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Asia Top30 **equity strategy**

This reflects the views of the Wealth Management Group

equities | 11 April 2014

Further legs to Asia's rally?

- **No change to the Asia Top30 this month**
- We highlight the following ideas, which may continue to outperform short term:
  - **Sinopec (386 HK) –** Reform beneficiary, on dips
  - **Angang (347 HK) –** Seasonal pick-up in steel demand
  - **Wharf (4 HK) –** Cheap and oversold
- **On a 12-month basis, our current preferred ideas are NetEase, Baidu, CapitaCommercial Trust and ST Engineering.**
- **Asia outperformed Developed Markets (DM) for the second month, narrowing year-to-date underperformance to 0.2%.**
- The upcoming State Council and Politburo meetings in China may raise the prospect of further easing. However, it is important to note that China equities remain largely within a range, in our opinion.
- Elsewhere, receding political risks could continue to support the rally in Indonesia and India. To drive another significant leg of rally, actual positive political change is needed and for domestic growth to improve amidst Fed tapering.

Contents

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Asia Top30 (Refer to appendix for a summary of the rationale behind each stock's selection)

Ticker	Name	Country	Sector	Stock Price	Consensus Rating	12m Fwd P/E	12m Fwd P/B	Fwd Div Yield%	Div Payout%	1M% TR Local	YTD% TR Local	ITD% TR Local
1833 HK	Intime Retail Gr	China	Discretionary	8.0	4.1	12.0	1.4	3.0	39.5	0.6%	-0.5%	-19.0%
1928 HK	Sands China Ltd	Macau	Discretionary	60.9	4.7	19.4	9.1	3.8	117.4	-5.7%	-1.1%	65.8%
1044 HK	Hengan Intl	China	Staples	83.2	3.8	22.3	5.3	2.2	61.2	-0.8%	-9.2%	9.1%
WIL SP	Wilmar Internati	Singapore	Staples	3.5	4.0	11.8	1.1	1.6	30.6	-1.1%	1.8%	-7.3%
386 HK	China Petroleu-H	China	Energy	7.3	4.2	8.9	1.0	4.2	42.3	3.5%	15.5%	6.5%
1088 HK	China Shenhua-H	China	Energy	23.0	4.1	8.5	1.2	5.3	40.2	11.9%	-5.9%	-26.9%
1299 HK	Aia Group Ltd	Hong Kong	Financials	37.6	4.3	16.8	2.0	1.0	23.3	0.7%	-3.5%	23.1%
2388 HK	Boc Hong Kong Ho	Hong Kong	Financials	23.3	3.8	10.0	1.4	5.3	48.0	-1.1%	-6.2%	-8.7%
CCT SP	Capitacommercial	Singapore	Financials	1.6	4.0	20.5	0.9	5.2	62.5	7.2%	11.0%	8.8%
CMA SP	Capitamalls Asia	Singapore	Financials	1.8	4.5	21.0	0.9	1.9	22.7	-1.7%	-10.2%	-17.1%
1109 HK	China Res Land	Hong Kong	Financials	18.5	4.5	8.9	1.1	1.9	17.3	7.1%	-3.6%	-20.3%
DBS SP	Dbs Group Hldgs	Singapore	Financials	16.5	4.8	10.4	1.1	3.4	38.7	1.7%	-3.5%	13.9%
1398 HK	Ind & Comm Bk-H	China	Financials	4.9	4.4	4.9	0.9	6.1	35.0	7.6%	-5.9%	-10.3%
KBANK TB	Kasikornbank Pcl	Thailand	Financials	184.5	4.7	9.5	1.7	1.6	20.3	5.4%	18.3%	-5.6%
2318 HK	Ping An Insura-H	China	Financials	66.6	4.6	12.0	1.9	0.9	18.3	6.6%	-4.1%	-3.2%
4 HK	Wharf Hldg	Hong Kong	Financials	56.2	4.4	12.6	0.6	3.0	17.5	6.1%	-5.3%	-16.1%
CIMB MK	Cimb Group Holdi	Malaysia	Financials	7.4	3.5	12.1	1.6	3.1	39.4	6.8%	-0.9%	-4.9%
HPHT SP	Hutchison Port-U	Singapore	Industrials	0.6	3.7	23.8	0.7	8.2	213.3	-0.8%	-0.2%	-11.4%
347 HK	Angang Steel-H	China	Industrials	5.4	3.4	26.8	0.6	N/A	25.3	11.6%	-6.3%	5.9%
694 HK	Beijing Cap Ai-H	China	Industrials	5.4	3.8	12.2	1.1	2.7	40.0	-7.6%	-11.9%	-7.1%
13 HK	Hutchison Whampo	Hong Kong	Industrials	104.2	4.8	12.0	1.0	2.0	31.5	-5.3%	-1.1%	-3.9%
STE SP	Singap Tech Eng	Singapore	Industrials	3.9	3.9	19.1	5.4	4.3	80.2	3.7%	-1.0%	3.4%
SINA US	Sina Corp	China	Technology	56.9	4.5	31.3	2.3	N/A	0.0	-21.5%	-32.5%	-24.2%
BIDU US	Baidu Inc-Sp Adr	China	Technology	157.7	4.4	26.5	6.3	N/A	0.0	-13.4%	-11.4%	-7.3%
NTES US	Netease Inc-Adr	China	Technology	67.9	4.3	10.7	2.1	2.1	25.0	-5.1%	-11.8%	13.7%
992 HK	Lenovo Group Ltd	China	Technology	9.0	4.0	14.2	3.2	2.2	39.0	8.3%	-5.0%	14.0%
005930 KS	Samsung Electron	South Korea	Technology	1371000	4.8	7.0	1.2	1.0	7.2	2.4%	-0.1%	-4.3%
914 HK	Anhui Conch-H	China	Materials	33.4	4.6	11.1	2.1	0.9	19.8	15.4%	16.0%	10.9%
358 HK	Jiangxi Copper-H	China	Materials	13.3	3.4	12.3	0.8	4.7	48.6	3.7%	-4.7%	-18.1%
941 HK	China Mobile	Hong Kong	Telco	73.7	3.4	10.9	1.4	4.7	43.3	0.4%	-8.3%	-9.9%

Source: Bloomberg, Standard Chartered, data as of 9 April 2014

Asia Top30

Our key themes and sector calls in Asia over the next 12 months	
Consumer Discretionary (OW)	• Macau Gaming for good earnings visibility. Prefer the mass segment over the premium segment
Energy (OW)	• Prefer those companies that benefit from reforms in China – This includes clean energy, downstream refiners and gas producers
Technology (OW)	• Select China Internet, software and services with reasonable valuations • Focus on smartphone/component makers that can expand market share
Industrials (OW)	• Select airlines with exposure to DM recovery • China infrastructure
Prefer North Asia over South Asia	• OW Korea (cheap valuation, exposure to DM and China recovery) • OW Taiwan (domestic economy improving, DM demand proxy)
Growth scarcity	• EM Asia is slowing. Stocks with good growth visibility deserve a premium valuation

Source: Standard Chartered

Top30 stocks review

No changes to the Asia Top30 this month:

Stock highlights on a short-term basis:

- **Angang Steel (347 HK)** – Entering a seasonal period of strength
- **Wharf (4 HK)** – Oversold
- **Sinopec (386 HK)** – Reform winner; trying to break higher
- **Anhui Conch (914 HK)** – To benefit from China's mini stimulus. Slight overbought near term.
- **Beijing Capital Airport (694 HK)** – Still in infancy/growth stage

Of the Top30 names, our current preferred ideas on a 12-month basis are as follows:

- **NetEase (NTES US) –** Good cash flow and dividend yield
- **BAIDU (BIDU US) –** Oversold. In transition to mobile internet. Keep positions moderate.
- **CCT (CCT SP)** – Proxy to Singapore office rent recovery
- **ST Engineering (STE SP)** – Developed Markets (DM) growth and lagged aviation proxy

We detail our brief stock rationale on the highlighted stocks currently within the Top30 list from page 3.

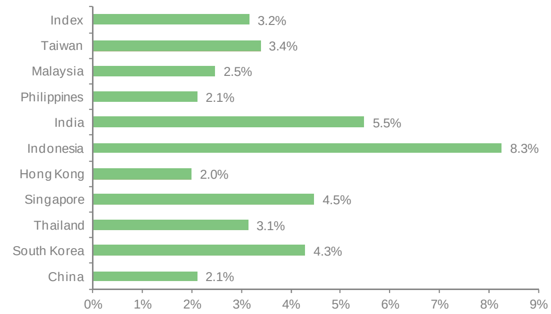
Stock	Ticker	Change
Wharf	4 HK	Results
Sinopec	386 HK	Results
Beijing Capital Airports	694 HK	Results
China Mobile	941 HK	Results
China Resources Land	1109 HK	Results
Anhui Conch	914 HK	Results
Jiangxi Copper	358 HK	Results
Intime Retail	1833 HK	Results
Hengan Int	1044 HK	Results
BOC HK	2388 HK	Results
ICBC	1398 HK	Results
China Shenhua	1088 HK	Results
Angang Steel	347 HK	Results
Samsung Electronics	005930 KS	Results

Market highlights:

- Asia ex-Japan markets continued their rebound and outperformed DM last month. Indonesia (ID) and India (IN) were the best performers, driven by improving trade balances, lower inflation (India) and an increasing perception of positive political changes (both).
- Exports from these ASEAN markets rose from -3 to 12% as cheaper currencies since May 2013 boosted exports. Though the market expects the Fed to bring forward the first rate hike to August 2014 from October 2014, Asian local currencies were largely resilient, hinting that concerns over a disorderly outflow of capital from EM Asia may have abated.
- After the initial re-rating from lower risk perceptions, it would be increasingly difficult to justify higher valuations unless growth also improves amidst Fed tapering. We have become tactically more positive on Indonesia (upgraded to Neutral on 21 January 2014).
- The next leg of the rally would result from a change in political risk perceptions. The Indonesian presidential election on 9 July and India's general elections on 16 May are key. The recent nomination of Jakarta Governor Jokowi as the PDI-P's presidential candidate reduces political uncertainties in our opinions.
- Data points from China continued to reflect a deceleration. China equities sold off in the first half of the month, before the announcement of a 'mini stimulus', i.e. tax reliefs for small businesses and railway investment, and led to a rebound in the second half of the month. Given the upcoming State Council and ruling party Politburo's meeting, further action may yet be forthcoming.
- Last year's laggard sectors, China banks, materials and property led the rebound, while last year's winners, Macau Gaming, China Internet and clean energy lagged during over the past two months.
- We continue to view China equities (Neutral) as a trading market, with the authorities supporting growth with policies when there is any marked slowdown and taking their foot off the accelerator when growth resumes. **We expect the HSCEI index to continue trading within a range of 9,000- 11,500.**

ASEAN led on the back of FX strength

Performance of key Asia markets over the month (USD)

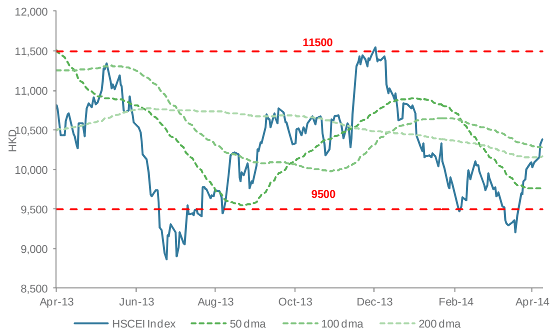


Source: Bloomberg, Standard Chartered

Performance from 9 Mar to 9 Apr 2014

China equities a trading market

Hang Seng Hong Kong China Enterprise Index



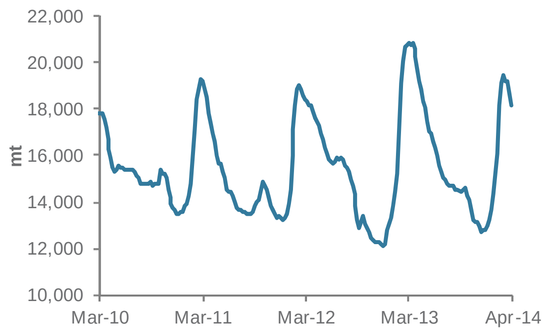
Source: Bloomberg, Standard Chartered

Highlight: Angang Steel (347 HK)

- Angang has continued to outperform in anticipation of a seasonal recovery of steel demand in China, as highlighted in our Asia Top30 (14 March 2014).
- Inventories have begun to decline and margins look likely to be supported from weaker iron ore prices and growth-supportive policies (infrastructure spending, potential reversal of home purchase restrictions) from the Chinese government.
- Anecdotes on steel capacity shutdowns suggest increased government focus and actions taken to eliminate polluting and less productive mills. Industry experts indicate that the 2005 steel policy may likely be revised in H2 2014, with a more forceful stance on cutting capacity and shutting small mills in the near term. The more efficient mills, such as Angang should be key beneficiaries of such a development.

Steel inventories are starting to decline

China steel inventories



Source: Bloomberg, Standard Chartered

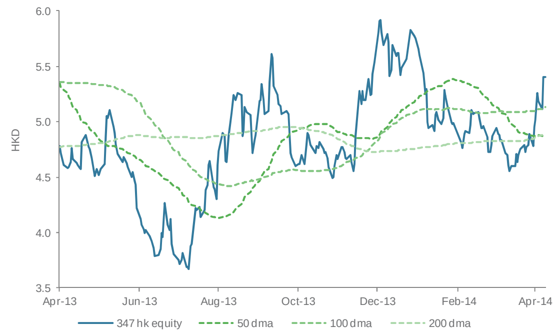
- **Near term, the stock may continue to rally within its broader range of 3.7-6.6, until there is a clear breakout from either 1) stronger growth in China, or 2) more industry consolidation leading to greater cut in steel supply.**

Results: Net income was CNY 770m in FY13, a reversal from the CNY 4.2bn loss in FY12. Q4 2013 net income was CNY 5m, down 92% q/q due to lower steel prices. Net gearing fell sharply to 35% (from 60% in 2012). The company surprised with a dividend of CNY 0.027 per share.

Risks: Weaker-than-expected steel demand, tight credit conditions, a spike in input costs, increased pollution control measures, slower-than-anticipated closure of small smelting capacities, margin squeeze from higher iron ore input cost.

Angang has outperformed in anticipation of seasonal recovery

Angang Steel share price



Source: Bloomberg, Standard Chartered

Highlight: Wharf Holdings (4 HK)

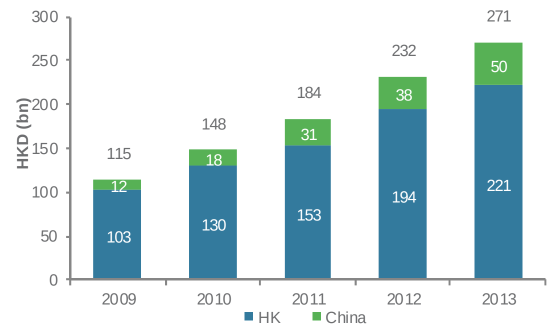
- The stock has priced in a lot of negatives from a deterioration in the retail sales outlook for HK and China residential prices.
- With rental property-related income accounting for over 50% of Wharf's portfolio, we believe it should still be able to generate steady growth in income despite the ongoing challenges.
- Moderating property prices in China are an overhang, therefore margins are likely to remain under pressure. **The stock has already priced in a significant decline, with the valuation at a cheap 0.6x P/B and 3% dividend yield. Wharf looks attractively priced for investors with a longer-term horizon, in our opinion.**

Results: HK and China rental revenue was up 11% y/y and 25% y/y, respectively. Wharf's HK rental portfolio (office and retail) continued to see good reversion (retail 50-60%; office 30-40%) and is expected to provide steady growth visibility for the next 2-3 years. Wharf targets CNY 23bn worth of sales this year, up 10% from the sales achieved in 2013, albeit at a lower margin.

Risks: Worse-than-expected retail sales in HK retail properties (Time Square and Harbour City), greater-than-expected price cuts/margin pressure in China development projects, a sharp rise in interest rates.

Wharf has a strong record of value creation and investment growth

Wharf investment properties' book value



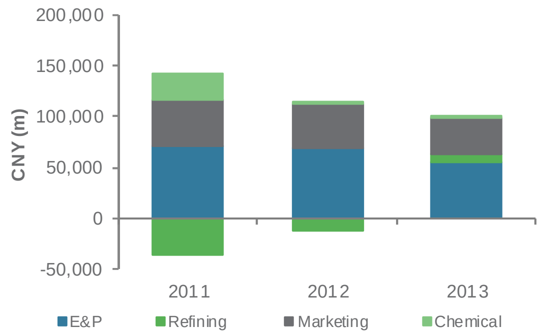
Source: Company, Standard Chartered

Highlight: Sinopec (386 HK)

- Lower capex spending and improving cash flows are positives for improving returns to shareholders. The move to the tougher IV gasoline and diesel standards in China should uplift Sinopec's refining margins, which have been struggling for years.
- Near term, the decision to invite strategic investors into its marketing business should help unlock shareholder value. Management does not rule out an eventual IPO, the proceeds of which can potentially be reinvested to acquire higher ROC upstream assets from its parent and for shale gas development.
- The marketing division owns and operates some 30,000 service stations throughout China. Given the rising levels of consumption, this should prove supportive for margins as the service stations start to sell consumer goods, longer term.
- **The stock is nearing a critical resistance of HKD 7.4, which may suggest a correction in the short term. Going forward, we see management's increased focus on capital discipline, cash flow and shareholders' returns as encouraging. Free**

Sinopec's refining business returned to profitability in 2013

Sinopec operating profit by segments



Source: Company, Standard Chartered

cash flow is likely to turn positive, with lower capex (c.CNY 180bn, -4% y/y) expected in 2014.

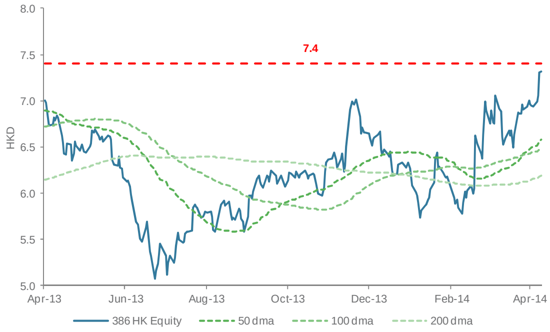
- **Valuation is cheap at 8.9x 12-month forward P/E and a dividend yield of 4.2%.**

Results: Q4 2013 results missed expectations due to weakness across all segments in Q4 2013 – upstream operating profits, down 46% y/y, were hit by lower realisation on oil pricing and lower volumes; refining was weak, a decline of 52% y/y, though volume growth was supportive; marketing EBIT, a drop of 18% y/y due to increased costs.

Risks: Higher-than-expected capital spending, weaker oil prices, slower-than-expected reform execution, slower growth in China, regulatory risks in China.

Sinopec is nearing a critical resistance of HKD 7.4

Sinopec share price



Source: Bloomberg, Standard Chartered

Highlight: Anhui Conch (914 HK)

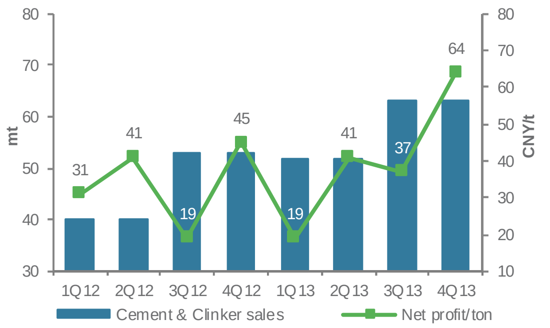
- Supply and demand dynamics of the cement industry are likely to improve near term. Anhui has c.50% of its capacity located in Eastern China, which should continue to benefit from an urbanisation-led demand growth and policymakers' focus to reduce polluting capacity.
- We expect margins to remain supported, as inventory declines and additional price hikes are likely in the coming months. The company's strong balance sheet should enable further growth through M&A and development of greenfield projects.
- Our preferred pick within the space is Anhui Conch. With more pro-growth policies possibly underway, the rally in the cement sector is expected to extend and broaden out to the smaller lagging players such as Yanzhou and CNBM.
- **Near term, the stock may continue to outperform on cheap valuations and improving news. Valuations are inexpensive 11.1x 12m forward P/E and dividend yield of 0.9%.**

Results: FY14 earnings grew 49% y/y to CNY 9.4bn, buoyed by stronger volume growth and profit margins in cement sales coming in ahead of expectations. Cement and clinker sales increased 22% y/y to 228mt on the back of firming demand. The average selling price of cement was largely flat, but a 9% y/y drop in production cost to CNY 27/ton helped boost net margins.

Risks: ROE dilution from overseas operations, slower than expected consolidation in the cement industry

Anhui Conch's profitability has improved on price hikes

Anhui Conch cement sales and net profit



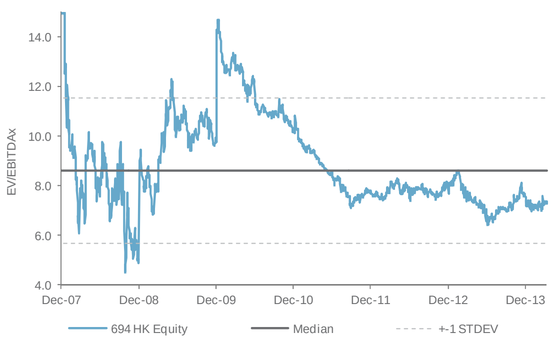
Source: Company, Standard Chartered

Highlight: Beijing Capital International Airports (694 HK)

- The stock has underperformed year-to-date. The outbreak of avian flu in 2013, the Kunming terrorist attack, China's thrift campaign, losses from the new T3D terminal and uncertainty over the fund-raising arrangement for the second Beijing airport contributed to lacklustre traffic growth and underperformance.
- Looking forward, the realignment of resources to the more profitable international business should be supportive. Longer-term, tailwinds 1) air traffic growth in China, and 2) reforms on airport charges, air space and aviation fee hikes should benefit BCIA, in our opinion.

Beijing Capital Airport's valuations look attractive compared to regional peers

Beijing Capital Airport forward EV/EBITDA



Source: Bloomberg, Standard Chartered

- **Valuation looks attractive at 7.5x EV/EBITDA compared to regional peer at 8x. Expectations are subdued at only 7.6% and 14% earnings growth in FY14 and FY15. Consensus has already incorporated some degree of cost sharing with the parent company and potential fund-raising. A removal of this overhang would be a significant positive.**

Results: FY13 net profit was CNY1.3bn, up 16% y/y, driven by a 1.9% y/y increase in aircraft movements, a 2.2% rise in passenger throughput and equalisation of airport fees across the international and domestic flights. Free cash flow was CNY 2.8bn, slightly lower than in FY12.

Risks: Weaker-than-expected air traffic growth, higher cost pressures, the avian flu outbreak, higher-than-expected capex from the construction of the second Beijing airport resulting in dilutive fund-raising.

Earnings update

BOC Hong Kong (2388 HK) – Beat

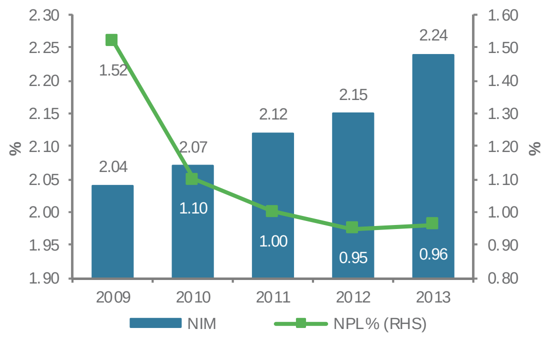
- While we continue to like BOC HK within the HK banking sector, we are cautious on Asian financials (Downgrade to UW – 21 January 2014) given the risks of deterioration in asset quality and subdued credit growth within the region.
- HK banks have benefitted from the increased deployment of cheap funding costs into higher-yielding assets in China. The use of offshore funding to fund credit growth in China suggests any unwinding of this trade (from weaker China growth or CNY) could heighten the risk of losses for the bank.
- BOC HK had seen a sharp decline in its Tier 1 capital ratio as the growth in risk-weighted assets outpaced capital growth. As a result, BOC HK cut its dividend to HKD 0.47 per share for Q4 2013, bringing the full-year figure to HK1.01, as management strives for more capital flexibility. Management indicated that it has no plans for fund raising.

Results: Net profits were up 6% y/y to HK2.3bn. Growth was driven by better NIM (up 8bps y/y), while loan growth and fee income were up 10% y/y and 16%y/y, respectively. The cost-to-income ratio fell to 30% from 32% in FY12. The NPL ratio rose slightly to 0.28% (coverage ratio at 170%). Asset quality remains a significant risk to the sector, especially given the increasing linkages to China.

Risks: Asset quality deterioration from its property book and China-related corporates, negative impact from interest rate volatility.

BoC's NIM continues to expand at a steady rate despite lacklustre domestic profitability

Bank of China's net interest margins and non-performing loans %



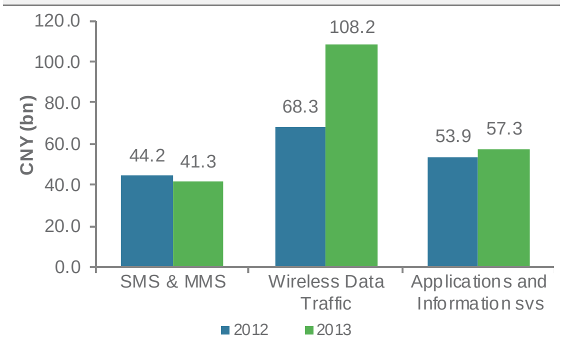
Source: Company, Standard Chartered

China Mobile (941 HK) – Miss

- China Mobile reported its first annual profit decline since 1999. The key reasons were higher subscriber acquisition costs and increased build-out costs for its TD-LTE networks. FY13 net income declined 5.8% y/y to CNY 121.7bn on higher operating expenses (+15% higher y/y). FY13 dividend at HKD 3.311/share.
- The key challenge for the China Mobile is to manage the decline in its traditional voice and text revenues (due to competition from internet services) while growing its 3G-related business revenue in a cost effective manner.
- New 3G subscribers more than doubled to 191.6m, underpinning the 58% y/y surge in wireless data traffic revenue (18.3% of Telco services revenue).

China Mobile's shift from traditional text to data usage is expected to drive wireless data traffic

China Mobile's data service revenue



Source: Company , Standard Chartered

- **We expect increased channel subsidies and capex to build over 200,000 TD-LTE base stations this year to put pressure on cash flow and earnings. China Mobile has CNY 415bn of cash on hand and is attractively priced for longer-term investors, post recent correction at 3.2x EV/EBITDA and 4.7% dividend yield.**

Risks: Higher-than-expected capex spend on TD-LTE networks, cannibalisation of traditional voice/text services by social messaging networks.

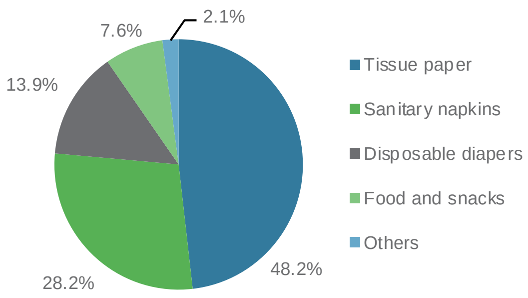
Hengan International (1044 HK) – Inline

- Hengan announced FY13 net profit of HKD 3.7bn, up 5.8% from a year earlier. Earnings were boosted by solid growth across all key segments, such as tissue paper and sanitary napkins, which grew 11.6% y/y and 21.5% y/y, respectively.
- Gross margins expanded for most products with the exception of tissue paper, which declined 1.3ppt to 34.1% due to promotions and higher raw material prices. Management has proposed a final dividend of HKD 1.85 for FY13, up 8.8% from a year earlier.
- **The stock has corrected 9.2% since the beginning of the year. We believe the recent underperformance is unlikely to be repeated due to growth in the new mother-baby store channel as well as solid growth in sanitary napkin and diapers, which should benefit from the new relaxed one-child policy.**

Risks: Higher raw material prices, intensifying competition in the premium segments.

Hengan's structural growth tailwinds from income growth and urbanisation in China

Hengan's revenue breakdown by product (FY13)



Source: Company, Standard Chartered

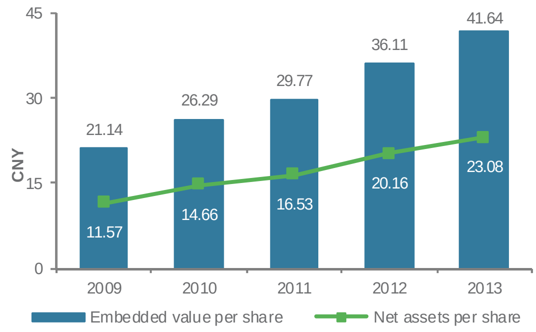
Ping An Insurance (2318 HK) – Beat

- Ping An released solid FY13 earnings that exceeded Street expectations. Net profit jumped 34.6% y/y to CNY 36.01bn, underpinned by steady growth in all key business divisions.
- The insurance segment's written premiums rose 12.2% y/y to CNY 335m, while banking revenues grew 30.8% y/y to CNY 52.4m. In the insurance business, value of new business (VNB) rose 14.1% over the year, with key contributions from volume growth, improvement in the product mix and new business margins. The company increased its dividend payout by 44.4% y/y to CNY 0.65 per share.
- **The stock bounced off its 200DMA and rose to HKD 66.6. Ping An remains our preferred insurer in China given the strong new business outlook driven by its agency distribution model, which generates higher margins than peers. The opening up of China health insurance segment is a positive.**

Risks: Deterioration in underwriting standards, downside risks associated with its banking operations, weaker-than-expected demand for protection insurance

Ping An Insurance has exhibited strong value of business growth over the years

Ping An Insurance – Embedded value and net assets



Source: Company, Standard Chartered

Intime Retail (1833 HK) – Miss

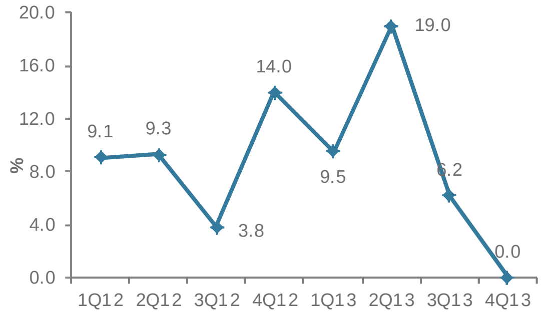
- Intime reported FY13 net income of CNY 1.07bn, up 9.5% y/y, missing market expectations. H2 2013 earnings deteriorated on higher staff cost and expenses. Revenue growth from commissions and direct sales edged higher to 9.5% y/y and 23.3% y/y, accounting for almost 91% of total revenue.

- However, net margins slid 1.2ppt to 23.6% due to a shift to lower-margin products. The company plans to open six more stores in 2014, which may increase cost pressures near term. Management declared a final dividend of CNY 0.11 per share.
- Alibaba's recent investment and joint venture with Intime to build an Online-to-Offline (O2O) platform is a strategic positive. Alibaba will also subscribe to Intime's shares and 'in-the-money' convertible bonds (HKD 3.7bn). The deal is dilutive near term, but we believe, with Alibaba, this should help the O2O build-out to be accretive longer term.
- **The stock has traded within a sideways ranged pattern within 7.10 to 10.5 from the past year. The recent correction from initial resistance level of 9.5 has once again pushed the stock to attractive levels with solid support seen at 7.10.**

Risks: Higher-than-expected start-up costs for new retail spaces and increasing price competition from peers and internet retailers.

Intime's results disappointed due to sales growth stalling

Intime same store sales (quarterly)



Source: Company, Standard Chartered

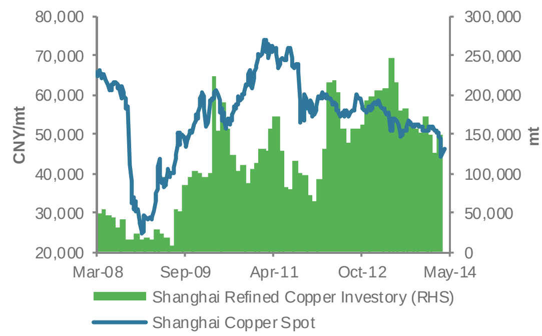
Jiangxi Copper (358 HK) – Beat

- Jiangxi Copper reported FY13 net earnings of CNY 3.5bn a 31% y/y decline, dragged by a poor operating performance in H2 2013. The results, however, exceeded consensus expectations as the company surprised investors with a higher dividend payout despite lower earnings. Total product revenue was up 11% y/y at CNY 175bn, driven by strong sales of copper products.
- Management has guided for a flat FY14 production target to c.1.12mt of copper. The company also warned that there may be an inventory impairment charge in Q1 2014, leading to profits dipping by more than 50% y/y should copper prices remain weak or continue to decline.
- **While performance of the stock may continue to remain lacklustre, valuations remains attractive for long term investors. The company has only 5% net gearing, cash balance of CNY 19bn and operating cash flow of CNY 5.2bn.**

Risks: Continued weakness in copper prices, delay in overseas mines development.

Copper prices should see some support as inventory continues to draw down

China Shanghai's refined copper inventory and copper spot



Source: Bloomberg, Standard Chartered

China Shenhua (1088 HK) – Beat

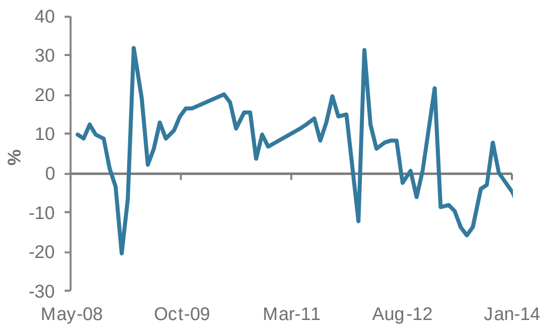
- China Shenhua reported results that beat consensus estimates despite its net income declining 8% y/y to CNY 45.1bn in FY14. Resilience in the average selling price of coal and a better product mix helped boost revenues (up 11% y/y), while effective cost control provided a cushion against a larger decline in profits.
- Management guided FY14 coal and power production to remain flat at 318mt and 210bn Kwh, respectively. The company proposed a final dividend of CNY 0.91 per share.
- **The stock does offer value for a longer-term investor in our opinion, trading at 4% dividend yield and significantly below its book value. That said, we believe coal prices may struggle to push higher on the back of overcapacity, credit control and policymakers' anti-pollution measures potentially impacting coal demand.**

For investors with a shorter horizon, there may be better opportunities elsewhere, in our opinion.

Risk: A more aggressive drive by the government to curb pollution countrywide.

Coal sales have been hit by the government's policies to curb pollution

China coal sales volume



Source: Bloomberg, Standard Chartered

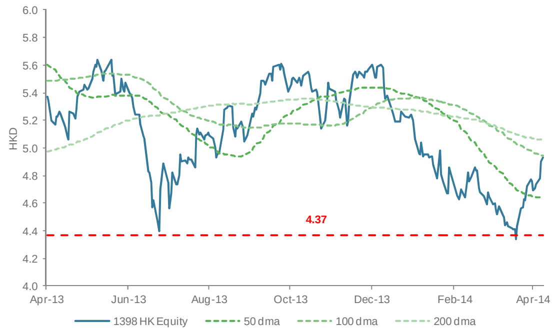
ICBC (1398 HK) – Inline

- ICBC's FY13 profit before tax rose 9.7% to CNY 338.5m, in line with market expectations. Earnings were mostly driven by solid growth in both net interest and fee income, which grew 6.1% y/y and 15.3% y/y, respectively.
- However, total impairments grew 13.6% y/y as the bank wrote off CNY 16.5bn worth of non-performing loans (NPLs), up 119% from a year earlier.
- Full-year net interest margins also contracted 8bps to 2.57% due to a higher concentration mix of lower-risk loans and term deposits.
- Asset quality remains the biggest risk, in our opinion, given very low levels of NPL ratios and the government's focus on limiting credit growth and allowing defaults. While sector-wide provisions for loan losses are high (>200%), we note that recent growth measures and policy-easing may prove supportive near term. **We expect the sector to largely remain within a trading band, rebounding when the Chinese government eases policy and falling when credit concerns re-surface**.

Risks: Slowing growth, deterioration in asset quality, faster-than-expected interest rate liberalisation leading to margin compression.

ICBC rebounded strongly from recent lows

ICBC share price



Source: Company, Standard Chartered

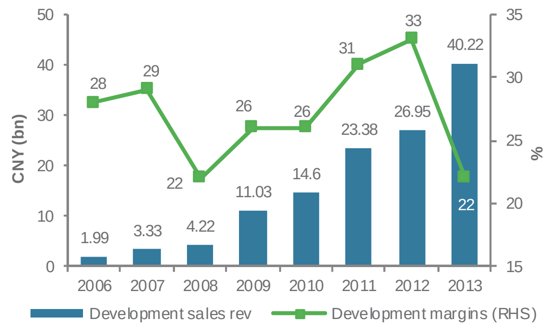
China Resource Land (1109 HK) – Beat

- China Resource Land's FY13 core profit climbed 21% y/y to HKD 8.8bn, boosted by strong volume sales in key cities.
- Full-year contracted sales grew 27% y/y, driven by 1) strong sales in cities around the Yangtze River Delta, 2) a higher contribution from tier 3 cities and 3) 13 new launches in 2013.
- However, CRL saw sharp erosion in its gross development margins, down 11.6ppt to 21.9% due to weaker cost control and a shift in the product mix. 2013 also saw aggressive land banking as the company bought 7.6m sg/m of land at CNY 32.1bn to replenish its depleted land bank in southern China and to meet its sales target of CNY 100bn by 2015.
- There has been speculation of a potential asset injection from CRL's parent company, CR Holdings. While the injection will boost sales and profits, the company may also raise equity for funding, given concerns over higher leverage. This may be an overhang until there is more clarity on the injection. Management believes that margins have likely bottomed and could be supported by a better product mix from higher-margin developments.
- **Moderating home prices remain a headwind for the China property sector. Given where valuations are, we believe a lot of negatives may have been priced in.**

Risks: Weak contracted sales, government policies to curb housing prices.

Development margins expected to remain under pressure

China Resource Land historical development sales and margins



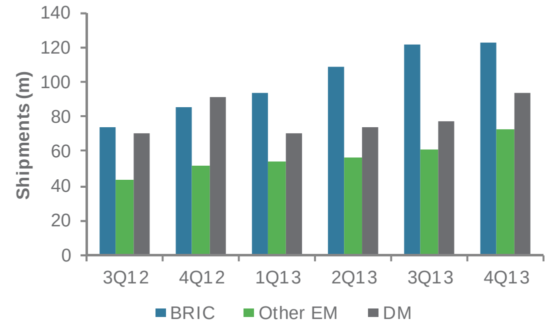
Source: Company, Standard Chartered

Samsung Electronics (005930) – Miss

- Samsung Electronics released its preliminary results for 1Q 2014. Operating profit declined 4.5% y/y to KRW 8.4trn due to intensifying competition in mobile devices.
- Operating profit at its mobile unit fell 11.9% to KRW 5.9bn as competitors stepped up new launches to compete in the highly lucrative premium segment.

EM (including BRIC) will be key growth drivers for smartphone adoption

Smartphone shipments by regions



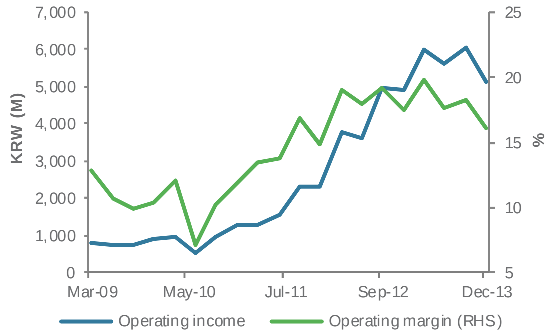
Source: Bloomberg, Standard Chartered

- The flash earnings also suggested profits across the rest of the divisions (i.e., semiconductor, consumer, etc.) grew at a better-than-expected rate but were somewhat unable to offset the weakness in mobile.
- We continue to see the smartphone industry transition to a rationalisation phase as incumbent market leaders' 1) competitive advantages get diluted and 1) cede market share to new entrants.
- The premium smartphone segment, where both Samsung and Apple compete, has seen fierce competition in the past few quarters, resulting in declining gross margins in both companies. We have also start to see this competition widen to the lower tier segments.
- **We believe Samsung Electronics remains well-positioned to leverage on this shift as it defends its premium market share while introducing lower-end products to tap Emerging Markets. Valuation is very cheap at 7x 12m forward P/E.**

Risks: Ongoing patent lawsuits with Apple, further margin erosion due to price competition.

Operating margins have been hit by slowing demand for smartphones

Samsung Electronics operating income and margins



Source: Bloomberg, Standard Chartered

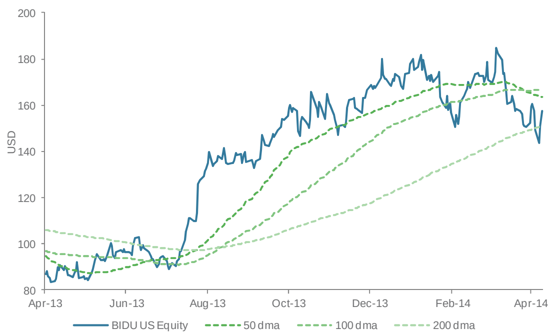
Highlight: Baidu (BIDU US) - Update

- **The recent sell-down in Baidu's share price is an attractive level in our opinion to gain exposure to the structural growth in internet penetration in China.**
- Mobile revenue is key to drive further re-rating and revenue growth. Mobile-related revenue now accounts for 20% of total revenue, up from 15% in Q3 2013.
- Advertisers' increasing adoption of mobile ads and the improving user experience of Baidu's platforms should continue to drive click-through rates and prices per click, in turn driving revenues higher.

Risks: Stronger-than-expected cannibalisation between mobile and PC traffic, failure to integrate new acquisitions efficiently, higher-than-expected investment costs, failure to meet high expectations.

Baidu's share price is currently at attractive levels

Baidu share price



Source: Bloomberg, Standard Chartered

Market views

Key convictions:

By Country:

- **Overweight Taiwan and Korea.** Focus on exporters and Tech, which are expected to be beneficiaries of growth in Developed Markets (DM). Reduced JPY pressure should also be supportive.
- **Underweight Malaysia.** Less value compared to ASEAN peers, where the outlook is improving, reducing Malaysia's relative appeal.
- **China a trading market (Neutral)**. Further potential growth stimulus to benefit old economy stocks (such as banking, materials and real estate) at the expense of new economy stocks. That is likely a temporary phase, in our opinion.
- **Singapore and Hong Kong** under consideration to downgrade to Underweight due to concerns over slowing growth and rising credit cost in the banking sector, and limited domestic growth drivers.

We would focus on the following sectors within our Overweight/Underweight:

Taiwan (OW):

- **Technology**: Focus on mass market smartphone-related manufacturers and companies that are able to capture market share in the maturing PC segment and foundries.

Korea (OW):

- **Technology**: Focus on smartphone component makers and manufacturers, 2) companies that are able to capture market share in the maturing PC segment, and 3) foundries, which stand to benefit from lower inventory normalisation and growth in DM.
- **Exporters:** Exports have started picking up. We like automakers, where valuations are cheap. **Housing:** Select housing companies as home prices recover, albeit gradually. This should also be supportive of domestic consumption.

Malaysia (UW):

- **Oil and gas**: To benefit from higher domestic capex under the Economic Transformation Plans (ETP).
- **Exporters and Tourism**: To benefit from cheaper currency and global trade growth recovery.
- **Utilities:** Tariff hikes as government tightens spending.
- **Palm Oil:** May continue to outperform near term due strength in crude palm oil. Further strength is largely weather dependent.

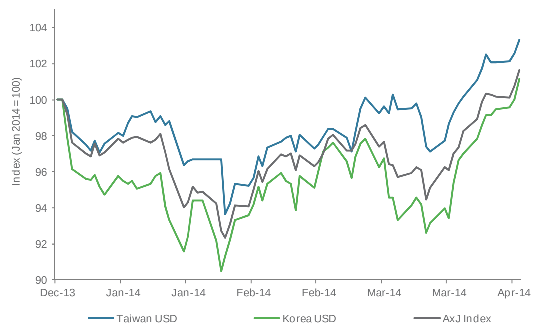
MSCI Asia ex-Japan's sector views

Discretionary	OW
Industrials	OW
Information Technology	OW
Energy	OW
Healthcare	N
Consumer Staples	N
Materials	N
Utilities	N
Telco	UW
Financials	UW

Source: Standard Chartered

Taiwan equities have outperformed

MSCI Taiwan and Korea USD index vs. MSCI Asia ex-Japan index



Source: Bloomberg, Standard Chartered

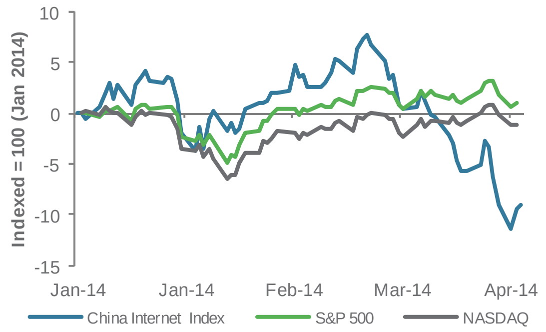
By Sector:

China Internet

- China Internet stocks declined by 8% year-to-date. It is also worth noting that the sector was up by more than 100% since 2012, as such some profit-taking and rotation out to the laggards within the space cannot be ruled out.
- We still believe that the China Internet sector offers one of the best growth visibilities within the China equity market. While competition is expected to be keen, structural growth drivers such as increased internet penetration, better connectivity infrastructure and rising ecommerce are some of the many tailwinds over the next few years.
- Some of these stocks have corrected and a number of them now look more attractive from both a fundamental and technical perspective.
- **In the selection of Tech names, we advocate investors to maintain a strong valuation and cash flow focus, keeping any exposure diversified and moderate, given the space has been historically volatile.**
- **We prefer companies with market leadership and sustainable long-term business models and platforms. For the smaller tech names, we look for relevant operating models, with good sponsorship by key stakeholders and the potential to be acquired in the future.**

China internet stocks were sold down recently

Bloomberg China internet index vs. S&P 500 and Nasdaq



Source: Bloomberg, Standard Chartered

Asia Div list

The Asia dividend list delivered a total return of 4.7% this month on an equally weighted basis. Year to date, the dividend list was down 0.8% in USD terms, outperforming the broader Asia ex-Japan market, which was down 1.8%. No change to the top div list.

Asia Dividend list

Ticker	Name	Sector	Stock Price	12m Fwd Dvd Yield	12m Fwd P/E	P/B Trailing	Div Payout%	Net Debt /Equity	TR 1M%	TR YTD%
1088 HK	China Shenhua-H	Energy	23.00	4.6	8.5	1.3	40.2	22.0	11.9%	-5.9%
MINT SP	Mapletree Indust	Financials	1.40	7.1	14.4	1.3	54.3	53.2	3.0%	6.5%
CCT SP	Capitacommercial	Financials	1.57	5.3	20.5	0.9	62.5	41.2	7.2%	11.0%
SGREIT SP	Starhill Global	Financials	0.82	6.2	16.2	0.9	44.3	39.2	3.8%	5.5%
2388 HK	Boc Hong Kong Ho	Financials	23.30	5.1	10.0	1.6	48.0	-92.9	-1.1%	-6.2%
DBS SP	Dbs Group Hldgs	Financials	16.50	3.7	10.4	1.2	38.7	-42.6	1.7%	-3.5%
PBK MK	Public Bank Bhd	Financials	19.88	2.9	15.3	3.4	44.8	-46.8	4.2%	4.1%
BBL TB	Bangkok Bank Pub	Financials	186.00	4.1	9.0	1.2	34.6	-62.7	4.8%	4.5%
1398 HK	Ind & Comm Bk-H	Financials	4.93	6.9	4.9	1.1	35.0	-173.7	7.6%	-5.9%
HPHT SP	Hutchison Port-U	Industrials	0.65	8.3	23.8	0.7	NA	33.2	-0.8%	-0.2%
KEP SP	Keppel Corp Ltd	Industrials	11.00	4.1	12.1	2.1	39.2	8.0	3.3%	-1.7%
STE SP	Singap Tech Eng	Industrials	3.92	4.2	19.1	5.8	80.2	-30.6	3.7%	-1.0%
ST SP	Singapore Teleco	Telecommunication Services	3.65	4.9	14.9	2.6	76.2	29.3	0.8%	-0.3%
941 HK	China Mobile	Telco	73.70	4.1	NA	NA	43.3	-52.3	0.4%	-8.3%

Source: Standard Chartered
Data as of 9 April 2014

Technical Commentary

Below, we present the technical views for our Asia Top30 stocks. The stocks are given a rating of 1-5, with 1 being the most favourable technicals and 5 being the least favourable technicals on a 1-3 month basis. This is from a pure technical standpoint and may run contrary to the fundamental views we hold on the stocks within the portfolio, which are on a 12-month basis.

Asia Top30 Technical rating

Name	Ticker	Sector	Rating
Intime Departmen	1833 HK	Discretionary	2
Capitamalls Asia	CMA SP	Financials	2
NetEase	NTES US	Technology	2
Capitacommercial	CCT SP	Financials	2
Angang Steel	347 HK	Materials	2
Singapore Technologies Engineering	STE SP	Industrials	2
Sands China Ltd	1928 HK	Discretionary	3
Hengan Intl	1044 HK	Staples	3
Wilmar Internati	WIL SP	Staples	3
China Petroleu-H	386 HK	Energy	3
China Shenhua-H	1088 HK	Energy	3
AIA Group Ltd	1299 HK	Financials	3
China Res Land	1109 HK	Financials	3
Dbs Group Hldgs	DBS SP	Financials	3
Ind & Comm Bk-H	1398 HK	Financials	3

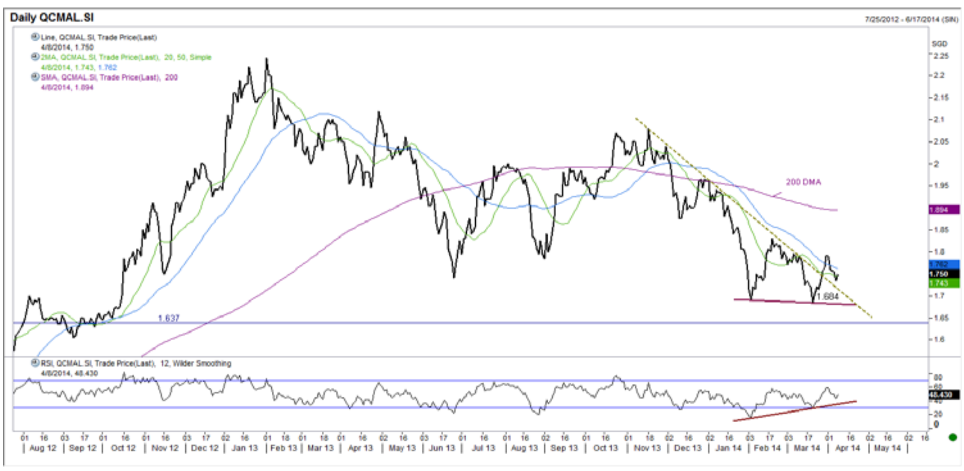
Name	Ticker	Sector	Rating
Kasikornbank Pcl	KBANK TB	Financials	3
CIMB Group	CIMB MK	Financials	3
Ping An Insura-H	2318 HK	Financials	3
Wharf Hldg	4 HK	Financials	3
Hutchison Port-U	HPHT SP	Industrials	3
Lenovo Group Ltd	992 HK	Technology	3
Samsung Electron	005930 KS	Technology	3
Angang	347 HK	Materials	3
China Mobile	941 HK	Telco	3
Baidu	BIDU US	Technology	3
Sina Corp	SINA US	Technology	3
Hutchison Whampoa	13 HK	Industrials	3
Boc Hong Kong Ho	2388 HK	Financials	4
Jiangxi Copper	358 HK	Materials	4
Anhui Conch-H	914 HK	Materials	4

Source: Standard Chartered
Views as of 9 April 2014

On the following pages, we present the Technical charts for stocks which are most favourable.

Technical Commentary (cont'd)

- **Capitamalls Asia (CMA SP) –** The RSI momentum indicator has created a positive divergence on the daily charts as prices rebounded from 1.684 (double bottom). The longer-term 200 DMA cyclical indicator (1.893) has started to flatten, which has deviated significantly from the current stock price. It has also crossed over the falling November trendline, all hinting towards a trend reversal.

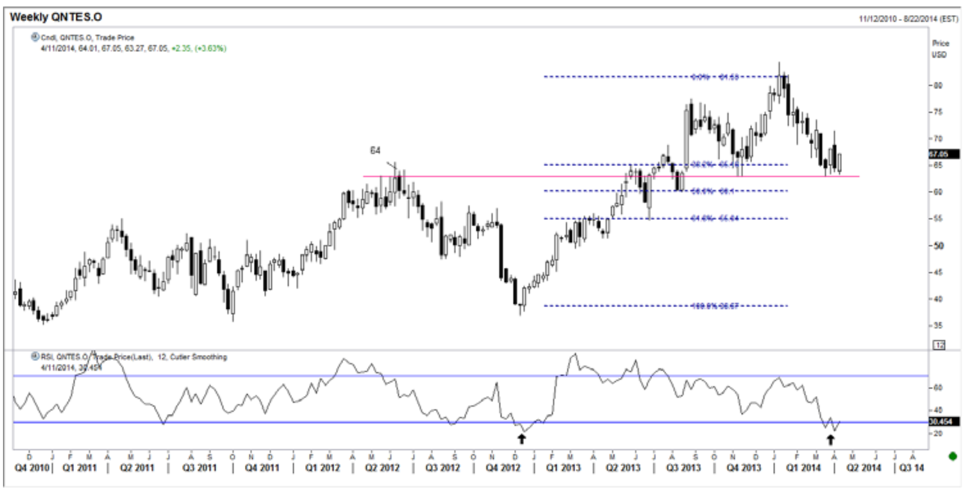


Daily Chart

- **Singapore Technologies Engineering (STE SP) –** The falling wedge-like pattern unfolding since the high touched in April 2013 implies a continuation of the longer-term uptrend. The intermediate sub-count seems to suggest that the pattern is complete and a new uptrend may soon develop. The 2011-13 uptrend has achieved a perfect 38.2% Fibonacci retracement pullback to recent lows, thus raising optimism for a trend reversal.

Daily Chart

- **NetEase (NTES US) –** The stock has declined almost 25% from the peak and lies just above the previous uptrend breakout high of 64. The weekly RSI momentum indicator is below the oversold line, which is a positive contrarian sign. We believe current levels are attractive, considering that the stock is within a strong structurally bullish longer-term uptrend. 60 is key support.



Weekly Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **Angang –** The stock rebounded sharply from the earlier primary support of HKD 4.6 and appears to be turning increasingly positive. It has consolidated in a broad sideways range of HKD 3.7-6.6 since late 2011. We see scope for it to extend higher to the upper end of the band at 6.6. However, keep a close watch as it approaches the next intermediate resistance at HKD 5.7, above which it would extend to 6.6.

Daily Chart

- **Capitacommercial (CCT SP) –** The stock has broken above the nine-month-old resistance trendline, which is a strong positive signal. Short-term cyclical indicators are in buy mode, while the longer-term indicator is gradually turning up. Any sort of pullback is expected to be limited to 1.486 (breakout level/earlier resistance now turns support) while the August 2013 upswing progresses.

Daily Chart

- **Intime Department (1833 HK) –** The stock has traded within a sideways pattern of 7.10-10.5 for the past one year. The recent correction from initial resistance at 9.5 has once again pushed the stock to attractive accumulation levels given that there is solid support at 7.10.

Daily Chart

Source: Reuters, Standard Chartered

Asia Top30 – Performance & Valuations

Asia Top30 performance and valuations (local currency)

Ticker	Name	Country	Sector	Stock Price	Consensus Rating	12m Fwd P/E	12m Fwd P/B	Fwd Div Yield%	Div Payout%	1M% TR Local	YTD% TR Local	ITD% TR Local
1833 HK	Intime Retail Gr	China	Discretionary	8.0	4.1	12.0	1.4	3.0	39.5	0.6%	-0.5%	-19.0%
1928 HK	Sands China Ltd	Macau	Discretionary	60.9	4.7	19.4	9.1	3.8	117.4	-5.7%	-1.1%	65.8%
1044 HK	Hengan Intl	China	Staples	83.2	3.8	22.3	5.3	2.2	61.2	-0.8%	-9.2%	9.1%
WIL SP	Wilmar Internati	Singapore	Staples	3.5	4.0	11.8	1.1	1.6	30.6	-1.1%	1.8%	-7.3%
386 HK	China Petroleu-H	China	Energy	7.3	4.2	8.9	1.0	4.2	42.3	3.5%	15.5%	6.5%
1088 HK	China Shenhua-H	China	Energy	23.0	4.1	8.5	1.2	5.3	40.2	11.9%	-5.9%	-26.9%
1299 HK	Aia Group Ltd	Hong Kong	Financials	37.6	4.3	16.8	2.0	1.0	23.3	0.7%	-3.5%	23.1%
2388 HK	Boc Hong Kong Ho	Hong Kong	Financials	23.3	3.8	10.0	1.4	5.3	48.0	-1.1%	-6.2%	-8.7%
CCT SP	Capitacommercial	Singapore	Financials	1.6	4.0	20.5	0.9	5.2	62.5	7.2%	11.0%	8.8%
CMA SP	Capitamalls Asia	Singapore	Financials	1.8	4.5	21.0	0.9	1.9	22.7	-1.7%	-10.2%	-17.1%
1109 HK	China Res Land	Hong Kong	Financials	18.5	4.5	8.9	1.1	1.9	17.3	7.1%	-3.6%	-20.3%
DBS SP	Dbs Group Hldgs	Singapore	Financials	16.5	4.8	10.4	1.1	3.4	38.7	1.7%	-3.5%	13.9%
1398 HK	Ind & Comm Bk-H	China	Financials	4.9	4.4	4.9	0.9	6.1	35.0	7.6%	-5.9%	-10.3%
KBANK TB	Kasikornbank Pcl	Thailand	Financials	184.5	4.7	9.5	1.7	1.6	20.3	5.4%	18.3%	-5.6%
2318 HK	Ping An Insura-H	China	Financials	66.6	4.6	12.0	1.9	0.9	18.3	6.6%	-4.1%	-3.2%
4 HK	Wharf Hldg	Hong Kong	Financials	56.2	4.4	12.6	0.6	3.0	17.5	6.1%	-5.3%	-16.1%
CIMB MK	Cimb Group Holdi	Malaysia	Financials	7.4	3.5	12.1	1.6	3.1	39.4	6.8%	-0.9%	-4.9%
HPHT SP	Hutchison Port-U	Singapore	Industrials	0.6	3.7	23.8	0.7	8.2	213.3	-0.8%	-0.2%	-11.4%
347 HK	Angang Steel-H	China	Industrials	5.4	3.4	26.8	0.6	N/A	25.3	11.6%	-6.3%	5.9%
694 HK	Beijing Cap Ai-H	China	Industrials	5.4	3.8	12.2	1.1	2.7	40.0	-7.6%	-11.9%	-7.1%
13 HK	Hutchison Whampo	Hong Kong	Industrials	104.2	4.8	12.0	1.0	2.0	31.5	-5.3%	-1.1%	-3.9%
STE SP	Singap Tech Eng	Singapore	Industrials	3.9	3.9	19.1	5.4	4.3	80.2	3.7%	-1.0%	3.4%
SINA US	Sina Corp	China	Technology	56.9	4.5	31.3	2.3	N/A	0.0	-21.5%	-32.5%	-24.2%
BIDU US	Baidu Inc-Sp Adr	China	Technology	157.7	4.4	26.5	6.3	N/A	0.0	-13.4%	-11.4%	-7.3%
NTES US	Netease Inc-Adr	China	Technology	67.9	4.3	10.7	2.1	2.1	25.0	-5.1%	-11.8%	13.7%
992 HK	Lenovo Group Ltd	China	Technology	9.0	4.0	14.2	3.2	2.2	39.0	8.3%	-5.0%	14.0%
005930 KS	Samsung Electron	South Korea	Technology	1371000	4.8	7.0	1.2	1.0	7.2	2.4%	-0.1%	-4.3%
914 HK	Anhui Conch-H	China	Materials	33.4	4.6	11.1	2.1	0.9	19.8	15.4%	16.0%	10.9%
358 HK	Jiangxi Copper-H	China	Materials	13.3	3.4	12.3	0.8	4.7	48.6	3.7%	-4.7%	-18.1%
941 HK	China Mobile	Hong Kong	Telco	73.7	3.4	10.9	1.4	4.7	43.3	0.4%	-8.3%	-9.9%

Source: Bloomberg, Standard Chartered

Closed trades (local currency)

Ticker	Name	Country	Sector	Closed Price	Initiation Date	Closed Date	P&L% TR Local
1818 HK	Zhaojin Mining-H	China	Materials	8.26	20130131	20130513	-29.3%
753 HK	Air China Ltd-H	China	Industrials	5.8	20130131	20130612	-11.6%
823 HK	Link Reit	Hong Kong	Financials	37.95	20130131	20130813	-4.0%
700 HK	Tencent Holdings	China	Technology	409.2	20130131	20130923	51.3%
SUN SP	Suntec Reit	Singapore	Financials	1.675	20130131	20130923	1.4%
BBRI IJ	Bank Rakyat Indo	Indonesia	Financials	7850	20130514	20130923	-15.6%
1114 HK	Brilliance China	Hong Kong	Discretionary	13.4	20130131	20131112	29.6%
2 HK	Clp Hldgs Ltd	Hong Kong	Utilities	61.45	20130131	20140120	-3.9%
KEP SP	Keppel Corp Ltd	Singapore	Industrials	10.94	20130131	20140120	1.9%
175 HK	Geely Automobile	Hong Kong	Discretionary	2.6	20130131	20140311	-34.4%
ICICIBC IN	Icici Bank Ltd	India	Financials	1198.15	20130131	20140311	2.3%

Source: Bloomberg, Standard Chartered
As of 9 April 2014

Asia Top30 – Stock Rationales

Asia Top30 stock rationales (pg1)

Company	Ticker	Sector	Rationale
AIA Group	1299 HK	Financials	Only insurer with pan-Asia exposure and wholly owned insurance operations in China. Structural tailwinds from low insurance penetration in Asia. Steeper yield curve to lead to higher reinvestment rates, resulting in stronger EV and value of New Business Growth.
Angang Steel	347 HK	Materials	One of the largest steel companies in China. Expected to be a long-term beneficiary from China's drive to consolidate industry's overcapacity and closing down of polluting, small mills.
Anhui Conch	914 HK	Materials	Product upgrades and fixed asset investment are key drivers for the company. Recovery of property and infrastructure investments is likely to drive demand outlook going forward. Sector dynamics are favourable, given the government has restricted capacity addition and is looking to consolidate the industry. Anhui, being one of the largest cement producers, should benefit.
Baidu ADR	BIDU US	Technology	The leading search engine in China with c.80% share by revenue. It is well positioned to benefit from a transition to mobile internet, with a large traffic base to monetise. Recent acquisition of 91 Wireless, the largest app distributor in China, further augments its mobile-related offerings.
Beijing Capital Int Airport	694 HK	Industrials	Beijing Capital Airport is the sole international airport in Beijing. It has two key segments: Aeronautical-related revenue (58% of total revenue in 2012) from fees levied on both passengers and airlines (landing fees) using its facilities, and Non-aeronautical-related revenue (42%). We expect the company to benefit from continued growth in passenger volume as well as Chinese airlines' plan to add capacity. Valuation is inexpensive against its own history.
BOC HK	2388 HK	Financials	Increased use of CNY in cross-border trade settlement business is supportive of BOC HK's CNY-related business. Loan growth outlook in Hong Kong is lacklustre.
CapitaCommercial Trust	CCT SP	Financials	CapitaCommercial Trust is one of largest office REITs in Singapore. It derives 91% of its net property income (as of September 2013) from Grade A and prime offices. A gradual pickup in prime office demand and limited new prime office supply in 2015 are supportive factors. Prime office rents bottomed in 2013 and started picking up on the back of better leasing activities.
Capitamalls Asia	CMA SP	Financials	A stock for longer-term holding, as management continues to build scale in China. Almost half of its retail mall portfolio is in China, where operating leverage is expected to improve after the initial investments over the past few years; potential capital recycling through the sales of its mature assets is a longer objective to improve ROE.
China Mobile	941 HK	Telco	First mover in the shift to higher speed LTE 4G. We expect China Mobile to benefit from rising data demand, given the strong growth in smartphone unit sales. Near-term risks from higher subsidies for iPhone and potential capex increase on its 4G network. We expect its attractive dividend yield of 4% to offer good valuation support.
China Resources Land	1109 HK	Financials	China Resources Land is one of the largest property developers in China. Its land bank is well diversified, with presence in more than 70 cities and focus on first and second tier cities. Demand and supply appears well balanced into 2014. Expect undersupply in first and second tier cities to continue, which should benefit CRL. Significant policy risks likely limited, though noise surrounding the implementation of property tax could resurface.
China Shenhua	1088 HK	Energy	A more defensive proxy within the China coal space. Further downside in coal prices is fairly limited, but upside is curbed by increased import supply as well as a continued ramp up in domestic capacity.
CIMB Group Holdings	CIMB MK	Financials	Expected to benefit from higher loan growth in Malaysia due to the Economic Transformation Programme. A steeper yield curve should lead to better investment opportunities. CIMB is one of the better managed banks in Malaysia. Recent capital raising is positive to boost capital adequacy. Potential risks from renewed IDR depreciation impacting profits from its Indonesia operations through Bank Niaga.
DBS Group	DBS SP	Financials	The largest Singapore bank with the best deposit franchise among peers; most leveraged to benefit from higher interest rates. Limited exposure to Southeast Asian countries relative to peers.
Hutchison Whampoa	13 HK	Industrials	Hutchison Whampoa is a diversified conglomerate listed in Hong Kong. We like the stock for its diversified exposure to ports, retail, property/hospitality, energy and infrastructure divisions. It should benefit from the continued recovery seen in European economies, with c.35% exposure to the EU. Asset divestments would be an additional driver for the share.
Hengan Intl	1044 HK	Staples	Continues to solidify its position as the market leader in hygiene products through new product launches. Better product mix and cost control should drive margin expansion over time. Also a small beneficiary of the abolishment of China's one-child policy.
Hutchison Ports Holdings	HPHT SP	Industrials	Largest port operator in the world, with key assets in Shenzhen and Hong Kong. Recent concerns over dividend cuts from lower throughput growth may be misplaced. Valuation is attractive, with dividend yield of c.8%~~,~~ supported by strong cash flow generation from its mature portfolio of port holdings.

Source: Standard Chartered

Asia Top30 – Stock Rationales (cont'd)

Asia Top30 stock rationales (pg2)

Company	Ticker	Sector	Rationale
ICBC 'H'	1398 HK	Financials	Favour larger banks within the banking sector, as they would be better positioned to withstand further tightening on the interbank markets and deposit liberalisation. Valuation is cheap, with c.7% dividend, though significant upside is probably limited.
Intime Department Store Group	1833 HK	Discretionary	Intime is a play on the shift to consumption in China. Performance has been lacklustre due to the ongoing anti-corruption campaign by policymakers. It has the best stores profile with more than half of its portfolio 2-5 years old, the best period to enjoy operating leverage. Its malls are well located in cities with low vacancy rates. We believe retail sales in China have likely bottomed, though any recovery is not visible yet.
Jiangxi Copper	358 HK	Materials	Jiangxi Copper is the largest copper producer and integrated copper mining and smelting company in China. It is one of the lowest cost producers in China and has a strong balance sheet (less than 20% gearing), allowing it to better weather severe industry conditions.
Kasikornbank	KBANK TB	Financials	Dominant player in SME banking in Thailand. Well leveraged to housing loans growth and corporate spending in Thailand. Macro unrest has impacted the stock and the valuation now looks more attractive.
Lenovo Group	992 HK	Technology	Lenovo is the largest notebook and consumer PC brand in the world. Near-term growth drivers to come from its smartphone segment, particularly in non-China EM sales, where margins are higher. A bottoming in the PC market and any recovery would provide upside to Lenovo. Lenovo continues to be on the lookout for M&A targets.
NetEase	NTES US	Technology	NetEase is one of the largest online game developers in China. Online games-related fees contributed to 87.8% of total revenue in 2012. The company's legacy games such as World of Warcraft, Westward Journey and Westward Journey II have been remarkably successful and helped the company acquire a large user base, generating stable recurring free cash flows. Key drivers to come from growth of new PC and mobile games, given the relative maturity of its legacy games.
Ping An Insurance 'H'	2318 HK	Financials	To benefit from reforms to China insurance. The expansion of healthcare insurance coverage, potential pricing liberalisation and further momentum in premium growth are key catalysts for the stock to get re-rated. Ping An has the largest life insurance agency force in China and would be well positioned in the policy drive towards more protection-related products; steeper yield curve to lead to higher reinvestment rates, resulting in stronger EV and value of new business growth.
Samsung Electronics	005930 KS	Technology	Samsung is a global leader in the tech industry, with market leadership in most of its segments (memory, panels, handsets, etc). Earnings momentum has been weak recently due to a slowdown in smartphone sales. While there are limited fresh significant catalysts to drive growth, we believe Samsung's earnings will likely remain resilient on the back of its well-diversified portfolio of products. Current valuation is very cheap.
Sands China	1928 HK	Discretionary	Proxy to mass gaming in Macau. To benefit from a lack of casino supply in Macau for the next two years. Upside from revenue growth and margins as utilisation improves.
Sina Corp ADR	SINA US	Technology	Sina Corp is one of the best known online companies in China. Its Sina.com (online advertising) portal focuses on news and media content; Weibo is a microblogging platform, sometimes known as the Twitter of China, which has over 400mn users. Rising monetisation of Weibo (China's no. 1 micro blog) to drive profit growth. Alliance with ecommerce platform Alibaba also offers significant upside.
Sinopec	386 HK	Energy	A key beneficiary of fuel price reform to a more market-based regime. Refining margins expected to improve on the back of improving demand. Shale gas development would be a longer-term positive.
Singapore Technologies	STE SP	Industrials	STE is expected to benefit from a recovery in Maintenance and Repair Orders (MRO), which is driven by higher global aircraft utilisation. A recovery in airlines' profitability, particularly in the US and Europe, will be supportive, given that c.40% of its revenue has exposure to these regions. The stock offers an attractive yield of c.5% with a strong net cash balance sheet.
Wharf Holding	4 HK	Financials	Wharf Holding is a diversified property developer in Hong Kong. Its exposure is mostly within Hong Kong and China with retail, residential and commercial assets. We like it for its over one-third exposure to HK prime retail, which we expect to do well from increasing tourist arrivals from China.
Wilmar International	WIL SP	Staples	Asia's largest integrated agriculture business. Valuation is inexpensive. Near-term drivers from margin recovery in the grains and seeds segment. Mandates to increase biodiesel-diesel blending in parts of Asia are positive for Wilmar, though any delay in the implementation of these mandates may post downside risks.

Source: Standard Chartered

Top30 – Results update

Name	Year	Quarter	Est. EPS	Reported EPS	Surprise%
PING AN INSURA-H	2013	:A	3.68	3.56	(3.18)
BEIJING CAP AI-H	2013	:A	0.32	0.31	(1.59)
CHINA MOBILE	2013	:A	6.249	6.050	(3.18)
CHINA RES LAND	2013	:A	1.561	1.501	(3.84)
CHINA PETROLEU-H	2013	:A	0.594	0.579	(2.53)
ANHUI CONCH-H	2013	:A	1.788	1.770	(1.06)
JIANGXI COPPER-H	2013	:A	0.903	1.030	14.06
INTIME RETAIL GR	2013	:A	0.448	0.389	(13.17)
HENGAN INTL	2013	:A	3.168	3.024	(4.55)
BOC HONG KONG HO	2013	:A	2.077	2.105	1.35
IND & COMM BK-H	2013	:A	0.743	0.750	0.94
WHARF HLDG	2013	:A	3.749	3.729	(1.71)
CHINA SHENHUA-H	2013	:A	2.193	2.304	5.06
SAMSUNG ELECTRON	2014	Q1	43,302.870	NA	NA
ANGANG STEEL-H	2013	:A	0.111	0.106	(4.50)

Sector and Country – Performance and Valuations

MSCI Asia ex-Japan Sectors (USD)

Name	Last Price	12m Fwd P/E	12m Fwd P/B	Div Yield%	Div Payout%	1M TR USD	YTD TR USD
Consumer Staples	437.4	21.0	2.8	1.8	46.1	3.9%	3.9%
Consumer Discretionary	615.6	11.4	1.8	1.9	22.7	2.9%	3.0%
Energy	646.2	9.5	1.1	3.7	36.4	4.5%	-0.7%
Financials	295.2	8.6	0.9	3.0	30.0	5.2%	0.3%
Healthcare	625.5	21.6	2.9	0.8	21.1	-0.4%	6.2%
Industrials	176.3	13.8	1.2	2.1	39.3	1.8%	0.8%
Information Technology	347.3	11.6	1.9	1.6	10.2	0.1%	5.6%
Materials	323.9	13.1	1.2	2.0	33.3	4.8%	-1.6%
Telecommunication Svs	135.1	13.9	1.8	4.3	57.9	2.7%	-2.1%
Utilities	224.4	13.0	1.5	2.4	43.3	3.9%	4.6%
Index	560.4	11.0	1.3	2.5	30.0	3.2%	1.8%

Source: Bloomberg, Standard Chartered

MSCI Asia ex-Japan Countries (local currency)

Name	Last Price	12m Fwd P/E	12m Fwd P/B	Div Yield%	Div Payout%	1M TR USD	YTD TR USD
China	61.1	8.8	1.3	3.2	29.8	2.1%	-3.3%
South Korea	583.5	9.2	1.0	1.1	11.2	4.3%	0.7%
Thailand	486.9	11.7	1.8	3.2	39.8	3.1%	8.9%
Singapore	1698.0	13.6	1.3	3.5	47.9	4.5%	1.0%
Hong Kong	12245.1	14.5	1.2	2.8	35.3	2.0%	0.5%
Indonesia	5814.8	14.6	3.0	2.3	N/A	8.3%	28.5%
India	863.8	14.5	2.2	1.4	23.2	5.5%	9.1%
Philippines	1129.1	18.5	2.7	2.1	43.3	2.1%	13.6%
Malaysia	659.8	15.6	2.0	3.2	47.9	2.5%	1.1%
Taiwan	315.6	11.1	1.2	2.7	N/A	3.4%	3.5%
Index	560.4	11.0	1.3	2.5	30.0	3.2%	1.8%

Source: Standard Chartered

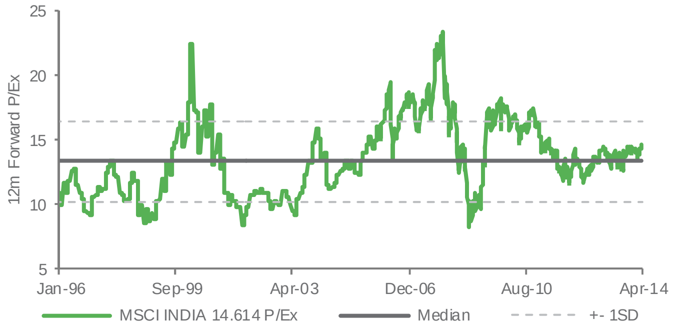
Asia ex-Japan Country Preferences

Country	View	Rationale
South Korea	OW	Cheap valuations. A DM and China recovery proxy
Taiwan	OW	Domestic growth seems to have bottomed, with potential upside from a recovery in DM tech demand
Hong Kong	N	Valuation is fair. We expect property/banks may likely be negatively impacted from higher rates and credit control in China
China	N	Mixed outlook as policymakers are more focused on controlling credit than growth
Thailand	N	Valuations look increasingly attractive, but continued political unrest remains a key risk
Singapore	N	Lack of domestic drivers, but market still offers attractive dividend yield
India	N	Monetary policy likely to stay tight in the near term, with potential impact on domestic growth
Indonesia	N	Valuations have corrected. Rupiah volatility, a key risk factor. Upcoming elections could pose uncertainty in the market
Malaysia	UW	Domestic growth is supportive but sustained ringgit weakness a potential risk.

Source: Standard Chartered
As of 9 April 2014

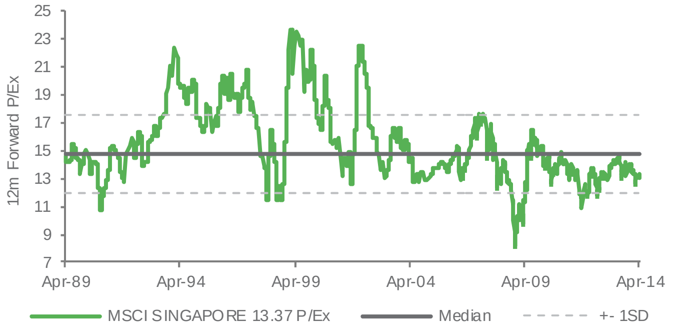
Valuations and Earnings revisions

12m Forward P/E – MSCI India

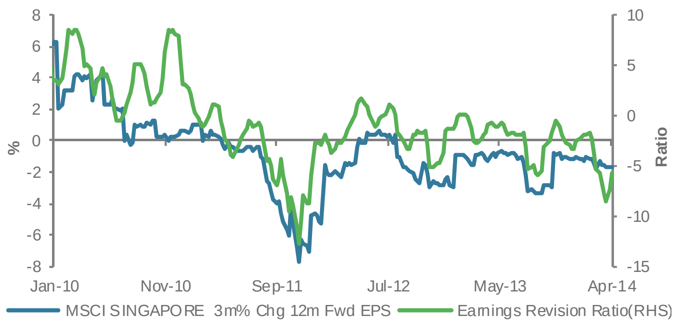


Earnings Revisions Ratio – MSCI India

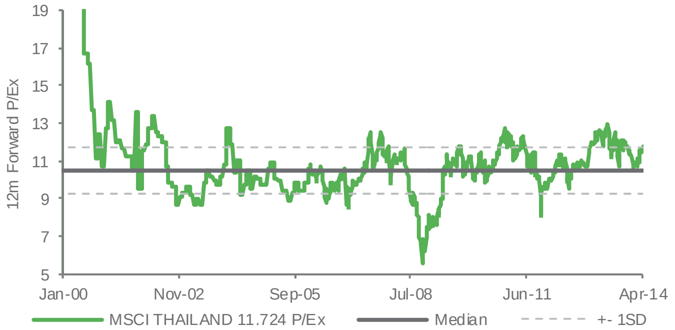
12m Forward P/E – MSCI Singapore



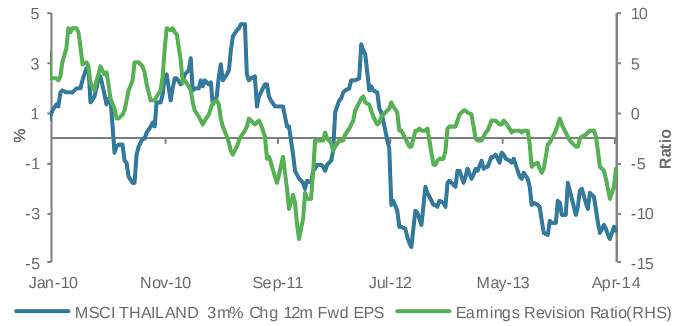
Earnings Revisions Ratio – MSCI Singapore



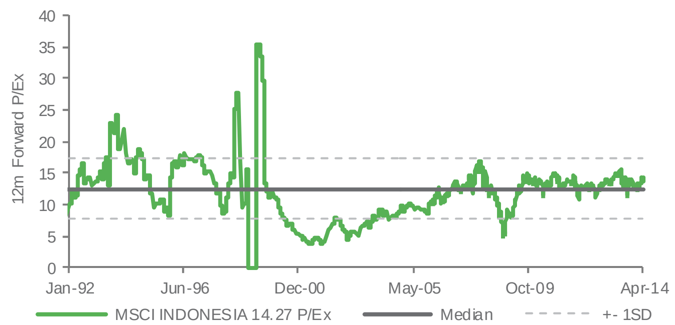
12m Forward P/E – MSCI Thailand



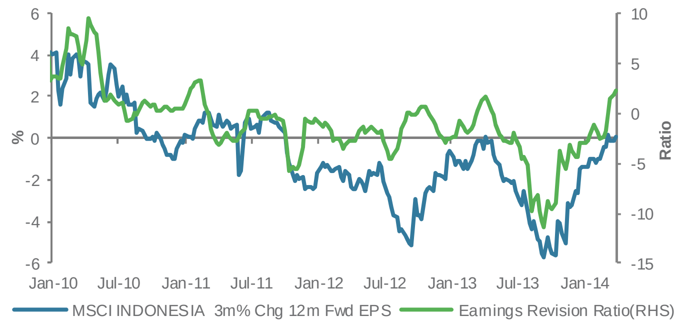
Earnings Revisions Ratio – MSCI Thailand



12m Forward P/E – Indonesia



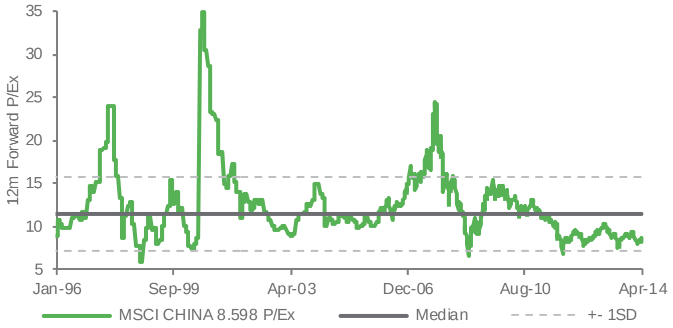
Earnings Revisions Ratio – Indonesia



Source: Datatream, Standard Chartered

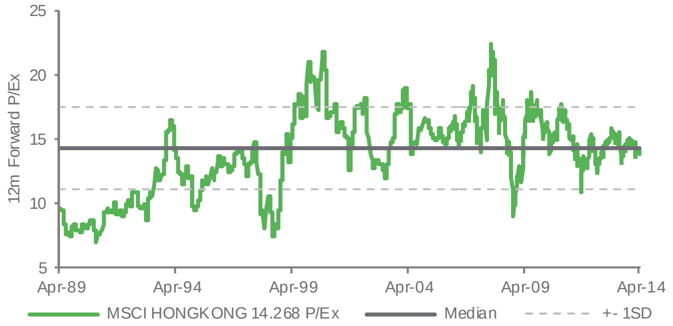
Valuations and Earnings revisions (cont'd)

12m Forward P/E – MSCI China

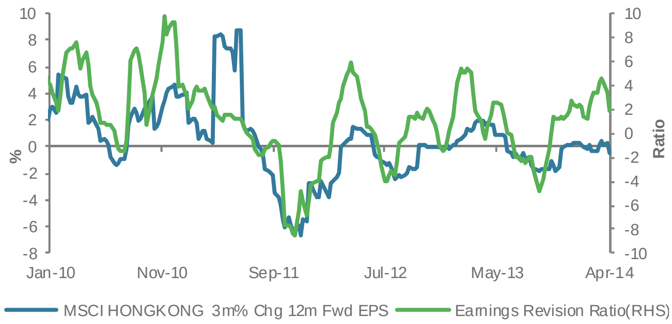


Earnings Revisions Ratio – MSCI China

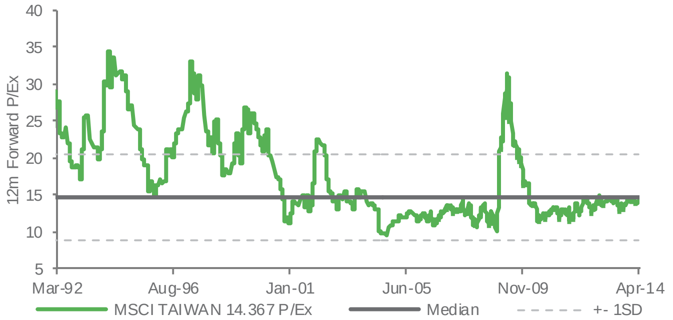
12m Forward P/E – MSCI Hong Kong



Earnings Revisions Ratio – MSCI Hong Kong



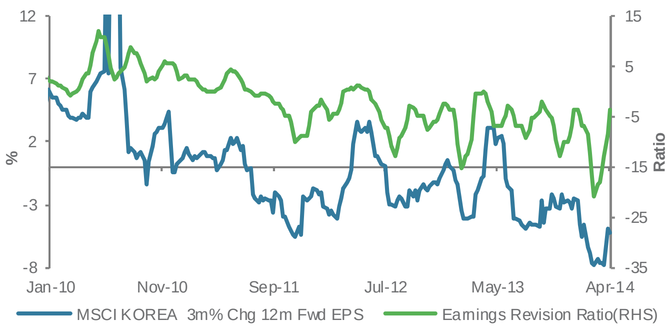
12m Forward P/E – MSCI Taiwan



Earnings Revisions Ratio – MSCI Taiwan

12m Forward P/E – South Korea

Earnings Revisions Ratio – South Korea



Source: Datastream, Standard Chartered

Definitions

YTD: Year to date.

ITD: Inception to date.

PT: Price Targets (SCB uses an investment horizon of 12 months for its price targets).

RSI: Relative Strength Index.

Relative Volatility index: A measure of the standard deviation of the daily price change.

MA: Moving Average.

Basket average performance: Basket average is the un-weighted performance of the shortlisted stocks

Consensus rating: A rating provided by Bloomberg which reflects the aggregation of all brokers rating for a particular stock. 1 is a Sell, while 5 is a Strong Buy.

P/E: Price/Earnings ratio. The Trailing P/E refers to 12m of trailing earnings, while the forward refers to 12m forecast earnings, against current price.

P/B: Price/Book ratio. The book value refers to total shareholder's equity, while the forward refers to 12m forecast book value, against current price.

EV/EBITDA: Enterprise value/Earnings Before Interest, Tax and Depreciation Amortisation.

Earnings revision ratio: Net earnings revision (upgrades - downgrades) / Total earnings revision (upgrades + downgrades)

ROE and ROA: Return on Equity (book value) and Return on Assets.

Dividend Yield: Dividend paid/ current price.

Net Interest Margin (NIM): Is a measure of difference between the net interest income generated from lending by financial institutions and the amount of interest paid out to their lenders (for example deposits)

Beta: Correlation between a stock and the market. Is based on two years of weekly data, but modified by the assumption that a security's beta moves toward the market average over time.

Total return: Capital appreciation + dividend income received.

Short term: Time horizon of 1-4 weeks.

Medium term: Time horizon of 3-6 months.

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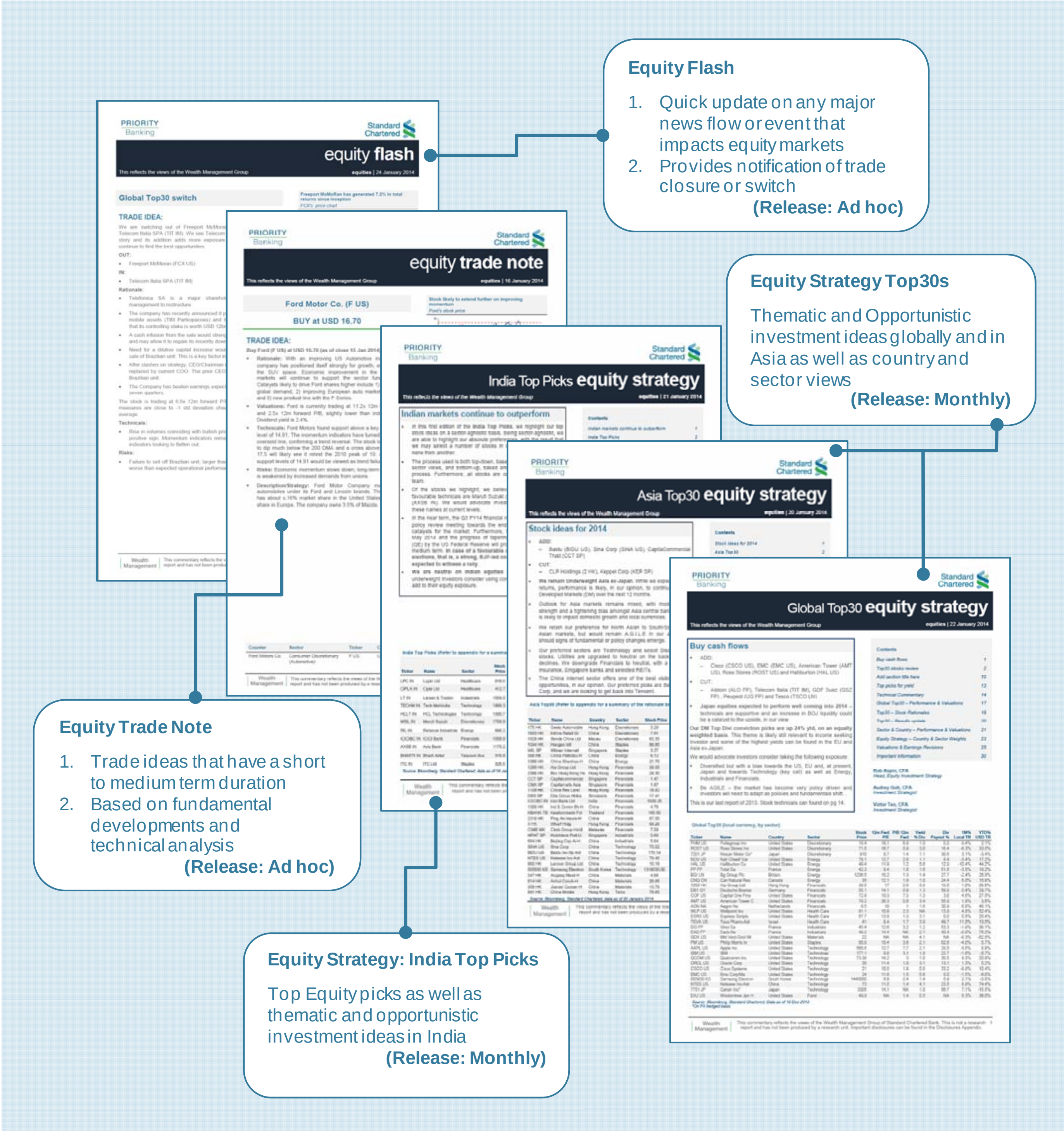
List of Equity Market Commentary Publications



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