360.TW), Hiwin (2049.TW), Ju Teng International Holdings Limited (3336.HK), TXC Corp (3042.TW), Tripod Technology Corp (3044.TW), Unimicron Technology Corp. (3037.TW)

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Kim, Youna: Amorepacific Corp (090430.KS), Celltrion (068270.KQ), Doosan Corp (000150.KS), Hite Jinro Co Ltd (000080.KS), KT&G Corp (033780.KS), LG Corp (003550.KS), LG Household & Health Care Ltd (051900.KS), Nong Shim (004370.KS), SK Holdings (003600.KS), Woongjin Coway (021240.KS)

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IB clients*	51%	44%	33%
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Year of the Dragon

“The year 2012 of the Black Water Dragon promises to be a very interesting time that will provide plenty of opportunities. This period has many enigmatic, mysterious, unexpected and memorable moments that one can use for one's own benefit.”

Finally some positive macro news if investors can use mysterious, unexpected and memorable moments profitably. Buy when event risk is high as ultimately P/E rerating and EPS growth should drive returns in the Year of the Dragon.

“It's time for change and one should be ready for that.”

Sell those defensives. Long domestic cyclicals and interest-rate-sensitives.

Social contracts are strained. Governments may respond by allocating resources from corporate profits to household and public sector. The consumer luxury trade may falter in the age of austerity.

“The beginning of the year will be very fast and noisy. It is necessary to solve all the old problems and build a solid foundation for all affairs. The year 2012 of the Black Water Dragon has the right to ask each person about his deeds, reward good deeds or punish dishonest behavior.”

Be flexible. Volatile markets continue into 2012 swinging from complacency to overly bearish on structural issues. Maintain your long-term portfolio bias but adjust risk budgets post sharp swings.

Europe is a crisis of growth. Fiscal drag will threaten 2012 US economic growth. Policymakers will have to bite the bullet and focus on lasting and effective solutions, rather than postponement and quick-fixes.

The structural strength and policy flexibility of EM would be rewarded with good returns. For investors disillusioned with poor performance and governance issues in EM, the New Year might be a good time to extend some faith.

“The financial situation will not be overly strenuous, but this period requires both spending on necessary purchases and investments and saving the remaining money for the future. It would be a mistake to burn down your wallet.”

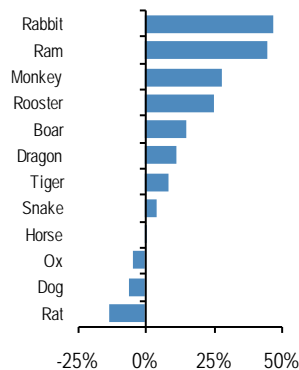
Beware of taking undue risks. Avoid China's first credit and property cycle. It would be safe to limit exposure to financials and commodities. High-beta stocks with good fundamentals might be as far as you would want to go.

“Dragon gives health, happiness and wealth, but only to those zodiac signs, who themselves will not sit on one place.”

This year would be a time for action. The ‘to do’ list of policymakers will focus on effective execution of announced plans. Prudent countries and robust companies will outperform. So will active investors.

Dragon is a central character in carnival processions, legends and fairy tales and this year might turn out to be just that. Be positioned for upside and keep a close eye on political developments.

Animal Returns (%)



Source: Datastream, J.P. Morgan Calculations.
Average performance for Datastream Total
Market Asia ex-Japan Index, 1973-2011

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Our source for the material in the quotes is:

www.gotohoroscope.com/2012/chinese-new-year.html

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