Friday, 10 January 2014

Asian Daily (Asia Edition)

EPS, TP and Rating changes

	EPS		TP		
(% change)	T+1	T+2	Chg	Up/Dn	Rating
Citic Securities	(5)	2	0	(13)	N (N)
Haitong Securities	(12)	2		—	R (R)
Shenzhou International	(1)	(3)	28	21	O (O)
Luk Fook Holdings	(1)	(2)	(10)	(21)	U (N)
Sa Sa Intern'l Holding	(5)	(8)	(7)	0	N (O)
Tata Motors Ltd.	1	6	2	22	O (O)
Asustek	1	4	4	(32)	U (U)
Siam Cement	1	2	0	3	N (U)
Galaxy				31	O (NA)
Swire Properties	0	(4)		43	O (O)
Hongkong Land	0	2		35	O (O)
Champion REIT	0	5		23	O (O)
Compal	2	2		18	O (O)
Wistron	(1)	(2)		(17)	U (U)

Connecting clients to corporates

Singapore

Mapletree Industrial Trust (MAPI.SI)

Date 22 January, Singapore
Analyst Yvonne Voon

Others

PT Indoritel Makmur International Tbk

Date 13 January, Kuala Lumpur
Analyst Ella Nusantoro

Bursa Malaysia (BMYS.KL)

Date 15 January, Kuala Lumpur
Analyst Ting Min Tan

Exploration and Production & Offshore and Marine Corporate Days

Date 21-22 January, Singapore

Asian Investment Conference 2014

Date 24-28 March, Hong Kong

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17th Asian Investment Conference
24-28 March, 2014, Hong Kong

Top of the pack ...

Tata Motors Ltd. (TAMO.BO) – Maintain O — **Jatin Chawla (3)**
New report: The story has more legs—Part 2

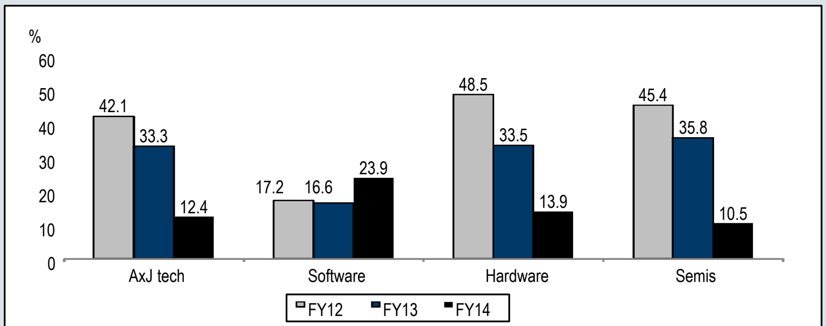
Hong Kong Office Sector — **Joyce Kwock (4)**
New report: Accelerating recovery in 2014

Thailand Petrochemicals Sector — **Pawaromon (Poom) Suvarnatemee, CFA (5)**
New report: Not just a place to hide

CS pic of the day

MSCI AxJ Tech—EPS growth by sub-sector (%)

In our report, Asia Technology Strategy: Decelerating micro; accelerating macro, we argue that 2014 earnings growth should decelerate to 12% (from 33% for 2013), primarily on decelerating EPS growth in semis and hardware companies, as the plateauing operating margins are taking a toll on profit growth.



Source: MSCI, Factset, IBES

... and the whole pack

Regional

Jump-Start — **Manish Nigam (6)**
Internet Finance: A force of creative destruction? — Jump-Start highlights the best of our research this week

Asia-Pacific Liner Shipping Sector – Maintain UW — **Timothy Ross (7)**
2014: A struggle to stay afloat... a view from the TSA

China

China Economics — **Dong Tao (8)**
December inflation surprises to the downside

China Brokers – Maintain OW — **Frances Feng (9)**
Strong growth in SME / ChiNext boards (and IPO pipeline)

Citic Securities (6030.HK) – Maintain N — **Frances Feng (10)**
Better results than peers, but likely losses in fixed income as well

Haitong Securities (6837.HK) – R — **Frances Feng (11)**
Rising yields causing continued losses

China Environment Sector — **Trina Chen (12)**
How much has been priced in; we remain positive

China Coal Sector — **Trina Chen (13)**
Negative demand outlook, downside in spot prices

China IPPs Sector – Maintain UW — **Dave Dai, CFA (14)**
Short-term gain and long-term pain

Franshion Properties (China) Limited (0817.HK) – Maintain O — **Jinsong Du (15)**
FY13 contracted sales exceeded targets; expected to outperform peers in 2014E

Asian indices – performance

(% change)	Latest	1D	1W	3M	YTD
ASX300	5277	0.2	(0.8)	3.4	(0.5)
CSEALL	6069	0.2	1.7	1.9	2.6
Hang Seng	22787	(0.9)	(2.4)	(0.7)	(2.2)
H-SHARE	10153	(1.7)	(5.2)	(2.9)	(6.1)
JCI	4201	0.0	(2.9)	(6.4)	(1.7)
KLSE	1828	(0.2)	(1.3)	2.9	(2.1)
KOSPI	1946	(0.7)	(1.1)	(2.8)	(3.2)
KSE100	26373	0.1	1.6	21.8	4.4
NIFTY	6168	(0.1)	(0.8)	2.7	(2.2)
NIKKEI	15880.3	(1.5)	(1.8)	11.9	(2.5)
TOPIX	1296.8	(0.7)	0.5	10.1	(0.4)
PCOMP	5938	(0.8)	(0.8)	(7.7)	0.8
RED CHIP	4395	(0.6)	(3.7)	(2.8)	(3.5)
SET	1258	0.0	2.2	(13.3)	(3.1)
STI	3145	(0.2)	(0.9)	(0.8)	(0.7)
TWSE	8515	(0.5)	(1.1)	2.0	(1.1)
VNINDEX	517	0.6	2.5	4.5	2.4

Thomson Financial Datastream

Asian currencies (vs US$)

(% change)	Latest	1D	1W	3M	YTD
A$	1.1	(0.3)	(0.2)	(5.9)	(0.3)
Bt	33.0	(0.0)	(0.1)	(4.9)	(1.0)
D	21095.0	0.0	0.1	0.0	-
JPY	104.8	(0.2)	0.0	(7.1)	0.5
NT$	30.2	0.3	(0.7)	(2.3)	(1.2)
P	44.7	(0.3)	(0.5)	(3.4)	(0.6)
PRs	105.5	(0.1)	0.0	0.5	(0.2)
Rp	12193.0	(0.0)	(0.3)	(8.0)	(0.2)
Rs	62.1	(0.4)	0.3	(0.2)	(0.4)
S$	1.3	0.2	(0.3)	(1.7)	(0.6)
SLRs	130.7	0.1	0.0	0.3	0.1
W	1062.7	(0.4)	(1.2)	1.4	(1.2)

Thomson Financial Datastream

Global indices

(% change)	Latest	1D	1W	3M	YTD
DJIA	16451.1	(0.1)	0.1	11.1	(0.8)
S&P 500	1836.2	(0.1)	0.2	10.9	(0.7)
NASDAQ	4159.1	(0.2)	0.4	13.1	(0.4)
SOX	532.1	(0.7)	0.8	9.7	(0.6)
EU-STOX	2912.1	(0.6)	0.6	7.2	(0.3)
FTSE	6691.3	(0.5)	(0.4)	5.6	(0.9)
DAX	9421.6	(0.8)	0.2	10.6	(1.4)
CAC-40	4225.1	(0.8)	(0.1)	2.4	(1.6)
10 YR LB	3.0	(0.4)	(0.4)	11.8	(1.7)
2 YR LB	0.4	1.0	12.9	20.1	13.0
US$:E	1.4	0.1	(0.6)	0.5	(1.1)
US$:Y	104.8	0.1	0.0	(7.1)	0.5
BRENT	106.6	(0.3)	(0.8)	(2.1)	(3.8)
GOLD	1228.7	0.2	0.3	(5.9)	1.9
VIX	13.0	1.0	(8.6)	(33.7)	(5.2)

Thomson Financial Datastream

MSCI Asian indices – valuation & perf.

	EPS grth.		P/E (x)		Performance		
MSCI Index	13E	14E	13E	14E	1D	1M	YTD
Asia F X Japan	18	12	11.6	10.3	0.0	-3.5	(2.5)
Asia Pac F X J.	14	12	12.1	10.8	0.0	-2.3	(2.1)
Australia	(2)	10	16.2	14.8	(0.3)	0.9	(1.2)
China	11	10	9.5	8.6	(1.3)	-7.3	(4.1)
Hong Kong	11	11	16.1	14.6	(0.6)	-0.9	(0.9)
India	15	16	14.6	12.6	0.1	-2.8	(2.0)
Indonesia	17	16	12.9	11.1	0.4	-0.9	(1.5)
Japan	34	50	26.6	17.7	1.8	3.9	0.1
Korea	33	13	8.8	7.7	(0.7)	-4.9	(4.8)
Malaysia	1	10	16.4	15.0	(0.2)	-2.8	(2.1)
Pakistan	14	18	9.8	8.3	0.03	4.8	3.3
Philippines	8	13	18.2	16.9	(0.7)	-2.5	0.2
Singapore	2	9	14.1	12.9	(0.3)	-1.4	(2.0)
Sri Lanka	16	11	14.7	13.2	(0.5)	8.0	2.8
Taiwan	33	12	15.4	13.8	(0.7)	-2.0	(2.9)
Thailand	19	13	10.8	9.6	(0.1)	-9.9	(2.5)

* IBES estimates

Shenzhou International (2313.HK) – Maintain O — **Eva Wang (16)**
Cambodia factory resumes production as scheduled; long-term growth prospects intact

Hong Kong

Hong Kong Office Sector — **Joyce Kwock (4)**
New report: Accelerating recovery in 2014

Luk Fook Holdings International (0590.HK) – Downgrade to U — **Isis Wong (17)**
Sales momentum slowed down faster than peers to trigger a de-rating

Sa Sa International Holding (0178.HK) – Downgrade to N — **Isis Wong (18)**
3Q FY14 SSSG +15.8% in HK and Macau at the expense of gross margin

Standard Chartered Plc (2888.HK) – Maintain U — **Sanjay Jain (19)**
Reorganisation of business and senior management departures

India

Tata Motors Ltd. (TAMO.BO) – Maintain O — **Jatin Chawla (3)**
New report: The story has more legs—Part 2

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Indonesia Economics — **Robert Prior-Wandesforde (20)**
Bank Indonesia Meeting: Is that it?

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SPH REIT (SPHR.SI) – Maintain N — **Yvonne Voon (21)**
Inaugural results in line with prospectus forecast: Healthy reversions continue at Paragon

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Korea Economics — **Christiaan Tuntono (22)**
The BoK stays on hold in the beginning of 2014, turning more positive on the domestic economy

Hyundai Development (012630.KS) – Maintain O — **Minseok Sinn (23)**
The year of a sharp turnaround kicks off

Taiwan

Asia Hardware Sector — **Thompson Wu (24)**
December monthly sales supporting our pair trade: Compal (OP-rated) / Wistron (UP-rated)

Asustek (2357.TW) – Maintain U — **Thompson Wu (25)**
Affordable ZenFone at CES casts shadow on L-T profitability

Thailand

Thailand Petrochemicals Sector — **Paworamon (Poom) Suvarnatemee, CFA (5)**
New report: Not just a place to hide

Siam Cement (SCC.BK) – Upgrade to N — **Paworamon (Poom) Suvarnatemee, CFA (26)**
Petrochemical: The only growth driver in 2014

O=Outperform N=Neutral U=Underperform R=Restricted OW= Overweight MW=Market Weight UW=Underweight

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Top of the pack ...

Tata Motors Ltd. --- Maintain OUTPERFORM

New report: The story has more legs—Part 2 **EPS: ▲ TP: ▲**

Jatin Chawla / Research Analyst / 91 22 6777 3719 / jatin.chawla@credit-suisse.com
Akshay Saxena / Research Analyst / 91 22 6777 3825 / akshay.saxena@credit-suisse.com

- JLR is gearing up to double capacity in four years. The higher outlay on capex with a bias towards spends for capacity expansion (60%) rather than product development is an indication of the company's confidence on volumes. Full report
- JLR until now almost had a platform per model which has resulted in more platforms than peers despite selling a fourth of their volumes. Going forward, it is likely to focus on three main platforms against seven currently. This platform consolidation should result in JLR doubling the models/platform and almost tripling the volumes/platform.
- Given the kind of savings that other manufacturers have seen, we assume 20% savings on models undergoing platform consolidation. After accounting for the spends on new platforms, we believe an annual saving of ~GBP1 bn (>300 bp) is possible by FY18, which should offset impact of negative mix from FY16.
- The key near-term trigger for stock is RR and RR Sport scale-up—the two models which combined contribute ~70% to JLR's EBITDA. We raise our earnings estimates by ~6% on higher volume assumptions at JLR. Our TP increases to Rs450.

Bbg/RIC	**TTMT IN / TAMO.BO**	**Price (08 Jan 14, Rs)**			**370.25**
Rating (prev. rating)	**O (O)**	**TP (prev. TP Rs)**			**450.00 (440.00)**
Shares outstanding (mn)	2,736.71	Est. pot. % chg. to TP			22
Daily trad vol - 6m avg (mn)	8.2	52-wk range (Rs)			399.9 - 255.3
Daily trad val - 6m avg (US$ mn)	45.6	Mkt cap (Rs/US$ bn)			1,013.3/ 16.3
Free float (%)	66.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Tata Sons	Absolute (%)	(5.2)	(3.9)	13.3
		Relative (%)	(2.7)	(4.8)	8.0

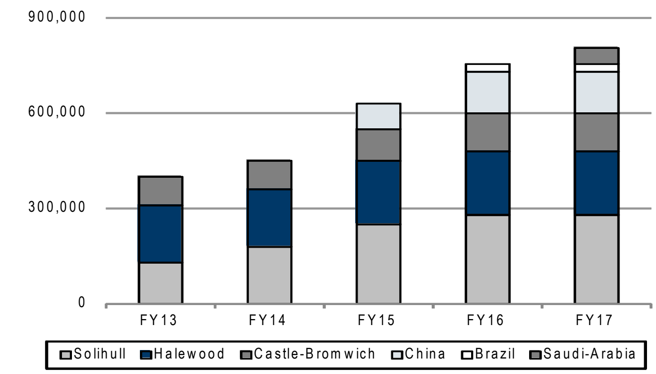
Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (Rs mn)	1,656,545	1,888,176	2,356,073	2,709,395	3,142,644
EBITDA (Rs mn)	237,005	265,689	364,543	426,473	484,670
Net profit (Rs mn)	135,165	98,926	140,505	166,507	187,450
EPS (Rs)	42.6	31.0	44.0	52.2	58.8
- Change from prev. EPS (%)	n.a.	n.a.	1	6	6
- Consensus EPS (Rs)	n.a.	n.a.	42.4	50.5	57.7
EPS growth (%)	46.4	(27.2)	42.0	18.5	12.6
P/E (x)	8.7	11.9	8.4	7.1	6.3
Dividend yield (%)	1.2	0.6	1.3	1.3	1.3
EV/EBITDA (x)	5.5	5.0	3.7	3.1	2.6
P/B (x)	3.5	3.1	2.4	1.8	1.4
ROE (%)	51.7	28.0	32.0	28.8	25.3
Net debt(cash)/equity (%)	86.4	85.5	69.7	49.3	29.0

Note 1: ORD/ADR=5.00. Note 2: Tata Motors Limited (Tata Motors) is an automobile company. The company is engaged mainly in the business of automobile products consisting of all types of commercial and passenger vehicles, including financing of the vehicles sold by the company.

Click here for detailed financials

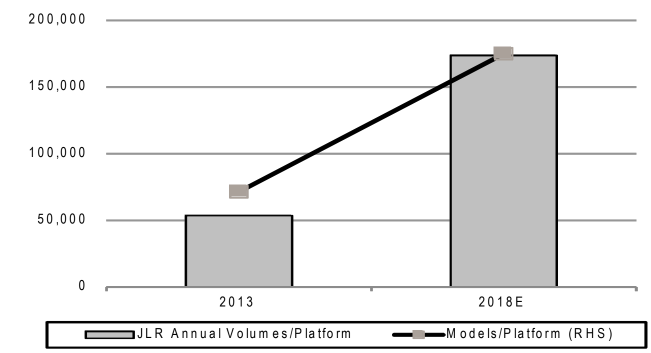
Until last year, the company had negligible platform sharing between models; in most cases, one platform was dedicated for each model (in some cases two models sharing a platform like Freelander, Evoque on same). JLR now intends to consolidate its platforms (from ten models on seven platforms it will move to 14 models on four platforms by 2018). This will enable in greater sharing of parts and operations across models, lower development times (so for new RR Sport lesser development cost and effort than for new RR given same architecture), and hence can provide significant cost upside over a longer time period.

Figure 1: Capacity of 800,000 units by 2017



Source: Company data, Credit Suisse estimates

Figure 2: Models/platform will double at JLR; volumes/platform triple



Source: Company data, Credit Suisse estimates

Figure 3: Platform consolidation can lead to ~GBP1 bn savings by FY18, offsetting negative mix

	FY15E	FY16E	FY17E	FY18E
Volumes LR modular	143,952	143,952	201,511	231,711
Jaguar modular	15,000	118,412	157,174	190,580
Applicable revenues	10,052	14,863	18,447	21,879
Cost base (60%)	6,031	8,918	11,068	13,128
Savings (20%)	1,206	1,784	2,214	2,626
Development costs	500	500	500	500
Benefit kept (50%)	353	642	857	1,063
Savings (GBP mn)	**353**	**642**	**857**	**1,063**

Source: Company data, Credit Suisse estimates

Figure 4: With slightly higher RR and RR Sport volumes, EPS should increase significantly

	FY15	If 10,000 extra volumes of both RR, RR Sport	Change
RR	50,384	60,384	10,000
RR Sport	93,568	103,568	10,000
JLR volumes	482,477	502,477	4%
JLR revenues	22,495	23,872	6%
JLR EBITDA	3,762	4,143	10%
Consol EPS	52.2	60	15%

Source: Company data, Credit Suisse estimates

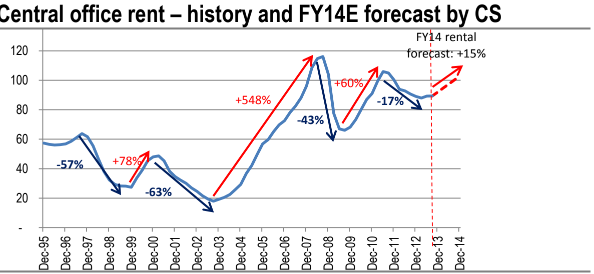
Hong Kong Office Sector

New report: Accelerating recovery in 2014

Joyce Kwock / Research Analyst / 852 2101 7496 / joyce.kwock@credit-suisse.com
Wayne Lee / Research Analyst / 852 2101 7165 / wayne.lee@credit-suisse.com
Jinsong Du / Research Analyst / 852 2101 6589 / jinsong.du@credit-suisse.com

- We expect Central office rent to grow by 15% in FY14 (0-5% in 1H and 10-15% in 2H), mainly driven by: (1) improving occupancy; (2) improving demand for Central office post the global economic recovery; and (3) an easy year of renewals. Click here for full report
- Our proprietary study on the Central office market shows that in 2014, renewal pressure in ascending order is with Pacific Place, HKLand portfolio, IFC, and Citibank Plaza. We identify China regional banks and global private banks as the two categories of new demand for prime Central office space.
- We expect the cap rate expansion to start in 2H14, with a 50 bp increase, as a result of: (1) unwinding in the cap rate compression since 2009; and (2) a limited supply profile (as an offsetting factor).
- Riding on accelerating recovery in the Central office sector in 2014, Swire Prop and HKLand are our top picks, which we prefer over Champion REIT. We decrease TPs for Swire Prop/ HKland/ Champion by 6%/ 5%/ 8% to HK$27.60/ HK$8.30/ HK$4.20. Swire Prop and HKLand are currently trading at 44% and 41% discounts to NAV, and imply 43% and 35% upside, respectively.

Figure 1: Central office rent – history and FY14E forecast by CS



Source: JLL, Credit Suisse estimates

2014: A year of accelerating recovery in rent

We expect Central office rents to grow 15% in FY14 (0-5% in 1H and 10-15% in 2H), mainly driven by: (1) improving occupancy; (2) improving demand for the Central office post the global economic recovery; and (3) an easy year of renewals.

CS proprietary study on Central office expiry profile in 2014

We have conducted a proprietary study on the Central office market with a detailed analysis on the expiry profile in Central in 2014.

We identify China regional banks and global private banks as the two categories from where demand for the prime Central office space should emerge. Out of the 20 larger-scale banks from China eligible for setting up a branch in Hong Kong upon application, 13 have already done so and we expect more to set up branches. We also expect more private banks to enter/expand in Hong Kong to tap into the expected strong growth in the wealth of HNW individuals in Hong Kong and China.

Figure 2: Lease expiry profile of key Central buildings

Landlord	Building	Est. GFA	2014	2015	2016	2017 +
Hutchison	Cheung Kong Center	1,240,000	6%	12%	16%	63%
HK Land	Gloucester Tower	500,000	20%	21%	20%	26%
HK Land	Exchange Square	1,534,000	19%	25%	24%	27%
HK Land	Jardine House	726,817	30%	13%	17%	38%
HK Land	Chater House	532,000	8%	53%	6%	16%
SHKP / Henderson	One IFC	735,000	30%	17%	10%	42%
SHKP / Henderson	Two IFC	1,715,000	16%	16%	15%	53%
Swire	Pacific Place 1	756,000	7%	14%	37%	43%
Swire	Pacific Place 2	567,000	19%	19%	12%	32%
Swire	Pacific Place 3	544,000	20%	16%	21%	28%
Champion REIT	Citibank Tower	795,800	32%	9%	38%	20%
Champion REIT	ICBC Tower	580,900	42%	13%	13%	24%
	Total	**10,226,517**	**19%**	**18%**	**20%**	**38%**

Source: Company data, Credit Suisse estimates

A mild expansion of cap rate

We expect the cap rate expansion to start in 2H14, with a 50 bp increase, as a combined result of: (1) an unwinding in the cap rate compression since 2009; and (2) a limited supply profile. In other words, the impact on capital value from rental growth should be able to offset that from the cap rate expansion. Every 50 bp expansion in cap rate can be offset by 10% rental growth in order to keep the capital value broadly the same.

Our pecking order: Swire Properties, HKLand, then C-REIT

Riding on an accelerating recovery in the Central office sector in 2014, Swire Prop and HKLand are our top picks, which are currently trading at 44% and 41% discounts to NAV, respectively, and imply 43% and 35% upside from the current level. We are still at an early stage of office rental recovery and hence prefer Swire Properties and HKLand to Champion REIT, and the latter is considered a late cycle play. **Swire Properties:** 2014 would be an easier year for Swire Prop to manage its Pacific Place office portfolio, in light of the lower percentage of leases coming into expiries there, and the full occupancy at 28 Hennessy Road. **HKLand:** Will have est. 31% of leases coming to expiry in 2014 and we expect HKLand to keep the rent competitive in order to maximise the retention rate. We expect the negative rental reversion can be offset by the new revenue contribution from The Forum. **C-REIT:** The two anchor tenants at Citibank Plaza are coming to expiry in 2014—BoAML has decided to move out upon expiry in Sept while we see high likelihood for ICBC to stay or even expand within Citibank Plaza. Having said that, we see Citibank Plaza as a late-cycle player in the Central office market.

Valuation metrics

Company	Ticker	Rating (prev. rating)	Price		TP Chg	Up/dn to TP	Year	EPS Chg(%)		EPS		EPS grth (%)		P/E (x)		Div. yld (%)	ROE (%)	P/B (x)
			Local	Target	(%)	(%)	T	T+1	T+2	T+1	T+2	T+1	T+2	T+1	T+2	T+1	T+1	T+1
Swire Properties	1972.HK	O (O)	19.28	27.60	(6)	43	12/12	0	(4)	1.07	1.08	(14)	2	18.1	17.8	2.2	3.2	0.6
Hongkong Land	HKLD.SI	O (O)	6.16	8.30	(5)	35	12/12	0	2	0.39	0.34	22	(13)	15.9	18.2	2.6	3.6	0.5
Champion REIT	2778.HK	O (O)	3.41	4.20	(8)	23	12/12	0	5	0.19	0.20	2	2	17.7	17.3	6.0	2.8	0.5

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM
Source: Company data, Credit Suisse estimates

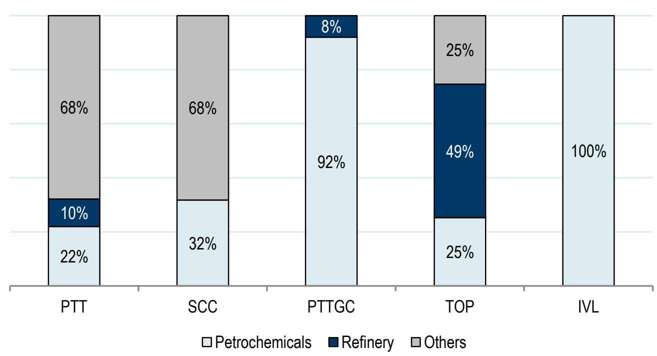
Thailand Petrochemicals Sector

New report: Not just a place to hide

Paworamon (Poom) Suvarnatemee, CFA / Research Analyst / 66 2 614 6210 / paworamon.suvarnatemee@credit-suisse.com
Wattana Punyawattanakul / Research Analyst / 66 2 614 6215 / wattana.punyawattanakul@credit-suisse.com

- We are positive on the outlook of the petrochemicals and refinery sector. We expect ethylene, to see continued margin recovery driven by limited supply growth in 2014–15. For refineries, we believe that margins have already hit the trough.
- We favour the sector as part of a defensive strategy in the Thai market for investors focusing on quarterly returns. We believe that the sector is under-owned, especially big caps like PTT. We recently upgraded PTT to OUTPERFORM. Our forecast suggests that PTT's GSP would see margin expansion for the first time since 2011.
- Multiple expansion is the biggest share price driver in the period of upturn. Our top pick remains PTTGC by being a pure petrochemical company with right product exposure (ethylene, MEG).
- We believe that foreign investors have underweight position on the sector, especially PTT, TOP and PTTGC for which we have OUTPERFORM ratings. For SCC, foreign ownership has already fallen notably through 2013. We upgrade SCC from Underperform to NEUTRAL. Click here for full report.

Figure 1: 9M13 profit exposure by businesses



Source: Company data, Credit Suisse estimates.

Positive outlook for PE & MEG

With a two-year view over 2014-15, we are positive on the ethylene chain and MEG. Our view is based on demand growth, which is linked to global GDP growth of 3.7% in 2014, while the margin outlook incorporates the planned supply additions for each product (after adjusting for delays). For ethylene, China accounted for 30% of global demand growth during 2009-12, while developed markets (the US and Europe) accounted for 22%. We are negative on PX and incrementally negative on propylene due to aggressive supply additions globally in 2014-15. We expect margins to remain at the bottom of the cycle for PTA and PET as continued oversupply may take away benefits of falling feedstock costs.

Value starts to emerge

The Thai energy sector has started to offer value both on absolute and relative bases, in our view. On absolute terms, margin expansion of ethylene should support the re-rating of pure petrochemical stocks. On relative terms, the Thai energy sector benefits from a weaker THB and provides leverage to global growth during times when domestic growth is expected to remain weak.

PTTGC: A right product exposure

Multiple expansion is the biggest share price driver in the period of upturn. We see PTTGC as a best candidate as evidenced in the last turnaround cycle in 2009. PTTGC is a pure petrochemical stock with good asset profile and product exposure. We expect PTTGC to benefit from better PE and MEG margins. PTTGC's valuation remains attractive on P/B versus ROE against its regional peers. Our earnings forecast for PTTGC does not include insurance claim of around Bt1 bn expected to be received in 2014.

PTT: A low-beta exposure of petrochemical and refineries

PTT's share price has factored in all the bad news, in our view. Current valuation is attractive with EV/EBITDA of its core gas business falling to 5.2x against its historical average of 6.7x. We expect PTT's gas business to see margin expansion for the first time in 2014, driven by better performance of its GSPs, which have profit sharing contracts with PTTGC. NGV losses are expected to rise at a much slower pace than in the past. Refining margins are also at the bottom. We also saw signs of better capital discipline in the group during 2013. Our target price of Bt355 is based on target prices of its affiliates.

TOP: Refining margin is at the bottom

We see two legs to TOP's re-rating; short term and long term. In the short term, TOP provides a trading opportunity on the back of recovering GRM from the trough in 4Q13. Further re-rating of share price to our target price of Bt79/share needs to be supported by a more sustainable run in GRM towards the end of 2014. We expect the fuel standard change in China would trigger the shutdown of smaller teapot refineries, resulting in a tighter regional market in 2014-15.

Upgrade SCC to NEUTRAL

We upgrade SCC from Underperform to NEUTRAL. Our negative view on SCC in 2013 was based on its premium valuation and unrealistically high expectations on the cement business. Going forward, we expect petrochemical recovery to be enough to offset weakness in cement demand. Foreign ownership has made a notable decline in 2013 and risks of further sell-down are limited. Our SOTP target price is maintained at Bt404 based on SOTP valuation.

IVL: A bumpy recovery in the short term

We maintain UNDERPERFORM on IVL with six months view. We expect earnings recovery to be bumpy and PX prices may not make a significant correction until later in the year as more capacity being started up. Until then, the continued capacity addition of PTA and PET is expected to continue to hurt its margins. We see the risk of further decline in margins in Europe. Our TP is maintained at Bt21.

Figure 2: Earnings sensitivities

	PTT	PTTGC	TOP	SCC	IVL
FY14E EPS base case	**38**	**8.2**	**6.0**	**31.2**	**1.0**
Oil price +US$10/bbl	*11%*	*11%*			
HDPE margin +US$50/t	*2%*	*4%*		*4%*	
FX depreciates by Bt1/US$	*4%*	*8%*	*5%*	*2%*	*8%*
US$1/bbl increase in GRM		*5%*	*21%*		
PX-Naphtha increase US$50/t		*5%*	*6%*		

Source: Credit Suisse estimates.

Regional

Jump-Start

Internet Finance: A force of creative destruction? — Jump-Start highlights the best of our research this week

Manish Nigam / Research Analyst / 852 2101 7067 / manish.nigam@credit-suisse.com

- **Internet finance: A force of creative destruction?** Online payment, online financing and financial product distribution are the three major businesses in Internet finance. Over the next two years, we expect financial services to become a major area in the tide of service digitisation in China.
- **2014 Sector Outlook: Could 2014 be different?** This report contains write-ups (with key buys and sells) on the nine major sectors in Asia. Overall, Sakthi Siva offers four reasons why 2014 could be different: (1) valuations; (2) breadth of recovery; (3) fiscal contraction abating globally; (4) 2014E consensus EPS revisions.
- **Asia Tech Strategy: Decelerating micro; accelerating macro.** Manish Nigam sees the strength of consumer tech cycles continuing to weaken in 2014, though the macro backdrop should continue to improve.
- **2014 Financials Strategy: Stay with developed markets for now.** For 2014, Sanjay Jain suggests sticking to developed markets which fare better on key themes of macro acceleration, rising bond yields and funding constraints; we prefer Japan and Korea. Click here for Jump-Start.

Sino Hotspot Series: Internet Finance—A force of creative destruction? Online payment, online financing and financial product distribution are the three major businesses in Internet finance. Over the next two years, we expect financial services to become a major area in the tide of service digitisation in China.

Asia Equity Strategy: 2014 Sector Outlook—Could 2014 be different? This report contains a two-page write-up (with key buys and sells) on each of the nine major sectors in Asia. Overall, while cyclicals have started 2014 by underperforming, Sakthi Siva offers four reasons why 2014 could be different: (1) valuations; (2) breadth of recovery; (3) fiscal contraction abating globally and (4) 2014E consensus EPS revisions.

Asia Technology Strategy—Decelerating micro; accelerating macro Manish Nigam sees the strength of consumer tech cycles continuing to weaken in 2014, though macro should continue to improve.

Asia Pacific Financials Strategy – 2014 strategy: Stay with developed markets for now, watch Indonesia, Thailand and India For 2014, Sanjay Jain suggests sticking to developed markets which fare better on key themes of macro acceleration, rising bond yields and funding constraints; we prefer Japan and Korea.

Figure 1: NJA equities events calendar

Date	Co./analyst	Location	Market	Sector
Non-deal roadshow				
Jan 13	SPH REIT (Group Lunch)	Singapore	Singapore	Property
Jan 13	PT Indoritel Makmur International	Malaysia	Indonesia	Consumer
Jan 14	International Airlines Group	Singapore	Regional	Transportation
Jan 15	International Airlines Group	Hong Kong	Regional	Transportation
Jan 15	OSG	Japan	Japan	Industrials
Jan 15	Bursa Malaysia	Malaysia	Malaysia	Strategy
Jan 16	Mitsubishi Gas Chemical	Japan	Japan	Major Chemicals
Analyst marketing				
Jan 10 - Jan 15	Trina Chen	Hong Kong	China	Metals & Mining
Jan 13 - Jan 14	Karim Salamatian/A-hyung Cho	Singapore	Regional	Other sec
Jan 13 - Jan 14	Arnab Mitra	Singapore	India	Consumer
Jan 13 - Jan 15	Randy Adams/ Keon Han	Hong Kong	Regional	Other sec
Jan 13 - Jan 17	Jatin Chawla	Europe	India	Automobiles
Jan 14	Shinya Yamada	Singapore	Japan	Metals & Mining
Jan 14	Trina Chen	South Korea	China	Metals & Mining
Jan 14 - Jan 15	Kenneth Whee/ Jeremy Chen/ Pawaromon Suvarnatemee	Japan	Other	Multi-Sec
Jan 14 - Jan 17	Issei Takahashi	Japan	Japan	Automobiles
Jan 14 - Jan 24	Masahiro Mochizuki	Japan	Japan	Real Estate/REIT
Jan 15	David Hewitt /Mark Samter	Singapore	Regional	Oil & Gas
Jan 15 - Jan 17	Arnab Mitra	Hong Kong	India	Consumer
Jan 15 - Jan 17	Sanjay Jain	Singapore	India	Banks/Financials
Jan 15 - Jan 17	Karim Salamatian/A-hyung Cho	Hong Kong	Regional	Other sec
Jan 16	Anand Swaminathan	Malaysia	Singapore	Banks/Financials
Jan 16	Hitoshi Hayakawa	Japan	Japan	other
Jan 16 - Jan 17	David Hewitt/ Mark Samter	Hong Kong	Regional	Oil & Gas
Jan 16 - Jan 17	Randy Abrams/Keon Han	Singapore	Regional	Other sec
Jan 16 - Jan 17	Frances Feng	Singapore	China	Banks/Financials
Jan 16 - Jan 17	Kenneth Whee/ Jeremy Chen/ Pawaromon Suvarnatemee	South Korea	Other	Multi-Sec

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Figure 2: Forthcoming results (stocks with market cap > US$500 mn)

Date of results*	Period	Company	Ctry	Bberg	Price (local$) 8 Jan	Price (local$) TP	Rating	Net profit (local$ mn) Consensus	Net profit (local$ mn) CS	CS vs cons. (%)	EPS (local$) Consensus	EPS (local$) CS	What we expect in these results
Jan-13	2014Q3	Exide	IN	EXID IN	117.45	156.00	O	5,995	5,957	(1)	7.07	7.01	
Jan-13 (E)	2014Q3	Jaiprakash Power	IN	JPVL IN	18.10	35.00	O	2,832	2,145	(24)	1.13	0.73	
Jan-13 (E)	2014Q3	Petronet LNG	IN	PLNG IN	122.20	132.00	N	8,474	9,335	10	11.26	12.45	
Jan-15 (E)	2014Q3	ESOIL	IN	ESOIL IN	54.70	49.00	U	2,955	(5,982)	n.m	2.35	(4.38)	
Jan-15	2014Q3	Yes Bank	IN	YES IN	357.40	345.00	U	15,300	14,894	(3)	42.38	36.45	
Jan-16	2014Q3	Axis Bank	IN	AXSB IN	1,213	1,450	O	58,446	60,055	3	124.40	126.39	
Jan-16	2014Q3	Bajaj Auto	IN	BJAUT IN	1,918	2,270	N	35,694	37,180	4	123.31	128.61	
Jan-16	2014Q2	HCL Tech	IN	HCLT IN	1,249	1,425	O	US$907	US$945	4	US$1.29	US$1.34	
Jan-16	2014Q3	LICHF	IN	LICHF IN	210.40	280.00	O	12,590	12,260	(3)	24.89	23.82	
Jan-16	2014Q3	Mindtree	IN	MTCL IN	1,644	1,700	O	4,551	4,776	5	110.83	114.12	
Jan-16	2014Q3	TCS	IN	TCS IN	2,233	2,650	O	185,133	185,677	0	94.66	94.87	
Jan-16	2013	KT&G	KR	033780 KS	75,100	67,000	U	676,564	636,462	(6)	5,119	5,051	
Jan-14	2014Q1	SPH	SG	SPH SP	4.01	4.20	N	342	322	(6)	0.21	0.20	
Jan-15 (E)	2014Q3	A-REIT	SG	AREIT SP	2.20	2.48	N	341	348	2	0.14	0.14	In line
Jan-13	2013	TISCO	TH	TISCO TB	37.75	46.00	N	4,356	4,642	7	5.57	6.07	In line
Jan-16	2013	SCB	TH	SCB TB	140.50	180.00	O	49,514	50,253	1	14.57	14.78	In line
Jan-16	2013	TMB Bank	TH	TMB TB	2.02	2.60	N	5,606	5,824	4	0.13	0.13	In line

Notes: Credit Suisse and consensus net profit and EPS forecasts are based on FY forecasts. This calendar excludes stocks with market cap < US$500 mn. The date of release for stocks listed in US are based on HK date and time, all other stocks are based on the date and time of the listed exchange. * Confirmed dates but are subject to change, (E) = estimated date, Positive surprise, Negative surprise. Source: the BLOOMBERG PROFESSIONAL™ service, company data, Datastream, Credit Suisse estimates.

Asia-Pacific Liner Shipping Sector ---------------------------------- Maintain UNDERWEIGHT

2014: A struggle to stay afloat... a view from the TSA

Timothy Ross / Research Analyst / 65 6212 3337 / timothy.ross@credit-suisse.com
Davin Wu / Research Analyst / 852 2101 6917 / davin.wu@credit-suisse.com

- 2014 will look very similar to 2013 according to the views expressed by Brian Conrad, Executive Administrator of the Transpacific Stabilisation Agreement, in his conference call with investors Thursday.
- US containerised trade volumes are expected to maintain their 2H13 momentum (where they grew ~5%) into 2014, but capacity is expected to rise faster than this, retaining pressure on freight rates.
- Shore-based costs in the US, meanwhile, are expected to rise by another 4% in 2014, seeing further probable margin erosion and forcing carriers to cut services and possibly steam even slower to eke out any positive returns.
- This aligns with our UNDERWEIGHT rating for the sector, where unit revenues continue to suffer and the only real gains are likely through large vessel efficiencies a lower bunker price and carrier-specific initiatives. CSCL, K-Line and EMC (all UNDERPERFORM) have the greatest downside to our targets and we would use any seasonal strength to short these names.

Valuation metrics

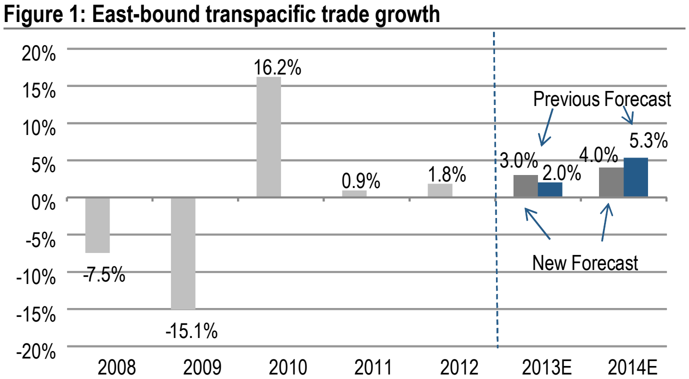
Company	Ticker	Rating	Price		Year	P/E (x)		P/B (x)
			Local	Target	T	T+1	T+2	T+1
CSCL	2866.HK	U	1.94	1.20	12/12	n.m.	n.m.	0.7
K-Line	9107.T	U	265.00	200.00	03/13	23.8	10.3	0.7
EMC	2603.TW	U	17.85	14.40	12/12	n.m.	54.4	1.1
China COSCO	1919.HK	U	3.56	3.00	12/12	n.m.	36.6	1.0
NOL	NEPS.SI	U	1.09	0.95	12/13	n.m.	14.1	1.0
OOIL	0316.HK	U	37.75	38.00	12/12	43.4	14.0	0.7
WHL	2615.TW	N	15.05	15.50	12/12	40.4	24.5	1.0

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM
Source: Company data, Credit Suisse estimates

Volumes grow, but profits don't

TSA member volumes grew by 5% in 2H13, bringing the annual growth to around 3.5%, or just ahead of Piers' estimates for 2013. It is quite probable that this agency may lift its current 4% closer to our 5-7% estimates for our coverage universe as the US economy expands at a faster rate in 2014.

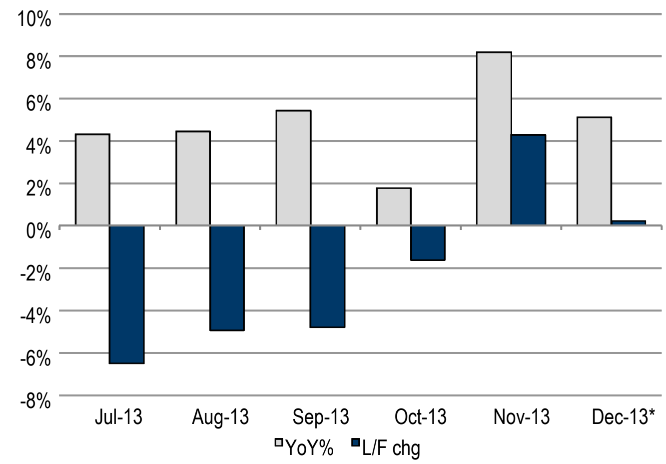
Figure 1: East-bound transpacific trade growth



Source: JOC-Piers Container Shipping.

However, demand has not been an issue, it is supply (particularly of cascaded large vessels that have hit USWC load factors hard) that remains the problem. As AP Moller-Maersk's CEO Nils Anderson was quoted today as saying "…we believe there will be over-capacity at least till the end of 2016 - maybe longer…" and the prediction for 2014 net supply growth is 7-8%, similar to our own estimates.

Figure 2: TSA carrier volumes (YoY % chg.) & load factors (YoY pp chg.)



Source: Transpacific Stabilisation Agreement, US West Coast, *first 3 weeks of Dec.

Attempts to lift rates since mid-December have held reasonably well (up US$115/FEU), but this reflects the changed timing of Lunar New Year, with rates expected to slide from the end of January. An all-in rate index (including contract freight) for the TSA's members' show that rates fell an average of 2% in 2013 and accelerated their slide towards the end.

Figure 3: US West Coast freight rates

Period	SCFI	TSA Index
YTD*	-12%	-2%
YoY*	-18%	-7%

Source: TSA, Shanghai Shipping Exchange, *Dec-13 for SCFI, Nov-13 for TSA

Costs should benefit in the year ahead from our expectations of a declining Brent price (down ~6% for the year) and its flow through to bunker, but some of this could be offset by shore-side cost increases for inter-modal transportation, maintenance and repairs, repositioning of empties and administrative costs. This is before the impact of higher wages likely to stem from the bi-annual renegotiation of labour contracts with the international Longshore and Warehouse Union, which begin in June.

In sum, 2014 looks like a year where we can anticipate some growth in demand on the Transpacific trades, but not in profits of the liner companies that service them. NOL, CSCL and OOIL have the greatest exposure to the Transpacific route of our coverage universe (it accounts for 43% NOL's liner revenues and 34% of both of the others) although the others (ex-WHL) are exposed more heavily to Asia-EU where the earnings environment appears even uglier. Cost savings effected via scale through large vessels or alliances appear the only viable solution to the earnings impasse, with the competitive bar being raised by the P3 Alliance that the TSA believes will receive approval from US regulators.

China

China Economics

December inflation surprises to the downside

Dong Tao / Research Analyst / 852 2101 7469 / dong.tao@credit-suisse.com
Weishen Deng / Research Analyst / 852 2101 7162 / weishen.deng@credit-suisse.com

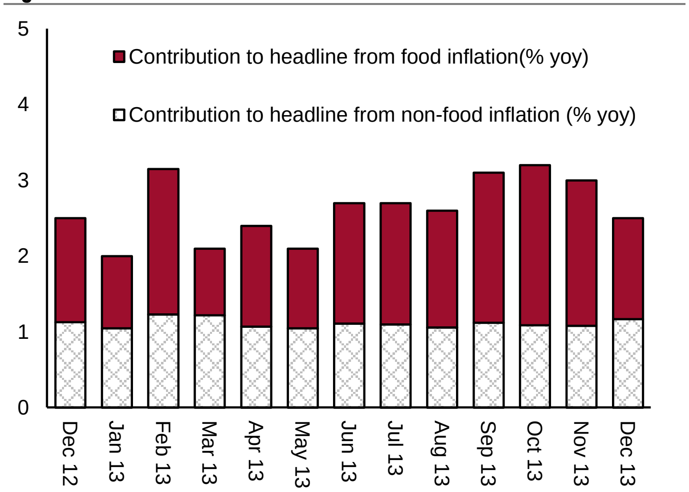
- China's headline CPI inflation fell to 2.5% YoY in December, lower than the previous 3.0% and consensus of 2.7%. For 2013, headline inflation stood at 2.6%.
- Food inflation came at 4.1% YoY, much lower than the 5.9% recorded in the previous month. Food inflation contributed 1.33% directly to the headline for the month. Its contribution in the previous month was 1.92%.
- This CPI print is lower than expected, but the moderation in headline largely came from the more volatile fresh vegetable component. The higher statistical base played an important role, too.
- We believe inflation uncertainties will remain high in the coming months. The headline showed a pattern of moving upwards after turning around mid-2013. We expect the upward trend in CPI inflation to persist in 2014. The PBoC's monetary policy stance has shifted to 'neutral' with a tightening bias despite still being labelled as 'steady.' In our view, inflation uncertainties limit the chance for the central bank to move away from its tightening bias. We expect the central bank to continue to gradually withdraw liquidity through its open market operations.

Figure 1: Summary of December inflation

(% YoY, unless otherwise stated)	Dec	Nov	Oct	Sep	Aug	Jul
Headline CPI	2.5	3.0	3.2	3.1	2.6	2.7
% MoM, nsa	0.3	-0.1	0.1	0.8	0.5	0.1
Food CPI	4.1	5.9	6.5	6.1	4.7	5.0
% MoM, nsa	0.6	-0.2	-0.4	1.5	1.2	0.0
Non-food CPI	1.7	1.6	1.6	1.6	1.5	1.6
% MoM, nsa	0.1	0.0	0.3	0.4	0.1	0.2
Services CPI	3.3	3.3	3.1	2.9	2.7	2.7
% MoM, nsa	0.0	-0.2	0.4	0.5	0.2	0.6
PPI	-1.4	-1.4	-1.5	-1.3	-1.6	-2.3

Source: NBS, Credit Suisse

Figure 2: Contributions to headline inflation



Source: NBS, Credit Suisse

China's headline CPI inflation fell to 2.5% YoY in December, lower than the previous 3.0% and consensus of 2.7%. For 2013, headline inflation stood at 2.6%.

Food inflation came at 4.1% YoY, much lower than the 5.9% recorded in the previous month. Food inflation contributed 1.33% directly to the headline for the month. Its contribution in the previous month was 1.92%. Thus, we can see that the fall of headline inflation was entirely driven by lower food inflation. The key driver of lower food inflation was a large slowdown in fresh vegetable prices inflation. Fresh vegetable prices increased by 2.6% YoY in December, contributed 0.08% directly to headline inflation. These are much lower than the 22.3% YoY increase and 0.59% direct contribution recorded in October. On a MoM basis, fresh vegetable prices dropped by 1.5%. Sequentially, meat prices increased by 0.5% MoM with pork prices up by another 0.6% MoM. However, a higher statistical base brought down the year-on-year increase of meat prices to 3.6% from that of 5.5% recorded in the previous month.

Non-food inflation increased to 1.7% on a YoY basis from the prior 1.6%. On a MoM basis, non-food inflation increased to 0.1%. Service inflation stayed at 3.3% YoY, but sequentially prices of the service basket remained unchanged. The rental cost continued its upward trend, rising by another 0.1% MoM in December and went up by 4.7% YoY. Household service cost increased by 0.6% MoM, and 7.7% YoY. The PPI deflation remained unchanged at -1.4% YoY.

This CPI print is lower than expected, but the moderation in headline largely came from the more volatile fresh vegetable component; the higher statistical base played an important role, too. There are no signs of a turnaround in the sequential inflationary pressure from the more persistent components such as meat, rent and household services. Therefore, we believe inflation uncertainties remain high in the coming months. We expect headline inflation to increase again in January to soar past 3.0%. For 2013, the headline showed a pattern of moving upwards after turning around mid-year, with average inflation rising to 2.9% in 4Q from 2.4% in 2Q. We expect CPI inflation to maintain its upward trend in 2014. The PBoC's monetary policy stance has shifted to 'neutral' with a tightening bias despite still being labelled as 'steady.' In our view, inflation uncertainties limit the chance for the central bank to move away from its tightening bias. Without touching the symbolically significant instruments such as RRR and benchmark interest rates, we expect the central bank to continue to gradually withdraw liquidity through its open market operations.

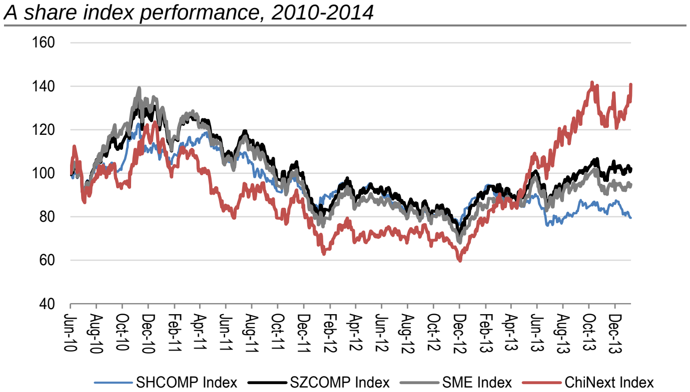
China Brokers --- Maintain OVERWEIGHT

Strong growth in SME / ChiNext boards (and IPO pipeline)

Frances Feng / Research Analyst / 852 2101 6693 / frances.feng@credit-suisse.com
Arjan van Veen / Research Analyst / 852 2101 7508 / arjan.vanveen@credit-suisse.com

- The SME/ ChiNext boards have had stronger performance relative to the main boards in 2013, up 18%/ 83% vs. SHCOMP Index down 7% (Fig 1). Furthermore, trading volumes have increased significantly on these new boards which now account for 20% of total trading volume (Fig 2), up from just 6% three years ago.
- The current IPO pipeline is more skewed to the new boards as well, with ~500 potential IPOs on the new boards vs. ~170 companies on the main board (but smaller size). Citic/ Haitong/ Galaxy each have 35/ 27/ 17 companies in the IPO pipeline with Citic more skewed to the main board than the other two.
- The IPO mkt has already come back strongly with 30 companies to debut in 1H of January, with generally positive market reaction so far, while secondary market trading volume has reduced in 2014 so far, with ADT down to Rmb166 bn from an avg of Rmb198 bn in 2013.
- We remain positive on the outlook and view investment banking and margin trading as the two key growth drivers for the sector. We continue to like Galaxy on more attractive valuation and improving business fundamentals relative to peers.

Figure 1: ChiNext outperformed the main board recently
A share index performance, 2010-2014



Source: the BLOOMBERG PROFESSIONAL™ service

The SME board and ChiNext board have had strong performance in 2013, up 18% and 83%, respectively, vs. SHCOMP Index down 7%. The trading volume has increased significantly on these new boards as well which now account for 20% of total trading volume, up from just 6% three years ago.

Figure 2: New boards gaining more volume vs. main boards
Trading volume by board, 2010-2014

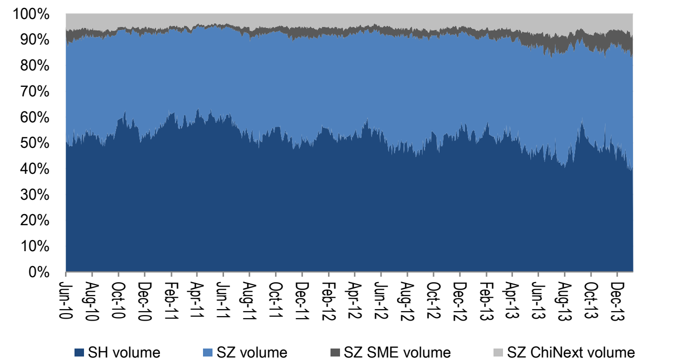


Figure 3: Trading volume lowered so far in 2014
Trading volume Rmb mn, 2010-2014

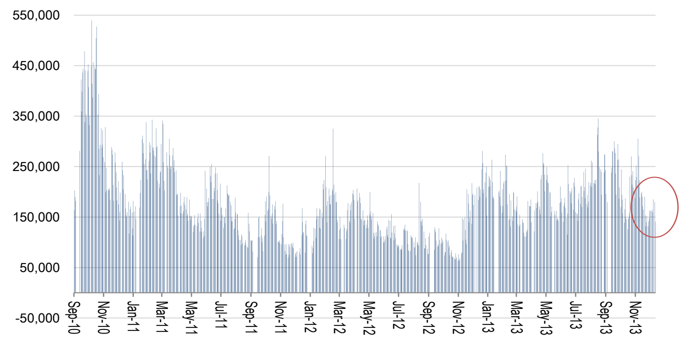
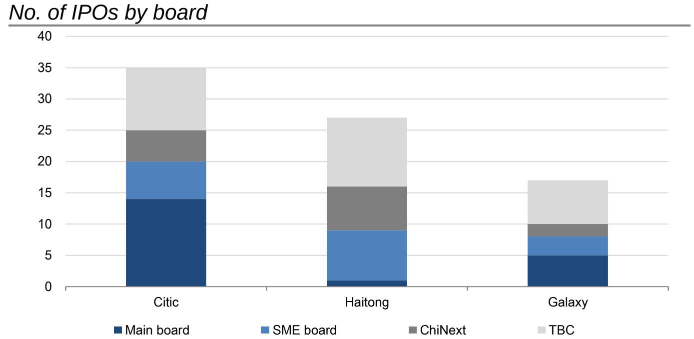


Figure 4: Citic is more skewed to the main board
No. of IPOs by board



Source: the BLOOMBERG PROFESSIONAL™ service, Wind

Valuation metrics – 08 Jan 2014

Company	Ticker	CS	Price		TP (%)	Up/dn	EPS		P/E		P/B		ROE		Div yield
T = Dec 12		Rating	Local	Target	Chg	(%)	T+1	T+2	T+1	T+2	T+1	T+2	T+1	T+2	T+1
Citic (H)	6030.HK	NTRL	19.18	16.50	0.0%	-14%	0.44	0.54	33.8x	28.0x	1.8x	1.7x	5.3%	6.0%	0.0%
Haitong (H)	6837.HK	RSTR	12.56	RSTR	0.0%		0.46	0.53	21.4x	18.6x	1.4x	1.3x	6.4%	7.0%	1.4%
Galaxy	6881.HK	OPFM	6.28	7.00	0.0%	11%	0.29	0.30	16.8x	16.2x	1.3x	1.4x	8.0%	8.7%	1.1%
Citic (A)	600030.S	NTRL	12.08	13.00	0.0%	8%	0.44	0.54	21.3x	17.6x	1.1x	1.1x	5.3%	5.3%	0.6%
Haitong (A)	600837.S	RSTR	10.81	RSTR	0.0%		0.46	0.53	18.4x	16.0x	1.2x	1.1x	6.4%	7.0%	0.8%

Source: Company data, Credit Suisse estimates.

Citic Securities --Maintain NEUTRAL

Better results than peers, but likely losses in fixed income as well **EPS: ▼ TP: ◄►**

Frances Feng / Research Analyst / 852 2101 6693 / frances.feng@credit-suisse.com
Arjan van Veen / Research Analyst / 852 2101 7508 / arjan.vanveen@credit-suisse.com

- Citic released its December 2013 result with strong operating income of Rmb1.3 bn, up 27% YoY and 266% MoM. However, net profit was just Rmb274 mn, down 24% YoY.
- The strong operating income we highlight was probably due to the crystalisation of investment gains in particular relating to the equity investment, while the weak net profit was likely due to fixed income investment losses associated with rising yields driven by tight liquidity. The net assets were also down MoM slightly, implying mark-to-market losses on investment. Citic's total fixed income at the end of 1H13 was Rmb46 bn.
- Total net profit was Rmb3.8 bn in 2013 for the three reported divisions, up 11% YoY. We highlight that the result does not appear strong, given it also included one-off gains such as China Shipbuilding. We have reduced our 13E forecasts by 5%, given the lower-than-expected results.
- Citic is now trading at 28x P/E and 1.8 P/B (12 months forward) at the high end of the peer valuation range. We remain NEUTRAL.

Bbg/RIC	**6030 HK / 6030.HK**	**Price (09 Jan 14, HK$)**			**18.86**
Rating (prev. rating)	**N (N)**	**TP (prev. TP HK$)**			**16.50 (16.50)**
Shares outstanding (mn)	10,834	Est. pot. % chg. to TP			(13)
Daily trad vol - 6m avg (mn)	10.8	52-wk range (HK$)			21.6 - 12.4
Daily trad val - 6m avg (US$ mn)	24.2	Mkt cap (HK$/US$ bn)			167.7/ 21.6
Free float (%)	100.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	CITIC Group 22.56%; China Life 5.0%	Absolute (%)	(7.8)	13.3	(2.7)
		Relative (%)	(2.3)	16.1	4.1

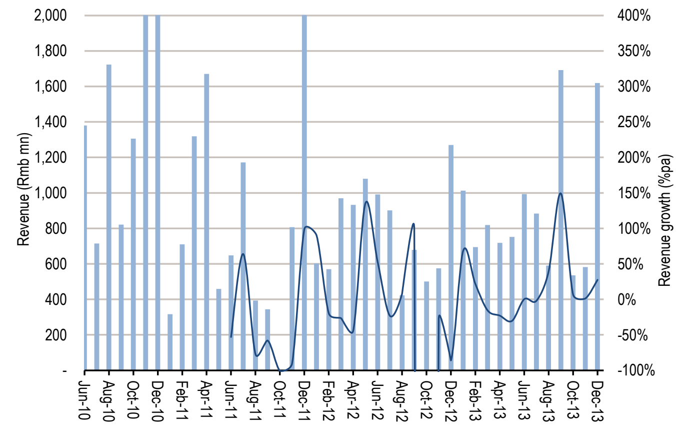
Year	**12/11A**	**12/12A**	**12/13E**	**12/14E**	**12/15E**
Pre-prov Op profit (Rmb mn)	14,615.2	5,055.1	5,540.0	7,270.9	8,353.9
Net profit (Rmb mn)	12,576	4,237	4,650	6,010	6,864
EPS (CS adj. Rmb)	1.23	0.38	0.42	0.55	0.62
- Change from prev. EPS (%)	n.a.	n.a.	(5)	2	0
- Consensus EPS (Rmb)	n.a.	n.a.	0.48	0.64	0.75
EPS growth (%)	8.5	(68.8)	9.7	29.2	14.2
P/E (x)	11.9	38.3	34.9	27.0	23.6
Dividend yield (%)	2.9	2.0	0	0	0
BVPS (CS adj. Rmb)	7.9	7.9	8.3	8.8	9.5
P/B (x)	1.87	1.87	1.78	1.67	1.56
ROE (%)	15.9	4.9	5.2	6.4	6.8
ROA (%)	8.3	2.7	2.4	2.5	2.5
Tier 1 ratio (%)	—	—	—	—	—

Note 1: ORD/ADR=10.00. Note 2: CITIC Securities Company Limited is a company principally engaged in securities business. The company operates its businesses through securities brokerage; investment banking business; asset management; bond selling and trading; stock distribution.

Click here for detailed financials

Citic released its December 2013 result with strong operating income of Rmb1.3 bn, up 27% YoY and 266% MoM. However, net profit was just Rmb274 mn, down 24% YoY.

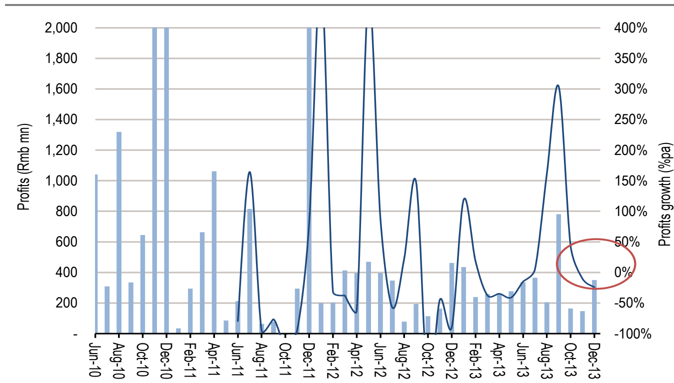
Figure 1: Operating income was strong likely driven by investment
CITIC monthly revenue (Rmb mn) and growth (%pa)



Source: Company data, Credit Suisse estimates

The strong operating income we highlight was probably due to the crystalisation of investment gains in particular relating to the equity investment, while the weak net profit was likely due to fixed income investment losses associated with rising yields driven by tight liquidity. The net assets were also down MoM slightly, implying mark-to-market losses on investment. Citic's total fixed income at the end of 1H13 was Rmb46 bn.

Figure 2: Net profit was down 24% YoY in Dec 2013
CITIC monthly net profit (Rmb mn) and growth (%pa)



Source: Company data, Credit Suisse estimates

Valuation metrics

Company T = Dec 12	**Ticker**	**CS Rating**	**Price Local**	**Target**	**TP (%) Chg**	**Up/dn (%)**	**EPS T+1**	**T+2**	**P/E T+1**	**T+2**	**P/B T+1**	**T+2**	**ROE T+1**	**T+2**	**Div yield T+1**
Citic (H)	6030.HK	NTRL	18.86	16.50	0.0%	-13%	0.44	0.54	33.3x	27.5x	1.8x	1.7x	5.3%	6.0%	0.0%
Haitong (H)	6837.HK	RSTR	12.36	RSTR	0.0%		0.46	0.53	21.1x	18.3x	1.4x	1.3x	6.4%	7.0%	1.4%
Galaxy	6881.HK	OPFM	6.04	7.00	0.0%	16%	0.29	0.30	16.2x	15.6x	1.3x	1.4x	8.0%	8.7%	1.1%
Citic (A)	600030.S	NTRL	11.82	13.00	0.0%	10%	0.44	0.54	20.9x	17.3x	1.1x	1.0x	5.3%	5.3%	0.6%
Haitong (A)	600837.S	RSTR	10.51	RSTR	0.0%		0.46	0.53	17.9x	15.5x	1.2x	1.1x	6.4%	7.0%	0.9%

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM
Source: Company data, Credit Suisse estimates

Haitong Securities ---RESTRICTED

Rising yields causing continued losses **EPS: ▼ TP: ◄►**

Frances Feng / Research Analyst / 852 2101 6693 / frances.feng@credit-suisse.com
Arjan van Veen / Research Analyst / 852 2101 7508 / arjan.vanveen@credit-suisse.com

- Haitong released its Dec 2013 result with loss in both Haitong parent and Haitong Asset Management, Rmb77 mn in total. However, the total net profit in 2013 was Rmb3.3 bn, up 23% YoY.
- We highlight that the loss was mainly related to the macro condition, i.e., losses in the fixed income investments related to rising yields. Indeed, the asset management company posted the first loss in July when the bond yields started to rise significantly (see Figure 2) due to tight liquidity. The total losses amount to Rmb229 mn in 2013 compared to total fixed income investments of Rmb32 bn at the end of 1H13, i.e., a 7% drop.
- We understand that there is no actual default in the fixed income assets, hence, if held to maturity, Haitong should receive the interest and principal in full, i.e., no real losses. However, it does highlight the risks involved in proprietary trading positions.
- We have hence reduced our 2013 forecast by 12% to reflect the losses. Credit Suisse is restricted on Haitong.

Bbg/RIC	**6837 HK / 6837.HK**	**Price (09 Jan 14 , HK$)**			**12.36**
Rating (prev. rating)	**R (R)**	**TP (prev. TP HK$)**			**—**
Shares outstanding (mn)	9,584.72	Est. pot. % chg. to TP			—
Daily trad vol - 6m avg (mn)	13.1	52-wk range (HK$)			14.18 - 8.68
Daily trad val - 6m avg (US$ mn)	20.2	Mkt cap (HK$/US$ bn)			127.4/ 16.4
Free float (%)	100.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	None	Absolute (%)	(10.6)	1.5	(2.8)
		Relative (%)	(3.5)	4.3	3.4

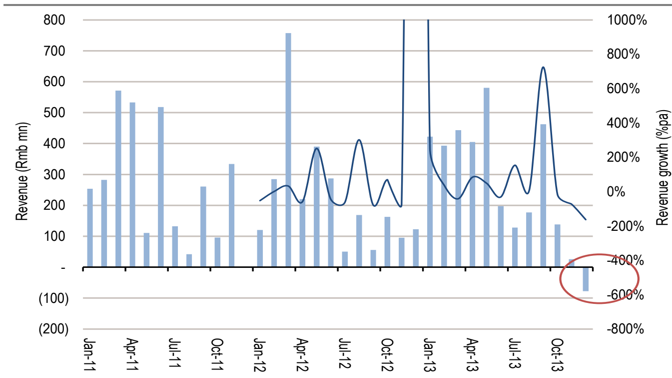
Year	12/11A	12/12A	12/13E	12/14E	12/15E
Pre-prov Op profit (Rmb bn)	4.23	4.04	5.23	7.04	7.91
Net profit (Rmb bn)	3.0	3.0	3.8	5.2	5.8
EPS (CS adj. Rmb)	0.37	0.34	0.40	0.54	0.61
- Change from prev. EPS (%)	n.a.	n.a.	(12)	2	2
- Consensus EPS (Rmb)	n.a.	n.a.	0.49	0.60	0.71
EPS growth (%)	(16.0)	(7.4)	17.5	35.0	12.4
P/E (x)	26.2	28.3	24.1	17.8	15.9
Dividend yield (%)	1.6	1.2	1.3	1.7	1.9
BVPS (CS adj. Rmb)	5.47	6.78	6.37	6.81	7.29
P/B (x)	1.76	1.42	1.51	1.42	1.32
ROE (%)	6.8	5.7	6.4	8.2	8.6
ROA (%)	2.8	2.6	2.8	3.4	3.4
Tier 1 Ratio (%)	—	—	—	—	—

Note 1: ORD/ADR=10.00. Note 2: Haitong securities is mainly engaged in providing services in stocks and futures brokerage, as well as investment banking, corporate finance, M&A, asset management, mutual fund, and private equity. It was one of the earliest securities companies China.

Click here for detailed financials

Haitong released its Dec 2013 result with loss in both Haitong parent and Haitong Asset Management, Rmb77 mn in total. However, the total net profit in 2013 was Rmb3.3 bn, up 23% YoY.

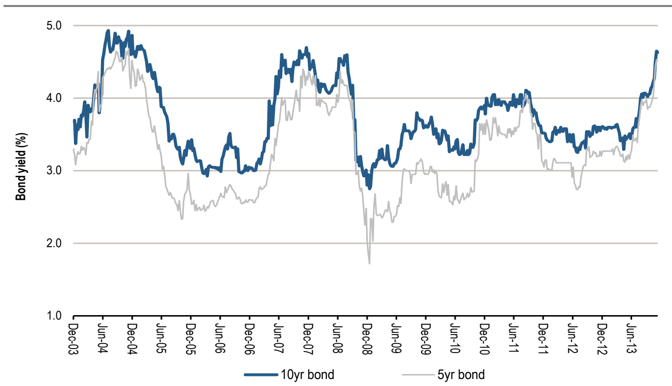
Figure 1: Haitong's net loss was Rmb77 mn in December 2013
Haitong's monthly revenue (Rmb mn) and growth (%pa)



Source: Company data, Credit Suisse estimates.

We highlight that the loss was mainly related to the macro condition, i.e., losses of the fixed income investments related to rising yields. Indeed, the asset management company posted the first loss in July when the bond yields started to rise significantly (see Figure 2) due to tight liquidity. The total losses amount to Rmb229 mn in 2013 compared to total fixed income investments of Rmb32 bn at the end of 1H13, i.e. a 7% drop.

Figure 2: Bond yield spiked in China due to tight liquidity
Bond yield, %



Source: Company data, Credit Suisse estimates.

We understand that there is no actual default in the fixed income assets, hence if held to maturity, Haitong should receive the interest and principal in full, i.e., no real losses. However, it does highlight the risks involved in proprietary trading positions.

Valuation metrics – 9 January 2014

Company	Ticker	CS	Price		TP (%)	Up/dn	EPS		P/E		P/B		ROE		Div yield
T = Dec 12		Rating	Local	Target	Chg	(%)	T+1	T+2	T+1	T+2	T+1	T+2	T+1	T+2	T+1
Citic (H)	6030.HK	NTRL	18.86	16.50	0.0%	-13%	0.44	0.54	33.3x	27.5x	1.8x	1.7x	5.3%	6.0%	0.0%
Haitong (H)	6837.HK	RSTR	12.36	RSTR	0.0%		0.46	0.53	21.1x	18.3x	1.4x	1.3x	6.4%	7.0%	1.4%
Galaxy	6881.HK	OPFM	6.04	7.00	0.0%	16%	0.29	0.30	16.2x	15.6x	1.3x	1.4x	8.0%	8.7%	1.1%
Citic (A)	600030.S	NTRL	11.82	13.00	0.0%	10%	0.44	0.54	20.9x	17.3x	1.1x	1.0x	5.3%	5.3%	0.6%
Haitong (A)	600837.S	RSTR	10.51	RSTR	0.0%		0.46	0.53	17.9x	15.5x	1.2x	1.1x	6.4%	7.0%	0.9%

China Environment Sector

How much has been priced in; we remain positive

Trina Chen / Research Analyst / 852 2101 7031 / trina.chen@credit-suisse.com
Dave Dai, CFA / Research Analyst / 852 2101 7358 / dave.dai@credit-suisse.com

- Feedback from our investor meetings on China environment stocks: are 1) how much growth has been factored in post the recent strong performance; 2) concerns around cash flow and receivables; and 3) potential competition.
- We estimate that the current share price of BEW has factored in 40% volumes growth from 2013E, and CEI at 70%. While we reckon the stocks are not cheap at this stage, strong underlying demand growth in China's waste treatment market (10% for waste water and 50%+ for incineration CAGR), along with potential M&A opportunities, should support the growth outlook with upside risk.
- We believe competition follows profitability. With an average 1-1.5 years of receivables and 7.5% project EBITDA/capex, we see waste water treatment as less subjective to rising competition and present windows for M&A. While competition for WTE may warm up, risk should be mitigated in the near term by strong demand.
- We see fundamentals of China environment sector to remain solid. Maintain OUTPERFORM on BEW, CEI, Dongjiang and Tianjin.

Figure 1: Sector stock summary – China environment sector

	Ticker	Rating	Target	Price	Upside	Mkt Cap		PE (x)	
			Trading ccy		%	US$ bn	2013E	2014E	2015E
BE Water	0371.HK	O	5.30	4.50	18%	4.90	31.0	24.1	19.2
Tianjin Capital	1065.HK	O	4.80	4.09	17%	0.75	15.8	13.2	12.0
Guodian Tech	1296.HK	N	2.35	2.11	11%	1.65	17.9	15.0	12.7
Dongjiang Env	0895.HK	O	31.50	26.40	19%	0.77	22.1	18.6	11.5
Yonker Env	300187.SZ	N	26.60	28.75	-7%	0.95	100.1	68.8	48.1
China Everbrigl	0257.HK	O	12.10	10.44	16%	6.04	32.7	26.4	18.4
Profit breakdown (2015E)		**EPC**	**WWT**	**HWT**	**WTE**			**REV**	**EPS**
BE Water	0371.HK	0%	84%	0%	0%			18%	25%
Tianjin Capital	1065.HK	0%	92%	0%	0%			6%	12%
Guodian Tech	1296.HK	100%	0%	0%	0%			3%	7%
Dongjiang Env	0895.HK	0%	0%	77%	5%			16%	33%
Yonker Env	300187.SZ	39%	0%	37%	7%			20%	48%
China Everbrigl	0257.HK	2%	22%	8%	61%			22%	39%

WWT – Waste water treatment; MWT – Municipal waste treatment; HWT – Hazardous waste treatment; Source: Company data, Credit Suisse estimates

BEW (371.HK): 40% volume growth factored in, M&A pointing to continued upside

While the waste water treatment market in China has lower EBITDA/capex return (7.5% on average versus 9-10% in Europe and 15-20% in other waste treatment) and long receivables, it continues to point to an attractive M&A window in our view for large operators. Improving collection through acceleration of pipeline network construction should also lead to long-term improvement in capacity utilisation. Our channel checks with pipeline manufactures suggest this plan is being executed by the local government, as orderbooks have accelerated in 2013E to 10-15% YoY, from flat-to-negative in 2011-2012A.

We value BEW at HK$3.3-4.2/sh with existing assets (8.56 mn t/day treatment capacity), at flat-to-modest tariff hikes (1.5% each year). We estimate for each 2 mn t/day treatment capacity acquisition, valuation should improve by HK$0.5/sh. Current share price of HK$4.5/sh therefore implies an average of 3.2 mn t/day of treatment capacity growth, or 40% from 2013E. While the number looks aggressive, we highlight the strong acquisition track record of BEW, with 3.5 mn t/day acquired in 2013E, should continue to upderpin upside in share price.

CEI (257.HK): All about new projects

In our note dated 31 December, 2013, we revised up our target price for CEI to HK$12.1 on the back of assumptions of stronger new project additions (Click here). The changes were higher new WTE project forecasts—from 3,500 t/day to 7,000 t/day for each of FY14 and FY15 (on top of Ma'anshan and Yiyang) followed by 3,500 t/day in each of FY16 and FY17. We value that the existing projects (including everything announced by CEI) should be worth no more than HK$8, which means the current share price (HK$10.4) is pricing large expectations on new project additions (approximately 3,000-3,500/t additions per year over the next few years). Therefore, the share-price catalyst in 2014 will be whether CEI can deliver a much higher project flow.

We do not consider our new project forecasts overly aggressive as our recent meetings with CEI senior management and an industry peer suggest much stronger industry growth outlook and the pie should be enough to contain a number of leading players. Moreover, the 1,200t/day Changzhou Xinbei project opened for bidding in late December and investors should monitor the development of this project. Additionally, we believe that companies with strong operation track record such as CEI should be better positioned in future bidding with the government's proposed revision of "Standard for pollution control on the municipal solid waste incineration" (the draft suggests much lower levels in dioxin, SO_2 and heavy metals).

Dongjiang (895.HK): Potential M&A to boost earnings

Dongjiang (895 HK) announced Framework agreement on acquisition of Guangzhou Lvyou waste treatment company, for >51% stake. LY is an industrial waste treatment company with strong presence in Guangzhou, with 256kt treatment capacity (including Hazardous waste, municipal sludge, etc). The target reported NP Rmb110 mn in 11M13, or 35% net margin, 20% ROE. The acquisition price, expected to be less than Rmb1047 mn, implies roughly <24x P/E on 2013E in our estimates, slightly higher than the current H-share implied P/E of 19x on 2013E.

We view the potential acquisition as positive: 1) a further step to consolidate GD industrial waste treatment market, with potential synergies; 2) uses excess cash (as of 1H13, net cash of Rmb780 mn); 3) if the acquisition comes through in the coming months at 51% stake of the target, we estimate the net earnings impact would be positive 10-15% of CS 2014E earnings.

Other industry news: Supporting the "green cycle"

In the past month, other news are: 1) China had 31 provinces that signed a commitment letter for emission reduction, 2) MIIT encourages waste recycling; 3) cement emission standards announced; 4) Guangdong started pilot programme on trade of emission rights; 5) Hebei dis-assembled 10 mn t steel and cement capacity; and 6) our channel checks suggest improving waste water pipeline orderbook.

China Coal Sector

Negative demand outlook, downside in spot prices

Trina Chen / Research Analyst / 852 2101 7031 / trina.chen@credit-suisse.com
Frankie Zhu / Research Analyst / 852 2101 7426 / frankie.zhu@credit-suisse.com

- We cut earnings by 26-90% and target prices by 19-33% for Chinese thermal coal names, to further reflect our negative view on the China thermal coal market. We expect a deteriorating surplus to emerge and coal prices to correct.
- We believe the market supply surplus in China's costal coal market would be more than the market expects. While we expect positive growth in China's coal demand on an aggregated basis, we believe coastal demand will decline by 5% each year in 2014E and 2015E due to the increased impact of nuclear, prioritised industrial boiler consolidation and coal-gas substitution. The rise of WTE power generation poses further haircut risks.
- The market surplus is likely to reach 10-20% in 2014E and 2015E on the back of negative demand and continued rail expansion. We expect coal prices to fall to a marginal cost level, or Rmb530-540/t (5500kCal QHD with VAT), 10% lower than current spot.
- We expect continued underperformance of the sector, with our least preferred name being Yanzhou. A potential accelerating correction in spot coal prices should serve as a near-term catalyst.

Figure 1: Earnings, valuations and target price changes

Stock	Ticker	Rating	TP HK$	chg %	EPS 14E	EPS 15E	EPS chg 14E	EPS chg 15E	P/E 14E	P/E 15E	P/B 14E	ROE 14E
Shenhua	1088.HK	N	22.3	-27%	1.46	1.59	-29%	-37%	12	11	1.2	10%
Chinacoal	1898.HK	N	4.3	-19%	0.17	0.08	-48%	-74%	24	49	0.5	3%
Yanzhou	1171.HK	U	4.6	-33%	0.02	0.00	-90%	-101%	n.a.	n.a.	0.6	0%
Yitai	3948.HK	N	10.5	-28%	0.97	0.99	-26%	-36%	10	9	1.3	14%

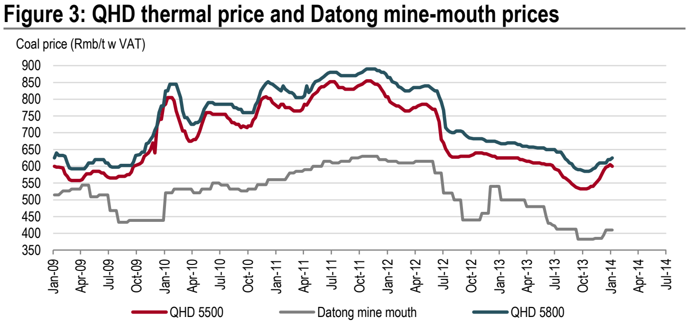
Source: Company data, Credit Suisse estimates

Figure 2: Coal price assumption changes

		2013	2014	2015	2016
QHD(5800)	Rmb/t inl.tax	633	570	570	640
chg vs prev.	%	*0%*	*-11%*	*-13%*	*-9%*
QHD(5500)	Rmb/t inl.tax	586	530	530	600
chg vs prev.	%	*0%*	*-11%*	*-14%*	*-10%*
NEWC*	US$/t	84	85	90	95
chg vs prev.	%	*0%*	*0%*	*2%*	*0%*
HCC-intl*	US$/t	159	153	168	175
chg vs prev.	%	*0%*	*-6%*	*-3%*	*-2%*
HCC-Hebei	US$/t	169	166	174	177
chg vs prev.	%	*0%*	*-1%*	*0%*	*0%*

*Credit Suisse Commodities Research estimates. Source: CCTD, Mysteel, Credit Suisse estimates

Figure 3: QHD thermal price and Datong mine-mouth prices



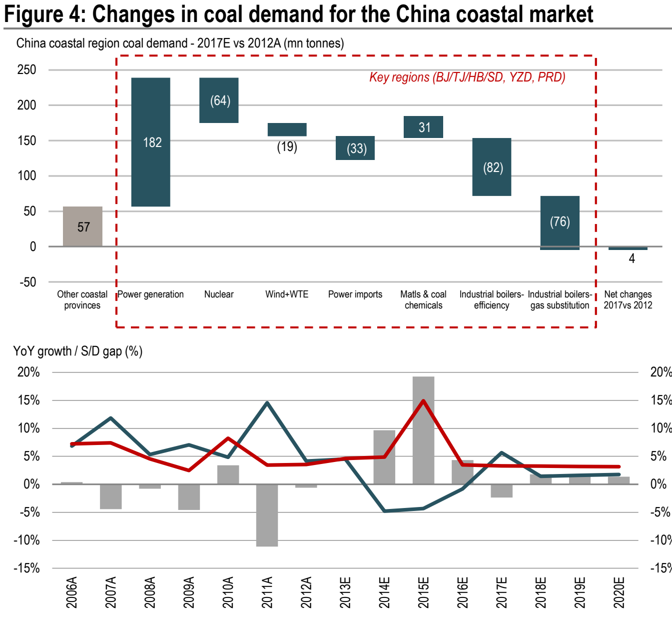
Source: CCTD, Credit Suisse estimates

The prioritised air emission reduction efforts should reshape demand on a geographical basis. While we estimate that overall coal demand will grow at an average 3.5% over 2012-17E, coastal demand should stay nearly flat, including a 4% decline in key regions, the worst period being 2014-15E when the "reshuffle" takes place. The lower demand outlook for coastal regions is due to: (1) a 2% lower growth rate in power demand; (2) lower growth in basic materials' output, partly due to local demand and discouragement from adding new capacity; (3) prioritised power imports/transmitted (from inland) into the key regions; (4) nuclear and wind power substitution; (5) escalated efforts in the key region to close down/consolidate small, inefficient and polluting industrial boilers; and (6) prioritised gas supply and government financial support for key regions for coal-gas substitution. Furthermore, the rapidly emerged waste-incineration-to-power (WTE) also potentially could contribute 24 bn kwh of power by 2015E, displacing another 0.5-1.0% of the coal demand, on our estimates.

We view China coastal coal as a benchmark market for China and a determining factor for seaborne. With the market surplus likely to reach 10-20% in 2014-15E on the back of negative demand and continued rail expansion, we expect coal prices to fall to a marginal cost level, or Rmb530-540/t (5500kCal QHD with VAT), 10% lower than the current spot.

For coking coal, we expect prices to stabilise with a mild improvement in 2014E on the back of stable steel demand and potential steel price improvement due to production interruption. The supply increase should remain moderate as new supply is partly affected by the raised threshold on mine size and new mine interruptions in Shanxi, while imports should be stable as price arbitrage is closed.

Figure 4: Changes in coal demand for the China coastal market



Source: CEIC, MOR, Credit Suisse estimates

China IPPs Sector-- Maintain UNDERWEIGHT

Short-term gain and long-term pain

Dave Dai, CFA / Research Analyst / 852 2101 7358 / dave.dai@credit-suisse.com
Ran Ma / Research Analyst / 852 2101 6653 / ran.ma@credit-suisse.com

- The single-biggest variable, spot coal price, could weaken in the near term, following forecast downgrades by our metals and mining team. We believe the lacklustre share price performance of IPPs during 2H13 was partially driven by coal price recovery, and now the same variable could trigger short-term trading buy opportunities.
- However, investors should mind the pending tariff review, which could lead to further tariff downside amid rapid coal price collapse. Beyond the near term, we struggle to find sustainable growth catalysts, given that China's pollution campaign is likely to result in slower coal-fired power capacity growth in the coming years and China's plans to introduce carbon taxes could be another uncertainty in the next few years.
- For 2014, we prefer that investors accumulate China Resources Power (CRP) on the back strong fundamentals (20% YoY capacity growth in 2014 vs 6% for peers) and inexpensive valuation.
- The lack of long-term sustainable growth makes the IPPs look less attractive than other utilities sub-sectors including waste-to-energy, wind operators and gas utilities.

Figure 1: China IPPs' relative performance and spot coal prices

	1Q13	2Q13	3Q13	4Q13
Relative performance to the HSCEI index	21%	2%	-8%	-7%
Qinhuangdao 5,500 kcal coal prices	620	608	551	578

Source: Company data, Credit Suisse estimates

Why did China IPPs underperform in 2H13? The China IPPs moved from major outperformers in 1H13 to underperformers during 2H13. In our view, the single-largest share-price driver in the past has been China's coal prices (high negative correlation between daily share prices and coal prices over the past few years: -0.6x). Spot coal (such as Qinhuangdao 5,500 kcal) rebounded by ~20% from the September low to the end of December.

Downside in coal prices: However, the coal price rally may not last and our metals and mining research team sees near-term correction of close to 10% from current levels amid expected weaker coastal coal demand. The new assumption for Qinhuangdao 5,500 kcal grade is Rmb530/t (Rmb590/t previously), or a 10% YoY decline. A collapse of coal prices would make a short-term rally possible for the IPPs.

Figure 2: 2014 EPS sensitivity to variable changes

Company	1% reduction of fuel cost	1% reduction of on-grid tariffs
Huaneng Power	+4.5%	-8.0%
Datang Power	+4.4%	-7.9%
China Resources Power	+2.1%	-4.7%

Source: Company data, Credit Suisse estimates

Earnings estimate revisions would depend on tariff review: However, it is too early to predict whether consensus earnings could be largely revised up, given the pending on-grid tariff review. It has been over 12 months since the NDRC introduced the cost-linkage mechanism in December 2012 and the agency has not responded on how the adjustment should be made and which calculation methods (point-to-point or average price method) will be adopted. If we are correct about the weaker 2014E average price (10% and 25% lower than 2013 and 2012 average), the risks of further tariff cuts could dramatically increase. We currently expect another 3% tariff cut following the last ad-hoc cut in Sep-13, which could be larger if the review takes place after the coal price correction.

Uncertainties in the longer term: Beyond the near term, we struggle to find sustainable growth opportunities for the sector, given China's pollution campaign is likely to result in slower coal-fired power capacity growth in the coming years. There are also major uncertainties associated with China's plans to introduce carbon taxes. The initial discussion started in 2009 without meaningful follow-up but we will not be surprised to see the discussion back to agenda given the worsening environmental issues. There were debates on who will pay such taxes and it is less certain whether it will overlap with possible environmental taxes or domestic carbon trading schemes, but investors should not overlook the risks of carbon tax introduction especially if they are levied on the IPPs based on the amount of CO2 emission. We have not taken any this into our earnings forecasts.

Prefer CRP for the best fundamentals: In terms of stock-picking, although one would argue that Huaneng Power could be a more leveraged play based on past few cycles, we would like to remind investors that the company's earning sensitivity to coal prices have greatly reduced following past two years of earning recovery. We prefer China Resources Power (CRP) for the much stronger fundamentals as we forecast the company to deliver much higher capacity growth rate than peers in 2014 (20% YoY relative to 6% of peer average under our coverage), which should help offset earnings pressure and support a positive EPS growth. The stock is now trading on similar FY14 P/E multiples and the same FY14 P/B multiple (1.2x) as Huaneng Power, but has much strong earnings growth outlook.

IPPs remain structurally less exciting than others: Given the lack of long-term sustainable growth and ongoing policy uncertainties, we continue to rank the IPPs after waste-to-energy, wind operators and gas utilities across our coverage spectrum.

Figure 3: Valuation summary

Company	Ticker	Rating	Price		TP	Up/dn	Year	EPS chg(%)		EPS		EPS grth (%)		P/E (x)		Yield	ROE	P/B
					Chg	to TP										(%)	(%)	(x)
			Local	Target	(%)	(%)	T	14E	15E	14E	15E	14E	15E	14E	15E	14E	14E	14E
CRP	0836.HK	O	18.20	22.00	0	21	12/12	0	0	2.31	2.72	5	18	7.9	6.7	4.0	16.7	1.2
DTP	0991.HK	N	3.56	3.52	0	-1	12/12	0	0	0.30	0.38	-19	25	9.1	7.3	3.6	8.6	0.8
HNP	0902.HK	U	7.30	6.40	0	-12	12/12	0	0	0.66	0.69	-18	6	8.7	8.2	5.8	14.4	1.2

Source: Company data, Credit Suisse estimates.

Franshion Properties (China) Limited------------------------------- Maintain OUTPERFORM

FY13 contracted sales exceeded targets; expected to outperform peers in 2014E **EPS: ◄► TP: ◄►**

Jinsong Du / Research Analyst / 852 2101 6589 / jinsong.du@credit-suisse.com

- Franshion reported after market close on 9 January its December property contracted sales of Rmb2.1 bn, implying 193% MoM growth. This is mainly helped by the sale of high-end residential and office projects. This also means its FY13 property contracted sales amount to Rmb14.6 bn—12% above its FY13 target of Rmb13 bn.
- Franshion also sold one land parcel in its Changsha Meixi Lake project, with a GFA of 82,274sqm and ASP of Rmb3,000/sqm. For FY13, Franshion fetched Rmb6.4 bn from land sale—28% higher than its FY13 target of Rmb5 bn. The land sales also obtained higher margins than property development's.
- We continue to expect that Franshion's potential spin-off of its hotel assets, if successful, should help boost Franshion's share price performance. With its high exposure in Tier 1 cities, we expect its housing sales to do better than many peers in 2014E.
- We also like Franshion's investment properties, most of which are in the core areas of Beijing and Shanghai. OUTPERFORM.

Bbg/RIC	**817 HK / 0817.HK**	**Price (09 Jan 14, HK$)**			**2.49**
Rating (prev. rating)	**O (O)**	**TP (prev. TP HK$)**			**3.80 (3.80)**
Shares outstanding (mn)	9,161.49	Est. pot. % chg. to TP			53
Daily trad vol - 6m avg (mn)	5.2	52-wk range (HK$)			2.93 - 2.22
Daily trad val - 6m avg (US$ mn)	1.7	Mkt cap (HK$/US$ mn)			22,812.1/ 2,942.0
Free float (%)	31.1	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Sinochem Corporation (63%); Warburg Pincus (6%)	Absolute (%)	(2.4)	(6.7)	(14.1)
		Relative (%)	4.7	(3.9)	(7.9)

Year	**12/11A**	**12/12A**	**12/13E**	**12/14E**	**12/15E**
Revenue (HK$ mn)	6,592	17,176	23,347	29,141	32,422
EBITDA (HK$ mn)	4,022	6,081	9,104	11,644	12,919
Net profit (HK$ mn)	1,646	2,158	3,871	4,747	5,377
EPS (HK$)	0.15	0.20	0.36	0.44	0.50
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (HK$)	n.a.	n.a.	0.33	0.39	0.48
EPS growth (%)	35.9	31.1	79.4	22.6	13.3
P/E (x)	16.3	12.5	7.0	5.7	5.0
Dividend yield (%)	1.6	2.8	2.4	2.2	2.6
EV/EBITDA (x)	8.9	6.3	4.0	3.1	2.8
P/B (x)	1.2	1.1	1.0	0.8	0.7
ROE (%)	8.2	9.4	14.9	16.0	15.8
Net debt(cash)/equity (%)	42.5	44.6	35.8	30.8	26.9

Note 1: Franshion PPT is a developer and operator mainly engaged in commercial property projects in the PRC, meanwhile also developing residential projects and operating hotel portfolios. The company is a subsidiary of Sinochem Group.

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Property contracted sales – a record year

Franshion's December sales numbers:
Property contracted sales: Rmb2.087 bn, +193% MoM
Volume:35,432 sqm, -49% MoM
ASP: Rmb58,904/sqm, +477% MoM

For FY13A:
Property contracted sales: Rmb14.59 bn, 12% higher than its FY13 target Rmb13 bn.
Volume: 572,949 sqm
ASP: Rmb25,465/sqm

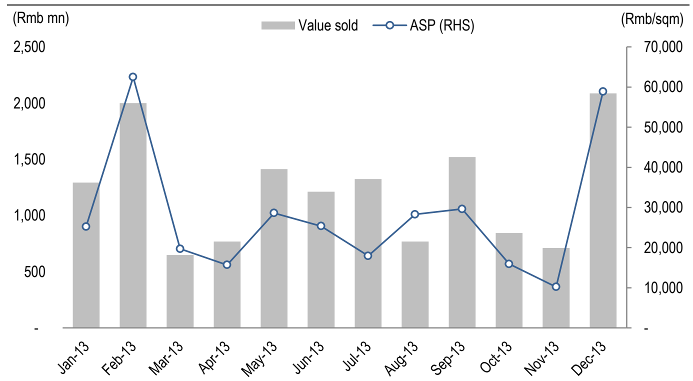
Primary land development business: High margins

In December, Franshion sold one site in Changsha Meixi lake with GFA of 82,274 sqm; sales value was Rmb246.8 mn and ASP was Rmb3,000/sqm.

In FY13, GFA of the land sold was 2.13 mn sqm and sales value was Rmb6.4 bn (28% higher than its FY13 target of Rmb5 bn), ASP was Rmb3,012/sqm.

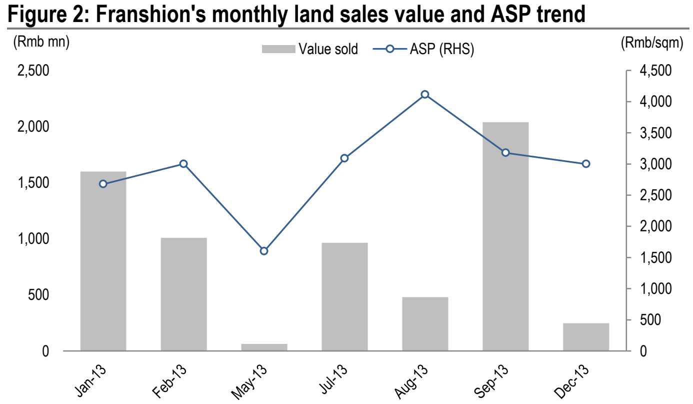
The land sales also obtained higher margins than property development's. Our estimate shows that if the land ASP reaches Rmb3,000/sqm, the net margin can be as high as 40%. For more detailed analysis on the margins, please refer to our in-depth report on Franshion, published on 9 September 2013.

Figure 1: Franshion's monthly property contracted sales value and ASP trend



Source: Company data, Credit Suisse estimates

Figure 2: Franshion's monthly land sales value and ASP trend



Source: Company data, Credit Suisse estimates

Shenzhou International -- Maintain OUTPERFORM

Cambodia factory resumes production as scheduled; long-term growth prospects intact **EPS: ▼ TP: ▲**

Eva Wang / Research Analyst / 852 2101 7365 / eva.wang@credit-suisse.com
Kenny Lau, CFA / Research Analyst / 852 2101 7914 / kenny.lau@credit-suisse.com

- Shenzhou announced early this morning that it had resumed full operations and production in its Cambodian garment factory on 8 Jan 2014. These were suspended for 3 days due to a local labour unions' strike (though none of Shenzhou's workers participated).
- The impact on the production volume is only less than 0.5% of Shenzhou's total. We believe the minimum wage in Cambodia is unlikely to be raised from the current US$80 per month to over US$120. Therefore, the impact on Shenzhou should be limited given that its employees get US$170-180 net on average.
- We believe Shenzhou's long-term growth potential remains intact. Key catalysts include: (1) the release of full capacity of newly hired workers in Cambodia phase II and Anhui Anqing phase II garment factories likely in 2H14; and (2) the ramp-up of new fabric capacity in Vietnam (to be set up by end 2014) in 2015.
- We revise down EPS estimates by 1-4% on a more conservative sales volume assumption and roll over the valuation base to 2015E. Our new target price of HK$35.0 is based on 14x 2015E P/E, implying 0.86x PEG with 16% EPS CAGR for 13-15E.

Bbg/RIC	**2313 HK / 2313.HK**	**Price (08 Jan 14 , HK$)**			**28.95**
Rating (prev. rating)	**O (O)**	**TP (prev. TP HK$)**			**35.00 (27.40)**
Shares outstanding (mn)	1,399.00	Est. pot. % chg. to TP			21
Daily trad vol - 6m avg (mn)	1.8	52-wk range (HK$)			30.1 - 16.4
Daily trad val - 6m avg (US$ mn)	5.9	Mkt cap (HK$/US$ mn)			40,501.1/ 5,223.1
Free float (%)	34.1	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Mr. Ma Jianrong (53.6%)	Absolute (%)	1.4	5.9	63.0
		Relative (%)	7.6	6.4	67.5

Year	**12/11A**	**12/12A**	**12/13E**	**12/14E**	**12/15E**
Revenue (Rmb mn)	9,043	8,938	10,108	12,213	14,782
EBITDA (Rmb mn)	2,311	2,163	2,507	3,018	3,592
Net profit (Rmb mn)	1,704	1,620	1,881	2,265	2,737
EPS (Rmb)	1.37	1.24	1.38	1.62	1.96
- Change from prev. EPS (%)	n.a.	n.a.	(1)	(3)	(4)
- Consensus EPS (Rmb)	n.a.	n.a.	1.35	1.56	1.87
EPS growth (%)	34.0	(9.1)	10.7	17.6	20.9
P/E (x)	16.5	18.2	16.4	14.0	11.5
Dividend yield (%)	1.8	2.5	2.4	2.9	3.5
EV/EBITDA (x)	13.8	14.0	11.6	9.4	7.5
P/B (x)	4.6	3.7	3.0	2.7	2.3
ROE (%)	31.3	22.9	20.3	20.3	21.3
Net debt(cash)/equity (%)	3.5	(16.7)	(24.1)	(28.3)	(33.2)

Note 1: Shenzhou International provides vertically integrated knitwear manufacturing for well- known retailer brands on an OEM basis. Its products include casual wear, sports wear, lingerie and others. Exports account for around 80% of its total sales.

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Shenzhou resumed production in Cambodia on 8 Jan 2014

Shenzhou announced early this morning that it had resumed full operations and production in its garment factory in Phnom Penh, Cambodia, on 8 January 2014 as it previously planned. This indicates that the political risk in Cambodia is minimal for the moment.

Recall that Shenzhou announced three days ago the suspension of its Cambodia garment factory on 3 January 2014 due to a local labour unions' strike (with the involvement of the opposition party), resulting in blockage of the entrance of the industrial park where Shenzhou's factory is located. The suspension was to assure Shenzhou's workers' safety. No Shenzhou worker participated in the strike.

Suspension only affected 3 days' production

We believe that the impact of the production suspension was limited on Shenzhou as there were only three affected days of production (3, 4 and 6 January 2014; 7 January is a public holiday). As Cambodia only contributed to ~10% of the company's sales volume in 1H13 (or by CS estimate ~15% of Shenzhou's garment capacity by year-end), the company said that the affected production volume is expected to be less than 0.5% of the its total production. Such a shortfall has been replaced by its domestic factory as much as possible.

Figure 1: Recap of what happened in Cambodia

Time	Event
24-Dec-13	A strike started as the confederation of five non-government labour unions and a workers' association in Cambodia (the "Labour Unions") requested the gov't to raise the minimum wage. The gov't agreed to raise it from US$80 to US$95, but the "Labour Unions" asked for US$160
26-Dec-13	The opposition party (CNRP, Cambodia National Rescue Party) joined the strike and escalated it to a political issue, demanding re-election
31-Dec-13	The gov't compromised with a US$100 minimum wage, but the "Labour Unions" and the opposition party insisted on US$160
3-Jan-14	Cambodia soldiers clashed with workers resulting in 4 deaths
Currently	The gov't and the "Labour Unions" have agreed to restart negotiation on the minimum wage on the condition that the opposition party is excluded.

Source: Credit Suisse estimates

Minimum wage: unlikely to affect Shenzhou significantly if below US$120 in our view

The key issue now is how the minimum wage increase will make us revise assumptions beyond an average 10-15% wage increase for Shenzhou in the next few years. For reference, Shenzhou's average wage in Cambodia has been US$170-180 per worker per month (the net amount workers can get) since mid-2013, or more than double the current minimum of US$80. We believe it's unlikely that the minimum wage in Cambodia can be raised to over US$120 this time. Therefore, the impact on Shenzhou is controllable. Recall that last time in 2013 when the minimum was $61, the labour union asked for US$120 and then reduced it to US$100, but finally settled at US$80. As a result, we should not be intimidated by their US$160 request this time.

Figure 2: Cambodia's minimum wage change

Since when	Minimum wage (US$ mn)
2006	56
Oct 2010	61
May 2013	80
Feb 2014E	***100?110?***

Source: Credit Suisse estimates

Long-term intact; roll-over valuation base to 2015E

We believe Shenzhou's long-term growth potential remains intact, though we slightly revised down our sales volume assumption and cut 2013-15E EPS by 1-4%. Key catalysts include: (1) the release of full capacity of newly hired workers in Cambodia phase II and Anhui Anqing phase II garment factories (total ~10k staff) likely in 2H14; and (2) the ramp-up of new fabric capacity in Vietnam (to be set up by end 2014) in 2015. Our new target price of HK$35.0 is based on 14x 2015E P/E, implying 0.86x PEG with 16% EPS CAGR for 13-15E.

Hong Kong

Luk Fook Holdings International--------------------------- Downgrade to UNDERPERFORM

Sales momentum slowed down faster than peers to trigger a de-rating **EPS: ▼ TP: ▼**

Isis Wong / Research Analyst / 852 2101 7109 / isis.wong@credit-suisse.com

- Luk Fook's SSSG decelerated significantly to 9% in 3QFY14 from 62% in 1HFY14. In terms of markets, Hong Kong and Macau registered SSSG of only 6% in the quarter, while that in Mainland China was 36%.
- Luk Fook's SSSG slowed down faster than its peers, which in our view, was mainly due to its over-reliance on Hong Kong & Macau market along with gold products which are most severely affected by the front-end-loading gold product consumption in 1HFY14.
- On the other hand, SSSG of gem-set jewellery deteriorated from 15.6% in 1HFY14 to -4% in 3QFY14, coming in worse-than-our expectation. This may prompt Luk Fook to offer more discount in the coming quarters and in turn drag down its gross margin.
- Therefore, we revise down our FY14–16E earnings forecast by 1-2% but trim our target price by 10% to HK$26.6 by applying a lower valuation multiple of 10x FY15 P/E (from previous 11x), as we believe the underperformance in the coming quarter could trigger a de-rating. Downgrade to UNDERPERFORM.

Bbg/RIC	**590 HK / 0590.HK**	**Price (09 Jan 14 , HK$)**			**33.65**
Rating (prev. rating)	**U (N) [V]**	**TP (prev. TP HK$)**			**26.60 (29.70)**
Shares outstanding (mn)	589.11	Est. pot. % chg. to TP			(21)
Daily trad vol - 6m avg (mn)	2.2	52-wk range (HK$)			33.7 - 17.0
Daily trad val - 6m avg (US$ mn)	7.6	Mkt cap (HK$/US$ mn)			19,823.5/ 2,556.6
Free float (%)	54.7	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Luk Fook (Control) Limited (43.17%)	Absolute (%)	20.4	32.7	20.0
		Relative (%)	24.4	34.6	21.8

Year	**03/12A**	**03/13A**	**03/14E**	**03/15E**	**03/16E**
Revenue (HK$ mn)	11,907	13,412	18,420	18,400	22,209
EBITDA (HK$ mn)	1,665	1,624	1,990	2,068	2,471
Net profit (HK$ mn)	1,334	1,266	1,539	1,567	1,881
EPS (HK$)	2.43	2.15	2.61	2.66	3.18
- Change from prev. EPS (%)	n.a.	n.a.	(1)	(2)	(1)
- Consensus EPS (HK$)	n.a.	n.a.	2.76	3.06	3.57
EPS growth (%)	42.0	(11.4)	21.6	1.8	19.7
P/E (x)	13.9	15.7	12.9	12.7	10.6
Dividend yield (%)	2.7	2.6	3.1	3.2	3.8
EV/EBITDA (x)	11.0	11.5	9.2	8.3	6.6
P/B (x)	3.3	3.1	2.6	2.3	2.0
ROE (%)	29.6	21.1	22.0	19.5	20.6
Net debt(cash)/equity (%)	(27.2)	(18.3)	(20.6)	(30.4)	(35.9)

Note 1: Luk Fook Holdings (International) Limited is an investment holding company. It is engaged in the sourcing, designing, wholesaling and retailing of a range of gold jewellery, gold ornaments, gem-set jewellery, jadeite, gemstones, and other accessory items.

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Luk Fook' SSSG in 3QFY14 decelerated drastically to 9%

Luk Fook's SSSG decelerated significantly to 9% in 3QFY14 from 62% in 1HFY14. In terms of markets, Hong Kong and Macau registered SSSG of only 6% in the quarter, while that in Mainland China was 36%.

Although a slowdown in sales momentum is widely anticipated across the sectors post-gold rush era, Luk Fook's SSSG decelerated faster than its peers, which in our view, is mainly due to its over-reliance on Hong Kong & Macau market (90% of retail sales) along with gold products (72% of sales mix) which are most severely affected by the front-end-loading gold product consumption in 1HFY14.

Figure 1: Luk Fook's SSSG trend

	By markets		By products		Overall
	Hong Kong/ Macau	PRC	Gold	Gem-set	
1QFY13	5.4%	57.2%	n.a.	n.a.	14.8%
2QFY13	-5.7%	-1.1%	n.a.	n..a	-5.3%
1HFY13	-0.02%	12.6%	4.2%	-4.6%	1.0%
3QFY13	1.0%	-ve high single digit	n.a.	n.a.	1.0%
4QFY13	29.0%	14.0%	n.a.	n..a	28%*
FY13	**7.2%**	**7.3%**	**n.a.**	**n.a.**	**7.4%**
1QFY14	83%	117%	130%	21%	102.8%
2QFY14	30%	70%	56%	10%	44.5%
1HFY14	57.9%	95.5%	88.6%	15.6%	62.0%
3QFY14	6.3%	35.6%	19%	-4%	9.3%

Source: Company data, *Credit Suisse estimates

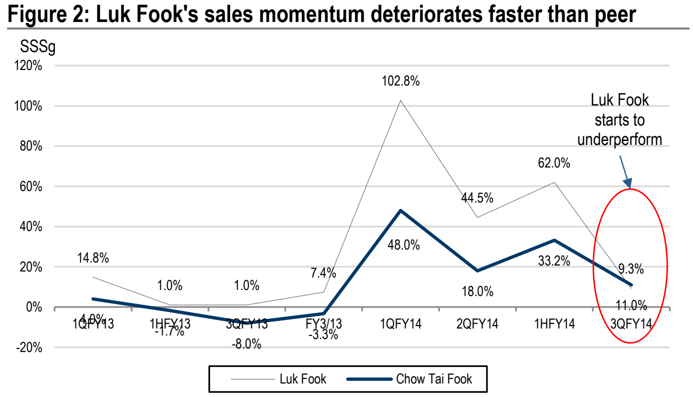
SSS of gem-set jewellery declined at -4% in 3QFY14

On the other hand, sales of gem-set jewellery came in worse-than-our expectation which deteriorated from 15.6% in 1HFY14 to -4% in 3QFY14 as a result of higher comparison base and less cross-selling activity with gold products as in 1HFY14, in our view. This may prompt Luk Fook to offer more discount in the coming quarters and reverse the gross margin expansion in 1HFY14.

Underperforming sales momentum in the coming quarters likely to trigger a de-rating

We expect Luk Fook's sales momentum would continue to slow down and underperform the peers in the coming quarters, especially when the higher comparison bases kick in from this quarter (4QFY14). This may trigger the de-rating of Luk Fook.

Figure 2: Luk Fook's sales momentum deteriorates faster than peer



Source: Company data

Downgrade to UNDERPEFORM

We revise down our FY14–16E earnings forecast by 1–2% but trim our target price by 10% to HK$26.6 (from HK$29.7) by applying a lower valuation multiple of 10x FY15 P/E (from previous 11x). With 21% potential downside, we downgrade Luk Fook from Neutral to UNDERPERFORM.

More to follow after the investor conference call on 10 January, 2014 at 10 AM in the morning.

Sa Sa International Holding --Downgrade to NEUTRAL

3Q FY14 SSSG +15.8% in HK and Macau at the expense of gross margin EPS: ▼ TP: ▼

Isis Wong / Research Analyst / 852 2101 7109 / isis.wong@credit-suisse.com

- Sa Sa reported SSSG of 15.8% in Hong Kong and Macau during 3Q FY14 and overall group turnover increased 14.8% YoY to HK$2.5 bn, driven mainly by stepping up its promotion since mid-Oct 13, leading the transaction volumes to increase 15.4% YoY.
- Although the house brand mix expanded further from 44.2% in 1H FY14 to 44.8% in October/November 2013, the more favourable product mix was insufficient to offset the aggressive discount offering and lead to gross margin erosion.
- Except for Taiwan and sasa.com, all the markets outside Hong Kong and Macau registered sequential deterioration in SSSG during the quarter while Mainland China business is likely to widen the loss in FY14.
- Therefore, we revise down our FY14-16E gross margin assumption by 0.7-0.8 pp and cut our earnings forecast by 5-8%. Accordingly, we revise down our target price to HK$9.0 (from HK$9.6) by applying 21x FY15 P/E. We believe Sa Sa is already fairly priced and therefore downgrade it to NEUTRAL (from Outperform).

Bbg/RIC	178 HK / 0178.HK	Price (09 Jan 14 , HK$)			9.02
Rating (prev. rating)	N (O)	TP (prev. TP HK$)			9.00 (9.65)
Shares outstanding (mn)	2,842.72	Est. pot. % chg. to TP			0
Daily trad vol - 6m avg (mn)	4.0	52-wk range (HK$)			9.22 - 6.33
Daily trad val - 6m avg (US$ mn)	4.3	Mkt cap (HK$/US$ mn)			25,641.3/ 3,306.9
Free float (%)	34.3	Performance	1M	3M	12M
Major shareholders	Dr. Simon Kwok, Dr. Eleanor Kwok: 65%	Absolute (%)	1.1	9.2	36.3
		Relative (%)	5.2	11.1	38.2

Year	03/12A	03/13A	03/14E	03/15E	03/16E
Revenue (HK$ mn)	6,405	7,670	8,847	10,105	11,355
EBITDA (HK$ mn)	945	1,160	1,373	1,685	1,998
Net profit (HK$ mn)	690	826	986	1,212	1,461
EPS (HK$)	0.25	0.29	0.35	0.43	0.51
- Change from prev. EPS (%)	n.a.	n.a.	(5)	(8)	(8)
- Consensus EPS (HK$)	n.a.	n.a.	0.36	0.43	0.52
EPS growth (%)	34.6	19.2	18.9	22.5	20.2
P/E (x)	36.7	30.8	25.9	21.2	17.6
Dividend yield (%)	1.9	2.3	2.7	3.3	4.0
EV/EBITDA (x)	26.5	21.6	18.3	14.8	12.2
P/B (x)	15.6	12.9	11.0	9.1	7.6
ROE (%)	46.2	45.8	45.7	47.1	47.4
Net debt(cash)/equity (%)	(34.5)	(27.5)	(19.8)	(27.6)	(35.6)

Note 1: ORD/ADR=20.00. Note 2: Sa Sa International Holdings Limited is an investment holding company. The company, through its subsidiaries is principally engaged in the retailing and wholesaling of a range of cosmetic brand products.

Click here for detailed financials

3Q FY14 SSSG +15.8% driven by aggressive promotion

Sa Sa reported same-store-sales growth (SSSG) of 15.8% in Hong Kong and Macau during 3Q FY14 and overall group turnover increased 14.8% YoY to HK$2.5 bn, driven mainly by stepping up its promotion since mid-Oct 13, leading the transaction volumes to increase by 15.4% YoY. Looking into monthly breakdown in 3Q FY14, the SSSG in Hong Kong and Macau has slowed down from 18% in October/November 2013 to 12% in December 2013, implying further discount has diminishing simulative impact on sales momentum in addition to the trend that long holiday season is now less favourable for domestic retailers.

Nonetheless, except for Taiwan and sasa.com, all the markets outside Hong Kong and Macau registered sequential deterioration in SSSG during the quarter while Mainland China business is likely to widen the net loss in FY14.

Figure 1: Sa Sa's SSSG trend by markets

	FY13				FY14	
	1H	3Q	4Q	FY	1H	3Q
Hong Kong	**16%**	12.6%	16.2%	**15.0%**	13%	15.8%
Singapore	***7%***	-1.1%	n.a.	**1.5%**	-1.8%	-4.1%
Malaysia	***4%***	-5.5%	n.a.	**1.8%**	6.2%	2.4%
Taiwan	***-80%***	-4.4%	n.a.	**-1.5%**	0.4%	8.4%
Mainland China	***6%***	1.5%	-10.0%	**-0.7%**	-6.9%	-0.5%
E-commerce	***40%***	38.7%	n.a.	**29.2%**	1.3%	4.0%

Source: Company data

Gross margin declined YoY due to heavy discount

Although the SSSG in Hong Kong and Macau has sequentially improved from 13% in 1H FY14 and the house brand mix expanded further from 44.2% in 1H FY14 to 44.8% in October/November 2013, the more favourable product mix was insufficient to offset the aggressive discount offering and lead to gross margin erosion.

Therefore, we revise down our FY14-16E gross margin assumption by 0.7-0.8 pp, together with the unsatisfactory performance of markets outside Hong Kong and Macau, we cut our FY14-16E earnings forecast by 5-8%. Accordingly, we revised down our target price to HK$9.0 (from HK$9.6) by applying 21x FY15 P/E.

Downgrade to NEUTRAL

With the relatively high comparison bases kicking in this quarter (SSSG +16% YoY in 4Q FY13), we expect SSSG in Hong Kong and Macau to moderate to low-teens level during 4Q FY14. Together with the widening loss in Mainland China business which is not likely to turnaround anytime soon, we see limited re-rating catalysts in sight.

We believe Sa Sa is already fairly priced and therefore downgrade it from Outperform to NEUTRAL.

Standard Chartered Plc -- Maintain UNDERPERFORM

Reorganisation of business and senior management departures

EPS: ◄► TP: ◄►

Sanjay Jain / Research Analyst / 852 2101 6088 / sanjay.jain@credit-suisse.com
Vineet Thodge / Research Analyst / 852 2101 7466 / vineet.thodge@credit-suisse.com

- STAN has announced a significant reorganisation of its business by merging the Wholesale and Consumer Banking divisions as well as there were some major departures from the group with the Group CFO and CEO of Consumer Banking stepping down.
- The key result of the organisational restructuring has been creating a new segment of commercial and private banking clients which would focus on the medium size enterprises and wealth.
- The management stressed on the call that the bank is well-capitalised, and that the PRA is comfortable with STAN's capital position. However, STAN acknowledged that analysts have been concerned about the limited organic capital generation. We estimate fully loaded Basel-3 ratio of 10.2% in 2015E, leaving STAN behind the UK peer group average of 11.6% by 2015E.
- STAN has enjoyed a stable and respected management for many years, but the departures might create some uncertainty. The stock is trading at 1.0x P/B (2014E, for an ROE of 11%) and 1.2x P/TB for a RoTE of 13%.

Bbg/RIC	2888 HK / 2888.HK	Price (09 Jan 14 , HK$)			168.00
Rating (prev. rating)	U (U)	TP (prev. TP HK$)			158.99 (158.99)
Shares outstanding (mn)	2,427.38	Est. pot. % chg. to TP			(5)
Daily trad vol - 6m avg (mn)	4.4	52-wk range (HK$)			214.8 - 163.8
Daily trad val - 6m avg (US$ mn)	—	Mkt cap (HK$/US$ bn)			406.2/ 52.4
Free float (%)	81.8	**Performance**	**1M**	**3M**	**12M**
Major shareholders		Absolute (%)	0.2	(8.0)	(16.4)
		Relative (%)	4.2	(6.1)	(14.6)

Year	12/11A	12/12A	12/13E	12/14E	12/15E
Pre-prov Op profit (US$ mn)	7,885.0	8,902.0	9,126.9	9,349.0	9,870.7
Net profit (US$ mn)	4,825	5,174	4,986	5,295	5,646
EPS (CS adj. US$)	2.01	2.14	2.03	2.13	2.24
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (US$)	n.a.	n.a.	2.06	2.26	2.47
EPS growth (%)	6.5	6.1	(4.9)	4.8	5.1
P/E (x)	10.8	10.1	10.7	10.2	9.7
Dividend yield (%)	3.5	3.8	3.9	4.0	4.2
BVPS (CS adj. US$)	17.1	18.8	18.9	20.0	21.1
P/B (x)	1.27	1.15	1.14	1.08	1.03
ROE (%)	12.2	12.0	10.9	11.1	11.0
ROA (%)	0.9	0.8	0.8	0.8	0.8
Tier 1 Ratio (%)	13.7	13.4	13.0	12.9	12.9

Note 1: Standard Chartered PLC is a holding company. Through its subsidiaries, the Company is engaged in the business of retail and commercial banking, and the provision of other financial services.

Reorganisation in detail

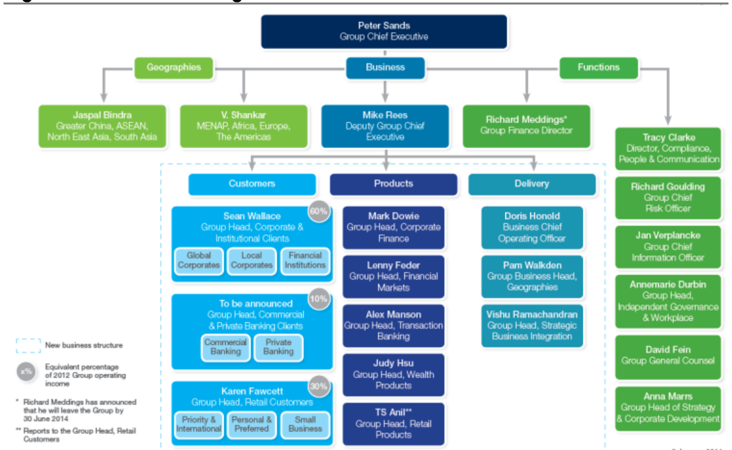
STAN announced a reorganisation of business with wholesale banking and consumer banking to be integrated from 1 April 2014. STAN has created three new customer segments effectively carving out one new segment of commercial and private banking clients which would focus on the mid-sized corporates and private banking business. This new segment contributed ~10% of STAN's revenues in 2012. The other two customer segments are corporate and institutional clients (previously wholesale banking) contributing ~60% of group revenues and retail customers (previously consumer banking), the rest 30% of group revenues. The three customer segments would be serviced by five global product groups.

Management changes

Richard Meddings, the Group Finance Director and Steve Bertamini, CEO of consumer banking, would be stepping down. Mike Rees (previously CEO of Wholesale Banking) would be heading the combined business and would be appointed as the Deputy CEO. This follows the change in reporting line for the risk function in Nov-13 and at this stage there is no replacement named for Richard Meddings.

In terms of the business reorganisation, management (notably the Deputy CEO designate, Mike Rees) was keen to stress that is 'about the how, not the what', i.e., there are no new targets—this is more about how StanChart can achieve its existing targets.

Figure 1: STAN – new organisation structure



Source: Company data.

Benefits of reorganisation

In the past, the focus had been to try to rebalance the weight of Consumer Banking within the group. Wholesale banking represents ~70% of Group 1H13 PBT and 78% of Group assets. As per STAN, this reorganisation could enable them to: (1) focus deployment of resources more effectively to maximize returns, (2) serve clients better by grouping them more logically by their needs (3) achieve cost savings by removing duplication especially in support functions.

Capital position: Weaker versus UK peer group

Management stressed on the call that the bank is well-capitalised and the Group Finance Director stressed that there isn't a single threshold level from the PRA. He did note that some of the PRA updates have been helpful, in particular on the Pillar 2A treatment where they do not have a significant pension shortfall. The CEO also denied press speculation that there had been any dispute on the board about capital. Despite this, it seems unlikely that this will dispel the market's concerns (we expect fully loaded B-3 ratio of 10.2% by FY15E). This is in the context of the UK banks where our UK banks team sees capital levels increasing significantly going forward.

Indonesia

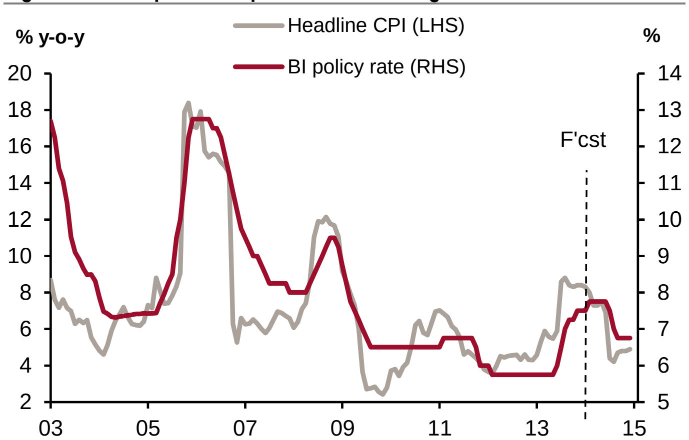
Indonesia Economics

Bank Indonesia Meeting: Is that it?

Robert Prior-Wandesforde / Research Analyst / 65 6212 3707 / robert.priorwandesforde@credit-suisse.com

- Bank Indonesia's decision to leave interest rates on hold for a second consecutive month was probably prompted by the recent improvement in the trade position and the stability of inflation during the fourth quarter.
- At the same time, the lack of action suggests that the central bank is not overly concerned about the level of the IDR despite the fact that it has softened a further 5% against the US dollar over the last couple of months.
- One last rate increase is certainly possible, particularly if the trade position deteriorates again as a result of the upcoming "ban" on the export of unprocessed metals and minerals.
- However, our higher conviction call is that BI will be cutting in the second half of the year. Consumer price inflation has almost certainly peaked and, in our view, will be comfortably below 5% by July when last year's subsidised fuel price hike drops out of the annual comparison. With this in mind, we continue to expect 100 bp of rate reductions between July and October.

Figure 1: We expect 100 bp of rate cuts during the second half of 2014



Source: CEIC, Credit Suisse research

On hold … Having kept us on tenterhooks for an unusually long time, Bank Indonesia announced that it had left the reference and deposit (FASBI) rates unchanged at 7.50% and 5.75%, respectively. This was in line with the consensus view and is the second meeting in succession that the central bank has remained on hold.

… largely as a result of the improving trade position: Key to the decision to stop the tightening, at least for now, was probably the recent improvement in the trade position. Both October and November saw the merchandise trade balance in surplus, registering sizeable year-on-year improvements in the process as imports contracted more sharply than exports. The former is being held back by weakening domestic demand growth, particularly capex, while weak commodity prices and demand is keeping a lid on exports. At the same time, inflation has not risen in the way the central bank feared a few months ago—the concern was that the depreciation of the rupiah would push the headline rate up to 9.0-9.8% by December 2013 (it was actually 8.4%).

Ignoring the rupiah … Since last raising rates on 12 November, the rupiah has fallen another 5% against the US dollar to roughly 12,200 at the time of writing. This is obviously a fairly substantial move and the decision not to respond either via monetary action or (seemingly) FX intervention suggests the Bank is still not that concerned about the level of the currency.

… but why? Three factors are likely to be important here. First, the currency hasn't gapped over the last couple of months—the recent depreciation has been fairly smooth and indeed the last couple of weeks has seen the currency stabilise. Second, the limited pass-through to inflation has probably reassured policy makers that consumer price rises are not about to take off. Third, BI has suggested that it sees a falling rupiah as one means of helping improve the external deficit. With this in mind and the US QE tapering set to continue at the Fed's January meeting, our FX strategy team expects the IDR to move to 12,400 in the next three months.

Is that it? We have a final 25 bp rate increase in our forecast profile, largely reflecting our fear of a poor monthly trade number given the erratic nature of the series and the "ban" on the export of unprocessed metals and ores from 12 January (although this measure is in the process of being watered down). The ongoing strength of bank loan growth (21.9% in November) is likely to be causing a little nervousness within the central bank as well, although BI will probably give it more time to come down before acting, while if the Bank does respond, it is more likely to be via macroprudential measures.

Second-half rate reductions: Our higher conviction call is that BI will be *cutting* rates during the second half of the year. We expect the headline inflation to have fallen comfortably below 5% by July, leaving the country with a relatively high real policy rate. If history is any guide, this will trigger BI into action and we continue to look for 100 bp of reference rate reductions between July and October.

Singapore

SPH REIT---Maintain NEUTRAL

Inaugural results in line with prospectus forecast: Healthy reversions continue at Paragon **EPS: ◄► TP: ◄►**

Yvonne Voon / Research Analyst / 65 6212 3026 / yvonne.voon@credit-suisse.com

- DPU for the period of 24 Jul-13 (listing) to 30 Nov-13 of 1.86S¢ was 2% above prospectus forecast due to utilities savings, lower marketing, property taxes and savings with the waiver to prepare FY13 financials. DPU for the Nov-13 quarter was 1.30S¢, or 25% of our FY14E's 5.22S¢.
- Twenty seven leases were signed during the period, with 11.7% positive rent reversion, led by Paragon, +12.4%. Most of the leases expiring in 2014 (mall opened in May-2011, i.e., first lease term) have been renewed/re-let and more than >90% of the tenants by NLA have committed for a second lease term (likely to see positive rent reversions). Both malls are 100% occupied.
- Gearing remains healthy at 26.7%, implying S$400 mn debt headroom assuming 35% gearing. Next likely acquisition is The Seletar Mall, completing in Dec-14 (so far 28% pre-leased).
- Despite its quality portfolio, at 5.3% FY14 yield (5.1% ex-income support), we believe market may already be pricing in its portfolio and the fairly slow-and-steady growth outlook. Maintain NEUTRAL with S$1.05 DDM-derived target price.

Bbg/RIC	**SPHREIT SP / SPHR.SI**	**Price (09 Jan 14, S$)**			**0.99**
Rating (prev. rating)	**N (N) [V]**	**TP (prev. TP S$)**			**1.05 (1.05)**
Shares outstanding (mn)	2,501.00	Est. pot. % chg. to TP			6
Daily trad vol - 6m avg (mn)	3.4	52-wk range (S$)			1.00 - 0.94
Daily trad val - 6m avg (US$ mn)	2.6	Mkt cap (S$/US$ mn)			2,476.0/ 1,945.9
Free float (%)	25.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	SPH (70%), NTUC (5%)	Absolute (%)	—	1.5	—
		Relative (%)	(2.1)	2.6	—

Year	**08/12A**	**08/13A***	**08/14E**	**08/15E**	**08/16E**
Net property income (S$ mn)	137.6	142.6	148.7	151.8	156.4
EBITDA (S$ mn)	126.3	131.6	134.9	137.6	141.5
Net profit (S$ mn)	100.8	106.2	111.4	114.0	117.4
Distributable income (S$ mn)	121.5	118.8	131.2	133.9	137.3
EPS (S$)	n.a.	0.04	0.04	0.05	0.05
- Consensus EPS (S$)		n.a.	0.05	0.05	
EPS growth (%)		n.a.	4.5	1.6	2.4
P/E (x)	24.6	23.4	22.4	22.0	21.5
DPU (S$)	n.a.	0.05	0.05	0.05	0.05
- Change from prev. DPU (%)		n.a.	0	0	0
DPU yield (%)	n.a.	4.8	5.3	5.3	5.4
P/B (x)	1.1	1.0	1.0	1.0	1.0
ROE (%)	4.5	4.5	4.7	4.7	4.8
Debt/Asset (%)	27.0	25.9	25.4	25.2	24.9

*Note 1: SPH REIT is a Singapore retail proxy, with two key assets - Paragon and Clementi Mall. * FY13A is CS estimates—no disclosure from the company due to the short listing period.*

Click here for detailed financials

Figure 1: Summary of results

S$ mn, FYE Aug	**P 2013**	**P 2012**	**% YoY**	**Forecast**	**% diff.**	**CS Est.**	**% of CS**
Revenue	**70.4**	**68.8**	**2.4**	**70.9**	**(0.7)**	**71.2**	**99%**
- Paragon	57.0	55.5	2.7	57.4	(0.7)	57.3	99%
- The Clementi Mall	13.4	13.3	1.0	13.5	(0.7)	13.8	97%
Net property inc.	**51.4**	**50.5**	**1.8**	**51.1**	**0.5**	**52.4**	**98%**
- Paragon	42.2	41.2	2.3	41.9	0.6	42.9	98%
- The Clementi Mall	9.2	9.2	-0.1	9.2	0.2	9.5	97%
Total return	38.4	37.2	3.2	37.8	1.7	39.1	98%
Distributable inc.	**46.5**	**45.1**	**3.2**	**45.7**	**1.9**	**45.4**	**102%**
DPU (S¢)	**1.86**	**1.80**	**3.2**	**1.82**	**2.2**	**1.82**	**102%**

P – period from 24 Jul to 30 Nov. Source: Company data, Credit Suisse estimates.

Inaugural results post IPO in line with expectations

DPU for the period of 24 Jul-13 (listing) to 30 Nov-13 (~4.25 months) of 1.86S¢ was slightly above prospectus forecast at 102%. DPU for the Nov-13 quarter alone was 1.30S¢, or 25% of our FY14E's 5.22S¢. YoY, DPU +3.2% led by better rents at Paragon, lower-than-expected utilities cost, property taxes, marketing expenses and the savings from trust expenses after receiving a waiver to prepare financials for the FY13 financial period due to the short period from listing to 31 Aug-13.

Healthy reversions continue at Paragon

27 leases were signed during the period, with 11.7% positive rent reversion, led by Paragon, +12.4%. The Clementi Mall saw a slight decline due to the fine-tuning of tenancy mix for the 4 leases. However, we understand that most of the leases expiring in 2014 (mall opened in May 2011, i.e. first lease term) have been renewed/re-let and more than >90% of the tenants by NLA have committed for a second lease term (likely to see positive rent reversions). We highlight there could be some transitional vacancies resulting from the change in tenant mix but we as at Nov-13, occupancy remained at 100% for both assets, indicating healthy demand for its assets, which we believe should underpin its rental growth outlook. Meanwhile, Paragon's shopper traffic +0.6% YoY to 16.7 mn for 11M13, while The Clementi Mall's shopper traffic +9.3% to 27.1 mn.

Figure 2: Healthy rent reversions continue at key asset, Paragon

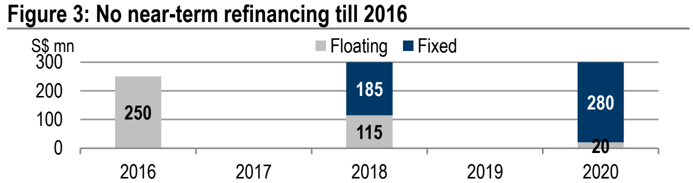
	No. of renewals/new leases	**NLA renewed/new leases (sq ft)**	**NLA renewed/new leases % of malls NLA**	**Change to preceding rental rates***
Paragon	23	65,639	9.3%	12.4%
The Clementi Mall	4	2,659	1.4%	-1.9%
Portfolio	**27**	**68,298**	**7.6%**	**11.7%**

*avg. rents of new/renewed leases vs. avg rents of preceding leases
Source: Company data

Gearing remains conservative at 26.7%

54.7% of its S$850 mn debt facility has been fixed, with overall cost of debt of 2.33% and a 4.8 year average term to maturity. There is no near-term refinancing until 2016. We estimate SPH REIT has some S$400 mn of debt headroom assuming 35% limit (without investment rating). The next possible acquisition is likely The Seletar Mall (SPHR has ROFR) should complete in Dec14 – so far it has three anchor tenants or is 28% pre-leased.

Figure 3: No near-term refinancing till 2016



Source: Company data.

Maintain NEUTRAL with S$1.05 DDM-derived target price

Despite its quality portfolio, at 5.3% FY14 yield (5.1% ex-income support), we believe the market may already be pricing in the resilience of the portfolio and the fairly slow-and-steady growth outlook. At current levels, risk-reward may be relatively less attractive as share prices of some its peers have fallen much more post the recent sell-off.

South Korea

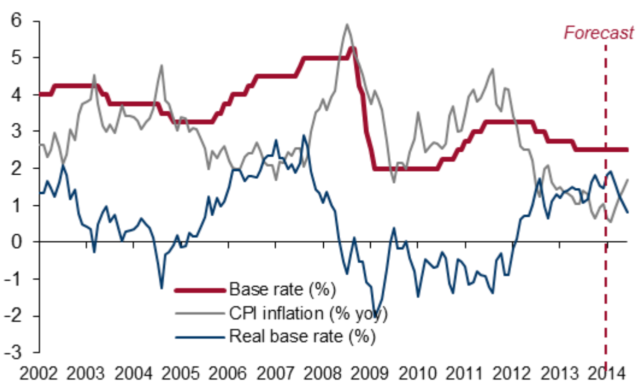
Korea Economics

The BoK stays on hold in the beginning of 2014, turning more positive on the domestic economy

Christiaan Tuntono / Research Analyst / 852 2101 7409 / christiaan.tuntono@credit-suisse.com

- The Bank of Korea has kept its benchmark policy base rate unchanged at 2.5% in the January meeting, in line with consensus.
- With trade improving over 2H13 and domestic demand showing signs of improvement, we believe the Korean economy is cruising on a gradual recovery trend. This should lessen the need for the BoK to lower the policy base rate in support of the economy.
- We expect Korea to benefit from the prospects of stronger global growth in 2014. Despite a weaker JPY, we do not think it would materially impact Korea's export competitiveness and hamper its recovery upon a stronger global growth this year.
- In the press statement, the BoK appears more optimistic on the domestic economy, saying that recovery continues to be in line with the trend of growth as both consumption and exports have increased.

Figure 1: BoK stays on hold again in January, as growth is cruising on a gradual recovery trend



Source: BoK, Credit Suisse.

Policy rate kept unchanged at the start of 2014

The Bank of Korea has kept its benchmark policy base rate unchanged at 2.5% in the January meeting, in line with consensus. The decision was unanimous, according to Governor Kim Choong-soo.

With trade growth improving over 2H13 and domestic demand showing signs of improvement, we believe the Korean economy is cruising on a gradual recovery trend. This should lessen the need for the BoK to lower the policy base rate in support of the economy at this juncture. At the same time, growth momentum is still not strong enough and inflationary pressure remains at bay—both factors suggest that the timing for raising the policy base rate remains sometime in the future, in our view.

We expect Korea to benefit from the prospects of stronger global growth in 2014. The IMF currently expects global trade growth to improve to 5.4% in 2014. On that, we expect Korea's GDP growth to improve to 3.3% in 2014, a step up from the 2.7% growth anticipated for 2013. Despite a weaker JPY, we do not think it would materially impact Korea's export competitiveness and hamper its recovery upon a stronger global growth this year.

At this juncture, we prefer to keep a more conservative view over the future growth trajectory, expecting a recovery but not one that is strong enough to re-ignite strong inflationary pressure in the economy. Risk of a policy rate hike in 2H14 exists, in our view, if the global economy poses a stronger-than-expected recovery in 2014 which closes Korea's output gap earlier than expected and induces fuel global crude oil prices to rise.

More optimistic on the domestic economy

Following are the highlights in the January's policy statement that reflect the BoK’s latest thoughts on growth and inflation:

(1) Tone on the global economy appears to be largely neutral from the previous statement. The BoK says that the trend of the US economic recovery has now become more evident, and that Europe’s sluggishness appears to have continued to ease. It also said economic growth in emerging markets, especially China, has been maintained. The committee forecasts that the global economy will sustain its modest recovery going forward, but maintains the possibility of changes in the global financial market conditions stemming from the Fed’s QE tapering.

(2) The BoK appears more positive on the domestic economy, saying that recovery continues to be in line with the trend of growth as exports and consumption have continues their uptrends. The central bank has kept its assessment that the domestic economy will sustain a negative output gap for a considerable time going forward, though it forecasts that the gap will narrow.

(3) On inflation, the BoK attributes the slight fall in December CPI inflation to 1.1% to (1) the larger extent of decline in the prices of agricultural products and to (2) slowing of the uptrends in prices of industrial products other than petroleum. The committee, however, also notes that core inflation has slightly declined to 1.9% YoY from 2.0% YoY before. The BoK forecasts that inflation will gradually rise, although it will remain low for the time being due largely to the stability of international agricultural prices.

Hyundai Development -- Maintain OUTPERFORM

The year of a sharp turnaround kicks off **EPS: ◄► TP: ◄►**

Minseok Sinn / Research Analyst / 82 2 3707 8898 / minseok.sinn@credit-suisse.com
Hayoung Chung / Research Analyst / 822 3707 3795 / hayoung.chung@credit-suisse.com

- We expect Hyundai Development to deliver a sharp earnings turnaround in 2014, driven by (1) the effective completion of its active kitchen-sinking work by end-2013, (2) the gradual completion of its three major lower-margin works by end-2014, and (3) increasing revenues from profitable housing projects launched in 2013.
- While we continue to believe that improvement in affordability and sharp narrowing of the cost spread between owning and renting would trigger a meaningful recovery in the Korean housing market within 1H14, we anticipate the recent permanent lift of progressive capital gains tax system to eventually help the market by accelerating improvement in the market as soon as it begins.
- Regarding 4Q13 earnings, we expect Hyundai Dev to post another weak consolidated operating loss of W79 bn in 4Q13 due mainly to sizeable provisioning of about W100-110 bn from a couple of housing projects. Management continues to insist its housing-related provisioning was mostly completed by end-2013.
- We reiterate OUTPERFORM with a SOTP TP of W30,000.

Bbg/RIC	**012630 KS / 012630.KS**	**Price (09 Jan 14 , W)**	**23,450**
Rating (prev. rating)	**O (O)**	**TP (prev. TP W)**	**30,000 (30,000)**
Shares outstanding (mn)	75.38	Est. pot. % chg. to TP	28
Daily trad vol - 6m avg (mn)	0.4	52-wk range (W)	28350.0 - 19400.0
Daily trad val - 6m avg (US$ mn)	7.7	Mkt cap (W/US$ bn)	1,767.8/ 1.7
Free float (%)	56.6		
Major shareholders	MG Chung 18.8%		

Performance	1M	3M	12M
Absolute (%)	6.6	9.3	9.6
Relative (%)	9.0	13.2	11.9

Year	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (W bn)	4,108	3,334	4,035	4,896	4,798
EBITDA (W bn)	436.5	142.3	(3.6)	311.1	303.9
Net profit (W bn)	224.7	5.6	(79.7)	164.0	176.4
EPS (W)	3,054	76	(1083)	2,229	2,398
- Change from prev. EPS (%)	n.a.	n.a.	n.m	0	0
- Consensus EPS (W)	n.a.	n.a.	(635)	1,883	2,615
EPS growth (%)	110.4	(97.5)	n.m.	n.m.	7.6
P/E (x)	7.7	309.6	n.m.	10.5	9.8
Dividend yield (%)	3.1	0.9	0.9	2.1	2.1
EV/EBITDA (x)	8.3	28.3	(1068.2)	12.8	11.7
P/B (x)	0.7	0.7	0.8	0.7	0.7
ROE (%)	9.2	0.2	(3.3)	6.8	6.9
Net debt(cash)/equity (%)	74.9	93.1	88.6	89.6	67.8

Note 1: Hyundai Development concentrates on apartment and housing construction. It also constructs civil works such as roads, highways, bridges; architectural works such as office buildings, leisure facilities; plants such as industrial and environmental plants.

Click here for detailed financials

Permanent lift of progressive capital gains tax system a positive to the sentiment in the domestic housing market

National Assembly on 1 January eventually approved the permanent lift of progressive capital gains tax system on two or more home owners (which was flat 50% for sale of the second house and flat 60% for the third or more houses until end-2013, respectively, vs. 6-38% for sale of the first house) after a long delay over the past couple of years. We do not believe the lift could solely drive an immediate recovery of current weak sentiment in the domestic housing market. Nonetheless, we anticipate the lift will eventually help accelerate improvement in the market as soon as the recovery begins. Separately, we continue to believe that improvement in affordability and sharp narrowing of the cost spread between owning and renting would trigger a meaningful recovery in the Korean housing market within 1H14, especially when we foresee better macro growth for 2014 than in 2012/13. We anticipate the gradual improvement in the domestic housing market to provide a better operational environment for Hyundai Dev's housing business 2014 onwards (i.e., acceleration of presale of current unsold apartments, higher early stage presale from upcoming projects).

The sharp earnings turnaround in 2014 intact

We expect a sharp turnaround in Hyundai Dev's earnings and cash flow in 2014 in contrast to the poor operational performance over 2012-13, driven by (1) the effective completion of its active kitchen-sinking work by end-2013, (2) the gradual completion of its three major lower-margin works by end-2014 (Ulsan 2, Asan, Daegu 1), and (3) increasing revenues from profitable housing projects launched in 2013. After the successful presale of about 11,000 units (in-house: 3,700) in 2012 and about 9,000 units (in-house: 9,000), with a strong average presale ratio of about 93% as of January 2014, Hyundai Dev plans presale of about 10,000 units (in-house: 5,000) in 2014.

Figure 1: Hyundai Development—In-house projects launched in 2012/13

Project	Sales (W bn, E)	GP margin (%, E)	Number of units	Presale ratio (%)	Presale	Comple- -tion
Ansan	145	20	441	100	Apr. 12	Oct. 13
Asan	220	7	898	95	May 12	Jul. 14
Ulsan 2	460	7	1,087	95	May 12	Jan. 14
Daegu 1	390	7	1,296	100	Aug. 12	Jan. 15
Namyangju	400	20	1,083	100	May 13	Aug. 15
Goyang 2	390	20	1,035	81	Aug. 13	Sep. 15
Suwon 3	410	32	1,152	83	Sep. 13	Sep. 15
Daegu 2	520	9	2,134	100	Oct. 13	Sep. 15
Total	2,935	14	9,126	93		

Source: Company data, Credit Suisse estimates.

The last kitchen-sinking work of about W100-110 bn seemed to have resulted in weak earnings in 4Q13

We expect Hyundai Dev to post another weak consolidated operating loss of W79 bn in 4Q13, following an operating loss of W20 bn in 3Q13. Though it won the first round trial against owners' association of its Bucheon reconstruction project in Dec-13, Hyundai Dev seemed to have conservatively provisioned for about W100-110 bn from a couple of housing projects in 4Q13 (W30-40 bn from its Daegu 2 project and about W70 bn from the Bucheon project), implying housing-related additional cost recognition of about W150-160 bn in 2013 in aggregate (1Q13: none, 2Q13: W10 bn, 3Q13: W37 bn, 4Q13E: W100-110 bn). Management continues to insist that its housing-related provisioning was mostly completed by end-2013.

Figure 2: HDC–summary P&L (consolidated)

(W bn)	3Q13 Act'l	4Q13E CS	4Q13E Cons.	2012 Act'l	2013E CS	2013E Cons.	2014E CS	2014E Cons.
New orders	1,095	n/a	n/a	3,157	2,800	n/a	4,800	n/a
Revenues	1,086	1,153	1,125	3,334	4,035	3,890	4,896	4,258
Operating profit	-20	-79	-65	104	-43	30	271	223
Pre-tax profit	-46	-86	-101	41	-111	-37	222	183
Net profit	-38	-49	-102	6	-80	-42	164	136
OP margin (%)	-1.8	-6.8	-5.7	3.1	-1.1	0.8	5.5	5.2

Source: Company data, Bloomberg, Credit Suisse estimates

Rating history (012630.KS)

Date	Old rating	New rating	Old TP	New TP
Jul 26, 2013	OUTPERFORM	OUTPERFORM	W29,000	W27,000
Sep 27, 2013	OUTPERFORM	OUTPERFORM	W27,000	W30,000

Taiwan

Asia Hardware Sector --

December monthly sales supporting our pair trade: Compal (OP-rated) / Wistron (UP-rated)

Thompson Wu / Research Analyst / 886 2 2715 6386 / thompson.wu@credit-suisse.com

- Compal's Dec monthly sales were ahead of our expectations and 4Q13 sales are tracking to 17.3% QoQ growth, 4.6% ahead of our estimates. Wistron's 4Q13 sales were in line with our forecast, but 4.6% below consensus. We fine-tune our 2013/14 estimates.
- Compal and Wistron's 4Q13 notebook shipments exceeded their respective guidance. Our conversations with the PC supply chain suggest PC OEMs pulled-in orders due to an earlier CNY. We expect at least low-to mid-teens notebook unit declines in 1Q14.
- Compal's 2014 guidance is unchanged following the Dec monthly sales. Wistron sees modest downside to its smart-devices guidance in 2014. Wistron now guides smart-device shipments of <30 mn, from 30-33 mn previously due to order risk at Blackberry.
- One of our key calls in 2014 is a pair trade on Compal (OP-rated) and Wistron (UP-rated); we view monthly sales supporting our ratings. Compal's computing business recovers in 2014 at the expense of Wistron. Wistron's shares have been resilient on Apple order wins; but we believe the upside is already priced into shares. There is execution risk, which may lead to earnings cuts.

Figure 1: Compal and Wistron 4Q13 earnings revisions

(In NT$ mn)	Compal 4Q13E			Wistron 4Q13E		
	New	Old	+/- (%)	New	Old	+/- %
Revenue	**193,420**	**184,862**	**4.6**	**143,165**	**144,895**	**-1.2**
Operating profits	3,004	2,874	4.5	1,628	1,809	-10.0
Pre-tax income	3,405	3,284	3.7	1,679	1,821	-7.8
Net income	2,448	2,409	1.6	1,252	1,361	-8.0
GAAP EPS (NT$)	**$0.57**	**$0.55**	**2.0**	**$0.55**	**$0.59**	**-7.4**
GM (%)	4.2%	4.2%		4.8%	4.8%	
Opex/sales (%)	2.6%	2.7%		3.6%	3.6%	
OPM (%)	1.6%	1.6%		1.1%	1.2%	

Source: Company data, Credit Suisse estimates.

Compal 4Q13 sales above CS expectation; Wistron in line

Compal's better sales were primarily driven by stronger notebooks. Its notebook units of 10.1 mn were up 11% QoQ, exceeding its guidance of "flat to up slightly QoQ" and our forecast of +1%. It said it saw better volumes across its three key customers, Lenovo, Dell and Acer, with upside led by Lenovo. We expect its 4Q13 OPM could improve to 1.6% from 1.5% in 3Q13 driven by better scale and cost control.

Wistron's 4Q13 sales were in line with our forecast, but 4.6% below consensus. It shipped 5.7 mn notebooks in the quarter (-5.8% QoQ), better than its guidance of 5 mn. However, this upside was offset by softer smart device (tablet and smartphone) volumes. It only shipped 4.6 mn smart devices (-35% QoQ) in the quarter, below our forecast of 5.1 mn. We believe Blackberry's inventory adjustment led to downside. We expect Wistron's OPM maintains flat at 1.1% vs. last quarter.

Fine-tuning Compal's 2014/15 EPS by +2%/+1%

We raise our notebook estimates in 2014 by 3% to 38.7 mn to reflect better corporate demand at Lenovo and Dell. Our forecasts imply flattish YoY shipments in 2014 vs. Wistron of down 17% YoY. Also, we increased display units to 5.1 mn from 3.4 mn driven by Toshiba TV order wins. We keep other assumptions largely unchanged.

Figure 2: Compal 2014/15 earnings revision

(In NT$ mn)	2014E			2015E		
	New	Old	+/- (%)	New	Old	+/- (%)
Revenue	**781,843**	**761,011**	**2.7**	**802,301**	**792,657**	**1.2**
Operating profits	12,903	12,567	2.7	14,101	13,939	1.2
Pre-tax income	13,957	13,623	2.5	14,933	14,794	0.9
Net income	10,782	10,589	1.8	11,648	11,613	0.3
GAAP EPS (NT$)	**$2.49**	**$2.44**	**2.1**	**$2.69**	**$2.67**	**0.6**
GM (%)	4.3%	4.3%		4.3%	4.3%	
Opex/sales (%)	2.6%	2.6%		2.6%	2.6%	
OPM (%)	1.7%	1.7%		1.8%	1.8%	

Source: Company data, Credit Suisse estimates.

Fine-tuning Wistron's 2014/15 EPS by -2%/-2%

The key adjustment we made is trimming its 2014 smart device units to 26.5 mn from 30.0 mn based on our conversation with the company. Wistron said their Blackberry business is deteriorating faster than expected. This could also be the result of Blackberry's cooperation with Hon Hai last month. Other assumptions were largely unchanged.

Figure 3: Wistron 2014/15 earnings revision

(In NT$ mn)	2014E			2015E		
	New	Old	+/- %	New	Old	+/- %
Revenue	**641,401**	**664,122**	**-3.4**	**699,406**	**707,660**	**-1.2**
Operating profit	7,220	7,444	-3.0	8,303	8,552	-2.9
Pre-tax profit	7,622	7,848	-2.9	8,673	8,904	-2.6
Net income	5,793	5,964	-2.9	6,592	6,767	-2.6
GAAP EPS (NT$)	**$2.54**	**$2.60**	**-2.3**	**$2.89**	**$2.95**	**-2.0**
GM%	4.7%	4.7%		4.7%	4.7%	
Opex/Sales%	3.5%	3.5%		3.5%	3.5%	
OPM%	1.1%	1.1%		1.2%	1.2%	

Source: Company data, Credit Suisse estimates.

Pair trade: Long Compal and short Wistron

We believe Compal's 2014 turnaround story will be driven by (1) its notebook order consolidation at Dell, Lenovo and Acer; (2) the improving smart-devices capabilities with the integration of CCI; and (3) potential new tier-1 server OEM order wins in mid-2014.

We expect Wistron faces significant pressure in 2014, due to (1) the deterioration core notebook business along with de-scaling risk; (2) the shrinking Blackberry business; and (3) potential profitability risk from mis-execution of Apple iPhone assembly orders.

Valuation Metrics

Company	Ticker	Rating (prev. rating)	Price Local	Price Target	TP Chg (%)	Up/dn to TP (%)	Year T	EPS Chg(%) T+1	EPS Chg(%) T+2	EPS T+1	EPS T+2	EPS grth (%) T+1	EPS grth (%) T+2	P/E (x) T+1	P/E (x) T+2	Div. yld (%) T+1	ROE (%) T+1	P/B (x) T+1
Compal	2324.TW	O (O)	22.85	27.00	0	18	12/12	2	2	0.57	2.49	(61)	338	40.2	9.2	1.2	2.2	0.9
Wistron	3231.TW	U (U)	25.25	21.00	0	(17)	12/12	(1)	(2)	2.69	2.54	(12)	(6)	9.4	9.9	5.2	9.5	0.9

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM

Source: Company data, Credit Suisse estimates

Asustek-- Maintain UNDERPERFORM

Affordable ZenFone at CES casts shadow on L-T profitability

EPS: ▲ TP: ▲

Thompson Wu / Research Analyst / 886 2 2715 6386 / thompson.wu@credit-suisse.com

- Asus introduced a full line-up of smartphones at CES earlier this week (in line with our expectation); and reported modestly better Dec monthly sales. We raise our 2013/14E EPS by 1%/4% and fine-tune our TP to NT$191 on 8x 2014E EPS (14% YoY decline).
- Asus' new ZenFone 4 is priced at US$99 without contract. This is a very affordable price-point, in our view, and could lead to meaningful volumes. Our concern is the device's profitability and we do not believe there is enough unit elasticity from both tablets and smartphones to offset de-scaling in its notebooks business.
- Monthly sales suggest Asus met its shipment guidance in 4Q13; and regained some market share in notebooks. Given its CES smartphone launch and factoring in higher DRAM costs, we do not expect sequential OPM leverage and forecast 4.5%, flat QoQ.
- Sales momentum was better in 4Q13 and its CES devices suggest momentum could continue. We're concerned with the margins of these new devices; and with higher opex to support a larger ecosystem, we believe OP margins may miss expectations.

Bbg/RIC	2357 TT / 2357.TW	Price (09 Jan 14 , NT$)			279.00
Rating (prev. rating)	U (U)	TP (prev. TP NT$)			191.00 (183.00)
Shares outstanding (mn)	742.76	Est. pot. % chg. to TP			(32)
Daily trad vol - 6m avg (mn)	4.0	52-wk range (NT$)			377.0 - 209.0
Daily trad val - 6m avg (US$ mn)	32.6	Mkt cap (NT$/US$ bn)			207.2/ 6.9
Free float (%)	84.0	**Performance**	**1M**	**3M**	**12M**
Major shareholders	Shih (2.6%)	Absolute (%)	5.1	25.7	(13.1)
		Relative (%)	4.2	23.7	(23.1)

Year	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (NT$ mn)	350,257	413,146	416,887	459,814	491,485
EBITDA (NT$ mn)	19,411	23,406	21,593	20,946	21,783
Net profit (NT$ mn)	16,580	22,422	20,853	17,859	18,331
EPS (NT$)	23.0	29.8	27.9	23.9	24.5
- Change from prev. EPS (%)	n.a.	n.a.	1	4	1
- Consensus EPS (NT$)	n.a.	n.a.	27.7	25.1	25.6
EPS growth (%)	(12.6)	29.6	(6.4)	(14.4)	2.6
P/E (x)	12.1	9.4	10.0	11.7	11.4
Dividend yield (%)	5.4	6.8	6.0	5.1	5.3
EV/EBITDA (x)	8.6	6.8	7.3	7.3	6.8
P/B (x)	1.8	1.7	1.6	1.5	1.4
ROE (%)	15.0	18.6	16.1	13.2	12.9
Net debt(cash)/equity (%)	(35.3)	(38.7)	(38.1)	(39.3)	(41.3)

Note 1: ORD/ADR=5.00. Note 2: Asustek Computer Inc. is principally engaged in the manufacture and distribution of computers, communication products and consumer electronics (3C). It offers its products under the brand name ASUS.

Raising 2013/14E EPS by 1%/4%

We raise 2013 estimates primarily reflecting monthly sales, which suggest 4Q13 sales increased at least high-single digits QoQ. We forecast 4Q13 branded sales/OPM/EPS of NT$115 bn/4.5%/NT$6.86.

We raised 2014 estimates primarily in hybrid Win 8 devices (i.e., Transformer T100) and newly launched VivoTab Note 8 at CES. We forecast Asus to ship 3.5 mn 2-in-1 hybrid units in 2014, and 17.4 mn traditional clamshell notebook PCs, or about 1% YoY growth. We raise smartphone units reflecting its newly introduced smartphone line-up. Our estimates imply 40 bp smartphone share in 2014.

We raised 2013/14E non-op primarily for its investment in Askey. Askey turned into profit in 3Q13 after seven consecutive quarters of losses. We forecast NT$53/NT$900 mn in Askey income in 2013/14E.

Figure 2: Brand Asus 2013/14E earnings changes

(in NT$ mn)	2013E			2014E		
Units in 000s	**New**	**Old**	**+/- (%)**	**New**	**Old**	**+/- (%)**
NB/2:1 hybrid units	18,249	18,179	0.4	20,875	20,500	1.8
MB units	20,750	20,750	0.0	21,000	21,000	0.0
Tablet units	12,000	12,000	0.0	12,000	12,000	0.0
Smartphone units	1,000	950	5.3	5,000	4,000	25.0
Brand revenues	**416,887**	**412,558**	**1.0**	**459,814**	**439,259**	**4.7**
YoY % change	0.9%	-0.1%		10.3%	6.5%	
Operating profits	19,496	19,394	0.5	19,083	18,650	2.3
Non-op income	6,091	5,948	2.4	2,831	1,967	43.9
Pre-tax income	25,587	25,342	1.0	21,913	20,617	6.3
Net income	20,853	20,654	1.0	17,859	17,112	4.4
Brand EPS (NT$)	**$27.89**	**$27.62**	**1.0**	**$23.88**	**$22.88**	**4.4**
GM%	12.7%	12.8%		12.3%	12.4%	
Opex/Sales%	8.1%	8.1%		8.2%	8.2%	
OPM%	4.7%	4.7%		4.2%	4.2%	

Source: Company data, Credit Suisse estimates

Differentiation: 2014E OPM of 4.2% vs consensus of 4.4%

Our UP-rating is based on our view that operating leverage will not be robust given the margin profile of new devices and increase investments to support a growing ecosystem (i.e., Win 8 and Android).

CES wrap-up: Full line-up of smartphones

Consistent with Asus' strategy, it revealed a full suite of stand-alone smartphones at CES this week. Its ZenFone smartphones are stand-alone devices with price-points of US$99/$149/$199 without contract for display sizes of 4"/5"/6". The price-points are particularly attractive given the features, but raise questions on profitability. Nevertheless, we believe with these phones with said features and price-points should bring Asus closer to its target of 5 mn units in 2014.

Figure 1: Asus announced five new smartphones at CES this week including ZenFone, PadFone X and PadFone Mini

Manufacturer	Asus	Asus	Asus	Asus	Asus	Asus	Asus
							
Model	**ZenFone 4**	**ZenFone 5**	**ZenFone 6**	**Padfone X**	**PadFone mini**	**PadFone Infinity 2**	**Fonepad7**
Form factor:							
Display size (in)	4.0	5.0	6.0	5 / 9	4 / 7	5.0	7.0
Resolution	800 x 480	1280 x 720	1280 x 720	1920 x 1080 / 1920 x 1200	800 x 480 / 1280 x 800	1080 x 1920	800 x 1280
Height x Width x Depth (mm	124.4 x 61.4 x 11.2-6.3	148.2 x 72.8 x 10.3-5.5	166.9 x 84.3 x 9.9-5.5	NA	124.42 x 61.44 x 6.3-11.2	143.5 x 72.8 8.9	196.8 x 120 x 10.5
Weight	115g	140g	200g	NA	Phone 116g / with dock 376g	145g	328g
Core internals							
Processor	tel Atom Z2520 dual-core 1.2GH	Intel Atom Z2580 2GHz	Intel Atom Z2580 2GHz	Qualcomm Snapdragon	Intel Atom Z2560 1.6GHz	Qualcomm Snapdragon	Intel Atom Z2560
Memory	1GB	1GB	1GB / 2GB	NA	1GB	2GB	1GB
Operating system	Android 4.3	Android 4.3	Android 4.3	Android KitKat 4.4	Android 4.3	Android 4.2	Android 4.2
Storage type/capacity (GB)	4GB	4GB	8 / 16GB	NA	8GB	16/32GB	8/16/32GB
Retail Price	$99	$149	$199	NA	Start at $249	Estimate $649	NA

Source: Company data, Credit Suisse

Thailand

Siam Cement --Upgrade to NEUTRAL

Petrochemical: The only growth driver in 2014 **EPS: ▲ TP: ◄►**

Paworamon (Poom) Suvarnatemee, CFA / Research Analyst / 66 2 614 6210 / paworamon.suvarnatemee@credit-suisse.com
Wattana Punyawattanakul / Research Analyst / 66 2 614 6215 / wattana.punyawattanakul@credit-suisse.com

- SCC's earnings are more leveraged to petrochemical than cement. Tighter ethylene market is expected to be the key factor driving SCC's earnings growth through 2016.
- The jump in HDPE-naphtha margins during 2012-13 from trough to mid-cycle could already be the biggest YoY increase in this cycle. We expect margin improvement to be more gradual between 2014 and 2016.
- Risks for the cement business are on the downside from our current forecast of flat EBITDA contribution. However, we expect petrochemical recovery to offset the weakness in cement demand. Our earnings are raised by 2% with higher PE-naphtha spread.
- We upgrade SCC from Underperform to NEUTRAL. Our negative view on SCC in 2013 was based on its premium valuation and unrealistically high expectations on the cement business. Foreign ownership has notably reduced in 2013 and risk of further sell-down is limited. Our TP is maintained at Bt404 based on SOTP valuation.

Bbg/RIC	**SCC TB / SCC.BK**	**Price (09 Jan 14 , Bt)**	**392.00**
Rating (prev. rating)	**N (U)**	**TP (prev. TP Bt)**	**404.00 (404.00)**
Shares outstanding (mn)	1,200.00	Est. pot. % chg. to TP	3
Daily trad vol - 6m avg (mn)	1.4	52-wk range (Bt)	500.0 - 380.0
Daily trad val - 6m avg (US$ mn)	18.5	Mkt cap (Bt/US$ bn)	470.4/ 14.3
Free float (%)	70.0		
Major shareholders	Crown Property Bureau (30%)		

Performance	**1M**	**3M**	**12M**
Absolute (%)	(4.4)	(10.9)	(10.9)
Relative (%)	3.5	2.7	0.6

Year	**12/11A**	**12/12A**	**12/13E**	**12/14E**	**12/15E**
Revenue (Bt mn)	368,579	407,601	435,474	462,440	480,301
EBITDA (Bt mn)	43,732	42,171	57,224	62,399	67,280
Net profit (Bt mn)	27,281	23,580	36,506	37,465	39,782
EPS (Bt)	22.7	19.6	30.4	31.2	33.2
- Change from prev. EPS (%)	n.a.	n.a.	1	2	(2)
- Consensus EPS (Bt)	n.a.	n.a.	28.5	32.2	36.8
EPS growth (%)	(27.0)	(13.6)	54.8	2.6	6.2
P/E (x)	17.2	19.9	12.9	12.6	11.8
Dividend yield (%)	3.2	2.8	4.4	3.6	3.8
EV/EBITDA (x)	13.7	14.5	10.9	9.9	8.9
P/B (x)	3.4	3.3	2.9	2.6	2.3
ROE (%)	20.0	16.6	23.9	21.8	20.7
Net debt(cash)/equity (%)	79.1	88.6	84.3	73.4	56.0

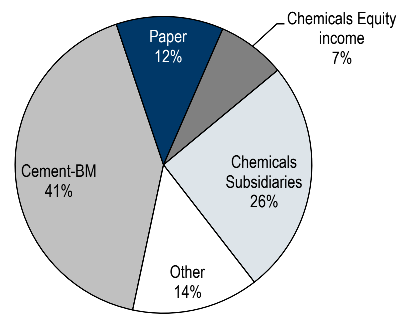
Note 1: The Siam Cement Public Company Limited is a Thailand-based holding company engaged in the industrial supplies and construction industries. It serves both local and overseas markets.

Click here for detailed financials

Petrochemical, not cement

SCC's earnings are more leveraged to petrochemical than cement as proved in 2013—petrochemical was the key earnings driver even when cement grew above-trend in 1H13. We expect petrochemical to drive more than 80% of SCC's earnings growth in 2014-15. However, its leverage to petrochemical is somewhat muted by its diversified businesses. We see downside risks to cement business but it should be more than offset by petrochemical recovery. We estimate a HDPE-naphtha increase of US$10/t should be enough to offset the impacts of 5% drop in cement sales volume (assuming flat cement price).

Figure 1: SCC's net profit breakdown* (9M13) – petrochemical accounted for 33% of total profit

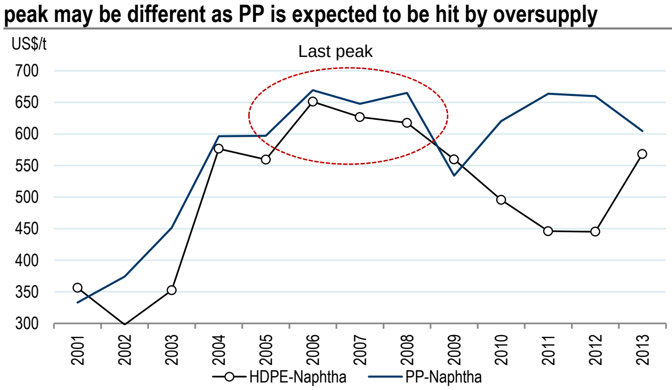


*Net profit excludes Bt1.7 bn accounting gain booked in building materials division.
Source: Company data, Credit Suisse estimates

Biggest YoY recovery may already be behind us.

In 2013, HDPE-naphtha spreads moved from a trough of US$355/t in 1Q12 to mid-cycle margins of US$600/t in 4Q13. The jump in margins during 2012-13 could already be the biggest YoY increase in this cycle. We expect margin improvement to be more gradual between 2014 and 2016 before new supply from gas-based plants in the US start to kick in. In the next peak, we are less bullish on PP (18% of capacity) than PE (28% of capacity) due to aggressive capacity addition in PP during 2014-15.

Figure 2: Both PE and PP peaked at the same time in 2006-07. Upcoming peak may be different as PP is expected to be hit by oversupply



Source: Thomson Reuters

Upgrade to NEUTRAL with limited downside risk

We upgrade SCC from Underperform to NEUTRAL. Our negative view on SCC in 2013 was based on its premium valuation and unrealistically high expectations on the cement business. Foreign ownership has notably reduced in 2013 and risk of further sell-down is limited. Our TP is maintained at Bt404 based on SOTP valuation. Our earnings are however up by 2% with higher PE-naphtha spread forecast.

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Wed 8 Jan	India Consumer Discretionary Sector-Structural story in midst of cyclical slowdown	Arnab Mitra Akshay Saxena Anantha Narayan Vikash Patwari	91 22 6777 3806 91 22 6777 3825 91 22 6777 3730 9122 6777 3747	arnab.mitra@credit-suisse.com akshay.saxena@credit-suisse.com anantha.narayan@credit-suisse.com vikash.patwari@credit-suisse.com
Wed 8 Jan	India IT Services Sector - What can surprise in 2014?	Anantha Narayan Sagar Rastogi	91 22 6777 3730 91 22 6777 3851	anantha.narayan@credit-suisse.com sagar.rastogi@credit-suisse.com
Wed 8 Jan	Indonesia Coal Mining Sector - Size matters	Ami Tantri Paworamon Suvarnatemee	62 21 2553 7976 66 2 614 6210	ami.tantri@credit-suisse.com paworamon.suvarnatemee@credit-suisse.com
Wed 8 Jan	Lenovo Group Ltd - FY3Q14 preview: Raising FY14/15E EPS alongside global smartphone increase	Thompson Wu	886 2 2715 6386	thompson.wu@credit-suisse.com
Wed 8 Jan	Lenovo Group Ltd - FY3Q14 preview: Raising FY14/15E EPS alongside global smartphone increase	Thompson Wu	886 2 2715 6386	thompson.wu@credit-suisse.com
Wed 8 Jan	MediaTek Inc. - China LTE not a material 1H14 ramp-up for Mediatek or the market	Randy Abrams, CFA	886 2 2715 6366	randy.abrams@credit-suisse.com
Wed 8 Jan	MicroPort Scientific - Milestones achieved for product diversification	Iris Wang	852 2101 7646	iris.wang@credit-suisse.com

Companies mentioned

Acer Group (2353.TW, NT$18.55)
Apple Inc (AAPL.OQ, $543.46)
Asustek (2357.TW, NT$279.0, UNDERPERFORM, TP NT$191.0)
Beijing Enterprises Water Group Limited (0371.HK, HK$4.5, OUTPERFORM, TP HK$5.3)
BlackBerry (BBRY.OQ, $8.54)
Champion Real Estate Investment Trust (2778.HK, HK$3.41, OUTPERFORM, TP HK$4.2)
China Coal Energy Co. (1898.HK, HK$4.16, NEUTRAL, TP HK$4.3)
China COSCO Holdings (1919.HK, HK$3.56, UNDERPERFORM, TP HK$3.0)
China Everbright International Ltd (0257.HK, HK$10.44, OUTPERFORM, TP HK$12.1)
China Galaxy Securities Co.,Ltd. (6881.HK, HK$6.28, OUTPERFORM[V], TP HK$7.0)
China Resources Power Holdings (0836.HK, HK$18.2, OUTPERFORM, TP HK$22.0)
China Shenhua Energy Company Limited (1088.HK, HK$22.15, NEUTRAL, TP HK$22.3)
China Shipping Container Lines Company Ltd (2866.HK, HK$1.94)
Chow Tai Fook Jewellery Group Limited (1929.HK, HK$12.76)
Citic Securities (600030.SS, Rmb12.08, NEUTRAL, TP Rmb13.0)
Citic Securities (6030.HK, HK$19.18, NEUTRAL, TP HK$16.5)
Compal Electronics (2324.TW, NT$22.85, OUTPERFORM, TP NT$27.0)
Datang International Power Generation Co. Ltd. (0991.HK, HK$3.56, NEUTRAL, TP HK$3.52)
Dell Inc. (DELL.OQ, $13.86)
Dongjiang Environmental Company Limited (0895.HK, HK$26.4, OUTPERFORM, TP HK$31.5)
Evergreen Marine (2603.TW, NT$17.85)
Franshion Properties (China) Limited (0817.HK, HK$2.49, OUTPERFORM, TP HK$3.8)
Guodian Technology & Environment Group Corporation (1296.HK, HK$2.11)
Haitong Securities (600837.SS, Rmb10.81, RESTRICTED [V])
Haitong Securities (6837.HK, HK$12.56, RESTRICTED [V])
Hongkong Land Holdings (HKLD.SI, $6.16, OUTPERFORM, TP $8.3)
Huaneng Power International Inc (0902.HK, HK$7.3, UNDERPERFORM, TP HK$6.4)
Hyundai Development (012630.KS, W23,450, OUTPERFORM, TP W30,000)
Indorama Ventures PCL (IVL.BK, Bt21.1, UNDERPERFORM, TP Bt21.0)
Inner Mongolia Yitai Coal Co. Ltd (3948.HK, HK$11.64, NEUTRAL, TP HK$10.5)
Kawasaki Kisen Kaisha Ltd. (9107.T, ¥265)
Lenovo Group Ltd (0992.HK, HK$9.01)
Luk Fook Holdings International (0590.HK, HK$33.65, UNDERPERFORM[V], TP HK$26.6)
Neptune Orient Lines (NEPS.SI, S$1.09, UNDERPERFORM, TP S$0.95)
Orient Overseas International (0316.HK, HK$37.75)
PTT Global Chemical (PTTGC.BK, Bt77.0, OUTPERFORM, TP Bt95.0)
PTT Public Company Limited (PTT.BK, Bt284.0, OUTPERFORM, TP Bt355.0)
Sa Sa International Holding (0178.HK, HK$9.02, NEUTRAL, TP HK$9.0)
Shenzhou International (2313.HK, HK$28.95, OUTPERFORM, TP HK$35.0)
Siam Cement (SCC.BK, Bt392.0, NEUTRAL, TP Bt404.0)
SPH REIT (SPHR.SI, S$0.98, NEUTRAL[V], TP S$1.05)
Standard Chartered Plc (2888.HK, HK$168.0, UNDERPERFORM, TP HK$158.99)
Swire Properties Limited (1972.HK, HK$19.28, OUTPERFORM, TP HK$27.6)
Tata Motors Ltd. (TAMO.BO, Rs370.25, OUTPERFORM, TP Rs450.0)
Thai Oil (TOP.BK, Bt53.5, OUTPERFORM, TP Bt79.0)
Tianjin Capital Environmental Protection (1065.HK, HK$4.09, OUTPERFORM, TP HK$4.8)
Wan Hai Lines (2615.TW, NT$15.05, NEUTRAL, TP NT$15.5)
Wistron (3231.TW, NT$25.25, UNDERPERFORM, TP NT$21.0)
Yanzhou Coal Mining Co. (1171.HK, HK$6.14, UNDERPERFORM, TP HK$4.6)
Yonker Environmental Protection Co., LTD. (300187.SZ, Rmb28.75)

Disclosure Appendix

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