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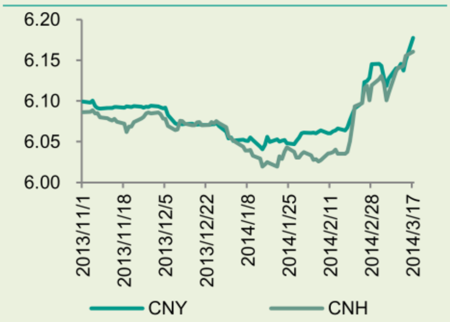
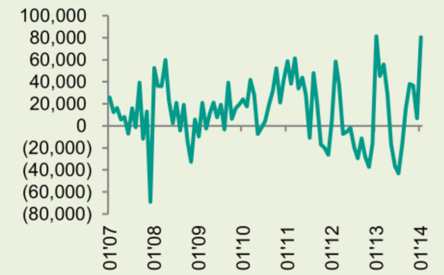
Exhibit 1: Recent CNY & CNH movement



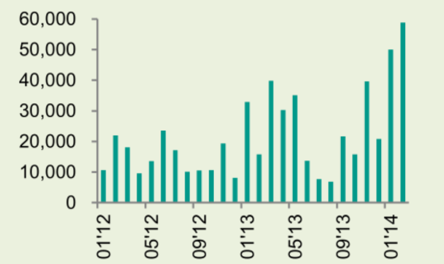
Source(s): Bloomberg, ABCI Securities

Exhibit 2: China's monthly net capital flow (USD mn)



Source(s): Bloomberg, ABCI Securities

Exhibit 3: Global dim-sum bond underwriting volume continues to rise (RMB mn)



Source(s): Bloomberg, ABCI Securities

A step forward in renminbi internationalization

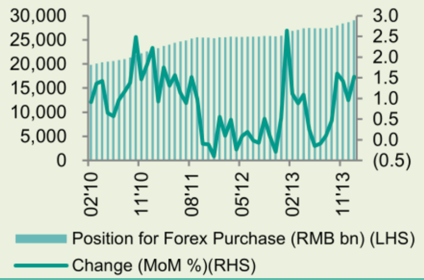
A gesture of confidence towards renminbi internationalization was shown over the weekend when PBOC announced to double the CNY trading band to 2 percent against its daily fixing rate. Further widening of the trading band is a step forward in the liberalization of China's foreign exchange market, which will strengthen cross-border trade and discourage speculative capital flows. A more freely convertible renminbi is capable of responding to market changes in a flexible manner, paving the way for the opening of capital account. Since the beginning of 2014, China's currency depreciated by around 2.0% — mainly due to the slowing domestic economy and the unstable recovery worldwide. Anticipating more reforms to take place after NPC, we expect that depreciation pressure of renminbi would ease and the currency would rise 2%-2.5% YoY by end-2014.

Market turbulence accelerates reform. The Fed's tapering has resulted in expectations of higher short-term interest rates, unwinding of USD carry trade and higher selling pressure on all types of investments, including renminbi. PBOC started to slow credit growth in 2H13 to contain credit imbalance and address concerns on financial stability, but the weight of these capital inflows, fueled by the traditional one-way bet on renminbi appreciation, threatens to undermine such efforts. Both internal and external economic events push PBOC to increase the two-way flexibility of the renminbi exchange rate, keeping the exchange rate stable within reasonable and balanced levels. The widening of trading band implies that movement of renminbi exchange rate can now be more in line with capital flows and economic fundamentals.

Slowing growth may induce short-term renminbi depreciation. In our view, softening economy in 2M14 has prompted policy makers to shift their focus to implement reforms and sustain economic growth. If China's economic growth continues to slow, renminbi will weaken. While a weakening renminbi would entail various negative impacts, but a short-term depreciation should help alleviate some disinflationary pressure and provide relief to the export sector. Nonetheless, we believe the economic landscape will stabilize in the coming months, and renminbi would receive support from the positive growth in 2Q14.

Renminbi to become a reserve currency. Before the renminbi can serve as a global reserve currency, China would need to increase the flexibility of its foreign exchange regime. The CNY and CNH markets, as well as the dim-sum bond market, lay the groundwork for full conversion of renminbi in the next few years. A market-driven exchange rate mechanism can further facilitate the use of renminbi in international trade and investment and encourage currency and capital market activities. In short, the conditions to internationalize renminbi are maturing. We expect that more efforts to expand the use of renminbi in international marketplace, and promote the

Exhibit 4: China's position for forex purchase



Source(s): PBOC, ABCI Securities

Exhibit 5: PBOC's weekly market liquidity injection (RMB bn)

Source(s): Bloomberg, ABCI Securities

reserve currency status of renminbi, would be carried out in the next few years.

Renminbi to appreciate in long term. The expansion of renminbi trading band indicates that China's financial market is entering a new era. As the trading band widens, the inflow of speculative money will decrease, normalizing the monetary market and allowing PBOC to better utilize market instruments to manage liquidity. In the long term, we expect authorities will allow market forces to play a bigger role in both the currency and capital markets to accelerate financial reform and benefit economic growth. As a result, renminbi appreciation is anticipated in the medium and long term. For 2014, we maintain our view that the renminbi will appreciate by 2%-2.5% YoY.

China Economic Indicators

	2013												2014	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Real GDP (YoY%)	---	---	7.7	---	---	7.5	---	---	7.8	---	---	7.7	---	---
Export Growth (YoY%)	25.0	21.8	10.0	14.7	1.0	(3.1)	5.1	7.2	(0.3)	5.6	12.7	5.8	10.6	(18.1)
Import Growth (YoY%)	28.8	(15.2)	14.1	16.8	(0.3)	(0.7)	10.9	7.0	7.4	7.6	5.3	6.5	10.0	10.1
Trade Balance (USD/bn)	29.2	15.3	(0.9)	18.2	20.4	27.1	17.8	28.5	15.2	31.1	33.8	32.3	31.9	(22.99)
Retail Sales Growth (YoY%)		12.3	12.6	12.8	12.9	13.3	13.2	13.4	13.3	13.3	13.7	13.6		11.8
Industrial Production (YoY%)		9.9	8.9	9.3	9.2	8.9	9.7	10.4	10.2	10.3	10.0	9.7		8.6
PMI - Manufacturing (%)	50.4	50.1	50.9	50.6	50.8	50.1	50.3	51.0	51.1	51.4	51.4	51.0	50.5	50.2
PMI - Non-manufacturing (%)	56.2	54.5	55.6	54.5	54.3	53.9	54.1	53.9	55.4	56.3	56.0	54.6	53.4	55.0
FAI(YTD) (YoY%)		21.2	20.9	20.6	20.4	20.1	20.1	20.3	20.2	20.1	19.9	19.6		17.9
CPI (YoY%)	2.0	3.2	2.1	2.4	2.1	2.7	2.7	2.6	3.1	3.2	3.0	2.5	2.5	2.0
PPI (YoY%)	(1.6)	(1.6)	(1.9)	(2.6)	(2.9)	(2.7)	(2.3)	(1.6)	(1.3)	(1.5)	(1.4)	(1.4)	(1.6)	(2.0)
M2(YoY%)	15.9	15.2	15.7	16.1	15.8	14.0	14.5	14.7	14.2	14.3	14.2	13.6	13.2	13.3
New Lending (RMB/bn)	1070.0	620.0	1060.0	792.9	667.4	860.5	699.9	711.3	787.0	506.1	624.6	482.5	1320	644.5

World Economic/Financial Indicators

Equity Indices

	Closing price	Chg. WTD (%)	P/E
U.S.			
DJIA	16,247.22	1.13	15.23
S&P 500	1,858.83	0.96	17.14
NASDAQ	4,279.95	0.81	30.78
MSCI US	1,780.28	0.94	17.41
Europe			
FTSE 100	6,568.35	0.62	17.04
DAX	9,180.89	1.37	17.30
CAC40	4,271.96	1.32	25.52
IBEX 35	9,975.00	1.66	17.80
FTSE MIB	20,858.84	2.52	N/A
Stoxx 600	325.83	1.12	19.08
MSCI UK	1,935.02	0.61	16.95
MSCI France	119.81	1.29	25.09
MSCI Germany	125.58	1.39	16.44
MSCI Italy	59.72	2.49	N/A
Asia			
NIKKEI 225	14,277.67	(0.35)	19.45
S&P/ASX 200	5,353.30	0.45	19.70
HSI	21,473.95	(0.30)	9.99
HSCEI	9,333.03	0.37	6.98
CSI300	2,143.04	0.95	9.94
SSE Composite	2,023.67	0.96	10.13
SZSE Composite	1,096.36	2.06	28.73
MSCI China	56.62	(0.33)	8.86
MSCI Hong Kong	11,631.97	0.32	11.27
MSCI Japan	712.96	(0.70)	14.20

Global Commodities

	Unit	Price	Chg. WTD (%)	Volume (5-day avg.)
Energy				
NYMEX WTI	USD/bbl	98.01	(0.89)	282,802
ICE Brent Oil	USD/bbl	106.24	(2.15)	114,290
NYMEX Natural Gas	USD/MMBtu	4.52	2.10	98,505
Australia Newcastle Steam Coal Spot fob[2]	USD/Metric Tonne	73.10	N/A	N/A
Basic Metals				
LME Aluminum Cash	USD/MT	1,697.50	0.00	17,288
LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,740.00	0.00	42,941
CMX Copper Active	USD/lb.	300.20	(0.37)	321
LME Copper 3- mth Rolling Fwd.	USD/MT	6,469.00	0.00	98,926
TSI CFR China Iron Ore Fines Index[3]	USD	109.60	(0.45)	N/A
Precious Metals				
CMX Gold	USD/T. oz	1,366.70	(0.89)	176,364
CMX Silver	USD/T. oz	21.20	(1.02)	46,034
NYMEX Platinum	USD/T. oz	1,466.60	(0.20)	10,889
Agricultural Products				
CBOT Corn	USD/bu	479.00	(1.44)	118,649
CBOT Wheat	USD/bu	674.50	(1.86)	68,046
NYB-ICE Sugar	USD/lb.	17.05	(1.16)	65,236
CBOT Soybeans	USD/bu.	1,391.75	0.23	103,623

Bond Yields & Key Rates

	Yield (%)	Chg. WTD
US Fed Fund Rate	0.25	0.00
US Prime Rate	3.25	0.00
US Discount Window	0.75	0.00
US Treasury (1 Mth)	0.0456	(0.51)
US Treasury (5 Yr)	1.5674	3.29
US Treasury (10 Yr)	2.6921	3.78
Japan 10-Yr Gov. Bond	0.6240	(0.30)
China 10-Yr Gov. Bond	4.4500	0.00
ECB Rate (Refinancing)	0.25	0.00
1-Month LIBOR	0.1562	(0.03)
3 Month LIBOR	0.2345	(0.04)
O/N SHIBOR	1.8690	(0.75)
1-mth SHIBOR	3.9380	7.00
3-mth HIBOR	0.3764	0.14
Corporate Bonds (Moody's)		
Aaa	4.37	(9.00)
Baa	5.05	(9.00)

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-Mth
Spot Rate	1.3927	1.6638	0.9082	101.85	0.8734	6.1775	7.7661	6.2110
Chg. WTD (%)	0.09	(0.05)	0.60	(0.48)	(0.11)	(0.45)	0.01	0.05

Note:

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

Disclosures

Analyst Certification
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Definition of equity rating

Rating	Definition
Buy	Stock return ≥ Market return rate
Hold	Market return – 6% ≤ 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 ≤180 day volatility/180 day benchmark index volatility
High	1.5 ≤ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 ≤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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