

Industrials
Airlines
 Equity – India

Underweight (V)

Target price (INR)	15.00
Share price (INR)	24.60
Forecast dividend yield (%)	0.0
Potential return (%)	-39

Note: Potential return equals the percentage difference between the current share price and the target price, plus the forecast dividend yield

Performance	1M	3M	12M
Absolute (%)	50.0	0.0	-49.4
Relative ^A (%)	35.2	-0.2	-48.3

Index^A BOMBAY SE IDX

RIC	SPJT.BO
Bloomberg	SJET IN
Market cap (USDm)	222
Market cap (INRm)	10,860
Enterprise value (INRm)	61,925
Free float (%)	56

Note: (V) = volatile (please see disclosure appendix)

7 February 2012

Mark Webb*

Analyst
 The Hongkong and Shanghai Banking
 Corporation Limited (HK)
 +852 2996 6574
 markwebb@hsbc.com.hk

Rajani Khetan*

Associate
 Bangalore

View HSBC Global Research at:
<http://www.research.hsbc.com>

*Employed by a non-US affiliate of
 HSBC Securities (USA) Inc, and is not
 registered/qualified pursuant to FINRA
 regulations

Issuer of report: The Hongkong and
 Shanghai Banking
 Corporation Limited

Disclaimer & Disclosures

This report must be read
 with the disclosures and
 the analyst certifications in
 the Disclosure appendix,
 and with the Disclaimer,
 which forms part of it

SpiceJet Ltd (SJET)

UW(V): No surprises in 3Q12 results, key concerns remain

- ▶ **3Q12 loss driven by higher costs and lower loads, in line with expectations at the operational level**
- ▶ **Outlook – upbeat on demand, but concerns on capacity, costs and rising debt remain; book value fast eroding**
- ▶ **Reiterate UW(V) and maintain TP at INR15, based on 9x EV/EBITDAR; policy risks key**

3Q12 results as expected at the operational level: SpiceJet reported a net loss of INR393m in 3Q12 (October-December 2011) vs. a profit of INR944m in 3Q11, 21% below our forecast loss of INR498m and significantly below consensus of INR1.1bn. On a y-o-y basis, the significantly weaker performance was caused by a 7ppt decline in the load factor and a 28% increase in unit costs, only partially offset by a 16% rise in unit revenue. The result was in line with our forecast at the EBIT level. However, a rise in other income above our forecast and slightly lower-than-expected net interest costs helped to narrow losses for SpiceJet and rendered losses 21% below our forecast at the reported level.

Lacks earnings and asset support: The better-than-expected yield performance drives the slight increase in our revenue and EBITDAR forecasts, but we increase our FY12-13 net loss forecasts for SpiceJet mainly to account of higher depreciation, lease and staff costs. Further, SpiceJet's fleet is largely leased, so it does not have any assets to support its rapidly eroding book value.

Reiterate UW(V), maintain target at INR15: We continue to value SpiceJet on its average one-year forward EV/EBITDAR multiple of 9x (the average that it traded at in September 2008-March 2010). Applying this to our new estimates gives us an unchanged target price of INR15 (rounded). The slight increases in our EBITDAR forecasts are offset by increased net debt level forecasts (including capitalised leases). We maintain our UW(V) rating on the stock.

Upside risks: Policy risk is key. The proposal to allow foreign airlines to own up to a 49% stake in Indian airlines was agreed upon by key ministers in January 2012 and is now waiting for cabinet approval. If and when this approval is granted, we believe it will likely be a potential positive catalyst for the stock. The other upside risks are a fall in fuel prices, appreciation of the INR versus the USD, and pricing and capacity discipline in the market.

Key financial data

YE March	EBITDAR INRm	EBIT INRm	HSBC NP INRm	EPS INR	HSBC EPS* INR	PE x	PB x	EV/EBITDAR x	EV/IC x
FY11	5,050	676	989	2.80	2.73	9.0	3.1	11.7	1.6
FY12e	1,562	-4,605	-4,266	-10.08	-10.08	-2.4	45.1	39.7	1.2
FY13e	6,299	-1,113	-1,119	-2.53	-2.53	-9.7	NA	11.7	1.2
FY14e	9,392	811	615	1.39	1.39	17.7	NA	8.8	1.2

Source: Company, HSBC estimates * Note: not diluted

Financials & valuation

Financial statements

Year to	03/2011a	03/2012e	03/2013e	03/2014e
Profit & loss summary (INRm)				
Revenue	28,795	38,946	48,888	57,077
EBITDA	765	-4,306	-625	1,467
Depreciation & amortisation	-89	-299	-488	-656
Operating profit/EBIT	676	-4,605	-1,113	811
Net interest	150	-233	-607	-827
PBT	1,259	-4,266	-1,119	615
HSBC PBT	1,236	-4,266	-1,119	615
Taxation	-247	0	0	0
Net profit	1,012	-4,266	-1,119	615
HSBC net profit	989	-4,266	-1,119	615

Cash flow summary (INRm)

Cash flow from operations	-570	-3,126	152	1,780
Capex	-3,152	-4,224	-4,066	-3,432
Cash flow from investment	-6,677	2,418	-2,366	-2,632
Dividends	0	0	0	0
Change in net debt	1,457	18,066	11,709	8,980
FCF equity	-3,722	-7,350	-3,914	-1,652

Balance sheet summary (INRm)

Intangible fixed assets	0	0	0	0
Tangible fixed assets	6,982	10,906	14,485	17,261
Current assets	4,114	5,407	3,924	3,810
Cash & others	1,922	3,083	1,471	1,250
Total assets	11,096	16,314	18,409	21,071
Operating liabilities	6,944	8,490	10,003	11,250
Gross debt	34,922	54,148	64,245	73,004
Net debt	32,999	51,065	62,774	71,754
Shareholders funds	3,211	241	-878	-263
Invested capital	36,294	51,389	61,980	71,575

Ratio, growth and per share analysis

Year to	03/2011a	03/2012e	03/2013e	03/2014e
Y-o-y % change				
Revenue	32.0	35.3	25.5	16.8
EBITDA	143.7	-662.7		
Operating profit	184.6	-781.1		
PBT	85.6	-438.8		
HSBC EPS	78.0	-514.0		

Ratios (%)

Revenue/IC (x)	0.9	0.9	0.9	0.9
ROIC	-4.6	-18.6	-9.3	-5.9
ROE	-938.7	-247.2	351.1	-107.9
ROA	10.5	-27.9	-1.4	8.2
EBITDA margin	2.7	-11.1	-1.3	2.6
Operating profit margin	2.3	-11.8	-2.3	1.4
EBITDA/net interest (x)				1.8
Net debt/equity	1027.7	21214.2	0.0	0.0
Net debt/EBITDA (x)	43.1	-11.9	-100.4	48.9
CF from operations/net debt			0.2	2.5

Per share data (INR)

EPS reported (fully diluted)	2.49	-10.08	-2.53	1.39
HSBC EPS (fully diluted)	2.43	-10.08	-2.53	1.39
DPS	0.00	0.00	0.00	0.00
Book value	7.92	0.55	-1.99	-0.60

Key forecast drivers

Year to	03/2011a	03/2012e	03/2013e	03/2014e
Capacity growth (ATK) %, y-o-y	19	32	18	18
Traffic (RTK) %, y-o-y	27	21	18	17
Overall load factor	83	76	76	75
Change in overall yield %, y-o	4	12	6	0
Change in unit costs per ATK %	9	18	-3	-5
Jet fuel price, post hedging (USD/bbl)	99	126	120	110

Valuation data

Year to	03/2011a	03/2012e	03/2013e	03/2014e
EV/sales	2.1	1.6	1.5	1.4
EV/EBITDA	11.7	39.7	11.7	8.8
EV/IC	1.6	1.2	1.2	1.2
PE*	9.0	-2.4	-9.7	17.7
P/Book value	3.1	45.1	NA	NA
REP**	2.8	NA	11.6	2.4
Dividend yield (%)	0.0	0.0	0.0	0.0

Note: * = Based on HSBC EPS (fully diluted) **EV/IC divided by ROIC/WACC

Price relative



Source: HSBC

Note: price at close of 06 Feb 2012

3Q12 results as expected at the operational level

SpiceJet reported a net loss of INR393m in 3Q12 (October-December 2011) versus a profit of INR944m in 3Q11 and 21% below our forecast loss of INR498m.

On a y-o-y basis, the significantly weaker performance was caused by a 7ppt decline in the load factor and a 28% increase in unit costs, only partially offset by a 16% rise in unit revenue.

The result was in line with our forecast at the EBIT level. However, a rise in other income (the nature of this headline figure is not known and makes it difficult to forecast) above our forecast and slightly lower-than-expected net interest cost helped to narrow losses for SpiceJet and rendered losses 21% below our forecast at the reported level.

1. 3Q12 financial results versus prior year and HSBC estimates

INRm	3Q12a	3Q11a	Change %	HSBC 3Q12e	Difference
Revenue	11,531	8,200	41%	10,253	12%
Staff	1,121	608	84%	876	28%
Depreciation	122	23	430%	30	301%
Fuel	5,923	3,115	90%	5,363	10%
Maintenance	1,190	683	74%	968	23%
Lease	1,600	1,060	51%	1,452	10%
Others	2,115	1,676	26%	2,085	1%
Operating costs	12,070	7,165	68%	10,773	12%
EBIT	-539	1,035	NA	-520	4%
Margin	-5%	13%	NA	-5%	0%
Others	227	85	166%	128	77%
Net finance cost	-81	59	NA	-106	-24%
Profit before tax	-393	1,180	NA	-498	-21%
Taxation	0	-235	-100%	0	NA
Profit after tax	-393	944	NA	-498	-21%
HSBC PAT	-393	929	NA	-498	-21%
EPS	-0.9	2.3	NA	-1.2	-21%
HSBC EPS	-0.9	2.3	NA	-1.2	-21%

Source: Company data, HSBC estimates

2. 3Q12 operating performance versus prior year and HSBC estimates

	3Q12a	3Q11a	Change %	HSBC 3Q12e	Difference
Traffic					
Overall (RTK m)	260	215	21%	250	4%
Passenger (RPK m)	2,888	2,392	21%	2,775	4%
Capacity					
Overall (ATK m)	325	246	32%	317	2%
Passenger (ASK m)	3,606	2,731	32%	3,524	2%
Load factor					
Overall	80%	88%	-7%	79%	1%
Passenger	80%	88%	-7%	79%	1%
Break-even load factor	84%	77%	7%	83%	1%
Yields and costs (INR)					
Overall (Rev/RTK)	44	38	16%	41	8%
Unit costs (Costs/ATK)	37	29	28%	34	9%
Unit costs (fuel)	18	13	44%	17	8%
Unit costs (ex-fuel)	19	16	15%	17	11%

Source: Company data, HSBC estimates

Mixed outlook

Despite the weak performance, the company remained upbeat on the demand outlook, “SpiceJet expects the demand scenario to remain robust and the domestic demand to be stable during Year 2012”. We, too, have been relaxed about the demand outlook, but our main concerns have been rising capacity risks, mounting debt and rising costs (jet fuel prices continue to remain high, although a slightly strengthening INR should offer some respite, and staff costs have increased significantly).

Finally, in the result release, the auditor drew attention to the fact that SpiceJet’s accumulating losses of approximately INR11bn have substantially eroded its net worth, echoing the concerns we highlighted in our recent update, dated 18 January 2012, [SpiceJet: Lower target, remain UW\(V\): Feeling the pinch](#)

Changes in our estimates

Set out in Table 3-4 below are the changes we have made to our forecasts. The better-than-expected yield performance drives the slight increases in our revenue and EBITDAR forecasts, but we increase our FY12-13 net loss forecasts and lower our FY14 profit estimate. The significant rise in staff and maintenance costs and depreciation charges primarily drives our estimate cuts. Further, given the yield rise witnessed in 3Q12, we argue further increases in yields will be capped.

3. Changes made to HSBC financial forecasts

INRm	New			Old		
	FY12e	FY13e	FY14e	FY12e	FY13e	FY14e
Revenues	38,946	48,888	57,077	36,777	46,388	53,810
EBITDAR	1,562	6,299	9,392	1,411	5,790	8,974
EBIT	-4,605	-1,113	811	-4,315	-651	1,360
PBT	-4,266	-1,119	615	-4,092	-796	1,062
Reported net profit	-4,266	-1,119	615	-4,092	-796	1,062
Recurring net profit	-4,266	-1,119	615	-4,092	-796	1,062
HSBC EPS (INR)	-10.1	-2.5	1.4	-9.7	-1.8	2.4

Source: HSBC estimates

4. Changes made to HSBC operating forecasts

	New			Old			Change		
	FY12e	FY13e	FY14e	FY12e	FY13e	FY14e	FY12e	FY13e	FY14e
Capacity growth (ATK) %, y-o-y	32%	18%	18%	30%	18%	18%	1%	0%	0%
Traffic (RTK) %, y-o-y	21%	18%	17%	21%	18%	16%	0%	0%	1%
Overall load factor	76%	76%	75%	77%	77%	75%	-1%	-1%	0%
Change in overall yield %, y-o-y	12%	6%	0%	6%	7%	0%	6%	-1%	0%
Change in unit costs per ATK %, y-o-y	18%	-3%	-5%	12%	-3%	-6%	5%	0%	1%
Jet fuel price, post hedging (USD/bbl)	126	120	110	126	120	110	0%	0%	0%

Source: HSBC estimates

Valuation and risks

Reiterate UW(V), maintain target at INR15

We continue to value SpiceJet on its average one-year forward EV/EBITDAR multiple of 9x (the average that it traded at in September 2008-March 2010). Applying this to our new estimates gives us an unchanged target price of INR15. The slight increases in our EBIDTAR forecasts are offset by increased net debt level forecasts (including capitalised leases).

Under our research model, for stocks with a volatility indicator, the Neutral band is 10ppts above and below the hurdle rate for India stocks of 11%. Our target price of INR15 implies a potential return of -39%, below the Neutral band; therefore, we are reiterating our Underweight (V) rating. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Upside risks

Policy risks. The proposal to allow foreign airlines to own up to a 49% stake in Indian airlines was agreed upon by key ministers in January 2012 and is now waiting for cabinet approval (refer to our note on 18 January 2012 "[Flying high on FDI but will there be any takers?](#)") If and when this approval is granted, we believe it will likely be a potential positive catalyst for the stock.

Others. The other upside risks are a fall in fuel prices, appreciation of the INR versus the USD, and pricing and capacity discipline in the market.

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), and/or strategist(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Mark Webb

Important disclosures

Stock ratings and basis for financial analysis

HSBC believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. Given these differences, HSBC has two principal aims in its equity research: 1) to identify long-term investment opportunities based on particular themes or ideas that may affect the future earnings or cash flows of companies on a 12 month time horizon; and 2) from time to time to identify short-term investment opportunities that are derived from fundamental, quantitative, technical or event-driven techniques on a 0-3 month time horizon and which may differ from our long-term investment rating. HSBC has assigned ratings for its long-term investment opportunities as described below.

This report addresses only the long-term investment opportunities of the companies referred to in the report. As and when HSBC publishes a short-term trading idea the stocks to which these relate are identified on the website at www.hsbcnet.com/research. Details of these short-term investment opportunities can be found under the Reports section of this website.

HSBC believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings and other considerations. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations. Investors should carefully read the definitions of the ratings used in each research report. In addition, because research reports contain more complete information concerning the analysts' views, investors should carefully read the entire research report and should not infer its contents from the rating. In any case, ratings should not be used or relied on in isolation as investment advice.

Rating definitions for long-term investment opportunities

Stock ratings

HSBC assigns ratings to its stocks in this sector on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, must exceed the required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands are classified as Neutral.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

*A stock will be classified as volatile if its historical volatility has exceeded 40%, if the stock has been listed for less than 12 months (unless it is in an industry or sector where volatility is low) or if the analyst expects significant volatility. However, stocks which we do not consider volatile may in fact also behave in such a way. Historical volatility is defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility has to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

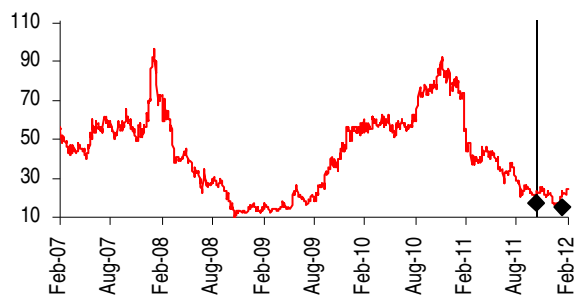
Rating distribution for long-term investment opportunities

As of 07 February 2012, the distribution of all ratings published is as follows:

Overweight (Buy)	53%	(26% of these provided with Investment Banking Services)
Neutral (Hold)	36%	(21% of these provided with Investment Banking Services)
Underweight (Sell)	11%	(13% of these provided with Investment Banking Services)

Share price and rating changes for long-term investment opportunities

Spicejet Ltd (SPJT.BO) Share Price performance INR Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
N/A	Underweight (V)	14 October 2011
Target Price	Value	Date
Price 1	17.00	14 October 2011
Price 2	15.00	17 January 2012

Source: HSBC

HSBC & Analyst disclosures

None of the below disclosures applies to any of the stocks featured in this report.

- 1 HSBC* has managed or co-managed a public offering of securities for this company within the past 12 months.
- 2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- 3 At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.
- 4 As of 31 December 2011 HSBC beneficially owned 1% or more of a class of common equity securities of this company.
- 5 As of 31 December 2011, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of investment banking services.
- 6 As of 31 December 2011, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-investment banking-securities related services.
- 7 As of 31 December 2011, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-securities services.
- 8 A covering analyst/s has received compensation from this company in the past 12 months.
- 9 A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.
- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
- 11 At the time of publication of this report, HSBC is a non-US Market Maker in securities issued by this company and/or in securities in respect of this company

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking revenues.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research.

* *HSBC Legal Entities are listed in the Disclaimer below.*

Additional disclosures

- 1 This report is dated as at 07 February 2012.
- 2 All market data included in this report are dated as at close 06 February 2012, unless otherwise indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.

Disclaimer

* Legal entities as at 04 March 2011

'UAE' HSBC Bank Middle East Limited, Dubai; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Taiwan) Corporation Limited; 'CA' HSBC Securities (Canada) Inc, Toronto; HSBC Bank, Paris Branch; HSBC France; 'DE' HSBC Trinkaus & Burkhardt AG, Düsseldorf; 000 HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt SAE, Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; 'GR' HSBC Securities SA, Athens; HSBC Bank plc, London, Madrid, Milan, Stockholm, Tel Aviv; 'US' HSBC Securities (USA) Inc, New York; HSBC Yatirim Menkul Degerler AS, Istanbul; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; HSBC Bank Brasil SA – Banco Múltiplo; HSBC Bank Australia Limited; HSBC Bank Argentina SA; HSBC Saudi Arabia Limited; The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch

Issuer of report

The Hongkong and Shanghai Banking Corporation Limited

Level 19, 1 Queen's Road Central

Hong Kong SAR

Telephone: +852 2843 9111

Telex: 75100 CAPEL HX

Fax: +852 2596 0200

Website: www.research.hsbc.com

This document has been issued by The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in the conduct of its Hong Kong regulated business for the information of its institutional and professional customers; it is not intended for and should not be distributed to retail customers in Hong Kong. The Hongkong and Shanghai Banking Corporation Limited is regulated by the Securities and Futures Commission. All enquires by recipients in Hong Kong must be directed to your HSBC contact in Hong Kong. If it is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. HSBC has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of the Research Division of HSBC only and are subject to change without notice. HSBC and its affiliates and/or their officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). HSBC and its affiliates may act as market maker or have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report.

In the UK this report may only be distributed to persons of a kind described in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. The protections afforded by the UK regulatory regime are available only to those dealing with a representative of HSBC Bank plc in the UK. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. This publication is distributed in New Zealand by The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch.

In Japan, this publication has been distributed by HSBC Securities (Japan) Limited. It may not be further distributed in whole or in part for any purpose. In Korea, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. HBAP SLS is regulated by the Financial Services Commission and the Financial Supervisory Service of Korea.

© Copyright. The Hongkong and Shanghai Banking Corporation Limited 2012, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited. MICA (P) 208/04/2011 and MICA (P) 040/04/2011