Equities

Asia

Alex Chang
Product Manager
alex.chang@ubs.com
+852-2971 8599

Morning Expresso - Asia
Monday 31 March 2014

PICC Property and Casualty (Neutral from Buy; PT HK$12.5) - Falling earnings
Combined ratio increased to 96.7% in 2013 vs 2012's 95.1%. Implied 2H13 combined ratio was c99.7% from 2H12's 97.5% and 1H13's 93.6%. The increase in combined ratio is partially due to the increased competition in motor insurance as well as natural disasters that occurred in 2H13 which led to other insurance segment having combined ratio above 100% in 2H13. Although we still expect PICC P&C to remain the profit leader in the industry, PICC P&C could see negative earnings growth in 2014 along with rising combined ratio.

Indian Consumer Sector - Course correction, time to buy
The past year has been difficult for the consumer sector in India, but with a slow improvement in the economy we forecast an increase in volumes from the current trough. The recovery could come sooner than expected as the incremental consumer is young and more willing to spend compared with earlier cycles. We believe an improvement in sentiment is key to trigger volume momentum. ITC is our top pick. We upgrade Titan Industries from Sell to Buy. We also have Buy ratings on Marico, Hindustan Unilever and Dabur India.

BEC World (Buy, PT Bt60 from Bt70) - Transition to digital
While the new competitive landscape in Thailand's TV industry may dilute BEC World's (BEC) pricing power and audience share, its market share of revenue may not decline to the same degree. We think BEC should be able to manage higher content costs by 1) focusing more on producing programmes in-house, 2) recycling new and old content, and 3) co-promoting programmes within its existing family of channels. We expect its STD and family channels to break even in 2016. We think the derating of the stock has been reflected in the share price with a limited downside risk. Reiterate Buy.

IN TODAY'S REPORT:

Morning Meeting Agenda also includes	China Construction Bank - Results in line; stricter loan classification standards China Merchants Bank - Shifting gears to microfinance; increasing risk appetite Taiwan Securities sector - Better market conditions with regulatory supports	2
Alpha Preferences	**India:** Titan (Removed from Least)	19
Rating & Price Target Changes	**Upgrade:** CITIC Securities (Buy from Neutral; Titan (Buy from Sell); **Downgrade:** Godrej Consumer, PICC Property and Casualty (Neutral from Buy); United Spirits (Sell from Neutral)	24
Markets, Events and Newsflow	**Company Results:** Baoxin Auto, Evergrande, Hidili Industry, Zhongsheng, Sinopec Kantons, Asia Cement, CTCI, Hiwin Tech, Taiwan Cement	24
Macroeconomic Events	HK: Retail Sales, Budget Balance; India: Fiscal Deficit; Thailand: Trade Balance	24
Latest Market Movements	Hang Seng 1.06% HSCEI 1.30% CSI300 -0.17% KOSPI 0.15% S&P 0.46%	26
UBS Asia & Japan Key Calls	Unchanged; No notes published	27
UBS Conferences and Seminars	-	28

Morning Meeting Agenda

Key Call: Beijing Originwater Technology - Strong growth momentum in 2013

Net profit grew 49.3% in 2013, slightly beat preliminary result
Revenue rose 76.9% YoY to Rmb3.13bn in 2013, with integrated waste water disposal revenue at Rmb1.96bn (+40% YoY) and water supply and drainage engineering revenue at Rmb1.09bn (+220% YoY), suggesting good momentum in its core businesses. Net profit came to Rmb840m (slightly higher than the preliminarily guided Rmb820m, up 49.3% YoY)

Revenue sources by segment
In terms of revenue by segment, 1) revenue generated in Beijing from joint ventures jumped by 115% to Rmb1.28bn. We believe JiuAn is the main contributor, as Beijing City did not just invest in water plants with its sharply increasing water capex, but invested more in supporting pipe network and infrastructure, which benefited JiuAn directly; 2) its parent company posted revenue of Rmb466m in Beijing, up 30% YoY. The company won project biddings valued at Rmb880m in early 2014 in Miyun County and Mentougou District, which we believe should help generate strong revenue growth in this segment in 2014; 3) the parent company's non-local revenue rose 93% YoY to Rmb861m (in contrast to 24% YoY decline in H113), much better than our expectation; 4) JVs' non-local revenue went up 42% YoY to Rmb523m, with investment income up 34% YoY to Rmb118m (using equity method).

Operating cash flow grew strongly; expense ratio was well controlled
Operating cash flow rose significantly by 93% to Rmb670m, largely in line with its net profit of Rmb840m. We expect aggregate local fiscal expenditures on environmental protection in China to rise 64% YoY to Rmb157.9bn, implying a sound market background. Meanwhile, the company's cash collection capability is one of the strongest among peers. SG&A expenses rose 16% YoY to Rmb189m, implying a lower expense ratio of 6.0%, versus 9.2% in 2012 and 13.2% in 2011.

Valuation: price target of Rmb52.4, Buy rating
Our PT of Rmb52.4 is based on the average valuation of A-share water treatment and engineering companies, with a 10% discount, which implies 37.5x 2014E PE. Its 12-month forward PE has dropped to 21x, close to the historical low of 18x in early 2012. We maintain our Buy rating.

Notes:

Advanced Industrial Equipment

RATING: Buy
Prior: Unchanged
▶ **TARGET:** Rmb52.40
Prior: Unchanged

PRICE: Rmb31.60
MCAP: Rmb28.0bn

EPS ESTIMATES:
▶ 12/13E: 0.93
▶ 12/14E: 1.40
▶ 12/15E: 1.96
RIC: 300070.SZ
BBG: 300070 CH

Analyst:
Wei Yu
S1460511120001
wei.yu@ubssecurities.com
+86-213-866 8857

Source: This is an extract from UBS research published on 28 March 2014

China Construction - 2013 result comparison

Net profit YoY: CCCC +2%, CRCC +20%, CRG +27%, CSCI +30%, CMEC +2%
Chinese construction companies under our coverage delivered inline 2013 result with net profit growth ranging from 2-30% YoY. China State Construction International (CSCI) delivered the highest growth of 30% YoY, to be followed by China Railway Group (CRG) and China Railway Construction Corporation's (CRCC) 27%/20% YoY respectively. China Communication Construction Corporation (CCCC) and China Machinery Engineering Corporation (CMEC) showed the slowest growth of 2% YoY.

New contract and margin comparison
Purely focusing on the construction new contract, CRG delivered the strongest 2013 YoY growth of 36%, to be followed by CSCI (+24%), CCCC (+6%), CRCC (+5%) and CMEC (-23%). In terms of railway, CRG's new contract of Rmb217bn (+73% YoY) was similar to CRCC's Rmb216bn (+26% YoY), compared with CCCC's Rmb16bn (+60% YoY). In terms of highway, CCCC's new contract was Rmb154bn (+55%), followed by CRCC's Rmb144bn (+9%) and CRG's Rmb108bn (+41%). CSCI improved their gross margin by 29bps to 11.5%, while CCCC/CRCC/CRG/CMEC saw margin contraction of 81/36/17/6bps to 10.2%/7.3%/7.5%/17.5%, respectively.

Mixed operating cash flow performance
CRG showed the biggest improvement in OpCF from negative Rmb4.2bn in 2012 to Rmb8.0bn. CCCC's 2013 OpCF dropped 48% YoY to Rmb7.0bn. CRCC's OpCF significantly deteriorated to negative Rmb9.3bn, from Rmb4.7bn in 2012. CSCI delivered a negative HK$3.3bn OpCF in 2013, similar to 2012, due to spending on affordable housing BT projects. CCCC and CRCC's capex rose 21%/37% due to more BOT projects spending, while CRG's 2013 capex retreated 4% YoY.

Stock picks - Top pick is CMEC; also favour CSCI
We like CMEC for its focusing on overseas market with extensive experience, high ROE and healthy balance to support acquisitions, hence our top pick in the sector. We also like CSCI for its being strong at HK/Macau and also benefitting from the fast growth affordable housing market in China.

Notes:

Construction

Analyst:
Robin Xu
S1460511010012
bin.xu@ubssecurities.com
+86-213-866 8872

Source: This is an extract from UBS research published on 31 March 2014

Agile Property Holdings - Results in line but outlook remain challenging

Results in line with consensus

Agile reported 2013 earnings of Rmb4.7bn, down 4% YoY. Results were in line with consensus and better than UBSe by 5% on foreign exchange gains. Agile's gross margins dropped 6ppt YoY to 35.6% in 2013 despite a higher booked ASP of Rmb10,722psm (+17% YoY). Agile declared a final dividend of HK$0.33, up 38% YoY. Full year DPS reached HK$0.475/sh, up 24% YoY and it represents 28% payout ratio on core earnings (vs 22% in 2012).

Starting to cut price to clear inventory in 2014

Agile has lowered prices in select projects located in cities with high inventory levels. Management indicated that the 2014 focus for the company will be clearing inventory for this year. We estimate its gross margins may decline further by 3ppt to 32% for FY14-15E from 2013's 36% as a result. We lowered our 2014/15 earnings forecast by 24/27% respectively to account for the declining margins.

Reorganization of the board as a key step to restructuring

Agile announced that the three family members of Chairman Chen will be re-designated as non-executive directors (from executive directors). It has also appointed three senior managers within the company as new executive directors. They have joined Agile for more than 15 years and are not related to the substantial shareholders. Agile has also separated its operations into five regions and the headquarters will delegate part of the decision making to regional offices to improve operating efficiency. We believe the re-designation of the board as a constructive move but we believe the near term concerns remain to be the inventory issue, substantially lower cash collection than peers and more new launches located at less favourable locations.

Valuation: Currently trading at 4.8x 2014E PER

We lower our PT to HK$6.16/sh (from HK$8.81/sh), driven by a lower target PE of 4.7x (from 5.1x) and on a lower 2014E EPS (-24%). Our lower target PE was to reflect the tightened liquidity conditions. We retain Neutral on Agile as we believe the current share price has factored in the near term concerns.

Notes:

Real Estate

RATING: Neutral
Prior: Unchanged
▼ **TARGET:** HK$6.16 (-30.08%)
Prior: HK$8.81

PRICE: HK$6.28
MCAP: HK$21.7bn

EPS ESTIMATES:
▼ 12/14E: 1.05 (-23.95%)
▼ 12/15E: 1.12 (-27.26%)
▼ 12/16E: 1.38 (-6.58%)
RIC: 3383.HK
BBG: 3383 HK

Analyst:
Eugene Cheung
eugene.cheung@ubs.com
+852-3712 4670

Source: This is an extract from UBS research published on 31 March 2014

China Cinda Asset Management - Improving disclosure = improving confidence

LVR Ratio less than 40% still - receivable business

Income from receivable business ("Income from distressed debt assets classified as receivables" in P&L) increased 188% yoy to Rmb10.1bn. Together with strong balance growth of traditional distress assets, net balance of restructured distressed assets increased 104% in 2013. That said, Cinda continues to maintain strong risk control, where 99.3% of total receivable assets secured with guarantee, mortgage and pledge. More importantly, LVR for these assets is still contained at around just 40%. We expect the receivable business to continue to be a steady profit contributor. We thus adjusted our expected yield on restructured distressed assets from 12% to 13% for 2014-16E.

Strong growth in traditional business provides key driver for earnings growth

Net balance of traditional distressed assets grew 109% yoy and 98% HoH while returned on disposal remained flat at 111.3%. In our view, without significant deterioration of China's economic condition, the strong growth achieved for this relatively more stable business segment would provide strong earnings growth for Cinda over the next couple of years. While we have moderated down the average return on balances to reflect the impact of sharp increase from 40% for 2014-16E to 33%/35%/38%, total earnings growth from this segment is expected to be strong.

Cost of liability expected to be relatively stable for 2014/15

Accounts payable to MOP and PBOC now only makes up 11.1% of Cinda's interest bearing liabilities vs 29.6% as at end of 2012. After all, Cinda is a liability driven business where its ability in maintaining a strong Asset Liability Matching process is key to its overall profitability. With successful IPO in Dec-13, increased LT debt issuance, strong funding diversification via insurance business growth and the company's continued efforts in DES divestment, we expect overall cost of liability for Cinda to remain relatively stable over next two years.

Valuation: Trading at 1.4x 2014E PB; Maintain Buy with PT of HK$6.18

Our sum-of-the-parts based price target of HK$6.18 (previously HK$6.00) implies 1.9x/1.7x 2014E/2015E P/BV and 13x/10x 2014E/2015E PE. We maintain a Buy rating.

Notes:

Diversified Financial

RATING: Buy
Prior: Unchanged
▲ **TARGET:** HK$6.18 (+3.00%)
Prior: HK$6.00

PRICE: HK$4.40
MCAP: HK$160bn

EPS ESTIMATES:
▲ 12/14E: 0.39 (+8.02%)
▲ 12/15E: 0.49 (+9.94%)
▲ 12/16E: 0.63 (+16.31%)
RIC: 1359.HK
BBG: 1359 HK

Analyst:
Bob Leung
bob.leung@ubs.com
+852-2971 5502

Source: This is an extract from UBS research published on 31 March 2014

China Construction Bank - Results in line; stricter loan classification standards

FY13 NPAT at Rmb 214.7bn (+11% yoy), in line with BBG consensus
Q4 NIM up 11qoq at 2.82%, mainly due to (1) declining funding cost due to the reduction of high-cost liability; (2) improving asset mix - interbank assets down by 6% qoq; LDR up by 1ppt qoq to 70% in Q4. FY13 fee income grew 12% yoy. Credit cost down by 2bps in FY13 to 53bp of loans. On the flip side, it recorded a total of Rmb28bn AFS unrealized loss in 2013, representing 13% of net profit. We keep our FY14 profit growth forecast of 3%, considering the higher credit cost, sluggish B/S growth and margin pressure in 2014, that is consistent with sector trends.

Deposits grew by 1% qoq in 4Q13; we expect B/S growth to decelerate in 2014
Total loan/assets expanded by 14%/10% in 2013. The deposit mix showed slight improvement: demand deposit's share in total deposit increased by 253bp yoy in FY13 to 54.8%. Core tier 1 ratio down by 12bps qoq to 10.75%. CCB's core tier 1 CAR is still one of the highest among H share banks.

NPL ratio flat qoq in 4Q13 at 0.99%; keeping strict loan classification standard
NPL balance grew 5% qoq, and NPL ratio grew 1bp to 0.99%. The full year write-off increased by 78% yoy to 11.9bn, representing 14bp of total gross loan. >90 days over-due loan was down by 3% hoh. Its overdue loan accounted for 102% of NPL loan, the lowest level in H-share peers, reflecting its prudent loan classification standard. LLR stood at 2.66%, one of the highest levels in the sector.

Valuation:
CCB remains one of our favourite banks among peers. The stock trades at 0.86x 2014E P/B. We base our price target on a three-stage dividend discount model, assuming 13.4% cost of equity, 12.8% long-term sustainable ROE and 4.5% perpetual growth.

Notes:

Banks, Ex-S&L

RATING: Buy
Prior: Unchanged
▶ **TARGET:** HK$6.40
Prior: Unchanged

PRICE: HK$5.36
MCAP: HK$1,336bn

EPS ESTIMATES:
▲ 12/13E: 0.86 (+0.98%)
▲ 12/14E: 0.88 (+0.39%)
▲ 12/15E: 0.87 (+1.02%)
RIC: 0939.HK
BBG: 939 HK

Analyst:
Irene Huang
irene.huang@ubs.com
+852-2971 7157

Source: This is an extract from UBS research published on 31 March 2014

China Merchants Bank - Shifting gears to microfinance; increasing risk appetite

FY13 NPAT grew by 14% yoy; NIM up 6bp qoq; Increasing risk appetite
FY13 revenue was Rmb 92bn (+12% yoy). Q413 NIM up 6bp qoq to 2.79%, while AIEA dropped slightly qoq. FY13 NIM dropped by 21bps yoy to 2.82%. FY13 fee income grew by 20% yoy. Different from peers, in 2013, the bank accelerated its B/S growth. Loans/deposits/assets grew by 18%/16%24% yoy. It recorded a total of Rmb5.6bn unrealized AFS loss in 2013 in other comprehensive income (11% of FY13 NP). Interbank assets and investment receivables combined grew by 20% qoq. The two items combined accounted for 18% of assets at YE13. They helped CMB's asset yield in Q413 (interbank asset yield +86bp qoq, investment yield +15bp qoq), but are also subject to higher regulatory risks. CT1 CAR slightly dropped by 11bp qoq to 9.27%

Small and micro enterprise loans gaining momentum in 2013
Small/micro enterprise loans grew by 50%/78% yoy, respectively, accounting for 28% of total loans by 2013, +6ppt yoy. The increased exposure to micro-finance loans is critical step of CMB's transformation, and will enhance its risk-pricing mechanism. NPL ratio for small enterprise loans was up by 16bp qoq to 1.93% while NPL ratio for micro enterprise loans was up by 12bp qoq to 0.60%. The bank slightly slowed down the growth in this segment in Q4 likely due to concerns on asset quality. Loans to small/micro enterprise were priced at 23%/32% premium over benchmark rates in 2013. We believe as long as the pricing can cover the higher credit cost, this segment can still be an attractive growth opportunity for CMB.

NPL ratio rose by 4bp qoq to 0.83%; overdue loans grew by 23% hoh
NPL balance grew by 7%qoq in 4Q13. Loan loss reserve ratio (LLR) was flat qoq at 2.22% at YE13. The bank wrote off/disposed a total of Rmb 2bn NPLs in 2013 (+140% yoy), equivalent to 10bp of loans. 2013 credit cost was 50bp of loans, -2bp yoy.

Valuation: TP to $15.8; Buy rating; Stock trades at 0.9x 2014e P/BV
CMB remains one of our top picks due to its commitment to business transformation. We cut our PT by 4% to HK$15.8 as we raise our CoE by 10bp to 13.9% to reflect a slightly higher risk profile. Our PT is based on a 3-stage DDM model.

Notes:

Banks, Ex-S&L

RATING: Buy
Prior: Unchanged
▼ **TARGET:** HK$15.80 (-4.24%)
Prior: HK$16.50

PRICE: HK$13.84
MCAP: HK$272bn

EPS ESTIMATES:
▲ 12/13E: 2.30 (+4.19%)
▼ 12/14E: 2.22 (-0.72%)
▼ 12/15E: 2.25 (-2.13%)
RIC: 3968.HK
BBG: 3968 HK

Analyst:
Irene Huang
irene.huang@ubs.com
+852-2971 7157

Source: This is an extract from UBS research published on 28 March 2014

China National Offshore Oil Corporation - EPS below UBS and consensus expectations

EPS miss UBSe and consensus by 9% and 12% respectively
Net profit of Rmb56.5bn (EPS of Rmb1.26/sh, down 11% YoY) was 9% and 12% below UBSe and Bloomberg consensus respectively. 2H13 EPS was Rmb0..49/sh (down 36% HoH, down 31% YoY, and 21-23% below UBSe and consensus forecasts, respectively). The miss was driven by higher costs. Exploration expense was US$6.8/boe vs UBSe of US$3.5/boe and DD&A was US$22.3/boe vs UBSe of US$21.0/boe.

Reserves grew at the expense of higher exploration costs
CNOOC achieved an organic reserve replacement ratio (RRR) of close to 120% in 2013, and increased reserve life to 10.8 years versus 10.3 years (2012) and 9.6 years (2011). However, the organic RRR for 2013 was just near the 3-4 year average despite the additional exploration cost. CNOOC said some of the high exploration expense (Rmb17bn in 2013 vs Rmb9bn in 2012) is non-recurring accrued from the Nexen acquisition (we suspect Rmb2-3bn). However, we believe it is fair to expect that costs should remain elevated given that CNOOC may need to drill deeper for its next major discoveries. (We recently highlighted drilling successes in deeper layers of Bohai Bay (Bozhong 22-1-2) and Lingshui 17-2 (deep-water South China Sea) and Ningbo 22-1.

Production guidance reaffirmed; Top pick remains Sinopec (Buy, a UBS Key Call)
CNOOC maintained its 6-10% 2011-2015 production CAGR target and was optimistic on growth potential after 2015. CNOOC said it has 20 projects under construction, 7 of which will come on stream in 2013. CEO Mr. Li mentioned the total gross production capacity of these 20 projects could reach around 25mntoe (about 44% of the 2013 production level). Following the analyst briefing, we will review our estimates. We believe downside risks exist, particularly on higher cost, but we think Mr. Li's comments at the analyst briefing suggest our 2015-2016 volume forecasts are achievable. Our top pick in the Asia oil and chemical sector remains Sinopec (Buy, a UBS Key Call).

Valuation: HK$16.5/sh price target
We derive our price target using a 9.0x 2014E target PE (historical avg). We overlay this with our HK$20/sh NAV estimate (10% WACC, US$92/bbl long-term Brent oil price).

Notes:

Oil Companies, Major

RATING: Buy
Prior: Unchanged
▶ **TARGET:** HK$16.50
Prior: Unchanged

PRICE: HK$12.32
MCAP: US$71.0bn

EPS ESTIMATES:
▶ 12/13E: 1.39
▶ 12/14E: 1.40
▶ 12/15E: 1.37
RIC: 0883.HK
BBG: 883 HK

Analyst:
Peter Gastreich
peter.gastreich@ubs.com
+852-2971 6121

Source: This is an extract from UBS research published on 28 March 2014

China Pacific Insurance - H - Life better than Non-life

NBV growth impacted by assumption changes, NPAT up on investments
New business value (NBV) was up 6.2% yoy to Rmb7.5bn. However, after adjusting for assumption changes, we estimate that the NBV growth was flat YoY at Rmb7.0bn as CPIC continues to make effort to reform its bancassurance channel. Group EV grew at just 6.7% yoy to Rmb144.4bn, where life EV was up 14.1% YoY. NPAT was up 82.4% yoy to Rmb9.3bn, consistent with previously announced details.

NBV growth likely to be strong in 2014
YTD GWP data showed that CPIC saw healthy growth of 30% in 2M14 in the life insurance segment. We believe that better product differentiation and stronger distribution channel efficiency will lead to a more sustained growth recovery in 2014 for the Chinese Life insurance sector. We have raised our NBV growth forecast for CPIC Life to 13%/7%/6% for 2014/15/16E, from previous 6%/5%/5%.

Combined ratio could be above 100% in 2014
Combined ratio for CPIC P&C reached 99.5% at end-13, up from 95.8% at end-12 and 97.7% at Jun-13. We estimate the combined ratio of P&C segment reached 100.8% in 2H13 vs UBSe at 100.9%. We believe that P&C sector will continue to face increased competition and the combined ratio of the sector will continue to rise. We have raised our combined ratio estimate for CPIC to 100.3%/99.8%/99.8% for 2014/15/16E. All else being equal, CPIC is likely to see combined ratio peaking in 2014 as we expect the company to moderate its aggressive market expansion strategy from 2013. We also expect CPIC's market share to stabilize/slightly decline in 2014 as a result.

Valuation: trading at 1.17x 2014E P/EV, new PT of HK$32.21/shr
Our SOTP-based PT of HK$32.21 (previously HK$33.02) is equivalent to 1.37x/1.21x 2014/15E P/EV. We maintain a Buy rating.

Notes:

Insurance, Full-Line

RATING: Buy
Prior: Unchanged
▼ **TARGET:** HK$32.21 (-2.45%)
Prior: HK$33.02

PRICE: HK$27.35
MCAP: HK$248bn

EPS ESTIMATES:
▲ 12/13E: 1.02 (+1.37%)
▼ 12/14E: 1.08 (-7.58%)
▼ 12/15E: 1.22 (-1.77%)
RIC: 2601.HK
BBG: 2601 HK

Analyst:
Bob Leung
bob.leung@ubs.com
+852-2971 5502

Source: This is an extract from UBS research published on 31 March 2014

China Railway Construction - EPS inline; OpCF weaker than expectation

FY13 YoY: revenue +21%, net profit +20%; OpCF negative Rmb9.3bn
2013 revenue increased 21% YoY to Rmb587bn, while net profit rose 20% YoY to Rmb10.3bn, similar to both our estimate and consensus. Gross margin deteriorated 47bps to 10.15% in 2013: construction 9.74% (flat YoY); design 28.73% (-187bps); machinery 17.44% (-113bps); property 25.61% (-226bps) and logistics/trading 4.01% (-105bps). PBT contribution breakdown includes: construction Rmb6.5bn (+21% YoY); design Rmb946m (-4% YoY); machinery Rmb827m (+14% YoY); property Rmb3.6bn (+26% YoY); and logistics/trading Rmb1.4bn (+14% YoY). However, 2013 OpCF came in at a negative Rmb9.3bn, from a positive of Rmb4.7bn in 2012; capex jumped 37% YoY to Rmb16.8bn. As a result, we see net debt and net gearings rising significantly to Rmb45bn and 55% as of end-13. 2013 DPS Rmb0.13 (+18% YoY, 16% payout).

New contract +8% YoY, backlog +17% YoY to Rmb1,744bn (3x revenue)
2013 new contract rose 8% YoY to Rmb853bn (Rmb80bn from overseas, +9% YoY, 9% of total), among which construction +5% to Rmb690bn, design +12% to Rmb9bn, machinery +17% YoY to Rmb12bn, logistics/trading +28% YoY to Rmb112bn and property +35% YoY to Rmb29bn. Within the 2013 construction new contract, railway +26% YoY to Rmb216bn, highway +9% YoY to Rmb144bn, urban rail transit +6% YoY to Rmb66bn, hydraulic -27% YoY to 17bn, housing -2% YoY to Rmb153bn, municipal engineering -17% YoY to Rmb65bn, airport +115% to Rmb4bn.

Guidance used to be conservative; hence new guidance becomes a non-event
2013 actual new contract and revenue were 31%/26% above guidance. We believe the latest guidance provided in the 2013 annual report of 10% YoY decline of 2014 new contract/revenue becomes a non-event. On the other hand, management highlighted that 2014 new railway construction starts in China will further increase and railway construction in central, western and rural China will accelerate. Furthermore, management see opportunities of building high speed railways abroad.

Valuation: Buy, price target of HK$10.50
We derive our HK$10.50 price target from 9.0x 2014E EPS of Rmb0.93.

Notes:

Heavy Construction

RATING: Buy
Prior: Unchanged
TARGET: HK$10.50
Prior: Unchanged

PRICE: HK$6.52
MCAP: HK$80.4bn

EPS ESTIMATES:
- 12/13E: 0.85
- 12/14E: 0.93
- 12/15E: 1.01

RIC: 1186.HK
BBG: 1186 HK

Analyst:
Robin Xu
S1460511010012
bin.xu@ubssecurities.com
+86-213-866 8872

Source: This is an extract from UBS research published on 28 March 2014

China Railway Group - EPS similar to UBSe, OpCF was a positive surprise

FY13 YoY: revenue +16%, net profit +27%; OpCF was a positive Rmb8.0bn
2013 revenue increased 16% YoY to Rmb540bn, while net profit rose 27% YoY to Rmb9.4bn, similar to our estimate, although 7% ahead of consensus. Gross margin slightly retreated 0.1ppt YoY to 7.5% in 2013. PBT contribution includes: construction Rmb7.7bn (+42% YoY); design Rmb945m (+16% YoY); machinery Rmb803m (+10% YoY); property Rmb4.0bn (+16% YoY) and other businesses Rmb2.1bn (+1% YoY). 2013 OpCF came in at Rmb8.0bn (vs. a negative Rmb4.2bn in 2012), while capex was Rmb10.5bn in 2013, a small dip vs. 2012. Net debt and net gearing was Rmb102bn and 118% as of end 2013. 2013 DPS was Rmb0.066 (+27% YoY) on 15% payout.

New contract +27% YoY, backlog +32% YoY to Rmb1,715bn (3.2x revenue)
2013 new contract jumped 27% YoY to Rmb930bn, among which construction +36% to Rmb731bn, design +28% YoY to Rmb14bn, and machinery +10% YoY to Rmb19bn. Within the 2013 construction new contract, railway +73% YoY to Rmb217bn, highway +41% YoY to Rmb108bn, and municipal works +21% YoY to Rmb407bn (urban rail +13% YoY to Rmb114bn).

Guidance used to be conservative; hence new guidance becomes a non-event
2013 actual new contract and revenue were 42%/23% above guidance. We believe the latest guidance provided in the 2013 annual report of 27%/1% YoY declines of 2014 new contract/revenue becomes a non-event. But management remains confident on railway investment outlook in China and they further expect more opportunities from overseas countries or railways linking China and neighbouring countries.

Valuation: Buy, with price target of HK$4.90
We derive our price target of HK$4.90 from 8.0x 2014E EPS of Rmb0.49.

Notes:

Heavy Construction

RATING: Buy
Prior: Unchanged
TARGET: HK$4.90
Prior: Unchanged

PRICE: HK$3.53
MCAP: HK$75.2bn

EPS ESTIMATES:
- 12/13E: 0.43
- 12/14E: 0.49
- 12/15E: 0.53

RIC: 0390.HK
BBG: 390 HK

Analyst:
Robin Xu
S1460511010012
bin.xu@ubssecurities.com
+86-213-866 8872

Source: This is an extract from UBS research published on 28 March 2014

China Shenhua Energy - Strong FY13 result, maintain Buy

Strong FY13 net profit beating UBSe and consensus
China Shenhua reported FY13 net profit of Rmb45.1bn (EPS Rmb2.27), down 8%YoY, 10% above UBSe of Rmb40.8bn (EPS Rmb2.05), and 3% above consensus of Rmb43.6bn (EPS Rmb2.24). The beat is due to better-than-expected ASP. Coal output was up 5%YoY to 318mt, in-line with UBSe but coal sales was 515mt, 11% higher than UBse with more third party coal sales. Power output was up 9%YoY to 210bn Kwh, in-line with UBSe but 2% higher than guidance of 205bn Kwh. Shenhua declared dividend of Rmb0.91/share, meaning a 40% payout.

ASP strong beat, cost control in-line
Shenhua's 2013 ASP only declined 8%YoY to Rmb372/t, versus a 17%YoY decline in the QHD benchmark price and our forecast 9.5% decline. We believe the beat is due to improving mix sales by raising seaborne sale to 54% of total sales volume, versus 50% in 2012. We stress the better sales mix supports our view that China Shenhua can successfully increase its seaborne market share to further increase pricing power. Cost control remains effective, with mine unit cost up 5%YoY to Rmb136.5/t, in-line with our estimate of Rmb137/t and versus an average cost increase of 7%YoY 2009-2012.

2014 flat output guidance, effective capex adjustment
Shenhua guided flat coal output for 2014 at 318mt, and power at 210bn Kwh. 2014 sales target is also flat YoY at 515mt. Shenhua spent Rmb48bn of capex in 2013, 22% lower than guidance of Rmb67bn mainly with lower capex in coal mining. The company guided 2014 capex of Rmb50bn. 2013 net gearing was 18.8%, versus UBSe of 18.1%. With cash balance of Rmb38bn end-2013, and operating cash flow of Rmb69/73bn in 2014/15E, we stress Shenhua should easily finance its capex.

Valuation: TP of HK$27.40, maintain Buy
Our TP is based on 2014E target PE of 10.7x, which was the weighted average target PE of Daqin Rail, Huaneng Power and applying 31% premium to Yanzhou Coal's target PE of 7.9x to reflect a more diversified business model. Our TP represents 5% discount to our NPV of HK$28.79/share.

Notes:

Coal

RATING: Buy
Prior: Unchanged
TARGET: HK$27.40
Prior: Unchanged

PRICE: HK$22.10
MCAP: HK$359bn

EPS ESTIMATES:
12/13E: 2.05
12/14E: 2.01
12/15E: 2.20
RIC: 1088.HK
BBG: 1088 HK

Analyst:
Ghee Peh
ghee.peh@ubs.com
+852-2971 6448

Source: This is an extract from UBS research published on 28 March 2014

China Southern Airlines - Weak 2013 earnings; but within our expectation

2013 net profit in line with UBS estimate
Under the PRC GAAP, 2013 revenue dropped 3% while operating cost rose 2% YoY, but any YoY comparison was partly distorted by VAT replacing business tax during the year. 2013 EBIT/margin was Rmb258m/0.3%. Reported net profit decreased by 28% YoY to Rmb1.9bn. Stripping out the FX gain of Rmb2.8bn and asset impairment loss of Rmb568m, recurring net profit was Rmb208m, versus Rmb2.4bn in 2012, in line with our below-consensus forecast.

Q413 recurring net loss widened by 33% YoY
The results imply a Q413 reported net loss of Rmb565m, which widened from Rmb36m in Q412. Stripping out the FX gain of Rmb1bn and asset impairment loss of Rmb536m, Q413 recurring net loss was Rmb852m, versus Rmb642m in Q412. We attribute the widened loss to weaker passenger yield (we estimate it declined c10% YoY in 2013).

Low earnings visibility due to fares and Rmb:US$
We expect passenger yield outlook to be the focus when the company meets investors on 31 March. At Air China and China Eastern Airlines' briefing, management indicated that yield had recovered during the Chinese New Year travel peak but slowed down into March. Meanwhile, we estimate every 1% depreciation of the Rmb versus the US$ will erode our end-2014E book value by 3% if account for both operational and debt translation losses.

Valuation: Buy rating and price target of HK$3.50
Our price target is based on an EV/fleet ratio of 90%, derived by comparing the expected return on the fleet of 8.9% with its WACC of 9.8%. Our Buy call is based on its cheap valuation (5-year low P/BV), but we do not expect any catalyst until there is higher visibility of a yield turnaround.

Notes:

Airlines

RATING: Buy
Prior: Unchanged
TARGET: HK$3.50
Prior: Unchanged

PRICE: HK$2.50
MCAP: HK$29.0bn

EPS ESTIMATES:
12/13E: 0.07
12/14E: 0.17
12/15E: 0.24
RIC: 1055.HK
BBG: 1055 HK

Analyst:
Eric Lin
eric-p.lin@ubs.com
+852-3712 3640

Source: This is an extract from UBS research published on 28 March 2014

CITIC Securities - H - Pricing in much worse competition

NPAT up 23% yoy, supported by brokerage commission, upgrade to Buy
NPAT was up 23% YoY to Rmb5.2bn, as previously announced in the preliminary data. The growth is mainly supported by brokerage commission income which was up 80.2% to Rmb6.5bn. CITICS saw its market share expand to 6.2% in 2013, vs 5.8% in 2012. Currently trading at 1.4x P/BV, we believe the recent decline for CITICS more than reflected concerns for brokerage commission compression risks and we believe current stock price represents a good entry point into CITICS. We upgrade CITICS to a Buy with a new PT of HK$19.6/shr.

CITICS is well positioned for IPO resumption, new businesses provide upside
In 2013, the company continued to be a leader in the investment banking business. Investment banking fee was Rmb2.2bn in 2013, down 19.5% YoY albeit largely shut IPO market in China. IPO resumption in the A-share market and renewed H share market activities are expected bring opportunities to for CITICS. We believe CITICS is one of the key beneficiaries amongst listed H share brokers. Also, we believe CITICS is one of the market leaders in the new businesses such as margin financing.

Subordinated debt issuance should alleviate capital constraints
CITICS planned to issue a total of Rmb40.0bn onshore/offshore debt offering. The offshore US$0.8bn and the onshore Rmb20.0bn were completed. The last Rmb15.0bn onshore subordinated debt was approved by the regulatory authorities and is expected to be issued in 1H14. We believe the proceeds raised will be used to replenish working capital of the company. In our view, this should help CITICS to develop flow-based businesses and innovative businesses in the future. We have also factored in a dividend cut, consistent with the 2013 results. We believe CITICS will need to preserve capital.

Valuation: trading at 1.4x 2014E P/BV
Our DCF-based PT of HK$19.6 (previously HK$20.3) is equivalent to 1.8x 2014E P/BV and 24.1x 2014E PE. We upgrade CITICS to a Buy.

Notes:

Diversified Financial

RATING: Buy
Prior: Neutral
▼ **TARGET:** HK$19.60 (-3.45%)
Prior: HK$20.30

PRICE: HK$15.56
MCAP: HK$148bn

EPS ESTIMATES:
▲ 12/13E: 0.48 (+7.24%)
▲ 12/14E: 0.63 (+6.04%)
▲ 12/15E: 0.74 (+7.25%)
RIC: 6030.HK
BBG: 6030 HK

Analyst:
Bob Leung
bob.leung@ubs.com
+852-2971 5502

Source: This is an extract from UBS research published on 28 March 2014

CSR Corp - 2013 in line, awaiting for 2014 rebound

2013 in line, net profit up 3.3% YoY
CSR reported 2013 revenue of Rmb96.5bn (+8.4% YoY) and net profit of Rmb4.1bn (+3.3% YoY), c2% lower than our estimates. 2013 gross margin declined by 0.5ppt to 17.2%. Shares of profits from Bombardier Sifang (BST) recorded Rmb336mn, down 18.9% YoY. Cost of sales increased by 9% YoY while administrative expense increased by 11.4% YoY as R&D expense increased by 18.1%. Net cash from operations reached Rmb5.4bn, much better than Rmb2.4bn in 2012 and the first three quarters of 2013.

High growth potential for locomotive and new business
2013 CSR delivered 650 units of locomotives (+16.5% YoY) and revenue from locomotives increased by 37.8% to Rmb19.8bn, accounting for c20% of total revenue. We believe locomotive orders from overseas market and self-owned enterprise will contribute higher revenue and margin in the future as CRC order visibility remains low. Revenue from new business increased by 19.7% YoY due mainly to growth of wind power equipment and electric automation. Revenue from MUs declined by 10.6% YoY to Rmb19.2bn, resulting from order delayed in 2013 and different product mix. Revenue from freight wagon/passenger carriages decreased by -4.7%/-14.9% YoY while urban railway vehicles increased by +3.8% YoY.

We believe 2014 MU order will be strong and boost the revenue growth
CSR delivered 110 units MUs in 2013 and we estimated its MU order backlog (excluding order backlog from BST) to be 186 units by the end of 2013. We forecast CSR can deliver 170 unit of MUs (+55% YoY) in 2014 as MUs demand from new HSR lines and existing lines will reach a peak in 2014. We revise our 2014E/15E/16E EPS forecast slightly.

Valuation: Maintain Buy rating but cut PT from HK$7.80 to HK$7.28
We maintain Buy rating but cut our PT from HK$7.80 to HK$7.28 as we revised WACC from previous 8.9% to 9.0%. Our target price of HK$7.28 is based on UBS's VCAM tool.

Notes:

Heavy Machinery

RATING: Buy
Prior: Unchanged
▼ **TARGET:** HK$7.28 (-6.67%)
Prior: HK$7.80

PRICE: HK$6.39
MCAP: HK$79.0bn

EPS ESTIMATES:
▲ 12/14E: 0.38 (+0.38%)
▲ 12/15E: 0.43 (+3.84%)
▲ 12/16E: 0.46 (+0.75%)
RIC: 1766.HK
BBG: 1766 HK

Analyst:
Eric Lin
eric-p.lin@ubs.com
+852-3712 3640

Source: This is an extract from UBS research published on 31 March 2014

Dongfeng Motor - Two more uncertainties are gone. Reiterate BUY

Results in line, adjusted after all the one-off items and accounting changes
Dongfeng reports FY13 net profit of RMB10.5bn, in line with UBSe RMB10.4bn and 3% above consensus. Line-by-line comparison with consensus is not so meaningful, as consensus has not adjusted to the company's new reporting structure, where it books JV profit contributions as equity income and only consolidates commercial vehicle business and Fengshen sedan in top line. Our forecasts have been adjusted. Revenue reaches RMB37.3bn (UBSe 37.8bn). The key item of equity income rose 13% YoY to RMB11.2bn, 4% higher than UBSe RMB10.8bn. On a recurring basis, equity income would decline by 9% YoY, while consolidated net income would decline by 4% YoY, excluding the one-off gain of RMB1.76bn booked in H113, mainly due to weak Q113. However, the company posted strong QoQ growth in Q413, with equity income/net income up 24%/11% QoQ, after 5%/1% QoQ in Q313. It proposes final dividend of RMB0.18 per share, higher than UBSe RMB0.17 (FY12: RMB0.15).

One more step ahead in the PSA deal: formal agreement is signed
The company signed formal agreement with PSA, the French government and the Peugeot family on Mar 26 regarding its investment into PSA. The transactions will proceed after the approval of PSA general shareholder meeting to be held on Apr 25th, 2014. We maintain our positive view on the deal, and believe the company may not need to issue new shares to fund the transaction.

Operations are moving in the right direction
Dongfeng sales rose 17.7% YoY in 2M14, vs industry sales growth of 15.6% YoY. Nissan and Honda pose strong rebound of 20.1%/42.7% YoY, while PSA growth is relatively weaker at 12.2%. We expect the new models, including SUVs like Nissan X-Trail and Peugeot 2008, to further boost sales. We expect Dongfeng's net income to reach RMB10.9bn in FY14, implying 24% YoY growth over FY13 recurring profits. Our forecast compares comfortably with Q413 equity income/net income of RMB3.1/2.6bn.

Valuation: reiterate BUY on strong growth and cheap valuation
Our TP is DCF-based using UBS VCAM, and implies 9.3x/1.4x 2014E PE/PB.

Notes:

Automobile Manufacturers

RATING: Buy
Prior: Unchanged
▶ **TARGET:** HK$15.00
Prior: Unchanged

PRICE: HK$10.72
MCAP: HK$92.4bn

EPS ESTIMATES:
▶ 12/13E: 1.21
▶ 12/14E: 1.26
▶ 12/15E: 1.48
RIC: 0489.HK
BBG: 489 HK

Analyst:
Yankun Hou
S1460513020001
yankun.hou@ubssecurities.com
+86-213-866 8887

Source: This is an extract from UBS research published on 31 March 2014

Fu Shou Yuan International Group - Robust growth outlook unchanged

2013 results in line; Retain Buy and PT of HK$6.22
FSY reported FY2013 revenue and net income growth of 27.5% and 34.6% respectively, largely in-line with our forecast. Management remain confident to deliver over 20% revenue growth and over 25% earnings growth in 2014 without counting on any potential acquisitions. We leave our earnings forecast for 2014-2016 little changed. As the absolute leader in the death care service market in China with premium product offerings, we believe FSY is a rather unique investment opportunity to benefit from the trend of aging population and increasing demand for premium products and services.

In active negotiation of acquisitions projects
According to the management, following its successful IPO, FSY has been in constant contact with multiple large and small potential targets with many at serious negotiation stage. Management is optimistic to strike some deals in 2H2014. Regarding the potential large projects in Chongqing and Beijing, these are still under serious negotiations with the local government, but management is not able to provide precise timeline as dealing with local governments can be time consuming.

New projects progressing well
FSY has procured a sizable piece of land in Nanchang and plan to commence the construction of Nanchang FSY in 2H2014. The construction of cremation machine manufacture plant has been completed and is preparing for test production in 2H2014. FSY has also set up a Ningbo subsidiary, which is intended to provide both funeral and burial services in the future.

Valuation: maintain price target of HK$6.22(UBS VCAM; 8.8% WACC)
We derive a price target of HK$6.22 from a DCF-based methodology (assuming a WACC of 8.8%). Our price target implies 45x 2014E PE or 1.6x PEG. We think regulatory changes and potential litigation are the main risks for FSY.

Notes:

Healthcare Providers

RATING: Buy
Prior: Unchanged
▶ **TARGET:** HK$6.22
Prior: Unchanged

PRICE: HK$4.10
MCAP: HK$8.51bn

EPS ESTIMATES:
▲ 12/14E: 0.11 (+0.11%)
▲ 12/15E: 0.14 (+1.71%)
▲ 12/16E: 0.18 (+2.08%)
RIC: 1448.HK
BBG: 1448 HK

Analyst:
Shaojing Tong
shaojing.tong@ubs.com
+852-2971 7217

Source: This is an extract from UBS research published on 28 March 2014

Huadian Fuxin Energy Corporation - Upside potential to our forecasts

Reiterate Buy; our top pick in the sector with the benefit of diversification

We reiterate our Buy rating on Huadian Fuxin Energy (Fuxin). Its share price has dropped 10% from its peak due to weak earnings reported by other renewable energy companies, concerns about higher maintenance costs for wind farm operators, and the possibility of fewer wind resources in 2014. We believe Fuxin's strong 2013 earnings displays the benefits from being a clean power producer with balanced generation assets that diversifies its fuel type risks. Fuxin remains our top pick in the clean energy sector.

Positive guidance following results

Management remains positive for 2014. It expects the renewable energy segment to continue being the growth driver, while coal and hydro power should generate stable cash flow. Management aims to add 1.5-2.0GW of wind, 200MW of solar, 350MW of distributed gas-fired energy, and 1GW of nuclear in 2014. We assume 1.0GW of wind, 200MW of solar, 200MW of distributed gas-fired energy, and 1GW of nuclear additions in 2014—thus, there could be upside to our forecasts. Management expects Fuqing nuclear unit 1 to be grid connected in June and start commercial operations in August this year. For conventional power (such as coal and hydro in Fujian), Fuxin remains positive that they can complement each other and benefit from strong power demand growth of 8-10% in the province.

We have already assumed that new shares will be issued in 2015

We think Fuxin could need further capital to fund its strong growth. Management guided for a capex of Rmb12bn in 2014. We have already assumed that 20% of new H shares (or around 5% of its total shares outstanding) will be issued in 2015. We are not concerned about the impact from dilution given strong earnings growth of 22% in 2013-17E and NPV positive growth opportunities.

Valuation: sum-of-the-parts based price target of HK$4.70

We base our price target on a sum-of-the-parts methodology, using a DCF approach for each segment. Our price target implies 2.1x 2014E P/BV and 15.3x 2014E PE.

Notes:

Electric Utilities

RATING: Buy
Prior: Unchanged
▶ **TARGET:** HK$4.70
Prior: Unchanged

PRICE: HK$3.95
MCAP: HK$30.1bn

EPS ESTIMATES:
▶ 12/13E: 0.20
▶ 12/14E: 0.24
▶ 12/15E: 0.29
RIC: 0816.HK
BBG: 816 HK

Analyst:
Yuxiao Peng, CFA
yuxiao.peng@ubs.com
+852-2971 7526

Source: This is an extract from UBS research published on 28 March 2014

PICC Property and Casualty - Falling earnings in 2014…

PICC P&C could see falling earnings in 2014 if investment yield remains flat

Combined ratio increased to 96.7% in 2013 vs 2012's 95.1%. Implied 2H13 combined ratio was c99.7% from 2H12's 97.5% and 1H13's 93.6%. The increase in combined ratio is partially due to the increased competition in motor insurance as well as natural disasters that occurred in 2H13 which led to other insurance segment having combined ratio above 100% in 2H13. Although we still expect PICC P&C to remain the profit leader in the industry, PICC P&C could see negative earnings growth in 2014 along with rising combined ratio.

NPAT up 1.5% yoy, new PT at HK$12.50/shr, downgrade to Neutral

NPAT was up 1.5% yoy to Rmb10.6bn (vs Rmb10.4bn in 2012), 9.8% below UBSe. Underwriting profit was Rmb6.0bn, down 21.4% YoY (vs Rmb7.6bn) 2H13 underwriting profit was Rmb330mn, vs Rmb2.0bn in 2H12. We have adjusted our combined ratio forecast to 98.3%/98.8%/99.3% for 2014/15/16E, vs previously 97.5%/98.0%/98.4%. We adjust our PT down to HK$12.50/shr as a result, and downgrade PICC P&C to Neutral.

Agricultural insurance leadership to sustain better than industry profitability

While PICC P&C still doesn't provide full disclosure on the exact profitability of its agricultural business, we estimate that the main profit driver for PICC P&C's other insurance segment comes from agricultural insurance. Despite the increased natural disaster related payout, industry level loss ratio at 68% implies that this class of business still drives home combined ratio less than 90% for FY13.

Valuation: trading at 1.8x 2014E P/B

Our DCF-based price target of HK$12.50 (previously HK$14.68) implies 13.4x 2014E PE or 2.1x 2014E P/BV. We downgrade PICC P&C to Neutral from Buy.

Notes:

Insurance, Property & Casualty

RATING: Neutral
Prior: Buy
▼ **TARGET:** HK$12.50 (-14.85%)
Prior: HK$14.68

PRICE: HK$10.98
MCAP: HK$149bn

EPS ESTIMATES:
▼ 12/14E: 0.73 (-14.94%)
▼ 12/15E: 0.79 (-18.29%)
▼ 12/16E: 0.83 (-15.22%)
RIC: 2328.HK
BBG: 2328 HK

Analyst:
Bob Leung
bob.leung@ubs.com
+852-2971 5502

Source: This is an extract from UBS research published on 31 March 2014

Qinhuangdao Port - Result inline; DPS of Rmb0.32 = 10% yield

FY13 YoY: revenue +12%, net profit +26%; DPS of Rmb0.32

QPC announced its first annual result after being listed on HKEx in December 2013, and FY13 result was very much similar to our estimate. Net profit of Rmb1.78bn (+26% YoY) was close to our estimate of Rmb1.80bn, while pre-x net profit (excl. the Rmb295m government subsidy for the transfer of Huanghua Port public infrastructure by Cangzhou Bohai) of Rmb1.6bn was also similar to our estimate. QPC announced a full-year DPS of Rmb0.32 (same as our estimate), which implies 10% yield as of the closing price of HK$4.14 on 28 March 2013.

Strong operating cash flow supports a high dividend payout

2013 operating cash flow amounted to Rmb2.85bn (+31% YoY), which is enough to cover the declared dividends of Rmb1.6bn (Rmb0.32 DPS on 5,029m shares). Once the Rmb0.32 DPS is approved by AGM on 6 June 2013, dividend will be paid to shareholders by 6 August 2013 and ex-dividend day is 9 July 2013. Furthermore, we estimate 2015E DPS of Rmb0.33 on 90% payout assumption, to be supported by the strong cash flow generated in 2014E.

Concern on long-term coal shipment overdone

Investors' major concern on Qinhuangdao Port is coal throughput downside in the long-term due to government becoming more serious on environmental protection (hence coal consumption). However, we believe this concern is overdone as we expect coal will continue to be the major source of energy in the next decade and port of Qinhuangdao offers the cheapest way (in terms of all-in logistics cost) to bring coal from inland China to coastal ports. In other words, we see no downside to Qinhuangdao Port's coal volume and we forecast long-term throughput to stabilise at close to 250mt annually.

Valuation: reiterate Buy with 12m PT of HK$5.35

We derive price target of HK$5.35 from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool (assuming 7.8% WACC).

Notes:

Transportation Services

RATING: Buy
Prior: Unchanged
TARGET: HK$5.35
Prior: Unchanged

PRICE: HK$4.14
MCAP: HK$20.8bn

EPS ESTIMATES:
12/13E: 0.37
12/14E: 0.37
12/15E: 0.39
RIC: 3369.HK
BBG: 3369 HK

Analyst:
Robin Xu
S1460511010012
bin.xu@ubssecurities.com
+86-213-866 8872

Source: This is an extract from UBS research published on 28 March 2014

Shougang Fushan Resources - Conference call key takeaways

Stable 2014-15 output and sales, lower cost

We hosted a conference call with Shougang Fushan today. Company management guided 2014-15 output and sales at 6.0mt, largely stable from 2013 and clean coal to account for 55-60% of the total sales volume. Management expects 2014 cost to decline 3-5%YoY by cutting labour cost, which we estimate to account for 20% of the total unit cost. With the expiration of the donation commitment to Liulin County in 2014, Fushan's donation expense can be significantly lower starting 2015.

Focus on inland market, cautious coal price outlook

With the competition from imports in coastal China, and the expected opening of the Central-Western line connecting Lvliang (Shanxi) to Rizhao Port (Shandong) by end-2014, Fushan targets to shift the sales focus inland, mainly Taiyuan, Baotou and Henan. The company's Jan-Feb ASP is Rm997/t for clean coking coal, and Rmb610/t for raw coal, down 9%/3% from Q413. Management expected limited price downside for coking coal, as some large global players are loss-making at the current regional price. However, there will not be significant upside as steel mills in China are loss making.

Update on Shanxi coal industry, acquisition in agenda

Management guided among of the 1,076 mines in Shanxi, only 464 mines are in production. The progress of consolidation in the province has been slower-than-expected as the local SOE are facing cash flow challenge with coking coal price decline. Fushan believes the local government may consider tendering some of the mines to non-SOEs, and the company will consider acquiring the high-quality coking coal mines. Fushan is also looking at overseas projects, but the company would wait for cheaper asset valuation. Company is committed to 40-50% dividend pay out.

Valuation: HK$2.99, maintain Buy

Our DCF-based PT is based on WACC of 9.5% and LT coking coal price of US$132/t. Our PT implies 2014/15E P/BV of 0.69x/0.66x.

Notes:

Coal

RATING: Buy
Prior: Unchanged
TARGET: HK$2.99
Prior: Unchanged

PRICE: HK$2.34
MCAP: HK$12.6bn

EPS ESTIMATES:
12/13E: 0.15
12/14E: 0.14
12/15E: 0.18
RIC: 0639.HK
BBG: 639 HK

Analyst:
Ghee Peh
ghee.peh@ubs.com
+852-2971 6448

Source: This is an extract from UBS research published on 28 March 2014

Weichai Power - Results broadly in line.

FY13 results overview: gross margin beats while OP margin misses

Weichai reports FY13 net income of RMB3.57bn, 4%/3% lower the UBSe/consensus. Revenue reaches RMB58bn (UBSe/consensus: RMB56bn/57bn), up 21% YoY. Gross margin rose to 20.2% in FY13 (UBSe 19.5%, FY12 19.2%), with H213 GPM reaching 20.6% from 19.9% in H113, thanks to strong performance of engine segment. However, the company's SG&A rose to 12.1% from 11.8% in FY12 (UBSe 10.0%), due to enhanced competition and development of international businesses (e.g. Linde Hydraulics). Net margin reached 6.2% (UBSe 6.6%), unchanged from FY12. The company reports strong operational cash flow of RMB5.77bn, up 109% YoY, thanks to effective working capital management. Final dividend of RMB0.15 per share is proposed (UBSe RMB0.19), down from RMB0.23 in FY12.

Strong performance in engines, while HDT/Linde/KION trail behind

Engine segment posts revenue growth of 29% YoY, with OP margin expanded to 14.9% from 13.8% in FY12. Sales volume of heavy-duty truck (HDT) diesel engines rose 34.9% YoY to 280,000 units, with a market share of 36.2% (FY12 32.6%). However, HDT only rose 6.6% YoY in FY13. Revenue of HDT and gearbox combined rose by 10% YoY in FY13, while OP declined by 23% YoY, with OP margin contracted to 2.2% (FY12: 3.2%). Linde Hydraulics booked net loss of RMB392mn in FY13. KION only contributed investment income of RMB10.8mn (UBSe RMB124mn), despite its FY13 net profit of EUR135mn and Weichai's 33.3% stake.

FY14 guidance, vs. our concerns

The company guides FY14 revenue of RMB64.1bn, up 10% YoY. It expects HDT sales growth to continue thanks to urbanization, tighter emission control, replacement demand, and demand from logistics industry. We agree with the company on HDT demand, but are more concerned with intensifying competition in engines, as its major customers (particularly Beiqi Foton) step up efforts to internalize engine production.

Valuation: Maintain Neutral and TP of HK$32.5

Our TP is DCF-based using UBS VCAM, and implies 10.7x 2014E PE.

Notes:

Auto Parts

RATING: Neutral
Prior: Unchanged
▶ **TARGET:** HK$32.50
Prior: Unchanged

PRICE: HK$28.70
MCAP: HK$45.5bn

EPS ESTIMATES:
▶ 12/13E: 1.87
▶ 12/14E: 2.37
▶ 12/15E: 2.62
RIC: 2338.HK
BBG: 2338 HK

Analyst:
Yankun Hou
S1460513020001
yankun.hou@ubssecurities.com
+86-213-866 8887

Source: This is an extract from UBS research published on 31 March 2014

Zijin Mining Group - H - FY13 result down 59%YoY, below consensus

2013 net profit down 59%YoY, dividend payout of 82%

Zijin reported 2013 net profit of Rmb2.13bn (EPS Rmb0.098), down 59%YoY. This is in-line with UBSe of Rmb2.15bn (EPS Rmb0.098), but 12% below consensus of Rmb2.41bn (EPS Rmb0.11). Overall gross margin declined from 24% in 2012 to 16.5% in 2013, as ASPs for major products declined 3-28%YoY (except iron ore), and cost challenge remained. Zijin declared 2013 dividend of Rmb0.08/share, implying payout of 82%, but Rmb0.08 dividend is 20% below 2012 dividend of Rmb0.10/share.

Limited progress in cost control

Zijin continues to face cost challenges, with unit cost of mine gold up 29%YoY to US$796/oz, mine copper up 27%YoY to US$1.32/lb, and mine zinc up 47%YoY to US$0.28/lb. Although Zijin managed to lower 2013 cost of refinery products by 5-18%YoY, the refinery gold and copper business was still loss making and refinery gold output was 64% above 2013 guidance. Zijin guided 2014 output of 34t (1.09moz) for mine gold (+7%YoY), 140kt for mine copper (+12%YoY) and refinery gold to decline 22%YoY to 60t (1.93moz). 2014 target refinery copper output is up 6%YoY to 220kt.

Net gearing in-line, new projects to start operations in 2014

Net gearing rose from 30% in 2012 to 39% in 2013, in-line with UBSe of 40%. Zijin plans 2014 capex of Rmb4bn, and guided on the capacity coming online in 2014, including the Zuoan project (3.7tpa of mine gold), capacity expansion at Tajikistan ZGC project (additional mine gold capacity of 3.5tpa), Russian Tuva project (90ktpa of mine zinc) and Wulantehouqi mine (70ktpa of mine zinc). We note Zijin has only incurred Rmb686m (46%) out of total Rmb1.49bn of capex planned for Zuoan project, and our current forecast assumes the mine to start operations in 2015.

Valuation: TP of HK$1.45, maintain Sell

Our TP is based on 2014E target P/NAV multiple of 1.98x for gold assets, and 1x for non-gold-assets.

Notes:

Mining

RATING: Sell
Prior: Unchanged
▶ **TARGET:** HK$1.45
Prior: Unchanged

PRICE: HK$1.66
MCAP: HK$54.8bn

EPS ESTIMATES:
▶ 12/13E: 0.10
▶ 12/14E: 0.09
▶ 12/15E: 0.10
RIC: 2899.HK
BBG: 2899 HK

Analyst:
Ghee Peh
ghee.peh@ubs.com
+852-2971 6448

Source: This is an extract from UBS research published on 31 March 2014

Indian Consumer Sector - Course correction, time to buy

Consumer, Non-Cyclical

Sector volumes have troughed, expect an uptrend

The past year has been difficult for the consumer sector in India, but with a slow improvement in the economy we forecast an increase in volumes from the current trough. The recovery could come sooner than expected as the incremental consumer is young and more willing to spend compared with earlier cycles. We believe an improvement in sentiment is key to trigger volume momentum.

De-rating—a function of slowing earnings; expect faster profit growth in FY15

The consumer sector is trading close to its five-year mean PE. There was some de-rating last year, which correlated with a deceleration in EPS growth for the sector. We forecast higher sector profit growth in FY15 (from a low base) and believe sector PE should at least remain at the current level, with stock performance reflecting earnings growth.

Sector growth—function of company strategy

We expect the fastest growth in segments where there is scope for consumers to uptrade from unbranded to branded products and from regional to national brands. Consumers uptrading to value-added brands will remain critical for margin expansion, in our view. Some companies are launching mid-range products between their mass and premium offerings as a means of upgrading consumers in stages. Value packs and mid-price brands are appearing in the short term to cater to middle-income consumers.

Valuations and top picks

ITC is our top pick in the sector and we upgrade our rating on Titan Industries from Sell to Buy (PT Rs325). We also have Buy ratings on Marico, Hindustan Unilever and Dabur India. We downgrade our rating on Godrej Consumer Products from Buy to Neutral and on United Spirits from Neutral to Sell (PT Rs2,250). We also have a Sell rating on United Breweries.

Notes:

Analyst:
Sunita Sachdev
sunita.sachdev@ubs.com
+91-22-6155 6062

Source: This is an extract from UBS research published on 28 March 2014

Godrej Consumer Products - Worse to come before improvement

Household Products, Non-Durable

RATING: Neutral
Prior: Buy
▼ **TARGET:** Rs850.00 (-10.53%)
Prior: Rs950.00

PRICE: Rs781.80
MCAP: Rs266bn

EPS ESTIMATES:
▼ 03/14E: 22.78 (-1.29%)
▼ 03/15E: 26.94 (-5.53%)
▼ 03/16E: 32.49 (-6.77%)
RIC: GOCP.BO
BBG: GCPL IB

Indonesia and Africa—unlikely to take off in the near term

The consumer and political environment in Africa is an impediment to growth for Godrej Consumer Products (GCPL), in our view. Coupled with relatively little pricing power in Indonesia (given high inflation), we believe there is downside risk to the company's international profit. Currency risk also weighs heavy on GCPL, despite moves to consolidate exposure and hedging. Execution in Africa is a slow and steady process (not necessary in a straight line). We lower our EPS estimates by 5.5%/6.8% for FY15/FY16.

Indian strategy centred on higher A&P spending

GCPL's innovation-led strategy in India, along with its share leadership in insecticides should keep positive momentum in the Indian business. Extensions and launches in new adjacent categories should start adding meaningfully to revenue growth in our forecast period. We believe advertising and promotion (A&P) spending needs to be structurally higher to maintain trend growth.

Potential acquisition—a positive catalyst

We believe GCPL needs a vehicle to market insecticides in Africa, a potential acquisition that would be positive structurally but may be dilutive to near-term earnings. Margin pressure is likely to continue in international businesses given GCPL's small size and lower relative bargaining power.

Valuation: downgrade rating to Neutral, lower PT from Rs950 to Rs850

We use a sum-of-the-parts methodology to derive our price target of Rs850. At our price target, GCPL would trade at +1.0 standard deviation of its five-year average 1-year forward PE, which would still be at a premium to the consumer sector average.

Notes:

Analyst:
Sunita Sachdev
sunita.sachdev@ubs.com
+91-22-6155 6062

Source: This is an extract from UBS research published on 28 March 2014

United Spirits Ltd - A long and difficult wait

Regulation to inhibit operations in the near term
We believe improving corporate governance at United Spirits will be time consuming and potentially cause some short-term disruption. We lower our FY15/FY16 volume growth estimates from +3.2%/+4.6% to -2%/-0.3% and our FY15/FY16 EPS estimates by 7.2%/22.7%.

Structurally negative situation for United Spirits
While there are complex FTA discussions with the EU underlying this, the potential WTO-driven import duty reduction could make bottled-in-origin (BIO) brands relatively affordable for the top 10% of the Indian drinking population, meaning these consumers are less likely to be persuaded to upgrade to United Spirits brands. United Spirits is operating in a potentially structurally inflationary raw material environment; we believe this is not a positive situation for the company, despite the distribution arrangement with Diageo.

Expensive—building in the best
IMFL in India is a low return business, which is unlikely to change given state regulation on operations. Margin improvement could materialise after FY16 as a result of capex on distillation and investments in brands. This remains the key risk to our thesis. United Spirits is trading at 48.7x FY15E PE, a 68% premium to the consumer sector.

Valuation: downgrade rating from Neutral to Sell
We lower our price target from Rs2,750.00 to Rs2,250.00. We base our price target on DCF methodology, assuming a WACC of 12.5% and terminal growth of 5%. At our price target, United Spirits would trade at 40x our FY15 EPS estimate and at -1x standard deviation of its one-year average PE.

Notes:

Distillers & Brewers

RATING: Sell
Prior: Neutral
▼ **TARGET:** Rs2,250.00 (-18.18%)
Prior: Rs2,750.00

PRICE: Rs2,649.50
MCAP: Rs333bn

EPS ESTIMATES:
▼ 03/14E: 37.53 (-1.54%)
▼ 03/15E: 54.45 (-7.19%)
▼ 03/16E: 61.08 (-22.74%)
RIC: UNSP.BO
BBG: UNSP IB

Analyst:
Sunita Sachdev
sunita.sachdev@ubs.com
+91-22-6155 6062

Source: This is an extract from UBS research published on 28 March 2014

Titan Industries - Displaying leadership

Thriving under the adverse market conditions
Titan Industries (Titan) has obtained Reserve Bank of India (RBI) approval to hedge its gold exposure in international exchanges, while the gold-on-loan scheme is still banned. Availability of gold is not a problem for Titan given its ownership (as a Tata group company), market position and readiness to pay a premium. Titan's jewellery business should remain a positive working capital (relatively low return) business, and a structurally strong franchise, gaining share in adverse conditions.

Upgrade to Buy, one-year forward visibility looks good
In the past year, Tanishq (Titan's jewellery arm) has improved its revenue mix and design element, upgraded its market appeal and maintained positive momentum in underlying margins, despite regulatory issues. Given market visibility of an economic upswing in India, we believe Titan will gain disproportionately due to its leadership position in key discretionary categories: jewellery; watches; and optics. We increase our EBITDA/EPS estimates for Titan by 12.4%/10.7% for FY15 and by 12.2%/13.4% for FY16.

De-risking is the way forward
Titan has announced its entry into the perfume market and could strategically enter any lifestyle/accessory segment where there are no dominant brands. We think that in the foreign direct investment (FDI)-starved retail segment, Titan's new accessories could find ready markets. We believe these launches would leverage Titan's network and brand, and improve revenue growth without impacting margins or management resources—a positive de-risking strategy, in our view.

Valuation: upgrade rating from Sell to Buy, raise PT from Rs225 to Rs325
We use a DCF methodology to derive our price target of Rs325. At our price target, Titan would trade at +0.83 standard deviation of its five-year average 1-year forward PE, which we believe is justified by its leadership position and the return of discretionary consumption.

Notes:

Retailers, Specialty

RATING: Buy
Prior: Sell
▲ **TARGET:** Rs325.00 (+44.44%)
Prior: Rs225.00

PRICE: Rs253.75
MCAP: Rs225bn

EPS ESTIMATES:
▶ 03/14E: 8.49
▲ 03/15E: 10.86 (+10.63%)
▲ 03/16E: 13.44 (+8.84%)
RIC: TITN.BO
BBG: TTAN IB

Analyst:
Sunita Sachdev
sunita.sachdev@ubs.com
+91-22-6155 6062

Source: This is an extract from UBS research published on 28 March 2014

ITC - Positive momentum ahead

Cigarette volumes likely flat in Q4 FY14

We expect ITC to report flat volumes in the cigarette segment in Q4 FY14. Q1 FY15 is a weak volume base as price increases were implemented on 1 May 2013, and ITC has just raised prices for its GoldFlake KingSize and Classic brands by around 13%. We believe it has implemented these price increases pre-emptively, as these brands are relatively price inelastic and this move should add to revenue. After the elections, the new government will deliver its budget, which should determine the extent of price increases for FY15. We have built in 3% volume growth and a 10% excise duty increase to our FY15 estimates. Changes in demographics and social norms in India (such as women smoking), coupled with increasing urbanisation, means it is unlikely the volume declines of the past two to three years will continue in the medium term.

SUUTI overhang and ownership adjustment is behind us

ITC is a widely-owned stock with foreign institutional investor (FII) ownership at 19.3%. On 28 February, the government announced it would not sell the Specified Undertaking Unit Trust of India (SUUTI) stake of 11.3% in ITC. This had been an overhang, causing stock underperformance despite good results. Since the announcement, the stock has risen 9.8%, returning to the pre-October 2013 level. We believe company results going forward should help the stock price performance.

E-cigarettes, preparing for potential developments

India has a young, emerging cigarette smoking population. The general perception is that e-cigarettes offer the greatest hope of reducing the harmful impact of smoking and could be a new product potentially for cigarette companies. ITC's management has confirmed that it is looking at potential new products to launch in the tobacco market and e-cigarettes are among them. We think it is likely India will ban e-cigarettes due to the easy acceptability of the product by new/young consumers.

Valuation: price target of Rs425 (from Rs400)

We use a sum-of-the-parts valuation to derive our price target of Rs425. At our price target, ITC would trade at +1.7x standard deviation of its five-year average one-year forward PE. We value its consumer staples business at Rs25/share.

Notes:

Tobacco

RATING: Buy
Prior: Unchanged
▲ **TARGET:** Rs425.00 (+6.25%)
Prior: Rs400.00

PRICE: Rs359.95
MCAP: Rs2,827bn

EPS ESTIMATES:
▶ 03/14E: 11.08
▶ 03/15E: 13.24
▶ 03/16E: 15.77
RIC: ITC.BO
BBG: ITC IB

Analyst:
Sunita Sachdev
sunita.sachdev@ubs.com
+91-22-6155 6062

Source: This is an extract from UBS research published on 28 March 2014

Hindustan Unilever - Key beneficiary of the upswing

Volumes should rebound

Hindustan Unilever (HUL) has recorded lower volumes in the past two years, in part due to market conditions, but also due to raw material volatility (affecting its volume-driven brand Wheel) and product failure (affecting its value generator Fair & Lovely). In the past year, HUL has relaunched Fair & Lovely (in October) and Wheel (in December). The company upgraded the quality of both brands without changing the prices. We believe Fair & Lovely will help revive the company’s personal product segment margins, while Wheel should assist in bringing back volume momentum in soaps and detergents.

Fixing categories in 2014

HUL has been following the strategy it mapped out: in saturated categories (soaps and detergents), upgrade consumers by providing aspirational products at reasonable prices; and in emerging categories (deodorant, conditioner, top-end ice-cream), create a market by educating consumers on the superior brand attributes. In the process, we believe it has missed growth opportunities, especially where management has been slow to react to market changes (such as for deodorants). We expect it to implement some fixes in 2014 that will result in market share gains.

Key exposure to the bottom of the pyramid

HUL has the best exposure to the delta on growth at the bottom-end of the market, in our view, given its deep presence and point-of-purchase strength in retail. HUL has skewed its attention to aspirational products and brands which should gain in the medium term (with the exception of its oral care products). Unilever is an emerging market specialist with incremental R&D (back end and front end) efforts aimed at ensuring its dominance in India does not fade.

Valuation: maintain price target of Rs680.00

We base our price target on DCF methodology, assuming a WACC of 10.5% and terminal growth of 5%. At our price target, HUL would trade at +1.7x standard deviation of its three-year average PE.

Notes:

Household Products, Non-Durable

RATING: Buy
Prior: Unchanged
▶ **TARGET:** Rs680.00
Prior: Unchanged

PRICE: Rs598.55
MCAP: Rs1,294bn

EPS ESTIMATES:
▶ 03/14E: 16.69
▶ 03/15E: 19.01
▶ 03/16E: 21.72
RIC: HLL.BO
BBG: HUVR IB

Analyst:
Sunita Sachdev
sunita.sachdev@ubs.com
+91-22-6155 6062

Source: This is an extract from UBS research published on 28 March 2014

Taiwan Airlines Sector - 2013 earnings within expectations

Utilities

EVA Air (EVA)'s 2013 EPS NT$0.23, 14% higher YoY

EVA's 2013 revenue grew 3.3% YoY to NT$124.2bn driven by 6.5%/1.5% growth in passenger traffic/yield offset by contraction in cargo business. Operating cost increased 2.5% YoY, lower than its capacity growth helped by a 3% YoY decline in average fuel price. Operating profit was NT$3.5bn, up 44% YoY from a low base and margin rose 0.8ppt to 2.8%. 2013 reported net profit increased by 14% YoY to NT$747m. Net profit margin grew 0.1ppt YoY to 0.6%.

China Airlines (CAL)'s 2013 EPS -NT$0.25, no turnaround

CAL's 2013 revenue increased by 0.5% YoY to NT$140.9bn, which was marginally lower than the 0.9% YoY increase in cost. Operating loss widened to NT$762m from NT$280m. In spite of a 4.1% growth passenger traffic, the passenger yield dropped by 3.8% YoY. 2013 reported net loss was NT$1.3bn (versus NT$418m in 2012), and margin down from -0.3% to -0.9%.

Passenger business still under pressure, cargo uncertain

In 2014, we think the Taiwanese airlines will face rising competition in their cross-strait and Japan routes. Any breakthrough in opening up Taipei for Chinese transit travellers could lift their long-haul business in the long run but we estimate the earnings impact would initially be insignificant. Meanwhile, visibility on its cargo outlook remains low.

We will review our estimates on both underperformed stocks

We value EVA using a 2014E 1.2x target P/BV and 7.7% ROE, giving the price target of NT$15.9. We value CAL using a 2014E 0.9x target P/BV and 7.0% ROE, giving the price target of NT$11.8. CAL/EVA had underperformed the Taiwan Stock Exchange Weighted Index by 10%/9% YTD but we do not expect any near-term catalyst.

Notes:

Analyst:
Eric Lin
eric-p.lin@ubs.com
+852-3712 3640

Source: This is an extract from UBS research published on 30 March 2014

Taiwan Securities sector - Better market conditions with regulatory supports

Financial

FSC to allow intraday short selling by non-margin accounts

The Financial Supervisory Commission (FSC) recently announced that intraday short selling by non margin accounts will be allowed for 200 specified Taiwan stocks, effective from 30th June 2014. Intraday long trades at non margin accounts (allowed since 6th Jan 2014) contributed to about 2-3% of total market turnover in Taiwan YTD. We believe the total impact from the deregulations on both long and short intraday trades will likely be about 5%.

Taiwan market volume has recovered YTD, driven by OTC trades

YTD, total average daily turnover (ADT) in Taiwan is up 30% to NT$124bn. ADT at Gretai Securities Market (GTSM, i.e. trades not on TWSE mainboard) rose 91% yoy to NT$28bn, with contribution to total Taiwan turnover increased from 17% in 2013 to 23% in 2014 YTD. Historically, contribution of GTSM to total Taiwan turnover has been positively correlated with TAIEX, of which our Taiwan Strategist, William Dong, has a target of 9,050. We estimate TWSE market velocity was about 85% in 1Q14, still notably lower than the 5-year average of 126% and suggests plenty of potential upside if sentiment further improves.

Profitability of Taiwan brokers should have bottomed out in 2013

We believe the recovery in market turnover marks a good start for Taiwan brokers in 2014. About 50% of revenue of a typical Taiwan broker comes from brokerage and most of the other businesses are still driven by market turnover (e.g. margin financing). Other potential catalysts for the sector include expansion of wealth management business (i.e. gaining market share from banks on distribution of fund products) and development of RQFII, which could support asset management businesses, in our view.

We have a Buy rating on Yuanta

We have a Buy rating on Yuanta with PT of NT$18 (unchanged) – a major beneficiary of the revitalizing Taiwan market turnover.

Notes:

Analyst:
Kelvin Chu, CFA
kelvin.chu@ubs.com
+886-2-8722 7362

Source: This is an extract from UBS research published on 31 March 2014

Foxconn Technology - Improving product mix despite rising uncertainty

Better 4Q13 results with improving product mix
FTC reported 4Q13 earnings of NT$2.9bn (+168% QoQ;-17% YoY) This is 81%/43% higher than UBSe/market consensus. Its 4Q gross margin/operating margin improved to 14.2% /8.7% from 7.9%/3.3% in 3Q mainly due to increasing contribution from light metal business and declining revenue from game console with lower margin. As a major metal casing supplier for Apple, we believe FTC benefited from all Apple's new products in 4Q. In addition, the notebook casing showed improvement with some recovery for commercial models. The increasing scale and the improving yield rate also helped boost the gross margin of light metal.

Gradual recovery after 1Q14
We estimate FTC's 1Q revenue could decline to NT$12bn (-60%QoQ; -46% YoY) with slow seasonality for game console and light metal business. We believe the contribution from game console assembly could further decline given lacklustre sales of 3DS and Wii U. As a result, we expect the light metal revenue contribution could continue increasing even with the slow seasonality for Apple's products and help improve FTC's gross margin in 1H14. With improving product mix, we expect FTC's operating profits to resume YoY growth from 3Q14. Although we estimate its 2014 revenue could decline by 15% YoY, we estimate its operating profits could increase by 6% YoY.

Uncertainty with potential share lose in iPhone supply chain
We believe FTC's light metal could still show strong seasonality into 2H14 but its growth could be capped by increasing metal casing suppliers for iPhone. Although FTC also has plan to increase its capacity due to strong demand for metal casing, we estimate its light metal revenue growth in 2H14 could be only 11% YoY (vs 64% for Catcher)

Valuation: Maintain Neutral; Raise price target to NT$74 from NT$70
We raise our 2013E/14E/15E EPS from NT$4.12/4.24/4.50 to NT$5.03/4.40/4.66 to factor in lower revenue but better margin with improving product mix. We derive our price target using UBS's VCAM tool with a WACC of 8.4%

Notes:

Electric Components & Equipment

RATING: Neutral
Prior: Unchanged
▲ **TARGET:** NT$74.00 (+5.71%)
Prior: NT$70.00

PRICE: NT$70.90
MCAP: NT$92.6bn

EPS ESTIMATES:
▲ 12/13E: 5.03 (+22.00%)
▲ 12/14E: 4.40 (+3.77%)
▲ 12/15E: 4.66 (+3.72%)
RIC: 2354.TW
BBG: 2354 TT

Analyst:
Alice Chen
alice.chen@ubs.com
+886-2-8722 7343

Source: This is an extract from UBS research published on 28 March 2014

Hiwin Technologies - Sustainable demand recovery

Q413 results in line with expectations
Hiwin Technologies (Hiwin) reported a Q413 net profit of NT$749m, up 130% YoY, in line with our estimate and 4% higher than consensus. Total sales rose 28% YoY. Gross margin expanded by 5.7ppt YoY to 37.4%, and opex rate declined 1.1ppt YoY to 14.9% on scale benefits. Accounts receivable/inventory turnover days declined to 101/151 days in Q413 from 112/179 days in Q313.

Strong sales recovery momentum continues
Hiwin's sales continued to show a strong recovery of 25% YoY in 2M 2014, driven by a broad-based demand recovery, especially from the automobile industry and from the European market. Order visibility is longer now compared with mostly short and urgent orders in 2013, according to management.

Cross-strait agreement on customs tax a neutral event for Hiwin
The Cross-Strait Agreement on Trade-in Goods is under negotiation between the governments of Taiwan and China. If the agreement is passed, more machinery items could be exempt from customs taxes when exporting to China. Media reports about student protests might create negative sentiment toward the negotiations. Management said Hiwin's products are already exempt from customs taxes under the Economic Cooperation Framework Agreement (ECFA). Hence, the progress of the new agreement is a neutral event for Hiwin, in our view.

Valuation: we re-iterate our Buy rating and price target of NT$330.00
We maintain our view that 2014 is the start of a multi-year pick-up in machinery demand. We re-iterate our Buy rating, with a price target of NT$330. We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool, assuming a WACC of 8.8%.

Notes:

Electric Components & Equipment

RATING: Buy
Prior: Unchanged
▶ **TARGET:** NT$330.00
Prior: Unchanged

PRICE: NT$289.50
MCAP: NT$73.5bn

EPS ESTIMATES:
▶ 12/13E: 7.97
▶ 12/14E: 12.70
▶ 12/15E: 17.80
RIC: 2049.TW
BBG: 2049 TT

Analyst:
Ally Chen
ally.chen@ubs.com
+886-2-8722 7347

Source: This is an extract from UBS research published on 28 March 2014

Hon Hai Precision - Is higher Apple exposure a good thing?

Disappointing 4Q13 result

Hon Hai reported 4Q13 gross/operating margins of 6.91%/3.38%, down from 7.22%/3.64% in 4Q12. This is worse than 7.07%/3.46% in 3Q13. This is also lower than the market consensus forecast of 7.28%/3.65%. Hon Hai did not enjoy operating leverage given its 4Q13 operating income was up only 8.6%YoY, despite its 4Q13 sales having gone up by 16.8%YoY as a result of strong shipments of iPhone5S and iPad Air.

Significant downside to the market consensus

Hon Hai's January and February sales have been tracking behind and reached only 60.9% of the market consensus estimate. Our latest checks on Apple's production forecast suggests further weakness in 2Q and a relatively stable 3Q14 outlook instead of the market expectation of 10% sequential growth. We suspect this is because iPhone6 is much more difficult to make than the iPhone 5/5S. Meanwhile, we believe Pegatron has a high possibility to also make iPhone6. Separately, FX arbitrage could be another potential downside to Hon Hai numbers given the RMB/USD depreciation.

Long term structural concerns remain

Hon Hai chairman has made it clear back in the AGM last June that they plan to spin off more profitable divisions into separate companies and get them ready for IPOs. This is because they found it difficult to retain talent based on the current organizational structure. As a Hon Hai shareholder, one could get less and less in the future given the group is giving away its growth and earnings to all the new IPO spin-offs.

Valuation: Reiterate Sell rating and NT$70 price target

We think now is a good time to take profit on Hon Hai because consensus will likely go down as its 2nd and 3rd quarter outlook could be weaker than expected. When Hon Hai starts to show sales improvement in 4Q14, investors will look for growth potential in 2015. We believe investors may not have the same confidence on the next Apple product as they do on iPhone6, and after all, Hon Hai is not involved in iWatch. Beyond Apple, none of Hon Hai's customers could generate meaningful growth in our view. We derive our price target from a DCF-based methodology (UBS's VCAM tool) and WACC of 6.2%.

Notes:

Electric Components & Equipment

RATING: Sell
Prior: Unchanged
▶ **TARGET:** NT$70.00
Prior: Unchanged

PRICE: NT$86.30
MCAP: NT$1,133bn

EPS ESTIMATES:
▲ 12/13E: 7.10 (+2.19%)
▲ 12/14E: 6.94 (+1.86%)
▲ 12/15E: 6.47 (+4.59%)
RIC: 2317.TW
BBG: 2317 TT

Analyst:
Arthur Hsieh
arthur.hsieh@ubs.com
+886-2-8722 7348

Source: This is an extract from UBS research published on 31 March 2014

Quanta - Mind the unrealistic expectation

Disappointing 4Q13 result

Quanta reported 4Q13 net income of NT$5.48bn, up 0.5%YoY and 17.9%QoQ. This is 7.0%/6.2% below UBSe/market consensus, respectively. The gross margin dropped from 4.5% in 3Q13 to 3.9% in 4Q13 due to higher sales of lower margin Apple products and tablets. The operating margin of 1.2% is also below UBSe of 2.0% and market consensus of 1.9% given unexpected new product development expense and one-time write off of tooling and material cost that went end of life.

Expansion to private cloud could take time

While we are very confident on Quanta's leading position in the whitebox server market, we point out it takes time to grow the private cloud business and Quanta has to build its service network. We remember Quanta started to engage with Google back in 2005, and we forecast server could account for around 13%of total 2014 sales (and 27% of total profit). Moreover, even though the rack systems have higher ASP and higher profit dollar, the profit margin may or may not be higher than the average profit margin of the current server business and it depends on the specifications.

Unclear timing of Apple new product impact

We suspect the new product development cost that caused the downside surprise in Quanta's 4Q13 result could be related to Apple's new products. We think this could be related to a new line of 12" Macbook Air that never existed before or the development on iWatch. We believe Quanta should be the primary ODM service provider for Apple's coming iWatch. However, the production time could be Q4 the earliest but up to now there is no confirmation on the schedule.

Valuation: retain Buy rating and NT$88 price target

We trimmed 2013 EPS from NT$4.96 to NT$4.84 to reflect the weaker than expected 4Q13 result and for the most part maintain 2014E/15E EPS at NT$6.17/NT$7.16. We continue to believe Quanta should be the major beneficiary of the increasing demand for whitebox server and it could expand from public cloud to cover customers for their private clouds. Our price target is based on 14x 14E EPS.

Notes:

Computers

RATING: Buy
Prior: Unchanged
▶ **TARGET:** NT$88.00
Prior: Unchanged

PRICE: NT$85.90
MCAP: NT$327bn

EPS ESTIMATES:
▼ 12/13E: 4.84 (-2.34%)
▼ 12/14E: 6.17 (-0.02%)
▲ 12/15E: 7.16 (+0.18%)
RIC: 2382.TW
BBG: 2382 TT

Analyst:
Arthur Hsieh
arthur.hsieh@ubs.com
+886-2-8722 7348

Source: This is an extract from UBS research published on 31 March 2014

BEC World - Transition to digital

BEC World's market ad share unlikely to fall in line with its audience share
While the new competitive landscape in Thailand's TV industry may dilute BEC World's (BEC) pricing power and audience share, its market share of revenue may not decline to the same degree. The European experience provides a good case study because it suggests that 1) the critical mass premium that TV offers, especially in terms of having a mass audience, and 2) the superior quality of having strong content (as in the of case of BEC) both support the ability to maintain a relatively stable share of the ad market. Having said that, we estimate only a 4% increase in the ad rate for BEC's core channel, its high-definition (HD) channel, and 3% increases for both the standard digital (STD) and the family channels from 2016 onwards.

Managing higher content costs
While BEC's content costs will increase, we think it should be able to manage these by 1) focusing more on producing programmes in-house, 2) recycling new and old content, and 3) co-promoting programmes within its existing family of channels. Even so, we have factored in a 10% pa increase in the cost of content for the core HD channel over the life of the license.

We expect BEC's STD and family channels to break even in 2016
Our new estimates factor in the impact of the new channels. BEC will simulcast the content that appears on its analogue channel on its HD channel, which is the most profitable, followed by BEC's family channel. The STD channel will face the toughest competitive environment. We expect the family channel and the STD channel to begin to break even in 2016. We estimate earnings will decline 32% in 2014 before rebounding 31% in 2015E and 44% in 2016E.

Valuation: reiterate Buy rating, but lower price target from Bt70.00 to Bt60.00
We continue to derive our price target using a DCF-based methodology. Our key assumptions factor in a horizon of 15 years, which is the term of the license, zero terminal growth, a WACC of 8.2% and a long-term EBITDA margin of 33% (compared with 55% in 2013). Our price target implies a 2016E PE of 16x, below BEC's historical average of 20x. We think the derating of the stock has been reflected in the share price with a limited downside risk. We reiterate our Buy rating but lower our price target from Bt70.00 to Bt60.00.

Notes:

Broadcasting

RATING: Buy
Prior: Unchanged
▼ **TARGET:** Bt60.00 (-14.29%)
Prior: Bt70.00

PRICE: Bt52.00
MCAP: Bt104bn

EPS ESTIMATES:
▼ 12/14E: 1.90 (-41.09%)
▼ 12/15E: 2.54 (-25.17%)
▲ 12/16E: 3.65 (+2.05%)
RIC: BEC.BK
BBG: BEC TB

Analyst:
Youssef Abboud
youssef.abboud@ubs.com
+662-613 5752

Source: This is an extract from UBS research published on 28 March 2014

India - Alpha Preferences

Remove Titan Industries (Titan) from least preferred
We remove Titan from our least preferred list. In the past year, Tanishq (Titan's jewellery arm) has improved its revenue mix and design element, upgraded its market appeal and maintained positive momentum in underlying margins, despite regulatory issues. Titan's strength in management, governance, branding and retail presence is a significant positive, in our view. Regulatory issues in the jewellery segment have affected competition and aided a share improvement for Tanishq due to its ownership (part of the Tata Group), market position and willingness to pay a premium for gold. We believe economic challenges have peaked; Titan will gain disproportionately due to its leadership position in key discretionary categories: jewellery; watches; and optics.

Most and Least Preferred
Our Most Preferred are Bharti Airtel, GAIL (India), HDFC Bank, ICICI Bank, Infosys, ITC, JSW Steel and Power Grid. Our Least Preferred are Adani Power, Asian Paints, Hero MotoCorp, IDFC, Jubilant FoodWorks and United Spirits.

Notes:

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Analyst:
Gautam Chhaochharia
gautam.chhaochharia@ubs.com
+91-22-6155 6080

Source: This is an extract from UBS research published on 31 March 2014

Macro Keys - Watch Wages

Yellen: Slack = 2% Wage Rise

Federal Reserve Chair Janet Yellen at the March 19 post-FOMC press conference reiterated her views about still considerable labor market slack but with a new twist. She added that the recent only 2% y/y wage gains were around half of what would be normal in a healthy labor market with much less unemployment. However, we believe that at least some FOMC members will start to question that viewpoint as reported wage gains accelerate somewhat in 2014 and 2015.

Faster rising average hourly earnings

The 0.4% m/m private sector average hourly earnings gain in February was double consensus estimates and raised the 12-month change to 2.2%--the top of its range over the past year. For hourly paid nonsupervisory and production workers, the 12-month change is now up to 2.5%. (See Figures 1-2.) The surprising February gain has prompted questions about accelerating wage inflation. To be sure, average hourly earnings are an imperfect proxy for hourly wage rates, which many economists believe are better represented by the wage and salary component of the Employment Cost Index (ECI). However, is the recent average hourly earnings acceleration foreshadowing a pickup in the Q1(14) private sector wage and salary ECI to be reported on April 30? (Note in Figures 1-2 that the ECI and both average hourly earnings measures often move together.) Also, will accelerating wage and salary gains convince the FOMC that the Non-Accelerating Inflation Rate of Unemployment (NAIRU) is higher than the around 5 ½% currently estimated by FOMC members? We foresee private sector average hourly earnings increases accelerating on a Q4/Q4 basis from 2.1% last year to 2.4% this year and 2.8% in 2015 as the quarterly average unemployment rate slips to 6.4% by the end of this year and to 5.9% by the end of 2015.

Less slack or weather effects?

An alternative explanation of the February m/m average hourly earnings gain is that the data were distorted by the unusually inclement winter weather during the month. Specifically, it has been argued that some hourly wage workers still were paid even if the weather prevented them from working. If that were the case and if the hours worked of such workers were reported as down, reported average hourly earnings statistics would be upward biased. However, we have at least tentatively rejected that hypothesis. When we compared average hourly earnings changes and average workweek changes across industries in February, we did not observe the negative correlation implied by the hypothesis.

Notes:

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Analyst:
Global Macro Team

Source: This is an extract from UBS research published on 28 March 2014

US Economic Comment - Income, consumer spending & sentiment up

Pers inc &spending rise 0.3%, consumer sentiment edges up from early March

Personal income was up 0.3%m/m (cons 0.3%, UBSe 0.2%) in February after a matching rise in January; Nominal consumer spending also rose 0.3%m/m (cons0.3%, UBSe0.3%) after a 0.2% (was 0.4%)m/m rise in January. With a 0.1% rise in prices, real consumer spending rose 0.1%. Durables spending fell 0.2% but nondurables spending rose 0.3%. Spending on services rose 0.3%, led by a weather-related gain in spending on electricity and gas (+13.7%). January's growth rate was revised down to 0.6% (was 0.9%). Disposable income rose 0.3%m/m, the same rate as in January. The savings rate edged up to 4.3%, however is still down from its average of 4.5% in 2013. The February strength in spending was offset by downward revisions to spending in January (0.2% after 0.4%). As a result, real consumer spending appears to be running only at a 1.3% annual rate in Q1 through February. Consumer confidence suggests a somewhat better pace (see chart) and we expect re-acceleration.Core prices rose 0.1%m/m after 0.1%m/m in Jan. It is now running at a 1.1%y/y versus a 1.5%y/y rate a year earlier and 2.0%y/y at the peak in March 2012. The University of Michigan consumer sentiment index edged up to 80.0 in all of March (cons 80.5, UBSe 81.0) from 79.9 in early March. The index was at 81.6 in February. The index averaged 80.9 in Q1 and compares to 76.9 in Q4 and 81.6 in Q3. The slight improvement in the final Michigan index reflected gains in the current conditions (96.1 from 95.7) and decline in the expectations (to 69.4 from 70.0 and current conditions (to 96.8 from 95.2). Short-term and long-term inflation expectations held steady at 3.2% and 2.9%, respectively.

Notes:

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Analyst:
Maury N. Harris
maury.harris@ubs.com
+1-212-713 2472

Source: This is an extract from UBS research published on 28 March 2014

US Economic Perspectives - Spring Signposts

Soft spring selling season?
It's springtime and the flowers will bloom. But will the housing market spring back to life? April kicks off the annual spring home selling season—a critical time of the year for judging the underlying health of the housing sector. Through the third week of March home purchase mortgage applications have yet to exhibit their usual March rebound, and observers are starting to worry. We believe that mortgage applications may be overstating underlying demand weakness. That said, we will feel more comfortable with our 1.15 million unit housing starts forecast for 2014 once we see at least some rebound in mortgage applications.

-

The past week
Although Q4 real GDP growth was revised higher, real consumer spending is running at just a 1.3 % annual rate so far in Q1. That is a slowing from the 3.3% seen in Q4 and below the 2.2% factored into our forecast for Q1 real GDP growth. The data imply a downside risk to our forecast.

The week ahead
A rebound from poor weather likely boosted auto sales, manufacturing surveys and payrolls. We look for non-farm payrolls to grow by 250,000 and for the unemployment rate to fall by 0.1pp to 6.6%. Average hourly earnings should rise by 0.2% m/m.

Notes:

Analyst:
Maury N. Harris
maury.harris@ubs.com
+1-212-713 2472

Source: This is an extract from UBS research published on 28 March 2014

Global Emerging Markets Strategy - Brazil Back to 50,000: That was Quick

Too Far, Too Fast?
We stay Underweight in Brazil within a GEMs portfolio. The 16% rally in MSCI Brazil since early-February (mainly the past two weeks) looks overdone. While bad news on the economy is good news for the equity market (a better election outcome?) and Brazil last outperformed in 2009 (most GEMs investors appear to be Underweight), the hurdles for a further sustained advance seem high.

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Brazil is not India
The path to significant structural reforms in Brazil looks tenuous – either Dilma has to lose office or her new government (unusually) embraces sweeping changes in fiscal policy. By contrast, India has rallied hard since mid-2013 as the BJP has led the polls and seems likely to form the next government.

Don't Forget the Fed: Is The Real Overbought?
The Real's rally to R$2.26/dollar takes the currency some 8% above our year-end forecast of R$2.45; any relapse poses a risk to Brazilian equities. Also, we must remember the Fed. The clear hint from new Fed Chair Yellen that US rates may start to rise by mid-2015 did not move the dollar nor 10-year yields unmoved; this may not continue. The hope for EM has to be that growth (positive) trumps a stronger dollar and higher US market rates (negative); Brazil is not the obvious EM beneficiary of such a scenario.

Underweight Brazil: Favor Domestic Cyclical and Financials
Earnings momentum in Brazil is negative. The consensus EPS forecast for 2014 of +14% looks like a stretch, although a better earnings trend would be a major boost for equities. Brazil (9.4x forward) still trades at a premium to recent history (average of 8.4x) although at a discount of 7-8% to the GEM averages. Our year-end BVSP target remains 55,000 at R$2.45, a dollar-adjusted gain from here of just 3%; we remain Underweight. In Brazil itself, we stay with this year's outperformers with Overweights in Financials, Industrials, IT and Health Care.

Notes:

Analyst:
Geoff Dennis
geoff.dennis@ubs.com
+1-617-748 5622

Source: This is an extract from UBS research published on 28 March 2014

Bitcoins and Banks - Problematic currency, interesting payment system

Banks

Bitcoin: The first widespread implementation of a digital currency
Bitcoin, a decentralized digital currency created in 2009, is the first such currency to gain relatively widespread adoption. Unlike traditional currencies, which rely on central banks, Bitcoin relies on a decentralized computer network to validate transactions and grow money supply. Each Bitcoin is effectively a (divisible) unit which is transferred between pseudonymous addresses through this network.

Bitcoin faces economic, technical and regulatory challenges as a true currency
Bitcoin's speculation-driven volatility prevents it from being a stable store of value or unit of account, and its semi-fixed supply exacerbates volatility and deflationary pressure. As a means of exchange, it already consumes vast computing resources for relatively few transactions and faces scaling difficulties. Bitcoin also exists in something of a regulatory vacuum, or in some jurisdictions it is restricted or outright banned (e.g. in China, Russia) – which can be damaging to trust and sentiment.

Bitcoin poses limited threats to banks
The two main threats that Bitcoin poses to banks are disintermediation and competition over transaction fees. For disintermediation, widespread bank insolvency and/or deposit taxes and levies could drive customers to use Bitcoin in lieu of traditional bank deposits. In the case of transaction fees, if Bitcoin transaction fees are consistently lower than existing fees, banks may see increased competition in this space. We do not regard either of these threats as real, given Bitcoin's limited viability as a currency.

Banks could repurpose the underlying technology to improve payment systems
Setting aside its political agenda, we see Bitcoin as having some potential as a new transaction technology, where a bitcoin-like technology could provide a basis for a new shared payments and transfer system using existing currencies and securities. Such a system could reduce systemic costs, and provide faster, secure, transfers – particularly in the international arena. However, given the status quo and the lack of any clear incentive for developing such a network, we do not see banks developing this any time soon.

Notes:

Analyst:
Derek De Vries, CFA
derek.devries@ubs.com
+1-212-713 4290

Source: This is an extract from UBS research published on 28 March 2014

Rating & Price Target Changes

Company Name	Directional Indicator/Rationale	Reuters Code	Share Price	New Rating	New PT	Prior Rating	Prior PT	Analyst
CITIC Securities - H	Upgrade to buy, decrease PT	6030.HK	HK$15.64	Buy	HK$19.6	Neutral	HK$20.3	Steve Ho
Godrej Consumer Products	Downgrade to neutral, decrease PT	GOCP.BO	Rs815.25	Neutral	Rs850	Buy	Rs950	Sunita Sachdev
United Spirits Ltd	Downgrade to sell, decrease PT	UNSP.BO	Rs2644.5	Sell	Rs2250	Neutral	Rs2750	Sunita Sachdev
Titan Industries	Upgrade to buy, increase PT	TITN.BO	Rs253.1	Buy	Rs325	Sell	Rs225	Sunita Sachdev
PICC Property and Casualty	Downgrade to neutral, decrease PT	2328.HK	HK$10.98	Neutral	HK$12.5	Buy	HK$14.68	Bob Leung
ITC	Reiterate Buy, increase PT	ITC.BO	Rs359	Buy	Rs425	Buy	Rs400	Sunita Sachdev
BEC World	Reiterate Buy, decrease PT	BEC.BK	Bt53.5	Buy	Bt60	Buy	Bt70	Youssef Abboud
Foxconn Technology	Maintain Neutral, increase PT	2354.TW	NT$70.9	Neutral	NT$74	Neutral	NT$70	Alice Chen
China Merchants Bank	Reiterate Buy, decrease PT	3968.HK	HK$13.84	Buy	HK$15.8	Buy	HK$16.5	Irene Huang
CSR Corp	Reiterate Buy, decrease PT	1766.HK	HK$6.39	Buy	HK$7.28	Buy	HK$7.8	Eric Lin
China Pacific Insurance - H	Reiterate Buy, decrease PT	2601.HK	HK$27.35	Buy	HK$32.21	Buy	HK$33.02	Bob Leung
Agile Property Holdings	Maintain Neutral, decrease PT	3383.HK	HK$6.28	Neutral	HK$6.16	Neutral	HK$8.81	Eugene Cheung
China Cinda Asset Management	Reiterate Buy, increase PT	1359.HK	HK$4.4	Buy	HK$6.18	Buy	HK$6	Bob Leung

Source: UBS estimates. Prices as at market close on March 28, 2014.

Markets, Events and Newsflow

Today's Company Events

Company Name	Event	RIC	Rating	PT	Price	Notes
Asia						
Baoxin Auto	FY13 Results	1293.HK	Buy	HK$8.5	HK$6.41	
Evergrande Real Estate Group	FY13 Results	3333.HK	Neutral	HK$3.11	HK$3.6	
Hidili Industry Int'l	FY13 Results	1393.HK	Buy	HK$1.38	HK$0.9	
Zhongsheng Group Holdings	FY13 Results	0881.HK	Neutral	HK$11	HK$10.78	
Sinopec Kantons	FY13 Results	0934.HK	Buy	HK$10	HK$7.67	
Asia Cement	Q413 Results	1102.TW	Neutral	NT$36	NT$37.7	
CTCI Corporation	Q413 Results	9933.TW	Buy	NT$51	NT$44.55	
Far Eastern Department Stores	Q413 Results	2903.TW	Neutral	NT$29	NT$26.95	
Far Eastern New Century	Q413 Results	1402.TW	Neutral	NT$32	NT$32	
Hiwin Technologies	Q413 Results	2049.TW	Buy	NT$330	NT$283	
Taiwan Cement	Q413 Results	1101.TW	Neutral	NT$45	NT$47.2	
Global						
-	-	-	-	-	-	-

Source: Bloomberg, UBS. Prices as at market close on March 28, 2014.

Macroeconomic Events:

Country	Indicator	Time		UBS	Previous	Consensus
Monday (Mar 31)						
Hong Kong	Budget Balance HKD (Feb)	16:30			38.4B	
Hong Kong	Retail Sales Value (Feb)	16:30	Y-o-Y		14.50%	
Hong Kong	Retail Sales Volume (Feb)	16:30	Y-o-Y	5.00%	16.80%	5.00%
Hong Kong	Money Supply M1 HKD (Feb)		Y-o-Y		5.80%	
Hong Kong	Money Supply M2 HKD (Feb)		Y-o-Y		2.40%	
Hong Kong	Money Supply M3 HKD (Feb)		Y-o-Y		2.40%	
India	Fiscal Deficit INR Crore (Feb)	18:30			16452	
Malaysia	Money Supply M3 (Mar)	18:00	Y-o-Y	6.60%	6.80%	
Philippines	Bank Lending (Feb)		Y-o-Y		15.90%	
Philippines	Bank Lending Net of RRPs (Feb)		Y-o-Y		17.10%	
Philippines	Money Supply M3 SRF (Feb)		Y-o-Y			
Singapore	Bank Loans and Advances (Feb)	10:00	Y-o-Y		16.50%	
Singapore	Credit Card Billings (Feb)	10:00			3568.4M	
Singapore	Money Supply M1 (Feb)	10:00	Y-o-Y		10.70%	
Singapore	Money Supply M2 (Feb)	10:00	Y-o-Y		3.60%	
South Korea	BoP Current Account Balance (Feb)	7:00			$3606.5M	
South Korea	BoP Goods Balance (Feb)	7:00			$3322M	
Thailand	BoP Current Account Balance (Feb)	15:30		$2445M	$219M	$2680M
Thailand	Business Sentiment Index (Feb)	15:30			45.40	
Thailand	Exports (Feb)	15:30	Y-o-Y	2.10%	-1.50%	
Thailand	Exports (Feb)	15:30			$17656M	
Thailand	Imports (Feb)	15:30	Y-o-Y	-17.00%	-12.90%	
Thailand	Imports (Feb)	15:30			$18405M	
Thailand	Overall Balance (Feb)	15:30			$575M	
Thailand	Trade Balance (Feb)	15:30		$3538M	-$749M	
UK	Hometrack Housing Survey (Mar)	7:00	M-o-M		0.7%	
UK	M4 Money Supply (Feb)	16:30	Y-o-Y		-0.3%	
UK	Mortgage Approvals (Feb)	16:30	Thousand	77.0	76.9	
UK	Net Consumer Credit (Feb)	16:30	GBPbn	0.7	0.7	0.7
United States	Fed's Yellen Speaks	21:45				

Macroeconomic Events:

Country	Indicator	Time		UBS	Previous	Consensus
Tuesday (Apr 01)						
China	Manufacturing PMI (Mar)	9:00		51.2	50.2	50.1
China	HSBC China Manufacturing PMI (Mar F)	9:45			48.1	48.1
India	HSBC India Manufacturing PMI (Mar)	13:00			52.5	
India	RBI Cash Reserve Ratio (1-Apr)	13:30			4.00%	4.00%
India	RBI Repurchase Rate (1-Apr)	13:30			8.00%	8.00%
India	RBI Reverse Repo Rate (1-Apr)	13:30			7.00%	7.00%
India	RBI Releases Bi-Monthly Monetary Policy					
Indonesia	HSBC Indonesia Manufacturing PMI (Mar)	11:00			50.5	
Indonesia	CPI (Mar)	12:00	Y-o-Y	7.40%	7.75%	7.35%
Indonesia	CPI Core (Mar)	12:00	Y-o-Y	4.50%	4.57%	4.50%
Indonesia	CPI NSA (Mar)	12:00	M-o-M		0.26%	
Indonesia	Exports (Feb)	12:00	Y-o-Y	-5.30%	-5.80%	-1.60%
Indonesia	Imports (Feb)		Y-o-Y	-1.70%	-3.50%	-2.40%
Indonesia	Consumer Confidence Index (Mar)				116.2	
Indonesia	Danareksa Consumer Confidence (Mar)				91.9	
Indonesia	Money Supply M1 (Feb)		Y-o-Y		7.00%	
Indonesia	Money Supply M2 (Feb)		Y-o-Y		11.60%	
Indonesia	Trade Balance (Feb)		USD Mn	-830	-431	210
South Korea	CPI (Mar)	7:00	M-o-M		0.30%	0.26%
South Korea	CPI (Mar)	7:00	Y-o-Y	1.20%	1.00%	1.40%
South Korea	CPI Core (Mar)	7:00	Y-o-Y		1.70%	
South Korea	Exports (Mar)	8:00	Y-o-Y	3.00%	1.50%	4.40%
South Korea	Imports (Mar)	8:00	Y-o-Y		3.90%	3.50%
South Korea	Trade Balance (Mar)	8:00			$934M	$3795M
South Korea	HSBC South Korea Manufacturing PMI (Mar)	8:00			49.80	
South Korea	Foreign Direct Investments (1Q)		Y-o-Y		-25.30%	
South Korea	Foreign Reserves (Mar)				$351.79B	
Taiwan	HSBC Taiwan Manufacturing PMI (Mar)	10:00			54.70	
Thailand	CPI (Mar)		Y-o-Y	1.90%	1.96%	2.20%
Thailand	CPI Core (Mar)		Y-o-Y	1.40%	1.22%	1.40%
Thailand	CPI NSA (Mar)		M-o-M		0.23%	0.33%
UK	PMI Manufacturing sa (Mar)	16:30	Index	56.2	56.9	56.6
UK	Halifax House Price (Mar)		3m/yr,%	9.4%	7.9%	
UK	Halifax House Price (Mar)		M-o-M	0.6%	2.4%	
United States	Manufacturing PMI (final)	21:45	index		55.50	56.30
United States	Construction Spending (Feb)	22:00	M-o-M		0.1%	0.1%
United States	Manufacturing ISM (Mar)	22:00	index		53.2	54.0
United States	TIPP/IBD Optimism Index (Apr)	22:00	index		45.1	
United States	Core Logic Home Prices (Feb)		M-o-M			
United States	Light Vehicle Sales (Mar)		lvl		15.3 mil	15.8 mil

Source: Bloomberg, UBS

Latest Market Movements

Country/Region	Market	Latest Price/Last Close	1-day % Change	YTD% Change
Asia				
China	Shanghai SE Composite Index	2151.96	-0.17%	-7.64%
China	Hang Seng H-Share	10001.82	1.30%	-7.53%
Hong Kong	Hang Seng Index	22065.53	1.06%	-5.32%
India	Sensex	22339.97	0.57%	5.52%
Indonesia	JCI	4768.28	0.96%	11.56%
Korea	KOSPI	1981	0.15%	-1.51%
Malaysia	KLCI	1850.73	0.21%	-0.87%
Philippines	PHS Composite	6359.62	0.70%	7.98%
Singapore	Straits Times	3172.17	0.31%	0.15%
Thailand	SET Index	1368.9	0.96%	5.40%
Taiwan	TSE Weighted	8774.64	-0.06%	1.89%
Rest of World				
United States	Dow Jones	16323.06	0.36%	-1.53%
United States	S&P 500	1857.62	0.46%	0.50%
United States	Nasdaq	4155.76	0.11%	-0.50%
Europe	FTSEuro First 300	1332.29	0.76%	1.21%
Japan	Nikkei 225	14696.03	0.50%	-9.79%

Source: UBS, Reuters. Prices as at market close on March 28, 2014. Prices In Japan and Hong Kong as at 05:00 BST on March 31, 2014.

Latest FX Movements

Name	Currency	Latest Price/Last Close	1-day % Change	1-month % Change	YTD % Change
China	Rmb/$	6.21	-0.01%	-1.1%	0.3%
Hong Kong	HKD/$	7.76	0.00%	0.0%	-0.1%
India	Rs/$	59.89	-0.02%	3.1%	-9.5%
Indonesia	IDR/$	11360.00	-0.04%	2.1%	-18.0%
South Korea	Won/$	1070.00	-0.09%	-0.3%	-0.6%
Malaysia	MYR/$	3.27	-0.03%	0.1%	-7.0%
Philippines	PHP/$	44.78	-0.06%	-0.3%	-9.2%
Singapore	SGD/$	1.26	-0.11%	0.6%	-3.1%
Taiwan	TWD/$	30.51	-0.08%	-0.7%	-5.0%
Thailand	Bt/$	32.51	-0.08%	0.0%	-6.3%
Japan	JPY/$	102.88	-0.09%	-1.1%	-18.7%
Euro	€/$	0.73	-0.04%	-0.4%	3.9%
United Kingdom	£/$	0.60	0.12%	-0.4%	2.2%
Australia	AUD/$	1.08	0.12%	3.1%	-12.9%

Source: UBS, Reuters. Prices as at market close on March 28, 2014.

UBS Key Calls – Asia

Company Name	Reuters Code	Rating	PT	Launch date	Analyst
Bharti Airtel Ltd	BRTI.BO	Buy	Rs410.00	23-Nov-12	Suresh A Mahadevan, CFA
Esprit	0330.HK	Buy	HK$19.80	29-Apr-13	Erica Poon Werkun, CFA
Cathay Financial Holding	2882.TW	Buy	NT$54.00	16-Sep-13	Kelvin Chu, CFA
Sinopec	0386.HK	Buy	HK$9.00	20-Jan-14	Peter Gastreich
KEPCO	015760.KS	Buy	Won47,000	27-Jan-14	Josh Bae

Source: UBS estimates. Prices as at market close on March 28, 2014

UBS Key Calls – Japan

Company Name	Reuters Code	Rating	PT	Launch date	Analyst
Yahoo Japan	4689.T	Buy	¥730.00	5-Sep-12	Sumito Takeda
Japan Airlines	9201.T	Buy	¥7700.00	29-Oct-12	Jun Harada
Olympus	7733.T	Buy	¥4100.00	21-Jan-13	Ryosuke Katsura
Japan Tobacco	2914.T	Buy	¥4100.00	10-Apr-13	Naomi Takagi
Dai-ichi Life Insurance	8750.T	Buy	¥1900.00	4-Sep-13	Shinichi Ina

Source: UBS estimates. Prices as at market close on March 28, 2014

UBS Conferences and Seminars*

For the week of 31st March to 4th April

From	To	Event	Location
2-Apr-14	2-Apr-14	**HK/China Small and Mid Caps Corporate Day**	Hong Kong

Upcoming UBS Conferences and Seminars

From	To	Event	Location
9-Apr-14	9-Apr-14	**UBS Expert Call on Human Nutrition Markets**	Conf. Call
10-Apr-14	11-Apr-14	**HK/China Property Conference 2014**	Hong Kong
26-May-13	27-May-13	**Thailand - Laos, Vietnam, Myanmar, Cambodia ("LVMC") 2014**	Bangkok
5-Jun-14	6-Jun-14	**India Mid-Cap Conference 2014**	Mumbai
17-Jun-14	18-Jun-14	**Asian Consumer Conference 2014**	Hong Kong
23-Jun-14	25-Jun-14	**Korea Conference**	Seoul
25-Jun-14	27-Jun-14	**Taiwan Conference**	Taipei

Recent events

From	To	Event	Location
25-Mar-14	25-Mar-14	**UBS China Call: Is Copper Price the bellwether for the Chinese Economy?**	Conf Call
19-Mar-14	20-Mar-14	**Thai Property Day**	Bangkok
11-Mar-14	12-Mar-14	**SM Group Investor Day - Singapore**	Singapore
13-Mar-14	14-Mar-14	**SM Group Investor Day - Hong Kong**	Hong Kong
6-Mar-13	6-Mar-13	**Australia and New Zealand Investor Days - Singapore**	Singapore
7-Mar-13	7-Mar-13	**Australia and New Zealand Investor Days - Hong Kong**	Hong Kong
24-Feb-13	27-Feb-13	**Indonesia Conference 2014**	Jakarta
19-Feb-13	21-Feb-13	**Philippines Conference 2014**	Manila
13-Jan-14	17-Jan-14	**Greater China Conference 2014**	Shanghai
2-Dec-13	6-Dec-13	**Outlook 2014: Looking ahead with UBS**	Singapore / Tokyo / HK
19-Nov-13	19-Nov-13	**UBS Global Banks Conference call: IBs, universal banks & brokers**	Conference Call
18-Nov-13	19-Nov-13	**Asia Oil, Gas & Chemicals Conference 2013**	Hong Kong
15-Nov-13	15-Nov-13	**UBS European Outlook 2014: Economics, Equity & Thematic Strategy**	Conference Call
11-Nov-13	11-Nov-13	**UBS Outlook 2014-15: Global Economics, Asset Allocation & Equity Strategy**	Conference Call
13-Nov-13	13-Nov-13	**China Outlook Post the 3rd Plenum**	Conference Call
28-Oct-13	29-Oct-13	**Philippine Day in KL**	Kuala Lumpur
18-Oct-13	18-Oct-13	**European Banks & the ECB :Small step or giant leap into the unknown**	Conference Call
15-Oct-13	15-Oct-13	**UBS Global Industrials: Additive Manufacturing**	Conference Call

*For further information on any of these events, please contact your UBS representative. Replay details may be available for recently concluded conference calls.

Upcoming UBS Event

UBS

UBS Access: Research Insight Conference Call

UBS Expert Call on Human Nutrition Markets

Host:

Joe Dewhurst, UBS Global Chemicals Coordinator

Speaker: Anthony Montana, VP of Scientific Operations at Vitaquest International LLC

Anthony Montana, PhD, is the Vice President of Scientific Operations of Vitaquest, previously known as Garden State Nutritionals, one of the largest contract manufacturer of nutraceuticals in the US. He is experienced in analytical, safety, and quality systems. Dr. Montana has over 30 years of experience in pharmaceutical, nutritional, and personal care industries. Previously he was the Vice President of Quality Systems at Revlon and the Vice President of Analytical Technology at Pfizer.

Topics for Discussion:

(1) Current trends in the US and global supplements market

(2) Underlying reasons for the weakness in the omega 3 supplements market and outlook for improvement

(3) Trends for nutrition inclusion in processed and quick service restaurant products/beverages

(4) Infant nutrition market fundamentals and outlook

(5) Straight vitamins and carotenoid markets. Will the Chinese also take over A, D and E markets eventually?

Date & Time:

Wednesday, 9th April 2014

14:00 CET // 13:00 London // 08:00 New York // 20:00 Hong Kong // 21:00 Tokyo

To access please pre-register at to receive a dial in number and presentation slides in advance of the call

https://eventreg1.conferencing.com/webportal3/reg.html?Acc=206503&Conf=190132

Replay – PINCODE 942835

UK, London 020 7031 4064	US Toll 1-954-334-0342	Denmark, Copenhagen +45 32714892
Austria, Vienna +43 (0) 26822056415	Australia, Sydney +61(0)2 82239748	France, Paris +33 (0) 170993529
Spain Madrid +34 917889714	Hong Kong +852 30114552	Germany, Berlin +49 (0) 30726167224
Sweden +46 (0) 850520333	Singapore +65 66221306	Ireland, Dublin +353 (0) 14367610
Switzerland +41 (0) 225927181	India Toll Free 8001003597	Italy, Milan +39 02303509364
Finland, Helsinki +358 (0) 923144681	Belgium, Brussels +32 (0) 22901705	Netherland +31 (0) 207965345
Norway, Oslo +47 21501292	Japan, Tokyo 81350501264	Portugal Toll Free 800782056

A replay will be available within 4 working hrs of the call ending for 14 day(s) from 09 April 2014 until midnight on 23 April 2014.
Note though that you still need to pre-register above if you would like to receive the slides

Recent UBS Event

UBS Access: Research Insight Conference Call

Ukraine crisis: what next? Implications for EU/Russia relations

Host:

Anna Zadornova – UBS Ukrainian and Russian Economist

Speakers:

Sascha Tamm, Research Fellow, Liberal Institute, Friedrich Naumann – Foundation

Sascha Tamm studied philosophy, political science and physics in Dresden, Leipzig and Urbana-Champaign. After working as a freelance coach, author and ghost-writer he joined Friedrich-Naumann-Foundation for Freedom (FNF) in 2001. After working in its Liberal Institute and International Division he became head of the Moscow office of FNF in April 2009. He re-joined the Liberal Institute in 2012. Sascha Tamm is a member of the Friedrich von Hayek- Gesellschaft.

Date & Time:

Thursday 27th March 2014

15:00 PM CET / 14:00 PM London / 10:00 AM New York

Dial-in details: PINCODE 943292#

Austria LC:+43 (0)268 2205 6291	Spain LC: +34 917 8895 08	Israel FP: 1809431504
Belgium LC:+32 (0)22 9014 08	Sweden LC:+46 (0)85 0520 111	Japan FP: 6633812559
China LC: +861059044818	Switzerland (Geneva) LC:+41 (0)22 5927 008	Malaysia FP: 1800813763
Denmark LC:+45 3271 4608	Switzerland (Zurich) LC:+41 (0)43 4569 262	New Zealand FP: 800451144
Finland LC:+358 (0)92 3139 200	Taiwan LC:+886 (0)22 1626 702	Philippines FP: 180014420109
France LC:+33 (0)17 0993 209	UK LC: +44 (0)207 1312 711	Portugal FP: 800782050
Germany LC:+49 (0)695 8999 0508	US LC: 16464611757	Russia FP: 81080023992044
Hungary LC:+36 (0)18 0882 98	Australia FP:1800024502	South Africa FP: 800983152
India LC: +912261501544	Austria FP:0800005164	Spain FP: 900801885
Ireland LC:+353 (0)14 3641 07	China North FP:108007441376	Switzerland FP: 800001740
Italy LC: +39 02 30350 9004	China South FP:108004411265	Thailand FP: 1800442204
Luxembourg LC:+352 2700 0734 09	Czech Republic FP: 800700953	UK Freephone: 0800 3681 802
Netherlands LC:+31 (0)20 7965 009	Germany FP:08000006560	United Arab Emirates FP: 80004440373
Norway LC:+47 2156 3121	Hong Kong FP:800903869	US FP: 18667664082
Russia LC: +7 49 5642 8394	India FP: 0008001003648	
Singapore LC:+65 6823 2170	Indonesia FP:180304411307	

Replay details: PINCODE 943292#

UK London 020 7031 4064	US Toll 1-954-334-0342	Denmark Copenhagen +45 32714892
Austria Vienna +43 (0) 26822056415	Australia Sydney +61(0)2 82239748	France Paris +33 (0) 170993529
Spain Madrid +34 917889714	Hong Kong +852 30114552	Germany Berlin +49 (0) 30726167224
Sweden +46 (0) 850520333	Singapore Singapore +65 66221306	Ireland Dublin +353 (0) 14367610
Switzerland +41 (0) 225927181	India Toll Free 8001003597	Italy Milan +39 02303509364
Finland Helsinki +358 (0) 923144681	Belgium Brussels +32 (0) 22901705	Netherland Amsterdam +31 (0)
Norway Oslo +47 21501292	Japan Tokyo 81350501264	Portugal Toll Free 800782056

Recent UBS Event

UBS

UBS Analyst Conference Call

UBS China Call: Is Copper Price the bellwether for the Chinese Economy?

Copper price has dropped sharply in recent weeks amidst increasing worries about the shadow banking and economic growth in China. Many in the market view copper and metals as bellwether for the Chinese economy. To what extent is the recent copper price drop due to the unwinding of copper financing and to what extent is it due to weaker underlying demand? What about iron ore and other commodities? How strong will Chinese demand for copper and commodities be in 2014 and what are the key drivers? For an in-depth discussion on these issues, please join us on a UBS economics-commodities call on Tuesday, March 25, 4:30 pm HKT.

Host:

Tao Wang, UBS Head of China Economic Research

Speakers:

Ghee Peh, UBS Head of Asian Base Metals/Mining Research

Haoxiang Lin, UBS China Non-Ferrous Metals Analyst

Angus Staines, UBS Global Commodities and Mining Analyst

Tom Price, UBS Global Commodities Analyst

Date & Time:

Tuesday, 25th March 2014

4:30AM New York/ 8:30AM London/ 4:30PM Hong Kong

Dial-in details: Conference ID # 16751101

International	61283733610		New Zealand	800446046	6492805281
Australia	1800725000	61283733582	Peru	80055430	
Canada	18555760539	16474269740	Philippines	180016120170	
China	8008700210	4001203170	Singapore	8006162313	6531580667
France	800913185	33170950563	South Africa	800997774	
Germany	8001802370	496925739844	South Korea	79861361784 / 82262064371/ 82264903527	
Hong Kong	800906648	85230512792	Taiwan	801615198	886277438419
India	180030000597	912230985882	Thailand	18006121041	
Indonesia	18030204845	78030204845	UAE	8000174256	
Japan	120301736	81345808341	United Kingdom	8082341369	442036514876
Macau	85362625244		United States	18007429301	18455071610
Malaysia	1800816804	60377249610			

Replay details: Conference ID 16751101#

International	+61 2 8199 0299		Indonesia	18030202745	78030202745	Korea	79861361602	+82 2 64903513
Australia	1800153898	+61 2 81990299	Japan	120959034	+81 3 45806717	Taiwan	801232482	
Canada	18557590869		Malaysia	1800813755	+60 3 77249579	Thailand	18006121025	
China	4001200932	8008700205	New Zealand	800453213		UAE	800 035702826	
France	800915792		Philippines	1800 16120166		UK	8082340072	
Germany	8001802149		Russia	88001006959		US	18554525696	+1 646 254 3697
Hong Kong	800963117	+852 30512780	Singapore	8006162305	+65 3158 3682			
India	1800 30000542	+91 2230985745	South Africa	800985666				

Replay will be kept till 1st April 2014. Note replay will only be available at least two hours after the call

Further Information

Morning Expresso - Asia

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

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

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

Data presented is accurate as at 07:00 HKT on 31 March 2014.

Contacts & Feedback

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

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

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UBS 12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	44%	36%
Neutral	FSR is between -6% and 6% of the MRA.	45%	35%
Sell	FSR is > 6% below the MRA.	11%	23%
UBS Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2013.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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

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UBS AG Hong Kong Branch: Alex Chang.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Adani Power	ADAN.BO	Sell	N/A	Rs48.40	28 Mar 2014
Agile Property Holdings[4, 18]	3383.HK	Neutral	N/A	HK$6.28	28 Mar 2014
Asian Paints Ltd.	ASPN.BO	Sell	N/A	Rs536.15	28 Mar 2014
BEC World	BEC.BK	Buy	N/A	Bt53.50	28 Mar 2014
Beijing Originwater Technology	300070.SZ	Buy	N/A	Rmb32.46	28 Mar 2014
Bharti Airtel Ltd.[2, 4, 5]	BRTI.BO	Buy	N/A	Rs317.50	28 Mar 2014
China Airlines	2610.TW	Neutral	N/A	NT$10.05	28 Mar 2014
China Cinda Asset Management[2, 4, 5, 6, 7, 13, 16a]	1359.HK	Buy	N/A	HK$4.40	28 Mar 2014
China Communications Construction[5, 16b]	1800.HK	Buy	N/A	HK$5.39	28 Mar 2014
China Construction Bank[2, 4, 5, 16a, 22]	0939.HK	Buy	N/A	HK$5.36	28 Mar 2014
China Machinery Engineering Corporation	1829.HK	Buy	N/A	HK$5.45	28 Mar 2014
China Merchants Bank[2, 4, 16a]	3968.HK	Buy	N/A	HK$13.84	28 Mar 2014
China Merchants Bank - A[2, 4, 16a]	600036.SS	Buy	N/A	Rmb9.86	28 Mar 2014
China National Offshore Oil Corporation[2, 4, 5, 16a, 16b]	0883.HK	Buy	N/A	HK$12.32	28 Mar 2014
China Pacific Insurance - H	2601.HK	Buy	N/A	HK$27.35	28 Mar 2014
China Railway Construction[16b]	1186.HK	Buy	N/A	HK$6.52	28 Mar 2014
China Railway Group	0390.HK	Buy	N/A	HK$3.53	28 Mar 2014
China Shenhua Energy[4, 5, 16a]	1088.HK	Buy	N/A	HK$22.10	28 Mar 2014
China Southern Airlines[16b]	1055.HK	Buy	N/A	HK$2.50	28 Mar 2014
China State Construction International[16b]	3311.HK	Buy	N/A	HK$12.94	28 Mar 2014
CITIC Securities - H[16a]	6030.HK	Buy	N/A	HK$15.64	28 Mar 2014
CSR Corp[2, 4, 16a]	1766.HK	Buy	N/A	HK$6.39	28 Mar 2014
Dabur India Ltd.	DABU.BO	Buy	N/A	Rs178.80	28 Mar 2014
Dongfeng Motor[16b]	0489.HK	Buy	N/A	HK$10.72	28 Mar 2014
EVA Air	2618.TW	Sell	N/A	NT$15.45	28 Mar 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Foxconn Technology	2354.TW	Neutral	N/A	NT$70.90	28 Mar 2014
Fu Shou Yuan International Group[2, 4]	1448.HK	Buy	N/A	HK$4.17	28 Mar 2014
GAIL (India) Ltd.	GAIL.BO	Buy	N/A	Rs380.90	28 Mar 2014
Godrej Consumer Products	GOCP.BO	Neutral	N/A	Rs815.25	28 Mar 2014
HDFC Bank[16b]	HDBK.BO	Buy	N/A	Rs744.95	28 Mar 2014
Hero MotoCorp	HROM.BO	Sell	N/A	Rs2,244.00	28 Mar 2014
Hindustan Unilever	HLL.BO	Buy	N/A	Rs597.80	28 Mar 2014
Hiwin Technologies	2049.TW	Buy	N/A	NT$283.00	28 Mar 2014
Hon Hai Precision	2317.TW	Sell	N/A	NT$86.30	28 Mar 2014
Huadian Fuxin Energy Corporation[2, 4, 5]	0816.HK	Buy	N/A	HK$4.08	28 Mar 2014
ICICI Bank[16b]	ICBK.BO	Buy	N/A	Rs1,258.75	28 Mar 2014
Infosys Ltd[16b]	INFY.BO	Buy	N/A	Rs3,257.75	28 Mar 2014
Infrastructure Development Finance	IDFC.BO	Sell	N/A	Rs125.55	28 Mar 2014
ITC	ITC.BO	Buy	N/A	Rs359.00	28 Mar 2014
JSW Steel	JSTL.BO	Buy	N/A	Rs981.10	28 Mar 2014
Jubilant FoodWorks	JUBI.BO	Sell	N/A	Rs1,045.55	28 Mar 2014
Marico Ltd	MRCO.BO	Buy	N/A	Rs209.75	28 Mar 2014
PICC Property and Casualty[16a]	2328.HK	Neutral	N/A	HK$10.98	28 Mar 2014
Power Grid Corporation of India[2, 4]	PGRD.BO	Buy	N/A	Rs107.05	28 Mar 2014
Qinhuangdao Port[2, 4, 5]	3369.HK	Buy	N/A	HK$4.14	28 Mar 2014
Quanta	2382.TW	Buy	N/A	NT$85.90	28 Mar 2014
Shougang Fushan Resources	0639.HK	Buy	N/A	HK$2.35	28 Mar 2014
Sinopec[2, 3, 4, 16a, 16b]	0386.HK	Buy	N/A	HK$6.91	28 Mar 2014
Titan Industries	TITN.BO	Buy	N/A	Rs253.10	28 Mar 2014
United Breweries	UBBW.BO	Sell	N/A	Rs820.70	28 Mar 2014
United Spirits Ltd	UNSP.BO	Sell	N/A	Rs2,644.50	28 Mar 2014

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Weichai Power	2338.HK	Neutral	N/A	HK$28.70	28 Mar 2014
Yuanta Financial Holding	2885.TW	Buy	N/A	NT$15.30	28 Mar 2014
Zijin Mining Group - H	2899.HK	Sell	N/A	HK$1.66	28 Mar 2014

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

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

Additional Prices: Cathay Financial Holding, NT$44.45 (28 Mar 2014); Dai-ichi Life Insurance, ¥1,462 (28 Mar 2014); Esprit, HK$12.90 (28 Mar 2014); Japan Airlines, ¥4,995 (28 Mar 2014); Japan Tobacco, ¥3,188 (28 Mar 2014); KEPCO, Won36,900 (28 Mar 2014); Olympus, ¥3,345 (28 Mar 2014); Yahoo Japan, ¥514 (28 Mar 2014); Source: UBS. All prices as of local market close.

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