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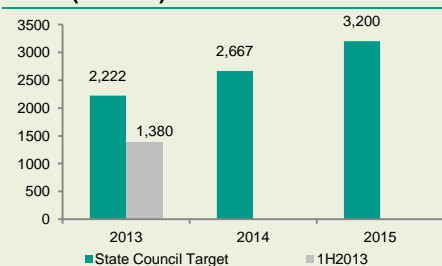
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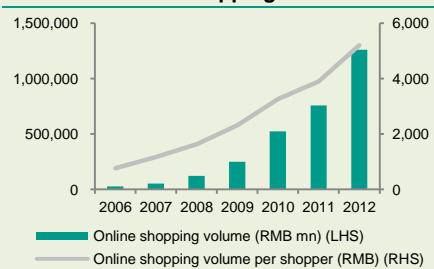
Exhibit 1: Information consumption in China (RMB bn)



*State Council Target is calculated based on an assumed 20% YoY growth

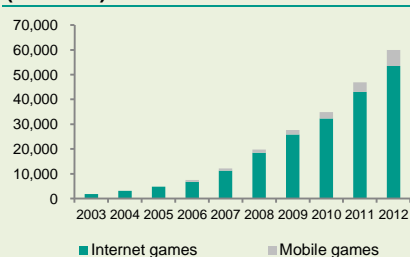
Source(s): MIIT, PRC State Council

Exhibit 2: Online shopping in China



Source(s): China Internet Network Information Center, ABCI Securities

Exhibit 3: Online gaming revenue in China (RMB mn)



Source(s): China Internet Network Information Center, ABCI Securities

China to get the Broadband Boost

The State Council has recently brought information consumption back to its priority list for 2H13 in a meeting on July 12. According to the official release, the government envisioned a “Broadband China” concept, with specific completion timeline and targeted broadband speed established for urban and rural areas. In addition, 4G network licenses will be issued by the end of this year, according to official statements. We believe that the infrastructure investment required in the process will temporarily boost the FAI investment. Moreover, this nationwide enhancement of network infrastructure should serve the rapidly expanding population of digital consumers well and foster development of new industries outlined in the informatization goal under the 12th five-year plan. Ultimately, this new initiative will help China complete the transition towards a consumption-led economy.

FAI will benefit from infrastructure investment. To extend the availability of internet and improve the connectivity of broadband network, upfront investments in transmission stations, pipelines, and optical fiber cables etc. are essential. Therefore, we believe that FAI will experience a temporary boost. Upstream network equipment manufacturers and suppliers will also become beneficiaries. In anticipation of increasing demand in the future, we expect companies specializing in production of optical fiber and transmission devices will gain traction among investors and outperform the market.

The consumer sector will see ample opportunities. The “Broadband China” concept will enable network operators to reach more consumers, including those in the remote areas. We believe that as more consumers shift to internet and mobile devices, including smartphones, and upgrade to more advanced network, demand for high-capacity network will rise substantially. Network operators will also generate higher revenue from data services. This initiative to boost information consumption will benefit content and online service providers creating apps, games, and other services to China’s ever-expanding digital consumers.

New industries to bloom on improved IT infrastructure. Network capacity is the key to cultivate new industries in information technology, such as cloud computing and wearable electronic devices. Without the expansion and upgrade of the current cable and mobile network, China lacks the solid foundation for these new industries to build upon. We expect that once the IT infrastructure is established, development of these new industries will accelerate.

Technology sector as gainer. We expect players in the technology sector will gain on this new initiative. Content providers, such as **Tencent (700 HK)** and **Kingsoft (3888 HK)**, will be direct beneficiaries of the expanding digital consumption. IT Infrastructure players, such as **Sunny Optical (2382 HK)** and **CH All Access (633 HK)**, will also see increased demand in the network upgrading process. Greater demand for high-end handheld devices may also benefit **ZTE (763 HK)** and **Lenovo (992 HK)**.



China Economic Indicators													
	2012						2013						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Real GDP (YoY%)	---	---	7.4	---	---	7.9	---	---	7.7	---	---	7.5	---
Export Growth (YoY%)	1	2.7	9.9	11.6	2.9	14.1	25.0	21.8	10.0	14.7	1.0	(3.1)	5.1
Import Growth (YoY%)	4.7	(2.6)	2.4	2.4	0	6	28.8	(15.2)	14.1	16.8	(0.3)	(0.7)	10.9
Trade Balance (USD/bn)	25.28	26.43	27.45	32.11	19.63	31.6	29.2	15.3	(0.9)	18.2	20.4	27.1	17.8
Retail Sales Growth (YoY%)	13.1	13.2	14.2	14.5	14.9	15.2	12.3		12.6	12.8	12.9	13.3	13.2
Industrial Production (YoY%)	9.2	8.9	9.2	9.6	10.1	10.3	9.9		8.9	9.3	9.2	8.9	9.7
PMI - Manufacturing (%)	50.1	49.2	49.8	50.2	50.6	50.6	50.4	50.1	50.9	50.6	50.8	50.1	50.3
PMI - Non-manufacturing (%)	55.6	56.3	53.7	55.5	55.6	56.1	56.2	54.5	55.6	54.5	54.3	53.9	54.1
FAI(YTD) (YoY%)	20.4	20.2	20.5	20.7	20.7	20.6	21.2		20.9	20.6	20.4	20.1	20.1
CPI (YoY%)	1.8	2	1.9	1.7	2	2.4	2.0	3.2	2.1	2.4	2.1	2.7	2.7
PPI (YoY%)	(2.9)	(3.5)	(3.6)	(2.8)	(2.2)	(1.9)	(1.6)	(1.6)	(1.9)	(2.6)	(2.9)	(2.7)	(2.3)
M2 (YoY%)	13.9	13.5	14.8	14.1	13.9	13.8	15.9	15.2	15.7	16.1	15.8	14.0	14.5
New Lending (RMB/bn)	540.1	703.9	623.2	505.2	522.9	454.3	1070.0	620.0	1060.0	792.9	667.4	860.5	699.9

World Economic/Financial Indicators

Equity Indices				Global Commodities				Bond Yields & Key Interest Rates			
	Closing price	Chg. WTD (%)	P/E	Unit	Price	Chg. WTD (%)	Volume (5-day avg.)		Yield (%)	Chg. WTD (%)	
U.S.				Energy				US Fed Fund Rate			
DJIA	14,897.55	(1.22)	14.27	NYMEX WTI	USD/bbl	104.49	(2.76)	166,725	0.25	0.00	
S&P 500	1,642.80	(0.79)	15.78	ICE Brent Oil	USD/bbl	109.92	(0.43)	166,425	US Prime Rate	3.25	0.00
NASDAQ	3,599.79	(0.08)	21.54	NYMEX Natural Gas	USD/MMBtu	3.48	3.27	108,733	US Discount Window	0.75	0.00
MSCI US	1,570.41	(0.74)	15.95	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	77.25	N/A	N/A	US Treasury (1 Mth)	0.0152	(50)
Europe				Basic Metals				US Treasury (5 Yr)			
FTSE 100	6,448.22	(0.80)	18.96	LME Aluminum Cash	USD/MT	1,848.25	(2.65)	41,729	US Treasury (10 Yr)	2.9103	3.02
DAX	8,376.06	(0.19)	14.36	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,897.00	(2.47)	39,117	Japan 10-Yr Gov. Bond	0.7530	(0.53)
CAC40	4,055.68	(1.65)	17.46	CMX Copper Active	USD/lb.	336.50	0.06	51,221	China 10-Yr Gov. Bond	4.0700	2.26
IBEX 35	8,604.80	(2.45)	68.50	LME Copper 3- mth Rolling Fwd.	USD/MT	7,240.00	(2.16)	49,359	ECB Rate (Refinancing)	0.50	0.00
FTSE MIB	17,187.80	(2.77)	N/A	TSI CFR China Iron Ore Fines Index ³	USD	137.80	(0.07)	N/A	1-Month LIBOR	0.1834	(0.38)
Stoxx 600	303.08	(1.07)	19.68	Precious Metals				3 Month LIBOR			
MSCI UK	1,890.25	(1.68)	18.78	CMX Gold	USD/T. oz	1,372.10	0.08	163,101	3-Month HIBOR	3.3570	4.61
MSCI France	111.90	(2.51)	21.36	CMX Silver	USD/T. oz	23.2	(0.52)	63,471	O/N SHIBOR	0.3836	(0.19)
MSCI Germany	113.80	(1.27)	13.39	NYMEX Platinum	USD/T. oz	1,521.10	(0.43)	8,363	Corporate Bonds (Moody's)		
MSCI Italy	48.34	(4.64)	133.1	Agricultural Products				Aaa 4.66 0.00			
Asia				CBOT Corn	USD/bu	476.25	2.75	169,855	Baa 5.54 0.00		
NIKKEI 225	13,365.17	(2.09)	22.18	CBOT Wheat	USD/bu	634.00	0.48	34,804	Note:		
S&P/ASX 200	5,075.75	(0.75)	22.69	NYB-ICE Sugar	USD/lb.	16.32	(3.66)	58,114	1. Data sources: Bloomberg Finance LP, National Bureau of Statistics of China, ABCIS (updated on date of report)		
HSI	21,895.40	(2.76)	10.13	CBOT Soybeans	USD/bu.	1,295.50	2.88	130,692	2. Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey		
HSCEI	9,967.77	(2.47)	8.19					3. TSI CFR China Iron Ore Fines Index is calculated with the 62% Fe specification, spot price			
CSI300	2,303.93	(0.01)	11.38								
SSE Composite	2,067.12	(0.06)	11.08								
SZSE Composite	1,006.69	2.66	28.52								
MSCI China	58.05	(2.68)	9.68								
MSCI Hong Kong	11,329.19	(3.71)	9.95								
MSCI Japan	693.46	(2.01)	18.05								

	Currency							
	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-Mth
Spot Rate	1.34	1.56	0.90	98.42	0.92	6.12	7.76	6.25
Chg. WTD (%)	0.24	(0.30)	(1.86)	(0.90)	0.28	(0.11)	(0.02)	(0.15)



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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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