

Equity | Taiwan | Electronics Manufacturing Services
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Right direction but tough competition ahead



RESEARCH

Tony Tseng, CFA >> +886 2 2376 3727
Research Analyst
Merrill Lynch (Taiwan)
tony_tseng@ml.com

Tina Chang, CFA >> +886 2 2376 3725
Research Analyst
Merrill Lynch (Taiwan)
tina_chang@ml.com

Daniel Kim, CFA >> +852 2536 3443
Research Analyst
Merrill Lynch (Hong Kong)
daniel_kim@ml.com

Alliance with Garmin for GPS smartphones

Asustek and Garmin today (4 Feb) announced a strategic alliance that will leverage expertise in phones and navigation to design, manufacture, and distribute co-branded location-centric smartphones (Garmin-Asus nüvifone). The companies expect to introduce several models in 2009 and the first one will be announced in Mobile World Congress during February 16-19.

Right direction but limited help

The alliance should open some opportunity for Asustek's loss-making phone division (2% of 2008 sales or US\$200mn; ~500,000 units) given Garmin's leading position at GPS/PND and strong brand in the US. However, contributions from this alliance should be limited and we expect its phone division to continue losing money in 2009 (NT\$1bn) and even 2010 given huge cost base (800 engineers).

Tough competition ahead

Smartphones remain one of the few bright IT sectors in 2009, while GPS functionality has been integrated over the past 2 years. Nokia, Apple (iPhone), and HTC (via the alliance of both Google for G1 and TomTom) have introduced a few models with decent feedback. Asustek and traditional GPS/PND brands such as Garmin, TomTom and Mitac, have been behind the competition.

Reiterate Underperform with PO of NT\$27

The earliest we would expect to revisit the stock would be late 2Q09 once inventories are digested, the expected slow season in 1H09 ends and initial feedback on new products flows in. The stock is still unattractive at BV of 0.85x if we adjust down inflated holding value at Pegatron. Asustek's 1Q analyst meeting is on 12 Feb.

Estimates (Dec)

(NT\$)	2006A	2007A	2008E	2009E	2010E
Net Income (mn) Taiwan GAAP	21,742	30,458	16,236	8,490	12,739
EPS (Pre Bonus)	5.121	7.173	4.249	2.222	3.334
EPS (Post Bonus)	3.368	5.739	3.824	2.000	3.000
EPS Change (YoY)	8.6%	70.4%	-33.4%	-47.7%	50.0%
Dividend / Share	1.20	1.73	1.80	1.50	2.00
Free Cash Flow / Share	(2.33)	4.64	0.719	5.55	4.36

* Taiwan GAAP changed from Pre Bonus to Post Bonus earnings from 2008.

Valuation (Dec)

	2006A	2007A	2008E	2009E	2010E
P/E (Post Bonus)	9.06x	5.31x	7.98x	15.25x	10.17x
Dividend Yield	3.95%	5.67%	5.90%	4.92%	6.56%
Free Cash Flow Yield*	-7.64%	15.20%	2.36%	18.20%	14.31%

* For full definitions of *iQmethod*SM measures, see page 8.

Stock Data

Price	NT\$30.50
Price Objective	NT\$27.00
Date Established	22-Jan-2009
Investment Opinion	C-3-7
Volatility Risk	HIGH
52-Week Range	NT\$29.50-NT\$91.84
Mrkt Val / Shares Out (mn)	US\$3,843 / 4,246.0
Average Daily Volume	39,741,490
ML Symbol / Exchange	AKCPF / TWO
Bloomberg / Reuters	2357 TT / 2357.TW
ROE (2008E)	8.8%
Net Dbt to Eqty (Dec-2007A)	-18.4%
Est. 5-Yr EPS / DPS Growth	-5.0% / 5.0%
Free Float	70.0%



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Refer to important disclosures on page 9 to 11. Analyst Certification on Page 6. Price Objective Basis/Risk on page 6.

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04 February 2009

iQprofileSM Asustek Computer Inc.

Key Income Statement Data (Dec)	2006A	2007A	2008E	2009E	2010E
(NT\$ Millions)					
Sales	560,235	755,361	763,218	683,440	715,759
Gross Profit	54,922	74,769	82,880	72,670	78,719
Sell General & Admin Expense	(34,569)	(46,098)	(65,833)	(62,538)	(61,197)
Operating Profit	20,353	28,672	17,047	10,132	17,522
Net Interest & Other Income	8,000	9,614	7,195	1,958	217
Associates	NA	NA	NA	NA	NA
Pretax Income	28,353	38,286	24,242	12,090	17,739
Tax (expense) / Benefit	(6,611)	(7,828)	(8,006)	(3,600)	(5,000)
Net Income (Adjusted)	21,742	30,458	16,236	8,490	12,739
Average Fully Diluted Shares Outstanding	4,246	4,246	4,246	4,246	4,246

Key Cash Flow Statement Data

Net Income	21,742	30,458	16,236	8,490	12,739
Depreciation & Amortization	4,687	2,239	2,710	3,197	3,754
Change in Working Capital	(30,878)	(15,595)	908	27,165	18,958
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	13,452	22,968	(2,383)	1,212	1,576
Cash Flow from Operations	9,003	40,069	17,471	40,064	37,027
Capital Expenditure	(18,897)	(20,383)	(14,416)	(16,500)	(18,500)
(Acquisition) / Disposal of Investments	(425)	(4,639)	(600)	(800)	(800)
Other Cash Inflow / (Outflow)	(1,313)	0	0	0	0
Cash Flow from Investing	(20,635)	(25,022)	(15,016)	(17,300)	(19,300)
Shares Issue / (Repurchase)	3,598	0	0	0	0
Cost of Dividends Paid	(3,848)	(8,910)	(7,849)	(7,948)	(8,911)
Cash Flow from Financing	13,268	(6,152)	(12,560)	(7,948)	(8,911)
Free Cash Flow	(9,894)	19,687	3,055	23,564	18,527
Net Debt	(26,417)	(33,443)	(29,176)	(41,474)	(49,178)
Change in Net Debt	4,268	(2,838)	5,394	(14,817)	(8,816)

Key Balance Sheet Data

Property, Plant & Equipment	52,199	63,177	74,526	87,509	101,919
Other Non-Current Assets	15,697	20,831	22,252	23,372	24,572
Trade Receivables	139,460	137,900	137,387	119,486	121,054
Cash & Equivalents	43,914	56,998	48,020	60,318	68,022
Other Current Assets	112,473	106,837	131,118	108,163	97,629
Total Assets	363,743	385,743	413,303	398,847	413,197
Long-Term Debt	12,750	16,389	13,111	13,111	13,111
Other Non-Current Liabilities	1,692	2,057	2,057	2,057	2,057
Short-Term Debt	4,747	7,166	5,733	5,733	5,733
Other Current Liabilities	201,395	178,829	202,713	187,716	198,238
Total Liabilities	220,584	204,441	223,614	208,617	219,139
Total Equity	143,162	181,301	189,688	190,230	194,058
Total Equity & Liabilities	363,746	385,742	413,302	398,847	413,197

iQmethodSM - Bus Performance*

Return On Capital Employed	11.4%	12.7%	5.6%	3.6%	6.1%
Return On Equity	17.2%	18.8%	8.8%	4.5%	6.6%
Operating Margin	3.6%	3.8%	2.2%	1.5%	2.4%
EBITDA Margin	4.5%	4.1%	2.6%	2.0%	3.0%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	0.4x	1.3x	1.1x	4.7x	2.9x
Asset Replacement Ratio	4.0x	9.1x	5.3x	5.2x	4.9x
Tax Rate (Reported)	23.3%	20.4%	33.0%	29.8%	28.2%
Net Debt-to-Equity Ratio	-18.5%	-18.4%	-15.4%	-21.8%	-25.3%
Interest Cover	45.4x	35.7x	NA	NA	NA

Key Metrics

Stock comp. adjusted ROIC	8.0%	11.1%	4.9%	3.2%	5.6%
Stock comp. adjusted ROE	12.0%	15.4%	7.9%	4.0%	6.0%
Stock comp. adjusted EPS	3.37	5.74	3.82	2.00	3.00
Stock comp. adjusted P/E	9.06x	5.31x	7.98x	15.25x	10.17x

* For full definitions of iQmethodSM measures, see page 8.

Company Description

Asustek Computer Inc. has expanded into notebook PCs, optical disk drivers, handsets & desktop PCs, in addition to its leading position in graphic cards & motherboards for desktop PCs. Asustek is the largest motherboard manufacturer, with about 30% of global share for both brand and key OEM customers - Intel, HP, & Dell. It has emerged as one of top 10 branded notebook PC names and supplies notebook PCs to Apple and Sony.

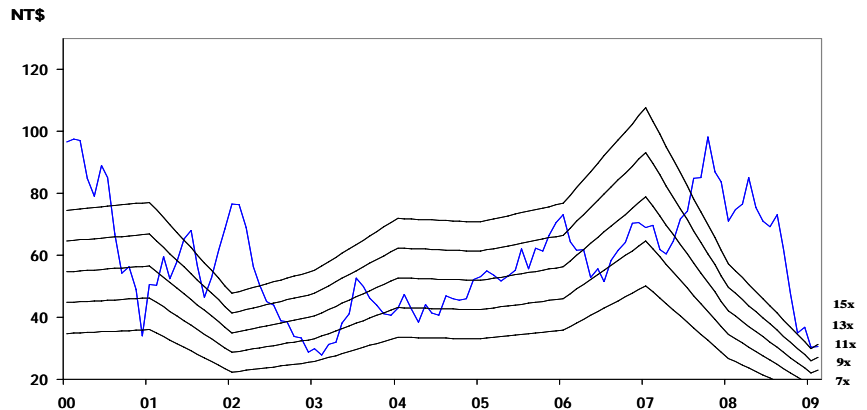
Investment Thesis

Our investment thesis is premised on (1) big YoY declines (-15-20%) in DT PC's use of motherboards and cards (20% of sales/30% of earnings) in 2009E, (2) sharp slowdown in select emerging markets (ie, Russia) from 4Q08, (3) stiffer competition facing Netbook (ie, from Acer) along with model transitions, and (4) slower outsourcing and lingering conflict of interest for ODM affiliate.

Stock Data

Price to Book Value 0.7x

Chart 1: Asustek forward PE band



Source: Banc of America Securities-Merrill Lynch estimates

Chart 2: Price performance for GPS/PND brands



Source: Bloomberg

Table 1: Asustek- valuation comparison

	BAS-ML Symbol	BAS-ML Rating	Price 4-Feb-09	Mkt Cap (US\$mn)	EPS (Local)		EPG		PER(x)		PBR (x)	ROE (%)		Cash Yield	Price YTD
					2008E	2009E	2008E	2009E	2008E	2009E	2008E	2008E	2009E		
HTC	HTCCF	C-3-7 Underpe	NT\$338.0	8,232	37.96	34.05	-1%	-10%	8.9	9.9	4.1	48%	41%	8%	3%
Acer	ASIYF	C-1-7 Buy	42.9	3,420	4.82	5.00	-4%	4%	8.9	8.6	1.4	15%	16%	9%	1%
Asustek	AKCPF	C-3-7 Underpe	30.5	4,178	3.82	2.00	-47%	-48%	8.0	15.3	0.7	9%	4%	6%	-17%
Compal	CMPLF	C-1-8 Buy	18.2	2,280	3.19	2.75	-9%	-14%	5.7	6.6	0.9	16%	13%	9%	6%
Wistron	WICOF	C-2-7 Neutral	24.8	1,213	4.80	4.62	10%	-4%	5.2	5.4	1.0	20%	18%	10%	0%
Mitac	MTCXF	C-3-8 Underpe	11.1	550	1.20	1.17	-66%	-3%	9.2	9.5	0.5	5%	5%	5%	-6%
Hon Hai	HNHAF	C-3-7 Underpe	61.0	14,590	8.53	7.71	-19%	-10%	7.2	7.9	1.1	16%	13%	3%	-5%
Lenovo	LNVEF	C-2-7 Neutral	HK\$1.5	1,706	0.12	0.13	-69%	14%	12.8	11.2	8.2	9%	11%	0%	-29%
Dell	DELL	C-2-9 Neutral	US\$9.8	19,340	1.40	1.38	21%	-1%	7.0	7.1	5.8	77%	68%	0%	-5%
HPQ	HPQ	B-1-7 Buy	36.1	93,625	3.63	3.87	24%	7%	9.9	9.3	2.4	24%	24%	1%	-1%
Nokia	NOK	B-1-7 Buy	12.5	46,334	2.06	1.02	63%	-51%	6.1	12.3	2.3	43%	37%	0%	-20%
Garmin	GRMN	C-3-7 Underpe	17.2	3,599	3.77	3.08	60%	-18%	4.6	5.6	1.5	43%	34%	0%	-10%
TomTom	TMOAF	C-2-9 Neutral	4.1	630	0.72	0.44	-64%	-38%	5.7	9.2	0.3	33%	10%	0%	-21%

Source: Banc of America Securities-Merrill Lynch estimates

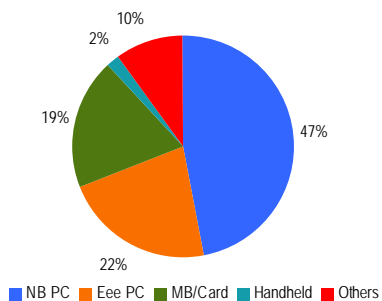
04 February 2009

Table 2: Asustek: Quarterly consolidated income statement for brand (bonus-adjusted from 1Q08)

NT\$m	1Q08	2Q08	3Q08	4Q08E	1Q09E	2Q09E	3Q09E	4Q09E	2008E	2009E	2010E
Sales	62,967	58,062	78,259	67,581	52,084	54,796	64,176	73,341	266,869	244,397	256,634
Cost of Sales	(49,441)	(44,617)	(61,363)	(59,883)	(43,991)	(45,677)	(52,702)	(59,292)	(215,304)	(201,662)	(208,685)
Gross Profit	13,527	13,445	16,896	7,698	8,093	9,119	11,474	14,049	51,565	42,735	47,949
Promotion	(4,471)	(6,795)	(8,452)	(8,786)	(5,990)	(6,028)	(6,610)	(7,334)	(28,503)	(25,961)	(26,947)
ADM	(693)	(627)	(830)	(879)	(781)	(822)	(898)	(968)	(3,028)	(3,470)	(3,388)
R&D Exp	(1,699)	(1,626)	(2,201)	(2,433)	(1,823)	(1,808)	(1,925)	(2,090)	(7,958)	(7,647)	(7,699)
Operating Expense	(6,862)	(9,048)	(11,482)	(12,097)	(8,594)	(8,658)	(9,434)	(10,392)	(39,489)	(37,078)	(38,033)
Operating Profit	6,664	4,397	5,414	(4,399)	(501)	461	2,040	3,656	12,076	5,657	9,915
Non-operating Income	2,770	2,220	2,082	1,380	810	860	1,410	1,810	8,453	4,890	6,210
Net Interest Income	108	9	26	30	60	60	60	60	173	240	260
Investment Income	838	980	1,842	700	100	200	600	900	4,360	1,800	2,750
Disposal Gain										0	
Exchange Gain	(137)	180	(450)	(200)					(607)	0	
Others	1,961	1,051	664	850	650	600	750	850	4,526	2,850	3,200
Pre-tax Profit	9,435	6,617	7,496	(3,019)	309	1,321	3,450	5,466	20,529	10,547	16,125
Tax Expense	(2,205)	(973)	(1,115)	0	(60)	(258)	(673)	(1,066)	(4,293)	(2,057)	(3,386)
Net Profit	7,230	5,644	6,380	(3,019)	249	1,064	2,777	4,400	16,235	8,490	12,739
EPS	1.70	1.33	1.50	-0.71	0.06	0.25	0.65	1.04	3.82	2.00	3.00
Ratio											
Gross Margin	21.5%	23.2%	21.6%	11.4%	15.5%	16.6%	17.9%	19.2%	19.3%	17.5%	18.7%
Operating Expense	-10.9%	-15.6%	-14.7%	-17.9%	-16.5%	-15.8%	-14.7%	-14.2%	-14.8%	-15.2%	-14.8%
Operating Margin	10.6%	7.6%	6.9%	-6.5%	-1.0%	0.8%	3.2%	5.0%	4.5%	2.3%	3.9%
Pre-tax Margin	15.0%	11.4%	9.6%	-4.5%	0.6%	2.4%	5.4%	7.5%	7.7%	4.3%	6.3%
Net Margin	11.5%	9.7%	8.2%	-4.5%	0.5%	1.9%	4.3%	6.0%	6.1%	3.5%	5.0%
Tax Rate	-23.4%	-14.7%	-14.9%	0.0%	-19.5%	-19.5%	-19.5%	-19.5%	-20.9%	-19.5%	-21.0%
Sequential Growth											
Sales		-8%	35%	-14%	-23%	5%	17%	14%		-8%	5%
Cost of Sales		-10%	38%	-2%	-27%	4%	15%	13%		-6%	3%
Gross Profit		-1%	26%	-54%	5%	13%	26%	22%		-17%	12%
Operating Expense		32%	27%	5%	-29%	1%	9%	10%		-6%	3%
Operating Profit		-34%	23%	-181%	-89%	-192%	342%	79%		-53%	75%
Non-operating Income		-20%	-6%	-34%	-41%	6%	64%	28%		-42%	27%
Pre-tax Profit		-30%	13%	-140%	-110%	328%	161%	58%		-49%	53%
Tax Expense		-56%	15%	-100%	#DIV/0!	328%	161%	58%		-52%	65%
Net Profit		-22%	13%	-147%	-108%	328%	161%	58%	-41%	-48%	50%

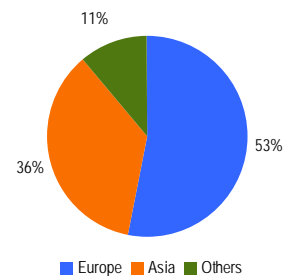
Source: Banc of America Securities-Merrill Lynch estimates, Company data

Chart 3: Asustek: Revenue breakdown for 3Q08



Source: Asustek

Chart 4: Asustek: Revenue breakdown by region for 3Q08



Source: Asustek

04 February 2009

Table 3: Asustek: Quarterly consolidated income statement (bonus-adjusted from 1Q08)

NT\$m	1Q08A	2Q08A	3Q08A	4Q08E	1Q09E	2Q09E	3Q09E	4Q09E	2007A	2008E	2009E	2010E
Sales	176,649	169,051	231,082	186,437	144,523	146,854	179,367	212,697	755,361	763,218	683,440	715,759
Cost of Sales	(157,146)	(149,682)	(203,597)	(169,914)	(128,875)	(131,558)	(160,385)	(189,951)	(680,592)	(680,339)	(610,770)	(637,040)
Gross Profit	19,503	19,369	27,485	16,522	15,647	15,296	18,981	22,746	74,769	82,880	72,670	78,719
Promotion	(7,124)	(9,775)	(12,091)	(12,118)	(8,671)	(8,224)	(9,506)	(10,635)	(29,708)	(41,109)	(37,036)	(36,504)
ADM	(2,256)	(2,420)	(3,543)	(3,729)	(2,890)	(2,790)	(3,193)	(3,616)	(7,288)	(11,947)	(12,489)	(12,168)
R&D Exp	(2,894)	(2,885)	(3,456)	(3,542)	(3,035)	(2,937)	(3,318)	(3,722)	(9,102)	(12,777)	(13,013)	(12,526)
Operating Expense	(12,274)	(15,080)	(19,089)	(19,389)	(14,597)	(13,951)	(16,017)	(17,973)	(46,098)	(65,833)	(62,538)	(61,197)
Operating Profit	7,229	4,289	8,396	(2,867)	1,050	1,345	2,964	4,773	28,672	17,047	10,132	17,522
Non-operating Income	3,498	2,816	494	388	(402)	319	914	1,128	9,912	7,195	1,958	217
Net Interest Income	131	177	61	160	160	150	160	180	832	529	650	700
Investment Income	107	2	374	25	30	30	30	30	423	508	120	150
Disposal Gain	2	150	112	50	50	50	50	50	(177)	314	200	250
Exchange Gain	792	1,605	(1,195)						4,359	1,202	0	
Others	2,466	882	1,142	153	(642)	89	674	868	4,475	4,643	988	(883)
Pre-tax Profit	10,727	7,104	8,890	(2,479)	649	1,664	3,877	5,900	38,583	24,242	12,090	17,739
Tax Expense	(2,785)	(1,060)	(1,453)	0	(100)	(300)	(700)	(1,000)	(7,828)	(5,297)	(2,100)	(3,200)
Minority Interest	(712)	(401)	(1,057)	(540)	(300)	(300)	(400)	(500)	(3,132)	(2,710)	(1,500)	(1,800)
Net Profit	7,230	5,644	6,380	(3,019)	249	1,064	2,777	4,400	27,624	16,236	8,490	12,739
EPS	1.70	1.33	1.50	-0.71	0.06	0.25	0.65	1.04	6.51	3.82	2.00	3.00
Ratio												
Gross Margin	11.0%	11.5%	11.9%	8.9%	10.8%	10.4%	10.6%	10.7%	9.9%	10.9%	10.6%	11.0%
Operating Expense	-6.9%	-8.9%	-8.3%	-10.4%	-10.1%	-9.5%	-8.9%	-8.5%	-6.1%	-8.6%	-9.2%	-8.6%
Operating Margin	4.1%	2.5%	3.6%	-1.5%	0.7%	0.9%	1.7%	2.2%	3.8%	2.2%	1.5%	2.4%
Pre-tax Margin	6.1%	4.2%	3.8%	-1.3%	0.4%	1.1%	2.2%	2.8%	5.1%	3.2%	1.8%	2.5%
Net Margin	4.1%	3.3%	2.8%	-1.6%	0.2%	0.7%	1.5%	2.1%	3.7%	2.1%	1.2%	1.8%
Tax Rate	-26.0%	-14.9%	-16.3%	0.0%	-15.4%	-18.0%	-18.1%	-16.9%	-20.3%	-21.8%	-17.4%	-18.0%
Sequential Growth												
Sales	-19%	-4%	37%	-19%	-22%	2%	22%	19%	35%	1%	-10%	5%
Cost of Sales	-20%	-5%	36%	-17%	-24%	2%	22%	18%	35%	0%	-10%	4%
Gross Profit	-16%	-1%	42%	-40%	-5%	-2%	24%	20%	36%	11%	-12%	8%
Operating Expense	-21%	23%	27%	2%	-25%	-4%	15%	12%	33%	43%	-5%	-2%
Operating Profit	-8%	-41%	96%	-134%	-137%	28%	120%	61%	41%	-41%	-41%	73%
Non-operating Income	17%	-19%	-82%	-22%	-204%	-179%	187%	23%	24%	-27%	-73%	-89%
Pre-tax Profit	-1%	-34%	25%	-128%	-126%	156%	133%	52%	36%	-37%	-50%	47%
Tax Expense	3%	-62%	37%	-100%	0%	200%	133%	43%	18%	-32%	-60%	52%
Net Profit	9%	-22%	13%	-147%	-108%	328%	161%	58%	44%	-41%	-48%	50%
EPS	9%	-22%	13%	-147%	-108%	328%	161%	58%	44%	-41%	-48%	50%

Source: Banc of America Securities-Merrill Lynch estimates

Price objective basis & risk

Asustek (AKCPF)

Our PO of NT\$27.0 is based on 9x P/E for 2H09E/1H10E and 0.6x P/Bv. 9x for its brand business is comparable with other brand companies in Taiwan (9x - Acer and HTC) given its earnings decline and slower restructuring.

Upside risks: (1) PC demand not as weak as projected, (2) better-than-expected margin management, (3) significant market share gain without sacrificing margins, and (4) much stronger demand in its upcoming Eee PCs from 1Q09.

Downside risks: (1) PC demand weaker than our already conservative forecast, (2) market share loss, particularly for Eee PCs, and/or (3) higher margin pressure.

Analyst Certification

I, Tony Tseng, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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04 February 2009

APR - Technology Hardware Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Acer, Inc	ASIYF	2353 TT	Tony Tseng, CFA
	BYD	BYDDF	1211 HK	Daniel Kim, CFA
	Cheil Industries	CLFUF	001300 KS	Simon Dong-je Woo, CFA
	Compal Electron	CMPLF	2324 TT	Tina Chang, CFA
	Coretronic	CCOCF	5371 TT	Jeffrey Su
	Delta Elect	DLTEF	2308 TT	Jeffrey Su
	Ju Teng Intl	JUTGF	3336 HK	Ronnie Ho
	LG Electronics	LGEAF	066570 KS	Daniel Kim, CFA
	Samsung Techwin	SGTWF	012450 KS	Simon Dong-je Woo, CFA
	Simplo Tech	SPLOF	6121 TT	Tina Chang, CFA
	TPV	TPVTF	903 HK	Daniel Kim, CFA
	Venture Corp.	VEMLF	VMS SP	Ronnie Ho
NEUTRAL				
	Alpha Networks I	AHNWF	3380 TT	Laura Chen
	AU Optronics	AUO	AUO US	Jeffrey Su
	AU Optronics	AUOPF	2409 TT	Jeffrey Su
	Foxconn Tech	FXTCF	2354 TT	Tony Tseng, CFA
	Kingboard	KBDCF	148 HK	Ronnie Ho
	Lenovo Group	LNVGF	992 HK	Daniel Kim, CFA
	Lenovo Group	LNVGY	LNVGY US	Daniel Kim, CFA
	Lite-On Tech	LOTZF	2301 TT	Jeffrey Su
	Merry Electron	MMECF	2439 TT	Laura Chen
	Qisda Corp	BNQCF	2352 TT	Jeffrey Su
	Shin Zu Shing	SZUSF	3376 TT	Tina Chang, CFA
	Sillitech	SLKCF	3311 TT	Laura Chen
	Wistron	WICOF	3231 TT	Tony Tseng, CFA
	Yageo Corp	YGEQF	2327 TT	Ronnie Ho
UNDERPERFORM				
	Asustek	AKCPF	2357 TT	Tony Tseng, CFA
	Catcher Tech	CHERF	2474 TT	Tony Tseng, CFA
	Chi Mei Opto	CMEOF	3009 TT	Jeffrey Su
	Chicony Elect	CCNYF	2385 TT	Tina Chang, CFA
	Compal Comm	CPCMF	8078 TT	Laura Chen
	Epistar Corp	EPIPF	2448 TT	Jeffrey Su
	Everlight Elec	EVLEF	2393 TT	Jeffrey Su
	Foxconn Intl Hld	FXCNF	2038 HK	Tony Tseng, CFA
	Gemtek Technolog	GKTTF	4906 TT	Laura Chen
	Hon Hai Prec.	HNHAF	2317 TT	Tony Tseng, CFA
	HTC Corp.	HTCCF	2498 TT	Tony Tseng, CFA
	InnoLux	INXDF	3481 TT	Jeffrey Su
	Inventec	IVCJF	2356 TT	Tina Chang, CFA
	Inventec Applian	IVAPF	3367 TT	Tina Chang, CFA
	Largan Precision	LGANF	3008 TT	Laura Chen
	LG Display Co., Ltd.	LPHLF	034220 KS	Jeffrey Su
	LG Display Co., Ltd.-A	LPL	LPL US	Jeffrey Su
	Mitac Intl	MTCXF	2315 TT	Tina Chang, CFA
	Quanta Computer	QUCPF	2382 TT	Tony Tseng, CFA
	Radiant	ROPTF	6176 TT	Jeffrey Su
	Samsung Elec M	SSEMF	009150 KS	Daniel Kim, CFA
	Samsung SDI	SSDIF	006400 KS	Daniel Kim, CFA
	Seoul Semicon	SLSOF	046890 KS	Simon Dong-je Woo, CFA
	Wellypower	XTTWF	3080 TT	Jeffrey Su
	ZTE Corp - H	ZTCOF	763 HK	Ronnie Ho

04 February 2009

***iQmethod*SM Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

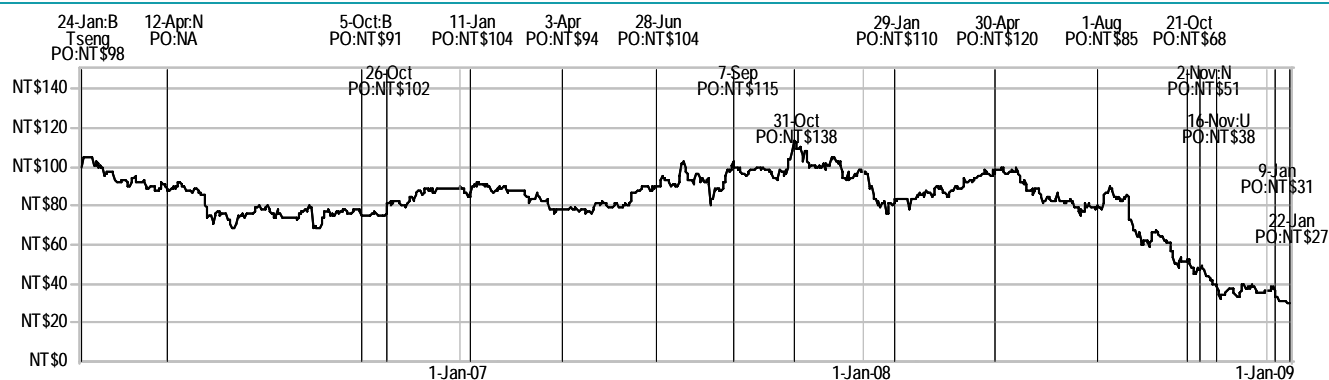
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AKCPF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of December 31, 2008 or such later date as indicated.

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Investment Rating Distribution: Electronics Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	26	24.76%	Buy	6	24.00%
Neutral	33	31.43%	Neutral	4	14.29%
Sell	46	43.81%	Sell	3	7.32%

Investment Rating Distribution: Global Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1297	38.46%	Buy	314	26.81%
Neutral	859	25.47%	Neutral	210	28.23%
Sell	1216	36.06%	Sell	229	20.71%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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