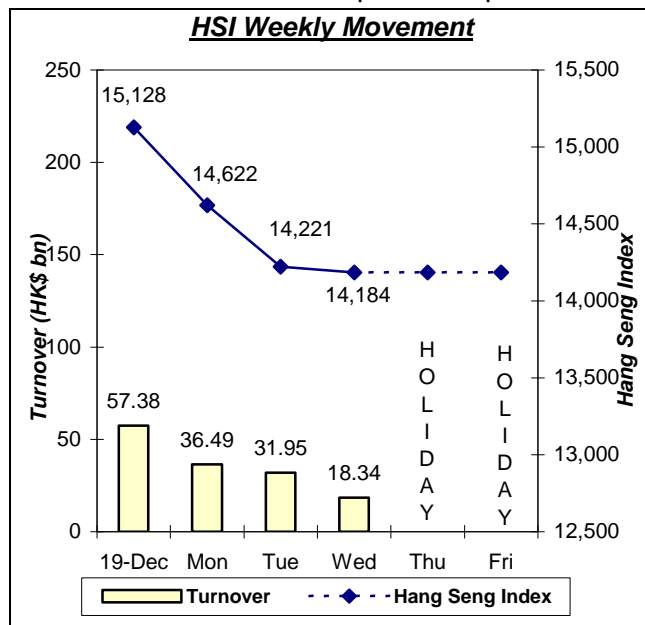


## HSI slumped on profit taking ahead of a long weekend



<b>Weekly Market Statistics</b>				
Week ended	24/12/2008	19/12/2008	Change	%
Hang Seng Index	14,184	15,128	-944	-6.2%
HS Red Chip Index	3,183	3,448	-265	-7.7%
HS China Enterprises Index	7,685	8,435	-750	-8.9%
HS Composite Index	1,951	2,084	-133	-6.4%
HS HK Composite Index	1,417	1,467	-50	-3.4%
HS Mainland Composite Index	2,603	2,827	-224	-7.9%
Growth Enterprise Index	373	376	-3	-0.7%
Avg Daily Turnover (HK\$ bn)	34.7	49.8	-15	-30.3%
Sectoral Indices				
Finance	21,775	23,115	-1,340	-5.8%
Utilities	33,115	32,225	+890	+2.8%
Properties	17,134	18,584	-1,450	-7.8%
Comm & Ind	7,639	8,258	-619	-7.5%

### Review & Outlook of Market Performance

Hong Kong shares opened the week higher but closed the days below 15,000 during the whole week. Investors were disappointed by a smaller than expected interest rates cut from Beijing and they locked in gains ahead of the Christmas holidays. Over the shorter trading week of just 5 trading sessions, the Hang Seng Index plunged 944 points or 6.2% to 14,184.14, while the HSCEI fell 8.89% to 7,685.17. Market volume slumped further with the daily average of mainboard turnover down further by 30.3% w-o-w to just HK\$34.7 billion.

Mainland announced that it would spend RMB 5 trillion until 2020 to expand its rail network. China Railway Group (#00390) and China Railway Construction Corp (CRCC) (#01186) were expected to get more contracts at a faster pace after Beijing's stimulus measures take effect. However, profit taking dragged both stocks to close 11.21% and 4.10% lower over the week. Also, China slashed its benchmark lending rate (from 5.58% to 5.31%) and deposit rate (from 2.52% to 2.25%) effective 25 Dec 2008, for the fifth time in four months in an attempt to pump liquidity into the market and bolster economic growth. A 50 basis points reduction in the banking reserve requirement ratio was also announced on 22 Dec 2008. Market disappointed on such a lower than expected rates cut and the HSI slumped on the following day on profit taking. Despite the weak market sentiment, Strong Petrochemical Holdings (#00852) surprised the market to have its initial public offering. The counter is going to raise some HK\$200 million and will be listed on 12<sup>th</sup> Jan 2009. CVM Minerals (#00705), the last newly listed stock on the HKEx this year, closed the week at HK\$1.10 (vs. the issuing price of HK\$1.05), after gaining 20% on its debut on Monday.

Looking ahead, trading should be more cautious next week ahead of the expiry of the Dec 08 Hang Seng Index futures contracts and the New Year holidays. The HSI is believed to see technical support at 14,500 level in the near term.

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### US & Regional Markets Weekly Update

Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
24th December	8,419.49*	1,521.54*	8,517.10	1,736.99	869.62	439.17	4,423.09
19th December	8,579.11	1,564.32	8,588.52	1,795.47	876.40	447.01	4,694.52
Change	-159.62	-42.78	-71.42	-58.48	-6.78	-7.84	-271.43
%	-1.9%	-2.7%	-0.8%	-3.3%	-0.8%	-1.8%	-5.8%

Remarks: (\*) closing as of 23<sup>rd</sup> December 2008

### Major Changes in Index Constituent Stocks (Week ended 24<sup>th</sup> December 2008)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @24/12/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Yue Yuen Ind	00551	HK\$15.92	+HK\$1.04	+6.99%	The counter was one of the mainland-based Taiwanese companies dodged the downdraft after mainland pledged to help Taiwan firms tide over the global economic downturn.
Cosco Pacific	01199	HK\$7.29	-HK\$1.27	-14.84%	The share of Cosco Pacific ranked the top losers among the HSI and the HSCCI constituent stocks as news reported that China saw the slowest growth in port traffic in 10 years in November, only up 0.5% y-o-y.

#### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @24/12/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Shipping Development	01138	HK\$6.91	-HK\$1.89	-21.48%	The counter fell the most among the bulk carriers over the week following losses on the global freight index which was weighted down by lower demand for raw materials.

#### Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @24/12/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinotruk	03808	HK\$6.05	+HK\$0.45	+8.04%	The counter bucked the trend and ended the week in positive territory on share buyback.



### Summary of US Economic News

Indicator	Change/Index	Comments
Gross Domestic Product – Q3 final	-0.5%	In line with expectation, the US economy shrank in the third quarter at a 0.5% annual pace from a growth of 2.8% in the previous quarter, as recession began to intensify. Market expected that the economy would suffer further on lack of credit, declining home prices and spending cuts.
Consumer Sentiment – December 2008	60.1	Consumer sentiment rebounded to 60.1 from 55.3 in November as gasoline prices dropped.
Existing Home Sales – November 2008	-8.6%	Existing home sales fell by 8.6% in November to an annual pace of 4.49 million units, while sales in October was revised down to 4.91 million from 4.98 million.
New Home Sales – November 2008	-2.9%	Sales of new homes fell 2.9% (lower than forecast) to a seasonally adjusted annual rate of 407,000 in November as credit dried up and consumer confidence sank.

### Forthcoming Important Announcements / Events

29 <sup>th</sup> December 2008 (Monday)	HK	:	Trade Balance – November 2008 Exports – November 2008 Imports – November 2008 Sino Resources Group Limited (00223) – interim results Sino Union Petroleum & Chemical International Limited (00346) – interim results Mei Ah Entertainment Group Limited (00391) – interim results Shun Cheong Holdings Limited (00650) – interim results China HealthCare Holdings Limited (00673) – interim results Uni- Bio Science Group Limited (00690) – interim results China Grand Forestry Green Resources Group Limited (00910) – interim results Norstar Founders Group Limited (02339) – interim results
	US	:	No important announcement/ event
30 <sup>th</sup> December 2008 (Tuesday)	HK	:	China Water Affairs Group Limited (00855) – interim results
	US	:	Consumer confidence – December 2008 Farm prices – December 2008
31 <sup>st</sup> December 2008 (Wednesday)	HK	:	CIL Holdings Limited (00479) – final results
	US	:	Initial jobless claim – for the week ended 27 December 2008 NAPM (Chicago) – December 2008
1 <sup>st</sup> January 2009 (Thursday)	HK	:	New Year holiday
	US	:	New Year holiday
2 <sup>nd</sup> January 2009 (Friday)	HK	:	Purchasing managers index – December 2008 Retail sales – November 2008
	US	:	ISM Manufacturing – December 2008

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