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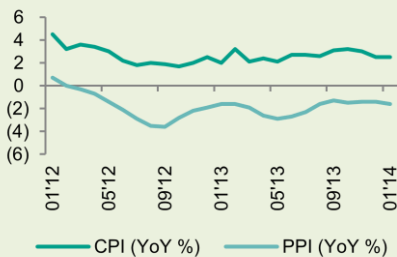
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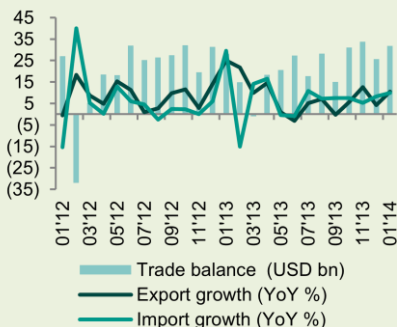
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Exhibit 1: CPI & PPI



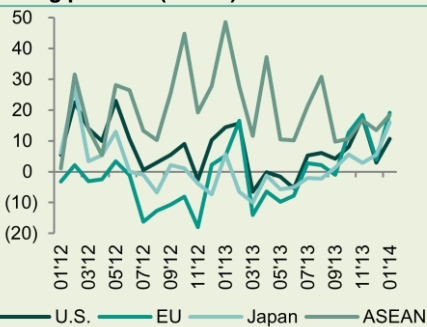
Source(s): NBS, Bloomberg, ABCI Securities

Exhibit 2: China external trade trending upward



Source(s): Bloomberg, ABCI Securities

Exhibit 3: China export growth to major trading partners (YoY %)



Source(s): Bloomberg, ABCI Securities

A good start of China's economy in 2014

In January, both exports and imports posted double-digit growth, exceeding market expectations while CPI and PPI indicated that inflation was still under control. The January data provides evidence that China's economy is in a healthy position to pursue more reform measures. Since the government is about to host the annual NPC conference in March, we expect that the government will roll out more policies to handle economic restructuring, social inequality, and environmental protection.

Inflation remained subdued. In January, CPI remained flat at 2.5% YoY (1% MoM), slightly exceeding market expectation of 2.4% YoY, while PPI dropped by 1.6% YoY (-0.1% MoM). Food price inflation was 3.7% YoY (Dec: 4.1% YoY), which was contributed mostly by a surge of prices of vegetable and fruit, while pork price fell by 4.3% YoY (1% MoM) due to the supply side factor. The price of non-food items continued to increase by 1.9% YoY. On the contrary, PPI still remained at the negative territory and producer price indices for major industries haven't seen evidence of improvement. We believe that, with the improvement of weather conditions and end of Lunar New Year, food inflation will continue to edge down while non-food CPI remained stable, which will be echoed by narrowing negative PPI growth. We forecast CPI will remain stable in the coming months.

External trade reflected a resilient economic recovery. China exports and imports grew by 10.6% YoY and 10% YoY respectively in January. The stronger-than-expected headline export growth and accelerating growth of China's exports to the U.S., EU, Japan, and the ASEAN confirm that the global economic recovery is on track. Domestic demand remains strong amid impressive import growth. However, we believe that January external trade figures were affected by Lunar New Year and some other seasonal factors. Therefore, the external trade data in the coming months will be crucial for us to gauge the underlying strength of China's economy.

Commitment to economic rebalancing remains intact. NPC annual conference will be held in March. We believe that the annual government report will address many strategic economic topics and give us clearer indication of next policy moves. Rebalancing the economy, ameliorating social inequality and protecting environment will be the key themes of NPC. China will give top priority to improving people's livelihood by ensuring sustainable growth in coming decades.



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China Economic Indicators

	2013												2014
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
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
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
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
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	---
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	---
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
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
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	---
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
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)
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	---
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	---

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	0.25	0.00	
DJIA	16,027.59	1.48	15.05	NYMEX WTI	USD/bbl	100.10	0.22	252,023	US Prime Rate	3.25	0.00
S&P 500	1,829.83	1.83	16.93	ICE Brent Oil	USD/bbl	108.40	(1.07)	127,904	US Discount Window	0.75	0.00
NASDAQ	4,240.67	2.78	N/A	NYMEX Natural Gas	USD/MMBtu	5.26	10.09	188,159	US Treasury (1 Mth)	0.0051	(9.12)
MSCI US	1,752.84	1.88	17.18	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	76.85	N/A	N/A	US Treasury (5 Yr)	1.4950	2.61
Europe				Basic Metals				US Treasury (10 Yr)	2.7194	3.65	
FTSE 100	6,659.42	1.34	16.34	LME Aluminum Cash	USD/MT	1,700.25	1.37	15,184	Japan 10-Yr Gov. Bond	0.5970	(2.30)
DAX	9,596.77	3.17	15.29	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,742.00	1.34	29,486	China 10-Yr Gov. Bond	4.4900	(4.00)
CAC40	4,312.80	2.00	22.53	CMX Copper Active	USD/lb.	324.80	0.37	48,225	ECB Rate (Refinancing)	0.25	0.00
IBEX 35	10,098.90	0.26	19.34	LME Copper 3- mth Rolling Fwd.	USD/MT	7,110.00	(0.43)	33,512	1-Month LIBOR	0.1545	(0.10)
FTSE MIB	20,110.30	2.12	96.38	TSI CFR China Iron Ore Fines Index ³	USD	122.00	0.91	N/A	3 Month LIBOR	0.2359	0.20
Stoxx 600	331.48	1.97	21.94	Precious Metals				O/N SHIBOR	3.2780	(99.2)	
MSCI UK	1,964.17	1.35	16.29	CMX Gold	USD/T. oz	1,306.50	3.45	122,608	1-mth SHIBOR	5.4930	9.30
MSCI France	120.44	1.96	22.14	CMX Silver	USD/T. oz	20.81	4.36	50,256	3-mth HIBOR	0.3770	(0.39)
MSCI Germany	131.33	3.11	15.26	NYMEX Platinum	USD/T. oz	1,419.60	2.93	8,142	Corporate Bonds (Moody's)		
MSCI Italy	57.72	1.96	95.29	Agricultural Products				Aaa	4.54	5.00	
Asia				CBOT Corn	USD/bu	440.50	(0.84)	206,058	Baa	5.16	3.00
NIKKEI 225	14,313.03	(1.03)	19.47	CBOT Wheat	USD/bu	599.75	3.85	88,679			
S&P/ASX 200	5,356.26	3.67	20.61	NYB-ICE Sugar	USD/lb.	15.66	(0.45)	97,760			
HSI	22,272.94	2.94	10.10	CBOT Soybeans	USD/bu.	1,349.75	1.37	125,995			
HSCEI	9,938.06	3.03	7.38								
CSI300	2,291.60	3.58	10.90								
SSE Composite	2,112.42	3.32	10.63								
SZSE Composite	1,136.26	3.42	30.87								
MSCI China	59.43	2.34	9.38								
MSCI Hong Kong	11,752.49	2.29	10.91								
MSCI Japan	740.41	0.83	14.77								

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	1.3695	1.6652	0.8992	101.76	0.8921	6.0630	7.7562	6.1105
Chg. WTD (%)	0.44	1.47	0.37	0.53	0.67	0.01	0.03	0.11



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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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