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Exhibit 1: China's stock market rallied in 2014



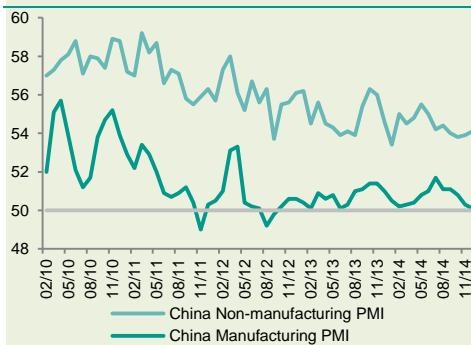
Source(s): Bloomberg, ABCI Securities

Exhibit 2: Performance of major stock markets in 2014

Stock Indices	YoY%
US-Dow	7.5
US-S&P 500	11.4
US-NASDAQ	13.4
UK-FTSE	(2.7)
Germany-DAX	2.7
France-CAC	(0.5)
Japan-NIKKEI	7.1
Australia-SX 200	1.1
New Zealand-NZX 50	17.5
India-S&P BSE SENSEX	30.1
Taiwan-TAIEX	8.1
Korea-KOSPI	(4.8)
Singapore-FITSE STI	6.2
Malaysia-FBMKLCI	(5.7)
Thailand-SET	15.3
Indonesia-JCI	22.3

Source(s): Bloomberg, ABCI Securities

Exhibit 3: Weak PMI in China calls for more stimulus



Source(s): Bloomberg, ABCI Securities

China's stock rally to continue in 2015

2014 was a year of harvest in China's stock market—the Shanghai Exchange Composite index and Shenzhen Exchange Component index soared 52.9% and 35.6%. Although China's economy is undergoing a slowdown amid economic rebalancing, policymakers have pledged to ensure stability by implementing counter-cyclical measures in both the monetary and fiscal fronts. Faced with disinflation risks and weaker growth, China will launch more credit loosening and expansionary fiscal measures in 2015 to revive momentum. Fresh liquidity, driven by accommodative economic policies, is expected to further extend the bull market in 2015.

Global stock market rallied in 2014. Aside from China, stock market in the U.S. also outperformed in 2014 with Dow, S&P 500, and NASDAQ posting YoY growth of 7.5%, 11.4% and 13.4%. Japan's stock market also climbed 7.1% YoY as QE program released massive liquidity into the equity market. For 2015, global stock markets are expected to rally as central banks in Asia and Europe flood markets with fresh liquidity to avert economic downturn.

China's weak PMI calls for more stimulus. China's manufacturing PMI dipped to 50.1 in December, compared to 50.3 in November and the consensus of 50.0, reaching its 7-month low and extending the downtrend since September 2014. Latest PMI shows manufacturing activities are losing steam. New orders fell as Chinese factories find themselves struggling with sluggish domestic demand. Weakening PMI in December urges further relaxation of monetary policy.

Credit loosening becomes the major driver of stock market. The surprised 40bp cut in interest rate in November laid the foundation for more stimulus designed to moderate an economic slowdown. The relaxation of rules on calculation of banks' deposits and the waiving of reserves requirements for savings of non-deposit-taking financial institutions held at lenders were also key monetary measures to release liquidity into the market. Massive credit easing that targets to increase credit volume and lower cost of capital will boost economic activities. Liquidity has been channeling into China's stock market and this will dictate the continuation of the rally in 2015.

Hong Kong's stock market will benefit from loosening policies in China. While Hong Kong's economy has become increasingly linked to mainland China, its monetary policy is still tied to the U.S. through the dollar peg system. Hong Kong's stock market has turned more volatile on China's economic slowdown as well as fear of an earlier-than-expected interest rate hike in the U.S. As the U.S. Fed maintained that there would be no rate hike in 1Q15, uncertainties among investors have been reduced. With China's policymakers intending to further loosen monetary policy to sustain economic growth, we believe the accommodative liquidity environment will add fuel to Hong Kong's stock market in 2015.



China Economic Indicators

	2013				2014										
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Real GDP (YoY%)	7.8	---	---	7.7	---	---	7.4	---	--	7.5	--	---	7.3	---	---
Export Growth (YoY%)	(0.3)	5.6	12.7	5.8	10.6	(18.1)	(6.6)	0.9	7.0	7.2	14.5	9.4	15.3	11.6	4.7
Import Growth (YoY%)	7.4	7.6	5.3	6.5	10.0	10.1	(11.3)	0.8	(1.6)	5.5	(1.6)	(2.4)	7.0	4.6	(6.7)
Trade Balance (USD/bn)	15.2	31.1	33.8	32.3	31.9	(23.0)	7.7	18.5	35.9	31.6	47.3	49.8	30.9	45.4	54.5
Retail Sales Growth (YoY%)	13.3	13.3	13.7	13.6		11.8	12.2	11.9	12.5	12.4	12.2	11.9	11.6	11.5	11.7
Industrial Production (YoY%)	10.2	10.3	10.0	9.7		8.6	8.8	8.7	8.8	9.2	9.0	6.9	8.0	7.7	7.2
PMI - Manufacturing (%)	51.1	51.4	51.4	51.0	50.5	50.2	50.3	50.4	50.8	51.0	51.7	51.1	51.1	50.8	50.3
PMI - Non-manufacturing (%)	55.4	56.3	56.0	54.6	53.4	55.0	54.5	54.8	55.5	55.0	54.2	54.4	54.0	53.8	53.9
FAI(YTD) (YoY%)	20.2	20.1	19.9	19.6		17.9	17.6	17.3	17.2	17.3	17.0	16.5	16.1	15.9	15.8
CPI (YoY%)	3.1	3.2	3.0	2.5	2.5	2.0	2.4	1.8	2.5	2.3	2.3	2.0	1.6	1.6	1.4
PPI (YoY%)	(1.3)	(1.5)	(1.4)	(1.4)	(1.6)	(2.0)	(2.3)	(2.0)	(1.4)	(1.1)	(0.9)	(1.2)	(1.8)	(2.2)	(2.7)
M2(YoY%)	14.2	14.3	14.2	13.6	13.2	13.3	12.1	13.2	13.4	14.7	13.5	12.8	12.9	12.6	12.3
New Lending (RMB/bn)	787.0	506.1	624.6	482.5	1,320	644.5	1,050	774.7	870.8	1080	385.2	702.5	857.2	548.3	852.7
Aggregate Financing (RMB bn)	1,411.3	864	1,226.9	1,232.2	2,580	938.7	2,081.3	1,550	1,400	1,970	273.7	957.7	1135.5	662.7	1150.0

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	17,823.07	(1.28)	15.92	NYMEX WTI	USD/bbl	53.50	199,124	US Prime Rate	3.25	0.00
S&P 500	2,058.90	(1.43)	18.22	ICE Brent Oil	USD/bbl	57.26	122,964	US Discount Window	0.75	0.00
NASDAQ	4,736.05	(1.47)	42.06	NYMEX Natural Gas	USD/MMBtu	2.91	57,528	US Treasury (1 Mth)	0.0101	0.50
MSCI US	1,964.73	(1.44)	18.62	Australia Newcastle Steam Coal Spot fob ²	USD/Metric Tonne	62.75	N/A	US Treasury (5Yr)	1.6857	(7.54)
Europe				Basic Metals				US Treasury (10 Yr)	2.1985	(5.14)
FTSE 100	6,525.14	(1.28)	18.66	LME Aluminum Cash	USD/MT	1,825.00	15,032	Japan 10-Yr Gov. Bond	0.3290	(0.10)
DAX	9,726.63	(1.97)	17.08	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	1,852.50	24,715	China 10-Yr Gov. Bond	3.6500	0.00
CAC40	4,240.70	(1.28)	25.36	CMX Copper Active	USD/lb.	6,349.00	9,632	ECB Rate (Refinancing)	0.05	0.00
IBEX 35	10,278.40	(1.94)	21.62	LME Copper 3- mth Rolling Fwd.	USD/MT	6,300.00	27,947	1-Month LIBOR	0.1713	0.25
FTSE MIB	19,030.52	(1.66)	N/A	Precious Metals				3 Month LIBOR	0.2556	(0.10)
Stoxx 600	341.17	(0.79)	21.18	CMX Gold	USD/T. oz	1,185.00	81,793	O/N SHIBOR	3.5280	4.20
MSCI UK	1,931.92	(0.69)	18.65	CMX Silver	USD/T. oz	15.81	23,606	1-mth SHIBOR	5.5880	(36.9)
MSCI France	120.36	(0.54)	26.84	NYMEX Platinum	USD/T. oz	1,208.10	7,407	3-mth HIBOR	0.3850	(0.64)
Asia				Agricultural Products				Corporate Bonds (Moody's)		
NIKKEI 225	17,450.77	(2.07)	21.39	CBOT Corn	USD/bu	397.00	84,488	Aaa	3.73	(6.00)
S&P/ASX 200	5,435.93	0.77	18.76	CBOT Wheat	USD/bu	589.75	32,088	Baa	4.69	(6.00)
HSI	23,857.82	2.18	10.09	NYB-ICE Sugar	USD/lb.	14.52	16,994			
HSCEI	12,245.35	5.95	8.56	CBOT Soybeans	USD/bu.	1,023.50	70,448			
CSI300	3,533.71	2.55	15.65							
SSE Composite	3,234.68	2.44	15.45							
SZSE Composite	1,415.19	(1.69)	34.36							
MSCI China	66.15	2.51	9.95							
MSCI Hong Kong	12,502.01	0.36	10.35							
MSCI Japan	867.95	(1.57)	15.96							

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-mth Spot pr.
Spot Rate	1.2047	1.5499	0.8142	120.37	0.9980	6.2077	7.7556	6.3360
Chg. WTD (%)	(1.12)	(0.38)	0.26	(0.05)	(1.05)	0.09	0.06	0.25

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



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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