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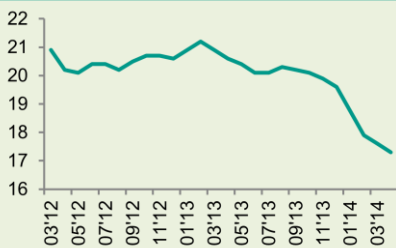
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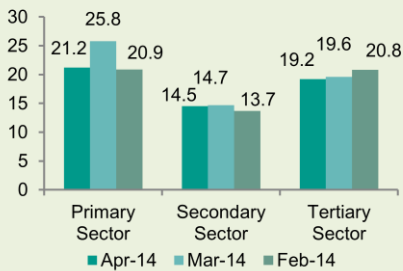
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Exhibit 1: FAI YTD growth (YoY %)



Source(s): Bloomberg, ABCI Securities

Exhibit 2: FAI YTD growth of three main sectors (YoY %)



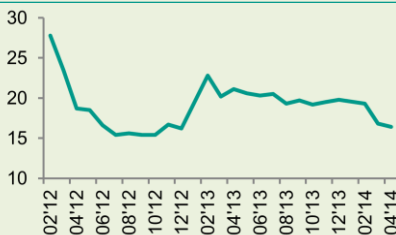
Source(s): Bloomberg, ABCI Securities

Exhibit 3: New investment projects announced recently

Provincial/Municipal government	Amount (RMB bn)
Guangdong	3665.8
Hainan	1795
Tianjin	823.1
Jiangxi	600
Guizhou	249.9

Source(s): cs.com.cn, ABCI Securities

Exhibit 4: YTD growth of Investment in Real Estate Development (YoY %)



Source(s): Bloomberg, ABCI Securities

FAI growth to stabilize after a brief pause

China's 4M14 FAI growth at 17.3%, the lowest level in recent years, has dragged down the pace of economic recovery. We believe the growth pause was driven primarily by the strained liquidity in 1Q14. As China remains generous in its FAI budget for infrastructure investment in 2014, we believe FAI growth would stabilize between 17%-18% in the coming quarters, provided that approved projects would commence on schedule and impetus of projects in progress could be maintained. Improved financing and supportive government policies would ensure the nation's 2014 FAI growth target of 17.5% could be reached.

A new phase in FAI investment. The government's effort to restructure the economy has led to the current slowdown in overall FAI growth. As the focus of economic development has been shifted to sustainability, much emphasis has been placed on enhancing the quality of investment projects and reducing excess capacity. We believe that the government would continue to reinforce the new economic mandate and push for investment projects that would accelerate strategic industry growth, facilitate industry upgrades, and enhance efficiency in the industrial sector.

New investment projects to support FAI growth. Recently, a series of new investment programs has been announced by the local governments. In addition to the traditional investment in infrastructure and industrial sectors, these newly announced programs also aim to promote development of new strategic industries and higher efficiency. We expect that more projects to be announced in coming months. As these new projects are supportive of subsequent FAI growth, downward pressure on the indicator would subside.

Residential property investment to face structural adjustment. Property investment has been suffering in the past few months, weighing down the overall FAI growth. In terms of floor space, sales of all kinds of property have slowed. Developers are pacing down development of new projects on heightened cautiousness, as indicated by the YTD decline in floor space of new housing starts. Liquidity in the China's property market remains low given that both real estate and mortgage loans approved are still on the downside. Although we expect residential property investment would continue to experience structural adjustment in coming months, the ascending construction of affordable housing would help offset potential slowdown in the private housing investment. Thus, we expect total property investment growth would stabilize in coming months.

FAI to contribute more to GDP for the rest of 2014. Since a balanced economic growth has been prioritized by the government, a sharp increase in FAI growth is highly unlikely in the short term. However, in light of the better economic prospect indicated by the latest rebound of HSBC China manufacturing PMI for May, we expect investment sentiment would be boosted. FAI growth would stabilize and grow steadily with more projects to be initiated as the economic reforms unfold according to schedule.



China Economic Indicators

	2013										2014			
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Real GDP (YoY%)	7.7	---	---	7.5	---	---	7.8	---	---	7.7	---	---	7.4	---
Export Growth (YoY%)	10.0	14.7	1.0	(3.1)	5.1	7.2	(0.3)	5.6	12.7	5.8	10.6	(18.1)	(6.6)	0.9
Import Growth (YoY%)	14.1	16.8	(0.3)	(0.7)	10.9	7.0	7.4	7.6	5.3	6.5	10.0	10.1	(11.3)	0.8
Trade Balance (USD/bn)	(0.9)	18.2	20.4	27.1	17.8	28.5	15.2	31.1	33.8	32.3	31.9	(23.0)	7.7	18.5
Retail Sales Growth (YoY%)	12.6	12.8	12.9	13.3	13.2	13.4	13.3	13.3	13.7	13.6	11.8		12.2	11.9
Industrial Production (YoY%)	8.9	9.3	9.2	8.9	9.7	10.4	10.2	10.3	10.0	9.7	8.6		8.8	8.7
PMI - Manufacturing (%)	50.9	50.6	50.8	50.1	50.3	51.0	51.1	51.4	51.4	51.0	50.5	50.2	50.3	50.4
PMI - Non-manufacturing (%)	55.6	54.5	54.3	53.9	54.1	53.9	55.4	56.3	56.0	54.6	53.4	55.0	54.5	54.8
FAI(YTD) (YoY%)	20.9	20.6	20.4	20.1	20.1	20.3	20.2	20.1	19.9	19.6	17.9		17.6	17.3
CPI (YoY%)	2.1	2.4	2.1	2.7	2.7	2.6	3.1	3.2	3.0	2.5	2.5	2.0	2.4	1.8
PPI (YoY%)	(1.9)	(2.6)	(2.9)	(2.7)	(2.3)	(1.6)	(1.3)	(1.5)	(1.4)	(1.4)	(1.6)	(2.0)	(2.3)	(2.0)
M2(YoY%)	15.7	16.1	15.8	14.0	14.5	14.7	14.2	14.3	14.2	13.6	13.2	13.3	12.1	13.2
New Lending (RMB/bn)	1060.0	792.9	667.4	860.5	699.9	711.3	787.0	506.1	624.6	482.5	1320	644.5	1050	774.7

World Economic/Financial Indicators

Equity Indices				Global Commodities				Bond Yields & Key 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	16,533.06	0.25	15.47	NYMEX WTI	USD/bbl	104.03	1.97	173,103	0.25	0.00		
S&P 500	1,888.03	0.54	17.35	ICE Brent Oil	USD/bbl	110.47	0.66	162,957	3.25	0.00		
NASDAQ	4,131.54	1.00	33.97	NYMEX Natural Gas	USD/MMBtu	4.49	1.84	90,300	0.75	0.00		
MSCI US	1,805.42	0.55	17.74	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	73.90	N/A	N/A	0.0253	2.02		
Europe				Basic Metals				US Treasury (1 Mth)				
FTSE 100	6,833.56	(0.32)	21.75	LME Aluminum Cash	USD/MT	1,726.75	(0.09)	10,523	1.5375	(1.66)		
DAX	9,714.50	0.89	18.06	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,768.00	(0.08)	19,239	2.5481	2.50		
CAC40	4,465.41	0.20	25.69	CMX Copper Active	USD/lb.	6,870.00	(0.46)	15,398	0.6010	1.70		
IBEX 35	10,523.00	0.42	22.32	LME Copper 3- mth Rolling Fwd.	USD/MT	6,831.00	(0.42)	26,523	4.2200	1.00		
FTSE MIB	20,503.55	(0.70)	N/A	TSI CFR China Iron Ore Fines Index ³	USD	98.50	(2.19)	N/A	0.25	0.00		
Stoxx 600	341.01	0.60	22.11	Precious Metals				ECB Rate (Refinancing)				
MSCI UK	2,013.15	(0.55)	21.41	CMX Gold	USD/T. oz	1,293.90	0.02	15,824	0.1485	(0.08)		
MSCI France	125.01	0.35	26.87	CMX Silver	USD/T. oz	19.50	0.88	34,103	0.2274	(0.13)		
MSCI Germany	129.61	0.68	18.04	NYMEX Platinum	USD/T. oz	1,478.60	0.85	10,422	2.5100	14.00		
MSCI Italy	59.62	(0.28)	N/A	Agricultural Products				O/N SHIBOR				
Asia				CBOT Corn	USD/bu	477.50	(1.24)	112,165	4.2030	51.30		
NIKKEI 225	14,337.79	1.71	18.81	CBOT Wheat	USD/bu	667.00	(1.08)	61,908	0.3714	(0.07)		
S&P/ASX 200	5,479.93	0.02	19.45	NYB-ICE Sugar	USD/lb.	17.41	(2.79)	55,214	Corporate Bonds (Moody's)			
HSI	22,953.76	1.06	10.75	CBOT Soybeans	USD/bu.	1,519.25	3.70	86,868	Aaa	4.15 6.00		
HSCEI	10,109.57	1.55	7.32								Baa	4.75 3.00
CSI300	2,131.11	(0.69)	9.54									
SSE Composite	2,021.29	(0.26)	9.87									
SZSE Composite	1,028.69	0.91	26.02									
MSCI China	59.81	0.81	9.13									
MSCI Hong Kong	12,307.25	(0.05)	12.19									
MSCI Japan	708.77	(0.81)	13.53									

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	1.3674	1.6908	0.9258	101.59	0.8934	6.2348	7.7534	6.2395
Chg. WTD (%)	(0.15)	0.58	(1.09)	(0.09)	(0.08)	(0.02)	(0.01)	(0.06)



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 2009-2013

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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