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### **Exhibit 1: Reforms**

#### **Market reform**

- Accelerate renminbi convertibility and interest rate reform.
- Push pricing reform for oil, gas, power, water, transportation, telecom & other sectors.
- Allow local governments to expand financing channels for construction projects, including the issuance of bonds.
- Set up free-trade zones in more areas.
- Improve treasury yield curves to reflect market supply and demand.

#### **Property reform**

- Push through legislation for a property tax and implement further reforms when considered appropriate

#### **SOE reform**

- Allow non-state involvement in government projects.
- Actively pursue a "mixed ownership economy".

Source(s): Bloomberg, ABCI Securities

## All eyes on more structural reforms

China has unveiled its structural reform agenda, aiming to transition China to a more free-market consumer economy with fewer controls. China pledges to push ahead with a package of market reforms to encourage more efficient capital allocation, increase foreign investment and improve market transparency. On the economic front, the plans include enhancing the operational efficiency of state-owned enterprises (SOEs), removing price controls, liberalizing interest rates setting and moving towards fuller convertibility of renminbi. The moderating economy in 3Q14 has prompted policymakers to step up growth-boosting efforts. China has gone forward with a policy of facilitating structural reforms while conducting targeted loosening to support SMEs and agriculture sector, in addition to encouraging greater investment in infrastructure and new industries. The country will maintain an accommodating stance on monetary and fiscal policies to reinforce structural reforms and improve economic momentum.

**More sectors to open up.** So far, the Chinese government has made great strides in promoting SOE reforms and normalizing costs by further liberalizing natural resources prices, interest rate, convertibility of exchange rate, development of multi-tier capital market structure and opening of capital account. We expect state-dominated sectors such as finance, petrochemicals, aviation, coal, shipping, electricity, and even military industries will be further opened up to private and foreign investors. Moreover, the reform calls for a "hybrid ownership structure" that combines state, private and other forms of ownership. It will transform state assets into "state capital" that will invest in enterprises in a manner similar to various sovereign funds in the global stock markets.

**Stepping up fiscal initiatives to stabilize economic growth.** Moderating economic activities has prompted Chinese policymakers to step up efforts to boost growth. To avoid over-investment and inflation, the current round of proactive fiscal stimulus is more targeted, focusing on industries such as railways, agriculture, education, healthcare and environmental protection. In addition, the central government will encourage social private funds to participate in the latest round of investment funding. More private enterprises will invest in high-barrier sectors conventionally dominated by large SOEs, including energy, telecommunications, education and healthcare.

**Structural reforms to achieve sustainable economic growth.** Stabilizing economic conditions has made aggressive policy easing become less necessary, yet the direction of prudent policy loosening remains intact. Going forward, successful implementation of structural reforms will help set China's growth off on a more normalized and sustainable course. The government will continue to play an active role, but only to provide public goods and overcome market failure. Overall, the reform agenda will likely serve as the last push needed to complete China's transition to a market economy.



China Economic Indicators

	2013					2014									
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Real GDP (YoY%)	---	7.8	---	---	7.7	---	---	7.4	---	--	7.5	--	---	7.3	---
Export Growth (YoY%)	7.2	(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
Import Growth (YoY%)	7.0	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
Trade Balance (USD/bn)	28.5	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
Retail Sales Growth (YoY%)	13.4	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	
Industrial Production (YoY%)	10.4	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	
PMI - Manufacturing (%)	51.0	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
PMI - Non-manufacturing (%)	53.9	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
FAI(YTD) (YoY%)	20.3	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	
CPI (YoY%)	2.6	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
PPI (YoY%)	(1.6)	(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)
M2(YoY%)	14.7	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
New Lending (RMB/bn)	711.3	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
Aggregate Financing (RMB bn)	1,584	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	1052.2	662.7

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 (Bps)	
<b>U.S.</b>				<b>Energy</b>				US Fed Fund Rate	0.25	0.00	
DJIA	17,687.82	0.30	15.79	NYMEX WTI	USD/bbl	73.99	(2.41)	325,577	US Prime Rate	3.25	0.00
S&P 500	2,051.80	0.59	18.13	ICE Brent Oil	USD/bbl	78.30	(1.40)	160,829	US Discount Window	0.75	0.00
NASDAQ	4,702.44	0.30	74.73	NYMEX Natural Gas	USD/MMBtu	4.25	5.60	167,772	US Treasury (1 Mth)	0.0203	(1.52)
MSCI US	1,958.71	0.58	18.53	Australia Newcastle Steam Coal Spot fob <sup>2</sup>	USD/Metric Tonne	62.10	N/A	N/A	US Treasury (5Yr)	1.6055	0.01
<b>Europe</b>				<b>Basic Metals</b>				US Treasury (10 Yr)	2.3134	(0.70)	
FTSE 100	6,697.69	0.65	18.92	LME Aluminum Cash	USD/MT	2,021.00	(0.37)	37,353	Japan 10-Yr Gov. Bond	0.4830	0.00
DAX	9,461.02	2.25	16.97	LME Aluminum 3 -mth. Rolling Fwd.	USD/MT	2,011.00	(0.54)	34,375	China 10-Yr Gov. Bond	3.7000	6.00
CAC40	4,256.81	1.29	25.50	CMX Copper Active	USD/lb.	6,679.00	(1.02)	27,415	ECB Rate (Refinancing)	0.05	0.00
IBEX 35	10,405.30	2.54	21.27	LME Copper 3- mth Rolling Fwd.	USD/MT	6,631.00	(1.10)	41,727	1-Month LIBOR	0.1540	0.10
FTSE MIB	19,361.40	2.09	493.7	<b>Precious Metals</b>				3 Month LIBOR	0.2319	(0.03)	
Stoxx 600	338.66	0.90	20.99	CMX Gold	USD/T. oz	1,198.50	1.09	207,050	O/N SHIBOR	2.5040	1.80
MSCI UK	1,976.86	0.81	18.98	CMX Silver	USD/T. oz	16.21	(0.64)	54,930	1-mth SHIBOR	3.9300	3.70
MSCI France	119.45	1.39	26.78	NYMEX Platinum	USD/T. oz	1,203.50	(0.79)	9,897	3-mth HIBOR	0.3721	0.07
MSCI Germany	126.40	2.14	16.99	<b>Agricultural Products</b>				Corporate Bonds (Moody's)			
MSCI Italy	56.29	1.90	3,180	CBOT Corn	USD/bu	382.00	(3.11)	149,751	Aaa	3.95	1.00
<b>Asia</b>				CBOT Wheat	USD/bu	546.00	(2.98)	65,874	Baa	4.83	3.00
NIKKEI 225	17,288.75	(1.16)	21.12	NYB-ICE Sugar	USD/lb.	15.71	(1.19)	44,885			
S&P/ASX 200	5,368.84	(1.57)	18.53	CBOT Soybeans	USD/bu.	1,016.75	(0.56)	123,393			
HSI	23,373.31	(2.96)	10.10								
HSCEI	10,380.56	(3.54)	7.18								
CSI300	2,537.22	(1.70)	10.99								
SSE Composite	2,450.99	(1.12)	11.64								
SZSE Composite	1,347.36	1.87	32.50								
MSCI China	62.89	(2.60)	9.34								
MSCI Hong Kong	12,953.98	(2.35)	10.72								
MSCI Japan	863.18	(0.39)	15.85								

Currency

	Euro/USD	GBP/USD	AUD/USD	USD/JPY	USD/CHF	USD/CNY	USD/HKD	USD/CNY NDF 12-mth Spot pr.
Spot Rate	1.2538	1.5611	0.8658	117.35	0.9579	6.1212	7.7547	6.2515
Chg. WTD (%)	0.10	(0.37)	(1.05)	(0.90)	0.13	0.14	(0.00)	0.19

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



## 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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