



China Sourcing Update

December 14, 2015

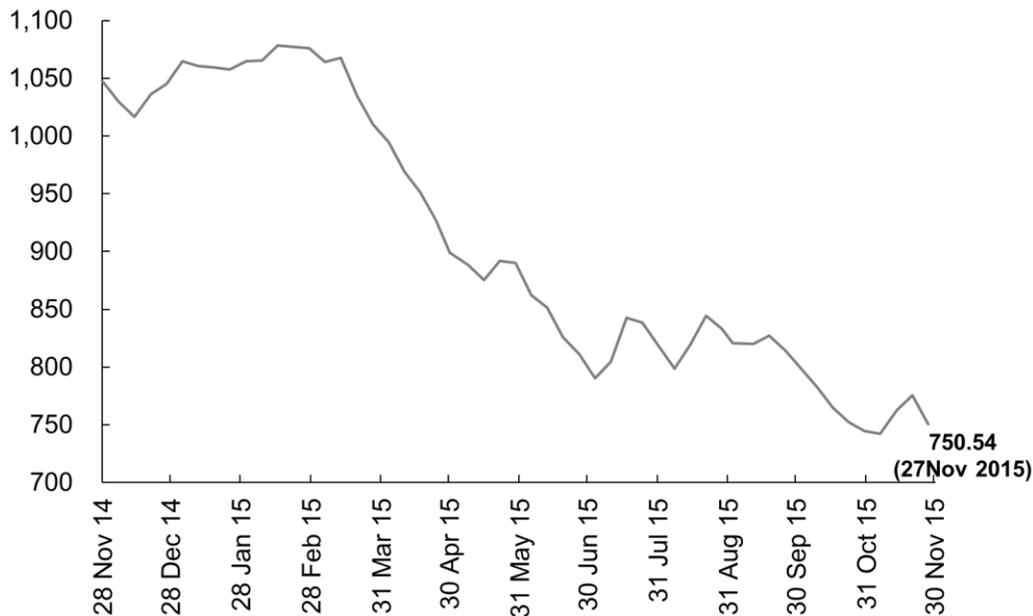
Transportation Cost

China Containerized Freight Index drops in late November

The China Containerized Freight Index (CCFI) dropped from 752.21 on 23 October to 744.44 on 30 October (See exhibit 1). Afterwards, the freight index improved during early November, as the shipping volume increased during the period due to Christmas orders. Nevertheless, the freight index dropped again in late November, when the low season for the containerized freight market came. On 27 November, the freight index registered 750.54.

Looking forward, we expect that the demand for container freight services will stay weak during the low season; and the excess capacity built by carriers during earlier months of this year will remain in the near term. Thus, in our view, the China Containerized Freight Index is likely to stay at low level or even drop further in the coming future.

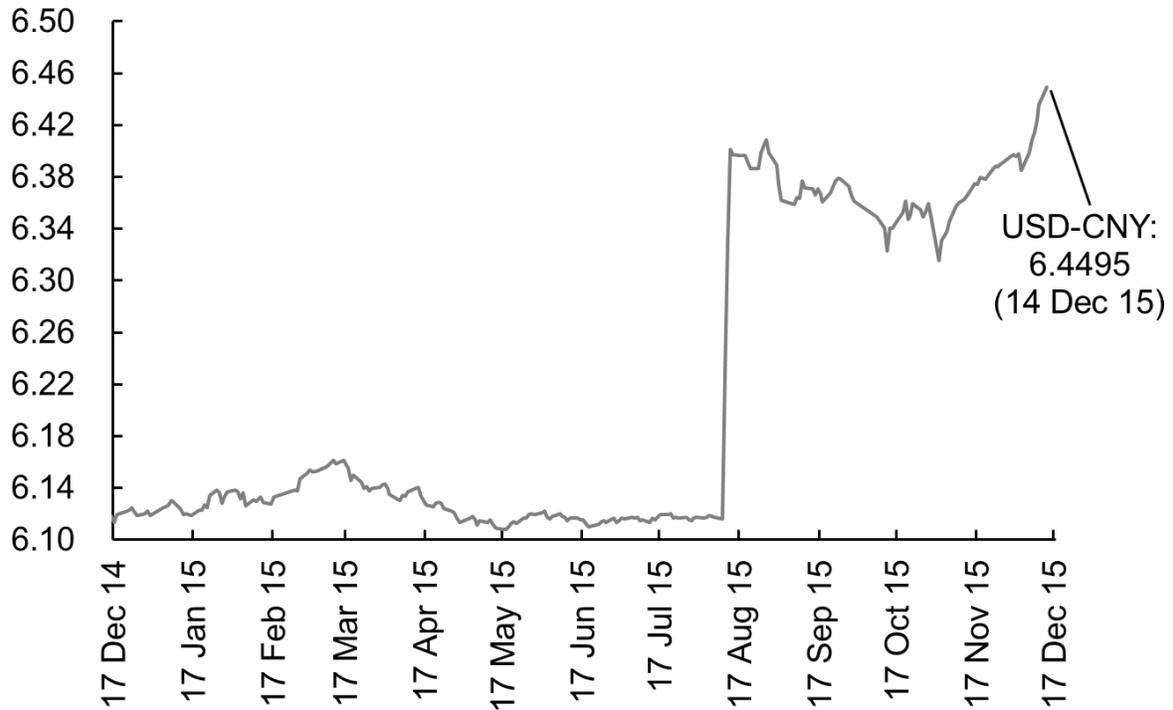
Exhibit 1: China Containerized Freight Index, November 2014 to November 2015



Source: Shanghai Shipping Exchange

Exchange Rates

Exhibit 1: USD-CNY daily fixing rate, December 2014 to December 2015



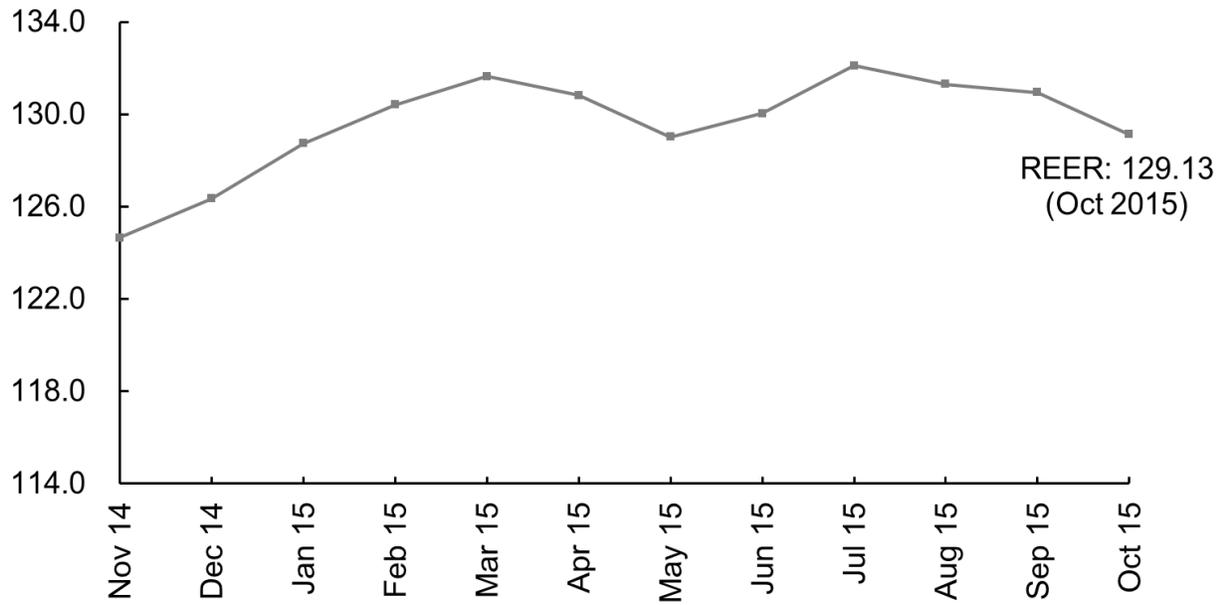
Source: State Administration of Foreign Exchange

Exhibit 2: EUR-CNY daily fixing rate, December 2014 to December 2015



Source: State Administration of Foreign Exchange

**Exhibit 3: Real effective exchange rate of the Chinese yuan,
November 2014 to October 2015**



Source: Bank of International Settlements

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