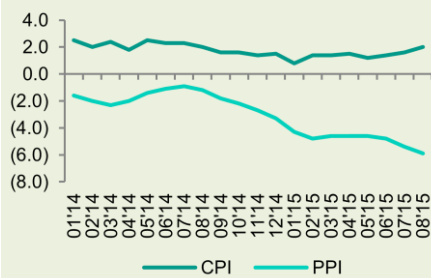




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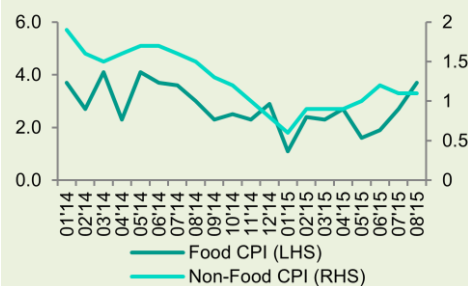
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Exhibit 1 : CPI and PPI (YoY %)



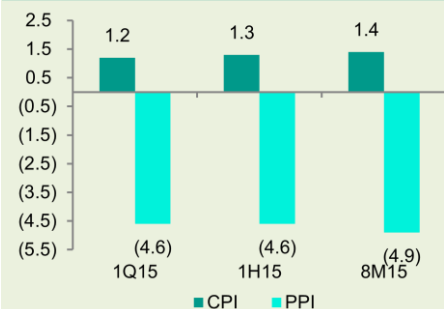
Source(s): NBS, Bloomberg, ABCI Securities

Exhibit 2: Food and Non-food CPI (YoY %)



Source(s): NBS, Bloomberg, ABCI Securities

Exhibit 3: Aggregate CPI and PPI from 1Q15 to 8M15 (YoY %)



Source(s): Bloomberg, NBS, ABCI Securities

China's inflation edged up on rising food prices

China's August CPI inflation edged up to 2% YoY (+0.5% MoM) from July's 1.6% YoY (+0.3% MoM), the highest since August 2014 and is ahead of market expectations. The surging CPI was mainly driven by accelerating food prices, especially the pork prices. Deflationary pressure for producers persists, with decline in PPI widening to 5.9%. CPI for 8M15 reached 1.4%, much lower than the government's target of 3.0%. To mitigate the risk of declining prices triggered by weak domestic demand and overcapacity, more stimulus measures will be required to promote growth and stabilize consumer and producer prices.

August CPI climbed on rising pork and vegetable prices. Contributing to the rise of CPI was the food CPI that increased by 3.7% YoY, compared to 2.7% YoY in July. Non-food CPI stayed flat at 1.1% YoY in August. Higher agricultural prices pose the biggest upside risk to CPI. In particular, pork and vegetables prices rose 19.6% and 15.9% YoY. (July: +16.7% and +10.5%)

PPI deflation is worsening. China's PPI, a gauge of factory-gate prices, dropped 5.9% in August from a year earlier, deeper than the 5.4% YoY decline in July. PPI has been falling for 42 months in a row, signaling overcapacity in China's factories and flagging commodity prices. Also, oversupply in the property sector has impacted its upstream industries and undermined demand for industrial output. We believe factory-gate prices will remain subdued in coming months on weakening global commodity prices. Deflationary spiral will continue, and China's producer prices will likely experience the fourth year of deflation since 2012.

Evidence of weakening economic momentum. Price movement in August further confirmed the dwindling economic trend. Except for pork and vegetables, general food and non-food prices are easing, which indicates faltering demand for consumer goods and consumption in general. Also, lackluster demand for industrial products and overcapacity have augmented the downside pressure on producers' prices. The widening decline in factory-gate prices will squeeze corporate profits, which in turn would reduce investment and consumption.

Low inflation gives room for more stimulus. Recent economic data point to further weakness in China's economy. For policymakers, low consumer inflation and continued deflation in producer prices would give room to loosen up more credits to promote growth. To meet its full-year growth target of 7.0%, we believe China will intensify efforts to deploy stimulus and escalate some of its pro-growth measures in 4Q15.



China Economic Indicators

| | 2014 | | | | | | | | 2015 | | | | | | | |
|------------------------------|-------|-------|-------|-------|---------|-------|---------|-------|--------|--------|--------|--------|--------|---------|-------|---------|
| | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Real GDP (YoY%) | -- | 7.5 | -- | --- | 7.3 | --- | --- | 7.3 | --- | --- | 7.0 | --- | --- | 7.0 | --- | --- |
| Export Growth (YoY%) | 7.0 | 7.2 | 14.5 | 9.4 | 15.3 | 11.6 | 4.7 | 9.7 | (3.2) | 48.3 | (15.0) | (6.4) | (2.5) | 2.8 | (8.3) | (5.5)* |
| Import Growth (YoY%) | (1.6) | 5.5 | (1.6) | (2.4) | 7.0 | 4.6 | (6.7) | (2.4) | (19.7) | (20.5) | (12.7) | (16.2) | (17.6) | (6.1) | (8.1) | (13.8)* |
| Trade Balance (USD/bn) | 35.9 | 31.6 | 47.3 | 49.8 | 30.9 | 45.4 | 54.5 | 49.6 | 60.0 | 60.6 | 3.1 | 34.1 | 59.49 | 46.6 | 43.0 | 60.3* |
| Retail Sales Growth (YoY%) | 12.5 | 12.4 | 12.2 | 11.9 | 11.6 | 11.5 | 11.7 | 11.9 | 10.7 | | 10.2 | 10.0 | 10.1 | 10.6 | 10.5 | 10.7 |
| Industrial Production (YoY%) | 8.8 | 9.2 | 9.0 | 6.9 | 8.0 | 7.7 | 7.2 | 7.9 | 6.8 | | 5.6 | 5.9 | 6.1 | 6.8 | 6.0 | 5.8 |
| PMI - Manufacturing (%) | 50.8 | 51.0 | 51.7 | 51.1 | 51.1 | 50.8 | 50.3 | 50.1 | 49.8 | 49.9 | 50.1 | 50.1 | 50.2 | 50.2 | 50.0 | 49.7* |
| PMI - Non-manufacturing (%) | 55.5 | 55.0 | 54.2 | 54.4 | 54.0 | 53.8 | 53.9 | 54.1 | 53.7 | 53.9 | 53.7 | 53.4 | 53.2 | 53.8 | 53.9 | 53.4* |
| FAI(YTD) (YoY%) | 17.2 | 17.3 | 17.0 | 16.5 | 16.1 | 15.9 | 15.8 | 15.7 | 13.9 | | 13.5 | 12.0 | 11.4 | 11.4 | 11.2 | 11.3 |
| CPI (YoY%) | 2.5 | 2.3 | 2.3 | 2.0 | 1.6 | 1.6 | 1.4 | 1.5 | 0.8 | 1.4 | 1.4 | 1.5 | 1.2 | 1.4 | 1.6 | 2.0* |
| PPI (YoY%) | (1.4) | (1.1) | (0.9) | (1.2) | (1.8) | (2.2) | (2.7) | (3.3) | (4.3) | (4.8) | (4.6) | (4.6) | (4.6) | (4.8) | (5.4) | (5.9)* |
| M2(YoY%) | 13.4 | 14.7 | 13.5 | 12.8 | 12.9 | 12.6 | 12.3 | 12.2 | 10.8 | 12.5 | 11.6 | 10.1 | 10.8 | 11.8 | 13.3 | 13.5 |
| New Lending (RMB/bn) | 870.8 | 1,080 | 385.2 | 702.5 | 857.2 | 548.3 | 852.7 | 697.3 | 1,470 | 1,020 | 1,180 | 707.9 | 900.8 | 1,280.6 | 1,480 | 1,000 |
| Aggregate Financing (RMB bn) | 1,400 | 1,970 | 273.7 | 957.7 | 1,135.5 | 662.7 | 1,146.3 | 1,690 | 2,050 | 1,350 | 1,181 | 1,050 | 1,220 | 1,860 | 718.8 | 1,053.5 |

* Actual figures for August (rest as forecasts)

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 | | | | | | |
| DJIA | 16,253.57 | 0.94 | 14.19 | NYMEX WTI | USD/bbl | 44.86 | (2.58) | 509,186 | 0.25 | 0.00 | | | | |
| S&P 500 | 1,942.04 | 1.08 | 17.14 | ICE Brent Oil | USD/bbl | 48.16 | (2.92) | 202,613 | 3.25 | 0.00 | | | | |
| NASDAQ | 4,756.53 | 1.55 | 27.11 | NYMEX Natural Gas | USD/MMBtu | 2.68 | 1.09 | 123,057 | 0.75 | 0.00 | | | | |
| MSCI US | 1,860.71 | 1.08 | 17.84 | Australia Newcastle Steam Coal Spot fob ² | USD/Metric Tonne | 61.80 | N/A | N/A | 0.0102 | 1.02 | | | | |
| Europe | | | | Basic Metals | | | | US Treasury (1 Yr) | | | | | | |
| FTSE 100 | 6,173.96 | 2.17 | 22.46 | LME Aluminum Cash | USD/MT | 1,607.75 | 1.29 | 13,604 | 1.5356 | 6.92 | | | | |
| DAX | 10,238.54 | 2.00 | 16.13 | LME Aluminum 3 -mth. Rolling Fwd. | USD/MT | 1,630.00 | 1.37 | 26,593 | 2.2042 | 7.98 | | | | |
| CAC40 | 4,628.50 | 2.33 | 20.32 | CMX Copper Active | USD/lb. | 5,381.75 | 4.82 | 9,716 | 0.3500 | (1.00) | | | | |
| IBEX 35 | 9,903.90 | 0.84 | 18.18 | LME Copper 3- mth Rolling Fwd. | USD/MT | 5,365.00 | 4.79 | 48,832 | 3.3500 | (5.00) | | | | |
| FTSE MIB | 21,982.65 | 2.37 | N/A | Precious Metals | | | | China 10-Yr Gov. Bond | | | | | | |
| Stoxx 600 | 360.63 | 2.13 | 20.96 | CMX Gold | USD/T. oz | 1,106.00 | (1.37) | 130,475 | 0.05 | 0.00 | | | | |
| MSCI UK | 1,819.21 | 3.06 | 23.13 | CMX Silver | USD/T. oz | 14.73 | 1.21 | 34,829 | 0.2030 | 0.38 | | | | |
| MSCI France | 131.14 | 3.03 | 20.84 | NYMEX Platinum | USD/T. oz | 989.80 | (0.26) | 11,633 | 0.3320 | 0.00 | | | | |
| MSCI Germany | 135.56 | 2.60 | 16.41 | Agricultural Products | | | | 1-Month LIBOR | | | | | | |
| MSCI Italy | 63.43 | 3.04 | N/A | CBOT Corn | USD/bu | 369.25 | 1.72 | 149,375 | 0.3320 | 0.00 | | | | |
| Asia | | | | CBOT Wheat | USD/bu | 474.00 | 1.34 | 65,077 | 1.8990 | (13.2) | | | | |
| NIKKEI 225 | 18,299.62 | 2.85 | 19.14 | NYB-ICE Sugar | USD/lb. | 11.36 | 0.80 | 106,965 | 3.0080 | (4.40) | | | | |
| S&P/ASX 200 | 5,095.02 | 1.08 | 18.53 | CBOT Soybeans | USD/bu. | 874.00 | 0.87 | 100,915 | 0.3996 | (0.35) | | | | |
| HSI | 21,562.50 | 3.46 | 9.33 | Corporate Bonds (Moody's) | | | | | | | | | | |
| HSCEI | 9,780.16 | 6.66 | 6.97 | Aaa | | | | | | | 4.11 | 8.00 | | |
| CSI300 | 3,357.56 | (0.25) | 13.63 | Baa | | | | | | | 5.36 | 8.00 | | |
| SSE Composite | 3,197.89 | 1.19 | 15.92 | Note: | | | | | | | | | | |
| SZSE Composite | 1,770.38 | 5.76 | 40.10 | 1. Data sources: Bloomberg, National Bureau of Statistics of China, ABCIS (updated on date of report) | | | | | | | | | | |
| MSCI China | 59.79 | 6.98 | 9.12 | 2. Australia Newcastle Steam Coal Spot fob is the Australia Newcastle 6700 kc GAD fob Steam Coal Spot price published by McCloskey | | | | | | | | | | |
| MSCI Hong Kong | 12,126.38 | 6.01 | 9.83 | | | | | | | | | | | |
| MSCI Japan | 920.83 | 4.64 | 15.59 | | | | | | | | | | | |
| * As of 12:00 AM closing | | | | | | | | | | | | | | |
| Currency | | | | | | | | | | | | | | |
| | Euro/USD | GBP/USD | AUD/USD | USD/JPY | USD/CHF | USD/CNY | USD/HKD | USD/CNY NDF 12-mth Spot pr. | | | | | | |
| Spot Rate | 1.1202 | 1.5394 | 0.7064 | 120.90 | 0.9755 | 6.3772 | 7.7503 | 6.6000 | | | | | | |
| Chg. WTD (%) | 0.48 | 1.48 | 2.26 | (1.58) | (0.42) | (0.33) | 0.00 | 0.48 | | | | | | |



Disclosures

Analyst Certification

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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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