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Exhibit 1: RRR cut in 2014

	April 25	June 16
County-level rural commercial banks	200 bps	N/A
County-level rural cooperative banks	50 bps	N/A
2/3 of city commercial banks	N/A	50 bps
80% of non-county level rural commercial banks	N/A	50 bps
90% of non-county level rural cooperatives banks	N/A	50 bps
Financial companies, financial leasing companies, and auto loan companies	N/A	50 bps

Source(s): PBOC, ABCI Securities

Exhibit 2: Eligibility for the targeted RRR cut

1	The bank's new loans to the agriculture sector in the previous year exceed 50% of total new lending, and outstanding agricultural loans exceed 30% of total outstanding loans
2	The bank's new loans to MSEs in the previous year exceed 50% of total new lending, and outstanding MSE loans exceed 30% of total outstanding loans
3	Banks enjoyed the previous RRR cut (April 25) will not be eligible for this round of targeted RRR cut

* Banks only need to meet either eligibility 1 or eligibility 2
Source(s): PBOC, ABCI Securities

Targeted easing for agriculture sector and MSEs

The People's Bank of China (PBOC) announced on June 9, 2014 a 50 bps cut in the required reserve ratio (RRR) for two-thirds of city commercial banks, 80% of non-county level rural commercial banks, and 90% of non-county level rural cooperatives banks engaging mainly in lending to the agriculture sector and micro and small sized enterprises (MSEs). The policy will be effective on June 16, 2014. This is the second targeted RRR cut following the latest one in April. The cut is likely to unlock an estimated RMB 60 billion in lending to lessen the risk of further slowdown in the world's second-largest economy. We believe the latest targeted RRR cut will gear up the lending momentum in coming months and lower the market risk premium. Market sentiment is likely to improve, thus stimulating more economic activities.

Better fund allocations. The targeted RRR cut aims to encourage commercial banks and financial institutions to allocate more funds to the real economy in areas in need of support. The PBOC will maintain an accommodative monetary stance, ensuring an appropriate scale of aggregate financing to the real economy to avoid a structural economic slowdown.

Strengthen credit support to modernize the agriculture sector. The release of credits to the agriculture sector would strengthen the government's financial support for agricultural infrastructure construction, agricultural technology research and development, and the development of new types of agricultural business entities. Modernizing agriculture in China would help boost the sector's economic contribution to the economy and improve social well-being of farmers.

Reiterate financial support for MSEs. May's manufacturing PMI index for small enterprises was 48.8, below the expansion-contraction dividing line of 50. This indicates small businesses are still suffering from contraction. China is dedicating more support to MSEs by introducing more financing innovations and credits to ensure expansion of small businesses for domestic needs and employment.

Consumer financing becomes the new focus. The RRR cut of 50 bps also applies to financial companies, financial leasing companies, and auto financing companies. The rate reduction, which encourages companies to make better uses of funds to improve efficiency and expand the role of consumer financing in the economy, aligns with China's macroeconomic transition from an export-led economy to a more balanced model driven by domestic consumption.

More targeted easing in sight. As China aims to meet a GDP target of 7.5% in 2014, policymakers have been enacting a set of mini-stimulus measures such as enhancing support for small businesses and accelerating spending of budgeted funds to weather out the economic slowdown and restore growth impetus. As China is at the turning point to reverse the economic downtrend, we expect the government to scale up its policy support in coming months.



China Economic Indicators

	2013									2014				
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May*
Real GDP (YoY%)	---	---	7.5	---	---	7.8	---	---	7.7	---	---	7.4	---	--
Export Growth (YoY%)	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	7.0
Import Growth (YoY%)	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	(1.6)
Trade Balance (USD/bn)	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	18.8
Retail Sales Growth (YoY%)	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%)	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 (%)	50.6	50.8	50.1	50.3	51.0	51.1	51.4	51.4	51.0	50.5	50.2	50.3	50.4	50.8
PMI - Non-manufacturing (%)	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	55.5
FAI(YTD) (YoY%)	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%)	2.4	2.1	2.7	2.7	2.6	3.1	3.2	3.0	2.5	2.5	2.0	2.4	1.8	2.5
PPI (YoY%)	(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)	(1.4)
M2(YoY%)	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	13.4
New Lending (RMB/bn)	792.9	667.4	860.5	699.9	711.3	787.0	506.1	624.6	482.5	1,320	644.5	1,050	774.7	820.0
Aggregate Financing (RMB bn)	1,762.9	1,187.1	1,037.5	819.1	1,584	1,411.3	864	1,226.9	1,232.2	2,580	938.7	2,081.3	1,550	1,246.5

* Forecast (Excluding PMI - Manufacturing & PMI - Non-manufacturing, Exports, Imports, Trade balance, CPI, PPI)

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 (Bps)
U.S.				Energy				US Fed Fund Rate	0.25	0.00
DJIA	16,943.10	0.11	15.85	NYMEX WTI	USD/bbl	104.68	202,725	US Prime Rate	3.25	0.00
S&P 500	1,951.27	0.09	17.94	ICE Brent Oil	USD/bbl	109.90	185,259	US Discount Window	0.75	0.00
NASDAQ	4,336.24	0.34	34.66	NYMEX Natural Gas	USD/MMBtu	4.62	110,165	US Treasury (1 Mth)	0.0203	0.00
MSCI US	1,866.04	0.09	18.36	Australia Newcastle Steam Coal Spotfob ²	USD/Metric Tonne	72.25	N/A	US Treasury (5 Yr)	1.6842	4.14
Europe				Basic Metals				US Treasury (10 Yr)	2.6149	2.80
FTSE 100	6,845.10	(0.19)	19.81	LME Aluminum Cash	USD/MT	1,886.00	19,246	Japan 10-Yr Gov. Bond	0.6020	0.20
DAX	10,020.09	0.33	18.58	LME Aluminum 3-mth. Rolling Fwd.	USD/MT	1,911.00	43,774	China 10-Yr Gov. Bond	4.1100	4.00
CAC40	4,592.42	0.25	26.46	CMX Copper Active	USD/lb.	6,684.50	21,369	ECB Rate (Refinancing)	0.15	(10.0)
IBEX 35	11,137.80	0.66	23.63	LME Copper 3-mth Rolling Fwd.	USD/MT	6,670.00	55,396	1-Month LIBOR	0.1523	(0.13)
FTSE MIB	22,547.45	1.15	282.9	TSI CFR China Iron Ore Fines Index ³	USD	94.30	N/A	3 Month LIBOR	0.2306	0.10
Stoxx 600	348.79	0.43	22.13	Precious Metals				O/N SHIBOR	2.5700	(1.08)
MSCI UK	2,026.53	0.24	19.91	CMX Gold	USD/T. oz	1,254.30	91,863	1-mth SHIBOR	4.1590	17.50
MSCI France	128.58	0.13	27.32	CMX Silver	USD/T. oz	19.04	36,513	3-mth HIBOR	0.3718	(0.07)
MSCI Germany	133.36	0.21	18.60	NYMEX Platinum	USD/T. oz	1,463.20	11,018	Corporate Bonds (Moody's)		
MSCI Italy	64.98	0.60	788.3	Agricultural Products				Aaa	4.28	12.00
Asia				CBOT Corn	USD/bu	451.75	129,457	Baa	4.83	13.00
NIKKEI 225	14,994.80	(0.55)	19.59	CBOT Wheat	USD/bu	610.75	57,147			
S&P/ASX 200	5,469.65	0.10	19.44	NYB-ICE Sugar	USD/lb.	17.69	52,009			
HSI	23,315.74	1.59	10.89	CBOT Soybeans	USD/bu.	1,219.75	56,121			
HSCEI	10,518.80	1.72	7.71							
CSI300	2,161.27	1.24	9.69							
SSE Composite	2,052.53	1.11	10.03							
SZSE Composite	1,063.89	0.79	26.63							
MSCI China	61.09	0.78	9.36							
MSCI Hong Kong	12,461.20	0.22	12.61							
MSCI Japan	760.58	0.01	14.50							

Note:

1. Data sources: Bloomberg Finance LP, National Bureau of Statistics of China, ABCIS (updated on date of report)
2. Australia Newcastle Steam Coal Spotfob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spotprice published by McCloskey
3. 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	1.3558	1.6802	0.9354	102.36	0.8994	6.2253	7.7515	6.2032
Chg. WTD (%)	(0.62)	0.00	0.23	0.12	(0.64)	0.41	0.01	0.67



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	$2.6 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility}$
High	$1.5 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 2.6$
Medium	$1.0 \leq 180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.5$
Low	$180 \text{ day volatility} / 180 \text{ day benchmark index volatility} < 1.0$

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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