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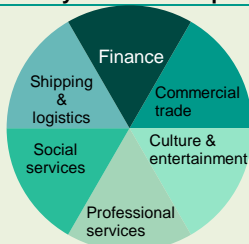
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Exhibit 1: 6 key areas to be opened up



Source(s): www.shftz.gov.cn

Exhibit 2: Measures on financial innovation by the CSRC

- 1 Allow futures exchanges to set up international energy trading platform within the Zone, and introduce foreign investors to participate in futures trading
- 2 Allow qualified individuals or institutions to invest into or outside China
- 3 Allow the parent companies of firms within the Zone to issue renminbi-denominated bonds in China
- 4 Allow securities and futures companies to apply for license within the Zone
- 5 Encourage overseas trading of derivatives and commodities

Source(s): www.shftz.gov.cn, CSRC

Exhibit 3: Measures on financial innovation by the CBRC

- 1 Allow domestic banks to operate within the Zone
- 2 Support non-bank financial institutions to offer services within the Zone
- 3 Encourage foreign banks to operate within the Zone
- 4 Encourage private capital to enter the banking industry within the Zone
- 5 Encourage cross-border investment and capital raising services
- 6 Support offshore business
- 7 Simplify the procedure for entry
- 8 Improve the supervision system

Source(s): www.shftz.gov.cn, CBRC

Exhibit 4: List of financial institutions with approval to enter the Zone

- 1 Industrial and Commercial Bank of China
- 2 Agricultural Bank of China
- 3 Bank of China
- 4 China Construction Bank
- 5 Bank of Communications
- 6 China Merchants Bank
- 7 Shanghai Pudong Development Bank
- 8 Bank of Shanghai
- 9 Bank of Communications Financial Leasing
- 10* Citibank (China) Co., Ltd.
- 11* DBS Bank (China) Co., Ltd.

*Foreign banks

Source(s): www.shftz.gov.cn

Shanghai free-trade zone begins operation

China (Shanghai) free trade zone (SHFTZ) started operation on 29 September 2013. Located in the outskirts of Shanghai along the Yangtze River, SHFTZ covers an area of 28.78 square kilometers, including Waigaoqiao Free Trade Zone, Waigaoqiao Free Trade Logistics Park, Yangshan Free Trade Port Area and Pudong Airport Comprehensive Free Trade Zone. The zone is set to promote new ways of reducing government interventions and opening the China's economy to global investors. It aims at exploring a new path for speeding up transformation of government functions and promoting cross-border commodity and capital flows, with key experiments to liberalize foreign exchange markets and domestic interest rates. The landmark plan for SHFTZ is the clearest sign that China's new leadership is determined to foster China's global competitiveness, set up a new platform for the nation's cooperation with other countries, and contribute to efforts in maintaining sustainable growth of China's economy.

Easing restrictions in six key industries with 18 new policy initiatives on service sector within SHFTZ. China has highlighted six key sectors for more services liberalization. They include finance, shipping and logistics, commercial trade, professional services such as law and construction, culture and entertainment, and social services, which will include education and healthcare. In addition to setting goals for expanding the services in six key industries, SHFTZ discloses detailed initiatives covering 18 different industries ranging from shipping and insurance to education and banking.

A testing ground for financial innovation. One of the initiatives that gains the most attention is the multiple measures on financial innovation. The PBOC has stated that it will promote cross-border usage of renminbi, interest rate liberalization, and capital account convertibility while CSRC and CBRC disclose details on banking and securities practice guidelines specifically for the SHFTZ respectively. Foreign exchange regulations in the SHFTZ will be further relaxed from the current standards, thus loosening the capital account controls and promoting the renminbi as the settlement currency for most business transactions. We believe that it paves the way for the global integration of China's financial industry and internationalization of renminbi.

Hong Kong's status as financial powerhouse under threat. Hong Kong's status as a financial powerhouse is under threat after launching SHFTZ, a large-scale push to create a new international hub for China. Shanghai will be in a competing position to Hong Kong only on conditions that the city has gained the status of fully convertible renminbi and lifted the capital control. In the short term, SHFTZ would not immediately threaten Hong Kong's leading position as a global financial center and an international shipping hub. But in the long run, the HKSAR government must develop new competitive strengths and advantages unique to the city so as to maintain its status as an international financial center.



China Economic Indicators

	2012					2013							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Real GDP (YoY%)	---	7.4	---	---	7.9	---	---	7.7	---	---	7.5	---	---
Export Growth (YoY%)	2.7	9.9	11.6	2.9	14.1	25.0	21.8	10.0	14.7	1.0	(3.1)	5.1	7.2
Import Growth (YoY%)	(2.6)	2.4	2.4	0	6	28.8	(15.2)	14.1	16.8	(0.3)	(0.7)	10.9	7.0
Trade Balance (USD/bn)	26.43	27.45	32.11	19.63	31.6	29.2	15.3	(0.9)	18.2	20.4	27.1	17.8	28.5
Retail Sales Growth (YoY%)	13.2	14.2	14.5	14.9	15.2	12.3	12.6	12.8	12.9	13.3	13.2	13.2	13.4
Industrial Production (YoY%)	8.9	9.2	9.6	10.1	10.3	9.9	8.9	9.3	9.2	8.9	9.7	10.4	10.4
PMI - Manufacturing (%)	49.2	49.8	50.2	50.6	50.6	50.4	50.1	50.9	50.6	50.8	50.1	50.3	51.0
PMI - Non-manufacturing (%)	56.3	53.7	55.5	55.6	56.1	56.2	54.5	55.6	54.5	54.3	53.9	54.1	53.9
FAI(YTD) (YoY%)	20.2	20.5	20.7	20.7	20.6	21.2	20.9	20.6	20.4	20.1	20.1	20.1	20.3
CPI (YoY%)	2	1.9	1.7	2	2.4	2.0	3.2	2.1	2.4	2.1	2.7	2.7	2.6
PPI (YoY%)	(3.5)	(3.6)	(2.8)	(2.2)	(1.9)	(1.6)	(1.6)	(1.9)	(2.6)	(2.9)	(2.7)	(2.3)	(1.6)
M2 (YoY%)	13.5	14.8	14.1	13.9	13.8	15.9	15.2	15.7	16.1	15.8	14.0	14.5	14.7
New Lending (RMB/bn)	703.9	623.2	505.2	522.9	454.3	1070.0	620.0	1060.0	792.9	667.4	860.5	699.9	711.3

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								
DJIA	15,258.24	0.00	14.75	NYMEX WTI	USD/bbl	101.95	(0.89)	227,041	US Fed Fund Rate	0.25	0.00	
S&P 500	1,691.75	0.00	16.22	ICE Brent Oil	USD/bbl	108.02	(0.56)	182,437	US Prime Rate	3.25	0.00	
NASDAQ	3,781.59	0.00	22.97	NYMEX Natural Gas	USD/MMBtu	3.54	(1.48)	61,196	US Discount Window	0.75	0.00	
MSCI US	1,621.19	0.00	16.45	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	78.25	N/A	N/A	US Treasury (1 Mth)	0.0203	0.00	
Europe				Basic Metals								
FTSE 100	6,468.14	(0.68)	19.32	LME Aluminum Cash	USD/MT	1,794.25	0.00	18,866	US Treasury (5 Yr)	1.3912	(0.70)	
DAX	8,601.65	(0.69)	14.71	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,840.00	0.00	24,143	US Treasury (10 Yr)	2.6136	(0.42)	
CAC40	4,147.98	(0.93)	17.81	CMX Copper Active	USD/lb.	333.30	0.11	38,946	Japan 10-Yr Gov. Bond	0.6860	0.59	
IBEX 35	9,134.20	(1.02)	57.49	LME Copper 3- mth Rolling Fwd.	USD/MT	7,300.00	0.00	40,071	China 10-Yr Gov. Bond	4.0700	0.74	
FTSE MIB	17,356.17	(1.64)	236.0	TSI CFR China Iron Ore Fines Index ³	USD	131.90	0.08	N/A	ECB Rate (Refinancing)	0.50	0.00	
Stoxx 600	310.40	(0.57)	20.84	Precious Metals								
MSCI UK	1,925.65	0.00	19.30	CMX Gold	USD/T. oz	1,341.00	0.13	146,738	1-Month LIBOR	0.1821	0.00	
MSCI France	116.58	0.00	21.39	CMX Silver	USD/T. oz	21.85	0.06	40,426	3 Month LIBOR	0.2484	(0.50)	
MSCI Germany	118.77	0.00	13.90	NYMEX Platinum	USD/T. oz	1,422.80	0.56	13,006	O/N SHIBOR	3.1260	(0.69)	
MSCI Italy	50.69	0.00	87.51	Agricultural Products								
Asia				CBOT Corn	USD/bu	454.75	0.17	93,725	3-Month HIBOR	0.3857	0.00	
NIKKEI 225	14,455.80	(2.06)	24.01	CBOT Wheat	USD/bu	681.75	(0.18)	56,691	Corporate Bonds (Moody's)			
S&P/ASX 200	5,218.88	(1.66)	22.59	NYB-ICE Sugar	USD/lb.	17.00	0.77	44,209	Aaa	4.55	(1.52)	
HSI	22,859.86	(1.50)	10.59	CBOT Soybeans	USD/bu.	1,314.00	(0.44)	83,752	Baa	5.38	(0.92)	
HSCEI	10,316.12	(1.70)	8.15									
CSI300	2,409.04	0.59	11.72									
SSE Composite	2,174.67	0.68	11.39									
SZSE Composite	1,056.55	1.23	30.20									
MSCI China	61.85	0.00	10.03									
MSCI Hong Kong	12,023.57	0.00	10.92									
MSCI Japan	752.56	0.00	19.57									

Note:

- Data sources: Bloomberg Finance LP, National Bureau of Statistics of China, ABCIS (updated on date of report)
- Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey
- TSI CFR China Iron Ore Fines Index is calculated with the 62% Fe specification, spot price

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-Mth
Spot Rate	1.3502	1.6157	0.9328	97.83	0.9049	6.1209	7.7544	6.2009
Chg. WTD (%)	(0.15)	0.11	0.12	0.42	0.11	(0.04)	(0.00)	(0.04)



Disclosures

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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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