

21 July 2014

charles.c.chang@credit-suisse.com (+852 2101 6036)

Malaysian Airline & China property 1H14

News on the downing of the Malaysian Airlines (MH) flight over the Ukraine drove jitters across markets last Friday, with Israel's ground operations in Gaza adding to fears of an eruption of geopolitical risks. Meanwhile, China reported that average selling prices (ASP) for new homes fell MoM in 55 of 70 cities in June (vs. 35 in May), by anywhere from 0.5% to 1%+. So far, the combined impact of these events on Asia HY has been muted, with dealer mark-downs of only 0.25pt to 0.5pt last Friday, on little to no trading for most names. For the week, median HY prices fell 0.25pt/0pt/0.25pt for China property/China non-property/Indonesian corp., leaving prices down 0.9pt/up 0.25pt/up 5pt YTD, implying decent performance YTD given average yields of 7.6%/5.6%/6.7%.

As the market appears engaged and present (judging by the inquiries we received), we see the reaction so far as indicative of market maturity, not apathy or absence. Indeed, while the ultimate outcome of the MH flight remains unclear, it seems premature to extrapolate this into a major geopolitical crisis, particularly since the perpetrators remain unidentified and unconfirmed, and as there is little evidence proving direct Russian involvement or European willingness to risk its gas supply for the winter. In the absence of the MH incident, Israeli actions in Gaza may not have meaningful impact on the markets, as was the case over the last few weeks, as violence flared up between the two sides. Given this, if MH situation results in economic sanctions rather than military action, the market impact of both events could subside, as they have so far today. This is our expectations at this stage.

As for China, the latest data confirms that China's property bubbles are decelerating in pace and reducing in size – a positive development, in our view, particularly since the process remains orderly (i.e. no major dislocations) and rational (i.e. the strong wins while the weak loses). The latter has been observable by the clear outperformance of the listed developers (1H avg. sales/ASP +10%/+4%, see table below) over the broader market (-9.2%/-1.5% YoY, per NBS), 40%+ of which comprise small, local, unlisted parties that often lose when weak markets accelerate consolidation and natural selection within the industry.

For those who have a more negative view of the events above, we suggest taking profit on names that look pricy on relative value (RV), with sales and/or leverage that seem excessively weak/high for the bonds' trading levels. For those who share our view, we suggest picking up overly impacted bonds that look cheap on RV, with yields that seem to compensate investors for the underlying risk. We list both sets of bonds below, including sales YTD, credit metrics vs. comps, our RV views and actions investors could consider.

Bonds that look cheap on RV (Credit metrics: net debt/EBITDA / interest coverage / debt/capitalization):

Country Garden

- 1H14 sales/ASP/own target met: +74%/+0%/46% vs. sector median +2%/+1%/39%.
- Credit metrics: Ctry Gdn 2.2x/3.7x/55%, Longfor 2.6x/3.7x/50%, Shimao 2.6x/3.2x/49%, BB median 2.8x/3.2x/51%.
- COGARD 7 1/4 04/04/21 (bid 97, YTM 7.83%, carry 7.47%, L5D -0.88pt, L20d +0.5pt, YTD -1.97pt, issued 10/2013, USD750m out): RV looks slightly cheap. Call: small long.

Kaisa

- 1H14 sales/ASP/own target met: +1%/+28%/37% vs. sector median +3%/+1%/39%.
- Credit metrics: Kaisa 2.8x/1.9x/51%, Agile 2.8x/4.2x/58%, R&F 3.3x/3.2x/67%, BB median 2.8x/3.2x/51%.
- KAISAG 10 1/4 01/08/20 (bid 105.75, YTC 2017 9.47% @ 105.13, YTM 8.9%, carry 9.69%, L5D -0pt, L20d -0pt, YTD +3.15pt, issued 1/2013, USD500m out): RV looks cheap. Call: long.

Evergrande

- 1H14 sales/ASP/own target met: +55%/+5%/63% vs. sector median +3%/+1%/39%.
- Credit metrics: Evergrande 5.1x/2.4x/74%, Gemdale 3.9x/1.7x/48%, R&F 3.3x/3.2x/67%, BB median 2.8x/3.2x/51%.

Sector Strategist

Charles Chang

+852 2101 6036

charles.c.chang@credit-suisse.com

- EVERRE 9 1/4 01/19/16 CNY (bid 101, YTM 8.52%, carry 9.16%, L5D -0pt, L20d +1.75pt, YTD -2.29pt, issued 1/2011, CNY3.7b out): RV looks cheap. Call: long.
- EVERRE 8 3/4 10/30/18 (bid 97, YTM 9.61%, carry 9.02%, L5D -1.75pt, L20d +2.75pt, YTD -3.52pt, issued 10/2013, USD1.5b out): RV looks slightly cheap. Call: small long.

Future Land

- 1H14 sales/ASP/own target met: +28%/+7%/40% vs. sector median +3%/+1%/39%.
- Credit metrics: Future Land 1.8x/2.9x/58%, KWG 6.6x/1.3x/60%, Central China 5.9x/1.6x/70%, B median 4.3x/2x/52%.
- FUTLAN 9 3/4 04/23/16 CNH (bid 99, YTM 10.37%, carry 9.85%, L5D -1pt, L20d +1.25pt, YTD -0.8pt, issued 4/2013, CNH1.5b out): RV looks very cheap. Call: small long.
- FUTLAN 10 1/4 01/31/18 (bid 99.5, YTM 10.42%, carry 10.3%, L5D -1pt, L20d +3.5pt, YTD -0.49pt, issued 1/2013, USD200m out): RV looks slightly cheap. Call: small long.

China SCE

- 1H14 sales/ASP/own target met: +9%/-29%/40% vs. sector median +2%/+1%/39%.
- Credit metrics: China SCE 4.3x/2.2x/55%, Yuzhou 3x/2x/57%, KWG 6.6x/1.3x/60%, B median 4.3x/2x/52%.
- CHINSC 10 1/2 01/14/16 CNY (bid 101.75, YTM 9.21%, carry 10.32%, L5D -0pt, L20d -0pt, YTD -3.18pt, issued 1/2011, CNY2b out): RV looks cheap. Call: small long.
- CHINSC 11 1/2 11/14/17 (bid 105.25, YTC 2015 11.24% @ 105.75, YTM 9.6%, carry 10.93%, L5D -1.5pt, L20d +0.5pt, YTD -5.22pt, issued 11/2012, USD350m out): RV looks very cheap. Call: small long.

Aoyuan

- 1H14 sales/ASP/own target met: +38%/+21%/34% vs. sector median +3%/+1%/39%.
- Credit metrics: Aoyuan 4.3x/1.3x/56%, KWG 6.6x/1.3x/60%, Central China 5.9x/1.6x/70%, B median 4.3x/2x/52%.
- CAPG 13 7/8 11/23/17 (bid 110, YTC 2015 10.59% @ 106.94, YTM 10.25%, carry 12.61%, L5D -0pt, L20d +1pt, YTD +0.25pt, issued 11/2012, USD225m out): RV looks very cheap. Call: small long.

Powerlong

- 1H14 sales/ASP/own target met: +25%/+7%/31% vs. sector median +3%/+1%/39%.
- Credit metrics: Powerlong 8.8x/1.1x/49%, Shui On 16.6x/0.7x/52%, KWG 6.6x/1.3x/60%, B median 4.3x/2x/52%.
- PWRLNG 13.750 09/16/15 (bid 104.75, YTM 9.28%, carry 13.13%, L5D -0.13pt, L20d -0pt, YTD -2.24pt, issued 9/2010, USD200m out): RV looks slightly cheap. Call: small long.
- PWRLNG 9 1/2 05/27/16 CNH (bid 97, YTM 11.33%, carry 9.79%, L5D -0pt, L20d +0.5pt, YTD -1.57pt, issued 5/2013, CNH800m out): RV looks very cheap. Call: small long.
- PWRLNG 11 1/4 01/25/18 (bid 95.5, YTM 12.88%, carry 11.78%, L5D +0.75pt, L20d +2.5pt, YTD -5.61pt, issued 1/2013, USD250m out): RV looks very cheap. Call: small long.

Modern Land

- 1H14 sales/ASP/own target met: +37%/+7%/23% vs. sector median +2%/+1%/39%.
- Credit metrics: Modern Land net cash/8.6x/47%, Shui On 16.6x/0.7x/52%, KWG 6.6x/1.3x/60%, B median 4.3x/2x/52%.
- MOLAND 11 01/22/17 CNH (bid 94.459, YTM 13.69%, carry 11.65%, L5D -0.46pt, L20d +0.96pt, YTD -5.54pt, issued 1/2014, CNH1.1b out): RV looks very cheap. Call: small long.
- MOLAND 13 7/8 11/04/18 (bid 102.175, YTM 13.18%, carry 13.58%, L5D -0.51pt, L20d +1.18pt, YTD +0.63pt, issued 11/2013, USD150m out): RV looks very cheap. Call: small long.

Bonds that look very pricy on RV (Credit metrics: net debt/EBITDA / interest coverage / debt/capitalization):

Franshion

- 1H14 sales/ASP/own target met: -23%/+50%/26% vs. sector median +3%/+1%/39%.
- Credit metrics: Franshion 3.3x/3.8x/49%, Kaisa 2.8x/1.9x/51%, Future Land 1.8x/2.9x/58%, B median 4.3x/2x/52%.
- FRANSH 4.7 10/26/17 (bid 102, YTM 4.04%, carry 4.61%, L5D -0.25pt, L20d -0.25pt, YTD +0.34pt, issued 10/2012, USD500m out): RV looks very pricy. Call: small short.
- FRANSH 5 3/4 03/19/19 (bid 102.25, YTM 5.2%, carry 5.62%, L5D -0.25pt, L20d -0.5pt, YTD +2.25pt, issued 3/2014, USD500m out): RV looks very pricy. Call: small short.
- FRANSH 6 3/4 04/15/21 (bid 105.375, YTM 5.77%, carry 6.41%, L5D -0.38pt, L20d -0.63pt, YTD +2.54pt, issued 4/2011, USD500m out): RV looks very pricy. Call: take profit.
- FRANSH 6.4 04/27/22 (bid 99.5, YTM 6.48%, carry 6.43%, L5D +0.13pt, L20d +0.13pt, YTD +4.25pt, issued 8/2013, USD200m out): RV looks very pricy. Call: take profit.

Minmetals Land

- 1H14 sales/ASP/own target met: -15%/+55%/33% vs. sector median +2%/+1%/39%.
- Credit metrics: Minmetals Land 8.3x/1.7x/53%, Kaisa 2.8x/1.9x/51%, Future Land 1.8x/2.9x/58%, B median 4.3x/2x/52%.
- MINMET 5 1/2 04/26/18 (bid 101.9, YTM 4.94%, carry 5.4%, L5D -0.08pt, L20d +0.14pt, YTD -0.18pt, issued 4/2013, USD225m out): RV looks very pricy. Call: small short.

- MINMET 6 1/2 04/26/23 (bid 101.753, YTM 6.24%, carry 6.39%, L5D +0.03pt, L20d +3.25pt, YTD +0.3pt, issued 4/2013, USD125m out): RV looks very pricy. Call: small short.

Central China

- 1H14 sales/ASP/own target met: +9%/+1%/38% vs. sector median +2%/+1%/39%.
- Credit metrics: CCRE 5.9x/1.6x/70%, Yanlord 3.2x/2.7x/39%, Future Land 1.8x/2.9x/58%, B median 4.3x/2x/52%.
- CENCHI 8 01/28/20 (bid 97.75, YTM 8.52%, carry 8.18%, L5D -0.63pt, L20d +0.75pt, YTD -1.84pt, issued 1/2013, USD200m out): RV looks very pricy. Call: take profit.

Greentown China

- 1H14 sales/ASP/own target met: -14%/-1%/39% vs. sector median +2%/+1%/39%.
- Credit metrics: Greentown 4.6x/2.7x/56%, Fantasia 4.2x/2.2x/61%, Future Lnd 1.8x/2.9x/58%, B median 4.3x/2x/52%.
- GRNCH 8 03/24/19 (bid 97.75, YTM 8.59%, carry 8.18%, L5D -0.25pt, L20d +1.25pt, YTD -4.21pt, issued 9/2013, USD300m out): RV looks very pricy. Call: take profit.

Soho China

- 1H14 sales/ASP/own target met: no sales target, as company plans to cut sales down to zero over the short-term.
- Credit metrics: Soho China 1.7x/6x/38%, Yanlord 3.2x/2.7x/39%, Future Land 1.8x/2.9x/58%, B median 4.3x/2x/52%.
- SOHOCH 5 3/4 11/07/17 (bid 101.75, YTM 5.16%, carry 5.65%, L5D -0.25pt, L20d -0.25pt, YTD +1.17pt, issued 11/2012, USD600m out): RV looks very pricy. Call: small short.
- SOHOCH 7 1/8 11/07/22 (bid 100, YTM 7.12%, carry 7.13%, L5D +0.5pt, L20d +1pt, YTD +4.33pt, issued 11/2012, USD400m out): RV looks very pricy. Call: small short.

Shui On

- 1H14 sales/ASP/own target met: -56%/-20%/22% vs. sector median +2%/+1%/39%.
- Credit metrics: Shui On 16.6x/0.7x/52%, CCRE 5.9x/1.6x/70%, KWG 6.6x/1.3x/60%, B median 4.3x/2x/52%.
- SHUION 7 5/8 01/26/15 CNY (bid 101.155, YTM 5.31%, carry 7.54%, L5D -0.6pt, L20d -0.14pt, YTD -0.99pt, issued 9/2010, CNY1.19b out): RV looks very pricy. Call: take profit.
- SHUION 8 01/26/15 SGD (bid 102.047, YTM 3.94%, carry 7.84%, L5D -0.09pt, L20d -0.3pt, YTD -0.94pt, issued 1/2012, SGD250m out): RV looks very pricy. Call: take profit.
- SHUION 9 3/4 02/16/15 (bid 102.864, YTM 4.59%, carry 9.48%, L5D -0.07pt, L20d -0.19pt, YTD -1.49pt, issued 2/2012, USD457m out): RV looks very pricy. Call: take profit.
- SHUION 6 7/8 02/26/17 CNH (bid 99, YTM 7.3%, carry 6.94%, L5D -0.38pt, L20d -0pt, YTD -1pt, issued 2/2014, CNH2.5b out): RV looks very pricy. Call: take profit.
- SHUION 8.7 05/19/18 (bid 100.75, YTM 8.46%, carry 8.64%, L5D +0.03pt, L20d +0.75pt, YTD +0.75pt, issued 5/2014, USD637m out): RV looks very pricy. Call: small short.
- SHUION 9 5/8 06/10/19 (bid 100.5, YTM 9.49%, carry 9.58%, L5D -0.5pt, L20d +0.25pt, YTD +0.5pt, issued 6/2014, USD550m out): RV looks very pricy. Call: take profit.
- SHUION 9 3/4 05/19/20 (bid 100.5, YTM 9.63%, carry 9.7%, L5D -0.25pt, L20d +0.5pt, YTD +0.5pt, issued 5/2014, USD202m out): RV looks very pricy. Call: take profit.

Table: Contracted Sales - Year to Date

	6M14			YoY			% tgt	6M13			YoY			% tgt	6M12			YoY			% tgt
	ASP RMBk	RMB bn	GFA ksqm	ASP RMB	RMB mn	GFA ksqm		ASP RMBk	RMB bn	GFA ksqm	ASP RMB	RMB mn	GFA ksqm		ASP RMBk	RMB bn	GFA ksqm	ASP RMB	RMB mn	GFA ksqm	
COLI	13.2	58.5	4.4	9%	(8%)	(16%)	73%	12.2	63.7	5.2	(10%)	20%	33%	82%	13.5	53.2	3.9	(6%)	21%	29%	66%
CR Land	11.1	25.6	2.3	(5%)	(24%)	(20%)	37%	11.7	33.8	2.9	7%	45%	35%	59%	11.0	23.3	2.1	(7%)	73%	87%	58%
Vanke	12.3	100.9	8.2	5%	21%	15%	..	11.7	83.7	7.2	13%	34%	19%	..	10.4	62.5	6.0	(11%)	(5%)	7%	..
COGO	8.5	6.6	0.8	(1%)	(2%)	(0%)	35%	8.6	6.7	0.8	(32%)	2%	51%	50%	12.7	6.6	0.5	(25%)	91%	153%	82%
Ctry Gdn	6.6	58.4	8.8	0%	74%	73%	46%	6.6	33.7	5.1	9%	94%	78%	54%	6.1	17.3	2.9	(3%)	(19%)	(17%)	40%
Longfor	11.0	20.3	1.8	(2%)	(9%)	(8%)	36%	11.2	22.4	2.0	19%	28%	8%	49%	9.4	17.5	1.9	(25%)	(4%)	27%	45%
New Wld Chn	14.8	5.5	0.4	19%	(32%)	(43%)	..	12.5	8.1	0.6	32%	65%	25%	..	9.5	4.9	0.5	(17%)	(36%)	(24%)	..
Shimao	12.3	32.1	2.6	(6%)	(1%)	5%	40%	13.0	32.5	2.5	13%	45%	28%	62%	11.5	22.5	1.9	(11%)	58%	78%	67%
Agile	9.8	21.7	2.2	(17%)	34%	62%	45%	11.9	16.1	1.4	19%	15%	(4%)	38%	9.9	14.1	1.4	(10%)	(10%)	(0%)	45%
Kaisa	11.9	11.2	0.9	28%	1%	(21%)	37%	9.3	11.0	1.2	58%	71%	8%	50%	5.9	6.5	1.1	(19%)	44%	77%	39%
R&F	14.6	25.8	1.8	27%	39%	10%	37%	11.5	18.6	1.6	(6%)	27%	34%	44%	12.2	14.6	1.2	(21%)	9%	39%	46%
Gemdale	12.9	17.0	1.3	(2%)	(14%)	(13%)	..	13.1	19.7	1.5	11%	47%	32%	..	11.9	13.5	1.1	(15%)	20%	40%	45%
Evergrande	7.1	69.3	9.8	5%	55%	47%	63%	6.7	44.6	6.6	11%	27%	15%	45%	6.1	35.0	5.8	(12%)	(17%)	(6%)	44%
BBB/BB median	11.9	25.6	2.2	0%	(1%)	(0%)	39%	11.7	22.4	2.0	11%	34%	28%	50%	10.4	17.3	1.9	(12%)	9%	29%	45%
Franshion	12.1	7.7	0.6	50%	(23%)	(48%)	26%	8.1	10.0	1.2	(3%)	119%	127%	55%	8.4	4.6	0.5	33%	2%	(23%)	35%
BJ Cap Ld	9.3	6.8	0.7	1%	3%	1%	24%	9.1	6.6	0.7	24%	8%	(13%)	33%	7.3	6.1	0.8	(28%)	20%	67%	51%
Poly	10.3	12.3	1.2	(1%)	(16%)	(15%)	44%	10.4	14.6	1.4	14%	45%	27%	56%	9.1	10.1	1.1	26%	26%	0%	53%
Yuexiu	12.7	10.6	0.8	(8%)	23%	35%	48%	13.9	8.6	0.6	11%	21%	9%	65%	12.5	7.1	0.6	(20%)	134%	192%	71%
Greenld HK	7.2	5.9	0.8	(30%)	246%	391%	49%	10.3	1.7	0.2	(5%)	10%	16%	42%	10.8	1.5	0.1	(42%)	(1%)	69%	39%
Sh Indus UD	..	..	..	..	..	..	..	19.2	3.3	0.2	64%	95%	19%	..	11.7	1.7	0.1	(20%)	417%	546%	..
Minmetals Ld	19.5	2.6	0.1	55%	(15%)	(46%)	33%	12.6	3.1	0.2	(3%)	112%	117%	62%	12.9	1.5	0.1	47%	..	..	37%
Yanlord	..	..	..	..	..	..	..	21.4	6.3	0.3	2%	(19%)	(21%)	48%	21.0	7.7	0.4	31%	72%	31%	65%
Central China	6.8	6.6	1.0	1%	9%	8%	38%	6.8	6.1	0.9	0%	18%	18%	48%	6.8	5.1	0.8	6%	13%	7%	57%
Road King	..	..	..	..	..	..	..	10.7	6.9	0.6	19%	42%	20%	..	9.0	4.9	0.5	(17%)	95%	135%	..
KWG	13.6	10.0	0.7	5%	24%	18%	48%	12.9	8.1	0.6	(8%)	50%	63%	50%	13.9	5.4	0.4	18%	(18%)	(30%)	45%
Future Lnd	9.4	9.7	1.0	7%	28%	19%	40%	8.8	7.6	0.9	(4%)	8%	12%	38%	9.1	7.1	0.8	..	..	..	..
Fantasia	6.3	1.8	0.3	(22%)	(51%)	(37%)	12%	8.1	3.7	0.4	(6%)	9%	16%	37%	8.6	3.4	0.4	(11%)	(2%)	11%	47%
Hopson	15.9	1.6	0.1	(8%)	(64%)	(61%)	12%	17.4	4.4	0.3	12%	20%	7%	29%	15.4	3.7	0.2	0%	(22%)	(22%)	31%
China SCE	8.9	5.6	0.6	(29%)	9%	54%	40%	12.6	5.2	0.4	48%	150%	69%	69%	8.5	2.1	0.2	0%	(28%)	(28%)	52%
Yuzhou	10.5	5.3	0.5	2%	(7%)	(9%)	40%	10.3	5.7	0.6	19%	50%	26%	71%	8.6	3.8	0.4	(17%)	84%	120%	76%
Greentown	20.4	13.2	0.6	(1%)	(14%)	(13%)	39%	20.6	15.3	0.7	5%	19%	13%	53%	19.7	12.9	0.7	(7%)	8%	17%	61%
Logan	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Aoyuan	9.7	5.2	0.5	21%	38%	14%	34%	8.0	3.7	0.5	19%	62%	37%	50%	6.8	2.3	0.3	(27%)	(1%)	34%	46%
China S. City	6.8	3.3	0.5	(14%)	(33%)	(23%)	19%	7.9	5.0	0.6	(22%)	24%	59%	..	10.1	4.0	0.4	..	..	..	..
Lai Fung	..	..	..	..	..	..	..	21.4	0.4	0.0	22%	(35%)	(47%)	..	17.5	0.7	0.0	..	..	..	..
Powerlong	8.6	3.7	0.4	7%	25%	18%	31%	8.0	2.9	0.4	(6%)	(4%)	2%	37%	8.5	3.1	0.4	27%	31%	4%	51%
Shui On	21.5	2.8	0.1	(20%)	(56%)	(45%)	22%	26.9	6.4	0.2	32%	315%	214%	58%	20.4	1.5	0.1	(19%)	(70%)	(63%)	13%
Soho China	..	..	..	..	..	..	..	53.9	3.0	0.1	9%	(50%)	(54%)	..	49.3	6.0	0.1	(16%)	(28%)	(14%)	26%
CIFI	12.5	10.2	0.8	25%	42%	14%	46%	10.0	7.2	0.7	6%	96%	85%	57%	9.5	3.7	0.4	..	..	..	67%
Sunac	22.3	26.0	1.2	7%	28%	20%	40%	20.9	20.3	1.0	27%	81%	42%	45%	16.4	11.2	0.7	4%	129%	120%	51%
Wuzhou Intl	6.9	3.0	0.4	(15%)	33%	57%	55%	8.1	2.3	0.3	8%	179%	158%	..	7.5	0.8	0.1	..	..	..	..
Mingfa	..	..	..	..	..	..	..	9.0	2.6	0.3	29%	69%	31%	..	7.0	1.5	0.2	12%	(27%)	(35%)	..
Modern Ld	10.2	2.3	0.2	7%	37%	27%	23%	9.5	1.7	0.2	24%	112%	71%	..	7.7	0.8	0.1	..	..	..	..
Xinyuan	..	..	..	..	..	..	..	8.2	2.8	0.3	(5%)	5%	11%	..	8.6	2.7	0.3	..	..	..	..
Glorious	15.3	1.9	0.1	30%	(53%)	(64%)	..	11.8	4.0	0.3	41%	(27%)	(49%)	37%	8.3	5.6	0.7	(9%)	(21%)	(13%)	43%
Chn Prp Grp	..	..	..	..	..	..	..	4.2	0.0	0.0	3%	(74%)	(75%)	..	4.1	0.1	0.0	13%	(62%)	(67%)	..
Renhe	..	..	..	..	..	..	..	19.1	0.0	0.0	..	..	..	..	..	..	..	..	..	..	..
B median	10.3	5.6	0.6	1%	9%	8%	39%	10.4	4.7	0.4	9%	24%	19%	50%	9.1	3.7	0.4	(4%)	2%	7%	51%
Median all	11.0	8.7	0.8	1%	2%	3%	39%	11.2	6.6	0.6	11%	31%	23%	50%	9.5	5.2	0.5	(11%)	5%	14%	46%
Average all	11.7	17.0	1.6	4%	10%	11%	38%	12.9	12.8	1.2	12%	46%	31%	51%	11.5	9.6	1.0	(5%)	27%	43%	50%

Source: Company reports, Credit Suisse. Queries: Charles.c.chang@credit-suisse.com, +852 2101 6036.

Disclaimer

These materials have been prepared by a Corporate Credit Sector Strategist. Corporate Credit Sector Strategists are employees of CS's Corporate Credit Sales and Trading Department and are supervised by Corporate Credit Sales and Trading managers. Their primary responsibility is to support the trading desk. To that end, Corporate Credit Sector Strategists prepare trade commentary, trade ideas, and other materials ("materials") in support of CS's trading desks. The information in these materials has been obtained or derived from publicly available sources believed to be reliable, but CS makes no representations as to its accuracy or completeness. Corporate Credit Sector Strategists may receive or develop additional or different information subsequent to your receipt of these materials. The materials provided by Corporate Credit Sector Strategists are subject to change, and subsequent views may be inconsistent with information previously provided to you. CS does not undertake a duty to update these materials or to notify you when or whether the Corporate Credit Sector Strategists' views have changed. These materials and other written and oral communications from Corporate Credit Sector Strategists are provided for information purposes only, do not constitute a recommendation and are not a sufficient basis for an investment decision. Corporate Credit Sector Strategists are not part of CS's Research Departments, and the written materials disseminated by Corporate Credit Sector Strategists are not research reports. The views of CS's Trading Desks, including Corporate Credit Sector Strategists, may differ materially from the views of the Research Departments and other divisions at CS. CS has a number of policies in place designed to ensure the independence of CS's Research Departments from CS's Corporate Credit Trading Desks, including policies relating to trading securities prior to distribution of research reports. These policies do not apply to the materials provided by Corporate Credit Sector Strategists. The Corporate Credit Trading Desk trades or may trade as principal in the securities (or related securities) that are the subject of these materials. Corporate Credit Trading Desks may have accumulated, be in the process of accumulating, or accumulate long or short positions in the subject security or related securities on the basis of Corporate Credit Sector Strategists' materials. Trading desks may have, or take, positions inconsistent with materials provided by Corporate Credit Sector Strategists. Credit Suisse takes no responsibility for the content of any third-party site. Links to third-party sites are provided solely for your convenience and information; accessing such sites is at your own risk. Copyright © 2012 CREDIT SUISSE GROUP AG and/or its affiliates. All rights reserved.

